McKinsey Institute for
Black Economic Mobility

The state of Black consumers: An opportunity for growth and equity

April 2023

Cover image:
© South_agency/Getty Images

The state of Black consumers: An opportunity for growth and equity

Preface

In 2019, McKinsey published a report on the Black–White racial-wealth gap. Since then, the firm has continued to publish research and analyses about racial equity and inclusive growth for different groups of Americans.

This compendium focuses on how companies could better serve Black consumers. They are an economically formidable bloc. In just the financial-services sector, about $225 billion in cumulative spending from Black consumers will be winnable (not including organic growth) from 2022 to 2030 by providers who offer more-accessible, more-equitable, and better products and services. Based on the McKinsey Institute for Black Economic Mobility's 2021 Consumer Survey, the compendium offers insights on how companies in financial services, food, auto, and fashion can build stronger relationships with Black consumers.

The McKinsey Institute for Black Economic Mobility developed this compendium. McKinsey senior partners and partners Aaron Aboagye, Tiffany Burns, Sheldon Lyn, Munya Muvezwa, Sara Prince, Tawanda Sibanda, Shelley Stewart III, and Ammanuel Zegeye led the research. We are also grateful to our colleagues for their contributions.

We hope that this compendium will spark and deepen discussions that can lead to a positive impact on the lives of Black consumers. Because more inclusive offerings are more than a matter of commercial performance for companies—they're about quality of life for consumers.

Aaron Aboagye
Partner
Detroit

Tiffany Burns
Senior partner
Atlanta

Sheldon Lyn
Partner
Southern California

Munya Muvezwa
Partner
Charlotte

Sara Prince
Partner
Atlanta

Tawanda Sibanda
Partner
Bay Area

Shelley Stewart III
Senior partner
New York

Ammanuel Zegeye
Partner
San Francisco

Contents

Black consumers: Where to invest for equity (a preview)

Effectively pursuing broad racial-equity goals can help consumer-facing companies better serve Black consumers and grow.

This article is a collaborative effort by Nick Noel, Sara Prince, Sara Providence, Brian Rikuda, Shelley Stewart III, and Ammanuel Zegeye, representing views from the McKinsey Institute for Black Economic Mobility.

Despite the unevenly distributed human and economic devastation of the COVID-19 pandemic, Black consumers' collective economic power is set to expand dramatically, from about $910 billion[1] in consumption in 2019 to $1.7 trillion (in nominal dollars)—equal to the projected GDP of Mexico—in 2030. Even so, Black Americans are more likely than their non-Black counterparts to live in consumer deserts.[2]

Inequities in Black consumers' experiences, such as higher prices in predominantly Black communities for the same products sold elsewhere,[3] are the result of historic and systemic failures to meet the needs of Black families.[4] Consumer research shows that Black Americans think they don't receive fair or equitable treatment as consumers.[5] For instance, 25 percent of Black survey respondents are dissatisfied with products and services that support their financial health and security. Only 15 percent of non-Black respondents feel the same way. These inequities stem from factors such as ongoing disinvestment in Black communities,[6] and—crucially—they hinder human development, an integral system for driving economic mobility and sustainable inclusive growth.[7]

In this report, we argue that many consumer-facing companies lack credibility with Black consumers because their offerings do not adequately meet Black consumers' tastes and needs. According to our research—based on surveys of 1,565 Black consumers and 1,932 non-Black respondents in 2021—the quality of offerings and experiences, and the channels through which they're offered, is more important than price for Black consumers. But many companies are failing to deliver good value for the price. This is a problem for both consumers and companies, because Black consumers are highly engaged researchers and recommenders. Black consumers are a growing economic bloc—but not a monolithic one—and their preferences are shifting and diversifying as they attain increasingly high levels of education.

Addressing these challenges requires consumer-facing companies to make visible, authentic, and effective commitments to focus on—and meet—Black consumers' needs an increasingly fundamental part of their strategic agendas.[8] Indeed, our research suggests that Black consumers' hearts, minds, and spending power can be won and kept by recognizing and serving their aesthetic, social, and cultural needs. In other words, serving Black consumers well is socially and civically valuable—an investment in companies' social license to operate.[9]

Black consumers in all seven segments and 12 neighborhood archetypes we identified are underserved (without a grocery store or retail location within a mile),[10] but investments in

[1] This number, rounded up from $906 billion, is a departure from the $835 billion calculated in Michael Chui, Brian Gregg, Sajal Kohli, and Shelley Stewart III, "A $300 billion opportunity: Serving the emerging Black American consumer," *McKinsey Quarterly*, August 6, 2021. This latest calculation uses data from the 2019 US Census and 2019 Consumer Expenditure Surveys (US Bureau of Labor Statistics, bls.gov) and includes the full population of Black Americans, which the $835 billion figure does not. We also use households as the unit of analysis for the purposes of this report.

[2] For more, see "The economic state of Black America: What is and what could be," McKinsey Global Institute, June 2021.

[3] Ibid.

[4] For more on our past work on current manifestations of ongoing racial inequities, see "The economic state of Black America," June 2021; see also André Dua, JP Julien, Mike Kerlin, Jonathan Law, Nick Noel, and Shelley Stewart III, "The case for inclusive growth," April 28, 2021.

[5] "The economic state of Black America," June 2021.

[6] For more on financial inclusion, see Aria Florant, JP Julien, Shelley Stewart, Jason Wright, and Nina Yancy, "The case for accelerating financial inclusion in Black communities," February 25, 2020; for more on racialized health outcomes, see Aria Florant, Nick Noel, Shelley Stewart, and Jason Wright, "COVID-19: Investing in Black lives and livelihoods," April 14, 2020. For the purposes of our report, we define "Black communities" as communities whose population is more than 14 percent Black. For more on human development, see "The case for inclusive growth," April 2021.

[7] For more on sustainable inclusive growth, see Eric Chewning, Anu Madgavkar, James Manyika, and Asutosh Padhi, "A sustainable, inclusive, and growing future for the United States," November 8, 2021.

[8] For more on inclusive corporate agendas, see "Why ESG is here to stay," May 26, 2020.

[9] For more on doing business in the 21st century, see James Manyika and Monique Tuin, "It's time to build 21st century companies: Learning to thrive in a radically different world," May 12, 2020.

[10] We use this measure as the threshold for underserved neighborhoods, even in urban areas, to better identify the neediest communities. For context, the United States Department of Agriculture (USDA) uses 0.5 miles as the threshold at which some communities are considered to have low access to retail and grocery options. For more, see Victor Oliveira, Mark Prell, and Laura Tiehen, "Eligibility requirements for SNAP retailers: Balancing access, nutrition, and integrity," USDA Economic Research Service, January 25, 2018. Of course, this measure does not reflect the quality of the stores in or near any neighborhoods.

Black consumers can help create Black wealth and community-level prosperity. In addition to increasing access to Black-owned brands and supporting their growth, we estimate that the grocery and retail sectors can gain $45 billion in additional revenue by opening 10,000 new stores in predominantly Black metropolitan communities and—crucially—can provide access to consumer options for 10.5 million consumers of diverse races.

In this report, we will show in broad strokes that integrating broad racial-equity goals into consumer businesses has both social and commercial benefits. It builds on our existing work on meeting the increased demand for products and services from Black-owned brands and serves as a preview of upcoming in-depth explorations on topics that affect Black consumers.

We first outline Black consumers' spending patterns, demographics, and geographic attributes by identifying 12 community archetypes.

In the second section, we discuss Black consumers' preferences and shopping experiences in key areas of consumption and highlight unmet needs. The discussion addresses categories across four themes: living necessities (such as groceries), modern and working essentials (such as consumer technology), financial health and income security (such as banking), and culture, expression, and connection (such as beauty). Brand equities—factors that affect purchasing decisions—vary for different consumption themes and categories. However, we have found that Black consumers are distinguished by their emphasis on brands' trustworthiness, stated social mission, credibility among Black communities, and clean or healthy products.

In the final section, we outline the scale and types of investments consumer-facing companies should make—with the help of a variety of stakeholders—to better serve Black consumers and win their loyalty. Companies can start by applying the principles behind broad racial-equity goals to address consumer pain points that disproportionately affect Black Americans. To be sure, the actions of consumer companies are only one piece of the long-term work of dismantling the structures that constrain Black Americans' experiences and lives. But getting to know Black consumers with the goal of understanding how and where to invest in them is a start.

A growing consumer group in underserved locales

To meet Black consumers' needs, companies should first understand these consumers' current position in the economy and where they live. In forthcoming publications we will explore the interplay among Black consumers' growing economic power, their geographies, and the consumer segments in which they fall. For now, these factors serve as context for our exploration of Black consumers' unmet needs and the actions required to meet them.

More consumption dollars up for grabs

Black consumers' economic might is projected to mushroom from about $910 billion in consumer spending in 2019 to $1.7 trillion (in nominal dollars) in 2030. Geographically, this spend is spread out across the country, with the top 30 markets representing $250 billion or over 25 percent of Black consumption (see Exhibit 1, parts 1 and 2).

Income growth among Black consumers has been 0.6 percentage points higher than that of their White counterparts and is fueled by the simultaneous growth of the Black population (measured by the number of households) and the growing number of households headed by people with higher levels of education.[11]

Twelve neighborhood archetypes

Using US Census data from 2010 to 2019,[12] we identified 12 distinct types of neighborhoods where Black consumers live and divided them into categories based on access to consumer options and population density (Exhibit 2).

Commercial urban spaces

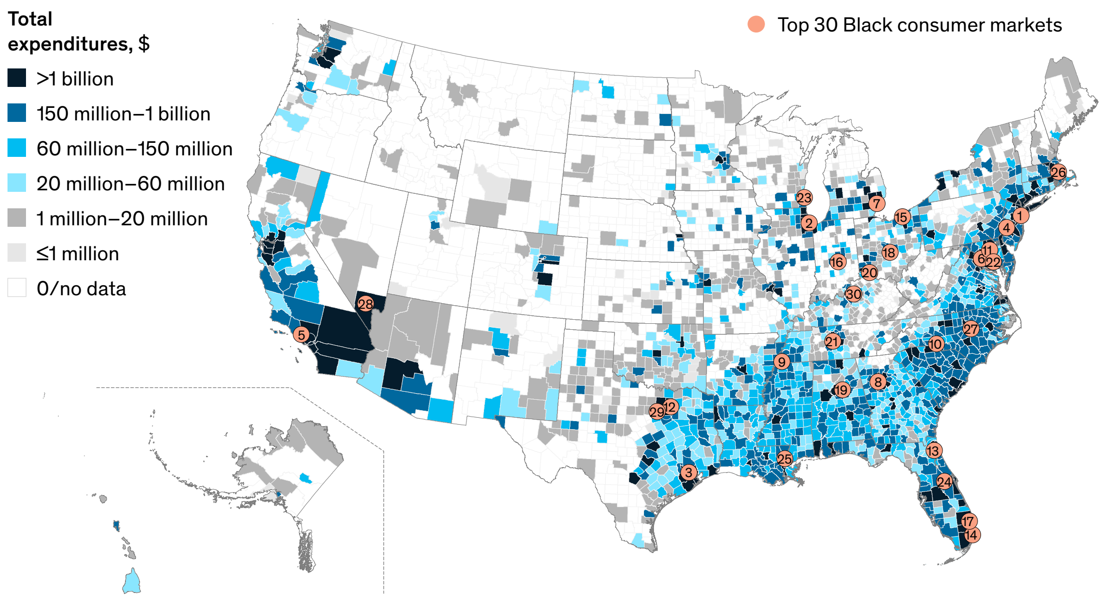
1. *Young cosmopolitan districts* have above-average household incomes and inclusive growth. They had the highest rate of net

[11] "Consumer Expenditure Surveys," US Bureau of Labor Statistics, 2020 data.
[12] "U.S. Census Bureau releases 2014-2018 ACS 5-year estimates," US Census Bureau, December 19, 2019.

Exhibit 1, part 1

The 30 largest Black geographic consumer markets are spread across the country and represent nearly $250 billion in spend.

Current consumption, 2019, $



Top 30 Black consumer markets,
2019, $ billion

1. New York, NY	$53.4	9. Memphis, TN	$8.2	17. Ft. Lauderdale, FL	$4.8	25. New Orleans, LA	$3.9
2. Chicago, IL	$17.4	10. Charlotte, NC	$7.5	18. Columbus, OH	$4.6	26. Boston, MA	$3.9
3. Houston, TX	$15.4	11. Baltimore, MD	$7.3	19 . Birmingham, AL	$4.5	27. Raleigh, NC	$3.9
4. Philadelphia, PA	$12.6	12. Dallas, TX	$6.5	20. Cincinnati, OH	$4.3	28. Las Vegas, NV	$3.8
5. Los Angeles, CA	$9.2	13. Jacksonville, FL	$5.7	21 . Nashville, TN	$4.3	29. Fort Worth, TX	$3.7
6. Washington, DC	$9.0	14. Miami, FL	$5.5	22. Upper Marlboro, MD	$4.2	30. Louisville, KY	$3.5
7. Detroit, MI	$8.9	15. Cleveland, OH	$5.2	23. Milwaukee, WI	$4.1		
8. Atlanta, GA	$8.3	16. Indianapolis, IN	$5.1	24. Orlando, FL	$4.1		

Source: "Consumer Expenditure Surveys," US Bureau of Labor Statistics, 2019 data; American Community Survey, US Census Bureau, 2019

income growth from 2010 to 2019 of all the neighborhoods we identified (including for Black residents) and among the highest numbers of storefronts per census tract. These neighborhoods also have the most educated residents (across racial groups), who also tend to be young. These factors also mean that these formerly redlined neighborhoods are the most expensive to live in and have seen the fastest displacement of Black residents. Examples include the Bedford-Stuyvesant neighborhood in Brooklyn, NY, and South Loop in Chicago, IL.

2. *Young, economically inclusive neighborhoods* are middle-class neighborhoods distinguished by their potential for inclusive growth—Black

Exhibit 1, part 2

Black consumers spent about $910 billion in 2019.

$910 billion

	Living necessities	Modern and working essentials	Financial health and income security	Culture, expression, and connection
Total spend, $ billion	385	320	160	45
Spending categories	• Housing • Food (in and out of the home) • Healthcare	• Public transit • Automotive transportation • Education • Consumer technology • Household goods and services • Apparel and footwear	• Retail banking • Credit cards • Private wealth management • Insurance • Pension contributions • Social security and retirement	• Beauty • Luxury apparel and accessories • Vitamins and supplements • Fitness classes, equipment, and wearable tech • Reading • Other products that promote subjective well-being
Aspects of human development supported	• Physical health • Safety • Basic civic engagement	• Productivity and connectivity at home and at work • Access and flow of information	• Income smoothing • Wealth building • Protection against economic shocks and risks	• Well-being • Enjoyment and happiness • Self-empowerment and replenishing of mental, spiritual, and emotional energy
% of total spend	43	35	17	5

Source: "Consumer Expenditure Surveys," US Bureau of Labor Statistics, 2019 data; McKinsey Institute for Black Economic Mobility

and non-Black households hold very similar levels of income, and these neighborhoods have supported continued household and income growth for Black residents. They also trend young and retail-oriented, with high numbers of storefronts per census tract. Examples include Brooklyn Center in Minneapolis and Western Gwinnett County, GA, outside of Atlanta.

Retail-oriented greater metro areas

3. *Affluent and exclusive communities* are high-growth, retail-oriented neighborhoods with high average household incomes and accompanying characteristics, such as high broadband penetration and high rates of homeownership. However, these neighborhoods are notable for their low levels of economic inclusion; they have the highest rents and disproportionately low numbers of Black residents, in part because of high levels of displacement from 2010 to 2019. Examples include many of the localities in Middlesex County, MA, in Greater Boston or Westchester County, NY, in Greater NY.

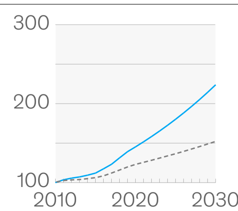
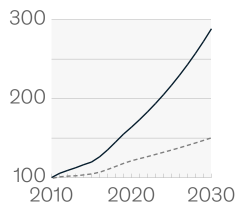
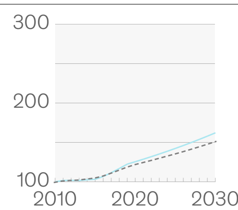
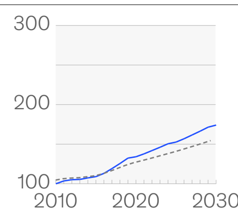
4. *Vibrant multicultural districts* stand out for their diversity, economic growth, and economic outlook. They have grown their Black populations and—significantly—support high rates of Black social mobility as measured by the percentage of children from these areas

Exhibit 2

Our analysis uncovered 12 distinct neighborhood archetypes for growing Black consumer markets in the United States.

Black consumer markets are poised for growth across all neighborhood types

White residents nationally (dashed line)

Cluster	Consumer-power growth index by cluster, 2010–30, 2010 = 100	12 identified neighborhood archetypes	Consumption growth by cluster, 2010–19, $ billions	Share of Black population, 2019, %
Commercial urban spaces		1 Young cosmopolitan districts 2 Young, economically inclusive neighborhoods	140 3.7% CAGR	15
Retail-oriented greater metro areas		3 Affluent and exclusive communities 4 Vibrant multicultural districts 5 Small town areas & urban hideaways	315 5.0% CAGR	30
Noncommercial urban spaces		6 Urban and Black economic growth centers 7 Stable up-and-coming working-class areas 8 Emerging urban working-class locales 9 High-potential urban core	305 2.4% CAGR	37
Greater metro areas with less commercial access		10 Upwardly mobile Black communities 11 Exurban areas & commuting zones 12 Rural (and low-density) outskirts	150 2.9% CAGR	19

Source: American Community Survey; "Consumer Expenditure Surveys," US Bureau of Labor Statistics; McKinsey Institute for Black Economic Mobility

who reach the top income quintile as adults. Examples include parts of Prince Williams County, VA, and Northwest Montgomery County, AL.

5. *Exurban areas & commuting zones* are very low-density neighborhoods that combine some of the highest numbers of storefronts per census tract with the lowest score for Black social mobility among all the neighborhood types. These neighborhoods have the highest incomes for low-density areas and are affordable, but population-growth rates are low. Examples include places in Macomb County outside of Detroit, MI, and Allegheny County outside of Pittsburgh, PA.

Noncommercial urban spaces

6. *Urban and Black economic growth centers* are less commercially developed urban neighborhoods whose residents are economically successful and have above-average levels of education, income, and household wealth. These neighborhoods are split between higher-than-average shares of Black residents and lower diversity areas. However, they have the highest levels of housing costs and one of the largest Black–White gaps in economic mobility. Examples include, the Flatbush neighborhood in Brooklyn, NY, or parts of neighborhoods in northwest Washington, DC, including Takoma Park and Brightwood.

7. *Stable up-and-coming working-class areas* are middle-income neighborhoods with high levels of inclusive growth, demonstrated by increasingly educated residents, strong income growth for Black residents, and modest growth in their Black populations from 2010 to 2019. However, these neighborhoods also have relatively low levels of access to consumer options. Examples include the Back of the Yards neighborhood in Chicago, IL, and the North End neighborhood in Detroit, MI.

8. Households in *emerging urban working-class locales* are younger than those in other neighborhood types and have the lowest incomes. However, Black and non-Black households have comparable incomes, and economic mobility for Black residents is relatively high. These neighborhoods' Black populations have grown by about 13 percent from 2010 to 2019. Examples include the Spanish Harlem neighborhood in New York, NY, and the neighborhood of Little Haiti in Miami, FL.

9. *High-potential urban core* neighborhoods have the lowest incomes and have seen their Black populations decrease from 2010 to 2019. However, these communities show a hint of potential in that the incomes of Black residents who remain have grown faster than those of other groups. Examples include the neighborhood of Englewood, Chicago, IL, or Red Hook in Brooklyn, NY.

Greater metro areas with less commercial access

10. *Upwardly mobile Black communities* are marked by significant growth in their Black populations from 2010 to 2019, the highest rates of Black social mobility and wealth, and comparable levels of education and household income between Black and non-Black residents. Other signs of wealth building and upward mobility are above-average rates of broadband penetration and a high number of storefronts per census tract. Examples include Baldwin Hills in Los Angeles, CA, much of Prince George's County in MD, and North Fort Worth, TX.

11. *Small-town areas and urban hideaways* are lower density communities with developed commercial areas, lower-than-average Black populations, and a lack of indicators of Black economic vibrancy, such as high Black household incomes, levels of education, and broadband penetration. Examples include parts of Southeastern, KY, like Knox County.

12. *Rural (and low-density) outskirts* have low numbers of storefronts per census tract, with no significantly favorable signs of economic growth. These neighborhoods are relatively affordable for lower-middle-income residents, but Black households earn significantly less than their non-Black counterparts. These neighborhoods have lost population from 2010 to 2019, with slight increases in their Black populations. Examples include southwestern Montgomery County in AL, and Southern Mississippi.

These geospatial insights can help companies understand the needs and challenges of Black consumers at the neighborhood level.

Dissatisfaction with current offerings

Our research revealed that Black consumers' unmet needs along the dimensions of access and quality—not including future growth—are worth $300 billion per year in consumer spending: $260 billion that consumers are willing to reallocate and up to $40 billion in new spending.[13]

[13] Michael Chui, Brian Gregg, Sajal Kohli, and Shelley Stewart III, "A $300 billion opportunity: Serving the emerging Black American consumer," *McKinsey Quarterly*, August 2021.

Black consumers' high willingness to explore new products and services—81 percent of Black survey respondents are willing to switch brands—suggests that dissatisfaction with their current options is widespread. We found that the leading cause of dissatisfaction among Black consumers was a lack of evidence of diversity, equity, and inclusion efforts, such as marketing and outreach that do not feature people they recognize as representative of them (Exhibit 3).

However, sources of delight for Black consumers are authoritative brands and products that are associated with cultural cachet and credibility, that are inclusive, and that inculcate feelings of trust, pride, and affinity based on cultural values. In search of these attributes, Black consumers are more likely than non-Black consumers to conduct in-depth research (56 percent do) and to value personal recommendations, including one-on-one discussions with sales professionals (53 percent prefer to shop where they can get help).

Capturing the attention of Black consumers can lead to long-term loyalty: 68 percent of survey respondents reported that they're loyal to brands that satisfy them. Significantly, commercial outperformance with Black consumers can help brands win outsize market share with that population (Exhibit 4).

Despite their desire to patronize culturally resonant products and services offered by Black-owned companies, Black consumers are actually less likely than their non-Black peers to be aware of and to purchase products from Black-owned companies. These companies face obstacles when scaling, growing, and thriving,[14] struggles that mirror the obstacles facing Black Americans in the wider economy.

Finally, convenience is a persistent driver of dissatisfaction across categories. Despite the growth of online shopping, geography-based issues of access and availability continue to plague many neighborhoods where Black families live. This reinforces the pivotal need to frame geography and consumer needs together to ultimately create workable solutions.

For a more in-depth view of Black consumers' needs and priorities, we examined our survey respondents' preferences in four consumption themes: living necessities, modern and working essentials, financial health and income security, and culture, expression, and connection. (Of course, Black consumers are not monolithic. For more on our analysis of Black consumer segments, see sidebar, "Seven Black consumer segments.")

Living necessities

Living necessities support physical health and safety and enable basic civic engagement. For this consumption theme, we focused our analysis on food that is consumed both in and outside the home.

The brands that outperform in this category are distinguished by healthy options, large assortments, and efforts to reflect Black consumers—in the form of Black leaders in their companies and public commitments to combat racism.

Our research found that compared with 2019, Black consumers are seeking healthier, better-quality options for food—consumed both in and outside the home—that also fulfill their need for convenience (including availability) and affordability. Black survey respondents listed "the freshest possible ingredients" and "good value for money" in their top ten considerations and culturally relevant concepts. Non-Black respondents did not. Further examination of Black consumers' research and switching behaviors is needed to better understand and engage them.

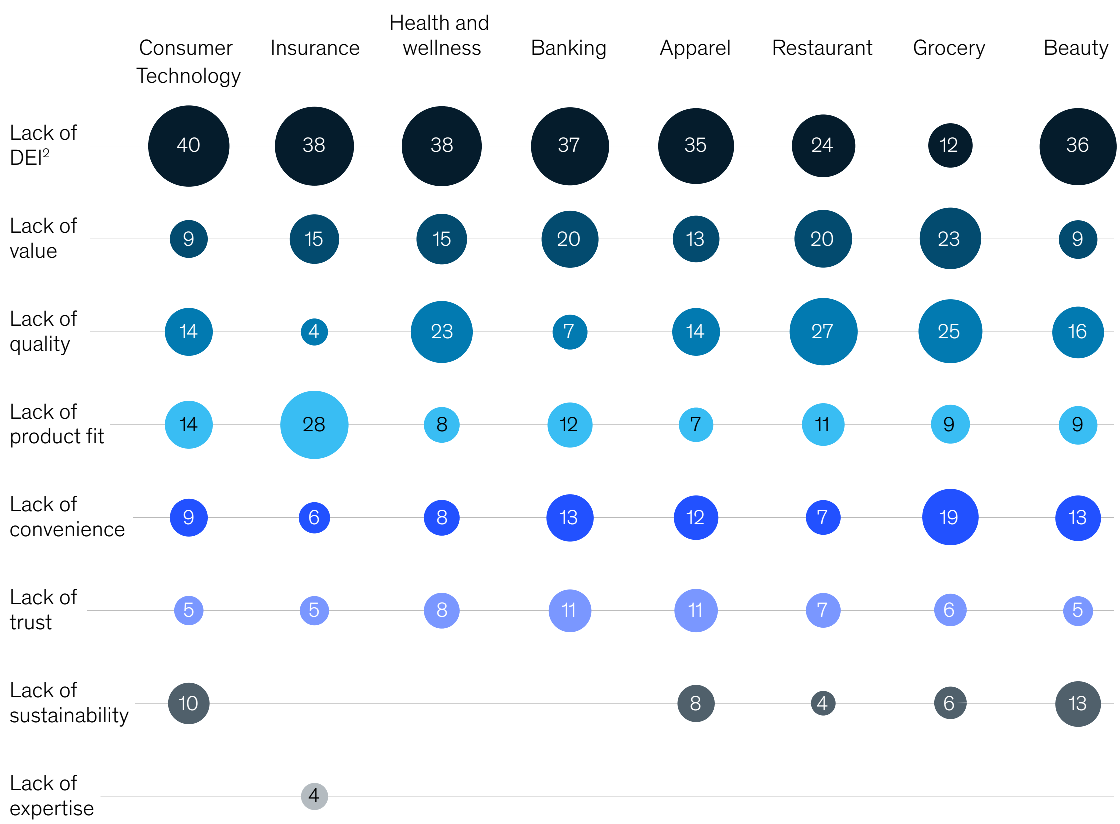
Indeed, Black respondents are more eager to explore healthy and upmarket grocery options—including organic and specialty ingredients—than their non-Black counterparts. Significantly, the availability of organic foods at the grocery store was rated as important by 43 percent of Black respondents, compared with 36 percent of non-Black respondents. Black respondents are also more likely to be excited to explore products that are new to them.

[14] Jocina Becker, Pamela Brown, Tiffany Burns, Jihye Gyde, and Tyler Harris, "The Black unicorn: Changing the game for inclusivity in retail," November 17, 2021.

Exhibit 3

A lack of evidence of diversity, equity, and inclusion is a top source of Black consumers' dissatisfaction.

Top reasons for dissatisfaction for Black consumers,[1] % of respondents



[1] Respondents were asked the following: "For the purchases you are not very satisfied with, please indicate why."
[2] DEI is diversity, equity, and inclusion. This includes concerns about products and services that do not meet needs of racial/ethnic groups or that do not address social inequities and inclusivity gaps in business ownership, marketing, and advertising.
Source: 2021 McKinsey consumer survey

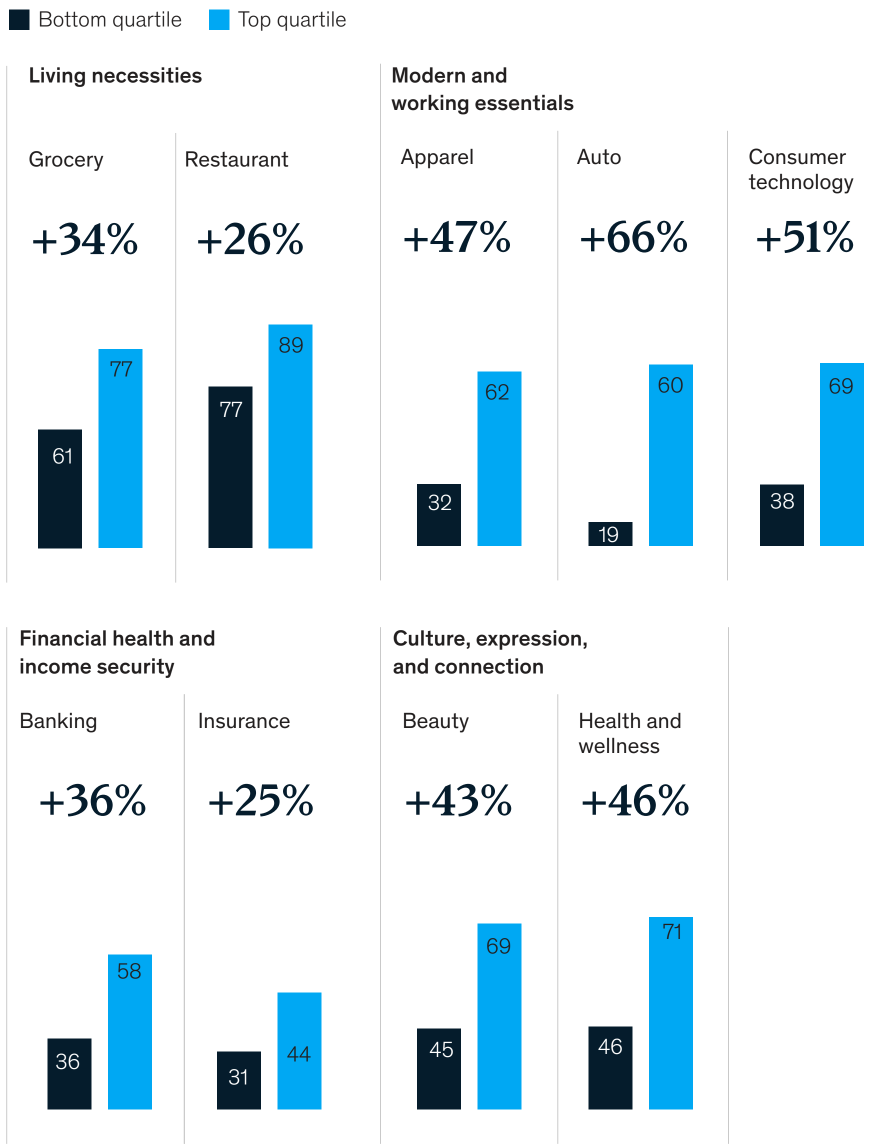
Health considerations are also prominent in decisions around restaurant selection. We found that Black consumers value fresh ingredients and variety above other considerations. Sixty-two percent of Black respondents said they select restaurants based on the availability of healthy ingredients, compared with 47 percent of non-Black respondents. Indeed, 44 percent of Black respondents who reported spending less over the past two years on fast-casual and quick-service restaurants said the change was due to increased health-consciousness. By contrast, only 34 percent of non-Black respondents had the same feedback.

To be sure, convenience—especially accessibility—and affordability are evergreen considerations that still often win out over healthfulness. Consider that 37 percent of respondents think eating at fast-casual restaurants is less costly than eating at home, and 43 percent think these establishments offer the same product that full-service restaurants do at lower prices. Fast-casual restaurants are perceived to serve food that is less healthy than freshly prepared foods, but Black respondents still patronize them: Black consumers are eight percentage points more likely than their non-Black counterparts to have ever spent money at a fast-

Exhibit 4

Certain brands are winning with Black consumers—with greater than a 40 percent difference in purchase rates between top- and bottom-quartile performers.

Market share opportunity, by sector, %



[1]Market share opportunity is average of the top percentile (> 75th percentile market share for brands) less the average of the bottom percentile (< 25th percentile for brands) based on brands ever purchased by Black consumers.
Source: 2021 McKinsey consumer survey

casual restaurant. This suggests that affordability and convenience sway Black consumers. Significantly, Black consumers are 13 percentage points more likely to expect to spend more on fast-casual restaurants in the future.

Compared with their peers, Black consumers are more enthusiastic about researching and trying new restaurants. Consistent with their behavior in other categories, Black consumers perform more research on their options than non-Black consumers do, leaning on the recommendations of friends and family; 60 percent of Black consumers consult friends and family before trying a new restaurant, compared with 51 percent of non-Black consumers.

Black consumers are also 11 percentage points more likely to switch restaurant brands. This behavior may be linked to the enjoyment they

Seven Black consumer segments

Using our 2021 survey data, we identified seven consumer segments that describe Black consumers.

Value-oriented consumers

Passive recipients account for 17 percent of Black consumers and are typically students or members of Generation Z. These consumers are indifferent to brand, price, and product quality, and other household members generally shop on their behalf.

Online deal hunters make up 10 percent of the Black population and are generally low- to middle-income suburban women. They know what they are looking for, are committed to getting a good deal, and use online research to get it.

Coupon cutters account for 13 percent of the Black population and are typically lower-income adults over 55. They are budget driven and only make purchases when they absolutely need to. They make sure to find the best possible deal before they buy and prefer to shop in person and receive advice.

Quality-oriented consumers

Confident quality lovers account for 10 percent of the Black population. They have higher incomes and are over 55. These consumers know what they want but are not interested in showing off. They want the highest-quality products possible, and price and brand are not major considerations.

Confident loyalists, who make up 9 percent of the Black population, tend to be affluent and over 45. Like confident quality lovers, they know what they want, and what they want is brands. These consumers are the most brand-focused segment. They seek high-quality products and are loyal to the brands that offer them, regardless of trends.

Image-oriented consumers

Fashionable followers make up 13 percent of the population and are usually parents. A segment that is specific to the Black consumer population, fashionable followers want to be seen as trendy and look to others to help them make decisions and identify the right brands and retailers for them.

Trendsetters account for 28 percent of the Black population. Generally millennials or Gen Zers, they like to be the first of their peers to discover new trends and products. Consequently, they like to try new brands and to act as authorities on fashion. Trendsetters take pride in getting the best products, but at the right price.

These segments are key to understanding Black consumers' attitudes and motivations as they consider products from different categories.

derive from discovering new restaurants. Depending on the type of restaurant, Black consumers are nine to 12 percentage points more likely to say they enjoy trying new dining options. In fact, a greater share of Black consumers said they are likely to be the first of their friends to try new restaurants. These pioneers make up 33 to 39 percent of Black respondents, compared with 22 to 23 percent of non-Black respondents.

Modern and working essentials

Working essentials are products and services that help people manage their productivity, the flow of information, and physical and digital connectivity between home and work. Product categories within working essentials include consumer electronics, transportation, and non-luxury clothing. While satisfaction in these categories tends to be greater than 80 percent for all consumers, companies can capture a greater share of Black consumers' future spending by improving Black consumers' access to goods and perception of value. Our research shows that Black consumers diligently research their options and care deeply about value for money—the quality and fit, both figurative and literal, of their purchases—far more than about price alone. They make sure to resolve any questions they have about prospective purchases to confirm their quality. They also seek distinctive customer experiences and brands that reflect their identities and values.

Consider consumer technology. We found that Black consumers are more likely than other groups to have increased their spending on consumer technology in recent years, but consumer-technology companies should invest in securing their loyalty. Specifically, Black consumers are more focused than other respondents on tangible product benefits such as screen quality, and they are willing to switch brands if they can either get better value for money or see themselves in the brand.

Then there is transportation. We found that Black consumers research their options diligently and are generally open to considering a variety of vehicles, but tend to make their ultimate purchasing decisions based on affordability and financing.

During the shopping process, 35 percent of Black consumers do not have a target brand in mind, compared with 28 percent of non-Black respondents. However, the drive for affordability often makes the difference between making a purchase and extending a search; 57 percent of Black respondents said their most recently purchased car was preowned, compared with 47 percent of non-Black respondents; 91 percent of Black respondents who purchased used cars cited affordable pricing as the top reason, compared with 83 percent of non-Black respondents. The majority of Black survey respondents said they purchased their cars through the sales channel that offered the best financing terms. Only 61 percent of non-Black respondents did the same. Despite these efforts to achieve the best possible financial outcome, the average Black consumer spends $2,000 more on auto financing than the average non-Black consumer.[15]

When it comes to apparel, Black consumers are interested, but apparel brands have not always returned that interest. Black consumers are more aware of established brands—including designer brands—than non-Black consumers are. However, Black consumers are also dissatisfied with current offerings, particularly business attire, swimwear, and formal wear. In fact, Black survey respondents said that current offerings from the apparel industry are low quality and untrustworthy.

Poor customer experiences reinforce this negative perception. Black consumers say the quality of customer service is often inadequate, staff may not be knowledgeable about products, and, in the case of discount retailers, the shopping experience may be poor. Many Black consumers conclude that online shopping is better. They are more likely than non-Black consumers to engage directly with brands online—browsing their sites, social media accounts, and written reviews.

[15] Andreas Barchetti, Michael Complojer, Thomas Furcher, Christian Richter, and Jakob Stöber, "Digitization in automotive retail in 2021 and beyond," May 6, 2021; "The economic state of Black America," June 2021.

One apparel brand that currently has an 85 percent satisfaction rate among Black respondents (compared with 70 percent among non-Black respondents) has a history of publicly supporting Black cultural figures. The company is further investing in Black communities by launching an initiative for youth from marginalized communities. It's also tying executive compensation to achievement of the company's workforce diversity and inclusion goals.

Financial health and income security

Financial health and income security support income smoothing, wealth building, and insurance against economic shocks and risks. Black consumers are at a significant disadvantage when it comes to wealth building, because they are historically underserved—and sometimes discriminated against[16]—by financial-services companies; dissatisfaction with insurance products is widespread, and 32 percent of Black consumers were underbanked as of 2019,[17] the most recent year for which we could find data. Such households stand to lose $40,000 over the course of a lifetime in higher fees.[18]

These discrepancies contribute to a historically fraught relationship between the sector and Black consumers, who experience these products as untrustworthy, low value for the cost, and not attuned to their needs. By contrast, Black survey respondents say that some digital-payments services have won them over with their accessibility, ease of use, and trustworthiness.

Increasing access to mainstream financial products and advice is socially, economically, and morally critical. But first, financial institutions should invest in establishing credibility and trust with Black consumers and draw on lessons from adjacent sectors such as fintech, whose products are considered more accessible and easier to use, especially on mobile devices.

Black consumers who do want to use traditional financial services face structural hurdles that make these products and services hard to access. Black households are 50 percent more likely than non-Black households to live in areas with limited broadband service,[19] which presents obstacles to online banking.

A few mainstream financial institutions are making strides toward more equitable experiences for Black communities. One credit-card issuer offers zero-fee cards and made a commitment to invest $500 million in services, products, and spending in Black communities. Another major bank opened branches to provide underserved communities with resources and tools, and publicly committed $30 billion toward racial-equity goals.

Culture, expression, and connection

Products in this category foster expression and connection and support individuals' and communities' well-being, enjoyment, and happiness. Crucially, these products help people replenish their mental, spiritual, and emotional energy. Because these products are often personally significant, credibility, trust, and getting the offerings right—making them a good personal and cultural fit—are key. A solid product section, including local options, can be valuable.

Finally, another theme is connecting through community via referrals and through trusted spokespeople via digital channels.

The significance of this theme may be one reason why 70 percent of Black respondents say finding the right product is more important than price. In search of the right fit, more than 75 percent of Black consumers are willing to switch, even though this category has the highest level of satisfaction out of the four consumption categories.

Even where Black consumers are more satisfied with beauty products, 83 percent are still willing to switch brands. Our research found that the attributes Black consumers value in beauty products are generally centered on the products' ability to foster positive feelings about themselves

[16] "Justice Department announces new initiative to combat redlining," US Department of Justice, October 22, 2021.
[17] *How America banks: Household use of banking and financial services*, Federal Deposit Insurance Corporation (FDIC), 2019.
[18] "The case for accelerating financial inclusion in Black communities," February 2020.
[19] "The economic state of Black America," June 2021.

(confident, beautiful) and about the brand (trust). Endorsements from trusted figures such as friends, family, and reputable celebrities are more likely to sway Black consumers' purchasing decisions than those of non-Black consumers.

The dissatisfaction Black consumers feel is related to the quality of products (a concern all consumers share), their environmental impact, and their ability to meet the needs of consumers' racial group. Black consumers' complaints about shopping channels generally focus on in-store pricing and assortment and on customer service—including a failure to cater to Black consumers.

Another sector in which consumables are important to Black consumers is health and wellness. Black respondents prefer consumables, such as dietary supplements, to experiences such as fitness classes. Black consumers are 15 percentage points more willing than non-Black consumers to switch brands, especially for lower prices and promotional offers. In fact, branding is less important than product quality.

As an overall consumption theme, quality is an important consideration in expression and in connection. One successful beauty brand—whose products were purchased by 50 percent of Black respondents in the past year, 29 percentage points higher than by non-Black consumers—optimized its products for price to value, channel, and social mission. The CEO of the brand is a Black woman. The brand's parent company created a racial-equity task force in 2021 and committed to spending more than $2 billion per year with suppliers owned and managed by marginalized groups by 2025.

Racial-equity goals as long-term investments

Sustainably addressing Black consumers' pain points requires immediate and ongoing investments in racial equity, particularly in organizational capabilities. Done right, those efforts can meet Black consumers' needs, earn their trust and loyalty, and unleash economic value for historically marginalized communities. Anything short of that is likely to result in failure. We have identified ten broad actions for consumer-facing companies based on our framework for building inclusive organizations (Exhibit 5).

Diverse organizations

1. Employ a workforce that is representative of—and personally and culturally connected to—the communities and places served. This means not only hiring from the communities in which companies operate but also employing decision makers, leaders, and marketing professionals who understand and can speak to Black consumers' communities.

Inclusive environments; equitable access to opportunities and benefits

2. Champion the hiring and promotion of Black workers into roles with decision-making power,[20] particularly profit-and-loss responsibility. Over time, these habits and norms should produce more inclusive and equitable workplaces where Black workers feel a sense of belonging and are valued and respected as much as their White counterparts.

Corporate citizenship and accountability

3. Align environmental, social, and governance (ESG) agendas and lobbying and philanthropic efforts with the goals of sustainable and inclusive economic growth. For example, companies should raise or commit capital to help scale equitable commercial development in underserved consumer markets.

4. Ensure that offerings are consistent with ESG commitments. For instance, companies should discontinue products and services—such as high-interest loans that can become functionally predatory—that have been shown to harm Black communities.

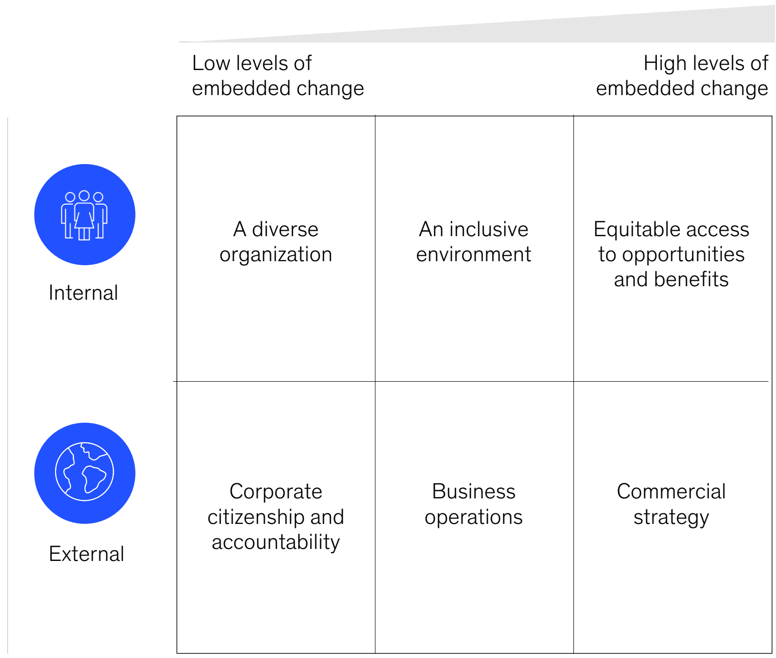
Business operations

5. Institute policies and guidelines to ensure that Black communities are treated fairly and with dignity. For instance, abolishing in-store

[20] We classify decision-making roles as manager-level roles in human resources, marketing, sales, finance, brand, and procurement, plus the CEO.

Exhibit 5

Our framework for building inclusive organizations helps us identify actions for consumer-facing companies.



Source: McKinsey Institute for Black Economic Mobility analysis

monitoring policies that disproportionately target Black shoppers can help restore trust between communities and the companies that want to serve them.

6. Ensure that a full range of products, especially offerings that offer good value for the price and affordable offerings, are accessible to Black communities.

7. Ensure supplier diversity, and stock products from Black-owned and Black-focused brands in all channels.

Commercial strategy

8. Invest in growth and consumer access in underserved and disinvested Black communities by expanding the presence of physical stores and points of distribution to facilitate e-commerce.

9. Ensure inclusive and diverse marketing content that is free from bias and fluent in Black cultures and Black narratives.

10. Invest in R&D, M&A, and product design to develop offerings and acquire capabilities to meet Black consumers' needs.

The most direct way to execute on these goals would require an investment of $6 billion (in 2021 dollars) in the grocery sector and $8 billion in the retail sector. Working in partnership with various stakeholders across sectors, these investments would help to open about 10,000 new stores and distribution points that facilitate e-commerce over a decade—still less than 10 percent of new retail store openings every year—in Black metropolitan communities. Significantly, we estimate that the investment would benefit about 3.5 million Black consumers and 7.0 million non-Black consumers.[21]

In addition, this investment—combined with the pursuit of the racial-equity goals we outline above—can drive spillovers that support economic mobility across the different areas of economic activity. These investments can help sustain at least 79,000 additional Black-owned businesses, 314,000 more Black decision makers, and $26 billion in wages from decision-making roles alone, in addition to other fiscal resources that these can generate that can further drive benefits for communities. These investments to improve consumer participation can also advance participation for savers and investors, workers, business owners, and residents.[22]

A revamp of the relationship between consumers and the companies that want to serve them is a crucial part of the larger work of building a social and economic environment that fosters equitable human development. The benefits will ripple throughout communities and economies. Companies should take the lead. We will explore how they can do that—and related topics that affect Black consumers—in upcoming articles.

Nick Noel is a consultant in McKinsey's Washington, DC, office; **Sara Prince** is a partner in the Atlanta office; **Sara Providence** is a consultant in the New Jersey office, where **Shelley Stewart III** is a partner; and **Brian Rikuda** is an alumnus of the Bay Area office, where **Ammanuel Zegeye** is a partner.

The authors wish to thank Jane Brennan, Brian Cooperman, Golden Daka, Gabrielle Halaby, Kori Hill, JP Julien, Mohanaditya Karampudi, Aaron McGee, Alison O'Connor, Duwain Pinder, Soyoko Umeno, Zooey Wilkinson, and Monne Williams for their contributions to this report.

[21] We arrived at the estimates in this paragraph by calculating the portion of the population of each census tract that lived more than one mile from a grocery or retail store as of 2019. In urban settings, residents outside the one-mile radius are considered underserved. Census tracts that are more than a mile away from a grocery or retail store but whose per capita expenditures exceeded the county average were marked as being able to sustain at least one new store. We used that analysis to estimate the number of new stores that could be sustained, the initial investment required, and the number of consumers who stand to benefit from the improved access. Analysis of store counts was subject to data limitations on details on store quality (for example, physical size, EBT acceptance, availability of fresh food).

[22] To calculate the number of additional Black decision makers and their incremental wages, we assumed that Black members of the existing workforce could be promoted into managerial roles in the seven key decision-making functions: HR, marketing, sales, finance, brand, procurement, and CEO. We then identified the number of "missing" Black decision makers in those functional areas and calculated the total additional wages existing Black workers would make after their promotions into decision-making (managerial) roles. Similarly, we calculated the number of additional Black businesses that could be sustained by calculating the difference between the current number of Black-owned businesses and the number of Black-owned businesses we would expect at parity. For more discussion on driving economic development and economic mobility across the five major roles in the economy, see "The economic state of Black America," June 2021; and "The case for inclusive growth," April 2021.

Investing in—and with—Black consumers in financial services

Financial-services companies—specifically in banking and insurance—have an opportunity to address equity and gain commercial benefits by better serving Black consumers.

by Samuel Abrams, Munya Muvezwa, Tawanda Sibanda, and Shelley Stewart III

© Delmaine Donson/Getty Images

The racial wealth gap is a persistent blight on American life.[1] In 2019, the average Black family's wealth stood at $24,100, about an eighth of what the average White family possessed.[2] A lack of access to financial services—specifically banking and insurance[3]—is both a symptom and a cause of the gap. Historical exclusionary policies and programs have further perpetuated this cycle and contributed to a difficult relationship between Black consumers and financial institutions: 47 percent of Black households are unbanked or underbanked,[4] and Black applicants are more likely than White applicants to face credit denial.[5]

The current state presents an opportunity for financial-services providers. McKinsey research shows that Black consumers are more likely than their non-Black peers to be looking to spend more on new banking relationships and financial services more broadly. Key stakeholders in financial services—such as retail banks, wealth managers, and insurance providers—can contribute to more-equitable experiences for Black consumers and earn their loyalty and spending. We estimate that from 2022 to 2030, the financial-services providers that offer more-equitable, more-accessible, and better products and services can win $225 billion in cumulative spending from Black consumers (excluding organic growth).[6]

Our consumer research, conducted in 2021,[7] uncovered a number of trends that are likely to influence Black consumers' spending in financial services. Potentially because of previous exclusionary policies, Black consumers tend to be more interested than their non-Black counterparts in exploring financial products and have accelerated their adoption of digital channels. Facing ongoing bias and higher rates of credit denial, Black consumers continue to seek—and expect—fairness and transparency from their financial-services providers.

To meet these needs, companies can implement five distinct strategies: developing and personalizing financial products according to customers' income profiles and needs; providing viable alternatives to high-interest, punitive short-term solutions such as payday loans and high-fee check-cashing services; simplifying the processes and requirements to open and manage accounts; ensuring that customer service and marketing campaigns are inclusive and demonstrate cultural awareness; and optimizing their presence in predominantly Black communities. Of course, the sector is already increasing its investments in diversity and equity. These strategies can help individual companies achieve those goals more rapidly.

Unrealized demand for financial services and products

Our research shows that Black survey respondents are especially eager to grow and protect their wealth compared with non-Black respondents, making up for historical gaps. Moreover, compared with other racial groups, Black Americans are more concerned about saving for emergencies, paying mortgages and monthly bills, and not burdening their families with debt should they die prematurely.[8]

More than half of Black survey respondents—ten percentage points more than non-Black respondents—said they are looking to increase spending on financial services and explore new products and services. Specifically, they want solutions that help build long-term wealth, including products for retirement planning (33 percent of

[1] For more on the racial wealth gap, see Nick Noel, Duwain Pinder, Shelley Stewart III, and Jason Wright, "The economic impact of closing the racial wealth gap," McKinsey, August 12, 2019.
[2] "Disparities in wealth by race and ethnicity in the 2019 Survey of Consumer Finances, accessible data," Board of Governors of the Federal Reserve System, September 28, 2020.
[3] Our analysis excludes pensions and social security from insurance.
[4] *2017 FDIC national survey of unbanked and underbanked households*, Federal Deposit Insurance Corporation (FDIC), October 2018.
[5] One notable example is in mortgage applications. See Nicole Bachaud, "Black mortgage applicants denied 84% more often than White borrowers," Zillow, January 13, 2022.
[6] For our purposes, "consumer spending" refers to the estimated amount consumers spend on mortgage payments, interest, insurance premiums, membership costs, and fees associated with account management and maintenance and credit cards. It is, therefore, not equivalent to the revenue that financial institutions would earn from these transactions.
[7] The 2021 McKinsey Institute for Black Economic Mobility Consumer Survey collected information from 500 respondents in the banking sector (202 Black and 298 non-Black respondents) and 500 respondents in the insurance sector (202 Black and 298 non-Black respondents).
[8] Elizabeth A. Caswell, "Black Americans: Fueling the expansion of U.S. life insurance ownership," LIMRA, January 26, 2022.

respondents), financial planning (31 percent), and wealth management (26 percent). They are also more likely to prioritize life insurance than non-Black respondents: 28 percent of Black respondents think life insurance is the most important insurance product, compared with only 18 percent of non-Black respondents.

Although wealth creation is their long-term goal, in the short term, some Black consumers may be falling into destructive financial paths. For example, Black Americans are overrepresented among users of high-interest payday loans, which are usually offered by nonmainstream financial institutions that are not minority depository institutions (MDIs) or community development financial institutions (CDFIs).[9] Although they make up only 13.6 percent of the US population,[10] Black consumers represent 23.0 percent of storefront payday loan customers.[11]

Black consumers' aspirations of wealth creation are thwarted by a few layers of compounding challenges. In addition to lower levels of financial literacy compared to their White peers,[12] Black consumers have limited access to wealth-building financial products and services such as physical bank branches in predominantly Black neighborhoods.[13] Black communities also have higher concentrations of nontraditional banks and non-MDI, non-CDFI payday lenders.[14] When Black consumers do access financial institutions, they receive unfavorable terms (such as higher account minimums) and lower approval rates for financial products such as mortgages.[15]

These challenges are reflected in our finding that incumbent providers of financial products and services are not currently serving Black consumers

Incumbent providers of financial products and services are not currently serving Black consumers well at scale. Black consumers have lower satisfaction scores than non-Black consumers for every major offering from the financial-services industry except credit cards.

9 For more on minority depository institutions, see "Minority depository institutions program," Federal Deposit Insurance Corporation (FDIC), June 9, 2022; for more on community development financial institutions, see "CDFI certification," Community Development Financial Institutions Fund (CDFI Fund), accessed August 9, 2022.
10 "QuickFacts," US Census Bureau, 2021.
11 Jean Cyprien, "The racial wealth gap and payday loans," University of North Georgia Student Money Management Center, accessed July 29, 2022.
12 Andrea Hasler, Annamaria Lusardi, and Paul J. Yakoboski, *Financial literacy, wellness and resilience among African Americans*, Global Financial Literacy Excellence Center (GFLEC) and TIAA Institute, September 2, 2020.
13 Kristen Broady, Mac McComas, and Amine Ouazad, "An analysis of financial institutions in Black-majority communities: Black borrowers and depositors face considerable challenges in accessing banking services," Brookings Institution, November 2, 2021.
14 Claire Williams, "'It's what we call reverse redlining': Measuring the proximity of payday lenders, pawn shops to Black adults," Morning Consult, July 23, 2020.
15 "Black mortgage applicants," January 13, 2022.

well at scale. Black consumers have lower satisfaction scores than non-Black consumers for every major offering from the financial-services industry except credit cards (Exhibit 1).

Black respondents to our survey cite high account maintenance fees and interest rates on loan products as deterrents to opening new accounts with traditional retail banks. Although some traditional banks have eliminated some fees,[16] Black consumers are increasingly drawn to a broad range of emerging digital products such as digital-only banks (also known as neobanks), which are convenient and offer affordable alternatives to traditional banking. Fourteen percent of Black adults now consider a digital bank to be their primary provider, compared with 8 percent of White adults.[17] Black respondents to our survey also were 30 percent more likely to use digital-payment services to send or receive money from friends and family.

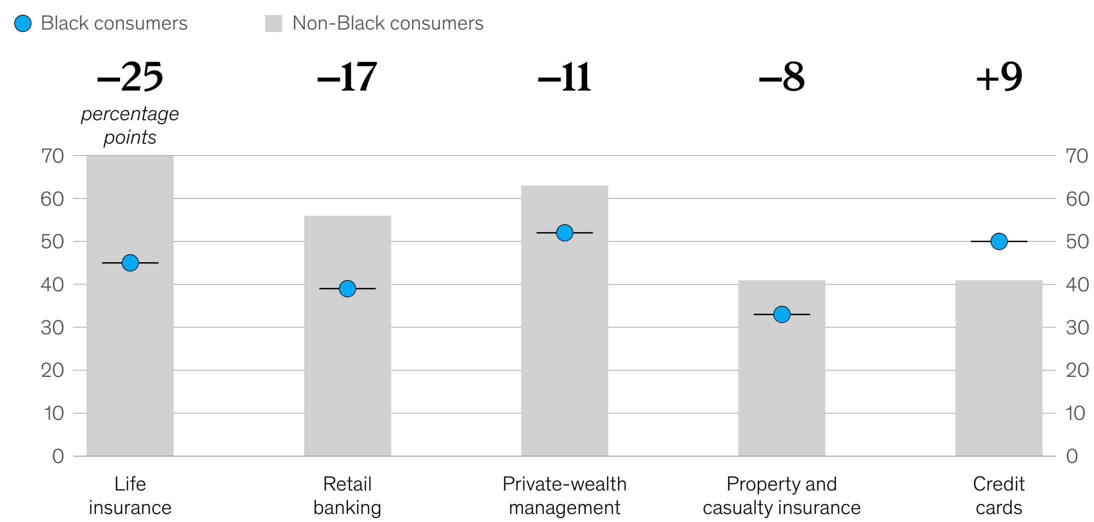
Our survey suggests that Black consumers will continue to explore new fintech products and services. Compared with non-Black consumers, Black consumers are ten percentage points more likely to discover new financial products through social media and seven percentage points more likely to listen to recommendations from peers. In this context, traditional banks have an opportunity to boost Black consumers' use of their digital channels. Only 33 percent of Black respondents use mobile banking, and 20 percent use online banking—a combined six percentage points lower than non-Black respondents to our survey.[18]

Consistent with our previous research, Black consumers seek fairness and transparency from their financial institutions.[19] Consider the high rates of implied dissatisfaction in our survey results: 18 percent of Black respondents said they would not recommend their bank (compared with 14 percent of

Exhibit 1

Black consumers are generally less satisfied than their non-Black peers with financial offerings.

Customer satisfaction score for Black and non-Black respondents,[1] %



[1]Customer satisfaction score calculated as promoter % minus detractor %. Question: "How likely are you to recommend the following brands to a friend?" People who answered 9–10 were classified as promotors, and those who answered 0–6 were classified as detractors.
Source: McKinsey Institute for Black Economic Mobility Consumer Survey, 2021; n = 404 Black respondents, 596 non-Black respondents

[16] Elizabeth Dilts Marshall, "Bank of America, Wells Fargo scrap some overdraft fees as regulatory scrutiny grows," Reuters, January 11, 2022.
[17] Charlotte Principato, "The Black banking experience is digital, but banking leaders must understand why," Morning Consult, February 22, 2022.
[18] These figures represent averages from our consumer survey. Banks with market-leading digital performance have been able to achieve higher digital and mobile penetration.
[19] "Black consumers: Where to invest for equity (a preview)," McKinsey, December 15, 2021.

non-Black respondents), and 20 percent said they would not recommend their insurer (compared with 12 percent of non-Black respondents). High fees are a top complaint about banking and credit card services, and value for money is the top complaint about insurers.[20] Meanwhile, Black respondents are more likely than non-Black respondents to prioritize an insurer's reputation and trustworthiness when buying life insurance and to cite explicit commitments to racial equity as leading criteria in choosing a provider.

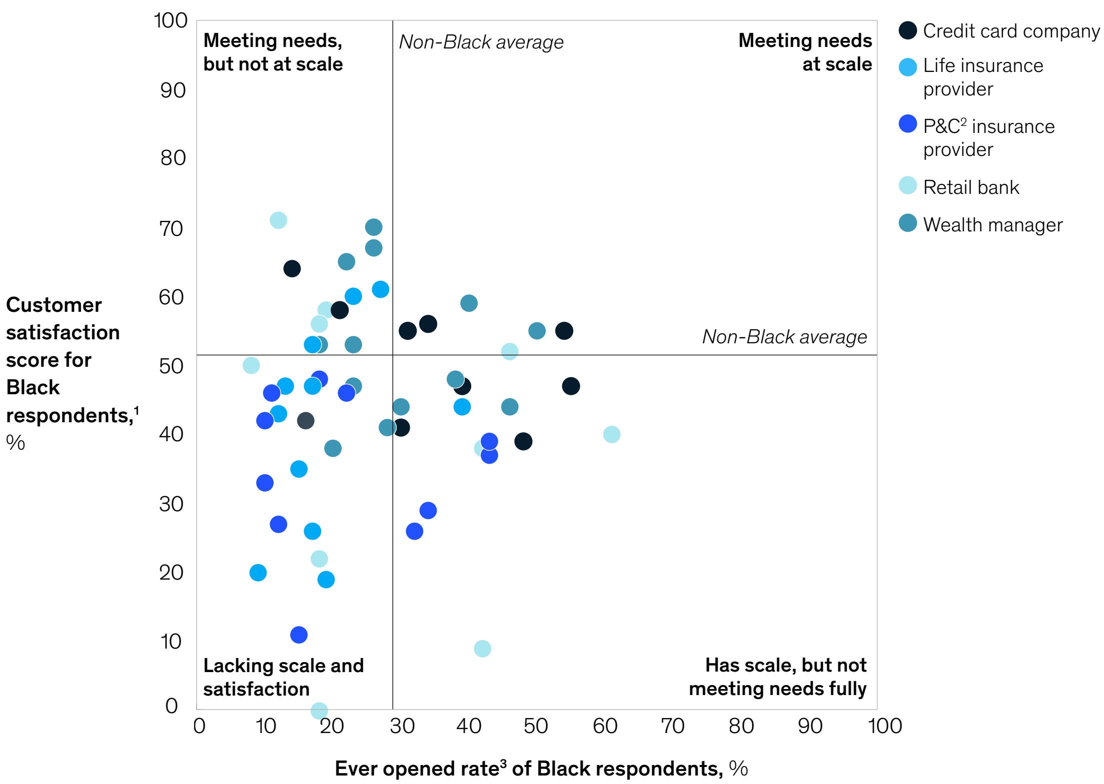
Five commercial strategies for institutions

The financial-services industry is already increasing its investments in diversity and inclusion, but it is a long-term effort, and results can be slow. Only 2.6 percent of senior employees in financial services are Black,[21] and our analysis shows that only six companies effectively meet Black respondents' needs at scale (Exhibit 2).

Exhibit 2

Most financial-services companies are not meeting Black consumers' needs at scale.

Only six companies meet Black respondents' needs at scale.



[1]Customer satisfaction score calculated as promoter % minus detractor %. Question: "How likely are you to recommend the following brands to a friend?"
[2]Property and casualty.
[3]"Ever opened rate" is the percentage of Black respondents who have ever opened an account or line of credit with one of the listed types of financial institutions.
Source: McKinsey Institute for Black Economic Mobility Consumer Survey, 2021; n = 404 Black respondents, 596 non-Black respondents

[20] Some companies have introduced credit cards with no late fees to address these challenges.
[21] Laura Noonan and Taylor Nicole Rogers, "Share of black employees in senior US finance roles falls despite diversity efforts," *Financial Times*, March 30, 2021.

Companies can implement five strategies to better and more equitably serve Black consumers—and earn a bigger piece of a $225 billion pie.

Develop personalized financial products to help build and maintain wealth

Given the hurdles that Black consumers face when accessing wealth-building products, the salience of high fees for Black consumers, and Black consumers' outsize emphasis on economic safety, personalized products are perhaps the best way to help consumers cultivate, protect, and grow their wealth. Products that emphasize continuous financial education and a holistic view of customers' financial profiles can help Black consumers make savvy decisions while exploring new and innovative financial products tailored to their specific needs.

When developing these products, more financial institutions should eliminate fees, such as overdraft charges, that disproportionately affect specific customer segments and should instead introduce alternative fee structures to offer greater flexibility to customers based on their income profile and financial goals. For example, one neobank has no monthly minimum balance requirements for checking accounts and does not impose account fees. It also waives fees for overdrafts of less than $200. Another wealth manager has no advisory fees on assets below $10,000. Insurers could also develop financial-planning capabilities to help customers plan premium payments and reduce the risk of nonpayment.

At the same time, credit card companies should be transparent about rates and rewards, clearly explaining the implications for consumers' monthly financial outlook. Product innovation will also be valuable to offer a wider range of reward structures to help customers improve their creditworthiness. For instance, one neobank provides a no-fee, zero-interest credit card aimed at helping its customers build credit.

For insurers, equitable underwriting will be key. The specifics of successful underwriting operating models can vary,[22] but insurers have the opportunity to win over Black consumers by treating them well—starting with offering equitable premiums—and effectively communicating the value of insurance. Insurers should assess the algorithms they use to develop risk profiles to ensure that Black consumers pay fair premiums, especially compared to non-Black consumers of the same profile. For auto insurance in particular, factors unrelated to driving, such as marital status and zip codes, can produce racially inequitable underwriting results even when models were not designed with race in mind.[23]

Develop tailored solutions for short-term financing needs

The need for short-term cash may be difficult to avoid, but mainstream financial institutions can help Black consumers avoid punitive payday loans' high interest rates, which can reach up to 400 percent per year.[24] To protect more of Black consumers' wealth, financial-services companies can develop or invest in scaling products that meet consumers' short-term and emergency cash needs while continuing to help consumers build wealth sustainably—and clearly communicate any risks and terms. Alternative products include interest-free short-term financing solutions such as buy-now-pay-later programs and minority-focused lending programs.

In fact, Black consumers already use buy-now-pay-later solutions at higher rates than the US population as a whole.[25] This suggests an opportunity to develop products to help Black consumers

[22] For more, see Ari Chester, Susanne Ebert, Steven Kauderer, and Christie McNeill, "From art to science: The future of underwriting in commercial P&C insurance," McKinsey, February 12, 2019.
[23] "Systemic racism in auto insurance exists and must be addressed by insurance commissioners and lawmakers," Consumer Federation of America, June 17, 2020.
[24] David Lazarus, "There's a racial gap in marketing by banks and payday lenders, study finds," *Los Angeles Times*, April 9, 2021.
[25] Claire Williams, "'Buy now, pay later' users significantly more likely to overdraft than nonusers," Morning Consult, March 2, 2022.

Financial institutions should consider streamlining their processes and requirements to make opening and maintaining accounts less cumbersome for Black customers, who might be wary of the burden of the process.

purchase necessities. Consider that the average Black American spends a higher share of income on groceries than the average White American.[26] One fintech already offers a digital card that customers can use for specific types of purchases, including digital subscriptions.

Traditional institutions could also consider connecting consumers with peer-to-peer lending platforms. One company provides emergency loans of up to $1,000 for unexpected financial situations through a peer-to-peer program.

Make account-opening and -management processes and requirements simpler and more convenient

In every industry we studied, inconvenience contributes to Black consumers' dissatisfaction.[27] In financial services, complex processes for opening and managing accounts can be burdensome to lower-income consumers, a group that is disproportionately Black. Financial institutions should consider streamlining their processes and requirements to make opening and maintaining accounts less cumbersome for Black customers, who might be wary of red tape and the burden of the process. Companies should also adapt user interfaces and user experiences across channels for individual customers' preferred activities based on company-specific customer insights.

Banks should reevaluate their account-opening process to eliminate any factors that may disproportionately affect Black consumers. For instance, banks can simplify loan applications to eliminate any documents that are not strictly required to assess creditworthiness and that disproportionately complicate the process for low-income borrowers. For example, proof of employment may be difficult to obtain for consumers who have incomes from nontraditional sources, such as freelance and gig work. One Black-founded fintech aims to shrink the wealth gap and build credit for immigrants and minorities by reporting rent payments to credit agencies to help build users' credit histories.

[26] Bureau of Labor Statistics Consumer Expenditure Survey. See also our research on Black consumers' needs in food: Ayebea Darko, Sheldon Lyn, Sara Prince, and Shelley Stewart III, "Nourishing equity: Meeting Black consumers' needs in food," McKinsey, June 1, 2022.
[27] "Black consumers: Where to invest," December 15, 2021.

In insurance, companies should simplify claims processes to ensure that consumers can quickly submit claims and receive payouts. Given Black respondents' interest in financial planning and apprehension about high premiums, insurers can also consider embedding personalized payment timelines within insurance quotes to help consumers more easily make decisions about new policies.

Ensure inclusive, culturally intelligent customer service and marketing campaigns

Consistent with the broad investments in equity for Black consumers we have outlined elsewhere,[28] communications and customer service departments should facilitate relationships and build trust with Black consumers seeking to achieve their financial goals.

Companies should uphold customer service and adviser standards that eliminate biases and ensure Black customers are welcomed and treated equitably. In particular, companies should use customer feedback to inform employee diversity and unconscious-bias trainings for financial advisers and customer service representatives.

With marketing campaigns, partnerships with Black-owned media companies may help industry players access relevant insights, develop an understanding of Black consumers, and create messages that resonate. One insurer spent $1.3 billion in 2020 on ads in Black media. Another spent $138 million in 2020 on ads that featured diverse talent.

To rebuild trust with Black communities, institutions should supplement traditional marketing with community engagement. Collaboration and engagement with Black communities through trusted cultural and civic organizations, as well as partnerships and support for Black-owned banks, can help. One national bank set up a loan facility to purchase loans from MDIs, freeing up their balance sheets to continue investing in their communities.

Optimize presence in Black communities

Financial institutions can use their presence in Black communities to increase Black consumers' access to wealth-preserving and wealth-building tools.

One place to start is digital channels. Black consumers are more likely to own a smartphone and use it more frequently than White consumers.[29] Black consumers also use mobile banking but are often overlooked as digital consumers. Consistent with the Community Reinvestment Act,[30] banks could expand their presence in low-income neighborhoods through digital channels, an action that can have outsize benefits for Black consumers given their disproportionate representation in low-income brackets. To achieve this, mainstream financial institutions could partner with digital platforms that have credibility and traction within Black communities to target Black consumers' financial challenges. Services concerning financial education and support for student debt can be good places to start, since those issues affect a higher share of Black Americans than White Americans.[31]

Simple and engaging user experiences and accessibility are also valuable. One national bank increased digital adoption by investing in functionalities that customers value, including the ability to manage their entire financial profile across banking, investing, borrowing, and retirement. The number of the bank's customers accessing investment features through mobile nearly doubled.

[28] Ibid.
[29] Michael Chui, Brian Gregg, Sajal Kohli, and Shelley Stewart III, "A $300 billion opportunity: Serving the emerging Black American consumer," *McKinsey Quarterly*, August 6, 2021.
[30] "Community Reinvestment Act," Federal Financial Institutions Examination Council, April 14, 2022.
[31] For more on financial literacy, see *Financial literacy,* September 2, 2020; for more on student debt, see Judith Scott-Clayton and Jing Li, *Black-white disparity in student loan debt more than triples after graduation*, Brookings Institution, October 20, 2016.

In the physical realm, traditional institutions such as banks could partner with entities that already have a strong physical presence or recognition in Black communities. Banks could also make more direct investments in Black communities beyond their current involvement with CDFIs, which are targeted at low-income communities.

Assessing Black communities' needs and understanding the impact actions could have on those communities will be critical in ensuring equitable access. Decision makers should use localized insights to assess the potential effect on Black communities before opening, closing, or making major changes to branches. For instance, institutions in predominantly Black communities may emphasize financial education and take a nontraditional approach to sales to Black consumers.

Providers of financial services and products can help Black consumers build economic security. Continuing to invest—strategically—in ongoing efforts to provide equitable and inclusive service will be key.

Samuel Abrams is a consultant in McKinsey's New York office, where **Shelley Stewart III** is a senior partner. **Munya Muvezwa** is a partner in the Charlotte office, and **Tawanda Sibanda** is a partner in the Bay Area office.

Nourishing equity: Meeting Black consumers' needs in food

Retailers and restaurants have an opportunity to give Black consumers equitable access to the foods they want.

by Ayebea Darko, Sheldon Lyn, Sara Prince, and Shelley Stewart III

© Tassii/Getty Images

Food is a potent carrier of culture, community, and identity for every group. For Black Americans, food binds families and communities as the centerpiece of gatherings such as Sunday dinners, crayfish boils, and graduation dinners.

While the function of food is common across groups, equitable access is not. Inequitable food access holds back human development and creates disparate health outcomes for Black Americans.[1] Beyond considerations of equity, the strategic stakes for food retailers and restaurants are also significant. Black consumers' spending on food is expected to grow by 5 percent per year, and our analysis shows that $340 billion in cumulative spending (in nominal dollars) will be at stake from 2022 to 2030.[2]

Our research on Black consumers' experiences with food, conducted in 2021, revealed five preferences. Black consumers want offerings that are culturally relevant and convenient, facilitate healthy habits, demonstrate good value for the price, and allow them to experience new foods.

Companies can better meet these preferences and challenges by expanding their offerings with Black consumers in mind, frequently testing new concepts and offerings, investing in e-commerce, optimizing their physical presence in Black communities, upgrading in-store experiences, and engaging with customers to build loyalty. These strategies are specific to grocery retailers and restaurants and should be implemented in parallel with overall efforts to build diverse organizations that facilitate those equity goals.[3] The health of communities is at stake.

Needs and preferences that drive Black consumers' food spending

Food insecurity—the lack of reliable access to affordable, nutritious food—disproportionately affects Black Americans: over the past 20 years, Black households have been twice as likely as White households to experience food insecurity.[4] This dynamic exists even in the largest markets for Black consumer food spend (Exhibit 1).

At the same time, supermarket redlining—the disinclination of major grocery chains to open or maintain stores in disproportionately Black, low-income communities—limits choices while driving up prices for the food options that are available. Counties with higher-than-average Black populations tend to have more convenience stores and fewer fresh food options compared to counties with lower-than-average Black populations. Those counties have about 1.2 convenience stores for every convenience store in a county with a lower-than-average Black population.[5]

Black consumers want offerings that are culturally relevant and convenient, facilitate healthy habits, demonstrate good value for the price, and allow them to experience new foods.

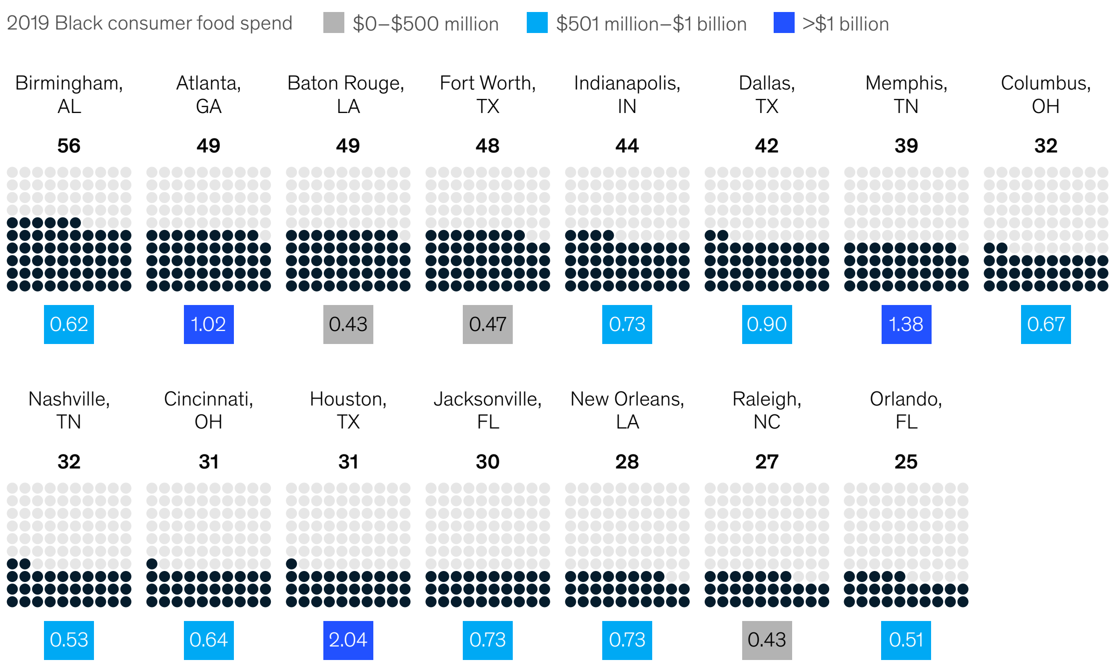
[1] For more on inequitable health outcomes, see Aria Florant, Nick Noel, Shelley Stewart, and Jason Wright, "COVID-19: Investing in Black lives and livelihoods," McKinsey, April 14, 2020.
[2] Projections come from McKinsey analysis using data from the 2019 US Census Bureau American Community Survey, the US Bureau of Labor Statistics Consumer Expenditure Survey, and Moody's Consumer Price Index (CPI) and population forecasts.
[3] For more, see "Black consumers: Where to invest for equity (a preview)," McKinsey, December 15, 2021.
[4] "Food security status of U.S. households in 2020," US Department of Agriculture, April 22, 2022.
[5] Food Environment Atlas, US Department of Agriculture, December 18, 2020.

Serving Black consumers equitably requires more than simply opening grocery stores. Retailers and restaurants should also respond to Black consumers' preferences.

Exhibit 1

Limited food access affects Black consumers in even the largest metro markets.

Black population living in a food desert,[1] %



National average = 21%

[1] Based on the USDA Food Access Research Atlas (2010 data).
Source: US Bureau of Labor Statistics Consumer Expenditure Survey, 2019; US Census Bureau American Community Survey, 2019

Serving Black consumers equitably requires more than simply opening grocery stores. Retailers and restaurants should also respond to Black consumers' preferences. For example, Black consumers value culturally relevant products, healthy habits, convenience, value for money, and experimentation more than non-Black consumers do (Exhibit 2).

Consider that Black consumers' spending on food is projected to grow by 5 percent per year from an estimated $120 billion in 2021 to up to $200 billion in 2030 (in nominal dollars). Notably, $20 billion to $40 billion of annual spending will come from dissatisfied consumers. Companies that win these consumers' dollars and loyalty could attract a share of this spend and—according to our analysis—increase their spending on food by $4 billion to $7 billion per year. This opportunity will be worth $340 billion from 2022 to 2030.

Culturally relevant offerings

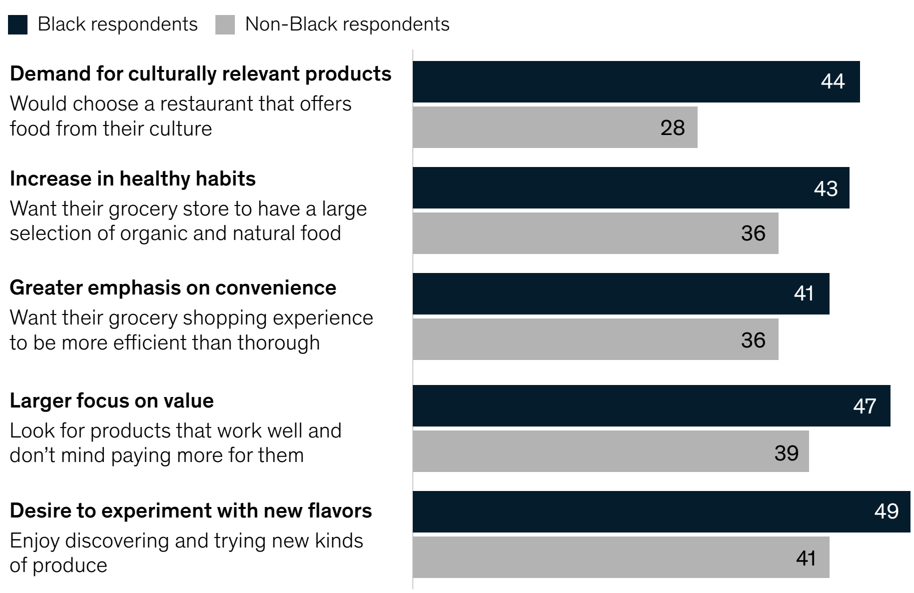
Cultural affinity matters. Consumption driven by cultural and social values is on the rise in the United States.[6] Black consumers surveyed by McKinsey indicated that they seek restaurants that are related to their cultural or national heritage; they are nearly twice as likely as non-Black respondents to choose a restaurant if it offers a menu specializing in food from their culture or country of origin and four times as likely as non-Black respondents to switch their spending to a restaurant or grocery store if it is Black-owned.

Although a growing number of grocery chains stock Black-owned food brands, these brands are not necessarily identifiable as Black-owned to consumers. This is a missed opportunity for brands and retailers. Grocery stores also tend to relegate their culturally diverse foods to an aisle—or a few—dedicated to ethnic and international foods,[7] which

Exhibit 2

Black consumers have five distinct preferences compared with their non-Black peers.

Differences in consumer preference, % of respondents



Source: McKinsey Institute for Black Economic Mobility Consumer Survey

[6] "The rise of the inclusive consumer," McKinsey, February 8, 2022.
[7] Priya Krishna, "Why do American grocery stores still have an ethnic aisle?," *New York Times*, August 10, 2021.

forces Black consumers into a different shopping experience than the average shopper.

Healthy habits

The COVID-19 pandemic has further accelerated an existing shift toward healthier food options for Black Americans.[8] Consider that while only 3 percent of the general population is vegetarian or vegan, 8 percent of Black Americans are.[9]

Our research shows that Black respondents prioritize organic options and fresh food, allocating a higher share of their grocery spending to fresh produce, meat, and seafood instead of frozen food or beverages. When dining out, most Black respondents are eight to 15 percentage points more likely to prioritize restaurants that use fresh and healthy (or "clean") ingredients.

Most large grocery stores already incorporate customer feedback and data in merchandising decisions. However, brands' promotion and advertising strategies often translate into more advertising for less-healthy, more-processed foods targeted at Black and Hispanic and Latino consumers. This dynamic can make it more difficult for Black consumers, especially those in low-income areas, to buy healthier foods despite a stated preference for them.[10]

Convenience

Black consumers look for convenience, specifically by reducing the number of grocery stores they visit and shortening the time they spend shopping either in store or via digital channels. Our survey found that in search of this convenience, Black respondents prefer to visit grocery stores with large product assortments; assortment is the third most important consideration in Black respondents' purchasing decisions but only the seventh most important for non-Black respondents.

The drive for convenience—and safety during the COVID-19 pandemic—has shifted a significant amount of the grocery business to e-commerce. Many grocers saw 20 to 30 percent of their business shift online.[11] Our survey showed that while brick-and-mortar stores are still the preferred channel for Black consumers' grocery shopping, 22 percent of their grocery purchases happen online, through either the grocer's website or a third-party delivery service. Most respondents expect their use of online services to increase or stay at the same level.

Value for money

Black consumers also place more emphasis on value for money than non-Black consumers. It is the sixth most important factor in choosing a grocery store; for non-Black respondents, it is the 16th. And when dining out, Black respondents are more likely than non-Black respondents to focus on whether the menu offers specials as well as how much food the restaurant offers for the price.

While Black consumers are cost-conscious shoppers, they are more likely to prioritize quality for the price. Forty-seven percent of Black respondents will look for products that work well, and they don't mind paying more for them (compared to 39 percent of non-Black respondents). However, products sold in predominantly Black communities tend to carry higher prices than the same products sold elsewhere without a corresponding increase in quality, which can lead to increased purchases of unhealthy foods and more visits to fast-food restaurants as Black families are forced to make trade-offs.[12]

New experiences with food

Finally, Black consumers enjoy experimenting with new and different foods while grocery shopping and dining out; they also seek out recommendations

[8] For more on the current state of grocery in North America, see Bill Aull, Anuja Desikan Perkins, Sajal Kohli, and Eric Marohn, "The state of grocery in North America," McKinsey, June 8, 2021; for more on Black Americans' health during the COVID-19 pandemic, see "COVID-19: Investing in Black lives and livelihoods," April 14, 2020.
[9] Vidya Rao, "Black and vegan: Why so many Black Americans are embracing the plant-based life," *Today*, February 26, 2021.
[10] Chaseedaw Giles, "What does it say about your neighborhood if the supermarket isn't so super?," *Boston Globe*, February 15, 2022.
[11] Bill Aull, Steven Begley, Vishwa Chandra, and Varun Mathur, "Making online grocery a winning proposition," McKinsey, July 2, 2021.
[12] "The grocery gap," Food Trust, accessed March 30, 2022.

from their friends.[13] More than their counterparts, Black consumers enjoy discovering new kinds of fresh produce, trying new recipes, and eating meals that reflect current food trends. In fact, Black respondents are eight percentage points more likely than non-Black respondents to want to try new produce or recipes and ten percentage points more likely to choose a full-service restaurant because it offers on-trend menu items. This preference for exploration might explain why Black consumers continue to seek out engaging and supportive customer experiences when in store. Indeed, Black respondents are ten percentage points more likely than non-Black respondents to examine products in store and seven percentage points more likely to choose a store where they can get help or advice.

Strategies to meet Black consumers' needs

Several strategies can help companies respond to Black consumers' preferences and meet their needs. While the relationship between businesses and consumers should continuously evolve, decision makers should implement these strategies now.

Expand options

Black consumers are willing to go outside their comfort zone to experiment with and explore new foods, but they still want healthy options that evoke Black culture and community. Grocery stores and restaurants can meet this need by expanding their offerings to include more culturally relevant and healthy food options.

Grocery stores should dedicate more shelf space and in-store events (such as demonstrations and pop-ups) to culturally diverse foods, including products from Black-owned brands. Black-owned food brands often have strong identities and histories that resonate with Black consumers more deeply than general food products do. Stores should support these brands with tactics such as in-store events and merchandise them within the existing aisle structure (instead of within ethnic aisles) to ensure that Black consumers have the same shopping experience as White shoppers. Companies could also go further by developing inclusive procurement practices and investing in Black-owned brands to help them scale.

One major grocery chain provided shelf space to almost 40 local vendors in its store in a historically Black neighborhood. Positive results from this store prompted the chain to merchandise the vendors' products in multiple locations throughout the city. This chain also partnered with a specialty vendor to offer West African foods in 50 of its locations across the country.[14] That specialty vendor has since expanded its products to four other national grocery chains.[15]

Create healthy-food test kitchens—and aisles

Novel, healthy concepts can not only meet Black consumers' demand for healthy food but also help grocery stores and restaurants respond to Black consumers' greater interest in trying new offerings.[16] Retailers, food brands, and restaurants can all use regional customer insights to adapt trends in wellness and healthy cooking for Black consumers' preferences.

Retailers and restaurants can engage Black consumers by expanding new offerings. For example, one Black-owned store in Washington, DC, runs an interactive spice bar that creates unique flavor combinations with spices and herbs. The online store also releases a curated box of spices

[13] "Black consumers," December 15, 2021.
[14] Racquel Coral, "Couple launches AYO Foods a West African meal line in Whole Foods," *Chicago Defender*, August 29, 2020.
[15] AYO Foods, "AYO Foods expands nationwide, achieving 80x increase in distribution just one year after launch," PR Newswire, October 11, 2021.
[16] For more on word of mouth and Black consumer segments, see "Black consumers," December 15, 2021.

every month to regularly give customers new experiences. To support Black entrepreneurship, the store has also hosted hundreds of free pop-ups for Black-owned businesses.

Optimize physical presence in underserved communities

Convenience for Black consumers is intertwined with access to quality options. For this reason, grocery stores and restaurants should focus on addressing food insecurity in underserved Black communities, particularly food deserts, by optimizing their physical presence to address local needs.

In expanding their physical footprints, grocery stores should gather localized insights to make data-driven decisions on where to place new locations as well as which specific products, store formats, and customer service models would work best for these predominantly Black communities. For example, access ratings and scorecards can help companies make sure they are not perpetuating biased footprint decisions that reinforce supermarket redlining and negatively affect Black consumers and communities.

Innovative alternatives to small-format grocery stores (for example, mobile markets) can be an effective way to bring fresh, affordable foods to underserved communities and build relationships with Black consumers by serving those specific neighborhoods well. For instance, one regional grocery chain recently introduced mobile markets in food-insecure neighborhoods that have no access to full-service grocery stores.

Invest in e-commerce

As a result of the COVID-19 pandemic, retailers and restaurants had to adapt their services to accommodate the surge of online purchasing and ordering. The trend is unlikely to reverse.

Grocers and restaurants should invest in scaling their e-commerce offerings through in-house solutions or partnerships with third-party grocery and food delivery services. Joining ecosystems and forming these partnerships can provide quick access to e-commerce capabilities such as scale and infrastructure. For companies with sufficient resources and commitment, investments in in-house e-commerce platforms can help build direct relationships with customers, access real-time customer data, and experiment and innovate as needed.

When done right, e-commerce makes the shopping process more convenient for Black consumers. Infrastructure for curbside and in-store pickup can create a seamless experience for customers and for retailers and restaurants.

Innovative alternatives to small-format grocery stores can be an effective way to bring fresh, affordable foods to underserved communities and build relationships with Black consumers.

Elevate in-store experiences
Achieving better in-store experiences for Black consumers requires changes to the human elements of the store as well as to the decidedly nonhuman.

To ensure that Black consumers feel welcome and have the same shopping experience as other consumers, companies should invest in policies and customer service training on topics such as anti–racial profiling. Store layouts should also be designed so products targeted toward Black consumers are displayed and presented with the same care and approach as other products.

For both restaurants and grocery stores, balancing tech-enabled store elements and supportive staff is essential. One grocery chain has begun to free up staff for customer interactions by implementing mobile-checkout technology. In restaurants, contactless ordering is becoming the standard. For financial and operational reasons, restaurant decision makers should consider going beyond digital menus and reservations to allow customers to both order their meals and settle their bills digitally. Fully integrated restaurant systems free service staff to focus on guest experience and speed up table turnover.[17]

Engage with Black consumers to earn their loyalty
Retailers and restaurants should engage Black consumers and build loyalty. In addition to offering convenience, e-commerce platforms can help retailers and restaurants get closer to consumers and offer inclusive, personalized, and localized advertising and promotions on the products Black consumers value. For instance, e-commerce platforms can help highlight Black-owned brands and new culturally relevant menu items and encourage consumers to explore food and recipes. One national grocery chain responded to the growing interest in healthy living by launching a program that helps consumers set a personal, physical, or spiritual intention for the year in exchange for a chance to win a bundle of health and wellness products.

Because Black consumers are more likely than their non-Black counterparts to seek out recommendations from friends and family before visiting a new grocery store or restaurant,[18] referral-based promotions and offers can help grocery chains and restaurants build their word-of-mouth strategies, as long as those promotions are supported by products that fit Black consumers' preferences.

Equitable access to food is more than a basic need. It is a way to help Black consumers build the food cultures that are culturally and emotionally resonant without constraints. The key is to listen to what Black consumers want and respond.

[17] "3 benefits of fully integrated restaurants," *Restaurant Business*, August 2, 2021.
[18] "Black consumers," December 15, 2021.

Ayebea Darko is a consultant in McKinsey's Boston office, **Sheldon Lyn** is a partner in the Southern California office, **Sara Prince** is a partner in the Atlanta office, and **Shelley Stewart III** is a senior partner in the New York office.

Rules of the road: Equitably serving Black automotive consumers

Black consumers’ automotive spending is projected to grow, and companies have opportunities to create more equitable experiences.

by Aaron Aboagye, Samuel Abrams, Shelley Stewart III, and Ammanuel Zegeye

Cars have long represented status, freedom of movement, and—at various times in the United States—an expression or assertion of full citizenship. For Black Americans, the symbolism is sharp: cars have historically functioned as a means of escape from severe segregation. For many Black Americans, cars are still a form of self-expression, especially when customization is part of the conversation.[1] In the aftermath of the COVID-19 pandemic, our research shows that many Black Americans will spend more on private vehicles, with many looking to purchase electric cars. McKinsey analysis suggests that Black consumer spending on automotive products will reach $190 billion by 2030.[2]

Companies in the automotive industry have an opportunity to earn the attention and loyalty of Black consumers: McKinsey research conducted after the onset of the COVID-19 pandemic found that Black consumers are more likely than non-Black consumers to want to reduce their use of public transit and ride-hailing. This pattern makes car ownership especially important. Thirty-five percent of Black survey respondents said they are not loyal to a particular auto brand, and our analysis suggests that up to $14 billion (15 percent) of Black consumer spending in the sector will be up for grabs. The number could grow to $25 billion in 2030 (in nominal dollars). However, the relationship between Black consumers and the automotive industry can be fraught, especially when financing is involved.

The question is how companies in the automobile value chain—manufacturers, dealerships, and automotive aftermarket companies—can serve Black consumers better and more fairly. Our research suggests that equitable financing, omnichannel experiences supported by plentiful information, and investments in electric-vehicle (EV) charging networks (in light of surging demand for EVs[3]) are the most important places to start. These actions not only are more equitable but also could increase the loyalty—and spending—of Black consumers.

Needs and preferences that drive spending on autos

Our research found that when Black consumers shop for vehicles, auto parts, and repair services, they place outsize emphasis on affordability and value for money, information and recommendations, and product reliability compared with their non-Black counterparts (Exhibit 1).

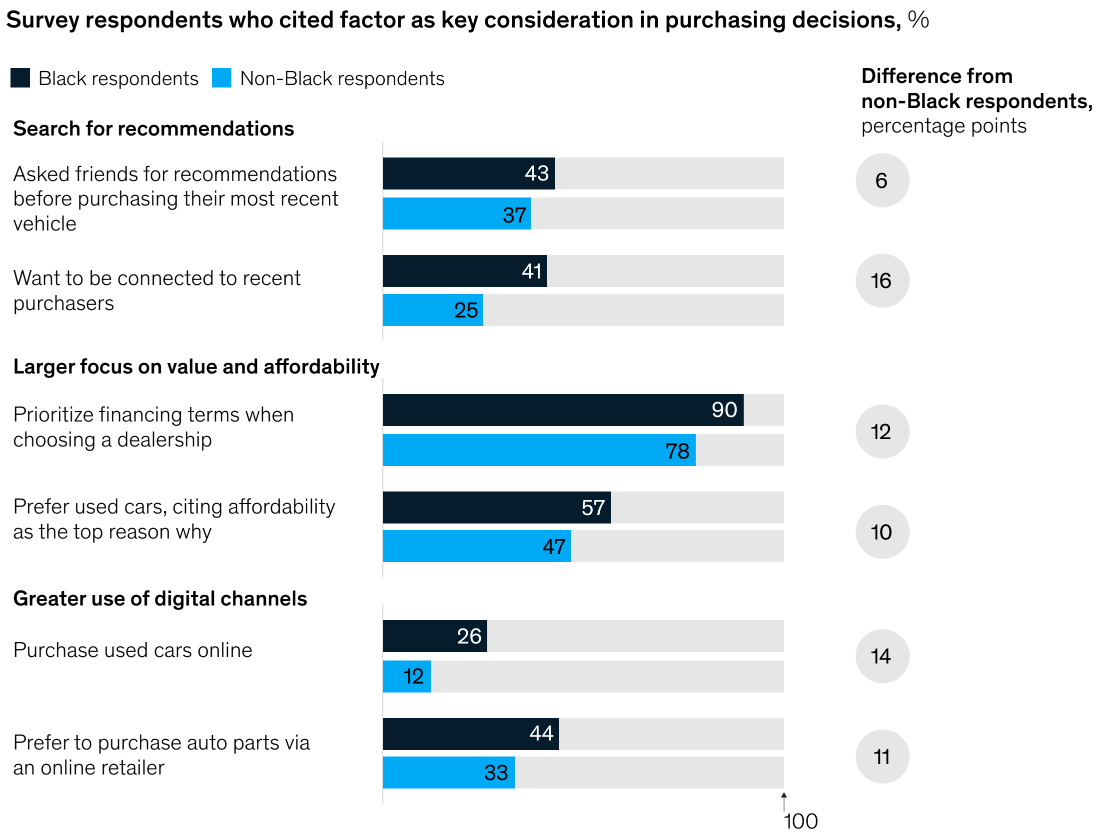
First, consider affordability and value for money. It is the most frequently cited reason among the 57 percent of Black consumers who prefer to buy used cars when shopping for an automobile. (For reference, 47 percent of non-Black consumers prefer a used car.) Ninety percent of Black respondents (compared with 78 percent of non-Black respondents) also listed “the best financing terms” as one of their top three considerations in choosing a new-car dealership. Affordability—particularly the search for the best deal—may also explain why more Black consumers than non-Black consumers (44 percent versus 33 percent) said they like to buy auto parts online. The same outsize preference for digital channels (compared to non-Black consumers) is observed with used cars.

The focus on affordability may be linked to the persistent racial wealth and income gap. In other words, the average Black consumer may simply have less to spend.[4] Experiences of disparate treatment in auto purchasing and financing may also be relevant; Black consumers are twice as likely as White buyers to be charged a dealer markup on their vehicle purchases and are less likely to get approved

[1] For more on custom cars in Black culture, see Kevin Strait, “Lowriders and hip hop culture,” National Museum of African American History and Culture, accessed July 27, 2022.
[2] The spending omits gasoline and oil products, vehicle finance and leasing charges, and auto insurance.
[3] Maximilian Fischer, Nicolaas Kramer, Inga Maurer, and Rachel Mickelson, “A turning point for US auto dealers: The unstoppable electric car,” McKinsey, September 23, 2021.
[4] For more on the wealth gap, see Nick Noel, Duwain Pinder, Shelley Stewart, and Jason Wright, “The economic impact of closing the racial wealth gap,” McKinsey, August 13, 2019.

Exhibit 1

Black consumers prioritize three areas of consideration when shopping for vehicles and other automotive needs.



Source: McKinsey Institute for Black Economic Mobility Consumer Survey

Our research suggests that equitable financing, omnichannel experiences supported by plentiful information, and investments in electric-vehicle (EV) charging networks are the most important places to start.

for car loans compared with White borrowers who have similar credit scores and incomes.[5]

Knowledge and savvy may offer some protection against inequitable treatment. Our research shows that Black consumers tend to value recommendations from friends when making decisions about car purchases or repairs more than their counterparts do, perhaps as a way to address the trust deficit. Black consumers also want more technical information, customer reviews, and insights from social media when they evaluate vehicle options. Even so, 86 percent of Black respondents said they wish they had more information about car features, and 41 percent want to be connected to recent purchasers (a figure higher than for non-Black respondents). Of course, the appetite for information may be linked to the fact that they are seven percentage points less likely than non-Black consumers to have a specific vehicle make in mind before they begin shopping. This desire for recommendations is even more pronounced with used-car purchases: Black respondents were 18 percentage points more likely than non-Black respondents to choose a used-car dealership because it had more knowledgeable sales associates. Black respondents are also four percentage points more likely to seek recommendations from their friends and family when deciding where to buy a used car.

When deciding on a specific vehicle, Black respondents put more stock in emotional factors—such as trust, the brand's perceived reliability, and how proud they will be to own the brand—than non-Black respondents do. Our analysis shows that OEMs that meet or exceed these needs at scale have invested in understanding Black consumers and offering cost-effective and high-performing vehicles. Such brands have a history of specifically courting Black consumers with inclusive marketing and vehicles that lend themselves to customization.[6]

This emphasis on emotional factors is clear with used cars as well: Black respondents are more likely to feel affinity to a brand if they receive recognition from other drivers of the same brand of vehicle (48 percent of Black respondents compared to 36 percent of non-Black respondents).

When it comes to auto parts, we found that a minority of Black consumers prefer to buy parts to bring to mechanics for installation. However, Black consumers who do their own repairs are eight percentage points less likely than non-Black respondents to complete complex installations—such as replacing engines or transmission components.

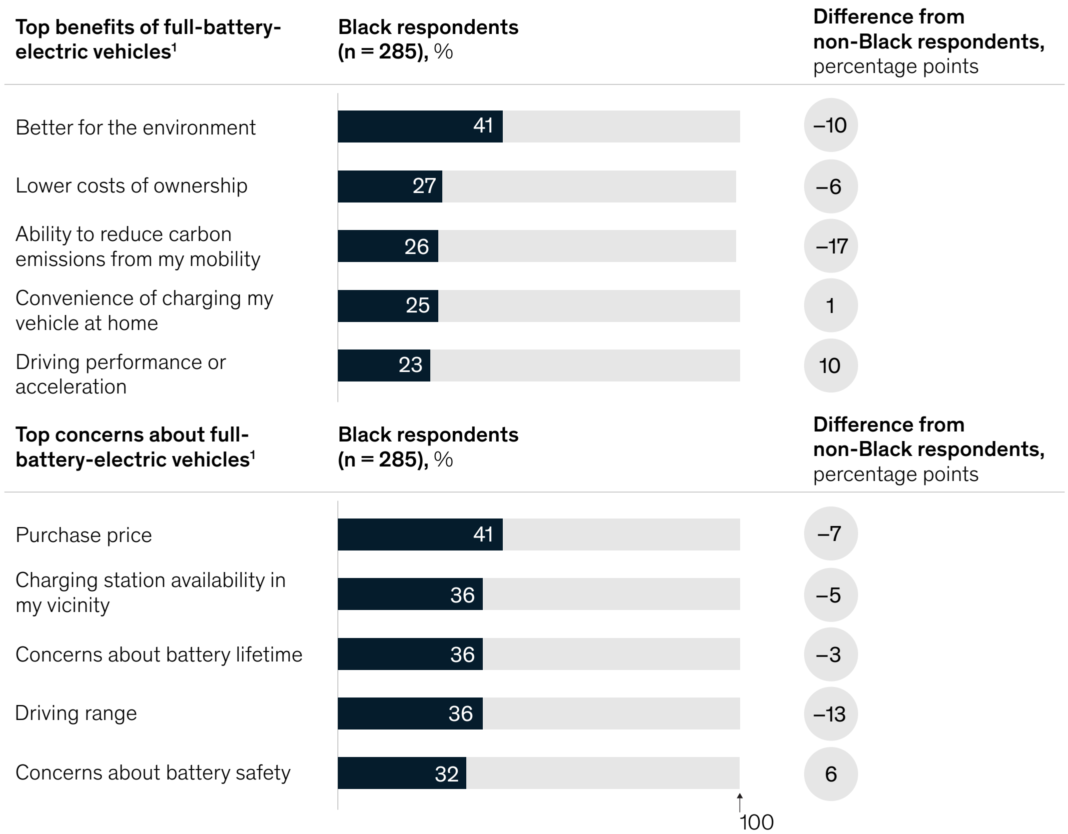
Black consumers and the future of mobility

Most of our research focuses on traditional gas-powered vehicles with internal combustion engines (ICEs), which power most of the cars currently in use. Ninety-six percent of vehicle sales in the second quarter of 2021 were ICE vehicles.[7] The future will be different. By 2030, electric vehicles will most likely make up 53 percent of all new passenger car sales.[8] Black respondents are three times as likely as non-Black respondents to express an interest in trying out new, disruptive mobility trends such as EVs. About 40 percent of Black respondents expect to purchase an EV in the next ten years; lower cost to own and environmental friendliness were cited as key benefits of these cars (Exhibit 2). However, around half also said they would consider buying another ICE vehicle while the EV technology (in particular, driving range and battery life) and charging network develop. These reservations might explain why Black consumers have an outsize preference for test-driving electric vehicles before purchase (38 percent compared with 31 percent of non-Black respondents).

[5] Alexander Butler, Erik Mayer, and James Weston, "Discrimination in the auto loan market," Federal Deposit Insurance Corporation (FDIC), June 25, 2019.
[6] For more on customizations, see "Lowriders and hip hop culture," accessed July 27, 2022; for more on inclusive automotive marketing, see Sapna Maheshwari, "Different ads, different ethnicities, same car," *New York Times*, October 12, 2017, and "Which brands most attract African-American buyers?," Auto Remarketing, April 27, 2011.
[7] "A turning point," September 23, 2021.
[8] Ibid.

Exhibit 2

Black respondents consider environmental upside and lower cost of ownership as key benefits of owning electric vehicles.



[1] Question: "What do you consider to be the top 3 benefits/concerns of full-battery-electric vehicles?"
Source: McKinsey Institute for Black Economic Mobility Consumer Survey

Forty-three percent of Black respondents, a higher share compared with non-Black respondents, reported they would more seriously consider buying an EV if charging stations were as available as gas stations. Given this mindset, greater emphasis on public and private EV charging infrastructure will be required for Black consumers to adopt EVs at scale.

While private vehicles are—and will continue to be—the transit option that Black consumers most commonly use, our research shows that Black consumers are more likely to adopt newer options such as micromobility assets (for instance, e-scooters, e-bikes, and e-mopeds) and mini cars. Black respondents are four to 14 percentage points more likely to own a micromobility asset and six percentage points more likely to own a mini car. In the future, they are 30 percent more likely to increase their use of these technologies.

When it comes to developing technology, particularly autonomous vehicles, Black and non-Black survey respondents are similarly hesitant to switch to fully autonomous vehicles. However, Black consumers are more open than their counterparts to vehicles that incorporate autonomous-driving features such as blind-spot correction: 78 percent would switch to a different car manufacturer if it offered these features, compared with 69 percent of non-Black respondents.

Three actions to take to win over Black automotive consumers

Consumer-facing companies in the automotive value chain should take three actions to better serve Black consumers and win them over in the process: offer equitable financing to Black buyers, build targeted omnichannel experiences, and invest equitably in charging infrastructure for EVs to match Black consumers' appetite for the technology.

Ensure equitable financing for new car purchases

Inequitable financing—a discriminatory practice—is most common in states with above-average levels of racial discrimination and low competition among lenders.[9] In 2018 the US Congress reversed guidance that prohibited racial discrimination in the auto loan market.[10] Now it's up to OEMs and dealerships to eliminate inequities and build trust with Black consumers.

To develop fair lending practices, OEMs and dealerships should analyze lending data to help ensure that Black consumers are not charged unfair markups compared with White consumers. The analysis should lead to standard markup tiers based solely on a borrower's finances or the elimination of these markups altogether. In addition, auto lenders should assess their underwriting processes and algorithms to ensure that factors are not disproportionately affecting Black borrowers. To provide more equitable credit scores, these lenders should consider incorporating the innovative methods that are increasingly being adopted by fintechs—for example, cash flow modeling, which uses day-to-day banking transactions to paint a more complete picture of a person's financial habits.

OEMs, dealers, and lenders should also provide consumers with resources to help them evaluate, negotiate, and shop for pricing and loan terms. This service not only would be helpful for Black consumers but also could boost the profile of entities with the most consumer-friendly offerings.

Omnichannel experiences—supported by plentiful and useful content—can meet the preference of Black consumers for technical information, person-to-person recommendations, and social media research.

[9] Lisa Rice and Erich Schwartz Jr., *Discrimination when buying a car: How the color of your skin can affect your car-shopping experience*, National Fair Housing Alliance, January 2018; Michael Calhoun, "Investigative report shows high rate of racial discrimination in auto lending market," Center for Responsible Lending, January 11, 2018.
[10] Annie Nova, "Congress eases rules against racial discrimination in the auto loan market," CNBC, May 9, 2018.

Of course, without coordination, some of these approaches may create conflicting incentives within the automotive value chain.[11] OEMs can take the lead by announcing guidelines for how dealers should price new vehicles—for example, two automakers recently discouraged independent dealers from selling vehicles above the manufacturer's suggested retail price.

OEMs and dealerships could also consider alternatives to car loans and leases. Car subscriptions, for example, provide flexibility and keep drivers from the financial and administrative obligations of ownership such as insurance and maintenance.[12] Although subscriptions may not represent cost savings, their standard fee structures are one way to sidestep the bias that often emerges in vehicle pricing and financing.

Develop and adapt omnichannel experiences for new and used cars

Omnichannel experiences—supported by plentiful and useful content—can meet the preference of Black consumers for technical information, person-to-person recommendations, and social media research.

OEMs and dealers should focus on digital marketing channels that provide sufficient information. Specifically, channels should offer the right balance between personal insights and technical information to give Black consumers peace of mind about the factors they care about, including gas mileage, driving experience, and personalized financing options. For example, OEMs could develop referral-based promotions for current drivers to recommend vehicles to their friends or integrate customer testimonials on digital and physical channels. Some companies—mostly EV OEMs and dealers—already offer a seamless experience. Consumers can research, customize, and pay for their vehicles online before scheduling a pickup date.

For auto parts and repair companies, our survey shows that Black consumers are more likely than non-Black consumers (44 percent versus 33 percent) to want to purchase parts online, but they may not want to do the repairs themselves. An auto repair chain could use this insight to streamline the process from shopping for parts to completing a repair across channels. For instance, a solution could help consumers order a part, have it delivered to a specific shop, and make an appointment for the installation. Consumers who enjoy performing repairs could be served with branded digital resources on do-it-yourself (DIY) installations on mobile apps, as well as with innovative store formats with staff and shelf space dedicated to DIYers. For example, one company developed a DIY app that allows customers to browse parts and products, explore a library of repair guides and videos, and track their vehicle repair history. Another company introduced a new store format tailored to DIY customers, including a selection of DIY parts and free curbside services.

Make equitable investments in charging infrastructure in Black communities

The availability of charging stations is the most cited factor when Black consumers are asked about their decision-making criteria for EV purchases. The current state suggests that Black and Hispanic neighborhoods may be on track to become charging deserts if major decision makers in the automotive value chain do not proactively ensure equity in the

[11] For an example, see Jacob Bogage and Aaron Gregg, "Car dealers are raising prices. Automakers are pushing back. Consumers are stuck in between.," *Washington Post*, February 12, 2022.
[12] For more, see Kyle Hyatt and Sean Szymkowski, "Your guide to vehicle subscriptions, the alternative to leases and loans," CNET, December 5, 2021.

development of charging infrastructure. In cities that currently have public charging stations, for instance, many are in majority-White areas.[13]

OEMs should take the lead, especially in light of the Bipartisan Infrastructure Law's commitment of $7.5 billion to accelerate EV adoption and build charging infrastructure,[14] which offers an opportunity to collaborate with the private sector and across the value chain to develop charging networks that offer inclusive coverage.

The automotive industry will continue to be important to Black consumers. Investments in serving Black consumers equitably—including with charging infrastructure in Black communities—should be top of mind for decision makers. Their relationships with Black consumers depend on it.

[13] Will Englund, "Without access to charging stations, Black and Hispanic communities may be left behind in the era of electric vehicles," *Washington Post*, December 9, 2021.
[14] "President Biden, U.S. Department of Transportation releases toolkit to help rural communities build out electric vehicle charging infrastructure," U.S. Department of Transportation, February 2, 2022.

This article is a collaboration between the Institute for Black Economic Mobility and the McKinsey Center for Future Mobility.

Aaron Aboagye is a partner in McKinsey's Detroit office; **Samuel Abrams** is a consultant in the New York office, where **Shelley Stewart III** is a senior partner; and **Ammanuel Zegeye** is partner in the Bay Area office.

Unlocking the full potential in fashion for Black consumers

Fashion brands can forge stronger connections with this segment by pursuing four strategies.

This article is a collaborative effort by Tiffany Burns, Ayebea Darko, Dock Luckie, Shelley Stewart III, and Ammanuel Zegeye, representing views from the McKinsey Institute for Black Economic Mobility.

By definition, fashion—particularly apparel and shoes for mass-market and luxury consumers—is culturally and personally significant. For Black American consumers, fashion signals taste as well as personal and cultural identity; as such, Black Americans have long set and influenced broader tastes and trends in fashion.[1] The Black consumer is also economically significant. Our analysis suggests that Black consumers' spending on apparel and footwear will grow by about 6 percent a year to $70 billion in nominal dollars by 2030. This will be part of the total of $445 billion in nominal dollars that our survey data suggests will be up for grabs from 2022 to 2030, including a cumulative $50 billion in entirely new spending.

The channel preferences behind this spend on apparel and footwear are not novel. Black consumers increasingly use online channels to shop for these products, and they are also more likely—by 11 percentage points—to prefer to use e-commerce to shop for and buy apparel. What is especially distinctive is Black consumers' strong preference for Black-owned fashion brands and brands that are culturally resonant with Black culture. They are up to three times as likely as non-Black consumers to switch to a Black-owned apparel or footwear brand.

These preferences are linked to an overall rise in inclusive consumers across race and ethnicity: 45 percent of consumers want to support diverse brands.[2] To address these preferences, companies in fashion—both incumbents and new entrants—should implement holistic strategies along four dimensions: product innovation inspired and led by Black consumers, activation of Black consumers, affordable products that appeal to a wider range of consumers, and channel optimization in Black communities. The reward could be brand-level dynamism and a wider base of Black customers.

Needs and preferences of Black fashion shoppers

Despite the economic significance of the Black consumer to the fashion industry, our 2021 survey found that Black consumers cite concerns about the lack of diversity, equity, and inclusion in the industry, as reflected in the makeup of the ranks of leadership, designers, and corporate-level commitments to social justice.[3] They are dissatisfied and willing to switch from current brands: while Black consumers report a comparable level of satisfaction with fashion offerings as their peers—about 82 percent—75 percent of both Black and non-Black respondents to our survey would be willing to switch footwear and apparel brands, and 83 percent would be willing to switch luxury brands.

Our research suggests that Black consumers may respond to these gaps by looking for Black-owned fashion brands, prioritizing price and value, tapping friends and family for inspiration and recommendations, and actively doing research online.[4]

Desire for Black-owned brands

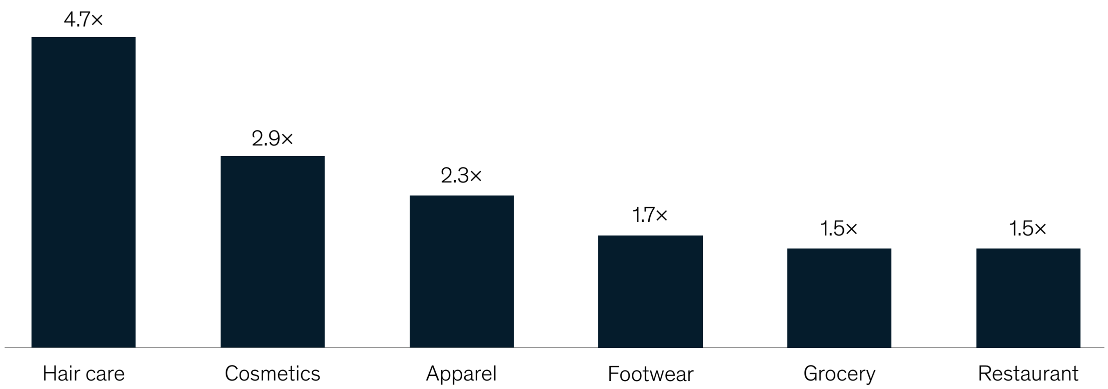
Crucially, Black consumers have an outsize preference for Black-owned brands and brands that speak to Black culture, and this remains true across sectors (Exhibit 1). With fashion, our research shows that Black consumers are up to 2.3 times more likely than non-Black consumers to switch to a Black-owned apparel or footwear brand. This demand for fashion brands that speak to Black culture is especially prominent in luxury fashion goods: two of the top ten key buying factors for Black respondents to our survey are related to brand inclusivity and leadership diversity. Comparatively, these factors are not reflected in the top ten buying factors for non-Black respondents.

[1] For more on Black Americans' influence in fashion, see Rashida Renée, "Huge moments in fashion history that were inspired by Black culture," *Elle*, October 6, 2020.
[2] "The rise of the inclusive consumer," McKinsey, February 8, 2022.
[3] *Black consumers: Where to invest for equity (a preview)*, McKinsey, December 2021.
[4] For more on Black consumers and recommendations, see *Black consumers*, December 2021.

Exhibit 1

In every sector, Black consumers are more likely to switch to a Black-owned brand than non-Black consumers are.

Likelihood of Black respondents switching to a Black-owned brand compared with non-Black respondents[1]



[1]Question: "Which of the following factors would cause you to switch to a different brand?"
Source: McKinsey Institute for Black Economic Mobility Consumer Survey, 2021

McKinsey & Company

This preference is growing among non-Black consumers, too, as American consumers increasingly make shopping choices based on their social values. These influential inclusive consumers, who cut across ethnic, income, and age groups, are more likely to buy Black-owned brands to support diverse entrepreneurs. However, actually finding these brands and products remains a significant barrier: one in five inclusive consumers cite an inability to find products as a reason for not buying from Black-owned brands.[5]

Conscious of price and recommendations

Our research suggests that a fashion brand's ability to tailor marketing and engagement to Black consumers could be particularly fruitful. These consumers are more likely to rely on recommendations from friends and family—one of the top four critical buying factors for footwear and luxury fashion goods for Black respondents in our survey. Maintaining a strong brand position and capitalizing on word of mouth and buzz can reinforce a brand's value in the Black community.

In addition, Black consumers are more price-conscious when evaluating brand alternatives—a finding that holds across sectors. Compared with non-Black shoppers, Black consumers are four percentage points more likely to switch luxury brands to pursue lower price points. These findings suggest that marketing material that highlights the value customers can experience from brands' products would be particularly well received.

[5] "The rise of the inclusive consumer," February 8, 2022.

Black consumers are active shoppers who are continuously on the lookout for brands they trust and are proud to support.

Preference for digital channels
Black consumers are five percentage points more likely than their non-Black counterparts to visit a brand's website before making a purchase but are six percentage points less likely to read print reviews. This digital-first engagement style may be a sign of their active engagement with brands or reflective of the fact that they are relatively younger. Our research of key buying factors shows that Black consumers are active shoppers who are continuously on the lookout for brands they trust and are proud to support. For example, Black consumers are ten percentage points more likely to follow luxury brands on social media, which can be a way to engage with brands outside the context of a purchasing decision, especially because Black consumers often find in-store experiences lacking.

They are also more likely to shop online for fashion than non-Black consumers. The one outlier is footwear, which Black respondents have a noticeable preference to purchase in-store (Exhibit 2). Despite this preference, Black respondents express higher rates of dissatisfaction with brick-and-mortar offerings across categories, citing elements such as distance, layout, and in-store merchandising. This dissatisfaction is noticeable for department stores, which Black respondents are five to 12 percentage points less likely to be willing to revisit compared to non-Black respondents.

Four strategies to amplify cultural relevance

Companies in the fashion industry should seek ways to serve Black consumers effectively and holistically across the full value chain, from product design to distribution and marketing.

Design and introduce products inspired by Black consumers
Fashion retailers and brands have the opportunity to reach Black consumers by helping Black-owned brands overcome barriers to growth or innovating their own products to fit the needs of Black consumers.

Amplify the work of Black creators and Black-owned brands. The structural barriers that keep Black-owned businesses from expanding also keep Black-owned brands from scaling. Despite their unique ability to meet the needs of Black consumers, brand awareness, access to capital, scaling without compromising operational excellence, and access to networks and mentorship are all challenges for Black-owned brands.[6] Less than 1.0 percent of

[6] "The rise of the inclusive consumer," February 8, 2022; "The Black unicorn: Changing the game for inclusivity in retail," McKinsey, November 17, 2021; Milan Prilepok, Shelley Stewart III, Ken Yearwood, and Ammanuel Zegeye, "Expand diversity among your suppliers—and add value to your organization," McKinsey, May 17, 2022.
[7] Gené Teare, "Highlighting notable funding to Black founders in 2020," Crunchbase News, February 12, 2021.

Exhibit 2

Black consumers prefer online delivery for apparel and luxury fashion and goods but prefer an in-store purchasing experience for footwear.

Fashion channel preference by subsector,[1] %

[1]Question: "From the following brands in the past year, approximately what percent were bought at the following locations?" (n = 231 for Black respondents, n = 269 for non-Black respondents).
Source: McKinsey Institute for Black Economic Mobility Consumer Survey, 2021

McKinsey & Company

venture capital funding goes to Black founders,[7] and only 4.0 percent of Black-owned businesses continue operation after three and a half years, compared with 55.5 percent across all businesses.[8]

While the solution is multifaceted, established fashion brands and retailers can support the growth and longevity of Black-owned brands. For example, one retailer helps consumers find Black-owned brands more easily by highlighting diverse brands in a dedicated section on its website. Incumbents should also evaluate consumer perceptions of their brands and identify opportunities in which collaboration with a Black-led brand might help these growing brands accomplish a strategic aim.

Such collaborations would help Black-led brands gain visibility and financial and social capital while contributing to the established brand's own product innovation. For instance, one major American label partnered with designers from historically Black colleges and universities (HBCUs) to launch a targeted collection.[9] Once launched, the online collection sold out in less than 30 minutes and the in-store collection within 24 hours.[10]

These kinds of partnerships and investments can be especially culturally salient in light of recent movements—and widespread corporate commitments—to dedicate resources such as shelf space and capital to Black-owned brands.[11]

[8] "The Black unicorn," November 17, 2021.
[9] "Polo Ralph Lauren introduces new collection that builds upon its historical partnership with Morehouse and Spelman Colleges," Spelman College, March 15, 2022.
[10] Nick Fenley, "Ralph Lauren's new collection with SpelHouse sold out in under 24 hours," Blavity, March 31, 2022.
[11] For one example, see The Fifteen Percent Pledge.

Invest in innovation to meet Black consumers' needs. Many companies, mostly Black-owned, are already innovating products with Black consumers in mind. One company offers nude underwear specifically for Black and Brown women. Another offers nude-toned shoes for darker skin tones. A third company makes swim caps that are designed to be easy to wear and nondamaging for athletes who have curly and textured hair.

Other apparel companies should contribute their own innovations. In addition to building on the existing work of Black-owned brands and Black creatives, companies should invest in their own understanding of Black consumers' challenges with apparel and footwear. Hats for different hair types and textures, nude tones that match a wider range of skin tones, hair wraps, and clothing that pays homage to Black culture and style are a few important areas. The insights that generate more of these kinds of innovations are most likely to come from a diverse group of employees who can offer their culturally and personally relevant perspectives.

Activate Black consumers

Having products that appeal to Black shoppers is just one aspect of making a brand or company more likely to reach those shoppers. Another is working to market products in ways that appeal to Black consumers and encourage them to shop.

Ensure diverse marketing and communications campaigns. Diverse marketing campaigns are especially salient in fashion, which is built on offerings that help consumers shape their own images. However, Black consumers report that they do not see themselves in these campaigns. Designing diverse marketing and communications campaigns is not just about casting diverse models. Companies should ensure that images reflect how products address fashion needs or style preferences unique to Black consumers—for example, how scarves or hats can be styled for Black hair.

Of course, companies in fashion should already have efforts under way to connect with Black consumers. One major American label often uses actors from Black-led film and TV projects as models in its inclusive marketing campaigns. Another works with Black celebrities and influencers as part of a broader inclusive marketing strategy. Some brands' experiments in working with artists and public intellectuals as spokespeople could also translate into fashion marketing for Black consumers.[13]

Promote user-generated content. A source of consumer feedback can be a boon, particularly for mass-market brands. Ongoing consumer feedback can become self-renewing, consumer-generated content that enhances brands' digital experiences and bolsters online communities, especially if this feedback is shared with the public. Dedicated spaces for commentary and recommendations are one way to help Black consumers engage with brands and other consumers in the ways they already enjoy. As previously discussed, our research shows that Black consumers are more likely to use social media and to seek out recommendations.[14]

Digitally native brands are among the savviest practitioners of this approach. Some invite customers to share photos with a branded hashtag that the brand incorporates into its online platforms. One digitally native fast-fashion brand reaches out to brand supporters on social media and promotes its products by making those supporters brand ambassadors. Another promotes haul videos (videos in which users show off their purchases) on social media, which helps prospective customers see how the brand's clothes look on people who are not models.

Emphasize product affordability to reach more consumers

Once a brand or retailer has popular products and the marketing to match, a third strategy to amplify cultural relevance is making products affordable. And fashion companies have multiple options for doing so.

[13] Samuel Abrams, Munya Muvezwa, Tawanda Sibanda, and Shelley Stewart III, "Investing in—and with—Black consumers in financial services," McKinsey, September 6, 2022; Alexandra Jacobs, "Joan Didion on the Céline ad," *New York Times*, January 7, 2015; Lucy Whitehouse, "Chimamanda Adichie is new Boots No7 ambassador," Cosmetics Design Europe, October 27, 2016.
[14] *Black consumers*, December 2021.

Brands should make sure their inclusive and equitable in-store policies are upheld to ensure that Black communities are being treated fairly and with dignity.

Embrace affordable luxury. Consumers want quality at an affordable price; for many, that means luxury brands are completely off-limits. Black consumers in particular have faced barriers to accessing these brands due to the growing racial wealth gap. More recently, however, luxury brands are trending toward offering more affordable products that are attractive to a broader range of customers. Some brands and companies are now developing limited-time products and creating an independent line to target a broader range of customers. Off-White has an affordable collection, For All, that allows new customers to see themselves in the brand. Proenza Schouler launched Proenza Schouler White Label to meet the needs of their customer "at a more accessible price point." And Fear of God, by Jerry Lorenzo, launched the Essentials line with lower price points. Designing different product tiers increases the accessibility of the brand to a wider range of fashion-forward consumers.

Offer flexible payment models. Fashion brands can reach a larger audience by implementing flexible payment methods. Brands and department stores are increasingly partnering with buy-now-pay-later solutions to reach a larger audience with their products. Research shows that Black consumers already use buy-now-pay-later solutions at higher rates than the US population as a whole,[15] so this increased accessibility can benefit both the company and the consumer.

Strengthen presence in Black communities
Fashion companies can facilitate more Black consumers coming into stores (or browsing online) and improve the customer experience.

Optimize digital and physical footprint. In addition to showing up to support organizations in Black communities, fashion brands are responsible for having a digital and physical presence that makes their products accessible to Black consumers. To improve the store network, it will be important for brands to not only analyze the neighborhoods with significant spend in relevant categories but also determine the preferences that foster brand loyalty and engagement among Black consumers in those areas. For example, one global brand recently launched an innovative store design in Black communities that collaborates with local partners to design storefronts and celebrates stories from the community. This brand also had the highest ratings among Black respondents of any fashion brand we surveyed.

Improve customer experience. Creating an environment in which Black consumers feel comfortable while shopping is table stakes for

[15] "Investing in—and with—Black consumers in financial services," September 6, 2022.

winning Black consumer spending, but many brands are still missing the mark. Our survey shows that store layout is one of the most cited causes of dissatisfaction among Black respondents.

First, brands should make sure their inclusive and equitable in-store policies are upheld to ensure that Black communities are being treated fairly and with dignity. For fashion brands looking to improve their in-store experience for Black consumers, the first steps should be public acknowledgment and goal setting. For example, one beauty brand unveiled a plan to reduce disparate customer treatment and scale back security forces used in stores. Following these initial steps, consistent and transparent reporting will help reinforce public perception.

Brands can also invest in data management and analytics capabilities to generate insights and track customer satisfaction. For example, an industry-leading jewelry brand implemented bias mitigation strategies by partnering with a neuroscience research firm to apply customer survey data to measure the brand's progress and improve its retail training programs. Beyond the trackable outcomes, investment in bias mitigation can signal clear priorities on inclusion across organizations.

The potential to better meet Black consumers' needs is significant and meaningful. Changing the paradigm will not be easy, but research has helped to isolate the building blocks that can help brands get there.

Tiffany Burns is a senior partner in McKinsey's Atlanta office; **Ayebea Darko** and **Dock Luckie** are consultants in the Boston office; **Shelley Stewart III** is a senior partner in the New York office; and **Ammanuel Zegeye** is a partner in the San Francisco office.

April 2023
Designed by Leff

McKinsey.com