Project Diane 2022
Latina and Black Women Entrepreneurs in the Tech & Innovation Ecosystem
March 2023
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ABOUT digitalundivided

Founded in 2012, digitalundivided is the leading non-profit leveraging our data, programs, and advocacy to catalyze economic growth for Latina and Black women entrepreneurs and innovators. Our goal is to create a greater world in which all women of color own their work and worth. Our mission moves the entrepreneurial ecosystem forward to increase funding, access, and opportunities for women of color in business. Our work and advocacy laid the groundwork to empower generations to speak in profound ways about the realities, experiences, and disparities of entrepreneurship while defining actions for change.

As an organization solving deeply rooted systemic issues, we take a multipronged approach. Our research outcomes sparked a global conversation to eliminate barriers in entrepreneurship. digitalundivided was the first to debut authoritative research on the state of Latina and Black women founders with the Project Diane Report. The legacy of Project Diane inspires our expanded research efforts, conducted by women of color and focused on women of color in entrepreneurship and the businesses they lead.

digitalundivided’s programs -- START, BIG Pre-Accelerator, BREAKTHROUGH, Do You Fellowship, and the New C-Suite -- mobilize community, best-in-class resources, advisory, and investment to support women of color founders at all stages of their entrepreneurial and funding journeys. digitalundivided's work is based in the United States, but our impact on advancing inclusive innovation resonates globally. For more information, visit: www.digitalundivided.com and follow us on Twitter (@digundiv), Instagram (@digitalundivided), and Facebook.
Acknowledgements

We are grateful to every individual who supported this work, particularly the Latina and Black women founders on whom this research is based, the reviewers who have provided critical feedback, and the nonprofit leaders and partner organizations who have consistently championed digitalundivided’s work and research.

This report is made possible by the generous support of Project Entrepreneur, a program by UBS. Project Entrepreneur is on a mission to level the playing field for female founders by increasing their investment readiness, connecting them to the networks and resources they need to grow and scale their companies, and expanding the ecosystem of support that advances women entrepreneurs. Since 2015, Project Entrepreneur has trained and supported more than 1,800 female founders with alumni going on to raise more than $60M in capital.

We also appreciate the support from our donors: American Express, Chan Zuckerberg Initiative, LinkedIn, MetLife Foundation, Pivotal Ventures, Prudential and The Surdna Foundation.

Research Team

Our digitalundivided research team authored this report.

The research team is led by Danielle M. Jackson, Ph.D.
Senior Director of Research, Evaluation, and Data

Anna-Maria Koranteng
Senior Research Analyst

Dayanara Torres
Research and Evaluation Associate

Patrick Edwards
Social Impact Manager

Diem Nguyen
Research and Evaluation Intern

Samantha Popoola
Research and Evaluation Intern

For more information on Project Diane, please contact: research@digitalundivided.com
Our vision at digitalundivided is to create a better world where women of color own their work and worth. Given the systemic barriers that women of color face concerning their economic well-being, achieving that vision can seem elusive in the best of times. Today — an era marked by an economic recession, global conflict, open bigotry, and backlash toward efforts to advance human rights for marginalized groups — presents heightened challenges for women of color. The need to collectively work towards a more just and equitable world remains critical.

A primary goal of digitalundivided’s research is to engage in ongoing assessment of key factors contributing to success for Latina and Black women entrepreneurs and innovators. The first Project Diane report, published in 2016, was a critical intervention in the tech and innovation ecosystem, increasing visibility and awareness of Black women founders who are too often unacknowledged, undervalued, and underfunded. Our 2018, 2020, and 2021 reports - expanded to focus on Latina and Black women founders - shed light on the challenges these founders face when scaling their companies, as well as the skills, strengths, passion, and perseverance that propel them on their entrepreneurial journeys.

With this newest version of our report, we update some of the most sought-after statistics that we were the first in the ecosystem to track, including Latina and Black women founders’ share of venture capital and the number of these founders who have raised $1 million dollars or more. We also unearth more textured insight into the experiences of these founders drawn from interviews, focus groups, and surveys.

We invite you to join us in our ongoing efforts to keep equity and progress in the innovation ecosystem front and center. Learn more about how digitalundivided supports women of color entrepreneurs through research and programming at every stage of their founder journey. We encourage you to use these insights to continue the work of expanding access and opportunity for Latina and Black women founders, with the vision of achieving entrepreneurial equity for all.

Danielle M. Jackson, Ph.D.
Senior Director of Research, Evaluation, and Data
Named after civil rights icon Diane Nash, an esteemed organizer and anti-segregation strategist, Project Diane is digitalundivided’s proprietary data initiative that provides a snapshot of the state of Latina and Black women founders in the tech and innovation ecosystem. As the first research study to quantify the entrepreneurial experience of women of color-founded startups in the U.S., the inaugural release of Project Diane documented the experiences of founders on their startup journey and sparked a national dialogue about inclusive innovation. Through Project Diane, digitalundivided has been able to help shift the startup ecosystem’s focus to the need to increase investment into Latina and Black women-founded startups, and build pathways for all founders to have equal access to funding.

Since our first publication in 2016, there has been a significant increase in the number of Latina and Black women-founded startups, the average investment raised, and the number of founders who have the distinction of raising $1 million or more in funding. In addition, engagement and general interest in entrepreneurship, tech startups, and the representation of women and people of color as founders and funders has increased dramatically. There is also greater social awareness of the barriers facing Latina and Black women entrepreneurs, the fastest-growing groups of entrepreneurs in the United States.

The nature and meaning of this growth is complex. In recent decades, these groups have made remarkable strides in education, income, and access to an ever-expanding ecosystem of accelerators and funders – including minority- and women-led VCs. At the same time, the need for many women and minority entrepreneurs in the U.S. to create economic security for themselves and their families expanded greatly in the face of persistent wage gaps, widening wealth gaps, and ongoing workplace discrimination. The tech industry is one of the fastest growing wealth-producing industries in the world, so it isn’t surprising to see that women of color are exploring opportunities in this space.

Project Diane 2022 presents crucial insight into the launching and funding experiences of more than 750 Latina and Black women startup founders who have received outside funding. Our findings highlight noteworthy progress alongside the substantial work that must be done to make equity and opportunity endemic in the world of innovation.

What Is Project Diane?

1 Companies with at least one woman founder.

2 All funding insights are based on publicly available information.
The entrepreneurial journey can be a challenging one for women to navigate and is even more complex for those from underrepresented racial or ethnic groups. For over a decade, Latina and Black women have been among the fastest-growing groups of entrepreneurs in the United States, yet they tend to be confronted with a number of barriers that impede success. Although we are seeing some positive shifts in the ecosystem, such as an increase in the number of Latina and Black women-founded startups and those who have raised $1M or more in venture capital, significant funding gaps still exist. A tremendous amount of change still needs to occur for Latina and Black women founders to have equitable access to the full range of resources needed to scale their companies to the highest heights imaginable.

WITH THIS 2022 PROJECT DIANE REPORT, WE SET OUT TO EXPLORE THE FOLLOWING:

• What types of startups are Latina and Black women founding?
• What is the current state of venture funding for these startups relative to founders in the broader VC ecosystem?
• What is the funding landscape for founders in different parts of the country?
• How do founders navigate the funding landscape, and what strengths have they leveraged on their entrepreneurial journeys more broadly?
• What changes need to happen in the innovation ecosystem to better support these founders?

Key Findings

1. To date, nearly $10 billion ($9.74 billion) in venture capital funding has gone to Latina and Black woman-founded startups.

2. The number of Latina and Black woman startup founders who have raised $1 million or more is now over 350. More than 100 of these founders have raised over $10 million.

3. The most well-funded startups are in California and New York; the most well-funded industry is Health and Wellness.

4. In 2021, Latina and Black women received record levels of funding, bringing their combined share of venture capital above 1% for the first time.

5. Latina and Black women’s share of venture capital dipped in 2022, but it was still the second-biggest year in terms of overall funding.

6. Women of color founders experience fundraising as very challenging and feel that their businesses are undervalued, but they persevere to fill knowledge gaps, build a network and find values-aligned investors.

Overview

To date, nearly $10 billion ($9.74 billion) in venture capital funding has gone to Latina and Black woman-founded startups.
For over a decade, Latina and Black women have been among the fastest-growing groups of entrepreneurs in the United States. Their businesses account for $190.9 billion in revenue and employ 7 million people.

Unfortunately, the draw to entrepreneurship is not simply an aspirational endeavor. It is also rooted in bias and discrimination that often limits these women’s opportunities to scale across industry sectors and rise within existing organizational hierarchies. Despite Latina and Black women having higher interests in aspects of technology, Latina and Black women comprise less than 3% of the tech workforce. Within the tech workforce, 85% of Latina and Black women observed discrimination, and nearly one-third of underrepresented women of color were passed over for promotion - more than any other group.

When founding their startup companies, Latina and Black women have more difficulties securing capital to scale their companies. These funding disparities have been further compounded by the pandemic, which has disproportionately impacted minority-owned businesses. Eighty-two percent of Black women founders experienced a pandemic-fueled loss of revenue. Operating off smaller margins and having fewer relationships with banks, 41% of Black-owned businesses and 32% of Latino-owned businesses closed in the early days of the pandemic.

Despite these challenges, many Black and Latina businesses are not only resilient in the face of adversity - they are thriving. Latina and Black women lead the record-breaking number of small companies and startups launched since the pandemic. These founders are starting companies in an increasingly diverse range of industries and leveraging resources from friends and family, personal savings, bank loans, crowdsourcing campaigns, angel investors, and VCs.

WITH THIS 2022 PROJECT DIANE REPORT, WE SET OUT TO EXPLORE THE FOLLOWING:

What types of startups are Latina and Black women founding?

How do founders navigate the funding landscape, and what strengths have they leveraged on their entrepreneurial journeys more broadly?

What changes need to happen in the innovation ecosystem to better support these founders?

What is the current state of venture funding for these startups relative to founders in the broader VC ecosystem?

What is the funding landscape for founders in different parts of the country?
Sandra Velasquez is the founder and CEO of Nopalera, a culture-forward, Mexican premium bath and body brand made from Mexican botanicals. Launched in 2019, Nopalera has raised $2.7 million in seed funding led by LAT VC, a Latino-led firm. In 2022, Nopalera was named the L’ATTITUDE Startup of the Year and Velasquez participated in the Stanford Latino Business Action Network. She was named to digitalundivided and Cosmopolitan’s The New C-Suite in 2022.

Nopalera is named for its central ingredient, nopal, a superfood also known as the prickly pear cactus, a Mexican cultural culinary and landscape staple. It also reflects Velasquez’s commitment to lifting the cultural valuation of Mexican products and expanding the concepts of luxury and aspiration beyond Europe. Before launching Nopalera, Velasquez toured nationally as the lead singer for the Latin alternative band, Pistolera.

Velasquez shared her thoughts on positioning Latino brands as aspirational, pitching investors, and raising capital.

**FOUNDER PROFILE**

Sandra Velasquez, Nopalera

EST. 2019

**DIGITALUNDIVIDED:** Have you raised venture capital for your company? What was that experience like?

**SANDRA VELASQUEZ:**

I initially only set out to raise one million. Then one of my mentors advised me to double the raise because I would need a runway to launch my brand correctly. I’m so glad because now we are at this moment where we’re heading into more economic uncertainty, and no one knows what’s about to happen with the recession in 2023. LAT VC came in as the lead investor at $2 million, and the other $700,000 came from seven angel investors, most of whom were women of color, which is what I wanted. But it was months of ‘no’ until we got the ‘yes.’

Pitching has helped me refine and position my brand story because I had to step into my boldness. We have a bold brand, and I am a fearless founder. But I had to position the brand with an even bigger vision. I had to clarify that we’re not just Latinas building a brand for other Latinas. We’re a Latina-owned company building to become a global brand. Funders must stop assuming that BIPOC founders are building brands for small little niche communities. We’re not niche. Latinos are the largest minority group in this country. We are the future majority.

**DIGITALUNDIVIDED:** Do you have any advice for founders looking to raise?

**SANDRA VELASQUEZ:**

You have to show up like you already have the money, and you are allowing people to get on your boat—not the other way around. The challenge is that you feel desperate in those moments because you have no money. Your bank account does not reflect your worth, and yet you have to show up with that big money energy. You have to become the money, and then the money will come to you.
Are there any ways in which your identity has shaped your entrepreneurial or fundraising journey?

SANDRA VELASQUEZ: My identity as Latina is embedded into my brand’s fabric and DNA. When I set out to create it, my exact words to my designer were, I want to create a high-end Latina brand that can sit on the shelves of Barneys. From the beginning, I wanted it to be overtly Latina. When you look at our packaging, you’re not wondering if this is a Latina brand. No, our logo is a golden woman with a cactus coming out of her head. The brand is about identity and a metaphor for us as a community of people who have been overlooked. Nopals are abundant, especially in the Southwest. They are great for digestion and have other health benefits. They also are fantastic to use on your body, skin, and hair. But no matter how much you cut nopals, new ones keep growing back.

What has been your experience with equity programs?

SANDRA VELASQUEZ: I was invited into the Stanford Latino Business Action Network’s Business Scaling Program, and that’s a huge honor. It’s a nine-week program, and we spent the first several weeks discussing company culture and values. When you think of scaling, you think about marketing or funding. Most people don’t talk about company culture and how you infuse the importance of your company into your employees so that they can activate them. It helped me think about core values like the guardrail of the company, from our branding to our ad copy.

What does it mean to be part of the New C-Suite?

SANDRA VELASQUEZ: For me, being a part of the New C-Suite is about making new connections and expanding my network as someone who did not start as a beauty insider. The Cosmopolitan spread has been shared, and everyone’s anxiously awaiting the print edition. The immediate impact has been more visibility, which is invaluable to founders of color. We need more visibility. We need more people to know that we exist, who we are, and what we’re building.

What are your ultimate goals for the brand?

SANDRA VELASQUEZ: My ultimate goal is to position Latina brands as aspirational in the clean beauty space. I created a brand to live in the premium space, not mass-market. There’s nothing wrong with those places, but I felt we were missing in the premium space. Because until the day people stop asking why Mexican products are so expensive, our mission is not complete. I’m trying to change people’s cultural narrative and psyche, assuming that because it’s made with brown hands, it should be cheaper than things from Western Europe.
LOCATION: Most Latina and Black Women-Founded Startups are headquartered on the East and West Coasts. Project Diane startups can be found in 39 states, the District of Columbia, and Puerto Rico, but the East and West coasts are the most popular locations.

Nearly half of all startups in our dataset are located in two states: California (28%) and New York (21%). These are the top 2 states for Latina and Black woman-founded startups, with Georgia being the third most popular state for Black woman-founded startups (10%) and Florida being the third most popular state for Latina-founded startups (9%).

The cities with the most startups are New York City (18%), San Francisco (14%), Los Angeles (10%), Atlanta (6%), and Washington D.C. (5%). It is noteworthy that New York City is the top location for Latina and Black women founders in light of San Francisco’s decades-long reign as a global center of innovation and venture capital.\[10\]

WHERE LATINA & BLACK WOMEN-FOUNDED STARTUPS ARE LOCATED

INDUSTRY: Latina and Black Women are creating startups in diverse fields. Latina and Black women founders have developed tech-enabled solutions across various industry verticals. In our dataset, more than half of the startups are in the following 5 areas: Health & Wellness (16%), Business Products & Services (14%), Education (10%), Personal Care & Beauty (9%), and Financial Services (8%). Other industries include Media & Entertainment, Food & Beverage, Travel & Hospitality, Housing & Real Estate, Cybersecurity, Logistics & Transportation, Gaming, Childcare, and Pet Products & Services.

\[1\] References to cities include the broader metropolitan area.
EDUCATION: Latina & Black women startup founders are well-educated, with Stanford and Howard having ties to the most Latina and Black women founders, respectively.

90% of Project Diane founders have a Bachelor's degree, and 50% have a Master's degree or Ph.D. The most-attended school overall among Latina & Black women founders (undergraduate and graduate combined) is Stanford University, one of the top 5 schools for VC-backed entrepreneurs. Howard University produces more Black women founders at the undergraduate level than any other school. The leading producers of Latina founders are Stanford University, the University of California-Los Angeles (UCLA), New York University (NYU), Columbia University, and the Massachusetts Institute of Technology (MIT).

Most Project Diane founders (70%) have an undergraduate or graduate degree in a non-STEM field. While having a background in a STEM field is often associated with an entrepreneur’s ability to successfully found and fund a startup, having a degree (in any subject) contributes to startup success.
Elise Smith is co-founder and CEO of Praxis Labs, a DEI learning platform designed to redefine work cultures through research-backed virtual reality experiences. The building of Praxis began on the palm tree, Palo Alto campus of Stanford University in 2018, when Elise and her cofounder Heather Shen were both completing Master’s programs. The startup grew quickly, participating in the 2020 Morgan Stanley Multicultural Innovation Lab before announcing $15.5 million in Series A funding in 2021. So far, Praxis Labs has raised more than $18.7 million in venture capital and was named to digitalundivided and Cosmopolitan’s The New C-Suite in 2022.

Praxis Labs is an end-to-end immersive learning platform focused on driving equity, inclusion, and value for its clients. The platform provides immersive DEI learning journeys in virtual and mixed reality paired with practice and insights. This results in incremental, individual behavioral change that shifts overall organizational and systemic change.

Smith and Shen were brought to this work as women of color with shared lived experiences. They had experienced and witnessed a lack of equity, inclusion, and dignity in the workplace and saw that the workforce was becoming increasingly global and diverse. Yet, the investment, innovation, and attention to DEI solutions to work across and bridge differences were lacking in key ways. They saw a need for scalable solutions, for more engaging self-directed learning, and for learning that was effective and drove real outcomes. This is what inspired Praxis Labs in the fall of 2018 — two lifetimes of experiences, the stories of their families, and the belief that there was a better way to work.

Smith shared insights on her team’s approach to raising venture capital, experience with corporate equity pledge programs, and how she defines success.

**DIGITALUNDIVIDED:** Are there any ways in which your identity has shaped your entrepreneurial or fundraising journey?

**ELISE SMITH:** It’s hard to disentangle my experience as a founder from my experience as a Black woman — and all the other intersectional identities I hold. So my identity has shaped every way I show up as a founder, how I’m perceived, and how I lead. What’s been really important are the other Black founders, especially Black female founders in my circles, with whom I can confide — from the highs to the lows. It’s been important to have this community.
DIGITALUNDIVIDED:
What was your approach to raising venture capital for your company?

ELISE SMITH:
Before raising venture capital, Heather and I were incredibly scrappy in our focus on proving the demand, value, and impact of our product. In so many ways, Stanford helped us de-risk the startup process. While in graduate school, we spoke to over 150 chief diversity officers, learning and development practitioners, immersive learning specialists, and other leaders and practitioners in this space. We self-funded through student grants and pitch competitions. By the time we focused on raising venture capital, this work not only helped us prove our pitch, but we already had clients buying our first immersive learning module. The impact we were driving spoke for the demand and the opportunity in front of us. We seek funding from people who are aligned with our vision for a more equitable society and see the power of leveraging learning, and in particular immersive knowledge and insights and practice, to get there. That's the lens through which we look at everyone with whom we work, including our investors.

DIGITALUNDIVIDED:
What have your experiences as a WOC founder been like pre- and post-2020?

ELISE SMITH:
With current market uncertainty, the funding process can be even harder, especially for founders with intersectional and underrepresented identities. I'm grateful that Praxis Labs is in the space we're in — HR Tech and L&D. What we're hearing from our clients is that even in a downturn when there are a lot of layoffs and uneasiness about the market, companies, and leaders are still investing in their people. Because they know what we know — that upskilling their teams to meet this moment is essential to a sustainable and resilient company.

DIGITALUNDIVIDED:
What is your ultimate aspiration for your business/definition of success?

ELISE SMITH:
So much of what is written about me and what we're doing is tied to my identity as a Black female founder. It is not necessarily tied to the impact data that we're seeing with our clients, or the business value we're driving. When we can get to a place where the product, thought leadership, and insights are the conversation, that's going to be quite powerful for all of us. For Praxis Labs, success is systemic, organizational change activated through policies and practices at companies that trickle down and affect every employee and ultimately every client and customer. When we are achieving that at more of the largest Fortune 100 companies in the world, that's societal change.
In 2021 and early 2022, venture capital activity across the ecosystem reached historic levels, passing record-breaking activity in 2020. However, digitalundivided’s Project Diane 2021 report revealed that even though more Latina and Black women founders were securing funding for their companies, they received a smaller share of the total VC investments made that year.

This trend reversed in 2021 when we found that both Latina and Black woman-founded startups received the highest levels of funding ever seen, both in terms of the number of companies receiving outside investment and overall funding amounts. In that year, Latina and Black women startup founders received more than twice the $4.8 billion that went to these startups through 2020.

In 2022, we observed a downward trend in funding going to Latina and Black women-founded startups relative to 2021. As of Q3, overall venture capital funding to Latina and Black women-founded startups was $1.7 billion, representing a share of 0.85% of overall funding. This trend reflects broader downward trends in the venture capital market, where funding is down from Q3 2021 figures. However, venture capital investments as a whole still outpace historic (i.e. pre-2021) levels.

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**Total Funding & Share of VC Investment, 2021-2022**

Securing venture capital is a rare feat for all startups: only .05 - 5% of founders go on to raise venture capital. Excitingly, digitalundivided’s Project Diane 2022 reveals that more Latina and Black women founders are receiving funding than ever before. Further, they are receiving higher levels of funding. To date, digitalundivided’s Project Diane has accounted for nearly $10 billion ($9.74 billion) in venture capital funding to Latina and Black woman-founded startups, more than twice the $4.8 billion that went to these startups through 2020.

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4 Through September 30, 2022

5 Private market funding data is subject to nondisclosure and reporting lags, particularly for early-stage funding such as seed rounds.

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**Venture Capital Funding Through 2020**

$4.8B

**Venture Capital Funding Through Q3 2022**

$9.74B
Even though funding for Latina and Black woman-founded startups is trending upward relative to 2020, these founders are starting at much lower baseline levels of funding at every stage and have less runway to navigate volatility in the market. As a result, some founders have tended to be risk-averse, and those who are able to sustain their companies through challenging times may be better poised for future growth. However, founders who have positioned their companies to battle long-term adversarial economic volatility may be in less of a position to take the risks needed to create outsized gains that hyper-accelerate the growth of their companies.

When looking at the share of investment going to Latina and Black woman-founded startups as a share of the $57 billion in VC that went to all female-founded companies in 2021, Latina and Black woman-founded companies secured just over 6% of investment dollars. Just under 4% ($2.1 billion) went to Latina-founded companies and 2.4% ($1.3 billion) went to Black woman-founded companies. In 2022, this combined share dipped to just over 5%, split nearly evenly amongst Latina and Black woman-founded startups (2.63%, or $893 million, and 2.46%, or $873 million, respectively). These figures speak to the promising yet volatile funding climate that these startups must navigate.

**SHARE OF VC, 2020-2022**

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<th>2020</th>
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<tr>
<td>Latina-founded startups</td>
<td>0.24%</td>
<td>0.64%</td>
<td>0.44%</td>
</tr>
<tr>
<td>Black women-founded startups</td>
<td>0.19%</td>
<td>0.41%</td>
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<td>Latina and Black-women founded startups, combined</td>
<td>0.43%</td>
<td>1.05%</td>
<td>0.85%</td>
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*Through September 30, 2022

**Share of Funding Relative to All Female-Founded Companies, 2021-2022**

Through Q3 of 2022, Latina and Black woman-founded companies received 0.85% of all VC and 5% of VC to female-founded companies. Female-founded teams are defined as teams that have at least one female founder.
Tanya Menendez co-founded Snowball Wealth, a mobile-first community platform with tools for individuals to pay debt and build generational wealth, in 2019 with Pamela Martinez. This year the Latina-led startup announced $1.6 million in funding through venture capital, angel investments, and other sources. Menendez previously built two companies, and Snowball Wealth is her first fundraising experience with an all-female founder team. She has participated in the Google for Startups Latino Founders Fund.

Conceived initially as a student debt management app, Snowball Wealth focuses on helping people overcome shame and anxiety around debt and fear around investing, especially among first-generation college grads. Growing up working class, Menendez took inspiration from her rough journey to understanding money without guidance. At Snowball Wealth, she focuses on helping people manage their emotions around money to shift users from a scarcity mindset using learning tools and AI.

Menendez shared her insights on successfully pitching as a woman of color and why she values her identity in building her company.

**FOUNDER PROFILE**

**Tanya Menendez, Snowball Wealth**

**EST. 2019**

Tanya Menendez co-founded Snowball Wealth, a mobile-first community platform with tools for individuals to pay debt and build generational wealth, in 2019 with Pamela Martínez. This year the Latina-led startup announced $1.6 million in funding through venture capital, angel investments, and other sources. Menendez previously built two companies, and Snowball Wealth is her first fundraising experience with an all-female founder team. She has participated in the Google for Startups Latino Founders Fund.

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Menendez shared her insights on successfully pitching as a woman of color and why she values her identity in building her company.

**DIGITALUNDIVIDED:** What was your experience raising venture capital?

**TANYA MENENDEZ:** We are building in a very competitive market. Consumer fintech is extremely competitive. There’s a very high bar in general, but that’s especially so if you’re an all-female, all-women-of-color team. I think that’s the realization I came to—that there was an even higher bar for us. We ended up raising $1.6 million so far in two phases.

**DIGITALUNDIVIDED:** What have been your most significant challenges around fundraising for your company?

**TANYA MENENDEZ:** Only 2% of women receive VC funding. We walked into investor meetings knowing the bleak data but not speaking to it. The investors are aware of the data, as well, while also acting as though it doesn’t exist. Suppose I move through that world accepting that reality when the bar is astronomically high. I was meeting with people who were processing my vision while asking themselves, “Is she in the top 1% of women?” Whether they are doing so consciously or not, there’s a level of pattern-matching in human beings. I decided to imagine a world where I was walking into an ecosystem where 98% of venture capital goes to women. The data already impacts the questions that people ask. You have to ask yourself, “Are they looking for reasons to say yes or reasons to say no?” I’ve reflected on this quite a bit, imagining the reverse. So I walk into each meeting having studied pitches and negotiation in the mantra of “98% of venture capital goes to women.”
What have your experiences as a WOC founder been like pre- and post-2020?

TANYA MENENDEZ:
I started my first tech company ten years ago, in 2012 when diversity wasn’t discussed. It didn’t even occur to me that I was being pattern-matched as a Latina founder, even as the only woman in the room. Now, I’m more often not the only woman in the room, but the data on funding equity being brought to light has been a critical first step to inclusion.

Are there any ways in which your identity has shaped your entrepreneurial or fundraising journey?

TANYA MENENDEZ:
My perspective is my superpower. I’ve been thinking about this a lot; if I were given the choice of being born in a completely different body or from a more privileged background, I would not take it. It fuels my ability to see and connect with our users. So yes, being Latina has shaped my experience. But also, there is a class bias. I’ve seen very few people become funded who come from the working class or grew up in poverty. There are not too many first-generation college grads who become venture capitalists or founders.

How do you define success?

TANYA MENENDEZ:
I want to close the wealth gap. Success is being able to see that vision through without compromising our values. I would love to be one of the first billion-dollar Latina-founded businesses. Still, a more incredible view of success is that we can positively and materially impact people’s lives.

Do you have advice for aspiring founders?

TANYA MENENDEZ:
First, my experience has been that fundraising is similar to stand-up comedy. Comedians start with smaller venues, test their material, and see what sticks and doesn’t, where people’s eyes light up when you’re telling your story. Your first pitch will be challenging because you’re still putting together the narrative and the story. And each time you pitch, you get feedback that informs the story and updates it a little bit. You get closer to the truth. Talk to as many people as possible about your idea and get many different perspectives. Second, study pitching, negotiation, and frame control, and check your industry in and out because you have to be very prepared for these conversations. And third, your mental and physical health are essential parts of this process because if you aren’t feeling a hundred percent, it reflects in the pitch.
Startups that have Raised $1 Million or More

The number of Latina and Black Women startup founders who have raised $1M or more is now over 350.

When we first released Project Diane in 2016, we reported that fewer than 20 Black women had raised $1 million for their startups. By our 2020 report, we had identified 93 Latina founders and 90 Black women founders who had reached that milestone. In the two-year period since our 2020 report, we have identified even more founders who have raised $1 million or more, bringing the current count to over 350 founders at more than 300 startups.

Unicorns Rising

It is to be celebrated that many more women have achieved this level of funding for their companies in recent years. As a part of this trend, we have seen more and more founders raising at even higher levels: more than 100 Latina and Black women founders have raised $10 million or more, and 18 have raised $100M or more. According to our tracking, nine of these founders’ startups have achieved the elusive unicorn status with valuations of $1 billion or more. The most recent Latina and Black woman-founded startups to accomplish this are

Honeybook, founded by Shadijah Sigala, and Incredible Health, founded by Iman Abuzeid. These companies reached their $1 billion valuations in 2021 and 2022.

This increase closely follows a larger pattern of emerging unicorns within the global startup system. In 2021, private companies valued at over $1 billion doubled, with 519 new unicorns emerging in that year alone. Further, while 2021 was hailed as the “year of the decacorn” (companies with a valuation of $10 billion or more), we have yet to see any Latina or Black woman-founded startups reach this mark.

States Fueling Funding to Latina- and Black Woman-Founded Startups

The top states for funding to Latina and Black woman-founded startups remain the same since our last report: California and New York. These states account for $2 billion and $1.5 billion (respectively) of the nearly $5.2 billion in total funding that has gone to Latina and Black woman-founded startups since 2020. Those figures also contribute to more than half of the $6.2 billion in total funding to Latina and Black woman-founded startups in these states that we’ve seen since we started tracking these figures.

When looking at year-over-year funding, $2.1 billion went to startups in these two states in 2021, and an additional $876 million went to startups in these states in 2022. This is compared to $500 million in 2020. These figures are driven by these states’ concentrations of startups that have raised $1M or more, particularly those based in New York City (81), San Francisco (77), and Los Angeles (41).
In addition to California and New York, the three states that round out the Top 5 states for Latina and Black women-founded startups that have raised $1 million or more are Florida, Texas, and Georgia. Factors such as cost-of-living and robust Black and Latino business communities are often cited as reasons why Texas and Georgia are increasing their founder success rates.

Since our last report, Atlanta has replaced San Francisco as the #2 city (behind New York City) for Black woman-founded startups that have raised $1M or more. For Latina-founded startups that have raised $1 million or more, San Francisco, New York City, and Miami are the cities of choice. Our earlier research on regional entrepreneurial ecosystems highlighted that cities like Miami appeal to entrepreneurs due to a mix of quality-of-life factors and local business incentives. Miami-Dade county, the city of Miami, and Miami Beach have all created significant incentives for founders to launch locally-built startups to diversify the hospitality-driven area post-COVID. These incentives include $180-240,000 for qualifying startups and $1,000 in tax incentives.

A Look at the Most Funded Industries - Health & Wellness Reigns Supreme

While Latina and Black woman founders are raising funding across various industries, one far outpaces the others: health and wellness. Startups in this space have been well-funded since the pandemic, accounting for $1.3 billion in investment since 2020. Five Latina or Black woman-founded companies in this space have raised over $100 million: Cityblock Health, Stoke Therapeutics, Aura Biosciences, Eight Sleep, and Health IQ. Total industry investment into health-tech startups in 2021 was $40 billion.

In 2022, health and wellness startups continued to be the most funded, followed by startups in education and financial services. For Latina and Black women founders, startups in each of these industries have seen significant levels of growth and funding since the onset of the pandemic.

A significant portion of the funding to health and wellness companies can be attributed to “femtech” startups that cater to women’s health and biological needs. These companies have created innovative products and services that address historical inequities and gender-based exclusion within the healthcare system. The femtech market is predicted to be worth $50 billion by 2025.
Conversations about startup valuations have dominated headlines in 2022. Press coverage spotlighted outsized valuations that some companies started by white founders have been able to achieve, while at the same time, founders of color (especially women) reported feeling that their startups are grossly undervalued by investors.

As a complement to our review of startup funding for Project Diane 2022, we surveyed founders in our community about topics related to startup valuations and conducted focus groups with founders to further understand their experiences navigating the funding space. While most of the women we surveyed indicated that their startup was very or somewhat undervalued by others, women of color were more likely than white women to feel that way (63% vs. 50%).

Subsequent focus groups revealed that Latina and Black women founders feel their companies are undervalued and have had negative fundraising experiences, yet they are open to learning more about how to navigate the process and desire more investors whose goals and values are aligned with their own.

Despite record levels of funding to Latina and Black women founders in the last 2 years, there was an overwhelming negative sentiment among founders related to the venture capital space and obtaining financing. Founders reported a sense of frustration and indicated that obtaining funding is a difficult and often discouraging journey. While timing-related issues such as company restructuring or not being pitch-ready were cited as reasons founders didn’t pursue funding, founders also cited a lack of alignment between VCs and their companies, extreme pressure from VCs for returns, and inconsistent communication from potential funders.

One founder shared the following:

“I can say that even having worked as an intern in VC... having an MBA, it’s still very difficult to really understand the space and what investors are looking for, and to really get feedback a lot of times. It’s just hard to really understand. Even when I [explicitly] ask, ‘what would you be looking for in order to make an investment?’”

Another shared:

“It’s like you can’t even sit down (with a VC) unless you come to the table with a hundred thousand in revenue.”
Regarding the pressure for returns, one founder noted:

“Once you raise venture capital, that clock starts and that investor is like ‘when am I going to get my money back?’”

Understanding that knowledge gaps do exist, founders highlighted resources they believe would be beneficial to them on their fundraising journeys. Founders stated it would be helpful to have a tool specific to the stage of their company that could provide some direction on what course of action to take.

With regard to determining her company’s valuation, one founder said:

“What comes to mind is a roadmap if you’re thinking about how to figure out how much your business is worth. You can see a process of steps that you can take instead of just trying to Google or talk to one person or another.”

Another founder agreed that a glossary would be useful:

“Sometimes just the jargon is in the way, it’s intimidating. A business tool that is simply a glossary of terms [would be helpful]”

Several founders stressed the importance of mentorship through the process:

“Mentorship is a big thing. Because if you can’t understand what’s being said, you’re not going to have success.”

Understanding that knowledge gaps do exist, founders highlighted resources they believe would be beneficial to them on their fundraising journeys. Founders stated it would be helpful to have a tool specific to the stage of their company that could provide some direction on what course of action to take.

“I am definitely a fan of relationships... I would like [a mentor] that’s consistent, that really cares, that’s going to mentor me in the mentor style I adapt to.”

To find the best-fit investors for their companies most founders thoroughly researched potential investors. One shared:

“You don’t just contact any [investor]. You need to know what they fund and figure out where you fit into what they fund.”

Another said:

“I have... a big spreadsheet of different investors... [I’m] doing this constant research. [I ask myself] ‘do they invest in tech? How early-stage do they invest in and what background are they looking for? What experiences have they had that could actually help me grow my business?’
These founders remind us that to ensure the venture capital funding space appeals to diverse founders, allocates capital equitably, and maximizes opportunities for everyone, funders must be attuned to the needs and concerns of founders who may not always fit the profile of those who they may have traditionally invested in.

“Acquisition for me is not an option, because this is my place. I can do what I want, how I want to, and make those decisions like I want to.”
Farah Allen is the founder of The Labz - a web-based platform that allows customers to build interactive experiences for web and mobile. Farah came into digitalundivided through BIG, and went on to become one of our coveted C-Suite founders in 2022, appearing in the December issue of Cosmopolitan Magazine.

During challenging pandemic years, The Labz had a market eager to buy. “I was protected because I had a customer who wanted to invest in this product, so I wasn’t looking for funding. People were contacting me. So that was good.”

Then Farah found herself in a space of fast growth, and she realized raising was the best path forward. That came with many challenges - gaining knowledge - then command - around navigating the process (and people) in the space. It meant fighting social constructs placed against her, imposter syndrome, and mostly, the word, ‘no.’ Here’s how Farah navigated her own self-doubt - as well as the social constructs in the space of fundraising - to go on and raise $2.7 million for The Labz, as well as her advice for founders everywhere.

**DIGITALUNDIVIDED:**
What have been the most significant challenges around fundraising for your company?

**FARAH ALLEN:**
One of the biggest challenges I faced fundraising was being told “no”... over and over again. It’s not something you like hearing. Internally I had to become that person that knows how to fundraise, learn how to talk to strangers, ask them for money, and learn how to hear ‘no.’ Early on, I was not very good. (I was) shy talking about money, and also in talking to people in the space - a space that is white and male.

After a while, I knew that upfront, I would have to say these are my credentials and what my traction has been like within the first five minutes of the conversation to avoid their automatic assumption that I don’t know anything about this world. There were tiny little things that added up, like; I had a male investor tell me that my idea was too big for me. I’ve had people giving me unsolicited advice about having a deeper voice because they found me too sweet.

**DIGITALUNDIVIDED:**
How do you build resilience to hearing ‘no’?

**FARAH ALLEN:**
You’re going to hear ‘no,’ so prepare a way to feel. And you have to. You’re not going to feel great about it. But you must learn to ignore it and not let it affect you. Whatever that little chemical is in your brain that makes you feel sad and like you’re not going to do anything the rest of the day because you heard ‘no’? That’s what you’re fighting. I fight that by just moving on to the next thing very quickly. Recover by doing something that feels good or gives you a small win. Sometimes, I’ll play a game on my phone right after a call, and I will win quickly. Because there’s no way, you’re not going to feel it. You’re moving past it fast so you can get back to work and remain in that creative mode.
What advice would you give to founders?

Farah Allen:

Have a way - any way - to keep going. Believe in what you’re doing. And if it’s going to be a success, you need time, so find the time. Find a way to keep going because there will be one big yes. Maybe even several. But you have to be in the game to hear that.
Next Steps

Latina and Black women founders have experienced some important gains in the last few years: the number of new startups has increased, the proportion of funding going to these founders has gone up, and the number of founders raising at levels that are most likely to catalyze growth are increasing. In addition, as devastating as the pandemic has been for many in the Latino and Black community, the social and economic shifts it imposed led record numbers of people to start their own companies or pivot existing ones.[36]

Heightened calls for racial justice and accountability over the last few years have helped to catalyze more serious discussions about race and inequity across a variety of sectors. It has been suggested that there have been shifts in attitudes toward creating a more inclusive space for founders of color, with a majority of VCs indicating that they are more likely than ever before to invest in companies with diverse founders.[37]

However, more recent publications have noted that little has changed. Latino and Black founders of all genders still receive a relatively small share of venture funding, and funding to female-founded companies still hovers around 2%.[38] Underrepresented checkwriters are more likely to fund underrepresented founders, yet a small fraction of checkwriters are women, Latino, or Black, further highlighting the intersecting constraints experienced by women of color.[39] Initiatives and programs implemented to address the lack of diversity in tech and the venture capital ecosystem are in a nascent stage, so the lasting effects remain to be seen.

Valuation is another aspect of the entrepreneurial journey where there have been particular challenges for founders of color. Similar to biased appraisals and devaluation of housing in Black neighborhoods, the devaluation of Latino and Black businesses remains a threat to economic equity and exposes dynamics experienced by all marginalized groups.[40] Structural and institutional factors combined with perception ultimately impact the level of investment that is put into these companies and the level of success that they are likely to attain.

Macroeconomic conditions are also a factor; as venture investors brace for a recession and become more cautious, underrepresented entrepreneurs are the ones most likely to feel the retraction.

Considering the current state of affairs for Latina and Black women founders, it is imperative that conversations, programs, and research continue to elevate these issues as a means of promoting understanding, focusing attention, and scaling solutions.
Call To Action

It is undeniable that major systemic impediments constrain the progress of Latina and Black women founders. To shift that dynamic, digitalundivided aims to produce programs and research that are focused on removing these barriers. However, we cannot do it alone. It is imperative that the entire business community contribute in some way to the advancement of equity in the entrepreneurial ecosystem. By sharing our data within your networks, you increase awareness of critical gaps, introduce new allies into the ecosystem, and catalyze the necessary momentum to elevate women of color and their work to higher heights.

BUILD CAPACITY FOR THOSE DOING THE WORK

There are a growing number of organizations and initiatives focused on the elevation of Latina and Black women founders, each actively working to expand opportunities for their companies to scale. We encourage supporting those doing this work and continuing to build incubators and accelerators in a range of markets to provide training and education to emerging founders. One way to give is to contribute to digitalundivided’s Capital Campaign - building the org’s capacity as we celebrate 10 years of disruption and change.

DIVERSIFY AND TAILOR STARTUP PATHWAYS

People from all walks of life are aspiring to be CEOs and feeling more empowered to create their own businesses from the ground up. It is essential that pathways to success for women of color are not only diverse and inclusive, but accessible.

• INVESTORS:
  Review your policies and outreach strategies to create greater access to funding for underrepresented groups. It is critical to recognize the importance of culture and inclusion to break down the barriers that prevent founders from getting funded.

• ENTREPRENEUR SUPPORT ORGANIZATIONS (ESOS):
  Provide more cohesive training, education, and mentorship opportunities.

• FOUNDERS:
  Build networks that can provide support and community.

• MEDIA:
  Highlight emerging and diverse businesses and founders to bring awareness to their work.
Methodology

Project Diane is the first demographic study to provide a snapshot of the current landscape for Latina and Black women founders in the tech and innovation ecosystem. The funding updates in this report are based on announced funding to companies from January 1, 2021 through September 30, 2022. Our team identified companies and founders for the Project Diane dataset by reviewing records from Crunchbase, Pitchbook, partner organizations, news articles, and company information submitted directly to the Project Diane website. To be included in Project Diane, companies must be for-profit, US-based, tech-enabled startups with at least one Latina and/or Black woman founder. Funding data includes publicly announced equity crowdfunding, angel, seed, and venture round investments.

Additional insights into the experiences of Latina and Black women startup founders are drawn from our Own Your Valuation Survey administered in March 2022 and founder focus groups conducted in November 2022.

Equity is not an unrealistic goal; it can be attained through commitment and collaboration.
Donate:
Join our capital campaign to celebrate 10 years of Disruption, the achievements of our work and the impact digitalundivided has had on thousands of women of color since 2012. We’re ready for more and have seen an unprecedented demand for our programs, research and community. Help us build and grow our capacity 10X for the next wave of Black and Latina innovators catalyzing economic growth through entrepreneurship and innovation. Together we can make an even bigger difference. Please Donate Today
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