



UK Edition

Making Everything Easier!™

Starting a Home Business

FOR
DUMMIES[®]
A Wiley Brand

Learn to:

- Get your home business up and running
- Use effective marketing and promotion on a budget
- Make technology and the internet work for you

Rachel Bridge
Paul Edwards
Sarah Edwards
Peter Economy



***Starting a
Home Business***

FOR
DUMMIES[®]
A Wiley Brand

**by Rachel Bridge, Paul Edwards,
Sarah Edwards and Peter Economy**

FOR
DUMMIES[®]
A Wiley Brand

Starting a Home Business For Dummies®

Published by: John Wiley & Sons, Ltd., The Atrium,
Southern Gate, Chichester, www.wiley.com

This edition first published 2014

© 2014 John Wiley & Sons, Ltd, Chichester, West Sussex.

Registered office

John Wiley & Sons Ltd, The Atrium, Southern Gate,
Chichester, West Sussex, PO19 8SQ, United Kingdom

For details of our global editorial offices, for customer services and for information about how to apply for permission to reuse the copyright material in this book please see our website at www.wiley.com.

The right of the author to be identified as the author of this work has been asserted in accordance with the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, except as permitted by the UK Copyright, Designs and Patents Act 1988, without the prior permission of the publisher.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Designations used by companies to distinguish their products are often claimed as trademarks. All brand

names and product names used in this book are trade names, service marks, trademarks or registered trademarks of their respective owners. The publisher is not associated with any product or vendor mentioned in this book.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with the respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. It is sold on the understanding that the publisher is not engaged in rendering professional services and neither the publisher nor the author shall be liable for damages arising herefrom. If professional advice or other expert assistance is required, the services of a competent professional should be sought.

For general information on our other products and services, please contact our Customer Care Department within the U.S. at 877-762-2974, outside the U.S. at (001) 317-572-3993, or fax 317-572-4002. For technical support, please visit www.wiley.com/techsupport.

For technical support, please visit www.wiley.com/techsupport.

A catalogue record for this book is available from the British Library.

ISBN 978-1-118-73757-6 (pbk), ISBN 978-1-118-73754-5 (ebk), ISBN 978-1-118-73755-2 (ebk)

Printed in Great Britain by TJ International Ltd, Padstow, Cornwall

10 9 8 7 6 5 4 3 2 1



MIX
Paper from
responsible sources
FSC® C013056

Starting a Home Business For Dummies®

Visit

www.dummies.com/cheatsheet/homebusinessuk to view this book's cheat sheet.

Table of Contents

Introduction

[About This Book](#)

[Foolish Assumptions](#)

[Icons Used in This Book](#)

[Beyond the Book](#)

[Where to Go from Here](#)

Part I: Getting Started with Your Home Business

Chapter 1: Where the Heart Is: Welcome to the World of Home-Based Businesses

[Looking at the Basics of Running a Home-Based Business](#)

[Determining the kind of business you want to have](#)

[Managing your money](#)

[Avoiding problems](#)

[Moving ahead](#)

[Leaving your full-time job for your part-time business](#)

[Examining the Good News and the Bad](#)

[Good reasons to start a home-based business](#)

[Knowing the pitfalls of owning your own home-based business](#)

[Taking the Home-Based Business Quiz](#)

[Chapter 2: Mirror, Mirror on the Wall, What's the Best Business of All?](#)

[Starting Something from Scratch](#)

[Sticking with what you know](#)

[In with the new: Doing something different](#)

[Buying a Business](#)

[Home-based franchises](#)

[Direct-selling opportunities](#)

[Business opportunities](#)

[Identifying Which Option is Best for You](#)

[Chapter 3: The ABC of Starting Your Own Business](#)

[Making the Move to Running Your Home-Based Business](#)

[Knowing what to do before leaving your day job](#)

[Understanding what you have to do to start your own home-based business](#)

[Six Ways to Get the Cash Flowing](#)

[Working Out Where to Get Your Start-up Funds](#)

[Putting Together a Business Plan](#)

[Chapter 4: Attracting Customers](#)

Identifying Your Best Customers

Tapping into Your Customers' Needs

Understanding the WPWPF principle

Researching your idea

Finding Your Niche by Specialising

Being one in a million

Carving out a niche

Marketing: Taking Different Roads to Meet Your Goals

Generating word of mouth

Acquiring referrals

Making use of public relations

Taking advantage of direct marketing

Investing in advertising

Going hi-tech with websites, blogs and e-commerce

Developing a Marketing Plan – Now!

Part 1: Overview

Part 2: Marketing objectives

Part 3: Situation analysis

Part 4: Marketing strategies

Part 5: Financials

Chapter 5: Creating a Sustainable Income in Challenging Times

Recognising that People Behave Differently in Bad Times

Identifying Businesses That Work Well in a Low-Growth Economic Climate

Helping others reduce and reuse

Fulfilling day-to-day business needs

[Selling affordable luxuries](#)

[Creating a Business That Can Ride the Economic Waves](#)

[Cushioning yourself locally and virtually](#)

[Crowdsourcing locally and virtually](#)

[Telescoping your niche](#)

[Cashing in on Barter and Trade](#)

[Taking advantage of bartering](#)

[Bartering in action](#)

[Trading time and goods when cash is short](#)

[Businesses Best Suited for an Improving Economy](#)

[Offering services to other businesses](#)

[Appealing to clients who have money to spare](#)

[Part II: Managing Your Money](#)

[Chapter 6: Keeping Track of Your Money](#)

[Organising Your Finances](#)

[Setting Up a Business Account](#)

[Accepting Credit and Debit Card Sales](#)

[Knowing the costs of credit card transactions](#)

[Establishing a merchant account](#)

[Obtaining credit reports](#)

[Using the PayPal option](#)

[Choosing the Best Bookkeeping System for Your Business](#)

[Balancing payments made and bank statements](#)

[Analysing the two most important financial statements](#)

Happiness is a Positive Cash Flow

Treating cash as king

Kick-starting your cash flow

Understanding late payments

Getting a Loan

Discovering different kinds of credit

Getting the loan you want

Chapter 7: The Price is Right: Deciding How Much to Charge

Working Out What Your Prices Must Cover

Calculating your salary

Establishing your overheads

Incurring direct costs

Striving for profit

Sizing Up Your Potential Customers and How Much They'll Pay

Researching Your Competition

Pricing Strategies That Deliver Sales

Creating perceived value

Setting your prices: Five approaches

Changing your prices

Deciding whether to discount

Taking a stand on prices

Chapter 8: Considering Taxes, Deductions and Benefits

Knowing Which Taxes to Pay - and When to Pay Them

[How do I file my tax return?](#)

[When do I have to pay?](#)

[How much do I have to pay?](#)

[What if I can't afford to pay right now?](#)

[What if HMRC decides I'm not actually self-employed?](#)

[Taking a Look at Tax-Deductible Expenses for Your Home Business](#)

[Reviewing Other Important Tax Deductions](#)

[The ABC of VAT](#)

[Considering the Need for Benefits](#)

[Income protection](#)

[Life assurance](#)

[Retirement plans](#)

[Time off](#)

[Childcare](#)

[Part III: Avoiding Problems](#)

[Chapter 9: Knowing Your Legal Do's and Don'ts](#)

[Understanding the Major Business Structures](#)

[Surveying sole traders](#)

[Perusing partnerships](#)

[Looking at private limited companies](#)

[Working Out What to Call Your Business: Name Registration](#)

[Differentiating Between Trademarks, Copyrights and Patents](#)

[Trademarks](#)

[Copyrights](#)

[Patents](#)

[Determining the Need for Licences, Permits and Registrations](#)

[Licences, permits and registrations](#)

[Regulations for home-based businesses](#)

[Chapter 10: Using Outside Resources and Experts](#)

[Establishing Trade Accounts](#)

[Using Support Services](#)

[Finding Good Solicitors, Accountants and Other Professionals](#)

[Hiring the right solicitor](#)

[Picking a good accountant or bookkeeper](#)

[Banking on the best bankers](#)

[Consulting business consultants](#)

[Working with insurance agents and brokers](#)

[Part IV: Making It Work: Moving Ahead](#)

[Chapter 11: Making the Internet Work for You](#)

[Bidding for Work Online](#)

[Taking advantage of sites that bring buyers and sellers together](#)

[Working out how to win bids](#)

[Keeping clients and building your business with them](#)

[Getting Listed in Directories](#)

[Online business directories](#)

[Association memberships](#)

[Local directories and review sites](#)

[Networking the Internet Way](#)

[Discovering the benefits of online forums](#)

[Improving your social networking](#)

[Making winning relationships the right way](#)

[Building and Maintaining a Website](#)

[Hiring someone to create and maintain your website](#)

[Creating a website yourself](#)

[Attracting and holding attention with your site](#)

[The ABC of SEO](#)

[Using Your Website to Attract Customers and Clients](#)

[Knowing what it takes to get traffic](#)

[Making it easy for visitors to become customers](#)

[Chapter 12: Balancing Your Business and Your Life](#)

[Starting with the Right Attitude](#)

[Building success from the inside](#)

[Counting on the outside for help, too](#)

[Separating Your Work from Your Personal Life](#)

[Avoiding Interruptions and Distractions](#)

[Managing interruptions](#)

[Dealing with distractions](#)

[Managing Your Time](#)

[Letting routines rule](#)

[Identifying priorities](#)

[Teaming Up with a Spouse or Other Loved One](#)

[Knowing when to team up](#)

[Working out how to team up](#)

[Building a healthy, long-term partnership](#)

[Being clear about the downsides](#)

[Chapter 13: On a Roll: Growing Your Business . . . or Selling Up](#)

[Becoming a Success](#)

[Identifying the Upsides and Downsides of Growth](#)

[Understanding why you may want to grow](#)

[Recognising the many different ways to grow](#)

[To grow or not to grow, that is the question](#)

[Bringing in Partners](#)

[Cashing Out and Other Exit Strategies](#)

[The price is right: Putting a value on your business](#)

[Now what?](#)

[Part V: The Part of Tens](#)

[Chapter 14: Ten Tips for How to Succeed in Your Home-Based Business](#)

[Do What You Love](#)

[Treat Your Business like a Business](#)

[Become an Expert](#)

[Don't Be Shy](#)

[Charge What You're Worth](#)

[Avoid Unnecessary Expenses](#)

[Manage Your Cash Flow](#)

[Keep Your Day Job](#)

[Build a Solid Customer Base](#)

[Ask for Referrals](#)

[Chapter 15: Ten Enduring Home Business Opportunities](#)

[Architectural Salvage](#)

[Catering and Food Preparation](#)

[Childcare Services](#)

[Cleaning Services](#)

[Debt Collection Work](#)

[Driving Instructor](#)

[Handyman Services](#)

[Party Entertainer](#)

[Personal Tuition](#)

[Providing Services for Elderly People](#)

[Chapter 16: Ten Things to Do When Times Are Tough](#)

[Save for a Rainy Day](#)

[Manage Your Cash Flow](#)

[Keep in Touch with Your Customers](#)

[Push Your Clients to Pay Their Bills](#)

[Minimise Expenses](#)

[Offer a Special Promotion](#)

[Subcontract for Others](#)

[Volunteer](#)

[Get a Part-time Job](#)

[Refuse to Give Up!](#)

[About the Authors](#)

[Cheat Sheet](#)

[Connect with Dummies](#)

Introduction

Who doesn't dream of starting their own business and being their own boss? Increasingly, this dream is becoming more relevant to the challenges of today's economy. And it's not just a pie-in-the-sky dream anymore; starting a home-based business is a reality that has created opportunity and satisfaction for many people who decided to take the plunge – just as it can for you.

Starting a Home Business For Dummies presents and explains an incredibly wide variety of information – aimed at ensuring your home-business success. Whether you need information on choosing the right business opportunity, avoiding scams, marketing your business, pricing your products and services, keeping accounts, understanding legal do's and don'ts, or growing your business, you can find the help you need here.

This book provides you with the very best ideas, concepts and tools for starting and successfully operating your home business. Apply this information and we're convinced that you can create exactly the kind of business you've always dreamed of and find exactly the level of success you've always wanted.

About This Book

Starting a Home Business For Dummies is full of useful information, tips, and checklists for everyone who aspires to start a successful home-based business. Your current level of business experience (or lack thereof) doesn't matter. Don't worry about not having years of it under your belt or about not knowing the difference between *direct selling* and *franchising*. For a fraction of

the amount you'd pay to get an MBA, this book provides you with an easily understandable road map to today's most innovative and effective home-based business techniques and strategies.

The information you find here is firmly grounded in the real world. This book isn't an abstract collection of theoretical mumbo-jumbo that sounds good but doesn't work when you put it to the test. Instead, we've included only the best information, the best strategies and the best techniques - the exact same ones that top business schools teach today. This book is a toolbox full of solutions to your every question and problem.

This book is also fun - it reflects our strong belief and experience that running a business doesn't have to be a bore. We even help you maintain a sense of humour in the face of the challenges that all home-based businesspeople face from time to time - after all, we've been there and done that!

And one more thing: the Internet has forever changed the world of business, which includes home-based businesses. This book contains the latest information on using e-commerce, starting and operating a successful business on the Internet, and using websites to your advantage. It's also full of our own personal Internet bookmarks for the best home-business resources the web has to offer.

Foolish Assumptions

While we were writing this book, we made a few assumptions about you. For example, we assume that you have at least a passing interest in starting your own business! Maybe you've already started a home-based business, or perhaps it's something you want to try. We

also assume that you can produce and deliver products or services that people will be willing to pay you for. These products and services can be anything - you're limited only by your imagination (and your bank account). Finally, we assume that you don't already know everything there is to know about starting your own home-based business and that you're eager to acquire some new perspectives on the topic.

Icons Used in This Book

Icons are handy little graphic images that point out particularly important information about starting your own home-based business. Throughout this book, you find the following icons, conveniently located along the left margins:



This icon directs you to tips and shortcuts you can follow to make your home-based business a success.



We've seen some pretty interesting things while working with home-based businesses. This icon points out some inspirational stories.



Remember the important points of information that follow this icon, and your home-based business will be all the better for it.



Danger! Ignore the advice next to this icon at your own risk!



We provide insightful (we hope!) answers to a variety of home-business questions. This icon points out these tough questions and their answers.

Beyond the Book

In addition to the material in the print or ebook you're reading right now, this product also comes with some access-anywhere extras on the web.

Go to www.dummies.com/extras/homebasedbusiness for free online bonus content about starting a business from home and www.dummies.com/how-to/content/ten-steps-to-a-great-small-business-marketing-plan.html for a helpful article about creating a marketing plan for your business. And for a great article which debunks the myths about working from home, check out www.dummies.com/how-to/content/busting-myths-about-working-from-home.html

Where to Go from Here

If you're new to business, you may want to start at the beginning of this book and work your way through to the end. A wealth of information and practical advice awaits you. Simply turn the page and you're on your way! If you already own and operate a home-based business and are short of time (and who isn't short of time?), turn to a particular topic to address a specific need or question you have. Use the table of contents and index to help you navigate. Regardless of how you find your way around this book, we're sure you'll enjoy the journey.

Part I
**Getting Started with Your
Home Business**



For Dummies can help you get started with lots of subjects. Go to www.dummies.com to learn more and do more

with *For Dummies*.

In this part...

- ✓ Find out what's involved in starting and running a home business.
- ✓ Decide whether to start from scratch or buy an existing business or franchise.
- ✓ Write business and marketing plans.
- ✓ Get funding from different sources.
- ✓ Choose a legal structure for your business.
- ✓ Start to understand your customers and what they want.

Chapter 1

Where the Heart Is: Welcome to the World of Home-Based Businesses

In This Chapter

- ▶ Understanding the basics of home-based businesses
 - ▶ Taking a look at the pros and cons of running a home-based business
-

Congratulations! You've decided to start a home-based business. You are joining many others who have already made the decision to start a home-based business. According to the home business network Enterprise Nation, more than 2.1 million home-based businesses operate in the UK, and between them these businesses have a combined turnover of over £364 billion. Over 60 per cent of all new businesses are begun at home, with 1,400 home-based businesses starting up every week in the UK. Take it from us: owning your own home-based business may be the most rewarding experience of your entire life - and not just in a financial sense (although many home-based businesspeople find the financial rewards to be significant). Having your own home-based business is also rewarding in terms of doing the work you love and having control over your own life.

Of course, every great journey begins with the first step. In this chapter, we provide you with an overview of this book and look at the basics of home-based business -

including getting started, managing your money, avoiding problems and moving ahead. Finally, we reveal some of the good news – and the bad – about starting your own home-based business and explain how to know when it's time to make the move.



Fitting work into your lifestyle

When Deborah Duddle was made redundant from her job with a workwear clothing company in 2009, she used her savings to start her own home-based business selling handmade personalised baby gifts. She turned the garage of the family home in Ruthin, Denbighshire, into a home office and sewing room, and named the business Izzy and Floyd after her daughter and the family dog. She has continued to run her business from home ever since, even relocating the business along with her family when they moved house to another part of Wales.

For Deborah, the real advantage of running a business from home has been being able to fit it around the needs of her family. She takes her two young children to and from school and nursery every day, and can take time off to spend with them during school holidays.

She says: 'The benefits are being with the children. I don't have to rely on anyone else to look after them, and I don't have to worry about them. I really missed out when I worked for someone else, but now I can watch my children growing up.'

Being based at home has other advantages too: 'It's really nice being at home during the day because whenever I get a spare moment I can do the shopping or put the washing on. It's much less stressful than having to go away and work elsewhere.'

She sells her products, which include baby clothes, toys and skincare products, online via her website, www.izzyandfloyd.com, and also on www.notonthehighstreet.com, an online marketplace for creative small firms.

Looking at the Basics of Running a Home-Based

Business

Not surprisingly, a *home-based business* is a business based in your home. Whether you do all the work in your home or you do some of it on customers' or third-party premises, whether you run a franchise, a direct-sales operation or a business opportunity, if the centre of your operations is based in your home, it's a home-based business.

Each part of this book is dedicated to a specific aspect of starting and running your home-based business. In the following sections, we take a closer look at the topics we cover in the rest of this book.

Determining the kind of business you want to have

After you decide you're going to start your own home-based business, you have to answer two questions: exactly what kind of home-based business do you want to start and what's the best way to market your products or services?

You basically have two types of home-based business to choose from: businesses you start from scratch and businesses you buy. The latter category is further split into three types: franchises, direct-selling opportunities and business opportunities. Whether you prefer to march to the beat of your own drum and start your business from the ground up or get a business-in-a-box depends on your personal preferences.



The advantage of a business you start from scratch is that you can mould it to fit your lifestyle and existing and emerging markets, which provides you with a boundless variety of possibilities. Businesses started from scratch account for the majority of viable, full-time businesses – in other words, they tend to be more successful over the long run than businesses you can buy.

Each type of home business that you can buy, on the other hand, has its own unique characteristics. The following sections illustrate how the three types are different from one another. We go into more detail on these three types in [Chapter 2](#).

Franchise

A *franchise* is an agreement in which one business grants another business the right to distribute its products or services. Some common home-based franchises include the following:

- ✓ Green Thumb (lawn-treatment service)
- ✓ Molly Maid (domestic cleaning service)
- ✓ Little Kickers (football classes for pre-school children)
- ✓ ProKill (pest prevention)
- ✓ Snap-On Tools (professional tools and equipment)

Direct selling

Direct selling involves selling consumer products or services in a person-to-person manner, away from a fixed retail location. The two main types of direct-selling opportunities are:

- ✓ **Single-level marketing:** Making money by buying products from a parent company and then selling

those products directly to customers.

- ✓ **Multi-level marketing:** Making money through single-level marketing and by sponsoring new direct sellers.

Some common home-based direct-selling opportunities include the following:

- ✓ Captain Tortue (children's clothes)
- ✓ The Pampered Chef (kitchen tools)
- ✓ Herbalife (nutrition products)
- ✓ Kleeneze (household products)
- ✓ Cambridge Weight Plan (weight management programme)

Business opportunity

A *business opportunity* is an idea, product, system or service that someone develops and offers to sell to others to help them start their own similar businesses. With a business opportunity, your customers and clients pay you directly when you deliver a product or service to them. (Another way to think of a business opportunity is that it's any business concept you can buy from someone else that isn't direct selling or franchising.) Business opportunities that aren't categorised as either franchises or direct selling are less common in the UK than in the US, but one example of a business opportunity that you can easily run from your home is ClosetMaid (storage and organisational products).



Interested in how to find more companies and how to get in touch with them? You can find a database of home-based franchise opportunities at www.whichfranchise.com and a list of home-based direct-

selling opportunities on the Direct Selling Association website (www.dsa.org.uk). To find business opportunities, search the Internet using the keywords *business opportunity*.

After you decide on a business, you have to find the money to get it started. Then you have to market your products or services and persuade people to buy them. You can choose conventional methods of promotion, such as advertising and public relations, as well as newer selling opportunities, such as the Internet and social media. Check out the rest of Part I for more information on choosing and marketing your business and on creating a sustainable income in challenging times.

Managing your money

Money makes the world go round, and because we're talking about your financial well-being here, it's very important that you're in control of your business finances. To get the control you need, do the following:

- ✓ **Find the money you need to start your business.** The good news is that many home-based businesses require little or no money to start up. If you decide to buy a franchise or business opportunity from someone else, however, you definitely need some amount of start-up funding. To find this funding, consider all your options, including help from friends and family, savings, credit cards and bank loans.
- ✓ **Keep track of your money.** In most cases, keeping track of your money means using a simple accounting or bookkeeping software package, such as Sage or QuickBooks, to organise and monitor your business finances.
- ✓ **Set the right price for your products and services.** If you set your prices too high, you'll scare

customers away; if you set them too low, you'll be swamped with customers, but you won't make enough money to stay afloat. Make sure that you charge enough to cover your costs while generating a healthy profit.

- ✓ **Plan for your retirement.** When you have your own business, you're the one who needs to arrange a retirement plan for the day when you're ready to wind up your business and ride into the sunset.
- ✓ **Pay taxes.** As Benjamin Franklin once said, 'Nothing can be said to be certain except death and taxes.' Well, taxes are definite, so make sure that you pay all the taxes you owe for your home-based business.

Check out Part II of this book for more information on managing your money.

Avoiding problems

Eventually, every business - home-based or not - runs into problems. Whether the problem is being late on a delivery or hitting a snag with HM Revenue and Customs, as the owner of your own business, you need to avoid problems whenever possible and deal with them quickly and decisively when you can't. Some problems you may have to deal with include the following:

- ✓ **Legal issues.** Keep a lawyer handy to help you deal with legal issues when they inevitably arise. After a good accountant, the next best friend of any business owner is a good lawyer.
- ✓ **Issues with support services.** Find skilled and reliable outside support services - bankers, business consultants and insurance brokers. This task isn't necessarily easy, especially if your business is in a small town where you're pretty much stuck with what's down the road.