



Women's Small Business 2015

Outlook

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Growth of Women-Owned Businesses in 2014

Women-owned businesses have grown at a great pace over the last several years. While a gender gap in small business ownership exists, the small business growth outlook for women-owned businesses has improved over the last year and there's still room for improvement.

Women-Owned Businesses are on a Roll

- Nearly 9.1 million women-owned enterprises in America employ around 7.9 million workers and generate over \$1.4 trillion in revenues.
- Between 1997 and 2014, the number of women-owned firms grew at a rate of 1.5 times the national average.
- Revenue and employment growth among companies owned by women top that of all other firms - except the largest, publicly traded corporations.
- Since 1997, there has been a net increase of 591 women-owned firms each day, on average. In the last year, an average of 1,288 new women-owned businesses launched each day.
- Since 1997, the growth in the number and economic contributions of firms owned by women of color is remarkable. Comprising just 17% of women-owned firms 17 years ago, firms owned by women of color now account for one in three (32%) women-owned firms in the U.S.
- The states with the fastest growth in the number, employment and revenues of women-owned firms since 1997 are: North Dakota, the District of Columbia, Nevada, Arizona, Georgia, Wyoming, Virginia, Maryland, Texas, and Utah
- The metropolitan areas with the greatest growth in employment and average annual revenues of women-owned firms since 2002 are: San Antonio, TX; Atlanta, GA; Baltimore, MD; Houston, TX; Portland, OR; Washington, DC; Tampa/St. Petersburg, FL; Seattle, WA; Dallas, TX and Riverside, CA.



Source:
American Express OPEN Women-Owned
Businesses Report 2014

Future of Women-Owned Businesses in FY-2015

Due to the overall slow but steady rebound of the U.S. economy, 2015 has started strongly for female entrepreneurs.

Growth Triggers for Women-Owned Businesses:

- Female college graduates outnumber males
 - Women now have better access to capital as compared to earlier times
 - Lower capital requirements for start-ups
 - Women-owned businesses are creating a large number of jobs in the U.S. economy
-
- The Guardian Small Business Research Institute projects that women-owned businesses will be responsible for the creation of 5 million new jobs by 2018.
 - The U.S. Department of Labor anticipates one-third of the total 15.3 million new jobs will come from women-owned enterprises.



What Should Women Focus on When it Comes to Securing Funding?

Since women-owned businesses are often younger and have lower average credit scores than male-owned firms, it can be challenging for women entrepreneurs to secure business funding.

Some tips for women business owners in search of credit:

- ***Aspire for a sizable annual revenue mark***

For any entrepreneur planning to seek business funding, it is rather imperative to set a revenue goal that can act as a yardstick to measure business growth. Since women-owned businesses often are not as large as men-owned businesses, setting an annual revenue target can act as a ceiling for getting funding. Aspire for sizable annual revenues.

- ***Avoid maxing out personal credit cards for funding business***

Apply for a business credit card as soon as you start your business. It will help prevent “maxing out” your personal credit card (which carries the consequence of negatively affecting your credit rating). Using a business credit card is one of the best ways to secure and establish credit history for your business.

- ***Consider ‘financing’ as a key business problem to solve***

Financing is challenging, no doubt, but how will you get your business off the ground without startup capital? There are many funding solutions today, and using the internet to find them has made the process easier than ever before. Banks (both large banks and regional ones), institutional investors, alternative lenders, credit unions, and non-profit microlenders are sources for women entrepreneurs in search of funding. Remember that different levels of financing are appropriate at each stage of a business’ growth plans.





Setting Up Business and Beyond

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Significance of Right Business Structure

Business structure has a great impact on your business' taxable amount and paperwork. It is based on three factors: liability, taxation and record-keeping. It is important to choose the correct structure for your business entity in order to protect your personal assets as well as to save your money.

Depending on the aforementioned factors and your individual preference, one can choose any of the following business structures:

Sole Proprietorships

- Owner remains personally liable for lawsuits filed against the business.
- No state filing required to form a sole proprietorship.
- Easy to form and operate.
- Owner reports business profit and loss on their personal tax return.

Limited Liability Companies (LLCs) & Corporations (C-Corps)

- Independent legal structures are separate from their owners.
- Help separate personal assets from business debts.
- There are certain tax advantages of incorporation that your CPA can detail for you.
- A number of different companies specialize in helping entrepreneurs establish the legal business format for their companies.
- Additionally, your accountant or attorney may also be able to guide you through the process.



Why Should One Incorporate a Business?

Formal structure of your business entity helps you determine the licenses you will require for your business operations. The legal structure of your business helps you protect the registered name of your business and establish credibility in the market. Besides, it can be beneficial for your business in varied other ways:

Personal Asset Protection

- Allows owners to separate and protect their personal assets.

Credibility and Name Protection

- Adding “Inc.” or “LLC” after your business name adds legitimacy.

Perpetual Existence

- Independent legal structures are separate from their owners.
- Tax flexibility.
- Owners of LLCs can be elected to be taxed as a corporation.
- Corporations can avoid double taxation of corporate profits and dividends by electing Subchapter S tax status.

Deductible Expenses

- Both corporations and LLCs may deduct normal business expenses, including salaries, before they allocate income to owners.



Latest Payroll and HR Related Trends

New developments in payroll and human resource segment can have great impact on the small businesses. Factors like emergence of mobile banking and stringent online payment security are of great importance as well. Similarly, up graded employee retirement packages including optional workplace saving programs are available to women business owners. Also, the Tax Increase Prevention Act of 2014 will help the entrepreneurs in dealing with their tax burdens.



Banking Developments

- Businesses trending towards increased payment security and mobile payment acceptance
- More payroll cards will be introduced

Employee Retirement Packages

- U.S. Treasury to introduce new optional workplace savings programs
- Incentives for small businesses to open retirement plans

Taxation Issues

- Tax Increase Prevention Act of 2014 signed into law
- Bonus depreciation and accelerated expensing of asset purchases



Biz2Credit's Annual Business Study FY 2013-14

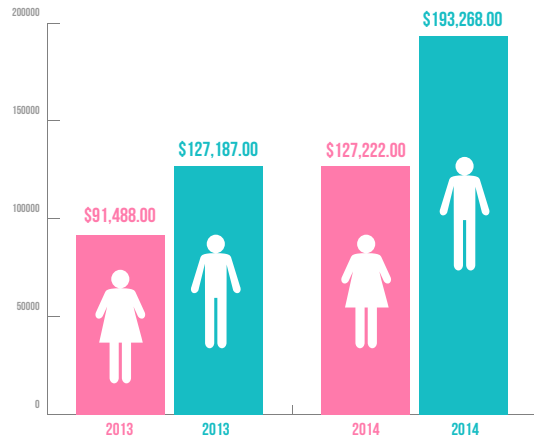
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Biz2Credit's Annual Business Study: Key Findings

Biz2Credit's annual study of 15,000 companies this year found that average annual revenues and loan approval percentages of women-owned companies increased significantly in 2014. Female-owned businesses registered a growth of about 40% in a year-to-year comparison. Other key findings of the study:

- Average earnings for women-owned businesses rose to \$67,950 in 2014 from \$54,114 in 2013, an improvement of more than 25%.
- 36% more women-owned businesses applied for credit in 2014 than in 2013.
- The average credit score for women-owned companies dropped from 610 in 2013 to 600 in 2014.
- Retail trade businesses represented 19.58% of the women-owned companies in the study, largest category of businesses.

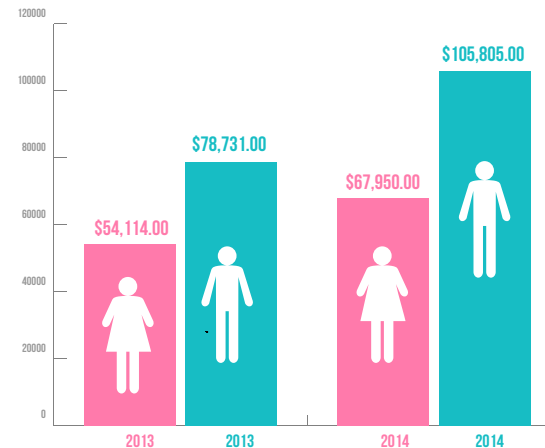
AVERAGE ANNUAL REVENUE



Average annual revenues increased nearly 40% in 2014

Revenues jumped to \$127,222 in 2014, up from \$91,488 in 2013

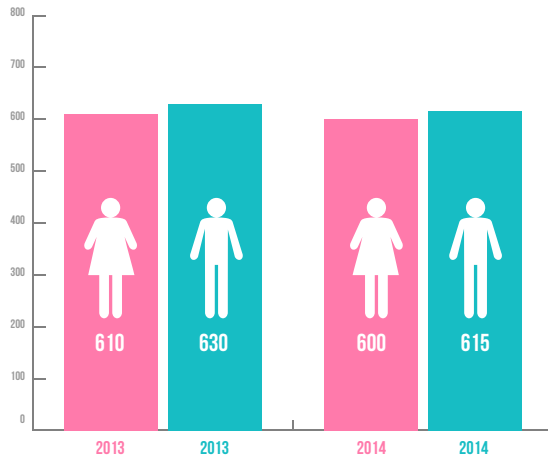
AVERAGE EARNINGS



Average earnings increased more than 25% in 2014

Earnings rose to \$67,950 in 2014, up from \$54,114 in 2013

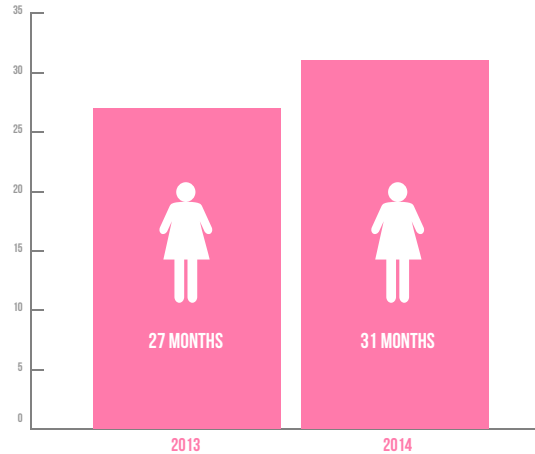
AVERAGE CREDIT SCORE



Average credit scores dropped by a few points

Average credit score for women-owned companies dropped by 10 points as compared to 2013 figures.

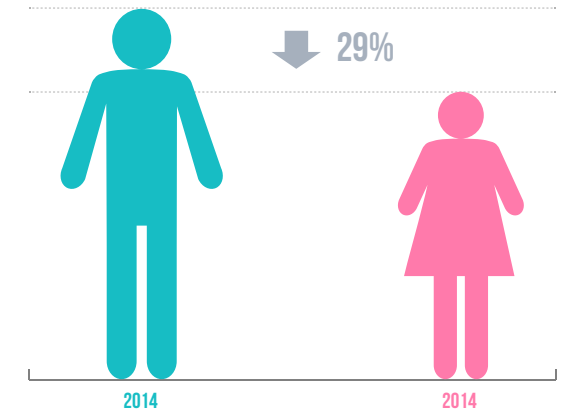
AGE OF BUSINESSES



36% More women-owned businesses applied for credit

Average age of businesses applying for funding rose to 31 months in 2014, up from 27 months in 2013.

APPROVAL RATES FOR BUSINESSES



Lower Approval Rates

Approval rates for women-owned businesses were 29% lower than male-owned businesses.

5 Reasons that Improved the Fortunes of Women Entrepreneurs: Biz2Credit Study

- **Reason 1**

The overall improved economy has made it easier for women-owned businesses to get loans.

- **Reason 2**

Peer-to-Peer or “Marketplace Lending” by institutional investors in the small business credit marketplace is changing the industry. While big bank lending is up, they tend to focus on larger amounts. Marketplace lenders are charging attractive interest rates and offering longer terms, thereby taking market share from factors and cash advance companies.

- **Reason 3**

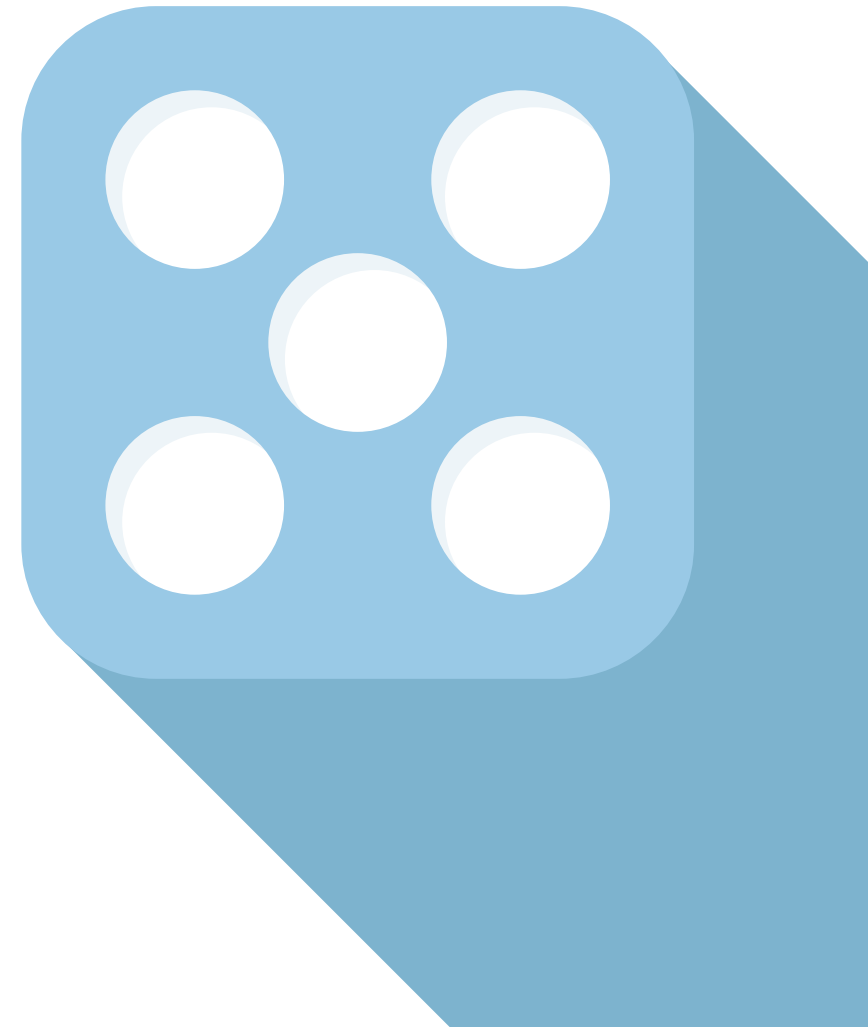
With experience, women-owned businesses have become more competitive, more efficient, and more cost effective than ever before.

- **Reason 4**

Online lending portals have made it easier for borrowers to reach banks, marketplace lenders, microlenders and other types of financial institutions.

- **Reason 5**

Startup costs of all types of businesses have gone down. Companies don't need big offices, and many of them are hiring part-time employees who can work virtually from home on their laptops or tablets and smartphones.



Thank you !

To hear Rohit Arora, CEO Biz2Credit, talk about Women's Small Business 2015 Outlook at a recent webinar, [click here](#).

For more information about **Biz2Credit**

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Disclaimer: This e-book has been created keeping small business owners in mind. While Biz2Credit suggests what all should be done with business loan proceeds, it is completely borrowers discretion to use the funding as deemed fit to them.