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Product/Service Management LAP 13 Performance Indicator: PM:140

# Play the Name Game



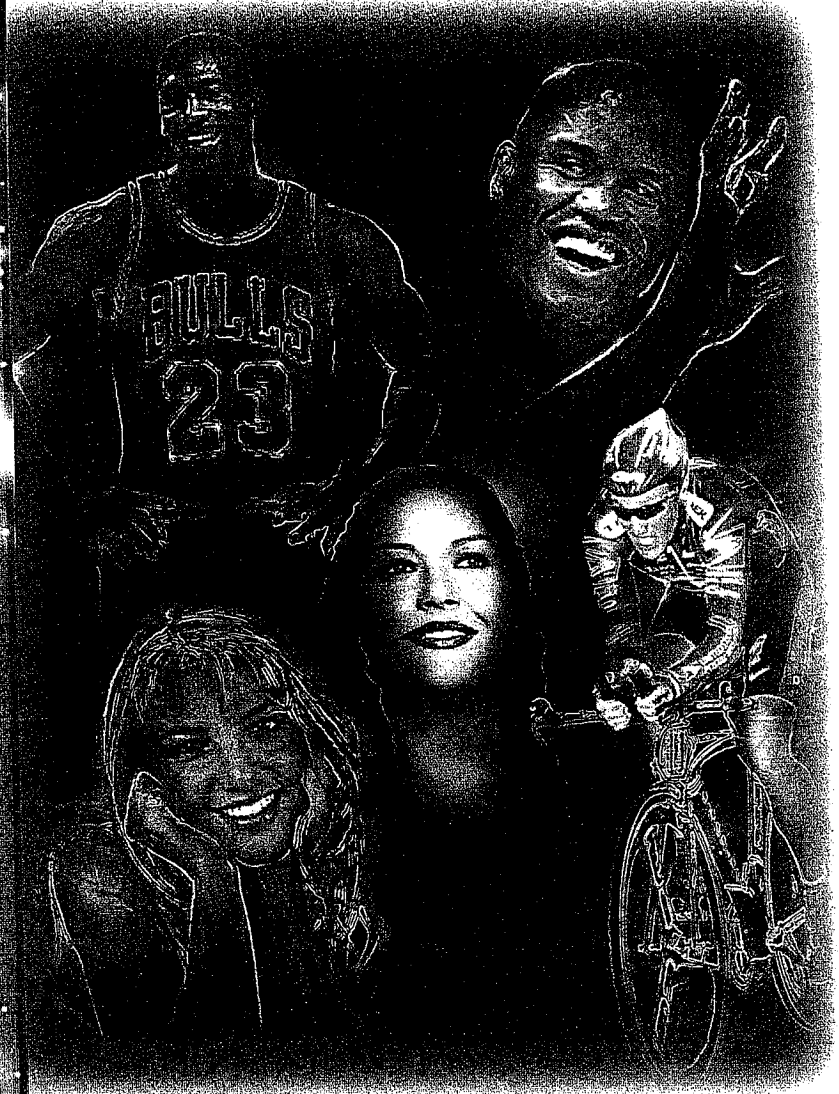
The star attraction  
 Big \$\$\$ for names  
 Telling the truth

# So What?

Why should you care about celebrity endorsers who earn millions of dollars to promote products? What effect could they possibly have on your life? Well, for one, they influence your buying. Think of all the items you've purchased recently. What made you buy the Nike shoes rather than the Reeboks? Was it because you saw an ad for Nike featuring LeBron James or Serena Williams? Did that lead you to believe that the Nikes are better or would make you a better athlete? Did you pass up a Coke and buy Pepsi because you saw Shaquille O'Neal drinking Pepsi in a commercial? Do you eat Wheaties because it is the breakfast of the current star athlete? Whether you realize it, these endorsements have a lot to do with what you buy, and marketers are counting on that.

Businesses spend small fortunes on celebrity endorsers in the hope that you will identify with them. After all, who doesn't want to play tennis like Andre Agassi, hit a baseball like Sammy Sosa, or kick a soccer ball like Mia Hamm? So, the next time you go shopping, whether it's for sunglasses or snack food, ask yourself why you chose a certain product. You'll probably discover that a star athlete or other well-known celebrity recommended it, and we all want to be like the stars.

# The Name Game



What do Michael Jordan, Britney Spears, Lance Armstrong, Catherine Zeta-Jones, and Shaquille O'Neal all have in common? You might say they have a lot in common. They are all well known, their pictures regularly appear on TV and in magazines, and they earn millions of dollars every year. However, some are athletes and some are entertainers. The common thread that unites them is that they are all celebrity endorsers.



Britney Spears roller skates

## Objectives

- A Explain the concept of celebrity endorsements.
- B Explain the considerations involved in using celebrity endorsements.



Barry Bonds signature bat

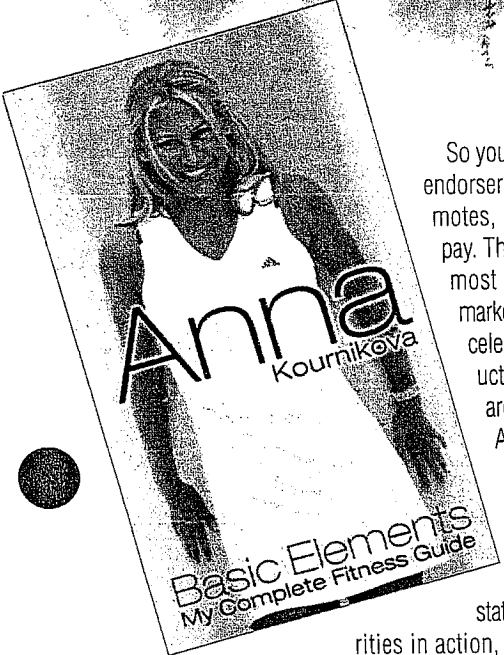
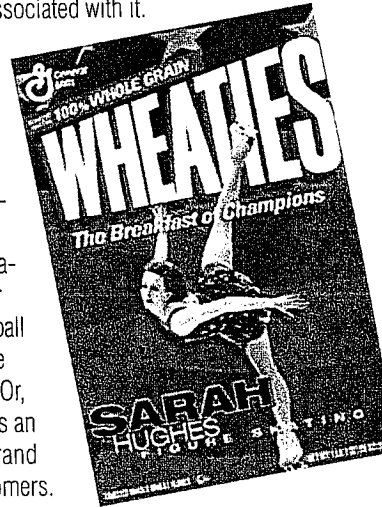


Second, sport marketers pay celebrities to wear a certain brand of clothing or use a certain brand of equipment. This type of endorsement is similar to paying them to appear in ads except in this case, the celebrities don't make statements in favor of the product. By wearing the clothing or using the equipment, they are suggesting their approval. The message is that if the shoes or tennis racquets are good for the athletes, they're good for you.

Another twist on this idea is paying college and high school sport teams to wear a manufacturer's clothing. The athletes on these teams are celebrities on the local level and have an influence on their fellow students. For example, if the basketball team wears Adidas shoes, the hope is that other young people will want to buy them.

Another type of endorsement is to pay celebrities to use their pictures on a product or label or to appear at an event. This is a way of endorsing a product or event simply by being associated with it.

The celebrity doesn't say the product or event is great, but that is what consumers usually think. For example, the sale of a brand of cereal increases dramatically when a well-known athlete is featured on the box. A star athlete's name on a baseball bat or glove makes those items more appealing. Or, a new mega-mall invites an athlete to attend the grand opening to attract customers.



So you ask, what is a celebrity endorser? A celebrity endorser is a well-known person who approves, promotes, or supports a good or service, usually for pay. The use of celebrity endorsers is one of the most popular promotional tools in sport and event marketing today. You can probably think of many celebrities who endorse the sport-related products that you buy or use. A few that pop to mind are Tiger Woods, Venus Williams, Barry Bonds, Anna Kournikova, and Dale Earnhardt, Jr.

These celebrities all lend their name to companies to help sport marketers sell products. In most cases, the celebrities are part of an advertising message that might include statements, photographs, or images of the celebrities in action, or their name or identifying logo. Combinations of these various techniques are ways that sport marketing companies use celebrity endorsements. Let's take a close look at each of the possibilities.

### Name That Endorsement

One type of endorsement is to pay celebrities to appear in an ad and say what the company wants them to say. Paying a celebrity to advertise a product is the most commonly used type of endorsement. It simply involves having the person appear in a print or broadcast advertisement and talk about how great the product is. Prime examples are Michael Jordan promoting Nike shoes and Hanes underwear and Tiger Woods promoting Titleist golf balls and Buick. You see the print



ads in magazines and newspapers all the time, and the commercials run on network and cable television. The celebrities always say something positive about the product such as most refreshing soft drink or most comfortable mattress.





## The Gray Zone

A star athlete is hired to endorse a company's product and signs a five-year contract valued at \$40 million. As the athlete's popularity increases so do product sales. The company is satisfied with the results and plans to continue the relationship. The athlete is successful and getting offers to endorse other products. All is well.

Then, one day the athlete is accused of doing something illegal. Now the company starts to look for loopholes in the contract even though the athlete has yet to be convicted of a crime. The company worries that the athlete's popularity with consumers will disappear. It worries that sales will decrease. Even worse, the company worries that consumers will connect it to the illegal activity.

But wait. What if the athlete is innocent? Should companies stand behind the person who represented them so well, at least until the accusations have been proven? Or, should companies run at the first hint of a problem?

What about the athlete? Does an athlete facing legal charges have an obligation to step away from an endorsement? Should the athlete put the good of the company first? Is there a solution to this ethical dilemma?

Finally, companies pay celebrities to use a product and talk about it in an ad. What the celebrity is really doing is giving a testimonial for the product. Testimonials can be in a variety of formats. Think of all the infomercials you've seen on television. They're basically lengthy commercials that look like a TV program with a celebrity using a product and explaining why the product is good or effective. An example of a celebrity infomercial is actress Suzanne Somers using a brand of exercise equipment and talking about the features and benefits. She's attractive and physically fit, and the suggestion is that you'll look like that too if you buy and use that equipment.

### Star Power

All types of businesses use celebrity figures to endorse their goods and services. Even businesses that have no connection whatsoever with sports or events pay well-known celebrities to be endorsers. These endorsements are successful because of the star/athlete. For example, a number of years ago, Joe Dimaggio was the spokesperson for Mr. Coffee, and Joe Namath pitched a brand of panty hose. Today, Tiger Woods promotes American Express, NASCAR driver Jeff Gordon endorses Pepsi, and skateboarder Tony Hawk did a "Got Milk" spot. Their popularity goes well beyond the world of sports/events and makes them credible spokespersons for all types of products.

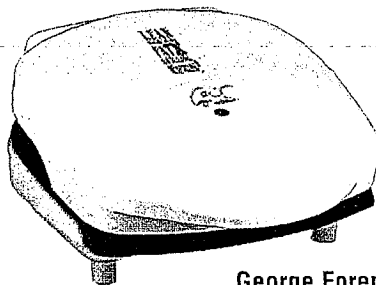
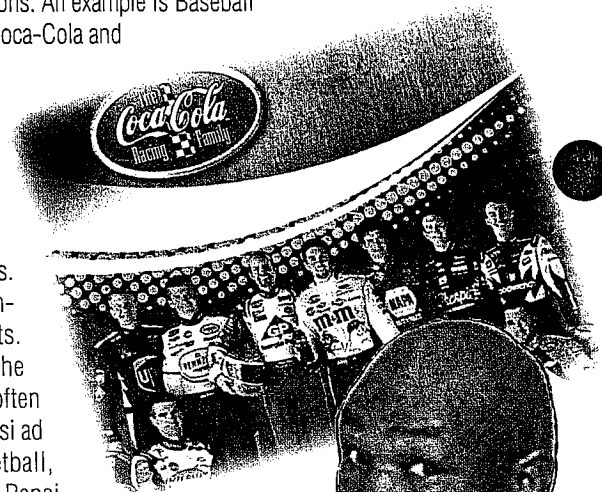
Furthermore, well-known celebrities often keep their celebrity status even after death. This has led companies to use them in current promotions. An example is Baseball Hall of Famer Jackie Robinson who recently endorsed Coca-Cola and Wheaties, although he died in 1972.

Another effective use of celebrities is in cross-promotional campaigns. Cross-promotion occurs when a celebrity endorses more than one product, or products for another company. Then, all the companies share from the increased awareness because consumers associate the celebrity with all the products. For example, Michael Jordan is probably the top endorser of all time and promotes a variety of products. Because of his fame and popularity, people notice the products he endorses, and the ad for one product often promotes other products as well. If he appears in a Pepsi ad wearing Nike shoes and bouncing a Wilson basketball, all three products benefit even though the ad is for Pepsi.

In most cases, celebrities are used to endorse tangible items on the retail level. The goal is to encourage the ultimate consumers to buy products that they see celebrities using and enjoying. For example, an ad featuring Tara Lipinski promoting a certain brand of ice skates might motivate you to buy that brand. The same is true of a commercial showing George Foreman proclaiming the features of his brand of grills.



Jeff Gordon



George Foreman grill

"Knocks the fat out!"





Sometimes, marketers use celebrities to promote services such as credit cards. One example is a recent commercial that featured the U.S. Women's Olympic Volleyball Team practicing on the beach in winter. The tie-in was with VISA, which is the official credit card of the Olympics. Sport figures even endorse health care and medical services, such as former boxing champion Paul Vaden pitching the benefits of the chiropractic system.

Marketers also use celebrities to promote events, which range from large fund-raisers for charities or politicians to local amateur tournaments. Oftentimes, major sporting events invite celebrities to participate to increase attendance. For example, on opening day of baseball season, most ballparks have a celebrity throw out the first ball. Many golf tournaments include former U.S. Presidents and Hollywood stars to generate interest. Fans come not only to see the game, but to see the celebrity.

Celebrity endorsers are often considered to be particularly effective promoting products related to their sport. Their endorsement has a certain amount of authority to it because they know a lot about those products. People pay attention when Tony Hawk makes positive statements about a brand of skateboard or Cal Ripkin, Jr. says a certain brand of baseball bat is the best. We assume they should know because they are prominent in the skateboarding and baseball worlds.

**"Without chiropractic, I would not have won the championship."**

— Paul Vaden, World Junior Middleweight Boxing Champion



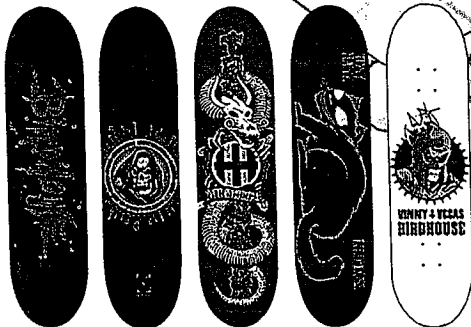
## Summary

The use of celebrity endorsers involves having a well-known person approve, promote, or support a good or service, usually for pay. The various types of endorsement include: paying celebrities to appear in an ad and say what the company wants them to say; paying celebrities to wear a certain brand of clothing or use a certain brand of equipment; paying celebrities to use their pictures on a product or label or to attend an event; and paying celebrities to use a product and talk about it in an ad.

All types of businesses, even those that have no connection with sports or events, pay well-known athletes to be endorsers. Some companies use well-known athletes even after death or take advantage of cross-promotions. In most cases, celebrities are used to endorse tangible items on a retail level, but they are also used to promote services and events. Finally, celebrity endorsers are often considered to be particularly effective promoting products related to their sport.

**BIRDHOUSE SKATEBOARDS**

HAWK SANTOS SUMNER LASEK KLEIN VEGAS



Tony Hawk is co-owner of Birdhouse® brand skateboards.

On the other hand, we pay attention to celebrities even when they pitch products that have no connection to them. That's the reason why Avon has Venus and Serena Williams, and Ford has Phil Mickelson. It's the star factor and many businesses take advantage of that.

1. What is a celebrity endorser?
2. Identify and describe the four main types of endorsements.
3. Why do all types of businesses use celebrities as endorsers?
4. Explain the benefit of cross-promotional campaigns.
5. Describe the types of products that celebrities endorse.

TOTAL RECALL

# What's in a Name?

Oprah Winfrey



Oprah Winfrey and Halle Berry support

*The Carousel of Hope* benefiting diabetes research for children.

Halle Berry



Celine Dion



## Oops! What Happened?

Celebrity endorsers can sometimes have a negative effect on a product, particularly if the celebrity develops an image problem. If celebrities do something inappropriate or illegal, they might transfer their reputation to a product. As a result, marketers usually drop celebrity endorsers or

cancel scheduled appearances at events when there's the first sign of trouble. Well-known examples include O.J. Simpson, Pete Rose, Tonya Harding, and Kobe Bryant. Companies worry that they'll somehow be damaged simply because of guilt by association.

Another problem with celebrities occurs when the celebrity is particularly controversial or behaves in an unconventional way. A prime example is Dennis Rodman whose style of dress and actions off the basketball court often shock or offend people. Although such celebrities are well known, companies are concerned that it is the wrong kind of fame and will do more harm than good.

In addition, some celebrities are so well known that they detract from the product they're endorsing. The celebrities become the focus of the ad or commercial rather than the product. The high-profile celebrities get the attention, and they gain in popularity. Consequently, some companies choose not to use celebrities or to use less well-known celebrities who will not overshadow the product.

A case in point is Chrysler that dropped Celine Dion as a spokesperson because the ads were helping her career rather than selling cars.

**CHRYSLER**



You may be asking yourself why sport and event marketers use celebrities to endorse products. The answer is simple. Celebrities attract attention. What is more interesting—an ad featuring an ordinary, unknown person or an ad featuring LeBron

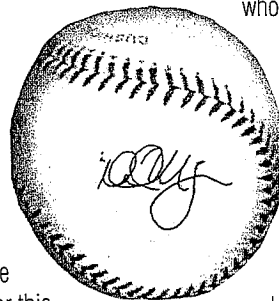
James, Halle Berry, Muhammed Ali, or Kristi Yamaguchi?

These celebrities have a lot of

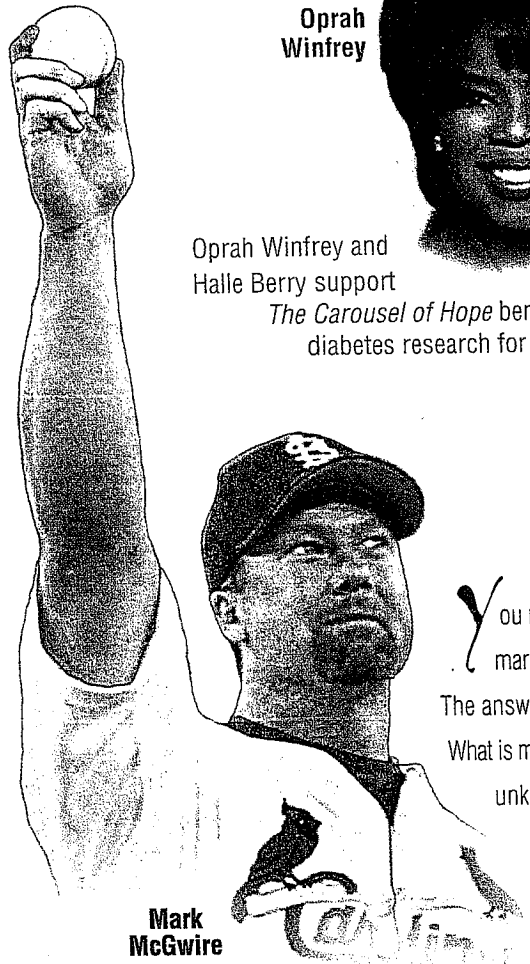
appeal because of their fame and because the public is curious about them. As a result, people are more likely to read an ad, watch a commercial, or attend a special event featuring a celebrity.

That leads to another benefit of using celebrity endorsers. People are more likely to buy products that celebrities endorse. The reason for this is that people want to be associated with famous actors, well-known athletes, and winning teams. That's why people pay to go to fund-raisers that Charlie Sheen, Brad Pitt, or Oprah Winfrey attend. That's why people buy baseballs signed by Mark McGwire and drink the soft drink that Michael Jordan endorses.

Also, people tend to believe what celebrities say about products. This is especially true of celebrities who have good images and reputations. People transfer their fondness for a celebrity to the product that the celebrity is endorsing. Also, the celebrities who have positive images are credible and believable. For example, who doubts that Arnold Palmer is telling the truth when he says Pennzoil is the oil to buy? Would you question Jack Nicklaus when he recommends a brand of golf clubs?



Mark McGwire



Serena Williams

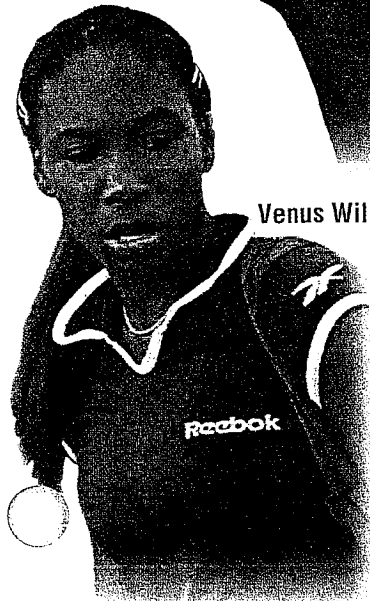


Finally, hiring celebrities to endorse products can be extremely expensive. Some superstars, such as Michael Jordan and Tiger Woods, have multimillion-dollar contracts as high as \$50-to-\$100 million over a period of years for the use of their name. Other examples include the Williams sisters: Serena signed a \$40 million endorsement with Nike, and Venus has a similar deal with Reebok. Also, Disney pays ice skater Michelle Kwan to promote its theme parks, movies, and other products. Even less famous athletes, or athletes who have retired, often receive millions of dollars to be endorsers.

Therefore, companies seriously weigh the benefits of hiring a "name" in relation to the costs involved.



Venus Williams



### Keep it Legal

Deciding to use a celebrity endorser is a bit more complicated than just finding a well-known person and working out a contract. There are rules and guidelines to follow because endorsements are a form of advertising that is regulated by the Federal Trade Commission (FTC). Let's take a closer look at some of these guidelines.

1

According to the FTC, endorsements must always reflect the honest opinions, findings, beliefs, or experience of the endorser. These endorsements may not misrepresent the celebrity's experience with a product or be deceptive in any way. For example, if Magic Johnson says he prefers one brand of basketball over competing brands, then he must have tried the others so he is giving his honest opinion.

2

The FTC states that endorsements may not be presented out of context or reworded to distort the endorser's opinion or experience with a product. This means that a company cannot use only part of what a celebrity says to make it sound like the celebrity believes in a product. Also, companies may not continue to use endorsers if, for some reason, the endorser no longer supports the product.

3

If the advertisement indicates that the endorser uses the product, then the endorser must be an actual user. If the endorser stops being a user, then the FTC requires that the company stop running the advertisement. For example, if an ad implies that Cindy Crawford wears an Omega watch, then that must be true. Omega cannot use her to promote its watches unless she really is a user and continues to be a user.

CINDY CRAWFORD'S CHOICE



Finally, companies often use celebrities as experts to endorse products. If this is the case, the FTC requires that the celebrity have the necessary qualifications to be an expert. For example, it is all right for a professional bowler to endorse a particular brand of bowling balls if the bowler has tried various brands and selected one as the most effective. The professional bowler is considered an expert in that area. However, the same bowler probably is not qualified to be an expert endorser of pain medication or cleaning products.

As a rule, companies using celebrity endorsers must follow the same FTC guidelines and regulations as all other advertisers. The intent is to protect consumers from being deceived or misled about a product, even though most of us know that we will never make it to Wimbledon simply because we use the tennis racquet that Venus Williams endorses.

## Summary

Sport and event marketers use celebrities for many reasons: They attract attention; people are more likely to buy products endorsed by celebrities; and people tend to believe celebrities. However, there are problems associated with using celebrity endorsers. Celebrities who do something inappropriate or illegal or behave in a controversial or unconventional way may project a negative image on the product. Also, the celebrity may overshadow the product. Finally, using celebrities may be extremely expensive.

Marketers that use celebrity endorsers must follow the same Federal Trade Commission rules and guidelines as all other advertisers because endorsements are a form of advertising. They may not mislead or deceive consumers or misrepresent the celebrity's experience with a product.

## TOTAL RECALL

1. Identify and explain the three main benefits of using celebrity endorsements.
2. Identify and explain the disadvantages of using celebrity endorsements.
3. Explain the Federal Trade Commission regulations that govern the use of celebrity endorsers.

# Make It Pay!

Since celebrities endorse all types of products and businesses, what about your place of employment? Has your company ever used a celebrity to promote a product or attend an event? If not, what type of celebrity do you think would be the most effective?

To answer that question, check out the web site of a company that handles celebrity endorsers such as <http://www.celebrityendorsement.com> or <http://www.allamericanspeakers.com>. Click on the links to celebrities and stars, and review the listings.

Before selecting one of the celebrities listed, ask yourself the following important questions:

1. Does the celebrity have a natural connection to the business?
2. Is the celebrity popular and well respected?
3. Why would the celebrity appeal to your target market?
4. Will your business be able to afford the celebrity?

Remember, you're looking for someone with the right image, the right appeal, and at the right price. Which celebrity would you choose?

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## POSTTEST

**Directions:** Identify the correct answer to each of the following questions. Use a separate sheet of paper to record your responses.

### OBJECTIVE A

1. Which of the following is an example of a celebrity endorser: (5 points)
  - a. A publicist writing advertising copy
  - b. A college student posing for a print ad
  - c. A well-known person promoting a product
  - d. A business owner appearing in a commercial
  
2. The most commonly used type of endorsement involves paying a celebrity to (5 points)
  - a. use a brand of equipment.
  - b. wear a certain brand of clothing.
  - c. appear at an event.
  - d. advertise a product.
  
3. Why do some businesses pay college and high school sport teams to wear a manufacturer's clothing? (5 points)
  - a. To influence other students
  - b. To make positive statements
  - c. To give testimonials
  - d. To serve as spokespersons
  
4. Which of the following is an example of a celebrity endorsing an event simply by being associated with it: (5 points)
  - a. Appearing in a print ad
  - b. Saying a tournament is great
  - c. Attending a grand opening
  - d. Cheering for a football team
  
5. A celebrity who is paid to use a product and discuss its effectiveness during a lengthy TV commercial is giving a(n) (5 points)
  - a. interview.
  - b. personal observation.
  - c. testimonial.
  - d. sales presentation.
  
6. Which of the following is a true statement about using celebrity sport figures to endorse products: (5 points)
  - a. Only retailers use celebrity endorsers.
  - b. Celebrities only endorse tangible products.
  - c. Service businesses do not use sport figures.
  - d. All types of businesses use well-known athletes.
  
7. A celebrity's appearing in a commercial for a soft drink while wearing a certain brand of clothing and holding a certain brand of tennis racquet is an example of (5 points)
  - a. public relations.
  - b. cross-promotion.
  - c. team-building.
  - d. personal selling.
  
8. Which of the following is an example of a celebrity promoting a service: (5 points)
  - a. A professional golfer endorsing a credit card
  - b. A former boxing champion advertising gas grills
  - c. A famous actress recommending exercise equipment
  - d. A popular comedian wearing a brand of athletic shoes

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**POSTTEST** (cont'd)

9. Why do large fund-raisers and major sporting events often invite celebrities to participate? (5 points)
- a. To make donations
  - b. To provide entertainment
  - c. To sell concessions
  - d. To increase attendance

10. Athletes are often considered to be particularly effective promoting products related to their (5 points)
- a. sport.
  - b. background.
  - c. education.
  - d. lifestyle.

**OBJECTIVE B**

11. One of the benefits of using celebrities to endorse products is that the celebrities (5 points)
- a. work for free.
  - b. attract attention.
  - c. are well informed.
  - d. are always available.

12. Why are people more likely to buy products that celebrities endorse? (5 points)
- a. Celebrities endorse only the best products.
  - b. People want to be associated with celebrities.
  - c. Celebrities endorse products that everyone needs.
  - d. People want to contribute to a celebrity's income.

13. In which of the following situations might a celebrity endorser have a negative effect on a product: (5 points)
- a. Does something inappropriate or illegal
  - b. Appears in ads for other types of products
  - c. Loses major tournament to another athlete
  - d. Retires from sport or entertainment career

14. One of the problems of using celebrity endorsers who are very well known is that they often \_\_\_\_\_ the product. (5 points)
- a. add to the cost of
  - b. lower the quality of
  - c. reinforce
  - d. overshadow

15. One reason companies seriously consider the benefits before hiring a celebrity endorser is because the use of celebrities can be (5 points)
- a. very controversial.
  - b. potentially illegal.
  - c. mostly deceptive.
  - d. extremely expensive.

16. Why must businesses that use celebrity endorsers follow the rules and guidelines established by the Federal Trade Commission? (5 points)
- a. Celebrities may limit competition.
  - b. Endorsements are a form of advertising.
  - c. Federal Trade Commission regulates television.
  - d. Businesses need permission to use celebrities.

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**POSTTEST** (cont'd)

17. What must a celebrity endorsement always reflect? (5 points)
- a. Findings of the business
  - b. Experiences of most customers
  - c. Beliefs of other advertisers
  - d. Honest opinion of the endorser
18. What does one Federal Trade Commission regulation prohibit businesses from doing with celebrity endorsements? (5 points)
- a. Rewording statements
  - b. Using exact quotations
  - c. Including photographs
  - d. Reprinting advertisements
19. If an endorsement features a celebrity wearing a watch, then the celebrity must be (5 points)
- a. paid to appear.
  - b. a qualified expert.
  - c. an actual user.
  - d. told what to say.
20. Which of the following is an example of a company using a celebrity as an expert to endorse a product: (5 points)
- a. A popular actor endorsing a brand of tennis racquets
  - b. A professional bowler endorsing a brand of bowling balls
  - c. A well-known actor endorsing a brand of breakfast cereal
  - d. A professional golfer endorsing a brand of pain medication

**Suggested Criterion Level:** 80 points