

THE IMPACT OF COVID-19 ON LATINO-OWNED BUSINESSES

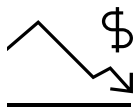
On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Two weeks later, the Stanford Latino Entrepreneurship Initiative administered a survey to 224 mostly scaled (\$1 million+ revenue) Latino-owned businesses in the United States to understand the immediate and potential long-term business impacts of the pandemic. Our survey captures the sentiment of Latino business owners in perhaps their most uncertain period of the pandemic, as shelter-in-place ordinances were becoming widespread and before Congress responded with the Paycheck Protection Program. SLEI will follow up with the same businesses in the upcoming weeks to report on any new and unforeseen challenges or opportunities.

BACKGROUND

Latinos are starting businesses at a faster rate than all other demographic groups — a trend seen before and after the most recent global financial crisis. Over the past 10 years alone, the number of Latino business owners grew 34% compared to 1% for all other business owners. Thus, understanding the business impact of this important segment of the U.S. economy will be critical for government, financial, and other business stakeholders seeking to address the devastating effects of the pandemic and looming recession.

FINDINGS

Our survey findings show that two weeks after COVID-19 was declared a pandemic, Latino-owned companies in the United States were already seeing massive impact on their businesses:



86% report significant negative impact, with declining revenue (experienced by 79%) as the top challenge, followed by an unstable business environment and supply chain disruptions.



23% had already applied for SBA Economic Injury Disaster Loans by the time of the survey (March 25), with 33% saying they needed more information and guidance. Among those who had applied for SBA relief loans (not including PPP), primary challenges include issues with the SBA's website and insufficient guidance on how to apply.



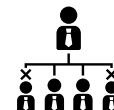
Only 3% report a positive impact from the pandemic. Some of these businesses report increased customer demand for items such as hand sanitizer and cleaning supplies. Others were in industries where the impact may be less obvious (e.g., a firm that helps nonprofits digitalize operations). Some companies expressed concern that the bump in demand may be short term.



49% report that a majority of their employees can work from home. The remaining companies split evenly between those that can have some employees work from home and those whose employees cannot work from home at all.

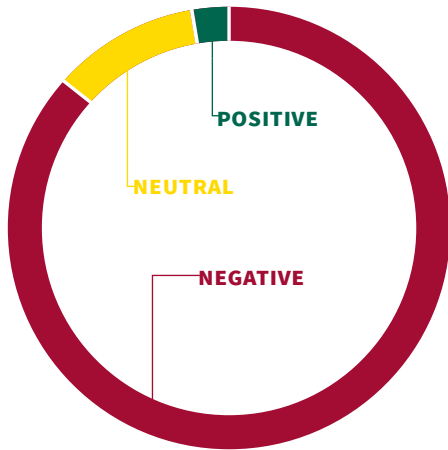


65% report they will not be able to continue operating beyond 6 months if current conditions continue.



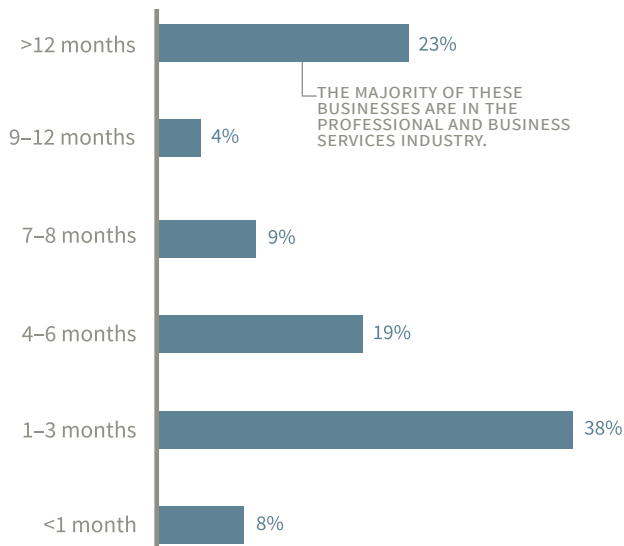
49% had already implemented some staffing rationalization (e.g., payroll reductions, layoffs, hour reductions), with 53% anticipating a need to do so in the next three months.

THE IMPACT IS WIDESPREAD AND SWEEPING WITH 86% OF LATINO-OWNED BUSINESSES REPORTING IMMEDIATE NEGATIVE EFFECTS AT THE END OF MARCH 2020.



- 86%** report **immediate negative effects** of COVID-19, including loss of revenue, complete closure, loss of clients and client engagement, layoffs (including contractors and employee furloughs), and project delays or postponement.
- 11%** report **business mostly as usual** with some adjustments and expenses related to remote work. This group also anticipates downstream and third-party effects.
- 3%** report a **positive effect** or increase in business due to products or services most needed in the pandemic (disinfectants, consumer packaged goods, IT support).

THE MAJORITY OF RESPONDENTS REPORT THEY WILL NOT BE ABLE TO OPERATE PAST SIX MONTHS.



The majority of respondents (65%) report they will not be able to operate past six months if current restrictions persist, but nearly a quarter of mostly scaled firms (\$1 million+) have runway for more than one year.

“ THIS IS MUCH MORE ABRUPTLY DISRUPTIVE THAN THE [2008] RECESSION, WHICH DEVELOPED MORE SLOWLY. ”
—Survey Respondent



LATINA-OWNED BUSINESS SPOTLIGHT

Progeny Coffee, a Latina-owned company that supplies coffee to large tech workplaces in the Bay Area, lost 97% of their sales in a day. However, as a shining light, one of their clients, Intuit, launched a joint campaign to raise money so that Progeny farmers would not go out of business.

FRONT AND BACK PHOTOS COURTESY OF MARIA PALACIO, CEO AND COFOUNDER OF PROGENY COFFEE

ABOUT SLEI RESEARCH PROGRAM

Stanford Latino Entrepreneurship Initiative (SLEI) operates a research program (SLEI-Research) that explores and expands our knowledge of the Latino entrepreneurial segment of the U.S. economy through research, knowledge dissemination, and facilitated collaboration. The program, jointly supported by the Latino Business Action Network (LBAN) and Stanford GSB Center for Entrepreneurial Studies, conducts surveys to assess the current state of U.S. Latino entrepreneurship and is curating a significant panel of Latino entrepreneurs to enable longitudinal research to understand trends over time.

To learn more, visit: www.gsb.stanford.edu/slei