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MAY 8, 2006
INVESTING
By Pallavi Gogoi

Running on Star Power

These days, celebs go much further than mere product endorsements. The smartest ones score big by branding themselves



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That marketability doesn't stop with *People* or *The National Enquirer*, of course. Many celebs cash in on the public's fascination to set up their own business enterprises. Sean "P. Diddy" Combs has built a mini-empire with his Sean John clothing line. Lopez has lent her name and glamour to clothing, perfume, and more. Hilton peddles jewelry and perfume. And last month, boxer Muhammad Ali sold 80% of the rights to his name, image, and likeness to Robert F. X. Sillerman, the chief executive of entertainment company CKX, who will use the Ali iconography for advertising and marketing deals. The price? A cool \$50 million.

Much of the value of a celebrity's name is its familiarity. "A celebrity is a ready-made brand, and these companies don't have to spend anything on creating

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awareness," says Kenneth Hirst, president of Hirst Pacific, a strategic-design company that designed the bottles for Celine Dion's *Belong* perfume and Jennifer Lopez's *Still*.

SMELL OF SUCCESS. But star power doesn't always equal earnings power. One key factor in the value of a celebrity name is how aggressive and savvy celebs are in their business pursuits. And the celebrities of today are cashing in on their names to a much greater extent than those of the past. Paris Hilton, for instance, pulled in a reported \$15 million in the last year, including income from her jewelry and fragrance lines. That's more than 10 times the \$1.25 million that the estate of Marilyn Monroe generates through the licensing of her name and image.

Hilton is just one of the new entrepreneurial celebs. Combs's clothing sells in almost all the major department stores and pulled in sales of more than \$450 million in 2005. And Lopez, who hasn't starred in any hit movies recently, has a business that's going gangbusters. In barely five years, her clothing collection and fragrances *Glow* and *Still* have combined with other income to push her annual revenues over \$350 million. "Both Sean and JLo actually manage their business and aren't just licensing their names," says Robert Passikoff, president of Brand Keys, a brand consulting firm.

Few people anywhere are as astute at wringing cash from their name as Donald Trump. From his earliest days in real estate, he has used the Trump brand to convey prestige and cache. More recently, his success with *The Apprentice* TV show has catapulted the value of his name into orbit. In an interview with *BusinessWeek*, he says he makes \$240 million just from lending his name to 42 buildings that are currently under construction around the world.

PERSONAL TOUCH. And Trump makes another \$40 million from licensing his name to other products, including a line of suits, ties, and shirts made by Phillips-Van Heusen ([PVH](#)) that sell at Macy's; "Trump" fragrance from Estee Lauder ([EL](#)); Trump vodka; and Trump bottled water. He even has his own ring tones, including one in which he announces, "This is Donald Trump. Time is money, answer your phone."

Trump says the key to his success is his willingness to go beyond simply licensing his name, instead getting involved with the products. "I help design my shirts for Phillips-Van Heusen," he says. "I like my shirts to have a high collar, with a more open cut and I prefer the French cuff and my shirts reflect that." (See BW Online, 1/20/06, "[Men Dress for Success.](#)")

Trump's business partners say his name doesn't come cheap, but it can be worth the price. The Learning Annex, an organization that has been offering seminars and lectures for 27 years, pays The Donald \$1.5 million each time he speaks at one of the company's events. In return, it has seen the popularity of its real estate seminars skyrocket. Whereas it used to struggle to sign up even 400 people, it can now attract thousands. A two-day seminar at the San Francisco Moscone Center in March, where Trump was the main speaker, attracted 62,000 people. "We were initially shocked by the money Trump wanted. Now we think it's great value," says Learning Annex President Bill Zanker (see BW Online, 12/14/04, "[Trump: Bigger Than Coke or Pepsi?](#)").

MUDDLED MESSAGES. Still, some experts believe that all this commercialism is cheapening the very concept of a celebrity. While celebs may make more money now than in the past, they could see their fame wane more quickly in the years ahead. "The value of a name has been devalued because almost everyone is willing to shill for anything," says brand consultant Passikoff.

Nowadays, Passikoff points out, celebrities promote so many products that it's hard to differentiate between them. "Teri Hatcher promotes a hair-color line, but when we do our surveys, people don't even remember which one," he says. Clearly, that's not good from a brand perspective, and might end up serving little purpose beyond fattening Hatcher's bank account.

Some celebrities may even find themselves in hot water if they're perceived as overextending their licensing deals. Pop singer Jessica Simpson was sued last

month by Tarrant Apparel Group, a maker of denim clothing. In the lawsuit, Tarrant charges that Simpson breached her contractual obligation to promote her namesake apparel line. Tarrant claims Simpson refused to pose for photos or provide photographs to promote the lines.

QUALITY CONTROL. As a result, Tarrant says, one of its key retail accounts -- Charming Shoppes ([CHRS](#)) -- canceled a \$4 million order for Jessica Simpson jeanswear. "Without celebrity marketing, the product went nowhere," Tarrant says, and the company is seeking \$100 million in damages (see BW Online, 3/24/06, "[The Skinny on Plus Size](#)").

Fame has clearly become a big business. But more and more, what celebs make off their name depends on how they manage it.

Gogoi is a reporter for BusinessWeek Online in New York

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Review: I agree with nno! A persons "value" should not be measured by dollar signs but rather by the amount of time they offer in service to others. Mind you, this service I talk of is without reaping any benefits of a paycheck either. This kind of service = to be selfless. Selfless = acts of pure love and charity without either money or acknowledgement in the public eye. So I ask you now (which should be your question to begin with): How do you measure up? What is your value in regards to service? Where are the photos of the men and women that represent what I've proposed? Yep, we don't see them do we? God bless you!

Date reviewed: Jul 24, 2006 7:27 PM

Nickname: black

Review: The love of money is the root of all evil. What does it profit a man if you gain the whole world, but lose your own soul?

Date reviewed: Jul 24, 2006 5:06 PM

Nickname: ev445566

Review: It's not the celebrities' fault that they are making millions of dollars selling their image. It's ours. We are the ones that are buying their perfumes, tickets to their movies, and clothes. We as a society are so unhappy with who we really are that we cover ourselves up with fancy perfumes, clothes, and cars. Are stars taking advantage of that? Maybe. But if I could sell my name to a marketing company for \$50 million, I probably would.

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