



**BILLION DOLLAR  
ROUNDTABLE**

— *Corporate Supply Chain Diversity* —

**2008  
Policy Paper**





# Billion Dollar Roundtable 2008 Policy Paper

## OPENING OPPORTUNITIES FOR DIVERSE SUPPLIERS IN ADVERTISING/MARKETING:

Prepared by M.V. Greene

### *Progress and Best Practices*

#### SUMMARY AND OVERVIEW

**T**his paper is a report about findings of the Billion Dollar Roundtable on the subject of supplier diversity in the advertising/marketing industry. The BDR commenced study in 2006 to drive a collaborative process and bring deeper understanding and thought leadership to the industry as a means to engage substantially more diverse suppliers. BDR member companies utilize major advertising and marketing organizations, including the four largest U.S.-based advertisers, and as such, bring standing and credibility to the issue. The advertising/marketing industry generates billions of dollars annually in supply-chain spend. Yet, procurement activity directed toward diverse companies in advertising/marketing has remained remarkably minuscule despite acknowledged improvements over recent years by advertisers and general-market agencies.

This 2008 policy paper follows the BDR's 2006 policy report of initial findings of advertising/marketing in supplier diversity. The 2006 policy paper, *Opening Opportunities for Diverse Suppliers in Advertising*, represented a starting point for the BDR's journey — to generate discussion, define issues, identify barriers and generally survey the advertising/marketing supplier-diversity landscape. This 2008 paper looks more closely at the best practices of corporations, supplier diversity organizations, diverse suppliers and advertising/marketing trade organizations, highlighting a strong business case for engagement. It also reviews how corporate

advertiser purchasing organizations, general-market agencies and diverse suppliers are collaborating and achieving identifiable results. For the purposes of this report, the advertising/marketing history is defined as those agency functions that fall under the broad banner of marketing communications, which includes advertising, direct marketing, digital media and promotion and other associated functions.

Clearly, efforts among advertising/marketing stakeholders to press supplier diversity initiatives have ramped up considerably since publication of the 2006 BDR policy paper. The BDR's overarching objective for 2008 is to highlight this improvement while presenting a "roadmap" for corporations and organizations through the presentations of concrete and successful examples of best practices. The 2008 paper additionally looks more closely at where specific opportunities exist to advance supplier diversity in advertising/marketing, such as in creative media placement and post production, and where obstacles still exist. The paper updates data and research to share with corporate purchasing organizations and other interested parties.

The BDR believes the business case for advertising/marketing needs to be clearly articulated and closely linked to corporate strategic imperatives. Undeniably, the advertising/marketing industry is as formidable today as ever in a rapidly evolving and dynamic global consumer landscape. The industry publication *Advertising Age* estimates that U.S. agencies involved in marketing communications, including advertising, media, direct marketing and promotion firms, generated \$31.1 billion in revenue during 2007. Additionally, *Advertising Age*, in tracking spending for its ranking of the *Top 100 National Advertisers* across 19 media, including magazines, business-to-business magazines, national newspapers, network television, local radio, cable television and

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direct mail, estimates 2007 advertising/marketing outlays at \$105 billion. The BDR advocates that corporations and the advertising/marketing industry will need to think more creatively about the role diverse suppliers can play in helping advertisers reach their core constituencies. The advertising/marketing function is responsible for planning, creating and executing campaigns for clients with the objective of driving consumer sales and market share. Corporate dollars flow through this pipeline to advertising and communications agencies and related companies in an effort to craft optimum campaigns that build brand loyalty, launch products, foster goodwill and influence public policy. The BDR believes that many diverse suppliers are positioned to offer expertise in helping advertisers and majority agencies meet these objectives.

Like major, long-time supplier diversity efforts in other industries, including automotive, telecommunications, retail, consumer and high technology, the BDR promotes that advertising/marketing offers promising ground for diverse suppliers. Given the flow of dollars through this creative area, along with the explosion of multicultural purchasing power, the BDR advocates that an imperative exists for the industry to increase its supplier-diversity engagement. Yet, diverse agencies have faced obstacles getting to the advertising/marketing procurement table. The BDR suggests

that today's ever emerging digital age and the industry's imperative for multicultural communication have the potential to change many of the rules for client and agency relationships and highlight the value of inclusion.

Addressing the annual 2008 BDR Summit and Reception May 21 in New York, Chairman Jethro Joseph of Chrysler LLC affirmed the organization's commitment to increasing diverse vendor opportunities in advertising/marketing. "We believe real opportunities exist to drive supplier diversity in this area," Joseph told the summit. Icy Williams of Procter & Gamble Co., who leads the BDR's Marketing/Advertising Committee, told the summit that the BDR is encouraging movement in advertising/marketing to prompt corporations and their customers "to take the next step that is necessary to integrate diverse suppliers in this spend area. We want to create supplier diversity opportunities to build equity and community enrichment." A 2005 report from Boston Consulting Group Inc., *Realizing the New Agenda for Minority Business Development*, highlights this imperative: "As the emphasis in minority business development shifts from compliance-based programs to far more strategic programs, major corporations are beginning to understand that supplier diversity is inextricably linked to economic development and the consumer market."

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**BDR members**



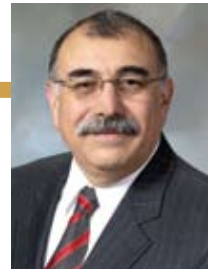
Joan Kerr  
AT&T



Joan Robinson-  
Berry, Boeing



Jethro Joseph  
Chrysler



Armando Ojeda  
Ford



Arthur McClellan  
General Motors



Michael Robinson  
IBM



Reginal Layton  
Johnson Controls



Denise Thomas  
Kroger



Nancy Deskins  
Lockheed Martin



Icy Williams  
Procter & Gamble



Adrienne Trimble  
Toyota Motor  
North America Inc.



Delores Johnson  
Cooper, Verizon



Theresa Barrera  
Wal-Mart

**THE ORGANIZATION**

**The Billion Dollar Roundtable**

The BDR brings together major U.S.-based corporations that make meaningful and measurable contributions to the economic growth of diverse companies. Founded in 2001 as a top-level forum, the BDR draws from the experiences and forward thinking of its members to accomplish the organization's mission – "to drive supplier diversity excellence through best-practice sharing and thought leadership." Each BDR corporate member spends \$1 billion or more annually for a broad range of goods and services on a first-tier basis with diverse companies, whose majority owners are minorities and women. Members' spend is audited annually by an independent third-party auditor. The BDR inducts new members biannually and expects new members to join the organization in 2009.

**Current BDR members are:**

- AT&T Incorporated
- The Boeing Company
- Chrysler LLC
- Ford Motor Company
- General Motors Corporation
- IBM Corporation
- Johnson Controls Incorporated
- The Kroger Company
- Lockheed Martin Corporation
- Procter & Gamble Company
- Toyota Motor North America Incorporated
- Verizon Communications Incorporated
- Wal-Mart Stores Incorporated

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The business of the BDR is conducted through internal organizational committees that cover a range of work areas. BDR committees are audit/standards/finance, nomination, marketing/advertising, global supplier diversity, metrics/research/impact of supplier diversity, new membership, and leverage brand and intellectual property. Each committee has established expected annual deliverables and measures as it pursues specific organizational objectives. During 2008, BDR members held a series of meetings to develop a strategic action plan to guide the future direction of the organization. Those discussions validated the BDR's vision to "lead, influence and shape supplier diversity excellence globally." In 2007 and 2008, the BDR was recognized for its efforts in supplier diversity engagement during programs for MEDWeek in Washington, the annual celebration of minority business hosted by the U.S. Minority Business Development Agency.

The BDR encourages corporations to grow their supplier diversity programs by fostering the expansion of increased commitment and spending levels each year. members provide benchmark activity to other corporations seeking to achieve a \$1 billion level of first-tier diversity spend. Serving as a 'think tank' for supplier diversity best practices, the BDR each year selects for further study and development, an issue of common concern and importance to its members. The BDR process is a collaborative one based on study, debate and action. The BDR utilizes its members' long history of supplier diversity engagement and relative successes to grapple with an area of spend or a particular supplier diversity issue that calls for better solutions. The organization's goal is to develop ideas and approaches that will result in increased opportunities and greater success for diverse suppliers, along with better, more innovative and sustainable business solutions for the BDR-member corporations and their stakeholders. Jethro Joseph, senior manager of diversity supplier development for Chrysler, and Sharon Patterson, a former supplier diversity executive with Kraft Foods, serve as BDR chairman and CEO, respectively.

In promoting and sharing best practices in supply-chain diversity excellence, the BDR sponsors various activities, including an annual summit held each May in New York City. BDR members Procter & Gamble, Toyota Motor, Verizon Communications and Wal-Mart sponsored the 2008 summit. From the summit's deliberative process, the BDR produces a policy paper to convey the information, insights and ideas for future action. The 2008 summit was designed to re-examine and bring additional clarity to advertising/marketing supplier diversity, convening more than 120 participants from corporate supplier-diversity organizations, agencies, trade groups and diverse firms to contribute to a focused dialogue of

best practices and an assessment of the business case for inclusion. In 2006, the BDR undertook its initial examination of supply-chain procurement in advertising/marketing for minority- and woman-owned companies that culminated with the delivery and publication of its 2006 policy paper.

In 2007, the BDR examined global supplier diversity, leading to its policy paper, *Developing the Business Case for Global Supplier Diversity*. The organization's Global Supplier Diversity Committee is pursuing additional opportunities to foster discussion worldwide on global supplier diversity. Each October, *MBN USA* the Dallas-based publisher of minority business and supplier diversity news and information publishes the BDR policy paper. The policy paper also is distributed to policy makers, corporations, governmental officials and other interested stakeholders and parties and posted to the BDR Web site at <http://www.bdrusa.net>.

## 2006 ADVERTISING/MARKETING POLICY PAPER REVIEW

In commencing its 2008 policy paper, *Opening Opportunities for Diverse Suppliers in Advertising/Marketing: Progress and Best Practices*, a brief overview of the 2006 Billion Dollar Roundtable policy paper is warranted. Each BDR paper builds on others. The BDR advanced several objectives for its work in 2006. Among them, the organization sought to elevate awareness of less-than-optimal supplier diversity results in corporate advertising/marketing spend; encourage the advertising/marketing industry and its customers to take the next steps necessary to remedy the low-utilization of diverse suppliers; begin to articulate a business case for expanding diversity participation in advertising/marketing in order to influence change and increase organizational support; influence and encourage the industry to fully resource supplier diversity programs and initiatives, and create supplier diversity opportunities to build equity and community enrichment.

"Unlike in some other industries, where supplier diversity has been successfully integrated for more than one or two decades, majority advertising agencies seem to have held on to the notion that creative expertise and carefully cultivated customer relationships would be compromised by the inclusion of other suppliers," according to an observation from the 2006 paper. "Not surprisingly, major advertising agencies typically have no formal mechanism for advancing supplier diversity. While several diverse agencies have succeeded in securing a small part of the ethnic or multicultural advertising business of large corporations, the major market has been left exclusively in the hands of international advertising companies."



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## **BACKGROUND BRIEFING**

### **Current Economic State of the Advertising/Marketing Industry**

According to most measures, the advertising/marketing industry is vibrant and growing, particularly as it leverages the burgeoning area of digital media spend. *Advertising Age* notes that combined revenue for U.S. advertising/marketing agencies increased by 8.6 percent in 2007 over 2006 — despite a “tepid” ad market brought on by the national economic slowdown. Corporations selling goods and services worldwide understand the effectiveness of reaching consumers through advertising/marketing mediums in the broader dominion of marketing communications. Whether through advertising, media placement, promotion, public relations or direct marketing, advertising/marketing organizations produce copy, graphics, audio, video and digital content for strategic placement in a multitude of media outlets.

A 2004 report from the U.S. Small Business Administration that offered a profile of the industry found that advertising/marketing growth outpaces the growth of the nation’s gross national product and that “future expenditures ... are expected to be enhanced by the entry of new companies into the marketplace and by the introduction of new products by existing firms.”

Over two decades, advertising/marketing industry expenditures, agency revenue and employment levels continue to increase, according to the SBA. The U.S. Bureau of Labor Statistics, an agency of the U.S. Department of Labor, reports in its *Career Guide to Industries* that 48,000 advertising/marketing firms in the United States employed 458,000 people in 2006. Another 46,800 people were categorized as self-employed, the BLS report said. For the period 2006-2016, the BLS estimates that industry employment will grow 14 percent, compared to 11 percent for all other U.S. industries.

*Advertising Age’s* annual report of the *100 Leading National Advertisers*, published in June 2008, highlights the sector’s scope and breadth. Solely, the top 100 U.S. advertisers by U.S. advertising spending contributed \$105 billion in outlays for advertising in 2007, according to *Advertising Age*. The top four corporations on the *Advertising Age* Top 100 list were Billion Dollar Roundtable members Procter & Gamble, AT&T, Verizon Communications and General Motors with a combined outlay for advertising of more than \$14.5 billion. Other BDR members, Ford, Toyota Motor and Chrysler fall within the Top 15 of corporations for 2007.

*Advertising Age* also reports annually on revenue generation in the United States of U.S. advertising/marketing agencies. Agency revenue from U.S. accounts in 2007 reached \$31.1 billion, up from \$28.6 billion in 2006. New York-based Omnicom Group, ranked by *Advertising Age* as the world’s largest agency based on 2007 global revenues of \$12.6 billion, generated U.S. revenue of \$6.7 billion. With consolidation in the industry occurring over recent years, many of the larger well-branded U.S.-based advertising/marketing companies belong to one of the Big Four corporations: Omnicom, WPP Group of London, Interpublic Group of Cos. of New York and Publicis Groupe of Paris. McCann Erickson Worldwide and Campbell-Ewald are part of the Interpublic family. JWT, Young & Rubicam, Oglivy & Mather Worldwide and Grey are among WPP Group companies. Omnicom operates BBDO Worldwide, DDB Worldwide Communications and TBWA Worldwide. Saatchi & Saatchi, Leo Burnett and Publicis USA operate under the Publicis Groupe tree of companies. *Advertising Age* estimated 2007 revenue for the three other Big Four firms are WPP Group, \$12.3 billion worldwide, \$4.5 billion United States; Interpublic Group, \$6.5 billion worldwide, \$3.6 billion United States; and Publicis Groupe, \$6.4 billion worldwide, \$2.7 billion United States.

Multicultural agencies, those firms that specifically target ethnic markets or are headed by members of minority groups, are a growing segment of the advertising/marketing landscape, but their revenues typically dwarf those of larger agencies. However, as with the trend toward consolidation in the industry, a number of multicultural firms also have been brought under the operations of the Big Four. Among African-American agencies, *Advertising Age* ranked Carol H. Williams Advertising of Oakland, CA as No. 1 with estimated 2007 U.S. revenue of \$25.4 million, followed by Burrell Communications Group of Chicago (\$23 million), GlobalHue of Southfield, MI (\$19.7 million), UniWorld Group of New York (\$16.8 million) and Matlock Advertising & Public Relations of Atlanta (\$8.28 million). Burrell and UniWorld Group fall under the Publicis and WPP Group umbrellas, respectively.

*Black Enterprise* magazine, as part of its annual Top 100 rankings of minority-owned industrial/service companies and automotive dealers, ranks African-American advertising/marketing firms



Sharon Patterson



Don McKneely

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based on estimated billings – dollars allocated by an advertiser to its agency to buy time on various media. Leading the *Black Enterprise* billings ranking of African-American agencies at the end of 2006 are GlobalHue (\$550 million), Carol H. Williams Advertising (\$367.5 million), UniWorld Group (\$212 million), Burrell (\$203,000) and Compas Inc. of Pennsauken, NJ (\$198 million).

Among agencies that focus on the Hispanic market, *Advertising Age* ranks Dieste Harmel & Partners of Dallas at the top of its list for estimated 2007 U.S. revenue at \$40.4 million, followed by Bravo Group of Miami (\$37.8 million), Vidal Partnership of New York (\$31 million), Lopez Negrete Communications of Houston (\$23.8 million) and Bromley Communications of San Antonio, TX (\$22.6 million). Among Big Four influences, Dieste Harmel & Partners is an Omnicom company, Bravo is with WPP Group and Bromley is with Publicis. The five top agencies run by Asian Americans and their estimated 2007 U.S. revenue are Kang & Lee of New York (\$16.5 million), InterTrend Communications of Long Beach, CA (\$12 million), Admerasia of New York (\$10.5 million), IW Group of West Hollywood, CA (\$10.2 million) and Time Advertising of Millbrae, CA (\$7.1 million). Kang & Lee and IW Group are WPP Group and Interpublic Group companies, respectively.

## Current state of advertising/marketing and supplier diversity

In the two years that the BDR began to target supplier-diversity issues in advertising/marketing, clear signs indicate that a shift may be occurring. Corporate advertisers, majority agencies, advertising/marketing industry groups, supplier diversity organizations, policy makers and diverse suppliers themselves are engaging in numerous efforts to promote advertising/marketing supplier diversity. Stakeholders have discussed, debated and researched issues and connected robust action plans around advertising/marketing hiring and recruitment with diverse supplier inclusion.

In addition to efforts by organizations like the BDR, a high point on the advertising/marketing diversity continuum occurred in September 2006 when the New York City Commission on Human Rights, following an investigation into Madison Avenue diversity-hiring practices, elicited an agreement with 16 of the city's largest agencies to implement programs to ensure that minorities would be hired and retained by agencies. While the agreement specifies hiring and retention as its primary objectives, industry stakeholders believe such agreements will lead to greater diverse supplier participation in advertising/marketing because the sector is typically characterized as one where creative familiarity among partners defines procurement-based business relationships.

Stark statistics highlight how inattentive advertising/media apparently has been on the issue of diversity – particularly given that advertising/marketing is an industry in which success relies on how well it serves corporate consumer markets. In 2005, the year before the New York agreement, African-Americans comprised fewer than 3 percent of employees at U.S. advertising/marketing

agencies nationally, according to the U.S. Bureau of Labor Statistics; Hispanics comprised 7.5 percent and Asian-Americans 1.6 percent. Yet, estimates and projections of buying power for the period 1990-2012 show that minorities – African-Americans, Asians, Native Americans and Hispanics – wield formidable economic clout, according to the researchers at the Selig Center for Economic Growth at the Terry College of Business at the University of Georgia. In 2007, the combined spending of African Americans and Hispanics alone, \$845 billion and \$862 billion respectively, was larger than the entire economies of all but nine countries in the world, a Selig Center report said.

As other industries have demonstrated, supplier diversity activity is boosted by minority-group hiring and retention. Not surprisingly, where majority advertising/marketing agencies typically have had few formal mechanisms for advancing supplier diversity, those programs are beginning to surface. Additionally, industry groups that represent advertising/marketing companies have enhanced traditional hiring diversity efforts to include supplier diversity programs. Executives of diverse advertising/marketing companies tend to lead smaller, less established firms, but stakeholders argue that as minority-group professionals, managers and executives take up positions at agencies, they will establish significant relationships with these diverse suppliers. Among those New York agencies that are party to the agreement are some of the most well known U.S. brands, including Arnold Worldwide, BBDO, DDB, Grey, Young & Rubicam, Oglivy & Mather Worldwide and Saatchi & Saatchi. Under the agreement, the agencies are to establish minority recruitment goals and report them to the commission annually.

Many of these efforts and others can be linked to the increasing fortunes of some advertising/marketing diverse suppliers, yet many stakeholders believe that diversity in the industry has been ignored for such a long period that catching up will demand even more intense action. A number of diverse agencies have grown U.S. revenue over two years at a faster rate than the industry has itself, according to *Advertising Age*. Two Top 5 African-American agencies, GlobalHue and UniWorld Group, grew revenue by 23.7 percent; and 23.1 percent respectively, from 2006 to 2007, *Advertising Age* reported. Sanders Wingo, an El Paso, TX agency, saw 2007 U.S. revenue increase to \$8.27 million in 2007 from \$6 million, an increase of 37.7 percent; and Images USA of Atlanta experienced a 43.3 percent increase to \$6.25 million in estimated 2007 U.S. revenue. Agencies focused on the Hispanic and Asian-American markets are enjoying similar, stunning growth. Vidal Partnership, Conill of Miami and Arvizu Advertising & Promotion each grew by more than 15 percent in 2007 among Top 20 Hispanic firms. Among Asian-American multicultural agencies, Kang & Lee grew by 26.9 percent from 2006 to 2007, InterTrend Communications by 51.5 percent, IW Group by 30 percent.

Leading corporations, including those with membership in the BDR, understand through their work on supplier diversity initiatives in other industries that programs work best when articulated as part of the organization's strategic business case. For majority advertising/

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Murad Velani

marketing agencies, the starting point is achieving a diverse workplace and extending that progress to vigorous and sustained efforts at partnering with diverse-owned firms to achieve business objectives through joint ventures, mentoring, matchmaking, technical assistance, financial support and outsourcing of business services. A 2003 study sponsored by the AT&T Foundation to survey minority business development in telecommunications recommended that the process of creating “competitively viable” diverse suppliers required a dramatic shift in mindset – from one of utilizing supplier diversity to create jobs for minorities to creating business capacity. The paper, *Industry Study on Sustainable Development of Minority, Women, Disabled Veterans Business Enterprises in the Telecommunications Industry* commissioned by the Joint Center for Political and Economic Studies, a Washington think tank, and researched by Boston-based Asaba Group, recommended that creating access to contract bids was less important than creating a strong competitive set of suppliers.

## BEST PRACTICES, RESULTS, SOLUTIONS

### 2008 Billion Dollar Roundtable Summit

The 2008 Billion Dollar Roundtable Summit & Reception on May 21 in New York attracted participants from corporate supplier diversity organizations, advertising/marketing agencies and diverse firms. The 2008 event followed a similar summit discourse on advertising/marketing in 2006. The BDR advocates that the advertising/marketing industry offers unlimited opportunity to engage substantially more diverse suppliers. The 2008 summit advanced the BDR’s objective of bringing together leaders in advertising/marketing and supplier diversity in an interactive setting to hone in on best-practice applications, partnership opportunities and information sharing. During the daylong session, corporate advertisers outlined why supplier diversity is a supply chain imperative, agencies highlighted efforts at diverse vendor development, and diverse advertising/marketing firms and others presented compelling examples of their work and how they bring value to their clients. The 2008 summit serves as a foundation for this paper, capturing original thought from BDR members, panelists and diverse suppliers.

Two expert panels highlighted the 2008 summit discussion. One focused on the perspective of advertising agencies. The other focused on customers and suppliers. Appearing on the agencies panel were Karla Mayers, vice president, BBDO; David Perry, director, broadcast production, Saatchi & Saatchi, New York; Jonathan Turk, president, Avenue Edit; Mark Prince, director, client services and

media consulting, PPS Inc.; Anita Laney, president and senior supplier diversity consultant, PPS Inc., and Bruce Joseph, manager, CB&S Advertising. Joan Kerr, executive director, AT&T supplier diversity, and a member of the BDR marketing/advertising committee, moderated the discussion. Appearing on the customer/supplier panel were Don Coleman, CEO, Global Hue; Aaron Walton, co-founder, Walton/Isaacson; Rick Hughes, vice president, global procurement, Procter & Gamble; Murad Velani, president and COO, Group O Companies; Trenzio Turner, Sanders Wingo; and JoAnn Brumit, chairman and CEO, KARLEE Inc. Constance Frazier, vice president, American Advertising Federation, moderated the panel.

Here are some selected highlights from the panels, representing the corporate, agency and diverse supplier perspective.



Mark Prince

## Corporate View



Rick Hughes

Rick Hughes, who leads Procter & Gamble’s global purchasing organization of \$48 billion annual spend, outlined the company’s expectations to majority advertising/marketing agencies within the company’s first-tier of suppliers. Hughes explained that like with other industries Procter & Gamble intends to use its corporate strategies to drive supplier diversity in advertising/marketing because it fulfills the company’s mission as a consumer-driven organization. Hughes noted that Procter & Gamble has as a

corporate stretch objective to reach \$3 billion in external spend with diverse suppliers by the end of its 2009 fiscal year.

Hughes said aggressively engaging diverse suppliers is a bottom-line business imperative for Procter & Gamble. Ethnic consumers are often more brand loyal than some other groups and “what we want to do is capture and capitalize on that brand loyalty,” Hughes said. Supply-chain diversity helps Procter & Gamble meet that requirement, Hughes said. Driving economic inclusion represents the business case for supplier diversity for Procter & Gamble, according to Hughes.

Hughes said Procter & Gamble’s insistence on inclusion is resonating with its advertising vendors. Hughes said the imperative for majority advertising/marketing agencies is to assist in the effort to create capability among diverse suppliers that may not currently exist. Hughes said it is vital that majority agencies as they intensify

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their supplier diversity efforts develop a robust second tier and/or third tier of diverse suppliers. Agencies have to create demand for diverse supplier participation by investing time, energy, effort and resources towards creating capability. Hughes offered an equally strident message to diverse suppliers who receive opportunities via advertising/marketing agencies' efforts that they are expected to be capable suppliers and be able to compete.

## Agency View

David Perry, director of broadcast production at Saatchi & Saatchi New York, said agencies are beginning serious engagement in supplier diversity in advertising/marketing. Simply talking about the necessity for supplier diversity is being replaced with increased commitment, Perry said. "Everybody embraced it as a concept, but always said it was never the right situation to get it done," according to Perry.

Perry said his area of commercial production typically has offered a lack of a suitable cadre of minority suppliers to draw from. He said capable minority directors work in the industry, but few lead diverse companies. Another issue is that in production work agencies look more to hiring the expertise of the individual director doing the work rather than necessarily a particular company itself. However, Perry pointed to the work Chicago-based Avenue Edit as a leading-edge minority-owned commercial production company, which has developed strategic relationships with companies that include Procter & Gamble and General Mills.

Karla Mayers, a vice president with BBDO New York who directs the company's supplier-diversity efforts, said the agency has taken a number of aggressive actions over the past year to advance supplier diversity. BBDO New York is a party to the New York City Commission on Human Rights agreement on diversity. A starting point, Mayers said, was hiring a dedicated supplier-diversity staff within the last year. BBDO's Detroit office has had such a person in place for several years. Another step for BBDO New York was to produce information for minority suppliers via the agency Web site detailing procurement opportunities and procedures with the agency. Diverse suppliers have expressed concern that it has been difficult for them to get their feet in the door at agencies, Mayers said.

Mayers said another key step in the development of BBDO's plan to advance supplier diversity is a robust approach to vendor maintenance. For instance, in advertising/marketing "classified" suppliers – those diverse and other suppliers without formal certification – proliferate. Vendor maintenance is giving the agency a process to develop accurate data about diverse suppliers to be able to share with advertisers, Mayers said. "We felt it was important for that process to be done so we could make sure we are reporting accurate second-tier information to our clients," Mayers said.

As a bottom-line aspect of advertising/marketing supplier diversity, Mayers said agencies understand that drawing in capable

diverse suppliers makes for good business. For those diverse suppliers, key is bringing value to the table, whether the medium is radio, print or television or online, Mayers said, who participates with the BBDO Diversity Council to examine issues in a formal manner. "We really want to be involved in every medium out there to get the message across to the consumer on behalf of our client. We call that total work. The BBDO story is about three things: experience, practice and people. Our mission is to establish relationships with innovative businesses that have the ability to add value to the development of the most creative and highest quality work for our clients," Mayers said.



Karla Mayers

## Diverse Suppliers View

Don Coleman, CEO of GlobalHue, which produces more annual billings than any of the multicultural agencies, according to *Black Enterprise* magazine, said minority-owned agencies must demonstrate their value to advertiser clients to succeed. The independent, full-service, fully certified minority-owned marketing communications firm billed \$720 million in 2007, Coleman said. The company's Latino division is ranked seventh among Hispanic agencies with estimated 2007 U.S. revenue of \$20.5 million, according to *Advertising Age* – in

addition to estimated 2007 income of \$19.7 million in the African-American market group. Coleman said diverse agencies in order to succeed must demonstrate what they have to offer and contribute to their clients. "You must know the category. You must know the competition. You must know your client's business," according to Coleman, whose company competes in youth and urban minority markets and counts Verizon Communications, Chrysler and Wal-Mart as key clients.

Coleman advised that minority agencies insist that the effectiveness of their work be measured by advertisers and general-market agencies. When the facts about the positive impact minority-owned agencies are making are highlighted and documented, the client's return on investment demonstrates that value, Coleman said. GlobalHue demonstrates the mindset to clients of competence and that the agency can fulfill clients' business needs. Additionally, Coleman said multicultural firms should ensure that their operations are sufficiently scalable to be able to service the multitude of departments and activities at major advertiser clients. GlobalHue, Coleman said, could have twice as many clients on its roster, but simply securing more business would not be reasonable without the scale.

Trenzio Turner, vice president and account director for the Sanders Wingo agency, a full-service minority-owned advertising agency whose clients include AT&T, State Farm Insurance, Chevrolet and the U.S. Postal Service, said a key best practice for diverse agencies involves forging strategic relationships with advertiser clients. Turner said tier one, general-market agencies can assist in helping minority-owned agencies draw into those relationships –

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citing the example of Sanders Wingo's work with GSD&M, a lead agency for AT&T.



Anita Laney

Anita Laney, president of PPS Inc., a consulting company that provides supplier-diversity resources to general-market agencies, brought in Sanders Wingo for work on GSD&M Idea City's AT&T account when Laney served as GSD&M's supplier diversity director a few years ago. Laney is recognized as the advertising/marketing industry's first, dedicated supplier diversity executive to a general-market agency. GSD&M of Austin, Texas, part of the Omnicom group, is ranked by *Advertising*

*Age* as the nation's 24th-largest agency with estimated 2007 U.S. revenue of \$113.9 million. Turner said the AT&T/GSD&M/Sanders Wingo relationship has thrived over more than seven years because of the bottom-line focus of the parties to help AT&T build its brand with consumers. Turner credited inclusion policies developed by both AT&T who "clearly laid out for all their agencies the same sandbox for everybody." Diverse agencies, Turner said, must have the mindset that they can offer clients the same level of capability as majority firms. "We tell our clients that what you get from a general market agency, that's what you get from us. We make sure we always bring best-in-class practices. We make sure we always bring best-in-class people," Turner said.

Aaron Walton, co-founder of the Walton/Isaacson agency, whose partners are agency veteran Cory Isaacson and pro basketball Hall of Famer Magic Johnson, advised minority-owned firms to showcase the creative value they bring to advertiser clients. Walton/Isaacson targets entertainment marketing and has developed high-profile campaigns for Lexus and Whirlpool and other clients in retail and hospitality. The agency's creative work with Lexus, for instance, targeted African-American women as potential consumers for the luxury automotive brand.

## 2008 Summit Best-Practices

In industries, best practices are techniques, situations, methods, processes and activities that deliver desired and effective outcomes. Successful communication of best practices offers the intended effect simply of assisting organizations about things that work. Organizations develop best practices internally or may adopt them from competitors, partners and affiliates. The Billion Dollar Roundtable offers a case in point. Despite competitive pressures on respective BDR-member organizations, BDR members advance the concept that the sharing of best-practices information surrounding supplier diversity results in stronger economic opportunities for minority-group enterprises and ethnic communities. Within the BDR

– itself an evolving best practice of thought leadership – corporate competition among some of the world's largest corporations is keen – whether among members General Motors, Ford, Chrysler and Toyota Motor in automotive, Lockheed Martin and Boeing in aerospace, AT&T and Verizon in telecommunications or Wal-Mart and Kroger in retail. Yet, BDR members through monthly meetings, committee assignments, special events and initiatives collaborate within a formal, organizational structure to advance principles of supply-chain inclusion.

During 2008 BDR New York summit panel discussions, a number of best-practice ideas, applications and solutions emerged. Here are snapshots of some of them:

**Supplier Diversity Process:** Insist that supplier diversity operates as a "process" rather than a "program," urged Rick Hughes of Procter & Gamble. Hughes said the goal of process-driven supplier diversity is to integrate the management of initiatives and actions into the daily work of agencies.

**Corporate Goals for Agencies:** Agencies require continuous reinforcement from clients about supplier diversity, according to Karla Mayers of BBDO New York. Reinforcement assists agencies in developing approaches to drive the message throughout the agency organizational infrastructure, Mayers said, pointing to such a relationship with BBDO New York and clients AT&T, Chrysler and Procter & Gamble.

**Certification Requirement:** Agencies need to take the lead in assisting "classified" diverse suppliers in advertising/marketing to gain certification through organizations like the National Minority Supplier Development Council and Women's Business Enterprise National Council. Advertising/marketing buys often rely on personal relationships established between the agency and supplier. In that scenario, diverse suppliers may not seek certification. Agencies need to conduct "due diligence" on supplier certification and inform classified vendors about the benefits of certification and walk them through the certification process.

**Benchmark Activity:** Diverse agencies should insist on the benchmarking of their contributions within the relationship with advertisers and general-marketing agencies. Don Coleman of GlobalHue said benchmarking of campaign results gives diverse firms a gauge on what they are bringing to the client and how effective they are in helping to drive a client's business.

**Partnership between Supplier Diversity and Workforce Diversity:** Couple supplier diversity in advertising/marketing with minority-group economic development through diversity hiring. Both Jonathan Turk, president of production house Avenue Edit, and Aaron Walton, co-founder of brand marketing agency Walton/

Isaacson, said they are conscious about the responsibility they have to bring other minorities into their agencies as they win business and grow. Turk said the more business he receives ensures his firm is able to fully embrace workplace diversity and allow people of color to be hired into the industry, grow their skills and become meaningful contributors. Walton said diversity in hiring is a key component for diverse firms' longevity and creative excellence. The ultimate benefit for diversity in personnel is enhanced creativity and financial success, Walton said.

**Communicate, Communicate, Communicate:** Majority agency supplier diversity executives are encouraged to foster consistent communication within their agency business units, particularly with account teams. The goal is to keep agency personnel informed about the latest trends and developments in supplier diversity and offer them feedback about clients' supplier diversity initiatives. Agency supplier-diversity executives need to empower agency personnel to articulate the benefits of supplier diversity.

**Advocacy Group Involvement:** General-market agencies are encouraged to join organizations like the NMSDC's Advertising, Entertainment Media and Sports Industry Group. This and other diverse-vendor industry groups can assist agencies launching structured programs for the first time by sharing information and vendor lists.

**Exposure Opportunities:** Corporate advertisers are encouraged to highlight the contributions of minority suppliers through advertising and marketing — even if the suppliers do not operate in the industry themselves. JoAnn Brumit, chairman and CEO at KARLEE Inc., a woman-owned Texas-based provider of manufacturing solutions, said her firm received additional business opportunities in the telecommunications sector through marketing efforts of AT&T and Verizon Communications. The two BDR members produced a video presentation for a 2007 telecommunications conference that highlighted the efforts several diverse vendors who supply the companies in the area of Internet TV. Representatives of other corporations viewed the presentation, Brumit said, and her company received eventual business from a defense contractor.

**Bring the Agency In-House:** Kroger ensures its advertising and marketing reflects multicultural consumers views. CB&S Advertising of Portland, Ore. is a part of the company as a subsidiary through Kroger's Fred Meyer Inc. division. Bruce Joseph, a CB&S manager, said among the tasks the subsidiary handles for Kroger divisions is video and television production, post production, editing, graphics and regional printing.



## OVERVIEW OF INDUSTRY INITIATIVES Industry Best Practices

In advertising/marketing, industry-wide best practices and initiatives are emerging and old unworkable practices are beginning to fall by the wayside — such as the often-documented industry practice of skirting the minority-enterprise certification process in favor of “creating” minority agencies for the purpose of securing corporate advertiser accounts. A number of industry organizations, agencies and diversity advocates have pressed initiatives over several years, including some initiatives that have intensified since 2006. Here are some of the efforts:

**Vendor Fairs:** The American Advertising Federation annually holds the Mosaic Vendor Fair at the New York Athletic Club sponsored in connection with Professional Partnering Solutions Inc. and other entities. The fair attract diverse vendors whose goods and services are targeted to advertising and marketing, media and communications companies and their clients. The event is designed to be a “progressive initiative for not only the enrichment of diversity in advertising but also for minority business development,” said Wally Snyder, AAF president and CEO. The AAF also operates the Mosaic Center on Multiculturalism to implement its multicultural and diversity initiatives. Among best practices, vendors are pre-identified and matched with agencies in 15-minute matchmaking sessions. Vendors receive an opportunity to present their capabilities in a private setting. The fair presents workshops that focus on doing business with advertising agencies and advancing a business case for supplier diversity in advertising/marketing. The 2008 fair drew 250 participants representing sponsors, panelists, exhibitors, vendors and corporations and agencies.

**Developing Formal Best Practice Principles:** The American Association of Advertising Agencies issued its *Principles and Best Practices for Diversity and Inclusion in Advertising Agencies* in May 2005. The AAAA document outlines this business case for diversity in advertising: “Corporate diversity initiatives have proven to be

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successful, as seen by higher earnings and stronger corporate reputations for those companies with effective systems. In a competitive global economy, diversity is a business imperative with clear implications for the bottom line.” Additionally, developing diverse vendor relationships is a key component of the AAAA’s “Operation Success” initiative endorsed by major advertising/marketing holding companies. Among best practices to increase diverse supplier engagement, the AAAA urges that agencies establish goals and timetables for increasing business with diverse suppliers, vendors and contractors and engage actively with certification organizations, such as the NMSDC, regional supplier development councils and other organizations that can provide support and training on the utilization of minority business enterprises



James H. Lowry

**Agency Diversity Councils:** The Interpublic Group operates the IPG Network Diversity Council that raises the level of inclusion to the highest reaches of the organization. Top executives from Interpublic business units comprise the council and company’s CEO chairs it. The council meets three times annually to report on company-wide and agency-specific diversity and inclusion programs, reviewing metrics to determine the effectiveness of programs and serving as a forum for leaders to share best practices and prioritize the resources. The council reports to the Interpublic board of directors.

The BBDO New York Diversity Council is composed of employees selected by agency management from all departments and groups who agree to work together in developing ideas that help steer management policy. BBDO New York’s goal is to build a more diverse and inclusive workforce as it seeks to become the agency of choice for the largest array of clients in the multicultural mainstream marketplace.

**Academic Partnerships:** In May 2008, the American Association of Advertising Agencies joined with Howard University’s John H. Johnson School of Communications to establish a comprehensive center to address challenges to achieving diverse and inclusive advertising industry workforces. Eugene Faison, chairman and CEO of Equals Three Communications, chaired an AAAA task force to develop a proposal. The AAAA committed \$250,000 to begin the planning of the national center. One mission of the center will be to benchmark best practices and solutions to increase the quantity and quality of persons of color in the advertising industry.

**Recognition Programs:** The AdColor Industry Coalition is a collaboration among industry associations, including the Advertising Club of New York, Association of National Advertisers, American Advertising Federation, American Association of Advertising Agencies and advertising/marketing agencies. The coalition promotes increased diversity in the advertising, marketing and media

industries to inspire professionals of color by celebrating the accomplishments of diverse role models and industry leaders. An inaugural awards event in November 2007 recognized the achievements of diverse professionals.

**Multiculturalism:** The One Club/Adversity Program was founded in 2007 as a non profit organization to promote multiculturalism and diversity in creative media industries through the educational development and support of aspiring creatives. The program carries out projects specifically designed to educate multicultural students about careers within advertising/marketing. The program believes that by educating multicultural students in advertising/marketing it can create a pipeline to bring more creative candidates to the forefront.

**Supplier Efforts:** The Dallas/Fort Worth Minority Business Council operates the innovative MarketingPlus Industry Group, a consortium of more than 100 certified, minority business enterprises that provide marketing services and products. The council is one of 39 regional affiliates of the NMSDC. The group’s expertise covers 25 categories of marketing services that include consulting, market research, advertising, promotions, direct mail, special events, printing and merchandising. The group meets bi-monthly with goals to assist buying entities by identifying diverse suppliers for marketing-related business opportunities; enhance bid opportunities for vendors by facilitating networking and strategic alliances; and serve as a unified voice on various issues to influence the growth of minority business revenues in marketing with corporations and agencies.

## CONCLUDING OBSERVATION

Given the pace of developments since 2006, when the BDR began its examination of supplier diversity in advertising/marketing with its 2006 summit and policy paper, the industry has ramped up its level of engagement. Agency best practices, developing agency action plans, corporate advertisers’ insistence on development of supplier diversity processes, intensified initiatives from industry associations and increasing capabilities of minority-owned agencies all have served to bring clarity to the business case for advertising/marketing supplier diversity. Yet, challenges still remain, especially in media, as noted by Mark Prince, director of client services and media consulting for PPS Inc., who discussed the decline in ownership of local radio and television broadcast stations among minorities and women over the past decade. Much remains to be accomplished to satisfy an ever demanding, consumer-centric global multicultural economy. Advertisers and general-market agencies can no longer be content with a business-as-usual-approach where informal creative familiarity among partners dictates which firms create and deliver compelling communication messages to consumers. Amid the expanding flow of billions of dollars annually in worldwide advertising/marketing billings, advertisers and majority agencies understand that creating carefully cultivated client-agency relationships has to occur as well among diverse agencies.

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In the Boston Consulting Group's paper, *Realizing the New Agenda for Minority Business Development*, author James H. Lowery noted that U.S. Census data show that minority-group members will account for more than 50 percent of the U.S. population by 2050. "As a result, continued economic progress in the United States hinges on the effective integration of minorities into the mainstream of U.S. business — as entrepreneurs, partners and employees as well as consumers," the paper noted. James Orsini, COO/CFO, Saatchi & Saatchi New York, speaking at the American Advertising Federation's Mosaic Vendor Fair in May 2008, underscored the point. "Having an understanding of multiculturalism is in fact a business imperative for our ability to compete in the future as communications agencies in this country. Leveraging diverse staff and suppliers to help gain this understanding of the multicultural marketplace therefore is not just a 'nice to have' or a 'right thing to do,' it's a strategic business imperative for the long-term survival of our business." Duff Stewart, CEO, GSD&M Idea City, addressing the same event, noted that "diversity makes us better at what we do and more successful as an agency."

Diverse agencies envision that their work in advertising/marketing already is of a general-market nature amid shifting global consumer demographics — and as such warrants larger budgets and increasing engagement and responsibility, said GlobalHue CEO Don Coleman. The essence of any campaign centers around the consumer and understanding how the product works within the lifestyle of the consumer, Coleman said, adding that with demographic changes the general market is undergoing a redefinition. "Advertisers will have to recognize the value of the contributions multicultural agencies make," Coleman said.

The Billion Dollar Roundtable's work in advertising/marketing supplier diversity does not end with the publication of this paper. On the contrary, the BDR will continue to promote focused study and discussion of advertising/marketing supplier diversity as additional best-practice ideas emerge, diverse suppliers enhance their capabilities and comfort level in the industry, general-market agencies drive new solutions for inclusion, and advertisers adapt to ever-changing global consumer markets.

*M.V. Greene is an independent writer and editor based in Owings Mills, MD, and Washington, D.C., and a writer for the Billion Dollar Roundtable.*

