Supporting Black Businesses Online with Federal Policies and Recommendations

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Black businesses have been disadvantaged due to racial inequalities, as outlined in what Kapor (2018) refers to as the “Leaky Tech Pipeline,” which examines how intersecting racial tech disparities, such as the lack of access to the high-speed internet, business mentors of color, and non-dilutive capital, affects Black tech businesses’ ability to scale. The lack of digital infrastructure (e.g., access to high-speed internet) to support the growth of non-tech Black businesses into e-commerce further amplifies these disparities while the monopolistic tendencies of corporate giants like Amazon, Apple, and Google use their algorithms to absolve competition from smaller Black firms. Further, by outlining federal policy solutions by which Black businesses can scale and thrive in a competitive online marketplace, including federal policies and recommendations from the Small Business Administration, Federal Communications Commission, and pending anti-monopoly legislation (e.g., Ending Platform Monopolies Act), we can exemplify how to help “level the playing field” (e.g., reduce racial tech disparities) for the growth of Black tech businesses in the United States.
A History and Overview of Black Businesses

According to Walker (1986), Blacks could not own businesses for a long time in American history due to slavery. A few Black individuals, such as Lunsford Lane, a tobacco trader; Elizabeth Keckley, the dressmaker who made dresses for Mary Todd Lincoln and others; and William J. Brown, a shoemaker, had businesses before the Emancipation in 1865. Lane even made as much as $1,000 (enough to buy his freedom). Despite these few examples, there remained little or no Black-owned structured business organization, planning, or protection at the time.

Following the emancipation of Blacks to the end of the 19th century, the United States saw an explosion of Black-owned businesses, even without structure and reliance on racial self-help practices; that is, they had to figure it out for themselves. For instance, Robert Reed Church Sr. (1839-1912), highlighted as the South’s first Black millionaire, did so through speculation real estate in Memphis, Tennessee, following a depopulation of the city due to Yellow Fever (Smith, 1999). Later, he established the city’s first Black-owned bank, Solvent Savings Bank and Trust, providing an opportunity for Black business building and expansion within the Black community.

Since Church opened doors, even more, Black entrepreneurs emerged, and with them, Black millionaires. Madam C.J. Walker was the first Black female millionaire and a “grassroots saleswoman” who made her fortune selling beauty products. Charles Clinton Spaulding, the financial guru, became President of North Carolina Mutual Life Insurance Company, America’s largest Black-owned business. Mary T. Washington, the first African American woman to become a certified public accountant, made her fortune by offering financial services to Black founders. These successful Black business persons, while well documented, seem not to be in the public view as is typical of historical practice.

Over the last fifty years or so, more Black billionaire founders have emerged than at any other time. Chris Gardner, the founder of the stock brokerage firm, Gardner Rich & Co., and Christopher Gardner International Holdings, are two of the most recognizable experts in financial services globally. Oprah Winfrey is the first Black woman billionaire in media and entertainment and a powerhouse influencer. Kanye West is a billionaire recording artist, music producer, and fashion designer.
The Struggle of Black Businesses in Tech

Tech businesses are the future of economic growth for cities (Oya, 2020). Cities like Austin are projected to take in billions of dollars due mainly to the number of tech companies that are located and relocating within city limits such as Apple's billion-dollar new campus in North Austin (Canales, 2021). Even in the thick of the Covid-19 pandemic, Austin saw an influx of tech companies and workers, and this industry continues to grow. The automated economy will add $214 billion to the US economy (Statista Research Department, 2021). These numbers are bolstered by the number of businesses that are investing in tech innovations to grow and scale their businesses. Global Entrepreneurship Monitor states that the “United States (32%) is significantly higher than the average for the other 31 high-income [global] economies (24%), and exceeds the U.S. rate in wholesale/retail (25%)” investment in automated tools to increase productivity (Kelly, et al., 2020).

Though the future looks bright for tech businesses, it is not necessarily bright for Black business owners, tech or otherwise. Nationally, Black people receive 1.2% of the record $147 billion in venture capital invested in startups (van Romburgh and Teare, 2021). Furthermore, Black people make up only 12% of the tech workforce needed to work in tech companies and needed to launch their own tech businesses. Rapid automation threatens the many gig-like sole proprietorships, such as driving for UBER and delivering food for Instacart, that currently employ Black workers. These impediments to tech jobs have become more pronounced as a result of the Covid-19 pandemic, where more than 178,000 Black people have died from the virus as of March 30, 2021, and 400,000 Black businesses have closed. According to Fairlie (2020), “The COVID-19 pandemic affected many businesses owned by minorities. At the start of the pandemic, 1% of venture capital went to startups owned by Black people, and less than 47% of financing applications filed by African American business owners were approved.”

Mills and Battisto (2020) also note that the pandemic has affected small businesses more than any other kind. They pointed out that the number of active small business owners fell by 22% from February to April 2020, the worst period of the lockdowns. According to Dua (2020), the concentration of minority-owned small businesses in industries more susceptible to disruption makes a large share of them vulnerable to the pandemic. Service industries, including accommodation and food services, personal and laundry services, and retail, which have the highest percentage of minority-owned small businesses, could be the most highly disrupted in the next term. These services often require physical proximity to others and are less likely to be delivered remotely.
A Crumbling Digital Infrastructure for Black Businesses

Internet access and Google's Search Engine Optimization algorithms can harm the sustainability and growth of Black businesses.

Internet Access

Black-owned businesses, and Black women-owned startups, in particular, are businesses disadvantaged in terms of connection to the internet. As a result, they cannot easily transition to online sales commerce and cannot quickly digitize their operations. They lag in operating in the digital space and cannot cope with competitors who have such access. According to 2020 research conducted by the Joint Center for Political and Economic Studies, 34% of Black adults do not have home broadband, and 30.6% of Black households with one or more children aged 17 or younger lack high-speed home internet (over 3.25 million Black children live in these households). The study also found out that 23% of African Americans are “smartphone-only” internet users. Mobile subscriptions have more restrictive data caps and pose challenges in completing tasks like homework and job applications. Moreover, recent research shows how devastating the pandemic and the digital divide have been for Black businesses. According to a McKinsey and Company (2020) report by David Baboolall, et al:

Digital capabilities will increase Black entrepreneurs’ share of opportunities, but the corresponding business services are long-unmet needs. Many Black-owned businesses lack the resources to hire service providers that can help them digitize their businesses, but private-sector and social-sector organizations can provide free technology services and managerial assistance. Free or subsidized installation, tech support, and staff training can help Black-owned businesses acquire more digital capabilities and become more able to share this knowledge with other Black-owned businesses in their communities.

During the pandemic, offline Black businesses were not able to transfer their business to e-commerce quickly at the start of the pandemic. The lack of access to consistent and high-speed internet affects the ability of diverse founders to learn/access/use new technologies to build, scale, and launch a business. It also revealed the need to develop consistent ways to educate diverse founders on new and emerging tech tools and applications to pivot businesses into new tech markets.
Google Search Engine Optimization (SEO)

Google’s Search Engine Optimization (SEO) is the process of making your business optimal to be detected by the Google search engine algorithm. By using certain terms and optimizing web pages on your website, you can ensure that your business ranks high on Google search engines. Most people looking for stuff on Google don't bother to look beyond the first few pages of the search engine. Thus if your business can rank high in SEO, it not only allows more people to buy your products or service, it also helps you to become a credible seller or service provider.

The challenge with Google’s SEO is its inherent bias against small businesses, in particular, Black and Brown businesses. Grind (2019) argues that Google's algorithm creates a blocklist to remove certain websites to prevent others from surfacings, such as websites that violate US law and ethical rules. Though this mechanism prevents violent and harmful content from surfacing on searches, it can also inherently hurt small Black businesses whose websites may appear as “bad” websites due to the delayed loading of the web pages and their unoptimized content. According to White (2020), a majority of the 1,138 Black online businesses he examined did not outperform Google’s top business websites because these Black businesses’ websites’ page weight, load time, and speed were too heavy to rank high on Google's search engine.

In addition to Google's SEO optimizations, Google can also impose any price it wants on its advertisement services for businesses. Those who can consistently afford to pay the high prices will get their ads out to everyone, while Black and other minority businesses are regulated to low latency searches simply because they cannot afford to pay for the ads. This is further complicated by local and global governments’ pursuit of privacy legislation of Google, forbidding the company from using certain forms of data to improve targeted ads. Chen (2021) argues Google will adapt to new and emerging privacy legislation, but that these policies will hurt smaller brands, often smaller Black and Brown businesses, that rely on targeted ads to get people to buy their goods. This type of geo-targeting to help small Black businesses is not “digital redlining.” On the contrary, it helps Black businesses, especially small Black businesses, connect with their often-niche consumer markets. An example of this is geo-targeting for minority radio broadcasters. According to Clay (2021), “In the simplest terms, like local cable television operations, radio geo-targeting would reserve a small segment of airtime for local advertising. Geo-targeted content encourages more advertising for ‘mom and pop’ business owners with limited dollars, who seek an opportunity to connect to a geographically specific audience.”

Overall, according to the Kapor Center’s (2018) “Leaky Tech Pipeline” theory, most Black businesses, due to racial disparities in capital access, cannot afford to spend large amounts of capital on non-targeted audiences on Google’s search platform. Therefore, many Black businesses
will suffer because they can’t compete against larger firms that have more expendable financial resources to apply to webpage search optimization and Google ad costs. Furthermore, pending and future privacy legislation should be intentional about outlining targeted data collecting, as it relates to small minority businesses. It may have the adverse effect of further crippling Black businesses’ ability to grow and scale online to fairly compete against larger firms. Overall, Google SEO is yet another example of how an unlevel playing field allows predominantly white founders to win over Black founders.

**Federal Solutions to Address a Crumbling Digital Infrastructure for Black Businesses**

**1. Support the Federal Communications Commission (FCC) Diverse Tech Startup 2021 Recommendations.**

To address Black businesses’ access to the internet, the following FCC recommendations should be implemented:

Close the digital divide and regulatory loopholes to facilitate support for Black businesses in new tech environments:

- To advance federal funding and recognition of critical public policies to support tech entrepreneurship support organizations, the Commission should continue to incorporate the scope of work of the Diverse Tech Startup in future charters of this Committee.
- The Commission should consider creating a new temporary business internet subsidy, to ensure that minority, women-owned, and small, local businesses, who can be deemed disadvantaged, can stay connected to the internet and easily transition to online commerce and other related business operations.
- The Commission should host additional workshops that increase the engagement of the tech sector, to better understand how to promote increased diversity, inclusion, and fair play in hiring, supplier diversity, and capital investments.
- The Commission must ensure that small tech startups and other related tech businesses are equally supported in the allocation of resources to tribal communities, where infrastructure and the internet are fundamental to closing systemic divides, historic wounds, and limited participation in the digital economy. Reform of the Universal Service Fund (USF), by revising the contribution factor or engaging more companies like Big Tech, may be a solution to increase available and flexible USF dollars for tech entrepreneurship organizations.
Encourage interagency support and collaborations:

- The Commission should partner with the Small Business Administration (SBA) and other federal funding agencies that support business development, to assess current processes and protocols to incentivize digital transitions (e.g., tax incentives for the move to remote services, business workshops on digital transitions).

- The Commission should convene an interagency working group (including, e.g., National Science Foundation, SBA, and the National Telecommunications and Information Administration) to track funding opportunities for diverse tech entrepreneurship support organizations and entrepreneurs.

- The Commission should urge Congress to include provisions in legislation to make any funding processes transparent and accessible to tech entrepreneurship support organizations.

- The Commission should urge reform of the Universal Service Fund (USF), revising the contribution factor or engaging more companies like Big Tech, as a solution to increase available and flexible USF dollars for tech entrepreneurship organizations.

Using the FCC leverage, the Agency can amplify to Congress and other stakeholders that:

- National and local philanthropies can work in coordination with federal, state, and local governments to inspire, incubate, and scale entrepreneurial ventures.

- New forms of capital should be created for emerging entrepreneurs and ventures that do not rely on old models of debt or equity-based investments (e.g., revenue-based investment), including injecting local capital into these businesses through Community Development Financial Institutions (CDFIs).

- Diverse tech entrepreneurship support organizations (and entrepreneurs of color) should be allocated capital through any upcoming infrastructure bill to accelerate deployments, affordability, and digital literacy/ adoption.

- Congress could designate a “digital transition” tax break for three to five years, for a small business transitioning online. Congress could also provide a similar tax break to investors providing “family and friends” seed rounds to startups through a tax write-off of their donations.

- Congress should designate minority- and women-owned Tech Entrepreneurship Support Organizations as “small and disadvantaged” to receive the needed federal support.
2. **Support the Digital Equity Act that was part of the infrastructure bill, now passed into law.**

The Digital Equity Act was originally introduced in April 2019 and then reintroduced in 2021. It is now a part of the Infrastructure Investment and Jobs Act. The Digital Equity Act authorizes federal grant funding over the next five years to support digital inclusion programs throughout U.S. states and territories.

The Digital Equity Act creates two major federal grant programs, operated by the US Department of Commerce’s National Telecommunications and Information Administration (NTIA), to promote digital equity nationwide. One program would be carried out through state governments, with funding allocated by formula, and would incorporate state-by-state digital equity planning, followed by implementation grants to qualifying programs. The other would be an annual national competitive grant program, run by the NTIA, to support digital equity projects undertaken by individual groups, coalitions, and/or communities of interest anywhere in the US.

Overall, this funding can help address the digital entrepreneurship needs of Black founders at the state level by addressing Black businesses’ ability to transfer their offline “mom and pop” businesses to online e-commerce, including getting access to high-speed broadband and resources to optimize their websites to rank highly on Google’s SEO platform.

3. **Congress should pass anti-monopoly legislation.**

The Ending Platforms Monopolies Act is to limit the growth, power, and economic dominance of large tech companies like Google, Amazon, and Facebook. Often, Black businesses have been victims of predatory pricing from big firms that already control the digital infrastructure. This includes the previous example of Google’s SEO platform as well as Amazon’s business model. According to Mitchell (2021), “Amazon's business model creates a fundamental conflict of interest. For small businesses, Amazon is both a gatekeeper that they must rely on to reach online shoppers and an aggressive competitor selling its own goods and services to those same shoppers.” Mitchell (2021) argues that Amazon has leveraged its e-commerce platform to repress competition many times. Bevan (2020) argues that as a result of the abuses of market power by Apple, Google, Amazon, and Facebook, whose combined valuation is more than $5 trillion—more than a third of the value of the S&P 100—the companies “have captured control over key channels of distribution and have come to function as ‘gatekeepers,’” enabling them “to write one set of rules for others, while they play by another.”
With this being said, anti-monopoly legislation must regulate companies’ abilities to create non-competitive digital environments for Black and Brown businesses. As of September 2021, four bills were being drafted in Congress: the Ending Platform Monopolies Act, the Platform Competition and Opportunity Act, the Platform Anti-Monopoly Act, as well as the Augmenting Compatibility and Competition by Enabling Service Switching (ACCESS) Act.

These bills will go a long way to ensure Big Tech firm monopolies do not undercut smaller businesses online, but with the caveat that a one size fits all anti-monopoly approach will not work. Yes, break the companies up, restrict the many services they provide and the data they collect, but also figure out how to ensure small minority businesses are not further disadvantaged by the anti-monopoly policies. As outlined previously, Black businesses have to address a preponderance of racial disparities, from little access to capital to access to broadband. If the pandemic continues, and we continue to work and sell online, it is important that Black businesses are able to be seen online and be able to use data to geo-target would-be consumers (e.g., once-offline mom and pop-soul food restaurants, now online connecting with Black people who enjoy eating soul food). Specifically, geo-targeting data collection efforts by the larger platform companies can be a positive outcome for smaller businesses to be able to compete equitably online for consumers against the larger platform companies.

**Conclusion**

The federal government must continue to ensure a level playing field where Black and other minority-led businesses can continue to survive and thrive without discrimination. Meaning, we need several types of public policies to address the ability of Black businesses to thrive online. This includes digital entrepreneurship recommendations outlined by the Federal Communications Commission’s Diverse Startup Subgroup, the Digital Equity Act (which was subsequently passed into law as part of the infrastructure bill), and nuanced anti-monopoly legislation that will limit the girth of tech platforms, but also recognize how the legislation can limit the ability of smaller minority firms to grow online as it relates to targeted and geo-targeted advertisements.

Overall, there are many challenges Black businesses face that can be remedied by public policy. It is not enough for the government to dismantle Big Tech platforms’ non-competitive practices. It is also necessary that there be a conscious effort to support Black businesses with the capital that they need to thrive. The eternal struggle for Black businesses remains to find patient and non-dilutive forms of capital to grow their business so that they can transfer offline businesses to online e-commerce with high-speed internet and not have to worry about using geo-targeting ads because they have the capital to build new inroads to market their products to consumers.
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