

How to Start a Business Support Service

Why should a company hire an employee when they can outsource jobs to you? Offer your client's word processing, Web services, proofreading, bookkeeping and more with a business support service.

The secretary of yesteryear needed to know how to take shorthand, type and answer the phone. Today's secretary deals with dictation using a tape recorder and transcription equipment; instead of simply typing, she inputs data into a computer; and the office telephone she uses is actually a complex communications center.

What we now call the business support services industry has experienced a similar and perhaps even more remarkable evolution. It began as secretarial services or typing services, and typing was pretty much all they did. But those operations have gone the way of the horse and buggy, replaced by modern, techno-savvy entrepreneurs who want to take advantage of a virtually limitless market.

Though the term "secretarial service" has a strong degree of consumer recognition, it's no longer an appropriate description of the industry. While typing and transcription (historically typical secretarial services) is still a mainstay, consumers often don't think of a secretarial service as providing desktop publishing, spreadsheet design, Internet-related services, and other sophisticated product and service packages. The phrase "business support services" does a much better job of conveying what the industry is all about today and still leaves flexibility for the changes that are likely to occur in the future. You'll also hear terms such as "administrative support services" and "office support services" applied to this industry.

In 1998, the National Association of Secretarial Services changed its name to the Association of Business Support Services International. Executive Director Lynette M. Smith says, "We felt that 'business support services' did a better job than 'secretarial services' of covering the scope of our members' services and bringing more respectability to the profession."

Of course, the size of the market for business support services is difficult to estimate for a number of reasons--primarily because the U.S. Bureau of the Census mixes other types of businesses with business support services. Also, the providers, services and customers are constantly evolving with technological advances. The secretarial service of the 1960s and 1970s, when a good electric typewriter was pretty much all you needed, wouldn't get off the ground today. And who knows what technology will be able to do 20 or 30 years from now?

The Sky's the Limit

To understand the future potential, take a look at how the industry has evolved. Over the span of the 20th century, the administrative demands of doing business have grown tremendously, creating a need for secretarial and clerical support. With the advent of desktop computers and increasingly sophisticated office equipment, the skill and knowledge requirements of secretaries have also increased.

At the same time, the general business landscape has changed dramatically. Big businesses are looking for ways to streamline their operations, and one popular option is outsourcing, where they retain another company to provide a service that may have traditionally been done by employees. Small companies want to stay lean and profitable, so they, too, are turning to outsourcing, rather than fattening up their payroll.

Combine the obvious need with the new way of operating in the business world, and you have a dynamic young industry wide open with opportunity: business support services. In fact, there is so much opportunity that if you don't have a clear plan, specific services and a target market, your chances of success are slim. But with a lot of thought and preparation, and a minimal amount of cash, you can quickly be on the road to profitability.

Types of Services

You can offer a wide range of services. The following list encompasses what we found on the market, but it is by no means exhaustive. Some of these services could be businesses in and of themselves; others are ancillary to a primary service. Listen to your clients; they'll let you know what they need, and then you can decide if you can provide it.

- Word processing
- Tape transcription
- Phone-in dictation
- Desktop publishing
- Spreadsheet design
- College papers and reports
- Telephone answering
- Mail receiving and forwarding
- Packing and shipping
- Database/mailling list management
- Bookkeeping, check preparation and billing
- Resume preparation
- Proofreading
- Print brokering
- Fax sending and receiving
- Photocopying
- Notary
- Internet research
- Web page design and maintenance
- Event planning
- Consulting
- Training

You have three broad markets for your business support services business: the general public; small commercial and home based businesses; and large corporations.

General Public. By "general public," we mean individual clients who are not businesses. The two largest segments of this market are people needing resume preparation and college students.

A job hunter creating or updating a resume may actually write the document and bring it to you for layout and printing; he or she may need you to assist in writing the content as well. Even when the unemployment rate is low, the resume market is significant because people don't have to be unemployed to need a resume.

There are thousands of higher-learning institutions in the United States with a collective enrollment of millions of students. Although many students prepare reports and papers themselves, enough of them will turn to a professional word-processing firm to make this market substantial.

Students working on particularly long papers, such as graduate theses or dissertations, are strong candidates for your service. And, of course, once they graduate, they may come back to you for assistance with their resumes.

In addition to students, the academic community may also be a source of business (think professors who need word processing, editing and proofreading services for their books and articles).

Small Businesses. Chances are, the majority of your clients will fall under this category. These are companies that require secretarial and administrative support but do not have the money, space or need for a full-time employee. Or they may prefer to outsource specific tasks rather than invest in the talent and equipment necessary to get the job done right. And hiring temporary employees can be more costly than small businesses' needs demand.

As the number of small businesses continues to grow, so does your potential market. And the list of services they use is limited only by your imagination and personal preferences. As you develop relationships with small businesses, you'll be in a position to make suggestions that will increase the volume--or even expand the scope--of the work you do for them.

Typically, small businesses turn to business support services firms for word processing, faxing, photocopying, shipping, desktop publishing, mailing list management, dictation and transcription.

Large Corporations. Even fairly large operations with full-time secretaries and administrative assistants may be candidates for your services. If a company has a temporary situation where they have more work than they can handle in-house, they may turn to you to pick up the overload. Or, like the small businesses mentioned earlier, they may prefer to outsource special projects rather than hiring temporary workers. This is a smart move, because hiring temporary employees means training them and providing them with an adequately equipped workstation. Sending the work to you eliminates that hassle and cost.

Large companies also use business support services when their own staff members are unavailable due to vacations or illness. They may not actually need a "temp," that is, someone to come in and be present in the office, but they may need someone who can handle all or part of the work of the absent staffer.

Finding a Niche

It's a good idea to select one or more key market groups to target. There are a number of very valid reasons for choosing a well-defined market niche. By targeting a very specific market segment, you can tailor your service menu, marketing efforts and customer service system to meet that segment's needs. You can refine your marketing efforts and gain a reputation within the industry for expertise in certain areas--which means you can charge more. Think about it: In the medical field, who earns more--a family practitioner or a neurosurgeon? The neurosurgeon, naturally, because he's a specialist, and what he does requires greater skill. Some market niches you might consider include:

Other business support services. Let existing business owners know you're available for overflow or to work on a contract basis. Expect to have to sign confidentiality and noncompete agreements, but be sure any such contract limits you to only being prevented from marketing directly to the service's clients whose work you actually do. You might have to discount your rates to allow them to make a profit, but your marketing and sales costs will be minimal, which offsets the discount; however, be sure you are compensated for rush jobs.

Specific professions or industries. If you have expertise in a specific field, you may target your service to that field. Two of the most common are the legal and medical fields, particularly transcribing for these groups, because you'll need to be familiar with a long list of special terms and formatting requirements. Or you may want to target professional salespeople, such as manufacturers' reps, who work from their homes and need occasional administrative support. Chicago's Joann V. focuses on the insurance industry, and Cindy P. in Irvine, California, targets the legal field.

Geographic areas. If you are in a densely populated area, perhaps an office center or a light industrial park, you may want to choose your market by geography. Determine your parameters, and then market to the companies within your service area, emphasizing the convenience of using your service.

Academic. If you are near a college or university, you can serve a number of academic-related niches, including students, instructors and even administrators.

One of the most appealing aspects of the business support services industry is its relatively low startup costs. If you have a decent credit rating, you can be ready to start serving clients with virtually no cash out of pocket--although you'll certainly be on firmer ground if you have some startup capital.

Most of the business support services entrepreneurs we talked with used their own personal savings and equipment they already owned to start their businesses. Because the startup costs are relatively low, you'll find traditional financing difficult to obtain--banks and other lenders would much rather lend amounts much larger than you'll need and are likely to be able to qualify for.

Many operators start their businesses on the side while working full-time jobs, so their personal living expenses are covered. But if you plan to plunge into your new business full time from the start, be sure you have enough cash on hand to cover your expenses until the revenue starts coming in. At a minimum, you should have the equivalent of three months' expenses in a savings account to tap if you need it; you'll probably sleep better if you have six to 12 months of expenses socked away.

Charlene D. in Winter Park, Florida, decided to invest in a new computer and printer and says she spent about \$3,500 on equipment and supplies to get started. Perrysburg, Ohio's Rachelle Y. used her old 486 PC to develop her business plan and brochure but decided to purchase a new system before she actually began her operation. "I wanted to be able to offer everything I could," she says.

"In this field, your computer is your best friend. So I bought a new computer and printer, paper, and some other odds and ends. I probably spent between \$3,000 and \$4,000 on startup."

Irvine, California's Cindy P. paid \$10,000 to buy an existing business; that fee included the client list and the lease on the office, but no furniture or equipment. She spent another \$4,000 on initial equipment purchases and has added more over the years.

Joann V. in Chicago started her business before the days of PCs. "Originally, all I needed was a typewriter," she says. "I bought an electronic typewriter for \$500 and some paper, and someone loaned me a transcription

unit. That was it--that was all I needed to start." In Edmond, Oklahoma, Janet S. says that because she already owned a computer, printer and answering machine, her startup costs were "virtually zero."

As you consider your own situation, don't pull a startup number out of the air; use your business plan to calculate how much you need to start your ideal operation, and then figure out how much you have. If you have all the cash you need, you're very fortunate. If you don't, you need to start playing with the numbers and deciding what you can do without.

As a solo operator, expect to spend at least one-fourth of your time on general business management and administration, marketing, purchasing and billing. The bigger your business and the more people you have, the more time you'll spend managing them rather than actually doing the work yourself. With four employees, Irvine, California's Cindy P. spends very little of her time working on projects for clients. And Chicago entrepreneur Joann V. hasn't actually transcribed anything herself in years--she has a team of five full-time employees in the office and nearly 50 part-time transcribers who work from their homes.

No matter how small or large your company is, it's critical that you not neglect the administrative side. It won't do you much good if you do the work but never get around to sending out the invoices so you can get paid. Poorly maintained records can get you into trouble with the IRS and other government agencies. And if you aren't marketing on a regular basis, your business will eventually dry up.

Running a business support service takes a lot of energy. It helps if you enjoy people but are also able to work alone or in small groups. You'll need to be able to juggle several projects at the same time, and always make each client feel as though he or she is the most important person to you.

Location

When it comes to the actual site of your business, you have two choices: homebased or a commercial location. A business support services company can be extremely successful in either venue; your decision will depend on your individual resources and goals.

As you consider the issue of location, keep a few things in mind. Depending on the specific services you offer and market you target, you'll possibly be dealing both with the general public, who will need access to your office, along with small-business owners and managers in larger corporations who may also want to visit your facility or have their employees or a messenger pick up and deliver work.

In any business, but especially in this one, a professional image is a critical element of success. Home based operations are very accepted in today's business world (in fact, many customers prefer dealing with home based suppliers because they have lower overhead and can therefore charge less), but you still need to present the appearance of being a serious business, even though you choose to work from your house. And if you opt for a commercial location, be sure it's one that is compatible with your goals.

In the mid-1990s, about half the members of the Association of Business Support Services International (ABSSI) were home based; by the turn of the century, an estimated 70 percent were home based, one-person operations. "Many of our previously office-based members are simplifying their lives by moving back to a residential location," says Lynette M. Smith, ABSSI's executive director. "They acknowledge that a home based business is no longer the exception but the norm.

In the perception of clients, there no longer is a stigma associated with being home based."

While conceding that operating from home can make growth challenging, Smith says, "At home, one cannot expand through the traditional means of hiring employees. However, it's becoming more realistic to subcontract out work--especially transcription--to others, so there is still significant profit potential to be expected by replicating one's efforts in this way."

You have a number of options when it comes to deciding on your approach to pricing. Some operators simply call around, find out what other companies are charging and set their prices in that range. Others decide what they want to earn and set their prices based on that without regard to how it relates to the competition. Then there's the issue of pricing by the project, the page or the hour.

The best approach is a multifaceted one that considers the skill level of the work, your profit goals and the market. You need to set up a system that gives you a structure to work within so you can quote consistent, reasonable and fair rates.

Multiple Hourly Rates

If you're going to charge by the hour, consider that different rates should apply depending on the complexity of the service and skill level required. For example, Cindy P.'s hourly rate ranges from \$28 for straight word processing up to \$40 for complex desktop publishing. The Association of Business Support Services International suggests a structure similar to the following:

Level 1 (lowest hourly rate): Basic word processing, routine clerical services, simple proofreading

Level 2: Enhanced word processing, copyediting, proofreading, basic spreadsheet design, internet research

Level 3: Desktop publishing, spreadsheet design, simple web page design, simple web page maintenance

Level 4: Graphic design, writing (academic, business, resume, technical), web page design, web page maintenance

Level 5 (highest hourly rate): Consulting, training

Note that the same basic task might fall into more than one pricing level, and you'll need to make a judgment call based on the particular project as to which rate to apply.

Hour Power

When the Association of Business Support Services International surveyed its members, it found that the hourly rate ranges for the most popular services offered by respondents were:

Basic word processing - \$7-40

Enhanced word processing - \$7-50

Copyediting - \$7-75

Database entry - \$18-50

Transcription, general - \$15-45

Consulting/training - \$7-90

Spreadsheet design - \$15-75

Desktop publishing - \$7-75

Graphic design - \$14-100

Web site design - \$20-150

Internet research - \$7-75

Estimating the Job

Many new business owners find estimating one of the most challenging things they do, but if you approach the process systematically, it's simple. You just need to determine an appropriate hourly rate, calculate the length of time the project should take, and do the math.

Regardless of the format you use to provide the quote (in writing or verbal), it's a good idea to make notes for yourself so you know what you quoted and how you arrived at that figure. This will be necessary if the actual project turns out to be different than what the client described, or if the client questions the invoice later, even though they agreed to the quote. You may even want to create an estimate form that you can provide to the client and keep a copy in your own files.

Marketing is an area where your creative side can shine. It's something many people don't like to do, but it's essential if you're going to build a successful, profitable business.

Don't be discouraged if your marketing efforts don't produce an immediate response. It's rare that someone will have a need for your services at precisely the moment you contact them, but if you put together a professional, attractive information package, they'll keep the information on file and call you when they need you--or they'll refer you to a colleague who may have the need. It's not unusual for a sales contact not to generate a response for months--or even a year.

You can find out how to [create a basic marketing plan here](#), but there are issues and ideas specific to business support services that you need to know as you develop your plan. For example, check with your local phone company to find out its advertising deadline and directory distribution date and, if possible, plan to launch your business in time to be included. Your Yellow Pages listing will be an important source of new business, especially in the early days, so don't get so distracted by other startup tasks that you miss this opportunity.

Another important point is to be sure all your marketing materials are professional and letter-perfect.

Many business support services that do a great job in this area for their clients often forget to do the same for themselves. Consider hiring a graphic designer and/or professional writer to help you with your marketing package; you may be able to negotiate a trade-out that will benefit you both.

Referrals Are Essential

Referrals will likely be a primary way you get new clients, so it's a good idea to have a systematic approach to the process. You should be able to identify who is making referrals that ultimately turn into business so you can cultivate and reward those referral sources.

Complementary businesses are great sources of referrals. For example, print and copy shops often have customers who need word processing or desktop publishing but don't have the equipment, skills or staff to handle these services.

Your referral arrangements can be set up to provide cash compensation for new business, or you may simply have an agreement where you and other cooperating businesses refer clients to each other as the need arises.

According to Lynette M. Smith, executive director of the Association of Business Support Services International, typical referral fees are 10 percent of the first six to 12 months of business from a new client; 15 percent of the first three months; or 25 percent of the first transaction only.

Of course, many referrals involve no compensation at all--satisfied clients will be happy to refer others to you simply because you do a good job. And you'll probably also get referrals from friends and associates. Charlene D. says a major portion of her Winter Park, Florida, and company's business came through referrals from people at her church. "Most of my clients over the years have been either church members or people who heard about me from church members or through the church office," she says.

Advertising

Advertising is a great way to bring in new business, but choosing effective media may take some experimentation. Probably the single best place to advertise is in your local Yellow Pages, because that's where people look when they need a service and don't know whom to call. Many communities have more than one telephone directory publisher, so you may need to do some research to determine which directory (or directories) should carry your listing and ad.

Don't limit yourself to the telephone directory. Bill H. in Iowa City, Iowa, does some radio ads on a local news and talk station, and although he can't credit much specific new business to them, he says his current customers do hear and mention the spots. "It's only \$100 to \$150 per month, and I figure it's worth it to keep my name alive with current customers," he says. He also places ads in the university newspaper classified section and gets a good response from that.

In Chicago, Joann V. limits her advertising to the Yellow Pages, one trade journal and a semiannual direct-mail campaign. She used to buy a mailing list for her direct-mail efforts, but she has found it more effective to build her own list using the telephone directory (using the listing categories of her target market) and trade journals (pulling prospects from ads and editorial mentions) as a resource.

"We send a brochure and a Rolodex card, with an introduction, prices and a toll-free number," she says. "The Rolodex card is really useful, because if they don't use it right away, they generally hang onto it. I've gotten calls years later."

Associations

- [Association of Business Support Services International Inc.](#)
- [Office Business Center Association International Inc.](#)
- [International Association of Administrative Professionals](#)
- [National Notary Association](#)
- [National Resume Writers' Association](#)
- [Professional Association of Resume Writers & Career Coaches](#)

Books

- [Editorial Freelancing: A Practical Guide](#) by Trumbull Rogers
- [How to Start a Home-Based Desktop Publishing Business](#) by Louise Kursmark
- [Industry Production Standards Guide](#) Published by Association of Business Support Services International Inc.
- [Pricing Manual for Business Support Services](#) Published by Association of Business Support Services International Inc.
- [Pricing Guide for Web Services](#) by Robert Brenner
- [Starting a Successful Business Support Service](#) Published by Association of Business Support Services International Inc.
- [Straight Talk About Promoting Your Service](#) Published by Association of Business Support Services International Inc.
- [Successful Sales Letters, Proposals, and Literature](#) Published by Association of Business Support Services International Inc.

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