

Neighborhood Planning for Community Revitalization

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Whittier Alliance Home-Based Business Results

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Home-Based Business Results**

by John Brothers

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Whittier Alliance Home-Based Business Results

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Executive Summary

A survey of home-based businesses has been completed for the Whittier neighborhood in Minneapolis to determine the needs for home-based businesses in that area. The study was funded by the Neighborhood Planning for Community Revitalization (NPCR) program through the University of Minnesota and employed John Brothers, an undergraduate student at the University of St. Thomas majoring in Political Science and Public Administration, to identify home-based businesses, conduct a survey and make recommendations to the Whittier Alliance as to ways in facilitating a home-based business network and to create an outlet to start a home-based business chapter in the Whittier Alliance organization.

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

Within the Whittier neighborhood, 184 home businesses were identified. Judging from national figures there are actually between 800 and 1200 home-based businesses in Whittier.

Most home-based businesses were artist-related or business consulting organizations, though there was great variety in all of the home-based businesses. Most of the surveyed were men, and there were more entrepreneurs that worked full-time than part-time. Most people were working out of their home primarily because of the flexibility and low overhead of conducting a business.

The major advantage of owning a home-based business in Whittier was the neighborhood's valuable accessibility to downtown and Uptown. The major needs identified were for networking and access to business loans and areas of marketing. Respondents wanted more funding through loans so that they could advertise.

Several people felt that help with taxes and banking was pivotal in the success of their business. A few individuals also expressed interest in acquiring some sort of technical support and some interest was shown in finding more office/work space for their business.

Home-based businesses have many needs ranging from financial to stress, but there are clearly underlining themes. Many areas of assistance already exist in Minnesota including the University of St. Thomas Small Business Center, Minneapolis Technical College Business Consulting Center, West Bank Community Development Corporation, West Bank Community Development Corporation, American Association of Home-based Businesses, as well as several neighborhood organizations in Powderhorn Park, Richfield, and St. Paul.

Purpose of Study

The Whittier Alliance, through the Whittier Business Association, undertook a study of home-based businesses in it's area to determine the business needs and their economic impact on the neighborhood.

A grant was applied for and received from Neighborhood Planning for Community Revitalization (NPCR), a program administered by the University of Minnesota and the Center for Urban and Regional Affairs. John Brothers, a undergraduate student at the University of St. Thomas, was hired to carry out the study.

The purpose of the study as defined by the NPCR in it's 1994 annual report states:

“The research assistant will locate the home-based businesses and conduct interviews and then develop recommendations for supporting these businesses as part of the neighborhood economy”.

Scope and Methods

The study covered the geographic area defined as the Whittier neighborhood in Minneapolis, for which the boundaries are: Stevens Avenue on the east, Lake Street to the south, Lyndale Avenue to the west and Franklin Avenue to the north. This area includes 12,951 residents with 11% owner occupied housing.

The study sought to include all people within this area who were self-employed from the home, worked out of the home for more than a single employer selling a product or service, part or full-time. All those who could be accurately identified were counted, and of those, all who agreed to be interviewed were.

About half of the businesses were identified through word of mouth among residents, either at neighborhood meetings or referrals from home-based business owners. About half were identified through a mailing list maintained by the Minnesota Secretary of State of assumed business names.

Only 182 businesses were identified and 33 were surveyed. There were 159 names that appeared to be operating out of homes in the study area which were part of the 1994 Minnesota Secretary of State's list of assumed business names. Registering on this list is only a requirement if a business operates under anything but the person's name. All but 25 businesses on the list could be contacted because they had moved or the phone number was unavailable or disconnected. In spite of a poor identification rate, the list may suggest a bare minimum of home businesses which exist, and indicates that the estimate of hundreds of home-based businesses may be accurate.

Once identified, oral interviews were conducted among all those who were willing to participate using a standardized set of 15 questions. Questions were both open-ended and specific. All the interviews were conducted by phone.

Survey questions addressed demographics of business owner; perceived advantages and disadvantages of working from the home; specific needs in several areas: marketing, management, financing, professional service needs, skills to run the business, space needs, and interest in a home-based business association.

Survey design was based on a preliminary understanding of the potential needs of home-based businesses from research and discussion conducted by John Brothers, who used various research methods supplied by the staff at the Minnesota Center for Survey research and the staff of the University of Minnesota's Humphrey Institute.

It was very difficult to locate the home-based businesses. While there are between 800 and 1200 home-based businesses in the neighborhood, only 182 were identified. This difficulty is probably due to the lack of visibility of home-based businesses, absence of official tracking, confusion over the definition of a home-based business and home-based businesses' reluctance to be identified due to long hours worked and fear of federal and state regulations.

Because the sample size is small, 33 within the neighborhood, responses from subsets of the sample are not statistically significant. Therefore, much of the conclusions based on this data will show areas and types of need much more accurately than it will estimate specific magnitude of need.

Conclusions and Recommendations

Conclusions:

1. There is a mix of full/part time and of starting, growing and established businesses. This suggests that home-based businesses are an ongoing, stable part of the neighborhood economy. This mixture also bodes well for starting a sub-committee on the Whittier Neighborhood Business Association because it allows people to learn from each other and make sound business decisions in concern to this subject in the future.
2. There is substantial interest in organizing a Whittier Neighborhood Home-based Business Association.
3. Home-based businesses in Whittier serve a variety of employment needs: overhead for artists, convenience for residents with business pertaining to downtown and Uptown.
4. While home-based businesses have a variety of needs, there are several common themes: marketing, business advice, help with taxation, loans and financing.

Recommendations:

1. Start a local home-based business association. This could meet with or a separate, less structure group than the Whittier Business Association.
2. Incorporate the attached Home-based Business Directory with the Whittier Business Association Directory, and add these Home-based Business members to the Business Association mailing list.
3. Utilize the Minneapolis technical College's low business assistance program. They offer three months of ongoing help with marketing, business plans, financial projections, and whatever else is needed, for \$150 flat fee. Jack Oman, contact person.
4. Contact the University of St. Thomas' Small Business Association on ways to market, find loans and help with taxation. Call 962-5000 and ask for the Small Business Association.

WHITTIER-ALLIANCE HOME-BASED BUSINESS SURVEY 1994/95

A. Home-based business Survey

Transcript of introductory communication

(Hello ! My name is Nilesh Chokhani. I am the research ssistant for the Whittier Alliance. The Alliance has asked me to do a survey of home-based businesses in our neighborhood. The purpose of this survey is to help business in a variety of ways such as with loans, networking, marketing etc. I assure you that all responses will be kept confidential.

B. 1. First, what is the name of your business ?

2. What kind of products and/or services do you offer ?

3. Is your home-based business your only source of income ?

1. Yes 11

2. NO 22

3. NA 00

Other Income Sources _____

4. Are you the only owner ? How many people are employed at your home-based business (including yourself)?

_____ people

5. What is the most important advantage and most important disadvantage of working out of home in general ?

Advantage _____

Disadvantage _____

6. What is the most important advantage and disadvantage of working out of a home in the Whittier neighborhood ?

Advantage _____

Disadvantage _____

7. Do you feel that the Whittier Alliance can play a more significant role than its current involvement with the neighborhood home-based businesses?

1. Yes 11
2. NO 22
3. NA 00
4. DK 33

8. Do you work full-time or part-time?

1. Full-time
2. Part-time
3. DK 33

9. What other services would you like to have in your neighborhood related to your home-based business? e.g. more copy centers, restaurants, etc.

10. Please rate the following business needs on a scale of 1 through 4. 1 being a low need; 4 being an important need.

	Very Important 4	Somewhat Important 3	Not Very Important 2	Not important at all 1
Networking				
Business Loans				
Marketing				
Legal services				
Banking services				
Accounting				
Help with Taxation				
Business development consulting				
Office/Work space				
Technical support				
Stress Management				

11. Have you ever applied for a loan?

Yes 11 ____
NA 00 ____

NO 22 ____
DK 33 ____

12. Was it approved?

Yes 11 ____
NA 00 ____

NO 22 ____
DK 33 ____

13. What loan amount would be most helpful for your business

C. 1. Would you like to generate a higher income for your business? If so what do you think is going to be the major barrier in achieving this amount?

Yes 11 ____
NA 00 ____

NO 22 ____
DK 33 ____

If Yes 11 then approximate range _____

Impediment

2. Optional : Racial & Demographic Information

White ____

Black ____

Asian-American ____

Native-American ____

Hispanic ____

Other ____

3. Would you be interested in being listed in the Whittier Neighborhood Home-based business directory ?

Yes 11 ____
NA 00 ____

NO 22 ____
DK 33 ____

4. Would you like to be on the mailing list of the Business Association ?

Yes 11 ____
NA 00 ____

NO 22 ____
DK 33 ____

5. Which of the following age groups do you belong to ?

Below 18 ____
Between 18-23 ____
Between 23-28 ____
Between 28-33 ____
Between 33-38 ____
38 and above ____

6. Do you have

Less than high-school education ____
High School Education ____
Some college ____
Bachelor's degree ____
Some graduate education ____
Ph.D. ____

7. Are you a home-owner ?

1. Yes 11 ____
2. NO 22 ____
3. NA 00 ____
4. DK 33 ____

8. How long have you owned this business in the Whittier Neighborhood ?

D. 1. What was your income last federal year from your business

negative income _____
\$0-6,000 _____
\$6,000-\$12,000 _____

\$12,000-18,000 _____
\$18,000-24,000 _____
\$24,000-30,000 _____
\$30,000-36,000 _____
\$36,000-42,000 _____
\$42,000-48,000 _____
\$48,000 and above _____

2. What other concerns do you have about your business ?

3. How could agencies in the neighborhood, Mpls., County, help your business ?

Results of the Whittier Neighborhood Business Survey

The existence of 182 home businesses were confirmed in the Whittier neighborhood and 33 home businesses were surveyed. Results discussed will be for the 33 home businesses in the neighborhood only.

1. Is your home-based business your only source of income?

- 1. Yes (69%)
- 2. No (31%)

2. Are you the only owner?

- Sole Proprietor (88%)
- Partnership (12%)

3. How many people are employed at your home-based business?

39% have employees

4. What is the most important advantage of working out of your home?

- flexible (24%)
- convenience (21%)
- own boss (18%)

5. What would be the most important disadvantage of working out of your home?

- hard to separate house from work (24%)
- stuck at home constantly (21%)
- distractions (15%)
- professionalism (9%)

6. What is an important advantage of working in the Whittier neighborhood?

- location (36%)
- enjoy area (15%)
- accessibility (12%) and diversity (9%)

7. What would be a disadvantage of working in the Whittier neighborhood?

crime (51%)
no money (12%)
perception of crime (9%)

8. Do you feel the Whittier Alliance can play a more significant role in the current involvement with the neighborhood home-based business?

Yes (45%)
No (24%)
declined to answer (24%)
didn't know (6%)

9. Do you work full or part time?

Full (75%)
Part (21%)
Dont' Know (3%)

10. Please rate the following business needs on a scale of 1 to 4. !
being low need and 4 being a high need.

Networking:

Very Important(4)-48%
Somewhat important(3)-24%
Not Very Important(2)-21%
Not Important(1)-6%

Business Loans:

4-27%
3-27%
2-27%
1-18%

Marketing:

4-27%
3-27%
2-30% and 1-15%

Legal Services:

4-12%
3-33%
2-18%
1-27%

Banking Services:

4-18%
3-27%
2-27%
1-27%

Accounting:

4-12%
3-16%
2-36%
1-36%

Help with Taxation:

4-18%
3-21%
2-36%
1-24%

Business Development Consulting:

4-6%
3-21%
2-24%
1-48%

Office/Work Space:

4-15%
3-18%
2-30%
1-36%

Technical Support:

4-6%
3-27%
2-36%
1-30%

Stress Management:

4-3%
3-24%
2-15%
1-57%

11. Have you ever applied for a loan?

Yes-45%
No-51%
NA-3%

12. Was it approved?

Yes-30%
No-15%
NA-54%

13. What is the biggest barrier in achieving a higher income for your business?

U.S. economy-18%
employees-15%
money-15%
clientele-9%

14. Racial and Demographic information:

White-87%
Black-6%
Hispanic-6%

15. Which of the following age groups do you belong to:

18-23-3%
24-28-6%
29-33-6%
24-38-36%
39+-45%

16. Do you have:

High School Education-9%
Some College-27%
Bachelor's Degree-45%
Some Graduate-6%
Ph.d.-12%

17. Are you a home owner?

Yes-75%
No-21%
NA-3%

18. How long have you owned this business in the Whittier
Neighborhood?

1-5 years-48%
6-10 years-36%
11+ years-15%

Average length of ownership-.6 years

19. What was your income last federal year from your business?

negative income-9%
\$0-\$6000-15%
\$6001-\$12,000-15%
\$12,001-\$18,000-6%
\$18,001-\$24,000-12%
\$24,001-\$30,000-9%
\$30,001-\$36,000-3%
\$36,001-\$42,000-6%
\$42,001-\$48,000-3%
\$48,001 and above-12%
NA-9%