



Cities With the Most Minority-Owned Startups

Introduction

As minority populations continue to grow, America is becoming an increasingly diverse nation. According to the U.S. Census Bureau, 39.4% of the country’s population currently identifies as nonwhite. But by [some estimates](#), the U.S. will become a “majority-minority” country by 2044.

Changing demographics have far-reaching implications not just socially and culturally, but economically as well. Minority populations are critical drivers of the U.S. economy, yet they face numerous challenges in the labor force, such as [wage gaps](#) and underrepresentation in certain white-collar industries like [finance](#) and [technology](#).

Minorities also face poor representation among new business ventures, or “startups.” According to Census Bureau data, startup firms in their first two years of business represent about 9% of all businesses in the U.S. and employ 2% of workers. Despite minorities making up almost 40% of the US population, minority-owned startups account for only 27.4% of all startup businesses.

Minority Ownership Representation: Nationwide



Firm type	Total firms with paid employees	Total employees	Payroll (\$1,000)	Gross receipts (\$1,000)
Minority-owned startups*	140,108	623,062	\$16,136,481	\$75,541,198
All startups*	517,380	2,536,898	\$78,898,801	\$340,535,354
All firms	5,601,758	121,083,343	\$6,104,546,025	\$34,398,096,077

**Employer-firms with less than two years in business*



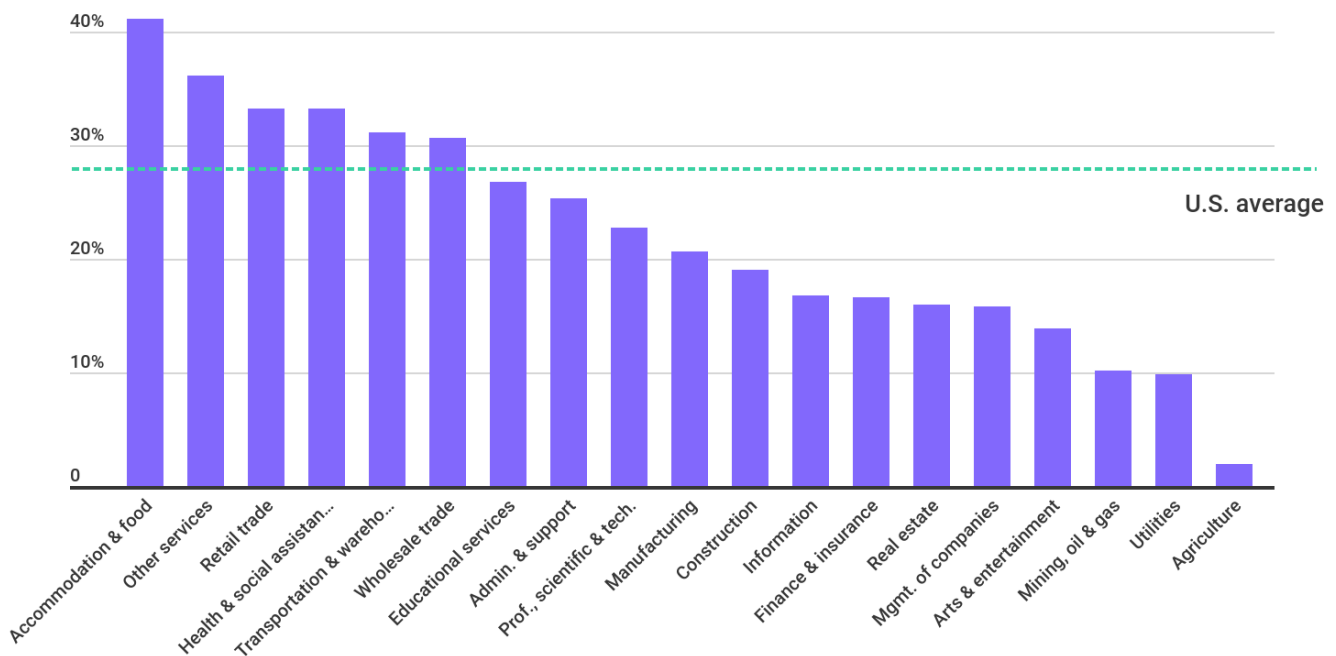
Socioeconomic challenges for minorities as well as entrenched biases in venture capital funding are a few reasons for the entrepreneurship gap. In fact, a recent survey by Morgan Stanley found that while eight out of 10 investors perceive the funding landscape as balanced, investments in minority and women-owned ventures fall short by as much as 80%. The researchers cite increased risk perception, as well as lack of access and familiarity with minority and women-led businesses as key drivers of what they coin [The Trillion-Dollar Blind Spot](#).

A lack of investment capital helps explain the distribution of minority-led businesses by industry. For example, 41.2% of all startup firms in *Accommodation and food services* are minority-owned—the highest share of any industry. Minority representation in professional, scientific, technical, information, and financial-related industries all fall below 25%, mirroring the larger employment gap that minorities face in white-collar industries.



Minority-owned startup businesses by industry

Share of startups that are minority-owned



Source: Volusion analysis of U.S. Census Bureau Annual Survey of Entrepreneurs

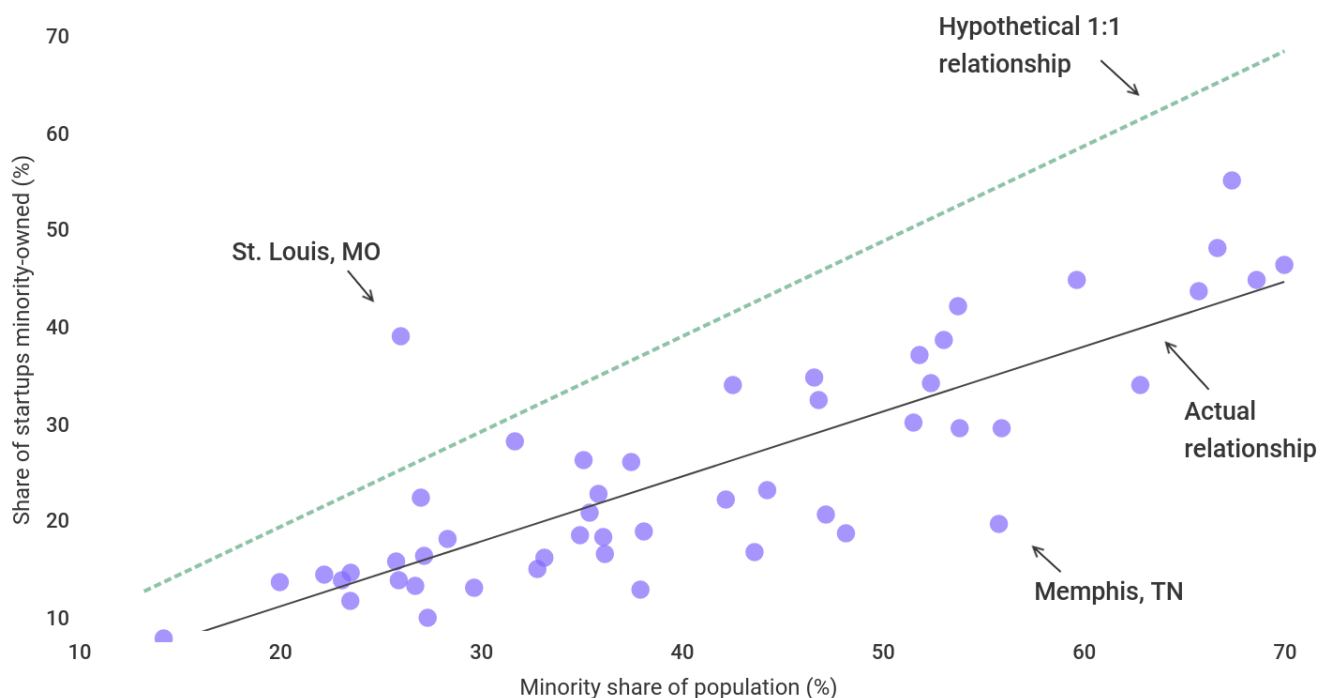


The density of minority-led businesses also varies widely by location. Among U.S. metropolitan areas, the percentage of startups that are minority-owned is tightly coupled with the overall minority share of the population. But minority population composition only explains part of the variation in the percentage of minority-owned firms across the largest U.S. metros.

In the figure below, the top line represents equality between the minority share of the population and the share of minority-owned startups. Any point falling on the line would mean that the percentage of minority-owned startups matches the minority share of the population. Out of the 50 largest metropolitan areas in the U.S., only St. Louis has more minority-owned startups (40.5% of total) than expected based on population composition alone (26% minority). On the other hand, Memphis has the fewest minority-owned startups, at 21%, relative to its minority population share of 56%.



Minority-owned startup share falls behind minority population share in most major U.S. metros



Source: Volusion analysis of U.S. Census Bureau 2017 American Community Survey 1-Year Estimates; U.S. Census Bureau Annual Survey of Entrepreneurs



To find which cities have the most minority-owned startups, researchers at Volusion analyzed data from the U.S. Census Bureau's Annual Survey of Entrepreneurs (ASE) and ranked the largest 50 metropolitan areas based on the proportion of startups that are minority-owned.

Interestingly, five out of the 15 metropolitan areas with the highest percentage of minority-owned startups are in California. Only the top nine metropolitan areas have more than 40 percent of startups owned by minorities.

The 15 cities with the most minority-owned startups

15. Sacramento - Roseville - Arden-Arcade, CA

- **Startups that are minority-owned:** 33.7%
- **Number of minority-owned startups:** 1,163
- **Employees at minority-owned startups:** 4,353
- **Gross sales at minority-owned startups:** \$500 million to less than \$1 billion
- **Most active industry for minority-owned startups:**
Accommodation and food services
- **Minority percentage of population:** 46.8%



Photo Credit: Alamy Stock Photo

Among the cities on this list, Sacramento has the smallest number of minority-owned startups. However, the city is home to several organizations designed to provide support for minority business owners, including the Sacramento Black Chamber of Commerce, the Sacramento Hispanic Chamber of Commerce, and the Sacramento MBDA Export Center. While minority businesses are most likely to be in accommodation and food services, the [top sectors](#) of Sacramento's economy are government, real estate, healthcare, clean technology, education, and agriculture.



14. Baltimore - Columbia - Towson, MD

- **Startups that are minority-owned:** 35.3%
- **Number of minority-owned startups:** 1,374
- **Employees at minority-owned startups:** 4,921
- **Gross sales at minority-owned startups:** \$500 million to less than \$1 billion
- **Most active industry for minority-owned startups:**
Administrative and support and waste management and remediation services
- **Minority percentage of population:** 42.5%



Photo Credit: Alamy Stock Photo

The Baltimore city government is highly supportive of minority-owned enterprises. More specifically, the [Mayor's Office of Minority and Women-Owned Business Development](#) provides contracting opportunities with the city and hosts networking events specifically tailored for minority and women-owned businesses. Some of the key areas for economic growth in Baltimore include cybersecurity, life sciences, information technology, logistics, manufacturing, and healthcare.

13. Houston - The Woodlands - Sugar Land, TX

- **Startups that are minority-owned:** 35.4%
- **Number of minority-owned startups:** 3,697
- **Employees at minority-owned startups:** 15,673
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
Accommodation and food services
- **Minority percentage of population:** 62.8%



Photo Credit: Alamy Stock Photo

A combination of no state income tax and no zoning laws contribute to the city's business-friendly environment. Just over a third of Houston's startups are owned by minorities; however, minorities account for almost 63% of the population. One of the major resources for minority business owners is the Greater Houston Black Chamber of Commerce, which offers a Business Readiness Training Program to help new entrepreneurs develop their skills. Although Houston is well-known for its petroleum and technology industries, minority-owned businesses are most active in accommodation and food services.



12. Dallas - Fort Worth - Arlington, TX

- **Startups that are minority-owned:** 35.5%
- **Number of minority-owned startups:** 4,357
- **Employees at minority-owned startups:** 23,992
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
Accommodation and food services
- **Minority percentage of population:** 52.4%



Photo Credit: Alamy Stock Photo

The Dallas-Fort Worth (DFW) region is home to several industries, including manufacturing, food, technology, healthcare, aviation, and aerospace. Minority-owned businesses are particularly well-represented in accommodation and food services. Minority entrepreneurs in the DFW area can make use of business development resources offered by organizations such as the Regional Hispanic Contractors Association and the Fort Worth Metropolitan Black Chamber of Commerce.

11. Chicago - Naperville - Elgin, IL-IN-WI

- **Startups that are minority-owned:** 36.1%
- **Number of minority-owned startups:** 5,795
- **Employees at minority-owned startups:** 23,625
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
Accommodation and food services
- **Minority percentage of population:** 46.6%

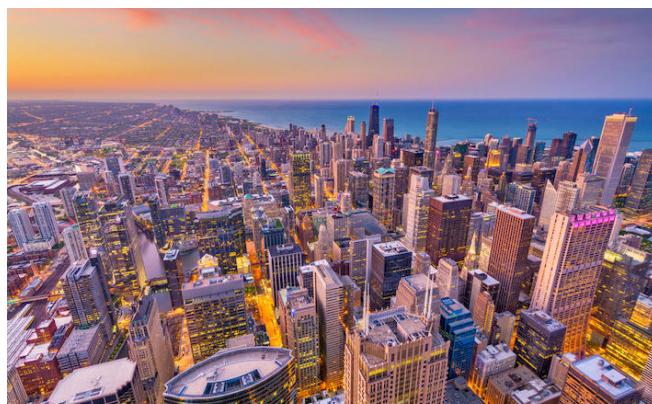


Photo Credit: Alamy Stock Photo

Chicago is an industrial hub, hosting major biotech, food manufacturing, business services, fintech, and information technology companies. In recent years, private and public partners have increased their efforts to improve the diversity of startup founders. For example, JP Morgan-backed [Entrepreneurs of Color Fund](#) launched in Chicago in 2018 to support minority business development in the south and west sides of the city. The Illinois Office of Minority Economic Empowerment also offers free business workshops through its Advancing the Development of Minority Entrepreneurship (ADME) program.



10. Atlanta - Sandy Springs - Roswell, GA

- **Startups that are minority-owned:** 38.5%
- **Number of minority-owned startups:** 4,059
- **Employees at minority-owned startups:** 16,087
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
Professional, scientific, and technical services
- **Minority percentage of population:** 51.8%



Photo Credit: Alamy Stock Photo

With Atlanta's burgeoning tech scene, it is not surprising that the most active industry for minority-owned startups is professional, scientific, and technical services. To help increase minority participation in startups, Morehouse College's Innovation and Entrepreneurship Center recently launched a Certificate in Investing In Startups & Early Stage Companies, marking the first time this type of education has been offered at a Historically Black College and University (HBCU). In addition, the Morehouse Innovation & Entrepreneurship Center collaborated with industry partners TechSquare Labs and JPMorgan Chase to launch [Ascend Atlanta](#), a resource center for minority-owned businesses throughout the greater Atlanta area.

9. New York - Newark - Jersey City, NY-NJ-PA

- **Startups that are minority-owned:** 40.0%
- **Number of minority-owned startups:** 18,124
- **Employees at minority-owned startups:** 68,169
- **Gross sales at minority-owned startups:** \$5 billion or more
- **Most active industry for minority-owned startups:**
Retail trade
- **Minority percentage of population:** 53.0%



Photo Credit: Alamy Stock Photo

Among all large metros, New York has the greatest total number of minority-owned startups and employees at minority-owned startups. In recent years, New York City has increased its efforts to support minority entrepreneurs, making a commitment to award 30% of the value of all city contracts to certified [Minority or Women-Owned Business Enterprises \(M/WBEs\)](#) by the end of FY 2021. In addition, New York State also operates a [Minority and Women-Owned Business Investment Fund](#) to support entrepreneurs from these underserved communities.



8. St. Louis, MO-IL

- **Startups that are minority-owned:** 40.5%
- **Number of minority-owned startups:** 2,443
- **Employees at minority-owned startups:** 4,048
- **Gross sales at minority-owned startups:** \$150 million to less than \$500 million
- **Most active industry for minority-owned startups:** Health care and social assistance
- **Minority percentage of population:** 26.0%



Photo Credit: Alamy Stock Photo

While St. Louis has a relatively small minority population, it has a disproportionately large share of minority-owned startups, most of which are run by blacks or African Americans. One of the major industries in St. Louis is healthcare services, which is also the most active industry for minority-owned startups. Resources for minority entrepreneurs include the St. Louis Minority Business Council and the [St. Louis Business Diversity Initiative](#).

7. Washington - Arlington - Alexandria, DC-VA-MD-WV

- **Startups that are minority-owned:** 43.5%
- **Number of minority-owned startups:** 4,133
- **Employees at minority-owned startups:** 11,792
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:** Professional, scientific, and technical services
- **Minority percentage of population:** 53.7%



Photo Credit: Alamy Stock Photo

The nation's capital offers more than just government jobs; it also hosts opportunities across a broad range of private-sector industries, including hospitality, technology, and cybersecurity. In addition, the professional services industry is a main driver of innovation within the D.C. area, and earns the top spot for minority-owned startup activity. The [Washington Area Community Investment Fund](#) aims to promote economic opportunity among underserved populations, offering small business loans and training programs for minority entrepreneurs.



6. San Antonio - New Braunfels, TX

- **Startups that are minority-owned:** 45.0%
- **Number of minority-owned startups:** 1,534
- **Employees at minority-owned startups:** 4,160
- **Gross sales at minority-owned startups:** \$500 million to less than \$1 billion
- **Most active industry for minority-owned startups:**
 - Retail trade
- **Minority percentage of population:** 65.7%



Photo Credit: Alamy Stock Photo

San Antonio's diversified economy includes advanced manufacturing, aerospace, information technology, energy, and defense. However, minority entrepreneurs are most likely to own businesses in retail trade. In addition to its year-round service offerings, the local chapter of the Minority Business Development Agency celebrates Minority Enterprise Development Week every fall with events, awards, and networking opportunities.

5. San Francisco - Oakland - Hayward, CA

- **Startups that are minority-owned:** 46.2%
- **Number of minority-owned startups:** 4,710
- **Employees at minority-owned startups:** 23,622
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
 - Accommodation and food services
- **Minority percentage of population:** 59.6%



Photo Credit: Alamy Stock Photo

While San Francisco is known as one of the biggest tech hubs in the country, its minority-owned businesses are best represented in the accommodation and food services sector. Similar to Atlanta, San Francisco has brought together academic, business, and community partners through the Ascend 2020 program, which supports minority-owned businesses in the Bay Area. The local nonprofit organization [Centro Community Partners](#) also offers a Basic or Advanced Entrepreneurship Program to pair minority entrepreneurs with current MBA students.



4. Miami - Fort Lauderdale - West Palm Beach, FL

- **Startups that are minority-owned:** 46.3%
- **Number of minority-owned startups:** 8,375
- **Employees at minority-owned startups:** 22,265
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
Professional, scientific, and technical services
- **Minority percentage of population:** 68.6%



Photo Credit: Alamy Stock Photo

The large share of minority-owned startups in Miami is fueled by its prominent Hispanic population. These startups are most likely to be in the professional, scientific, and technical services industry, which matches well with Miami's service-oriented economy. Centers like the [Miami Bayside Foundation](#) offer financial and educational support for minority entrepreneurs to grow their businesses.

3. Los Angeles - Long Beach - Anaheim, CA

- **Startups that are minority-owned:** 47.8%
- **Number of minority-owned startups:** 14,906
- **Employees at minority-owned startups:** 67,200
- **Gross sales at minority-owned startups:** \$5 billion or more
- **Most active industry for minority-owned startups:**
Accommodation and food services
- **Minority percentage of population:** 70.0%

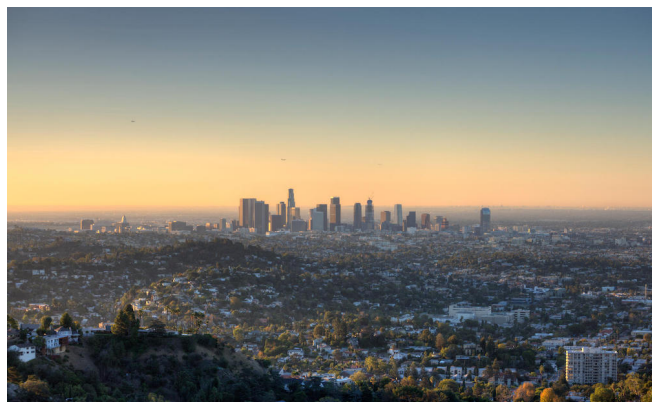


Photo Credit: Alamy Stock Photo

70% of the Los Angeles population is categorized as nonwhite, the highest percentage among all large metro areas. As in New York, minority-owned businesses in Los Angeles earn gross sales of more than \$5 billion each year, making it a major driver of the local economy. Minority entrepreneurs in Los Angeles benefit from organizations such as the Asian Business League of Southern California, the Black Business Association of Los Angeles, and the Latin Business Association. All of these offer networking events, trainings, and funding opportunities.



2. Riverside - San Bernardino - Ontario, CA

- **Startups that are minority-owned:** 49.6%
- **Number of minority-owned startups:** 2,672
- **Employees at minority-owned startups:** 12,822
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
Accommodation and food services
- **Minority percentage of population:** 66.6%

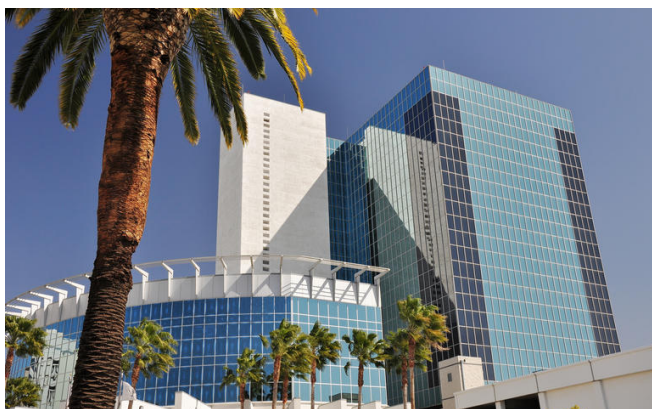


Photo Credit: Alamy Stock Photo

Two-thirds of Riverside's population is represented by minority groups, and most minority-owned startups are led by Asians or Hispanics. [Restaurants and other food-related industries](#) play an important role in Riverside's economy, and minority-owned businesses in the region tend to fall within this sector. Organizations including the Greater Riverside Chambers of Commerce, the Greater Riverside Hispanic Chamber of Commerce, the Inland Empire Center for Entrepreneurship (IECE), the Inland Empire Asian Business Association, and the Riverside County Black Chamber of Commerce offer free business training and resources to assist with funding, taxes, and business launches.

1. San Jose - Sunnyvale - Santa Clara, CA

- **Startups that are minority-owned:** 56.5%
- **Number of minority-owned startups:** 2,264
- **Employees at minority-owned startups:** 10,791
- **Gross sales at minority-owned startups:** \$1 billion to less than \$5 billion
- **Most active industry for minority-owned startups:**
Accommodation and food services
- **Minority percentage of population:** 67.4%



Photo Credit: Alamy Stock Photo

As the heart of Silicon Valley, San Jose is well-known as a city of startups. San Jose is the only large metro where more than half of all startups are owned by minorities. The [Silicon Valley Minority Business Consortium](#) provides resources for minority-owned businesses to procure more work in the architecture/construction/engineering industry, while [Silicon Valley SCORE](#) offers free mentoring and business resources for minority entrepreneurs. Although San Jose is regarded as a tech capital, most minority-owned startups are in accommodation and food services, suggesting that there is still a gap in representation across industries.



15 U.S. Cities with the Most Minority-Owned Startups

1. **San Jose - Sunnyvale - Santa Clara, CA:** 56.5%
2. **Riverside - San Bernardino - Ontario, CA:** 49.6%
3. **Los Angeles - Long Beach - Anaheim, CA:** 47.8%
4. **Miami - Fort Lauderdale - West Palm Beach, FL:** 46.3%
5. **San Francisco - Oakland - Hayward, CA:** 46.2%
6. **San Antonio - New Braunfels, TX:** 45.0%
7. **Washington - Arlington - Alexandria, DC-VA-MD-WV:** 43.5%
8. **St Louis, MO-IL:** 40.5%
9. **New York - Newark - Jersey City, NY-NJ-PA:** 40.0%
10. **Atlanta - Sandy Springs - Roswell, GA:** 38.5%
11. **Chicago - Naperville - Elgin, IL-IN-WI:** 36.1%
12. **Dallas - Fort Worth - Arlington, TX:** 35.5%
13. **Houston - The Woodlands - Sugar Land, TX:** 35.4%
14. **Baltimore - Columbia - Towson, MD:** 35.3%
15. **Sacramento - Roseville - Arden-Arcade, CA:** 33.7%



Methodology

The data for this analysis comes from the most recent version of the *Annual Survey of Entrepreneurs (ASE)* from the U.S. Census Bureau. The ASE randomly surveys companies with paid employees and with receipts of at least \$1,000 in the 50 largest metropolitan statistical areas (MSAs).

The most recent survey covers firms operating during 2016. Business characteristics—such as the number of paid employees—are gathered from surveys returned by business owners. Businesses are categorized as belonging to any number of industries according to the North American Industry Classification System (NAICS), but the following industries are not included in the survey: Crop and Animal Production, Rail Transportation, Postal Service, Monetary Authorities-Central Bank, Funds, Trusts, and Other Financial Vehicles, Religious, Grantmaking, Civic, Professional, and Similar Organizations, Private Households, and Public Administration.

Startup firms were defined as any firm in the survey with fewer than two years of business operations. Minority-owned firms are those firms with greater than 51% ownership by individuals reporting their race/ethnicity status as anything besides non-Hispanic white. Some firms are considered by the Census Bureau to be "Unclassifiable" in terms of ownership by race, and these firms were excluded from the analysis.

The 50 most populous MSAs were ranked according to their percentage of minority-owned startup businesses. In the event of a tie, the MSA with the greater number of minority-owned startups overall was ranked higher. The number of paid employees and gross sales for each was reported directly from the ASE. The most active industry for minority-owned startups is the industry with the largest count of minority-owned startup firms within each MSA.

You can view the full results of this study [here](#).





About Volusion

Volusion is an all-in-one ecommerce solution that helps entrepreneurs build and manage successful online businesses. Since 1999, our dedicated team of developers, marketers, designers, and technical support experts have been passionate about helping merchants operate and grow their stores, whether startup or established. Two decades later, Volusion has earned dozens of accolades and powered over 150,000 successful online businesses.

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