

Celebrity Endorsement and Product Harm Crisis Management: A Comparative Study

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Abstract

Product harm crises are increasing at an accelerating rate throughout the world along with significant negative impact on companies. Therefore, the main purpose of current study is to investigate the feasibility of the usage of celebrity endorsement in a product harm crisis context in order to enhance the purchase intention of the affected brand. Total 200 Chinese and Sri Lankan undergraduate students were participated in two experiment surveys in two countries. Results related to a fictitious product harm crisis scenario in conjunction with a hypothetical yogurt brand, and a fictitious celebrity endorser, revealed that celebrity endorsement yields rewarding results in enhancing purchase intention of the affected brand and the products of the affected brand in the product harm crisis situation. Most interestingly gender moderates this link. Current study offers important managerial implications for crisis managers and for further research investigations.

Keywords: product harm crisis, celebrity endorsement, purchase intention, gender, China, Sri Lanka

Introduction

Increasing trend of product harm crisis along with negative sequences of company and brand demands this study to search the feasibility of celebrity endorsers in a product harm crisis context. Most challenging thing is that product harm crisis can stuck any company at any time regardless of the size of the company or where it operates in the world. For instance, in case of Melamine milk crisis in China in 2008, Sanlu Company declared bankruptcy in 2009. Recent Fonterra crisis in New Zealand in 2013 kept the company's financial status at a risk. Coca Cola crisis in Belgium in 1999 caused significant loss to the company. Can celebrity endorsement mitigate this negative effect? Celebrity advertisement represents the most popular form of retail advertising (Choi & Refon, 2007) and one of the most popular advertising strategies used in today's global marketplace. Past literature documented the celebrity endorsement in other domains (Zhou & Whittle, 2013; Money et al., 2006). However, present literature has not yet documented about the celebrity endorsement in a

product harm crisis context. Moreover, cultural comparisons are scant in this research domain. Up-to-date, past literature documented the cultural significance in the field of product harm crisis (Taylor, 2000; Laufer & Coombs, 2006). Therefore, there exist several questions unanswered. Is it feasible to use celebrity endorsement as a crisis mitigating strategy in order to advertise the affected brand and increase its purchase intention? How far is it applicable in the Asian context? How do country and the gender of the consumer shape the link between celebrity endorsement and purchase intention of the affected brand? The research objectives developed based on these research questions are,

- 1) To work-out the feasibility of using celebrity endorsement as a crisis mitigating strategy in order to advertise the affected brand and
- 2) To find how country and gender of the consumer shape the link between celebrity endorsement and purchase intention of the affected brand.

Therefore, this study examines the feasibility of usage of celebrity endorsement in a product harm crisis in order to enhance the purchase intention of the affected brand with special reference to the Asian Emerging markets, China and Sri Lanka.

Hypotheses Development

Past literature showed that celebrity endorsement significantly enhances the firm's financial status (Bashford, 2004). For instance, just during first year of its contact with Michael Jackson, Pepsi acquired an 8% increase in sales (Gabor et al., 1987). Moreover, celebrity endorsement influences consumer purchase intentions (Wang, et al., 2013). Past literature in a product harm crisis showed that product harm crisis causes detrimental effect not only the affected brand, the non-affected brands and products as well (Siomkos & Kurzbard, 1994).

H₁: Celebrity endorsement enhances the purchase intention of the (a) affected brand and (b) products of the affected brand in a product harm crisis.

National culture seems shaping consumers' perceptions related to a celebrity endorser. For instance, Money et al (2006) showed the perceptual change among the US and Japan consumers in the presence of negative celebrity publicity. Moreover, in a cross-cultural study related to Content Analysis in Korea found that Korean television network far exceeded for ads running on American networks (Choi et al., 2005) and authors stressed the importance of national culture in explaining consumer response to advertising (Choi et al., 2005).

H₂: Country shapes the purchase intention of the (a) affected brand and (b) products of the affected brand in a product harm crisis

Gender is an important variable used by companies. In fact, many product categories are sold separately to men and women. Therefore, from business perspective, the gender issues related to celebrity endorser seem vital. Majority of research in other domains attached gender to the celebrity endorsement. For instance, related to the differential response by women to ads featuring celebrity endorsers and differential responses to ads featuring female celebrity endorsers, Klaus & Bailey, (2008) found an interaction of gender on response to

the gender of celebrity endorser. However, it is hardly to find gender related literature attached to celebrity endorsement in the product harm crisis context. Related to gender issues in a product harm crisis context, Laufer & Gillespie (2004) found that women, more than men blame the companies for the product harm crises as women felt more vulnerable to harm than men. Moreover, Harris & Miller (2000) asserted that women view threatening events as more severe than men, due to biological and socialization factors attached to them. In addition, in social dominance orientation domain, Wilson & Liu (2003) found that gender group identification moderates the relationship between gender and Social dominance orientation. Therefore, it seems rational to posit that consumer combines gender to make decisions in a product harm crisis and celebrity endorsement situations.

H₃: Gender affects significantly on purchase intention of the (a) affected brand and (b) products of the affected brand in a product harm crisis

H₄: Gender moderates the impact of crisis and celebrity endorsement situation on purchase intention of the (a) affected brand and (b) products of the affected brand

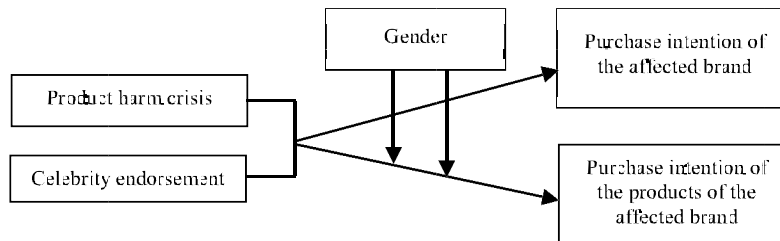


Figure 1. Conceptual framework

Methodology

Total sample of 200 Chinese (n= 100) and Sri Lankan (n=100) undergraduate marketing and business management specializing students were participated. Two experiments were conducted, one in China and one in Sri Lanka, along with the control (only highlighted product harm crisis information and no celebrity information was given). These students have the knowledge of these basic concepts of product harm crisis and consumer based brand equity. Moreover, past scholars showed the significance of using young samples in the celebrity endorsement research (Thwaites et al., 2012; Zhou & Whitla, 2013). Study used a fictitious product harm crisis related to a fictitious yogurt brand.

In addition, the fictitious celebrity was used in order to minimize prior exposure to and perception about real celebrities and their endorsement relations (Till & Shimp, 1998). Experimental condition prefers as experimental researches are essential to build evidence based- knowledge for crisis management (Coombs & Holladay, 2008). A fictitious brand and a fictitious crisis scenario were taken to avoid confounding effects due to consumers'

potential relationships or experiences with existing brands and past product harm crisis situations (Siomkos & Kurzbard, 1994). Questionnaires containing product harm crisis (control) and the celebrity endorsement, distributed randomly among respondents separately in two countries. Since ANOVA was used as the method of analysis, care was taken to assign almost equal number of respondents to each group (Siomkos & Kurzbard, 1994). Purchase intentions (Vassilikopoulou et al., 2011) were measured with 7- point Likert scale ranging from 1= “strongly disagree” to 7= “strongly agree”. Study used SPSS (version 20) to analyze the data.

Results and Discussion

A two country (China, Sri Lanka) X two situations (product harm crisis, celebrity endorsement) X 2 gender (male, female) multivariate analysis of variance (MANOVA) was conducted to assess how country, situation and gender shape purchase intention of the affected brand and purchase intention of the products of the affected brand. Results revealed that gender and situation main effects were highly significant, however, country main effect was not significant. Interestingly, study found the significant interaction effect between situation and gender (Table 1).

Table 1. MANOVA results

Effect	F (2,191)	Sig.
Country	0.674	0.511
Situations	206.08	0.000
Gender	9.11	0.000
Situations X gender	10.84	0.000

Test between subject effects (univariate tests) revealed that comparatively to product harm crisis, celebrity endorsement enhanced the purchase intention of the affected brand (Plx) (means were 2.47 vs. 5.19 in these two situations; product harm crisis and celebrity endorsement, respectively). Moreover, celebrity endorsement enhanced the purchase intention of the products of the affected brand (Plpx) as well (means were 2.63 vs. 5.24 in these two situations; product harm crisis and celebrity endorsement, respectively). Therefore, H1 is substantiated. However, country main effect was not significant ($p > 0.05$). Therefore, H2 is not supported. Country is insignificant in making purchase decisions in a product harm crisis. As expected gender main effect was significantly affect on purchase intention of the affected brand (Plx) and purchase intention of the products of the affected brand (Plpx) as well, substantiating H3. Male consumers’ purchase intention of the affected brand was more than their female counterparts (means were 4.23 vs. 3.37 with respect to these two genders; male and female, respectively). In addition, male consumers’ purchase intention of the products of the affected brand was more than their female counterparts (means were 4.30 vs. 3.55 with respect to these two genders; male and female, respectively). Moreover, it’s noteworthy that the interaction (situation X gender) significantly affect on Plx and Plpx (Table 2). Therefore, gender significantly moderates the impact of celebrity endorsement and product harm crisis on purchase intentions substantiating H4.

Table 2. Test Between subjects results (Univariate tests)

Source	Dependent variables	F (1,192)	Sig.
Situations	PIx	313.87	0.000
	PIpx	223.43	0.000
Gender	PIx	14.86	0.000
	PIpx	8.67	0.004
Situations X gender	PIx	18.16	0.000
	PIpx	9.72	0.002

Note: $R^2 = 0.67$ (Adjusted 0.65),

PIx and PIpx refer to purchase intention of the affected brand and purchase intention of the products of the affected brand respectively.

Conclusion

This study investigates the feasibility of usage of celebrity endorsement as a product harm crisis management strategy, from the perspective of enhancing purchase intention of the affected brand. Results related to Chinese and Sri Lankan based young respondents' view revealed that celebrity endorsement is a feasible management strategy in a product harm crisis, in order to enhance not only the purchase intention of the affected brand but also the products of the affected brand adding new insight into the existing product harm literature. However, country is insignificant in this regard. Interestingly, gender significantly shapes purchase intentions and male consumers' purchase intention was higher than their female counterparts revealing the gender difference in celebrity endorsement in the face of a product harm crisis. Most interestingly, study reveals that situation; whether product harm crisis or celebrity endorsement alone is not sufficient to decide the purchase intentions; gender is the significant moderator. Therefore, consumer decides the purchase of the affected brand and the products of the affected brand, on the basis of gender. This is very important under managerial implications.

Implications and Way forward

This study adds theoretical and managerial implications to the existing literature. Introduction of the feasibility of implementing celebrity endorser to advertise the affected brand is the main theoretical implication of the present study. In addition, study signals crisis managers to pay their special attention on the gender of the consumer when use celebrity endorsement in the product harm crisis context. Perhaps this causes more detrimental effect on the financial status of the affected company when the crisis hits a women specific brand. Therefore, more decisive concern is required in particular, for the female consumers in all circumstances.

Present study concerns a hypothetical crisis related to a hypothetical brand. Moreover, hypothetical celebrity endorser was considered and the respondents were students. Therefore, more research investigations are required to generalize the present findings related to the actual crisis of a real brand and real celebrity endorsement in an actual market

situation. Of course more cross-cultural studies are needed related to the different cultures where cultures can be divided based on Hofstede's (1997) cultural dimensions. These phenomenon deserve future research attention.

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