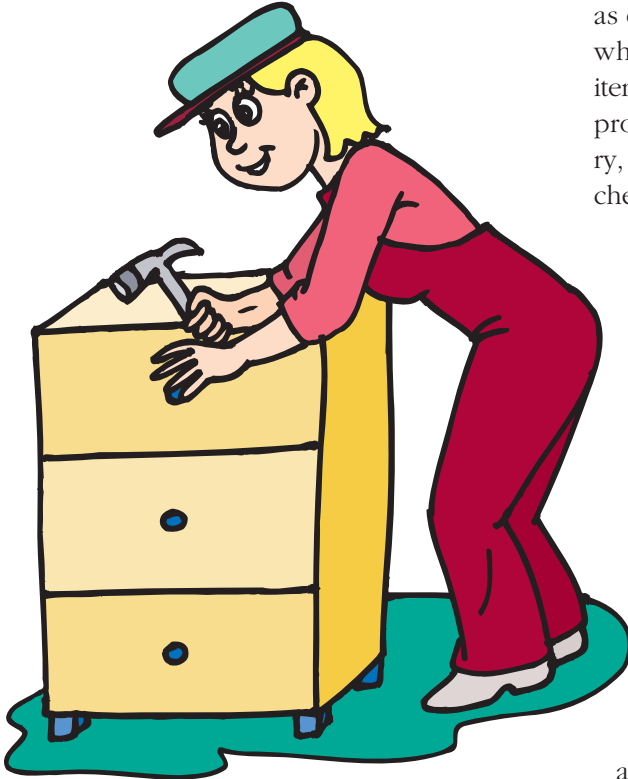


Chapter 1

Making It Yourself



Assembly lines around the world are churning out mass-produced items that are purchased almost as fast as they can be made. But consumer acceptance of low-cost look-alike goods hasn't eliminated the demand for handcrafted items—although those items are likely to have a much different function today than in the past.

Many handcrafted items are now valued as works of art, but historically their value was primarily utilitarian. For example, baskets and pottery were essential for transporting food, water and other items. And weaving produced fabrics that could be made into clothing and blankets.

Because of the industrial revolution, the need for functional handcrafted items is not

as extensive as it once was. But Americans who want quality artistic and decorative items turn to modern-day craftspeople who produce a variety of items such as jewelry, ceramics, wood carvings, furniture, crocheted and knitted goods, decorated clothing, toys and much more.

WHAT IS A CRAFT?

In this book, *craft* refers to any handmade item that can be given as a gift or sold—and if you've attended a crafts fair, you may have been surprised by what craftspeople sell and what people are willing to buy. The unpredictability of the crafts market is one of the intriguing and challenging aspects of the business.

In *Craft Today: Poetry of the Physical*, Paul J. Smith writes, "In its broadest sense craft refers to the creation of original objects through an artist's disciplined manipulation of material. Historically craft was identified with producing objects that were necessary to life. Modern industrialized society eliminates the need to make by hand essentials for living. The term *craft* now must be defined in the context of a society that focuses on greater efficiency by technological achievement."

The question of whether crafts are art or a separate medium may never be definitively answered. In *The Crafts of the Modern World*, Rose Slivka writes, "Throughout their long history, crafts have produced useful objects which are later considered fine art. Time has a way of overwhelming the functional value of an object that outlives the men who made and used it, with the

Making It Yourself



Stat Fact

According to the Hobby Industry Association, more than 4 out of 5 U.S. households have at least one family member engaged in crafts/hobbies; 77 percent use their crafts as gifts, 71 percent for personal use, 63 percent specifically for home decorating, 47 percent for holiday decorations. Fifteen percent sell their crafts.

power of its own objective presence—that life-invest quality of being that transcends and energizes. When this happens, such objects are forever honored for their own sakes—they are art.”

Of course, for someone wanting to start a crafts business, the question of whether the products are art may not be particularly important. A more critical question is whether you can make money.

The nature of the crafts industry makes it difficult to define and quantify, but industry experts estimate that sales revenues exceed \$10 billion annually, and hundreds of thousands of working artisans earn their entire income from the crafts they produce.

Most professional craftspeople start making their handcrafted goods as a hobby, and begin selling items to friends and family. From there, they typically expand to selling in crafts shows and fairs several times a year. Sometimes they're content to keep this as something they do on the side; others are eager to move from part-time to full-time status. Still other artisans tackle their work as a full-time career from the beginning, often renting studio or retail space, or both.

Start-up costs for a crafts business range from literally a few dollars to several thousand dollars, depending on what you are making, what type of equipment and raw

materials you need, and whether you already own equipment when you start. Crafters earn as little as a few dollars an hour (for part-time crafters who are not particularly interested in profits) to as much as \$20 or \$30 an hour and sometimes more if they learn how to market and manage their businesses efficiently.

IN THE BEGINNING

Let's take a look at how some established craftspeople got started: Jay Norman of DeLand, Florida, who makes containers for his business, Organize With Wood, was a dance teacher who had worked with wood as a hobby all his life. He says his wife, Dianne, turned him into a professional craftspeople. “His items were so clever and unusual, I thought he could sell them,” she recalls. So Jay and Dianne quit their jobs in New York in 1997, moved to DeLand, Florida, and now sell virtually year-round at crafts shows around the country.

Judy Infinger of Altamonte Springs, Florida, makes wood and fabric decorative items, primarily with a Christmas theme, for her part-time business, Woods and Threads, which she started back in 1988. “I just do, fall shows, so I concentrate on Christmas items—ornaments, pins, that sort of thing—which are my favorite, any-



Stat Fact

How much do consumers spend on crafts as gifts? According to the National Craft Association, when the item is for themselves, relatives or close friends, they spend \$20 to \$30; when it's for other adults or childrens on their gift list, they spend \$10 to \$20; when it's a token gift for co-workers, teachers, professional or service providers, they spend \$5 to \$10.

way," she says. She builds her inventory throughout the year, then sells at shows during the autumn crafts show season.

Deborah Farish, owner of Dolls by Deb of Manchester, Missouri, makes soft-sculptured dolls as a part-time business and works full time as an administrative assistant in an accounting firm. She's been sewing since she was 12. "I would go to crafts shows, look at dolls, and think, 'I can do that'—which is what everybody says when they go to a crafts show," she says. Finally, in 1993, she bought some fabric, made a doll she took into her office as a sample, and began getting orders. With the encouragement of friends and customers, she built an inven-

tory and began exhibiting at crafts shows.

Gladys Johnson of Bunn, North Carolina, was looking for a hobby when a friend of hers invited her to a doll-making class. "After doing my first doll, I was hooked," she says. Still, in the beginning, she had no intention of turning her hobby into the business she named Dolls by Gladys. But in 1995 "it got to the point where I had to get rid of some of the dolls so I could make more," she explains. She makes porcelain dolls, most with cloth bodies (although she has made some with porcelain bodies).

Lynn Korff, owner of Korff's Ceramic Originals in Cabot, Pennsylvania, had been making ceramics for about six years when she

A Day In The Life

A typical day for a part-time craftsperson will, of course, differ significantly from that of a full-time crafter. Many part-time crafters have full-time jobs they must work around. Typically, crafters who exhibit in shows spend their weekdays making their products and their weekends at shows.

Deb Farish of Dolls by Deb in Manchester, Missouri, says finding the time to do it all is her biggest challenge. "Beyond sitting at a craft show for eight hours on a Saturday and Sunday, there's trying to juggle a full-time job, raising children and their pets, the laundry, watering the plants, and then finding a few hours to spend at the sewing machine or hot glue center, or whatever you need to do. It's very difficult."

There's much more to having a crafts business than simply making the items. You need to allow time to shop for and purchase your raw materials. You'll also need to spend time doing research to determine which crafts shows are best for you, and putting together the applications to exhibit in those shows. You need to develop and implement an effective marketing plan. And, of course, there's administration: record-keeping, maintaining the required licenses and permits, payroll (if you have employees), taxes and so on. These are not tasks that craftspeople are typically good at or enjoy. But they must be done.

If it sounds like a crafts business is hard work, it is. What's more, it's not an industry with wide profit margins. So why do it? Deb says, "It's fun, it's relaxing. I'm a happy person, but I'm even happier because I can create something, make somebody smile, touch somebody by what I have made. And if somebody likes it enough to buy it and give it to someone else, or put it in their own home—that's such a kick."



Making It Yourself

opened her own studio and shop where she made ceramics, held classes and sold supplies. Eleven years later, she decided to downsize: She closed the shop, moved her business home and set up a Web



Bright Idea

Before you leap from hobby to business, take an informal poll of your friends. Ask them how much they would expect to pay (not if they would buy) for your crafts. That will give a very unscientific idea of your potential price point and whether or not you'll be able to recover your material costs and still make a profit.

site in 1999 to sell her crafts. Her primary product is piggy banks, but she also makes and custom paints other ceramic items, such as dinnerware, flower pots, candle holders, serving dishes and specialty plates.

A love of candles prompted Melony Bell of Fort Meade, Florida, to start making them as a hobby. She wasn't satisfied with the quality of candles available in stores. Her husband is a beekeeper, so she started using his beeswax to make her own candles. After she gave a few as gifts, people started asking if they could buy her candles. So, in 1998 with a full-time job as an auditor with the Florida Division of Motor Vehicles and serving as city commissioner/mayor for her town, she started her own candle-making company.

Anita Fetter of Waynesfield, Ohio, has been making and selling wood and fabric crafts since 1980. She started working with her husband, who made wood items that she painted or stained; she also did cross-stitch, knitted and made stuffed animals. But as their hobby turned into a business, her husband backed out of it. "He stopped when it got to be a job," she says. "Now I do most of it and just make things for the fall and winter."

What these crafters and many others have found is that while selling their handcrafted goods is often fairly easy, the challenge is making a profit. You need to decide what to make, determine if there is a sufficient market for that item, then figure out if you have the wherewithal to reach that market. Just because your family members appreciate your handmade gifts and your co-workers are willing to buy modestly priced items from you doesn't necessarily mean you can sell enough of them at a price that will justify your investment of materials and time. On the other hand, friends and family may be just the proverbial tip of the iceberg, and you may have a product that will become the foundation for a thriving company.

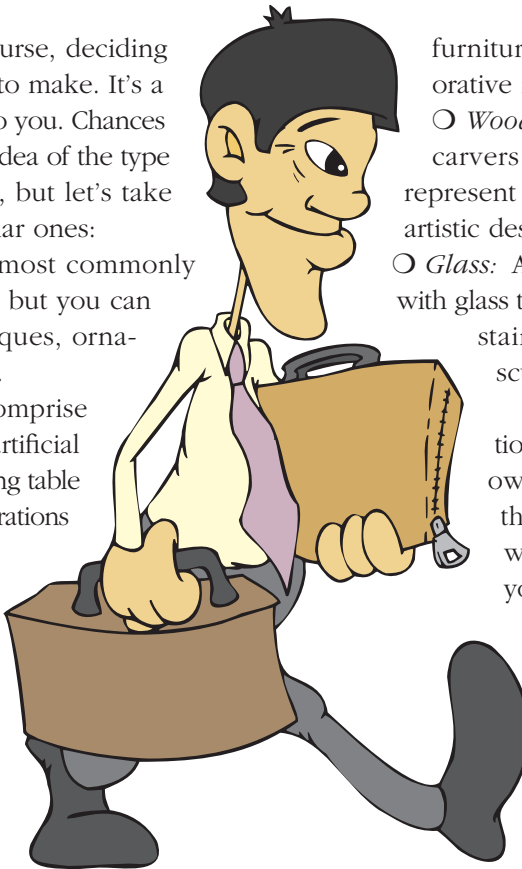
Beyond that is the issue of running a business. Just because you love doing a particular craft doesn't mean you'll love doing all the things that go with running a crafts business. Of course, you don't have to *love* them, but you do have to *do* them.

Chapter 2

Taking The First Steps

The first step is, of course, deciding what crafts you're going to make. It's a choice that is entirely up to you. Chances are, you already have an idea of the type of crafts you want to do, but let's take a look at the more popular ones:

- *Ceramics*: Ceramists most commonly make vases and mugs, but you can also make dishes, plaques, ornaments and other items.
- *Floral crafts*: These comprise any items made from artificial or dried flowers, including table arrangements, wall decorations and bouquets.
- *Candle-making*: Candles are popular and consumable, which means your customers use them and come back to you for more.
- *Jewelry*: You can make all types of jewelry—rings, necklaces, bracelets, earrings and items for various body parts—in any price range using a variety of materials.
- *Sewing*: Sewn crafts include a broad range of items, such as clothing, stuffed animals, home furnishings and linens.
- *Needlecraft*: Needlecraft includes cross-stitch and needlepoint. You can make wall hangings, table runners, holiday decorations, napkins and tablecloths.
- *Crocheting and knitting*: You can crochet and knit various items, such as blankets, clothing and decorative accessories.
- *Woodworking*: You can make a wide range of items from wood, including toys,



furniture and various decorative items.

○ *Wood carving*: Woodcarvers fashion wood to represent animals, people or artistic designs.

○ *Glass*: Artisans who work with glass typically make either stained glass or glass sculptures and vases.

One of the attractions of operating your own crafts business is that you can make what you want and you are not limited to one type of item. In fact, experienced craftspeople recommend that you either offer variations of the item or make several different types of

crafts. For example, if you make wreaths, don't make all of them out of grapevine; make some out of straw. If you make jewelry, don't limit yourself to necklaces; also offer bracelets, rings and earrings.

If your product lends itself, offer a variety of sizes, shapes and colors. For example, if you make ceramic vases, don't make them all alike—no matter how much you like a particular design, give your customers a choice.

WHAT DOES IT TAKE?

What does it take to be a successful crafter? First and foremost, love what you do and be good at it, crafters say. Deb Far-

Taking The First Steps

ish, a doll maker in Manchester, Missouri, says years of sewing experience and knowing how to follow pattern directions have helped her. “I’ve made wedding dresses, curtains, baby clothes and my own clothes. The experience working with fabrics and patterns—so that I can not only follow the directions but develop shortcuts that save time and money—has come in handy,” she says. But it’s about more than the practical. “The best experience is sewing, but the bigger thing is the love of dolls. I had a giant collection of dolls when I was a child. Our basement flooded, and I lost them all. I guess I never recovered, but now I have a giant collection of dolls again. I make some, and I buy other people’s.”

Judy Infinger’s father did woodworking, so the crafter in Altamonte Springs, Florida, grew up around it. “But there was nothing specific he showed me, I just decided to start being creative,” she says. While she has made some items using patterns, she says, “My best sellers are the things that I came up with the idea for myself.”

Anita Fetter, who makes wood and fabric crafts in Waynesfield, Ohio, had worked in a fabric store for 10 years, and learned a lot about sewing and crafts there. “I have always liked to work with my hands,” she says.

Because most of your time will be spent doing the craft



Bright Idea

Always have something new in your craft’s show booth so people who have visited before don’t pass you by thinking they’ve seen all you have to offer. For example, one year doll maker Deb Farish made cheerleading dolls based on the football teams in the Superbowl. “Stay with your core, but add something new to bring people back in,” she says.

of your choice, make it something you love.

It also helps to have some sense of how to run a business. You might prefer to walk across hot coals than create financial statements or a marketing plan, but if you don’t know how to do



Smart Tip

Don’t just write your business plan and put it away; use it to guide your daily operation. Update the plan every year: Choose a date when you sit down with your plan, compare how closely your actual operation and results mirrored your forecasts, and decide if your plans for the coming year need adjusting.

those things, it won’t matter how good your crafts are. And the first step in running a business is planning it.

PUT IT IN WRITING

Some entrepreneurs will do just about anything to avoid sitting down and writing a business plan. Other would-be business owners get so caught up in planning every detail that they never get their businesses off the ground. You need to find a happy medium between these two extremes.

Begin your venture with a written business plan. Writing down your plan forces you to think it through and gives you a chance to examine it for consistency and thoroughness. Whether you’ve got years of crafting experience behind you or you’re a novice in the industry, you need a plan for your business. This chapter will focus on issues particular to planning crafts businesses, but they are by no means all you need to consider when writing your plan. See Chapter 3 in *Start-Up Basics* for complete guidelines on how to put together a general business plan.

Business Plans 101

Though the specific content of your business plan will be unique, there is a basic format that you should follow to assure you address all the necessary issues. Include these elements:

- **Front matter:** This includes your cover page, a table of contents and a statement of purpose.
- **Business description:** Describe the specific crafts business you intend to start, and list the reasons you can make it successful. This section should also include your business philosophy, goals, industry analysis, operations, inventory and start-up timetable.
- **Marketing plan:** Include an overview of the market, describe your potential customers, discuss the advantages and drawbacks of your location, analyze the competition, and show how you plan to promote your specific business.
- **Company organization:** Describe your management structure, your staffing needs and how you expect to meet them, the consultants and advisors who will be assisting you, your legal structure, and the licenses, permits and other regulatory issues that will affect your operations.
- **Financial data:** This is where you show the source(s) of your start-up capital and how you're going to use the money. Include information on real estate, fixtures, equipment and insurance. You'll also include your financial statements: balance sheet, profit-and-loss statement, break-even analysis, personal financial statements, and personal federal income tax returns.
- **Financial projections:** Take your financial data and project it out to show what your business will do. Include projected income statements for three years, cash flow statements for three years, along with worst-case income and cash flow statements to show what you'll do if your plan doesn't work.
- **Summary:** Bring your plan together in this section.
- **Appendices:** Use this for supporting documents, such as your facility design and layout, marketing studies, sample advertising, copies of leases, and licensing information.



If you're excited about your business, creating a business plan should be an exciting process. It will help you define and evaluate the overall feasibility of your concept, clarify your goals and determine what you'll need for start-up and long-term operations.

This is a living, breathing document that will provide you with a road map for your company. You'll use it as a guide, referring

to it regularly as you work through the start-up process and during the operation of your business. And if you're going to be seeking outside financing, either in the form of loans or investors, your business plan will be the tool that convinces funding sources of your venture's worth.

Take your time developing your plan; whether you want to start a part-time solo

Taking The First Steps

crafts business that never gets any larger or build a sizeable operation, you're making a serious commitment, and you shouldn't rush into it.

TURNING PRO

Most of the crafters we interviewed had made at least some of their crafts just for fun before starting their businesses, and they all knew of others who started out as hobbyists. One of the biggest pitfalls of taking this route to business ownership is failing to make the complete transition from amateur to professional.

No matter how much pleasure you derive from doing your craft, this is a product your customers are paying money for, and you must respect the fact that this is a business transaction. It may be tempting to undercut prices both to get new business and because you enjoy making your products so much you'd do it whether you got paid or not, but that's a bad business strategy. It will hurt your business individually and the industry collectively, because you make it more difficult for others to charge fair prices—even long after you've given up because you didn't make any money.

If you've been making your craft as a hobby and have decided to turn that hobby into a profitable business, you need to take yourself seriously



Smart Tip

When you think your plan is complete, look at it with fresh eye. Is it realistic? Does it take into account all the possible variables that could affect your operation? After you're satisfied, ask two or three professional associates you trust to evaluate your plan. Use their input to correct any problems before you invest time and money.

and run your company like the professional operation you want it to be.

One of the most important issues you'll have to deal with is



Smart Tip

Once you're made the decision to turn your hobby into a business, give your business the respect it deserves and insist that your family and friends do the same. Don't minimize what you do because it used to be "just a hobby." It's your business now, and should be treated as such.

record-keeping. "When you want to buy something for your hobby, you just do it—it doesn't matter if you pay with cash or credit card, or if you keep the receipt," says Vicki Helmick, CPA. "But in business, those details are critical."

Whether you're turning your hobby into a business, or simply starting a business because this is what you want to do, Helmick offers these suggestions:

- *Open a separate checking account for the business.* Your bank account balance is a quick and easy way to see how well you're doing, but you won't have a clear picture unless you're using an account that is strictly for business income and expenses.
- *Get a credit card for the business.* You may not be able to get the card in the business name, but at least have one card that is used exclusively for business expenses. This helps you keep your records in order and—if the card is in the business name—helps you establish business credit.
- *Invest in a retirement plan.* Beyond the long-term benefits, a retirement plan offers some short-term advantages. You'll not only reduce your current taxes, but if you are a homebased sole proprietor, the fact that you show a retirement plan

Crafts Business

on your income tax return indicates to the IRS that you are serious about your business, not just trying to take some questionable deductions.

- *Document your equipment.* If you purchased craft equipment as part of your hobby and can prove the cost involved, you may be able to deduct those expenses on your tax return after you've formed your company. Talk

to your tax advisor for specifics on how to do this.

- *Figure out how much it costs you to make a product.* Besides the cost of the materials, calculate overhead, your time, freight, special handling and any other expenses. Be especially careful about tracking your time—too many business owners in all industries fail to give their time the value it deserves.