



A weekly question/answer column

Do You Have Tips On Starting A Home-based Business?

Karen Biers answers:*

Home-based businesses are becoming increasingly more popular as people turn their skills, hobbies, and ideas into profitable ventures. Consider these issues if you are thinking about setting up a business in your home.

- **Consider impact on family and home.** Having both family and work responsibilities under the same roof may not be as easy as it seems. Family support is vital to any home-based business. Family members may be asked to accept more responsibilities or may resent losing space that the business occupies. Determine if there is enough space in your home for production, inventory, supplies, office, records, etc.
- **Develop a business plan.** A written business plan includes projected income and expenses. It also includes a marketing plan and a business definition that serve as a guide for promoting and marketing your product or service. The business plan can help you discover where problems may occur.
- **Identify the market.** You may have a great idea for a business, but do people need or want your product or service? Identify the customers who will comprise your target market. One advantage of a home-based business is that it can meet the needs of small niche markets. Once you have identified your target market, determine if you can access the market and if it is large enough to support your business.
- **Identify competitors.** Determine who your competitors are and how to successfully deal with them. Determine why customers would buy from you rather than the competition. This can influence how you promote and market your product or service. If you cannot identify any competition, determine if there is really a market for your idea.
- Consider financial issues. Your business plan should help determine if there will be enough cash flow to operate and expand the business. If your money is tied up in accounts receivables, equipment or inventory, you will not be able to meet your monthly bills. Experts say that start-up businesses normally do not make a profit for the first eight to ten months. Determine if the business income will adequately meet your needs.
- **Consider business structure.** Most home-based businesses are organized as a sole proprietorship. A business may also be organized as a partnership, corporation, S. Corporation, limited partnership, or limited liability company. If you need advice on which structure is best for your business, consult an attorney.
- **Comply with laws and regulations.** A home-based business is subject to many of the same laws and regulations as other businesses. Check zoning regulations in your local area. If your business operates in violation of them, you could be fined or closed. In

general, home-based business zoning regulations will address signage, traffic and parking problems, fire, safety, and health codes, the integrity of the neighborhood, non-resident employees, and the character of the home.

- **Check home insurance coverage.** Many home insurance policies do not cover a home business. Consult your insurance agent to determine whether or not your business is covered or if you need additional coverage.
- **Consider personal strengths and weaknesses.** Do you have the talent and expertise needed to operate the business? Frequently, home-based business owners have the technical skills to produce the product or provide the service, but lack experience with business management skills. Another family member may have expertise in an area where you lack skill or you might consider hiring outside expertise to complement your skills. It is important for home-based business owners to act and appear professional. Consider how your customers will view your appearance and the appearance of your home work space.
- **Network with other home-based business owners or members of business associations.** Make a people resource list and use it when you need help or advice. With planning, enthusiasm, good judgment, and honest advice your business can grow and be successful.

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