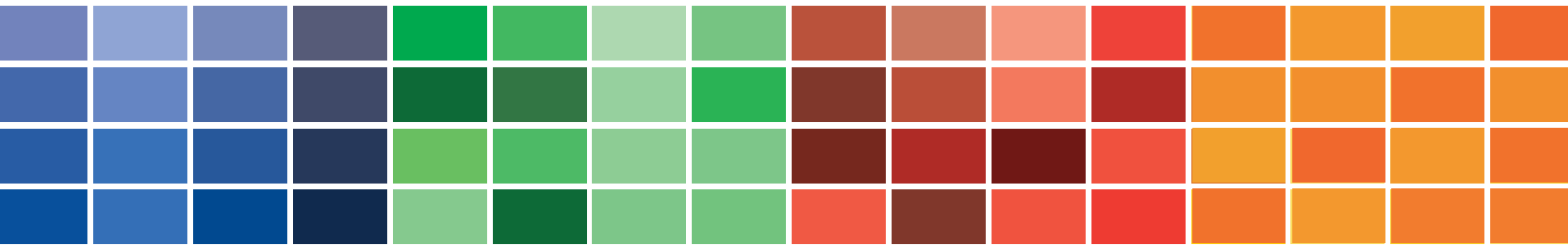


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## AGENCY C-SUITE ROUNDTABLE ON SUPPLIER DIVERSITY

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The advertising industry prides itself on delivering top notch, effective, creative solutions to marketing problems and challenges. Through collaboration with the advertisers, media companies and agencies, advertising is produced and delivered. However each of these entities often must partner with various vendors and suppliers to help deliver quality advertising. Just as a need exists for internal diversity within advertising, a need exists to diversify the vendors and suppliers that advertisers, media companies and agencies use. This white paper explores the role supplier diversity plays within advertising as well as the challenges and opportunities for supplier diversity.

## **Objectives for Supplier Diversity**

Advertising departments and agencies agreed there are several business and social objectives for adopting a strategy to increase supplier diversity.

From a business perspective, advertising departments and agencies should reflect the customer-base. As America continues to change demographically, with some cities having “majority minority populations,” businesses must ensure that the diversity of the team developing and placing the advertising reflects those populations. These diverse teams will help the advertising business remain world-class by having key insights into the markets’ needs and wants. Companies that arise from a different culture tend to be more connected to the trends and what’s popular in that cultures. This approach makes supplier diversity a revenue-driven objective key to the company’s overall mission.

Likewise, supplier diversity enhances a company’s ability to deliver efficient, effective, world-class services. When teams including suppliers and vendors are diverse, more perspectives and viewpoints are present, and more creative, richer, more unique ideas and solutions to marketing problems and challenges are developed. Therefore using diverse suppliers helps to fulfill broader mission of creating world-class break through advertising.

Many agencies have supplier diversity strategies because their clients require diversity of vendors. Agencies want to be in compliance with the requirements of their contracts. Such compliance requirements are frequently found in governmental contracts, but increasingly are being found in contracts with corporations, particularly those who have supplier diversity initiatives of their own. Again, this compliance objective is tied into the revenue stream of agencies.

Similarly, having a supplier diversity strategy enables a company to stand out among its competitors who don’t have such a program or have an underdeveloped program. By actively tracking, recruiting and mentoring diverse suppliers and vendors, a company creates a competitive edge. In the age of Sarbanes-Oxley, transparency about the agency’s supplier diversity program becomes an asset and a smart overall business objective.

Corporate social responsibility is another key driver of supplier diversity. Companies want to do well by doing good. Assisting women-, minority- and veteran-owned businesses helps society and communities grow and develop.

## **Measuring Supplier Diversity Strategies**

Advertisers and their agencies are measuring supplier diversity in multiple ways, including compliance, repeat business and quality of work.

First is compliance with contracts, which is the price of entry. Clients require that the agencies report the diversity of the supplier pool and those contracted to work on a specific project. Often this is measured by the specific dollar amount or percentage of the client’s budget.

The second measurement tool is the impact of supplier diversity on the quality of work produced. As content producers, agencies want their suppliers to produce award-winning ideas and solutions. Annually, AAF recognizes exemplary vendor relations efforts through the annual Mosaic Awards and the Multiethnic Supplier Partners category. This award recognizes companies and organizations that have made a concerted effort to develop and implement programs to increase their partnerships with minority vendors. In 2009, Drafftcb received an AAF Mosaic Award recognizing its supplier diversity conference that introduced multicultural vendors to Drafftcb. Other winners have included Wal-Mart and Diversity in Promotions, LLC/ Toyota Motor Engineering & Manufacturing, North America, Inc. Receiving such industry recognition is an indicator of a successful supplier diversity strategy.

Repeat business by an advertiser or agency is another strategy to measure the success of the supplier. Some corporations, such as Verizon, mentor diverse suppliers to help them grow their businesses. A harsh reality is that not all suppliers can handle large-scale projects that major corporations or advertising agencies would require. Therefore, mentoring small businesses so that they can build capacity to handle these projects is critical. When other companies use these suppliers it symbolizes success. At the same time, when a supplier doesn't perform well, word spreads about that supplier and is a negative indicator.

From a holding company perspective, the ability to share diverse resources within network is key to success. Likewise the ability to share best practices with clients and other member agencies can be a helpful indicator of success in supplier diversity.

Measuring the personnel who manage the supplier diversity initiative is also important. Some companies tie supplier diversity to performance incentives, which are attached to bonuses, just as some companies tie workforce diversity goals to performance incentives. If the managers stick to diversity goals, then it becomes a strategic imperative.

An indicator of a great corporate minority supplier initiative is how the company's minority supplier partners compares to the market's demographic make-up, as it relates to ethnicity, number of minority suppliers and the services provided.

## **Successful Supplier Diversity Strategies**

One of the most important elements of a supplier diversity strategy is that the initiative comes from the C-Suite with buy-in at all levels of the organization. CEOs, CFOs, COOs and presidents need to lead the effort, by establishing the objective and driving stakeholder demand. Some companies have found that tying executive compensation to minority supplier development has been an effective means to gain the needed buy-in throughout the organization.

A challenge that some agencies face is when a contract calls for supplier diversity, but the brand manager does not buy into the idea of diversity. When that happens, the agency's team is caught in a bind. Therefore, everyone needs to believe in the idea of diversity and supplier relationships need to be cultivated so that when a project has a quick turnaround, the supplier will be prepared to do business.

To help build and sustain relationships with vendors, companies ought to find the most talented and knowledgeable person to lead their supplier diversity initiative no matter their race, gender or ethnicity. The director of supplier diversity should be passionate about developing the program, tracking vendors and holding other accountable. He or she should be sympathetic to the needs of diverse vendors, and understanding of their challenges. He or she should be proactive in seeking out and making contacts with potential vendors. Unfortunately, some companies use a "hey you" approach to managing their supplier diversity initiatives and select a manager based solely on race, ethnicity or gender, with no regard to core qualifications. Such an approach is bound to fail.

Another option is to find a consultant or business partner to help cultivate a diverse vendor database for the company or agency. Such a partnership between Professional Partnering Solutions and Saatchi and Saatchi has had great success. In fact, the two have received national recognition for having an exemplary partnership.

A study conducted by The Hackett, Group, a global strategic advisory firm, stated, “Participation in supplier diversity associations, embedding practices within existing processes and executive level support were identified as having the highest positive impact on supplier diversity success.”

AAF’s Mosaic Vendor Fair is designed to incorporate all of the above through the C-Suite Roundtable Discussion. The Fair includes a sharing of best practices through business development workshops. It also provides diverse and women-owned vendors with the opportunity to connect with advertising agencies, advertisers and media companies and learn about the companies’ minority supplier programs.

Strong supplier diversity initiatives will help make clients aware of the quality and quantity of their vendors. Agencies will be better able to identify vendors, introduce vendors to clients, and ultimately use the vendors. An initiative is more than having a list to show clients—it is using the vendors on the list strategically, even when the contract does not specifically call for a minority- or woman-owned vendor.

On the other hand, if the advertising industry doesn’t begin aggressively addressing supplier diversity, then tighter government regulation could force the issue or negative public pressure could be applied. The advertising industry should want to be seen as leaders and stay ahead of the curve. The reality is that Congress is watching the industry closely. Companies not approach diversity out of a negative sense of obligation. Rather, engage in a positive search for partners with unique or multiple capabilities. In this way they will to bring clients world class creative that only diverse suppliers can deliver—creating a win-win scenario.

## **Inhibitors to Supplier Diversity Initiatives**

Minority-owned media had been a primary recipient of supplier diversity dollars. However, now many of those dollars go unspent because fewer minority-owned media exist. Many of these outlets have been bought by media conglomerates and therefore don’t qualify in the supplier diversity matrix. Therefore a percentage of the money budgeted for minority media may go unspent. To some extent, clients and the general public have an inflated initial sense of what can be spent on minority suppliers. To address, this challenge, some agencies are trying to help build and support minority-owned media.

The portion of the budget for the labor and production of the advertising is typically about 10%. Many clients, vendors and the general public do not realize how small this portion of the budget is. As such, expectations are often larger than be realistically met. The popular impression created by the television show “Madmen” of excessive time and money to spend is outdated.

Another inhibitor of supplier diversity is time. The turn-around on most projects is very quick. Unless a relationship is already established, a new vendor—minority or not—will have difficulty meeting the demands with so much at stake. Methods of building relationships and testing services prior to the beginning of a project must be found. It’s smart business to share referrals of diverse vendors across the advertising industry. Such sharing of information will help prevent other companies from doing business with vendors that are not yet prepared to do quality business.

An informal procurement procedure can inhibit diversity efforts. A formalized procurement operation makes engaging diverse suppliers easier. It also helps to have a full-time staff dedicated to supplier diversity. Incorporating diversity into all aspects of the business is essential; diversity should not be an island unto itself. A team approach between management, procurement, human resources, brand-managers, board of directors, CEO, communications, legal and business operations is needed. A diversity council within an agency is a helpful tool to emphasize the importance of supplier diversity. Diversity specialists must be knowledgeable; knowing who does the buying, who does the casting, and knowing when and how to introduce new and build relationships with new and diverse suppliers.

It should be understood that minority supplier relations should not be considered a “program” but an integral component of the organization’s business strategy. The appropriate human and financial resources must be allocated to create a successful initiative, which will very likely need to address certification and compliance.