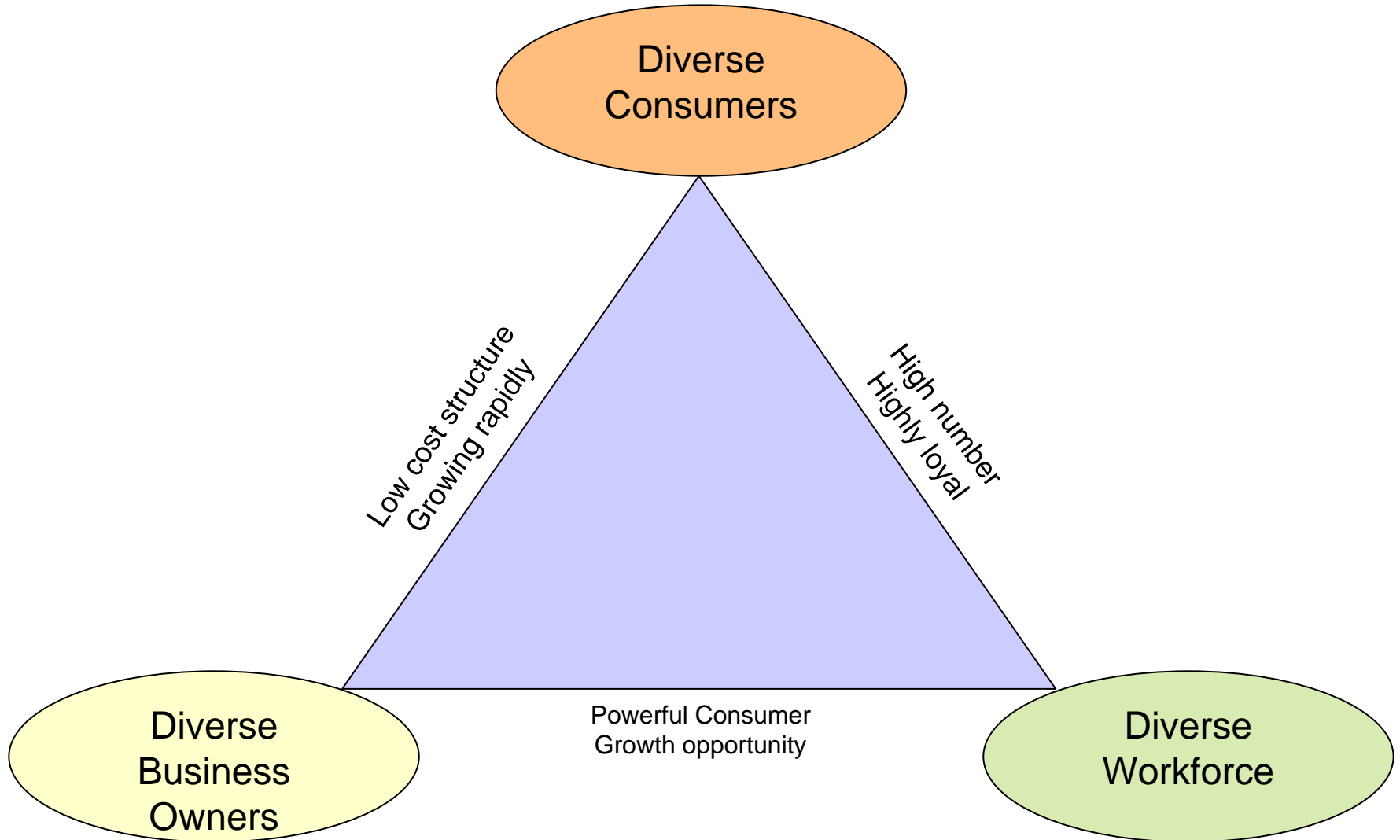


Business Case for Supplier Diversity

Supplier Diversity Business Case

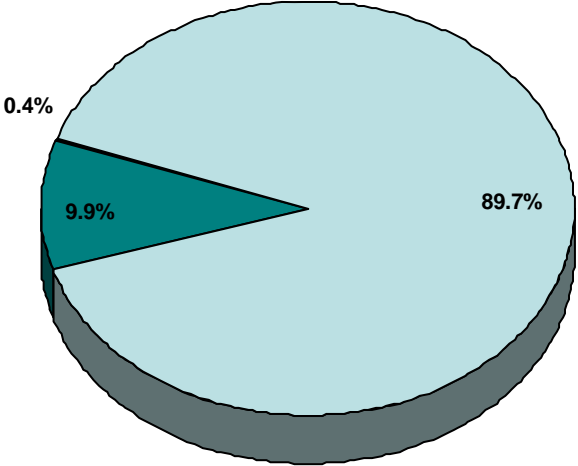
Making the Connection between Buying and Selling



Demographic Analysis

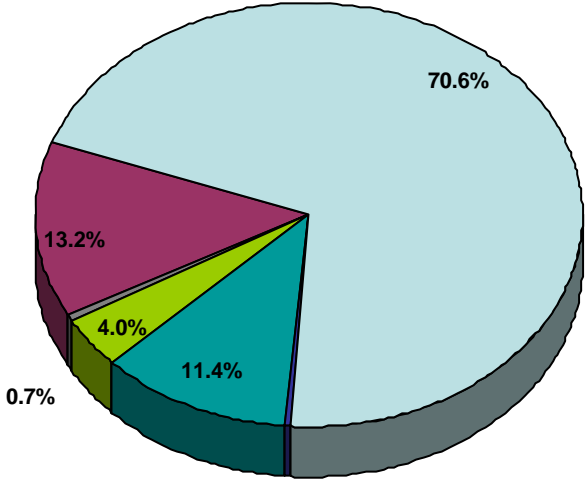
What does the world look like?

Then
Census Data - 1920



- White
- Black
- Other

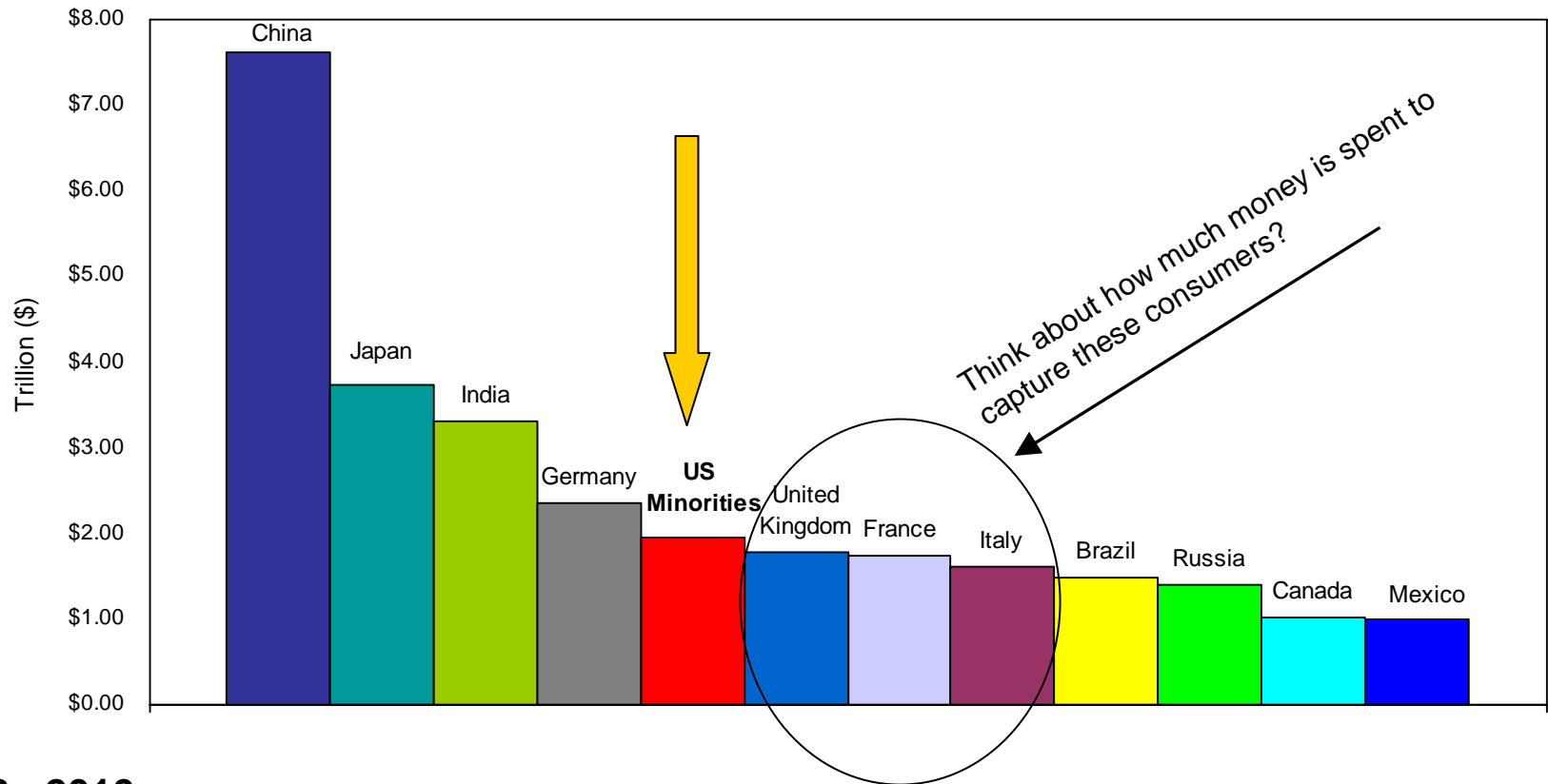
Now
Census Data - 2004



- White
- Native Hawaiian and Other Pacific Islander
- Black or African American
- Asian
- American Indian and Alaska Native
- Hispanic or Latino (of any race)

By 2050 (some experts say much sooner)
ethnic minorities will outnumber whites in the US

Spending Power Analysis - 2004 GDP A Powerful Consumer Group



By 2010

- The combined **buying power of African Americans, Asian Americans and Native Americans will exceed \$1.7 trillion**, more than triple the 1990 level of \$454 billion – making it the 9th largest economy on the globe.
- **Hispanic Americans will have \$1 trillion in spending power**, making them the 11th largest economy in the world

Entertainment Industry Customer Data

A Growing Market

Now let's look at the incredible growth opportunity this creates

- In 2005, **urban minorities are the most likely** to purchase Internet services, broadband Web TV, and digital cable.
- Trends in **minority spending power** for entertainment, coupled with the **high minority television-viewing habits**, create an opportunity for media companies to take advantage of this demographic.
- African-Americans are the largest minority segment of the U.S. television household population, comprising approximately **13 percent of the 109.6 million TV households**.
- **African-Americans generally watch more television** than other segments of the population.
- Over the past three years, **Hispanic-American TV households have grown by over 12 percent**.
- **Hispanics alone spent \$1.5 billion at the box office** in 2002, according to the Motion Picture Association of America, a number expected to double by 2012.
- In major markets such as Los Angeles and New York, **Latinos make up 55% of opening weekend audiences**. Nationally, African-Americans and Asians combined make up nearly 14% of moviegoers, according to Nielsen Cinema Audience Reports.

What does all of this have to do with my buying decisions?

Driving Shareholder Value The Link between Buying and Selling

- Lucent Technologies estimates that, due to the lower cost structure of minority- and women-owned businesses, **they saved \$82.2 million during fiscal 2000**
- **87% of African Americans and 76% of Hispanics** are more likely than other groups to buy products from companies that contribute to their community
- **Minorities are more brand loyal** than non-minorities
- Minority business employees are **more likely than majority employees to buy the products of their customer companies**
- **Latino rate of entrepreneurship increased** from 0.38 percent in 1996 to 0.48 percent in 2004, which was higher than the white, non-Latino rate of 0.39 percent;
- **Immigrants have substantially higher rates of entrepreneurship** than native-born individuals.
- **Small firms generally create 60 to 80 percent of new jobs**, all of which are potential customers for TWDC when we utilize their products or services.
- The Hackett Group has observed an **increase in revenue uplift for targeted diverse markets** associated with the increase use of targeted diverse suppliers.

All of this provides opportunities for Sourcing and Procurement to increase the customer base thus
increasing company profit and shareholder value

External Best Practices How to get in the Game

We understand that each industry and category is unique, so here are some **best practices** being utilized at other companies to spark some ideas about ways to influence areas that are not in the SD&D objectives.

Activity	Company
Supplier mentoring; ISO, Marketing, Finance	IBM, Pepsico
Supplier education provided by company T&D	Nestle, Comcast
Include diverse supplier venture capital companies in divestitures	GM, Ford
Require formalized 2 nd tier process as condition of receiving contract	HP, Ford, BellSouth, Altria, DaimlerChrysler, Comcast, Sodexo
Compensation tied to the achievement of supplier diversity goals at every level of sourcing management	DaimlerChrysler, GM, Sodexo, Altria
Publicized supplier diversity performance results	HP, IBM, Altria, Pepsico
Loans and subsidies for minority- and women-owned businesses	HP, Altria, Xerox, Time Warner
Formalized awards for diverse and prime suppliers	All of the top 10 companies for supplier diversity