

THE BUSINESS CASE FOR SUPPLY CHAIN SUSTAINABILITY THROUGH STRATEGIC SUPPLIER INCLUSION



CONNXUS[®]

www.connxus.com

© 2017

SUPPLIER MANAGEMENT MADE SIMPLE™

COMPETITIVE ADVANTAGES

Recent statistics show that companies with existing supplier diversity programs report increased profitability – sometimes as high as a 133% return on procurement investments.^{2,3} This is due to the respected track record that companies which source small and minority-owned businesses have created leaner, sustainable, more innovative supply chains.

Where 99.9% of all U.S. firms are in the small business category, diverse businesses are often smaller, making them nimbler, faster and more efficient than larger counterparts. Women- and minority-owned companies represent more than 50% of the total small business population. With increasing population and business growth rates, it is crucial for larger corporations to establish strategic relationships with diverse employees, customers, and suppliers while building a supplier diversity programs. Diverse procurement creates competition within the supply chain, encouraging suppliers to compete by innovating products and services and offering competitive prices.³ As a long-term strategy, a diverse supply chain can yield many positive effects for companies.

When looking beyond finances to social responsibility, supplier diversity is often seen as a testament to a company's commitment to producing a socially responsible impact in local communities. Supplier diversity programs also meet customer mandates, leverage governmental initiatives and comply with federal supplier requirements.³ By making strategic use of supplier relationships to reach procurement goals, organizations can maximize their supply chain potential.

INNOVATIONS

Suppliers are often current or potential customers. These suppliers are touching and providing product inputs (direct and indirect) throughout the development process. Whether it's specific ingredients, packaging, marketing, distribution or processes suppliers are positioned to understand what works, what doesn't and what's missing. This leads to new innovations or process improvements that deliver significant value in the form of product enhancements, cost savings and increased revenue.



Depending on the category, suppliers are often an extension of an organizations' team particularly in professional services such as accounting, consulting and legal. They often bring specific expertise on-demand. In many cases, these relationships result in individuals being hired into full-time leadership roles within the organization.



THE EVOLUTION OF SUPPLIER DIVERSITY

Supplier diversity is a business program within an organization's supply chain that encourages sourcing goods and services from diverse businesses including minority-, woman-, and veteran-owned businesses. With the inception of the Small Business Administration (SBA) in 1953, the United States first introduced the concept of supplier diversity programs. The preliminary approach expanded over time to include race, gender, veterans and LGBTQ communities.

Between 2000 and 2010, minority-owned businesses grew at approximately double the rate of all firms in the U.S. economy¹. Women and minority-owned businesses comprise 50 percent of all U.S. businesses but only receive 7.3 percent of business transactions, according to Rooseveltforward.org Today, chief procurement officers and supplier diversity professionals are implementing supplier diversity programs as research incessantly demonstrates that supplier diversity supports a more sustainable model of supply chain management.



BUILT-IN FOCUS GROUPS

Suppliers employ tens, hundreds and even thousands of people. These people represent sources of market insight which enable organizations to test new products and concepts in a forgiving environment. One of ConnXus' largest customers hosts annual supplier summits where new concepts are introduced and valuable feedback is gained from a diverse network of suppliers.

A Dramatic Increase in U.S. Woman- & Minority-Owned Businesses 2007-2012

Here in the U.S., the Census Bureau reports that "minority-owned businesses continue to grow significantly faster than nonminority-owned businesses."



Minority-Owned Businesses Generate

over \$400 billion

in annual revenue.

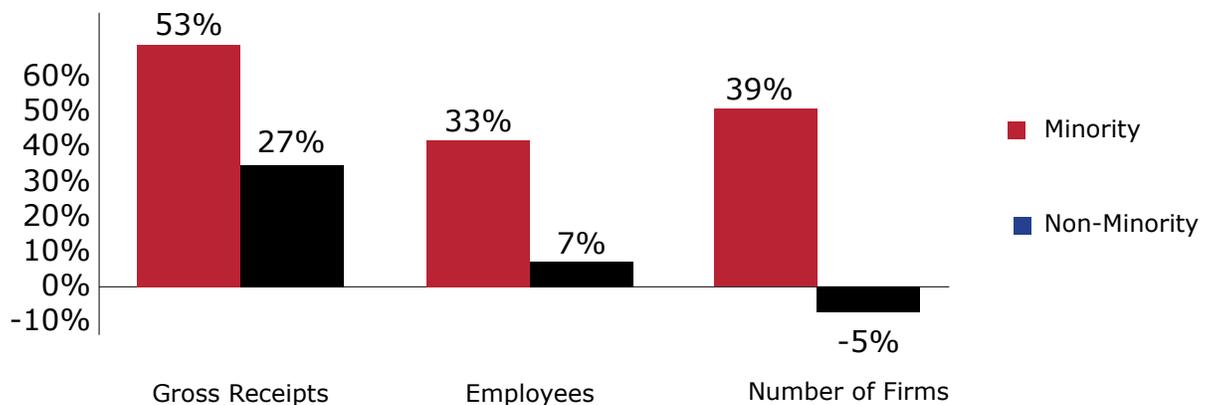
- 👍 create and estimated \$49 billion in generated tax revenue
- 👍 account for the creation of 2.25 million jobs



NewsOne Now

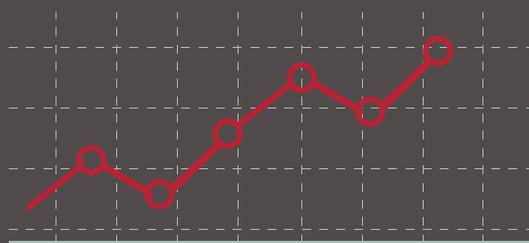
The number of minority business enterprises, or MBEs, increased 29% between 2007 and 2012 –

more than three times faster than population growth among non-minorities.



Minority populations in the U.S. – chiefly Hispanic, African-American and Asian – are rapidly growing and changing the consumer base for Fortune 2,000 companies.

A Minority Business Development Agency (MBDA) study suggests that by 2045 minorities will constitute 46 percent of the U.S. population, with minority population growth in the period 2000-2045 and representing around 86 percent of total population growth.



With these increases in population share will come an increased share of the national economy.

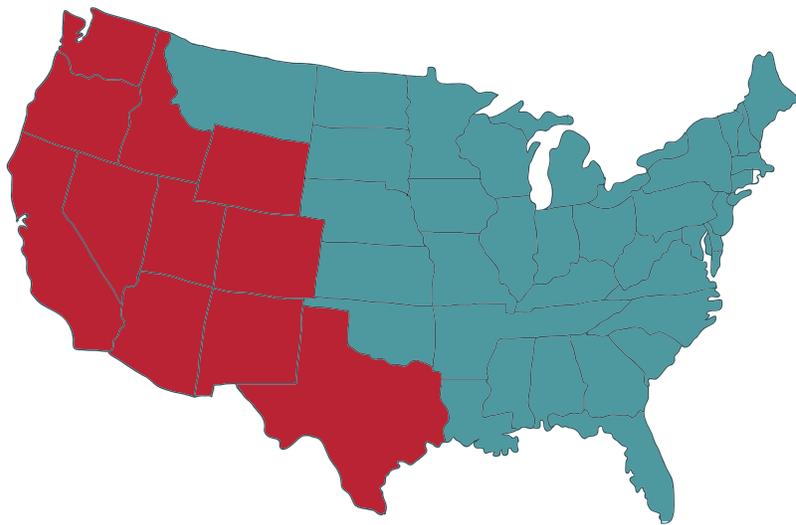


In 2016, approximately 40 percent of new entrepreneurs were African-American, Latino, Asian, or other non-white entrepreneurs.

Share of new entrepreneurs who are Latino has more than doubled since 1996 from 10% to just over 20%.

5 Companies aware of this demographic fluidity have the opportunity to establish loyal relationships with their existing Tier 1 & Tier 2 suppliers.

11 of the Top 17 States for female entrepreneurs are the West from Washington to Texas



OREGON ranks first in the nation for most self-employed female workers (45.4%).



LAS VEGAS has the highest percentage (26%) of venture-backed companies with at least one female founder

Additional areas with higher concentrations of self-employed women include:

The Central Atlantic states surrounding Washington, D.C.

**MARYLAND DELAWARE
VIRGINIA WEST VIRGINIA**

The Southern half of the Northeast

**RHODE ISLAND MASSACHUSETTS
CONNECTICUT**



Access to New Markets

Suppliers serve multiple customers within and across industries. They have a backstage pass that enables them to see where there are gaps in the market or segments that are being underserved.



THE BUSINESS CASE FOR SUPPLIER INCLUSION

In 2015, ConnXus partnered with Procter & Gamble to design and engineer ConnXSmart, a secure, cloud-based matchmaker to connect P&G's prime suppliers with innovative, vetted suppliers at industry conferences. Being the lean and nimble software startup that ConnXus is, our software developers were able to produce the virtual matchmaker under a hard-pressed deadline. Due to P&G's proactive supplier engagement and strategic supplier development, ConnXus had the means to elevate and innovate its core product offerings.

At the 2015 National Minority Supplier Development Council's (NMSDC) annual Business Opportunity Exchange, ConnXSmart facilitated 180 meetings between 68 P&G primes and diverse suppliers.

Since 2015, Procter & Gamble has utilized the tool three times at NMSDC and the Women's Business Enterprise National Council (WBENC) National Conference and Business Fair to increase engagement between primes suppliers and vetted, certified diverse business owners.

MOVING BEYOND SUPPLIER DIVERSITY TO SUPPLIER INCLUSION

Diversity means recognizing all the ways people are different from each other... everything that makes each of us unique. Inclusion takes things a step further, by combining and using these diverse force and resources in ways that benefit the organization. ConnXus believes that companies and other organizations need both diversity and inclusion to thrive. While many business leaders now view diversity as a positive influence on corporate thinking, not enough have realized that inclusion can actually result in better business decisions and results.

WHAT IS YOUR COMPANY DOING TO INSPIRE NEXT-LEVEL THINKING ABOUT INCLUSION?

If you're ready to move beyond "checking the boxes" for supplier diversity categories and implementing supplier inclusion programs, here are five proven tips on assessment and creating an action plan.

- ① Make sure diverse suppliers are included in your sourcing lists from the beginning.
- ① Choose sourcing strategies that align with your supplier diversity strategies.
- ① After hosting RFQ/RFI/RFP events, negotiate aggressively with minority-owned suppliers –so both parties' needs are fulfilled.
- ① Develop supplier management and integration metrics in advance, to insure successful and sustainable inclusion.
- ① Conduct "readiness assessments" with your supplier diversity partners before you enter into new supply-chain arrangements.

WHY CONNXUS?

ConnXus is a nimble software company disrupting traditional methods of supplier diversity management and spend tracking. Grounded in a corporate procurement background and also a certified minority-owned business (MBE), ConnXus is spearheading innovative software solutions that align with modern corporate supply chain goals: globalism, increased supplier inclusion, and sustainable supplier management.

WE INNOVATE

As inclusive initiatives saturate almost every facet of today's global landscape, ConnXus has engineered the modern tools that supply chain managers need to make intelligent decisions on building a sustainable supply base.

ConnXus' cloud-based supplier diversity solutions simplify procurement and supplier diversity professionals' daunting task of validating and reporting Tier 1 and Tier 2 spend, all while managing a plethora of diverse suppliers and diversity certifications.

Each ConnXus product integrates with a state-of-the-art vendor management system equipped with visual supplier data intelligence.

WE ARE NIMBLE

A small but mighty team of 21 diverse individuals, ConnXus delivers configurable technology solutions fit to your company's supplier diversity program.



WE ARE ON THE UP-AND-UP

Techstars Ventures led ConnXus' \$5M Series "A" funding round in May of 2016, with participation from Serious Change L.P., Impact America Fund and The Social Entrepreneurs' Fund (TSEF).

ConnXus secured contracts with several Fortune 2,000 corporations including Cummins, T-Mobile and Allstate in the 2016 calendar year.

The Cincinnati Business Courier voted ConnXus as a finalist in the 2016 Best Places to Work award category.

VentureOhio awarded ConnXus the 2016 Early Stage Company of the Year.

ConnXus expanded its global service reach to eight countries in 2015 including the United Kingdom, India and China, and was the 2016

MSDUK Conference Official Technology Sponsor in London, England.

The ConnXus-exclusive Economic Impact Reporting product launched bringing transparency and sustainability intelligence to clients' supplier diversity and inclusive procurement programs.

