

December 3, 2009

Philadelphia as a Re-Emerging Immigrant Gateway:
An Exploration of Mexican Entrepreneurship & Its Economic Value



URBAN STUDIES PROGRAM
UNIVERSITY OF PENNSYLVANIA

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ABSTRACT

This report describes and explains the economic development of Mexican immigrant entrepreneurs in South Philadelphia. Research examines the strategies, challenges, and achievements of small business owners in an emerging ethnic economy that has revitalized commercial corridors. The study serves as a voice for Mexican entrepreneurs as it relates to their specific obstacles in opening an establishment and sustaining a successful business operation. The author presents recommendations for local government officials and other public and community organizations devoted to the advancement of the South Philadelphia economy. Furthermore, the results provide other cities with a growing Latin American immigrant population with an opportunity to learn from this case study in order to introduce and assess community initiatives and government support that will assist immigrant entrepreneurs maximize their entrepreneurial potential.

The research was partially funded by the Penn Institute for Urban Research. I am grateful to my advisors Dr. Eric Schneider and Dr. Domenic Vitiello for their guidance and assistance, the support of the Urban Studies Program and the Empowerment Group, and the countless hours of immigrant entrepreneurs and staff members from the City of Philadelphia Managing Director's Office, City of Philadelphia Department of Commerce, Welcoming Center for New Pennsylvanians, and JUNTOS: La Casa de los Soles.

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INTRODUCTION

During the 1990s, Philadelphia and other rustbelt cities became new destinations for many Latin American immigrants, especially Mexican nationals. From 1990 to 2000, cities like Cleveland and Syracuse increased their Mexican population nearly 50 percent and Columbus, Milwaukee, Philadelphia, and Detroit witnessed well over a 90 percent rise. The surge of newcomers was unprecedented, given the significant population contractions and local industry restructuring in nearly all of these cities (U.S. Census 1990, 2000). The decline of manufacturing sectors in regions once at the forefront of the U.S. industrial economic frontier have left these areas with falling real estate values, rising crime rates, and escalating unemployment. Yet, low-wage and low-skilled employment opportunities in restaurants, custodial work, construction, and landscaping have attracted international and domestic immigrants to call these “cities in decline” home.

Among its peer regions, Philadelphia has the largest and fastest growing immigrant population (Singer et al. 2008). While the Latinos of the city are primarily of Puerto Rican descent, the area has become more “Mexican” over the last decade or so—enough, at least, for Philadelphia Weekly Magazine to run a cover story in 2006 titled “¡VIVA MEXADELPHIA!” (Kilpatrick 2006). Eight years ago, the US Census estimated that there were 6,220 Mexicans in the city (U.S. Census 2000).¹ Today there are approximately 12,000.²

With the increase in the city’s Mexican population throughout the late 1990s, Mexican-owned businesses also sprouted throughout South Philadelphia. Since 1994, that sector has grown from one establishment to nearly 100. The large presence of Mexican immigrant

¹ This estimate does not distinguish immigrants from U.S.-born Mexicans, and does not count the undocumented Mexicans in the area

² Community organizations estimate that the community’s nine year growth rate, including the presence of undocumented immigrants, increased to this level

entrepreneurs challenges the notion that Mexican immigrants are primarily low-skilled service sector workers and begs for research in the field of immigrant entrepreneurship. In the context of co-ethnicity and immigration in a rustbelt city, this study delves into the development of Mexican immigrant entrepreneurship by highlighting that small business ownership is a unique facet of community and economic development that serves as an effective strategy for local assimilation into a non-traditional destination. The research examines the “structure for opportunity” provided by local Philadelphia conditions, as well as social, cultural, and economic resources entrepreneurs draw upon when they engage in new business formation.

THEORETICAL BACKGROUND

Academic researchers are beginning to evaluate the impact of Latin American newcomers on commercial development in non-traditional destinations. Most of the new attention, however, is directed towards rural areas (Atilas and Bohon 2002; Fink and Dunn 2003; Griffith 2006; Hernandez-Leon 2002; Kandel and Cromartie 2004; Mohl 2002; Murphy, Blanchard, and Hill 2001; Torres, 2000) and not deindustrialized cities, barring a few exceptions (Hernandez-Leon and Zuñiga 2000, Kandel and Parrado 2004, Zuñiga and Hernandez-Leon 2005). The rise of “rustbelt” cities cannot be overlooked, as it has come to define the 21st century development of advanced economies like that of the United States. These cities are often characterized by a decline in their historically important manufacturing industries, and a subsequent structural transition towards a service-based economy. This economic shift has specifically affected the group of states in the Northeast, mid-Atlantic, and upper-Midwest regions of the U.S. Immigrants seeking work subsequently arrive to these deindustrialized areas, striving to alleviate labor shortages that hinder the development of the emerging service-centric

economy. As scholars that study Mexican immigration to the U.S. highlight, newcomers to these regions, including documented and unauthorized Mexican migrants, are a motivated workforce that also often accept low wage, menial, dead-end jobs— another economic incentive for employers to welcome the necessary labor personnel for dishwashing, food delivery, and landscaping (Kearney 1995; Mahler 1995; Portes and Rumbaut 1990).

The underlying context of the arrival and acceptance of migrants may in large part explain why low-skilled Mexican newcomers receive significant attention from immigration scholars and are perceived by the public as a class of laborers with a low propensity for entrepreneurship (Light and Bonachic 1988; Portes and Bach 1985). This study will challenge the belief the immigrants solely adapt to new environments as laborers.

Latin American migrants, particularly those from Mexico, receive little scholarly attention for their entrepreneurial activities.³ In fact, most studies of ethnic entrepreneurship focus on immigrant groups with high visibility in small businesses development (such as Koreans, Cubans, and Chinese) at the expense of other immigrant groups with less sophisticated means of incorporation or lower rates of self-employment.

We do know that of the near 1.5 million immigrant business owners in the country (12.5 percent of all U.S. business owners), Mexicans constitute the largest share of immigrant merchants (US Small Business Administration). They represent 17.8 percent of the total number of immigrant store owners—the only immigrant group higher than a 10 percent share (2008). However, recent data from the Small Business Administration suggests that Mexican newcomers have a rate of business ownership substantially below the national average (6.5 percent compared to 9.5 percent) (2008). So, while Mexicans comprise the largest segment of all immigrant proprietors (17.8 percent), it appears that their large contribution to the total number of

³ Hansen and Cardenas 1988; Alvarez 1990; and Villar 1994 serve as the exceptions

immigrant businesses is driven by the large share of Mexican immigrants in the United States and not necessarily higher business ownership rates.⁴ Yet, micro-level qualitative details related to self-employment and the development of Mexican ethnic economies are needed in order to better understand this form of economic development.

With the continued influx of international newcomers and domestic migrants from traditional Latino regions of the U.S. (e.g. Southwest), an increasing number of studies have noted the trends in Mexican businesses formation (Cárdenas et al 1986; Guarnizo 1997; Raijman 2001; Raijman and Tienda 2000; Shinnar and Young 2008; Spener and Bean 1999; Tienda 2001; Zarrugh 2007). Cárdenas (1988), Guarnizo (1997), and Raijman and Tienda (2000) demonstrate that co-ethnic employment practices in a Mexican-owned firm (i.e. Mexican merchant hiring a Mexican laborer) increases the likelihood of the worker acquiring skills required for opening and operating a business. Many of the nation's Latino economies, like those of Los Angeles or Miami for example, operate as a formal training sector for future entrepreneurs, thus fostering the maturity and growth of ethnic economies (Kaplan and Wei 2006). Shinnar (2008) argues that an immigrant residential community and commercial ethnic enclave can both act as strong motivators for entrepreneurship. Raijman and Tienda (2000), however, illustrate that Mexican immigrants also utilize non-ethnic, informal self-employment opportunities as an alternative pathway for small business formation.

Despite the recognition of the development of Mexican enclaves mentioned above, the phenomenon of self-employment and the formation of the Mexican ethnic economy within the context of deindustrialization have not been studied until now. One of the objectives of this study is to remedy this absence. With the rise of the foreign-born Mexican population in

⁴ There are geographic differences of entrepreneurship rates across the U.S. and in the rates of Mexican immigration by region. While the entrepreneurship rate data does not provide regional breakdowns, areas in the Southwest might be higher than that of Northeastern cities or rural destinations on the East Coast

Philadelphia, a case study of their local economy will continue to advance the literature of Mexican-Hispanic entrepreneurship in light of the new economic opportunities emanating from deindustrialization trends throughout the U.S.

METHODOLOGY

Latino-owned store fronts were identified by conducting a “windshield” survey along all east-west and north-south streets of eastern South Philadelphia. Once all businesses were mapped, business owners, laborers, customers and community members were randomly selected as an interview pool based on my personal contacts and knowledge of the community. More in-depth interviews were strategically arranged from the initial pool of respondents. Formal and informal personal interviews were conducted in Spanish, focusing on individual and aggregate business development trends. All interviews were held inside local businesses during hours of operation. Pseudonyms are used to protect the privacy of individuals and organizations referred to in the study.

The reaction of public entities to the rise of Mexican immigrants is crucial to comprehending the development of Mexican South Philadelphia. To understand the institutional context under which the Mexican business community has grown, numerous interviews were conducted with Philadelphia Mayor Michael Nutter’s staff in the Managing Director’s Office and other departments in City Hall, staff members of Philadelphia’s Department of Commerce, and community organizations operating in the small business and immigrant sphere. City Hall not only welcomes immigrants to the region, but has launched a language access initiative meant to distribute and make available all government resources and services in languages other than English (Grassroots Business Development Task Force). City Hall, working alongside and

catching up to the advocacy work of local community organizations, is attempting to encourage the commercial activities of all immigrant business owners in order to promote more business start-ups, uphold a vibrant local economy comprised of a variety of commercial corridors, and ultimately establish Philadelphia as a true “global city.”

Data is primarily retrieved from interviews in the spring of 2007 and the fall of 2008 conducted with Mexican business owners, laborers, and community members. Comparisons across time will also provide a longitudinal understanding of the development of the community, in addition to the vertical and horizontal relationships among merchants, suppliers, workers, and customers. Forty seven out of 83 Mexican-owned businesses were surveyed, resulting in 17 thorough interviews of Mexican merchants.

DATA ANALYSIS

The Setting and Context for Opportunity

Although the most visible Mexican communities in the region could historically be found in areas outside of downtown Philadelphia (i.e. South Jersey and Kennett Square⁵) the city is home to an increasing number of Mexicans, most of whom live in South Philadelphia. The majority of the Mexican community arrived in the mid- to late 1990s, either immediately establishing or working in a small business, or engaging in agricultural, landscape, or construction labor near city limits. Since 2000, the majority of migrant laborers have been attracted to Philadelphia by employment opportunities in downtown restaurants, cafés, and other social establishments. Former Philadelphia Mayor Edward Rendell’s dream to transform the downtown Philadelphia of the 1990s into a welcoming place of work and play has undoubtedly

⁵ Parsons Dick 2007.

led to the surge of Philadelphia's growing service economy, as working opportunities are driven by the growth in the food and arts sectors.

While there are many newcomers to Philadelphia that emigrated directly from Mexico (mainly from the state of Puebla, Mexico), others are domestic migrants from New Jersey, New York, and other neighboring states too. Many out-of-state residents seek better paying jobs and stable self-employment opportunities, as well as a more attractive, tranquil, and less violent place to live than Camden or the boroughs of New York.⁶ Moreover, available multi-family housing, an affordable cost of living, and the rapidly growing Mexican community present residential opportunities and cultural ties that are conducive to not just attracting Mexicans, but also newer groups of Central Americans (mainly Hondurans) and Colombians.⁷

Identifying Mexican Business Types & Products

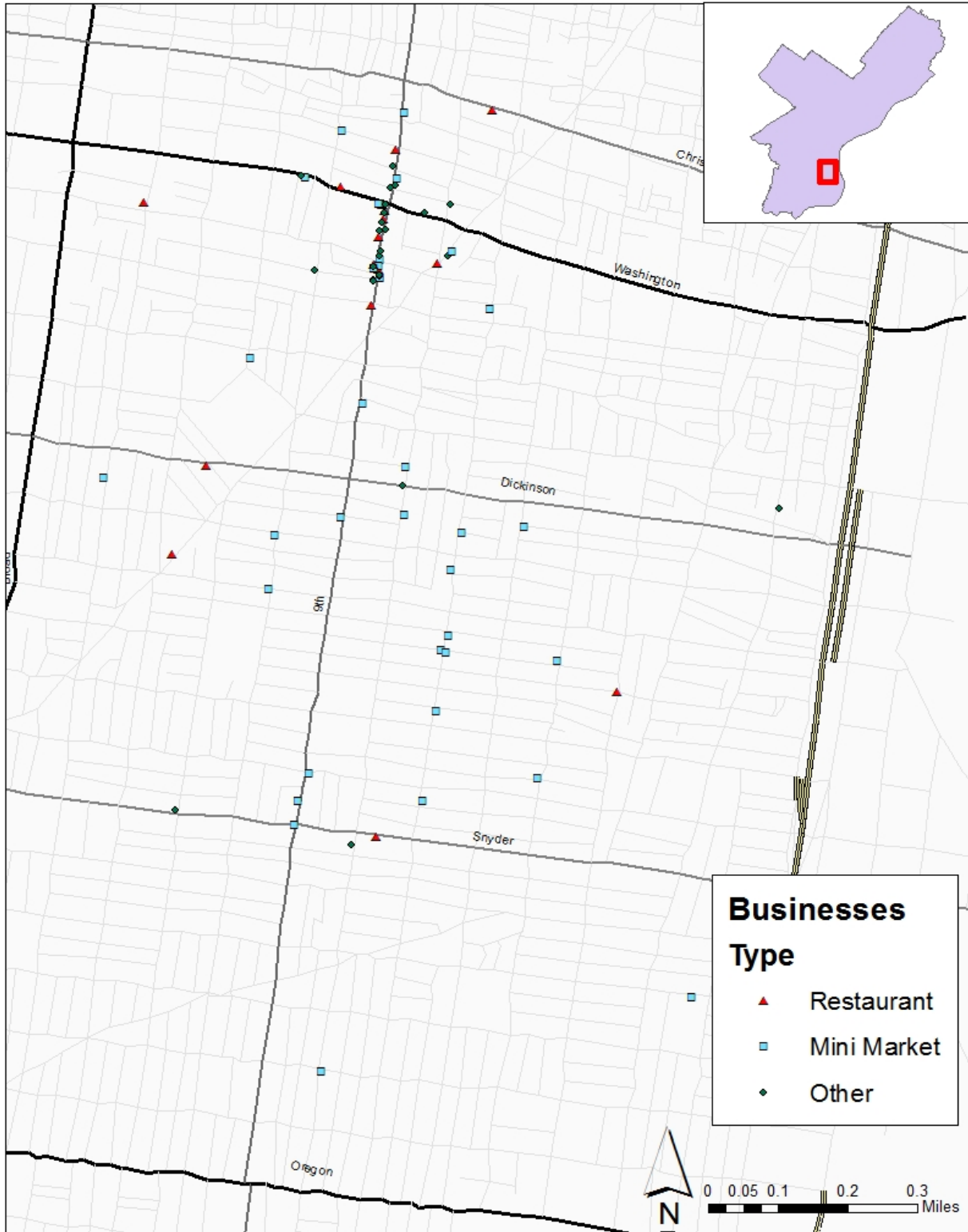
Within a four and a half square-mile region in South Philadelphia, 83 out of the 92 Latino owned businesses are owned by Mexican immigrants (See Map 1: Mexican Owned Small Businesses in South Philadelphia). The other ethnic merchants are of Puerto Rican, Dominican, or Ecuadorian descent. Of the 83 Mexican enterprises, 22% (18) are restaurants, 46% (38) are mini- markets, and 33% (27) are identified as "Other," ranging from electronic payment providers, public internet stations, clothing stores, and music outlets. (See Figures 1, 2 and 3 for a breakdown).

The distribution of all Mexican establishments can be broken down into two regions. The first, and most dense, is the "Italian Market," the commercial corridor on 9th Street between Carpenter and Federal Streets containing nearly half (39) of the Mexican businesses of South

⁶ Ibid 2007, 14; The Historical Society of Pennsylvania.

⁷ Personal interviews with Mexican business owners; The Historical Society of Pennsylvania.

Map 1: Mexican-Owned Small Businesses in South Philadelphia



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Figure 1: Mexican Small Business Breakdown in South Philadelphia

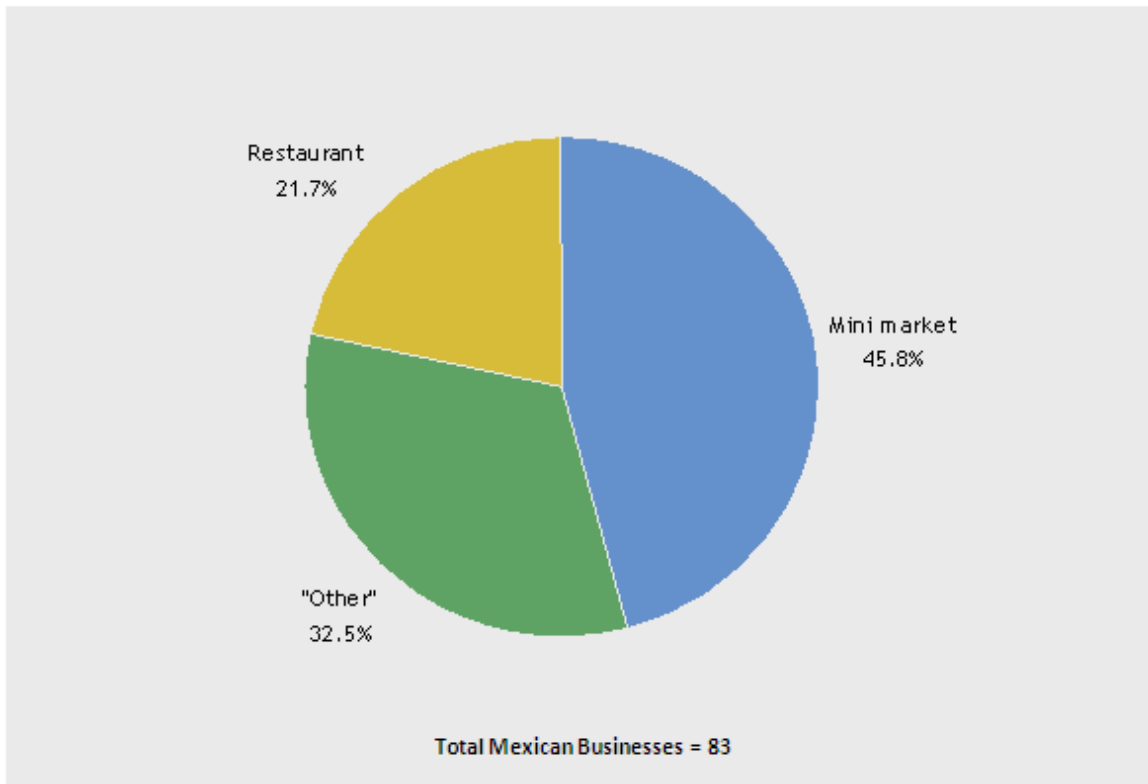


Figure 2: "Other" Mexican Small Business Breakdown in South Philadelphia

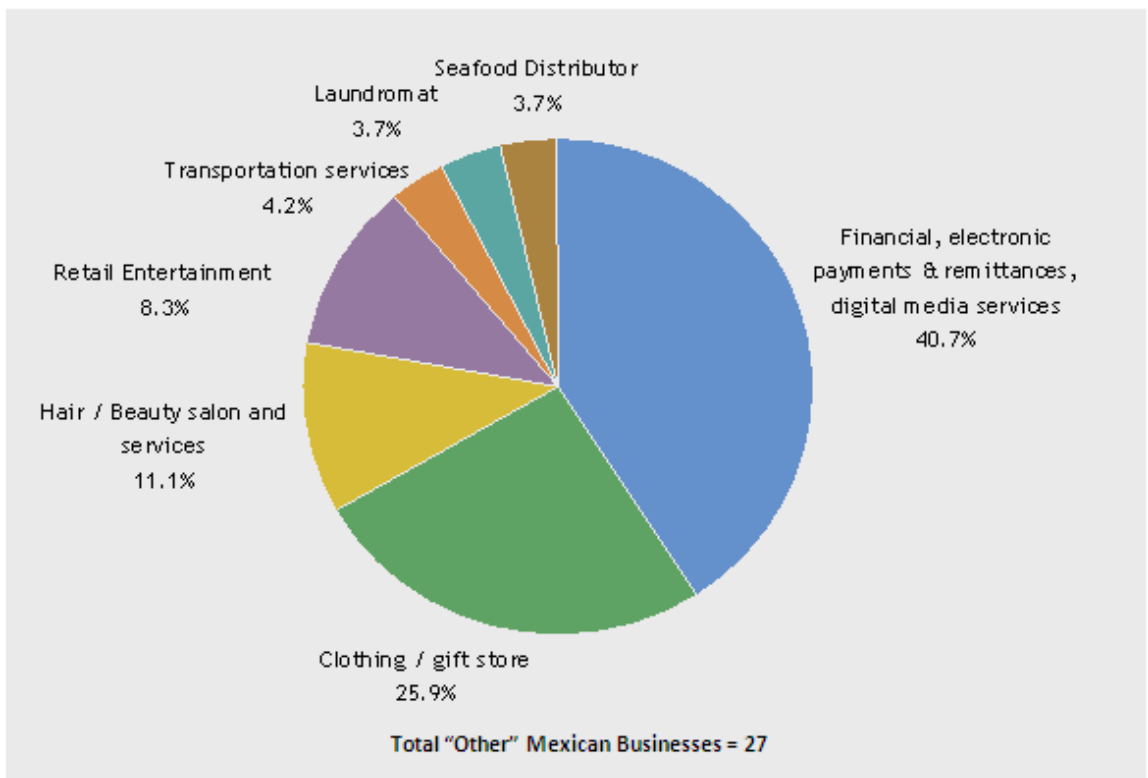


Figure 3: "Other" Latino Small Business Breakdown in South Philadelphia Frequency

"Other" Business Type	Frequency
Financial services / electronic payments and remittances / digital media services	11
Clothing / gift store	7
Hair / Beauty salon and services	3
Retail entertainment (CDs & DVDs)	3
Transportation Services (bicycle repair)	1
Laundromat (?) ⁸	1
Seafood Distributor	1

N = 27

Philadelphia within a two block radius (See the top half of Map 1 and a zoom-in view on Map 2 on page 46). The other area categorized in the study containing active and dense Mexican entrepreneurship is "South of Dickenson," the region south of Dickenson Street, North of Snyder Street, and between 9th and 6th Streets (See the bottom half of Map 1 and a zoom-in view on Map 3 on page 47).

The oldest business was established in 1995. There was an accelerated rate of Mexican enterprise formation in South Philadelphia after 2000, specifically during the spring of 2003.⁹ According to Mexican businesses owners located in the Italian Market (the most experienced of South Philadelphia Mexican entrepreneurs) there hardly was a presence of Mexican businesses in South Philadelphia prior to 2000 until the Mexican "boom" of 2002. Although Figure 4 does not indicate the total number of businesses in South Philadelphia, it provides a running tally of Mexican-owned small businesses that demonstrates the rapid growth rate of the sector. While the section below will shed light on the Philadelphia-centric factors that led to the Mexican business surge, increased Mexican in-migration to the U.S. and an expansionary economic phase are also strong contributing factors. Fittingly, the rise in Philadelphia Mexican start ups also

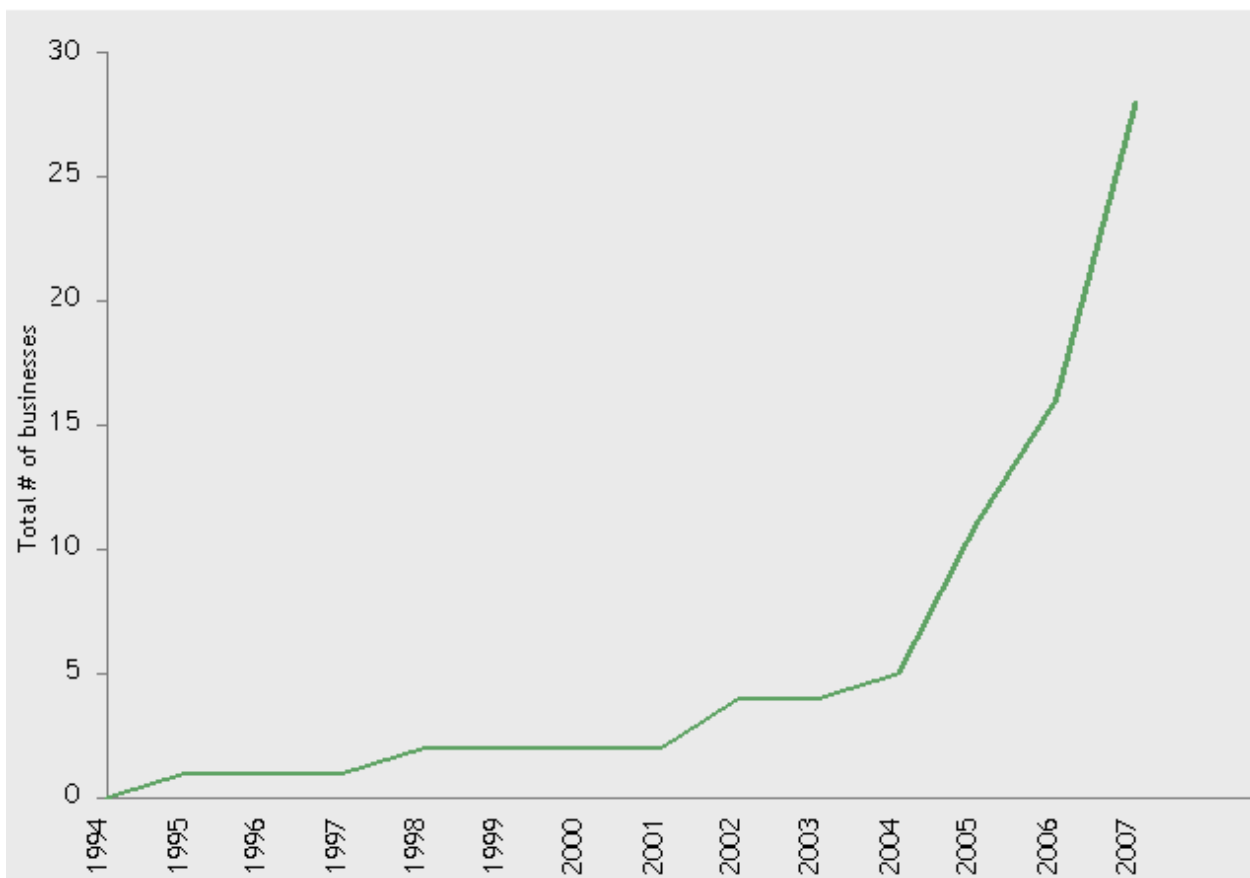
⁸ Not certain if owner is Latino/a

⁹ This date is likely weighted towards more recent dates, simply given the rise of new businesses in the Italian Market throughout the last year and a half.

coincides with national trends, as Hispanic-owned firms' growth was four times greater than all U.S. firms during the early 2000s.¹⁰

The data reveal that not only is there very little diversity of Mexican business type in South Philadelphia, but that the proprietorships are also spatially clustered. Nearly half of the Mexican businesses are located in or near the Italian Market, Philadelphia's famous historical commercial corridor established by Italian immigrants. Further south of the Italian Market, for example, nine of 11 enterprises

Figure 4: Number of Mexican Small Businesses in South Philadelphia, compounded (1994-2007)



¹⁰ Greater Philadelphia Hispanic Chamber of Commerce

within a two block radius of each other are mini markets. Each store sells similar goods, most of which are the same brand. The increased homogenous grouping of businesses might be explained by the fact that the area is predominantly a residential zone in need of food and home necessities, whereas the Italian Market zoning plan defines it as a primary commercial corridor that connects South Philadelphians to Center City.

Yet, business clustering is also a result of commercial development feasibility. Mini markets are the most common enterprises due to the low-levels of specialized knowledge required to operate. As a result, the popularity of mini markets supersedes the rationale that might influence location selection. Cashier monitoring, establishing supply chain contacts, inventory stocking, and price setting are the essential skills. Entrepreneurs purchase Mexican grocery products (such as imported soft drinks and canned foods); household supplies, including cleaning and maintenance materials; digital media (CDs and DVDs); fresh pastries, fruit and produce; and calling cards from one local wholesaler. Entrepreneurs also attribute the popularity of mini market start ups among owners due to the fact that the practice is not capital intensive in order to establish or operate.

Beyond few barriers of entry, immigrant residents maintain a steady demand for the ethnic products and services that promote a transnational lifestyle. More sophisticated grocery stores, in addition to all internet public stations, also provide low-cost internet access and flexible money wiring services to and from Mexico. As it specifically relates to calling cards, patrons enter a store to either buy an international calling card, or other products and a calling card. Almost all mini markets have a mosaic of calling cards behind the cash register that range from \$2.00 to 5.00 dollars.

Lastly, managing the mini market business is quite flexible. Spouses can take care of their children during the day or an individual can spend the entire day reading newspapers and viewing television shows while waiting for customers to enter.

Restaurants are the second-easiest enterprise to manage, and most common start-up after the mini market. Kitchen (re)investments, dining architecture and decor, and required labor inputs (e.g. cooking and waiting tables) drive up costs and make the allocation of funds and expertise more complex. Furthermore, restaurant entrepreneurship requires a more specialized skill set (e.g. menu adjustments, multi-tiered budgeting, and advertising investment/strategy) when compared to the mini market practice. Most owners (and/or their family members or employees) nevertheless agree that restaurant management is still quite basic, and actually mirrors family dynamics prevalent in Mexican culture. It is common to see parents and relatives in the kitchen while the youngest individuals unload inventory and welcome customers. Women typically wait tables, while men manage the establishment's finances. Restaurant responsibilities parallel those of many Mexican families in the U.S. or abroad.

Beyond managerial functions, all restaurants generally serve the same ethnic meals. Whether it is ranging from tacos de *carne asada*, chicken enchiladas, or grilled tilapia dishes, meals are sold for the same price throughout South Philadelphia. The average price of a meal is approximately \$9.00. Restaurants, like mini markets, identify one main cash and carry wholesaler as the supplier for itself and the majority of other foodservice operators and grocery retailers.

Clustering is also determined by the economic incentives for establishment. Owners normally identify areas with poor commercial activity as an entrepreneurial entry point due to relatively depressed start up costs associated with the property's rent payments. Such was the

case for the new Mexican newcomers in the Italian Market of the late 1990s. In 2000, the Philadelphia City Planning Commission did certify the area as blighted due to unsafe, unsanitary and inadequate conditions that ultimately led to economically undesirable land use.¹¹ As a result, low rents or favorable business buyout opportunities not only presented an entry point for an aspiring merchant, but also enticed numerous Mexican entrepreneurs to seriously consider (and ultimately agree) to signing lease agreements in the Italian Market.

It is unclear what benefits (or consequences) arise from business clustering. For one, the cumulative presence of Mexican shops and restaurants visibly declares a new sector of ethnic entrepreneurship in the city. It also allows for the distribution of some inventory to be more efficiently distributed geographically.

While the geographic origin of the entrepreneur's supply chain varies, the drop-off destinations are concentrated in pockets of South Philadelphia. Mini markets rely on digital media distributors (some originating from the underground economy) primarily based in New York but also in New Jersey and North Carolina, to deliver CDs and DVDs on a weekly or biweekly basis. Ambulant distributors make "unloading stops" along a few blocks by asking what CDs and/or DVDs have sold the most, what albums are in high demand, and promise order delivery within a week.

Clothing and other Mexican specialty items, like boots and belts, on the other hand are purchased from distributors dispersed throughout the nation and Mexico. Mini markets purchase calling cards from Korean and other Asian distributors based in New York. For restaurants and mini markets selling fresh pastries, every morning they receive fresh bread and delicatessens from Latino businesses from Camden, New Jersey. Most of the fruits and vegetables purchased by mini-market Mexican enterprises are grown and distributed within the Delaware Valley.

¹¹ City of Philadelphia.

As the ethnic economy has evolved over the last eight years, more diversified practices have emerged. About two years ago, there were not any bakeries in South Philadelphia. Today, there are two. Within the same time span, clothing and athletic accessory stores have emerged. While the mini-market remains as the top good and service provider in Mexican South Philadelphia, other merchants have recently found commercial opportunities in new industries that exploit the nostalgia for Mexican goods and services.

Reasons for Establishment

The main reason why Mexican newcomers decided to establish businesses is due to the fact that there were insufficient commercial establishments serving the needs of the increased Mexican labor force of late 1990s Philadelphia. The opportunities today are still numerous, especially considering the vacant properties along notable South Philadelphia commercial corridors. Moreover, there are many small businesses up for sale in zones remaining in blighted conditions. Those same areas also happen to be residential destinations for new Mexicans.

One merchant described the Italian Market of the 1990s as an area marked by dilapidated buildings, poor foot traffic, and inadequate lighting that further repelled local residents from venturing into the area for shopping needs. Although the need for street beautification persists today, since 2002, there has been increased visibility and commercial activity in the market—a beneficial change spearheaded by Mexican merchants that aids all (Mexican or non-Latino) businesses. Consequently, the older Italian merchants increasingly support surrounding Mexican small business operations and the Mexican community in South Philadelphia for their entrepreneurship and consumer potential. On this basis, commercial investment and renovation appears to serve as an effective strategy for Mexican assimilation.

While community testimony suggests that Mexican small businesses have revitalized numerous corridors in South Philadelphia,¹² there is scant data that confirms successful commercial investments for individual merchants and increased liveliness of the commercial areas they are located in. Because many South Philadelphia Mexican businesses have only been in operation for an average of 5.75 years, it is also difficult to precisely state the effects of business clustering.

Other Latino merchants (primarily Dominicans), are also relocating to South Philadelphia from New York City on the basis that the Mexican “boom” will enhance commercial development (let alone the Latino economy) in South Philadelphia. Furthermore, there is the perception that operating a business in Philadelphia is less of a bureaucratic hassle than in New York. Whether or not these perceptions are true remains to be seen.

Business Location

Most Mexican businesses located in the Italian market are in former vacant buildings or storage areas for neighboring non-Mexican proprietors. Most mini market establishments in residential areas were pizza shops and grocery stores owned by residents of Vietnamese, other Asian, and Italian descent. The reason why Mexicans choose their respective sites is due to the fact that their anticipated Mexican clientele consistently travels or resides near by. Proximity is one of the main factors that allows Mexican proprietors to establish a strong and loyal consumer base. Given the dense cityscape of Philadelphia, the short distance between downtown jobs and South Philadelphia residential communities, convenient subway routes, driver’s license restriction for immigrants, and the high costs of automobile ownership, almost all Mexican

¹² No data was gathered concerning the change in property values associated with revived commercial activity in certain neighborhoods.

patrons of South Philadelphia either walk or ride a bicycle to and from work, leisure activities, and shopping engagements.

The real estate rule of thumb (“location, location, location”) is certainly critical for business development, especially if customers are segmented by area of employment and residence. Given that many of the business are so similar (e.g. 46 percent of all Mexican businesses are mini markets that for the most part sell the same brands and products), strategic and personal relationships become much more important in asserting comparative advantages.

Owner, Worker, and Clientele Profile

Proprietors have lived and worked in Philadelphia (and some in southern New Jersey) for an average of 10.03 years. The prolonged period of residence suggests a trend of continued capital building and moderate forms of upward social mobility among Mexican merchants in the Delaware Valley. Given that the average start up costs for a business in South Philadelphia is \$39,936 and that payments are often completed in cash, it implies that entrepreneurs are a more permanent class of newcomers opposed to labor-seeking migrants. Legal status, however, does play a role in the magnitude of investment. Various interviewees stated that if immigrants had no fear of being deported and losing all of their U.S. assets, local commercial investment might increase by as much as 25 percent.

Only a handful of current proprietors have prior business ownership or management experience (mainly in North Philadelphia or New York). The small group of entrepreneurs that did operate previous establishments stated that affordability (residential and commercial) were the main factors for relocation to Philadelphia. There is also scant evidence demonstrating that entrepreneurs first establish a business in South Philadelphia and then sell it to aspiring

entrepreneurs in the community. For the few establishments sold, most are mini markets and the owners are younger Mexican immigrants. The “legacy owner” often re-establishes a new business in a more specialized industry (e.g. clothing or specialized eateries like bakeries or seafood), and continues short term investing and selling. This activity is not common by any means, though it is practiced by owners with over 10 to 15 years of residence in Philadelphia, authorization to reside in the country, and proficient English skills.

Many mini market owners were (and some still are) pizza delivery men or restaurant workers prior to incorporating their enterprise in Philadelphia. When spouses are co-owners of the enterprise, it is quite common for the wife to run the everyday-operations of the franchise while the husband continues to work elsewhere during the day, handles all of the finances (in many cases with the accountant), and sustains relationships with suppliers. Overall, Mexican entrepreneurship in South Philadelphia is a male-dominated sector.

As the literature suggests, Philadelphia’s Mexican newcomers are relying on co-ethnic hiring and enterprise formations as assimilation tactics that ultimately advance the maturity of the ethnic economy. The following section on labor and clientele provides further details.

Labor

In South Philadelphia, all of the businesses surveyed hire local residents. Twenty four of the 39 enterprises located in the Italian Market, for example, hire a total of 73 employees (not including owners), almost all of which are Mexican. It is important to note that in more than a quarter of the establishments, family members (mainly spouses and siblings) maintain the business. Of all Mexican establishments, restaurants hire the most people per location (ranging from 6 to 15 employees). Mini-markets and “Other” establishments typically hire less than 3 people. On average Mexican businesses hire 2.46 employees.

While enterprises do hire workers, the majority of the businesses are also staffed by owners, spouses, and adolescents who may not always receive a salary. When extended family or close Latin American friends are hired, owners report that wages vary from \$5.00 to \$6.00 in market stores to \$10.00 per hour in restaurants. Most enterprises enforce a 10 to 12 hour work day. If additional personnel are needed, owners typically hire one or two laborers (young women as cashiers and men for unloading and stockpiling) and report that wages result in approximately \$300 per week per person.

Labor-owner relationships are mutually beneficial. Laborers notify relatives and friends in Mexico about the numerous work opportunities of the city (co-ethnic or not) and consequently promote the continued flow of workers and clientele for Mexican proprietors. Laborers appear generally satisfied, considering that they either are the spouse of the owner, kin, or are recent emigrants that are granted entry-level employment and sometimes shelter by the owner.

Clientele

Regarding clientele, all but one business reported a minimum of 80% of Latino customers. The majority of the patrons are Latino immigrants from the Mexican state of Puebla. However, there also is a significant presence¹³ of Honduran, Salvadoran, and Andean customers that rely on mini markets for ethnic food and calling card purchases. Many restaurants are noticing a growing White clientele, as that business type particularly attracts a greater percentage of Anglo customers. The owner of the largest Mexican restaurant, in addition to two other restauranteurs in the Italian Market, stated that bigger, more modern facilities will appeal more to White customers and thus increase revenue and credibility among community residents. These owners believe that increased visibility will make the establishment appear more sophisticated, and will thus assure the loyalty of current Latino customers and significantly increase Anglo

¹³ Predominantly from Peru and Ecuador.

consumer interest. Philadelphia's recent transformation into a modern multicultural restaurant and arts hub has promoted consumerism of all forms of ethnic goods and services, especially those from Latin America.

The Role of Social Networks

Despite their relative short tenure in South Philadelphia, relationships between Mexican business owners and their collective experiences with public and private entities are mixed and complex. After 2000, a formal business network emerged at the onset of the ethnic economy. However, failure of the business coalition led to the formation of numerous smaller informal networks that continue to be consolidated today. Merchants can find their niche in unofficial associations to further bolster their entrepreneurial ties to the business world. Yet, testimony from Mexican entrepreneurs in South Philadelphia also describes the business climate as somewhat hostile and independent.

Formal Networks

While commercial collaboration is low to begin with, in the early 2000s, a group of Mexican merchants gathered to form a business owners' coalition. The organization, "*Grupo de Empresarios Mexicanos*," (Mexican Merchants Group) was lead by four individuals: three proprietors and a community activist. The founding entrepreneurs were considered "pioneers" by many because they were some of the first Mexican business owners in the city. The group's mission was to provide support to Mexican entrepreneurs in the Italian Market and to create a mechanism for "giving back." The latter point relates to financial contributions for community events and other businesses within the growing Mexican community. The small group operated under the idea of "*union hasta la fuerza, unidos como una frente*" – "united as a force, united

like a front.” In many ways, the group had a vision of being the representative body of the business community. Ultimately, *Grupo de Empresarios Mexicanos* wanted to build a strong coalition that would work with local government, distributors, and advertisers in order to promote Mexican commercial development.

The major project undertaken was a fundraising campaign via recreational soccer team sponsorship. The group wanted to create a fund to support local Mexican businesses with their operational needs, including short term loans, collective advertising, and wholesale inventory purchasing. The Mexican community, at that point, had established a small, but competitive recreational soccer league in South Philadelphia. *Grupo de Empresarios Mexicanos* had the vision of expanding the league regionally by including existing Mexican and Central American soccer leagues in Norristown, P.A. and Camden, N.J. Funds were to be collected through player membership fees and by encouraging local Mexican restaurants to sponsor teams in exchange for a cash buy-in and advertising.

While the idea was widely accepted by merchants, athletes, and community members (and money was indeed raised), allegations of corruption and theft between one leader and the other three led to a power struggle that resulted in the breakdown of the initiative. There was a lack of transparency and lack of communication that originated from one individual. One member relocated to another state, another resigned, and the President and Treasurer remained. *Grupo de Empresarios Mexicanos*, ultimately registered as a formal 501(c)(3) non-profit organization despite its diminishing community involvement. Supportive business owners and community members abandoned the group on bad terms. As the leader that resigned from the organization put it, “People were cheated, lied to, and played around with. They remember everything and it has led to mistrust among community members, especially merchants.”

Today, only a handful of the proprietors would be able to associate themselves with, let alone identify the existence of, *Grupo de Empresarios Mexicanos*. The organization does not have community backing or real membership. Many attribute the organizational fallout as the beginning of poor coordination among business owners. Others have hope in a future coalition of merchants, though they testify that they do not have the time to get involved, noting as well that trust can be challenging to achieve. Proprietors are hesitant to invest in an initiative that they believe will not directly improve their business practice.

A representative organization would be difficult to establish today, especially given the state of the U.S. economy. The recession that began in late 2008 has affected many restaurants and other immigrant businesses, and owners want to ensure that their enterprises and families survive the downturn before engaging in community initiatives.

The formal associations among Mexican entrepreneurs of South Philadelphia emerged as a strategic network meant to share inputs (e.g. labor and capital), be a forum to learn about business “best practices,” and be a symbol of community solidarity. With no formal support from the local government, let alone invitations to join the local merchants associations of native Philadelphians, proprietors had no choice but to look within the community for assistance with all aspects related to entrepreneurship after *Grupo de Empresarios Mexicanos* collapsed on itself.

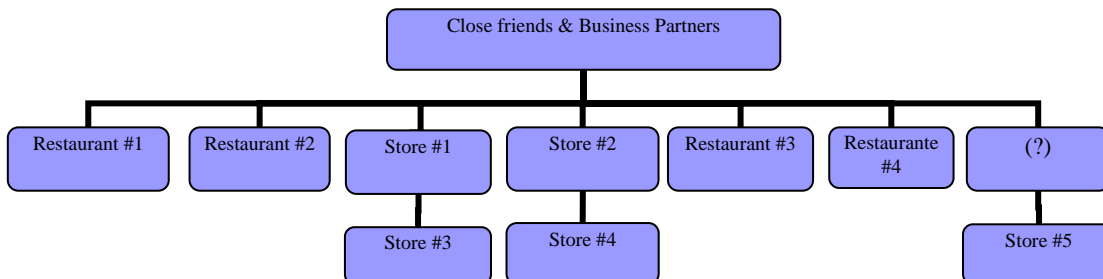
Informal Networks

Successful owners thrive on the close relationships they establish with relatives and close friends who are also entrepreneurs. Juan Gonzalez established the second Mexican mini market and only the third Mexican business in South Philadelphia. He and his brother-in-law own identical stores, shop for inventory together, advertise for each shop on the same business card, and consult with one another on strategy. Mr. Gonzalez prides himself on aiding emerging

Latino businessmen by pointing out wholesale distributors in the area and by simply being an example of “success.” For him, entrepreneurial achievement is defined by a large and loyal customer base, being able to expand his enterprise and product selection, attracting native Philadelphians into his store, and being able to contribute funds to Mexican community cultural events. However, inclusion into an informal association like this one is generally a matter of trust and family ties, as the arrangement arises from personal and kin relationships.

The informal networks that form are quite comprehensive when they develop. The most complex and developed of the South Philadelphia Mexican business networks consists of ten establishments sustained by two Mexican and Puerto Rican families with a history of operating in South Philadelphia (See Figure 5). The network is not only comprised of a greater variety of businesses types (when compared to smaller networks), but as shown in the lowest tier, some of the establishments in the network have been sold to new immigrants. It is worth mentioning that the new owners of two stores in the network are Mexican immigrants that have never owned a business. These new entrepreneurs bought a functioning business infrastructure and operation, which include a clientele, floor layout, distribution contacts, and other inventory outlets.

Figure 5: Extensive Informal Network



Informal networks of family and close friends result in a structure that mirrors that of institutionalized merchants associations formed by U.S. small businesses. Owners in the Mexican networks of South Philadelphia buy inventory together and for each other, are well informed on the operations and success of the other businesses in the network, and consult with one another. Although there are native, Anglo merchant associations in areas with a concentration of Mexican commercial activity, language barriers, ethnicity, and informal business structures serve as lines of differentiation that prompt Mexican proprietors to become more insular in their strategizing and collective organizing.

In the instance of *Grupo de Empresarios Mexicanos*, great momentum was crushed by suspicions of shady side-dealings and greed. The existence of the formal organization might have been the only way to temper some of the community animosity that many Mexican merchants cite today. Nevertheless, the fallout created mistrust among entrepreneurs and will continue to linger in the memory of the first generation of businessmen. It presents an interesting predicament for the owners that currently engage in informal networks. Will they further isolate themselves from the community or reach out to new merchants?

If City Hall strives to provide entrepreneurial assistance to all of the city's merchants, it must be careful in how it reaches out to the Mexican community. While City Hall welcomes and is willing to support immigrant entrepreneurship, its lack of contact with the Mexican merchants exacerbates the isolation the entrepreneurs' experience. As of year end 2008, demand for any form of formal government outreach exists among business community members, especially as it relates to assistance with satisfying regulations, English as a Second Language (ESL) support (for business purposes and in schools their children attend), and enhanced business publicity for ethnic clusters. Any entity wanting to support the Mexican business community will need

credibility (meaning that it might have to be supported by City Hall or the Mexican Consulate) and make meaningful personal investments in the individual owners and greater Mexican community.

Challenges

When Mexican businesses in South Philadelphia began to emerge, aspiring proprietors would ask the established business owners for advice on where to purchase inventory. The aforementioned Mr. Gonzalez and his brother-in-law recall being tuned away by a nearby businessman with a similar store. He, in addition to the majority of Mexican owners with an opinion on Mexican community cohesion, cites relationships among Middle Eastern, Asian, and Jewish entrepreneurs as ideal—they are characterized by unity, where merchants collaborate with one another in business and community matters. The sentiment of numerous established proprietors is that the state of camaraderie is “severely lacking” in the Mexican community.

One of the most successful immigrant merchants, Enrique Fernandez, whose extended family owned a business in New York City prior to relocating in Philadelphia, points to cultural norms among Mexicans as a reason for hardcore divisions. Beginning with the rude service provided by some staff members in the Mexican Consulate’s Office in Philadelphia (which he quickly castigates for not attempting to assist the Mexican business community) to the irresponsible childish behavior displayed by ambitious Mexican businessmen during the planning stages of community holiday events, he cites ignorance and greed as overarching themes that prevent collaboration and business community solidarity. The owner, however, notes that it may be that economic and legal insecurity of today that exacerbates these traits,

especially in a community that is maturing and growing every year, and is targeted by anti-immigration hardliners in the media.

Investing in an Enterprise

As noted earlier, the average cost of opening a Mexican business in South Philadelphia is \$39,936. The overwhelming majority of proprietors rely on personal borrowing instead of institutionalized means to finance the investment. There is very limited overlap between the two funding sources. Contrary to typical small businesses in the United States that seek to build credit, attain small business loans, and/or receive some form of entrepreneurial training prior to establishing the enterprise, the majority of Mexican businessmen informally gather private capital from family members and close friends. The range for start-up costs is as low as \$20,000 and as high as \$90,000, depending on whether or not the premises must be renovated or if a fully operating business is included in the acquisition. Most owners avoid financial institutions due to high interest rates, lack of trust, language barriers, and perceived inconvenience. It is also the case that merchants do not understand financial systems and their services. Furthermore, some proprietors do not receive business loans due to little or no collateral and/or unauthorized legal status.

For those merchants that did tap into the formal lending sector, they cited approved legal residency as the biggest determining factor for accessing capital.¹⁴ Some described access to start up loans as easier in the early 2000s, with language barriers serving as the main complication. One of my interviewees, a very successful business owner with over 10 years of residence in the city and decent command of the English language, managed to acquire a business loan from a local bank in 15 minutes. Certainly, with the current tribulations of the

¹⁴ It is uncertain how the 1986 Immigration Reform and Control Act (IRCA), which granted amnesty to unauthorized entrants, impacts entrepreneurship rates. However, I can only assume that IRCA had a positive contribution to the extent that those foreign born immigrant decided to become merchants.

nation's financial sector, capital is less liquid and access requires more stringent qualifications. Nearly all owners cite that access to capital (whether it is to establish or maintain the enterprise) as the most challenging aspect of entrepreneurship.

The formation of an immigrant Mexican enterprise is thus predisposed to becoming a family-run business in every sense of the phrase. Relatives and friends lend money to proprietors and assist in operations management as they either hold a financial stake (loan repayment) or are employees. This type of immigrant economic development consequently demonstrates prolonged savings discipline, especially considering that the large quantities of cash holdings remain outside of the interest accruing benefits of commercial banking.¹⁵ Moreover, the time it takes (on average, 4.27 years) to save low wages earned by many owners who were (and some still are) restaurant cleaners and construction workers prior to opening the establishment is a testament to the long-time nature of opening a business. As a whole, immigrant entrepreneurship relies more on family assistance and financing, underscoring the necessity for economic success.

Cash Inflows and Outflows

It is extremely difficult to assess the cumulative enterprise value of the Mexican business sector. On the one hand, merchants are not willing to discuss their financial performance. When soliciting assistance from City Hall, access to revenue streams by address cannot be achieved due to confidentiality clauses local government must abide by. As a result, this report cannot confidently state a revenue generation and tax contributions estimate for the sector. However, there are a few highlights worth presenting.

¹⁵ Exclusion may be due to legal or language barriers. It is also the case that many immigrants are truly unfamiliar with the operations of financial institutions. Consequently, insufficient knowledge about bank accounts promotes cash storage outside of the banking sector.

A preliminary performance study in the Italian Market suggests that financial success is moderate. On a scale from one to five, the former defined as “Ready to close,” three as “breaking even,” and the latter as “Successful; Ready to expand,” the reporting sample resulted in an average score of 2.8. None of the respondents registered a five, indicating that they were very successful. The subjects, however, are by no means representative of all Mexican businesses, and thus the findings cannot be generalized. Furthermore, the current economic downturn certainly negatively skews the data sample. More research relating to performance is extremely important if public policy and community organizations are trying to figure out how (and to what extent) Mexican merchants can be supported.

Fifteen percent of the 47 businesses surveyed provided information on revenue streams. On average, local Mexican enterprises earn \$10,266 per month, without seasonal adjustments. The median inflow is \$8,500, with a range as low as \$600 and as high as \$28,000. Yet, like the measure for business performance, there is a lot of doubt about the reliability of these numbers for various reasons. To begin, a 15 percent sample size is not representative of the entire sector or business type, let alone for the different business clusters. It is important to note that revenue could have been interpreted by owners as gross revenue, operating profit, or net income. It is also worth considering that proprietors may use cash or accrual methods of accounting which could understate or overstate financial figures.¹⁶ Lastly, the actual reporting of revenue may be inaccurate given the extremely low levels of business operations training among merchants.

The rent paid by proprietors to their landlords amounts to an average of \$1,095 per month. With a 26% capture rate for this question, the median is \$950, with a range of \$600 to \$2,400. Generally speaking, the rental rate for one floor of operation in the Italian Market is

¹⁶ It is most likely that enterprises utilize the cash-method of accounting, given the absence of financial regulators and the convenience of simply counting dollar bills in the cash register.

higher than anywhere else in South Philadelphia, with rents averaging \$1,350. Elsewhere, owners pay an average of \$953. Contracts in the Italian Market are normally fixed for three years, with an option for renewal. Of the 47 businesses surveyed, only one merchant is a landlord.

Because a lot of the initial investment in the enterprises is self financed, there are a small number of proprietors that hold debt on their books. Data relating to credit purchases or other liabilities or forms of delayed payments for inventory or rent is not covered by the scope of the study.

While the aforementioned subsections on investment, labor, clientele, and cash inflows and outflows provide information never before acquired, the findings are still preliminary. Statistically, definitive conclusions cannot be made. Nevertheless, it provides a framework for future research and allows policy makers and community organizations to begin understanding the quantitative realities that compliment the qualitative nature of this report.

DISCUSSION

It is important to highlight the context of this study. City Hall's reaction to the rise in foreign born Philadelphians, especially those from Mexico and the rest of Latin America is generally positive. Multilingual initiatives have been approved and are currently being implemented throughout all major city departments and agencies. Mayor Nutter and his staff are committed to transforming Philadelphia into a true global city—a primary destination for immigrants on the East Coast. The underlying belief is that the city's notorious population decline will be reversed with increased immigration. Moreover, the subsequent entrepreneurial and labor contributions will strengthen and diversify the Philadelphia economy.

While public language access programs are important, public officials and community organizations have expressed concern about not knowing enough about the emerging Mexican community to adequately serve their commercial development needs. As noted in the literature review, there is scant data on the economic development of Mexican enclaves in other cities (let alone Rustbelt Cities) for local public officials to learn from. Philadelphia's leadership, like that of other U.S. cities facing a rise in Latin American immigration, understands the value of learning how to serve new constituents that aspire to become small business entrepreneurs. This report will hopefully serve as a broad educational platform for those unfamiliar with the Mexican community of South Philadelphia or the presence of other Mexican merchants in other rustbelt metropolises.

Based on qualitative and quantitative data of the Mexican commercial activity of 83 small businesses in South Philadelphia, this study concludes that Mexican entrepreneurship is a legitimate practice concentrated in three business sectors: mini markets, restaurants, and "Other" establishments, including electronic payment providers, public internet stations, clothing stores, and music outlets. Experienced and well connected proprietors form networks with other owners and distributors. These structures promote and enhance Mexican community and commercial development in the area; generate informal, yet sufficient capital accumulation, borrowing, and lending opportunities for current and aspiring entrepreneurs; and are beneficiaries of the continuous flow of committed and satisfied laborers, consumers, and community members from Latin America.

Business owners are not engaging in high levels of remittance-sending to assist family members abroad. The majority are saving cash, accumulating as many assets as possible, either through revenue or personal lending, to reinvest in their enterprise so that they provide the

services and products that will earn them the credibility required for “success.” This suggests that merchants are a more “stable” or “permanent” class of immigrants, when compared to labor-market Mexican migrants, especially considering the time and money investment that a business requires.

Mexican owned businesses have certainly revitalized the Italian Market and emerging commercial nodes throughout South Philadelphia. Since the spring of 2007, there has been a net addition of Mexican businesses in South Philadelphia of 20. The sector has diversified over time, and community testimony suggests continued growth for the future. Given the government’s will to reach out to this new class of entrepreneurs, coupled with the welcoming gestures exhibited by many neighboring non-Mexican business owners, there is increased acceptance and credibility surrounding Mexican enterprises and its respective ethnic community. It is worth mentioning that the considerations of bilingual education in the local schools and the delivery of Spanish mass in Catholic churches are evidence of the other institutions Mexicans rely on for assimilation outlets.

The most established businesses have greater bargaining power when negotiating with wholesalers and distributors, and have a stronger, more loyal clientele. Thus far, the most successful ones have participated in informal networks that assist, among other things, in operations management, and purchasing and stockpiling inventory. It is the case that the oldest businesses, which are located in the Italian Market, have a higher propensity to operate within informal networks, and seek to diversify new business ventures and increase visibility to reestablish the area as a local and regional economic focal point. This vision has been the driving force of the Mexican community and economic development in South Philadelphia.

Many merchants are convinced that investment in the local economy will guide the immigrant community into a more accepting (as it relates to natives and Mexicans) and successful future.

Despite the success of the older, well-connected business owners, less than a quarter of the Mexican shops take part in informal entrepreneurial networks that assist owners with and guide them in operations management. While self-creating business networks naturally arise among friends and kin of the Mexican business community, it is otherwise exclusionary. More research is essential to understand the functionality of a business network model that happens to serve as an alternative to a conventional merchant's association.¹⁷ There is the wide belief among merchants that with adequate economic and political support and opportunities for bilingual business training, Mexican entrepreneurship can be more cost-efficient and strategic in its operations. Doing so allows the sector to certainly contribute to the flourishing Philadelphia service economy.

There are more businesses that are "just making it" or struggling than those that are very successful. Of the 83 businesses mapped, there are a handful of establishments that are planning to close in the near future. For many of them, the economic turndown is the proverbial nail in the coffin. For the mini market owners that appear to barely make ends meet, they also work a second job, as revenue from the business is not enough to provide for personal and commercial expenditures. More experienced grocery store owners have opened second shops in other locations (and in many cases within a different industry) in hopes of supplementing current losses in primary enterprises.

Regarding institutional connections, all business owners have limited interaction with local government, business associations, and community organizations. They perceive City Hall

¹⁷ There are merchant associations in the Italian Market and for Passyunk businesses. Those groups are mostly comprised of White and native entrepreneurs.

as too bureaucratic and only as an entity designated for approving and granting licenses and certifications, in addition to collecting taxes. Owners view formal business associations as non-existent or not being able to assist in the process of “starting up” and surviving. Lastly, many owners would like to be more involved in community groups and initiatives, but their business responsibilities require that desire to become a secondary concern given the insufficient time to attend and support programming.

RECOMMENDATIONS FOR LOCAL GOVERNMENT

If governments like Philadelphia’s are to make cities prime destinations for newcomers to the U.S., it is crucial that public officials understand immigrant life. This report strives to describe and explain the development of the commercial Mexican community of South Philadelphia so that adequate public policy is introduced to assist immigrant business owners. The City has initiated a commitment to meet the linguistic needs of newcomers to the region, and beginning to focus on economic development is an excellent strategy. While the Nutter administration has launched multilingual initiatives and other projects to make Philadelphia a more global and immigrant-friendly city, the next steps for City Hall and partner agencies is to improve or create initiatives that would allow immigrant entrepreneurs, in this case Mexicans, to access the business services provided by City Hall. Bridging the government-community gap would bring merchants a step closer to maximizing their entrepreneur potential.

What roles can City Hall and other public-interest organizations play? In the forthcoming subsections, the report identifies major obstacles emanating from themes described in full detail in the Data Analysis section of the paper. The section postulates recommendations for City Hall, public officials, and other public and community organizations invested in the

advancement of the South Philadelphia economy. The end goal is for this portion of the research to serve as a sounding board for Mexican entrepreneurs as it relates to specific obstacles in business operations, and recommendations entrepreneurs and the author would like to make for sound public policy. Figure 6 displays a summary.

First Set of Concerns and Recommendations

In the first set of issues, the most pressing challenges are rooted in struggling business practices exacerbated by the economic downturn. Owners state that increased competition over the last two years, especially among restaurants and mini-markets, is a result of more immigrants becoming entrepreneurs. For business performance, simply relying on word of mouth marketing strategies is no longer enough to get by. Establishments are struggling to find funds and innovative ways to express to the public their comparative advantages. Moreover, the emergence of the informal food economy has reignited price competitions between restaurants and street vendors.

The economic crisis as a whole has further tightened profits, if there were any to begin with. Proprietors cite price inflation (mainly due to gasoline) and a decline in consumer demand as exogenous negative impacts on the ethnic economy. Many Mexican laborers have also been laid off in the restaurant and service industries in Center City, or their hours have been reduced. As a result, clients are cooking at home or deciding to purchase less food at Mexican restaurants. A subsequent decline in purchases has also occurred in the mini markets.

Non-existent or poor English speaking skills are hindering merchants from expanding their client base. Many are unable to advertise in English. In the instance non-Spanish speaking customers walk into an athletic clothing store or mini-market, owners are unable to effectively

communicate in order to meet the client's needs. In addition to language barriers, there is an overwhelming lack of business management knowledge in the community. Owners know for a fact that improved English skills and basic entrepreneurship know-how (i.e. inventory and investment management, pricing and marketing strategies, and accounting) will improve their operations. They are willing to learn, but the greatest deterrent is the time required to operate a business.

Generally speaking, there are a few policy recommendations that can alleviate some of the aforementioned obstacles. To begin, increased competition is good because it forces owners to be more efficient in cost-benefit analyses and creative in their marketing and product-offering strategies. With that in mind, owners support the production of a DVD or audio track that teaches Spanish speakers basic business English and delves into the fundamentals of small business entrepreneurship (especially marketing). It will allow merchants to target a wider and more diverse customer base. Improved English will also enhance customer service and expand supply chain opportunities in Philadelphia and within the Delaware Valley. When especially considering the "dead time" in mini-markets (the largest business segment), owners and employees can learn while waiting for customers to enter.

An initiative of this nature will nicely compliment enhanced community outreach by the Department of Commerce and related agencies and community organizations that are devoted to revitalizing commercial corridors and ensuring successful business practices. As stated throughout the paper, the majority of entrepreneurs were not aware of the new language access programs Mayor Nutter has instituted in the City's departments. More face-to-face visits, bimonthly newsletters, magazines highlighting local entrepreneurship, town hall meetings, and bilingual advertising of business support programs offered by the City will create a relationship

between local government and the Mexican business community. It is unclear if the Grassroots Business Development Task Force (a representative body of ethnically diverse communities that reported to City Hall) still exists. However, a group of that nature would be helpful in bridging the divide between government and ethnic neighborhoods as long as owners also have a seat at the table (either directly or by representation).

Commercial corridor beautification is another demand that consistently arose in conversations with owners. Enhanced lighting, public décor (e.g. banners, flags, signage), and public promotion of place would enhance the visibility of the Mexican community and assist with the general marketing of all businesses. The general belief is that public displays of ethnic business promotion (e.g. “The Mexican District” or “The Mexican Market”) by local government will define the set area as legitimate, thereby bolstering the credibility of the sector’s operations. Such approval will in turn increase visitor traffic and their propensity to consume in the area. Moreover, an official unifying theme might encourage proprietors to collaborate more often, if not (re)create a formal merchants association. While all beautification suggestions may not be financially possible, merchants would at least like to have a point-person to turn to in the Department of Commerce or related division that would be able to listen to their concerns. The actual implementation of renovation might be an opportunity for the Mexican Consulate in Philadelphia to consider. Locales of beautification interest are the two blocks of the Italian Market south of Washington Avenue and selected blocks between Dickinson and Snyder Streets.

Lastly, numerous owners cited financial constraints as their true fear for failure. Many self-financed their enterprise, either by choice or involuntarily (due to legal status or insufficient collateral). There definitely is wide acceptance among merchants for a lending program that could provide businesses short term loans. The program could be fully or partially funded by

local or state government or elected officials and community organizations could encourage local banks to increase its offering of small to medium sized loan products to less experienced proprietors. Alternatively, the City or State could guarantee a portion of a business loan originating from a revolving trust fund that could be sponsored by a public-private partnership and that could be used for small business lending. If a business must purchase a lot of upfront inventory on the fourth day of a month, but knows that by two weeks the establishment will collect sufficient revenues to payoff its liabilities, owners should be able to access a capital pool to cover the cash flow lag. Sometimes businesses do not have enough cash on hand to run the everyday operations during the week, but rely on weekend sales to make ends meet. There certainly is a need for short term loans that would allow businesses to manage cash flow lags or to purchase new technology that will allow merchants to begin familiarizing themselves with basic revenue tracking and inventory management.

Second Set of Concerns and Recommendations

When most aspiring entrepreneurs decided to open a business, all of them stated that they had to learn how to operate the unit “on the go.” That is to say that there is limited, if any, assistance with establishing a business in South Philadelphia.¹⁸ The obstacles to starting an enterprise in Philadelphia associated with Licenses and Inspection (L&I) are numerous. Below are the most common:

- Extremely long time-lag for permits and other approvals (systematic inefficiency)
- Poor communication between inspectors and owners (language barriers)

¹⁸ While the Welcoming Center for New Pennsylvanians publishes a few How-to-Guides, aspiring entrepreneurs are not aware of those handbooks.

- Cultural and linguistic disconnect between the government and the community (lack of trust and understanding exacerbated by the preceding two bullets)

There is a very successful owner that has been waiting eight months for a zoning and plan review for the opening of his second and third restaurants. The establishments are furnished and ready to operate, but the owner continues to lose potential revenue as he waits for a few documents to travel 13 floors inside of a government building. Many proprietors describe inspectors as rude, brash, and condescending, especially when an inspector requires documents from the merchant, but is not satisfied upon retrieval. It is to no surprise why most proprietors are not fond of their relations with City Hall.

The implementation of language access programs is an excellent first step in eliminating some of the misunderstanding between L&I representative and owners. Nevertheless, merchants would also like to be informed about business support programs and any new initiative undertaken by the Mayor or Department of Commerce. Enhanced outreach, as outlined in the previous subsection, remains a must. Bilingual speakers in government positions will only speed up the internal transition process, and will encourage more commercial activity and engagement with local government.

Many immigrants would also prefer enhanced management of public policy implementation. To begin, all respondents state that the nation's immigration policy is hindering more sophisticated levels of commercial development. For migrants that are unauthorized, they are reluctant to invest considerable amounts of capital in a business if the risk of deportation is looming. This is even the case if the individual is committed to permanently living in Philadelphia. More locally, merchants would like to see a more proactive Department of

Commerce that can facilitate the production of (or at least point aspiring merchants to) business start-up manual or consultants. Reiterating the point of enhanced government outreach, merchants do not have a handbook or a point person to refer to in the need of pre-business and operating assistance. If such resources are available, owners are not adequately informed. The uncertainty drives entrepreneurs away and lowers the amount of committed capital for economic development.

Third Set of Concerns and Recommendations

As has been reported in the Philadelphia Inquirer and Philadelphia Weekly Magazine over the last two years, Mexican immigrants as targets of crime has been a rampant, sometimes very violent problem. Merchants and most community members report that teenagers are assaulting Mexican laborers on their way home at night. Many of these perpetrators are identified as African American, thus exacerbating current Latino-Black tensions in the city. Bike theft and street scuffles initiated by offenders have ultimately sparked an element of fear within the Mexican community. Certain owners also cite store robberies as an uncommon, but expected occurrence. As one entrepreneur stated, “I would rather allow the teenagers to steal my merchandise than to start a fight and possibly lose my life.”

Indeed, the notion of crime in Philadelphia is not one unique to Mexicans. It is a city-wide problem that is also affecting the immigrant community. While no concrete recommendations can be made, street beautification efforts have the potential to increase lighting and promote a respect for place that discourages crime in the public eye.

Secondly, the discord among Mexican entrepreneurs (as discussed in the “Role of Social Networks” section) is an aspect that hinders efficient entrepreneurship. There is no doubt that

there is a lack of coordination among Mexican entrepreneurs. Given the benefits of collaboration in informal networks, it behooves merchants, community members, and interested parties in the Department of Commerce and community/economic development organizations to promote more enhanced cooperation among business owners. If input cost sharing, improved access to capital, and a forum to share strategies of “best practice” occur due to increased community collaboration, the (re)organizing of merchants is an initiative worth exploring. Based on interviews with owners in informal networks, their enterprises appear to be better off than solitary proprietors.

The oversaturation of mini-markets, a contentious atmosphere, and an unwillingness to organize as a business community makes it even more difficult for the ethnic economy to expand in the most vibrant and efficient way possible. Is there any way to expedite outstanding complaints relating to zoning certifications? Why do four mini-markets operate within the same block? Why purchase inventory at higher prices if it is possible to buy a larger quantity and redistribute among multiple merchants? There clearly are benefits to organizing merchants.

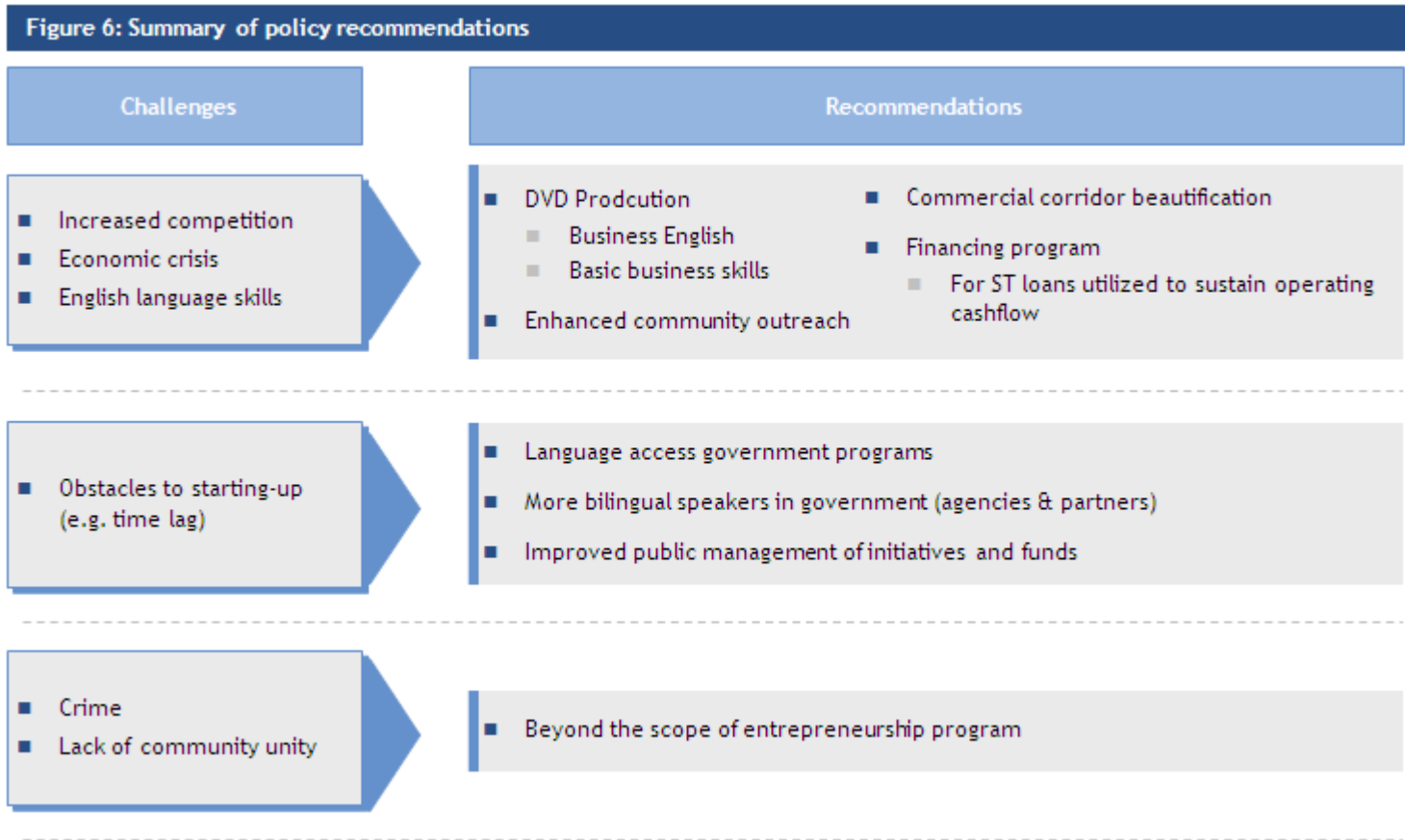
The main obstacle, however, relates to the credibility and trust surrounding any organizing strategy. Will people begin to ask about ulterior motives? Who is truly benefiting from cooperation? Will the group fail like *Grupo de Empresarios Mexicanos*?

If an organization of proprietors is to emerge once again among Mexicans in South Philadelphia, it will probably require institutional founding by City Hall, the Mexican Consulate, or a combination of those entities, community organizations, and a large portion of Mexican businesses. As a matter of fact, many owners have explicitly stated that they envision a merchants organization functioning as a bridge (in terms of cultural and linguistic competency) between public resources and the Mexican community. Without an accountable body

responding to an association where a lot of time and money will be invested by the community, many owners will remain skeptical.

Government agents cannot force merchants to collaborate, but it can create an environment conducive for coalition building. As stated numerous times, expanding and linguistically training its outreach staff to enhance business support is a step in the right direction. Providing attention and credibility to community initiatives wanting to organize merchants would allow neighboring businessmen to buy into the idea of community cooperation. The latter can be spearheaded by an organization like the Empowerment Group, which provides technical and business support to small businesses throughout Philadelphia, or the Mexican Consulate. Nevertheless, no business program will directly tackle the lack of unity among Mexican businessmen.





CONCLUSION

This study considers factors of co-ethnicity, deindustrialization, and immigration trends in a rustbelt city as structural opportunities for the advancement of small business immigrant entrepreneurship. It ultimately highlights that ownership is a unique facet of community and economic development that can serve as an effective strategy for local assimilation. As the limited literature on Latin American immigrant entrepreneurship suggests, Philadelphia's Mexican economy is growing due to the revitalization of numerous commercial corridors via location acquisition and local hiring. While nearly all small business hires are co-ethnics, employment in the sector has also inspired and/or trained laborers into becoming merchants. Though the selling of a business to new immigrants is not overwhelmingly common in South Philadelphia, it is a socioeconomic stepping stone for newcomers that are willing and able to call Philadelphia their new permanent home. As such, small business entrepreneurship is not just a survival strategy for migrants, but an entry way for assimilation and wealth building that also creates new ethnic commerce and an emerging tax base for the City to benefit from. City policy makers should foster this type of community and economic development to promote further revitalization of blighted areas in South Philadelphia and to enhance the multicultural social fabric of Philadelphia.

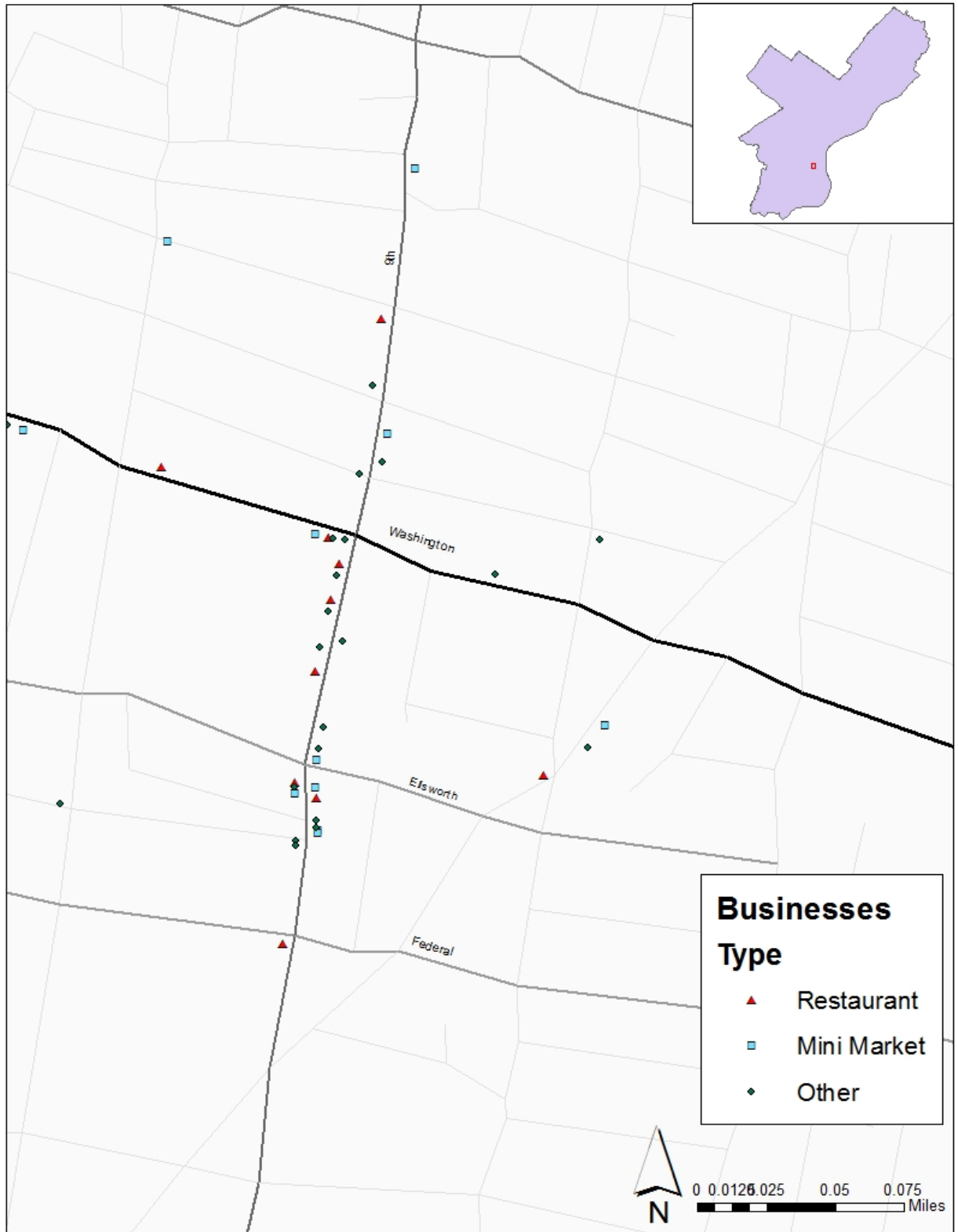
Identifying Mexican entrepreneurship has served as a platform to analyze what resources are accessible and deficient throughout the business development of immigrants. City officials should consider the following goals as a policy framework should they strive to formally reach out to Mexican merchants. Overall, sufficient entrepreneurial knowledge and command of business English, effective operations strategies, adequate business location foresight, street

beautification, and comprehensive inclusion in business networks will make struggling establishments of today more efficient and marketable to native and Latino consumers. Most importantly, improving access to loans and other forms of savings and credit services will allow independent Mexican business ventures to attain a higher probability of being successful in community economic development.

The City of Philadelphia is uniquely positioned to make significant strides in incorporating this new generation of entrepreneurs and laborers. The Mexican community arrived in the late 1990s and is still developing its identity and relationship with the city and public-interest organizations. Philadelphia's embracement of immigrant entrepreneurship can be a model for not just attracting immigrant talent, but for reversing the population and economic decline attributed to deindustrialization. Most importantly, there is the possibility to foster a small business environment that can allow all merchants from different walks of life to realize their economic potential.

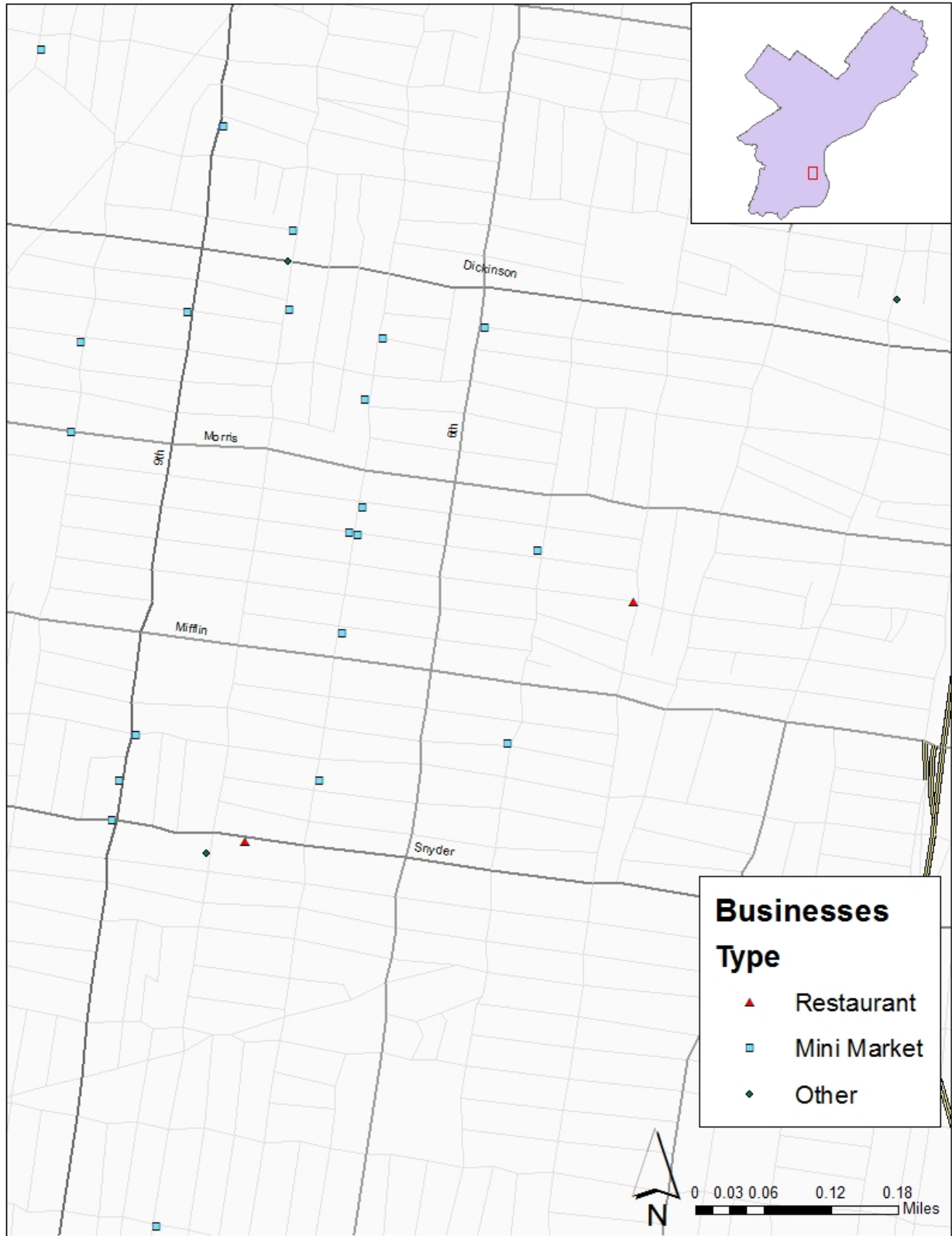
APPENDIX: ADDITIONAL MAPS

Map 2: "Italian Market" Mexican Small Businesses



Benjamin Dubow
University of Pennsylvania

Map 3: "South of Dickinson" Mexican Small Businesses



Benjamin Dubow
University of Pennsylvania

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