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Home Business*

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

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A Wiley Brand

## Starting a Home Business For Dummies®

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# Introduction

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**W**ho 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](http://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](http://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](http://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.

# 4

## Starting a Home Business For Dummies

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## Part I

# Getting Started with Your Home Business

getting started  
with  
**your**  
**home**  
**business**



*For Dummies* can help you get started with lots of subjects. Go to [www.dummies.com](http://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

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### *In This Chapter*

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

**C**ongratulations! 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](http://www.izzyandfloyd.com), and also on [www.notonthehighstreet.com](http://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](http://www.whichfranchise.com) and a list of home-based direct-selling opportunities on the Direct Selling Association website ([www.dsa.org.uk](http://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.
- ✔ **Scams and rip-offs.** Beware home-based business scams and don't rush into just any business opportunity. Take your time and fully explore every opportunity before you sign on the dotted line. And remember, if it looks too good to be true, it probably is.

Part III has heaps more on how to avoid problems in your home-based business.

## *Moving ahead*

One of the best things about owning your own business is watching it develop. After all, a growing business is the gift that keeps on giving – all year round, year after year. To keep your business moving ahead, consider doing the following:

- ✔ **Make the Internet work for you.** Doing business and generating sales and interest in your business via the Internet is practically a given for any home-based business today. You can make the Internet work for you in any number of ways, from starting a website to networking with others through online forums or social networking sites, such as Twitter, Facebook and LinkedIn.
- ✔ **Maintain a serious business attitude.** Just because your business is located at home instead of in a big office building doesn't mean you shouldn't treat it like the business it is. While you can have fun and work all kinds of creative schedules, don't forget that the business part of your business is important, too; you have to treat your business like a business if you hope to be successful.
- ✔ **Look for ways to grow.** For many businesses, growth can turn an operation that's doing well financially into an operation that's booming. Growth allows you to take advantage of economies of scale that may be available only to larger businesses, to serve more customers and to increase profits. For these reasons and more, growing your business should always be on your agenda.

To discover in-depth information on these particular topics and more, check out Part IV.



## Working from home means s(h)aving money . . .

When Will King started his own business selling shaving oil in 1993 at the age of 28, running it from home was the obvious choice. With hardly any start-up funds, he couldn't afford to rent a separate office, and the house he shared with his girlfriend in Ruislip, Middlesex, had a spare bedroom that he could turn into a home office.

The kitchen was also important in his endeavours – he filled his first 10,000 bottles of shaving oil by hand using a pump in the kitchen.

As well as low overheads, Will soon discovered the other advantages to running his business from home: 'I had two dogs, so being at home

meant I could take them for a walk every day at lunchtime. It was good because it got me out of the house and gave me time to think. I loved it.'

While still running the business from home, Will managed to secure an order for his bottles of shaving oil from Harrods, and then from Boots. He only moved the business into dedicated offices when he took on a business partner and needed more space.

His business, King of Shaves, now sells a range of shaving products and has an annual turnover of £10.2 million.

## *Leaving your full-time job for your part-time business*

Some people run a home business as well as holding down a conventional full- or part-time job. An important consideration many home-based business owners face is whether or not to leave a full-time job in favour of a home-based business. Before you give up your full-time job, ask yourself these questions:

- ✓ Has your home-based business experienced a steadily growing flow of new customers?
- ✓ Has your business, even though it's only been part-time, produced a steady flow of income through seasonal or other cycles typical of the business?
- ✓ Are you turning away business because of limits on your time? If not, do you think business would increase if you had the time to market or take on more customers?

If you can answer at least two of these questions in the affirmative, consider it a good sign that you could safely leave your full-time job. Of course, you should also be aware of any developments that could worsen the outlook

for your business to grow, such as pending legislation, new technology, the movement of the kind of work you do outside the UK or the decline of an industry your business depends on.

If your day job has been providing you with the contacts you've needed to build your part-time business, you need to find ways to replace them before you leave your job.

Breaking the umbilical cord of a regular salary is an uncomfortable step for most people. So the closer the current income from your business is to the amount of money you need to pay your basic business and living expenses, the more confident you can be.

## *Examining the Good News and the Bad*

Anyone can start a home-based business. You can be 10 years old or 100, male or female, rich or poor or somewhere in between, experienced in business or not.

So how do you know if starting a home-based business is right for you? Like most things in life, starting your own home-based business has both advantages and disadvantages, but the good news is that the advantages probably outweigh the disadvantages for most prospective home-business owners. So in the spirit of putting your best foot forward, we start with the good news.

### *Good reasons to start a home-based business*

When you start a home-based business, you may be leaving behind the relative comfort and security of a regular career or nine-to-five job and venturing out on your own. Or you may be entering the world of work again after devoting many years of your life to raising a family. How far out you venture on your own depends on the kind of home-based business you get involved in. For example, many franchises provide extensive support and training, and *franchisees* (the people buying the franchise opportunities – you, for example) are able to seek advice from experienced franchisees or from the *franchisor* (the party selling a franchise opportunity) when they need it. This support can be invaluable if you're new to the world of home-based business.

At the other end of the spectrum, some business opportunities offer little or no support whatsoever. If you're a dealer in organic hair oil, for example, you may have trouble getting the huge, multinational conglomerate that manufactures the oil to return your calls, let alone send you some product brochures. And you won't find any training or extensive hands-on support when you run into the inevitable snags, either.

This wide variety of home-based opportunities brings us to the good news about starting and running your own home-based business:

- ✔ **You're the boss.** For many owners of home-based businesses, just being their own boss is reason enough to justify making the move out of the nine-to-five work world.
- ✔ **You get all the benefits of your hard work.** When you make a profit, it's all yours. No one else is going to try to take it away from you (except, perhaps, the tax man – see Chapter 8).
- ✔ **You have the flexibility to work when and where you want.** Are you a night owl? Perhaps your most productive times don't coincide with the standard nine-to-five work schedule that most regular businesses require their employees to adhere to. And you may find that – because interruptions from co-workers are no longer an issue and the days of endless meetings are left far behind – you're much more productive working in your own workshop or home office than in a regular office. With your own home-based business, you get to decide when and where you work.
- ✔ **You get to choose your clients and customers.** The customers may always be right, but that doesn't mean you have to put up with the ones who mistreat you or give you more headaches than they're worth. When you own your own business, you can fire the clients you don't want to work with. Sounds like fun, doesn't it? (Believe us, it is!)
- ✔ **You don't waste time travelling to and from work.** Money can buy lots of things but time isn't one of them. Depending on how close your current business premises are, you could spend a lot of time each day travelling to and from them.
- ✔ **You can put as much or as little time into your business as you want to.** Do you want to work for only a few hours a day or week? No problem. Ready for a full-time schedule or even more? Great! The more effort you put into your business, the more money you can make. As a home-based business owner, you get to decide how much money you want to make and then pick out the kind of schedule that helps you meet your goal.

These reasons to start your own home business are just the tip of the iceberg. But when you add up everything, you're left with one fundamental reason for owning your own home-based business: freedom.



Admittedly, starting a home-based business isn't for everyone. In fact, for some individuals, it can be a big mistake. If, however, you have an entrepreneurial spirit, and you thrive on being independent and in charge of your life, a home-based business may be just the thing for you.

You have only one life to live. If you're tired of working for someone else, being second-guessed by your boss or having your creativity stifled, if you're full of great ideas (ideas you know will lead you to success if you have the opportunity to put them into practice), or if you long for something better, running a home-based business could be the answer you're looking for. When you find the business that's right for you, it can change your life and the lives of those around you.

## *Knowing the pitfalls of owning your own home-based business*

Starting a home-based business isn't the solution to every problem for every person. Although many home-based businesses are successful and the people who started them are happy with the results, more than a few home-based businesses end up causing far more headaches than their owners anticipated. Some home-based business owners even go bankrupt as a direct result of the failure of their businesses. Starting your own business is hard work and success isn't guaranteed.

So the next time you're lying on your sofa, dreaming of starting your own home-based business, don't forget to consider some of the potential pitfalls:

- ✔ **The business is in your home.** Depending on your domestic situation, working in your own home – a home filled with any number of distractions, including busy children, stressed spouses or significant others, televisions, fridges full of tempting food, and more – can be a difficult proposition at best.
- ✔ **You're the boss.** Yes, being the boss has its drawbacks, too. When you're the boss, you're the one who has to motivate yourself to work hard every day – no one's standing over your shoulder watching your every move. For some people, focusing on work is very difficult when they are put in the position of being the boss.