BUSINESS

Business Exchange

By William Reed, publisher of Who's Who in Black Corporate America.

Pepsi pulls plug on plant

Special to Sentinel-Voice

In 1994, with international fanfare and jubilation a group of well-known African-American business, entertainment and religious leaders plunked down an estimated $20 million to launch New Age Beverages (NAB), a Pepsi-Cola bottling company to serve the South African market.

At the time South Africa was just emerging from apartheid, under a black government, and the everyone in the deal and on the sidelines could see the bottles filling to the brim with profits. But, PepsiCo has pulled the plug on the plant.

While the venture puts a black-eye on blacks in business and efforts in the international arena, it offers lessons to be learned. Even though they were black and partnered with a major multi-national company, key issues led toward the business' downfall of Pepsi's South Africa advertising and marketing campaign.

It's said that Pepsi's representatives pushed a story that while Coca-Cola stayed in South Africa — tacitly supporting apartheid — Pepsi took the high road and withdrew in 1985.

This approach contrasted with President Nelson Mandela's reconciliation program of forgiveness, even for companies that had defied sanctions. Also, even though African-Americans refuse to admit it, sanctions had a debilitating effect on the country and its people.

While Pepsi had withdrew from South Africa and Coke stayed, over the years Coca-Cola built a strong lock on consumer tastes. Coke's Africa group, which is headed by African-American Cart Ware, had an unbeatable South African sales and distribution system through a partnership with South Africa Brewing that built brand loyalty and access to product New Age Beverages couldn't match. The situation was so bad that even Pizza Hut, which is a PepsiCo subsidiary, sells Coke products in its South African franchises.

Another problem was the link many South Africans made between Pepsi and one of NABs investors, singer Whitney Houston. During a Pepsi-sponsored tour, the pop diva angered many South Africans by refusing to sign autographs, avoiding fans and having security people keep fans at bay. While this may be standard practice in America, South Africans expected more respect and access. But her biggest faux pas was telling a concert audience how blessed they were to have a "black queen" in the person of Winnie Mandela, not knowing that Winnie is reviled by as many people as she is revered by here.

New Age Beverages and Pepsi tripped on a practical operational level as well. When the bottling plant opened, thousands of people unemployed by sanctions and apartheid attempted to apply for the two hundred jobs available. The physical confrontations that occurred between prospective workers and Pepsi employees hit the newspapers and organized public protests began against Pepsi and its hiring practices.

The lesson to be learned from analyzing the failure of the venture is that it shows that the presence of celebrities in your investment group is no substitute for business research and know-how: knowing your market and the strength of your competitor. For African-Americans, the failure of the deal is a reminder that there's no sure thing in investing, even in South Africa.

But a positive aspect of the deal is that African-Americans and Africans invested together and they all know now that people in South Africa weren't born just yesterday. But, the country is part of a large and growing continent of people and resources and new opportunities will come along again.

Millions spent fighting climate treaty

Special to Sentinel-Voice

WASHINGTON (IPS) — Some of the world's largest corporations are spending millions of dollars on advertising in an attempt to block an international treaty to restrict emissions of greenhouse gases that are changing the earth's climate.

Even as environmentalists are urging President Clinton to sign the U. N. agreement, leading U.S. oil, coal and automobile producers are calling the treaty unfair.

"The agreement will hurt the economy by demanding cuts in energy use by industrialized countries while exempting such countries as India, China, Mexico and Brazil," says Jerry Jasinowski, president of the National Association of Manufacturers.

The $13 million campaign, described by advertisers as one of the most intensive campaigns ever mounted over a single political issue, seeks to convince the American public that the agreement is unfair to business and the economy.

"This global agreement isn't global and puts the entire burden on the U.S. and a few other countries," says one of the many advertisements being aired on radio, television and in the print media.

Environmental groups have been quick to point out that the United States produces more carbon dioxide per person than any other country and say the ads misinform the public and divert attention from industry's contribution to the problem.

As the December U.N. Climate Change Convention in Japan approaches, the debate here over global warming is also heating up.

If successful, countries will sign an agreement in Kyoto binding targets and deadlines for countries to reduce their emissions of greenhouse gases.

Greenhouse gases are produced mainly by the burning of fossil fuels — oil, gasoline and coal — on which much of modern society runs.