The 2023 Black-owned Economy
Charting the Needs and Challenges of Black Small Business Owners
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A Message From Mastercard

For communities across America, small businesses infuse one-of-a-kind energy and are engines of local growth. In many cases, particularly in underserved communities, small businesses embody the very essence of a place and the people who call it home — the uniqueness, creativity, and potential. To lift up a small business is to lift up our neighborhoods and national prosperity.

But we need better information and higher-quality data to serve Black-owned small businesses, and that’s where this report comes in.

The pages that follow detail the momentum that exists in the Black small business community, as well as some of the hurdles that Black entrepreneurs are trying to clear. It provides insight on an up-and-coming generation of young Black business owners poised to start and grow purpose-driven enterprises. It reveals common challenges, like accessing capital and managing inflation. And it shows a wealth of expertise and talent that the Black business community is drawing from, which we should all seek to continue to support.

This report affirms that generating wealth and opportunity in the Black community can start with small businesses. It’s up to all of us to take hold of the evidence in front of us, using it to support Black-owned small businesses as they embrace innovation to consistently deliver essential services and produce quality products.

At Mastercard, we’re on a journey to build an economy that works for everyone, everywhere. We are investing $500 million in Black communities through our In Solidarity initiative, which is focused on improving access to affordable financial tools and services, as well as capital and resources, for Black-owned businesses. In Solidarity is designed to activate our company’s built-in resources to combat discrimination and racism, helping to close the wealth and opportunity gaps that persist in our country.

Additionally, our Strive USA initiative is helping underserved small businesses as they work to get capital, go digital, and grow their networks and know-how. Through Strive USA, we are working with community financial institutions and other players in the small business ecosystem to support underserved entrepreneurs with what they need most.

We’re honored to support this report alongside our incredible partners, Hello Alice and the NAACP. For every challenge Black small business owners face, a great opportunity exists to uplift them. Black enterprises are a vivid and consequential part in the fabric of our society and economy, and we are all better off when Black businesses grow and thrive.

SALAH GOSS, HEAD OF SOCIAL IMPACT FOR NORTH AMERICA, MASTERCARD CENTER FOR INCLUSIVE GROWTH

GINGER SIEGEL, NORTH AMERICA SMALL BUSINESS LEAD, MASTERCARD
A Message From the NAACP

Black enterprises are the backbone of their communities, addressing needs and creating opportunities that our nation’s broken systems fail to provide. This is why the NAACP has long recognized the need for Black-owned businesses to find their way to experts, capital, and more to sustain themselves. The NAACP proudly stands with a growing coalition of corporations, business support organizations, and innovators to move our country toward a brighter, stronger, and more equitable society through entrepreneurship.

There is much work to be done to make this future a reality. After all, we’ve long known that Black small business owners don’t operate on a level playing field. These businesses have less access to credit and less ability to withstand income loss. During the pandemic, they were shut out of crucial relief programs while shouldering disproportionate health impacts. And as this Hello Alice report finds, inflation and other macroeconomic factors have diminished both their annual revenue and employee headcount.

Addressing the ongoing plight of so many within the community, the NAACP has partnered with Hello Alice and others to help rebuild and sustain entrepreneurs throughout this country. This powerful alliance pinpoints the challenges Black entrepreneurs face and triage the community with effective solutions.

Impactful data efforts like this report on the Black-owned economy are key to our efforts. As you will read, a new generation of Black individuals has chosen the entrepreneurship path to build generational wealth, create jobs, and give back. Inflation, supply chain issues, and countless other issues have been setbacks, but Black owners are confident they will overcome these challenges and succeed with sufficient access to capital. Laser-focused on that need, the NAACP is excited to serve hundreds of thousands of Black entrepreneurs in collaboration with Hello Alice. This ongoing effort is just the start of the critical work that our community sorely needs.

We continue to be grateful to Hello Alice, Mastercard, and other organizations that build upon the perseverance of Black entrepreneurs and Black-owned businesses. Together, we can help ensure that these dreamers and their passion unlock endless possibilities for the future of our communities and our nation.

Sincerely,

DERRICK JOHNSON, PRESIDENT AND CEO, NAACP
Executive Summary

In honor of Black History Month, Hello Alice surveyed 3,176 Black small business owners to identify their characteristics and challenges going into 2023. The results show that the typical Black owner faces unique barriers to capital that both limit their growth potential and ability to respond to challenges such as inflation. However, Black owners are overall more optimistic about their futures and voiced uncommon perseverance as they pursue innovative ideas and solutions.

The survey analysis has four key findings:

1. **A new generation of Black entrepreneurs is on the rise:**
   There is a steady year-over-year increase in the number of Black entrepreneurs, many of whom are very young. Roughly two-thirds of Black owners (66%) are under 40, whereas roughly two-thirds (63%) of non-Black owners are over 40.

2. **Black small business owners are largely mission-driven:**
   While Black owners said they started businesses for economic reasons, such as to pay their bills and build generational wealth, they widely expressed a desire to give back, make a difference, and help their communities.

3. **Access to capital is a unique barrier to Black owners’ success:**
   A majority of Black owners identified raising capital (40%) and growing their business (21%) as their top challenges, outweighing other common challenges such as marketing, customer acquisition, and hiring. Nearly 80% of Black owners are considering a financing application to expand their businesses, meet operating expenses, or pay down debt.

4. **Black owners are proactively seeking solutions:**
   Nearly 20 percent more Black owners than non-Black owners said they expect their businesses to grow in 2023, and Black owners are currently 36% more engaged than non-Black owners with Hello Alice education and funding resources.

Published in partnership with Mastercard and the NAACP, this research elaborates on each of these findings to inform solutions and resources that address Black small business owners’ needs. The report concludes with a resource list to address the immediate concerns of this audience.
A New Generation of Black Entrepreneurs

The pandemic era brought a historic wave of entrepreneurship as Americans of every background have started businesses at an increased rate. However, this trend obscures the Black community’s consistent track record of business creation, which has maintained a steady, year-by-year increase that predates the pandemic era. As a result, Black-owned small businesses are both more established and more numerous than ever before.

Our survey further measured a new generation of young Black owners on the rise. Among Hello Alice members, twice the share of Black owners as non-Black owners are between 18 and 29 years old. This means Black entrepreneurs, as a whole, are significantly younger than their non-Black peers. Roughly two-thirds of Black owners (66%) are under 40, whereas roughly two-thirds (63%) of non-Black owners are over 40. Education, networking, and mentorship initiatives will help these fledgling business leaders avoid common mistakes and reach their full potential.
### Small Business Owners by Age

<table>
<thead>
<tr>
<th>Age Interval</th>
<th>Black Owners</th>
<th>Non-Black Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>18–29</td>
<td>29.1%</td>
<td>15.9%</td>
</tr>
<tr>
<td>30–39</td>
<td>37.1%</td>
<td>31.4%</td>
</tr>
<tr>
<td>40–49</td>
<td>20.7%</td>
<td>26.4%</td>
</tr>
<tr>
<td>50–59</td>
<td>9.7%</td>
<td>17.6%</td>
</tr>
<tr>
<td>60–69</td>
<td>2.8%</td>
<td>7.1%</td>
</tr>
<tr>
<td>70+</td>
<td>0.5%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
Black Owners Are on a Mission

People start businesses for many reasons, and Black small business owners overwhelmingly told us they pursued entrepreneurship out of a commitment to community, creativity, and ingenuity. Spurred by the pandemic, burnout, and a desire to improve their mental health, many Black entrepreneurs want their businesses to not only pay the bills but also fulfill a mission.

Our survey asked Black owners to share why they started their businesses. Topic modeling analysis revealed recurring themes among their responses, including:

- “Help People”
- “Mental Health”
- “Wanted to Create”
- “Make a Difference”
- “Give Back”

Connecting Black owners with the necessary resources and support ensures they continue to serve their communities.

Dr. Crystal Menzies, PhD
FOUNDER AND CHIEF INNOVATION OFFICER, EMANCIPATED
San Francisco, CA

“I founded EmancipatED to uncover hidden Black history and create environments where individuals reimagine what equality, inclusion, and freedom look like in their daily lives.”

Rhea Shackelford
OWNER OF RHEA CHERIE LOUNGEWEAR, Lanham, MD

“I became a small business owner because I wanted to create a space where women, particularly Black women, could celebrate and discuss the importance of self-care. My loungewear brand is a uniform for all women to wear during those self-care moments when they’re taking time out for themselves.”

Kenny Casimir
CEO AND FOUNDER OF TOP 2 DETAILING, Atlanta, GA

“I became a small business owner because I love being a boss. In my past work experiences I’ve always had great managers. Now, I aspire to inspire my team and lead them through encouragement and motivation like my managers did.”
Black Owners Seek Capital to Level Up

Black small business owners reported two primary challenges for the year ahead: **raising capital** (40%) and **growing their business** (21%). These closely-tied concerns far outweighed challenges such as marketing, customer acquisition, and hiring that typically rank among the top three concerns of Hello Alice small business owners. So what sets Black entrepreneurs apart from their peers in their need for capital?

Q: What is your greatest business challenge right now?

- **Raising Capital/Finding a Loan**: 40.2%
- **Growing My Business**: 21.7%
- **Marketing My Business/Building Awareness**: 9.8%
- **Acquiring Customers**: 8.5%
- **Other**: 7%
- **Hiring a Team**: 5%
- **Day-to-Day Operations**: 3.8%
- **Finding a Network to Support Me**: 1.4%
- **Finding Partners**: 0.9%
- **Access to Mentorship**: 0.8%
- **Developing a Product or Service**: 0.8%
- **Customer Feedback**: 0.1%
Like most entrepreneurs, **85% of Black owners said inflation has impacted their businesses**, but key differences make inflation a more serious threat to Black owners. With already lower-than-average annual revenue compared to other demographics, Black-owned businesses saw their average revenue and employee headcount decline for 2022. This backslide suggests that macroeconomic conditions have been more consequential for Black owners, who often have less of a cash buffer to weather unforeseen challenges. In fact, Black owners cited **budgeting** and **managing cash flow** as their top challenge related to day-to-day operations.
In response, Black owners are seeking capital to overcome barriers and pursue growth. Approximately 80% of Black small business owners said they are considering applying for financing this year. Black owners said additional capital will help them expand their businesses, meet operating expenses, or pay down debt. However, many respondents said they were concerned that poor personal credit would limit their ability to access the business capital to achieve these goals.

“"It takes financing to build anything. Unfortunately, my personal credit is in the rebuilding stage. What I’ve started has the potential for exponential growth, but right now I’m treading water. I plan to continue bootstrapping until I find someone who believes in my journey."
Despite Challenges, Black Owners Are Taking the Wheel

Even as they’re squeezed by inflation and other challenges, Black owners said they remain hopeful and are proactively seeking solutions to their problems. **Nearly 20 percent more Black owners than non-Black owners said they expect their businesses to grow in 2023 — a remarkable display of optimism.**

Black owners predicted that their success is conditional on two factors: **ability to secure funding** (47% of respondents) to fund growth and **growing their customer base** (27% of respondents) to bolster cash flow.

### Q: What factor will most determine how your business will perform in 2023?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to Secure Funding/Capital</td>
<td>47.3%</td>
</tr>
<tr>
<td>Growing My Customer Base</td>
<td>27%</td>
</tr>
<tr>
<td>Hiring a Team</td>
<td>7.2%</td>
</tr>
<tr>
<td>Acquiring the Necessary Software or Equipment</td>
<td>6.9%</td>
</tr>
<tr>
<td>Overall Economy (Inflation, Supply Chain Issues, etc.)</td>
<td>6.3%</td>
</tr>
<tr>
<td>Launching a Product</td>
<td>4.1%</td>
</tr>
<tr>
<td>Cutting Costs</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Black owners are seeking out resources and knowledge to improve their business position. In fact, Black owners are currently 36% more engaged than non-Black owners with Hello Alice education and funding resources. This mirrors results from a previous Hello Alice survey that found 93% of Black small business owners want education or technical assistance to improve their credit. **There is a clear opportunity to engage Black entrepreneurs with targeted assistance and education to help them overcome financial and operational challenges.**
Resources for Black Small Business Owners

Black small business owners told us they are ready to put in the work and grow their businesses. Hello Alice, Mastercard, and the NAACP are excited to deliver solutions that empower Black entrepreneurs to realize their full potential.

Share the following resources with Black small business owners in your network. Each resource addresses the most acute needs recorded by this survey of Black small business owners.

Small Business Funding Center
Access to capital ensures owners are able to fund growth, pursue opportunities, and respond to unforeseen challenges. Hello Alice’s Small Business Funding Center connects owners with the full continuum of capital — including loans, financing, and credit cards — they need to run their businesses.

Funding and Financial Literacy Education
Hello Alice offers live events, workshops, accelerators, and digital learning experiences to help entrepreneurs level up and succeed. The following step-by-step guides can help Black owners learn funding strategies and build financial literacy skills. Please note that individuals must create a free account to log in and access Hello Alice resources.

- Organize Your Finances
- Boost Your Personal Credit Score
- Choose the Right Capital
- Secure a Loan From a Nonprofit Microlender
- Write a Winning Grant Application
- Improve Your Credit Utilization Ratio
- How a Secured Card Can Support Your Small Business

FEATURED GRANT
The Catalyst Fund
Mastercard, in partnership with Global Entrepreneurship Network (GEN) and Hello Alice, is offering $5,000 grants to help Black entrepreneurs in Atlanta, Birmingham, Dayton, Los Angeles, New Orleans, New York City, St. Louis, and Washington, D.C. achieve their next milestone. Applications for the current round open February 20, 2023, and close March 31, 2023, at 6 p.m. ET. Apply now
**Mastercard Digital Doors®**
Get the most out of digital tools and protect your business from online threats. Mastercard Digital Doors® helps owners build digital skills, learn to accept customer payments, and master tips and tricks around e-commerce and digital invoicing.

**Business Solutions Center**
Hello Alice’s Business Solutions Center curates dozens of offers that save owners time and money. Owners can find special offers on Quickbooks, Finli, and ComplYant — three tools to help Black-owned businesses budget and manage their cash flow.

**Mastercard Strive Community**
The Mastercard Strive community operated by Hello Alice is designed to provide an online platform for Black-owned small businesses in Atlanta, Birmingham, Dayton, Los Angeles, New Orleans, New York, St Louis, and Washington, D.C.

Create a free Hello Alice account or log in to join a Mastercard Strive community to connect with each other and access a curated list of funding opportunities, tools, and educational resources to help your small business thrive.
About Hello Alice

Founded by Carolyn Rodz and Elizabeth Gore, Hello Alice is a free platform serving more than one million small business owners across the United States. Committed to equitable access to capital for women, people of color, members of the LGBTQ+ community, veterans, and entrepreneurs with disabilities, Hello Alice offers funding, education, tools, and curated opportunities. Working with enterprise business services, ecosystem partners, affiliates, and government agencies, Hello Alice provides its growing community with everything they need to grow their businesses.