THE TAPESTRY OF BLACK BUSINESS OWNERSHIP IN AMERICA:

UNTAPPED OPPORTUNITIES FOR SUCCESS

Objective

Reframe the conversation surrounding Black Owned Businesses to emphasize ***resilience***, ***motivation***, ***untapped potential***, ***diverse characteristics***, and the ***barriers*** that limit their economic power

Methodology

Literature Review

Expert Panel Roundtable

Data Analytics

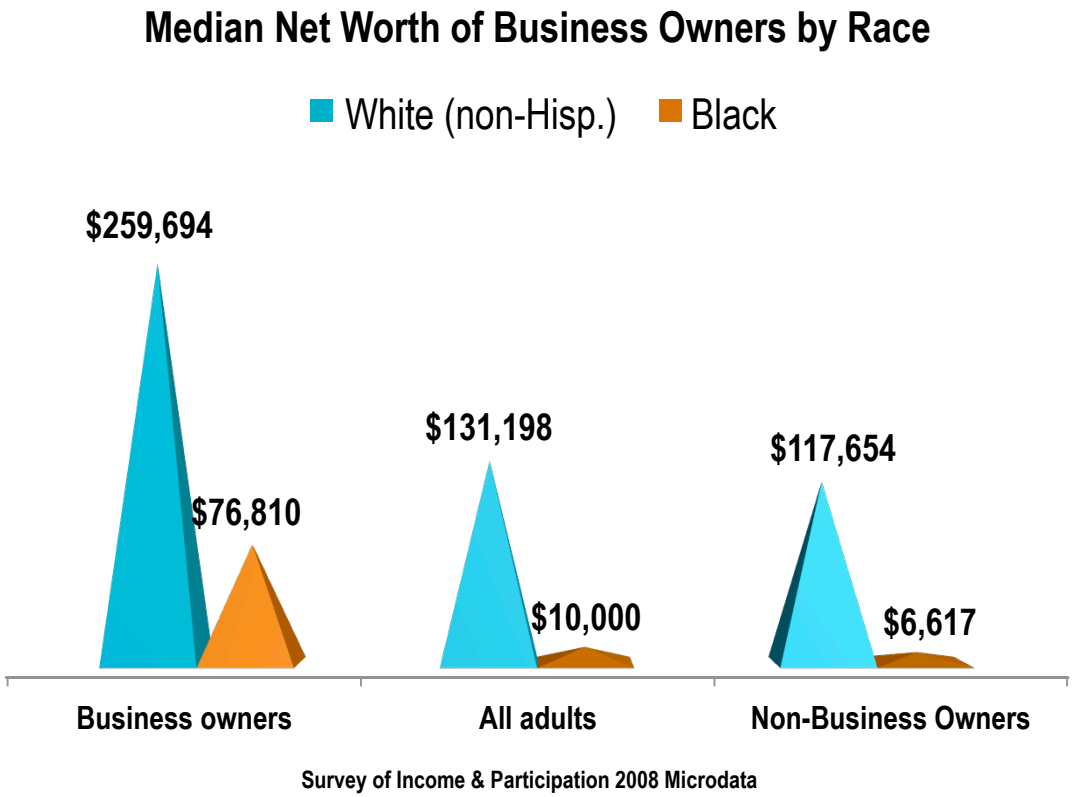
Survey

Overview of Contents

- Self-employment is viable pathway to wealth creation
- Motivation is robust but failure rates are high
- Three barriers thwart the potential of these businesses
  - *Wealth Gap*, *Credit Gap*, *Trust Gap*
- Black businesses are diverse
- Ideas for unleashing the economic power
- Modeling the impact

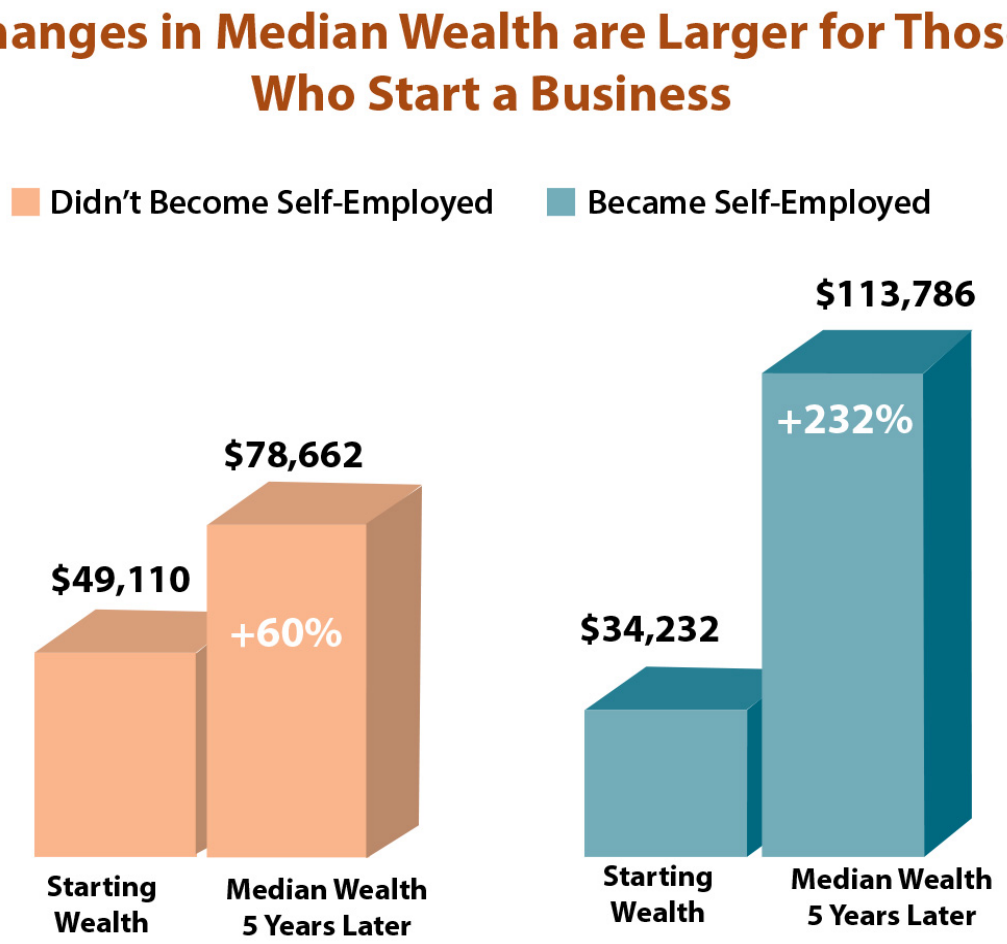
Business Owners Are Wealthier…

- Black business owners have a median net worth 12 times higher than Black non-business owners
- Being a business owner helps to narrow the racial wealth gap



Business Owners Are Wealthier…

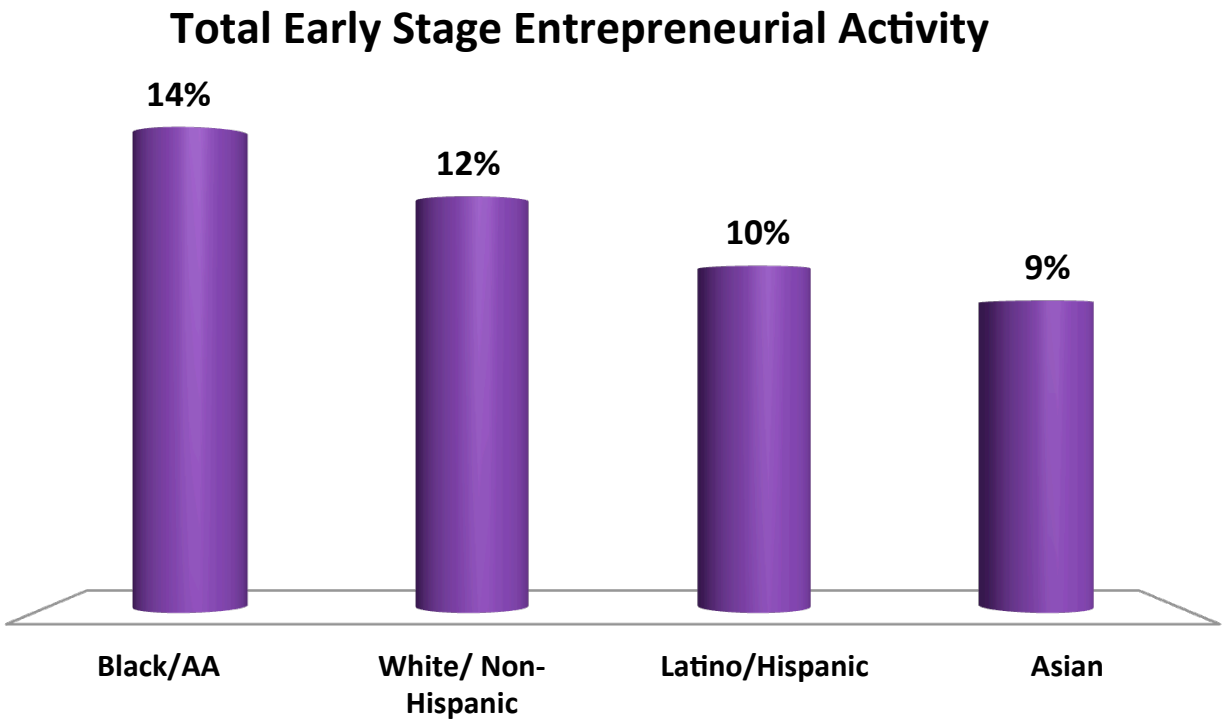
- **Becoming self-employed creates wealth faster**



Source: Panel Study of Income Dynamics

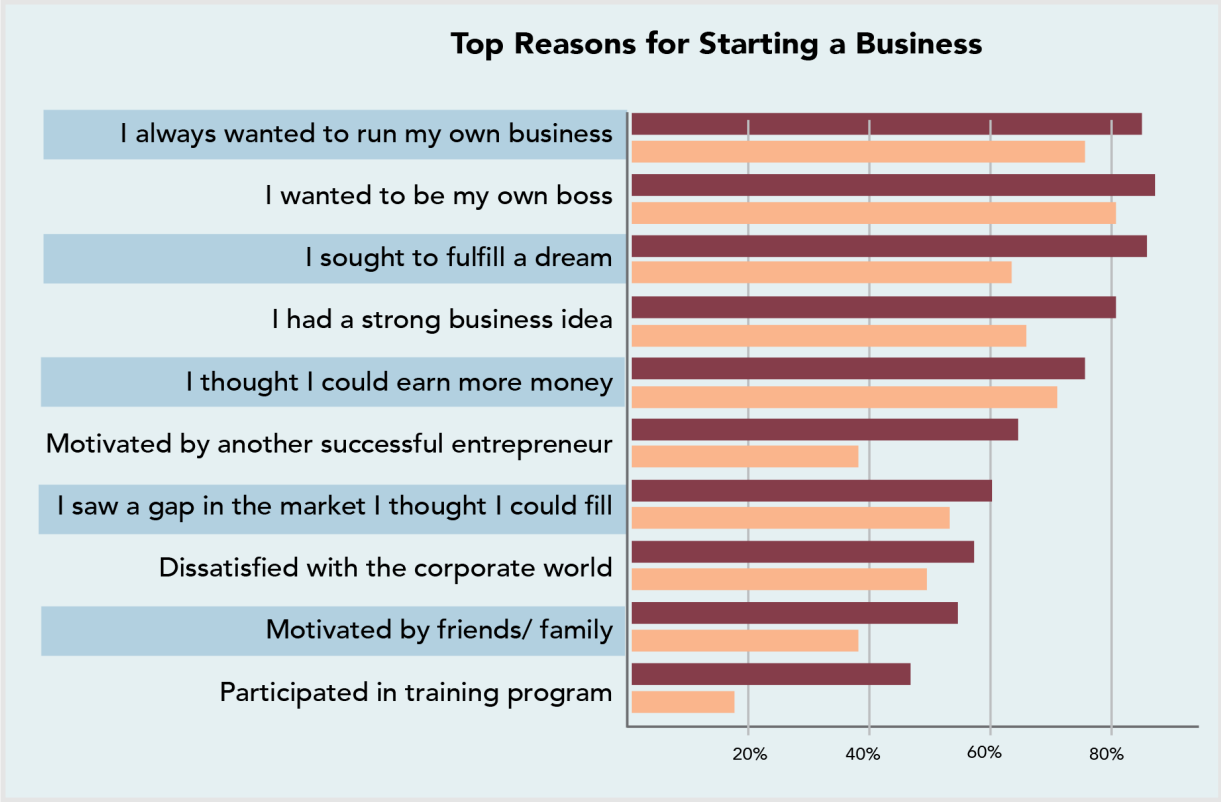
Black Entrepreneurial Aspirations are Strong

- Start-up rates are higher for Black entrepreneurs



Source: Babson & Baruch Colleges

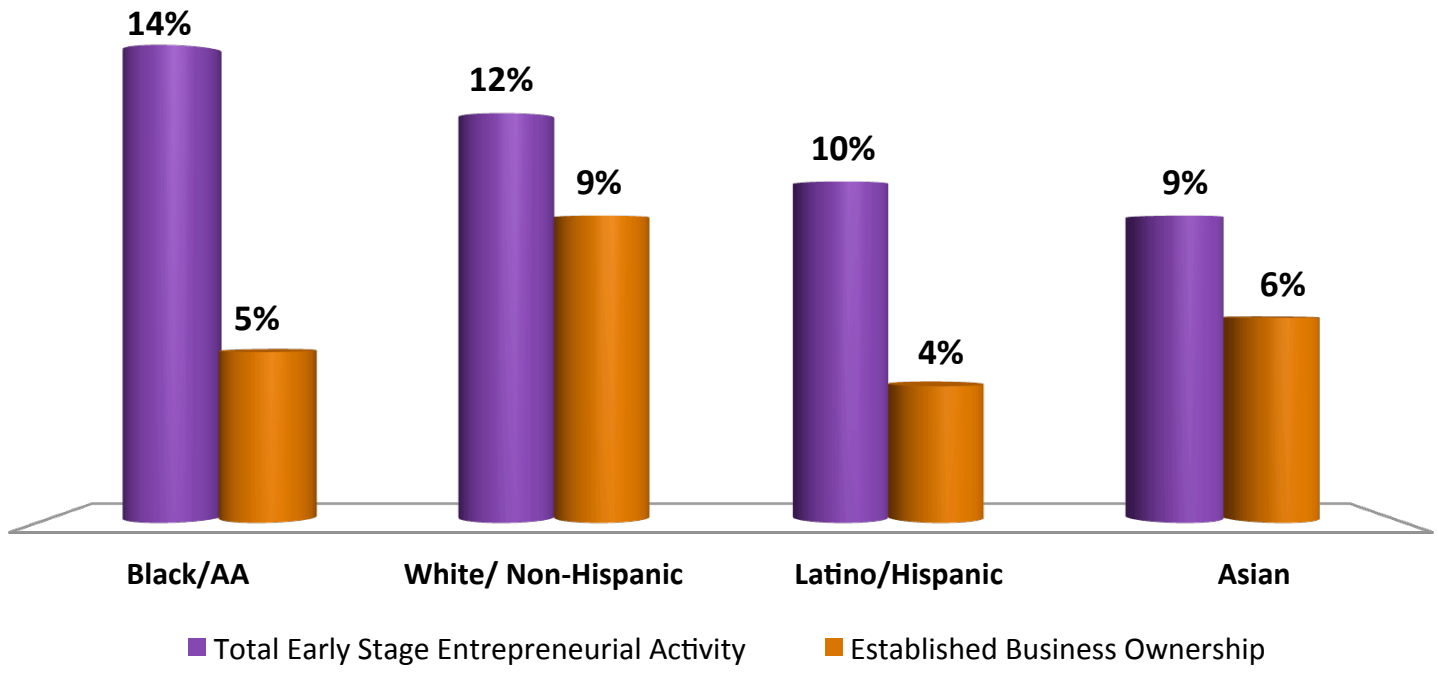
Black Entrepreneurial Aspirations are Strong



AEO Research 2016

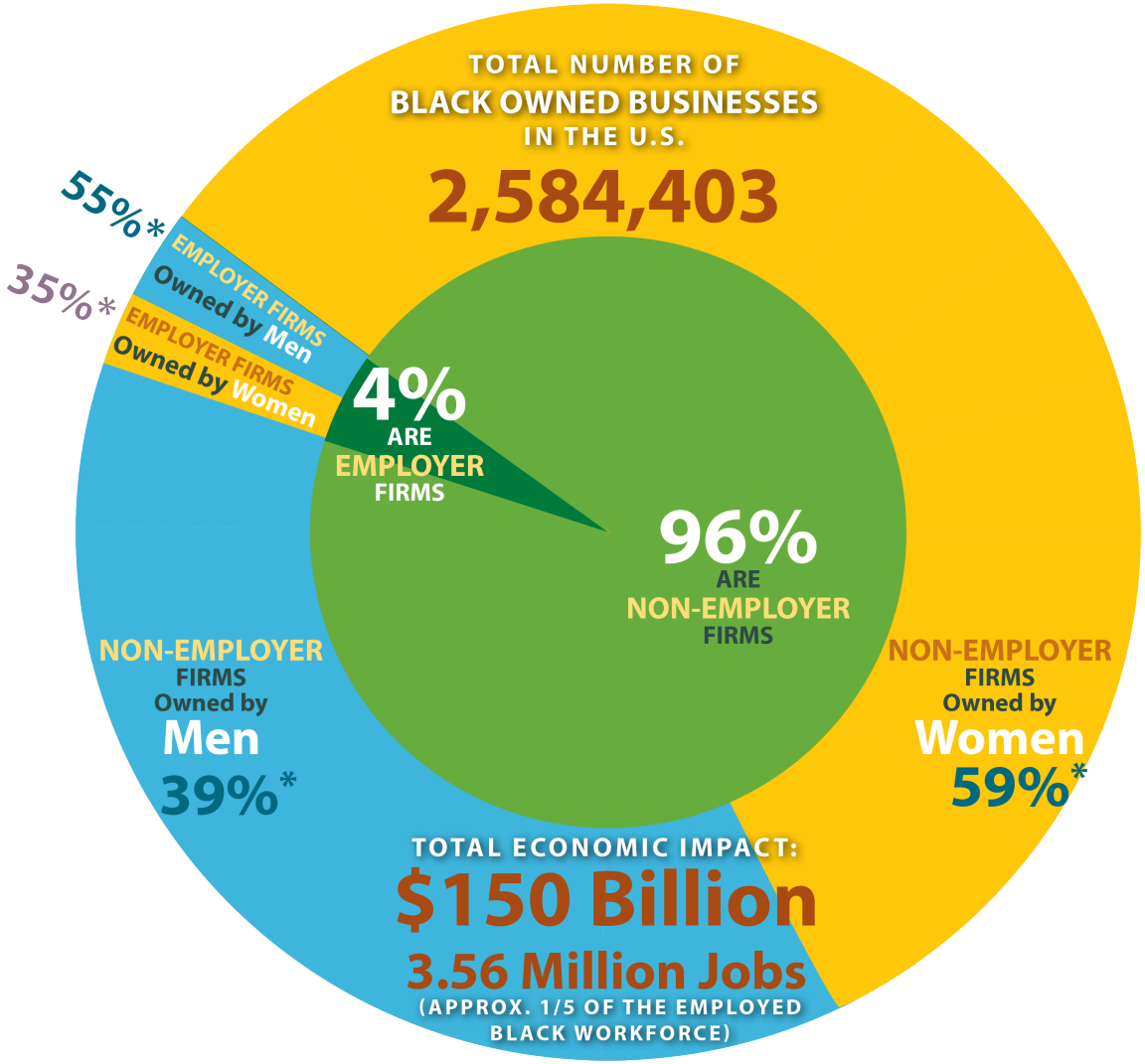
Black Entrepreneurial Aspirations are Strong

- Start-up rates are higher for Black entrepreneurs, but have fewer mature businesses…. Indicating a disconnect between motivation and outcome



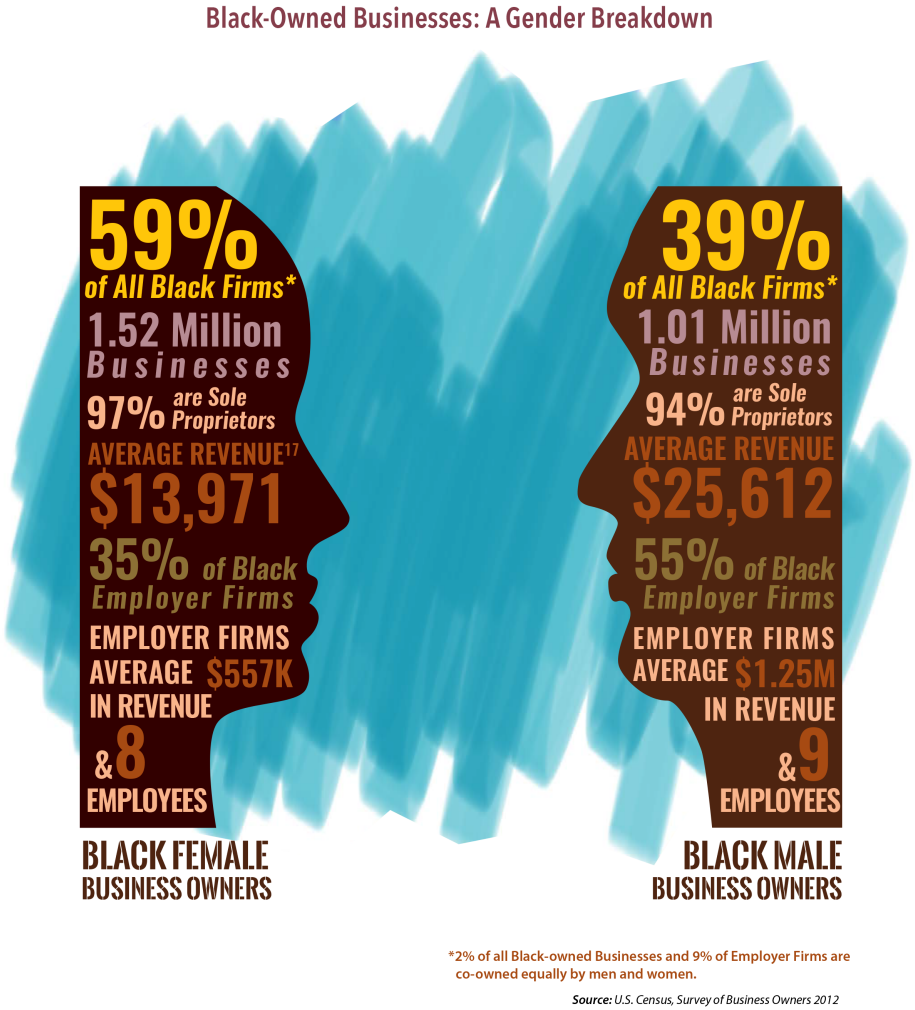
Source: Babson & Baruch Colleges

Black-Owned Business Landscape



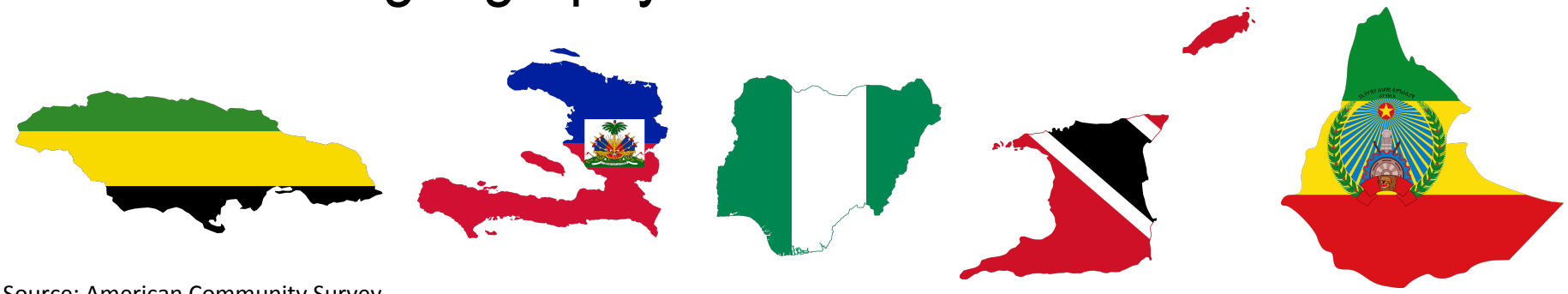
Source: U.S. Census SBO

Black Businesses Have Diverse Characteristics: GENDER



Black Businesses Have Diverse Characteristics: **IMMIGRANTS**

- Higher business ownership rate
- Higher median wealth
- But similar industries
  - Except concentration in transportation for men
- Different geography



Source: American Community Survey

Segments Framework

Care & Comfort (35%):
Beauty Salons, Barber Shops, Childcare, Home Health Care

GroundWorks (15%):
Landscapers,
Janitorial Services

Logistics & Transit (7%):
Taxis,
School Bus Transport,
Trucking

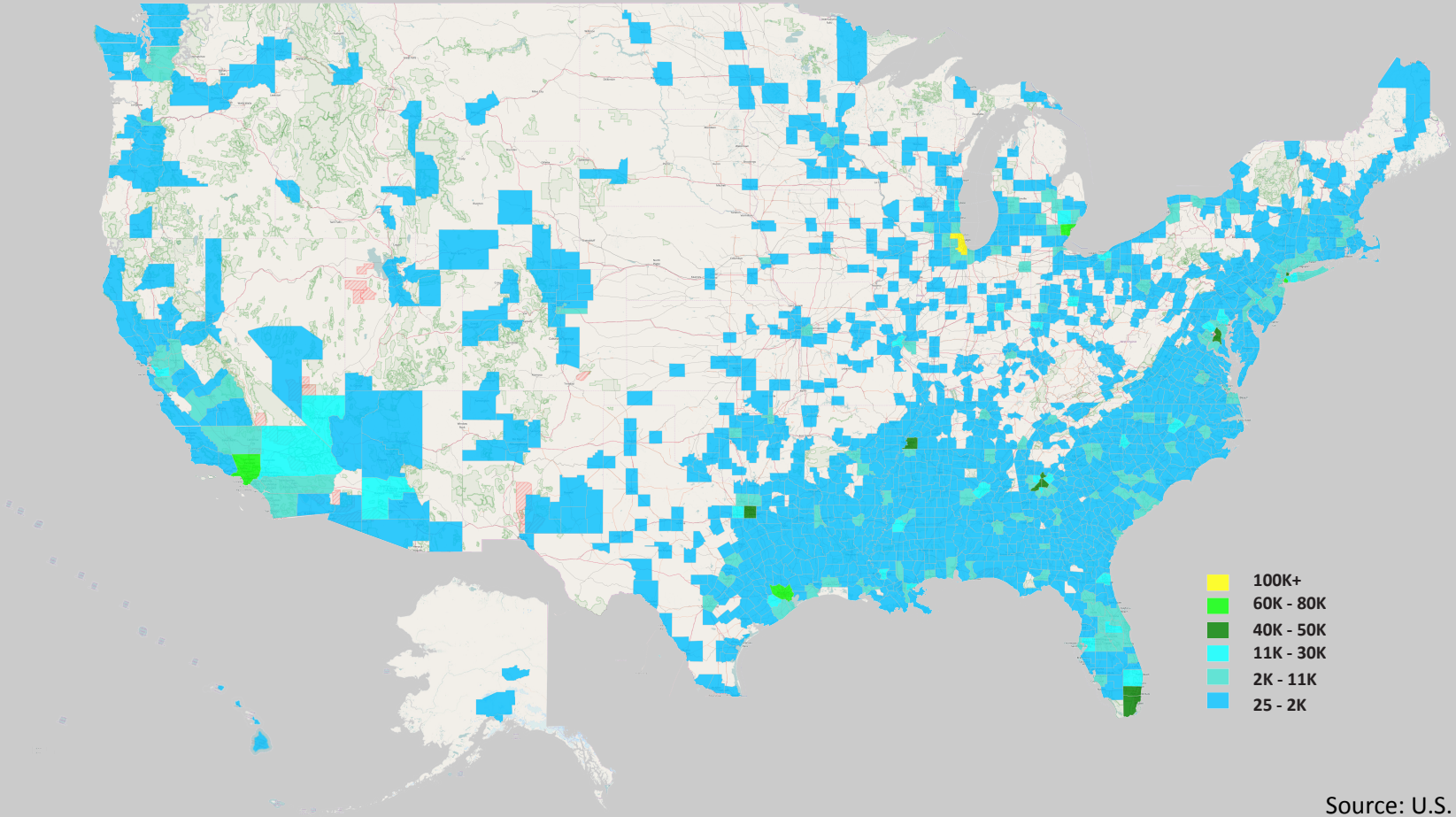
Workflow (10%):
Tax Prep, Insurance Agencies, Accounting Services

Stepping Out (10%):
Retail, Food, Hotels, Wholesale

Creative Expression (5%): Artists, Entertainers, Recreation-related

Black Businesses Have Diverse Characteristics

- While there is diversity within the 2.5 million Black-owned businesses in terms of gender, country of origin, skills, focus, and goals, there is also wide representation across most populated areas of the United States



Source: U.S. Census SBO

Sectors Where Black Businesses are Concentrated Limit Revenue Growth

- And the ability to hire…

NAICS Code Description	% of All Firms		Rev per Firm		% of White
	Black	White	Black	White	Revenue
Beauty salons	16%	3%	$ 14,100	$ 56,299	25%
Child day care services	13%	3%	$ 19,181	$ 46,206	42%
All other personal services	8%	5%	$ 12,529	$ 27,134	46%
Home health care services	7%	1%	$ 32,625	$ 166,462	20%
Janitorial services	7%	3%	$ 21,674	$ 57,542	38%
Independent artists, writers, and performers	4%	4%	$ 27,401	$ 42,353	65%
Barber shops	4%	0%	$ 13,408	$ 31,617	42%
Landscaping services	3%	2%	$ 16,266	$ 152,469	11%

Source: U.S. Census SBO

"Black-Owned Business Employer Parity with All U.S. Firms Would Put Black Job-Seekers at Full Employment"

- 15% of non-employer firms hire 1
- Employer firms – hire 2 more
- Black firms hire locally
- Revenue increases

$55 Billion

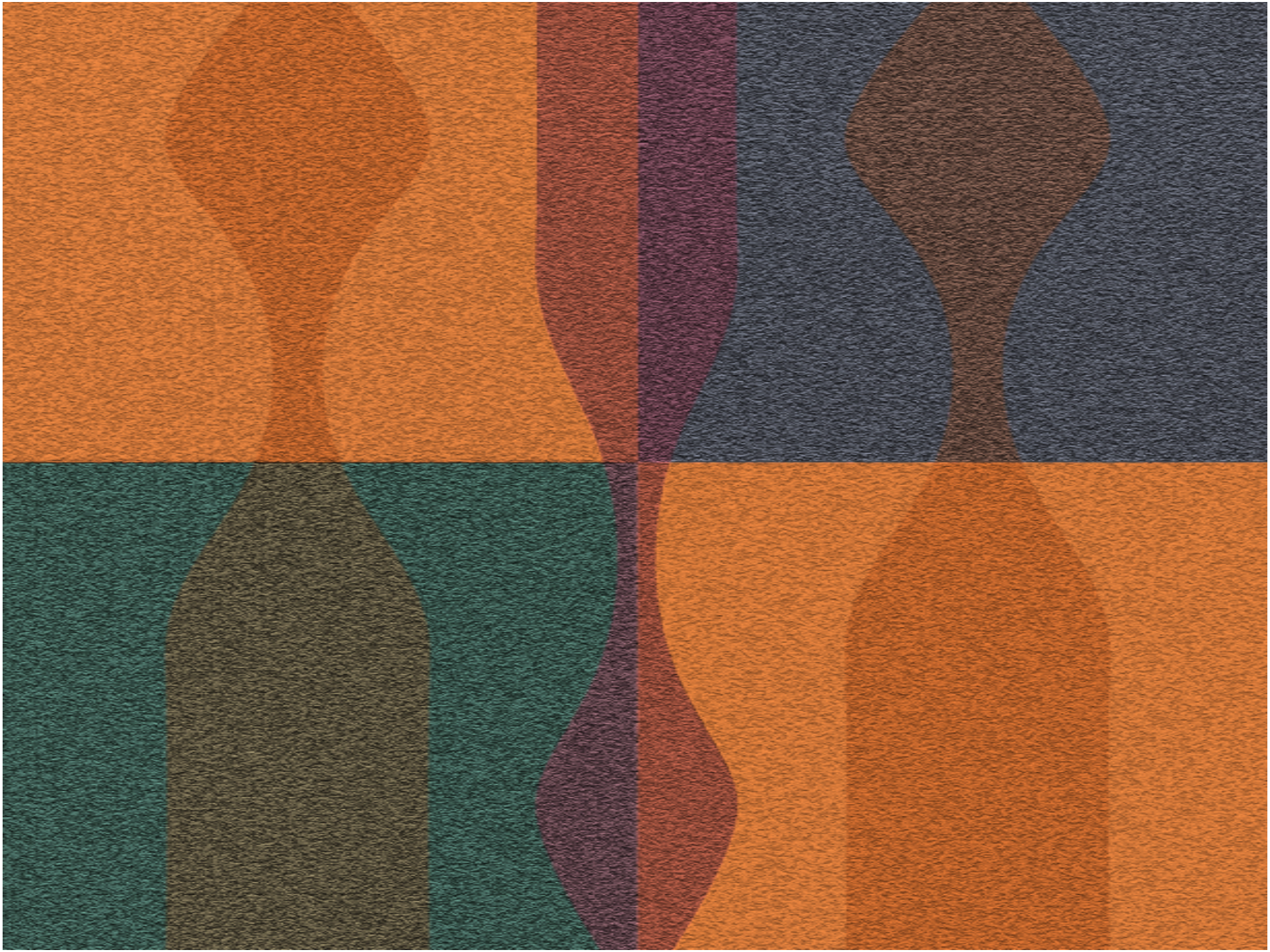
600,000 JOBS

Challenges to Black-Owned Businesses

- The **Wealth Gap** Drives a **Credit Gap**
- Current and Legacy Bias Create a "**Trust Gap**"

How to Break Down Barriers & Unleash Black Business

- **The report lists a number of concepts and ideas that could be considered in working toward:**
  - Addressing the low business ownership rate
  - Achieving employment parity with all U.S. firms
  - Fostering the movement of aspiring and existing Black entrepreneurs into higher revenue sectors

Solutions Summary

- Identifying **new capital products** to serve as a proxy for starting equity for Black-owned businesses
- Creating a model of **crowdfunding** that can yield a higher success rate for Black entrepreneurs
- Supporting innovation, as well as expansion of **lending programs**, that demonstrate successful reach and service into the Black business segment
- Assisting firms with **marketing** and research
- Increasing **technology** literacy
- Hiring **culturally competent service provider staff** to help bridge the Trust Gap
- Facilitating peer-to-peer **mentoring networks**
- Creating new sustainable systems that provide individualized technical assistance, which AEO refers to as **Trusted Guidance**
- Enlisting media to provide **Public Service Announcements** that can connect business owners with local service providers
- Requiring **entrepreneurial training** in the primary grades
- Establishing **career centers** in low income jurisdictions, with low to zero tuition
- Advocating for robust **STEM** and **STEAM** programs, especially for students in lower income school systems
- Providing wraparound services and scholarships for current adult business owners so that they can attend **training and educational courses**
- Establishing **brick and mortar co-ops** for low-wealth entrepreneurs who can't afford the spaces on their own
- Promoting the fact that so many Black-owned businesses are in the caring fields; as the workforce becomes more automated and jobs become fewer, human caring and interaction will still be important for our well-being