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## Small Business Entry: Paths to Part-Time Entrepreneurship

Source: Entrepreneurial Small Business, Katz & Green, 2e  
McGraw-Hill/Irwin

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### Why Part-time Businesses Are Important

- **Part-time self-employment:** working for yourself for 35 or fewer hours a week
  - **Full-time self-employment:** 35 or more hours per week
  - This is the way most people start in entrepreneurship.
  - About 3/4 of those starting a business already work full-time for someone else.

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- Part-time self-employment is a major portion of all current entrepreneurial companies in the United States
  - Around half of 25.8 million businesses are part-time businesses.
  - **Volatility:** frequency of business starts and stops
  - 6 million sellers online

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### When to Consider Part-time Entrepreneurship



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### What Kinds of Part-time Entrepreneurships Exist?

- 4 Major Categories
  - Stands
  - Homes
  - Consignment
  - Mail Order

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- **Stand retail:** one of the most ancient forms of business
  - Mentioned in the Bible
  - Tend to be **semi-permanent**
  - **Advantages:** little investment, variety of locations, quickly established, easily ended
  - **Disadvantages:** variable income, legal requirements
  - **Success Factors:** location, inventory

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- **Home retail:** parties and door-to-door
  - Avon, Mary Kay, Pampered Chef
  - **Advantages:** ease of setup, low cost of start-up, ability to work away from home and employer
  - **Disadvantages:** working on the road, lack of a base to organize and work, variable income, finding ways for customers to reach you
  - **Success Factors:** hosts with good contacts, matching product to community, closing the sale

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- **Consignment stores and Auctions:** giving your product to someone else to sell
  - Auctions are a variety of consignment stores
  - **Advantages:** permit full-time sales with part-time involvement, low cost, lack of risk, flexibility
  - **Disadvantages:** high potential for competing offerings, amount of time before payouts, low profitability due to seller's fees
  - **Success Factors:** location that attracts the right customers, condition of location and merchandise

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- **Mail order / Catalog sales:** offers customers a description and picture, and how to order by mail, phone, or online
  - **Advantages:**
    - ability to sell on your schedule
    - low costs
    - potential for selling to large markets
    - low inventory investments
    - targeted customers
  - **Success Factors:** marketing, placing the ad where the target market sees it

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- **Microinventory:** A set of goods or services that consists of only one or a few items
- **Just-in-time inventory:** Having just enough product on your shelves to meet the immediate purchases. This usually requires frequent shipment from your supplier.

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### Online Sales

- eBay, largest online sales site, reports over 234 million members worldwide in 2007
- Internet is an attractive setting for entrepreneurs looking to create a business
- Two major approaches
  - eBay or other online site
  - Web site of your own

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### Success Factors for Part-time Businesses

- **Boundary:** separating and balancing business and home
  - Time management
  - Use a to-do list
  - Prioritize
  - Keep it in its own space (home based)

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### Keisner's Six Key Ideas for Success

- Do not waste time complaining
- Do not aim for perfection
- Do not dwell on the past
- Minimize time spent in meetings
- Schedule and protect quality time with family
- Schedule and protect time for yourself

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- **Exchange:** dealing with others
  - Two key groups: **Government** and **Customers**
  - **Government:** registration, licensing, taxes, zoning
  - **Customers:** central to making sales
    - "Sources for Network Connections" were seen in Chapter Two

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### Pricing and Costing

- Price goods or services to make **profits**
- Part-time owners often **underestimate** costs
- Recognize that your own **time has value**
- Price against **competitor's** offerings

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### Delegation and Outsourcing

- Key is **leveraging** other people's time
- **Delegation:** assigning work to those over whom you have power
- **Outsourcing:** contracting with people or companies outside your business to do work for your business

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**TABLE 5.1** Delegation Approaches for Small Business Owners

	Low Trust	High Trust
<b>Low-Quality Employees</b>	Do not delegate	Train, delegate, monitor less often as employee gains experience
<b>High-Quality Employees</b>	Delegates, monitor irregularly to ensure performance	Delegate and check at the end

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**TABLE 5.2** What Do Small Businesses Outsource?<sup>26</sup>

<b>Legal issues, 78%</b>	<b>Sales</b>
<b>MIS</b>	Advertising and marketing, 37%
Web site hosting, 70%	Finding new customers, 29%
Computer technical support, 57%	Public relations, 21%
Web site design, 55%	Customer service, 6%
Database management, 18%	<b>HRM</b>
<b>Accounting and Financial</b>	Payroll, 26%
Accounts receivables, 50%	Recruiting and hiring, 20%
Financial advice and management, 48%	Training, 16%
Bookkeeping and accounting, 30%	
Collections, 27%	

Source: Dun & Bradstreet (2002).

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### Making Do When You Are Starting Out

- **Bootstrapping:** using low-cost or free techniques to minimize your cost of doing business
- **Undercapitalization:** not having enough money available to the business to cover shortfalls in sales or profits

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### • Key Ideas of Bootstrapping

- Do without
- Cut expenses
- If you need something, **borrow, barter, or rent** it
- Substitute a lower-cost **alternative**
- Ask to stretch out payments
- When using a credit card, **limit purchases**
- Always keep track of your cash!

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### Ethics and Part-time Small Business

- **Moonlighting:** working on your own part-time after your regular job
  - Conflict of interest
  - Cannibalizing sales
  - Poisoning the well
- **Aggrandizing:** making your business or yourself seem more accomplished than it is

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### Moving from Part-time to Full-time

- Key question is usually **financial**
  - **Wait** until there is a solid income
  - Make use of any **transition services** offered by the former employer
  - **Recognize** that initially, you will spend all your time running and marketing the business

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# Summary

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