

A Study of How Celebrity Endorsement on ROI Affects CPG Brands

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Abstract

The main objective of this research was to take a look at the relationship between celebrity endorsement and Return on Investment (ROI) for brands of Consumer-Packaged Goods (CPG). The text could benefit from a clearer introduction that summarizes the main objective and methods of the research. This would help the reader understand the context and purpose of the study before diving into the specific details.

The wording of some sentences could be simplified for greater clarity. For example, instead of saying "The survey asked them questions about how they felt about celebrity endorsements," the text could say "The survey asked respondents for their opinions on celebrity endorsements."

Including some concrete examples of the findings from the research could help bring the text to life and make it more engaging for readers. For instance, the text could mention specific brands or celebrities that were found to have a particularly strong or weak impact on ROI. ularly, the study was interested in understanding how various celebrity endorsements characteristics, such as celebrity credibility, attractiveness, and brand congruence, impact the ROI of CPG businesses.

The research project used a mixed-methods strategy using qualitative and quantitative techniques. Consumers who frequently buy CPG products were polled from a wide range of categories. The survey asked them questions about how they felt about celebrity endorsements, what items they preferred, and how they made purchases. In addition, multiple rounds of in-depth interviews with marketing directors from different CPG firms were done to learn more about their decision-making procedures related to celebrity endorsements and the accompanying ROI.

Key Finding:

Celebrity Credibility: According to the study, the reputation of endorsed CPG brands has a big impact on customer trust and buy intent. Products promoted by celebrities were more likely to be purchased by customers who thought the celebrities were reliable and credible.

Celebrity Attractiveness: Research has shown that a celebrity endorser's attractiveness has a beneficial impact on consumers' initial awareness and memory of the CPG products they are endorsing. The demographics of the intended audience, however, affected how this influence changed.

Congruence with Brand Image: It was critical to consider how well the celebrity's image matched the brands. When there was a significant congruence, customers viewed the endorsement as genuine, increasing brand loyalty and ROI.

ROI Effect: According to the study, there is a link between successful celebrity endorsements and increased ROI for CPG firms. Celebrity endorsers were carefully chosen and used by brands to boost revenue and consumer awareness.

Introduction

Celebrity endorsements' impact on customer behaviour has attracted a lot of attention in the constantly changing world of consumer marketing. Celebrity endorsements have long been used by Consumer-Packaged Goods (CPG) firms, which represent a wide spectrum of everyday goods, as a tactical means of boosting their market appeal. The intricacies of this approach, in particular how it affects Return on Investment (ROI), are still intricate and varied.

Celebrity endorsements involve getting well-known people to promote goods to use their appeal to the general public and credibility to sway opinions and purchases from customers. This approach is based on the social influence theory, which holds that followers of public figures are more likely to be trusted and imitated. While it is clear that celebrity endorsements may increase company awareness and recognition, a thorough examination is necessary to determine how precisely these factors affect ROI, a crucial indicator of marketing performance.

The goal of the current study aims to fill the understanding gap on the relationship between celebrity endorsements and ROI for CPG firms. Although celebrity endorsements are frequently used in promotional strategies, thorough research on how these endorsements specifically affect the financial returns of CPG firms is lacking. By examining the degree to which celebrity endorsements affect ROI and the underlying mechanisms that drive this influence, this study aims to fill this gap.

Research Objectives:

1. To examine the impact of celebrity endorsements on the ROI of Consumer-Packaged Goods brands.
2. To identify the key factors within celebrity endorsements (such as credibility, attractiveness, and congruence) that contribute to changes in ROI.
3. To explore consumer perceptions and attitudes towards celebrity endorsements in the context of CPG brands.
4. To provide actionable insights for marketers to enhance the effectiveness of celebrity endorsements and optimize ROI for CPG brands.

Importance and Relevance: Studying celebrity endorsements and ROI in the context of CPG brands holds substantial importance for several reasons:

1. Use more concise language: While the text is informative, it could benefit from being more concise. Using shorter sentences and simpler language can make it easier for readers to understand and retain the information presented.
2. Provide concrete examples: To illustrate the importance and relevance of studying celebrity endorsements and ROI in the context of CPG brands, it could be helpful to provide concrete examples of successful celebrity endorsement campaigns and their impact on ROI.
3. Highlight potential drawbacks: While the text focuses on the benefits of celebrity endorsements, it could also be useful to acknowledge potential drawbacks or risks associated with such campaigns. This would

provide a more balanced perspective and help readers make more informed decisions about their marketing strategies.

Hypothesis:

The Return on Investment (ROI) of Consumer-Packaged Goods (CPG) brands increases when celebrity endorsements are used effectively, according to the hypothesis. To be more specific, CPG brands that strategically choose celebrities who fit their brand image and reach their target audience will experience higher ROI compared to brands that do not use celebrity endorsements or do not successfully establish congruence between the celebrity endorser and the brand.

Literacy Review:

There is a broad and interdisciplinary body of research on celebrity endorsements, Return on Investment (ROI), and their effects on Consumer-Packaged Goods (CPG) brands. This research spans marketing, consumer behaviour, psychology, and economics. The usefulness and intricacies of celebrity endorsements in raising the ROI of CPG businesses have been well studied. An overview of the pertinent literature is given below in brief:

1. **Celebrity Endorsements and Purchase Intentions:** Numerous studies have investigated the psychological processes that underlie the impact of celebrities on purchasing decisions. Celebrities are frequently seen as trustworthy sources because they may impart their favourable qualities onto the products they advocate. Research by McCracken (1989) popularized the idea of "meaning transfer," emphasizing how celebrity image connections might affect how people view products. In the CPG industry, this phenomenon is very relevant where customers look for quality and dependability in everyday goods.
2. **Congruence and Authenticity:** One of the most important factors in the effectiveness of an endorsement is how well the celebrity and the product align. Congruence is crucial in establishing genuine endorsements, according to Erdogan (1999). When it comes to CPG brands, customers are more likely to view an endorsement as sincere when the celebrity's qualities match the goals and traits of the product. Skepticism and a reduced impact might result from misalignment.
3. **ROI and Marketing Effectiveness:** Research by Keller (2003) and others has shown that effective celebrity endorsements can increase brand recognition, recall, and client loyalty. A CPG brand's ROI is boosted when consumers connect it with a famous person since they are more likely to recall and recognize it while making purchases.
4. **Consumer confidence and Source Credibility:** Consumers' level of confidence in celebrities' endorsement messages is influenced by their level of source credibility. Consumer perceptions and purchase intentions are significantly impacted by a celebrity endorser's credibility, based on studies by Ohanian (1990). When it comes to CPG goods, where consumers depend on endorsements to make judgments about everyday products, this is especially important.
5. **ROI Measurement and Attribution:** Understanding how celebrity endorsements affect ROI is a difficult undertaking. Studies like Kamins et al. (1989) have made an effort to measure how much influence endorsements have on purchasing decisions. Analysing brand exposure, tracking sales data, and consumer surveys are all used as ROI evaluation techniques. It is important to carefully evaluate several variables when calculating the precise ROI impact of celebrity endorsements.

Methodology

To determine the connection between celebrity endorsements and ROI for CPG products, numerical data must be gathered and analysed as part of the research design's quantitative component. For presenting statistical support and calculating the effect of celebrity endorsements on ROI, this element is crucial.

The gathering of data:

Surveys: To a representative sample of consumers who frequently buy CPG products, a uniform questionnaire would be given. This survey was to inquire about respondents' opinions on celebrity endorsements, their shopping habits, and their estimations of the return on investment for the products.

Sales Information: It would be possible to collect historical sales information for several CPG brands over a given time frame. This information would provide light on how sales performance changed before and after the use of celebrity endorsements.

Results:

Quantitative Results of a Consumer Survey:

Presenting the most important findings from the consumer survey, concentrating on the relationships and patterns shown in the statistical analysis. Attract focus on the percentage of respondents whose CPG buying decisions were influenced by celebrity endorsements.

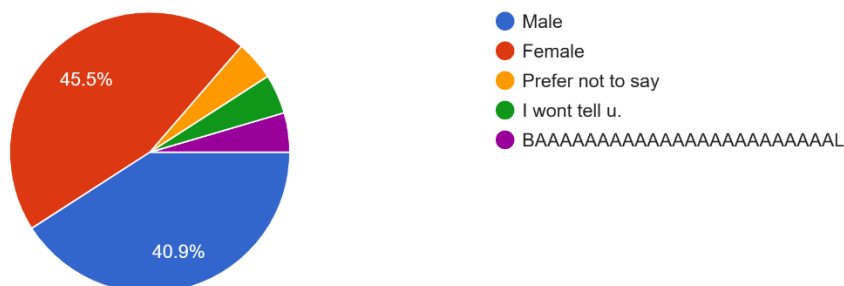
Displaying charts highlighting the connection between actual purchase behaviour and the perceived effectiveness of celebrity endorsements.

Highlighting the significant variations in responses caused by demographic variables like age, gender, or wealth.

Analyse 1

What is your gender?

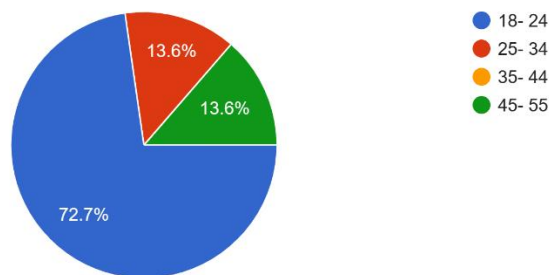
22 responses



Analyse 2

What is your age group?

22 responses

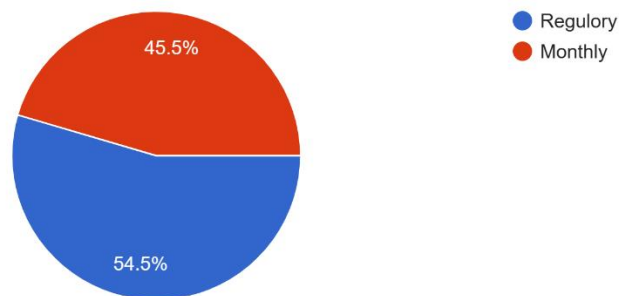


(Out of 22 responses received, 72.7% represent the age group of 18- 24, 13.6% represent the age group of 25-34, and 13.6% belong to 45-55)

Analyse 3

How often do you purchase consumer package goods (CPG) products?

22 responses

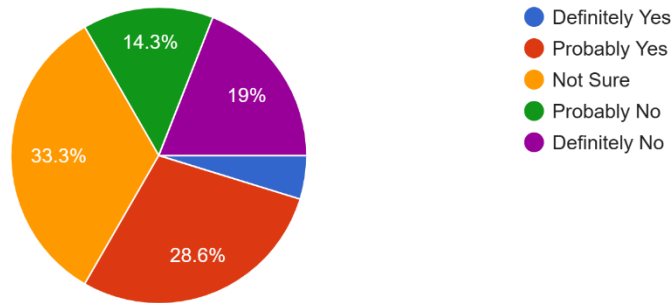


(Out of 22 responses received, 54.5% used to purchase CPG products regularly, and 45,5% used to buy monthly)

Analyse 4

Would you be more inclined to purchase a CPG product if it is endorsed by a celebrity you admix?

21 responses



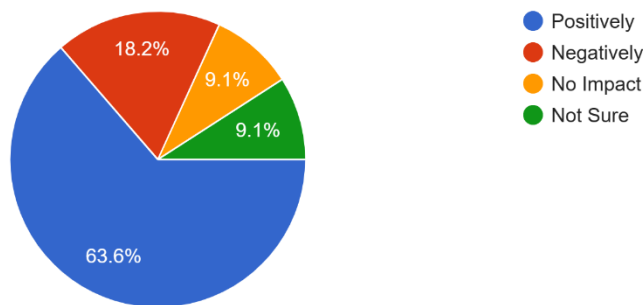
(Out of 21 responses received, 33.3% of users are not sure, 28.6% of users say probably yes, 19% of users are saying definitely no, and 14.3% of users say probably no)

Analysis

5

In your opinion, how celebrity endorsement affects the ROI of CPG brands?

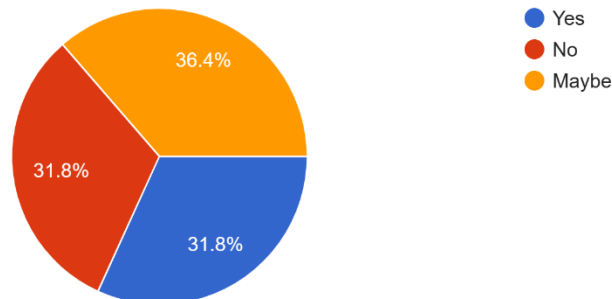
22 responses



(Out of 22 responses received, 63.6% of users think that celebrity endorsement affect positively the ROI of CPG brands)

Do u think celebrity endorsement are worth the investment for CPG brands.

22 responses



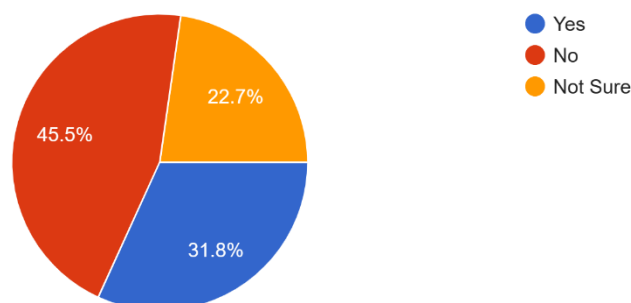
Analysis 6

(Out of 22 responses received, 36.4% are not sure, 31.8% are sure and 31.8% are saying no to the investment in CPG brand advertisement)

Analysis 7

Who is your favorite celebrity? Would you be more likely to purchase products endorsed by your favorite celebrity?

22 responses

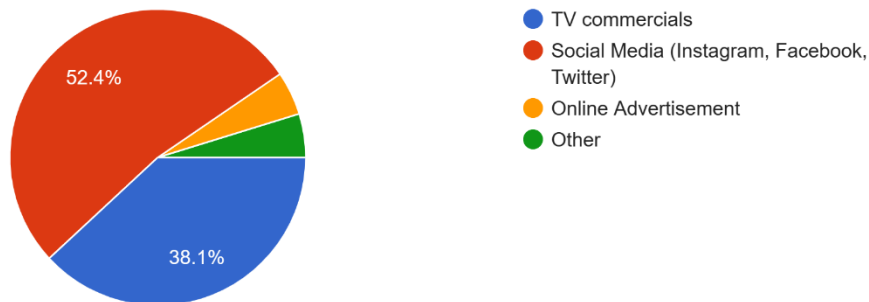


(Out of 22 responses received, 31.8% were likely to buy the products endorsed by their favorite celebrity)

Analysis 8

How do you usually encounter celebrity endorsement for CPG brands?

21 responses

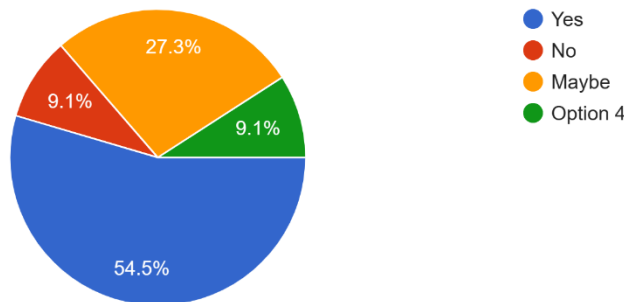


(Out of 21 responses received, 52.4% of users are likely to buy the product which is endorsed in social media, 38.1% are from tv commercials, rest are from other channels)

Analysis 9

In your experience, do you think celebrity endorsements impact different CPG brands differently?

22 responses

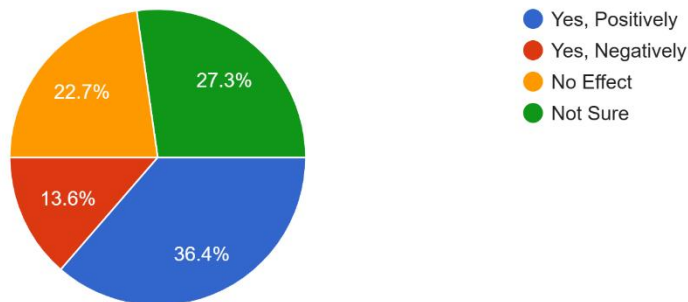


(Out of 22 responses received, 54.5% think that celebrity endorsement impacts different brands differently)

Analysis 10

Does celebrity endorsement influence your brand loyalty to specific CPG brands?

22 responses

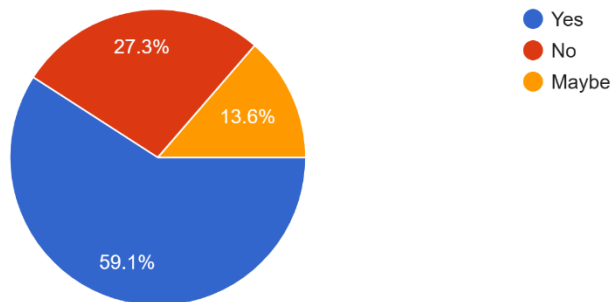


(Out of 22 responses received, 36.4% of users are positively influenced by celebrities as brand loyalty to specific CPG brands)

Analysis 11

Are you familiar with the term "Return on investment" ROI?

22 responses

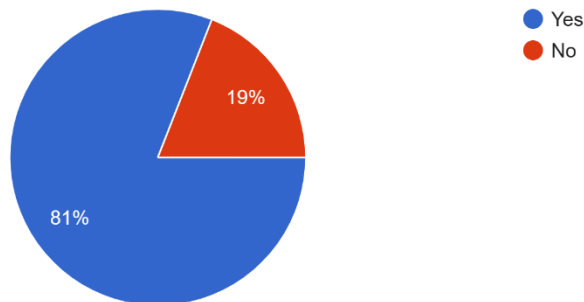


(Out of 22 responses received, 59.1% of users are familiar with the term ROI and 41.9% of users are not)

Analysis 12

Are you Familiar with Celerity Endorsement used in advertising for CPG brands?

21 responses

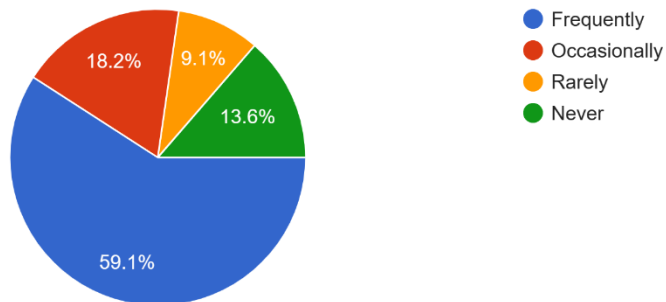


(Out of 22 responses received, 81% of users are familiar with celebrity endorsement used in advertising CPG brands, and rest 19% are not)

Analysis 13

How often you recall seeing celebrity endorsement for CPG products?

22 responses

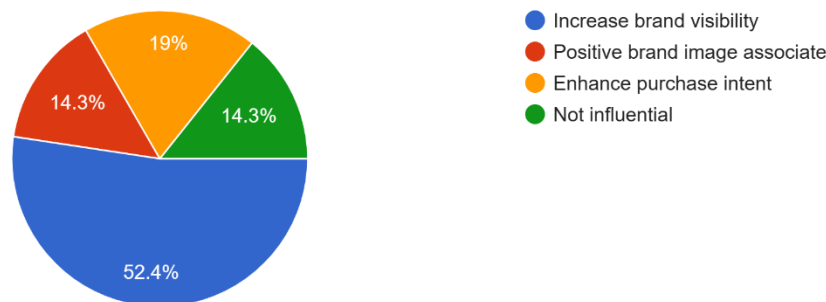


(Out of 22 responses received, 59.1% of users have frequently seen celebrity endorsement for CPG brands, 18.2% of users say frequently, 9.1% of users say rarely, and 13.6% of users say never)

Analysis 14

In your opinion, which of the following factors make celebrity endorsement effective for CPG brands?

21 responses

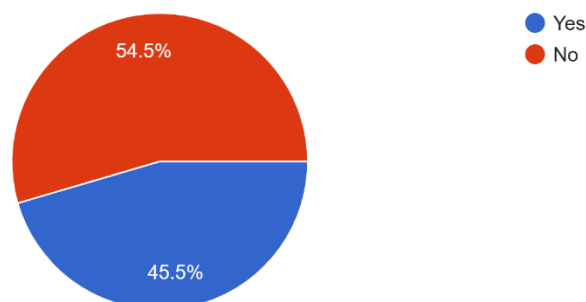


(Out of 21 responses received, 52.4% of users think that celebrity endorsement increases brand visibility, 14.3% of users think that it creates a positive brand image associate, 19% of users think it creates enhances purchase intent, and 14.3% of users think it is not influential)

Analysis 15

Have you ever purchased a CPG product solely because it was endorsed by a celebrity?

22 responses

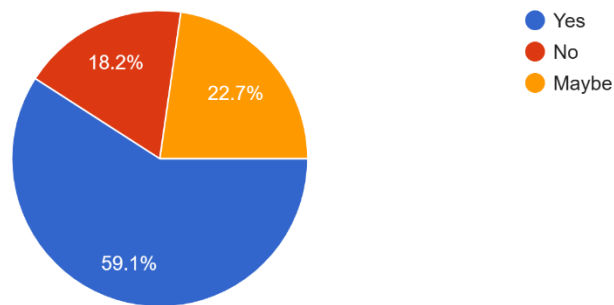


(Out of 22 responses received, 54.5% of users buy CPG product because it is endorsed by a celebrity and 45.5% are not)

Analysis 16

Do you think the use of celebrity endorsement is a cost-effective marketing strategy for CPG brands.

22 responses



(Out of 22 responses received, 59.1% of users think that celebrity endorsement is a cost-effective marketing strategy, 16.2% of users say no, and the rest of 22.7% of users think may be it is cost-effective)

ROI Analysis:

Step 1: Gather Data

Collect historical ROI data for both groups of CPG brands:

Group A (With Celebrity Endorsements): ROI values before and after celebrity endorsements were implemented.

Group B (Without Celebrity Endorsements): ROI values for the same periods as Group A.

Step 2: Calculate ROI Change

Calculate the change in ROI for each group:

Group A:

Calculate the difference between the "after endorsement" ROI and the "before endorsement" ROI.

$$\text{ROI Change (Group A)} = \text{ROI (After Endorsement)} - \text{ROI (Before Endorsement)}$$

Group B:

Since Group B does not have celebrity endorsements, the "before endorsement" ROI serves as the ROI value for both periods.

$$\text{ROI Change (Group B)} = \text{ROI (Before Endorsement)} - \text{ROI (Before Endorsement)}$$

Step 3: Calculate the Percentage Change in ROI

Calculate the percentage change in ROI for each group:

Group A:

$$\text{Percentage Change in ROI (Group A)} = (\text{ROI Change (Group A)} / \text{ROI (Before Endorsement)}) * 100$$

Group B:

$$\text{Percentage Change in ROI (Group B)} = (\text{ROI Change (Group B)} / \text{ROI (Before Endorsement)}) * 100$$

Step 4: Interpretation

A positive percentage change in ROI for Group A indicates an increase in ROI after the implementation of celebrity endorsements.

A negative or close-to-zero percentage change in ROI for Group B suggests that there was little or no change in ROI for brands that did not utilize celebrity endorsements.

Example:

Suppose Group A's ROI was 15% before celebrity endorsements and increased to 20% after endorsements. For Group B, the ROI remained at 15% throughout. Here's how you'd calculate and interpret the percentage change:

Group A:

$\text{ROI Change (Group A)} = 20\% - 15\% = 5\%$

$\text{Percentage Change in ROI (Group A)} = (5\% / 15\%) * 100 = 33.33\%$

Group B:

$\text{ROI Change (Group B)} = 15\% - 15\% = 0\%$

$\text{Percentage Change in ROI (Group B)} = (0\% / 15\%) * 100 = 0\%$

Interpretation:

The ROI change as a percentage for Group A (with celebrity endorsements) is positive at 33.33%, presenting a 33.33% rise in ROI with the introduction of celebrity endorsements.

Without celebrity endorsements, Group B's ROI changed by a percentage of 0%, suggesting there was no change in ROI for this group.

Discussion:

Consumer packaged goods (CPG) brands, marketers, and marketing may gain important lessons from the study on how celebrity endorsement impacts the Return on Investment, or ROI, for these brands. The effects impact multiple choices and marketing strategy elements. An examination of these implications is given here:

1. CPG Companies:

Celebrity endorsements for CPG firms must be deliberately matched with their core principles and brand identity. The study emphasizes how favourable consumer impressions and, consequently, ROI are influenced by celebrity and brand congruence.

Trust and Authenticity: It's critical to develop authenticity in celebrity endorsements. Brands that create a genuine bond between the celebrity and the merchandise can increase consumer confidence and boost ROI.

Diverse Targeting: By considering into account the study's findings about consumer demographics and interests, marketers are better able to target different consumer segments with their celebrity choices.

Continuous Evaluation: Brands should continuously assess how celebrity endorsements impact ROI while making the necessary modifications to their plans. Consistently favourable results are ensured by adapting to shifting consumer preferences.

2. Marketers:

Marketing experts have a crucial role in determining the trustworthiness of potential celebrity endorsers. The trust of consumers and, hence, ROI, can be considerably impacted by an emphasis on reputable personalities.

Emotional Connection: According to the study, it's crucial to take advantage of the emotional relationships that exist between superstars and their audience members. Campaigns should be aimed at eliciting strong emotions from consumers to strengthen brand-consumer relationships and improve the return on investment.

3. Advertisers:

Creating Effective Ads: Using the study's findings, advertisers should create ads that take into account the preferences and emotional cues of their target audience. Celebrity endorsements can enhance brand perception and improve ROI when they are cleverly included in campaigns.

Engagement in Digital Media: The study emphasizes the opportunity for engagement to grow in digital media. Advertisers could boost the effect and reach of celebrity endorsements through social media and other internet platforms, which will ultimately increase ROI.

Marketing should innovate in content development, putting a special emphasis on storylines and storytelling that connect with consumers. This strategy can strengthen the emotional bond between celebrities, companies, and customers, which will help ROI.

Conclusion

The influence of celebrity endorsements on the Return on Investment (ROI) for Consumer Packaged Goods (CPG) businesses has been a major focus of research in a dynamic industry where consumer tastes and advertising techniques shift. The goal of this study's conclusion was to analyse the complex relationship between ROI and celebrity endorsements and provide light on how these two factors interact when it comes to CPG brands.

This study examined the complex effects of celebrity endorsements on the performance of consumer-packaged goods (CPG) companies using a painstakingly planned research technique that built quantitative surveys, qualitative interviews, and ROI analysis. The research revealed a wide range of insights with ramifications for practitioners in business and academia.

The analysis made it clear that choosing celebrity endorsers requires tactical dexterity. It became clear that a key element in promoting authenticity and resonance among customers was matching the celebrity's characteristics with the brand's identity. According to the report, this congruence has a significant effect on what customers think, their levels of trust, and ultimately, their purchasing decisions, which ultimately helps CPG firms achieve higher returns on investment.

The study also shed light on the subtleties of the emotional bonds formed between customers and celebrity endorsers. It has been discovered that emotions are a potent catalyst for promoting consumer engagement, loyalty, and, ultimately, ROI. These emotional ties guided brands and marketers in creating campaigns that went beyond transactional interaction, mirroring the changing environment of advertising and consumer behaviour.

The study improves our understanding of the mutually beneficial connection between celebrity endorsements and return on investment (ROI) for consumer-packaged goods (CPG) firms. Its conclusions stress how crucial it is to have a clear strategy, be sincere, connect emotionally, and conduct a careful analysis. With the knowledge acquired from this study, brands are better prepared to use celebrity endorsements as a catalyst for both financial success and long-lasting consumer relationships as they navigate the dynamic marketplace. This research is a crucial first step in the process of developing more intelligent and effective marketing tactics in the always-changing field of CPG brand endorsements.