

# Impact of Celebrity Endorser on Corporate Identity, Corporate Communication, Corporate Image and Corporate Reputation

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## Abstract

Celebrity endorsement has been established as one of the most popular tools of advertising in recent time. It has become a trend and perceived as a winning formula for product marketing and brand building. It is easy to choose a celebrity but it is tough to establish a strong association between the product and the endorser. This paper explores the issue of company image by assessing the reactions of respondents to advertising utilizing a celebrity endorser against one that does not. Interestingly it does not find any significant difference between the various responses studied towards two advertisement types. This indicates that the respondents viewed both advertisements similarly and reacted as such. This is exciting as it contradicts most past studies. At the same time, the data indicates that Behavioral responses were consistently lowest, followed by Attitudinal towards the company and its image and the highest was Attitudinal towards the brand and the advertisement.

**Keywords:** Corporate Identity, Celebrity Endorser, Corporate Communication, Corporate Image, Corporate Reputation

## INTRODUCTION

Celebrities are people who enjoy public recognition by a large share of a certain group of people. Whereas attributes like attractiveness, extraordinary lifestyle or special skills are just examples and specific common characteristics that are observed and celebrities generally differ from the social norm and enjoy a high degree of public awareness. The term Celebrity refers to an individual who is known to the public (actor, sports figure, entertainer, etc.) for his or her achievements in areas other than that of the product class endorsed (Friedman and Friedman, 1979). Over recent decades, the use of “celebrities advertising” has been rapidly increasing looking into the substantial positive impact on financial returns for the companies that use them (Endorgan, 2001). In 1975, only 15% of prime time TV advertising featured celebrities (Forkan, 1975). In 1978, it went up to 20%, and approximately 10% of the dollars spent on TV advertising featured celebrities (Anonymous, 1978; Sherman, 1985). A recent estimates approximately 25 percent of American commercials in year 2000 use celebrity endorsers (Shimp, 2000), in other words, one out of four commercials features a screen idol.

Endorsement is a channel of brand communication in which a celebrity acts as the brand’s spokesperson and certifies the brand’s claim and position by extending his/her personality, popularity, stature in the society or expertise in the field to the brand. In a market with a very high proliferation of local, regional and international brands, celebrity endorsement was thought to provide a distinct differentiation (Martin Roll, 2006).

Hugely successful due to proper endorsement strategy. Italian luxury brand Versace has used music icon Madonna and Hollywood stars Demi Moore and Halle Berry in its print adverts between 2005 and 2006. Likewise Julia Roberts appears in Gianfranco Ferrer adverts, Sharon Stone in Dior and Jennifer Lopez, Scarlett Johansson, and Uma Thurman in Vuitton ads. Also, non-luxury brand Gap has used television star Sarah Jessica Parker to promote its brand in the recent past. Similarly Catherine Zeta Jones for T-Mobile, Emmitt Smith for Just For Men, Jason Alexander for KFC. In India, probably the first ad to cash in on star power in a strategic, longterm, mission statement kind of way was for Lux soap, a brand which has, perhaps as a result of this, been among the top three in the country for much of its life-time. In recent times, we had the Indian cine star Shahrukh Khan – Hyundai Santro campaign with the objective of mitigating the impediment that an unknown Korean brand faced in the Indian market. Think of great cricket star Sachin Tendulkar. He means Pepsi in soft drinks, Boost in malted beverages, MRF in tyres, Fiat Palio in cars, TVS Victor in two-wheelers, Colgate Total in toothpastes, Britannia in biscuits, Visa in credit cards, Airtel in mobile services and Band-aid.

It is hypothesized that advertisements with a celebrity endorser would have a positive effect on respondents on a set of company, behavioral and attitudinal variables. The results have important implications for cross-cultural and international advertising campaigns that utilize mass media channels of communication. The implications are as relevant for firms that choose a celebrity endorser strategy as for those that prefer not to. This paper is presented in five sections. The first provides an introduction to the matter at hand and an account of the literature. The second section of the article describes the methodology used. The third section provides the findings and the fourth provides a discussion of it. The article ends with our proposed further direction in this area of study

and implications for management and academicians.

## LITERATURE REVIEW

### *Celebrity Endorser*

Advertising has a long history, from oral to print to the current electronic media. Companies used various objects in their advertisements, from cartoons to animals in order to get the message across. The use of human models has been advocated as it could provoke attitudinal and emotional reactions (Kanungo & Pang, 1973). Therefore humans who are placed as models and are seen as in support of the advertiser and / or its claim are known as endorsers (Tellis, 1998). The term “celebrity” refers to an ‘individual who is known to the public, such as actors, sport figures, entertainers’ and others of the like for his or her achievement in areas other than that of the product class endorsed (H.H. Friedman & Friedman, 1979:63). Others have defined celebrity endorsement as any individual with public recognition who uses this recognition for a product by appearing in an advertisement for it (McCracken, 1989). Celebrities in this modern day and age may also be an animated character like Fred Flintstone, or an animal (Miciak & Shanklin, 1994). Therefore by utilizing celebrity endorsers, companies may tap into consumer’s symbolic association to an aspirational reference groups, as they (celebrity endorsers) are perceived as dynamic, attractive and likable (Assael, 1984; Atkins & Block, 1983; Kamins, 1990). There are numerous studies on celebrity endorsers both in the academic literature (Endorgan, 2001) (Atkins & Block, 1983; H. Friedman et al., 1977) as well as trade journals (Anonymous, 1989, 1996). Most of the studies have tended to show the efficiency of celebrity endorsements (Cooper, 1984; Dean & Biswas, 2001) (Atkins & Block, 1983; H. Friedman et al., 1977) or the identification of factors used in order to choose appropriate celebrities (Dholakia & Sternthal, 1977) (Lafferty, Goldsmith, & Newell, 2002). Very few try to explain why in some cases, celebrity endorsement just don’t work (Misra & Beatty, 1990).

Several factors have been identified to measure the effectiveness of celebrity endorsers. Among the many ways to measure the effectiveness were the use of high versus low credible sources used in advertisements had been found to positively affect a purchase intention (Dholakia & Sternthal, 1977). Other studies have cited the dimensions of source credibility. These include trustworthiness, expertise, attractiveness (Dholakia & Sternthal, 1977), familiarity, similarity, liking and physical attractiveness (Maddux & Rogers, 1980). Endorser credibility (trustworthiness and expertise) and corporate credibility (identity) have been mainly used as independent variables and consumer attitudes as dependent variables in most studies. This neglects the impact of celebrity endorser on the company. A numbers of researchers have used models in which source credibility, typically viewed as a function of trustworthiness and expertise; is the primary factor determining how influential the endorser will be (Lafferty & Goldsmith, 1999; Lafferty et al., 2002; Ohanian, 1991). A celebrity endorser should score particularly well on dimensions such as trustworthiness, believability, persuasiveness and likeability (Freiden, 1984). The use of celebrity endorser has been shown to be more effective for product high in psychological or social risk, involving such elements as good taste, self-image and opinion of others (H.H. Friedman & Friedman, 1979). A celebrity endorser could lead to higher believability, a more favorable evaluation of the product advantage and a significantly higher intention to purchase (H.H. Friedman & Friedman, 1979). A famous person can shape the perception of the brand by virtue of the inferences that consumers make based on the knowledge they have about the famous person (Assael, 1984; Atkins & Block, 1983; Kamins, 1990). It can also break through the clutter of advertisements and reach directly to those that identify with the celebrity thus allowing psychographics segmentation (Sayal, 2006). Nevertheless, many commercials using such endorsers do not live up to the advertisers’ expectations (Miciak & Shanklin, 1994). Not only the negative information about a celebrity can have detrimental effects on the products they endorse (Louie & Obermiller, 2002), the effectiveness of the endorsements might vary in effectiveness depending on the factors like ‘fit’ between the celebrity and the endorsed product (Till & Shimp, 1998). Other effects include vampirism, where an audience can remember only the celebrity but not the brand (Anonymous, 2002; Evans, 1988). There is also always the possibility of negative effect due to multiple endorsement programs by a single celebrity (Tripp, Jensen, & Carlson, 1994).

### *The Meaning Transfer Model*

McCracken (1989) explained the effectiveness of celebrity endorsers by assessing the meanings that the consumer associated with the endorser and eventually transfer to the brand by suggesting a three stages meaning transfer model. First, when a celebrity endorses a product in an advertisement, the audience forms associations. The meaning associated with the famous person moves from the endorser to the product or brand. The meaning attribute to the celebrity becomes associated with the brand in consumer’s mind. Eventually, in the consumption phase, the meaning is transferred from the product to the consumers. Stage three explicitly showed the importance of consumer decisions in the process of transferring the meaning to brand or company. This is an interesting part as there is neither automatic transfer of meaning nor any automatic transformation of the self. Consumer must claim the meanings then work with them. As the celebrity provides certain meanings in material form, consumers are keen to build a self from them. The concern here is the audience or consumer. The main objective of the marketing communication programs is to touch the audience hearts and minds while creating an image of success and

prosperity for them when they use the products. Hence, the communication programs chose must convey the information in the form, space, and time that audience expects. And it needs to make them feel good about themselves and their life, in general. This idea is shared by Kambitsis, Harahousou, Theodorakis, & Chatzibeis (2002), who found that the personality of athletes as being an important factor in influencing specific target groups where the personalities are easily recognize and much admired. Celebrity spokespersons are useful in marketing because they provide a set of characteristics that supports consumers in evaluating the presented brand (Martin, 1996). Hence, it is important for company to select the celebrity who has the appropriate response from consumers. In the case of high-involvement situation, celebrities were found to be appropriate, especially where the social and psychological risks are perceived to be high (Atkins & Block, 1983; H. H. Friedman & Friedman, 1978).

### ***Image transference and Corporate Image***

Celebrities play roles and these roles carry meaning. The image that the celebrity holds carries the meanings (McCracken, 1989). When a consumer sees a celebrity endorsing a product, the consumer recognizes the essential similarity between the message, product, and celebrity and transfers the meanings of that celebrity to the product (Tom et al., 1992). The consumer must then make an effort to take possession of the meaning and place them in the construction of their own self-image (McCracken, 1989). Corporate image refers to how a corporation is perceived. It is the effigy that people have of a company (Anonymous, 2000). In other word, a company image is the total impression that the entity makes on the minds of individuals (Ditcher, 1985). Sometimes, it is seen as the image associated with the name of an organization (Gatewood, Gowan, & Lautenslager, 1993). It functions vary from consumer choice (Dowling, 1988), through job selection (Gatewood et al., 1993), to control and anticipation of rivals' movements within an industry (Fombrun & Shanley, 1990; Herbig & Milewitz, 1993; Weigelt & Camerer, 1988). Clearly, it is a combination of thoughts, feeling, and beliefs, opinions people have about a company, the products and services. Typically, a corporate image typically can be fashioned fairly quickly through specific actions and well-conceived communication programs (Anonymous, 2000). Corporate Image is in the eye of the receiver and is the mental picture that an audience has of an organization through the accumulation of all received messages (Ind, 1997). It does not just happen when the organization devices to launch a corporate advertising campaign, it occurs all the time through the actions of individuals, comments in the media and the consumption of products and services. Therefore, corporate image is not totally controllable by the company. The aims for nay organization is to exert as much credible influence over that relationship as possible, so that the corporate image is appropriate to the company, supportable by the corporate culture, relevant to the corporate strategy and clear and consistent. In other words, a positive image has many facets- good signage, a clean and well-organized operation, an efficient and committed staff or even the uniforms can be one of the most effective building blocks in creating and building a better company image (McConaughy, 1995). The relationship between corporate image and identity is shown in Figure 1. The process involves fashioning a positive identity and communicates it to significant audience in such a way that they will generate positive attitudes towards the company. The feedback loops in the model showed the image and reputation off an organization can be changed by monitored the corporate identity as well as the corporate communication strategy. As noted earlier, corporate image can be fashioned fairly quickly through specific marketing communication programs, corporate reputation evolves over time as a result of consistent performance and reinforced also by communication programs.

In many cases, advertisements are used specifically to attract attention to and influence beliefs about a product or the organization (Vough & Corley, 2004). Research shows favorable increase in respondents' perceived corporate image through high exposure to specific advertising campaign (Grass, Bartges, & Piech, 1972). As such, when an organization utilizes a celebrity endorser, this is then tied in with the corporate image of the company in the minds of the audience. Previous research has focused on the impact of corporate and endorser credibility on respondents' attitudes and purchase intentions or to advertisement and brands (Lafferty et al., 2002). Corporate Image and endorser credibility are both methodologically used as independent variable and yet there is little or no research looking into how endorser can have impact on corporate image, which can be fashioned fairly quickly through specific marketing communication programs. While prior research cited that firm value tends to increase upon the announcement of celebrity contracts (Agrawal & Kamakura, 1995; Mathur & I., 1996), it is unclear whether any type of relationship exists between celebrity endorser and company image or even between the audience and the company. Secondly, number of studies has been done on the relationship between celebrity endorsement and consumers' intention to purchase (H.H. Friedman & Friedman, 1979; Ohanian, 1991). However, consumer's high intention to buy a product must not necessary stem from a favorable image of the product but may be caused by other mediating factors, such as price and availability. Even if the high intention to purchase is from favorable product image, will the favorable image be applicable to the whole company.

### **METHODOLOGY**

This study employed a multi-stage research format. Preliminary design decisions included the choice of product, celebrity endorser, and the advertising design. The choice of product, beauty care products, was based on three criteria: usage by all groups, ease of manipulation of different advertisements, and the ability to for respondents to

recognize the celebrity endorser. Two different sets of questionnaires were distributed to respondents, one with celebrity endorser and the other one without. Each respondent only saw one type of advertisement. The celebrity chosen (Fauziah Latiff) was based on her popularity and establishment in the local Malaysian entertainment industry. Both advertisements are presented in exactly the same advertisement in terms of product type, brief description of the ingredients, product benefits and usage instruction with the only difference of having a celebrity endorser in one of the advertisement while the other did not. Pre-tests were carried out among students from two universities in Iran. They were shown various advertisements and answered a simple questionnaire to determine if they were aware of the advertisement, celebrity endorser, and company in the advertisement. This acted as the basis for the celebrity and advertisement chosen for the study. A total of 397 respondents from two universities participated in the main study. Subjects were selected on the basis of opportunity and availability. Respondents answered the questionnaire after they had seen only one of the two print advertisements for a beauty care product. A factorial research design was employed, with approximately half of respondents were targeted groups and half was not, seeing advertisements with or without the celebrity endorser. Respondents' reactions to the company were measured by corporate image and attitude towards the company in the advertisement. Reactions to the advertisement were measured by attitude toward the advertisement, liking the advertisement, attitude towards the brand in the advertisement, and attitude towards the product in the advertisement. Refer to Table 1 for details on the determination of the constructs used. Behavioral intentions were measured by purchase intention, and positive word of mouth. Manova and General Linear Model – Univariate analysis was used to assess interactions between advertisements types (with or without Fauziah Latiff, the celebrity endorser) and the variables mentioned.

## FINDINGS

A depiction of the respondents profile is presented in Table 2. The means for the variables studied are depicted in Table 3. MANOVA main effects (advertisement type) were found to be not significant (Pillai = 0.021,  $F = 1.038$ ,  $p < 0.407$ ) with the variables tested. This demonstrates that there was no difference in respondents' views to the variables tested against an advertisement with a celebrity and one without. The GLM-Univariate indicated that there were no significant relationships between the variables studied; Corporate Image ( $F = 0.458$ ,  $p < 0.499$ ), Attitude towards the company ( $F = 1.885$ ,  $p < 0.171$ ), Attitude towards the Ad ( $F = 0.213$ ,  $p < 0.645$ ), Like the advertisement ( $F = 2.643$ ,  $p < 0.105$ ), Attitude towards the Brand ( $F = 0.129$ ,  $p < 0.720$ ), Attitude towards the Product ( $F = 0.240$ ,  $p < 0.624$ ), Purchase Intention ( $F = 1.849$ ,  $p < 0.175$ ), Word of Mouth ( $F = 0.101$ ,  $p < 0.751$ ) against the type of advertisement. This means that no interaction at the single variable level exists.

Assumptions about normality and equality of variance were checked for all the variables; Corporate Image (KS = 0.256,  $p < 0.000$  and SW = 0.890,  $p < 0.0001$  and Levene's Test,  $F = 1.251$ ,  $p < 0.264$ ), Attitude towards the Company (KS = 0.239,  $p < 0.000$  and SW = 0.893,  $p < 0.0001$  and Levene's Test,  $F = 3.327$ ,  $p < 0.069$ ), Attitude towards the Advertisement (KS = 0.216,  $p < 0.000$  and SW = 0.891,  $p < 0.0001$  and Levene's Test,  $F = 0.577$ ,  $p < 0.448$ ), Like the advertisement (KS = 0.123,  $p < 0.000$  and SW = 0.969,  $p < 0.0001$  and Levene's Test,  $F = 1.400$ ,  $p < 0.238$ ), Attitude towards the Brand (KS = 0.160,  $p < 0.000$  and SW = 0.926,  $p < 0.0001$  and Levene's Test,  $F = 0.016$ ,  $p < 0.901$ ), Attitude towards the Product (KS = 0.181,  $p < 0.000$  and SW = 0.915,  $p < 0.0001$  and Levene's Test,  $F = 0.868$ ,  $p < 0.352$ ), Purchase Intention (KS = 0.130,  $p < 0.000$  and SW = 0.962,  $p < 0.0001$  and Levene's Test,  $F = 3.464$ ,  $p < 0.063$ ), Word of Mouth (KS = 0.192,  $p < 0.000$  and SW = 0.934,  $p < 0.0001$  and Levene's Test,  $F = 0.097$ ,  $p < 0.756$ ) and a visual examination of the histogram, Q-Q plots and descriptive statistics indicates that the assumptions are verified.

## DISCUSSION AND CONCLUSION

There were some interesting surprises in the details of the findings. The initial analysis using Means was based on attitude towards the company and its image, attitudinal and behavioral responses. Behavioral responses were consistently lowest, followed by attitude towards the company and its image and the highest was attitudinal (brand) (Refer Table 3). The findings suggest that having or not having a celebrity does not impact behavior. Consumer's intention to buy a product may not necessarily stem from a favorable image of the endorser but may be caused by other mediating factors, such as price and availability. Nevertheless, what was surprising was that there was no significant difference in the response of a predetermined, selected, and known segment towards a pretested and accepted celebrity endorser. There was no significant difference in company, attitudinal and behavioral measures responses. This contradicts previous studies that have nearly all found differences and significant differences in favor of celebrity advertisers (Atkins & Block, 1983; H. Friedman et al., 1977). This may be due to the methodology used where respondents only saw one type of advertisement and responded to it. There was no possibility of bias or comparison between the different types of advertisements. In essence, respondents evaluated each advertisement on its own merits and the authors found that these merits produced similar results. The authors found no evidence that celebrity endorsement program, which normally cost millions of dollars, would benefit the company image. The result demonstrates no difference in respondent's view to the variables tested against an advertisement with a celebrity and one without. In other words, respondents were indifference in terms of their

attitude towards company image, company, products, brand, WOM whether a celebrity was used in an advertisement or not, if they were seeing only one type of advertisement. Even though previous research shows favorable increase in respondents' perceived corporate image through high exposure to specific advertising campaign (Grass et al., 1972), this study has proven other wise. Communications of a corporate brand doesn't just happen when the company decides to launch a corporate advertising campaign; it occurs all the time and audience perceived the corporate image through the accumulation of all received messages (Ind, 1997). In this study, the extension or the transfer of the desired meaning from the celebrity to company might be viewed as insignificant or trivial. Even though prior research showed that a firm value tend to increase upon the announcement of celebrity contracts (Mathur & I., 1996), respondents might not be able to see the direct linkage between the endorser and the company image. Furthermore, the image of a company tends to be viewed holistically, which means respondents tends to view all aspects of the business and not in isolation. The image transference in this case may have not occurred. The celebrity (Fauziah Latiff) may have not held the appropriate meaning (McCracken, 1989) or the consumer may have failed to recognize the essential similarity between the message, product, and celebrity (Tom et al., 1992). This highlights the problems of using celebrities as endorsers. This paper explores the issue of company image by assessing the reactions of respondents to advertising utilizing a celebrity endorser against one that does not. Interestingly it does not find any significant difference between the various responses studied towards two advertisement types. This indicates that the respondents viewed both advertisements similarly and reacted as such. This is exciting as it contradicts most past studies. At the same time, the data indicates that Behavioral responses were consistently lowest, followed by Attitudinal towards the company and its image and the highest was Attitudinal towards the brand and the advertisement.

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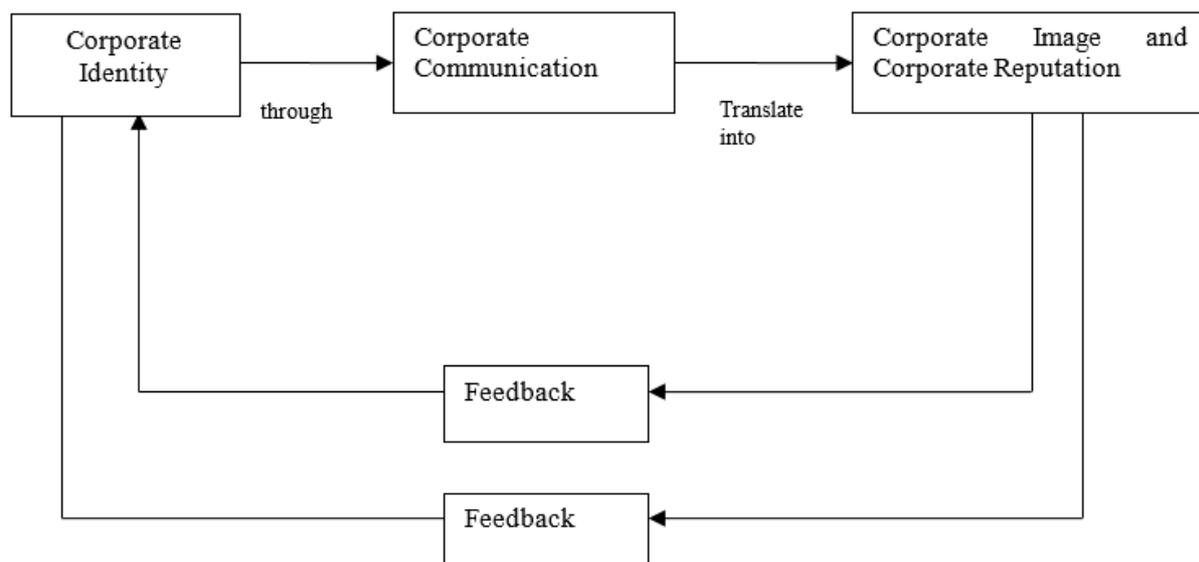


Figure 1 Corporate Image Model

Table 1: Sources of Key Measurement Scales

Measure	Author	No. Of Items	Scale Range	No. Of Factors	Reliability	Validity	Scale Type
Corporate Image	(Annan, 1999)	22	1 - 5	6	0.70 To 0.88	Yes**	B <sup>++</sup>
	(Spencer, 1999)	14	1 - 5	3	0.87	Yes**	L
Attitude Toward The Company	(Peterson, Wilson, & Brown, 1992)	3	1 - 5	-	0.91	No	B
	(Simard, Taylor, & Giles, 1976)	2	-	-	-	-	-
Attitude Toward Advertisement	(Henthorne, LaTour, & Natarrajan, 1993)	6	1 - 4	-	0.77	No	B
Like The Advertisement	(Walker & Dubitsky, 1994)	1	1 - 5	-	-	No	L
Attitude Towards Brand	(Gardner, 1985 #205)(Mitchell & Olson, 1981)	4	1 - 7	-	0.93	No	B
Attitude Towards Product	(Maheswaran & Sternthal, 1990)	7	1 - 7	1	0.81	Yes**	B
Purchase Intention	(Maheswaran & Sternthal, 1990)	1	1 - 7	-	-	No	L
Word Of Mouth	(Becker & Kaldenberg, 2000)	1	1 - 5	-	-	No	L

\*\* = Exploratory Factor Analysis, + = Likert Scale, ++ = Bi-polar Scale

**Table 2: Respondent Profile**

Variables		Overall		Ad with Celebrity		Ad without Celebrity	
		Freq	%	Freq	%	Freq	%
Gender	Male	148	37.3	69	35.0	79	39.5
	Female	249	62.7	128	65.0	121	60.5
Age Scale	Below 21	172	43.3	76	38.6	96	48.0
	22	109	27.5	71	36.0	38	19.0
	23 above	116	29.2	50	25.4	66	33.0
Ethnicity	Malay	136	34.3	64	32.5	72	36.0
	Chinese	138	34.8	69	35.0	69	34.5
	Indian	28	7.1	16	8.1	12	6.0
	Bumiputera Sabah & Sarawak	95	23.9	48	24.4	47	23.5

**Table 3: Means for Variables Studied by Overall, Ads with Celebrity and Ads without Celebrity**

Variables	Overall		Ads with Celebrity		Ads with no Celebrity	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
Corporate Image	4.75	0.83	4.78	0.81	4.73	0.86
Attitude towards the Company	4.69	0.77	4.74	0.73	4.64	0.80
Attitude towards the Advertisement	4.61	0.85	4.63	0.83	4.60	0.88
Like the advertisement	4.43	1.37	4.54	1.38	4.32	1.36
Attitude towards the Brand	5.01	1.02	5.03	1.07	4.98	0.98
Attitude towards the Product	4.93	1.09	4.95	1.08	4.92	1.10
Purchase intention	4.34	1.40	4.24	1.34	4.43	1.46
Word of mouth	4.33	1.26	4.35	1.29	4.31	1.24