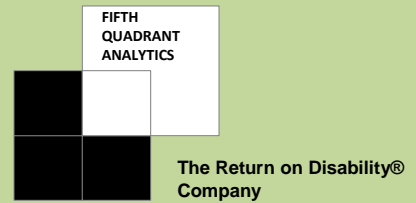


Sustainable Value Creation Through Disability

The Global Economics of Disability
Annual Report



An Emerging Market the Size of China

People with disabilities (PWD) are a large global market. With an estimated population of 1.3 billion PWD are an emerging market the size of China. Their Friends and Family add another 2.2 billion potential consumers that act on their emotional connection to PWD. Together, they control over \$8 trillion in annual disposable income globally. Companies seeking new ways to create value for stakeholders have a strong interest in attracting the spending of this increasingly powerful cohort.

Sustainability from Demographic Shifts

Since 1972, G10 economies have implemented laws that have created a legal platform for PWD to become equal members of society and full participants in the economy. The most successful of these laws are in education. The initial beneficiaries of these laws are now entering the workforce, where they command an estimated \$1.7 trillion in income globally.

The demographics of an aging population of so-called 'Baby Boomers' are adding to the number of PWD. As Boomers' physical realities change, their need and desire to remain active in society dovetails with the demands of PWD. They also control a larger share of the national wealth than any previous generation.

The result is three generations of skilled consumers who have similar needs, emerging identities and significant spending power. Companies and investors seeking to make additional returns in a market rewarding innovation are now including disability in their strategies and Environmental, Social and Governance (ESG) mandates.

Measure Action to Create Value

Talk is cheap. In order to create value, focus must shift from 'soft' platitudes around the 'right thing to do' to a measurable plan focused on specific actions for a profit-seeking entities to create value for shareholders in PWD markets. Hiring, marketing and product development occur in boardrooms, not from a podium. Each firm has a different reason to act in disability.

Our primary research shows that 31% of the largest US companies have publically observable activity in relation to PWD. Of the 639 firms analyzed, 7% are acting to create material shareholder value. There is an opportunity for value seeking entities to be first movers connecting with a material new market requiring low levels of additional investment. The successful firms will be the ones that act immediately to seize this opportunity.

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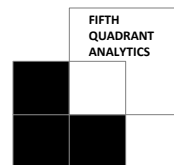
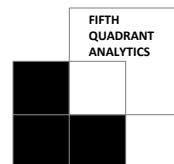


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Introduction

The last thirty years have seen dramatic changes around the globe for people with disabilities (PWD). These changes have resulted in the creation of identifiable value in a population previously marginalized by society, manifested in global civil rights legislation¹. While these laws have given PWD a platform from which to project economic power, large gaps still exist between aspiration and reality. The next step is to go beyond legal recognition, into market recognition.

The intent of this paper is to inform those grappling with how to position their products and services in the PWD market by establishing a set of common statistical measures of its size and features and describing the top issues facing participants in the PWD market. Managers should use this document internally to inform their sales and product development teams, provoke discussion with business functions, and launch fresh products and services serving the PWD market.

Making up 1.27 billion people globally², PWD represent nearly one person in five on the planet, and a market equivalent in the size to that of China. Unlocking the potential in this large subset of the global marketplace will have a transformative effect on economic growth, public and private institutional cash flows and on how economies grapple with an aging population. From a public sector perspective, an estimated \$350 billion is currently spent every year on services to PWD in the United States alone, and more than \$135 billion is lost in tax revenue annually due to the limited utilization of PWD in the workforce. This represents a GDP impact of 3.35%, ignoring any multiplier effects. It is equivalent to a sum that exceeds that of total US defense spending.

For the private sector, disability is not yet a material contributor to the profitability of the typical company. Regulation in G-10 nations have set hiring quotas, operating standards and tax measures to incentivize private business to include PWD as employees. For most profit-seeking entities, selling to PWD as consumers has a far greater impact on the creation of shareholder value.

We find that as PWD gain more economic independence and influence over saving and spending decisions, a number of facts and factors are becoming salient:

- PWD and their Friends & Family represent a large group of consumers whose identity goes beyond medical condition when making purchasing decisions.
- Most corporate activity in disability today is focused on hiring, not value creation. Most firms ignore their biggest value driver – serving PWD as the customer.
- 31% of the largest US-based public companies we analyzed indicate an interest in this market and 7% of these 639 firms back that interest up with measurable efforts.
- 34% of the largest Canadian public companies indicate an interest in this market and 10% of these 282 firms back that interest up with measurable effort.
- There is increasing interest in understanding – and serving – the disability market.

1. 153 countries have signed the UN Convention on the Rights of Persons with Disabilities. 127 have ratified the CRPD.
2. Based on US Census data and respondents self-identification.
3. US BLS statistics on participation rate & unemployment rate. US budget data includes Medicaid/care and other transfers.

Picture of the market – Top line demographics

What is disability?

The world of disability has been rooted in medical terms for the last two centuries.⁴ The standard medical definition is a condition that substantially limits one or more activities of daily living. Typically, that is seen as a physical or intellectual ‘impairment from the norm’ as defined by a clinician. For our purposes, we look at how an individual sees him/herself, or how society perceives that individual. For instance, an individual with a learning disability may not be deemed ‘medically disabled’, but having to develop alternative methods for interacting with the external environment may cause them to develop an internal identity as having a disability. **Identity is key, as it impacts the relationship between individuals and organizations as customers and employees.**

Raw numbers

The best source of data around self-identification of disability is the US Census. The questions asked do not rely on medical diagnosis, but instead on how the individual assesses their own functionality. **As of 2010, 56.7 million people, representing 18.7% of the non-institutionalized population in the United States above the age of five, self-reported a disability.** Making the logical assumption that disability does not recognize borders, and is a global phenomenon, **the global estimate of the population of PWD is 1.27 billion people.**⁵

Up to 30% of the aggregate income that flows to PWD comes in the forms of government transfer payments. In the US, approximately \$350 billion flows annually to PWD in direct, and indirect, transfers.⁶ In addition, PWD control approximately \$544 billion in disposable income, double the amount controlled by the US Hispanic community in 1990, which was the point at which Latinos became an identifiable market segment for corporations to serve.⁷ **We estimate that the US disability market population is three times the size of the US Hispanic market.**

Exhibit 1: Population and income data for PWD and their Friends & Family

	Global	USA	Canada	EU ⁸	Asia ⁸
PWD Population	<i>1.27B</i>	<i>56.7mm</i>	<i>6.2mm</i>	<i>91.0mm</i>	<i>748.0mm</i>
PWD Income⁸	<i>>\$1.66T</i>	<i>\$735.0B</i>	<i>\$95.4B</i>	<i>\$828.7B</i>	<i>NA</i>
PWD Disposable⁸	<i>>\$996B</i>	<i>\$544.0B</i>	<i>\$46.6B</i>	<i>\$406.1B</i>	<i>NA</i>
Friends & Family Population	<i>2.35B</i>	<i>105mm</i>	<i>11.5mm</i>	<i>168mm</i>	<i>1.38B</i>
Friends & Family Disposable	<i>>\$6.9T</i>	<i>\$3.9T</i>	<i>\$311.1B</i>	<i>\$2.7T</i>	<i>NA</i>

Source: US Census, US Bureau of Labor Statistics, StatsCan, EuroStat, FQA

4. The study has a long history in religion and warfare, but for our purposes we focus of 1970 onward
5. $0.1866 * (\text{global pop} > 5\text{yrs of } 6.8\text{B}) = 1.27 \text{ billion}$ – source: US Census 2010, CIA World Book
6. A conservative number, based on federal, state and municipal budgets
7. Latino Families: Consumption and Purchasing Power, Bárbara J. Robles, PhD, Annie E. Casey Foundation
8. See Endnote 1 and Endnote 2 for methodology changes for Income calculations and EU/Asia changes

Picture of the market – Top line demographics

Segmentation – One size does not fit all

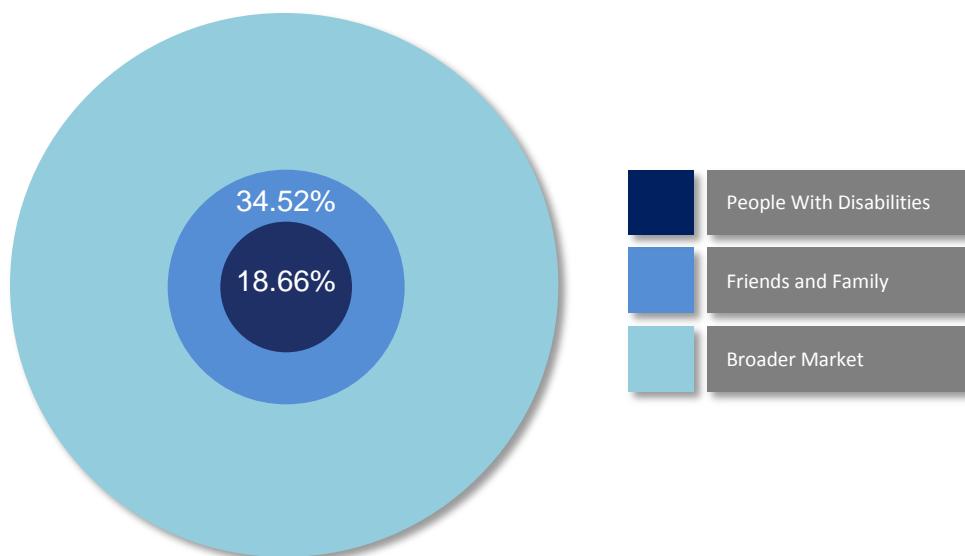
People with disabilities

Members of the PWD market are not just wheelchair users, Braille readers and sign language readers. Individuals with *visible* disabilities make up less than 29% of PWD.⁹ However, they are the group that has received the most public attention as it is easier for legacy programs to use visuals to deliver a fund-raising message. **The vast majority – 71% of PWD – have *invisible* disabilities like a learning or cognitive disability.**⁹ Those with visible disabilities and those with invisible disabilities have different identities because their disability may, or may not, be readily evident. **Note that we do not break down disability by clinical diagnosis, as it is misleading from a consumer decision-making standpoint.**

Friends and Family

Often referred to as ‘caregivers’, this large group represents family, friends and those that have an innate reason to understand disability and its impact on those that they have an emotional connection with. **Globally, our conservative estimate is that this segment represents 2.35 billion consumers and employees, controlling more than \$6.9 trillion dollars in disposable income annually.**¹⁰ These individuals have witnessed at first-hand the ‘challenges’ of interacting with mainstream infrastructure and attitudes that PWD encounter in daily life. They are passionate, driven by a mix of perceived injustice and an inefficient use of the resources that PWD represent. **In formal discussions with this group, Friends and Family are ‘evangelists’, ready to act and ‘preach’ to others about the value inherent in PWD.** This has profound ramifications for companies seeking to establish brand loyalty amongst PWD as consumers and increase retention of PWD as employees.

Exhibit 2: Demographic breakdown of PWD and their Friends/Family



9. U.S. Census Bureau Current Population Report: Americans With Disabilities: 2002 (P70-107) by Erika Steinmetz.

10. Using a 1.85:1 ratio to PWD. Income assumed using mean levels in United States, EU and Canada.

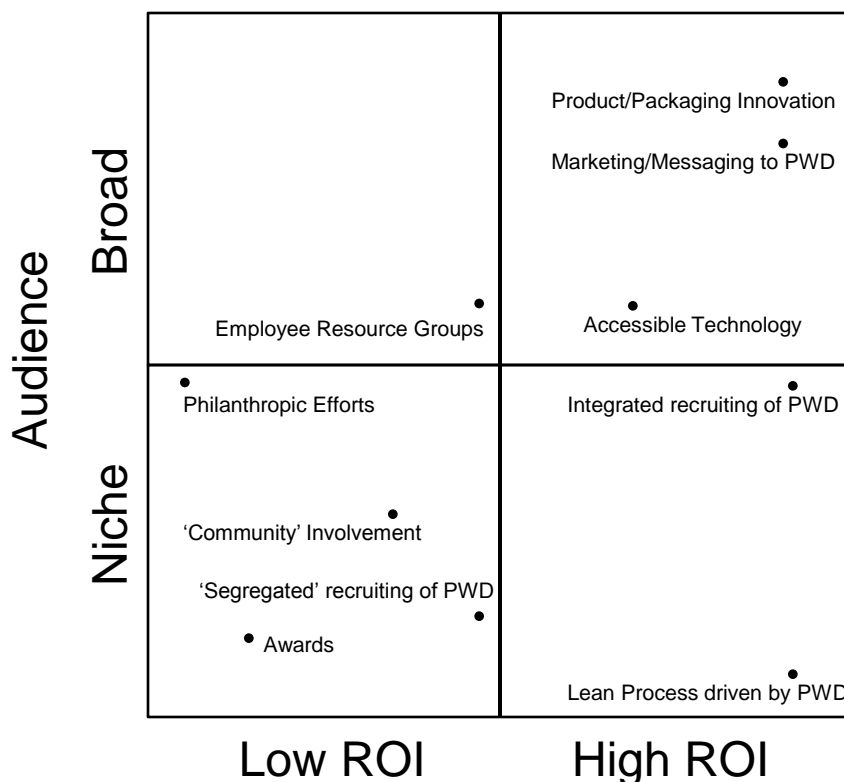
Picture of the market – Top line demographics

Baby Boomers

In the United States, Boomers represent a population of over 77 million people between the ages of 48 and 66, controlling an annual spending power of over \$2 trillion.¹¹ Aging populations are a global phenomenon, but in G10 economies this segment controls more wealth than any previous generation. As people age, their physical needs change. **The measured prevalence of a disability above age 65 is 51.8%.**¹² Boomers have re-defined every generation they have touched, from creating the ‘teenager’ to launching into middle age with gusto. These same individuals will not fade quietly into retirement, maintaining their identity as consumers and employees into their senior years. **Boomers are already demanding products, services and workplaces that adapt to their needs and desires.**

The Broader Market

It is critical that disability is not viewed in isolation from mainstream market, but seen as a part of the broader consumer and employee marketplace. **The innovations and insights derived from disability are applicable to all, and if implemented effectively in terms of product development and messaging, drive firm-wide ROI.** For example, accessible environments are more attractive to stroller-wielding mothers or package-toting buyers at the check-out, improving the retail experience for everyone. **Technology and process that benefits PWD, can and does evolve into technology and process that benefits all consumers.** A mobile device can function as a translator, but also as a navigation tool to find the shortest route to a particular product in the supermarket. **Cross-over applications are the ‘holy grail’ of business/disability efforts, and will drive growth in disability-related capital spending.**



11. <http://www.marketresearch.com/product/display.asp?productid=1466503>

12. US Census Bureau, Americans with Disabilities: 2005 Table 1

Global regulatory environment

Understanding Risk

What is the Risk?

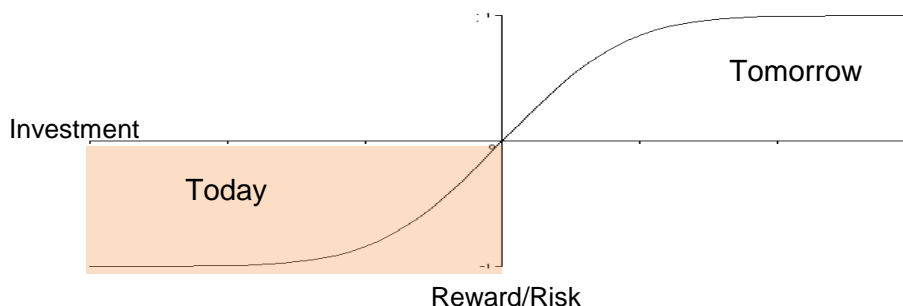
Any good manager understands the balance between risk and reward. The ideal approach is to attain the greatest possible return while keeping risk as low as possible. Often when dealing with diverse but distinct markets, there is a high risk of ending up on the wrong side of an anti-discrimination law, producing an unintended cultural slight or simply not realizing that the constituency exists and failing to plan appropriately. Whether a firm realizes it or not, they are exposed to risk in PWD markets.

Risk to the Brand

Firms today must be alert to how the marketplace views them as a brand. The for-profit business that ignores identifiable consumer wants and needs faces increased competitive pressure and reduced earnings. As disability becomes what one publication calls 'The New Green,'¹³ missteps and omissions will attract more press attention, with consequent impact on consumer perceptions and policymaking bodies. We have seen several lapses in serving PWD consumers garner adverse press headlines in several developed markets, causing household brands embarrassment on shows such as Good Morning America and NBC Nightly News.

Explicit Regulation

Governments around the world have put laws governing disability on their statute books at both the state and federal levels. These laws range from mandatory educational provision for PWD (dating back to the 1970s) through infrastructure benchmarks for the public and private sectors, to hiring quotas for PWD (set mainly in the 1990s). The results of these laws vary from country to country, with enforcement ranging from rigid in some European states to virtually non-existent in the United States. Observed penalties/settlements for infractions range from \$6 million in one US suit against a major retailer to daily non-compliance fines of \$100,000 in Ontario.^{14,15} From a financial impact standpoint, these fines are not material to the firms affected. Accordingly, the risk of litigation does not warrant a major focus on compliance with disability laws and regulations.



13. Disability and Business: The New Green, The Economist. September 8, 2012

14. <http://usefularts.us/2008/09/04/target-ada-accessibility-california/>

15. Accessibility for Ontarians with Disabilities Act, 2005

Global regulatory environment

The US Landscape



That said, disability obligations cannot be ignored. In the United States, there are three key pieces of disability regulation business needs to be aware of: Federal Affirmative Action Laws (OFCCP proposed rulemaking RIN 1250-AA02), the Americans with Disabilities Act – ADA (2009/1990) and the Individuals with Disabilities Educational Act – IDEA (2004/1975).

On December 9, 2011 the US Department of Labor published a public notice of rule making to outline enforceable standards and targets that ‘largely’ equate disability with race/gender under federal affirmative action laws in **Federal Affirmative Action Laws (OFCCP proposed rulemaking RIN 1250-AA02)**. The new rules affect the recruiting/hiring process, disclosure, record-keeping and specific ‘targets’ for the number of PWD employees. The expected enactment period is 1H13.

Ramifications for business – Simply put, all federal contractors and large firms who follow affirmative action standards will be mandated to hire people with disabilities. The key elements of these rules include – i. ‘effective outreach’ to PWD in recruiting efforts; ii. Disclosure and record keeping processes; iii. Alignment with ‘linked groups’ and iv. ‘targets’ for hiring PWD equal to 5% - 7% of a workforce. In our assessment, the proposed rules will provide little value to business or their intended targets. As written, the rules do not take into account subtle business/cultural nuance that align hiring managers with both their business and their employees interests. Furthermore, the 7% ‘target’ is triple those in other countries, which they cannot meet currently. On the positive side, it will cause business to act. We would encourage business to act in the interests of its stakeholders, rather than using this law as a strategy map for compliance.

The **Americans with Disabilities Act – ADA (2009/1990)** is a civil rights law that covers discrimination based on disability. It is intended to provide similar protections against discrimination to people with disabilities as the Civil Rights Act of 1964.

Ramifications for business – Companies need to be aware of their obligation under Title III, which focuses on the “built environment.” It states that new construction of facilities such as hotels, retail outlets and transportation must ensure “equal enjoyment” of goods and services by PWD. The costs of these modifications must pass test of reasonableness. Yet awareness of ADA does not in most cases extend beyond firms’ legal departments today. The level of enforcement, which is low, must be a factor in setting appropriate strategy. Recent Department of Justice and court actions in New York City on accessible taxis may signal a shift in the intensity of enforcement.

The **Individuals with Disabilities Educational Act – IDEA (2004/1975)** governs how states and public agencies provide early intervention, education and related services to children with disabilities from birth to age 26. In defining the purpose of ‘special’ education, IDEA 2004 clarifies Congress’ intended outcome for each child with a disability. In summary students must be provided a Free Appropriate Public Education (FAPE) that prepares them for further education, employment and independent living.

Ramifications for business – Simply put, IDEA has created a generation of PWD who are better educated and have higher expectations. This drives their agendas as both consumers and employees. Consumer- facing businesses and large-to-medium sized businesses need to set strategy to attract these individuals and those who identify with them. Across developed economies similar laws have been enacted, creating a ‘bulge’ of well-educated and economically motivated PWD around the world.

Global regulatory environment

The Canadian Landscape



In Canada, there are two key pieces of regulation business needs to be aware of. These are the Employment Equity Act (1995/1986) and Accessibility for Ontarians with Disabilities Act – AODA (2005).

The stated purpose of the **Employment Equity Act** is to achieve equality in the workplace so that no person shall be denied employment opportunities or benefits for reasons unrelated to ability. It also aims to correct the conditions of disadvantage in employment experienced by women, aboriginal peoples, persons with disabilities and members of visible minorities. It promotes the view that employment equity means more than treating every employee in the same way. It also requires special measures and the accommodation of differences. This law is applicable to the public service and all federally regulated private entities (government expenditures in Canada represents 44% of the economy). This law sets specific hiring quotas for its targeted groups and requires audits by the federal government at any time, typically every four to six years. Stated penalties range from C\$10,000 to C\$50,000 for repeat violations. All ‘tribunal hearings’ are public.

Ramifications for business – In effect, businesses are charged with ensuring the compositions of their workforce includes a certain percentage of PWD at all levels of the firm. As a consequence, recruiting and retention strategies are critical to finding, promoting and retaining talent that happens to have a disability. In 2008, in reviewing the law, the government stated that PWD remained under-represented and that growth in PWD employment had been flat from 2001-2008.^{16,17} Senior management positions are exceeding their benchmarks relative to market availability. Anecdotal evidence supports this, with business struggling to access PWD talent pools. These pools do exist, yet business and their NGO partners have not been successful in attracting individuals. As PWD recruiting moves to a market-based relationship, companies need to develop messaging and value propositions to attract PWD talent or risk non-compliance and/or underperformance. **PWD recruiting remains an area in need of improvement by Canadian firms.**

Accessibility for Ontarians with Disabilities Act – AODA (2005) explicitly recognizes the history of discrimination against PWD in Ontario. Its primary purpose is to develop, implement and enforce accessibility standards in order to achieve accessibility with respect to goods, services, employment, and the ‘built environment’ on or before January 1, 2025. Its secondary purpose is the involvement of persons with disabilities, of the Government of Ontario and representatives of industries in development of proposed accessibility standards.

Ramifications for business – AODA represents a different approach to disability regulation, and is the first legislation to focus on the concept of ‘standards’. It leads to the publication, over time, of specific compliance measures for customer service, employment, ‘built environments’, transportation and information/communications technology. Penalties for non-compliant corporations are capped at \$100,000 per day. The first set of standards implemented in 2011 affect customer service processes, and concern mostly awareness by front-line employees of PWD as customers. Adoption has been slow and the results have been mixed. The next standard on the horizon for business is the Employment Standard focused on recruiting and HR policy. **This law has the potential to be replicated globally. It is specific, and has teeth on the enforcement side but requires more content to incentivize change.**

16. <http://news.gc.ca/web/article-eng.do?m=%2Findex&nid=459759>

17. http://www.abilities.ca/work_money/2009/06/25/employeequityact_annualreport2008/

Global regulatory environment

The European Landscape



In the European Union, there are two levels of regulation business needs to be aware of, since laws and regulation are agreed to at the European Union (EU) level as well as the national level. At the EU level the Employment Equality Directive 2000/78/EC is important as are various national equality laws. In general, the national laws are more stringent, yet the over-all aims are well-aligned.

According to the European Commission of Employment and Social Policy Anti-discrimination Legislation – Directive 2000/78/EC, Anti-Discrimination Program, elimination of Environmental Barriers – Obstacles preventing PWD from exercising their abilities, mainstreaming Disability Issues in Community Policies – Facilitate active inclusion of disabled people and Mobilizing Stakeholders Though Dialogue – Civil society and other stakeholders are the main initiatives affecting companies serving PWD consumers and employing PWD.

On the legislative front, a Directive establishing a framework for equal treatment in employment and occupation on the grounds of religion or belief, disability, age and sexual orientation (Council Directive 2000/78/EC), expanded the scope of discrimination beyond race and gender.

In a way similar to Canada, the EU has adopted goals that transcend general legal protections available under umbrella rights codes. It is also clear that EU efforts are in flux, adapting to both national legal frameworks and pioneering support for the UN Convention on the Rights of People with Disabilities. Given a culture that leans more on courts and mandatory regulation, close attention needs to be paid to compliance by EU businesses. **As with all global regulation, we believe compliance with disability legislation and regulation to be a low hurdle to clear if ROI frameworks are properly applied.**

In the United Kingdom, the **Disability Discrimination Act 2005** outlines a framework of laws, based on the concept of ‘equal treatment’, around employment, education, and access to goods, facilities and services. The Act requires public bodies to promote equality of opportunity for PWD.

The ‘quota’ system, which originated in Europe, has its roots in a ‘social obligation’ model, manifested by benchmarks set in most national laws. These laws state that all companies over a certain size (25 employees), must hire PWD. Germany, Spain, France, Poland and Denmark are countries that have quotas in place ranging from 4%-6% of the workforce.

Quota systems, both quantitatively and qualitatively do not work. In practice, firms are unable to hire PWD without meaningful change designed to attract talent. The notion that an HR/Recruiting team has simply to open the business to attract qualified PWD is wrong, and has been proven anecdotally by HR managers who have attempted to hire numbers regardless of talent. Quotas also set up a parallel system in which PWD employees are perceived as less talented in the minds of managers and in the minds of the employees themselves. **Evidence proves that as firms communicate the value of PWD to the business – both internally and externally – employees with disabilities are more confident at work and disclosure rates jump dramatically.**

Global regulatory environment

The UN Landscape



In an effort to codify common objectives in the treatment of PWD across international borders, the United Nations (UN) developed a Convention whose stated aim is for ‘countries that join in the Convention engage themselves to develop and carry out policies, laws and administrative measures for securing the rights recognized in the Convention and abolish laws, regulations, customs and practices that constitute discrimination (Article 4).’

The UN Convention on The Rights of Persons with Disabilities provides a recognized international legal framework for PWD in one document. It provides a common language for countries to attain minimum standards and best practice in terms of including people with disabilities in the society, legal, educational and political institutions as well as transportation, technology and other infrastructures.

Countries that ratify the convention will also have to report regularly to the UN about the steps they are taking to protect and promote the basic rights of PWD. In most parts of the world, rights tend to lag more established goals. 155 countries have signed the convention, with 127 having ratified it as of February 28, 2013.

The nature of the UN means the convention lacks legal enforceability. Its existence, however, represents a signal that business must heed. Much like gender and race, disability now has an international framework. The convention provides common language and objectives for PWD in any location to bring pressure – both negative and positive – to bear on firms offering goods and services in their local markets. Activists as well as governments can now use the convention to campaign for laws where there was little or none before. There is clear evidence that the global disability market is approaching other key consumer groups in the sophistication of its campaigning. While the vast majority of efforts are being made in the political arena, more attention is being paid by campaigners and their constituents to commercial economics and brand attachment.

For multinational companies in particular, a purely domestic approach to disability issues is inefficient. It makes sense to look at markets in which the company has operations or earns revenue, and set global benchmarks that pay attention to the broad ‘spirit’ of the law and business practices, rather than adopt narrow compliance ‘check-lists’. This ensures process is in place in existing markets and on entry into a new market.

A brand opportunity also exists. The UN and its member-states are eager to develop partnerships multinationals seeking to differentiate and demonstrate ‘Performance with Purpose’. Global brands have the opportunity to partner with this framework and be seen as driving its implementation. Governments are wrestling with the challenge of translating the convention into corporate activity and need to work with pioneers to find a way of doing so.

Public Sector Response

Evolving legacy through bureaucracy

To understand current government approaches to disability, a historical perspective helps. The view of disability in the first half of the 20th century was one of caretaker and protector, grounded in the war wounded of World War One. Programs were set up to sustain PWD, without any expectations of their integration into society. In the last 30 years, society has come to focus on disability as part of the human experience. **However, government programs have struggled to catch up with social views, with bureaucracies focusing on continued service delivery, rather than on what is actually being delivered.**

Current government policy/programs can be broken into three general areas of interest for business: education, employment/income support and anti-discrimination legislation.

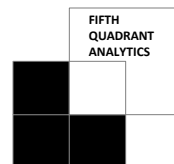
One area where government has had success in disability is in **education**. Prior to the 1970s, disability was a badge that sidelined PWD at schools and institutions of higher learning. Today in the US, there are 2.2 million declared PWD enrolled in university, roughly 11% of the student body.¹⁸ That figure has doubled since 1996. Throughout elementary and secondary schools, processes have evolved to ensure that the overwhelming majority of PWD get an opportunity to realize their talents. **For governments, this represents a dual fiscal win: less need for program spending on income transfers and a new, significantly sized tax base. For business, this government success represents a new source of consumers and an untapped talent pool.**

Most western governments have some sort of **employment/income support** system set up for 'unemployable' PWD. In the US, the approximate annual budget of Social Security Disability Insurance(SSDI) is \$119 billion.¹⁹ This does not include programs such the Vocational Rehabilitation System and a number of non-profit variants. The historical origin of these efforts lies in 'taking care' of PWD, rather than 'empowering' them to chart their own course. Anecdotal evidence suggests that these programs represent a barrier to employment, as the binary nature of the benefits add to the risk to the individual of building a career. **Governments must focus on the goal of employment for PWD and align the incentives for individuals to become productive taxpayers. This will require massive structural change.**

Modeled after civil rights laws, western governments have raced to enact various **anti-discrimination laws** to 'guarantee' PWD equal rights with other citizens. Focusing on physical access and the workplace, these 'standards' have had mixed results. There is evidence that they have fostered discussion and awareness around disability. Still elusive, however, are the broad behavioral changes within institutions and concrete, measurable results from the increased participation and leadership of PWD in society. Penalties for non-compliance are not burdensome. **While these laws have not caused broad societal change, they certainly signal social intent.**

18. (U.S. Department of Education, National Center for Education Statistics 2003-2004 Postsecondary Student Aid Study)

19. <http://www.cbo.gov/publication/43432>



Private Sector Response

Disability as Sustainability

Business has yet to discover disability as an emerging market. While the concept of diversity is now commonplace in large corporate entities, diversity as an end in itself is viewed skeptically by most corporate leaders, as they struggle to link a diverse workforce to improved financial performance.

In order to change attitudes, corporate perceptions of disability must become a driver of shareholder value that can be measured by standard metrics. Sustainability has become a hallmark for profit-seeking entities to drive shareholder value by keeping pace with the evolving appetite of consumers for companies which add environmental, social and governance (ESG) components to their products and services.

This is no longer a minority interest. Consumers of all ages and types now prefer brands that are inclusive, socially aware and which act in-line with their values as consumers and employees. General Electric posted \$3.4 billion selling wind turbines in 2012 – in a business that did not exist prior to the Exxon Valdez incident.²⁰

Value creation in disability largely rests on PWD as consumers in this way. Leaders in the field have adopted a variety of techniques.

One is dubbed **Attract and Delight the Customer**. For most established brands, finding a new way engage a mature market is a valuable opportunity. **From a purely demographic point of view, the 53% of the marketplace that PWD touch is attractive.** Some of the value-add comes from the positive reputational effects of talking about inclusion, empowerment and innovation derived from a focus on disability. Since no company is yet seeking unabashedly to bond the PWD market to its brands, a meaningful opportunity exists for a company to be a first mover in a marketplace of size and spending that is comparable with the “green” opportunity of recent decades.

A second main area for value creation is in **Innovation Capture for R&D and Lean Process Inspiration.**

Innovation is born from extreme, solving for a set outside the norm. **PWD do things in ways that average consumers tend not to think about.** They are extreme users of technology and infrastructure. The company that can solve barriers facing ‘extreme users’, will uncover insights to derive innovative applications for the average user. For example, creating a process that suits a young mother with one hand, who also happens to have limited vision, that helps her locate a product in a grocery store, buy it, open it and consume it will find it easier to create tools that make it easier for consumers of all kinds to locate, buy, open and consume products. **It represents a powerful opportunity for a company to advertize its innovative capabilities and charge more for what was a commoditized product.** These type of opportunities are rare today, yet exists in every product vertical.

The third technique is **Talent Sourcing**. The competition for talented employees is real, and PWD represent a new pool to tap. It requires some effort to address. However, diversity recruiting offers valuable lesson in approaching the PWD labor market. First, parallel employment systems do not work. Employees must be fully included. Secondly, passive approaches (websites/job boards) are a waste of resources. Thirdly, recruiting diverse populations uncovers new talent and becomes a self-sustaining effort. It is critical for companies to open their employee base to PWD in a robust way, which will initially be a high touch effort.

20. <http://www.windpowermonthly.com/article/1155853/GE-expects-wind-revenues-drop-40>

Private Sector Response

An Analysis of the Largest US-based Companies and PWD



An analysis of the largest US-based companies demonstrates that just 31% of these firms show any kind of business-related mention of disability, though that does represent an increase of 6% since 2011. Exhibit 3 is a corollary of best practices currently being employed by large companies in the United States as evidenced by their websites, marketing materials and conversations with their agents. Our experience shows that these efforts are rarely backed up by strategy, process or budget. **Of the 639 firms we analyzed, 7% have meaningful external representation of interest in PWD, as measured by expressions of intent in disability and publically observable efforts to back up the stated intent.**

This research is based on published company materials, retail audits and 10 years of observation. In our opinion, if a firm does not ‘talk’ about what they do, it does not exist. We do not consider NGO awards or philanthropic efforts as legitimate evidence of value creation in the disability market. **We note the dramatic uptick in activity in exhibit 3 versus a smaller uptick in firms engaging. We conclude that those already acting are seeing benefits, and are increasing their activity.**

Exhibit 3: Observed activity at large US firms

Visible Effort	# Firms 2010	2011	2012	% Change
Employee Resource Groups (PWD & Friends/Family)	26	43	59	37%
Visible evidence of accessible website	26	44	86	95%
Accommodations statement for recruiting	17	31	144	365%
Accessibility statement for web access	8	26	34	31%
Dedicated site for PWD	7	20	37	85%
Models with visible disability	6	16	28	75%
Affinity with National Business Focused Group	5	10	10	0%
Specific recruiting outreach to PWD	3	10	12	20%
Business Unit focused on PWD	2	6	8	33%
Specific mention in Diversity section of PWD	2	8	20	150%
Product development for Customers with disabilities	2	17	41	141%
Community/NGO employment partnerships	1	0	1	n/a
Disclosure invitation	1	1	2	100%
Stated Executive commitment	1	6	6	0%
Evidence of business related lawsuit (EEOC/Customer)	n/a	n/a	101	n/a

Best Practice in the Marketplace Today

Employee Resource Groups (ERG) are official bodies, supported by PWD and their Friends and Family, to champion disability efforts within the company. The purpose of an ERG is to meet competitive challenges, maximize shareholder value and fully engage employees. It can serve as a bridge between championing initial efforts and integrating process into business units. It requires very little capital, adds to the institutional knowledge of the firm and is a good way to signal to internal and external constituents that disability is important to the company. While ERGs are not an end in themselves, they represent a significant initial step to understanding the PWD marketplace.

Private Sector Response

Models with a Visible Disability are an easy way for a firm to signal its interest in the PWD market. These firms include visual and/or auditory cues of – and for – PWD in their external communications such as advertisements and websites. Today, about 4% of our research universe engages in the practice, which is up from 1% in 2010. Given the size of the market, and the ease with which this can be done, stepping up efforts in this area represents a good opportunity. The one caveat is that there exists today no expertise or consumer data on how to speak to this market. In our experience, advertizing agencies and brand professionals tend towards the philanthropic message rather than a consumer-driven message. Consumer research is needed to assess the potential of these activities.

Visible Evidence of Accessible Website is the easiest option for firms in the PWD market. Making websites accessible is a well-known, extremely capital-efficient endeavor that has observable results. In our US research universe, 86 firms have visible evidence of accessible websites, including text size modifiers, accessibility statements, standard adherence ‘marks’ – WAI, W3C etc, and a text version of the website.

It should be noted that this is one area where there is a high risk of litigation, because the measurement of activity is so clear. It is a simple exercise to demonstrate that a website is not accessible. There have been high profile lawsuits against retail brands that have settled out of court in the \$6 million range.²¹ The dollar settlement is small relative to the damage done to the brand by the adverse publicity. It follows that an accessible website should be a high priority for firms looking to invest in disability markets.

Accommodations Statement for Recruiting are usually linked to career pages, stating that a company will provide accommodations to job applicants who require them. They are usually accompanied by a contact phone number or email. **There has been a dramatic uptick in this practice, probably because it requires little effort.** On the surface, these statements seem like a good idea. However, it is a more complex and nuanced undertaking than it appears. **After analyzing these statements, we concluded that the vast majority of such statements are aimed at ensuring legal compliance, not attracting talent that may have a disability.** One such statement, whose owner is disguised, reads as follows:

In accordance with applicable federal and state laws, Firm XYZ will attempt to reasonably accommodate qualified individuals with known disabilities unless doing so would create an undue hardship on Firm XYZ.

This is a clear example of an attempt to comply with the law. Its effect is to make a company a bigger target for campaigners, and will provide no legal cover. Yet such ‘negative pledges’ still dominate the sample.

Beginning this research cycle, we included an analysis of the **number of customer or employee driven lawsuits** as an indicator of responsiveness to stakeholders and potential for negative brand impact. Without using a legal database – to mirror stakeholder’s interactions – we uncovered evidence of 101 firms with legal actions filed by individuals, the Equal Employment Opportunity Commission (EEOC) or the United States Department of Justice. **This represents 16% of our universe.** While not a high prevalence, it does represent a legitimate risk, and should be included in the decision making process.

21. <http://usefularts.us/2008/09/04/target-ada-accessibility-california/>

Private Sector Response

US > \$2B market capitalization: Who is the Best in PWD markets?

Fifth Quadrant analyzed the largest 639 publically traded US companies, scoring each of them on disability with respect to corporate profitability using the Return on Disability® (RoD) Rating System.

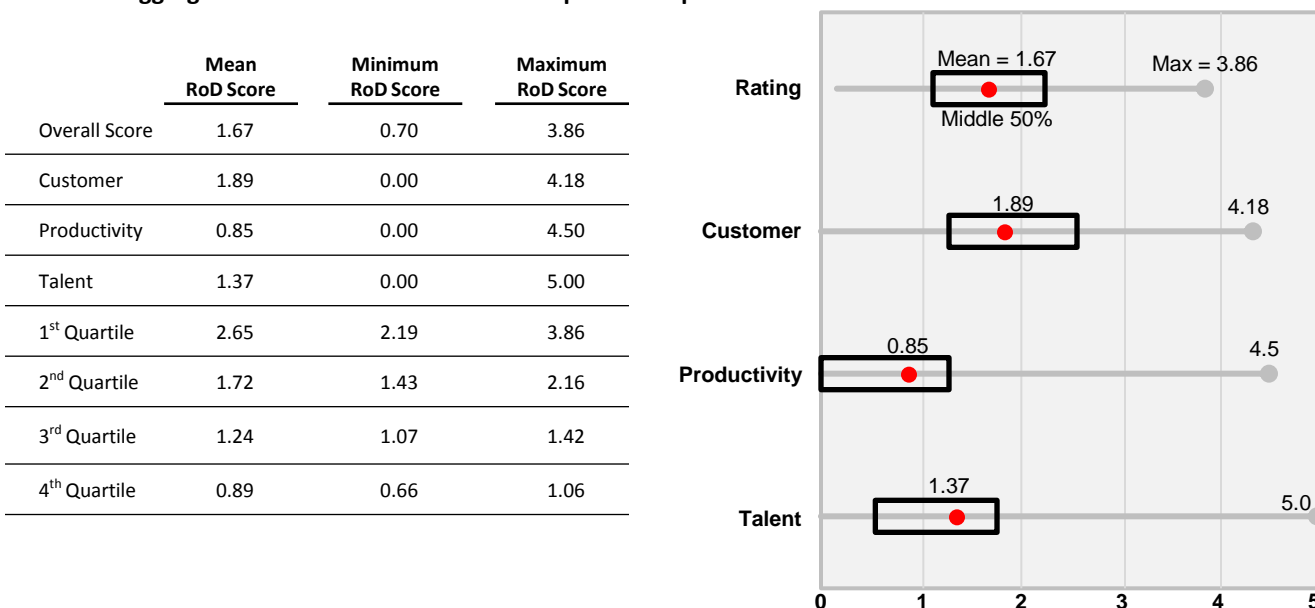
The RoD Rating System is a proprietary tool that measures firm activities relative to PWD that create shareholder value. It measures 20 publicly observable data points, each of which is weighted to reflect its relative importance in creating value for a company. The result is a single number – The RoD Score.

The most striking part of the analysis of the 639 firms is that 443 companies do not register a score at all, because there is no publically observable activity in relation to disability. Exhibit 4 displays the aggregate analysis of the top 100 out of the 196 companies that do register a score. A score of 0 is low, while a score of 5 is high. The data shows that, even amongst the top 100 companies there is significant room for increased value creation and enhanced competitive advantage. One interesting observation is that the level of activity in the “Customer” category now outpaces activity in the “Talent” category, proving that active companies are now focusing on PWD as consumers as much as employees. This contradicts the popular belief that companies are overwhelmingly focused on recruiting talented PWD, and indicates a disconnect between message, action and result.

The top 25 companies are clustered tightly around a score of 2.5. This sets a short term benchmark for firm activity in relation to PWD, while indicating ample room to gain competitive advantage in the PWD market. It is also abundantly clear that improving a score would not require much effort, especially for the 443 companies that do not register a score. Given the size of the PWD market, and the low level of initial investment required to be in the top 100, our view is that competition drives these scores higher.

The 2012 analysis is the second time we have completed research on the PWD market at the corporate level, using a measurement system that allows a like-for-like comparison to be made between companies in terms of economic value creation. By tracking this data over time, it will be possible to measure corporate progress vis-à-vis disability and its impact on value creation. This will become an important discipline on companies competing for PWD consumers and employees.

Exhibit 4: Aggregate data of RoD Scores for the Top 100 Companies in the US



Private Sector Response

Who is the Best? – Sector Leaders Showing Real Returns

As a result of the analysis of the companies that make up the largest publically traded US firms, our research has identified firms that are best in class – what we call “Sector Leaders.” Listed below are the firms qualified as Sector Leaders in the Return on Disability Ratings system as at December 31, 2012.

Consumer Discretionary - Walt Disney Companies

A Disney theme park is an excellent example of through-put efficiency. The company has designed its theme parks to move a large number of customers through as quickly as possible, without losing focus on maximizing the customer experience. Built into these parks are numerous design features that make the experience possible, and often superior, for PWD. The most impressive aspect of how Disney deals with disability is the way in which they talk about it. It is not a compliance issue, but part of the customer experience. The company has also tapped into the cross-over effect, adapting innovations created for PWD for all customers. They include hand-held park guides, scooters, and alternative paths that are barrier-free. In essence, a mother who can help her daughter with disabilities on to Space Mountain without difficulty will have a more positive image of the company. Disney believes that translates into higher sales of Mickey hats, Goofy dolls and Pixar movie tickets.

Consumer Staples – PepsiCo

The Super Bowl is the biggest advertising event of the calendar year. In 2008, Pepsi chose to use one of its slots to air a silent commercial, aimed directly at the disability market. The commercial called ‘Bob’s House,’ has collected over 4.5 million YouTube hits, and positive coverage inside and outside the ranks of PWD. The company followed that success with a Gatorade advertisement that included Jason McElwain (“J-Mac”) alongside other celebrity athletes. These advertisements gave clear signal PepsiCo is interested in the PWD market. PepsiCo has also developed public relationships with leading third party recruiters of talent with disabilities. This signals interest in attracting talented PWD candidates.

Energy – Chevron Corp

With a sizeable retail business through its Texaco brand, Chevron were early adopters of process to serve PWD at the pump. While their efforts are mandated by law, we found Chevron to be more consistent in its execution and having the best customer focus amongst its peers. The company has an ERG focused on PWD.

Financials – Bank of America

Banks understand that success in their business depends on a combination of knowledgeable staff and strong and extensive client relationships. They spend a lot of time and money finding and attracting talented people. Bank of America has developed relationships with third party recruiters of PWD. In fact, the bank seeded Lime Connect, which was recognized by the US Department of Labor as a recruiter with a ‘track record of hiring success.’ Bank of America, recognizing the importance of providing an hospitable environment for all of its customers, has also designed features in its branches and web sites with the needs of PWD in mind.

Private Sector Response

Who is the Best? – Sector Leaders Showing Real Returns

Health Care – WellPoint

The Health Care industry tends to get disability wrong – simply because people with disabilities are viewed as clinical patients as opposed to customers. WellPoint signals that it not only understands the customer relationship, but has gone out of their way to attract customers with disabilities. They portray positive images of people with disabilities in their marketing materials. On their website, they have partnered with a company called Essential Accessibility to both make their site more accessible and to signal that the disability market is important to them.

Industrials – CSX Corporation

CSX partners with leading third party recruiters to build a pipeline for the company to hire people with disabilities. The company has made numerous public statements about its executives' commitment to both hiring people with disability and being inclusive of all stakeholders.

Information Technology – Apple Inc.

Apple is considered to be a leader in seamless integration of technology and ease of use – this core company ethos translates well in the disability market. The iPad and iPhone have become 'insanely' popular in disability circles for two simple reasons – they are easy to use and they look great. Techies will tell you about the bells and whistles for 'accessible use', but the market does not care. Users ask – "Does it work, and do I look good doing it?" Apple answered "Yes."

Materials – Dow Chemical Co.

Dow has evidence of activity on their website including an access statement and visible evidence of accessibility. They clearly talk about the existence of an ERG called DEN. Dow also uses models with a visible disability to signal to PWD that they are valued as potential and current employees.

Telecommunications Services – Verizon Communications Inc.

Telecommunications companies are heavily regulated around disability by the FCC in regards to access. Verizon has a website that references these alternate access paths while beginning to use customer language. Focus to date has been on the Talent aspects of disability as evidenced by their ERG DIAL.

Utilities – Entergy Corp

Entergy has recently engaged the customer with branding efforts and announcements on using tools to make web access easier by partnering with a 3rd-party firm called Essential Accessibility. This is one simple way to begin acting publically and signal to the market that the firm has disability on its radar.

Private Sector Response

Canada > \$0.5B market capitalization: Who is the Best in PWD Market?



An analysis of the largest 282 publically traded companies in Canada demonstrates that just 34% of these firms show any kind of business related mention of disability. Exhibit 5 is a corollary of best practices currently being employed by large companies in Canada as evidenced by their websites, marketing materials and conversations with their agents. Our experience shows that these efforts are rarely backed up by strategy, process or budget. **Of these 282 firms we analyzed, 10% have meaningful external representation of interest in PWD as measured by expressions of intent in disability and publically observable efforts to back up the stated intent.**

This research is based on publicly observable efforts in company materials, retail audits and 10 years of observation. In our opinion, if a firm does not 'talk' about what they do, it does not exist. We do not consider NGO awards or philanthropic efforts as legitimate evidence of commitment to the disability market. **We note the activity in Canada is primarily driven by regulation, with few firms appealing to the business case.**

Observations reveals a remarkable focus on legal compliance in Canada. This is due to national and provincial laws that cover employment and customer service practices. The culture of diversity is also less developed in Canada than in the United States. This is in part due to the size of consumer markets and the perception amongst most individuals that disability is a niche market.

Activity on the web is higher in Canada. Both visible activity and the number of dedicated sites for PWD is higher than in the United States. It is also clear that this activity is driven by compliance by the language and dearth of visual appeal in these sites. **The biggest challenge for Canadian companies is to avoid the 'compliance trap', in that mere compliance will not lead to outstanding business results.**

Exhibit 5: Visible best practice currently employed by large Canadian firms

Visible Effort	2011	2012	Change
Employee Resource Groups (PWD + Friends/Family)	6	6	0%
Visible evidence of accessible website	38	58	53%
Accommodations statement for recruiting	4	5	25%
Accessibility statement for web access	14	21	50%
Dedicated site for PWD	22	34	55%
Models with visible disability	17	12	-29%
Affinity with National Business Focused Group	7	7	0%
Specific recruiting outreach to PWD	7	7	0%
Business Unit focused on PWD	0	1	n/a
Specific mention in Diversity section of PWD	8	9	13%
Product development for Customers with disabilities	5	5	0%
Community/NGO employment partnerships	1	1	0%
Disclosure invitation	0	0	0%
Stated Executive commitment	1	1	0%
Statement on leadership efforts within Community	0	0	0%

Private Sector Response

Who is the Best? – The TSX Analysis

Fifth Quadrant also analyzed the largest 282 firms listed on the TSX, scoring each company on disability with respect to corporate profitability using the same Return on Disability® (RoD) Rating System.

As in the US markets, 210 companies within the Canadian universe do not register a score at all, because there is no publicly observable activity relative to disability. Of the 72 companies that do register a score, Exhibit 6 displays the aggregate analysis of the top 50. It is clear that, even amongst the top 50 companies there is significant room for increased value creation and enhanced competitive advantage.

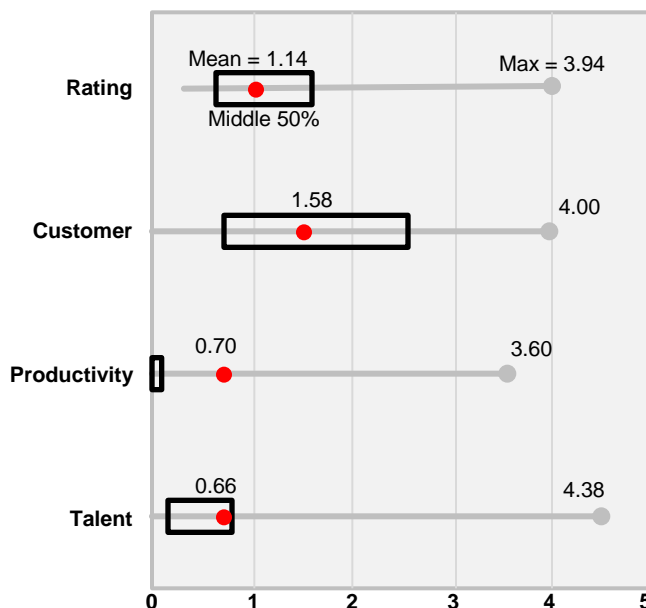
One interesting observation is the average score in Canada is 0.53 points lower than the US, reflecting a greater focus on regulatory compliance. Talent scores can only be described as poor, in line with anecdotal evidence from recruiters who struggle to fulfill mandates that are legal in nature. **It is very difficult to attract talent if messaging says ‘the law requires us to hire you’.**

The top 10 companies again are clustered tightly around a score of 2.5. The majority of these are financial institutions who have struggled to comply with government mandates for more than 20 years and the best are definitely learning how to approach PWD as a market. **The percentage of companies acting on the PWD market in Canada is slightly higher than that of the US, but the scores of the top firms are lower. This suggests the business case trumps regulatory demands, which has potentially profound implications for policy in the future.**

Note that the top score in North America rests with a Canadian bank – Toronto Dominion Bank.

Exhibit 6: Aggregate data of RoD Scores for the Top 50 Companies in Canada

	Mean RoD Score	Minimum RoD Score	Maximum RoD Score
Overall Score	1.14	0.39	3.94
Customer	1.58	0.00	4.00
Productivity	0.70	0.00	3.60
Talent	0.66	0.00	4.38
1 st Quintile	2.58	1.75	3.94
2 nd Quintile	1.30	1.02	1.66
3 rd Quintile	0.82	0.70	0.92
4 th Quintile	0.51	0.45	0.63
5 th Quintile	0.41	0.39	0.44



Private Sector Response

Who is the Best? – Sector Leaders Showing Real Returns

As a result of the analysis of the companies that make up the largest publically traded Canadian firms, our research has identified firms that are best in class – what we call “Sector Leaders.” Listed below are the firms qualified as Sector Leaders in the Return on Disability Ratings system as at December 31, 2012.

Consumer Discretionary – Shaw Communications Inc.

Shaw demonstrates their understanding of the PWD market by treating PWD not as a compliance issue, but as a valued group of actual and potential customers. It is clear from accessing the website and speaking with their customer service representatives that there is thought and process behind what the company does for PWD. They have a site dedicated to PWD that is positively branded and organized by functionality as opposed to condition, which is a subtle but powerful distinction. This is the only public instance of this approach amongst large firms we have encountered in North America.

Consumer Staples – Empire Company Ltd.

The Empire website is fully captioned for the hard of hearing and written in an idiom that will attract the brand loyalty of friends and family of all PWD, and not just deaf/hard-of-hearing population at which it is aimed. The website is an excellent example of how a service aimed at a market niche – deaf segment – can have universal appeal to all PWD, and enlarge the marketplace addressed by the company.

Energy – Imperial Oil Limited

Imperial has a well-defined strategy to attract PWD as customers and employees. The company seeks explicitly to attract motorists with disability to their retail assets by the simple device of inviting them to press their horn to be served. Imperial also makes explicit mention of recruiting PWD, although the proportion of PWD at the company still amounts to only 1% of their workforce.

Financials – Toronto-Dominion Bank

The Toronto Dominion Bank (TD) global recruiting website features, a video invitation from CEO Ed Clark that is open captioned. The video is also replaceable by an ASL translator. By this means, TD not only declare their intention to recruit PWD, but back the declaration with concrete steps to do so. This is the best signal we have come across.

TD also partners with the leading third party recruiters in disability. They understand the subtleties of disclosure, using business-focused messaging to increase rates of disclosure of employees. They foster ERGs to serve as a laboratory for innovation and connection to their employees. They also consistently place PWD and Boomers in their ads, and have done so for many years. As they, and the other banks, grapple with product development (such as incenting the sales force on the RDSP) TD is best positioned for growth in this market. TD is an excellent as a case study for any firm keen to accelerate their progress in the PWD marketplace.

Private Sector Response

Who is the Best? – Sector Leaders Showing Real Returns

Health Care – CML Healthcare Income Fund Trust

The key to CML's leadership is how they speak to their customers: chiefly as customers, not merely as patients being treated clinically. Most customers of CML are above 65 years old and therefore the majority (at least 52%) have a disability. The company branding appeals to those individuals who may need a little extra help, but fully intend to live their lives as vigorously as they always have. CML is a good example of branding that is well designed to attract aging Boomers.

Industrials – Air Canada

In an industry dominated by poor performers on disability, Air Canada is an exception. Its attention to PWD as customers and a clear process for handling the unexpected, is impressive. In a tough business, they have found a way to serve as opposed to merely comply with the law.

Information Technology – Research in Motion/Blackberry

Blackberry devices incorporate tools for PWD to speed access to a mobile world. It is clear – they openly talk about it – that teams of developers have not only designed for disability, but they have learned from disability to design for all mobile users.

Materials – CCL Industries Inc

This firm has decided to signal to the market that PWD are part of their plans by ensuring that their website contains accessible elements.

Telecommunications Services – BCE Inc

Bell has recently begun to discover customer-centered language in how it engages PWD and their Family/Friends. Note that this is not in reference to recent 'Let's Talk' initiatives, although intrigued by tying the effort to a revenue driver in texting. Bell has turned compliance mandates and has made the decision to simply address its Customer. Its competitors have yet to follow their example.

Utilities – TransAlta Corp

The TransAlta website contains accessible elements.

Disability and Shareholder Value Creation

Linking Corporate Activity to Shareholder Value

The argument made by many in the area of Sustainability is that paying attention to social factors tightens bonds with customers, leading to stronger brand connection and ultimately higher revenue.

Yet company executives and investors often struggle to see the connection between laudable behavior and measurable increases in profit. Ultimately, the specific actions undertaken must lead to increased shareholder value as defined by:

1. Additional net revenue (above acquisition costs)
2. Reduced factor costs

Taken separately – or together – these two cash flows add value to an investment. FQA engages in research that links observable corporate activity – in engaging PwD as Customers or employees – that leads directly to at least one of the above.

For example, a CPG firm that touches 95% of the consumer base in a broadly defined market can increase market share by including PwD in its advertising and/or packaging development. If executed effectively and at minimal cost, the changes increase market share via greater loyalty and/or an increase in transaction volume.

By isolating these factors that drive shareholder value and linking them to the outcome of serving the market of PwD, FQA uses share price as the ultimate indication of value creation.

Stock price is the ultimate test of the ability of any initiative to create shareholder value. By investing in individual firms, taken together in a portfolio construct thereby allowing for some degree of factor isolation, FQA research shows that the firms that score highest in disability-driven value creators outperform the broader market benchmarks for the following reasons:

1. Current outperformance – FQA has found overlap between high performers in disability and the concurrent existence of a ‘great franchise’. These firms are highly responsive to their customers, innovative, process-driven and generally well managed. In other words, disability is a proxy for better performance.
2. Future outperformance – These firms are best positioned to build value as the disability market emerges.

These dual objectives allow for measurement of value based solely on portfolio ‘stock price’, using a ‘beta-flavored’ product to prove that positive, value-linked action in disability is better than the null.

The current market practice in Environmental, Social and Governance (ESG) research is to measure ‘diversity’ or ‘sustainability’ practices that are not directly linked to value creation for shareholders. This is why business executive and investors have struggled to tie ESG practices to shareholder value.

The FQA model measures only those factors that lead to net revenue increases and/or cost reductions, and those factors vary in their impact from firm to firm. While proven at the portfolio level, further research is required at the firm specific level – alpha generation driven specifically by disability.

It is FQA’s hypothesis that as the disability market matures, and materially affects revenue and cost over the next five to ten years, firm-specific effects will become evident to build active an portfolio strategy.

Disability and Shareholder Value Creation

Portfolio Construction and Results

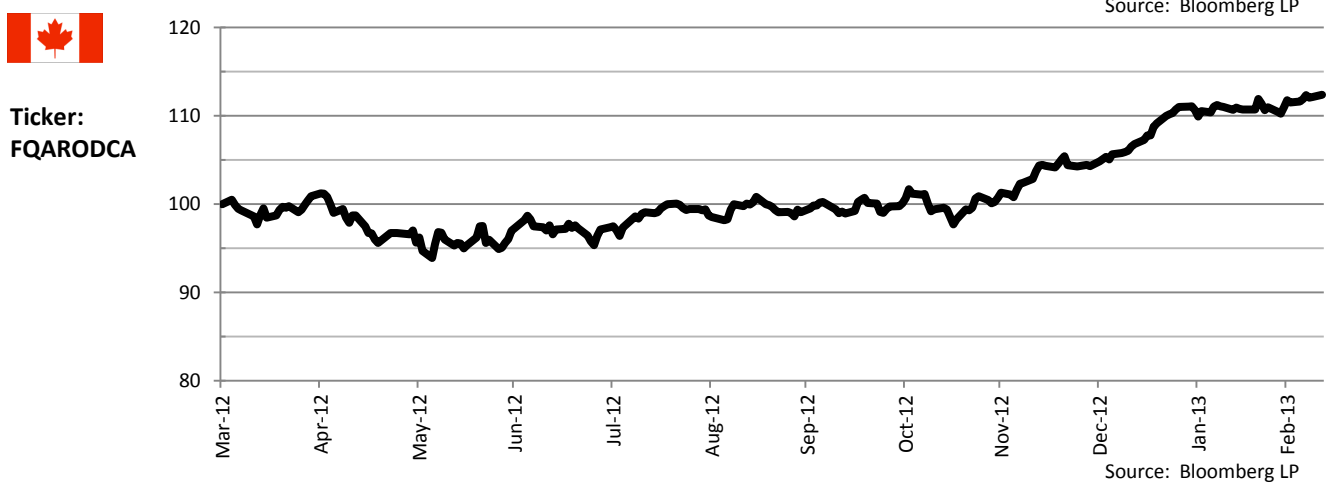
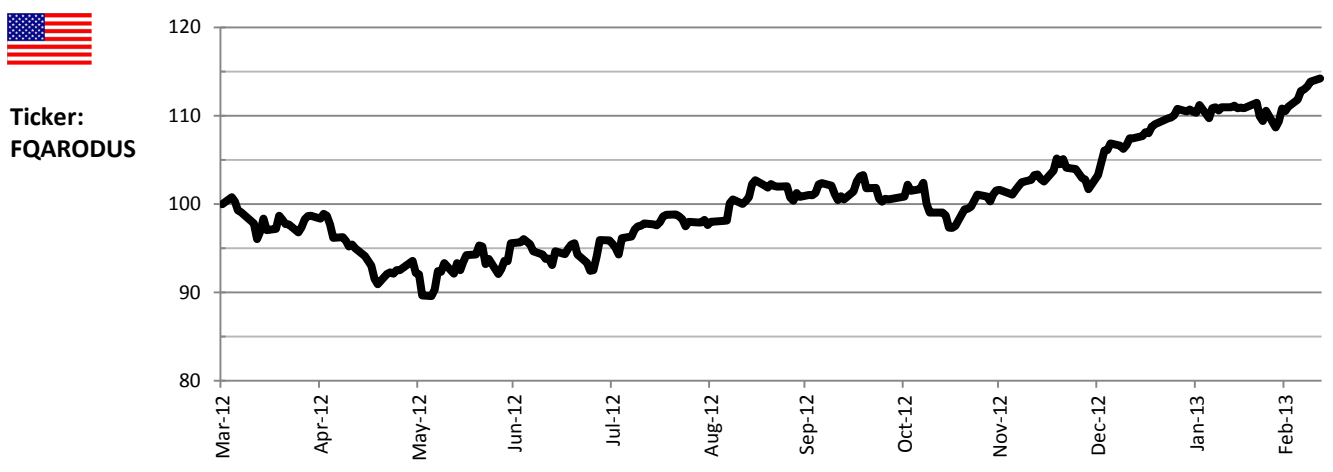
Once a year, Fifth Quadrant Analytics publishes the Return on Disability US 100 Index and the Return on Disability Canada 50 Index which represents the top large public companies in the United States and Canada. This equity index recognizes companies that are outperforming in the disability market.

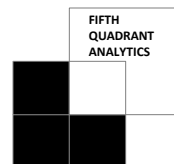
Calculated daily in real time and broadcast on Bloomberg terminals worldwide, this index encompasses the best performers on the RoD Ratings System. Fifth Quadrant Analytics' equity indices give investors a simple way to identify Environmental, Social Governance (ESG) investments that have a higher probability of outperforming their peers in a given industry sector. In addition, the index helps investors improve portfolio performance by providing a new financial lens for evaluating existing and new investments.

The portfolio is constructed as equal weighted, to avoid bias to factors such as size and its construction ignores sector balancing. While financial fundamentals are ignored in the Rating, the Index Committee considers aspects of financial stability and liquidity to ensure that the index is investable.

In exhibit 7 below, the performance of the indices are charted since its inception in March, 2012.

Exhibit 7: Stock market performance of an equal weighted portfolio of the top performers in PWD markets





What's Next?

The Need For Practical Consumer Research and Business-Driven Process

Conversations focused on the PWD market are easy at senior management levels. The macro data is both well tested and compelling for a strategic endeavor to be initiated. **CEOs and brand gurus have little resistance to a market of considerable size that carries such a strong emotional bond to individual customers.** The greater challenge is to integrate disability into business strategies through the annual objectives of operational managers. **As with most initial efforts, the first step is to ascertain the right questions to ask.**

The Gap

Companies, both large and small, work in hierarchies. As much as middle to senior level managers want to fulfill the goals set for them by their supervisors, they need insights and analysis of how consumers act relative to disability, success milestones that indicate progress towards the goals and budgets that record their financial performance.

Today, none of these exist in any firm that we have analyzed. Even diversity budgets are rarely larger than \$150,000 for disability. As previously stated, 69% of large US companies are not even at that level. Accordingly, we discuss below what factors are inhibiting the use of three normal business metrics – insights and analysis, milestones and budgets – in the PWD markets.

Insights and Analysis

The questions must be asked – what makes PWD and Friends/Family buy? What is unique about this segment that allows firms the reach them as both customers and employees? Within this market, how does one account for differences and sub-segments? What traits, buttons and levers are common amongst them? What turns them on? What turns them off?

Nobody knows. This increases the risk of diving head-long into the PWD market for brand managers and product developers. Rational managers act on observable facts. **Today, there are many hypotheses, hunches and intuitive theories of how PWD act and think, but there is no rigorous research to prove or disprove them.** The methodologies exist and are applied daily to segments outside disability. The same methods must now be pointed at disability.

Success Milestones

Even at companies which are market leaders in disability, firm-wide strategies on the issue do not exist. Strategies are typically driven by an ad-hoc group of 'champions' driving an informal agenda in one specific area. Disability touches multiple areas within any organization, and those areas also differ from firm to firm. Marketing, HR, R&D, technology, facilities and legal departments are just the high-level categories, but each of them has specific characteristics and goals to achieve. **Until these actions and objectives are mapped and measured across firms, sustained economic value creation is unattainable.**

Budgets

Disability does not have material budget allocations in most firms today. Even in the firms that do have allocations, these budgets are not proportionate to the potential revenue opportunity. Logic dictates that a market with disposable income worth an estimated \$544 billion in the US alone would have at least an eight figure budget. Yet few firms have. **This is another effect of the dearth of actionable consumer data in the PWD market.**

Conclusions

Emerging Market Mentality

What if someone gave you the opportunity to invest in China in 1975? With hindsight, would you take it? Success in China over the last 40 years took research, asset allocation and execution, in addition to good timing. It certainly did not happen over-night. The same process is occurring today in disability.

In disability markets today, we conclude the following:

1. The market is large and is more complex than medical condition.
2. With few large firms acting already (7%) there is substantial unmet demand.
3. Measurement of returns from first adopters show significant potential for material revenue gains and cost reductions.

For those businesses that are interested in seizing this opportunity, it is essential to:

1. Do the research – to understand the markets, their participants and what drives their behavior.
2. Formulate a strategy based on a clear understanding of why disability is important to your organization, as opposed to other organizations, or in general. The value proposition is different for each entity.
3. Define success – Set clear benchmarks, and measure progress against those benchmarks.

The PWD markets are, in effect a large emerging market. Making up 1.27 billion people globally, they represent a population the size of China. Unlocking the potential in this large subset of the global community has serious ramifications for GDP, public and private institutional cash flows and how economies grapple with an aging population.

The familiar emerging market investing question must be asked: when does this market tip? When does the global platform of disability mirror the scope and revenue generating power of Green?

Knowledge is the first step. Great business minds provoke what comes next.

End Notes

1. FQA had been using an industry accepted study published in 1999 by the United States Department of Labor stating that the disposable income for PWD was \$220 billion in the US. At the time of publication, that implied a per capita disposable income for PWD of approximately \$3,500. Our analysts felt that number did not reflect the average PWD. FQA decided to build its own income data.

A 2006 income survey performed by Statistics Canada found that the average income for PWD was \$28,503 or 76.4% of the average income for the total population. FQA then applied that percentage to market specific income breakdowns to arrive at total and disposable incomes for the US, Canada and EU.

The US example is below:

US average income	49,777
US average disposable income	36,808
Disposable/Total income	74%
PWD/Total population income	0.76397116
% of PWD working age	67%
# PWD age 16-65	37,705,500.00
Implied PWD average income	38,028.19
Implied PWD disposable income	28,120.25
Historical participation rate	59%
Historical employment rate	86%
# of PWD Employed	19,328,668.82
Aggregate PWD income	735,034,337,148.59
Aggregate PWD disposable income	543,527,008,091.40

2. European population and income data reflects European Union political treaties. Previous report versions had included Russia and other countries not covered by EU mandates.

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