

The World's Shortest Course on Self-Employment The Frugal Prosumer Way

Many people would like to consider self-employment but are afraid of the risk. Or they don't know where to begin. Here is an article I found that should help.

Successful self-employment is all about controlling risk. How do you do that?

- **Keep it simple:** Offer one simple product or service that requires low investment and offers a high profit margin. Ideally, that doesn't require partners.
- **If you're going to sell a product, it must have a very high-profit margin.** Unless you're a Wal-Mart, it's hard to make money on a 100% gross-margin item. I'm talking 1000+%. What sort of product has 1000+% markup? Have you had a \$3 latte at Starbucks? It cost them about 25 cents. My wife just spent \$17.50 for some fancy lipstick. What does it cost to manufacture? 25 cents—it's just colored wax. Ever pay \$75 for a pair of eyeglass frames? It costs under \$1 to produce. Think about it: how much could a simple piece of plastic cost? You need think it through: what should this cost to manufacture?
- **Work at home.** Especially avoid having a store: the costs of rent, utilities, and theft usually will break you.
- **Don't spend on image.** A nice office, let alone an expensive address, fancy furniture, or the latest and greatest computer is rarely worth the money. Image also substitutes sizzle for steak.
- **Spend time, not money, on marketing.** For example,
 - Cross-promote. A personal coach cross-promoted with a weight-loss clinic. Each offered discount certificates for the other's business.
 - Teach a seminar at an adult school, library, service club such as Kiwanis, or university extension. For example, if you're a retirement coach, teach a seminar called, 7 Things Everyone Must Know About Retirement That Most People Don't Know. At the seminar, give a useful handout that includes your contact information at the end.
 - Phone potential customers. Especially make follow-up calls to your existing customers to ask "how are you doing?" Often, without even asking for more business, they'll give it to you.
- **Forget about being on the leading edge.** Too often, the leading edge turns out to be the bleeding edge. Let someone else be the guinea pig. You copy an already proven successful business in a slightly different geographic location. If a burrito truck is successful in North Berkeley, it's relatively safe to create a facsimile of it in South Berkeley, less safe to do it in New York.
- **Avoid partners.** Most of my female clients refuse to go into business without a partner. They say things like, "I draw energy from other people." Alas, the battlefield of businesses gone bad is littered with partnerships. Even if you don't kill each other, your business has to make twice as much money. Need company? Hire a consultant or low-cost part-time assistant.
- **Don't buy expertise. Rent expertise.** To become experts, many people go to school for years, yet you can buy their time for just \$20- \$45 an hour. Rent the expertise—whether it be an engineer, a graphic designer, whatever-- on a just-in-time basis.
- **Know when to quit.** Many motivational speakers extol the virtue of persistence. They don't tell you that for every person who succeeded by persisting, dozens failed. The art is knowing when to persist and when to give up. Rule of thumb: Your risk increases with every reasonable person who tells you to stop.

Here are three self-employment opportunities that meet the above criteria:

1. **Espresso or soup from a cart** next to a train station, stadium, supermarket, movie theater, office high-rise, or other high foot-traffic area. This business requires minimal rent, offers high profit margin, is a simple business, and isn't a fad--coffee and soup aren't going out of style.
2. **Dull-normal businesses:** Sell sandblasting, broker used truck parts, maintain mobile home parks, whatever. Few college students graduate aspiring to run dull-normal businesses, so the competition is weak, and therefore the profit margin, if you do a good job, is high. You say, "But I don't have any passion for dull-normal businesses?" Most owners of such businesses didn't either, but their success in these easy-to-succeed-in businesses got many of them passionate quickly.
3. **Computer/tablet tutoring.** Millions of people still need help in using computers. My favorite market: senior citizens. They have time, money, are often computer-resistant, yet would love to email their kids and grandkids. Plus, using technology makes them feel young and hip. You do the marketing, hire the tutors, and make a piece of the action on each tutor.

All the Business Plan You Need

1. What's the product or service?
2. How is it better than the competition?
3. Who's your target customer?
4. How it will be delivered? (Internet, come to their house, your home, storefront)
5. How much of you product or service would you need to sell to make a decent living?
6. How will you market your business?
7. How will you finance it?

If you follow this article's advice, you'll greatly increase your chances of being successfully self-employed.

SELF-EMPLOYMENT

Self-employment makes even more sense in an era in which good non-offshoreable jobs generally are reserved for superstars. Self-employment enables you to instantly go from schlepper to CEO.

1. Do what you love and you'll probably starve.
 - a. COROLLARY: If many people love what you love, do it as a hobby.
 - b. COROLLARY: Look for work away from the maddening crowd.
 - c. COROLLARY: Status is the enemy of contentment.
2. The business must be simple: selling one not-trendy, high-profit-margin product or service. Examples: noise control consultant to homeowners near airports, mobile home park maintenance, handy-person, retirement coach, espresso cart(s), employee parking-lot-based oil changing.
3. Don't innovate; replicate. (either copy someone's successful business in a different location. Confine innovation to your hobbies.
4. Don't get expertise. Hire it. It takes too long to get expertise and stay current. You can usually buy expertise by the hour or day for \$20 - \$75 an hour—a bargain.

Advice I'd Give My Child

If you're at all entrepreneurial, I recommend starting your own business. Yes, I know, only 20 percent of new businesses are still in business after five years, but you can beat the odds. Just remember this one rule: Do not innovate. Copy a successful simple business. Innovations are risky: Your whiz-bang new product might not work or be popular with the public. Or a competitor could beat you to market. Why be a guinea pig? Drive around to find a simple business at which customers are lined up at the door. For example, see a successful burrito shop or espresso cart? Open a similar one in a similar neighborhood. Your chances of success will be a lot higher than 20%. Confine your urge to innovate to your hobbies.

Another approach to finding a good business is to pick a grungy one, for example, automatic transmission repair or mobile home park maintenance. Few top-notch people go into such businesses, so if you do a decent job, you'll probably make good or maybe great money. And you'll feel better about your work. You may have people coming to you and thanking you. If you own your own operation you won't have to be slaving away for some non-profit or ever fearing your job will be downsized or shipped to India.

You say you don't have the knowledge to run such a business? No problem. For example, say I want to go into transmission repair and I don't know squat about transmissions. I'd find the best transmission mechanic, pay him well and hire a consultant who is the owner of a successful transmission shop far enough from my store that he wouldn't fear my competition. The two of them would teach me how to set up my business. Then, I'd spend my time building relationships with car repair shop owners so I'd get their referral business. Just one idea among many.

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froōgəl prō'soōmər: One who deliberately chooses to **live rich on less** in order to have the resources to spend on what is truly important to them. They **live free** by not succumbing to the Great Myth Marketing Machine.