



HOT BREAD KITCHEN

10 YEARS OF IMPACT 2008-2018

INCUBATING WITH INTENTION

FOREWORD FROM OUR FOUNDER

January 2019

When Hurricane Sandy hit New York City in October 2012, Hot Bread Kitchen had been operating out of La Marqueta for only 18 months. In anticipation of the storm, we closed and sent everyone home, virtually unheard of in the 24-hour facility. As predicted, the city was battered: streets were flooded, tunnels and subway lines closed, and millions lost power. The New York Stock Exchange closed for two days (also unheard of) and public schools remained empty for nearly a week. But at Hot Bread Kitchen, because of geographic good fortune and local hiring, the lights and mixers in our kitchens were back on after 10 hours. People needed to work, and New Yorkers definitely needed to eat.

Kitchens are places of alchemy that feed the body, soul, and community. After Sandy, the powerful magic of what we had created in our kitchen became more apparent, and we realized the critical role that Hot Bread Kitchen plays in New York City. Our phone rang off the hook and we made space in our kitchens to accommodate chefs and bakers whose businesses were without power or suffered damage in the storm. Staff who lived within walking distance, including brand new trainees, worked triple shifts to meet demand and cover for colleagues who couldn't make it to work. Because bridges were closed, few of New York City's bakeries could deliver, so we sent whatever bread we could to Manhattan hotels to feed hungry visitors. We gave out food to our neighbors and even organized volunteers to help make hundreds of peanut butter sandwiches to deliver to displaced families and first responders.

The city was shaken and, there under the MetroNorth tracks in East Harlem, we found solace and optimism in each other. When we needed a break from the kitchen, we came together in our teaching classroom to share stories and warm bread. While exhausted, we felt fortunate to be able to help in the aftermath of the storm.

These magic moments of relevance and purpose have propelled our work for a decade. As you will read in *Investing in Breadwinners: 10 Years of Impact*, at Hot Bread Kitchen we witness this kitchen magic every day in large and small ways. ***Perhaps the most powerful evidence of alchemy, which is captured so poignantly in this report, is that our kitchens have spurred \$104 million of new economic impact in East Harlem and have changed the lives of hundreds of women who have gone through the training program by decreasing isolation, unlocking talent, creating a stronger sense of self and increasing stability for children and families.*** Our kitchens have seeded a pipeline of talent for the industry and we have created the space to launch 250 innovative food brands—36 of which have gone on to build their own kitchens.

Of course, magic doesn't happen without magicians, especially in the kitchen. Over ten years, I have had the incredible opportunity to work with the most talented and mission-driven staff in the non-profit and food industries, each leaving their unique fingerprints on Hot Bread Kitchen. In addition to an A-Team staff, the impact of the last decade has been possible thanks to an innovative and committed board of directors, strategic funders, countless volunteers, and thousands of gluten-loving, mission-driven customers. A decade passed in a flash and, with this momentum and kitchen alchemy, I cannot wait to see what we achieve in our kitchens over the next 10 years, and then 40. Please savor this report with the joy and optimism that has gone into the creation of Hot Bread Kitchen.

With gratitude,


Jessamyn Waldman Rodriguez, Founder

ACKNOWLEDGEMENTS

This study would not have been possible without the women and entrepreneurs who are, and always have been, the reason Hot Bread Kitchen exists. Huge thanks to the 60 graduates of our culinary training program and 20 alumni of HBK Incubates who provided invaluable insights and feedback about the qualitative impact of our programs. Without them, there would be no impact to measure. We are grateful for their continued dedication to our work and for being members of the Hot Bread Kitchen community.

RESEARCHERS

Enormous thanks to Dana Archer-Rosenthal, a social impact expert and independant consultant who has spent her career supporting, strengthening, and deepening mission-driven nonprofit work. Dana led this impact study and was responsible for developing our interview protocol, methodology, and analysis. We would also like to thank all of the researchers who helped shape this study and conducted primary and secondary research, specifically: Grayson Caldwell, lead field researcher; Floee Skrzypek and Noah Best, primary research assistants; and the team of The School of International and Public Affairs (SIPA) at Columbia University graduate students and Hot Bread volunteers who conducted primary interviews.

STAFF

In addition to conducting interviews with our program graduates and incubator alumni, several Hot Bread Kitchen staff members provided critical context and background on the history of our organization. Special thanks to Jessamyn Waldman Rodriguez, Shaolee Sen, Jill Kaplan, Karen Bornarth, Kobla Asamoah, Kelsey Minten, and Kelli Kerkman for their support in this process, and to Margo Sivin and Jenny Kutner for designing and writing this final product.

PHILANTHROPIC SUPPORT

We are also grateful to the supporters who made this impact study possible, in particular Fondation Chanel for funding our research and publication of this report. Thank you to each of the advisors and organizations that were willing to share their expertise and feedback as this report coalesced, providing vital critiques along the way. This study is better for your insight.

ADVISORY SUPPORT

Citi Foundation
Deutsche Bank Americas Foundation
Evidence for Action
Fondation Chanel
Guggenheim Partners, LLC
JP Morgan Chase Foundation
Robin Hood Foundation
Workforce Development Institute

Finally, to the funders who have worked with us to grow our mission over the years, we could not have completed this undertaking—or done any of the life-changing work we have done over the past decade—without your generosity. We thank you for your enduring support of Hot Bread Kitchen and your contributions to the women and entrepreneurs we serve.

Published January 21, 2019

EXECUTIVE SUMMARY

FOR 10 YEARS, HOT BREAD KITCHEN HAS STRIVED TO PROVIDE A PATH TO FINANCIAL STABILITY IN THE FOOD INDUSTRY, WHERE WE SEE OPPORTUNITY FOR WOMEN WHO FACE ECONOMIC INSECURITY TO FIND MEANINGFUL CAREERS AND FOR ENTREPRENEURS TO LAUNCH SUSTAINABLE BUSINESSES.

Where there is continuous economic growth and gentrification—as there has been in New York City and cities across the United States—there is growth in the food industry. The Bureau of Labor Statistics predicts food preparation and serving positions will be among the occupations with the most job growth through 2026.¹ At the same time, commercial kitchens face challenges recruiting and retaining skilled entry-level workers: the culinary industry needs reliable, hardworking staff, but turnover rates are as high as 65 percent.

Sector-based job readiness programs like our culinary training have been found to increase the likelihood that trainees find work in the target sector when compared to control groups; some cases, they also have higher increased earnings and likelihood of receiving employer-sponsored benefits.² Similarly, research has shown business incubation can significantly improve small businesses’ survival rate³; nonetheless, the Hot Bread Kitchen incubator is one of less than a dozen in New York City.

Until now, Hot Bread did not have a complete understanding of the benefits our graduates and alumni have actually been able to reap from the

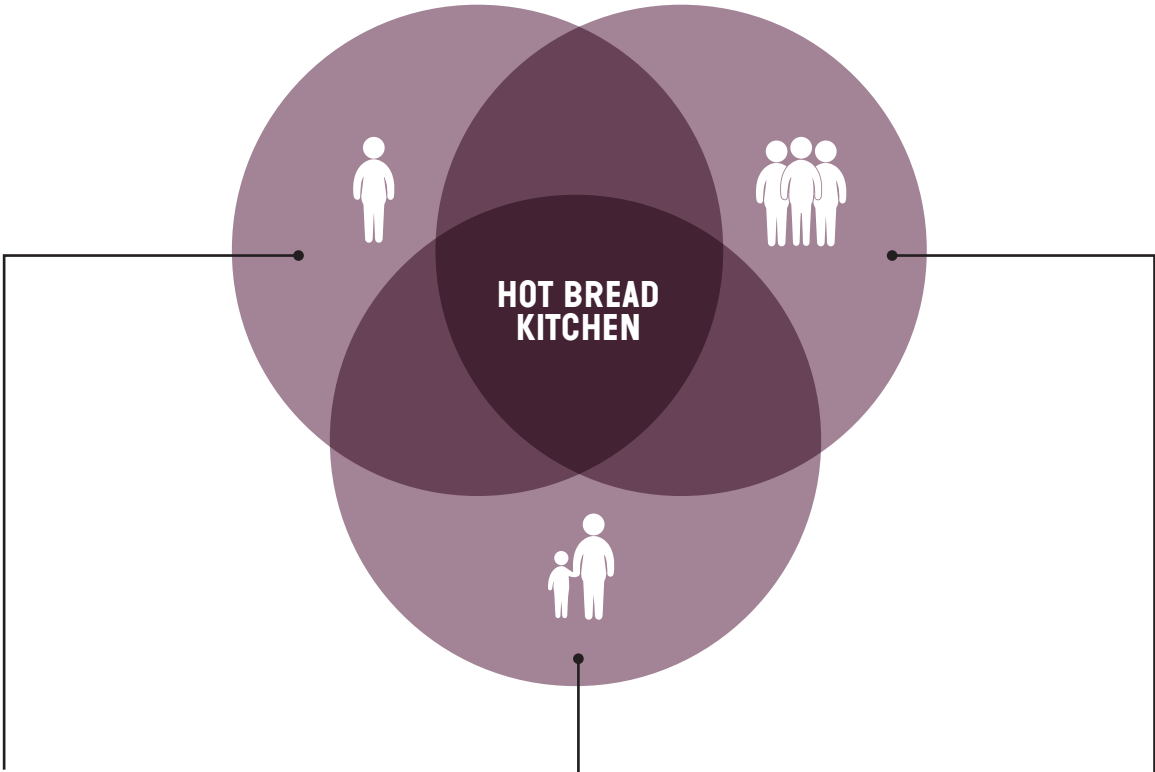
opportunities we have provided. With changes sweeping the workplace, the culinary sector, the labor market, and our own business model, our organization has been reflecting on the past decade of learnings—so we can know what we have accomplished, but also so we can figure out how to do more, better. This study is the culmination of our effort to understand where growth in economic opportunity has been for the women we have trained over the last ten years and the entrepreneurs we have supported since 2011.

We conducted this assessment to test several hypotheses, supported by interviews with 60 graduates of our culinary training program and 20 alumni of our culinary incubator. It was designed to capture the impact Hot Bread Kitchen has had on three levels: individual (culinary trainees and entrepreneurs who received assistance through our signature programs); household (trainees’ and entrepreneurs’ families/dependents); and community (East Harlem and/or the food manufacturing/baking industry). This study also captures the outcomes of the diverse, equitable business we have built, which has created financial, social, and economic benefits for stakeholders including: employees, funders & investors, community members, and New York City taxpayers.

ENDNOTES

¹US Department of Labor. Employment Projections. <https://www.bls.gov/emp/tables/occupations-most-job-growth.htm>
²Social Innovation Fund. WorkAdvance: Meeting the Needs of Workers and Employers. https://www1.nyc.gov/assets/opportunity/pdf/WA_Implementation_Review.pdf
³The Impact Of Business Incubators On Small Business Survivability. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.598.6767&rep=rep1&type=pdf>

LAYERS OF IMPACT



Individual Trainee/Entrepreneur Level Impact

- We have created a workforce with the skills to thrive in the baking and culinary industries. Though traditionally male-dominated, these industries offer a viable career path with opportunities for advancement for low-income and immigrant women with limited English language skills and education, especially when compared to other female-dominated fields.
- Hot Bread's training, English as a Learned Language (ELL) offerings, and job placements improve women's well-being, sense of agency, confidence, acculturation (for recent arrivals) and ultimately, financial health.
- We build the skills of individual food entrepreneurs so that they can sustain employment for themselves and create jobs in their communities.

Family Level Impact

- The jobs for which we prepare women help families move out of poverty. This reduces their chances of experiencing housing instability, food insecurity, and/or material hardship.
- The jobs for which we prepare women help their families improve long-term financial stability and build wealth and assets.
- The children of the women we serve are more likely to succeed in school, go to college, and/or be employed.

Community/City/State Level Impact

- We have created a powerful, non-traditional model for job creation as well as local economic revitalization and redevelopment at La Marqueta in East Harlem.
- We have seeded an ecosystem of local businesses that generate greater local economic activity than large businesses.
- We are part of the value chain for New York State agricultural products, and are contributing to the resurgence of manufacturing in NYC and the prosperity of its culinary industry.
- We offer value to employers by providing a non-traditional pipeline of talent. We are creating a powerful counter-trend to the status quo in the culinary industry.

KEY FINDINGS

OPERATING A COMMERCIAL BAKERY AND SMALL BUSINESS INCUBATOR OUT OF LA MARQUETA CREATED OVER 200 JOBS IN UNDER TEN YEARS, GENERATING \$104 MILLION DOLLARS IN ECONOMIC IMPACT.

CULINARY INCUBATOR

Access to space, markets, and networks of buyers allow small businesses to reach a more stable pace of growth.

- Most entrepreneurs used our incubator to pursue their businesses full-time, and were able to hire employees when they were members.
- Our commercial kitchen offers literal room to grow, as well as expertise related to growth.
- Entrepreneurs have an opportunity to build networks, benefitting from relationships with other businesses.
- Members of our incubator generally secured the capital they sought, however, they continue to face challenges accessing the capital they need.

Small business incubation cannot be one-size-fits all; our approach must be as unique as each business.

- As businesses grew and entrepreneurs required more space or production time, our incubator's pricing structure no longer made our kitchen a feasible workspace.
- Entrepreneurs who qualify as low-income or receive government subsidies come from wildly different backgrounds and have varying success securing capital and varying needs for small business support.
- Age factors significantly in the types of support (e.g. physical and technological) our entrepreneurs need.

INCUBATING WITH INTENTION

HOT BREAD KITCHEN'S CULINARY INCUBATOR HAS SUPPORTED WOMEN, IMMIGRANT, AND MINORITY ENTREPRENEURS LAUNCHING FOOD BUSINESSES IN NEW YORK CITY.

If not for our time in a shared commercial kitchen in Queens, Hot Bread Kitchen might not be the ever-evolving social enterprise it has become. In our early years, Hot Bread operated out of a production space for small food businesses—businesses like the ones we now support—and grew rapidly. In order to continue to grow, the organization needed support in the form of talent, its own space, a reliable revenue base, and connections to stakeholders who would take a chance on a big idea. In other words, we needed the same things any small business needs to succeed:

access to capital, access to markets, and access to networks.

In 2010, the City of New York released a request for proposals to open a small business incubator in East Harlem and selected Hot Bread Kitchen to manage the program. In 2011, we launched HBK Incubates with a mission of making business ownership more profitable for all New Yorkers. Since then, our incubator has provided entrepreneurs the opportunity to launch their food businesses in ways that drive positive economic outcomes for them and their families. We have always been committed to serving entrepreneurs who have traditionally lacked the resources and support to undertake small business ventures and have dedicated HBK Incubates to supporting women, immigrant, and minority entrepreneurs.

> Every entrepreneurial journey is different—however, HBK Incubates businesses have tended to follow a similar loose trajectory. Many of our entrepreneurs started by developing and selling products at home, growing until they required a larger, licensed commercial kitchen to sustain their businesses. They might have found our incubator in their search for space, but in joining us they also gained access to financial planners, buyers, and lenders. We have set up our incubator programming to give entrepreneurs the extra push their businesses have needed to make it to the next level—whatever that level may be.

228

BUSINESSES SERVED ALL
TIME

70%

WOMEN-OWNED
BUSINESSES

53%

MINORITY-OWNED
BUSINESSES

30%

ENTREPRENEURS
RECEIVING PUBLIC
ASSISTANCE



PRODUCTION
AT HOME

PRODUCTION IN
COMMERCIAL
KITCHEN

ACCESS TO
MARKETS

BUSINESS
INCUBATION

ACCESS TO
NETWORKS

ACCESS TO
CAPITAL

OUTGROW
SHARED KITCHEN

OPEN
RETAIL

CLOSE OR CHANGE
BUSINESS

THE SMALL BUSINESS ECOSYSTEM IN NEW YORK CITY



Incubator production

220K

SMALL AND MICRO-BUSINESSES IN NEW YORK CITY ¹

89%

BUSINESSES WITH FEWER THAN 20 EMPLOYEES (MICRO-BUSINESSES)

39%

INCUBATORS NATIONWIDE ARE NONPROFIT ²



WOMEN ARE 53% OF THE NEW YORK CITY POPULATION, BUT ONLY REPRESENT 40% OF THE POPULATION OF PRIVATE BUSINESS OWNERS



CITY-WIDE, WOMEN OWN ABOUT 1/3 OF MANUFACTURING BUSINESSES, AND 1/3 OF ACCOMODATION AND FOOD SERVICES BUSINESSES

FROM SURVIVING TO THRIVING.

Research has shown that, on average, only half of all new businesses survive their first five years.³ For businesses nurtured in incubators, the survival rate is 87% over that same period. Business incubation allows entrepreneurs to mitigate their risks so their ventures not only survive, but thrive. HBK Incubates' approach to mitigating risk has begun with space: we have offered small business owners affordable or subsidized rents at our commercial kitchen, giving them 24/7 access to a fully licensed production space at an affordable price. We have also provided business development support in the form of workshops, coaching, and introductions to sources of capital; connections to event organizers and buyers throughout the city; and inclusion in our culinary community, which has facilitated sharing of best practices and entrepreneur meetups. In a state where small business growth has stagnated in recent years, hundreds of New York City entrepreneurs have come to HBK Incubates to get the resources they need.



NYCHA PATHWAYS PROGRAM

In 2014, HBK Incubates partnered with the New York City Housing Authority (NYCHA) and New York City Department of Small Business Services (SBS) in an innovative effort to provide targeted small business support for entrepreneurs receiving public assistance.

Hot Bread Kitchen provided necessary support in an industry where the failure rate has stayed high, even for well-resourced entrepreneurs. By partnering with city agencies, we gained the ability to work with small business owners of all income levels and help them succeed.

"With the Food Business Pathways program, we've worked with public and private partners, including Hot Bread Kitchen, to create an effective path for the city's public housing residents to pursue their entrepreneurial dreams."

—Gregg Bishop, Commissioner of the New York City Department of Small Business Services

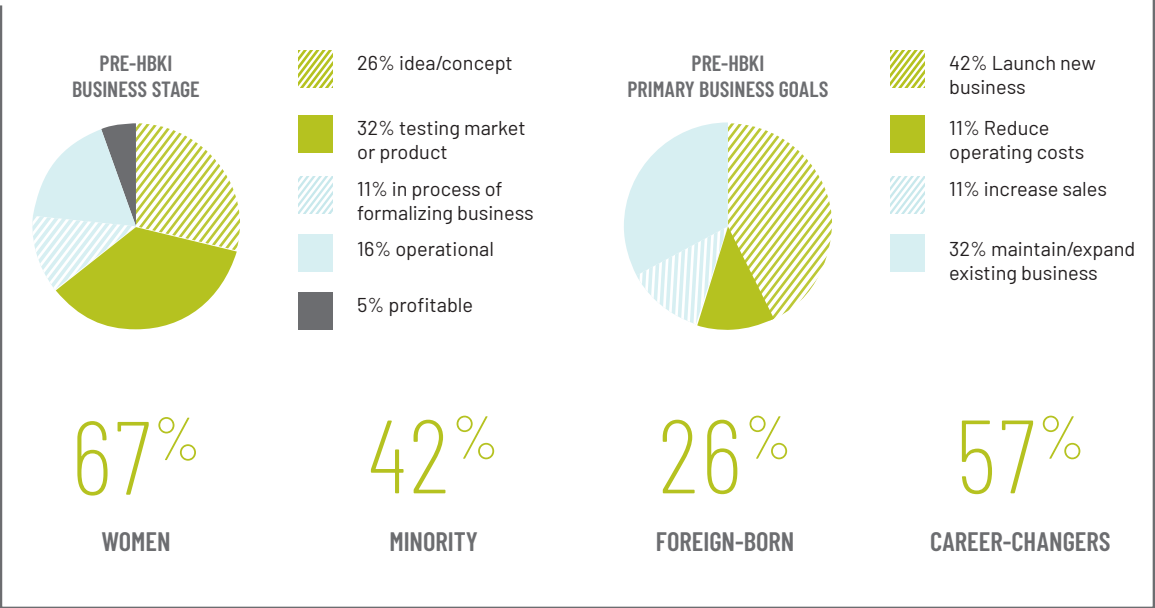
THE NEXT GENERATION OF FOOD ENTREPRENEURS: PROFILES OF 20 HBK INCUBATES ALUMNI

BEFORE JOINING HBK INCUBATES, MOST OF OUR ENTREPRENEURS OPERATED FROM THEIR HOMES.

Their businesses were growing slowly or were still just ideas; their professional backgrounds were in other industries; they weren't sure how to make their concepts profitable. Tenants said joining our incubator was a critical step for them toward sustainable entrepreneurship, offering room to grow as well as the expert guidance needed to grow thoughtfully. On average, our tenants spent two years in the incubator before moving on or determining for themselves that it is time for the next stage of their business development. Since 2011, 40 businesses have left HBK Incubates and moved into co-packing facilities, opened their own brick-and-mortar stores, or took their businesses in a different direction.

We conducted interviews with 20 of our former incubator members about the impact HBK Incubates has had on their businesses' trajectories, from their sales to buyer relationships to goals for the future. Before coming to HBK Incubates, seven of those businesses did not have sales and 14 did not use a commercial kitchen for production; 13 were based at owners' homes. Since they joined HBK Incubates, each of these business owners has continued on their own paths and contributed in their own way to the New York City food industry.

WHERE THEY STARTED



THE STATE OF NEW YORK'S SMALL BUSINESSES

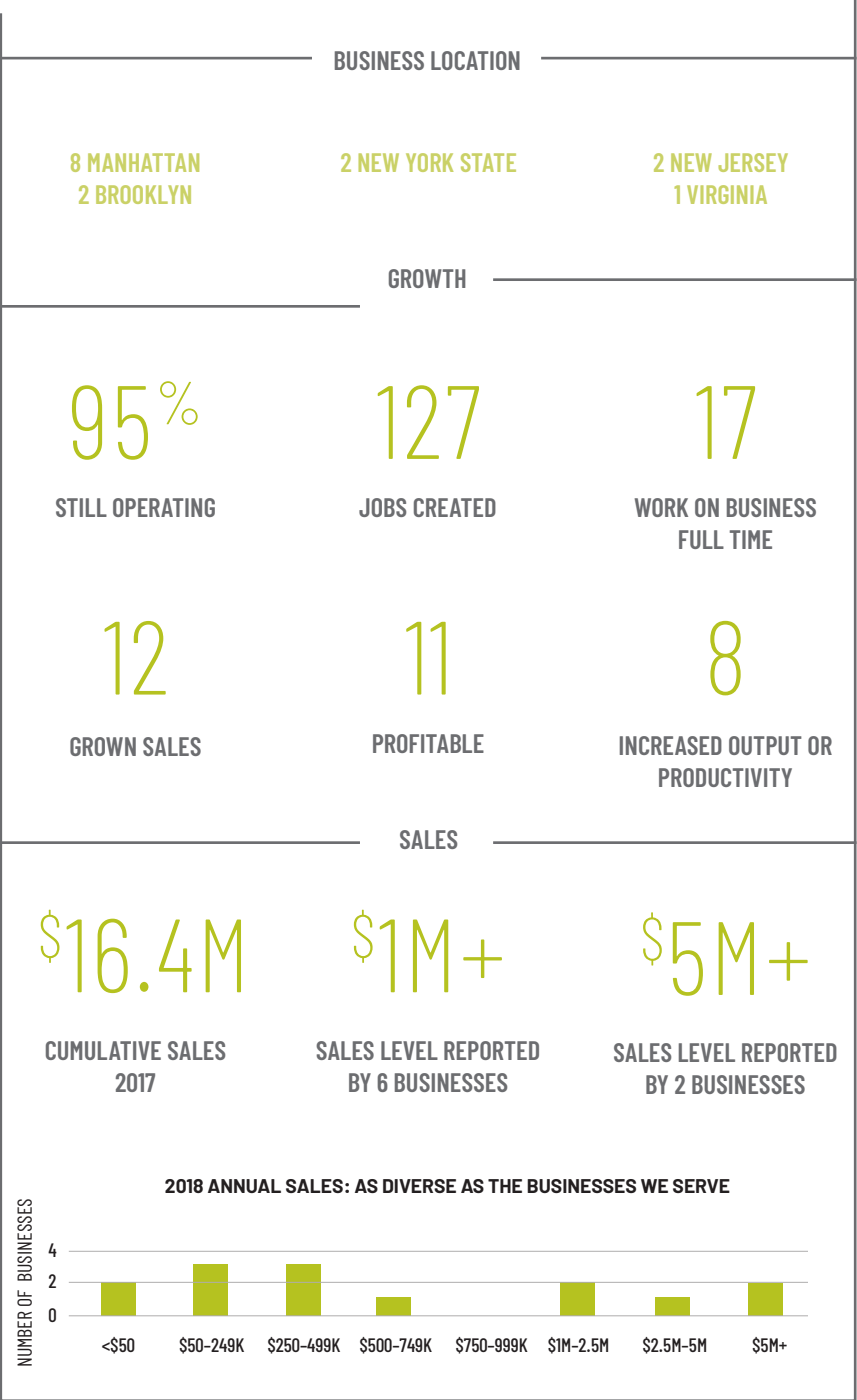
70%
HAVE REVENUE UNDER \$1 MILLION

75%
ARE NOT GROWING

50%
BUSINESSES THAT CLOSE WITHIN FIRST 5 YEARS

Annual Report On
The State Of Small
Businesses, Empire State
Development 2018

BUSINESS SNAPSHOT: A LOOK AT 20 ALUMNI



ACCESS TO CAPITAL



Incubator production

HBK INCUBATES HAS HELPED BUSINESS OWNERS SEE THEIR VISIONS THROUGH WITHOUT GOING INTO DEBT OR DEPLETING THEIR LIFE SAVINGS.

In a capital-intensive industry, HBK Incubates has given entrepreneurs space and support to prove their concepts before they are forced to take on high-cost debt or cede control to equity partners. Small businesses’ ability to access capital is associated with continued business growth, so our goal has been to alleviate the first one to three years of risk for new businesses. Ten of our surveyed alumni sought capital, largely from nontraditional banks or merchant capital.

More than an influx of cash, our alumni told us they needed room—physically and financially—to experiment, grow, pivot, and learn. **The first and arguably most crucial form of support HBK Incubates has offered is affordable, fully licensed culinary production space. Of the alumni we interviewed, 68% said having access to a commercial kitchen was the greatest benefit of joining HBK Incubates.**

Indeed, incubator tenants nationwide have listed access to kitchen space and equipment as their greatest need.⁴

Low-cost production space hasn't been enough to make a food business thrive, though. HBK Incubates has considered “access to capital” to include entrepreneurs’ ability to understand their own financials and plan accordingly, along with their ability to secure loans and grants. While in our incubator, half of our alumni met with our program team and business advisor to do cost analysis, business planning, and sales strategy to ensure they were financially prepared for market demands. Often, our financial advising has meant connecting businesses with funders to secure loans; sometimes, it has meant counseling owners to pass on loans they weren't financially equipped to take. We have worked to ensure our tenants and alumni become empowered to make decisions about their financial futures that won't break the bank or put them out of business.

THE STATE OF NEW YORK'S SMALL BUSINESSES

10%

HIGH CREDIT RISK

47%

FACED FINANCIAL CHALLENGES

50%

BUSINESSES WITH CASH BUFFER LESS THAN ONE MONTH

Annual Report On The State Of Small Businesses, Empire State Development 2018 & Cash is King Small Business Report, JPMorgan Chase & Co Institute

HOT BREAD KITCHEN BUSINESSES

10/11

INCUBATOR ALUMNI WHO SOUGHT CAPITAL GOT IT

\$3–200K

RANGE OF LOANS ACCESSED

TYPES OF LOANS
MICROLENDERS, COMMUNITY
LENDERS, MERCHANT
CASH ADVANCERS, PRIVATE
INVESTORS, FRIENDS
AND FAMILY



JESSICA SPAULDING HARLEM CHOCOLATE FACTORY

Jessica Spaulding, who was born and raised in Harlem, spent two years at HBK Incubates. She said the incubator was the “sole factor” that led her to pursue her dream of launching her business, Harlem Chocolate Factory, which she hoped would give her autonomy and independence financially. While she was at HBK Incubates, Jessica won the New York Startup Business Competition and secured a \$15,000 loan from Accion, a nonprofit that supports underserved small business owners. She was able to use that money to open her own brick-and-mortar storefront in her neighborhood. However, since she left our incubator, Jessica has struggled with a challenge small business owners confront all the time: securing additional, much-needed capital.

“There is no access to capital for people who are already poor. If you do not already have wealth, you will not have access to capital. HBK Incubates provided a place to produce product and got me to a place where I can cut costs down, but the system is bigger than [one incubator]. Not having collateral or a co-signer basically locks you out of the system of receiving capital.”

ACCESS TO NETWORKS + MARKETS



Buyer's Showcase at the Incubator

BUSINESSES CAN'T THRIVE WITHOUT SALES.

Businesses can't grow sales without access to markets—and they can't access markets without having connections. While affordable space and capital helped most of our tenants get their ventures off the ground, HBK Incubates has always been committed to increasing entrepreneurs' access to networks and markets.

Our semiannual buyers' showcases has been a chance to promote new sales opportunities and business connections. Alumni noted that HBK Incubates showcases distinguish us from other incubator options they explored: 59% of business incubators do not provide support finding buyers.⁵ Tenants who connected with buyers have seen significant growth in sales, profits, and productivity to meet market demands.

Alumni who have accessed the New York City culinary community have also had a better chance of growing their teams successfully. One-third of alumni we surveyed said they found employees through word-of-mouth recommendations and by tapping into the incubator network. Although they listed talent acquisition as a top challenge upon leaving the incubator, another one-third of our alumni listed the relationships, partnerships, and mentorship they found at HBK Incubates to be the greatest benefit of the program.



SALES

91% sell at farmers markets
89% sell at community events
86% sell at small grocers
75% sell online

*US Kitchen Incubators
An Industry Update, 2018,
E Consult Solutions*

ACCESS TO MARKETS: A LOOK AT 20 ALUMNI



9 IN COPACKING SPACE
9 IN PRODUCTION SPACE
4 BRICK-AND-MORTAR



11 HAVE MORE THAN HALF
OF CUSTOMERS IN NEW
YORK CITY



10 SHIP PRODUCTS
NATIONALLY OR
INTERNATIONALLY

70%

MAINTAIN RELATIONSHIPS
FORMED WHILE AT
HBK INCUBATES

INCUBATOR SERVICES

FOOD SAFETY GUIDANCE

- > Guidance through creating a scheduled process or Hazard Analysis and Critical Control Points (HACCP) plan
- > Support through health permitting and inspection process

BUSINESS ADVISING

- > Cost analysis, business planning
- > Development of sales strategy
- > Referrals to partner services
- > Workshops and classes

OPERATIONAL SUPPORT

- > Recipe scaling and ingredient sourcing
- > Space build-out
- > Assisting with equipment, service provider referrals

MARKET ACCESS ACTIVITIES

- > Pitch prep
- > Refining labels
- > Introduction to buyers
- > Participation in Buyer's Showcase



JEN AND JEFF MARTIN
CO-FOUNDERS, PIPSNACKS

"Hot Bread Kitchen's Incubator gave us a shot when we needed one and provided a positive, clean, functional space to start our business. Separately, Hot Bread made our initial introduction to Whole Foods where we're now distributed nationally. It's hard to say what our trajectory would have been without them, but I definitely think it would have been different."

WHAT WE'VE LEARNED FROM OUR ENTREPRENEURS + LOOKING FORWARD

In conversations with our entrepreneurs, two questions keep coming up:

- 1) How do I know if my business is growing in the right way?
- 2) How and where do I find skilled employees?

We are still learning how best to answer these questions and meet our community's needs. As we continue to grow and improve our incubator, we are adjusting our programming to preempt the most common challenges small business owners face.



WHAT'S NEXT

STANDARDIZING BUSINESS MODELS

Beyond receiving start up assistance, food businesses can take a variety of paths or business models to get to the next level. For us, getting to the next level in supporting these ventures means developing standardized stages of business growth based on data, anecdotal experience, and the knowledge within our network. We have seen retail brands start at one Whole Foods Market location and go national; we have also seen the pitfalls of rapid growth, inability to keep up with demand, and loss of major customers. By defining the stages of small business growth more clearly, we can more effectively tailor our incubation and focus our energies on what we know works at a given stage.

SOLVING FOR NEXT LEVEL PAIN POINTS: 1) HIRING EMPLOYEES

Hiring employees requires small business owners to spend far more than the new hire's salary. Worker's comp, benefits, and payroll are all added costs that many of our entrepreneurs simply cannot afford—and those are costs they would only have to pay after finding skilled employees, a challenge on its own. We are working to link the pipeline of culinary talent

we have built with our training program to our pipeline of food entrepreneurs, removing some of the sting of expanding a business. Offering operational and employment supports for growing businesses will allow entrepreneurs to focus on what they do best: making and selling delicious products.

2) SPACE AS A TIPPING POINT

For most of our incubator alumni, deciding to leave Hot Bread Kitchen was not so much a sign of enormous business success as it was a financial necessity. Many businesses that matured in our incubator have left because they reached a shared space tipping point: they were not big enough to afford their own leases but were too big to pay for our shared kitchen at an hourly rate. Offering more space options that get businesses out of kitchen limbo would prepare them to leave the incubator only when they are truly ready. We are reimagining our incubator kitchen as a space that can accommodate many different types of small businesses—from those who need a shared work station five hours per week to 4-person teams that pay monthly rent for a larger, more permanent space.

HOT BREAD KITCHEN'S INCUBATOR COMMUNITY

KEISHA, SANAIA APPLESAUCE

"It is impossible to imagine that our first year could have been as successful as it's been without Hot Bread Kitchen. From hands-on help in getting up and running in a commercial kitchen, to 24/7 access and invaluable introductions to wholesale buyers, being accepted to the Hot Bread Kitchen program was like winning the lottery for a small company like ours."



ULRIKA, UNNA BAKERY

"After 2.5 years in the kitchen I learned that being an entrepreneur is a roller coaster. One day you are on top of the world and the next you have no idea why you started it. It really helped me working alongside other startups in the incubator. It's a tight knit community and sharing your ups and downs with someone who is in the same situation helped me to keep going."



Melanie, Mini Melanie



Jomaree, Tobin, and Eddie, Hella Cocktail Co.



Susan, Little Red Kitchen Bakeshop

100% SAY THE INCUBATOR HELPED THEM
ACHIEVE THEIR BUSINESS GOALS

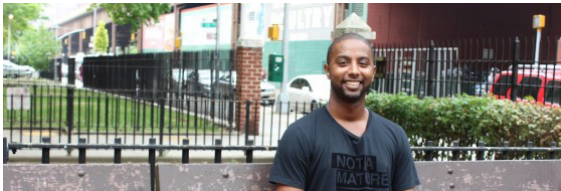
90% SAY THE INCUBATOR HELPED THEM
ACHIEVE THEIR PERSONAL GOALS

20 ALUMNI LOOK AHEAD: RANKED CHALLENGES



JESSIE, JESSIE'S NUTTY CUPS

"Now I have a much clearer idea of where I want my business to go. While I feel like I can still do everything, I know where I want to focus my energy."



Hiyaw, Taste of Ethiopia



Isabel, Little Green Gourmets



Brian, Mr. Bing

INCUBATING WITH INTENTION

METHODOLOGY & ENDNOTES

OVERVIEW AND GOAL OF STUDY

Since inception, the Hot Bread Kitchen Incubator has provided space and support to 228 food businesses and entrepreneurs, with a focus on supporting businesses owned and operated by women and minorities (M/WBEs). The incubator does not require businesses to be certified by the City of New York’s M/WBE Program; however, we do rely on the City’s guidelines for identifying M/WBEs: "At least 51% of the business is owned, operated and controlled by a US Citizen(s) or US permanent resident(s) who are women and/or members of designated minority groups including: Black, Hispanic, Asian-Pacific, Asian-Indian."

Businesses and entrepreneurs come to the incubator for a variety of reasons, some of which include making and selling different types of products and food-related services and/or looking for and receiving different types of support while in the program. Entrepreneurs spend varying lengths of time in the program while working on their businesses. This presents a challenge to collecting a standard set of data and drawing conclusions about the incubator’s impact. Hot Bread Kitchen collects data from incubator members on sales and number of employees during their tenure in the incubator as a condition of their membership; however, to date, we had not consistently and systematically followed up with former members to understand their trajectory after leaving the incubator. For these reasons, we chose to narrow our data collection to one subset of incubator members: those who have formally left the program and become “alumni.” The three main questions we wanted to answer in talking to these alumni businesses were:

- What has your business’s trajectory been since leaving Hot Bread Kitchen Incubates?
- What has been the economic impact of incubating your business at Hot Bread Kitchen, specifically with regard to achieving your personal and professional goals?
- How did your time as a member at Hot Bread Kitchen’s incubator shape your path as an entrepreneur?

INTERVIEW PROTOCOL

Hot Bread Kitchen staff and consultants developed an interview protocol to gather a uniform set of data from alumni businesses. The interview was structured

to garner information about three distinct periods in the entrepreneurs’ experience: before joining the incubator; the time spent in the incubator; and the period of time since leaving the incubator. The interview also touched on topics and themes that are commonly tracked and measured as markers of small business success: sales; job creation; and access to capital. The interview protocol was designed with primary, open-ended questions to let the interviewees tell their own stories, and a set of follow-up questions designed to ensure that we collected a consistent set of data from all interview subjects.

Where possible, we borrowed or adapted questions from existing studies on small business and reporting frameworks for measuring the impact of investments in small- and medium-sized enterprises. The primary references are described below:

ACCION AND OPPORTUNITY FUND SMALL BUSINESS LENDING IMPACT STUDY

This is a first-of-its-kind study to understand the longitudinal impact of two of the United States’ preeminent mission-based small business lenders. Unlike other studies by these and other organizations that have looked at the outcomes of small business lending—for example, loan performance—this study sought to uncover the longer-term impact of a loan on entrepreneurs’ experience as business owners.⁶

IRIS (GLOBAL IMPACT INVESTING NETWORK)

IRIS is the catalog of generally accepted performance metrics that leading impact investors, including foundations, use to measure social, environmental, and financial success of their investments. The IRIS catalog is designed to identify and centralize the most common and relevant metrics from disparate industries, in an attempt to bolster credibility of impact performance measurement efforts. IRIS metrics are aligned with existing third-party frameworks for certification, assessment and reporting; for example, B Impact Assessment, for Benefit Corporations; and the Aspen Institute Network for Development Entrepreneurs Small and Growing Business metrics.⁷

Generative Questions	Clarifying Questions	
Before formally joining the incubator, did you receive any support or training from HBK Incubates? or other small business support programs?	-Did you participate in Prep for Success? Business Bootcamp? (at HBK) -What phase of business were you when you received those services?	
What was your business like before you started at HBK Incubates?	-Business stage? (idea/concept, in the process of formalizing business, testing market/product, operational, profitable) -Entrepreneur type (Focused and Growing, Stable and strategic, off balance and seasonal, retrenching, slowly growing and optimistic) -Did you have sales? -Location (neighborhood)? -Other incubator space -Other commercial kitchen (more or less expensive?) -Home-based	
What was the primary reason you joined HBK Incubates?	-Looking for commercially-licensed space for food production -Looking for mentorship -Looking to grow business -Looking for specific technical assistance (specify) -Other?	
What was your primary goal for your business when you joined the incubator?	-Launch a new business -Increase sales -Reduce operating costs -Open Brick and Mortar	-Maintain existing business -Increase profit -Add employees -Other (specify)
What were your secondary goals, if applicable?	-Launch a new business -Increase sales -Reduce operating costs -Open Brick and Mortar	-Maintain existing business -Increase profit -Add employees
When you began working at the incubator, what personal goals you were hoping to achieve?	-Improve work/life balance -Flexibility, autonomy, independence -Career change/switch	-Increase income, savings, etc. -Create more opportunities for family -Other?
What was your experience during the incubator? What services and features of the incubator did you utilize?	-Guidance through creating a scheduled process or HACCP plan or referral to Cornell Food Venture Center -Referrals to business services (workers comp insurance, external partners [Start Small Think Big, etc.]) - Guidance and support through permitting and inspection process - Meetings with the program team or business advisor to do cost analysis, business planning, develop sales strategy, etc. - Meetings with program team or Hot Bread staff to scale operations - recipe scaling and ingredient sourcing, space build-out, assisting with equipment, service provider referrals - Meetings with program team/Hot Bread Staff for access to market activities - working on pitch, refining labels, introduction to buyers, participation in Buyer’s Showcase - Attended workshops or classes -Wholesale prices on Hot Bread breads	
Did you have employees prior to joining HBK Incubates? If so, how many?	-# Full-time? -#Part-time?	
Did you hire any employees while you were an incubator member? Have you hired since graduating from incubator? How many do you currently have employed?	-Full-time? Part-time? -How do you find new employees? -What types of roles have you created and filled (food prep/manufacturing, sales, social media)? -Do you offer benefits to your employees? If so, what benefits?	
Do you work on your business full time?	-When did you transition to working full-time on your business? (pre-incubator, during incubator, post-incubator) - When did you start paying yourself a salary? How much? -Did you have another job/career? (within food/outside of food sector) -Does this represent a career switch?	
Where are you located now?	-Current location/neighborhood -Moved to a co-packing space -Brick and mortar (Stand alone, food hall)	-Moved to their own production space -Shared commercial kitchen -Another incubator

How has your business changed since leaving Hot Bread Kitchen's Incubator?	-Went out of business -Sales decline -Decreased profit -Increased output or productivity	-Sales growth -Increased profit -Changed product or focus/pivot
What are your estimated annual gross sales for each year that you have been in business? How has this changed since graduating from Hot Bread Kitchen's Incubator?		
Is your business currently operating at a profit?	- Operating at a loss - Profitable	- Break-even - If profitable: when did you achieve profitability?
Do you sell your products locally in NYC? In NYS?	-# of NYC-based customers/clients and estimated annual sales -# of NYS-based purchasers/clients and estimated annual sales - What % of your buyers are in NYC? NYS? - Do you ship your products? If so, where?	
Do you buy products/materials from other local businesses?	- Yes - Hardware/equipment - Other inputs - How does having local vendors affect your business?	-No - Raw materials
Are there any relationships that you formed at HBK and have maintained?	- Buyers - Employees - Investors	- Sellers - Other partners - Mentors
What challenges have you experienced as a business?	- Licensing/permitting; scheduled process/HACCP - Legal incorporation and taxation - Access to capital - Ingredient sourcing; sudden increase in prices - Finding employees - Financial Analysis/Budgeting - Managing relationships with co-founders or management team - Start-up costs - incorporating, getting permit, getting insurance/workers compensation - Cash flow/Inadequate time/resources to scale efficiently	
How have you overcome those challenges? What resources did you draw upon?		
Have you sought access to capital?	- Yes - If no: how have you financed growth/expansion? - If yes: what type? (debt, equity, working capital) - If yes: from who?	-No -If yes: how much?
What are your current business goals? How have they changed since graduating from incubator?	-Launch a new business - Increase sales - Reduce operating costs - Open Brick and Mortar - What goals remain that you previously had?	- Maintain/Expand existing business - Increase profit - Add employees - Other (specify)
What was the greatest benefit HBK Incubates provided you with?	- Economic opportunity - Relationships - Mentorship	- Education - Licensed commercial space
Do you think HBK Incubates helped you in achieving your business goals?	- Yes/No - To what extent?	
Do you think HBK Incubates helped you in achieving your personal goals?	- Are these goals different from your business goals? If so, how?	
What feedback or recommendations do you have for Hot Bread Kitchen?	- What do you wish you had learned that you didn't? - What is the best part of the program? - What part of the program do you think needs improvement?	
Is there anything else you'd like to add that we didn't talk about?		
For businesses no longer operating: How do you think your business's trajectory/ outcome would have been different without HBK Incubates?	- Would you have pursued entrepreneurship without HBK Incubates? - Did you incur debt related to your business? - Do you think this would have been greater if not for HBK? - How much money did you invest in your business?	

DESCRIPTION OF STUDY SAMPLE

Of the 228 food businesses incubated at Hot Bread Kitchen to date, any business that completed the incubator program between its inception, in 2011, and early 2018 was considered eligible for the study, for a potential full sample size of 40 subjects. Research assistants and Hot Bread Kitchen staff made multiple attempts to gain participation in the study. Outreach attempts were made via phone, email, and text message. Of the 40 alumni, 20 agreed to participate and 1 declined. Research assistants and staff were unable to make contact with the remaining 19, despite multiple attempts.

We collected primary data from alumni of the incubator program through interviews and online surveys administered between August and November of 2018. Interviews were conducted by college-level research assistants and Hot Bread Kitchen staff and generally lasted between 30 minutes and 1 hour. Research assistants transcribed and coded these interviews into a Google Form that allowed for closed, multiple choice responses and open-ended, freeform responses. We developed an online survey version of the interview after an initial round of outreach and interviews, in order to boost participation rates and accommodate entrepreneurs’ busy schedules.The online surveys took between 20 and 30 minutes to complete. The interview protocol and online survey collected identical information, with some additional clarifying questions added into the online survey. Of the 20 participants, 13 took part in interviews, and 7 completed the online survey.

DATA ANALYSIS PROCESS

Interviews were transcribed by the research assistants or staff who conducted them. The data collected and coded from in person interviews and data collected through online surveys were merged into a master Microsoft Excel spreadsheet to allow for basic analysis and summation of the data. Additionally, a team of Hot Bread Kitchen employees reviewed the initial 10 interview responses to identify common themes that emerged from the conversations to in an effort to track the development of the report narrative. Only questions or data points with a response rate of 50% or higher are included in this report; thus, the sample size for each question's response rate varies, but always includes upwards of 10 respondents.

INCUBATING WITH INTENTION: ENDNOTES

¹ New York City. Small Business First. <https://www1.nyc.gov/assets/smallbizfirst/downloads/pdf/small-business-first-report.pdf>

² E Consult Solutions. US Kitchen Incubators, An Industry Update. <https://econsultsolutions.com/wp-content/uploads/2016/03/U-S-Kitchen-Incubators-An-Industry-Update-Final.compressed.pdf>

³ Small Business Association. Small Business Facts. <https://www.sba.gov/sites/default/files/Business-Survival.pdf>

⁴ E Consult Solutions. US Kitchen Incubators, An Industry Update. <https://econsultsolutions.com/wp-content/uploads/2016/03/U-S-Kitchen-Incubators-An-Industry-Update-Final.compressed.pdf>

⁵ E Consult Solutions. US Kitchen Incubators, An Industry Update. <https://econsultsolutions.com/wp-content/uploads/2016/03/U-S-Kitchen-Incubators-An-Industry-Update-Final.compressed.pdf>

⁶ For more information, see: <https://us.accion.org/impact-study/>

⁷ For more information, see: <https://iris.thegiin.org/about/faq#what-is-iris>



THANK YOU TO OUR TRAINING PROGRAM GRADUATES

Adela	Dolly	Latifa	Noorjahan
Adjaratou	Ela	Lutfunnessa	Olga
Adjovi	Fabiola	Lynette	Oumou
Aida	Fanny	Manu	Parvin
Alimata	Francis	Maria	Patricia
Babana	Hawa	Marie	Saba
Barbara	INCI	Meledje	Sanata
Chanayra	Imane	Misbah	Saoudata
Clarisse	Irene	Monirum	Seynabou
Claudette	Irlanda	Mouniratou	Shadaya
Dania	Jessica B.	Naffissatou	Shameem
Diahara	Jessica S.	Naima	Sharabia
Diarraba	Kadiatou	Namizata	Sharmin
Dinara	Kaoutar	Nancy M.	Sofia
Djeneba	Kouyo	Nancy R.	Yolanda

THANK YOU TO OUR INCUBATOR ALUMNI

Alex, Cantine Catering	Chelsea, LOLIWARE
Vicente, Craft and Savor	Matt, Matt's Kimchi, LLC
Magali, Fleur D'Orange	Melanie, Mini Melanie
Jessica, Harlem Chocolate Factory	Brian, Mr. Bing
Katie, Haven's Kitchen Sauces	Jeff, Pipcorn
Jomaree, Hella Cocktails	Keisha, Sanaia Applesauce
Jessica, Jessie's Nutty Cups	Hiyaw, Taste Of Ethiopia
Pilar, Kickshaw Cookery	Melissa, Topsy Scoop
Hannah, Little Boo Boo Bakery	Ulrika, Unna Bakery
Isabel, Little Green's Gourmet	Eugene, Wooly's
Susan, Little Red Kitchen Bake Shop	



Hot Bread Kitchen creates economic opportunity through careers in food.

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