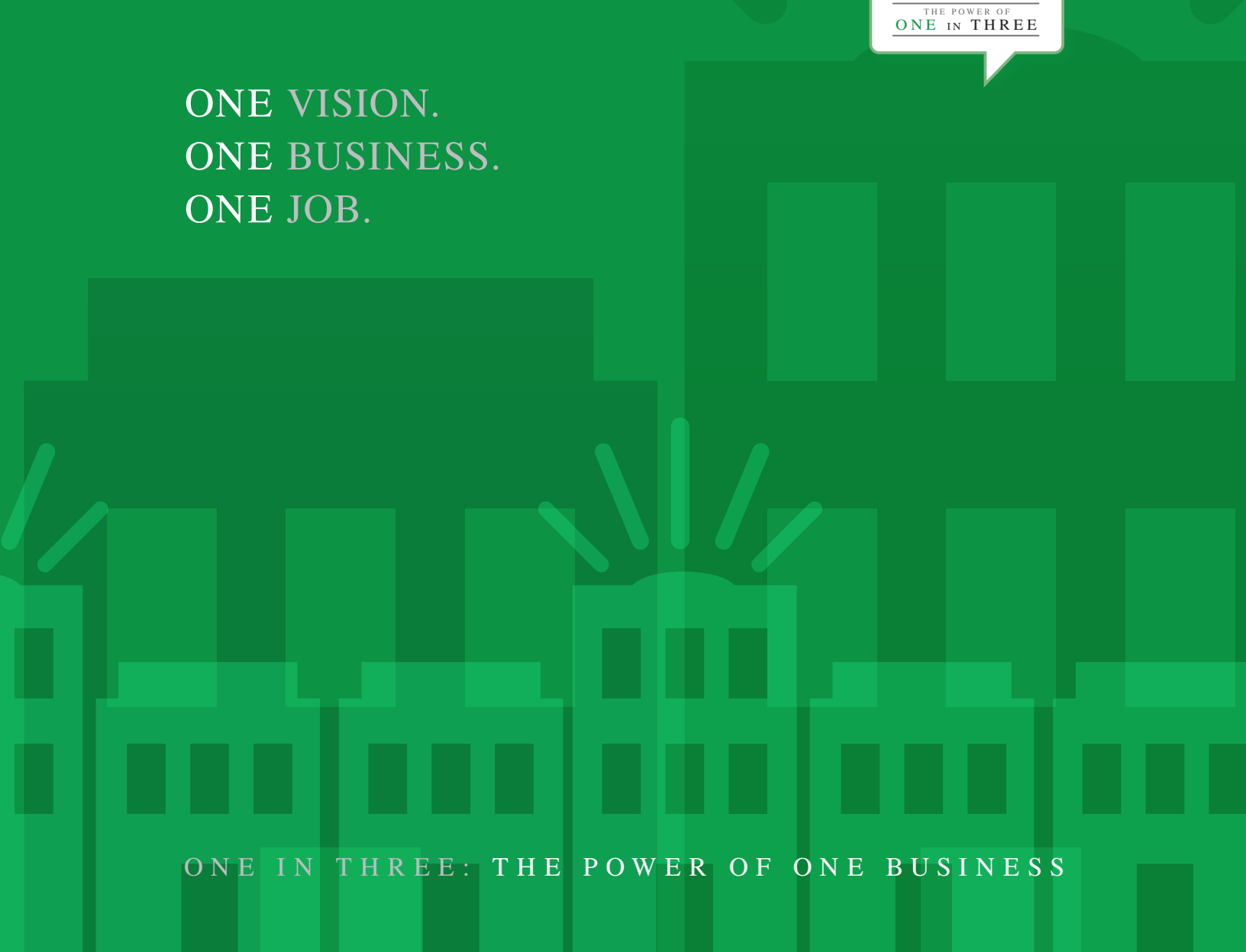




ONE VISION.  
ONE BUSINESS.  
ONE JOB.



ONE IN THREE: THE POWER OF ONE BUSINESS

## ABOUT AEO

The Association for Enterprise Opportunity is the voice of microbusiness in the United States. For two decades, AEO and its more than 400 member organizations have helped millions of entrepreneurs contribute to economic growth while supporting themselves, their families and their communities. AEO members and partners include a broad range of organizations that provide capital and services to assist underserved entrepreneurs in starting, stabilizing and expanding their businesses. Together, we are working to change the way that capital and services flow to underserved entrepreneurs so that they can create jobs and opportunities for all.



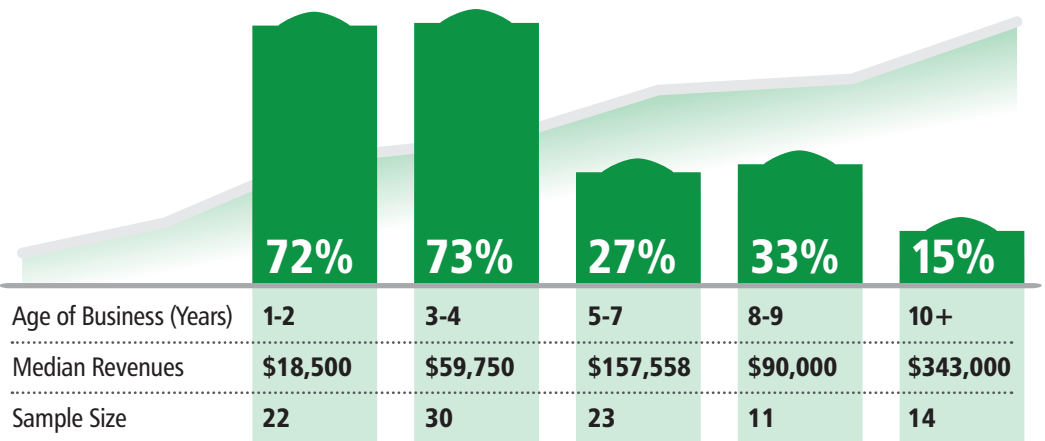
## KNOWLEDGE IN NUMBERS

We've spent the last year engaging with underserved entrepreneurs around the country to better understand who they are, what motivates them to start and grow businesses and what they need to succeed. Here's what we found:

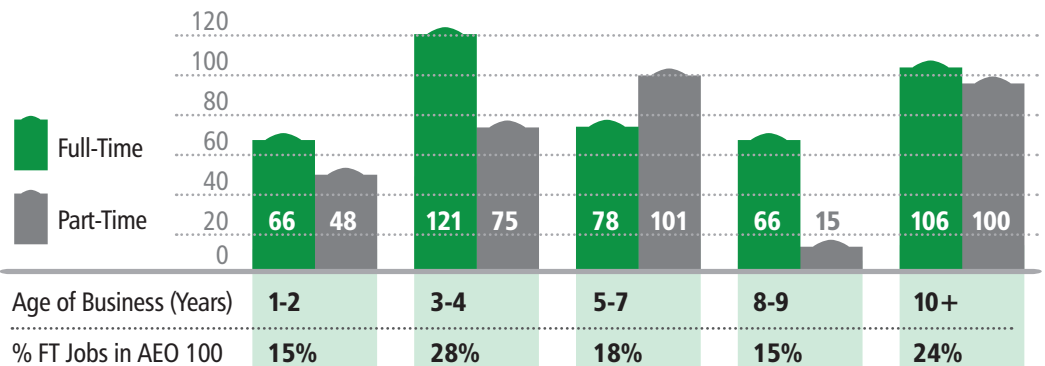
### BY THE NUMBERS

Number of businesses:	<b>100</b>
Total revenues (2011):	<b>\$30,336,253</b>
Median annual revenue growth:	<b>30%</b>
Total number of full time jobs in 2011:	<b>431</b>
Total number of part time or seasonal jobs in 2011:	<b>343</b>
% of sample that provides healthcare benefits:	<b>20%</b>
% of sample that received services from a non-profit:	<b>82%</b>
% of sample that received capital from a non-profit:	<b>40%</b>

### REVENUE GROWTH BY AGE OF BUSINESS



### JOB CREATION BY AGE OF BUSINESS



**Microbusinesses—our country’s largest segment of small businesses—make substantial contributions to local economies across the country. But their impact could be much greater. These businesses (or actually, the people behind them) hold the power to get America working again. Their stories help us understand what they need from us to do just that.**

## A SNAPSHOT OF MICROBUSINESS

Microbusinesses (those businesses with 5 or fewer employees) make up almost 90 percent of the nation’s businesses. In spite of their numbers, these businesses rarely make headlines. Yet their potential for impact is undeniable: today they create jobs for more than 32 million people. With access to the right mix of capital and resources, these businesses could be the engine of job creation and economic recovery. In fact, if one in three microbusinesses hired an additional employee, the US would be at full employment.

That’s a powerful notion. Just one person with an entrepreneurial spirit can create a job by starting a business. And that business, when supported, can grow and create additional jobs.

At AEO, we’ve spent the last year engaging with underserved entrepreneurs around the country to better understand who they are, what motivates them to start and grow businesses and what they need to succeed.

To date, we have identified more than 900 business owners and aspiring entrepreneurs through our outreach. Many of them were referred to us by our members. Some found us on their own. For this report, we selected a sample of 100 of those entrepreneurs at random and conducted a combination of interviews and reviews of company materials including financials. Based on what we learned, we categorized their needs by three distinct stages of growth—emerging, sustaining and momentum.

By documenting the stories of these entrepreneurs, we’ve gained a better understanding of their aspirations, learned from their personal experiences and examined the performance of their businesses. All so that we can help them harness their power to create jobs and bring real prosperity to their communities.

**ECO  
EXQUISITE™**



When Tamara Clarke couldn’t find a hair care product that would meet her needs, she did what any natural-born entrepreneur would do—she developed something herself. In 2009, she brought her patented sleep cap and her new company, Eco-Exquisite LLC, to the Georgia marketplace. And like a true entrepreneur, her dreams don’t stop there. She already has plans to expand her hair care line, and is shooting for a major distribution deal within the next five years.

**GENUINE  
Ogallala  
BAY RUM**



“It has gotten bigger than I thought it was going to be,” admitted John Marguis, about his Ogallala Bay Rum business. What started out as a fun experiment to find the right scent of cologne, turned into a for-profit, full-time endeavor, staffing five employees and boasting an expanded product line including shaving soaps, bath soaps, and dry skin balm lotions. And while the initial business seemed like a good supplement to his retirement income, it’s now seven-day-a-week passion. John says: “When you become your own boss, you work really hard. Because at that point you know that all the work you put into it, you’re going to see the reward.”

**RoofCARE**



“No roof is replaced before its time.” That’s the motto of Louis Zania and his partners, who turned their knowledge of roofing—and their passion for saving clients money—into one successful venture. Founded in 2008, RoofCare specializes in renovating and repairing existing roofs, instead of simply replacing the whole roof. (Nearly 80 percent of U.S. roofs are replaced unnecessarily, costing homeowners money and headaches.) And this is a virtually untapped market with a lot of potential. Today, RoofCare employs 28 full-time workers.

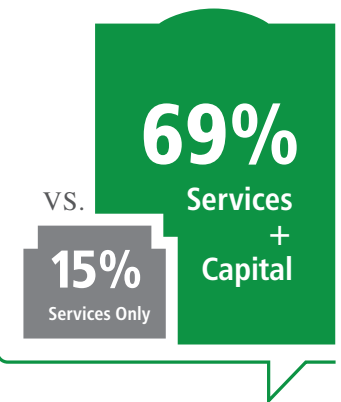
## UNIQUE BUSINESSES. COMMON NEEDS.

All successful entrepreneurs need confidence and connections. Owners we talked to described the results of coaching and support related to many aspects of management and operations. For example, some businesses needed support with product development and marketing. Often, entrepreneurs needed financial coaching to step up as their own Chief Financial Officer. Yet although there are common needs shared by all microbusinesses, not every business owner has every need.

### Emerging Businesses

These entrepreneurs are just getting started or haven't yet taken off. At this stage, owners typically need support refining their business offer, identifying target markets and reaching potential customers. Often, these early stage and aspiring entrepreneurs benefit from confidence building and coaching (e.g. guidance, support and encouragement), capacity (e.g. access to skills, tools and resources) and connections (e.g. access to customers and referrals to expert mentors). In tandem with these support services, owners typically need access to working capital in order to fuel their growth. The median annual revenue growth for emerging businesses that accessed services only from non-profits in their community was 15%. By comparison, emerging businesses that were able to access capital along with the services experienced median annual revenue growth of 69%.

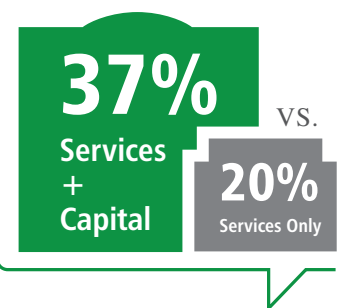
#### Median Annual Revenue Growth



### Sustaining Businesses

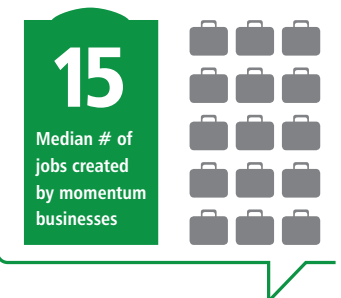
Most of the businesses we profiled are sustaining businesses, which generate primary income for the business owner and up to four other people. The median revenue for businesses in this group was about \$85,000. Some of these business owners are satisfied with the size and the performance of their businesses; but not all are. Owners of these businesses may want to grow, but are too often unable to access capital and services that can help them achieve that goal. The median annual growth rate for sustaining businesses that accessed services only from non-profits in their communities was 20 percent. For businesses that were able to access capital along with these services the median annual growth rate was 17 percent higher.

#### Median Annual Revenue Growth



### Momentum Businesses

Microbusinesses grow. The third category we identified is momentum —so named because these businesses are a powerful force for job creation in communities around the country. The 15 momentum businesses in our sample accounted for 243 full-time jobs in 2011. These businesses also appear to benefit from an infusion of capital and support services: The median annual revenue growth for momentum businesses that accessed capital and services from community non-profits was a robust 31 percent.



## CONFIDENCE, CAPACITY, CONNECTIONS AND CAPITAL

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Individual non-profits and their community partners provide the confidence, capacity, connections and often the capital needed for businesses to start, thrive and grow. Many of the entrepreneurs we met with considered their supporting non-profits as a trusted partner. From creating credible cash flow projections to introducing new market opportunities, non-profits are crucial to helping create successful entrepreneurs.

Access to capital is a critical challenge, but entrepreneurs need much more than money. By providing services and support, community organizations have a significant impact on job creation and business survival. In fact, businesses that received capital and services from a non-profit had median annual revenue growth of 30 percentage points higher than the businesses that did not.

For business owners who took advantage of community non-profits, it was a vital part of the success of the businesses. But these types of organizations do not exist in every community—and not all non-profits are effective. Even in communities where outstanding non-profits operate, few of these have the resources or capacity to promote themselves as well as they should. Many entrepreneurs found the non-profits by chance—or in an act of near-desperation—after being rejected for a loan from a commercial bank.

We need to change the way that capital and services flow to underserved entrepreneurs. New approaches to product development can reduce risks and change the economics of scale. New service delivery models can reduce the costs to reach underserved entrepreneurs. Shared messages can increase awareness of opportunities and move business owners, community organizations and investors to action. Common metrics around job creation can ensure we are on track. Together we can move “One in Three” from an aspiration to a reality.

## UNLEASHING THE POWER OF MICROBUSINESS

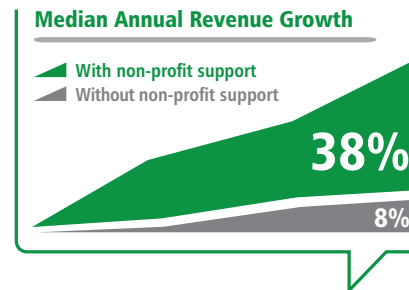
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The time we’ve spent listening to business owners and entrepreneurs has helped us better understand their needs. To meet these needs, AEO is launching a national campaign to expand the lens through which consumers, investors, and policymakers view the contribution that microbusinesses can make on job creation and the economy. The centerpiece of the campaign will be the One in Three Alliance, a vehicle to unite actors across sectors who are committed to unleashing the power of microbusiness.

Along with the campaign, AEO, its partners and members are piloting a new marketing, matching and product development platform to bring working capital loans and much needed services to underserved entrepreneurs and communities.

Through these initiatives we aim to reach one million underserved business owners and entrepreneurs so that they can become the economic engine that puts America back to work. Together we can change the way that capital and services flow to underserved entrepreneurs across the country.

**To learn more about the One in Three Alliance, visit [www.aeoworks.org](http://www.aeoworks.org).**



## OUR THANKS

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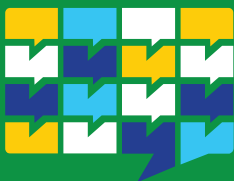
We would like to express our sincere gratitude to the entrepreneurs around the country who shared their stories with us, and the AEO member organizations that helped us identify and work with them. We would especially like to thank Citi Foundation for its generous support in underwriting the initial The Power of One in Three report and its continued support since then. We are also grateful to our Board of Directors for their active engagement in shaping the ideas and opportunities represented by this work. Heartfelt thanks to the extraordinary creative team at Capital One®—Emily Madden, Zach Walker, Carrie Belt, Mair Downing, Meredith Davis and Anne Schaffer—who donated their brilliant and generous pro bono design and marketing support. Our thanks as well to Leah Williamson and Devette Brabson of Cor Creative Communications. Finally, this work would not be possible without the team at AEO—Nikita T. Mitchell, Sophia Stephenson, Archana Chidanandan and Hadeel al-Tashi—who worked to bring this project to life.



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