

WOMEN'S ENTREPRENEURSHIP STUDY

PAYPAL CANADA AND BARRAZA & ASSOCIATES

August 2018



When entrepreneurs succeed, Canada succeeds.

Representing 97.9% of Canada's businesses,¹ small businesses are the lifeblood of the Canadian economy. But, for small businesses to truly thrive, Canada needs an inclusive economy where business owners of all backgrounds can realize success.

Driven by this vision and as an enabler of small business growth, PayPal Canada conducted an in-depth landscape study to better understand women's entrepreneurship in Canada. Bringing greater clarity to the experiences faced by women small business owners is particularly relevant given the Canadian federal government's focus on women's entrepreneurship.

PayPal Canada's study findings exposed a 58% revenue gap, with women entrepreneurs earning \$68,000 less annually than their male peers running similar businesses. Ultimately, bridging this revenue gap could unlock an additional \$88.2 billion in contribution to the Canadian economy.

Narrowing such a significant discrepancy in earnings between women and men entrepreneurs is no small task. However, study findings show that e-commerce tools play a pivotal role in closing the revenue gap, and increasing the earning potential for women entrepreneurs. In fact, women entrepreneurs using e-commerce tools reported earning 75% more than female peers who do not sell online. Increased access to capital was also highlighted as a revenue catalyst, yet access to funding remains a barrier.

Women entrepreneurs in Canada are pulling many of the right levers to position their businesses for success. With the right tools and support, women entrepreneurs can unlock tremendous benefit for the Canadian economy and for all Canadians.

BY THE NUMBERS

CANADIAN WOMEN ENTREPRENEURS EARN 58% LESS THAN MEN

\$88.2B

Potential additional median revenue that could be generated if women-owned businesses earned the same as men-owned businesses.³

58%

Gap in reported median revenues between women and men entrepreneurs for the same type of work.

E-COMMERCE TOOLS NARROW REVENUE GAP AND INCREASE EARNING POTENTIAL

44%

The revenue gap shrinks to 44% when businesses leverage e-commerce in some way.

75%

Women entrepreneurs using e-commerce tools report earning 75% more revenue than their female peers who do not sell online.

WOMEN ARE LAUNCHING ONLINE BUSINESSES IN RECORD NUMBERS

50%

Of the online businesses launched in the past two years are owned by women.

83%

Of women entrepreneurs selling online are under age 55.

— Vs —

1.4M

Women entrepreneurs in Canada.²

42%

Of their male peers are age 55+.

LIMITED ACCESS TO CAPITAL IS A BARRIER TO GROWTH

2 of 3

Female SMBs agree that “female business owners face more barriers than male business owners.”

47%

Of women-owned businesses leveraging e-commerce have trouble securing external investment.

— Vs —

67%

Of male-owned online businesses say it is easy to find external investment.



WOMEN-LED BUSINESSES REPORT LOWER MEDIAN REVENUES THAN MEN YET ONLINE BUSINESSES ARE CLOSING THE GAP

Median Firm Revenue	Women-owned businesses	Men-owned businesses	Revenue Gap
SMBs without e-commerce solutions	\$40,000	\$111,000	64%
SMBs using e-commerce solutions	\$70,000	\$125,000	44%
All SMBs (online & offline)	\$50,000	\$113,000	56%
Combined median revenue across six top verticals ⁴	\$50,000	\$118,000	58%

What constitutes online? Businesses using e-commerce indicated using any one of the following online payment methods as part or all of their revenue streams: having a website enabled to process credit or debit card payments, using an online marketplace, using a virtual terminal, using electronic invoicing, or using PayPal. Businesses operating without e-commerce tools indicated they did not use any of the above listed tools.

THE E-COMMERCE OPPORTUNITY

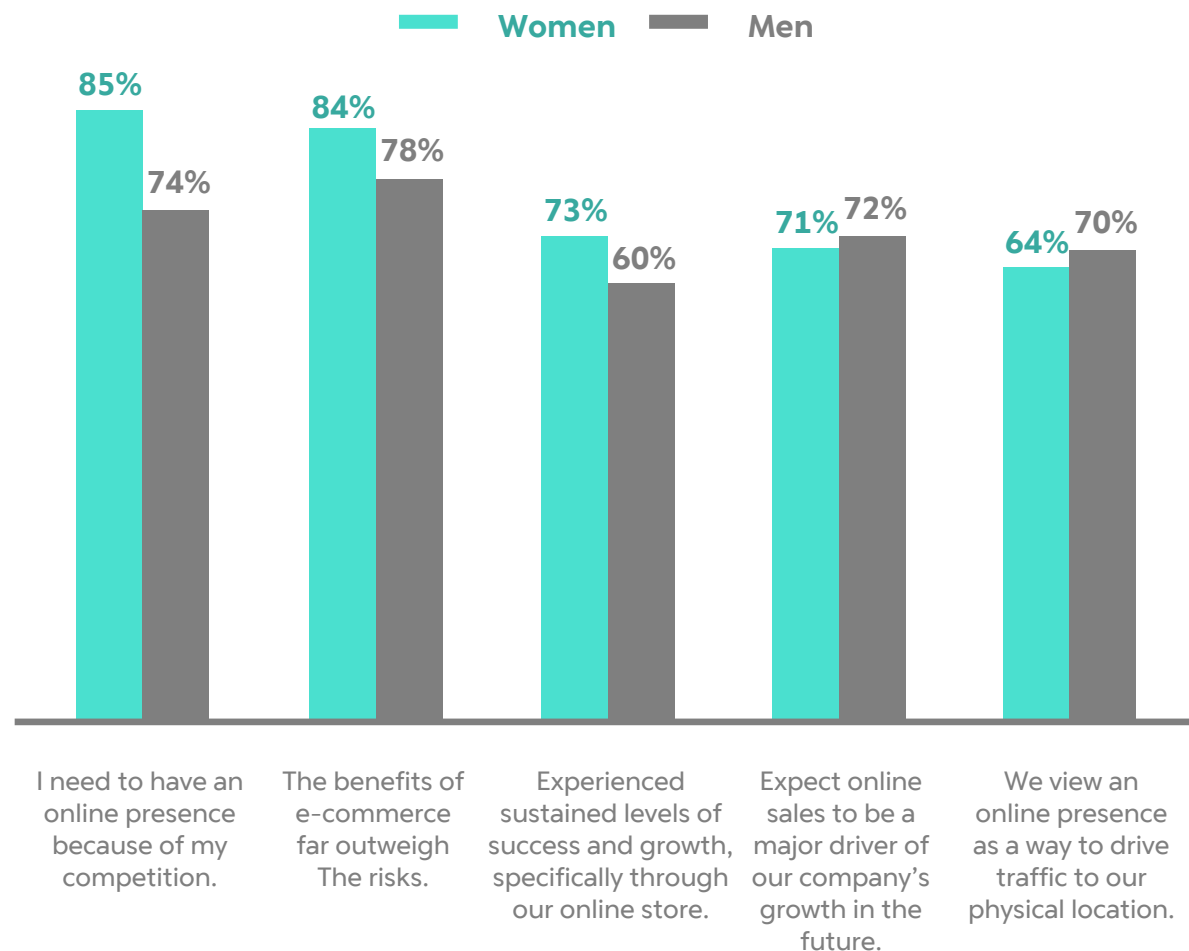
E-commerce tools play a pivotal role in closing the revenue gap, and increase the revenue potential for women-owned businesses.

73% of women entrepreneurs selling online highlight e-commerce as a factor for sustained growth and success.

85% of these women recognize that they need an online presence to keep pace with competition.

In comparison, male entrepreneurs in this segment are less likely (60%) to attribute e-commerce to their success and fewer men (74%) see selling online as a competitive advantage.

Online SMBs Opinions About E-commerce Opportunities and Barriers





Entrepreneur Spotlight Alethea Robinson, See Girl Work

For Alethea Robinson, becoming her own boss meant overcoming emotional barriers. Alethea now runs a marketing and content consultancy, while also managing See Girl Work, a blog and online platform that offers advice and workshops for women entrepreneurs just like herself.

When sending her first invoices, Alethea was constantly worried that she was pricing her services too high or that her work wasn't worth it. "My biggest hurdle was learning how to value my time and charge for it," she says.

Alethea is not alone in facing confidence challenges. In fact, two-thirds of female-led SMBs feel that women face more barriers than men. But Canada is full of women just like Alethea, who are young and hungry to grow. Women entrepreneurs tend to be younger than their male counterparts, with 83% of women SMB owners under 55.

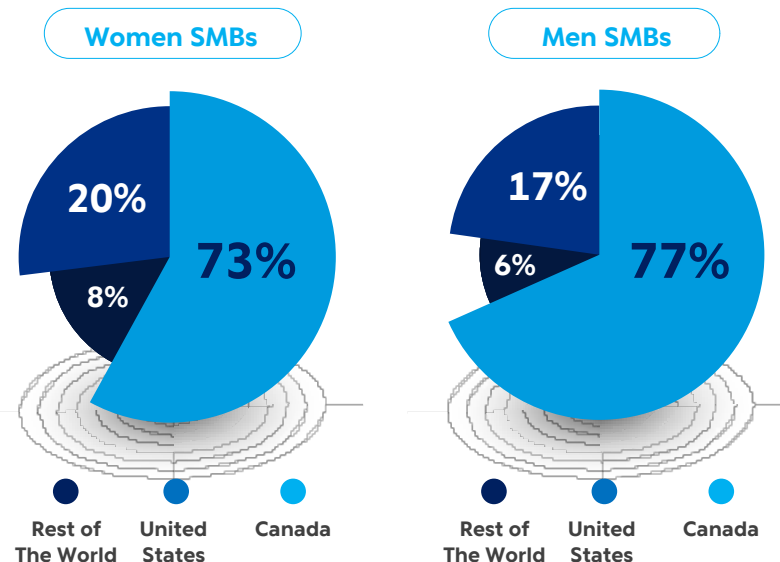
Alethea kept working hard to grow her skills and find resources online, ultimately growing her client base, and her confidence alongside it. "For me, I think the reason I'm able to do this is because all the resources are available if you just look," she says. "If I wanted to do this 10 or 15 years ago, I probably couldn't have."

Now, she's encouraging other young women to follow a similar path, offering online tools, resources and in-person workshops to those who want to grow their own businesses online. She's also become a champion for women valuing their work properly so we can close the revenue gap.

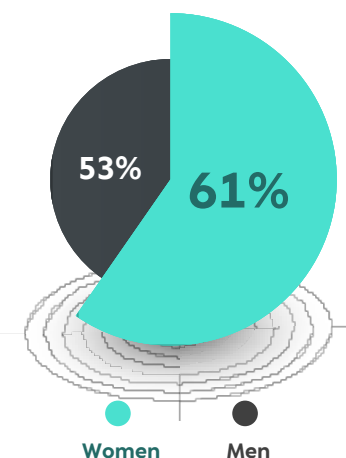
INTERNATIONAL TRADE HELPS BUSINESSES REACH NEW HORIZONS

Women entrepreneurs are more likely to engage in and see the value of cross-border selling, leveraging the power of e-commerce to enable their business activity. 28% of women-owned online businesses sell around the world, and 61% indicate that selling internationally has made their business more successful. In contrast, only 23% of men-owned businesses sell cross-border, and only 53% agree it has made their company more successful.

Approximately what percentage of your online sales is from Canada, the US, and the rest of the world?



Selling across the border and in other markets has made my company more successful





Entrepreneur Spotlight

Jennifer Fowlow, Wild North Flowers

When Jennifer Fowlow set out to enter the flower industry with an online-only model, she faced a lot of naysayers.

"Our focus is to make ordering flowers online easy and enjoyable, a process that has traditionally been a pain," says Jennifer, founder of Wild North Flowers, which offers locally grown bouquets to the Greater Toronto Area. But traditional florists told her it just wouldn't work.

"I think the biggest hurdle was ignoring everybody and being really confident that I was doing it that way for a reason... and I wanted to be different."

Flash forward two years and that confidence has paid off.

Jennifer credits her online model with allowing her to grow the Wild North Flowers brand quickly and become recognized for its specific aesthetic. Through social media and selling online, she was able to become the go-to for beautiful, local flower arrangements in the region – all available at her buyers' fingertips. "Our business only exists because we are an e-commerce business," she says.

Jennifer is just one example of the many women leveraging e-commerce to grow. In fact, 85% of women recognize that they need an online presence to keep up with their competition. Today, Jennifer has a vision to create a floral empire, all online.

LIMITED ACCESS TO CAPITAL IS A BARRIER TO GROWTH

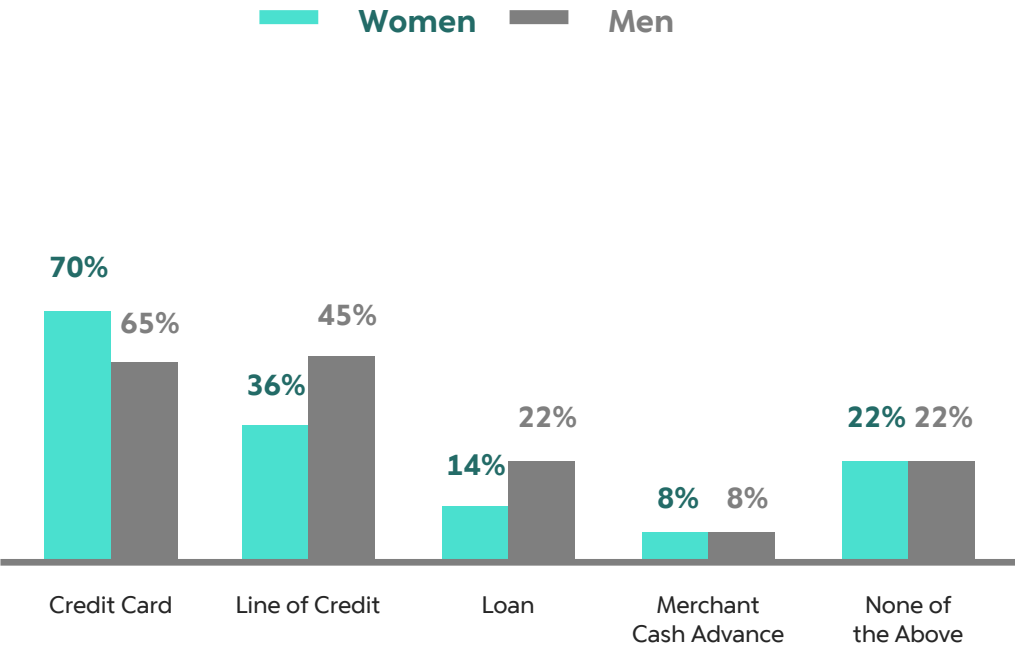
Women entrepreneurs using a line of credit, loan or merchant cash advance report earning double the median revenues of their peers without this financing:



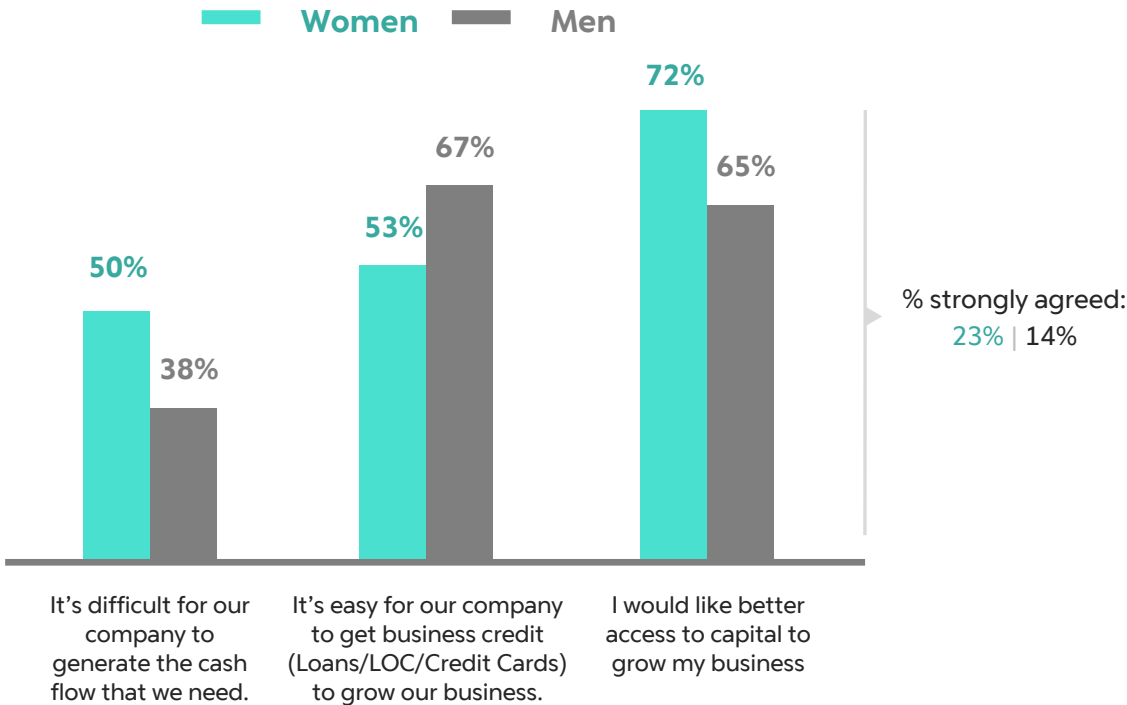
47% of women-owned businesses leveraging e-commerce have trouble securing the external investment they need to scale, whereas the majority (67%) of men with online businesses find it easier to do so.

One-half of women business owners said it is difficult for their company to generate the cash flow they need. Men business owners were less likely to agree with this statement.

Current Usage of Financing Solutions



Need for and Access to Capital





Entrepreneur Spotlight Julie Yoo, I Miss You Vintage

The fiery founder of I Miss You Vintage runs a thriving vintage fashion business, selling one-of-a-kind designer finds on consignment through two bricks-and-mortar locations, and a variety of online channels including an e-commerce website, shoppable Instagram posts, third-party online retailers and more.

The world of designer fashion can be glamorous, but Julie's foray into life as an entrepreneur had humble beginnings. Julie is the daughter of two newcomers to Canada who worked incredibly hard, but who also had limited resources. Shopping for preowned clothes as a kid with her mom was, in part, what ignited her passion for vintage clothing. A few years later, Julie's love for fashion blossomed into a budding business as she started to sell her finds online.

"I'd love to say it was entirely a passion project, but in truth I Miss You Vintage was sort of born out of necessity," Julie says. "I was a young, single mom, and I had to make sure I could put food on the table. There was no safety net to fall back on."

For three out of four women, e-commerce has been a major part of driving their business forward. Julie is no exception to that. I Miss You Vintage took off, fueled by Julie's ability to connect to vintage fashion lovers through a variety of online channels.

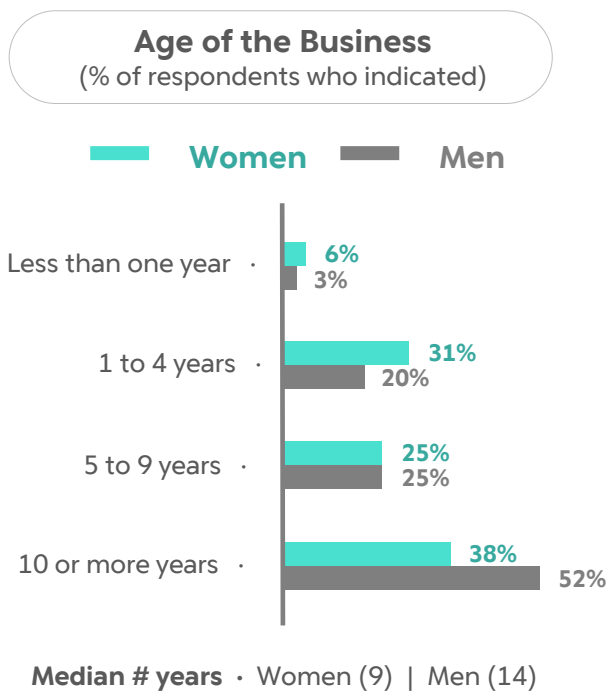
Selling vintage goods, especially some of the one-of-a-kind pieces Julie does, is a niche market. But selling online has allowed her to reach people around the world who share her passion for rare and beautiful items – and turn a profit at the same time.

Today, I Miss You Vintage's customer base spans Canada and the United States, but also Europe, Australia, the Middle East and Asia. Julie is constantly experimenting with new online sales channels as they emerge to continue building those global connections.

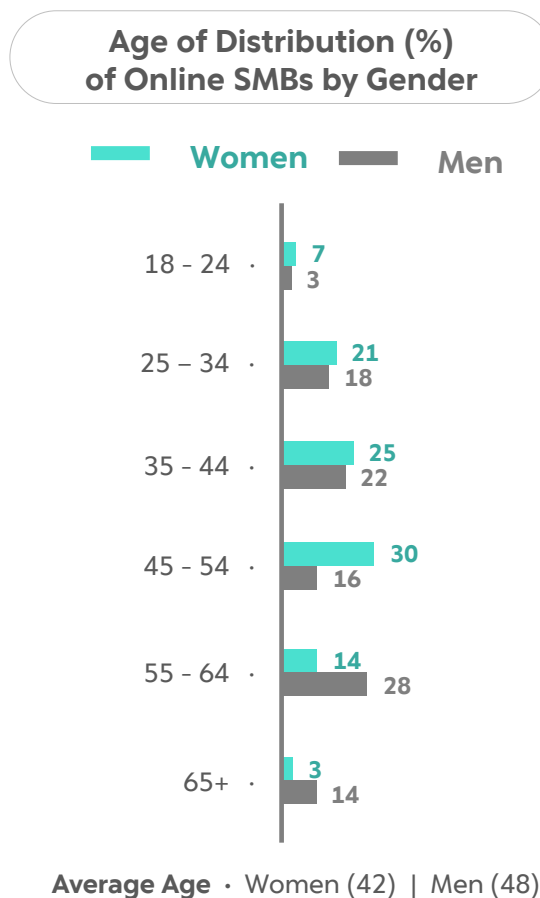
More importantly, selling online lets Julie work and grow her business from anywhere, which is especially important to this mom who's always on the go. "Ultimately, I really love what I do," she says. "I like seeing the reward based on my efforts."

HUNGRY TO GROW AND YOUNGER THAN MALE PEERS

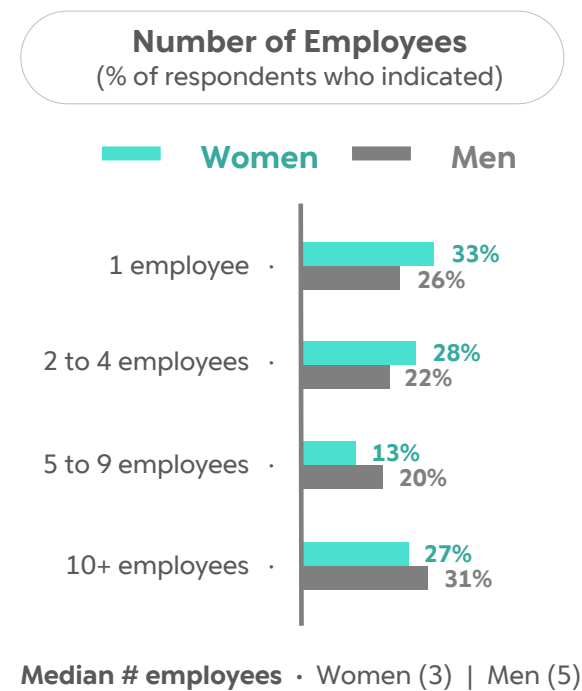
Of businesses launched in the past two years, half (50%) are owned by women.



Women business owners are younger than their male peers.



61% of female SMBs have five employees or fewer, compared with 48% of male SMBs.





Entrepreneur Spotlight Emma Harris, Healthy Pets

Healthy Pets founder Emma Harris didn't let her hurdles stop her from pursuing her passion – even when it became clear just how costly creating a tech company from scratch can be.

The idea of Healthy Pets came to Emma after her dog, Bo, suffered severe lung issues as a puppy. Accessing veterinary care wasn't always seamless or convenient – a problem Emma decided to fix. How? By enabling customers across Canada to request on-demand video chat appointments with verified veterinarians. Its unique model helps to lower costs, reduce wait times and cut time spent in travel for pet owners.

To get up and running, Emma had to take on some tough challenges, including updating legislation in her home province to allow for telemedicine for animals. But then came the biggest challenge: funding her idea.

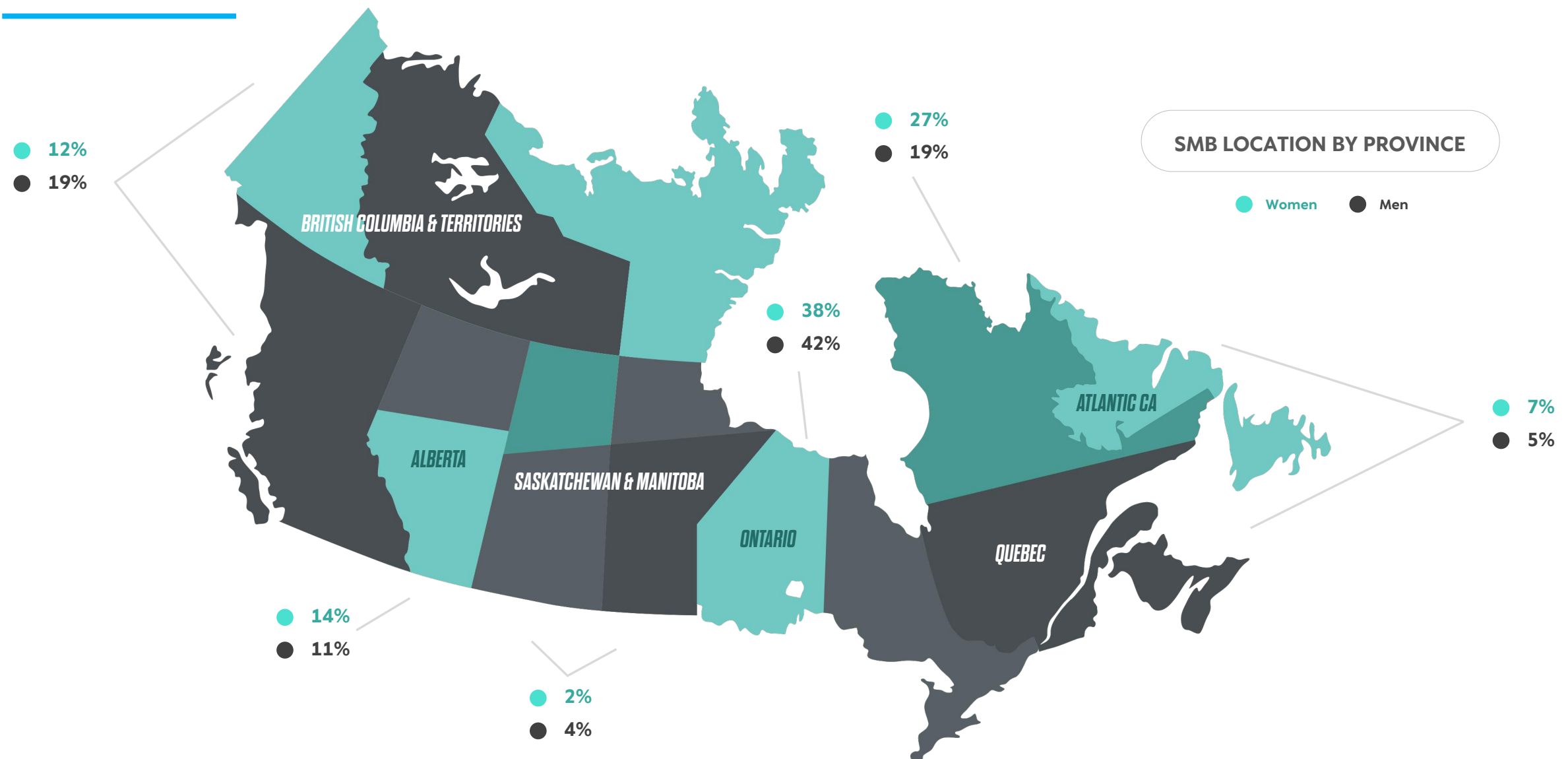
Like Emma, many women entrepreneurs face barriers when it comes to securing funding for their businesses. In fact, nearly half (47%) of female entrepreneurs have trouble finding the funding they need to grow their business. In Emma's case, she couldn't get a loan to start her small business without leaning on her personal network to co-sign an application. Eventually she turned to venture capital, which was daunting at first.

"Confidence issues definitely started for me during the fundraising process," she says. "I was asking for less than I should have been asking for, by a significant amount."

Ultimately, through pitch competitions and venture capital, Emma secured \$100,000 in equity-free funding for Healthy Pets. Emma has since grown her company, building a team of eight employees with plans to expand beyond her home province of Ontario.

Now, technology and e-commerce are allowing Healthy Pets to scale and reach more pet owners who may otherwise struggle to receive care. "Our model is scalable in a less capital-intensive way because everything we do is digital, everything is fueled by the internet," she says. "From that perspective, it simplifies my life."

LOCATION BREAKDOWN OF CANADA'S SMBs BY PROVINCE



WHO IS BUYING FROM CANADIAN SMB OWNERS?

MEN-OWNED SMB CUSTOMERS



WOMEN-OWNED SMB CUSTOMERS



An individual consumer who uses your product or service



A full-time business



A social group of consumers, such as parents, colleagues, or friends, etc.



A casual seller who resells your product or service

SURVEY METHODOLOGY

An online survey was conducted by Barraza & Associates on behalf of PayPal Canada between January 26 and February 27, 2018. A sample of 1,000 Canadian business owners completed the survey. Respondents indicated if they were male or female and were classified as selling online or offline, based on if they used any of the following online payment methods: having a website enabled to process credit or debit card payments, using an online marketplace, using a virtual terminal, using electronic invoicing, or using PayPal. Of those surveyed, women represent 40% of small business owners both with and without employees. The precision of the Barraza online survey is measured using a confidence interval. In this case, the survey is accurate to within +/- 3.0 percentage points.

FOOTNOTES

1

The Government of Canada statistic on the number of small businesses references solely employer businesses. The data revealed in this study reflects both employer and non-employer businesses.

2

1.4 million women entrepreneurs encompasses both employer and non-employer businesses.

3

Total unrealized revenue was calculated by multiplying the total number of women owned businesses (1.4 million) by the total median revenue reported by women (\$50,000) to get the current total median revenue figure (\$70B). To calculate the total potential median revenue if women earned the same as men, the number of women owned businesses (1.4 million) was multiplied by men's media reported revenue (\$113,000), resulting in (\$158.2B). The current median revenue for women was subtracted from the potential figure ($\$158.2B - \$70B = \$88.2B$), resulting in a missed total combined median revenue figure of \$88.2B.

4

Six top verticals include:

1. Goods Producing - Agriculture, Forestry, Fishing, and Hunting Natural Resources and Mining, Construction, Manufacturing
2. Service Providing - Trade, Transportation and Utilities: Wholesale Trade, Retail Trade, Transportation and Warehousing, Utilities
3. Service Providing - Professional and Business Services: Professional, Scientific and Technical Services, Management of Companies & Enterprises, Administrative and Waste Services
4. Service Providing - Education and Health Services: Educational Services, Health Care and Social Assistance
5. Service Providing - Leisure and Hospitality: Arts, Entertainment, and recreation; Accommodation and Food Services
6. Service Providing: Other Services: Other Services (Except Public Administration)

