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A Different Business Model

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Italian Market Business Survey
Method

• Systematic survey of businesses in the Italian Market
Business Owners

Country of Origin

- United States: 45%
- Vietnam: 6%
- Mexico: 29%
- Other: 20%

Native-Born and Immigrant Composition

- Native-Born: 45%
- Immigrant: 55%
Inherited Business from Family Member 22%
Personal Savings 45%
Family/Friends 24%
Bank Loan 9%

Inherited Business from Family Member 41%
Other 59%
Immigrant-Owned Businesses and Start-Up Capital

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Economic Model of Revitalization

• Economic Growth Model
  • Growth is an increase in the market value of goods and services
• Growth is powered by profit
  • Increased output results in greater profit
  • Profit allows for reinvestment
• Models for increasing growth identify industries and markets that have potential for growth to invest in
• Identifying potential areas for growth
  • Human capital
  • Identifiable market
  • Low Barriers to Entry
Survey Expectations and Goals

• Immigrant and minority business owners would have reduced access to bank loans.
  • Leading to an increased prevalence of Rotating-Credit Associations

• Immigrants and minority business owners would be less capitalized. Thus, these businesses would operate at a lower cost.

• Businesses owned by native-born would be more profitable, but immigrant-owned businesses would have a quantifiable economic impact.
Source of Start-Up Capital

- Personal Savings: 57%
- Family/Friends: 31%
- Bank Loan: 12%
- Other (not specified): 57%
Median Start-Up Cost by Race/Ethnicity

- Non-Hispanic White: $40,000
- Asian or Asian American: $38,500
- Latino or Hispanic American: $15,000
Mean Start-Up Cost by Business Type

- Specialty Grocery
- Restaurant
- Other Retail
- Discount Store
- Grocery Store
- Convenience Store
- Other Service
- Other Retail and Service
- Stand
Barriers to Entry for Immigrants

1. Higher Start-Up Costs
2. Specialized skills
3. Lack of Connections
Effects of Barriers to Entry on Immigrant Businesses

• Lead to Limited Types of Businesses
  • Duplication
  • Target One Immigrant Population

• Creates a Highly Competitive Market of Certain Business Types
  • Convenience / Grocery Stores
  • Ethnic Restaurants
The Profit Question: A Typical Response

1. Would you characterize your business as profitable?
   - Yes

2. How long did it take for your business to have a positive net profit?
   - It doesn’t
A Different Model

1. Breaking-even is a primary concern
2. Opportunity cost is considered to be zero
3. Goal of business ownership is steady earnings, not growth
4. Shutting-down is not seen as an option
Steady Earnings as a Goal of Immigrant Business Ownership

- Barriers to enter the labor market
  - Undocumented status
  - Language barriers
  - Unskilled
  - Unaware of job opportunities
  - Low wages and little to no benefits

- Business owner aims at earning a steady wage
Implications: Shifting the Discussion

• Immigrant businesses are not oriented towards a profit model
  • Starting a business is an alternative to employment
  • Profit is unlikely in a highly-competitive market

• Bank loans are not used by immigrants
  • Low or no credit
  • High interest rates make them risky

• Opportunity for upward economic mobility may not be possible for most immigrants
Importance of the Viability of Immigrant-Owned Businesses

• The Italian Market is economically and socially revitalized because of the immigrant business population

• The Economic Growth Model cannot effectively identify revitalized urban areas
  • Urban Revitalization is not directly correlated to Economic Profit

• Our conception of economic revitalization needs to be separated from profit

• The Italian Market’s continued revitalization is dependent on businesses remaining in the market