



**COLLEGE OF BUSINESS AND ECONOMICS**

***The Effect of Celebrity Endorsement on Consumers' Purchase Intention: The Case of  
Commercial Bank of Ethiopia***

**By: Molla Beyene**

**Advisor: Dr. Ethiopia Legesse**

***A Thesis Submitted to Addis Ababa University College of Business and Economics,  
Graduate Studies in Partial Fulfillment of the Requirements for Degree of Master of  
Business Administration, Specialization in Management***

***Addis Ababa, Ethiopia***

***May 2019***

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***Statement of Declaration***

*I, the undersigned, declare that, this thesis is my original work, has never been submitted in this or any other university, and that all resources and materials used herein have been duly acknowledged.*

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### ***Statement of Certification***

*This is to certify that the thesis prepared by Molla Beyene entitled: “The Effect of Celebrity Endorsement on Consumers’ Purchase Intention: The Case of Commercial Bank of Ethiopia” compiles with the regulations of the university and meets the accepted standards with respect to originality and quality.*

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***Chair of Department or Graduate Program Coordinator***

## **Acknowledgment**

*First of all, thanks to Almighty God for his faith in my whole life. My special thanks go to my father, not only for this study, but also for the discipline, motivation and commitment you teach me in my entire life. I dedicated this project paper for you.*

*I am greatly indebted to thank my advisor Dr. Ethiopia Legesse for her unreserved support throughout this thesis work. I would like to thank my wife and all my entire families for their support till now God bless you.*

*I have no words to express my heart full thanks to my best friends Mnshir Geto and Abebaw Fenta for their assistance in this research work but let God bless you. Without your support, really it was difficult to accomplish.*

*My heartfelt thanks and acknowledgement should extend to all primary and secondary data sources for their contribution on best findings of this thesis.*

***“Thank you All!”***

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## **Abstract**

*In modern day marketing, different tools are used to promote the product and make the consumer aware of it. Celebrity endorsement is an advertising strategy whereby companies use people of public recognition as spokespersons for their products. Although a number of related researches have been carried out in different parts of the world, while limited were in Ethiopia. This study aims to address this gap. The target populations for the study were customers' of special branches of CBE found in Addis Ababa. All data were collected from customers through a structured questionnaire by convenience sampling (n=305). The study utilized both descriptive statistical analysis and multiple regression analysis using SPSS software. And also correlation analysis was used to identify the relationship among variables. The findings of this research showed that there was positive and statistically significant effect between celebrity endorsement and intention to purchase. The coefficients of the regression equation showed the magnitude and direction of the relationship among independent and dependent variables. This study also forwards recommendations and future studies.*

**Keywords:** *Celebrity Endorsement, expertise, trustworthiness, Attractiveness, congruence, consumers purchase intention.*

## **CHAPTER ONE**

### **1. INTRODUCTION**

#### **1.1. Background of the Study**

Business success in dynamic and complex environment is a challenging phenomenon that business need advertisement to catch the attention of customers. Advertisers spend huge sums for developing advertising campaigns with the hope that the target audiences will receive them favorably and thereby increase the awareness of their brand and company images as well as increase the sales of its new products and services. Nowadays with the help of social media consumers are exposed to lots of advertisements. Because of this they are aware of offers being made to them. This scenario however has increased the competition amongst the companies by leaps and bounds for consumers' attention. In connection to this any advertiser's message is easily lost since consumers are exposed to lots of advertisements everyday (Muda, Musa, &Putit, 2011).

In order to break through the clutters of the ads and catch the attention of the target audience advertisers use variety of advertising appeals such as music, humor and attractive pictures to distinguish their products and services from their competitors. These can in turn influence consumers' attitudes toward the product and their future behavior. Besides these, to convey their message and to make it more effective marketers employ the popular strategy that is celebrities to endorse their products and services. An intensified competition for new product development encouraged business organization to use attention creating media star to assist product marketing (Erdogan, 1999).

Celebrity endorsement has long been a popular marketing tool and is recognized as a widespread and essential phenomenon of modern day marketing that involves well known persons using their fame to help promote a product and services (Biswas, Hussain&O'Donnell, 2009). It is also deemed as pragmatic marketing communication strategy. Celebrities are well perception personalities having a strong appearance and

affecting power to pursue the audience either by their attractiveness, expertise, or trust with brand which leads in conception of strong brand value in observers mind (Erdogan, 1999).

Currently in Ethiopia, the use of celebrities as an effective marketing communication strategy to transmit the company's image and product information's to the target audience is increasing overtime. This can be due to technological advancement that makes life easier, increase in consumers' preference and change in life style of people related with their favorite celebrities. Keeping this in mind, the aim of this research is to investigate the effect of celebrity endorsement attributes on purchase intention.

## **1.2. Statement of the Problem**

Authors conducted a number of studies and they addressed the relationship between celebrity endorsement and consumers perceptions as well purchase intention; and many of them concluded positive relationship (Zafar&Rafique,n.d;Farhat&Khan,2011;Anjum et al,2012;Senthilnathan and Tharmi,2012; Ibok&Apejoye, 2013; Oyeniyi, 2014; Ruta, 2017).This implies that celebrity endorsement are a popular marketing communication strategy globally in grabbing consumers attention towards the product and its service of an endorsed brand .Thus giving entrepreneurs a better chance for communicating message to consumers. On the other hand, some others found out and revealed that this relationship is either weak or some explanatory variables (e.g. Physical attractiveness) does not have significant effect ((Dzisah&Ocloo, 2013; Alem, 2014; Elias, 2016). Besides this some studies are also very narrow consider only student sample (Alem, 2014).In sum, the above mentioned studies justify the need for further studies in the topic area.

In today's competitive business environment the aims of almost all business is to get profits and expanding its business. Within this environment, there is a stiff competition among business firms' especially in financial institutions like commercial banks. Nowadays, in order to fit out the competition these banks used celebrity endorsement as an effective tool to promote their brands using well-known endorsers (Ruta, 2017).

Commercial Bank of Ethiopia (CBE) is among those banks that use celebrity endorsement for promotional and marketing activities. CBE spends huge amounts on this type of advertising even despite all the involved risks with a strong believe that used celebrities will add a value to the promoted brands and will eventually influence customers to make a purchase. In order to stand out of the advertising clutters and gain customers' attention, CBE used well known endorser artist Alemayehu Tadesse.

Over all, in Ethiopia, celebrity endorsed advertisements are growing faster, thus banking industry is witnessed in engaging celebrities to endorse its brand/ products or services. However, its practice did not get the attention of many researchers in Ethiopian context. That is why the researcher wants to choose the topic area. Due to the above substantial problems and gaps this study attempts to examine the effect of celebrity endorsement on consumers' purchase intention.

### **1.3. Research Questions**

Under the umbrella of the above overarching problem, this research tries to address the following research questions:

1. How does celebrity expert affect purchase intentions?
2. How does celebrity trust worthiness affect purchase intentions?
3. How does celebrity attractiveness affect purchase intentions?
4. How does celebrity congruence affect purchase intentions?

### **1.4. Objectives of the Study**

#### **1.4.1. Main Objective**

The main objective of the study is to examine the effect of celebrity endorsements on consumers' purchase intention.

### **1.4.2. Specific Objectives**

The specific objective of this study tries to address the following.

1. To investigate the effect of celebrity expertise on purchase intentions.
2. To examine the effect of celebrity trust worthiness on purchase intentions.
3. To investigate celebrity physical attractiveness on purchase intentions.
4. To identify the effect of celebrity congruence on purchase intentions.

### **1.5. Research Hypothesis**

Hypothesis is a testable statement which indicates logically speculated relationship between two or more variables. Having the theoretical and empirical arguments of this thesis, the following hypotheses are proposed:

H1: perceived expertise is positively related with consumers' purchase intention

H2: Trustworthiness is positively related with consumers' purchase intention

H3: Attractiveness is positively related with consumers' purchase intention

H4: Congruence is positively related with consumers' purchase intention

### **1.6 .Significance of the Study**

Nowadays, due to the influence of globalization, celebrity endorsements is used as a powerful advertising instrument and have been growing faster in the Ethiopian market. This study may provide insight to marketers on the perception of consumers' towards celebrity endorsement and its effect on consumers' purchase intention. Therefore, this study can help marketers to design a better marketing strategy by identifying the factors that consumers perceive to be important in influencing their purchase intention of new products and services.

Furthermore, the study will give insight for other researchers to explore and investigate more in the area that may contribute to the growth of the subject matter in a broader scope and wider context.

### **1.7. Scope of the Study**

The population of the study was limited to customers' of Commercial Bank of Ethiopia found in Addis Ababa. The study emphasized on special branches that provide all types of bank products/services for their customers and has large number of customers. This geographical limitation is not only chosen because of time, access and cost restriction, but also it is believed that a considerable number of celebrity endorsed advertisements are available in Addis Ababa.

In marketing, different tools are used to promote the product and make the consumer aware of it. Among all these tools, this study is limited to only celebrity endorsed advertisements made on TV and printed media. Besides the study focus only on celebrity endorsement attributes (expertise, attractiveness, trustworthiness, congruence) those consumers' perceive to be important in motivating purchase intention of bank products or services. Celebrity endorsement attributes that influence consumers' purchase intention of bank products/ services may differ in other product categories, so the findings of this research is limited to bank related issues of celebrity.

### **1.8. Definition of Key Terms**

**Celebrity:** "Celebrities are people who enjoy public recognition by a large share of a certain group of people whereas attributes like attractiveness, extraordinary lifestyle are just examples and specific common characteristics cannot be observed though it can be said that within a corresponding social group celebrities generally differ from the social norm and enjoy a high degree of public awareness"(Sertoglu&Catli, 2014).According to Hassan &Jamil (2014) celebrities are inviters who invite the people to buy the product or service with enormous power in Ads than any other due to their credibility and distinctive position that leads towards intention to buy.

**Celebrity endorser:** is any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in advertisement. It is deliberately broad to encompass not only the usual movie and television stars but also individuals from the world of sport, politics, business, art and the military (Friedman,& Friedman, 1979) .

**Celebrity Endorsement:** Celebrities appear in public in different ways such as events, special performance, and mass media channels as Facebook, they tell about the brand to promote products and services. In addition to that, endorsement is a channel of communication where celebrities can act as spokesperson of the brand and by extending their popularity and personality they certify the brands claim and position (Keller, 2012). Celebrity endorsement is still commonly used by marketers because consumers still pay attention, believe in famous people and widely recognizable person attracts greater attention than non- celebrity endorser (Ohanian, 1991; Atkin&Block, 1983). The reason why companies using celebrity endorsement as a spokesperson is that their huge influences; it can make consumers pay attention and recall of the brand or services.

**Purchase Intention:** is related with consumers' behavior, perception and their attitude. Purchase behavior is an important key point for consumers during considering and evaluating of certain product (Keller, 2012). Once the consumers decide to purchase the product, they will be driven by their intention. However, purchase intention might be altered by the influence of different intrinsic and extrinsic factors. In addition consumers will be interrupted by internal impulse and external environment during purchase process like process of information gathering, word-of-mouth, product attributes and the marketers' promotional efforts. In general, consumer buying behavior is about how people buy, what they buy, when they buy and why they buy. It attempts to understand the buyer decision-making process individually and in groups to purchase a certain product or services (Giridhar, 2012).

## **1.9. Organization of the Thesis**

The research report is organized in to five chapters. The first chapter includes the research background, problem statement and research questions, objective of the study, significance of the study, scope of the study and definition of terms. This is followed by the discussion of concepts and theories related to the area of study (Chapter two, literature review). The third chapter describes the research design, participants of the study, the data source, data collection and analysis techniques and procedures. The fourth chapter deals with the interpretation and discussion of the findings. Finally, in the last chapter, conclusion, recommendations and agenda for future research will be included.

## CHAPTER TWO

### 2. Literature Review

This chapter provides an insight to readers about the theoretical view and empirical review of the topics under study. In line with objective of the study, the chapter covers topics related to consumers' purchase intention and celebrity attributes perceived to be important in influencing intention to purchase bank products/services. Furthermore, the conceptual framework of the study is presented at the end.

#### 2.1. Theoretical Review

##### 2.1.1. Concept of Celebrity Endorsement

Celebrity endorsement is a famous advertising strategy whereby companies use people of public recognition as spokespersons for their products (Melford&Nwulu, 2015).It is a type of a brand promotion where a famous person is used in the marketing campaign to advertise the product or service by using his or her fame and place in society (Keller, K. L. 2012). When celebrities endorse products it gives that brand an automatic leg up on the competition. According to Gupta (1994) celebrity is a person whose name could grab public attention, arouse public interest and generate profit from the public. Celebrities are well-known individuals like television stars, movie actors and actresses, famous athletes, pop stars, entertainers, etc who owe their fame to their achievements. Celebrities are usually known to the public for their accomplishments in areas other than the product endorsed by them (Farhat& Khan, 2011). According to Sertoglu&Catli (2014), actors, sport figures and entertainers are being used quite frequently as company spokesmen and product endorsers.

As different literatures revealed celebrity endorsement have essential benefits. Celebrities have a higher degree of attention and recall from the public, which will increase awareness of a company's advertising and thereby create positive feelings towards brands (Erdogan,1999).Celebrities can also improve communicative ability by helping

advertisements to stand out from the surrounding media clutter (Muda, Musa, &Putit, 2011). It also positively influence consumers purchase intention. Thus celebrities endorsed advertisement helps the companies for brand introduction, brand repositioning, and boosting corporate images.

### **2.1.2. Sources of Celebrity Endorsement**

Almost all business firms invested huge sums of money to align their brands and corporate images with celebrity endorsers' qualities such as attractiveness, likeability, and trustworthiness (Atkin and Block, 1983). On the other hand, according to Ohanian (1990), the credibility of celebrity is considered to consist of three constructs such as attractiveness, trustworthiness, and expertise. Thus attractiveness, expertise, trustworthiness, and celebrity match/congruence can contribute to celebrity endorsement and used to measure celebrity endorsement.

**Trustworthiness:** trustworthiness meant consumer's confidence in the source for providing information in an objective and honest manner (Ohanian, 1991). Marketers take the advantage of these set of values by employing celebrities those are most regarded as trustworthy, honest believable and dependable among their fans and people (Shimp,2007). When the communicator was perceived to be high trustworthy, an opinionated message was more effective than a non-opinionated communication in producing attitude change.

Source credibility model based on the credibility of the endorser, is the truth worthiness and the trust the customer has on the endorser. Extend to which customer believe endorser as enterprise. Trustworthiness is basically extended to which customer belief that endorser is honest and believable and they can trust on the endorser.

Shoeb and Khalid (2014) in one of the newest research on celebrity endorsement concluded that the consumers have a more personal relationship with the brand which has an image trustworthy with the image of an ideal celebrity, mainly when the brand and celebrity image fit together. Also, the effect of celebrity endorsement is moderated by the

symbolism of the brand, so that the brands which are associated with something from consumers have stronger effects than the brands that do not have this connection. Regarding the ideal celebrities, the positive effects of congruence and image harmony have stronger influence on brands that have a symbolic communication with the consumers of that brand compared with other brands. The study showed that consumers are motivated for personal needs to use a brand that is supported by a celebrity, and purchase a commodity that can build and show off their identity.

**Attractiveness:** source attractiveness refers to the endorsers physical appearance, personality, likeability, and similarity to the receiver, thus to the perceived social value of the source. Attractiveness does not simply mean physical attractiveness, but includes a number of virtuous characteristics that consumers might perceive in a celebrity endorser. Physical attractiveness suggests that a celebrity determines the effectiveness of persuasion as a result of that consumers wanting to be like the endorser and wanting to identify themselves with that endorser (Solomon et al, 2006).

Attractiveness is a social value which recipients attribute it to a receiver. The study showed that our brains tend to pay more attention to the celebrities and to process the information relevant to them more efficiently than normal people. Celebrities reinforce corporate image and brand attitudes. The main reason for the efficiency of celebrities power is that the special group of people encompasses cultural meanings, and they represent important categories such as the status and social class, and so on (Solomon et al, 2006).

According to product match up hypothesis it is very necessary that the celebrity personality must match with brand features or attributes. The more the degree of match between brand and endorser, more the successful match up would be. The advertisements in which celebrity and brand have high degree of fitness have more ability to influence the customer buying behavior (Erodogan, 1999). That is why nowadays business firms/companies are focusing on making a proper matchup between the endorser and brand attribute when they select celebrities as their brand endorser. For product celebrity match up the physical attractiveness of celebrity is also very important.

## **Expertise**

Expertise can be defined as the perceived ability of an endorser to make/ provide valid assertions. Expertise extends to which customer belief that endorser have knowledge, skillful and experience about the brand. It is important that consumers think and believe a celebrity has expertise (Ohanian, 1990). The consumer will look to the celebrity for expertise, and if he feels that the celebrity is knowledgeable enough he will buy the endorsed product. When company uses expert endorser, it positively affects the buying intention of customer (Erodogan, 1999).

In general, the aggregation of these characteristics makes an optimistic collision on the client, because frequently buyers like the celebrities for the trust worthiness, some people like their attractiveness and material trait. More significantly business firm/company focus contest between the celebrity personality and product or brand features or attributes.

Advertisers strive to rope in such celebrities for endorsement who are not only attractive but also credible as well (Sternthal, Dholakia et al. 1978) as these factors in combination creates a comprehensive impact in consumers mind. Thus consumers associate better with celebrities who are credible and trustworthy, some like those who posse's attractive physical features and some look for and consider both of these dimensions. Besides advertisers also look for an appropriate match between the celebrity personality and product attributes. This match-up also proves to be successful because the congruence of features from the celebrity and the product targets the senses of the customer more positively and leads to the development of favorable perceptions about the brand (Ohanin 1991).

### **2.1.3. Celebrity Endorsement Models**

Business firms or advertisers go for celebrity endorsement because of its greater benefits and immense influence. These celebrities endorsed advertisements grabs more attention as compared to those of non-celebrity, and helps the company in re-positioning its

product/brand and finally empowers the company when it's new in the market or plans to go global. Despite significant benefits, celebrity endorsement presents the company with potential hazards. These might include, overshadowing, overexposure, and controversy (Erdogan 1999). The four basic and mostly applied celebrity endorsement models that explain its mode of application are presented in the following sub-sections.

#### **2.1.3.1. Source Credibility Model**

This model holds that the effectiveness of a message is based on the perceived level of expertise and trustworthiness the customers have in an endorser (Sternthal, Dholakia et al. 1978). Expertise is the extent to which the endorser is perceived to be knowledgeable, skillful and experienced, and the statements it makes turn out to be valid. The significance of using expert endorser is that it enhances brand recall and positively affects the buying intentions of consumers (Erdogan 1999). Trustworthiness is defined as the extent to which the endorser is perceived to be believable, honest and dependable. The greater the proportion of these aspects, the higher will be the likelihood of the endorser to be selected by the advertisers (Shimp 2007).

In sum, source credibility is the degree to which the receiver would believe the source has certain degree of relevant knowledge and/or expertise, which lead them to believe the information offered by the source (Ohanian, 1990). According to Solomon et.al (2006), source credibility relates to consumers' beliefs that a communicator is competent, and able to provide the necessary information to evaluate competing products adequately. A credible source can be particularly persuasive when the consumer has not yet learned much about a product or formed an opinion of it. Belch & Belch (2003) also stated that, based on the results of the different communication researches, expert and/or trustworthy sources are more persuasive than sources that are less expert or trustworthy. They also added that a highly credible communicator is particularly important when message recipients have a negative position toward the product, service, company, or issue being promoted.

### **2.1.3.2. Source Attractiveness Model**

The origin of this model was the social psychological research by McGuire in 1985. It is evident that customers form positive and favorable perceptions about those endorsers who are physically attractive (Erdogan 1999). Research findings show that attractive endorsers are good at influencing the beliefs of customers. That is why most of the advertisements depict attractive celebrities. Note that attractiveness doesn't solely mean physical attractiveness; rather it encompasses lifestyle of the endorser, its personality dimensions that consumers might perceive in the endorser.

According to McCracken (1989), the effectiveness of a message depends on familiarity, likability, and similarity of the endorser/ source to the respondent. In this scenario similarity can be a perceived resemblance between the source and the receiver of the message; familiarity- refers to how familiar the message receiver is about the source and it occurs through repeated exposure of the source; and likability is the affection the message receiver develops towards source because of the source's physical appearance and behavior.

As Erdogan (1999) stated most advertisements in the media portray attractive people since consumers tend to form positive stereotypes about such people and as the research has shown that physically attractive endorsers are more successful at changing beliefs than their counterparts.

### **2.1.3.3. The Product/Celebrity Matchup Hypothesis**

Source credibility model has been criticized by some researchers mainly because it considers the three dimensions of celebrity attributes as autonomous from the product endorsed in a sense that any highly credible celebrity can be effective regardless of the product he or she endorses (McCracken, 1989). According to these researchers, some celebrity endorsements work better than others due to a natural match between the celebrity and the product in terms of cultural meanings and images (Choi & Rifon, 2012). Erdogan (1999) also asserts that although source credibility is an important factor for

advertisers in selecting endorsers, it is not the only factor that should be considered in selecting celebrity endorsers.

The Product Match-up Hypothesis states that the effectiveness of advertising depends on how the consumer perceived the 'fit' between brand (brand name, attributes) and celebrity image. That is, the messages conveyed by celebrity image and the product message should be congruent (Erdogan, 1999, Muda, Musa, &Putit, 2011).

The Product/Celebrity match-up hypothesis states that there should be perfect match between the celebrity personality characteristics and brand attributes. The extent of successful match-up can be determined by the degree of fitness between the brand and the celebrity (Erdogan 1999). An advertisement in which the celebrity and the brand are highly congruent yields to be more influential and believable. Today companies are exerting great emphasis upon the importance of proper match-up between the celebrity and the product. On the other part customers also expect congruity between celebrity and the product (Ohanian 1991). The product celebrity match-up not only rely on ordinary congruency but also on the physical attractiveness of the celebrity as well. Since attractive celebrities are more persuasive when endorsing the products that enhance the prettiness, this is because customers assume that as the product enhanced the beauty of the endorser, so does it will in real (Kamins 1990).

According to (Kahle& Homer, 1985), the Match-up Hypothesis of celebrity endorser selection fits well with Social Adaptation Theory. According to this theory, the adaptive significance of information will determine its impact Similarly, (Kamins, 1990), argues that an attractive models inclusion in an advertisement may in some consumer minds intrinsically prompt the idea that use of a brand endorsed by a celebrity will enhance attractiveness as it did for the celebrity, hence, provide adaptive information.

(Forkan, 1980), has proposed the match-up hypothesis for celebrity selection when he suggested that the message conveyed by the image of a celebrity and the message about a product should converge in an effective advertisement and therefore implies a need for a congruity between the celebrity image and the product image. The perfect congruence

between endorser and product may lead to great endorser believability through identification process and favorably influence consumer attitudes toward ads and products as well as purchase intention (Kirmani& Shiv, 1998).

As cited in Renton (2006), Kamins and Gupta (1994) found that the higher the degree of congruency between the types of endorsers and the product advertised, the greater the believability of the endorser. Overall, the study implied that congruence between product and celebrity endorser has the potential to be an important factor in advertising. A higher degree of congruency between product and celebrity image resulted in enhanced endorser believability and attractiveness as well as significantly more favorable attitudes and purchase intentions toward the product. This implies that when selecting a celebrity endorser, advertisers should consider not only the product attributes that are to be established, but also the broader meanings associated with the endorser. Although the endorser may have certain attributes that are desirable for endorsing the product, they may also have associated attributes that are inappropriate for the product as well (Renton, 2006).

#### **2.1.3.4. The Meaning Transfer Model**

According to this model, celebrity endorsers bring their own unique symbolic meanings to the endorsement process in such a way that the cultural meanings residing in a celebrity go beyond the person and are passed on to the products (Muda, Musa, &Putit, 2011). Among these status, class, personality, lifestyle and even demographic components too are some of the cultural meanings the celebrity endorsers convey. Whenever a celebrity endorses products or service, customers associate certain meanings with the endorser and eventually transfer it to the brand (McCracken 1989).

The Meaning Transfer Model revolves around meanings and their transfer. According to McCracken (1989) the meaning assigning process moves along a path comprising successive stages. The meaning transfer process begins when the customers assign certain meanings to celebrity and shape its images promoted by the media. Then when the meanings associated with the celebrity also get associated with the brand/product or

services they endorse, and finally consumers acquire and convinced the products and services during consumption process with the hope of transferring some of these meanings to their own lives (Sertoglu&Catli, 2014).

Erdogan (1999) quoted Fowles (1996) that the rationale by advertisers for hiring celebrities to endorse products is that people consume images of celebrities and advertisers hope that people will also consume products associated with celebrities.

#### **2.1.4. The Risks of Celebrity Endorsement**

According to Erdogan (1999), even if celebrity is essential and beneficial aspects, there are potential risks associated with celebrity endorsers, which might include overshadowing, overexposure, loss of public recognition, costly.

Celebrity can overshadow the brand. This occurs when the image of the celebrity is much higher than the image of the brand. As a result consumers' focus will be on the celebrity rather than the brand/products. The other risk is related to the over- exposure of the celebrity. This is a case when celebrities endorse multiple products at a time. This will affect customers' perception on celebrity's expertise and trustworthiness, which in turn affect their purchase intention.

Loss of public recognition is another problem related to celebrity endorsement-overtime they may loss their public recognition as they move away from media for their initial achievement. Celebrity endorsement is also an expensive marketing endeavor, because it requires huge amount of investment to convince known personalities to promote their products and services (Erdogan, 1999).

#### **2.1.5. Consumer Behaviour**

Consumer behaviour refers to the decision making processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires (Solomon et. al, 2006). The definition of consumer behavior implies that the process of buying starts in the minds of the consumer, which leads to the

finding of alternatives between products that can be acquired with their relative advantages and disadvantages. Consumer behavior is influenced by a number of factors such as demographics, culture, psychographics (lifestyle), reference group, personality, motivation, knowledge, perception, beliefs, and feelings. And all these influencing factors lead to the formation of attitudes and needs of the consumer (Khan, 2006). Taking into consideration these influencing factors and also equipped with the various tools of the marketing mix, marketers design programs to influence consumers' attitude formation and buying decision making.

#### **2.1.5.1 Attitude**

Attitude is a learned predisposition to respond in a constant favorable or unfavorable manner, in respect to a given object (Khan, 2006). An attitude provides a series of cues to marketers through which they predict future purchases, redesign marketing effort and make attitude more favorable. Attitudes indicate knowledge, feelings and intended action for the given stimulus. According to Solomon et. al. (2006) an attitude is lasting because it tends to endure over time and it is general because it applies to more than a momentary event. Consumers have attitudes towards very product specific behaviors as well as towards more general consumption-related behaviors. Solomon et. al. (2006) also added that "attitudes help to determine who a person goes out with, what music he or she listens to, whether he or she will recycle or discard cans, or whether he or she chooses to become a consumer researcher for a living". Since attitudes are the outcome of psychological processes, they cannot be observed directly but can be inferred from what people say or what they do.

Attitude towards the advertisement is an important concept. It is defined as a predisposition to respond in a favorable or unfavorable manner to a particular advertising stimulus during a particular exposure occasion. Viewer's attitude towards the advertiser, evaluations of the advertisement, the mood evoked by the advertisement, the degree to which the advertisement affects viewers' arousal levels and viewer's feelings about the

context in which an advertisement appears are some of the determinants of attitude towards the advertisement(Solomon et. al.2006).

#### **2.1.5.2. Purchase Intention**

Purchase intention is a part of consumers' buying behavior and it is defined as a predisposition to buy a certain brand (Belch & Belch, 2003). At some point in the buying process, the consumer must stop searching for and evaluating information about alternative brands in the evoked set and makes a purchase decision and as an outcome of the alternative evaluation stage, the consumer may develop a purchase intention. Purchase intention is widely used in the literature as a predictor of subsequent purchases. It is a point where a consumer's interest, motivation or preference becomes actionable.

Purchase intentions are generally based on a matching of purchase motives with attributes or characteristics of brands under consideration. Their formation involves many of the personal sub-processes including motivation, perception, attitude formation, and integration. However, a purchase decision is not the same as an actual purchase, often there is a time delay between the formation of a purchase intention and the actual purchase.

Consumers' considerations and expectations such as interest, information, and evaluation determine the purchase intentions of a certain brand. Purchase intentions are also affected by external factors like process of information gathering, word-of-mouth, product attributes and the marketers' promotional efforts. Different researches reveal that purchase intention is highly triggered by promotional strategies since advertisement have higher effect on attitude change, which will also affect purchase intention (Belch & Belch, 2003).

## **2.2. Empirical Reviews**

Several research studies have examined the congruency between celebrity endorsers and brands to explain how celebrities help in promoting brands. Although, there are few empirical estimates of the effect of celebrity endorsement on consumers buying behavior; it is clear that celebrities have the ability to influence the behavior of their fans in other arenas.

Zafar and Rafique (n.d.) had investigated the impact of celebrity endorsement on customers brand perception and purchase intention. Accordingly their results revealed that celebrity endorsement has reasonable impact on customers as per their brand perception and purchase intention.

Anjum et al (2012) studied the impact of celebrity endorsed advertisements on consumers and sales. Their results revealed that celebrity endorsers have used by the companies for brand equity and companies roping in the celebrities to enhance the product image, brand awareness, brand recall, brand retention and for brand credibility. In addition they conclude that celebrity endorsement has positive impact on company as well as brand and customers. Moreover, celebrity endorsement improves the perceived quality of the brand and is correlated with purchase intention.

Ahmed, et al., (2015) conducted on Impact of Celebrity Endorsement on Consumer Buying Behavior. The results show that the celebrity endorsement has reasonable impact on customers as per their attitude and buying intention. Physical attractiveness, credibility and congruence of the celebrity with the reference to endorsed advertisement all have impact on customer perception about the advertised product. It has also been highlighted that celebrity endorsement advertisements boosting up the sales and purchase of product, people like to buy the products more if endorsed by the celebrity and it shows that today's customer is aware and influenced by media.

Hassan &Jamil, (2014) conducted research on influence of celebrity endorsement on consumer purchase intention for existing products: a comparative study, they found that

as for expertise is concerned Pakistani celebrities are considered to be more expert, motivating the consumers to buy because they know the preferences of consumers due to belongingness to the same country. Due to this know how they act in a way which gives more realistic emotional effect in ads. Addition to this Pakistani celebrity usually rely on emotions in Ads which is also an expert technique as that Pakistani people make most of decision on emotional basis for family and friends.

Farhat&Khan (2011) conducted studies on celebrity endorsement: a congruity measure of personalities, the study implied that congruence between a celebrity and a brand is an important concept, while considering the pre-attitude toward the ad featuring a celebrity endorsing a brand. The study put forwards the empirical evidence for the general belief that endorser and the Brand must have congruence between their personalities.

Spry et al. (2011) explore that celebrity endorsement has an indirect impact on customer based brand equity, while this relationship is mediated by brand credibility, and this mediating relationship is moderated by type of branding. Accordingly, celebrity endorsement is associated with a higher level of brand credibility (Spry et al, 2011), whereas brand credibility can build customer based brand equity. Moreover, the brand credibility impact on emotion and reason in consumers decision making (Erdem&Swait, 1998 & 2004).

In the context of Africa, Ibok (2013) conducted the study on Nigerian Telecom Industry, and found that the celebrities' perceived trustworthiness, expertise, and attractiveness have significant influence on the celebrities' effectiveness on advertisements. The other study conducted was by Oyeniyi(2014) on processed food and soft drinks industry; the result implied that both trustworthiness and expertise have positive effect on consumers purchase intention while there is negative relationship between attractiveness and purchase intention.

Apejoye (2013) also examined influence of celebrity endorsement of Advertisement on Students' Purchase Intention in Nigeria. The finding also strengthen the source credibility model which explains that the acceptance and favorable response to an advertisement

message depends on the perception the audience have about the expertise, trustworthiness and knowledge of the source. Based on the study, it was revealed that the credibility the brand has in the minds of the consumers has to do with the fact that the celebrity is a popular person. Moreover, the findings revealed that the celebrity is not a controversial person and therefore, they will buy the brand.

As Dzisah&Ocloo(2013) conducted research on celebrity endorsement and consumer buying behavior; enhancing the promotion function of marketing in the central business area of Accra. The result reveal in Ghana celebrity endorsements are a powerful and useful tool that magnifies the effect of a campaign but the word of caution to be followed seriously; celebrities alone do not guarantee success nor does a great advertising campaign. Rather it is the combination of several factors mainly the price and other elements that work together for the success of a brand and its acceptance in the minds of consumers as well as for its market offering.

Notably, the according to the associative network memory model, celebrity endorsement becomes a potential source of positively activation on brand equity, which has explained by the previous studies in marketing, and product and brand management (Spry et al., 2011).

According to Zohra Sabunwala, (2013) Celebrity Endorsements significantly impacts Brand Differentiation. Most of the beverage user associate themselves with the brand and establishes congruence between their personality and that of brands. The establish a linkage between their lifestyle and that of brand which prompts them to go for a particular brand disregards of price, availability or any other factor. The given finding is in line with the previous literature findings by several authors in the past. Various industry researches have also endorsed the findings that celebrities do create brand differentiation. Another major conclusion that can be drawn from the study is that celebrity endorsement significantly impact Brand Image. The several celebrities – brand pair was chosen to reflect the various personality types to which individual consumer can associate and to understand whether the celebrity really influences the image of the brand which ultimately attracts the consumer towards it. This finding has also been reported by

many researchers and authors in the past and in several industries like automobiles, FMCG products they have proven how brand Image has been influenced by celebrity endorsements.

In the context of Ethiopia, Alem (2014) examined the effect of source credibility on consumers' purchase intention by taking into consideration university students both male and female celebrities. The result revealed that expertise and trustworthiness have positive effect on purchase intention for both male and female celebrity while attractiveness is found to be significant for only the male celebrity.

Elias (2016) also conducted the study on factors affecting the effectiveness of celebrity endorsed advertisements of Ethiopian Banking Industry. The result showed that physical attractiveness, trustworthiness and product match have positive effect on the consumers' intention to use the service of the banks. Among these attributes trustworthiness and expertise have the highest influence, whereas physical attractiveness was not found to be significant effect on consumers' purchase intention of bank services.

Another study conducted by Ruta (2017) on the impact of celebrity endorsement in creating awareness and motivation, the case of Ethiopian Banking Industry showed that celebrity endorsement had positive influence in creating awareness and motivation towards the endorsed brand and buying bank services.

Moreover, building a strong brand image is essential in modern day business environments, being an effective way to get the brand noticed amidst the rush and clutter in the media. This finding also corroborates the finding of Chan et al (2013) and Zafar (2010) who found a similar relationship between celebrity endorsement and brand awareness in China and Sabunwala (2013) who found a similar relationship between the variables in India.

According to Ateke (2013), every marketing communication aims to create awareness and arouse interest in the minds of the target audience; and in order to achieve this aim, marketers employ several strategies. Celebrity Endorsement is one of such power tools by which advertisers try to leverage the image and identification of celebrities to promote

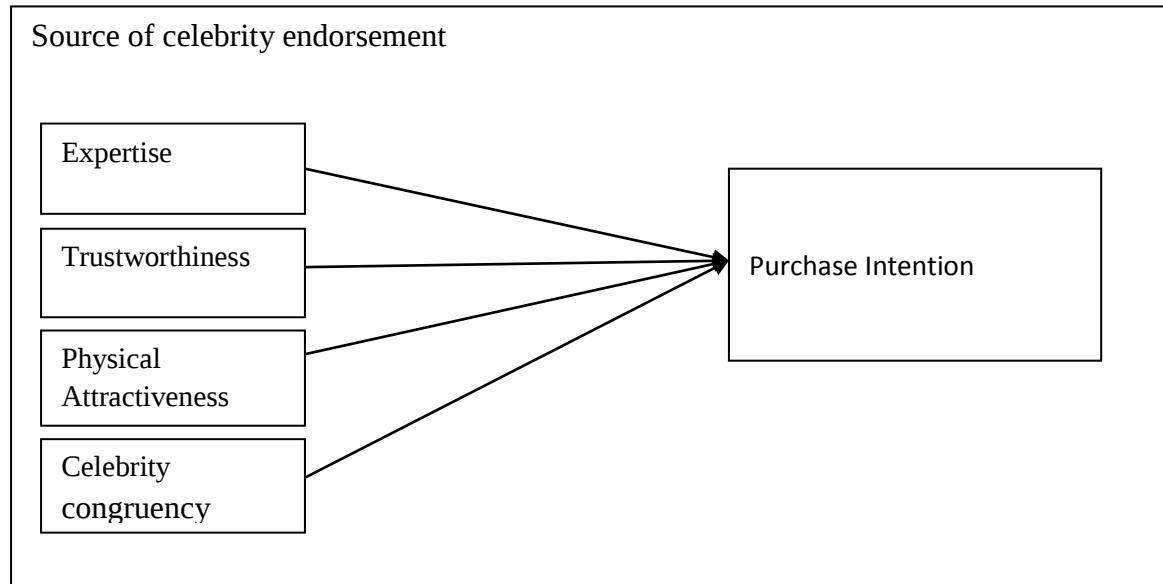
their brands (Atkin& Block, 1983). However, customers' perception of a brand is not influenced only by the endorsement the brand gets, but mostly by the endorser-product association (Ahmed et al, 2012) that the consumers perceive; though good judgment may suggest that getting a celebrity endorsement is a true simple to implement way to maximize advertising effectiveness that yields stronger ties with viewers and ultimately, greater sales.

### **2.3. Conceptual Framework**

This study depends on the source credibility model and match-up hypothesis of celebrity endorsement. Ohanian (1990) developed the tri-component source credibility model by combining the source credibility model and the source attractiveness model with the aim of formulating consistent measurement of source credibility by producing reliable and valid scale. This model is composed of three dimensions as a measure of celebrity endorsers' effectiveness in advertisements i.e. celebrity's perceived trustworthiness, expertise, and physical attractiveness.

The rationale behind hiring celebrities to endorse products is that people consume images of celebrities and advertisers hope that people will also consume products associated with celebrities (Erdogan 1999). Accordingly, celebrity endorsement has reasonable impact on customers brand perception and purchase intention. As Ahmed et al, (2015) stated Physical attractiveness, credibility and congruence of the celebrity with the reference to endorsed advertisement all have impact on customer perception about the advertised product. It has also been highlighted that celebrity endorsement advertisements boosting up the sales and purchase of product, people like to buy the products more if endorsed by the celebrity and it shows that today's customer is aware and influenced by media.

Based on the above discussion, this study wants to examine the effect of celebrity endorsement (attractiveness, trustworthiness, expertise and congruency) on purchase intention.



***Fig2.1: conceptual Framework of the study***

## CHAPTER THREE

### 3. Research Methodology

This chapter discusses the research methodology used for conducting this study. The population and sample of the study, the type of data collected and the instruments and measures used, methods of data analysis, and finally, ethical issues related to the study was explained and justified.

#### 3.1. Research Design

Research design is a set of plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis (Cresswell, 2009).

The study is an explanatory research since it tries to explain relationships between variables, i.e., it explains the effect of celebrity endorsement attributes (expertise, trustworthiness, attractiveness, and congruence) on consumers' purchase intention (Saunders, Lewis, & Thornhill, 2009).

#### 3.2. Research Approach

Basically there are three types of research approach; the first one is Qualitative research which involves studies that do not attempt to quantify their results through statistical summary or analysis. In qualitative research data are often in the form of descriptions not in numbers. The other one is Quantitative research, which engages in systematic and scientific investigation of quantitative properties and phenomenon and their relationships. The third one is mixed type which consisted of both qualitative and quantitative approach.

This particular research applies a cross-sectional quantitative research approach hence it helps to use statistical method of measurement in order to analyze and interpret what the researcher collected through distributing close ended questionnaire.

### 3.3. Sampling and Sampling Techniques

#### 3.3.1. Target Population

The target population of the study was customers of 6 special branches (Addis Ababa, Finfine, Arada Giorgis, Aratkilllo, Silassie and Nefas silk) of CBE found in Addis Ababa. From large numbers of branches in CBE, special branches are selected since these branches provided all types of bank products and services for their customers as well they accommodate large numbers of customers that is why the researcher chooses these branches conveniently.

#### 3.3.2. Sample Size

The target population of the study can be considered as infinite population, because there are customers that utilize banking services without opening accounts (i.e. without registering to the bank's customer database). As a result the population size is unknown. To determine sample size of the study unknown population sample formula is employed (Israel, 2012).

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where,  $n_0$ -sample size

$Z$ -z value at specified confidence interval that is found in statistical tables

$P$ -estimated proportion of an attribute present in the population

$e$ -desired level of precision

In addition to the above formula we have used 95% confidence level, 0.5 standard deviation and confidence interval of  $\pm 5\%$  to obtain the sample size. Note that 50% proportion is the maximum variability in a population which is often used in determining a more conservative sample size (Israel, 2012). Based on this the sample size is **385**.

$$n_o = \frac{Z^2 pq}{e^2} = \frac{(1.96)^2 (.5)(.5)}{(.05)^2} = 385$$

### 3.3.3. Sampling Techniques

Based on the literature, there are two main sampling methods, probability and non-probability sampling (Zikmund, 2003). In this study the lack of access to a list of the entire population or sampling frame being studied makes it difficult to use probability sampling, as a result of this convenience sampling technique was used. In drawing the samples, convenience sampling method was used, where respondents were intercepted at branches till the required sample size was reached.

### 3.4. Data Source and Collection Techniques

Both Primary and Secondary data are relevant for the study. The study used primary quantitative data collected through survey using self-administered questionnaire, consisted of likert type statements about which respondents were asked to indicate their degree of agreement using a five point scale. Survey is popular since it allows the collection of a large amount of data from a sizeable population in a highly economical way (Saunders, Lewis, & Thornhill, 2009).

The study also used secondary sources of data such as different kinds of reference books, journals, articles, reports and other necessary secondary materials, to review literatures in the area and to construct conceptual frame work of the study.

### 3.5. Measurements of Variables

**Table 3.1: Measurements of Variables**

| No | Variables                    | Items                                                                                                                                                                                                                                                                                                                                                                                                  | scale                                                                | Source                                            |
|----|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------|
| 1  | Celebrity Endorsement        | <b>Celebrity's Expertise (EC):</b> the degree to which the endorser is perceived to have the adequate knowledge, experience or skills to promote the product/brands. So that expert, experience, knowledge and skills of an endorser is used to measure celebrity expertise.                                                                                                                           | Five point Likert scale, 1 – Strongly disagree to 5 – strongly agree | (Sertoglu&Catli,2014,Ruta,2017)                   |
|    |                              | <b>Celebrity's Trustworthiness (TC):</b> listener's degree of confidence in, and level of acceptance of, the speaker and the message he/she may convey. It can be measured by how an endorser is trustworthy, honest, dependable and reliable to the message receivers.                                                                                                                                |                                                                      | (Ohanian,1990 Ruta,2017)                          |
|    |                              | <b>Celebrity's Attractiveness (AC):</b> how an endorser is familiar, likable & attractive to the respondents. In this scenario attractiveness can be measured by adjectives like attractive, classy. beautiful, elegant, sexy that an endorser have                                                                                                                                                    |                                                                      | (Belch & Belch, 2003;Ruta,2017)                   |
|    |                              | <b>Celebrity's congruence (CC)-</b> fit between the product/service and celebrity in terms of characteristics. Its measured in terms of endorser compatibility and fit with the brands he/she endorses                                                                                                                                                                                                 |                                                                      | (Muda,Musa&put etal.,2011, Ruta,2017&Elias, 2014) |
| 2  | Consumers purchase Intention | Consumer buying behavior. It's the decision making process that how people buy, what they buy, when they buy and why they buy. Purchase intention is affected by factors like process of information gathering, word-of-mouth, product attributes and the marketers' promotional efforts. Thus endorser's knowledge, experience, trustworthiness and attractiveness as will affect purchase intention. | Five point Likert scale, 1 – Strongly disagree to 5 – strongly agree | Belch & Belch, 2003,Elias,2014                    |

Source: Own summary from literature reviews, 2019

### 3.6. Data Analysis Method

There are many statistical software tools used for data analysis (Stata, Eviews, SPSS). This study utilized SPSS (Statistic Package for Social Science) version 20 software which is user friendly. Descriptive statistics and inferential statistics like Correlation test using Pearson's correlation and Multiple Regression analysis are used in order to address the initial research question of the study.

Descriptive statistics was used to summarize and describe the data about the respondents' demographic situation and their perception towards the celebrity endorsed advertisements. On the other hand, multiple regression analysis was used to measure and test the proposed hypotheses. This analysis shows the independent effect of the explanatory variables on the dependent variable. Reliability analysis was also employed to test consistency of measures using alpha.

### 3.7. Model Specification

Having the theoretical relationships, to examine the effect of explanatory variables on dependent variable multiple regressions was applied with the following specified model.

$$CPI = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_i \dots \dots \dots (1)$$

Where: CPI is consumer purchase intention;

$X_i$ 's are independent variables (celebrity expertise, trustworthiness attractiveness, congruence) respectively;

$\beta_0$  is the intercept;

$\beta_i$ 's are regression coefficients

$\epsilon_i$  is the error term for  $i^{th}$  observation

Thus by estimate of equation (1) we can see how expertise, trustworthiness, attractiveness and congruence affect the consumer purchase intention. The magnitudes and the sign of each variables will be depend on the parameters belongs to them.

### **3.8. Validity and Reliability**

To ensure consistency and reliabilities of the scales used in the data collection instrument validity and reliability was tested after coding and entry of data into SPSS software.

#### **3.8.1. Validity**

Validity is defined as the extent to which a measurement represents characteristics that exist in the phenomenon under investigation. The scales that are used for this study are valid scales adopted from different previous researches. Validity determines whether the measuring instrument truly measures what it was intended to measure or how truthful the research results are. To measure the validity of results, we consider the theory and the measuring instrument used (Cresswell, 2009).

#### **3.8.2. Reliability**

Reliability is the extent to which a measurement reproduces consistent results if the process of measurement were to be repeated (Malhotra&Birks, 2007). It is clear that when we measure anything there is always a chance for errors. In fact, the goal of error free measurements may not duplicate each other exactly even if we repeated the same study with the same sample.

Typically it was done by using Cronbach-alpha a widely used in educational research when instrument for gathering data have items that are scored on a range of values, i.e. different items have different scoring points or attitude scales in which the item responses are in continuum. This coefficient varies from 0 to 1, and a value less 0.6 indicates unsatisfactory level of internal consistency (Malhotra& Birks, 2007). After coding and entry of data into SPSS version 20, the first analysis conducted was to check the reliabilities of the scales used in the data collection instrument .Cronbach-alpha, a widely

used measure of internal consistency, was run using SPSS version 20 and alphas values for all of the scales used for this study are found to be reliable as their respective alpha values are higher than 0.6. The cronbach - alpha of each scale is presented in the following table.

**Table 3.2 :Reliability and Validity Test**

| Measurement Scale  | Cronbach's' Alpha | No. of Item |
|--------------------|-------------------|-------------|
| Expertise          | 0.647             | 5           |
| Trustworthiness    | 0.835             | 5           |
| Attractiveness     | 0.631             | 5           |
| Congruence         | 0.654             | 4           |
| Purchase Intention | 0.853             | 7           |
| <b>Cumulative</b>  | 3.62              | 26          |

*Source: own Survey Result, 2019*

From the above table all of the scales used for this study are found to be reliable as their respective alpha values are higher than 0.6.

### **3.9. Ethical Issues**

This study is governed by the general rules of research ethics in such a way that respondents was requested to provide information on voluntary basis, there was prior communication about the purpose of the study, and confidentiality of the information was guaranteed. Ethics in the context of research is defined as the appropriateness of the researcher's behavior in relation to the rights of the participants (Saunders, Lewis, &Thornhill, 2009).Moreover; the researcher was abided by the rules and regulations of the University and has conducted the study on the basis of objective judgment.

## CHAPTER FOUR

### 4. Data Analysis and Interpretation

In this chapter, the collected data from respondents are summarized and analyzed in order to realize the ultimate objective of the study.

#### 4.1. Survey Response Rate and Respondents' Profile

The 385 questionnaires were administered and customers were contacted at branches where customers are served. However, a total of 340 questionnaires were collected, of which 35 were incomplete. Thus, 305 questionnaires were found to be usable and ready for analysis, which is 79.20% response rate.

Results of the demographic composition of respondents are shown in table 4.1 below. As observed from the table the gender composition of the respondents is male 43.3 % while the rest 56.7% are female respondents. This indicates the female sample composition in this study is greater than male composition.

**Table 4.1: Respondents Demographic Information**

| Variables         |                           | Frequency | Percent |
|-------------------|---------------------------|-----------|---------|
| Gender            | Male                      | 132       | 43.30   |
|                   | Female                    | 173       | 56.70   |
| Age               | <18                       | 20        | 6.60    |
|                   | 18-30                     | 113       | 37.00   |
|                   | 31-40                     | 99        | 32.50   |
|                   | 41-50                     | 47        | 15.40   |
|                   | >50                       | 26        | 8.50    |
| Educational Level | Below high school         | 3         | 1       |
|                   | High school complete      | 48        | 15.70   |
|                   | Diploma                   | 90        | 29.50   |
|                   | Degree                    | 124       | 40.70   |
|                   | MA&Above                  | 40        | 13.1    |
|                   | Student                   | 19        | 6.20    |
|                   | Business owners           | 86        | 28.20   |
|                   | Employees(both pvt&gov't) | 140       | 45.90   |
|                   | Others                    | 60        | 19.70   |

**Source: Own survey result, 2019**

According to the above table majority of the respondents were in the age between 18-30 (37%) which indicates that most respondents are young age group which follows media eagerly due to this they have the exposure to celebrity that endorsed the brands.

The findings of the study on the respondents' education indicates that from a total of 305 respondents 40.7% have degree holders, 13.1% MA and above qualification and the remaining respondents were diploma holders (29.5%) and below diploma (16.5%). This indicates that most of our respondents can be able to understand the concept of celebrity endorsement and able to respond questions easily. Further, most of the respondents were employees and private business owners 45.9% and 28.2% respectively that puts them in a perfect ground to use and know the services that are offered by banks who have endorsed celebrities. Hence, most of the government and private organizations pay wage through banks and private business owners use checks and CPO for their payment.

## **4.2. Correlation Analysis**

The correlation matrix with the dependent and independent variables allows the researcher to assess the strength of the association between the variables of interest. The correlation matrix for the overall sample is provided below. This study employs the correlation analysis, which investigates the strength of relationships between the studied variables. Pearson correlation analysis was used to provide evidence of convergent validity. Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, et al, 2005).

To determine the existence and level of association, the researcher used bivariate correlation. Pearson's correlation coefficient ( $r$ ) is a number between -1 and 1 that indicates the strength and direction of association between the two variables. The absolute value of the coefficient measures how closely the variables are related. The closer it is to 1 the closer the relationship and the closer to -1 the more negatively correlated are the variables. The Pearson's correlation coefficient ( $r$ ) was used to conduct the correlation analysis to find the level and direction of the relationships between

celebrity endorsements attributes (Celebrity's-expertise, trustworthiness, attractiveness and congruence) and consumers' intention to purchase banking services.

The general guideline for correlations indicates 0.10 to 0.30 are considered weak, correlations of 0.30 to 0.70 are considered moderate, and correlation coefficient over 0.7 indicates a strong correlation between the two variables. Zero correlation coefficient also indicates no correlation between the variables.

**Table 4.2:Pair-wise correlation among variables**

|     | CEX     | CTR     | CAT     | CCO     | CPI |
|-----|---------|---------|---------|---------|-----|
| CEX | 1       |         |         |         |     |
| CTR | 0.250** | 1       |         |         |     |
| CAT | 0.082** | 0.088** | 1       |         |     |
| CCO | 0.232** | 0.387** | 0.314** | 1       |     |
| CPI | 0.443** | 0.472** | 0.019** | 0.454** | 1   |

**\*\*.** Correlation is significant at the 0.01 level (2-tailed); Source: Own Survey, 2019.

**NB:** CEX, CTR, CAT, CCO, &CPI-stands for celebrity's-expertise, trustworthiness, attractiveness, congruence and consumers' purchase intention respectively.

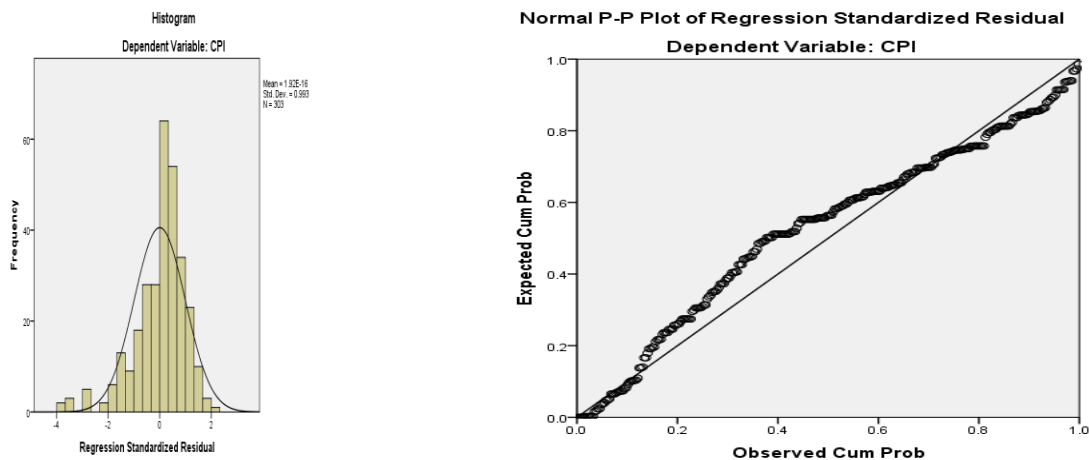
As per table 4.4 the coefficients showed that the four attributes measuring consumers purchase intention are all positively related to each other and with consumers purchase intention and significant at  $p < 0.01$  level. This means that if the consumers' perception towards all celebrity attributes is good then there is relation for the more intention consumer has in purchasing banking services. Based on this, we concluded that purchase intention is moderately and positively correlated with celebrity's expertise, trustworthiness, and attractiveness ( $r=0.443$ ,  $r=0.472$ , &  $r=0.454$ ,  $P < 0$ ) respectively but weakly correlated with celebrity congruence( $r=0.019$ ,  $P < 0$ ) and statistically significant at  $p < 0.01$  level. Having this relationship, further regression analysis can be done to make inferences.

### 4.3. Test of Regression Assumptions

In order to draw correct estimation, assumptions concerning the original data must be checked before conducting regression analysis. These basic assumptions were checked and explained as follows:

#### 4.3.1 Normality

In terms of this assumption, a check for normality of the error term is conducted by a visual examination of the normal probability plots of the residuals. The plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed (Darlington, 1968). The normality plot of this study fit with the assumption.



**Figure 4.1: Histogram and P-P plots of standard Residuals**

The histogram in above figure looks normal and in P-P plots the dots are reasonably closer to the normal line. The combination of both inspections support that the residuals are normally distributed.

#### 4.3.2 Multicollinearity

Multicollinearity is tested in this study using the variance inflation factor (VIF) which quantifies the severity of multicollinearity in regression analysis. The VIF factor should not exceed 10, and should ideally be close to one. The below table shows there is no multicollinearity exist. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity (Marczyk, et al., 2005). The below table confirms the absence of multicollinearity according to Collinearity Statistics.

**Table 4.3: Collinearity Test**

| Model      | Unstandardized Coefficients |            | Standardized coefficients | t      | Sig. | Collinearity Statistics |       |
|------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
|            | B                           | Std. Error | Beta                      |        |      | Tolerance               | VIF   |
| (constant) | 12.123                      | 1.380      |                           | 8.788  | .000 | .000                    | .000  |
| CEX        | .411                        | .061       | .310                      | 6.703  | .000 | .916                    | 1.092 |
| CTR        | .313                        | .054       | .286                      | 5.845  | .000 | .822                    | 1.217 |
| CAT        | -.182                       | .065       | -.130                     | -2.781 | .006 | .900                    | 1.111 |
| CCO        | .509                        | .083       | .312                      | 6.129  | .000 | .756                    | 1.322 |

*Dependent variable, CPI*

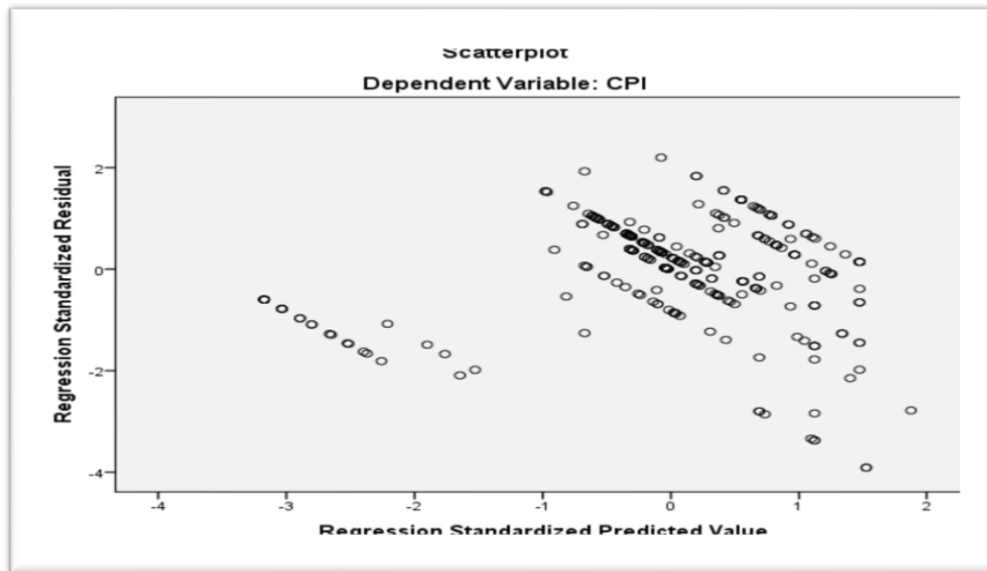
*Source: Own survey, 2019*

As shown on the above table VIF values less than 10, and the tolerance values closer to 1 indicates there is no multicollinearity problem.

#### 4.3.3. Homoscedasticity

The variability in scores for independent variables should be similar at all values of the dependent variable. The scatter plot should show a fairly even rectangular shape along its

length. There should be homoscedasticity before running multiple regression analysis. This means that the residuals between the values of the observed and predicted dependent variable are normally distributed, and that the residuals have constant variance (Burns & Burns, 2008). If the assumption of homoscedasticity is violated (i.e. there is heteroscedasticity). The graph has demonstrated homoscedasticity of the study



**Figure 4.2: Scatter Plot of standardized Residuals**

As shown from fig.4.3 the standardized residuals in this research are distributed evenly indicating heteroscedasticity is not a serious problem for this data.

### **4.3. Multiple Regression Analyses**

After the study met the regression assumptions multiple regressions has been used to test the research hypotheses and examine the effect of celebrity endorsement attributes, the independent variables on purchase intention the dependent variable.

Multiple regressions have been used to test the research hypotheses and examine the effect of celebrity endorsement attributes on purchase intention. The strength of the relationship between variables has been measured by the coefficient of determination. It measures and indicates the degree of goodness of fit the estimated regression equation

are. The coefficient of determination can be interpreted as how good a predictor your regression equation is likely to be (Saunders, et al., (2009).

**Table 4.4: R-square level of the study**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .642 <sup>a</sup> | .412     | .404              | 4.813                      |

a. Predictors: (Constant), CCO, CEX, CAT, CTR

The result of regression analysis of the independent variables (celebrity's-expertise, trustworthiness, attractiveness and congruence) on the dependent variable consumers' purchase intention indicates existence of positive and statistically significant effect on purchase intention. The model summary table R-Square value measures the proportion of the variation in a dependent variable that can be explained statistically by the independent variables and it takes on any value between 0 and 1. The R-square value of the model is 0.412 which means that over 40% of the consumers' purchase intention was explained by the regression model.

As McDaniel and Gates (2013), stated the adjusted R<sup>2</sup> statistic which takes into account the number of independent variables in regression equation is preferred by some researchers as it helps to avoid overestimating the impact of adding an independent variable on the amount of variability explained by the estimated regression equation.

**Table 4.5: ANOVA Result (significance of the model)**

| Model      | Sum of Squares | Df  | Mean Square | F      | Sig.              |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 4862.810       | 4   | 1215.702    | 52.481 | .000 <sup>b</sup> |
| Residual   | 6949.407       | 300 | 23.165      |        |                   |
| Total      | 11812.216      | 304 |             |        |                   |

Dependent Variable: CPI; Predictors: (Constant), CCO, CEX, CAT, CTR;

Source own survey result, 2019

On the other hand, the ANOVA tells us whether the model, overall, results in a significantly good degree of prediction of the outcome variable (Field, 2005). Since the significance result on the ANOVA table is 0.000 which is  $p < 0.05$ , the regression analysis proved the presence of a good degree of prediction. In general, as we can see from the above table, the F value, which is used to test how well the regression model fits the data, is given by 52.481 with significance level of 0.00. Since the observed significance is less than 0.05, there is a linear relationship between the independent and dependent variables. The contribution of each independent variable can be seen from the results of multiple regressions in the coefficient table below.

**Table 4.6: Coefficient of relationship of celebrity attributes on purchase intention**

| Model      | Unstandardized Coefficients |           | Standardized coefficients | t      | Sig. |
|------------|-----------------------------|-----------|---------------------------|--------|------|
|            | B                           | Std.Error | Beta                      |        |      |
| (constant) | 12.123                      | 1.380     |                           | 8.788  | .000 |
| CEX        | .411                        | .061      | .310                      | 6.703  | .000 |
| CTR        | .313                        | .054      | .286                      | 5.845  | .000 |
| CAT        | -.182                       | .065      | -.130                     | -2.781 | .006 |
| CCO        | .509                        | .083      | .312                      | 6.129  | .000 |

a. Dependent variable: CPI

Source: - Own survey result, 2019

### Regression Equation

$$CPI = 12.123 + 0.411X_1 + 0.313X_2 - 0.182X_3 + 0.509X_4 \dots \dots \dots (2)$$

### Hypothesis test results and discussions

From the above table one can see that fashion involvement, value consciousness, past experience, social status, and consumers' attitude positively affects consumers' purchase intention. Unstandardized coefficient (Beta value) indicates the degree of importance of each Celebrity endorsement variables towards purchase intention; accordingly, the variables can be ranked in the following manners on the basis of their contribution:

1. Celebrity's congruence (CCO),  $B = .509$
2. Celebrity's Expertise (CEX),  $B = .411$
3. Celebrity's Trustworthiness (CTR),  $B = .313$
4. Celebrity's Attractiveness (CAT),  $B = -.182$

The beta value on the coefficient table indicates level of effect each variable has on the dependent variable purchase intention. The highest beta level is for congruence of celebrity's with  $B = .509$ . This means that the more company work on favorable product/celebrity fit with endorsed brands and had good degree positive influence towards intention to purchase, the more customers become involved in purchase intention.

The hypotheses of the study were tested through multiple regression analysis and the results are summarized below.

**Table 4.7: Summary of Research Hypotheses Results**

| <b>Hypotheses</b> |                                                                                            | <b>Result</b>                                 | <b>Reason</b>             |
|-------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------|
| H1                | <i>Perceived expertise is positively related with consumers' purchase intention.</i>       | <i>Accepted</i>                               | $\beta = .411; P < 0.05$  |
| H2                | <i>Perceived trustworthiness is positively related with consumers' purchase intention.</i> | <i>Accepted</i>                               | $\beta = .313; P < 0.05$  |
| H3                | <i>Perceived attractiveness is positively related with consumers' purchase intention.</i>  | <i>Negative but statistically significant</i> | $\beta = -.182; P < 0.05$ |
| H4                | <i>Perceived congruence/fit is positively related with consumers' purchase intention.</i>  | <i>Accepted</i>                               | $\beta = .509; P < 0.05$  |

**Source: Own summary, 2019**

Table 4.7 presents test results of the research model. Hypothesis 1 proposed that perceived expertise will positively and significantly influence purchase intentions of banking products/services. The results revealed that purchase intention was significantly predicted by expertise of celebrity endorser ( $\beta = .411$ ,  $t=6.703$ ,  $p<.05$ ), supporting Hypothesis 1. The more familiar, experienced, and knowledgeable that an endorser had about the brands/products, the higher will be consumers' purchase intention of endorsed brands or products.

Hypothesis 2 predicted a positive effect of trustworthiness on purchase intentions again receives statistical support. Results show that positive and significant determination of trustworthiness on purchase intention with ( $\beta = .313$ ,  $t=5.845$ ,  $p<.05$ ). The higher the company work for trust value maximization the higher will be purchase intentions of consumers towards purchasing endorsed bank products/services.

Hypothesis 3 states positive relationships between attractiveness and purchase intention. Results revealed that attractiveness negatively and significantly affected purchase intentions ( $\beta = -.182$ ,  $t=-2.781$ ,  $p<.05$ ). Thus, H3 not supported.

Hypothesis 4 predicted perceived congruence/fit would positively influence purchase intentions. The results showed that congruence positively related to purchase intentions of bank products ( $\beta = .509$ ,  $t=6.129$ ,  $p<.05$ ), supporting H4. The higher the respondents' intention for fit between celebrity and the endorsed brand/products the higher will be their purchase intention.

In sum, the results showed that celebrity endorsement attribute variables (expertise, trustworthiness, attractiveness and congruence) explained a substantial amount of variance in purchase intentions ( $R^2=.412$ ) for banking products.

In conclusion, the results of this study were explained against pervious empirical analysis and justified. As shown from the regression equation (2), perceived celebrity expertise, trustworthiness and congruence has positive effect on purchase intention while attractiveness is negative effect. We can infer that expertise, trustworthiness and congruence of the celebrity were positive and significant effect on purchase intention ( $\beta=0.411$ ,  $0.313$  &  $0.509$ ,  $P<0.00$ ) respectively. This result is consistent with other findings

in literatures as mentioned by others (Alem, 2014; Elias, 2016; Hassan &Jamil, 2014; Ibok, 2013; Oyeniya, 2014; Belch & Belch, 1994; Ohanian, 1991, Erdogan1999).

On the other hand, perceived Attractiveness of celebrity has negative but significant effect on purchase intention. The results of this study however contradict with previous research works (Alem, 2014; Elias, 2016; and Ibok, 2013).This inconsistency between the result of this study and previous researchers' finding could be overshadowing of products and embroilment of the celebrity (Erdogan, 1999).

## CHAPTER FIVE

### 5. Summary, Conclusion and Recommendations

This chapter aims to review the problem of the research and conclude the findings with regard to the objectives of the study. Recommendation that focuses on how the problem identified could be addressed is included in this chapter. Agenda for future researches is also included at the end of this chapter.

#### 5.1. Summary of Findings

This study was initiated to investigate the effect of celebrity endorsement that are perceived to be important in influencing consumers purchase intention of banking services. More specifically, in this study four celebrity endorsement attributes are assumed to be more important in influencing consumers purchase intention. The study, as a result, found that the purchase intention of banking products/services is based on many factors.

The results of this study also showed the association between all independent variables and purchase intention towards endorsed brands. Prior to the regression analysis the Pearson's correlation between the study variables are examined and thus it is confirmed that there is moderate and positive relationship between all the independent and the dependent variables, and the correlations among the independent variables are free from multicollinearity problem.

Furthermore, the results of regression analysis indicated those celebrity endorsement attributes, i.e., perceived expertise, trustworthiness and congruence affect positively purchase intention and had positive and statistically significant effect with ( $\beta = 0.411, 0.313 \text{ \& } 0.509, p < 0.000$ ) respectively. Whereas the findings of perceived attractiveness of celebrity with purchase intention is statistically significant but the coefficient is negative ( $\beta = -0.182, p < 0.006$ ), which is against hypothesis (H3). This finding is not as hypothesized by this research.

From this finding, it can be concluded that celebrity congruence is the most important element which highly influence the consumers' buying behavior. This research discovered that the fit between celebrities and the products or brands that are endorsed in celebrities are the most important attribute to influence the consumer's purchase decision. Next to celebrity congruence, based on respondents' responses expertise of celebrity is the second most attributes that directly related to purchase intention. Overall, the measurement variables used in this study are reliable, valid, positive and statistically significant effect on purchase intention. This showed that the universal positive influence of celebrity endorsement also holds true here in Ethiopian context especially in competitive business environment like banks too.

Therefore looking at the influence of each independent variable revealed that all independent variables significantly predict purchase intention towards buying banking services. The finding of the study shows that there is a significant difference between age groups with regard to celebrity endorsement and consumers' purchase intention. Those younger age groups eagerly follow celebrities. The finding of the study had also revealed that there is a significance difference between respondents' education levels in which diploma and degree holders easily understand about celebrities.

## **5.2. Conclusions**

In conclusion, this study sought to find out the effect of celebrity endorsement on purchase intention of banking service being provided by the bank and customers' perception towards the endorsed brands.

The findings of this research showed that customers have positive attitude towards the endorsed bank brands and have shown their intention to purchase the services of the bank. All the celebrity attributes except physical attractiveness, are found to be desirable to influence purchase intention but congruence has the highest influence than the other three attributes. So that the three attributes expertise, trustworthiness, and celebrity congruence have positive and statistically significant effect on purchase intention. However, attractiveness has negative but significant influence on purchase intention.

### **5.3. Recommendations**

Based on the findings the researcher came up with the following possible recommendations to policy makers, marketers etc

- ◆ Finding of this research suggest that advertising practitioners highly recommended improving their message when they advertise banks by celebrities; obviously this requires further investigation to understand the celebrities' effectiveness.
- ◆ It is recommendable that celebrity endorsements will be more effective when used consistently over time to increase the strength of the link between the celebrity and the endorsed brand. Celebrity endorsements will be more effective when the advertisement execution is simple, clean and free of irrelevant design elements. Focus on the celebrity and the brand together not only the celebrity.
- ◆ Celebrity endorsements will be more effective when using a celebrity who is not already strongly associated with another product or service because it could be dangerous.
- ◆ However, great care should be taken while selecting the celebrities to promote the products and services. Although all the attributes have positive influence, while physical attractiveness has a negative effect on customers' purchase intention. Celebrities may overshadow the product. As the celebrity perceived to be physically attractive customer may focus only the celebrity rather than what he or she is endorsing. Hence, marketers need to be conscious about this in selecting of celebrities.
- ◆ Celebrity endorsements will be more effective when using a celebrity with a high "belongingness or prominence" with the endorsed brand. Celebrity endorsements will be more effective when used consistently over time to increase the strength of the link between the celebrity and the endorsed brand.

#### **5.4. Limitations of the Study**

Every research has certain limitations therefore it is necessary to acknowledge them before moving on to generalizations of findings. There is limitation with regard to sampling technique used. As the convenience sampling was used, bias may exist. If the random sampling was used, it would contribute a higher credibility of the results. Moreover, since the majority of the respondents are well educated, females and youngsters, generalization to other groups might not be applicable. The study is conducted at single point in time. In order to have more reliable responses from customers regarding celebrities so as to determine purchase intention time series data would better.

While the study relates to the celebrity attributes that consumers perceive to be important in considering purchase intention, it has only focused on four celebrity endorsement attributes (perceived expertise, trustworthiness, attractiveness and congruence). As per different researches in different times, so many other attributes/factors can enhance consumers purchase intention towards to buy endorsed bank products or services.

#### **5.5. Future Research**

The research, however, has more rooms for improvement. Further researches are required involving celebrity endorsement by taking into account several social, economic, political, environmental factors and assess its impact on intention to purchase. In addition to the positive effect there could be different forms of indirect effect of celebrity on purchase intention through other bridging variables. These issues could be addressed in future researches mainly in Ethiopian context. Moreover, further research could be conducted to a different product category, expanded to a larger sampling size or geographical area so that the result may be reflective of the actual buying pattern of consumers and to generate higher outcomes of the confidence level.

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## **APPENDICES**

### *APENDEX: QUESTIONNAIRE*

#### *CELEBRITY ENDORSMENT SURVEY*

Dear respondents:

This is a questionnaire prepared to study the effect of celebrity endorsement on consumer purchase intention of bank products and services, the case of CBE. In conducting this study, your honest and kind answer is decisive for the finding of this research. The purpose of this study is for the fulfillment of Master of Business Administration (MBA).

Celebrity endorsement is a form of advertising campaign that involves well known persons using their fame to help promote a product or services. Celebrity is defined as a person who enjoys public recognition from a large share of a certain group of people and uses this recognition on behalf of a consumer good by appearing with it in advertisements. Usually celebrities are known to the public for their accomplishments in areas other than the product endorsed by them, example actors, sport figures, entertainers, and the like. While filling the questionnaire, I would like to request you to keep in mind the advertisements (both TV and Print ads) by endorser Artist AlemayehuTadesse.

The response you provided is used only for academic purpose and kept confidential. I would like to thank you in advance for your honest, accurate, and timely response.

Note:

- ◆ No need of writing your name
- ◆ Write a [✓] mark on the space provided for choosing
- ◆ Write neatly and clearly

**Thank you!**

**PART ONE: General Information**

| No | Items | Responses | Tick(√) | No | Items           | Responses            | Tick(√) |
|----|-------|-----------|---------|----|-----------------|----------------------|---------|
| 1  | Age   | <18       |         | 3  | Education Level | Below high-school    |         |
|    |       | 18-30     |         |    |                 | High-school complete |         |
|    |       | 31-40     |         |    |                 | Diploma              |         |
|    |       | 41-50     |         |    |                 | Degree               |         |
|    |       | >50       |         |    |                 | MA&above             |         |
| 2  | Sex   | Male      |         | 4  | Occupation      | Student              |         |
|    |       | Female    |         |    |                 | business owners      |         |
|    |       |           |         |    |                 | Employees            |         |
|    |       |           |         |    |                 | Other                |         |

## **PART TWO: Perception towards the celebrity endorse**

In this part questioners are related to measures that determine celebrity endorsement and in turn purchase intention. The measurement scales are two opposite ends which represents respective alternatives: (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly agree, to choose your best interest. So please circle your best choice towards source of celebrity endorsement.

| <b>2.1 Celebrity's Expertise</b>                       |                 |   |   |   |   |   |               |
|--------------------------------------------------------|-----------------|---|---|---|---|---|---------------|
| 2.1.1                                                  | Not an expert   | 1 | 2 | 3 | 4 | 5 | Expert        |
| 2.1.2                                                  | Inexperienced   | 1 | 2 | 3 | 4 | 5 | Experienced   |
| 2.1.3                                                  | Unknowledgeable | 1 | 2 | 3 | 4 | 5 | Knowledgeable |
| 2.1.4                                                  | Unqualified     | 1 | 2 | 3 | 4 | 5 | Qualified     |
| 2.1.5                                                  | Unskilled       | 1 | 2 | 3 | 4 | 5 | Skilled       |
| <b>2.2 Celebrity's Trustworthiness</b>                 |                 |   |   |   |   |   |               |
| 2.2.1                                                  | Undependable    | 1 | 2 | 3 | 4 | 5 | Dependable    |
| 2.2.2                                                  | Dishonest       | 1 | 2 | 3 | 4 | 5 | Honest        |
| 2.2.3                                                  | Unreliable      | 1 | 2 | 3 | 4 | 5 | Reliable      |
| 2.2.4                                                  | Insincere       | 1 | 2 | 3 | 4 | 5 | Sincere       |
| 2.2.5                                                  | Untrustworthy   | 1 | 2 | 3 | 4 | 5 | Trustworthy   |
| <b>2.3 Celebrity's Attractiveness</b>                  |                 |   |   |   |   |   |               |
| 2.3.1                                                  | Unattractive    | 1 | 2 | 3 | 4 | 5 | Attractive    |
| 2.3.2                                                  | Not Classy      | 1 | 2 | 3 | 4 | 5 | Classy        |
| 2.3.3                                                  | Ugly            | 1 | 2 | 3 | 4 | 5 | Beautiful     |
| 2.3.4                                                  | Plain           | 1 | 2 | 3 | 4 | 5 | Elegant       |
| 2.3.5                                                  | Not Sexy        | 1 | 2 | 3 | 4 | 5 | Sexy          |
| <b>2.4 congruence-fit between celebrity and brands</b> |                 |   |   |   |   |   |               |
| 2.4.1                                                  | Not compatible  | 1 | 2 | 3 | 4 | 5 | Compatible    |
| 2.4.2                                                  | Bad fit         | 1 | 2 | 3 | 4 | 5 | Good fit      |
| 2.4.3                                                  | Irrelevant      | 1 | 2 | 3 | 4 | 5 | Relevant      |
| 2.4.4                                                  | Bad Match       | 1 | 2 | 3 | 4 | 5 | Good match    |

**PART THREE:** Purchase intention which is determined by celebrity endorsement source variables in this study. Purchase related questioners inquire your intent to use the services of the celebrity endorsed bank, CBE. Please circle that best reflects your feeling.

| Indicators                                                                                                                              | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------|---------|-------|----------------|
| I purchase the service of the bank because I am well aware of the service endorsed by the celebrity.                                    | 1                 | 2        | 3       | 4     | 5              |
| I purchase the service of the bank because of the expertise of the celebrity.                                                           | 1                 | 2        | 3       | 4     | 5              |
| I purchase the service of the bank because of the trustworthiness of the celebrity.                                                     | 1                 | 2        | 3       | 4     | 5              |
| I purchase the service of the bank because of the attractiveness of the celebrity.                                                      | 1                 | 2        | 3       | 4     | 5              |
| I purchase the products/services of the bank because of the Perceived congruence between the celebrity and the brands of the celebrity. | 1                 | 2        | 3       | 4     | 5              |
| I found the advertisement by celebrity to be the personally relevant for me                                                             | 1                 | 2        | 3       | 4     | 5              |
| I will purchase the products/service of the bank endorsed by the celebrity                                                              | 1                 | 2        | 3       | 4     | 5              |

Source: Adopted and modified from (Ruta, 2017)