

8 FACTS ABOUT LATINO-OWNED BUSINESSES

ON THE UP AND UP: THE RISE OF LATINO-OWNED BUSINESSES IN THE U.S.

STANFORD GRADUATE
BUSINESS SCHOOL OF
| Latino Entrepreneurship
Initiative

PUBLICATION OF STANFORD GRADUATE SCHOOL OF BUSINESS | IN COLLABORATION WITH THE LATINO BUSINESS ACTION NETWORK

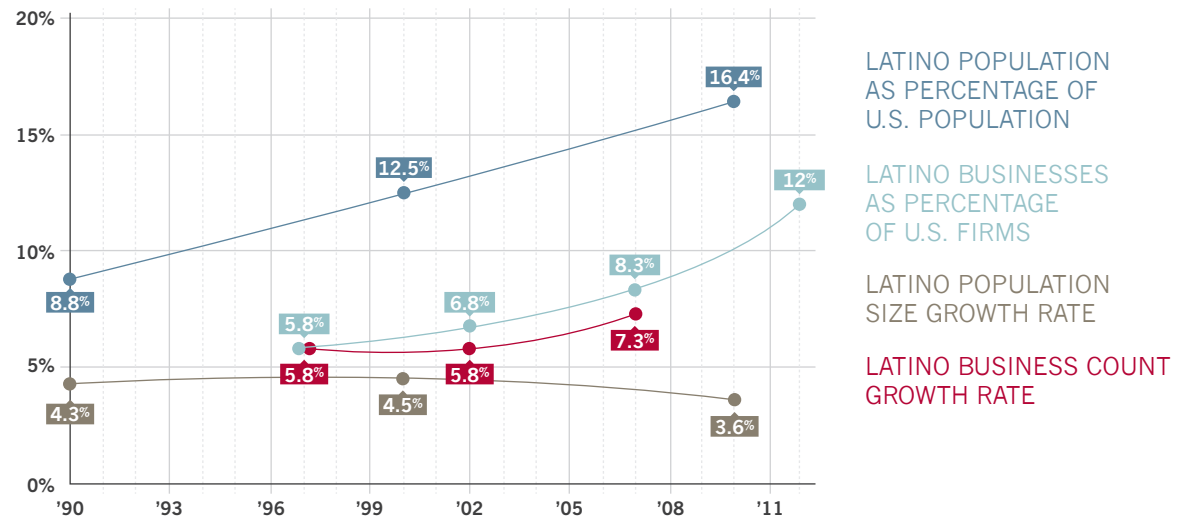
1 THE RAPID GROWTH

OF U.S. LATINO BUSINESSES OUTPACES THE GROWTH OF THE U.S. LATINO POPULATION



- Between 1990 and 2010, the percentage of Americans self-identifying as Hispanic or Latino increased from 8.8 percent to 16.4 percent
- While Latino population growth averaged 4 percent over the last two decades, Latino business growth averaged 6 percent
- To put this in perspective, the number of Latino-owned businesses was 0.9 million in 1997, 2.3 million in 2007, and an estimated 4.1 million in 2015

CHANGES IN THE LATINO POPULATION AND NUMBER OF LATINO BUSINESSES OVER TIME



SOURCES: U.S. Census Population Surveys, 1990-2010; U.S. Census Survey of Business Owners, 1997-2012; U.S. Hispanic Chamber of Commerce & Geoscape, 2015: "Hispanic Businesses and Entrepreneurs Drive Growth in the New Economy,"

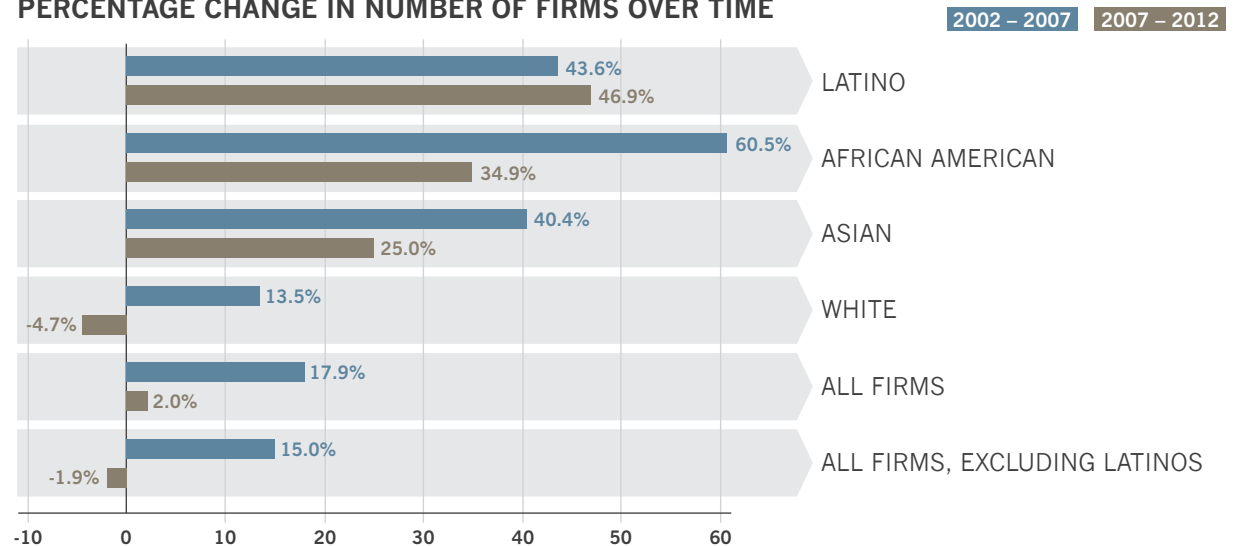
2 LATINOS ARE CREATING BUSINESSES

AT FASTER RATES THAN NON-LATINOS



- Latino businesses increased in total by 44 percent between 2002 and 2007, and another 47 percent between 2007 and 2012
- This pace is exponentially higher than that of non-Latinos, which increased by only 15 percent from 2002 to 2007, and actually decreased 2 percent from 2007 to 2012

PERCENTAGE CHANGE IN NUMBER OF FIRMS OVER TIME



SOURCE: U.S. Census Survey of Business Owners, 2002-2012

3 WITHOUT LATINO BUSINESS CREATION

THE U.S. ECONOMY WOULD HAVE BEEN WORSE THROUGH THE 2008–2010 RECESSION



- Non-Latino businesses decreased in number over the 2008–2010 recession, while Latino businesses increased in number by over a million
- If all of the businesses created by Latinos were eliminated, there would have been fewer businesses in operation in 2012 than in 2007; that is, there would have been no net business formation over a 5-year period
- Researchers estimate that unemployment rates would have risen above 10 percent were it not for Latino business creation

EFFECT OF LATINO ENTREPRENEURS ON THE U.S. UNEMPLOYMENT RATE IN 2000 AND 2010

	ACTUAL UNEMPLOYMENT	UNEMPLOYMENT IF NEW LATINO ENTREPRENEURS WERE INSTEAD UNEMPLOYED	
		If ALL new entrepreneurs were instead unemployed	If new IMMIGRANT entrepreneurs were instead unemployed
2000			
Unemployment Count (in millions)	5.7	6.2	6.1
Unemployment Rate	4.0%	4.3%	4.3%
2010			
Unemployment Count (in millions)	14.8	15.6	15.4
Unemployment Rate	9.6%	10.1%	10.0%

Note: "New" entrepreneurs are defined as the net number of new entrepreneurs in the decade leading up to the year specified, i.e., all the new entrepreneurs in 2010 started businesses between 2000–2010.

SOURCE: Alberto Davila, Marie Mora, Angela Merk Zeitlin, 2014: "Better Business: How Hispanic Entrepreneurs Are Beating Expectations and Bolstering the U.S. Economy," Table 8, Partnership for a New American Economy

4 LATINO BUSINESSES ARE OVER-INDEXED

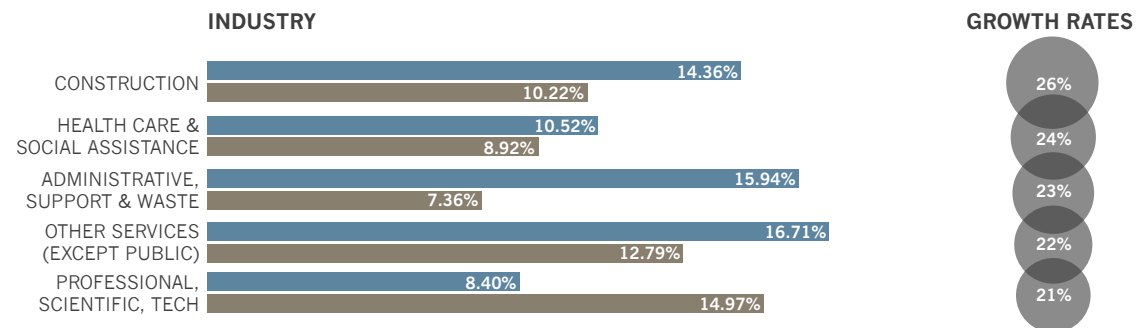
IN FOUR OF THE FIVE FASTEST GROWING INDUSTRIES



- Around 66 percent of Latino businesses are in industries with the top five sales growth rates, compared to only 54 percent of non-Latino businesses in those industries
- The percentages of Latino and non-Latino businesses are extremely similar in industries ranked highest in average sales
- This challenges the misconception that Latino businesses fail to grow because they are concentrated in industries with slow or no sales growth

DISTRIBUTION OF LATINO AND NON-LATINO BUSINESSES ACROSS THE 5 FASTEST GROWING INDUSTRIES

■ LATINO BUSINESSES ■ NON-LATINO BUSINESSES



SOURCE: U.S. Census Survey of Business Owners, 2012

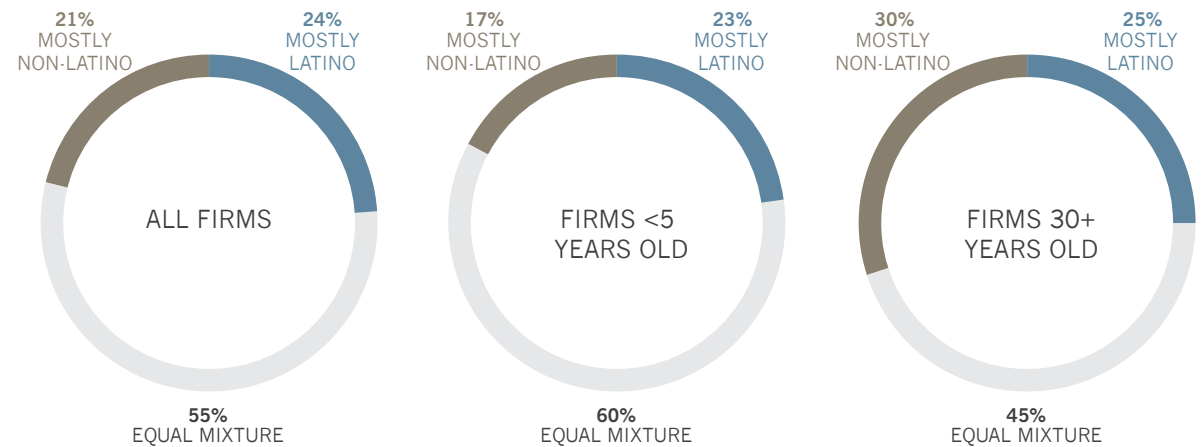
5 LATINO BUSINESSES SERVE

MORE THAN JUST LATINO COMMUNITIES



- Generally, engaging a variety of constituents is seen as a harbinger for business growth
- Approximately 75 percent of Latino businesses serve mostly non-Latinos or an equal mixture of Latinos and non-Latinos
- A higher percentage of mature Latino businesses (30+ years) serve non-Latino constituents than do early-stage firms (<5 years)

CUSTOMER CHARACTERISTICS ACROSS FIRM MATURITY



SOURCE: Stanford Latino Entrepreneurship Initiative Survey of Latino Business Owners, 2015

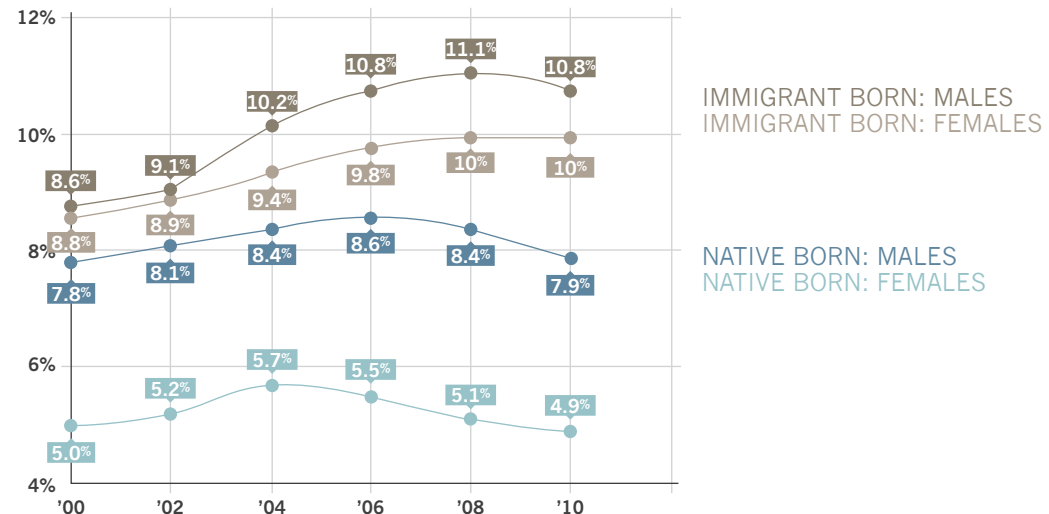
6 IMMIGRANTS ACCOUNT FOR A LARGE

PORTION OF THE CONTINUOUS INCREASE IN LATINO BUSINESS NUMBERS



- The self-employment rates of immigrant Latinos continuously increased over the 2000s, while those of U.S.-born Latinos rose and fell
- The rate of self-employment is 7 percent for female immigrants, compared to only 2 percent for male immigrants
- This data demonstrates that Latino immigrants are important drivers of U.S. business creation

LATINO SELF-EMPLOYMENT RATES BY GENDER & IMMIGRANT STATUS



SOURCE: Alberto Davila and Marie Mora, 2013: *Hispanics in the 2000s: An Economic Profile and Policy Implications*, Stanford University Press

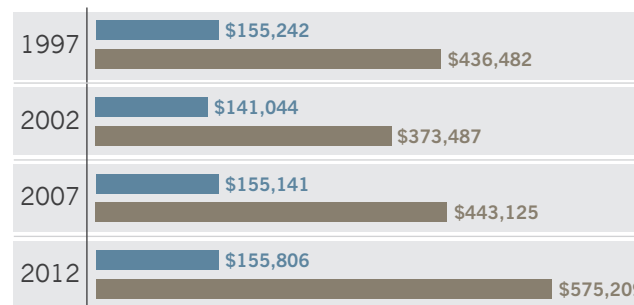
7 LATINO BUSINESSES ARE SMALLER

THAN NON-LATINO BUSINESSES

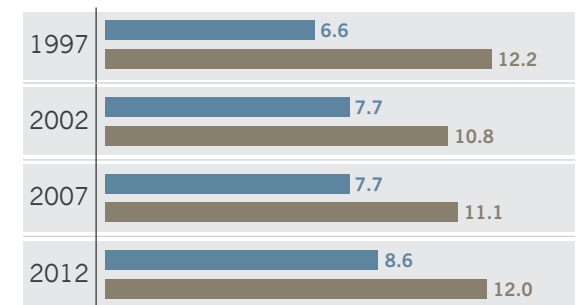


- In terms of sales, the average Latino business is about one-third the size of the average non-Latino business
- While the difference in employee count is decreasing, the average Latino-owned business employee count is still 75 percent that of the average non-Latino business
- According to 2015 SLEI survey data, the company size differences between Latino and non-Latino businesses are evident irrespective of company age

ANNUAL SALES BY OWNERSHIP



EMPLOYEE COUNT BY OWNERSHIP



■ LATINO BUSINESSES ■ NON-LATINO BUSINESSES

SOURCES: U.S. Census Survey of Business Owners, 1997–2012; Stanford Latino Entrepreneurship Initiative Survey of Latino Business Owners, 2015

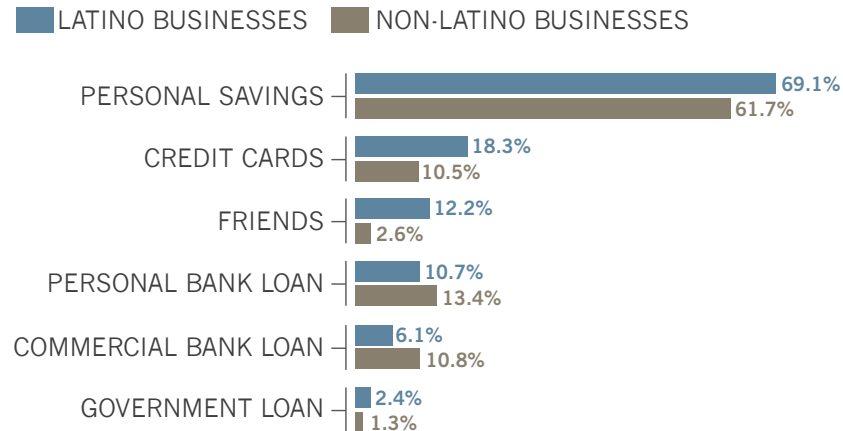
8 LATINO BUSINESSES ARE MORE LIKELY

THAN NON-LATINO BUSINESSES TO BE FINANCED THROUGH PERSONAL FUNDS



- Capital used by Latino businesses comes almost exclusively from personal sources, such as personal savings or gifts from friends
- About 12 percent of Latino businesses rely on friends for financing, compared to only 3 percent of non-Latino businesses
- Latino businesses are much less likely to use institutional capital sources, such as credit cards, bank or commercial loans, compared to non-Latino businesses

FINANCIAL CAPITAL SOURCES USED BY BUSINESS OWNERS



Note: Numbers do not add to 100 because respondents were allowed to check more than one.



TAKEAWAYS

LATINO BUSINESSES ARE A SIGNIFICANT FORCE IN THE U.S. ECONOMY

- The rapid growth of U.S. Latino businesses outpaces the growth of the overall Latino population, as well as the number of businesses created by other demographic groups
- Latino businesses may be smaller than average, but they are contributing positively to the mainstream U.S. economy
- Latino businesses are over-represented in 4 of the 5 fastest growing industries, with customer bases that extend well beyond Latino communities

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