The Power of Celebrity Endorsements Today

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Celebrity endorsement is a time-honoured strategy for drawing attention to a brand. Over the years, this practice has come a long way, with significant shifts in both the advertising and celebrity worlds opening up a range of new possibilities. Our latest whitepaper titled *The Power of Celebrity Endorsement Today*, explores the state of celebrity endorsement including its benefits and the risks involved when things go wrong.

**Introduction**

Celebrity endorsement is a time-honoured strategy for drawing attention to a brand. More than 250 years ago, the English pottery company Wedgwood was exploiting its links with royalty to give its products a “feeling of quality” (Gupta and Verma, 2013). The practice of celebrity endorsements has come a long way since then, with significant shifts in both the advertising and celebrity worlds opening up a range of new possibilities. This whitepaper explores the state of celebrity endorsement today, including its benefits and the risks involved when things go wrong.

**Celebrity endorsements today**

The celebrity endorsement model is essentially simple: a person with high visibility (or ‘fame’) features in a campaign in order to draw attention to the product or service it is promoting. The idea behind this is that positive brand qualities, such as likability, reliability and attractiveness, are transferable between the brand of the celebrity and the brand they are advertising, and will therefore generate desirable campaign outcomes (Khandai and Agrawal, 2010).

A celebrity endorsement was traditionally a longterm contract between the celebrity and the company to promote a brand, product or service through adverts, campaigns, and appearances.
However, technological advances have enabled this practice to expand: a celebrity endorsement can now range from being a spokesperson or model for the product, to simply mentioning it on social media. Euromonitor International lists the key types of celebrity endorsement used today:

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<th>Types</th>
<th>Examples</th>
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<td>Brand empires</td>
<td>Oprah Winfrey, Jamie Oliver</td>
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<td>Licensing name</td>
<td>George Foreman grills, Ainsley Harriott foods</td>
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<td>Brand ambassadors</td>
<td>Tiger Woods – Nike, Beyoncé – Pepsi</td>
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<td>Celebrity-branded products</td>
<td>Lady Gaga Fame Eau de Parfum – Fragrance, Beats by Dr Dre – Headphones</td>
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<td>Brand collaboration</td>
<td>Sean Combs – Diageo, Rihanna – River Island &amp; MAC Cosmetics</td>
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<td>Assuming a company title</td>
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<td>Lending celebrity voices</td>
<td>Kevin Hart – Waze, Billy Murray – Call of Duty</td>
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*Table 1: Types of celebrity endorsements (Euromonitor International, 2014)*
The perks of implementing celebrity endorsements today

While celebrity endorsements have not lost the original pulling power that Wedgwood was exploiting all those years ago, developments in both celebrity culture and marketing have created new opportunities.

Marketing to millennials

Currently in the USA, millennials make up 21% of consumer discretionary purchases, with an estimated excess of a trillion dollars in direct buying power and huge influence on older generations (Millennial Marketing, 2015). Hence, millennials (commonly defined as those born roughly between the early 1980s and the early 2000s) are a crucial market for many companies. This age group are known to value innovation and participation in marketing, leading companies to constantly look for new and smarter ways to reach them. Celebrity endorsements have been shown to be an effective method for reaching this market.

Studies have found that millennials get just as star struck as other generations. When Jimmy Fallon and Justin Timberlake appeared in an advert for the Apple iPhone 6, the advert gained 2 million views on YouTube within mere hours of its launch (Business Insider, 2014). This is because millennials particularly identify with celebrities who share their outlook (Ad Week, 2013). Both Fallon and Timberlake are known for their grounded personalities and sense of humour. As Vision Critical points out, shows like Jimmy Fallon’s are widely watched by millennials, who also engage with him through commenting and sharing (Vision Critical, 2013).
Using social media

Another major advancement in celebrity endorsement has come from social media. Celebrities have become key players on platforms including Facebook, Twitter and Snapchat. Of course, this provides immense scope for promoting brands through endorsements on social media sites.

Patti Williams, professor of marketing at the University of Pennsylvania, told Wharton University (2013): “Traditionally, a celebrity would agree to be in an advertisement, and that was essentially the extent of the relationship. Now, celebrities are encouraged to engage with the [firm’s] customers in other ways. This could be through the company’s own media or through the celebrity’s own media, like a Twitter or Facebook [account].”

It comes as no surprise, then, that a celebrity can be paid just for a single tweet, since according to a report by Nielsen (2012), internet users spend more time on social networks than any other category of websites. The report found that 20% of people’s time on computers was devoted to social channels, and 30% of their mobile time went to social networks.

According to The Brand Agent (2014), Celebrity fees for paid tweets are based on several factors including the number of tweets, the celebrity
brand’s pre-existing relationship with the brand being promoted, and whether an exclusivity agreement was required. In 2014, non-exclusive fees per tweet ranged between $1,500 and $35,000 depending on the status of the celebrity. The inclusion of an exclusivity agreement led to an increase in fees.

Each of these methods has various metrics that marketers can monitor. However, only a few of these provide actionable information.

The impact of a tweet is short-lived, and measuring its impact on company sales is difficult to track; however, celebrity tweets do improve brand awareness. Internships.com got more than 95,000 hits in the first hour after Charlie Sheen tweeted about it, even though he was in the process of being fired from his sitcom (Daily Mail, 2011). This also shows that, for such short term endorsement deals, the celebrity need not have a squeaky clean reputation – especially when they are making headlines.
Getting heard over the ever-increasing marketing noise

As the number and range of marketing platforms increase, and the attention spans of consumers shorten, gaining an audience for your marketing message is becoming an ever harder task. Consumers receive more than 3000 commercial images a day, among which their subconscious will absorb more than 150 images with roughly 30 reaching the conscious mind (Advertising Age, 2010). Conversely, recent studies of hundreds of endorsements have indicated that sales for some brands increased up to 20% upon commencing an endorsement deal. Anita Elberse, associate professor at Harvard Business School, and Jeroen Verleun state that some companies have seen their stock increase by 0.25% on the day a particularly promising deal is announced (Elberse and Verleun, 2011). Seeing a familiar face – such as a celebrity – endorsing the product has been shown to catch a consumer’s attention.
Small businesses can now afford celebrity endorsements

There have never been more celebrities than there are at the present moment. With reality show contestants, internet personalities, athletes and socialites swelling the ranks that were once reserved for musicians and movie stars, companies looking for a celebrity endorsement now have a wide range to choose from. This also means that while some celebrities can still charge astronomical fees, others are within reach of even small businesses.

Celebrities fall into different categories according to their brand power, and each category has its own pricing structure. Evan Morgenstein, President & CEO of CelebExperts, a company that helps businesses of all sizes secure the right celebrity spokespeople, states: “as a rule of thumb, if a person’s fame has no way to sustain itself (like a reality TV contestant on a show like Survivor), you can expect fees to start at $5,000 while a celebrity from Iron Chef America may command $100,000 or more for the same marketing program” (Forbes, 2013).

According to Morgenstein, nearly 60% of CelebExpert’s clients are “from emerging, start-up, or non–industry leading companies, brands and products.” Attaching a celebrity to your brand is no longer the preserve of high–powered multinationals, but affordable and achievable, as well as potentially highly lucrative. The key is understanding the business’ needs and budget in order to match the right celebrity.

The challenges of implementing celebrity endorsements today

The great potential advantages of celebrity endorsement also entail proportionate risks, however. Choosing the wrong celebrity for the brand; problems with the contract between the company and the celebrity; the behaviour of the celebrity once they are linked to the brand; and even the increasing visibility of the celebrity can all lead to a brand losing money.
In many instances, if the celebrity endorser’s popularity increases then this has a positive effect on the brand they are promoting. However, it is possible for brands to suffer from a steep increase in their endorser’s fame as well.

In 2010, Angelina Jolie was nearing her peak as one of the most recognisable celebrities in the world, gaining attention not only for her acting work, but her personal life and charitable initiatives. However, that year she was also dropped by U.S. luxury knitwear brand St. John, with the clothing company’s chief executive Glenn McMahon telling Reuters (2010) that she “overshadowed the brand”.

According to Cynthia Webster and Jasmina Ilicic, when consumers see a celebrity promoting several products, they start seeing only the celebrity and ignoring the brand – the celebrity ‘eclipses’ the brand they are meant to be drawing attention to (Webster and Ilicic, 2014). To avoid this, the next St. John campaign featured the established model, and lesser-known celebrity, Karen Elson.

Figure 4: Starring in St. John’s adverts; left: Angelina Jolie, right: Karen Elson (Google Images, 2015)
A celebrity endorser can also overshadow their brand by taking on too many endorsement deals. The FrogDog (2013) website considers David Beckham an example of this. The star promotes a wide range of products, from soft drinks to shoes, in adverts that consistently make his image their focal point. The effect of this is that viewers tend to remember that they’ve seen David Beckham, and not remember which product he was endorsing. Apart from not drawing attention to the product, this can even devalue it.

![Figure 5: David Beckham’s celebrity endorsements (Google Images, 2015)](image)

According to Webster and Ilicic, consumers who do not identify strongly with the celebrity endorser also report a more positive brand attitude when the brand shares focus with the celebrity (‘low eclipsing’) than when the celebrity overshadows and dominates the brand (‘high eclipsing’).

There is also the risk that a celebrity can even damage a brand’s reputation. As the positive appearance of a celebrity can be transferred, so a negative appearance can reflect poorly, to the degree that a brand may have to back out of a deal even if that means losing their financial investment.
When Nike partnered with Olympian “blade runner” Oscar Pistorius in 2012, it seemed like a perfect match. However on Valentine’s Day of the next year, Pistorius was arrested for the murder of his girlfriend. Nike immediately withdrew its ad campaign, which ironically bore the tagline ‘I am the bullet in the chamber’. By distancing itself quickly from its celebrity endorser, Nike avoided a negative backlash; however it did lose the money it had invested in the endorsement deal.

![Figure 6: Oscar Pistorius’s Nike endorsement (Advertising Age, 2013)](image)

**Having a backup plan for if the deal goes awry**

Everyone makes mistakes. If a company decides to align their reputation with that of a celebrity, it will need a strategy for if that relationship becomes problematic. Even a minor blunder can be fatal to a contract, as Brazilian footballer Ronaldinho found when he was laid off from his Coca Cola sponsorship deal simply for appearing with a can of Pepsi during a press conference (The Drum, 2012).
When an endorser makes a mistake, there are essentially three responses a company can make:

- **Dropping the endorser**

  This can be considered the safe move, especially if the celebrity's actions have caused outrage to the degree that consumers are calling on the company to take action. When swimming gold medallist Michael Phelps was caught in a marijuana scandal, Kellogg’s ended his endorsement deal stating that “Michael's most recent behaviour is not consistent with the image of Kellogg” (Brand Republic, 2009).

  However, backing away from partners as soon as they get into difficulties can reflect poorly on a brand. According to Business Insider, Kellogg’s decision may have even done them more harm than good, as the graph below indicates:
While the Vanno company reputation index provides data which should only be read as directional, Kellogg’s decline in reputation suggest show a marked relationship with its decision not to stand by its celebrity endorser. In cases where a celebrity has a longstanding relationship with a particular brand, product or service, especially if this relationship has been in place from the start, it can be even more damaging to break the ties.

- Remaining with the endorser

Even though a celebrity scandal can immediately tarnish any brands he or she is associated with, there is evidence that widespread outrage is often short-lived. Although in serious cases, such as Pistorius’, there may be no way back into popular esteem, for the majority of misdemeanours the public will quickly forgive and forget.

BAV Consulting’s research shows that when Speedo remained by Phelps through his scandal, having weathered a brief dip, the brand actually saw an improvement in public perception over the long term. According to the LA Times, Subway even exploited the surge in publicity caused by the scandal in its advert with Phelps titled “Be Yourself”.

Figure 8: Kellogg’s Reputation performance (Business Insider, 2009)
• Replacing the endorser

This is a tricky strategy to implement, mainly because of the nature of celebrity endorsement. Since the brand and the celebrity are intended to be explicitly linked in the mind of the consumer, replacing the celebrity will cause disruption to the image of the brand.

“It’s hard for a company to overcome negative hits to its brand based on a celebrity spokesperson campaign gone wrong,” warns Morgenstein. “Jumping into another endorsement deal with a different celebrity is unlikely to help the company” (Forbes, 2013).

When facing a crisis in its celebrity endorsement deal, a company needs to consider the potential short and longterm effects of the scandal on the celebrity’s reputation, and how these will affect the endorsement relationship and impact on the company itself.

Conclusion

While celebrity endorsements were once assumed to be longstanding agreements, changes in celebrity culture have forced both sides to become more flexible in their approach. While there have never been so many celebrities, developments in digital media and news sharing have meant they have also never had so little control over their public images. For companies seeking endorsements to promote their brands, this has meant having to approach deals cautiously in order to avoid losing money and reputation.

It can also be argued that a company’s money is better spent investing in its own equity than what Bloomberg Business (2008) calls "borrowed equity". The argument is that a celebrity's attributes can transfer to a product while the endorsement exists, but as soon as the relationship ends that connection is gone.
On the other hand, such borrowed equity can provide the boost a company needs to kickstart the launch, relaunch, or repositioning of its product, helping it to enter the market with immediate brand value.

Added to this, the rise of social media in particular has created a vastly improved scope for celebrity endorsement tactics, with strategies such as tweeting providing effective and affordable solutions. Scandal can even help to promote such tactics, balancing the risks for the company of their celebrity misbehaving. All in all, this is an exciting time for celebrity endorsement.

Methodology

This white paper is written with the support of various research and blog articles, expert opinions from marketers from the London School of Marketing, and the real life marketing performance examples of the LSM marketing team.
About the Organisation

London School of Marketing delivers accredited marketing and business qualifications, and offers courses from recognised professional bodies such as CIM, ABP, BA (Hons) in Marketing, MA in Marketing and Innovation, and an MBA from Anglia Ruskin University. Based in Central London, it is a QAA approved institution. The school also has offices in Sri Lanka, a network of Local Access Points (LAPs) and online programmes of learning. Courses are run over a broad range of study modes. Further details are available at:

http://www.londonschoolofmarketing.com
Reference List:


