Providing Support for an Innovative Neighborhood Economic Development Strategy

by Sacha Z. Peterson
May, 1994

Neighborhood Planning for Community Revitalization (NPCR) supported the work of the author of this report but has not reviewed it for publication. The content is solely the responsibility of the author and is not necessarily endorsed by NPCR.

NPCR is coordinated by the Center for Urban and Regional Affairs at the University of Minnesota and is funded in part by an Urban Community Service Program grant administered by the U.S. Department of Education.

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Providing Support for an Innovative Neighborhood
Economic Development Strategy:

Report on a Survey
of the Needs of Home-based Businesses
in the Marcy-Holmes Neighborhood

CURA has supported the work of the
author(s) of this report but has not
reviewed it for final publication.
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is not necessarily endorsed by CURA.

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May 31, 1994

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Home Based Business Survey in Marcy-Holmes Neighborhood

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I would like to thank the following people for devoting their valuable time and expertise, to providing information, advice and assistance to undertake this study: Mark Anthony, President of the MN Homebased Business Association; Candace Campbell, Fellow, Humphrey Institute of Public Affairs; Nancy Halvorson, Coordinator for Marcy-Holmes NRP; Kris Nelson, Director of NPCR, Center for Urban and Regional Affairs; Eric Reise, Seward Redesign; Martin Schiekel, Associate Director of West Bank CDC; Pam Schumaker, staffperson at Minnesota Center for Survey Research; Larry Shelley, Small Business Consultant; Stacey Sorenson, NRP/CARE staffperson; members of the Marcy-Holmes NRP Economic Development Committee; and residents and home business owners in Marcy-Holmes who participated in the survey.
I. Executive Summary

A survey of homebased businesses has been completed for the Marcy-Holmes neighborhood in Minneapolis to determine the needs of home businesses in that area. The study was funded by the Neighborhood Planning for Community Revitalization (NPCR) program through the University of Minnesota and employed a graduate student in public affairs to identify home businesses, design and conduct a survey, and make recommendations based on results to the NRP Economic Development Committee. Strategies to assist home businesses are being incorporated into the neighborhood’s NRP Action Plan for approval and funding by the City of Minneapolis.

Home businesses are a large and growing component of employment nationally, and home business entrepreneurs comprise between 8% and 20% of the national working population, or between 10 million and 24 million people (the count varies according to the source, partly because home businesses are difficult to define and locate, and because the federal government does not regularly attempt to count them). National trends such as corporate downsizing, telecommunications advances, and need for greater worktime flexibility has contributed to the growth in home businesses and home work generally.

Within the Marcy-Holmes neighborhood, 41 home businesses were identified and 25 were interviewed, although judging from national figures and identifying businesses that were unreachable or defunct, there are probably between 200 and 600 home businesses in Marcy-Holmes.

Most home businesses were artist-related or computer-related, though with great variety. More than half were women, and there was a fairly even mix between part-time and full-time entrepreneurs, and between just starting, growing, and established businesses. People were working out of their home primarily for cost reasons and for flexibility.

The major needs identified were for marketing, business advice, tax advice, office and meeting space, and financing. Respondents wanted money to undertake marketing, to hire a marketing consultant, or produce a brochure. Half the respondents did not have a business plan, and many desired the services of a small business consultant. Tax expert was high on the list of desired consultants as well. Several people needed meeting or conference space on an occasional basis, and several were seeking permanent storage space and office space. There were needs for financing at the microloan level and higher. There was also desire expressed for shared clerical help. And, a majority were interested in meeting with other home businesses in the neighborhood to exchange advice and network.

Home businesses have a diverse set of needs, but there are clearly common themes. Sources of assistance which already exist are the MN Association of Homebased Businesses which is eager to help start local chapters; the Minneapolis Technical College, which offers low-cost business consulting; and the West Bank Community Development Corporation for microloans along with free technical assistance. In addition, small business consultants, graphics artists and computer consultants exist among home businesses within the neighborhood and should be tapped into.

The obstacle to serving home businesses will probably be reaching them, as they are difficult to locate and most put in long work hours.
II. Purpose of Study

The Marcy-Holmes neighborhood, as part of its involvement in the Minneapolis-wide Neighborhood Revitalization Program, undertook a study of homebased businesses in its area to determine their needs and incorporate them into an economic development strategy. The Economic Development Committee (one of the strategic committees set up through the NRP process and made up of neighborhood representatives) starting looking at homebased businesses because of the demographics of the neighborhood—highly educated and middle income people and lots of retirees—which suggested a lot of home entrepreneurs, and because the lifestyle appeared both energy-efficient and attractive. After an initial meeting attended by a few homebased businesses, the Committee decided to conduct a survey in order to identify as many home businesses as possible and assess their needs, and to use the results to formulate strategies for assistance. Preliminary strategies were to establish a local association of home businesses, to provide office or meeting space, and to set up a microloan program.

A grant was applied for and received from Neighborhood Planning for Community Revitalization (NPCR), a program administered by a department of the University of Minnesota (the Center for Urban and Regional Affairs) which links university students and resources to community development efforts. Sacha Peterson, a graduate student at the Humphrey Institute of Public Affairs, was hired to carry out the study.

The purpose of the study, therefore, was to address the following questions:

1. How many home businesses are there in the neighborhood?
2. Who are these businesses (general characteristics)?
3. What are the areas of need and levels of need of these businesses?

These findings would then be used to answer:

4. What can the neighborhood do to ensure the viability and growth of homebased businesses? This includes answering: What resources already exist, and what obstacles exist.

III. Background on Home Businesses Nationally

The number of home businesses has undoubtedly been growing since the 1980s. The U.S. Chamber of Commerce says the the number of home businesses have grown by 50% in the last ten years. Home-based employment is in fact part of a larger phenomenon of a growing number of people who do at least some work out of their homes, including part time telecommuters, corporate moonlighters, industrial homeworkers, and independent consultants. Home workers numbered 39 million in 1993, according to LINK Resources, a private market research firm, and the number of homeworkers has grown annually by about 9% since 1982 (Washer, 1993).

Reasons for the growth in home work and home businesses are part of economic and demographic shifts taking place nationally (and internationally) (Costello, 1986). Greater
competition has caused corporations to downsize and hire fewer permanent workers in favor of consultants, part-time and temporary help. Telecommunications and electronics advances enable home offices to be competitive. Large corporations no longer beat out smaller firms. More and more families with two wage earners means increasing desire for flexible work circumstances. And, some experts point to more need for independence among the current workforce. Increased suburban sprawl and traffic congestion means higher commuting costs too.

There are probably between 10 and 24 million homebased businesses nationally, or about 8% to 20% of the workforce. Because the federal government does not consistently track homebased businesses, there is no official count, and numbers vary according to the source. Homebased businesses are also hard to define and track because of their informal nature and because the owners may not report themselves as a business, for fear of tax or zoning regulations or because they do not define themselves as a business. The Small Business Administration estimated in 1991 that there were 5.6 million homebased businesses (Fairchild, 1993). The Bureau of Labor Statistics estimated 20 million homeworkers (not including telecommuters) in 1989 (Braus, 1993). The U.S. Chamber of Commerce counted 23 million homeworkers in 1989, and a 1989 AT&T survey concluded that 13% of U.S. homes house a business and half of these are full time (Kern, 1989).

Private marketing firms have started counting home businesses as well, and estimate that they are a huge untapped market for office equipment, computer, telecommunications, insurance and other industries. LINK Resources conducts an annual Work-at-Home Survey and sells the results. They estimate that there are 39 million homeworkers, 24 million homebased businesses, and 12.1 million full-time homebased businesses (LINK, 1994). They promote home businesses as a good market not only because of their numbers but because the average household income is well above the national average.

Running a business from home offers the advantages of low overhead, flexibility, independence, and the excitement of being an entrepreneur. It can also save energy, time and space over traditional work arrangements. The down sides are instability, isolation, home distractions, nonprofessional image, and the general high failure rates of small businesses. While the failure rates for all small businesses is 80-90% in the first year and 95% failure within the first five years, rates are not known for home businesses, and are probably lower because of low overhead costs. (Attard, 1993)

The typical profile of a homebased business owner is a white, middle income, married, highly educated person who may or may not have children, and about half are women and half are men. Income from homebased businesses is lower than salary/wage earner averages, though the total household income of homebased entrepreneurs exceeds national averages. Only 2.6% of homebased businesses are the sole or primary source of household income. Single heads of households and people of color are about half as likely to run a home business, probably due to greater need for stable income. (Kraus, 1986 and Braus, 1993)

Types of homebased businesses nationally are: 30% perform financial services, are computer-related, or consultants; 11.8% are retail sales; 4.4% are craft manufacturers, and the rest, or 53.8%, are primarily in the fields of construction, health care, real estate, wholesaling, and education and legal services. 70% of home businesses are service-related. (Source: BIS
Strategic Decisions, Inc., a New England based marketing firm (Washer, 1993)).

There is a myriad of books, journals and magazine articles urging Americans to start a small business, and the volumes devoted specifically to home businesses is growing. The advice given in this literature focuses on choosing the right business, making sure the lifestyle is right for you; creating a business plan; studying the market; promoting a professional image, equipping the home office, coping with distractions, maintaining business contacts, and when to expand. Some tell what’s required to apply for a loan and some advise starting from personal savings only. Another prominent topic is taxes and zoning regulations, because the deductions for a home office recently became more strict, and because local zoning regulation often restricts certain business activities in residential areas. (Edwards, 1985; Brabec, 1993; Eliason, 1989; Riss, 1993; Home Business Network magazine).

Other indications of needs of home businesses come from the types of services that business incubators provide to new businesses, usually below-market rents on office space, shared office services, and business management assistance (Campbell, 1986). Observations from a local community development corporation also highlight small businesses’ lack of business management skills and their need for help writing and following a business plan (Reise, 1993).

B. References:


And:


Interview with survey analyst at LINK Resources, March 1994.

IV. Scope and Methods

Scope:

The study covered the geographic area defined as the Marcy-Holmes neighborhood in Minneapolis, for which the boundaries are: Central Avenue on the west, University Avenue to the south, 15th Avenue S.E. to the east, and railroad tracks to the north. This area includes 8,810 residents and 4,101 households.

The study sought to include all people within this area who were self-employed from the home, worked out of the home for more than a single employer selling a product or service, part or full time (three persons who worked for a single employer but considered themselves independent contractors or sole proprietorships were included in the survey). All those who could be accurately identified were counted, and of those, all who agreed to be interviewed were.

Based on extrapolation from national percentages, it was estimated that between 234 and 587 home businesses operate in the Marcy-Holmes area. These figures were calculated by applying the estimate that between 8% and 20% of the national workforce operate home businesses to the working population in the study area. The workforce was defined as the number of persons over 24, or 3,749, multiplied by the city average of percent of adults engaged in the workforce, 78.3%, which equalled 2935. 8-20% of this equals 234 to 587 home businesses.

While "workforce" is usually defined as persons over 16 working, this study used only persons over 24 because of the high number of persons, mostly students, residing in the Marcy-
Holmes neighborhood who are between 16 and 24 who are employed at much lower rates than other adults and who, given the demographic characteristics of home business owners, are much less likely to run a home business. Other demographic characteristics which suggest that the number of home businesses may vary from the national average are high education level, low number of people of color, and low number of families with children, compared to city averages. For simplicity, none of these characteristics were accounted for in calculating the estimate.

Only 41 home businesses were identified and 27 (25 in the neighborhood) surveyed. Even so, the estimate of 234 to 587 may well be accurate. There were 137 businesses which appeared to be operating out of homes in the study area which were part of a 1993 MN state list of assumed names. Registering on this list is only a requirement if a business operates under anything but the person's name. All but about 20 businesses on the list could not be contacted because they had moved or the phone number was unavailable or disconnected (and, a mailing to 88 generated only one response). In spite of the poor identification rate, the list may suggest a bare minimum of home businesses which exist, and indicates that the estimate of hundreds of home businesses may indeed be accurate.

The scope of the information sought was the identities and needs of as many home businesses as possible.

Methods:

About half the businesses were identified through word of mouth among residents, either at neighborhood meetings or referrals from other home business owners. About half were identified through a list maintained by the MN Secretary of State of assumed business names (see scope). A small number of home businesses were identified through searches of local bulletin boards and newspaper classifieds, placing newspaper advertisements, and posting notices in Dinkytown (the local business area) and the East Bank of the University of Minnesota (which borders the neighborhood).

Once identified, oral interviews were conducted among all who were willing to participate using a standardized set of about 20 questions. Questions were both open-ended and specific. About half the interviews were conducted by phone, and half in person.

Survey design was based on a preliminary understanding of the potential needs of home businesses from research and discussion with members of the neighborhood, a small business consultant who was a resident of the neighborhood, and loan officer at the local community development corporation, staff at the MN Center for Survey Research, and faculty at the Humphrey Institute.

Survey questions addressed demographics of business owner; major characteristics of the business; and perceived advantages and disadvantages of working from home; and specific needs in several areas: marketing, business plan/business management, financing, professional service needs, skills to run the business, space needs, and interest in a home business association.
In conjunction with the study, a database of confirmed home businesses was created to assist followup activities. And, a (nonexhaustive) list of resources for small and home businesses within the Twin Cities community were researched and compiled, in order to facilitate meeting identified needs in an appropriate manner.

Assumptions:

It was assumed that those businesses that were identified and agreed to participate in the survey would be at least somewhat representative of all home businesses in the neighborhood. In fact, more women than men agreed to participate in the survey relative to the gender distribution of home business owners.

The survey design relied on research on national trends and local investigation as to the possible needs of home businesses. However, several open-ended questions ensured that needs not specifically anticipated would be revealed as well.

Several assumptions underlie the estimate of the number of home businesses in the neighborhood: 1) that the true number of home businesses nationally lies somewhere between the various estimates discovered through research; 2) that the neighborhood figures can be extrapolated from national figures; 3) that persons under 24 are much less likely to operate a home business; and 4) that there were approximately 137 homebased businesses on the state list of assumed names, even though these businesses could not be identified for certain; that even if these particular businesses are not reachable or are no longer operating one year later, other home businesses have replaced them; and that there are more home businesses than on this list because registration is not a requirement.

Limitations:

It was very difficult to locate the home businesses. While there are probably between 200 and 600 home businesses in the neighborhood, only 41 were positively identified. This difficulty is probably due to the lack of visibility of home businesses, absence of official tracking, confusion over the definition of a home business, and home businesses' reluctance to be identified due to long hours worked (reluctant to take the time to complete a survey) and fear of regulation. Another obstacle specific to the study area is the high transiency rate of this neighborhood (18.3% of housing occupied less than six months), which may have been a reason that the mid-1993 state list of registered businesses was nearly obsolete.

Because all willing business owners were interviewed, the sample is not scientific. In particular, a higher proportion of the female business owners agreed to participate than male business owners, which alters the responses somewhat.

Because the sample size is small--25 within the neighborhood, responses from subsets of the sample are not statistically significant. Therefore, much of the conclusions based on this data will show areas and types of need much more accurately than it will estimate specific magnitude of need.
V. Results

The existence of about 41 home businesses were confirmed in the neighborhood. 27 home business owners were surveyed, 25 of these in the Marcy-Holmes neighborhood (1 from Como and 1 from Prospect Park). Over 100 additional home businesses were potentially identified from the state list of assumed/registered names, but could not be confirmed due to lack of phone numbers or response to mailing. Results discussed will be for 25 home businesses in the neighborhood only.

Business identified were primarily artist-related and computer-related businesses, though with great variety. There were 27 different types of businesses among the 25 respondents--two people ran more than one business from their home. These businesses can be placed into a few broad categories: 7, or 28% were artists, musicians, composers, photographers; 8, or 32% ran computer-related or consulting businesses, with two additional people shifting their businesses in the near future into more intense computer-related activities, bringing the total to 40%; 2 or 8% were construction, repair or transportation-related businesses; 4 or 16% were health care, day care or counselors; 1 was retail sales; and 5 were other businesses, including mail-order, newspaper, interior design, architect, and non-profit advocacy organization.

While survey questions did not address marital status or other household income, these facts were generally discussed during the interview. Many full time home business owners had a partner or spouse who provided the bulk of the household income, particularly if the family included children, though almost one-third of respondents derived their main or primary income from their home business. Seven of those surveyed had children, and three were students, suggesting flexibility and supplementary income as prime motivators for being in business at home. Almost two-thirds were women (though this number is somewhat distorted because women were more likely to agree to the survey--see limitations).

About half the home businesses were part-time and half full-time ventures. 52% operated the business less than 35 hours per week, while 40% devoted more than 35 hours per week to it. 48% had another job outside the home, and 48% did not.

The average income of homebased businesses was about $20,000 for both part-time and full-time home businesses.

Home businesses do not generate much employment beyond the owner, though they are in themselves a source of employment for small businesses/independent contractors: 20/25 or 80% of respondents had no employees, but 4/25 or 16% hired workers on a contract basis.

The vast majority of home businesses were started through either personal savings or loans from friends, family or relatives, indicating that financing is not a primary need at least for starting a home business. 15/25 or 60% started from personal savings, 5 or 20% started with gifts or loans from friends/family/relatives. However, there may be some need for startup financing, as 5 obtained small business or other loans from banks, and 4 financed their operations initially from credit cards, which is extremely expensive.
Businesses were divided fairly evenly between recent startups, growing, and established businesses. 6/25 or 24% were in operation under one year; 9/25 or 36% had been operating between one and five years; and 10/25 or 40% had been operating over 5 years (with about 1/2 of these operating over 10 years). This indicates that there may be a range of different needs among these businesses.

The reasons people had decided to work from home were consistent with national trends: low cost/low overhead, convenience or flexibility, independence, staying home with a child, having a disability, taxes, informality, and that home was the ideal place for their business. Disadvantages of working from home were the lack of separation between work and home or distractions from home, nonprofessional image of working from home, space problems, isolation, income instability, and lack of support services.

In a similar question, respondents discussed their major obstacle to further business success. These were marketing, especially financing for marketing; space needs, including studio, retail and more home office space; computer/office equipment needs; financing—including for other needs mentioned here as well as expansion or cash flow; time constraints; and personal image/motivation.

A majority of respondents answered positively about needing help with marketing. 48% said they could use help with marketing or advertising and 20% more said possibly. Particular needs mentioned were financial help to undertake marketing, services of a graphics artist to complete business brochure or flyer, money to hire part-time marketing staff person. Currently, the primary methods businesses use to attract clients are word of mouth and active networking/cold sales, though several also use newspaper/magazine advertisements, computer network, sales representative, prior work contacts, trade shows, and involvement in a trade association. The scope of most businesses’ market is the Metro area, though a few are primarily neighborhood focused, several are state or regional, and four were or planned soon to become national or international in scope.

In terms of needs for professional services, those that would be most beneficial for the neighborhood to provide would be a tax consultant and a small business consultant. When asked which services they would be interested in the neighborhood providing, 8 said business consultant or help doing a business plan and 6 said tax consultant. Legal services, bank, and accountant were mentioned more than once. Businesses have used legal services, banking services, and tax and accounting services on their own, but fewer than 1/3 have used business consulting or the SBA (though several used SCORE, Womenventure, accounting aid society, and a marketing consultant).

The types of additional skills that home business owners would like to gain are in the areas of computer training or computer consulting; help with taxes; help with regulations affecting their business; financial planning: marketing; and help applying for loans.

A significant portion of home businesses plan on expanding. Seven plan on expanding within the next few years and two planned on shifting the focus of the business. Four more plan on moving to a bigger home to accommodate the growth of the business. Half of those planning on expanding intend to keep their business operating from their homes, while six plan on
relocating the business, three into outside office space, one a small manufacturing facility, one retail space, and one plans on constructing a building which will house her business.

There is a significant need for additional space of several types: one third of respondents had some type of space need. Four needed additional office space and five would use meeting or conference space if it were available on a part time basis. There was also need for storage space, studio space and retail space. Four people planned on moving to a different home to accommodate their home business.

There was some need for financing among respondents. 9/25 or 36% expected to borrow money within the next few years for their business. Purposes were for space remodeling, computer/other equipment upgrade or purchase, relocate out of home. Two people were searching for grants rather than loans. Most planned on obtaining a loan from a bank or another small business loan, credit through a computer company, and two had lined up private investors.

There was a significant lack of formal business plans among home business owners. Fewer than half had completed a business plan, while six had started but never finished one. 9 or 36% didn’t think they needed one.

Finally, a majority of home business owners were interested in meeting with other entrepreneurs in the neighborhood on a regular basis. 60% were definitely interested and 24% more were not sure or would not want to meet more than once. People were interested in meeting in order to exchange information and advice, to obtain referrals, to exchange services, provide mutual support, and to learn about specific topics of interest.

In addition, a majority of respondents were interested in a resource directory of services and sources of assistance for small and home businesses.

Additional needs mentioned by respondents were for clerical help—for filing, getting organized, answering the phone, occasional help for special projects, part time ongoing help; group rates on insurance; a home business lobbying group; advice on whether to incorporate; and second phone line.

VI. Conclusions and Recommendations

Conclusions:

1. Home businesses in the Marcy-Holmes neighborhood serve a variety of employment needs: low overhead for artists and composers; convenience and extra income for student, persons with a disability, and people with children; and for others, a way to keep costs low during startup of a business

2. While home businesses have a variety of needs, there are several common themes: marketing, business advice, help with a business plan, tax advice, office and meeting space, and financing.
3. There is a mix of part/full time and of starting, growing and established businesses. This suggests that home businesses are an ongoing, stable (overall rather than individual businesses) part of the neighborhood economy. This mixture also bodes well for starting a local homebased business association because it allows people to learn a lot from each other.

4. There is substantial interest in a neighborhood homebased business association.

Recommendations/Possible Actions:

1. Start a local homebased business association. Utilize the MN Homebased Business Association and its president or president, Mark Anthony, which is eager to assist starting local chapters.

2. Link homebased businesses with the microloan and technical assistance program of the West Bank CDC. Martin Schiekel is the contact person. Direct those needing financing to WBCDC (several brochures were handed out during interviews) or set up a meeting with Martin Schiekel and interested hhbs.

3. Utilize the Minneapolis Technical College’s very low cost business assistance program. They offer three months of ongoing help with marketing, business plans, financial projections, and whatever else is needed, for $150 flat fee. Jack Oman, contact person.

4. Encourage the use of resources within the neighborhood, such as the two small business consultants (Jim Reid and Larry Shelley), graphics artists, desktop publishers, and more--through homebased business meetings or separate means.

5. Address the need for office, meeting, conference and storage space: possible places are the U Tech Center (?), or Dan Hartnett, who rents office and conference space (complete with services) by the hour in downtown St. Paul and is opening space soon in Roseville (Mark Anthony of MNHBBA has his phone number).

Potential Obstacles to Action:

1. Reaching homebased businesses and getting them to attend meetings—they are hard to locate, as this study attests to, and they work long hours.

2. Staff time/someone taking the initiative to set up and maintain programs.

VII. Limitations/Suggestions for Further Study

Limitations:

This study was successful in identifying areas of need but was not as successful assessing specific levels of need.
The obvious limitation to this study was the inability to locate more than 41 home businesses and to ascertain a more precise estimate of the total number of home businesses in the study area.

For Further Study:

Whether supporting home-based businesses is a viable economic development tool. This would entail assessing the failure rates and gaining a better understanding of the types of populations and employment needs it serves. Also, what are the growth rates of home businesses, the number of jobs generated, and what is the impact of advantages lost through working at home, such as job benefits, lower average wages, and isolation.

The actual number of home-based businesses nationally, and methods of tracking home businesses.

Why and by whom starting a home business has been promoted so heavily since about 1992.

Home-based businesses as a growing market that is being targeted by office equipment, computer, and telecommunications industries.

This study could be undertaken on a city-wide basis, and then programs serving small businesses could adopt specific home-based components.
Survey of Home-Based Businesses in Marcy Holmes Neighborhood

Assume previous contact and agreement to do interview; read following if necessary:

(Introduction: Hello, my name is Sacha Peterson. I am working with the Marcy Holmes Neighborhood Revitalization Program, or NRP, doing a survey of people who work from their homes or run home-based businesses. Are you familiar with the Marcy Holmes NRP? (If not: the neighborhood’s boundaries, made up of all local residents and business owners, purpose of NRP, etc). The Economic Development Committee is one of the committees of the Marcy Holmes NRP, and in thinking of ways to support local employment opportunities in the neighborhood, the people on this committee want to find out more about home businesses and what their needs are. I’m going to ask you about 20 questions about your business, and it should take about half an hour. All the answers that you give will be confidential--your name will not be attached to your answers and your answers will be compiled with many other respondents’ answers. Feel free to ask me to repeat or explain any of the questions that aren’t clear to you. Do you have any questions before we start?)

Name:
Address:
Phone:

First I have some general questions about your business.

1. What is the work that you do from your home?

2. Are you self-employed in doing this work, or do you work for an employer? (Self-employed/Company)

   (If self-employed:) What is the legal structure of the business:

   (don’t read):
   __ sole proprietorship
   __ partnership
   __ corporation
   __ non-profit
   __ other __________________
3. About how many hours per week do you work at home on average?
   - 0-10 hours
   - 10-20 hours
   - 20-30 hours
   - 30-40 hours; or
   - more than 40 hours?

   Do you have another office or location where you also do this work? (Yes/No) (If yes:)
   What portion of your work is done from your home?

   Do you have another job besides your home-based work/business? (Yes/No) (If yes:)
   About how many hours a week do you work at that job?
   - 0-10 hours
   - 10-20 hours
   - 20-30 hours
   - 30-40 hours; or
   - more than 40 hours?

4. Do you have any employees besides yourself? (Yes/No) How many?

5. How many years have you been operating your home-based business/been working from
   home? ________ (Has it been operating from the home since it started? Yes/No)

6. Now we'll move onto questions about the operation of your business and your business
   needs.

   Why did you decide to work from your home?

   Are there any other advantages to working from your home?
What are the key disadvantages?

Assuming that your business could always be more successful than it is now, what would you say is the major obstacle to (greater) success of your home-based business/work?

7. Advertising: I’d like to know how you find your customers. I’m going to read a list, and please tell me which of the methods that I mention you have used to find customers:

- word of mouth
- business cards
- brochures
- active networking
- newspaper advertisements
- radio advertisements
- trade shows or fairs
- involvement in an association or group
- other: ____________________________

What are the primary methods you use?

Do you feel that you could use help with marketing or advertising? (Yes/No)

What type of help?

8. Moving on to services needs:

I’d like to know next what types of professional services you’ve used. I’ll read a list, and please tell me which of these you have used in either starting or operating your home-based business/work:

- lawyer
- bank
- accountant/bookkeeper
- tax expert
- small business consultant
- community development corporation
Small Business Administration (SBA)
- city or state business development offices (MCDA or MN DTED)
- other: ____________________

Would you use any of the above services if they were available specifically for home businesses through the neighborhood at a reduced cost? Which one would be the most important?

Would you be interested in a list of these types of services especially serving small and home businesses?

9. Do you feel that you have all the business and work skills that you want or need to run your home business/work? (Yes/No) (If no:) What types of skills would you like to gain? And I’ll read a list of possible skills to help you answer:

- financial planning and/or management
- networking/marketing/advertising
- computer skills
- organizational skills/time management skills
- help with regulations affecting my home work/business
- help with taxes
- additional training in the work that I’m doing
- help applying for loans
- other: ____________________

TAKEN OUT:
10. What kinds of office services do you currently use? And again, I’ll read a list to help you respond:

- copying
- faxing
- typing or wordprocessing
- other computer needs
- clerical support
- telephone answering service
- mailings
Do you feel that your needs in these areas are being met currently? Which of those services would you use if they were more convenient or less expensive?

11. Do you have insurance on your business/work? (Yes/No)

12. Is your current office space adequate for your needs? (Yes/No) (If not,) what type(s) of office or meeting space do you need? (don't read)

_ more general office or work space
_ space to hold meetings
_ space to meet clients
_ storage space
_ studio space
_ other: ________________

If additional space needed: How many times per month would you need (this additional space)? ______

13. Contact with other home businesses:

If you were to meet with other home-based businesses/workers in the neighborhood on a regular basis, do you think you would get something out of this?

What do you think you would get out of it?
14. Finally, I'm going to ask you to answer some questions about financing and the future of your business.

a. How did you finance your home work/business?

- personal savings
- loans or gifts from friends, family or relatives
- loan from a bank
- microloan for small businesses
- there were little or no startup costs
- credit cards
- other: ______________

(If more than one category: can you tell me what percentage of the total financing came from each source?)

b. Do you think you will need to borrow money to finance your business over the next few years? (Yes/No) (Where will you go to borrow money?)

- friends, family or relatives
- bank loan
- microloan from CDC
- other: ______________

15. Do you have a formal business plan? (Yes/No) (If no:) Why not: (don't read)

- don't think I need one
- don't know how to prepare one myself
- don't want to pay someone else to do it
- other: ____________________________

16. Where do you see your business in the next five years? (don't read)

- remain the same size
- expand your business
- reduce the size of your business
__ quit/sell the business
__ other: ____________________

(If expand) Do you intend to remain in your home? (Yes/No) What type of facility are you looking for if not?

17. For the purposes of knowing how much income home-based businesses in the neighborhood generate, I'd like to know within a range how much income you earned from your home-based work/business last year. The ranges are:

  __ $0 to 5,000
  __ $5,000 to 10,000
  __ $10,000-30,000
  __ $30,000 to 50,000
  __ more than $50,000

18. Are there any other needs for your business you haven't mentioned?

19. If a person is female, person of color, or disabled:

Are you interested in loan or grant programs targeted specifically at minority and disadvantaged business owners? This includes women, people of color, and disabled. (Yes/No)

20. Do you know any other home-based businesses or home workers in the Marcy Holmes neighborhood that we could contact for an interview?

That's the end of the survey. Thank you very much for participating. If you are interested in the results of the overall survey, we will put you on a mailing list for followup information. (Also, give info on microloans if they expressed interest in this).
Results of Homebased Business Survey
for Marcy-Holmes Neighborhood

1. 28 businesses/work operated out of 25 homes.
   26 different types of businesses.

2. 22/25 self-employed.
   3/25 work for an employer.

   Legal structure:
   17/25 sole proprietorship
   1/25 partnership
   5/25 corporation
   2 other (S corporation and sole proprietor/non-profit)

3. Level of employment:

   7/25 worked less than 20 hours per week at home.
   6/25 worked 20-39 hours per week at home.
   10/25 worked more than 40 hours per week at home (many of these worked more than
   50 or 60).

   2/25 had an office outside the home.
   2/25 did all but office work outside the home.
   21/25 did not have another location for doing the work (but many did some work on
   location, in studios, etc.)

   12/25 had another job besides the home business.
   12/25 did not.
   (1/25: NA)

   Of those having another job,
   2/12 worked less than 20 hours at the other job.
   6/12 worked 20-39 hours.
   4/25 worked 40 or more hours.

4. Employees:

   3/25 had 1 part-time employee.
   1/25 had 1 full time employee.
   1/25 had 5 pt/ft employees.
   4/25 hired people on contract basis.
   16/25 had no employees.
   (Several women said their husbands helped out w/business)
Summary of Survey Results
Page Two

5. Length of time in operation:
   6/25 less than one year (including one that was thinking of starting).
   9/25 one to five years.
   10/25 more than five years (several over 10 years, two or three over 20 years).
   21/24 operating from home since starting business.

6. Why working from home:
   13/25 save money (plus 2 as secondary reason).
   3 convenience/flexibility (+ 3 secondary).
   3 freedom/independence.
   2 stay home with a child.
   2 home ideal place for business/business grew naturally from home (+ 1 secondary).
   2 requirements related to a disability.
   2 taxes as secondary reason.

7. Additional advantages to working from the home:
   8 convenience/flexibility.
   4 no commute.
   3 independence.
   3 taxes.
   3 time.
   2 informality.
   2 cost.
   1 enjoy being at home
   1 suits my needs well.
   1 safe place for clients.
   1 no advantages.
Summary of Survey Results
Page Three

8. Disadvantages to working from the home:

9/25 lack of separation between work/home or distractions (+ 2 as secondary answer).
5/25 space problems.
3 lack of professional image (+ 4 secondary).
3 isolation.
3 no disadvantages.
2 lack of steady income.
1 harder to network.
1 no support services.
1 residential zoning restricts their work.
1 harder to communicate with clients.

9. Major obstacle to greater success in homebased work/business:

10 marketing/related need
(4 financing to do marketing)
(2 hire a part time marketing employee/consultant).
7 space constraints
(2 retail space; 1 training/conference space; 3 office space at home; 1 display area).

5 computer/office equipment.
(4 purchase a computer or upgrade existing system.)

3 time constraints--family/other jobs.

4 self-image/decision not to expand.

7 financing
1-cash flow
1-capital to expand in future
1-capital to acquire retail space (+ ctd under space)
4-financing to do marketing (+ ctd under marketing)

1 organizational/time management

5--other.
Summary of Survey Results
Page Four

10. How customers/clients found:

Primary methods:

10/25 word of mouth/referral.
5 active networking.
3 not responsible for generating clients.
2 sales rep or agent.
1-computer network.
1-newspaper advertisement (1-time yearly supplement).
1-husband’s business.
1-unsolicited tv, radio, newspaper publicity.
1-flyers.

Methods used in general:

22 word of mouth.
11 business cards.
11 actively networked.
7 advertised in newspaper.
6 trade shows or fairs.
7 involvement in association/group.
2 cold calling.
1-magazine advertisements.

When asked whether they could use help with marketing or advertising, 12/25 said yes,
4 said no, 5 said maybe (or felt it was not a question one could say no to), 4-no answer.

Primary scope of market:
most city/Metro area wide
few neighborhood wide
few state/region
two national
11. Professional services used for home business:

11/25 lawyer.
20/25 bank.
8 bookkeeper/accountant.
11 tax expert.
7 small business consultant.
7 SBA (some of these got loans through other orgs)
3 MCDA or other bus.dev. office of city/state.
1 CDC (West Bank).

Others:
2 Womenventure.
2 SCORE
2 graphics artist
2-marketing consultant
1-small business seminars through art school
1-lobbyist
1-MN Accounting Aid Society
1-computer consultant

When asked if they would use any of the above services if they were available through the neighborhood for home businesses at a reduced cost,

11 yes
3 no
5 possibly
6 - NA

Type of service most important to provide:

6 tax consultant
5 small business consultant
2 help with business plan
1 general technical assistance/business advice
(previous 3 = 8 for sm.busr. consult.)
2 legal services
2 services of bank
1 advice on loan (= 3 for bank)
2 accountant
1 financial planning
1 graphics artist
Summary of Survey Results
Page Six

Interest in a list of services serving small and home businesses:

17 interested.
1 not interested.
3 possibly.
4 NA

3 would want a broader resource directory for home businesses.

12. Skills

15/25 did not have all skills needed to run business.
2 yes; 8 NA.

Types of skills desired (not exclusive answers):

10-financial planning/management
13-networking, marketing, advertising
12-computer skills
7-organizational/time management skills
7-help with regulations affecting my business
13-help with taxes
6-add’l training in profession
9-help applying for loans
Other:
2-help applying for grants
1-cheaper seminars on workplace skills like mediation, sales.
1-developing a brochure
1-developing affordable marketing plan
1-mid-range business planning
1-workers comp/employer issues

Types of computer skills desired:
4-basic skills
Microsoft Works
Spreadsheets and databases
Paradox, Korel, and Pagemaker
2-Computer consulting for upgrade and skills training on publishing-type software
13. Adequacy of current office space/home work space:

15 adequate.
7 not adequate.
3 NA.

Types of space needed:

4-more general office/work space
5-space to hold meetings or conference space:
  2: 1-2 times/month
  2: 4-5 times/month
  1: less than 1/month
Space to meet clients:
  3: 1-2 times/month
  2: less than 1/month
  1: 10 times per month.

2 storage space: (both-filing cabinets)

3 studio space:
  1 live-in studio space that’s wheelchair accessible
  1 10X20 studio space
  1 more studio and display space

Other:
  1 1500 s.f. of retail space
  1 bigger house (for day care)
  2 place with fax and copy machine
  1-second phone line

13. Currently having contact with other home businesses:

12/25 yes.
13/25 no.

Interest in meeting with other homebased businesses in the neighborhood on a regular basis:

15/25 yes.
6 possible/not sure.
3 no.
1-NA
Summary of Survey Results
Page Eight

What people want to get out of meetings:
12 information/advice from other home businesses
8 referrals/chance to network
7 comraderie/support
2 exchanging services
2 primarily interested in similar businesses
1 presentation of interest
1 training/seminar evening

Problems with regulations:
2/3 no problems; 1/3 yes-problems with taxes

14. Financing:

How home business financed:

15 personal savings
5 loans/gifts from friends/family/relatives
4 loan from bank
1 microloan (SBA)
4 credit card
5 not applicable
1 private loan

Need for financing in next few years:

9 yes
9 no
7 didn't know/possible

Of 9 yeses and 7 possibles:
1 needed 50-100K to acquire retail space
few-upgrade computer
1-$20,000
2-remodeling
1-car or computer
2-grants not loans
Summary of Survey Results
Page Nine

Where plan on obtaining financing:
6-bank
2-small business loan
2-investors
1-bank: home loan
1-don’t know (has tried banks and MCDA)
1-savings
1-computer company
1-foundation
1-corporate clients
1-womenventure-SBA

15. Whether have completed business plan:

6 yes
13 no
6 working on completing currently

Why no business plan:

9 don’t need one
4 started/never finished it
3 waiting til future date
1 don’t know how to do

16. Where see business in the next five years (not exclusive answers):

6 stay about the same
7 expand
3 expand scope
2 more full time at home
2 more repeat business/bigger contracts
2 shift focus
1 reduce size
1 quit/sell
1 will sell if can’t find retail space
3 moving to a bigger house (1 w/in nbhd, 1 out of nbhd, 1 unknown)
1 building bed and breakfast which will accomodate home business (outside neighborhood)
3 don’t know
Summary of Survey Results
Page Ten

Intention to remain at home:

10 of those expanding or shifting focus intended to remain at home.
5 move out of home (2 for more office space; 1 small mfg facility; 1 office near
home-next step for home bus; 1 building for disabled people).

16. Income generated last year from business:

- 10-under $10,000
- 4-$10,000-29,000
- 6-$30,000-50,000
- 1-more than $50,000
- 4-NA

17. Other needs not mentioned:

group rate on insurance
office space that’s a reasonable next step for a home business
loan/grant to do marketing/advertising
better toddler park near home
whether to incorporate-info on this
wanting a home-based business lobbying group
collective marketing of home businesses
more govt contracts to women businesses
grants for training for for-profit businesses
second phone line

18. Also:

Clerical support-5 mentioned at some point in survey
2 place for faxing and xeroxing
April 18, 1994

Dear Marcy-Holmes neighborhood resident:

Do you work out of your home, or operate a business from your home? Then, the Marcy-Holmes Neighborhood Association would like to interview you.

The Marcy-Holmes Neighborhood Association is conducting interviews of all home-based workers in the neighborhood, in order to assess their needs and determine ways for the neighborhood to help them.

The interviews are part of the neighborhood planning process which, as you may know, the Marcy-Holmes community has been engaged in for about the last year. Once the needs of home-based workers are known, these needs can be brought into the planning process and appropriate methods of assistance can be developed and implemented.

The interviews will take about twenty to thirty minutes, and can be scheduled in advance for either day or evening. ALL RESPONSES ARE COMPLETELY CONFIDENTIAL.

We would like to interview as many home-based workers and businesses that are in the neighborhood as possible. If you work out of your home (part time or full time), please call the Marcy-Holmes NRP office at 379-3812 and leave a message. Calls will be returned after April 23. Thanks for your cooperation!

Sincerely,

Sacha Peterson
Research Assistant
Marcy-Holmes NRP
June 2, 1994

Dear Home-Based Business Owner:

I would like to thank you very much for your participation in the homebased business survey in the Marcy-Holmes neighborhood. As I discovered during the course of the survey, most of you work very long hours. Your time is valuable and I appreciate your willingness to use some of it to complete the survey.

Attached is a summary of the survey results. While only 25 home business owners were surveyed, this was a large enough sample to give us a good idea of your needs. Many of the needs came down to marketing, business advice, space, and financing, and there was a large desire to meet with other home businesses in the neighborhood.

The Economic Development Committee has developed some strategies based on the results of the survey which are being incorporated into the neighborhood's NRP Action Plan. I hope that you will follow the progress of the Action Plan to learn about the types of assistance that will be made available to you for your home business in the near future.

Again, thank you very much for your help with the survey. Good luck to you and your business!

Sincerely,

Sacha Peterson
Research Assistant
Do you work from your home and live in the Marcy-Holmes Neighborhood area?

Then we'd like to talk to you!

The Marcy-Holmes NRP (see borders for boundaries) is conducting interviews to assess the needs of all home-based businesspeople in the area.

Please call 379-3812 or send your business card to: Marcy-Holmes NRP, U Tech Bldg Rm. 138, 1313 5th Street SE, Minneapolis, MN 55414.

Confidentiality is assured. Part time homeworkers included.