

John H. Johnson: Finding the Black Consumer

from *Forbes Greatest Business Stories of All Time* by Daniel Gross, et al.



John H. Johnson and his daughter Linda Johnson Rice.

In 1995, *Ebony* magazine turned fifty years old. While its founder isn't as well known as other civil rights pioneers, perhaps he should be. With nothing more tangible than raw business talent, a tenacious belief in his own ideas, and the power of persistence, John H. Johnson pulled himself up from poverty in segregated Arkansas to a coveted spot on the *Forbes 400*. In 1942, at the age of twenty-four, Johnson published *Negro Digest*, the first successful consumer magazine to reach a mass audience of African Americans. From there, this great-grandson of slaves proceeded to forge an immense and varied enterprise focused upon the needs of black America. His complex of holdings, which includes *Ebony* and *Jet* magazines and two cosmetics companies is as significant for hundreds of black professionals it employs as it is for the services and products it offers to black consumers. Through his business achievements, he demonstrated the moral and economic benefits of reaching out to all races.

Long before experts spoke about the glories of niche marketing, Johnson recognized the economic potential of the black American market. Corporate America was skeptical. It took Johnson nearly three decades to convince the business establishment that there was a viable market for his and their firms' products.

Discovering a Market within a Market

In November 1965 a glamorous crowd of 800, including chief executives and political figures, gathered for lunch at the Waldorf-Astoria's Starlight Roof to celebrate *Ebony* magazine's twentieth anniversary. Among those assembled were a galaxy of stars from the realms of politics, entertainment, and sports: Jackie Robinson, Lena Home, Ossie Davis, then-U.S. Solicitor General Thurgood Marshall, the newspaper columnist Carl Rowan, the halfback James Brown, Muhammad Ali, Duke Ellington, and Sammy Davis, Jr. As a reporter commented: "The men and women in the room seemed to symbolize the progress Negroes had made in areas of American life once closed to them."

The nation's black aristocracy had gathered to celebrate the twentieth anniversary of a monthly magazine that covered a part of America that had largely been ignored by the mainstream national press. *Ebony*, adhering to its founding mission, "expressed the brighter side of Negro life and highlighted Negro achievement," Johnson boasted. But the world had changed. "Achievement in the old era was measured, to a great extent, by material things. . . . Today achievement is measured in terms of whatever a man sets out to do."

By either measure, John Johnson had already reached great heights. The Waldorf-Astoria was a long way from the tin-roofed house in Arkansas City, Arkansas, where he was born in 1918. His father, Leroy, died in 1926 in a sawmill accident, leaving his mother, Gertrude Johnson, to support her son and daughter as a cook and washerwoman.

The future was bleak for African Americans in the Depression-era Deep South. Arkansas City didn't fund a black high school, and there were few jobs outside of menial labor open to African Americans. Like millions of her peers throughout the South, Gertrude Johnson looked to the North for redemption from the

hopelessness of her situation. After years of skimping and saving, she trundled her son and her belongings on a Chicago-bound train in 1933. “Chicago,” John Johnson later wrote in his autobiography, *Succeeding Against the Odds*, “was to the Southern blacks of my generation what Mecca was to the Moslems and what Jerusalem was to the Jews: a place of magic and mirrors and dreams.” The African-American migration had already transformed the South Side of Chicago into a segregated but fully functioning black metropolis—home to the nation’s largest black-owned bank, to black-owned insurance companies, newspapers, and nightclubs, and to black-run political clubs. “Black Chicago, then and now, was a city within a city,” Johnson wrote in 1986.

He thrived at the all-black DuSable High School, where he joined the yearbook staff and became editor in chief of the school paper. At night he pored over such self-improvement books as Dale Carnegie’s *How to Win Friends and Influence People*.

At an assembly for honors students, Johnson drew up the courage to introduce himself to one of the speakers: Harry H. Pace, the president of Supreme Liberty Life Insurance Company, the most prominent black-owned business in the North. “I want to go to college,” Johnson said, “but I don’t have enough money.” Pace told him to show up at his office the following September. With characteristic confidence, Johnson did just that, without an appointment, and announced: “The president is expecting me.” Pace hired Johnson as an office assistant in 1936, Johnson worked part-time while attending the University of Chicago.

At Supreme Life, surrounded by well-dressed professional blacks, Johnson found a new home and further inspiration. Here was a rare company whose entire customer base and staff was black. “Until that moment, the height and color of my dream had been set by the ceiling and color of the Black preachers, teachers, and lawyers I’d seen,” he said. “Now, suddenly, I was surrounded by Black clerks, salesmen, and money managers.”

By 1939 Johnson was promoted to editor of the company’s in-house monthly magazine, *The Guardian*. This was a compendium of articles about blacks culled from national publications of the day. Clipping articles at his desk, Johnson recognized his destiny. “It occurred to me that I was looking at a black gold mine,” he said. Black America needed a magazine of its own. While local black newspapers thrived in virtually every major city, there was no national black consumer magazine. Johnson decided to found a black *Reader’s Digest* entitled *Negro Digest*, a serious, national, text-based magazine that would run articles from prominent black and white writers on topics of interest to African Americans.

Unconventional Tactics

With World War II raging, it was not an optimal moment for a twenty-four-year-old with little experience, black or white, to start a new magazine. The nation had only just emerged from the Depression. Johnson, having married Eunice Walker in 1941, had a wife to support. Nonetheless, he went to New York to seek the advice and blessing of Roy Wilkins, the editor of the National Association for the Advancement of Colored People’s respected nonprofit magazine, *The Crisis*. Wilkins dismissed his idea. “Save your money, young man,” he said. “Save your energy. Save yourself a lot of disappointment.”

Johnson ignored Wilkins’s warning. He believed that his magazine would succeed because it would meet a sizable demand. “In 1942, black men and women were struggling all over America for the right to be called ‘Mr.’ and ‘Mrs.’ In that year, we couldn’t try on hats in department stores in Baltimore, and we couldn’t try on shoes and dresses in Atlanta,” Johnson said. “It was a world where the primary need, almost as demanding as oxygen, was recognition and respect.” Johnson knew that his magazine could supply that vital air.

Harry Pace had offered to give Johnson access to Supreme Life’s mailing list, a roster of 20,000 black consumers, Johnson anticipated that a few thousand of them would front the annual two-dollar subscription fee, which would provide the necessary start-up funds. But he quickly ran into his first roadblock—20,000 letters would cost \$500 in postage. When Johnson applied for a loan, an officer at the First National Bank of Chicago laughed at him. “Boy, we don’t make any loans to colored people,” the man said. Johnson finally found a willing lender in the white-owned Citizens Loan Corporation, but it insisted on some collateral. The only security he could offer was his mother’s furniture, but she first had to agree to it. “For three or four days, we prayed together and cried together,” John Johnson recalled. Finally Gertrude said, “I think the Lord wants me to do it.”

From this point, there was no turning back. Johnson saw *Negro Digest* as more than a publication; it was his future. “I’m saying that I had decided once and for all. I was going to make it, or die,” he wrote. He mailed out his 20,000 letters.

The mass mailing elicited some 3,000 founding subscribers, bringing in \$6,000, enough to print an inaugural issue. Working in an office in the Supreme Life building, Johnson cobbled together the debut issue of *Negro Digest*, subtitled “A Magazine of Negro Comment,” and brought it to market on November 1, 1942. The premiere issue included reprinted articles by such luminaries as Carl Sandburg and the NAACP director Walter White, along with a smattering of original pieces.

Soon after publication, Johnson pulled off the first of many marketing coups. Having printed 5,000 magazines, he was stuck with 2,000 extra copies. Most newsstands wouldn’t carry them, “because colored books don’t sell,” the distributor Joseph Levy told him. Johnson devised a clever strategy to achieve his goal. He enlisted friends to ask repeatedly for *Negro Digest* at Levy’s Chicago-area outlets. Responding to the grassroots demand, Levy bought two thousand copies. Johnson then used these funds to reimburse his friends who had bought the magazine at Levy’s newsstands.

Within eight months, *Negro Digest* had a national circulation of 50,000, mostly in Chicago and other cities with large black populations. Readers liked the magazine because its articles elevated blacks’ self-image and because Johnson openly confronted racism, a topic rarely addressed in black or white publications. Johnson ran a regular feature entitled, “If I Were a Negro,” in which prominent whites were asked to offer their thoughts on racial issues. Johnson eventually persuaded Eleanor Roosevelt to write one of these columns. “If I were Negro, I would have great bitterness,” she wrote in an October, 1943 cover story that garnered national attention and helped boost *Negro Digest*’s circulation to 100,000.

Expanding Within the Black Market

With *Negro Digest* bringing in profits during its first year, Johnson sought to expand. After buying a street-level storefront on the South Side for \$4,000 in 1943 to serve as his office, he began searching for new opportunities. When the artist/cartoonist Jay Jackson and the writer Ben Burns approached him with the idea of starting a black-oriented entertainment magazine, Johnson was intrigued and agreed to fund the venture. Just as *Negro Digest* was modeled after *Reader’s Digest*, Johnson would now create a magazine in the image of Henry Luce’s hugely successful *Life*. Less concerned with politics and topical issues than *Negro Digest*, this new magazine would offer intimate glimpses into the lives of black achievers and celebrities. “We wanted to emphasize the positive aspects of Black life. We wanted to highlight achievements and make Blacks proud of themselves,” Johnson said. “From the beginning, I considered the company as a vehicle for building and projecting the image of Black people in America, an image that had been distorted by media oriented primarily to nonblacks.”

The first issue of *Ebony* (his wife, Eunice, came up with the name) appeared on newsstands on November 1, 1945, and it had a 25,000-copy press run. Within hours those copies were sold and Johnson printed another 25,000 copies. Relying on writers he had met through *Negro Digest*, Johnson ran a mix of features. The cover story was a first-person account by a New York pastor who took Harlem kids to Vermont farms. There was also a profile on the writer Richard Wright. Johnson delighted in putting the images of beautiful black women on *Ebony*’s cover. In March 1946, the first four-color cover featured Lena Home; it sold 275,000 copies. The following year *Ebony* became the first black magazine tracked by the Audit Bureau of Circulation, and it registered a circulation of 309,715.

Reaching White Advertisers

While subscriptions provided a solid financial foundation, *Ebony*, like all magazines, needed advertising revenue to sustain itself. Johnson refused to compromise quality, insisting on the same standards that white audiences might find in *Life*; but slick paper, high-quality presses, and lots of photographs made *Ebony* an expensive proposition. And since Johnson ran it at a loss, the bigger the magazine grew, the more money he lost. “My problem was not the editorial content of the magazine—the readers were yelling for more. My problem was not circulation—I couldn’t print enough copies. My problem was advertising or, to come right out with it, the lack of advertising.”

Just as blacks were largely prohibited from conducting business with white companies—indeed, were generally barred from other aspects of white life—white advertisers did not buy space in black magazines. The legal and social segregation of mid-century America made it more difficult for Johnson to obtain the basic goods and services that any business requires to function. Amenities other business people took for granted, such as lodging, weren't always available to him. On a business trip to Washington, Johnson was denied a room at the Shoreham Hotel. (To this day, he refuses to stay there.) He had problems acquiring office space as well. When he realized the building owner wouldn't sell to a black man, Johnson posed as the janitor for an alleged white purchaser, and inspected the building dressed in overalls. (He later bought the building through an intermediary.)

While the publisher continually butted his head against the wall of racial prejudice, he refused to limit his ambitions. "When I see a barrier, I cry and I curse, and then I get a ladder and climb over it," he said. As *Forbes* observed: "Such an attitude can make for a tenacious salesman." Putting Dale Carnegie's lessons to use, Johnson tried to sell executives from various companies on the idea that their advertising dollars would be well spent in *Ebony*.

When Fairfax Cone, the head of the powerful Chicago advertising agency Foote, Cone & Belding, declined to see him, Johnson learned from a sympathetic secretary that Cone would be riding a particular train from Chicago to New York. Johnson made sure he was on that train, and he cornered Cone in the club car. Before the train pulled into New York, Johnson had himself a customer—and an important long-term relationship.

Johnson reasoned that since most blacks owned radios, and since Zenith, a leading manufacturer, had its headquarters in Chicago, *Ebony* would be a natural outlet for Zenith advertising. But before he approached Commander Eugene McDonald, the company's chairman, Johnson laid some necessary groundwork. Learning that McDonald had trekked to the North Pole, Johnson tracked down Matthew Henson, an African-American explorer who had actually beaten the pioneering American explorer Commodore Robert Peary to the Pole. Johnson had Henson inscribe a copy of a book Henson had written and also ran a four-page article on the explorer in *Ebony*'s July 1947 issue. At Zenith, Johnson steered the conversation to polar exploration, which wasn't hard, since McDonald displayed on his wall a pair of snowshoes given him by Matt Henson. "Young man," said McDonald as if on cue, "if you were putting out any kind of a magazine you would have something on Matt Henson." Johnson then showed him the published article. "I don't see why we shouldn't be advertising in this magazine," McDonald concluded.

Johnson's confidence in the potential of the black consumer market paid off. He demonstrated to prospective corporate clients that African Americans bought more U.S. goods than Canadians did, and that they were an economic force that deserved attention. With each success, Johnson proved that profit motive was stronger than racism. By early 1948 he had enlisted Pepsi-Cola, Colgate, Beech-Nut, Seagram, and Remington Rand as advertisers for the magazine.

However, selling advertisements to one executive at a time was far too time-consuming and inefficient. The publisher realized that the long-term viability of his operations hinged on his ability to attract advertisers en masse. So he used mass media to inform large numbers of corporate decision-makers about the commercial possibilities in the undiscovered Negro consumer market. To that end, Johnson began to write occasional pieces in his own magazine and trade publications. As early as 1947 he wrote in *Ebony*, "big advertisers of consumer items fail to recognize the immensity of the Negro market." In 1952 he wrote in *Advertising Age* that the black consumer market, \$15 billion strong, was "ripe and ready."

After its early success, *Negro Digest* began to lose money and Johnson recognized that the magazine must give way to more dynamic and original publications. He shut it down in 1951. At the same time, he raided the staffs of black newspapers to start *Hue*, a pocket-sized feature magazine, and *Jet*, a news magazine. The cover of the first *Jet* on November 1, 1951, featured Edna Robinson, the wife of Sugar Ray Robinson. Within six months its circulation grew to 300,000 copies a week.

As the business grew, the Johnson Publishing Company evolved from a one-man shop into a publishing enterprise with offices in Chicago, New York, and Washington D.C. A vast majority of the more than one

hundred employees were black. By November 1955, when his magazines had a combined circulation of 2.6 million, the publisher had become a real force in black America. Johnson was appointed to the boards of the Tuskegee Institute and the National Urban League. In 1957 after buying 1,000 shares of the life insurance stock, he accepted an invitation to join the board of directors of Supreme Liberty Life Insurance, the company that had given him his first job. Over the next several years, Johnson regularly purchased stock in the company, and by 1964 he was the largest shareholder.

Joining the Mainstream in Turbulent Times

Johnson had shrewdly positioned his products in the marketplace in the 1950s, and his foresight paid off handsomely in the 1960s. Rather than use the personal appeals and trade magazine articles of the past, the Johnson Publishing Company began to adopt more sophisticated tactics to convince white corporations of the promise of the African-American market. With the help of Fairfax Cone, who had become a crucial business partner, *Ebony* produced two promotional films—*There's Gold in Your Backyard* and *The Secret of Selling the Negro*—that served as how-to guides for potential advertisers. Dr. Frank Davis, hired by Johnson to serve as research director, released numbers to the press showing that black purchasing power would top \$20 billion in 1961, and that the black population in the United States was rising at 3 percent a year, compared with the 2 percent growth rate for whites. As blacks continued to stream from low-paying jobs in the South to higher wages in northern urban centers, their incomes grew. The average family income for Southern blacks was less than \$2,000 a year in 1960, compared with nearly \$4,000 for their Northern counterparts.

Blacks' sense of empowerment was rising along with their incomes. And Johnson's magazines rode the crest of the burgeoning civil rights movement and the swelling wave of black power. In the 1950s he endured criticism from blacks who said he wasn't sufficiently militant on the crucial issues of the day. However, both *Ebony* and *Jet* had consistently covered civil rights issues, from Little Rock in 1957 to the March on Washington in 1963, and Martin Luther King, Jr. was a contributor to both magazines. Johnson walked a tightrope: he balanced the need to report the news of radical change with the desire to appeal to his subscribers who were drawn largely from the more moderate, affluent segments of black America. A 1967 survey showed *Ebony* families had a median income of \$6,648, placing them near the top 20 percent of black families.

Over the course of the 1960s, however, Johnson and his magazines came to reflect the changes sweeping through their audiences. "We were moderate when the Negro population was moderate, and we became militant when our readers became more militant," he said. In 1966, *Ebony* ran a piece entitled, "The White Problem in America," which laid much of the blame for black America's problems at the feet of the white majority. Another provocative piece, written by the magazine's senior editor Lerone Bennett, Jr. in 1968, asked the question: "Was Abraham Lincoln a White Supremacist?" While running such articles posed the risk of alienating hard-won white advertisers, Johnson didn't flinch. "It's no good carrying advertising unless we have the confidence of our readers." And the readers continued to express their confidence. *Ebony*'s circulation, which stood at 623,000 in 1960, first passed the one-million mark in October 1967, helping push the company's revenues to the \$10-million mark.

Furthermore, Johnson's aggressive editorial stance did not, in fact, alienate his colleagues in corporate America. As the moral strength of Dr. King's message was increasingly embraced by political leaders, white executives began opening up to the idea of an integrated nation. "I don't want to destroy the system—I want to get into it," he said. As the nation's leading African-American businessman and a major publisher, Johnson rubbed shoulders with presidents, including John F. Kennedy and Richard Nixon, and even posed for a photograph with Lyndon Johnson holding an issue of *Jet*. Johnson joined the corporate boards of high-profile companies, such as Zenith and 20th Century Fox, and bought a house on a mountaintop in the celebrity haven of Palm Springs. By 1968, eighty of the nation's top 100 advertisers could be found on *Ebony*'s client roster. After three decades of relentlessly serving and promoting the powerful black community, Johnson had gained the recognition of the white establishment.

By virtually any measure, the man who had been laughed out of a loan office in 1942 was by 1970 a member of the nation's elite. The most visible manifestation of Johnson's arrival was an \$11-million, eleven-story headquarters building built in 1972 for the firm's several hundred employees. While it featured black American and African art, a cafeteria, and a 15,000-volume library, the building's most notable feature was its address: 820 South Michigan Avenue. Squarely within the confines of Chicago's blue-chip business district, Johnson's headquarters were, as UPI noted, "the first Chicago Loop building exclusively designed and constructed by a black-owned corporation."

Niche Marketing in an Integrated Society

Even as he gained acceptance and recognition in white America, Johnson remained unapologetically focused on the African-American market. He knew that any legislative reforms would not immediately alter the social reality that had informed his original business plan. "We are moving in a crisis of identity," he said in 1973. "Everyone wants to identify with his own." And so when Johnson Publishing Company diversified in the 1970s, it sought to provide new services and products for its core market. Johnson bought two radio stations with black music formats, started *Ebony Jr!* in 1973, and sponsored television shows like the *Ebony Music Awards* and the *American Black Achievement Awards*. In 1974 he also gained complete control of Supreme Liberty Life Insurance and folded that company into his publishing corporation. Though the Johnson Publishing Company now a diversified powerhouse, *Ebony* and *Jet* remained the pillars of its prosperity. In 1983 when, by *Forbes*'s estimation, "Johnson's magazines reach nearly half the U.S. adult black population," the \$118-million company unseated Motown Industries to become the top of *Black Enterprise* magazine's list of black-owned corporations.

Throughout the years, Johnson resisted the temptation to cash out his holdings by selling shares in the company to the public. Rather, he relied on the cash flow from the magazines and from Supreme Life to finance expansion. As the sole owner and proprietor of the booming company, John Johnson reaped the windfall. Continuing to break the race barrier, in 1982 he became the first black man to land on the *Forbes 400*.

Supreme Liberty Life: From Office Boy to Chairman of the Board

"I don't invest in anything can't control" is one of John Johnson's favorite maxims, one reflected in his relationship with Supreme Liberty Life Insurance Company, the black-owned insurance firm where Johnson went to work as an office assistant in 1936.

In the 1950s, as Johnson's magazines began to generate profits, he invested excess cash in the privately held Supreme Liberty Life. When he purchased 1,000 shares for \$30,000 in 1957, Johnson was named to the board of directors. As *Ebony* and *Jet* grew, Johnson continued to increase his holdings. By 1964 he was the largest shareholder, and in 1974, having invested a total of about \$2.5 million, Johnson was elected chairman and chief executive officer of the firm.

Johnson's control of Supreme Liberty Life has enabled him to maintain sole ownership of his publishing empire. Rather than sell shares or bonds to the public to raise funds, Johnson used the insurance company's consistent cash flow to finance new ventures, ranging from a cosmetics company to radio stations. In the early 1990s, he sold Supreme Liberty to another insurance company, United of America.

The founder continued to run the company as the stem father of a growing family, albeit with the aide of his daughter and designated heir, Linda Johnson Rice. Upon receiving her MBA from Northwestern's Kellogg School, she was named president and chief operating officer at the age of twenty-nine.

The man whom *Forbes* called "perhaps the richest and certainly the most powerful black businessman in the country" is still intensely aware of the reasons for his success: the ability to connect with black consumers. "I'm at the top, but not a day goes by without someone reminding me in some way that I am black," he wrote in *Succeeding Against the Odds*. When Johnson started in business, his race was a tremendous liability. His genius has been to turn that liability into a profitable advantage.

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