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Faculdade de Ciências Económicas e Empresariais
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**Celebrity endorsement advertising campaign: can celebrity endorsement
change PT Comunicações customer's negative predisposition to the
brand?**

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ABSTRACT

Title: Celebrity endorsement advertising campaign: can endorsement change PT Comunicações customer's negative predisposition to the brand?

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This marketing teaching case study aimed to understand how an incumbent company in the Portuguese telecommunication sector dealt with the increase in market competition. Despite the liberalization of telecommunication market in 2000, PT Comunicações, a company of Portugal Telecom Group was still understood as a monopolist and arrogant brand by its customers in the beginning of 2006.

In this scenario, PT Comunicações marketing managers knew that it was urgent to change the communication strategy followed up until that moment if PT Comunicações wanted to maintain the leadership in the market. Thereafter, was developed a new endorsement advertising campaign with humorist group Gato Fedorento.

The purpose of this case study is to act as teaching tool. Students are confronted with real business life situation of understanding if using the mix of humor and celebrity endorsement in advertising campaigns was the best communication strategy to follow.

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CHAPTERS

1. CASE STUDY

1.1 Introduction

Since the Portuguese liberalization of the telecommunication (telecom) market, the PT Comunicações (PTC) Board of Directors objective was to *reinvent the wireline business*¹. In the beginning of 2006, despite some efforts to meet price competition, customer's steel considered PTC as being a monopolistic and arrogant company.

In this context, PTC marketing managers have felt the pressure to change the communication strategy adopted until that moment. As a result, Irene Ruivo, PTC marketing manager, together with the advertising agency, proposed to create an endorsement advertising campaign with the humorist group Gato Fedorento. In spite of Ruivo's enthusiasm, José Carlos, a member of the marketing manager's team, had mixed feelings about using celebrities and humor to enhance brand image.

It was Ruivo's mission to analyze and decide whether the new endorsement advertising campaign would create value to the brand and if it was aligned with overall strategy and values of the company.

1.2 Company profile and Background

In 2005 PTC belonged to Portugal Telecom group (PT), a global telecom provider with a strategic presence in Portugal, Brazil and markets with high growth such as Cabo Verde, Mozambique and China. In 1994 PT group was founded through the merge of three companies: Telecom Portugal, Telecomunicações de Lisboa e Porto and Teledifusora de Portugal.

Presented in all segments of the telecommunication sector, the PT's business portfolio included the areas of wireline, wireless, multimedia communications, data centers and corporate solutions, being its main objective the convergence between telecommunications, media and Information Technology solutions. In 2005, the PT group had a total of 47 millions clients, operational revenues of 6.385 million of Euros and a net income of 654 millions of Euros².

Historically, PT's history was related to the wireline business in Portugal since PT was the incumbent company in the Portuguese telecom market. In September 2000, PTC was created to take over the responsibility for the wireline business (fixed telephone, fixed broadband and wholesale

¹ PT Comunicações Accounting Report (2003). Available at <http://www.ptcomunicacoes.pt/quemsomos/docs/relatorio2003.pdf> [Accessed 12 Jul. 2012]

² PT Accounting Report (2005). Available at http://www.telecom.pt/NR/rdonlyres/C722F071-0A5F-4ED4-86DF-E4C03771E844/1406451/relcon2005p_pres.pdf [Accessed 12 Jul. 2012]

services): to provide retail services to the domestic market, small enterprises and to other telecom providers. In 2005, PTC's operational revenues represented 10% of the PT's group total operational revenues. The net income of PTC was 326 millions of Euros.

1.3 Portuguese Telecommunication Sector

Through the 1990s, a drastic change on the telecom market took place in the European Union. The year of 2000 marked the beginning of the liberalization of fixed telephone service in the Portuguese telecom market. Since then customers could choose between several fixed telephone providers as alternative to the former incumbent firm.

The market liberalization and the competitor's entrance ended with 118 years of PT monopolistic position in the Portuguese telecom market. Until 2000, the launch of new services was only influenced by PT's internal factors, such as, the modernization of infra-structures or innovation, without external influences. Given the existence of multiple offers for the same service with wide choice of wireline providers by customers and the emergence of substitute services, including mobile phone service, PT's strategy followed up until 2000 changed in a decisive way. During 2003, PTC's managers made some internal adjustments in order to deliver to the final customer innovative, modern and differentiate services. In the domestic market, the price plan concept was introduced, consisting of flat rate price plans for various slots during the day. Additionally, the price of wireline/wireless phone calls was reduced. Until then, the price of PTC services was composed by the fixed subscription and the number and duration of phone calls to fixed telephones or mobile phones. The success of the price plans was important to the turnaround of PTC's wireline business, by developing retention and increasing the weighting of fixed charges in overall revenues.

The fixed telephone service was decreasing in number of clients and amount of revenues due to the increase of wireline competition, which consequently took away PTC customers and reduced prices, and also because of the growing appreciation of mobility and free messaging. The new trend of using mobile phones rather than fixed telephones justified the results obtained in the penetration index: on one hand high levels of mobile phones penetration and on the other hand a reduction in fixed telephone market penetration (see **Exhibit 1**).

In fact, the number of PTC new clients decreased 21% from the 2nd semester of 2005 to 1st semester of 2006 and the PTC price plans revenues decreased 15% from 1st semester of 2005 to 1st semester of 2006 (see **Exhibit 2**). In terms of fixed telephone traffic, PTC registered negative results in 2004 and 2005 (see **Exhibit 3**).

PT Comunicações main competitors

The principal direct PTC competitors in the domestic market were Clix, CaboVisão, Optimus Home and Tele 2. Tele 2 entered in the Portuguese telecom market in 2003 with the aim of challenge PTC leadership in the fixed telephone sector. Therefore, Tele 2 reduced its prices and used comparative advertising with PTC to communicate its aggressive offers. Since Tele 2 entry in the Portuguese telecom sector, it was the strongest PTC's competitor in the wireline sector, winning a market share of 15% and more than 400.000 customers from 2003 till 2006³.

Due to customer's preference for using mobile phone instead of fixed telephone, the indirect competitors of PTC were the three principal wireless providers: TMN, Vodafone and Optimus (see **Exhibit 4**). In 2005, TMN was the leading company in this sector with 5.3 million clients. In June 2005, TMN launched a new brand for the low cost segment: UZO. Simultaneously, Vodafone launched Directo as a response to TMN'S UZO and Optimus launched Rede 4. These low cost providers allowed costumers to use their mobile phones without having to make monthly payments for the post-payment mobile phone plan or make the required charge for pre-payment mobile phone plan.

1.4 Defining PTC problem

The wireline domestic market was especially taken into account by PTC managers, mainly due to the threat of mobile phones as being a substitute product to fixed telephones.

Although PTC was the leading company in the wireline sector, regarding market share, there was a negative predisposition to the brand. Despite PTC historically presence in Portugal, it was not able to develop a positive, close and loyal relationship with their customers. Therefore, the new entrant in market had an opportunity to overpass the incumbent company by gaining the confidence and loyalty of PTC customers.

Regarding the satisfaction study developed in 2005, PTC had the lowest scores in five of six criteria's that were taken into account (loyalty, satisfaction, product offer, prices, and institutional brand image) (see **Exhibit 5**).

At the beginning of 2006, PTC developed a market research study (questionnaires and focus group) in order to better understand how its customers perceived the pricing of fixed telephone service. Despite the efforts to change customers' perception about PTC brand, it was still understood as being the most expensive provider (see **Exhibit 6**). The focus group and the questionnaires results allowed Ruivo to realize that the existence of a fix subscription for fixed telephone service and the mobility were the main motives for people preferring mobile phones rather other means of communication (see

³Económico (2007). *Tele2 estuda abandonar Portugal*. Available at http://economico.sapo.pt/edicion/diarioeconomico/edicion_empresa/empresas/pt/desarrollo/746997.html. [Accessed 12 Jul. 2012]

Exhibit 7 and **Exhibit 8**). Indeed, PTC managers understood that the driver for people maintaining the fixed telephone service was because customers valued most the fixed broadband service.

Taking into consideration the opinion of 3.651 million Portuguese domestic houses in four categories (innovation, reliability, variety of offers, and after-sales support), the segment of +64 years old had in overall a better opinion about PTC as a company (see **Exhibit 9**). As Ruivo stated “the aging of the brand image and target justified the obtained results”.

From 2004 to 1st semester of 2006, PTC registered the following evolution (see **Exhibit 10**):

- moved from the second place to third place in the TV unaided awareness index;
- maintained the same position in the TV proved brand awareness index.

While analyzing every market studies results, Ruivo and her team understood that PTC problem was structural and strategic “PTC problem is related with its brand image and in its relationship with its customers, it’s not only a pricing problem...We have to assume that Portuguese people don’t like our brand and that our offers aren’t appreciated by the market.” Due to that it was crucial to have a turnaround in the negative perception of PTC within their customers.

Ruivo’s team first step was to define the marketing and communication objectives. The marketing objectives were: 1) invert the decrease of wireline traffic; 2) bet on price plans sales as a vehicle to increase wireline traffic; 3) avoid the negative predisposition to the brand; 4) become more efficient in terms of brand awareness results vs amount of advertising expenditure. For what concerns the communication goals, marketing managers wanted to refresh the brand communication and image and to have the highest scores in brand awareness index.

Up until 2006, PTC communication strategy was not differentiated according to each segment. PTC communicated to mass market. The new marketing and communication strategy would have segmented objectives: in the 18-30 years old segment the goal was to refresh the brand image in order to get into touch with customers, in the 30-55 years old segment the goal was to strength the customer relationship in order to increase sales and finally in the +55 years old segment the goal was to sell in order to increase loyalty.

The problem was identified; the objectives were defined; now the next step was to find out the solution.

1.5 Other advertising campaigns

In 2005, in the TV brand awareness index considering all telecom providers (wireless and wireline), the wireless providers (TMN, Vodafone and Optimus) occupied the first positions (see **Exhibit 11**). For three consecutive years, Vodafone was in first place in the mentioned index.

Since 2003 the wireless providers adopted a new communication philosophy. The phone was no longer a mere instrument of communication, but instead a mean for transmission of feelings. Therefore, their communication strategy was not focused on the product itself but rather on life experiences. The communication objective was to get closer with their customers.

In 2003, Portugal was invaded by billboards and TV spots with images showing a mouth expressing anxiety and a message saying "O que é que sentes?". The mystery was installed: the teaser also went on the radio and it was followed by another teaser on the same day showing an eye and the same message. The campaign had to do with feelings. Finally, the mystery was solved: Optimus began a repositioning campaign (see **Exhibit 12**).

Two years later, it was TMN turn. TMN developed a new corporate identity presented to the public in an advertising campaign to communicate the new phase of the company. It was adopted a new signature "Até já" (see **Exhibit 13**).

In response to TMN new brand image, Vodafone changed its logo's design and replaced its signature "How are you?" by "Viva o momento. Now" (see **Exhibit 14**). According to Vodafone, "Now" was a concept that met one of the benefits most valued by clients: time. It had its starting point with the TV advertising campaign "Efémera, Nova Imagem" (see **Exhibit 15**). "Efémera, Nova Imagem" was in the top of TV proved awareness index with an investment of above 4M Euros (the top 10 TV telecom advertisements during the year of 2005 had an investment, in average, of less of 4M Euros) (see **Exhibit 16**).

Concerning the wireline communication strategies, Tele 2 was focusing their efforts on comparative advertising of their and PTC prices (see **Exhibit 17**).

The mix of humor and endorsement as an advertising strategy had always been used in Portugal. However, in the beginning of XXI century was becoming a common practice due to launch of stand-up comedy shows. The advertisers understood that this new generation of comedians was a perfect vehicle to disseminate the brand messages. Despite the strategy of using celebrities to endorse the brand was not frequently used in the telecom sector, in the bank sector was becoming a common practice.

One year earlier, Ricardo Araújo Pereira, a member of the Gato Fedorento Group, developed two campaigns for Montepio bank named "Falam, falam, falam..." and "É já a seguir...". Build a younger image about Montepio bank was the challenge for Montepio marketing managers in 2004. In both campaigns, Ricardo Araújo Pereira was inspired by Gato Fedorento sketches. The combination of the intelligent humor of Ricardo Araújo Pereira and the novelty of the centenary brand Montepio, were the success factors of this partnership. The blogs were filled with comments; YouTube was flooded by people commenting the advertising and in every restaurant people commented about the Montepio new advertisement campaign. The buzz of the word of mouth was created, which helped Montepio to

have the more effective campaign in its history. The results were undeniable: high scores on brand awareness index, increase of credit insurance (sales) and doubled the market share, when compared the same period of the year before (see **Exhibit 18**).

1.6 Who was Gato Fedorento group?

The comedy group Gato Fedorento was composed by four Portuguese comedians: José Diogo Quintela, Miguel Góis, Ricardo Araújo Pereira and Tiago Dores. The group started with stand-up comedy exhibitions in SIC Radical, a Portuguese television channel, and sketches that were spread throughout Youtube. In 2003, the group created a blog on the internet where they included some funny videos. In fact, according to market study, in 2004 the Gato Fedorento blog was the third most visited internet blog with 77.000 visitors⁴.

In 2004, the group sketches were in the second place in the ranking of the most sold DVDs. Their humor was characterized as being irreverent, intelligent, and sarcastic. Many expressions of Gato Fedorento comedy sketches were repeated by the public.

Between 2004 and 2005 internet blogs were fulfilled of comments about Gato Fedorento sketches, such as:

- *Eduardo Cintra Torres, a critic of TV shows, elected Gato Fedorento sketches as "the best comedy show done in Portugal since the first humor programs with Herman José".*⁵ ⁶
- *"The program became very popular, especially among a younger audience, leading to the series that were released on video in 2004 and 2005. (...) The success of Gato Fedorento led to the launch of a book and also the performance of some live shows in various parts of the country, for example, the Tivoli Theatre in Lisbon and Oporto Coliseum".*⁷
- *"And now some serious prizes, not to die of boring. Best year's program: Gato Fedorento (SIC Radical). The best humor television in decades."*⁸

1.7 An important decision for the new marketing campaign

In order to maintain the leadership in terms of market share and brand awareness, PTC needed to refresh its communication strategy. Therefore, PTC marketing managers together with the advertising

⁴ Marktest (2004). *A blogosfera em 2004*. Available at <http://www.marktest.com/wap/a/n/id~707.aspx>. [Accessed 12 Jul. 2012]

⁵ Herman José is a Portuguese humorist

⁶ Blogspot (2004). *Criticos elegem gato fedorento como o melhor da televisão em 2004*. Available at <http://lmfm.blogspot.pt/2004/12/criticos-elegem-gato-fedorento-como-o.html>. [Accessed 12 Jul. 2012]

⁷ Infopédia (2004). *Gato Fedorento*. Available at [http://www.infopedia.pt/\\$gato-fedorento](http://www.infopedia.pt/$gato-fedorento). [Accessed 12 Jul. 2012]

⁸ Publico TV (2004). *And the Olho Vivo goes to...* Available at <http://static.publico.pt/tvzine/critica.asp?id=2992>. [Accessed 12 Jul. 2012]

agency presented to the Board of Directors a proposal for the new advertising campaign based on celebrity endorsement. The endorsers proposed were the Portuguese humorists Gato Fedorento.

The idea of adopting Gato Fedorento as endorsers for the new PTC campaign resulted in an uncommon discussion between the advertising agency and PTC marketing managers. During this decisive meeting, developed in June 2006, the advertising agency defended that using Gato Fedorento best fitted the marketing and communication objectives, since they were popular among young people and using humor would increase awareness about PTC services. Hence, PTC would have customers talking about its advertisements and consequently about the brand.

Ruivo believed that celebrities' endorsers increase products' popularity and hence would contribute to repositioning success. Nevertheless she knew that endorsement had inherent risks, such as, public controversy, image change and overexposure.

In contrast, José Carlos defended that using endorsers and especially humorists would not be the right advertising strategy to follow. José Carlos considered that using humor would not necessarily influence customers purchase intentions and that customers would pay more attention to the celebrity itself, rather than to the brand or service that was being promoted. To support his opinion, he used a recent market study result that showed that customers would not consider that their buying behavior was influenced by celebrities (see **Exhibit 19**). Moreover, he argued that using an expert or typical consumer as endorser would enhance brand credibility. José Carlos observed: "Take into consideration the example of Marta who promoted the OK Teleseguro⁹ campaign versus Carlos Cruz, who endorsed Seguro Directo brand. Although Carlos Cruz was a well known celebrity by the public, the advertisement that had a higher score in the brand awareness index in 2002 was OK Teleseguro¹⁰. Well, and I am not considering the negative effects that the recent scandal that involves Carlos Cruz with pedophile had on Seguro Directo brand...".

Ruivo knew that José Carlos was right in some arguments, but she consider that strong brands have to bet in irreverent advertisements. She was confident on the decision made mainly due to the successful results of Montepio campaign in 2004 with Ricardo Araújo Pereira. At the end of the meeting, Ruivo concluded "PTC had been for so long adopting the same advertising strategy. Now it's time to change our communication strategy and see what we get". The decision was taken: the new PTC advertising campaign would be endorsed by Gato Fedorento group.

1.8 "Wait to observe the results"

The new communication strategy would be materialized in a campaign that would start on August 4th 2006 and aimed to promote the price plan "PT Noites". Until September 30th all PTC domestic customers could join and benefit from unlimited phone calls within the PT network during the week

⁹ OK Teleseguro and Seguro Directo are insurance companies

¹⁰ Publivaga. *A marca Marta*. Available at <http://www.marktest.com/wap/a/n/id~336.aspx>. [Accessed 12 Jul. 2012]

from 9 p.m. to 9 a.m. for 30 days. The total TV advertising investment would be about 5.573.925 of Euros.

The PTC signature would change from “Uma forte ligação” to “Agora é outra conversa” (see **Exhibit 20**, **Exhibit 21**, **Exhibit 22** and **Exhibit 23**). For one year, Gato Fedorento group signed an exclusivity contract with PTC, meaning that they were going to exclusively advertise PTC services.

Ruivo and José Carlos wondered how far they have to wait to observe the campaign results. PTC’s Board of Directors was scheduled to meet in late August 2006 to discuss the Gato Fedorento endorsement advertising campaign results and PTC’s future plans in terms of communication strategy. The final task that marketing managers have to do was wait to observe the results.

Exhibit 1 The market penetration ratio evolution of mobile phone and fixed telephone services from 2003 till 2005

	2003	2004	2005
Mobile phone service	95,80%	98,40%	108,70%
Fixed telephone service	40,90%	40,30%	40,10%

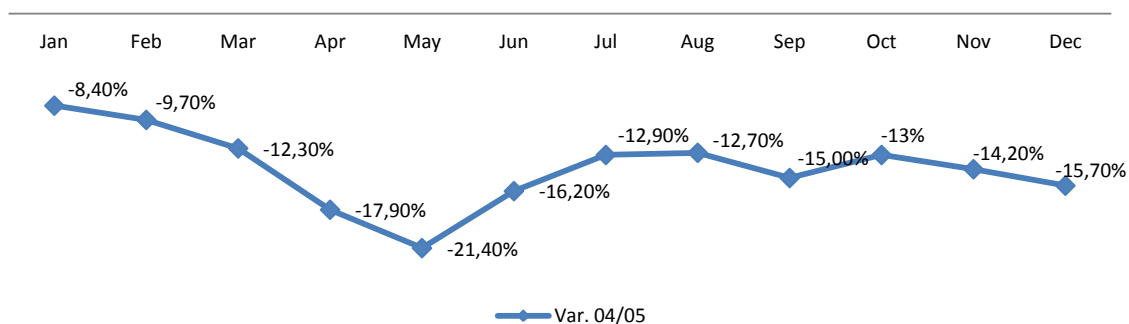
Source: ANACOM, INE

Exhibit 2 The number of new PT Comunicações customers in 2nd semester 2005 and 1st semester of 2006 and the total amount of price plans revenues in Euros in 2005 and 1st semester 2006

	1st semester of 2005	2nd semester of 2005	1st semester of 2006
New PTC clients	-	46.332	36.645
Revenues of price plans	1.297.000 €	882.000.000 €	1.104.000 €

Source: PT Comunicações (provided by MSTF Partners)

Exhibit 3 The fixed wireline traffic in the domestic segment (in minutes). Cumulative variation of 2004 and 2005 in every months of the year



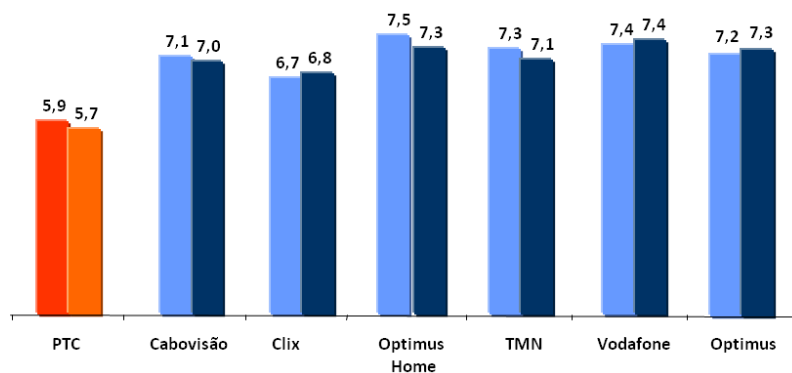
Source: PT Comunicações (provided by MSTF Partners)

Exhibit 4 Comparison between PT Comunicações and the three principal Portuguese wireless providers (TMN, Vodafone and Optimus) in terms of net income, ARPU¹¹ and number of employees

	PT Comunicações	TMN	Vodafone	Optimus
Company Group	PT Group	PT Group	Vodafone Group	Sonae Group
Net Income (millions of Euros)	247	110	169	45
ARPU ³ (in Euros)	34	23	25	22
Number of Employees	7.377	1.188	1.725	2.306

Source: Accounting Reports of PT Comunicações, TMN, Vodafone and Optimus in 2005

Exhibit 5 Market study results about customer's satisfaction considering 6 criteria (loyalty, satisfaction, product offer, prices and institutional brand image), Jan/Jul 2005 and Aug/Dec 2005



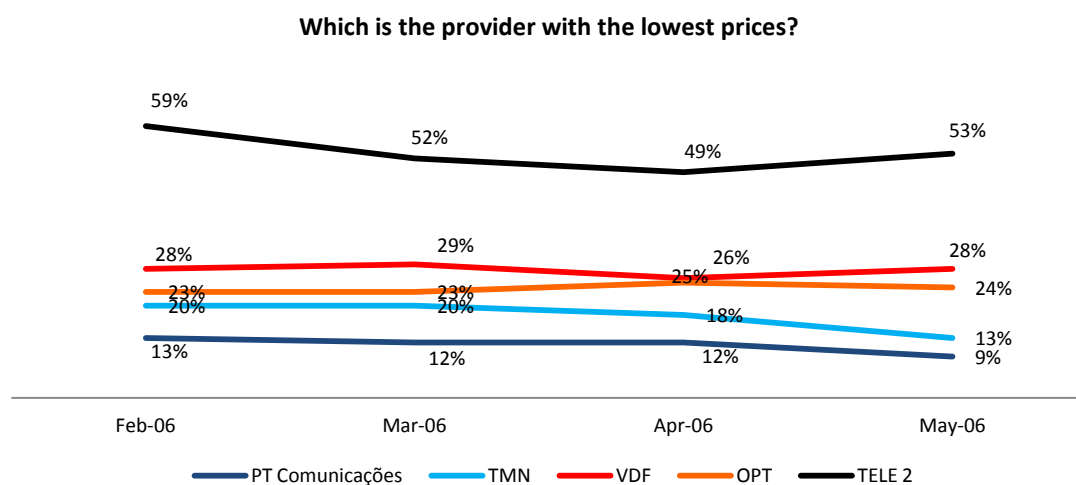
Scale 0 to 10 (0 – low satisfaction, 10 – high satisfaction)

First Column: January/July 2005; Second Column: August/December 2005

Source: PTC (provided by MSTF Partners)

¹¹ ARPU stands for Average Revenue per Customer

Exhibit 6 Market study results about PT Comunicações customer's satisfaction – the provider with the best price offer (meaning lower prices), 1st semester of 2006



Source: PT Comunicações (provided by MSTF Partners)

Exhibit 7 Focus Group results about interviews perceptions concerning PT Comunicações prices and brand image, 2006

Focus Group Results
<i>"OS JOVENS NÃO GOSTAM DA PT. ACHO QUE ELES GOSTAM UM BOCADINHO MAIS DE LIBERDADE E A PT PRENDE UM BOCADINHO, OS PLANOS, A ASSINATURA E ESSENCIALMENTE OS JOVENS QUEREM TALVEZ O TELEMÓVEL..."</i>
<i>"SE APERTAR COM A PT... EU FUI LÁ E DISSE QUE IA DESISTIR DA LINHA. E ELES DIZIAM SE EU OFERECER ALGUMA COISA, O SENHOR NÃO DESISTE? NÓS TIRAMOS CINCO EUROS NA ASSINATURA."</i>
<i>"TIVE QUE PROMETER QUE NUNCA MAS LIGAVA PARA TELEMÓVEL... FOI O MAIOR ARGUMENTO. SÃO SEMPRE AS CHAMADAS MAIS CARAS."</i>
<i>"ACHO QUE TODA A GENTE TEM DIFICULDADE EM IDENTIFICAR OS PLANOS..."</i>
<i>"NÃO OFERECE NADA PORQUE TEMOS SEMPRE QUE PAGAR A ASSINATURA."</i>
<i>"ALUGUER DA LINHA É HORRÍVEL. É DINHEIRO MAL GASTO. DETESTO PAGAR ASSINATURA."</i>
<i>"SÃO O CENTRO DAS ATENÇÕES. TUDO TEM DE GIRAR À VOLTA DELES"</i>
<i>"TÊM A IMAGEM DO EU QUERO, POSSO E MANDO!"</i>
<i>"NÃO SÃO 1 EMPRESA SÉRIA. EU ESTOU NA PT PORQUE SOU OBRIGADO".</i>
<i>"A PT É COMO UM LUTADOR DE SUMO, A COMER PRATOS ENORMES, QUE SÃO A ASSINATURA"</i>

Source: APEME

Exhibit 8 Market study results about the reasons for not using the fixed telephone service, February 2006

Reasons for not using the fixed telephone service	
Prefer to use mobile phones	61%
Don't like to pay the fixed subscription	17%
It is cheaper to do phone calls by other means	5%
Do not need to communicate	5%
Other reasons	7%
Don't Know/ Don't answer	1%

Source: ANACOM

Exhibit 9 Market study results about interviews perceptions regarding four criteria (reliability, innovation, after-sales support and variety of offers/services) in each five segments (< 35years old, 35 - 44 years old, 45-54 years old, 55-64 years old, > 64 years old), 2005

Figure 1: Customers perceptions in the <35 years old segment

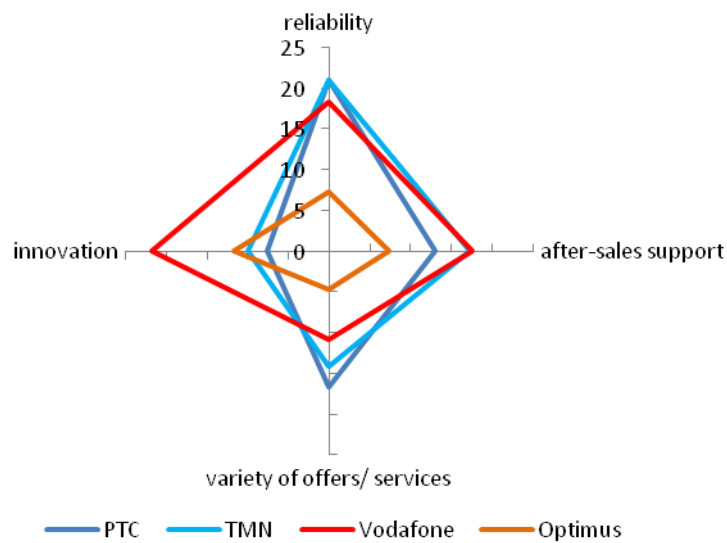


Figure 2: Customers perceptions in the 35-44 years old segment

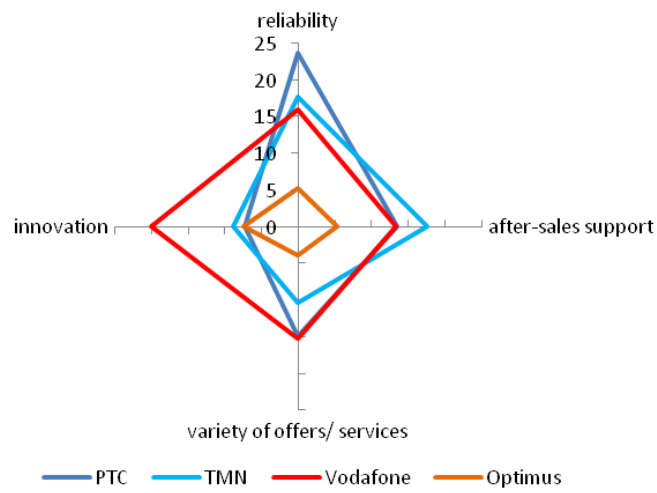


Figure 3: Customers perceptions in the 45-54 years old segment

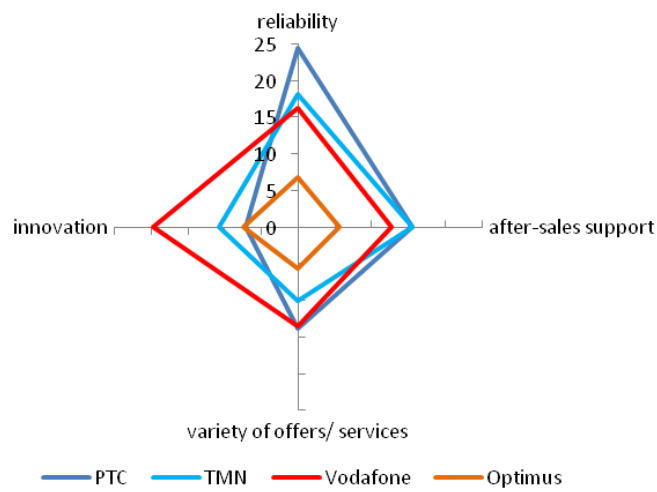


Figure 4: Customers perceptions in the 55-64 years old segment

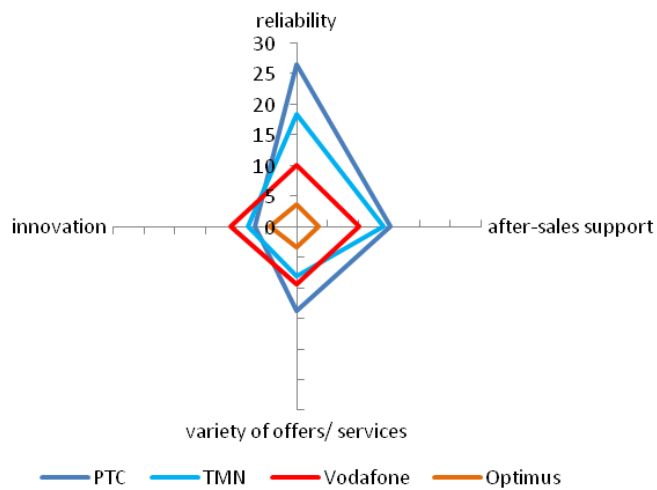
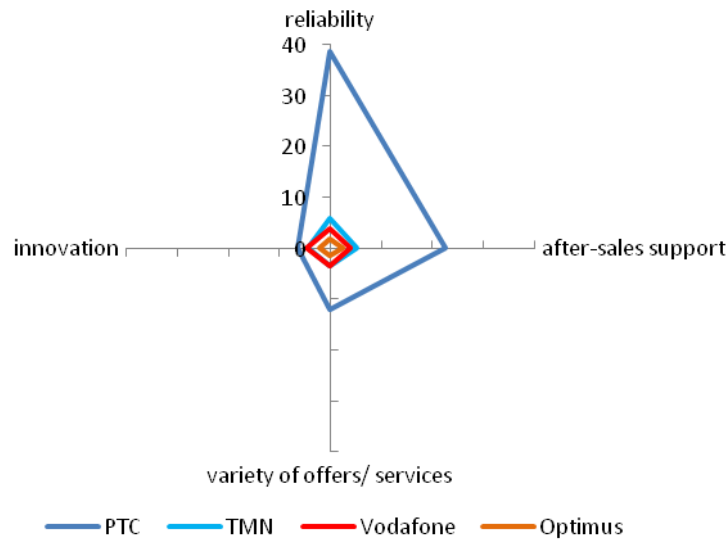


Figure 5: Customers perceptions in the >64 years old segment



Universe: 3.651 million domestic houses.
 Sample: interviews of 1.000 domestic homes per month.

Source: Barómetro de Telecomunicações Markttest

Exhibit 10 Comparison between PT Comunicações and other telecommunications providers (wireline and wireless) in the TV Brand Awareness Key Indicators (TV unaided brand awareness and TV proved brand awareness), 2004, 2005 and 1st semester of 2006

TV UNAIDED BRAND AWARENESS (%)			
	2004	2005	1st semester 2006
Vodafone	31,7	32,6	38,7
TMN	24,9	29,7	41,5
PT Comunicações	29,4	30,1	30,9
Optimus	20,7	21,2	25,3
Tele 2	14,9	12,8	10,4
UZO	-	4,2	3,3
Rede 4	-	1,4	2,4

TV PROVED BRAND AWARENESS (%)			
	2004	2005	1st semester 2006
Vodafone	11,0	12,0	9,1
TMN	9,4	14,6	13,5
PT Comunicações	9,7	12,0	11,1
Optimus	9,5	9,7	9,3
Tele 2	24,3	17,6	11,9
UZO	-	9,5	7,0
Rede 4	-	2,4	3,8

Universe: individuals that are 15-64 years old and live in Lisbon and Oporto (2.107.000 individuals).

Source: MEDIAMONITOR/ Publitéx TV

Exhibit 11 Summary Table of wireless and wireline advertising campaigns in terms of TV Brand Awareness Key Indicators (unaided brand awareness, brand awareness and proved brand awareness), TV Total Investment and TV Ratings, 2005

Brands	TV unaided brand awareness (%)	TV brand awareness (%)	TV proved brand awareness (%)	TV total investment (in Euros)	TV Ratings (GRPs)
Vodafone	32,6	64,3	12,0	76.294.628	50.079
TMN	29,7	49,2	14,6	55.859.709	34.818
PT Comunicações	30,1	59,4	12,0	28.133.146	15.574
Optimus	21,2	59,1	9,7	63.977.628	45.283
Tele 2	12,8	47,0	17,6	14.807.004	7.969
UZO	4,2	41,6	9,5	8.855.010	6.765
Rede 4	1,4	17,7	2,4	6.927.474	4.362

Universe: individuals that are 15-64 years old and live in Lisbon and Oporto (2.107.000 individuals)

Unaided brand awareness question: "Which telecommunications ads have you seen lately?"

Brand Awareness: is the sum of unaided and aided brand awareness

Proved Brand Awareness: occurs when the interviews describe correctly the tv advertising campaign

GRPs (short for Gross Rating Point): an acronym used in advertising to measure the size of an audience reached by a specific media vehicle or schedule

Source: MEDIAMONITOR/ Publitéx TV

Exhibit 12 Images of Optimus advertising campaign in 2003



Exhibit 13 Images of TMN advertising campaign in 2003



Exhibit 14 Image of Vodafone advertising campaign in 2003



Exhibit 15 Youtube video of Vodafone TV advertising campaign in 2005 – “Efémera Nova Imagem”

<http://www.youtube.com/watch?v=BXuHTYqWPew>

Exhibit 16 Top 10 wireline and wireless TV advertisements organized in descendent order regarding TV proved awareness scores, 2005

Brands	TV advertisements	TV proved awareness (%)	Satisfaction (Scale 1 to 5)	TV total investment (in Euros)	TV Ratings (GRPs)
Vodafone	<i>Efémera-Nova imagem</i>	13,3	4	4.724.161	2.023
Tele2	<i>Moedas</i>	12,2	3	4.155.027	1.872
UZO	<i>Descomplicado</i>	10,0	3	8.855.010	6.765
TMN	<i>Maratona-5 milhões</i>	9,3	4	5.065.586	3.100
PT Comunicações	<i>Tentativas</i>	9,2	3	3.479.424	1.921
Tele2	<i>Comparação</i>	9,1	3	1.499.517	1.129
PT Comunicações	<i>À tarde-Planos mensais</i>	8,7	3	2.450.048	1.598
PT Comunicações	<i>De manhã-Planos mensais</i>	7,7	3	1.663.530	1.037
PT Comunicações	<i>Corrida-Dia dos namorados</i>	6,9	3	1.586.385	1.119
Yorn	<i>Insólitos</i>	6,6	3	2.280.897	1.391

Universe: individuals that are 15-64 years old and live in Lisbon and Oporto (2.107.000 individuals)
 Proved Brand Awareness: occurs when the interviews describe correctly the TV advertising campaign

Source: MEDIAMONITOR/ Publitéx TV

Exhibit 17 Image of Tele 2 advertising campaign in 2003



Campanha Montepio Geral duplica contratos de crédito à habitação

Catarina Jesus

O Elevador de Santa Justa, em Lisboa, serve de cenário ao novo anúncio do crédito à habitação do Montepio Geral. Trata-se de uma segunda versão do anterior que foi para o ar em Outubro de 2004 e, segundo garante a entidade bancária, duplicou o número de contratos de crédito à habitação da entidade bancária. O sucesso comercial da campanha reflecte-se na adopção, por parte de muitos portugueses, das soluções de crédito à habitação do Montepio Geral, nomeadamente as condições preferenciais para jovens com redução de spre-



ad até 0,4% e as condições para troca de casa.

A campanha atingiu os valores mais altos de notoriedade de marca (ver caixa).

O êxito desta campanha e a literal "apropriação" pela generalidade da sociedade portuguesa da linguagem utilizada no anúncio - "Eles Falam, Falam" - fez com que o Montepio Geral apostasse em mais um anúncio desta linha.

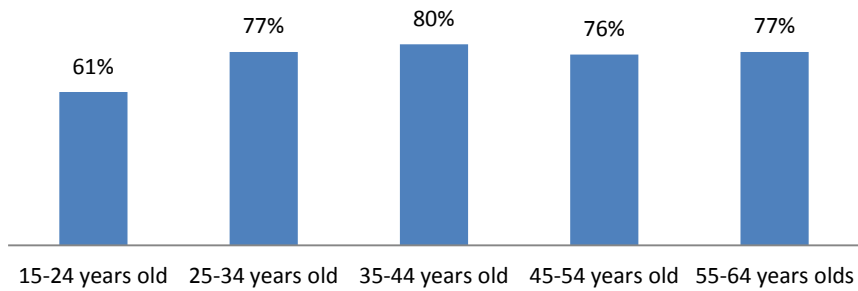
A nova versão da campanha vai decorrer cerca de um mês e representa um investimento de um milhão de euros.

Reforço de notoriedade da marca

De acordo com dados da Marktest, a notoriedade total da campanha de Crédito Habitação do Montepio Geral que teve início na última semana de Outubro de 2004 foi de 34,6%. Em termos de recordação espontânea, o banco atingiu o seu maior índice desde a existência do estudo Publivaga da Marktest: 13,7%. Mais de metade dos inquiridos do estudo - 56,6% - afirmou ter visto a publicidade ao Montepio Geral na televisão; 12,3% no exterior e 9,4% na rádio. A memorização comprovada da publicidade na televisão atingiu 51,6%.

A campanha atingiu, assim, os valores mais altos de notoriedade de marca.

Exhibit 19 Percentage of consumers that do not agree with the fact that celebrities influence their buying behavior, 2006



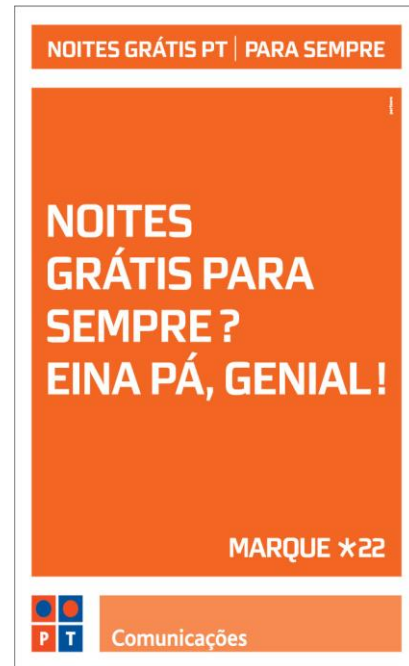
Source: Marktest

Exhibit 20 New PTC signature in 2006 “Agora é outra conversa”



Source: PT Comunicações (provided by MSTF Partners)

Exhibit 21 “PT Noites” advertising campaign prints



Source: PT Comunicações (provided by MSTF Partners)

Exhibit 22 Journal news about PTC new endorsement advertising campaign (“PT Noites”)

Humor PT lança campanha com Gato Fedorento

A PT Comunicações apostou no Gato Fedorento para relançar a sua estratégia comercial. O grupo de humoristas será a cara dos anúncios da operadora durante um ano. “Agora a conversa é outra” é a assinatura da nova campanha que promove chamadas grátis à noite, entre as 21.00 e as 09.00. O conceito criativo foi desenvolvido pela Partners. O objectivo é reforçar o valor da rede fixa e angariar novos clientes.



GATO FEDORENTO

PT adopta nova estratégia de comunicação

A PT Comunicações contratou o conhecido grupo de comediantes Gato Fedorento pelo período de um ano, com o objectivo de relançar a sua estratégia publicitária. Os valores despendidos nesta nova campanha, que inclui dois filmes para a televisão e um

para a Internet, não foram revelados, mas a necessidade de comunicar melhor os novos planos de preços da empresa aos clientes falou mais alto. Estes planos de preços têm como objectivo principal a valorização do telefone fixo, que tem vindo a perder clientes.

Source: PT Comunicações (provided by MSTF Partners)

Exhibit 23 Estimated GRP in the period of the “PT Noites” advertising campaign, August to September 2006

	GRP's									Total
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	
TVG=RTP+SIC+TVI	400	270	240	215	300	245	175	140	22	2.008
TVC=AXN+SICN	20	66	53	46	52	45	33	31	20	366
TVG + TVC	420	336	293	261	352	290	208	171	42	2.374

Source: PT Comunicações

2. TEACHING NOTE

2.1 Introduction

The purpose of this case study is to act as a teaching tool to help students to think and position themselves as being one of the PT Comunicações (PTC) marketing managers in June 2006, at the moment where the decision of associating PTC with Gato Fedorento Group was actually being taken.

Proprietary data has been disguised, but all essential relationships have been preserved.

This case study has two additional supplements composed by the videos of “Efémera Nova Imagem” and “PT Noites” TV advertisements.

2.2 Case Synopsis

Until 2000, Portugal Telecom (PT) was a Portuguese state-owned company responsible for the wireline telecommunications (telecoms) sector. In 2000, the Portuguese telecom sector was liberalized and PTC, a company of PT group, was created. From then onwards PTC has been responsible for the wireline business (fixed telephone service, fixed broadband and wholesale services).

In the 2000s an increase in price competition and customers’ preference for mobile phone brought along a reduction in the number of clients and revenues of the fixed telephone service. The response for these problems came in 2003 when PTC started to develop an innovative pricing concept: price plans. PTC’s price plans were packages of phone calls for specific time periods, where customers could talk for an unlimited time limit during the pre-determined schedule.

In the year of 2005 PTC was not in first position regarding the Key Brand Awareness indicators (**Exhibit 11**). Although the new pricing strategy was competitive to the market, the market study results developed in the beginning of 2006 revealed that PTC’s pricing strategy for the wireline services was perceived by customers as more expensive than it really was (**Exhibit 6**).

Despite the decrease in terms of market penetration and revenues, the wireless business was expanding in number of clients and market penetration (**Exhibit 1**). Mobile phone was becoming a substitute of the traditional fixed telephone.

In the beginning of XXI century the use of humor was becoming a common practice due to launch of stand-up comedy shows using humorists as endorsers. The advertisers understood that this new generation of comedians was a perfect vehicle to disseminate their messages.

A new campaign endorsed by the Portuguese comedy group Gato Fedorento, was taken into consideration. Ruivo, PTC’s marketing manager, believed that this association would help accomplish successfully PTC’s general objectives, mainly due to the sharing of common values of modernity and

youth. Nevertheless José Carlos, also a member of the marketing department, was not as confident as Ruivo due to the risk associated with the use of celebrities and humor in advertising campaigns. It was Ruivo's mission to analyze and decide whether the elements of communication being used until then were creating value and if they were aligned with overall strategy and values of the company.

The decision of betting in endorsement advertising campaign with Gato Fedorento was taken in June 2006. However, in order to take conclusions about this partnership, Ruivo and her team had to wait for the results. It was scheduled a meeting with the Board of Directors in late August 2006 to evaluate if PTC was going to continue using Gato Fedorento as endorsers.

Key words: celebrity endorsement, humor appeal, brand awareness

2.3 Suggested Assignment Questions

1. Give a general characterization of the telecommunication sector in Portugal since the liberalization in 2000. Mention one strength, weakness, opportunity and threat of PT Comunicações in the first half of 2006.
2. Comment on using celebrities to endorse advertising campaigns. Define the pros and cons of adopting Gato Fedorento as endorsers of PT Comunicações advertising campaigns.
3. Give your opinion about using humor in advertising campaigns. Identify the main pros and cons of using Gato Fedorento as being comedians in PT Comunicações advertising campaign.
4. Calculate the advertisement costs (CPM and CPRP) and comment on the results obtained.

2.4 Teaching Objectives

This case study has the following teaching objectives:

- a) To have students understanding after reading the case about the principal strength, weakness, opportunity and threat of PT Comunicações in first half of 2006.
- b) To have students evaluate the pros and cons of using celebrities in endorsement advertising campaigns and the impact of humor in advertising.
- c) To have students become familiar with brand awareness, unaided brand awareness and brand image concepts.

2.5 Use of the case

In a context of mature position in product life cycle and an increase of market competition, students are confronted with real business life decision. This case study is based on some fundamental marketing concepts, such as, brand awareness, brand image, celebrity endorsement and humor as advertising appeal.

The case study can also be used as a teaching tool to the application of the concepts of gross rating points, reach, frequency and advertising costs (cost per thousand and cost per rating point). Students are asked to make some basic calculations in order to know the advertisement costs of the principal wireline and wireless providers in 2005.

PT Comunicações case study should be used on undergraduate management courses in the lecture about advertising topic.

2.6 Relevant theory

With the aim of understanding the main topics of PT Comunicações case study there are several articles, papers and books that should be taken into consideration. This chapter proposes the relevant theory for acquirement of a deep knowledge about some of the marketing topics covered.

Regards to celebrity endorsement, impact of humor in advertising and brand awareness topics, one piece of academic literature are proposed to each topic:

- Erdogan, B. Z. (1999). Celebrity Endorsement: A Literature Review. *Journal of Marketing Management*. Vol. 15, Issue 4, pp. 291-314.
- Weinberger, M. G. and Gulas, C. S. (1992). The Impact of Humor in Advertising: A Review. *Journal of Advertising*. Vol. 21, No. 4, pp. 35-59.
- Tuominen, P. (1999). Managing Brand Equity. Available at http://lta.hse.fi/1999/1/lta_1999_01_a4.pdf. [Accessed 13 August 2012].

Concerning the concepts of gross rating points, frequency, reach and advertising costs, is proposed the following book:

- Clow, K. E. and Baack, D. (2007). *Integrated Advertising, Promotion, and Marketing Communication*. (3rd edn). New Jersey: Pearson International Edition

2.7 Analysis and Discussion

The analysis and discussion is planned with 90 min of duration.

Suggested Assignment Questions	Suggested class plan	Duration (max. 90min)
Question no. 1	<p>All students in the class together with the professor should enumerate the principal characteristics of the Portuguese telecom market context in 2005 and PTC's direct and indirect competitors.</p> <p>Afterwards the class should be divided in four groups, in which each group has to be responsible for one of the elements of SWOT analysis.</p> <p>After 15 min of group discussion, professor should collect the information of each group in order to write the SWOT analysis in the white board.</p>	30min
Question no. 2	<p>After doing a brief research about celebrity endorsement (based on the information learned in the class or within other sources), students should be able to identify the pros and cons of using Gato Fedorento in PTC advertising campaigns.</p> <p>Once again, the class should be divided in two groups. One group will have to enumerate the pros and the other the cons.</p> <p>Afterwards the professor should collect the information of each group and write on the white board the conclusions.</p>	30min
Question no. 3	<p>Students should identify the different marketing appeals that advertisers can use while advertising a service or product.</p> <p>After that, they should individual write the cons and pros of using humor in PTC advertising campaign with Gato Fedorento group.</p>	10min
Question no. 4	<p>Individually or in groups of 2 people, students should answer this question and take their own conclusions regarding the case.</p>	20min

1. Give a general characterization of the telecommunication sector in Portugal since the liberalization in 2000. Mention one strength, weakness, opportunity and threat of PT Comunicações in the first half of 2006.

After reading the case study, students should be able to take the following considerations:

The Portuguese telecommunication (telecom) market was mainly dominated by Portugal Telecom (PT) Group. Clix, CaboVisão, Tele 2 and Optimus Home were the principal direct competitors of PT Comunicações (PTC) in 2005. Although Tele 2 entered in the market in the later years (2003), it was the most important direct competitor of PTC; since it had an aggressive price offer and used comparative advertising with PTC offers (**page 3**).

Although wireless providers did not compete directly with PTC offer of fixed telephone service to domestic market, they were a threat to take into account. People used to prefer mobility and possibility of being always contactable, which were the main reasons for the increasing demand for mobile phones. Therefore, the mobile phone service was the substitute product of fixed telephone service. Moreover, to get worst, mobile phones price plans did not have a fixed subscription, which was another disadvantage that customers pointed out regarding, fixed telephone service (**Exhibit 8**).

In contrast to a decrease of 0, 8% in the penetration of fixed telephone service in the market between 2003 and 2005 was the increase of penetration ratio of mobile phones. Indeed, the penetration ratio of mobile phones in the year of 2005 was about 108, 7%, meaning that customers had more than one mobile phone per person (**Exhibit 1**).

In addition, customers used to subscribe the fixed telephone service because they only wanted to use the fixed internet service. The fixed telephone service by its own was not valued by PTC customers.

PTC was a company of PT group, which was the incumbent company in the telecom market for 118 years. PTC core business was related with the management of wireless services to domestic market and small enterprises. It also performed as wholesaler to other providers. Wireless services included the fixed telephone service and fixed broadband (**page 1**).

After the market liberalization that occurred in 2000, new companies entered in the market to challenge the monopoly supported by PT Group. It was registered a reduction in the number of new clients (-21% from 2nd semester of 2005 to 1st semester of 2006) and on PTC price plans revenues (-15% from 1st semester of 2005 to 1st semester of 2006) (**Exhibit 2**). There was also recorded a reduction of the telephone fixed service traffic in 2004 and 2005 (**Exhibit 3**).

This case study does not provide enough information for students to access with one hundred per cent of sure in each stage of product life cycle the PTC fixed telephone service was. However, by taking into consideration the information regarding the reduction of number of new clients and revenues, penetration ratio and the existence of strong substitute products, which presented more

advantages than the fixed telephone service, it was possible to affirm that the wireline business was in the mature phase or in the beginning of decline phase.

Students should be able to identify one strength, weakness, opportunity and threat for PTC Company in the beginning of 2006:

Strengths

PTC as one of the companies of PT group would gain from the competitive advantage obtained through its incumbency in the market. PTC Company had a higher know-how of the market and a built infra-structure which allowed a lower initial investment, like new entrants in the market had to support. In addition, it also had scale advantages against other recent competitors.

Threats

The liberalization of telecom sector in 2000 and the increasing demand for telecoms was a great opportunity for new firms to enter in telecom sector and compete with existing firms (PTC) for revenue.

More than having the threat of mobile phone as a substitute service to fixed telephone service was the incapability of the fixed telephone service to directly compete with the principal advantage of mobile phones (mobility and possibility of always being contactable).

Opportunities

Use the bundle strategies to beat competition since PT group had all the business units needed to follow the proposed strategy (TV, broadband and telephone service).

Weaknesses

The principal weakness of PTC was the negative predisposition that customers had towards the PTC brand. In companies that sell services, the brand's image is the same as the company since customers cannot evaluate the brand through tangible aspects such as the package or the composition of the product. Therefore, for PTC Company the negative predisposition to brand or negative brand image was an important weakness to take into consideration. The value of having a well-known brand name and image is important because managers have the idea that a well-known brand can generate more money from products/services than from products/services with a less well-known name, as consumers believe that a product with a well-known name is better than products with less well-known names.

The obligation that customers had to pay for subscription for the fixed telephone service and the incapability of being always contactable were other weaknesses of the fixed telephone service.

2. Comment on using celebrities to endorse advertising campaigns. Define the pros and cons of adopting Gato Fedorento as endorsers of PT Comunicações advertising campaigns.

The highly cluttered environment challenged advertisers to communicate company's product or service in order to gain customers attention. Therefore, advertisers have been chosen endorsement as a promotional strategy.

Friedman and Friedman (1979) note that endorsers can be of many types: celebrity, expert and typical consumer. Selecting the right source and spokesperson to use in advertisement is an important decision.

According to Friedman and Friedman findings, a celebrity is an individual who is known to the public for his or her achievements in areas other than of the product class endorsed. For McCracken's (1989) 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 an advertisement. An expert endorser is an individual or group possessing superior knowledge regarding the product class endorsed. Finally, a typical consumer is an ordinary person who is expected to have special knowledge of the product class endorsed except that acquired by normal use of the product.

Regarding Friedman and Friedman (1979) findings, a particular endorser type would not be effective for all types of products.

According to Kaikiti (1987), the use of celebrities in marcoms is not a recent phenomenon. In fact, celebrities have been used as endorsers since the nineteenth century. Shimp (2000) stated in his article that around 20% of all US-based commercials utilize celebrities. In addition, Buck (1993) suggested that the dependence on celebrity endorsement has grown.

There are other parameters that postulate compatibility between the celebrity and brand image, such as, celebrity/target audience match, costs of acquiring celebrity, celebrity popularity, celebrity availability, celebrity prior endorsements and celebrity profession.

The study of Petty, Cacioppo, and Schumann (1983) would suggest that celebrity spokesperson/product image congruence would have more of an impact in television or radio as opposed to print.

Celebrity endorsers help building products attention due to their popularity among audience. They are very useful on brand introduction, brand repositioning, increase brand attention, image polishing and underpin global campaigns (Erdogan 1999). Erdogan also mentioned that celebrity endorsement strategy can be an effective competitive weapon in mature and saturated markets in order to differentiate products from competitors' since there is a heavy advertising clutter and almost no room for actual product differentiation in markets, as long as the 'right' celebrity is found.

Despite the mentioned benefits, there is a risk inherent of using celebrities due to the public controversy, image change and overexposure. As mentioned by Erdogan (1999) benefits of using celebrities can reverse markedly if they, for example, suddenly change image, drop in popularity, get into a situation of moral turpitude, lose credibility by over endorsing, or overshadow endorsed products (Cooper 1984 and Kaikiti 1987).

Another important risk to take into consideration is the Multiple Brand and Celebrity Endorsement, meaning that if one celebrity endorses different brands, consumers can be confused about which brand to link with the celebrity.

Models on Celebrity Endorsement Strategy

The decision of choosing the right celebrity to use as endorser is very complex. For many years, researchers have created models to study this theme. The following models are a brief review of academic knowledge about celebrity endorsement campaigns:

The source attractiveness and credibility models

The source selection characteristic of a spokesperson's credibility is derived from the composite of *attractiveness*, *likability*, *trustworthiness* and *expertise*. The first two characteristics are explained in the source-attractiveness model and the last two (trustworthiness and expertise) compose the credibility-source model.

In accordance to Ohanian, the source-attractiveness model has its origins in the social psychological research and is a component of the "source valence" model of McGuire (1985). *Attractiveness* has two forms: (1) physical characteristics and (2) personality characteristics. Closely related with *attractiveness* is the concept of *similarity*. Erdogan (1999) defined *similarity* as the supposed resemblance between the source and the receiver of a message. Indeed, customers are influenced by a person who is somehow similar. Both *attractiveness* and *similarity* can create *identification*. *Identification* occurs when information from an attractive source is accepted as a result of desire to identify with such endorsers (Cohen and Golden 1972).

The second important source characteristic is *likability*, which is the affection for the source as result of the source's physical appearance and behavior (Erdogen 1999).

The *trustworthiness* is the degree of confidence or the level of acceptance consumers place in the spokesperson's message. Friedman et al. (1978) found that likeability was the most attribute of trust. Miller and Baseheart (1969) found that a highly opinionated message from a highly trustworthy communicator produces an effective attitude change.

Erdogen (1999) defines celebrity endorsers' *expertise* as the extent to which a communicator is perceived to be a source of valid assertions. According to McGuire (1986) a source that is more expert

has been found to be more persuasive and to generate more intentions to buy the brand (Ohanian, 1991). Information from a credible source can influence beliefs, opinions, attitudes and/or behavior through a process called *internalization*. According to Romer (1979), internalization is a central response to persuasion and requires that there is congruence between the communicator and the message.

Many findings indicates that if consumers perceive the source as trustworthy and as an expert in the products, which it endorses, consumers are likely to purchase the product (Daneshvary and Schwer 2000, Friedman and Friedman 1979, Goldsmith et al. 2000, Holloway and Robinson 1995, Lafferty and Goldsmith 1999, Tim and Busler 1998).

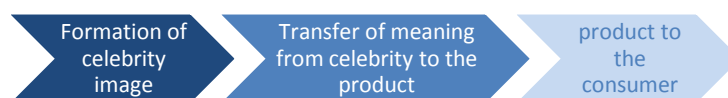
According to Ohanian (1991), only perceived expertise of a celebrity was a significant factor in generating more intentions to buy the brand.

Few studies have compared the impact on effectiveness of celebrity advertising with non-celebrity advertising. Friedman et al (1977) found that the celebrity version of the advertisement had higher rates on the dependant variables (probable taste, advertising believability and purchase intention) compared to the non-celebrity version. A study done by Gardner and Schuman (1986) revealed that 53% of respondents reported that endorsements increase the likelihood of brand purchase. Moreover, Tripp et al (1994) showed that the number of exposures to a celebrity advertisement negatively influences consumers' intention to purchase. In order to retain and attract customer's attention, an advertisement campaign should have a celebrity with certain attributes.

The Meaning Transfer Model

In order to explain the celebrity endorsement process, McCracken (1989) developed the Meaning Transfer Model, which was a three-stage process:

TN – Exhibit 1 Meaning Transfer Model



According to McCracken advertising serves as an instrument of meaning transfer in a deceptively simple manner. The transfer process begins when the advertiser identifies the cultural meanings intended for the product.

McCracken suggested that the effectiveness of the endorser depends, in part, upon the meanings he or she brings to the endorsement process. Other authors, such as Hawkins, Best and Coney (1983) also defended that a positive matchup between the celebrity and the product being advertised would enhance the advertising effectiveness.

In other words, this model explained that the cultural influences of the celebrity would be passed to the product itself (McCracken 1989 and Brierley 1995). The rational incentive for advertisers to use celebrities as a promotional tool is related with their belief that their target identifies with the celebrity and due to that customers will buy the product that was being promoted.

In conclusion, as McCracken (1989) suggested advertisers should explore the symbolism that encompasses a celebrity to determine whether these meanings are desirable for brands since the effectiveness of the endorser depends, in part, on the meaning he or she brings to the endorsement process.

Erdogan article revealed that McCracken's (1989) Model of Meaning Transfer may first seem a merely theoretical concept, but its replication to real life was demonstrated by two studies by Langmeyer and Walker (1991 a and 1999 b). Their findings explain that the characteristics related with the celebrities are transferred to the endorsed product or brand.

The Product Match-Up Hypothesis Model

The celebrity/product fit, also called the match-up hypothesis, refers to the harmony of the match between the celebrity endorser and the product being endorsed (Till and Busler 2000). Results showed that increased congruence between the spokesperson and the endorsed product resulted in the higher believability and attractiveness perception of the spokesperson and consequently a higher propensity of buying the product.

Many authors agreed that celebrity and product fit is a key determinant of endorsement effectiveness. However, it is important to notice that a celebrity does not automatically guarantee an effective advertisement.

The Likelihood Model

In attempt to study the likelihood of an endorser was developed the Elaboration Likelihood Model (ELM) by Petty and Cacioppo (1980). The results of this theory said that under conditions of high involvement, arguments but not celebrities influenced attitudes, whereas under conditions of low involvement, celebrities but not arguments influenced attitudes (Petty and Cacioppo 1980). Later studies, argued that contrary to Petty and Cacioppo's (1980) expectations, endorser attractiveness also influenced/persuaded customers under high involvement conditions. These studies also tried to identify if the endorser type had any influence under low and high involvement conditions. Under low involvement conditions the endorser type had a significant impact on attitudes towards the product through no impact was found on behavioral intentions (Erdogan 1999). Findings also indicated that exposure to celebrity endorsers increased recall of the product category under low involvement conditions. For what concerns brand name recognition, it is higher in high involvement products (Erdogan 1999).

According to Solomon (2002), the reasons for using celebrity endorsement involve its potential to create awareness, positive feelings towards their advertising and brand. An ideal celebrity as brand endorser should be able to, using its recognition, lift the credibility levels, introduce confidence, and bring change to brand (Junokaite et. al 2007). In other words, celebrity should be strong brands themselves and the attributes of the celebrity brand should match the attributes of the product brand being highlighted (Junokaite et. al 2007).

The findings of Friedman and Friedman affirmed that advertisers should use a celebrity as endorser if their goal is brand-name and advertisement recall.

Companies have also been adopting another type of endorser: character. As Erdogan (1999) mentioned companies have low control over endorsers that are human being because the image and attitudes that individuals have cannot be monopolized by the endorsed product. Otherwise, characters are a perfect vehicle for advertisers, because they can manipulate the character to do what they want. Therefore, by using character as endorser, the association that is created between the product and the brand is higher.

As Erdogan (1999) stated celebrity endorsers are more successful for the company regarding attitudes towards advertising and endorsed brand, intentions to purchase and sales. Therefore, celebrities act as higher influencers than non-celebrity.

According to Erdogan paper, in the light of academic findings it is safe to argue that celebrity endorsers are more effective than non-celebrity endorsers in generating all desirable outcomes (attitudes, intentions and actual sales).

Application to the case study

There are many advantages and disadvantages in celebrity endorsement advertising campaigns. Students should analyze the case in attempt to find out the pros and cons of using celebrities and apply their knowledge's to the PT Comunicações case study.

TN – Exhibit 2 Pros and Cons of using celebrities as endorsers

PROS	CONS
<p>Use Gato Fedorento likability and attractiveness to increase the positive predisposition to PTC brand: Gato Fedorento was a well known humorist group. Their attractiveness to the public was mainly related with their funny sketches and intelligent humor (page 6). Therefore, since individuals enjoy Gato Fedorento humor, the linkage with the brand may increase customer's positive predisposition to the brand and awareness of PT Comunicações advertisements and consequently its service offers.</p>	<p>Product and celebrity match-up: Possible conflict between PTC values and Gato Fedorento values, which may incurred in public controversy about the new PTC brand image.</p> <p>Since PT was the incumbent company in telecom market, its positioning and company values were well established in customers mind. The new marketing and communication strategy could lead to disassociation of PT values of being a traditional, familiar and credible company and thereafter would result in loss of public recognition.</p>
<p>Take advantage of Gato Fedorento awareness in a wide public to increase PTC position in key brand awareness indicators: Marketing managers believed that Gato Fedorento group would enhance message recall and thereafter create a positive attitude towards the brand.</p>	<p>Overshadow the brand: Due to the buzz around Gato Fedorento sketches, a potential hazard for PTC brand could be that Gato Fedorento jokes in PTC advertisements would overshadow the brand and the message transmitted, would not have any effects to the final consumer.</p>
<p>Reply the success of Montepio endorsement campaign with Ricardo Araújo Pereira: The success of Montepio campaign in terms of market share, brand awareness and sales, PTC marketing managers believed that PTC campaign could follow the same success (Exhibit 18).</p>	<p>Multi product endorsement: Since Ricardo Araújo Pereira had endorsed Montepio brand in the past, customers could be confused about which brand to link with Gato Fedorento group. Additionally, the credibility and likeability of Gato Fedorento group may reduce because customers could think that Gato Fedorento group endorses brands which pay higher sums of money instead of endorsing brands which they believe and identify with.</p>

<p>Differentiate PT Comunicações services from competitors: As mentioned in the brief literature review (page 28), “endorsement strategy can be an effective competitive weapon in mature and saturated markets in order to differentiate products from competitors’ since there is a heavy advertising clutter and almost no room for actual product differentiation in markets, as long as the ‘right’ celebrity is found”. Meaning that by using Gato Fedorento as endorsers, PT Comunicações was differentiate its communication strategy from the direct and indirect competitors and therefore was breaking the clutter.</p>	
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3. Give your opinion about using humor in advertising campaigns. Identify the main pros and cons of using Gato Fedorento as being comedians in PT Comunicações advertising campaign.

Nowadays in a cluttered media context, an advertisement usually receives limited attention. Therefore, brands have to be creative in order to retain its target attention. Companies used to apply different types of advertising appeals (fear, humor, music, emotions, rationality, sex and scarcity) in order to gain customers attention.

Although the use of humor has become a common practice in advertising, the efficacy of humor as a communication device remains uncertain (Spotts, Weinberger and Parsons 1997). According to Weinberger and Gulas (1992) humor is a multifarious concept that is affected by a wide variety of factors.

Studies have shown that 55% of advertising research executive believes humor to be superior to non-humor in gaining attention (Madden and Weinberger 1984). Speck (1987) developed a study where he compared humorous ads with non humorous, measuring four attention variables: initial attention, sustained attention, projected attention and overall attention. The results showed that a humorous ad outperforms non-humorous on each of the attention measures (initial, sustained, projected and overall). Therefore, this study allows saying that related humor is superior in terms of attention to unrelated humor.

According to Krishnan and Chakravarti article (2003) depending on the medium, anywhere from 10% to 30% of all advertisements use humor (Weinberger, Spotts, Campbell and Parsons 1995), implying that many advertisers believe that humor improves advertising effectiveness.

Sternthal and Craig (1973) concluded that the distraction effect of humor may lead to persuasion. However, they also concluded that humor is not more persuasive than other appeals. Sternthal and Craig (1973) also concluded that humor enhanced the liking.

Speck (1987) in his study about humor and credibility concluded that both in advertising and non-advertising studies, indicates that it is unlikely that credibility is enhanced through the use of humor.

Advertising executives surveyed believed that low involvement products such as consumer non-durable goods are best suited for humorous ads treatments (Madden and Weinberger 1984). Furthermore, studies have shown humorous ads to be more successful for existing products than for new products (McCollum and Spielman 1982, Stewart and Furse 1986).

Concerning humor relevance, Krishnan and Chakravarti (2003) proved that it improves brand recall rather than brand recognition.

Students should be able to identify the principal pros and cons of using the humor appeal in advertising campaigns:

TN – Exhibit 3 Pros and Cons of using humor in PT Comunicações endorsement advertising campaign

PROS	CONS
<p>Capture and retain viewer’s attention: the PTC new campaign may capture and retain viewer’s attention since it would be similar to Gato Fedorento sketches, which were well-known by the public.</p>	<p>Affect PTC brand credibility: Although humor enhance liking, it can affect negatively the brand credibility. As showed in the market study tests, interviews identified PTC as being the most credible brand (Exhibit 9).</p> <p>The credibility of the brand could be affected if Gato Fedorento group was not considered a credible endorser.</p>
<p>Cuts through the clutter: using humor would capture the customer’s attention to the advertisement campaign. This would help PTC to enhance aided brand awareness.</p>	<p>More information is needed: although humor is effective in cutting through the clutter, to sell service products, more information is needed for consumers make their decisions.</p>

4. Calculate the advertisement costs (CPM and CPRP) and comment on the results obtained.

Before going through some calculations in order to answer the question, students should be able to explain, in their words, the following concepts:

- **Gross Rating Points (GRP)** is a measure of the impact or intensity of a media plan. GRP is given by the product of frequency and reach.

$$GRP = \text{Frequency} * \text{Reach}$$

- **Frequency** is the average number of times an individual, household, or business within a particular target market is exposed to a particular advertisement within a specific time period.
- **Reach** is the number of people, households, or businesses in a target audience exposed to a media vehicle or message schedule at least once during a given time period.
- **Cost per Point (CPRP):** is a relative measure of the efficiency of a media vehicle relative to a firm's target market.

$$CPRP = \frac{\text{Cost of media buy}}{\text{Vehicle's rating}}$$

- **Cost per Thousand (CPM):** is the dollar cost of reaching 1.000 members of the media vehicle's audience. For this calculation we will assume that the total audience corresponds to the universe of the market study (2.107.000 interviews).

$$CPM = 1000 * \frac{\text{Cost of media buy}}{\text{Total audience}}$$

The results for each brand are given in the following table:

TN – Exhibit 4 Cost of advertising campaigns

Brands	TV total investment (in Euros)	TV ratings (GRPs)	CPRP (in Euros)	CPM (in Euros)
Vodafone	76.294.628	50.079	1.523	36.210
TMN	55.859.709	34.818	1.604	26.511
PT Comunicações	28.133.146	15.574	1.806	13.352
Optimus	63.977.628	45.283	1.413	30.364
Tele 2	14.807.004	7.969	1.858	7.028
UZO	8.855.010	6.765	1.309	4.203
Rede 4	6.927.474	4.362	1.588	3.288

The goal is to obtain the highest possible GRPs at the lowest possible cost, while remaining focused on the target market. Therefore, companies while buying TV advertising spots look for schedules with the highest frequency and reach at the lowest cost. There are several variables that influence the TV ad time pricing such as the commercial length, time of day, audience size, number of TV spots and vehicles and finally supply and demand conditions. It is important to remember that TV can reach a larger and wide audience, but it is very expensive. Buying TV ad time during prime time, in the evenings, is the most costly time period.

The CPM for PTC in 2005 was 13.352 of Euros. This means that it took 13.352 of Euros to reach one thousand of PTC customers. Students should notice that the CPM of UZO and Rede 4 were the lowest ones with 4.203 and 3.288 of Euros, respectively. The lower scores of CPM of UZO e Rede 4 were due to the lower amount of investment made in advertisement during 2005. In contrast, Vodafone obtained the highest CPM values with a 36.210 of Euros per thousand.

Another cost calculation which can be made besides CPM is CPRP. Optimus and UZO had the lowest CPRP, with 1.413 and 1.309 of Euros, respectively. Tele 2 obtained the highest cost per rating point, which means that to reach 1% of its target; it has to spend more money than other competitors did. The CPRP of PTC was 1.806 of Euros, meaning that it took 1.806 of Euros to reach one percent of the potential audience. PTC had the second highest CPRP. Having a high CPRP was not a good measure of advertisement effectiveness.

However, to understand the advertisement effectiveness it should be taken into consideration other variables, such as the brand awareness scores. Therefore, students should be able to calculate the cost per perceptual point of brand awareness, meaning the investment that was needed to get one percent of TV brand awareness.

The cost per point of TV brand awareness is calculated by using the following formula:

$$\text{Cost per point of TV brand awareness} = \frac{\text{Total TV investment} * \text{TV brand awareness}}{\text{GRP}}$$

The results for each brand are given in the following table:

TN – Exhibit 5 Cost per point of TV brand awareness

Brands	TV brand awareness (%)	TV total investment (in Euros)	TV ratings (GRPs)	Cost per point of TV brand awareness (in Euros)
Vodafone	64	76.294.628	50.079	97.503
TMN	60	55.859.709	34.818	96.260
PT Comunicações	59	28.133.146	15.574	106.579
Optimus	49	63.977.628	45.283	69.229
Tele 2	46	14.807.004	7.969	85.471
UZO	26	8.855.010	6.765	34.033
Rede 4	9	6.927.474	4.362	14.293

Once again, PTC had the highest cost per point of TV brand awareness, meaning that PTC Company had to spend a large sum of money to get one percent of brand awareness.

In order to PTC achieve the fourth objective (become more efficient in terms of brand awareness results vs amount of advertising investment) it had to reduce its advertisement costs (CPM and CPRP). Hence, since it was almost impossible to negotiate with TV providers to reduce the price per spot or vehicle, PTC should focus its investment in the prime time period which it could get higher reach or in other time periods in order to increase the frequency. By increasing the reach and/or frequency, it would be augmenting the GRP. These costs were difficult to have control over them because they depend on the number of people who watch TV in the period time which the TV commercial was being advertised.

On the other hand, PTC had also to reduce the cost per point of brand awareness. By doing so, PTC should increase the brand awareness of its TV advertisements. Therefore, the company should bet in creative advertisements, just like PTC managers were doing with the new Gato Fedorento endorsement advertising campaign.

Going a little further, students can calculate the CPRP of the new Gato Fedorento advertising campaign. By doing so, students should use the information given in Exhibit 23 about the estimated GRP and in page 9 regarding the amount of TV total investment to the mentioned campaign. By dividing the TV total investment (5.573.925 of Euros) by total amount of estimated GRP (2.374), the CPRP for Gato Fedorento campaign was 2.348 of Euros. About this result, students could conclude that the objective of being more costly effective was not being achieved with the Gato Fedorento campaign, since the CPRP increased 23% comparing the cost per rating point of this campaign with the total PTC advertising campaigns in 2005.

2.8 What has happened

The association between Gato Fedorento and PTC was a successful partnership, as the following results confirmed. PTC was able to position in mind of consumers as a modern and young company, using the values transmitted by Gato Fedorento group: fun, nice, dynamic and innovative.

In the first semester of 2006 (without the campaign with Gato Fedorento Group) the total number of clients was 36.645. In the end of the year, the number of clients had increase 68, 2% to 62.531. In TV unaided brand awareness and TV proved brand awareness index, PTC was in first place with highest scores.

TN – Exhibit 6 TV unaided brand awareness and TV proved brand awareness results in 2004, 2005, 1st semester 2006, and August 2006 to April 2007

	2004	2005	1st semester 2006	August 2006 – April 2007
Vodafone	31,7	32,6	38,7	35,8
TMN	24,9	29,7	41,5	33,5
PT Comunicações	29,4	30,1	30,9	44,8
Optimus	20,7	21,2	25,3	26,3
Tele 2	14,9	12,8	10,4	18,8
UZO	-	4,2	3,3	16,5
Rede 4	-	1,4	2,4	4,6

	2004	2005	1st semester 2006	August 2006 – April 2007
Vodafone	11,0	12,0	9,1	10,7
TMN	9,4	14,6	13,5	12,2
PT Comunicações	9,7	12,0	11,1	25,6
Optimus	9,5	9,7	9,3	9,1
Tele 2	24,3	17,6	11,9	6,9
UZO	-	9,5	7,0	6,1
Rede 4	-	2,4	3,8	1,3

Universe: individuals that are 15-64 years old and live in Lisbon and Oporto (2.107.000 individuals).

Source: MEDIAMONITOR/ Publitéx TV

According to Marktest market studies, the most valuable campaign for clients in the year of 2006 was the "PT Noites" campaign with Gato Fedorento Group with 3,96 points of satisfaction.

TN – Exhibit 7 Top 10 wireline and wireless TV advertisements organized in descendent order regarding TV proved awareness scores, 2006

Brands	TV advertisements	TV proved awareness (%)	Satisfaction (Scale 1 to 5)	TV total investment (in Euros)	TV Ratings (GRPs)
PT Comunicações	<i>PT Noites-Gato Fedorento(lançamento)</i>	17,6	3,96	5.573.925	2.495
PT Comunicações	<i>PT Noites-Gato Fedorento-Para sempre</i>	9,9	3,93	5.919.965	3.453
Optimus	<i>Spiderman</i>	9,5	3,55	4.735.199	3.079
Vodafone Casa	<i>Mudanças</i>	9,2	2,99	2.546.209	1.905
Optimus	<i>Sobre a água-Optimus Zone 3G</i>	8,4	3,65	1.323.916	823
Tele2	<i>Apanhados a poupar</i>	8,3	2,81	2.392.359	764
Vodafone	<i>Comboio</i>	8,3	3,77	9.005.166	2.686
Optimus Home	<i>Animais em reunião</i>	8,1	3,87	1.778.485	1.056
PT Comunicações	<i>Gato Fedorento-Concurso</i>	7,6	-	1.608.875	757
TMN	<i>O melhor do Natal-Pólo Norte</i>	7,2	3,40	8.564.726	4.344

Universe: individuals that are 15-64 years old and live in Lisbon and Oporto (2.107.000 individuals)

Proved Brand Awareness: occurs when the interviews describe correctly the tv advertising campaign

Source: MEDIAMONITOR/ Publitéx TV

The negative predisposition to PTC brand also changed as the following focus group results confirmed. Moreover, customers agreed with PTC and Gato Fedorento partnership in terms of advertising.

TN – Exhibit 8 Focus Group Results, 2007

Focus Group Results
<i>"ANTIGAMENTE ACHO QUE NINGUÉM FALAVA DOS ANÚNCIOS DA PT. NÓS AGORA NA ESCOLA FALAMOS!"</i>
<i>"ISTO AGORA É OUTRA CONVERSA, JÁ NÃO É A MESMA COISA."</i>
<i>"QUEM TEVE ESTA IDEIA TEVE UMA GRANDE IDEIA."</i>
<i>"TENTA INFLUENCIAR E TENTA DAR, ATRAVÉS DE ALGO QUE ESTÁ NA BERRA, UMA IMAGEM FRESCA, UMA IMAGEM NOVA. SE CALGAR TENTAM REVIGORAR A MARCA PT"</i>
<i>"É BOM PARA OS GATOS, PARA A IMAGEM."</i>
<i>ELES FORAM INTELIGENTES PORQUE VERIFICARAM QUE O PÚBLICO JOVEM ADERIU AOS GATOS FEDORENTOS."</i>
<i>"PORQUE ELES SÃO MAIS INOVADORES, ELES TROUXERAM ESSE ESPÍRITO PARA A PT..."</i>
<i>"AGORA ESTÁ MAIS DINÂMICA..."</i>
<i>"ESTÁ MAIS VIVA..."</i>
<i>"ESTÁ MAIS FALADA, MAIS NOTADA..."</i>

Source: APEME

The viral effect resulted in word of mouth about PTC new advertisements with Gato Fedorento. Everyone talked about it and was registered the following results:

- More than 575.000 people watch the Youtube and sapo videos about PTC new advertisement campaigns
- More than 250.000 people entered in the new website for PTC campaigns (agoraeoutraconversa.pt)
- More than 168.000 accesses to PTC website

TN – Exhibit 9 Images of PTC new campaigns with Gato Fedorento Group



TN – Exhibit 10 Youtube video of “PT Noites” campaign

- Video 1 - <http://www.youtube.com/watch?v=SN1e1IBk6RU>
- Video 2 - http://www.youtube.com/watch?v=_W2m58KdYiw
- Video 3 - http://www.youtube.com/watch?v=9S0oWfk8xJ8&playnext=1&list=PL95999577D180B57E&feature=results_main
- Video 4 - <http://www.youtube.com/watch?v=FpuofJpVV2g>

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