

WEBINAR RECAP

Accelerating Hispanic Entrepreneurial Growth

A look at the boom in Hispanic- and Latino-owned businesses in the U.S. and how entrepreneurs can break through systemic barriers to scale



MEET THE EXPERTS

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**Joe Alvarado**

PNC Board of Directors
Member, Former CEO
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**Regina Trillo**

Founder, Nemi Snacks

There are five million Hispanic- and Latino-owned businesses in the U.S. and more Hispanic/Latino owners per capita than non-Hispanic/Latino business owners. One in every 300 non-Hispanic/Latino Americans are business owners, compared to one in every 200 Hispanics/Latinos.¹

Hispanic-owned small businesses have cultural nuances and unique needs. PNC is committed to supporting their business ecosystems, whether it be through financing or helping them obtain support from other agencies like the U.S. Hispanic Chamber of Commerce.

On October 17, as part of Hispanic Heritage Month at PNC, PNC's Rey Ocañas, EVP and director of Community Development Banking, hosted a webcast examining the importance of accelerating Hispanic entrepreneurial growth. In conversation with three Hispanic business leaders and PNC's chief economist, the discussion looks at the Hispanic- and Latino-owned business boom in the U.S. and how entrepreneurs can break through systemic barriers to scale.

Continued on next page >

The Latino community will power the three things that are important for the U.S. to compete globally¹

- 1 The fastest growing consumer sector in the U.S. is the Latino sector.
- 2 Eighty-six percent of workforce growth in the last 10 years has come from the Latino community.
- 3 Latinos are the vendors of the future.



The U.S. economy and the Hispanic/Latino community

PNC's baseline economic outlook is for slower growth but not an outright contraction in the U.S. economy, not a recession. Overall, gross domestic product, output of goods and services, fell slightly in the first half of 2022, but an alternative measure of the size of the economy, gross domestic income, has continued to increase, and overall economic activity in the United States is rising in the second half of 2022.

That being said, the recovery has been uneven across industries in the U.S. economy. As Gus Faucher, senior vice president & chief economist, PNC Financial Services Group, explains, consumers have been buying a lot of goods since the pandemic, both durable goods — big-ticket items like cars and appliances — and nondurable goods meant to last fewer than 3 years, things like food, clothing and medication. On the other hand, consumer spending on services has just barely returned to its pre-pandemic level, even after adjusting for higher inflation. As the economy continues to expand in the second half of 2022 and then again in 2023, consumer spending growth will shift from goods to services.

Unemployment will remain slightly higher for the Hispanic/Latino community

Job growth in 2022 has averaged about 500,000 per month — roughly double the pace before the pandemic. By the middle of 2022, employment had returned to above its

pre-pandemic level, even after the loss of 22 million jobs in March and April of 2020. While the unemployment rate continues to fall both overall and for Hispanic Americans, it remains slightly above the overall U.S. average.

The unemployment rate jumped to almost 15% for all Americans in the spring of 2020 with the pandemic, but it is now back to its pre-pandemic low of about 3.5%. This compares to the Hispanic unemployment rate, which increased to almost 20% in 2020, but is now back to below 5%.²

However, the labor market remains extremely tight. By mid-2022, the labor force participation rate — the share of adults who are either working or looking for work — was much lower than it was before the pandemic. This tight labor market is making it very difficult for businesses to find workers, and that is pushing up wages throughout the U.S. economy and contributing to higher inflation.

Inflation targets and interest rates

One of the other factors that has been putting an upward strain on inflation in the United States is global supply chain pressures. As these pressures subside over the coming months, inflation is expected to level at 5% year over year. However, the Federal Reserve would like to see it closer to 2% over the long run.

As the Fed attempts to slow economic growth and curb inflation, both short-term and long-term interest rates have risen

markedly. The impact can clearly be seen in the housing market. The 30-year fixed mortgage rate has risen from below 3% in early 2021 to roughly 5%. Consequently, the cost of owning a home has risen, and sales of existing single-family homes as well as housing starts have fallen. "And it's that slowing in interest-rate-sensitive industries like housing that will contribute to slower economic growth over the next couple of years and a slowing in inflation," says Faucher.

The unemployment rate, which was down to 3.5% in mid-2022, may move a bit higher over the next year or so to a bit above 4%, he adds. "Assuming the Fed is able to do its job and slow growth and bring down inflation without causing a recession, we should see a modest increase in the unemployment rate over the next year or so and a slowing in inflation, back down to the Federal Reserve's 2% objective."

Specific challenges for Hispanic and Latino businesses

Hispanics and Latinos are on the front lines of building small businesses that grow into Fortune 500 firms and create jobs. Hispanics and Latinos comprise 20% of the population and are the future of the U.S. economy. The Latino community will power the three things that are important for the U.S. to compete globally: 1. The fastest growing consumer sector in the U.S. is the Latino sector. 2. Eighty-six percent of workforce growth in the last 10 years has come from the Latino community. 3. Latinos are the vendors of the future.¹

However, Hispanic-owned small businesses have distinct cultural characteristics and unique needs. They are often owned and operated by immigrant founders, who are navigating a new U.S. landscape, which can present unforeseen challenges, whether it's arranging bank financing or accessing support and technical assistance from a chamber of commerce or from other agencies.

Hispanic and Latino businesses are also disproportionately impacted by inflation, explains Ramiro Cavazos, president and CEO of the United States Hispanic Chamber of Commerce. "These businesses are typically smaller and very sensitive to cost pressures, like rising fuel costs," he says. "Most of our businesses are in construction. They're in direct service industries, they're contractors, truckers, shippers — they're in logistics. Many of them are in retail and restaurant businesses or in light manufacturing. So, fuel cost is really the biggest impact that's hurting their businesses today." Latino entrepreneurs also need help scaling their businesses to reach \$1 million in revenue, says Cavazos. Many of them that were affected by COVID were already impacted before COVID because of their lack of access to what the Chamber of Commerce refers to as the three C's: Access to Capital, Access to Capacity-Building and Connections/Contracts.

Other cultural characteristics can pose systemic barriers to growing their businesses as well.

Culture

HUMILITY AT THE RIGHT TIME

Hispanic and Latino people are known for having great humility and deference to others, and rejection isn't taken easily, says Joe Alvarado, PNC Board of Directors member, and former CEO of Commercial Metals Company. "It can be a huge setback," he comments.

"In business, humility is no longer a virtue," Romero Cavazos agrees, "and shouldn't be in the marketplace. If you don't get that first contract, you need to come back strong. Ask for help, use your voice and know that this economy needs you." The U.S. Hispanic Chamber of Commerce is encouraging their members to be more assertive, to be more confident, to figure out how to turn rejection into an asset of some sort or a more positive approach that will allow them to grow their businesses. Being assertive and strong doesn't mean that there isn't room for humility or deference, but humility needs to come at the right time, says Cavazos.

UNDERSTAND THE VALUE YOUR CULTURE BRINGS TO THE TABLE

Nemi Snacks keeps it authentic

Nemi Snacks is a specialty grocery product made exclusively with Mexican-sourced *nopales* (prickly pear cactus paddles) and seeds. Its founder and CEO, Regina Trillo, first launched the crunchy treat in mid-2019. Immigrating 10 years ago from Mexico, Trillo tells of her overall vision for Nemi Snacks as a distinctly Hispanic brand. "With our brand, we're very intentional about elevating Mexican culture in the U.S. and pushing back against the stereotype that if something is Latino, or if something is Mexican, that it has to be cheap," she explains. Inspired by Mexican flavors, and now with what she terms "sombbrero-free branding," Nemi Snacks has grown significantly year over year and can now be found in roughly 250 stores in Texas, California, Chicago and the East Coast.

In September of 2021, Trillo rebranded Nemi Snacks with the help of the Target Accelerator for consumer packaged goods. In accessing the resources of the Target Accelerator, it was all about opening doors, she explains,

specifically selling to Target. However, Target also introduced Trillo to resources she hadn't encountered before and helped her apply a wealth of data that would help reposition the brand in the market.

Initially, Nemi Snacks packaging involved a lot of text and information that people didn't read, says Trillo. With Target, she was able to obtain consumer feedback and tapped the experiences and knowledge of their experts and mentors in the program. When it comes to packaging, she learned that you need to have color and then a figure or a form of something, then the third element is text. "That is how my packaging looks right now," Trillo comments, "whereas before, it was heavily focused on text, exactly the way that we should not be doing it." Following the rebrand, Nemi Snacks was able to access stores that were previously uninterested in the product.

As to what it takes to be an entrepreneur in America, Trillo says, "It's flexibility — adapting to changing circumstances and good communication." When Nemi Snacks was first launched, most of the selling and educating consumers was done in person. In 2022, during COVID, Trillo had to change their strategy toward digital marketing and find ways to connect with their customers that didn't involve in-person meetings.

When it comes to communication, Trillo believes that being transparent is key, particularly if there are delivery issues. Due to supply chain issues, "We had a huge challenge with the material that we used to make the packaging, and we had significant delays. Luckily, we were very transparent since the beginning, and one lesson learned for me was to just continue investing in relationships with retail, with consumers, with buyers." She adds that it's really important to keep that communication honest.

Stepping outside your comfort zone to find your niche

Joe Alvarado, board director at PNC, explains how his family, originally from Mexico and El Paso, Texas, became restaurateurs in Chicago at that time when starting a Mexican restaurant was unique, particularly in the American Midwest. He explains that his father went to work in the steel mills of Chicago, and would send money home to his family. “When we all were able to move there, my mother decided to open a restaurant.”

Alvarado’s parents targeted a different demographic than other Mexican restaurateurs and were able to find a niche market. Mexican food is very common throughout the country, but at that time in post-WWII America, people who were going to a Mexican restaurant were experimenting. Hispanic cuisine beyond the Latino community was pretty much unknown.

“Our restaurant,” explains Alvarado, “went beyond the Hispanic community to serve the steel workers at the mill where my dad worked. This is what made it successful — stepping outside our own comfort zone.”

“That was a tremendous boost for me, to see that they could be entrepreneurs, and they did it with the help of what is now PNC Bank. That was the foundation on which I started,” says Alvarado, “and provided me with some benefits that other people might not have had. My parents were businesspeople. They were entrepreneurs, which helped me with my education and my understanding of what it took to run a business. More importantly, it gave me the confidence to do things that I saw them do — in other words, taking risks, being leaders, not only in the community but leaders among the Hispanics in particular.”

“Those were great learning tools for me,” he adds. After getting both an undergraduate and a graduate degree, Alvarado went to work for the same steel company his father did years before, but instead of being on the shop floor, he was at corporate headquarters.

“I was fortunate to benefit from a really wonderful mentorship of people and I got great experiences in sales, manufacturing and strategic planning, as well as in my original career in accounting.” Alvarado went on to run several businesses and ultimately served as the chair, president and CEO of Commercial Metals Company, based in Dallas, Texas. “So my career was blessed by lots of good experiences, the leadership and mentorship, not only from my family, but other people that ultimately led to my becoming a director of PNC.”

TOP TEN TIPS FROM OUR EXPERTS FOR HISPANIC AND LATINO ENTREPRENEURS

1. Diversify

Diversification is critical when it comes to consumer products manufacturing. Diversifying the supply chain, diversifying operations, and continually looking at different ways of doing things is essential to a successful business.

2. Growing your business:

Don’t bite off more than you can chew

Be very mindful about margins and costs of goods sold and think carefully about how fast you can grow with the financing you can obtain. Even though Latinas are the fastest growing population of entrepreneurs in the U.S., they’re often overlooked and currently only access 0.04% of venture capital.

3. Know your eco-system

Scaling effectively requires a deep understanding of not only production costs,

but marketing costs, distribution and in the consumer goods business, for example, broker’s fees. Learn about the ecosystem of the sector you’re in, the reality of how capital-intensive it is and what your margins will be as you grow. Have a good finance person advising you and find a great partner like PNC to help you reach your goals.

4. Ask for help

Access the resources of incubators and your local Chamber of Commerce.

5. Fear is nothing to be afraid of

Fear is common among new entrepreneurs. Mitigate your risks when you can, but take the leap.

6. Access incentives and awards wherever you can

It is an amazing moment to start a business as a Latina. Capitalize on available grants for Latina entrepreneurs — Hello Alice is a valuable resource for grants.

7. Save your money

Latinos are great savers. For would-be entrepreneurs, start saving at an extremely early age even when you don’t have money, because that compound interest makes a huge difference the older you get.

8. Learn about money

Be financially curious. Take advantage of your savings and put it into the right instruments and tools to make it grow. Put it in PNC or invest it wisely in financial tools. It will pay off in the long run.

9. Diversify again

Be willing to take on new and uncertain challenges. An entrepreneur — a business person — has to do all the things that are required from finance: selling, production, logistics. Entrepreneurs do that. People who are in a career track, locked into selling or locked into operations, or locked into a finance position would be well-served to take bold steps into other disciplines to learn them in a way that will prepare them to be more well-rounded generalists, like most entrepreneurs are today.

10. Be original but bold

Embrace your cultural norms but know when to be assertive in your business. It’s OK to be bold.

CONCLUSION

For the U.S. economy, the importance of the Hispanic and Latino community can't be underestimated. With five million Hispanic- and Latino-owned businesses in the country, ensuring their success through access to capital and resources is critical.

However, this community often faces an uphill battle. For immigrant-led businesses, navigating the U.S. commercial landscape can present unforeseen challenges, whether it be arranging a bank loan or finding the other resources and information that can help them grow.

In this webcast, we heard the success stories of Hispanic entrepreneurs in America. PNC is committed to supporting this group of entrepreneurs by helping them break through systemic barriers to scale, whether it be through facilitating loans or helping them access the resources of local and federal agencies like the U.S. Hispanic Chamber of Commerce.

For more insights designed just for Minority Business Owners, visit pnc.com/minoritybusiness.



¹ U.S. Hispanic Chamber of Commerce, 2023

² Bureau of Economic Analysis, 2023

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