

The Economic Impact of Women-Owned Businesses in Northeast Florida

Hassan Pordeli
Jacksonville University
hpordel@ju.edu

Gordon McClung
Waynesburg University
gwmccclung@mac.com

Gwen Martin
Center for Women Business Research
gmartin@cfwbr.org

Abstract

This study provides a detailed analysis of the economic impact of women-owned businesses in Northeast Florida by using primary data collected through direct surveys and government sources. The available sample data was used in the IMPLAN (Impact Planning) model to estimate the economic impact. IMPLAN is a PC-based impact analysis software developed by the Minnesota IMPLAN Group, Inc. The IMPLAN model was specific to the Northeast Florida region that served as the focal point of this study. The Study reveals that 37,373 women-owned businesses in the seven counties of Northeast Florida were responsible for an estimated \$18.8 billion in total economic impact in 2006. These business activities generated an estimated \$11 billion in value added, \$6.7 billion in wages and salaries and created 225,000 jobs in Northeast Florida. The results of this study indicate that women-owned businesses in Northeast Florida play a significant role in the economic development and health of the local economy. Their economic activities and total annual spending in the community generate a tremendous level of support for all other business sectors in the region. While concentrated in the service and retail sectors, women-owned businesses span all industries in the seven counties, and clearly affect all industries in terms of spending power.

Key Words: IMPLAN, Output Effect, Income Effect, Employment Effect, Direct Impact, Indirect Impact, Induced Impact.

Introduction

In 2007, the Jacksonville Women Business Center commissioned a groundbreaking study to establish comprehensive data on women-owned businesses in Northeast Florida, identify their economic impact on the region's economy, obtain benchmark and identify their needs. The research reveals that 13 percent of Northeast Florida's women business owners gross more than \$1 million in sales each year. Nationally, the percentage for women business owners who gross more than \$1 million in sales is 3 percent, according to the Center for Women's Business Research in Washington D.C. This study provides a clear picture of the value and impact of this segment to the economy and a roadmap for the future. Women-owned businesses are growing at twice the rate of all businesses and have done so for nearly three decades. Women business owners are optimistic about the future and two-thirds plan to grow their businesses over the next three years. It makes good business sense for the community to support these firms by providing knowledge, skills and tools for their growth. This research focuses on the region of Northeast Florida, on which baseline data had not been previously established. The findings reveal that 33 percent of all businesses in Northeast Florida are owned by women. However, only 11 percent of all revenues are generated by women business owners in Northeast Florida. One possible explanation may be due to the fact that majority of these businesses are relatively small and only have been in business for five years or more. This study provides a comprehensive and detailed account of the full economic impact of women business owners in Northeast Florida. The Davis Marketing Center at Jacksonville University collected survey data from 424 women business owners within the seven-county Northeast Florida region. A model of economic activity and interdependencies representing the flow of economic activity in the seven-county study area provides the direct, indirect and induced impacts. The more detailed data results are shown in tables (2) and (3).

Scope of the Study

This economic impact analysis focuses on seven counties of Northeast Florida (Duval, St. Johns, Nassau, Flagler, Clay, Putnam and Baker) and is comprised of several components. Specifically the report analyzes three types of economic impacts:

1. Output Effect: A measure of total sales or revenues generated by women business owners in Northeast Florida.
2. Income Effect: A measure of total income generated within the community by women business owners of Northeast Florida.
3. Employment Effect: A measure of the number of jobs created in the community by women-owned businesses.

In addition, the direct, indirect and induced impacts of the above categories are generated by IMPLAN as well.

- Direct Impact: The direct output effect represents the purchase of goods and services by women business owners from other businesses in the greater Jacksonville area.

- **Indirect Impact:** The indirect effect represents business-to-business transactions. These transactions occur when the suppliers of the women business owners purchase goods and services from other suppliers in the community.
- **Induced Impact:** The employees of the women business owners and the employees of the indirectly affected businesses purchase goods and services in Northeast Florida. These Purchases create the second wave of economic impacts commonly known as the induced effect.

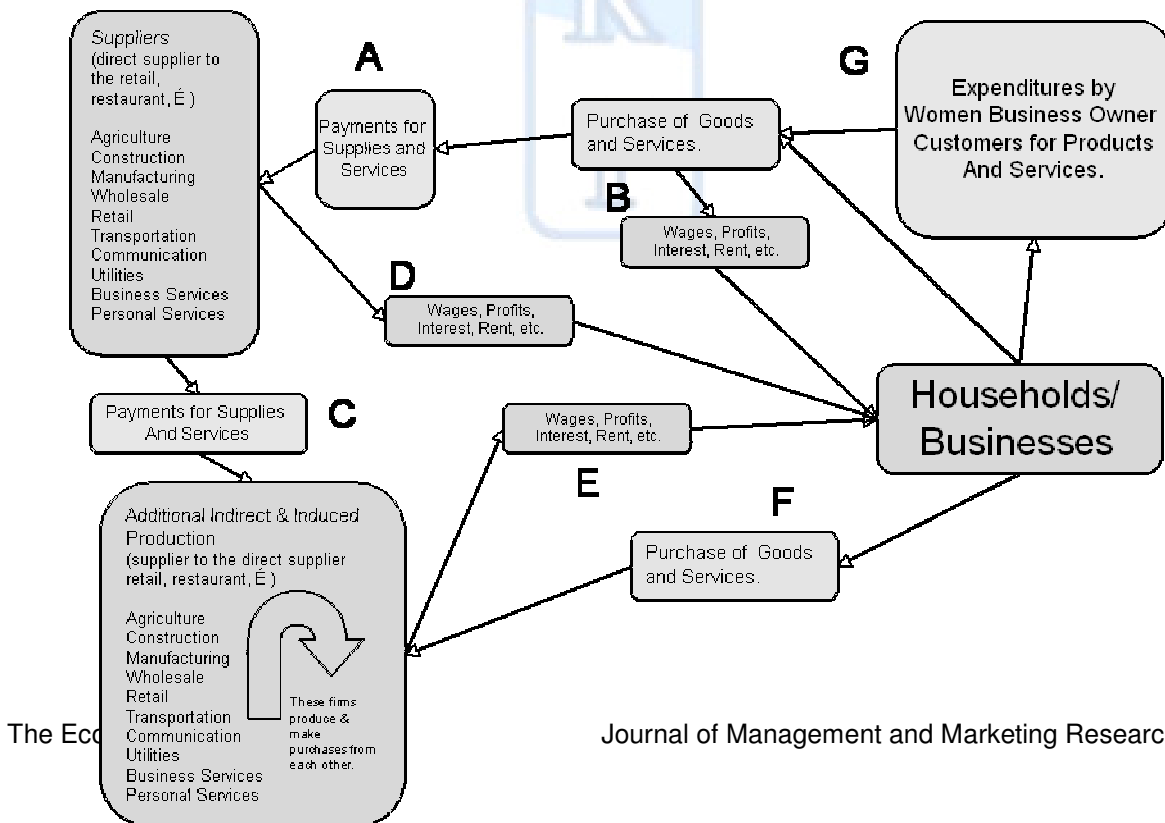
How Women Business Owners Create Jobs and Income

The products and services of women business owners create significant economic benefits that reach virtually all industries in Northeast Florida. Some key questions include:

- What is the total spending for Northeast Florida's women business owners?
- How many jobs are supported by these expenditures?
- How much are the wages and salaries associated with the jobs supported by products and services of the women business owners (WBO) in Northeast Florida?

Figure 1 depicts the circuit of economic activity that begins when WBO products and services are purchased by households or other businesses (G). From those receipts, WBOs make purchases from suppliers (A) and pay wages to their employees (B). Suppliers, in turn, purchase goods and services from their own suppliers (C), and so forth on down the line.

Figure 1
How Women Business Owners Create Jobs and Income



During the process, all suppliers pay wages and other income to their employees, owners, etc. (D and E). The households of workers then purchase a full complement of household goods and services (F) as well as becoming customers of women business owners' products and associated services (G), beginning the circuit again.

The economic impact model and tables provided within the report address all three levels of impact that generate the total economic impact: The direct economic impact results from spending. The indirect impact follows from the subsequent purchases by the businesses of goods and services from their suppliers and in turn the suppliers to these suppliers. The induced impact refers to the spending by all employees of these inter-related businesses on their household market baskets.

The discussion that follows provides an overview of the full economic impact generated by spending for women business owners' products and services.

Methodology

At the Jacksonville University's Davis Marketing Center, trained and supervised student interns conducted telephone interviews of women business owners within a seven-county region in Northeast Florida. Questions asked during a telephone interview can be classified into two types: closed-ended and open-ended. The majority of survey questions directed at WBO's in the region were closed-ended. The survey instrument, which was provided by the Center for Women Business Research in Washington D.C., was tested to ensure reliability. Samples for telephone interviews were drawn from a national sampling service. The listed sample provided the names of target respondents (along with their respective contact information). To qualify for the study, respondents had to be 50 percent or greater women-owned companies. The restriction of 50 percent women business owners makes data comparable to national statistics. For the proposed study, WBO's were randomly drawn and asked each one to complete the oral survey. The sampled businesses were located in seven different counties: Duval, Clay, St. Johns, Nassau, Flagler, Baker and Putnam. A total of 424 surveys were completed out of a projected number of 37, 373 women-owned businesses in Northeast Florida. Once the data collection was completed, survey data then were entered into SPSS for analysis and reporting. The survey data on annual sales and employment were used in the IMPLAN model to generate the total economic impact for the sample. The 2007 survey of women-owned businesses in Northeast Florida attained substantial results in output, labor and employment categories. We compared our sample size with the size of the projected population of the seven counties (37,373) and applied this to the results of the sample analysis. The total population line in table (2) reflects those aggregate results.

IMPLAN Model

IMPLAN is a PC-based impact analysis software system developed by the Minnesota IMPLAN Group, Inc. It is a complex and highly accurate forecasting model commonly used in economic impact studies to estimate the impacts associated with economic events, inter industry linkages and economic policies. The IMPLAN software

system allows the projection of secondary or multiplier effects of changes in direct sales for one industry within a particular community. Multipliers can be estimated for a county, groups of counties or for the entire state. They project changes in sales, income and employment.

The total impact of WBOs is separated into three parts: direct, indirect and induced. The direct impact results from the total spending by WBOs' customers. The indirect impact is the inter-industry purchases made in response to the direct sales. The induced impact adds the household spending by employees and owners of all the firms with direct and indirect sales.

The economic impacts reported in this study are based on multiple sources including spending obtained from the survey conducted by the Davis Marketing Center, Jacksonville University and secondary government data sources. The IMPLAN impact model for the Northeast Florida region was developed by Jacksonville University's Davis College of Business. This model is based upon the standard economic input-output technique.

The direct economic impact reported in this study will vary from direct customer spending in a subtle but important way. In order to accurately assess the impact of customers, purchases at retail stores must be converted from purchaser to producer prices. This process, called margining, assigns the correct expenditures of customers to the manufacturer, transporter, wholesaler, and retailer. To understand why this process is needed, remember that retailers provide a service. They purchase final goods from wholesalers to sell to consumers. Wholesalers similarly provide a service of distributing a final product from the manufacturer to the retailer. Assigning the entire purchase to the retail industry would underestimate the importance of the wholesale and manufacturing sectors.

Another important factor to keep in mind is that not all goods purchased by customers are manufactured or distributed to retailers by firms located in Northeast Florida. The IMPLAN model accounts for leakages to out-of-region wholesalers, transporters, and manufacturers, thereby reducing the direct impact below the total amount spent by customers.

Detailed Analysis of IMPLAN Model Results

The direct employment and sales data generated by the 2007 survey of women business owners in the Northeast Florida region provide useful information concerning the size and types of economic inflows created by activities of women business owners. However, there are additional and secondary economic impacts related to these activities. These secondary (multiplier) economic activities occur in the form of the indirect and induced effects that result when the women business owners and their employees use their revenues to buy goods and services from other businesses in Northeast Florida. The direct sales and revenues generated by women business owners produce a secondary effect (indirect and induced) throughout Northeast Florida, the sum of which represents the total economic output.

The sales and employment data from the women-owned businesses in Northeast Florida are used in the IMPLAN model to estimate the total output, income and employment effects. These results are shown in table (2).

Output Effect

The women business owners of Northeast Florida were directly responsible for the purchase of \$12,060.9 million worth of goods and services from the local businesses and suppliers. The indirect output effect of \$3,381.5 million represents purchases made by women business owner's suppliers from other local businesses. The induced output effect of \$3,381.7 million represents the amount of goods and services that women business owned employees purchase from other vendors in Northeast Florida. The total output or sales created in the community is estimated to be \$18,810.1 million.

Income Effect

The 37,373 women business owners in Northeast Florida directly paid \$4,394.5 million in payroll to their employees in the form of labor income. This direct income generated \$1,232.1 million worth of indirect income. In addition, the induced income is estimated to be \$1,150 million. The total income effect that is the sum of direct, indirect and induced effects is estimated to be \$6,776.6 million.

Employment Effect

Women-owned businesses in Northeast Florida were directly responsible for creating 155,792 jobs and indirectly created 32,719 jobs. The spending of their employees created 37,374 jobs. In aggregate, women business owners created 225,885 jobs in the greater Jacksonville area.

Detailed IMPLAN model results, the output, income and employment impacts by all seven counties and the five most impacted business sectors by women-owned businesses are shown in tables 2-5.

Table (1) Women-Owned Businesses of Northeast Florida

Number of Privately-Owned Businesses	1997	2002	% change 97-02	% change 02-06	2006[est]
Baker	137	197	43.8	35.0	265
Clay	2,753	3,155	14.6	11.7	3,524
Duval	13,268	17,733	33.7	26.9	22,503
Flagler	817	1,701	108.2	86.6	3,174
Nassau	979	1,431	46.2	36.9	1,959
Putnam	757	1,077	42.3	33.8	1,441
St. Johns	2,781	3,626	30.4	24.3	4,507
Total	21,492	27,920			37,373

37,373 [2006 estimated Women-Owned Businesses in seven counties of NE Florida]

The 2007 survey of women business owners was used in combination with the IMPLAN results to project the total economic impact.

All three major economic impact estimates for the entire 37,373 women-owned businesses in the seven counties of Northeast Florida are shown in table (2).

Table (2)
Economic Impact of Northeast Florida's Women Business Owners

Output [SM]				Income [SM]				Employment [SM]			
Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
12,060.9	3,381.5	3,381.7	18,810.1	4,394.5	1,232.1	1,150	6,776.6	155,792	32,719	37,374	225,885

The 2007 survey of Northeast Florida's women-owned businesses attained substantial results in each category. We compared our sample size with the size of the entire population of the seven counties [37,373] and applied this to the results of the sample analysis. The total population line in the above table reflects those aggregated results.

Conclusions

This study provides a comprehensive analysis of the economic impact of women-owned businesses in Northeast Florida by using primary data collected through direct surveys and government sources. The available sample data was used in the IMPLAN

model to estimate the total output, income and employment for women-owned businesses and then the total economic impacts were estimated and derived from the IMPLAN results. The IMPLAN model provided the basis to estimate and conclude that the 37,373 women-owned businesses in seven counties of Northeast Florida were responsible for an estimated \$18.8 billion dollars total economic impact in 2006. These business activities generated an estimated \$11 billion dollars in value added and \$6.7 billion dollars in total income and created more than 225,000 jobs. These findings indicate that women-owned businesses in Northeast Florida play a significant role in the health of the local economy.

By comparison: all businesses (including women-owned businesses) in the seven counties of Northeast Florida accounted for the following economic impacts*:

1. \$115 billion in direct output (women-owned businesses accounted for \$12 billion)
2. \$20 billion in direct labor income (women-owned businesses accounted for \$4.4 billion)
3. 575,000 direct jobs (women-owned businesses accounted for 155,792 direct jobs)

*[The more detailed data results are shown in table (3)]

Table (3)

	# Firms	Revenues \$K	# Employees	Payroll \$K
U.S.	25,349,939	26,471,946,350	117,072,405	4,697,856,668
Florida	1,759,815	1,325,910,103	6,885,031	242,371,285
County				
Baker	1,340	599,958	4,651	116,123
Clay	12,657	5,622,518	44,359	1,035,683
Duval	62,610	93,398,880	438,182	16,350,665
Flagler	8,274	2,552,548	14,014	370,802
Nassau	6,168	2,528,113	13,471	433,361
Putnam	4,726	2,707,580	12,239	345,972
St Johns	16,937	7,534,077	47,716	1,232,146
	112,712	114,943,674	574,632	19,884,752

Personal services and retail are the two dominant areas of business for women business owners in Northeast Florida. Slightly less than 53 percent of all businesses are

in the service industry and approximately 17 percent are in retail. While concentrated in the service and retail sectors, women-owned businesses span all industries in the seven counties, and clearly affect all industries in terms of spending power. The most impacted sectors in terms of sales and employment are shown in tables (4) and (5).



Top 5 Sectors Impacted
 The Most Impacted Sectors (2006)
 Table (4)
 Top 5 in Sales

Industry	IMPLAN sector
Real estate	431
Insurance	428
Trucking & transportation	394
Veterinary & pet services	449
Travel services	456

Table (5)
 Top 5 in Employment

Industry	IMPLAN sector
Miscellaneous store retailers	411
Child day care	469
Real estate	431
Trucking & transportation	394
Household goods repair & maintenance	486

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