

ADDENDUM

A: Methodology

Overview of the SLEI Survey of Business Owners

Since 2015, the Stanford Latino Entrepreneurship Initiative has collected and analyzed survey data on Latino/a-owned businesses across the United States and Puerto Rico, presenting the most salient insights in the State of Latino Entrepreneurship report. To provide context and comparative analysis, the study also includes data from non-Hispanic White business owners.

To be considered for the Latino/a business owner sample, respondents must answer these questions affirmatively: (1) Are you a business owner with 50% or more ownership, and (2) are you of Latino/a or Hispanic origin. Latino/a business owners are of any race, whereas White business owners must indicate they are not Latino/a or Hispanic. Our analysis specifically targets employer businesses, as detailed in the "About this Report" section, and only considers those with an annual revenue exceeding \$10,000 to parallel Census survey criteria.

The SLEI Survey of Business Owners was conducted in English and Spanish to capture a wider segment of U.S. Latino/as from August to November 2025. The survey was administered online and took about 10-15 minutes to complete. Respondents were obtained through proprietary Qualtrics business panels. The sample size is 10,094 consisting of 5,035 White business owners and 5,059 Latino/a business owners.

We report findings based on statistically significant differences when comparing multiple groups and note places where there are no differences from a statistical vantage point. Specifically, we conducted Wald tests on all survey questions to test the differences between LOBs and WObS. This approach allowed us to identify important trends and areas for deeper exploration.

In addition to Wald tests, we ran logistic regression models to analyze funding and contracting outcomes. These models were designed to control for confounding factors such as business size and industry. Within our study, outliers in continuous variables were systematically identified and excluded to ensure the statistical robustness and reliability of our analyses. The SLEI survey has an overall margin-of-error of +/-1% at the 95% confidence level.

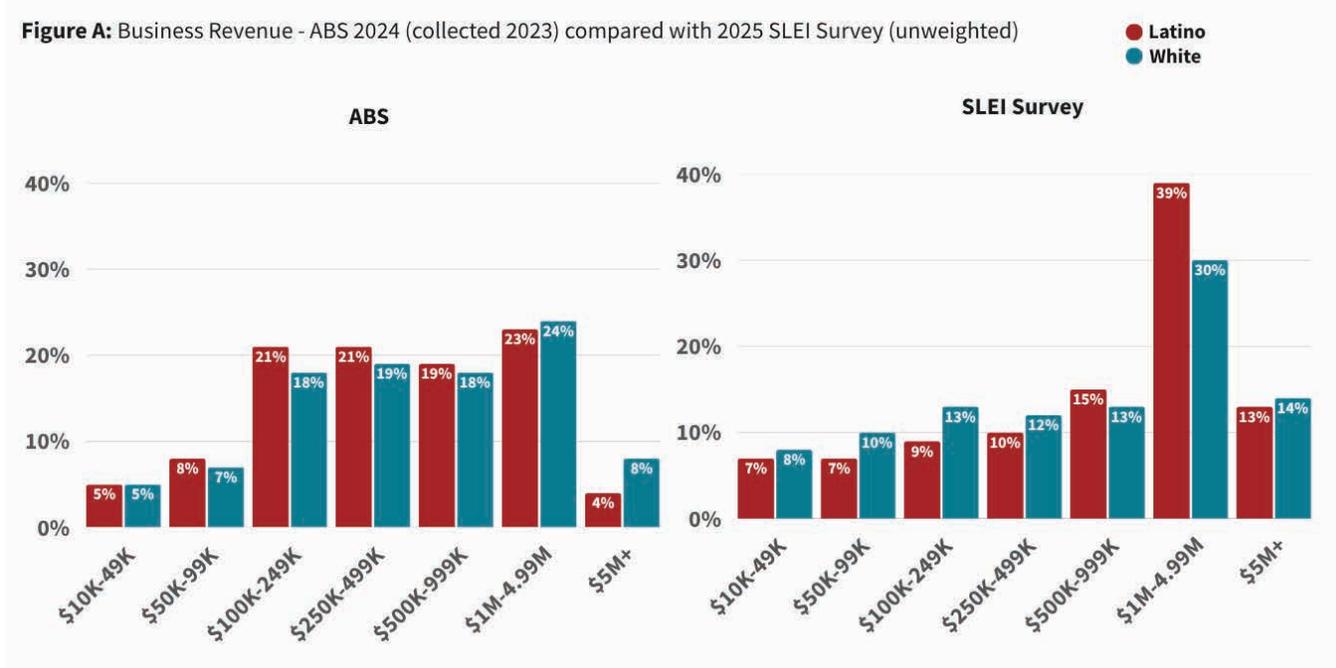
For free-response survey questions, we analyzed textual responses using a three-stage approach. First, we applied unsupervised BERTopic models to identify broad thematic clusters across all responses. Next, we reviewed the resulting topics and representative excerpts from each cluster to develop concise, substantively meaningful category labels. Finally, we used these labels to guide classification-based BERTopic models, allowing us to assess how well individual responses aligned with the constructed categories.

Post Stratification Weights

We employ post-stratification weights to account for differences in sample sizes and different indicators to have estimates that are proportional to the national population of each group. Specifically, we use the raking technique, which uses iterative post-stratification weights to match the marginal distributions of each survey sample to known population margins. We stratify based upon industry, region, number of employees and revenue amount. We then compare the group of businesses in each stratum to the comparable population of businesses in the United States.

All samples were compared to the 2024 U.S. Census Annual Business Survey (ABS), the latest available data at the time of this report. Our samples are generally representative of employer businesses at large in terms of industry, geography, and age of business. **Figure A** compares the business revenue between the unweighted 2025 SLEI survey and the 2024 ABS.

Additionally, in January 2026, we conducted a follow-up Pulse Survey to capture real-time insights into the challenges facing Latino/a and White business owners. This supplemental survey included an additional 1,018 observations across both demographic groups. We applied the same raking technique for post-stratification weights, stratifying on three indicators: Census division, revenue, and firm size. As with the main SLEI Survey of Business Owners, the Pulse Survey generated categorical variable responses, which we analyzed using logistic regression models for statistical inference and crosstabulation analysis to identify significant patterns and differences between groups.



B: Glossary of Terms

- **ARTIFICIAL INTELLIGENCE (AI):** In a business context, AI includes the use of tools such as machine learning, natural language processing, and computer vision to optimize business functions, boost employee productivity, and drive business value.¹
- **COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs):** Specialized financial institutions that provide credit, capital, and financial services to underserved communities that lack access to traditional banking services.
- **EMPLOYER BUSINESS:** A business or firm that has employee(s) on payroll. These firms are poised to have the greatest impact on the economy and job creation compared to non-employer firms.
- **ENTREPRENEUR:** Someone who starts or owns a business, regardless of industry or business idea. Used interchangeably with business owners.
- **LATINO/A-OWNED BUSINESS (LOB):** Firms with 50% or more ownership corresponding to an owner(s) who identifies as Latino/a or of Hispanic origin regardless of their race or gender. To parallel U.S. Census parameters, in this report, we define LOB as employer businesses generating at least \$10,000 in annual revenue. The term is inclusive of firms owned by Latina (women) and Latino (men) entrepreneurs.
- **SCALED (LARGER) BUSINESS:** A firm that is generating at least \$1 million in annual gross revenue.
- **UNSCALED (SMALLER) BUSINESS:** A firm that is not yet generating at least \$1 million in annual revenue.
- **WHITE-OWNED BUSINESS (WOB):** Firms with 50% or more ownership corresponding to an owner(s) who identifies as non-Hispanic White regardless of their gender. To parallel U.S. Census parameters, in this report, we define WOB as employer firms (with at least one employee on payroll besides the owner(s) generating at least \$10,000 in annual revenue. The term is inclusive of firms owned by both White women and White men.

C. Latino VC State Ecosystem Typology (Deal Volume x Deal Intensity)

State	Ecosystem Type	Deal Volume (Count)	Volume Rank (Count)	Deal Intensity (Top Quartile \$M)	Intensity Rank (Top Quartile)	Median	Average	Capital Invested (\$M)
California	Core Hub	1294	1	\$13.0	9	\$3.6	\$17.8	\$18,766.5
New York	Core Hub	496	2	\$11.0	11	\$3.2	\$20.1	\$8,434.5
Florida	Participation Hub	378	3	\$6.0	18	\$2.0	\$8.4	\$2,718.7
Texas	Participation Hub	283	4	\$5.0	23	\$1.5	\$13.1	\$3,101.2
Massachusetts	Core Hub	203	5	\$25.0	3	\$5.3	\$28.0	\$4,934.6
Illinois	Participation Hub	140	6	\$6.8	16	\$2.1	\$14.0	\$1,590.5
Washington	Core Hub	84	7	\$18.4	5	\$4.6	\$28.3	\$2,152.8
Colorado	Participation Hub	79	8	\$5.7	19	\$1.2	\$7.8	\$559.8
Delaware	Core Hub	61	9	\$15.9	6	\$2.4	\$12.3	\$566.3
Pennsylvania	Core Hub	48	10	\$14.6	8	\$4.0	\$19.2	\$825.8
Utah	Breakout Market	37	11	\$40.0	2	\$5.4	\$52.5	\$1,680.2
New Jersey	Breakout Market	33	12	\$24.4	4	\$2.8	\$39.4	\$1,142.8
Virginia	Early Ecosystem	32	13	\$7.1	15	\$2.1	\$8.1	\$233.8
Arizona	Early Ecosystem	30	14	\$4.0	27	\$1.5	\$9.2	\$229.9
Missouri	Breakout Market	29	15	\$5.7	20	\$2.4	\$4.7	\$131.4

¹ Quiroz Vazquez, C., & Goodwin, M. (2024, February 20). *What is artificial intelligence (AI) in business?* IBM. Retrieved December 10, 2024, from <https://www.ibm.com/topics/artificial-intelligence-business>

North Carolina	Breakout Market	27	16	\$6.5	17	\$3.0	\$14.1	\$380.0
Oregon	Early Ecosystem	26	17	\$4.0	26	\$2.2	\$4.5	\$93.5
Georgia	Early Ecosystem	23	18	\$2.5	31	\$1.2	\$2.8	\$56.4
Michigan	Early Ecosystem	22	19	\$2.1	34	\$1.5	\$2.4	\$47.5
Maryland	Early Ecosystem	20	20	\$2.5	30	\$1.4	\$3.4	\$57.2
Connecticut	Early Ecosystem	18	21	\$5.3	22	\$3.8	\$8.3	\$132.9
Minnesota	Early Ecosystem	17	22	\$4.9	24	\$1.5	\$3.6	\$57.0
Indiana	Early Ecosystem	16	23	\$3.9	28	\$1.7	\$13.8	\$220.1
Nebraska	Early Ecosystem	16	23	\$2.2	33	\$1.0	\$1.7	\$26.0
Wisconsin	Early Ecosystem	16	23	\$8.0	13	\$2.2	\$5.6	\$78.7
New Mexico	Early Ecosystems	14	26	\$2.5	29	\$1.9	\$1.9	\$23.2
Nevada	Early Ecosystem	13	27	\$12.6	10	\$4.4	\$9.8	\$127.6
Tennessee	Early Ecosystem	12	28	\$2.3	32	\$1.4	\$1.4	\$15.1
South Carolina	Early Ecosystem	9	29	\$8.1	12	\$4.3	\$5.6	\$39.4
Ohio	Early Ecosystem	8	30	\$5.4	21	\$1.7	\$10.9	\$76.2
West Virginia	Early Ecosystem	8	30	\$292.5	1	\$93.5	\$172.9	\$1,383.0
Arkansas	Early Ecosystem	8	30	\$0.2	39	\$0.2	\$0.2	\$1.2
Oklahoma	Early Ecosystem	7	33	\$1.7	36	\$1.7	\$1.3	\$6.7
Kansas	Early Ecosystem	6	34	\$15.8	7	\$2.5	\$26.8	\$134.0
Iowa	Early Ecosystem	6	34	\$4.1	25	\$2.4	\$2.9	\$11.5
Alabama	Early Ecosystem	3	36	\$1.9	35	\$1.6	\$1.6	\$3.2
Mississippi	Early Ecosystem	3	36	\$0.0	41	\$0.0	\$0.0	\$0.1
Louisiana	Early Ecosystem	2	38	\$7.6	14	\$5.1	\$5.1	\$10.2
Kentucky	Early Ecosystem	2	38	\$0.3	38	\$0.2	\$0.2	\$0.4
Maine	Early Ecosystem	2	38	\$0.6	37	\$0.5	\$0.5	\$1.1
Rhode Island	Early Ecosystem	1	41	\$0.1	40	\$0.1	\$0.1	\$0.1
Alaska	Early Ecosystem	-	-	-	-	-	-	-
Hawaii	Early Ecosystem	-	-	-	-	-	-	-
Idaho	Early Ecosystem	-	-	-	-	-	-	-
Montana	Early Ecosystem	-	-	-	-	-	-	-
New Hampshire	Early Ecosystem	-	-	-	-	-	-	-
North Dakota	Early Ecosystem	-	-	-	-	-	-	-
South Dakota	Early Ecosystem	-	-	-	-	-	-	-
Vermont	Early Ecosystem	-	-	-	-	-	-	-
Wyoming	Early Ecosystem	-	-	-	-	-	-	-

Notes: Deal Volume = number of Latino-founded VC deals (count). Deal Intensity = Top Quartile deal size (\$M) within the state (typical larger-check activity). Ecosystem Type is assigned using above/below-median thresholds for Volume and Intensity across states.

D. Open-Ended Survey Questions and Associated Key Themes

This section provides an outline of the key themes identified from the four open-ended survey questions included in the study, two of which were required and two optional. These questions explored participants' motivations for starting or

owning a business, the most impactful challenges they have faced, financing challenges encountered since business inception, and strategies used to increase revenue and/or reduce costs. The themes presented below are grouped by survey question and are intended to summarize the primary areas of emphasis reflected in participants' responses

Motivation to Start a Business

- *Survey question: What inspired you to start your business (or become the owner of your business)? What personal experiences, goals, or challenges motivated you to take this step? (Optional)*

Key Themes:

- **Personal Transformation and Overcoming Employment Dissatisfaction:** Experiences of adversity, stagnation, or dissatisfaction in prior employment motivated individuals to reclaim control over their careers and transform challenges into entrepreneurial opportunity.
- **Autonomy, Independence, and Control:** Entrepreneurs were motivated by a desire for psychological and professional agency, seeking autonomy over decision-making, values, and direction in contrast to the constraints of traditional employment.
- **Commitment to Community, Cultural Impact, and Service:** A strong commitment to community uplift, cultural pride, and service motivated entrepreneurs to build businesses that address local needs, support others, and create positive social impact beyond financial gain.
- **Innovation and Market Solutions (Identifying Gaps and Creating Opportunities):** Entrepreneurs were driven by identifying unmet market needs and creating innovative solutions that solve real problems and deliver meaningful value to their communities and industries.

Navigating the Most Impactful Challenge Identified

- *Survey question: How are you navigating this challenge (the most impactful challenge selected)? (Required)*

Key Themes by Challenge Type:

Inflation

- **Supplier Relationships and Procurement:** Business owners emphasized strengthening supplier relationships through negotiation, local sourcing, bulk purchasing, and long-term contracts to stabilize input costs and reduce exposure to price volatility.
- **Innovative Solutions and Technology Utilization:** Entrepreneurs increasingly leveraged automation, AI, and technology upgrades to streamline operations, improve resource management, and offset rising labor and operational costs.
- **Cost Management Strategies:** To sustain profitability amid inflation, business owners adopted disciplined budgeting, expense tracking, and strategic resource allocation, focusing on reducing non-essential costs while maintaining core operations.
- **Employee Management and Well-being:** Managing labor costs during inflation required workforce adjustments that balanced financial constraints with employee morale, retention, and clear communication to maintain a committed and supported workforce.
- **Quality Assurance and Cost Control:** Businesses navigated rising costs by seeking cost-effective material alternatives and narrowing product offerings, striving to preserve quality standards and meet customer expectations while protecting margins.

Competition From Other Businesses

- **Pricing Strategies:** To remain competitive in saturated markets, many business owners adjusted pricing by offering discounts or matching competitors' rates to attract and retain customers.
- **Innovation and Adaptation to Market Dynamics:** Businesses emphasized continuous innovation and flexibility, through new products, improved services, and responsiveness to market trends, to stay relevant in a changing competitive landscape.
- **Marketing and Promotion:** Increased investment in marketing, including social media, local advertising, and community or influencer partnerships, was viewed as essential for boosting visibility and reaching new customers.

- **Customer Retention and Relationship Management:** Entrepreneurs prioritized building customer loyalty through personalized service, trust-building, and community engagement to encourage long-term relationships beyond price competition.
- **Emphasis on Quality and Customer Experience:** Delivering high-quality, personalized customer experiences emerged as a key differentiator, helping businesses strengthen brand trust and sustain customer loyalty despite competitive pressures.

Taxes and Government Regulations

- **Use of Professional Expertise:** Many business owners relied on tax advisors, legal experts, and compliance specialists to navigate complex regulations and make informed decisions amid evolving tax requirements.
- **Tax Planning/Professional Guidance:** Entrepreneurs focused on strategic tax planning, leveraging deductions, credits, and professional guidance, to manage rising tax rates while minimizing financial strain.
- **Proactive Adaptation:** To stay compliant and competitive, business owners emphasized proactive adaptation through strategic planning, ongoing training, and engagement with industry updates and regulatory education.
- **Customer Communication, Retention, and Relationship Management:** Businesses prioritized transparent communication with customers about tax- and cost-driven price changes to maintain trust, loyalty, and long-term relationships.
- **Pricing Strategies:** In response to increased tax and regulatory costs, business owners adjusted pricing and spending strategies to protect profit margins while managing potential impacts on customer demand.

Economic Uncertainty

- **Pricing Strategies and Operational Decisions:** Business owners responded to inflation, tariffs, and broader economic conditions by adjusting pricing strategies and operational decisions to offset rising external costs.
- **Proactive Financial Planning:** Many entrepreneurs prioritized financial resilience by building emergency reserves, engaging in long-term and scenario-based planning, and adjusting forecasts to prepare for economic uncertainty.
- **Use of Technology and Innovation:** Businesses invested in technology, automation, and AI-driven tools to improve operational efficiency, streamline processes, and strengthen customer engagement during uncertain times.
- **Customer Communication, Retention, and Relationship Management:** To sustain loyalty amid economic volatility, businesses emphasized transparent communication, promotions, and trust-building strategies to encourage repeat customers.
- **Cost Management and Control:** In response to financial instability, business owners implemented strict budgeting, expense monitoring, and cash flow management practices to reduce costs and maintain long-term stability.

Marketing and or finding Customers

- **Digital Marketing Strategies:** Business owners increasingly relied on digital channels—such as social media advertising, content marketing, SEO, and data analytics—to reach targeted audiences and optimize marketing performance.
- **Collaborations and Partnerships:** Strategic collaborations with influencers, local businesses, and community organizations were used to expand reach through cross-promotion, joint events, and shared audiences.
- **Customer Engagement, Retention, and Relationship Building:** Entrepreneurs focused on strengthening customer relationships through referrals, loyalty incentives, personalized outreach, and feedback-driven improvements to boost engagement and retention.
- **Budgeting and Cost-Effective Marketing Strategies:** Marketing budget constraints pushed businesses to adopt more cost-effective strategies and closely evaluate return on investment to maximize impact amid economic pressures.
- **Utilizing External Expertise:** Some businesses turned to external agencies and consultants for specialized marketing support—such as SEO and targeted advertising—to enhance effectiveness and scale their efforts.
- **Experimentation and Adaptation:** Ongoing experimentation through A/B testing, performance analytics, and iterative strategy adjustments enabled businesses to refine marketing approaches and respond to customer behavior.

Navigating Financing Challenges Since the Start of the Business

- *Survey question: In a few sentences, please describe a major financing challenge you've faced since starting/owning your business, and how you navigated it? (Optional)*

Key Themes:

- **Employee Retention and Payroll Issues:** Entrepreneurs faced challenges meeting payroll and retaining employees, prompting cost-cutting measures, benefit adjustments, workforce reductions, or reliance on personal and family financial support during tight periods.
- **Loan Denials and Rejections:** Securing traditional financing proved difficult due to strict lending requirements and credit constraints, leading many business owners to pursue alternative funding sources or adjust their financing strategies.
- **Cash Flow Management:** Business owners struggled to manage cash flow amid slow sales and delayed client payments, often relying on tighter budgeting, stricter invoicing, and expense reductions to maintain operational stability.
- **Equipment and Operational Expenses:** High equipment and operating costs, particularly during expansion, strained business finances, with owners commonly turning to leasing, installment plans, or alternative financing to sustain growth.
- **Strategic Partnerships and Collaborations:** Strategic partnerships and community collaborations/local community networks played a critical role in helping entrepreneurs share costs, access funding opportunities, and mitigate cash flow challenges.

Strategies to Increase Revenue / Reduce Costs

- *Survey question: What strategies or business approaches have been most helpful in increasing your revenue and/or reducing costs? (Required)*

Key Themes:

- **Operational Streamlining and Efficiency Through Automation and Technology Integration:** Businesses improved operational efficiency and reduced costs by integrating automation and AI-driven technologies to streamline processes, minimize waste, and enhance productivity.
- **Digital Marketing, Advertising, and Social Media Presence:** Companies leveraged digital marketing and social media to increase visibility, attract new customers, and drive sales at a lower cost than traditional advertising.
- **Supplier Negotiations, Bulk Purchasing, and Cost Management:** Entrepreneurs reduced material and inventory costs by negotiating favorable supplier terms, purchasing in bulk, and improving procurement and inventory management practices.
- **Networking and Community Engagement:** Strategic networking and community partnerships helped businesses lower costs while expanding their customer base through relationship-driven growth.
- **Employee Training and Development:** Investing in employee training enhanced productivity, service quality, and retention, contributing to lower labor costs and stronger revenue performance.
- **Customer Retention, Engagement, and Loyalty Programs:** Businesses prioritized customer satisfaction through loyalty programs, personalized service, and referrals, recognizing retention as a cost-effective driver of stable growth.
- **Cost Control, Budget Management, and Overhead Reduction:** Through disciplined budgeting, expense tracking, and overhead reduction, business owners improved profit margins while supporting sustainable growth.