

Cottage Industry

— How To Run A Small Business From Your Own Home —

by Everett Moore

In today's world many families may find themselves in a financial crunch that requires more income than the man is providing. They are forced into a decision of the wife working or adding to their income by some type of “part time,” home business.

Too often they turn to the classifieds or bite on one of the many TV infomercials that, on the surface, seem to answer their needs. They are promised, not only part time income but, often are lured by the delusion of becoming independently wealthy. The purpose of this article is to open your eyes to the real world and help you avoid the pitfalls but, also, create a successful small business from your home.

Be Your Own Boss — Make \$200 a week addressing envelopes — Become independently wealthy in mail order — Buy real estate with no money down — Become an “associate” and sell this great new health supplement without leaving your home! — These are but a few advertisements with which I'm sure most are familiar. These all are focused on the fact that a large percent of people are not happy in their jobs or they maybe retired on a small “fixed” income. They may be in a job that doesn't utilize their main attributes. They may have to answer to a supervisor or “boss” that has been “Peter Principled” into his position. It is only natural to dream of not having to take orders from such a slug!

I spent the first half of my working years under a “boss.” All but a couple fit the category above. I spent the second half of my working years employed by a complete tyrant — a man who drove me hard in order to extract

every drop of productivity that was in my body. I still see this man daily — every time I shave!!! I know how you feel. I have been, done and bought the tee shirt, so to speak.

Therefore, my heart goes out to the countless people who, out of a sincere desire to better themselves, have shelled out hard earned money to obtain some promised “open sesame” course or program and are usually no better off or smarter than before.

You are promised a road to riches by some individual who has made his fortune and now wants to “share” his knowledge with you — for a fee! His is, typically, pictured by his Rolls Royce, which is either parked in front of a three story mansion or delivering him to his Lear Jet which, no doubt will carry him off to the land of the rich and famous.

If our school systems were doing the educating job they should be, people might have enough horse sense and logic to see the fallacy of most of these “deals” and would already have their own Cottage Industry in operation without outside help. Unfortunately, this is seldom the case.

The victims aren't necessarily the uneducated. I once knew of a man with a Master's Degree in business administration who bit for a mail order deal where he was furnished with advertising brochures imprinted with his business name. He mailed them to potential customers seeking their orders for personalized ball point pens. His mailer even included a sample pen which he had to buy from the parent company. This was such a hot deal he was even furnished a mailing list

on labels. What did all this cost him? Almost \$4,000. How much did he make from his “mailing?” He got 5 orders and eventually had to refund their money — the parent company had folded up their tent and vanished!

This “deal” so attacks the logic that a moron should have been able to spot the major flaw which was simply: If you had a supply of pens and the means of imprinting names on them, all necessary advertisement material plus a mailing list, why would you want to share this “money maker” with someone else? This same logic can be applied to other schemes.

There are outfits that try to get you to mail their catalog of gift type merchandise (usually imported junk). They even print your business name on these catalogs and sell them to you in quantities of 1,000 and up. Some even require a fee for their “mail order” course!

Why won't they work, you ask? Well by the time you have finished reading this guide, I hope you'll be able to answer that question yourself. I'm giving you my complete small business philosophy for what it's worth. I have learned a lot of lessons the hard and expensive way. I hope to make it easier for you.

The Basic Principals of Small Business

1. MAKING MONEY

You do not “make” money, you “earn” it! No one makes money except the Federal Reserve and other counterfeiters. Try it and you'll end up in federal prison! However, the term “making money has become synonymous with earning money in most people's vocabulary. You can legitimately “earn” money. You do this by providing a service or

making a product for someone else who, hopefully, needs and wants it bad enough to give you some of his money in exchange for what you are providing to him, either in a service or a product.

Where did his money come from? Well he, in turn had to provide a service or produce a product for someone else. Do you picture it now? — We are all part of a huge daisy chain! We pass GO every so often and collect \$200. The balance of our time is spent in trying to get the other guy to give us some of his money while trying to keep most of ours.

2. PROVIDING A SERVICE

This is how most people earn their money even though they work for someone else where a product is produced and sold. If you are an accountant working for General Motors whose end product is automobiles, you are merely providing a service for them. If you work on the assembly line installing flat washers on the Gibo Flichter, you are still only providing a service for GM — until one day you find yourself replaced by a new automated flat washer installer.

Services cover an entire spectrum from doctors to the lowly janitor — they are all providing a service that they market to other people on life's big monopoly board! Maybe you sell a product to others. Unless you manufactured the product yourself, you are still only providing a service.

3. PRODUCTS

You can only claim to earn your money making products if you actually create something from raw materials. The value of this product is something you add to some inexpensive material to make it worth a lot more to someone else.

A potter is a good example. He takes a piece of seemingly worthless clay and by

shaping, decorating, glazing etc., it takes a form of beauty and/or utility, resulting in a product having little relationship to the cost of the original material. Printed products are another example. You take a penny's worth of paper, add a penny's worth of ink and create a product that might sell for one or more dollars. A set of plans, a recipe, a map, a how-to book — all fit the category.

In both these simple examples the value of the finished product is determined largely by the added value introduced by the craftsman or artist.

4. TIME — THE BIG EQUALIZER

There is only one facet of life where we are all perfectly equal. From the most important to the insignificant — from the richest to the poorest, we have one thing in common and that is time. I, again, like to think of life as that big monopoly board only this time when I go past GO every day I get 24 hours of time to spend as I choose.

Unfortunately, life seems backwards sometimes. By the time we are old enough to appreciate time, most of our sand has already passed through the hour glass. The sooner in life you learn to appreciate the value of time the better you will be.

5. TIME INVOKES A LIMIT ON ALL

If you are working at a minimum wage job it is easy for you to look at the doctor or other professional as one who has unlimited income possibilities. Remember, both you and this person have been dealt the same amount of time in which to sell your services to others. The only difference is this person had the foresight, ability etc. to learn a skill that he can sell for more money than you can sell yours.

You both have only so many hours in a day to ply your trade or skill. Let's say you both

work approximately 40 hours per week. You, at \$5.00 per hour max out at \$200 a week income. If the professional can demand \$500 per hour for his services, he definitely makes a lot more than you. However, he still has a maximum limit of \$20,000 per week. We are overlooking the fact that he may have to absorb a high overhead expense in order to practice his trade.

Ok, you decide to work 80 hours per week. Considering the possibility of time and a half overtime, you have stepped up to \$500 per week. You are killing yourself by working too much for your health, but you did manage to more than double your income. You now decide that instead of working all these extra hours you'll simply demand more for your services. You might be able to squeak a small increase, however, you soon find another ceiling imposed upon you.

The point I'm trying to make is that most people are capped out by two things: What they can charge for what they do and the number of hours they can reasonably do it.

6. MAXIMIZING YOUR EFFORTS

If you are providing a service you have little choice. Lets say, for example, you mow lawns as a business. You can only mow so many lawns in a given time with competition and economics limiting what you can charge. A surgeon can only do so many operations — a dentist can only service so many patients. They, too, have limitations on what they can charge.

The income produced may be sufficient for your desires. However, if you want to significantly increase your income something, obviously, has to change in your equation. Your income has to be non-proportional to the time you spend producing it.

What can you do differently to reach more customers, clients or patients? It's common

place now to see a TV or printed commercial with a doctor promoting a book or some product that promises to make life better. A lot of other professionals are doing likewise.

Most professionals now assign mundane chores to others, thus freeing their time for more productive efforts. I can remember 50 years ago going to a dentist who had no receptionist; no assistants etc. Simply a one man show! Obviously, he was very limited in the number of patients he could see in a day's time. With no appointments, it was not uncommon to sit in a waiting area for 3 hours or more at times. Today's dentist has a staff of clerical help & dental technicians who perform all but the skills demanding his expertise. In this way they are magnifying their efforts.

7. THE NUMBER OF CUSTOMERS

In any small business you could conceivably have only one customer or an infinite number. Which is best? Let me give you an example:

There was a small die casting company. Their operation was built upon literally dozens of other small manufacturing businesses that relied upon this company to produce one or more small castings, which they utilized in their products.

One day the sales manager was ecstatic — they had been approached by one of the giants in retail to produce a part for their washing machines. Big Numbers — Big Dollars!!

Sounds great! But to be able to meet the quantity demanded they had to discontinue most of their small customers. They were so blinded by greed that they totally overlooked some serious potential problems the future held in store for them.

At the end of their first contract the big

retailer wanted to renegotiate the price they were paying. After all, look at all the money being paid the small die casting business! The next contract period demanded even a larger production at a cheaper price per unit.

Their banker, who was dumber than they were, extended a mega-buck loan so additional machinery could be added to meet the increased demand. More employees, more space, more problems.

At the end of this contract period things had just about leveled off to where they were making a small profit and beginning to repay the huge debt they had undertaken. Things were starting to look rosy. Wrong!

The volume of work they were doing had caught the attention of foreign competitors who bid the parts at a very low price. There was no way the little die casting business could match or even come close to this bid. They, overnight, lost their contract. They laid off, downsized and tried to obtain some of the smaller accounts they had dropped to chase the rainbow! They suddenly found themselves on a totally new playing field.

Needless to say they couldn't pay off their obligations and soon declared bankruptcy. Today their building is abandoned, glass broken out and weeds growing in the parking lot. A sad story but true. Too typical of similar situations.

The lesson to be learned here is that it is wiser to have a dollar's worth of business from a million people than a million dollars worth of business from one customer. In the first case, you can lose half of your business and still have a half million dollars worth of business remaining.

8. DETERMINE YOUR GOALS

What do you want your home business to provide for you? Do you simply want to bol-

ster your retirement income or your regular job? If you only desire to add to an existing income such as Social Security or other sources then you have a wider range of things from which to choose. Do you want to build a business that can eventually replace your present job and be your sole source of income? If so, you're my kind of person. You have finally awakened to the fact that, like I was, you're nearly forty years old, have a good job, but the cost of living has almost passed you by. If she hasn't already, your wife may have to go to work, also, to help pay the bills. You don't want that. After all she's a nice looking woman and if thrown into an office environment she's bound to find someone more exciting than you! Just kidding. However, it has happened.

9. WHAT TO DO

By this time I hope I have made you realize that in most cases you must create and market a product to rise above the ever too typical home business. Oh sure, you can make money selling various "party" products if that's your bag. Ok, you want to try mail order. Aside from all the other problems, most products allow you about a 30 to 40 percent profit. To make it in mail order you need a mark up of at least 4 to 1 — 5 or more to 1 is better. A good example might be your famous receipt for the world's best fruit cake. You've got a PC computer and a program that will produce a nice 2 page description of your cake. You have fully explained the secret process that sets your cake apart from the rest.

You go to a local copy shop (Don't have a gizillion of these printed until you discover whether or not anyone else wants to buy a copy) and get a few copies printed. Lets say it costs .10 each, a #10 envelope another dime. Add a first class stamp and you have a cost of about .60 each out the door. Now mark this up 5 times and you have a minimum selling price of \$3.00. Can you word a classified

advertisement that will convince some total stranger to send you \$3.00? Kind of like fishing, isn't it? You bait the hook, throw it in where you think the fish might be and wait.

If you have a workshop with a few wood working tools, there's a ton of projects awaiting you. I don't like to use the term "crafts." To me that conjures up a picture of old folks sitting around the rec-room of their rest home gluing sucker sticks together! I don't mean to put them down, but I like to think of things a bit more exciting and personal.

I have an acquaintance who loves building useful items from wood. Instead of marketing wood products, he produces and sells plans by mail order. Remember what I mentioned earlier about the penny's worth of paper and ink? What produces the worth of his plans is the "added value" that comes from his creative efforts.

When searching for things to make and sell, remember that novelty items usually sell better than the practical. If you decide to make and sell bird houses then choose designs that are novel and unique. Come up with something that will make the potential customer wish he was a bird so he could live in one of your neat houses! In reality, the stupid bird could care less as long as it meets his physical requirements. But, you're not selling to birds! Fishing lures are designed and packaged to sell to fisherman not fish!

Another reason to have a unique product is beating the competition. Show up at a trade fair or craft (there I said that bad word) show with something that is a hot seller and you're guaranteed to attract attention from other craftsmen who aren't doing so well. The next show you attend there will likely be someone else with a product similar to yours. You've got to add something personal to your product that the other fellow can't easily duplicate.

A good example: I have seen where old saw blades (both round and hand) were painted with various pictures. At a Midwest, Old Threshers Reunion one display had various threshing scenes, all meticulously painted on old saw blades, including a large cross cut. Naturally, this takes talent but if you have it — use it! There won't be many competitors.

Another example from the Midwest was one of the most unique products I have ever seen. They were called Stool Toads! Apparently some enterprising soul had fashioned a mold of a large toad. By using these molds it was possible to “mass produce” a two-fist size toad from deodorized cow manure! They were complete with soy bean eyes. Don't ask me how they deodorized the manure. They were packaged with instructions on how, if you didn't want to display them, you could put them in your flower pots for fertilizer. A unique product that was completely bio-degradable.

One of the neatest “basement” businesses I have ever heard of consisted of one individual who had developed a simple machine to produce “hog rings” from a roll of steel wire. What's a hog ring you ask? You probably never knew they got married! Well, for you non-farm types, the name comes from the fact that hogs are natural rooters and if left alone can destroy vegetation and also, root under fences. Farmers used to physically catch and hold the hog and place three or four “hog rings” in the top rim of their snout with a specially-designed set of pliers. Didn't this hurt you ask? — Not if you kept your thumbs out of the way!

This practice has given way to electric fences and confinement raising. However, these rings found another use and that is the attachment of automobile seat upholstery and covers. Anyhow, this old gentleman simply loaded a large roll of wire onto his machine and hit the “on” switch. The

machine sat there in his basement spitting out hog rings into a large hopper. It could go for hours unattended.

They were packaged into burlap bags and sold to a huge list of customers including some big name auto manufacturers.

By now I hope that I have convinced you to make and sell a product as your cottage industry. If so remember these few basic rules:

1. There has to be a market for it. Notice I didn't say need for it. There was no need for Stool Toads, but I'm quite sure they sell them as fast as they make them.
2. You have to be able to create this product in considerable numbers, if necessary and do so without hiring employees.
3. Your product must have a huge, built in profit margin.
4. Don't forget about labor cost. I know I continually advise against hiring employees. However, someone is going to have to make this product. Who? Look in the mirror. Remember TIME — how many can you reasonably produce? Remember, repetitive work destroys brain cells!

The point I'm trying to make is you must factor in labor, regardless of who makes it. There are a lot of people who would consider doing something at home for a little extra income. Maybe your product could be assembled by some housewife with you supplying the materials and paying her by the piece. There is a thin edge between sub-contracting and employing so you best talk to an accountant on this one.

Definition of a Cottage Industry

Before we proceed any further, let's take a closer look at what we have been calling

“Cottage Industry.” Cottage industry is a coined term that has been accepted into our vocabulary and most people have a fair idea of what it means. It is synonymous with home business or working out of your spare bedroom or garage.

Computers, fax machines, internet, email etc. have brought into sharper focus the idea of not having to spend 2 to 4 hours a day just fighting traffic to get to a job. Historically, cottage industries have existed throughout the ages. The craftsmen of Bible times didn't ride their camel or donkey for 4 hours a day just to get to their shop. When prehistoric man began fashioning tools from stone, where did he work? Most likely in or at the mouth of the cave in which he was living! He did alright until he started selling stone axes to others. Then his neighbors complained about the excessive traffic by their cave and turned him into planning and zoning!!! He was forced to move his “shop” to a group of “industrial” caves that had been zoned for commercial activity! o o o o o

Most of the traditional trades that developed in Europe were family businesses with the necessary skills handed down from father to son or through apprenticeships. Their living quarters were usually over, behind or beside their shop. Family life had quality, with the parents always present to instill worthwhile qualities in their children. Such lifestyles carried over to the early colonies of America. The new found freedom served as a catalyst to inspire industrial skills to lofty heights.

The industrial revolution brought about a necessary division between the small cottage industries and the factories necessary to produce large machinery, ships, railroad rolling stock and eventually the automobile. Gradually, our population began to live one place and work another. While cities were yet small most people walked to work or at least a short street car ride got them there.

Urbanization still continues today. People moved from “downtown” near the factories to a new home in the suburbs. We all had cars and by golly we weren't going to ride any public transportation! Where has all this gotten us? Just take a trip to Los Angeles and observe.

Maybe I'm getting old but I catch myself daydreaming about when we were back in the “good-old-days.” A relative of mine in Missouri had a grandfather who ran a general store in a small town during the 1800's and early 1900's. A few years ago I had the pleasure of looking at some of their “bookkeeping.” In this case it was a ledger book of accounts paid for the year 1885. In those days every thing was hand-written including the invoices they paid, which were pasted, scrapbook fashion, into a bound book.

This store was typical and carried an amazing assortment of merchandise, which offered everything a farmer could use, including horse drawn machinery. They even sold coffins and rented the hearse for do-it-yourself funerals!

To me the most interesting revelation was that everything they bought that year came from within a 75 mile radius, all within the state of Missouri. It seemed that every cross-road bristled with some type of industry. Products were being produced. People were happy and prosperous. Go to that same area today and the only industry of size is a large, new prison to warehouse convicts! They keep trying to get riverboat gambling! A sad situation at the best.

This is why I try so hard to help anyone interested in starting a cottage industry. Start producing products — create something — use your brain and your hands! If this small tome can start a few people to thinking in creative channels I'll feel that I have accomplished something.

Moore's Maxims For Cottage Industries

Chisel these in stone or, as Ernest used to say, “tattoo these on your brain, Vern.” “You know what I mean.” You may be able to violate one or two and still succeed. The same as drilling a small hole in your boat may not sink you, but to do so starts you sailing among ice bergs that can quickly turn your little home business into a Titanic!

I am not doing these pages as a research paper that deals with what others are doing. I feel qualified in advising you by drawing on my own successes and, also, the fact that I have, at one time or another made about every business mistake possible. Fortunately the correct decisions outweighed the incorrect!

From time to time some acquaintance will seek my advise on how to start a home business. Unfortunately, by the time they seek my advise, they will have already made at least one terminal mistake. They have, typically clipped the coupon or answered the advertisement of some “mail order guru” who promises that they can be their own boss! Writing this, I drew heavily on actual things that have happened to others.

I have prepared a list of both must do and must not do. I have tried to list them in order in the sequence that they usually happen in real life. There are exceptions to every thing and even the most black & white situation will have a few areas of gray. We will expand on these where I believe they may exist.

YOU MUST AVOID

1. Any business situation where both you and your spouse are not in total agreement.
2. All “get rich quick” schemes and anything to do with “multi-level marketing.”

3. Anything that violates God's laws.
4. Borrowing money — from anyone!
5. Stationary or other business printed material listing your home address.
6. Licenses & permits.
7. Patents and trademarks.
8. A “business” telephone listing.
9. Having your utilities (gas & electric) in your business name.
10. Business signs (anywhere).
11. Neighbor's knowledge of your home business.
12. Business vehicles.
13. Obvious customers coming to your home.
14. Employees.
15. A large amount of business pick-ups and deliveries to your home.
16. Renting “business” property.

We will now attempt to examine each of these points a little closer.

1. You are undertaking a serious project that can alter your present lifestyle. It can impact your social activities. It can utilize that spare bedroom. It can demand parking your car in the driveway instead of the garage. You may want to use your wife's new Turbo mixer to make your new, sure-fire, weed killer.

And what if the wife wants to start a child care operation, baby sitting two or three little screaming curtain climbers? What if she wants to start a seamstress business? Is this going to impact her normal household chores — like waiting on your every need?

Regardless of the business or product involved, it is imperative that all parties be of equal commitment to its success. I have been very lucky in having a wife who not only supported my endeavors, but has contributed her abilities in areas where my skills were lacking, like when she proof reads writings such as this, when I'm through butchering the English language.

2. Avoid all temptation to bite on any thing you see on TV where you are teased with dozens of success stories from “people just like yourself” who have made it big by having the “wisdom” to invest a small sum (usually 39.95 to 149.95) to learn the “secrets” of making money in your spare time, at home!

Other promoters will try to sell you a set of tapes, books etc. Your benefit will, hopefully, be motivation. They get you all turbo charged to succeed — in something! Sort of like revving up your engine and tearing off down the road at high speed until someone asks you where you're going and you haven't the foggiest.

Multi-level marketing (they don't like that term anymore and will have a much more clinical sounding arrangement) uses a convincing sales pitch that usually results in you becoming an (associate). As such you: 1. Sell the products to someone else. 2. Get them to, also, become an associate and on and on! You will spend more time and effort building your “down line” than selling what questionable qualities the product may actually have. Naturally, the “up lines” above you and the “down lines” below you all get a commission. To support this con-game the product must have an exceedingly high profit margin. Like some chain letters, these cleverly designed schemes are marginally legal although, certainly questionable in the terms of morals and ethics! A most disturbing fact is how some religious groups actually promote these rackets! AVOID!!!!

3. Don't become involved with anything that's immoral, illegal, or violates the “Golden Rule.” Don't sell a product or service that doesn't help or benefit someone and does so at a reasonable price. Abide by God's laws!

4. Don't borrow money to start any business, especially a home type business. Ask those who have failed at small business and most will exclaim that they were under capitalized. A closer examination will usually reveal just the opposite.

I have started a business when I was almost flat broke and I have started one when I was a “fat cat” with a lot of money available. My greatest successes came when I was forced to play the game “lean & mean.” When I had excess funds I usually bought equipment I didn't need (at least then), bought too much and too expensive advertisement and hired employees we could have done without. I was inspired to take more and bigger risks than when my pocket were empty.

5. Use a very minimum of printed stationary and business forms. With the advent of home computers, nearly everyone has a word processor that will provide your humble needs on a demand basis.

It seems that everyone starting a business has to buy at least a thousand fancy business cards. Check on them 5 years later and they probably still have 975 left! With a good word processor you can compose a simple business card and print out a few when needed. Personally, I have a card on my computer and I print out about 10 at a time and trim them out with scissors.

Regardless of the quantity and quality of your business printing — do not — list your home address. A Post Office box is a necessity for several reasons. There was a time when the consensus indicated you needed a fixed address to give credibility to your endeavor.

Times have changed and a majority of the big businesses now use a P.O. box.

If it is necessary to give your home address you can list it when needed. A good example is when you order office supplies, etc. The delivery is usually via UPS and they have to have a physical address for delivery. There's no problem in having an occasional UPS delivery. Nowadays, most people do.

6. Don't obtain any licenses or permits unless you are positively forced to do so. It is my belief that having them will cause more problems than not having them.

It seems that people starting a small business for the first time will rush out and get a resale license, sometimes before they have any idea of what they will be “selling.” A lot depends on where you're located. The bigger the city the more “permits” are required. Open a conventional store and you'll need a state sales tax license, a city sales license and a sign permit. If you have any kind of sign which, of course, must meet strict regulations as to size and height — lighted or unlighted.

Depending on your product, there's a labyrinth of other permits you may need. You can rest assured that each permit has a fee to be paid. Most such agencies are administrated by bureaucratic parasites, obtaining their positions by having risen to their level of incompetence. Having to deal with them is a negative energy trip and can lead to homicidal tendencies manifesting themselves.

7. Avoid any temptation to patent anything. The patent game is for major leaguers with mega-bucks not for us po-fokes. For one of us to have a patent issued is like a turtle having a crossing permit for the Interstate. Sure, he now has the right to cross to the other side. He, also, has the right to sue the 18 wheeler that just flattened him!! Patents are an ego trip that the scammers use to get bumpkins to part with their money.

The same applies to trade marks and copyrights. Sure, if you produce a printed product you'll list a copyright notification on the title page. Common law now protects you for the rest of your life and years beyond.

I would only concern myself with trademarks if I entertained any thought of selling the business at a later date and the trademark added value to such a sale. This is seldom the case with most home businesses.

8. Do not have a business listing — in fact don't even have a business phone! There's a trick of trade that will get your business name listed without the phone company being the wiser. However, you need to really consider whether you need a phone book listing or not. If you do this next stunt will take a bit of ingenuity on your part — but that's what makes the game more interesting!

For example: Let's say you're into selling model railroad supplies from your basement. You would like a phone listing that would indicate this fact. However, you don't want the added expense of a “business” phone line and you don't want a street number listed. If someone visits your “store” it's strictly by invitation only. You have your wife call the phone company and request an additional phone line. She will tell them that she is a relative living with you for a time and wishes to have her own phone line. She wants it listed, but is concerned about a listing that signals a single woman living there. She, also wants no street number listed. The phone company is used to such situations. She originally identified herself as Harriet Gauge. Naturally she wants the listing to be H. O. (her middle name is Olein) Gauge. No problem Ms. Gauge, we understand your desire for security — thank you for using our service!

The listing of **H. O. Gauge** will jump from the phone book to the attention of any model railroader — the very person you want to call

you. Now this scenario is fictional and used only to illustrate how a little forethought can solve your problems.

Another way to get an unlisted “business” line is to simply request another line for “data” use with your fax and internet needs. The phone company is used to this. I have one for just such use. It is so unlisted that I can't even remember the number!

While on the subject of phones, another thing to avoid is an “800” number. Many, well meaning “advisors” will tell you that you have to have one to meet the competition. In the past I have had a mail order business right in the middle of competitors with “800” numbers and I probably lost some business by not having one. However, I don't think the business lost would have come close to what this service would have cost me, especially when dealing with customer questions and problems. Some advise to only use it for taking orders, all others have to call on a regular number. My thinking is that this would have irritated more people than just simply not having one.

9. Avoid having any utilities in the name of a business. It is usually more costly. I could never understand why. A few years ago, I bought some acreage with commercial frontage. I built a business building on the front and a home on the residential portion. One large transformer served both locations. One day I happened to examine our utility bills and noticed that we were charged exactly twice as much per Kwh for the business as for the residence!

We all know about 20/20 hind sight! This business building was used for a mail order publishing operation — no walk in-trade. We could have and probably should have, built a large utility shed and closed it in on the sly, away from the prying eyes of the zoning inspector, and operated just as well. At least we could have saved a lot on our electric bill!

10. Needless to say, business signs are a no-no for any home business. The reasons are so obvious that we need not dwell on the matter. You, also, want to avoid vehicular signs such as magnetic placards on the doors or sides of any vehicle left parked outside. We don't want customers coming to our home and a sign serves no practical reason. This and the next three maxims are all related.

11. You should keep your neighbor's knowledge of what you're doing to a minimum. This could prove to be one of the harder maxims to follow, depending on your particular situation. It seems that the better the neighborhood the more people respect the other guy's privacy — after all isn't that why we all moved to this snooty neighborhood for in the first place?

The opposite extreme could happen. Your neighbor might become part of your operation. Let's take this example: You're producing and selling via mail order several sets of plans for home workshop projects. It turns out your neighbor is a hobby printer who has a small offset printing press in his garage. He wants to make a few bucks on the side and agrees to take care of all your printing needs at a price much less than a commercial shop would charge. A utopian dream that only could happen in your imagination!

One more thought on neighbors. Today you might be the best of friends and you feel you could trust them with everything you have. That's today — what about tomorrow after your kid and his have had a knock down drag'em out fight? What about tomorrow after he discovers you have built your new garage 6 inches on to his property? Nothing is forever — be forewarned.

12. Business vehicles are almost as much potential trouble as signs. Most residential zoning frowns upon a plumber, electrician, etc. parking work vehicles in front of their home. Technically, unhooking a tool belt at

home is a no-no. This is commercial equipment and must be kept in a commercial establishment, not a residence.

13. We have already talked about customers coming to your home. There may be exceptions such as child care, sewing etc. where there may be a limited amount of customer traffic and this will have to be dealt with on an individual basis.

14. I could write a separate book about employees. In fact, I probably could do an encyclopedia on the subject, having been both an employee and an employer I see the matter from both directions.

Today, there's a ton of state and federal laws and regulations, all concerning employee's rights with little concerning the employer! Huge corporations can absorb this into their structure and pass the cost on to the consumer. However, the small business can get eaten alive by the same.

Since we're addressing home businesses, I feel that any employee is definitely a no-no. There's so many reasons that I'm not even going to dwell on the matter other than to re-emphasize — **DON'T HAVE ANY!!!**

15. It is surprising how many businesses operate with only UPS service. Naturally, a home business shouldn't have daily pickup by any such service as: UPS, Fed-X, Airborne, etc. An occasional delivery from any of these is normal for most neighborhoods.

Eighteen wheelers are a different matter. Sure, Mayflower Van Lines may be seen and accepted, but regular traffic by semi-trucks can definitely create a problem. You probably won't have much occasion to deal with them unless you order a larger piece of business type equipment that demands truck delivery. Such deliveries probably require a fork lift for unloading, we need an alternate solution.

Most cities of any size have truck terminals. You could request the item be delivered to their dock, where you can arrange to pick it up with your own pickup, van or trailer. Don't forget U-Haul and Ryder. If you are friendly with a local lumber yard you can have it delivered there for you to pick up. Such places have fork lifts and can even get it under a roof if weather is a factor. I have resorted to this solution several times.

16. Since this guide is about "home" businesses, the subject of renting business property shouldn't even be considered. However, your home or apartment may be so small that there's not enough room to store the stock of merchandise or supplies you need to have. In this case consider a "U-Lock-It" storage space. These are usually found in most towns. You might even consider packaging or shipping from such a location. Check with the management first to see if they object to your being there daily.

It might be best to visit your space every week or so to replenish your stock at home. Before spending money for such storage it might be wise to check your situation thoroughly. You may find some available closet space or other areas of your living quarters that's not being used efficiently. It can surprise you what can be done in a small space if you're not a pack rat like me!

YOU MUST DO

- 1.** Thoroughly investigate and study the field you plan to enter. Don't get in a hurry. Be able to alter your plans immediately, if necessary.
- 2.** Choose the right business name.
- 3.** Get a Post Office box.
- 4.** Get a business banking account.
- 5.** Transfer your "start up" money from your savings, etc. to your business account.

6. Only start a cottage industry when it isn't necessary.

**Now lets examine our “do” list
a bit closer.**

1. You don't usually start on a trip to areas where you're not familiar without studying a road map. If you know someone who has made this journey, you'll most likely ask their advise before you start your trip. Starting a successful business is no different. You have decided on the direction you think you want to go. You must decide on the best route to take. You should, also, have a plan B and perhaps C should something unexpected happen to plan A.

All formal business training stresses having a business plan. If you ever have to interface with a lending institution (a NO-NO) they want to see your “business plan.” The most popular plan is the 5 year plan!

My own feeling is this is all B.S. Remember, business colleges are usually staffed by people who absolutely couldn't make it in the real, dog-eat-dog world of business. You have probably heard the saying: “If you can't succeed at something, at least you can get a job teaching it!”

From my own experience, I knew the overall direction I thought I wanted to move with my business. But at no time could I ever have worked out a “5 year plan” that would have even come close to matching reality. Why? Because something can (and usually does) happen in the near future that you have no way of knowing today. You must train your senses to recognize these opportunities and be able to act swiftly. This is the beauty of a small business. You can operate in a split second if necessary while the giant corporation would have to have 6 months worth of “meetings' before deciding.

For a more practical approach, let's say you are into wood working, have a well equipped

“hobby” type workshop and want to start making things to sell at shows, fairs, flea markets, etc. Before you start making saw dust, spend some time just browsing all the areas where you might consider selling your product. See what the “competition” is doing. More correctly, observe what the successful dealers are selling. Be a copy cat. Don't try to invent something new and, yet, unheard of. Go with a line that is proving to sell to this particular market. Note the prices, quality, etc. Learn as much as possible before starting.

Once you have a good idea of the general direction you want to go, then proceed slowly and as economically as possible. However, as I mentioned a few paragraphs back, always be alert for something new or different.

2. You've got to call yourself something. Sometimes a business name seems to appear in your mind as if by magic. Other times it is quite a chore. In any case, this name will become more permanent the more you use it, so it is wise to choose carefully.

Study existing business names. You will note that some are simply a last name. Ford, for example. Others will be a group of letters such as IBM. Some will have a name totally unrelated to the founder. Macintosh, the name of one of my computers, is a spin off from Apple. I can't, off the top of my head, tell you who the founder was.

A name can relate to the product in a positive manner. Let's say you want to make and sell wooden toys. You could call yourself “Grandpa's Playthings” for example. Everyone knows we grandpas like to make things for the grand kids!

Keep your business name as short as practical. A good way to test it is practice saying it as if you were answering the phone. What sounds good probably is. Make sure you don't pick a name someone else is already

using. Using your first or last name as part of the business name might help isolate you from others. How about “Tom's Toys for Tots.” Don't use “Toys-R-Us!”

Avoid words such as “Enterprises” and “Associates.” They sound hokey and indicate a non-professional business. Ah, I know, I have used both in previous businesses and, looking back, it was a bad choice!

Pick a name that will be fitting if your business should expand. If all you ever want to do is make and sell bird houses, then a name like “Jim's Bird Cottages” might be appropriate. However, what if later you want to make and sell front yard gates? Then your business name might seem a bit strange. Plan ahead!

Will you ever consider, after building a successful business, selling it? What if the new owner is named Jim? If it is well established then he can continue running Jim's Bird Cottages. When I buy the Ford Motor Co., I have no plans of changing it to the Moore Motor Co. Something to think about!

3. Now armed with your new business name, you are ready to get a Post Office box. It may seem like a waste of money to you at this time. But you'll need it for the next step - opening your business bank account.

The Post Office will give you a form to fill out. On it you list your business name and add the regular names of your household who may get mail there. Don't waste money on a real large box. Just big enough so a magazine won't get too wadded up. Should you get anything too large to fit your box, you will get a notice to call at the window for delivery. Since you're doing this before opening a bank account, simply pay cash, keep the receipt and reimburse yourself later. Remember, this is one of your first tax deductions!!

4. Banks can be as different as day and night, depending on where you live. The best situa-

tion in my estimation is the small, country bank. These banks may have their roots in farming but the wiser ones are starting to cater more to the urban customer.

The smaller bank is more personable. This has a lot of advantages, for example, if you later want to accept credit cards. It may be easier to get a merchant credit card setup if you are a known quantity. Only get such an account through your bank. Avoid any of the various “plans” you'll be hit with after your name is on a few lists. Most sound good at first, but a closer examination reveals a real money sink. Being able to accept credit cards has an advantage. However, it's possible to do business without them, especially when starting out.

Get the simplest, most inexpensive merchant account the bank has. For a check book, I highly recommend a binder type with a spread sheet stub arrangement. These are a bit more expensive, but will allow you to do your entire bookkeeping in your checkbook. Never co-mingle business and personal money. Sure you own all the beans — you just keep them in two jars.

Remember, in all facets of your small business to apply the K.I.S.S. principal. If you're not familiar, this stands for Keep It Simple, Stupid!

5. Actually you will be doing this step when you do the previous one. Part of the ritual of opening a bank account is depositing some money. How much you have in your “nest egg” is up to you. It may seem strange to you, but I don't recommend over \$500.00 to start. I don't care if you have \$10,000 all saved up for this venture, only transfer it over after you have my written permission. (only kidding)

Keep yourself lean and mean! You don't need every fancy gadget that comes along. (boy did my wife laugh when she read this) I

love gadgets, bells, lights, whistles. I never met a piece of printing equipment I didn't like.

6. Too many people have wanted to start a small business, but never have the motivation to do so until they are laid off. Then, out of desperation, they grab at every “get-rich-quick” scheme they find in the classifieds. What survival money they have to live on until the next job or until they get called back is squandered trying to strike the mother lode.

The perfect time to start your cottage industry is while you are gainfully employed, even working overtime! The longer you can keep your business growing without having to pull any money out for yourself, the better. In fact, you may desire a business only to supplement your income, not replace.

With a successful secondary income, a lay-off isn't going to be the disaster it could have been. It may be a blessing in disguise in that you now have some time to really stoke the fire and your business may take off to the point you can go full time at it. I did. It can be done.

Financing Your cottage Industry

I bluntly stated in Moore's Maxims never to borrow money — from anyone! I want to re-emphasize that statement. I know of several examples of where someone with a “sure fire” idea convinced a relative or friend to dip into their savings and help finance this plan to make them all rich.

When these windbags had quickly spent all the capital on the most unnecessary things, not only didn't the relative get repaid, but got totally shunned by the one they had befriended.

If you would ask any of these individuals why their business failed, I'm sure they

would tell you that they were under-financed! Very few businesses fail simply because they don't have enough capital. Most business failures occur with more than enough funding available.

I once heard about a banker who dealt with small business loans. He discussed the criteria of an applicant that would impress him enough to venture some of the bank's money. He cited a couple of perfect examples:

The first one was a mechanical engineer in his early 30's. He was employed by a large firm for a good salary. He made enough to live in a nice home in an upgrade neighborhood, have his and her automobiles and belong to the country club. Their two children went to a private school.

He invented a product for which the world was waiting, he was sure. His employer wasn't interested and released him to patent it himself. He had obtained a patent by depleting his savings account and loading up his credit cards. He now owned an impressive piece of paper. He even framed his patent for a wall hanging!

His business plan needed \$200,000 to get his product into production. Being an engineer, his design was ok, but a bit over complicated for economical production. He didn't yet have a prototype and marketing was a foreign field to him. Over half of the money requested would be spent for salaries for himself and a couple of employees, both friends of his! He desired to maintain the same standard of living.

To make a long story short, he was politely turned down for a loan. The banker later learned that this guy had convinced his retired parents to put the bulk of their retirement savings into his business. He did start producing the product and proceeded to try to develop a market for it. He overlooked some smaller outlets that were interested

and went after an overseas market where he didn't even speak the language! After he made several costly overseas trips it became apparent to everyone but him that the potential buyer was merely picking his brains while developing their own and better product. The big difference — they had an established market!

By the time he wised up, his little company was bankrupt and, like the Titanic, some innocent people went down with him.

The second story he told me was about another situation where a man wanted to borrow just enough to finance a \$20,000 piece of equipment to do an operation he just couldn't get done, correctly and cheaply, locally. He already had the product in production and was selling them himself through direct marketing and a couple of small wholesale accounts. He was still holding onto his old job, although he estimated that within a year, with all going well, he would have to go full time. His wife was working to help get them going. His lifestyle revealed that he had already tightened the belt and had eliminated as much overhead as possible.

The bank financed the machine for him and would have loaned him even more had he asked for it. This guy made good and a few years later was running several million dollars a year through this same bank.

OK, you say — I'm convinced not to borrow money from anyone, but how am I going to get enough money to start a cottage industry? There's a term related to gambling and it is "parlay." It means simply leaving your winnings on the table. Of course, in gambling you either win a bigger stake or lose it all.

The nice feature of starting a small home business on a part time basis is you don't

have to depend on it's income to live. In such a position, you can let all the profits, small as they may be, remain in the business. You'll be surprised how soon the "kitty" will grow.

Another important feature of starting with little invested and letting it "parlay" is it teaches you self-discipline in managing money. You learn to get by with what you have. You learn how to improvise. You learn how to scrounge dumpsters, carport sales, auctions, etc. for items you can fashion into something for your "industry."

Some Additional Reading Material

I'm going to give you a list of reference books. If you read and digest the contents of these books, I'll guarantee that you will be better equipped to "swim with the sharks" than any MBA graduate! The total you'll spend will be less than what you would spend for a semester's tuition at a Jr. College for a few hours of some of the useless drivel they call education!. Look for these at Amazon.com or Barnes & Noble. If unavailable, check your library and used book stores for copies. Avoid all books that have the words "How To Get Rich" in the title!!!

1. The Incredible Secret Money Machine II by Don Lancaster (An absolute must reading!)
2. The Peter Principle by Laurence J. Peter. How people rise to their level of incompetence in all social structures.
3. The Holy Bible (The only book you need for business ethics and dealing with money)