

Top 5 mistakes when working with celebrity cofounders (and how to avoid them)

The truth is many people think celebrities are generally overrated. They may get sucked into the content on their social feeds, enjoy seeing Tom Cruise fly a jet, and likely even indulge in a tequila shot or two from ER's oldest heartthrob. But when it comes down to actual business acumen, most people wouldn't trust them as far as they can throw them.

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Whilst this is also misguided, what gets talked about less are the people who overrate celebrities in business. The pitfalls if you will. The pitfalls of being starstruck, of misunderstanding the brand halo effect, and the stark reality of direct sales attributed to these global superstars with followings larger than most countries.

I'll happily help you out here.

Although we exclusively invest in celebrities at [*Sandbox Studios*](#), we do so fully understanding the complexities and variables of bringing on public figures with

a side hustle. There are a myriad of risks and issues that go into bringing talent on board to your brand. I've outlined the top 5 reasons why they won't miraculously make up for poor sales:

They care, but they also don't

Most of my celebrity clients would kill me for saying this, but it is the truth. Most actors/models/musicians love being actors/models/musicians. Furthermore, their teams (publicists, business managers, agents) need them to keep being good actors/models/musicians to keep getting paid.

You can't pay rent on equity shares.

There are ways to encourage engagement with your co-founding celebrity throughout your working relationship, but the truth is that you will always play second fiddle to their career. This isn't always a bad thing.

Top Tip: Authenticity and alignment are key. If you have an alcohol brand, then choose a celebrity who goes out a lot and likes to post pictures of themselves in nightclubs drinking. This makes it easy on them to align your contracted posts with activity they also enjoy doing and posting about. If it becomes a chore, or even if the brand guidelines are too restrictive, it becomes too much like work. Remember this is a side hustle, the more they enjoy doing it, the more you will benefit as a brand.

Another great example – the strategy for one of our portfolio companies, Hawthorne – is to choose a partner with aligned mutual benefits. Hawthorne chose a musician who is about to put out a much-anticipated album. His team needs his name and face to be everywhere, and Hawthorne are going to help them achieve this – whilst also promoting their brand. It's a win-win – the fundamental key to creating a winning partnership that delivers commercial value to *both* parties.

Conversion rates to *direct* sales are terrible

The average conversion rate for the Kardashians from one post on Instagram is approximately 0.004%. By comparison the average conversion rate for Facebook ads is 9.21% (higher than Google). This is absolutely not supposed to deter you from photo bombing Khloe Kardashian the next time you see her on the street, but to outline that in real terms, the best bang for your buck is on

targeted online ads.

Top Tip: What this doesn't consider is brand awareness, of which the Kardashian reach is comparable to Facebook but doesn't include the peer recommendation/virality of celebrity endorsed products. When working with talent in an equity deal, brands need to maximise content and consistency – so rather than one great post done with a studio shoot, you need 100 posts taken on your iPhone (or use a university photo graduate as an intern) showing off the product and why the celebrity loves it.

You think reach is more important than the person

This is a double-edged sword, but if you are only considering how many followers your celebrity co-founder has and how engaged their followers are, you are missing one very real salient point – you still must *work* with this person. If you don't like them, don't like their team, can't ever get a hold of them, or they like to order you around like their assistant – stay clear, no matter how many followers they have.

Top Tip: It's common for investors to do diligence on founders and teams, but less common for them to do diligence on the celebrity co-founder. Instead they often rely on their own personal opinion.

Do not do this.

Find someone one that has worked directly with them and find out what they are like to work with (not hang with). People like to work with people they like. Anyone who makes your team uncomfortable or awkward is not worth it in the end.

On the flip side, you think the person is more important than the reach

Maybe you had a big high school crush on someone back in the day and they are a superstar but they lack a decent following because they are old/private/boring. This defeats the purpose unless you just want to use them for out-of-home brand awareness (think billboards). If that is the route you want to go, I suggest just paying an endorsement fee (rather than equity). Without a strong online following, you lose the ability to convert and track sales. Lose the ability to truly grow with the celebrity in question because they

aren't communicating to anyone about you.

Top Tip: This is relative and is heavily based on brand strategy so this isn't always the case. George Clooney is not on social media, but that didn't stop him from securing \$1B for the sale of Casamigos. There is a lot more that went into their success story than this newsletter allows, but numbers aren't always the case – however, for 99% of the brands out there, it's mandatory.

You underestimate the value of their team

Celebrity success is hugely underpinned by the team that surrounds them. One of my favourite clients Prince was also one of my most challenging clients, but that didn't stop us from being wildly successful. As are most celebrities, Prince was a huge Creative – which meant he didn't really care how money was made or his role within that objective. It was always about the music. Which meant I often had to pick up the pieces (and my battles). My success with Prince's album and subsequent tour was down to my execution and operations strategy, and ensuring Prince was always happily on board.

Top Tip: Absolutely do diligence on the talent but spend time with the people who prop them up too as these will be the people you do day-to-day business with.

Merging talent and products is not as risky as people assume; however, having realistic expectations and a very strong brand strategy is often more important than the talent themselves – because if you do good, they do good, so you have to get the fundamentals right!

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