

2020 Benchmark Plan For Parity

Volume 2

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Introduction

In 2017, we published a research document titled **2020 Benchmark Plan For Parity**. It was part of the 18th Annual Rainbow PUSH Global Automotive Summit. The document highlighted benchmarks in specific areas of the industry that we urged OEMs to strive for by the year 2020. Those areas and benchmarks included:

- **Employment** – 20% of every OEM’s top 25 C-suite executive hires should be African American, and each OEM should have at least one African American vice president.
- **Advertising** – Every OEM should have an African American Agency of Record.
- **Marketing** – OEMs should allocate a portion of their marketing budget to charitable giving, while also genuinely supporting meaningful causes geared toward African American consumers.
- **Procurement** – Every OEM should tie their purchasing executives’ compensation and evaluation to successful implementation of diversity procurement, while also ensuring sustained access to opportunities for African American suppliers.
- **Dealerships** – African American-owned dealerships should grow by 10% between 2018-2020.

As we inch closer to the year 2020, it is imperative that we review how the automotive sector has advanced toward the stated goals above. Much work remains to meet those benchmarks, but the progress made over the past two years must not go unacknowledged. This document explores the ways in which the industry has taken progressive steps in route to a more inclusive environment, while also examining those areas where the industry continues to fall short.

Industry benchmarks are not charity — especially when aimed at benefiting African Americans — nor should they be viewed as pacifying concepts aimed at silencing and placating those who champion diversity’s worthiness. But rather, industry benchmarks

are measuring sticks; a way to help improve OEMs’ ability to track and monitor their quest for developing equal access to opportunity. Benchmarks are quantifiable assessments that are best initiated when leaders take purposeful and intentional action. Benchmarks demand accountability. They require a plan. And, at times, they call for advocates who ceaselessly and unapologetically push for their implementation.

We are at a time in history when clarity of purpose is of the utmost importance. Parity in the automotive industry is needed, and we believe successfully reaching the aforementioned benchmarks places us on the path to attaining the levelness in the industry we’ve long fought for.

Employment

Benchmark: 20% of every OEM's top 25 C-suite executive hires should be African American, and each OEM should have **at least** one African American vice president.

The employment benchmark is arguably the most consequential of those listed in this document. The C-suite, of course, is where corporate influence is best wielded and where the course of an organization takes shape. Without a presence in the boardroom, the interest of those not represented could be easily ignored. What's more, the employment benchmark essentially contributes to internal and external successes. If an OEM's C-suite reflects the benchmark that we highlight here, it could very well result in a more diverse and inclusive corporate structure across the board. Automakers must promote diversity in its management pipeline.

Despite the employment benchmark's significance, the industry as a whole fell short of hitting it. African Americans do not make up 20% of any company's top-25 C-suite executive hires, and not every OEM has at least one African American vice president. In fact, less than half of the 12 largest OEMs even have an African American vice president.

We do acknowledge that some companies have a flat structure and thus have a limited number of corporate executives. We also

acknowledge that this specific benchmark is realized only as the result of specific efforts over a long period of time. The tide doesn't turn right away, and corporate executives in a global industry aren't created out of thin air. They are identified early on and shaped and molded in a way that properly prepares them for eventual ascension to the C-suite.

One of the ways the industry has improved in this area is hiring interns — a high percentage of which are African American. This is a true grassroots effort within the automotive sector to fill the employment pipeline with young, smart professionals who can eventually scale the corporate ladder. This process lays a solid foundation upon which to build a modified culture whereby inclusion is not only obvious but celebrated and embraced. It's a modified culture whereby young professionals are properly groomed and mentored and ultimately prepared for the heights to which they will ascend. Again, reversing the generations-long philosophy of filling the C-suite with non-African Americans takes a purposeful and conscious effort. Discernable change in this area is possible. But it starts with OEMs overhauling their approach, and they have.

Advertising

Benchmark: Every OEM should have an African American Agency of Record.

Advertising is the dialogue between companies and their prospective consumers. It is used, in part, to develop a relationship with those consumers; to establish a rapport that's built on mutual trust and understanding. Advertising, therefore, is a critical component in a company's overall standing in the marketplace. Consequently, marketers' messaging must be fused with genuine and culturally vetted content that is free from insensitive representations.

Having an African American Agency of Record goes a long way toward adhering to those basic tenets of communication. But Rainbow PUSH urging OEMs to engage with African American Agencies of Record predates this current fight for establishing an advertising benchmark. Rev. Jackson and others have long realized the undeniable link between a lack of diversity in the advertising space, and ill-advised representations of African Americans and other people of color that make it to the airwaves.

Since Rainbow PUSH began its fight for better representation in advertising, there has been distinct improvements. OEMs have engaged with African American agencies to serve as their AOR. We have seen these African American agencies develop creative content and craft strategies that assist their OEM clients with improving communication to both general market and minority consumers.

In lieu of identifying an agency of record, one OEM has adopted the strategy of sending out a Request for Proposal as a way to gather creative concepts. This solicitation results in the OEM receiving a number of ideas from a wide array of agencies, and it selects the concept that best

matches its purpose. While this approach doesn't necessarily mean an abandonment of the AOR relationship entirely, it does signal that the marketplace is open to alternative methods of developing connections with African American agencies. We applaud that strategy but remain mindful that OEMs must administer it in good faith. Going through the motions of simply adding African American agencies to the RFP process without it eventually resulting in secured contracts presents an altogether different dilemma. But it bears repeating: the industry has shown some progress over the years, yet much work remains if we are to see all OEMs with an African American AOR.

Marketing

Benchmark: OEMs should allocate a portion of their marketing budget to charitable giving, while also genuinely supporting meaningful causes geared toward African American consumers.

American companies are a charitable lot. In 2018, foundations and companies gave a total of \$428 billion to charity — an admirable total by any measure. We can be sure that their generosity did not go unappreciated by those who benefitted from it. Companies contributing to charitable organizations is nothing new. But when we look beyond the surface, we learn that companies routinely fund their charitable contributions through their philanthropic budget.

We have also learned that companies that fund their charitable giving through their marketing budget tend to have a more engaged connection to the cause. That higher level of engagement does not go unnoticed in African American communities. According to a 2018 Nielsen report, more African Americans, by percentage, expect their favorite brands to support social causes than any other demographic. This creates a unique opportunity for companies that are savvy enough to take advantage.

And, indeed, some companies have taken advantage. There are OEMs that routinely promote and support events that target African American consumers and have done so for quite some time. A few of these events bear the OEM's name as the presenting sponsor, becoming as much a part of the event's brand as the event itself. This scenario not only ignites the OEM's standing within the African American community in the short-term, but it fortifies African Americans' brand loyalty in the long-term that research shows runs deep in that community. African Americans will staunchly support companies that display social responsibility and cultural sensitivities, so it's a sound business decision for OEMs.

Engaging with African American media presents a distinct set of challenges because of the dwindling number of traditional African American media outlets. But where traditional media ends, social media begins. African Americans engage fully with social media, as a study from Pew Research earlier this year revealed that African Americans make up 24% of Twitter's U.S. users. We urge OEMs to supplement their marketing efforts with more interactive social media engagement. This way, they will strengthen their ties to both prospective and current African American consumers.

PROCUREMENT

Benchmark: Every OEM should tie their purchasing executives' compensation and evaluation to successful implementation of diversity procurement, while also ensuring sustained access to opportunities for African American suppliers.

If the employment benchmark, as stated earlier, is the most consequential on this list, procurement is certainly the most challenging. Procurement is the most economically significant of them all, as nine- and ten-figure contracts are regularly agreed to. This monetary truth increases the stakes while also bringing attention to the imbalance in the industry.

Over the years, Rainbow PUSH has spearheaded efforts for African American suppliers to meet and engage with OEMs. This has resulted in numerous qualified suppliers securing business. Some OEMs have proven their commitment to the cause while others simply show an interest but no perceptible action. This is a critical juncture in the industry with little time for ambivalence. African American suppliers are as qualified as any other, but the lack of sustained access to opportunities has caused many of them to shutter. Over the past two decades, about two-thirds of all African American suppliers have closed their doors, dwindling from more than 60 to approximately 20 today. That has a devastating affect not only on the business itself, but the community at large. African American businesses are the main source of wealth creation in urban communities, and it is that wealth creation that spawns community development, thriving local economies and jobs and careers for other African Americans.

OEMs are all mindful that a strong supply chain is the lifeblood of the industry. But it appears that not all OEMs are mindful that a vibrant and qualified African American presence is integral to the industry. OEMs that grasp that notion tie successful execution of diversity efforts in procurement to executives' compensation package. An automotive executive whose mission is to fortify the company's procurement efforts while also strengthening diversity in the supply chain—all while being financially rewarded for his or her efforts—is about as straightforward an incentive as one might hope for.

The opportunity deficit African American suppliers encounter falls on the OEMs. They have a moral obligation to ensure a level playing field and must do more to adopt initiatives that place the industry on the fast track to sustained diversity and inclusion.

Dealerships

Benchmark: African American-owned dealerships should grow by 10% between 2018-2020.

As the only element of the industry that engages directly with the consumer, it is important that the dealer network reflect the varied composition of the marketplace. This has been an ongoing battle in the overall push for economic inclusion, yet incredible obstacles remain. In general, the degree to which African Americans supplement the industry suggests that there be greater representation in the dealership space, not to mention the progressing population shift within our country from a majority-white nation to a majority-minority nation.

It is acknowledged that the 10% growth benchmark of African American dealers is an aggressive goal. The industry hasn't experienced that level of growth since 2004-2005, when the number of African American dealers grew year-over-year by 12%, going from 669 to 751. Despite the inherent challenges of increasing dealership numbers to that degree, one OEM managed to increase its African American dealership count by 11% between 2015 and 2018. That milestone came courtesy of forthright efforts geared toward a specific goal. Rainbow PUSH applauds the company's determination in getting it done.

While other OEMs might have fallen short of the benchmark, several have implemented strategies that they anticipate will garner tangible benefits over the long haul. One strategy of note is an OEM's new minority dealer development program. It's a singular step along an extended journey toward parity, but it represents forward movement, and that's the only way we can improve matters in the dealer space.

It should be noted, too, that we take into consideration when African Americans sell their dealers to non-African Americans. Rainbow PUSH does not view that transaction punitively toward the OEM in any way. But it does highlight a process whereby NAMAD and the OEM could perhaps work together to facilitate the sale of

that dealer to another African American. In addition, OEMs must exercise first right of refusal where states permit and utilize these opportunities for African American dealers. Moreover, there should be a support program to identify African American dealers with issues early on, rather than later when viable options are non-existent.

African Americans purchase eight out of every 100 new vehicles yet own only 1.4% of dealerships. We must close that reciprocity gap. Whether we realize growth from acquisitions or through open points in the market, the end result is the need for greater access to opportunities. As the one OEM that reached the benchmark proves, a dedicated growth strategy for African American dealers is certainly within reach.

CONCLUSION

The automotive sector is one of the most consequential industries in the African American community. From the early period of offering line workers \$5 a day, to the more modern concept of being a source of entrepreneurial wealth-creation, the industry's financial viability has elevated African Americans on every rung of the economic ladder for generations.

We believe the benchmarks listed in the preceding pages are important and offer realistic outcomes that can fuel parity. These benchmarks were developed to help aid OEMs with strengthening their supply chain while also igniting a stagnate diversity movement. We intend for OEMs to view these benchmarks as corporate constructs that help define the means by which attaining equality can be achieved. To be sure, these are aggressive ideals that perhaps run counter to how some OEMs might view things. That's not an altogether bad thing. True understanding comes when two sides get together for a common cause, fusing their strategies together, with the anticipation that something greater arises.

The 2020 timeframe we've attached to these benchmarks helps gauge OEMs' commitment to the process. It also signals the urgency with which these issues must be addressed. But one thing is certain: a failure to address the lack of parity puts the industry in a perilous state.

Rainbow Push will evaluate the auto industry in 2024, as we celebrate the 25th Annual Global Automotive Summit.



About the author: Damon Autry is a Detroit-based writer and corporate communications consultant. This is his eighth research document for the Rainbow Push Automotive Project. He also does work for the United Auto Workers, Ford Motor Company, Bridgewater Interiors, Chemico Group, and others. Learn more at www.autrymediagroup.com.