

Revenue Drives Value in Disability Markets

Factor Analysis

Driving Stock Returns > Product and Message

Top 3 Observations

- Customer actions correlate to returns more than Talent
- Actions focused on Product and Message → highest impact
- Messaging most important factor in Talent activity

Top 3 Sector Observations

- Healthcare had the strongest correlations – Customer focus
- Technology firms gain most value from Product Development
- Consumer messaging impactful for CPG/Retail

Executive Summary

Activity in the disability market that is most correlated to monthly stock returns is focused on actions attracting Customers. These actions generate new revenue for firms in our research universe.

The Return on Disability model weights activity by its impact on shareholder value. Our analyst’s original hypothesis stated that firms that generated a majority of their revenue by serving a broad consumer base have the most impact on value by serving customers with disabilities and their Friends and Family. The correlations generated in this study confirm this hypothesis.

At the category level (Customer, Talent, Productivity), this study demonstrates material links to value creation in both serving the Customer and engaging PWD as Talent. The links are stronger in the Customer category – demonstrated by higher correlations. Our analysis shows that product development and innovation are more important to value creation than messaging and customer experience. Within the Talent category, messaging (Internal/External) and outreach were more important to value creation than accessibility. These are new findings.

At the Sector level, correlations were strongest in the Consumer, Technology and Healthcare sectors. The Consumer sectors showed broad mid-level strength focused on the customer. In Technology, Product Development and Talent outreach drove results. The biggest surprise in the analysis was in Healthcare – where Customer activity maxes 90% correlation with average monthly returns.

TABLE A – Highest link to Stock Returns – Consumer Sectors

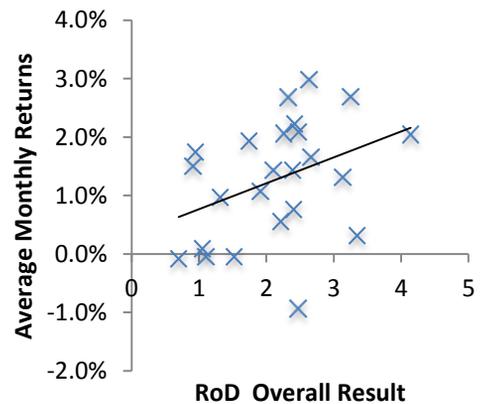


TABLE B – Customer Results link to Stock Returns

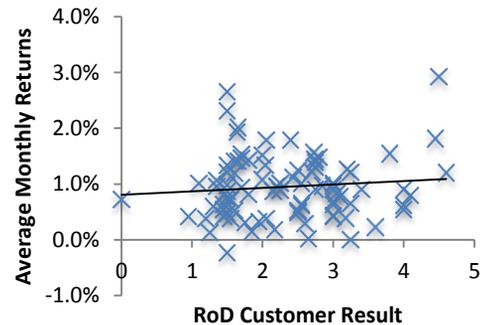
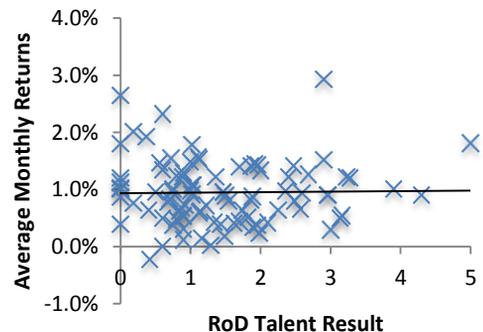
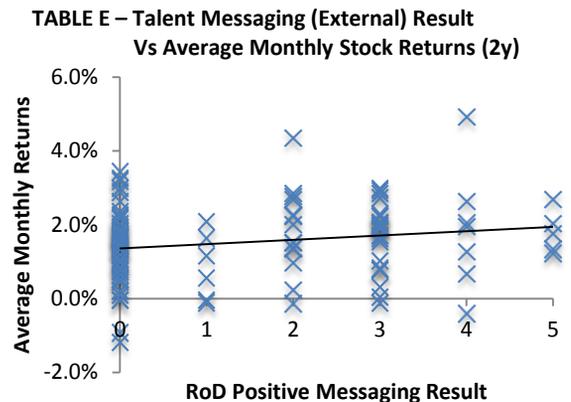
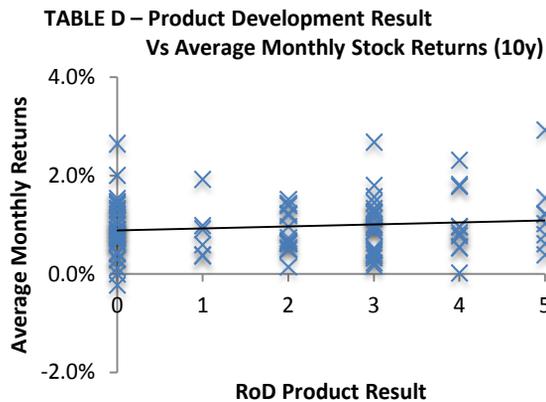


TABLE C – Talent Results link to Stock Returns



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Category Observations

Activity in the disability market most correlated to monthly stock returns is focused on actions impacting Customers. These activities are aimed at generating new revenue for firms in our research universe. This was our analyst’s original hypothesis, proven by correlation analysis between RoD results (in both Customer and Talent Categories) and monthly stock returns.

Correlations showed relative strength in the Customer Category over all companies in this universe but strengthened when the universe was reduced to companies that face consumers. With this reduced universe, the strongest correlations were seen in the Customer category and to a lesser extent in the Talent category. A correlation in the range of 15% was observed for the Customer category over all time scales of market returns. This analysis lends support to the hypothesis that the main driver for market returns lies in serving customers in the disability market.

Analysis of the sub-categories showed nuances of the drivers of market returns. Within the Customer category, the strongest correlation to monthly returns was seen in the 20% range over a 10 year period in the product development. This was followed by similar correlation found for messaging. These observations solidify our hypothesis that messaging and product development drive shareholder value more than simplistic accessibility mandates.

Within the Talent Category, the only material correlations were found in the messaging (both internal and external) and performance focused sub-categories. These correlations reached a level of approximately 15%. There was also a correlation found between market returns and those companies which understate compliance in favor of positive messaging that focused on career success and business success.

These findings indicate that, over the whole universe, acting on market returns by attracting customers and the best talent focuses companies on serving shareholders by creating value in the disability market.

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TABLE F – Customer Result in Consumer Sectors Vs Monthly Returns (2y)

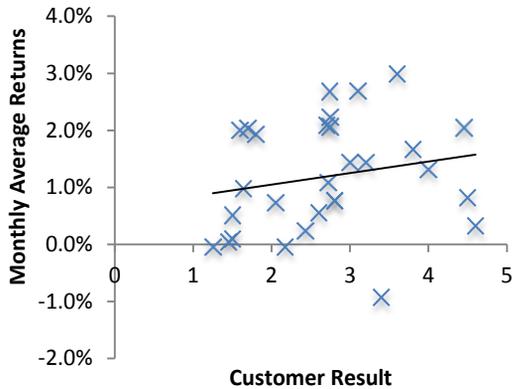
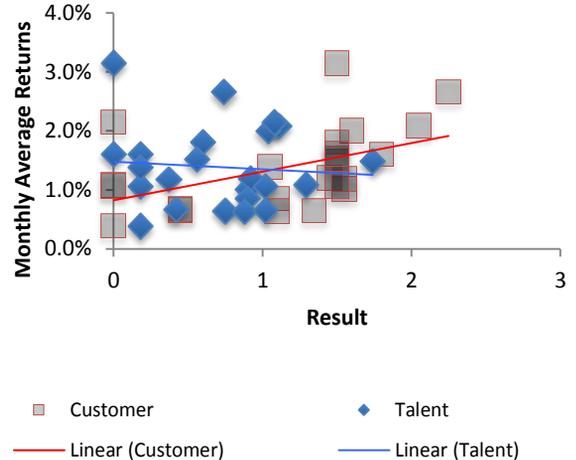


TABLE G – Customers and Talent Results Vs Monthly Returns – Healthcare (5y)



Sector Observations

- 1) Health Care Sector
 - a) Strong correlation between RoD Results and monthly price returns between 25% - 45%.
 - b) Correlations rose in the Customer Category – from 32% to 48% – while correlations in the talent and productivity categories were negligible. Customer observations dependent on the messaging sub-category whose correlation strengths are greater than 35% for all time scales.
- 2) Information Technology Sector
 - a) A 23% correlation between stock returns and Customer Result compared to a moderate correlation for talent and a negligible correlation for productivity over the ten year averages.
 - b) Within the customer category, correlations were seen over all categories but those with meaningful strength focused on product (35%) and customer experience (online).
- 3) Consumer Discretionary and Consumer Staples Sectors
 - a) Correlation observed in the product sub-category was material at 25% over 5 years and 21% over 2 years
 - b) The correlations seen in the talent was strong but closer analysis revealed that the correlation was driven by those sub-categories which were related to culture and messaging. These trends where primarily evident over two years.
 - c) The categories focused on Internal messaging all scored highly with 27% correlation while the strongest correlation was found in the Understates Compliance category at 30%. These correlations were far higher than those which dealt with physical accessibility.
- 4) Telecommunication
 - a) Over ten years of analysis the scores are incredibly high, hovering in a 70%-90% range (although over a small data set) with customer and productivity having the highest scores at 96% and 77%.
 - b) Within the customer category, the strongest correlations (96%) where found in the product and customer experience categories with no difference in correlation between retail and online.

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The RoD Model > Capturing Shareholder Value

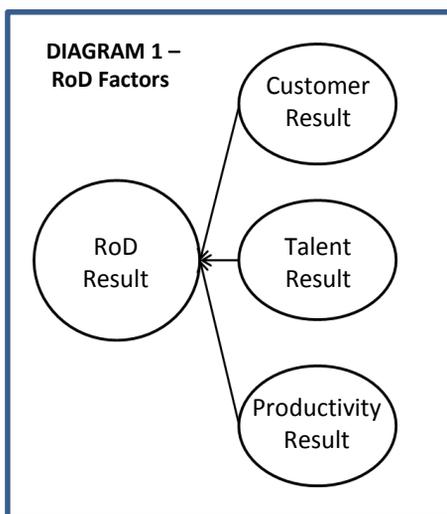
Cambridge Dictionaries defines shareholder value as “the total worth of a company to its shareholders”. Many things can increase shareholder value, such as new products and services, entering a new market, and streamlined operations. The basis of the Return on Disability model is to measure those activities relative to disability that add to shareholder value. Specifically, we identify actions that:

- 1) add to net revenue and/or
- 2) reduce ongoing operational costs

The 20 disability-related KPIs that RoD measures within organizations ultimately impact one of these two fundamental building blocks of value creation. We focus on value for one simple reason: to shift the disability paradigm from ‘added cost and effort’ to ‘added value’ by demonstrating the shareholder value of disability.

Customer – *Delighted Customers Lead to New and Enhanced Revenue Opportunities*

For most established brands, finding a new way to talk to a mature market is the Holy Grail. From a purely demographic point of view, 53% of the entire consumer marketplace is touched by disability. The value-add comes from the ‘halo effect’ of talking about inclusion, empowerment and innovation that comes from a focus on disability. Consumer-facing firms drive top-line growth by leveraging insights from PWD, refining messaging, and incorporating insights from disability to enhance the customer experience.



Talent – *Finding Great People and Keeping Them at Their Best*

The war for talent is real, and PWD represent a new pool to tap as part of the talent acquisition strategy. While the pool is real, it requires some effort to address. Understanding the space and connecting talent to core business goals are good first steps. Diversity recruiting has taught practitioners a few things: a) robust pipelines precede hiring; b) PWD must be attracted to the firm through brand appropriate messaging, and, c) done properly, the firm must be aligned internally on the rationale in hiring PWD. It is critical for companies to open their employee base to PWD in a robust way, which initially will be a high touch effort. Data and experience shows that this approach results in high productivity, higher quality and higher returns.

Productivity – *Leveraging Insights from Disability to Drive Efficiency*

Innovation is born from extreme environments, solving for a set of demands outside the norm. PWD do things in ways that “Joe Average” just does not think about. They are extreme users of technology and infrastructure. If one can solve for ‘extreme users’, one innovates applications for the average user. By empowering a line worker with one hand; who happens to have low vision, to reduce a 100 step process to 23 (simply because it is easier for her), it just became easier for all while removing complexity and cost from the operation. Firms acting in this area today are seeing efficiency gains in the area of 20%. This can also be applied to product development.

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Methodology > Linear Regression

The Return on Disability (RoD) datasets used for this study were collected over five years using primary observation. Traits evaluated were publicly observable and were assigned a specific result relative to the 'best' observations. The share price data utilized was daily closing stock prices sourced from Bloomberg. The stock return calculations used simple percent change calculated monthly without factoring in dividends. These monthly price returns were then averaged over the most recent ten year-, five year- and two year periods. Not all equities analyzed were traded over the periods analyzed. Only those shares traded over the full time span were factored in to each average period.

Correlation percentages were calculated using linear regression and the Pearson product moment correlation coefficient formula. All categories and sub categories of the RoD Result were analyzed and given a percentage correlation. Only those scores greater than 10% or less than -25% were considered pertinent. Correlation strengths over 20% were considered valuable and relevant. While 20% seems statistically small, this strength indicates a deeper connection and relevant general trend.

It must be noted that no causality is being concluded here, this analysis is a study of the similarity of trends occurring within the stock market and the actions taken by companies in relation to the disability market.

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