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The Silent Rise of the Female Driven Economy



Coded Patriarchy || Women-Centered Innovation || Female Driven Economy

Women represent the largest disruptive force in business—and the business world is unprepared. Currently women are the largest unserved market in business as a result of *coded patriarchy*—the assumption of male as default and exclusion of female perspectives in nearly every domain. Put very simply, most of the structures, design, technology and products we interact with are designed with male as the default.

This has led to an echo chamber in the business environment that has created the largest unaddressed market in business. This market has been largely ignored for decades by the mostly male-led companies and investment teams who function as gatekeepers to capital, and are unable to see opportunities outside of their lived experiences.

With the success of companies like *The Honest Company* and *Thinx*, we're seeing the rise of *women-centered innovation*: products and services designed for women by women, based on the pain points women experience in daily life. The existing ecosystem of companies and funds is unprepared to understand this massive opportunity, much less identify, invest in and nurture this next generation of companies. What implications will this disruptive force have for technology, business and future investment trends?

Full Article

Understanding Our World

Few people know that the wheel track—the distance between the center of the wheels across the width of a vehicle—is a standardized measurement that has not changed since it was designed in 300 BC.

This one, simple, design element has stayed largely constant from the width of the Roman gladiator's chariot, to the width of horse-drawn carriages in Victorian England, train tracks in the 1800's, to today's automobiles. The wheel track even determined the size of the spaceships we launched into outer space because the ships' components had to be transported via trains, with standardized wheel tracks, to the launch pads. We don't think about it, yet human history has been shaped around this one design element for centuries.

The wheel track still affects us every day—it determines the size of our roads, the plans of our cities, the paths we walk on our way home. It impacts what time we wake up to go to work in the morning (determined by how many cars can fit on the roads) and how big our neighborhood park is.

The wheel track is an invisible, implicit and unstated force that few have ever thought about.

It's an invisible organizing principle that quietly orders your life.

Patriarchy is very much the same:

It delineates our choices,

It narrows our definitions,

It defines what is taboo,

It defines what is acceptable,

It defines what is valued and why,

It defines what is “default” and what is “other”,

It defines what is rewarded.

Coded Patriarchy

We rarely stop to think about the ways that patriarchy shapes our daily lives as an invisible organizing principle. We’re largely unaware of the way the female perspective is quietly omitted in design, business, technology, clothing and even our cities. A few examples:

Cities:

- The average women struggles to open doors when going in and out of buildings—because most doors are designed for the tensile strength of an average man^[i]^[ii]
- Long lines for women’s restrooms reflect poor design; women do up to 5 things in a restroom, and men do one: “many public restrooms continue to be facilities that are equal in physical space, while favoring men’s bodies, experiences, and needs“^[iii]
- According to many building codes, pregnant women are categorized as “disabled” because their needs are (necessarily) different from those of the average man.

Automobiles:

- When airbags were first released, hundreds of women and children were injured or killed when the bags deployed. The reason? The group of male engineers who designed them were all over 250 lbs and didn’t think to test for women^[iv]
- While every car has a cup-holder, there is no place for a woman to place her purse or her shoes (yes, shoes).

Technology:

- Of the top health trackers (Apple, Fitbit, Nike)^[v]—not one had a period tracker at release, even though half of the target customer base

tracks periods as part of their normal health routine, and health trackers are primarily used by women

- Naming a flagship product “iPad” when half of your consumers are women who associate that with hygiene
- Designing “personal assistant” AI with a female interface, i.e.—Alexa, Siri, Amy.

We Live in a Silent *Female-Driven Economy*

Women are the single largest productive economic force, and drive almost every economic indicator—but you would be forgiven for not knowing this fact.

Women control 85% of consumer spending globally.^{[vi][vii]} Why? Because your average woman makes purchases for herself, her husband or partner, her children and also her elderly parents. Women make 70% of major financial decisions for themselves and their families, everything from auto, insurance, home and investment. In the US alone, women control \$14 trillion assets or roughly 60% of personal wealth and 51% of stock, which is expected to climb to \$22 trillion in 2020. Globally, women control \$36 trillion in total wealth.^[viii]

Based on statistics released in 2015^[ix], *women collectively represent the second largest economy in the world based on earned income vs GDP. Remember that these number don’t account for the fact that women are paid 25–40% less than men globally,^{[x][xi]} and that your average women does an estimated 4.5 hours of unpaid work daily (22.5 hours per week).^[xii] In developing countries, women are doing as much as 10x work as men. Adjusted for these factors, women would likely be the largest collective economic power on the planet—let that sink in. A conservative back of the envelope calculation accounting for these factors, results in an estimated ~\$19T in true productivity.*

Graph: Country GDP vs Global Female Earned Income

Yet in most countries, we have poor data as to women’s true productivity because women’s work often isn’t properly tracked or captured by economic indicators. **Only a fraction of the total productive work women do globally is reflected in traditional economic indicators.** GDP or “gross domestic product” is the economic indicator for measuring the strength of a country’s economy. Designed by men and defined as “the total value of everything produced by all the people and companies in the country,” GDP

calculations have literally no way of accounting for women's uncompensated labor—an area of productivity that is foundational to the function of every economy in the world. ***Current staggering estimates are that women globally produce a minimum \$10 trillion in uncompensated labor.*** [\[xiii\]](#) [\[xiv\]](#)

The Irrationality of Markets

With all of this data, you'd expect companies and businesses to invest heavily in balanced or female-heavy teams to better understand and engage with their core customers.

However, when we look at business, we see the opposite. Women are largely excluded from senior management positions across every industry from business, advertising agencies, media, health and even technology. Technology companies employ approximately 20% women, but they're mostly shut out of coding, innovation and design divisions. Out of 1,500 S&P CEOs, there are fewer female CEO's than there are CEOs named John.[\[xv\]](#) Despite the increased scrutiny when it comes to funding and entrepreneurship, women's access to capital is decreasing: in 2015 women were receiving 15% of total VC funding, and those numbers have declined to 2% in 2017.[\[xvi\]](#)

Funds, markets, and investment have continued to flow in ways that run contrary to the logic of objective data on the immense opportunity presented by the economic force of women.

The Coming Wave of Disruption

The new generation of women is increasingly stepping into entrepreneurship and innovation. Yet as they do so, we are seeing a wave of businesses with *women centered innovation* at the core—meaning, products and services that are designed to reflect women's pain points and direct needs. This may seem like a minor point—but keep in mind that this simple assertion disrupts thousands of years of social conditioning to “code” for the masculine.

Almost all of the products and services women purchase are created, designed, built and sold to women by men. This means that most products women use are uncomfortable or ill-suited to their needs.

In business, investors often chase emerging markets—invest early and wait years for the investments to yield above market returns. We saw this with markets like India, China and, most recently Africa.

Yet, I would argue that women are the single largest opportunity in the market today—overlooked, underfunded. There are few markets left in today’s world with no competition—yet this is exactly the state of affairs when it comes to women. While there are 23 billion pairs of shoes sold globally in 2015,^[xvii] it’s estimated that men own an average of 12 pairs of shoes while women own an average of 27 pairs of shoes.^[xviii] Women spend an estimated four and a half times more on clothes and shoes than men^[xix]—however, there are almost no shoes designed by women with women in mind. And the same is true across almost every category that women consume with very few exceptions.

The result is that any new product will be the first and likely market leader. However, unlike your standard emerging market, you don’t have to wait years for the market to mature. Women are already a fully matured market in terms of size and economic spending. There’s almost no gap or lag time. In addition, due to the lack of access to capital, women don’t have the luxury of building wildly unprofitable businesses for 5–7 years^[xx]. As a result women are more likely to build revenue-positive businesses.

The result is that women’s companies can grow at an incredibly fast pace. Thinx reached tens of millions in revenue in 2 years. Honest Company was valued at \$1 billion in under 5 years.^[xxi]

The Impact

As women begin to innovate products based on their own pain points, what will result is a fundamental shift in consumer buying, belief, and behavior patterns based on the following:

Preference for female-designed products in all areas

Greater scrutiny and dissatisfaction of products and services that aren’t. Similar to consumer awareness of “organic” and “sustainable”—when they are on the shelf next to other products it increases scrutiny on, and dissatisfaction with, the products that don’t meet these new criteria. Seeing “cage-free” and “free range” mark on your eggs makes you look suspiciously at brands with unlabeled cartons.

Expectation of female-focused messaging and branding

Female audiences will be less willing to engage with branding and messaging that is not authentically crafted with female-driven insights. “Pink-washing” will not be enough to sway consumers. Existing companies and brands that haven’t invested in promoting feminism,

inclusion within their teams and upper management will lose the battle to new companies that have built their companies from the ground up with these principles baked into their DNA. Brands that win will have to employ the Unilever approach—doubling down on brands like Dove, which actively engage with women, and drastically shifting the messaging and channels used to reach the target audience.^[xxii]

Purpose and Planet: Women are systemic thinkers and consumers

Beyond addressing women's direct needs, many WCI-designed products and brands have sustainability or social impact at the core of their product. For example, Honest Company is focused on organic, non-toxic products for baby and home. Thinx reduces the environmental impact of disposable hygiene products. Watermelon WTR supports organic farmers while addressing the inherent waste in our food system—up to 50% of edible produce is disposed of for cosmetic reasons.^[xxiii]^[xxiv] Purpose is a key driver of millennial women's purchasing behaviors, and drives this dominant new consumer base to choose one product over another. Further, trends suggest that millennial women will consume differently, buying fewer disposable products.

Quick Waves of Adoption

Because so few products and services reflect women's needs, women have learned not to trust advertising. Recent research shows that 99% of millennials are not influenced by advertising. Instead, women have formed ancillary networks through which they seek and share referrals to understand the efficacy and fit of a product for themselves before buying.

This accounts for the very different behaviors of men and women online. Women join more networks, share and refer content 62% more often than men; using social networking to make connections and form communities, while men prefer content oriented sites that can increase their status.^[xxv] The implications of this are profound for new product adoption rates because women operate as *organic evangelists*. As women find new products that they like the word will spread quickly, translating into faster uptake and adoption by other women.

Multiplier Effect

As pointed out earlier, women dominate consumer spending because they buy for so many other people within their immediate circles. Yet think of the multiplier effect across close circles—women engage in an

average of 68% of gift-buying activities and for a greater number of recipients compared to men: birthdays, bar + bat mitzvahs, wedding + baby showers, graduations, weddings, holidays. Men primarily report simply purchasing a gift for their wives.^[xxvi]^[xxvii] These are all touchpoints where women are passing along their product and service preference to their wider circles of influence. This is further supported by a recent Nielsen study which shows that multicultural millennials drive 47% of total US GDP and have a “profound influence on their peers, as well as both older and younger generations.”^[xxviii]

These factors will create a fundamental upheaval for brands and a shift in buying patterns that will be generational and more disruptive than expected.

Buying Patterns

Consumers, especially millennials are increasingly careful about their purchases. What we’ve seen in terms of the impact on buying patterns for heritage brands like Campbell’s and Kraft is that once these buying patterns shift away, they don’t shift back. Boston Consulting Group estimates that large companies have lost \$18 billion in sales to small companies in the 5-year period ending in 2014; the largest 25 companies lost a combined 5% share in the food and beverage industry alone.^[xxix]^[xxx]

Asleep at the Wheel

The current business, technology and investment establishment is asleep at the wheel. After decades of an “I’ll ask my wife” or “just make it pink and charge more” mentality when it comes to women’s products, along with decades of resistance to calls for diversification—which would have resulted in less hostile environments for female employees—existing institutions don’t have the internal resources and knowledge necessary to adapt. After fostering and rewarding cultures where the most capable women are talked over, poorly paid, rarely promoted and shut out of innovation, these firms will continue to lose their best female talent. *Further, these companies and funds don’t have the internal culture or external network to identify, invest in and nurture this next generation of companies.*

Long Term Implications: Rise of the Female Driven Economy

When a population controls 85% of consumer spending yet only receives 2% of venture funding, there is a fundamental disconnect at

the leadership level in the business and investment community. Women simply represent the largest arbitrage opportunity in the market today.

Rise of Female Investment Ecosystem

As the waves of female-founded companies reach liquidity events through IPOs or acquisition, a new ecosystem will form. We'll see a new wave of women founders and employees becoming serial entrepreneurs (like Jack Dorsey, Elon Musk), and launching their own VC and PE funds to reinvest in other female-founded companies in the WCI space.

Rise of Female Investor Class

Currently women control \$14 trillion in assets—approximately 60% of personal wealth and 51% of stock in the US (for comparison, US pension funds control roughly \$19 trillion in retirement and pension assets as of FYE 2016)^[xxx]. Yet most banks, investment and pension funds continue to focus their marketing on men. As female-founded companies go mainstream, *this silent female majority of investors will increasingly shift from being passive to active investors*. They will seek to invest in companies selling products they are using/familiar with, and will increasingly be sought out by female founders when they are fundraising. They will bypass the existing venture capital ecosystem and form their own. *This wave of female-controlled capital coming off the sidelines will be a gamechanger and will redefine how we quantify economic value.*

Mass Gutting of C-suites and Boards Across Corporate America and Investment Funds

The mass firings at Uber after the resignation of its CEO is the canary in the coalmine. Their executive suite was swiftly gutted, senior management and board members let go. Tone-deaf executives that are more Travis than Trudeau will not last. The environment will only grow less tolerant as the discussion around “women in business” begins to shift from harassment to bottom lines. As companies and boards see the profits that result from taking women seriously as customers, founders and innovators, we'll see a wave of changes in executive leadership. The darlings of the business world shifted from middle-aged men in Brooks Brothers suits, to college drop-outs in hoodies—it's about to shift again.

Heritage Brands Will Continue to Lose Women and Millennial Customers

Value of existing brands will decrease and those gains will not return. Heritage brands may hold on to older buyers but will struggle to remake their brands in ways that are authentic to women and millennial buyers. *Millennials are loyal to values—not brands.*

Implications for Women, Innovation and Leadership

The implications for women are profound, from a career, innovation and business leadership perspective.

First, every woman, by virtue of her lived experience, is now a walking hub of multi-million dollar business ideas. Any pain point experienced is a signal for innovation in a wide-open market.

Second, for the last 50 years that women have been integrated into the work force, they have traditionally been encouraged to reject or mask their femininity. However, leadership and innovation for women in the new era will mean bringing to work and leading with all of the things women have historically been told to leave at the boardroom door. Insights about our daily, lived experiences as women—from menstruation to motherhood—are all lucrative and growing spheres of business.

Finally, as a woman, every pain point you've experienced walking through daily life is an empire-building business idea that has never occurred to a single one of the Fortune 500 CEO's named John, Mark or James.

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