

DOCUMENT RESUME

ED 211 768

CE 031 052

AUTHOR Rassen, Rachel L.
TITLE Getting Down to Business: Business and Personal Service, Module 12. [Student Guide]. Entrepreneurship Training Components.
INSTITUTION American Institutes for Research in the Behavioral Sciences, Palo Alto, Calif.
SPONS AGENCY Office of Vocational and Adult Education (ED), Washington, D.C.
PUB DATE Apr 81.
CONTRACT 300-79-0535
NOTE 89p.; For related documents see CE 031 026-101 and CE 031 324.
AVAILABLE FROM Wisconsin Vocational Studies Center, 964 Educational Sciences Bldg., Madison, WI 53706 (Order No. ETC100V1, \$6.00. 25% discount on 100 or more of same title. Complete set-- ETC100--\$200.00).

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS Administrator Role; Advertising; *Business Administration; *Business Education; *Business Skills; Financial Support; Learning Activities; Learning Modules; Money Management; Recordkeeping; Salesmanship; Secondary Education; *Service Occupations
IDENTIFIERS *Entrepreneurship; *Small Businesses

ABSTRACT

This module on owning and operating a business and personal service is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are planning your business (what is a service business; who are your customers; competition; repeat customers); choosing a location (finding the right spot); getting money to start (business plan; starting expenses); being in charge (going it alone; hiring staff; training employees; employer-employee relationship; communication); setting prices (break-even point; things that make prices go up and down); advertising and selling (advertising methods; qualities of a good ad); keeping financial records (collecting the money; credit; daily cash sheet); buying and keeping track of supplies (inventory; suppliers; purchase orders; inventory control; work orders; work schedules); and keeping your business successful (keeping track of profits; net profit; profit/expense ratios; how to raise profits). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

 * Reproductions supplied by EDRS are the best that can be made *
 * from the original document. *

etc

Entrepreneurship Training Components

ED211768

GETTING DOWN TO BUSINESS:

Business and Personal Service

Module 12

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION

PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

AMERICAN INSTITUTES FOR RESEARCH

American Institutes for Research



CE031052

The information reported herein was obtained pursuant to Contract No. 300-79-0535, Office of Vocational and Adult Education, U.S. Education Department. Contractors undertaking such projects under government sponsorship are encouraged to document information according to their observation and professional judgment. Consequently, information, points of view, or opinions stated do not necessarily represent official Education Department position or policy.

GETTING DOWN TO BUSINESS:

Business and Personal Service

Rachel L. Rassen

April 1981

Developed at the American Institutes for Research
under support from the
Office of Vocational and Adult Education
U.S. Education Department

The Entrepreneurship Training Components are based on information from many sources. Special acknowledgement is due the Small Business Management and Ownership materials designed and tested by CRC Education and Human Development, Inc. for the U.S. Office of Education's Bureau of Occupational and Adult Education. Special thanks are owed the entrepreneurs who shared their experiences during the preparation of this module.

TABLE OF CONTENTS

Introduction	1
Unit 1	
Planning a Business and Personal Service	3
Learning Activities	11
Unit 2	
Choosing a Location	13
Learning Activities	19
Unit 3	
Getting Money to Start	21
Learning Activities	28
Unit 4	
Being in Charge	29
Learning Activities	37
Unit 5	
Keeping Track of Supplies and Schedules	39
Learning Activities	47
Unit 6	
Setting Prices	49
Learning Activities	56
Unit 7	
Advertising and Selling	57
Learning Activities	64
Unit 8	
Keeping Financial Records	67
Learning Activities	74
Unit 9	
Keeping Your Business Successful	77
Learning Activities	85
Summary	87
Quiz	89

INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own business and providing a service to businesses or private individuals?

This module describes people who have started and managed service businesses. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning a service business
- choosing a location
- getting money to start
- being in charge
- keeping track of supplies and schedules
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that owners of service businesses do.

Then you will have a better idea of whether a career as a service business owner is for you.

Before you read this module, you might want to study Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 7, Getting Down to Business: Apparel Store;
- Module 9, Getting Down to Business: Travel Agency;
- Module 10, Getting Down to Business: Bicycle Store.

These modules are related to other retail businesses.

UNIT 1

Planning a Business and Personal Service

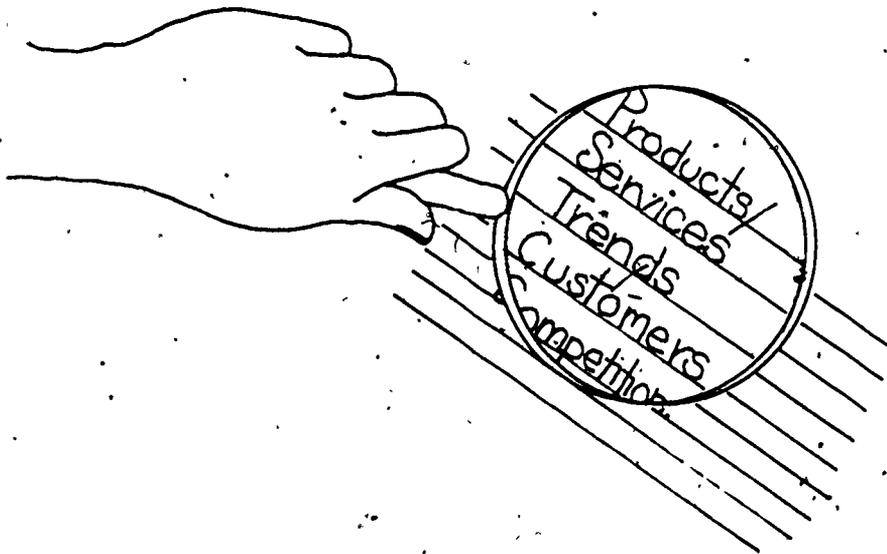
Goal: To help you plan your service business.

Objective 1: Describe the services, clients, and competition of a service business.

Objective 2: List three personal qualities an owner of a service business might have.

Objective 3: List three ways a service business might be special.

Objective 4: List two of the legal requirements you might have to consider before opening a service business.



THE PURPLE THUMB PLANT SERVICE

Just four years ago Judy Koff and Dorothy Witherow were two ordinary housewives looking for something to do. Their children were grown, and their households were well organized. They both liked gardening and decorating: the idea for the Purple Thumb Plant Service was a natural! "How many times have you walked into a bank or business office or sat in a doctor's waiting room that was dull, colorless, or filled with plastic plants? That type of decorating makes the whole place seem tacky and unfriendly. And you wonder why they don't do something about it!"

The service Judy and Dorothy offer is a plant care and decorating service. When they first started out, neither of them had had much experience caring for indoor plants. But they started by reading books. Then they walked into a medical building and offered their services. For \$15 a month, they would decorate one room (the main office) and provide weekly care (every Wednesday) for the three plants "rented" by the office. And so their business began. . . . Four years later their prices are a little bit higher (it's \$45 for five plants), but their schedule is the same. Every Wednesday they make the rounds of their clients and their "rented" plants.

"We do banks, offices, and a lot of professional places. They don't want to know about the details of caring for plants. They just want to have good-looking plants and not have to worry about them. When we visit our customers, we water and trim the plants. If a plant's not doing well, we bring in another. It cuts down on our expenses to get the right plant into the right place. When we first started, we made a lot of mistakes. But we learned.

"We deal directly with our customers--they all know us, and they really like the personal care and attention we give them. If they like our service they tell their friends about us. We've never advertised--all our business comes in through personal recommendations."

Judy and Dorothy are successful entrepreneurs who operate a part-time, home-based business. They work only one day a week. They will only take clients who are located within 35 miles of their homes. Gas and transportation costs are minimal, and there are no advertising expenses. For their efforts and work they take home (after expenses) about \$1,200 per month!

Planning a Business and Personal Service

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a family works together in a small business.

What Is a Service Business?

Service businesses help businesses and individuals who do not have the time, interest, knowledge, or equipment to do certain tasks. Business services do bookkeeping, delivery, and conference planning for other businesses and fill many of their other needs. Personal services help individuals with beauty care, housecare, home decorating, gardening, repairs, and so on. There is no limit to the kinds of business and personal services that are in demand. Opportunities are endless!

Services businesses are mostly small, independently owned businesses. Many of them are home-based and run by the owner only, with no paid employees. What these businesses have in common is that they provide quality services to their customers.

Many service businesses are started as hobbies or as part-time ways of earning money. The Purple Thumb Plant Service is one example. But from part-time home businesses that require little money and time they can grow to successful full-time businesses.

Who Are Your Customers?

As the owner of a service business, your customers will differ depending on the type of business and personal service you get into. Here are some examples of the different types of business and personal services people have opened:

- a limousine service;
- a document delivery service;
- a house caretaking service for homeowners on vacation;
- a pet-caring service for vacationers who wish to leave their pets at home rather than a local animal hospital;
- a consumer advice service;
- a sandwich catering service for picnics and meetings; and
- a fashion consulting business on how to "dress for success."

Is There Room for You?

You may be competing with other small service businesses or with other larger and more established companies and stores that offer similar services. For example, The Purple Thumb Plant Service competes with the established plant and flower stores in the area that offer the same service.

If your service is home-based and has no employees, your operating expenses will be quite low. You will not have to charge extra for office space and employee salaries. You will be able to pass on these savings to your customers. You will also be able to give your customers the personalized attention and service that meets their exact needs. It's those small details that count and that will keep you in the competition.

Are You the Type?

Even if you have all the skills, experience, and time to set up a service business, you may not like running your own business.

Before you rush off to set up your own business, you should stop and ask yourself: is this something I really want to do and that I can do? The following questions will help you decide.

1. Your potential:

What do I want to do?

Have I had any past experiences doing this kind of work?

Am I more interested in selling a service than a product?

How much money do I want to earn?

Am I outgoing, or do I tend to feel shy around strangers?

Do I have anyone who will work with me if I need help?

Do I like being active and involved in my work?

2. Selecting the best service for you:

Do I think I would like to sell things?

Do I like to cook? Garden? Work with people?

Do I have any teaching or tutoring skills?

3. Your competition from established businesses and stores:

Is my business practical?

Is there a need for my service in the community?

How many potential customers are there in my area?

Is my service a one-time service, or will my customers be coming back for repeat services?

Have I figured out what prices I will have to charge to cover my expenses and still make a profit?

How to Compete Well, or Service Is the Name of the Game

A name "tells and sells." Your business name should be chosen very carefully. It should be simple and distinctive. If it is "catchy" then people will remember it better and longer.

People will choose your service if you have something special to offer. The most special thing about the service business is the personal relations you establish with your customers. The fact that you are there

and willing to meet your customers' exact needs will make people want to come to you.

Check out what other services and businesses are doing. Do some thinking on your own, to see how you can make your service stand out. See how you can be the "right" service for your customers.

Getting People to Come Back to You

Any business that sells a service to people has to be good to get people to come back. If people know they can depend on you, then they will come back when they are in need of your service again.

Show your customers that you are concerned. Even if your work is perfect and done on time, if your attitude is wrong, customers aren't going to come back. If you went out of your way to do something very special for your customers, let them know what you did, but don't complain or ask for extra money. All this is part of getting people to come back.

Starting Your Service Business and the Law

There are no special legal requirements for starting a service business, but as a business owner there are forms to fill out and licenses to get.

If your business is home-based, you should know whether there are any residential zoning laws to obey. In Palo Alto, California, for example, these are the requirements for running a business in your home: no outside signs, no employees except yourself, no noise, no more traffic than usual, and no more than 25% of your house may be taken up by your business. These zoning restrictions exist to protect the community and your neighbors.

If you decide to open an office, some cities require a "use of occupancy certificate." It costs around \$10 and involves a health and safety inspection of your office. You may also have to be concerned with other local and state laws that require honest labeling and advertising. If your service involves food production (for example, a sandwich catering service), you may have to be concerned with federal and local health and safety laws.

Some people use their own names for their businesses. If you make up a name, you have to file a "fictitious name statement" with the county. If you plan to use a trademark, you may wish to register it with the patent office in Washington, D.C.

Doing some advance homework on what is required to start a service business may cost you some time and money now. But this homework will help you avoid many financial and legal problems that could come up in the future.

Summary

Business and personal services are risky to get into. Make sure you know enough about the service before you get into it. Your competition will be tough. You can give yourself a "competitive edge" through the special personal services you offer. There are legal requirements for operating a service business. But don't let this stop you. Doing planning and advance homework will help you avoid problems and build a business that will meet the needs of your clients and community.

Learning Activities

Individual Activities

1. Give specific examples of some business and personal services you know of. Why do you think people use these services rather than doing the work themselves?
2. Choose a particular business or personal service you'd like to start. Put an XX by the personal qualities you think would be helpful in owning this kind of small business. Put an X by those that would not matter. Put a 0 by those that would probably not be helpful.

- | | |
|---|--|
| <input type="checkbox"/> need to be outdoors | <input type="checkbox"/> need a lot of other |
| <input type="checkbox"/> need to be organized | <input type="checkbox"/> people around |
| <input type="checkbox"/> able to talk well | <input type="checkbox"/> need to be on your own |
| <input type="checkbox"/> being tall | <input type="checkbox"/> need employee benefits |
| <input type="checkbox"/> need to be physically active | <input type="checkbox"/> need a quiet workspace |
| <input type="checkbox"/> able to write well | <input type="checkbox"/> having patience |
| <input type="checkbox"/> able to work under | <input type="checkbox"/> like to do paper work |
| pressure | <input type="checkbox"/> need to be the center- |
| <input type="checkbox"/> having good eyesight | of attention |
| <input type="checkbox"/> able to set up a good | <input type="checkbox"/> need to travel |
| filing system | <input type="checkbox"/> need specific schedules |
| <input type="checkbox"/> like to problem solve | and timetables |
| <input type="checkbox"/> able to work well with | <input type="checkbox"/> need specific assignments |
| figures | <input type="checkbox"/> need to be artistically |
| <input type="checkbox"/> like to be in charge of | creative at work |
| other people | <input type="checkbox"/> being physically attractive |
| | <input type="checkbox"/> like to be helpful |

Now circle those personal qualities that you have.

Do you think you'd be good in the business after all?

3. Think up a "catchy" name for the type of business and personal service you would like to open.

Discussion Questions

1. How can small, home-based business and personal service businesses compete successfully against larger firms?
2. Why do you suppose that the number of service businesses is increasing more rapidly than any other kind of business in the U.S.?

Group Activity

Invite an owner of a business and personal service to come speak to your class. What questions would you like him or her to answer? Write down a list of at least 15 questions that would help you decide if this business is for you. Here is a list of topics that may help your thinking: types of customers and services; planning the business and getting it started; getting a loan; hiring people; running the business daily; advice on how to succeed; problems.

UNIT 2

Choosing a Location

Goal: To help you choose a good location for your service.

Objective 1: List three things to think about in deciding where to locate your business.

Objective 2: Pick the best location for a service business.

Objective 3: Decide whether your city or town would be a good location.

THE SURROGATE WIFE*

Emma Fried is what every working woman needs: A good wife. She operates a business called The Surrogate Wife. She has made a business out of housewifing.

She will clean out hall closets, deal with plumbers and repairpersons, pay the bills, balance the checkbook, water the plants, walk the dog, and drop the kids at school. She will buy a present for your six-year-old niece, visit your friend in the hospital, help at dinner parties, be the charming hostess, and wash the dishes.

Emma Fried's service is unique. She is neither a glorified Girl Friday nor a cleaning lady. "I take a personal interest in what I do, just as if I were--a housewife."

Emma Fried started her business four years ago. She sees housewifing as important work. Somebody has to do it, and not only does she do it well, she enjoys doing it--and getting paid for it.

Emma started thinking about this business while working as a secretary for a film producer. His office was in his home. Gradually she found herself doing household chores for him as well as the secretarial work. She paid bills, decorated rooms, arranged furniture, and generally found herself dealing with all the details of his household. She figured there must be other people with the same need.

Emma was right. She took out a small ad in the newspaper, and the calls started coming. Now, however, most of her work comes from word-of-mouth--one client telling another about her work.

"I really get wrapped up in the work, just as if it were my home, my family. I argue with painters for a better price, exchange faulty merchandise, bid at auctions. I run households while people go on vacations. And believe me, I love every minute of it." What better testimony from a happy service business owner--a surrogate wife who really likes what she is doing?

*Condensed from an article in the Peninsula (California)
Times Tribune, 5/9/80.

Choosing a Location

You Come First

You can open up a service business in almost any city or town. But the city you choose must fit your personal requirements. Where do you want to be located? Think about the weather, friends, family, housing, and recreational facilities. If you're not happy living in or close to that city, you won't be happy having a business there.

Next, Comes the City

What makes a particular city a good place to open a service business? It must have people who need you. These people will be your customers.

When you are looking for a place to start a service business, the most important thing to consider are the needs of the community. Is the service you offer really in demand? Will people be willing to pay for your service? What about your competition? Many times a little bit of detective work will help you decide if a particular area or city will be a good location for your business. Here are some ideas:

1. Check out the want ads. See if there are a lot of people or businesses looking for the type of service you could offer. If you can provide a specific service that many businesses and individuals could use but lack, you are assured of a successful business. If you see a lot of ads for the type of service you provide, then there is a need for you in this location.
2. Check out the temporary employment agencies in the area. If they are doing well, find out which types of job requests are phoned in the most. This is another clue you can use to find your customers. You can use this information to find the needs of the

community and figure out the exact nature of your service business. For example, Emma Fried's business is located in a big city; most of the community are working people and professionals. She found that there was a strong demand for housecare assistance. Most people simply did not have the time to care for their homes themselves! She was able to provide a service that was needed.

3. Talk to other businesses. Talk to your neighbors. Find out about the types of things they are forever wishing that they could find someone else to do for them. Let them tell you if there is a need for your service business in the community.
4. Go to the Chamber of Commerce. It has a list of businesses in the community. See what information you can get by counting the number of other similar service businesses and by talking with successful business people.

There are also some locations that should be avoided:

1. places that don't have a need for your service; and
2. communities or towns that are so small (less than 8,000 people) that you may have some very slow times.

Finding the Right Spot within That City

Many of the service businesses described in this module can be home-based. Until your business starts growing and expanding, there may be no real need to rent office space. Running a business from your home lets you take advantage of special tax deductions.

Some home-based businesses may require a special room or area. Judy, from the Purple Thumb Plant Service (Unit 1), found that having a backyard and the space to build a small greenhouse added to the success of the business. However, Emma Fried (The Surrogate Wife) does not have this need. Emma goes wherever customers need her. Many home-based businesses like The Surrogate Wife require only a desk and a telephone.

Here are some other things to consider about locating your business.

1. You should be located near your customers. In some service businesses, like the Purple Thumb Plant Service and The Surrogate Wife, you as the owner will travel to your customers. You should think about how long it will take you to get from your office to where your customers are located. You need to be able to get to them quickly because customers do not like to be kept waiting. Also, you won't want to use up all your profit on gasoline bills. If your customers come to you, they will have similar concerns.
2. If your customers come to you, a ground floor location is good if you can afford it. Being very visible from the street is not essential, but it does bring in customers.
3. If your service business is one in which your customers come to you, then parking should be provided. If your customers are frustrated looking for parking, they will blame you even though you don't deserve it.

Summary

A little logic and some advance detective work will go a long way when you are looking for the best community and location for opening your business. Keep in mind the type of service you are offering. Who will your customers be? Where do they live? Will they have to come to you, or will you go to them? Choosing a location is a very important decision you will have to make. Your success will depend on having the right service, for the right people, at the right place.

Learning Activities

Individual Activities

1. Why is checking the want ads a good way to pick a community in which to locate your service business?
2. List four things to consider in choosing a community in which to locate your service business.
3. List two ways to get information about a city in which you might want to locate.

Discussion Questions

1. Choose three towns or areas close to your school. Answer these questions about those areas:
 - a. How many people live there?
 - b. Is the area growing? How can you tell?
 - c. Are there many small service businesses in these areas? How can you tell?
 - d. What types service businesses are the most popular and most in demand? Why?
2. Based on what you found out, which area would be the best one to open a service like the Purple Thumb Plant Service? In which city would a service like The Surrogate Wife be most successful? If none of them is very good, can you suggest another area you know about?
3. Consider the type of service business you would like to start. Which city would be the best one for a service like yours?

Group Activity

Here is a list of factors to think about when choosing a city in which to locate your service business. Rate them in order of importance (from 1 to 10). There are no "correct" answers. Discuss the reasons for your ratings with the class.

- a. Number of service businesses like yours in the area
- b. Easy to reach--transportation available
- c. Population of town and the surrounding area
- d. Personal factors--personal preferences, location of family and friends
- e. Growth of the town
- f. Income of the population
- g. Weather--climate
- h. Advertising media available
- i. Number of industries and companies and their prosperity
- j. Type of town--urban, rural, suburban; city, farm, industrial area

UNIT 3

Getting Money to Start

Goal: To help you plan how to get money for your service business.

Objective 1: Write a business description for your service.

Objective 2: Fill out a form showing how much money you will need.

ODD JOBS THAT ADD UP TO EVEN MONEY: MOUTHPIECE*

The idea for Mouthpiece was born while Donna Kennedy was a high school student in Chicago. She returned merchandise for her best friend that she had bought on an impulse. In return, her friend took Donna to lunch or to a movie. When a friend asked her what she considered to be her best skill, she realized, "I complain better than anyone else."

Donna is outgoing, talkative, and not easily pushed around. You can hire Donna to return damaged goods, comparison shop for bargains, complain about bills, wait for deliveries, and so on. It's a business that requires a lot of nerve, and not much money; plus it allows you to choose your own hours.

Donna works out of her own home. When she first started Mouthpiece she had to pay a \$33 fee with the county clerk and file for a business identification number with the IRS. For a total initial investment of \$200, she also got an extra phone, file folders, stamps, business cards, and stationery. She was in business.

Donna's business expanded rapidly. With supplies, taxis, business lunches, an answering service, and the services of a tax accountant and a lawyer, it now costs her \$100 a month to run Mouthpiece (not including \$300 to register her trademark). Within the first six months, Mouthpiece netted \$1,000--not very much, but not bad for working 10 to 15 hours a week. And she hasn't yet advertised her service!

So far, 30% of Donna's assignments have been sorting out complaints. Fees depend on how hard the job is, how much money it will take to do it, and--to some extent--the customer's ability to pay. "Because it's a new business and it's unusual, people are interested." Donna's business is unique--taking on other people's fights and dealing with the day to day hassles that most people don't want, or don't have the time, to handle.

*Condensed from Entrepreneur Magazine.

Getting Money to Start

All new businesses need money to get started. Your own savings, and loans from your family or friends will probably be important sources of money to start your new business.

Most of the businesses described in this module are home-based. If you start these kinds of businesses, your money needs will be different from other businesses since your overhead and operating expenses are less. You may not even have to invest in an initial inventory! However, if you plan to rent office space or need to get special equipment for your service, your money needs will be greater.

If you don't have enough money to start on your own, you may have to borrow some of your "starting capital" from a bank or government agency. In this unit you will learn something about how to apply for money to start your business.

The bank will want to know a lot about you and your business plan before it will lend you money. You will have to show that you are a good business risk. You will be asked to provide the following information:

1. personal background information (a résumé);
2. a description of your business (business plan); and
3. a statement of financial need.

The Business Plan

Donna Kennedy started Mouthpiece with an investment of about \$200. The starting costs of the Purple Thumb Plant Service were about \$300. The cost of starting The Surrogate Wife was the price of an ad in the

newspaper. These businesses did not need to borrow more money in order to start.

Other service businesses may cost much more to start. If you plan to open a photo lab or studio (Unit 9), you will need to invest in an enlarger, developing and printing chemicals, and darkroom space (if you don't already have it at home). If you start a picture framing service (Unit 5), you will have to rent work space and provide customers with cutting tools, matte boards, frames, glue, and other equipment. All these investments add up to greater costs. You may not have all the money needed to cover these costs.

When you ask for a loan, the lender will want to know what kind of service you want to start and how you plan to run it. The lender will be looking at how carefully you have planned your business.

To put it simply, the loan officer at the bank, and anyone else who is going to give you money, must think you have "done your homework." Anyone who is going to lend you money, even if it's your mother, has to believe you are a good investment. Lenders will want answers to these questions.

Is there a need for your service in your community?

Can you attract people to use your service?

Is your business well planned so it will succeed?

And you have to know the answers. That's where the business plan comes in.

Your business plan should be clearly and simply written. You should include the following information:

1. the kind (and name), of the business you want to start;
2. the services you will provide;
3. the location of your business and why you chose it;
4. the target customers (the market) you want to attract;
5. your competition in the area;
6. your management plan and strategy for success; and
7. the number of employees (if any) you plan to hire.

Starting Expenses

If you apply for a loan, how much money will you get? The answer to this question is a combination of what you want and what you need. First, figure out how much money you have on hand. How much will you need to start your business? How much more money will you have to get?

Unlike other retail businesses, most service businesses do not usually have to have a lot of money to buy an initial inventory. You and your services are your inventory.

If your service is home-based, you will not have to pay to rent an office or workspace. This is another expense most businesses have, but you won't. In addition, you will actually be saving money. You will be able to write off your home-based "office" on your income tax forms. On the other hand, if you need to rent office or additional workspace, you may have to pay rent. The rent you pay will depend largely on the location you choose for your business and the amount of space you need.

Another expense you may have, depending on what kind of service business you open, is furniture and equipment. If your service is home-based, this expense may be small. If you rent an office or workspace, you may have to take this expense into consideration. If you need equipment, you may consider either buying or renting those items. Renting equipment and furniture may help keep start-up costs low, but renting may be more expensive in the long run.

Other expenses that may come up are: fees to register your business and file for a business identification number from the Internal Revenue Service; installation of a second (business) telephone in your house, the cost of arranging for an answering service to take your calls; business supplies (file folders, stamps, work order forms); and the cost of advertising your service. You may even consider making up your own business stationery and business cards. These things will add to your start-up expenses.

This is a simple financial statement form that you can use to list your expenses when you start planning your service business. There are many different kinds of financial statement forms you can use. The items listed may not include all your needs. For example, you may want to list phone costs and the costs of an answering service separately on your form.

STATEMENT OF FINANCIAL NEED

<u>Starting Expenses</u>		<u>Money on Hand</u>	
Salaries	\$	Cash on Hand	\$
Building Expenses		Gifts or Personal Loans	
Repairs and Renovations		Investment by Others	_____
Equipment and Furniture		TOTAL	
Inventory or Supplies			
Advertising			
Other			
TOTAL	\$ _____	TOTAL STARTING EXPENSES	\$
		TOTAL MONEY ON HAND	_____
		TOTAL LOAN MONEY NEEDED	\$

Summary

When you apply for a loan to start your service business, you will need to provide a business plan and a statement of financial need. A business plan gives you a path to follow, and tells your bankers the details of your business. The bank will need to understand your situation if it is to lend you money. The exact amount of money you will need to start a service business will depend on the type of service you offer, your equipment and office/workspace needs, initial inventory (if any), and the cash you have available. These figures differ for different types of service businesses.

Learning Activities

Individual Activities

1. List three service businesses you can think of that would probably require over \$10,000 to start. Explain why some service businesses are cheaper to start than others.
2. List the three main totals listed on the statement of financial need. What do these totals tell the bank?

Discussion Questions

1. What do you think a loan officer at a bank would be most interested in finding out about your service business? About your personal qualifications as the owner?
2. How can a business plan help you start your business? Or, if your business is already started, how can a business plan help you improve it?

Group Activities

Write a description of your business. It can be short, but it should start you thinking about what kind of service business you would like to start. Put down a real place in your area where your service might be located. Here is what you should include:

Name of your business and services provided

Location and why chosen

Competition

Potential customers

Strategy for success

31

UNIT 4

Being in Charge

Goal: To help you choose the people who work for you.

Objective 1: List the information needed on a job description.

Objective 2: List the qualities of a good boss.

TO-GO SANDWICH CATERING SERVICE :

When Alice first set up her To-Go sandwich service out of her home kitchen, it was a very low-key operation, and she didn't expect much business. Organizing the food supplies and the production line in her kitchen was easy. But as her business started growing, she found that even though she was well organized, she couldn't keep up with demand. She needed to hire someone to help her in the production line.

The customers for the To-Go sandwich service were mostly workers at the nearby industrial park. Alice's sandwiches were very popular at lunchtime. Alice knew she needed to hire someone to work in the morning so she could get her sandwiches together in time for the lunch crowds.

Alice put an ad in the local newspaper for a person to work from 7:00 a.m. to 11:00 a.m. She needed someone reliable and responsible--someone she could depend on if she couldn't be around all the time. Alice interviewed seven people before she found James. Some of the other applicants were untidy, had poor references or bad work histories, or were just looking for a temporary job and didn't intend to stay around long.

Alice liked James immediately. He was a student at the local university. He needed the money, and her schedule fit in with his class schedule perfectly. Today, Alice and James run the successful and growing To-Go sandwich catering service.

Being in Charge

When You Start to Drown in Your Work

Many successful service businesses are run by just one person--the owner. People who run home-based businesses often do it this way. They work for themselves and have no other employees and they keep it that way!

If your business is successful, however, you may want to expand it. This is what happened to Alice's To-Go Sandwich Catering Service. She got more business, and she liked that. However, she found she had to do a dozen things and be in a dozen places at once. She had to order supplies, deal with customers, and do the paperwork. She was a "human dynamo," but even she had begun to fizzle.

When you feel, like Alice, that you haven't sat down for a week and you haven't even had time to watch your favorite TV program, it may be time to rethink your business practices. You can:

1. cut down on the number of jobs you take on;
2. put a limit on your "service area" and not take on jobs that are too far away; or
3. hire someone to work for you.

Going It Alone

One of the hardest things about being self-employed is knowing that the success of your business depends on you and you alone. If your business is successful, it is because you are doing the right things and making the right decisions. If your business is going under, it is probably because you have made some wrong decisions. A wrong decision could be poor self-management and poor organization.

When you set up your service business you must be thoroughly businesslike. It's essential that you devote a certain time, every business day, to doing your "paperwork" and planning. It's like getting your homework done. You must discipline yourself, or you are bound to fail. One suggestion is to put aside a separate space in your home or apartment just for business, and when you work, try to keep to a schedule.

As tempting as the money may be, you should be selective in the jobs you take on. Consider the time and effort the job will involve. Consider also how much travel time and waiting time it will involve. Take on only those jobs you know you can do.

You may reach a point in your business when you decide there's just too much work for you to go it alone. You may consider taking on an assistant--hiring an employee.

Hiring People to Work for You

There is a lot more to think about when you become an "employer" or a boss of other people. For one thing, there's more paperwork: social security, employee income tax forms, pay checks, hourly reports, and employee benefits.

You will also have to learn how to "be in charge." Being in charge involves hiring people, managing and supervising their work, and sometimes firing them.

When you hire someone, you will have to figure out how much to pay him or her. Most small services pay employees by the hour. The amount depends on the type of work your employee will be doing and, of course, what you can afford.

Salaries may be one of your biggest expenses. To attract top-notch, reliable help, the salary you offer must be attractive. It must also be

competitive with the money paid by your competitors or other stores that offer similar services.

Benefits are up to you. While you can get away without paying sick leave and vacation pay, these are no longer considered "extras." You may want to hire someone on a "trial" basis to make sure the person is right for the job you want done.

Hiring the Right People

You should choose the people you hire carefully. You will want to hire well-qualified and reliable people. The image and reputation of your service business may depend on doing this job well.

Hiring decisions should begin with a detailed description of the job you want done. A job description will tell your employees exactly what is expected of them.

When you screen people for a job, look at their job applications and have them come in for an interview. Get a list of personal references from them.

Then talk to the people you are thinking of hiring. Try to find out what they are really like. This is particularly important if the job they are expected to do involves dealing with people in situations in which first impressions are critical. Let them talk, and when you listen, consider how you would react as a customer.

Training the New People

Once you've hired someone, the training process begins. What kind of work should you give a new employee? You certainly should not give a new person the hardest work or most difficult customers. Start simple, and explain yourself clearly. Tell your employees what they need to do, show

them the ropes, and give advice when needed. Also, remember that you are the best teacher. Let your employees learn by watching you and the way you work.

Most people learn best by watching and by doing. This is often the most effective way of training people.

And Then the Ogre in You Comes Out...

Once you hire someone, you have to establish an employer-employee relationship. That's different than being friends, because you, and only you, are responsible for the success of your business.

If you hire someone who just can't do the job, then you have to be able to tell him or her. You can't be shy when it comes to giving employees a little advice and criticism to help them do a better job.

What are some employee problems you will have to deal with? You will have to deal with requests for raises, people quitting in the middle of your busiest times, and employees who are unreliable--always late or sick. Every employer deals with these problems differently. How you do it can make a big difference in how well your business does.

Communication Is the Key

Communication is nothing more than talking and listening. It shouldn't be much of a problem with just a few employees. But when you are overextended and have too much work to do, it's possible to forget how important daily communication is.

Many employers find it helpful to plan specific times to talk instead of leaving communication to chance. Some ideas are:

1. weekly meetings (gripe sessions);
2. a bulletin board; and

3. a simple note or word that tells the person "well done" (a little appreciation can go a long way!).

Summary

If you work alone in service business, then you are your own boss. If you hire people to work for you, then you become their boss as well. It is your responsibility to supervise and manage their work, and to give them training and words of advice when necessary. When the people who work for you feel good about their work, your business will run more smoothly and you'll get personal rewards as well.

Learning Activities

Individual Activities

1. The following statements are either true or false. In the blank before each statement, put T if the statement is true and F if it is false.
 - a. The owner of a service business should delegate the difficult responsibilities to employees and do what is left over.
 - b. People who work for small service businesses do not need to fill out job applications.
2. List some of the qualities you would look for in an employee for your service.
3. An owner of a bookkeeping service sent a job description to a local college and the State Employment Agency. Name two other places to which she could have sent it.
4. List three negative qualities in a job applicant that could show up in a personal interview but not on an application form.

Discussion Questions

1. One of your employees has just asked for a raise. Her work has been good, but it has not been outstanding. What would you do?
2. How is being your own boss different from being an employer? Describe some of the responsibilities and concerns of a one-person business owner. Compare them with the responsibilities and concerns of someone who employs other people.

3. You have just interviewed a person you are thinking of hiring to work with you. Your impression is that he is well qualified for the job. However, one of his references tells you that he is not very reliable. He often comes in late and calls in sick. What should you do?

Group Activity

How would you fire someone? "Good-bye" is usually not enough. Many people have realized, after they have let someone go, that they created a lot of bad feelings when they didn't have to. Write a list of "dos" and "don'ts." Here are some questions to give you ideas.

What would you do about termination pay?

How much notice would you give?

Would you tell the person the real reasons why he or she was being fired?

UNIT 5

Keeping Track of Supplies and Schedules

Goal: To help you plan how to buy supplies and how to provide your service.

Objective 1: List two forms that help you buy and keep track of your inventory and describe how they're used.

Objective 2: List two forms that help you organize your work and employees, and describe how they're used.

THE FRAME-UP SHOP

A business under glass--that's frame making. More and more, people want to decorate their homes with paintings, pictures, photos, and diplomas. They are turning to frames to display them attractively.

The framing business is an ideal business for people like Carol Silverman who have an eye for color and proportion, a talent in graphic art, and an interest in people. After 10 years of teaching, Carol left San Francisco and moved into a small but growing community and opened the Frame-Up Shop. It was a big step, but it was in the direction she wanted to go.

In cities, a custom framing job costs over \$30.00. But the same job, if done by the customer (with assistance and loving guidance from Carol), costs only \$10.00. Most of that cost is for the materials. The basic materials are simple--frames, matte boards, glass, and backing cardboard. And, of course, cutting tools and a good supply of glue, hammers, and nails are also needed.

At first, Carol tried to keep track of her supplies by logging the materials in a sales book and marking items off as they were sold. But she was going crazy! The inventory changed almost every day! Sometimes the wood frames were bad, sometimes she cut the matte board wrong and had to throw it away, sometimes she checked off the wrong items. All of these things seemed to work against a systematic inventory control system.

"Now I keep charts by my desk. When the second to last sheet of board or wood frame is used, I simply make a note on the chart and order more from my suppliers that week. That way I know what comes in and what goes out and what my customers are buying. I also do a total count of what's in my store once a year. I place orders with my suppliers about once a week.

"My suppliers all know me. Good personal relations and service are the key words in choosing and keeping suppliers. But it's a two-way relationship. I have a good credit rating, and I pay my bills on time. In return, they're really up front with me and reliable."

Keeping Track of Supplies and Schedules

In some service businesses, like a frame shop or a photography studio, there is a product associated with the service that you provide--for example, a picture frame or photograph. When there is a product involved with the service, then you must be concerned about how to select, manage, and control your inventory. In other kinds of service businesses, like The Surrogate Wife, there are no products involved. What you are selling are services only. You will have no inventory worries, but you will have to learn how to organize your work. In this unit we will learn about inventory management and organizing the work.

Inventory

Inventory is the raw materials you need to have on hand to provide service to your customers. In a frame shop, your inventory needs are very simple. You will need a good supply of matte boards, frames (wooden and metal), and glass. The important thing is to plan ahead so you don't run out of anything. Disappointed customers are not likely to come back.

Here are some tips for buying inventory. You should buy: in the right quantity (but not too much that will take up too much space); of the right quality; at the best prices; and from reliable suppliers who will give you the best service and prompt delivery.

The Source of All Things

You will be buying your inventory from a supplier. When you find a supplier for your service business, there are three basic things to consider: when the merchandise is to be shipped, how much time you have

before you pay the bill, and the amount you will have to pay. Look for special prices some suppliers offer if you pay them before a certain day and if you pay in cash.

You often will have to pay for the shipping of inventory from the supplier's warehouse to your store. Study shipping methods and rates to choose a method that won't be too expensive and will get the goods to you on time. You may consider delivery by trucks, the Postal Service, United Parcel Service, railway, or air express--but remember, you pay for these costs. It's easiest if you look for suppliers who are close to you. If the distance isn't too far, free delivery service may be included in the supplier's terms.

Delivery times will be different depending on the type of inventory you need, the shipping point, and the delivery method. Some deliveries will take only a few days. Others, especially imported items, may take weeks or months. You will have to plan your buying schedule carefully to avoid running out of inventory or having too much inventory taking up room in your office.

Keeping Track of Your Purchases

When you order merchandise from a supplier, you should keep careful records of what you have bought and when. This way you can check whether you get what you want when you want it. A purchase order is a way of keeping track of what you have ordered from your supplier, how much you have ordered, how much it will cost you, and the delivery method and due date. On the next page is a sample purchase order form. The form you use may be slightly different. The important thing is that you keep records of what you buy and the money you spend.

PURCHASE ORDER				
TO: _____		DATE: _____		
_____		PURCHASE ORDER NUMBER: _____		
_____		REQUIRED DELIVERY DATE: _____		
SHIP TO: _____		SHIP VIA: _____		
_____		_____		
_____		_____		
Quantity	Unit	Description	Unit Cost	Total Cost
TOTAL				
Signature _____				

Keeping Tight Reins on Your Inventory

Keeping track of your present inventory will help you plan for what you will need to buy in the future. You will be able to see which of your inventory items are fast-movers and need to be reordered. You will be able to see which ones are the slow-movers. You may not want to reorder these items.

One way to keep track of your inventory is to count your stock or to add up the numbers of items sold or used. Here is a sample form you can use. It may not exactly suit your needs. The important thing is to keep records of how much merchandise comes in and goes out. A good inventory control system will help your business run smoothly.

INVENTORY CARD					
Item _____					
Supplier _____					
Reorder Point _____			Reorder Amount _____		
AMOUNT RECEIVED		AMOUNT SOLD		AMOUNT REMAINING	
Date	Amount	Date	Amount	Date	Amount

Filling Out a Work Order Form

If you perform services for your customers that require several steps or several workers, you may want to take down the work orders in writing. Then you will have something to refer to when you are doing the job or if there are questions after the work is done. The following form may be useful to you.

WORK ORDER					
FROM: _____		DATE: _____			
_____		WORK ORDER NUMBER: _____			
_____		ORDER TAKEN BY: _____			
JOB FOR: _____		START WORK ON: _____			
_____		TERMS OF PAYMENT: _____			
_____		_____			
Person Doing Work	Description of Work	Materials	Labor	Total Cost	
WORK STARTED: _____		TOTAL MATERIALS			
WORK FINISHED: _____		TOTAL LABOR			
		TAX			
		TOTAL COST			

Who's Going to Do It, and When?

If you work alone, you may not want to use a work schedule. Whenever you finish one job, you can just go on to the next job. But a work schedule comes in handy if you have other people working for you and you have a lot of jobs to do. A work schedule usually has a list of work days and the people you have working for you. Each time you get a job, you fill in the right squares. Here is what a work schedule chart can look like:

Work to Be Done	Special Requirements	Date Due	Completed On
Susan L.			
Bruce C.			
Laurie S.			

Summary

In this section you learned about keeping track of supplies and schedules. For some businesses an inventory is required. It is important to find reliable suppliers and keep track of your inventory. It is also important to be organized in your work so that you can give your customers reliable service. Filling out purchase order forms, inventory cards, work schedules, and work order forms are all ways of keeping on top of your work so that your business will be successful.

Learning Activities

Individual Activities

1. Consider the type of service business you would like to open. Will you need to invest in an inventory? If so, make a list of the types of inventory items you would include.
2. Check the Yellow Pages and list some of the suppliers you would contact to purchase your initial inventory.
3. List the reasons why some services complete customer work order forms. Why do many ask for a customer's signature on the form?
4. Match the business forms in Column 2 with their uses in Column 1.

_____ To record services requested by customers

_____ To request inventory from a supplier

_____ To figure out how much merchandise you have on hand

_____ To organize several jobs and several employees

a. Purchase Order

b. Inventory Card

c. Work Order Form

d. Work Schedule

e. Sales Slip

Discussion Questions

1. Brainstorm a list of service businesses that sell products as well as perform services and that would require an inventory. Brainstorm a second list of service businesses that require no inventory.

2. What are some of the things to consider in deciding how much inventory you need to open a Frame-Up Shop? Do these same concerns apply to other service businesses? Why or why not?
3. The frame shop owner counts all inventory and fills out inventory cards at the end of each week for all items sold and used. What are the advantages and disadvantages of this inventory control system? What other systems could be used to keep track of inventory?
4. List the advantages of organizing your employees and filling out a work schedule. What kinds of things could happen to throw this schedule off?

Group Activity

Part of your job as the owner of a service business will be to do many of the following things in a day. As a group, see if you can estimate the amount of time you would need to spend on each of them:

- writing out the weekly payroll checks for four employees;
- calling the Yellow Pages ad consultant about redesigning your ad;
- dealing with an angry customer who is not satisfied with your service;
- meeting with a tax consultant about getting a better tax break; and
- reading the morning mail--three bills, two letters, and six pieces of junk mail

If all these needs came up in one day, how much time would you have left over for doing business? If you were completely swamped with work, which of these tasks could be put off for another day?

UNIT 6

Setting Prices

Goal: To help you set prices for your service business.

Objective 1: List three things to consider in setting prices for your service.

Objective 2: Set prices for your service after being given certain "facts."

LUXURY RIDES TO PROFIT

Christney Ozawa found a way to mingle with the wealthy and make money at the same time--by starting a limousine service.

The limousine service is booming! "About half of my customers are businesspeople or entertainers, or are very rich. But the other half are just ordinary people like you and me. A lot of times they hire the limo for something special--a prom, an anniversary, or just for kicks. Are they impressed when I get out dressed in my uniform and run around to open doors for them. They really don't expect a woman chauffeur!"

Christney leased her first limousine for \$425 a month. As her business grew, she hired other drivers to help her--all women. She checked with the state drivers' licensing agency and found that most limousine companies paid their drivers between \$4.50 and \$5.50 an hour. Christney went for the best and paid her drivers \$7.25 an hour. And the tips from passengers often double this basic salary!

How much should be charged for a limousine service? Christney found that the average price for a limousine service was \$29 an hour, but it sometimes went as high as \$50 an hour. There was the ever increasing cost of gas to consider, as well as the charge for the driver's travel time to and from the passenger. In addition, there were the basic operating costs for mechanics, office space, and garage space. She also had to consider the cost of a telephone answering service to pick up incoming calls and make passenger arrangements.

Christney's prices for renting a chauffeur-driven limousine for a special occasion are higher than her competition's--about \$35 per hour for a minimum of two hours--but people come to her because she is reliable and because people "get a real kick out of sitting in the back of a limo being driven by a woman chauffeur, of all people!"

Setting Prices

Business owners go about setting prices for their service businesses differently. Pricing is basically a matter of striking a balance. You want to make enough money to see that your costs are covered, that you are matching your competition, and that you can stay in business and still go to a movie once in a while.

These are the four most important questions to ask in setting your prices.

1. What are people willing to pay for your services?
2. What is your "break even" point to cover your expenses?
3. How much profit do you want to make?
4. What is your competition charging?

What People Are Willing to Pay

In most businesses there is usually a "going rate." It is the average price your competitors charge for the same service. If you want to learn what the going rate is for your business, just call your competition in the area and ask what those businesses charge. This is one of the things Christney did when she was deciding what her prices would be.

If your business is home-based, your expenses will be less because you won't be renting office space. You may be able to afford to charge less for your services. If you need to invest in equipment, supplies, or facilities, then your rates will have to go up. All these things affect the prices you set for your services.

The Break-Even Point

Service businesses may charge by the hour or may charge a set price for their services. There is no tried and true rule to follow. It depends on the type of business you're in. The key here is to charge enough to cover labor, expenses, and profit.

You can find out how much it costs per hour to run your business by keeping records of all your spending and income for a month. On paper figure out:

1. Your investment in time: Labor is one of the biggest expenses for service businesses. Try to find out what your time is worth per hour for each kind of task.* Include this as part of your price.
2. Your expenses: Even if you work from your home, you should count rent, electricity, and heat as part of your costs. Include costs for office supplies, phone, gasoline, etc. If you use an answering or bookkeeping service, you should also include these costs.

When you get the total of your monthly expenses, divide by 168 hours in a month (if you work full-time). (This equals 8 working hours/day times 21 days, the standard number of working days in a month.) That becomes your hourly expense.

Then add a certain amount to this cost to allow for:

3. Profit: Find out what percent profit other services like yours make. Add a similar amount onto your price.

Things That Make Prices Go Up

You can charge higher prices if you think the price you settled on won't last long. If the state of the economy is such that expenses are constantly going up, you should consider adding more now to your prices

so that you won't have to keep on raising prices (and upsetting customers) later.

You can charge higher prices if your service is unique--for example, if you are the only all-women limousine service in the area. You can charge higher prices if you provide more services than your competition. This is because you will probably have to put in more time and effort in order to get the job done.

You can also charge higher prices if your operating expenses go up. For example, Christney takes into consideration the rising costs of gas and auto repairs. As these prices go up, so do her prices to her customers.

Things That Make Prices Go Down

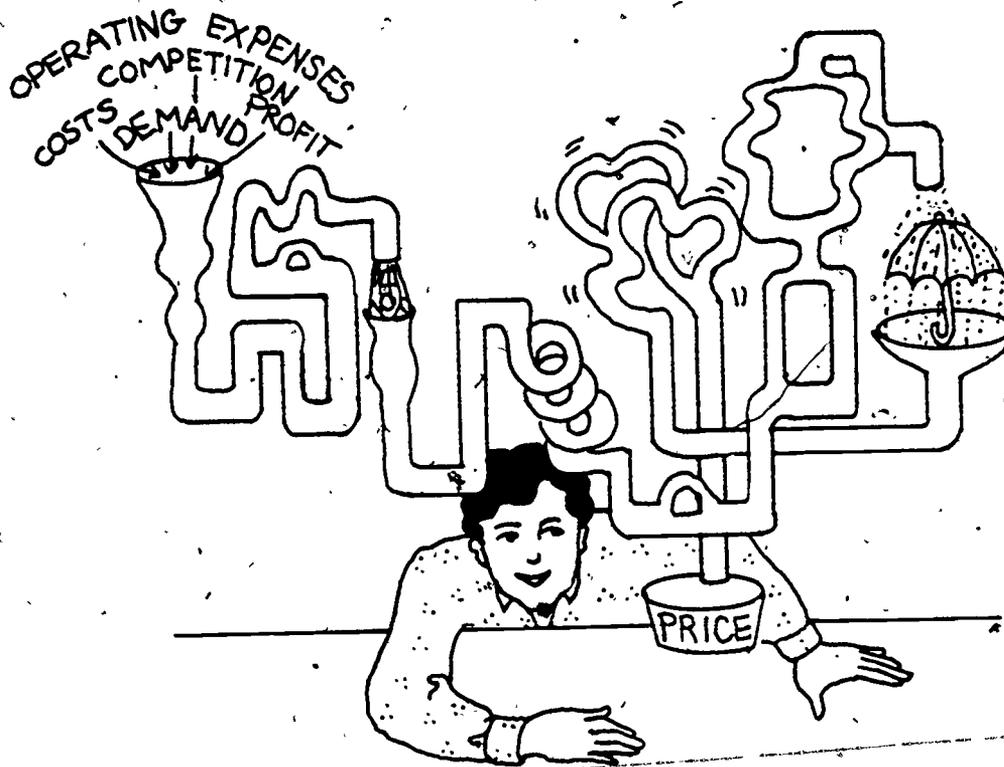
You may consider charging a lower price than you calculated if there are many services like yours in the area. You will be using your lower prices to attract and bring in customers.

You can charge less if you decide you don't want your business to expand at a fast rate. If you like things the way they are and a large profit is not absolutely essential for you, you may lower your prices.

If you enjoy working with a particular kind of customer, you might charge less to get the client to try your service. For example, Christney will give hotels and certain corporations a special deal on limousine service in order to get and keep these customers.

You may lower your prices if you are able to cut your operating expenses or if you can figure out a more efficient way of providing your service. When Christney added her own mechanic to her staff to do all the regular maintenance on her limousines, her maintenance and car repair costs went down--and so did her prices.

Here is a picture of the factors you must consider when setting prices.



Summary

Pricing is mostly a matter of finding the right balance between costs, your competition's prices, and desired profits. There are many factors to take into account when you are setting prices. You will lose your customers if your prices are too high. On the other hand, if your prices are too low, you may not be able to stay in business long. Setting prices is a very delicate part of a successful service business.

Learning Activities

Individual Activities

1. What does the term "break-even" point mean?
2. Describe two situations in which you might consider reducing the selling price of your services. Why?
3. Name as many reasons as you can for raising your prices.

Discussion Questions

1. List and discuss the expenses a service business owner might have that will affect his or her profits.
2. Take a good look at all the factors Christney thought about when she was deciding on prices for her limousine service. Can you think of any other facts she should have included? Think about a service business you would like to open. List all the things you should find out and take into consideration in deciding what prices to charge.

Group Activity

As a group, choose a service that you or your family purchases regularly. Or you can choose a service that you perform as a part-time job. Examples include gardening, babysitting, and dry cleaning. Make a list of the prices charged by different individuals or businesses for the same service. Compare these figures and make a list of reasons why they are different. Here are some things to consider:

- customers;
- type of equipment and facilities; and
- additional or "extra" services.

UNIT 7

Advertising and Selling

Goal: To help you learn ways to advertise your business and bring customers in.

Objective 1: List some of the ways you can effectively advertise your service.

Objective 2: Design a printed ad for your service.

PROMISING PROFILES

Promising Profiles is a new development in the electronic and computer matchmaking service business. Promising Profiles is not a "dating service;" it is a singles' organization that uses the most advanced form of communication available today--television. Each member has a photograph, a brief biography, and a videotape interview on file. Members may look at the files of other members and arrange a meeting. The result--instant friendships!

Three years ago Eduardo Solis was living in Los Angeles. He was having a hard time meeting people he liked. He found himself seated before a video machine at the L.A. Promising Profiles Office. Eduardo saw and later met Marcella; within a year they were married. They were so convinced of the value of Promising Profiles that they worked out an agreement to set up an extension office--a franchise of Promising Profiles in northern California.

It cost a lot of money to get into the business, more than they had expected. So they decided to cut a few corners. Instead of locating themselves in a San Francisco mall area, they rented a small space in a business office in a smaller, industrial city. Instead of placing a large graphic advertisement in the Yellow Pages, they simply listed the business' name, address, and phone number under the Dating Services listing. And so on...

Eduardo and Marcella made some mistakes starting out, especially in under-advertising. But because they had opened a franchised business that already had a good reputation and a lot of publicity behind it, they succeeded. Within a year they had grown enough to move into a larger office within the same building. They are now planning to move Promising Profiles into a more urban setting with easy freeway access to many of the larger cities and towns in the area. And now they run a large graphic ad with illustration and copy in the Yellow Pages.

Their services have also grown and expanded. Now, not only does Promising Profiles offer video viewing, but it's started organizing rafting trips, travel adventures, picnics, baseball games, and dances for their members. Their hard work has paid off. Promising Profiles has a membership of over 12,000 people and is a growing business.

Advertising and Selling

Every service business needs clients. Until you have a number of steady customers, you need to spend a lot of time, energy, and money just getting the word out.

Advertising is very important in attracting customers. Advertising is a quick and efficient way of telling people why they need your service and why they should come to you instead of going to one of your competitors. Of course, the very best form of advertising is word-of-mouth. But people will start talking about you and referring friends only after your business and your reputation are established. So, first things first--how are you going to advertise your business?

What Kind? Where?

What are the most effective ways of advertising your service? Like any other business, you have to advertise where the action is. Take a good look at yourself, your business, and your customers. Then ask yourself these questions.

What kind of service do I sell?

How is my service different from my competition's?

Who are my customers, and what are their tastes?

Where do they live, and what media will reach them?

Here are a few ways you can advertise your service:

- an ad in the Yellow Pages;
- direct mailing to your customer;
- a letter or flier on as many bulletin boards as you can find;
- small display advertisements and classified ads in local newspapers or shopping guides; and
- goodwill.

The Yellow Pages is one of the first places people will turn to find a product or a service. Eduardo and Marcella found that a two-line ad for Promising Profiles with just their name, address, and telephone number listed cost them \$30 a month. A larger ad would have attracted even more attention and would have helped Promising Profiles stand out from its competition.

What's the most important information to put in your ad? For many service businesses, a phone number is more important than the address.

Your ad should also tell people:

- who you are;
- where you are located;
- what services you provide;
- what hours you are available; and
- why someone would want to choose your service.

The ad must be eye-catching and honest. Many businesses know that being near the beginning of the list is also a plus. Think of a name that begins with A or B.

Many services are listed in more than one telephone book. The price of an ad in the Yellow Pages depends on how big your ad is and how big the city is. For example, Eduardo and Marcella found that a 2"x 3" ad in the local phone book would cost about \$300 a month.

Direct mail advertising is another way of advertising your services. Although this kind of advertising can do a large part of your selling job for you. The most effective direct mail advertising comes from having a good mailing list.

Developing a list of your customers is one of the keys to success in a service business. When customers use your service, be sure to get their names and addresses. Then, when you have a new product or an additional service to announce, you have a number of people you can contact who already know you and your work. This list is invaluable, since people who have already bought from you once will probably be interested in what you have to offer.

Bulletin boards are places set aside for fliers, notices, and business cards. Malls, print shops, copy shops, laundries, grocery stores, and universities are places where there are often bulletin boards. Other places you can check are beauty shops and barber shops, employment agencies, and other storefronts. If in doubt, always ask before posting your ad.

Remember that any printed advertising you use reflects your business. You should be careful to use only the finest quality paper, printing, and design. If your fliers and printed advertising look cheap and sloppy, your customers may have a poor impression of your service.

Classified ads in newspapers and shopping guides are often used by service businesses. Prices will vary, depending on the newspaper's circulation and the size of your ad. Although newspaper ads have relatively short lifespans, they reach a lot of people. And, given the number of people you reach, the cost is relatively inexpensive. Newspaper and shopping guide ads can be easily and quickly changed. You can also decide to place them in particular sections of the paper if you want to reach a more select audience.

Goodwill means getting people to feel good about your business and to think of you when someone asks who is good at doing a particular job. Everyone who uses goodwill to spread the word about his or her business does it differently. Goodwill refers to a wide range of special touches and community services that are not expected.

Sometimes it doesn't seem as if the effort that goes into goodwill brings any results, but it does. Your special touches will help people remember you when they are in need of your type of services.

Qualities of a Good Ad

We've described some of the different types of advertising and promotion you can do. Here are some tips you can use when you begin to work up your ads.

- Make your ads simple, informative and truthful, as well as attractive and imaginative.
- Make your ads easy to recognize. Give your ads a style of their own.
- Use illustrations and pictures to tell people about your business and the services you are selling.
- Show the benefit to the reader. Customers want to know, "What's in it for me?"
- When possible, give a price or range of prices. If prices are low, tell people why: because of sales, special events, promotional activities, etc.

Ads that call for prompt action are effective. Use terms your reader will understand. Get right to the point and make every word count. Distinctive action advertising will help bring customers in.

Summary

Whatever way you choose to advertise your service business, and your advertising campaign should be:

1. well planned;
2. distinctive; and
3. consistent with the image of your service business.

There are many ways to advertise and sell your business. Listing your business in the Yellow Pages is the most common method. Money spent on advertising is not wasted money. Advertising is a means to an end--a way of telling people about your business and selling your services.

Learning Activities

Individual Activities

1. List at least four qualities of an ad that gives it "selling punch."
2. Think about the service business you would like to open. Design an ad for the Yellow Pages. Include all the information that you would want to put into your ad. Even if your artwork is not perfect, draw a sketch to show your ideas.
3. Match the advertising medium on the right with the phrase best describing it;

___ Expensive but personal

___ Good for reaching people who are already in need of your service and looking to buy

___ Effectiveness is often indirect and not obvious

a. Newspaper

b. Yellow Pages

c. Direct Mail

d. Goodwill

4. Call the Yellow Pages advertising department of your local telephone company. Find out the various sizes and types of ads you can get and the price of each.

Discussion Questions

1. Read the section on goodwill. Choose a service business and, with your group, brainstorm ideas that would come under this heading to advertise your business.

2. Discuss the advantage of advertising special events and promotional activities as well as doing daily or monthly advertising.
3. Brainstorm and list examples of advertising techniques that can be used to tell people about a service business. Consider the following types of promotional techniques:
 - services;
 - demonstrations;
 - discounts; and
 - displays.

Group Activity

Look at several ads for the same type of service in the Yellow Pages. Which one do you like better, and why? Share your opinions with the class.

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your service business.

Objective 1: Fill out a sales receipt or a bill for a customer.

Objective 2: Fill out a daily cash sheet that records money coming in and going out of your business.

PEOPLE WHO LIKE PEOPLE:
FINDING THE RIGHT PERSON FOR THE JOB

It's hardly a new idea--people helping people find the best sources of goods and services. Some time ago Norman Sandler wanted someone to design his business cards in Boston, Massachusetts. The list of printers in the Yellow Pages was endless. There were names, but there were no personal recommendations or appraisals.

Norman started the Printer Referral Service (PRS), a telephone hotline that consumers could count on for reliable information about qualified printers and graphic artists. Printers and artists who want to be included in the referral service pay an annual fee of \$150 so the service can be free to the public. But before a company or business is added to the list, PRS thoroughly investigates its credentials and history. The annual fee entitles the listed member to be a participant in PRS's cooperative advertising plan. Each month the service features two or three different businesses in the newspapers and on radio and television.

Now 14 months after starting up, the job of answering 100 telephone calls each day occupies five employees. At present PRS has 340 members. In 1981, it collected \$39,000 in membership fees and spent \$30,000 on advertising. The service is run out of Sandler's house. Two of the five part-time employees work on a commission-only basis, bringing in and screening new service members. The other three employees are paid \$5.00 an hour for answering phones and for general office work. The business has gotten off to a good start.

Keeping Financial Records

Keeping financial records is a must for any service business. As a business owner, you must have a way to keep track of your income and expenses. Good recordkeeping will help you plan and manage your business well.

In this section you will learn how to bill your customers and how to use sales slips. You will also learn how to complete a daily cash sheet that records the money coming in and going out on a given day.

Collecting the Money

You should fill out a bill for every "charge" customer you serve. Then, you'll have a record of what you did for whom, how much money you've been paid, and how much the customer still owes you. Itemize all bills; that is write down the reason for every charge and a description of the service you gave.

Here is an example of a customer billing form.

CUSTOMER BILLING FORM				
Customer: _____				
Date	Description of Sale	Amount Charged	Payment Received	Balance Due

To Give or Not Give Credit: A Word of Warning about Credit Charge
Accounts

If you're just starting out in your business, you should probably think twice about opening your own charge accounts. To open and operate charge accounts in a small business requires a lot of work and effort. You will have to approve charge accounts for your customers and will be responsible for billing, bookkeeping, and collecting payments. However, until the time the customers pay their bills, you may find yourself dangerously short of ready cash.

To avoid these problems, some small service businesses honor major credit cards like Visa and Master Card. Credit card companies screen applicants, provide cards, and take responsibility for billing the customer. The major credit card companies "guarantee" payment of bills. This means the credit card company will pay the bill in full, whether or not the customer has paid the charges. This credit plan usually costs the business something to use. But in return for paying a percentage (usually 3%-4%) of charged sales to the credit card company, the business receives immediate repayment.

The obvious advantages of this credit system are that: (1) it is convenient service for the customer, (2) it reduces your risk of giving credit, and (3) your money is not tied up in debts and unpaid bills.

Easy Come, Easy Go--the Daily Cash Sheet

Hopefully, you will be receiving money every day that you are open. Some people will pay cash when they receive your service. Others will send you checks in the mail after they receive their bill. Keeping a daily record means that you'll know exactly what you receive in cash sales and in payments from past credit sales.

A daily cash sheet like this can be used to keep track of money coming into and going out of your business every day. It does not tell you about profits, however. The profit and loss statement does that (see Unit 9).

DAILY CASH SHEET			
<u>Cash Receipts</u>		<u>Cash Payments</u>	
Cash Sales	\$ _____	Salaries	\$ _____
Credit Sales	_____	Building Expenses	_____
		Equipment and Furniture	_____
		Inventory or Supplies	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	\$ _____	TOTAL CASH PAYMENTS	\$ _____

To fill out this form, add up all the money you took in that day: the checks, cash, and credit sales. Enter these figures on the left side of the form. Then look at the bills you paid out that day: for rent, for business supplies, gas, etc. List these and add them up on the right side.

You probably know that there is much more to keeping records than this. You also have to complete employee records, payrolls, income forms, and others. Keeping good records--rather than making your life harder--is supposed to make it easier.

Summary

Keeping good financial records is an important part of owning and operating a service business. Your bookkeeping system will be based on the sales slips and customer billing forms you complete. Keeping daily records of sales (money in) and operating expenses and bills (money out) will help you keep track of your cash and will help you plan for the success of your business.

Learning Activities

Individual Activities

1. Why should you be cautious about giving credit and opening charge accounts for first-time customers? What are the advantages and disadvantages of offering your customers credit?

2. Using this information, fill out the following daily cash sheet.

June 6

Cash Sales: Dr. Goldberg \$91
 Amy Johnson \$39
 Leo Roberts \$105

Payments: Sally Newcombe (rent) \$300
 Office Supplies \$125
 Telephone Company \$80
 Copy Shop \$50

DAILY CASH SHEET

<u>Cash Receipts</u>	<u>Cash Payments</u>
Cash Sales \$ _____	Salaries \$ _____
Credit Sales _____	Building Expenses _____
	Equipment and Furniture _____
	Inventory or Supplies _____
	Advertising _____
	Other _____
TOTAL CASH RECEIPTS \$ _____	TOTAL CASH PAYMENTS \$ _____

3. How are customer billing forms and sales slips similar? How are they different?

Discussion Questions

1. More and more people expect businesses to accept major credit cards. Some claim it is "easier" for them to write one check at the end of the month. Others say that they are "short of cash." Discuss the advantages and disadvantages of having lots of credit accounts.
2. Tight Tilly never offers credit. She wouldn't care if you were David Rockefeller. She claims that the added bookkeeping and the rotten accounts are not worth it. Loose Larry gives credit as if it were water. He says it makes people feel good about themselves and brings in a lot of business. Where do you fall? What would be the things you would look for in a person in deciding whether to offer him or her credit?
3. What kinds of records are kept by service businesses? Why should these be kept on a regular basis?

Group Activity

Pick a service business you are interested in. Suppose you are the owner. Write a short case study describing the financial activity that took place on a certain day in this business. For example, tell how much came in from Mr. Green in cash sales and how much Mrs. Peacock paid on her last month's bill. Also describe certain specific payments your service made that day. Then fill out a daily cash sheet.

UNIT 9

Keeping Your Business Successful

Goal: To help you learn how to keep your business "in the black."

Objective 1: Figure out the net profit, profit ratio, and expense ratio after being given a specific business situation.

Objective 2: Describe at least one way to increase profits in a business.

Objective 3: Suggest a way to change your business to increase sales.

SCOTT HAMILTON, PHOTOGRAPHER

Scott describes how he started his own photography studio. "When I finished college, I went to work in an ad agency in its business department. I didn't know a thing about cameras, and I really wasn't interested. I took some basic photography courses at the community college, and it began to fall in place--the design, the art, and everything else. But when I decided to go back to school and study design, my family decided I had finally gone bananas."

That was 10 years ago. Eight years ago Scott Hamilton opened his own photographic studio and lab in the garage behind his house. "At first I did some advertising. For instance, I sent out copies of my photos as postcards, with a short written message. But mostly I got jobs by taking my picture portfolio to agencies and publishing companies."

When Scott started his business, he did all the photo shootings and lab work (developing and printing) himself. The decision to hire an assistant to do the lab work was a major turning point in his business. Now his assistant develops and prints the film and worries about delivery schedules.

Many photographers open their own storefronts, but Scott was never tempted. "I love working at home, and I think my customers like it too. They can relax in the backyard, wander around, and do pretty much what they want. And besides, there's no extra rent, so my overhead is lower.

"I usually charge the market price for my work. You shouldn't undercharge, because that works against your reputation. But my prices will have to go up this year due to inflation and because the cost of film has gone up 25% to 75%. My expenses are higher, and I'll be passing this on to my customers. And I'm always upgrading my equipment. Photography is a very expensive business to get into. It's also a service. It's great work if you like working with people."

Keeping Your Business Successful

Every business owner wants to be financially successful. This is obvious. But how to be successful is not always obvious. In this unit you will learn how to judge whether your business is successful. If no one has called or visited you for two weeks, you know you're not doing very well. If this is the case, you may want to try to change your business practices to increase sales and show more profit.

Keeping Track of Profits

Profit is the reward for your hard work. When you add up all your income and expenses over the whole year, you will come up with a profit/loss (P/L) statement. A P/L statement will tell you your income and expenses, and how much profit you have made over the year.

A P/L statement includes this basic information:

- how much people paid you in cash and credit sales (revenues); and
- how much you paid out for goods sold to the customer and operating expenses.

What Is Net Profit?

It would be great if you could call all the money you made during the year profit. But this is not so. Net profit is the money left over after you've paid all your costs and expenses from what you took in. To find out how much profit your business made, you have to do some simple math.

Net profit = revenues - (cost of goods sold + expenses), or
"income - bills"

Figuring Out Your Profit and Expense Ratios

Let's assume you've made a lot of money during the year. Once you know your net profit, there are a few more math problems to do before you know how successful your business really is. You will want to know what percent of your business ended up as profit, and what percent went to expenses.

$$\text{Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenues}}$$

$$\text{Expense Ratio} = \frac{\text{Expenses}}{\text{Revenues}}$$

To get the information you need to compute profit and expense ratios, you should first complete a P/L statement. This is what a P/L statement looks like. Scott estimates that over two years his photography studio made and paid out the following amounts of money.

TWO-YEAR PROFIT/LOSS STATEMENT.		
	<u>Year 1</u>	<u>Year 2</u>
<u>Revenues</u>	\$90,000	\$100,000
<u>Cost of Goods Sold</u>	45,000	50,000
<u>Gross Profit</u>	\$45,000	\$ 50,000
<u>enses</u>		
Salaries	\$ 12,000	\$ 14,000
Building Expenses	2,000	2,500
Supplies	4,000	4,500
Advertising	2,000	2,500
Other	<u>10,000</u>	<u>\$ 10,500</u>
TOTAL	\$ 30,000	\$ 34,000
<u>Net Profit</u>	\$ 15,000	\$ 16,000

Here are some of the equations for figuring out Scott's profit and expense ratios for Years 1 and 2:

	<u>Year 1</u>	<u>Year 2</u>
Profit Ratio = $\frac{\text{Net Profit}}{\text{Revenues}}$	= $\frac{15,000}{90,000} = 17\%$;	$\frac{16,000}{100,000} = 16\%$
Expense Ratio = $\frac{\text{Expenses}}{\text{Revenues}}$	= $\frac{30,000}{90,000} = 33\%$;	$\frac{34,000}{100,000} = 34\%$

As you can see, Scott had more income and profits in Year 2 than in Year 1. However, the profit ratio in Year 2 went down a little. If he had had the same profit ratio as he did in Year 1, his profits would have been even better. What happened? Scott's expenses went up faster than his revenues in Year 2. In fact, in Year 2 every one of Scott's expenses increased! When the inflation rate of the economy is high, this is generally the case.

Profit and expense ratios vary with the type of business you have. Comparing these ratios from year to year in your own business, however, or with businesses of the same size and type will help you see how successful you are.

How to Raise Your Profits

There are four ways you can make your profits higher:

- increase your number of customers and sales;
- raise your prices;
- reduce your expenses; or
- expand your services.

Each one of these takes a lot of thinking and often means taking some risks.

Your profits may be low for any one of a number of reasons. You must find out why your sales are down before you can decide what to do.

Increasing your number of customers probably means more selling and more advertising. This is an example of spending more money in order to make more money. Take a look at how your customers learned about your service so you can put more energy and money in those areas of advertising that were most successful for you.

It would seem that raising prices would be the quickest and easiest way to raise your profits. But it's not always that easy. If you suddenly become more expensive than your competitors, you will find your customers dropping off.

Reducing your expenses is another way of increasing profits. To do this, you will have to look at each and every expense--particularly the big ones--and figure out where you can "cut corners" without lowering the quality of your service. When you start thinking about ways to lower your expenses, here are some questions you can ask.

1. If you are planning to hire new workers, can you hire them for less money without hurting the kind of quality service you are giving? Or, can your business do without those additional employees? Can you keep raises of your present workers down? (All of these are quite difficult to do if you want good employees.)
2. How much are you paying for supplies and equipment? Do you rent your equipment or do you own it? In the long run, would it be cheaper to own or rent your equipment?
3. Do you really need a big office or work space? Could you get by with a smaller space at a different location that would be less expensive to rent? Can you maintain your business as a home-based service?
4. Are your advertising methods cost effective? Are these efforts bringing in customers?
5. Is there any way you can cut down on gas/transportation, travel, and delivery costs?
6. If you hire an accountant or lawyer to assist you, is there any way you can do some of the bookkeeping and legal work yourself?
7. Are you wasting electricity or water?

Expanding Your Services

Many service businesses find that the best way to increase their profits is to offer new services. Find out what else your customers want, and then figure out what you can do.

In some businesses, like photography, one way of expanding your business is to specialize (cut down on the range of jobs you agree to take on). This way you can develop efficient ways of working and develop a unique reputation for a special kind of service.

Other businesses may decide not to specialize but just try to take on more jobs. Adding more convenient services for customers (like free pickup and delivery) is another way of expanding your business and giving the type of service that brings in customers.

Summary

You can calculate your business's profits and compare them year to year by recording your income and expenses on a profit/loss statement. To increase profits you can try to increase your sales, raise prices, or reduce your operating expenses.

Today, more than ever, price-conscious customers are buying carefully and holding back on spending until they find the right service, provided by the right person, at the right price. But an efficient and imaginative service business owner who is in touch with customers' needs and tastes can be successful. By maintaining a distinctive image and a reputation for quality service, a service business owner can usually attract customers who need someone to do that "something special" for them.

Learning Activities

Individual Activities

1. Define the terms net profit, profit ratio, and expense ratio. What do these figures mean in terms of the success of your business?
2. What are the advantages and disadvantages of raising your prices to increase your sales?
3. What are the advantages and disadvantages of lowering your prices to increase your sales?
4. Here is a P/L statement from a home-based answering service (with no workers except the owner). No goods are sold in this business, so no "cost of goods sold" is listed. Compute the total expenses (in dollars), net profit (in dollars), the profit ratio (in percent), and the expense ratio (in percent). The sum of the profit ratio and the expense ratio should be equal to 100%.

PROFIT/LOSS STATEMENT			
	19XX		
	\$	\$	%
<u>Revenues</u>			
Cash Sales	\$15,600		
Credit Sales	10,400		
TOTAL		\$26,000	100%
<u>Expenses</u>			
Equipment Rental	3,200		
Supplies	1,000		
Advertising	2,000		
Other	6,000		
TOTAL		_____	_____
<u>Net Profit</u>		_____	_____

5. Name two ways to reduce expenses--or keep them from growing too rapidly.

Discussion Questions

1. Many service business owners don't want to "go big." They don't want to take on more customers; they don't want to hire more people. Can you give some reasons for this?
2. List as many reasons as you can why sales and profit in a service business might decline.

Group Activity

As a class, write down a list of at least 30 different activities that you would have to do if you were an owner of a service business. Here are some examples to get you started.

- Call the telephone company to get hooked up
- Check out several places for the best location
- Interview people to hire
- Order paper and supplies

After you have your list, see how you feel about doing them. Give yourself 3 points if you would enjoy doing that activity, 2 points if you wouldn't mind doing it, 1 point if you would do it, but wouldn't like it, and 0 if you wouldn't do it, no matter what!

There are no "correct" answers. And the person with the most points doesn't "win." It is an exercise for you to see if owning and operating a service business might be for you.

SUMMARY

This module has been about owning a service business. People with training in various types of services can start businesses to provide these services to businesses or to private individuals.

To start a small business, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what kind of service to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if your target customers would come to you. Then you have to get money to start. This means showing a banker that your idea is a good one.

Being in charge means hiring good workers and training them to do a good job. You should keep track of inventory so you can buy quality products in the right quantity at the best price.

Setting prices means figuring out the lowest price you can charge and also the highest price. To do this you need information on your expenses and on your competition's prices.

Advertising and selling are the ways you get customers. Your business can sponsor civic activities, such as a local charity, to promote your business image. These are all important ways to help your business succeed.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

In order to own and operate a successful service business, you need training in the service you are offering, work experience, and the special business management skills we have covered in this module. If you have not had vocational courses in the service you are interested in, you should take some before deciding to own a business of this type. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning a service business. However, you will have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own service business.

QUIZ

1. Which statement is most true?
 - a. Service businesses usually take a lot of money to start.
 - b. Service businesses focus on selling products to customers.
 - c. Service businesses are often small, independently owned businesses that are run out of the home.
 - d. Service businesses are so specialized that there is usually little or no competition.

2. Which of the following is probably the most important for being successful in a service business?
 - a. Having a good-looking office
 - b. Charging the lowest prices in town
 - c. Providing a service that is totally unique
 - d. Giving quality service and personal attention

3. Which one of the following statements is false?
 - a. Zoning restrictions exist to protect the community and your neighbors.
 - b. If you open an office, you may be required to get a use of occupancy certificate.
 - c. Since service businesses are small, no business licenses are needed.

4. When you choose a location for your service business, you should consider first of all
 - a. where your customers live.
 - b. where the deluxe offices can be found.
 - c. where your supplies are located.

5. The best location for a service business
 - a. is one that is highly visible from the street.
 - b. will include office space as well as additional work space.
 - c. depends on the type of service business you open.

6. Which of the following would be a good place for a service business?
 - a. A small farm town
 - b. An industrial park
 - c. An urban park
 - d. Anywhere your services are needed

7. Which of the following do you need to include in the business plan you write to start your business?
 - a. How much money you made last year
 - b. What your last job was
 - c. How you will advertise

8. Which of the following would you need to include in your statement of financial need?
 - a. How much you made on your last job
 - b. How much money you can invest in your business
 - c. How much your parents make

9. Which information would you need to include on a job description?
 - a. Salary, benefits, and hours
 - b. Personality type, age, and sex of the person wanted
 - c. Directions to the office

10. The following people applied for a job in your grocery shopping and delivery service. On the basis of these notes, which person is the least desirable as an employee?

- a. Thelma Hutton--three years' experience in sales, attractive appearance and good listener, but history of illness
- b. David Mower--one year's clerical experience, good first impression, but a little nervous
- c. Clarence Minor--previous experience as a shipping clerk, messy appearance, lost his driver's license for a year
- d. Susan Barkov--recent-high school graduate, no work experience, but outgoing and lively, is willing to learn

11. List three types of information needed on a purchase order form:

- a.
- b.
- c.

12. List three factors you should consider when setting prices for your service business.

- a.
- b.
- c.

13. Which of the following would be counted as one of your expenses?

- a. The bills that customers haven't paid
- b. The cost of your office supplies
- c. A much-needed vacation for you

14. List four ways of advertising your service business.
- a.
 - b.
 - c.
 - d.
15. The most important part of a printed ad is
- a. the name and address of the business.
 - b. the illustration.
 - c. the prices.
 - d. the reason this service is better than its competition.
16. When billing a customer, it is a good idea to
- a. write down only the total amount due.
 - b. write down a complete list of all the different charges.
 - c. give the customer his or her bill by phone.
17. Which of the following information does a daily cash sheet include?
- a. Cash sales and payments
 - b. Cash sales, payments, and profits
 - c. Cash sales, payments, and debts
 - d. Cash sales, payment, profits, and debts.
18. A service business has yearly sales of \$150,000 and total expenses of \$120,000. (No goods are sold.) Compute the following:
- a. Net profit = \$ _____
 - b. Profit ratio = _____ %
 - c. Expense ratio = _____ %

19. Which statement is false?

- a. Raising your revenues is one way to increase your profits.
- b. Raising your prices is one way to increase your profits.
- c. Raising your expenses is one way to increase your profits.

20. List two things you can do in a service business to increase revenues.

- a.
- b.

PROJECT PRODUCTS

Entrepreneurship Training Components

<u>Vocational Discipline</u>	<u>Module Number and Title</u>
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
	Marketing and Distribution
Module 8 - Specialty Food Store	
Module 9 - Travel Agency	
Module 10 - Bicycle Store	
Module 11 - Flower and Plant Store	
Module 12 - Business and Personal Service	
Module 13 - Innkeeping	
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spá
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide Existing Entrepreneurship Materials
 Handbook on Utilization of the Entrepreneurship Training Components