



THE 2016 STATE OF WOMEN-OWNED BUSINESSES REPORT

Commissioned by American Express OPEN
A Summary of Important Trends, 2007-2016



INTRODUCTION

This publication marks our sixth annual exploration and analysis of the state of women-owned businesses in the United States. Our aim is to provide stakeholders in the women’s enterprise development community – policy makers, entrepreneurial support organizations, suppliers and customers, and women business owners themselves – with information and intelligence that can inform their efforts. American Express OPEN is proud to build upon the growing interest and commentary generated by our previous reports.

The estimates contained in this report are enhanced and strengthened by the publication, in late 2015, of the most recent (2012) Survey of Business Owners data from the U.S. Census Bureau, as well as from the most recent Gross Domestic Product estimates (as of January 2016) at the national, state, city, and industry levels.

Unlike previous reports, which analyzed longer-term trends between 1997 and the year of the report, this report focuses on trends that have largely taken place since the 2007-2009 recession – focusing on changes that have occurred between 2007 and 2016.

Each of our annual reports has built upon the information investigated in the previous year. In our first report we looked at trends among all women-owned firms by state, industry and revenue and employment size class. In our 2012 report, we added analysis of trends in the top 25 metropolitan areas. In 2013, we added an analysis of trends among firms owned by women of color. In 2014, we added the concept of combined economic clout – looking not only at growth in the number of firms but growth in employment and revenues as well. In 2015, we took a special look at pre-recession versus post-recession growth, to ascertain where women-owned firms had recovered from the effects of the recession and where growth was still lagging.

This year’s report – in addition to focusing on more recent, largely post-recession, trends – expands our geographic analysis to include a look at trends in the top 50 metropolitan areas (expanded from 25), and adds to our analysis of trends among firms owned by women of color by investigating the industry composition of minority women-owned firms.

It is our hope that this body of work not only provides useful intelligence to supporters of women’s enterprise development, but provokes debate and discussion about how best to encourage women-owned firms to move up the size continuum, shines a spotlight on the phenomenal growth in multicultural women-owned enterprises, and highlights areas where policy and program action can be better targeted to help even more women achieve their entrepreneurial aspirations.



THE STATE OF WOMEN-OWNED BUSINESSES IN 2016: SUMMARY OF KEY TRENDS

NATIONAL TRENDS

The number and economic contributions of women-owned firms continue to rise at rates higher than the national average – with even stronger business formation rates seen since the recession.

As of 2016, it is estimated that there are now 11.3 million (11,313,900) women-owned businesses in the United States, employing nearly 9 million people (8,976,100) and generating over \$1.6 trillion (\$1,622,763,800,000) in revenues.

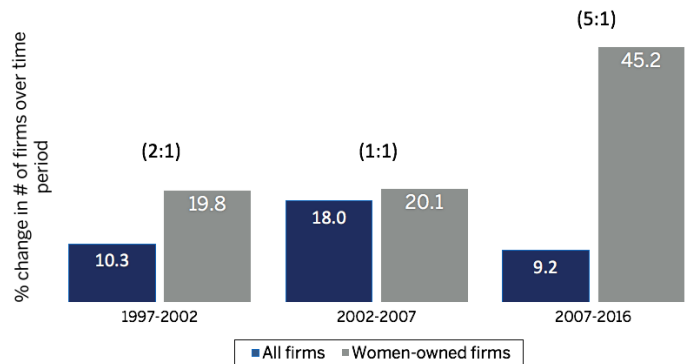
Between 2007 and 2016, the number of women-owned firms increased by 45%, compared to just a 9% increase among all businesses. Therefore, over the past nine years, the number of women-owned firms has grown at a rate fully five times faster than the national average.

Comparative employment growth is even stronger. Employment in women-owned businesses has increased by 18% since the recession, while among all businesses employment has declined 1% since 2007.

Business revenues among women-owned firms have increased by 35% since 2007, compared to 27% among all U.S. firms – thus at a rate that is 30% higher than the national average.

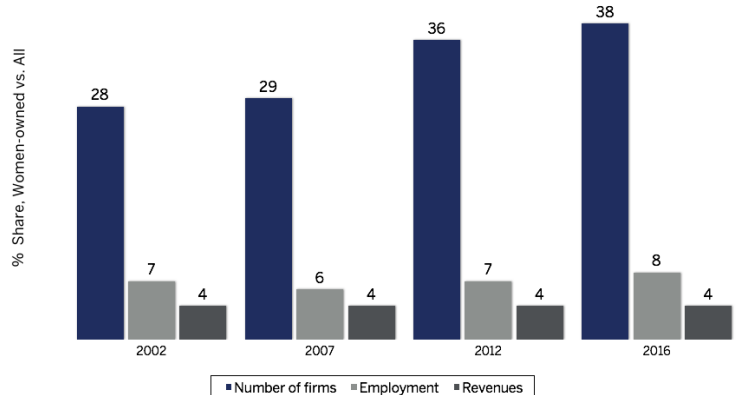
Women are now the majority owners of 38% of the country’s businesses, up from 29% in 2007. These firms employ 8% of the nation’s private sector workforce – up from 6% nine years ago – and contribute 4% of the nation’s business revenues, a share that has not changed over the past 20 years.

Growth in Number of Women-Owned Firms Surged in Aftermath of Recession Overall Firm Formation Still Hasn’t Picked Up



Sources: 1997-2012, Census Bureau. 2016 estimates, American Express OPEN/Womenable.

Women-Owned Firms Comprise an Increasing Share of All U.S. Firms Share of Employment, Revenues Remain Largely Unchanged



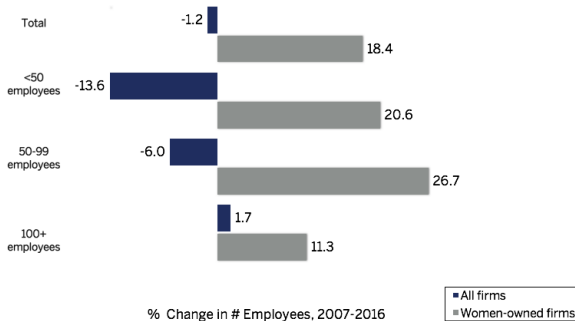
Sources: 2002-2012, U.S. Census Bureau. 2016 estimates, American Express OPEN/Womenable.

Where along the business size spectrum is the strongest economic growth coming from post-recession? Among all businesses, only the very largest firms are growing. Women-owned businesses, however, are growing all along the spectrum – most particularly among those employing between 50 and 99 workers.

One of most remarked-upon economic trends in the wake of the 2007-09 recession has been the lack of employment growth. According to the U.S. Bureau of Labor Statistics, there were 150 million employed persons as of February 2016, up just 3.9% from February 2007.

Bucking that tepid growth trend is employment in women-owned firms, which – according to this report – is up 18% since 2007 compared to a 1% decline among all U.S. firms.¹ Where is this employment growth coming from? The strongest employment growth among women-owned firms is seen among firms employing between 50 and 99 workers. These firms have spearheaded a 27% increase in employment since 2007, while both smaller and larger women-owned firms have seen positive employment gains as well. In comparison, the only positive employment growth seen among all firms by employment size class has been among firms with 100 or more workers.

Firms With 50-99 Employees Driving Job Growth Among Women-Owned Firms Overall, Only Largest Firms are Adding Jobs



American Express OPEN/Womenable estimates as of 2016, based on 2002-2012 data from US Census Bureau.

Similarly, revenue growth among all U.S. businesses (27% overall) is strongest among 500+ employee firms, where revenues have increased by 34% since 2007. Revenue growth among women-owned firms (35% overall) is again highest among women-owned firms with 50 to 99 employees (up 49%), followed by non-employer women-owned firms (whose revenues increased by 44%).

NUMBER OF NET NEW WOMEN-OWNED FIRMS²

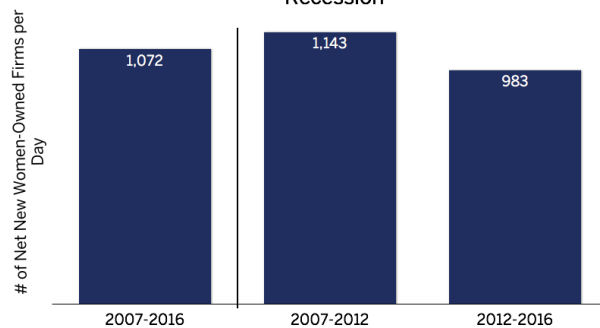
Business creation activity varies over time. As reported in the 2015 State of Women-Owned Businesses Report, between 1997 and 2015 there were an average of 608 net new women-owned businesses started each day, including a rate of 714 net new women-owned firms in the years leading up to the recent recession (2002-2007).

Now, with new 2012 Census data available, we can see that business formation activity has picked up significantly among women. Since 2007 there have been 1,072 net new women-owned firms started each day – including 1,143 per day over the 2007 to 2012 period and a slightly lower 983 per day over the 2012 to 2016 period.

All told, between 2007 and 2016, there was an increase of 3.5 million women-owned firms. Fully 78% of these net new women-owned firms (nearly 2.8 million) are firms owned by women of color – an average of 842 net new minority women-owned firms were launched each day over the past nine years.

Among those 842 net new minority-owned firms per day since 2007 were 327 Latina-owned firms, 311 African American women-owned firms, 122 Asian American women-owned firms, 17 Native American/Alaska Native women-owned firms, and 5 Native Hawaiian/Pacific Islander women-owned firms.

Since 2007, Nearly 1,100 Net New Women-Owned Firms Have Been Launched Each Day Recent Rate Slightly Lower Than That Seen Immediately After Recession



Sources: 2007-2012, U.S. Census Bureau, 2016 estimates, American Express OPEN/Womenable.

1. The difference between the 1% decline among all private sector firms and the 3.9% increase in total employment derives from the fact that the population of all private sector firms excludes government, public educational institutions, agriculture and the military.

2. “Net New” takes into account the number of firm births minus firm deaths or changes in ownership resulting in the loss of woman-owned status.

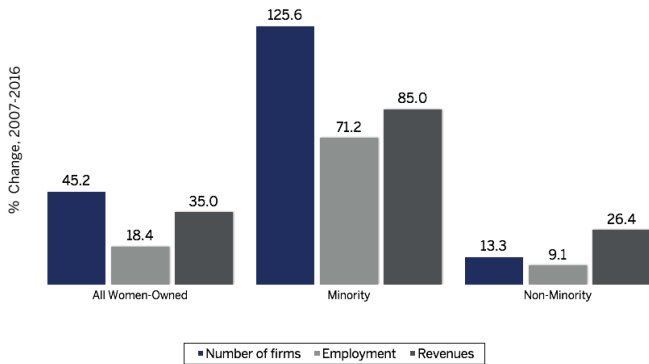
TRENDS IN ETHNIC DIVERSITY

One of the most remarkable trends over the past decade has been the phenomenal growth in the number of firms owned by women of color.

One of the most troubling economic trends in the wake of the 2007-09 recession has been the general lack of business formation, and the resulting lack of job growth. Economy-wide, the number of businesses has grown just 9% since 2007.

However, this trend has not been followed among women-owned businesses. Their numbers have risen by 45% over the past nine years – meaning that the rate of growth in the number of women-owned firms is fully five times the national average.

Minority-Owned Firms Fueling the Growth in Women's Entrepreneurship



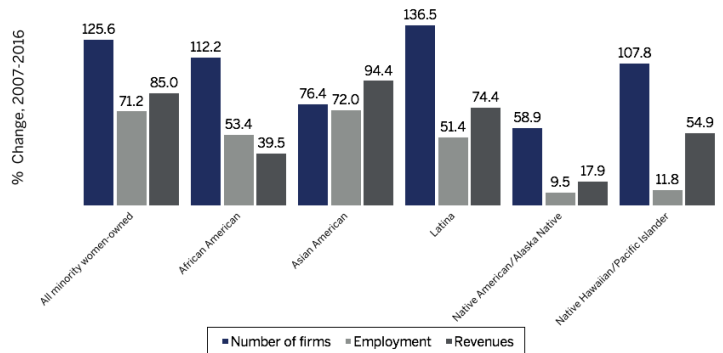
American Express OPEN/Womenable estimates as of 2016, based on 2002-2012 data from US Census Bureau.

And this has most especially not been the case among firms owned by women of color – their numbers have more than doubled since 2007, increasing by 126%. In fact, there are nearly 2.8 million more firms owned by women of color now than in 2007, among an overall increase of 3.5 million in the number of women-owned firms. This means that nearly eight out of every 10 (79%) net new women-owned firms launched since 2007 has been started by a woman of color.

Back in 2002, there were fewer than 1 million firms owned by women of color, comprising just 14% of women-owned firms. In 2007, 2.2 million minority women-owned firms accounted for 28% of all women-

owned businesses. Now, as of 2016, it is estimated that there are nearly 5 million minority women-owned firms (4,992,200), comprising fully 44% of women-owned firms. Collectively, minority women-owned firms employ 2 million workers and generate \$344 billion in revenues.

Among Women of Color, Latinas Lead the Way in Growth in # of Firms, Asian American Women Lead in Employment, Revenue Growth



American Express OPEN/Womenable estimates as of 2016, based on 2002-2012 data from US Census Bureau.

As of 2016, there are an estimated 1.9 million African American women-owned firms, employing 376,500 workers and generating \$51.4 billion in revenues. Between 2007 and 2016, the number of African American women-owned firms increased by 112% - more than doubling in number and far out shadowing the overall 45% increase among all women-owned firms. African American women-owned firms constitute a 61% majority of African American-owned firms.

As of 2016, there are just under 1.9 million Latina-owned firms, employing 550,400 workers and generating \$97 billion in revenues. Between 2007 and 2016, the number of Latina-owned firms increased by 137% - the highest increase seen among minority women-owned firms. Latina-owned firms comprise 46% of all Latino-owned firms.

As of 2016, there are an estimated 922,700 Asian American women-owned firms, employing 964,900 workers and generating \$170.4 billion in revenues. Between 2007 and 2016, the number of Asian American women-owned firms increased by 76%. Asian American women-owned firms comprise 41% of all Asian American-owned firms.

There are now an estimated 153,400 Native American/Alaska Native women-owned firms, employing 57,400 workers and generating \$10.5 billion in revenues. Between 2007 and 2016, the number of Native American/Alaska Native women-owned firms increased by 59%, the lowest rate of growth among all women of color. Native American/Alaska Native women-owned firms account for 51% of all Native American/Alaska Native-owned firms.

As of 2016, there are an estimated 31,100 Native Hawaiian/Pacific Islander women-owned firms, employing 13,500 workers and generating \$2.3 billion in revenues. Between 2007 and 2016, the number of Native Hawaiian/Pacific Islander women-owned firms more than doubled, increasing by 108%. Native Hawaiian/Pacific Islander women-owned firms comprise 47% of all Native Hawaiian/Pacific Islander-owned firms.

On average, firms owned by women of color are smaller than Caucasian women-owned firms. Overall, women-owned firms average \$143,431 in annual revenues per firm, with non-minority women-owned firms averaging \$201,948 in annual revenues and minority women-owned firms averaging \$68,982. Looking across all minority groups, average annual revenues are highest among Asian American women-owned firms (\$184,669), followed by \$75,170 among Native Hawaiian/Pacific Islander women-owned firms, \$68,141 among Native American/Alaska Native women-owned firms, \$52,087 among Latina-owned firms, and \$26,550 among African American women-owned firms.

Part of the reason for this ethnic revenue disparity lies in the relative youth of minority women-owned firms – meaning many are just starting out on their entrepreneurial journeys – but part of the reason also lies in the types of firms they are launching. Specifically:

- Compared to the average woman-owned firm, African American women-owned firms are much more likely than any ethnic group to be found in both the other services sector (of which a large share are in personal care services – mostly hair and nail salons) and in health care and social assistance (of which a large share are child day care services and home health care), and are the least likely of any other group to be in the higher-revenue professional/scientific/technical services sector.
- Asian American women-owned firms are more likely than average to be found in the other services sector as well, but are also more likely than average to own a business in the accommodation and food service sector, typically a higher per-firm revenue sector. They are less likely than average to be found in health care and social assistance, or in administrative, support and waste management services (home to janitorial, housecleaning and landscaping services firms).
- Latina-owned firms are the most likely of any other ethnic group to be in administrative, support and waste management services, and are also the most likely to own construction firms. They are less likely than average to own professional/scientific/technical services firms.
- Native American/Alaska Native women-owned firms do not deviate too far from the overall industry distribution of women-owned firms, but are more likely than average to own construction firms.
- Native Hawaiian/Pacific Islander women are second to African American women in being more likely than average to own firms in the health care and social assistance sector. They are also more likely than average to be found in wholesale trade.

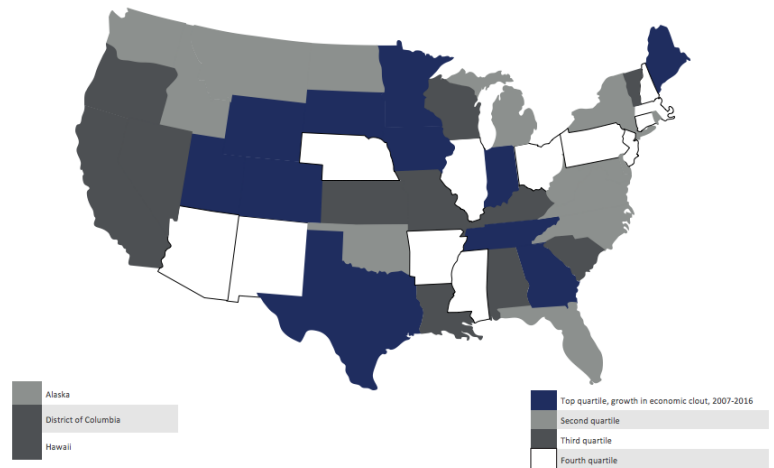
Average Size of Women-Owned Firms by Race/Ethnicity			
Race/Ethnicity	Number of Firms	Avg. # Employees (other than owner)	Avg. Revenues per Firm
All women-owned firms	11,313,900	0.8	\$143,431
All minority-owned	4,992,200	0.4	68,982
African American	1,934,300	0.2	26,550
Asian American	922,700	1.0	184,699
Latina	1,863,600	0.3	52,087
Native American/Alaska Native	153,400	0.4	68,141
Native Hawaiian/Pacific Islander	31,100	0.4	75,170
Non-Minority	6,308,400	1.1	201,948

GEOGRAPHIC TRENDS

Since the recession, the greatest growth in the number of women-owned firms has been seen in the South. Eight of the top 10 fastest growing states and metro areas for women-owned firms are found in that region. However, when growth in employment and revenues are added to the mix, the distribution of the growth in the economic clout of women-owned firms is more geographically dispersed.

The 10 states home to the greatest number of women-owned firms as of 2016 are: California, Texas, Florida, New York, Georgia, Illinois, Michigan, Ohio, North Carolina, and Pennsylvania. And the top metropolitan areas for women-owned firms, which are found in most of these states, are: New York City, Los Angeles, Miami, Chicago, Atlanta, Dallas, Houston, Detroit, Washington DC, and San Francisco.

Unlike Growth in Number of Firms, Growth in Economic Clout is More Geographically Dispersed

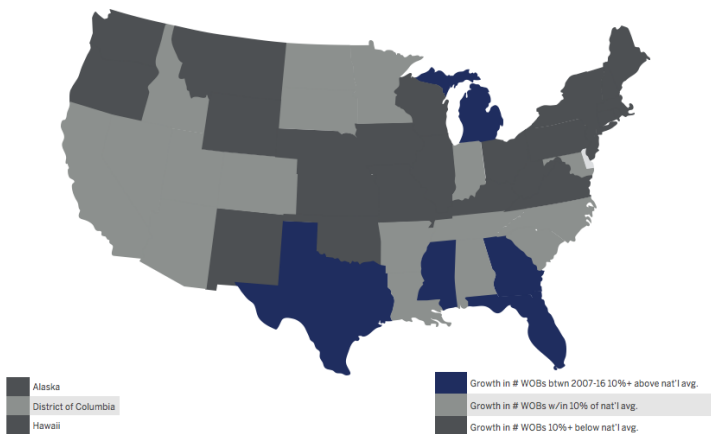


However, when looking at growth in economic clout – combining growth in the number, employment and revenues of women-owned businesses over the past nine years – the top state and metro area rankings take on a different mix, and are much more geographically dispersed, as noted on the map above. The 10 fastest-growing states since the recession in terms of combined economic clout are:

- North Dakota, South Dakota, Texas (all tied for first),
- Iowa,
- Indiana and Wyoming (tied for 5th),
- Georgia and Tennessee (tied for 7th),
- Utah,
- Maine.

Five States Lead the Nation in Women-Owned Firm Growth Since 2007

27 States Fall 10% or Below the 45% Nat'l Avg. Increase in # WOBs



Aside from sheer numbers of women-owned firms, however, it is more interesting to take a look at growth trends over time. In terms of growth in the number of women-owned firms between 2007 and 2016, as stated previously there has been a 45% increase in the number of women-owned firms over the past nine years. The 10 fastest-growing states for women-owned firms in this regard are: Florida (up 67%), Georgia (64%), Texas (63%), Michigan (57%), Mississippi (56%), South Carolina (53%), Tennessee (53%), the District of Columbia (51%), South Dakota (50%), and Louisiana (49%). Eight out of 10 are in the South, and the top five of these states (shaded in dark blue in the map above) exceed the national growth rate by 10% or more.

The five states at the bottom of the list in terms of growth in economic clout since 2007 are: New Hampshire (in last place), Connecticut, Massachusetts, Illinois, and Nebraska.

This year, for the first time, analysis of women's entrepreneurship at the metropolitan area level has expanded from the 25 most populous metro areas to the top 50 metro areas. The top 10 metropolitan areas, ranked on growth in economic clout between 2007 and 2016, are:

- Charlotte NC/SC,
- San Antonio TX,
- Dallas TX, and Memphis TN/MS/AR (tied for 3rd),
- Austin TX and Indianapolis IN (tied for 5th),
- Miami FL,
- Detroit MI,
- Richmond VA, and
- Houston TX.³

The expansion of the analysis at the metropolitan area level shows a good deal of dynamism in local economies beyond the top tier of most populous cities – most notably in Charlotte (22nd most populous metro area, yet ranked 1st in growth in economic clout), Memphis (30th in population, 3rd in growth), and Austin (27th most populous, yet ranked 5th in growth of economic clout). Charlotte, in particular, did not even place among the top 25 most populous metro areas until the most recent demographic census.

With respect to the slowest growth in number and economic clout among the 50 most populous metropolitan areas, these five metro areas bring up the rear: Sacramento CA (in 50th place), Louisville KY and Philadelphia PA/NJ/DE/MD (both tied for 48th), Cincinnati OH, and Boston MA/NH.

INDUSTRY TRENDS

Between 2007 and 2016, the greatest increase in the number of women-owned firms has generally been in more traditional industry sectors, perhaps indicating some degree of regrouping in the wake of the recession – particularly among the minority women-owned firms which have comprised the vast majority (79%) of the firms launched over the past nine years.

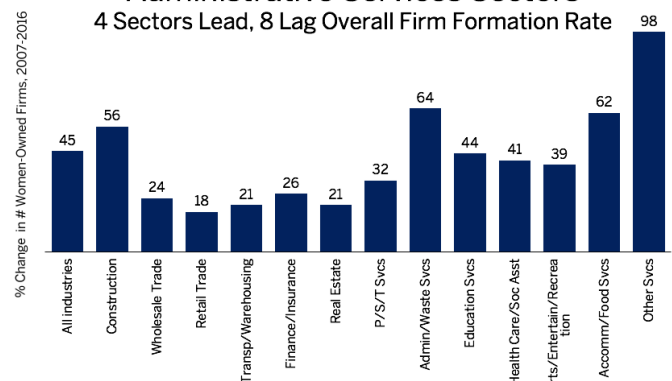
Women-owned firms can be found in every single sector of the economy. In addition, over the past nine years the number of women-owned firms has increased at a rate faster than all firms in every single industry. That said, six in ten (61%) women-owned firms are found in four industry sectors:

1. Other services (home to hair and nail salons and pet care businesses): 2.5 million firms accounting for 22% of all women-owned firms;
2. Health care and social assistance (including child day care and home health care services): 1.7 million firms, 15%;
3. Professional/scientific/technical services (including lawyers, accountants, architects, public relations firms and management consultants): 1.4 million, 13%; and
4. Administrative, support and waste management services (including janitorial and landscaping services as well as office administrative support and travel agencies): 1.3 million, 11%.

Overall, 38% of businesses are owned by women. In three sectors, the majority of firms are women-owned – health care and social assistance (64%), other services (58%) and educational services (55%). Further, in two other sectors – administrative, support and waste management (49% women-owned) and retail trade (43%) – women are more likely than average to own firms.

At the other end of the spectrum, women are less likely than average to own firms in construction (just 13% of firms in that sector are women-owned), transportation and warehousing (14%), wholesale trade (24%), and finance and insurance (25%). In all other sectors with at least 2% of the women-owned firm population, the share of women-owned firms is within 10% of the overall 38% share.

Post-Recession Firm Formation Strongest in Other Services, Administrative Services Sectors 4 Sectors Lead, 8 Lag Overall Firm Formation Rate



American Express OPEN/Womenable estimates as of 2016, based on 2002-2012 data from US Census Bureau.

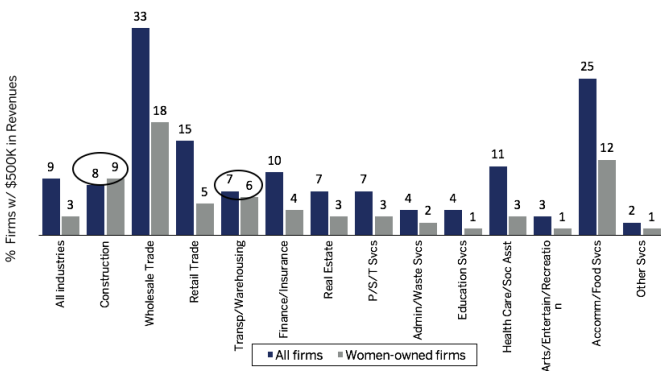
3. It is important to note that the boundaries of 19 of the top 50 Metropolitan Statistical Areas (MSAs) changed between the 2007 and 2012 business censuses, which may have had an impact on growth rates. In nine MSAs some counties were added, in six some were removed, and four MSAs saw both additions and deletions of counties. Table 6 in the Summary Tables document lists the boundary changes.

Between 2007 and 2016, the number of women-owned firms grew by 45%. Over this time, the following four industries saw the greatest increase in the number of women-owned firms: other services (up 98%), administrative, support and waste management services (+64%), accommodation and food services (+62%) and construction (+56%).

What about the relative economic clout of women-owned firms across industries? Economy-wide, just 9% of all firms in the country could be considered as having “high economic impact” – meaning that they generate \$500,000 or more in revenues – and only 3% of women-owned firms likewise meet that standard. Relative to the overall 3% of women-owned firms surpassing the \$500,000 revenue mark, women-owned firms in five industries – wholesale trade (18%), manufacturing (13%), accommodation and food services (12%), construction (9%), and transportation and warehousing (6%) – are those most likely to be making a high economic impact.

It is also the case that in most industry sectors women-owned firms are smaller than their peers. However, in two industries they stand toe-to-toe with other firms with respect to the share that achieve revenues of \$500,000 or more. In construction, 9% of women-owned and 8% of all firms achieve revenues of \$500,000 or more, and in transportation and warehousing, 6% of women-owned and 7% of all firms top the half-million dollar mark.

Women in Construction & Transportation Sectors Match Peers at \$500K+ Revenue Level Widest Gender Disparity Seen in Largest Scale Industries



American Express OPEN/Womenable estimates as of 2016, based on 2002-2012 data from US Census Bureau.

STUDY METHODOLOGY

This report is based on data from the United States Census Bureau, specifically their quinquennial business census, the Survey of Business Owners (SBO), which is conducted every five years in years ending in 2 and 7. Data from the past three Census surveys – 2002, 2007 and 2012 – were collated, analyzed and extrapolated forward to 2016, factoring in relative changes in Gross Domestic Product (GDP) not only nationally but also at industry, state and metropolitan statistical area levels. All GDP data were obtained from the Bureau of Economic Analysis (bea.gov) – another bureau, like the Census Bureau, within the U.S. Department of Commerce.

Specifically, growth in GDP from 2002 to 2012 (\$10.6 to \$16 trillion) was compared to that from 2012 to the fourth quarter of 2015 (\$16 to \$17.2 trillion). Relative annual growth rates were then used to estimate the growth in the number of firms over the 2012 to 2016 period – thus adjusting a straight-line extrapolation to account for relative economic growth between the two time periods. This was done not only at the national level, but also by applying actual gross state, metro area and industry-level output figures (which were available up to the fourth quarter of 2014).⁴

For detailed information on the Surveys of Business Owners, visit the U.S. Census Bureau’s American FactFinder web portal: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>.

4. For example, while national annual GDP growth between 2012 and 2016 was 105.9% of annual GDP growth between 2002 and 2012, in the state of California it was 80.3% and in the San Jose CA metro area it was 145.9%.

ACKNOWLEDGEMENTS

This report is commissioned and provided by American Express OPEN. American Express OPEN is a leading payment card issuer for small businesses in the United States and supports business owners and entrepreneurs with products and services to help them run and grow their businesses. This includes business charge and credit cards that deliver purchasing power, flexibility, rewards, and savings on business services from an expanded lineup of partners and online tools and services designed to help improve profitability. Learn more at www.OPEN.com and connect with us at openforum.com and twitter.com/openforum.

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This report was prepared for American Express OPEN by Womenable, a research, program and policy development consultancy whose mission is to improve the environment for women-owned businesses worldwide. Womenable pursues this mission by working with the stewards of women's entrepreneurship around the world – policy makers, multi-lateral organizations, corporate decision makers, entrepreneurial support organizations and the women's business community – to evaluate, implement and improve policies and programs to support women's enterprise development. Learn more at womenable.com.

DETAILED TABLES

Detailed tables – summarizing trends from 2002 to 2016 and providing detailed information by state, metropolitan area, industry, race/ethnicity – are available in a separate document, The 2016 State of Women-Owned Businesses: Summary Tables.

This report was published in April 2016 by American Express OPEN, with research provided by Womenable – which takes full responsibility for the integrity of the findings and the conclusions drawn. Our sincere thanks are extended to the Economy Wide Statistics Division of the U.S. Census Bureau, which provided the data used during the preparation of this analysis.

