2018
STATE OF SUPPLIER DIVERSITY—DIVERSE SUPPLIERS
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Welcome to CVM Solutions’ second edition of the *State of Supplier Diversity Report—Diverse Suppliers*. For our 2018 edition, we drew more participants than last year, and their responses offer another illuminating picture of the state of supplier diversity.

An overarching theme emerged from our participants’ answers: Supplier diversity seems to be at a tense crossroads. The political shift in the U.S. in 2017, which included a more pro-business attitude, has diverse suppliers uncertain of their place. Will supplier diversity programs that had increasingly grown over the years begin to pull back? Or will companies continue to pursue diverse suppliers with their previous zeal? Many of the responses we received reflected this uncertainty and frustration.

Nevertheless, opportunities are still strong for diverse suppliers, many of whom are seeing their businesses thrive and continue to partner with companies committed to supplier diversity. Our survey, for which we received 380 responses, provided valuable insight into the state of supplier diversity from the important point of view of the diverse suppliers themselves.
EXECUTIVE SUMMARY

Our comprehensive survey included 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:

- **92 percent** of minority-owned businesses that responded are certified as such by an appropriate reporting agency; 87 percent of woman-owned businesses are also certified.
- **62 percent** of respondents have been in business for more than 11 years.
- **21 percent** of diverse suppliers are designated as such by at least 10 partner corporations.
- **42 percent** of respondents received at least one opportunity via a diverse supplier registration portal in 2017.
- **82 percent** of respondents are more likely as consumers to buy from corporations with supplier diversity programs—about the same as the previous year.
- **74 percent** of respondents said that networking at industry events is one of their top three ways to connect with partners.
- **62 percent** of diverse suppliers actively pursue government contracts.
We asked supplier diversity professionals across all industries to participate in our survey and received 380 responses between December 2017 and January 2018; 321 participants completed the survey in its entirety. Respondents came from a wide variety of industries and almost half 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>10</td>
<td>2.7%</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>14</td>
<td>3.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>13</td>
<td>3.5%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>3</td>
<td>0.8%</td>
</tr>
<tr>
<td>Finance/Insurance</td>
<td>5</td>
<td>1.4%</td>
</tr>
<tr>
<td>Healthcare/Pharma</td>
<td>7</td>
<td>1.9%</td>
</tr>
<tr>
<td>Information</td>
<td>16</td>
<td>4.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>39</td>
<td>10.6%</td>
</tr>
<tr>
<td>Marketing, Advertising, and Communications</td>
<td>21</td>
<td>5.7%</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>1.1%</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>182</td>
<td>49.3%</td>
</tr>
<tr>
<td>Real Estate, Rental, and Leasing</td>
<td>3</td>
<td>0.8%</td>
</tr>
<tr>
<td>Retail</td>
<td>5</td>
<td>1.4%</td>
</tr>
<tr>
<td>Telecommunications/Technology</td>
<td>2</td>
<td>0.5%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>18</td>
<td>4.9%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>27</td>
<td>7.3%</td>
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</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. Also, many respondents who fit the general definition of a small business—fewer than 100 employees—did not identify themselves as one for this question. This could be due to the fact that they indeed do not meet the Small Business Administration's definition for a small business in their industry, or perhaps they are unaware of what the small business criteria are.

Also, many respondents who fit the general definition of a small business—fewer than 100 employees—did not identify themselves as one for this question.

Something that stood out again this year was the percentage of respondents who confirmed that their organizations were certified as diverse. For example, 91.5 percent of reporting minority businesses said they were certified (up slightly from 90 percent last year); 87 percent of woman-owned businesses are certified as well (down slightly from 90 percent in 2017). Although this suggests our survey continues to draw diverse businesses that are almost all certified, it also shows the importance of certification in the minds of those businesses.
If your organization is a minority-owned business enterprise, is it certified as such?

- Yes: 91.5%
- Certification in progress: 2.3%
- No: 6.3%

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

- Yes: 87%
- Certification in progress: 3.6%
- No: 9.3%

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

- Yes: 69.2%
- Certification in progress: 19.2%
- No: 11.5%

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

- Yes: 81%
- Certification in progress: 4.8%
- No: 14.3%

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

- Yes: 50%
- Certification in progress: 50%
- No: 0%

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

- Yes: 92%
- Certification in progress: 8%
- No: 0%

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

- Yes: 94.7%
- Certification in progress: 5.3%
- No: 0%
How many employees work at your company?

Our survey drew approximately the same percentage of small businesses—by a commonly accepted definition that a small business is fewer than 100 employees, not necessarily by certification—as last year. We saw a slight uptick in organizations with fewer than 10 employees (43.6 percent, as opposed to 41 percent last year) responding to our survey.

<table>
<thead>
<tr>
<th>Employee Size</th>
<th>Percentage</th>
<th>Number</th>
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<tbody>
<tr>
<td>0–10 employees</td>
<td>43.6%</td>
<td>161</td>
</tr>
<tr>
<td>11–50 employees</td>
<td>29.3%</td>
<td>108</td>
</tr>
<tr>
<td>51–100 employees</td>
<td>9.8%</td>
<td>36</td>
</tr>
<tr>
<td>101–500 employees</td>
<td>12.7%</td>
<td>47</td>
</tr>
<tr>
<td>501–2,000 employees</td>
<td>2.2%</td>
<td>8</td>
</tr>
<tr>
<td>2,001+ employees</td>
<td>2.4%</td>
<td>9</td>
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</table>
How long has your organization been in business?

We updated this question for 2018 to give respondents another option: being in business for more than a decade. Impressively, 62 percent of respondents checked the 11+ years box, reinforcing that most diverse suppliers bring a long history of success to the table. Approximately 23 percent selected the 4-10 years option; added together, the 85 percent of diverse suppliers in business for more than four years is similar to last year’s result.

Delving deeper into the stats, 41 percent of respondents with fewer than 10 employees have been around for more than a decade—another powerful reminder that you don’t need to be a huge company to enjoy long-term success.
41 percent of respondents with fewer than 10 employees have been around for more than a decade
How many corporations is your organization currently working with as a designated diverse supplier?

Although the number of respondents working with 10 or more companies dropped slightly from last year (down a percentage point from 22 to 21 percent), the combined percentage of those designated as a diverse supplier by at least four corporations jumped from 43 percent to 49 percent. Such an increase is not statistically insignificant and shows that, at least with our respondents, corporations are continuing to bring diverse suppliers into their vendor portfolios.
Moreover, the number of respondents who are not working with a corporation as a diverse supplier dropped a few percentage points from last year. Although the decrease isn’t that impactful, it’s still a decrease, and more importantly, it isn’t an increase. That said, the fact that almost a fifth of diverse suppliers can’t latch on with corporations’ supplier diversity programs remains a concern. Not surprisingly, the smaller the supplier, the less likely it would be working with at least one company (30 percent of these smallest businesses checked the “0” box).

As we said last year, these numbers paint an optimistic picture of supplier diversity program success. However, until we have more suppliers working with corporate programs—perhaps through Tier 2 initiatives or allowing smaller suppliers to team up on contracts—we have work to do.
Do you actively pursue government entities as clients?

With 62 percent of respondents answering yes to this question (up three percentage points from last year), pursuing government contracts remains a strong goal for diverse businesses. Part of the jump may be due to the increase in veteran- and service-disabled veteran-owned businesses that took our survey—these suppliers are more likely to seek government contracts (20 of 23 veteran-owned businesses checked the “yes” box, as did 18 of 19 service-disabled veteran-owned businesses).

Moving forward, there is no reason that every diverse supplier shouldn’t be pursuing government bids. Many federal contracting opportunities are designed to be fulfilled by small diverse suppliers, and it certainly doesn’t hurt to throw your hat into the ring.
Many federal contracting opportunities are designed to be fulfilled by small diverse suppliers, and it certainly doesn’t hurt to throw your hat into the ring.
**What are your top three ways to find corporations to partner with? (select up to 3)**

Networking remained the top way diverse suppliers find corporations to partner with—in fact, it saw a huge increase from last year (66 percent to 74 percent). Registration sites and RFPs tied for second at 46 percent, and interestingly, registration sites saw a five-percentage point drop from 2017.

Emails came in fourth, with 43 percent of respondents selecting this channel as one of their three top ways. Cold calls surprisingly came in at 36 percent—up from 28 percent last year—which, when investigated more might not be so surprising given that, in response to another survey question, communication was cited as a struggle for diverse suppliers. Perhaps, suppliers are contacting companies themselves rather than waiting for companies to find them?

We drew 40 “other” answers and asked for respondents to elaborate. Some of the more interesting answers included:

- All of the above
- Corporate mentors
- Client referrals and current client relationships
- Pre-approved vendor pools
- LinkedIn

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<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration sites</td>
<td>45.5%</td>
<td>168</td>
</tr>
<tr>
<td>Online forms</td>
<td>14.6%</td>
<td>54</td>
</tr>
<tr>
<td>Emails</td>
<td>43.1%</td>
<td>159</td>
</tr>
<tr>
<td>Cold calls</td>
<td>35.5%</td>
<td>131</td>
</tr>
<tr>
<td>Outside sales</td>
<td>26.3%</td>
<td>97</td>
</tr>
<tr>
<td>Networking/Industry events</td>
<td>74.3%</td>
<td>247</td>
</tr>
<tr>
<td>RFPs</td>
<td>45.5%</td>
<td>168</td>
</tr>
<tr>
<td>Other</td>
<td>10.8%</td>
<td>40</td>
</tr>
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How many opportunities did you receive from supplier diversity registration portals in 2017?

This question is new for our 2018 report, and the results caught us somewhat off guard: 59 percent of respondents did not receive a single opportunity via a supplier diversity registration portal in the previous year. Interesting, if not alarming, most of these “0 Opportunities” respondents (69 percent) were suppliers with 10 or fewer employees. Perhaps smaller companies don’t have the resources to maintain their portal profiles or are not using them at all.
Although not every respondent might be using such portals, the finding may also imply that some are not finding success with the channel. Supplier diversity portals remain important (41 percent of suppliers finding opportunities is nothing to scoff at), but they shouldn’t be the only method suppliers use to be found by corporations.

![Company size by number of opportunities](image_url)
What is your biggest challenge in the supplier diversity space?

We asked this open-ended question again for 2018, and the responses reflected an array of frustrations with supplier diversity. Three of these general frustrations stood out:

- Inability to be noticed by companies
- Poor communication between the supplier diversity program and the supplier, or the program and its company's procurement department
- Companies whose supplier diversity commitment feels like lip service

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

“A lot of companies support supplier diversity, but it’s more to do with if the diverse supplier is less expensive than a non-diverse supplier. The initiative is there in name...”

“The ability to find the correct individual in the supplier diversity department to actually speak with.”

“All corporations and governments do not consider SBEs to be in the same category as other diverse suppliers. SBEs are not on the same playing field as other diverse vendors. The bias is ridiculously obvious at every turn.”

“Being given a chance to show performance capability when my business has yet to secure an opportunity. How do we gain experience if an opportunity is not presented?”

“Brand awareness and breaking into new accounts with a stigma that you can only do small or low-level tasks.”

“Competition from certain areas who offer lesser quality, but at a lesser price. At this time, it seems pricing dictates the market, whereas the message of buying quality would be beneficial for product longevity.”

“Too often, supplier diversity people are not integrated into procurement and/or do not have the authority to connect our company with the decision makers who can use our services.”

“Constantly being excluded from business opportunities because we are an LGBTBE.”

“Demand for proof that is beyond ridiculous. Not everyone has access to audited financials. This costs too much for a small business. The certification process is in place to eliminate and alienate more than actually help.”

Corporations don't seem to want to provide the hand up that's needed. Consistently trying to prove our value.
“Generally, the supplier diversity offices can provide direction but often do not have the capability to influence decisions that help us compete. They seem to be more gatekeepers than anything else. We seek to have the opportunity to compete and often aren’t given the same opportunity as others.”

“Having corporate customers realize that for a small company to compete for their business, there needs to be an orchestration of partnerships to compete with the larger, well-funded competitors.”

“I feel like companies advertise and market that they support supplier diversity, but in reality, they do not. It is very frustrating when they say they do and won’t even take our phone call.”

“My biggest challenge is convincing corporations that even though my company is small, we will provide exceptional service with superior results if given the opportunity.”

“Decision makers who buy are not part of supplier diversity or at events, so it is hard to move to the next step.”

“In the end, it seems like the gesture has good intention, but I’m not sure if companies are following up in any substantial manner.”

“We spend many, many hours registering in many portals for supplier diversity, sending our certifications, and giving all of our information—and we are never, ever called or contacted as a result of those hours of work. To us, supplier diversity initiatives are all talk and no action.”

“Being taken seriously and only being seen as extra spend, not budget spend.”

“Corporations not giving any opportunity to newcomers. They are only sticking with the suppliers they have.”

“Red tape and paperwork for certification. I am a black female; it’s insulting to have to prove it.”

“The stigma of poor quality.”

“We are a tech startup with innovative and meaningful products. It’s difficult for us to meet procurement requirements because they are set up for larger, more established companies.”

“When organizations are not willing to open their doors to alternative suppliers.”
As a consumer, does an organization with a supplier diversity program influence whether or not you will buy from them?

Respondents who answered with at least a slight or strong influence came in at 82 percent—similar to last year’s 84 percent result. However, the percentage who chose strong influence took a tumble from 48 percent to 36 percent. Is this an anomaly, or is supplier diversity participation becoming less of a determinant for consumers?

Suppliers who answered with at least a slight or strong influence came in at 82 percent—similar to last year’s 84 percent result.
What do you enjoy most about supplier diversity?

It's always nice to end on a high note, and responses from this question have been our favorite to read through. Though some respondents are less optimistic about the future of supplier diversity than others, the answers were nonetheless enlightening. Note that some of these responses have been edited for grammar, clarity, and length.

“Access to networking opportunities with the organizations I am affiliated with.”

“An equal opportunity to bring our special kind of customer service to customers we normally wouldn’t have the chance to partner with.”

“Being able to break down barriers.”

“Conferences and events. Also, supplier diversity has opened up so many doors for us.”

“Demonstrating to clients that my company can do the work and provide quality results.”

“Empowering veterans.”

“Meeting global customers’ expectations as a small company for over 45 years is an achievement. We are proud of creating a globally known company.”

“Enjoy’ is not the right word. As in any business, you need to cultivate your leads. I don't know if supplier diversity actually gets us in the door ... our creativity does. But it does help our customers, and because of that, we feel we get added to additional RFP lists. That I appreciate.”

“Getting a foot in the door and not having to worry about the reaction if they do figure out that I’m gay.”

“Getting opportunities to bid work we would not have had before.”

“Greater diversity provides our customers with greater ROI, and we like to contribute to the economic strength of companies with ethical and sustainable policies.”

“I strongly support women in business and STEM as an advocate. It feels like a good community. We offer innovation and diverse thoughts.”

“It builds a foundation for excellence in the workplace with disparate views, opinions, and expertise.”

“LGBT businesses have a seat at the table.”

“The leveling of the playing field for small businesses to win contracts when up against larger competitors with greater resources.”

“The opportunity to supply fresh produce to our community.”

“This has opened more avenues for our company. We can spread our wings and soar high.”

“I love being able to deliver a quality product.”
Diverse suppliers have tremendous opportunities in 2018, as well as valid concerns, including the struggle to connect with new partners. CVM Solutions offers to help suppliers be recognized by corporate supplier diversity programs. Using supplier feedback, we built a supplier registration portal with suppliers’ concerns in mind. ASCEND powered by CVM Solutions helps connect smaller suppliers with larger corporations, forever changing the direction of both companies. Visit our portal at www.cvmsolutions.com/ascend to learn more.

We hope that this report has provided valuable insight into the diverse supplier community, and we would like to thank everyone that participated in the survey. Let us know if you would like to participate in our 2019 diverse supplier survey by visiting info.cvmsolutions.com/survey-notification.