

# The Home Business Startup Guide



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## **1. Why Start a Home Business?**

Working from home is a dream for many – but actually going ahead and starting a home business is very difficult. So what makes so many people want to do it, and why would you ever try such a crazy thing? Here are some common reasons, and some things to consider.

### ***You Can Build Your Great Idea.***

It suddenly hit you like a bolt of lightning: you've thought of a great business idea. This is perhaps the number one reason that people go into business from home: they've come up with something great that they really believe in, but can't afford to rent any business premises. It does depend on what the business is, but working from home is often ideal in these situations.

Remember, though, that even the best ideas take hard work to become a reality. The kind of ideas that are good for a home-based business are ones that can become at least partly real quickly, and start bringing in an income – you shouldn't sit at home for a year working on something that's making you nothing whatsoever.

### ***You Can Make Your Hobby a Job.***

Most people have something that they're really passionate about, and would spend the rest of their life doing if they could, just for the enjoyment of it. Getting paid for doing what you love is obviously appealing – even if you only earn a living wage, it'd be your idea of paradise.

Make sure, though, that you'd be able to take it if you had to make a living from your passion. It's the things we're closest to that hurt us the most – think of how you might feel if no-one buys what you've made, or if they send it back and with a note saying "what rubbish, I demand a refund!" Can you cope with your hobby becoming commercial?

### ***You're Tired of Your Boss.***

It seems like everyone hates their boss. They try to pretend like they're your friend, but they're not fooling anyone, are they? You're forced to work to pointless deadlines and targets. Anytime you spot a better way of doing something you're told that it's impractical, or, worse, that it's great but the stupid way of doing things is already 'established' and 'policy'.

What you might not realise is that 'being your own boss' requires quite a lot of willpower. If there was no-one to make you get up in the morning and do any work, would you? Your home is supposed to be a place of rest and entertainment – and when it's full of the equipment and temptation to do anything but work, working there can be hard.

### ***You Want to Spend More Time with Your Family.***

You feel like all you do is go to work, come home, and then sit around, too tired to do anything fun with your family. If you have children, they seem to be growing up so fast, and you're missing it all – all because you have to go out and work.

Of course, the flipside here is that you might just end up spending too much time with your family, while you're trying to work. When everyone knows you'll be in the house all

day, they'll probably ask you to do all sorts of unimportant things, just because you're available. It's hard to say no, and before you know it, you're doing the job of a full-time 'housewife' instead of what you set out to do.

### ***You Don't Like Wasting Time and Money Commuting.***

After all, once you get to the office, what is there anyway? Offices are dreary environments, and terrible to work in – travelling for hours there and back and spending a significant proportion of your wages to do it seems completely pointless (especially if you live in the middle of nowhere). If you could work from home, think of the time you'd save... and time is money, isn't it?

Don't be surprised, however, if you start to feel trapped in your home, since you never leave it. Can you find good ways to get away from it all?

### ***But Don't Be Put Off.***

While the list of warnings for working at home might look long, a list of warnings about working in an office would surely be longer. As long as you stay on your guard, you can get all the benefits of working from home without falling into any of the traps.

## **2. Avoiding Home Business Scams.**

Now maybe the reason you're interested in setting up a home business is because you've seen an ad somewhere, or you've been approached by someone. It was all about a great work-from-home money-making opportunity, and you're excited. Finally, you can quit your job!

If you're thinking of working from home by someone else's rules, though, you have to realise that at least 99% of the offers out there are scams – after all, if it was that easy to pay a few dollars and make thousands, wouldn't everyone be doing it by now? Here are the biggest scams out there, how to recognise them, and how to avoid them.

### ***Location, Location, Location.***

Where did you see that work from home offer? If you got it in the post, or by email, or saw it on a poster taped around a telephone pole, then I can guarantee you right now that it's not a legitimate offer. If you saw the ad in a newspaper, in a jobs magazine or on a jobs website, then it's a little more likely to be legit – but not much. Always check out any offer, and assume it's a scam until you have iron-clad proof to the contrary.

### ***Envelope Stuffing.***

This is the most established work-from-home scam, and it's been going for decades now. Basically, once you pay your money and sign up to work from home, you're sent a set of envelopes and ads just like the one you responded to. You might make some money if someone responds to your ad, but eventually there just won't be a market for it any more. Anyway, work from home offers like this are illegal pyramid schemes.

You won't make any money putting letters in envelopes – get over it.

### ***Charging for Supplies.***

The practice of charging for supplies is hard to pin down to any one scam – it's the way almost all work-at-home scams work (including the envelope stuffing, above). You'll be asked to make a small 'investment' for whatever materials would be needed to do the work – and then you'll be sent very shoddy materials that aren't worth anything like what you paid, and you'll find that there's no market for the work anyway.

If anyone asks for money upfront, run. A real company should be willing to deduct any 'fees' from your first paycheque – if they won't do that for you, then that's because they don't ever plan to pay you.

### ***Working for Free.***

This variation on the scam is common with crafts. You might be asked to work at home making clothes, ornaments or toys. Everything seems legitimate – you've got the materials without paying out any money, and you're doing the work. Unfortunately for you, when you send the work back, the company will tell you that it didn't meet their 'quality standards', and will refuse to pay you. Then they'll sell on what you made at a profit, and move on to the next sucker.

Never do craft work from home unless you're selling the items yourself. Note that you don't need to be selling to consumers (you could be selling to wholesalers), but you still need to be the one deciding what you make and getting the money.

### ***Home Typing, Medical Billing, and More.***

There are lots of work-from-home scams that involve persuading you that some industry has more work than it can handle, and so has to outsource to people working from home. For example, you might be told that you'd be typing legal documents, or entering medical bills into an electronic database. These scams have one thing in common: they all say that all you need is your computer, and they all then go on to say that you need to buy some 'special software'.

This software might appear to be from a completely unrelated company, but don't be fooled – the whole reason the 'work-from-home' ad was there to begin with was simply as cynical marketing for the software.

As you can see, running a 'home business' that just involves 'working' for one company is a bad idea. You don't know who you're dealing with. Here's the clincher, though: even with entirely legal work-at-home offers that do pay you for your work, you still won't make anywhere near as much as you can with your very own home business. So why bother with them at all?

### **3. Working From Home: the Pros and Cons.**

If you're thinking of starting a home business, you've got to realise something about life. Life has a certain balance: there is no pleasure without pain, and there are no pros without cons. Here's a look at the upsides and downsides of home businesses.

**Pro: Independence.** You do what you want, when you want. No-one else can screw up your hard work, and you don't need to depend on anyone but yourself. Your days of being told what to do are over. And there's no dress code, either! Many people who work from home admit to sitting around in their pyjamas all day, or even working in the nude.

**Con: No Security.** With independence, though, comes responsibility. There's nobody to carry you if you do badly one day – if you don't make any money for the business, then you don't get paid. People like certainty in their lives (that's why they spend big bucks on insurance) – it can be hard to live with this ultimate step into performance-related pay. You might find yourself quickly wishing you had a regular paycheque again.

**Pro: Flexible Working.** You decide your hours. If you want to take Wednesday off and work Saturday instead, then no-one's stopping you. If you'd like to get up early and cram all your work into the mornings so you can have the afternoons off, then hey, you're the boss. Such flexibility can be a massive relief after years of working nine to five.

**Con: Work Never Ends.** When you work from home, it can be tempting to be constantly monitoring things, even when you've decided you're not working. The only person who can handle a crisis is you – and crises have a tendency to happen in the middle of the night, or on your day off.

**Pro: Keeping All the Money.** Everything you earn is yours to keep. It can be truly disheartening to work somewhere where cash is being handled, and realising that the takings for the day add up to a hundred times more than you got paid. You know that someone's getting rich off your back, but it's not you – working from home makes you the fatcat at the top.

**Con: Doing Everything.** Not all that money was profit, you know. It goes on things like marketing, management, stock control, deliveries, and so on. Suddenly you have to manage everything that goes on in your business – you deal with suppliers on one end and customers on the other, you have to do all the budgeting and spending, and you become your own marketing department. You get to deal with all the fun tax issues, too.

**Pro: No More Commuting.** Commuting is expensive, painful, and can feel like a complete waste of time – just think of all the time and money most people spend travelling to and from work. When you have a home business, you just get up and you're right next to your workplace – isn't that convenient?

**Con: One Less Room.** Your house can feel a lot smaller when you've had to set one room aside as your 'home office'. When you're not working, it just sits there, useless, and meanwhile your kids are getting upset at how small their bedrooms are.

**Pro: A Healthier Lifestyle.** When you only have an hour's lunch break to do everything you need to do, you can end up running yourself into the ground and not eating properly. Working from home lets you do your errands when you want, and eat good food every day.

**Con: The Loneliness.** If you're the only one around in your house during the day, it avoids distractions – but it can also feel very lonely. If you're the kind of person who

likes being around other people, you can start to get quite depressed.

***But...***

If you talk to anyone who works from home, they'll probably say to you that, for them, the pros far outweigh the cons. Once you're doing your own thing and feeling great, it's hard to go back to a salaried existence – and remember, it's far easier to work around your problems in a home business than it is to deal with any problems you might have at work.

#### **4. Is it Legal in Your Home? How to Check.**

If you're going to start running a business from your home, there are various laws you need to know about. If you don't check things out before you start, then you risk having your business shut down by the authorities.

##### ***Zoning Laws.***

The chances are that the different parts of your town or city have been split into different 'zones'. Each one of these zones has a purpose: business or residential. Since you almost certainly live in a residential area, zoning laws restrict what you can do there in terms of business.

If you think about it, there are good reasons for this. What would it be like if someone could just decide to buy up a whole load of houses and turn the area into a shopping mall, without getting anyone's permission? What if your neighbours could just turn around one day and start using their house as a shop? I doubt that you'd like that. The laws are there to protect your neighbourhood, and to stop business from interfering with people's home lives.

You need to phone whatever local governmental body there is in your area, and ask them about the zoning laws in your area. If they're not helpful, it could be worth a visit to a lawyer. You'll find that laws vary massively – here are some of the things you might come across.

##### ***The Strict Zoning Policy.***

Many areas still operate a strict 'no-business' policy in residential areas, and will come after you if you start a business without their permission. You'll need to put in a formal application, and there could be a public hearing, giving other residents the chance to object. Time to start being nicer to your neighbours!

You should note that just because there are other home businesses in your area, it doesn't mean that you'll find it any easier to get permission. The rules may have been tightened up since those businesses were started. Still, it's worth talking to other home businesses in the area, if you can, to see if you can get any advice.

##### ***Percentage Policies.***

Another common way of handling things is to allow you to use only a percentage of your house for business, to avoid residential properties becoming wholly commercial. You might be told, for example, that only 20% of the house can be used for business purposes. This can be restrictive if you have a small house, or if you need to store things. Worse, areas with a policy like this are usually completely unwilling to vary it for you.

##### ***Restrictions by Industry.***

It's worth checking if there's a special exception in the zoning laws for what you plan to do. Artists, for example, are often excluded from the laws (where are they supposed to work – the art office?), as well as people who give home tuition, like music teachers. Doctors and dentists are another common exception.

##### ***Signs and Traffic Rules.***

You might find that the laws have special restrictions on signs and traffic. You could be restricted from putting anything on the front of your house that could be considered 'advertising', meaning that you can't even have a sign with the name of your business. If

you plan to have lorries or trucks bringing deliveries to your house, then that can pose a big problem, especially if someone complains about them, or there are lots of children in the area.

***Visitor Rules.***

Another contentious issue is visitors. For some reason, people get upset if lots of visitors keep coming to your house – they like their street to be quiet, not constantly busy. Some laws allow only a set number of visitors to your home business per day, or restrict the number of visitors that you can have at one time.

***Breaking the Law.***

A footnote to all this is that millions of businesses are operated illegally out of people's homes, in violation of the relevant laws. They keep their business secret, because they know that admitting what they're doing would probably get it closed down. This approach obviously isn't recommended, though – you should always try your best to do things legally, and consider moving house if no-one seems to want your business in the area.

## **5. So What's Your Idea?**

You've got this far. It's time to ask yourself: what exactly do you plan to do? What's your big home business idea – and, more importantly, how is it going to make you any money? There are quite a few ways to figure out whether your idea is a good one or a bad one. Basically, it all comes down to the practicalities of the thing.

### ***Do You Have the Time?***

There are only so many hours in a day, and you want to save some of them for yourself. If you're planning on, for example, making small products and selling them, will you really have enough time to take orders, make them, pack them up and post them? If you're not careful, you can find yourself doing tedious work all day and all night for \$2 per hour.

Remember that time is money: the only way to make the income you want is set an hourly rate you're happy with, and then work out pricing as your rate plus expenses. If you don't have enough time to do the work, then increase the rate or hire someone who does. It's simple supply and demand.

### ***Do You Have the Qualifications?***

One of the traps that people most often fall into is wanting to take a skill they have and turn it into a business, without realising that their customers will expect them to have formal qualifications. Sure, you were a full-time mother for years, but people would still like you to have a child-care qualification. This goes double if you plan to become some kind of therapist – if you don't have the qualifications, how are people supposed to know that you're not just making it up as you go along?

What's more, qualifications serve to create scarcity in the market. A business will do better if only qualified people can provide its services than if any joker can. That's why people like doctors and dentists command such high wages: they have to study for years to get their skills, which creates scarcity in the marketplace.

If you already have the skills, you should find it easy to pass the tests – and who knows, you might learn something new. Enrol on an evening course at your local college (try to avoid 'distance learning', as the prices are usually stupidly high compared to what you get out of it). It can be good fun, and you'll probably end up with some good contacts in your chosen industry. Many people have started better home businesses by creating a 'network' of others they know doing the same business in the local area. This lets everyone specialise in their best area.

### ***Do You Have the Space?***

If you're planning to have deliveries to your house and then send items out to people, you need to think it through very carefully. Do you really have enough space to act as a warehouse? Will you be cutting the size of your home in half for the sake of your business? It's also worth considering whether you can really let big delivery lorries drive up into your road without doing some damage – there's nothing worse than getting your first delivery and finding that the lorry didn't fit in your street and the boxes don't fit in your house.

The best way to solve this problem is to make sure that your home business doesn't require any inventory. Home businesses where you provide a service – whether it's over

the phone, on the Internet or in person – almost always work out better than ones that involve you packing and posting things.

Of course, even for more service-oriented businesses, space can still be a problem: if you plan to be a fitness trainer from home, make sure you have somewhere to put all that fitness equipment!

***Money, Money, Money.***

Consider the kind of expense you'd need to go to when you start your business, as well as the day-to-day running costs. Then, and this is the vital part, work out the maximum number of customers you think you could deal with, and cut it in half (you won't actually get that many customers, at least to begin with). Work out how much you'd have to charge each of those customers to break even for your first year. If the price comes out far too high, then it's time to think again.

## **6. Researching and Developing the Idea.**

### ***Market Research.***

If you think your idea is original, then you might be right – but don't bank on it. Come up with as many word combinations relating to your idea as you can, and then search for them all. If you have trouble thinking of what to search for, try to think like a customer of your potential business – what would they look for to find you? The chances are that you'll at least find something similar to what you're doing. If you don't, then there are three possibilities: you're a genius who's come up with an original business idea, you're no good at searching, or your idea isn't practical.

However much you might think that the best ideas are original, it's far better if you can find other people who are doing what you're doing successfully. It's even better if you can take something that's tried-and-tested in another country and import it to your own. If there's no-one else operating in your chosen market, then it doesn't necessarily mean that no-one has ever thought of it or tried – it's more likely that it just turned out to be impractical.

There is another thing to look out for, though: you might find that your search terms find lots of sites willing to sell you a 'kit' to start up that business more easily. These kits are almost always worthless, but the fact that they exist tells you that your idea is a common one, and the market may be saturated. The ideal home business, to my mind, is one where there seems to be an enthusiastic community of other successful home businesses, but not to the point where everyone seems to be doing it, or telling you how to do it.

Once you've gone through the preliminary checks, the best way to research your idea isn't to keep staring over at other businesses – it's to look to your potential customers. Talk to as many people as you can about your idea, start a little canvassing, do market research surveys in the street. Do anything to try and figure out how many potential customers you've got out there.

### ***Time to Get Specific.***

When you're running a home business, you're not going to be big. You don't have a big advertising budget, and you're not going to be able to have lots of customers and make a small profit from each. The kind of market you need is called a 'niche market' – a set of customers who want something very specific, and aren't currently able to get it. It might seem strange, but the best niches can often seem really obscure. You might know what industry you want to be in, but exactly what are you going to be doing, and for who?

Here's an exercise that you really need to do. Take your home business idea and write it down. You are only allowed to use one side of one sheet of paper for this. The point of this is to make sure that you know the absolute core of your idea. It's all too easy to get bogged down in details when you start a home business, and you need to make sure you know exactly what your idea is, in its simplest form.

Once you've got the basics down, that's when you can start to develop the idea. The aim here is to take your core idea and turn it into products, suppliers, customers and work. For example, if your idea is to provide web design for small businesses, then this is where you need to sit down and figure out what suppliers you'd need (web hosting, for example), and what services you'd be providing for customers.

Think of it as inputs and outputs. Imagine, for example, that your business is making clothes. It starts with the input you don't control – what you 'outsource', meaning that you pay to order it in from outside suppliers. For clothes, this would be a sewing machine, material, thread, and so on. The next input is what you add yourself. This would probably be the design and manufacture of the clothes. The output is the finished product – the clothes, ready to sell.

## **7. Seeking Out Your Competitors.**

The best way to seek out your competitors is to try and buy whatever product or service it is you're planning to sell. Enter the market as a customer, and find out what options you would have.

### ***Where to Look.***

It might be tempting to just use a search engine and go by the results that turns up, but you have to remember that plenty of business still takes place outside the Internet. You should also make sure that you pay attention to more traditional methods of advertising, such as the yellow pages, or your local newspaper. It's worth cutting out and keeping any ads you find, as they can be good to refer to when it's time to start your own marketing.

### ***Do What They Do, But Differently.***

Notice that I said 'differently', not necessarily 'better'. Don't assume that you'll be able to improve on established businesses if you're doing the exact same thing as they are – they have years of experience, after all. What you're trying to do is distinguish yourself in the marketplace, so that people who are looking for something specific in your chosen industry will come to you.

There are a number of tried-and-true ways of altering existing products to make them succeed in the market.

**The Price-Quality Line.** You may find other businesses that only offer a very high-quality service, and accordingly charge a premium price – or you might find ones that only offer heavily-discounted rubbish. Consider taking their products to the opposite end of the market. If you can offer a product of only slightly worse quality at half the price, then people will jump at it – and, likewise, there are always people willing to pay the most to get the best.

**Provide a Service.** It is perfectly possible to sell products of the exact same physical quality while providing a better service – to the customer, quality and service are almost the same thing. There are companies out there who can sell computer software that their customers could get almost for free, simply because the customers like to have the support services that they get with their purchase.

Likewise, if service is all you do, then it should be pretty simple to provide a more attentive and personal service than your competitors. 'One-on-one business' gives you a great opportunity to become friendly with your customers, and that's often worth its weight in gold to them.

**Make it Simpler.** Many businesses offer great products, but they're pitching them to very technical customers. If you're an expert in your field, you will very often find that you can build a great business simply by selling the same thing as your competitors, but going to some trouble to explain and market it to a wider section of the public. Anytime you start using some new technology, the chances are that someone along the way had to work out how to make it simpler. Few new technologies or inventions come pre-packaged for consumer use.

**Change the Design.** Make it smaller, or change the colour, or make it easier to open and fix. There are all sorts of ways to subtly redesign a product and give it all sorts of bells

and whistles that customers will really appreciate. You might even be able to buy products, modify them, and then sell them on.

***Build Alliances.***

Despite what the word might lead you to think, you don't always have to be competitive with your competitors. You might find that they have extra work sometimes that they wouldn't mind sending over to you, or you might find that they're willing to give you advice on starting up (if not for free, then perhaps for nothing more than the cost of a few drinks!). Of course, you shouldn't go giving away all your secrets or giving them any other advantage, but that doesn't mean that you should keep away. Pay special attention to any problems that they say they've had, or anything they do that seems to sell especially well.

Believe it or not, your competitors can be your best allies in this home business game, especially if they're home businesses themselves – over time, your competitors might even become your friends.

## **8. Before You Do Anything: Try It Out.**

So you know, roughly, what you want your home business to be. Before you go any further and start investing, though, you need to try it out. Here's how.

### ***Build a Prototype.***

If you plan to sell physical things, or you're going to do something like starting a website or making software, then you should build a prototype to see how your idea will work out. A prototype is a version of your product that is built quickly by you alone, and serves to show that your idea is feasible in the real world. If it would be too expensive to build the whole thing, then just building the new part that differentiates you from your competitors is good enough.

Show your prototype to a few people, to see what they think. Are they excited? Would they use it?

### ***Get a Few Customers.***

If your product is relatively low-value, or you're providing a service, then it shouldn't be too much trouble to get a few customers and do a few dry runs. Do them a generous discount (you could even do it for free), to make sure that everything runs smoothly and the customers are satisfied at the end of it.

For example, let's say you plan to be a landscape gardener from home. You could borrow the tools, and volunteer to do a garden for some kind of charity project – this is good, since it means that you're doing something nice for charity, but they're not paying for perfection, so it's not that bad if small things go wrong. You should then go through all the motions as you would once your business is established, and see what comes out at the other end.

Here's another one. Let's say you're an Italian living outside Italy, and you plan to start a home business cooking pasta in your kitchen and delivering it to customers (you'd be surprised how many home businesses there are in the catering industry). You could make a rough draft of a leaflet (with discounted prices) and deliver it to a small number of homes in the area, until you get a little response. You could then see if it really is feasible to make and deliver these things, and whether there would be any profit in it.

The best dry-runs, though, are the ones where you can get one client at full price. This generally happens in the kind of industry where most transactions are business-to-business, and go through a bidding process. If you're doing something like freelance writing or artwork, this can let you take on one 'job' without being committed to any more afterwards. If you find it's not for you, at least you haven't lost too much – and if you love it, then you're getting valuable experience before you try to take it full-time.

When you try your business out, make sure to do some kind of survey – you could hand it to the customer, include it with your delivery, or even phone up and say that you're just calling to make sure everything is alright. Following up this way isn't just good for you, it's also good customer service.

### ***Don't Rely on Scale.***

One of the most common things I hear when I tell people to try out their home business ideas is that a small-scale trial wouldn't do the idea justice, since they 'plan to make money on scale'.

Never, ever rely solely on scale. You think that supplies will get magically cheaper if you're doing ten orders a day instead of one? Guess again. You think you're going to

save time by doing lots of orders at once? You might save some, but not as much as you might think. When you're trying to see whether your business is viable, you should always err on the conservative side – the thinner your margins are, the easier it is for something unexpected to happen and destroy them altogether.

You're cheating yourself if you don't try out your business before you start it – you'll be throwing yourself in at the deep end, and there won't be a lifeguard. Trying it out gives you the opportunity to make your beginner mistakes (there will be a few, I guarantee it), and to build confidence in yourself and your business without taking pointlessly large amounts of risk.

## **9. Invented Something? Get a Patent.**

There is one kind of home business that is very different to any other: that of the inventor. If you've invented something, the chances are that you don't have the resources to mass-produce it yourself – you'll be needing to send the plans and designs off to someone else to make in their factory. When you do this, though, how can you protect your idea against theft by them, or anyone else who might see it? The answer is patent registration.

### ***What is a Patent?***

A patent is when your government gives you the exclusive right to profit from an invention for a set number of years. If anyone else tries to sell something that is covered by your patent, then you will have the legal right to make them either pay you a licence fee or stop.

Each patent has a patent number – you might have seen 'Pat No' printed on some things, followed by this number. You may also have seen 'patent pending', which means that the patent has been applied for but not yet granted.

### ***Your Invention Must Qualify.***

Not all inventions can be covered by patents. Check that your invention meets these two requirements:

Is it new and secret? You can't have showed your invention publicly before you apply for a patent. Whatever you do, don't take your invention round and demonstrate it to people before you think about patents – you might make it impossible to get one.

Is it non-obvious? Your invention must not be something that would be obvious to experience in your chosen industry. This is to stop people rushing to patent things that anyone could figure out, and then charging high fees for their use.

In addition, you cannot apply for a patent for any of the following: a scientific or mathematical theory or method, a work of art (books, plays, etc. – computer programs are included), a way of doing things (eg. a new business method). Many of these things are, instead, covered by copyright. Patents are intended for actual, physical inventions.

### ***Where Do I Get One?***

Wherever you live, the chances are that it has a government agency called a 'patent office', or similar. There are also patent agencies for larger areas, such as the European Patent Office or, ultimately, the WIPO (World Intellectual Property Organisation).

To begin with, you should apply for a patent at the patent office for your country – it's best to get a lawyer to guide you through this, and make them sign an NDA (non-disclosure agreement, a contract saying they won't tell anyone else about your invention). Depending on your country, this can either be absurdly cheap or really expensive.

Once you've done that, you generally have only one year to file for any patents you might want in the rest of the world. You used to have to apply individually in every country where you wanted a patent (this got very painful and expensive very quickly). Now, though, you can now take advantage of the PCT (Patent Co-operation Treaty), which allows you to apply once and eventually receive protection in all of the 126 countries that have signed up to the treaty.

You can apply for a PCT patent either through your own country's patent office, or

through the WIPO's office in Geneva. It is again important to stress that you should really get a lawyer if you plan to go through this process, as international patent law isn't especially intuitive or easy.

You should note that if your patent application is refused at any stage, you won't be getting your fees back – although you can usually apply again, if you want to pay again.

***What if I Don't Get a Patent?***

If you've looked at the prices, you might be wondering: what's the worst thing that could possibly happen to me if I didn't get a patent? The only answer I can give is that anyone you happen to explain the idea to can steal it, and you won't be able to do a thing. What's more, once your invention does come on the market, success will attract many imitators, and they'll probably be able to produce your invention cheaper by sacrificing quality.

Essentially, a patent gives you protection against competition – but if you think you could do perfectly well in the market no matter how many imitators you had, then maybe patents aren't for you.

## **10. Do You Need a License? Regulated Industries.**

I once knew a guy whose great idea for a 'home business' was to run poker tournaments from his house. Needless to say, that didn't last long once the police heard about it.

If you think you've got an idea that's going to make you big money, there might be a reason why everyone else isn't doing it – and that reason could be related to the law. Many types of businesses are strictly regulated and controlled by governments.

### ***Gambling.***

However fun and profitable it might be to put fruit machines in your house, run a mini card casino or just invite the local old people over to play bingo, it's almost certainly illegal without a license. Gambling is an industry that's almost always strictly controlled – it might be fine to gamble privately with your friends (or, depending on where you live, it might not be), but as soon as you start running it as a business you're on very dodgy ground. You'll also find that most places have laws against for-profit lotteries – sorry. Applying for a license to turn your home into a gambling premises is unlikely to succeed. If you wonder why, consider what would happen if people in your area could do that. It wouldn't be pretty.

### ***Alcohol.***

Yes, it seems odd to some people that you need a license to serve alcohol – after all, you can invite people round to your own house for a drink perfectly legally, can't you? As soon as you start charging them for those drinks, though, the nature of what you're doing changes drastically in the eyes of the law, and you're going to need a license. If you don't get one, then you could be heading off to jail for quite a while.

Again, you're going to have trouble getting an alcohol license for your home, unless you're holding some kind of event there and the drinking is just incidental. Alcohol licenses are usually subject to appeals from people who live near the premises being considered, and you can guarantee that your whole neighbourhood is going to turn out to say what a bad idea it would be.

### ***Medics.***

If you plan to do anything medical, then you'll probably need a license. When I say medical, I mean doctors, dentists, opticians, and even vets. You might think it'd be fine to turn your home into an 'animal hospital', but you need to be qualified and licensed. Of course, if you've previously been a doctor, dentist, or whatever, then you shouldn't have too much trouble getting licensed to do the same thing from home.

### ***Children.***

People get jumpy around children, and you're very unlikely to be able to look after any as part of your business without jumping through all sorts of hoops. Just to be a nanny, there are all sorts of courses to take and regular inspections to go through. If you ever wonder why there's a shortage of small-scale childcare, it's because it's so hard to keep within the rules while making any profit.

### ***Food.***

If you're going to sell food, you usually need to register, for hygiene and safety reasons – imagine if just anyone could sell you food, without any checks! For various reasons most local government agencies are especially strict if you plan to handle raw meat. It's usually fine to sell cooked meat, but raw meat is considered more dangerous. Food licenses aren't too hard to get, anyway, provided you have a relevant hygiene

qualification and you're willing to have your kitchen and products inspected at regular intervals.

***More.***

This list is nowhere near exhaustive – it just covers some of the most common kinds of businesses that people think of. If you're planning to do something more unusual, then you really need to check your local laws.

***Should I Bother?***

Most home business owners don't know about the rules that apply to them, and don't especially care either. Every day you operate in a regulated industry without a license, though, you risk being shut down, or worse. It's only going to take one upset customer or neighbour to get you into big trouble – so unless you want to be worrying all the time, make sure you're properly licensed for whatever you want to do.

## **11. Getting Help and Advice on Starting a Business.**

When you want to start a home business, it can be easy to feel alone, confused, and scared. The chances are that you don't know anyone else who's ever started a business, and you don't even know who to ask if you get stuck. Here are a few things you ought to be looking at.

### ***The Internet.***

The Internet is a great resource for people who are thinking of setting up a home business – as well as all the articles you can find with practical advice, there are also many forums, where you can read about others' experiences, and ask questions.

### ***The Government.***

Scary as it might seem to be getting advice on anything from the government, most governments go really out of their way to produce all sorts of easy-to-understand material on starting your own business. Encouraging you in business is a great way for them to both strengthen the economy and increase tax revenues.

Depending on your area, you might find that local government agencies are also keen to give you help and advice, and might even have some kind of 'small business centre' that you can visit.

### ***Mentors.***

Mentors are usually volunteers who think it would be nice to offer local businesses help and advice. They often have years of business experience, and can be really useful – if you find one, hang on to them.

### ***Librarians.***

Always willing to help and sadly neglected in our 'wired' age, you really should talk to a librarian. Libraries generally contain all sorts of business books and resources that they'll be able to point you towards, and they'll be more than happy to do research into obscure areas for you.

### ***Lawyers.***

Pricey as they might be, lawyers know all about starting businesses – they've almost certainly done it thousands of times over. It can be well worth paying for an hour of a lawyer's time and just asking them every question you can think of.

### ***Accountants.***

A less expensive alternative to lawyers, accountants also know their stuff, especially (obviously) on the financial side. If you want your business to be profitable, you should take on board what your accountant tells you – and if you don't have one, you should get one. By the time they've helped you navigate through all the tax mazes, they'll almost certainly have made their fee back for you anyway.

### ***Incubators and Investors.***

If you think your business would be an attractive proposal to people who back businesses

for a living, then you can try going to a 'business incubator' or some other kind of investor with your idea. If they like it, they'll often have a quick process set up to get your company up and running as soon as possible.

### ***Universities.***

Here's an interesting one: universities are full of business students. They've all spent ages learning about nothing but business, and many of them would just love to help get a real one off the ground – it'd look great on their CV, after all. Business students can be a great source of free help and advice, and they'll probably even be thankful to you for letting them help out!

### ***Teachers.***

If you do a course to get a formal qualification in what you want to do before starting the business, you'll probably find that your teacher is also a good resource on the business side of things. They'll have had plenty of students starting businesses who've asked them similar questions, and they might even have prepared some material to give to anyone who asks for it.

### ***Your Bank.***

Traditionally, your bank would have been the first place you went if you were thinking of starting a business, but many people seem to ignore them nowadays. While they're no replacement for accountants, most banks will offer you a 'business advisor' when you open a business account, and they can be especially helpful with the technical and financial elements of starting up.

### ***Associations, Societies and Unions.***

Whatever industry you're thinking of entering probably has some kind of trade association, society or union. You should join as soon as you can, and take advantage of all the resources that they will almost certainly offer to people wanting to get started in their industry. After all, the more people who are in their industry, the more members they can get.

So you see, there's no shortage of advice out there if you look for it.

## **12. Preparing Yourself Mentally for Business.**

People say that starting your own business is difficult. Guess what? They're not kidding. Starting a business, in many ways, is a lot like having a child – and would you just have a child without thinking it through first? Before you get started, there are lots of things you need to think about and discuss with anyone you can.

### ***Can You Afford to Fail?***

You might have heard the old saying 'only gamble what you can afford to lose'. Well, however you approach it, starting your own business is still gambling. A massive percentage of businesses fail in their first year. If your financial situation is such that you agonise over every small amount you spend, starting a business is probably a bad idea.

Put it this way: do not expect to succeed. Expect that you will fail, and always try your hardest not to. You'll be pleasantly surprised if things go your way. Note that this doesn't mean that you shouldn't believe in yourself and your business – simply that you have to realise the kind of odds you're up against, and stay realistic.

### ***Will You Stick at It?***

You can't get halfway through all this and have a sudden change of heart, or feel like you're doomed to fail. All successful business spend plenty of time doing badly before they start to pick up. You need to prepare yourself for a steady stream of failure being slowly replaced by success. Don't expect the world all at once.

### ***Could You Take the Stress?***

Starting a business is one of the most stressful things you can do. It will affect you mentally, physically and emotionally. You need to be strong to deal with this kind of stress, and you need to have someone to turn to for support.

### ***Are You a Survivor?***

There are some people who always seem to make it in the end, regardless of what life throws at them. You need to be the kind of person whose response to things going wrong is to work harder and get it fixed, not someone who cries and goes into hiding.

Many entrepreneurs say that this, more than anything, is the secret of success. You need to be a 'never say die' kind of person. You need to be always ready to try again, no matter what gets thrown at you. Remember that it's not when things start to go wrong that you fail – you haven't failed until you've given up.

### ***Be Prepared to Work Hard.***

If you've been doing a standard nine-to-five job, you're probably used to a world where it's someone else's responsibility if the work doesn't get done – you work as fast as you can for the hours you're told to, and if it's not done on time then it's the manager's fault for not hiring enough people. When you work on your own, though, there's no-one to blame – the buck stops where it starts, with you.

### ***You Need to Satisfy Every Customer.***

When you run a home business, you can't afford to lose any customers. You need to always be nice to them, trying to meet their needs. You have to remember that you're the most senior person they can talk to in this organisation, and you have to act like it – when there's no-one other than you to handle complaints, you have to either give in to customers at every opportunity or watch them take their business elsewhere.

***Do You Really Love What You Do?***

If you don't love what you do, then sooner or later you're going to want to stop doing it – and when you run a home business, that's difficult. Besides, you can't run a home business if you're always sitting and thinking about how great it'll be when it's the weekend. No, the only way to succeed in home business is to be absolutely sure that you really love what you're doing. If you can think of another job you'd rather have, then you're in trouble.

Think of it this way: could you run up to someone on the street with a leaflet about your business, and tell them all about it in a way that would really leave an impression? It doesn't matter whether you actually could or not – if you think everyone will be interested, then, believe me, they will be.

### **13. Writing a Business Plan.**

So you've reached that stage where you're ready to get your home business started in every way except one: you need money. Whether it comes from a loan or from investors doesn't really make too much difference, since there's one thing that they all need to see before they'll give you a cent. That thing is your business plan.

#### ***What's a Business Plan?***

Think of your business plan as being like a list of answers to questions that people might have about your home business. You will not get outside funding without one, because the people giving you the funding want to know that you've thought through what you're doing. A business plan says to them 'I've considered this from every angle, and here's what I've come up with'.

But what should your business plan include?

**What is Your Service?** This is the first question every business plan should answer. Just what is it that you plan to do? Tell them which industry you're going to be in, and why you've chosen it.

**Who are Your Customers?** Once you know what you do, the next thing you need to know is who you're going to be doing it for, and so that's the next thing that should be written on the business plan. You should also include your area here.

**What Makes You Different?** You need to say what the 'key factors' are that make your business different to other businesses in its sector. What is it that you're planning to do to make the business succeed?

**What are Your Expenses?** Your start-up expenses include any equipment that you need before you can get up-and-running, while your day-to-day expenses are staff costs and supplies.

#### ***An Example.***

Note that this is a very short and sweet business plan: in real life, each one of these sections would be closer to a page in length. That said, it is a bad idea to go into too much detail in your plan. You're not trying to tell the reader everything, just the basics of the business and why they should give you money to help you build it. Always focus on profit.

The Catering & Cake Co.

**Nature of Business:** The business will be a home-based catering company, producing luxury food for special occasions such as birthdays and weddings. We will provide a comprehensive catering service, with a special line in cakes, which have a higher profit margin than other foods.

**Target Market:** Our catering business will be aimed at middle-market customers who want luxury catering but still care about the cost. To begin with, our target area is within a ten-mile radius of Anytown, to include the affluent area of Othertown.

**Key Factors:** We will use industrial-quality ingredients but provide bespoke-quality design and service. This will allow us to provide food that looks excellent and tastes acceptable,

while keeping costs low.

Expenses: Since I will be using my kitchen for the business and making the food myself, there are only two real expenses: the one-off cost of a larger cooker, and then the day-to-day cost supplies. A suppliers' letter listing prices is attached – enquiries with others in the catering industry have shown this supplier to be the best value for my business.

To finish it all off, you should include a breakdown of projected profit and loss per month for the first year of the business, in the form of a graph. You would work this out by working out a reasonable repayment of any one-off expenses and adding this repayment to the day-to-day expenses, before graphing day-to-day expenses against projected sales. Your business plan should show you making enough of a profit each month to live – if you doesn't, then it will be considered unfeasible by anyone you show it to.

### ***Find Real Business Plans.***

The best way to figure out the dos and don'ts of business plans is to find real ones – they're out there on the Internet. Once you've seen a few, you can start to get some idea of how much work is going to be involved to write one of your own. Remember, until your business exists for real, the business plan is the only tool you have to show anyone how great it's going to be.

## **14. The Next Step: a Marketing Plan.**

Many people include their marketing plan as a section in their business plan. Really, though, marketing is important enough that it deserves a plan of its own, separate from the technical details of the business. Here's what your marketing plan should include.

### ***Your Marketing Strategy.***

It might sound silly, but it's good to get the core of your marketing plan written down, just so people can see what the rest of your plan is aiming at. Keeping your strategy in mind can also be good when you receive offers to place ads here, there and everywhere – you can ask yourself whether it really fits in with your overall strategy.

### ***Your Competitors.***

You should have a list of everyone in your area who could be considered to be a competitor, followed by how you plan to differentiate yourself from them.

### ***Advertising.***

Your marketing plan should contain a comprehensive list of all the advertising you plan to undertake. This includes a website, advertising in newspapers, leaflets, and so on. For each method of advertising you should list an estimated cost, and the number of customers you expect the advertising to bring in. This allows you to work out your 'cost of acquisition', which is how much you need to spend on advertising to bring in a customer. The market works out so that this will be more for higher-end customers, and less for lower-end ones.

### ***Pricing.***

Your marketing plan should also list all of the pricing policies you plan to have, as well as any special offers that you think will be good. That doesn't mean that you can't make up new offers later, but it's still good to have some on the plan for the long-term.

### ***An Example.***

The Catering & Cake Co.: Marketing Plan.

**Strategy:** Our marketing strategy will be to advertise sufficiently that we will be the first company coming to mind when catering is needed in the Anytown/Othertown area. Marketing will be especially targeted towards people arranging weddings and people planning corporate events, so we will always be looking out for new ways to reach these customers. We will not repeat any marketing effort where the COA proves to be more than 20% of the profit those customers provide.

**Competitors:** In the Anytown area, the established catering companies are Cathy's Catering and Funfoods. Cathy's Catering mainly cater for low-end corporate events, while Funfoods specialise in food for children's parties. Our position in the middle-market means that we would be unlikely to provide children's birthday cakes, and could provide a higher-quality alternative to Cathy's Catering for corporate customers.

The company that we believe would be our main competitor is Luxury Food and Cakes, based in the Othertown area. They serve the same kinds of food we plan to, and to

similar events. However, we differentiate ourselves from them by offering our food at far lower prices. While they use more expensive ingredients, our taste tests have shown that most consumers are unable to tell in blind taste tests which food cost more. Offering mostly indistinguishable quality at a lower price gives us a powerful way to move in on Luxury's customers.

Advertising (in order of decreasing cost-effectiveness):

Leafleting. \$0.01 printing per leaflet, 10,000 leaflets, plus delivery at \$100 = \$200.

Projected 50 customers. COA \$4.

Local newspaper. \$500 per half page, run once monthly. Projected 100 customers, COA \$5.

Corporate mailshots. \$0.10 printing per mail, 100 mails, plus delivery at \$20 = \$30.

Projected 3 customers, COA \$10 (however, customers are high-value).

'Weddings' magazine. \$200 quarter page, quarterly. Projected 20 customers, COA \$10.

Pricing:

Basic catering: cost + 50%.

Deluxe catering: cost + 70%.

Cake: cost + 100%.

Large cake: cost + 80%.

Personalised cake (large only): cost + 120%.

Special Offers: Business is slower in winter than in summer, so there are special winter deals. For example, we plan to offer 'every third person free' on basic catering to give extra value for corporate functions in the winter months (November, December, January, February). There will also be a 'free champagne' offer with the deluxe catering in these months.

## **15. Planning For Every Expense.**

Making a budget for a home business start-up is more of an art than it is a science. No matter how exactly you think you've pinned down all your expenses, it's guaranteed that more will appear that you either didn't think of or just couldn't have predicted. That's why you need to make sure that you always plan for every possible expense.

### ***Things Break.***

Remember that any equipment you buy can go wrong, no matter how expensive or high-quality it was (this is especially true of anything IT-related!) When things break, you probably won't need to buy a new one, but you'll at least have to wait for the manufacturer to replace what broke. This can lead to days of lost or less-efficient business, and cost you money. Budget for equipment failures.

### ***People are Unpredictable.***

When you hire staff, you have no way of knowing that they aren't going to let you down. You might have worked out that it takes \$200 to train one new staff member, but what do you do when that newly-trained staff member quits and moves to France after three weeks at the job? You've got no choice but to train someone else and take the loss. Budget for staff turnover.

### ***The World is Against You.***

Or at least it can sometimes feel that way. Just when you've got everything perfect, someone sets up a little construction site next door, and drives your business away. Or maybe it rains for a few weeks, meaning that there's just no demand for your bouncy castle hire business. Whatever, you need to budget for times when you've got no customers – and make sure you have something else to be getting on with in the meantime.

### ***Customers are Out to Get You.***

'The customer is always right', right? Well, yes, but their 'rightness' can sure cost you a lot of money. You have to be prepared to take huge losses to pay off complaining customers. Remember that one unhappy customer can undo hundreds of dollars worth of marketing efforts – once you make a customer unhappy, your options are to take a loss fixing the situation or to take an even bigger loss when they tell everyone how you didn't. The only way to avoid this expense is to please all of the people all of the time, which just isn't possible. Budget for unhappy customers.

### ***Competitors Kick You When You're Down.***

If one of your competitors spots a good opportunity to take some business from you, they won't hesitate. You need to have a 'war chest' ready to make aggressive offers and marketing efforts, and be prepared to get into a full-scale price and advertising war with the competition. It's massively frustrating to be in a position where your rivals are getting all your business simply because you already used up your marketing money for this month. Budget for war.

### ***Double Your Budget.***

Whatever happens, remember that under-budgeting is the worst mistake you can make. It's known as 'under-capitalisation', and is generally thought of as one of the quickest ways to kill a business – anyone who might be willing to give you finance will just think you're a fool if you've under-capitalised your business, and might even refuse to lend to you.

Most home businesses budget only a few thousand dollars for their expenses (if they even make a budget), thinking that they already have everything they need. People don't realise how quickly little costs like having some business cards made or getting your suit dry-cleaned start to add up. This doesn't apply for other kinds of business, but if you're like 99% of home business starters, you really ought to double your budget. If you doubt me, start adding up all your 'little' expenses over a year, and see what happens.

Budgeting for every expense in your initial plans shows that you're not the kind of person who thinks that everything's going to go right for them just because they're so great – instead, you're a practical businessperson who knows that anything that could go wrong probably will, and you plan to make a profit anyway. There is a difference, after all, between arrogance and cool-headed determination, and it's one that the people with the money want to see.

## **16. Managing Risk: the Disaster Plan.**

A very important factor in any business is how you manage risk – yet it is a factor that is often ignored by home businesses.

You have to realise that any time you start a business, you are taking the risk that the business might fail. What experienced people do is shield themselves from risk at every opportunity, to make sure that they can keep a business going for months on the brink of disaster, and wind it down gracefully if it really has to go under.

You need to have a plan for what you're going to do if your business looks like it's going bankrupt. Are you going to borrow more money, if you can? Sell your car? Raise prices? Get rid of staff? Done right, you should have a good package of 'rescue measures' that really do have a chance of rescuing the business.

### ***Borrowing.***

If you need to borrow more to keep your business afloat, take great pains to avoid looking desperate. Act like your business is moderately successful but needs more investment, and you're far more likely to succeed in getting more funding.

### ***Bye-Bye Staff.***

This is a bad idea, but not always a terrible one. In a home business, you presumably only take on staff because you have enough business to cover it, don't you? So it makes perfect sense to get rid of the staff when things start to go wrong and go back to doing it all yourself.

### ***Price Hike.***

When your business is in trouble, there are few things guaranteed to destroy it faster than a price rise. Just don't do it, however tempting it might be – cut costs instead. If you absolutely must raise prices, do it by scaling back what you get for your money in each of your price ranges, without actually raising the prices.

I know of a struggling bus company that kept its fares the same for years but gradually started to run fewer buses and send them all over town, making journeys take longer. People reacted a little badly to the longer journeys, but it was nowhere near the scandal that there would have been if prices had risen.

### ***Keep Staff Pay Aside.***

Whatever you do, make sure to keep staff pay separate from the other business finances, and pay it out immediately if the business looks to be heading for trouble with its creditors. It is far better to be paying your staff on the last day than to be giving all that money to the creditors. Leaving staff unpaid will destroy your reputation, not to mention hurting a lot of innocent people.

### ***The 'Closing Down' Sale.***

If you plan it well, your last day in business might not be so bad. Just make sure everyone knows that you're closing down for real, but still price everything ever-so-slightly above cost. In this way, you can avoid the drastic loss-making 'Everything Must Go!' mentality, and come out of your business the same way as you would if you'd decided to shut it down that day for some other reason.

### ***Selling Your Business On.***

If you're shrewd about it, you might be able to keep your business going long enough to sell it to someone who could turn it around. There's nothing dishonest about this route – it's the one most big companies take if things start to go wrong. You might even find that one of your competitors is willing to buy, even if only for your established customer base.

***It's Up to You.***

Disaster plans are very personal, and they depend a lot on how much risk you're willing to put on yourself. If you do things the sensible way, then you'll go as far as you can to avoid selling or borrowing against any of your own assets just to keep a business afloat. On the other hand, if you're really determined and a bit of a risk-taker, putting some things of your own at stake might buy you enough time to recover from whatever hit your business.

It's a little like playing poker: are you going to be the guy who walks away and leaves his money on the table, or are you going to throw your car or house keys onto the table and raise the stakes? That's risk management for you.

## **17. Getting Loans for Your Home Business.**

Very few people can afford to start a business using nothing but the money they've got lying around in their bank accounts. For most of us, we're going to need to get a loan before we'd have anywhere near enough money to invest in starting up.

### ***Your Credit History.***

You might not have realised that your credit history was going to count here, but it does. This is where all those late credit card payments come back to bite you. The better your credit history, the more likely a bank is to lend you money, and the better the rate it offers will be.

### ***Bank Loans.***

Banks usually have someone whose job it is to go through applications for business loans. These people have seen a thousand business plans, and they know what they're looking for.

Take along all your plans and any other supporting material you can put together. Make sure you present yourself at your most professional. Act like the most sensible and level-headed person you've ever met. This is, essentially, a job interview: the bank is interviewing you and your business to try and figure out whether it would be a safe place to put their money. Remember that they're just like every investor, lending you money with the expectation that they will get it back, plus interest.

### ***Secured Loans.***

Of course, you'll probably have a much easier time persuading a bank to lend you money if you put up something of your own as collateral in case you can't pay the debt back. Some dodgy banks would really like you to secure your business loan on your house, since they know that the failure rate of start-ups is high and they'd really like to get their hands on it. Be cautious, in case you sign your life away. It is almost never worth starting a business if you can only get secured loans – you're tying the business' fortunes too closely to your own.

### ***Government Loans.***

As part of the push to support small businesses, there are now many government bodies that will offer no-interest or low-interest loans to small businesses, a category which includes home businesses. The government lot will obviously be even more picky about your business plan, but it's still a good option to have available to you. Even better, these loans will often come with free help and advice from the agency that issues them, as well as all sorts of booklets and leaflets telling you the technical details of getting started.

### ***Credit Cards and Overdrafts.***

These forms of debt are a very bad idea. Whatever you do, do not finance your business with personal debt. You'll have to make a massive profit just to pay back your debts, and it's unlikely that you'll manage to both pay them off and have enough money to live. If you can't get a loan, try to find other investors instead.

### ***Friends and Family.***

Friends and family can be a surprisingly good source of loans to help start businesses, especially if they're in the same industry themselves – they'll be more than happy to help you get a foot on the ladder. You might be able to persuade someone to give you the money at a good rate of interest, or even to act as a 'sleeping partner', financing half of everything while leaving you to run it all.

Be aware, though, that many friendships and families have been ruined by failed businesses. I had a friend who went around raising thousands from everyone he could think of to start a magazine of his own, only for it to crash and burn by the second issue. Be warned.

### ***Keep Trying.***

If you get turned down for a loan, keep trying (preferably at different banks!) You should revise your business plan each time, and try to get as many people as possible to read it – the more people who see it, the more ideas and suggestions you can hear. If your credit rating is fine, then the problem has to be with the business plan: fix it, and you're set. Good luck.

## **18. Venture Capitalists and Business Angels.**

Venture capital and 'angel' investment seems like an attractive alternative to personal loans – you're asking people to invest their money in your business in exchange for a share of the profits. While it can cost you more in the long run, it means that you won't be borrowing money as a loan that needs to be paid back whether your business makes a profit or not.

### ***Venture Capital.***

Venture capital is the 'big' option – you should only really be looking at it if your home business concept is technology-focused and would be able to make a bigger profit if you had access to better hardware. Venture capitalists mainly look for businesses that have the potential to grow really big really quickly, but will also want everyone involved to be experienced and confident.

Approaching a venture capitalist is a lot like approaching a bank to ask for a loan, except you need to be a lot more convincing. The person you meet will be a specialist in whatever industry you're planning to enter, and they'll run a mile if you don't seem one hundred percent sure of everything. Make sure you research any venture capital company before you meet with them, to see what they look for and who their existing clients are.

Remember that you're being scammed if they ever ask you to pay anything, and be wary of anyone who insists that they won't sign an NDA (privacy agreement) before they see your idea – they might be planning to hand it to one of the companies they've already invested in.

Be prepared for competition for venture capital funding to be fierce. Really, the best way to get it is to build a good version of your business on a small scale and then wait for them to come to you. Also, you should be aware that accepting venture capital funding will give the venture capitalists a significant say in how your company is run. They will try to force you to grow the company as large as possible, before cashing out somehow, whether it's a sale or selling shares. They will, effectively, take over your company and maybe help you get rich – not too much fun if you're out to start your own business and get away from the typical corporate way of working.

### ***Angel Investors.***

Angel investors are like venture capitalists on a much smaller scale. They are 'real people' – individuals who will invest in smaller companies. For home businesses, angel investors are a much better idea than venture capitalists.

Angels tend to behave more like a business partner. They'll invest, say, half the start-up funds, and then take a personal role in the day-to-day running of the business. This contrasts with venture capital companies, which have a tendency to be faceless and issue you written demands to be get more profitable. A business angel brings with them experience and knowledge as well as money, and they can be a great asset to your business.

Still, you need to remember that they're in this to make a big profit – when you build your business with the help of an angel investor, you need to be able to show to them how they're going to be able to get twice as much out of the business they put in, and how soon. This doesn't necessarily mean that your business needs to grow rapidly, but it does mean that whatever you plan to spend their money on needs to be some kind of tool for making back far more than the original investment over a relatively short timeframe.

### ***Staying Independent.***

Of course, the best way to stay completely independent is to avoid accepting any outside investment. If you really need the funding, though, there are still some ways to take it and stay as independent as you can.

Make sure you keep at least 51% of your business. However many investors you have, you need to keep hold of 51%, otherwise it's not your business any more. Don't feel like you're entering some kind of big system where you're lucky to be and you have to play by these people's rules – if you have a genuinely good business plan, then they're the ones who should be begging you for the opportunity to invest for such a good return. If all else fails, you might be able to persuade your friends and family to invest just as much on far better terms.

## **19. The Grant Game.**

Depending on what kind of business you're planning to start, you might be able to get a home business grant. These grants are usually government-issued. They are, effectively, 'free money' – as long as you use the money for what you say you're going to use it for, you don't ever have to pay it back. Even if you don't think you would qualify for anything, you might be able to modify your business plan subtly so that you do.

### ***Why Would They Do That?***

The money is designed to encourage specific kinds of businesses – it will always be given to you for a very specific purpose. Also, grants almost never cover the full amount of whatever it is you want to do, leaving you to make up the rest yourself. Note that not all grants come from the government -- some are given out by charities trying to further a cause, or by local community organisations.

Areas commonly covered by grants include businesses that are exporting (every government wants exports to be more than imports), businesses that will provide training to their employees, businesses that are doing useful research and businesses that are providing services and jobs in places that are candidates for 'regeneration'. You may also be able to find extra support for environmentally-friendly businesses, and if you're a woman or a member of an ethnic minority then that could qualify you for a grant too.

### ***Training Grants.***

Grants for training are some of the best ones out there -- if you're planning to have any staff, you should really look into them. Basically, you get a grant towards the cost of sending some of your employees on a training course. This is good for you, as you can train your employees more cheaply, and they'll do a better job afterwards. It's good for them, as they learn new skills or improve the ones they have and improve their career prospects for the future. Finally, at least in theory, it's good for the economy, as there will be a greater diversity of skills available in the job market.

### ***Research Grants.***

If your business is trying to solve a problem or develop an invention, you might be eligible for a research grant. This can be especially helpful for covering the costs of things like patent applications. Watch out, though -- application for research grants is some of the fiercest out there.

### ***Location, Location, Location.***

Whatever kind of grant you're going for, the biggest factor in whether you get it will probably be where you're based. Grants tend to be locally-focused, and especially targeted in areas that are deemed to have a lacking economy. Since you're a home business, you might even find it worth researching what is available in each area, and moving home strategically.

### ***It's Hard to Get a Grant.***

Beware of anyone who makes grants look easy. There are all sorts of 'grant agencies' who want to take a fee, and 'guarantee' that they'll get you a grant. They won't – as with

almost all things like this, never pay up front. However tempting their offer might seem, you should be applying for the grants yourself. This will generally involve submitting your business plan plus a letter of about 1,000 words saying why you should get the grant in question -- you can't really use the same letter for each grant. Pick what you apply for carefully, as it's a waste of time to apply when you don't meet the criteria properly.

If you want to make sure you're applying correctly, the best thing to do is to phone up the organisation offering the grant -- they'll usually be eager to offer help and advice. Still, don't be upset if you don't get chosen, as it might just be that there were more qualifying candidates than there was money.

***Other Benefits.***

Any grant you get is likely to bring you to the attention of some kind of agency or organisation who want to help you in other ways too. They might help you get onto courses if you're lacking any business skills, or even provide a mentor to guide you. You might think it all sounds a little silly, but believe me, when you run a home business you need all the help you can get.

## **20. Choosing a Name for Your Company.**

One of the most important things your company needs is a name. Your name will be the very first thing that almost all of your customers see from you -- long before they meet you, they'll have responded to something (or someone) that told them the name of your business.

### ***So What?***

So, if you're planning on running a professional operation, don't call it 'A1 Supplies' just because you want to be listed first in the phone book. You have to pick a name that says something about you and your business, and that people in your target market will be able to say without feeling stupid.

### ***The Professional Name.***

If you're running a serious business targeted at other businesspeople, you'll probably want to keep the name sober, but memorable. A good formula is your surname, followed by what you do: 'Smithfield Tailoring', or 'Watson Engineering'. You might also want to add the name of the town where you live: 'Watson Engineering Anytown'. Little things can make a big difference: 'Watson & Associates Engineering' or 'Watson Engineering Co.' both sound quite good, for example. Don't use your first name, though -- it sounds terribly amateurish. Would you rather deal with Ted's Office Supplies or the Johansson Office Supplies Co.?

Another approach is to leave out your name altogether, and simply become 'Anytown Engineers' or 'The Anytown Engineering Co.'. This makes you sound like the first choice locally, especially if your main competitor has the name of another town nearby in their name.

### ***The Corporate Name.***

They sound quite bad, I reckon, but there's still a place for them -- mainly if you want to deal with the big companies that this kind of name appeals to. Simply think of a word to describe your business and translate it into Latin. Then add the word "Consulting", if you want.

### ***The Trendy Name.***

If you're going for a more young or technology-savvy market, you might want a less formal name. Names of this form should be kept to one word, and preferably written in lowercase, URL-style. Another common trick is to make '.com' part of the name. Notice the difference between 'Fun House' and 'funhouse.com' -- the Fun House doesn't sound all that much fun, does it?

### ***The Playful Name.***

You'll be surprised how many people will love your name if you just decide to name it after an animal, and use that animal in your logo too. If you don't have much of a marketing budget, this is a good way to get a quick brand identity -- if you choose the panda, for example, then people start associating you with pandas, and you can have panda-pattern designs on your stationery and decorate your office with bamboo. Don't underestimate the power of this, seriously.

### ***The Shortened Name.***

One naming method that seems to be especially well-used by the big hitters is to take

two words that describe your business, shorten them both, and make it one word. So you end up with Fedex (Federal Express), or Microsoft (Microcomputer Software). This is good for suggesting what you do without having an overly lengthy name.

***The Random Name.***

If all else fails, a great way to make up a name is to just string together sounds that you like until you come up with a made-up word. This can be a surprisingly good way to come up with a name -- and it will be completely unique.

***Make It Easy.***

Whatever you do, though, make sure your business' name is easy to pronounce and spell. If your surname is hard to say, don't use it. If people seem to have trouble spelling a made-up word, come up with something easier. You'll lose out on an enormous amount of word-of-mouth business if people have to write your name down just to communicate it to each other.

***Check for Others.***

Once you've got some ideas, make sure you check that no-one else is already using them. It will be expensive to get halfway through starting up a company only to find that the name you wanted is already taken. Also, you'll have trouble establishing any kind of Internet presence with an over-used name, if that was part of your plan -- if your name is too common, you won't stand a chance of getting yourname.com.

## **21. Setting Up a Company.**

So you've written all your plans, you've got any financing you need, and you're all ready to set up your company. Uh, wait a minute... how do you do that?

### ***The Basics.***

A company is an entity, separate from you, that you need to create before you can do business. You decide what type of company it will be, you give it a name, and then you send off all the relevant papers to your government and pay any fees that need to be paid. Even for a one-person home business, it's good to form a company -- it keeps the finances apart, and means that you can sell your company to someone else if you want to. Besides, it might be a legal requirement where you live anyway.

Before you do anything else, you should send off for the forms you need to start a company -- in the US, for example, you would talk to the SBA (Small Business Administration), while in the UK you would need to get in touch with Companies House. If you're not sure, your local Chamber of Commerce or your lawyer should be able to advise you.

### ***Types of Company.***

The chances are that you will want your company to be 'limited', which means that your own liability when it comes to debts and other legal issues is limited to a certain amount, usually the amount that you invested originally. While it is possible to start an 'unlimited' company, it offers no real benefit -- it just means that you take far more legal risk.

The choice between 'private' and 'public' companies should be equally easy. A private company can be of any size, and is owned only by the people who started it. A public company, by contrast, is one that can be traded publicly, and may be listed on the stock market -- there will be a high minimum share issue requirement for this type of company that will put it well out of your reach, and formal qualifications may also be required.

So the kind of company you need is very probably a limited liability company, usually abbreviated as 'LLC'.

### ***Legal Requirements.***

Before you can start a company, there are a few legal requirements you need to fulfill. You generally need to be over 18 and otherwise permitted to enter into contracts. You must not have been disqualified from being the director of a company, and you also can't be bankrupt.

So far so simple, right? One last sticking point is that you will usually require two people to act as the directors of your company, not just one -- you might have to ask your partner or a lawyer to be another director, or to act as a 'secretary'.

### ***Fee Time.***

You're likely to be hit for lots of different fees as you go through the process of setting up your company, but none of them should be too large. There will be a company registration fee, as well as a witnessing fee and perhaps some charges for stationery. You may be able to pay extra to have your company registered more quickly.

### ***An Alternative.***

If setting up a company sounds like hard work, you'll be relieved to learn that almost all sorts of people offer comprehensive company registration services that don't even cost all that much. Expect to pay about twice as much as the standard do-it-yourself fees, but it's hardly going to break the bank anyway, and it can save you a lot of trouble both now and later on to get things done properly. If this is what you want to do, speak to a lawyer, an accountant, or even a specialised 'company formation agent'.

### ***Your Obligations.***

Finally, be aware that from the moment you set up a company, you may have some obligations placed on you. The largest of these is tax reporting, where you will be required to send in a tax report every tax year. Forgetting to deal with tax issues could land you with a fine, so make sure you understand exactly what you've signed up for. You might also be required to do things like putting a small sign with your business' name on the front of your business premises (your house), or to start writing your company registration number on business-related letters you send.

## **22. A Company Law Jargon Buster.**

Company law is full of confusing terms, and if you don't know what they mean then setting up a company can start to look far more scary than it really should be. Read through this jargon buster and you should find it much easier to understand what starting up is all about.

**Capital.** This is money that is going to be invested in a business. Example: 'I am starting my business with \$5,000 capital, \$2,000 of which is my own'.

**Contract.** When you sign a legal document, you are entering into a contract. Starting a business lets you sign and enter into contracts on behalf of the business -- the contract will be between the other person and your company, not you.

**Director.** The people ultimately in charge of a company are its directors. For a large company, there will be a boards of directors, appointed by the shareholders. For a home business, though, you can appoint yourself as the sole director since you are also the sole shareholder (see 'shareholder').

**Incorporation.** This is the formal name for the process of starting a company. Example: 'My business was incorporated in March 2000'.

**Insolvency.** When a company cannot afford to pay its debts. The type of company you have set up will affect what happens in this situation -- you may be liable for all of the debt yourself, or for none.

**Limited liability.** A limited liability company is one where you agree beforehand how much responsibility you will take if anything goes wrong. This protects you from being destroyed financially if something bad happens to your business.

**Office.** Your company's 'office' isn't just a place with computers -- it's also a legal concept, meaning where your company is based. Your company must have a registered office, which means that you can't start a company unless you have an address which would be legal to use for this purpose.

**Private.** A home business will be private, which means that members of the public cannot invest by buying shares. This does not stop individuals from buying percentages of your company if you are willing to sell, though. Starting your company as a private one also doesn't stop you from converting it to a public one later on.

**Proxy.** Someone who acts as a proxy for you acts on your behalf -- you have given them the legal right to speak for you. For example, if you get a lawyer to handle the incorporation of your company, they will be incorporating it for you by proxy.

**Shareholders.** The shareholders are the people who own the company. In your company, you will be the only shareholder (and so own 100% of your business), unless you've made a deal with someone else for them to own a share.

### ***Latin.***

When you're dealing with law, the amount of Latin involved can be confusing. Here are some Latin terms you might come across when you're setting up your company.

**Bona fide:** 'in good faith'. This is used to mean that someone says they are telling the truth.

De facto: 'in fact'. Used when something has happened that makes the 'real' situation take precedence from the legal one.

De jure: 'in law'. The opposite of de facto.

Ex gratia, 'out of grace'. When something will be done for no fee.

Prima facie, 'at first sight'. Something that seems true but is wrong.

Quid pro quo, 'something for something'. When a fee will be charged for a service (or services will be exchanged).

***Be Careful with Jargon.***

However much jargon you might begin to encounter as you start your business, don't start to use it yourself. It will make it so that only 'insiders' will understand what you mean, and everyone else will feel either a little silly or a little annoyed. By the same token, if you're speaking to someone (your accountant, for example) and they use some jargon you don't understand, there's nothing wrong with asking them to explain what they mean -- it's their fault for using an overly technical word, not yours for not knowing it.

If you're not sure, there's a simple rule: jargon is for communicating very specific, technical meanings. It shouldn't be used to replace everyday language, as it does nothing but cause confusion.

### **23. The Top 5 Setting-Up Mistakes.**

When you're starting a home business, it's all too easy to make mistakes -- after all, you've never done this before. Fortunately for you, though, you can learn from others' errors, by making sure you don't do any of these things.

#### ***Thinking Skills You Don't Have Aren't Important.***

So you have no idea how to keep records and accounts, or you don't know how to maintain a mailing list. You need to learn these things! Too many home business owners just do the things that they know how to do, and assume that they can probably get by without everything else.

You need to realise that when you're running a home business, you're going to need to do as much as you can for yourself, especially when you're starting out. This means that you can't get by if your business skills are lacking. I always say that everyone who is thinking of starting a business should take an inexpensive and quick local business course, and I stand by it -- even if you think you'll be fine, it can't hurt, can it?

#### ***Not Managing Your Time.***

When you're used to working nine to five, an easy trap to fall into is not managing your time effectively. Your home is full of distractions, and there won't be anyone there to tell you to get on with it. If you're prone to daydreaming or procrastinating then this can be disastrous -- whole days can go by with only tiny amounts of work getting done.

You need to be sure that you have a schedule, and you stick to it. Draw a clear line between work and non-work time, and don't cross the line in either direction. Apart from that, the word to remember is 'prioritise': appreciate that you won't always be able to do everything, but make sure you get at least the important things done.

#### ***Making Clients Think You're a Joke.***

There are many home businesses where clients might need to visit your home -- but make sure it's fit for visiting! You can't lead them into a messy office, or be holding your dog back from barking at them when you first meet. Remember that professionalism is important, and it's too easy to end up looking silly if you don't plan how you're going to make a good impression when you invite people to your home.

If you can't afford a 'business annex' to your house, then consider hiring someone to look after your dog or children for a few hours while you have a business meeting there. It might also be worth paying a cleaner to give the place a quick once-over, if you haven't had time to clean up for a while.

#### ***Not Specialising.***

Too many home businesses, when asked who their target market is, say 'well everyone, silly'. Your target market is never everyone -- if it is, you will fail. You can't just choose an industry and advertise your new-found profession to everyone, in the hope that someone will work out that the fact you're an electrician means maybe they should ask you about re-wiring their house.

The key to success is this: think about what you can do, and then market that to people who will want it. Advertise in places where these people are. If your business has no target market, then you have no business, period.

***Making Start-Up Costs Too High.***

Finally, too many people overestimate how much money it's going to take to start a home business. Do you really all brand-new equipment? If you're spending thousands of dollars before you've made any sales at all, you're setting yourself up for a disappointment.

Start your business on a shoestring, work hard, and expand gradually -- otherwise you're setting yourself up for a big fall. However much you might think you ought to do things 'properly', you need to make sure that you're minimising costs and maximising profit every step of the way, otherwise you're failing yourself as a home business owner. It's when you start to get some bigger clients and better cashflow that you can start paying a little extra to make your business life more comfortable.

## **24. Putting a Work Area in Your Home.**

When you work from home, one of the hardest things to get right is knowing where to do your work. In your bedroom? In a special home office? Well, here are a few pointers.

### ***A Dedicated Space is Best.***

I really believe that you won't get far unless you set aside a space and use it for work only. Why? Well, if you use your work space for things other than work, then you'll get distracted by anything you leave there. Other people in the family might become frustrated by not being able to use the space, or you might find that you simply don't have anywhere to put all the important pieces of paper you acquire, meaning that they get lost.

### ***The Art of the Home Office.***

A home office is really what you want -- this really needs to be a dedicated room of a reasonable size. You shouldn't have too much trouble if you convert a small bedroom, as most bedrooms are actually surprisingly large once you take away the bed.

Your essentials for a home office are a desk, chair, computer, filing cabinet and phone/fax. If you don't have spare ones of these lying around then you should buy them used, or from some kind of discount store -- don't spend a cent more than you need to on your office furniture and equipment, at least to begin with. Still, though, do try to find things that don't look too bad, and that match.

Do make sure that you have everything in the room that you'll need for your business, and that your equipment is good enough that you'll be able to use it for long periods of time without it becoming painful. If you plan to do a lot of phoning, for example, buy a headset so that you can do it hands-free. It's also worth spending just a little extra on that chair, if you're going to be sitting on it a lot.

You should also make sure that the room is well-lit and decorated in a style you like: one that says 'serious', but not 'dull, terrible work'. Keep it at a comfortable temperature, with good ventilation. Many people like to make their home office visibly different to the rest of their house, by having a differently-coloured carpet or wooden floor, or painting the walls an entirely different colour. Whatever you do, though, I have no doubt that it'll be better than 99% of the corporate offices out there. The most important thing is that you don't spend too much, but that you make sure to solve any problems you have with your space as soon as they come up.

### ***A Whole Other Building.***

One thing that some people like to do when they set up home offices is to make it completely separate from their house: a business annex. This could be expensive -- for goodness' sake don't build a whole other building if you don't have something like a shed or garage to convert -- but it is also one of the most effective ways to work from home. It's not so much a 'home office' as an office that you've built right next to your home -- and it gives you a much clearer sense of when you're working and when you're not.

This option is especially worth considering if you do a manual trade, especially if you already have some kind of workshop space. I knew a carpenter who saved himself all sorts of headaches when he moved his home office away from his bedroom and into his existing workshop in his garage.

### ***A Question of Tax.***

When you're organising your home office, don't forget about tax. The area of your house

that you do business in should be tax-deductible, and so should any equipment you buy or other work you have done. Don't use it as an excuse to get carried away, but do remember that you're not spending quite as much as you think. As long as you don't go overboard, your home office will be one of the most important investments you will make -- as anyone who's ever tried to work from home without one can tell you.

## **25. Working and Living: Don't Blur the Lines.**

When you're at home all the time, people have a way of giving you everything to do, with no regard for your job. It can be very hard indeed to keep your family life separate from your business when you work at home -- in fact, this is one of the most common reasons home businesses fail, and their owners come away all too glad to get back to the corporate grindstone. If you don't want to be driven away from home business, here's what you need to do to keep your family at bay.

### ***Work Time, Home Time.***

Make a schedule for when you're going to work and when you're not, and stick to it. This doesn't have to be inflexible -- it's very silly to only work nine to five every day, for example -- but it still really needs to be there. Without a plan, you're inevitably going to go too far one way or the other, and either work far too much or nowhere near enough. You might find it best to a new plan at the start of each month or week, so that you can still respond to changes in circumstances.

Yes, I know it can be difficult to draw clear lines between family time and work time, especially if your family is around for some of the hours that you want to be working. The only thing I can say to you is that it's important to keep on trying, because the moment you give up everything's going to come crashing down. Whatever you do, don't let your family anywhere near your office space.

### ***Fit Errands Around Work.***

People will obviously be upset if you absolutely refuse to run their errands -- is it really so much trouble to run down to the bank when you're at home all day? -- but you can't let them take away hours from work. You should make your response automatic. When someone asks you to take an hour out of work to do something during the day, tell them that you'll have to make that hour up at the end of the day, so they shouldn't expect you out of the office until an hour later than usual.

### ***Don't Do Chores.***

It can be tempting to do the laundry or the dishes when there's a load of them to do and work seems slow, but don't give it to it during your working day. Chores eat up an amazing amount of time. One thing you can do to help resist the temptation is to wear better clothes than you usually would when you're working -- not a suit, but something business-casual that you wouldn't really be willing to wash dishes in.

### ***Have a Business Phone Line.***

You need a phone line that's just for business to let clients leave messages for you when you're not in the office. Say exactly that in the message: 'I'm not in the office right now, but please leave your name and number and I'll get back to you'. Whatever you do, don't be tempted to take business calls after-hours, or give out your personal number to business contacts -- this is a sure-fire way to never stop working. Turn off the ringer on your business phone when you leave the office for the day.

### ***With Children, All Bets are Off.***

If you have children at home during the day (if they haven't started school yet, or it's a school holiday), it can be very difficult to maintain a sensible work pattern. They will come and bother you at every opportunity, because they miss you and want to see you. They'll even cause trouble just to get you to sort it out. They wanted to come and bothered you at your office job too, you know, but they had no way of getting there.

So what can you do when there are children in the house? After all, it's harsh to just ignore them, isn't it? The best answer I've found is to hire a babysitter, who can keep the kids entertained while you work. It could get expensive, but it shouldn't be for long, right?

## **26. Working Alone: Who'd Have Thought You'd Miss Your Co-Workers?**

Remember co-workers? Those annoying people who you're forced to share an office with -- some of them friends, but most of them insufferable. If you're anything like me, one of reasons for starting a home business was to get away from these people. And yet, when you do work at home all day, every day, you might find that you start to miss that kind of companionship, and feel more than a little lonely.

### ***All Alone...***

Picture the scene. You get up for another day of work. Your husband or wife has already left, since they have to get up earlier to commute to their job. Your children are at school. All the neighbours are at work. Your house feels deserted, and your neighbourhood feels like a ghost town.

It's all too easy to become enormously demotivated in this situation, and to begin to feel like your work is pointless. Worse, when you get stuck or something bad happens, you have no-one to turn to -- at work, you were all in it together, but now it's just you, out on your own.

Even if you don't feel like it's affecting you, the lack of human interaction could be causing you quite a few problems. Ask yourself honestly if you've been more irritable than usual recently, found yourself lacking in energy, or felt upset or sad without being able to figure out the reason why. If you have, then it could be related to home-worker loneliness.

### ***The Power of the Web.***

Since you've presumably got a computer and Internet access on your office computer, you might find it worthwhile to get on a search engine and find a few forums for your industry, especially ones dedicated to people who run home businesses. You might think what you do is too obscure, but it's a big web out there.

Finding friends on web forums can be good for replacing the lost interaction with co-workers. More than that, it can offer you a good outlet for your frustrations and problems -- many of the people you're talking to will have been through the same thing themselves, and will be more than happy to sympathise with you and offer advice.

There's only one thing to be careful of, though: don't let chatting about everything and nothing on the web interrupt your work. Give yourself a certain amount of time each day to talk to your newfound 'colleagues', and don't go over it. You don't want to be sitting there pressing 'Refresh' on a long discussion when you should be getting some work done, do you?

### ***Get to Know Your Clients.***

Here's a good way to turn your loneliness into an advantage: make your clients your friends! The customers that will be the most loyal to you are the ones that trust you and know you, and going to meet with them sometimes as a friend can be rewarding on both a personal and a business level.

### ***Associations, Groups and Societies.***

If you look, you might be surprised at how many things there are out there that you could join. Perhaps your area has a Homeworkers' Society, or an association for your industry that holds regular meetings? Go along, and you could find some new friends, as well as some good business contacts. Two or three groups should be enough.

***Go to a Coffee Place Sometimes.***

You've seen those people who seem to be doing work in Starbucks, right? Well, they've figured out something valuable -- being at home alone all day sends you crazy, and it's nice to get away sometimes and have some coffee while you work. Over time, you'll even become a regular, and people there will start getting to know you.

***Use Your Breaks to Contact People.***

Most people have a list a mile long of friends and family that they've been meaning to get in touch with for ages, but never seem to have the chance. A great thing to do can be to make a big list of all these people, and then phone or email one of them each week, in one of your breaks. Not only does this fight loneliness, but it's also a plain fun and nice thing to do.

## **27. Safety in the Home Workplace.**

One of the most ignored aspects of working at home is safety. Business offices go to all sorts of lengths to avoid any injury or harm to their workers (they don't want to get sued, after all). Meanwhile, you might not even know that it's possible to injure yourself with nothing more than office equipment. If you're going to avoid a lot of pain in your future, you need to read up on home office safety now.

### ***Your Chair.***

The chances are that you're going to be sitting on your chair for quite a long time each day. If you have a bad chair, or you haven't adjusted it properly, you could give yourself a back injury -- and they're painful, not to mention expensive to treat.

When you're choosing your chair, make sure you sit on it for a while in the shop, giving yourself a chance to get used to the way it feels, and be prepared to walk away if it starts to get uncomfortable quickly. Don't pay a ridiculous amount, but don't get the cheapest and worst thing in the shop, either.

### ***Your Mouse and Keyboard.***

If you're using a computer mouse a lot for your work or doing a lot of typing, you can give yourself some pretty nasty injuries. This is because doing the same thing over and over again can give you a repetitive strain injury (RSI), such as carpal tunnel syndrome or tendonitis. This is one of the most common problems amongst office workers, home workers included.

You might have an RSI if you notice pain, weakness and fatigue in your muscles. One of the most common symptoms is pain when you're lying in bed. People tend to think that they must just be sleeping in an awkward position, or that they need a better bed or pillow, not realising that their office equipment is to blame. If you think you might be an RSI sufferer, go and see your doctor. Massages tend to be the most effective treatment, when given by a trained therapist.

To protect yourself against RSI, there are a number of things you can do. You should take regular breaks from using your computer, and stop immediately if you start to feel any kind of pain. You may also wish to invest in an ergonomic keyboard and mouse, which are laid out differently to normal keyboards and mice in an effort to make them more comfortable and less dangerous to use.

### ***Clean and Tidy.***

Silly as it might sound, the second most common problem amongst home office workers is that they make a mess. Your home office might become cluttered with wires, open drawers, and various objects all over the floor. It's quite possible to trip and fall over all of these things, and if you walk around enough in a confined space then eventually you will. Do as much as you can to keep your home office uncluttered: always close drawers, keep wires in one corner of the room and don't put anything on the floor.

### ***Strangers in Your Home.***

An aspect of safety that many people don't think of is the fact that you could be letting strangers into their home when you agree to meet clients there, and this can be risky for you and your family. You might be especially worried if there will be children at home with you while you're working.

The simple answer, of course, is to always meet new customers in a public place, until you know and trust them. Coffee places are good for this. As a bonus, you'll inevitably look more professional if they don't realise that you're a home business, and having a coffee each gives you something to do during any lulls in conversation other than just sitting there and looking awkward.

***First Aid Kits.***

Finally, one last note if you're doing manual work: you really ought to have a first aid kit in your workshop, as well as one that you carry around with you. You really shouldn't be doing anything physical as a business unless you've taken a first aid course -- they're quick, easy and inexpensive, so there's no excuse. It could save your life someday, after all.

## **28. Don't Forget Yourself: Surviving the Financial Strain.**

When you start a home business, it's all too easy to get carried away by all your new obligations: keeping your customers happy, earning enough money to live, and so on. Being in such an uncertain financial situation is stressful, but many home business owners simply ignore this stress, instead of dealing with it. When you're worrying about money, you tend to be worrying about everyone else and what will happen when you let them down. What I'm saying is this: don't forget yourself.

### ***The End of Stability... or the Beginning?***

Many people get very upset a few months after they quit their job and start their own business, feeling like they threw away the financial stability they had in their job, to chase a dream. Think of this way, though: just how stable were you in your job to begin with? Did you constantly have to avoid saying or doing the wrong thing, for fear of getting fired? Did it always feel like you were one bad project away from the end?

Well, you are in almost all 'real' jobs, when hiring and firing is at the whim of your manager. At least now you work for yourself you can't lose your whole job -- only individual clients. I know many people, especially medical professionals, who feel far more stable working at home than they ever did in their job. They know that there will always be at least enough people coming to them for them to survive.

### ***Living With It.***

You knew this was going to be hard on you financially when you started -- it's no excuse to give up. Talk to any home business owner and they'll tell you how much stress they're under. It's part of the way of life. Big companies are designed to take financial strain away from individual employees, since everything is decided by committee and it's the investors who are going to be losing out anyway. You don't have this luxury.

The only advice to give here is that you shouldn't take any more financial risk than you're comfortable with -- decide in advance just how much you're willing to lose before you throw in the towel. You should agree this point with your family before you start, though, and don't let them pressure you into giving in before you've reached it.

### ***Keep Clear Records.***

The absolute worst and most stressful thing is not to know exactly what your financial situation is from day to day. While you might think you don't want to know, things are never really as bad as they seem when you've got the numbers in front of you. It's when you leave it to your imagination that things really start to seem bad.

The simplest way to keep records for yourself is to use a simple accounting program, or even just a spreadsheet. Enter what you started with, and then record everything you spend and everything you earn. Remember: it's never that bad.

### ***Don't Start Taking Sick Days.***

It can be all too easy to take 'sick days' when the only person you answer to is yourself - when you feel stressed, the natural reaction is to hide away and ignore whatever it is that's making you stressed. You'll only make your financial situation worse if you do this, so it's important that you only stop working when there's something actually wrong with you, not just when you feel low.

### ***What's the Worst That Can Happen?***

Think of it this way: what's the absolute worst case scenario, the thing that you're most

afraid of financially? There are very few situations that couldn't be solved by selling a few of the things that have accumulated in your house over the years (you probably don't even use them), or by selling your car and getting a smaller one. Do you really need all those things you subscribe to monthly? Newspapers, cable TV, and the rest could all go in an emergency, right?

Basically, when you run a home business, you might have to make a few short-term sacrifices to get yourself out of trouble. I guarantee you, though, that you will find it very difficult indeed to completely crash and burn.

## **29. The Secrets of Pricing.**

An often-neglected part of home business is the pricing of your services. You know what you can do, you know there's a market for it, but do you know how much you can get away with charging, without putting the customers off? Here are a few tips to maximise your profit margin.

### ***Find Out What Your Competitors Charge.***

Ring round some of your competitors (you might want to use a fake name), and find out what they're charging for the services you offer. You can then make a price comparison table. If you're working in an industry where price isn't a big thing customers look at, you might charge around the average of your competitors' prices. If price is a big factor in your industry, play aggressively -- put your table in your advertising materials, and price yourself so you beat everyone on the list (you might not be able to do this in some industries, however).

Be aware, though, that you might not always want to be the cheapest out there. Somewhat strangely, you might find that you can take away a competitor's business in some industries simply by moving into that sector and charging a higher price than they do for similar products. One of the biggest secrets of pricing is that people assume price means quality, and purchase accordingly. There's jewellery out there, for example, that is priced at thousands of dollars but only really worth a few hundred -- what people pay for, oddly enough, is the status that comes with buying something with such a high price.

### ***An Easy Formula: Cost Plus Time Plus Margin.***

If you'd like to be more scientific about your pricing, here's a way to do it. First, work out your costs. This is any materials that you use for your work, as well as your overheads, such as electricity, advertising, lawyer's fees, and so on. Once you're done, you should have figured out how much each product you offer costs you, before you include the price of your work. You should overestimate this number, but not by too much.

The next step is to factor in a charge for your time. Basically, work out how many hours it takes you to provide a product, and then work out the pricing so you're getting a satisfactory hourly rate. It's up to you what kind of rate to set for yourself -- start at minimum wage, and then work out how each increase would affect the price. A good guide is how much you would expect to pay an employee to do the job for you if you ever expanded to the point where employees were needed.

This is also a good opportunity to see if there are any efficiency savings you could make: if there's a service that would take two hours off the time needed for one product, and it would only cost you one hour's pay to get that service, you should do it.

Finally, once you've added cost and time, you need to add in a margin. This should typically be about 30-50% of the price you've come up with so far. This money will be good for investing in expansion, paying taxes, and covering yourself against anything else that comes up.

### ***Don't Get Emotional About It.***

If you're selling something that you've put a lot of work into -- especially something that you've worked hard to make -- you might feel that the market price doesn't represent the value you feel it has. This is a terrible trap to fall into, as you're very unlikely to ever be able to sell anything if you've priced it too highly out of emotional attachment. You need to accept ahead of time the kind of prices you're going to get for things, and think of them as being worth that much.

***Always Be Willing to Negotiate.***

You will get customers who want to negotiate with you over your prices. Play them at their own game. Make it look like you're making silly negotiating errors so that they feel like they're getting a really good deal. Just make sure that you know the minimum price you're willing to take before you meet with them, and don't take any less.

### **30. A Guide to Advertising in the Media.**

The media is a powerful thing -- the average person spends an enormous amount of their life consuming it in one form or another, and will spend a significant percentage of that time looking at, listening to or watching advertisements. If you want to use the power of the media, though, you need to know what you're doing.

#### ***Advertising in Newspapers and Magazines.***

There are two kinds of advertising you can get in newspapers and magazines: classified and display. Classifieds are the small ads towards the back of the publication, while display ads can be almost any size, from a small corner of a page to a massive double-page spread.

If there's a publication you're interested in advertising in, either go to its website (the rate card section) or call its advertising department to find out the rates it charges. Now pick your jaw up off the floor. Yes, advertising in the print media really is that expensive, and for most home businesses it probably just won't be that economical.

There is, however, an exception: niche and trade magazines. If you've ever looked around in a newsagent, you will have seen just how many magazines there are out there, filling every conceivable gap in the market. You need to find the magazine that people who are interested in your services might read. For example, if you're a wedding photographer, look for a magazine called 'Your Wedding', 'Bride', or something similar. Advertising in these magazines will be far cheaper than placing an ad in a general-audience publication, and far more likely to actually get some responses.

#### ***Advertising on the Radio.***

Wherever you are, the chances are that there's a local radio station. Once your home business grows to a decent size, you might consider buying some time on it.

Really, though, the only kind of home business that can benefit enough from radio ads to justify the cost is one that does anything to do with cars. Since radio is almost entirely limited to use as in-car entertainment now, you know that almost everyone your ad reaches will be a car-owner, and so might be interested in what you're offering. If you offer something that people need cheaply or even for free, you can get a big response.

Unfortunately, that response could be a little too big -- thanks to the time-sensitivity of radio, you'll get mobbed the next day, and then everyone will forget you again. Radio advertising offers the listener no opportunity to keep your ad and refer to it later, or to find it again in the future. You will find that any ads involving a phone number are spectacularly useless.

#### ***Advertising on the Television.***

Unless your business is getting pretty big, this would be quite a bad idea. You'd have trouble producing and airing an ad even on local cable channels for less than \$10,000. Of course, if there's a market for your product and you've got the budget for this, you could take a gamble and make a mint. The home businesses that tend to do best out of TV ads are ones that have a 'unique and useful invention' product with easy-to-demonstrate benefits -- think infomercial. Research shows that you can sell almost anything given a 60-second ad, a free phone number and a price point of \$19.95.

#### ***Advertising on Billboards.***

Here's one that gets overlooked pretty often, but can be very effective if you do it right. Billboard ads are relatively expensive, but they do generally stay up for a long time, and

they can be very specifically targeted to an area -- the one where they're physically located. You'll have the best results with this if you can put one near enough to your business that it could say 'turn left at the next junction', or something like that. Phone numbers are, again, pretty useless, although you could have some luck putting a website address up there.

***Advertising at the Movies.***

Finally, here's one that often gets overlooked. If you turn up to the cinema early, you might have seen that before the big-budget ads, ads for local businesses are run. This can be a great place to advertise relatively inexpensively in quite a high-profile way, and it works especially well for takeaway food businesses.

### **31. Guerrilla Marketing: a Cheaper Alternative.**

So you've spent an enormous amount on advertising in the media and got very little response -- or maybe you were scared enough by the prices that you never put the ads there to begin with. You're annoyed at how expensive it is to get even the simplest and smallest ad in front of anyone, and how useless the whole thing seems to be.

That's because media advertising, in the main, isn't designed to cater to home businesses. No, if you want to get ahead as a home business, you're going to have to do the advertising yourself.

#### ***What is Guerrilla Marketing?***

Guerrilla marketing is a way of advertising when you have an almost non-existent budget. Instead of thinking of your business as a smaller version of a big one, you have to realise the situation you're in, and behave accordingly to maximise your profits while minimising your marketing costs. Essentially, you're going to try to do anything to get publicity.

#### ***Telemarketing.***

Don't worry, I'm not talking about telemarketing of the nasty call centre variety here. It's B2B (business-to-business) telemarketing you want to be doing -- basically, phoning up local businesses and making yourself known. You'll be surprised at just how effective this can be, since businesses tend to appreciate the effort you've made to contact them and offer your services far more than a customer does if a business phones them at home.

#### ***Direct Mail.***

It shouldn't be too difficult to get hold of a mailing list that covers your whole area -- ask your local post office if you're unsure, as they'll often be able to help with bulk mail campaigns. Alternatively, if you don't even want to pay for delivery, you could hire a few local teenagers to go round putting your letters in people's mailboxes. This will work best if you keep your message to one small page or even just a business card, so that people will keep it if they're interested and call you in their own time.

#### ***Outdoor Leafleting.***

Another effective guerrilla marketing technique, at least for some kinds of business, is to hang around outside giving out leaflets to passers-by. This gives you an opportunity to 'meet and greet' people, and lets you do some free targeted advertising by choosing your location carefully. If you do odd jobs in people's houses, for example, you could stand outside the DIY store, handing out leaflets that say 'Why Do It Yourself? I'll assemble and install everything you buy today for only \$50!' If you custom build and sell your own computers, you could stand outside a big-box computer store with this leaflet: 'Get your computer tailor-made, for half the price of [big store]'. You get the idea.

#### ***Free Gifts.***

You'd be surprised just how effective it can be to stand around handing out free gifts. If you do something that relates to children, then hand out balloons to them in the mall. You'll make some kids' days, and your name and perhaps website address will be written there on the balloon for all to see. Free pens are a very effective thing to give away if you provide a more serious business service -- people are always short of pens, so they'll keep your pen in their bag and be reminded of your business each time they use it. Even better, the cost of getting thousands of balloons or pens printed with whatever you want is almost nil.

### ***Attack the Competitor.***

Nasty as it might sound, hardcore guerrilla marketers regard their competitor as their sworn enemy, and will do anything to bring them down so that they can replace them in the marketplace. A little disturbingly, this can be quite simple to do -- fake a few letters complaining about a business to a local newspaper, and you might find that they follow through and do a feature on it without even checking the story out.

In the end, with guerrilla marketing, there are endless ideas -- it's all about being inventive, and having the guts (and the patience) to try them out. When you get your first customer without buying a single media ad, it'll all be worth it.

## **32. Hardware and Software: Using IT in Your Business.**

There's almost no-one nowadays who doesn't have a computer -- it's more-or-less a given that you've got a computer in your home office, and that you use it almost every day. But are you getting as much out of it as you could be? Here are some things your computer can do that you might not have thought of.

### ***Keep Track of Customers in a Database.***

Once you start to get some customers, you'll need to keep track of their contact details, as well as making sure you know who they are in case you forget. You have a choice: you can keep a file for each customer in your filing cabinet, or you could enter their details into a computerised database.

The good news is that if you have some office software, then you should already have a database package. Starting a database of your customers isn't too difficult to figure out, and lets you do all sorts of things -- you can sort them by the area where they live, or list everyone who's bought one of your products but not another, for example.

### ***Graph Your Sales.***

Once you've got your database telling you what you've sold to who and when, you can use it to produce all sorts of graphs and other reports that could help you to spot trends and see what works and what doesn't.

### ***Do Your Accounting and Tax.***

With inexpensive accounting software, it's not hard to use your computer to keep track of all your incomings and outgoings -- it can even be integrated with your customer database. Since you'll have all your sales data electronically already, it'll be a snap to do your taxes at the end of the year, where for people who have it all on paper it can be a complete nightmare.

### ***Design Your Own Marketing Materials.***

Modern desktop publishing software makes it dead easy to design your own logo, leaflets, brochures, and anything else you might want. With a little practise, you can produce things as good as any graphic designer a home business could afford, and save the money for distribution. Make sure you run your design by a few people first, though, to check that it's readable and there aren't any mistakes or flaws that you've been staring at it for too long to see.

### ***Follow Market Trends.***

With Internet access, you can read articles from the specialist press of the whole world, and keep up to date with all the latest technologies and trends in your industry. It's worth picking out the top five or so most important sites to your business and spending a few minutes each day checking them. After all, you don't want to get left behind.

### ***Accept Credit Cards.***

Many people don't realise, but Internet merchant accounts aren't just for accepting card payments over the web. You can also open one to use as part of your home business over the phone or by post, with you simply entering the card numbers and amounts into a website to process the payments. This is a powerful way of giving your customers more alternatives when it comes to paying you.

### ***Promote Your Business.***

Don't underestimate the effectiveness of the web as a tool for promotion. You should definitely take the time to list your business on every directory listing people in your industry -- make sure that someone searching for your profession and the town where you live would be able to find you listed easily.

***Pay Your Staff.***

When your business gets big enough to employ staff, you'll find your computer is a useful tool for keeping track of how many hours each person has worked, how much they should be paid, and how much of that amount needs to be kept behind as tax. Trying to do payroll manually is a big headache.

***Keep Backups!***

There's one thing, though, that it's important to always remember: when you use your computer to store any data that you can't afford to lose, make regular backups and keep them in a safe place. It's really not that much trouble, and if you don't do it then a simple computer failure can devastate your business.

### **33. Setting Up a Website for Your Business.**

There are very few businesses these days that don't have websites, and as a home business your website is one of the most powerful tools you have at your disposal. A good website can really work for you, but you need to know what you're doing.

#### ***Hire Foreign Designers.***

If you don't want to design your website yourself, you can hire someone to do it for you. Hiring a web designer, though, can be expensive. Luckily for you, the Internet puts you in touch with designers all over the world, and it's easy to hire one of them very cheaply to design your website. They don't do any worse of a job than someone in your country would, it just happens that your few hundred dollars is worth as much to someone in India as a few thousand would be to you or I.

#### ***Use Search Engine Optimisation.***

There are a heck of a lot of websites out there, and search engines will return everything relevant to a user's search. How can you possibly get your site above the thousands of others that the search engine thinks are relevant to your keywords?

The answer is to use basic search engine optimisation techniques. For example, make sure you often use phrases that you think your target market will be searching for (your 'keywords'), and make your web addresses contain them too. That's just a brief introduction -- there's a whole SEO industry out there, if you go looking for it.

#### ***Have Lots of Useful Content.***

When you have a website, you're not just trying to reach people who were searching for you -- you're trying to get people to check your website, read your latest news and offers, and the rest. The best way of doing this is to have fresh and useful content on there. Write short articles about the kind of things your customers might be interested in. If your home business is computer repair, for example, you could keep track of the latest virus threats on your site and offer help to anyone affected.

#### ***Make It Easy to Update.***

You should make sure that whatever software you're using to write your website makes it easy to post new articles without too many problems. If you have to go around putting HTML tags into your articles before you can upload them, then you should think about changing the way your website works.

#### ***Keep a Weblog.***

One of the simplest ways to have fresh, useful content on your site is to keep a weblog (or 'blog'). A blog is a series of entries, like entries in a diary, that are displayed on your site starting with the most recent first. It is easy to log in and quickly write a new entry, and it can be as short or as long as you like.

For your home business' blog, the only rule to stick to is not to post anything there that isn't related to your industry and your work. It might be great that you've got a new baby or sad that your cat Mr Tibbles died, but you should start a personal blog on another website if you want to post about that kind of thing.

#### ***Let People E-Mail You with No Hassle.***

One of the worst mistakes people often make when they're starting a website is to think that it would be a good idea to give their customers a 'contact form' to fill in. People

really, really don't like filling in forms, and you'll lose a lot of interested customers if you require them to tell you all sorts of things before you'll even talk to them over the Internet.

The best thing to do is to simply list your email address on your site, as a clickable link, and advise customers near the link of the kind of information it would be useful for them to include in an email. It might sound strange, but people are far more willing to go to the trouble of typing things in when it's on their own terms, and not into an annoying web form.

### **34. The Art of e-Commerce.**

So you've got your website, and people can email you about your products and services. The next step, if your home business is suitable, is to start selling them directly online.

#### ***Why E-Commerce?***

E-commerce can be a massive business booster. If you sell reasonably small, easy-to-ship products (or services that don't need shipping), it can expand your market from your local neighbourhood to the whole world! You will also find that you get more repeat business, since people can easily re-order from you without having to call you again, and you might find that you can afford to sell lower-value things in your web store than you could in real life, thanks to the reduced overheads.

#### ***Setting Up E-Commerce.***

If you've already got a website, setting up e-commerce can be surprisingly easy. The only real requirements are that you get some e-commerce software (it's not that expensive, and some like OScommerce are even free), and that your web hosting will support whatever programming language the software is written in.

If you think that sounds a bit too technical, just take a look through the help section of your hosting company's website -- you should find something there that explains your specific situation. You never know: some hosts already have everything set up for you, and all you have to do is press a button!

#### ***Consistent Design.***

It is important for the e-commerce section of your site to appear to be integrated into the rest of it. You should have clear links to your store on each page of your website, and the design of the store itself should be consistent with what has gone before. If your store looks out of place, it shouldn't be too expensive to get whoever designed your website to quickly adapt that design as an e-commerce template.

#### ***A Matter of Inventory.***

Once you've got your 'shop' up and running, the next step is to configure it. This mostly involves telling it what you plan to sell, i.e. entering descriptions and prices for the items, as well as uploading pictures. Take some time with the pictures, and make them large and easy to see on the screen. The descriptions should list every feature and benefit each product has, and you might wish to set the prices 10% or so below your normal levels, as an 'online discount'.

It is important, though, that once you put your items on your e-commerce website you do not allow them to go out of stock. There are few things more frustrating for a customer than seeing something they want to buy and not being allowed to buy it -- or, worse, paying for something only to be told that it'll take weeks to arrive. Think like a customer, don't forget about your website, and keep things running smoothly.

#### ***Delivery.***

Depending on what you sell, your delivery methods can vary. We could be talking about a package in the mail, or perhaps just a follow-up email. Whatever you're doing, though, make sure you do it quickly. Customers will get very nervous waiting, and won't appreciate it. Keep your customers updated at all times on how things are going -- never leave them hanging.

#### ***Inputs and Outputs.***

Once you get these things down, though, e-commerce is simple enough that it can mostly be left to run itself. It's like a system of inputs and outputs that multiplies everything put in: you spend an hour or two telling it what you've got, and out of the other end come orders and money. You'll find that almost all e-commerce stores easily pay for any time you put into them as soon as you make one or two sales.

***Don't Forget to Advertise It.***

You won't usually need any separate campaign for your e-commerce operation, but it's well worth mentioning its existence on your marketing materials. A few simple words before your web address on anything you hand out can work wonders: 'visit [www.yourwebsite.com](http://www.yourwebsite.com)' becomes 'learn more and order online at [www.yourwebsite.com](http://www.yourwebsite.com)'. You'll find that many customers will be more eager to check out what you're selling when they can do it as easily as typing in a web address.

### **35. A Computer and Internet Glossary.**

When you use computers and the Internet in your business, it's all too easy to start feeling like you're drowning in a sea of nonsense. Computer-related things tend to have a language all their own, and while you don't need to know all of it, there are many confusing words and phrases that you're going to come across sooner or later. Here's a quick primer.

**Bandwidth.** Bandwidth is the amount of data that your website can send each second, as well as the amount of data that the visitor to your website can receive. If either one doesn't have enough bandwidth, then the website will appear slowly. For this reason, you should choose a host with plenty of bandwidth, as well as testing that your site doesn't take too long to download on slow connections.

**Browser.** A browser is the software (see below) that visitors to your site use to view it. The most popular browser is Microsoft's Internet Explorer, which comes with Windows.

**Cookie.** Cookies are data files that your site can save on the computer of someone who visits that site, to allow it to remember who they are if they return. You will find that problems people have in ordering from you will almost inevitably be related to cookies -- they will need to have them turned on.

**Download.** Transferring data from a website to a computer.

**Favourite.** A favourite is a website that a user has stored to look at again, by choosing 'Add to Favourites' in their browser's menu.

**FTP.** File Transfer Protocol. This is a common method of uploading (see below) files to your website.

**Javascript.** A common language for writing 'scripts' on websites, which are small programs that make the site more interactive. Another common cause of problems for visitors.

**JPEG.** Joint Photographic Experts Group. This is the name of the most popular format for pictures on the web, named after the group that came up with it. If you want to put pictures on your website, you should save them as JPEGs.

**Hardware.** Hardware is computer equipment that physically exists. It is the opposite of software.

**Hosting.** If you've got a website out there on the Internet, then you'll be paying someone for hosting. It is the service of making your site available for people to see.

**HTML.** HyperText Markup Language. A kind of code used to indicate how web pages should be displayed, using a system of small 'tags'. The 'b' tag, for example, causes text to appear in bold, and the 'img' tag displays a picture.

**Hyperlink.** A hyperlink is when a piece of text on a website can be clicked to take you to another site, or another page on the same site. For example, if clicking your email address on your website allows someone to email you, then your email address is a hyperlink.

**Programming.** This is when the computer is given instructions to tell it what to do, using one of many 'programming languages'. Programming languages for the web include PHP and Perl.

**Server.** The server is where your website is stored, and it is the server that people are

connecting to when they visit the site. If someone tells you, for example, that your server is 'down', it means that your website is inaccessible. Note that server refers both to the hardware and software of this system.

Software. Programs that run on the computer, or that make your website work. Microsoft Word is software, for example, as is Apache (the most popular web server software). Opposite of hardware.

Spider. Don't be scared if a spider visits your website! Spiders are simply programs used by search engines to scan your site and help them decide where it should appear when people search. It is good to be visited by spiders, as it means you should start appearing in search engines soon.

Upload. Uploading is when you transfer data from your own computer to your website. For example, you might upload your logo, or an article you've written. Opposite of download.

URL. Uniform Resource Locator. This is just a short way of saying 'web address', meaning what you have to type in to get to your website. Sometimes pronounced as 'Earl'.

## **36. Trademarks and Copyrights.**

So you've put all this work into your business: you've got a name, you've made some marketing materials, even written some things for your customers. If you don't want your competitors to be able to take what you've done and exploit it, though, you're going to need to take some steps to protect yourself.

### ***What's in a Name?***

Your name is one of the most important assets your business has -- it's how your customers identify you. Knowing your name is the first step to trusting you and recommending you to others. But what can you do if you're afraid that someone else might start using your name, or simply start another company with a similar enough name to confuse people?

The answer is that you can register a trademark. A trademark is a word or logo that distinguishes one thing from another, and you have the right to register any names or logos your business uses, in order to stop other people from using them. Coca-Cola, for example, is a trademark of the Coca-Cola Company -- if I start selling my own drink and calling it 'Coca-Cola', or even something like 'Cocoa-Cooler', then they have grounds to sue me.

### ***Making Your Mark.***

You can trademark both your business' name as well as the names of any products you sell. The only condition is that they can't be too similar to names that someone has already trademarked, and you can't usually trademark words that are in common use.

It costs a few hundred dollars to register a trademark, and you can do it through the patent office. It can be a waste of money to trademark too many words, so you should only bother with it if you think one of your names could be threatened by competitors.

Once you get your trademark, it's yours -- you can do whatever you want with it, including giving others permission to use it or selling it to them. Remember, though, that your trademark usually only applies in the country where you registered it -- you will not usually be protected from competition where foreign businesses are using your trademark. Also, your right to use the trademark will only last for a set number of years (usually a decade from the date of registration). After this time, you will have to pay again to renew it.

### ***Don't Copy Me.***

Copyrights are similar to trademarks in terms of the kind of protection they offer, but different in how they work. In almost all countries, ownership of copyright is automatic, and costs nothing. The moment you write (or draw, or record) something, you own the copyright on it, and can take action against anyone who makes a copy of it without your permission.

It is possible to own the copyright on almost anything that exists but isn't physical: music, graphics, writing, computer programs, and so on. It does not, however, cover physical things (that's patents), nor does it cover names (that's trademarks).

A copyright lasts longer than a trademark: typically it lasts until you die, and then a set number of years after that, depending on your country and the kind of thing that was copyrighted. After the end of this time, the work becomes 'public domain', free for anyone to use.

Of course, copyright is a right, not something that you absolutely must go along with. If

you want to give people permission to freely use and redistribute something you've made, then you have the legal right to do this. You can even give up your copyright on a piece of work altogether, simply by writing on it that you no longer want to own the copyright.

Since you're in business, though, the chances are that you'll want more protection for your materials, not less. Look into registering your copyright at the patent office, as doing this will give you an even stronger case if you ever need to use it.

### **37. Finding Who You Need: Advisors, Accountants and More.**

When you run a home business, there are all sorts of professionals whose services you need. They are often indispensable, saving you two or three times what they cost. But what do you need, and how do you know who to choose?

#### ***Choosing People.***

The best people to hire are people who you've heard about by word of mouth. Failing that, you should spend as much time as you can afford comparing people and services before you make up your mind. Don't worry, it's not all wasted time: the way you go about comparing others' services this might give you a few insights into how to improve your own marketing.

I find that the best way to do it is to narrow the people you're considering down to a shortlist, and then do as much research about them as you possibly can. Seek out their clients and their premises, find out how long they've been in business for and who the business is owned by -- make sure there's nothing you're uncomfortable with.

#### ***Lawyers.***

Whenever you're dealing with the law, you really shouldn't try to go it alone -- and when you're running a home business, you'll be hitting up against the law quite often. It's important to build a good working relationship with a lawyer in your area, so that you have them available both for day-to-day things and for emergencies.

Sooner or later, you'll probably need a lawyer to help you with licenses, permits, regulations, contracts, or employment. You need to get one straight away if someone violates your trademark, copyright or patent, or someone threatens to take legal action against you for some reason.

#### ***Accountants.***

Accountants are mostly useful for saving on tax, but you will find that tax is a big business expense, at least if you do it wrongly. Accountants know the tax laws inside out, and will be able to point out all the savings you might be entitled to without even realising it, as well as the best ways to do things like taking money out of the business without paying a ton of tax.

It is best to try to find an accountant who will keep in contact with you occasionally, reminding you of tax deadlines and telling you if anything changes in the law. They should also be able to advise you on bookkeeping methods, and suggest computer software that could be helpful for this.

#### ***Business Advisors.***

You may wish to contact a business advisor if there's anything you're still unsure about when it comes to running your business -- they can be affordable yet very helpful. They are also very useful people to be able to contact in a crisis.

#### ***Financial Advisors.***

If you're trying to manage a lot of debt, you might want to get a financial advisor. They can help you structure your business so that it pays debt off quickly while still leaving you enough to live on, as well as suggesting ways to get debt repayments down. Quite apart from the practical elements of this, it can be a big relief to know that there's a plan and your debts are being dealt with.

### ***Advertising Agencies.***

If you don't want to handle advertising yourself, then advertising agencies can be a good alternative. They'll produce a slick, professional ad, and place it in ways that they know produce results. Look for one that specialises in home businesses, and will allow you to try out a relatively small advertising budget with them to begin with to see what kind of results they could get for you. You could be pleasantly surprised.

Make sure, though, that any company you choose isn't so big that you'll get lost amongst all their clients, and that they understand your business and your industry. Since most ads for home businesses should be local, it's worth sticking to your own town when you're trying to find someone.

### ***Web Designers.***

Keeping a web designer as a semi-regular contact is important if you're going to have a website and don't know too much about them yourself -- they could be needed occasionally add new sections you might think of, or fix the thing if it all goes wrong.

### **38. Putting It in Writing: Contracts for Customers.**

When you're dealing with customers, sometimes things can go wrong. It might be your fault, it might be their fault or it might be no-one's fault -- but if you didn't make a contract, then you'll all suffer.

#### ***Why Do I Need Contracts?***

A contract gives you a sound legal base for your business, and some guarantee that you're going to get paid for your work without you having to ask the customer for payment in advance. In the event of a dispute, the contract lays down what the agreement was so that you can point to it and say what was agreed. If you ever end up having to go to court (let's hope you won't), the contract is what the judge's decision will be based on.

Without a contract, you leave yourself vulnerable and open to exploitation. Someone could claim that the terms they agreed with you were different to what you say they were, or that they never signed up for anything at all and so they won't pay. It's especially common to see big businesses mistreat small ones, thinking that they won't have the knowledge or the money to do anything about it. Essentially, contracts take away your customers' ability to hold non-payment over your head, and give you the ability to hold it over theirs instead.

#### ***Written and Verbal Contracts.***

It is important to point out the distinction in the law between a verbal (spoken) contract and a proper, written one. A verbal contract is binding in theory, but in practice can be very hard to prove. A written contract, on the other hand, is rock-solid proof of what you're saying.

You might think that you're never going to get into a dispute with your customers, but it's all too common to find yourself in a little disagreement. They will often want to get you to do some 'small' amount of extra work to finish the job or make it better, not realising that doing so would completely obliterate your profit margin.

For this reason, you should be very wary of doing anything with nothing but a verbal contract. On the other hand, if you were incautious or too trusting and only got a verbal contract, it could still go some way towards helping you, especially if there were witnesses.

#### ***Won't It Be Expensive?***

Written contracts don't necessarily need to be formal contracts, which are drawn up by a lawyer with 'contract' written at the top and signed by both parties. These kinds of contracts are the most effective, but can be expensive to have produced, not to mention intimidating to customers.

The most common kind of written contract, oddly enough, is a simple letter. If you send a customer a letter (or, indeed, an email) laying out your agreement before you start work, and they write back to agree to it, that is enough to qualify as a written contract, with most of the protections it affords.

If you are doing high-value work for some clients, though, it could be worth the time and trouble of having your lawyer write a formal contract, or at least of doing it yourself and getting a lawyer to look it over. Formal contracts will give you more protection if the worst happens, and there's nothing to stop you from making it a one-off expense only by re-using the same contract for multiple customers.

### ***Contracts for Small Purchases: the Terms and Conditions.***

Obviously it would be silly to expect everyone who buys some \$10 thing from you to sign a contract, or write back indicating their agreement to your terms. In this situation, you should have a statement of the 'terms and conditions' that your customer is agreeing to by buying from you, and they should have to tick some kind of box indicating their agreement before you send anything.

Luckily, it isn't usually so necessary to be paranoid about contract law with small purchases anyway, since customers will be paying you first and receiving the goods or services afterwards, not the other way around. If you plan to offer any kind of payment plan or other long-term agreement, of course, this should always be backed up with a signed contract.

### **39. When Customers Complain.**

You probably won't have been in business too long before you get your first complaint. It just can't help but happen: low-end customers pay nothing and expect the Earth, while high-end ones pay a lot but expect an inhuman effort in return. You just can't please all of the people all of the time, even if you run yourself ragged trying -- there will always be someone who's not happy with what you've done. So what can you do about it?

#### ***Don't Be Rude or Dismissive.***

The customer's complaint might seem stupid to you, or even insulting -- but that doesn't mean that you can respond in kind. You must treat every customer complaint seriously, and always act as if it is 100% your fault that things weren't to their satisfaction.

Remember that every unhappy customer will talk about their experience to your potential customers (research varies, but some say that they might tell as many as 20). Those potential customers won't get to hear your side of the story. Going the extra mile to keep unreasonable customers happy is, above all else, a defensive technique to prevent them from damaging your business. Don't be scared of complaints: you should, instead, be actively soliciting them, to give you a chance to put things right before they tell anyone.

#### ***Write a Letter of Apology.***

People will really appreciate the effort you've gone to if you take the time to write them a formal letter of apology, and say that you're sorry things weren't to their satisfaction and you appreciate them taking the time to tell you so that you can improve. For example:

'Dear Sir,

It has come to my attention that you weren't happy with the service you received from my company in respect of the delivery of items to your home. We have now contacted our delivery service and fixed the issue, although I understand that this came too late to avoid inconveniencing you.

I would like to sincerely apologise to you for the bad experience you have had with my company, and hope that this will not harm our chances of doing business together again in the future.'

Make sure you sign the letter yourself, in pen. People hate seeing letters with printed signatures on.

#### ***Offer a Partial Refund.***

The closing part of your letter should offer a refund of as much as you can afford to give -- in this scenario, for example, where there was a problem with delivery, you should offer to refund the full cost of delivery, plus a little extra to cover the inconvenience.

In this way, you can turn your dissatisfied customers into some of your most satisfied ones. They will tell everyone they know that there was a small problem that wasn't your fault, and they probably complained too harshly, but you handled it courteously and sent them a refund.

Having people know that you respond well to complaints is some of the best word-of-mouth marketing you can get. What's more, that customer you treated well is surprisingly likely to come back and do business with you again -- although, of course, they'll be very annoyed if things don't go well the second time either.

#### ***Do Some Complaining Yourself.***

A large amount of the time, when a customer complains about something, it wasn't caused by you -- it was some kind of problem with your supplier, or someone else you rely on. Of course the customer didn't know this, but you do, and you need to do something about them. Write them a letter of complaint, like the following:

'Dear Sir or Madam,

Due to your service being unavailable this week, I have received the attached customer complaints. I hope you will understand that I am very displeased, and I am currently considering alternative suppliers.'

With this letter, enclose a copy of every customer complaint you got thanks to them. Your supplier will often be eager enough to keep you on as a customer that they will offer some kind of compensation package -- which you can then pass on to your customers, or use to cover the cost of refunds you have already given them.

#### **40. Cashflow Problems: How to Get Your Money.**

One of the most common problems that affects businesses is that their customers owe them money. When you've done the work but people are being slow to pay you, you can get behind with bills and be short of money to invest in your business. This is, understandably, an annoying situation -- you're being chased for debts that other people refuse to pay. There are, though, a few ways to improve your customers' payment speed.

##### ***Remember You're a Credit Provider.***

When you do work and invoice afterwards you are extending credit to your customers. As such, if the cost is going to be high, you should consider running a credit check on them before you start work. This will show you whether the company you're about to do work for is in trouble, and can help avoid lots of problems later on. You can usually run credit checks online for next to nothing.

##### ***Give Invoices a Due Date.***

A mistake many home businesses make is to send invoices that have a fancy layout and say how much the customer owes, but don't contain any direct instruction to pay now. This results in customers receiving the invoice and putting it on their 'unimportant chores' pile -- you know, the one that doesn't get done for months.

To avoid this, a good strategy is to give your invoices a due date. Set it two or three weeks from when you sent the invoice, and make sure you highlight it. People will see your deadline and realise that you mean business -- they'll think 'oh, I'd better deal with this' and you'll get your payment sooner rather than later. If you don't, a follow-up phone call saying 'I wonder if you realised that your invoice's due date was yesterday...' will usually do the trick. Almost no-one refuses to pay if you confront them directly -- they just do it because they think they can get away with it.

In some places, the practice of putting due dates on your invoices might even entitle you to charge interest on money you are owed, or charge fees. Check your local laws.

##### ***You Could Try Debt Factoring.***

Some businesses have success with a technique called 'debt factoring'. This is when you sell your invoices to a third party who specialise in administration and collection, and they give you the money for the invoice straightaway instead of you having to wait for the customer.

If you try this approach, though, you should consider the percentage of your invoices that the company is taking, and whether they're treating your customers the way you would want them to be treated. It might be best to only sell invoices to debt factoring companies when they haven't been paid by the due date, letting them act more like a collections agency.

##### ***Collections Agencies.***

Of course, your last resort is to sell the debt to a collections agency. This will cost you around 10% of the debt. The collections agency will try to intimidate your customer into paying, ultimately taking them to court if necessary, and they might try seizing the customer's assets. Make sure you check out the agency you plan to use beforehand, though -- you don't want them to be doing anything illegal.

You should always try to talk to the customer before you take this route, as if they're not paying the chances are that there's a reason. You might be about to force them out of

business. On the other hand, they might just be forgetful, in which case they won't be too happy about you setting debt collectors on them.

***Be Prepared to Settle.***

Sooner or later, you might end up being owed money by a business that is in financial trouble -- you're just one in a long list of creditors, as everything falls down around them. In this situation, you need to be prepared to settle with them for less than the original invoice price, or you risk getting nothing. It is a bad situation to be in, but it's better to give someone a break and get some money instead of pushing them further towards bankruptcy and getting nothing.

## **41. Keeping Customers Loyal.**

It's a well-known fact that it costs many times more to acquire a new customer than to keep doing business with your existing ones. For this reason, the best way to become profitable is to have loyal customers who keep coming back again and again. It's all about relationship building. So what can you do?

### ***Customers Aren't as Loyal as They Used to Be.***

It used to be that customers would find one service that met their needs and stay with it for absolutely years. Now, though, customers are fickle, and can all-too-easily be tempted away by a competitor's offer if they feel that it sounds cheaper or better than yours. So-called 'loyalty management' has become more of a science than it ever used to be, and it's one that you need to make use of if you don't want to be constantly failing to retain your customers.

### ***Offer Discounts for Repeat Business.***

You will see some businesses who give people a 'first-time' discount, as a hook to get people to try their services. This is entirely the wrong way to do it. What you should be trying to do is reward loyalty by giving people a discount each time they use your services. Over time, this makes it so that moving to the competition looks like a ridiculous proposition for them -- why would they when they get a 20% discount from you every time?

### ***Keep Mailing Lists.***

You should have at least two mailing lists: one for your prospects (people who might buy from you), and one for your customers (people who have bought from you). You should lavish attention on both lists, but especially on the existing customer one -- and really lay it on thick for anyone who's bought from you more than once.

You need to be in contact with your regular customers as much as you can, always understanding their needs and when they might need you again. Don't worry about this costing masses in direct mail, as you can always do it by email. The secret is this: contact, contact, contact. Send your regulars Christmas cards, invite them to meet with you for lunch -- anything you can think of. A good tip is to always use the techniques that your competitors are neglecting.

If your service is one that the customer will need at regular intervals or a certain time of year, make sure you keep track of this in your customer database and send something out then. There's nothing worse than losing out on a customer's business just because they didn't have your phone number to hand and had a little extra time to see an offer from a competitor.

Another good thing to send to your mailing list is a newsletter, either by email or post. Take a few hours each month to write something with useful information about your industry that your customers are likely to keep and find useful, and put your logo on the top so that they can be reminded of you when they see it. As a bonus, you can keep this material archived on your website too, so it can be found by people searching for related words in search engines.

### ***Be Crazy About Feedback.***

You need to phone up as many customers as you can to get their feedback after they deal with you. Make sure they were satisfied with what you provided, offer to fix anything that they're not happy with, and ask them if they can think of any way you could improve. Customers will appreciate this -- and they'll like it even more if you

actually implement their suggestions.

***Provide a Personal Service.***

Go the extra mile to make your customer feel like they're your friend, and not just a tracking number in your database. Tailor everything you do to their needs, and make everything easy for them -- don't leave them to do legwork that you could be doing. After all, they're the customer.

Finally, cheesy as it might sound, customers really appreciate a little thank you note when you've received their payment. For an extra personal touch, you could handwrite it.

## **42. Tax, Tax and More Tax.**

When you run a business, it can feel like you spend far too much of your time worrying about tax. Here's a quick guide to the what you need to know about tax.

### ***What Do You Qualify For?***

There are all sorts of tax breaks for home and small businesses, to try and make it easier for them to survive. To qualify for them, though, you will need to be using your home as the primary place where you do business. If most of what you do takes place in some space elsewhere that you rent, then you won't qualify for home business tax rules. You also are unlikely to qualify if you haven't set aside a specific part of your home as the 'business area'. Be prepared for the fact that you might be audited, to make sure that you are running a legitimate business from your home.

### ***Records You Need to Keep.***

You need to keep records of everything -- literally everything -- you spend on your home business. You should especially keep records of things when their use might be shared between personal and business, such any business-related travel expenses you run up on your car. If you have stock, you need to go through and inventory it at least once a month.

### ***What You Can Deduct from Your Home Expenses.***

Because your home office is in your home, you can claim any tax back that you pay on that part of the home. You can also claim back tax on part of your utility bills. For example, if your home is 2,000 square feet and you use 100 square feet for your home office, you can claim back 5% of your utilities. If you rent, then you can claim back this percentage of the rent, and if you have bought the house then you can claim it as a discount off your mortgage interest. Any equipment you have that depreciates (becomes worth less) because you use it in your business may also be eligible for a tax deduction.

### ***Self-Employment Taxes.***

When you work from home, you are legally self-employed. This can put you in a sticky situation, meaning that you have to pay for medical and other taxes that your employer would normally pay for you. In the US, for example, you will be responsible for your own social security and Medicare payments, while in the UK you will need to pay national insurance.

### ***Get Tax Software.***

If you're not sure where to begin, get some tax software. Choosing your circumstances from its lists and giving any additional information it asks for should show you most of the tax rules that apply to you.

### ***Get an Accountant.***

If you want to save as much as you can on your taxes, don't rely on things you read on the Internet, or even on computer software -- get an accountant. They'll be up-to-date with all the latest tax laws, and will know thousands of tips and tricks that there's no space to list here. See if you can find one who will take a percentage of what they save you in tax as payment instead of charging a flat fee -- this is an ideal solution for you and for them.

### ***Do Your Taxes Online.***

Most developed countries now give the option to do your taxes online, eliminating a big paperwork headache. You may even find that your tax software can send its tax report directly to the online service, without you doing much more than clicking a button. Of course, if you do things this way, be sure to call and confirm that everything went through alright.

***Don't Be Late.***

Whatever you do with your taxes, you absolutely must not file them late or pay them late. It's an all-too-easy trap to fall into, but there are automatic fines. Tax collection agencies will look upon you very unfavourably if you pay late, and are likely to start immediately charging interest on any money you owe them. Write your tax dates on your calendar and underline them in red. Twice.

### **43. The Top 5 First-Year Mistakes.**

Even once you've got past the starting-up stage, there are still plenty mistakes to be made, and most of them are going to be made in your make-or-break year -- the first one. Here are the top five things to avoid.

#### ***Waiting for Customers to Come to You.***

Too many people wait for their customers to phone, or come to the door, or whatever. They get one or two customers through luck, but nothing like enough to even begin paying their costs. These people sit around, looking at their competitors doing lots of business, and wonder what they're doing wrong.

You can't be like this. You have to go out there and actively try to find customers. Talk to people, call them, meet with them -- whatever you do, don't just sit there!

#### ***Spending Too Much on Advertising.***

So everyone tells you that the only way to get ahead in business is to advertise. Well, that's true, but you need to make sure that you stick to inexpensive advertising methods when you're starting out. Spending hundreds of dollars for an ad in the local newspaper might turn out to get you very few new customers, and you will have spent your entire advertising budget on it.

Make your money go further with leaflets, direct mail or email -- these are easily targetable campaign methods with high response rates and low costs. Remember that it is always better to spend money on an offer than on an ad, and always better to spend money on an ad than on a delivery method.

#### ***Being Too Nice.***

When you're running your own business, it can be tempting to be everyone's friend, giving discounts at the drop of a hat and making sure that you don't hassle or inconvenience anyone. That's all well and good, until you find that your Good Samaritan act has just halved your profit margin without lowering the cost to the customer by very much at all.

Sometimes, you need to realise that you've got to be harsh to make a profit. Give people discounts to encourage them to buy or to come back, not because you like them or feel sorry for them. Don't be afraid to be ruthless in your pursuit of home business success. Nice guys don't finish last, but they are running in a different race -- one with much less prize money. If that doesn't bother you, of course, then feel free to go for it.

#### ***Not Using the Phone.***

You'd be surprised just how common phone fears are -- if you're scared of the phone, you're not alone by any means. Many people are terrified of making phone calls, and avoid them wherever possible. I have seen more than one home business owner reduced to tears on the phone and trying desperately to hide it from the customer.

You need to try your best to overcome your fears, as talking to customers on the phone is almost as good as meeting them for real. Letters and emails are useless by comparison. The best way to overcome phone fears varies from person to person, but it can often be as simple as making the phone fun, by calling friends and relatives often for a while and getting used to it. Alternatively, try working in telemarketing for a while -- if that doesn't make normal phone use look like a walk in the park by comparison, then nothing will.

### ***Hiring Professionals for Everything.***

It can be tempting to think that, since you're starting out, you should just find a company or person to do every little thing you need. People seem to especially overspend on design services.

You might think it'd be great to have fancy graphics all over your website, but would it really increase sales? If I saw it, it would put me right off. Likewise, a slick brochure often fails to say anything more than 'I'm going to charge you a premium to pay for my expensive brochures'. Don't hire someone unless you can demonstrate that the service they're going to provide will increase your profits by more than the amount you're spending -- if you're not sure, try it yourself first, and you can always upgrade it later.

#### **44. Reviewing Your Performance.**

So you've made it through your first year. When you quit your job, you probably thought you'd escaped performance reviews for good, but I've got some bad news for you. It's actually a really good idea to review your performance at your own company, to take a look back and see what you did wrong and what you did right.

##### ***Did You Make a Profit or a Loss?***

The first, and most important, question to answer is this: what does your balance sheet look like? You need to honestly add up all the numbers -- don't be tempted to add on money that you think you're a few days from getting, or take away bad purchases that proved useful in your personal life, for example. Hopefully you kept electronic records, so this shouldn't be too much trouble.

Once you know how you did, you need to look at how to do better. If you made a loss (as almost everyone does in their first year), what can you do about it? Where did the money go? If you made a profit then, well, congratulations! But you still need to think about how much of your profit to re-invest in the business, and how you can increase your profits next year. Remember that money makes money: once you're making a profit, wise investment can make it grow exponentially.

##### ***How Many Customers Did You Get?***

Now, take a look at your customer database. What's the total number of people who dealt with you this year? How many is that per day, and how much did each one spend? Once you have this information, you can work out how much customers were paying you overall weekly, daily or even hourly. If it seems like a lot more than you saw, you need to ask yourself if you spent too much of their money on expenses. If it seems like hardly anything, then you're in trouble. Sorry to be blunt, but either you need to consider raising your prices, or you're just not doing enough marketing or working hard enough.

##### ***How Many Came Back?***

Of course, a more important metric than the total number of customers you had last year is how many of them came back more than once. Work out what percentage of your business that was repeat business -- note that this means you count someone twice if they bought from you three times overall, three times if they bought from you four, and so on.

An easy way to do this is to simply take your number that says how many times a customer has dealt with you, subtract one from all of them, and then add it up. Once you know the raw amount of repeat business, you need to divide it by your total number of customers and then multiply by 100. This gives you a percentage. If your repeat business is lower than 20% or so of your total business, this is cause for concern. Are you doing enough to stay in touch with your existing customers?

##### ***What Did Customer Complaints Say?***

I hope you kept hold of every customer complaint you got, even if you fixed it at the time. You need to take a good look over what you did right, what you did wrong and what you messed up. I know you dealt with things as they came up, but looking back over everything can help you to see the big picture. It's all too easy to miss quite simple patterns when you're in the thick of it day-to-day, and looking at the complaints can reveal a trend that you weren't expecting.

##### ***What Have You Learned?***

It can be useful to write yourself out a list of lessons at the end of the year, even if it's things like 'quarter-page magazine ads are just as effective as half-page ones' or 'make lunch later in the day so you eat it faster'. Your accumulated knowledge is valuable: you've paid for it in cash and in sweat, so make sure you don't forget it. See if you can come up with a list of positive things to do next year to make your business even better!

## **45. Once You're Established: Planning Your Growth.**

If you've got a profit-making home business on your hands, the next step is growth -- expansion into new markets and new products. But how can you grow when the physical space you have is so restricted?

### ***Outsource More.***

A typical problem when your business starts to grow is that you find yourself spending a lot of time on all the small administrative tasks your growth creates, leaving you with less time to do all the extra work you're getting.

The answer is to start outsourcing those small, time-consuming tasks, like bookkeeping, invoicing and the rest. Outsourcing lets you concentrate on what you're best at while getting the other things done by professionals. They'll have a system in place that lets them do what you're taking hours over in a matter of minutes -- after all, it's what they do. Don't forget, though, that you need to hold outsourced work to the same standard of quality you hold your own to, since your customers won't be making the distinction.

### ***Create a Growth Plan.***

Remember that business plan you made when you started it all? Well, growing your business isn't that different to starting a new one: you still need to plan ahead, and know what you're doing. Take out your existing business plan and look at what needs to be brought up to date, what still stands, and what needs to be added.

The most important thing to keep in mind when you turn your business plan into a growth plan is this: don't forget your core focus. Tempting as it can be to diversify into all sorts of areas as a way to grow, you don't have experience in these areas -- try to do more of what you know, and keep new things to a minimum.

### ***Financing Your Growth.***

While running your business, you might have become frustrated with how much more you could do if you just had a little money to invest. Equity finance is a popular way to raise money to invest in a business. It involves you selling a small share of your company to someone who is interested in investing. They don't have to have any involvement in the running of the business, necessarily -- the only real condition is that you agree to give them a percentage of your profits equal to the percentage of your business that you sold them, known as a dividend.

### ***But Don't Grow Too Fast.***

One thing that can be fatal for home businesses is trying to grow too fast. Some people have a tendency to let success go to their head, and will borrow tons of money to expand their business at an amazing rate, only to have a breakdown when they realise that they just can't manage a business that large.

### ***Have You Considered Raising Prices?***

If you've got more business than you can handle, that's not expansion -- it's overtrading. You might be doing more work than you need to, when you could just raise your prices. Try out a few different levels, and you'll find the one that gets you a manageable amount of business. It's a simple question of supply and demand: you should be earning the

same as you were before or more, but doing less work.

Remember that growing your business doesn't necessarily have to mean getting more customers. You can expand your business financially just by selling more to your existing customers, or providing extra 'premium' services on top of the ones you already provide.

### ***Could You Franchise?***

This obviously won't apply to every kind of business, but if you've found a successful formula, you could consider franchising it. Franchising is especially common in the food business, where risk-averse people starting new businesses often want to do something that's tried and tested. You can, effectively, sell your business plan, marketing materials and the experience you've gained in business so far to these people.

Even though you should wait a while before you actually do it, it's worth at least considering whether this could be an option for your business, and starting to standardise everything and get it down to a formula and assets that could be sold on.

#### **46. What to Do if You Need Staff.**

If you grow large enough, the time may come when there's no getting around it any longer. You simply don't have the time in the day to do everything that needs to be done. You need to hire some staff.

##### ***Staff Create Profits.***

The chances are that you've worked for a wage for a decent part of your life, but you might not have realised the exact nature of the transaction that was going on. Essentially, you were hired to create profit for the company -- if hiring you wasn't profitable, they wouldn't have done it. By taking a wage, you agreed to create profit for them, while your wages remained relatively flat ('stable') whatever you did.

In theory, this protects you against the consequences of your work being unprofitable. You could see what's happening as being something like you giving the company a percentage (a big percentage) of your earnings in exchange for them being the ones providing the resources and taking all the financial risk.

In practice, of course, if you stop making money for the company, you lose your job. Thus you can see that the situation becomes win-win for your employer: they get to keep most of the profits you create, while maintaining enough control over you that you can't really create any extra risk for them.

Employing people, then, is like investing -- you put in some money as wages and get more out of it. If you stop getting more back, you can cancel and change your investment by getting rid of them and employing someone else.

##### ***The Interviewed Becomes the Interviewer.***

The first step in finding staff that are going to make you a good profit is to advertise the job. You shouldn't have too much trouble with this, since there are always people looking for work -- put up a few signs, go round a few agencies, tell some people you know. You'll pretty quickly have people beating down your door.

The next step, then, is the interview process. Since you've probably been through the interview process a few times, it'll feel good to be sitting on the other side of the table. Don't get carried away, though: remember that the purpose of the interview is to try to figure out whether the person you've got in front of you would do a good job for your business if you employ them.

Here are a few ideas for questions:

'Tell me about yourself.' While this sounds cliched, the applicant's response to this will give you a good idea about their personality and what they think is important, as well as their ability to think on their feet.

'Why should I hire you?' You're looking for the person who's been listening to what you've said you're after and responds by telling you how they meet your needs.

Give an example of a real problem in your business and ask them how they would solve it. This gives them an opportunity to help you and impress you in the process.

'What did you like or dislike about your last job?' This gives you an opportunity to spot

problem candidates -- if they use it as an excuse to have a bit of a moan, you probably shouldn't hire them.

If in doubt, just remember that you can ask anything, as long as it's open-ended. Whatever you do, don't ask yes or no questions.

Finally, it's important to know that, by law, you can't ask as anything that could be thought of as discrimination, including questions related to age, race, religion, nationality, marital status, medical history or disability.

### ***Paying Their Taxes.***

Finally, when you hire people, you need to remember that you're setting yourself up for all sorts of tax complications. You will usually need to pay their income taxes for them, as well as various other medical and security/insurance taxes. If you get this wrong, you can set both you and your employees up for a lot of inconvenience

By now you hopefully have an accountant who can help you. Still, make sure you're paying enough that working for you will still be worthwhile for your employees after tax.

## **47. Going International.**

At some point in your business' life, you might be contacted by someone in a far-away land who's heard about your business somehow (probably through the Internet). This will be your first encounter with the international market. For many businesses, once you've conquered your local area and done business by post or email with other areas of the country, dipping a toe into international markets seems like the next big step.

### ***Preparing to Export.***

When you're preparing to export your products, there are quite a few things you need to do. Firstly, make them as light as possible for the purposes of international shipping. Check that you'd be able to get the things you're selling to the place where you plan to sell them without it becoming prohibitively expensive. Next, check if there are any customs requirements -- you might find that either your own country or the target country has laws that will require you to register what you're sending and perhaps pay extra taxes. On the other hand, selling internationally may mean that you don't have to charge your own country's sales tax.

Obviously most of these things don't apply to non-physical products. One thing that you still need to be careful about, though, is currency fluctuations -- how stable is the currency you plan to start trading in? If it has problems, you might want to price products in your own currency instead.

### ***Look for Niches All Over Again.***

When you're trying to sell things to international customers, you need to make sure that there is a market in each country. Something that is very useful and in-demand in your country might just cause confusion abroad -- or, likewise, something that's only moderately popular where you are might be seen as revolutionary.

If you're not sure, you could talk to a few local businesspeople about how they think your product would be perceived, and they may be able to suggest a suitable target market for you. As always, research is key.

### ***Produce Internationally, Supply Internationally.***

If you're going to start exporting, you might want to consider importing as well. If you buy in bulk, you can generally get things far cheaper from developing countries, especially the 'Asian Tiger' countries like China, Taiwan, Indonesia and South Korea. Give it a try -- you could be delighted to find that they can make your product for a fraction of what it costs you, and all you have to do is a little quality control.

I understand that this approach is particularly useful for clothing products, which are labour-intensive yet can be produced cheaply and well by these countries. Note that you're unlikely to be exploiting anyone -- the country you're importing from simply has a lower cost of living. To be extra sure, shy away from offers of having things made in developing countries or dictatorships.

### ***Try to Be Culturally Sensitive.***

When you're dealing with international customers, you need to take their culture into consideration. In some countries everyone knows English, while in others they would be offended if you didn't get your materials translated. For all you know, the name of your

product might be a rude word in some language or another, or the marketing might be focusing on benefits that people from some countries are unlikely to respond to.

This is one of the reasons why you're best off selling to countries that you have some experience with. Ideally, you should have the ability to speak the language, as well as having spent some time in the country. Failing that, read as many guides as you can and see if you can meet with people of that nationality socially.

Note that you should be especially careful about dealing with countries where there is some history or possibility of political unrest, as you can lose a lot this way.

***You Are Not a Jetsetter.***

Finally, remember that it's a bad idea to start flying around the world to pitch your products or meet your customers, especially in the age of the Internet when almost everything can be done from your home. Did you really get into home business to throw away your profits on expensive flights and hotels? Exactly.

## **48. Time for a Holiday: But How?**

When you've been working long and hard at your home business for a while, you might feel like you've earned yourself a little break. There are home business owners out there who haven't taken a real holiday since they started their business -- including some who started their business as long as five years ago!

After all, how can you ever just desert your business and your customers and go bronze yourself on the beach? How can you avoid being on call 24/7 throughout your holiday? Well, everyone deserves some time to themselves at least once a year, if they want to keep being productive and avoid stress. Here's what to do.

### ***Tell People When You're Going Away.***

You can't just disappear when you're running a home business -- you need to let people know long in advance that you're not going to be available, and make sure that they have everything they need to manage without you while you're away. It's best to schedule your holiday not to interfere too much with the business.

However much you might want to have your holiday in the summer, it's important to remember that every business has its quiet months, and you should schedule your holiday in the period where they seem to be.

### ***Change Your Answerphone Message.***

A quick and simple way to let people know that you've gone away is to change your answerphone message. This allows you to still hear what people have to say when you get back, and stops them from wondering why you never seem to answer your phone.

A good format for the message is as follows: 'Hi, this is [your name] at [company name]. I'm sorry I'm not in the office right now, but I will be back on [give a date]. If you leave a message, I will be sure to get back to you'.

### ***Set Up an Email Autoresponder.***

Similar to an answerphone message, but less commonly used, is the email autoresponder. Again, you don't want people to wonder why their emails are going unanswered, so your best bet is to set up your email program to automatically reply to any email you get with a message saying that you've gone away.

Example: 'Hello, and thank you for your email. This is an autoresponder, as I'm away on holiday until [date]. I have received your email, however, and will respond to it upon my return. I apologise for any inconvenience to you, and I am willing to make an offer of 10% off your next order to make it up to you.' The special offer for people who get the autoresponder is a nice touch -- it makes them feel lucky that they emailed you while you were away, instead of frustrated.

### ***Don't Stay Away Too Long.***

Of course, when you go on holiday, you're relying on people being willing to wait for you. That means you can't really take the kids to Disneyworld for two weeks, or spend a month staying with a friend abroad -- it's just too long to be away from your business for.

You should regard a weekend away as ideal (it avoids the whole problem for the most part), and a week as the maximum you can allow yourself. Don't let people make you feel bad about only taking one-week holidays: after all, you could always have more than one each year.

***Alternatively: Get Someone to Look After the Business.***

If you really want to get away for longer, or it's essential that your customers don't have any break in service, then you could consider getting someone to look after your business. This could be an existing member of staff that you make your 'deputy', to be in charge while you're away, or it could be someone who's related to you and has some experience running a business. You could even hand the business over to a competitor that you're friendly with and share the profits with them, if you think they're trustworthy and they could handle it.

Enjoy your holiday!

#### **49. If It All Goes Wrong: Don't Rush to Bankruptcy.**

It's a sickening feeling when your debts start to stack up, your marketing strategy is failing, and it doesn't look like you'll ever be profitable. Your family is getting stressed, your business can't pay its bills, and customers are starting to make angry phone calls asking why the things they paid for aren't happening.

At this point, many people feel ready to throw in the towel. I'm here to tell you why you shouldn't be one of those people.

##### ***A Proverb.***

There's an old Chinese proverb I'd like to share with you: the temptation to quit will be greatest just before you are about to succeed. Nowhere is this more true than in home business. You might feel like you're failing over and over again, until you feel like giving up. The paradox, though, is this: you haven't really failed until you've given up.

##### ***Never Fear.***

If you really want to, there will always be ways to raise money for your company. You probably have all sorts of bills for things you don't use, not to mention possessions that could be sold or downgraded. Did you know that the average person has thousands of dollars worth of random stuff just lying around in their home? In other words, you can always find the money if you're really determined and not afraid of losing everything.

The only thing you should really try to protect is your house and some money for basic food -- everything else is expendable. Never forget that the worst thing that can really happen to you is that you'll have to go out and get a job. Would that really be so tragic?

Fear is your enemy in business. You cannot give in to your fear and give up before you've given it your all -- the real reason why so many home and small businesses fail is that their owners chicken out and run away at the first sign of trouble.

##### ***The Captain Goes Down with His Ship.***

When the chips are down, the only thing to do is to stake your personal success on the success of your business. After all, what's the point in bailing out before you have to? You're guaranteed to lose money that way.

Someone once told me that the difference between an average Joe and an entrepreneur is this: the entrepreneur will not give up on a business until his creditors come and take everything he owns. And even then he might try to hide from them and keep things going from his friend's basement.

##### ***Don't Tell Customers.***

It might seem dishonest, but for goodness' sake do not tell any of your customers that things are going wrong because your business is in trouble. They will immediately run a mile, putting your business in a far worse situation than it was before. You must always try to make it look like everything is going just fine -- admitting problems will put the final nail in your business' coffin.

##### ***Try a Voluntary Agreement.***

If your creditors are at the point of knocking on your door, you should try to get a voluntary agreement with them before you even consider declaring bankruptcy. This is when you negotiate your debts down to a lower level using the threat of bankruptcy, and your creditors sign an agreement with you to say that they will leave you alone once

you've paid that money.

### ***The Absolute Last Resort.***

I simply cannot get across to you how much you should not consider bankruptcy as a viable option, ever, until you are absolutely forced into it. Think of it as being like suicide: the absolute last resort. Would you commit suicide because your business was going badly? I hope you answered no -- which means that you shouldn't consider bankruptcy either.

Having had a bankrupt company stays with you for a long time in everything you do: your credit rating, your employment history, and even just in the way you think of yourself day-to-day. It's better to have everything wrestled from your hands than to give it up voluntarily -- otherwise you'll always be tortured by wondering what would have happened if you'd kept going just a little longer.

### **50. If It All Goes Right: The Exit Strategy.**

After a few years, you might find yourself with a successful home business. After a few more, you might find yourself sick of it and ready to retire, only to realise that you have no idea what to do with the business and all the customers who rely on you if you take that course of action. Here's what you need to do to get out of your business without destroying it, and come away with a good nest egg.

#### ***Selling Your Business.***

A business has more value than you might expect. As a rule, businesses are bought and sold for somewhere between one and two years' worth of their profits. If you wonder why, consider that the person buying a business gets not only a proven business model, but also all the marketing materials and other intellectual property (trademarks, copyrights, patents), an existing customer base, and years of built-up goodwill.

Home businesses, however, can be more problematic to sell than other businesses, for the simple reason that they do not come with business premises. You might have the best luck allowing one of your larger competitors to do a 'takeover' of your business, in which they are mostly paying for your name, branding and customers. This can be lucrative for them, as they get to both eliminate a competitor and expand their own business at the same time.

You will need to put some effort in to make your business attractive to potential buyers - - do some analysis on what each element of the business is worth. Show that you have made lots of sales in the past and will make many more in the future. Above all else, buyers are looking at your balance sheet, and the business' potential for growth. They're in this because they want their future earnings to be more than the amount they pay, and if you can demonstrate that they could make that happen quickly then they'll have no reason not to buy.

#### ***Getting the Right Price.***

Don't sell your business to the first person who offers, however good their offer might sound -- you need to get offers on the table from everyone you can think of who might be interested. You may even find that they're quite willing to have a meeting with you as a group, and get into a little bidding war. Alternatively, if you already have staff, you may wish to offer them the option to bid too, providing them with a finance agreement.

Before you do anything like this, though, it's good to get your lawyer and your accountant to advise you on the best course of action.

You will do better on the price of your business if you've planned your sale in advance, instead of waiting to the last minute. The people who get the best prices are the ones who take years to sell their business, and are always prepared to walk away from the negotiating table.

### ***Time to Skim.***

One thing you need to remember when you sell your business is that if there are any shareholders other than yourself, they need to receive their percentage of the business' final sale price. Depending on the terms of the agreement, you may have to buy their part of the business before you can sell it, or give them the option to buy your part before you offer it on the open market.

On top of that, you will also have to pay tax on the sale of your business. Always consider how much an offer is going to be worth to you after tax, not before.

### ***Starting from a Powerful Position.***

Once you've sold your business, there's one thing left that you can do. With the lump sum you just got from the sale, you're in a great position to start a new business! If the sale didn't include your equipment, then it shouldn't be too hard to get started again -- and this time, you'll have a lot of money to invest. Not only that, but you've proven yourself to be good to lend to, so any finance you need should be far easier to obtain.

Keep building businesses and selling them every few years, and you can quickly get hold of the resources to build something truly great. Good luck!

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