

# Companies Market to the Changing Face of the Consumer

Compiled by the DiversityInc staff  
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What do large corporations such as Bank of America, Ford Motor Co., Pepsi-Cola and Wal-Mart (Nos. 26, 11, 4 and 29, respectively, on [The 2005 DiversityInc Top 50 Companies for Diversity list](#)) all have in common? According to today's New York Times, they are all "embracing America's [mishmash of cultures](#)" (registration required) in direct correlation to the rise of immigrant influence and the buying power of people of color.

Ranging from music to food to television, diversity has become a major component of how businesses operate and market to the rising consumer base of people of color. However, the corporate awareness of this change did not happen overnight, although it may feel like that at times. DiversityInc Cofounder and Partner Luke Visconti was quoted in the article, stating, "You don't see it creeping up. You don't see the changes unless you go back and think of it."

In today's market, it's commonplace to see Japanese comic books in local bookstores or soft drinks that have been ethnic-inspired or television shows on primetime featuring people of color. The article describes that much of what we see today are "the results of earlier waves of cultural immigration."

Products such as Lay's Cool Guacamole chips, Mountain Dew's Code Red soda and Lay's Chile Limon chips are evidence of PepsiCo's commitment to multicultural marketing. Other Top 50 companies have made diversity critical to their fundamental business strategies, such as Ford, which has used Spanish-inspired music in its marketing strategy, and Bank of America, which has sponsored a Manhattan family music festival promoted in English and Spanish, also including a Chinese music ensemble and a gospel choir from Soweto.

Much of the trends target the Latino population, which the Census Bureau reports will account for 18 percent of the total U.S. population by 2020. The 2000 census report was a wakeup call for many marketers, demonstrating just how fast the Latino population was growing. However, it is apparent that other ethnicities are being recognized including Asian Indians, Chinese and Russians.

Many companies initially may have passed up the opportunity to market toward a specific ethnic group, believing it may not be worth it in the long run, but Tom Pirko, president of the beverage consultancy Bevmark, states in the article that not valuing an ethnic group could alienate a product's core clientele. "If you give them something other than what they want or expect, they will reject your product, boycott it," he says.

David Rodriguez, multicultural marketing manager for Ford, Lincoln and Mercury brands, realizes the potential in advertising to multicultural consumers, stating, "We will very much acknowledge that what is multicultural today very much will be general market tomorrow." This acknowledgement has led Ford to create the Ford Fusion Mixer, a Web-based music mix that includes genres ranging from R&B to salsa to Asian.

PepsiCo's recent apple-flavored Mexican-inspired soft drink, Manzanita Sol, has seen success, and the drink has done well with white consumers. Lara Montilla, senior marketing manager for multicultural marketing at PepsiCo, told The New York Times, "The U.S. consumer is exploring different flavors more now than before."

Rodriguez states, "As fluency levels increase, you are going to see more opportunity via different media mixes to reach out and connect with these people in more creative and innovative ways."

# Ethnic Magazine Ad Dollars Tell the Story: PC Companies Ignore Black, Latino Consumers

By Yoji Cole  
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Tamara Carroll, a 24-year-old African-American student at Rutgers University in New Brunswick, N.J., has three computers in her house, but only one is hers. The others are her brother's and her father's. Carroll uses her personal computer for personal pleasure, surfing Internet sites for the latest entertainment and gossip, but she also utilizes it to research and write papers for classes in her major, pre-law.

What brand of PC does Carroll use? Not one in particular. All three models in her house are a hodgepodge of parts put together by her father's co-worker, an East Orange, N.J. African-American police officer with technological know-how. Neither she, her father, nor her brother hold any allegiance to a particular brand, Carroll said.

"I don't think the computer makers have told us [African Americans and Latinos] how beneficial computers are," said Carroll.

Efforts by Silicon Valley and Silicon Alley, to corral the attention of ethnic consumers like Carroll have been uninspired at best, an indication that technocrats believe people of color don't buy their products, or that those who do aren't plentiful enough to warrant an advertising focus.

The numbers tell a different story. African Americans spent \$1.6 billion on computers and related equipment in 2000 up from \$1.2 billion in 1999, according to Target Market News, a Chicago-based marketing research firm. ComScore data indicates that 51 percent of U.S. African-American households are online and 33.7 percent of Latino households owned a PC in August 2000, according to the latest available data from the United States national Telecommunications and Information Administration.

And those users as well as potential users also read ethnic magazines.

Carroll, for example, regularly reads Savoy and Honey magazines; two publications focused on African-American readers, as well as law magazines and Forbes. The latter mainstream publication regularly features computer advertisements. The two African-American magazines don't.

"The people technology companies target are general market males, so you rarely see advertising to minorities and women," said Leonard Burnett, group publisher for Vanguard Media, which publishes Honey and Savoy.

Just look at the ad spending in magazines by Dell Computer Corp., Compaq Computer Corp., Apple Computer Corp., and Microsoft Corp. and their neglect of the ethnic market is evident.

Dell spent \$293,600 in advertising in 2000 with Black Enterprise, according to CMR, a Taylor Nelson Sofres Company that tracks ad spending in media. Black Enterprise also sold ad space to Compaq and Microsoft in the same year for \$29,900 and \$99,670, respectively.

Dell didn't buy ad pages in any other African-American magazine. Nor did the company or the other technology companies buy ad pages with top-selling Latino magazines such as Latina, People en Espanol or Reader's Digest Selecciones in 2000, the last year for which CMR had numbers.

Compaq made a slightly stronger effort to attract Latino and African-American consumers through magazine-page ads. In addition to Black Enterprise, Compaq bought ad space in Vibe, a magazine similar to Rolling Stone that focuses on Hip-Hop and R&B music and culture.

"It goes without saying that diversity is important to Compaq and a lot of other companies in the information-technology industry," said James Barnes, assistant to the marketing director at Compaq. "We've done work

with the National Association of Black Journalists, the National Black Chamber, and the Latin Business Association in the form of sponsorships."

Compaq spent \$57,900 on page ads in Vibe in 2000, compared with \$1.2 million it spent on ads in the more mainstream music magazine, Rolling Stone, according to CMR. Yet Vibe sells more single copies off the rack than Rolling Stone -- 177,976 to 150,950 --, according to research from the Magazine Publishers of America (MPA), but Rolling Stone trumps Vibe in total paid circulation at 1.2 million to 600,000 according to MPA and Vibe numbers.

Take into account, however, that Vibe is a magazine about Hip-Hop and that roughly 70 percent of people who purchase Hip-Hop music are white and it could be argued that Vibe has a greater crossover audience. In addition to the fact that Rolling Stone's audience is the segment of the PC market that is saturated.

"Broadcast has been a bit more robust," Barnes said. "That's included spend ads with Black Entertainment Television, Fox Television Network and WB Network."

Compaq has also placed ads on syndicated ethnic programs such as "Oprah", "Soul Train", "Show Time at the Apollo", and the Univision network, Barnes added.

But when pressed to say whether Compaq has an ongoing relationship with those television shows, magazines or networks, Barnes mentioned the inconsistency of the technology industry and the varying reasons to advertise in different outlets.

"The information technology is not consistent across the board so we have to look at a lot of variables to determine where the spending will take place," he said.

Microsoft has made the greatest effort to purchase ad pages in African-American magazines, according to CMR research. The company spent \$455,080 on ad pages in magazines such as Jet, Ebony, Black Enterprise and Essence in 2000 and has recently advertised with Vanguard media, Burnett said.

Microsoft spent, however, \$1.6 million with the magazines Business 2.0 and \$1.4 million with Fortune Small Business in 2000, according to CMR. Business 2.0 has a paid and off-the-rack circulation of 550,000, according to a spokesperson and Fortune Small Business

Many times technology companies focus their efforts on community-based initiatives instead of product-based ads, Burnett added, which can be viewed by consumers as an effort to placate the ethnic communities rather than tell the consumers the product is for them.

"The problem is that most of these consumer electronic companies are set in their ways in who they believe their consumer is and more importantly the way you go about advertising to the consumer," Burnett said. "Across the board [ethnic] consumers feel they are underrepresented in their [consumer electronic companies' advertising efforts]."

# Faltering PC Makers Could Learn Marketing Lesson from Mature Auto Industry

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As market shares in the PC manufacturing industry continue to drop, technology companies would be wise to follow the lead of other companies in mature industries, such as Ford Motor Company, which has maintained its market dominance in part through a concerted effort to connect with Latino and African-American consumers. Domestic sales of consumer PCs declined 31 percent for the first three quarters of 2001, according to the Gartner Group, a technology-research firm. Yet the market for new customers in the Latino and African-American communities is virtually ignored. PC manufacturers refuse to create a system that will speak to African Americans and Latinos in a way that addresses their life interests.

Tim Swies, executive vice president of Zubi Advertising, a Florida-based agency that touts clients such as American Airlines, M&M Mars, Olive Garden Restaurants and Ford, said companies that ignore the ethnic consumer do so at their own peril, especially considering the Census 2000 results.

Among Americans age 70 and up, there are roughly seven white people for every person of color -- a ratio of 7-to-1. In the 20-29 age group, that ratio is 2.5-to-1. And among children under 10 years, there are three white children for every two children of color, a ratio close to 2-to-1.

"It has to be grass-roots, public affairs, advertising, and community involvement," said Swies. "And then you have the dealerships that understand the business opportunity as well and have staffed accordingly."

Swies and Zubi were influential in Ford's efforts to brand its name in the minds of American Latinos and new immigrants with an advertising blitz' that covered print, television, radio, as well as financial seminars geared to teach new immigrants the nuances of a credit-based society.

Ford is now No. 1 in the Latino market in terms of sales and share and sold about 185,000 retail units last year in cars and trucks combined, Swies said.

Swies said Ford's dedication to attract revenue in the ethnic market is at the crux of the company's success with the Latino consumer.

"You have a company that understands the business opportunity," Swies said. "It is not a typical scenario where you have a middle manager or brand manager who is trying to initiate minority advertising. The commitment at Ford comes from the top down, bottom up and everything in between."

Swies declined to say how much of Ford's approximate \$1 billion advertising budget is focused on ethnic minorities but said, "It is not a token investment, but is in tune with the objective and that is their seriousness about the market and minority advertising."

Swies, who said Zubi's efforts to solicit its ethnic marketing expertise to all the technology companies have been rebuffed, added that Ford's efforts to advertise to ethnic consumers is expected to translate into brand-loyal consumers.

"Hispanics are the most brand loyal segment there is," he said. "That's a life-time customer."

Considering that technology is developing at a such a high rate that today's new gadget is tomorrow's pocket calculator, the reality is that the PC company that decides to focus its efforts on attracting ethnic consumers could have life-long consumers upgrading with that particular brand.

Said Swies, "Soon, one of them [PC manufacturers] is going to do it [target ethnic consumers] first and whoever does, is going to garner the lion share of sales for a long time and then everyone else is going to play, too."