2019
STATE OF SUPPLIER DIVERSITY—DIVERSE SUPPLIERS
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Welcome to the third edition of the State of Supplier Diversity Report—Diverse Suppliers created by CVM, a supplier.io company. Another groundbreaking, industry-defining survey is in the books, and it yielded even more fascinating insights, from the suppliers’ point of view, into where supplier diversity is and where it’s going.

Last year’s report came at a time when diverse suppliers didn’t know what the future held given the changing political climate. In 2019, the supplier diversity landscape isn’t so tense, and may even be a bit optimistic. However, our respondents feel there is still a long way to go in achieving better diversity in the marketplace.

In 2019, the supplier diversity landscape isn’t so tense, and may even be a bit optimistic.
89% of minority-owned businesses that responded to our survey are certified as such by an appropriate agency, as well as 85% of woman-owned businesses and 98% of small businesses.

55% of respondents did not receive a single opportunity via a diverse supplier registration portal in the past year.

71% of respondents said that networking is one of their top three ways to connect with partners.

EXECUTIVE SUMMARY

Our comprehensive survey covered questions, mostly multiple-choice but a few open-ended, that addressed a variety of diverse supplier topics. Some of the more interesting findings, which are detailed throughout this report, include:

- **89 percent** of minority-owned businesses that responded to our survey are certified as such by an appropriate agency, as well as 85 percent of woman-owned businesses and 98 percent of small businesses.

- Almost two-thirds of respondents (65 percent) have been in business for 11 or more years.

- A fifth of diverse businesses are officially designated as such by 10 or more partner corporations.

- Three-fifths of respondents seek government contracts.

- 55 percent of respondents did not receive a single opportunity via a diverse supplier registration portal in the past year.

- In a big increase from last year, 47 percent of respondents are strongly influenced to buy from companies with supplier diversity programs.

- 71 percent of respondents said that networking is one of their top three ways to connect with partners.
We asked supplier diversity professionals across all industries to participate in our survey and received 337 responses between December 2018–January 2019; 286 participants completed the survey in its entirety. Respondents came from a wide variety of industries, though more than a third were from the professional, scientific, and technical services sector:

**Which industry/sector best corresponds to your organization?**

<table>
<thead>
<tr>
<th>Industry/sector</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and Food Services</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>35</td>
<td>11%</td>
</tr>
<tr>
<td>Construction</td>
<td>32</td>
<td>10%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>6</td>
<td>2%</td>
</tr>
<tr>
<td>Finance/Insurance</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Healthcare/Pharma</td>
<td>7</td>
<td>2%</td>
</tr>
<tr>
<td>Information</td>
<td>27</td>
<td>8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>41</td>
<td>13%</td>
</tr>
<tr>
<td>Marketing, Advertising, and Communications</td>
<td>14</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>112</td>
<td>35%</td>
</tr>
<tr>
<td>Real Estate, Rental, and Leasing</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Retail</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Telecommunications/Technology</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>14</td>
<td>4%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>16</td>
<td>5%</td>
</tr>
</tbody>
</table>
Which category of supplier diversity pertains to your organization? (select all that apply)

Respondents to the main question could choose more than one category; for example, a minority-owned business might also classify itself as a small business. One interesting finding is that only 33 percent of respondents identified themselves as a small business, even though many of the other two-thirds fit the general definition of a small business—fewer than 100 employees.

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As in past years, the vast majority of respondents are formally certified by at least one agency as a diverse business. Although this constant may be indicative of the nature of the respondents to our survey (i.e., suppliers that believe in diversity may be more likely to participate in thought leadership such as this), it also emphasizes how important certification is to a diverse supplier’s continued success.
If your organization is a minority-owned business enterprise, is it certified as such?

89%

If your organization is a woman-owned business enterprise, is it certified as such?

85%

If your organization is a veteran-owned business enterprise, is it certified as such?

81%

If your organization is a service-disabled veteran-owned business enterprise, is it certified as such?

96%

If your organization is a disability-owned business enterprise, is it certified as such?

89%

If your organization is an LGBTQ-owned business enterprise, is it certified as such?

100%

If your organization is a small business enterprise, is it certified as such?

98%
How many employees work at your company?

Our 2019 survey drew slightly more small businesses (as classified by the commonly accepted definition of a small business of fewer than 100 employees, and not necessarily by any sort of SBE certification) and double the number of companies with 501–2,000 employees.

<table>
<thead>
<tr>
<th>Employee Size</th>
<th>Percentage</th>
<th>Count</th>
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<tbody>
<tr>
<td>0–10 Employees</td>
<td>42%</td>
<td>134</td>
</tr>
<tr>
<td>11–50 Employees</td>
<td>35%</td>
<td>112</td>
</tr>
<tr>
<td>51–100 Employees</td>
<td>8%</td>
<td>27</td>
</tr>
<tr>
<td>101–500 Employees</td>
<td>8%</td>
<td>27</td>
</tr>
<tr>
<td>501–2,000 Employees</td>
<td>5%</td>
<td>16</td>
</tr>
<tr>
<td>2,001+ Employees</td>
<td>2%</td>
<td>6</td>
</tr>
</tbody>
</table>
How long has your organization been in business?

Last year, we added an option for respondents to choose 11+ years as an answer for how long they had been in business, and the response was an impressive 62 percent. This year, that increased to 65 percent, and when combined with the 4–10 years option, 87 percent of respondents are beyond what could be considered startups. Companies looking for diverse suppliers but fearing experience isn’t sufficient shouldn’t worry, because plenty of established vendors are out there and thriving.

Companies looking for diverse suppliers but fearing experience isn’t sufficient shouldn’t worry.
How many corporations is your organization currently working with as a designated diverse supplier?

The 2019 results of this question provided a little bit of good news and a little bit of bad news. First, the good: The percentage of respondents not designated as a diverse supplier by any companies decreased a percentage point, and the percentage of those working with more than 10 companies climbed a point. However, when totaled, the number working with four or more corporations decreased from a combined 49 percent to 46 percent.
The rates of change from 2018 are statistically small, and fewer suppliers are being shut out entirely—but fewer are drawing a wider range of partners. We especially saw this when breaking down the results by diversity category; the 1–3 option saw big jumps for minority- and woman-owned businesses and noticeable decreases with the combined 4-5, 6-9, and 10+ answers.
Do you actively pursue government entities as clients?

The 60 percent result for this question is similar to the last two years, cementing that government contracts remain an important avenue for diverse businesses. However, when broken down by diversity category, WBEs (61 percent to 54 percent), small businesses (71 percent to 61 percent), and HUBZone businesses (83 to 68) all experienced significant decreases compared with 2018.

By diversity category:

- Minority-owned: 33% YES, 67% NO
- Woman-owned: 46% YES, 54% NO
- Disability-owned: 11% YES, 89% NO
- Small business: 39% YES, 61% NO
- Veteran-owned: 13% YES, 88% NO
- Service-disabled veteran-owned: 8% YES, 92% NO
- LGBTQ-owned: 32% YES, 68% NO
- HUBZone: 67% YES, 33% NO
- Other: 40% YES, 60% NO

2019 State of Supplier Diversity Report—Diverse Suppliers
What are your top three ways to find corporations to partner with? (select up to 3)

Networking and industry events remained the most popular channel to find partners, although they fell from 74 percent to 71 percent year-over-year. After being tied at 46 percent last year, RFPs (49 percent) moved ahead of registration sites (46 percent) for second place. Emails experienced a big decline (43 percent to 35 percent), as did cold calls (36 percent to 26 percent).

We drew 34 “other” answers and asked for respondents to elaborate; some of the more interesting answers included:

• “Because I have been in business for 36 years, they usually come to me.”
• “Employee connections and references from our clients.”
• “I haven’t been able to find any corporations to partner with; they refuse to take calls or return emails.”
• “LinkedIn.”
• “Forming strategic alliances with companies that offer complementary services and have opportunity to sell my services.”
How many opportunities did you receive from supplier diversity portal registrations this year?

The results of this question surprised us last year—the first time we included it in the survey—when 59 percent of respondents said they received zero opportunities from portals. The situation improved for our latest report, with the zero answer dropping to 55 percent. However, that development isn't significant enough to say the tide has turned, and diverse suppliers should be using multiple channels in addition to portals to make themselves visible to supplier diversity programs.
What is your biggest challenge in the supplier diversity space?

The challenges shared by our respondents follow familiar themes:

- Difficulty in being discovered by bigger companies
- Purchasing, procurement, and other decision-makers not attuned to how their supplier diversity programs work
- An underlying fixation on the bottom line rather than diversity

That final theme could be a product of supplier diversity programs neglecting to measure ROI, as seen in our companion report that surveyed supplier diversity professionals—thus leading to an assumption that supplier diversity does not benefit the bottom line.

Furthemore, a few respondents spoke of how suppliers are only seen as a commodity by businesses that fail to understand the benefits of diversity.

Here is a selection of answers our respondents gave. Note, some of these responses have been edited for grammar, clarity, and length.

"A lot of forms, registrations, and work for very little return."

"Actually getting past registering in the portals of all these companies. I find every supplier diversity professional says, 'Oh, you have to be registered in my portal.' Then I fill out all that info and go into a dark hole!"

"As a trans-owned organization, many diversity registration systems are not set up to factor in non-binary gender identities with mostly male and female response options to gender. We have had to notify a lot of companies about this barrier to entry. This seems counterproductive to the purpose of the supplier diversity program. The programs are generally focused on women as the main gender category experiencing exclusion; however, trans people face similar or distinct exclusion based on gender."

"Being a woman-owned and operated business in the man's world."
“Being discovered rather than just observed.”

“The biggest challenge is overcoming the wrong impression that many companies have of diversity. They tend to think that because you are minority- or woman-owned, that you are small.”

“Buyers viewing our services as a commodity and not seeing the full value of working with an MBE.”

“Getting decision-makers to appreciate the importance of supplier diversity. There is a disconnect within companies’ departments who drive supplier diversity and the departments influencing purchasing decisions.”

“Finding a larger company that’s willing to offer mentoring to small companies—and not exploit them.”

“Getting supplier diversity professionals to return phone calls and emails. For the most part, after meeting at conferences and events, you do not see or hear back from them until the next event.”

“In the end, the companies only care about price. Diversity is a non-issue when price is involved.”

“Most clients work with organizations with little or no experience, which therefore leaves a bad taste for future suppliers who do really good work.”

“Too much lip service from Fortune 500 firms and not enough action.”

“Tier 1’s not recognizing the importance of supplier diversity to their corporate clients; this is why I believe Tier 2 reporting would be helpful and more effective in building an impactful program.”
As a consumer, does an organization with a supplier diversity program influence whether or not you will buy from them?

This question provided one of the most interesting flip-flops in the history of our survey. The 82 percent of respondents claiming at least a slight influence is about the same, but people answering slight influence dropped 11 percentage points while those checking the strong influence box jumped 10 points. Interestingly, these 2019 percentages are in line with the 2017 results. Was last year just an aberration, or have diverse suppliers recaptured a little of the optimism they might have lost in the first full year of the new administration? This will be a question we’ll pay close attention to next year.
If you attended a supplier diversity conference, did you realize any increase in sales, contracts, or otherwise?

This question is new for 2019, and the responses we received varied from enthusiastic to incredulous:

“Absolutely; it is an opportunity to meet contacts face to face.”

“As a Tier 2, I cannot directly pinpoint any successes directly from conference participation; however, the networking and visibility I hope had a hand in any successes.”

“Building connections with buyers actually helped us to build awareness about our services and we were invited to bid on a relevant project. This would not have happened without supplier diversity connections.”

“I realized contracts from other businesses, applying for opportunities. It is a process that will take some time to realize.”

“In 13 years of our company attending most of the Chicago shows and the NMSDC national show, I've never had any business come from these conferences!”

“It increased our profile among major companies but has not increased sales yet.”

“Little to none. Generally, it’s tough, and in my opinion, many organizations are going through the motions. But we still attend and try and develop a key relationship to follow up on.”

“No, but I did get some information and have begun to contact the corporations that were represented at the conference. Also, I don’t have the funding to attend most of the conferences.”

“No increase in sales, but it was immensely helpful with networking.”

“No, but conferences are about meeting and building relationships that will eventually lead to sales.”

“Supplier diversity conferences are always an opportunity for networking and new business.”

“The contracts we agreed upon were increased.”

“We did attend several; however, no new business was added, but we solidified current business relationships.”

“We have never realized an increase in sales, contracts, or otherwise as a result of attending a supplier diversity conference in over 18 years.”

“Yes, there is a significant growth in terms of sales and contracts after attending a supplier diversity conference.”
THE JOYS OF BEING A DIVERSE SUPPLIER

What do you enjoy most about supplier diversity?

This is one of our favorite questions to ask, and this is where we saw a bit more optimism than last year. Again, some of these responses have been edited for grammar, clarity, and length.

“A chance to prove that we take pride in our work and go beyond the call of duty to help our clients.”

“Certifying my business was an amazing transformation; 80 percent of our revenue is now generated through supplier diversity. This has changed my company and, thus, changed my life; I am very grateful.”

“Doesn’t really help as much. In some cases, it has become a curse.”

“I enjoy the opportunities that are now available to me. I also enjoy creating jobs.”

“I think most of the time when a supplier diversity officer actually takes the time to hear out my firm’s story and mission, they realize how unique we are and genuinely real we are, and they then become an internal advocate for us within their corporation. It’s fun to see them get as excited about our company as we are about theirs!”

“Interesting mix of ideas and creative problem-solving!”

“Opportunity!”

“Supplier diversity allows us the opportunity to secure introductions to some of the largest firms, which then allows us to impact their workforce and increase diversity in the supply chain and the workforce.”

“Supplier diversity isn’t just about getting duly noted, but about feeling independent and completely liberated from male-dominated industries, fields, and sectors.”

“There are many trying to make better opportunities, but there’s a long way to go.”

“Thinking outside the box!”

“We actually do not find much benefit when trying to attract new business. For our part, we continually seek out suppliers who are diverse and women-owned to help support a more sustainable impact in our industry.”

“We have not yet been able to convert our certification into revenue opportunities but know that it is important to many of our clients. Hopefully, the benefits are around the corner as we continue to grind.”

“Getting the same opportunity large corporations get.”
The future is bright for diverse suppliers despite all the challenges they encounter. CVM offers help to suppliers looking to be recognized by corporate supplier diversity programs that in turn want to realize the full benefits of supplier diversity. ASCEND powered by CVM helps connect smaller, diverse suppliers with larger corporations, forever changing the direction of both companies.

Visit our website at cvmsolutions.com/ascend to learn more. Also, let us know if you want to participate in our 2020 diverse suppliers survey.