

# Start a Business, Stay at Home

If you're thinking of starting a home-based business for a little extra cash, you might be surprised. For some farm families, the "pocket money" has become a big source of income.



**F**or Ann Kerley, the greenhouse business started as something to do in the farm's off season. Vicki Dye's business grew from efforts to peddle her own crafts.

Nannette Hornsby's riding stables were a way to shoulder expenses to maintain the family's riding horses. And Mary Ahrends just wanted to hear the ring of laughter again in her childhood home.

What all these folks have in common is a moneymaking business based right in their homes. The best part of being at home, they say, is schedule flexibility, freedom from control by others, potential for financial independence, and no commuting to an off-farm job.

Some drawbacks do exist, though. "There are long hours," says Vicki Dye. She runs J. V. Dye and Associates, a giftware and accessory manufacturers' representative business, from her family's corn and bean farm in Bristow, Iowa.

"You have to deal well with pressure and learn how to separate the business from distractions at home," she says. Discipline is the key, Dye claims, along with goals and a high degree of motivation.

## Getting Started

A network of advisers and a solid business plan are important for entrepreneurial success.

Ann and Jerry Kerley of Crossville, Tenn., say their best advice came from a friend who had been in the greenhouse business for years.

For folks who lack a mentor such as the Kerleys' friend, there are numerous resources available.

"The Small Business Development Center [SBDC] at Iowa State University was most helpful to me," claims Vicki Dye. "They sent a senior accounting student from the university to set up the bookkeeping system that I use today. And they



Nannette Hornsby says profits from the Bar H Stables on her Alabama ranch enable the family to enjoy extras—like vacations—that they couldn't afford otherwise. Photo: Kim Koppel

talked to me about which computer would be best for my business."

Another invaluable adviser is a certified public accountant. "You need a CPA who's on top of the tax laws," Dye says. "If anyone's going to be audited, it's the sole business owner. So you need to have your records straight and available."

A sound business plan is essential for any new venture, especially if you'll be applying for a loan from a

bank or the Small Business Administration (SBA).

Again, SBDC's, generally based at major state universities, can help. Wiley S. Messick, deputy regional administrator with the SBA in Atlanta, says, "They can help with projections, business plans, marketing aids, and break-even points."

The Service Corps of Retired Executives (SCORE) is another group that can provide management assist-



(Right) Vicki Dye of Bristow, Iowa, runs her sales representative business from the office on her family's corn and bean farm.

Photo: Greg Ryan/Sally Beyer

(Right, below) Jerry and Ann Kerley of Tennessee say their greenhouse business grew from a hobby to one-third of their total income within seven years. Photo: Jan Wyatt

(Below) Stan Ahrends operates a cattle and hay farming operation in Mountain City, Tenn., and his wife, Mary, runs a bed and breakfast business in their home. Photo: Gary Clark



ance, suggests Messick. SCORE chapters are located in most major cities.

For people in Tennessee and the Appalachian areas of Alabama, Georgia, Kentucky, Mississippi, North Carolina, and Virginia, the Tennessee Valley Authority can be of help in starting a new business. Gale Trussell, TVA tourism coordinator, says, "We especially try to help folks in the depressed counties, particularly the Appalachian region." Trussell says TVA sponsors guest lecturers and sets up craft cooperatives to aid new businesses.

### What It Costs

Besides failing to do appropriate market research on a product or service, Trussell and Messick concur that the biggest mistake small business owners make is underestimating financial resources.

"They spend all their available money to get into the business and don't save some for the first few months when things are just beginning," says Messick. "You have to have reserve to build volume and to carry you through the first few months."

Some families, such as the Kerleys and Nannette Hornsby's family in Tuskegee, Ala., allowed a hobby to grow into a business. So no startup



cash was needed to begin the business at a specific time.

As a business owner who carefully planned her bed and breakfast venture more than two years ago, Mary Ahrends of Mountain City, Tenn., says a person in her same business would have minimal startup costs. "You could go into business for a few hundred dollars," she says.

Part of Ahrends' initial costs were for brochures, business cards, new linens, and a sign to mark the drive to

Hidden Acres Farm. Other costs included a county business license and a certificate of registration from the state, totaling less than \$50. To learn about necessary licenses and registrations required in your area, Messick suggests checking with your Chamber of Commerce, SCORE group, or your state representative.

Neither the Kerleys, Dyes, Hornsby's, nor the Ahrends borrowed money to begin their businesses. According to SBA's Messick,



most home-based businesses don't require a lot of capital. But for those that need to borrow money, he explains that all small businesses are eligible for loans from the SBA.

"Most of these loans are guaranteed by us 85 to 90%. What the applicant has to do is to convince a bank—by presenting good, sound projections—to submit an application to us," he says.

### Counting Up Overhead

Overhead costs vary with different businesses too. Vicki Dye says that keeping in contact with her 1,000-plus customers and 45 product manufacturers means a monthly phone bill of \$300. In addition, she rents a showroom year round where she takes orders for products from gift retailers. Her monthly overhead totals about \$3,000.

Mary Ahrends' bed and breakfast expenses involve buying yearly business licenses and hiring weekly cleaning help.

Jerry and Ann Kerley include the cost of replacing the plastic covering on the greenhouses every three years, heating, and \$16,000 total in full- and part-time labor.

Feed, fertilizer, farrier and veterinarian services, and barn improvements are totaled for yearly expenses of the Hornsby's Bar H Stables.

Insurance is another factor to consider. The Bar H Stables average 100 customers weekly and offer hayrides, bonfires, campouts, and riding lessons. The riding lessons don't provide much income, but they allow the Hornsby's to receive liability insurance as a riding school.

### Expecting a Return

Three years seems to be a good average for establishing a new business. In five years' time, Vicki Dye has seen her business grow beyond her expectations.

"Never did we dream it would come to mean what it has," she says. "My income takes care of some of the family needs and provides us with extras, which frees up more capital for our farming business."

For the Hornsby's, it took two years to see a profit. Although the riding ranch is still nonessential income, the business makes enough money to provide the family with

extras. "We are adding a room onto our house, and we've taken some vacations," says Nannette. "Both are things we wouldn't have been able to do before."

Jerry and Ann Kerley, graduates of business school in accounting, explain that they did see some profit from Kerley's Greenhouse their first business year. Now it serves as one-third of the family income.

Recordkeeping is essential to monitor the health of the business, the Kerleys claim. "One of the worst mistakes I see people make is that they wait until the end of the year to take a look at their records. Don't wait until April 15 when you do your taxes to see what you've done. By that time, you're probably making plans for next year, and you might decide it's not worth it," advises Jerry.

Ann suggests keeping the records and expenses itemized to determine actual business cost and profit. "I record all expenses separately," she says. "Then the overall net profit is what we make."

How do you know when to quit a failing business? "If it doesn't turn between 25 and 30% of the initial investment within three years, I'd get out of it," Jerry says firmly. "If I put in \$100,000 and it doesn't net \$30,000 by the third year, I'd consider it a bad move and quit."

### Getting Publicity

Local newspapers can be a great cost-free publicity tool. Mary Ahrends simply called the local newspaper and invited a reporter to feature her bed and breakfast operation in a story.

As for paid advertising, most of the business owners mentioned here agree that it is necessary. But they carefully select the type that works best for them. For the Kerleys, classified ads bring in more customers than the more costly business ads. Mary Ahrends is publishing brochures that she hopes to place in every welcome station in Tennessee. The Hornsby's place ads in a nearby university's student newspaper.

Word of mouth shouldn't be overlooked as a major source of publicity. Mary Ahrends says most of her business comes from referral. "Everyone in the county knows me, and they tell people. I've even had business from someone who stopped to fill up with gas at the local station," she recalls. "The service station attendant told him about me."

Although word of mouth can help, it also can hurt if your product or service isn't up to par. "It's the worst and the best thing for you," says Jerry Kerley. "Bad news out-travels good news many times over."

By **DEBORAH G. LOWERY** and **NANCY DORMAN-HICKSON**

### Where To Get Help

#### Small Business Development Centers

They can offer business plans and projections, marketing aids, consultations for bookkeeping, computer setups, managerial and technical training, and the "Potential Entrepreneur Assessment" test. The centers are usually based at major state universities.

#### Small Business Administration

Small business loans and a list of business-help publications are available by contacting your local Small Business Administration office. To identify your closest office, call SBA Answer Desk, 1-800-368-5855.

#### Service Corps of Retired Executives

SCORE offers local and state licensing information, market counseling, recordkeeping, and business projections. Offices are located in most major cities. Call SBA Answer Desk (see above) for the closest chapter.

#### Tennessee Valley Authority

TVA's services include workshops, promotion of area businesses, literature, development and publishing of brochures, media kits, and typesetting and photography help for residents of Tennessee and Appalachian regions of

Alabama, Georgia, Kentucky, Mississippi, North Carolina, and Virginia. Write to Gale Trussell, Tourism Coordinator, TVA, Old City Hall 2C-41-B, 601 West Summit Hill Dr., Knoxville, TN 37902, or call 1-615-632-7410, for more information.

#### Farming Alternatives Project

Fact sheets and handbooks (some of which are free) are available through the FAP. Write to Judy Green, Project Coordinator, 443 Warren Hall, Cornell University, Ithaca, NY 14853-7801, or call 1-607-255-9832.

#### National Association of Towns and Townships

The association can provide handbooks and an audio-visual presentation. (You must pre-pay with order.) Write to the National Association of Towns and Townships, 1522 K St. N.W., Suite 730, Washington, DC 20005, or call 1-202-737-5200.

#### County and State Cooperative Extension Services

For how-to publications, business counseling, resource referrals, or to schedule guest lecturers, contact your local Extension office.