

Running Your Home Based Business



Self Help Inc.

Self Help, Inc.
2390 North Road
Los Alamos, NM 87544
(505) 662-4666
Ellen Morris Bond, Executive Director



Northern New Mexico
Los Alamos

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Self Help, Inc. and UNM-LA Small Business
Development Center

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Introduction

In the previous brochure, “Starting Your Home Based Business,” you chose your product or service, wrote a successful business plan, got your Tax ID Number, registered with your county or municipality when required, and acquired insurance if appropriate. Now it is time to learn how to run your business and make a success of it!



In addition to having a great product or service, there are two additional elements that are required for success. These are management and marketing.

Management

Management is comprised of many things but the most important are management of time and management of money.



Management of Time

Management of time is primarily about customer service. You must keep your non-customer time to a minimum so that you can focus on your customers. Your customer time is the only time that generates income and customer loyalty. To keep your non-customer time to a minimum, you need to think about how you spend your time and put together a personal schedule until you are comfortable running all aspects of your business.

- Keep up with the filing and record keeping. It wastes a lot of time when you cannot find an invoice or information needed to complete an order.
- Keep the mail sorted and put away. Again, you need to be able to quickly find information when you need it. Especially keep all of the “junk mail” thrown away or out of sight until you can quickly sort it.

Management of Time (continued)

- Return phone calls faithfully. You may have to let the answering machine take calls if you are busy, but always return calls promptly. Personal calls should be kept to a minimum and made/received outside of your regular work hours and never when you are with a customer.
- Keep your promises. One of the most powerful marketing tools is a happy customer. It is said that a happy customer will tell 8 people, but an unhappy customer will tell 22 people about their experience. Therefore, you should have a goal to keep all customers happy and beat those bad odds.
- If you are having a difficult time meeting your time commitments, you may decide to hire someone to help you. The laws regarding employment and taxes are complex, so it is strongly advised that you seek assistance from a business counselor to help you set this up properly.





Management of Money

- Managing your expenses should be very easy if you did a good job with your Financial Projections and Business Plan. However, there will always be surprises and you will have to decide how you will cope with them. If they are substantial, you may have to reconsider the pricing of your product or services, or find other expenses that can be reduced or eliminated. Be very careful about additional elective expenses until you see how the business is going. You may decide that you can't afford them.
- Pay your vendors of supplies on time. This will insure that you get the best prices. Some vendors will even give a discount for prompt payment. Discuss this with your vendors and assure them that you will give prompt payment but expect their best prices.
- It is very important to control your inventory. It may seem a lot less expensive when you buy supplies in volume, but you should not do so if it will take more than a few months for those supplies to be used.



Management of Money (cont'd)

- You should strive to have your customers pay for their products or services at the time of purchase. If you have to accept billing afterward, you may find that you will encounter cash flow problems. It is important to manage those bills to insure that they are paid as quickly as possible. Mail statements at least once a month and follow up with phone calls if necessary.
- Have a policy regarding Non-Sufficient Funds (NSF) checks. Have it displayed in your place of business and on all bills. Most businesses charge at least \$25 for NSF checks.
- You may need to accept credit card payments. Go to your bank and talk to them about setting this up for you. However, there are costs associated with credit cards that you need to understand. These costs may affect the pricing of your products or services.





Management of Money (cont'd)

- Keep excellent records. A simple system that works well is the Dome Record Keeping book that is available at most office supply stores. This system explains the various categories of expenses and you should follow the instructions and examples. If you keep your records up to date, you will be able to file taxes and review your financial performance quickly and accurately.
- Pay your taxes on time. Gross receipts taxes are complex and it is advised that you have a business counselor review them with you and go over your calculations the first time or two that you file. It is important for you to understand the Non-Taxable Transactions Certificates (NTTC) to insure that you collect or pay taxes only when necessary. You may also want to have an accountant review your income taxes.



Marketing

Let's be clear about this. Marketing is not just advertising, such as in the newspaper, or on radio and television. Advertising is expensive and has limited usefulness to most small businesses. Marketing is a thoughtful process of identifying the customers you would like to have, then working out a plan to insure that information about your business is brought to their attention. It is an ongoing process that needs to be evaluated, with new ideas implemented, on a regular basis. Here are some ideas to get you started.

Listings

- Advertise in the Yellow Pages. Place ads in more than one section if necessary.
- Get listed in commercial directories, such as those for Chamber of Commerce
- Place postings on the bulletin boards of popular stores and gathering places
- Put together a mailing list of people and send a letter describing your new business. Address the people by name if at all possible
- Use the Internet and email

Maintain and Excellent Business Reputation

- Insure that your product or service is the best it can be
- Be reliable
- Have a professional image
- Be prepared to handle an increase in business as your business grows
- Maintain a customer list and periodically send out mailings of thing that may interest them
- While pricing should be based on cost, you need to continually evaluate your competition. If you find that you cannot provide your product or service profitably with a price that is competitive, you need to reevaluate your expenses.
- Make sure that your friends and family really understand your business so that they can accurately tell their friends about you. It may help to prepare a short, written description to give them.

