

## SUPPLIER DIVERSITY

# PepsiCo is a longtime diversity supporter

*"The strength of our program is helping diverse suppliers understand who PepsiCo is and how to be successful in our business," a manager explains*



PepsiCo's Jean Lacefield: "We learned about Mobius through a cold call."

Pepsi Cola was one of the first companies to market specifically to ethnic communities.

In the beginning the Pepsi slogan was "twice as much for a nickel too," meaning that a twelve-ounce bottle of Pepsi cost the same five cents as a six-ounce bottle of Coke. "Value like that really sells when people don't have much money," Canady notes.

"I think our supplier diversity program developed early because senior management had long understood the importance of building wealth in the poor communities to help them become consumers." This business philosophy, he reflects, "is still a win-win when you come right down to it."

### Reorganizing

Today PepsiCo is a member of NMSDC for MBEs and WBENC for WBEs. In fact, Frito Lay (Dallas, TX) was one of the founders of WBENC some ten years ago, and PepsiCo's chair is also the current corporate chair for NMSDC.

Today the divisions are all linked together in their approach to supplier diversity. It occurred when PepsiCo centralized its procurement organization a few years ago.

The consolidation began with

the acquisition of Quaker Oats in 2001. "PepsiCo was buying a lot of goods and services, and when we acquired a company like Quaker Oats that also buys a lot and had its own GatorAde beverage business, it only made sense to have the procurement organizations become one."

And that, he says, is when his job of VP of supplier diversity was established. The idea was to ensure a consistent approach, and a major step was reorganizing the procurement department by category. "Now, if you sell bottles, you sell bottles across the entire PepsiCo company, not just to Pepsi. If you do trucking you negotiate for trucking services across the whole company. That was an important change."

### Growing the M/WBEs

There's a problem there for M/WBEs, Canady reflects, since few are large enough to serve "a Pepsi, a Frito and a Quaker all together." In one case the procurement group responded by giving an African American-owned corrugated packing company a letter of commitment to volume purchase. "They took the paperwork to the bank and got the backing to acquire a larger facility so they could keep their pricing competitive."

Another example was a Latino supplier of labels. "This was a very big supplier for Frito Lay and we increased our business with them gradually over a few years until now they do a significant amount of our shrink wrap and label business. We helped them build their capability gradually. It was a real mentoring process."

The procurement group also "leverages the expertise" of WBENC and NMSDC, "funding the space at training programs and sending diverse suppliers as they come to mind."

PepsiCo's current spending level with diverse suppliers is \$920 million and its target is 10 percent. "We try to be aggressive," Canady notes. "We have online registration and a database of potential suppliers for our buyers to search, and we

leverage the databases of organizations we belong to."

### "A real business advantage"

PepsiCo also strongly encourages its larger suppliers to institute their own supplier diversity programs.

Supplier diversity, says Canady, can be a sales tool for PepsiCo with restaurants, fast-food chains and other retail food service customers. "They want to be a part of it and they say, 'Pepsi, tell us what you guys do in this arena.' So I go to marketing meetings and present our program and what we do.

"We find it a very real business advantage. It's very flattering for our company when other companies ask us to tell them how we do it."

### Supplier diversity at PBSG

A good deal of PepsiCo's technology-related buying is for the Pepsi business solutions group (PBSG). This central service includes most of the company's IT suppliers.

The head of procurement for PBSG is VP Larry Caldwell. He shares the supplier diversity group's interests, and takes time to be a board member of the Women's Business Council Southwest.

Last year Caldwell arranged a technology summit, inviting seventeen Dallas area minority IT companies for a day of interviewing and a session on where PBSG is going. This year he may repeat the summit in another location.

### Jean Lacefield works with Mobius

Jean Lacefield is a PepsiCo supplier diversity manager with responsibility for PBSG as well as Frito Lay and indirect purchases. As part of her PBSG involvement she works with Mobius Partners Enterprise Solutions (San Antonio, TX), a six-year-old company that focuses on supplying HP hardware, services and structures that run SAP and Oracle software.

"We learned about them through a cold call," Lacefield remembers. "They called one of

Fred Canady is VP of supplier diversity at PepsiCo (Purchase, NY). PepsiCo is the parent company, and Canady stations members of his team in various PepsiCo operating companies: Pepsi Beverages, Frito Lay, Quaker Oats, Tropicana and more.

Supplier diversity has been a focus at PepsiCo since the early 1980s, Canady says. The main divisions then were Pepsi and Frito Lay.

But Pepsi was involved in diversity long before that. In the first half of the twentieth century,



Junab Ali, left, and J. Javier Uribe are the co-founders of Mobius Partners.

our PBSG managers.”

Mobius was started in 2000, the PBSG relationship began in 2002, and today Mobius is a \$31 million company, “largely because we are involved,” Lacefield says. “They developed a website for us that helps us increase the efficiency of getting a project up and moving. We consider that a big thing.

“They’re a young company and very ambitious and have done extremely well by us and for themselves. They handle all our HP purchases and a lot of our printers, and they put in an SAP implementation working with the project team. They’re becoming people we really look at as being an extension to us.

“The strength of our program,” Lacefield reflects, “is helping suppliers understand who we are, being a kind of coach for them and helping them

learn how to be successful in our business. Our relationship with Mobius is a highlight of the kind of work we do to support supplier diversity.”

#### Starting up Mobius

Junab Ali is president and, with his partner J. Javier Uribe, co-founder of Mobius Partners Enterprise Solutions (San Antonio, TX). The Hispanic-owned MBE is a \$30 million company today.

“Our business is reselling HP enterprise computers,” Ali says. “Basically SAP and Oracle software applications run on the hardware we sell, and we also provide the services that make it all happen.” The company provides an online asset information portal for some of its customers, and has twenty employees today.

Ali and Uribe went to high school together. They separated

when Ali went to Incarnate Word College (San Antonio, TX) and Uribe to Southwestern University (Georgetown, TX), but a few years later they met up again at a small computer company.

“We decided we could do it better and faster on our own. We went into business together right after the Internet bubble burst and 9/11 occurred. You can imagine it was a difficult time to start a business like ours,” Ali notes dryly.

The partners each put in \$6,000. They set up a small office and cold-called all day long, everyone from midsize to *Fortune* 500 companies. “For two or three years that was how our days were spent,” Ali recalls. “I would literally make 120 calls a day.”

Hard work but useful. “We made our first sale in less than a month and we were profitable from that day on.”

#### Building relationships

“A lot of it was building relationships,” Ali reports. “We put the needs of the customer before anything else and everything tended to fall in place.”

It’s still like that. “A week ago our account executive was on calls with customers until eleven PM on a Saturday and then worked on into Sunday.

That’s the kind of thing we’ve never let go of, even after six years of success.”

The PepsiCo relationship began about three years ago, Ali remembers. It was another cold call. “We sold them an HP server and the relationship between Pepsi, HP and Mobius has just been growing and growing since then.

“We’re a small guy but we have every bit as much talent and capability as our closest competitor. My business partner and I and all our employees are HP certified. And we’re also an MBE that’s Texas-based and Texas-focused. It’s a winning combination,” Ali says with pride.

“But if it were not for PepsiCo and their diversity strategy and their diversity department, I don’t think we would be where we are now. Besides our San An-

tonio HQ we have an office in Houston, TX and an office in Dallas, TX, all of which service the PepsiCo account.”

One recent value-added service by Mobius is “M-Link.” This is an online portal that streamlines the procurement process by consolidating information where it can be shared by many departments inside PepsiCo. Right now it’s keeping track of PepsiCo’s HP servers. “Pepsi is the first to use it but we’ll soon be rolling it out to other customers,” Ali notes.

#### Certified in Texas

Mobius holds a South Texas regional certification, is a member of the Central and South Texas MBC and is classified as a HUB business. “We serve on a lot of community boards and we’re involved with several entrepreneur groups, so we are counseled ourselves and we do counseling,” Ali notes.

Besides PepsiCo, Mobius does business with Shell, Maybeline and Abbott Labs, although the company’s focus is basically mid-market companies.

“Our attitude has always been that if we see our competitor doing it, why can’t we do it? There is nothing saying we can’t do that same thing and do it better.”

Ali and his partner continue to credit PepsiCo with giving them an important break. “Not a day goes by that we don’t think about how PepsiCo helped us, and what we can do to continue our good relationship,” Ali concludes. *D/C*



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