

Walgreens and the Community Corner Project

Supplier Diversity Considerations for a Retail Organization



KELLOGG SCHOOL OF MANAGEMENT

November 2010

Produced by:

Katherine Phillips, PhD, Associate Professor of Management and Organizations, Kellogg School of Management

Thane Gauthier, MBA, Entrepreneurship Fellow, Kellogg School of Management

Gheisa Cruz, MBA

Franklin Reynolds, MBA

In conjunction with Gleatha Glispie, Director of Supplier Diversity, Walgreens

Walgreens and the Community Corner Project

Supplier Diversity Considerations for a Retail Organization

1. Introduction

The importance of understanding how diversity affects organizations has never been more important than it is today. As organizations, especially those that serve an increasingly diverse consumer, continue to build their brands and strategies, it is imperative that they consider the issue of diversity across many perspectives. Most of the scholarly attention given to diversity has focused on issues of human resources and selection and retention of a diverse workforce, but many companies also have diversity efforts that are tied to their suppliers. These efforts must also be considered in order to form a complete view of the role of diversity in corporate settings.

A comprehensive perspective on corporate diversity includes three major questions for corporations: (1) who are we employing? (Employee Strategy), (2) to whom are we selling? (Marketplace Strategy), and (3) from whom are we getting our supplies? (Supplier Strategy). All in all, a diversity strategy that has not considered all three of these elements is missing an important piece of the puzzle. Supplier diversity programs, whether alone or couched in larger small business programs, are designed to increase the amount of and viability of supplier-corporate relationships. These supplier diversity programs significantly contribute to the strategic orientation toward diversity for hundreds of companies across the United States.

In February of 2010, Walgreen Company (Walgreens) launched a new initiative in their supplier diversity program called "The Community Corner Project." This program, in addition to directly addressing supplier diversity issues for the company, also brought into question two additional factors that are not commonly addressed in many supplier diversity programs: 1) the role a corporate entity plays in community economic development and 2) the viability for a large retail entity of direct consumer sales appeals on the basis of ethnicity. The objective of this report is to document the efforts of the Community Corner Project and to highlight some of the issues and benefits of diversity programs in large retail organizations like Walgreens. As you will see below, the business case for supplier diversity in the retail industry via direct consumer appeals is complicated and includes both direct and indirect returns to a corporation that are often difficult to measure. For most major Fortune 500 corporations, especially those with retail operations in diverse communities, building a business case for supplier diversity that looks only at the directly measurable and immediate increases in revenues is missing a very important part of the picture. There are many other things to consider: brand image, goodwill against future problems like lawsuits, community empowerment, economic development, corporate responsibility, and community relations to name a few. The difficulty comes with determining how to document these more indirect longer term benefits.

We proceed by providing some background information relevant for any corporate retailer considering their supplier diversity strategy and then go into details about the Community Corner Project at Walgreens. With these details we will develop a better understanding of the challenges and opportunities available for retailers seeking to jumpstart their supplier diversity programs.

2. The Increasingly Diverse Environment for Retail

Population growth and the demographic groupings that are associated with this growth are critical issues for retailers. Population growth directly increases the number of available retail customers, while demographic groupings help retailers to predict the types of purchases that people will make now and in the future. As American society becomes increasingly diverse, retailers must respond to these changes by adjusting their product offerings and overall product mix, closely evaluating in which neighborhoods new stores will be located, and understanding how to optimize the retail experience for the increasing number of minority consumers in the country through things like hiring diverse employees, supporting multicultural events and holidays, and developing relationship with a wider variety of neighborhood organizations and groups. In addition, this growing minority population is increasingly becoming entrepreneurial, with the growth rate in new minority businesses far exceeding that of non-minority businesses.

A. Growth in Minority Consumers and Businesses

The minority population in the United States will grow rapidly in the 21st century. The combined race and ethnic minority population in the U.S. is projected to grow from 79 million in 2000 to 178 million in 2045. During this 45 year span, this projected growth represents 86% of the growth in the total population. In 2000, minorities accounted for 29% of the total U.S. population. By 2045, minorities are projected to account for 46% of the total U.S. population with minorities expected to surpass the U.S. non-minority population somewhere between the years 2055 and 2060.

In addition to these increases in potential retail consumers, according to the U.S. Census Bureau, minorities and women business ownership is also increasing at a higher rate than the national average. Between 1997 and 2002, there was a 10% increase in the total number of businesses in the United States, contributing to a total of 23 million U.S. businesses in 2002. However, the rate of growth of minority and women owned businesses during this same time period ranged from 20% to 67% depending on the particular demographic segment, a rate nearly two to six times the national average.

The growth in minority consumers definitely hits home for Walgreens, as fully 56% of its stores are located in states where the minority population is close to or over 40%, providing a self-driven, business-based need for Walgreens to consider closely the needs and interests of the minority community.

Despite the high growth in the number of minority owned businesses, their overall proportion still fails to match the increasing size and importance of minority communities in the United States and a disproportionate number of these businesses operate in low-growth or no-growth sectors. Additionally, many minority businesses lack the size and scale of non-minority businesses often due to a historical gap between these firms and their non-minority counterparts in access to capital to fund growth initiatives. Data from the 2006 Current Population Survey conducted by the U.S. Census Bureau shows that African Americans and Latinos are less likely to own a business than are whites and Asian Americans: while 11.1% of white workers and 11.8% of Asian workers were self-employed business owners during the survey, only 5.1% of black workers and 7.5% of Latino workers were. Other data shows that minority-owned businesses generally have lower sales and profits and higher closure rates than white-owned businesses. In 2002 (the most recent data), the average annual sales for black-owned firms nationally was \$74,018, for Latinos it was \$141,044, and for Asians it was \$292,214. By comparison, the average white-owned firm had sales receipts of \$439,579 during the same period. Add these numbers to the data from the Kauffman Foundation which shows that over the first three years of a company's life minority firms receive approximately two-thirds of the total external financing that white-owned firms receive and the picture gets even bleaker for these businesses.

Historically in the United States, supplier diversity initiatives began with the creation of government programs, however some of the most significant progress in supplier diversity recently has been achieved via initiatives created by corporate America, resulting in many companies in corporate America being in pursuit of specific relationships with minority-owned businesses¹. For example, the National Minority Supplier Development Council (NMSDC) was chartered in 1972 to increase procurement and business opportunities for Asian, Black, Hispanic, and Native American businesses of all sizes and provides a direct link between corporate America and minority-owned businesses via a certification process that ensures corporate America with knowing what businesses are legitimate minority-owned businesses. Currently, the NMSDC certifies and matches more than 15,000 minority-owned businesses with corporations that desire to purchase goods and services specifically from minority-owned businesses. In addition to the NMSDC, numerous other organizations have been established both nationally and locally to aid in the development of disadvantaged businesses across the U.S. These include groups like the Women Business Enterprise Council (WBENC) and the Hispanic Organization on Corporate Responsibility.

B. Cultural Influences on Consumer Purchasing Decisions

The consumer purchase decisions of ethnic consumers can be extremely complex. Previous research has shown that two major factors impact an individual's attitude toward consumer purchase decisions: the consumer's belief that a brand possesses certain characteristics, which is often the result of direct experience with the brand (belief structure) and the mechanism that they use to actually set the purchase criteria for a particular item (evaluative criteria). Both of these items can be strongly impacted by cultural norms. For example, in purchasing rice, Koreans often value stickiness and shortness of grain, while Americans often favor fluffy, long-grain rice. These are both evaluative criteria that are largely determined by their cultural frameworks. Further exemplifying this model, if a Korean has direct experience with a brand that is sticky and short grained, then he or she has developed a belief structure that the particular brand in question can meet his or her needs.

This cultural influence is even more important as consumers become more complex and new factors are added to the evaluative criteria. Today, many ethnic consumers are increasingly looking for products both produced for and produced by ethnic business owners, with these characteristics providing a stamp of credibility or authenticity of a product or service. One recent example of minority consumers rallying to support minority-owned products and businesses is given by the case of an African-American Chicago-area couple, John and Maggie Anderson, who created a year-long project (called the Empowerment Experiment), where they pledged to purchase goods and services only from African-American owned businesses for all of 2009. The Andersons, through their experience, sought to highlight the importance and economic impact of supporting black-owned businesses. A somewhat surprising outcome of their experiment was the difficulty they often had in locating businesses that were owned by African-Americans. They relied primarily on internet research, organizational referrals, and personal referrals to locate businesses owned by African-Americans and often found it extremely difficult to locate businesses that met their category, quality, and location needs. As a result, they often drove up to 50 miles away from their home to purchase goods from African-American merchants. While an extreme example, their project illustrates both the lengths to which self-help economics ideologies are progressing and also the difficulties of minority consumers with a self-help

¹The NMSDC's program requires a specific definition for what businesses qualify as minority-owned businesses. According to NMSDC, a minority-owned business is one that is owned by a person who has documentation to support a claim of being a U.S. citizen with a minimum of 25% minority heritage. A minority "controlled" enterprise consists of a minority owner that meets the minimum heritage requirements that owns at least 30% of the economic equity of the business.

disposition or consciousness to even find minority entrepreneurs to support. While such “self-help” mindsets can often be controversial, this trend is not one that can be ignored.

C. Corporate Responsibility in Purchase Decisions

In addition to ethnic identification as a component of consumer purchase decisions, an increasing number of all consumers are considering corporate social responsibility in their purchase decisions. Past research has shown that consumers expect corporations to behave ethically and to be good citizens by doing things like protecting their environment. This research has also shown that consumers do in fact reward firms that act in a responsible manner as long as they are aware of what the firm is actually doing (though the exact impact of this is often difficult to measure). Reactions to corporate responsible activity are particularly prevalent among women, who have been shown to be more sensitive than men to corporate responsibility appeals. This has significant implications in both the development and marketing of things like supplier diversity programs, especially for consumers who are not members of the targeted minority groups. In today’s society, an increasing number of consumers, minority and non-minority, want evidence that the companies that they are supporting are doing “the right things”.

3. Diversity at Walgreens

Walgreens was founded in 1901 by Charles Walgreen Sr., who opened one store on the corner of Bowen Avenue and Cottage Grove in Chicago, Illinois. Mr. Walgreen improved on the traditional drugstore concept by adding soda fountains and a lunch counter, but his primary differentiator was the development of his own line of drug products, which launched the company’s long history as a pharmacy. Today, Walgreens is the largest drugstore chain in the United States with over \$63 billion in revenues in 2009 and nearly 7,500 stores worldwide. Sixty-five percent of the company’s revenues come from sales of prescription drugs. Today, Walgreens stores are generally built as free-standing locations on the corners of busy intersections, often making the stores the prototypical “corner drugstores” in their respective communities but also allowing for special amenities like drive through pharmacies.

Walgreens has often attempted to position itself as a neighborhood pharmacy rather than as part of a national chain and this desire for local autonomy has historically translated into a decentralized regional management structure with individual store managers retaining significant input and often final decision-making on the items included for sale at their respective location. In this way, Walgreens has often been able to provide goods and products on a local basis from local suppliers that often have not made it into the company’s national supplier system, complicating both the accurate count and national qualification of many smaller suppliers, including many minority suppliers. The company’s goal is for each store to meet the unique needs of the community it serves so that every customer can have a store they call "My Walgreens."

In 2005 Walgreens was sued by 14 African-American current and former Walgreens' employees who alleged discrimination. In April 2007, this case was consolidated with a class action lawsuit filed by the United States Equal Employment Opportunity Commission (EEOC) which alleged that the company discriminated against African American employees by denying promotions and assigning workers to low-performing stores. In April of 2008, the consolidated lawsuit was settled out of court for \$24 million. With the settlement, Walgreens acknowledged no wrongdoing and the company denies the lawsuit's claims.

In May 2006, Walgreens formed an Executive Diversity Council chaired by Gregory D. Wasson, the company’s President and CEO. The Council is comprised of executives and other key leaders in the Company whose diverse backgrounds, experiences, and viewpoints are meant to assist Walgreens in continuing their existing and implementing new diversity initiatives. In addition, Walgreens participates in a number of minority recruiting

programs, including InRoads, the largest not-for profit source of salaried corporate and retail internships for high performing ethnically diverse college students; campus recruitment for graduates and interns at Historically Black Colleges and Universities, Hispanic-Serving Institutions, and predominantly female colleges; local recruitment with community groups, congregations, and schools; and an internal "Job Opportunity Program" through which Walgreens employees can express interest in opportunities within the company. In addition, Walgreens has a Diversity Donation Scholarship. In 2008, Walgreens donated more than \$1 million to accredited colleges of pharmacy across the country in an effort to support diversity initiatives. On top of supplementing the classroom experience and training, part of the funding went to students who are making concerns about diversity a part of their professional training and future career.

Walgreens' supplier diversity program is an attempt to formalize an informal network of diverse suppliers that has existed at the company for years and take many of the best practices that were occurring at a local level and apply them nationally. The program includes businesses that are at least 51% owned, operated, and controlled by one or more individuals who are U.S. citizens in any of the following categories: Minority-Owned Business Enterprise, Women-Owned Business Enterprise, Lesbian, Gay, Bi-Sexual and Transgender, and Veteran or Service Disabled Veteran Business Enterprise, Historically Underutilized Business (HUB)Zone Small Business, and Employers of Workers with Disabilities. The goal of Walgreens diversity program is to increase spending with diverse suppliers to \$1 billion annually by 2011. Historical diverse supplier spending at Walgreens is given in Figure 1. The program is being implemented in three phases:

1. **Establish the Base:** Improved tracking of diverse suppliers throughout the Walgreens organization
2. **Sustain the Base:** Develop deeper relationships with diverse suppliers in order to find additional ways to work with them.
3. **Grow the Base:** Grow overall diverse supplier spend across the Walgreens organization

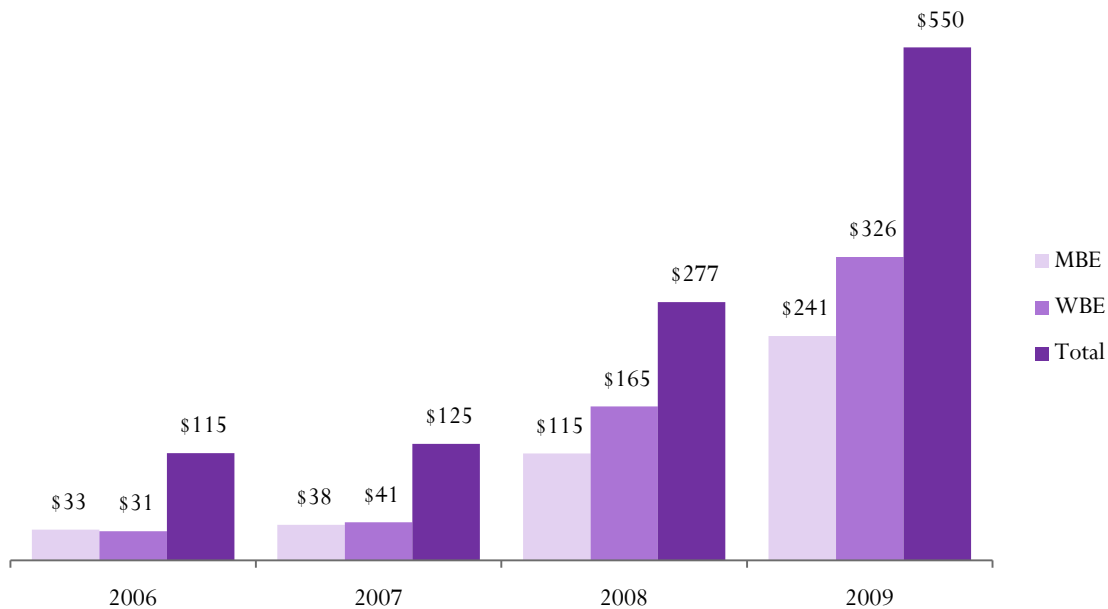


FIGURE 1: WALGREENS DIVERSE SUPPLIER SPEND (\$M)

As of 2009, Walgreens tracks 1200 minority owned businesses participating in its supplier diversity program. The minority owned businesses span most product and service categories and represented over half a billion dollars in revenues to these companies.

4. The Community Corner Project

In December 2009, Walgreens announced a new initiative to its minority suppliers called the Community Corner. Community Corner was designed as an awareness campaign which highlights products produced by diverse suppliers during a particular promotional period conducted in select Walgreens stores. These suppliers would be identified on store shelves with specially designed “Community Corner” shelf tags and would also be offered the opportunity to conduct special in-store demonstrations at various Walgreens stores throughout the country. It is believed to be one of the first national supplier diversity programs to identify specific minority-owned products to consumers with a direct appeal to consumers to purchase these products based partly on this identification.

Community Corner was announced to the first set of minority suppliers in December 2009 with the first program conducted with African-American owned suppliers in February 2010, which is also Black Heritage Month in the United States. If successful, programs would follow in subsequent months for women-owned businesses, Hispanic-owned businesses, and other groups. Community Corner included a national and regional advertising program that targeted periodicals read by African-Americans. The program included at no charge to the vendors:

- A “heritage message” for three weeks in the Walgreens ROTO circular (See Figure 2)
- A centerfold for the Walgreens Instant Value Coupon Book (See Figure 3)
- “Shelf Poppers” or shelf tags at specific stores that highlighted companies participating in the program (See Figure 4)
- An in-store communications plan at selected Walgreens stores. This in-store communications plan would include scheduled in-store demonstrations by minority vendors to drive consumer education and generate increased sales of the highlighted products, special displays by minority vendors in participating stores, and the distribution of program materials.

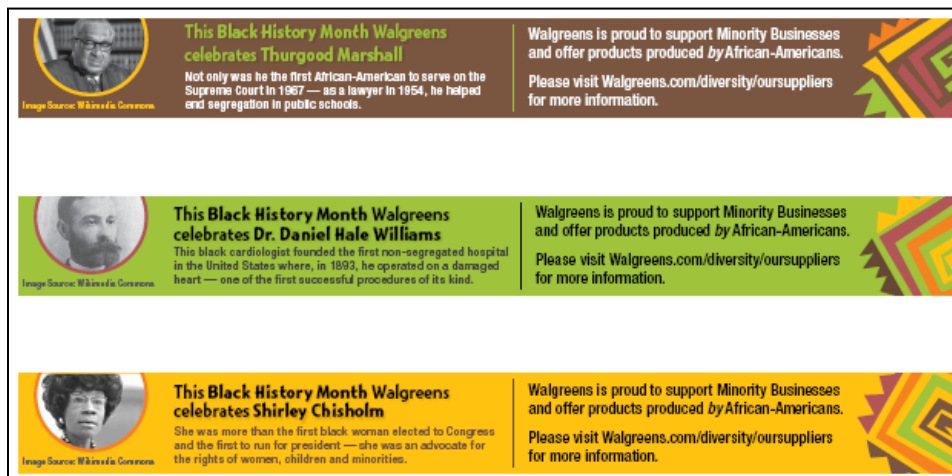


FIGURE 2: COMMUNITY CORNER MESSAGING IN WALGREENS CIRCULAR

For Walgreens the goals of the Community Corner project were three-fold:

1. To measurably drive sales of minority vendor products
2. To enhance consumer perception of Walgreens
3. To increase awareness of minority-owned suppliers and further strengthen the partnership between Walgreens and their minority vendors

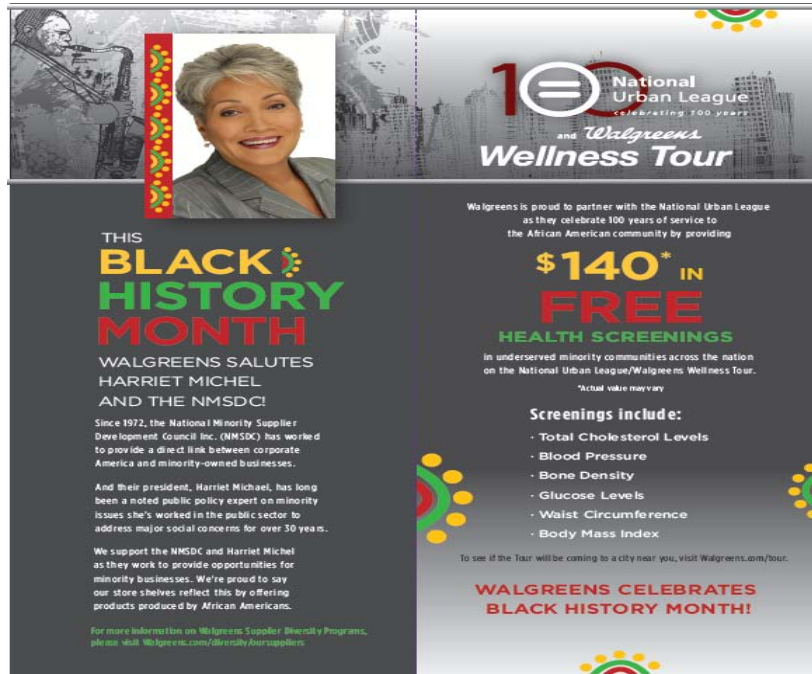


FIGURE 3 CENTERFOLD FOR WALGREENS COUPON BOOK



FIGURE 4: WALGREENS IN-STORE SHELF TAG

Nearly 1200 Walgreens stores participated in the Community Corner promotion during the month of February. As a part of the program, 280 three hour in-store sampling demonstrations were given across 30 states. Also included in

the program were multiple press releases, email and ecommerce features, and social media blitzes. The stores that participated spanned 33 states.

From Walgreens perspective the Community Corner Project serves as an important catalyst for identifying minority owned businesses and educating consumers on the importance of buying products not only “produced for,” but also “produced by” minority suppliers (in this case African Americans). This economic development appeal suggests that minority consumers will preferentially purchase minority-owned brands due to the proposed revenues, jobs, and taxes created in minority communities by such purchases. It also places Walgreens squarely at the forefront of this appeal, particularly in stores frequented by a large number of minority customers.

5. Community Corner - Supplier Perspective

In this section we explore the perspective of the minority owned suppliers being targeted by Walgreens for this initiative. As discussed previously, small minority-owned businesses often face significant challenges such as lack of financial and human capital. The resources needed to launch a national advertising campaign or even purchase space in the Walgreens circular is often lacking among many of these companies. Thus the opportunity to participate in a national project like the Community Corner, with Walgreens providing unprecedented and costly marketing opportunities and direct access to the customers through the in-store demos, represented a rare opportunity for these suppliers.

The program was introduced to African American suppliers in December and was set to run during the month of February. Even within this short time frame, most of Walgreens existing suppliers generally thought the program would be worth their commitment and would provide visibility to their companies that would otherwise be difficult to secure on their own. When asked prior to the launch of the program, how successful they thought the Community Corner project would be on a scale from 1 (not at all successful) to 7 (extremely successful) the twelve responding vendors averaged 5.82 (Standard Deviation = .71). One supplier expressed great pride in being “among the family of African American products offered at Walgreens.” Another said they thought the customers would respond favorably to the program and will be “inspired by seeing a familiar brand in their local Walgreens store. I think it will validate their confidence in the store.”

Many of these suppliers have participated in company sponsored supplier diversity programs in the past. With that experience came some natural skepticism about how much impact this particular initiative would have on their companies and on their relationship with Walgreens. One question voiced prior to the launch of the project was what will make this project different from all of the other supplier diversity projects they had been involved in during the past? Many of the suppliers had previous experiences with various corporations where a new person would join in a corporate diversity role initiating new programs, events, and other activities that unfortunately would often be short-lived and ultimately lead to few lasting changes. The reaction to the Community Corner project was thus generally optimistic but decidedly cautious on the part of some suppliers.

One aspect of the Community Corner project that made it unique was the fact that suppliers would be readily identified as minority owned businesses. Shelf tags identifying the product as produced by an African American were planned for the month of February (and beyond if store managers so desired) (see Figure 4). These tags were one of the primary ways products would be identified for the consumer. A concern voiced by several of the vendors was whether or not identifying their products as “produced by African Americans” was going to help or hurt the success and reputation of their products. Suppliers were wary of being identified as a “niche ethnic brand” versus a “general

market brand.” Prior to the launch one of the vendors stated that their “products are not ethnic, and (that) some white consumers may deem them to be and not purchase them because they feel they are made with some special raw materials only for African Americans.” This concern was voiced mainly by suppliers whose products were being sold to a broad array of customers, often with African American consumers accounting for less than 20% of their sales. For these suppliers the prospect of being explicitly identified as African American brought the concern that their products might be stigmatized, negatively labeled, and seen as produced mainly *for* African Americans. One supplier said “it is not important that consumers identify our products as ‘produced by an African American’. At point of purchase, it is of utmost importance, however, that our consumers recognize our product as one of quality.”

Ironically, given the skepticism of many of the minority suppliers who produced general market products, data from the Community Corner project (which will be discussed in detail later in this document) showed that these companies on average benefited more from the Community Corner project than did their counterparts who produced products primarily for ethnic markets. The Community Corner project provided much needed free marketing, customer access (through the demos), and retailer endorsement for these companies. Thus, their products, which could be consumed by any consumer and required no special needs, were provided a much needed boost increasing the likelihood that their products would be sampled during the program by a large number of customers.

6. Community Corner - Customer Perspective

The Community Corner project was designed by head of supplier diversity, Gleatha Glispie, as a tool to demonstrate Walgreens’ long term commitment to minority suppliers and consumers. According to Walgreens, the key to the success of Community Corner would be the reaction of customers. From Ms. Glispie’s perspective, it was not sufficient for individual minority suppliers to just produce their products and simply have Walgreens then put them on the shelves. She felt that ultimately grouping the suppliers together in one marketing program created a “strength in numbers” that was more visible, easier to measure, and both internally and externally served as a stronger call to action. The ROI for both the suppliers and for Walgreens depends on increased sales; therefore, it was critical for customers to actually purchase products from suppliers participating in the program in meaningful amounts. Glispie believed that consumers would essentially make a “vote/purchase” knowing that they were supporting products produced by African Americans during “Black History Month”. According to a communiqué with district managers at Walgreens the plan was clear “The Community Corner program is designed to help Walgreens customers recognize community-built brands produced by diversity vendors. Overall, the program demonstrates Walgreens’ commitment to the community, allows customers to support minority-owned brands, and provides a marketing program for diversity vendors.”

Two basic questions about Walgreens consumers were raised by the Community Corner project: 1) Would minority consumers increase their purchases of products that they knew were produced by minority suppliers? 2) Would non-minority consumers become negatively predisposed towards products that they learned were produced by minority suppliers? Community Corner was not a program that was rolled out to all Walgreens stores nationwide, it was conducted at a select subset of stores, including many in diverse communities. While there was not a detailed consumer attitudes study done in conjunction with the Community Corner project, anecdotal information from suppliers indicated positive responses by consumers who shopped in Community Corner stores.

7. Results of Community Corner

A. Walgreens Results

Summary results for Community Corner for Walgreens included:

- 12 % increase across the total chain in sales among the 17 featured products
- Three top selling states were Wisconsin, New Jersey, and Indiana
- The three stores with the largest increase in profit were in Indiana, Missouri, and Mississippi
- In addition to in-store sales, 475 items were purchased through E Commerce on Walgreens.com
- The Community Corner Media Plan generated 27 online articles, 4 news stories, and a TV feature

Additionally, more than 250 shoppers signed up during in-store demonstrations to be on a Community Corner contact list for future promotions. Executives at the company were generally pleased with the results and planned to continue the promotions throughout the year with other minority groups.

B. Supplier Results

The results for suppliers who participated in the Community Corner program were decidedly positive. The majority of merchants who participated in the program (81%) saw sales increases at Walgreens over the same period during the previous year. See Table 1. While not all of these changes could be seen as the direct result of the Community Corner program, many of the suppliers gave significant credit to the program for exposure that they would have otherwise been unable to achieve on their own. Selected comments from post-program interviews conducted by Kellogg include the following:

- From a general market food product company:
 - "...huge increase in stores outside of our normal high-performing stores..."
 - "Program was very well-organized and done quickly."
 - "The African-American label was more important in African-American areas."
- From a general market personal care product company:
 - "We sold out our merchandise but the stores didn't order extra in preparation for the promotion. This may have led to customers questioning Walgreens commitment..."
 - "None of the other retailers have done something like this. I definitely want to be involved in a future program..."
 - "It allowed me to develop a relationship with store managers and that is invaluable"
 - "We wanted to ensure that our product was not pigeon-holed as an African-American product..."
- From an ethnic products company:
 - "The program went pretty well. New people that have never heard of our company are now supporting us."
 - "We were having some issues with shelf space and advertising in select stores. The Community Corner initiative was able to help alleviate some of those issues."
- From an ethnic personal care products company:
 - "The program was only fair for our business. We were locked out of several markets due to store participation"

- “We strengthened our relationship with Walgreens, qualified some new service providers, built awareness, and generated trial of our products in ten markets.”

TABLE 1- CHANGE IN SALES FOR PARTICIPATING SUPPLIERS AT WALGREENS DURING PROGRAM (COMPARED TO SAME MONTH IN 2009)

Item Category	% Sales Change YOY	Comment
Food Product	9.3%	
Ethnic Personal Care	12.1%	
Ethnic Personal Care	31.4%	
Ethnic Personal Care	34.1%	
Ethnic Personal Care	-5.3%	
Ethnic Printed Material	185.2%	
Food Product	-44.1%	Item removed from several stores
Ethnic Personal Care	2.8%	
Ethnic Personal Care	4.6%	Item had a package change during program
Food Product	100.0%	
Ethnic Personal Care	-17.1%	
Ethnic Personal Care	0.8%	
Ethnic Personal Care	8.5%	
General Market Personal Care	9.4%	
General Market Personal Care	2.6%	
General Market Personal Care	+1000%	Item added to several new stores
General Market Personal Care	9.9%	
Ethnic Personal Care	49.6%	
Ethnic Personal Care	27.3%	
Food Product	-22.7%	All SKU's were not featured in program
Ethnic Personal Care	3.8%	

8. Conclusion

It is extremely difficult for corporations to directly calculate a specific numerical Return on Investment (ROI) figure for their supplier diversity programs (and really for any of their corporate responsibility programs) due to the fact that much of the influence of these programs is indirect and virtually impossible to determine outside of a scientifically-based, longitudinal study that in many instances may cost more for data collection than the actual program under consideration. Attempts to develop a Supplier Diversity ROI methodology are often fraught with intellectual leaps and estimates. While things like sales upticks are easy to capture, directly measuring the impact on Walgreens brand equity in a particular community due to the presence of a program like Community Corner, or directly measuring the number of jobs created over the long-term at a supplier that participates in the program, can be in many ways an exercise in futility.

Ian Worthington, in a recent paper on the business case for supplier diversity suggests a broader perspective on the case for supplier diversity that includes not just financial advantages, but also “any important benefit...to flow from the decision to engage in supplier diversity”. The author identifies four areas where supplier diversity programs can provide organizational benefits and we use this definition and the qualitative framework he developed to evaluate Community Corner’s impact. Worthington suggests four major areas where supplier diversity can impact an organization: improved organizational performance, building stakeholder relationships, contributing to strategic objectives, and responding to a changing external environment.²

A. Improved Organizational Performance

For Walgreens, a number of arguments can be made about supplier diversity and its impact on organizational performance. First, by supporting diverse suppliers and carrying their products, Walgreens gains access to and knowledge of minority markets that can help it develop new services and offerings that will differentiate it from its competitors. Additionally, due to its support of businesses in minority communities, Walgreens is poised to reap the benefits associated with local economic development and growth. The goals of economic development, which include thriving businesses and working consumers in the communities that they serve, are some of the most important benefits of the Community Corner program at Walgreens. If Walgreens consumers’ are informed about the company’s commitment to the community, and subsequently purchase products produced by local African American vendors, then those vendors will hopefully thrive in the long-run. These vendors will be able to grow and then ultimately hire more members in the community, who will then become more economically viable and loyal to Walgreens for their pharmaceutical and local shopping needs. For direct retailers like Walgreens this kind of investment in the community is expected to ultimately return dividends to the company through committed customers, stronger relationships with community leaders and government officials, improved brand image, and successful vendors who want to put their products on Walgreens shelves. This commitment to the indirect return on investments in supplier diversity programs is ultimately what should fuel this effort at Walgreens.

B. Building Stakeholder Relationships

Programs like Community Corner at Walgreens help organizations by not only giving them better insight into the needs and expectations of minority consumers, but also can help to create a “reservoir of goodwill or trust” both within and beyond the minority community that can engender positive attitudes and responses from customers, local groups and organizations, employees, etc. Retailers like Walgreens are in a unique situation in local communities, because in many ways they are a “pass through” for many customers to minority suppliers. The dearth of minority retailers in many minority communities means that major retailers who carry minority products and are active in the minority community have an opportunity to build up goodwill in the community. The fact that Community Corner identifies minority suppliers and highlights their participation with Walgreens is a unique way to deepen relationships with all of the key stakeholders in a local community.

It is important to note that building trust in minority communities takes some time. A one-time program or inconsistent messaging from the company may only confuse consumers and have them raise questions about the sincerity of the diversity initiative. Given the historical distrust that has often existed between minority consumers and large consumer organizations, a revolving door of changing initiatives, inconsistent programs, and varied marketing might only serve to confuse or even alienate consumers. Companies who do not put the budgets and overall organizational efforts into programs like Community Corner risk undercutting the precise message that they are trying to communicate about their diversity efforts.

² Worthington, Ian, “Corporate Perceptions of the Business case for Supplier Diversity: How Socially Responsible Purchasing Can ‘Pay’”, *Journal of Business Ethics*, 2009.

C. Contributing to Strategic Objectives

Initiating a program like Community Corner allows Walgreens to demonstrate its overall organizational diversity objectives in a very public manner. While the supplier diversity initiative may be the most visible activity for consumers, this initiative may serve as the conduit for further exploration into Walgreens' overall diversity strategy, including its employee diversity programs. Consumers who get introduced to Walgreens' diversity initiatives through Community Corner may eventually consider becoming Walgreens' employees, furthering the company's overall diversity agenda. Additionally, the public success of a program like Community Corner can serve to demonstrate that a company like Walgreens is attempting to be a proactive leader in the area of diversity rather than being reactionary because of public pressure or other external factors.

D. Responding to a Changing External Environment

Finally, and perhaps most obviously, for public-facing retailers like Walgreens, ignoring the changing demographics in today's consumer marketplace would put them at a significant disadvantage in the future. As the minority population grows in both size and influence, many social, political, and legal activities will trend towards things like equality of treatment for individuals and groups, resulting in increased pressures on organizations, especially those that touch consumers on a regular basis, to review and examine their procurement practices, hiring practices, etc. Programs like Community Corner start these conversations earlier and on more positive terms.

In general, companies need to be aware of how their ethnic consumers and suppliers perceive their commitment to their community's economic growth and their economic standing in society. Companies who are able to develop strategies that work both for their own bottom line and for the bottom line of the communities they touch are going to be a step ahead of the competition. If Walgreens' goal is to help these communities, doing so visibly through the Community Corner Program allows the company to demonstrate its role and commitment to the community while helping these communities and presumably Walgreens grow economically. The implicit message in Community Corner is "Walgreens will invest in you, please consider investing in us" and that message is difficult to state in any other way except through a public demonstration like Community Corner. The long term impact of a program like Community Corner may never be completely measurable, but a haphazard, reactionary approach to supplier diversity will certainly not result in huge returns. Only time will tell.