CHAPTER III
THEORETICAL BACKGROUND ON CELEBRITY ADVERTISEMENT, PURCHASE DECISION AND DURABLE PRODUCTS

3.1 INTRODUCTION TO ADVERTISING

Consumers seek information in order to aid them in their purchase decision-making processes. One of the common medium from which consumer get a lot of information is advertising. Advertising is defined as any non-personal form of mass communication paid for and controlled by the sponsor\(^2\). Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The American Marketing Association define advertising as the placement of persuasive messages in any of the mass media by organizations in order to inform and/or persuade people of a specific target market about their products, services, organizations, or ideas. Advertising can also be defined as a message that is paid and controlled by the advertiser and directed to the masses in an impersonal manner\(^3\).

3.2 INDIAN ADVERTISING INDUSTRY

The Indian advertising industry is talking business today. It has evolved from being a small-scale business to a full-fledged industry. It has

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emerged as one of the major industries and tertiary sectors and has broadened its horizons be it the creative aspect, the capital employed or the number of personnel involved. Indian advertising industry in very little time has carved a niche for itself and placed itself on the global map. Indian advertising industry with an estimated value of 13, 200-crore has set eyeballs gazing with some astonishing pieces of work that it has given in the recent past.

Been a slow and steady one, but if you look at the advertisements on Indian television nowadays, you’ll be vastly surprised.

The creative minds that the Indian advertising industry incorporates have come up with some mind boggling concepts and work that can be termed as masterpieces in the field of advertising. Advertising in the country too have taken a leap. They have come a long way from being small and medium sized industries to becoming well known brands in the business. Mudra, Ogilvy and Mather (O&M), Mccann Ericsson, Rediffussion, Leo Burnett are some of the top agencies of the country.

Indian economy is on a boom and the market is on a continuous trail of expansion. With the market gaining grounds Indian advertising has every reason to celebrate. Businesses are looking up to advertising as a tool to cash in on lucrative business opportunities. Growth in business has lead to a consecutive boom in the advertising industry as well. The Indian advertising today handles both national and international projects. This is primarily because of the reason that the industry offers a host of functions to its clients.
that include everything from start to finish that include client servicing, media planning, media buying, creative conceptualization, pre and post campaign analysis, market research, marketing, branding, and services. Keeping in mind the current pace at which the Indian advertising industry is moving the industry is expected to witness a major boom in the times ahead. If the experts are to be believed then the industry in the coming times will form a major contribution to the GDP. With all this there is definitely no looking back for the Indian advertising industry that is all set to win accolades from the world over. With development in the technology, various avenues are opening up in advertising industry.

It is estimated that about 2.2 billion dollars are generated in this industry every year. Be it is print, radio, television or Internet, every medium plays a significant role in the growth of this industry. Today, Advertising Industry in India is surging with revenues. To meet all the demands in advertising sector, many agencies are coming to the scene. India is a hub of creativity and this is evident from the fact that more and more people from Indian advertising industry are being accepted world over and imposing a lot of respect in international advertising community. Visibility is the mantra of success these days and advertising makes sure that your product, service is visible thus saleable.
3.3 ENDORSEMENTS AS A PART OF ADVERTISING

Advertising is used to draw the attention to the products and services of the organization and to provide a personality to the brand in order to make the product stand out amongst its competitors.

One way to draw attention to the product is to make use of an endorser. Advertisers have often chosen to use endorsement as a promotional strategy to communicate the merits of their products or brand. The endorser transfers its characteristics onto the product and if the target consumers like or aspire to posses the endorser’s characteristics it will intentionally call them to action to purchase the product or service\(^4\). The study of Friedman concludes that it is perhaps useful for a promoter to use an endorser for his product, rather than employ a comparable advertisement without an endorsement, note that endorsers can be of many types, including the typical consumer, the product class expert and the celebrity\(^5\).

Furthermore, the paper indicates that the endorser, no matter what type, effected somewhat higher taste expectations, intent-to-purchase and believability than the control advertisement, which was not endorsed. On the other hand, Friedman and Friedman found that ads using a celebrity spokesperson led to higher ratings of the ad, attitude toward the product, and


purchase intention for products involving image or taste, and led to better ad
and brand name recall regardless of the product.

3.4 CELEBRITY ENDORSEMENTS AS A PART OF ADVERTISING

The praxis of celebrities being used for endorsements has proliferated
over time. Despite the cost and the risks involved with this technique of
advertising, it is been used quite extensively in the present era. The instrument
of celebrity endorsement has nowadays become a pervasive element in
advertising and communication management.

Celebrity endorsement in advertising has been and will continue to be
a hot topic among researchers. Celebrity endorsements are one of the most
popular advertising strategies used in today’s global marketplace. In the
United States, about a quarter of all ads feature a celebrity endorser, U.S.
firms make substantial monetary investments in celebrity endorsements,
sometimes running into the millions of dollars per endorsement deal.

While the prevalence of celebrity endorsements in the U.S. has been
well documented, such endorsements are by no means a unique American
phenomenon. Indeed, the percentage of television commercials worldwide
featuring a celebrity has doubled during the past decade to 17 percent.
Contrary to that Celebrity endorsements have occurred in greater frequencies
in some other countries than in the U.S. For example, in a cross-cultural
comparative study involving content analysis found that 59 percent of prime
time television commercials airing on the three major Korean television
networks involved celebrity endorsements, which far exceeded the 9.6 percent they found for ads running on American networks during these time slots\(^6\). In Japan, celebrities are featured in approximately 70 percent of television commercials.

The widespread and persistent use of celebrities in advertising suggests that they are worth the costs associated with hiring them\(^7\). Around 20% of all commercials use some sort of celebrity endorsement and 10% of all advertising dollars goes to celebrity endorsements.

### 3.5 History of Celebrity Endorsement

Advertisers have long since used endorsements as a promotional strategy to communicate product attributes\(^8\). Piccalo has traced the history of celebrity endorsements to the 1800s, when Queen Victoria’s laundress was used to endorse Glen field Patent Starch and Mark Twain’s face appeared on a bag of flour and two different kinds of cigar boxes. In the 1930s Johnny Weissmuller appeared on the Wheat box.

In the 1940s people took note that Ronald Reagan and Lucille Ball endorsed cigarettes. In 1980s served as the pinnacle of celebrity endorsements, including Michael Jackson’s $50-million dollar deal with

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Pepsi, Bill Cosby’s $1.5 million for endorsing Coca-Cola and Jell-O pudding pops, and James Garner and Mariette Hartley’s $3 million for promoting Polaroid.

The 1990s saw Michael Jordan’s net worth at $10 billion for his multitude of endorsements, and Oprah Winfrey became more than just a talk show host; she was endorsing everything from books to cars on her show. Within the last year T-Mobile paid $20 million to Catherine Zeta-Jones and Pepsi has paid tens of millions to land numerous stars including Beyonce, Britney Spears, Puff Daddy, Carson Daily, and Tiger Woods.

3.6 HISTORY OF CELEBRITY ENDORSEMENT IN INDIA

Celebrities are involved in endorsing activities since late nineteenth century. The advent of celebrity endorsements in advertising in India began when Hindi film and TV stars as well as sportspersons began encroaching on a territory that was, until then, the exclusive domain of models. One of the first sports endorsements in India was when Farokh Engineer became the first Indian cricketer to model for Brylcream. The Indian cricket team now earns roughly Rs. 100 crore through endorsements.

- **Country Context: India**

Brand endorsements by celebrities are a widespread phenomenon in India and worldwide. For decades, the celebrities present in the Indian films have provided lifestyle cues to youth. Given the popularity, size and reach of
the celebrities present in the film industry have the power to influence the attitude and behavior of millions of people, particularly the youth in India. The result of several discussions between strategic media work and WHO, after consulting with media experts, sociologists, films and television professionals and academics as well as scanned media reports, determines the impact of films and its consequent impact of celebrities on the youth.

The country observed for the first time aggressive competition between new players and big established businesses with the opening of the new Indian economy in 1991.

Consumer’s expectations and demands are continuously rising in today’s dynamic and competitive environment forcing marketers to adopt more creative advertising efforts such as celebrity endorsements to influence consumer brand choice and behavior.9

Hence, there was a novelty of the celebrity brand endorsement which has proliferated to have become a multi-million dollar industry in India today10. Furthermore the celebrities in India live a very public life; hence several aspects of their lives are exposed to the general public such as where they shop, where they holiday, and their favorite food and so on and thus receives extensive coverage from the media.


However, a few of the brands have, no doubt, been established without celebrity endorsement. Procter & Gamble promoted its Rejoice brand in India with an ordinary woman in their advertising which worked well. They do not believe in celebrity endorsement and think that consumers, especially housewives, are more prone to identify with a lay person than a celebrity. A few more examples that can be given are Lifebuoy, Close Up, Fevicol etc\(^{11}\).

Over the years it has been often observed in the national and global arena that many brands have attained a legendary status and an incredible fanfare, which can be attributed to new concepts in advertising. It is becoming increasingly evident that brands no longer have a mystique around them. There is a direct correlation between brand choice and perpetual mindset of the consumers. The emergence of the thinking, discerning consumer resulted in the consumer being anointed as the ‘king‘ at least in brand image. As such, as long as there have been celebrity endorsers, there has been potential for them to become involved in undesirable events.

Roy, (2006) explains that the use of celebrities in advertisements is not a new concept. Celebrities have come from the world of entertainment and sports. In the late 1970’s actor Shammi Kapoor advertised for Paan Parag brand. Similarly in early 1980’s popular cricketers such as Kapil Dev and Sunil Gavaskar endorsed Palmolive and Cherry Canvas shoes polish.

Shahrukh Khan recently signed up 10 million worth contracts with ITC’s Sunfeast brand of food products. In fact, Indian advertising industry witnessed a real “Advertisement Boom” in post economic liberalization era. In addition, popularization of electronic media with multiple channels and increased usage of internet due to information technology explosion by the end of 1990’s created a situation of rising clutter of ads. These factors contributed a lot towards the agencies and companies with regard to the selection of the appropriate creative strategies and tactics in ads. In effect, this has become advertising industry’s real challenge now.

Consumers get confused with the plethora of celebrities endorsing different brands. A general question of whether celebrities need to be hooked up for increasing the brand popularity is another problem to be addressed. The net effect is that a substantial portion of society’s resources are misdirected towards, and that of committing advertising wastage by the advertisers. Moreover the use of celebrities do not provide any room for creativity. Indian advertisements are known for the creativity. The much celebrated glimpses of Indian culture and the importance of relationships in the society are beautifully portrayed through the ads.

Everyday consumers are exposed to thousands of voices and images in magazines, newspapers, and on bill boards, websites, radio and television.

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Every brand attempts to steal at least a fraction of an unsuspecting person’s time to inform him or her of the amazing and different attributes of the product at hand.\(^{13}\)

The challenge of the marketers is to find a hook that will hold the subject’s attention. In helping to achieve this, use of celebrity endorsers is a widely used macro strategy. Celebrities act as spokespersons, in order to advertise and promote products, services and ideas. Those celebrities come from the art scene, modeling, sports and the movie industry. The first advertisers used celebrities as the pioneers in order to dictate trends. The reason behind the popularity of celebrity advertising is marketer’s belief that viewers attention is much higher, which will result in greater sales. Generally, celebrities are used for their unique attributes, and expertise which make advertisements more believable. Consumers purchase products /brands not only on the basis of their functions or quality, but do so, more importantly, because of the symbolic meanings contained in products or brands.

Due to the immense availability of media, the emergence of a new stage of commercial communication has taken place. Companies are constantly finding new ways in which they can communicate with their consumers, in both a conscious level and sub conscious level, by surrounding consumers with constant brand message. At the conscious level the

consumers choose which communications to be interested in. If they are looking for a specific product or service of interest they will selectively perceive relevant brand message. Celebrities increase the brand awareness and define values and new dimensions of the brand.

3.7 TYPES OF ENDORSERS AND ENDORSEMENTS

An endorser is a person, character or organization that speaks or appears in an ad in support of the advertiser or its claim. The term endorser includes the terms spokesperson or model. The endorsement process is the identification, selection and use of endorsers to communicate with a target segment.

Endorsers can be grouped into three broad classes namely- experts, celebrities, lay endorsers. Each has special characteristics and roles in the communication process.

Celebrity branding has many aspects. A slight change the type of branding used can result in either a great success or a dismal failure. Celebrity branding falls into five general categories: They are testimonial, where the celebrity acts as a spokesperson for the brand, Imported here the celebrity performs a role known to the audience; Invented, where the celebrity plays a new, original role. When the celebrity is an Observer he assumes the role of an observer commenting on the brand. In Hamessed the celebrity's image is integrated with the ad’s story line.
3.8 MECHANISM AND THEORIES OF CELEBRITY ENDORSEMENT

Celebrity endorsements give a brand a touch of glamour and the hope that a famous face will provide added appeal and name recognition in a crowded market. In the battle for the mind, you get the customer excited by showing him a known face, and an effective demand is created. In short it helps increase the recall value of the brand. A piece of research states that the target audience age group of 15-30 gets influenced first by cricketers, then Bollywood stars and only then music, festivals and food.

According to Source Credibility Theory, acceptance of the message depends on 'Expertness' and 'Trustworthiness' of the source. Expertness is defined as the perceived ability of the source to make valid assertions. Trustworthiness is defined as the perceived willingness of the source to make valid assertions. Audience acceptance increases with the expertness of the source and the ability of the audience to evaluate the product.

According to Source Attractiveness Theory, which is based on social psychological research, the acceptance of the message depends on familiarity, likeability and similarity. Familiarity is the audience’s knowledge of the source through exposure; likeability is the affection for the source's physical appearance and behavior while similarity is the resemblance between source and receiver. This theory explains the message acceptance in two ways: Identification and Conditioning. Identification is when the receiver or the target audience of the communication begins to identify with the source's
attractiveness, and hence tends to accept his opinions, beliefs, habits, attitudes etc. On identification, a quote from Bijou Kurien, COO, Titan, "We decided on Aamir because we wanted someone who is a bit iconic, who is style-conscious himself and somebody who cuts across both sex and age group, between urban and rural India. A celebrity who is moldable and who is not over-exposed" is considered to be a popular celebrity. Conditioning is when the attractiveness of the source is supposed to pass on to the brand after regular association of the source with the brand.

Grant McCracken has criticized the previous two theories and proposed the Meaning Transfer Theory. The theory explains that a celebrity encodes a unique set of meanings which is well used can be transferred to the endorsed product. Such a transfer takes place in three stages - encoding meanings, meaning transfer, meaning capture. Encoding Meanings means that each celebrity has a unique set of meanings, which can be listed by age, gender, race, wealth, personality or lifestyle. In this way, the celebrities encode a set of meanings in their image. For example Preity Zinta can be seen as a lively, charming, bubbly, witty and enthusiastic brand ambassador. Meaning Transfer in this stage transfers those meanings to the product. When skillfully portrayed, celebrities can communicate this image more powerfully than lay endorsers. Meaning Capture assumes that consumers purchase products not merely for their functional value but also for their cultural and symbolic value. The theory the desirable meanings with
which celebrities have passed on to the product. This is more eminent in lifestyle products like clothes, perfumes, cell phones, etc.

**Fig 3.1.1: Meaning Transfer**

![Diagram showing the process of meaning transfer](image)

Source: (Adapted from Mc Cracken 1989)

### 3.9 CELEBRITIES AS A FORM OF INSPIRATIONAL REFERENCE GROUP

A celebrity endorser used in an advertisement can be interpreted as a reference group. A reference group is defined as any person or group of persons that serves as a point of comparison (or reference) for an individual by communicating values, attitudes and providing a specific guide for behavior.¹⁴

An aspiration group is a derivative of the reference group: in this case, the consumer does not belong to the group but is willing to be associated with it. To become 'associated' with this group, consumers are willing to behave like members of the aspiration group. This means that consumers are trying to

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behave in the same manner, e.g. try to use the same symbolic meanings of the aspiration group. This means that a celebrity endorser can be interpreted as the 'personality' of the reference group.

The reference group 'rich and famous', which often correspond with the way the celebrities live, is frequently indicated as an aspiration group of which consumers like to be part.

Consumers have a tendency to form an attachment to any object that reinforces one's self identity or desired image, renders feelings of connectedness to a group or to any object that elicit nostalgia, and perhaps the most vivid example of this form of attachment maybe found in the consumers preoccupation with the celebrities. The power of the celebrities lies in these influences that they exert on consumers, even though they themselves are physically and socially distant from an average consumer. Assael (1984) also suggests that celebrity endorsements are more effective because of its ability to tap into the consumer's symbolic union with its aspiration reference group.

Celebrities are considered to be effective endorsers as because of the presence of their symbolic desirable reference group alliance. To define it — A reference group is defined as any person or group of persons that serves as a

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Consumers form associations between reference groups and the brands they use and transfer this meaning from brand to self and one of the most reliable form of reference group is Celebrity Endorsers\textsuperscript{18}.

**3.10 PROS OF CELEBRITY ADVERTISEMENT**

1. **Increased attention:** Today it is easier for consumer to choose what advertise commercials they want to see by changing the channel on the TV or record TV programs without commercials. It has become more important for companies to get consumers attention and get them to


stay and watch the advertisement\textsuperscript{19}. Therefore it is a good way to use celebrity\textsubscript{s} endorsement because celebrities have the capacity to hold viewers attention and penetrate the clutter of brief and numerous advertising spots that compete for audience attention\textsuperscript{20}. Celebrities also makes the advertise stand out from the rest and therefore improving the communicative ability by cutting through excess noise in a communication process.

2. **Image polishing:** If a company\textsubscript{s} image has suffered and is going in the wrong direction others that the companies had in mind, celebrity endorsement can be a good way to polish the image of the company since the celebrities own image which is known by the public will be transferred to the product an in that way give the product or brand a new image\textsuperscript{21}.

3. **Brand introduction:** When introducing a new brand or product a company can choose to make the new product designed around the personality of a celebrity. This is a good way to receive instant personality and appeal. When the product is launched the consumer immediately understands the image of the celebrity and pushes that image over to the product.


4. **Brand repositioning:** If the positioning of a product or brand does not work as the company had hoped for celebrity endorsement can be a good way to repositioning the product or brand by giving the brand a new image through the endorser.

3.11 CONS OF CELEBRITY ENDORSEMENT

There are not only benefits when it comes to celebrity endorsement; there are several risks involved for companies that use celebrity endorsers. Celebrity endorsement can be a double-edged promotional sword. Controversial celebrities may do as much or more to alienate customers as they do to attract them and it is very important that companies chose celebrities that induce credibility and attractiveness towards the target audience.

1. **Negative celebrity information:** According to Till and Shimp the company that chooses to use celebrity has no control over the celebrity's future behavior. Any negative news about a celebrity may reduce the celebrity's allure, and therefore the appeal of the brand the celebrity has endorsed. Negative information can transfer from the endorser to the company and by that way affects the company in a negative way. This is because companies want their consumers to associate the brand with the celebrity. When negative information about the celebrity comes out, this may lower the evaluation of the celebrity, which in return reflects back to the endorsed brand through
the associative link established between celebrity and company\textsuperscript{22}. Problem arises when celebrities are involved in incidents that change, or even damage his or her reputation. This can be everything from accidents that hinder the endorser to perform to exposure for substance abuse. It has been shown that negative information about a celebrity endorser not only influences consumer's perception of the celebrity but also the endorsed product\textsuperscript{23}. There are several examples of this and one of them are Pepsi and Michael Jackson, which had endorsement contract, but after the child molestation allegations Pepsi instantly terminated the contract. According to Erdogan there are many potential risks in celebrity endorsements as a part of the company\textsubscript{s} market communication campaigns. The benefits of celebrity endorsement can reverse markedly if the celebrity suddenly change image, drop in popularity, get into a situation of moral turpitude, lose credibility or overshadow the endorsed products.

Sometimes celebrity endorsement can result in negative publicity that has nothing to do with the product or brand. For example, the celebrity\textsubscript{s} private life may make the news in a way that damages the promotion campaign, such as when the celebrity is engaging in bad behaviors or performance and as a result end the contract. Celebrities lead lives of


\textsuperscript{23} Louie, T & Obermiller, C \textit{“Consumer response to a firm’s endorser (dis)association Decisions”}. Journal of Advertising, 2002.
unimaginable temptations and awesome pressures and there is always a vast discrepancy between the images they project and the live they actually lead, the view that there is a risk with personality based advertising, because when a personality suffers adverse public relations exposure, the credibility of the advertising suffers too\textsuperscript{24}. In addition, negative information about the celebrity endorser not only influences consumer‘s perception of the celebrity, but also the endorsed product, more and more marketing managers have seen their brand‘s reputation threatened by inadequate relationships. The author argues that this is due to the combination of aggression and inexperience that brand marketers throw at endorsement deals nowadays.

2. **Overexposure and overuse:** The issue of Overexposure issue arises when famous celebrities start endorsing several products at a time. If a celebrity‘s image ties in with several different brands, the connection between the celebrity and a specific brand becomes blurry and the distinction between them disappears.

3. **Overshadowing:** Overshadowing is also an issue with celebrity endorsements; because consumers might focus their attention on the celebrity instead of the product that is being promoted. This often occurs when celebrities are endorsing multiple products. Therefore it is important that the celebrity spokesperson will attract attention and

\textsuperscript{24} J. Christopher Holloway, Chris Robinson, \textit{“Marketing for Tourism”} Longman, 1995.
enhances the sales message without overshadowing the product.\textsuperscript{25} Overshadowing occurs when company’s tries to establish relationships (associative links) between stimuli that already have a strong relationship with other stimuli, overshadowing occurs when the favorable stimulus (celebrity endorser) occurs in the presence of multiple other stimuli (assume different brands or products) that all compete to form a link with the favorable stimulus (celebrity endorser). The company certainly intends for an associative link to develop between the celebrity and the endorsed brand, instead the celebrity endorser is most likely to build a link with the predominant stimulus, which might not be the featured brand in the ad execution.\textsuperscript{26}

4. **Investment risk**: According to Walker et al (1992), it is a big financial risk for companies to invest in celebrity endorsement. The cost of hiring celebrities as endorsers cost in some cases several millions of dollar to endorse a single product, this makes it a huge financial risk since companies have no control over the actions of the celebrity and that the use of a celebrity is a high-risk decision. Good choice can pay off handsomely but it can just as easily mean a disaster for the company since they have no control of how the celebrity behaves.\textsuperscript{27}


5. **Extinction**: Celebrities may disappear from the media flashlight during a market campaign, which is a disaster because this means that the attractiveness that the celebrities are suppose to bring to the company disappears (Ziegel, 1983). If this happens celebrities often tries to change their image to become famous again which can damage the image of the company they are endorser for (Ziegel, 1983)

6. **Vampire Effect**: This means that in the non endorsed advertisement, receivers focused more on the brand and its features whereas in the endorsed situation receivers concentrated on the celebrity in advertising (Holloway and Robinson 1995; Evans 1988; Mehta 1994; Newsom et al. 2000; Rossiter and Percy 1987). Buck (1993) believes that if a company equates their brand with a personality to detriment of its other qualities, the brand will rise and fall according to the appeal of that star.

**3.12 RELATIONSHIPS BETWEEN A CELEBRITY AND A BRAND**

To understand how consumers associate celebrities to brands is well documented by a research study by Anderson (1976) Collins & Loftus (1975) Rumelhart, Hinton & McClelland (1986). In their study, associative learning principles were based on a conception of memory as a network consisting of various nodes connected by associative links. In the research context, celebrities and brands both represent nodes, which initially unconnected but become linked over time through the endorsement process. Anderson (1983)
when a consumer thinks about a brand, the link with the celebrity node is animated to a certain level through spreading activation. The joint activation of brand and celebrity provides a path over which one's evaluation of the celebrity has an opportunity to transfer to the brand. The key to the process is the simultaneous activation of the brand and celebrity nodes.

Noftsinger et al and Judd et al states that the negative information about the celebrity activates the celebrity node, which then activates the brand node to some degree and allows reduced evaluation of the celebrity to transfer to the brand. It is also important to view consumers in their social and cultural setting to further see how celebrity endorsements increase sales and impact brands over time.

Celebrities usually form a very good example of a reference group appeal. This is particularly beneficial to a marketer and a brand that can cash in on the success of the star and, hence, push his brand. People who idolize their celebrities, hence, have a biased affinity to the brand that their favorite celebrity endorses. As time passes on, they believe that by adopting the brand that their celebrities endorse, they become more like the celebrities that endorse them. Celebrities can be used in four ways namely: testimonial, endorsement, actor and spokesperson.

Right now the current hot favorite in India is roping in celebrities for social causes like pulse polio, etc. This has shown to have a positive effect on
the people. In India, Bollywood stars and sport personalities rule the mind-
space and airwaves.

3.13 POSITIVE IMPACTS OF CELEBRITY ENDORSEMENT ON BRAND
IMAGE

1. Establishes Credibility
   Approval of a brand by a star fosters a sense of trust for that brand
   among the target audience- this is especially true in case of new
   products. The role of a celebrity endorser in an advertising campaign
   is, without doubt, linked to the reputation of the celebrity. If the
   reputation is damaged, more often than not for reasons other than
   professional, then the quality of his reputation does suffer: particularly
   if it is to do with his or her public behavior. For example Katrina Kaif
   in Dyna advertisement.

2. Attracts Attention
   Celebrities ensure attention of the target group by breaking the clutter
   of advertisements and making the ad and the brand more noticeable.
   This can be noticed in ShahRukhKhan’s Pepsi and Hrithik Roshan’s
   SonyEricsson advertisement.

3. Associative Benefit
   In Dabur Chwyanprash advertisement where Amitabh Bachchan
   endorses, the associative benefit is clearly evident. A celebrity’s
preference for a brand gives out a persuasive message—because the
celebrity is benefiting from the brand, the consumer will also benefit.

4. Psychographic Connect

Stars are loved and adored by their fans and advertisers use stars to
capitalize on these feelings to sway the fans towards their brand.
Example Dhoni in 7up advertisement.

5. Socio economic profile Connect

Different stars appeal differently to various socio economic profile
segments such as age, gender, class, geography etc. This is very well
exhibited in the some advertisements. Examples: Amitabh Bachchan
in Dabur Honey and Sunny Deol in Lux Cozi advertisement.

6. Mass Appeal

Shahrukh Khan and Amitabh Baehchan in Polio Promotion highlight
the mass appeal which is very important for an advertisement success.
Mass appeal is a universal appeal and therefore proves to be a good bet
to generate interest among the masses.

7. Mitigating a tarnished image

‘Cadbury India wanted to restore the consumer’s confidence in its
chocolate brands following the pitch following the high-pitch worm’s
controversy; so the company appointed Amitabh Bachchan for the job.
Last year, when the controversial pesticide issues shook up Coca-cola
and PepsiCo and resulted in much negative press, both soft drinks
majors put out high profile damage control ad films featuring their best and most expensive celebrities. Amir Khan led the coke fight back as an ingenious and fastidious Bengali who finally gets convinced of the product’s purity. Similarly PepsiCo brought Shah Rukh Khan and Sachin Tendulkar together once again in a television commercial which drew references to the ‘safety’ of the product indirectly.

8. Rejuvenating a stagnant brand

With the objective of infusing fresh life into the stagnant Chyawnprash category and staving off the competition from various brands, Dabur India roped in Bachchan for an estimated project of eight crore.

3.14 SELECTION OF CELEBRITY

Celebrity endorsements are not new. One of the example is Cadbury’s the brand used Amitabh Bachchan, a super star. Cadbury and Amitabh Bachchan was a superb match. The company was able to revive the brand and create a flutter in the market with its new avatar. There are various scientific ways in which the right celebrity is selected for the product endorsement, which are discussed here below.

1. The FRED Principle

This concept is seen as the foundation of a successful endorser selection.

F is for Familiarity. The target market must be aware of the person, and perceive him or her as empathetic, credible, sincere and trustworthy.
R is for Relevance. There should be a meaningful link between the advertised brand and the celebrity endorser, and more important, between the celebrity endorser and the defined target market. The audience must be able to identify with the person. If consumers can immediately associate with an endorser, they will feel more predisposed to accepting, buying and preferring the brand to competition.

E is for Esteem. Consumers must have the utmost respect and confidence for the celebrity. Amitabh Bachchan & Tendulkar have these. So do Shahrukh Khan, Preity Zinta, Kapil Dev among others. The public respect them because of their distinguished careers and unassailable salesmanship.

D is for Differentiation. The target consumers must see the endorser as a cut above the rest. If there is no perceived disparity among celebrities, then the strategy will not work. Michael Jordan is an example of an international celebrity that rises above the clutter. This proves to be a huge contributory factor to his effectiveness as an endorser.

The Fred concept is not a guarantee to success, but it can serve as a guideline when selecting a spokesperson. Each organization and its objectives are different, and should be evaluated on an individual basis.

2. Stereotyping

Stereotyping is defined as perceptions and depictions of individuals based on simplistic, biased image of the group to which they belong, rather
than on their own individual characteristics. For example: it's better to select celebrities who are in their teens for chocolate advertisements and females for detergent ads, etc.

3. The TEARS Model

The attributes highlighted by the acronym "TEARS" are gauged for celebrity selection these are:

- Trustworthiness: For example - legendary actor Amitabh Bachchan who is an icon of trust; promoting ICICI Bank.
- Expertise: For example - golfer Tiger Woods for a sports brand.
- Attractiveness: For example - tennis player Anna Kournikova who earns 10 million dollars per year in just endorsement.
- Respect: For example - Former Miss World Aishawarya Rai and the eye donation
- Similarity: For example - a child artist promoting a chocolate brand campaign.

A celebrity scoring high on all the above attributes can turn out to be a good endorser for the brand under question.

4. The No TEARS Model

The "No TEARS" approach is a tool for managers and their advertisers about selecting celebrities so as to avoid the pitfalls from making an unwise decision. It gauges the following information: -
 Celebrity & audience match up
 Celebrity & brand match up
 Celebrity credibility
 Celebrity attractiveness
 Cost consideration
 A working ease and difficulty factor
 An endorsement saturation factor
 A likelihood-of-getting-into-trouble factor

Selecting the right celebrity does more than increasing sales; it can create linkages with the celebrities' appeal; thereby adding new dimension to the brand image. Research conducted by Katherine Eckel has revealed that celebrities can get people to make a better choice but cannot influence 'people to make a foolish choice'.

The success of celebrity endorsement in India can be sought from a market research conducted earlier which found that 8 out of 10 TV commercials scored the highest recall were those with celebrity appearances.

3.15 ORGANIZATIONS USING CELEBRITY ENDORSEMENT STRATEGY

The celebrity power in India is basically characterized by successful endorsement that has been done by Rhythmic Roshan, Rahul Dravid, Sachin Tendulkar, Amitabh Bachchan and Sharukh Khan for Hyundai Santro, Tendulkar, Naveratan and Sunfeast. The question is that how and if the public’s enthusiastic interest in the famous and rich can be effectively and efficiently used by companies as a means of promoting their brands and further leading to the sales revenues increase.

Real life situations can be seen for the case of Cadbury chocolates promotions done by Mr. Amitabh Bachchan at a time when the image of this product in India was considered very low. The Cadbury Company soon undertook the celebrity endorsed advertisement strategy by identifying a reliable celebrity to pass the correct message to the people and to help in the regeneration of the trust that had long lost. The fitness between the celebrity and the product is evidently depicted as Cadbury chocolates and Mr. Amitabh
Bachchan in withstanding the hard times, standing together and sharing their trust and love will all consumers in India. This is a real life example that shows how a celebrity is capable of introducing certain attributes to a brand that had lost its meaning; for this case chocolate, another star who has endorsed a wide range of products in India is Lin Chi-Ling who endorsed the newly launched Sofa Petit by OSIM. OSIM is commonly known for its celebrity endorsement lineup which includes stars like Michael Wong, S.H.E, Lin Chi Ling, Gong Li, Louis Koo and Liz Wang. Starts will continue to endorse the OSIM products and brand as it embraced the next level of its growth in Asia.

The CEO and Founder of OSIM international, Mr. Ron Sim indicates that the company has indeed gained a greater strength in its leadership status and markets managed to stay in the Markey for more than thirty years with vigor and great resilience. The organization closely works with Inter brand an international brand consultant to help in carrying out a regional study that will enable better understanding of the changing needs of consumers, how OSIM will drive demand on its brands and eventually leading to value creation. Extensive studies and research has been carried out in various key markets based on the instruments of consumer insight in repositioning the organization for the future.

Based on the findings from advertising research, the two companies are doing well with their celebrity endorsed advertisements as efforts
conducted by the companies to increase the value of their brands. The actors lead to the development of rust and reliability within the brands and mainly leading to the increase of sales revenue. This means that celebrity endorsement has become a very powerful tool of marketing. The power is achieved mainly through the following elements which do create top position in the mind of the consumers. First, it leads to instant knowledge and awareness of the brand and makes people to easily recall the brand. Image and values of the brand is well defined through celebrity endorsement advertising that the starts refresh and highlight. The use of celebrities in advertising totally adds a new dimension and edge to the brand. There is trust, aspiration, connectivity and credibility that is formed to the brand and last is that is the belief in new appearance and efficiency which will result in trial of the brand use.

Consumers‘ demands and expectations are rising on daily basis and the high competitive environment has forced marketers to invent new creative efforts of advertising such as the used of celebrities in endorsing brand so as to influence the behavior and brand choice of the consumers (Samadhi , 2006). Therefore the celebrity brand endorsement novelty has proliferated to become multimillion dollar sector within the advertising and marketing industry in modern day India (Amphora, 2005).

Celebrities in India do actually live in a public life and various aspects concerning their lives are exposed to the public such as where they visit on
vacations and holidays, where they shop and their favorite food joints are all over the Indian media. This does not mean that the best performing products in India are not only those that use celebrities. This can be seen for example in Procter & Gamble’s Rejoice brand which simply makes use of an ordinary woman in its advertising and the product performs well. This means that consumers do not fully believe in celebrity endorsement and they are more likely to associated with the layman than celebrity; this is especially the case with most housewives. Celebrity endorsement has great potential in India according to Katya (2007), for it is seen as relevant in making the consumer to purchase a given product. Further he states that star power in the country can be seen through the successful endorsement carried out by Shah Rukh Khan in three differ brands which are Clinic Al- Clear, Pepsis and Santro.

3.16 EFFECTIVENESS OF CELEBRITY ENDORSERS

A study conducted by Charles Atkin and Martin Block focused on alcohol advertising and young audience to examine the impact of celebrity advertising in terms of social effects of advertising. The sponsoring company is the underlying source of any advertising message, but the individual models depicted in the advertising serve as the more visible communicator in many cases. The most thoroughly studied source quality is credibility.

The sources that companies use to present their advertising message typically attempt to project a credible image in terms of competence, trustworthiness or dynamism. Celebrity endorsers are considered to be
highly dynamic, with attractive and encouraging personal qualities. Audience may also trust the advice given by some famous person, and in certain cases, celebrities may even be perceived as competent to discuss the product.

A later survey reported that this proportion was up to 20% in the magazine advertising Age, (1978). The most widely used celebrities are sports figures, actors or other types of entertainers. There are several reasons why a famous endorser may be influential. The popular celebrities are effective in attracting the attention to the advertisement in the cluttered stream of messages. These celebrities are perceived to being more entertaining than an ordinary model and more over they are perceived to be more trustworthy by the general public.

Despite the use of famous endorsers, there is little published evidence regarding effectiveness of these celebrities. Friedman, Termini and Washington in one of their experiments, an advertisement for a fictitious brand of Sangria wine featured an endorsement attributed to either a celebrity (actor - Al Pacino), a professional expert, a company president, a typical consumer and no source. College students read the ad and gave the ad 0-10 scales of believability, probable taste, and intent to purchase. Across these three measures, the celebrity condition produced the highest scores.

Millions of dollars are spent on celebrity contracts each year by assuming that the benefits of using celebrities will exceed the costs.
Accordingly, many researchers have studied the impact of celebrity endorsements on advertising effectiveness. One of the theories used frequently by these researchers is the match-up hypothesis. This theory suggests that there should be a good fit between the celebrity and the product; however, it is not clear what constitutes a good fit. Some researchers suggested that attractive celebrities will be more effective if they are used to promote attractiveness related products. Other researchers claimed that when there is congruence between the product type and the celebrity profession, advertising effectiveness will be enhanced; however, these existing dimensions of the match-up hypothesis fall short of explaining some popular celebrity endorsement campaigns (e.g., Sharpie Pens and David Beckham).

The current research contributes to the study of celebrity endorsements by adding another dimension, values, to the match-up hypothesis. Specifically, the congruence between celebrity values (as perceived by consumers) and values represented by products was considered as an alternative to the attractiveness and expertise dimensions. In a series of six experiments, support for the positive impact of celebrity-product value congruence on advertising effectiveness was found. College students exposed to the high value congruence ad spent less time in examining the ad, suggesting that participants were easily and quickly able to match up the celebrities and products. Moreover, participants who were exposed to the high value congruence ad had significantly more favorable attitudes toward ad and
brand, had higher intentions to buy the product, and were more likely to recommend the product to other people than were participants who were exposed to the low value congruence advertisement. The results also suggested that value congruence with unfamiliar celebrities was more effective than value congruence with familiar celebrities for generating more favorable attitudes toward ad and brand and higher behavioral intentions, due probably to the minimized effect of pre-established thoughts or feelings about unfamiliar celebrities. Together these results suggest that the congruence between celebrity and product values plays an important role in advertising effectiveness. 

3.17 MEASURING ADVERTISING EFFECTIVENESS

The accuracy of advertisement effectiveness largely depends upon many factors mainly brand image, increasing the sales, keeping people informed about the product and introducing new product.

There are success stories of some companies who advertise at very low level but still their products hit the market successfully and in contrast there are companies that invest heavily in advertisement and the advertisement do not bring in the desired results. Today the advertising world has become really very complex there are traditional and modern tools to measure the effectiveness of an advertisement through which the advertiser can or may get

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28 Eda Gurel Atay “Celebrity endorsements and advertising effectiveness: The Importance of value congruence:” University of Oregon. 2011
more and more information about how their ads and product are performing in
the market. According to Philip Kotler and Armstrong, the Gurus of
Marketing,

There are two most popular areas which need to be measured for knowing
the effectiveness of advertisement and they are:

- Communication Effect
- Sales Effect

3.17.1 COMMUNICATION EFFECT

- Direct Rating Method - here, customers are directly asked to rate the
  advertisement and then these rating are calculated.
- Portfolio Tests - here, the customers see the ads and listen carefully to
  the ads and all the contents of the ads and then they are asked to recall
  the ad and the contents. Then the Calculations are done with help of
  this data.
- Laboratory tests - here, the apparatus to measure the heart rates, blood
  pressure, Perspiration, etc are used on the customer after he watches
  the ad, to know the Physiological reactions of the body.

3.17.2 SALES EFFECT RESEARCH

It depends on the sales of the company. The sales keep varying from
time to time. There are some factors affecting sales like product availability,
the price of the product, contents of the product, and sometimes the
competitors. So this method is a little difficult than the communication one. The company doing sales effect research generally bothers about the sales of the product, they try to know whether or not the money they are spending on the ads is enough or excess.

3.18 CELEBRITY ENDORSEMENTS AND PURCHASE DECISION

As it is known, promotion plays an important role in achieving the organization's goals and strategies, especially in the market field. The biggest improvement in this field is the celebrity involvement as a promotional technique, which enhances the buying decision and loyalty.

Costanzo, Paul J according to him advertisers believe that using celebrity endorser will foster, in the mind of the consumer, a match or connection between the celebrity endorser and endorsed brand. Billions of dollars are spent per year on celebrity endorsements. Contract shows that celebrities play an important role for the advertisement industry\(^{29}\).

Junokaite, kamil states, nowadays many companies choose celebrities as an endorser for their advertising campaigns. Uses of super stars in advertising campaigns attract a lot of attention from the public. The three main questions include: when do companies use celebrity endorser in their advertising; how do companies select the celebrity endorser and how do companies handle the risks of using celebrity endorser in their advertising.

Considering the celebrities as reference group that affect positively on the buying decision of consumers, from this point of view, most of the organizations try to use celebrities as a promotion tool to affect the buying decision of customers, in order to the market share of this organization.\[30\]

The buying behavior is the decision process and an act of people involved in buying and using products and the consumer buying decision is the buying behavior of people who purchase products for personal or household use and not for business purpose. Research suggests that consumers generally go through the following evaluative steps when making purchase of goods or services. It is important to note, that in some cases, some of these steps may be bypassed. This will essentially depend on issues including the purchase price of the goods or services being purchased, the relative degree of product technicality and the frequency of purchase.

The influence of celebrity endorsements on Consumer Purchase decision is quite evident from many literatures that have been reviewed. The question that aroused interest was: How does Celebrity endorsements affects the Purchase Behavior and to what extent? A thorough inquiry of related literature revealed that for advertising, only essential way of fixing target audience or market segmentation is by studying the behavior pattern and current communication effects on the Demographics, Psychographics or

Personality traits of the consumers. All the above listed factors were influenced greatly by the advertisements. Therefore, study on the Consumer behavior consequent on advertising exposure was an inevitable part of this project. Two individuals from one family may show entirely, different purchase preferences. Why do they show variations, though the family environment is the same? The answer may be the varied nature of their motivation and involvement, attitudes, self-concept, learning, memory and information processing. Each individual has a unique set of needs, aspirations and motivations. Each one has both physiological and psychological motivational force. Each one fulfills these motivations by different means.

'What makes buyers buy?' classifies human needs into physical and psychological or social needs by quoting Abraham maslow's 'Hierarchy of Needs theory' They also classify the motives involved buying decisions in to emotional and rational motives and brand and business motives Here, researcher's concern was not to study Buyer Behavior in a broad sense but only to measure the effect of the celebrity endorsements on purchase behavior. In fact, the very goal of all advertising is to influence peoples’ attitudes and Buying Behavior. In that sense Consumer behavior is the directional force in advertising.

To succeed in marketing, the advertisers need to understand what makes people behave the way they do. This involves the study of Buyer Behavior - the activities, actions, and influencers or people who purchase and
use goods to satisfy their personal or household needs and wants. Advertising effectively uses the information and knowledge gained from the behavioral sciences to motivate, modify or reinforce consumer perceptions, beliefs, attitudes and behavior. To accomplish this, advertising people should be conscious of peoples' attitude, values, likes and dislikes habits, fears, wants and desires. Advertising techniques are changed according to the behavioral characteristics of large groups of people because these give the directional force to any advertising aimed at those groups. There are two steps in understanding the relationship between Consumers Behavior and Advertising. First, it is important to realize the complexity of human behavior-how extensive a variety of influences affect it. Second, there is a need to understand how marketers capitalize on these influences by clustering consumers who tend to behave in the same way.

According to Weibacher, the advertising practitioner must know what motivates people to prefer a particular kind of product. Progression of advertising process in relation to objectives can be understood only when data on Consumer Behavior and patterns of usage is available. This data on Consumer Behavior is needed to differentiate between effect of advertising communication and other influences like trial and use stimulated by retailer, celebrity endorsements etc$^{31}$

From the psychological point of view, consumer behavior is knowing who are consumers, the influences of advertising on their behavior, why they behave in the manner they do, and how these influences can be exploited in our favor. Consumer behavior, by definition, is the decision process and physical activity of making a purchase. The mental activity resulting into final purchase may be complex and may happen over a period of time, or it may be quick and simple.

**Fig 3.1.3 Consumer buying Decision Process**

1. **Problem recognition**
2. **Information search**
3. **Evaluation of alternatives**
4. **Purchase**
5. **Post Purchase Evaluation**

**According to (Alex L. Brown)**

1. Problem Recognition means awareness of need. It is the difference between the desired state and the actual condition.
2. Information search has internal search memory and external search
4. Purchase: May differ from decision, time lapse between 4 & 5, product availability.
5. Post-Purchase Evaluation: This is the outcome. It might be satisfaction or dissatisfaction. Sometimes cognitive dissonance causes confusion
over the purchase; this can be reduced by warranties, after sales
communication, etc.

The creative department of a professional advertising agency cannot
proceed with an advertisement without studying the consumer behavioral
pattern. The creative strategist is interested to know what motivates people to
prefer the advertised product. The advertising strategy specifies how
communication about the product will be meaningfully related to consumer
needs, wants, desires and dreams. To develop effective creative strategies,
like celebrity endorsements the advertising practitioner must study the
characteristics of those individuals who purchase or patronize the product.
While studying the relationships between advertising strategies and
consequent Purchase Behavior, the researcher had to confront with another
question: Whether advertising really leads to positive consumer purchase
behavior?

Even though communication-Effect is widely accepted by researchers
as an effective measure of advertising, the study results put forward no reason
for overlooking the sales effect. Of course, consumer purchase behavior is
based on many factors. But one can arrive at consensus based on the studies
that advertising is a major factor, which contributes to positive consumer
purchase behavior, and it can be taken as a yardstick in evaluating the
effectiveness of advertising.
In fact, from a careful review of past-related works the researcher could observe some areas of agreement and disagreement in findings, some contradictions in the results and even some pitfalls or methodological failings. Based on these observations, the researcher had a strong view that, more study has to be taken up in the area of advertising research. Therefore, it was felt that a serious research needed on how celebrity endorsements affect brand image and Purchase Behavior. With this insight in mind, it was decided to conduct a systematic study in our own cultural background. Almost all of the studies cited above were conducted in western countries where industrial development took place towards the beginning of 19th century. As result, the standard of living of people, quality of life, consumer awareness and various marketing communication systems were developed much earlier. This advancement in all spheres of life in industrialized countries created more advertising awareness among public, inculcated professionalism and competitive approach among advertising agencies, and generated genuine academic interest in advertising among educational circles. That is why western countries witnessed the emergence of many new advertising research methods and empirical study practices based on advertising much earlier.

That is not the situation in the case of a developing country like India where the industrial advancement is not comparable with other western countries. This backwardness of India in industrialization and the resultant lower level of advertising awareness among consumers and including
professional advertising agencies and academicians hindered the growth of advertising research and empirical study milieu of course; there are some agencies in India that conduct professional advertising research. But as far as the academic research is concerned, Indian condition is very backward in terms of number of studies conducted. The paucity of reported academic research in the field of advertising in India is remarkable.

3.19 NEGATIVE IMPACTS OF CELEBRITY ENDORSEMENT

1. **Negative publicity** - If the celebrity is strongly associated with the brand then the occurrence of the negative publicity can spill over the brand. This can harm the trustworthiness and credibility in the minds of the consumers. E.g., Salman Khan lost his endorsement deal with Thumps-Up after his infamous incidents like buck-killing and rash-driving.

2. **Overshadowing** - When celebrity endorser is used, the risk of consumers focusing on the celebrity and not on the brand exists.

3. **Overexposure** - This risk arises when the celebrity chooses to endorse several different products simultaneously which might leave the consumers confused. E.g., Sachin Tendulkar endorses several brands such as MRF, TVS Victor, Pepsi, Fiat, Boost, etc.

4. **Overuse** - Sometimes the company can use many different celebrities to appeal to different market segments. But multiplicity of endorser
might blur the image of the brand and reduce the effectiveness of the means of persuasion.

5. **Extinction** - The favorable response obtained by a particular brand may weaken over time if the brand gets significant exposure without the association of the celebrity. If the celebrity contract is for a considerable period of time, then it can lead to draining out capital without proper return. **Financial Risk** - The decision for hiring an expensive endorser may not be always feasible if there is a poor brand fit.

**3.20 CELEBRITY AND BRAND IMAGE MATCH UP**

Research proves that a spokesperson especially for a service product or organization (ICICI- first Amitabh Bachchan, now Shahrukh Khan) interacts with the type of brand being advertised. These stars communicate the value of the product and transform an ordinary service into a miracle solution for all problems of an ordinary customer.

Friedman and Friedman (1979)\(^{24}\) states that a famous person, relative to a 'normal' spokesperson is more effective for products high in psychological or social risk, involving such elements as good taste, self-image, and opinion of others. Several research studies have examined the Congruency between celebrity endorsers and brands to explain the effectiveness of using famous persons to promote brands.
In India, a brand called Reid & Taylor presented its perfect example when they first launched their advertising campaign featuring James Bond fame of the time Mr. Pierce Brosnan along with the tagline 'Bond With The Best' but the James Bond idea did not worked and the company was not happy with the results.

After the debacle of the first campaign, the company introduced a family ad where children are celebrating their parent’s silver wedding anniversary and they are out with their father to purchase a suit for him. Even this commercial did not work and it was taken off the air. As a last resort, the company introduced Mr. Amitabh Bachchan as Reid & Taylor man, a man propagating the brand for special occasion and for very special people in life. The commercial, from its initial days got good response and did extremely well as people were able to connect with Mr. Bachchan and the values he was propagating.

For the masses, there was a perfect match of an ideal Indian family man, a star and a good quality but bit highly priced brand reserved especially for special occasions and for very special people. Second example that can be quoted is of Vishwanathan Anand, who endorsed NIIT. And NIIT adopted a very smart strategy by roping in Vishwanathan Anand an international chess wizard for their advertising campaign. As chess is considered to be a game full of strategies and a game for smart people and when one of the greats of the game is asking people to join NHT it was supposed to have a positive
influence on the people and actually it had. There was complete congruency and compatibility between the celebrity endorser, the product and the message.

Contrary to only favorable outcomes, there are several examples where the product, even the entire campaign collapsed due to heavy weight celebrity as the agency or the ad failed to establish the relationship between the endorser and the product. Keeping the focus only on success, where the product and the celebrity were a perfect match, following are few examples:

3.21 CONSUMER DURABLES MARKET

Consumer durables are a category of consumer products that do not have to be purchased frequently because they are made to last for an extended period of time (typically more than three years). They are also called durable goods or durables.

Consumer goods are often divided into two categories: durables and non-durables. Durables have an extended product life and are not worn out or consumed quickly when you use them. Since they're made to last, durable goods are typically more expensive than non-durable goods that have to be purchased over and over again.
The Consumer Durables segment can be segmented into three groups:

<table>
<thead>
<tr>
<th>White goods</th>
<th>Brown goods</th>
<th>Consumer electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air conditioners</td>
<td>Microwave Ovens</td>
<td>TVs</td>
</tr>
<tr>
<td>Refrigerators</td>
<td>Cooking Range</td>
<td>Audio and video systems</td>
</tr>
<tr>
<td>Washing Machines</td>
<td>Chimneys</td>
<td>Electronic accessories</td>
</tr>
<tr>
<td>Sewing Machines</td>
<td>Mixers</td>
<td>PCs</td>
</tr>
<tr>
<td>Watches and clocks</td>
<td>Grinders</td>
<td>Mobile phones</td>
</tr>
<tr>
<td>Cleaning equipment</td>
<td>Electronic fans</td>
<td>Digital cameras</td>
</tr>
<tr>
<td>Other domestic appliances</td>
<td>Irons</td>
<td>DVDs</td>
</tr>
</tbody>
</table>

Source: Report by price water house cooper for IBEF

3.21.1 OVERVIEW OF INDIA’S CONSUMER DURABLES MARKET

India’s consumer durable market is riding the crest of the country’s economic boom. Driven by a young population with access to disposable incomes and easy finance options, the consumer durable market has been throwing up staggering figures. The market share of multinational companies in consumer durables sector is 65 per cent. India officially classifies its population in six groups such as below poverty line, poor, lower middle class, upper middle class & affluent (rich). Household income in the top 20 boom cities in India is projected to grow at 10 per cent annually over the next eight years, which is likely to increase consumer spending on durables. With the
emergence of concepts such as quick and easy loan, zero equated monthly installment (EMI) charges, loan through credit card, loan over phone, it has become easy for Indian consumers to afford more expensive consumer goods.

Most of the segments in this sector are characterized by intense competition, emergence of new companies and introduction of state-of-the-art models, price discounts and exchange schemes. In consonance with the global trend, over the years, demand for consumer durables has increased with rising income levels, double-income families, changing lifestyles, availability of credit, increasing consumer awareness and introduction of new models.

3.21.2 GROWTH SCENARIO

The biggest attraction for consumer durable product is the growing Indian middle class. This market is characterized with low penetration levels. Moreover, another important factor that has contributed significantly to the expanding consumer goods market is the phenomenal growth in the Indian media.

Even consumers in the remotest areas are equally aware of the latest products launched in the market due to the increasing penetration of television channels and cinemas. In addition, aggressive marketing efforts of the domestic majors are also helping the industry. Even Internet explosion is contributing significantly towards its successful achievement.

The consumer durables market recorded revenues of USD 6.3 billion in financial year 2013. During financial year 2003-2010, the industry
expanded at a compound annual growth rate of 11.7 per cent. Value growth of durables is expected to be higher than historical levels as price declines for most of the products are not expected to be very significant. Though price declines will continue, it will cease to be the primary demand driver. Instead the continuing strength of income demographics will support volume growth.

3.21.3 OPPORTUNITIES

The rising rate of growth of GDP, rising purchasing power of people with higher propensity to consume with preference for sophisticated brands would provide constant impetus to growth of white goods industry segment. Penetration of consumer durables would be deeper in rural India if banks and financial institutions come out with liberal incentive schemes for the white goods industry segment, growth in disposable income, improving lifestyles, power availability, low running cost, and rise in temperatures. While the consumer durables market is facing a slowdown due to saturation in the urban market, rural consumers should be provided with easily payable consumer finance schemes and basic services, after sales services to suit the infrastructure and the existing amenities like electricity, voltage etc.

The other factor for surging demand for consumer goods is the phenomenal growth of media in India. The flurry of television channels and the rising penetration of cinemas will continue to spread awareness of products in the remotest of markets. The vigorous marketing efforts being made by the domestic majors will help the industry.
The Internet now used by the market functionaries that will lead to intelligence sales of the products. It will help to sustain the demand boom witnessed recently in this sector. The ability of imports to compete is set to rise. However, the effective duty protection is still quite high at about 35-40 per cent. So, a flood of imports is unlikely and would be rather need based.

3.21.4 CHALLENGES

Heavy taxation in the country is one of the challenges for the players. At its present structure the total tax incidence in India even now stands at around 25-30 per cent, whereas the corresponding tariffs in other Asian countries are between 7 and 17 per cent. About 65 per cent of Indian population that lives in its villages still remains relevant for some consumer durables companies. This India, at least a large proportion of its constituents, still buys black and white TVs and doesn't know what flat screens are. Also, foraying into these rural markets has a considerable cost component attached to it.

Companies not only have to set up the basic infrastructure in terms of office space, manpower, but also spend on transportation for moving inventory. Even LG and Samsung, which are touted as having the largest distribution network in the country, have a direct presence only in 15,000 to 18,000 of the around 40,000 retail outlets (for consumer durables) in the country. Poor infrastructure is another reason that seems to have held back the industry. Regular power supply is imperative for any consumer electronics product. But that remains a major hiccup in India.
Along with these few major challenges are:

- Intense competition among players - leading to higher advertisement spends and lesser pricing power, thereby lowering margins.
- Increase in raw material prices – major raw materials (metals) are exhibiting increasing trend posing margin pressures; however, shift in product mix to partially offset increase in input costs over the medium term.
- Changes in technology - making product lifecycles short
- Rural distribution - availability of products to masses is difficult as 68 per cent of India’s population still lives in rural areas.
- Entry of cheap products - as private labels in organized retail.

### 3.21.5 Future Prospects

India is emerging as the third largest internet market and its e-commerce business is likely to touch Rs 4,000 crore (US$ 742.76 million) in 2015 against Rs 1,200 crore (US$ 222.83 million) at present. Also, with mobiles becoming a major medium for advertising and content delivery, every three out of four users in the country are expected to access the net through a mobile phone by 2015. During 2012-22, cumulatively around US$ 500 billion of ad spend is expected to happen on mobile phones, according to industry estimates.