



Celebrity Endorsement – Through the Ages

"American Express has a long and proud history of communicating the values of our brand by using heroes and personalities who hold a significant place in the hearts and spirits of people around the world. In Tiger Woods we have a representative who captures the imagination of many different types of consumers. His participation helps us communicate messages that our 'Do More' campaign supports: American Express has a family of products that is relevant to a wide variety of consumers."

– Kenneth I. Chenault, President and CEO, American Express

"It's truly vital to our customer base. Not only does that celebrity bring new value, excitement, or humor but they bring an energy and memorability that you don't get sometimes with non-celebrity advertising."

– Mark Rooks, Pepsi's senior marketing manager of multicultural marketing.

"Testimonials by celebrities are below average in their ability to change brand preference. Viewers guess the celebrity has been bought, and they are right. ... Viewers have a way of remembering the celebrity while forgetting the product."

– David Ogilvy in 'Ogilvy on Advertising'³

Timeline

The history of celebrity endorsement of products dates back to the 1760s. Josiah Wedgwood, the founder of the Wedgwood brand of pottery and chinaware, also called the father of the modern brand 'used royal endorsements and other marketing devices to create an aura around the name of his company that gave the brand a value far beyond the attributes of the product itself.'⁴ Between 1875 and 1900, the trade card, either handed along with the product to the customer or inserted in the packaging itself, popularized celebrity endorsing. The card had a picture of the celebrity and a product description, but had no quote or a direct testimonial by the celebrity. Trade cards featured actresses like Lily Langtry and Sarah Bernhardt and baseball players like Cy Young and Ty Cobb. Author Mark Twain featured on three brands, Great Mark Cigars and Mark Twain Cigars and Mark Twain flour.⁵

The cigarette industry signed on entertainment personalities like comedians Fatty Arbuckle and Harry Bulger when Murad Cigarettes used them in its ads in 1905. Later cigarette brand endorsers were Henry Fonda, Jack Benny, Ethel Barrymore and Fred Astaire. Koda's Cigarettes began including baseball cards in their packs of cigars. These baseball cards were intended to be given away as gifts to loyal customers. People soon started buying the cigarettes for the cards and endorsements caught on fast with marketers. Though no evidence exists to show whether these brands had the express permission of the celebrities, it is known that Honus Wagner, a baseball player stopped a tobacco company that was using his name and baseball card to sell its products. They became so famous later, that one of those cards was sold on eBay in July 2000 for \$1.1 million.⁶ One of the oldest brands of breakfast cereal in America, Wheaties had sport-stars like Babe Ruth, Joe DiMaggio, Jackie Robinson, Chris Evert, Micheal Johnson,

¹ Clark, C., Robert, and Horstmann, J., Ignatius, "Celebrity Endorsements", www.bu.edu

² Alleyne, Sonia, "The celebrity sell: advertisers use black celebrity endorsers to pump up sales", *Black Enterprise*, September 2002

³ <http://www.profitadvisors.com/ogilvy.shtml>

⁴ A "Mindshare" Manifesto, Eric Almquist and Kenneth J. Roberts, <http://www.lippincottmccracker.com>

⁵ Ketcham, Steve, "Celebrity endorsements are a thing of the past (and present)", *The Old Times*, February 2001

⁶ *ibid*

This case study was written by Kalyani Vemuri under the guidance of T Phani Madhav, IBSCDC. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case was compiled from published sources.

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Micheal Jordan and Tiger Woods endorsing it. Wheaties aggressively adopted celebrity endorsing and 46 of the 51 players selected for the 1939 Major League All-Star Baseball Game endorsed Wheaties at the time.⁷

Among the earliest evidences of an endorser's overt approval for using his testimonials was the case of Rev. Henry Ward Beecher, a highly revered preacher. Suffering from a case of hay fever, Rev. Beecher found a good cure in Dr. M M Townsend's Remedy for Hay Fever, Asthma and Catarrh. He sent Dr. Townsend two separate letters praising the medicine and also telling him that he was 'at liberty to make such use of this letter as may secure the relief of all hay fever patients'⁸. Dr. Townsend used the full text of both the letters in a package insert of the product box.

Till the early 1930s, the major endorsers were athletes, but by 1945, movie stars like Charlie Chaplin were more sought-after. With the rising popularity of the color TV in 1965, TV personalities and entertainers also became popular. By 1975, one in eight TV commercials featured a celebrity. Researchers Robert Clark and Ignatius Horstmann of Boston University studied a collection of 1000 endorsement advertisements from 1920-1970 and found from that they were predominantly used by cigarettes, beauty products, beverages and audio equipment.⁹

By 1980, companies started making products around celebrities. Standard Brands Inc, for example, created a new candy bar called "Reggie", after New York Yankees' superstar Reggie Jackson. Faberge Inc., introduced an entire new line of Farrah Fawcett hair-care products. Athlete endorsements picked up again in 1984 when Nike discovered a young and extremely talented basketball player, Michael Jordan (Exhibit 1). Nike relied heavily on Jordan's 'image' to make itself a global mega-brand. In 1989, out of 59 celebrities employed by Coke, 48 were athletes. Almost 75% of all sports-related products like clothes and shoes used athletes to endorse their brands.

Athletes like Jordan, Bo Jackson, Chris Evert and Bill Cosby dominated the late 1980 s. The growth in the number of sports endorsers was attributed to changes in the sports industry that began in the 1970s with free agency. Free agency allowed an athlete to market himself or herself for the best possible price to any team upon the expiration of a contract.¹⁰ "It allowed salaries, because of competition, to really increase exponentially. And when the salaries started to go up, the popularity of sports in general started to go up. You had a combustible combination that really spawned the sports marketing industry that we're in now, and the dollars that athletes earn for endorsements are directly tied to how much they earn on the field,"¹¹ explained Bob Williams, President of Burns Celebrity Sports, a 20-year-old firm that represents companies in sponsorship contracts with celebrities.

Exhibit 1

"His Airness" Micheal Jordan

Since 1984, when he was drafted by the Chicago Bulls, Michael Jordan has endorsed around 70 products including brands like Nike, Gatorade, MCI and McDonalds in nearly 100 television commercials. The range of products varied from cars, toys, cereals, bubble gum and greeting cards to underwear and lotteries. As early as in 1998, he was known to be more successful as a corporate spokesman than a basketball star. His earnings from corporate deals fetched him \$45 million, and his earnings from sports stood at \$35 million.¹²

Jordan was credited with blurring the lines of ethnicity in consumer appeal. "Michael made advertisers come to terms with the fact that, in today's market, consumers are colorblind,"¹³ said Bob Williams, president of Burns Celebrity Sports. "A lot of Michael Jordan's heroic status came from advertising itself. More people have seen him in advertising than they have seen him play basketball. Nike had become iconoclastic, and their advertising is omnipresent. His commercials made him so popular he was able to secure other commercial deals,"¹⁴ added Bernie Washington of Washington Daniels Advertising Inc. in Chicago.

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⁷ www.wheaties.com

⁸ Ketcham, Steve, "Celebrity endorsements are a thing of the past (and present)", *The Old Times*, February 2001

⁹ op cit "Celebrity Endorsements"

¹⁰ op cit "The celebrity sell: advertisers use black celebrity endorsers to pump up sales"

¹¹ ibid

¹² Peyser, Marc, Ehrenfeld Temma and Davis, Alisha, "No Heirs to Air Jordan", *Newsweek*, January 25th 1999

¹³ op cit "The celebrity sell: advertisers use black celebrity endorsers to pump up sales"

¹⁴ op cit "The celebrity sell: advertisers use black celebrity endorsers to pump up sales"

Contd...

Jordan was followed by several athletes who signed on high-paying endorsement deals like Tiger Woods, Shaquille O'Neal, and recently, the Williams sisters, but Rick Burton, director of the sports marketing center at the University of Oregon calls him 'the most amazing endorser ever'. "He's handsome, articulate, classy. He had a purity to his performance on court and off. It's hard to find the perfect celebrity these days,"¹⁵ he said.

Companies justified the heavy investment in endorsements by the fact that these deals resulted in substantial increases in sales. In his first full season under the Nike logo, the Air Jordan line, for example totaled \$153 million in revenue.¹⁶ There are many who would call him the greatest athlete endorser of all times.¹⁷

In the late 1990s, Companies took endorsements to a new level by holding press conferences to announce deals with celebrities. Celebrities were no longer just endorsers. They had become spokespersons for the brand. In the case of sit-coms (Friends) and movies, the celebrities' characters promoted the brands. In 1998, it was estimated that companies in the US spent \$800 million on acquiring celebrities for advertisements, promotions and PR campaigns. The total estimated endorsement commitments for 2004, for one company, Nike totaled \$338.6 million. Multiple endorsements – both the company signing on several celebrities to promote a brand and one celebrity endorsing various brands, sometimes switching between competitors had become *de rigueur*. In 1999, one in five advertisements on TV featured a celebrity. An *AdAge* study of the 20 most effective television ads of 2002 (Annexure I), celebrities like Britney Spears featured in two-thirds of the ads.

The fact that more and more celebrities were willing to lend themselves to endorsement deals, contributed to the increase in the number and value of the deals. While the money involved was considered as one of the main reasons for signing deals, there have been cases of endorsements that were based on pure altruistic motives – like Pierce Brosnan's appeal on behalf of Down's syndrome in Ireland.¹⁸

Companies have openly admitted the direct influence of celebrities on the sales of their products. Since the company signed Woods in 1996, Nike golf balls saw a \$50 million revenue growth by 2002 to reach \$250 million. "He's definitely influenced sales. There was a great deal of speculation, with Nike getting into the golf business. Some thought that it wasn't going to be authentic, but think we've proven people wrong and Tiger has definitely been the foil for us to do that," said Kel Devlin, director of sports marketing for Nike Golf. Woods' first contract with Nike was worth \$40 million. In 2000, it was renegotiated to create a five-year contract estimated at \$125 million.¹⁹ Woods was rated the top most influential celebrity player of 2002 (Annexure II).

Risks Involved

One of the biggest risks for the brand is the celebrity getting into a controversy. Companies were reported to have suffered the negative consequences of controversies involving OJ Simpson, Mike Tyson, Michael Irvin and Kobe Bryant. In a survey done in late 2003, by Knowledge networks and *Advertising Age* on 848 adults nationwide, 62% of the respondents said that when it came to earning their trust as an endorser, an athlete's "private actions are just as important as his/her professional accomplishments. Not only does the brand lose out on the investment already made on the endorser, it has to incur additional costs on replacing the celebrity. Another risk encountered is that of the celebrity overshadowing the brand where people often tend to remember the commercial and the celebrity, but not the product.

In the past, brands signed on celebrities with proven talent and were already considered the best in their field. But companies like Nike began the trend of spotting young, talented athletes and signing them on, even before they enter major league games. Nike signed on 19-year-old LeBron James for a \$90 million seven-year endorsement deal even before he started playing for the NBA. It has already paid \$1 million to a 13-year old player, Freddy Adu who now endorses its products. Reebok's youngest endorser is a three-year-old basketball prodigy, Mark Walker, who features

¹⁵ op cit "No Heirs to Air Jordan"

¹⁶ Vancil, Mark, "Michael Jordan: Phenomenon", *Hoop Magazine*, December 1991

¹⁷ Rovell, Darren, "Jordan's 10 greatest commercials ever", <http://espn.go.com>

¹⁸ O'Shea, Geraldine, "Resorting to celebrity acts", <http://www.marketing.ie>

¹⁹ op cit "The celebrity sell: advertisers use black celebrity endorsers to pump up sales"

in Reebok's television ads. Observers believe that such deals are quite risky for brands. In addition to the risk of the player not becoming a champion in the future, brands would have to hike the endorsement fee for current and future athlete endorsers. Lynn Merritt, a Nike marketing executive justifies Nike's decision by saying, "We have to spend the money or we'll regret it the rest of our lives."²⁰ Commenting on Nike's deal with LeBron James, Bob Williams said that marketshare and competition considerations aside, the deal "is very risky. It's just so hard to dominate in today's NBA. His is going to be either a brilliant move or a terrible move for Nike. I don't see any in-between."²¹

The FRED Principle

Not all celebrity endorsement deals have been successful. One of the earliest failures of endorsements was that of the American ex-First Lady Eleanor Roosevelt's commercial for Good Luck Margarine. "The new Good Luck margarine really tastes delicious", she told viewers and was paid \$35,000 for it. It proved unsuccessful for both the company and herself as was evident from her words: "One half was sad because I'd damaged my reputation. The other half was happy because I'd damaged my reputation."²² A case of mismatched celebrity was evident when Toyota signed on pop singer Britney Spears to endorse its sedan, Soluna Vios, which was best used by family men and women with kids.²³

"At the end of the day, it is about identifying a problem, and then finding the right solution to solve the problem. Many celebrity endorsements fail because they identify a celebrity they like in an emotive and unresearched manner, and then try to create advertising to force-fit the celebrity into the creative concept. Often, the finished advertising is at best contrived, and often, simply laughable. At the end, the brand suffers from a mismatched concept and celebrity, and millions of dollars are flushed away. If this company is publicly listed, imagine the disservice the company has done for its shareholders,"²⁴ said Dr Seamus Phan, Asia's famous published author and analyst.

After studying cases of successful and unsuccessful deals and interviewing 30,000 people, Amy Dyson and Douglas Turco of Illinois State University attempted to evaluate the feasibility of a celebrity and offered the FRED principle. FRED stands for Familiarity, Relevance, Esteem and Differentiation. In brief²⁵:

- **Familiarity:** The target market must be aware of the person, and perceive him or her as empathetic, credible, sincere and trustworthy.
- **Relevance:** There should be a meaningful link between the advertised brand and the celebrity endorser, and more important, between the celebrity endorser and the defined target market.
- **Esteem:** Consumers must have the utmost respect and confidence for the celebrity.
- **Differentiation:** The target consumers must see the endorser as a cut above the rest.

Creativity in Endorsement Advertising

Over the years, endorsing has moved from a celebrity giving an express approval of the product to a subtle demonstration of its benefits by the celebrity featuring in carefully crafted story lines. Apple Computer, for example, introduced its anodized Aluminum range of Powerbooks, the 12-inch and the 17-inch models, with actor Verne Troyer (from movie "Austin Powers" as "Mini Me") and Houston Rockets center player Yao Ming.²⁶ Instead of using these celebrities as mouthpieces for the product, Apple used the very tall Yao Ming and the very short Verne Troyer to demonstrate the difference in size between their small and large Powerbooks.

Advertisers also found that ads that brought out the human side of a celebrity were generally successful. They believed that advertisers needed to show audience different facets of a celebrity. Nike's ad featuring Jordan admitting his mistakes, for example was considered one of its most memorable ads. In the ad, Jordan says, "I missed more than

²⁰ Badenhausen, Kurt, "Slam Dunk", www.forbes.com, February 16th 2004

²¹ Fisher, Eric, "James \$90M deal poses huge risks for Nike, industry", *The Washington Times*, May 23rd 2003

²² op cit "Resorting to celebrity acts", <http://www.marketing.ie>

²³ Dr. Phan, Seamus, "Does celebrity branding always work?", www.allaboutbranding.com

²⁴ ibid

²⁵ Bong R. Osario, "Celebrity endorsers: is the huge investment worth the risk & rewards?", www.newsflash.org, April 16th, 2002

²⁶ op cit "Does celebrity branding always work?"

9,000 shots in my career. I've lost almost 300 games. Twenty-six times I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life and that is why I succeed."²⁷

Latest Research

The Integer Group of Denver, Colorado a promotion-design firm conducted research on men in the age group of 21 to 29. Meg Kinney, VP – research and planning felt that most clients were targeting their products towards this demographic segment, but there were certain factors that made this group of consumers resistant to standard marketing efforts like advertising. "Generation Y grew up in an entertainment-driven economy and a media-driven marketplace. They are, by far, the most marketing-savvy generation that any brand has ever had to contend with."²⁸ Integer wanted to test if the practice of using celebrities in marketing remains relevant when marketing to young people. "We wanted to find out what role a celebrity plays in changing behavior."

Talking about how young consumers evaluate celebrity endorsing, Kinney said that young adults have a filter of credibility. They shoot several questions: Does this person have a right to be famous? Have they earned their achievement through hard work? Have they overcome obstacles? Do they have real talent? Are they true to themselves and their passion?²⁹ This puts the relevance of assumptions marketers carry about the concept of celebrity endorsement in question.

²⁷ op cit "Jordan's 10 greatest commercials ever"

²⁸ Kelly, Brian, "Past the pedestal", *Promo*, December 1st 2003

²⁹ ibid

Annexure I

The Top 20 Most Remembered Spots -- Jan., 1 to Dec., 15, 2002			
Rank	Brand	Ad Description	Recall Index
1	Toys "R" Us	Geoffrey prank calls competing toy store, Nikko toys	254
2	Pepsi Twist	Austin Powers punches Britney Spears	238
3	Toys "R" Us	Geoffrey reads to kids, Big Toy Book	237
4	Toys "R" Us	Geoffrey at press conference, Chicken Dance Elmo	235
5	Burger King	Black Stack BBQ Griller--Men in Black are back (:15)	235
6	Pier 1 Imports	Holiday--Kirstie Alley gives woman "mall-ectomy"	234
7	Old Navy	Rugby Bunch--"Brady Bunch" parody, opening credits	233
8	Ford	"Make your getaway," post-"24" premiere (:180)	232
9	Clairol Herbal Essences	Shampoo--Blonde in shower is into herbs, squeals w/ delight (:15)	232
10	Hanes	Michael Jordan in locker room (:15)	231
11	Pepsi	Britney Spears, through the years, drive-in (:30)	230
12	Campbell's	Chicken Noodle Soup--Snowman becomes kid	229
13	KFC	Blazin' Strips--Jason Alexander at club (:15)	226
14	Pier 1 Imports	40th Anniversary Sale--Kirstie Alley jumps out of cake	225
15	Sears	Washer, dryer, fridge--rancid milk, "Fridge is broken"	224
16	KFC	Popcorn Chicken--Barry Bonds bobblehead doll (:30)	224
17	KFC	Popcorn Chicken--Free on June 20	224
18	Ford	"Start your day," pre-"24" premiere (:180)	223
19	Old Navy	Rugby Bunch--Boys playing basketball, girls cheering	219
20	Discover	Discover 2GO--People amazed by keychain card	219

Source: www.iagr.net

Annexure II: The Top 10 Most Influential Celebrity Players of 2002 in the US

Tiger Woods
Venus Williams
Micheal Jordan
Shaquille O'Neal
Allen Iverson
Kobe Bryant
Serena Williams
George Foreman
James Earl Jones
Tom Toyner

Source: "Tiger Woods Tops List of America's Leading Celebrity Endorsers; BLACK ENTERPRISE Announces Its Ranking of Top-Selling Superstars", *PR Newswire*, August 20th 2002