

**Department of Defense
Regional Council for Small Business Education and
Advocacy**

Tuesday, November 2, 1998

Sheraton Crystal City Hotel

Arlington, VA

11:30 a.m. – 2:00 p.m.

Good afternoon. Thank you, Bob, for the wonderful introduction. It is my great pleasure to welcome all of you to the Department of Defense Regional Council for Small Business Education and Advocacy. I welcome this opportunity because it provides me the chance to talk to government small business advocates, OSDBU Directors, small businesses and prime contractors about many of the changes in the minority business environment that we're beginning to focus on at the Department of Commerce.

I clearly don't need to talk to this group about what has been happening in the judicial arena with respect to minority businesses involved in government contracting. As you are aware, the Adarand and Croson cases have tightened the

guidelines for use of race in contract awards. As a result of these cases, government programs using race-based decision-making must be narrowly tailored to serve a compelling government interest. This trend is particularly disheartening when you look at the statistics on sales to government clients by small, new businesses. As of 1992, White-owned firms accounted for 96% of the small firms selling to government clients, while Black and Asian-immigrant firms constituted 2.1% and 1.9% respectively. Furthermore, average sales per firm among white-owned businesses that sell to the government are substantially larger than the government sales generated by African-Americans and Asian-immigrant owned firms. However, despite the fact that the vast majority of government contracts are awarded to non-minority companies, we don't believe that the climate for minority businesses is going to improve in the near future.

In addition, the trend towards bundling is also negatively affecting minority businesses. We are aware that many federal agencies have begun to shift business away from 8(a) and other minority businesses and are bundling

contracts into deals that may be too large for small businesses to bid on. The result, as reported in the recent April 21, 1998 Washington Post article entitled "Minorities Lose Ground", is that minority contractors are receiving less from federal government purchases. Specifically, in the District of Columbia and 14 surrounding counties, minority businesses received \$2.88 billion in federal purchases in 1997, down from 9% from \$3.16 billion in 1995. In the future, we believe that larger amounts of federal purchasing will be done through large suppliers, rather than spreading purchases among minority businesses.

So what are we telling our minority business clients about this environment? First and foremost, that you can't go back – that times are changing with respect to government and other contracting venues, and that, for minority businesses, the 21st century will not look like the 1970's and 1980's. I believe that the new millenium will present minority businesses with historic challenges in the government, private and not-for-profit sectors. And, to overcome these challenges, minority businesses must begin

to prepare now and position themselves to take advantage of the changing market environment.

Most importantly, minority entrepreneurs must begin to think about themselves differently. When you think about minority businesses, most people think about companies that are characterized as small and disadvantaged. I suspect that most of us think about minority enterprises in that vein.

According to recent data from Dun & Bradstreet, there are at least 43,000 minority companies with D&B's highest credit rating that have more than \$500,000 in annual sales. More than 22,000 of these companies gross \$1 million or more annually and over 600 have more than \$50 million annual gross receipts. These are the companies that must do what is necessary to prosper in today's market environment – to form strategic alliances, to joint venture and look to larger and more efficient deals.

We see this every day with large majority-owned companies. With the trends toward acquisitions and consolidations to achieve certain economies of scale, it is critical that minority businesspeople begin to think about

these types of alliances as a way to grow and move into new markets.

I'd like to talk about one such strategic alliance. Tomorrow, the Secretary of Commerce will announce the award of an IBM distributorship to a joint venture between a group of African-American businesspersons. This group is comprised of 22 retired military officers, the majority of whom became entrepreneurs. Of their companies, the smallest company has annual sales of \$2.5 million; the annual sales of the larger companies are between \$65-85 million. What is most impressive about the group is that they came together planning for and understanding the importance of strategic alliances – not just for the development of their personal wealth but for improving employment opportunities and the quality of life in their communities. With facilitation by MBDA, the joint venture partners were able to close a deal that commits the group to do at least \$150 million in annual sales. I believe that this is a model that can be used by other minority businesses– to look for large deals and build upon the strengths of an individual company by working collaboratively.

And this becomes even more important as we move into the next century. Why? Because we are in the beginning stages of a historic demographic trend that, literally, will change the face of this nation. Specifically, over the next century, "so-called" minorities will become the majority in this country. The Commerce Department's Census Bureau tells us that, by the year 2050, the U.S. population will have increased by 120 million. Of this 120 million, 90% of the growth will be in the minority community. The Hispanic population is expected to triple, from 30 million to 97 million. The Asian population is also expected to triple, from 10 million to 33 million. The Black population is expected to nearly double, from 33 million to 54 million.

Within the lifetime of most of us in this room, almost one in three Americans will be minorities. Within your children's lifetime, minorities will constitute 47.5% of the U.S. population.

This demographic change will result in greatly increased market opportunities. A recent study examined the market

potential of America's inner cities, which are largely minority. In 1998, it is estimated that consumers in inner cities possess \$85 billion in annual retail spending power – far more than the country of Mexico. This accounts for 7% of total retail spending in the United States. Inner city consumers spend 24% more than the average American shopper on children's clothes; grocery store sales can be as much as 40% higher a foot. Yet 25% -65% of this demand is largely unmet.

As this indicates, not only will minority communities be increasingly important in the next century, but they are emerging markets right now. Large companies are viewing minority communities as growing markets, and, yet in most cases, the minority business community does not. The expansion of this market is a historic opportunity and minority businesses must be positioned to take advantage of it.

I now want to talk about another major trend for the future.

Technology has revolutionized business-to-business purchasing in this country, with the retail markets soon

to follow. Corporations and government agencies have re-engineered their processes and their structures, including the way they purchase products and services.

I can't over-emphasize this point - the future is electronic. We're seeing this in government, in the private sector and in the retail markets. In particular, we have stressed to our clients that, by presidential directive, federal procurement officers are moving aggressively to electronic commerce for most procurements and especially those under \$100,000. For example, procurements over \$25,000 are advertised once in the Commerce Business Daily. After this, information is available on the Internet and must be downloaded to a personal computer. We have reiterated to our clients that, in the future, the best way to do business with the federal government, whether looking for information or responding to RFPs, will be over the Internet. We also are aware that local governments are using the Internet for their purchasing needs. Los Angeles County recently announced that it would acquire 80% of its requirements electronically by 1999. We believe that this trend will only continue.

Business-to-business online sales also have exploded. According to a recent Newsweek magazine article, projected revenues for e-commerce between companies will be approximately \$15 billion in 1998. It is currently estimated that this will increase to over \$175 billion by the year 2000 - growth of over 1000% within a two year period.

Online purchases by consumers are growing even more rapidly. In 1997, there were approximately 10 million online shoppers, spending \$2 billion. By the year 2002, there are estimated to be 61 million online shoppers, spending \$41 billion. This is a trend that no businessperson can ignore. Think about it - a market growing from \$2 billion to \$41 billion dollars in only 5 years.

And there are minority entrepreneurs who are successfully leveraging their understanding of e-commerce and the marketing advantages it affords. Business Week, in a recent edition, has an article that highlights successful minority entrepreneurs who have identified market niches and used

Internet sales to move into areas which would have been nearly impossible with a store-front facility.

This is the wave of the future and we continue to emphasize that those businesses that are aware and use technology will have a clear competitive advantage.

At MBDA, we believe that, in the 21st century, knowledge is power. This is the Information Age – and the most valuable role the Agency can play is to provide information to minority businesses and those interested in minority business development. MBDA will gather information, organize it in a way that is useful and valuable to minority businesses and, through the Internet, disseminate it as widely as possible.

In addition, we want to provide information on the minority business community to organizations and institutions that can provide new market opportunities. With respect to this Council, we would like to increase our clients' access to you and your markets. I'd like to describe briefly some of the programs we're developing to help do so.

- **Phoenix-Opportunity Database**. One of the most important services that anyone can provide an entrepreneur is information about potential sources of business. At the same time, we believe that we can provide OSDBU Directors and other government contracting officers, information on companies about which they otherwise would have been unaware. To assist in this process, MBDA has developed an electronic bid-matching system, the Phoenix-Opportunity database. Once a business is registered in the Phoenix system, it will be matched electronically against the Opportunity database, which contains upcoming government procurements, as well as private sector contracts and opportunities. You can register your business or opportunity by going directly to the MBDA Website at www.mbda.gov and completing the form.
- **Electronic Malls**. In the future, we believe that one of the most effective ways of selling to other businesses or the government will be through electronic malls, where minority businesses can display their company's products or services in a central location and purchasers can

browse and shop electronically. To assist minority businesses, the MBDA is developing an electronic catalogue or mall that will target purchasing by some of the persons sitting in this room - federal procurement officials, as well as purchasing personnel at corporations and not-for-profit organizations. It will allow purchasers to obtain background information on a company and the products or services that the company provides. We see this as a win-win for both MBDA clients and contracting officers – a way of getting increased visibility for our clients and making it easier for those organizations interested in contracting with minority businesses.

- **New Technologies**. It is critical that minority businesses begin to develop and produce new technologies and products in connection with growing market sectors. As a part of the Department of Commerce, MBDA can obtain current information on emerging technologies and markets, including some of the needs that your offices may have. We will disseminate this information through industry-specific Websites, called One-Stop Centers, which will contain practical information on doing business

in that industry. Our current One-Stops, which will be on the Internet in November, are on franchising and aquaculture.

I've spoken a bit about how the world is changing and some of the trends that will effect your businesses. **Not to beat a dead horse, but you ignore technology at your peril.** It may be the single most important factor that will revolutionize business in the next century.

In closing, we've seen that the general trends impacting the business community will continue to effect the minority business community. The increasing number of mergers and acquisitions, the focus on efficiencies found through consolidation, and the growing number of larger deals will continue to be standard business practices in the coming century. As we move forward, it is imperative that we stay on top of these trends and inform minority businesses of how to benefit from them. I believe that this is the most important role we can play as small business advocates. And if we do

so, I believe that we will see the fruits of our labor in the 21st century – stronger, more diversified and increasingly powerful minority businesses.

Thank you.

MED Week '98
Minority Business Summit
Monday, September 21, 1998
9am – 12 noon
Washington Ballroom
Wardman Marriott Hotel

Good morning. Thank you, Randy, for the wonderful introduction. It is my great pleasure to welcome all of you to MED Week '98. It is so good to see so many old friends here and to have spent time meeting many new ones. I can't get started without thanking the chairman, vice-chairs and working committee, who have been laboring for many months to make MED Week '98 the premier event for minority entrepreneurs. Our chairman, Mr. Randy Whittaker of Raytheon Systems Company has truly taken the lead in organizing MED Week and moving it to the next level. He has been ably supported in this by Ms. Joy Crichlow of ConEdison, our first Vice-Chair and Mr. Weldon Latham, of the law firm of Shaw Pittman Potts and Trowbridge, our second Vice Chair. I cannot individually mention all the members of the Committee, but I want you to know that your work is deeply appreciated. Please give them all a warm round of applause.

In addition, this program would not have been possible without our sponsors. I'd like to thank all of our sponsors for their commitment to minority businesses. Finally, I'd like to congratulate the MED Week awardees for their achievements - for swimming in uncharted waters

and making the way easier for others that follow. You have our gratitude for your foresight and fortitude.

I'm very excited by the program we've planned for the next three days. First and foremost, we're here to celebrate Native American, Hispanic-American, Asian-Pacific Islander and African-American businesses – to acknowledge how far we've come and to revel in and enjoy our diversity. Even at this early point, I'm inspired by the breadth and variety of your businesses and the customers you serve. Anyone trying to stereotype minority businesses will have their eyes opened by being in this room, by seeing the myriad businesses and industries. I am so proud to be here, as an advocate and supporter of your businesses, and to publicly acknowledge your extraordinary accomplishments.

MED Week also is a time to come together, to get information on what's happening in your industry and in the world of minority businesses – to get away from the day-to-day challenges of running a business, of making payroll, of serving your customers - and to think strategically about your business and where you're going. However, this year, even more than in the past, we hope you'll be challenged to take the long-term view of your business and the world in which it will soon be operating.

On the cusp of the 21st century, we believe that you must think about your business, about how you'll fit into the market in the next two, five and ten years and how the marketplace is going to change. Of

course, no one can accurately predict the future. However, information that is available can inform your view and the view of other entrepreneurs and companies. Unfortunately, this information has not often been in the hands of the minority businessperson. This must change.

There is one point that I want to make right up front. Business, both in the public and private sector, has changed. Corporations and government agencies have re-engineered their processes and their structures, including the way they purchase products and services. Size has become a major strategic advantage, both in major companies and in those smaller companies from which they procure. You see this very clearly in government procurement, where contract bundling has moved beyond a mere trend to become the way that most agencies do business. The same thing is happening in the private sector. **It is critical that we re-engineer the minority business landscape for a re-engineered economic environment.** This includes creating a lot more firms of considerably larger size, involved in new and emerging technologies and growth industries.

MBDA is also re-engineering itself to meet these challenges. Throughout its history, MBDA has provided information and management and technical assistance to minority businesses through our minority business development centers, Native American business development centers and minority business opportunity committees. Through the Centers and Minority Business Opportunity Committees, we have worked hand-in-hand with Hispanic, Native-

American, Asian-Pacific Islander and African-American entrepreneurs to start, strengthen and grow their businesses. We will continue to provide business development services through them and strengthen them.

However, in addition to providing management and technical assistance, we are seriously adding to our current way of providing services. MBDA is charged with empowering minority businesses – and we believe that, in the 21st century, knowledge is power. This is the Information Age – and the most valuable role the Agency can play is to provide you information in a way that will give you an advantage in an increasingly competitive marketplace.

MBDA must gather information, organize it in a way that is useful and valuable to minority businesses and disseminate it as widely as possible. No longer should you and your business be at a disadvantage because someone else has better and more recent information – information on buying patterns, consumer markets, industry trends and innovations. Our businesses have had this particular disadvantage for far too long. And the best and most customer-friendly way to make this information available is to use the Internet and technology– anyone with access to a computer can find and view the information 7 days a week, 24 hours a day.

However, there is another reason why we are focusing on the use of technology. Use of the Internet had grown to over 100 million users by the end of 1997. Newsweek magazine recently estimated that, in

1997 there were approximately 10 million online shoppers, spending \$2 billion. By the year 2002, there are estimated to be 61 million online shoppers, spending \$41 billion. This is a trend that you simply cannot ignore. Think about it - a market growing from \$2 billion to \$41 billion dollars in only 5 years. To be successful in the next century, you must embrace the use of technology. For minority businesses, using a computer must be as familiar and common as using a telephone.

And this is extremely important to those businesses involved in government contracting. By presidential directive, federal procurement officers are moving to use electronic commerce for most procurements, especially those under \$100,000. Within the federal government, contract opportunities over \$25,000 are advertised once in the Commerce Business Daily. After this, information on upcoming requirements is listed on the Internet and will have to be downloaded to your personal computers. In addition, local governments are also moving to electronic procurements.

You will no longer be able to do business with the government simply by forming relationships with procurement officers, attending trade fairs and the like. Clearly, these networks and strategies will continue to be helpful. However, in the future, access to up-to-the-minute business information – whether on possible RFPs, bids, market or price data or just general information about long-term buying trends – will give you the best market advantage.

MBDA is developing programs that we hope will give you a competitive edge— on business opportunities, new markets and industries, marketing information and ways of accessing capital. Some of these electronic tools will be demonstrated this afternoon at 2:30 in the Delaware Suite. I hope you'll stop by and see them. Let me describe what we're doing.

Phoenix-Opportunity Database. We know that one of the most important services that anyone can provide you as an entrepreneur is information about potential sources of business. To assist in this process, MBDA has developed an electronic bid-matching system, the Phoenix-Opportunity database.

Once your business is registered in the Phoenix system, it will be matched electronically against the Opportunity database, which contains upcoming government procurements, as well as private sector contracts and opportunities.

As well as helping minority businesses, we believe that this is a quick and easy way for large companies to identify suppliers that meet their specifications. We strongly encourage each of you who have not registered your businesses or opportunities to do so today by going directly to the MBDA Website at www.mbda.gov and completing the form.

Electronic Malls. In the future, one of the most effective ways of selling to other businesses or the government will be through

electronic malls, where you can display your company's products or services in a central location and purchasers can browse and shop electronically. There are at least 13 government e-malls, where government buyers can go to a single Website to buy from multiple vendors. It is quick, convenient and greatly simplifies the procurement process for purchasing officials.

To assist minority businesses, the MBDA is developing an electronic catalogue or mall. This on-line mall will provide minority business owners a venue to display and sell their products or services. The mall will target federal procurement officials, especially those making purchases under \$100,000, and purchasing personnel at corporations and not-for-profit organizations.

New Technologies. Discovering market opportunities is clearly of primary importance to you as a businessperson. But I also want to speak to the importance of minority businesses embracing new technologies and new business sectors. And I am not just speaking about information systems, but about innovations in agriculture, telecommunications, health and environmental technologies. These are projected to be large growth areas in the 21st century, and we are committed to moving more minority firms into these sectors. It is critical that we begin to develop and produce new technologies and products in connection with these sectors.

As a part of the Department of Commerce, MBDA can access a number of Commerce agencies and obtain up-to-the minute

information on emerging technologies and markets. We will disseminate this information through industry-specific Websites, called One-Stop Centers. The One-Stops contain practical information on specific industries, including a step-by-step process detailing how to get involved in the industry. Our current One-Stops, which we anticipate will be on the Internet in October, are on franchising and aquaculture. Aquaculture is the fastest growing sector in agriculture. Franchising, while not a new technology, is a rapidly growing way of doing business; it is currently estimated that, by the year 2002, 50 cents of every dollar you spend will be at a franchised location.

Moving forward, we will have One-Stop Centers on sources of capital, as well as on telecommunications, international trade and other rapidly growing areas.

Market Analyst. In addition, we are developing other products that I'm very excited about. The Market Analyst is a new and innovative tool that allows you to conduct extensive market research in your geographical area of interest. The type of information that you can access includes street and demographic data, business locations and information and consumer information, such as household income, family size, etc. We believe that this will help you in identifying and researching locations and markets that you previously may have known nothing about. And it will be available through your local Minority Business Development Centers by November 2, 1998.

Business Resource Locator. The business resource locator system is equally as innovative. You can use this tool to identify and locate business, technical, educational, professional and financial resources in your local community, including the local offices of the MBDA, SBA and other government agencies that provide assistance to small businesses. If you are a minority business looking for capital, you can log onto the Website and search for financial institutions, including non-bank lenders, special purpose lenders and financing specialists with a track record of providing capital to minority businesses in your area.

To the best of our knowledge, no system like this currently exists. We plan to have this system operating by summer of 1999 and hope that it will be very useful as you assess how to start or grow your business.

I've spoken a bit about how the world is changing and some of the trends that will effect your businesses. **Not to beat a dead horse, but you ignore technology at your peril. It may be the single most important factor that will revolutionize business in the next century.**

However, for minority businesses, there is something equally significant on the horizon. I have talked about how business is radically reshaping and how the future is electronic. I want to talk now about us as minorities and how important it is that we begin to redefine ourselves and our place in our country.

The theme of the conference is "Creating a Competitive Advantage in A Changing Business Environment". The biggest competitive advantage that you can have is to view yourself, your communities and your business differently. Why, you may ask? Because we are in the beginning stages of a historic demographic trend which, literally, will change the face of this nation. Specifically, over the next century, "so-called" minorities will become the majority in this country. The Commerce Department's Census Bureau tells us that, by the year 2050, the U.S. population will have increased by 120 million. Of this 120 million, 90% of the growth will be in the minority community. The Hispanic population is expected to triple, from 30 million to 97 million. The Asian population is also expected to triple, from 10 million to 33 million. The Black population is expected to nearly double, from 33 million to 54 million.

Within the lifetime of most of us in this room, almost one in three Americans will be minorities. Within your children's lifetime, minorities will constitute 47.5% of the U.S. population. As a result of this demographic reality, companies are beginning to look at minority communities as powerful consumers.

You probably have heard some overseas countries described as Big Emerging Markets. Well, we have a Big Emerging Market right here, at home, and the smart business will take steps to tap into it. We at MBDA will be working with the Census Bureau to bring you information about this market.

In addition, a recent study examined the market potential of America's inner cities, which are largely minority. In 1998, it is estimated that consumers in inner cities possess \$85 billion in annual retail spending power – far more than the country of Mexico. This accounts for 7% of total retail spending in the United States. Inner city consumers spend 24% more than the average American shopper on children's clothes; grocery store sales can be as much as 40% higher a foot. Yet 25% -65% of this demand is largely unmet.

As you can see, not only will minority communities be increasingly important in the next century, but they are emerging markets right now. I'm not advocating that your businesses be geared only to selling to the minority community. There are many opportunities and markets in which minority entrepreneurs should be involved. However, large companies are viewing our communities as growing markets, and, yet in most cases, the minority business community does not. The growth of this market is a historic opportunity and you must be positioned to take advantage of it.

One important way to do this is to work collaboratively across ethnic lines – to develop strategic alliances, joint ventures and partnerships outside of our communities. There will be a world of opportunity in domestic and international markets. However, we cannot be insular: you must be creative and “think outside of the box” – move beyond your comfort zones, your neighborhoods, of only the people you know.

The victory can truly be won for minority communities – whether Native-American, African-American, Latino or Asian-Pacific Islander- in the next century. But to do so, we must acknowledge and embrace both our own power and the power of other groups.

This is particularly critical now, both for ourselves and for this country. For African-Americans, Hispanics, Asian-Pacific Islanders and Native Americans, it is becoming increasingly clear that the only way that we can truly become powerful is to develop the economic institutions that will allow us to compete in the global economy. Equally as important, the United States cannot sustain its unprecedented economic growth without more, and stronger, minority-owned businesses. We are and will continue to be too large a part of this country's citizens to be foreclosed from participating fully in its economic life.

And I hold no illusions that there will be judicial assistance. I don't have to tell you that, over the past several years, we've witnessed an unprecedented assault on affirmative action and a hard-nosed retrenchment in the judicial system with respect to minority businesses, as evidenced most particularly in the Adarand and Croson cases.

Dealing with this will be a challenge. And yet, to paraphrase Maya Angelou, we've seen plenty of adversity and "still, we rise". You as minority entrepreneurs will rise to these challenges by finding innovative ways to grow – into new markets, both domestic and

international, through strategic partnering and alliances. You must open both your minds and your hearts to new ways of doing business, with new partners.

In closing, I had the privilege of participating in this country's most significant movement of the past century – the non-violent civil rights revolution of the 1960's. **I learned, through registering voters in Mississippi, that the most revolutionary and, indeed, the only lasting impact that I could have was to help someone think differently about themselves– to understand their strength and power and their ability to effect change. I pass that thought onto you now.** The changing demographics are significant and will clearly change the role of minorities in the U.S. and abroad. However, you must recognize your strength and your power and your ability to effect change through the business institutions that you have created. I believe that only through doing so will our communities reach their full potential and will we claim our rightful place in this society.

Thank you.

MED Week Economic Summit '98

Tuesday, October 13, 1998

The New Otani Hotel

Los Angeles, California

8:00 am - 2:00 pm

Good morning. Thank you, Lynn Joy, for the wonderful introduction. It is my great pleasure to welcome all of you to MED Week Economic Summit '98. I'd like to thank the Black Business Association for all their work in planning this MED Week Economic Summit and making it a premier event for minority entrepreneurs. I cannot individually mention all of the corporate sponsors of this Economic Summit, but I would like to thank all of you for your commitment to minority businesses.

I'd also like to congratulate the 1998 Award of Excellence in Minority Business Advocacy Honorees. I'd particularly like to acknowledge those within the MBDA family. Lynn Joy Rogers is the Director of the South Los Angeles Minority Business Development Center and has been innovative and very successful in her work on behalf of minority businesses.

And Diane Castano-Sallee, has, quite simply, developed the best and most effective Minority Business Opportunity Committee in the country. However, to all the honorees, you have our gratitude for your vision and perseverance in advocating on behalf of minority enterprises.

Today, I want to talk about the future. On the cusp of the 21st century, it is critical to begin to think about your business, about how it will fit into the market in the next two, five and ten years. Of course, no one can accurately predict the future. However, information that is available can inform your view and the view of other entrepreneurs and companies. Unfortunately, this information has not often been in the hands of the minority businessperson. This must change.

There is one point that I want to make right up front. In many ways, the future is now. Business, both in the public and private sector, has changed. Technology has revolutionized business-to-business purchasing in this country, with the retail markets soon to follow. Corporations and government agencies have re-engineered

their processes and their structures, including the way they purchase products and services.

There is a trend which is revolutionizing the business environment. I hesitate to talk to Californians about the growth of technology and e-commerce, but I can't over-emphasize this point - the future is electronic. Business-to-business online sales have exploded. According to a recent Newsweek magazine article, projected revenues for e-commerce between companies will be approximately \$15 billion in 1998. It is currently estimated that this will increase to over \$175 billion by the year 2000 - growth of over 1000% within a two year period.

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And this is equally important to those businesses involved in government contracting. By presidential directive, federal procurement officers are moving to use electronic commerce for most procurements, especially those under \$100,000. Within the federal government, contract opportunities over \$25,000 are advertised once in the Commerce Business Daily. After this, information on upcoming requirements is listed on the Internet and will have to be downloaded to your personal computers. In addition, local governments, including Los Angeles County, are moving to electronic procurements.

In the future, access to up-to-the-minute business information – whether on possible RFPs, bids, market or

price data or just general information about long-term buying trends – will give you the best market advantage. And the best way to obtain this is through enhanced technology.

Quite simply, using a computer must be as familiar and common as using a telephone.

At MBDA, we believe that, in the 21st century, knowledge is power. This is the Information Age – and the most valuable role the Agency can play is to provide you information in a way that will give you an advantage in an increasingly competitive marketplace.

MBDA must gather information, organize it in a way that is useful and valuable to minority businesses and disseminate it as widely as possible. You should no longer be at a disadvantage because others have better and more recent information – information on buying patterns, consumer markets, industry trends and innovations. Our businesses have had this particular disadvantage for far too long.

The best and most customer-friendly way to make this information available is to use the Internet and technology–

anyone with access to a computer can find and view the information 7 days a week, 24 hours a day.

MBDA is developing programs that we hope will give you a competitive edge— on business opportunities, new markets and industries, marketing information and ways of accessing capital. I'd like to briefly describe what we're doing.

- **Phoenix-Opportunity Database**. One of the most important services that anyone can provide you as an entrepreneur is information about potential sources of business. To assist in this process, MBDA has developed an electronic bid-matching system, the Phoenix-Opportunity database. Once your business is registered in the Phoenix system, it will be matched electronically against the Opportunity database, which contains upcoming government procurements, as well as private sector contracts and opportunities. You can register by going directly to the MBDA Website at www.mbda.gov and completing the form.

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businesses in your area. The Business Resource Locator will be available on the Internet by May, 1999.

I've spoken a bit about how the world is changing and some of the trends that will effect your businesses. **Not to beat a dead horse, but you ignore technology at your peril.** It may be the single most important factor that will revolutionize business in the next century.

However, for minority businesses, there is something equally significant on the horizon. I have talked about how business is radically reshaping and how the future is electronic. I want to talk now about how important it is that we begin to redefine ourselves and our place in our country.

The biggest competitive advantage that you can have is to view yourself, your communities and your business differently. Why, you may ask? Because we are in the beginning stages of a historic demographic trend which, literally, will change the face of this nation. Specifically, over the next century, "so-called" minorities will become the majority in this country. I know that California is leading the

way with this trend and has been for some time. However, the Commerce Department's Census Bureau tells us that, by the year 2050, the U.S. population will have increased by 120 million. Of this 120 million, 90% of the growth will be in the minority community. The Hispanic population is expected to triple, from 30 million to 97 million. The Asian population is also expected to triple, from 10 million to 33 million. The Black population is expected to nearly double, from 33 million to 54 million.

Within the lifetime of most of us in this room, almost one in three Americans will be minorities. Within your children's lifetime, minorities will constitute 47.5% of the U.S. population. In fact, the term "minority" will soon be outdated and irrelevant; collectively, the more descriptive term is "the new majority". As a result of this demographic reality, companies are beginning to look at minority communities as powerful consumers.

You probably have heard some overseas countries described as Big Emerging Markets. Well, we have a Big

Emerging Market right here at home, and the smart business will take steps to tap into it.

A recent study examined the market potential of America's inner cities, which are largely minority. In 1998, it is estimated that consumers in inner cities possess \$85 billion in annual retail spending power – far more than the country of Mexico. This accounts for 7% of total retail spending in the United States. Inner city consumers spend 24% more than the average American shopper on children's clothes; grocery store sales can be as much as 40% higher a foot. Yet 25% -65% of this demand is largely unmet.

As you can see, not only will minority communities be increasingly important in the next century, but they are emerging markets right now. I'm not advocating that your businesses be geared only to selling to the minority community. However, large companies are viewing our communities as growing markets, and, yet in most cases, the minority business community does not. The growth of this market is a historic opportunity and you must be positioned to take advantage of it. However, in order to take

full advantage of this market, minority businesses must work collaboratively across ethnic lines.

As we see with many large corporations, we must develop strategic alliances, joint ventures and partnerships. If we adopt this new attitude, there will be a world of opportunity in domestic and international markets. However, in order to be successful, we cannot be insular. We must move outside our racial and ethnic communities. We must be creative and “think outside of the box” – move beyond our comfort zones, our neighborhoods, and only dealing with the people we know.

This is particularly critical now, both for ourselves and for this country. For African-Americans, Hispanics, Asian-Pacific Islanders and Native Americans, it is becoming increasingly clear that the only way that we can truly become powerful is to develop the economic institutions that will allow us to compete in the global economy. Equally as important, the United States cannot sustain its unprecedented economic growth without more, and stronger, minority-owned businesses. We are and will continue to be too large a part

of this country's citizens to be foreclosed from participating fully in its economic life.

And I hold no illusions that there will be governmental assistance. I don't have to tell you that, over the past several years, we've witnessed an unprecedented assault on affirmative action and a hard-nosed retrenchment in the judicial system with respect to minority businesses, as evidenced most particularly in the Adarand and Croson cases.

Dealing with this will be a challenge. And yet, to paraphrase Maya Angelou, we've seen plenty of adversity and "still, we rise". You as minority entrepreneurs will rise to these challenges by finding innovative ways to grow – into new markets, both domestic and international, through strategic partnering and alliances. You must open both your minds and your hearts to new ways of doing business, with new partners.

In closing, I had the privilege of participating in this country's most significant movement of the past century – the non-

violent civil rights revolution of the 1960's. I learned, through registering voters in Mississippi, that the most revolutionary and, indeed, the only lasting impact that I could have was to help someone think differently about themselves— to understand their strength and power and their ability to effect change. I pass that thought onto you now. The changing demographics are significant and will clearly change the role of minorities in the U.S. and abroad. However, you must recognize your strength and your power and your ability to effect change through the business institutions that you have created. I believe that only through doing so will our communities reach their full potential and will we claim our rightful place in this society.

Thank you.

**FIFTEENTH ANNUAL
NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL
OF FLORIDA
ORLANDO, FLORIDA
July 23, 1998**

Good afternoon. Thank you, Mr. Ali, for the wonderful introduction. It is a real pleasure for me to be here today to talk to a group of entrepreneurs about the changes that are occurring in the markets and how we can use these changes to strengthen and empower our businesses. As the Director of the Minority Business Development Agency and a long-time advocate for increasing economic opportunities for minorities, I am acutely aware that the last real frontier for minorities entering the mainstream of America is the business world.

I'd like to speak a bit about the revolutionary changes that are occurring in the marketplace and the ways in which your businesses can address these changes. As you are aware, technology is dramatically altering the way in which business is conducted and these changes will continue as we move into the

21st century. The growth of the Internet and the corresponding increase in electronic commerce gives us extraordinary opportunities to become involved in the digital economy of the future and to develop strategies to ride the technology wave in ways which are beneficial to us as business owners and empowering to us as minorities. However, to increase your ability to take advantage of these trends, you must have current and relevant information. At MBDA, we believe our role is to provide this information. As such, I'd like to discuss some of the most important changes in the marketplace.

Changes in Purchasing and Procurement

The most significant change is the exploding use of electronic commerce by government, businesses and consumers. Within the federal government, procurement officers are moving aggressively to use electronic commerce for most procurements, especially those under \$100,000. Currently, some agencies are listing contract opportunities over \$25,000 once in the Commerce Business Daily. After this, these agencies list upcoming requirements on their Websites and these requirements can be downloaded to your personal computers. In addition, local governments are moving to electronic procurements. For example,

Los Angeles County recently announced that, by mid 1999, it would conduct 80% of its procurement electronically. In the future, using the Internet will be the easiest and most convenient way for you to access government contracting opportunities.

Electronic sales also are growing rapidly in the private sector. By the year 2002, business-to-business Internet commerce is expected to have surpassed \$300 billion. In a recent speech on electronic commerce, U.S. Commerce Department Secretary William Daley noted that Dell Computers saw 1997 Internet sales increase from less than \$1 million per day in January to \$6 million per day by the following December. He indicated that Cisco Systems, a premier provider of networking products, closed 1996 with \$100 million in sales over the Internet. During the following year, Cisco's sales increased ten-fold, to over \$1 billion. In addition, companies such as General Electric are going online to find suppliers. By the year 2000, GE expects to buy \$5 billion in goods over the Internet.

Not only large companies are purchasing on the Internet. Retail sales also are increasing dramatically each quarter. By the end of 1997, 10 million Americans and Canadians had purchased something on the Internet, up 2.5 million from six months earlier.

16% of all new car and truck purchasers used the Internet as part of their shopping process in 1997, up from 10% in 1996. 1-800 FLOWERS sold \$30 million online in 1997. While this represents only 10% of this company's total revenues, the profit contribution nearly equals that of its store-based business, which is twice as large.

Finally, Time magazine, in its July 20th, 1998 cover story, recently estimated that 61 million online shoppers would generate \$41 billion in online revenue by the year 2002, as compared with 16 million shoppers and \$6 billion in revenue during the current year.

Electronic Commerce and Technology

What must minority businesses do to prosper in the coming century? First and foremost, minority businesses must embrace the use of technology. For all businesses, the use of a computer and access to the Internet must be as common as the use of the telephone.

Electronic Marketing.

Secondly, it is critical that you use the Internet to market your products and services. In addition to the traditional strategies of calling or meeting with purchasing personnel and networking at trade fairs and industry meetings, electronic marketing can be an effective method for exposing your products and services to a greatly expanded audience. Given the importance of promotion efforts to your overall business success, the MBDA is developing two e-commerce marketing programs.

Phoenix and Opportunity Databases. The first, the Phoenix database, is an on-line system used by the federal government and private sector to locate minority business enterprises. The Phoenix database asks you for background information on your business, including a description of the services or products you provide, the North American Industry Classification System code for these services or products, maximum bonding level, and other information which would be helpful to potential purchasers. You also must provide an e-mail address or fax number so that you can be contacted about upcoming contract opportunities.

Once your business is registered in the Phoenix system, it will be matched electronically against the Opportunity database, which contains upcoming government procurements, and private sector contracts and opportunities. The Opportunity database also contains information about joint venturing or allying with other minority companies and can provide you with information on upcoming international trade missions sponsored by the Commerce Department. As opportunities become available, your company will be matched with any opportunities where there is a fit in terms of industry, size, geographic location or other specifications. Both you and the government or private sector contact person will be notified either through e-mail or fax. You can then decide whether or not the opportunity is a good fit for your business and if you want to pursue it.

We see this system as adding value to your marketing efforts in a way that requires only about 15 minutes of your time to complete the electronic form. And the service is free of charge. However, you must register on Phoenix to participate in this and other MBDA programs. You can register by going directly to the MBDA Website at www.mdba.gov and completing the form.

Electronic Mall. In the future, one of the most efficient ways of selling to other businesses or the government will be through electronic malls, where you can display your company's products or services in a central location and purchasers can browse and shop electronically. While business-to-business malls are still developing, there are at least 13 government e-malls, including those sponsored by the Defense Logistics Agency, the Air Force and the General Services Administration. On the DLA e-mall, buyers at military bases around the world can go to a single Web site to buy more than 12 million parts from multiple vendors and sources. It is quick, convenient and greatly simplifies the procurement process for purchasing officials.

To assist minority businesses, the MBDA is considering creating an electronic catalogue or on-line mall, either through MBDA information systems or in conjunction with a private partner. An African-American owned technology company, NexGen Solutions, Inc., has already proposed the creation of a business-to-business e-mall and collaboration center for minority businesses. The purpose of this center is to develop a single location for all minority businesses to conduct e-commerce and other e-business transactions, as well as obtaining the information and resources necessary to compete effectively.

Private Business-to-Business Matchmakers. We also have identified and are working with private companies that link suppliers to business opportunities. One of these, Datamatix, Inc. has special expertise in the uses of electronic commerce in the federal procurement process. Datamatix helps its clients use electronic means to find new customers, sell to them more efficiently and make better pricing and bidding decisions. Datamatix receives buying opportunities from a number of different federal, state and business sources, matches them against a client's profile, and distributes these leads to the client through e-mail. In addition, Datamatix provides historical information on bid opportunities, including past prices paid by the buyer, past suppliers and a detailed description of the item requested.

Services like this can be invaluable to minority entrepreneurs. As a result, Datamatix will be holding workshops through MBDA's regional offices to show businesses how to respond effectively and efficiently to procurements and other contract opportunities. Quite simply, companies which fail to use these types of services or technology will soon be at a competitive disadvantage.

Changes in the Retail Markets.

In addition to the exploding use of electronic commerce, there are projected changes in the consumer markets, largely as a result of changing U.S. demographics. The Commerce Department's Census Bureau tells us that by the year 2050, the U.S. population will have increased by 120 million. Of this 120 million, only 12 million will be White Americans. The Black population is projected to almost double, from 33 million to 54 million, and the Hispanic population to triple, from 30 million to 97 million.

Within the lifetime of your children, minorities will constitute 47.5% of the population. Within the lifetime of most of us in this room, almost one in three Americans will be minorities. As a result of this demographic reality, companies are beginning to look at minority communities as powerful consumers. As entrepreneurs, you have the opportunity leverage your knowledge and networks to target these markets that are going to be increasingly important to the U.S. and global economy.

However, even without such dramatic demographic changes, there are large untapped markets in this country which minority entrepreneurs have failed to leverage. It has been estimated by the

Initiative for a Competitive Inner City, a Boston-based non-profit focused on inner city business development, that inner city markets – consisting predominately of persons of color – have a collective retail spending power between \$85 billion and \$100 billion a year and represent the largest and closest emerging market in the world.

At a time when most other markets are saturated, inner city markets are under-served, particularly in the areas of retail and household income. The continuing growth of this market presents enormous opportunities for minority entrepreneurs. I am in no way taking the position that minority entrepreneurs should only focus their marketing and products on minority communities. To the contrary, I believe it is critical that minority businesses develop and grow in all sectors and markets.

However, inner city consumers represent a major growth area of the future and majority companies have recognized this and are beginning to market to and design products that address the needs of minority consumers. Minority businesses need to maximize their understanding and use of this buying power. As both consumers and producers, you are well-positioned to determine the products and marketing strategies that can tap into these markets.

In addition, this trend will present opportunities for joint venturing with majority firms that want to make inroads into the minority markets. The changing demographics also present the opportunity to partner across ethnic lines, for African-American entrepreneurs to focus on the sharply increasing Hispanic and Asian-American markets and vice versa. Given the demographic projections, it is never too early to think about the impact of the population changes and how your company should be positioned to respond.

Conclusion

In conclusion, I again would like to emphasize that e-commerce is the wave of the future and that it presents enormous opportunities for you as entrepreneurs. Not only can you benefit from increasing your market opportunities in the domestic markets, you also can begin to penetrate the international markets. As President Clinton recently noted in a speech, "96% of the world's consumers live outside our borders". However, less than 10% of American business have attempted to market their products abroad. Through electronic commerce, you can reach international markets that previously were undreamed of. However, you cannot do so without jumping on the technology train and truly understanding how to use and benefit in the digital economy. Quite simply,

minority businesses cannot continue to use the strategies of the 20th century and expect to prosper in the 21st.

Thank you.

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U.S. Department of Commerce
Norman Y. Mineta, Secretary
Robert L. Mallett, Deputy Secretary

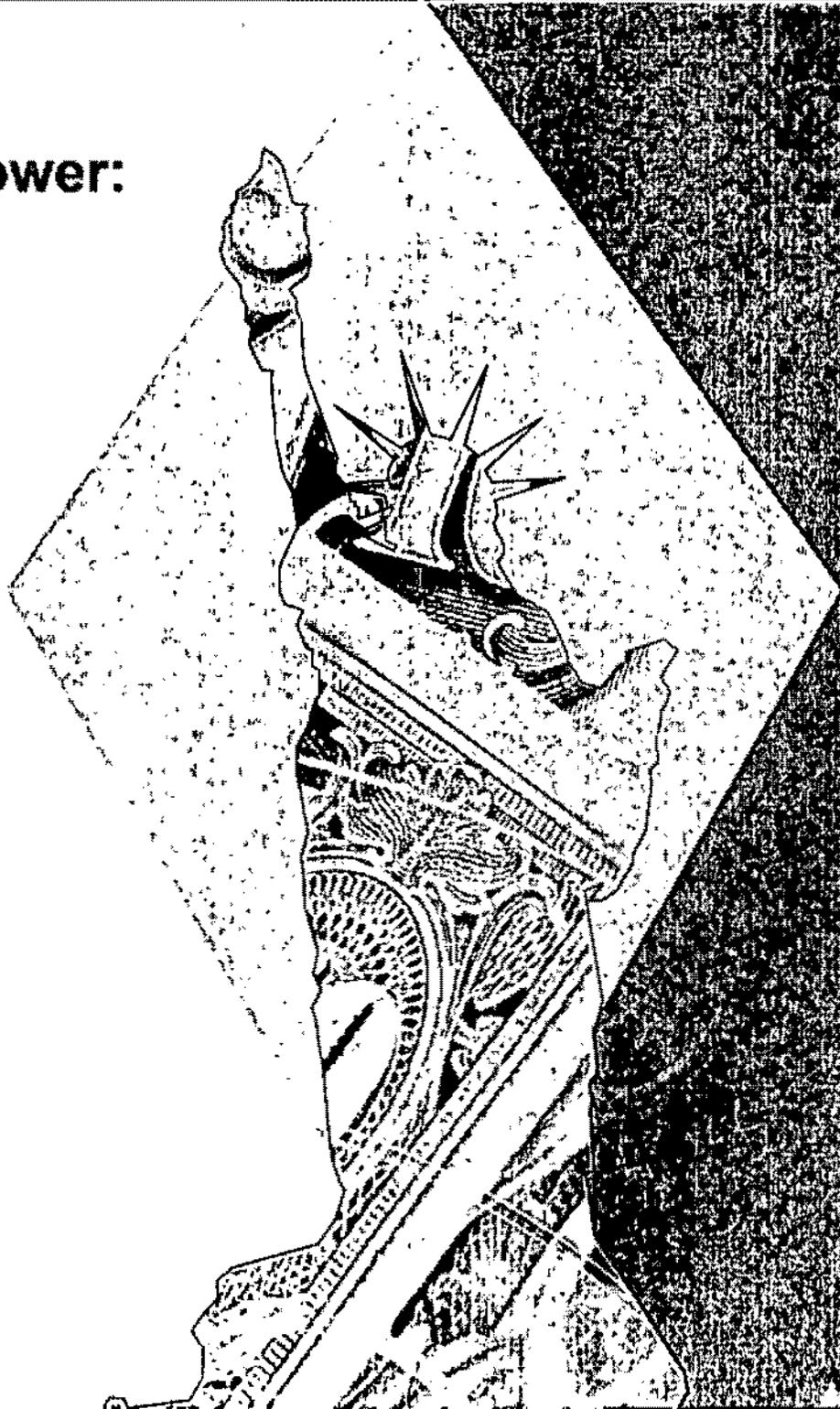
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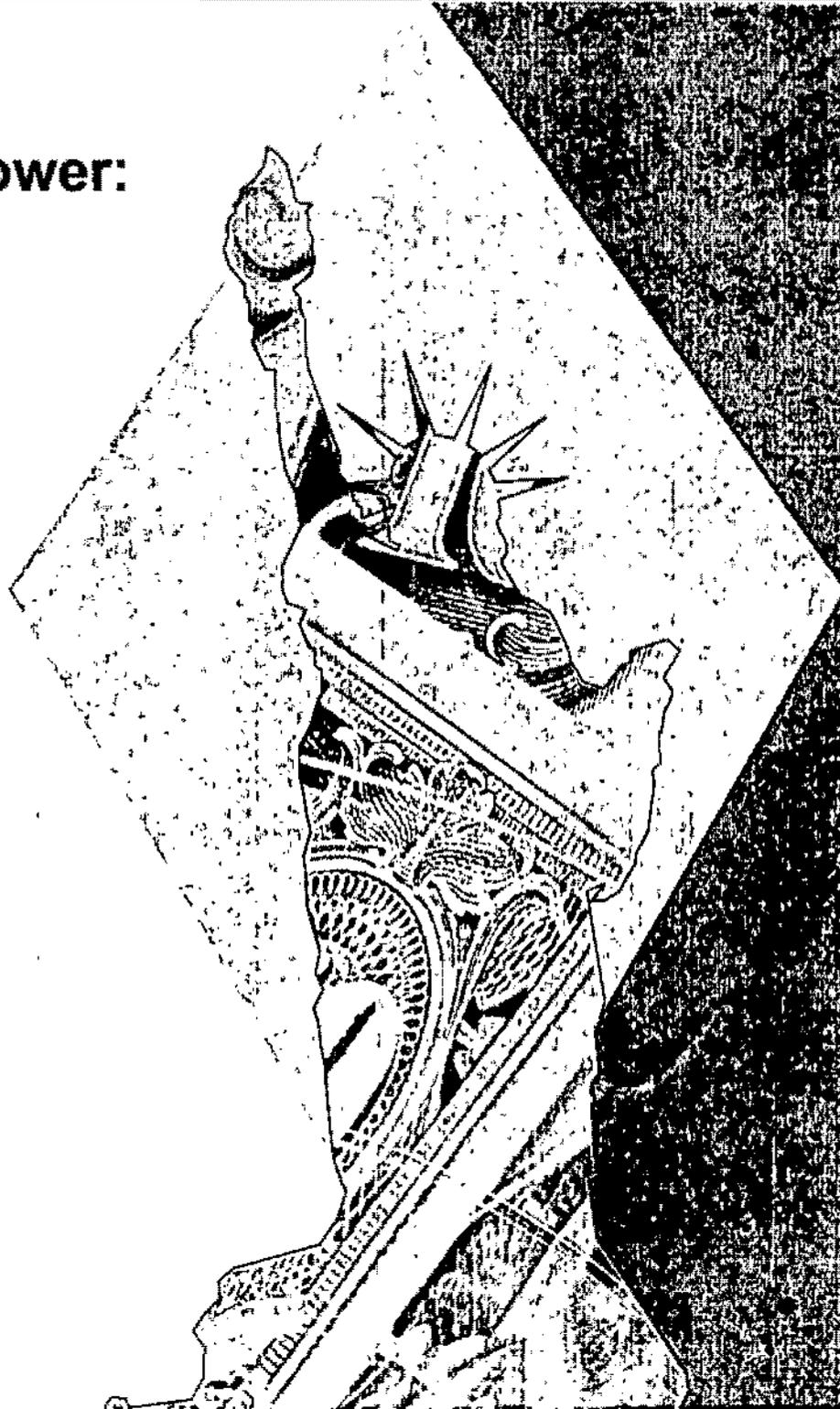
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**Dynamic Diversity:
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