

## **The Good, the Bad and the Ugly of Home Based Businesses**

In honor of the 40th Annual KONP Home Show at the Port Angeles High School Gymnasium last weekend, let's talk about Home Based Businesses.

Specifically, let's review the good, bad and ugly of this popular and historic business form. I say historic, because there was a time when all businesses were home based businesses. In colonial times, it was more a matter of business based homes, meaning that people lived where they conducted their business.

We can see examples of this right here in Port Angeles. Not from colonial times, but from the mid twentieth century. Back then, a business owner might build their home *into* their business premises.

We still have at least one auto mechanic shop where the proprietor once lived above the shop. We had a florist in downtown Port Angeles who did the same thing. Modern zoning restrictions and land use codes have mostly made that a thing of the past, although there are still some opportunities for that model.

Perhaps you might be thinking of starting a business at home. Perhaps you found yourself wandering through the KONP Home Show last weekend, thinking about updating your home to accommodate a business.

No matter where you are in your home business journey, here are some points to ponder as you go forward.

### **The Good**

#### Who doesn't want a 30 second commute?

Running a business out of your home saves commuting time and money. Less stress, more time with family. The saving and convenience of eating lunch at home.

#### Flexibility.

You can set up your business environment any way you want. You change your setup to suit your evolving needs. You have the freedom to create and re-create your environment.

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### A home based business saves startup expenses.

When you rent a business premise, you are essentially getting a home for your business. You are also getting all of the attendant costs. Some business uses of your home might even qualify for a business tax deduction. Ask your tax preparer!

### A home based business is quick and easy to start.

Home based businesses are a great example of *minimum viable form*, at least in the short term. A home based business can be a cheap way to help you get your business idea in front of customers. You can quickly to test your ideas or validate your assumptions.

## The Bad

Here is where we get out the slide whistle that Amanda Bacon recommended. Amanda wants me to bring it to the Morning Scramble, whenever I report on business or economics. This part of my report earns a slowly descending slide whistle.

### The physical demands of your home-based business.

- Can you get *adequate internet* speeds and electrical power in a residential area?
- Do you have *adequate space* for any business equipment, supplies or activities
- Can your home's *floors and walls support* any equipment, shelving or processes your business would need? Modern building codes specify floor load capacities of 40 pounds per square foot. Older homes might support much less. Commercial buildings are often rated at 50 or 100 pounds per square foot.

### Potential disruption of your home.

Jeff Bezos first ran Amazon out of Jeff's Seattle garage. Kevin Plank created the Under Armor brand in his basement. Phil Knight made his first sneaker sole in his kitchen.

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These startups are the stuff of legend, so it's easy to overlook reality.

- Mr. Knight's kitchen probably didn't smell too good with all that rubber in his waffle iron.
- Packing books in a garage in Seattle on a rainy December night isn't *my* idea of a good time.
- I wonder where Kevin put whatever they had in their basement *before* he was down there creating Under Armor?

Or, as one of my home business clients once complained, "The TV remote won't work in the living room anymore because there are so many boxes in the way."

### Work-life balance.

While it's great to have a 30 second commute to work, it can be very confusing to wake up at the office in the morning. Spending time with family is wonderful, unless you are trying to conduct a zoom meeting with an important prospect when your toddler goes nuclear.

### Home based businesses can be very hazardous to your networking success.

Not because networking is a problem for a home based business. It's because networking is a problem for home based business owners.

If you are working at home all cozy in your pajamas, you just might skip that Chamber of Commerce luncheon or that business after-hours networking session.

When you get up and go to work away from home, you've got your game on. You're out and about and ready for action. Running your business from home, maybe not so much.

## The Ugly

Here is where the Amanda Bacon business guru slide whistle quickly goes to the bottom.

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### Your neighbors.

If your business involves customer visits, in-bound deliveries, out-bound shipments, or other observable activity, your neighbors might take notice.

If irritated, your neighbors might turn to the nearest regulatory resource of relief. Zoning and land use codes can be very restrictive regarding home based businesses. Some HOAs ban them outright. Additional fire codes often apply.

Needless to say, this will not be good for business.

### Your Customers.

When you run a business, you want customers. However, you might not want customers knocking on the front door of your home, at dinner time, demanding a delivery update, a refund or a repair.

As much as we business owners love our customers, we also love to get away from them. Absence makes the heart grow fonder, or as the old country song asked, “How can I miss you if you won’t go away?”

### Your homeowner’s or renter’s insurance

I am not a licensed insurance agent, but I am qualified to tell you what happened to my home business clients, and none of it was good. This one is a three way gotcha, that gets worse as you go.

1. Gotcha number one. Some clients suffered losses of inventory or equipment due to theft or weather damage. These clients were disappointed to learn their losses were not covered by their *residential* policy.
2. Gotcha number two. Some clients experienced a product or service liability claim. These clients were also surprised to find that none of those risks were covered by their traditional homeowners policies.

This is similar to using your personal car for business purposes, as in Door Dash. Your accident won’t be covered if you are doing business in your

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personal car. You need to tell your agent what you are doing and possibly pay additional premium. Same with home-based businesses and homeowners insurance.

3. Gotcha number three. Clients who did file claims for home business losses sometimes got worse than a claim denial. Their homeowners policy was cancelled for noncompliance.

Your mortgage holder won't take that well.

### So, should I start a home based business?

The answer to that question comes from your vision of success.

- Will you be pursuing a low key side hustle not visible to outside observers?
- Do you simply want to test an idea or validate assumptions?
- Are you pursuing an idea with a clear inflection point? For example, Jeff Bezos probably calculated the sales volume he would need to afford to move out of his garage.

These are the kinds of questions that can help you make the right choice.

Next time, we'll finally get to when businesses break up with their customers. And speaking of Amazon, this report includes the seven things you might do that will cause Amazon to break up with *you*. Only, on KONP's business bits