

SMALL BUSINESS / JANE APPLIGATE

Why Home-Based Firms Are Multiplying

When Jennifer Beaver's son, Jamie, reacted fussily to his first round of immunizations at 3 months of age, she tucked him into a carrier strapped across her chest and kept him close to her all day.

"He got the nurturing he needed, and I finished the project I was working on," said Beaver, a writer and public relations consultant who works out of her Long Beach home.

With her fax machine, portable personal computer, two telephone lines and an answering machine, Beaver easily keeps in touch with her clients, which include some very large corporations.

"Working at home makes me more productive," she said. "I don't waste three hours every day dressing formally and commuting."

Beaver is one of the 34 million Americans working at home part- or full-time. The number of home-based workers is exploding, mainly because of corporate layoffs and a growing entrepreneurial spirit.

Last year, 600,000 Americans opened home-based businesses, according to Santa Monica author and home-based business consultant Paul Edwards.

"There has been phenomenal growth in the number of people working at home," he said. "In April alone, about 283,000 people became self-employed due to layoffs."

This burgeoning group of business owners also spends billions of dollars on equipment and office supplies that enable even the tiniest company to appear big. In 1986, home-based business owners bought \$15 billion worth of office equipment and supplies. By 1990, the amount had doubled to about \$30 billion, according to Jeffrey P. Davidson, author of "Marketing to Home-Based Businesses."

Just what are these millions of people doing at home? Davidson's list begins with actuarial services and ends with woodworking. In between, you'll find glass blowers, software developers, organic farmers, publishers, researchers and reunion planners. According to his book, about half of home-based



MICHAEL EDWARDS / Los Angeles Times

Writer and public relations consultant Jennifer Beaver of Long Beach is one of the 34 million Americans who work out of their homes.

businesses provide goods and services to other small-business owners.

Although the notion of working at home seems attractive, serious problems face these entrepreneurs, said Edwards, co-author with his wife, Sarah, of four books on home-based businesses.

One of the most troubling problems is a maze of outdated and often punitive zoning ordinances that prohibit home-based businesses in many communities.

"I recently found out about a \$5-million-a-year publishing company operating out of a garage," Edwards said. "Local officials told them to empty out their garage and put their cars inside. Instead, they packed up and moved the company to Las Vegas."

Many home-based business owners also have a difficult, if not impossible, time finding affordable health insurance.

A third problem, which affects the growth and financial stability of home-based business owners, is

the reluctance of most banks to issue merchant accounts and credit card services to home-based companies.

"It seems to be a blanket policy, and it's discriminatory," said Edwards, who has pressed many banks to explain why they won't establish these accounts for home-based businesses.

Harry Lee, senior vice president at Wells Fargo Bank in San Francisco, said bankers are leery of setting up merchant accounts for home-based, mail-order businesses because so many are fraudulent.

"We prefer dealing with businesses that deal directly with customers," he said. He said anyone applying for a merchant account, which permits you to accept credit cards, must have a valid business permit and agree to meet with a banking representative at the applicant's place of business.

Jane Applegate welcomes your letters and story ideas. Write to her at the Los Angeles Times, Times Mirror Square, Los Angeles, Calif. 90053.