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When the CEO is the Brand, But Falls from Grace, What's Next?

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Horace Smith and D. B. Wesson did it when they engraved their initials onto a pistol in 1852. Henry Ford did it, as did Mary Kay Ash, Michael Bloomberg, Donald Trump and Michael Dell. Company founders have long believed that placing their name on their company signals their willingness to stake their personal reputation and stand behind their products. That's fine when things are going well and the company and the CEO whose name it bears are held in high regard. But what if the CEO falls from grace? What happens to a company if the CEO's name is in effect its brand — and then that name is tarnished?

Rarely has that question come up more sharply than in the case of Martha Stewart, America's long-reigning diva of decor, who was recently convicted on conspiracy and other charges. Though Stewart had resigned as the CEO of her company, Martha Stewart Living Omnimedia, last summer after her indictment for insider trading in ImClone stock, her name is almost indistinguishable from the company's brand. Does the fallout from this case mean that companies should rethink the notion of personal branding — in which the company leader herself (or himself) is the brand?

Marketing experts at Wharton and elsewhere say that making a celebrity out of a business owner can be a good thing, as long as certain safeguards are in place. They caution, though, that problems arise when a company doesn't prepare for the unexpected. "At one time, brand awareness and positioning was viewed as a process of associating an image with a company — whether people had a positive or negative perception when they thought of a brand," says Barbara Kahn, a Wharton marketing professor. "But recent brand studies indicate that that's not enough. For example, successful brands like Coke, one of the most widely globally recognized names, have built an emotional attachment with their customers, a kind of relationship."

When it is done right, brand personification can tap into the human desire to belong to a community. In the case of Martha Stewart — who Kahn says brought the strategy to a new level — customers could virtually lose their identity to that of the brand. "Even if they'd never met her in person, people would talk about being like Martha, dressing like Martha, or having tastes like Martha," notes Kahn. "It's easy to identify with a brand when it has a human face, and people can build a relationship even if it only exists on one side — theirs."

But while Martha Stewart may have raised relationship building to a new level, her deployment of the strategy was hardly unique. "Companies like Apple Computer, Sony, and Volkswagen have each created a sense of community even without putting a human face to their products," Kahn explains. "They were able to make their customers feel unique, and drive loyalty by creating an emotional bond between consumers and the product."

Celebrity Obsession

That ability to personify a company without hitching it entirely to the popularity or image of a single individual can enhance a business' sustainability, says David J. Reibstein, a Wharton professor of marketing. "In societies that are obsessed with celebrity status, a business person who is also a brand can deliver great value to a company," he observes. "Among other assets, it can offer instant name recognition. But of course there's also a risk if something happens to that person. In that case, the degree to which the product is tied to the person can make or break a company."

In some cases, the brand is strong enough to survive the founder's exit without a hitch. Reibstein notes, for example, that Versace, an Italian powerhouse fashion brand, was closely tied to its founder, Gianni Versace. But after his death in July 1997, Gianni's sister Donatella smoothly took up the reins and kept the empire on course.

"Fashion houses like Versace, DKNY, Gucci or Calvin Klein are interesting, because even though the public associates them with an individual, people know that other talents play key roles in the company," Reibstein says. "Gianni Versace may have been the major name, but the firm did not rest solely on him. People recognized that his company was deeper than just one person, and they were comfortable when his sister took over. The brand Versace meant more than the man; it meant the man's style."

Much of the Versace product design was reportedly handled by a team of Italian, American, Korean, and French assistants who earned up to $15,000 a month after tax. And it has been said that from 1994 through 1995, as Gianni Versace was recovering from chemotherapy treatments, it was this team that actually developed the brand's new collections.

Similarly, Mary Kay Inc., one of the world's largest direct sellers of skin care and color cosmetics with nearly $1.8 billion in 2003 wholesale sales, was able to survive the November 2001 death of its founder Mary Kay Ash. Kahn says the key to making this work was a succession plan — an infrastructure of people who supported both the individual and the idea of the company. "Mary Kay had other symbols of the business, including the pink car, that carried on the brand image after she died," adds Kahn.

Reibstein contrasts those outcomes with Martha Stewart, whose personality, judgment, advice and, some would say, ego, were the entire brand. Stock in Martha Stewart Living Omnimedia plunged 23% the day of her conviction, and some companies are already limiting their association with her. According to media reports, the *Martha Stewart Living* syndicated television show was dropped from Viacom's CBS and UPN stations after her conviction, while *The New York Times* reportedly will rename two columns distributed by its syndicate, and will replace Stewart with other authors.

"It's understandable why companies would want to distance themselves from the brand when it is a single individual," says Reibstein. But he cautions that such a retreat could wipe out the brand's point of distinction. "Say *Martha Stewart Living* magazine drops the Martha Stewart from its name — what would differentiate it from other publications in the category?"

A Fine Balance

Perhaps the key is to strike a balance, where the company benefits from an appealing public personality like Martha Stewart, Donald Trump or Michael Dell, while it builds a strong identity that doesn't rely on the individual. That strategy is suggested by Alan Siegel, chairman and CEO of the eponymous Siegel & Gale, a strategic branding company that developed the Dell brand image.

“Like Martha Stewart, Donald Trump places his name on everything he gets involved in: buildings, gambling casinos and airlines. He is a visible, vocal brand voice,” says Siegel. “Ralph Lauren and Michael Dell, on the other hand, also brand their companies with their names, are intimately involved in all aspects of their businesses and serve as spokesmen for their brands. So there is this connection to a person, which is desirable because the public can easily identify with a company or product when they can personalize it. But these two companies have cleverly created a separate, institutional identity that doesn't make them so vulnerable if they have a personal problem.”

But not all companies can manage their image to that degree. Reibstein, for one, says that the nature of the business can play a large role in the ability to determine how closely the public face is tied to the firm’s value offering. “Consider Henry Ford," he says. “Despite the fact that he was involved with some controversies, his company’s value proposition was the vehicles it built. Even though they carried his name, the man himself was peripheral to the sale — the key factor was the quality of his cars.”

Reibstein goes on to note that the same could be said of Donald Trump. “The Trump value proposition is primarily seen as real estate, which is judged on location, amenities and other considerations,” he notes. “So whether you like the man or not, your decision to buy an apartment from him, gamble at one of his casinos or fly his airline is likely to be influenced by factors beyond his personality. In a case like Martha Stewart, however, the person and the goods and services were indistinguishable. Customers were buying her tastes, not a stand-alone asset or service.”

Sometimes, though, the market may dictate the image. That's what happened to *George*, the magazine of pop culture and politics launched in 1995 by John F. Kennedy, Jr. Although he intentionally tried to downplay his connection to the magazine — as seen in his choice of a name for the publication — JFK Jr. couldn't escape his own celebrity as the son of a popular, martyred president. The identity of *George* became subsumed to the identity of its founder, and when he died in a July 1999 plane crash the magazine folded less than a year later.

In contrast, Reibstein points to Frank Perdue, the “man who looks like a chicken” and was the owner and public face of Perdue Farms. “Through his commercials and self-deprecating humor, Perdue established a bond in the public’s eye between himself and his products,” says Reibstein. “But as he grew older, he took a less-visible role and brought his son Jim in as a spokesperson (and as chairman of the board). Today, the company continues to enjoy a solid level of brand recognition, and the public face has been seamlessly transferred from Frank Perdue to Jim Perdue.”

Does Negative Publicity Matter?

In some cases, a combination of market forces and demographics may mean that a brand image does not diminish with negative publicity. Los Angeles Lakers star Kobe Bryant, for example, has received plenty of negative press since he was charged with sexual assault (he maintains his innocence), yet Reibstein says that attendance at Lakers games has not declined. “To a degree, that may reflect the attitude of hard-core sports fans. They don’t see his outside life as relating to the selling point: his game. Plus, his guilt or innocence has not yet been determined.”

The sheer level of customer demand also played a part in this case, according to Kathryn M. Olen who teaches Communication Design at the Fashion Institute of Technology in New York City. “Even if some people decided to snub the Lakers because of the Bryant controversy, they’re not likely to simply discard their tickets,” says Olen, who has a background in advertising. “They’ll probably give it to someone else; or another buyer will come forward if some people refuse to purchase Lakers tickets. So since demand outstrips supply, there’s no apparent drop off in attendance.”

Meanwhile, despite Siegel’s upbeat outlook, he has some misgivings about the person-as-brand strategy. “When I went into business more than 30 years ago, the tendency was to place your name on your business,” he says. “If I could do it all again, I probably would have used a name that evokes what we do, instead of who we are. Although my name on the door indicates that there’s someone here who personally cares about our customers, the downside could arise if something ever happened to me, or if I departed from the firm. [In fact, partner Robert Gale died about a decade ago.] But a personal name for a business can be a powerful marketing tool."

For his part, Reibstein sees other trends emerging. “Right now we’re in an era of celebrity, where we allow paid stars to validate our products,” he says. “Slowly, however, we’re moving away from that and are beginning to instead seek independent, third party confirmation of our choices. But then again, it’s amazing what some consumers will buy into. Some simply want to be able to associate their buying decisions with a name that they can read about in the media.”