

CHAPTER 1

INTRODUCTION

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Over a period of time, Indian households, slowly and gradually are getting grabbed in the strong claws of the media. Such enormous and enlarged exposure to media, which was never seen before, led to increased opportunities for the marketers and manufacturers to market their products and services to their potential consumers. In a competitive world, the effectiveness of advertising has been debated a lot and hence advertising has now become much more accountable than before. Marketers and advertisers were never under such tremendous pressure of accountability while designing a promotional campaign. Grabbing the attention of existing and potential customers will not serve the purpose. Finally, an effective advertisement is the one which results into the sales. Advertisers are putting in every effort to win the battle of positioning in the mind of consumers. We all are living in an over-communicated world. An easy way out to beat the over-communicated atmosphere is to have a celebrity endorse the brand. It has become a fashionable thing to use celebrities when you want your brand to jump into a point of contemporaneity that would otherwise take a great deal of effort to build in the good old way. The celebrity is an easy route!

Also, over a period of time, celebrities which restricted themselves only to their own profession now started entering every household through advertisements flashed through different media. Now celebrity endorsement has become a prevalent form of advertising, all across the world. It has become an integral part of every marketing communication strategy around the globe. Celebrities are now been used to promote almost everything; right from the Fast Moving Consumer Goods (like beverages, personal care products etc.) to Consumer Durables (electronic appliances, automobiles, etc.). Service industry too, has adopted this strategy to market their products. Banking and insurance, Hotel industry etc., have successfully reaped lucrative rewards, by switching on to endorsement advertising. Also, the use of celebrity endorser is not limited to any particular industry. Companies using celebrity endorsers cross all industry categories. Since long, marketing is not only applied to products and services but, also to the field of politics. Film celebrities and sports celebrities have started endorsing political parties and their ideologies. Celebrities have always been an integral part of political marketing in India and the world over. Film celebrities like NTR in Andhra Pradesh, Jayalalitha, the Chief Minister of Tamil Nadu, Shatrugan Sinha, Vinod Khanna, Govinda and sports celebrities like Navjot Singh Sidhu, Kris Srikanth etc are success stories of celebrities in the political arena.

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These endorsers are seen on different broadcast media like Television and Radio; Print media and others like outdoor billboard advertising. Many Indian firms like, Hindustan Lever, Smithkline Beecham etc have been using celebrity endorsers for quite long. The ever-going fight between Pepsi and Coke is an excellent example of celebrity endorsed advertisements. According to an international estimate, almost 10 % of all advertising expenditures are being spent to pay the endorser (Agrawal and Kamakura, 1995).

The number and currency value of celebrity endorsement contracts are increasing and have always been snatching the significant portion of the total advertising budget. Celebrity endorsements contracts are very expensive on one hand but at the same time, have given handsome returns to the marketers in terms of increased sales and profits. The cost of acquiring celebrities is very high and skyrocketing.

Past research related to the impact of celebrity endorsements have given positive results indicating that investments made by marketers to promote their products through celebrities have never dissatisfied them. Previous research reveals that celebrities make advertisements believable (Kamins et al, 1989) and enhance message recall (Friedman and Friedman, 1979). Furthermore, celebrities aid in the recognition of brand names (Petty, Caciopko, and Schumann, 1983), creates a positive attitude towards the brand (Kamins et al, 1989), and creates a distinct personality for the endorsed brand (Mc Cracken, 1989). Thus, the use of celebrity endorsements is an advertising strategy that should enhance the marginal value of advertising expenditures and create brand equity means of the "secondary associations" of a celebrity with a brand (Keller, 1993). Celebrities who endorse products/services, are believed to possess some symbolic properties/characteristics, which are transferred from the endorser to the endorsed brand, and then from the brand to the consumer. Celebrities, being the source of message / communication and their attributes like Credibility, Attractiveness, Power etc. have an impact on consumers' attitudes, product evaluations and final purchase. Other important considerations are the celebrity and audience match-up, brand match-up etc. Likewise, there are many issues related to celebrity endorsement advertising and each has its own in-dept arena to explore.

In Indian advertising the celebrity is hot property. A film star and/or a sports star (preferably a cricketer) as a celebrity are obviously the first two choices. There are clients who come in from small towns with wads of cash looking for an ad film script and with a clear agenda... to make a film with their favorite star. But the film star route is not restricted to small towners

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alone flip through the ads and you will notice as many multinationals using star powers, to sell their products. Why do we choose celebrities to endorse products when it costs an arm and a leg to put a celebrity under contract? Why do we deal with celebrity managers and the whole gamut of celebrity management to get the star of our choice, whose choice does the star finally represent, a star-struck client's or the consumer's? What happens to a brand if it becomes indistinguishable from the celebrity endorsing it, like the Nawab of Pataudi and Gwalior suitings? What happens when in an ironic twist a spokesperson becomes a celebrity because of brand advertising and then becomes larger than the brand like Lalitaji in the old Surf commercials? What happens when you run out of celebrity? Testimonials or endorsements can actually work two ways. It helps in bringing quick memorability, recall and recognition for your brand which helps when your brand is fairly new so you can cash in on the linkage. If you are a multinational it helps you project an Indian face and often a popular Indian face. Celebrity testimonials work when your product makes logical sense in the celebrity's life... like a beauty cream for film stars, a range of tough wear for a tough guy, a memory supplement for an aging prime minister, a pair of shoes for a famous player, and by logical transference of this peek into the celebrities behind-the-scenes life, make it relevant to our own. But celebrity testimonials can never be an easy way out if you are looking at some long-term brand building. For that you need a creative idea and a celebrity is no substitute for an idea. A film with an all-starcast can still flop if the script and story don't deliver. The consumer like the public is discerning.

What makes a celebrity testimonial work at a point of time when words like brand building and realism and real people are the current buzz. Strangely the same climax that has thrown up a host of real commercials, featuring real people with real emotions, really is using the brand in question and subscribing wholly to brand values. The same consumer who is exposed to Surf Excel advertising is also exposed to Govinda in the doodh-ganga ad and Madhuri in the Lux commercial. But the consumer is willing to see category differentiation. A film star in a beauty soap ad is acceptable, but a film star endorsing a dish washing powder may require an unimaginable suspension of belief.

In India today, the use of celebrity advertising for companies has become a trend and a perceived winning formula of corporate image-building and product marketing. Associating a brand with a top-notch celebrity can do more than perk up brand recall. It can create linkages with the star's appeal, thereby adding refreshing and new dimensions to the brand image.

1.1 : Organisation of the Thesis

Chapter 1 serves as an introduction to the research, including introducing concepts and defining terms. An initial brief is given regarding the basic model of communication to clarify the concept of 'Communication. An overview of the elaboration likelihood model will help us understand the cognitive processing of communication. A brief is given on the four views of consumer decision making and a simplified consumer decision making model. With reference to the basic model of communication, the role of a 'Spokesperson' as the source of communication is also detailed. An overview of advertising industry in India and the rapid increase in the size of fast moving consumer goods market in India would facilitate the further understanding of the current study undertaken. A brief upon the celebrity endorsement advertising, with special reference to the fast moving consumer goods in India is detailed. The chapter ends stating the purpose and expected contribution of the study.

Chapter 2 begins with providing an overview of consumer behavior. It further attempts to discuss and then summarize advertising effectiveness literature, celebrity endorsement advertising literature, and the literature on endorsement advertising in FMCG goods. Various options available to a marketer are detailed for selecting the "Right" celebrity. Literature on Performer "Q" ratings, AHP model along with other models addressing some major dimensions of a celebrity are reviewed. A brief of Fishbein's attitude theory is provided to understand the attitude formation process. A detailed review on the various models used in celebrity endorsement advertising forms the focal discussion of this chapter. A summary of the literature review leads into Chapter 3.

Chapter 3 introduces the credibility measurement model which is to be tested. Testing of this model would further facilitate in examining the hypothesized structural linkages. The hypothesized relationships of credibility to attitudes and behavioral intentions and their inter-relationships are proposed in the conceptual model of relationship between endorser credibility and reaction to advertisements. A detailed research design highlights upon the selection of endorser credibility scale, attitude and purchase intent scales. Further, questionnaire design, selection of celebrities and television commercials for the proposed study along with the time frame for data collection is detailed. The chapter ends with revolving around the main study undertaken.

Chapter 4 guides the reader through the data analysis procedure and the interpretation of the findings.

Chapter 5 presents a discussion of the findings, conclusions, and implications.

1.2 : Definition of Terms / Terminology

Prior to the discussion of this research study, it is important to have a conceptual clarity of various key terms used in this study. While most of the terms defined are taken from the existing literature related to this study, some are modified to fit the current study. These definitions are expounded in detail as and when required in the following chapters.

Advertising

American Marketing Association (AMA), quoted in Bennet, 2000: 117 : Any, paid form of non-personal presentation of ideas, goods, and services by an identified sponsor.

(Harding, 1991, p. 4) : Sharing of information about a specific product in the most dramatic, compelling, persuasive, and memorable fashion possible.

Any Form : Advertising may be in any form of presentation. It may be a sign, a symbol, and an illustration, an ad message in a magazine or newspaper, a commercial on the radio or on television, a circular dispatched through the mail or a pamphlet handed out at a street corner; a sketch or a message on a billboard or a poster or a banner on the net. Any form of presentation, which an advertiser imagines will fulfill the requirements of an ad can be employed.

Non-personal : Any form of personal selling usually done on a person-to-person or on people-to-people basis is excluded.

Ideas, Goods, and Services for Action : Advertisements are developed for communicating the information related to products or services offered by the company / firm. Advertising is used to promote ideas too. For e.g., the Income-tax department is airing advertisements to motivate citizens to pay their taxes honestly and timely. In most social marketing, ideas are advertised for promoting social cause like, family planning, literacy programmes, environment awareness, pollution free world, etc.

Openly paid for by an Identified Sponsor: Advertising is openly and directly paid for as against publicity, which is not openly paid for. Since it is paid, one can identify the firm or the

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company who is advertising the product / service. The sponsor is having the control over the content, form and scheduling of the advertisement.

(Cheng, 1996 :74) : More narrowly, advertising is defined as ‘Any human communication intended to persuade or influence buyers in their purchase decisions’.

Advertising Agency

A firm that specializes in the creation, production, and placement of advertising messages and may provide other services that facilitates the marketing communication process.

Attitude

(Mitchell & Olson, 1981, p. 318): An individual’s internal evaluation of an object.

Gordon Allport : Attitudes are learned predispositions to respond to an object.

More recent perspectives view attitudes as a summary construct that represents an individual’s overall feelings toward or evaluation of an object. Consumers hold attitudes towards a variety of objects that are important to marketers, including individuals (celebrity endorsers such as Tiger Woods or Amitabh Bacchan), brands (Sony, Pepsi), companies (Intel, Microsoft), product categories (durables, fast moving consumer goods), retail stores (Walmart, Spencers’), or even advertisements (Dairy milk ads). Attitudes theoretically summarize a consumer’s evaluation of an object (or brand or company) and represent positive or negative feelings and behavioral tendencies

Attitude toward Ad

A message recipients’ affective feelings of favorability or unfavorability toward an advertisement.

Attractiveness

A source characteristic that makes him or her appealing to a message recipient. Source attractiveness can be based on similarity, familiarity, or likeability.

Consumers tend to form positive stereotypes about such people, an in addition, research has shown that physically attractive communicators are more successful in changing beliefs than are unattractive communicators (Chaiken, 1979; Dion and Berschied, 1972).

Brand

(Aaker, 1991, p. 7) : A distinguishing name and/or symbol (such as a logo, trademark or package design) intended to identify the goods or services of either one seller or a group of sellers and to differentiate those goods or services from those of competitors.

Brand is a unique and identifiable trade name given to a product or a service. A brand includes a name, logo and visual elements like symbols or images.

Brand Equity

(Aaker & Biehal, 1993, p. 69): A set of assets such as name awareness, loyal customers, perceived quality, and associations that are linked to the brand (its name and symbol) and add (or subtract) value to the product or service being offered. (Aaker, 1991, p.4); the additional cash flow achieved by associating a brand with the underlying product or service.

Carryover Effect

A delayed or lagged effect whereby the impact of advertising on sales can occur during a subsequent time period.

Central Route to Persuasion

One of the two routes to persuasion recognized by the elaboration likelihood model. The central route to persuasion views a message recipient as very active and involved in the communication process and has the ability and motivation to attend to and process a message.

Clutter

The non-program material that appears in a broadcast environment, including commercials, promotional messages for shows, public service announcements, and the like.

Cognitive Processing

The process by which an individual transforms external information into meanings or patterns of thought and how these meanings are used to form judgments or choices about behavior.

Cognitive Responses

Thoughts that occur to a message recipient while reading, viewing, and/or hearing a communication.

Credibility

The extent to which a source is perceived as having knowledge, skill, or experience relevant to a communication topic and can be trusted to give an unbiased opinion or present objective information on the issue.

Celebrity

Friedman, Termini, and Washington (1977): A celebrity is a person widely known to the public for accomplishments in domains unrelated to the product class.

Friedman and Friedman, 1979 : A celebrity endorser is defined as an individual who is known to the public (e.g. actor, sports figures, entertainers etc.) for his / her achievements in areas other than that of the endorsed product class. We have expanded the definition of this term to include almost every individual who is a known public figure because of his / her accomplishments in any field.

Compliance

(Kelman, 196, p. 62) : when an individual accepts influence from another person or from a group because he hopes to achieve a favorable reaction from the other, either approval or disapproval from the influencing agent

Consumer Behavior

The term consumer behavior is defined as the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. Consumer behavior focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. That includes what they buy, why they buy, when they buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after the purchase, the impact of such evaluations on future purchases, and how they dispose of it.

Elaboration Likelihood Model

A model that identifies two processes by which communications can lead to persuasion – central and peripheral route.

Expertise

(Erdogan, Baker & Tagg, 2001, p. 40) : The extent to which a communicator is perceived to be a source of valid assertions.

‘Expertise’ as defined by Hovland and his associates, as the extent to which a communicator is perceived to be a source of valid assertions (Hovland, Janis, and Kelly, 1953). It is the knowledge that the communicator seems to possess to support the claims made in the advertisements.

Fast Moving Consumer Goods

Fast Moving Consumer Goods (FMCG), also known as Consumer Packaged Goods (CPG), are products that have a quick turnover and relatively low cost. Though the absolute profit made on FMCG products is relatively small, they generally sell in large numbers and so the cumulative profit on such products can be large. Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, teeth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, packaged food products and drinks, although these are often categorized separately.

Field of Experience

The experiences, perceptions, attitudes, and values that senders and receivers of a message bring to a communication situation.

Fishbein Attitude Theory

(Mitchell & Olson, 1981, p. 319) : Specifies the relationship between the set of salient beliefs about a concept and an overall evaluation of, or attitude toward, the concept.

Aad- .attitude toward the ad-predisposition to responding in a favorable manner to a particular advertising stimulus during a particular exposure situation. (Mckenzie, Lutz & Belch, 1986 p. 130)

Aact- .attitude toward the act of purchasing and using each brand. (Mitchell & Olson, 1981, p. 323).

Ao- .the overall evaluation of, or attitude toward the concept. (Mitchell & Olson, 1981, p. 319).

Bi- .the strength of the association between the attitude concept O and the ith salient concept. (Mitchell & Olson, 1981, p. 319).

Hierarchy Of Effects Model

A model of the process by which advertising works that assumes a consumer must pass through a sequence of steps from initial awareness to eventual action. The stages include awareness, interest, evaluation, trial, and adoption.

Intention

(Biehal et al., 1992, p. 25) : Type of judgment about how in the present context, a consumer will behave towards a particular brand.

Identification

(Kelman, 1961, p. 63) : When an individual adopts behavior derived from another person or group because this behavior is associated with satisfying self-defining relationship to this person or group.

The process by which an attractive source influences a message recipient. Identification occurs when the receiver is motivated to seek some type of relationship with the source and adopt a similar position in terms of beliefs, attitudes, preferences, or behavior.

Integrated Marketing Communication

American Association of Advertising Agencies (the “4As”) : A concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines – for example, general advertising, direct response, sales promotion, and public relations – and combines these disciplines to provide clarity, consistency, and maximum communications impact.

Internalization

The process by which a credible source influences a message recipient. Internalization occurs when the receiver is motivated to have an objectively correct position on an issue and the receiver will adopt the opinion or attitude of the credible communicator if he or she believes the information from this source represents an accurate position on the issue.

(Kelman, 1961, p. 65) : When an individual accepts influence because the induced behavior is congruent with his value system

Judgments

(Biehal et al., 1992, p. 25) : An explicit evaluation of each alternative typically using a continuous or multilevel scale.

f. **ei**-the evaluation of the *i*th salient concept. (Mitchell & Olson, 1981, p.319).

f. **N**- number of salient beliefs. (Mitchell & Olson, 1981, p. 319).

Marketing

American Marketing Association (AMA): Marketing is a process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives

Marketing Mix

The controllable elements of a marketing program including product, price, promotion and place.

Match-Up Hypothesis

(Kamins, 1990, p. 5) : Generally suggests that the message conveyed by the image of the celebrity and the image of the product should converge in effective advertisements, implies a need for congruence between product image and celebrity image on an attractiveness basis.

Noise

Extraneous factors that create unplanned distortion or interference in the communication process.

Peripheral Route to Persuasion

In the elaboration likelihood model, one of the two routes to persuasion in which the receiver is viewed as lacking the ability or motivation to process information and is not likely to be engaging in detailed cognitive processing.

Perception

Perception is defined as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world. It can be described as “how we see the world around us.” Two individuals may be exposed to the same stimuli under the same apparent conditions, but how each person recognizes, selects, organizes, and interprets these stimuli is a highly individual process based on each person’s own needs, values and expectations.

Promotional Mix

The tools used to accomplish an organization's communication objective. The promotional mix includes advertising, direct marketing, sales promotion, publicity/public relations, and personal selling.

Salient Beliefs

Beliefs concerning specific attributes or consequences that are activated and form the basis of an attitude.

(Mitchell & Olson, 1981, p. 318) : Are those activated from memory and considered by the person in a given situation. e. **BI**- behavioral intention to purchase each brand. (Mitchell & Olson, 1981, p. 323).

Source Power

The power of a source as a result of his or her ability to administer rewards and/or punishments to the receiver.

Source Credibility

Credibility is the extent to which the recipient sees the source as having relevant knowledge, skill, or experience and trusts the source to give unbiased, objective opinion. The academic literature has detailed a lot upon endorser or spokesperson credibility. In this context, credibility refers to the extent to which the source is perceived as possessing expertise relevant to the communication topic and can be trusted to give an objective opinion on the subject (Belch and Belch, 1994, pp. 189-190; Ohanian 1990). Expertise and attractiveness are important dimensions in conceptualizing credibility and have been influential in persuading consumers (e.g., Harmon and Coney 1982; Moore, Hausknecht and Thamodaran 1988; Sternthal, Phillips and Dholokia 1978; Wu and Shatter 1987) and in influencing attitudes (e.g., Craig and McCann 1978; McGinnies and Ward 1980). Expertise and trustworthiness have been consistently identified with the concept of source credibility; McGuire (1958) has originally identified attractiveness as an important dimension of source credibility. Others followed in evaluating the attractiveness of endorsers for products, services and / or social causes (Baker and Churchill 1977; Caballero, Lumpkin and Madden 1989; Caballero and Solomon 1984; DeSarbo and Harshman 1985

Trustworthiness

Trustworthiness refers to the consumer's confidence in the source for providing information in an objective and honest manner. A good friend is considered as trustworthy on most matters. A salesperson is believed to have more knowledge than an inexperienced friend, but many consumers are likely to doubt his trustworthiness because of the targeted sales to be achieved by him.

1.3 : Basic Model of Communication

Communication has been variously defined as the passing of information, the exchange of ideas, or the process of information, the exchange of ideas, or the process of establishing a commonness or oneness of thought between a sender and a receiver¹. For communication to occur there must be a common thinking between two parties and information must be passed from one person to another (or from one group to another). There are many factors which will determine the effectiveness of the communication process. Apart from the sender and the receiver, the nature of the message, the medium used to transmit the message, and the environment in which the message is transmitted will affect the communication effectiveness. Perception of the people regarding words, pictures, sounds, colors etc., involved in the communication process too, will affect their interpretation of the message. Different languages or dialects too, will affect the effectiveness of the communication process. Over the years, a basic model of the various elements of the communication process has evolved as shown in the figure 1.

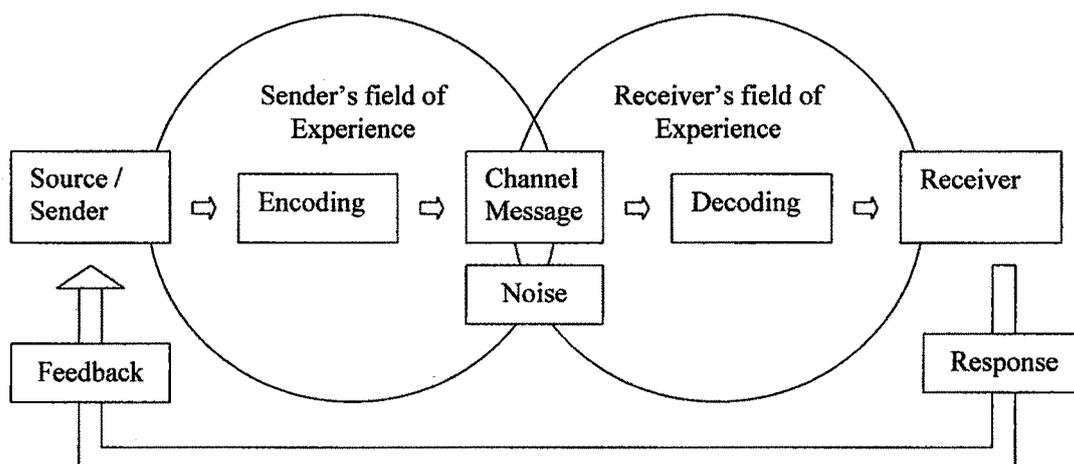


Fig.1 A Model of the communication process

Source : *Advertising and Promotion : An integrated marketing communications perspective; 6th Edition, Tata McGraw – Hill Edition; George E. Belch and Michael A. Belch*

¹ Wilbur Schram, *The Process and Effects of Mass Communications* (Urbana: University of Illinois Press, 1955).

Source Encoding

The major participants in a communication process are the sender and the receiver. Message and the channel are the two major communication tools. Encoding, decoding, response and feedback are the four major functions or sub-processes in the process of communication.

Noise is the external factor to the process of communication which adversely affects the effectiveness of the communication. The source or sender of a communication is the process could be an individual or an organization that has the information and develops the need to share this information with another person or a group of people. For e.g., a sales person or a celebrity endorsing a brand in an advertisement could be the source. The choice of the source or the communicator is very important since the receiver's perception about the source's knowledge and trustworthiness is going to determine the receptivity of the message. The receiver would always like to relate in some or other manner with the sender of the message.

Encoding is the process of putting thoughts, ideas, or information into a symbolic form like words, statements, phrases, signs, or symbols. The sender will convert the subject matter in a form as would be understood by the receiver. Words or phrases used are likely to have more than one meaning and hence should be used with utmost care.

Message

Encoding process will result into the development of a message which is nothing but the subject matter which the sender wanted to communicate to the receiver. This message may be verbal, non-verbal, oral, written, or symbolic. The message is then to be transmitted through a channel or a medium to which the receiver has an access to. For e.g., written words or illustrations are delivered through print media, audio or video messages are delivered through radio or television or even internet. Marketers and advertisers need to focus on 'semiotics', a discipline which studies the nature of meaning and asks how our reality – words, gestures, myths, signs, symbols, products/services, theories acquire meaning. (Joseph Ransdell, "Some Leading Ideas of Peirce's Semiotic," *Semiotica* 19 (1977), pp.157-78.)

Semiotics plays an important role in marketing communications. An understanding of 'Cultural anthropology' too is equally important to understand the conscious and sub-conscious meanings of the non-verbal signs and symbols. An understanding of these two disciplines will help the marketers understand the receiver's interpretation of the message.

Channel

The channel is a medium through which the message flows from the sender to the receiver. There are two levels of communication, personal and non-personal. Personal channels of communication are direct interpersonal (face-to-face) contact with the target individual or the

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group. For e.g., sales people, friends, neighbors, co-workers, family members etc. are personal channels. Whereas non-personal channels are those wherein no such direct, interpersonal contact between the sender and receiver is possible. For e.g., mass media channels like television, radio, newspaper etc.

Receiver / Decoding

Receiver is the person / institution with whom the sender wants to share / communicate his thoughts or information. In marketing communications, consumers in the target market are the receivers of the messages delivered by the advertisers or the marketers. The receiver on reading, hearing, and seeing the sender's message will attempt to decode it. Decoding is the process of transforming the sender's message back into thought. Again, psychological variables like perception, learning, attitudes and beliefs, values, motivation etc along with the field of experience is going to influence the decoding process. Effective communication will take place only when the receiver understands the message sent by the sender in a similar manner in which the sender wanted the receiver to understand. The above figure shows that the source / sender and the receiver both have a frame of reference (the circle around each) that they bring to the communication situation. The sender and the receiver both need to be on a common platform for the communication process to be an effective one. The overlapping of the two circles shows this common platform between the sender and the receiver. In marketing communications, preparing this common platform is very difficult since communicating mass markets with variety of potential consumers is very challenging. Thus developing commercials which will be understood by the targeted audience and communicating the same at a single point of time, through mass media channels is a big challenge for the advertisers and marketers. They need to understand the frame of reference of the targeted audience. Pre-testing of advertising messages is always preferable before going for the final launch of the commercials.

Noise

Right from the beginning of the communication process till its end, an external factor termed 'Noise', is likely to distort or adversely affect the effectiveness of the communication process. 'Noise' is the unplanned distortion or interference taking place in the environment, while the communication process is going on. Errors or problems that occur in the encoding process, distortion in the channel or the medium through which the message is transmitted, or distractions on the end of the receiver etc., are likely to make the communication, ineffective. For E.g., some disturbance in the signal transmission while watching television. Noise may

also occur if there is no overlapping of the fields of experience of the sender and the receiver, thereby leading to improper encoding and decoding.

Response / Feedback

Response is the reaction of the receiver after receiving and interpreting the message sent by the sender. Receiver's response can take the form of non-observable action such as storing the information in the memory or immediately placing an order to the advertised product. Feedback is the part of the receiver's response communicated back to the sender. Based on the feedback received by the sender, the effectiveness of the communication process will be determined. Marketers use variety of methods like customer inquiries, store visits, coupon redemptions etc. Feedback based on research may take the form of recall of the advertisement, message comprehension, attitude change etc.

Effective communication will take place only when the marketer selects an appropriate source, develops an effective message or appeal that is encoded properly, and then selects the channels or media that will best reach the target audience so that the messages can be effectively decoded and delivered.

1.4 : Traditional Response Hierarchy Models

For developing effective communication and promotional strategies, marketers and advertisers need to understand the response process that consumers are likely to go through before exhibiting a specific behavior (like purchasing a product). Every communication effort put in by the company has some specific objectives to achieve. For e.g., creating awareness for a newly launched brand, or to trigger interest in the product, or lead to the actual purchase of the product. Some communication efforts focus on changing the existing attitudes of people towards the consumption of a product or a service or an idea. The hierarchy models are useful in knowing the stage at which the audience members are and how to make them move to the next stage.

A number of models have been developed to depict the stages a consumer may pass through in moving from a state of not being aware of a company, product, or brand to actual purchase behavior². The diagram presented (Fig.2) below represents four of the best-known response hierarchy models.

² George E. Belch and Michael A. Belch, "Advertising and promotion: An integrated marketing communications perspective," Sixth edition. (Tata McGraw-Hill edition 2003), pp. 147

The Aida Model

The AIDA model depicts the buyer as passing successively through the various stages like attention, interest, desire, and action. This model fits best in the process of personal selling. The very first stage focuses upon attracting the attention of customers and then arousing some interest in the promoted product/service. A strong interest should further create desire in the mind of the consumer to try out the product and thus lead to the final purchase action. The action stage is the most important stage of the selling process and at the same time the most difficult one also. Professional training is given to the sales people to close the sales in an effective manner.

The Hierarchy Of Effects Model

Robert Lavidge and Gary Steiner proposed this model of hierarchy of effects model in 1961. This model best fits while setting and measuring advertising objectives. The basic assumption of this model is that advertising effects occur over a period of time. Advertising communication may not lead to an immediate behavioral response or purchase; rather, a series of effects must occur, with each step fulfilled before the consumer can move to the next stage in the hierarchy³.

Stages	AIDA Model	Hierarchy of effects model	Innovation adoption model	Information processing model
Cognitive stage	Attention	Awareness	Awareness	Presentation Attention
		Knowledge		Comprehension
Affective stage	Interest	Liking Preference	Interest	Yielding
	Desire	Conviction	Evaluation	Retention
Behavioral stage	Action	Purchase	Trial Adoption	Behavior

Fig.2 Models of the response process

Source : Advertising and Promotion : An integrated marketing communications perspective; 6th Edition, Tata McGraw – Hill Edition; George E. Belch and Michael A. Belch

3 George E. Belch and Michael A. Belch, “Advertising and promotion: An integrated marketing communications perspective,” Sixth edition. (Tata McGraw-Hill edition 2003), pp. 148

The consumer passes through a series of sequential steps right from the initial awareness of the product/service to the actual purchase.

The Innovation Adoption Model

The innovation adoption model evolved from work on the diffusion of innovations ⁴. This model was developed by Everett M. Rogers (1962). In the process of adopting a new product or a service, consumers are likely to pass through five stages like, awareness, interest, evaluation, trial, and adoption. In this world of cut-throat competition, where consumers have a wide variety of options available in a product/service category, companies experience tough times while diffusing innovations (new products/services). Creating awareness, generating interest and developing positive attitudes toward the innovation will further motivate the consumer to adopt the new product/service.

Consumers are in a position to compare their current brand and the newly launched brand, only when they try out the innovation. The decision to adopt the new product/service or continue with the current brand depends upon the outcome of the evaluation stage.

The Information Processing Model

This model was developed by William McGuire. This model assumes the receiver in a persuasive communication situation in the position of an information processor or a problem solver. The response hierarchy consists of a series of steps through which the consumer goes through. This model is very similar to that of the hierarchy of effects model. The attention and comprehension stages of the information processing model are similar to the awareness and knowledge stage of the hierarchy of effect model. Keeping the stage of retention in mind, the promotional campaigns designed focus upon providing information which is likely to be used at the time of an actual purchase. As depicted in Fig. 1-2, all the four models view as response process as consisting of three major stages leading to one specific sequence, where consumers first receive the stimulus; the stimulus develops the attitude or feeling; then the consumers learn and gain the knowledge about the product that supports their behavior (Ray, 1973). The behavioral perspective of a person can be understood in three stages viz., cognitive, affective, and conative.

⁴ Everett M. Rogers, *Diffusion of Innovations* (New York: Free Press, 1962), pp. 79-86.

The **cognitive component** consists of a person's knowledge and perception that is acquired by a combination of direct experience with the object and related information from various sources ⁵. This stage depicts the awareness of the consumer that the brand exists and knowledge, information, or comprehension about the products' attribute, characteristics, and/or benefits. The **affective component** refers to the consumer's emotions or feelings or affect level (like or dislike) for a particular brand.

The knowledge and resulting perceptions of the cognitive stage take the form of belief – that is the consumer feels that the attitude object possesses various attributes and that specific behavior will lead to specific outcomes. The attitude objects are evaluative in nature and hence can be classified as favorable/unfavorable or good/bad. The affective component may include stronger levels of affect like desire, preference, or conviction.

The **conative component** is concerned with the likelihood or tendency that an individual will undertake a specific action or behave in a particular way with regard to the attitude object. In some cases, the actual behavior may also be reflected. The relationship can thus be used to explain or predict the behavior of an individual customer when he actually intends to purchase a product or a brand (Schiffman and Kanuk, 2004). Thus, the cognitive component precedes the affective component, which precedes the actual behavior. One may assume that a consumer first becomes aware about a particular brand, then gains the knowledge, develop feelings towards the brand, forms a desire or preference, and then, make the final purchase. But, this sequential progress of a consumer from the first stage to the last stage of the response process may not always be observed in the same sequence.

1.5 : Cognitive Processing of Communication

Marketers used to focus on the hierarchical response models for understanding the receivers' responses to marketing communications. Focus was laid on the source and message factors and the response variables like attention, comprehension, attitudes, and purchase intentions. But, the major criticism of these models was that they failed to explain the cause of these reactions.

⁵ Influence of demographic variables on marketing strategies in the competitive scenario, Kaliyamoorthy S and Prem Kumar S, The Icfai Journal of Marketing Management, Vol. VI, No. 3, 2007, pp. 66.

Hence, the focus of study was then shifted to understand the nature of cognitive reactions to persuasive messages. Various approaches were developed to understand the nature of the cognitive processing of communications. With reference to the study undertaken by the researcher, a brief of the elaboration likelihood model is presented below.

1.5.1 : The Elaboration Likelihood Model

The elaboration likelihood model (ELM) of persuasion depicts the differences in the ways consumers' process and respond to persuasive messages. Richard Petty and John Cacioppo proposed this model which explained the process by which persuasive communications can influence attitudes. When an individual is exposed to a persuasive message, the attitude formation or the attitude change process depends upon the amount or extent and the nature of elaboration, or processing, of relevant information. High elaboration takes place when the receiver is engaged in careful consideration, thought process, and evaluation of the information or arguments presented in the message. Whereas, low elaboration occurs when the receiver is not engaged in active information processing or thinking but rather makes inferences about the position being advocated in the message, based on positive/negative cues.

The ELM model as shown in Fig. 1-3 depicts that elaboration likelihood is a function of two elements – Motivation and ability to process the message. An individual's motivation to process the message depends upon various factors like level or degree of involvement, personal relevance of the product/service, and one's needs and arousal levels. On the other hand, ability to process the message depends on the individual's knowledge, intellectual capacity, and opportunity obtained.

ELM model proposes that there are two basic routes to persuasion:

1) Central route to persuasion – The central route to persuasion is the one where the receiver is an active and involved individual in the communication process. He/she possesses the ability and also is highly motivated to attend, comprehend, and evaluate the message. The receiver pays close attention to the content of the advertising message and evaluates the arguments presented within. There is a high level of involvement of cognitive abilities. Favorable cognitive responses or evaluation of the arguments lead to favorable changes in the cognitive structure thereby further leading to positive attitude change or persuasion. In case of

unfavorable cognitive evaluation, the receiver is likely to put counterarguments resulting into source derogations. This results into unfavorable changes in the cognitive structure or negative attitude. A change in attitude, through central route processing is relatively enduring or long lasting and should resist any further efforts to change it.

2) Peripheral route to persuasion – Under the peripheral route to persuasion, the receiver is believed to lack the motivation and ability to process the information. The detailed or high elaboration process is missing. The involvement of cognitive process is relatively low. The focus is on the peripheral or surrounding cues of the message rather than the basic message itself. These peripheral cues are incidental to the main arguments. The persuasion of the message depends upon the evaluation of these peripheral cues. Such kind of evaluation is referred as cognitive shortcuts.

Celebrity endorsement advertising is an example of such peripheral route to persuasion. The endorser used in an advertisement if perceived as attractive/beautiful, expert, and trustworthy, then generally it leads to a favorable credibility of the endorser and thereby has a favorable persuasion. Thus, celebrity as a source of information leads to positive attitudes towards the advertisement, the advertised brand and further a favorable purchase behavior. Even the executional aspects of the advertisement (like music, creative imagery etc.) are peripheral cues. Such peripheral cues lead to the persuasion of the message. But, many a times they are likely to result into the rejection of the message also.

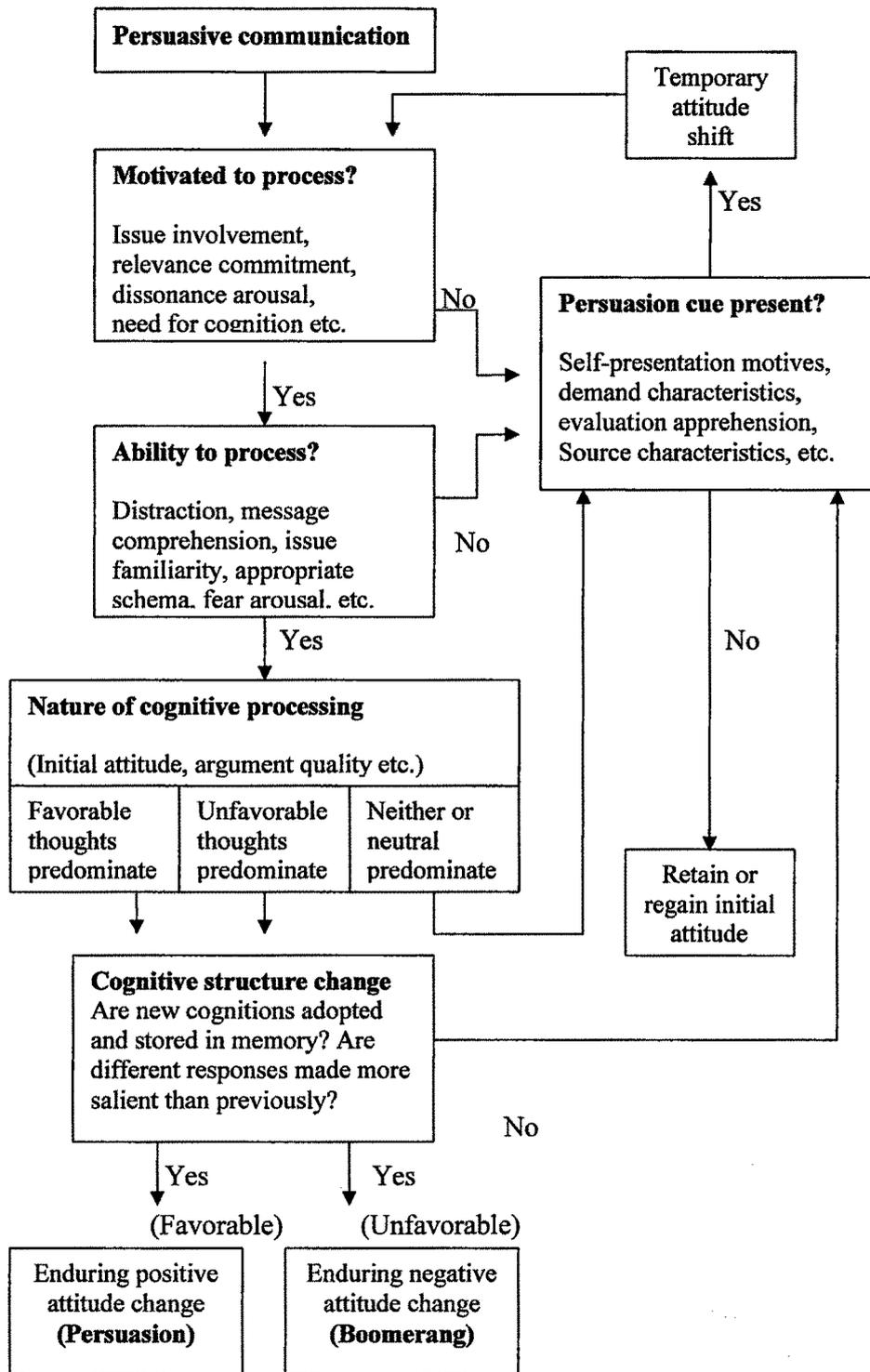


Fig. 3 The Elaboration likelihood model of persuasion

Source : Advertising and Promotion : An integrated marketing communications perspective; 6th Edition, Tata McGraw – Hill Edition; George E. Belch and Michael A. Belch

For e.g., advertisements advocating extreme positions, or using a celebrity not so credible or those lacking creative execution are likely to result into negative attitudes towards the ad and the brand advertised. Attitude formation as an outcome of such peripheral route to persuasion are relatively short lived or temporary.

Thus, the effectiveness of a message depends on the route to persuasion the consumer follows.

1.6 : Consumer Decision Making

1.6.1 : Four Views of Consumer Decision Making

Several schools of thought have proposed the process of consumer decision making in distinctly different ways. The views expressed by them focus upon as to how (and why) individuals behave as they do. An overview of the following four schools of thought will facilitate the understanding of a simplified model of consumer decision making.

An economic view :

Theoretical economics have always assumed a world of perfect competition and every consumer is bound to behave in a rational manner. As per this assumption, every consumer takes a rational decision. But, this classical economic model of an all-rational consumer is unrealistic and has been criticized by consumer researchers for variety of reasons. Rational behavior in economic sense is possible only when the consumer is aware of all the possible product alternatives; is capable of correctly ranking these alternatives based on their advantages and disadvantages, and is able to identify one best alternative. Realistic picture is that consumers rarely have all of the information or sufficiently accurate information or adequate degree of involvement or motivation to make a 'perfect' decision. In this imperfect world, people are limited by their existing level of skills, knowledge, values, and goals. Because of this 'bounded rationality', a consumer will settle for a 'satisfactory' decision (one that is 'good enough') rather than a 'rational' decision. Thus, the economic model seems to be too idealistic and simplistic.

A passive view

The passive view, exactly the opposite of the economic view, depicts the consumer as basically submissive to the self-centered interests and intensive promotional efforts put by the

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advertisers and marketers. Consumers are perceived as impulsive, irrational, and passive purchasers, contributing to the self-centered interests of the marketers. As per this view, a consumer is perceived as an 'object' which can be manipulated. The major argument which goes against the passive model is that the consumer plays an equal, if not dominant, role in many buying situations. Sometimes, the consumer may actively seek information about the available product alternatives and selecting the one which seems to offer the greatest satisfaction. Many a times, the consumer may impulsively select a product which satisfies the mood or emotion existing at the time of buying the product. Thus, the passive view too is rejected based on the proposition that consumers can never be manipulated in all situations or circumstances.

A cognitive view

The cognitive model of consumer decision making assumes the consumer as a 'thinking problem solver' who either receptive to or is involved in an active search for products/services that are likely to fulfill his/her needs and enrich his/her life. As per this school of thought, consumers are information processors and hence the whole focus is on the process by which consumers seek and evaluate information about products/services/retail outlets etc. While processing the information, consumers are bound to develop their own attitudes and beliefs about the product/service. Consumers form their own preferences, ultimately leading to purchase intentions. Consumers are likely to develop shortcuts (like heuristics) to ease out the decision making process. The reason could be information overloading or developing the perception of having 'sufficient' information, leading towards a 'satisfactory' decision. Thus, as per the cognitive view, a consumer is a thinking problem solver; one who cannot make 'rational' or 'perfect' decision but at the same time will actively seek for information, thereby leading to a 'satisfactory' decision. The cognitive view also takes into account the goal directed behavior of the consumer, especially when adopting a new product/service.

An emotional view

Long since, marketers have always focused upon economic or passive models of consumers. We as human beings are likely to associate deep feelings and emotions with our purchase behavior or possession of things. These feelings or emotions may take the form of joy, fear, love, hope, sexuality, fantasy and some "magic." The level of involvement of consumers is very high, with such feelings and emotions. An individual would put huge efforts to locate a

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favorite pen misplaced by him/her, in spite of having few of them. Possessions of certain things are likely to swing us back into the sweet memories of past. Many of our purchases are emotionally driven or impulsive. We don't go through the process of searching for the information, identifying alternatives, comparing them and finally selecting the best of them. The individual gets driven by the mood or feelings existing at the time of purchase. But, in no way, one can conclude that all emotional decisions are irrational. Products delivering emotional satisfactions are rational decisions. Emotion is a response to a particular environment, while mood is more typically an unfocussed, preexisting state – already present at the time a consumer “experiences” an advertisement, a retail environment, a brand, or a product. Compared to emotions, moods are generally lower in intensity and long-lasting. Unlike emotions in most of the cases, moods do not necessarily lead to action. Mood affects the time when consumers shop, the place where they shop, and whether they shop alone or with others. Consumers enter shops with pre-existing mood and retailers put every attempt to create or further the pleasant mood for shoppers. The shopper's mood is likely to be affected by the store's image and in turn the shopper's mood will determine his stay in the store and other behavior during his stay.

1.6.2 : A Simplified Model of Consumer Decision Making

The model presented here reflects the cognitive (or problem solving) consumer and, to some degree, the emotional consumer. The model (as depicted in Fig. 1-4) has three major components: input, process, and output.

Input

The input component of the consumer decision making model refers to the external influences that serve as a source of information about a particular product and thereby affect their product-related values, attitudes, and behavior. Following are the two inputs.

Marketing Inputs

These are the marketing mix activities undertaken by the companies with an attempt to reach, inform, and persuade/convince consumers to purchase and consume its products. These marketing mix strategies can take the form of the product itself (including its packaging, size etc.); mass media advertising, direct marketing, personal selling, and other promotional efforts; pricing policy; and the design of distribution channels to flow the product from the

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manufacturer to the consumer. The effectiveness of these promotional efforts is an outcome of the perception of the consumers of the same. Companies find it worth to spend money on consumer research rather than depending upon the estimated or perceived impact of its promotional efforts.

Socio-cultural inputs

The socio-cultural environment too affects the consumer decision making process. These are non-commercial variables or factors like the feedback given by a friend, relative, or a family member, an editorial/article in the newspaper, an article in consumer reports or the views expressed by the participants in a group discussion etc. Factors like social class, culture, sub-culture etc. are internalized right from the childhood and hence are bound to affect the consumer behavior. The receptivity and processing of the information, evaluation of alternative products and finally selecting the one that is perceived to satisfy, depends upon these socio-cultural inputs. Our good or bad behavior at a particular point of time is an outcome of the implied and accepted, unwritten code of conduct of the society. Culture and sub-cultures tremendously affect the consumption-related behavior of consumers.

Both these inputs, individually and together will affect what consumers purchase, how they purchase, when they purchase, how much they purchase, why they purchase and how they consume what they have purchased. Since these influences may be directed to an individual or are actively sought for, the diagram depicts a two-headed arrow to link the input and the process components of the model.

Process

The process component of the model focuses on how consumers make decisions. As shown in the diagram, the psychological field represents the internal influences (like motivation, perception, learning, personality, and attitudes) that affect the consumer decision making process (need recognition, pre-purchase search for the product-related information, and evaluation of alternatives). The process stage is characterized by three stages: Need recognition, pre-purchase search, and evaluation of alternatives.

Need recognition

The need recognition process takes place when a consumer is facing a “problem.” There can be two different need or problem recognition styles. Consumers who fall in the *actual state* types are those who perceive a problem when a product fails to perform satisfactorily. Whereas, consumers falling in the *desired state* types are those for whom the desire to have something new will trigger the decision making process.

External Influences

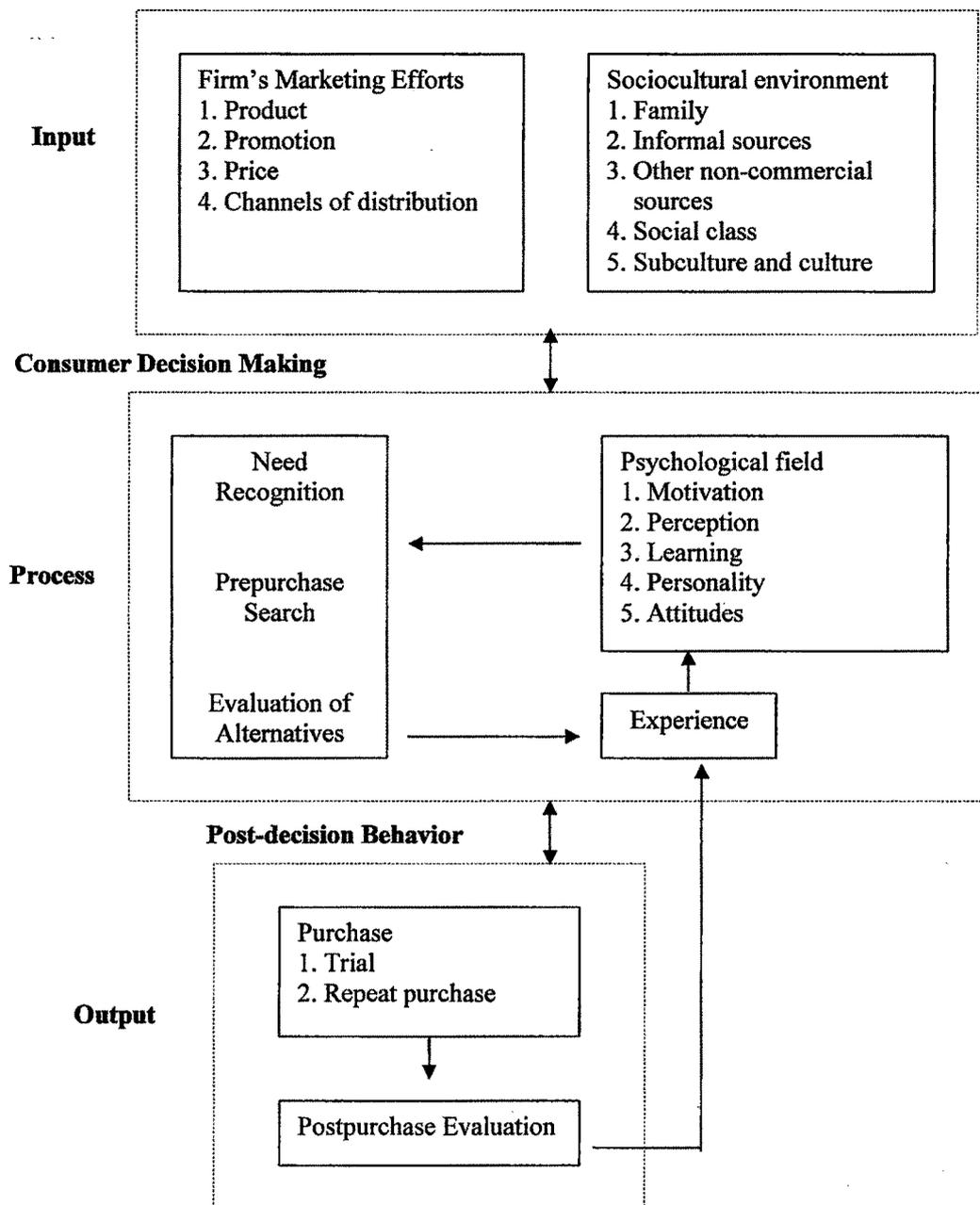


Fig.4 A Simplified Model of Consumer Decision making

Source: *Consumer Behavior; 9th Edition, Prentice –Hall of India Pvt. Ltd.; Leon G. Schiffman and Leslie Lazar Kanuk*

Pre-purchase search

A consumer begins with the pre-purchase search, when he/she perceives a need that might be satisfied by the purchase and consumption of a product/service. The consumer is likely to make a choice based on the information possessed by him/her based on past experiences. If

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the consumer is having no prior experience, then he/she is likely to get engaged into an extensive search for information from the external environment. But, before searching for the need-related information from the external sources, the consumer searches into his/her own memory (the psychological field depicted in the model). Based on the number and relevance of past experiences, the information accumulated thereby and storage of the same, a consumer then decides the magnitude of the external search for the information. The degree of perceived risk related to the decision making will determine the quantum of search for internal and external information. In case of high-risk situations, consumers are likely to be engaged in an extensive information search and evaluation. In case of low-risk situation, they are likely to go for limited information search and evaluation tactics. It is observed that the less consumers know about a product category and the more important the purchase is to them, the more extensive their pre-purchase search activity is likely to be. The information and communication technology revolution has benefited consumers in terms of huge amount of information with more ease and convenience. Factors like product factors (Frequent changes in product style, frequent changes in the price of the product, number of alternative brands available etc.), situational factors (Experience, social acceptability, etc) do affect the pre-purchase search process.

Evaluation of alternatives

Consumers evaluate potential alternatives on the basis of to types of information. Consumers prepare a list of brands from which the final selection will be made (the evoked set). They also list out the criteria on the basis of which evaluation of the brands will be done. **Evoked set/consideration set** refers to the specific brands (or models) a consumer considers in making a purchase within a particular product category ⁶. Evoked set normally consists of few brands the consumer is familiar with, remembers them, and finds acceptable. **Inept set** is the one which consists of brands which the consumer has excluded from his purchase consideration, since they are unacceptable to him. Brands may be unacceptable due to various reasons like poor quality or features of the brand, wrong positioning while advertising the product etc. **Inert set** consists of brands towards which the consumer is indifferent. This indifference is observed when the brand is perceived as not having any special benefits. Consumers attempt to reduce the complexity of the decision making process through further screening of the brands from the evoked set.

6 Leon G. Schiffman and Leslie Lazar Kanuk, "Consumer behavior," ninth edition (Prentice Hall of India, Eastern Economy Edition, 2007), pp. 534.

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Important product attributes are normally listed in the form of the criteria while evaluating the brands from the evoked set. Many a times, the advertisement of the product itself, points out these criteria in the mind of the consumers. Only those products will be evaluated which the consumers feel “right.” Brand credibility plays an important role in evaluation process. Further, consumers are likely to switch on to heuristics, decision strategies, and information-processing strategies while making the brand choice.

Output

This stage of the consumer decision making model consists of two closely related post-decision activities: purchase behavior and post-purchase evaluation.

Purchase behavior

Consumers normally make three types of purchases: trial purchase, repeat purchase, and long term commitment purchase. Trial purchases are the first-time purchases usually in small quantity. The consumer is exploring the product through its first time, direct use.

Companies try to induce the trial for their products through tactics like free samples, coupons or sale prices. The level of satisfaction derived after trying out the product in the first stage will in turn determine the repeat purchase. A long term commitment is guaranteed when the consumer has approved the product and is now ready to purchase in huge quantities. Trials are not possible for heavy investment, durable goods like washing machines, television, refrigerators. But, trials are now offered before purchasing automobiles.

Post purchase evaluation

The post purchase evaluation phase begins in the trial stage itself. There are three possible outcomes as a result of this evaluation: Actual performance matches the expectations, performance exceeds expectations, and performance is below expectations. When actual performance matches expectations, there is a neutral feeling. When actual performance of the product exceeds expectations, there is a positive disconfirmation of the expectations further leading to satisfaction. Whereas, negative disconfirmation of the expectations take place when the performance is below expectation. Such negative disconfirmation leads to dissatisfaction. Thus, experiences are compared as against expectations at every stage. Post purchase cognitive dissonance behavior is the tendency of the consumer to reassure his/her own self that the choice made was the “right” one. Various strategies are adopted by consumers to support this behavior. For e.g., trying to rationalize their decision, or engage into searching of advertisements supporting their choice, attempting to convince friends or neighbors to buy the same brand etc. The degree or magnitude of the post purchase decision will depend upon the

importance of the product decision and the experience acquired by the consumer. Thus, the feedback in the form of experience will affect the future consumption related decisions.

1.7 : Source Factors and Celebrity as a 'Spokesperson'

Source Factors

Being a major variable in the communication process, 'Source' is a multifaceted concept. When Tiger Woods appears in Nike commercial, who is the source? Tiger Woods, the company or a combination of these two? Personal sources like friends, relatives, neighbors etc., play a major role in the purchase decision of a consumer. Many a times, information received through word-of-mouth communication is perceived as more reliable and trustworthy than that received from the formal marketing channels. In this context, we refer to the term 'Source' as the person involved in communicating a marketing message, either directly or indirectly. 'Spokesperson' can be considered as a direct source of information, since he/she delivers a message and/or demonstrates a product or a service. For e.g., Amitabh Bacchan endorsing for Reid and Taylor suitings & shirtings. An indirect source is the model who actually does not deliver any message but draws the attention to and/or enhances the appearance of the advertisement. Organisations too, can act as a source of communication.

Man firms are spending huge amount of money for a specific person to endorse their products or company. Millions of rupees are spent after recruiting, selecting, and training salespeople who represent the company and deliver the presentations to their potential customers. The only objective of the firms behind spending such huge amount of money is to deliver persuasive, actual sales-oriented messages. The influence of the messages delivered has to be the maximum. The source may be knowledgeable, popular, physically attractive, or even an expert. He/she may have the power to reward or even punish the receivers, if not adhering to the desired behavior.

Herbert Kelman has identified three basic source attributes: credibility, attractiveness, and power. Each of these attributes is going to affect the recipient's attitude or behavior, through a different process.

Source Attributes	⇒	Process
Credibility		Internalization
Attractiveness		Identification
Power		Compliance

Fig.5 Source Attributes – Process

Source Credibility

Credibility is the extent to which the recipient sees the source as having relevant knowledge, skill, or experience and trusts the source to give unbiased, objective opinion. The two important dimensions of credibility are expertise and trustworthiness. A communicator seen as knowledgeable – someone with expertise – is more persuasive than one with less expertise. But, the source also has to be trustworthy – honest, ethical, and believable. The influence of a knowledgeable source will be lessened if audience members think he or she is biased or has underlying personal motives for advocating a position (such as being paid to endorse a product).

Past communication researches have proved that expert and/or trustworthy sources are more persuasive than sources who are less expert or trustworthy. Information from a credible source influences attitudes, beliefs, opinions, and/or behavior through a process called ‘**Internalization**’. This process takes place when the receiver adopts the opinion of the credible communicator, since he/she believes upon the accuracy of the information, provided by the source. The opinion or attitude internalized by the receiver gets integrated in the belief system of the receiver and may be maintained even after the source of the message is forgotten. Advertisers and marketers focus on expertise and trustworthiness as important dimensions of source credibility.

High Credibility and Low Credibility

Previous studies divided spokespersons into a high-credibility source and a low-credibility source and compared their persuasiveness. Pornpitakpan (2004) reviewed five decades of articles about the persuasiveness of source credibility. Most of the findings revealed that “...a high-credibility source is more persuasive than is a low-credibility source in both changing attitudes and gaining behavioral compliance” (Pornpitakpan, 2004, p. 266). Some cases, however, indicated the advantage of moderate or low-credibility sources. According to

Sternthal, Dholakia, and Leavitt (1978), when the receiver already has a positive feeling toward an issue, a moderately credible source can provoke greater persuasion than can a high-credibility source. Moreover, Johnson and Izzett (1972) found that the interaction of source and audience characteristics such as intelligence and knowledge influenced the effectiveness of high-/low-source credibility. As indicated by previous research, the effectiveness of high/low source credibility on a receiver's persuasion is not unanimous, and not all endorsers have high or low credibility in all three components: expertise, trustworthiness, and attractiveness. Some endorsers may have high expertise and attractiveness with low trustworthiness. Thus, the research focusing effectiveness on individual source credibility is essential.

Previous research has identified expertise, trustworthiness, and attractiveness as the components of source credibility. What is not as clear is which components are more important and how do they impact a consumers' attitude, opinion change, and purchase intention with respect to endorsed products or advertisements? Ohanian (1990) developed a "tri-component measure of credibility" to assess a celebrity endorser's perceived expertise, trustworthiness, and attractiveness. "The trustworthiness and the expertise dimensions of source credibility might have differential importance in affecting attitude formation and change" (Pornpitakpan, 2004, p. 247), and the three sources of credibility may independently contribute to source effectiveness (Weiner & Mowen, 1985).

Expertise

Expertise of the message source refers to the extent to which a communicator is perceived to be a source of valid assertions (Hovland, Janis, and Kelly, 1953). It is the knowledge that the communicator seems to possess to support the claims made in the advertisements. For e.g., Athletes, doctors, lawyers etc. should be appropriate endorsers of products and services related to their profession. Firms are using variety of techniques to convey the source expertise. For e.g., Salespeople are provided intensive training in the product line, thereby receiver's perceived higher expertise. Expertise of sales representatives, selling highly technical products can be ensured by selecting candidates from the technical, engineering, and computer science background. Apart from knowledge and expertise, experience in a particular product/service area is also an important dimension to enhance the spokesperson's expertise. E.g., Athletes, doctors, lawyers, sport stars, choreographers etc. should be appropriate endorsers of products and services related to their profession. Celebrity spokespersons are

more effective when they are knowledgeable, experienced, and qualified to talk about the product/service endorsed by them.

Advantage of Expertise

Crisci and Kassinove (1973) contend that a celebrity that is more of an expert is more persuasive. Previous research showed that the source's perceived expertise has a positive impact on a receivers' attitude (Crano, 1970; Horai, Naccari, & Fatoullah, 1974). Ohanian (1991) examined the impact of celebrity endorsers' perceived image on consumers' purchase intention. The results indicated that while trustworthiness and attractiveness were important factors in persuasive communication, only the celebrities' perceived expertise significantly influenced respondents' purchase intentions. O'Mahony and Meenaghan (1997/98) also found that expertise was an important determinant of intention to purchase, while trustworthiness and attractiveness were not.

Trustworthiness

While expertise is important, the source should be believable also. With regard to trustworthiness, it refers to the audience's degree of confidence in, and degree of acceptance of, the speaker and the message (Hovland et al. 1953). Trustworthiness refers to the consumer's confidence in the source for providing information in an objective and honest manner. Identifying a spokesperson with a trustworthy image is quite difficult. On the other hand, public figures with trustworthy images usually don't endorse products in order to avoid its adverse impact on their reputation and image. They don't want fans to think they have sold out. But, many celebrities to resist the temptation to cash in on their fame in United States are happy to appear in ads in foreign countries. This is proven by the fact that ads featuring American celebrities are more prevalent in Japan, than anywhere else in the world. For e.g., Mega stars like Demi Moore, Brad Pitt, Harrison Ford have appeared in Japanese commercials. Marketers are using variety of techniques to increase the perceived trustworthiness of their spokesperson. For e.g., hidden cameras are used to show that the consumer is not a paid spokesperson and is objectively evaluating the product. Disguised brands are compared, over-heard conversation technique (about the favorable claims of the product/service) etc. is also used. Though consumers are a bit skeptical about the usage of such techniques, marketers would still like to reap as much benefits as possible.

The practice of using company founders, owners, and presidents as advertising spokesperson is well prevalent in United States of America but very rare in Asian countries like India. The

logic behind this technique is that the firm's commitment towards the product/service quality is coming from the most accountable and responsible person of the institution. Hence, the credibility of the message can't be questioned. In some cases, as a result of using this technique, some company leaders have turned into celebrities. Dave Thomas was a very effective spokesperson for Wendy's for many years. Small companies having limited advertising budgets switch on to this technique since they can't afford the high endorsement fees charged by the celebrities. Looking to the other side of the coin, this technique can invite few problems, especially when such corporate leaders endorsing the firm's products/services leave the company.

Advantage of Trustworthiness

Friedman, Santeramo, and Traina (1978) identified trustworthiness as the major determinant of source credibility. McGinnies and Ward (1980) revealed that although communicators perceived as both expert and trustworthy generated the most opinion change, trustworthy communicators were persuasive, whether they were perceived as experts or not. According to Hovland and Weiss (1951), when a trustworthy source communicated, subjects more often and immediately changed their opinions in the direction advocated by the communicator than when an untrustworthy source did so. Miller and Baseheart (1969) also found that when the communicator was perceived as highly trustworthy, his or her message was more effective in producing attitude change.

Source Attractiveness

With respect to source attractiveness, research has come to a general conclusion that physical attractiveness is an important cue in an individual's initial judgment of another individual (Baker and Churchill 1977; Chaiken 1979; Joseph 1982; Kahle and Homer 1985; Mills and Aronson 1965; Widgery and Ruch 1981). A review in this dimension has revealed that the construct of attractiveness is not uni-dimensional and that there are myriad definitions used to operationalise attractiveness. Dimensions like, similarity, familiarity, and likeability are the sub-constructs of the major construct 'Attractiveness'. Similarity is an assumed resemblance between the source and the receiver of the message. Familiarity refers to knowledge of the source through exposure. Likeability can be understood as affection for the source as a result of physical appearance, behavior, or other personal traits.

Identification is the process through which receivers of the message find the source as highly attractive. Identification is a process through which the receiver is motivated to seek some

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type of relationship with the source and as a result adopts similar beliefs, attitudes, tastes and preferences, or behavior. The effectiveness of this dimension will depend upon the length of time for which the receiver of the message will continue to identify his own self with the source. And this identification will continue as long as the receiver finds the source attractive. The receiver may maintain the attitudinal position or behavior as long it is supported by the source. There is a shift in the receiver's position with the shift in the source's position in the message.

Similarity

Marketers recognize that people are more likely to be influenced by a message coming from someone with whom they feel a sense of similarity⁷.

Similarity is identified between the communicator and the receiver in terms when there is a commonality of needs, goals, interests, and lifestyles. The position advocated by the source is better understood and received, based on this similarity. Companies design various strategies to communicate with their customers. For e.g., identifying a sales person having characteristics similar to that of their customers. A local person with common interests and background may also be recruited to identify the similarity dimension.

Past studies have revealed that customers who perceive a salesperson as similar to themselves are more positively influenced by the message communicated. The source's level of persuasiveness is likely to increase by using the slice-of-life commercials, whereby the consumer think of his / her own self in that particular situation.

Likeability

High value is attributed to the spokesperson that are admired and liked by the masses. For e.g., film stars, sports stars, political figures, television personalities etc. Among the highest paid celebrities across the world are names like Britney Spears, Michael Jordan, Tiger Woods, Cindy Crawford etc. They all have a huge mass of people liking and following them. They are the most likeable celebrities and advertisers can afford to pay them huge amount of money since they have the power to influence consumers' feelings, attitudes, and purchase behavior.

Physical attractiveness of the celebrity too plays a major role in determining the likeability of the celebrity. Outward personality dimensions like beauty, physique, body language, style etc. are important aspects of physical attractiveness.

7 J. Mills and J. Jellison, "Effect on Opinion Change Similarity between the Communicator and the Audience He Addresses," *Journal of Personality and Social Psychology* 9, no. 2 (1969), pp. 153-56.

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Past studies have proved that physically attractive communicators generally have more positive impact and generally more favorable evaluations of both, the advertisement as well as the product. For marketing products like cosmetics, apparels and clothing, fashion accessories etc., marketers choose celebrities which are most attractive.

Companies must be very careful while communicating the message through the most attractive celebrity. There are chances of the product being overshadowed by the attractiveness of the celebrity and thereby adversely affecting the receptivity of the message. There is also a fear of a particular celebrity getting overexposed due to large number of endorsement contracts, based on his/her attractiveness.

Advantage of Attractiveness

Baker and Churchill (1977) and Joseph (1982) suggested that physical attractiveness was an important cue in an individual's first impression and judgment of another person. Kahle and Homer (1985) explained that "...the informational value of attractiveness may have traveled through the central rather than the peripheral route," (p. 959) and the speed of communication occurs more quickly when pictures appear in advertising than when arguments appear. The effectiveness of source attractiveness has been demonstrated by many researchers. A source's physical attractiveness enhances brand recall (Kahle & Homer, 1985), has a positive impact on advertising and product evaluation and opinion change (Joseph, 1982; Kahle & Homer, 1985), and generates purchase intentions (Petroshius & Crocker, 1989; Till & Busler, 1998). Caballero, Lumpkin, and Madden (1989), Ohanian (1991), and Stafford (2002), however, suggested that attractiveness might result in positive feelings toward advertising and products, but those feelings did not necessarily translate into cognitive attitudes, actual behavior and purchase intention.

According to the product "match-up" hypothesis research, which is congruent with product image and endorser image (based on attractiveness), (Kahle & Homer, 1985; Kamins, 1990), the importance of specific celebrity characteristics depends on product types (Erdogan et al.) and congruence between product and celebrity image influence the success of celebrity endorsement (Friedman & Friedman, 1979; Kahle & Homer, 1985; O'Mahony & Meenaghan, 1997, 1998; Walker et al.). Till and Busler (1998) suggested that a source's expertise might be a stronger match-up factor than attractiveness. For example, although Tiger Woods might be recognized as an attractive source, even if he endorsed basketball shoes, his attractiveness would not be expected to enhance the value of the shoes and generate purchase intention. Erdogan et al. revealed that when advertising agency managers chose a celebrity endorser for

a technical/ attractiveness-unrelated product like a PC, source trustworthiness and expertise were emphasized more than for a non-technical/ attractiveness-related product. In contrast, for an attractiveness-related product like jeans, source physical attractiveness, familiarity, and likeability were more important than for a technical/ attractiveness-unrelated product. This result is in line with Kamins' (1990) research, which revealed that using an attractive spokesperson was effective for attractive-related

products. Baker and Churchill (1977) suggested that the type of product or topic being advocated, the sex of the receiver, and the sex of the source moderated attractiveness effect. Goldsmith et al. (2000) examined the influence of the three source credibility components (expertise, trustworthiness, attractiveness) on attitude-toward-the-ad, attitude-toward-the-brand, and purchase intentions. The results indicated that source credibility has a greater impact on attitude-toward-the-ad, but has indirect influence on the other two variables only through the evaluation for its advertising on the other two variables. According to Garretson and Niedrich's recent research (2004), expertise and nostalgia of source-characters engender source's trust. The source's trust favorably influences brand attitudes, while this relationship is significant only when receivers are less experienced with the brand (Garretson & Niedrich, 2004).

Source Power

A source is said to exercise power when he or she is perceived to have the capacity to administer rewards or punishments to the receiver. The perceived power of the source will induce the receiver to respond to the request or position advocated in the message. For e.g., Amitabh Bachhan promoting social campaigns like Polio vaccination, Aamir Khan promoting literacy campaign etc. The influence of the perceived power of the source occurs through the process called **Compliance**. The receiver accepts the persuasive influence of the source and acquiesces to his or her position in hopes of obtaining a favorable reaction or avoiding punishment⁸. The receiver may show a public agreement to the message and the position advocated by the source, but may or may not commit to the same. Compliance is likely to occur as long as the receiver perceives the source as having the capacity to administer rewards or punishment (perceived control).

⁸ George E. Belch and Michael A. Belch, "Advertising and promotion: An integrated marketing communications perspective," Sixth edition. (Tata McGraw-Hill edition 2003), pp. 177

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Source power is generally applied in social advertisements where the source is promoting some social cause. Audience has a strong belief that the source of the message cannot apply sanctions to the receiver and hence the compliance is less likely to take place. A spokesperson with an authoritative personality is likely to be more effective for the compliance to occur. For e.g., Amitabh Bachhan advocating polio vaccination. Source power is believed to work in situations of personal communication and thereby a better chance of positively influencing the receiver.

The power of the source is determined on the basis of following factors:

Perceived Concern: The receiver thinks the source cares about whether or not the receiver confirms the position advocated by the source in the message.

Perceived Scrutiny: The receiver's estimate of the source's ability to observe conformity.

Perceived Control: The source being perceived as having the ability / capacity to administer positive or negative sanctions to the receiver.

In summary, distinguishing the effects of the three source credibility components is not always possible, but the credibility components become cues that significantly affect receivers' perceptions of the endorsed product or advertising. Thus, the three components of source credibility are important variables for evaluating endorsers' effects.

Celebrity as a 'Spokesperson'

Companies frequently use spokespersons to deliver their advertising message and convince consumers of their brands. A widely used and very popular type of spokesperson is the celebrity endorser (Tom et al. 1992)⁹. According to Friedman and Friedman (1979, p. 63) a "celebrity endorser is an individual who is known by the public (...) for his or her achievements in areas other than that of the product class endorsed."

The cosmetics manufacturer Elizabeth Arden, for example, uses the actress Catherine Zeta-Jones to endorse its perfume.

⁹ Other types of endorsers include the professional expert and the typical consumer (Friedman and Friedman 1979).

The reason for using celebrities as spokespersons goes back to their huge potential influence. Compared to other endorser types, famous people achieve a higher degree of attention and recall. They increase awareness of a company's advertising, create positive feelings towards brands and are perceived by consumers as more entertaining (Solomon 2002). Using a celebrity in advertising is therefore likely to positively affect consumers' brand attitudes and purchase intentions. To ensure positive results, however, it is critical for advertisers to have a clear understanding of the 'black box' of celebrity endorsement. In the following section, selected concepts that have to be considered when using celebrities as spokespersons are discussed.

1.8 : Profile of Advertising in India

There has been a long tradition of advertising in India since the first newspapers published in India in the 19th Century carried advertising. The first advertising agency was established in 1905, B. Datram and Company, followed by The India-Advertising Company in 1907, the Calcutta Advertising agency in 1909, S.H.Bensen in 1928, J. Walter Thompson Associates through its Indian associate, Hindustan Thompson Associates in 1929, Lintas (Lever International Advertising Services) in 1939 and McCann Erikson in 1956 (Pashpati and Sengupta, 1996). Advertising expenditure in the 1950s was estimated at \$US 300,000 (Cutler et al, 1992). Under the more socialist political environment of the 1960s and 1970s there was little incentive for companies to advertise because advertising was not tax deductible. In the 1970s there was a 58% growth in the number of registered agencies from 106 in 1969 to 168 in 1979, and this included a growth in Indian agencies. The first advertising appeared on state television in 1976. With the opening of the economy in the 1980s there was a growth in the number of alliances with multinational agencies and an expansion in advertising though foreign network participation in agency ownership was limited. In 1987 Hindustan Thompson was affiliated to J. Walter Thompson. Lintas, the 2nd ranking agency, held only 4% of its subsidiary, as did Ogilvie and Mather. Saatchi and Saatchi/Compton had minority interests in Compton as did Lintas (Pashupati and Sengupta, 1996). A study done in 1984 of the largest companies in India found that the ratio of advertising expenditure to sales had risen from .64 in 1976, to .71 in 1980 to .74 in 1984. Foreign controlled corporations had the dominant share of total advertising expenditure, and 80% of these were in the consumer goods sectors. Advertising was very concentrated with the top 50 advertisers accounting for 80% of the advertising spending and the top 10 advertisers made up 40% of that figure, 32% of the total.

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The largest advertiser throughout the period was Hindustan Lever, Rs.28.9 million (US\$2.77 million) in 1976, Rs. 29.1 million (US\$ 2.78 million) in 1980 and Rs. 80.9 million (US\$ 7.4 million) in 1984 which was nearly 10% of the advertising budget of the corporate sector companies selected in the study (* figures based on rate 10.4Rs to US\$1 in 1984, Crowther et al, 1984). Pharmaceutical companies were also significant advertisers at this time (Sachdeva, 1984). Advertising expenditure grew at nearly 15% a year in the 1980s to reach \$US 896 million by the end of the decade according to de Mooij (1994: 222).

The usage of the different advertising media has changed in recent decades, largely due to changes in technology. In the early decades of the 20th Century print was the key medium, as it is today though its influence is declining in relation to television. The impact of media, television, radio, print, outdoor, internet, is influenced by different factors. Literacy and income levels are important for print advertising. Literacy levels are improving according to the World Bank, in 1995 53.3% of the population was literate and in 2002 58.8 (2003). Language is another factor influencing television access, as most television is delivered in Hindi or English languages not spoken by large numbers of the rural population (Bajpai and Unnikrishnan, 1996). Media usage overall is increasing and the absolute figures for print advertising expenditure are on the increase. Press advertising was 58% of the total in 1999, compared to television at 34% (Srinivas, 1999). Print was the major category in 2001 and in 2002, though television is expected to increase its share from 40.7% in 2001 to 41.8 in 2004 (www.agencyfaqs.com/www1news/stories/2002). Television and print advertising in 2000 accounted for 89% of advertising. From 1991-2002 magazine advertising spending rose from \$US 245 million to \$US 968 (Zenith Media, 2002, www.magazineworld.org/members 2002). There has also been an expansion in magazines for niche markets (Business Asia, 1998). Radio accounts for 2.5% of advertising expenditure (www.magazineworld.org/members 2002). According to the World Bank radio ownership is more than television, radio ownership being 119 per 1,000 people, in 1995, 120 per 1,000 in 2002, while television ownership was 61 per 1,000 in 1995 and 83 per 1,000 in 2002 (2003). In 1997 television ownership was 63 million television sets out of a population of 955 million (CIA, 2002). Television was first introduced into Delhi in 1959 and a regular service was introduced in 1965, but until 1982 it was confined to major cities. The first Indian satellite was launched by NASA in 1982, and by 1984 transmitters covered 30% of the population, and by 1991 that figure was 76% of the population. There was only one channel until 1984 when a second channel was set up in Delhi, Bombay, Calcutta and Madras (Pashupati and Sengupta, 1996). In 1989 Vilanilam estimated that even if there were 30,000 village

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community sets, as there were over 500,000 villages, then the coverage was by no means extensive in rural areas. The cost of a television set in 1989 at approximately \$US 800 was 4 times the average annual per capita income. He saw that television was still targeting the top 10% of viewers though nowhere was this publicly stated. There was major expansion in television in the early 1990s and the importance of television has increased dramatically. Satellite and cable television were also introduced in the 1990s, including the Hong Kong based Star television in the early 1990s (Srinivas, 1999). Cable penetration grew from 20 to 32 million homes from 1998 to 2000. In 1999 there were 60 satellite operated channels, with more being introduced all the time (Multichannel News International, 2000, April). The impact of the media is also influenced by ownership but access to television for example, is much wider than can be estimated by ownership data. Some advertisers find it more effective to use television rather than print to reach consumers, partly because of the low literacy rate. Hindustan Lever found that it cost Rs. 5 to reach 1000 people through television, compared to Rs.100 through print. Hindustan Lever spent 60% of its budget on television, and 25- 30% on print and 10-15% on other media, which is the major pattern of most the major consumer goods producers. There is some regional variation, for example in Kerala, where literacy levels are higher, there is a higher use of print advertising (India Business Intelligence, 1997, August). Advertising spending on television increased 118% from 1995 to Rs 23.9 billion in 1996, to Rs. 49 billion (\$US1.06 billion) in 2000. 25% was spent on the satellite channels in 2000 (Sehgal, 2000a).

By 2000 there were 65 satellite channels operating in India, and many of them were free-to-air and depended on advertising for their revenues. By 1999 25% of television advertising was on the satellite channels and rising. Cable penetration was estimated at 32 million homes in 2000, and the viewer bases were seen to have stabilized so advertisers could focus on niche audiences and customise their advertising to specific regions (Sehgal, 2000a). Outdoor advertising has been important in major cities and is also common in rural areas. Outdoor advertising from 1993-1997 averaged about 5.5% of total advertising, which is similar to international trends. In the big cities the demand for outdoor media exceeds the supply, and costs are relatively high. The average rental for a billboard (10x20 feet) varies between \$US 50 and \$US 300 per month, except in Mumbai, the centre of the advertising industry, where prices are almost 3 to 4 times higher. Films are another important form of advertising especially for the rural consumers. Both billboards and films are seen as 'reminder' advertising (Srinivas, 1999). Billboards have tended to be hand painted, and still are in the

countryside, but new methods are being used in the cities. The latest marketing frontier is the internet and Pepsi and Coca Cola are some of the leading marketers in this area. In 2002 the number of internet users in India was estimated at 7 million by the World Bank (2003), an increase from an estimated 800,000 in 1999 (Subramanian, 1999), and 250,000 in 1995 (World Bank, 2003). Internet users are predominantly male and young (Smita, 2002). Some of the largest advertisers in India are exploring different strategies and media to attempt to enter the vast rural consumer market, where even a small percentage of market share amounts to millions of consumers. Media alternatives such as video vans and point of purchase video display were an attempt by major advertisers to communicate to rural purchasers in their local language, rather than Hindi and English, the main languages on television (Unnikrishnan and Bajpai, 1996 and Kilburn, 2000).

The structure of the advertising industry in Asia Pacific has been affected by globalization and international alignments creating a smaller number of very large agencies and the growth of independent major media buying houses. Very sophisticated software optimization and planning systems are now integral to the industry, enabling agencies to offer a unique positioning in the marketplace to attract new business.

There was a massive expansion in advertising in India in the mid 1990s and increased competition among multinationals made big budgets a necessity. New entrants in the market, for example Samsung, had to spend heavily to raise brand awareness (India Business Intelligence, 1997). Another figure from Zenith Media put expenditure in 1992 at US\$415 million (Hargrave-Silk 2002, August 6th). Advertising expenditure in 1996 was US\$1052 million and in 2001 US\$1748 million, with a slight dip in 1998 after the Asian economic crisis (ibid). These increases are also reflected in per capita growth in the 1990s, though expenditure is still very low compared to other countries. In 1990 advertising expenditure per capita was US\$.60c (Cutler et al, 1992). In 2000 it had increased to Rs.70.07 or US\$1.55 per capita (Euromonitor, 2001A). and by 2002 had reached US\$2.1 (International Journal of Advertising, 2002: 287).

With the liberalization and globalization of the Indian economy, firms have been aggressively and vigorously promoting their products and services. These practices raise questions about truthfulness and fairness of representation of products and services. In a competitive environment such as that in India, every representation of a product or service is about what others are not.

The Indian population is becoming very sophisticated about advertising now. They have to be entertained. Time is a scarce and precious resource. The approach to the advertisement and

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the consumer has to be changed constantly to keep grabbing the attention of the consumer over and over again. "Honesty" could be a prerequisite for a product in India. "In this business, you can never wash the dinner dishes and say that they are done. You have to keep doing them constantly" (Wells, 1996). Indian advertising has been placing more emphasis on the importance of both recall and persuasion as brand differentiating messages.

Another factor that needs to be considered is the language in the country. English-language advertising in India is among the most creative in the world. TV advertising (especially in the Hindi language) has made major headway in the past 10 years, especially with the advent of satellite TV. Indian TV channels have fashioned themselves after Western channels. Most advertising on such channels is glitzy, smart and tailored for the different classes. The importance of the Hindi-speaking market (which is also fluent in English) is borne out from the fact that STAR TV, once an all-English channel, is now rich in Hindi programs such as *Tanha* (literal translation being 'lonely', an Indian soap opera), and *Kaun Banega Karodpati* (who will be a millionaire), which is a Hindi version of the famous *Who Wants To Be A Millionaire*. Even the British Broadcasting Corporation is reportedly toying with the idea of airing Hindi programs (Bullis, 1997).

Most major international advertising firms have chosen local Indian partners for their work in this market. Mumbai (formerly Bombay) remains the centre of the advertising business in India. American companies are discovering the appeal of marketing their products in India. With a population of approximately one billion, and a middle class that's larger than the total population of the United States, there's definitely money to be made. Local retailers in apparel, food, watches and jewellery have all increased their average ad spending by almost 50% in the past two years. Coupled with many other local players big retailing brands are spending to the tune of Rs 12,000 crores annually on advertising and promotional activities. This figure, according to industry estimates, was less than Rs 400 crores about 3 years ago. This means the growth has been a whopping 40%. The local firms are using all the available advertising tools from electronic to print, outdoor advertising and even models. The advertising and promotional spending by local brands is substantial during the festival season and almost 70% of the spending is done between September to January. The advertising industry in India is growing at an average rate of 10-12% per annum. Over 80% of the business is from Mumbai and Delhi followed by Bangalore and Chennai.

India also has a diverse and growing number of daily newspapers. Since 1991, the increase of business and financial news reports in English-language and vernacular dailies has paralleled

the economic reform program and the movements of the stock markets. Leading business newspapers include *Business Standard* and *Economic Times*. Magazines include *India Today*, *Business India*, *Business Today*, and *Business World*.

In addition, the Internet is now emerging as a truly global medium that does not conform to country boundaries. Creativity and advertising will affect the perceptions and values so much that the shape of culture soon is simply an advertisement-induced version of culture.

Advertising agencies

The profile of advertising agencies in India changed dramatically in the 1990s. Prior to that advertising was dominated by Indian agencies, but foreign agencies have increasingly come to dominate Indian advertising. In 1992-1993 11 of the top 20 Indian agencies were affiliated with multinational agencies and those agencies were allowed to own stock in the local companies since the early 1990s (Pashupati and Sengupta, 1996: 167). In 1990 the key companies that were the top advertisers in India were also the leading advertisers internationally: 1. Unilever 2. Procter and Gamble 3. Nestle (Belch and Belch: 739). In 1992-3 the monopoly of a small range of product categories was associated with a few companies which dominated advertising. Hindustan Lever had a major impact on the content of programming and the initiation of new programmes, associated with their power as the major advertiser on television (Advertising Club of Bombay Diary, 1994 quoted in Pashupati and Sengupta, 1996:172). 6 of the top 10 advertisers in 1992 were affiliated with Transnational Corporations, which was reflected an accelerated erosion of local brands (ibid, p.171). In 1992 the top advertisers overall were (in descending order): Hindustan Lever; Tatas; Godrej; Procter and Gamble; Parle; Colgate Palmolive; Nestle; International Tobacco Corporation; Bajaj Auto; Philips (Advertising Club of Bombay Diary, 1994, Pashupati and Sengupta, 1996:172)

In 1996-1997 over half of the advertising expenditure came from multinational corporations (Economist Intelligence Unit, 1998). South Korean companies are among the prominent new entries into the Indian marketplace according to Srinivas (1999). Procter and Gamble and automobile companies are noticeably absent from the list of top companies. The largest spender on advertising in 1995/96 was International Tobacco Corporation, which is interesting given the restrictions on tobacco advertising on television. In 1996 the top product category was still personal care products. The companies with the largest advertising budgets in India were: International Tobacco Corporation (cigarette and tobacco products); Hindustan Lever Ltd. (personal care); Videocon International (electronics); Brook Bond Lipton,

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(diversified products); Colgate Palmolive (personal care); Philips (electronics); Indexport (personal care); Hindustan Times (newspapers); Godfrey Philips (cigarette and tobacco products); Nestle (food, dairy products) (A&M, Media Reports, the Economist Intelligence Unit Limited, 1997).

In 1999 there were about 400 advertising agencies in India employing about 18,000 people. 15 of the top 20 advertising agencies have affiliations or joint ventures with foreign agencies who are among the top international agencies and most of them are American in origin, 12 out of 15. In terms of market share foreign joint venture advertising agencies hold more than 75% of the market, with wholly owned Indian agencies holding the balance. The largest 25 agencies account for 75% of the total billings. In 1999 76% was the maximum foreign ownership in advertising agencies (Srinivas, 1999). Over the decade there was also a growing concentration of agencies. The WPP group from London acquired a fifth local agency in 1997. Many companies formed alliances with subsidiaries to avoid conflicts of interest with their client companies (Advertising Age, 1997, July 14th). The advertising industry has expanded again rapidly in recent years. Growth was 23% in 2000-2001 and the top 5 agencies in 2000-2001 earned 47.2% of total revenue (Emerging Markets Economy, 2002, August 1). Foreign companies were seen to be initiating more aggressive advertising campaigns and recent growth in advertising has been driven by television advertising, especially satellite channels many of which are free-to-air which means they rely for their revenue on advertising (Sehgal, 2000). Foreign brands are definitely impacting on local brands through competition and takeovers. Some of the greatest competition is in the biggest advertising categories: soap, detergents and soft-drinks. Procter and Gamble, Unilever and Colgate Palmolive are competing for the soap and detergents market. Procter and Gamble has made a strategic alliance with Godrej Soaps, the leading Indian maker of soaps and detergents. Coca Cola and Pepsi are fiercely competing for the soft-drink market. Pepsi is a more successful brand in India than Coca Cola which left in 1978 and returned in again 1993, when it bought out Parle India's largest soft drink company. Coca Cola bought out Thums Up, another leading Indian brand, which gives it 61% of the market share (Slind-Flor, 2001). There is a definite visible advertising war between Coca Cola and Pepsi, and billboards in the countryside promote their products at prices cheaper than anywhere else in the world, 5 Rs for 200ml is about 10c. Both companies are increasingly targeting the youth market. Coke made losses in India for many years but was starting to make a profit since the late 1990s (Kripalani, 2003). The 1990s have also witnessed increased government spending on advertising and government departments are featured in the client lists of major agencies. The government is advertising in areas such

as tourist promotion, army recruitment, aids awareness and is using international agencies in joint ventures (Indiantelevision.com/2001). The service sector is another area is also expanding, and with the privatisation of banking and insurance those areas are expected to increase their advertising. After a new code of conduct was issued in the early 1990s, Indian political parties have emerged as major clients for the advertising sector (Srinivas, 1999).

1.8.1 : Advertising Product Profile in India

The range of products that are advertised reflects the socio economic profile of the population and disposable income levels. Low cost repeat purchase consumables dominated advertising in India as they do in most emerging economies. The first companies to move into new markets in developing countries tended to be in the areas of low cost repeat purchase consumables: cigarettes, fast food, personal products, cleaning products, soft drinks and pharmaceuticals. The high level of market concentration in the 1980s, was reflected in the fact that over 50% of market share was accounted for by the three top brands in 17 selected product groups (India Tradepoint, 1995).

The changes in the advertising product profile in India in the 1990s reflect changes in the levels of disposable income that occurred in the 1990s for some groups as well as legal changes. According to Srinivas, areas of fierce competition in Indian include soft drinks, toothpaste, soaps and detergents (1999). In 1992 90% of the most advertised products were repeat purchase consumables with bath soaps and laundry detergents accounting for 45% of the market, and other products included: soft drinks, suitings and textiles, tires, chocolates, cigarettes, tea. The category suitings and textiles, reflected the local custom for people to have their clothes made rather than buying them ready-made (Pashupati and Sengupta, 1996: 171) but later in the decade this category was no longer a leading product. There was a slight variation in the profile of products advertised on television. In 1993 75% of television advertisements were for 5 major groups of products: toiletries and detergents, cold drinks, foodstuffs, cosmetics and health products. Audience research units at Doordarshan, (the state-owned television station), confirmed that 30.1% of advertising was for toiletries and 21.1% was for food and beverages. Consumer durable advertising was seen to be educating for future consumers at that time (Baijpai and Unnikrishnan, 1996).

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By the mid 1990s the key products in terms of overall advertising spending were (in descending order): personal care; electronics; cigarette and tobacco; automobiles; pharmaceuticals; food and dairy products; breweries and distilleries with the strongest growth being in the figures for electronics and cigarettes and tobacco (A&M media reports, the Economist Intelligence Unit Limited, 1997). Products most advertised on Doordarshan, included cosmetics, soap and detergents, while the satellite channels in 1997 tended to attract alcohol, consumer durable and expensive clothes advertising (India Business Intelligence, 1997). In order of importance in 1999 the key products advertised were: soaps and detergents, household appliances, consumer electronics, food and beverages, cosmetics, pharmaceuticals, services and entertainment (Indian Society of Advertisers, Srinivas, 1999). It is interesting that cigarettes and automobiles have slipped off the list of most advertised products. Alcohol was banned from print but allowed in pay television until January 2001 (Multichannel News, 2001, May,). Cigarette and tobacco advertising was permitted in print in the 1990s (www.magazine.org/members 2002), were banned in December 2000 (Sehgal, 2001), but still evident in outdoor advertising (personal observation).

1.8.2 : Scope Of Advertising Industry in India

From an economic standpoint, India offers some of the greatest opportunities of all BEMs as the consumer middle class grows in size and purchasing power. However, standardization of advertising in an emerging context such as India is often complicated by variations in culture driven consumer taste and preferences, differing product use conditions, difference in stage of economic and market development, availability and reach of media influences (Austin, 2001). Certain characteristics that India represents need to be taken into consideration here in order to understand this massive market:

- It represents almost one-sixth of the global population
- It is the fifth largest economy in the world
- It is one quarter of the earth's urban humanity
- It stands for one-third of the world's populace living in democracy
- It is the second largest among the developing economies
- It is the first massive, complex society to successfully transit from a socialist economy to a market economy.

This transit has been bumpy, but steady. Since the inauguration of liberalization in 1991, India has emerged as the most promising and democratic mass market in Asia. The country

now has a timely and uninhibited press, a judiciary that often overrules the government, a modern if slow legal system, international standards of accounting and a growing research and academic infrastructure.

The advertising industry in India has several competitive advantages:

- India has a rich pool of strategic planning, creative and media services personnel: Indeed, Indian advertising industry has been exporting senior-level talent to many countries, particularly to the Gulf, South-East Asia, China, the UK and the US. Indian talent is recognised and respected in global agency networks.
- No other country has access to so many trained management graduates who can provide strategic inputs for brand and media planning.
- Indians are multicultural: we learn at least two languages and that gives us a head start in understanding cultural diversity.
- Most of the top 20 agencies in India have a global partner or owner, which should provide an immediate link to global markets.
- Our production standards in TV and print have improved: With a vibrant animation software industry, we have access to this area of TV production.
- India's advanced IT capabilities can be used to develop Web-based communication packages for global clients.

1.8.3 : From International to National

International advertising entails dissemination of a commercial message to target audiences in more than one country. Target audiences differ from country to country in terms of how they perceive or interpret symbols or stimuli; respond to humor or emotional appeals, as well as in levels of literacy and languages spoken. How the advertising function is organized in terms of its creativity, also varies. In some cases, multinational firms centralize advertising decisions and use the same or a limited number of creative strategies worldwide (Chandra, Griffith & Ryans, 2002).

International advertising can be viewed as a communication process that takes place in multiple cultures that differ in terms of values, communication styles, and consumption patterns. This kind of advertising is also a major force that both reflects social values, and propagates certain values worldwide.

In an international market such as India, the process of communicating to a target audience is more complex because communication takes place across multiple contexts, which differ in

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terms of language, literacy, and other cultural factors. In addition, media differ in their effectiveness in carrying different appeals. A message may, therefore, not get through to the audience because of people's inability to understand it (due to literacy problems), because they misinterpret the message by attaching different meanings to the words or symbols used, or because they do not respond to the message due to a lack of income to purchase the advertised product. Media limitations also play a role in the failure of a communication to reach its intended audience.

The cultural context also impacts the effectiveness of the advertisement. In "high context" cultures, such as the collectivist Asian cultures of India, the context in which information is embedded is as important as what is said (Hofstede, 2001). The people are often more effectively reached by image or mood appeals, and rely on personal networks for information and content. Awareness of these differences in communication styles is essential to ensure effective communication.

To break it down to the grass root level, in view of the advertiser, the primary objective of the advertising is to sell products or services. In achieving this primary goal, there are often profound secondary consequences. Advertising exerts a formative influence whose character is both persuasive and pervasive. Through the selective reinforcement of certain social roles, language and values, it acts as an important force fashioning the cognitions and attitudes that underlie behavior not only in the market place, but also in other aspects of life.

In an international setting, advertising has an important social influence in a number of ways. First, much international advertising is designed to promote and introduce new products from one society into another. Often this results in radical change in life-styles, behavior patterns of a society, stimulating, for example, the adoption of fast food, casual attire or hygiene and beauty products (Bullis, 1997). International advertising also encourages desire for products from other countries. For example, 'western products' represent style, progress, and advancement in India. India scores on the lower end of the ranking when it comes to uncertainty avoidance (40) (Hofstede, 2001), thus, making the culture more open to unstructured ideas and situations. The population has fewer rules and regulations with which to attempt control of every unknown and unexpected event or situation (World Fact-book, 2002). Thus, with an 'effective' creative international advertising, expectations about "the good life," new models of consumption can be established. Advertising is, thus, a potent force for change, while selectively reinforcing certain values, life-styles and role models.

Often the symbols, ideals and mores that international advertising portrays and promotes are those of Western society and culture. Through the reach of advertising, brands such as Levi's,

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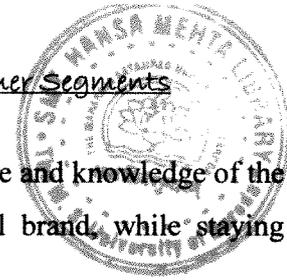
Nike, Marlboro and McDonalds are known by and have become objects of desire for teens and young adults throughout India and the world. Similarly, images and scenes depicted in much international advertising are either Western in origin or reflect Western consumption behavior and values. Even where adapted to local scenarios and role models, those shown often come from sectors of society, such as the upwardly mobile urban middle class, which embrace or are receptive to Western values and mores.

Consequently, a criticism frequently leveled at international advertising is that it promulgates Western values and mores, notably from the US, in other countries. This aspect is viewed a little negatively in societies such as India, which has strong religious or moral values (Sehgal, 2000). For example, when Western advertising depicts sexually explicit situations or shows women in situations considered as inappropriate or immoral, it is likely to be considered a subversive force undermining established cultural mores and values.

Thus, standardization and adaptation come out as the main choices in the area of international advertising. Understanding the market economies of scale and adaptation on an international level in order for consumers to be able to relate to the advertisement, are essential. The consumer profile is also an important factor to consider when choosing the extent of standardization and adaptation in international advertising. When investigating how the creative aspect of advertisements are standardized and adapted, it has been seen that text and voiceovers are frequently adapted, while visual elements, appeals and buying proposals are standardized.

It is suggested that advertising in India may require unique adaptations (Chandra, Griffith & Ryans, 2002). From a US transnational perspective, India's accountability of foreignness and the barriers it creates to standardization are minimized by the country's similarities to the US market. While this market of a billion people is beset with grave problems of poverty and illiteracy, it has a well developed legal system, a democratic political system, a mixed economy with deep-rooted capitalistic conditions, and a relatively affluent middle class. Cultural variations and social differences undoubtedly affect the viability of standardization in a cross cultural context. The upper middle class in India, unlike the rural market, is well aware of global brands via exposure to global media. In addition, it uses English in most cases as the language of the business world, and is the single largest market in developing world.

Research has suggested that standardization of advertising programs may be more appropriate, particularly in the early stages of entry in into India, around the late 20th century, when the level of commitment is fairly low (Chandra, Griffith & Ryans, 2002). Advertisers may enter the market by targeting the upper crust of the middle class using a standardized



approach and then consider their approach as they gain more experience and knowledge of the market. This will enable them to capture the benefits of its global brand, while staying responsive to the global competition in the Indian market.

Communicating to the Local Market

The process of communication in an Indian market will involve a number of steps. First, the advertiser will have to determine the appropriate message for the target audience. Next, the message will be encoded so that it will be clearly understood in different cultural contexts. This is an extremely essential factor to be considered, since diversity in culture defines the entire existence of Indian society. This multiplicity of ethnicity can be seen vividly between north, south, east and west of the country. The next step is to send the message through the available media channels to the audience who then decodes and reacts to the message. At each stage in the process, cultural barriers may hamper effective transmission of the message and result in miscommunication (Vimal, 2001).

In encoding a verbal message, care needs to be taken in translation since it is easy to have a translation problem with colloquial phrases. Pitfalls can arise due to differences in color association or perception too. For example, in India, on one hand red is associated with Hindu weddings, on the other, it is also associated with danger and has negative connotation. Where the color white is worn at weddings among Catholic/Christian Indians, it is also worn by widows in India. Appeals to sex also need to be treated with considerable care as their expression and effectiveness varies from one culture to another, and region to region in the country. In addition to encoding the message so that it attracts the attention of the target audience and is interpreted correctly, advertisers need to select media channels that reach the intended target audience. For example, use of TV advertising may only reach a relatively select audience in India. Equally, print media may not be too effective with a large rural sector, and low level of literacy. However, certain media may be more effective in this culture. For example, radio advertising has substantial appeal in India (including rural areas) where popular music is a key aspect of the local culture.

The legacy of creativity has left some insights about advertising in India. In July 1996, *Business Today* looked at some of the main ideas that fell behind the most successful campaigns in India:

- Provoke reactions
- Surprise/ Humor
- Astonishment works, but the advertising, not the product, must astonish

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- Make the consumer aspire to the impossible
- Advertise the idea, not the product
- Creativity does not end at the storyboard
- Draw associations with the unexpected

There are many successful global brands with global advertising campaigns, but in India, global campaign must be tested in every market before it is run. India is a complex country with regional divisions that are the equal of its better known caste divisions. It is a country where marketing mix and advertising do not translate directly from textbooks. The India advertising experience is that advertising's biggest role is in:

- Making the ordinary extraordinary
- Making the unfamiliar familiar

Hence, the role of advertising in the marketing mix is crucial to:

- Inducing consumers to take a fresh look at familiar brands in familiar established categories, e.g. Cadbury's Dairy Milk.
- Making new products, thoughts, and ideas relevant, e.g. Titan (the watch as an expression of style).

In India, the view that attitude toward advertising is the single best predictor of sales effectiveness, is not fully accepted. "Likeability" is not necessarily the quality of being amusing or entertaining. Nor is clarity alone always enough to sell a product. In a mature product category, putting the proposition into the headline does not create involvement. In the 1990's, advertisers often felt that all they had to do was be seen. Audiences were so captivated by the newness of the medium that they even endured its then long commercial breaks, which were almost two minutes long.

However, in today's multi-channel environment, television viewers know that they do not have to attend to what they do not want to see. The three ways most often employed to get their attention are:

- Involving them with what you have to say, as when you have a new product idea that is inherently superior, surprising, or fulfills a strong need.
- Involving them with how you say it, communicated by the strength of the advertising idea.
- Sheer exposure through buying heavy media presence and making your advertising impossible to miss. (Bullis & Douglas, 1997)

The last is obviously expensive and not every brand has the budget to allow it. Even if one does have the budget, one can double the value one gets for it by making the advertising memorable and involving. The role of advertising is critical to the marketing mix in India. It should not be neglected. But also never to be neglected is that the advertisement needs to be relevant to the consumer.

1.9 : Celebrity Endorsement Advertising

Today is an era where customers face a plethora of products and services to choose from and hence marketers are finding it difficult to attract and retain consumers. Firms are trying to develop a long term, mutually beneficial relationship with the consumers after winning their trust, confidence and loyalty. Customers too expect innovative and quality products, delivered consistently at competitive prices. No organization can dare to bluff the customers at any stage in the process of marketing communication. Marketing is not about tricking your customers to 'BUY' the product; it is about tricking them to 'BELIEVE' your product. In today's cut-throat competition, firms are adopting multiple tactics to manage and grow their brands. Celebrity advertising has become a trend and a perceived winning formula for building brands. Be it chocolates, scooters, motorcycles, banking services, or professional education services. Celebrity endorsements are found almost in all product categories, whether high or low involvement products. Many past researches on celebrity endorsements have proved that celebrity strengthens the brand by providing an instant attention and approval in this world of advertising. Endorsement researches have proved that celebrity endorsements also have a positive impact on the consumer attitudes and behavioral intentions. Celebrity advertising as a strategy, if effectively implemented, has done wonders for the brand and the company. In an increasingly cluttered media exposure, celebrities lend their personality to the brand and thus aid attention and brand recall. But now, most of the firms dealing in consumer products (more specifically in the fast moving consumer goods category), have adopted this technique and advertising clutter in celebrity endorsement advertising is now debated.

A number of studies and investigations have been made regarding how the endorsement process works, how to use celebrity endorsement effectively, and the characteristics of an effective celebrity endorser. Different models such as source attractiveness (Baker and Churchill 1977; Joseph 1982; Kahle and Homer 1985; McGuire 1985), source credibility (Hovland et al. 1953; Kamins et al. 1989), match-up proposition (Kamins and Gupta 1994;

Till and Busler 2000) and meaning transfer models (McCracken 1986; McCracken 1989; Walker et al. 1992) have been developed based on various theories including internalisation, identification, social adoption, elaboration of likelihood, and associative learning principles from the marketing, psychology and communication literature. While most studies have used consumer samples and experimental methods (Atkin and Block 1983; Kahle and Homer 1985; Kamins 1990; Kamins et al. 1989; Ohanian 1990; Pornpitakpan 2003; Till and Busler 1998; Walker et al. 1992) some have explored perspective of practitioners considering those who are responsible for selection of celebrities (Miciak and Shanklin 1994 and Erdogan et al. 2001). Research has also analysed the celebrity endorsement impact on firms' market value, and expected profitability (Agrawal and Kamakura 1995; Mathur et al. 1997).

1.9.1 : Who is a Celebrity ?

A celebrity endorser has been defined as “an individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in advertisement. Celebrities include movie and television stars, sports stars, politicians, businesspersons, artists and persons from the military” (McCracken 1989, p.310). McCracken (1989) has described four types of endorsements; explicit mode (“I endorse this product”), implicit mode (“I use this product”), imperative mode (“You should use this product”) and co present mode (In which the celebrity merely appears with the product).

1.9.2 : Celebrity Advertising in Different Forms

Testimonial - Shows that celebrity has personally used the product / service and is in a position to affirm its quality, benefits etc, For e.g., Aishwarya rai endorses Lux by testifying the quality of the product as it forms a part of her consumption basket. Another example could be a specific brand of footwear endorsed by a professional athlete. Celebrity testimonials have more impact if the celebrity is an Expert.

Endorsement - A celebrity may or may not be expert with regard to a product / service, yet he / she may be asked to lend his / her name and physical appearance to the advertisement. For e.g., Sachin Tendulkar advertising for the Palio brand of Fiat.

Actor - A celebrity may be asked to present the product or a service as part of a character enactment, rather than a personal testimonial or endorsement. For e.g., Shweta Tiwari of the ‘Prerna Fame’ (Kasauti zindagi ki) enacts as a housewife for Nirma’s ad

campaign. It has nothing to do with her on screen or off-screen image. In fact she just enacts the character and expectations of a normal housewife from a detergent bar.

Spokesperson- A celebrity who represents a brand or a company, for an extended period of time often in print and TV ads as well as in personal appearances is usually called a company spokesperson. (Schiffman and Kanuk, 1997) Eventually, the celebrity's appearance becomes closely associated with the brand / company. For e.g., Lux has been using the film stars for almost more than half a century.

1.9.3 - : Endorsement: Returns V/S Risks

The basic assumption underlying celebrity endorsement is that the value associated with the celebrity is transferred to the brand and therefore help create an image that can be easily referred by consumers. Consequently by association the brand can very quickly establish the creditability get immediate recognition and improve sales. However, there are many risks associated with such endorsers. The brand could slide down just as quickly as it moved up the consumers mind. There are many cases of brands failing in the market place despite famous celebrities endorsing them.

Returns

a) *Attracts attention and builds brand awareness:* A new brand can benefit greatly if a celebrity endorses it. It can attract the customer's attention and inquisitiveness to see what product is being endorsed. Research has shown consumers have a higher level of message recall for products that are endorsed by celebrities.

b) *Enhances recall of the advertisement and the message therein.*

c) *Adds value to the endorsed product/brand and thereby generating product credibility.*

d) *Connects Emotionally:* some celebrities like Shahrukh Khan, Amitabh Bachan command great adoration among people. Such celebrities can positively influence their fans etc. a great extents and hence tend to even connect with the brand emotionally because of their star enduring it.

e) *Quick Connect:* The communication process tends to hasten up due to the more presence of a celebrity. This is because the star carrying the message tends to click with the customer more. Because of likeability, recall attractiveness and creditability thereby helping the company to clearly and quickly pass on the message to the target customers.

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f) *Means of Brand differentiation*: using a celebrity is a source of brand differentiation. In a category where a brand is using a celebrity the first that picks one up could use it differently itself in the market the same was done by Boost in the malted beverage category.

g) *Source of Imitation and hence inducing increased product usage*: celebrities actually tend to become models or idols for the target audience who tend to start using the product just because the celebrity name is attached with it. For instance, Lux has been used by many as it is a beauty soap recommended by the beauty queen, Aishwarya Rai.

h) *Enhances the image of the company, product/brand*: The use of celebrities could also bring in positive image of the company, and the product/brand among the masses. The credibility and authenticity attached with Amitabh Bachan has inculcated trust for ICICI, Nerolac Paints and many others.

i) *Disseminates new brand images, repositions brands, or introduces new ones as well as promotes established brands*.

Risks

a) *Celebrity overshadows the brand*: In certain cases where the celebrity values category benefit and brand values are not closely linked. There are chances that the celebrity is remembered more than a brand. Cyber media research study reveals that 80% of the respondents approached for research remembered the celebrity but could not recall the brand being endorsed.

b) *Necessary Evil*: Marketing have felt that once the brand rides the back of celebrity it becomes difficult to promote it without the star as it becomes difficult to separate the role of message and the role of the celebrity in selling the brand. The celebrity activity becomes an addiction and the task to find substitute becomes more and more difficult.

c) *Celebrity credibility a question mark for the competent customer*: Today's marketing endorsement has to deal with a competitive and knowledgeable customer who has begun to voice his opinion about their perception about endorsing a brand. Celebrity is said to befool the public as he is paid to sell and communicate good things about the brand. Hence the question of credibility of the celebrity being chosen to protect the brand is becoming pertinent.

d) *Conflicting Image*: A mix match between the image of the credibility and the product can damage both. Unless there is a synergy between *Indian Media Studies Journal • Vol.1 • No.1. July-Dec. 2006 35 Celebrity Endorsement : A Strategic Promotion Perspective* celebrities own image and that of product category the strategy of endorsement is rendered futile.

e) *High costs*

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f) *Multiple Endorsement*: The poly endorsement have lead to a celebrity clutter. Celebrity endorsing multiple products and multi brands in a category have left the customer confused and have lead to dilution in the celebrities value.

g) *Influence of Celebrity scandals and moral violation on brands*: A number of entertainers and athletes have been involved in activities that could embarrass the companies whose products they endorsed. When the endorser's image is finished, it actually leads to a greater fall in image for the brand. For instance Azharuddin was charged with betting and match fixing, which created negative feeling and repulsive thoughts among people for the products he was endorsing.

h) *With the increased popularity and usage of celebrity endorsements, finding a celebrity who exclusively represents a product has become altogether more difficult.*

1.10 : Advertising of Fast Moving Consumer Goods in India

Fast Moving Consumer Goods (FMCG), also known as Consumer Packaged Goods (CPG), are products that have a quick turnover and relatively low cost. Though the absolute profit made on FMCG products is relatively small, they generally sell in large numbers and so the cumulative profit on such products can be large.

Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, teeth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, packaged food products and drinks, although these are often categorized separately.

The retail market for FMCGs includes businesses in the following International Standard Industrial Classification (ISIC) :

- * ISIC 5211 retail sales in non-specialized stores
- * ISIC 5219 other retail sale in non-specialized stores
- * ISIC 5220 retail sale of food, beverages and tobacco in specialized stores
- * ISIC 5231 retail sale of pharmaceutical and medical goods, cosmetic and toilet articles
- * ISIC 5251 retail sale via mail order houses
- * ISIC 5252 retail sale via stalls and markets
- * ISIC 5259 other non-store retail sale

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Supplier industries for FMCGs include 1511 meat and meat products, 1512 fish and fish products, 1513 fruit and vegetables, 1514 vegetable and animal oils and fats, 1520 dairy products, 1531 grain mill products, 1532 starches and starch products, 1533 animal feeds, 1541 bakery products, 1542 sugar, 1543 cocoa, chocolate and sugar confectionery, 1544 macaroni, noodles, couscous, 1549 other food products, 1551 spirits; ethyl alcohol, 1552 wines, 1553 malt liquors and malt, 1554 soft drinks, mineral waters, 1600 tobacco products, 2101 pulp, paper and paperboard, 2102 corrugated paper, containers, 2109 other articles of paper and paperboard, 2424 soap and detergents, cleaning, preparations, and perfumes.

FMCG products can be thought of in contrast with consumer durables, which are generally replaced less than once a year (e.g. kitchen appliances).

Some of the best known examples of Fast Moving Consumer Goods companies are Reckitt Benckiser, Sara Lee, Nestlé, Unilever, Procter & Gamble, Coca-Cola, Carlsberg, Kleenex, General Mills, Pepsi and Mars.

A subset of FMCGs are Fast Moving Consumer Electronics which contain innovative electronic products such as mobile phones, MP3 players, digital cameras, GPS Systems, cell phones and Laptops which are replaced more frequently than other electronic products mainly due to technology changes.

White goods in FMCG refer to large household electronic items such as refrigerators. Smaller items, TV sets, stereo systems etc. are sometimes termed Brown goods.

Unlike other economy sectors, FMCG share float in a steady manner irrespective of global market dip, because they generally satisfy rather fundamental - as opposed to luxurious - needs.

1.10.1 : Fast Moving Consumer Goods Market in India

India's fast moving consumer goods (FMCG) sector is the fourth largest sector in the economy. The total FMCG market is in excess of US\$ 17.36 billion and is set to treble from US\$ 11.6 billion in 2003 to US\$ 33.4 billion in 2015. . The Indian FMCG industry grew by 22% in 2006. Of the total sales, food (43%) and personal care (22%) are the largest categories.

The fact that the per capita income has nearly doubled in a short span of four years to just under US\$ 800 in 2006-07 (from around US\$ 450 in 2002-03), has boosted the growth of FMCG companies. The top 10 FMCG companies clocked net sales and net profit growth of

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19 per cent for the quarter ended March 2007, compared with the corresponding period for the previous year.

The prospect for further growth in this segment is robust as in many category of commodities the market penetration levels of the organised sector is still low. These commodities include instant coffee (6.6 per cent), deodorants (2.1 per cent), skin creams (22 per cent) and utensil cleaners (28 per cent).

Table-1. Financial analysis – key players

Company Name	Revenue (Rs. Cr.)	3- Year CAGR	PAT (Rs. Cr.)	3-Year CAGR	PBDIT	3-Year
Hind. Lever	11193.88	4.6	1408.1	-10.85	1722.71	-15.22
Dabur India	1345.5	11.28	188.57	36.54	242.01	33.41
Colgate Palm.	1127.55	9.65	137.6	12.87	224.7	12.76
Marico Ltd.	1045.16	11.05	98.88	30.57	140.79	34.3
Reckitt Benckiser	757.35	18.17	95.19	138.8	135.71	63.26
Procter and Gamble	567.59	-0.63	139.51	23.03	201.37	16.43

Source: Assocham Report 'Future Prospects of FMCG'

Forecast 2010

Rural and semi-urban

128 million population thrice the urban

Market size growth from 48k to 100k Crores (Growth of 50% at 10% CAGR)

Increase penetration from the current less than 1%

Problems in the rural sector

Low per capita disposable incomes

Large number of daily wage earners

Acute dependence on vagaries of monsoon

Seasonal consumption

Poor infrastructure – roads and power supply

Urban

Market 16.5k to 35k Crores (Growth of 100% at 20% CAGR)

Intense competition – severe pressure on margins – Focus on newer products, such as fruit juices

1.10.2 : Characteristics of FMCG in India

* **Branding:** Creating strong brands is important for FMCG companies and they devote considerable money and effort in developing brands. With differentiation on functional attributes being difficult to achieve in this competitive market, branding results in consumer loyalty and sales growth.

* **Distribution Network:** Given the fragmented nature of the Indian retailing industry and the problems of infrastructure, FMCG companies need to develop extensive distribution networks to achieve a high level of penetration in both the urban and rural markets. Once they are able to create a strong distribution network, it gives them significant advantages over their competitors.

* **Contract Manufacturing:** As FMCG companies concentrate on brand building, product development and creating distribution networks, they are at the same time outsourcing their production requirements to third party manufacturers. Moreover, with several items reserved for the small scale industry and with these SSI units enjoying tax incentives, the contract manufacturing route has grown in importance and popularity.

* **Large Unorganized Sector:** The unorganized sector has a presence in most product categories of the FMCG sector. Small companies from this sector have used their locational advantages and regional presence to reach out to remote areas where large consumer products have only limited presence. Their low cost structure also gives them an advantage.

Advantage India at a Glance

India is a major hub for all businesses and consumer goods is the most emerging sectors in India. As a business hub India provides a better advantage of setting up business due to both federal policies and consumer markets. With increase in mobile factors of production the availability of labour is creating opportunities for Multi nationals. Another advantage in India as a business destination is its' currency. The rise in currencies lead to higher productivity resulting in increased purchasing power. Another factor influencing the business atmosphere is the India's federal system of Government with clear line of powers within the state and the Central Governments.

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Apart from these India provides a liberal, attractive, and investor friendly investment climate. India has the most liberal and transparent policies on foreign direct investment (FDI) among major economies of the world. India is among the top 10 FDI destinations. In addition to all this Government of India accords high priority to development of infrastructure in highways, ports, railways, airports, power, and telecom.

General

- * A stable Government with second stage reforms in place
- * Well established corporate ethics
- * Major tax reforms including implementation of VAT

Strengths : Indian FMCG Sector

- * Well-established distribution network extending to rural areas
- * Strong brands in the FMCG sector
- * Low cost operations

Opportunities

- * Large domestic market
- * Export potential
- * Increasing income levels will result in faster revenue growth

Returns and Investments

- * \$130 billion-plus investment in infrastructure by year 2010
- * \$ 10 billion FDI in infrastructure development and capital market by year 2008
- * Stock market rose by nearly 40 per cent in 2005; foreign investors are flooding in

Market

- * India has the largest young population with over 890 million people below 45 years of age
- * 600 million-plus consumers by year 2010
- * 550 million-plus people under the age of 20 by year 2015
- * 70 million-plus people earn over Rs.8,00,000 (\$18,000) a year - number to rise to 140 million by year 2011

Consumer Spending Pattern

- * In India the Total Consumer Spend was Rs.20,00,000 crore (\$445 billion) in the year 2005
- * Size of Retail market Rs.10,50,000 crore (\$233 billion);
- * Organised Retail sector is worth Rs.35,000 crore (\$8 billion)
- * Leading retailers' sales growth (2005): 50-100%
- * India is the fourth largest economy in terms of purchasing power

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- * A consumer market of 1.02 billion
- * A growing middle class of over 400 million with increasing purchasing power

FDI and Global Retailers

- * 51% FDI allowed in single brand retailing
- * FDI laws relatively liberal in wholesale trade
- * Metro AG and Shoprite already operational
- * More foreign retailers eyeing possibilities in wholesale
- * Tesco, Carrefour and Wal-Mart expected to operate soon
- * Woolworths (Dick Smith Electronics - durable retail arm) entering through a JV with the Tata conglomerate

Foreign Exchange Controls

- * Rupee is freely convertible on current account
- * Rupee is almost fully convertible on capital account for non-residents
- * For FDI- Profits earned, dividends and proceeds out of the sale of investments are fully repatriable
- * There are some restrictions for resident Indians on capital account on incomes earned in India

Consumer Markets

India is currently the twelfth largest consumer market in the world. According to a study by McKinsey Global Institute, India is likely to join the premier league of the world's consumer market by 2025 improving its position to the fifth.

Aggregate consumption in India is expected to grow four-fold in real terms during the period, 2006-2025 to touch US\$ 1.73 trillion from US\$ 420.7 billion. Also, by then, the middle class will have grown almost 12 times, from 50 million in 2006 to 583 million in 2025. Over 23 million Indians—more than the population of Australia—will number among the country's wealthiest citizens.

FMCG

Consumer Durables

A combination of changing lifestyles, higher disposable income, greater product awareness and affordable pricing has been instrumental in changing the pattern of consumer expenditure. The consumer durables industry, which includes white goods, televisions, VCD and DVD players, and audio systems, has been one of the segments to experience increased demand.

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* The microwave oven industry (worth US\$ 173.35 million) grew at a robust rate of 48.5%, with the solo category increasing 22%, grill model increasing 36% and convection model growing at 71% over the last year.

* The fully automatic washing machines market grew at the rate of 40% while the semi-automatic market rose by 19% in the first quarter of 2007.

* Refrigerators sales rose by 10.7% in value terms and 6.7% in volume terms to touch US\$ 936.2 million and 3.75 million units respectively in 2006-07.

* Air conditioners sales grew by 50% in value terms to US\$ 494.5 million and 51.6% in volume terms (1.05 million) in 2006-07.

* Frost-free refrigerators clocked an unprecedented growth of 50 per cent this summer compared with the previous year.

Consumer Electronics

The consumer electronics sector is estimated to grow at the rate of 11 per cent, achieving a production level of US\$ 4.95 billion during 2006-07 compared with US\$ 4.45 billion in 2005-06. The fast growing segments during the year were colour TVs, DVD players and home theatre systems.

* Colour TV (CTV) production has shot up to over 12 million units during the year 2006-07. The flat CTV segment now accounts for over 50 per cent of the total domestic TV production.

* Personal computer (PC) sales are expected to cross 6.5 million units during the year 2006-07. The India client PC market witnessed a 20 per cent year-on-year growth in unit shipments, with the total installed base of PCs in India crossing 22 million during 2006-07.

* Sales of TVs are growing by an estimated 13-15%.

* Sales of home theatres have been growing at the rate of 80 -90% a year.

* Mobile handset production is expected to grow to over 51 million units this year against 31 million in 2006 to record the highest growth in the Asia-Pacific region, technology research firm Gartner has predicted.

iSuppli, a electronics market research firm, predicts that the Indian audio/video consumer electronics industry will grow to US\$ 6.59 billion by 2011, rising at a Compound Annual Growth Rate (CAGR) of 10% from US\$ 4.5 billion in 2007.

Automobiles

The Indian auto industry, worth US\$ 34 billion in 2006, has grown at a CAGR of 14% over the last five years with total domestic sales of vehicles reaching around 10.1 million vehicles in 2006-07. Presently, India is the second largest two-wheeler market in the world, the fourth

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largest commercial vehicle market, the 11th largest passenger car market in the world, and is expected to be the seventh largest by 2016.

Credit Cards

Currently, the number of credit and debit cards in circulation is close to 26 million and 60 million, respectively. The total transaction on the cards as a whole during the year is said to be close to US\$ 30.93 billion.

India has become the largest market for VISA debit and pre-paid cards in Asia-Pacific with about 33.9 million card-holders in 2006, accounting for about 3% of the company's total customer-base. Even in terms of total transaction, India is among the top three destinations in the region, accounting for about 62 per cent of the total debit and prepaid card transactions.

E-commerce

Thanks to the broadband revolution, more Indians are spending ever more on the web. On last count, 10.8 million Indians, or 43% of the country's total internet population, bought online. This is 76 per cent more than the number a year ago. The e-commerce market is estimated to grow at 150 per cent to touch US\$ 1.36 billion in 2007-08 from US\$ 544 million in 2006-07. While the top ten cities account for 45 per cent of the overall shoppers base, urban uptowns, emerging uptowns and other towns account for the rest.

Real Estate Mortgage

In 1995, just 2.6 million urban households in India could afford a mortgage. After eight years of rapid economic expansion, that number had rocketed to 20.5 million -- a CAGR of 29.4%. In the last fiscal, 2006-07, many banks continued to show robust loan disbursements. The home loan disbursements of public sector banks grew by over 21%, with the total amount outstanding touching US\$ 33.42 billion during 2006-07 as against US\$ 27.62 billion in 2005-06. SBI had reported growth of around 18% in 2006-07. The ICICI bank's home loan portfolio on March 31, 2007, was around US\$ 15.71 billion, constituting 30 per cent of its total advances.

Consumer Confidence

The Indian consumer remains the most upbeat globally. According to the AC Nielson Consumer Confidence and Opinion Survey, India tops both the 47-nation global survey and the 14-country Asia Pacific study for the fifth time in a row. Also the perception of Indians regarding their personal finances (90 per cent optimistic) and job prospects (94 per cent optimistic) is robust.

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The Indian middle-class, which is the backbone of the India market story, comprises 56 million people in households earning US\$ 4,400-21,800 a year. The upper middle and high-income urban households are estimated to grow to 38.2 million in 2007 from 14.6 million in 2000, according to the National Council for Applied Economic Research (NCAER).

With the population of high net worth individuals crossing 1,00,000 this year, the prospect for luxury goods market is also bright and is estimated to touch US\$ 452 million in coming years.

1.11 Snapshot on Celebrity Endorsements on Television in India

- **Since 2003 To 2007**

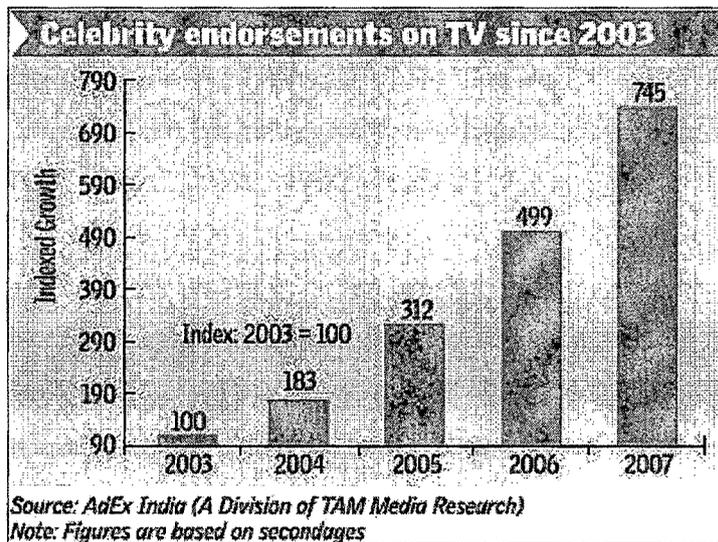


Fig. 6 Celebrity Endorsements on TV since 2003

Celebrity endorsement on TV has been on a growth curve, growing six times in volume terms between 2003 and 2007

- **During 2007**

Key Findings:

- 49 per cent growth in Celebrity endorsement advertising volumes on TV during 2007 compared to 2006.
- Celebrities from Film Industry lead with 81 per cent share of overall Celebrity endorsement advertising pie on TV during 2007.

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- 'Aerated Soft Drink' was the top category with maximum advertising volumes of Celebrity endorsement during 2007.
- 'Shahrukh Khan' had maximum number of advertisers in his kitty during 2007.

(Base: Celebrities from Hindi - Movies & TV Industry and Sports personality considered)

- Celebrity endorsement on TV saw a whopping growth of six times during 2007 over 2003.
- Film Celebrities had the largest chunk i.e. 81 per cent share of overall Celebrity endorsement on TV during 2007.
- Sports and TV personalities took the second and third rank with 14 per cent and 5 per cent share respectively during 2007.
- Film Actors accounted for 50% share followed by Film Actress and Sportsmen with 31 per cent and 14 per cent share of Celebrity endorsement on TV during 2007.
- Top 10 categories share aggregates to 40 per cent of total advertising volumes of Celebrity endorsement on TV during 2007.

'Aerated Soft Drink', 'Cellular Phone Service' and 'Toilet Soaps' were at the top three positions of top 10 categories with maximum advertising volumes of Celebrity endorsement on TV during 2007.

- Shahrukh Khan, Amitabh Bachchan and Purna (Shweta Tiwari) were the top three celebrities with maximum number of advertisers.
- During 2007 top three position of maximum visible celebrity on TV was occupied by Film Actors viz. Saif Ali Khan, Shahrukh Khan, Amitabh Bachchan.

(Source : Analysis from AdEx India - A Division of TAM Media Research)

- **During 2008**

Key Findings:

- 'Bollywood Stars' garnered a high share of Celebrity endorsement advertising volumes on TV during H1 2008.
- 'Shahrukh Khan' endorsed for highest number of advertisers on TV during H1 2008.

Selected Celebrity Endorsements in India and its impact on Consumer Segments

- 'Airtel Cellular Phone service' emerged as the Top brand with maximum advertising volumes of Celebrity endorsement on TV during H1 2008.
- 'Parachute After Shower Wet Look' topped the list of new brands endorsed by the Celebrities on TV during H1 2008.

(Base: Celebrities from Hindi - Movies & TV Industry and Sports personality considered)

- During H1 2008, Celebrities of 'Film Industry' had the largest share of overall Celebrity endorsement on TV followed by the 'Sports' and 'TV Stars' with 16 per cent and 3 per cent share respectively.
- 'Bollywood Actors' led with 47 per cent share of Celebrity endorsement advertising volumes on TV followed by the 'Bollywood Actress' and 'Sports' personalities with 34 per cent and 16 per cent share respectively.
- 'Airtel Cellular Phone Service', 'Pepsi' and 'Idea Cellular' were the Top three brands with maximum advertising volumes of Celebrity endorsement on TV during H1 2008.
- 'Parachute After Shower Wet Look', 'Haywards 5000 Soda' and 'Lays Fight for Your Flavour' were the Top three new brands endorsed by the Celebrities on TV during H1 2008.
- Among the Top 10 list of new brands endorsed by the Celebrities on TV, three brands belonged to 'Hindustan Unilever Ltd' during H1 2008.

1.12 : Purpose of Study / Objectives of Study / Research Questions

The world has become a global market and multinational corporations are now targeting global consumers to sell their products and services. Huge amount of money is spent by the firms to understand the responses of consumers to the global marketing activities. International advertisers and marketers are under tremendous pressure of financially more accountable and simultaneously creating a global brand. Mass media and internet have led to the creation of a globally interactive world. International advertisers are increasingly using celebrity endorsement advertising strategies to break through the clutter and enhance their brand equity (La Ferla 2001, Lin 1993, Shapiro, 2001).

Internationally, market reports ranging from India (Economic Times 2001) and Japan (Lin 1993; Shapiro 2001) to Korea (Cutler, Javalgi and Lee 1995), Ireland (O'Mahony and Meenaghan 1997/98) and the UK (Erdogan, Baker and Tagg 2001) all indicate the prevalence

of celebrity endorsement advertising strategies. But, most of the research related to the process and effectiveness of this advertising strategy has been limited to United States. A good deal of research has been undertaken in countries like South Korea, Singapore and many other countries within the Asia Pacific region. Still, very little is known about consumer reaction to advertising in Asian countries. Content analysis of advertisements in most of the Asian countries reveal that celebrities are frequently used in Indian advertising and that too in the Fast Moving Consumer Goods category. Very few systematic researches have been conducted to examine the underlying mechanism of this advertising strategy in Indian context. Moreover, a detailed path analysis undertaken in the current study will definitely provide bright insights to the advertisers and corporations spending huge money on celebrity endorsement advertising. The relationship of sub-constructs with the endorser credibility and the association of credibility to the three advertising outcome variables will also help advertisers in selecting the right celebrity.

The purpose of the study is to expand the existing literature on celebrity endorsement advertising in India thereby, assessing the effectiveness and the process of this technique in countries outside United States. The current study is undertaken to examine the effectiveness of celebrity endorsement advertising strategy in Indian advertising and thereby add to the endorsement advertising researches undertaken till date.

Following are the objectives of the study undertaken:

- 1) Defining the concept of 'Celebrity' from consumer's viewpoint.
- 2) Identifying audience acceptance of various celebrities in Indian market.
- 3) Celebrity endorsements found commonly in which product / service categories? Why?
- 4) Effectiveness of celebrity endorsement advertising across consumer segments.
- 5) Effectiveness of celebrity endorsement advertising across product categories.
- 6) Segmented celebrity selection for different / same products (i.e whether the use of same celebrity for the entire market or not?).
- 7) Can the set of celebrities be widened? (Use of other sports star, academicians, writers, religious celebrities, political icons)
- 8) Which dimensions of celebrities can be used effectively to achieve the corporate objectives?
- 9) Celebrities gaining (in what way) as a result / outcome of celebrity endorsements (since it's a two way traffic).

- 10) Based upon some specific attributes of celebrities, an effort is put to get an idea about the Indian celebrity ratings (for film stars and sports stars)
- 11) Explore the causes for the failure of celebrity endorsements in Indian markets (through analysis of selected cases)

1.13 : Expected Contribution

The importance of this study lies in expanding the literature as well as the understanding of the effectiveness of celebrity endorsement advertising in India, specifically the advertising of fast moving consumer goods. The study was undertaken to determine the impact of film and sports celebrities on Indian consumers. Most of the research as to the process and effectiveness of using celebrity endorsements in advertising has been largely limited to United States. The purpose of the study was to expand the current literature on celebrity endorsements to assess the effectiveness and the process of this technique in India.

Countries in the Asia pacific region are developing as some of the most sought after markets in the world. The largest consumer base of India and China, along with strong advertising expenditures will motivate multinational corporations to target Indian and Chinese consumers. Also, there has been a steep rise in the celebrity endorsement advertising in these two nations. Content analysis of advertisements in India has revealed that film and sports celebrities are frequently and consistently used in Indian advertising. Indian consumers are crazy behind their favorite film and sports celebrities. A study of celebrity endorsements in a country like India having the largest consumer base, with people following different religion, speaking different languages, different regional culture within, is justified. Film as well as sports celebrities are worshipped like gods/goddesses. Many of the regional film celebrities in the southern part of India have temples of their favorite film celebrities. India is having the youngest population and hence a study undertaken to determine the impact of film and sports celebrities on teenagers and young adults will certainly provide bright insights not only to advertisers and promoters in India but also the international marketers. A full path analysis undertaken will help advertising agencies and corporate organizations to evaluate the carryover effect.

The study undertaken will also help in the testing of the credibility scale proposed by Ohanian. The credibility scale proposed by her was tested in Indian culture and thus would provide future insights for preparing a more comprehensive scale fitting the understanding.