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Ethnic Marketing's Impact on the Reaction of the Media and Ethnic Communities to Corporate Racial Discrimination Allegations

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I have reviewed this completed senior honors thesis with this student and certify that it is a project commensurate with honors level undergraduate research in this field.

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Comments (Optional):

Monica is an outstanding, dedicated student. It has been a privilege to work with her.
Ethnic Marketing’s Impact on the Reaction of the Media and Ethnic Communities to Corporate Racial Discrimination Allegations

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Senior Project
University Honors Program
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I. Introduction

The idea for this senior project developed during my public affairs internship with Procter & Gamble in summer 1999. One of my assignments was to benchmark the “best practices” of corporations that have strong ethnic marketing programs. I took a close look at companies such as Colgate-Palmolive, Kraft and Coca-Cola. From my research, Coca-Cola clearly stood out as one of the strongest companies in regard to its commitment to ethnic marketing and ethnic community involvement. Near the conclusion of my internship, I learned that Coca-Cola had been sued for discrimination by several African-American employees. I was interested in seeing what effect Coca-Cola’s strong ethnic market presence would have, if any, on the media coverage and community reaction regarding the discrimination lawsuit.

Another project I was involved in during my internship afforded me the opportunity to meet Sam Chisholm, chairman and CEO of The Chisholm Mingo Group, an advertising and public relations firm based out of New York City. The Chisholm Mingo Group was the public relations firm that worked with Texaco, Goodyear and Denny’s during their incidents of racial discrimination allegations. Denny’s appeared to be one of the most severe cases of discrimination allegations. I wondered if Denny’s invisibility within ethnic communities had anything to do with the negative racial stigma that is now associated with the restaurant chain.

Beginning with the knowledge I gained during my internship, I decided to study more closely ethnic marketing’s effects on companies. Were there benefits to ethnic marketing? If so, could they be closely associated with a company’s bottom line? What
kinds of ethnic marketing campaigns work best? Through the careful study of these issues I developed this project which compares Coca-Cola and Denny's in the area of ethnic marketing.
II. Essay

Many American corporations are testing the waters in a current corporate trend, ethnic marketing. Realizing the huge economic potential of ethnic markets has awakened many businesses to the fact that targeting to the “general” public is no longer good enough. According to Lafayette Jones, executive vice-president of Segmented Marketing Services Inc., “Black consumers, like other segments of the population, respond best to tailored, personalized invitations to purchase. But those invitations simply don’t get delivered to most black consumers via the general market media.” A good number of large corporations have already made a commitment to ethnic marketing, but there are some that are still playing around with the idea of target marketing to ethnic customers. This study hopes to prompt corporate executives to make a true commitment to ethnic marketing.

The purpose of this study is threefold: to gain a better understanding of ethnic marketing’s impact, to illustrate the benefits of long-term ethnic community involvement and to show the importance of ethnic marketing to corporate America. Above all, I want this project to become a tool for companies that are contemplating the institution of an ethnic marketing campaign. I want to show business executives that a business plan without an ethnic marketing component is an incomplete business plan. I hope to illustrate this fact by showing one of ethnic marketing’s major benefits.

Executives in corporate America may be asking themselves, why ethnic marketing? The most obvious reason is the economic potential of ethnic markets. African, Hispanic, Asian and Native Americans make up 25 percent of the population of the United States.
Ethnic groups are also growing seven times faster than the general population.iii

Minorities will comprise a third of all American consumers by 2010.iv Another reason is that community involvement is important to ethnic markets, and a long-term commitment is especially crucial. Studies have shown that ethnic markets feel better about patronizing companies they feel are adequately targeting their needs and serving their communities. Ethnic communities are especially inclined to hold companies that are active within their communities in higher regard than companies that show no concern at all.

My hypothesis is that companies that have a long-term presence within ethnic communities fare better with the media and ethnic communities in the event that racial discrimination allegations occur. I will compare Coca-Cola, a company that is currently involved in a racial discrimination lawsuit, to Denny's, a company that has a history of racial discrimination lawsuits. Coca-Cola had a long-standing presence in ethnic communities at the time of the allegations, while Denny's had virtually no presence in ethnic communities at the time of the company's racial discrimination allegations. It was not until 1991, when Denny's discrimination allegations began, that Denny's, both on a corporate level and an individual restaurant level, initiated efforts to reach out to ethnic communities.v

While the Coca-Cola racial discrimination lawsuit is in the beginning stages, there has been little media coverage on the case. Denny's, on the other hand, received extensive media coverage during its most prominent racial discrimination case in 1994. Since then, other incidents of racial discrimination at Denny's have garnered media coverage with the underlying theme being "Denny's does it again."
Ethnic communities seem to be reacting differently toward Coca-Cola and Denny's in response to their racial discrimination lawsuits. There appears to be little backlash from ethnic communities toward Coca-Cola. No drop in sales can be directly attributed to Coca-Cola's racial discrimination issues. Coca-Cola's revenue has decreased over the past year due to restructuring and complications in some of its foreign operations. However, Denny's stock price slumped after the discrimination allegations. In 1999 Denny's parent company, Advantica, lost $382 million or $9.54 a share. There are also personal websites developed that feature anti-Denny's messages. Denny's has been working hard to erase the negative image it has developed within ethnic communities due to its lawsuits.

If proven, my hypothesis hopes to prompt corporate policymakers to make sure that ethnic marketing is a key part of their company's long-term strategy. Making ethnic community involvement a major component in ethnic marketing plans will ensure that companies have the best position possible in the unfortunate event that allegations of racial discrimination occur. To begin, I will briefly compare Coca-Cola and Denny's.

Coca-Cola was first developed on 1886. The company went international in 1906. The Minute Maid Co. was purchased in 1960. It was in 1962 that Coca-Cola began ethnic marketing initiatives. Coca-Cola was declared the best known and most admired trademark in 1988. And in 1999 a racial discrimination lawsuit was filed against Coca-Cola. Four past and current African-American employees sued Coca-Cola for discrimination resulting in lower pay and fewer opportunities than their white counterparts. Barriers to upward advancement are cited in the lawsuit. So far there has
been a moderate amount of media coverage about this lawsuit. Granted, media coverage had picked up within the last few months because of the lawsuit’s progression.

The first Denny’s restaurant opened in 1953 in Lakewood, California. By 1982 Denny’s was the nation’s leading family restaurant. Denny’s was bought by the Advantica Corporation in 1987. Denny’s and the NAACP signed a Fair Share Agreement in 1993. In 1994 Denny’s paid $46 million in a racial discrimination settlement. In this lawsuit, thousands of African-American patrons were refused service or forced to pay for their meals in advance. The restaurant chain is operating under a consent decree for the United States government that forbids discrimination. Even so, there have been very recent discrimination lawsuits. One of the most recent alleged racially motivated incidents involved two black Notre Dame students being arrested in South Bend, Indiana. The company has been found guilty of racial discrimination on several occasions and has paid thousands of dollars in damages. There has been extensive media coverage of Denny’s racial discrimination lawsuits. Denny’s currently has about 750 franchises across the United States. There are also over 30 franchises in Canada.

Coca-Cola has a strong history of ethnic marketing and community involvement. The company’s ethnic marketing initiatives began in the 1960s. The initial budget for ethnic marketing of $5,000 quickly grew to $35 million by 1992. Some of Coca-Cola’s ethnic marketing initiatives have included the sponsorship of the Soul Train Music Awards and the Hanna Music Awards. The company also sponsors the “America Reads” program. The “Keeping Kids in School” program is another community involvement initiative that Coca-Cola sponsors in cities throughout the United States. The company also provides
funding for such groups as the Alaska Native Heritage Center, the Mexican-American
Grocers Association Foundation, 100 Black Men of America, Inc. and the American
Institute for Managing Diversity.\textsuperscript{xiv}

Denny's began its ethnic marketing initiatives in the mid-1990s. Its initiatives were
responsive in nature to the backlash Denny's received regarding being found guilty of
racial discrimination. The restaurant chain has donated over $1.5 million to the United
Negro College Fund and civil rights groups. Denny's has also produced numerous racial
tolerance advertisements. Two million dollars was spent on the ads that feature the
slogan "Diversity: It's About Us."\textsuperscript{xv}

In 1995 Denny's signed an agreement with the Hispanic Association on Corporate
Responsibility to increase franchising opportunities and improve community relations.
Within the company, Denny's has initiated programs to increase minority-owned
franchises. Currently, over 37 percent of Denny's franchises are minority owned. All
Denny's employees also participate in anti-discrimination training. Thirty-three percent
of Denny's parent company, Advantica, are minorities. Advantica also received the Fair
Share Corporate Award for Minority Business Development from the National
Association for the Advancement of Colored People in 1997. In 1999 Advantica was
ranked second by Fortune magazine among America's top companies for African-
Americans.\textsuperscript{xvi}

Coca-Cola's defense to the allegations of racial discrimination are its past
commitment to ethnic communities as well as its ethnic employment track record. Coca-
Cola has been ranked as one of the "Top 100 Places for Minorities to Work" by Fortune
Magazine for several years.\textsuperscript{xvii} M. Douglas Ivester, the CEO of Coca-Cola when the
discrimination lawsuit was filed, said, “Discrimination at the Coca-Cola Co. is not tolerated.”

Denny’s began many initiatives in response to its racial discrimination allegations. Some of these initiatives include employee diversity training, increased ethnic community involvement and increased minority hiring. Ron Petty, past CEO of Denny’s parent company, Advantica, said, “Past practices at Denny’s were the result of stupidity.” The current CEO of Advantica, Jim Adamson, even wrote a book about Denny's experiences with discrimination allegations and ethnic marketing. The book, entitled The Denny's Story: How a Company in Crisis Resurrected Its Good Name, illustrates the hardships the company endured because of inappropriate practices. I am certain that Denny's would have had a much easier time dealing with its discrimination crisis had ethnic marketing and community involvement initiatives been in place prior to the development of the allegations.
III. Conclusions and Recommendations

Companies, like Coca-Cola, that have a strong presence within ethnic communities will fare better in racial discrimination crises than companies without an ethnic community presence. This presence must be developed through a long-term, sincere commitment to ethnic communities.

Corporate America must understand that an ethnic marketing component is essential for today's business plans. At least half of all Fortune 500 companies include ethnic marketing initiatives in their business plans. The ethnic marketing plan must include a genuine, long-term commitment to ethnic communities. It is crucial to understand ethnic consumers in order to effectively communicate with them. "Marketers must recognize the differences among ethnic groups, and they must create marketing programs that appeal to the individual wants and needs of those disparate groups. But all the while they must maintain respect and understanding of those differences. That, in a nutshell, is what effective ethnic marketing is about," said Jones of Segmented Marketing Services Inc.

Studies have shown that ethnic markets are more likely to pay attention to the radio and print media than the general market, so utilizing these mediums is a good way to reach ethnic groups. Forming alliances with already established community organizations can also provide a good entry point into ethnic communities.

Two companies that readily include an ethnic marketing component in their business plans are Colgate-Palmolive and Procter & Gamble. One of Colgate-Palmolive's signature programs is the Colgate "Bright Smiles, Bright Futures" program. "Bright Smiles, Bright Futures" is a program that provides oral health care and information to
children in underserved neighborhoods, primarily African, Hispanic and Asian-American. Elements of the program are community awareness, school curriculum and professional volunteers. Five million children are reached annually through “Bright Smiles, Bright Futures.” Colgate-Palmolive attributes its success to active strategic partnerships, strong affiliations with community groups, professional volunteers and, above all, a sincere corporate commitment.

Procter & Gamble has a long history of providing support for ethnic communities as well. In addition to the more than $300 million the company donates to ethnic minority causes, Procter & Gamble senior executives are also “on loan” to various community efforts and boards. Durk Jager, CEO of Procter & Gamble, serves on the board of directors for the United Negro College Fund. The company’s most recent ethnic marketing effort is a program called “Strides.” This program involves the development of a quarterly magazine targeted to African-American mothers that provides information on such issues as health and financial empowerment. “Strides” also sponsors programming on these issues within ethnic communities. “Avanzando” is the Hispanic equivalent of “Strides.”

Companies like Coca-Cola, Colgate-Palmolive and Procter & Gamble are leaders in the area of ethnic marketing. Other companies should follow suit and make a sincere effort to target minority consumers in an effective and ethnically sensitive manner as well as having a positive presence within ethnic communities. Had Denny’s had a strong foundation within ethnic communities prior to the discrimination allegations, I think the restaurant chain would have fared better with ethnic communities and the media. It appears that Denny’s has learned from its mistakes and is trying to head in the right
direction. All other companies should follow suit and make ethnic marketing and community involvement a priority.
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V. Appendix
Ethnic Marketing’s Impact

On the Reaction of the Media and Ethnic Communities to Corporate Racial Discrimination Allegations

by Monica Collins
Purpose of Study

- To Gain a Better Understanding of Ethnic Marketing’s Impact
- To Show Benefits of Long-term Ethnic Community Involvement
- To Illustrate the Importance of Ethnic Marketing to Corporate America
Why Ethnic Marketing?

- Huge Economic Potential of Ethnic Markets
- Community Involvement Is Important to Ethnic Markets
- Long-term Commitment Is Crucial

- Enormous buying power within ethnic markets
- African-Americans make up 25% of Coca-Cola’s American sales
- Ethnic communities are not impressed by here today gone tomorrow efforts by companies, or by throwing money at issues, they want to see a long-term commitment
A Comparison

- **Coca-Cola**
  - History of Ethnic Marketing & Community Involvement
  - Racial Discrimination Lawsuit in Progress
  - Very Little Media Coverage of Lawsuit
  - Positive Image Within Ethnic Communities

- **Denny’s**
  - Recent Initiatives for Ethnic Issues
  - Found Guilty of Racial Discrimination
  - Extensive Coverage of Racial Errors
  - So-so Image Within Ethnic Communities

• Coca-Cola has over 35 years of ethnic community involvement
• Denny’s, in last five years, has made responsive efforts towards ethnic communities
Coca-Cola Background

- 1886 - Coca-Cola First Developed
- 1906 - Coca-Cola Goes International
- 1960 - Purchases Minute Maid Co.
- 1962 - Coca-Cola Begins Ethnic Mktg
- 1988 - Ind. Global Survey Declares Coca-Cola the Best Known, Most Admired Trademark in the World
- 1999 - Racial Discrimination Lawsuit Against Coca-Cola

• 1962 - Coca-Cola’s initial ethnic marketing budget of $5000 grew to $35 million by 1992
• 1999 - Four past and current employees sue for discrimination resulting in less pay and fewer opportunities; plaintiffs cite barriers to upward advancement
Denny's Background

- 1953-First Denny's Restaurant Opened
- 1982-Denny's Is the Nation's Leading Family Restaurant
- 1987-Denny's Bought by Advantica
- 1993-Denny's & the NAACP Sign a Fair Share Agreement
- 1994-Denny's Pays $46 Million in Racial Discrimination Settlement
- 1995-Denny's Signs Agreement with Hispanic Assoc. on Corp. Responsibility

• 1953-First restaurant opened in Lakewood, California
• 1994-Thousands of black patrons were refused service or forced to pay for their meals in advance
• 1995-HACR agreement signed for franchising opportunities, community relations
Coca-Cola Ethnic Initiatives

- Sponsorship of Soul Train Music Awards
- Sponsorship of Hanna Music Awards
- America Reads Program
- Keep Kids in School Program
- Grants for Minority Programs
Denny's Ethnic Initiatives

- Employee Anti-Discrimination Training
- Increased Minority Franchise Programs
  - 37% of Franchises are Minority Owned
- Racial Tolerance TV Ads
- Over $1.5 Million Given to UNCF/Civil Rights Groups

*TV ads cost $2 million with slogan “Diversity: It’s About Us”*
Coca-Cola's Defense

- Past Commitment to Ethnic Communities
- Ethnic Employment Track Record
- CEO Statement "Discrimination at the Coca-Cola Co. is not tolerated."

- Coca-Cola has been ranked one of the top 100 places for minorities to work by Fortune magazine for several years
- CEO - M. Douglas Ivester
Denny's Defense

- Responsive Initiatives
  - Employee Diversity Training
  - Increased Ethnic Community Involvement
  - Increased Minority Hiring

- CEO Statement "Past practices at Denny's were the result of stupidity."

- CEO-Ron Petty
Current Status

- Coca-Cola
  - Minimal Media Coverage of Lawsuit
  - Some Media Hopeful that Coca-Cola Will Soon Be Cleared of Charges
  - Little Community Backlash from Lawsuit
  - Initially Took Moral High Ground on Discrimination Issue; Now Considering a Settlement
Current Status

- Denny’s
  - A Few Discrimination Cases Still Pending
  - “Here We Go Again” Media Coverage
  - Considerable Community Backlash from Discrimination Suits
  - Continued Efforts to Improve Position Within Ethnic Communities
Conclusions

- Companies that have a strong presence within ethnic communities do better in racial discrimination crises
- Coca-Cola’s strong presence was developed through a long-term commitment to ethnic communities
Recommendations

- Ethnic Marketing component is essential for business plans
- Illustrate genuine commitment to ethnic markets
- Knowing the consumer is essential
- Radio and print media are good ways to reach ethnic markets
- Forming alliances with community organizations can provide an entry point into ethnic communities