



# The State of Women Entrepreneurs in NYC:

The Landscape and the Opportunity

WE NYC Study - Preliminary Findings March 2015



WENYC

# Introducing WE NYC

## A First-of-its-Kind Model for Empowering Women Through Entrepreneurship

The New York City Department of Small Business Services (SBS) has identified women's entrepreneurship as a key driver of economic development in the city. In March 2015, SBS announced the creation of WE NYC, a new initiative focusing on two main goals:

- **Increasing income stability for women and families by supporting entrepreneurship as an opportunity for supplementary income and as a pathway for long-term economic security**
- **Strengthening the economic impact of women entrepreneurs by facilitating the growth of their companies to increase investment and create jobs in New York City**

WE NYC will be a first-of-its kind model in a major American city for empowering women through entrepreneurship across a wide array of sectors. By addressing key challenges to entrepreneurship through a comprehensive suite of innovative programs and strategies, and by tapping into the expertise and support of a diverse set of public, private, nonprofit, and philanthropic partners, WE NYC aims to lift up thousands of New York City women, and with them families and entire communities.

# The Promise of Entrepreneurship

The economic power of women in the United States is undeniable and well-documented. Women account for 53 percent of college graduates.<sup>1</sup> They constitute 47 percent of the labor force,<sup>2</sup> control slightly more than half (51 percent) of all personal wealth, and 73 percent of total household spending.<sup>3</sup>

Despite the advances women have made in education and workforce participation, they still face a variety of challenges. Many women struggle to find flexible arrangements or adequate pay, unemployment and underemployment remain high, and nearly 18 million women live in poverty in the United States.<sup>4</sup>

This landscape mirrors the situation for the 4 million women and girls who live New York City where one in four are considered economically vulnerable. Close to 40 percent of the households headed by a single mother are impoverished.<sup>5</sup> The unemployment rate for New York City women is approximately 6 percent, but in neighborhoods with high concentrations of poverty, the rate can be as high as 40 percent.<sup>6</sup>

Meanwhile, entrepreneurship could be a pathway to income stability and long-term economic security. A zip code level analysis of New York City neighborhoods indicates a positive correlation between self-employment and per capita income. In top quartile neighborhoods where self-employment is high (5.7 percent of population), the average per capita income is \$64,000 compared to the bottom quartile where self-employment is low (2 percent) and per capita income is \$26,000.<sup>7</sup> In addition to the economic security that entrepreneurship can bring to individuals and their families, it can also serve to lift up communities through job creation.<sup>8</sup>

As an added benefit, women entrepreneurs seem to have a greater quality of life. A recent study by the Global Entrepreneurship Monitor found that entrepreneurs in general are happier than the general population, and that women entrepreneurs rate their happiness higher than their counterparts in traditional employment.<sup>9</sup>

However, women face a variety of challenges when they pursue entrepreneurship: less access to capital than men, less training and education, fewer support systems, and latent discrimination that can hamper their success.

It is in this context that the New York City Department of Small Business Services (SBS) is launching Women Entrepreneurs New York City (WE NYC). WE NYC will focus on identifying the needs of women entrepreneurs to scale existing programs or create new ones to unlock the full economic potential of women.

This paper highlights the preliminary findings of a study currently being conducted by SBS to better understand the landscape of women entrepreneurs in New York City, the challenges they face, and the areas where they would benefit most from the City's assistance. The full report will be published later this year.



## Erika Nazario

### Mio Mucaro - Brooklyn

Home made dolls sold on Etsy.com

**Time in Business:** One year

#### **Motivation:**

- Contribute to the household income while raising her child and doing something she is passionate about
- Leverage her design education and experience as a mother to create beautiful dolls

#### **Challenges:**

- Taking advantage of resources available for women entrepreneurs proved to be difficult when trying to balance family commitments
- Finding her way through the maze of available business resources ...“there is no one stop shop”

#### **Something unique:**

- Erika learned how to sew from her grandmothers in Puerto Rico where she was born
- Her dolls are all hand-sewn and made from eco-friendly non-allergenic materials
- In just six months Erika sold over 100 dolls

1. US Census Bureau, 2014

2. United States Department of Labor, 2012

3. The Women-Led Economy, U.S. Women's Chamber of Commerce

4. National Women's Law Center analysis of Census data, 2014

5/6. Economic Security and Well-Being Index for Women in New York City, New York City Women's Foundation, 2013

7. U.S. Census American Community Survey, U.S. Census Bureau Census ZIP Code Business Patterns, A.T. Kearney Analysis; Note: Self-employment is calculated based on population above the age of 16

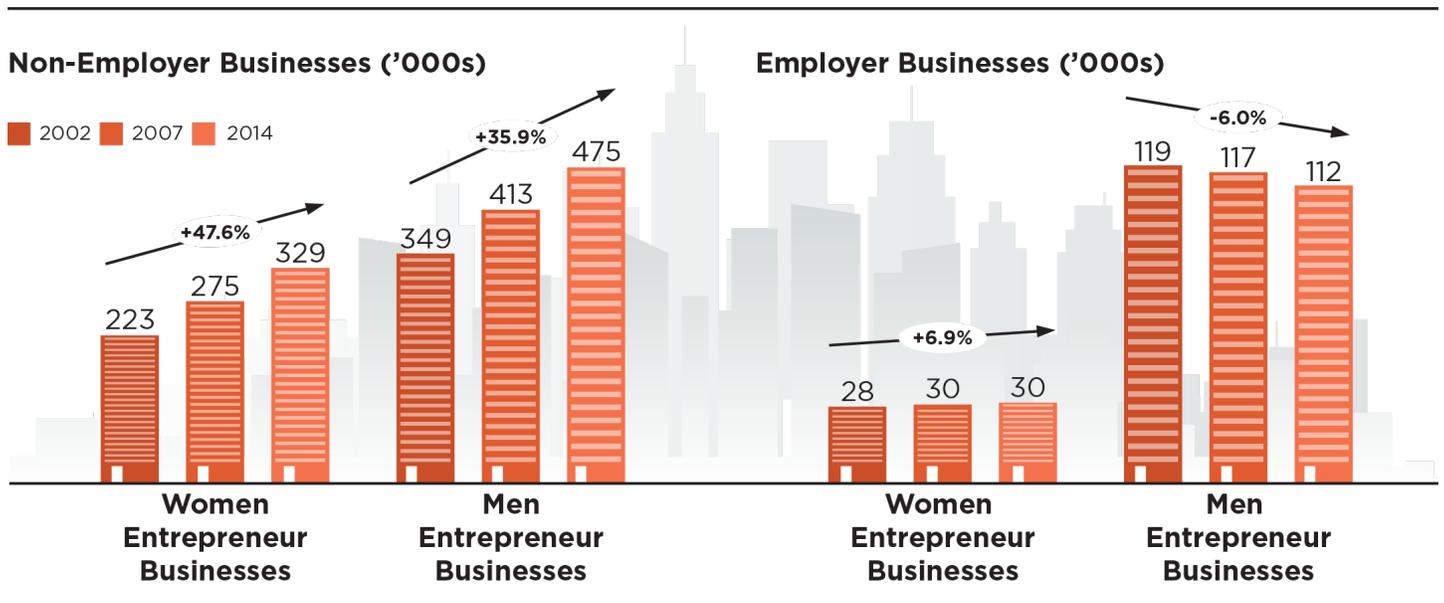
8. Launching Low Income Entrepreneurs, the Center for an Urban Future, 2013

9. Global Report, Global Entrepreneurship Monitor, 2013

# Women Entrepreneurs in New York City: The Landscape

New York City is home to approximately 359,000 women entrepreneur businesses representing 32 percent of all registered companies in the city—an increase of 43 percent since 2002 (see methodology side bar on following page).<sup>10</sup> To fully evaluate the landscape and its dynamics, it is important to understand the makeup and characteristics of women entrepreneur businesses.

The largest and fastest-growing segment of women entrepreneurs are “non-employer” businesses (i.e. self-employed women). Ninety-two percent of women entrepreneur businesses in New York City fall into this segment. These companies average \$32,000 per year in annual business income—as much as 34 percent below New York City’s median individual income.<sup>11</sup> Citywide among women and men, the number of non-employer businesses has exploded in recent years. Strikingly, since 2002 the number of non-employer women entrepreneur businesses has increased 48 percent, compared to a 36 percent rise among their male counterparts (see figure 1).



**Figure 1: Growth rate in number of Businesses - NYC 2002-2014**

Source: US. Census Bureau Survey of Business Owners 2002, 2007 data; A.T. Kearney analysis

The other 8 percent, or roughly 30,000 businesses, are classified as “employer businesses.” These are women entrepreneurs who operate businesses that employ at least one person in addition to the owner. This segment has increased 7 percent since 2002, compared to a decline of 6 percent among employer businesses operated by men. Women entrepreneur employer businesses employ 190,000 people in New York City and generate \$39 billion in annual revenue, averaging \$1.3 million per business compared to \$2.9M per business for men.

10. This figure, based on U.S. Census data and A.T. Kearney analysis, does not include unreported businesses and likely undercounts women in under-served communities. The study will attempt to address this population through further outreach

11. According to 2013 American Community Survey, the New York City’s median income is \$39,000 for all workers, \$46,000 for female full-time workers, and \$49,000 for male full-time workers



## Evelyn Alvarez

### Prom King - Brooklyn

Boys & young men's clothing for special events

**Time in Business:** Over 2 years

#### Motivation:

- Create a better future for her family
- Pursue an idea, make it happen, make it big (Evelyn identified a need in the community and has since added chapters in New Jersey and North Carolina, and aspires to take her concept worldwide)

#### Challenges:

- Bridging the gap from idea to execution
- Access to financing ("We don't have an availability issue, we have an access issue")
- Balancing all aspects of managing the business herself and fulfilling her responsibility as a mother

#### Something unique:

- The proud single mother from Brooklyn was featured in O, the Oprah Magazine in 2014
- She continues to work on a part-time job on the side and is a doula as well



## Andrea Jimenez

### DiscoveringNYC.com - Queens

Tourism website serving Spanish and Portuguese speaking tourists in NYC

**Time in Business:** More than 2 years

#### Motivation:

- Working as a server in Times Square, she saw foreigners struggle with tourism information only available in English, and decided to set up an online resource to help them

#### Challenges:

- Doing everything herself and wearing multiple hats is an ongoing challenge
- Faced with a tough decision to part with her co-founder who unable to devote enough time to the business

#### Something unique:

- Employs 3 freelancers and 5 people in Colombia
- Although the business is not yet meeting its revenue goals, Andrea is relentlessly committed to make it a success

## Definitions

**Entrepreneur** - an individual engaged in a commercial activity either through self-employment or as a business owner who employs others

**Woman entrepreneur business or man entrepreneur business<sup>1</sup>** - a privately owned commercial entity operated by an entrepreneur

**Non-employer business** - a business entity that does not employ any individuals in addition to the owner

**Employer business** - a business entity that employs at least one individual in addition to the owner

**Total businesses** - private businesses (employer and non-employer) and public companies

*1. Note that "entrepreneur business" in this paper is synonymous with the U.S. census term "business owner."*

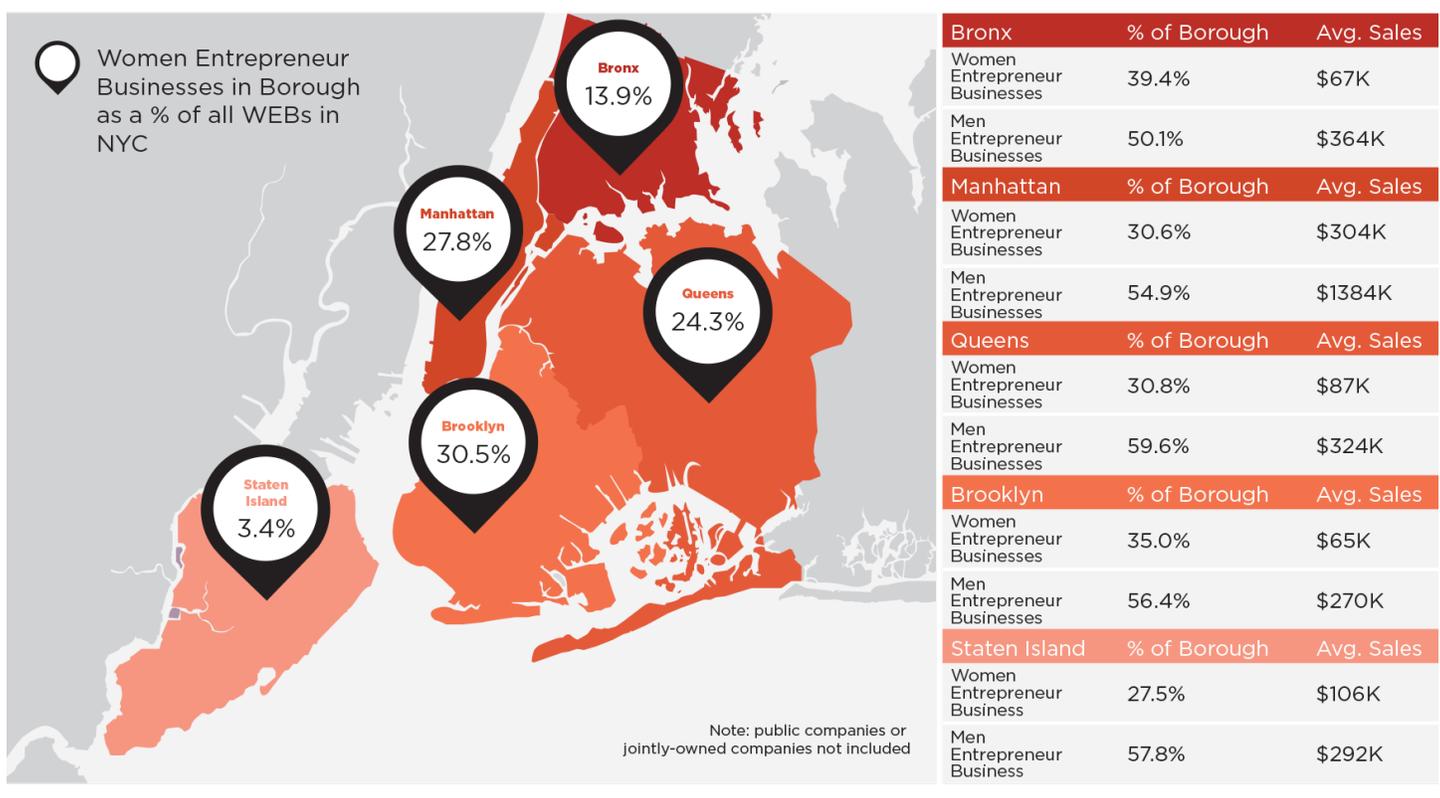
## Methodology

The landscape for women entrepreneurs and the supporting analysis in this report are based on data from the U.S. Census Survey of Business Owners from 2002 and 2007 (<http://www.census.gov/econ/sbo/>). The census survey, conducted every five years, provides information on the number, revenues, and employment of U.S. businesses broken down by gender, industry, ethnicity, and location.

In the absence of more recent data, the 2014 figures were derived using an extrapolation of historical growth trends (2002–2007) in number of businesses, and factoring in relative GDP growth for the New York area and industry. When information was not available for New York City, data for New York State was used as a proxy.

In addition to the quantitative analysis, a review of recent literature on women entrepreneurs as well as interviews with New York City-based entrepreneurs were used to inform various sections of the paper.

The distribution of women entrepreneurs by location and race reveals additional insights into their impact on New York City. More than 80 percent are based in Manhattan, Queens, and Brooklyn, mirroring the population across the five boroughs. In the Bronx and Brooklyn, the percentage of businesses owned by women is higher than the city average of 32 percent (see figure 2). The overall number of women entrepreneurs has skyrocketed in the past decade in Brooklyn (a 77 percent increase) and Queens (a 64 percent increase), compared to a less than 40 percent increase in the remaining boroughs.

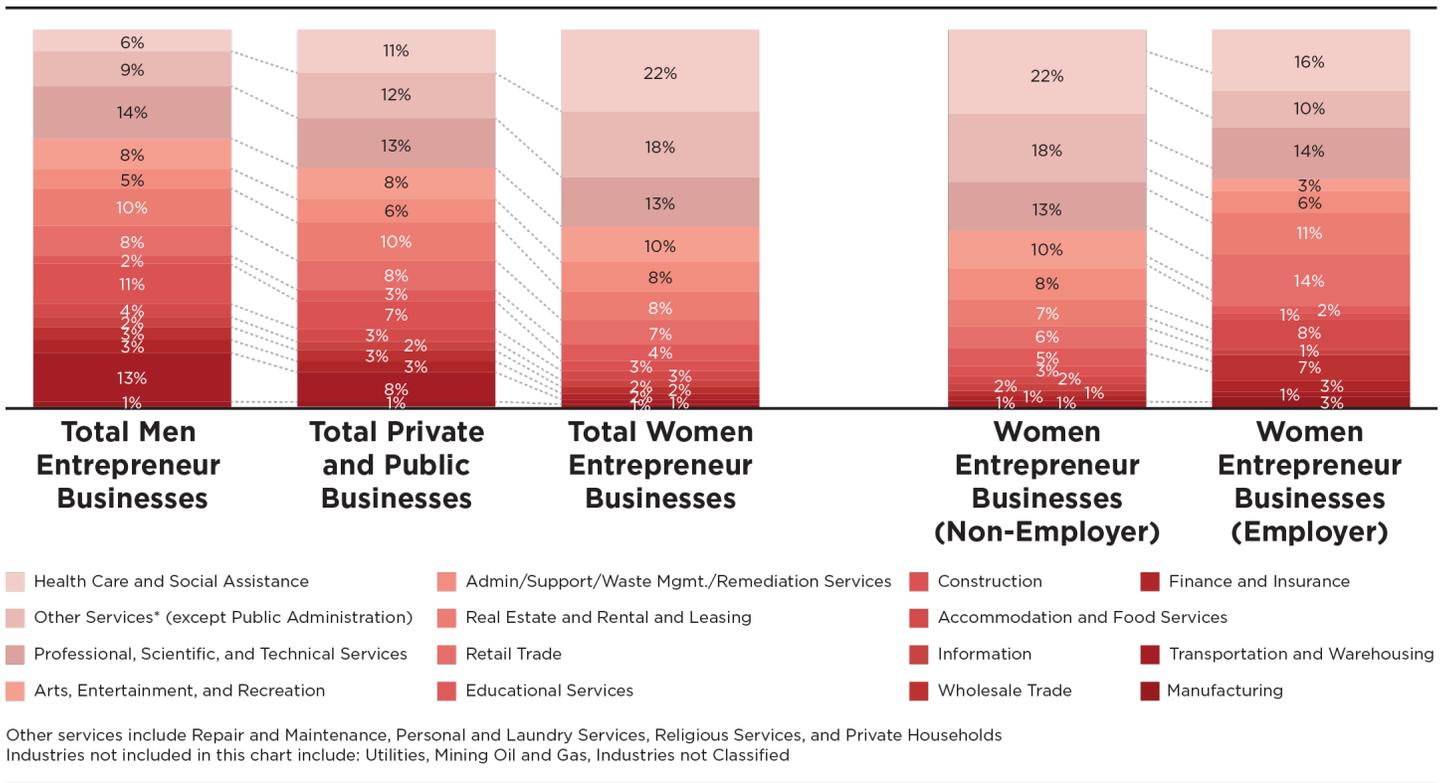


**Figure 2: Number of Entrepreneurs by borough - NYC 2014**

Source: US. Census Bureau Survey of Business Owners 2002,2007 data; A.T. Kearney analysis

In terms of race, white women form a slight majority (52 percent) of women entrepreneur businesses and generate more than 75 percent of total revenue. African American women make up 30 percent, followed by Asian women (16 percent). The ethnic makeup of women entrepreneur businesses in New York city is comprised of 18 percent Hispanic and 82 percent non-Hispanic women.

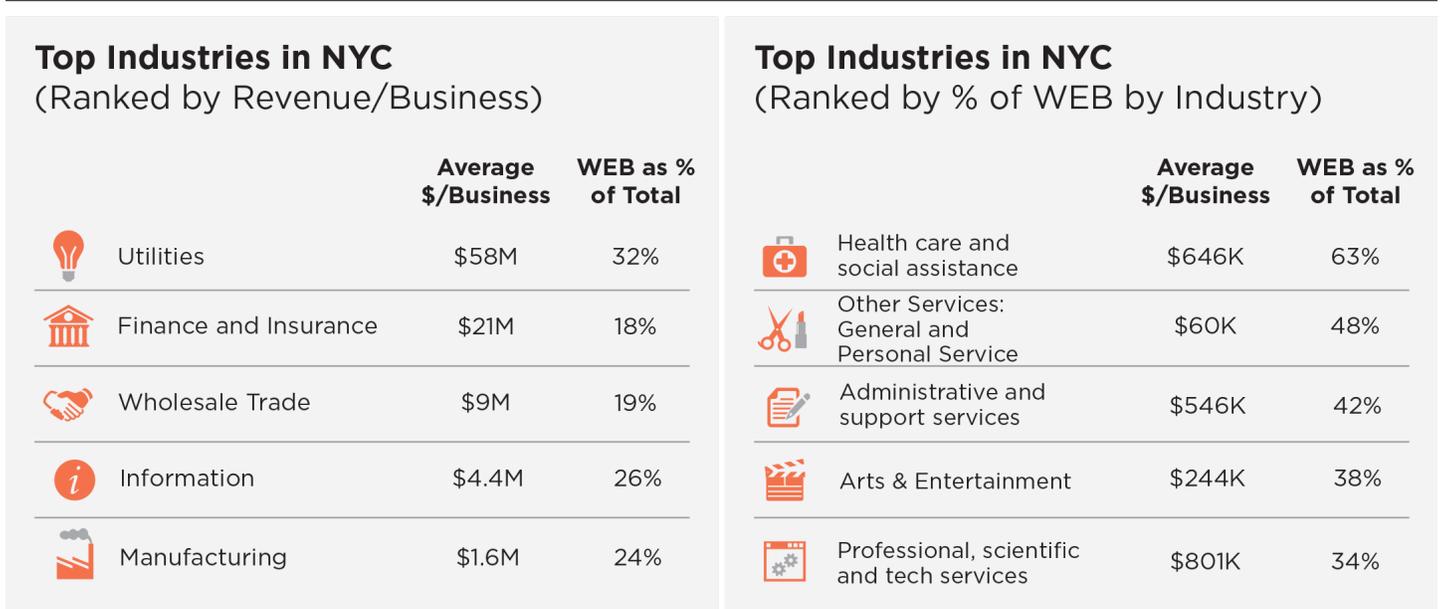
From an industry mix perspective, women entrepreneurs in New York City are skewed toward the service sector—53 percent are in healthcare, social assistance, and personal and professional services. Women’s employer businesses have a slightly different profile than non-employer businesses, with greater representation in real estate, retail, food service, and wholesale businesses. Men entrepreneurs, by comparison, are more aligned with the overall business mix in New York City (see figure 3).



**Figure 3: Number of businesses by industry (as a % of total businesses) - NYC 2014**

Source: US. Census Bureau Survey of Business Owners 2002, 2007 data; A.T. Kearney analysis

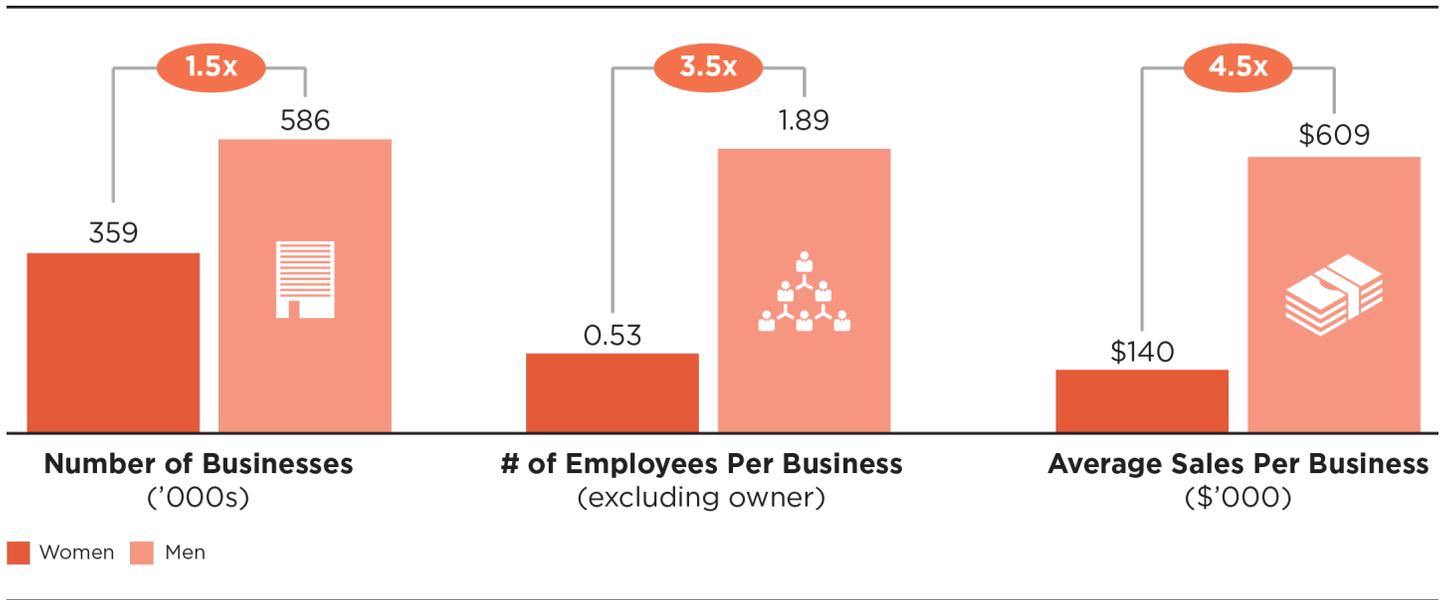
While women have a strong presence in large industries such as healthcare, social assistance, and professional services, these sectors have some of the lowest revenues per firm. By contrast, women have a relatively low presence in industries that represent the most revenue potential for business owners, such as wholesale, finance and insurance, and manufacturing (see figure 4).



**Figure 4: Women entrepreneur businesses by key industry**

Source: US. Census Bureau Survey of Business Owners 2002, 2007 data; A.T. Kearney analysis

Lastly, despite vibrant growth, New York City does suffer from an “entrepreneurship gender gap”, both in terms of total number of businesses and their economic impact—that is, employment and revenue. In 2014, the gap between women and men entrepreneurs in New York City was significant: men owned 1.5 times as many businesses as women, employed 3.5 times more people per business, and generated 4.5 times more sales per business (see figure 5).



**Figure 5: The entrepreneurship gender gap – NYC 2014**

**All Firms – employer and non-employer (excludes public companies)**

Source: US. Census Bureau Survey of Business Owners 2002, 2007 data; A.T. Kearney analysis

This gap raises many important questions about the state of women’s entrepreneurship in the city.

- Why do so many women entrepreneurs choose the path of self-employment, becoming non-employer firms—rather than building larger businesses?
- Why do women entrepreneurs who employ others only employ six people on average compared to twelve by their male counterparts?
- Why do women entrepreneurs generate significantly lower revenue than men entrepreneurs in both employer and non-employer businesses?
- What must happen to bring a meaningful change to the entrepreneurship gender gap?

These are just a few of the questions that the WE NYC study is exploring. The following section outlines the preliminary findings on challenges faced by women entrepreneurs in general and in New York City in particular.

# The Entrepreneurship Challenge - Initial Findings

Women entrepreneurs face numerous obstacles both at the early stages of setting up businesses and later when attempting to grow and expand them. Preliminary findings from interviews conducted with women entrepreneurs as part of the WE NYC study highlight four key challenges that women entrepreneurs in New York City face.

**Access to capital.** Women have historically received a smaller share of total small business loans as compared to men. A 2014 report on women’s entrepreneurship from the U.S. Senate highlighted the many ways in which women entrepreneurs face disadvantages in seeking loans. Women have lower loan approval rates (15 to 20 percent lower than men), and in total women entrepreneurs account for only 4 percent of all conventional small business loans—roughly \$1 out of every \$23 loaned.<sup>12</sup>

As a result, women who do become entrepreneurs are much more likely to tap into their personal networks and savings for capital to launch and grow their businesses. According to the National Women’s Business Council, as many as 80 percent of women entrepreneurs rely on personal savings and only 17 percent seek business loans.<sup>13</sup> Our interviews further emphasize access to capital as a challenge. Most of the women interviewed did not seek external funding preferring instead to rely largely on their own savings or family contributions. They cited a preference for “staying within their means” and a fear of taking on too much financial risk. They said they worried about the difficulties they would face in applying for a loan given their current economic standing and perceived ability to prepare a loan application. Some also said they were unaware of small business loans or alternative funding opportunities available to them.

Therefore, many women start out with inadequate capital. This situation is even more challenging for women who are faced with limited personal liquidity, collateral or credit, as they are frequently unable to draw on traditional sources of capital. Adequate capital is a key factor for future business success, and limited access to it weakens women entrepreneurs and widens the gap.

**Access to education and knowledge.** In New York City neighborhoods with a high concentration of poverty as many as 90 percent of women lack a college degree and often less than half have high-school diplomas.<sup>14</sup> Compounding this challenge in neighborhoods with a high concentration of poverty is a lack of services to help grow businesses. Where available, many women are unaware of them—especially if knowing these services exist depends on access to the Internet.

Beyond foundational skills, the women we spoke to indicated that getting up to speed in the many competencies required to run a business is one of the most challenging aspects of being an entrepreneur, especially given how many of them are running their businesses by themselves. Many of the women we interviewed—across income levels, experience, and industries—cited easy, inexpensive access to educational classes in finance and accounting, marketing, people management, and business planning as a means to improve their chances for success.



## Carol Ababio

**Cititech Computer Services – Brooklyn**  
Provides IT services to small businesses  
**Time in Business:** 15 years

### Motivation:

- To be self-reliant and master of her own destiny
- Set an example for her daughter for what she can achieve “failure has never been an option”

### Challenges:

- Funding has been the main challenge when starting the business and today when trying to grow
- Managing all aspects of the business herself especially finance and accounting

### Something unique:

- Carol employs 3 full time employees
- She is working on another small business venture in her native Jamaica, creating an online cooking show

12. 21st Century Barriers to Women’s Entrepreneurship, U.S. Senate Committee on Small Business and Entrepreneurship, 2014

13. Annual Report, National Women’s Business Council, 2014

14. New York Women’s Foundation, Economic Security and Well-being Index, 2013



## Maria Cano

### Arepa Lady Restaurant – Queens

Colombian Restaurant

**Time in Business:** More than 30 years as a food truck owner, 1 year as a restaurant owner

#### Motivation:

- Her titles as a lawyer, judge and public servant in Colombia were not recognized when she immigrated to the U.S. in 1984, so she turned to entrepreneurship to support her family

#### Challenges:

- Long process to receive the license - “It has been a hard life, but you cannot just throw in the towel when you have four children to feed”
- High real estate costs and challenges working with contractors

#### Something unique:

- Maria was a mayor of two towns in Colombia before she immigrated to the US
- Her new restaurant created four jobs in her community

**Access to support systems.** The women we interviewed highlighted support, or the lack thereof, as an important factor in their success. For many women there are simply not enough role models, community or professional networks, or mentors available to help guide them through entrepreneurship—especially in under-served communities or in less formal businesses.

Some of the city’s poorest neighborhoods also have some of the lowest numbers of establishments per capita. Such neighborhoods may therefore have limited role models to inspire potential entrepreneurs.<sup>15</sup>

In a 2014 Kauffman Foundation survey, women cited lack of mentors as one of the top three challenges for women entrepreneurs.<sup>16</sup> Women we interviewed that had mentors found them to be invaluable sources of guidance and confidence building. Some women even said their mentors had real commercial impact by facilitating introductions to potential customers and helping them build business networks in new markets.

They also frequently mentioned lack of personal support - including inadequate childcare, difficulties balancing responsibilities at home and at work, and even lack of emotional support - as a significant challenge. These challenges are often a barrier to their willingness to take on bigger risks.

**Latent discrimination.** The women we interviewed found discrimination to be a common barrier to their success as entrepreneurs. Women sometimes struggle to be taken seriously in certain male-dominated industries due to perceptions about their expertise. Their businesses may be viewed as “pet projects,” and they may have to work doubly hard to ensure they are not taken advantage of when dealing with suppliers or other service providers. In particular, many women who own women-centric businesses, such as selling women’s clothing and accessories, say that male investors and bankers often struggle to connect with them, since they may not intuitively understand the market, and its potential for return on investment.

These challenges are further exacerbated by the fact that 90 percent of women entrepreneurs run non-employee firms. “Going it alone” and staying small is less appealing for lenders and investors, limits access to networks, and restricts their ability to focus on growth while also juggling the day-to-day running of the business.

Women entrepreneurs have the potential to change lives and become key drivers of economic growth in the city. Supporting these women is crucial to unlocking their full potential to support their families and communities. The growth in women entrepreneurship, and gap between women and men entrepreneurs, suggest a need to better serve aspiring women entrepreneurs and address the challenges outlined in this study.

The City of New York’s WE NYC initiative aims to expand the economic potential of women entrepreneurs across the five boroughs, with a focus on the specific needs of underserved women and families. Through WE NYC, the City will learn more about the unique opportunities and challenges faced by women entrepreneurs across the five boroughs and design a suite of innovative programs and strategies in the coming months to help them thrive in New York City.

15. U.S. Census and A.T. Kearney analysis

16. Sources of Economic Hope: Women’s Entrepreneurship, Kauffman Foundation, 2014



## Enabling and Empowering Women's Entrepreneurship

As part of the WE NYC study, women entrepreneurs in New York City will be invited to participate in an online survey, interviews, and community forums to share their entrepreneurship journeys and perspectives on the challenges and opportunities women entrepreneurs face.

The results will help SBS define the best methods and resources to empower women entrepreneurs. It will lead to relevant programs and resources that can enable women entrepreneurs to develop and succeed in New York City.

To access the survey and find out more please visit:



[www.NYC.gov/WENYC](http://www.NYC.gov/WENYC)

If you are interested in participating in an interview, please contact:

[diana.damyanova@atkearney.com](mailto:diana.damyanova@atkearney.com)

This paper was prepared for New York City Department of Small Business Services by its knowledge partner, A.T. Kearney.

**WE**NYC

Women Entrepreneurs

New York City