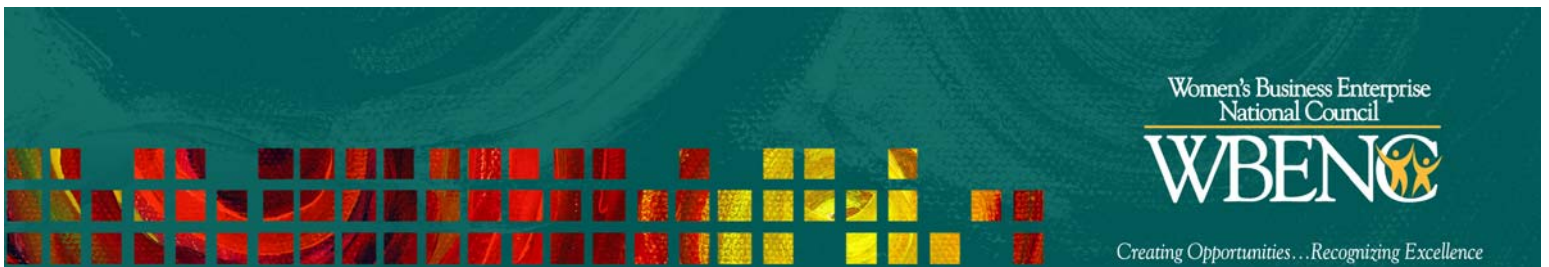


The Business Case:
Women Owned Businesses
in the Supply Chain
Influencing Women Consumers

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The average American has never heard of women's business development. In layman's terms, women's business development is a specific, proactive process to purchase products or services from women owned companies. Frequently, a women's business development program is part of a larger supplier diversity initiative. The average American hasn't heard of supplier diversity either. Many of the Fortune 500 have a women's business development program, including 80 of the top 100. For the most part, employees link supplier diversity to a corporation's overall diversity initiative, which many still view as affirmative action, or community development. Rarely are metrics used to really capture how the initiative does or could impact the company's bottom line. So, why should a corporation invest resources in starting or strengthening their internal women's business programs?

In a recent survey of major corporations, 100% of respondents believe that having a diversity focus provides a competitive advantage related to the "customer connection."

But out of this same group, less than 49% say their diversity strategy is linked to their sales strategy for sustained and/or increased market share.¹ Therein lies the problem.

Without documented added value, the initiative will not secure internal resources (cash and staff). Without resources, it is impossible to drive the initiative company wide. The added value is what determines what level of resources should be allocated to the initiative. Without documented added value, resources are nominal.

In every corporation, a women's business development initiative can have a positive

¹ Diversity Best Practices. (2006). Diversity and The Customer Connection

impact on the supply chain. In most corporations, the initiative can also be used as a competitive edge to increase market share.

Further, what's important to note here is the impact on market share can be far greater than any impact on the supply chain. Women's business development consists of a formalized initiative to proactively seek out and integrate products and services provided by women owned businesses into the supply chain. Women's business development also involves positioning women owned businesses as value added resellers and/or distributors between you and the customer. So, why should a company invest resources in a women's business development program?

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We could point out the fabric of the United States has changed and women now drive a significant portion of the U.S. economy. This has been a hot topic within some circles over the last few years. So much so that the Economist magazine wrote an article on it in 2006 and

coined the word "Womenomics." In general, the word refers to the rapidly growing economic power women carry around the world.

Today 60% of women 16 or older work full time year-round, compared with 30% in 1950.² This trend can also be seen globally. Over the past decade, the increased employment of women in developed economies has contributed much more to global growth than the growth and development of China.³

Drastic changes are not only taking place in how Americans work, but also in how Americans live. In 1955, 80% of Americans lived in a household comprised of mom, dad, and the kids.

² U.S. Census Bureau. (2005) Income, Poverty, and Health Insurance Coverage in the U.S.

³ *The Economist*. (2006, April 12). "A Guide to Womenomics."

Today, that applies to only 50% of the U.S. population. Today, 30% of U.S. households are run by women.⁴ In addition, 30% of married women in two income households now out-earn their husbands.⁵ There are also more women than men earning both undergraduate and graduate degrees.⁶

Of course, all of these changes are not only having an impact on the U.S. GDP, but on whose controlling the purse strings of U.S. consumer wealth and expenditures. Of course, this is the one statistic that has caught the eye of many CEOs. Today, women account for more than 50% of all stock ownership in the U.S. By 2010, women will account for half of the private wealth in the country, or about \$14 trillion. By 2020, you can expect that number to reach \$22 trillion.⁷

Statistics reflect that women control \$7 trillion in consumer and business spending. At home, women are responsible for over 80% of all consumer purchases, including 94% of home furnishings, 91% of home purchases, 60% of auto sales, and 50% of business travel.⁸

But, how does this significant shift in purchasing power relate to women’s business development? Even though women are achieving significant benchmarks in education, employment and economic income, there is still a long row to hoe within corporate America. While progress is being made, it is at a snail’s pace. In 2003, women held a mere 13.6% of corporate board

seats among the Fortune 500, up from 9.6% in 1995. According to a 2006 Catalyst Report, it will be another 40 years before women achieve parity with men in corporate America.

Results in the report reflect women represented 15.7% of corporate officers (i.e., Chairman, Vice Chairman, CEO, President, COO, SEVP, and EVP), and less than 10% of total line positions (positions with revenue-generating or profit and loss responsibility).⁹ The lack of progress has, in part, led to many highly qualified women with corporate management expertise exiting the corporate ranks to pursue other interests, a trend commonly known as “off ramping”.¹⁰

Again, what does all of this have to do with women owned businesses? Well, simultaneous with the “off ramping” going on in corporate America, women have been starting their own businesses in record numbers.

Women owned firms have grown at twice the rate of all firms over the last 20 years. Today, nearly one in every three companies is a woman owned business. Among privately held companies, firms that are at least 50% owned by one or more women account for nearly 50% or 10.4 million firms in the U.S. This group employs 12.8 million people and generates \$1.9 trillion in sales.

Three quarters (7.7 million) of all women owned firms are owned and controlled (at least 51% owned) by women. This subset employs more than 14.8 million people and generates \$1.1 trillion in sales.¹¹ That’s almost equal to the GDP of Canada and greater than the GDP of

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⁴ U.S. Census Bureau. (2006). Current Population Survey

⁵ *The Power of the Purse*. (2006). Warner, Fara.

⁶ U.S. Department of Education. (2005). Degrees Conferred by Degree Granting Institutions

⁷ *The Power of the Purse*. (2006). Warner, Fara.

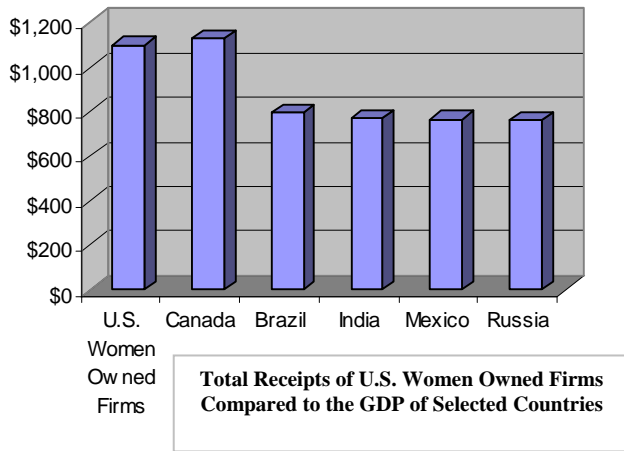
⁸ Diversity Best Practices. (2006). Women and Diversity WOW Facts.

⁹ Catalyst. (2002). Women in Business: A Snapshot, Census of Women Corporate Officers and Top Earners.

¹⁰ *Harvard Business Review*. (2005, March). Off-Ramps and On-Ramps.

¹¹ Center for Women’s Business Research (2007, January). Top Facts About Women-Owned Businesses.

Brazil, Mexico, Russia, India, and many other countries.¹²



So, we could say American corporations should increase their business with and encourage the development of women owned firms because of their significant impact on the U.S. economy. If your corporation gets a significant amount of sales from the U.S., this might seem to make sense. But, there's an even better reason. For the majority of corporations, there's a more direct link to market share.

Doing business with women owned companies can help your corporation sell more products and services. Yes, that is right, sell more products and services. How much more depends on your industry and the make-up of your customers. But, in eight out of 10 cases, it's definitely more. This is known as the "business case" for women's business development. The Business Case for women's business development applies whether your company sells to the government, other corporations, the consumer at large, or all three. While we can't give away a lot of proprietary numbers, here is just an inkling of what some companies are doing. It's all about listening to what your customer wants – the essence of customer relationship

¹² International Monetary Fund. (2006, September). World Economic Outlook Database.

Keep in mind, an assumption is being made here that your corporation already provides a product/service that does what it says it is going to do, the pricing is competitive, etc. Assuming this is true, we'll show you that an internal initiative to purchase from women owned businesses provides added value and may give you that slight edge in a very competitive market.

B2G Perspective

If your company sells to Federal, State, or Local governments, the answer is easy. At the Federal level, the goal is to obtain at least 5% of purchases from women owned firms. The government clearly understands how promoting the growth of women owned firms also stimulates the economy. Every agency within the Federal government passes this goal on to all of their prime contractors. So, if the Federal government is one of your key customers, this becomes one of your goals. Similar goals generally exist at the state and local level within government/public agencies. Exceeding customer goals brings added value in the customer's eyes. A strong women's business development initiative should be used as a competitive edge by your sales people to increase market share.

The Avis Budget Group has taken women's business development to heart for a good reason—market share. Most people wouldn't view the Avis Budget Group as a government contractor. However, many of their car rental locations are located on or affiliated with airport properties regulated by the FAA. So, although Avis Budget customers are comprised of individual consumers or corporate accounts, it's the FAA that allows them to retain their favorable on-airport locations.

The FAA has very aggressive goals related to purchasing from minority and women's business. In response to FAA objectives, Avis Budget has "grown" targeted women-owned firms across their company operations. As a rental car company, the bulk of its spend is on cars, and to that extent, Avis Budget buys a significant amount of their cars from a woman owned car dealer, Jerome Duncan. Woman owned firms can be found

throughout the rest of its supply chain as well. For example, the company has partnered with Leslie Saunders Insurance & Marketing to train rental counter personnel across the country on the administration for standard insurance coverage offered and the content and promotion of supplemental coverage.

According to Robert F. Bouta, Senior VP at Avis Budget Group, *“Working with women owned businesses has strengthened our supply chain by enabling a more level playing field that encourages fair competition. This ensures we are using suppliers who provide the best quality at the lowest level cost with optimal response time. In addition, our relationships with women owned suppliers have helped the company in building brand equity on the customer side with government agencies, corporate customers, other women owned businesses, and women consumers at large.”*

B2B Perspective

If your company sells to the Fortune 1000, there’s a good chance your customer will view you purchasing from women owned companies as a value added activity. As we said earlier, among the Fortune 500, a significant number of corporations have a nationally recognized women owned business initiative, including 80 of the top 100. This means they have a corporate goal to achieve a certain amount of spend with women owned firms. If your company, as a supplier, can help them meet their corporate goal, this is generally viewed as adding value and will provide a competitive edge over the competition.

A good example is IBM, who not only pursues bringing women owned firms into its supply chain on a global basis, but *it also markets women owned businesses to its corporate customers as a value added service in the procurement arena, and vigorously pursues selling directly to women owned firms in small to middle markets.* These latter two points are where the rubber meets the

road to increase market share. The distinction here is most large B2B corporations are dragged along by their corporate customers to achieve supplier diversity/women’s business goals and objectives. IBM is *selling women’s business development to its customers* because they view it as a competitive edge that benefits both women owned businesses and their large corporate or government customers.

The results of their efforts pop up in many areas across the company. In one example, IBM converted Catwalk Consulting, one of its established women owned suppliers in the information technology arena, to a value added reseller. As a woman owned business “on-schedule” with the GSA, Catwalk is an IBM Business Partner that uses business analytic tools developed by IBM to drive organizational assessments and promote the sale of its e-business software.

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Robert F. Bouta
Senior Vice President
Avis Budget Group

Coming from a different perspective, IBM markets many women owned suppliers to its large corporate customers. Sharon Evans is the owner of CFJ Manufacturing, a woman owned company that provides innovative, custom

solutions for service award and employee recognition programs. *“Amazingly, IBM is now marketing my services to their Fortune 500 clients. Why wouldn’t I want to use their products and services and tell all my friends about them, too?”*

Ms. Evan’s response is one of the most interesting aspects of marketing to women in that they like to tell their friends – or even strangers—about their experience with a particular product or service. In their quest to be helpful to others, women constantly indulge in word-of-mouth marketing and will go out of their way to share their opinions about a company.

Aside from pursuing business with the government and large corporate accounts, IBM also has a Global Women’s Business Market initiative, which continues to show significant positive performance both in the U.S. and around the world. As Marilyn Johnson, VP of Market Development puts it, *“At IBM, diversity means market opportunity. We are dedicated to EVERY client’s success . . . innovatively marketing to earn and maintain their trust. Meeting customer needs is the essence of customer relationship management. IBM has a nationally recognized expertise in women’s business development and we’re ready to bring that expertise to the table to benefit all of our clients including women owned businesses, Fortune 500 corporations, and federal, state, and local government agencies.”*

B2C Perspective

If your customers are B2G or B2B, documenting the impact of utilizing women owned suppliers on market share is relatively easy. If your customer base is B2C, documenting the metrics becomes a little harder. Clearly, a women-owned business may be better positioned to assist in targeting the women’s market because the owners and frequently their management teams are women.¹³ As one leading consumer products company executive put it, *“Our business depends on launching innovative new products with a focus on product, plus features. One facet that differentiates women owned firms from their competitors is the level of detail and understanding they bring to the table regarding female consumers. In our R&D area, they have provided insight in consumer testing and product innovation with feature-oriented concepts to our products that drove increased sales.”*

We found evidence of this across a broad array of industries. For example, Niki Beavers, owner

of Jeva Technologies, approached Office Depot with a cell phone case that the user can customize with rhinestones, etc. Management at Office Depot initially questioned whether the product had a chance with the retailer’s customer base. However, once it hit the stores, Office Depot managers couldn’t restock the shelves fast enough based on customer demand.

Office Depot understands women owned suppliers not only provide a unique competitive edge, but they also represent an untapped business and consumer market. Over the last seven years, the company has hosted a series of events dubbed the Office Depot Success Strategies for Business Women Conference. The events are “designed to create an

environment where business women come together to connect, network, and grow their businesses,” according to Kathleen Leischen, Senior Director of Marketing for Office Depot. According to Ms. Leischen, the mom

Marilyn Johnson
VP of Market Development
IBM

factor (of these business women) can’t be ignored. “By marketing to women on a business level and encouraging them to use Office Depot for all of their business purchases, it is likely that the majority of women will shop with us for their home and back-to-school needs as well,” Leischen says. Leischen is right. Statistics reflect that an overwhelming majority of women entrepreneurs (86%) say they use the same products and services at home as they do in their business.¹⁴

Even industries that have traditionally been male bastions are now able to successfully tie in the business case. Harley-Davidson not only focuses on women consumers by making bikes that are well-suited ergonomically for women—but, some of its key suppliers are women owned, the company has a special section on their website focused on women riders, and more

¹³ Center for Women’s Business Research

¹⁴ Center for Women’s Business Research, [Top Facts About Women Owned Businesses](#)

than 50 dealers are women owned within Harley-Davidson’s network of independently owned dealerships.

When asked if there’s any advantage to being a women owned dealer, Barb Borowiec, owner of Barb’s Harley-Davidson in Philadelphia replied, “I understand a female’s concerns about riding and I can share my experiences, from one woman to another. For example, a lot of women think you have to be large physically to ride a Harley, but I can vouch for the fact that’s not true since my own body is fairly small.” Barb concentrates on pulling in new women riders by conducting events like female garage parties and special segments of the Rider’s Edge New Rider Course. Both programs are designed to educate and make new riders feel comfortable. She even supplies the bikes at the training course. All a new rider has to do is show up. Barb purchased her first H-D dealership at the ripe young age of 24 and has grown the business from a 5,000 to 38,000 square foot facility while increasing sales more than tenfold. “I’ve come a long way over the last 20 years, but I’m not done yet!” Barb quipped.

Corporations can derive a significant amount of brand equity just by telling their female customers that they actively purchase goods and services from women owned companies. Interestingly, in communicating with corporate management, it’s not uncommon to hear them say, “We don’t think women consumers care about women’s business development.” The truth of the matter is:

Women do care – if you tell them.

Women are different than men. Women look different, women act different, and *women think different*. This is not a cultural phenomena, it’s because a female’s brain is literally shaped and

wired differently so that women process information differently.¹⁵ This difference has a significant impact on a female’s buying behavior. In general, women will take into a consideration a wide range of information when making a purchase as a consumer—beyond if the product or service does what it says it will do, women will consider ancillary information like corporate behavior tied to women’s issues, environmental issues, etc.

A women’s behavior is relationship based, as opposed to a man’s behavior which is more goal oriented towards specific tasks/objectives.

Women want to build the team, men just want to get the job done. Women care and inherently want to help others—including other women. This has been clearly shown in numerous case studies over the last few years with organizations like the Susan G. Komen Foundation for breast cancer, abused

women’s shelters, Toys for Tots campaigns, and a myriad of other nonprofit organizations and causes.¹⁶ And it’s just not about helping other people, it’s about improving the world and the environment overall.

When corporations talk about their women owned business program, it builds brand equity. Not just with government agencies and other large corporate customers, but with women owned businesses, women in business, and women as consumers.

SB Services, Inc., a prominent management consulting firm, recently partnered with the Women’s Business Enterprise National Council (WBENC) to conduct a blind survey of over 1,200 women consumers across the country using Harris Interactive. When asked to what extent would knowing a corporation had a strong

Corporations can derive a significant amount of brand equity just by telling their female customers that they actively purchase goods and services from women owned companies.

¹⁵ Kimura, Doreen, *Sex and Cognition*. Massachusetts: MIT Press, 2000.

¹⁶ Barletta, Marti, WBENC 2006 Leadership Summit

women's business development initiative
increase their brand loyalty . . .

- **79%** of female respondents indicated it would entice them to try a corporation's products or services if they were not already a customer!

- **51%** of female respondents said it would compel them to give the company a second chance if they were already a customer and became dissatisfied with the product or service!

If your corporation is aggressively bringing women owned suppliers into the supply chain, you've got a roadmap for a stronger customer relationships and increased brand equity.

Is your company missing out on sales because:

- a) You don't have a sound women's business development program, or
- b) It's not being communicated to your customers?

For the select corporations that have been recognized by WBENC as *America's Top Corporations for Women's Business Enterprises* since 2003, their stock has, on average, outperformed both the S&P 500 and the Dow Jones Industrial Average for two of the last three years.

Clearly, women owned suppliers can bring added value to a corporate supply chain. The trick is leveraging this unique supply chain with your customers to sustain and increase market share. If you can make this link, you will have accomplished the art of building a sustainable, competitive edge.

ABOUT SHARON CASTILLO

Principal, SB Services, Inc.

Ms. Castillo is the principal and founder of SB Services, Inc., a nationally recognized management consulting firm providing services focused on all aspects of supplier diversity process improvement. SB Services' clients are included among the Fortune 500 in industries ranging from health care and retail to technology and financial services.

Ms. Castillo has designed and implemented a wide range of supplier diversity initiatives and conducted over 250 training sessions ranging from C-suite level orientations to cross functional middle management and strategic sourcing category leaders. Over the last 20 years, Ms. Castillo has developed a core expertise in documenting the Business Case and the link to market share for corporate clients. SB Services currently reviews members of the Billion Dollar Roundtable and facilitates the Women's Business Enterprise Council's Annual Search for the Top Corporations in America.

Ms. Castillo has published numerous articles on benchmarking, best practices, and supplier diversity program development, and has served in various Board positions for non-profit organizations. Sharon is a Certified Public Accountant (CPA) and Certified Valuation Analyst (CVA).

www.sbservicesinc.com

ABOUT WBENC

Women's Business Enterprise National Council

Founded in 1997, WBENC is the nation's leading advocate of women-owned businesses as suppliers to America's corporations. It also is the largest third-party certifier of businesses owned and operated by women in the United States. WBENC works to foster diversity in the world of commerce with programs and policies designed to expand opportunities and eliminate barriers in the marketplace for women business owners. WBENC works with representatives of corporations to encourage the utilization and expansion of supplier/vendor diversity programs.

Dedicated to enhancing opportunities for women's business enterprises, WBENC works in partnership with women's business organizations located throughout the country to provide a national standard of certification for women-owned businesses. WBENC is a resource for the over a thousand US companies and government agencies that rely on the WBENC certification as an integral part of their supplier diversity programs.

Through its benchmarking surveys and ongoing interaction with certified women's business enterprises, WBENC has become the nation's leading source of information on trends in supplier diversity programs for WBEs. The "Balanced Scorecard for WBE Program Process Improvement" assists WBENC corporate members in self evaluating their WBE programs.

www.wbenc.org