

STARTING A SUCCESSFUL INTERIOR DESIGN
OR RELATED SMALL BUSINESS

By

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CHAPTER I

INTRODUCTION

Statistics indicate that considerable knowledge of business concepts is needed before beginning a new business. Out of every 1,000 new businesses started in the United States, 930 will eventually fail. This failure rate is a shocking 93% (Tate, Megginson, Scott, and Trublood, 1975, p. vii). The Service Corps of Retired Executives (SCORE) estimated that around 400,000 small firms go out of business each year in the United States, and 100,000 of these fail in the first year of existence (Tate et al., 1975, p. 12). Many persons wanting to start a new business venture have no idea where to begin. Combined with the fact that they also have little knowledge of sound business management, it is no wonder that one-fourth of all new business undertakings fail during the first year.

(According to Tate et al. (1975, p. 13) the causes of failure, in descending order, are (1) lack of business records, (2) lack of business experience, (3) insufficient stock turnover, (4) accounts receivable, (5) inventory shrinkage, (6) poor inventory control, (7) lack of finances, (8) improper markup, and (9) lack of sales. Of course, there are many other reasons for failure in business; even personal problems can interfere with business. It is important to start out a new venture properly, especially since so many fail in the first year of operation.

An interior design firm must be run as a business. The abilities,

such as creativity and talent of the designer will be lost if they are not combined with an understanding of business procedures, professional practices and at least a working knowledge of basic accounting principles (Murphy, 1975).

Many interior designers who practice their art and their profession with undeniable competence - even with brilliant resourcefulness - fail to make a go of their careers because they do not know how to cope with their business. Without sound business practice, interior design is a minefield loaded with explosive charges of financial disasters, tarnished reputations, catastrophic client relations, and sleepless nights (Siegel, 1974, p. 8).

Designers frequently think of themselves as artisans and have no desire to consider the management or business practice concerns. The complexity of financial transactions related to methods of charging for services and making payments for merchandise is perhaps one of the most misunderstood areas in the interior design business. Lack of preparation in business management and accounting can spell disaster for the unsuspecting small design firm.

There are other small businesses or firms closely related to interior design. These may be accessory shops, furniture stores or specialty shops of various kinds. The successful operation of these shops also depends on the knowledge of basic principles of business.

Because of internal and external factors unique to each business, no two small businesses are alike. However, there are many factors that successful small businesses have in common. If the factors associated with successful small businesses can be identified and made into a check list, persons with a minimal background in business could benefit from the simplified, orderly approach to the mechanics of establishing a small business in interior design or related areas.

Concepts Involved

Small Business - The Small Business Act of 1953 defined a small business as one that "is independently owned and operated and which is not dominate in its field of operation" (Barnes, 1975, p. 7). Tate et al. (1975, p. 4) lists some of the criteria used in distinguishing a small business from big business; relative size, type of customers, financial strength, and number of employees. According to Dun and Bradstreet, there are about 2,250,000 businesses in this country. Well over one-half are worth less than \$50,000. Only five percent are worth more than \$200,000 (Kuehn, 1973, p. 3). The definition used by Tate et al. (1975, p. 4) and also used in this study is that a small business is an organization with a name, a place of operation, an owner, and one or more workers other than the owner.

Proprietorship - A proprietorship is a business owned entirely by a single individual. Owners liability is 100% for himself and employees. Any debt or accident is his sole responsibility (Hertz, 1975).

Partnership - A partnership is two or more persons joined together to form an organization. In a "general partnership" the owners have equal liability. In a "limited partnership" there are one or more limited and general partners. There can be one or more general partners which have full liability. The limited partners do not have any liability except for the amount of their investment (Hertz, 1975).

Corporation - Sometimes defined as a legal entity, or an artificial being, the corporation is more complex and formal than the other two types. There is a certain number of persons required as stockholders which varies with individual state laws. The formation procedure is usually legally defined. In a general corporation liability is equal.

In a Limited S. Corporation, the stockholders are liable only for the amount of their investments (Hertz, 1975).

Purposes of the Study

The general purposes of this study were; (1) to develop an understanding of the factors that make a small business successful and (2) to develop a check list or criteria for starting a small business in interior design or related areas. This study was limited to fields related to interior design although it is believed that there are certain steps which are involved in all types of business. The information concerning starting a business in the field of interior design is limited. It is hoped that this study will bring additional insight into how to properly start a small interior design business.

Procedure

The sample for this study was selected from available firms in Stillwater, and the surrounding areas. The towns selected had a population of 35,000 or more. The sample consisted of 11 small interior design and related businesses including furniture, accessory and specialty shops. No franchise businesses were included. These were strictly businesses which had been started by the owners.

Since the information desired was detailed and required some in depth questioning, a case study approach was employed. An interview schedule was developed to guide the personal interviews with the owner of the small business. This schedule, composed of open-end and fixed alternative questions, was pretested and revised before being administered. Questions covered customer and personnel practices, financing,

requirements for starting the business, marketing practices, and general insights into the hazards of starting a small business. These questions were included for one of two reasons: (1) they were related to factors most often identified by professionals as being potential problems and (2) they were considered by professors in the school of business, to be important to small business operations.

Appointments were set up, in advance, with the owner of the business and all interviewing was done by the author (researcher). Most of the respondents were very cooperative, many times offering more information that was requested. The interview technique was advantageous in that it provided greater insight into the personalities of the owners and the procedures followed in each type of business. The firms included in the sample had been in business from three to 25 years.

Because of the uniqueness of the interior design profession, a case study method was especially appropriate.

CHAPTER II

REVIEW OF LITERATURE

Starting a Small Business

The requirements for success in a small business include being sensitive to internal and external changes affecting the business, being able to react to these changes, keeping informed on the firm's financial position and market position, using human resources effectively and humanly, obtaining sufficient investment capital at a reasonable price, and handling government regulations effectively. The small enterprise has many advantages over larger competitors. Small firms are more closely in touch with their customers, employees, and suppliers. A small business is often a source of new materials, processes, ideas, services, and products that larger firms are reluctant to provide. Many owners or managers take a personal interest in the community and work to improve them. This is the biggest advantage of small businesses; they produce people as well as goods and services. There are many disadvantages as well, such as a lack of management ability, inadequate financing, inadequate human resources, and a poor position in regards to competition (Tate et al., 1975).

The largest single cause of failure in a new enterprise is attributed to poor management. Ninety percent of all failures result from lack of managerial experience and aptitude. Many factors which affect the success of business are not controlled by the entrepreneur, such as

personnel health and family difficulties. Some external factors, such as relocation of highways, sudden changes in style, the replacement of existing products and local labor conditions, are outside the control of the owner. Businesses must constantly change in order to meet new demands from external and internal factors which may drain them financially. Careful thought, in advance, will help the entrepreneur prevent mistakes and save ones investments. No one wants to put savings or income into a business only to see losses wipe out the investment. So many things must be considered that unless certain steps are followed before and during the beginning of a venture there is danger of important matters being overlooked. Once a business has been started the urgency of day-to-day details minimizes the opportunity for thoughtful consideration of all important details (Metcalf, 1973).

Location

The impact of the proper site on the success of a retail operation cannot be over emphasized. A new business should be located in a community that needs the services offered by the firm (Lowry, 1975; Weber, 1975; Metcalf, 1973).

Metcalf listed three steps for selecting a good location: the first, selecting the town; the second, selecting the area of town; and the last, selecting the actual site (1973). One should check to see if the population is large enough to handle the volume of business needed to make the business successful. The age, occupation, and income of population, along with the growth of the city must also be considered. Is it a growing, dying or stagnate town? One must also consider the number of competitors already in the town and the relation of this number

to the population in determining practicality of another store. The type of merchandise carried determines the area within the town best suited for the business (Metcalf, 1973). The availability of utilities, transportation, zoning laws, availability of transportation carriers and type of business must also be considered when choosing a proper location (Tate et al., 1975; Metcalf, 1973).

Fred Weber said that sometimes a firm which might otherwise do a marginal business can make a good profit because of its location, and that a poor location can affect a good business. Although the location may have been good three years ago when the business was started, factors may have caused it to become unsatisfactory (1975).

How Business is Set Up

Interior designers are free to choose the business type that is best for them, unlike some other professions which are not legally free to incorporate (Siegel, 1974). The most popular legal forms are (1) proprietorship, (2) partnership, (3) corporation, and (4) holding company (Metcalf, 1973). It is important to consult with professional help such as a lawyer, CPA, or local banker familiar with local business conditions to determine the best type of organization for a specific business (Metcalf, 1973; Tate et al., 1975).

The corporate form is exceptionally well suited to the interior design field, because it limits the liability of the stockholders to the amount invested. The stockholder is not usually liable for financial losses resulting from the operation of the business beyond the sum invested by him, and the debts of the corporation are not the debts of the designer (Siegel, 1973). However, one disadvantage of a corporation

is double taxation. Income tax is levied upon corporate profits and also on dividends or personal profits (Metcalf, 1973).

The selection of a business form does not have to be a permanent decision because factors affecting the business change over time. The business may expand, change character, develop new complications, or the environment surrounding a business may change causing the owner to make new decisions as to the type best of business form (Siegel, 1974).

Capital

Too many designers waste years of preparation in building a reputation and setting the stage for operations that are bound to die of attrition before they develop sufficiently to show a profit simply because they have underestimated the operating capital required (Siegel, 1974, p. 30).

An accountant should be consulted on the critical question of the amount of capital that is needed to start a particular business (Siegel, 1974). The amount of money needed can be determined through a combination of a predicted budget and a cash forecast. This calculation is arrived at by a detailed projection of sources and uses of funds over some future period of time usually 12 months (ABC's of Borrowing 1969). When deciding on the amount of capital needed to start a business, the available money should exceed the estimated cash needed. This method provides a reserve to carry the business until it becomes self-supporting (Metcalf, 1973).

One of the most difficult problems facing small business managers is obtaining sufficient investment capital at a reasonable price. Before getting too much money from outside sources the owner should remember to keep personal control of enough to assure ownership (Metcalf, 1973; Tate et al., 1975).

Getting, Ordering, and Receiving Merchandise

The main sources of merchandise are catalogues, manufacturers representatives, and market. Orders may be placed by phone, mail, or directly with a sales representative. It is better for a small business to work closely with a few rather than many suppliers (Metcalf, 1973). Paying close attention to salesmen, trade journals, catalogues, and other signs indicating the likes and dislikes of clients, will help to determine the type, kind, quality, brand, size, color, and styles which will sell best (Metcalf, 1973).

When merchandise is delivered, the designer should personally make an inspection for damages. Before signing a receipt for the merchandise, the person inspecting should examine the cartons for any signs of exterior damage. If damaged the carton should be opened immediately. The checking of merchandise for accuracy, quantity, and quality is the last step in receiving goods (Tate et al., 1975; Murphy, 1975).

Record Keeping

Siegel (1974, p. 189) suggested that interior designers make the worst possible candidates for the bookkeeping profession. Studies of business failures show that the reasons for failure can frequently be attributed to inadequate records. Absence of records is not of itself the cause of difficulties, but it accounts for the businessman's inability to see in advance the direction in which he is going. This is why a business can fail while still showing a profit. Profits are not necessarily cash. Profits may show in accounts receivable but those accounts may not be collectible. Also, too much money may be tied up in other assets which are not available for payment of bills. The

continued operation of a company depends upon maintaining the proper balance between its investments, expenses, and income. A firm must keep certain records not only for proper business procedures and information but also equally important for taxing and other government requirements. Other reasons for keeping records are to plan for the future (arrived at by studying past records), to meet obligations, to control activities, to check on how time is spent, to check on deliveries, to keep track of inventory, to satisfy the government and to evaluate performances (Siegel, 1974; Tate et al., 1975; Metcalf, 1973).

In order to deduct business expenses, the tax department requires records be kept indicating when, where, why, and to whom the payments were made. This can easily be done with the use of a diary. The designer should always maintain a separate account for each client indicating the moneys receivable and invoices rendered (Siegel, 1974).

There are five reasons for a small design firm to maintain records: to control the flow of the work in process, to maintain a record to control sales and record the sales taxes due to the taxing authorities, to maintain a record of funds received and funds disbursed, to maintain a record of financial transactions with trade sources, and to maintain a record of the clients financial transaction (Siegel, 1974).

Seven recommended types of records are inventory and purchasing, sales records, cash records, credit, employees, fixtures and property, and bookkeeping. In addition to these, it is also recommended that one keep records of accounts receivable, accounts payable and expenses (Metcalf, 1973). One of the most annoying problems the design firm must face is that of controlling payments to sources and suppliers.

By giving a little time to record keeping and by being orderly and neat, the designer can actually reduce his expenses and more important, know what he is doing at all times (Siegel, 1974).

Employees

Finding the right employee for the job protects the reputation of the firm and helps to avoid personality conflicts. One disgruntled person represents a much larger percentage of the total work force in a small firm than in a larger one. Selecting the wrong employee is the easiest way to increase the cost of doing business (Metcalf, 1973; Raphelson, 1974; Tate et al., 1975).

The most important step before hiring is analyzing the job. Write down the job description before interviewing potential employees. The trick in getting the right person for the job is deciding what kind of experience and skill is needed and writing these into the requirements for the job. Some of the most popular ways to gather information are observation, questionnaire and interview, though many other processes are used (Tate et al., 1975; Raphelson, 1974; Metcalf, 1973).

Find the right employee in three steps:

- (1) decide the kind of applicant needed,
- (2) contact sources which can help recruit, and
- (3) screen applicants in order to pick the best ones

(Raphelson, 1974).

Insurance

Insurance is a legal contract under which the insurer, for a consideration, promises to reimburse the insured for any loss suffered

during the term of the agreement. The average business person knows less about insurance than any other single business element with which he has to contend (Siegel, 1974; Greene, 1963). A well designed insurance program has many financial benefits, such as reducing worry, stimulating incentive, freeing funds for investment, preventing loss, and making credit easier to obtain (Greene, 1963; Tate et al., 1975). When used properly, insurance can reduce employee turnover, improve credit at the bank, make it easier to sell to customers on favorable terms, and keeping the firm soluable in case an insurance peril interrups operations. Often, when disaster occurs in small firms, the insurance protection is inadequate or nil. Insurance is one of the most important means of safeguarding a business (Greene, 1971; Tate et al., 1975).

The three general classes of insurance are:

- (1) essential coverage such as fire, weather, liability, automobile insurance, and workman's compensation;
- (2) desirable coverage such as business interruption, crime, glass and rent insurance; and
- (3) employee benefit coverages such as group life, group health, disability, retirement income and key man insurance (Greene, 1971).

Choose a competent and reliable insurance counsellor who has knowledge of the interior design field because it is their responsibility to point out the limitations and requirements of the policies (Siegel, 1974).

For good insurance management, one must recognize the risks involved, follow the guides for buying insurance economically, have a plan and get professional advice (Greene, 1971).

A thorough inventory is helpful when estimating adequate coverage. Included in this inventory should be a list of the contents belonging to the firm and located on the premises (such as fixtures, samples, furniture, and any special property), property of clients and any floating property (such as company property on loan). Any potential losses that would be the most severe should be insured first. There is no point in insuring against potential loss if the loss would be trivial, even if the probability of it occurring is good, because premiums would be too costly to cover all possible risks (Tate et al., 1975; Siegel, 1974; Greene, 1963).

Wrong coverage can be costly both from a viewpoint of the cost of unnecessary coverage and the damages the firm may suffer if insurance is lacking; therefore, insurance should be reviewed periodically because of changes that may occur during the growth of the firm (Siegel, 1974).

Business and Legal Help

It is a cardinal rule in business that unknown territory should never be explored without a competent guide - a professional or specialist in that territory. It takes shrewdness to know one's own limitations, and insight to respect professionalism in fields distant from one's own (Siegel, 1974, p. 30).

Accountant

Poor financial management is many times the result of inadequate financial records which causes some small service firms to fail. It is practically impossible for any business, no matter how small, to operate without the services of an accountant, even when only used as a consultant (Cooper, 1967; Siegel, 1974).

While usually thought of as maintaining and interpreting properly kept records, accountants are also good management consultants and tax advisors. They can design records for small firms, set up ways of maintaining them, draw off vital information and help the firm to become a profitable operation. A competent accountant can frequently increase profits to more than cover his cost (Cooper, 1967; Siegel, 1974).

Legal Advisor

An attorney should be consulted to begin the preliminary formalities of starting a new business in accordance with the law and to draw up needed legal papers when entering into a partnership or corporation. The attorney should be consulted as to the legal limitations and guidance for a firm that is a single proprietorship (Siegel, 1974).

Banking Facilities

Good banking facilities help by setting up commercial accounts, making loans, and assisting in credit information on clients. The bank also provides credit information about the designer to the trade associations (Siegel, 1974).

Insurance Counselor

An insurance counselor should be consulted as to the type of hazards that can occur in order that the firm is adequately covered. Unnecessary and improper coverage can be expensive so one should look for a reputable insurance counselor (Siegel, 1974).

Technical Advisor and Collaborators in
Related Fields

Architects, electrical engineers, contractors, and service people are good working contacts for the designer because they can give him the answers and help to solve problems when they arise (Siegel, 1974).

Income

The decision to go into business may not depend entirely on financial rewards. The potential return on investment may be overshadowed by a desire for independence, the chance to do the type of work one would like to do, the opportunity to live in a particular part of the country or city, or the feeling that one can be more useful to the community by operating his or her own business than by working for someone else. Even so, one must receive a financial return on the investment if the business is to survive. The designer's ability to earn a proper financial return revolves principally upon his ability to establish a proper base or method for arriving at fees or compensations (Siegel, 1974; Metcalf, 1973).

The primary cause of a bad financial position and eventual closing is lack of ready cash resources. Another important cause of failure in design firms is undercapitalization, and the failure to regard money as a commodity. This can be overcome by setting aside a certain percentage of the net profit from every job to be reinvested in the business. The first item of expense entered should be a regular allowance for the owner's salary (Metcalf, 1973; Murphy, 1975; Tate et al., 1975).

One way to arrive at an estimate is to start with the income you desire (for example, to earn annual profits of \$15,000). Research

reveals that the percentage of net profit on sales for the type of business you plan to operate is four percent. To bring an annual return of \$15,000, it would be necessary for sales to be \$375,000 (Metcalf, 1973, p. 14).

Too frequently a person has invested money in his or her business under the misunderstanding that the financial return will be greater than the return that can be expected from other investments. One should investigate the average annual return in the type of business being considered. The available money should exceed by a safe margin the estimated cash needed to start the business. Not only is money needed to get started, but there should also be enough in reserve to carry the business until it becomes self-supporting, anywhere from 4-6 months and sometimes much longer. When reaching a final estimate of sales, one should not be overenthusiastic; a new business generally grows slowly at the start (Metcalf, 1973).

Legal Requirements

Before beginning a business, consult local and state authorities. Federal authorities should be considered when engaged in interstate activities. A state tax number which helps to identify you to future wholesalers, is required before starting business.

One piece of legislation dealing with small business is the Fair Labor Standards Act. This Act provides for minimum wage, maximum hours, overtime, equal pay, record keeping, and child labor limitations. Another act, the Occupational Safety Health Act, is intended to protect the employee from recognized hazards causing injury. The Federal Civil Rights Act protects the employee from discrimination on the basis of

race, religion, age, or sex (Metcalf, 1973).

Marketing

The marketing concept is based upon the importance of the customers to a firm. To use the marketing concept, determine what the clients' needs are and how these needs can be met, select the market to be served, and decide what advantage the firm has which will give it a competitive edge over other firms. Learn the clients' tastes and show an interest in the customers, be an expert on products, and present honest information. Trade must be built around existing customers. Clients should be encouraged to purchase only as much as they can afford. Remember that the easiest way to make money is to learn what people want and give it to them (Tate et al., 1975).

Select the market the firm wants to reach and cater to them. It is better to choose products and services which fulfill the wants and needs of a specific group of people. Selecting products or services that are a compromise in order to suit widely different tastes is one of the most common errors of small firms who are "straddling the market" by trying to sell both high quality and low quality goods. A business needs some reason for being, something that is desirable in the clients' view that sets it apart from and gives it an edge over its competition. Keep in mind that the image of the firm is reflected in the products or services that are provided. The image given by products and services affects the image the customer has of the firm, therefore a firm should have a definite image that the customer can associate with. Quality, reliability, integrity, and service rather than lower prices should be stressed. One of the comparative advantages that a small business has

over a large business is that small business may concentrate upon a narrow product line, develop a highly specialized product or service, or provide a product-service package containing an unusual amount of service (Tate et al., 1975).

To build customer confidence and a good reputation that is so vital to repeat business and favorable word of mouth advertising, management must do all it can to ensure constant and high quality performance. Standardization of quality in service is a very important goal to strive for and very difficult to achieve. Designers, being basically service firms, have one disadvantage--branding is difficult because consistency of quality is hard to maintain and because a brand cannot be physically attached to a service (Stranton, 1975). Since the designer is basically selling a service he is expected to provide honest and knowledgeable information about furniture, textiles, and space design. Designers are actually selling themselves and their acquired knowledge rather than merchandise. A designer must constantly be able to produce quality designs and sound advice in order to keep the client satisfied. These satisfied customers in turn are the main method of advertising. When a client is happy with the results and a friend sees the outcome, the client is proud to tell their friends who was the designer. This is different from product branding because if the friend had seen a coffee table she had liked, finding out the brand, she could go to many stores to purchase it. The designer's personal stamp and quality service can only come from him.

Personal selling is important because of the close relationship between the buyer and the seller. Personal selling has the advantage of being flexible. The sales presentation can be tailored to fit the

situation and client. The last stage of the selling process should be postsale services. Postsale activities include making sure all installations are working correctly and that the customer is satisfied, which helps to reduce client post-decision anxiety--his cognitive dissonance. These can build client goodwill and lay the groundwork for many years of profitable business relationship (Stranton, 1975).

A firm must conduct marketing analysis to determine the buying patterns for its service--where, when, how, and why customers buy, who does the buying and who makes the buying decision. Customers are one of the best and cheapest sources of marketing information (Stranton, 1975; Tate et al., 1975).

Perhaps the biggest internal growth barrier is managerial deficiencies--the lack of creativity and marketing innovation, little emphasis on research and development in many service fields, and a general failure to recognize the importance of marketing in any business. This is a basic problem among professional designers; they think of themselves as producers or creators and not as marketers of a service (Stranton, 1975).

Advertising

The basic goals of advertising are to sell something or to modify attitudes or behavior. To some degree all advertising should be attitude advertising. A promotional program of a service company should have two major goals. One goal is to portray the service benefits in as appealing a manner as possible. The other, to develop a good reputation, is perhaps an even more important goal in a service company than in a product-marketing business (Sorbet, 1966; Stranton, 1975).

One indirect method of promotion is to be active in community affairs as a means of getting the firm's name before the public. Some firms advertise to attract new industry or more population knowing that anything which helps the community grow will also mean a larger market for them (Stranton, 1975).

A policy of tasteful advertising should be followed at all times and to be successful should be based upon the firms providing quality workmanship and efficient service. Therefore, when choosing the type of media to use, select the one that will reach the chosen market with a minimum amount of waste. All funds allocated for advertising usually should not be spent on a single medium. The market will determine the proportion of the advertising budget to spend on each media (Stranton, 1975; Metcalf, 1973; Tate et al., 1975).

Even though a service is intangible, store displays that show the results of using the service can be effective (Stranton, 1975).

One should set aside a small reserve, say 5% from the advertising budget. Use this for competitive emergencies and to take advantage of unexpected promotional opportunities, such as special purchases (Lipscomb, 1963).

Clients

It is important to know the area of the market one is trying to reach in order to better satisfy clients. Their wants and needs change over time. Decide why and if you are losing an old market, gaining new ones and why. One should know what customers buy, their incomes, ages, sex, and tastes (Laws, 1965).

It is important to not overlook the young account. The 15-19 year

olds are the spending teenagers and the young marrieds 20-24 years old are the fastest growing group among adults. The benefits are many for appealing to the younger client, they are fast adopters and are moving up economically, and have a longer customer life. These young people are especially attracted by products which are new, different, fashionable, in good taste, and of high quality (Meyers, 1965). The customer rewards well those firms who cater to what he wants and needs.

Goals

It is beneficial to set goals for the accomplishment of the many tasks necessary in starting and managing the business. Write down goals in terms of performances that can be measured. Major goals should be broken down into sub-goals, showing what is to be accomplished in 2-3 months, the next six months, next year, and the next five years. Goals should relate directly to the individual's personality, talents, and specific area of interest. Goals should be set in terms of annual net income as well as nonmonetary forms such as life style, continued education, opportunity to travel, and social contribution. Some may be personal goals such as making a large amount of money, being of service to the community, receiving prestige in the community, new challenges and experiences, pride in what one does, and a sense of independence may be prerequisites for starting a business of ones own (Murphy, 1975; Metcalf, 1973; Tate et al., 1975).

Customer Credit

The interior designer does not require a large amount of capital in the beginning, however one must be careful to have enough funds to be

able to carry his clients' accounts for some time without endangering his trade credit and standing. Therefore, an appropriate credit policy is essential if one wishes to be successful in granting credit (Tate et al., 1975; Siegel, 1974).

The extension of credit generates additional sales. Credit customers also tend to spend more than cash customers. Most merchants also know that customers shop more regularly where they have credit accounts (Blake, 1974; Tate et al., 1975).

The provision of retail credit requires more cash than is needed in a cash and carry business (Blake, 1974).

If the designer, who is not paid promptly by his clients, finds he cannot pay his own bills, many good sources will close their doors to him or place him on a C.O.D. basis. These strict credit terms will in turn alienate some potential clients. Complete and accurate credit information should always be required before any agreements or commitments are made. There must be no exceptions. Provide a clear statement of terms and investigate the clients' ability to pay. Check often enough to identify customers who are slow in paying and find out the reason why. As accounts receivable age, chances for collection decline rapidly. Expect to collect only about one-fourth of the accounts over two years old and none over five years. Additional attention should be given to accounts over 60 days past due and also to the 30-60 day account. Remember that most clients are honest and that you want them to be willing and able to pay. Accounts receivable that are uncollectable create a misstatement of income and an unjustified increase in your income tax. Therefore, it is a good rule of thumb to write off all accounts six months old or older at tax time (Tate et al., 1975; Blake,

1974; Murphy, 1975; Siegel, 1974).

Customer Payment

Every new job should be thoroughly evaluated before it is accepted to determine the best method of compensation. When pricing goods and services consider all the cost factors and then add an additional percentage to provide a planned profit. The designer's ability to earn a financial return revolves principally upon the ability to establish a proper base or method for arriving at fees or compensations. Know the percentage of gross margin to sales needed in the total of all items to cover expenses and profit to be certain that you do not underprice. To arrive at a fee or compensation base, the interior designer must have a thorough grasp of his own operation, overhead and income requirements, the scope of services for each job, the types of fee and compensation bases in use in the field, and how to apply the correct base depending upon his analysis of each job (Siegel, 1974; Metcalf, 1973; Murphy, 1975; Tate et al., 1975).

Retail Basis

This type of base is used by many designers. They offer their time and talent without fees when the job involves a complete design project that uses a large amount of furnishings to be supplied by the designer. The selling of merchandise at retail consists of billing the merchandise to a client at the list price suggested by sources. When receiving payment this way, unless he supplies a large amount of merchandise, it will be impossible for the designer to be adequately compensated for his design time (Murphy, 1975; Siegel, 1974).

Hourly Rates

With this type of fee basis, the designer should discuss chargeable time with the client, advising him of what he will receive and the approximate fee for the job. Included in the discussion should be time spent in consultation, drafting, shopping, collaboration with other professionals or subcontractors, installation, as well as office time for the preparation of specifications essential to the development of the job. The time charge basis for computing a design fee is more widely accepted in the nonresidential than in the residential field. Even in the nonresidential field, it is more commonly used in addition to other fee basis than alone for the arrival of the whole fee. The hourly charge is useful when used for special services rendered by the designer. Included should be expenses for lodging, meals, transportation, warehousing, servicing, delivery, and installation. When the design firm maintains a staff, the hourly charge for the time of staff members should not be less than three times the actual payroll cost (Murphy, 1975; Siegel, 1974).

Cost Plus Percentage

The client should be charged a fee as well as a charge for expenses such as servicing, warehousing and local delivery in connection with the installation of the job. Charges should also include a fee for any graphics work, such as furniture layouts, elevations, and perspective drawings. This fee is actually an agreed percentage added to the actual cost of materials purchased for the client. This method does not provide a profit margin capable of generating the funds required to maintain staff, pay overhead and properly compensate the designer for his time,

talent and effectiveness in producing a better than ordinary installation. When this method is used it should be used in connection with other fee factors to insure reasonable compensation for services rendered (Murphy, 1975; Siegel, 1974).

Flat Fee

The agreement to do a job for a specified sum is called a flat fee. In this case, generally no merchandise is supplied by the designer. When using this fee base, a time clause should always be included. This system charges a sum for all facets of the designer's services and the client pays the trade sources and workrooms. All charges are billed to the client. Few clients will accept this type of fee. Once the fee is established, the designer is bound to it (Siegel, 1974; Murphy, 1975).

Percentage Off Retail

This type of service supplies merchandise at a discount off the retail price. The designer's role is that of a supplier not designer (Murphy, 1975). This method is generally accompanied by an hourly charge for the design service.

Flat Fee Plus Percent of Cost

This consists of quoting a fee plus a percentage of all costs over the original budget. There is often a logical reason to use more than one fee in a single job. "No one method is right for every firm. There can be no standard method because there is no such thing as a standard job" (Siegel, 1974, p. 53).

Professional Interior Design

To be a qualified professional designer, there are certain prerequisites that should be met. The American Society of Interior Designers (ASID) has set standards for entry into the professional organization. These stringent standards are for the purpose of raising the level of the profession and undertaking the difficult job of communicating professional standards to the public at large. The requirements for membership include both academic requirements and experience; a minimum of four years of academic training and a minimum of three to four years of practical experience. The professional organization demands high standards, training, integrity, imagination, and creative ability from its members. The designer should maintain his professional integrity; his motives, abilities, and conduct should always command respect and confidence (Siegel, 1974; Murphy, 1975).

Summary of Literature

There are many facets of starting a small business and any number of these can destroy or improve a firm. There are, of course, many more factors than are touched upon in this study. The factors which were spotlighted in this paper were business types and advantages and disadvantages, importance of location, need of adequate capital, the process of ordering, getting, and receiving merchandise, record keeping, the necessity of good employees, need for insurance and the necessity for seeking professional and legal help. Also spotlighted were state requirements for small businesses, income, marketing, advertising, the clientel, goals of the individual and firm, customer credit, customer payment, and professional interior designers. These factors are the ones

generally accepted for their importance and necessity. Depending on the business and people running it, its success depends greatly on a clear grasp of the factors spotlighted. The fact that an interior design firm is a business cannot be denied. It should be remembered that the first priority is to make a decent living; doing what one enjoys is just the icing on the cake.

CHAPTER III

CASE STUDIES AND FINDINGS

Cases

The eleven businesses interviewed were located in four Oklahoma towns having a population of 35,000 or more. The businesses included seven interior design and four accessories firms. The length of time in business varied from the shortest of three years to the longest, 25 years. Three of the business were corporations. All of the rest were sole ownership except for one accessories firm which was a partnership.

Case I

The first case was a firm that sold primarily table top accessories. This business was a partnership and had been in business $4\frac{1}{2}$ years at the time of the interview. This firm carried quality merchandise and sold to a cross section of clients ages 18-65. The firm felt location was important and would have liked a better location. The owners had selected the location because no other location was available when starting business. Their location was on a side street but had its own parking lot. The firm tried to have at least two persons in the shop at all times. The goals of this firm were to make money and pay the bills.

Case II

The second case was a sole ownership and consisted of husband and wife. The business had started out as her business but he began to help run the business after he retired. The firm sold speciality items and some furniture of a particular type. They had a good location on a busy street and therefore did not feel they had to advertise. The area had ample parking. This firm had been in business for five years, and chose the location because of the parking and show window. Their clientel was described as middle aged and young. They felt they received a number of customers from a nearby air base. Seventy-five percent of their customers were female. Their goals were to make a living and keep active. Employees consisted of the husband, wife, and occasionally her mother worked when needed.

Case III

Case three was an accessories firm that had been in business 12 years. This business was also run by a husband and wife and was a sole ownership. They employed two other people to help in their shop. The business was located a few miles from town and was not easily accessible. Parking was ample and they had located here because they already owned the property. Their clients were usually ages 20-60 and mostly female. The goal of the organization was a happy relationship.

Case IV

This four year old accessories business was located in the main part of town with plenty of walk by traffic and parking. The business employed five people, some part-time salespersons and one interior designer. They handled a few large furniture items and had a limited

interior design service. They sold special order 10% of the time. They did advertise occasionally by radio and clients were said to be all ages and 80% female. The owner's goal was to have the finest furniture and gift line in the state of Oklahoma.

Case V

This sole ownership firm had been in business twenty-five years but had been in its present location twenty-three years of that time. The reasons for selecting the location was its position in a commercial area and its availability for purchase. They also listed the amount of traffic as a reason for choosing the site. The business was located on a main street with exceptional amounts of traffic. They were basically a product-service store, selling furniture accessories and carpeting, wallpaper, etc. The firm employed ten people, of these were one handyman, one bookkeeper, three sales persons and four installers. They also provided interior design services and had an interior designer. Their clients were twenty-one years old and up, mostly female but 75% of the time the husband was also involved. Their goals were to make a living, obtain financial security, and to get their children in the business.

Case VI

Case six was an interior design firm which had been in business for twelve years. They had not always been at this location and had moved because more room was needed when they added employees. This corporation used the services of a receptionist and bookkeeper. The clients were all ages and mostly male. The goal of this firm was to offer professional services to their community.

Case VII

This interior design firm was a corporation and had been in business for fifteen years. They had not been in this location all the time however, they had moved to their present location because they needed a larger space. They felt that location was not important to them. Their business however had easy accessibility and ample parking. When asked how many employees were in the firm the reply was he was the resident designer and did all phases of the business. Although a receptionist was employed by the firm. The clients of this firm were mostly male and 35-50 years of age. Their goal was to sell more service and less merchandise.

Case VIII

Case eight was a corporate interior design firm which had been in business five years. The business was located on a main street with plenty of traffic and ample parking. They felt however that location was not important because they felt people seeked them out. This firm employed nine persons and other than designers, were delivery, upholster and installers. The business had its own upholstery shop. Clients were mostly middle aged and female. The goal of the owner was to retire when 50.

Case IX

This sole ownership firm which was a furniture and interior design firm combined, had been in this location three years. They had moved to this location for more space and had surveyed growth patterns before

choosing the site. It was felt that location was important for parking and future growth. The building had been especial built for their needs. Besides feeling location was important, selling and advertising were also considered necessary. Their goals were to provide professional services and people, and the desire to be real. The firm hired five persons which worked in all phases of the business. The employees were all interior designers. The firm sold to both men and women ages 35-65.

Case X

This interior design firm had been in business seven years. This sole ownership business was located on an easily accessible main street and had ample parking. The owner felt however that location was not important. Location had been important however in the initial stages of business, as had been advertising. This was probably due to the fact that when first beginning business, they had been basically a product firm, but now had worked their business up to the point that they were almost entirely a service oriented firm. This firm employed four employees who worked at all phases of the business including installing, clerical, clean-up, and designing. They sold to both men and women of all ages. The goal of the owner was to be the best designer possible.

Case XI

The last case was a freelance interior designer who had been in business five years. The owner was the sole owner and employee. The firm was located at the owner's residence. This designer would liked to have moved to a larger town with a broader economic base. The clients of the designer were usually 35-45 years old. For commercial jobs, men

usually were the clients and for residential, women. The owner's goals were to be innovative, to have a degree of professionalism, and to provide quality design.

Findings

All of the four owners of accessories firms said that location was an important factor to their business. Some of the reasons given for its importance were availability of parking, walk by traffic, growth of the town, traffic flow, and accessibility, and location as well as free advertising. Owners of the interior design firms were divided in their opinions of the importance of location. Those which sold furniture as a large percentage of their operation thought location was very important for the same reasons as the accessories firms. Other interior design owners, especially those well established thought location was not important. The reason given was that "people seek them out." They also added that location had been important when they first established their business. The most common reasons for selecting the present location were large space and amount of traffic. Some other reasons were parking, the outcome of traffic flow studies, city growth patterns, a large space, accessibility, already owned the building and no other space was available.

When asked what changes they would like to make in their location, the most frequent reply was a larger space. Because of growth, their present quarters had become too cramped.

All but one of the owners said that they were able to get sufficient capital when they started their business. The other reported having started small and working up as capital increased. The owner of one

firm said that he had adequate capital to establish his business but that he never seemed to have enough capital to carry receivables.

The most frequently mentioned source of financial backing was personal loans, which six businesses mentioned. Three of the owners interviewed had a small business loan as their source of money. Only one firm had received money from a finance company.

The owners were asked how much capital was needed to start a business like the one they were in. Owners of accessory businesses suggested \$20,000 and \$100,000. The largest amount given for a design firm was \$300,000. The other design firms suggested \$100,000, \$50,000, and \$10,000.

State sales tax and income tax were the only taxes mentioned. Most owners felt that there were too many forms to be filled out which caused a bookkeeping and financial burden. Four firms said that the only tax difficulties they encountered were the time and trouble to fill out the forms.

Nine of the firms ordered merchandise at market. Catalogues and salesmen were other sources from which owners ordered merchandise. When asked how they placed the orders, ten firms ordered some merchandise by mail, eight ordered by phone, and seven placed orders with sales representatives.

The four accessory firms sold both from stock and special order. Special order accounted for 10% of their sales. The interior design firms on the other hand listed special orders as 15-20%, 50%, 70%, 80%, and even 90% of sales. Two interior designers sold from special order 100% of the time.

Merchandise was most often shipped by truck, next was U.P.S., then

mail. Rail was only mentioned twice. Six of the eleven owners said that deliveries caused them difficulties. These difficulties were customer impatience, late delivery, client not understanding why merchandise is late, strikes, delay in job completion, and the railroad not shipping less than a carload.

Seven of the firms said that merchandise was delivered direct to their door and four had deliveries sent to a warehouse at another location. Delivery to the job site and to the receiving department were also mentioned.

All of the firms inspected merchandise upon arrival. When asked about their experience with damage claims, the responses ranged from poor to bad. Most said that it was difficult if not impossible to collect on a claim.

All of the businesses had some professional and/or legal help. Bookkeepers were used most often, eight of the firms used them. Six firms used a tax accountant although some said only at tax time. Lawyers were consulted as much as tax accountants. One business said they used a credit bureau.

All of the interior design and some of the accessories firms worked with professional people. Builders were mentioned most often, then architects and engineers. Two firms said they had worked with realtors. Interior designers and craftsmen (such as painters, electricians, etc.) were also mentioned.

Because these were small businesses, many of the employees worked in all phases of the business. Some jobs they performed were interior designer, salesperson, janitor, installer, handiperson and bookkeeper. Other persons were hired with a specific job in mind such as architect,

delivery and installation.

When new employees were needed, most often the job was given to people who came in and asked for the job. Another popular way of finding potential employees was from other employees, other designers and from interior design schools. Only three companies advertised for employees and one used an employment service.

Interviews were the most important procedure, as mentioned by ten firms, for hiring. Requesting references and requiring experience were considered to be important by eight firms. Seven of the firms listed hiring on a trial basis as one of their procedures for hiring and six of the firms contacted the previous employer for references.

Various ways of paying employees were mentioned. Many times there were different ways of paying employees within each firm, depending on the employee and the particular situation. Most often employees were paid by the hour. Some employees however were paid by the week, every two weeks, or by the month. A salary plus commission was mentioned twice and one firm said that their designers worked on commission only. Often a combination of more than one type of salary was used depending on the situation at the time.

Only two firms reported having personnel problems. The problems mentioned were absenteeism, drinking, employee not smart enough, and one firm reported that employees were not satisfied with wages. This interior design firm consistently hired married women who worked only part-time. Perhaps by taking time to hire qualified people, paying adequate wages and hiring full-time personnel these problems could have been eliminated. The other firm mentioned that the personnel were interested only in what could be done for them and not vice versa.

When they were asked how they handled problems with personnel, most of the owners said that they talked the problem over with the employee and if that did not clear up the problem the employee was terminated.

All of the firms interviewed carried general liability, fire, storm, and flood insurance. All but one carried property insurance. Accident insurance was carried by seven of the firms, crime by six and glass by five firms. Only three firms carried group health and disability. The most common amount of insurance to carry was 80% of the value of property and merchandise.

When asked how much profit should go back into the business, various answers were received. Some of the answers were: enough to keep the bills paid, whatever is needed, all that is needed to off-set depreciation, etc., 100% up to five years, 75% of everything, all but what is used to live on, 50%, 90%, and 92%.

The only state requirements that the firms mentioned in the interview were the Oklahoma tax number, unemployment forms, and sales tax. There were no city licensing requirements.

In the area of marketing, nine of the firms said that marketing (selling) was important to their business. One firm said that an interior designer must sell themselves to the client first and another said that the only way to survive is by selling oneself. Only one owner thought marketing was not important and replied "we are a professional design firm--we do no selling."

Many kinds of advertising were listed such as radio, store windows, satisfied customers, word of mouth, and the yellow pages. One interior designer called advertising "a necessary function of undeterminate

results which keeps the company's name before the public." Another interior designer who thought advertising was important said "we have to advertise; when we advertise we sell something." The advertisements considered to be most important and most commonly used were satisfied customers and word of mouth. The interior designer who felt that selling was not important also thought advertising was not important. One interior designer who did no advertising and had been in business for seven years said that advertising was important when first starting business. When the owners were asked to compare the importance of marketing to quality of service, eight said that quality of service was more important and three said it was of equal importance to marketing.

The accessory firms' clients tended to be younger (18-65) than those of interior design firms (35-65). The accessories firms also sold to women more than men, although men bought 20-25% of the time. The interior design firms listed men as the buyers for commercial jobs. For residential work women bought the greatest percentage of the time, although some firms said 75% of the time they sold to both husbands and wives. All of the firms referred to their clients as being in the middle and upward social class.

Every firm interviewed kept records of expenses, sales and book-keeping. Ten of the eleven businesses kept records of cash, credit and accounts payable. Nine kept records of accounts receiveable, fixtures and property, inventory and purchasing. Records of employees were kept by eight firms and seven kept a record of clients. Other records that were mentioned were wholesale price records, time charges, and bridal register.

Customer credit was handled many ways. One accessories firm and

three interior design firms said that they did not have customer credit. Three other firms said customer credit was handled through the bank. Three accessories firms had layaway and one had BankAmericard. One interior design firm also used charge cards. Two firms required a down payment and a deposit for half the cost of merchandise. One interior design firm billed after delivery when working with an old reliable client. Another firm had open accounts and one used a 30 day account. Five businesses used a down payment from clients. Two companies required cash only. Monthly billing was used by three firms. Other forms of payment were an advance on big jobs, 10% required on special orders, balance required ten days after installation or invoice, progressive billing on financed job, deposit required and one-third due in advance, one-third due as job progresses and one-third due at the end of job. Many of these firms used more than one form of payment, depending on the job and the particular client.

Eight firms said that they offered professional design services. Of these, seven used an hourly charge as a way of charging for this service. Four said the charge was included in the price of the merchandise. Cost plus was mentioned twice. Fixed fee and percent of total was also a form used for charging. A separate fee for the design was charged by six of the eight interior design firms. More than one form of charging was often used depending upon the particular client and the kind of service rendered.

When asked what they would do differently in the initial stages of establishing business if they were to start their business over, four firms said they would do things the same as before. Two of the accessories firms said that they would have a busier location where

there is more walk by traffic. Some of the things the owners said they would do differently if they were beginning a business were: (1) to plan more for the future, (2) to borrow money and expand sooner, (3) to have a more defined pricing of goods and services, (4) go to work for Sear's, (5) to keep better financial records, and (6) to locate in a commercial zone.

As to changes which they would like to make in their operation now, four owners said they would like to have more room. Other changes mentioned were to have a larger warehouse, less inventory, workrooms and warehouse streamlined, have a busier location with more walk by traffic, to do only design work, and better bookkeeping.

When asked "What advice would you give to someone who wanted to start a business similar to yours", two owners recommended working for someone else for awhile to get experience. Two other owners said the same thing, except they felt a person should work at least ten years before starting a business. Two owners said to consider the location, kind of store and needs of the community. The other owners said that a person needs to be systematic and organized, know what sells and what doesn't get rid of it for space, realize that going to market is important, be honest, be courageous, be imaginative, and be willing to work hard and seek out professional guidance, both legal and financial. Two of the more unusual comments were "there are easier ways to make money" and "don't". Other comments were that a person starting out needs to have a degree of professionalism in an area that can support his business, and any person starting out would have to know merchandise.

One owner commented that the person starting the business would have to be in the firm as much as possible because people want personal

service and want to deal directly with the owner. Anyone thinking about starting a business should understand how confining it can be.

CHAPTER IV

SUMMARY AND RECOMMENDATIONS

There are many factors which must be considered when starting a business for it to be successful. Many of these factors are basic to all businesses, such as bookkeeping and legal and professional help. While doing this study, it became obvious that many of the businesses did not comply with some of the "important factors for a business", such as location, good personnel, essential records, etc. These businesses, however, overcame some weaknesses in their operations by having strengths in other areas. Sometimes they had a good reputation which overcame a less than perfect location and the clients felt the inconvenience was worth the trouble. Other times, poor record keeping was overcome by a very good business sense and knowledge of what was going on at all times. Poor bookkeeping could not have been overcome in a larger business however. ✓ These inefficiencies in themselves were not vital as they alone could not cause a business to fold, but caused problems which wasted time, money and potential clients. It should be realized that these problems, while they may not mean business failure, reduced efficiency. / The business could have simplified operations, increased profits, avoided possible future hazards and perhaps prevented a marginal business from having to close, by following some guidelines involved in starting and running a successful business. ✓

Hopefully, the recommendations which are listed in check list form

will be of help to persons thinking of starting a small business.

Check List for Starting a Successful Small
Business in Interior Design

1. Seek legal and professional help from lawyers, accountants, bankers and other designers before starting business.
2. Don't rush into a location decision. Take time to study the advantages and disadvantages. Also plan for future growth. Ask yourself if the location will be a good one in later years.
3. Have adequate capital before starting business, not only to begin business but to carry the firm for six months to a year.
4. Hire qualified people who fit the job requirements. Remember that good employees make and save money for the business so it pays to take good care of them.
5. You will be doing marketing every time a client walks into your business. You are selling no matter if its selling on a showroom floor or taking a client to lunch. You are constantly selling yourself.
6. Devise profitable payment forms for the various jobs performed by the firm.
7. Check with government officials as to the state requirements concerning a small business.
8. Keep adequate and systematic records for all phases of operation.
9. Have a firm and realistic credit plan before the need arises.

10. Know the clientel you want to sell to. Also why, when, and what they buy; then cater to them. Do not spread the business too thin by trying to serve everyone. You will only lose clients.
11. Know the goals of your organization. Devise a plan to achieve the goals by breaking them down to a time table and/or steps.
12. Engage a competent insurance counselor who is familiar with your type of business. He should plan an insurance package that will give adequate coverage, yet not insure for unnecessary hazards which makes for expensive premiums.
13. Do not expect a high income by starting your own business. The rewards normally are more psychological than financial.
14. At all times conduct yourself and your firm in a professional manner and use good business ethics.

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APPENDIXES

Interview Questions

1. What type of business are you in? _____
2. How long have you been in business? _____
3. Have you been in this location all that time? ___ yes ___ no
 IF NO: 3a. Why did you move to this location?
 _____ space (specify) _____
 _____ amount of traffic _____
 _____ cost Other _____
- IF YES: 3b. What were your reasons for selecting this location?
 a. space was available _____
 b. rent _____
 c. studies of traffic flow _____
 d. other _____
- 3c. Is location an important factor in your business?
 If yes _____ 3d. Why? _____
 If no _____ 3e. Why not? _____
4. Is your business set up as:
 a. sole ownership _____
 b. partnership _____
 c. corporation _____
5. Where did you get the financial backing to begin your business?
 a. borrowed from finance company _____
 b. small business loan _____
 c. personal loan _____
 d. family _____
 e. other _____ (specify) _____
6. Were you able to get sufficient capital at the time you initiated your business?
 yes _____ no _____
 IF NO: How did you handle the situation? _____

7. Approximately how much capital is needed to start a business like yours? _____
8. A. Have you encountered any tax difficulties with your business?
yes _____ no _____
- B. If yes: What is the nature of these difficulties? _____

9. How do you get most of your merchandise for your business?
a. catalogues _____
b. salesmen _____
c. market _____
d. other (specify) _____
10. How do you place your orders?
a. phone _____
b. telegram _____
c. mail _____
d. directly with sales representative _____
e. other _____
11. Do you sell from stock, special order, or both?
_____ stock _____ special _____ both
IF BOTH: 11a. What percent of your sales are special order? _____%
12. Do you have storage (warehouse) space at this location? yes _____ no _____
At another location? yes _____ no _____
13. How is merchandise usually shipped to you?
a. rail _____
b. truck _____
c. mail _____
d. other (specify) _____
14. Does the delivery time for merchandise create any difficulties for you?
IF YES: What kind of difficulties? _____

15. Where is merchandise delivered when a shipment arrives?
a. this location _____
b. warehouse at another location _____
c. other (specify) _____
16. Are shipments inspected upon arrival? _____ yes _____ no
Comments _____

25. On what basis do you pay your employees?
- Employee title _____
 - salary _____ week _____ hour _____ month _____
 - salary & commission _____
 - commission only _____
 - other (specify) _____
26. Are you required to pay minimum wage?
Yes _____ No _____
27. Have you had any personnel problems?
Yes _____ No _____
- IF YES: 28 a. Please describe those problems. _____

- How have you solved such problems? _____

28. What type of insurance do you have?
- accident _____
 - general liability _____
 - property insurance _____
 - fire, storm, flood, etc. _____
 - crime _____
 - glass _____
 - group health and disability _____
 - other _____
29. How much insurance is necessary? _____
30. A. How much return on investment should one expect when beginning a business such as yours? _____
B. After 2-3 years? _____
31. How much can a person expect to make per year; _____ net?
- | | |
|----------------------|-----------------------|
| a. \$5,000 and below | e. \$20,000-25,000 |
| b. \$5,000-\$10,000 | f. \$25,000-35,000 |
| c. \$10,000-15,000 | g. \$35,000 and above |
| d. \$15,000-20,000 | |
32. What percentage of profit should be kept as personal salary?

33. How much should go back into the business? _____

17. Who checks in the shipments?
 a. owner or partner _____
 b. employ (specify) _____
18. What has been your experience with damage claims? _____

19. What type of business and legal professional help is needed in the operations of your business?
 a. lawyer _____
 b. tax accountant _____
 c. bookkeeper _____
 d. other _____
20. What other professional people do you work directly with?
 a. architects _____
 b. realtors _____
 c. builders _____
 d. engineers _____
21. How many employees are needed? (salespeople, janitors, cashiers, delivery men, handy man for repairs, etc.) _____
22. What are the responsibilities of each of these employees? _____

23. When you need employees for your business how do you locate qualified people?
 a. employment service _____
 b. advertise _____
 c. people who ask for job _____
 d. other (specify) _____
24. What is your procedure for hiring?
 a. request references _____
 b. interviews _____
 c. experience required _____
 d. contact previous employer _____
 e. hire on trial basis _____
 f. other (specify) _____

34. What state requirements do you have to meet? _____

35. How important is marketing in your business? ex. selling _____

 advertising _____

36. How important is marketing versus quality of service? _____

37. How would you describe your clientele in relation to
 a. age _____
 b. sex _____
 c. socio-economic level _____
 d. etc. _____
38. What are the goals of your organization? _____

39. Do you keep any of the following records?
 a. inventory and purchasing _____
 b. cash records _____
 c. employees _____
 d. credit _____
 e. sales records _____
 f. fixtures and property _____
 g. bookkeeping _____
 h. accounts receivable _____
 i. accounts payable _____
 j. expenses _____
 k. clients _____
 l. other _____
40. How do you handle customer credit? _____

41. How do you receive payment from clients? (ex. paid in full at end of job, down payment required for starting, etc.), (other customer policies). _____

42. Do you offer professional interior design services? _____

43. How do you charge for your professional design services?
- a. fixed fee _____
 - b. hourly _____
 - c. cost plus _____
 - d. percent of total _____
 - e. included in price of merchandise _____
 - f. do you charge a separate fee for the design _____

44. What things would you do differently in the initial stages of establishing business if you were to start your business over?

45. If it were possible to do so what changes would you like to make in your operation now? _____

46. What advice would you give to someone who wanted to start a business similar to yours? _____

47. Other comments: _____

VITA

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Candidate for the Degree

of Master of Science

Thesis: STARTING A SUCCESSFUL INTERIOR DESIGN OR RELATED SMALL BUSINESS

Major Field: Housing, Design and Consumer Resources

Biographical:

Personal Data: Born in Enid, Oklahoma, December 27, 1947, the daughter of Fred Henry Neundorf and Dorothy Elizabeth Neundorf.

Education: Graduated from Covington High School, Covington, Oklahoma, in May, 1966; received the Bachelor of Science degree in Home Economics from Oklahoma State University, Stillwater, Oklahoma, in May, 1975; completed requirements for the Master of Science degree at Oklahoma State University in May, 1977.

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