

# Microbusiness Briefing

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STAKEHOLDER SESSION

MARCH 25, 2021

1:00 PM



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# Welcome & Purpose

## Pamela Lewis





# Key Beliefs

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**Focus on Microbusiness**

**Intentional Inclusion**

**Network of Support**

**Multi-Sector Leadership**

**Learn from Business Owners**



# Research Partners

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**Don Jones (NEI)**

**Adina Astor (Adina Astor Consulting)**

**Matthew Brewster (Adina Astor Consulting)**

**David Ponraj (Startup Space)**

**Evan Adams (Startup Space)**

**Barbara Eckblad (The Eckblad Group)**

**Sam Singh (Public Policy Associates)**

**Dan Quinn (Public Policy Associates)**

**Kimberly Rustem (City of Detroit) – lead**

**Sarika Mendu (City of Detroit)**

**Steven Mintline (City of Detroit)**

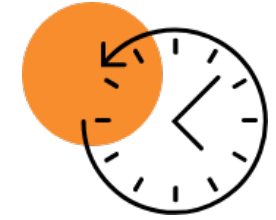
**Michael Ocasio (UMICH)**

**Orlando Sanchez (UMICH)**

**Jack Wilger (UMICH)**

**Elisabeth Gerber (UMICH)**

**Funders: Ralph C. Wilson Foundation, Kresge Foundation, and in-kind contribution from UMICH Ford Policy School**



# Purpose

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**Enhance understanding of local microbusiness needs**

**Current landscape of support for microbusinesses**

**Opportunities to strengthen support for microbusinesses**



A woman with a green headscarf and a grey patterned shirt is leaning out of a food truck window. She is holding a pink bucket with the word 'TIPS' and a smiley face drawn on it. In the background, a man in a plaid shirt is visible. The truck has a stainless steel exterior and a pink door. A wooden sign with the text 'food as medicine' is visible inside the truck. A bouquet of pink roses and greenery is placed on the counter in front of the window. A Square payment terminal with VISA and Mastercard logos is also visible.

# Understanding Microbusiness





# Microbusiness

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**Under 10 employees**

**Under \$250,000 in annual revenue**

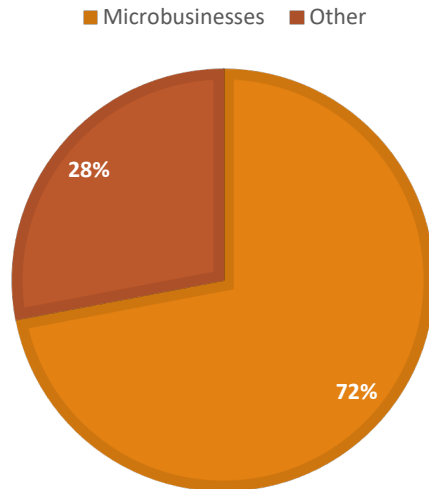
**Over 70% of all small businesses**

**Where entrepreneurs of color and women are seen**

**Accessible jobs + wealth building + safer neighborhoods + proximate amenities**

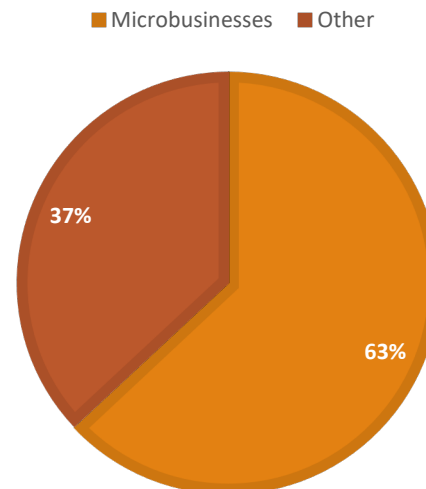
# Microbusiness are >70% of all businesses

DETROIT SMALL BUSINESSES



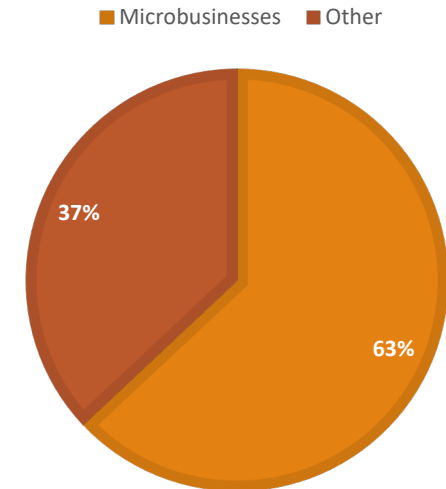
62% Women  
83% POC

LANSING SMALL BUSINESSES



41% Women  
33% POC

GRAND RAPIDS SMALL BUSINESSES



38% Women  
25% POC





# Survey Findings

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**Matthew Brewster**





# About the Respondents

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**Fielded from mid-Nov 2020 to mid-Jan 2021 and received 760 responses (590 in Wayne County)**

**25% response rate with 3,000 small businesses through business support organizations, social media, Michigan Chronicle, Detroit Means Business**

**Multiple sectors represented primarily in retail, food, and services**

# About the Respondents: Demographics

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## Target Demographics

Demographics	Survey		Census
	Count	Percent	Percent
Black	371	57%	39%
White	119	18%	50%
ADA	27	4%	12%
Hispanic	22	3%	6%
LGBTQIA+	20	3%	5%
Veteran	11	2%	5%
Middle Eastern	46	7%	5%
Asian	17	3%	2%
Native American	21	3%	<1%

## Gender Identity

Gender	Count	Percent
Female (64%)	377	64%
Male (35%)	203	35%
Other("Non-binary")	1	0%
Rather not say	5	1%

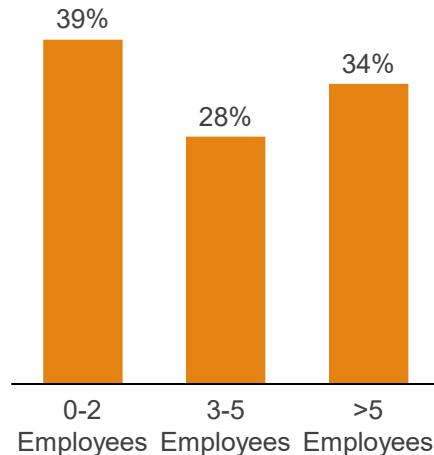


# The Respondents: Size and Stage

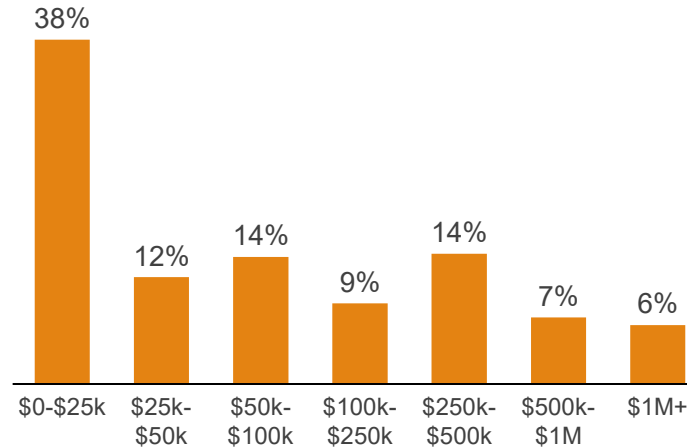
Nearly all respondents were microbusinesses; 39% had 2 or fewer employees and 38% had <\$25k in annual revenue

Most respondents' businesses (74%) have existed for four or more years; a minority of respondents' businesses were early-stage and only 5% were less than one year old

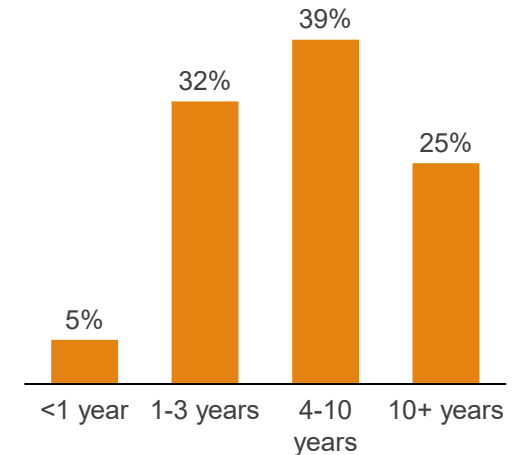
**Business Size by Number of Employees**



**Business Size by Revenue**



**Business Stage by Age of Business**

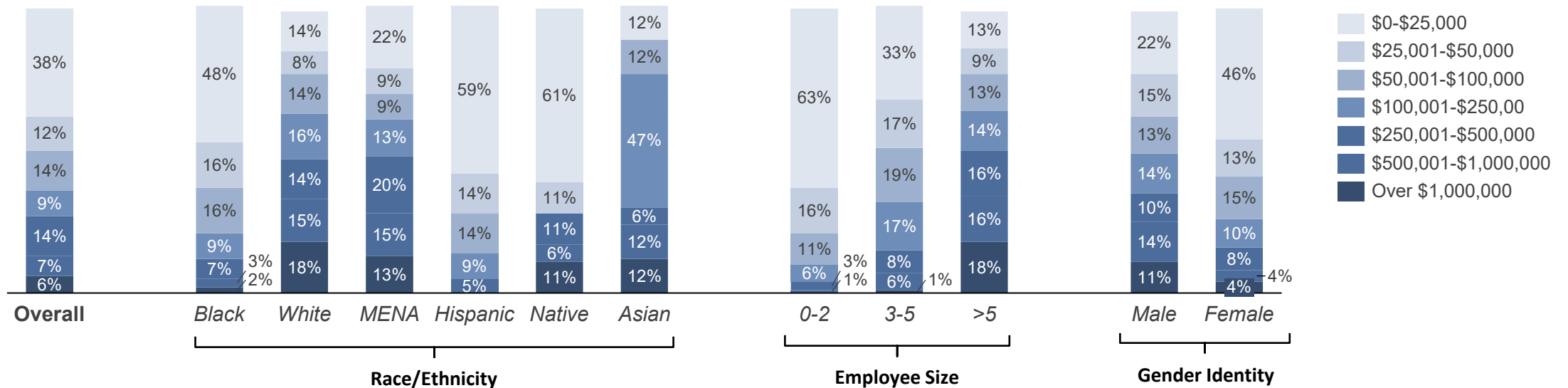


# The Respondents: Size Detail

Annual business revenue varied widely based on business size (measured in employment), race and gender identity.

48% of Black-owned, 59% of Hispanic-owned, 61% of Native American-owned businesses, and 46% had <\$25k in revenue pre-COVID (compared to 14% for white-owned businesses and 22% for male-owned businesses).

*What was your total annual revenue for 2019?*



# **Key Finding: Impact of COVID**

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**Wayne County microbusinesses were severely impacted by COVID-19 and businesses of color have been harder hit than white-owned businesses**

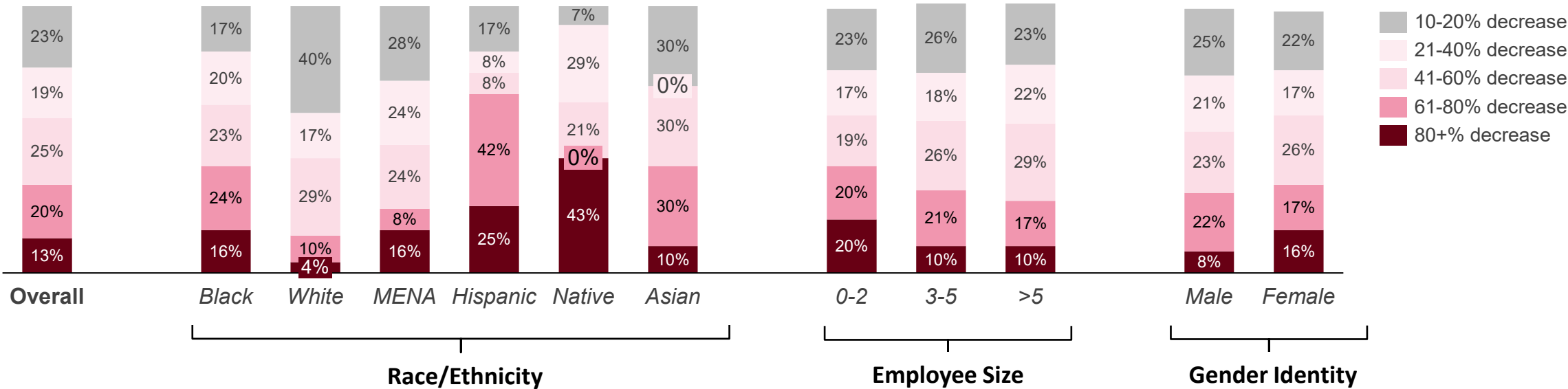
# COVID-19 Revenue Declines

Black, Hispanic, MENA, Native, and Asian-owned businesses were 2-4x as likely to have revenue drops of >60%

67% of Hispanic-owned businesses, 64% of Native-owned businesses, and 40% of Black-owned businesses experienced a 60+% decline in revenue (compared to 14% of white-owned businesses)

Smaller businesses were 2x more likely to have revenue decreases of 80+%

*What percent change do you expect in your revenue between 2019 and 2020?*





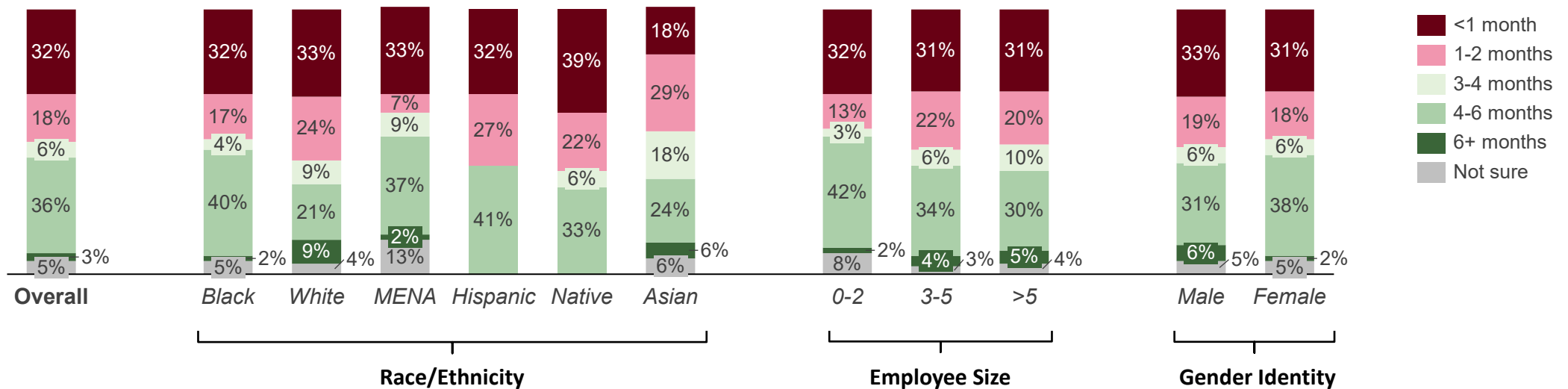
# Cash on Hand

Half of businesses had <2 months of cash on hand

Hispanic and Native-owned businesses were more likely to have <2 months of cash on hand

Smaller businesses (0-2 employees) had more cash on hand – more than half had more than 3 months' worth

*How much cash on hand for business expenses do you currently have?*



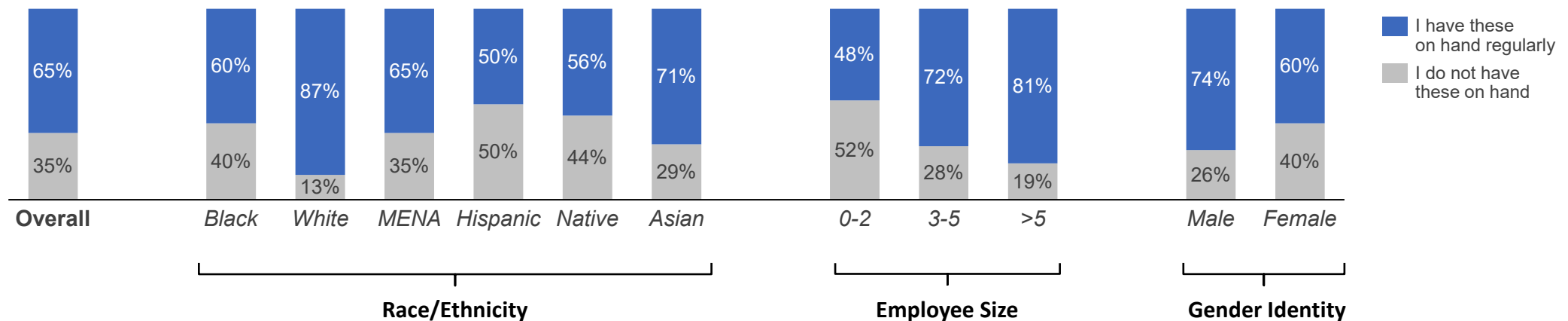
# Financial Record Preparedness

Hispanic, MENA, and Black-owned businesses were 3-4x more likely to not have financial statements on hand

Small businesses were 2x more likely not to have financial statements on hand; only 48% of businesses with 0-2 employees had financial statements available

Female-owned businesses were less likely to have financial statements available than male-owned businesses

*Do you have financial statements readily available?*



# Key Finding: Access to Relief Loans

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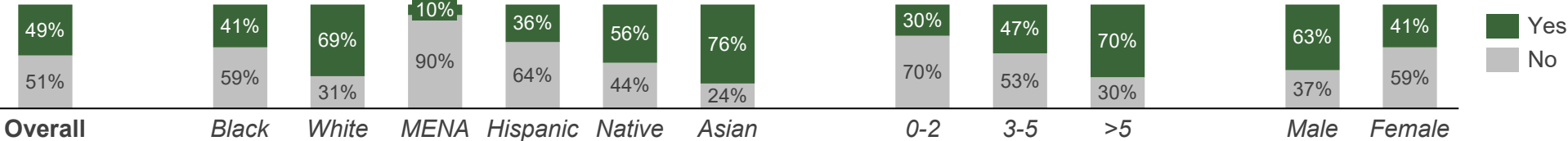
**Businesses of color and female-owned businesses applied and were approved for PPP loans at lower rates than white-and male-owned businesses**

# PPP Access

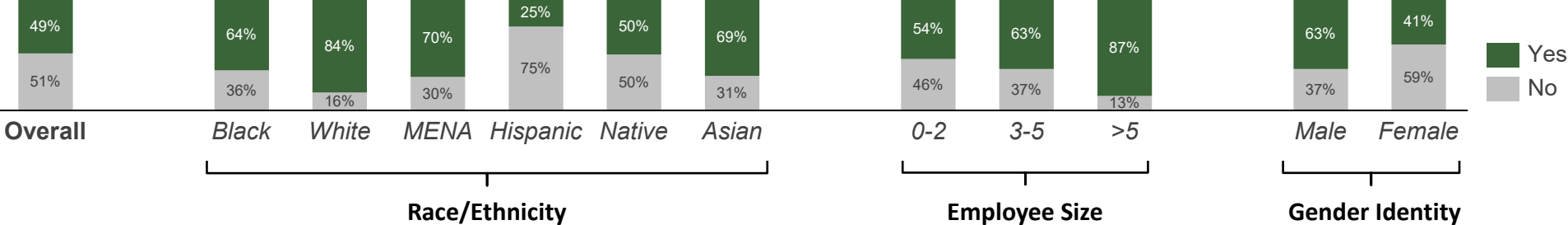
All businesses of color applied and were approved at lower rates than white-owned businesses and the rate of application among the Hispanic (36%) and Black (41%) communities was particularly low.

Approval rates were lowest among American Indian (50%) and Black (64%) business owners; Female-owned businesses were also less likely to apply and be approved.

Have you applied for a PPP (Paycheck Protection Program) loan?



Were you approved for a PPP loan?





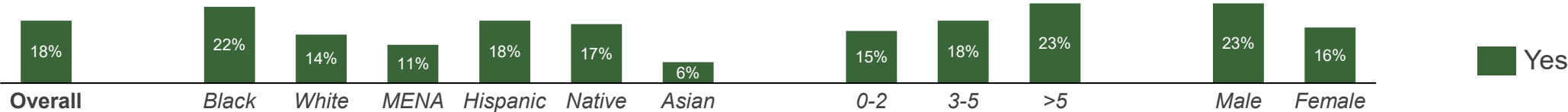
# Demand for Non-relief Loans

A small minority of businesses overall applied for additional loans and Black, Hispanic, male-owned, and larger businesses were more likely to apply

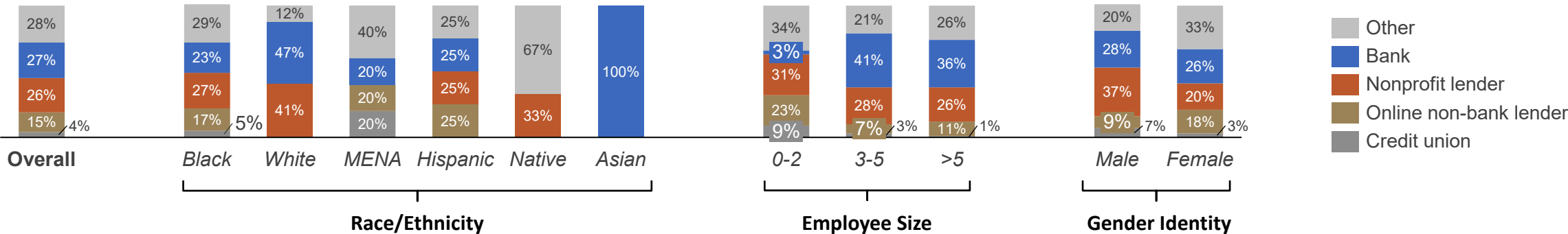
The most common lender applied to (28% of applicants) was “other” (likely government) lenders, followed by banks (27%), nonprofit lenders (26%), online lenders (15%), and credit unions (4%)

Black, MENA, and Hispanic-owned businesses were more likely to apply to online lenders, while white-owned businesses were 2x more likely to apply to a bank

Have you applied for any other loans?



What type of lender(s) did you apply to?



# Other Financial Resources Accessed

Nearly all businesses access an additional source of money, including “other” sources (49%), personal savings (40%), friends and family (22%), crowdfunding (4%), asset refinancing (4%), and grant programs

*What other sources of capital did you access?*

Source	Overall	Race/Ethnicity						Employee Count			Gender Identity	
		Black	White	MENA	Hispanic	Native	Asian	0-2	3-5	>5	Male	Female
Other	49%	51%	47%	39%	59%	39%	29%	50%	52%	44%	48%	49%
Personal savings	40%	43%	36%	30%	50%	22%	29%	44%	44%	34%	40%	40%
DEGC Stabilization Grants	31%	34%	32%	15%	32%	22%	24%	15%	36%	45%	34%	29%
Friends and family	22%	25%	17%	13%	14%	33%	12%	23%	22%	22%	24%	21%
Tech Town Stabilization Fund	19%	22%	16%	2%	18%	17%	18%	9%	27%	22%	16%	20%
Crowdfunding	4%	3%	5%	2%	9%	6%	18%	4%	6%	4%	5%	3%
Personal asset refinancing	4%	4%	6%	9%	5%	11%	6%	3%	5%	5%	5%	4%

# Key Findings: Microbusiness Needs

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**Factors that lead to revenue generation were top needs: capital, accounting and finance assistance, marketing, and adapting business models with technology**

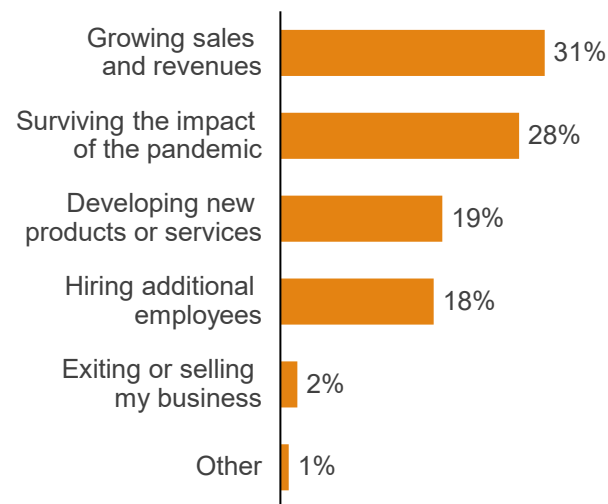
# Goals & Resource Needs

Most businesses are focused on growing sales and revenues, surviving the pandemic, and developing new products/services

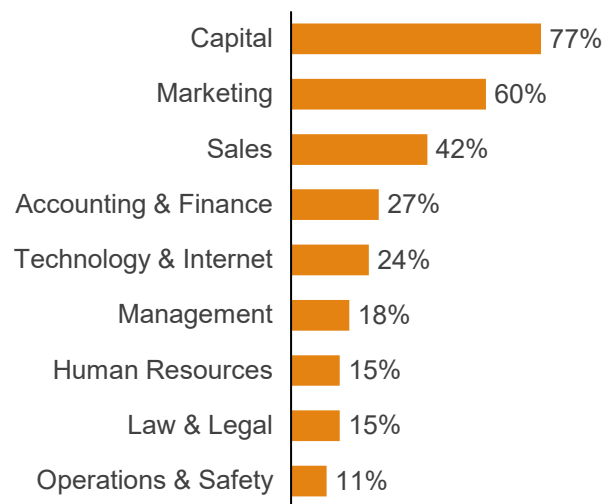
Top resource need to tackle challenges include capital, marketing/sales, accounting/finance, and technology

Most businesses much prefer one-on-one advice (75%) over webinars, or online trainings, or live group sessions (~40% each)

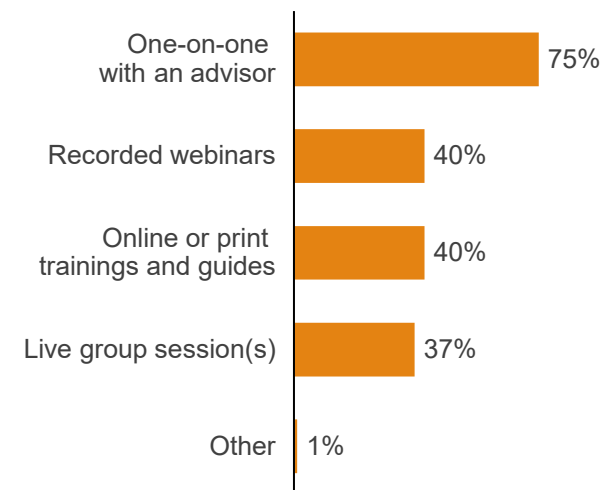
***What are your top three business goals for the next 1-2 years?***



***Which resources would most help you achieve these goals?***



***How do you prefer to receive non-financial business assistance?***





# Levels of Capital Demand

Black, Hispanic, and Native-owned businesses and smaller businesses indicated ‘need’ for smaller amounts of capital

67% of Black-owned businesses were seeking <\$50k, and 43% were seeking <\$25k; all Hispanic and Native businesses were seeking <\$25k

## How much money do you need?

		Race/Ethnicity						Employee Count			Gender Identity	
	Overall	Black	White	MENA	Hispanic	Native	Asian	0-2	3-5	>5	Male	Female
Under \$10,000	14%	16%	5%	-	33%	33%	-	18%	9%	10%	8%	17%
\$10,001-\$25,000	15%	27%	22%	30%	67%	50%	67%	24%	35%	24%	27%	8%
\$25,001-\$50,000	14%	24%	17%	10%	-	-	-	25%	24%	14%	16%	13%
\$50,001-\$100,000	22%	10%	17%	10%	-	-	33%	9%	13%	17%	13%	27%
\$100,001-\$250,000	15%	14%	17%	40%	-	-	-	12%	13%	21%	22%	11%
\$250,001-\$500,000	6%	5%	-	10%	-	17%	-	9%	4%	2%	3%	7%
More than \$500,000	8%	4%	22%	-	-	-	-	3%	2%	12%	11%	6%

## What do you plan to use the money for?

Working capital	45%	48%	44%	45%	50%	33%	100%	43%	54%	45%	51%	42%
Equipment	22%	23%	24%	27%	13%	-	-	29%	10%	24%	21%	23%
Renovate real estate	8%	5%	16%	-	25%	17%	-	8%	5%	9%	6%	9%
Refinance debt	4%	4%	-	18%	13%	17%	-	2%	8%	5%	8%	2%
Purchase real estate	2%	3%	-	-	-	-	-	-	5%	3%	3%	2%
Acquire a business	0%	1%	4%	-	-	-	-	2%	-	1%	-	2%
Other	16%	17%	12%	9%	-	33%	-	16%	18%	13%	11%	19%

# Top Non-Capital Needs

Among the three most commonly cited resources, there is approximate ‘need’ consistency across the specific needs within each of those resources; Accounting & Finance specific ‘needs’ are among the most sought after across resource categories.

## Marketing

(60% indicated as a top need)

Need	Percent
Product Development	59%
Writing and Editing	58%
Market Research	57%
Pricing	57%
Social Media	56%
Branding and Identity	56%
Marketing Strategy	56%
Advertising and Promotion	55%
Public Relations and Media	55%
Web Marketing	55%
Other	53%

## Sales

(42% indicated as a top need)

Need	Percent
Wholesale and B2B Sales	56%
Selling Products	55%
Selling Services	55%
Customer Service and CRM	53%
Lead Generation	53%
Retail and Consumer Sales	52%
Government Contracts	52%
Other	43%

## Accounting and Finance

(27% indicated as a top need)

Need	Percent
Accounting	63%
Financial Planning	62%
Cash Flow	60%
Budgeting	50%
Taxes	48%
Applying for Financing	46%
Audits	20%
Other	5%

## Technology

(24% indicated as a top need)

Need	Percent
Website	35%
E-Commerce	29%
Managing Systems	26%
Telecommunications	10%
Other	2%



A man in a workshop, wearing a dark blue long-sleeved shirt, a brown leather apron, a black cap, and a white respirator mask, is looking down at something in his hands. He is standing next to a woman with long brown hair and glasses, who is wearing a black polo shirt and dark pants. They are in a workshop with various metal structures and equipment in the background. The text "Nonprofit Landscape of Support" is overlaid in large white letters.

# Nonprofit Landscape of Support



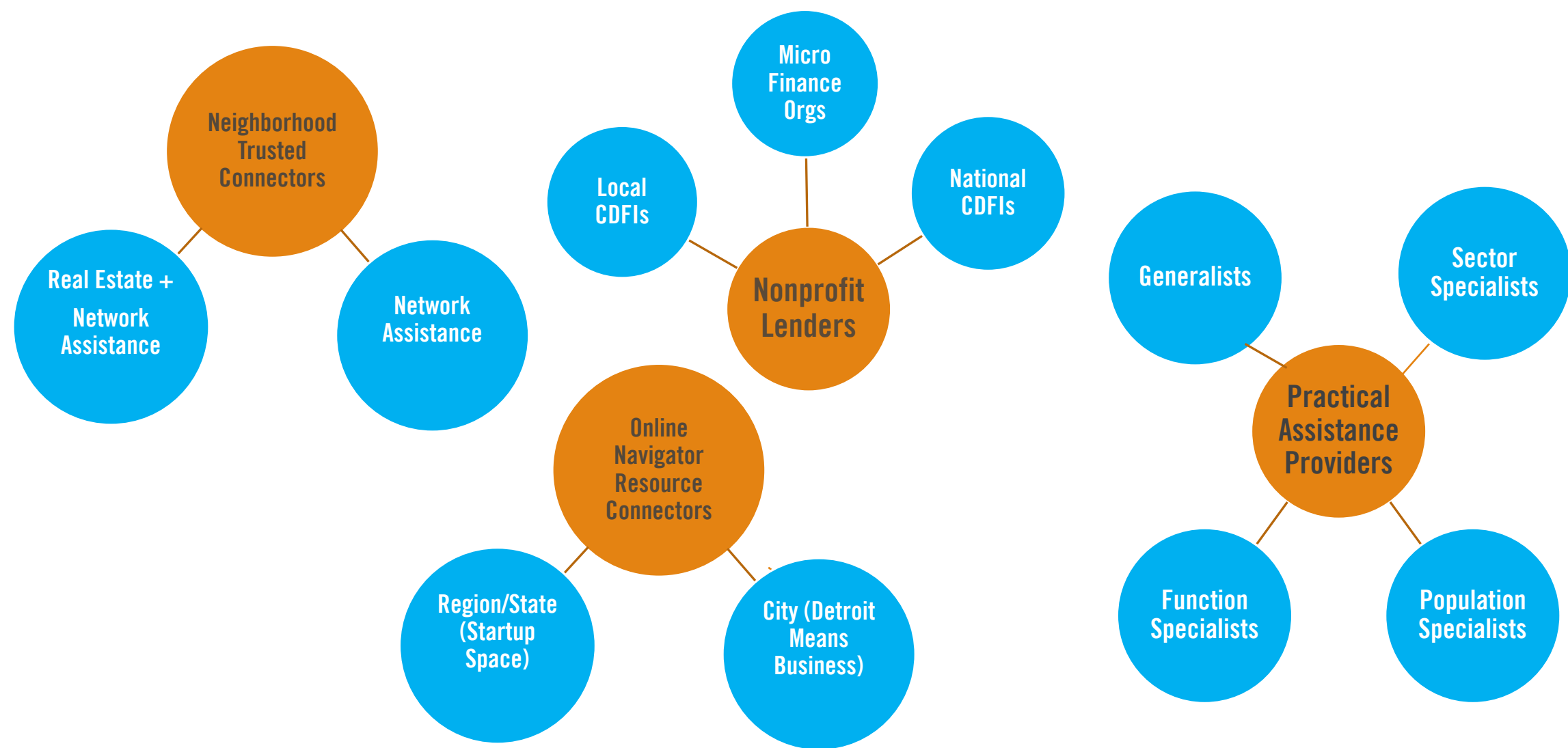
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# Nonprofit Support Infrastructure

## Adina Astor



# Nonprofit Network of Microbusiness Support



# Nonprofit Support Gaps and Recommendations

## Key Insights

The number, complexity, and pace of COVID relief and recovery-focused capital/grants, combined with gaps in microbusiness readiness, has created a “blockage” that has limited access, particularly by BIPOC businesses

Nonprofit lending remains at low levels, with microlending particularly under-utilized (relative to demand)

There are a rich array of support organizations but limited 1:1 advisory capacity and segment-specific resources, along with uneven referral pathways and some underutilized providers

## Opportunities

- Invest in continuous BSO training to rapidly and correctly advise businesses and increase BSO capacity to work on microbusiness readiness
- Expand proactive marketing of capital and support resources to increase awareness-building with microbusinesses
- Improve technological capabilities of nonprofit lenders to increase ability to meet needs
- Expand access to 1:1 consultations with both generalists and specialists
- Invest in cultural/language tailoring of outreach and programs for underserved communities
- Invest in “trusted connector” role throughout the ecosystem and increase referral pathways





# Public Sector Landscape of Support for Detroit Microbusinesses



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# Public Support Infrastructure

## Don Jones



# Methods of Public Support for Microbusinesses

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**Government contracts and procurement programming**

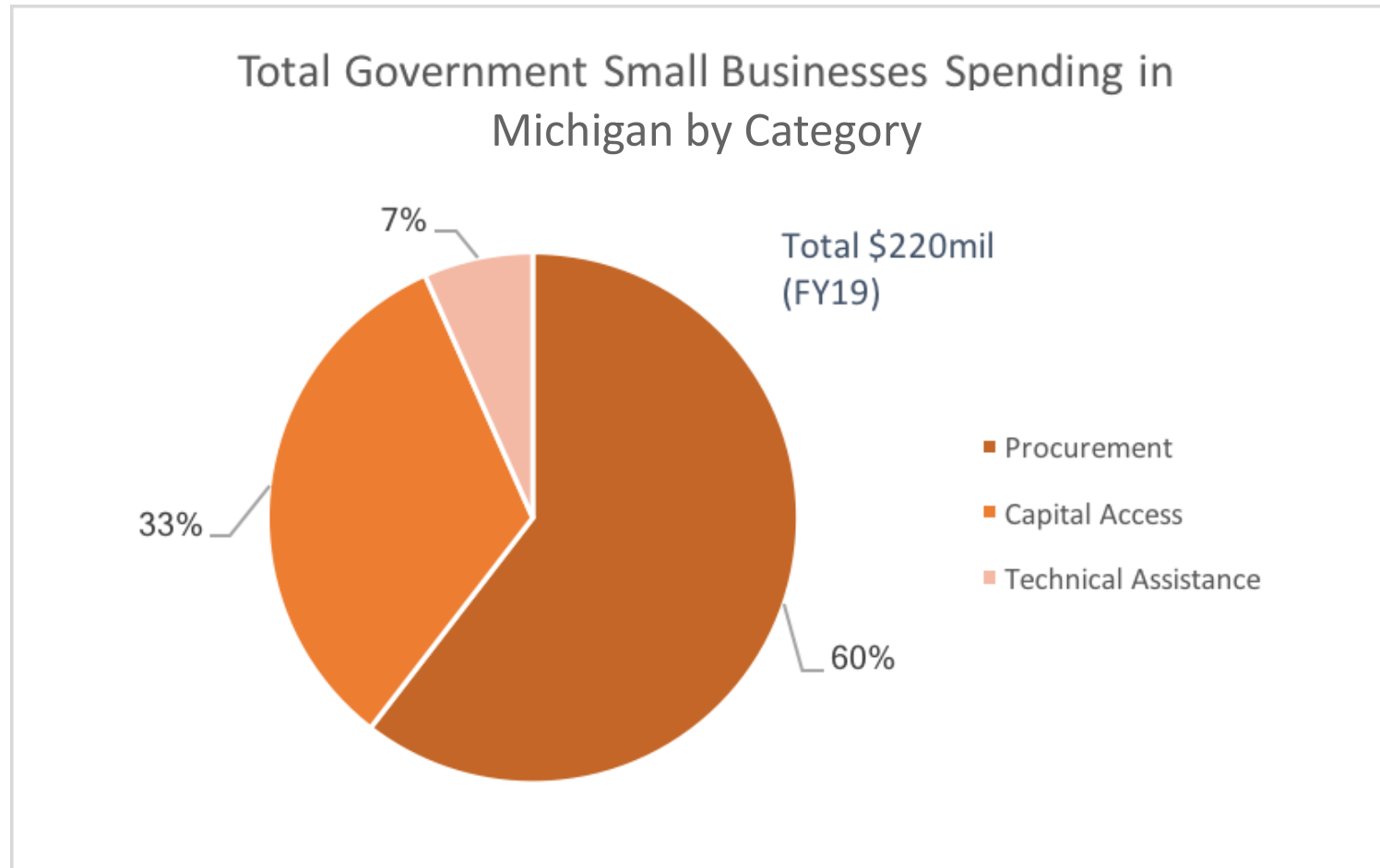
**Capital access via loan capital or loan guarantees**

**Technical assistance and training (i.e., SDBC, SCORE)**

**Space activation subsidies (i.e., Motor City Match)**

**COVID-related grant capital through local EDOs**

# Public sector spend in FY 19 Michigan SMBs totaled \$220 Million



# Public Support Insights and Recommendations

## Key Insights

Federal and state governments can better utilize their definitions of a microbusiness to track existing support programs

Few federal, state and locally funded affordable capital access programs target microbusinesses

Microbusinesses need education on state and local financial procedures and regulations

Local procurement opportunities can be better utilized by microbusinesses to their full extent

## Opportunities

- Implement a clear statewide definition of a microbusiness to allow for data tracking and targeted support programs
- Adopt an affordable statewide microbusiness capital access program through public private partnership
- Extend consumer lending protections to cover microbusinesses, especially related to certain fintech lending practices
- Embed Capital readiness training into capital access programs
- Expand online hub for micro businesses
- Increase awareness of and track microbusiness certifications and exemptions

# Advocate and Engage

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Make the case for public, private and philanthropic leaders to increase targeted capital for microbusinesses (<https://www.neinsights.org/>)

Build awareness of nonprofits assisting small businesses in southeast Michigan to point owners to resources (<https://www.startupspace.app/hub/NEI>)

Learn more about Neighborhood Business Initiative Worktable of Detroit-based small business support organizations working to improve practices (<https://neinsights.org/neighborhood-business-initiative-case-study/>)

Support Detroit Means Business Platform and coalition of multi-sector leaders focused on underserved small business supports (<https://detroitmeansbusiness.org/>)

View copy of survey findings to improve your strategies to better serve underserved microbusinesses ([www.neweconomyinitiative.org](http://www.neweconomyinitiative.org))

# Thank You from NEI Team

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**Pamela Lewis**

**Donald Jones**

**Mary Fulmer**

**Angelina Starceski**

**Contact at [neicommunications@cfsem.org](mailto:neicommunications@cfsem.org)**



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