CELEBRITY ENTREPRENEURSHIP: THE EFFECT OF NEGATIVE CELEBRITY INFORMATION ON THE NEW VENTURE (SUMMARY)

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Recommended Citation  
Hunter, Erik and Davidsson, Per (2008) "CELEBRITY ENTREPRENEURSHIP: THE EFFECT OF NEGATIVE CELEBRITY INFORMATION ON THE NEW VENTURE (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 28: Iss. 13, Article 6. Available at: http://digitalknowledge.babson.edu/fer/vol28/iss13/6

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SUMMARY

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Principal Topic

Increasingly, celebrities engage in business not just as endorsers but also with a financial stake and decision-making role in the business. Whether initiated by the celebrity or by other founders, we refer to such instances of new ventures entering the market with a celebrity engaged in such ways as “celebrity entrepreneurship”. Partnering with a celebrity rather than contracting them as a celebrity endorser is not without its risks. Even the most mundane information concerning the lives of celebrities is newsworthy so when negative information concerning a celebrity surfaces, it spreads fast. When celebrities are involved with starting or owning a company, they carry their name with them. Under such circumstances, negative information about the celebrity might reflect negatively on the company as well. Distancing the firm from a disgraced celebrity may be much more difficult to do in the case of celebrity entrepreneurship. In this study we compare the consequences of negative information concerning a celebrity entrepreneur versus a celebrity endorser.

Method

This study is based on findings from two controlled experiments (n=355). We start by testing consumer reactions to advertisements containing a celebrity after exposure to one of three experimental conditions: entrepreneur; mere endorser, and no information (control) designed to represent different new venture strategies. Negative information about the celebrity is then introduced. While all six experimental groups received the same negative information concerning a (non-lethal) drunk driving accident, we manipulated and measured the change in consumer attitudes based on the company’s response.

Results and Implications

The results from these experiments revealed that a) attitudes towards the brand decreased when negative information was revealed about a celebrity entrepreneur regardless of whether the company fired or supported them, b) when negative information happened to a celebrity endorser, attitudes towards the brand decreased when the company supported the celebrity and improved when the celebrity was fired c) attitudes towards the ad decreased after negative information was revealed albeit only marginally and d) attitudes towards the celebrity after the negative information was revealed decreased significantly in all groups regardless of whether they were a celebrity entrepreneur or endorser.

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