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# The Celebrity Effect: The Influence of Celebrity **Endorsements on Nepali Consumers**





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## Abstract

Background: Although celebrity endorsements are widely used around the world, their effectiveness is still debated due to a range of complex factors, such as the alignment between the celebrity and the product, the celebrity's public reputation, and how well the audience relates to the celebrity. Additionally, cultural and regional variations add another layer of complexity, influencing how these endorsements affect consumer behaviour.

**Purpose**: The effectiveness of celebrity endorsement in advertising continues to be a subject of ongoing debate. This study aims to analyse the impact of celebrity endorsement on customers' purchase intentions in Nepal, with particular emphasis on the mediating roles of brand credibility and consumer attitude.

**Methods**: This study used an explanatory research approach. Convenience sampling is employed for the study using the nonprobability sampling technique. Data were collected from 401 respondents using structured questions administered through the KOBO toolbox. Subsequently, the collected data were analysed employing Excel and SmartPLS 4.0.

**Findings**: Trustworthiness and Expertise of celebrities significantly influence purchase intentions. This effect is mediated by both brand credibility and customer attitudes. Although celebrity attractiveness also boosts purchase intentions via customer attitudes, it does not have a similar impact when mediated by brand credibility alone. Key challenges include mismatches between the celebrity's image and the product and the dilution of trust due to celebrity overexposure. These can be addressed by selecting celebrities who authentically use the product and aligning the product with celebrities whose images fit the intended market.

**Conclusion**: Celebrity trustworthiness and expertise significantly impact consumer purchase intentions, with brand credibility and customer attitudes acting as mediators. While celebrity attractiveness can boost intentions through customer attitudes, its effect is weaker when mediated solely by brand credibility. Brands should select celebrities whose image aligns with the product and target market, avoiding overexposure or mismatched associations to maintain trust and credibility.

Keywords: Celebrity Endorsement, Customer Purchase Intention, Brand Credibility, Attitude, PLS-SEM, Trustworthiness, Expertise, Attractiveness, Nepal



## 1. Introduction

Celebrity endorsement has long been a focal point of marketing and consumer behaviour research, rooted in the hypothesis that celebrities can transfer their appeal and attributes to the products they endorse, influencing consumer attitudes and purchase intentions (McCracken, 1989). This marketing strategy leverages the persuasive power of celebrities, who command significant influence over their audience's purchasing decisions through their perceived authority, attractiveness, and trustworthiness (Erdem & Swait, 2001). Despite the global proliferation of celebrity endorsements, the effectiveness of such strategies remains a subject of debate, characterised by a complex array of factors that include celebrity-product congruence, the celebrity's public image, and the audience's identification with the celebrity (Amos et al., 2008). These dynamics are further complicated by cultural and regional differences that can alter the impact of celebrity endorsements on consumer behaviour (Choi & Rifon, 2007).

Modern celebrity advertising originated in the United States and has rapidly expanded globally, driven by the proliferation of commodity culture and continuous advancements in mass media technology. The emergence and widespread accessibility of newspapers, radio, television, and the Internet have played a crucial role in transforming celebrities into ubiquitous public figures and aspirational icons. In the United States, it is estimated that nearly 25% of television and print advertisements feature celebrities, illustrating their significant presence in mainstream marketing (Erdogan et al., 2001). This trend is not confined to the U.S. alone; countries like New Zealand (Charbonneau & Garland, 2005), South Korea (La Ferle & Choi, 2005), India (Roy, 2006), and especially Japan where around 70% of commercials include celebrities (Kilburn et al., 2007) also showcase the popularity of celebrity endorsements. Although comprehensive statistics are lacking for Malaysia, similar advertising practices are observed. Celebrities are employed not only to attract attention but also to enhance the persuasive power of advertisements, thus improving their overall effectiveness (Erdogan et al., 2001). According to Schumann and Lee (2004), a celebrity is a widely recognised public figure who garners attention due to accomplishments unrelated to the endorsed product. This category includes athletes, entertainers, politicians, business leaders, and media personalities. These individuals often enjoy high credibility and public admiration, making them influential role models whose values, lifestyles, and consumption choices are emulated by consumers. As a result, brands are increasingly investing in celebrity endorsements as a strategic tool to build credibility, foster emotional connections, and influence consumer preferences.

The influence of celebrity endorsements presents a unique avenue for exploration. Nepal's diverse demographic and socioeconomic spectrum suggests that consumer responses to celebrity endorsements may vary significantly across different regions and consumer segments (Ojha, 2022). Furthermore, the increasing penetration of digital media has amplified the reach of celebrities, making it imperative to reassess their impact on the modern Nepalese consumer. Given the scant research on celebrity endorsement in emerging markets like Nepal, this study seeks not only to contribute to the academic literature but also to offer practical insights for marketers aiming to navigate the complexities of the Nepalese advertising landscape (Upadhyay & Niroula, 2022). By examining the nuanced relationship between celebrity endorsements and purchase intentions in Nepal, this research explores the factors contributing to celebrity-endorsed campaigns' success or failure, thus providing a valuable resource for scholars and practitioners in the marketing field.

Additionally, research on celebrity endorsement in advertising is important because advertisers cannot assume that celebrity endorsement equates to more successful marketing communications (Wang & Scheinbaum, 2018). Although it has been established that celebrity sources optimise consumer information processing, a celebrity source does not necessarily contribute to the message or a positive brand outcome. It can be risky for a sponsor to be associated with celebrities; modern celebrities' lives are public and more global with the proliferation of social media. For international brands, celebrity endorsers can have more international exposure.

While global studies provide a foundational understanding of celebrity endorsement strategies, there is a

pressing need for empirical research to study the effectiveness of such marketing strategies in a distinctly Nepalese context. There is persistent ambiguity surrounding the effectiveness of celebrity endorsement in advertising. Despite its widespread use, the existing body of research presents a fragmented picture, with some studies advocating for its benefits while others reveal mixed or even negative outcomes. This uncertainty is exacerbated by a predominant focus on limited aspects of source credibility in current research, overlooking a holistic understanding of how diverse characteristics of celebrity endorsers collectively influence brand outcomes. Particularly, the impact of celebrity endorsement on brand credibility and attitude—an indispensable factor in shaping consumer purchase decisions—remains inadequately explored within the broader context of advertising (Wang & Scheinbaum, 2018). Hence, this study tries to analyse the impact of celebrity endorsement on purchase intention.

## 2. Conceptual Framework and Hypothesis Formulation

The study has reviewed several theories such as the Source Credibility Theory (Consoli, 2010), Source Attractiveness model (Bhatt et al., 2013), Mean Transfer Model (Roy & Jain, 2016), Matchup Hypothesis (Mowen & Carlson, 2003), Elaboration Likelihood Theory, Source Credibility Theory (Consoli, 2010). Source Credibility Theory suggests that the effectiveness of an endorsement primarily depends on the perceived credibility of the endorser. (Duh & Thabethe, 2021). The Source Attractiveness Model indicates that a celebrity's physical appeal plays a key role in determining the effectiveness of an advertisement's message and influencing consumer buying intentions (Auburn & Nataraajan, 2012). The match-up hypothesis argues that an endorsement reaches its highest effectiveness when there is a precise match between the celebrity endorser, the brand, and the target audience (Mowen & Carlson, 2003). The mean transfer model focuses on the importance of a celebrity endorser and its impact on a product (McCracken, 1989). The Elaboration Likelihood Model (ELM) analyses how various strategies affect consumer purchase intentions through their impact on perceptions.

Among these theories, the Source Model Theory has been used for this study. Source Model Theory merges the Source Credibility Theory and the Source Attractiveness Model, providing a comprehensive lens to examine how the trustworthiness and appeal of celebrities influence consumer behaviour (Consoli, 2010). This theory is especially relevant in Nepal's diverse cultural landscape, where celebrities' credibility and attractiveness can vary and significantly affect their persuasiveness. This dual focus allows for a more nuanced understanding of endorsement effectiveness, making it an apt choice for exploring consumer responses in the Nepalese context.

The conceptual framework Patel (2021) provided for this study has been selected due to its comprehensive evaluation of celebrity endorsements' effects on consumer purchase intentions. This framework identifies three exogenous variables: Attractiveness, expertise, and trustworthiness. It examines how these variables, through Attitude and Brand Credibility as mediating factors, impact purchase intention, which are considered endogenous variables. The framework suggests that these independent variables significantly influence Customers' Purchase Intention.

Attractiveness

Attitude

Purchase Intention

Expertise

Credibility

Figure 1: Celebrity Endorsement Conceptual Framework

Source: Adopted and modified from Patel (2021)

The following hypotheses are proposed based on the given conceptual framework:

#### **Attractiveness and Attitude**

The relationship between attractiveness and attitude is expected to be positive (Felix & Borges, 2014). Attractive celebrity endorsers can improve attitudes toward the ad and brand evaluations. This is the first study that uses measurements from eye-tracking technology combined with a survey to show that consumers' visual attention (viewing time) to the endorser is positively related to the endorser's attractiveness and attitude toward the ad. A similar study by Putri and Roostika (2022) emphasised that being attractive also declared more positive attitudes toward the ad and the brand than those consumers who rated the endorsers as less attractive. This is attributed to consumers' increased attention to messages from attractive endorsers and the trust and positive emotions these endorsers evoke (Till & Busler, 2000). Thus, carefully selecting the endorser is important to obtain the positive effects on ad and brand liking that marketing practitioners hope for when using celebrity endorsers.

H1: Attractiveness has a significant impact on attitude.

## **Attractiveness and Brand Credibility**

Kotler (2000) defined attitude as an individual's personal evaluation, emotional feeling attached, and action tendency towards some objects or ideas. The attractiveness of the celebrity endorser positively influences brand credibility, leading to enhanced consumer perceptions of the endorsed brand. Consumers are more likely to perceive a brand as credible when endorsed by an attractive celebrity, as attractiveness contributes to the overall positive image of the brand and influences consumer attitudes toward the endorsed products (Bhatt et al., 2013). Studies consistently show that celebrities perceived as attractive enhance the credibility of the brands they endorse. The attractiveness of a celebrity can improve consumer perceptions of brand quality and reliability, partly due to the halo effect, where positive traits (in this case, attractiveness) are associated with the endorsed brand (Endorgan, 2013).

H2: Attractiveness has a significant impact on brand credibility.

#### **Trustworthiness and Attitude**

Celebrity endorsers perceived as trustworthy will likely enhance consumer attitudes towards the brand, leading to more positive perceptions and evaluations of the endorsed products. It highlights the impact of celebrity endorser trustworthiness on endorsement effectiveness, demonstrating that celebrities deemed trustworthy by consumers tend to enhance attitudes towards the endorsed brand and increase the persuasiveness of the endorsement (Endorgan, 2013). Trustworthiness affects attitudes towards endorsed brands and influences consumer engagement with the brand. Trustworthy celebrities drive higher consumer trust and engagement, leading to more favourable attitudes toward the endorsement and the brand (Lou & Yuan, 2019).

H3: Trustworthiness has a significant impact on attitude.

## **Trustworthiness and Brand Credibility**

Trustworthiness is identified as a key attribute that celebrities transfer to brands. When celebrities perceived as trustworthy endorse a product, the brand inherits this trustworthiness, enhancing its credibility in the market (Louie et al., 2001). Goldsmith et al. (2000) highlight that those perceptions of trustworthiness significantly contribute to overall brand credibility, which affects consumer purchase intentions and loyalty. Celebrity trustworthiness has a positive effect on both advertising and brand credibility, and these effects are moderated by consumers' ethnicity, with no obvious effects of age or gender (Hussain et al., 2020). Moulard and Garrity (2013) argue that the authenticity of a brand is significantly influenced by the trustworthiness of the celebrities endorsing it. Celebrities who are perceived as genuine and trustworthy enhance the perceived authenticity of the brand, which is a critical component of brand credibility.

H4: Trustworthiness has a significant impact on brand credibility.

#### **Expertise and Attitude**

When consumers perceive a celebrity as knowledgeable and experienced in the relevant product domain, their attitudes toward the advertised product will likely be more favourable. The endorser's expertise significantly affects the trust consumers place in the information presented in advertisements. This trust, facilitated by perceived expertise, subsequently influences consumer attitudes toward the endorsed product (Endorgan, 2013). Amos et al. (2008) explored the relationship between celebrity endorser effects and advertising effectiveness, affirming that perceived expertise contributes to advertising success by positively influencing consumer attitudes and intentions. The perceived expertise of a celebrity endorsing a brand directly influences the brand's credibility in the consumers' eyes. This is because the endorser's expertise is transferred to the brand, enhancing its perceived credibility. Obermiller and Spangenberg (1998) highlight that advertisements from sources deemed to have high expertise are less likely to be met with scepticism, leading to more positive attitudes toward the advertised message.

H5: Expertise has a significant impact on attitude.

## **Expertise and Brand Credibility**

Celebrity endorsers perceived as experts in their respective fields enhance the credibility of the endorsed brand, leading to more positive perceptions and evaluations of the brand by consumers. Goldsmith et al. (2000) demonstrated that brand credibility is significantly influenced by the perceived expertise associated with the brand. Their study asserts that expertise, as part of the broader construct of source credibility, directly contributes to consumers' evaluation of brand credibility, influencing their attitudes and behavioural intentions towards the brand. Furthermore, celebrities perceived as experts in relevant domains can significantly enhance the credibility of the brands they endorse, highlighting the role of expertise in modern digital marketing strategies (Lou & Yuan, 2019).

H6: Expertise has a significant impact on brand credibility.

#### **Attitude and Customers' Purchase Intention**

Customers' purchase intention addresses the predisposition to purchase a certain brand or product (Belch & Belch, 2013). Purchase intention also indicates the possibility of a person purchasing a product. Ha and Lam (2016) hold that customers' positive attitude toward celebrity endorsement will improve their purchase intention. Many studies also indicate that customers' attitude toward a brand has a positive and significant impact on purchase intention (Consumers' attitudes towards the celebrity, including factors like attractiveness, credibility, expertise, and trustworthiness, can significantly influence their attitudes towards the endorsed products (Endorgan, 2013). Positive attitudes towards a celebrity endorser can translate into positive attitudes towards the brand or product being endorsed, increasing the likelihood of purchase intention(Ho Nguyen et al., 2022).

H7: Attitude has a significant impact on a customer's purchase intention.

## **Brand Credibility and Customers' Purchase Intention**

Brand credibility refers to the perceived believability of the product information embedded in a brand. A credible brand is associated with higher perceived quality, lower perceived risk, and less information cost, leading to higher expected utility and consideration set formation (Aw & Labrecque, 2020). Brand credibility is well-established and leads to favourable marketing outcomes, such as loyalty and purchase intention (Chung & Cho, 2017). Brand credibility impacts consumers' brand choice (Vidyanata et al., 2018) and increases consumers' purchase intention. Moreover, it is proposed that the credibility of an endorser will be transferred to the brand. Therefore, a firm can work towards building brand credibility as it is largely driven by the quality of the information conveyed through the marketing strategies.

H8: Brand Credibility significantly impacts a customer's purchase intention.

#### Brand Credibility as a Mediating Variable between Attractiveness and Purchase Intention

Attractive celebrity endorsers enhance the perceived appeal and credibility of the brand through the halo effect, where positive perceptions of the individual are transferred to the product or brand they endorse (Erdogan, 1999; Bhatt et al., 2013). This enhanced brand credibility reduces consumer scepticism and increases trust, influencing purchase intention (Goldsmith et al., 2000; Endorgan, 2013). Therefore, brand credibility acts as a bridge linking the attractiveness of the endorser to the consumer's intent to purchase.

H9: Brand credibility mediated the relationship between attractiveness and purchase intention.

## Attitude as a Mediating Variable between Attractiveness and Purchase Intention

Endorser attractiveness captures consumer attention and evokes positive emotional responses, shaping consumer attitudes toward the ad and the brand (Felix & Borges, 2014; Putri & Roostika, 2022). These attitudes strongly predict purchase intention (Belch & Belch, 2013). As such, attractiveness indirectly affects purchase intention by forming favourable consumer attitudes.

H10: Attitude mediated the relationship between attractiveness and purchase intention.

## Brand Credibility as a Mediating Variable between Expertise and Purchase Intention

Perceived expertise enhances the trustworthiness and reliability of the information conveyed in the endorsement (Goldsmith et al., 2000). Consumers who view a celebrity as knowledgeable are likelier to see the brand as credible (Lou & Yuan, 2019). This credibility builds confidence in the product and reduces perceived risk, thereby increasing purchase intention (Chung & Cho, 2017; Aw & Labrecque, 2020).

H11: Brand credibility mediated the relationship between expertise and purchase intention.

## Attitude as a Mediating Variable between Expertise and Purchase

Celebrities with high expertise instil trust in the advertisement's claims, positively influencing consumer attitudes toward the message and the brand (Obermiller & Spangenberg, 1998; Amos et al., 2008). These favourable attitudes, in turn, significantly drive consumers' intentions to purchase the endorsed product (Ho Nguyen et al., 2022). Thus, expertise impacts purchase behaviour through the attitude formation pathway.

H12: Attitude mediated the relationship between expertise and purchase intention.

## Brand Credibility as a Mediating Variable between Trustworthiness and Purchase Intention

Trustworthiness is a key component of source credibility. When endorsers are perceived as honest and genuine, this perception transfers to the brand, boosting its credibility (Louie et al., 2001; Hussain et al., 2020). A credible brand is associated with lower perceived risk and higher purchase intention (Aw & Labrecque, 2020; Vidyanata et al., 2018), making brand credibility an essential mediator in this relationship.

H13: Brand credibility mediated the relationship between trustworthiness and purchase intention.

## Attitude as a Mediating Variable between Trustworthiness and Purchase Intention

Trustworthy endorsers evoke consumers' positive cognitive and emotional responses, shaping their attitudes toward the endorser and the brand (Endorgan, 2013; Lou & Yuan, 2019). These attitudes then drive consumer behaviour, including the decision to purchase. As such, attitude is an intermediate mechanism through which perceived trustworthiness translates into purchase intention.

H14: Attitude mediated the relationship between trustworthiness and purchase intention.

## 3. Variables and Definitions

The variables used in this study are covered in this section. The study's objective will determine the necessary variables, which may or may not include all of those listed below.

Table 1: Variables and their definition

| Construct           | Variable<br>Notation | Observed<br>Variable                                 | Explanation                                      |
|---------------------|----------------------|--|--|
|                     | A_1                  | Preference   | Prefers ads with attractive endorsers            |
| Attractiveness      | A_2                  | Valuation  | Values attractiveness in endorsers               |
| (Wang &             | A_3                  | Boost  | Attractive endorsers boost purchase intent       |
| Scheinbaum, 2018)   | A_4                  | Recall   | Attractive endorsements improve brand recall     |
|                     | A_5                  | Attraction   | Attracted to products by attractive celebrities  |
|                     | E_1                  | Respect  | Respect ads with expert endorsers                |
| Expertise           | E_2                  | Attention  | More attentive to expert-endorsed ads            |
| 1                   | E_3                  | Motivation   | Influenced to buy by expert endorsers            |
| (Wang et al., 2017) | E_4                  | Trust  | Trusts expert-endorsed brands more               |
|                     | E_5                  | Consideration  | Expert endorsements prompt serious consideration |
|                     | T_1                  | Assurance  | Trust limits criticism                           |
| Trustworthiness     | T_2                  | Remembrance  | Trust enhances remembrance                       |
| (Wang &             | T_3                  | Esteem   | Trustworthy endorsers influence choices          |
| Scheinbaum, 2018)   | T_4                  | Respect  | Trusted endorsers elevate brand esteem           |
|                     | T_5                  | Validation   | Credibility from trusted endorsers               |
|                     | BC_1                 | Enhancement  | Celebrity endorsement enhances brand likeability |
| Brand Credibility   | BC_2                 | Authenticity perception is unchanged by endorsements |  |
| (Erdem & Swait,     | BC_3                 | Promise  | Endorsements perceived as promise-keeping        |
| 1998)               | BC_4                 | Support  | Celebrity support lends brand credibility.       |
|                     | BC_5                 | Judgment   | Experience influences credibility assessment     |
|                     | AT_1                 | Prompt   | Celebrity influence prompts purchase             |
| Attitude            | AT_2                 | Use  | Celebrity loyalty drives brand use               |
| (Erdem & Swait,     | AT_3                 | Memory   | Celebrities boost brand memory.                  |
| 1998)               | AT_4                 | Perception   | Endorsements improve brand perception            |
|                     | AT_5                 | Belief   | Trusted endorsers solidify the claim and belief  |
| Customer            | CPI_1                | Independence   | Ad-independent loyalty                           |
| Purchase CPI_2      |                      | Awareness  | Celebrity endorsements enhance awareness         |
| Intention           | CPI_3                | Preference   | Preferences shaped by admired endorsers          |
| (Putrevu & Lord,    | CPI_4                | Affinity   | Endorser affinity prompts purchases              |
| 1994)               | CPI_5                | Scrutiny   | Expert endorsements increase scrutiny            |

Note: The items A5 from construct 1 and E2 from construct 2 were dropped after measurement modelling as they had HTMT values higher than the threshold, i.e., 0.90.

## 4. Research Methods

Study Area, Population and Sample Size

The study area for this study is Nepal. Nepal is a landlocked country in South Asia, neighbouring China to the north and India to the south, east, and west. The nation covers 147,516 square kilometres of territory and is between coordinates 28°N and 84°E (Baniya, 2017). Nepal has been chosen as the study's location

due to a noticeable trend: the growing interest in celebrity endorsements among Nepali businesses. Despite its relatively smaller market size compared to global powerhouses, Nepal has seen a surge in celebrity endorsements across various industries. From local brands to multinational corporations operating in Nepal, the utilisation of celebrities for product and service promotion has witnessed a noticeable uptick.

In examining the effects of celebrity endorsements on consumer buying behaviour in Nepal, where the exact impact and the size of the affected population are not precisely known, non-probability sampling has been deemed the most suitable method. Non-probability sampling is particularly valuable in exploratory research or when the objective is not to generalise the results to the entire population. Given the uncertain range of consumers influenced by celebrity endorsements in Nepal, non-probability sampling offers a flexible and appropriate method to assess how endorsements influence purchase intentions in this Nepalese context (Ayhan, 2011). In this study a total of 401 data was collected which is calculated by using the formula  $n = z^2pq/e^2$  (Adhikari et al., 2021; Burmeister & Aitken, 2012) developed by Cochran where,  $n_0 = sample$  size for the study, Standard tabulated value for 5% level of significance (z) = 1.96, Prevalence or proportion of an event 50% = 0.50 and allowable error that can be tolerated (e) = 5%.

## Research Instrument, Data Collection and Analysis

This study utilised a structured questionnaire, providing a directed format for responses. This questionnaire featured a closed-ended design, with concise questions requiring participants to select from predetermined options like 'yes' or 'no.' The data collection process was facilitated using the KOBO toolbox, which organised the questionnaire and allowed for pilot testing on a small group to ensure accuracy and consistency. Overall, data was collected from 401 respondents. A pilot test with 15 participants assessed the questionnaire's effectiveness. The KOBO toolbox enabled online and offline data collection, enhancing cost efficiency as data could be entered via mobile devices.

Data analysis involved descriptive and inferential methods, incorporating structural equation modelling (SEM). Tools such as the KOBO Toolbox, Microsoft Excel, and Smart PLS were employed for data management and analysis, with KOBO Toolbox and Microsoft Excel being the primary platforms for data entry. Results were graphically represented to visually present the findings.

#### 5. Results

## Socio-Demographic Analysis

**Table 2: Socio-Demographic Information** 

| Title                    | Category   | Number   | Percentage (%) |
|--------------------------|--|--|----------------|
| Gender                   | Male   | 254  | 62.87          |
| Gender                   | Female   | 150  | 37.13          |
| Marital Status           | Unmarried  | 206  | 50.99          |
| Maritar Status           | Male         254           Female         150           Unmarried         206           Married         196           Others         2           Inside Kathmandu Valley         294           Outside Kathmandu Valley         110           Private Sector         218           Self-Employed         43           Full-Time Student         41           Contract         40 | 48.51  |                |
|                          | Others   | 254 6<br>150 3<br>206 5<br>196 2<br>294 7<br>110 2<br>218 5<br>43 1<br>41 1<br>40 23 21  | 0.5            |
| Location                 | Inside Kathmandu Valley  | 294  | 72.77          |
| Location                 | Outside Kathmandu Valley   | 254 150 206 196 2 Valley 294 1 Valley 110 or 218 ed 43 ent 41 40 23 d 21 r 12  | 27.23          |
|                          | Private Sector   | 218  | 53.96          |
|                          | Self-Employed  | 43   | 10.64          |
|                          | Full-Time Student  | ale     254     6       nale     150     3       arried     206     5       rried     196     4       ners     2       nandu Valley     294     7       mandu Valley     110     2       e Sector     218     5       nployed     43     1       e Student     41     1       tract     40     1       ancer     23     5       nployed     21       Sector     12     2   | 10.15          |
| Employment Status        | Contract   | 40   | 9.9            |
| <b>Employment Status</b> | Freelancer   | 23   | 5.69           |
|                          | Not Employed   | Others         2         0.3           side Kathmandu Valley         294         72.7           tside Kathmandu Valley         110         27.2           Private Sector         218         53.9           Self-Employed         43         10.0           Full-Time Student         41         10.1           Contract         40         9.9           Freelancer         23         5.6           Not Employed         21         5.2           Public Sector         12         2.9 | 5.2            |
|                          | Public Sector  |  | 2.97           |
|                          | Others   |  | 1.49           |

|              | 50,000-100,000 | 225 | 55.69 |
|--------------|----------------|-----|-------|
| Income Level | 20,000-50,000  | 90  | 22.28 |
| Income Level | 100,000 above. | 16  | 3.96  |
|              | Below 20,000   | 11  | 2.72  |

Of 401 respondents, 37.13% are male and 62.87% are female. This shows that the majority of respondents in this study were male. Similarly, out of 401 respondents, 48.51% are unmarried, and 50.99% are married. Among the study's participants, all based in Nepal, 294 (72.77%) were from within Kathmandu Valley, while 110 (27.23%) were from areas outside the valley. In terms of their earning (per month) 55.69% of the respondents have an income between Rs. (50,000-1, 00,000), (22,28%) of the respondents have an income between Rs. (Above 100,000), and (2.72%) of the respondents have income between Rs. (Below 20,000). Regarding employment status, respondents from the private sector accounted for 53.96%, followed by self-employed individuals at 10.64%, and full-time students at 10.15%. Contract workers comprised 9.9%, freelancers 5.69%, and the unemployed 5.2%. Public sector employees represented 2.97%, while the remaining 1.49% fell into the "others" category.

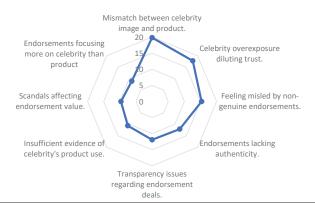
## **General Understanding of Celebrity Endorsement**

Respondents were asked about their familiarity with and understanding of "celebrity endorsement". The findings indicate that 65.84% of respondents are somewhat familiar with celebrity endorsement, 20.3% are unfamiliar with it, 12.13% are very familiar, and 1.73% are unfamiliar. When asked about their understanding celebrity endorsement, most of the respondents i.e., 46.04% understood celebrity endorsement as Individuals with significant public recognition capable of shaping public opinions and behaviors, 36.39% understood it as Renowned individuals actively engaging with their fan base across various platforms, including social media, television, or public events, 8.66% understood it as Public figures renowned for their influence over consumer choices due to their fame, 6.44% understood it as individuals who have a large audience and using fame to connect with them. And 2.48% understood it as Individuals collaborating with brands to promote products or services.

## **Challenges and Managerial Solutions**

The modal response to whether customers faced any challenges in discerning authentic celebrity-brand relationships shows that 45.54% of the respondents faced challenges, while 54.46% did not face challenges related to Celebrity Endorsement. The major challenges in creating a desirable impact on purchase intention are identified to be mismatch between celebrity image and product (19.8%), Celebrity overexposure diluting trust (17.82%), Feeling misled by non-genuine endorsements (15.35%), Endorsements lacking authenticity (12.13%), Transparency issues regarding endorsement deals (11.88%), Insufficient evidence of celebrity's product use (10.64%), Scandals affecting endorsement value (9.65%), and endorsement focusing more on celebrity than product (8.91%).

Figure 2: Challenges



54.7% think the challenges aren't manageable, whereas 45.3% think they are manageable. Furthermore, Respondents were asked about the management strategies to reduce the gap between celebrity endorsement and its impact on purchase intention. The highest percentage of respondents (23.02%) said choosing celebrities authentically using and believing in the product would be the best strategy for resolving the challenges. Similarly, match celebrities with products that fit their image and lifestyle (22.03%), focus on the product's benefits as much as the celebrity's endorsement (20.79%), clearly disclose all endorsement terms and celebrity-product relationships (13.12%) and Show evidence of the celebrity's long-term use and experience with the product (12.87%), and others (0.25%).

## **Inferential Analysis**

Firstly, Common method bias was assessed using a full collinearity test. Each variable is regressed against a common variable in this test to check for collinearity. A variance inflation factor (VIF) value below 3.3 indicates the absence of common method bias (Lawaju et al., 2024). In this study, all VIF values were below the threshold of 3.3, suggesting that common method bias is not a concern.

Table 3: Common Method Bias

|     | Attractiveness(a) | Attitude (at) | Brand<br>credibility<br>(bc) | Customers' Purchase Intention (CPI) | Expertise (e) | Trustworthiness (t) |
|-----|-------------------|---------------|------------------------------|-------------------------------------|---------------|---------------------|
| VIF | 1.427             | 2.09          | 1.038                        | 1.766                               | 1.73          | 1.946               |

#### Measurement Model Assessment

The measurement model initially tests internal consistency reliability using Cronbach's Alpha and Composite Reliability (CR). These metrics gauge the shared variance among observed variables and indicate a latent construct's reliability and the internal consistency of scale items (Shrestha, 2021). The threshold for CR is generally 0.7 or higher, although for exploratory research, a minimum of 0.6 is acceptable (Amatya et al., 2023). Table 4 indicates that all the above criteria, Cronbach's Alpha (CA) and Composite Reliability (CR), have been satisfied. As a result, the model of this study has internal consistency reliability (Basnet et al., 2024).

Convergent validity is evaluated through Average Variance Extracted (AVE). An AVE below 0.50 indicates that errors in the items outweigh the variance explained by the construct, making an AVE above 0.50 desirable (Hair et al., 2014). As shown in Table 4, the AVEs are all higher than 0.5, indicating the data's convergent validity.

**Table 4: Reliability and Convergent Analysis** 

| Construct      | Items | Factor Loading |       |       | AVE   |
|----------------|-------|----------------|-------|-------|-------|
|                | a1    | 0.807          |       |       |       |
| Attractiveness | a2    | 0.858          | 0.839 | 0.892 | 0.673 |
| Auractiveness  | a3    | 0.804          | 0.839 | 0.892 | 0.073 |
|                | a4    | 0.811          |       |       |       |
|                | at1   | 0.808          |       | 0.871 | 0.575 |
|                | at2   | 0.726          |       |       |       |
| Attitude       | at3   | 0.785          | 0.815 |       |       |
|                | at4   | 0.713          |       |       |       |
|                | at5   | 0.756          |       |       |       |

|                               | bc1  | 0.637 |       |       |       |
|-------------------------------|------|-------|-------|-------|-------|
|                               | bc2  | 0.746 | ]     |       |       |
| Brand Credibility             | bc3  | 0.736 | 0.801 | 0.862 | 0.557 |
|                               | bc4  | 0.784 | ]     |       |       |
|                               | bc5  | 0.818 | ]     |       |       |
|                               | cpil | 0.676 | Ì     |       |       |
|                               | cpi2 | 0.727 | ]     |       | İ     |
| Customers' Purchase Intention | срі3 | 0.808 | 0.838 | 0.883 | 0.603 |
| Turchase intention            | cpi4 | 0.841 | ]     |       |       |
|                               | cpi5 | 0.819 | ]     |       |       |
|                               | e1   | 0.758 |       | 0.9   |       |
|                               | e2   | 0.813 | 7     |       |       |
| Expertise                     | e3   | 0.842 | 0.861 |       | 0.643 |
|                               | e4   | 0.812 | ]     |       |       |
|                               | e5   | 0.783 | ]     |       |       |
|                               | t1   | 0.723 |       |       |       |
|                               | t2   | 0.796 | ]     |       |       |
| Trustworthiness               | t3   | 0.804 | 0.85  | 0.893 | 0.625 |
|                               | t4   | 0.819 | ]     |       |       |
|                               | t5   | 0.809 |       |       |       |

Discriminant validity is evaluated through cross-loading, the Fornell and Larcker criterion, and the HTMT ratio. Cross-loading checks ensure that the factor loadings on a target construct are higher than on other constructs (Ab Hamid et al., 2017). Similarly, the Fornell and Larcker criterion compares the square root of the AVE of each construct to the squared correlations between constructs to ensure that constructs are distinct from one another (Henseler et al., 2015). The Heterotrait-Monotrait (HTMT) ratio is used to evaluate discriminant validity in quantitative research, particularly within structural equation modelling frameworks. According to guidelines by Franke and Sarstedt (2019), HTMT values below 0.90 are generally recognised as demonstrating adequate discriminant validity. However, values close to this threshold, such as 0.904, may still be acceptable. The Fornell and Lacker criterion was checked and satisfied, as the square roots of all AVEs were larger than the corresponding correlations (Hair et al, 2019). In the cross-loading analysis, the factor loading of each indicator on its designated construct is expected to exceed its loading on any other construct (Ab Hamid et al., 2017). The results shown in Table 7 confirm that each item has higher factor loadings on its respective constructs than any other.

**Table 5: HTMT Results** 

| Construct                           | a     | at    | bc    | cpi   | e     |
|-------------------------------------|-------|-------|-------|-------|-------|
| Attractiveness (a)                  |       |       |       |       |       |
| Attitude (at)                       | 0.811 |       |       |       |       |
| Brand Credibility (bc)              | 0.727 | 0.826 |       |       |       |
| Customers' Purchase Intention (cpi) | 0.574 | 0.722 | 0.805 |       |       |
| Expertise (e)                       | 0.864 | 0.792 | 0.804 | 0.692 |       |
| Trustworthiness (t)                 | 0.864 | 0.857 | 0.856 | 0.792 | 0.904 |

**Table 6: F-L Criterion Results** 

| Construct                           | a      | at     | bc    | срі    | e      | t     |
|-------------------------------------|--------|--------|-------|--------|--------|-------|
| Attractiveness (a)                  | 0.821  |        |       |        |        |       |
| Attitude (at)                       | 0.678  | 0.759  |       |        |        |       |
| Brand Credibility (bc)              | 0.615  | 0.675  | 0.747 |        |        |       |
| Customers' Purchase Intention (cpi) | 0.518  | 0.618  | 0.681 | 0.777  |        |       |
| Expertise (e)                       | -0.725 | -0.654 | -0.67 | -0.602 | 0.814  |       |
| Trustworthiness (t)                 | 0.731  | 0.717  | 0.724 | 0.696  | -0.759 | 0.791 |

**Table 7: Cross-Loading** 

| Item | Attractiveness(a) | Attitude (at) | Brand<br>credibility<br>(bc) | Customers' Purchase Intention (cpi) | Expertise (e) | Trustworthiness (t) |
|------|-------------------|---------------|------------------------------|-------------------------------------|---------------|---------------------|
| al   | 0.807             | 0.599         | 0.578                        | 0.46                                | -0.603        | 0.587               |
| a2   | 0.858             | 0.607         | 0.52                         | 0.463                               | -0.647        | 0.651               |
| a3   | 0.804             | 0.49          | 0.445                        | 0.373                               | -0.561        | 0.548               |
| a4   | 0.811             | 0.511         | 0.455                        | 0.391                               | -0.559        | 0.609               |
| at1  | 0.54              | 0.808         | 0.532                        | 0.507                               | -0.523        | 0.592               |
| at2  | 0.486             | 0.726         | 0.496                        | 0.436                               | -0.483        | 0.505               |
| at3  | 0.577             | 0.786         | 0.527                        | 0.452                               | -0.499        | 0.565               |
| at4  | 0.439             | 0.713         | 0.46                         | 0.45                                | -0.456        | 0.428               |
| at5  | 0.522             | 0.756         | 0.539                        | 0.495                               | -0.516        | 0.609               |
| bc1  | 0.337             | 0.431         | 0.637                        | 0.439                               | -0.381        | 0.379               |
| bc2  | 0.461             | 0.473         | 0.746                        | 0.507                               | -0.529        | 0.507               |
| bc3  | 0.391             | 0.461         | 0.736                        | 0.455                               | -0.425        | 0.47                |
| bc4  | 0.472             | 0.516         | 0.784                        | 0.475                               | -0.508        | 0.574               |
| bc5  | 0.586             | 0.611         | 0.818                        | 0.633                               | -0.615        | 0.708               |
| cpi1 | 0.185             | 0.3           | 0.413                        | 0.676                               | -0.295        | 0.354               |
| cpi2 | 0.207             | 0.367         | 0.431                        | 0.727                               | -0.327        | 0.363               |
| cpi3 | 0.428             | 0.505         | 0.523                        | 0.808                               | -0.454        | 0.554               |
| cpi4 | 0.521             | 0.574         | 0.608                        | 0.841                               | -0.586        | 0.651               |
| cpi5 | 0.549             | 0.577         | 0.62                         | 0.819                               | -0.588        | 0.682               |
| e1   | -0.552            | -0.487        | -0.52                        | -0.497                              | 0.768         | -0.591              |
| e3   | -0.622            | -0.587        | -0.624                       | -0.539                              | 0.852         | -0.657              |
| e4   | -0.606            | -0.521        | -0.54                        | -0.456                              | 0.825         | -0.6                |
| e5   | -0.577            | -0.527        | -0.487                       | -0.466                              | 0.808         | -0.622              |
| t1   | 0.552             | 0.555         | 0.515                        | 0.474                               | -0.578        | 0.723               |
| t2   | 0.587             | 0.556         | 0.6                          | 0.566                               | -0.575        | 0.796               |
| t3   | 0.602             | 0.572         | 0.546                        | 0.551                               | -0.621        | 0.804               |
| t4   | 0.563             | 0.576         | 0.611                        | 0.573                               | -0.637        | 0.819               |
| t5   | 0.587             | 0.575         | 0.586                        | 0.585                               | -0.591        | 0.809               |

Goodness of Fit: The Standardised Root-Mean-Square Residual (SRMR) is utilised to assess the fit of a statistical model. This metric determines how well a model matches the data on which it was developed and can be employed to compare different models. An SRMR value below 0.1 indicates a satisfactory model fit (Cangur & Ercan, 2015). For this model, the SRMR value is 0.073, indicating a good fit.

#### Structural Model Assessment

The structural model assesses the relationships between latent variables through hypothesis testing, examining the significance and relevance of path coefficients and confidence interval criteria. This study has 14 hypotheses, 8 out of 14 are direct relationships, and 6 are indirect. Path analysis is conducted using SmartPLS 4 software, and the calculations and interpretations are derived from the results obtained. The observed variables are linked according to the conceptual model's proposed relationships. The outcomes of the path analysis and the path model are typically presented together in a path diagram to visually depict the relationships and findings.

| Endogenous Latent Factors | $\mathbb{R}^2$ | VIF   |
|---------------------------|----------------|-------|
| Attractiveness            |                | 1.427 |
| Expertise                 |                | 1.73  |
| Trustworthiness           |                | 1.946 |
| Attitude                  | 0.573          | 2.09  |
| Brand Credibility         | 0.562          | 1.038 |

Table 8: Coefficient of Determination (R2) and VIF

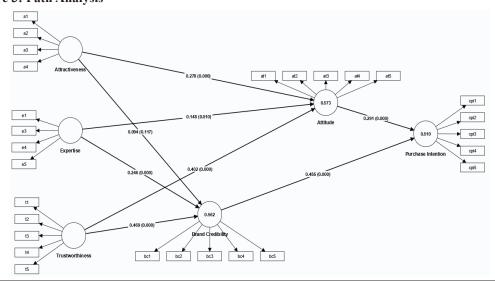
Purchase Intention

Hair et al. (2019) suggested that a model can be considered satisfactory if it achieves an R² value of at least 0.2. In this study, the "attitude" variable demonstrated an R² value of 0.573, while "brand credibility" and "purchase intention" recorded R² values of 0.562 and 0.51, respectively, all exceeding this specified threshold. Additionally, further analysis showed that all Variance Inflation Factor (VIF) values were below 5, adhering to the acceptable levels for collinearity, thus affirming the model's reliability.

0.51

The analysis's final phase involved bootstrapping in SmartPLS 4.0 to calculate the path coefficients and their corresponding t-values for direct and mediated relationships. The outcomes of this path analysis and the corresponding path model are collectively presented in a path diagram to visually represent the relationships and findings.

Figure 3: Path Analysis



1.766

**Table 9: Hypothesis Test** 

|    |  |       |       |          | P      | Confidence  | e Interval   |               |
|----|--|-------|-------|----------|--------|-------------|--------------|---------------|
|    | Hypothesis   | β     | SD    | t-values | values | LL=<br>2.5% | UL=<br>97.5% | Decision      |
| Н1 | Attractiveness -> Attitude                               | 0.278 | 0.06  | 4.664    | 0      | 0.163       | 0.397        | Supported     |
| Н2 | Attractiveness-> Brand credibility                       | 0.094 | 0.06  | 1.566    | 0.117  | -0.022      | 0.212        | Not Supported |
| НЗ | Trustworthiness -> Attitude                              | 0.402 | 0.063 | 6.366    | 0      | 0.273       | 0.519        | Supported     |
| H4 | Trustworthiness -> Brand credibility                     | 0.469 | 0.063 | 7.421    | 0      | 0.34        | 0.587        | Supported     |
| Н5 | Expertise -> Attitude                                    | 0.148 | 0.057 | 2.575    | 0.01   | 0.035       | 0.259        | Supported     |
| Н6 | Expertise -> Brand credibility                           | 0.246 | 0.068 | 3.633    | 0      | 0.116       | 0.379        | Supported     |
| Н7 | Attitude -> Customers' purchase intention                | 0.291 | 0.058 | 5.028    | 0      | 0.177       | 0.405        | Supported     |
| Н8 | Brand credibility -><br>Customers' purchase<br>intention | 0.485 | 0.058 | 8.381    | 0      | 0.371       | 0.596        | Supported     |

Table 9 shows that 7 hypotheses (H1, H3, H4, H5, H6, H7, and H8) are significant, which means the p-value is less than 0.05 and the  $\beta$ -coefficient lies within the confidence interval. It shows the significant relationship between dependent and independent variables. The remaining p-value is more than 0.05, and the  $\beta$ -coefficient doesn't lie within the confidence interval, indicating an insignificant relationship between dependent and independent variables.

**Table 10: Mediating Analysis** 

|     |  |       |       |          | P      | <b>Confidence Interval</b> |         |                  |
|-----|--|-------|-------|----------|--------|----------------------------|---------|------------------|
|     | Hypothesis   | β     | SD    | t-values | values | LL=<br>2.5%                | UL97.5% | Decision         |
| Н9  | Attractiveness -> Brand credibility -> Customers' purchase intention | 0.046 | 0.03  | 1.503    | 0.133  | -0.01                      | 0.109   | Not<br>Supported |
| H10 | Attractiveness -> Attitude-> Customers' purchase intention           | 0.081 | 0.022 | 3.749    | 0      | 0.043                      | 0.127   | Supported        |
| H11 | Expertise -> Brand credibility -> Customers' purchase intention      | 0.119 | 0.036 | 3.35     | 0.001  | 0.054                      | 0.194   | Supported        |

| H12 | Expertise -> Attitude -> Customers' purchase intention                | 0.043 | 0.02  | 2.135 | 0.033 | 0.008 | 0.087 | Supported |
|-----|---|-------|-------|-------|-------|-------|-------|-----------|
| H13 | Trustworthiness -> Brand credibility -> Customers' purchase intention | 0.227 | 0.042 | 5.377 | 0     | 0.148 | 0.313 | Supported |
| H14 | Trustworthiness -> Attitude -> Customers' purchase intention          | 0.117 | 0.032 | 3.663 | 0     | 0.058 | 0.183 | Supported |

The analysis supports Hypotheses H10, H11, H12, H13, and H14, indicating that attractiveness and expertise positively influence customers' purchase intentions through attitude and brand credibility. However, Hypothesis H9 is not supported, showing no significant impact of attractiveness on brand credibility affecting purchase intention.

## 6. Discussion

This study was conducted to determine how the general people of Nepal understand celebrity endorsement. Furthermore, it assesses how celebrity endorsement is associated with brand credibility and consumers' attitudes in creating brand purchase intention. In the study, 8 direct hypotheses were formed. Out of the 8 hypotheses, 7 were supported. Similarly, six mediating hypotheses were formulated, five of which were accepted.

Supported hypothesis 1 indicated that the celebrity's attractiveness is directly related to the consumer's attitude. A study highlighted that consumers who found endorsers appealing tended to have more favourable opinions towards both the advertisement and the associated brand, compared to consumers who considered the endorsers less appealing. This phenomenon is linked to consumers' heightened attention to messages from endorsers they find attractive and the trust and positive feelings that these endorsers inspire

Hypothesis 2 results that attractiveness does not have a notable impact on brand credibility. However, some studies (Bhatt et al., 2013) suggest that attractive celebrities make brands appear more credible, enhancing the brand's overall image and positively affecting attitudes towards its products. This improvement in brand perception and credibility is attributed to the halo effect, where the attractiveness of the celebrity endorser is beneficially transferred to the brand (Endorgan, 2013).

Hypothesis 3 indicates that trustworthiness has a direct relation with attitude. Celebrities viewed as trustworthy by consumers are found to positively influence attitudes toward the brands they endorse and make their endorsements more convincing (Endorgan, 2013). The perceived trustworthiness of celebrities doesn't just shape attitudes; it also boosts consumer engagement with a brand. As Lou & Yuan (2019) point out, endorsers who are deemed reliable tend to increase consumer trust and involvement, resulting in more positive perceptions of both the endorsement and the brand itself.

Hypothesis 4 indicates that trustworthiness has a considerable relation with brand credibility. The trustworthiness of celebrities positively impacts the perceived credibility of both advertisements and the brands they endorse, with consumer responses varying by ethnicity but not significantly by age or gender (Hussain et al., 2020). Moulard and Garrity (2013) also assert that a brand's authenticity is deeply affected

by how trustworthy its celebrity endorsers are perceived.

Hypothesis 5 indicates expertise has a notable impact on attitude. Amos et al. (2008) examined the link between celebrity endorsers' impact and advertising's efficacy, confirming that an endorser's expertise enhances advertising success by favorably affecting consumer perceptions and purchase motivations. Their findings suggest that endorsers perceived as knowledgeable and skilled strengthen the effectiveness of advertisements by positively affecting consumer attitudes and increasing their willingness to purchase. A similar study by Goldsmith et al. (2000) suggests that endorsers' expertise substantially impacts the credibility consumers attribute to the information in ads. This credibility, derived from perceived expertise, shapes consumer attitudes about the advertised product.

Hypothesis 6 indicates expertise has a direct relation with brand credibility. The expertise of a celebrity endorser can significantly shape a brand's perceived trustworthiness, as per Endorgan (2013). Obermiller & Spangenberg (1998) found that endorsers' perceived expertise can reduce consumer scepticism towards ads, fostering a more favourable response.

Hypothesis 7 indicates that attitude considerably impacts the customers' purchase intention. Ha and Lam (2016) argue that favourable consumer attitudes towards celebrity endorsements enhance their intention to purchase. Similarly, positive consumer sentiments about a brand significantly boost purchase intentions. Moreover, positive views of celebrity endorsers can lead to positive brand perceptions, increasing purchase likelihood (Ho Nguyen et al., 2022).

Hypothesis 8 shows that brand credibility notably impacts customers' purchase intention. (Chung & Cho, 2017) Brand credibility is a key driver of marketing success, enhancing customer loyalty and intention to purchase. It's known to influence consumer preferences and boost the likelihood of purchase (Vidyanata et al., 2018). The trustworthiness of an endorser is often seen as an extension of the brand's credibility. Consequently, firms are encouraged to build brand credibility through informed marketing tactics.

However, in this study, attractiveness is found to have no notable impact on brand credibility, which has no effect on purchase intention.

## 7. Conclusion

Celebrity endorsement is a prevalent marketing strategy in Nepal, yet leveraging it effectively to influence purchase intentions poses specific challenges and requires strategic solutions. One of the main issues in leveraging celebrity endorsements to influence purchase intentions lies in the potential mismatch between the celebrity's image and the product being endorsed. If consumers feel that the celebrity doesn't genuinely use or believe in the product, this can lead to a lack of trust. Additionally, when celebrities endorse too many products, it can dilute their trustworthiness, leaving consumers feeling sceptical about the authenticity of the endorsements. Another issue arises when endorsements appear non-genuine, making customers feel misled. To overcome these hurdles, it is crucial for companies to meticulously select celebrities who not only use but genuinely believe in their products. This alignment between the celebrity's image and the product enhances the authenticity and credibility of the endorsement.

Furthermore, emphasising the product's benefits alongside the celebrity's endorsement can maintain a balanced marketing message, foster consumer trust and bolster the effectiveness of the endorsement. By addressing these challenges with thoughtful strategies, this approach mitigates potential pitfalls and maximises the impact of celebrity endorsements on purchase intentions in Nepal. Conclusively, the study underscores celebrity endorsement as a potent tool for influencing purchase intentions, advocating for its careful and authentic application in the Nepalese market.

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