

Hispanic Businesses & Entrepreneurs Drive Growth in the New Economy

3rd Annual Report 2015



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Geoscape®

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Executive Summary

César M. Melgoza, Founder & CEO, Geoscape

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Although much deserved attention is paid to the dramatic growth of U.S. Hispanic consumers, Hispanic businesses also have become a strategic growth opportunity within the U.S. economy. That is why Geoscape produces this annual report. Businesses owned and managed by Hispanic professionals are increasingly likely to employ American workers of all backgrounds and contribute progressively more to the tax revenue of local, state and federal government entities – enabling our economy to stay strong. Furthermore, the well-being of Hispanic businesses is in the interest of all Americans and others who depend on the U.S. economy. That is, as the non-Hispanic white population ages, retires and depends on social security and pensions, Hispanic entrepreneurs will begin to bear more of the burden to thrust the economy forward. Hispanic entrepreneurs are more youthful, connected digitally and more socially engaged than non-Hispanics overall. However, this asset must not be neglected; it is everyone's business to support the prosperity of Hispanic businesses because the multiplier effect

of their growth will need to fuel more American jobs and income in the years to come. In the face of difficult circumstances gaining employment in corporations, Hispanics create their own path to wealth through entrepreneurship – this is an American value that Hispanics embrace wholeheartedly.

In this report, you'll find that Hispanic businesses are growing at more than 15 times the rate of all U.S. firms. You will also see that Hispanic businesses contributed over \$600 billion in revenue to the national economy in 2015 – that number will continue to increase. Additionally, you will find that the regions of growth may not be those you would expect, as Hispanic households and businesses spread throughout the nation. We look forward to your comments on this report so that we may continue to evolve this publication into a more useful resource that guides decision making at all levels.

César



Foreword

Javier Palomarez, President & CEO of the USHCC

Hispanic entrepreneurs are America's business future. This thriving community numbers more than 4 million Hispanic-owned businesses that will together contribute in excess of \$661 billion to the American economy this year.

The United States Hispanic Chamber of Commerce (USHCC), the country's largest Hispanic business organization, advocates on behalf of these enterprises through our network of more than 200 chambers and business associations, as well as over 198 major corporate partners nationwide.

The USHCC is proud to partner with Geoscape, one of the nation's leading business intelligence firms, to launch the third Hispanic Business and Entrepreneurs report. This annual study tracks the growth of Hispanic-owned businesses, their impact on the American economy, and the burgeoning household wealth of Hispanics.

At the USHCC, while we are proud to advocate on behalf of business owners who happen to be of Hispanic descent, we never forget that we are first and foremost American businesses. Every tax bill we pay, every job we create, every product we manufacture and every service we provide goes to benefit our nation's economy.

Cesar Melgoza has emerged as one of our nation's preeminent thought leaders. As the founder and CEO of Geoscape, the visionary research created under his leadership highlights the economic impact of America's expanding Hispanic business community.

The findings in this report serve as a reputable source of information for policy makers, corporate executives and researchers who seek a complete and insightful understanding of the Hispanic market and its thriving entrepreneurial community.

The significance of this study cannot be overstated. The insights presented in the report shed light on the economic impact of this vibrant entrepreneurial segment and make bold predictions of unprecedented growth in regions not traditionally associated with large Hispanic populations.

Jm



A Surge of Hispanic-Owned Businesses in the U.S.

New entrepreneurs in the United States are increasingly diverse, with more than 40 percent of current entrepreneurs identifying themselves as African American, Hispanic, Asian or other non-white.

The trends indicate that Hispanics are the most likely to become entrepreneurs.

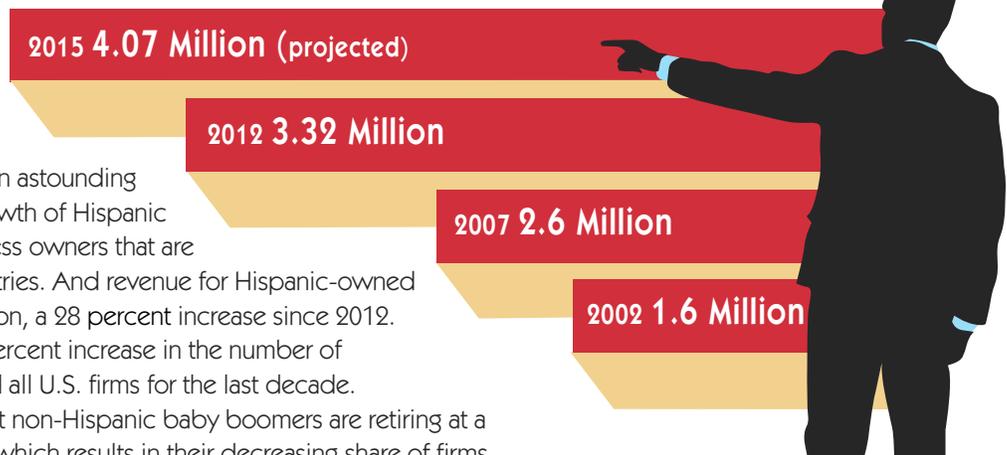
And new data from Geoscape for 2015 supports that premise.

For 2015, the number of Hispanic-owned businesses is expected to increase to more than 4.07 million, an astounding 57 percent increase since 2007. Growth of Hispanic firms is being fueled by small business owners that are primarily in service and trades industries. And revenue for Hispanic-owned firms is expected to reach \$661 billion, a 28 percent increase since 2012.

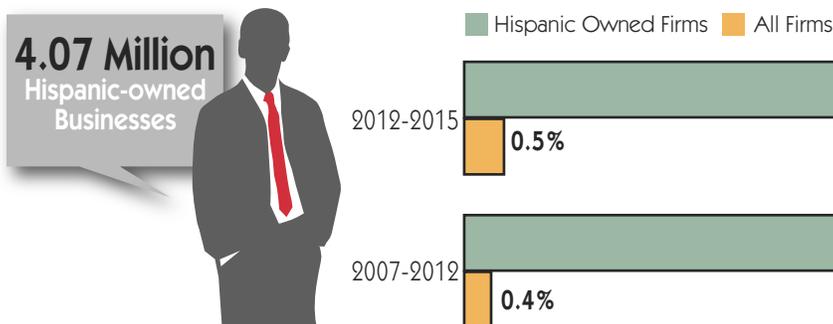
Moreover, the average annualized percent increase in the number of Hispanic-owned firms has outpaced all U.S. firms for the last decade.

This can be attributed to the fact that non-Hispanic baby boomers are retiring at a faster rate than the minority groups, which results in their decreasing share of firms.

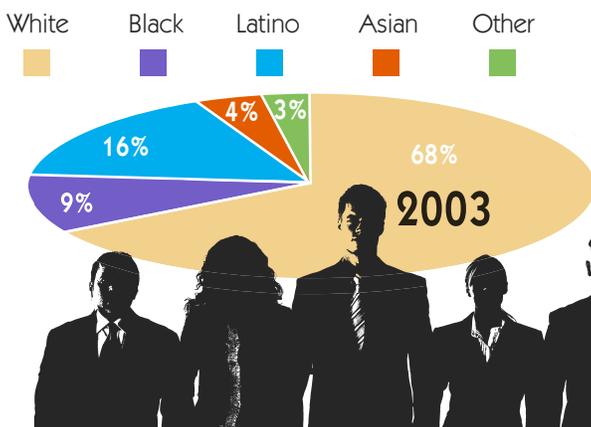
Number of Hispanic-Owned Businesses in the U.S.



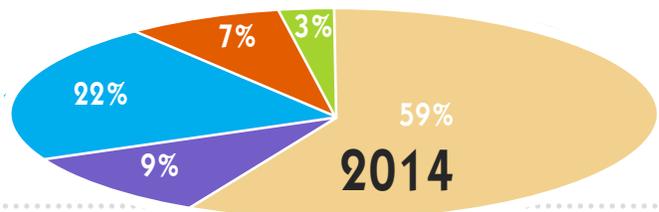
Growth Annual Percent Increase in Number of Hispanic-Owned Firms versus All U.S. Firms.



Changes in the Ethnic Composition of Business Owners



All race and ethnic groups experienced an increase in new entrepreneurship between 2003 and 2014. The most recent data shows the Latino share of all new entrepreneurs rising to 22 percent, compared to 16 percent in 2003. The Asian share also rose substantially during this same period. The White share, on the other hand declined 9 percent over the same period.



Percent Increase in Hispanic-Owned Businesses by U.S. Census Division 2012 to 2015*

The number of Hispanic-owned businesses and entrepreneurs in the U.S. has grown dramatically over the past decade and despite the recession, Hispanics continue to experience a higher rate of self-employment than the general population at large.

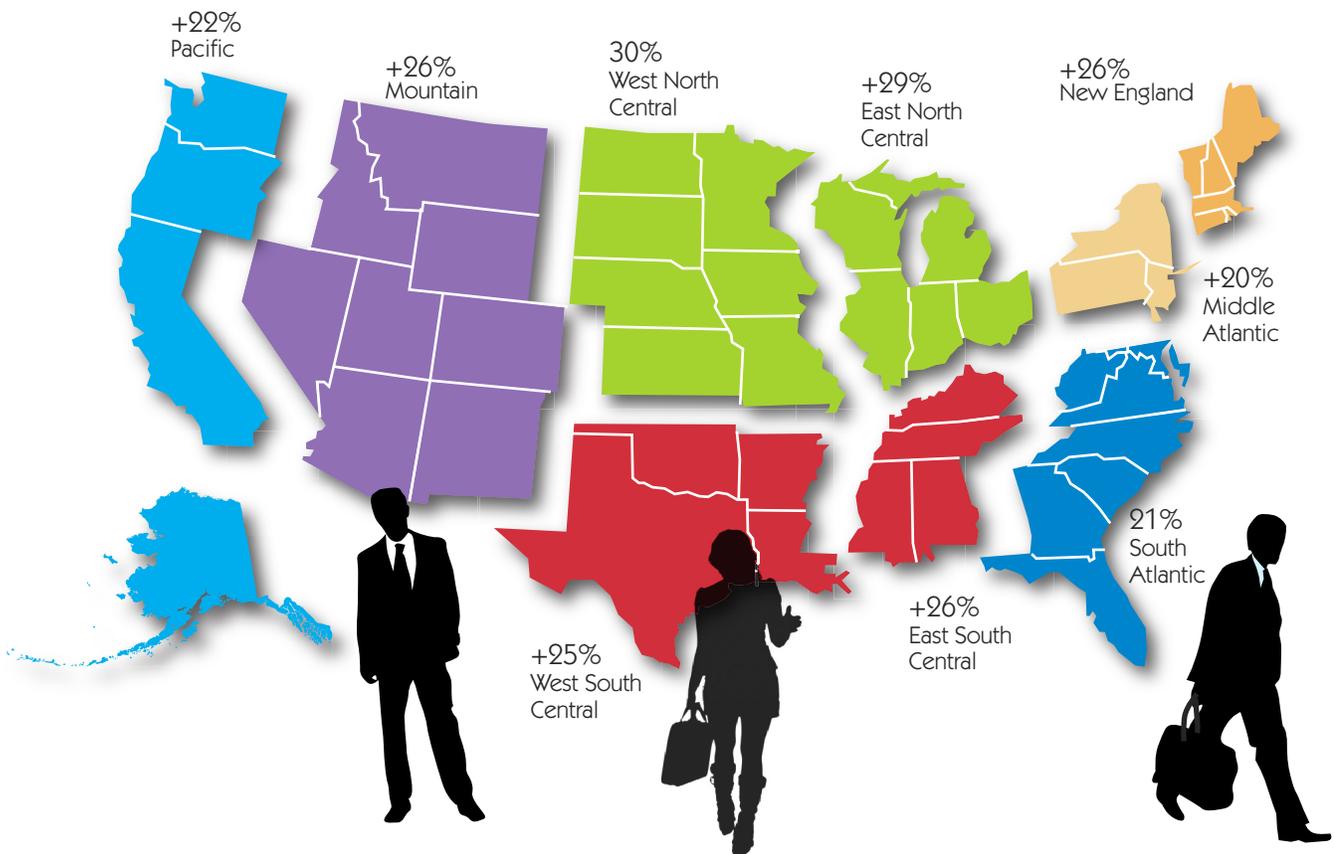
While the Hispanic population across the Midwest is still small compared to traditional population centers in the Southwest and Florida, the fastest growing regions for Hispanic-owned businesses from 2012 to 2015* are in the West North Central and East North

Central divisions, which are projected to grow by 30 and 29 percent, respectively. This increase can be attributed to the migration of Hispanics into the region for jobs, local and socioeconomic conditions, including customer base, industrial composition and the low cost of living, relative to other regions.

The Pacific Census division continues to be the largest division for Hispanic-owned businesses with a projected 1,057,301 Hispanic-owned businesses by 2015*, a 22 percent

increase since 2012. This is followed by the South Atlantic division which is projected to reach 963,932 Hispanic-owned business by 2015.

West South Central is the 3rd largest U.S. Census division with a projected 911,829 Hispanic-owned businesses, a 25 percent increase from 2012.



*Projected

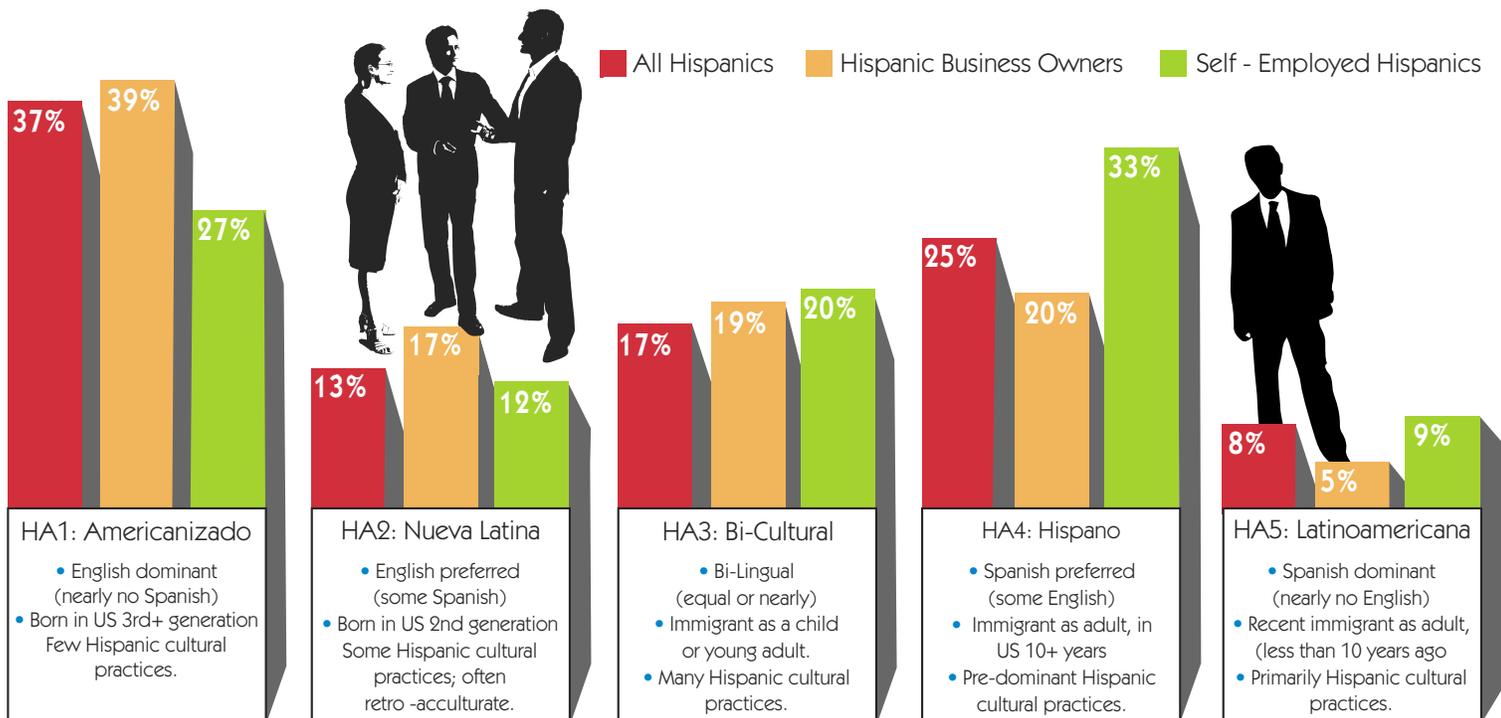
Businesses Ownership by Hispanicity™ Segment

Hispanicity™ is a proprietary metric developed by Geoscape to measure the degree to which people of Hispanic heritage in the United States retain elements of their Hispanic culture while they acquire elements of the American culture.

An interesting aspect of Hispanic business owners in the U.S. is the diversity across the various acculturation segments. For instance, close to 60 percent of Hispanic business owners are bilingual and bi-cultural, fitting into Geoscape’s Hispanicity classifications HA2 through HA4. These entrepreneurs tend to be comfortable in both English and Spanish and identify with both cultures.

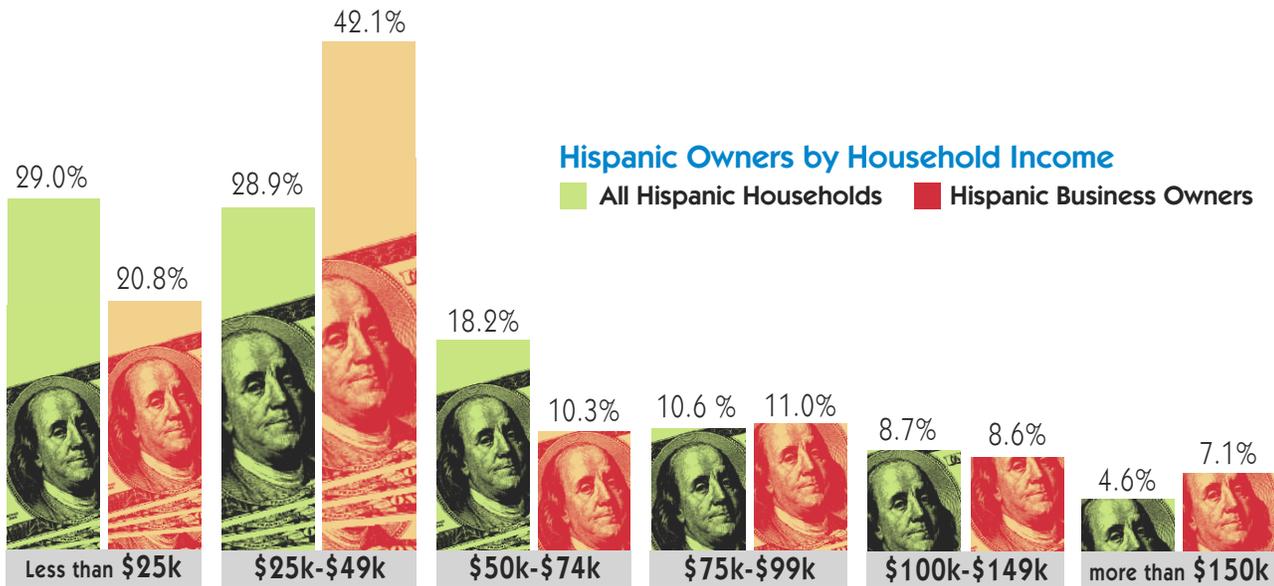
Approximately 40 percent of Hispanic business owners belong to the “Americanizado” or HA1 segment, while 20 percent belong to the “Hispano” or HA4 segment. According to the same data, 27 percent of Hispanics who are self-employed belong to the “Americanizado” or HA1 segment, while 33 percent belong to the “Hispano” or HA4 segment.

Percentage of Business Owners and Self-Employed by Hispanicity™ Segment



Hispanic Business Owners Wealth Statistics versus All Hispanic Households

Financial independence is also one of the main reasons so many immigrants choose to start their own business. Recent data shows that Hispanic business owners are 1.5 times more likely to be in the >\$150K/per year income bracket than Hispanics overall. Furthermore, Hispanic business owners are 46 percent more likely than Hispanics overall to earn between \$25k-\$49k annually.



Hispanic Small Business Owners versus All U.S. Households

Higher business formation rates among the foreign-born may be driven by necessity, especially when the economy is bad. Because of limited job opportunities after the recession there appears to be an even greater response of starting businesses among Hispanics versus the general population, which may have to do with lower-skilled workers having more difficulty in finding jobs. 30 percent of Hispanic Households who identify themselves as small business owners earn more than \$100,000 per year. Comparatively, 23 percent of all U.S. Households earn more than \$100,000 annually.

	All U.S. Households	Hispanic Small Business Owners	Index
Less than \$25k	23%	9%	39
Less than \$50k	64%	39%	61
\$50k-\$74k	18%	14%	78
\$75k-\$99k	13%	17%	131
\$100k-\$149k	13%	17%	131
\$150k or more	10%	13%	130

Nielsen Scarborough USA 2015 Study Release
 Geoscape, American Marketscape DataStream, Series 2015

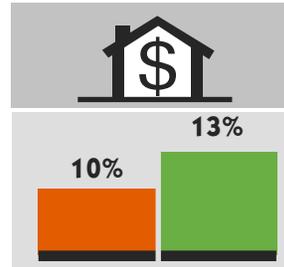
The Impact of Hispanic-Owned Businesses on the Financial Sector

Even though they are eager to become entrepreneurs, many Hispanics struggle to get their companies off the ground and implement strong financial planning and cash management policies for the future. This demand represents a huge opportunity for banks and financial institutions to provide services and products to this burgeoning segment of the population. In fact, many financial institutions are banking on the growth of small minority-owned businesses at the center of U.S. economic expansion.

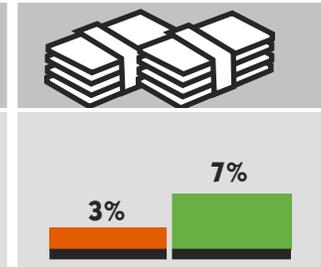
Hispanic business owners over index on commercial banking services and invest at a significantly higher rate when compared to the general Hispanic population. According to data from Geoscape and Scarborough, Hispanic businesses owners have a higher propensity to invest in stocks and mutual funds with their primary bank versus all Hispanic adults. Additional banking services such as online bill pay, online banking and home mortgages are also utilized at a significantly higher rate when comparing Hispanic business owners to the general U.S. Hispanic adult population.

All Hispanic Adults **Hispanic Business Owners**

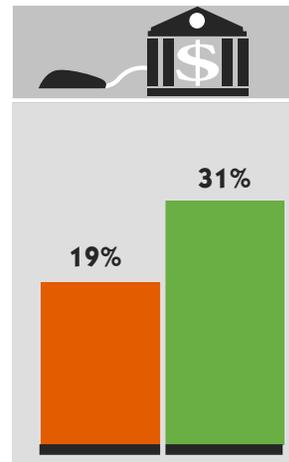
Home Mortgage*



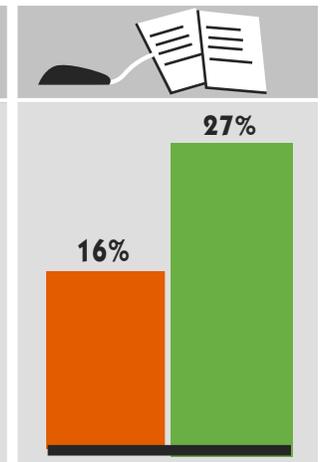
Money Market*



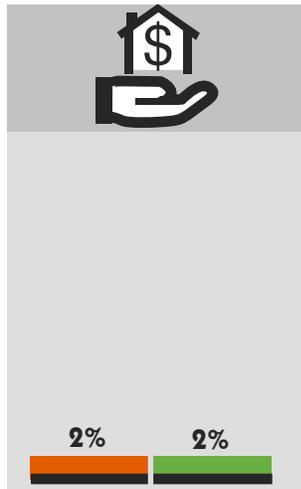
Online Banking*



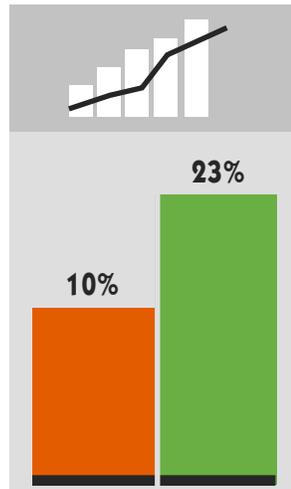
Online Bill Paying*



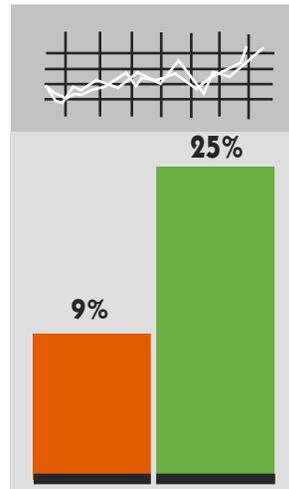
Refinance Home Mortgage*



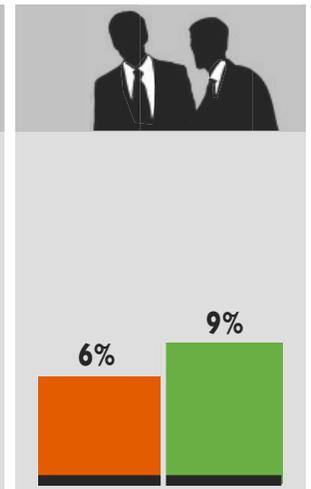
Stock Investments*



Invests in Mutual Funds*



Uses Financial Planner*



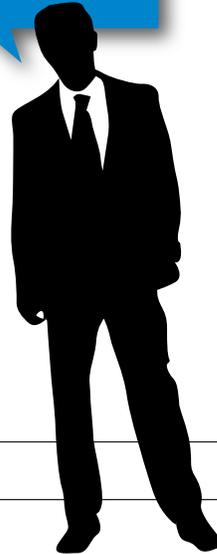
*Nielsen Scarborough USA 2015 Study Release.

The Contribution of Hispanic Businesses to the American Economy

The fact that Hispanic -owned businesses in the United States are growing at an accelerated pace — fifteen times the national growth rate and that the trend has been sustained for at least the last 10 to 15 years manifests itself both in the growing number and size of Hispanic-owned businesses and the total sales receipts that these firms are generating. To put this in context, during the latest 8-year period from 2007 to 2015, Hispanic-owned business’ revenue jumped by an astonishing 88 percent to nearly \$661 billion.

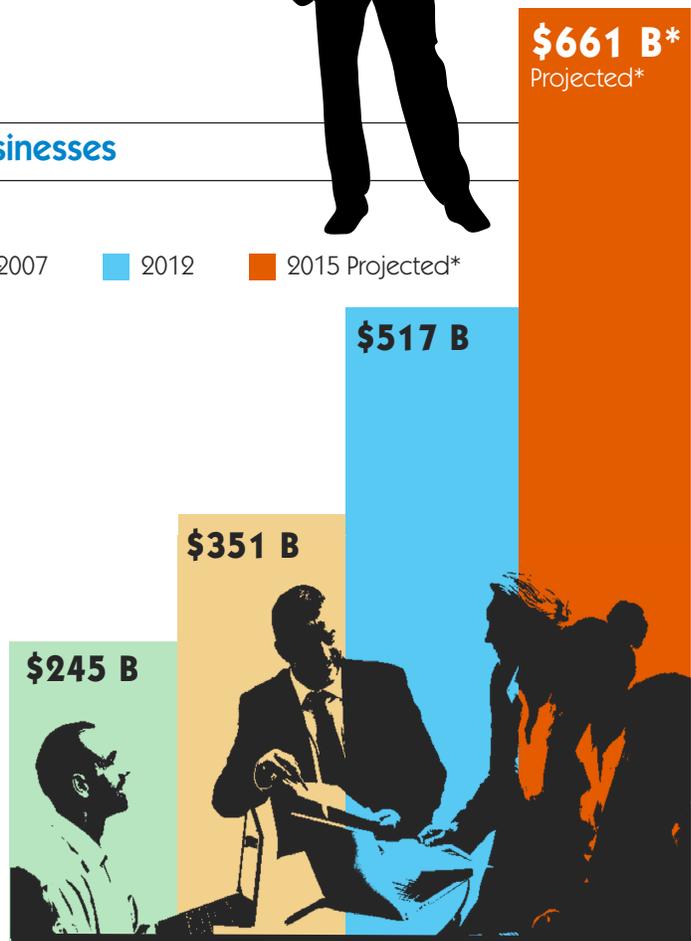
All this means that Hispanics will have more economic clout, employ a greater proportion of the population and purchase substantially more in goods and services than they do today. The dynamic growth of Hispanic-owned businesses will likely transform the economic and political landscape in the United States in the years ahead.

\$661 Billion in Sales
an 88% increase.



Total Sales Receipts for Hispanic-Owned Businesses

2002 2007 2012 2015 Projected*



Sources:

- Geoscape, American Marketscape DataStream, Series 2015
- Nielsen Scarborough, USA+R1 2015
- Kauffman Index of Entrepreneurial Activity, Robert Fairlie, April 2015
- U.S. Census Bureau, Survey of Business Owners 2002
- U.S. Census Bureau, Survey of Business Owners 2007
- U.S. Census Bureau, Survey of Business Owners 2012
- U.S. Census Bureau, Economic Census Summary 2002
- U.S. Census Bureau, Economic Census Summary 2007
- U.S. Census Bureau, Non-employer Statistics 2002
- U.S. Census Bureau, Non-employer Statistics 2007
- U.S. Census Bureau, 2013 County Business Patterns, April 2015
- U.S. Department of Commerce, Bureau of Economic Analysis Gross Domestic Product, Comprehensive Revision, Q2-2013

For more information please call 1.888.211.9353 or visit our website
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