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The Financial Fallout Of Celebrity Endorser Misconduct



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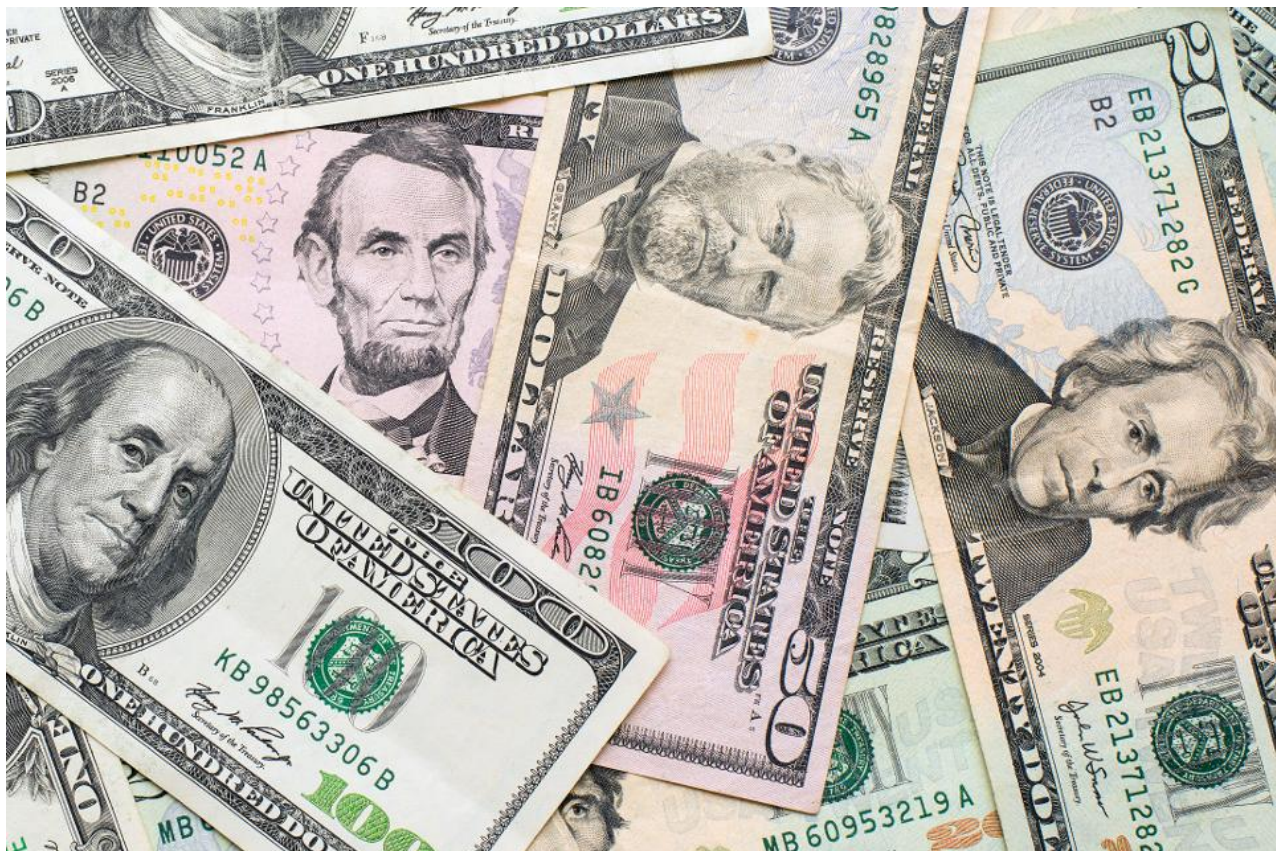
POST WRITTEN BY

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Gordon Newton, Forbes Councils



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Businesses have been using celebrities to endorse their products and services for decades. Think Chuck Taylor for Converse, Michael Jordan for Wheaties and Kim Kardashian for, well, just about everything it seems. A celebrity endorsement can help with brand positioning immensely — skyrocketing sales and increasing the endorser's celebrity profile, while also serving to extol the virtues of a product or service for the consumer.

While this strategy is as old as marketing itself, there are also risks associated with celebrity endorsements, as evinced by recent sexual misconduct throughout the ranks of some of the most prominent men in the U.S.

I have worked with local celebrities on marketing campaigns and thankfully never had any issues. It's easy to get caught up in the excitement of working with a celebrity and not look at the risks involved, which is what led me to want to share this message.

The most famous example of celebrity misconduct impacting a brand is Jared Fogle. "The Subway Guy," as he was once known, saw his profile catapult during his 15-year run as Subway's primary spokesperson. That all ended in 2015 when Fogle was arrested and convicted of charges related to underage sex with minors and child pornography.

In the wake of the scandal, Subway — one of the most admired and successful fast food chains in the world — was thrust into a full-on PR nightmare. Its reputation score from The Reputation Institute fell 6%, and sales decreased 3% from the previous year, despite adding hundreds of new stores. Today, the chain has completely revamped its marketing and advertising approach, focusing on food quality and pricing rather than a celebrity spokesperson, and it's slowly but surely beginning to regain public trust.

Another example is Tiger Woods. At one point, Woods was the most famous and successful golfer of all time, but after numerous extramarital transgressions came to light, he suffered an unprecedented fall from grace. The list of dropped sponsorships included Gatorade, AT&T, Accenture and Gillette. It's estimated that the scandal cost shareholders of brands endorsed by Mr. Woods as much as \$12 billion. Woods never fully bounced back (either on the tour or on television), but he does maintain a diminished relationship with Nike and continues to participate in the PGA Tour.

Recently, several entertainers and politicians have had their once-respected names tarnished in one of the most offensive and embarrassing ways possible. These

include Hollywood producer Harvey Weinstein, distinguished actor Kevin Spacey, comedian Louis C.K., Minnesota Democratic Senator Al Franken and Alabama Republican Senate candidate Roy Moore. While each of their careers will undoubtedly be altered forever, the financial fallout of their conduct will likely pale in comparison to two other famous men who have been accused of similar transgressions: Russell Simmons and Matt Lauer.

Simmons and Lauer are considered among the best in their chosen professions and made unimaginable amounts of money. Simmons co-founded Def Jam Recordings, which he has since stepped down from and created the clothing line Phat Farm, placing his net worth at an estimated **\$340 million**. Lauer, meanwhile, has served as the anchor of the *Today Show* on NBC for the last 20 years in addition to being a contributor to *Dateline NBC*. It's estimated that he made well over **\$100 million** during his time at NBC, which placed him among the wealthiest television personalities in history. Not only is their behavior a direct reflection of their own morality, but it will likely cost their former associated brands millions, if not billions, in lost earnings and ad revenue.

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What if this sort of thing happened to a smaller company? Would a local restaurant or car dealership suffer a similar fate (or even survive) if it partnered with a local celebrity whose skeletons came out of the closet? While major corporations like Nike, Subway, Def Jam Recordings and NBC can survive a significant scandal, it's likely that smaller businesses could not. Obviously, that statement is heavy on supposition, but given what has transpired over the last several months, it's become clear that this sort of behavior is not going to be tolerated by society anymore.

Individuals who abuse their power due to their stature, wealth and influence will be discovered, and their personal brand and those they represent will suffer the consequences. Business owners need to think long and hard about their advertising practices.

Marketing managers, agencies and small business owners need to make absolutely sure of whom they are dealing with when considering signing a celebrity endorser to

a lucrative, long-term contract. They should vet them carefully and exhaustively to reduce the likelihood of any surprises, lapses in judgment or reprehensible behavior.

Doing a simple Google search might reveal past indiscretions. Also, following them on social media can give you an idea of their values based on what they openly share. If you aren't careful, what began as a simple marketing opportunity could quickly devolve into a full-fledged PR nightmare, resulting in prolonged lost revenue and a tarnished reputation among a previously loyal and confident consumer base.

To show how serious of an issue this has become, there is now a niche insurance category known as "[disgrace insurance](#)," which was created to protect brands from celebrity mishaps. With this in mind, it might make sense to involve your legal counsel in marketing discussions involving celebrity endorsements as he or she may be able to further assess any potential legal liabilities.

At this point, companies don't just fear the worst from their celebrity endorsers, they are protecting themselves against it. What about you? Are you protected?

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