Celebrity Endorsements and the Changing Landscape in view of Social Media

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ABSTRACT
Celebrity endorsements are a time-honored marketing tool. The theory is that borrowing some of a celebrity’s star power will create both an awareness of, and an interest in, a given product. There has always been top management pressure to deliver on the brand and see immediate results. From the celebrity’s angle the rationale is purely of personal choice and the value of contract. The question is the rationale from the marketer’s angle. The decision of celebrity endorsement today has become trickier in the era of social media. New approaches are User Generated Content (UGC) and Consumer Generated Marketing (CGM) – which unlike paid media – is created by consumers. Studies also show that nearly all social-media users believe a company should have presence in social media since it allows them to bring the brand into conversation and enables customers to adopt new behaviour. The paper first describes a few of the models and theories used internationally for celebrity endorsement. The paper then seeks to highlight the opportunity and challenges of celebrity endorsement today in view of social media. Celebrity endorsement continues to be an expensive but easy avenue for marketers – and the wealth of benefits it offers to a company cannot be questioned. The crucial role for CMOs (Chief Marketing Officers) here is to ensure that there is integration between a brand being endorsed by a celebrity and the brand’s social media presence. It is noted that a huge challenge of celebrity endorsements in the age of social media is to craft a perfect marketing message. Also, companies should actively prepare for the potential of bad behaviour from their selected endorser before it taints the brand. In addition Federal Trade Commission (FTC) rules are becoming stricter mandating that a sponsored ad needs to be highlighted explicitly by the endorser. The celebrities in India are now including social media in the brand endorsement contracts. As more and more brands enter the global marketplace, it is important for managers to consider variations in the effectiveness of advertising strategies.

Key Words: Celebrity endorsement, Social Media, User Generated Content (UGC), Consumer Generated Marketing (CGM), FTC (Federal Trade Commission)

1. INTRODUCTION
1.1 Definition
Celebrity has been defined by Friedman, Termini, and Washington (1976) as someone who is, “… known to the public for his accomplishment in areas unrelated to the product class endorsed.” One of the reasons of using a celebrity is his/her wide recognition which has an impact on the credibility of the product endorsed. According to McCracken (1989), a celebrity endorser can be defined as, “… any individual who enjoys public recognition and who uses this on behalf of a consumer good by appearing with it in an advertisement.”
There is great value attached to companies using a created spokesperson for endorsement, as the company has greater control of its image. The company can build characters that are congruent with their brands and target audiences. Companies have very little control over the celebrity’s persona, as this has been created over the years (Tom et al., 1992).

Celebrity endorsers have been found to produce more positive responses towards advertising and greater purchase intentions than a non-celebrity endorser (Atkin and Block, 1983; Petty and Cacioppo, 1983). Other studies have measured the impact celebrity endorsers have on a firm’s profitability finding them to be effective. Furthermore McCracken (1989) found that celebrity endorsers represented an effective way of transferring meanings to brands. Used in this way, the role of the celebrity endorser transcends that of simply being an executional device which might be most appropriate under low-involvement situations and becomes a powerful tool for managing brand equity (Petty and Cacioppo, 1983).

From a theoretical perspective, therefore, celebrities are effective endorsers because of their symbolic aspirational reference group associations (Solomon and Assael, 1987).

1.2 Celebrity Endorsement in India

Though perhaps originating in Europe, celebrity endorsers are now used frequently not only across developed countries, but in emerging markets as well; for example, celebrities appear in roughly 20-25% of advertisements in the United States and the United Kingdom (Erdogan, Baker, and Tagg 2001; Sager 2011), but over 50% of advertisements in India (WARC 2010). Additionally, approximately 50% of consumers in emerging markets such as China and Latin America indicated a preference to see more celebrity endorsements in advertising (MEC 2009). Celebrity endorsement advertising spend grew in India grew 26% for the period January – June 2013 in comparison to January – June 2012. The share of celebrity endorsement as per profession is shown in Exhibit 1.

![Exhibit 1: Share % of Celebrity Endorsement as per Profession](source)

Despite these numbers – in an international context the industry is small in size and celebrity management especially is still evolving. Firms like Percept and Globosport are relatively big players – but it is still boutique agencies and one-man operations that handle the bulk of deals. There is also some research being done in the area – for example there are research studies such as Percept and Hansa Research’s CelebTrack and media monitoring agencies like TAM India.

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1 Source: AdEx India (TAM Media Research)
As regards celebrity endorsement on social media, celebrities in India, like their western counterparts – have started including social media like Twitter and Facebook in their brand endorsement contracts or are getting paid separately for tweeting about brands, as marketers scurry to reach their online fan base.

“Twitter is a very big aspect of a celeb's reach. Sponsored tweets are certainly gaining traction in India,” says Bunty Sajdeh, chief executive officer of Cornerstone Sport & Entertainment that manages endorsements for celebrities and sportsmen like Sonakshi Sinha, Virat Kohli, Prabhu Deva and Sania Mirza.

Sajdeh says he has had discussions with brands on including social media in endorsement contracts but he always insisted that it should be a separate contract and a separate discussion.

Social media contracts, which include Twitter, Facebook, blogs, Instagram and websites of celebrities, cost a brand up to 25% of a traditional endorsement contract with a celebrity. Social media deal, however, costs at times 1.5 times that of what a brand pay to advertise in the online space.

Then there are celebrities who are getting paid per tweet by brands and that could go up to Rs 5-7 lakh per tweet for a celebrity who has about two million followers. Cricketer Yuvraj Singh, who has over two million followers on Twitter, was requested by Birla Sunlife Insurance, a brand that he has been endorsing for a while, to tweet one of the brand's campaign after his recovery from cancer.

While he did not charge the brand for that tweet, Singh's manager Nishant Arora says many companies have started approaching the cricketer for separate social media contracts.

In the West, especially the US and UK, however, celebrities often use Twitter to promote brands unabashedly. It was reported that Kim Kardashian, who has a whopping 18 million Twitter followers, could earn around 7,000 pounds for a single tweet mentioning a specific product. Others like Elizabeth Hurley, Victoria Beckham, Justin Bieber and Wayne Rooney have all tweeted about brands that pay them either per tweet or have endorsement contracts with them.

2. MODELS AND THEORIES

2.1 The Match-up Hypothesis

Several research studies have examined the congruency between celebrity endorsers and brands to explain the effectiveness of using famous persons to promote the brands (Till and Buster, 1998), (Till and Shimp, 1998). Results show that a number of celebrity endorsements proved very successful, whereas other completely failed. The match-up hypothesis specifically suggests that the effectiveness depends on the existence of a “fit” between the celebrity spokesperson and endorsed brand (Till and Buster, 1998). Though Oharian (1991) acknowledges a popular person’s ability to create awareness and initial interest for an advertisement she concludes that this may not necessarily change consumer’s attitude towards the brands. The model emphasizes that the physical attractiveness of a celebrity endorser will enhance evaluations of the products characteristics only if the characteristics of the product “match up” with the image conveyed by the celebrity. Hence an extension beyond attractiveness and creditability towards a consideration has to be done in terms of making the entire image of the celebrity with the endorsed brand.

2.2 Source Credibility Theory and Source Attractiveness Theory

The concept of celebrity endorsement has its origin in Psychology. Researchers in psychology have extensively studied the communicator-message-receiver relationship and its sub issues such as the impact of communicator/source capabilities on making the message credible, effects of the communicator in attitude change of the receiver, communicator message match etc. One of the most

\[2 \text{“Celebrities now include social media in endorsement contracts, get paid separately for tweeting,” } \text{http://goo.gl/jkiEUN } \text{[accessed on 01 July, 2014]}\]
studied areas is that of “source credibility” which is very similar to the “ethos” of Aristotle (Hovland and Weiss 1952; McCroskey and Young 1981). Source credibility has been defined as:

“attitude toward a source of communication held at a given time by a receiver”
(McCroskey and Young, 1981)

Psychology literature has identified three dimensions of source credibility, in particular when the source is an individual; trust, expertness and attractiveness.

Giffin (1967) defined interpersonal trust in the communication process as:

“… reliance upon the communication behavior of another person in order to achieve a desired but uncertain objective in a risky situation.”

Hovland, Janis, and Kelly (1953) defined expertness of a source as:

“the extent to which a communicator is perceived to be a source of valid assertions”

Thus the implication which can be drawn is that more trustworthy the source, or the more expert the source is perceived to be, the more impact the message communicated by him/her will have on the recipient.

Though the dimensions of Trust and Expertness were simultaneously studied, the dimension of source attractiveness was studied in isolation but almost parallel to the former one. The concept of the attractiveness of a communicator affecting the attitude change of the receiver was first discussed by McGuire (1969 ref. 1985) who postulated three components of source valence: credibility, attractiveness and power. McGuire argued about the inclusion of the attractiveness of the source as a component of source along with trustworthiness and expertise. He further argued about the three components of source attractiveness; Similarity, Familiarity and Liking, where, similarity referred to the supposed resemblance between the source and the receiver of the message; familiarity meant the awareness or knowledge about the source which comes from exposure and likeability was the acceptance of the source by virtue of its attractiveness and appearance.

While discussing about liking, McGuire (1969) opined,

“it would seem unobjectionable to hypothesize that the more the subject liked the source of a persuasive message, the more he would change his belief toward the position the source is advocating.”

A literature review of experimental studies on attractiveness of the source (Joseph 1982) suggested that physically attractive sources were able to generate more favorable response from the consumer in the context of advertising. It is interesting to note that studies which involved the attractiveness construct in terms of celebrity endorsements in the later years (Baker and Churchill 1977; Bower 2001; Kamins 1990; Kamins and Gupta 1994; Misra and Beatty 1990; Mowen and Brown 1981; Till and Busler 1998, 2000) mostly tested the effects of physical attractiveness rather than the three components mentioned by McGuire (1969). In effect, the research focused on physical attractiveness instead of attractiveness as a whole.

2.3 Meaning Transfer Theory

Grant McCracken has criticized the previous two theories and proposed the Meaning Transfer Theory. The theory explains that a celebrity encodes a unique set of meanings which if well used can be transferred to the endorsed product. Such a transfer takes place in three stages – encoding meanings, meaning transfer, and meaning capture.

1. Encoding Meanings: Each celebrity has a unique set of meanings, which can be listed by age, gender, race, wealth, personality or lifestyle. In this way, the celebrities encode a set of meanings in their image.

2. Meaning Transfer: This stage transfers those meanings to the product. When skillfully portrayed, celebrities can communicate this image more powerfully than lay endorsers.

3. Meaning Capture: This assumes that consumers purchase products not merely for their functional value but also for their cultural and symbolic value. The theory says that consumers buy the endorsed product with the intention of capturing some of the desirable meanings with which celebrities have passed on to the product. This is more eminent in lifestyle products like clothes, perfumes, cell phones etc.
3. PRESENT SCENARIO OF CELEBRITY ENDORSEMENT

3.1 Pushing the product

Companies are appreciative of the fact that there is a risk when choosing a celebrity-endorsement approach. Recent studies indicate that sales for some brands increased up to 20% upon commencing an endorsement deal. According to Anita Elberse, associate professor at Harvard Business School, some companies have seen their stock increase by 0.25% on the day the deal was announced. A 2011 study published in the Journal of Advertising that looked at athletes’ support for brands found that such endorsements produced a 4% growth in revenue (about $10 million a year in added sales of the branded products), and a 0.25% rise in stock returns.

The question here is that if word-of-mouth is the No. 1 purchase decision-maker, why CMOs display recalcitrance towards big names that can create huge brand buzz and peer recommendation. Every brand might not need a celebrity – but celebrity endorsement has inherent benefits – that can be leveraged across multiple channels, cut through advertising clutter, create a brand narrative and allow for channel-specific optimization.

Celebrity endorsement is always worth investing if one has the right person – and it is an easy if expensive option for companies. Different outcomes of the synergy include the ability to spark sales by enticing consumers to learn more about the brand; opportunity to create new markets and / or tap into an activation base of fans etc.

We also see that companies are trying to have a ‘brand ambassador’ rather than a mere ‘celebrity endorser’. Despite being used interchangeably, a brand ambassador serves a larger strategic purpose and unlike endorsers, they use their brand in their own personal lives as well. It should be noted that an ambassador need not always be a celebrity – it can be a company spokesperson, a customer, or a domain expert.

3.2 Integration with social media marketing

The conversation about the power of celebrity endorsement is now moving to the digital world. Sometimes referred to as “online influencer marketing,” the concept is the same but just applied to the Internet as a marketing channel. Forward-thinking brands are now harnessing the power of personalities to promote their products via social media and other online marketing platforms.

Advertisers are increasingly leveraging social networking and celebrities to attract consumers. After all, Internet users spend more time on social networks than any other category of websites, according to a 2013 report by Nielsen, the media measurement company. The report found that 20% of people’s time on PCs was devoted to social channels, and 30% of their mobile time went to social networks.

About 17% of consumers’ PC time is spent on Facebook, which remains the most popular web brand and mobile app in the U.S., according to a report by comScore, which does digital business analytics.

A 2013 study by Brandrepublic conducted a survey for 5,500 UK social media users aged between 11 and 95 to find the proportion of social media users who follow celebrities on social media. The results showed that a third (33%) of all users follow celebrities, rising to more than half (54%) of younger female users aged between 16 and 24. More than half (54%) said that they have not noticed the celebrities they follow making product or service endorsements at all. This indicated that, for this group, that celebrity endorsements have not become an unwelcome intrusion.

And interestingly, more of those who have noticed celebrities endorsing products or services welcomed this (25%) as become annoyed by it (21%).

“A celebrity endorsement is a signal, or a trigger,” says Mark Bonchek, founder of Orbit + Co, a social media strategy company based outside Boston, Mass. “People are looking for signals. If they see a celebrity they like (endorsing a product), that sends the signal that the product is a good one. It’s part of [consumers’s] conversation around a brand or product.”

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5 “Celebrity endorsement on social media,” http://goo.gl/mSL0A7 [accessed on 01 July, 2014]
The integration with social media marketing is interesting. Now companies are focusing on User Generated Content (UGC) and Consumer Generated Marketing (CGM). Unlike paid media, CGM is created by consumers. It's often inspired by relevant product or service experiences and is frequently archived online for readers’ convenience and other consumers or key marketplace influencers. Examples of CGM include blog entries, consumer email feedback, message board posts, forum comments, personal web sites, and personal email.\(^6\)

The trend now is for celebrity endorsers tweeting about the brands they are endorsing & posting pictures of the photo shoots of these products. This might seem like a natural thing – but most of the times it is manufactured marketing.

Social media allows a brand manager to promote a brand through the personality of the celebrity they sponsor. With the sheer amount of followers these celebrities have – it is impossible for the brand manager to ignore the potential to reach out to that audience. Sachin Tendulkar for example has over 16 million fans on Facebook.\(^7\)

The pace and tenor of social media have made it more difficult for brands to curate their image, and enlisting a celebrity spokesperson adds a significant layer of risk, notes Patti Williams, professor of marketing at Wharton. “Traditionally, a celebrity would agree to be in an advertisement, and that was essentially the extent of the relationship,” she says.\(^8\) “Now, celebrities are encouraged to engage with the [firm’s] customers in other ways. This could be through the company’s own media or through the celebrity’s own media, like a Twitter or Facebook [account]. The nature of the celebrity endorsement is a 360 [degree] proposition - and that’s where many of the risks come from.”

A celebrity spokesperson creates an extra liability, notes Reibstein, professor of marketing at Wharton. With social media, “the potential public eye is greater,” he says. “All it takes is one person to snap a picture of that celebrity [at an inopportune moment], and that exposure becomes part of the 24/7 [news] cycle.”

3.3 Celebrity Endorsement Guidelines for Social Media

The Federal Trade Commission recently updated its endorsement guidelines, officially called Dot Com Disclosures\(^9\), and there are some specific updates that marketers will need to be aware of.

The update states that disclosures “must be clear and conspicuous on all devices and platforms that consumers may use to view the ad. And if an advertisement without a disclosure would be deceptive or unfair, or would otherwise violate a Commission rule, and the disclosure cannot be made clearly and conspicuously on a device or platform, then that device or platform should not be used.”

If a marketer regularly pays celebrities for sending endorsements to their followers or buy prominent placement for 140-character ads, the FTC suggests flagging those tweets by including “Ad;” at the beginning of it or the word “sponsored.”

3.4 Consumer protection in India

The Central Consumer Protection Council (CCPC), the apex body for consumer protection in India, has now decided to hold actors accountable in cases of false claims made in advertisements for products which they endorse. This means that a consumer can now claim compensation for false claims, made in respect of a product, not only from the advertiser but also from the celebrities associated with the brand. In order to hold a celebrity liable, the mens rea requirement is that he must have made the statement “recklessly” or with knowledge that the claim was false or misleading.

In India, consumers can bring a case in a consumer court for ‘unfair trade practice’ which has been defined under section 2 (1) (r) of The Consumer Protection Act, 1986 and includes false claims made for promoting sale of any goods.

When we speak specifically in context of food items, according to section 24 of the Food Safety and Standards Act (FSSA), any person who makes false claims (orally, in writing, or visually) about the

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\(^7\) [http://goo.gl/LoY4AA](http://goo.gl/LoY4AA) [accessed on 01 July 2014]


One must realize that a commercial done by a celebrity is different from that done by any other actor - this is because in the former case, the motivation for a consumer to buy a product comes not only from the appeal of the commercial but from the ‘person’ who has done the commercial. Both the Acts cover false claims made orally or by visual representation and the celebrity can well fall in the purview of the legislations.

4. CONCLUSION
1. The most important ingredient in a successful celebrity endorsement deal is to choose a celebrity who resonates with two audiences: (1) the brand’s core demographic (current customers); and (2) the brand’s aspirational demographic (target customers). Any company that can achieve these twin objectives - retain existing customers and acquire new customers - is a company that is going to be successful in the marketplace and on the balance sheet. Marketers need to be careful because the negatives of a celebrity can be easily be transferred to a brand.
2. Advertisers must match the product or company’s image, the characteristics of the target market, and the personality of the celebrity, in order to establish effective messages and the determinant of the match between celebrity and brand depends on the degree of perceived “fit” between brand (brand name, attributes) and celebrity image.
3. Factors such as need for interactivity, the degree of control exercised by consumers over messages received and increasing media fragmentation render celebrity endorsement a valid strategy.
4. CGM and UGC is created by consumers. It can be influenced, but not controlled, by marketers. CGM delivers high-impact, targeted ad impressions well outside the scope of conversation among “familiars,” a big reason it bears an important distinction from word of mouth. Search in particular magnifies CGM reach and effect by matching those who create it (“speakers”) with curious, information-hungry pre-shoppers (“seekers”).
5. An ever shortening attention span of consumers is a concern for social media managers – and a celebrity helps you get noticed.
6. It is important that companies actively prepare for the potential of bad behavior on the part of the selected endorser. A lot of companies now have ‘social media control rooms’ where they monitor the blogosphere and can intervene before something unwanted goes viral.
7. Any error in judgment on part of the celebrity is highly scrutinized. When the celebrities in question are also “brand ambassadors,” this bad behavior is especially problematic. Michael Phelps, the most decorated Olympian in history, lost Kellogg’s as a sponsor after a photograph of him smoking marijuana appeared in News of the World. Tiger Woods lost his deals with Tag Heuer, Gillette, Accenture, Gatorade and a slew of other firms after it was discovered that he had extramarital affairs with at least a dozen women. And most recently, Nike, Oakley and other big-name sponsors dropped South African Olympic sprinter Oscar Pistorius following charges that he shot and killed his girlfriend, Reeva Steenkamp, during a domestic dispute. With social media - the chatter surrounding these sorts of events increases dramatically.
8. A lot of American A-list celebrities star in advertisements overseas for products they do not promote at home. For example in Japan, Natalie Portman has starred in an ad for a hair product, George Clooney has pitched for Honda, and Brad Pitt has done an ad for Softbank. Prior to social media sharing sites like YouTube, such celebrities did not think that it would affect their U.S. brand equity, because no one over here would ever see them. But now anyone with an Internet connection can find them.
9. Consumers are not always clear when they are being ‘sold to’ by celebrities they have chosen to follow. This points to the need for greater transparency in social media communication and closer regulation Advertising Standards Authority (ASA).
10. The social media component is now starting to become a part of the brand endorsement contract of celebrities. Not every celebrity is comfortable with monetizing their fan base on Twitter and
Facebook though. The big celebrities prefer brand promotions on social media which are done discreetly and tastefully.

11. New FTC guidelines for Social Media called Dot Com Disclosures are important. Most enforcement cases involving celebrities have been directed toward marketers rather than the celebrities, and in some instances, advertisers have been ordered to give full or partial refunds to all consumers who bought the product.

12. Celebrity management in India is in a nascent stage – and needs to move on from being one-man and boutique operations to being professionally managed by big players. The role of a celebrity manager / management agency is not merely to broker a deal but to literally manage the celebrity.

REFERENCES

