

# Small Business Index™

Characteristics of Home-based  
Small Businesses

October 1999



Copyright 1999 Telstra Corporation Limited. ® and ™ are Registered trade marks and trade marks of Telstra Corporation Limited

## Executive Summary

1. Home-based businesses are a significant component of the small business sector. Thirty per cent of all small businesses operate home-based businesses, either directly from the home (in-home) or from their vehicle or at clients' premises (out-of-home).
2. The two categories of home-based businesses are dominated by the Business Services and Building/Construction sectors. Two-thirds of home-based businesses operate out-of-home. Half of these (or 10% of all small businesses) operate in the Building/Construction sector. Of the one-third that operate in-home, one-half (or 5% of all small businesses) are in the Business Services sector.
3. Most home-based businesses employ only one or two persons. Two-thirds of in-home home-based businesses employ only one person and three-quarters of out-of-home home-based businesses employ one or two persons.
4. In February 1999, proprietors were asked their experiences with e-commerce and computer technology more generally. Highlights include:
  - home-based businesses tended to be slightly lower users of technology entirely due to significantly lower use by those operating out-of-home;
  - out-of-home businesses were less likely to use e-mail and the Internet, and even when connected were less likely to have a home page; and
  - out-of-home home-based businesses were less likely to use or see a use for e-commerce.

## Introduction

Each quarter, the Yellow Pages<sup>®</sup> *Small Business Index* reports on the attitudes of small business proprietors across Australia. These responses are analysed by a range of identifiers. Many of these identifiers are not reported, as a matter of course. One of these classifiers relates to home-based work.

Each quarter, proprietors are asked, *“Does this business operate primarily out of your home or out of commercial business premises?”*

Further, those that work primarily out of their home are asked, *“And would most of the work done by your firm be done in the home or outside the home – at clients’ premises for example?”*

This Special Report reviews the characteristics of home-based businesses from May 1999 *Small Business Index*. The report also looks at the specific experiences of home-based small business on usage and plans for computer technology and e-commerce which was surveyed in the February 1999 *Small Business Index*.

## Characteristics of Home-based Businesses

In May 1999, 30% of all small businesses operated out of their homes. Of these, the majority (61%) did not do most of their work out of the home. The most obvious example of these businesses is building contractors. In fact, almost half of home-based businesses that do not do most of their work out of the home (**out-of-home home-based**) were in the Building/Construction sector. In contrast, almost half of those home-based businesses that do most of their work in the home (**in-home home-based**) are in the Business Services sector. A notional split would be that around 10 per cent of all small businesses are home-based building and construction firms, a further 10 per cent are other home-based businesses that work away from the home, 5 per cent are business services proprietors working in the home and a further 5 per cent are other types of in-home businesses.

	All Small Business	Home-based Business	
		In-home	Out-of-home
		%	
Manufacturing	6	5	2
Building/Construction	14	5	43
Wholesale/Retail Trade	27	21	12
Transport/Storage	6	2	9
Business Services	26	41	16
Personal Services	21	27	18

*Brian Sweeney & Associates - May 1999*

It is likely that this latter group contains a large proportion of “lifestyle” home-based business, i.e., the proprietors have made a conscious choice to operate from the home to improve the balance of their work and home life.

While only Victoria has significantly more home-based businesses in May 1999, this was not the case in February. Consequently we do not consider there is a consistent difference across states and territories. However, the vast majority (83%) of in-home home-based businesses are located in metropolitan areas.

	All Small Business	Home-based Business	
		In-home	Out-of-home
		%	
New South Wales	35	30	35
Victoria	25	35	24
Queensland	19	18	21
South Australia	7	8	5
Western Australia	9	5	9
Tasmania	2	2	1
Northern Territory	1	1	1
ACT	2	2	2
Metropolitan	68	80	60

*Brian Sweeney & Associates - May 1999*

Home-based businesses are not any more likely to be seeking significant growth; in fact there are proportionately more of these businesses not seeking any growth.

Home-based businesses are very small – two-thirds (68%) of in-home home-based employ one person and three-quarters (78%) of out-of-home home-based employ no more than two persons. Consistent with this, few home-based businesses turn over more than \$500,000.

	All Small Business	Home-based Business	
		In-home	Out-of-home
		%	
<b>Employ</b>			
1 person	24	59	32
2 persons	30	32	42
3-4 persons	24	9	15
5-9 persons	16	0	8
10-19 persons	5	0	0
<b>Turnover</b>			
Under \$500,000	64	88	88
At least \$500,000	33	5	11

*Brian Sweeney & Associates - May 1999*

## E-commerce

In February 1999, the Index conducted its annual special survey on e-commerce and use of technology.

### Use of Technology

Across the range of questions asked in February 1999 on e-commerce, home-based small businesses' responses tended to be slightly below those for all small businesses. Only in the case of modem use were home-based small businesses significantly below.

Use of Technology		
	All Small Business	Home-based
Desktop Computer	82	78
Laptop	19	16
CD ROM	66	62
Modem	63	55
Personal Organiser	26	26
None of these	16	18

*Brian Sweeney & Associates - February 1999*

However, this level of aggregation disguises significant differences within the home-based sector.

Use of Technology			
	All Small Business	Home-based Business	
		In-home	Out-of-home
		%	
Desktop Computer	82	83	74
Laptop	19	23	11
CD ROM	66	66	58
Modem	63	69	44
Personal Organiser	26	19	28
None of these	16	17	20

*Brian Sweeney & Associates - February 1999*

The results for in-home home-based are not significantly different from those of all other small businesses. In contrast, out-of-home home-based businesses are consistently lower users of computer technology. These businesses, however, are as likely as other small businesses to own a personal organiser.

### Expenditure on Computer Hardware and Software

Home-based businesses expenditure on both software and hardware is well below the average for other small businesses. Just under half (49%) of out-of-home businesses spent nothing on hardware and slightly more (56%) spent nothing on software in 1998. While not as dramatic, similar proportions of in-home businesses spent nothing on the two items.

Expenditure on Hardware - 1998				Expenditure on Software - 1998			
	All Small Business	Home-based Business			All Small Business	Home-based Business	
		In-home	Out-of-home			In-home	Out-of-home
		%				%	
Nothing	37	41	49	Nothing	41	44	56
Up to \$1,000	9	14	14	Up to \$500	20	26	20
\$1 - \$2,000	11	22	13	\$500 - \$1,000	13	12	7
\$2 - \$3,000	8	10	4	\$1 - \$2,000	10	10	7
\$3 - \$4,000	8	5	6	\$2 - \$5,000	9	4	5
\$4 - \$5,000	6	4	4	\$5 - \$10,000	2	3	2
\$5 - \$10,000	11	2	3	\$10 - \$20,000	1	0	0
More than \$10,000	7	1	3	More than \$20,000	1	0	0
Average	\$4,481	\$1,599	\$1,570	Average	\$1,530	\$767	\$598

Brian Sweeney & Associates - February 1999

### The Internet and E-commerce

Consistent with their ownership of computers and related equipment, out-of-home home-based businesses are less likely to have used e-commerce to buy and to believe they could use e-commerce to sell. They are slightly less likely to have actually sold through e-commerce.

Use of Technology			
	All Small Business	Home-based Business	
		In-home	Out-of-home
		%	
Have computer at home	68	81	70
Used e-commerce to buy	17	17	9
Business could use e-commerce to sell	48	42	39
Already use e-commerce to sell	13	17	8

Brian Sweeney & Associates - February 1999



Even where they have a computer, they are less likely to use e-mail or be connected to the Internet, and where they are connected they are less likely to have a home page.

	All Small Business	Home-based Business	
		In-home	Out-of-home
	%		
Use e-mail	53	64	34
Connected to Internet	58	69	44
<b>If connected</b>			
Have home page	38	29	17

Base: Have computer

*Brian Sweeney & Associates - February 1999*



## Home-based and Mini-businesses

As noted above, home-based businesses tend to employ only one or two persons. In general, small businesses employing one or two responded significantly differently to larger small businesses. Consequently, the differences outlined above may merely reflect the predominance of these mini-businesses, rather than the influences of working from home.

### Mini-businesses

Businesses that employ one or two persons are less likely to use computer technology.

Use of Technology		
	All Small Business	Employ 1-2
Desktop Computer	82	78
Laptop	19	15
CD ROM	66	61
Modem	63	57
Personal Organiser	26	21
None of these	16	20

*Brian Sweeney & Associates - February 1999*

Further, they are unlikely to spend large amounts on hardware and software, to use e-mail or be connected to the Internet.

Use of Internet		
	All Small Business	Employ 1-2
Use e-mail	53	48
Connected to Internet	58	53
<b>If connected</b>		
Have home page	38	28

Base: Have computer  
*Brian Sweeney & Associates - February 1999*

However, they are little different in their use and appraisal of e-commerce.

Use of Technology		
	All Small Business	Employ 1-2
		%
Have computer at home	68	72
Used e-commerce to buy	17	14
Business could use e-commerce to sell	48	47
Already use e-commerce to sell	13	12

*Brian Sweeney & Associates - February 1999*

### Mini Home-based Businesses

Home-based businesses that employ one or two persons represent 82 per cent of all home-based businesses. This comprises 91 per cent of in-home and 74 per cent of out-of-home home-based businesses. Consequently, the characteristics of the home-based sector are dominated by firms of this size.

Mini out-of-home businesses are significantly lower users of computer technology than other mini-businesses in all cases except for personal organisers,.

Use of Technology Businesses Employing 1-2 Persons			
	Total	In-home home-based	Out-of-home home-based
		%	
Desktop Computer	78	86	66
Laptop	15	20	5
CD ROM	61	66	52
Modem	57	69	32
Personal Organiser	21	14	24
None of these	20	14	31

*Brian Sweeney & Associates - February 1999*

While responses of mini in-home businesses are not significantly different from other mini-businesses, reported usage is higher in all cases except personal organisers.

Mini out-of-home home-based businesses are less likely to believe they could use the Internet to sell and where they have a computer they are less likely to use e-mail or be connected to the Internet.

	All Mini-business	Home-based Business	
		In-home	Out-of-home
		%	
E-mail	77	77	79
Reference information	70	67	67
Information on products	73	64	91
Browse	66	72	88
Access directories	44	49	65
Network with other businesses	41	41	60
Advertise	31	36	10
Latest information	35	28	38
Monitor markets	32	22	18
Place orders	26	37	18
Take orders	20	30	28
Pay for services	15	22	8

**Base: Connected to Internet** *Brian Sweeney & Associates - February 1999*