

## Stephanie Capparell explains why Pepsi hits the spot for black Americans.



Are African-Americans worth customized marketing efforts? An unimaginable question today, but not so long ago many white executives weren't so sure of the answers. One company willing to find out was Pepsi. Beginning in 1947, in what may be the first instance of niche marketing, Pepsi took the bold step of hiring a team of twelve black salesmen to tailor sales and marketing strategies toward African-Americans. In *The Real Pepsi Challenge: The Inspirational Story of Breaking the Color Barrier in American Business* (Wall Street Journal Books), Stephanie Capparell, editor of *The Wall Street Journal's* "Marketplace" page, takes a look back at a time before "diversity" and "inclusion" were hot buzzwords. Capparell, 51, spoke from her home in New York about why Pepsi decided to do what most companies would not—and why we have not progressed as far as we think. —VADIM LIBERMAN

### Why did you want to write this book?

What appealed to me is the time period, the 1940s. Back then, sales wasn't just a job in America; it was *the* job to have. And race was also becoming more of an issue. I figured that these two factors together would make for an interesting story.

### What made Pepsi decide to go after this market?

Back then, there was a broad call from black leadership to integrate African-Americans into the business world. They were telling companies: Please look at us. Sell to us. Hire us. But very few companies were heeding that call. Walter Mack, Pepsi's CEO, on the other hand, was a visionary and an activist on social issues as well as being a shrewd businessman. He recognized the importance of targeting this group. Blacks were beginning to make more money, and they were clearly a valuable, untapped market—as research at the time pointed out, the market was equal in size to the population of Canada.

### But did Mack market to them because he was interested in social change or because he was looking for profit?

He was after the dollar. There's no

doubt about that: When he saw black, he also saw green—and he made no bones about this. But he always said that there are lots of ways to make money, and you could do it in the right way and be just as rich as the guy next to you who's doing it in a less enlightened way. Mack didn't simply add a couple of black guys to the company and say, "Go ahead and see what you can do in your communities." He made an effort to create a real department with a budget for advertising, which was quite the achievement back then.

At the same time, he was very much aware of the potential ramifications of his social choice. Pepsi had to be careful: If they were too successful in going after the African-American market by doing too much with it, they risked mainstream consumers developing a perception that the company was selling a bargain product. The company also risked the perception that they were pandering to the black market. Conservative, white-racist, and segregationist groups would boycott such companies.

**Mack's enlightenment certainly had limits. You quote him telling a gathering of bottlers: "We're going to have to give**

**Pepsi a little more status, a little more class—in other words, we're going to have to develop a way whereby it will no longer be known as a nigger drink."**

Yes, and Edward Boyd, the assistant national sales manager in charge of the so-called Negro-market team then, who was listening from the front row, walked out. The next day, Boyd went to see Mack and told him that he found his language offensive. Mack was taken aback and was quick with an apology. Later on in life, Mack was embarrassed by his remark. But like he said, he did the best he could at the time. In fact, if you look at that time period, Mack's efforts were quite the revolutionary step forward, even though by today's standards they might seem modest.

**One such effort you write about was the type of advertising that Pepsi used to target black people.**

Yes, the ads showed African-Americans as absolutely normal, middle-class Americans with money to spend, enjoying the American dream. They looked sharp, smart, and happy. Very few companies—black or white, in any media—were showing that at the time. It was simply unthinkable to run these kinds of ads, which re-

jected the stereotypical Aunt Jemima image of blacks.

### **What other marketing tactics did the team of black salesmen use?**

They'd be interviewed on local black radio stations. They'd put ads in local papers, make huge store displays, and go to social functions to hand out Pepsi. There wasn't an outlet or a group too small to visit. Sometimes their jobs were easy: They'd just go to a church function to talk about their love for Pepsi and how the company was interested in them as consumers. When people saw them in their suits and ties, with great jobs that came with expense accounts, they were won over and would become loyal customers. Just a couple of days ago, I got an e-mail from a black person who wrote: "My mother must've ran into a Pepsi store promotion in the early '50s, and as a result, she was a loyal Pepsi drinker her whole life. To tell you the truth, even though I don't drink soft drinks much, I have a certain loyalty to Pepsi too." That's two generations of brand loyalty because of their efforts. It's amazing.

### **What was the effect on Pepsi's sales?**

In Louisville, Kentucky, Pepsi had a 13 percent increase in sales. There was even a brief time when they surged ahead of Coca-Cola in some northern cities like Chicago and Cleveland. You can bet that was with the help of the black population.

### **In doing their work, you relate, these salesmen faced a lot of discrimination. Why were they willing to endure such indignities?**

Because they knew that what they were doing could make a difference. They were always aware that they were being watched by corporate America. All eyes were on African-Americans functioning at this level to see if they could handle these jobs as well as whites. For some in white

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society, this was a threatening proposition—an invitation to the rank and file of an entire race to vie for the same jobs as everyone else in the corporate hierarchy.

### **Were you surprised to learn that soon after the sales team broke up—because Mack's successor didn't share his enthusiasm for such niche marketing—that one of the salesmen had to take a job mopping floors?**

I thought that was heartbreaking. You can't believe that somebody with an MBA from the University of Chicago, with his background of successful marketing, would have to take a job like that. At the same time, he had a wife and kids to feed, and he couldn't sit there indefinitely waiting for another enlightened white manager to look at his résumé.

It just shows you how scarce these jobs were back then for black people.

### **Almost fifty years later, diversity is a standard part of corporate America. Are there any problems from back then still around today?**

I don't think we have the hostility that we had back then toward having African-Americans on staff, but I do think that white managers still aren't thinking about diversity. Most companies are getting it wrong in that they're still looking at it as something you just check off a list, as in: OK, I have my diversity director, I have my training classes, and so on. Where companies ultimately fail is when, despite having a good percentage of African-Americans and good percentages of other ethnic groups and females at the entry level, there's no way for these minorities to move up the corporate ladder.

### **In a company's pursuit of diversity, should potential profits motivate a CEO the way they did Mack?**

If companies are smart, they know that diversity has a very direct link to the bottom line. I'm absolutely convinced of that. The more diverse you are, the more ideas you have, the more the public can see you have a diverse staff, the more it helps your business do well. I believe that companies that seem socially backward end up being not as profitable. For example, in targeting the youth market today, products sell much better when teenagers see ads with different ethnicities. Also, just as it was back then, the African-American community is still more loyal to companies that hire and sell to them.

### **Is that a reason you feel your book might be relevant today?**

Yes, and I'm hoping that more African-Americans will be inspired to enter the corporate world and to really work hard to rise in it. And I'm also hoping that white hiring managers will be moved to ask: How can I help? ☺