# Complexity at the Expense of Common Sense?: *Emerging Trends in Celebrity Endorsement Deals*[1]

By Daniel R. Avery and Joseph S. Rosen[2]

There is certainly nothing unique or new about one party endorsing products or services provided by another party. Typically, the endorsing party is a public figure, who provides a public "face" for an otherwise "faceless" enterprise selling its products or services to the consumer public.

Endorsements have typically been straightforward — the celebrity stands up in public, says he likes Brand X potato chips and Brand X Inc. watches its sales rise. However, in the last few years, these basic endorsement deals have been eclipsed by increasingly sophisticated and multi-faceted "brand associations." This is especially true with respect to some of the more renowned celebrities — who happen to possess the most potent market clout and brand identification — such as Tiger Woods, Michael Jordan and Celine Dion.

A word of caution, however, in the midst of this active marketplace: Creativity and complexity alone cannot be a substitute for the underlying, basic business rationale for associating a given celebrity with a particular set of products or services. If the underlying relationship between the celebrity and the product does not resonate among the relevant consumers, the arrangement is not going to succeed regardless of how clever, complex or innovative the deal structure. The recent co-branding deal between singer Celine Dion and Chrysler, often referred to in the press as a disaster, bears witness to this fact.

This article explores these emerging trends of complexity in endorsement deals in the sports and entertainment industries. It also reviews other recent trends, including the broadening of morals clauses and looks at the Celine Dion-Chrysler deal as a case study. A matrix summarizing some of the recent high-priced arrangements between celebrities and vendors is in the accompanying chart.

Celebrity sponsorship and endorsement deals taking place in the past few years generally fit into one of four basic types that might be described as follows: (1) traditional endorsement deals, (2) co-branding or strategic brand placement deals, (3) celebrity-brand deals and (4) joint ventures. Of course, these are not definitive categories by any means, nor do the category headings have any specific legal or commercial significance. Any given celebrity-company relationship can have characteristics from more than one category.

### Traditional endorsement deals

Normally structured as endorsement or personal services contracts, these are typically arrangements where a celebrity agrees to endorse or promote (or otherwise allow himself or herself to be publicly associated with) specific goods or services. These deals rely on the celebrity's fame to reach the relevant audience and to influence the audience's purchasing decisions with respect to the particular goods or services.

As a broad generalization, there are many categories of goods and services that do not require anything more than a publicly recognized spokesperson. In these deals (as opposed to the strategic brand deals discussed below) the celebrity need not bring any specific brand identity or synergy to the particular product or service. Even within these broad parameters, however, the celebrity normally needs to be compatible (or at least not incompatible) with the product or service.

For example, the Olsen twins would not be a good choice to endorse Budweiser, but most mainstream celebrities could pitch snack foods. Examples of traditional endorsement deals are LeBron James' agreement with Nike and George Foreman's deal with Meineke.

### Co-branding or strategic brand placement deals

These are deals where two separate brands are brought together to create a new co-brand or to capture and project unique synergy between the two brands. In other words, these deals involve both a powerful branding celebrity and a powerful branded product or company. Often seen in connection with higher-ticket or luxury items where the companies rely heavily on their specific brand identity to connect with consumers, these deals can be contrasted with traditional endorsement deals where the celebrity alone brings the market clout (from a branding, not sales channel, perspective) to the relationship.

Compatibility between the celebrity's public persona and reputation and the particular product or service is of critical significance in these deals. Recent examples of co-branding or strategic brand placement deals include Tiger Woods' arrangement with Buick and the Celine Dion-Chrysler deal (discussed in more detail below).

In many of these co-branding deals, the parties separately cross-market to each other's respective audiences using their own, separate brands. For example, Chrysler created a co-branded travel information product with Martha Stewart's company in her *Martha Stewart Living* magazine, but also reached out directly to consumers, with the Chrysler brand, through Stewart's other media platforms such as her television show and her Web site.

**Does relationship between product and celebrity resonate?**

Many sophisticated co-branding deals now look to online distribution as a key component, often with a direct Internet partner. For example, Britney Spears' 2002 concert tour was sponsored by Pepsi and was promoted by AOL Time Warner in a three-way initiative.

AOL Time Warner promoted the tour online, including its America Online Internet service and its AOL Music sites. As part of the deal, AOL Music featured exclusive Spears content from the tour, such as photos and backstage footage and promoted Pepsi's sponsorship of the tour through a sweepstakes, offering a four-day trip for four to see Spears' performance at the New Jersey Meadowlands. In addition to ads throughout AOL Music properties, America Online promoted the contest on Keyword: Pepsi Backstage. Pepsi also promoted the effort in stores and provided sponsorship visibility.

**Celebrity Endorsement Deals Analysis Chart**

| Person (Industry) | Vendor/ Products | Price | Date/ Duration | Comments |
|---|---|---|---|---|
| George Foreman (boxing) | Salton Inc./ Grilling Products | $137.5 million ($113.8 million paid in cash over five years and $23.7 million in stock) | 1999/ perpetual | George Foreman has, in effect, become the brand here (i.e., everyone now associates grilling products with Foreman, but most individuals do not even know the name of the actual company). Foreman's original deal with Salton was innovative in giving him significant upside (60 percent of the profits from the Foreman line, which totaled $38.3 million in fiscal 1999), but with no cash up front. Since the Foreman-Salton success, this type of equity interest or royalty structure has been showing up in more deals. The original Foreman-Salton deal was re-done in 1999 and the new deal gives Salton the right to use Foreman's name on all cooking products forever (in primary respects, the new deal is simply a name license). In 2003, Salton also agreed to pay Foreman $9 million (half in shares of Salton stock) to be spokesperson for company appliances until 2006. Foreman has also done straight endorsement deals with Meineke, KFC, Doritos and ConAgra. In addition, Foreman entered into an exclusive endorsement and licensing contract with Casual Male Retail Group for men's apparel including big and tall apparel. Reports have Foreman receiving a minimum annual payment plus royalties under this deal. |
| Allen Iverson (basketball) | Reebok/ Sneakers, etc. | Unclear, but see comments | 2001/ Lifetime | This deal was an extension of the 10-year, $50 million deal Iverson signed with Reebok in 1996. Reports say that $50 million is the minimum amount Iverson will receive under the new deal, but he is expected to receive much more than that (upwards of $10 million per year). Despite his personal image, Iverson's endorsement is estimated to have brought in between $100 million and $150 million in 2002 revenue for Reebok (3-5 percent of its total). |
| LeBron James (basketball) | Nike/ Sneakers, etc. | $90 million | 2003/ 7 years | LeBron James commanded huge sums before even playing a game of professional basketball (this reflects a general trend toward more selective, long-term brand investment; see also references to Carmelo Anthony below). James also has numerous other endorsement deals, including deals with Upper Deck (approximately $6 million) and Coca-Cola (approximately $12-15 million). |
| David Beckham (soccer) | Gillette/ Razors | Up to $73 million | 2004/ extended until 2008 | Beckham, often viewed as the most popular athlete in the world, has this deal with Gillette and many other endorsement deals with companies such as Pepsi and adidas. His adidas deal runs through 2008 and is believed to be in the $20 million range. Before Beckham entered into his current arrangement with adidas, there were reports that the parties were going to agree on a lifetime deal worth between $150 and $160 million, which would have been the biggest endorsement contract in the history of sport. Reports had Beckham receiving $80 million up front under this deal, a percentage of profits from the sale of sportswear and lucrative payments for promotional and public relations work. |

### Celebrity-brand deals

These are licensing deals where the celebrity actually brands, as opposed to simply endorses, a product or service. In other words, the celebrity-vendor roles are merged. Sometimes the celebrity brands the product with his or her name (such as Michael Jordan restaurants or cologne).

Other times, the celebrity and company create a new brand without specific name association. For example, George Foreman and Casual Male Big and Tall stores have unveiled a new clothing line — Comfort Zone — that is sold exclusively at Casual Male stores. The clothing line is clearly associated with George Foreman as a branding force, not just as an endorser.

### Joint venture or 'equity' deals

In some cases, the celebrity and the vendor become equity or quasi-equity partners, sharing in the profits of the new venture. In most cases, these payments are not true equity (that is, there is no new entity set up to run the new venture and the celebrity is not given stock or other equity in the company) but instead are structured as royalties or success payments (which, unlike true equity — which can deteriorate in value — help to protect the celebrity's "downside" in the deal).

George Foreman's deal with Salton Inc., in connection with its grilling products, is a good example of this trend. In fact, the initial Foreman deal apparently called for no up-front payments but for all compensation to be based on sales. Since the Foreman deal, more and more parties are choosing to tie endorser fees to product sales. For example, Michael Jordan inked a deal in 2001 to endorse two Palm handheld computer models. Under the terms of the deal, Jordan was promised payment equal to 12 percent of sales.

True equity interests (where a celebrity in fact receives an ownership interest in the other party or the venture itself), while rare, are not unprecedented. Retired NBA forward A.C. Green claimed an 18 percent interest in BioSport, the company that manufactured the sports drink he was endorsing. Similarly, for their co-branded deal a few years ago, Bob Vila and Sears created a separate new entity in which they each had direct ownership interests in order to run the program apart from their other businesses.

## Other emerging deal trends:

*Morals clauses*. Today, companies are looking for broader and broader "morals" clauses in agreements providing for termination or other remedies on objectionable conduct, particularly for athletes. While the type of clause and definition of objectionable conduct may vary from deal to deal (and may reach beyond behavior one normally views as "immoral"), morals clauses have become an industry standard for endorsements. Objectionable conduct may include the expression of unpopular political views. For example, Sears and Federal Express terminated sponsorships of "Politically Incorrect" after host Bill Maher called Americans cowards for "lobbing cruise missiles from 2,000 miles away," post Sept. 11.[3]

Objectionable conduct may also include certain "on-the-field" activity. AT&T Broadband filed a breach of contract claim against NASCAR Busch Series driver Mike Borkowski for on-track altercations that resulted in at least three crashes. And truth may not necessarily be a defense in these cases. Reebok canceled its endorsement contract with NBA forward Shawn Kemp after he stated that basketball sneakers are not what they used to be, that today's sneakers are "throwaways" and that his all-time favorite sneaker was made by Nike, Reebok's arch-rival.[4]

*Public kickoffs*. Public kickoffs of major endorsement and co-branding campaigns are often becoming bigger and splashier, as the relevant parties strive to position the relationship itself as newsworthy. For example, the recent deal between Celine Dion and Chrysler was initiated with considerable public fanfare and a huge opening gala to benefit charities in 2003, as Dion was presented as the public face (and voice) of Chrysler's "Drive and Love" slogan/branding and advertising campaign. The parties often use these opportunities to define, at the earliest stages, the venture as a synergistic and creative enterprise and not an endorsement, sponsorship or media buy.

*Selective concentration*. Particularly in the sports area, companies are becoming more selective in deciding which athletes are to be associated with their products, but are willing to invest heavily in the relationship even before the athlete has superstar status. For example, LeBron James and Carmelo Anthony were signing huge endorsement deals before their professional basketball careers had even started.

*In-content product placement*. Finally,

**Celebrity Endorsement Deals Analysis Chart**

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| Serena Williams (tennis) | Nike/ Sneakers, etc. | \$40-\$60 million | 2003/5 years (with 3-year option) | Williams' Nike contract includes royalties and performance bonuses for winning grand slam tournaments and reaching No. 1 in the rankings. Nike takes suggestions from Williams on products. This structure reflects a more co-branded and joint venture approach than a straight endorsement. Williams has shown savvy in other deals. For example, in her prior Puma deal, she rejected a standard flat fee and instead tied the compensation to her tennis ranking which soared to No. 1 during the endorsement period. |
| Kobe Bryant (basketball) | Nike/ Sneakers, etc. | \$40-45 million | 2003/5 years | This contract is purported to have a broad morals clause, which is (or at least was) relevant given Bryant's legal and personal problems. Despite Bryant's recent problems, he remains under contract to Nike (although Nike does not use him in a single advertisement, even in ones touting his own shoe). The Nike deal includes a royalty stream on Bryant's signature shoe. Note that his deals with Nutella and McDonald's were not renewed after his legal troubles began. In March 2005, fast food chain Carl's Jr. decided to go ahead with a Los Angeles Lakers bobblehead promotion, featuring Kobe Bryant and four other Lakers — Bryant's first endorsement deal since his Colorado rape case. |
| Venus Williams (tennis) | Reebok/ Sneakers, etc. | \$40 million | 2000/5 years | At the time, reports had this Reebok deal making history as the largest endorsement deal for a female athlete. However, more recent reports have the deal as a three-year deal for \$21 million, with an option for the last two years (that was not picked up by Reebok, likely because of Williams' inconsistent play and limited tour schedule). Reports had Reebok trying to negotiate a new deal with Williams. Williams also has a three-year deal with Wilson's Leather, under which she designs her own line of clothing and receives a substantial percentage of overall sales. |
| Tiger Woods (golf) | Buick/Cars | \$40 million | 2004/5 years | Along with Michael Jordan, Tiger Woods is viewed as having both high brand awareness as well as savvy and selectivity when it comes to co-branding partnerships. Other deals include Nike (five years, \$100 million), American Express, Tag Heuer and EA Sports. |
| Carmelo Anthony (basketball) | Nike/ Sneakers, etc. | \$20 million | 2003/6 years | Similar to the LeBron James deal in reflecting an industry trend toward selective investment in an endorser even before the endorser has achieved significant celebrity status. This Nike deal was struck prior to Anthony's rookie year of 2003-2004, after he had led Syracuse University to the 2003 NCAA men's basketball championship. |
| Yao Ming (basketball) | McDonald's/ Fast Food | Unclear | 2004/ multi-year | Yao Ming is unique as a foreign-born endorser. The high endorsement power of Yao reflects not an American play, but rather an attempt by U.S. companies to get into Chinese markets. Other deals include Apple, Kodak, Visa, Reebok, Tag Heuer, Gatorade and Sohu.com (Chinese Web portal). |

celebrities are starting to promote products in their own content (that is, content in which they have a level of control sufficient to demand such promotion). For example, an episode of "Friends" included the cast buying products at Pottery Barn and Audi "placed" its cars in "Seinfeld," in a manner that deliberately blurs the line between content and advertising.

**Celine Dion/Chrysler: A case study?**

This three-year, $14 million, relatively sophisticated co-branding deal has been derided in the press as disastrous, a complete failure and how *not* to do a co-branding deal. The deal is still apparently in effect, though Dion's role and personal presence have been dramatically scaled back, as the TV campaign portion of the deal was essentially eliminated.

**Dion-Chrysler: A co-branding disaster?**

As described above, the deal was initiated with considerable public fanfare. As a highly visible "diva," Dion was considered to bring her significant brand awareness to the deal. At the launch, former Chrysler global sales and marketing chief Jim Schroer claimed that "Celine Dion personifies the Chrysler brand slogan . . . This is the kind of branded harmony you dream about."[5] Dion's presence was initially used to promote the Chrysler Pacifica. Various Pacifica ads featured Dion visually (and prominently) and included Dion's cover of "I Drove All Night." Without doubt, this was a slick, complex and sophisticated merger of public celebrity with consumer product marketing.

Diva or not, Dion's Pacifica ad campaign never connected with consumers and was quickly canceled. Some blamed Dion, some blamed the fact that the advertisement showed too much of her (as opposed to the car) and some blamed the pricing of the car. Many felt that the ads effectively promoted Dion as an entertainer but did little to promote the car as a product.

Others claimed that there was simply no believable alignment between Dion and the product, from a consumer standpoint, projected in the advertisements. In fact, some reports claimed that significant questions had been raised even before the campaign started about Dion's brand identity vis a vis the Chrysler products and that many of the outside advertising professionals involved had strong reservations about the campaign.

Despite these objections and despite test numbers suggesting that Dion appealed to a much older audience than Chrysler wanted (Chrysler's intent was to appeal to a younger, more affluent target market) and that her overall favorable-to-unfavorable impression ratio was waning, the campaign surged forward. Initial sales of the Pacifica were much less than projected and Dion is nowhere to be seen in the more recent rounds of TV ads. Also, Schroer, who headed up the Dion-Chrysler relationship, has since resigned (though it is unclear how much the Dion deal contributed to this resignation).

It is, however, important to stress that the much-maligned advertising campaign is only one part of a multifaceted co-branding relationship. Other elements of the overall relationship include Chrysler's sponsorship of Dion's Las Vegas shows, a new original song created specifically for the Chrysler campaign, personal appearances by Dion, special consumer promotions, dealer tie-ins, interactive communications, owner communications, retail initiatives, television programming and recording tie-ins.

At present, Chrysler, while eliminating Dion's role in its television advertisements, seems to be standing by the overall relationship. For example, Chrysler is continuing its sponsorship of Dion's nightly show at Las Vegas and Dion has appeared in a series of Chrysler public service ads aimed at promoting child safety. This approach may be fiscally driven at least in part, particularly if Dion's $14 million was not tied to success or failure of the campaign, but rather reflected a traditional flat fee arrangement (in other words, if Chrysler has spent the money, it will want to salvage something out of the relationship).

**Conclusion**

In many ways, the Dion-Chrysler deal was creative, innovative and imaginative. However, the relationship and in particular the ad campaign, has been roundly denounced as a critical misstep on Chrysler's part. The bulk of the criticism has focused either on the mismatch between Dion and the specific product, pricing issues with the car or the presentation and format of the ad campaign itself.

Few if any have claimed that the deal structure itself was unsound. Thus, while valuable lessons can be learned from the Dion-Chrysler experience, in no way should this "disaster" be viewed as sounding a death knell for future co-branding or similar deals between vendors and celebrities.

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**Endnotes**

1. The factual information within this article has been compiled from various third-party sources, including Web site links. Most endorsement and similar deals between celebrities and companies are privately negotiated agreements and are not subject to public review and scrutiny. As a result, we are unable to verify the accuracy and completeness of certain information provided in this article, such as pricing.

2. In the interest of full disclosure, the authors represent two of the parties mentioned in this article, specifically Bob Vila and Sohu.com.

3. *See* Apryl Duncan, *Celebrity Endorsement Deals Gone Astray* (visited March 14, 2005) <http://advertising.about.com/od/celebrityendorsements/a/celebendorse.htm>.

4. *See* Denise Lavoie, *Kemp settles with sneaker company* (visited March 15, 2005) <http://www.usatoday.com/sports/nba/blazers/2001-09-10-kemp.htm>.

5. *See, e.g.*, Jason Stein, *Inside Chrysler's Celine Dion Advertising Disaster* (visited March 14, 2005) <http://www.v-ratio.com/publications/2003/12/04/170400>.