

BLACK OWNED BUSINESSES

The economic downturn

Jamii

Income

000

Cash reserves

Confidence



Employees



INTRODUCTION

In Autumn 2022, we asked 200 Black British business owners how they expected to be impacted by the cost-of-living crisis and looming recession. At a time when customers and companies alike were feeling the pinch, we had **observed a change in sales pattern** as well as **increasing prices** across the businesses in our network.

We knew it was important to quantify this change in order for the appropriate solutions to be delivered.

There is a severe lack of data on Black entrepreneurs in the UK. Key reports that do exist include The Cornerstone Report, the British Business Bank Alone Together Report, and the Lloyds Bank Black. British. In Business & Proud (BBIBP) Report; however there are not nearly enough to accurately reflect the experiences and needs of Black business owners. A lack of ethnicity data makes it difficult to track and understand the impact of economic crises across different subsections of society, meaning solutions may be proposed that work for some, but not others. Some people may be left behind completely.

In this report, we demonstrate that **Black business owners are concerned about, and feel largely unequipped for, uncertain financial times.** **Sales are slowing and costs are rising**, and many do not feel they have access to valuable business resources to help them out of difficulty. We also provide some useful insights into revenue and income that will help build a better picture of the Black entrepreneurial community.

This report is based on a ten-part questionnaire we shared with our network, who then shared it with community groups, friends of friends, family and fellow Black business owners.

From the preliminary results of our findings, in December 2022 we were able to announce **See It Through**, a **£20,000 grant fund for Black-owned businesses**, with a donation made by Airbnb. Our research demonstrated a clear need for financial support during this difficult economic period. We are proud to have helped deliver some relief, but we know that more needs to be done to reach business owners with the resources they need.



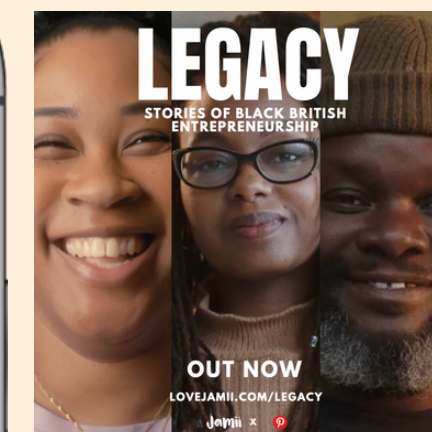
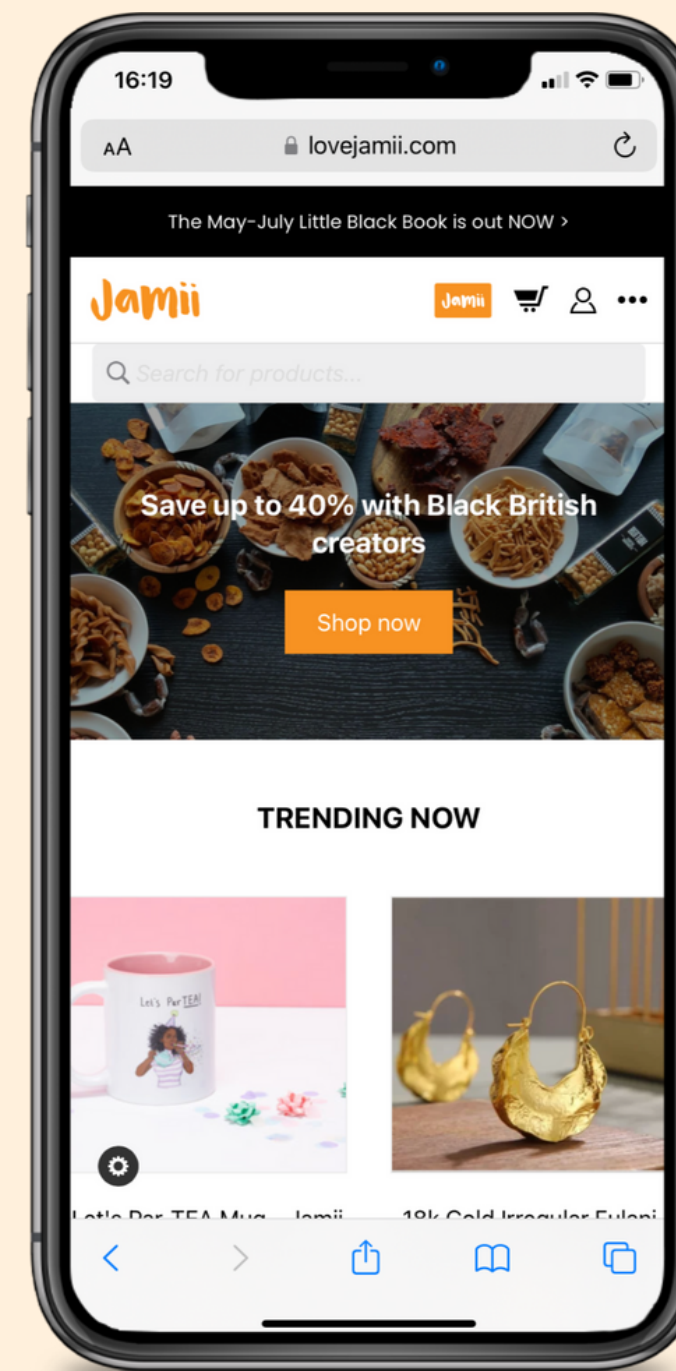
WHO ARE WE?

Jamii is a discount card, online marketplace and discovery platform for Black British creators and makers.

Founded in 2016, Jamii has grown to a thousands-strong community of independent Black business owners and conscious shoppers. Over the past seven years, we have collaborated with the likes of Pinterest, Airbnb and Lloyds Bank to create initiatives that put Black British entrepreneurial talent at the forefront.

Marketing campaigns, grant funds, pop ups and marketplaces are among the activations we have run for the benefit of talented makers in the Black British community.

This report is Jamii's second piece of research into Black-owned businesses.

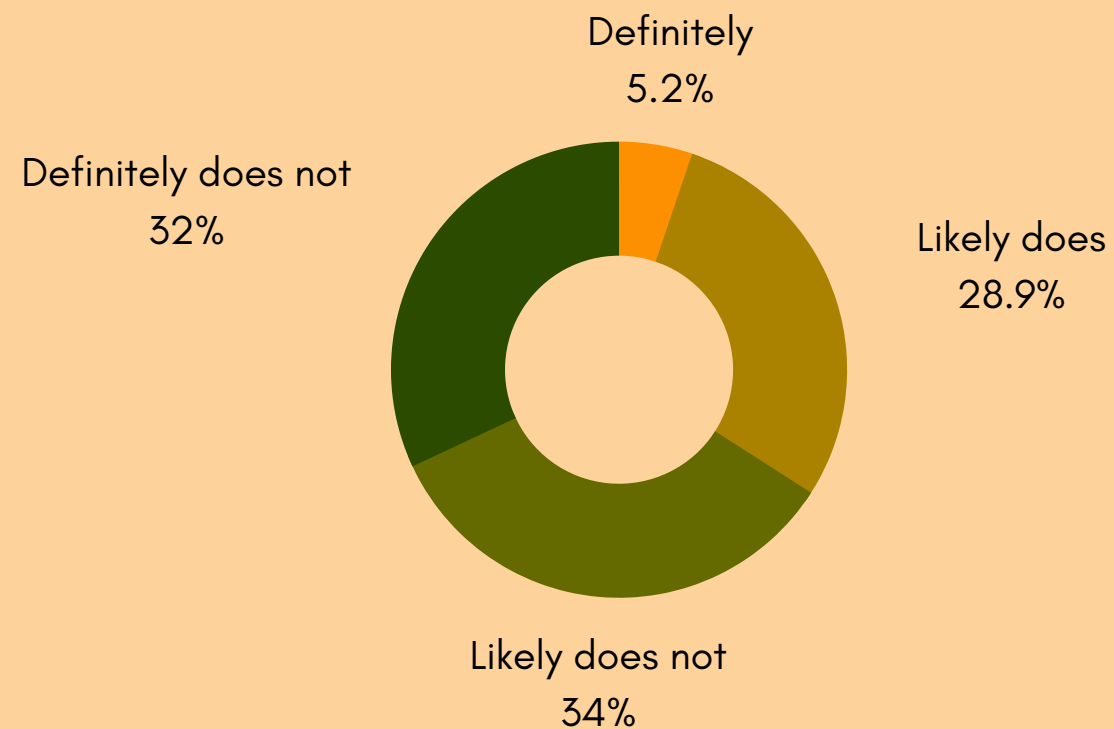


HEADLINE STATS

89% of businesses are **concerned** about the impact of the **recession** on their business

74% are at least **somewhat confident** their business will survive a recession

"DOES YOUR BUSINESS HAVE THE CASH RESERVES TO SURVIVE A RECESSION?"

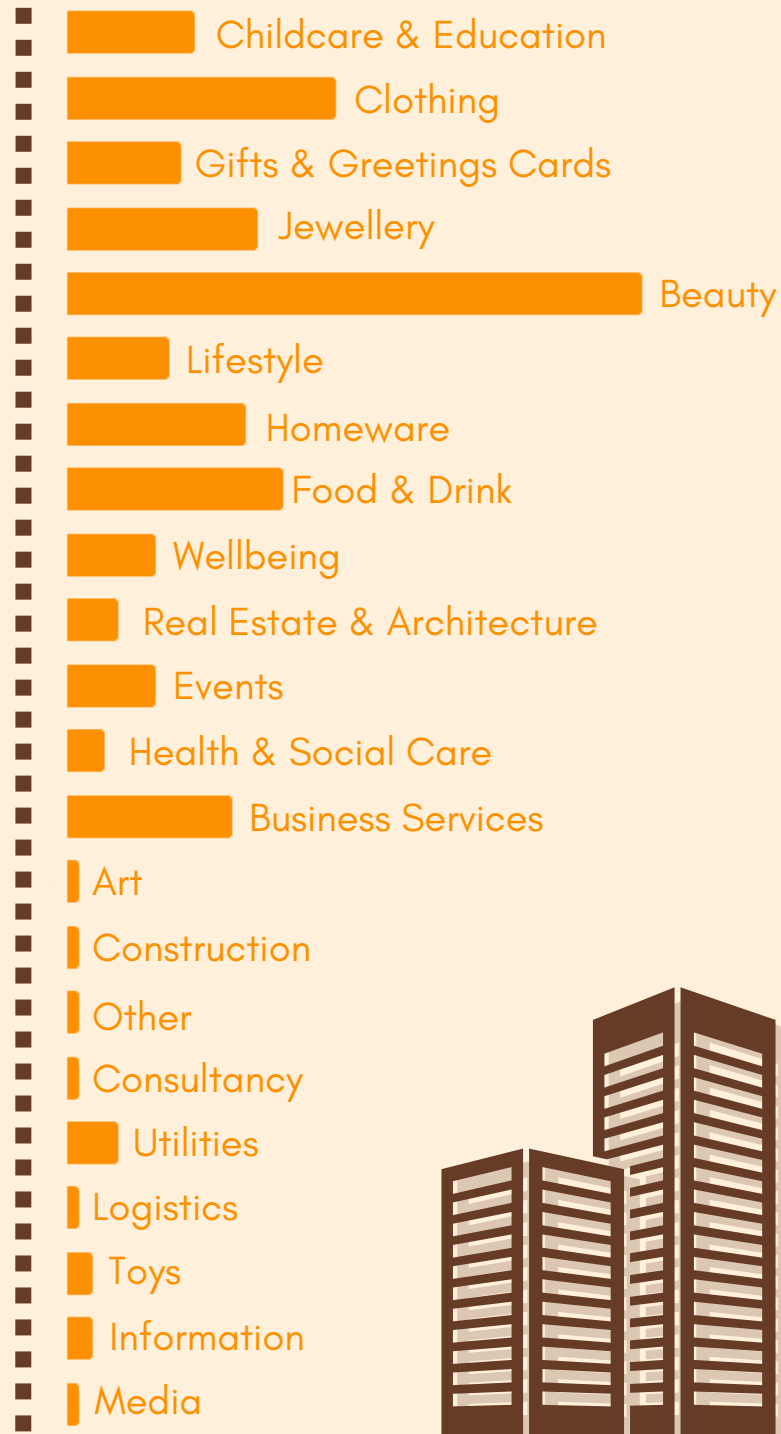


84% of businesses have seen no sales growth this year

69% don't feel they have enough access to resources

68% agreed that products/services they purchased regularly had become more expensive





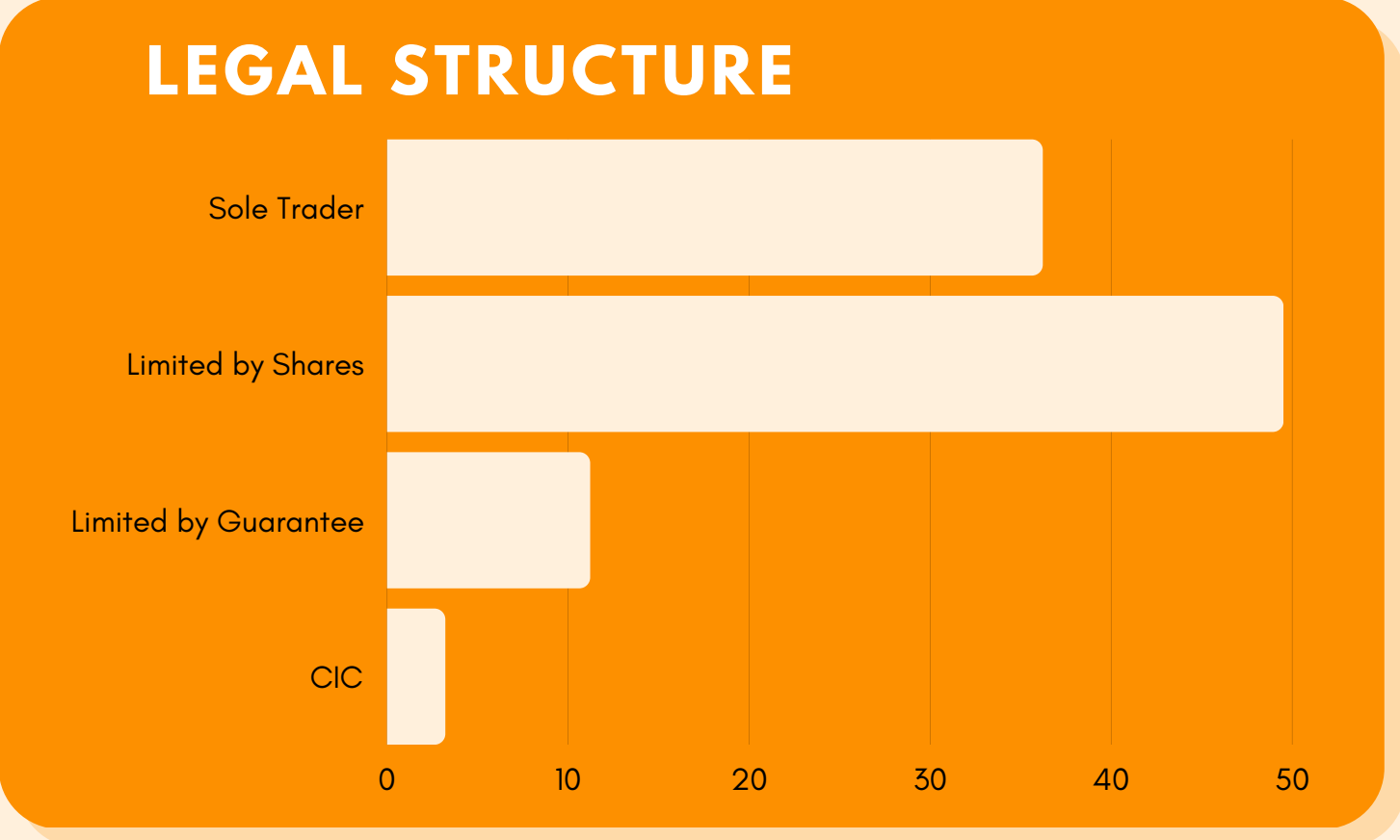
BUSINESSES BY INDUSTRY

Beauty businesses - including hair, skincare and cosmetics brands as well as beauty salons - were overrepresented in our research. Furthermore, respondents overwhelmingly trade in product-based industries over service provision.

Past research has found that **Black entrepreneurs tend to launch a business based on a need they haven't seen fulfilled in the mainstream market** (British Business Bank, 2020). Afro hair care is an example of this.

Consequently, any threat to the survival of Black-owned businesses, particularly in industries where they are catering to a need specific to the Black community, will negatively impact Black customers.

A majority of business owners operate in the leisure industry (Lloyds Bank BBIBP Report, 2022). This means they are more vulnerable to a cost-of-living crisis when personal expenses such as fashion, beauty and the arts are no longer a priority.



Access to finance is less of a barrier to entry for businesses trading in product-based industries: startup costs are relatively low. In lieu of funding, it's likely that these businesses sustain themselves primarily by reinvesting profit from sales.

They are therefore especially vulnerable to the changes in consumer spending and the prospect of a recession. Slower sales put their primary source of finance at risk.

CONCERN OR CONFIDENCE?

CONCERN

89%

of businesses are concerned about the impact of the recession on their business.

That the vast majority of business owners are worried about the potential negative impacts of a recession is not surprising. In the context of the cost-of-living crisis, rising inflation and increasing costs of materials due to the war in Ukraine, business owners are likely already anticipating what a recession could mean for them.

BUT...

CONFIDENCE

74%

are at least somewhat confident that their business will survive a recession if it comes

This finding juxtaposes other statistics in this report, which instead reveal **a lack of cash reserves, rising costs and low turnover.**

Of the 74% confident about surviving the recession, **62% take a meaningful portion of income from their business** and **57% say their sales were worse** in 2022 than in 2021.

Therefore there is an unexpected confidence or resilience in these businesses, which could be partly explained by an **'expectation of hardship'** from Black entrepreneurs that leads them to feel less 'discouraged' by business hurdles (Cornerstone, 2020).

CASH RESERVES

66% OF BUSINESSES MAY NOT HAVE THE CASH RESERVES TO SURVIVE A RECESSION

It is possible that the pandemic and cost-of-living crisis have wreaked havoc on businesses' ability to plan ahead. Sales surged for many companies during lockdown, particularly for e-commerce and B2C, but rising costs in 2022 may have cancelled out this progress. For other types of companies, such as bricks and mortar establishments like beauty salons, this may be one hardship after another, and a recession may all but deplete their cash reserves.

It is also a possibility that some businesses never built a cash reserve to begin with. As elaborated on later in this report, 76% of entrepreneurs claim they do not have the access to resources

needed to see through a recession; a lack of cash reserves could be an indication they are underequipped and uninformed about best practices for successfully running their business. This is supported by previous research that reports Black business owners are less likely to access free advice compared to their white counterparts (Alone, Together Report), possibly due to being unaware it is available.

UNDEREQUIPPED WITH BEST BUSINESS PRACTICES

A lack of cash reserves could also be explained by the fact that Black business owners do not tend to approach formal institutions, such as banks, for finance, with almost half of those that do borrowing less than £5,000 (Lloyds Bank BBIBP Report, 2022). Therefore although there are routes to finance available through traditional means, these options are evidently not resonating with Black entrepreneurs.



YEAR-ON-YEAR SALES

84% OF BUSINESSES HAVE SEEN SALES FLATLINE OR DECLINE THIS YEAR

Black-owned businesses in the UK saw a huge surge in support following the murder of George Floyd in May 2020. The nationwide call to 'buy Black' continued into 2021 which likely positively impacted sales that year. Slowing sales in 2022 could be attributed to both a decreasing mainstream emphasis on buying Black and the cost-of-living crisis. Follow-up research would be needed to establish a broader trend in year-on-year sales.

OF THE 16% OF BUSINESSES WITH BETTER YEAR-ON-YEAR SALES

85.7% are worried about the possibility of the UK heading into a recession

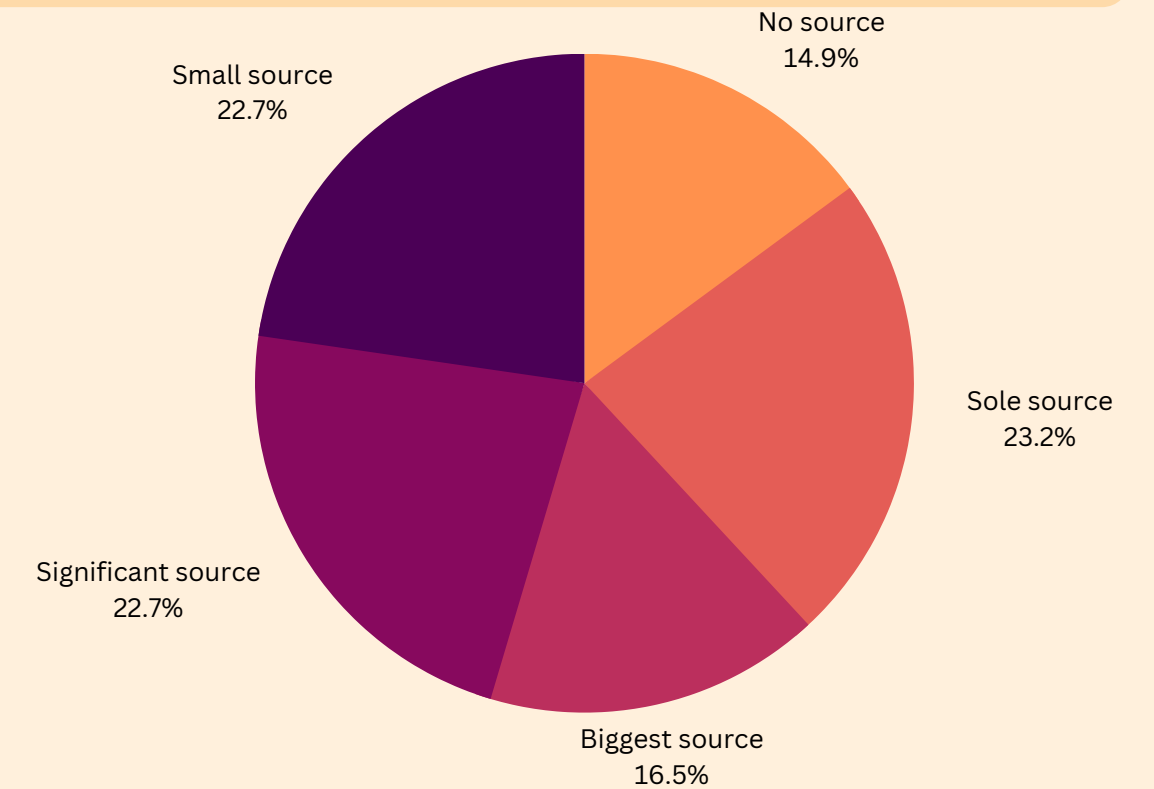
42.9% think it somewhat or completely unlikely they will have the cash reserves to survive a recession

67% are in the events, beauty, clothing and jewellery industries, likely bouncing back after lockdown restrictions in 2020 and 2021



BUSINESS AS A SOURCE OF PERSONAL INCOME

62% OF OWNERS TAKE AT LEAST A SIGNIFICANT PORTION OF INCOME FROM THEIR BUSINESS



Of the 14.9% for whom the business provides no source of income, 66% are confident they will survive the recession. These business owners possibly live on other sources of income and this venture represents more of side hustle or passion project. They may therefore be able to 'pause' their operations during challenging periods.

The recession looks to threaten the personal income of many business owners. Of the 23% of respondents for whom their business is a sole source of income, 33% say they don't have the cash reserves to survive a recession, and 54% report worse year-on-year sales.

Over 62% of owners take at least a significant portion of income from their business; of these owners, 60% are not certain they have the cash reserves to survive a recession. Uncertain financial times could be detrimental to the livelihoods of many of those self-employed in the Black community.

Across all levels of income provision, businesses are more likely to say they do not have the cash reserves to survive a recession.

Just over 84% of respondents made £50k or below in revenue. According to the Office of National Statistics, in 2022 the average turnover of a small business with no employees was £68,357. Therefore Black-owned businesses are more likely to fall behind the UK average.

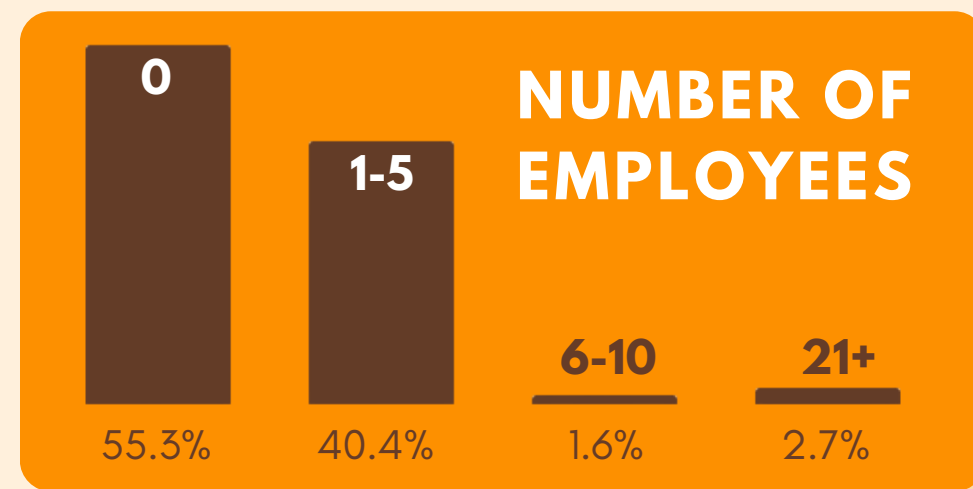
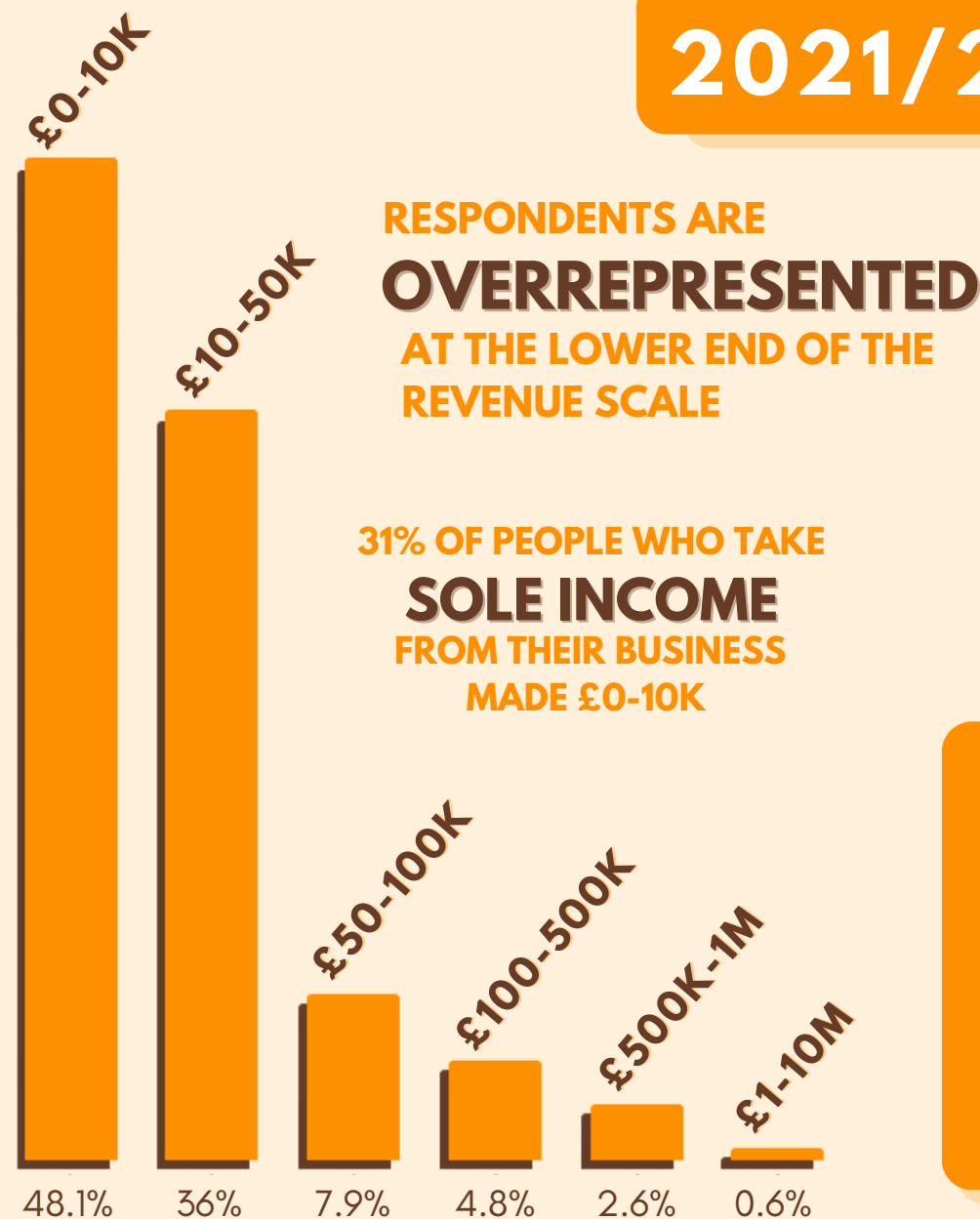
Black entrepreneurs have already been found to be more likely to underperform in revenue compared to other ethnic groups (Alone Together Report, 2020).

THE COST OF DOING BUSINESS

69% OF BUSINESS OWNERS SAID THE PRODUCTS AND/OR SERVICES THEY BUY OFTEN HAVE BECOME MORE EXPENSIVE

Furthermore, just over half of those dealing with these rising costs also report worse year-on-year sales. Therefore for these businesses, the cost of trading is more expensive and for less profit.

2021/22 TURNOVER



Such a disparity can be explained by specific obstacles that impact the Black community the hardest, such as access to finance, advice and education. Therefore, greater accessibility to all of these provisions may help increase the revenue of Black-owned businesses.

30% of the businesses that made over £50k are in the beauty industry, indicating the **importance of these kinds of businesses to the economic productivity of the Black community.**

ACCESS TO RESOURCES

68%

OF BUSINESSES THAT LACK RESOURCES HAVE SOME CONFIDENCE THEY WILL SURVIVE A RECESSION



69%

OF BUSINESSES FEEL THEY DO NOT HAVE ADEQUATE ACCESS TO RESOURCES TO SUPPORT THEM THROUGH UNCERTAIN FINANCIAL TIMES



There is a knowledge and resources gap across Black business owners. **90% of respondents who doubt their business will survive a recession feel they lack resources to see them through one,** while for businesses confident in their survival, the figure is 57%.

Across all bands of revenue, the majority of businesses report a lack of access to resources. Businesses making between £500,000 and £1 million per year are most likely to say they have adequate access, though this is only 40%. **Almost 82% of those making £100-500k feel they do not have adequate access.**

Access to resources does not dampen concern about a recession, with 73% of those equipped with resources feeling worried about the threat of one.

What is unclear from this data is whether these business owners have tried to access help, or whether they simply do not know where to look. The Cornerstone Report (2020) describes Black entrepreneurs as being more likely to bootstrap for longer than other ethnic groups before applying for funding, which indicates a lack of access to external finance sources. According to the Lloyds BBIBP Report (2022), only **30% of Black entrepreneurs approach banks for funding,** instead preferring to turn to informal networks of family and friends.

A historical lack of confidence amongst the Black community in traditional banking institutions likely plays a role in this. As found in the same report, only 40% of Black business owners say they trust banks to have their best interests in mind. There is therefore an aversion to accessing resources via traditional routes due to the preconception that this is not actually advantageous.

This wariness could be manifested in the fact that Black entrepreneurs are more likely to pay for advice than their white counterparts (British Business Bank, 2020), though a wealth of free tools exist. Paid-for resources represent an additional financial strain that some businesses may feel they cannot afford.

ENTREPRENEURIAL RESILIENCE

A sense of unabated confidence surfaces again here. It is possible that Black entrepreneurs may be accustomed to not having accessible support tools, and so do not consider this a significant obstacle. This notion is supported by the fact that among the businesses unconcerned about the impact of a potential recession, 43% still feel they lack the resources they need to survive one.

There therefore appears to be **an acceptance of inaccessibility that nevertheless does not discourage the business owner.**

CONCLUSION

A recession could have a devastating impact on Black British businesses and the customers they serve.

With Black entrepreneurs the most likely to build businesses to solve personal problems (as opposed to seeing a gap in the market), consumers similar to them may struggle to find their needs met if the businesses they rely on are no longer able to operate.

Businesses fear the worst, sales are flatlining, and running costs are rising. Many lack cash reserves to see a recession through. And with most owners depending on their business for a meaningful portion of their income, there are livelihoods at risk.

Why don't the majority of businesses have cash reserves? The reason could be a combination of



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a difficult few years that has wiped out savings, combined with a systemic inability to access external investment (equity or debt) to fortify a strong financial position.

With an overwhelmingly majority of Black business owners not feeling equipped with resources to see them through a recession, more needs to be done to connect them with existing tools. Local authorities, the UK Government and lending bodies all provide free and paid-for resources, however businesses may not find these institutions approachable. For example, there is a long-standing disconnect between the Black community and traditional banks, historically owing to experiences of discrimination and difficulty in obtaining business loans. This gap needs to be bridged in order to unlock a wealth of entrepreneurial potential.

Furthermore, there is a growing but still insufficient bank of data that interrogates, through an ethnic lens, how economic downturns affect sections of the business community. Black business owners, for instance, are strongly represented in the leisure industry, and are therefore acutely impacted by shoppers having less disposable income during a cost-of-living crisis.

Encouraging customers to 'buy Black' increases revenue and assists growth, but it does not help tackle proven structural disadvantages.

Black-led businesses are falling behind. They lack confidence and support due to an inequality of resource access. They are missing out on their full potential because the resources on offer don't reach or resonate with them. A tailored ecosystem of support – one that both educates and learns from business owners – is crucial to unlock this potential.

Business owners are aware of the setbacks they face, and there is a notable sense of resilience to disadvantage and confidence in the face of uncertainty that may indeed stem from an 'expectation of hardship'. This doesn't, however, mean they should accept this fate. There is an opportunity here to meaningfully make resources more relevant, resonant and accessible to all.

As part of Jamii's mission, we partner with large organisations to help bridge the gap between Black entrepreneurs and opportunity. In February 2023, we announced the four winners of our See It Through initiative, who each received £5,000 grants donated by Airbnb. The recipients are based in various locations in the country,

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with two in the beauty industry. As is so common in the Black community, all four were founded to solve a personal, local or culture-specific need.

Grant funds like these tackle access to finance, while another proven barrier to success for Black entrepreneurs is access to advice. Financial education programmes, mentorship schemes and networking offerings are all ways business owners can elevate their knowledge and benefit from those who share their experiences.

When Black-owned businesses are successful, innovation abounds. Jobs are created in minority communities (The Black Report, 2020) and customers' needs are served. But Black business owners are more vulnerable than they should be to economic uncertainty and there is an apparent acceptance that this is how it must be. It is therefore crucial that institutions mobilise these businesses through access to resources, routes to finance, and above all, creating mutual understanding.