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In recent years, line and brand extensions have become widely used strategies not only by
manufacturers, but also by retailers. Given that both strategies are associated with a wide
range of economic and non-economic consequences (e.g., a greater introductory market
share or an enhancement of customer loyalty), it is also essential for retail managers to be
aware of the factors that drive private label extension success. Though, these determinants
have rarely been addressed in previous research. Additionally, only a small number of
potential success drivers have been investigated so far. Thus, also the knowledge on the
relative impact of different success factors is still restricted. Therefore, we investing ate the
(relative) importance of twelve potential drivers of private label extension success that turned
out to be important in previous research conducted with respect to private labels and
national brands. Additionally, to be able to compare our findings with those of past studies,
we investigate the effects at the extension product and brand level, as well as at an aggregate
level.
Analyses using structural equation modelling revealed that—regardless of the level at which
the impact of the determinant factors was examined—the perceived quality of the parent
brand, the brand-level fit, as well as consumers’ innovativeness and their familiarity with the
parent brand’s products significantly influenced the success of private label extensions.
Contradictory to our assumptions, the perceived price-performance ratio and the price-level
of the parent brand had no significant impact on private label extension success in the
present study.
For retail managers, the results indicate that—depending on the product type—they should
not only focus on price advantages when it comes to product and communication policy, but
also on the quality of the products. Furthermore, communication activities should highlight
the similarities between the extension and the parent brand’s image to enhance perceived fit,
and thus the success of a private label extension. Finally, the finding that the marketing
support of existing products significantly influenced the success of private labels extensions
in some cases implies that marketing budgets should be effectively and efficiently allocated to
the range of private labels a retailer has to manage.