

# How Brand's Upward Extension Strategy Influences Consumers: A Study based on BYD's Brand Upward Extension Strategy in Mainland China

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## Abstract

Many local Chinese auto brands have begun implementing upward brand extension strategies. They intend to gain market share by becoming competitive with European and American brands in the high-end luxury new energy vehicle segment. Therefore, it is important to understand consumers' attitudes towards brand upward extension, especially Chinese ones. A company can leverage its established brand value and reputation through the brand upward extension strategy to diversify and expand into new products or market segments. Based on categorisation theory, this study examines how the four factors of parent brand name and logo, perceived quality, consumer familiarity with the parent brand, and consumer trust in the parent brand affect consumer acceptance of upward brand extension; this study also examines how the four factors of Resource-based fit, Function-based fit, Usage-occasion-based fit and Feature-based fit affect consumer purchase intention based on perceived fit theory. Using the parent brand BYD and its sub-brand Yangwang as examples, this study collected 307 valid data sets and concluded regression analysis. The conclusions show that perceived quality has the most significant positive impact on consumer acceptance in a corporate brand upward extension strategy. Resource-based fit has the most significant positive effect on consumer purchase intention in a corporate brand upward extension strategy.

## Keywords

Brand Upward Extension; Categorization Theory; Association Evaluation; Perceived Fit.

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## 1. Introduction

In the face of such a significant emerging market for new energy vehicles, China's domestically produced car brands need help with many problems [1]. In the past, Chinese domestic automobile companies have often adopted a low-cost, low-priced, high-capacity operation model to capture the market [2]. This has resulted in the quality of Chinese domestic automobiles needing improvement [3], which cannot be compared with European and American premium automobile brands [4]. From a brand strategy perspective, consumers do not trust Chinese-owned domestic car brands in the premium passenger car segment due to the past low-quality brand image of Chinese domestic cars [5].

To change this situation, several Chinese automobile companies have embarked on brand extension strategies in recent years [6]. These Chinese automobile companies have introduced more premium and luxury models based on their original product lines [7]; or created premium and luxury sub-brands based on their authentic brands that belong to the same group [8]. As early as the early nineties, more and more scholars realised the value of brand strategy [9]. However, research on brand extension strategies did not start gradually until the beginning of the 21st century [10]. Brand strategy

refers to a company's long-term planning and core objective of building brand image and value [11]. Brand equity is an essential tool to measure the effectiveness of a company's brand strategy [12]. However, brand equity is not fixed but time-sensitive [13]. Fluctuations in brand equity reflect, to a large extent, the authenticity and credibility of the brand, and thus fluctuations in consumer attitudes towards the brand [14]. From another point of view, since the brand extension strategy can sway consumers' attitudes towards the brand, it is, in a way, one of the variables that affect brand equity and, thus, the company's overall brand strategy [15].

## **2. Literature Review**

### **2.1 Brand Upward Extensions (UE)**

Brand extensions are generally categorised into two types: horizontal extensions and vertical extension [16], where vertical extensions include downward and upward extensions [17]. The upward brand extension involves a company introducing a new commodity or product line with higher prices and quality. In contrast, downward brand extension is where a company creates a commodity with lower prices and quality than the existing commodities. According to Schmitz et al. (2023), upward brand extension is more likely to be adopted than downscale extensions by reputation brands because it is often linked to new product development and enhanced quality. Upward and downward extensions also impact the relationship between consumers' acceptance and consumer innovativeness because consumer innovativeness is related mainly to upward brand extension [18]. The downward extension is linked to consumer willingness to explore new commodities because consumers are often more attracted to new products that they presume to offer a cheaper alternative, as Royo-Vela and Sánchez assert [19].

In summary, the brand extension strategy has many positive effects. Therefore, it is imperative to study how consumers' positive attitude towards the parent brand is transferred to the sub-brand and how consumers' purchase intention is enhanced to affect the sales volume of the sub-brand.

### **2.2 Categorization Theory**

According to Sujan and Tybout (1988), categorization theory refers to a psychological paradigm elaborating how individuals organize and perceive their surrounding environment by categorizing events, objects, and experiences based on specific attributes [20]. Sujan and Tybout (1988) elaborate that categories are a collection of abstract or concrete instances perceived similarly to the cognitive system. According to Ma et al. (2014), there are two types of categorization, social and product categorization. Social categorization involves individuals categorizing their surroundings based on how they see them. People often overstate how they perceive other individuals and items while making comparisons and distinctions between the objects and themselves [21]. Their material belongings may influence their perceptions of others, while they perceive others based on advertising and marketing. Product categorization involves comprehending the role of product features in affecting similarity and dissimilarity. While people may begin classifying things at a younger age, they often rely on observable perceptual traits, as Ma et al. (2014) illustrated.

In summary, according to the categorization theory, strong association and high perceived fit between the parent brand and sub-brand are extremely important to enhance consumers' purchase intention and thus affect sub-brand product sales.

### **2.3 Association Evaluation**

The brand upward extension approach allows marketers to introduce new brands and consumables in an already established brand by leveraging customer loyalty and brand identity. According to Schmitz et al. (2023), with this strategy, brands can position their products as luxurious and fashionable, which will then enter a new premium market domain to increase consumer purchase behaviour and sales [22]. The concept of association evaluation tries to explain the interconnection or similarity between the parent and sub-brand of a particular institution. Association evaluation is a continuous process in the consumer's mind to enable them to make decisions regarding purchasing a specific product of

interest. This concept involves comparing the newly launched good, product, or sub-brand with the parent brand to check their compatibility [23]. Once the interconnection is devised, the product line can be launched under the parent brand into the market since the entrepreneur is confident that the parent brand will drive the consumers to engage with the sub-brand.

According to Zimmer and Bhat (2004), Rahman(2013), Joshi and Yadav (2018), and Kim and Chung (2012) et al., the following four aspects of the association evaluation will be conducted: Brand name and logo; Perceived quality; Consumer's brand familiarity with the parent brand; Consumer's brand trust with the parent brand [24,25,26,27].

### 2.3.1 Brand Name and Logo

Brand name and logo are vital association evaluation factors that promote business success. According to a study by Chen et al. (2021), the name and logo of a brand are crucial in forming the brand identity, which has a role in shaping customer perceptions and relations with the brand's products [28]. This close association between brand name and logo is essential for a successful brand upward extension strategy since the two tenets communicate the business core values. Matúšová (2021) reported that many famous companies are known for their name and logo since the brand name is the verbal representation of the brand, while the logo is the visual representation [29]. In the context of brand upward extension strategy, research studies have revealed that the brand name and logo are crucial in forging the relationship between the parent and sub-brand, eventually shaping the consumer's shopping intentions for the newly produced product. Based on the above, hypothesis 1 is formulated.

H1: The more the parent brand's name and logo are reflected in the sub-brand, the higher the consumer accepts the brand's upward extension strategy.

### 2.3.2 Perceived Quality

Perceived quality refers to how consumers assess the products developed by a perceived brand based on their past brand experiences and interactions. Research by Huo et al. (2023) has shown that perceived quality is crucial in shaping consumer perceptions of the brand by influencing how they evaluate its products and associated offerings [30]. This means that a brand with a positive perceived quality has many consumers since these consumers view the products as premium and high quality. This perception is crucial in a brand's upward extension strategy. Research by Samudro et al. (2020) revealed that a brand known for its fashionable products has many customers since its perceived quality instils consumer confidence and trust [31]. Based on the above, hypothesis 2 is formulated.

H2: The higher the perceived quality of the parent brand, the higher the consumer's acceptance of the brand's upward extension strategy.

### 2.3.3 Consumer's Brand Familiarity with the Parent Brand

Consumer familiarity illustrates the level of exposure or experience consumers have with the parent brand; thus, it is a measure of consumer loyalty and satisfaction with the parent brand [32]. According to a study by Marliawati and Cahyaningdyah (2020), brand familiarity fosters consumer trust and confidence [33]. When the consumers are aware of the parent brand and have interacted with its products, they are more likely to appreciate and embrace the brand extensions and new product offerings. Based on the above, hypothesis 3 is formulated.

H3: The higher the consumer's familiarity with the parent brand, the higher the consumer's acceptance of the brand's upward extension strategy.

### 2.3.4 Consumer's Brand Trust with the Parent Brand

Consumer trust in the brand measures the customer's confidence level. This trust emerges from good relationships between the brand and the consumers, promoting customer satisfaction and brand identity [34]. The study by Reihani et al. (2020) revealed that consumer-brand relationships are formed on a trust basis, providing consumers with a sense of security [35]. This is because customers believe the brand will deliver its promises and personalize its products to suit the consumers' shopping preferences. Consumer trust in a parent brand will foster brand upward extensions since customers

believe the sub-brand is reliable and meets their demands similarly to the parent brand (Schmitz et al., 2023). Therefore, these customers will explore the new products in the portfolio to diversify their shopping experiences. Based on the above, hypothesis 4 is formulated.

H4: The higher the consumer's trust in the parent brand, the higher the consumer's acceptance of the brand's upward extension strategy.

## 2.4 Perceived Fit Evaluation

Perceived fit is a complex neurocognitive process in the consumer's mind that makes them assess if the parent and sub-brand are compatible and complement each other. It measures coherence between the parent brand and the brand extension, demonstrating the degree or extent of brand image or identity. According to research by Deng and Messinger (2022), consumers are more receptive to the brand's product lines and extensions through perceived fit since they are confident that the sub-brand aligns with the parent brand's core values and attributes. A high perceived fit means that the consumers think the sub-brand is similar to the parent brand; thus, they accept it and are ready to purchase and integrate the product into their daily lives [36]. On the other hand, research affirmed that a brand with a low perceived fit leads to negative attitudes, biased decision-making, and scepticism, which makes them reluctant to purchase and use the product [37].

### 2.4.1 Resource-based Fit

The efficacy of perceived fit relies on resource-based fit, the degree of congruency between the parent and sub-brand resources, abilities, and competencies to potentiate the brand's upward extension strategy. The resources under focus involve tangible assets, such as production and distribution networks, and intangible assets, such as brand equity and customer satisfaction [38]. Research by Deng and Messinger (2022) showed that the brand's upward extension strategy is more feasible when there is an interconnection between a high resource-based fit between the parent brand and its associated brand extension. Based on the above, hypothesis 5 is formulated.

H5: In the brand upward extension strategy, the higher the resource-based fit between the parent and sub-brand, the higher the consumers' purchase intention.

### 2.4.2 Function-based Fit

In a feasible brand upward extension strategy, there must be alignment between the parent and sub-brand core functionalities and attributes. This alignment is called function-based fit and measures the similarity between the parent brand and new brand extensions. Research by Kozhevnikov et al. (n.d.) has shown that a high-based fit influences consumer shopping behaviour since it showcases the connection of the parent brand's identity and attributes with the sub-brand [39]. When there is a high function-based fit, consumers perceive that the sub-brands share common core values with the parent brand, thus improving brand identity, consumer loyalty, and customer satisfaction. Moreover, research findings by Iqbal et al. (2022) have revealed that consumers have innate product expectations of the brand they are loyal to, and function-based fit ensures easy meeting of customer brand expectations through proper business personalization [40]. Based on the above, hypothesis 6 is formulated.

H6: In the brand upward extension strategy, the higher the function-based fit between the parent brand and sub-brand, the higher the consumers' purchase intention.

### 2.4.3 Usage-occasion-based Fit

The brand's upward extension strategy's potency is realized through usage-occasion-based fit since the parent and sub-brand offerings can be used in similar contexts to suit consumer demands. Deng and Messinger (2022) revealed that a solid usage-occasion-based fit increases linkages between many products within a brand portfolio, increasing compatibility between many complimentary products, which makes accessible consumer shopping experiences. Moreover, high usage-occasion-based fit ensures easy product personalization; hence consumers are showcased with products, including the newly launched products that suit their needs and demands, making shopping easy. Based on the above, hypothesis 7 is formulated.

H7: In the brand upward extension strategy, the higher the usage-occasion-based fit between the parent brand and sub-brand, the higher the purchase intention of consumers.

#### 2.4.4 Feature-based Fit

Feature-based fit is the degree of familiarity or compatibility between the product features of the parent and sub-brand. Through feature-based fit, the novel brand extensions share the same identity, attributes, and characteristics with the existing parent brand making it consistent, appealing, and recognizable in the consumer's eyes. Feature-based fit eliminates diversities between the new and current products, thus enriching the brand identity and bolstering customers' shopping intent. Furthermore, it makes the business's brand upward extension strategy seem reproducible by diversifying market options. Based on the above, hypothesis 8 is formulated.

H8: In the brand upward extension strategy, the higher the feature-based fit between the parent and sub-brand, the higher the consumers' purchase intention.

### 3. Methods

#### 3.1 Introduction

The research philosophy of this study is Empiricism. In empiricism research, researchers attempt to verify or disprove a particular hypothesis or theory by observing and collecting actual data [106]. Empiricism research focuses on objectivity and data analysis, and the regression analysis adopted in this study is one of the representatives of positivism [41]. The research approach of this study is deductive. The deductive method is a method of reasoning that starts from general theories or premises and draws specific conclusions through logical reasoning [42]. Quantitative methodology was adopted in this study. This study focuses on quantifying data related to the upward extension of the brand and conducting reasonable analysis to draw numerical conclusions [43], so quantitative research is chosen.

#### 3.2 Data Collection

This online survey is mainly for Chinese consumers; due to the firewall restriction of Google Forms [44], this online survey used Tencent Forms to collect data. Tencent Forms is an online questionnaire survey platform developed based on professional questionnaire survey research experience, which provides one-stop professional survey research capabilities from questionnaire design, data collection to statistical analysis [45]. This online survey adopts a combination of purposive sampling and snowball sampling. Since the respondents of this survey need to have a basic understanding of BYD or the Chinese automotive market, purposive sampling can help the researcher select the respondents most representative of the overall population [46]. Meanwhile, snowball sampling can cover more respondents who meet the survey requirements by invitation [47].

#### 3.3 Pilot Tests

Pilot tests will be carried out before a formal investigation. Pilot testing warns investigators of potential risks and challenges [48]. According to the suggestions of Lewis et al. (2021), ten survey subjects that may meet the survey requirements are selected for pilot testing [49]. These pilot test subjects will complete the entire questionnaire and give logical recommendations. Method biases mean that the data or results are biased in the process of investigation or research because of the characteristics of the analysis or research method itself [50]. Podsakoff et al. (2003) described that method biases fall into four categories: common source bias, common method bias, item-specific bias, and common factor bias. After a pilot test, a central trend bias was found [51]. Because all the questions were presented positively, respondents may have developed a sense of coherence that influenced their responses, or they may have tended to choose intermediate options. The data may have needed to be more concentrated. This is a type of item-specific bias.



### 3.4 Instrument

A 7-point Likert scale was used for all questions in the questionnaire of this online survey. Respondents were asked to rate 35 descriptions of BYD's upward extension strategy subjectively, adapted from previous research findings, on a scale from 1 (strongly disagree) to 7 (strongly agree). Survey respondents were asked to provide basic personal information, including age, gender, and monthly income. The questionnaire is divided into two parts: Part A investigates the influence of the association between parent brand and sub-brand in BYD's upward extension strategy on consumers' acceptance of brand upward extension; Part B examines the impact of consumer perceived fit on consumers' purchase intention in BYD's upward extension strategy.

## 4. Analysis / Results

### 4.1 Reliability Testing and Validity Testing

#### 4.1.1 Reliability Testing

The purpose of reliability testing of questionnaires is to assess the consistency and stability of questionnaire measurement tools when measuring the same concept or variable (Taherdoost, 2016). As explained by Tavakol and Dennick (2011), when Cronbach's alpha > 0.7, the internal consistency of the questionnaire is considered acceptable [52]. Therefore, a reliability test was conducted on all variables, and the results showed that Cronbach's alpha of all variables was more significant than 0.7, which was considered reliable. And all questions have 'Cronbach's Alpha if Item Deleted' less than the uniform Cronbach's Alpha in that dimension, so all questions are valid, see Table 1.

**Table 1.** Cronbach's alpha

Independent Variables								Dependent Variables	
A1	A2	A3	A4	B1	B2	B3	B4	A1	B1
0.924	0.936	0.932	0.935	0.926	0.913	0.942	0.932	0.909	0.936

#### 4.1.2 Validity Testing

**Table 2.** Total Variance Explained.

Component	Total Variance Explained								
	Total	Initial Eigenvalues		Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
		% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.457	35.593	35.593	12.457	35.593	35.593	3.499	9.998	9.998
2	2.865	8.186	43.779	2.865	8.186	43.779	3.465	9.901	19.899
3	2.465	7.043	50.822	2.465	7.043	50.822	3.448	9.851	29.750
4	2.348	6.708	57.530	2.348	6.708	57.530	3.434	9.810	39.560
5	2.034	5.810	63.340	2.034	5.810	63.340	3.398	9.710	49.270
6	1.967	5.621	68.961	1.967	5.621	68.961	2.693	7.694	56.964
7	1.793	5.122	74.083	1.793	5.122	74.083	2.683	7.665	64.630
8	1.647	4.706	78.789	1.647	4.706	78.789	2.674	7.639	72.269
9	1.241	3.547	82.336	1.241	3.547	82.336	2.558	7.309	79.578
10	1.019	2.912	85.248	1.019	2.912	85.248	1.984	5.670	85.248

The validity test aims to test whether the items in the questionnaire can correctly and effectively describe the relevant variables or components [53]. According to Taherdoost (2016), validity analysis consists of three steps: first, determine KMO,  $KMO > 0.6$  is considered to have good validity of questionnaire structure; Secondly, Bartlett's Test of Sphericity was used to determine the significance.  $P\text{-value} < 0.05$  was supposed to be a good validity of the questionnaire structure; Finally, the rationality of the questionnaire was further evaluated by the component matrix. According to the above steps, the validity analysis of 35 scale questions in the questionnaire was carried out.

After analysis, KMO=0.912, larger than 0.6, and the p-value is less than 0.05. As shown in Table 2, all 35 scale questions were divided into ten dimensions, and the cumulative contribution rate reached 85.248%, more than 60%. According to the rotated Component Matrix, all 35 items have a load greater than 0.5 in only one dimension, so all items are valid.

## 4.2 Hypothesis Testing

### 4.2.1 Regression Analysis on Association

For the regression analysis of Part A, Model 1 is established to evaluate the impact of the independent variable A1 (Brand name and logo), the independent variable A2 (Perceived quality), the independent variable A3 (Consumer's brand familiarity with the parent brand) and the independent variable A4 (Consumer's brand trust with the parent brand) on the dependent variable A1 (Consumers' acceptance). The regression analysis data of Model 1 are shown in Table 3. The F of regression model 1 is 66.750; the adjusted R2 is 0.462. This means that the independent variable explains 46.2% of the variation in the dependent variable. The p-values of the independent variable A1 (Brand name and logo;  $\beta = 0.246$ ), the independent variable A2 (Perceived quality;  $\beta = 0.242$ ), the independent variable A3 (Consumer's brand familiarity;  $\beta = 0.233$ ) and the independent variable A4 (Consumer's brand trust;  $\beta = 0.261$ ) are all less than 0.05. And the regression coefficients are all positive, so all four independent variables significantly impact the dependent variable A1 (Consumers' acceptance).

**Table 3.** Regression analysis result

	B	$\beta$	t	p	VIF	F	R	R <sup>2</sup>	adjusted R <sup>2</sup>	Durbin-Watson
Model 1						66.750	.685	.469	.462	2.202
Independent variable A1	.253	.246	5.261	.000	1.248					
Independent variable A2	.235	.242	5.102	.000	1.275					
Independent variable A3	.204	.233	4.974	.000	1.247					
Independent variable A4	.245	.261	5.749	.000	1.172					

Based on the above analysis, the regression equation is as follows: Consumers' acceptance = 0.575 + 0.253\*Brand name and logo + 0.235\*Perceived quality + 0.204\*Consumer's brand familiarity with the parent brand + 0.245\*Consumer's brand trust with the parent brand.

Finally, a diagnostic analysis was carried out. As shown in Table 3, the VIF of all independent variables is less than 5, so there is no multicollinearity of independent variables; the Durbin-Watson value is 2.202, close to 2, so there is no sequence correlation between the samples. Finally, the residuals follow a normal distribution. The conclusion is valid.

In summary, H1, H2, H3 and H4 are all verified. The independent variable A4 (Consumer's brand trust;  $\beta = 0.261$ ) has the largest positive effect on the dependent variable A1 (Consumer's acceptance).

### 4.2.2 Regression Analysis on Perceived Fit

For the regression analysis of Part B, Model 2 is established to evaluate the impact of the independent variables B1 (Resource-based fit), the independent variables B2 (Function-based fit), the independent variables B3 (Usage-occasion-based fit) and the independent variables B4 (Feature-based fit) on dependent variable A1 (Purchase intention).

The regression analysis data of Model 2 are shown in Table 4. The F of regression model 2 is 28.434; the adjusted R2 is 0.264. This means that the independent variable explains 26.4% of the variation in the dependent variable. The p-values of independent variable B1 (Resource-based fit;  $\beta = 0.318$ ), independent variables B3 (Usage-occasion-based fit;  $\beta = 0.193$ ), and the independent variable B4 (Feature-based fit;  $\beta = 0.169$ ) are less than 0.05, and the regression coefficients are positive, so all of these three independent variables have a significant positive impact on the dependent variable B1 (purchase intention). But, the p-value of the independent variable B2 (Function-based fit;  $\beta = 0.019$ ) is larger than 0.05. So, it is not proven that the independent variable B2 significantly affects the dependent variable B1.

**Table 4.** Regression analysis result

	B	$\beta$	t	p	VIF	F	R	R <sup>2</sup>	adjusted R <sup>2</sup>	Durbin-Watson
Model 2						28.434	.532	.274	.264	1.863
Independent variable B1	.387	.318	5.633	.000	1.328					
Independent variable B2	.019	.016	.272	.786	1.363					
Independent variable B3	.187	.193	3.519	.001	1.257					
Independent variable B4	.198	.169	3.110	.002	1.222					

Based on the above analysis, the regression equation is as follows: Purchase intention = 0.818 + 0.387\*Resource-based fit + 0.187\*Usage-occasion-based fit + 0.198\*Feature-based fit.

Finally, a diagnostic analysis was carried out. As shown in Table 4, the VIF of all influential independent variables is less than 5, so there is no multicollinearity of independent variables; the Durbin-Watson value is 1.863, close to 2, so there is no sequence correlation between the samples. Finally, the residuals follow a normal distribution. The conclusion is valid.

In summary, H5, H7 and H8 are verified. The independent variable B1 (Resource-based fit;  $\beta = 0.318$ ) has the most considerable positive effect on the dependent variable B1 (purchase intention). However, H6 is not verified.

## 5. Conclusion

The results of this study show that the Brand name and logo of the parent brand have a significant positive impact on consumer acceptance in upward brand extension, with a positive correlation between the two. In past studies, Shang et al. (2017), Martínez and de Chernatony (2004), and Milewicz and Herbig (1994) have indicated that brand name or logo plays a positive role in brand upward extension. However, Sood and Keller (2012) proposed a more complex theory. They believe that when considering the effect of brand name and logo on brand extension, brand extension should be broken down into whether it is the establishment of new sub-brands or the expansion of the parent brand's production line, and that the brand effect of the parent brand will be reduced only if the company expands the parent brand's production line and the consumers have negative feelings towards the parent brand. Only when the company expands the parent brand line and consumers have negative feelings towards the parent brand the brand effect of the parent brand will be diluted by the brand name and logo. In the case of BYD, their upward brand extension strategy is to create a relatively independent sub-brand Yangwang, which belongs to the same group, and according to Sood and Keller's (2012) theory, in this case, consumers will seldom affect their perceptions of sub-brands due to negative sentiment towards the parent brand.

The results of this study show that good consumers' Perceived quality of the parent brand has a significant positive effect on consumer acceptance in upward brand extension, which is positively correlated with each other. This is similar to the findings of Choi et al. (2010), Martínez and de Chernatony (2004). In this study, using BYD as an example, the findings show that consumers' confidence in the quality of the sub-brand Yangwang changes the perceived quality of the parent brand BYD to some extent. The better consumers' perceived quality of BYD, in turn, improves consumers' acceptance of the brand's upward brand extension to some extent. This is in line with the findings of Arslan and Altuna (2010), who argued that although brand extension can harm brand image, perceived quality can diminish this impact. In the case of firms with a low brand reputation, this can even have a positive effect. Therefore, the higher the perceived quality, the more cautious a firm should be in brand extension, as it may dilute its reputation. In contrast, firms with lower perceived quality, such as BYD, can implement a brand upward strategy, which can help to change the parent brand's image in the consumers' minds, which in turn will increase the acceptance of the parent brand by the consumers. Smith and Park (1992) also expressed a similar view that perceived quality should be used as one of the factors in determining whether a company should implement a



brand extension strategy. In any case, perceived quality is one of the critical factors for the success of upward brand extension.

The results of this study show that in upward brand extension, both Consumer's brand familiarity with the parent brand and the Consumer's brand trust with the parent brand has a positive effect on consumer acceptance. In this study, Consumer's brand familiarity and brand trust with the BYD significantly and positively affect consumer acceptance. This result is similar to Reast's (2005), Upamannyu and Mathur's (2013) findings. Despite negative reviews of BYD's quality from consumers in the past, BYD remains a prominent local Chinese company. Chinese consumers are generally familiar with and trust BYD due to patriotic sentiments (Bislev, 2015) or nationalism (Narins, 2017). This familiarity and trust have been carried over through the upward branding strategy to the sub-brand Yangwang. This familiarity and trust is carried over to the sub-brand Yangwang through an upward brand extension strategy. When consumers have a high level of familiarity and trust in the parent brand, they tend to assume that the new product or service that the brand extends upwards will have similar brand characteristics. This reduces consumers' perceived risk of the new creation. In the process of upward brand extension, the visibility of the parent brand is seen as an asset. When consumers psychologically associate the parent brand BYD with the sub-product Yangwang, they are likelier to buy these new products rather than from competitors.

The results of this study show that in brand upward extension, Resource-based fit, Usage-occasion-based fit, and Feature-based fit in perceived fit have a significant positive effect on consumers' purchase intention. Resource-based fit includes technical, financial, human, production resources and distribution channels (Deng and Messinger, 2022). Since BYD and Yangwang distribution channels are not comparable, only the first four are included in this study. In past studies, Lieberman and Montgomery (1998) expressed similar views. Viot (2011) suggested that this could be related to brand identity. In the case of BYD, consumers may perceive the higher Resource-based fit as representing the support and identification of the parent brand BYD with the sub-brand Yangwang, which enhances consumers' purchase intention in upward extension. For the Usage-occasion-based fit, users' need for genericity may result in its inability to influence consumers' purchase intentions in upward mobility significantly (Chi et al., 2021). If the parent brand's products are highly generic, then user demand for new products will be lower. However, in the case of BYD and Yangwang, it is clear that users' need for the generality of the two products is intense because there is a clear difference between them in terms of usage occasions. Feature-based fit mainly includes the fit between the parent brand and the sub-brand regarding price, appearance, and attributes. Kangale et al. (2015) argued that Feature-based fit helps to simplify users' purchasing decisions in the brand extension process. Chinese consumers have some knowledge of BYD's features and can save time and effort in evaluating the relevant parts of the new product.

This study could not prove that Function-based fit in perceived fit significantly positively affects consumers' purchase intention in upward brand extension. However, in past studies, Buil, de Chernatony and Hem (2009), Krutulyte et al. (2011) and others have expressed attitudes supporting these views. For Function-based fit, users' need for differentiation may be responsible for its inability to influence consumers' purchase intentions in upward extension significantly. Consumers may have different functional requirements for sub-brand products, so the purchase intention is not firm. Of course, there may be some common reasons, such as consumer perceptual differences. Perceived fit is, after all, the result of consumers' subjective judgements, and it is entirely possible that some consumers do not perceive the three types of fit as crucial factors influencing their purchasing decisions.

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