

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

In 21st century, marketers formulate and implement different strategies in order to retain existing customers, and attract new customers. To communicate about the product offerings to the customers, marketer always use unique tools and techniques when comparing to their competitors. Nowadays, celebrity endorsements are seen as lucrative way for marketers to introduce their new products in the market, or use celebrity endorsements to boost consumer knowledge of their product. Even though it is not a new idea in marketing, it seems like a new trend to promote marketer products. It is based on pretty simple logic; people idolize celebrities. When brands establishing a relationship and connection to popular names, there is a potential to boost sales drastically, especially when the consumer believes the product or service is actually used by the celebrity him or herself, so when famous people are seen in advertisements promoting a new product, audiences are prompted to buy that product, either subliminally or directly.

Companies in the world have used athletes and celebrities to promote their brands since 1930s (Investopedia.com, 2011), when baseball legend endorsed a soft drink brand. Companies which use celebrities' endorsement come with the expectation of a return on their investments. According to a Marketwatch claim in Social Media Week, even a simple announcement from a brand signing a celebrity or athlete can cause the stock prices of the company to rise, just one endorsement can cast an increase in sales by 4% almost immediately. That is why business nowadays, even a small business would use the exploration of celebrity endorsement to promote their brand.

The effect would be substantial if the brand could find a prominent name that influences their audience. The brand value added by celebrities is immediate and palpable. When a celebrity signs an endorsement deal with a product, an element of legitimacy is suddenly present in the company, simply because of the power of the name backing it up. According to Ad Age (Adage.com, 2010), a brand that uses an endorsement contract with a celebrity or an athlete can see their stock rise up to 20% upon commencing an endorsement deal, and some companies have seen their stock increase by .25% on the day the deal was announced. This shows an increase in perceived legitimacy from the celebrity's endorsement, even though the product has not changed at all. The same article claims that on average, audiences are exposed to some 3,000 advertisements in a day across all media and only 30 that reach audiences' conscious mind. The celebrity endorsement will dramatically accelerate the potential for a brand to grab an audience's attention and reach their conscious mind rather than a standard advertising.

On the other hand, product knowledge is a crucial factor in every industry on selling their products. Knowledge is power and for retailers, product knowledge can mean more sales; it is difficult to effectively sell a product to a customer if they cannot see how a particular product will address his or her needs. Product knowledge will help a customer on decision making which product that meets their requirements, but this knowledge also can kill sales too. Customers nowadays are branching out with significant broader ability to explore products in the moment; customers have closer relationships with what they are buying and the reasons for buying it in their mind. Customer knowledge of the product will lead them thinking further with the entire feature in the particular product, do they really need all of those features or are they just paying for additional features which they

doesn't need, this is why product knowledge can be considered as a double-edge sword.

Nowadays consumer buying decision process has been changed. For years, marketing has always sought those moments, or touch point, when consumers are open to influence; this touch points have been understood through the metaphor of a "funnel", consumers start with a number of potential brands in mind (the wide end of the funnel), and marketing is then directed at them as they methodically reduce that number and move through the funnel, and at the end they emerge with the one brand they chose to purchase. But today, the funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. A more sophisticated approach is required to help marketers navigate this environment, which is less linear and more complicated than the funnel suggests.

McCracken's (1989), in an article "Who is the Celebrity Endorser? Cultural Foundations of the Endorsement Process" states that a celebrity endorser is an individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement. Friedman & Friedman (1979) explains the term "celebrity" refers to an individual who is known to the public, such as actors, sport figures, entertainers and others of the like for his or her achievement in areas other than that of the product class endorsed. According to Khatri (2006) celebrity endorsement is the utilization of the celebrity's names in the product or services advertisements, where celebrities may or may not be the experts. Based from those expert definitions, celebrity endorsements can be defined as an individual who get public recognition, such as actors, sport

figures, entertainers which utilized in the advertisements where the individual may or may not be the experts.

Bettman & Park (1980) explain that product knowledge has been recognized as a characteristic in consumer research that influences all phases in the decision process. Marks & Olson (1981) explained product knowledge as the cognitive representation of product-related experience in a consumer's memory, which is likely to contain knowledge in the form of coded representations of brands, product attributes, usage situations, general product class information, and evaluation and choice rules. Beatty & Smith (1987) define product knowledge as a perception consumers have towards certain products, including previous experience of using the product. Related to those expert definitions, product knowledge is product perception related to consumer experience that influences all phases in the decision process.

Consumer purchase decision is the decision making process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services (David & Albert, 2002). According to Kotler & Levy (1969) consumer purchase decision is behaviors showed by decision making units in the buying, usage and disposal of goods and services. While Schiffman & Kanuk (2007) argues that consumer behavior is the behavior that consumers expose in searching for purchasing, using, evaluating and disposing of product, service and idea which they expect, will fulfill their requirements. Based on those definitions, consumer purchase decision is a physical activity of individuals in decision making units of buying, usage and disposal of goods and services to fulfill their expectation.

In the previous study conducted by Saraswat (2015), entitled "Impact of Celebrity Brand Endorsement on Consumer Buying Behavior" on Indian

consumer stated that component of attitude in case of celebrity endorsements impact the buying behavior of the consumers.

Study about product knowledge by Bian (2008) about “The Role of Product Involvement, Knowledge, and Perceptions in Explaining Consumer Purchase Behavior of Counterfeits: Direct and Indirect Effect” in Glasgow, UK. The result provide no support to the proposition that product knowledge influences purchase intention of counterfeit branded products (CBP), but partial support to proposed relationship between product knowledge and perceptions of CBP. There is evidence that more knowledgeable consumers are more likely to have less favorable perceptions of general product attributes of CBP.

The motivation to write this paper is to know whether celebrity endorsements as a new lucrative way of promotion and marketing have effect on consumer buying decision and what the factors are in the celebrity that influence the consumer or it just a million waste of money. Also about the product knowledge, whether the consumer decision to buy is affected by their knowledge of the product or any other factors that persuade consumer to buy. Other reason is to know whether both celebrity endorsement and product knowledge have effect on consumer buying decision.

Yamaha NMax becomes the object of the study it is because of the phenomena created by NMax with Valentino Rossi the MotoGP champion in 2009 as Yamaha brand ambassador also NMax endorser, it is a newly released product but become the sales leader of ultimate automatic sport motor in Indonesia (Aripitstop.com, 2015). It creates an enigma why the sales increase dramatically and what are the factors in NMax that influence the consumer buying decision.

1.2 Research Question

This essay is intended to investigate the attributes that have been conducted through the literature review are really affected to consumer buying decision. Furthermore, this essay will evaluate the attributes differently, whether endorser who advertising a product or product knowledge which give more effect on consumer buying decision. Thus, this essay addresses precisely the following research questions.

1. Does celebrity endorsement affect the consumer buying decision on Yamaha NMax in Surabaya?
2. Does product knowledge affect the consumer buying decision on Yamaha NMax in Surabaya?
3. Does celebrity endorsement and product knowledge affect the consumer buying decision on Yamaha NMax in Surabaya?

1.3 Objective of the Study

The objective of this study is to analyze:

1. Celebrity endorser effects on consumer buying decision on Yamaha NMax in Surabaya.
2. Product knowledge effects on the consumer buying decision on Yamaha NMax in Surabaya.
3. Celebrity endorser and product knowledge effects on consumer buying decision on Yamaha NMax in Surabaya.

1.4 Significance of the Study

The usefulness of this study are as follow:

1. For academic and researcher

This research can give the information about the relationship between celebrity endorsement, and product knowledge to the consumer buying decision.

2. To the practioner

This research has implications for consideration in the policy and understanding about the celebrity endorsement and product knowledge to consumer buying decision.

1.5 Systematic of Writing

The systematic of this research is divided into five chapters.

Chapter 1: Introduction

This chapter discusses the background of study, research questions, objectives of study, significances of study, and systematic of writing.

Chapter 2: Literature Review

This chapter contains previous research that is relevant to the present study, theoretical background, relationship between variables, and hypothesis of the study. The theoretical background will explain about celebrity endorsement, product knowledge, and consumer buying decision.

Chapter 3: Research Methods

This chapter explains the research design, variable identification, operational definition, variable measurement, types and source of data, tools and data collection methods, population, sample, and sampling techniques, and data analysis techniques.

Chapter 4: Analysis and Discussion

This chapter consists of research data description, data analysis, and discussion, also discussing about respondent description, research variable descriptive statistic, and hypothesis testing.

Chapter 5: Conclusions

This chapter presents the conclusion of the study and suggestions.