New Orleans startups increase staffing, funding and equity despite recession threat

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New Orleans area startups are staffing up and attracting more investment funding despite headwinds from higher interest rates, inflation and pessimism over the national economy, according to Tulane University's 2023 Greater New Orleans Startup Report.

The report, compiled by the Albert Lepage Center for Entrepreneurship and Innovation at Tulane's A. B. Freeman School of Business, is based on a survey of 116 startups across the 10-parish region from the second quarter of 2023. Now in its fifth year, the annual report has become the benchmark for tracking entrepreneurial activity throughout the New Orleans region.

The report found that 69% of companies were planning for new hires within the year, potentially signaling a more stable job market in the coming year. A record-low 22% of companies were unsure about hiring plans.

Local startups also saw the highest rise in the procurement of angel investments, convertible debt and venture capital since 2019. Of those surveyed, 41% reported utilizing angel investments – up from 28% in 2019. There are also promising signs in shrinking the equity gap in small business financing for women and Black, Indigenous and People of Color (BIPOC) founders. The gender gap in access to angel investment shrunk from 13% in 2022 to 1% in 2023, and the gap for BIPOC founders dropped from 17% to 3% over the same period.

The region was not able to completely dodge the economic hurdles of the past year, with average revenue dipping to $1.65 million, down from $2.31 million in 2022.

However, the manufacturing, healthcare, finance, retail and hospitality sectors are all projected to see substantial year-over-year growth heading into 2024. Combined with large-scale projects such as Tulane’s renovation of Charity Hospital and the return of the Super Bowl in 2025, the report paints a picture of a resilient local economy primed to expand.

“We all know that skepticism around the stability of our region’s economy continues, even three years after the original COVID-19 lockdowns,” said Rob Lalka, Albert R. Lepage Professor in Business and Lepage Center executive director. “Let’s consider the hospitality sector. Anecdotally, we might feel like it is struggling mightily. It seems time and time again that another one of our favorite restaurants, some of them neighborhood institutions, have closed. Despite this, average gross revenue in the hospitality sector has more than doubled from 2021-2022 and projections for 2023 look even better, with a projected growth of more than 124%. There is no doubt that struggles remain, but these trends offer hope for our hospitality industry and the wider cultural economy.”

The startup scene also made strides in attracting new talent. Companies offering health insurance reached an all-time high of 40.8%, and benefits such as 401K matching, paid maternity/paternity leave, life insurance and paid continuing education all saw similar increases. These gains speak to the maturation of companies in the region, which find themselves willing and able to offer more enticing benefits packages.

Companies may also see more funding sources available heading into 2024. The State Small Business Credit Initiative (SSBCI) announced at the end of 2022 is expected to allocate over $90 million in capital to organizations and venture funds in the state such as the new Tulane Ventures Fund, Benson Capital Partners, New Orleans Startup Fund, The Idea Village, Propeller and many others.

“We find optimism not just in positive stories but in the data from the last five years,” Lalka said. “This report reflects encouraging trends, echoing the collective voice of our entrepreneurs who’ve navigated challenges with meticulous planning, creative management, and tough decision-making amid uncertainty. It’s been a demanding journey, requiring resilience and dedication from entrepreneurs, investors, and supporters. The 2023 GNO Startup Report paints a picture of a resilient ecosystem with more tools than it had five years ago.”

The full 2023 Greater New Orleans Startup Report is available at: gnostartupreport.com