



NATIVE HAWAIIAN-OWNED FIRMS IN HAWAII'S TOURISM SECTOR

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Research and Economic Analysis Division

Department of Business, Economic
Development and Tourism

State of Hawaii

Executive Summary

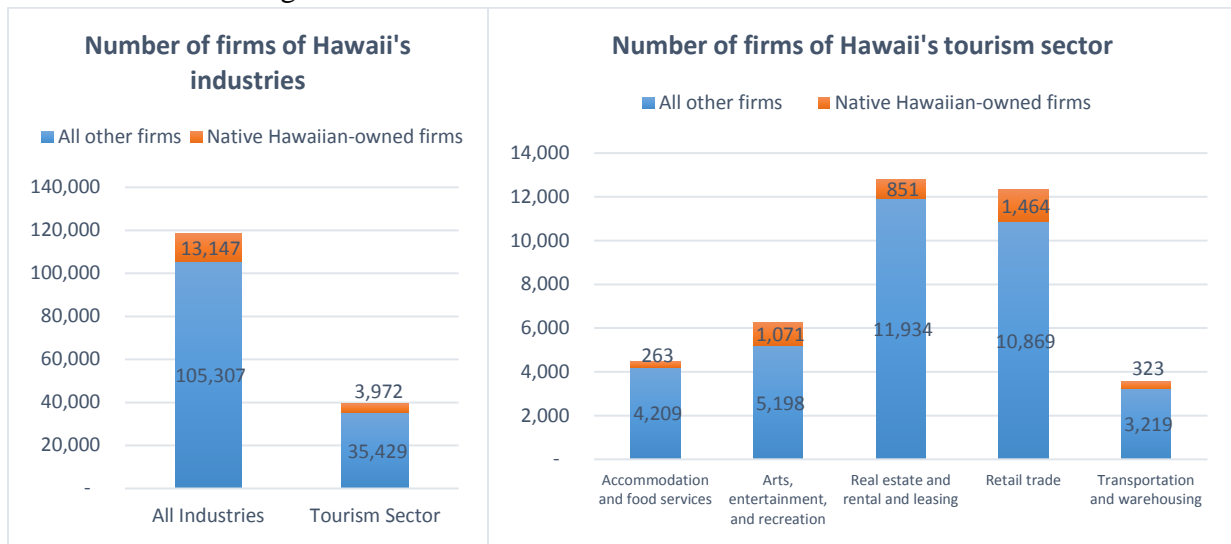
According to the U.S. Census Bureau data, Native Hawaiians owned a total of 13,147 firms in Hawaii in 2012. 3,972 or 30.2 percent of these firms were in the tourism sector and accounted for 10.1 percent of the total tourism sector firms in the state. Native Hawaiians were more active in the art, entertainment, and recreation industry, where 17.1 percent of the firms in the state were owned by Native Hawaiians. As shown in Table S1 below, Native Hawaiian-owned firms were smaller in terms of employment size, lower annual average wage, and lower annual sales per firm as compared with state averages. However, workers in Native Hawaiian-owned firms in the art, entertainment, and recreation industry earned more than those working at non-Native Hawaiian-owned firms. Furthermore, Native Hawaiian-owned firms in accommodation and food services and in art, entertainment, and recreation industries grew faster during the 2002-2012 period in both the number of firms as well as the total value of sales as compared with the same industries for all firms. Among the four counties, Honolulu County had the largest number of Native Hawaiian-owned firms across all five tourism-intensive industries.

Table S-1: Comparison between Native Hawaiian-owned firms and State total firms

	Average number of paid employees per firm	Average annual wage per employee (\$1,000)	Average sales per firm (\$1,000)
All firms in Hawaii state			
Tourism sector	25.1	29.4	984.4
All sectors	20.2	38.5	862.1
Native Hawaiian-owned Firms			
Tourism sector	9.5	25.7	160.9
All sectors	7.9	34.6	147.5

This report is an overview of Native Hawaiian business ownership¹ in Hawaii's tourism sector². Here the focus is on five tourism-intensive industries: accommodation and food services, arts, entertainment, and recreation, real estate and rental and leasing, retail trade, and transportation and warehousing. The data source is U.S. Census Bureau, Survey of Business Owners: 2002, 2007, and 2012.

Figure 1. Number of Native Hawaiian-owned firms: 2012



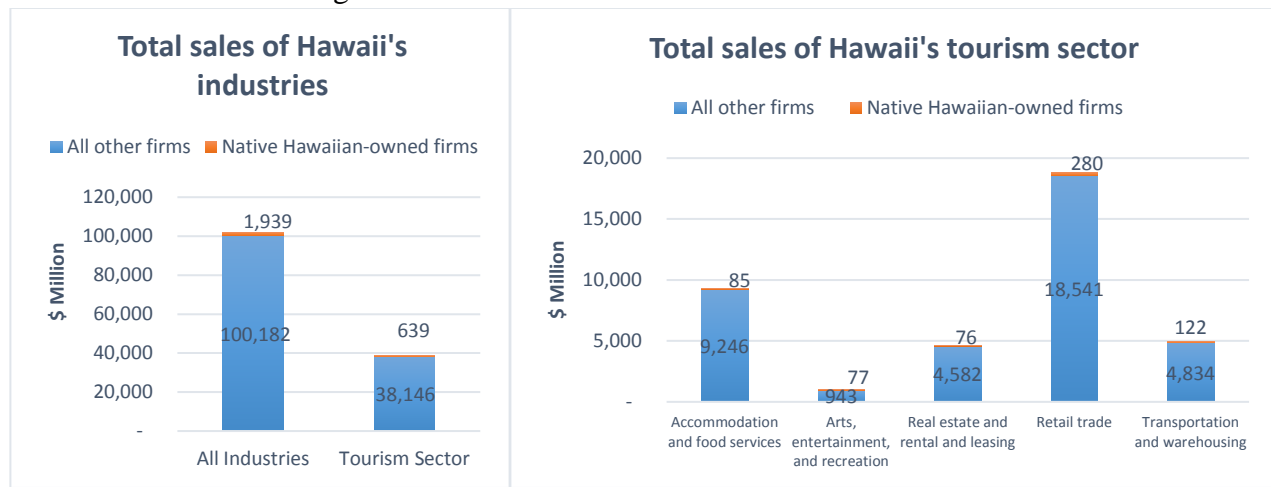
Industries	All firms		Native Hawaiian-owned firms		
	Firms (number)	% of firms in Hawaii state	Firms (number)	% of NH-owned firms in Hawaii state	% of firms in the industry
Accommodation and food services	4,472	3.8	263	2.0	5.9
Arts, entertainment, and recreation	6,269	5.3	1,071	8.1	17.1
Real estate and rental and leasing	12,785	10.8	851	6.5	6.7
Retail trade	12,333	10.4	1,464	11.1	11.9
Transportation and warehousing	3,542	3.0	323	2.5	9.1
Tourism sector subtotal	39,401	33.3	3,972	30.2	10.1
Other industries	79,053	66.7	9,175	69.8	11.6
TOTAL	118,454	100.0	13,147	100.0	11.1

¹ Native Hawaiian-owned firms are firms which Native Hawaiians own 51 percent or more of the stock or equity of the business. Native Hawaiian includes respondents who indicate their race as "Native Hawaiian" or report entries such as Part Hawaiian or Hawaiian.

² According to the North American Industry Classification System (NAICS), tourism is not classified as an industry. Most tourism studies define tourism as a sector which consists of partial of industries such as accommodation, food services, retail trade, transportation, and so on. This report looks at the five tourism industries. According to DBEDT 2012 Input-Output model, these five industries accounted for about 90 percent of all visitor expenditures.

In 2012, Native Hawaiians owned 3,972 firms in the tourism sector, which is about 30 percent of all Native Hawaiian-owned firms. This ratio was slightly lower than the state level, where one third of firms were in tourism sector. These 3,972 firms owned by Native Hawaiians accounted for 10.1 percent of all firms in the tourism sector. Within the tourism sector, majority of Native Hawaiian-owned firms were in the retail trade and arts, entertainment, and recreation industries, that is, 1,464 and 1,071 firms respectively. These accounted for 11.9 percent of all firms in retail trade and 17.1 percent in arts, entertainment, and recreation, indicating that the latter was one of the industries populated by Native Hawaiian-owned firms.

Figure 2. Sales of Native Hawaiian-owned firms: 2012



Industries	All firms		Native Hawaiian-owned firms			Comparison of average sales*
	Sales and receipts (\$ Million)	% of sales in Hawaii state	Sales and receipts (\$ Million)	% of NH-owned firms in Hawaii state	% of sales in the industry	
Accommodation and food services	9,331	9.1	85	4.4	0.9	0.15
Arts, entertainment, and recreation	1,020	1.0	77	4.0	7.5	0.44
Real estate and rental and leasing	4,658	4.6	76	3.9	1.6	0.25
Retail trade	18,821	18.4	280	14.4	1.5	0.13
Transportation and warehousing	4,956	4.9	122	6.3	2.5	0.27
Tourism sector subtotal	38,785	38.0	639	33.0	1.6	0.14
Other industries	63,336	62.0	1,300	67.0	2.1	0.19
TOTAL	102,121	100	1,939	100	1.9	0.17

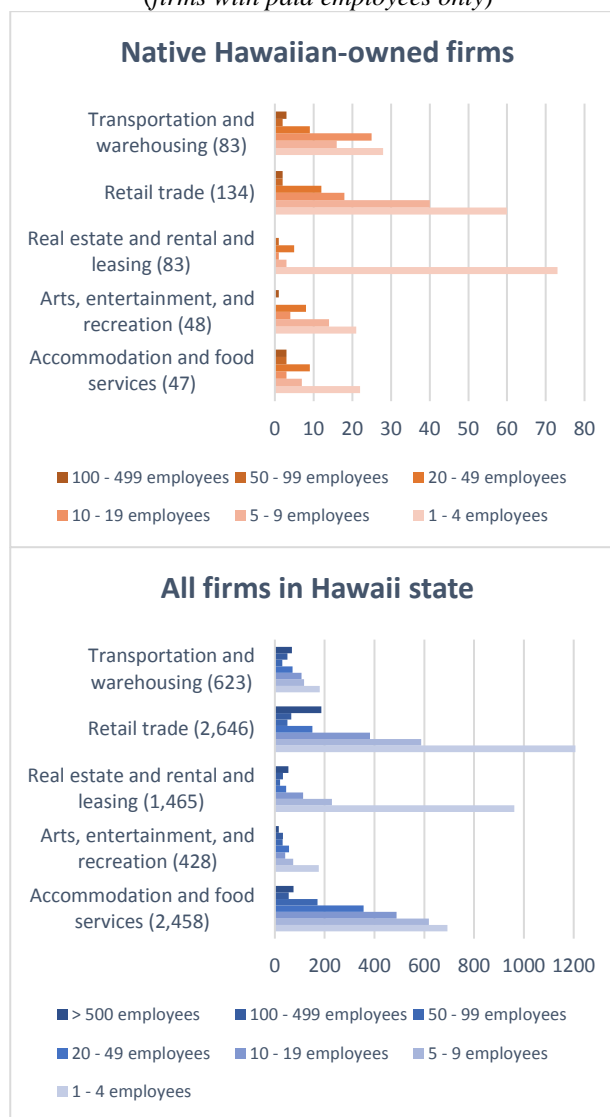
*: the last column shows the ratio of average sales of Native Hawaiian-owned firms in a particular industry to that of all firms of that industry in Hawaii. Average sale is sales per firm. A number smaller than 1 indicates that the average sales of Native Hawaiian-owned firms was less than the state level in that industry.

The 3,972 Native Hawaiian-owned firms in the tourism sector made about 639 million dollars of sales in 2012. However, these 10.1 percent Native Hawaiian-owned firms simply made 1.6 percent of total sales in the tourism sector, suggesting that the size of Native Hawaiian-owned firms as measured by average sales was much smaller than average firms in Hawaii's tourism sector. Last column of Figure 2 shows the ratio of average sales of Native Hawaiian-owned firms compared to all firms in the industry. Numbers far below 1 indicates that Native Hawaiian-owned firms were smaller than average firms in every tourism-intensive industry, as well as in all industries as a whole.

About 10 percent of the Native Hawaiian-owned firms in the tourism sector had paid employees. Size distribution patterns of these firms are further examined in Figure 3. Firstly, although Native Hawaiians owned 1,071 firms in the arts, entertainment, and recreation industry, only 48 firms had paid employees. Even these 48 firms tended to be small; nearly all these firms had less than 50 employees, except one firm with over 100 employees. This pattern was shared by all firms in Hawaii's arts, entertainment, and recreation industry, where 428 out of 6,269 firms had paid employees and fewer bigger firms.

Secondly, in four other tourism-intensive industries, size patterns displayed J-shaped distributions, showing that firms with over 500 employees were even more than some of those with less employees. This, however, was not the case in the Native Hawaiian-owned firms, which rarely reached the size of over 100 employees. Among the 636 firms with over 100 employees in the tourism sector, only 9 were owned by Native Hawaiians and none of them had more than 500 employees. Lacking economies of scale may be one of the reasons why Native Hawaiian-owned firms underperformed in generating sales, especially in the transportation and warehousing industry and the accommodation and food services industry, where fixed costs are higher and economies of scale are usually prominent.

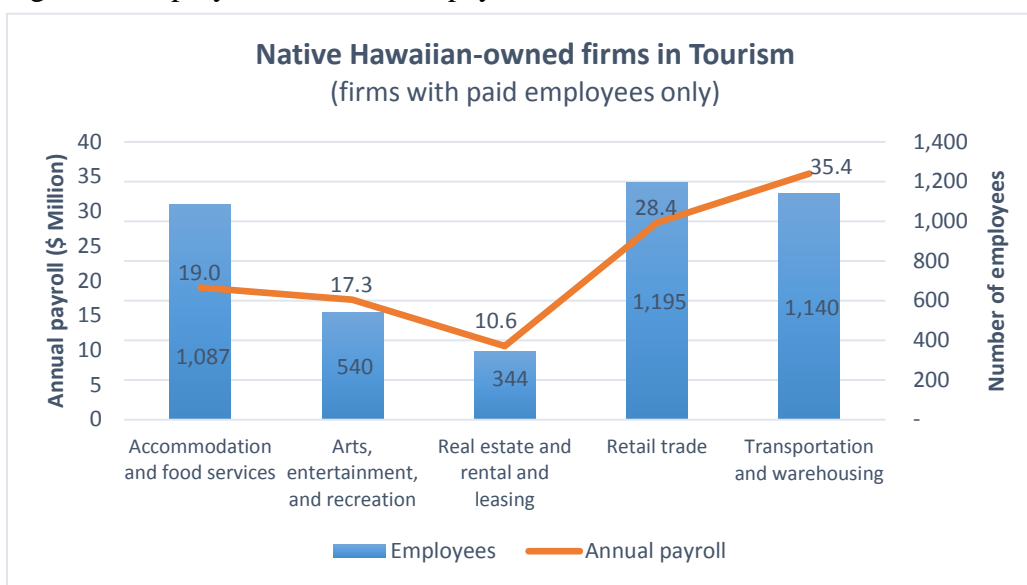
Figure 3. Size distribution of Native Hawaiian-owned firms in Hawaii's tourism sector: 2012 (firms with paid employees only)



Notes: numbers in the parentheses are the total number of firms with paid employees.

For firms with paid employees in the tourism sector, Native Hawaiian-owned firms hired 4,306 employees in 2012, which was only 2 percent of the employment of the state's tourism sector. Annual payroll of Native Hawaiian-owned firms was 111 million dollars, which accounted for 1.8 percent of total annual payroll of the sector. As for individual industry, Native Hawaiian-owned firms in the retail trade industry hired 1,195 employees and had annual payroll of 28.4 million dollars. By contrast, the transportation and warehousing industry hired 1,140 employees, but had greater annual payroll of 35.4 million dollars. Average wage of Native Hawaiian-owned firms were below the state level in all tourism-intensive industries but the arts, entertainment, and recreation industry, where Native Hawaiian-owned firms paid about 50 percent more than the state level.

Figure 4. Employment and annual payroll of Native Hawaiian-owned firms: 2012

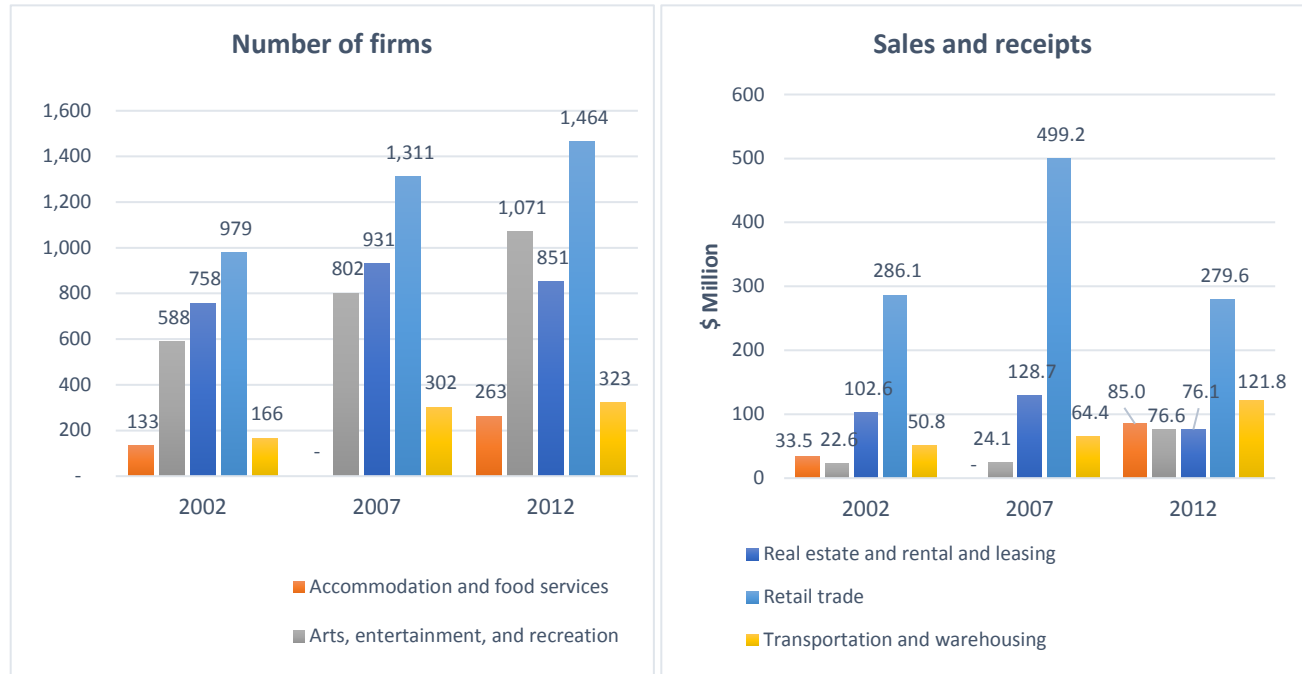


Hawaii's tourism industries (firms with paid employees only)	All firms in Hawaii state			Native Hawaiian-owned firms		
	Employees	Annual payroll (\$ Million)	Average wage (\$1,000)	Employees	Annual payroll (\$ Million)	Average wage (\$1,000)
Accommodation and food services	93,108	2,418	26.0	1,087	19.0	17.5
Arts, entertainment, and recreation	10,685	262	24.5	540	17.3	32.0
Real estate and rental and leasing	12,252	543	44.3	344	10.6	30.8
Retail trade	66,906	1,791	26.8	1,195	28.4	23.7
Transportation and warehousing	26,969	1,166	43.2	1,140	35.4	31.1
Tourism sector subtotal	209,920	6,180	29.4	4,306	111	25.7

Notes: average wage is calculated as the ratio of annual payroll to the number of employees.

Growth of Native Hawaiian-owned firms showed great variations across the five tourism-intensive industries from 2002 to 2012. The most prominent growth took place in the arts,

Figure 5. Native Hawaiian-owned firms: 2002, 2007, and 2012



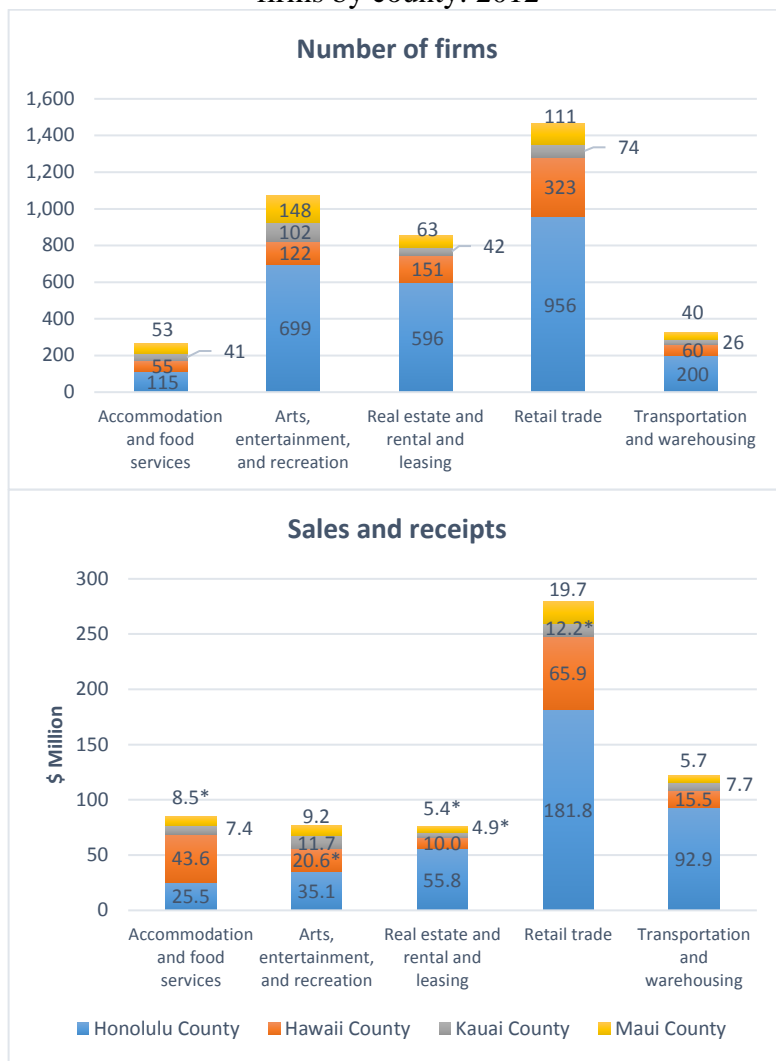
Hawaii's tourism industries	Number of firms				Sales and receipts (\$ Million)			
	2002	2007	2012	Growth rate (2002-2012)	2002	2007	2012	Growth rate (2002-2012)
All firms in Hawaii state								
Accommodation and food services	3,723	4,313	4,472	20.1%	5,811	7,995	9,331	60.6%
Arts, entertainment, and recreation	5,097	6,953	6,269	23.0%	674	938	1,020	51.2%
Real estate and rental and leasing	10,852	13,653	12,785	17.8%	3,009	4,710	4,658	54.8%
Retail trade	12,162	12,650	12,333	1.4%	13,457	18,774	18,821	39.9%
Transportation and warehousing	2,843	3,244	3,542	24.6%	1,218	2,111	4,956	306.7%
Native Hawaiian-owned firms								
Accommodation and food services	133	-	263	97.7%	33.5	-	85.0	153.4%
Arts, entertainment, and recreation	588	802	1,071	82.1%	22.6	24.1	76.6	239.7%
Real estate and rental and leasing	758	931	851	12.3%	102.6	128.7	76.1	-25.8%
Retail trade	979	1,311	1,464	49.5%	286.1	499.2	279.6	-2.3%
Transportation and warehousing	166	302	323	94.6%	50.8	64.4	121.8	139.6%

Notes: - indicates data withheld because estimate did not meet publication standards.

entertainment, and recreation industry, where not only over 200 firms added to the industry every five years, but its sales tripled from 2007 to 2012. By contrast, the industry only maintained moderate growth at the state level. Native Hawaiian-owned firms in the tourism sector also showed steady growth in the accommodation and food services and transportation and warehousing industries, where both the number of firms and total sales increased over the 10-year period. On the contrary, sales of Native Hawaiian-owned firms in the real estate and rental and leasing and retail trade industries significantly decreased in 2012, even below their 2002 level.

Among the four counties, Honolulu County had the largest number of Native Hawaiian-owned firms across all five tourism-intensive industries. Hawaii County came in second, except in the arts, entertainment, and recreation industry, where Maui County instead had the second largest number of Native Hawaiian-owned firms. Native Hawaiian-owned firms had most sales made in Honolulu County, particularly in the retail trade and transportation and warehousing industries. Interestingly, the 55 Native Hawaiian-owned firms in the accommodation and food services industry in Hawaii County made 43.6 million of sales, much higher than the 25.5 million sales made by the 115 firms in Honolulu County. Kauai County had least Native Hawaiian-owned firms in all five tourism-intensive industries, but its sales surpassed that of Maui County in the arts, entertainment, and recreation industry and the transportation and warehousing industry.

Figure 6. Native Hawaiian-owned firms by county: 2012



*: data estimated based on statewide total.

APPENDIX

Table A1: Number of Native Hawaiian-owned firms by industry: 2012

Industries	All firms		Native Hawaiian-owned firms		
	Firms (number)	% of firms in Hawaii state	Firms (number)	% of Native Hawaiian- owned firms	% of firms in Hawaii state
Accommodation and food services	4,472	3.8	263	2.0	5.9
Arts, entertainment, and recreation	6,269	5.3	1,071	8.1	17.1
Real estate and rental and leasing	12,785	10.8	851	6.5	6.7
Retail trade	12,333	10.4	1,464	11.1	11.9
Transportation and warehousing	3,542	3.0	323	2.5	9.1
<i>Tourism sector subtotal</i>	<i>39,401</i>	<i>33.3</i>	<i>3,972</i>	<i>30.2</i>	<i>10.1</i>
Administrative and support and waste management and remediation services	9,625	8.1	1,645	12.5	17.1
Agriculture, forestry, fishing and hunting	2,021	1.7	351	2.7	17.4
Construction	9,828	8.3	1,379	10.5	14.0
Educational services	2,877	2.4	332	2.5	11.5
Finance and insurance	3,630	3.1	314	2.4	8.7
Health care and social assistance	10,470	8.8	750	5.7	7.2
Information	1,481	1.3	112	0.9	7.6
Management of companies and enterprises	183	0.2	3	0.0	1.6
Manufacturing	2,898	2.4	278	2.1	9.6
Mining, quarrying, and oil and gas extraction	23	0.0	2	0.0	8.7
Other services (except public administration)	15,502	13.1	2,051	15.6	13.2
Professional, scientific, and technical services	16,883	14.3	1,463	11.1	8.7
Utilities	140	0.1	8	0.1	5.7
Wholesale trade	4,007	3.4	498	3.8	12.4
Industries not classified	16	0.0	1	0.0	6.3
<i>TOTAL</i>	<i>118,454</i>	<i>100.0</i>	<i>13,147</i>	<i>100.0</i>	<i>11.1</i>

Table A2: Sales of Native Hawaiian-owned firms by industry: 2012

Industries	All firms		Native Hawaiian-owned firms		
	Sales and receipts (\$1,000)	% of firms in Hawaii state	Sales and receipts (\$1,000)	% of Native Hawaiian-owned firms	% of firms in Hawaii state
Accommodation and food services	9,330,718	9.1	84,998	4.4	0.9
Arts, entertainment, and recreation	1,019,653	1.0	76,616	4.0	7.5
Real estate and rental and leasing	4,657,933	4.6	76,115	3.9	1.6
Retail trade	18,820,576	18.4	279,569	14.4	1.5
Transportation and warehousing	4,955,941	4.9	121,778	6.3	2.5
<i>Tourism sector subtotal</i>	<i>38,784,821</i>	<i>38.0</i>	<i>639,076</i>	<i>33.0</i>	<i>1.6</i>
Administrative and support and waste management and remediation services	3,051,645	3.0	109,373	5.6	3.6
Agriculture, forestry, fishing and hunting	104,373	0.1	8,272	0.4	7.9
Construction	8,127,371	8.0	462,679	23.9	5.7
Educational services	1,287,203	1.3	9,226	0.5	0.7
Finance and insurance	8,609,086	8.4	27,204	1.4	0.3
Health care and social assistance	7,667,500	7.5	36,806	1.9	0.5
Information	3,102,052	3.0	50,321	2.6	1.6
Management of companies and enterprises	284,110	0.3	3,061	0.2	1.1
Manufacturing	8,161,384	8.0	35,062	1.8	0.4
Mining, quarrying, and oil and gas extraction	41,980	0.0	-	-	-
Other services (except public administration)	1,524,585	1.5	73,955	3.8	4.9
Professional, scientific, and technical services	4,099,385	4.0	180,764	9.3	4.4
Utilities	3,687,610	3.6	240	0.0	0.0
Wholesale trade	13,585,708	13.3	302,946	15.6	2.2
Industries not classified	1,927	0.0	-	-	-
<i>TOTAL</i>	<i>102,120,740</i>	<i>100</i>	<i>1,939,023</i>	<i>100</i>	<i>1.9</i>

Notes: - indicates data withheld because estimate did not meet publication standards.

Table A3: Native Hawaiian-owned firms by county: 2012

Hawaii's tourism industries	All firms		Firms with paid employees			
	Firms (number)	Sales and receipts (\$1,000)	Firms (number)	Sales and receipts (\$1,000)	Employees (number)	Annual payroll (\$1,000)
Honolulu County						
Accommodation and food services	115	25,549	32	21,494	327	8,010
Arts, entertainment, and recreation	699	35,064	33	-	-	-
Real estate and rental and leasing	596	55,837	59	21,482	267	8,268
Retail trade	956	181,754	101	167,226	828	20,462
Transportation and warehousing	200	92,898	62	86,053	756	26,330
Hawaii County						
Accommodation and food services	55	43,625	7	26,121	385	5,852
Arts, entertainment, and recreation	122	-	13	-	-	-
Real estate and rental and leasing	151	10,048	4	-	-	-
Retail trade	323	65,938	27	59,583	203	4,047
Transportation and warehousing	60	15,474	18	13,907	141	3,691
Kauai County						
Accommodation and food services	41	7,440	21	6,795	96	2,113
Arts, entertainment, and recreation	102	11,688	2	-	-	-
Real estate and rental and leasing	42	-	18	-	-	-
Retail trade	74	-	4	-	-	-
Transportation and warehousing	26	7,656	4	6,625	153	3,786
Maui County						
Accommodation and food services	53	-	7	-	-	-
Arts, entertainment, and recreation	148	9,155	22	-	-	-
Real estate and rental and leasing	63	-	3	-	-	-
Retail trade	111	19,660	15	14,446	74	2,684
Transportation and warehousing	40	5,749	8	5,258	91	1,634

Notes: - indicates data withheld because estimate did not meet publication standards.