Women entrepreneurs smash an old barrier
New technology speeds the growth of female-owned firms, making it easier to reach $1 million in revenues—and more.

By Elizabeth MacBride
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In February 2011, Raymond Thek was standing in the 19th-floor conference room at Lowenstein Sandler, ticking off the great companies coming through the law firm's program for early-stage firms. "Moda, Birchbox, Bauble, Have to Have, GoldRun," he told Aslaug Magnusdottir, a participant who was there as the CEO of Moda Operandi, first on his list.

"I realized as I was saying it that of the 10 founders of those companies, nine of them were women," he said.

Mr. Thek recognized the leading edge of a trend that has burst onto the New York City scene: the sudden surge in the number of fast-growth, scalable companies that are being run by women

Ms. Magnusdottir is one of them. Her company, which sells designer clothing at an average transaction value of $1,400, raised $36 million in venture funding this spring. Hayley Barna and Katia Beauchamp run Birchbox, which has a reported $7 million in revenue. Send the Trend, an accessories subscription service, was sold to QVC just 505 days after its public launch; it has 240,000 fans on Facebook, said its co-founder, Divya Gugnani, a serial entrepreneur.

They are just three companies that have emerged in New York in the past two or three years.

Of course, there have long been fast-growth, women-owned businesses in New York, like The Knot, co-founded in 1996 as a wedding site. It's now a public company with more than $100 million in annual revenue.

But the sheer number and the speed at which this cohort of companies is growing is causing observers to wonder if they're witnessing a real sea change in the culture. Is it no longer an anomaly for women to lead fast-growing, multimillion-dollar firms? Some believe that the timing is finally right.

"I think it really is all about creating a sense of urgency and energy and excitement about an idea," said Janet Hanson, who in 1997 founded a networking group for women, 85 Broads, that includes many fast-growth entrepreneurs. "This is something that women are encouraged to do in high school and college. You're now seeing women embrace that concept afterward, too."

The group now has about 30,000 members; Ms. Hanson said that a decade ago perhaps one in 10 new members had started businesses, but now six out of 10 have.

The fact that women rarely create businesses that scale up has long been known in academic circles, the topic of roundtable discussions and scholarly research. Just 1.8% of women-owned businesses crack the $1 million revenue mark, compared with 6.3% of men-owned businesses, said Alicia Robb, a senior research fellow with the Ewing Marion Kauffman Foundation, who wrote a book, A Rising Tide, on how more women can grow scalable businesses. That number had remained unchanged for the 10 years between 1997 and 2007, the latest year for which census data are available.
The idea of the glass wall is so much a part of the entrepreneurial ecosystem that there is an organization dedicated to the idea of getting women through it: Make Mine a Million, which helps women-owned startups win funding and matches them with mentors.

One difference about this group of entrepreneurs is that they are operating in the Internet economy—one of New York’s fastest-growing sectors. The reason that most women-owned businesses didn’t scale in the past is that women tended to start companies in the service and retail arenas—topping out at $200,000 to $500,000 in revenue. The Internet is making it easier to scale retail companies.

Many startups are riding the wave created by the success of the Gilt Groupe, which brought the fashion world to the attention of venture capitalists. Ms. Magnusdottir, for instance, used to work there. Her company lets people preorder runway collections before they arrive in department stores.

"There has been a lot of excitement in the investment community about the fashion space," said Ms. Magnusdottir, a co-founder.

**Promising start**

With hiring in finance down, women who might have gone to Wall Street a decade ago found other paths to success. Some, like Kimberly Skelton and Carla Holtze, founded companies right out of business school. Their company, Have to Have, which notifies consumers when items they want go on sale, is seen as a future star. They met at Columbia Business School and started their company in 2011. Its membership base has grown nearly 50% in the past six months.

These entrepreneurs are spending time on creating a scalable business model from the start.

Ms. Gugnani of Send the Trend began her entrepreneurial career after a stint in venture capital, a background, she said, that enabled her to construct her company's financings and recognize the value of a strategic investment in technology. She focused on accessories because they were easy to ship and there would be few returns. "They are fit agnostic—you can wear them if you are 90 pounds or 300 pounds," she said.

After the company built a following, she sought financing and invested in developing an intelligent algorithm that shows her customers items they are likely to appreciate.

"Technology was one of the leading reasons why QVC acquired the business," she said.

This generation of women entrepreneurs is also changing the narrative about what women want. They seem to be creating an identity that's built not around the idea of a career that allows space for family, but around the picture of a hard-driving woman in the office, baby in tow. Marissa Mayer at Yahoo—who said she plans to take a two-week maternity leave—is a high-profile example from the corporate world.

"Men have always seen themselves as breadwinners: 'If I’m working day and night, I’m supporting my family,' " said Bruce Bachenheimer, clinical professor and director of entrepreneurship at Pace University. "Women [working that hard] saw themselves as not doing a good job for their families. That is starting to change."

Ms. Gugnani had a C-section with complications four months ago and was back at work a week later. "I just make it work ... and I feel good about it," she said.

A generation ago, work-life balance meant fewer hours working. For this generation, it means flexibility. New tools certainly make it easier to run a millions-in-revenue business and handle a family.
'New-girl networks'

Another woman-owned startup, Dapple, makes organic cleaning supplies and is on track to reach $1 million in revenue this year. Co-founders Tamar Rosenthal and Dana Rubinstein have eight children between them. They're involved in the usual rounds of gymnastics, music lessons and sports.

"We use BlackBerrys and iPhones to stay in touch with the office. I know some think of it as a leash, but we find it very liberating," said Ms. Rosenthal via email.

New networking organizations are helping, too. Some companies have been helped along by groups like 85 Broads, Ladies Who Launch and Astia. Men have been able to rely on the old-boy network—the "new-girl networks" are seen by some as even more powerful. Ms. Hanson, for instance, who made her money on Wall Street, has served as an angel investor for a number of women-owned startups, including SoleMates, which makes high-heel protectors, and YourTango, a site about dating and relationships.

"[These networks] are not a vague thing in the background," said Mr. Bachenheimer. "It's whom do you pick up the phone and call ... when you need talent?"

Probably the clearest case for the idea that the glass wall is cracking is the way in which success begets success. The number of women on the scene now is likely to spawn the next, larger generation.

"I absolutely love being an entrepreneur," said Ms. Magnusdottir, whose company's revenue is growing at a rate of 70% to 100% per quarter. "Nothing beats working for yourself ... having created something that other people have become passionate about."

Tips on how women business owners can crack the $1 million glass wall

Marketing is queen

Figure out your target market and find the right way to reach it. But be prepared for the deluge. Send the Trend, which ships boxes of accessories to its members, was featured on The Nate Berkus Show and signed up thousands within 24 hours. A month later, the company was featured on Today. "I sat at my desk and cried," said CEO Divya Gugnani. "Our site kept crashing. I learned my lesson and decided we had to raise some money [to invest in technology]."

Consider your business model

If you want to create a company with fast-growing revenue, sell expensive items. Moda Operandi’s costs are low (it has only 60 employees), but because it sells expensive items—designer clothing from runway shows—it hit the $1 million revenue mark in its first quarter.

Expand your product line

Dapple launched with one product, a dish liquid for cleaning baby bottles, in 2008. The company's next product was a toy cleaner. Since then, it has rolled out four new products, most of them in 2011 and 2012, each coming in different forms (wipes and liquids, and many in fragrance-free options). The new products are responsible for 60% of the company's growth.

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