

Diversity SCORECARD

TARGET, KROGER AND WALMART OUTPERFORM PEERS, WHILE COSTCO, AMAZON AND ALBERTSONS LAG. > By William C. Wertz

It is common for retailers to make bold pronouncements about the importance of and demonstrate a commitment to diversity and gender equality. Whether it is an executive speaking at a conference, providing financial support to diversity organizations or a corporate social responsibility report, diversity is an area where there is unanimous alignment among retailers.

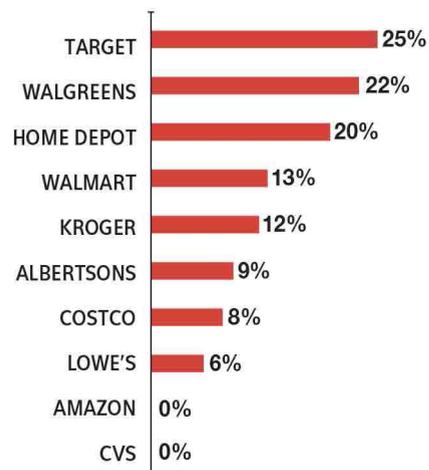
Diversity is a hugely important societal issue that has implications for how shoppers perceive retailers and major retailers in particular. Corporate reputation is one thing, but diversity also affects how retailers manage operations, which in turn affects overall business performance. Retail Leader wanted to assess the state of diversity in the retail industry, but found there to be no single report or study of the issue that could serve to benchmark the state of affairs. This lack of information is noteworthy because there tends to be a general assumption that minorities and women are under-represented among the ranks of senior retail executives. Simple observations indicate this is true, but quantifying the state of diversity is another matter.

A logical place to turn for industry data are two of the retail industry's largest trade groups — the Retail Industry Leaders Association (RILA) and the National Retail Federation (NRF). However, neither of the organizations whose membership is broad-based maintains statistics on the ethnic composition of their members' labor force, including executive ranks. Retail Leader also checked with major consulting firms and diversity focused organizations, neither of whom were able to provide data on the state of diversity.

Data is available on the national level but it offers little insight into the senior executive situation. Bureau of Labor Statistics data shows the number the number of blacks, Asian and Hispanic workers employed in retail companies mirrors closely the number employed in the workforce as a whole. This is hardly surprising considering U.S. Census Bureau figures show that people of color currently make up nearly 40 percent of the American population and that women constitute a majority of 51%. Since the retail sector is one of the nation's largest employers it would be reasonable to assume that overall retail employment closely tracks the U.S. population, and that in fact is the case. The most recent BLS data show the overall national workforce as 11.7%

DIVERSITY SCORECARD 2017

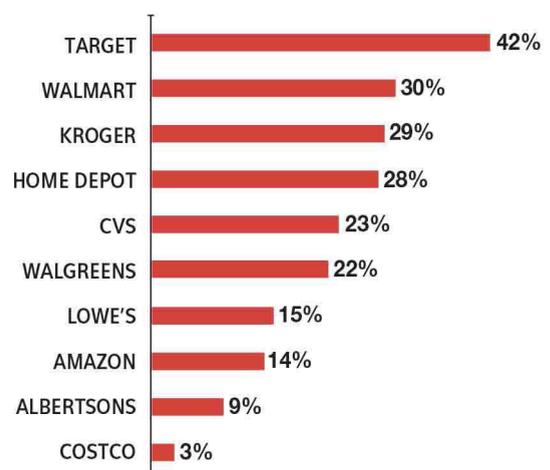
Percentage of Executive Management Positions at the Top 10 U.S. Retailers by Race



SOURCE: Company reports and *Retail Leader* research.

DIVERSITY SCORECARD 2017

Percentage of Executive Management Positions at the Top 10 U.S. Retailers by Gender



SOURCE: Company reports and *Retail Leader* research.

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black, compared with 12.1% in retail. Hispanic employment overall is 16.4% vs. 16.8% in retail, and Asian employment overall and in retail are identical at 5.8%.

In the absence of data on the ranks of senior executives, Retail Leader set out to create a diversity scorecard for the nation's 10 largest retailers. Just as these companies scorecard their suppliers on a host of metrics, we wanted to assess the diversity of major retailers' senior executive teams however they choose to define the size of that team. (See methodology on page 38).

At a high level, the numbers show an industry still struggling to move women and people of color into key positions of responsibility that is reflective of the composition of their

overall workforce. Currently, no black, Hispanic, Asian or woman heads a top 10 retail company, although there have been some notable exceptions in recent years. For example, Rosalind Brewer, a black female, served as CEO of the \$57.4 billion Sam's Club division of Wal-Mart Stores, Inc., until she left her position in early 2017. The highest ranking black male executive of the past decade was Aylwin Lewis, the former CEO of Kmart who became CEO of Sears Holdings when Sears and Kmart combined. He left the company in 2008.

Individually, the largest retail companies assert that they are making their management teams more diverse. For example:

Walmart: The nation's top retailer established a diversity office in 2003 and in its most recent report, CEO Doug McMillon stated, "I'm proud of the intentional work we've done over the past decade to broaden our talent pool and diversity of our leadership ranks." The company noted that 22% of its corporate officers in 2015 were "people of color," a slight decline from the 23% reported the previous year, but up from 20% reported in 2012. Corporate officers is a broader universe of executives than the 40 senior-most executives *Retail Leader* used to calculate Walmart's score.

Kroger: The retailer's 2016 Sustainability Report indicates that the company "is committed to fostering an environment of inclusion where diversity is appreciated as a competitive advantage." It noted that 21% of its exempt associates were "people of color," but did not specify the percentage of company officers who were nonwhite.

Costco: The nation's third largest retailer has a diverse workforce and a spokesman said, "Our mission is to foster a climate of inclusion to take advantage of that diversity." The company said three of its 38 executives, senior officials and managers, or 8% were "people of color." All are men.

Home Depot: In its 2016 Diversity and Inclusion Report, Home Depot did not provide specific percentages of "people of color" in its executive ranks. However, Ann Marie Campbell, a black woman who is Executive VP of U.S. Stores, said, "Just as we value a diverse mix of products and services to compete in the marketplace, we also value diversity in our workplace. Looking ahead, I am excited to lead the team that will continue driving an inclusive environment."

Walgreens: A commitment to continuously improving diversity and inclusion has always been part of the Walgreens DNA, and those values remain central to cultural beliefs, according to the company. Kathleen Wilson-Thompson, a black woman and Walgreens' chief human resources officer, said, "We want to create an innovative and agile talent pool, one that's diverse and fosters a powerful cross section of thoughts and ideas." Walgreens said 34% of its managers overall are "people of color."

Target: Target scored highest in terms of racial and ethnic diversity on its self-identified 12 person executive management team. "As champions of diversity and inclusivity, we're making our business stronger, building our talented team,

DIVERSITY SCORECARD METHODOLOGY

Obtaining a clear picture of gender and ethnic diversity at major retailers is a challenging proposition compounded by varying classification and disclosure practices among companies. To compile the diversity index of the 10 largest U.S. retailers, Retail Leader probed company web sites, press releases, regulatory filings and other publicly available documents and reports for lists of senior management as defined by the companies. Some companies listed senior vice presidents and above, while others listed executive vice presidents and above which caused a variation in the total number of executives the companies regarded as part of their senior leadership team. The executives on each list were categorized by Retail Leader as being male or female, non-Hispanic white, black, Hispanic or Asian. Such determinations were based on primary research supported by third party sources deemed reliable. Given the sensitivity of the information and to ensure accuracy, each of the ten companies was given the opportunity to verify the categorized lists as being an accurate representation of their senior management team. Seven of the ten companies provided this verification. Three companies — Costco, Lowe's and Amazon — were willing to confirm the names of executives on the list but declined multiple requests to identify individual executives by gender or ethnicity for purposes of calculating the scorecard.

and working toward a more equal society,” according to Laysha Ward, a longtime executive and black woman who serves as executive vice president and chief corporate social responsibility officer.

CVS: None of the senior executives on CVS executive management team are people of color. However, the company noted that it serves millions of people every day and for the company to thrive it is important to have a workforce that reflects its customers and the communities they live in. “We can’t always control what goes on outside our company walls, but we can and will stay committed to our Purpose and Values. As a senior leadership team, we can and will maintain our culture of respect and our appreciation of diversity and inclusion at CVS Health,” said Lisa Bisaccia, EVP and Chief Human Resources Officer for CVS Health. “To sustain breakthrough innovation, we must seek out, listen to and leverage everyone’s voices and ensure that every individual feels equally valued, respected and appreciated.”

Lowe’s: The dedication to diversity and inclusion at Lowe’s “grows from the steadfast values of our employees and extends to every corner of our company. Recruiting, developing and retaining a diverse work force ensures a welcoming customer experience, enhances partnerships and strengthens community involvement,” according to a statement on the company’s Web site.

Amazon: As a predominately online retailer, Amazon is often compared with other high tech companies that have been criticized for their lack of minorities and

women in the workplace. And rightly so since none of its 14 member executive leadership team are people of color. The company has maintained that the educational system is partly to blame because young women and minorities are not encourage to pursue math, science, technology and engineering.

“We are working to develop leaders and shape future talent pools to help us meet the needs of our customers around the world,” Amazon says on its web site. “We believe that diversity and inclusion are good for our business, but our commitment is based on something more fundamental than that. It’s simply right.”

Albertsons: “A diverse workforce can capture a greater share of the consumer market,” said Jonathan Mayes, Albertson’s senior vice president of public affairs, government relations, philanthropy, sustainability and diversity affairs. “It helps businesses more effectively market to consumers from different racial and ethnic backgrounds, women and others.”

Mayes cited a McKinsey & Co. demographic study that looked at 366 publicly traded companies in a range of industries. In the grocery business, he said, the companies in the top 25% for racial/ethnic diversity were 35% more likely to have higher-than-expected financial returns.

The McKinsey study also found that for every 10% increase in racial and ethnic diversity on the senior executive team, earnings before interest, taxes, depreciation and amortization (EBITDA) rose nearly 1%. “In other words, they performed better, and it’s measurable, it’s not anecdotal,” Mayes said. **RL**

WALGREENS PROMOTES SUPPLIER DIVERSITY

To help achieve diversity among its supplier base Walgreens Boots Alliance this summer is hosting an innovative summit with industry partner ECRM (Efficient Collaborative Retail Marketing). During the all-day event scheduled for July 19 plans call for nine Walgreens category managers to have private meetings with up to 17 selected suppliers. To ensure the in-person meetings are successful, ahead of the summit ECRM will host two webcast presentations in which Walgreens representatives will discuss the company’s diversity program. Walgreens representatives will also outline the category managers’ expectations to help participating suppliers to better prepare for their in-person meetings.



▲ Rona Fourte

“Since the formalization of our program in 2007, we have worked with many diverse-owned businesses in the community,” said Rona Fourte, Director of Supplier Diversity for Walgreens. “The ECRM Diversity Summit builds on this commitment and we look forward to meeting suppliers with new innovative offerings to enhance the selection of items that our customers value as we champion everyone’s right to be happy and healthy.”

The format of the event — retailers and suppliers holding multiple pre-arranged meetings — is one that ECRM pioneered roughly three decades ago. The concept has been refined over the years to focus on specific merchandise classifications or opportunity areas such as seasonal or front-end. Applying the concept in a retailer specific way to an area like supplier diversity makes perfect sense since Walgreen representatives will be able to host meetings with roughly 150 suppliers.