



Association for  
Enterprise  
Opportunity

# Assessing Challenges and Opportunities for Minority Business Retail Growth

September 2024

# A Note from the President & CEO of AEO

Dear Colleagues:

As we navigate an era of unprecedented change, the retail sector stands at the forefront of both challenge and opportunity. The transformative forces of digital innovation, evolving consumer behaviors, and the recent global pandemic have reshaped the landscape, creating new avenues for growth and resilience. It is within this context that we present "Assessing Challenges and Opportunities for Minority Business Retail Growth," a report that delves deeply into the current state of retail, focusing particularly on the experiences of small and Black-owned businesses.

At the Association for Enterprise Opportunity (AEO), we have always championed the power and potential of underserved entrepreneurs. Our mission is to provide these businesses with the tools, resources, and insights they need to thrive in a competitive marketplace. This report is a testament to our commitment, offering a data-driven analysis of the retail sector's challenges and opportunities.

Drawing on the 2023 Entrepreneurship in the Population (EPOP) Survey and our original research, this report highlights the unique obstacles faced by Black-owned small retail businesses. These challenges, often rooted in systemic inequities, underscore the necessity for a connected and supportive ecosystem that empowers all retailers.

The findings presented here are not just statistics; they are a call to action. They emphasize the importance of access to capital, networking opportunities, and capacity-building initiatives tailored to the specific needs of small and Black-owned retail businesses. By fostering a collaborative environment, we can drive meaningful change and create a more inclusive and resilient retail ecosystem.

I extend my deepest gratitude to the researchers, contributors, and supporters who have made this report possible. Your dedication and expertise have been invaluable in shedding light on the critical issues facing our retail community.

As you read through this report, I encourage you to reflect on the insights and consider how we can collectively work towards a brighter future for all retailers. Together, we can build a retail landscape that is not only innovative and efficient but also equitable and sustainable.



Sincerely,

A handwritten signature in black ink that reads "Natalie Madeira Cofield".

Natalie Madeira Cofield  
President & CEO of AEO  
Association for Enterprise Opportunity

# Introduction

**This report from AEO highlights the specific obstacles and needs of Black-owned small retail businesses and offers insights into how a more connected ecosystem can benefit all retailers.**

Retail is a cornerstone of the U.S. economy, employing millions of people and generating trillions of dollars annually. The U.S. retail sector includes some of the world's largest and leading stores alongside a diverse array of small businesses that have long played a vital role in shaping local communities. Recent years have seen monumental shifts in this sector, driven by the advancement of digital tools and the expansion of physical markets into virtual ones—a transition accelerated by the coronavirus crisis. Despite these shifts, the sector has demonstrated remarkable resilience. However, to continue thriving, support for this sector must evolve alongside the economy. Today, small retail businesses face both old and new challenges that hinder their growth and long-term sustainability.

As the leading voice for small and micro-businesses in the United States, the Association for Enterprise Opportunity (AEO) produces data-driven insights and strategies to support underserved small businesses. This report from AEO highlights the specific obstacles and needs of Black-owned small retail businesses and offers insights into how a more connected ecosystem can benefit all retailers. The insights in this report are informed by the 2023 Entrepreneurship in the Population (EPOP) Survey<sup>1</sup> and an AEO-original survey of 212 small Black retail businesses.<sup>2</sup> This research is crucial for understanding the challenges faced by small businesses and the support they need to fully thrive.



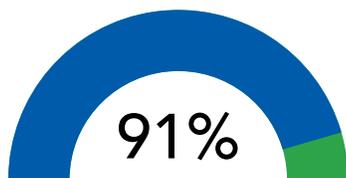
# The retail landscape is a sprawling and diverse force in the U.S. economy

As an industry<sup>3</sup>, retail directly employs 15.7 million people.<sup>4</sup> The sector has also seen total retail sales grow from less than \$3 trillion in 2000 to over \$7 trillion in 2022,<sup>5</sup> expected to reach about \$7.9 trillion by 2026.<sup>6</sup> There are about 2.9 million small businesses in the retail trade industry. Nearly 10 million retail employees work at establishments with fewer than 100 employees, with almost half at businesses with less than 20 employees. Nearly 2.5 million work at small businesses with fewer than 10 employees.<sup>7</sup>

The retail sector's impact is even more expansive when considering indirect and induced economic contributions.<sup>8</sup> When assessing the sector's multifaceted contributions, the National Retail Federation identifies retail as the largest private-sector employer in the United States, contributing \$5.3 trillion to the annual GDP and supporting 55 million American jobs.<sup>9</sup> Through this lens, the sizable impact of small retail businesses is even clearer: Retail firms with fewer than 50 employees comprise nearly 99% of all retail businesses, and 91% have fewer than 10 employees.<sup>10</sup> The smallest retail firms with fewer than 10 employees are responsible for employing nearly 23% of retail employees and makeup 18% of the total retail labor income.<sup>11</sup>



1 in 4 American jobs are supported by retail



of retail firms have fewer than 10 employees



Retail sales grew from \$3T to over \$7T

# E-commerce and the COVID-19 pandemic have transformed retail

The retail industry has experienced immense transformation over the last few decades, primarily driven by the rapid growth of e-commerce and changing customer behavior, heavily influenced by the coronavirus crisis. A survey by McKinsey & Company in February 2021 found that 40% of U.S. consumers had tried a new shopping method since the pandemic's start, and 29% had tried a new digital shopping method.<sup>12</sup> In 2020, the e-commerce share of U.S. retail sales spiked from 11.4% in the first quarter to 15.7% in the second quarter.<sup>13</sup> From January to March 2024, retail e-commerce sales in the United States reached their highest quarterly revenue, hitting over \$289 billion.<sup>14</sup>

These shifting dynamics profoundly impact businesses. As customers change how they shop, business owners must change how they sell to and interact with customers. It is within this context that we consider the current challenges facing small retail businesses.

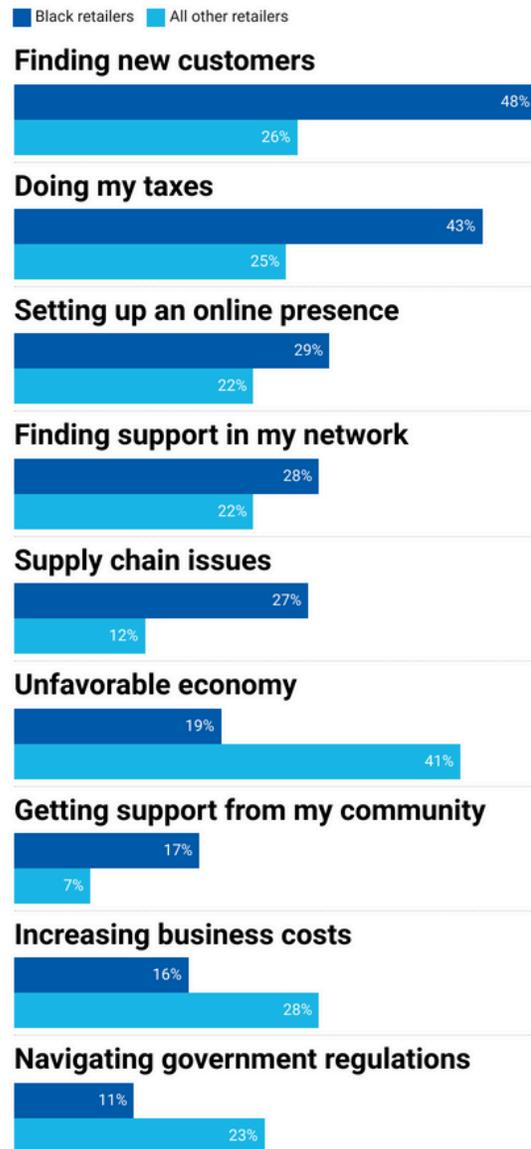
## Retailers report diverse challenges impacting their businesses

The retail sector thrives because of its diversity, with small businesses playing a sizable role. However, these businesses, especially those owned by historically underserved communities, encounter a range of obstacles that can impede their operations, resilience, and sustainability.

In the 2023 EPOP Survey, entrepreneurs in the retail industry reported the most common challenges as an unfavorable economy, finding new customers, increased business costs, doing business taxes, and competing against other businesses (Figure 2). However, several important trends emerged when comparing the identified challenges of Black entrepreneurs in retail with those of their non-Black counterparts (Figure 1). For example, although finding new customers is a common challenge for all retailers in today's competitive landscape, Black entrepreneurs reported it significantly more frequently than their counterparts. Nearly 1 in 2 (48%) Black entrepreneurs face the challenge of finding customers compared with about 1 in 4 (26%) non-Black retailers.<sup>15</sup> The difference in reporting finding new customers as a challenge between Black entrepreneurs and their non-Black counterparts loses significance when controlling for starting capital, cash reserves, and years in business.

In addition to finding new customers, Black entrepreneurs more frequently reported challenges with doing their taxes (43% of Black entrepreneurs v. 25% of all retailers), supply chain issues (27% v 12%), and getting support from their community (17% v 7%) as challenges to their business. Black entrepreneurs reported some challenges far less frequently than their non-Black counterparts. For example, only 19% of Black entrepreneurs reported an unfavorable economy as a challenge to their business, compared with 41% of their non-Black counterparts. The challenges of navigating government regulations (11% v 23%) and increasing business costs (16% v 28%) were also notably less commonly reported by Black entrepreneurs than their non-Black counterparts.<sup>16</sup>

Figure 1: Challenges facing entrepreneurs in the retail industry



Source: Author's calculations using the 2023 EPOP Survey.

Figure 2: Reference of categories of challenges and challenges explored by this study

Category	Challenge
<p>Finances</p> 	<ul style="list-style-type: none"> <li>• Not being able to access and/or afford health insurance</li> <li>• Not having access to other employer-provided benefits (aside from health care)</li> <li>• Challenges with personal/family finances</li> <li>• Accessing capital to cover business operations</li> <li>• Making rent/mortgage payments on my business location(s)</li> <li>• Decreasing sales</li> <li>• Increasing business or operational costs</li> </ul>
<p>Business Operations</p> 	<ul style="list-style-type: none"> <li>• Maintaining the business' license/registration</li> <li>• Doing my taxes</li> <li>• Navigating local, state, or federal government regulations</li> </ul>
<p>Customer Reach</p> 	<ul style="list-style-type: none"> <li>• Finding new customers</li> <li>• Keeping existing customers</li> <li>• Setting up/maintaining the business' digital/online presence</li> <li>• Identifying business opportunities in the market</li> </ul>
<p>Resource or Support</p> 	<ul style="list-style-type: none"> <li>• Finding and/or affording professional support like lawyers, accountants, or tax professionals</li> <li>• Finding support, advice, or finding role models in my network</li> <li>• Getting support from my family or friends</li> <li>• Getting support from my community</li> <li>• Balancing work and family</li> <li>• Feeling burnt out or losing focus, interest, and/or motivation</li> <li>• Major life event (such as a new child, own or family medical issue)</li> <li>• Finding time to devote to the business; not enough time</li> <li>• Growing my network with like-minded entrepreneurs</li> <li>• Accessing educational materials/content related to the industry</li> </ul>
<p>Economy or Market</p> 	<ul style="list-style-type: none"> <li>• Finding, affording, and/or retaining qualified employees</li> <li>• Competing against other/larger businesses</li> <li>• Supply chain issues</li> <li>• Decreasing demand for my product or service</li> <li>• Unfavorable economy</li> <li>• Understanding and navigating administrative and/or regulatory requirements related to hiring employees</li> </ul>

Source: NORC; 2023 EPOP Survey

# Small Black retail businesses are facing unique challenges

Black-owned retailers face distinct challenges, many of which are exacerbated by systemic inequities and historical discrimination influencing the accessibility of vital resources. AEO’s study identified that the most common category of challenges reported by small Black retailers is related to resources and support, while the most pressing category is financial or economic.

More specifically, however, small Black retailers’ most common challenges included finding new customers (62%), increasing business or operational costs (51%), competing against other/larger businesses (50%), identifying business opportunities in the market (48%), and doing their taxes (48%) (Figure 3). When asked to identify their most pressing challenge, finding new customers (25%) and increasing business or operational costs (16%) remained. Additional pressing challenges included accessing capital to cover business operations (25%), challenges with personal or family finances (17%), and decreasing sales (16%).

Figure 3: The most pressing and most common challenges facing small Black retailers

Most Pressing Challenges	Most Common Challenges
Finding new customers (25%)	Finding new customers (62%)
Accessing capital to cover business operations (20%)	Increasing business or operational costs (51%)
Challenges with personal/family finances (17%)	Competing against other/larger businesses (50%)
Decreasing sales (16%)	Identifying business opportunities in the market (48%)
Increasing business or operational costs (16%)	Doing my taxes (48%)

Source: AEO Original Survey of Black Retailers, January 2024

# Data-driven insights can help BSOs design effective interventions for small businesses

The diversity of challenges facing the retail sector, as evidenced by the variance in reported challenges between Black and non-Black retail entrepreneurs, underscores the necessity for small retail businesses to have access to a connected and diverse supportive ecosystem. Business support organizations (BSOs) assist small businesses, including small Black-owned retail businesses. These organizations offer various services and support to help entrepreneurs start, maintain, and grow their businesses (Figure 4). AEO's detailed survey offers additional insights to help inform how BSOs can make the most impact and help small Black retailers address their most pressing challenges.

## Finding new customers

Consistent with the 2023 EPOP Survey insights, AEO found that 1 in 4 small Black retailers identify finding new customers as their most common and pressing challenge. Specifically, 12% of all respondents reported facing increased competition in reaching potential customers, 11% reported difficulty identifying target customer demographics, and 10% reported a limited marketing outreach budget.

Respondents requested industry-specific networking, retail business workshops, and online courses to help address this challenge. This suggests that interventions should focus on upskilling entrepreneurs in promoting their products with limited budgets, helping them stand out in a saturated market, and identifying potential target customers through workshops, online courses, and peer networks.

In addition to tactical upskilling opportunities, interventions should consider increasing access to capital and financial assistance. The significant difference between Black and non-Black retailers in identifying customer acquisition challenges was largely explained by resource constraints and years in business. Retailers with less starting capital, fewer cash reserves, and fewer years in business were more likely to report challenges in finding new customers.<sup>17</sup> This suggests that access to capital and financial assistance, beyond marketing and promotion support alone, is crucial for small Black retailers to address this common challenge.

## Accessing capital to cover business operations

AEO found that 1 in 5 surveyed small Black retailers face challenges accessing capital to cover business operations. While both Black and non-Black retailers face difficulties securing capital, Black entrepreneurs often encounter higher denial rates, less favorable loan terms, and a significant trust gap when seeking financial assistance.<sup>18, 19</sup> Additionally, high personal financial stress, difficulties separating personal and business finances, and low personal credit scores can further exacerbate financial challenges for entrepreneurs.

Black retailers identified that capital, credit, and financial assistance, along with industry-specific networking, would be valuable in helping them address these issues. Interventions should connect entrepreneurs with resources like Community Development Financial Institutions (CDFIs) to help these entrepreneurs identify financial opportunities. Additionally, connecting entrepreneurs with industry peers can provide essential support.

**Retailers with less starting capital, fewer cash reserves, and fewer years in business were more likely to report challenges in finding new customers.**

## Challenges with personal or family finances

Another significant challenge identified by small Black retailers was personal or family finances. Specifically, 11% of respondents reported experiencing high personal financial stress or debt affecting their business decisions, 9% had difficulty separating personal and business financial responsibilities, and 9% faced reduced financing options for their business due to low personal credit scores.

Entrepreneurs indicated that mentorship and benefits would be beneficial in addressing these challenges. Interventions should facilitate peer connections and collaborative opportunities to pool financial resources and provide workplace supports like paid time off, insurance, and retirement benefits. BSOs might also consider creating interventions that include education on personal and household finances delivered through peer networks.

## Decreasing sales

Small Black retailers also reported experiencing decreasing sales, driven by increased market competition. Respondents identified online courses as the best support to help address this challenge. Interventions might include providing online courses that upskill entrepreneurs in effectively communicating what makes their business or products unique to customers. Additionally, helping entrepreneurs implement business operational strategies aligned with consumer purchasing decisions, such as green business or environmental sustainability practices, can help them stand out in the market.

## Increasing business or operational costs

Given the state of inflation in the U.S. at the time of the survey, small Black retailers identified increasing business or operational costs as a pressing challenge. Respondents reported challenges with rising marketing expenses and supplier or retailer costs. They identified capital, credit, and financial assistance and software or technology as the most helpful forms of support. Interventions should connect Black retailers with avenues to pursue financial assistance, upskill entrepreneurs with affordable marketing tactics, and offer discounted or affordable software or technology to reduce marketing costs.

Figure 4: Descriptions of types of support identified by surveyed Black retailers

<p>Networks</p>	<p><b>Mentorship:</b> Join a mentorship program that matches business owners with experienced entrepreneurs for guidance or advice on various aspects of running a successful retail business.</p> <p><b>Industry-Specific Networking:</b> Participate in networking events that bring together retail entrepreneurs, industry experts, and potential partners to share experiences and build connections.</p> <p><b>Professional Services Introductions:</b> Match with entrepreneurs with skills and services, such as local photographers (to take photos for your website) or cybersecurity specialists (to ensure your business data is secure).</p>
<p>Education &amp; Training</p>	<p><b>Retail Business Workshops:</b> Access to workshops focused on key areas such as customer service, marketing strategies, and effective inventory management.</p> <p><b>Online Courses:</b> Access to online courses that teach digital marketing skills, helping businesses leverage social media, email marketing, and other online channels to reach a wider audience.</p>
<p>Tools &amp; Resources</p>	<p><b>Software or Technology:</b> Get introduced to discounted or affordable technology or software to streamline workflows, expand online presence, inform decision-making, or secure consumer transactions. (This does not include training.)</p> <p><b>Benefits:</b> Connect with affordable options for insurance, retirement benefits, or paid time off for myself and/or my employees.</p> <p><b>Capital, Credit, &amp; Financial Assistance:</b> Secure access to additional capital options for the business, including low-interest loans, open lines of credit, and micro-grants.</p>

Source: AEO Original Survey of Black Retailers, January 2024

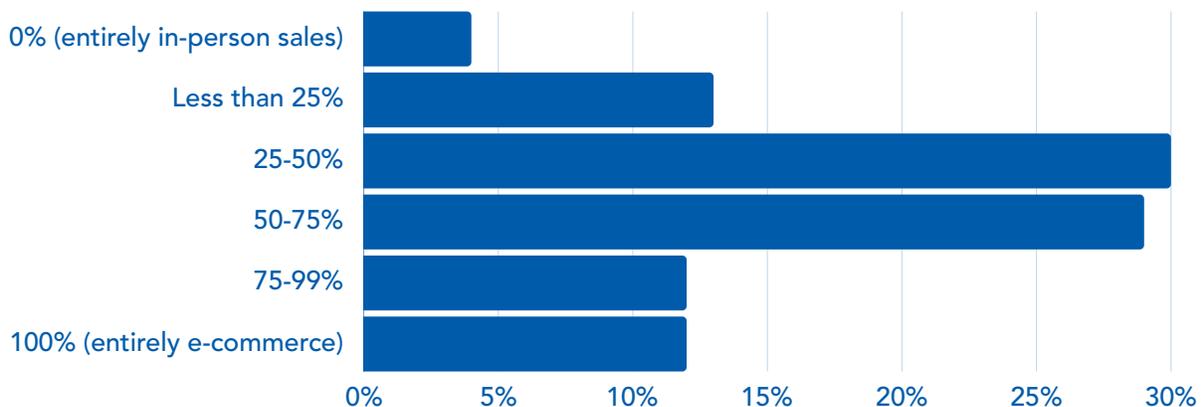


# Opportunities for digital tools in the era of e-commerce

E-commerce has fundamentally transformed the retail sector, making digital tools essential for modern retail operations by enhancing connectivity and market reach. In surveying Black retailers, AEO found that a significant majority had a website (89%), primarily used for building business awareness (43%) and selling products (36%). Among those without a website, a third plan to create one (33.3%), a quarter rely on social media instead (25%), a fifth feel they don't need one (21%), and another fifth cite a lack of staff or time to build and maintain a website (21%).

E-commerce is widely embraced, with 96% of respondents engaging in e-commerce sales (Figure 5). Over half of the respondents sell through their website (58%), and nearly half use third-party platforms (49%). Social media is the most commonly used technology (66%), followed by third-party selling platforms (51%). However, only 45% of businesses report using digital advertising tools like Google Ads, Hootsuite, or Canva. Even fewer respondents (34%) leverage generative AI for content creation, such as ChatGPT, Copy.ai, and HiveMind, and only 27% use customer relationship management software or platforms like Salesforce.

Figure 5: Percent of sales are e-commerce for surveyed Black retailers (n = 212)  
Roughly what percentage of sales are from e-commerce (including sales on your website, through third-party platforms, or via social media) compared to in-person sales?



Source: AEO Original Survey of Black Retailers, January 2024

For BSOs aiming to assist small businesses, particularly small Black retailers, in implementing new tools—whether processes, technologies, or software—there are three main barriers to consider: cost, awareness, and time. A majority of surveyed Black retailers report that cost is a significant factor when considering a new tool (58%). Other common considerations include their awareness of the new tool (48%), perceived difficulty in learning and implementing it (47%), and the time needed for research and setup (43%). Reflecting on previous experiences, Black retailers frequently encountered challenges due to the cost of software and ongoing maintenance (42%), technical issues or software glitches (38%), and integration problems with other business systems (30%).

## Summary

This report highlights the complex challenges the retail sector faces, particularly small Black retailers. These multifaceted challenges necessitate targeted interventions considering individual, industry, and community needs. Effective support should prioritize access to capital and financial assistance, networking opportunities, capacity building, and digital tools to enhance market access. These strategies are crucial for unlocking the full potential of small Black retail businesses and all small retail businesses, driving economic empowerment within local communities. By fostering connectivity and collaboration, we can build a stronger, more inclusive retail ecosystem where all businesses have the opportunity to thrive.



# Endnotes

[1] "Entrepreneurship in the Population (EPOP) Survey Project Public Use Data File: 2023." (October 2023) NORC at the University of Chicago. Retrieved from <https://EPOP.norc.org/>: The EPOP Survey Project is a five-year, cross-sectional, nationally representative survey measuring entrepreneurship status and activity in the U.S. For this study, AEO analyzed data collected in 2023 from 314 entrepreneurs in the retail industry, 95 of whom identified as Black.

[2] To participate, respondents had to identify as the owner of a U.S.-based business and as Black or African American. Their businesses also had to have been in operation in the last calendar year, have fewer than 500 full-time employees, and sell physical products such as merchandise, tangible items, or goods.

[3] Based on the retail trade industry classification by the North American Industry Classification System (NAICS).

[4] Bureau of Labor Statistics, U.S. Department of Labor, Employment, Hours, and Earnings from the Current Employment Statistics survey (National). Retrieved May 27, 2024, from [https://data.bls.gov/timeseries/CES4200000001?amp%253bdata\\_tool=XGtable&output\\_view=data&include\\_graphs=true](https://data.bls.gov/timeseries/CES4200000001?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true).

[5] US Census Bureau. (February 15, 2024). Total retail sales in the United States from 1992 to 2023 (in billion U.S. dollars) [Graph]. In Statista. Retrieved May 09, 2024, from <https://www.statista.com/statistics/197576/annual-retail-sales-in-the-us-since-1992/>.

[6] Statista. (July 26, 2022). Retail sales in the United States from 2020 to 2026 (in trillion U.S. dollars) [Graph]. In Statista. Retrieved from <https://www.statista.com/statistics/443495/total-us-retail-sales/>.

[7] Richter, F. (November 24, 2023). Small Retailers Support Millions of Jobs in the U.S. [Digital image]. Retrieved from <https://www.statista.com/chart/26276/small-business-employment/>.

[8] In measuring the retail sector's impact on the United States economy, the National Federation of Retailers (NFR) includes food services and drinking places in addition to the retail trade industry classification.

[9] PwC. (March 2024). The economic contribution of the U.S. Retail Industry. National Retail Federation. [https://5447ef72a1918787c638-4f01d17819b7723bf503905fe6b22b93.ssl.cf1.rackcdn.com/pdf/NRF\\_RetailImpactReport\\_March2024.pdf](https://5447ef72a1918787c638-4f01d17819b7723bf503905fe6b22b93.ssl.cf1.rackcdn.com/pdf/NRF_RetailImpactReport_March2024.pdf).

[10] Ibid.

[11] Ibid.

[12] McKinsey & Company. (May 13, 2021). Since the coronavirus (COVID-19) pandemic began, have you tried any of the following shopping behaviors? [Graph]. In Statista. Retrieved from <https://www.statista.com/statistics/1240912/share-of-us-consumers-that-have-tried-a-new-shopping-behavior-during-covid-19/>.

[13] US Census Bureau. (May 17, 2024). E-commerce as share of total U.S. retail sales from 1st quarter 2010 to 1st quarter 2024 [Graph]. In Statista. Retrieved from <https://www.statista.com/statistics/187439/share-of-e-commerce-sales-in-total-us-retail-sales-in-2010/>.

[14] Ibid.

[15] Author's calculations using the EPOP 2023 PUF.

[16] Ibid.

[17] Ibid.

[18] Association for Enterprise Opportunity. (2017). The Tapestry of Black business ownership in America: Untapped opportunities for success. Retrieved from <https://research.aeoworks.org/publications/the-tapestry-of-black-business-ownership-in-america-untapped-opportunities-for-success/>.

[19] Association for Enterprise Opportunity. (2021). Mending the tapestry: Building trust and strengthening Black business ownership in America. Retrieved from <https://research.aeoworks.org/publications/mending-the-tapestry/>.

# Acknowledgements

This report was authored by Chelsea J. Maxwell and Lori D. Smith.

## About Research at AEO

As the leading voice of innovation in microbusiness, the Association for Enterprise Opportunity (AEO) has an extensive history of conducting research that aims to understand, support, and promote the interests of underserved nonemployer, small, and microbusinesses (SMBs). For more than 30 years, AEO and its member and partner organizations have helped millions of underserved entrepreneurs in starting, sustaining, and growing their businesses. Together, AEO is working to change the way that capital and services flow to underserved entrepreneurs so that they can create jobs and opportunities for all.

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