

Working From Home: Putting Your Plan into Action

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Working From Home: Putting Your Plan into Action

Before You Do Anything: Try It Out

So you know, roughly, what you want your home business to be. Before you go any further and start investing, though, you need to try it out. Here's how.

Build a Prototype

If you plan to sell physical things, or you're going to do something like starting a website or making software, then you should build a prototype to see how your idea will work out. A prototype is a version of your product that is built quickly by you alone, and serves to show that your idea is feasible in the real world. If it would be too expensive to build the whole thing, then just building the new part that differentiates you from your competitors is good enough.

Show your prototype to a few people, to see what they think. Are they excited? Would they use it?

Get a Few Customers

If your product is relatively low-value, or you're providing a service, then it shouldn't be too much trouble to get a few customers and do a few dry runs. Do them a generous discount (you could even do it for free), to make sure that everything runs smoothly and the customers are satisfied at the end of it.

For example, let's say you plan to be a landscape gardener from home. You could borrow the tools, and volunteer to do a garden for some kind of charity project – this is good, since it means that you're doing something nice for charity, but they're not paying for perfection, so it's not that bad if small things go wrong. You should then go through all the motions as you would once your business is established, and see what comes out at the other end.

Here's another one. Let's say you're an Italian living outside Italy, and you plan to start a home business cooking pasta in your kitchen and delivering it to customers (you'd be surprised how many home businesses there are in the catering industry). You could make a rough draft of a leaflet (with discounted prices) and deliver it to a small number of homes in the area, until you get a little response. You could then see if it really is feasible to make and deliver these things, and whether there would be any profit in it.

The best dry-runs, though, are the ones where you can get one client at full price. This generally happens in the kind of industry where most transactions are business-to-business, and go through a bidding process. If you're doing something like freelance writing or artwork, this can let you take on one 'job' without being committed to any more afterwards. If you find it's not for you, at least you haven't lost too much – and if you love it, then you're getting valuable experience before you try to take it full-time.

When you try your business out, make sure to do some kind of survey – you could hand it to the customer, include it with your delivery, or even phone up and say that you're just calling to make sure everything is alright. Following up this way isn't just good for you, it's also good customer service.

Don't Rely on Scale

One of the most common things I hear when I tell people to try out their home business ideas is that a small-scale trial wouldn't do the idea justice, since they 'plan to make money on scale'.

Never, ever rely solely on scale. You think that supplies will get magically cheaper if you're doing ten orders a day instead of one? Guess again. You think you're going to save time by doing lots of orders at once? You might save some, but not as much as you might think. When you're trying to see whether your business is viable, you should always err on the conservative side – the thinner your margins are, the easier it is for something unexpected to happen and destroy them altogether.

You're cheating yourself if you don't try out your business before you start it – you'll be throwing yourself in at the deep end, and there won't be a lifeguard. Trying it out gives you the opportunity to make your beginner mistakes (there will be a few, I guarantee it), and to build confidence in yourself and your business without taking pointlessly large amounts of risk.

Planning For Every Expense

Making a budget for a home business start-up is more of an art than it is a science. No matter how exactly you think you've pinned down all your expenses, it's guaranteed that more will appear that you either didn't think of or just couldn't have predicted. That's why you need to make sure that you always plan for every possible expense.

Things Break

Remember that any equipment you buy can go wrong, no matter how expensive or high-quality it was (this is especially true of anything IT-related!) When things break, you probably won't need to buy a new one, but you'll at least have to wait for the manufacturer to replace what broke. This can lead to days of lost or less-efficient business, and cost you money. Budget for equipment failures.

People are Unpredictable

When you hire staff, you have no way of knowing that they aren't going to let you down. You might have worked out that it takes \$200 to train one new staff member, but what do you do when that newly-trained staff member quits and moves to France after three weeks at the job? You've got no choice but to train someone else and take the loss. Budget for staff turnover.

The World is Against You

Or at least it can sometimes feel that way. Just when you've got everything perfect, someone sets up a little construction site next door, and drives your business away. Or maybe it rains for a few weeks, meaning that there's just no demand for your bouncy castle hire business. Whatever, you need to budget for times when you've got no customers – and make sure you have something else to be getting on with in the meantime.

Customers are Out to Get You

'The customer is always right', right? Well, yes, but their 'rightness' can sure cost you a lot of money. You have to be prepared to take huge losses to pay off complaining customers. Remember that one unhappy customer can undo hundreds of dollars worth of marketing efforts – once you make a customer unhappy, your options are to take a loss fixing the situation or to take an even bigger loss when they tell everyone how you didn't. The only way to avoid this expense is to please all of the people all of the time, which just isn't possible. Budget for unhappy customers.

Competitors Kick You When You're Down

If one of your competitors spots a good opportunity to take some business from you, they won't hesitate. You need to have a 'war chest' ready to make aggressive offers and marketing efforts, and be prepared to get into a full-scale price and advertising war with the competition. It's massively frustrating to be in a position where your rivals are getting all your business simply because you already used up your marketing money for this month. Budget for war.

Double Your Budget

Whatever happens, remember that under-budgeting is the worst mistake you can make. It's known as 'under-capitalization', and is generally thought of as one of the quickest ways to kill a business – anyone who might be willing to give you finance will just think you're a fool if you've under-capitalized your business, and might even refuse to lend to you.

Most home businesses budget only a few thousand dollars for their expenses (if they even make a budget), thinking that they already have everything they need. People don't realise how quickly little costs like having some business cards made or getting your suit dry-cleaned start to add up. This doesn't apply for other kinds of business, but if you're like 99% of home business starters, you really ought to double your budget. If you doubt me, start adding up all your 'little' expenses over a year, and see what happens.

Budgeting for every expense in your initial plans shows that you're not the kind of person who thinks that everything's going to go right for them just because they're so great – instead, you're a practical businessperson who knows that anything that could go wrong probably will, and you plan to make a profit anyway. There is a difference, after all, between arrogance and cool-headed determination, and it's one that the people with the money want to see.

The Top 5 First-Year Mistakes

Even once you've got past the starting-up stage, there are still plenty mistakes to be made, and most of them are going to be made in your make-or-break year -- the first one. Here are the top five things to avoid.

Waiting for Customers to Come to You

Too many people wait for their customers to phone, or come to the door, or whatever. They get one or two customers through luck, but nothing like enough to even begin paying their costs. These people sit around, looking at their competitors doing lots of business, and wonder what they're doing wrong.

You can't be like this. You have to go out there and actively try to find customers. Talk to people, call them, meet with them -- whatever you do, don't just sit there!

Spending Too Much on Advertising

So everyone tells you that the only way to get ahead in business is to advertise. Well, that's true, but you need to make sure that you stick to inexpensive advertising methods when you're starting out. Spending hundreds of dollars for an ad in the local newspaper might turn out to get you very few new customers, and you will have spent your entire advertising budget on it.

Make your money go further with leaflets, direct mail or email -- these are easily targetable campaign methods with high response rates and low costs. Remember that it is always better to spend money on an offer than on an ad, and always better to spend money on an ad than on a delivery method.

Being Too Nice

When you're running your own business, it can be tempting to be everyone's friend, giving discounts at the drop of a hat and making sure that you don't hassle or inconvenience anyone. That's all well and good, until you find that your Good Samaritan act has just halved your profit margin without lowering the cost to the customer by very much at all.

Sometimes, you need to realise that you've got to be harsh to make a profit. Give people discounts to encourage them to buy or to come back, not because you like them or feel sorry for them. Don't be afraid to be ruthless in your pursuit of home business success. Nice guys don't finish last, but they are running in a different race -- one with much less prize money. If that doesn't bother you, of course, then feel free to go for it.

Not Using the Phone

You'd be surprised just how common phone fears are -- if you're scared of the phone, you're not alone by any means. Many people are terrified of making phone calls, and avoid them wherever possible. I have seen more than one home business owner reduced to tears on the phone and trying desperately to hide it from the customer.

You need to try your best to overcome your fears, as talking to customers on the phone is almost as good as meeting them for real. Letters and emails are useless by comparison. The best way to overcome phone fears varies from person to person, but it can often be as simple as making the phone fun, by calling friends and relatives often for a while and getting used to it. Alternatively, try working in telemarketing for a while -- if that doesn't make normal phone use look like a walk in the park by comparison, then nothing will.

Hiring Professionals for Everything

It can be tempting to think that, since you're starting out, you should just find a company or person to do every little thing you need. People seem to especially overspend on design services.

You might think it'd be great to have fancy graphics all over your website, but would it really increase sales? If I saw it, it would put me right off. Likewise, a slick brochure often fails to say anything more than 'I'm going to charge you a premium to pay for my expensive brochures'. Don't hire someone unless you can demonstrate that the service they're going to provide will increase your profits by more than the amount you're spending -- if you're not sure, try it yourself first, and you can always upgrade it later.

A Guide to Advertising in the Media

The media is a powerful thing -- the average person spends an enormous amount of their life consuming it in one form or another, and will spend a significant percentage of that time looking at, listening to or watching advertisements. If you want to use the power of the media, though, you need to know what you're doing.

Advertising in Newspapers and Magazines.

There are two kinds of advertising you can get in newspapers and magazines: classified and display. Classifieds are the small ads towards the back of the publication, while display ads can be almost any size, from a small corner of a page to a massive double-page spread.

If there's a publication you're interested in advertising in, either go to its website (the rate card section) or call its advertising department to find out the rates it charges. Now pick your jaw up off the floor. Yes, advertising in the print media really is that expensive, and for most home businesses it probably just won't be that economical.

There is, however, an exception: niche and trade magazines. If you've ever looked around in a newsagent, you will have seen just how many magazines there are out there, filling every conceivable gap in the market. You need to find the magazine that people who are interested in your services might read. For example, if you're a wedding photographer, look for a magazine called 'Your Wedding', 'Bride', or something similar. Advertising in these magazines will be far cheaper than placing an ad in a general-audience publication, and far more likely to actually get some responses.

Advertising on the Radio

Wherever you are, the chances are that there's a local radio station. Once your home business grows to a decent size, you might consider buying some time on it.

Really, though, the only kind of home business that can benefit enough from radio ads to justify the cost is one that does anything to do with cars. Since radio is almost entirely limited to use as in-car entertainment now, you know that almost everyone your ad reaches will be a car-owner, and so might be interested in what you're offering. If you offer something that people need cheaply or even for free, you can get a big response.

Unfortunately, that response could be a little too big -- thanks to the time-sensitivity of radio, you'll get mobbed the next day, and then everyone will forget you again. Radio advertising offers the listener no opportunity to keep your ad and refer to it later, or to find it again in the future. You will find that any ads involving a phone number are spectacularly useless.

Advertising on the Television

Unless your business is getting pretty big, this would be quite a bad idea. You'd have trouble producing and airing an ad even on local cable channels for less than \$10,000. Of course, if there's a market for your product and you've got the budget for this, you could take a gamble and make a mint.

The home businesses that tend to do best out of TV ads are ones that have a 'unique and useful invention' product with easy-to-demonstrate benefits -- think infomercial. Research shows that you can sell almost anything given a 60-second ad, a free phone number and a price point of \$19.95.

Advertising on Billboards

Here's one that gets overlooked pretty often, but can be very effective if you do it right. Billboard ads are relatively expensive, but they do generally stay up for a long time, and they can be very specifically targeted to an area -- the one where they're physically located.

You'll have the best results with this if you can put one near enough to your business that it could say 'turn left at the next junction', or something like that. Phone numbers are, again, pretty useless, although you could have some luck putting a website address up there.

Advertising at the Movies

Finally, here's one that often gets overlooked. If you turn up to the cinema early, you might have seen that before the big-budget ads, ads for local businesses are run. This can be a great place to advertise relatively inexpensively in quite a high-profile way, and it works especially well for takeaway food businesses.

Guerrilla Marketing: A Cheaper Alternative

So you've spent an enormous amount on advertising in the media and got very little response -- or maybe you were scared enough by the prices that you never put the ads there to begin with. You're annoyed at how expensive it is to get even the simplest and smallest ad in front of anyone, and how useless the whole thing seems to be.

That's because media advertising, in the main, isn't designed to cater to home businesses. No, if you want to get ahead as a home business, you're going to have to do the advertising yourself.

What is Guerrilla Marketing?

Guerrilla marketing is a way of advertising when you have an almost non-existent budget. Instead of thinking of your business as a smaller version of a big one, you have to realise the situation you're in, and behave accordingly to maximise your profits while minimising your marketing costs. Essentially, you're going to try to do anything to get publicity.

Telemarketing

Don't worry, I'm not talking about telemarketing of the nasty call centre variety here. It's B2B (business-to-business) telemarketing you want to be doing -- basically, phoning up local businesses and making yourself known. You'll be surprised at just how effective this can be, since businesses tend to appreciate the effort you've made to contact them and offer your services far more than a customer does if a business phones them at home.

Direct Mail

It shouldn't be too difficult to get hold of a mailing list that covers your whole area -- ask your local post office if you're unsure, as they'll often be able to help with bulk mail campaigns. Alternatively, if you don't even want to pay for delivery, you could hire a few local teenagers to go round putting your letters in people's mailboxes. This will work best if you keep your message to one small page or even just a business card, so that people will keep it if they're interested and call you in their own time.

Outdoor Leafleting

Another effective guerrilla marketing technique, at least for some kinds of business, is to hang around outside giving out leaflets to passers-by. This gives you an opportunity to 'meet and greet' people, and lets you do some free targeted advertising by choosing your location carefully.

If you do odd jobs in people's houses, for example, you could stand outside the DIY store, handing out leaflets that say 'Why Do It Yourself? I'll assemble and install everything you buy today for only \$50!' If you custom build and sell your own computers, you could stand outside a big-box computer store with this leaflet: 'Get your computer tailor-made, for half the price of [big store]'. You get the idea.

Free Gifts

You'd be surprised just how effective it can be to stand around handing out free gifts. If you do something that relates to children, then hand out balloons to them in the mall. You'll make some kids' days, and your name and perhaps website address will be written there on the balloon for all to see. Free pens are a very effective thing to give away if you provide a more serious business service -- people are always short of pens, so they'll keep your pen in their bag and be reminded of your business each time they use it. Even better, the cost of getting thousands of balloons or pens printed with whatever you want is almost nil.

Attack the Competitor.

Nasty as it might sound, hardcore guerrilla marketers regard their competitor as their sworn enemy, and will do anything to bring them down so that they can replace them in the marketplace. A little disturbingly, this can be quite simple to do -- fake a few letters complaining about a business to a local newspaper, and you might find that they follow through and do a feature on it without even checking the story out.

In the end, with guerrilla marketing, there are endless ideas -- it's all about being inventive, and having the guts (and the patience) to try them out. When you get your first customer without buying a single media ad, it'll all be worth it.

Putting It in Writing: Contracts for Customers

When you're dealing with customers, sometimes things can go wrong. It might be your fault, it might be their fault or it might be no-one's fault -- but if you didn't make a contract, then you'll all suffer.

Why Do I Need Contracts?

A contract gives you a sound legal base for your business, and some guarantee that you're going to get paid for your work without you having to ask the customer for payment in advance. In the event of a dispute, the contract lays down what the agreement was so that you can point to it and say what was agreed. If you ever end up having to go to court (let's hope you won't), the contract is what the judge's decision will be based on.

Without a contract, you leave yourself vulnerable and open to exploitation. Someone could claim that the terms they agreed with you were different to what you say they were, or that they never signed up for anything at all and so they won't pay.

It's especially common to see big businesses mistreat small ones, thinking that they won't have the knowledge or the money to do anything about it. Essentially, contracts take away your customers' ability to hold non-payment over your head, and give you the ability to hold it over theirs instead.

Written and Verbal Contracts

It is important to point out the distinction in the law between a verbal (spoken) contract and a proper, written one. A verbal contract is binding in theory, but in practice can be very hard to prove. A written contract, on the other hand, is rock-solid proof of what you're saying.

You might think that you're never going to get into a dispute with your customers, but it's all too common to find yourself in a little disagreement. They will often want to get you to do some 'small' amount of extra work to finish the job or make it better, not realising that doing so would completely obliterate your profit margin.

For this reason, you should be very wary of doing anything with nothing but a verbal contract. On the other hand, if you were incautious or too trusting and only got a verbal contract, it could still go some way towards helping you, especially if there were witnesses.

Won't It Be Expensive?

Written contracts don't necessarily need to be formal contracts, which are drawn up by a lawyer with 'contract' written at the top and signed by both parties. These kinds of contracts are the most effective, but can be expensive to have produced, not to mention intimidating to customers.

The most common kind of written contract, oddly enough, is a simple letter. If you send a customer a letter (or, indeed, an email) laying out your agreement before you start work, and they write back to agree to it, that is enough to qualify as a written contract, with most of the protections it affords.

If you are doing high-value work for some clients, though, it could be worth the time and trouble of having your lawyer write a formal contract, or at least of doing it yourself and getting a lawyer to look it over. Formal contracts will give you more protection if the worst happens, and there's nothing to stop you from making it a one-off expense only by re-using the same contract for multiple customers.

Contracts for Small Purchases: the Terms and Conditions

Obviously it would be silly to expect everyone who buys some \$10 thing from you to sign a contract, or write back indicating their agreement to your terms. In this situation, you should have a statement of the 'terms and conditions' that your customer is agreeing to by buying from you, and they should have to tick some kind of box indicating their agreement before you send anything.

Luckily, it isn't usually so necessary to be paranoid about contract law with small purchases anyway, since customers will be paying you first and receiving the goods or services afterwards, not the other way around. If you plan to offer any kind of payment plan or other long-term agreement, of course, this should always be backed up with a signed contract.

Keeping Customers Loyal

It's a well-known fact that it costs many times more to acquire a new customer than to keep doing business with your existing ones. For this reason, the best way to become profitable is to have loyal customers who keep coming back again and again. It's all about relationship building. So what can you do?

Customers Aren't as Loyal as They Used to Be

It used to be that customers would find one service that met their needs and stay with it for absolutely years. Now, though, customers are fickle, and can all-too-easily be tempted away by a competitor's offer if they feel that it sounds cheaper or better than yours. So-called 'loyalty management' has become more of a science than it ever used to be, and it's one that you need to make use of if you don't want to be constantly failing to retain your customers.

Offer Discounts for Repeat Business

You will see some businesses who give people a 'first-time' discount, as a hook to get people to try their services. This is entirely the wrong way to do it. What you should be trying to do is reward loyalty by giving people a discount each time they use your services. Over time, this makes it so that moving to the competition looks like a ridiculous proposition for them -- why would they when they get a 20% discount from you every time?

Keep Mailing Lists

You should have at least two mailing lists: one for your prospects (people who might buy from you), and one for your customers (people who have bought from you). You should lavish attention on both lists, but especially on the existing customer one -- and really lay it on thick for anyone who's bought from you more than once.

You need to be in contact with your regular customers as much as you can, always understanding their needs and when they might need you again. Don't worry about this costing masses in direct mail, as you can always do it by email. The secret is this: contact, contact, contact. Send your regulars Christmas cards, invite them to meet with you for lunch -- anything you can think of. A good tip is to always use the techniques that your competitors are neglecting.

If your service is one that the customer will need at regular intervals or a certain time of year, make sure you keep track of this in your customer database and send something out then. There's nothing worse than losing out on a customer's business just because they didn't have your phone number to hand and had a little extra time to see an offer from a competitor.

Another good thing to send to your mailing list is a newsletter, either by email or post. Take a few hours each month to write something with useful information about your industry that your customers are likely to keep and find useful, and put your logo on the top so that they can be reminded of you when they see it. As a bonus, you can keep this material archived on your website too, so it can be found by people searching for related words in search engines.

Be Crazy About Feedback

You need to phone up as many customers as you can to get their feedback after they deal with you. Make sure they were satisfied with what you provided, offer to fix anything that they're not happy with, and ask them if they can think of any way you could improve. Customers will appreciate this -- and they'll like it even more if you actually implement their suggestions.

Provide a Personal Service

Go the extra mile to make your customer feel like they're your friend, and not just a tracking number in your database. Tailor everything you do to their needs, and make everything easy for them -- don't leave them to do legwork that you could be doing. After all, they're the customer.

Finally, cheesy as it might sound, customers really appreciate a little thank you note when you've received their payment. For an extra personal touch, you could handwrite it.

When Customers Complain

You probably won't have been in business too long before you get your first complaint. It just can't help but happen: low-end customers pay nothing and expect the Earth, while high-end ones pay a lot but expect an inhuman effort in return. You just can't please all of the people all of the time, even if you run yourself ragged trying -- there will always be someone who's not happy with what you've done. So what can you do about it?

Don't Be Rude or Dismissive

The customer's complaint might seem stupid to you, or even insulting -- but that doesn't mean that you can respond in kind. You must treat every customer complaint seriously, and always act as if it is 100% your fault that things weren't to their satisfaction.

Remember that every unhappy customer will talk about their experience to your potential customers (research varies, but some say that they might tell as many as 20). Those potential customers won't get to hear your side of the story. Going the extra mile to keep unreasonable customers happy is, above all else, a defensive technique to prevent them from damaging your business. Don't be scared of complaints: you should, instead, be actively soliciting them, to give you a chance to put things right before they tell anyone.

Write a Letter of Apology

People will really appreciate the effort you've gone to if you take the time to write them a formal letter of apology, and say that you're sorry things weren't to their satisfaction and you appreciate them taking the time to tell you so that you can improve. For example:

'Dear Sir,

It has come to my attention that you weren't happy with the service you received from my company in respect of the delivery of items to your home. We have now contacted our delivery service and fixed the issue, although I understand that this came too late to avoid inconveniencing you.

I would like to sincerely apologize to you for the bad experience you have had with my company, and hope that this will not harm our chances of doing business together again in the future.'

Make sure you sign the letter yourself, in pen. People hate seeing letters with printed signatures on.

Offer a Partial Refund

The closing part of your letter should offer a refund of as much as you can afford to give -- in this scenario, for example, where there was a problem with delivery, you should offer to refund the full cost of delivery, plus a little extra to cover the inconvenience.

In this way, you can turn your dissatisfied customers into some of your most satisfied ones. They will tell everyone they know that there was a small problem that wasn't your fault, and they probably complained too harshly, but you handled it courteously and sent them a refund.

Having people know that you respond well to complaints is some of the best word-of-mouth marketing you can get. What's more, that customer you treated well is surprisingly likely to come back and do business with you again -- although, of course, they'll be very annoyed if things don't go well the second time either.

Do Some Complaining Yourself

A large amount of the time, when a customer complains about something, it wasn't caused by you -- it was some kind of problem with your supplier, or someone else you rely on. Of course the customer didn't know this, but you do, and you need to do something about them. Write them a letter of complaint, like the following:

'Dear Sir or Madam,

Due to your service being unavailable this week, I have received the attached customer complaints. I hope you will understand that I am very displeased, and I am currently considering alternative suppliers.'

With this letter, enclose a copy of every customer complaint you got thanks to them. Your supplier will often be eager enough to keep you on as a customer that they will offer some kind of compensation package -- which you can then pass on to your customers, or use to cover the cost of refunds you have already given them.

Managing Risk: the Disaster Plan

A very important factor in any business is how you manage risk – yet it is a factor that is often ignored by home businesses.

You have to realize that any time you start a business, you are taking the risk that the business might fail. What experienced people do is shield themselves from risk at every opportunity, to make sure that they can keep a business going for months on the brink of disaster, and wind it down gracefully if it really has to go under.

You need to have a plan for what you're going to do if your business looks like it's going bankrupt. Are you going to borrow more money, if you can? Sell your car? Raise prices? Get rid of staff? Done right, you should have a good package of 'rescue measures' that really do have a chance of rescuing the business.

Borrowing

If you need to borrow more to keep your business afloat, take great pains to avoid looking desperate. Act like your business is moderately successful but needs more investment, and you're far more likely to succeed in getting more funding.

Bye-Bye Staff

This is a bad idea, but not always a terrible one. In a home business, you presumably only take on staff because you have enough business to cover it, don't you? So it makes perfect sense to get rid of the staff when things start to go wrong and go back to doing it all yourself.

Price Hike

When your business is in trouble, there are few things guaranteed to destroy it faster than a price rise. Just don't do it, however tempting it might be – cut costs instead. If you absolutely must raise prices, do it by scaling back what you get for your money in each of your price ranges, without actually raising the prices.

I know of a struggling bus company that kept its fares the same for years but gradually started to run fewer buses and send them all over town, making journeys take longer. People reacted a little badly to the longer journeys, but it was nowhere near the scandal that there would have been if prices had risen.

Keep Staff Pay Aside

Whatever you do, make sure to keep staff pay separate from the other business finances, and pay it out immediately if the business looks to be heading for trouble with its creditors. It is far better to be paying your staff on the last day than to be giving all that money to the creditors. Leaving staff unpaid will destroy your reputation, not to mention hurting a lot of innocent people.

The 'Closing Down' Sale

If you plan it well, your last day in business might not be so bad. Just make sure everyone knows that you're closing down for real, but still price everything ever-so-slightly above cost. In this way, you can avoid the drastic loss-making 'Everything Must Go!' mentality, and come out of your business the same way as you would if you'd decided to shut it down that day for some other reason.

Selling Your Business On

If you're shrewd about it, you might be able to keep your business going long enough to sell it to someone who could turn it around. There's nothing dishonest about this route – it's the one most big companies take if things start to go wrong. You might even find that one of your competitors is willing to buy, even if only for your established customer base.

It's Up to You

Disaster plans are very personal, and they depend a lot on how much risk you're willing to put on yourself. If you do things the sensible way, then you'll go as far as you can to avoid selling or borrowing against any of your own assets just to keep a business afloat. On the other hand, if you're really determined and a bit of a risk-taker, putting some things of your own at stake might buy you enough time to recover from whatever hit your business.

It's a little like playing poker: are you going to be the guy who walks away and leaves his money on the table, or are you going to throw your car or house keys onto the table and raise the stakes? That's risk management for you.

Going International

At some point in your business' life, you might be contacted by someone in a far-away land who's heard about your business somehow (probably through the Internet). This will be your first encounter with the international market. For many businesses, once you've conquered your local area and done business by post or email with other areas of the country, dipping a toe into international markets seems like the next big step.

Preparing to Export

When you're preparing to export your products, there are quite a few things you need to do. Firstly, make them as light as possible for the purposes of international shipping. Check that you'd be able to get the things you're selling to the place where you plan to sell them without it becoming prohibitively expensive. Next, check if there are any customs requirements -- you might find that either your own country or the target country has laws that will require you to register what you're sending and perhaps pay extra taxes. On the other hand, selling internationally may mean that you don't have to charge your own country's sales tax.

Obviously most of these things don't apply to non-physical products. One thing that you still need to be careful about, though, is currency fluctuations -- how stable is the currency you plan to start trading in? If it has problems, you might want to price products in your own currency instead.

Look for Niches All Over Again

When you're trying to sell things to international customers, you need to make sure that there is a market in each country. Something that is very useful and in-demand in your country might just cause confusion abroad -- or, likewise, something that's only moderately popular where you are might be seen as revolutionary.

If you're not sure, you could talk to a few local businesspeople about how they think your product would be perceived, and they may be able to suggest a suitable target market for you. As always, research is key.

Produce Internationally, Supply Internationally

If you're going to start exporting, you might want to consider importing as well. If you buy in bulk, you can generally get things far cheaper from developing countries, especially the 'Asian Tiger' countries like China, Taiwan, Indonesia and South Korea. Give it a try -- you could be delighted to find that they can make your product for a fraction of what it costs you, and all you have to do is a little quality control.

I understand that this approach is particularly useful for clothing products, which are labour-intensive yet can be produced cheaply and well by these countries. Note that you're unlikely to be exploiting anyone -- the country you're importing from simply has a lower cost of living. To be extra sure, shy away from offers of having things made in developing countries or dictatorships.

Try to Be Culturally Sensitive

When you're dealing with international customers, you need to take their culture into consideration. In some countries everyone knows English, while in others they would be offended if you didn't get your materials translated. For all you know, the name of your product might be a rude word in some language or another, or the marketing might be focusing on benefits that people from some countries are unlikely to respond to.

This is one of the reasons why you're best off selling to countries that you have some experience with. Ideally, you should have the ability to speak the language, as well as having spent some time in the country. Failing that, read as many guides as you can and see if you can meet with people of that nationality socially.

Note that you should be especially careful about dealing with countries where there is some history or possibility of political unrest, as you can lose a lot this way.

You Are Not a Jetsetter.

Finally, remember that it's a bad idea to start flying around the world to pitch your products or meet your customers, especially in the age of the Internet when almost everything can be done from your home. Did you really get into home business to throw away your profits on expensive flights and hotels? Exactly.

Time for a Holiday: But How?

When you've been working long and hard at your home business for a while, you might feel like you've earned yourself a little break. There are home business owners out there who haven't taken a real holiday since they started their business -- including some who started their business as long as five years ago!

After all, how can you ever just desert your business and your customers and go bronze yourself on the beach? How can you avoid being on call 24/7 throughout your holiday? Well, everyone deserves some time to themselves at least once a year, if they want to keep being productive and avoid stress. Here's what to do.

Tell People When You're Going Away.

You can't just disappear when you're running a home business -- you need to let people know long in advance that you're not going to be available, and make sure that they have everything they need to manage without you while you're away. It's best to schedule your holiday not to interfere too much with the business.

However much you might want to have your holiday in the summer, it's important to remember that every business has its quiet months, and you should schedule your holiday in the period where they seem to be.

Change Your Answer phone Message.

A quick and simple way to let people know that you've gone away is to change your answerphone message. This allows you to still hear what people have to say when you get back, and stops them from wondering why you never seem to answer your phone.

A good format for the message is as follows: 'Hi, this is [your name] at [company name]. I'm sorry I'm not in the office right now, but I will be back on [give a date]. If you leave a message, I will be sure to get back to you'.

Set Up an Email Autoresponder.

Similar to an answerphone message, but less commonly used, is the email autoresponder. Again, you don't want people to wonder why their emails are going unanswered, so your best bet is to set up your email program to automatically reply to any email you get with a message saying that you've gone away.

Example: 'Hello, and thank you for your email. This is an autoresponder, as I'm away on holiday until [date]. I have received your email, however, and will respond to it upon my return. I apologise for any inconvenience to you, and I am willing to make an offer of 10% off your next order to make it up to you.' The special offer for people who get the autoresponder is a nice touch -- it makes them feel lucky that they emailed you while you were away, instead of frustrated.

Don't Stay Away Too Long.

Of course, when you go on holiday, you're relying on people being willing to wait for you. That means you can't really take the kids to Disneyworld for two weeks, or spend a month staying with a friend abroad -- it's just too long to be away from your business for.

You should regard a weekend away as ideal (it avoids the whole problem for the most part), and a week as the maximum you can allow yourself. Don't let people make you feel bad about only taking one-week holidays: after all, you could always have more than one each year.

Alternatively: Get Someone to Look after the Business.

If you really want to get away for longer, or it's essential that your customers don't have any break in service, then you could consider getting someone to look after your business. This could be an existing member of staff that you make your 'deputy', to be in charge while you're away, or it could be someone who's related to you and has some experience running a business. You could even hand the business over to a competitor that you're friendly with and share the profits with them, if you think they're trustworthy and they could handle it.

Enjoy your holiday!

Once You're Established: Planning Your Growth

If you've got a profit-making home business on your hands, the next step is growth -- expansion into new markets and new products. But how can you grow when the physical space you have is so restricted?

Outsource More

A typical problem when your business starts to grow is that you find yourself spending a lot of time on all the small administrative tasks your growth creates, leaving you with less time to do all the extra work you're getting.

The answer is to start outsourcing those small, time-consuming tasks, like bookkeeping, invoicing and the rest. Outsourcing lets you concentrate on what you're best at while getting the other things done by professionals. They'll have a system in place that lets them do what you're taking hours over in a matter of minutes -- after all, it's what they do. Don't forget, though, that you need to hold outsourced work to the same standard of quality you hold your own to, since your customers won't be making the distinction.

Create a Growth Plan

Remember that business plan you made when you started it all? Well, growing your business isn't that different to starting a new one: you still need to plan ahead, and know what you're doing. Take out your existing business plan and look at what needs to be brought up to date, what still stands, and what needs to be added.

The most important thing to keep in mind when you turn your business plan into a growth plan is this: don't forget your core focus. Tempting as it can be to diversify into all sorts of areas as a way to grow, you don't have experience in these areas -- try to do more of what you know, and keep new things to a minimum.

Financing Your Growth

While running your business, you might have become frustrated with how much more you could do if you just had a little money to invest. Equity finance is a popular way to raise money to invest in a business. It involves you selling a small share of your company to someone who is interested in investing. They don't have to have any involvement in the running of the business, necessarily -- the only real condition is that you agree to give them a percentage of your profits equal to the percentage of your business that you sold them, known as a dividend.

But Don't Grow Too Fast

One thing that can be fatal for home businesses is trying to grow too fast. Some people have a tendency to let success go to their head, and will borrow tons of money to expand their business at an amazing rate, only to have a breakdown when they realise that they just can't manage a business that large.

Have You Considered Raising Prices?

If you've got more business than you can handle, that's not expansion -- it's overtrading. You might be doing more work than you need to, when you could just raise your prices. Try out a few different levels, and you'll find the one that gets you a manageable amount of business. It's a simple question of supply and demand: you should be earning the same as you were before or more, but doing less work.

Remember that growing your business doesn't necessarily have to mean getting more customers. You can expand your business financially just by selling more to your existing customers, or providing extra 'premium' services on top of the ones you already provide.

Could You Franchise?

This obviously won't apply to every kind of business, but if you've found a successful formula, you could consider franchising it. Franchising is especially common in the food business, where risk-averse people starting new businesses often want to do something that's tried and tested. You can, effectively, sell your business plan, marketing materials and the experience you've gained in business so far to these people.

Even though you should wait a while before you actually do it, it's worth at least considering whether this could be an option for your business, and starting to standardise everything and get it down to a formula and assets that could be sold on.

If It All Goes Right: The Exit Strategy

After a few years, you might find yourself with a successful home business. After a few more, you might find yourself sick of it and ready to retire, only to realise that you have no idea what to do with the business and all the customers who rely on you if you take that course of action. Here's what you need to do to get out of your business without destroying it, and come away with a good nest egg.

Selling Your Business

A business has more value than you might expect. As a rule, businesses are bought and sold for somewhere between one and two years' worth of their profits. If you wonder why, consider that the person buying a business gets not only a proven business model, but also all the marketing materials and other intellectual property (trademarks, copyrights, patents), an existing customer base, and years of built-up goodwill.

Home businesses, however, can be more problematic to sell than other businesses, for the simple reason that they do not come with business premises. You might have the best luck allowing one of your larger competitors to do a 'takeover' of your business, in which they are mostly paying for your name, branding and customers. This can be lucrative for them, as they get to both eliminate a competitor and expand their own business at the same time.

You will need to put some effort in to make your business attractive to potential buyers -- do some analysis on what each element of the business is worth. Show that you have made lots of sales in the past and will make many more in the future. Above all else, buyers are looking at your balance sheet, and the business' potential for growth. They're in this because they want their future earnings to be more than the amount they pay, and if you can demonstrate that they could make that happen quickly then they'll have no reason not to buy.

Getting the Right Price

Don't sell your business to the first person who offers, however good their offer might sound -- you need to get offers on the table from everyone you can think of who might be interested. You may even find that they're quite willing to have a meeting with you as a group, and get into a little bidding war. Alternatively, if you already have staff, you may wish to offer them the option to bid too, providing them with a finance agreement. Before you do anything like this, though, it's good to get your lawyer and your accountant to advise you on the best course of action.

You will do better on the price of your business if you've planned your sale in advance, instead of waiting to the last minute. The people who get the best prices are the ones who take years to sell their business, and are always prepared to walk away from the negotiating table.

Time to Skim

One thing you need to remember when you sell your business is that if there are any shareholders other than yourself, they need to receive their percentage of the business' final sale price. Depending on the terms of the agreement, you may have to buy their part of the business before you can sell it, or give them the option to buy your part before you offer it on the open market.

On top of that, you will also have to pay tax on the sale of your business. Always consider how much an offer is going to be worth to you after tax, not before.

Starting from a Powerful Position

Once you've sold your business, there's one thing left that you can do. With the lump sum you just got from the sale, you're in a great position to start a new business! If the sale didn't include your equipment, then it shouldn't be too hard to get started again -- and this time, you'll have a lot of money to invest. Not only that, but you've proven yourself to be good to lend to, so any finance you need should be far easier to obtain.

Keep building businesses and selling them every few years, and you can quickly get hold of the resources to build something truly great. Good luck!

If It All Goes Wrong: Don't Rush to Bankruptcy

It's a sickening feeling when your debts start to stack up, your marketing strategy is failing, and it doesn't look like you'll ever be profitable. Your family is getting stressed, your business can't pay its bills, and customers are starting to make angry phone calls asking why the things they paid for aren't happening.

At this point, many people feel ready to throw in the towel. I'm here to tell you why you shouldn't be one of those people.

A Proverb

There's an old Chinese proverb I'd like to share with you: the temptation to quit will be greatest just before you are about to succeed. Nowhere is this more true than in home business. You might feel like you're failing over and over again, until you feel like giving up. The paradox, though, is this: you haven't really failed until you've given up.

Never Fear

If you really want to, there will always be ways to raise money for your company. You probably have all sorts of bills for things you don't use, not to mention possessions that could be sold or downgraded. Did you know that the average person has thousands of dollars worth of random stuff just lying around in their home? In other words, you can always find the money if you're really determined and not afraid of losing everything.

The only thing you should really try to protect is your house and some money for basic food -- everything else is expendable. Never forget that the worst thing that can really happen to you is that you'll have to go out and get a job. Would that really be so tragic?

Fear is your enemy in business. You cannot give in to your fear and give up before you've given it your all -- the real reason why so many home and small businesses fail is that their owners chicken out and run away at the first sign of trouble.

The Captain Goes Down with His Ship

When the chips are down, the only thing to do is to stake your personal success on the success of your business. After all, what's the point in bailing out before you have to? You're guaranteed to lose money that way.

Someone once told me that the difference between an average Joe and an entrepreneur is this: the entrepreneur will not give up on a business until his creditors come and take everything he owns. And even then he might try to hide from them and keep things going from his friend's basement.

Don't Tell Customers

It might seem dishonest, but for goodness' sake do not tell any of your customers that things are going wrong because your business is in trouble. They will immediately run a mile, putting your business in a far worse situation than it was before. You must always try to make it look like everything is going just fine -- admitting problems will put the final nail in your business' coffin.

Try a Voluntary Agreement

If your creditors are at the point of knocking on your door, you should try to get a voluntary agreement with them before you even consider declaring bankruptcy. This is when you negotiate your debts down to a lower level using the threat of bankruptcy, and your creditors sign an agreement with you to say that they will leave you alone once you've paid that money.

The Absolute Last Resort

I simply cannot get across to you how much you should not consider bankruptcy as a viable option, ever, until you are absolutely forced into it. Think of it as being like suicide: the absolute last resort. Would you commit suicide because your business was going badly? I hope you answered no -- which means that you shouldn't consider bankruptcy either.

Having had a bankrupt company stays with you for a long time in everything you do: your credit rating, your employment history, and even just in the way you think of yourself day-to-day. It's better to have everything wrestled from your hands than to give it up voluntarily -- otherwise you'll always be tortured by wondering what would have happened if you'd kept going just a little longer.