2020 Startup Report highlights inequities in access to funding

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Tulane University's A. B. Freeman School of Business has released the second edition of the Greater New Orleans Startup Report, an annual comprehensive overview of the region's entrepreneurial ecosystem.

The 2020 survey, which was expanded to more accurately reflect the city's demographics, shows that Black, Indigenous and People of Color (BIPOC) entrepreneurs in Greater New Orleans face clear inequities in accessing critical resources to successfully grow their companies. The report shows that startups with BIPOC founders face important differences in obtaining loans and investment funding and are less likely to have high revenue and profit margins compared with those founded by white entrepreneurs.

“Firms owned by BIPOC entrepreneurs are half as likely to receive debt financing via traditional bank loans as white-owned firms. They also receive angel investments less than half as often. From a business standpoint, we should be clear-eyed about these inequities,” said Rob Lalka, executive director at the Albert Lepage Center for Entrepreneurship and Innovation at the Freeman School. “All of us at the Lepage Center hope that the Greater New Orleans Startup Report will contribute to an important dialogue about our city’s future.”

The report found:

- BIPOC-founded firms were less likely to receive traditional bank loans (8% vs. 16%) and angel investment (11% vs. 23%);
- Only 8% of BIPOC-founded firms made over $1 million in revenue versus 28% of white-founded firms;
- 23% of BIPOC-founded firms had profit margins of 10% or less compared to just 8% of white-founded firms;
- Companies with leadership teams of only white executives were more likely to receive angel investment (21% vs. 11%).

This year’s data was collected in January and February 2020 just before the city went into lockdown due to the COVID-19 pandemic. Despite the changed economic landscape, researchers felt it was important to release the results to provide a clear benchmark for policymakers to measure the pandemic’s impact on startups and gauge the sector’s recovery.

“The 2020 GNO Startup Report provides important context for policymakers, business leaders, economic development officials and others whose decisions will impact entrepreneurs in New Orleans for many years to come,” said Ira Solomon, Freeman School dean. “It is our hope and expectation that this report will serve as a benchmark for tracking our region’s progress as the economy recovers from COVID-19.”

The Lepage Center worked to increase representation in this year’s survey by expanding its network of community partners from 22 to 32 to assist in extending more than 400 invitations to participate in the study. As a result, Black-owned businesses accounted for up to 24% of the survey sample this year compared to only 13% last year. This proportion matches what would be expected for a representative sample of Black-owned businesses, which accounted for 24% of

businesses in metro New Orleans in 2012, according to figures from The New Orleans Data Center.

New community partners included the Hispanic Chamber of Commerce of Louisiana, the Meraux Foundation, the New Orleans Business Alliance, the New Orleans Regional Black Chamber of Commerce, NOLAVATE Black – New Orleans Black Tech Collective, Southeastern Louisiana University, St. Charles Parish Economic Development, Startup Grind New Orleans, Tangipahoa Economic Development and the University of New Orleans.

To participate, companies had to be located in the Greater New Orleans region with revenue less than $60 million, have been in existence less than five years or self-identify as participating in the region's startup ecosystem. The report details the size of the city's average startup, industry sectors represented, founders' demographics, revenue information for the past two years and estimates for 2020, number of employees, whether they are growing, if they are seeking investment, where they received funding, workspace needs and much more.

The Freeman School will host a free, public panel online at noon on Thursday, October 22, to discuss the data in the report and explore how New Orleans can address the inequities. Moderated by Rob Lalka, the panel includes Michael Hecht, President & CEO of Greater New Orleans Inc.; Quentin Messer, President & CEO of the New Orleans Business Alliance; Kelisha Garrett, Executive Director of the New Orleans Regional Black Chamber of Commerce; Otis Tucker, CEO of T.I. CONTRACTING LLC (doing business as Trucking Innovation); and Trivia Frazier, President & CEO of Obatala Sciences. To register, visit http://bit.ly/GNOStartupPanel.

For more information on the report, visit gnostartupreport.com.