



# Analysis of the Reasons for the Prevalence of Celebrity Advertising

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## Abstract

Celebrity endorsements, a mature marketing strategy that has been adopted since the end of the 19th century, have now penetrated all walks of life. Celebrity advertising has become more and more popular, and "celebrity advertising" has become a controversial term. In this paper, through the consultation of relevant literature, the data are statistically analyzed, and three major problems are mainly studied. The first is to analyze the market status of celebrity advertising, and then to discuss the mechanism behind the prevalence of celebrity advertising from the two perspectives of enterprises and consumers, trying to guide the market consumption behavior and the rationalization of marketing competition among market players. At the same time, the research found that in the case of quality control, celebrity advertising can promote consumption and bring profits to enterprises. On the contrary, in the case of poor-quality control or negative information of celebrities themselves, it will lead to reduced consumption and damage to corporate earnings.

**Keywords:** *celebrity advertising, celebrity advertising, Endorsemen*

## 1. INTRODUCTION

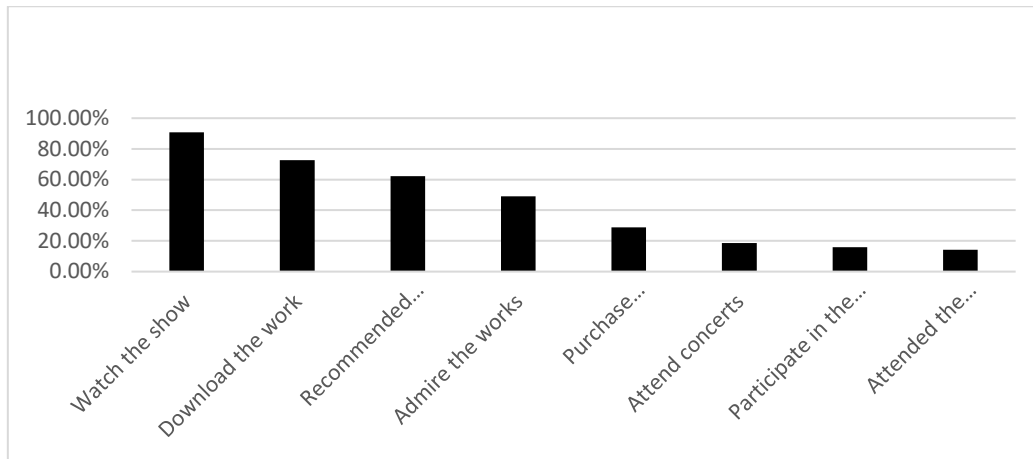
### 1.1. Current Situation Analysis

Celebrity advertising refers to the use of people with high social status and social influence to promote the expression of goods promotion. Many companies have adopted this marketing strategy, using the popularity and charm of the spokesperson to attract the audience and

stimulate the desire to buy, to shape the corporate image, expand the influence and obtain economic benefits [1]. According to the survey data (Figures 1 and Table 1), the two major factors of celebrity awareness and image attractiveness in consumers' evaluation of brands are at the forefront of major variables, and nearly 30% of the public are willing to buy star-related goods. These can reflect the celebrity's ability to carry goods and its positive role in the enterprise [2,3].

**Table 1.** Factors for consumers to consider brand evaluation

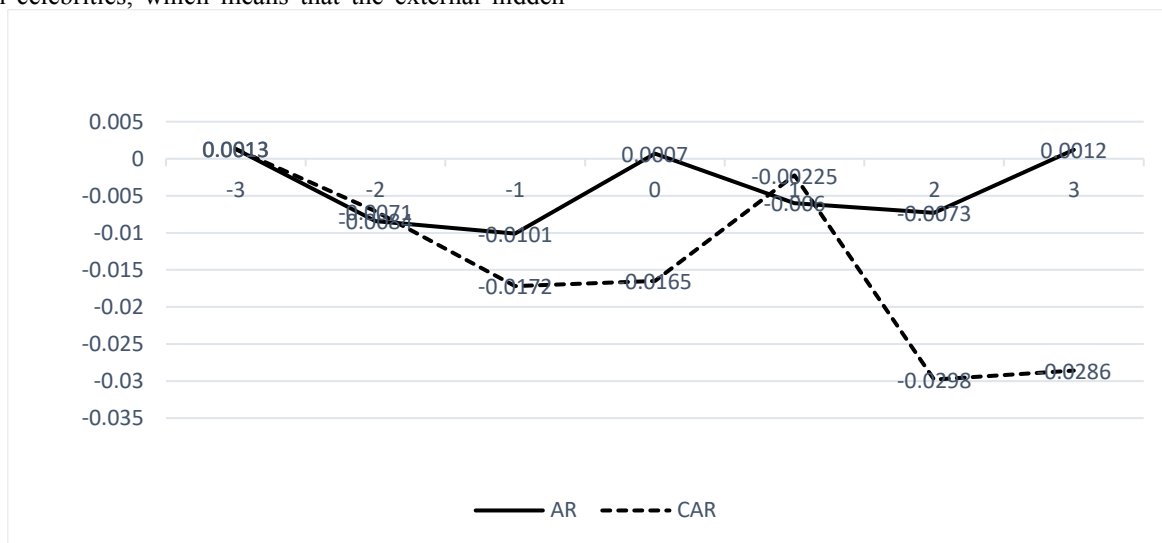
	average value	standard deviation
Celebrity popularity	5.68	1.325
Celebrity image appeal	4.80	1.566
Brand awareness	4.74	1.343
Manufacturer professionalism	4.38	1.530
Brand reputation	4.37	1.571
Brand attitude	4.34	1.680



**Figure 1** Analysis table of ways in which the public supports stars [3] (Source: Endata, 2009 China Performing Arts Star Advertising Endorsement Research Report, EntGroup Consulting, 2009. Licensed by EntGroup Consulting.)

However, inevitably celebrity advertising also has a negative effect. "Celebrities" has become the cash cow and umbrella of enterprises, blinding the rationality of consumers, interfering with a market order, and ignoring product quality and other chaos. At the same time, the corporate brand image has also become a community with celebrities, which means that the external hidden

dangers and unstable factors of the enterprise have increased [4,5]. As shown in Figure 2, when the negative news of the spokesperson is released, the company's yield fluctuates sharply, which also wakes us up that the company's original celebrity advertising marketing model needs to be changed [6].



**Figure 2** Market reaction to negative news from celebrities

(AR represents the excess yield, CAR represents the cumulative excess yield, and the line chart reflects the economic losses caused to the enterprise after the negative news of the endorsement celebrity is released.

excess yield of the day plus the excess yield of the previous days.)

## 2. RESEARCH METHODS

Excess yields are expressed as the rate of increase in real earnings minus the expected or normal rate of increase in earnings. Taking the company's stock market as an example, a technology company expected the company's stock price to rise at W1 on a certain day, but on the same day, the government issued support for technology companies. On that day, the stock price of the technology company rose sharply, and the actual rate of increase was W2, so its excess yield was (W2-W1). The excess cumulative yield for each day is the sum of the

This study first conducts literature reading, searches for literature through various ways to obtain information, then organizes and summarizes and analyzes literature, and at last reviews the literature. Sort out the information needed in this study on the current situation of celebrity advertising and the reasons for its popularity and provide a theoretical basis for the investigation and discussion of this research. Then, survey interviews are conducted to understand the public's attitude and understanding of celebrity advertising through interview surveys, which

provide a certain basis for exploring the reasons for the prevalence of celebrity advertising. Finally, statistical analysis is carried out, and after consulting the relevant literature and confirming the research direction, the relevant data of the original survey is used to analyze and make tables, so that the data can be visualized. The current situation of celebrity advertising is more intuitively reflected, which is conducive to drawing research conclusions.

### 3. OBJECTIVES OF THE STUDY

Through data analysis and background investigation, this paper analyzes the operation mechanism of celebrity advertising from the perspective of enterprises and consumers, and simply puts forward the hidden dangers and problems behind the mechanism, to better study how to guide the rationalization of marketing behavior and consumption behavior, promote the maturity of marketing competition, and regulate market order.

Next, the paper will first analyze from the perspective of enterprises, why companies are willing to spend huge endorsement fees to hire celebrity endorsements, and what kind of economic benefits such celebrity advertising brings to enterprises.

According to Figure 3, when the news of celebrity endorsement came out, the cumulative excess yield of the listed company increased, indicating that celebrity endorsement brought certain benefits to the enterprise [6]. Analyze the benefit-cost function of monopolistic competitors, and the high endorsement fee means that the total cost of the enterprise increases, the average total cost increases, while the marginal cost and marginal benefit remain unchanged. Companies will still choose the yield Q1 corresponding to the marginal cost function value equal to the marginal return function value. At this time, due to the news of celebrity endorsements, the excess yield of enterprises rises, so the average income of enterprises will increase. In monopolistic competitive enterprises, the average income function is the market demand function. As the revenue increases, the market demand function changes, manifesting itself as an overall upward shift of the function image. At this time, the market transaction price corresponding to the changing market demand function of Q1 is higher than the minimum price of supply on the marginal cost function corresponding to Q1, indicating that there is still profit. When the increase in the market demand function increases, the difference between the market transaction price and the minimum price of supply will increase, and the profit obtained by the enterprise will increase.

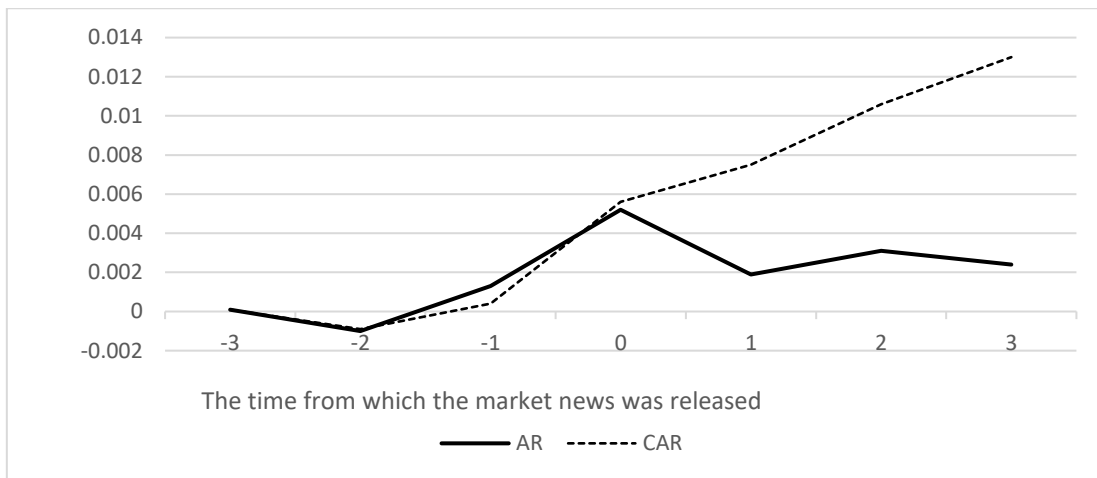


Figure 3 Market reaction to celebrity endorsement news releases

(AR stands for excess yield, CAR stands for cumulative excess yield, and the line chart reflects the degree of positive response to enterprises after the news of celebrity endorsements is released)

From a survey study, as shown in the figure4, a certain message was found that the sales revenue of celebrity endorsement companies increased significantly higher than that of non-celebrity endorsement companies[6]. In fact, this is the use of the trust mechanism in behavioral economics, enterprises through the popularity of celebrities to obtain consumer trust, to increase market demand, so that the market transaction price and the number of transactions increased, and more economic benefits were obtained. But at the same time, this also

puts forward higher requirements for the quality of the company's products.

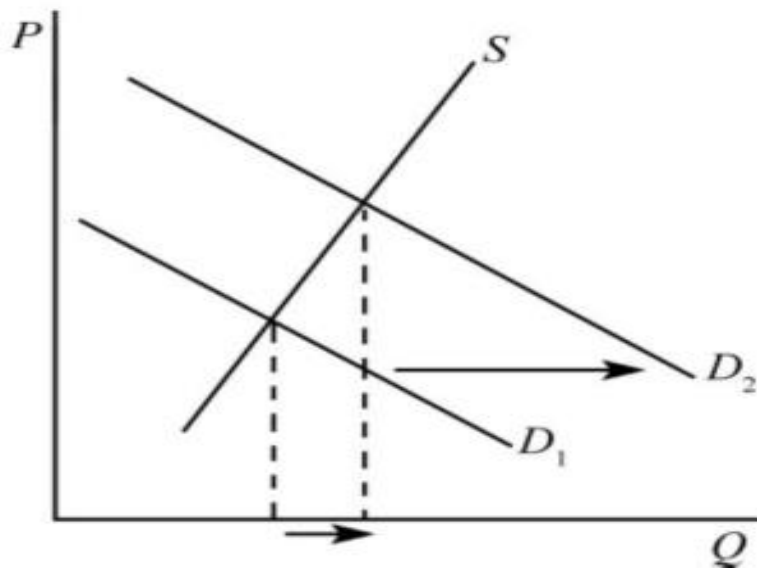
The trust game paradigm is a classic paradigm in behavioral economics, in which the more typical game analysis is the signal game. In the game in which celebrity endorsement information is a signal released by enterprises to the market, after the release of the signal, celebrity endorsement products become experienced products [7]. Consumers often choose experience products to reduce the possibility of stepping on the thunder, and enterprises will expand the market. But the signals that are released at the same time mean that there will be hidden dangers such as reverse selection and moral hazard. The information economy is also an

attention economy, celebrity endorsements increase market attention, and the negative information of corporate products will attract greater attention.

When the quality of the product is resisted by most consumers, the quality assessment value of the product in the consumer's mind declines, and after it is lower than the psychological expectation, the signal released in the market will turn from positive to negative, then the consumer will list the product as an "experience product" that cannot be purchased [8-10]. At this time, the signal released by celebrity endorsements will cause the consequences of adverse selection. If you want to reduce the possibility of adverse selection and avoid risks, you need enterprises to improve the quality of products, improve consumers' assessment of product quality, and enhance market confidence. Or through the machine design to distinguish product quality, so that enterprises

"tell the truth" to steadily increase consumer consumption. Otherwise, consumers will be able to make adverse choices and not buy corporate products, then the endorsement fee invested by enterprises will become sunk costs and cause huge losses.

So, what role do consumers play behind the popularity of celebrity advertising? As shown in the figure4 and the above analysis, it is not difficult to find that consumers mainly play a role in promoting, and the strong fan economy after celebrity endorsements greatly stimulates consumers, resulting in high market demand and bringing greater economic profits to enterprises. After being shrouded in the aura of "celebrity", companies will slowly slacken the control of product quality and then fall into the dilemma of reverse selection in the signal game. This is a closed-loop, and it is indeed the status quo of most enterprises in China.



**Figure 4** Analysis of market demand and supply changes

So, from the perspective of consumers, this work will analyze more why consumers tend to choose products endorsed by celebrities, mainly based on Psychology, communication theory, and traditional economic theory.

According to the interpretation of communication science, consumers as the recipient of information, the perceptual capacity is limited, the information they know is defective, and the goods on the market are diverse, the information is disordered, and it is very difficult for consumers to find the information they want from the huge ocean of information. Celebrities have a certain social influence, and this influence will produce certain external stimuli on consumers, which will enable consumers to focus their attention on more concentrated goods in an unusually noisy media environment, which highlights the characteristics of such goods. Moreover, this endorsement mechanism can improve the efficiency of consumers' choice of goods and improving the

screening efficiency of information in the era of information explosion is also a major consideration for consumers [9]. In addition, consumers' understanding of information is subjective in the process of understanding product information and processing advertising information, it will be interfered with by external information. The aura of celebrity will guide consumers to change their perceptions and expectations in the process. With a combination of factors, consumers tend to believe in celebrities as a source of information, as well as the information they provide about the products.

But it is precise because of this information asymmetry that many false advertisements for celebrity endorsements driven by economic interests have emerged. For example, a certain brand of milk powder is hyped up as a gimmick of being affirmed by celebrities, but the result is that many infants and young children suffer from lifelong incurable diseases after long-term use of the

product, resulting in irreparable physical defects. There are many more such phenomena, and they continue to play out, and consumers are also blinded by the information cocoon that "celebrities" have constructed for them at one time. Even if consumers understand that they cannot blindly believe in the products endorsed by celebrities, most people still choose these so-called "big names", which is the disadvantageous position of consumers with information defects [5,10]. And in overwhelming advertising and marketing, even if consumers build a strong defense, it is impossible to be unaffected. Changing this information asymmetry will require multiple efforts. For celebrities who endorse, it is necessary to control the products of the endorsement products to prevent excessive false publicity from infringing on the interests of consumers. As for the enterprise, it needs to understand that the long-term basis for seizing the market lies in the quality of the product, rather than putting a lot of money on excessive publicity. Society needs to establish relevant systems, establish supervision and constraint laws and regulations for the current situation of celebrity advertising in the market, improve system construction, standardize market behavior, and restore the market economy to a clear state.

Next, analyze consumer behavior from a psychological point of view. First of all, introduce a concept - the advertising halo effect. The so-called halo effect refers to the fact that when individuals think someone has a certain characteristic, they will make similar judgments about other things or other characteristics related to it [4]. And people's views of things are not necessarily complete and rational. In most cases, people only recognize the part, generalize the part to the whole. The halo effect establishes a connection between celebrities and products in advertising, and the popularity and reputation of celebrities themselves influence consumers make similar judgments about the products they endorse, thus having a positive attitude towards the products. Which undoubtedly plays a role in promoting the sales of goods. But this kind of judgment based on the image of an authoritative person or celebrity is unreasonable. Many merchants have kept this psychology of consumers and mastered the "secret" of high sales. Therefore, celebrities need to see their social responsibilities, not simply ignoring by economic interests, play a positive guiding role, rather than becoming behind the scenes of false advertising.

Traditional economic theory holds that in the trust game, the economic trust of others is based on the rational processing of information related to others. However, the trust game in traditional economics is often an idealized game mechanism, and in a complex market environment, more games are variations of the trust game, that is, the game process and results will be affected by external information [7]. For example, research suggests that judgments about the financial trust of others may be influenced by their small facial changes. Consumers will

show a greater degree of trust in people with facial features that match their preferences. Therefore, under the publicity of celebrities, the trust game mechanism in traditional economic theory has shifted from the original track, and consumers have a consumption impulse after losing a certain degree of rationality, and the consumption of celebrity endorsement products has increased.

#### 4. CONCLUSION

From the above analysis, this paper analyzes the current situation of celebrity advertising, and the reasons for the popularity of celebrity advertising from the perspective of enterprises and consumers, and briefly explore the problems that exist. Through the above analysis, the work has come to the following conclusion: in the case of quality control, celebrity advertising can promote consumption and bring profits to enterprises. On the contrary, in the case of quality control or the negative information of celebrities themselves, it will lead to adverse selection, market consumption does not increase but decreases, and corporate earnings decrease.

However, it is undeniable that there are still major problems in the research in this paper. First of all, most of the data in the article appears in the literature consulted, and the study has only made a simple chart collation. Due to factors such as survey time, complex statistical samples, data collection, and statistical difficulties, fieldwork could not be conducted. In addition, to avoid the economic impact of the epidemic situation in recent years, the data consulted are relatively long-term and the credibility of the data has declined. There is also a big regret that the article mainly explores the reasons and can only briefly mention the relevant solutions. And there is no in-depth study of a specific aspect, the interview is also limited by various factors, the scope of the interview is limited, and the depth of the inquiry needs to be deepened.

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