

Consumer Behaviour Section 2

**Impact of Celebrity tie-ups and co-branding on Consumer Behaviour**

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# Introduction

The use of advertising has significantly changed over the past 50 years. Marketers must develop strategies to increase brand awareness, exposure, attention, interest, and desire in the modern age. Marketers employ well-known, influential personalities, such as celebrities, to make these infinite strategies successful. These celebrities tend to create a powerful effect on consumers' buying behavior. Today, celebrity endorsement is a multi-million dollar industry because most brands use it as a robust marketing tool to attract customers and build their trust.

Recently, Adidas cut ties with Kanye West, a famous American rapper, over a series of anti-Semitic tweets and comments by the musician and designer. It said it would end the production of all Adidas-West's partner brand - "Yeezy" products, and stop paying him. The move will likely result in a €250 million hit to Adidas' fourth-quarter sales. (Bhasin, 2022). According to Morgan Stanley, Yeezy products generated nearly \$2 billion in sales in 2021 for Adidas, accounting for approximately 8% of the company's total sales. The line has also helped Adidas get shelf space at prominent retailers and has even brought new customers into the stores. (Meyersohn, 2022).

In advertising, celebrity endorsement is considered the most effective tool to stand out from the crowd. This technique of involving celebrities is proven to be a winning formula for building a brand and enhancing its value over time. Over the past few decades, there has been extensive research on celebrity endorsements' impacts. Researchers in academic journals have explored many issues related to celebrity endorsements, for instance, negative publicity of celebrities, the effectiveness of endorsements, and more. It is crucial to study the impacts of a brand's response to negative publicity around celebrity endorsers and its adverse effects on consumer behavior if any. With this research, we aim to gain insights into the impacts of

celebrity endorsement on consumer behavior. It will guide marketers to comprehend which attributes matter the most to consumers and may reveal intriguing insights and approaches for future research.

## Review of Literature

This literature review will discuss the relationship between celebrity endorsements and consumer behavior, including building brand image and its positive and negative impacts. This study will further advance consumer behavior research by helping discover more about the impact and influence of celebrity endorsements on consumers' perceptions and buying patterns, specifically in the context of Adidas' collaboration with the now-infamous rapper, Kanye West.

The American apparel market is oversaturated with various brands catering to different needs. With so many products flooding the market, brands find it difficult to differentiate their products based on their inherent product features. For them, advertising is the tool to position their brand differently against stiff competition. But everyday consumers are exposed to a gigantic number of advertisements, making it harder for brands to stand out and for the consumer to recall ads. Celebrity endorsement is one such facet of advertising which aids brand recall. Although, it is a gamble as success depends on the celebrity to make the product popular.

## Celebrity Endorser

Celebrity endorsement drives consumers' purchase intention as a celebrities' public image and fame engender trust in consumers and increase their willingness to purchase the endorsed products. (Ayeh, 2015).

## Positive aspects of Celebrity Endorsement

The increasing competition between firms to attract more consumers towards their products has encouraged marketers to use celebrities to endorse them. As they are well-known, celebrities help advertisements stand out from the clutter by appearing in them, increasing the communicative ability by cutting through excess noise in a communication process (Sherman 1985). Consumers are also likely to buy products endorsed by celebrities due to the halo effect. In addition, research has demonstrated that advertisements with celebrity endorsements are associated with higher information processing speeds, better product evaluations, and increased purchase intention. (Rs and Alawadhi, 2020).

## Negative aspects of Celebrity Endorsement

Despite the various benefits of celebrity endorsements, there are still many potential risks involved in using celebrities as a marketing communication strategy. Negative publicity concerning the celebrity is one of the major risks associated with celebrity endorsement. There can also be other factors that may lead to severe consequences, for instance, suddenly changed image, drop in popularity, moral issues, losing credibility by over-endorsing or overshadowing endorsed products, or the vampire effect (Cooper 1984; Kaikati 1987). The idea that consumers could transfer negative and positive perceptions of a celebrity endorser to an endorsed brand has been suggested by Langmeyer and Shank (1993) and Tripp et al. (1994). Hence, celebrity endorsements can either have a halo effect or a vampire effect on consumer behavior, depending on the celebrity chosen for the endorsement.

# Statement of Goals of the Study

We aim to understand consumer behavior toward celebrity brand endorsements. The brand we will study is Adidas and its tie-up with Kanye West for its sub-brand 'Yeezy' footwear. We also surveyed to understand further and quantify our findings. We aim to compile the findings and conclude this study with specific managerial implications on how brands should capitalize on celebrity culture. It is important to note that this study is only exploratory and does not aim to provide a definitive answer.

This study aims to identify multiple aspects of consumer behavior. The key topics covered in this review are Maslow's hierarchy of needs for social status, model of perception of price fairness and related elements,

## Data related to the case at hand

The team surveyed to understand the impact of celebrity sub-brands on purchasing behavior. The survey had a total of **48 respondents** and **13 questions**.

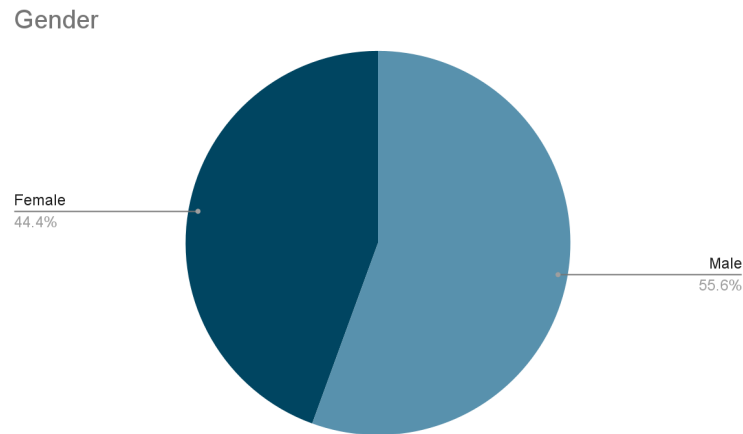
The theme of the questions revolved around what consumers think of celebrity endorsements and sub-brands and, subsequently, their buying preferences and brand stickiness.

## Limitations of the Survey and Analysis

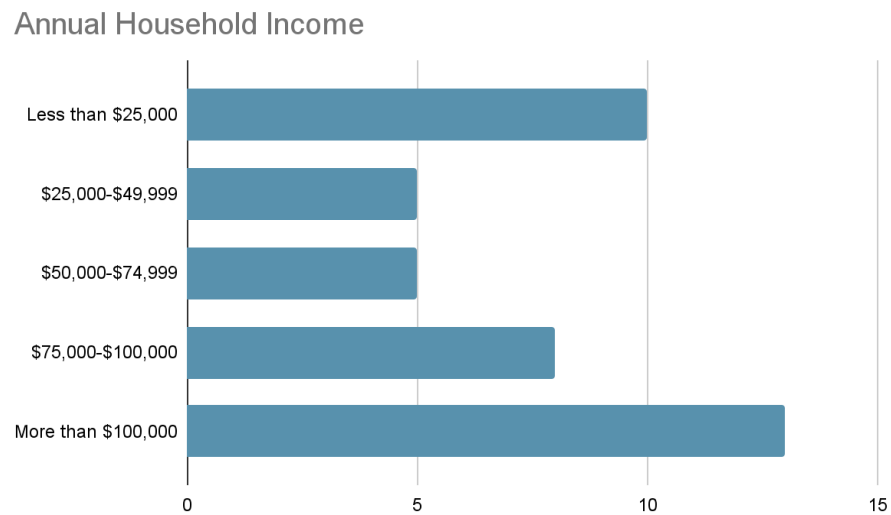
1. The sample size was too small (48 responses).
2. It was a convenient sample, and the study has low external validity, meaning that it would be hard to conclude that these results would apply to the greater population.
  - a. Specifically, approximately 36% of our participants were students.

3. The questionnaire was online. Hence some respondents left questions blank, which limited our ability to get a full scope of attitudes.

## Analysis

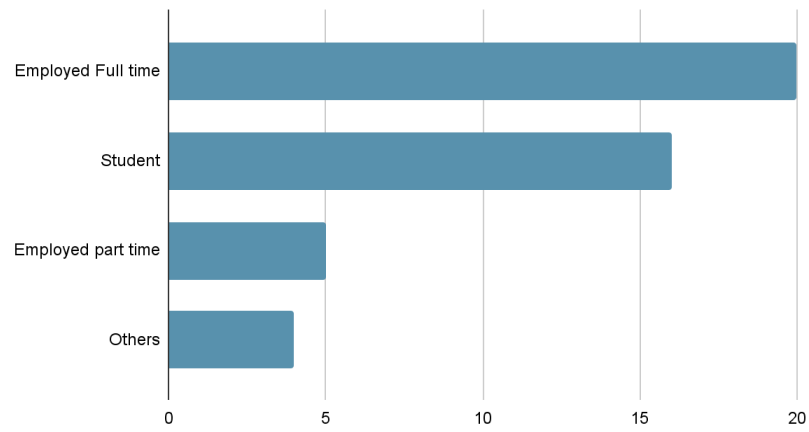


*Figure 1: Gender*



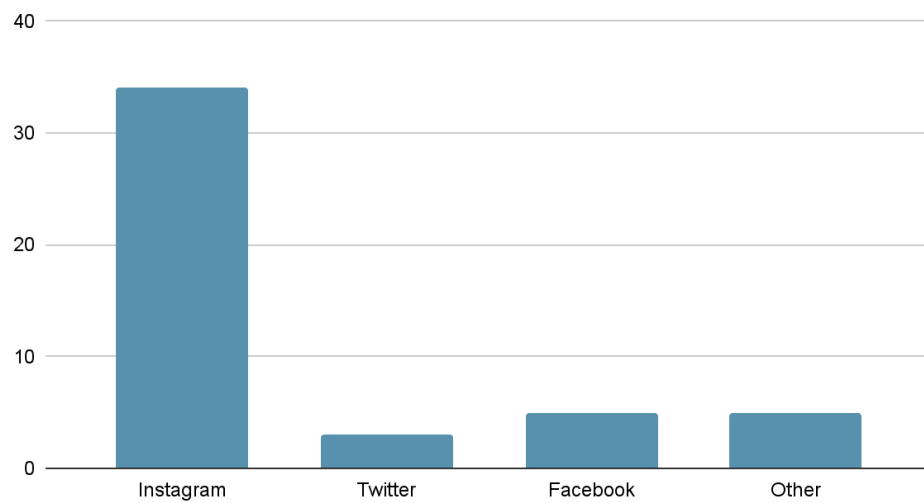
*Figure 2: Annual Household Income*

### Current Employment status



***Figure 3: Employment Status***

### Social Media Platform



***Figure 4: Most used Social Platform***



## Key Highlights of Demographics

1. Approximately **56%** of respondents were **male**.
2. **44%** of respondents are employed full time
3. **32%** of respondents said that their **annual household income** was **more than \$100,000**
4. **72 %** of respondents chose **Instagram** as their most used **social media platform**.

Question	Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree
Celebrities make a difference to brand image	<b>31.3%</b>	<b>45.8%</b>	12.5%	2.1%	2.1%
I would buy my favorite celebrity's brand/sub-brand	10.4%	<b>31.3%</b>	29.2%	8.3%	14.6%
Do you believe you would pay more than the average consumer for your favorite celebrity's brand/sub-brand?	<b>41.7%</b>	<b>50.0%</b>	6.2%	2.1%	0
If a celebrity you dislike was endorsing a brand you purchase often from, would you stop buying from that brand?	2.1%	14.6%	20.8%	<b>29.2%</b>	27.1%
Do you think ads that have celebrities are more effective/easy to recall than those which don't?	<b>41.7%</b>	<b>45.8%</b>	4.2%	2.1%	0
Scandals attached with celebrities destroy a brand's image	18.8%	<b>37.5%</b>	22.9%	8.3%	6.3%
People purchase celebrity brands/celebrity-endorsed	0	<b>37.5%</b>	18.8%	<b>22.9%</b>	14.6%

brands to improve social status					
I don't believe celebrities themselves use the products they endorse	52.1%	33.3%	4.2%	4.2%	0

*Table 1: Summary of Survey*

## Key Highlights

Table 1 summarizes the survey results. More than not, celebrity sub-brand products are perceived among the general public as pricey. However, consumers' reasons for shopping revolve around Social experiences, Sharing of common interests, Interpersonal attraction, Instant status, and the thrill of the hunt.

1. **91.7%** of respondents thought they would pay more than the average consumer for their favorite celebrity's brand/sub-brand.

According to the Model of Perception of Price Fairness (Unfairness), consumers react differently to perceived unfair and fair prices. Additionally, the Perception of fairness depends on the justification of the motive. In this case, consumers feel that if their favorite celebrity is linked to a brand and/or product, their motive is justifiable. A justifiable motive increases the perception of fairness by 8 percent.

When it comes to personalized pricing, it is common practice to set the price at a fixed percentage of the willingness to pay to avoid the perception of unfair discrimination. In Adidas' case, the willingness to pay for a Yeezy sneaker for a non-Kanye West fan will be extremely low. There is also a possibility that consumers may be fans of his music but not the sneakers.

2. **87.5%** of respondents strongly agree or somewhat agree that ads with celebrities are more effective/easy to recall than those that don't.

Most teenagers of a certain social status know what yeezys are, how they look, and most importantly, that they are a sub-segment of Adidas. The face behind the brand is Kanye West. The linkage between Yeezy and Kanye West is very strong, taking us to the *highlighting effect* on consumer behavior.

Another theory is 'the viewing context,' which says that viewers are most likely to remember brands whose products were placed in shows they enjoy. Kanye West is always "repping" yeezys in his concerts, daily lifestyle, and live tv appearances. Kanye is not the only one "flexing" these sneakers. Big celebrities such as Kim Kardashian, Kendall Jenner, Paris Hilton, and many more have often worn these pairs on national television. These shoes are extremely popular and have a strong brand recall.

3. **37.5%** of respondents somewhat agree with 'People buy celebrity brands/celebrity-endorsed brands to improve social status'

Popular brands often mark up their prices, and in most cases, this practice is justified with the brand name. In the scope of this study, the 'Yeezy' brand with every launch of the 'Yeezy season' sold out within the first 60 minutes. Consumers pay a premium price for luxury items or highly in-demand items such as the Yeezy shoe to signal status and wealth. Interestingly Maslow's hierarchy of needs defines the esteem need as, 'Esteem is the need for respect from others and may include a need for status, recognition, fame, prestige, and attention.'*(Deckers, Lambert 2018)*

In reality, the quality of Yeezy products are marginally better than other shoes on the market despite their price. Adidas has worked with Kanye West to build a brand that can generate such

huge demand. The hype and demand for these shoes are such that these purchases are made with little to no cognitive involvement. Teenagers are found to spend most of their income on these shoes to increase their social status among peers. (*Chopping, Max 2022*)

## Regression model:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999 <sup>a</sup>	.998	.998	1.053

a. Predictors: (Constant), DislikeCelebNotBuy, SocialMediaPlatform, CelebHelpImproveBrandImage, CelebAdRecall, Gender

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29191.442	5	5838.288	5269.037	<.001 <sup>b</sup>
	Residual	46.538	42	1.108		
	Total	29237.979	47			

a. Dependent Variable: BuyFavCeleb

b. Predictors: (Constant), DislikeCelebNotBuy, SocialMediaPlatform, CelebHelpImproveBrandImage, CelebAdRecall, Gender

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.156	.477		-.327	.745
	Gender	-.268	.240	-.261	-1.116	.271
	SocialMediaPlatform	.008	.011	.005	.773	.444
	CelebHelpImproveBrandImage	.342	.190	.339	1.798	.079
	CelebAdRecall	.441	.216	.436	2.040	.048
	DislikeCelebNotBuy	.482	.147	.486	3.285	.002

a. Dependent Variable: BuyFavCeleb

**Figure 5: Regression Output**

We exported our survey responses as an SPSS file and ran a regression analysis to see if our dependent variable, “I would buy my favorite celebrity’s brand/sub-brand,” had a significant

relationship with the independent variables; **Gender, Social Media Platform, If celebrities help improve brand images, if ads have a higher recall with celebrities in it and if consumers wouldn't make a purchase if they didn't like the celebrity who is endorsing the brand.**

Null Hypothesis (H0): The dependent variable has so significant impact on the dependent variables.

Alternate Hypothesis (H1): At least one of the independent variables has a significant effect on the dependent variable.

Significance of the model:  $<.001$ , which is  $<.05$ ; hence we reject the null hypothesis.

Regarding the coefficient table, we can see that 'CelebAdRecall' and 'DislikeCelebNotBuy' are significant as their p-value is  $<0.01$ .

Finally, the Adjusted R Square is **0.998**, which means that **this regression model can explain 99.8% of the dependent variable.**

## Managerial Implications & Recommendations

This leads to 'What should Adidas' strategy be moving forward' From the survey, we know that **45.8%** of respondents somewhat agree that celebrities make a difference to brand image.

Although the losses for Adidas are massive in the near future, we thought it was the right call to cut ties with Kanye West, as the brand image is crucial. Adidas should make a statement by signing one of the more celebrities worldwide to create a new co-brand. This can be done based on the most-followed people on Instagram, as we know it is the most popular social media platform in terms of usage and digital marketing. Focus on demographics and geography while picking the celebrity.

The key will be how they can price the new clothing line based on current trends and behavior-based pricing. Consumers/fans of this celebrity must deem this price ranges fair. While

demographics will be key in terms of customer segmentation, according to our regression analysis, gender does not have a significant impact on consumers buying their favorite celebrities' brands.

Through a robust global marketing campaign, this celebrity can be the face of the campaign and focus on strong brand recall based on highlighting effect.

## Conclusion

In conclusion, after secondary research, conducting a survey analysis, and using a regression model, we believe that Celebrity endorsements and co-brands significantly impact consumer behavior. 77.1 % of respondents agreed in some capacity that celebrities make a difference to brand image. Moving forward, Adidas must make the right strides to recover from the massive immediate losses they have suffered. Brand stickiness of loyal Adidas consumers that were not fans of Kanye West While will be the key going forward.

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