



WHITE PAPER

# Supporting diversity: Wheels MWBE processes

## Overview

**Many organizations and businesses across America are undertaking efforts to increase their financial interaction with vendors that qualify as minority or women-owned business enterprises (MWBEs). Engaging with MWBEs is a legal requirement for some organizations, but it has also come to be embraced as a good way for companies to demonstrate commitment to supplier diversity, gain access to new markets and boost economic development.**

However, a general scarcity of certified MWBEs combined with inconsistent internal diversity policies makes it challenging for some companies to quantify their diversity spend and demonstrate whether their diversity goals are being met.

At Wheels, we have tools and processes in place to help ensure that each of our clients has consistent access to MWBE suppliers to help you meet and even exceed your corporate diversity goals—whatever they may be.

## Challenges

While implementing a MWBE/supplier diversity policy can be rewarding in a number of ways, there are certain challenges that can make it difficult to meet corporate diversity spend goals or requirements. These challenges include:

### **Finding qualified diverse suppliers and verifying their business is legally classified as such**

The reality is that the number of businesses that officially identify themselves as MWBEs is very low. Of the roughly 7 million companies in this country believed to be minority or woman-owned, less than 25,000 have third-party certifications denoting them as such. Some companies are discouraged by a certification process that is expensive, complex and takes on average 90 to 120 days to complete. Others feel that being certified as an MWBE could limit the business they might receive from larger organizations. A general lack of certified MWBE businesses results in other significant challenges for organizations looking to account for diversity spend.

### **Determining what types of suppliers will be considered diverse suppliers**

Your company should have a clear definition of what you consider to be a “diverse supplier,” and that definition should be unilaterally applied across your supplier network. If a formal distinction is not made, certain suppliers could be erroneously or belatedly designated as diverse or non-diverse organizations, thereby making it difficult to accurately quantify and report on diversity spend.

### **Tracking the use of diverse suppliers**

To ensure that your business is using diverse suppliers, you need an easy and accurate way to determine how much you are spending with them. In order to correctly report on diverse supplier usage and spend, you need a system that can:

- Accurately identify the diverse suppliers you utilize
- Actively manage your supplier registration process so that the appropriate diversity classification is applied to new suppliers entered in the system
- Create reporting that is based on established supplier diversity classification fields

Because of the challenges noted above, establishing an effective system can be a very complex process to tackle on your own.

#### **What is a minority or women-owned business?**

- A proprietorship, partnership, corporation or joint-venture that is 51% owned, actively operated and controlled by United States citizens who are members of the following racial groups: African American, Asian American, Hispanic American and Native American
- A proprietorship, partnership, corporation or joint-venture that is 51% owned, actively operated and controlled by United States citizens that are female

## Wheels Solutions

Fortunately, Wheels is here to help. We embrace supplier diversity and work with minority and/or woman-owned suppliers throughout all our networks. In fact, over 30% of our total annual spend across our supplier networks is through MWBE vendors. Partnering with Wheels to manage your fleet-related MWBE spend will allow you to reach and potentially even surpass your corporate diversity spend goals—**at no charge to you.**

Through the Wheels program, we help you manage all of the key tasks associated with establishing a program that reliably promotes and accounts for your interaction with diverse suppliers. These tasks include:

- Developing and implementing strategies for utilizing these vendors. We can help you designate which MWBE facilities to use while at the same time making sure that using these facilities is practical, in the best interest of driver productivity and provides a cost-effective means to meet your overall fleet management goals.
- Regularly providing feedback and consultation to ensure that we are meeting your needs while providing reporting to quantify your MWBE vendor usage.
- Partnering with an independent supplier diversity management company to assist with the management of our supplier diversity process for tracking, certification and reporting. This organization provides Wheels all certification and classification information on record and reviews our entire network on an annual basis, with certification and classification information refreshed semi-annually.

To determine opportunities for you to increase your diversity spend, it is important to first examine your total fleet spend. Then you can identify the areas in which you can actively increase diversity spend without impacting service or increasing your costs.

Depreciation costs associated with **vehicle acquisition** represent the largest spend category for all fleets. That means vehicle acquisition is the best area to focus on when attempting to quantify MWBE spend. The chart below (which documents actual results realized by one Wheels client) demonstrates the considerable weight that acquisitions carry not only in overall fleet spend, but also in terms of diversity goals:

VEHICLE ACQUISITION COSTS FOR A WHEELS CLIENT						
	Aquisition	Delivering Dealer	Collision	Maintenance	Out of Stock	Total
MWBE Spend	<b>\$7,709,312</b>	\$15,535	\$99,948	\$40,354	\$0	<b>\$7,865,151</b>
Total Spend	\$7,918,414	\$293,534	\$4,153,743	\$6,641,571	\$131,851	\$19,139,114
% of Spend through MWBEs	<b>97%</b>	5%	2%	1%	0%	<b>41%</b>

The above client's consistent focus on using MWBE dealerships for vehicle acquisition contributed almost single-handedly to their impressive overall MWBE spend. You too can designate a percentage of vehicles to be factory-ordered through Wheels MWBE vendors, and we will work with you to set up a process specifically designed to meet that threshold. Through our enterprise supply management processes, we can ensure that your vehicles are ordered through a MWBE dealership whenever possible.

**Manufacturers also strive** for supplier diversity, and many have formal programs in place to help them meet their goals for diversity spend. The chart to the right shows the annual MWBE spend goals for the four major manufacturers.

But it is important to note that diversity-certified dealers are relatively rare. Like other companies, dealerships must be MWBE-certified by either a regional or national government agency or a credible third-party certification organization like the National Minority Supplier Development Council (NMSDC). And like other businesses, dealers may be unwilling to go through the lengthy certification process and pay associated fees that are necessary for them to acquire and retain their official MWBE designation. As you can see from the chart on the next page, the total percentage of minority dealers for the major manufacturers of fleet vehicles is very low.

MWBE SPEND GOALS	
Manufacturer	Tier 1 Diversity Spend Goal
General Motors	8%
Ford	10%
Chrysler	8%
Toyota	10%

## TOTAL MINORITY DEALERS

Manufacturer	Total Dealers	Minority Dealers	% of Total
General Motors	5,360	268	5.0%
Ford	3,181	175	5.5%
Chrysler	2,516	151	6.0%
Toyota	1,333	60	4.5%
Subaru	622	28	4.5%

And there is no indication that the number of MWBE-certified dealerships will significantly increase any time soon—according to the National Association of Minority Automotive Dealers, the total number of MWBE dealerships in the U.S. is down 18% since January 1, 2008. It is no coincidence that as the worldwide economy started its decline, domestic automakers cut back on or shelved minority dealer development programs, thereby eliminating what has traditionally been the biggest boost for minority-owned dealerships.

In the **Appendix** of this document, we have listed a few other expense categories where there is opportunity to develop diverse-spending programs; however, the ability to promote and accurately quantify your usage of MWBE vendors may be even more challenging in these areas.

Wheels is committed to supporting our clients' diversity programs. **Please contact a member of your Wheels Account Team for more information regarding ways we can help bolster and/or quantify your MWBE spend.**

## Appendix

After depreciation, **fuel** represents the largest expense for most vehicle fleets. However, MWBE-certified businesses account for only 2% of the total fueling stations nationwide. Maximizing your MWBE fuel spend would require many of your drivers to go out of their way to fuel their vehicles, which would have a negative impact on productivity and fuel efficiency. So although your fleet's annual fuel spend is large, the potential impact it can make on your overall MWBE spend, in fact, is not large.

**Maintenance, tires and accident repairs** generally account for a small amount of your total fleet spend. According to the Automotive Aftermarket Industry Association, the U.S. aftermarket consists of 500,000 business locations, many of which are regional or national account shops such as Goodyear, Firestone and Pep Boys. In fact, according to our third-party certification provider, only 286 repair shops in the U.S. are certified MWBE businesses, and 156 of them (55%) are Wheels vendors. The proportion of MWBE-certified businesses is relatively small.

