

INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Impact of Celebrity Endorsement on the Purchasing Intentions among Young Adults in Malaysia

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Abstract

The ongoing public fascination with celebrities today offers marketers a wide range of creative ideas to attract and charm audiences and stimulate their urges to buy (purchasing intentions). Celebrity endorsement has established itself as one of the most popular tools of advertising in recent years. Indeed, it has become something of a fashion, and is often perceived as a winning marketing formula. However, while it is relatively easy to get a celebrity to endorse a product, it is much more difficult to ensure that this will attract consumers and draw their interest in buying that product.

This research seeks to evaluate the impact of celebrity endorsement on the purchase intentions of young adults in Malaysia. It examines the relationship between certain key attributes of celebrity endorsers – based on the TEARS model – and consumers' purchase intentions. These attributes are: trustworthiness, expertise, physical attractiveness, respect and similarity. The study adopts a quantitative approach, with a structured questionnaire as the main tool. SPSS software was used for the descriptive analysis, while One-Way ANOVA, Independent T-test and PLS estimation software were used to test the relationships between the various constructs. The research findings, based on a survey of 318 young adults aged between 18 and 25, show that four of these five TEARS attributes significantly influence consumers' purchase intentions; but that one, expertise, does not.

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Chen Can

27 August 2014

Declaration

"I hereby declare that this research project is of my own effort except for those summarizes and information of which the sources are clearly specified"

Chen Can
27 August 2014

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Chapter 1 Introduction

1.0 Chapter Summary

This chapter begins by providing an insight into the background to this study: the development of celebrity endorsement and its implications. The research problems are then identified and discussed, followed by the research questions and research objectives. The significance of the research, as well as the limitations and scope of the study, are also presented. Finally, the last section contains an outline of all of the chapters in this research.

1.1 Background to the study

Companies have long used characters of note to help market their products to consumers. Indeed, the development of celebrity endorsement can be traced back to the 1870s, according to Agrawal et al. (1995), when the Reverend Henry Ward Beecher appeared in an advertisement in Harper's Weekly endorsing Waltham watches. Another early example was the use of entertainment personalities by the cigarette industry in 1905, when Murad Cigarettes featured comedians Fatty Arbuckle and Harry Bulger in their advertisement.

Ever since radio became commercial in the late 1920s and television was introduced in the late 1940s, celebrities have been doing commercials (Sherman 2010). For example, Jack Benny, an American actor and comedian, endorsed

Jell-O, a gelatin dessert product, in the 1930s and 1940s. Since then, celebrities such as Fred Astaire, Ethel Barrymore, Henry Fonda, Lou Gehrig and Mrs. John W. Rockefeller Jr., to name a few, have appeared in cigarette advertisements. In 1934, Lou Gehrig became the first athlete to appear on a Wheaties box; he has since been followed by the likes of Babe Ruth, Johnny Bench, Michael Jordan and Tiger Woods.

Nowadays, the rise in product diversity and expanding rivalry between different products and services have led to an increase in the amounts spent on promotional initiatives by many organizations, which feel compelled to invest heavily in their marketing efforts in order to compete. Traditionally, advertising has been preferred to other elements of the promotional mix. Marketers constantly look for ways to make advertisements more compelling, eye-catching and noticeable to audiences. One way to achieve this is through celebrity endorsement, which has become one of the most popular advertising strategies for promoting various types of products, services or brands (Biswas, Hussain & O'Donnell 2009; White 2004).

Kamblitsis et al. (2002) claim that celebrity endorsement is a billion dollar industry today. Companies sign deals with celebrities in the hope and expectation that this will help them stand out from the clutter and give them a unique and relevant position in the minds of consumers (Temperley & Tangen 2006). These celebrities then act as spokespersons, in order to advertise and promote the company's products, services or ideas. Choi et al. (2005) note that celebrities enjoy popularity, and have distinctive qualities and stunning images. Celebrity endorsement is thus very popular in modern marketing (McCracken 1989; Choi & Rifon 2007). For example, the famous footballer David Beckham

endorses the sports brand Adidas; Korean actress Soon Hye Kyo endorses the cosmetic brand Laneige; American singer Beyoncé endorses Pepsi and the fashion brand H&M; American actress Nicole Kidman endorses Omega watches; and the singer, songwriter, actor, presenter and film producer from Hong Kong, Lau Tak Wah, endorses the OSIM Uinfinity Massage Chair.

Celebrities have also been used in advertising in Malaysia. Indeed, companies in Malaysia spend millions on celebrity endorsements (Tan 2011). For example, Chef Wan endorses Yeo's products; the famous badminton player Lee Chong Wei is a brand marketer for Yonex badminton shoes, the KDU Education Group, Samsung Galaxy S3 mobile phones, Cafe 99 and Kaspersky; and Rozita Che Wan endorses Safi's products.

In today's world, consumers are bombarded with marketing communication tools, like images in newspapers and magazines, and they also see and hear advertisements on numerous television shows, radio programs, Internet banners and many other forms of advertising. Apart from the broadcast media such as television and radio, celebrity endorsements are also seen in outdoor billboard advertising (Tan 2011). It is worth noting that, according to Smith (as cited in Johnson 2006), people were exposed to about 500 advertisements a day in the 1970s, whereas they now see or hear as many as 5,000 a day. According to the latest research by PQ Media (2014), a global media econometrics and media research company, exposure to out-of-home advertising has increased sharply as consumers spend more of their time outdoors and away from home. According to one estimate, the average global consumer was exposed to various out-of-home media for 14 minutes per week in 2013, a 75% increase from only eight minutes in 2007.

1.2 Problem Definition

The world of modern marketing communication has become more and more colorful, and more and more inundated with advertisements. This makes it harder for any one advertisement to get noticed. It is an uphill task for the designer of an advertising campaign to differentiate itself from others and attract viewers' attention. According to Kambitsis et al. (2002), this has led to not only to the increased use of celebrities in advertising strategies, but also their use in increasingly sophisticated and complicated ways.

Among celebrities, television stars, movie actors and famous athletes are particularly widely used to endorse brands. Advertisers and their agencies are willing to pay huge salaries to celebrities who are liked and respected by target audiences and who will, it is hoped, favorably influence consumers' attitudes and behavior towards the endorsed brands (Shimp & Andrews 2013 p. 290). Forbes Magazine lists the top 100 celebrities by measuring how much they earn, as well as their web hits, press clips and TV/radio appearances. In 2014, the number one celebrity was Beyoncé Knowles, followed by the basketball player LeBron James, the musician Dr Dre and the media entrepreneur Oprah Winfrey. Other celebrities such as Rihanna, Ketty Perry, Kobe Bryant, Taylor Swift, Lady GaGa, Tiger Woods, and Justin Biber are also listed on the world's top 100 celebrity list. Today, almost all of those top celebrities have exclusive endorsement contracts. These can be highly lucrative: for example, Beyoncé Knowles has earned USD\$115 million in contracts for endorsements (Pomerantz 2014). Furthermore, celebrities like Tiger Woods have earned USD\$55 million for endorsements, David Beckham has earned USD\$42 million and Kobe Bryant has made

USD\$31 million (Forbes 2014).

Petty, Cacioppo & Schumann (1983) claimed that, unlike anonymous endorsers, celebrities add value to the image transfer process, sustaining brand communication and thereby achieving a higher level of attention and recall. Research has shown that the use of celebrities in advertising, rather than anonymous models, can have a positive influence on the credibility of and preferences for advertising, and ultimately on purchase intentions (Farhat & Khan, 2011). In fact, approximately 56% of Malaysians are willing to purchase the products endorsed by their favorite celebrities (Marketing Magazine, 2011). And it is not only Malaysians. According to research conducted by Mediaedge:cia (MEC) (2009), a leading media agency in the U.S., 30% of consumers aged between 18-34 years old would be likely to try a product promoted by an admired celebrity, 14% for the 35-54 age group and 11% for the 55-plus age group. Moreover, in a survey of 24,000 consumers across 25 countries, 29% said that celebrity endorsements influence their purchasing decisions, while 25% had bought a product because a celebrity was promoting it. These statistics convincingly show the effectiveness of celebrity appeal as a means of persuasive communication.

On the other hand, some researchers have found the opposite results. For instance, Tom et al. (1992) concluded that created endorsers (people who are not celebrities) were more effective in creating a link to the product than celebrity endorsers. They further argued that one of the advantages of using non-celebrity endorsers for companies is that they can develop these characters themselves and mold them to fit their brands and target audiences. Mehta (1994) too found no significant differences between celebrity and non-celebrity endorsements