Are you a Maker Entrepreneur?

Many makers we’ve interviewed are driven by the creation process more than just making money.

But, if you are curious about turning your passion into profits, we’ve teamed up with top professors at Babson College, a leading entrepreneurial college in Wellesley, Mass. to help you explore the possibility of starting a small business based on your maker skills.

This is a great time to take a leap. Overwhelmed by technology, many consumers are hungry for handmade, artisanal and authentic products. The popularity of food trucks, craft breweries and thousands of artisanal items sold on Etsy.com are examples of this growing trend. Kickstarter alone has funded more than 90,000 new products created by makers.

Monetizing something you love is a proven secret to small business success. You have to love doing it because you will never work harder than when you are working for yourself.

Let’s get started by asking yourself these questions:

1. Am I making things that people may want to buy, or do I just enjoy the process of making things for my friends and family?
2. Have I seen similar products offered for sale at Maker Faires, craft fairs or retail outlets?
3. If so, are my handmade products better quality, better designed, or more appealing?
4. Do I have the time and resources to test the commercial market?
5. Am I happiest when I’m in my workshop or Maker Space?
6. Am I in a position to quit my job if things take off? Would I want to quit?

Based on our interviews with thousands of small business owners around the world, we know the most successful small businesses are fueled by the passion of the founder. And, since you already enjoy making something that inspires or satisfies you, you are ahead of the competition.
Best of all, you don’t have to make it alone. If you share space in one of the thousands of maker or hacker spaces around the country, you have a supportive community. These communal spaces provide tools, equipment, training and moral support. If you are working solo, we recommend attending a Maker Faire or visiting a local maker space to meet other makers. Visit www.MakerFaire.com to find an upcoming Faire.

“We are creating a different kind of economy,” said Dale Dougherty, co-founder of Maker Faire and Maker Media, publisher of Make magazine. “The hallmark of this community is the sharing of skills.”

In the past 10 years, more than 1.1 million people have visited a Maker Faire, some such as in China, attracting 100,000 people, Dougherty said. The Queens, NY Faire drew 85,000 attendees of all ages.

Many makers keep their day jobs while pursuing their passion. At the Maker Faire in Queens, I met an environmental engineer from Delaware who makes beautiful jewelry with found and recycled objects. The one-of-a-kind necklace I bought for my aunt has two different types of chains displaying an antique crystal cabinet knob.

The artisan told me her passion was making jewelry and she hoped to someday quit her job to make jewelry full time.

There’s no age limit to being a maker. Quin Etnyre, the 14 year-old CEO of www.Qtechknow.com, was demonstrating his new invention at the Atmel booth at the Queens Maker Faire. Quin invented a portable printer about as big as a pack of cigarettes using miniature microprocessors and Arduino circuit boards. The device uses a roll of cash register tape to spool out cool, black and white vintage-looking photos shot on smartphones.

Meanwhile, makers are happily working in thousands of maker spaces around the U.S. In fact, there are 1,187 self-identifying ‘hackerspaces’ around the country according to a recent survey conducted by Dr. Heidi Neck and research assistant Charles Plaisimond at Babson College.

According to Babson’s research, a majority of maker and hacker spaces operate as non-profits. Membership fees in many spaces range from $40 to $125 a month. The states with the most maker or hacker spaces are: California, New York, Michigan, Florida, Georgia, Texas and Washington state, according to the Babson report.

So, please consider our practical business tips aimed at helping you launch a successful small business based on your passion, skill or hobby.

J.A.
Before you start selling anything, you need to figure out if anyone wants to buy it. Step one is to carefully check out the competition. Unless you are making something totally new and different, someone else is probably making and selling something similar.

Visit your competitors’ websites and stores to determine how they price and package their products. If possible, order the product to really check it out.

Test market your product on a small scale before launching into full production. Make a few prototypes or samples in different sizes or colors if possible.

Be sure to solicit comments and opinions from people who would be your ideal customers. Rather than ask fans, friends and family to review your products, ask them to refer you to their friends and acquaintances for feedback. You can host an informal focus group at a local coffee shop or community room in a library.

Once you feel confident you have a viable product, get it into the hands of influential people who will use it, love it and spread the word. Think how fashion designers and fine jewelers lend their most spectacular creations to movie stars for Red Carpet appearances.

Register a web site URL as soon as you figure out what to call your company or product. Invest in a few different names to cover all the bases.

Be sure to create your social media pages before you launch your sales effort. Focus all your social media efforts on your target market. If your target customer isn’t likely to be on Twitter, focus on Facebook, Instagram and your own website.

Many companies offer templates for building a free website. Take great photos. If you aren’t a skilled photographer, ask a friend who is or pay a professional photographer. Remember, a picture is worth a thousand words. (More on social media later.)

J.A.
My motto is ‘never work with anyone who gives you a headache or a stomach-ache.’ Life is way too short to spend your time with people who make you sick. Trust your gut. When you meet someone, ask them a few pointed questions to help you decide whether they are telling the truth and can be trusted.

No matter what kind of business relationship you plan to develop, always check references. Ask them for the names of people and companies they deal with. If they balk at providing this information, move on. It’s so easy to check people out online- spend time looking them up on Google, LinkedIn and Facebook. Be sure to check Google Images to see what kinds of photos they appear in.

Always start slow and small when it comes to a new business relationship. Try a marketing cross-promotion or small project before signing any long-term agreements. If that baby step works out, find an experienced small business attorney to draft your paperwork. You can download all sorts of legal forms online, but when it comes to protecting yourself from creepy people, it’s worth spending the money to avoid legal headaches down the road.

Be sure to set up your books with a reputable software program. Consult with an experienced bookkeeper and tax professional. There are some helpful tax deductions and benefits to owning a small business. More on managing your money in a subsequent chapter.

J.A.
One of my favorite corporate executives shared this pithy phrase when I interviewed him as a novice business reporter: “Business is great, except for the people.” That advice has helped me deal with all sorts of people challenges faced in life and business.

Being picky about the people you work with is essential to your success. Think about how much time you spend working, versus time spent with friends and family.

So, when you can’t do it all yourself, here are some suggestions. Instead of hiring someone outright, consider hiring a paid intern. Interns offer energy, enthusiasm and talent when you are on a budget. If you can create a legitimate internship for college credit, try that first.

Students at all levels are always seeking opportunities to obtain real-world experience. Think about the specific skills you need and post your requests in the right place. For example, if you need a business card, contact a local graphic design school.

Hiring temporary workers with experience is also a good way to go. You can find experienced accountants, bookkeepers, graphic designers, assemblers, etc. online through a variety of employment sites. You can rent a chief financial officer, marketing specialist or expert in optimizing your website to attract more traffic. Word-of-mouth is also a great way to find good workers. Tell everyone you know you are looking for help.

No matter how small your business is, avoid getting into trouble with the Internal Revenue Service (IRS). Freelance workers must be truly independent. They must be able to set their own hours, use their own tools and equipment and work with other clients. Visit www.irs.gov for a list of all the rules about independent contractors.

If someone is working in your home or office and following your directions, they are definitely your employee. That means you have to pay all the required payroll taxes and possibly, benefits. If your revenues are stable and you are ready to hire a part or full-time employee, consider using a payroll service to make sure you are doing everything right.

J.A.
So many small business owners suffer financially because they are paying overhead expenses and hiring help before they write a check to cover their own living expenses.

Remember, you are in business to make money. Most small businesses are funded with savings, credit cards or loans from family members. Once you figure out how much you need to get the business going, compute how much you need to live on and set that amount aside to pay yourself.

Once you start generating sales, force yourself to pay yourself first—at least something to keep the lights on.

J.A.
Chances are, like many entrepreneurs, you started your business with personal assets or money borrowed from friends and family. Despite this, the minute you launch, you must create a distinct line between your personal and business finances.

There are several reasons this is so important. If your business is a corporation, you must keep business finances separate because the business is considered a separate entity. If you’re a sole proprietor, your company is considered an unincorporated business owned and run by one person with no difference between the business and you, the owner. You are entitled to all the profits and you are also are responsible for all your business’s debts, losses and liabilities (which is why it’s always a good decision to incorporate). But sole proprietors also must keep business and personal finances separate in case of an IRS audit.

Keeping your business finances separate also reduces your legal liability and can help you manage your tax and business bills more efficiently. The IRS doesn’t require any special recordkeeping system, except in a very few specific cases, and you can use any sort of system that clearly outlines your business income and expenses. The IRS website has hundreds of resources explaining what records you should keep, how long you should keep them, what forms you need to file and much more.

When choosing a business bank, remember most banks want your business, so try to negotiate some free or discounted services. It could be smart to choose the bank where you have your personal bank account for easy transfer of funds, or you might find a better bank and open your business account there. Ask other local business owners where they bank and why. And, be sure to open the business bank account under the business’s name, not your own. One often-overlooked tactic is to establish a relationship with a banker. You may not realize if but a banker can be a valuable resource. They’ve likely worked with hundreds of businesses and know what solutions will work and which are more likely wastes of time. Having a banker on your side will prove invaluable when you need a loan, a line of credit extension, financial advice, or even an expert sounding board. Having a banker who knows and trust you, will go to bat for you every time.

If you don’t qualify for a business credit card, you can use one of your personal cards, but be sure to only use it for business reasons. You should also upgrade your accounting software to a business version so you’ll have more options and guidance in maintaining the appropriate financial records for your business.
One of the biggest challenges is to keep the cash flowing. Your invoices may request payment in 30 days, but your clients or customers—especially big corporations-- often take much longer than you expect to send a check.

No matter what you do, make it very easy for people to pay you. Set up electronic funds transfers and direct deposits whenever possible. Look into setting up an online funds transfer account to expedite payments, especially overseas transactions. If you are selling your wares at Faires or away from your office, several companies offer free smart phone apps and swiping devices that let you accept major credit cards.

Setting up a merchant credit card account is more costly in terms of fees, but if you are running a busy retail operation or selling your products at big Maker Faires and trade shows, it is worth asking your banker about.

Another strategy to increase cash flow is to bill customers twice a month, versus once a month. Be sure to add a sentence on the invoice about charging a late fee (usually one or two percent of the outstanding balance) because this tactic may encourage prompt payment.

Since a lack of cash flow is what cripples most small businesses, it’s critical to have financial contingency plans in your back pocket. As soon as you open a business bank account and start depositing funds on a regular basis, apply for a modest personal credit line. Only tap the credit line for emergencies or as an alternative to credit cards, which generally have higher interest rates.

**Tips for Selling Your Products**

Once you’ve tested the market and know your target audience, it’s time to expand your customer base. If your products are selling well at ‘pop-up’ shops, craft or Maker Faires, look into other retail or online distribution channels. Consider teaming up with another Maker or artisan to share a small retail space, or find a mini-mall that rents space to multiple vendors. You can also think about renting a kiosk in a busy mall or tourist destination.

No matter what you are making, it’s too risky to count on just one client or customer to provide the bulk of your sales. If you rely on one big customer, you are asking for trouble. Even if you have a contract, things change, priorities shift and promises can be broken.

Finally, try not to rely on one vendor for essential parts or supplies. Seek new sources for supplies, especially if you import them. Cargo ships get delayed at sea. Trucks break down, trains derail and manufacturers fall behind. Make sure you have everything you need—and plenty of it-- to serve your customers in a timely manner.

J.A.
As you launch your business, you need to build your business website at the same time. And that website must be mobile-friendly. Google and the other search engines rank mobile-friendly websites higher for mobile searches.

Research company BIA/Kelsey reports there will be close to 82 billion mobile searches this year—and 142 billion by 2019.

Mobile-friendly sites:
- Load quickly & are easy to navigate (Slow load times & difficult navigation are top complaints of mobile shoppers)
- Provide photos that are large enough to help shoppers make a decision
- Provide security information
- Make checkout as simple as possible. (Filling out forms on a mobile device is cumbersome)

Using responsive design has, to date, proven the most effective way of designing your new site. The design “responds” to the device its being read on, no matter the screen size of the smartphone or tablet.

Already 80% of consumers search the web on smartphones and 47% search on their tablets. And according to KeepItUsable.com, if they have a bad mobile experience 30% will never return to the original site, 33% will immediately go to a competitive site and 36% give up their search altogether.

If you’re not sure if your website is mobile-friendly you can:

- Access the mobile usability report in Google Webmaster Tools; this will spotlight mobile usability problems throughout your website, not just the home page.
- Review Google’s Webmaster guide to Mobile-Friendly Websites.

The world is going mobile—and your startup needs to be there.
There’s an old adage that a happy customer will tell a handful of people how much they love your product, while an unhappy customer will tell a dozen people how unhappy they are with your company.

So, your mission is to generate positive buzz about your products by surpassing expectations. You want all your customers to be ambassadors for your company, especially when you don’t have a lot of sales people doing the job.

It’s important that every customer touch point be a positive experience, whether it be your website, Facebook page or the person who answers your telephone.

If you have no one to answer the phone, change your outgoing voicemail greeting every day. It only takes a few minutes to tell callers (all prospective customers) when you will be able to return their call. Smile when you are recording the message. Smiles really add energy to your voice.

Once you land your first batch of customers, personally thank them and ask them to help spread the word. Most people will be happy to tell others about a product or service that really exceeded their expectations.

J.A.
Luckily, most start-ups don’t have the money to rent glitzy office space. In fact, the less you spend on overhead, the more you can spend on creating fabulous products. Working at home is the best way to save money at first. Sharing space with another business is another good strategy. Ask friends and family if they have extra office furniture and equipment to share. Buy used equipment if possible, but don’t scrimp on the latest technology.

Maker spaces are a wonderful place to set up your operation. You’ll be surrounded by other makers and most likely, pay much less for your space than in a traditional office.

If you are a baker, find a commercial kitchen that rents time by the hour or share a workspace with other bakers. If you make a food product, you can contract with a co-packer to produce your product in small batches.

Bartering products for services or vice versa is a long-standing tradition among small business owners. Figure out what you can swap or trade to conserve cash.

If you need to hire a trainer to update your skills, find with another company or group of nearby companies to share the cost.

Cash is royalty, so you want to keep as much in your pocket as possible.

J.A.
Social media is a marketing must. It’s a low-cost, high-time investment way to:

- BUILD awareness
- ATTRACT new clients
- BUILD client & customer relationships
- DRIVE traffic to your website/store
- GET media attention (in a good way)

Even if you don’t understand the value of social media, your customers do, so you can’t avoid it. In fact, 72% of all Internet users are active on social media, ranging from 89% of 18-29 year olds and 43% of those age 65 and older.

Don’t try to conquer all social platforms at once—you’d never have time to build your business. Instead, start where your customers are and build a presence there. You need to ask your customers what social platforms they prefer and why. You can ask them in person, or do a short online survey (free if you use SurveyMonkey). When you ask, be sure to find out if they want to engage with you on social media and what they want from you. Coupons, specials and promotions? More insight and information?

The most popular social platform for B2C businesses is Facebook, while LinkedIn ranks tops with B2B businesses. If you’re selling products, Pinterest is very effective, while Instagram is the fastest-growing social platform right now. And don’t forget Twitter, it attracts a broad array of consumers.

It’s not hard to get started with social media, but you do need an integrated marketing plan. Social media and your other marketing strategies should not sit in silos. Here’s a few things to think about:

1. What social platforms do your competitors use? If they’ve been in business a while, you can assume they’re getting results with the social media they’re using.
2. Create a social policy. What will you talk about? What do clients want from you? Who will be your social representative? While you may not have the bandwidth to start your business and be responsible for social, it’s not a job for an intern.
3. Be consistent. Be honest about how much time can you spend on social. You should learn to use 3rd-party tools, such as Hootsuite, TweetDeck, Buffer or SproutSocial to schedule posts. But remember social media is social—you have to post and respond. It’s an interactive medium, not a broadcast network.
4. Social media is marketing. Use it to make connections, provide information, offer promotions and discounts and drive traffic to your blog, website or physical location.
About the Authors:

Jane Applegate is one of America’s most respected small business experts. She’s the author of four popular books, including 201 Great Ideas for Your Small Business (Bloomberg/Wiley). A former syndicated small business columnist for the Los Angeles Times, Applegate is the East Coast correspondent for SmallBizDaily.com. She also produces corporate marketing events, video and independent films through The Applegate Group Inc. www.theapplegategroup.com

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About our Sponsors:

Patricia Greene is the Paul T. Babson Chair in Entrepreneurial Studies and she formerly served as Dean of the Undergraduate School and then Provost. Greene’s currently serves Babson as the academic director for Goldman Sachs 10,000 Small Businesses and 10,000 Women. She is a founding member of the Diana Project for women’s entrepreneurship and is also a federal appointee to the national advisory board for the SBA’s Small Business Development Centers. Her latest entrepreneurial endeavor is as a co-owner of Artworks, a specialty home goods store in Gettysburg, Pennsylvania. Her most recent book, written with Heidi Neck and Candida Brush, is Teaching Entrepreneurship: A Practice Based Approach.

The Arthur M. Blank Center for Entrepreneurship is the nerve center for entrepreneurial activity at Babson College.

Dedicated in 1998, the 6,000-square-foot center was named in honor of Arthur M. Blank (alumnus ’63, H’98 and co-founder of The Home Depot) and provides a home for members of the Entrepreneurship faculty, the Babson College Entrepreneurship Research Conference (BCERC), the Diana Project, Global Entrepreneurship Monitor (GEM), Successful Transgenerational Entrepreneurship Practices (STEP) project and the John E. and Alice L. Butler Venture Accelerator Program.

The Center focuses on expanding the practice of Entrepreneurship of All Kinds® through innovative co-curricular programs and global collaborative research initiatives that inspire and inform Entrepreneurial Thought and Action®.

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