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ABSTRACT

This module on owning and operating a word processing 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 (kinds of service; competition; skills; experience; personal qualities; legal requirements); choosing a location (locations to avoid); getting money to start (business description; statement of financial need); being in charge (job descriptions; hiring and training staff); organizing the work (work order forms; work schedules; reference library); setting prices (competition; things that affect prices); advertising and selling (things to consider; types of ads); keeping financial records (how to bill; daily cash sheet); and keeping your business successful (profit/loss statements; profit ratio; how to change the profit ratio). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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Entrepreneurship Training Components

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GETTING DOWN TO BUSINESS:

Word Processing Service

Module 21

U.S. DEPARTMENT OF EDUCATION

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GETTING DOWN TO BUSINESS:

Word Processing Service

Norma Shapiro

May 1981

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INTRODUCTION

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

Have you ever thought about starting your own word processing service?

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

You will read about

- planning a word processing service
- choosing a location
- getting money to start
- being in charge
- organizing the work
- 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 word processing service owners do.

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

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

When you finish this module, you might want to read

- Module 17, Getting Down to Business: Answering Service;
- Module 18, Getting Down to Business: Secretarial Service.

These modules are related to other business and office programs.

UNIT 1

Planning a Word Processing Service

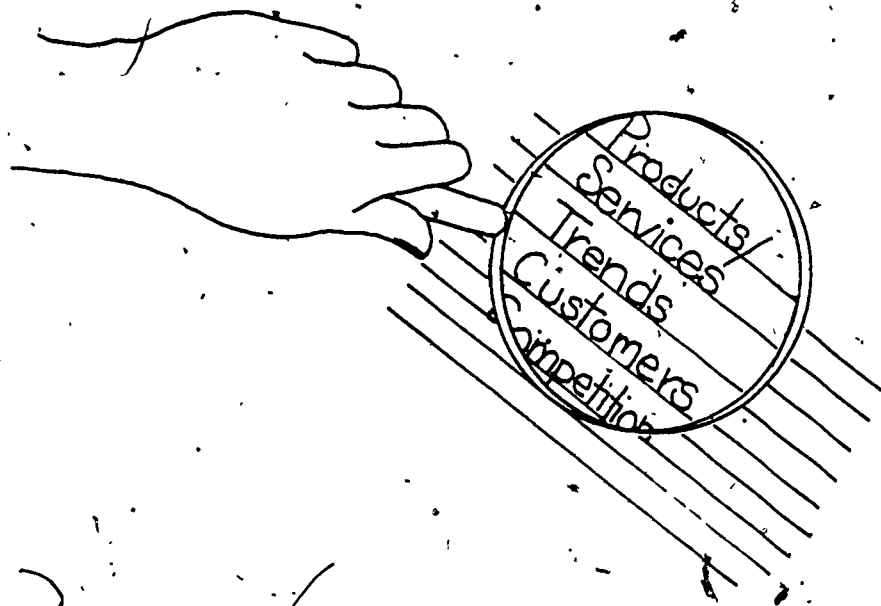
Goal: To help you plan your word processing service.

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

Objective 2: List three personal qualities a word processing service owner might have.

Objective 3: List three ways to give good service.

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



THE FIRST DECISION

Almost everyone who opens up a word processing service was at one time a typist or a secretary. Perhaps he or she worked in a large office and became office manager of several typists or secretaries. When the company installed word processing equipment, this person was chosen to supervise all the word processing work. He or she got a steady paycheck, had mostly regular hours, and received the wonderful benefits of vacation time, sick leave, and perhaps even profit sharing. What makes someone decide to give this all up to go through the problems and hassles of starting his or her own business?

Alan Chow was one person who did it. Smart Word Processing Service was his answer to the daily grind of working for someone else. He opened Smart Word Processing Service after being the word processing specialist for a large drug company for five years. He helped bring in its first equipment, managed its word production center, and then decided it was time to move on. This is what he says about his decision.

"The people at my office thought I was crazy to leave such a secure job. They told me I had worked hard getting to where I was--why would I want to give it all up? But there was a point when all I was doing was looking at the clock and counting the days until vacation. The moment I decided to open Smart Word Processing Service, I stopped being bored.

"Also, at my old job I was just helping one company, one group of people. I knew that if I started my own service, I would meet lots of different types of people and do lots of different jobs. It wouldn't be the same old reports, the same forms all the time.

"You know, a lot of times I would have these ideas about how things could be done better, more efficiently. I would go to my boss; then he would have to check with his boss; then they would have to run it through the accounting office. It would be weeks before I would see the results of my thinking. Now I do all the figuring--I am the accounting office. I get to try things out right away."

Planning a Word Processing 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 whole family works together in a small business.

What Is A Word Processing Service?

You may have an idea of what word processing is. A word processor is a typewriter that can "think." When you type on a word processor, the words are stored in the processor's memory. You can change words or whole paragraphs before the typewriter prints your copy. By pressing coding keys you can tell the typewriter to change the spacing, change paragraphs, center, or backspace. And the typewriter can "remember" exactly what your changes are.

A word processing service is an independent business that uses word processors to type, edit, produce, record, and file paperwork that its customers want to have done.

What Kind of Service Will You Provide?

Since word processing is a new field, what a word processing service can do is always changing as people work with it. Here are typical services.

- Typing and producing in final form: letters, medical and legal documents, books, newsletters, catalogues and directories, mailing lists, manuals, proposals, financial statements, business forms, and research reports.

- Automatic typing: typing several originals of the same letter with different addresses.

And most word processing services also offer the following.

- Tape transcribing: typing letters, speeches, etc. from tape recordings.
- Mailing list maintenance: keeping mailing lists updated through a word processor.
- Xerox copying.

Who Will Come to You? Is There Room for You?

If you're good, businesses and individuals using your service will be as varied as the Yellow Pages. Many successful word processing services have contracts with large fund-raising firms, research firms, hospitals, and universities.

Obviously, other word processing services will be your competition. But you will also have to look at secretarial and home typing services that do not have word processors. Since a word processor can do mailing lists, direct mailing services may be competition also. Other businesses that indirectly compete for the same clients are temporary secretarial employment agencies.

Crystal Balling It--How Rosy Is the Future?

Just how many people out there need you? The U.S. Department of Labor predicts that by 1985, businesses will face a shortage of 250,000 secretaries. Fewer and fewer people are choosing to be secretaries. This means more business for you.

Also, the United States is more and more "record-conscious." Many businesses find it cheaper to hire a service than pay a secretary a high salary, vacation time, sick-leave pay, and medical benefits. Besides all that, a secretary cannot do everything on his or her typewriter that you

can do on your word processor. And many small businesses cannot afford their own word processors.

Skills, Experience, and Personal Qualities

You must know how to use a word processor, use the English language well, and run a small business. You can get experience by working as a word processing specialist for someone else. You should have this experience before you go into business for yourself. You can't afford to train yourself with your clients. Many word processing services begin as secretarial services. As they become more successful and have more clients, they buy a word processor. As the business grows, so do the kinds of services they can offer.

The best way to find out if you would like being the owner of a small business and if a word processing service is the business you would like to own is to talk to people who have started one.

What Matters Most—Good Service

Your best advertising and most important product is your service. According to many word processor service owners, people will go out of their way to use you and will pay higher rates for you if you give good service!

You have to be letter perfect. When people pay for a training manual that will go out to 4,000 employees or for a product newsletter that will reach 10,000 potential customers, they do not want mistakes on it.

You have to deliver on time. All people want their work ready "yesterday." So what if you just got it today? Most people would like to have you stop doing everything else and get to their work right away. You have to be realistic and tell people what time they can expect their work. And then you must have it ready when you said you would. (Some

word processing services hire people from temporary employment agencies when they have too much work to do.)

You have to be nice about it. Even if your work is perfect and done on time, if you act as if you did customers a big favor by doing their work, they aren't going to come back to you. You don't have to tell someone how rotten his or her handwriting is. Mistakes should be corrected at no charge. All this is part of getting people to come back.

You have to be professional. Many of your clients will expect "professional" service. You will have lawyers and doctors who expect complete confidentiality. They will want their documents locked up. They will not want to come to your office and hear your word processing specialists sharing information about the clients who come in. They won't want to see their work lying around where all who walk in could read it.

Legal Requirements

There are no special legal requirements for owning a word processing service, but as a business owner, there are forms you have to complete and licenses to get. Some cities require businesses to have a license before they can get started. If you decide to open an office, some cities require a "use of occupancy certificate." To get this, you must have a health and safety inspection and pay around \$10. You may have to file a "fictitious name statement" with the county. If the name of your business does not have your name in it, this is a statement telling the government who the owner is.

Beware of the sales tax requirement. If you type a letter for someone on a typewriter, you are selling that person a service and you do not have to pay sales tax. If you type a letter on a word processor, store it for them, and perhaps make several copies, you are selling that person a product, and the person must pay sales tax!

Summary

A word processing service is a small business that uses "intelligent" typewriters and other machines to type, edit, produce, record, and file different kinds of paperwork for other businesses. There will be a great need for good word processing services in the future because of the large amount of paperwork to be done and the lack of people who want to be secretaries. To give good service you have to be letter perfect, deliver on time, and be nice to your clients. Legal requirements for your business vary, so you will need to know what is required in your area.

Learning Activities

Individual Activities

1. Which services is a word processing service likely to provide?
 - a. Typing manuscripts for a playwright
 - b. Producing a financial report for a stock brokerage firm.
 - c. Sending out direct mail for a shoe store
 - d. Computing a tax statement for a dentist
2. Name two skills you would have to learn to open a word processing service.
3. How is being an owner of a word processing service different from being a secretary?
4. Name two ways to get word processing experience before you open your own business.

Discussion Questions

1. Alan Chow has lots of reasons for liking having his own word processing service. What are some reasons for not liking it?
2. Some word processing services offer pickup and delivery service as a way to get people to try them. What other conveniences can you think of that would attract clients to use you?
3. Most owners of a word processing service are women. Do you think this is a disadvantage or an advantage to a man wanting to open a word processing service?

Group Activity

Invite the owner of a word processing service to come to speak to your class. What questions would you like him or her to answer? List at least 15 questions that would help you decide if this business were for you. These topics may help your thinking: getting started; money; best times; hard times; hiring people; running the service; and advice.

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 word processing service from three locations.

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



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° HOW TO FIND YOUR SPOT

Alan remembers how he chose his office.

"I guess you could say that there are basically two decisions to make when you think about where you're going to open your business--first, which city? And then--where in that city?

"Well, which city wasn't a very big decision for me. I've always lived here, and unless there's a natural disaster, I always will. Maybe I can say that because I knew I could open my word processing service here. There is a small college close by. There are lots of banks and lots of small businesses. And then we have the drug companies here too.

"My first office was too small. All I had then was just a selectric typewriter and one mag-card typewriter. Well, things just exploded. I added copying machines and direct line dictation so people could give their dictation over the telephone and it would be recorded. I was doing a lot of direct mail and needed a large room just for that. 20,000 envelopes take up a lot of space! I added three other word processing stations, one with a video screen. Offices are measured by square feet, and I needed about 1500.

"At first, until you're well known, you need to be convenient. Later, when you're good, it doesn't matter where you're located. I work for people over 100 miles away. But when you start out, you need to be near the businesses that you're serving. There are also the three Ps:

Parking - Post Office - Print Shop

Your clients will want these to be convenient. It saves their time and gas, and maybe yours, if the post office and copy shop are near your place of business."

Choosing a Location

You Come First

You can start a word processing service in almost every kind of city. But the city you choose must fit your personal requirements. You have to think about weather, family, friends, housing, and recreational facilities first. 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 word processing service--just having people who need you.

Many times you have to be a detective to find out if a particular city will be a good location for you. Here are some ideas.

1. Check the local want ads. See if there are a lot of businesses looking for clerk typists, secretaries, and administrative assistants. If people need a secretary or typist, they could use you.
2. Check out the temporary employment agencies in the area. If the temporary employment agencies are doing well, it means the businesses cannot handle their own paperwork. This is another clue that you would find customers.
3. Check out the other secretarial and word processing services in the area. Can you tell if they've been expanding or seem overworked?
4. Look at the types of businesses in the area. Certain businesses are "paper freaks." Insurance companies, research firms, banks, stock brokers, and particularly colleges and universities all generate a lot of paper. Don't overlook small businesses and

services. These people can't afford full-scale word processing equipment but still have many uses for a good word processing service.

5. You can also attract large companies since you are able to handle the types of documents that they produce. Are there government agencies in your area? insurance companies, electronic equipment manufacturers, or chemical companies? research firms, schools, or universities? You can call them and ask them how they are handling their paper work. You can ask if they use outside services or have their own word processor.
6. Talk to other people in the area. Talk to the people who will be your "neighbors." What do they think your chance of success is?
7. Go to the Chamber of Commerce. It has a list of businesses in your community. See what information you can get by talking with successful business people.

Locations to Avoid

1. Don't locate in a place with so many secretarial and word processing services that the competition would be too great.
2. Avoid communities that are so small (less than 20,000 people) that you may have some very slow times.

Where in That City?

You need to be close to the people who are going to use your services. Where is the business district or the university? That's where you should be.

You'll need an office. If you're just starting out, it can be small, but you should have some "growing room." Two hundred square feet will be enough. Once you become successful, you will need more space for personnel, extra equipment, and filing systems that you keep.

You'll need available parking. Having a few spaces in front that are usually taken is not adequate. If your customers are frustrated looking for parking, they will blame you, even though you don't deserve it.

A copy service nearby (within a block) is another plus you can look for. Lots of people will want several copies of what you do. If you have a copy service nearby, you can offer to have it copied for them without wasting much of your time.

Having a post office close by is also a big advantage. Then you can offer mailing service.

A ground floor location is good if you can afford it. Being very visible to street traffic is not essential, but it does bring in some customers.

Here is another list of things to think about:

- street conditions--lighting and pavement conditions;
- other buildings--how they look, whom they attract; and
- insurance rates for the area--affected by the crime rate, etc.

How important is location? Most people will tell you that choosing a location for any business is probably the most important decision you have to make. Look at a lot of offices. When you've narrowed down the field to a few choices; hang out near them for several hours on a couple of different days. You'll get an idea of whether that location is for you.

Summary

1. When choosing a location, you have to think about three different factors--personal preferences, the city, and an office within that city.

2. You should check out the competition in the area--for example, the other word processing services nearby. You should also look at the types of businesses that might be your customers.
3. You should avoid places where there is great competition and very small communities (less than 20,000 population).
4. You will need an office near the business district or university, if possible.
5. Other things to look for are available parking, a copy service, and the post office.
6. A good location is essential. Once you have made a tentative choice, spend more time checking it out.

Learning Activities

Individual Activities

1. When choosing a location for your word processing service, what should you look for?
 - a. A bus or subway line
 - b. A business district or university,
 - c. A shopping center
2. Why is checking the want ads a good way to find out if a particular community would be a good place for your word processing service?
3. Name some types of businesses that use a lot of paper.
4. What population would you need to support a word processing service?
 - a. At least 3,000
 - b. At least 10,000
 - c. At least 20,000

Discussion Questions

1. Choose three cities that are close to your school. Answer these questions about those cities.
 - a. How many people live there?
 - b. How many secretarial and word processing services does each one have?
 - c. Is the area growing? How can you tell?
 - d. Are there many small service businesses in these cities that would use a word processing service?

2. Based on what you found out, which city in your area would be the best one? If none of them is very good, can you suggest another city you know about?
3. Because of the high price of gasoline and the high numbers of mothers who want or need to earn money, many people are looking at having a small business that operates out of their home. Do you think a word processing service would be a good business to run out of your home? Make a list of the advantages and disadvantages you would have to consider.

Group Activity

Here is a list of factors to think about when choosing a city. Rate them in order of importance (from 1-10). There is no "correct" answer. Discuss with the class the reasons for your rating. Try to come up with a class rating.

- a. Number of word processing and secretarial services in the area
- b. Easy to reach--transportation available
- c. Population of town and surrounding area
- d. Personal factors--personal preferences, family and friends nearby
- e. Growth of area
- f. Income of population
- g. Weather (climate)
- h. Advertising media available
- i. Nature and prosperity of industries
- j. Type of community--urban, suburban, farm, industrial

UNIT 3

Getting Money to Start

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

Objective 1: Write a business description for your business.

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

SHAKING THE MONEY TREE

Alan explains how he got his first business loan--from friends.

"I was on the first committee that bought word processing equipment for Dacon Drug Company. So I knew that when I decided to go into my own business, it would take a lot of seed money.

"As a small business owner, you feel that your life depends on the decisions you make. Office costs are more or less standard. You pay around \$75 a square foot in rent, and you buy used furniture. That's not the hard part.

"The equipment is what takes a lot of thinking and investigating. Word processing equipment can be very expensive. You can buy it or rent. You can get stuck with old equipment. You can pay for features you may never use. You may choose not to have certain features only to find out how important they are.

"Once you've decided on the kind of word processor you want, you have to approach your money people. I had managed to save around \$4,000. That's enough for about one very good automatic memory typewriter and a soft chair! My wife had around \$5,000 she was willing to invest. Through my friend Charley, I was introduced to a loan officer at a bank. She said the bank usually didn't give money to my kind of business because usually the equipment was rented and there was no collateral. If my business failed, what could the bank take from the office? If you lend money to a bakery, at least there are ovens and a few cookies left if the business fails. My 'cookies' would be some paper and a few typewriter ribbons at most--not very much collateral!

"I ended up going to friends, people who believed in me. I wrote out a very careful business description and spoke for long hours convincing them that I would make it. I was good. They brought up a lot of objections, and I had to answer them. There's an old saying that when you shake the money tree, leaves and branches may fall on you before you get the fruit. But I got the money I needed."

Getting Money to Start

The Business Description

Alan had to write a business description--even to get money from friends. A business description is a written plan stating exactly what you want money for. You usually have to write one if you want money from investors or a bank. Lenders must think you have "done your homework." They have to believe you are going to make it. They'll want answers to these questions.

Is there a need for your word processing service in the community?

Can you attract people to use your services?

Do you have the skills and experience to be successful with the money you have asked for?

The business description that got Alan his money. Here's Alan's business description.

Name of owner: Alan Chow

Name of word processing service: Smart Word Processing Service

Type of service: All forms of word processing, automatic typing, tape transcribing, and mailing list maintenance

Location: 5673 Olima Street, Westgate. This is a small 15' by 20' office one block off University Avenue in the heart of the business district. I chose this location for several reasons:

1. I am within walking distance of many small businesses. There are insurance and legal offices within a quarter-mile.
2. There is a copy service three doors away, and the post office is around the corner.

3. Although there is another secretarial service on the other side of University Avenue, they cannot offer the same scope of services as I can.

Competition: There are six secretarial and other word processing services in this community. While this may seem like a lot, all of them are overworked. In addition, I am going to specialize in providing a few services the others do not offer. We will be able to handle architectural and engineering specs, large catalogues and abstracts, and management reports and surveys. One of the electronics firms in the area is beginning a commercial contract with the People's Republic of China and has agreed to give me all of the material that needs to be translated.

Potential customers:

1. A check with the Chamber of Commerce indicates there are over 200 paper businesses in this immediate community. This includes electronics firms, research companies, insurance firms, and savings and loans associations.
2. While this is not a big convention city, there are four conventions held here annually, and I plan to operate a free delivery service to the hotels for business people attending those conventions.

Strategy for success: My service is called "Smart" for a reason. Because of my experience at Dacon Drug Company, I have management skills. I can look at clients' paperwork in all their different departments and show them how to produce and store all these documents in the least expensive way. I can save my clients many business expenses.

Writing the Statement of Financial Need

The statement of financial need lists what you will need to open your office and how much the items will cost.

The word processing equipment. Your equipment is important. You will probably spend many hours deciding which word processor is best for you. Evaluate:

- how easy it is to operate;
- what it can do and cannot do;
- whether it can fit into other systems;
- what kind of service you can expect from the vendor (seller); and
- how much it costs.

Here are facts about different word processors:

<u>Type of System</u>	<u>Comments</u>	<u>Cost</u>
Automatic Memory Typewriters	Can see one line before it is printed. Simplest of all word processors. Mostly for short documents because storage is limited. Easiest to use. Can sometimes add options.	Rent: \$200-250
Stand-Alone Mechanical Text Editors	Can store more information. Good for repeating the same document. You can edit in small amounts. You can't see what you are typing. Being replaced by newer models (becoming obsolete).	Rent: \$345/mo Buy: \$6,000-12,000
Stand-Alone Display Text Editors	You can see what you are typing before it is printed (display). Unlimited storage. Most advanced of all simple word processors. Can do long documents with lots of editing. Can add options.	Rent: \$605/mo Buy: \$7,000-20,000
Shared Logic Systems	Uses a minicomputer. Several typewriters (keyboards) can be used at once. Good for very long documents that need lots of editing.	Rent: \$400-500 Buy: \$30,000 and up

You will also need a dictating-transcribing machine. The mini-cassette is probably the best, since most businesses use this kind of dictation. The tape moves forward by means of a foot pedal. You listen to it with earphones. The machine costs \$17.50-\$30/month to rent or \$250-\$450 to buy.

The rest of your costs are similar to those of opening any small office business.

Costs of Opening an Office

<u>Item</u>	<u>Range</u>	<u>Comments</u>
Rent for Office (first and last month)	\$300--\$600	
Security Deposit	\$100--\$200	
Utility Deposit (including telephone)	\$ 50--\$200	
Business License	\$ 25--\$75	
Office Furniture and Other Equipment	\$ 0--\$3,000	\$0 means you're good at scrounging, begging, and borrowing.
Paper, Ribbons, Office Supplies and Software	\$400--\$2,000	Depends a lot on the word processing equipment you choose.
Legal and Accounting Fees	\$ 50--\$450	At least one visit to a certified public accountant is a must.
Decor (carpets, plants, pictures)	\$ 0--\$2,000	You will be spending a lot of time here. The place should make you happy.
Advertising (Yellow Pages ad, newspaper ads, etc.)	\$100--\$1,000	A Yellow Pages listing is an absolute necessity.
Employee Salaries until Money Comes in	\$ 0--\$4,000	

<u>Item</u>	<u>Range</u>	<u>Comments</u>
Owner's Pay during Planning	\$ 0--\$3,000	It takes at least four months to get set up.
Fudge Factor	\$500--\$3,000	Money for emergencies.

Summary

To borrow money, you will need a written business description and a statement of financial need.

Learning Activities

Individual Activities

1. Write a description of your business. It can be short, but really think about what kind of word processing service you would like to own. Use your town or city. Put down a real place where it might be located. Here is what you should include:

Name of owner:

Name of word processing service:

Services provided:

Location:

State one or two reasons why this would be a good location.

Competition:

Names of other word processing services

A brief summary on how you are unique

Potential customers:

Who will use your service? List as many possibilities as you can.

Strategy for success:

What will be your specialty?

What is your initial advertising plan to attract customers?

2. Now that you have a business description, you can begin to write a statement of financial need. It is simply a list of the money you will need to spend, the money you already have on hand, and the money you need to borrow. To help you, here is a list of some of the questions you will need to answer.
 - a. Will you rent or buy your equipment?
 - b. Will you rent office space or work out of your home?
 - c. How much will you use on advertising (see Unit 7)?

/

On a sheet of paper, list the items (rent, etc.) shown in the text for costs of opening an office. Fill in dollar amounts for what you think your business will need in each category. At the bottom of the sheet, list the following:

TOTAL STARTING EXPENSES \$ _____
TOTAL MONEY ON HAND - _____
TOTAL LOAN MONEY NEEDED \$ _____

Discussion Questions

1. When Alan went to the bank to apply for a loan, he found on the application form some questions he didn't want to answer. They concerned his marital status. He had been divorced twice and thought that might count against him. What do you think Alan should answer if the loan officer asks about his marriage record?
2. One of Alan's friends who loaned him money got scared. He wanted his money back, even though they had a contract for two years. What other problems might come up when you borrow money from friends? How can you avoid some of those problems?

Group Activity

Many people become flustered when thinking about going to a loan officer. What are some ways to prepare for your interview?

Role play an interview between Alan and a bank loan officer. Make sure you think of how to handle the problem of collateral. Analyze how well the "loan applicant" and the "bank officer" played their parts.

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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: Choose the best person to work at your service from a list of three.

Objective 3: List one quality of a good boss.

Objective 4: List two ways to keep your employees happy.

WHAT IT'S LIKE TO BE THE BOSS

Alan's been an employee and feels he knows how to be a good boss.

"Yes, I am a good boss. In fact, that is probably my best quality. I've worked on the machines for a long time-- I know how hard it can get. I know the frustrations of having to do work over again.

"I also know what it's like being a worker. It feels as if you're doing all the work and someone else is making all the money. If your workers feel that way, they don't do a good job. They get angry with you--they take it out on the machines. I believe in working together. I run my business that way, and it's been successful.

"We have profit sharing here. If the business brings in over \$10,000 a month gross (that's before we pay any of the bills), I share the money with my employees. When times are good and people are working hard, we've had bonuses of over \$200 a month.

"We also have meetings once every two weeks. We joke around, eat lunch together, and talk about how the business is going. I talk about advertising strategies or buying new equipment. The operators talk about what's been bothering them and what's been going well. We had a problem with smokers vs. non-smokers, but everyone wanted the smokers to stay with us.

"I had a problem because I hired friends. I wasn't used to being their boss. I thought one of them was not acting professional with the clients. It was hard for me to tell him to stop flirting with a certain dentist. He said that she liked it and that it was good for business. Finally, I told him that I was the boss and that we were going to get our clients by being nice and giving good service, not by flirting. It was hard for me, but he listened."

Being in Charge

Many successful secretarial services are run by just one person. But by the time you have graduated to word processing, you usually have added at least one and possibly more employees. You will find that as your business grows, you will be spending more and more time away from the machines. You will be ordering supplies and equipment, dealing with customers, organizing your advertising campaign, and doing the paperwork for taxes, insurance and the like.

Who Will Fill Your Needs?--Writing the Job Description

The first step in hiring someone is to write a job description. Listing the skills you want in an employee is a good way to begin. These might be skills you would want an employee to have:

1. must be able to type at least 75 wpm and be willing to learn how to operate a text editor;
2. must have knowledge of English grammar and spelling; and
3. must be a creative and independent worker.

You also need to think about vacation pay, sick leave, and medical benefits.

And finally, you have to think about the office atmosphere. Alan believes in profit sharing, in office meetings, and in talking things over. You have to think about what kind of "ship" you want to run. Do you want your employees to take part in managing the business?

Here is the job description that Alan wrote for a word processing operator. This was sent to employment agencies, college placement centers, and the local business school. A shorter version of it was placed in the want ads of the community newspaper.

POSITION AVAILABLE FOR WORD PROCESSING SPECIALIST

Duties: Operate a stand-alone text editor. Work will include reports, forms, and mailing lists.

Requirements: Must be able to type 75 wpm. High school diploma. Knowledge of English grammar and spelling.

Personal: Must be a creative and independent worker. Must be willing to attend office meetings, and help in the decision-making process.

Salary: Starting \$6.00/hour

Hours: 20 hours a week/flexible times

Benefits: Sick leave, vacation pay, optional medical program

Eeny-Meeny-Miny-WHO?

Selecting the right person is a matter of experience. It would be great if you could try out all your applicants for a couple of weeks without having to pay them. Since you can't do that, you'll need to look at as much information as you can.

For Alan it meant:

- looking at each person's written application;
- interviewing each person;
- giving each person a typing test; and
- checking work references from past bosses.

Training New People

If you can remember what it's like to start a new job, you will probably be a good boss. If you are like most people, you were slightly (or more than slightly!) nervous. It seemed as if there was too much information to remember and too many names to forget. You had a lot of questions and felt a little silly asking them.

Sometimes you can make the first day for new workers go a lot better by just telling them not to worry, to take their time, and to ask questions. A good or even bad joke wouldn't hurt. Give them something simple to do, not your most complicated statistical report, and above all, leave them alone! Just think of how you feel when someone keeps looking over your shoulder while you're working!

Although being a good boss is only one of the many things you'll do when you go into business, it is central to success. When the people who work for you feel good about their work, you'll find that money is only one of the rewards of owning your own business.

Summary

1. Alan found that by profit sharing and by giving his employees a voice in running the business, he kept his workers satisfied.
2. As a business owner, you will have many jobs to do besides running your machines. When you are overworked, you will probably have to hire new workers.
3. To find the right person, you will need to write a job description that includes duties, requirements, salary, hours, and perhaps the office "atmosphere."
4. Selecting the right person comes from experience. You will need to look at each applicant's interview, application, typing test, and work references.
5. You will probably be a good boss if you can find ways to put your new workers at ease.

Learning Activities

Individual Activities

1. What are some of the other activities you would have to do as the owner of a word processing service in addition to operating the equipment?
2. Alan did not put his address on his job description. Do you think this was a good idea? Why, or why not?
3. Office atmosphere is listed as one of the things to tell people applying for the job. Do you feel this is important? Why, or why not?
4. Here are the applications of three people who applied for a job with Alan. Which do you think he should hire? Give your reasons.

Name: Jerry Barker

Address: 44896B Tara Street, Westgate

Education: Finished eleventh grade, lacks one English class

Work Experience: one year: Gardening and housepainting
after school

one year: Typist, All-Point Insurance

Typing: 50 wpm, 3 errors

Personal: Very friendly, very willing to learn, needs the
money

Name: Pearl Linley

Address: 5879 Caitlin Ave., Westgate

Education: Graduated from State High School

Work Experience: three years: father's grocery store
one year: word processing operator at bank

Typing: 75 wpm, 7 errors

Personal: Quiet, nervous during test, had excellent references

Name: Neil Goldberg

Address: 8895 Cisco Ave., Westgate

Education: Graduated from Westgate High School

Graduated from State University (Major: Psychology)

Work Experience: none

Typing: 70 wpm, 2 errors

Personal: Has never worked before, would like to be part of
office meetings, wants \$8/hour

Discussion Questions

1. Tim Jackins works for you and is a good operator. Lately, he has been having some troubles at home and is coming in late. His excuses are always "good." What is your position on this?
2. Two of your operators, Sandy and Jake, have "fallen for each other." They still do a good job, but you have noticed that your other employees, particularly Frank, resent having to watch this romance. Morale in the office is down. What could you do to pick things up a bit?
3. Sharon and Iris are two applicants who want to share a job. They say that together they will work full-time. Both of them seem to be good workers. What do you think are the advantages and disadvantages of having two people "job-share"?

4. How would you keep your employees happy on the job? What do you like as an employee? What are your ideas about good working conditions, profit sharing, salaries, etc.?

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. As a class, write a list of "do's" and "don'ts." Here are some questions for ideas. What would you do about termination pay? How much notice would you give? Would you tell the person why he or she was being fired?

UNIT 5

Organizing the Work

Goal: To help you organize the work of your word processing service.

Objective 1: Fill out a customer work order form.

Objective 2: Fill out a work schedule.



CUTTING DOWN ON MISTAKES:
HOW TO MAKE THINGS GO SMOOTHLY

Alan organizes his word processing tasks.

"I guess the two words that describe this business are 'labor intensive.' That means that everyone works hard! This is probably true in all service businesses. Service is our only product.

"Everyone wants his or her work completed yesterday--or the day before. Everyone wants perfection. All customers want to think that you have absolutely no other work but their proposals or their 1200-page report.

"People who come in here want to know how much it's going to cost, when it's going to be done, and what happens if there are mistakes on it. I don't blame them. My customers are paying money for me to do something for them. I'm not running much of a service if I can't get something out on time without any errors."

"At first we just took work in, said we could get it done, and then stayed up all night. You can only do that so many times before you're measuring your speed by mistakes per minute instead of words per minute." Now I have a work chart with all my workers' names on it, and I try to do a better job of scheduling work.

"There are so many different operations we can do with our equipment that I am constantly revising our work order form. Every time we justify a line instead of centering it, or Xerox a letter instead of printing it, I change the order form so we won't make that mistake again.

"We have more than one person proof any document that requires more than 15 copies. I can laugh about it now, but the time we misspelled Christmas on a fundraising letter (we were doing over 10,000 copies), it wasn't funny."

Organizing the Work

When the Work Comes In

All typing that comes into a word processing service is called copy. There are many different types of copy. Some is handwritten, and some is typed. There are single- and double-spaced documents. Some people print with all capital letters. Therefore, the first form you should develop is a letter to your customers telling them the best way to present their copy. Your letter can tell them anything that makes your work easier. Here is part of the poster on the wall behind Alan's desk.

"Here are some ways to present work to us for typing/word processing that will make YOUR bill smaller and OUR lives happier.

- Call us about your work ahead of time when possible to make sure you can get your work when you need it.
- Please let us know if your work has already been edited or if you want us to edit it as we go along (correct spelling and grammar, etc.).
- Always write in pen. DO NOT USE PENCIL.
- Please double space your ink-written work when possible.
- Use upper- and lower-case handwriting, not all caps.
- Never use yellow paper. White lined paper of heavy stock is best. Legal-sized paper does not fit on our typing stands.
- Leave a one- or two-inch margin at the bottom of each page.
- Use red pen for all editing on revised editions.
- Please proofread your work. We will proofread only if you specifically request this service."

Of course, your word processing operators should still be prepared to handle work that does not meet these specifications!

Filling Out the Work Order Form

Sending a huge policy manual or statistical report through a text editor a second time is expensive. That's where the work order comes in. Here is part of Alan's work order form.

Name _____ Phone _____
Address _____
Rec'd. on _____ Promised by _____
Final _____ Draft _____ Margins _____
Spacing _____ Paragraphs _____
Type Style _____
Xerox _____ copies of each of _____ originals
Print _____ copies of each of _____ originals
Collate _____ Save until _____
Special Instructions:

The work order form for your business may be different. Make it as foolproof as possible. This will keep your production costs down. Have clients sign the completed form to show they agree with what's to be done.

Who's Going to Do It?

A work schedule helps you organize. As the work comes in, you can look at the schedule and estimate when your machines will be free to do it. It will also force you to figure out how long a job will take. Your time estimates will start getting closer to reality after you start comparing estimates with actual completion times. A work schedule is usually a chart of the hours you are open and the machines that you have working for you. Each time you get a job, you fill in the machine you'll use and the time it will take. Here is an example.

	9 am	10 am	11 am	Noon	1 pm	2 pm	3 pm	4 pm
Machine #1								
Machine #2								

With many text editors you can "key in" and print out at the same time. If you have an automatic paper feeder, you will not need an operator to be there all the time. It makes more sense to keep track of the machines rather than operators when you take in work.

As the boss of your word processing service, you will have to decide which worker will do what job. If the job requires formatting and lots of editing, you'll want your more experienced operator working on it.

How can you tell if a job is difficult? Here are some reasons a document would be difficult to process:

- poor, handwritten copy;
- high degree of accuracy required;
- lots of numbers;
- careful proofreading needed; and a
- short deadline.

Budgets with lots of columns and numbers are the most difficult to type; straight letters are the easiest.

Do Not Forget Your Library

There are many "time-wasters" in this business. Having a machine "down" is a big one. Not being able to spell a word or not knowing correct grammar also wastes time. You need a good dictionary and books on grammar and style. Each operator must have his or her own technical manual on how to use the word processor. A notebook of work samples can help clients decide how they want their work to look.

Summary

Good communication between you and your clients is essential. A work order form and machine work schedule will help you organize the work.

Learning Activities

Individual Activities

1. Which of the following statements is most true?
 - a. Yellow paper makes things easier to read.
 - b. Upper- and lower-case handwriting is easier to read than all capital letters.
 - c. Single- and double-spaced copy are equally easy to read.

2. Why ask for a customer's signature on the work order form?

3. Fill out the work order form on page 47 for Dr. Jim Marcello, 5549 Tree Lane Drive, 896-8849. He wants his work by 5 p.m. on May 4. Smart Word Processing received it May 2. It's a final copy of a medical report. He wants it single spaced with indented paragraphs. He wants you to print four copies of all 30 pages. He wants them collated. He wants you to save the material for one week. He wants san serif elite type. If there are any questions as to style, he wants to be called.

4. One day Alan got these work orders.
 - a. Cal-House Carpet Co. needed 12 one-page letters to overdue clients typed.
 - b. Dr. Susan O'Connor needed a 90-page presentation prepared. There were many graphs and tables in the report.
 - c. Pine Cone Hardware Store needed to have 500 envelopes addressed.

Here's other information you need. An operator can produce about 15 pages of straight copy in an hour. About 200 envelopes can be printed in an hour. Graphs, charts, tables, and footnotes take longer because

there is more work involved. Write a work schedule showing how many hours it would take one machine to do these jobs.

Discussion Question

John Helms has just come into your word processing service to pick up a report he wanted typed. He claims that the type face is wrong even though you know you filled out the work order correctly and the report was typed according to the work order. How do you handle it?

Group Activity

Part of your job as an owner will be to do many things that keep the business going. Here is a list of some of them. As a group see if you can estimate the amount of time you would spend on each activity.

1. Writing out the weekly payroll checks for four employees
2. Calling the Yellow Pages ad consultant about re-designing your ad
3. Dealing with an angry customer who wants his shipping schedule done again
4. Talking with one of your operators who came in drunk
5. Meeting with a tax consultant about getting a better tax break
6. Reading the morning mail--three bills, two letters, and six pieces of junk mail

If this happened all in one day (which is not likely, but possible), how much time would you have left for doing word processing work? 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 word processing service.

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

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

IF YOU'RE NOT ALREADY CRAZY, PRICING WILL TAKE YOU THERE

Setting prices was hard for Alan.

"Pricing is clearly the most difficult part of opening your own service. It used to be that typing services just charged a dollar a page. Sometimes they made a little more money per hour because the handwriting was easy to read and they could go faster. Sometimes they made a little less.

"Word processing is a lot more complicated. Work done by the page is definitely out. Pages don't really mean anything. Sometimes you'll be using pages that were already keyed in a while ago and you are just editing them. Sometimes you'll just be printing out and you'll get about a page a minute.

"My pricing now is based on something called break-even analysis. Exactly how much money per hour do I need for my business to break even--not be in the red or in the black? Obviously, if you want to have a paycheck too, you have to charge more than your break-even point. All you have to do is figure out how much it costs to run your office by the hour. In our office we're open 9-5, but with lunches and breaks we have 145 billing hours every month. You must figure out your monthly expenses, divide them by 145, and divide that amount by the number of machines you have; then you have the hourly rate you need to charge per machine.

"The exception to this is repetitive letters. Most clients who want the same letter typed with different addresses and salutations (the 'Dear Ms. Jones' part) want to know how much the batch of letters will cost. We do a separate cost analysis for that to see how much time it will cost to print the same letter over and over again.

"My biggest mistake at first was not charging for paper. Sometimes it takes a long time to key something in although the final document will be only, say, 20 pages long. In that case I pay for the paper. But when you do repetitive letters, you use a lot of paper in a very short period of time. I charge the client for that."

Setting Prices

All word processing service owners go about setting prices for their services in slightly different ways. Everyone wants to make enough money to stay in business and go to a movie once in a while. Some word processing services go so far as to hire another company to do a "cost analysis" for them. The analyst, who knows word processing machines well, comes in and calculates estimates for all these factors:

- how many characters the machines type in a second;
- how long it takes to retrieve information from a disk;
- how fast the machine prints; and
- how many restarts, corrections, and retypings are done and how long they take.

Your Competition and Your Costs

Even with all this information, however, there are still other questions to be answered. These are the most important questions to ask in determining your prices.

What are people willing to pay for your services? What does the competition charge?

What is your break-even point to cover your expenses? How much profit do you want?

What other factors make your price go up or down?

Exactly what services are you going to charge to your customers?

What are people willing to pay? In most businesses there is a "going rate." It is the average rate charged by other word processing services. All you have to do is call or go to the other services in your area (your competitors) and ask what they charge for their services.

The break-even point. Most word processing services charge by the hour because clients are really renting the machines and the operator, regardless of the number of pages produced. It is possible to find out how much it costs to run your office for each hour you are open.

Monthly expenses. Just what does it cost to keep your business open every hour? Start with bills you pay by the month. Monthly expenses are bills that come every month: rent, electricity, phone, garbage pickup, salaries, rental charge for your machines, Yellow Page ad, and cleaning service. When you get the total for your monthly expenses, divide by 145 hours in a month. That is the hourly expense. (Remember, even though there are actually 168 working hours in a month [8 working hours/day x 21, the standard number of working days in a month], you have to allow time for lunches, breaks, etc. Estimate that you will have 145 billing hours each month.)

Yearly expenses--these bills come every year. You have to find out how much they cost per hour too. Insurance, taxes, advertising campaigns, goodwill activities, paper and other supplies (ordered four times a year), and charges for a service warranty on your equipment are examples of yearly expenses. The total of these has to be divided by 1740, the number of hours in a year (145 hours/month x 12).

Other money spent or lost--these expenses are not exactly "bills." They are losses your business has every year. They have to be counted as expenses too. Some examples are theft, bills that customers never paid (bad accounts), money spent for equipment that you would not be able to get back since the equipment is getting older (depreciation in value of the equipment), vacation time, and sick leave. This total has to be divided by 1740 also.

Here is Alan's expense sheet and the "cost-per-hour."

<u>Expense</u>	<u>Cost</u>	<u>Math Problem</u>	<u>Cost per hour</u>
Rent	\$300/mo	$\frac{300}{145}$	\$ 2.06
Text editor rentals	\$1,104/mo	$\frac{1,104}{145}$	7.60
Salary, two operators	\$1,800/mo	$\frac{1,800}{145}$	12.41
Yellow Pages ad	\$60/mo	$\frac{60}{145}$.41
Paper & supplies	\$1,000/yr	$\frac{1,000}{1,740}$.54
Insurance	\$250/yr	$\frac{250}{1,740}$.14
Bad accounts	\$200/yr	$\frac{200}{1,740}$.11

When Alan added up everything, he came out to \$23.27 an hour. That means that every hour he spends \$23.27. Since he has two machines, each machine must take in at least \$11.64 every hour for him to break even. Alan added \$8.36 an hour for money to put back into the business, his salary, and "down times." This money is also called profit. His total price per hour per machine, then, was \$20.

Even with all this information, sometimes you have to think about other things when deciding on a price.

Things That Make the Price Go Up

1. You can charge higher prices if you think that the price you settled on won't last for long. If the state of the economy is such that expenses are constantly going up, you can add more to your current price so that you won't have to keep raising prices.

2. You can charge higher prices if you are the only word processing service in your area.
3. You can charge higher prices if you provide special services, such as producing documents in other languages. This is because you probably will have to pay a higher salary to a more specialized worker.

Things That Make the Price Go Down

1. You may charge less if there are so many word processing services in the area that you have to use low prices to bring in customers.
2. If you enjoy working with a particular kind of client, you might charge less to get that kind of customer to try your service.
3. You may charge less to regular clients.

Eventually you must decide on a price for your services and develop a price list. Here is a final price list that Alan decided on.

SMART WORD PROCESSING SERVICE: PRICE LIST

<u>Job</u>	
Standard word processing tasks	\$20.00/hour
Rush jobs	\$22.00/hour
Repetitive letters	
Set up master lines	50¢/line
Play back	2.5¢/line
Mailing labels	10¢ each address
* Inside address	
3 lines	5¢
4 lines	6¢
5 lines	8¢
Our paper	2¢ per sheet
Our envelopes	7¢ each
Personalized disk	\$10.00

Summary

1. Setting various word processing rates is complicated.
2. Most pricing is based on:
 - a. what your competition is charging;
 - b. what your break-even point and profit goals are; and
 - c. the state of the economy, the number of word processing services in your area, the kinds of special services you offer, etc.
3. Pricing is usually based on time spent rather than pages produced, except for repetitive letters.

Learning Activities

Individual Activities

1. Why don't most word processing services charge "by the page"?
2. What does the term "break-even point" mean?
3. When Alan finally got his cost-per-hour, it was \$23.27. He then divided that amount by two. Tell why he had to do that.
4. Name two kinds of expenses in your business that are not actually "bills."
5. Why should you charge more for special services?

Discussion Questions

1. If all the services in your area charged the same rate of \$18 an hour, what would you do? How would you justify asking for more? Why do you think you might charge less?
2. Name as many reasons as you can that might make your prices go up.

Group Activity

Here are some "facts" about your business. Each month you pay about \$2175 in monthly bills. Each year you pay about \$3828 in yearly bills. Other money through depreciation, etc. that you lose in a year is \$348. You have two machines in your office.

a. Figure out what each machine has to bring in per hour for your business to break even.

b. Figure out how much extra you need for profit, etc. Other things to consider are:

there are lots of word processing services in your area; and inflation has been going up at the rate of 10% per year.

Develop a price list based on your break-even point and the other facts listed. Explain the reasons for your final price(s).

UNIT 7

Advertising and Selling

Goal: To help you plan your advertising and selling.

Objective 1: Design an ad for your word processing service.

Objective 2: Design an advertising campaign after being given a set of facts about a business.

GETTING THE WORD OUT AND
BRINGING THE CUSTOMERS IN

Alan turns creative in his advertising.

"Doing advertising was very new to me. When I worked at the drug company, I had nothing to do with the advertising department.

"I hired a friend to help me develop a Yellow Pages ad and a flier. When people started coming in, I asked them how they heard about us. When they said they saw a flier or looked us up in the Yellow Pages, I started to feel good about advertising.

"Eventually, within the first year, I'd say, most people came to us because our customers recommended us. Having a good word processing service is very important to businesses. You make them look good by making their manuals, reports, and letters look professional. Once you give a client good service, those business people become your advertising. They tell people about you. Word-of-mouth advertising is really the best advertising there is.

"Last week I got a big job from a mail order house. The marketing manager told me she heard about us from Raymond's Key Ring Service. When Raymond came in the next time, I did his inventory list at no charge. He did more advertising for me than 500 fliers. Money can't buy that sort of advertising.

"In the beginning, we also did a door-to-door campaign. I hired college students to go to all the businesses in our area. They left a business card and showed them a sample of our work with a list of the kinds of things we can do. Everyone knows what a typewriter can do, but a lot of people don't know what a word processor can do. We're still learning ourselves! I call on businesses in the area and try to set up appointments with office managers and small business owners. I show them what we can do, and I have a chart that tells them how much money we can save them. I invite them to come to the office to watch. You'd be surprised at how many clients I've gotten just by changing the margins on a 20-page document in a tenth of a second!"

Advertising and Selling

Every business needs clients. Until you have a number of steady clients, you need to spend a lot of your time, energy, and money getting the word out. Even after your business is rolling, you need to spend some time on advertising.

What Kind? Where?

Like other businesses, you have to advertise where the action is. Most word processing services rely on:

- an ad in the Yellow Pages;
- direct mailing and personal contact with small businesses;
- a letter or flier on bulletin boards at universities, copy shops and print shops; and
- goodwill.

The Yellow Pages. An ad in the Yellow Pages is very important. If you have no ad in the Yellow Pages, you have no word processing clients. Seventy percent of your clients will get your name that way. Most word processing services delay opening their businesses until the new edition of the Yellow Pages has their name in it. The Yellow Pages sales department will help you design an ad. But you need an idea of what you want. Your ad should have these parts:

- headline--the largest letters should be eye-catching;
- illustration--a drawing;
- copy--words you use;
- layout--how you arrange your ad; and
- identification--your business' name, phone number, and address.

You must 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 word processing service.

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

Direct mail and personal contact. Once you've written your Yellow Pages ad, you can use a variation of it on a postcard or flier to send to the businesses in your area. Your flier should be an example of your best work. Obviously, you should use your memory typewriter or text editor to write the letter. Then your potential clients can see how a word processor works.

Since you can expect about a 1% return on your direct mailings, you should aim to send out at least 1000 per week in the beginning of your campaign.

Personal contact always makes the most impact. Actually go to businesses, introduce yourself, and make your sales pitch. It takes a lot of time and can be discouraging. If you hear a lot of "Thanks, but no thanks" in one day, you may decide to throw your keyboard out the nearest window. When you do venture out, however, be sure to have with you a sample of your work that you can leave with the business you call on. Keep track of whom you see and what they say. You may want to follow up on people later.

Writing on the wall. Don't forget the lowly bulletin board. There are particular places that are perfect for posting your flier. If there is a college or university nearby, you should make a day of it. Put a flier on all the general boards in each office, department, and dormitory.

Print and copy shops usually have bulletin boards--or perhaps a place to leave your business card. You can also offer the print shop

and copy shop owners a sort of "reciprocal trade agreement." You'll tell people about them if they will tell people about you.

To make your flier or poster really work, you might want to figure out a way for people to cut off a coupon with your name and address on it and leave the flier still posted. Also, bulletin boards get cleaned regularly, so you should make the rounds again at least once a month.

Goodwill. Goodwill means creating good feelings about your business. It is the thing that makes people think of you as "that nice person over at the word processing service." All business owners who think about generating goodwill as part of their advertising does it differently.

- Alan Chow did a free inventory list for Raymond.
- Ultra-Word, a very successful word processing service, sponsored a Christmas party for an exceptional children's school.
- Maggie Arner, the owner of Right Word Processing Service, sponsored a women's baseball team.
- Josh Levine, owner of Levine's Professional Services, offered three free letters to any client who brought in \$100 worth of business.

Sometimes it doesn't seem as if these activities bring direct results, but they do. The more general contact you make, the more people will remember you when they need a word processing service.

How much money does it take? Here is a list of costs for some of the ideas mentioned.

MEDIUM

COST

Yellow Pages (cost depends on size of city)	1/4 page	1/4 column	Bold Face
Population 14,000	\$ 40/mo	\$10/mo	\$3/mo
Population 110,000	\$115/mo	\$29/mo	\$4/mo
Population 700,000	\$193/mo	\$49/mo	\$5/mo
Direct Mail	\$.20/item--includes printing, postage, and handling (your time counts)		
Goodwill:			
Free inventory list for Raymond	2 hrs. at \$20/hr. = \$40		
Ultra-Word's Christmas Party	\$125		
Right Word's sponsoring a Baseball team	\$1000		

What to Remember...

The most successful word processing services are ones that advertise in the Yellow Pages and in other ways. Money spent on advertising is not "extra money." It's as important as the money spent to buy equipment.

Summary:

1. Part of your advertising is educating potential clients as to what a word processor can do.
2. Your advertising will depend on the Yellow Pages, direct mailings, personal contact, bulletin boards, and goodwill.
3. Money spent on advertising is just as important as money spent on equipment.

Learning Activities

Individual Activities

1. What are the five parts of an ad?
2. Design an ad for the Yellow Pages.
 - Use 8-1/2" x 11" paper. (Most people use paper bigger than the actual ad will be. A special camera reduces the size later.)
 - Be sure to include all the important facts about your service.
 - Include all parts of an ad. Even if your artwork is not perfect, draw a sketch to show your ideas.
3. Call the Yellow Pages sales department in your area. Ask for a price list on different-sized ads. If there are other cities nearby, call them also.
4. Name three ways to inform people of your service.

Discussion Questions

1. Read the section on "Goodwill." Brainstorm with your class ideas to advertise your word processing service that could come under this heading.
Remember: "Goodwill" is anything that makes people feel good about your business.
2. Shelitha Johnson is just starting her word processing service. She is going to spend \$3,000 to advertise for the entire first year. Look at the chart on page 67 and plan an advertising strategy for her. Name four different things she can do. At least one should be

goodwill. Remember to multiply by 12 (months in the year) the monthly amount for the Yellow Pages ad.

3. Many word processing services advertise in the Yellow Pages under "Secretarial Service." Why do you suppose they do this?

Group Activity

Many businesses adopt an "image" when setting up their advertising. Here is a list of possible "images" that your word processing service could take. Discuss the advantages and disadvantages of each. Which image do you think would bring in the most clients?

Convenient service

Intelligent service

Professional service

Friendly service

Personalized service

Accurate service

One-stop service

Complete service

Fast service

Cheap service

Invent three slogans that could be used to present various "images" for a word processing service.

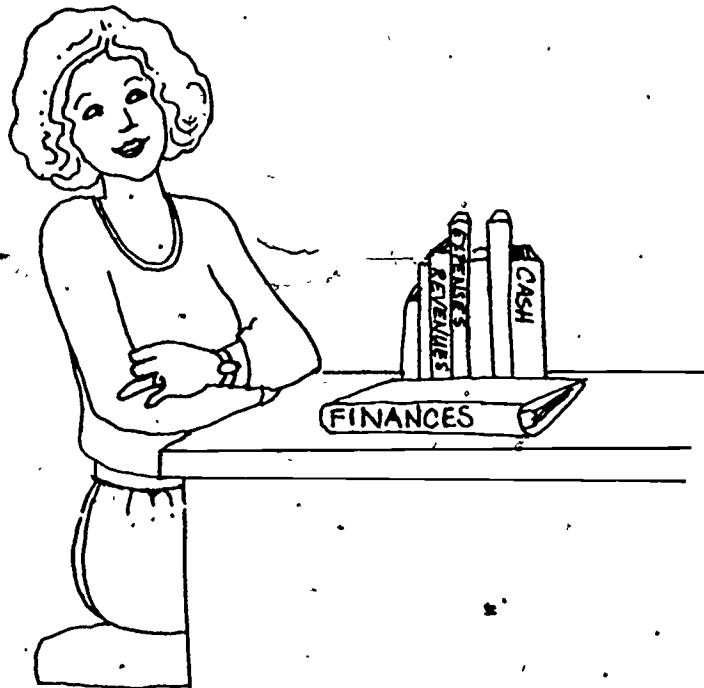
UNIT 8

Keeping Financial Records

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

Objective 1: Fill out a bill for a customer.

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



DOING THE BOOKS

Alan discusses the importance of bookkeeping.

"Most people hate keeping records, writing out the bills, and keeping track of everything. For me, it's a nice break from the hassles of the machine.

"When you pay attention to the books, you also learn where all your money is going and who your best customers are. I never do the bookkeeping quickly. I never think of it as a job that I should rush through. I'm not in the business to give out free service, and unless you're pretty good at keeping records, that's what you end-up doing.

"Unless you know bookkeeping, you need a bookkeeper to set up everything for you. When I spoke with her, I had her explain everything to me--how I bill, how I pay my workers, the monthly balance sheets, the cash flow charts, everything. It was money well spent, and I learned a lot.

"The first step in good billing practice is telling your workers how to record the time they spend on a project. We do it at 15-minute intervals. That gives us more flexibility than by the hour. They put the time spent on a 3 x 5 card that has the client's name on it. I make out the bills once a month from the index cards.

"The one-time-only customers have to pay when they pick up their work. I ask new clients if they think they will return during that month. If they say yes, I tell them that the next time we can establish a credit system if they want to. Credit billing takes time and costs you money, but the big businesses expect that service."

Keeping Financial Records

Keeping financial records is a must for any word processing service. In this section you will learn how to bill your customers so that you can get paid for the work you do. You will also learn how to complete a cash sheet that records the money coming in and the bills paid on a given day.

How to Bill

How your bill looks depends on your method of pricing. Every customer should have a bill, even if he or she pays you in cash over the counter. That way you'll have a record of what you've done for whom. A bill should also be itemized. That means that you should write down the reason for every charge. Here is Alan's billing form.

CUSTOMER BILLING FORM				
Customer: _____				
<u>Date</u>	<u>Description of Work</u>	<u>Amount Charged</u>	<u>Payment Received</u>	<u>Balance Due</u>

Keeping Track of Time Spent

Alan keeps track of the time spent on each client's work. Here is part of a client work card:

<u>Date</u>	<u>Work</u>	<u>Time</u>	<u>Operator</u>	<u>Comments</u>
5/2	Med. Report 22 pages	2 hr.	Mark	Proof carefully against draft
5/4	Rep. Letter	.75 hr.	Mark	--

The column for comments is to alert the operator to any problems in the work.

The client paid for the medical report when he picked it up because it was his first time at Smart. Since he liked Alan's work, he came in twice more. Alan then set up a credit account for him so he wouldn't have to pay each time he uses Smart.

There are also devices that hook up electronically to word processing machines and record, to the second, all the time spent on a given project. These devices are accurate and can be turned off when the operator takes a break. This way the client is paying for exactly the time spent on his or her project. Many word processing services use them.

Easy Come, Easy Go--the Daily Cash Sheet

If all goes well, you will be receiving money every day that you are open. Some people will pay when they pick up their work. Others will send you checks in the mail. Keeping a daily record means that you'll know exactly what is going on in your business.

On the other side, you will also have to pay your own bills. While you may not do this every day, you will be doing it throughout the month. Your telephone bill will be due one day, and your rent will be due on a different day.

The daily cash sheet is filled out at the end of every business day. You clear out the money and checks in your locked drawer, get your business checkbook in hand, and fill out the cash sheet. One day Alan received \$355 in cash sales and \$235 for work done on credit.

These are the checks he made out for the day:

Sally Newcombe (landlady)	\$300.00
Lad Wholesale Office Supplies	125.00
The College Bookstore	80.00
The Copy Shop (for fliers)	<u>50.00</u>
Total	\$555.00

This is what Alan's cash sheet looked like.

DAILY CASH SHEET			
<u>Cash Receipts</u>		<u>Cash Payments</u>	
Cash Sales	\$ <u>355</u>	Salaries	\$ _____
Credit Sales	<u>235</u>	Building Expenses	<u>300</u>
		Equipment Rental	_____
		Supplies	<u>205</u>
		Advertising	<u>50</u>
		Other,	_____
TOTAL CASH RECEIPTS	\$ <u>590</u>	TOTAL CASH PAYMENTS	\$ <u>555</u>

If you look at this, it doesn't seem as if Alan made much money. Most businesses, however, do not look at their profits on a day-to-day basis. To find out how much money he is making, Alan would look at his yearly profit/loss statement. We will study that in the next unit. Alan will use his daily cash sheets to help him keep monthly and yearly records.

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

Summary

Customer billing forms and daily cash sheets can help you keep clear financial records.

Learning Activities

Individual Activities

1. Why do you think Alan doesn't give credit accounts to first-time customers?
2. If Alan were charging \$20 per hour, how much would 15 minutes cost?
3. Here is Alan's card for Luis Santo, who is writing a master's thesis.

Luis Santo
449 University Way
489-6637

<u>Date</u>	<u>Work</u>	<u>Time</u>	<u>Operator</u>	<u>Comments</u>
5/4	Master's	6.5 hr.	A.C.	some single spacing
5/5	Master's	7.0 hr.	A.C.	
5/8	Master's	5.5 hr.	A.C.	

Fill out a customer billing form for Luis. Use Alan's billing form in this unit. The charge is \$20/hr. Alan has not received any payments yet from Luis.

4. Fill out Alan's daily cash sheet for May 16. (Use the form on the next page.)

Cash received for the day's work	\$400.00
Checks received on past work	
Willy Smith	26.00
Norma McCurdy	78.00
Al Fukawa	455.00
Checks paid	
A.R. Word Processor Supply	560.00
Mark Watson (salary)	400.00
All-Farm Insurance	83.00

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DAILY CASH SHEET

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

Discussion Questions

1. Many word processing services charge a \$5.00 minimum fee. That means that even if they type for only five minutes, they will charge \$5.00. From what you know about keeping records, why do you think this is so?

2. Lately, more and more people have been asking Alan for credit accounts. 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 a lot of credit accounts.

3. Tight Tilly never offers credit. 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. What do you think? What would be the things you would look for in a person before deciding whether to offer him or her credit?

Group Activity

Make a list of the kinds of records you might need to keep if you owned a word processing service. Design a customer billing form for your own service. Include your name, address, and slogan (from Unit 7). Also indicate when bills should be paid.

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: State one way to increase profits in a business that is losing money.

Objective 3: State one way to increase the number of clients you have by changing or improving your services.

PROFIT OR LOSS--THE NAME OF THE GAME

Alan talks about the success of his business.

"You know, it's very exciting getting that first check. No matter how small it is, you have the feeling that you're successful--that your business is going to make it. And if your operators are busy and you're rushing to meet deadlines, you never stop to think about whether you're making a profit.

"But profit is a strange thing. You can produce a lot of documents, be busy all the time, and still not make a profit. What's worse, you may not even know that you're losing money! Hard work does not guarantee a successful business.

"About a year ago I was working like crazy and the business was bringing in lots of money; yet I was barely meeting my expenses. My profit/loss statement showed me why. Every single one of my expenses was slowly going up. The landlady raised my rent, the cost of paper was going skyhigh, and I had given everyone a raise because I thought we were doing so well.

"Also, when I figured out the cost-per-hour of running my shop, I thought I would be on a machine at least most of the time. But between bookkeeping, advertising, and dealing with the customers, I could only key in about five hours a day, tops. I was losing \$40 a day just because of that!

"Most people think that you have to raise prices to make more money. But there are lots of other things to do besides that. I took a very long look at my expenses. I vowed I would cut each one of them down some way. I looked at the types of clients I wanted to attract--perhaps there was more money there. Being a good businessperson is more than just raising prices."

Keeping Your Business Successful

In this unit you will learn how to judge whether your business is financially successful.

The Profit/Loss Statement

A profit/loss statement shows: how much people paid you in cash and credit sales (revenues); how much you paid for paper (cost of goods sold); and how much it cost you to run the office (expenses).

It would be wonderful if you could look at all the money you took in and call that your profit. But you can't. Once you pay all your bills, you might have made nothing or have even lost money. You must look at your net profit, which is the money left after you pay your expenses. Net profit is revenues minus cost of goods sold and expenses (income minus bills).

Figuring the Profit Ratio

To know how successful your business really is, you should look at your net profit and some important ratios. Ask yourself, "What percent of my income ended up as profit, and what percent ended up going for expenses?" Let's look at Alan's profit/loss statement and compute his profit ratio and his expense ratio.

TWO-YEAR PROFIT/LOSS STATEMENT

	<u>Year 1</u>	<u>Year 2</u>
<u>Revenues</u>		
Cash Sales	\$ 60,000	\$ 40,000
Credit Sales	<u>40,000</u>	<u>70,000</u>
TOTAL	\$100,000	\$110,000
<u>Cost of Goods Sold</u>	<u>2,000</u>	<u>2,200</u>
<u>Gross Profit</u>	98,000	107,800
<u>Expenses</u>		
Salaries	27,000	30,000
Building Expenses	4,100	5,100
Equipment Rental	15,000	17,000
Supplies	1,000	2,000
Advertising	2,000	3,300
Legal	500	500
Insurance	<u>400</u>	<u>400</u>
TOTAL	\$50,000	\$58,300
<u>Net Profit</u>	\$48,000	\$49,500

These are the equations for figuring profit and expense ratios.

$$\text{Profit ratio} = \frac{\text{Net Profit}}{\text{Revenues}} \quad \frac{48,000}{100,000} = 48\% \quad \frac{49,500}{110,000} = 45\%$$

$$\text{Expense ratio} = \frac{\text{Expenses}}{\text{Revenues}} \quad \frac{50,000}{100,000} = 50\% \quad \frac{58,300}{110,000} = 53\%$$

Alan's business had more income during the second year. His profit went up a bit, too, but not as fast as his expenses. This meant that his profit ratio was lower and his expense ratio was higher.

How to Change the Profit Ratio

There are four ways to make the profit ratio higher: (1) increase your number of customers (sales); (2) raise your prices; (3) lower your expenses; or (4) expand your services. Each one of these takes a lot of thinking and means taking some risks.

Increasing the number of clients means doing more advertising and more selling. It probably means investing more money. You will also have to spend more time away from the keyboard finding clients. You may join civic groups, do door-to-door selling, or send out more fliers. You will have to look at how each of your clients found out about your service in the first place and put more energy into those areas of advertising that were most successful.

Raising your prices may seem like the easiest way to raise your profit ratio. It is not that simple. If you become one of the more expensive word processing services, you may lose customers.

Reducing your expenses can help. Look at every expense--particularly the big ones. Salaries and equipment rental are big expenses. The smaller expenses are harder to decrease, but they should be looked over for possibilities. Ask yourself these questions.

- Can you hire people for less money without hurting the kind of service you are giving?
- Can some of your employees learn the bookkeeping end of the business to cut down on your accounting fees?
- How much are you paying for paper, ribbons, and other supplies?
Can you find a wholesale outlet that will take your order? Perhaps if the bulk rate is too much volume for you, you could team up with a printer and place your order with him or her.
- Have you figured your cost-per-hour correctly? Hidden costs like employee benefits or down time may be the reason your business is suffering.

Expanding your services. Many word processing services find that the best way to increase their profit ratio is to offer new services.

- Do any of your operators know a foreign language that might be useful to your customers? You could offer to do copy in different languages.
- What special types of businesses are in your community? Could you offer them special services? For example, in Los Angeles and New York many word processing services do scripts for movies and television.
- Can you offer pickup and delivery service? Some people will come to you just out of convenience.
- Do you know someone who does bookkeeping? Can that person send more people to you?
- Can you set up a mailing service?

Summary

The profit/loss statement shows your revenues and expenses. It helps you figure your profit, profit ratio, and expense ratio. There are several ways to try to raise your profit ratio.

Learning Activities

Individual Activities

- Here is a profit/loss statement for Executive Word Processing Service.
 Compute the net profit (in dollars), the profit ratio (in percent),
 and the expense ratio (in percent).

TWO-YEAR PROFIT/LOSS STATEMENT			
	<u>Year 2</u>		<u>Year 3</u>
<u>Revenues</u>			
Cash Sales	\$30,000		\$25,000
Credit Sales	<u>20,000</u>		<u>35,000</u>
TOTAL	\$50,000	100%	\$60,000 100%
<u>Cost of Goods Sold</u>			
	<u>1,000</u>	2%	<u>1,200</u> 2%
<u>Gross Profit</u>			
	49,000		58,800
<u>Expenses</u>			
Salaries	\$10,000		\$16,000
Building Expenses	5,000		6,000
Equipment Rental	5,500		7,300
Supplies	500		600
Advertising	2,500		3,400
Legal	250		250
Insurance	<u>250</u>		<u>250</u>
TOTAL	\$24,000	%	\$33,800 %
<u>Net Profit</u>			
	\$ _____	%	\$ _____ %

- Which was a better year for Executive Word Processing Service?
- Name two ways to increase your profit ratio.

Discussion Questions

1. Alan heard of a word processing consultant in the area who charges \$100 an hour to come to an office and make suggestions. Alan hears she is excellent. Do you think he should hire her for a couple of hours of advice? The consultant says it usually takes her about three hours to complete the work.
2. Alan's wife wants Alan to get out of the business. She claims that since his profit ratio went down during the second year, he isn't much of a businessperson. Pretty soon, she tells him, he'll be losing money. What advice would you give Alan? How much does it matter that Alan is losing her support?
3. Alan has heard that there is some prejudice against Chinese in his area. Whether or not this is true, how do you think it affects Alan's ability to make decisions about his business?

Group Activity

List as many different things as you can that you would have to do if you owned a word processing service. 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 work for you
- Order paper and supplies

After you have your list, see how you feel about doing each activity. Give yourself three points if you would enjoy doing that activity, two points if you wouldn't mind doing it, one 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." The point is for you to see if owning a word processing service might be for you.

SUMMARY

This module has been about owning a word processing service. 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 services to offer, how to compete, and what legal requirements to meet.

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

Being in charge means dividing the work and hiring good workers. Then you must keep track of jobs to be done and who will do them.

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

Advertising and selling are the ways you get customers. The good things your business does in town are called goodwill. 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 word-processing service, you need training in word processing, work experience, and the special business management skills we have covered in this module. If you have not had a course in word processing, you should take one before deciding to own a word processing service. 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 word processing service. However, you would 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 word processing service.

QUIZ

1. List three services a word processing service might offer.
 - a. _____
 - b. _____
 - c. _____

2. Which statement is most true?
 - a. To own a word processing service, you probably should have worked as a word processing operator for a while.
 - b. You don't have to be really good in English, since you are always copying someone else's work.
 - c. There isn't much pressure having your own business because you are the boss.

3. Which of the following is probably the most important for being successful?
 - a. Having a good-looking office
 - b. Doing error-free work
 - c. Becoming close friends with your customers

4. Which one of the following would a word processing service probably do?
 - a. Lay out and design an advertising flier
 - b. Produce a statistical report for an engineer
 - c. Make calls for a doctor who had an emergency

5. Which of the following would be a good place for a word processing service?
- A small farm town that has no other word processing service
 - A city of about 35,000 most of whom are retired
 - A city of about 25,000 with a large research firm
6. List three parts of a business description.
- _____
 - _____
 - _____
7. Which of the following should appear in your statement of financial need?
- How much money you made on your last job
 - How much you can invest
 - How much your parents make
8. Which information would you need to put in a help-wanted ad?
- Salary, benefits, and hours
 - Personality type, age, and sex wanted
 - Directions to the office
9. If this were the only information you had, which person would probably be the best operator for you to hire?
- A high school student who types slowly but accurately
 - A salesperson who wants to be a word processor.
 - A married woman who types fast but makes mistakes
10. Ann Dupont's starting expenses for her new word processing service are \$24,000. She plans to use \$8,000 of her own money and \$5,000 of her parents'. How much money will Ann need to borrow?

11. Which statement is most true?
- a. Each operator should have a dictionary.
 - b. Each operator should be a perfect speller.
 - c. Each operator should know another language besides English.
12. List three things to consider in setting prices for your word processing service.
- a. _____
 - b. _____
 - c. _____
13. Which of the following is useful in hiring employees?
- a. Job description
 - b. Business description
 - c. Work order
 - d. Work schedule
14. Which of the following is the least effective way to advertise your word processing service?
- a. A 15-second spot on the radio
 - b. A quarter-page Yellow Pages ad
 - c. A flier posted in a print shop
15. Which of the following is an example of goodwill advertising?
- a. Putting fliers on cars
 - b. Selling door-to-door
 - c. Sending Valentine candy to your customers
16. List three types of information needed on a customer billing form.
- a. _____
 - b. _____
 - c. _____

17. The daily cash sheet tells you:
- a. how much your customers charged that day.
 - b. how much you spent that day.
 - c. how much profit you'll make at the end of the month.

18. What is net profit?
- a. Net profit = bills - income
 - b. Net profit = income - bills
 - c. Net profit = bills divided by income

19. Which is the most reliable sign of a healthy business?
- a. Rising revenues
 - b. Rising profits
 - c. Rising prices
 - d. Rising expense ratios

20. List two things Paul can do to increase revenues in his word processing business.

- a. _____
- b. _____

PROJECT PRODUCTS

Entrepreneurship Training Components

<u>Module Category</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
	Module 7 - Apparel Store
Marketing and Retail	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Services
	Module 13 - Accessory
	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
	Module 17 - Answering Service
Module 18 - Secretarial Service	
Business Services	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - House Cleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
	Module 27 - Mail Service
	Module 28 - Pest Control Service
Module 29 - Pet Care Specialist Service	
Trade	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

File of Existing Entrepreneurship Materials
 and a description of the Entrepreneurship Training Components