

Small Business: Understanding How to Breakeven

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SPEAKERS

Jill Badger, Halie Morris

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- H** Halie Morris 00:01
Hello, everyone, and welcome back to Everyday Business Solutions. We're back for Episode Two of our mini season with Jill Badger. And Jill, I'm gonna go ahead and let you introduce yourself real quick. And just remind everybody what the Small Business Development Center is.
- J** Jill Badger 01:14
Hi, I'm Jill Badger, with the Small Business Development Center at the Toledo Regional Chamber of Commerce, we help people who are looking to start their own small business or who are in business for themselves, and they need help with a particular issue.
- H** Halie Morris 01:27
Cool, thank you. So what I wanted to dive into for this episode in particular, is one of the most important things for our business. And that's the customer with making developing a business or even just reassessing where a business is at, I'm sure you've seen a huge part is identifying who the customer is who they should be, you know, what makes sense, it makes sense to target and really making sure that you are targeting them with your marketing, but also with what you do as a business. So your products, your services,

offering those kinds of things. And so walk me through a little bit about when you first bring up customers, to a small startup, for example, some of the things that go into that first conversation, perhaps

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Jill Badger 02:17

a lot of people think everyone is their customer, but everyone is not your customer. If you're a brick and mortar, there's only so far somebody is going to be able to drive for your product or service. If you're online, there are you have a wider market, but there's still going to be a certain type of person that is interested in your product or service. So establishing what that looks like for your business is important. So that you can focus in on your customer base, if you're selling makeup, you know, your market could be, you know, 18 to 34 years old, or if you know, depending on the type of product you're selling. If it's aged cream, maybe it's more like 40 to 60. But I establishing what that market is for your business is important. So that you can figure out what the costs are and how to direct them at your client. Because your product or your service, you need to figure out that price point and how you're covering your costs. But you're not pricing yourself out of the market, you have to figure out what your competitors are charging. People think if they're the cheapest one on the market, that somebody everybody's gonna buy them. That doesn't always happen like that people think if you're the cheapest, maybe there's a reason your product or service may not be the same quality as somebody else's. At the same token, pricing yourself above Nike is probably not recommended either. So figuring out where you're at in that price point, and you know who your customer is, what they're willing to pay, what geographical area they're in all of those are very important. And actually at the downtown Toledo library, they have a lot of resources in databases that can help you pinpoint who your customer is and where they're at.

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Halie Morris 04:01

Oh, wow. That's interesting. Just because I know like one of the things I've seen too is even specializations towards either luxury high end market or not. Because there is I would even say, like the food and beverage and stuff industry here in Toledo, there's a rising luxury where we're seeing more high end bars and restaurants pop up, which is kind of cool. Because they make good drinks. And I like going there. Not often because I can't afford it, but I like going there, right? So like even something like that within the same physical location, you have a breakdown of the type of people you're going to reach. And that's because of the price difference, what they're able to charge more and make more specialized products for because of that. So now, you talked about like, the people think everyone is their customer. And that is a common mistake. What are some ways that you see people making this mistake like as an existing business,



Jill Badger 05:03

they think their friends and family are going to buy from them every day. If you have a restaurant, you cannot guarantee your family's gonna come in three meals a day, seven days a week. So you're going to have to figure out how often does your average customer come in? Do they come in twice a week for lunch? Then how many customers do you need to replicate that in order for you to pay the bills, the breakeven is always what you're trying to figure out, because then it tells you Well, once I go past that, this is how much I'm really going to make. Because the breakeven is just covering all of your costs. And some people tend to forget themselves. When calculating those costs. Whatever you're doing in the business, you need to put a cost to it. Because if you couldn't do it today, who's gonna step in and do it for you? So if today, you're the chef, what does it cost you to replace that position? If you couldn't be in that role today? Is that a \$15? An hour job. So we have to calculate those costs. For every hour you're working, there's an actual cost to it, and something that you would have to pay somebody else if you couldn't fulfill that role today?



Halie Morris 06:04

Well, too, if you were not able to pay somebody else to fulfill that role, how are you paying yourself at the end of the day,



Jill Badger 06:11

a lot of business owners don't pay themselves. And they take quite a while to start paying themselves, which is one of the reasons for the break, even I tried to put a cost in there. Even if it's just minimum wage, you need to factor in some type of cost for yourself to be making a living. And like I said, in case somebody else had to do it. But if you can't be in that, if you can't be working in your business, making at least double what you would working for somebody else. Why are you doing this? Because to be honest, you're working at least double what you would if you were working for someone else, because you're not just working in the business, you're working on it. So if you're a chef, eight hours a day, you're still trying to figure out the marketing of your business, you're still trying to manage your employees, you're still trying to do the bookkeeping, you're doing all the management and back end the business part while still working in your business every day.



Halie Morris 07:02

Wow. So preparing the lobster Exactly.



Jill Badger 07:05

So you should be getting paid at least twice as much as if you were working as a chef for someone else. Because working for someone else, you wouldn't be doing all the other extra stuff.



Halie Morris 07:15

Yeah. And you know, some people think, Okay, well, it's going to blow up. Like eventually. And there's that mentality of if I just put in the great work and suffer now. It'll happen. But it doesn't happen all the time. You know, it doesn't, you don't always get blow up and become super big. Because sometimes you exhaust yourself, like you go home to no electricity, or whatever, I'm sure



Jill Badger 07:37

call it also understanding what does it take. So today, the business doesn't support you paying yourself. But if we don't do the break, even with some kind of cost in there for you, how do you know what it's going to take to pay yourself. And I mean, if you're stepping away from a nine to five job making \$50,000 a year, you're not just making 50,000, you're making your benefit package, so your health insurance, your life insurance, your 401k plan, everything that's involved in you being somebody else's employee is now something that should be wrapped in a package that you're aiming to make that as a minimum, right. So put that in your break even to figure out, Okay, well, now that I need to pay myself, I need an extra five customers in order to do that. What does that look like? Because if you don't know the answer, then how do you get there? And then once you figure that out, we can expand? Okay, well, you're one I want to make 50,000. But year two, I want to make 60. And we keep growing that so that you understand what it takes to get there.



Halie Morris 08:34

Well, and two, I can see a lot of people doing this, because we probably do it with our personal finance. If you don't budget and plan for it. You're going to give that money somewhere else in the business you're going to spend it on Okay, well, I reached a point where it seems like I'm making enough money. I'm going to renovate this part of the building, or I'm going to start doing this because I always wanted to add this. But in reality, you still don't have that money because it should be what you're paying yourself.



Jill Badger 09:01

Well, and like what you just said, you have to apply the breakeven or the savings or the budget to just like you would in your personal life. So yes, you want to expand your business. Yes, you want to put money back into your business, but that should all be part of your budget. What what are the maintenance costs? What are the renovation costs? What are the expansion costs, figure out when you want to do it and put it in your budget so that it's a planned expense, and it doesn't impact your ability to pay your back, pay yourself back. But it also is something that's planned and you're not just exhausting all of your savings or the business is going from day to day and there's no real savings. You saw that during the pandemic, if people didn't have a substantial savings. They probably aren't open today. I mean, there were childcare businesses that, you know, we're used to paying their employees from week to week that once they were no longer allowed to operate at the same capacity, they had to cut their enrollment in half. They couldn't afford to pay their employees anymore. So You have to figure out what that looks like for your business and plan accordingly.

H Halie Morris 10:04

Yeah, and it's one of those things like we cut in, predict that happening. I mean, you know, some people saw it a little bit because they were monitoring what was going on overseas and what was happening in other countries. And they said, this might hit us,

J Jill Badger 10:18

but sure, not enough in advance to really prepare your business for

H Halie Morris 10:22

it and everybody who thought it did hit. So can we just have to make it through a couple of weeks, right. I mean, I went on spring break and never went back to college. Well did graduate, though,

J Jill Badger 10:35

some people never expected this to last this long. And there are businesses that stayed open the entire time. But it doesn't mean they weren't impacted. I mean, there are childcare businesses that never closed, they were pandemic centers, but they were impacted, you know, grocery stores stayed open, and all their employees had to work so we could continue to eat, but they were impacted. A lot of them's our staff

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Halie Morris 10:57

people too. And like, I've noticed that like even places that are doing well and are becoming hotspots now, and just recently opened are struggling to staff people because everybody's shifting and doing something completely different than what they were doing.

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Jill Badger 11:12

Well, not just that there are people who were laid off and they're comfortable being laid off, they're either afraid to come back from the pandemic, or they have enjoyed living on unemployment, or there are people who realized that what they were making, it wasn't worth, like they enjoyed working from home, and they'd rather find a job that allows them to permanently work from home life has evolved, you know, people have figured out Well, I did this job for 12 months from home, why can't I do it from home. Now, there's some businesses that don't allow for that. So the corporate industry is evolving, but so is employment. And some employers are having to pay people more than they used to, to get them to physically come in. You know, there are accommodations for pee pee where people are having to have Plexiglas everywhere, or wear masks. So the cost of having employees in person has gone up

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Halie Morris 12:04

well, and when people are coming back in, I'm sure they're not willing to work in the same conditions, they want more space to themselves, they want to be able to get up and take a break more frequently, because they realize, hey, it actually feels good. When I'm not just staring at a computer screen for eight to 12 hours straight. Like I get to, I get to move around, maybe take a jog and do stuff like that, like this more flexible work environment has taken on a truly like flexible definition. And you're seeing people adapt to that. But also, I'm sure we've I've I've heard of a lot of businesses starting like a lot of like restaurants. And I don't want to say a lot. But from my perspective, it seems like a decent amount. If people I know have started like small, like hobby side jobs, or they've started new places, like new restaurants, or this or that, that I've seen started up in the last year, and it seems like a really long time. But they've started which means those people are no longer out in the employment market to go back to their old jobs or for other people to snap up like they were before. A lot of people have relocated out of cities. So they're either looking for that remote environment, or they're looking for a job in their new locality. So

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Jill Badger 13:13

yeah, once people figured out that their job was going to allow them to work remotely, they may have traveled to a place that was a little more warm and friendly. But I don't know our Toledo market does struggle with finding employees, especially depending on your business, our manufacturers have struggled to find employees for years, because it's not always been taught that you how much money you can make. Starting off at 18 years old working in a manufacturing facility versus going to college, you know. So, until the mindset changes, it's going to be a struggle for us to get people into those types of roles. But you also have businesses like Amazon that moved in in their starting wages \$15 an hour or higher. So it does make it more difficult for some of our smaller businesses to employ people when they can't compete when they can't compete with that price point.

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Halie Morris 14:04

Because I mean, basically employing people is its own job and its own market. Like there's a whole besides just knowing the markets around your services and products, understand the employment market and who you're competing with for the same employees. It's a whole different ball field. I did recruitment before. So I'm very familiar with what you're talking about, because you can have a good job. But sometimes we have a lot of people that are headquartered in this area. And so as far as even graduate positions if people haven't already left, because they'll snatch them up while they're still in college and pull them out. Or there's a lot of people that want to go off to the big cities right out of Toledo because we're not huge. We're nice, but we're not like New York City or Chicago or Seattle or something crazy like that. Or we're not Texas, everybody apparently loves Texas.

J

Jill Badger 14:49

Just depends on where you want to live. But that's one of the things that Toledo chamber tries to do is to show interns what it's like to live here in the city of Toledo to attract them and want them to stay here when they're doing their thing. Turn ship here, that was one of the purposes of the epic Teton dash that you were talking about, make them go to all the different organizations downtown, that they probably didn't even know existed until they were required to go find a clue inside one of those bars or restaurants or patron, one of those shops, they probably didn't know it was down there, especially if they were an intern from another city. So it really helps. The internship program that we have at the chamber helps people understand all the different things that our city has to offer. And we try to keep them here. We want to keep the talent in the region.

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Halie Morris 15:33

Yeah, it's been very interesting, because I just came out of that college world. And I've seen

a lot of people leave a lot of my friends from like, you know, some of the top business fraternities and stuff, they get jobs and relocated and those internships they nailed down ahead of time. And so you know, watching them drift away to more expensive cities. So living here, like I can buy a house in a couple years, you guys can't that's okay.

J Jill Badger 15:58

That is one of the things we offer that most cities don't is how inexpensive it is to live in the city of Toledo and the surrounding suburbs.

H Halie Morris 16:05

I've noticed some of the apartments like the nicer apartments that have like in unit washer and dryers and nice parking and stuff like that. Those are starting to seem like go up in price.

J Jill Badger 16:15

It just depends on what we're at a town if you're talking downtown when they're trying to like the brand new lofts and stuff. Yes. But you can still get into some parts of town with nice apartments. Yeah, really affordable.

H Halie Morris 16:26

Yep. So it just depends like I'm Pennsylvania, and our retirement community seems to be growing, or at least a building's problem, like I just wanted an apartment. And now I'm like, that's okay, I'll get a house. You know, some of the areas but then I'm like looking at houses and like, literally, I could live in a house for the same price or less than even the apartments I would be looking at.

J Jill Badger 16:46

And that's one of the benefits to our region. And it's probably why we can't keep houses on the market.

H Halie Morris 16:52

We actually just had Dan Berry, we had a couple of people on from Dan Berry, and I talked to them recently. And that's the one thing is a huge seller's market right now, because there are not as many houses on the market, as there are people wanting to buy them. So

it is very interesting, because this is a very desirable place to live. And like my friend just got a two story four bedroom for a very good price. And it's got a big yard that's fenced in, which for me is like dog haven. But that's one of the big things too is like, you know, when you're talking about employees, you're talking about people who, who can live here affordably do more things like traveling and seeing the places they want to see

J Jill Badger 17:34
in schools that are good for their children.

H Halie Morris 17:36
But they also realize that there's these big companies like Amazon and some of these other ones, they can pay a hefty wage. So you have to learn them in sometimes you're like, I definitely have a better position, I have all these great benefits. But you have to like be able to compete with that wage.

J Jill Badger 17:53
And it's hard see that the salary difference? for each type of small business varies the trying to pay someone to work in childcare versus a school teacher is drastically different, the benefits are different. So you have to try and find different ways to appeal to someone, since you know, their hourly earnings or their salaries aren't going to be the same. And a lot of small businesses struggle to find those different advantages ways to, you know, convince someone that working for them is more appealing than say a larger Corporation.

H Halie Morris 18:24
Yeah, and I'm sure it's really hard, especially if you're looking for even that college, dimmer, college graduate demographic, like where I'm at, I chose to work into a small business. And then my friend went the public school route of teaching, and she's an integrated science teacher. So she makes a decent chunk over what I make already. And I'm like, but you're a teacher, I didn't want to be a teacher because I figured my wallet couldn't take it with the way I shop. So it's it's funny because like I love where I work, obviously. And I knew I would be I would start it off with a smaller salary at least I'd probably be sustaining that for a while. But a lot of people don't look at that they look at the, they look at the salary as like their main determinant for when they're picking a job. And it can be hard to compete. I

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Jill Badger 19:09

think it depends on the generation because some people you know, flexibility, the ability to work from home, the ability to make your own schedule, there's a lot of factors to employment. So figuring out what your potential employee favors, what what you're looking for and what your job can allow, you know, if you're working in a manufacturing facility, obviously you can allow them to work from home. And it may not even be able to have a flexible schedule. It just depends on how many shifts you're running and what those look like. So it just totally depends on the job you're offering and how flexible you can be. And I actually think it's harder for our non college graduate level positions. You know, if you're looking for a non degree Type position or a manufacturing role. It's very difficult because so many kids are persuaded to go into college straight out of high school that they forget you can make a really good living in other industries. Yeah.

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Halie Morris 20:12

So we talked to Ken Rusk, who is in charge of like in Rusk industries, and that includes like, Oh, it's there's a couple that he has actually. But there's, it's a lot of like, ditch digging, and a lot of the trade based jobs, where you'll pick them up on the job, or you study under somebody for a time and things like that. Or you just do a brief training to get into it, then maybe more apprenticeships or apprenticeship type things, right? Oh, yeah, he was talking about, there is such a shortage of workers in that space in general, that it doesn't matter who you are, that's employing them. They're just not there. And because there is such a huge push, I mean, my youngest brother is 19. How are we 20 this year, you look at the kid and you're like, he's not going to college. Well, guess who's tried college anyways, because that's like the push. And he's a brilliant kid, he had the grades he got into the school that are other academically inclined brother did not get into, because he's a brilliant kid. He just, it's not his pace. You know, he doesn't like the people interaction the same way. He's very technically based in his mind, like, he'd rather just get his hands on and do the job. So he dropped out. By the end of the semester, probably about halfway through, he decided college wasn't going to work for him. And he made the choice early to leave. And he had gotten outside sales role with a one company, he's making more than me. But like, the the money, people don't realize the money is actually already there. Especially because there are so few people now going into it. And that allows these companies to sometimes charge more because it's harder to find, you know, harder to hit a company out to your house, if you need plumbing adjustments, or electricity or this or that. They're the services are going up and what they can charge. But it's still really hard for the business themselves, to get the employees in the first place to put out on the jobs.

J Jill Badger 22:15
Yeah, job market is very tight, at least in this region.

H Halie Morris 22:18
So yeah, that's a that the blue collar market, right is what's called, is struggling because they're not just competing with other businesses, for employees, they're competing with like college to just get people away from kind of almost this one track mindset of you have to go this route to be successful or to be happy. And

J Jill Badger 22:38
it doesn't have to be one or the other. I've seen manufacturing facilities that are utilizing robots, but you have to find somebody that's technically inclined enough to use those robots. And the robots might equally be the equivalent of five employees. So you're saving, not needing quite as many people, but you still need somebody who can utilize those. And you may not need somebody with an engineering degree, but you still need somebody with the aptitude to learn how to use those.

H Halie Morris 23:03
And usually a highly specialized position like that

J Jill Badger 23:05
you're gonna pay a little more for because it has, you'd be highest risk, most manufacturing positions, you can make good money, you know, a welder is going to make good money. Yeah, a CNC person is probably going to make good money in at least more than you would think, coming straight out of high school, you're going to make more money in one of those jobs than you would and you don't have the day one. Yes,

H Halie Morris 23:27
yeah. Which is in so it's interesting, because, you know, they've kind of got to show they got to reach almost high school students, so they know it before they graduate, and that they can pitch it to their parents. But, you know, as a business owner, you depending on what kind of business you are, you're dealing with all that chaos of another market on top of the one that you're servicing, or providing a product for



Jill Badger 23:51

whoever thinks about the time necessary to do all of that. So you own a manufacturing facility, and you have a million dollars a year in sales. But did you think that you are going to spend half your time going from high school to high school pitching what your people make, just so that you have a funnel into the job market, because if you like you said don't start early, those people aren't just there waiting to apply for jobs at your facility, they're gone. Most of our manufacturers have several jobs they could fill if they had people, they're always 235 people short and unable to run fully staffed, because there just aren't people. So I mean, it's just a concept that as a business owner, you tend to do things that you never thought you were going to have to do that going from college to college or high school to high school and pitching this opening or what your people do and how much they make probably didn't factor into what you thought you were going to be doing. I mean, you're not even selling your product. You're not hiring. There's just so many things that a business owner has to do that people don't take into consideration.



Halie Morris 24:53

Yeah, and coming from the HR side, there's a cost to not fill in a position. You can't just work people over because you tend to lose More have more open position, or you cause higher stress levels, which causes a drop drop in productivity. So like there's a cost to not be able to fill the position, the longer you have a vacancy, there's a cost.



Jill Badger 25:12

Well, and there's a cost because you're not as productive. If you're short five people, you're not producing the same amount you would having those five employees.



Halie Morris 25:19

Yeah. And stress on employees can cause them to lose motivation, which has an increase, and it can have a little bit of a domino effect that you you don't anticipate. And you're like, why would I insane? I just know how to. I haven't I know how to make my widget. Yes, yeah, exactly. And it's one of those things like until you talk to somebody you don't know. And once you first hear about, it can be extremely overwhelming. I'm sure you've got people that are like, wait, what, what do I have to do. But then like, you know, even your services are free, it takes just some time to sit down, walk through it, understand it. And then once you start planning people who have a plan, a flexible plan, because again, being able to pivot is so important. But once you start having a plan and a big picture of what's going on and what you need. It makes things so much better when you're running a

business,

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Jill Badger 26:12

or services aren't just no cost, but they're also confidential, which most people don't realize. So if you come and seek our services, not even the other chamber employees know that we're meeting with you, we make it very confidential, so that if it's something that is stressing you out, or you're considering whether or not you need to close the doors, because your business hasn't been very successful throughout the pandemic, it's not something that anybody else is ever going to know about. Because we sign a confidentiality agreement that says we can't discuss the businesses that come in. Now, those businesses can discuss that we helped them because that, you know, you might have seen videos of clients saying, What a wonderful job we do. But those business owners chose to make those statements, we signed confidentiality agreements, so that we don't go out and tell people we're working with them, they can work with us. So sometimes they come in to us. And sometimes we will meet the owners out elsewhere so that it's away from their work environment and their employees don't know, they're seeking help. Yeah, yeah, sometimes we need to go into the business and help them figure something out. like working with a childcare center. During the pandemic, I was able to help them reconfigure, figure out where to put up, you know, the barriers and how to redo things so that they can maximize their space and put as many kids in there as possible that I needed to see in person. But there's still ways in which they can manage their business. And they might be asking questions that they don't necessarily want to do in front of employees. And a lot of times we'll introduce ourself as from the chamber, as opposed to from the Small Business Development Center. So it just looks like they're utilizing chamber membership, as opposed to asking for help for something.

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Halie Morris 27:47

And that's a pretty cool thing. So you know, sometimes people, it's a little bit of a pride thing, they built this themselves, or they don't want to maybe enlarge alarm staff, like, Hey, we're in so

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Jill Badger 27:59

like, just because you're asking a question doesn't mean the staffs getting laid off.

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Halie Morris 28:02

Yeah. And people do tend to if there's not immediate answers or explanation, people will

fill in the blanks themselves, you in the best intention, people will do it. So that side of it's extremely nice, because you know, if you have questions, whether you're looking at identifying him better focusing on your customer base, understanding who you're trying to reach, or you're looking at just understanding what employees you need to target and how you need to staff appropriately so that it's affordable to you enough to do it, but that you can remain competitive in the hiring industry or the hiring market. So oh my gosh, the hiring market. minefield. Oh, that Oh, and I have to say, but there's so many options to like, I don't know how you guys, if you ever recommend outsourcing, but like outsourcing can be so expensive. So like, you have to understand at least some of the HR process going into that, as a business owner,



Jill Badger 28:59

most of our questions are usually around whether or not people want to use independent contractors or employees, and you have to understand the difference. Some people think everyone can be an independent contractor, but they can't be you can't tell somebody exactly what they have to do, where they have to be and provide all of their resources and consider them an independent contractor. If you have a yoga studio, and somebody comes in to teach a class, and they choose which classes they're teaching at your studio, that can be an independent contractor. They're providing their own, you know, knowledge of the class, they're teaching it their way. They may be bringing in their own mats, they're doing things at their leisure, but if you're telling them that they have to be there, eight hours a day, five days a week and you're supplying all the materials, they're probably not an independent contractor and you really need to know the difference because you can get into a lot of trouble calling someone an independent contractor when they're an employee.



Halie Morris 29:54

Now have you worked I'm curious with like salons and things with hairstyles because a lot of times they'll rent out the Right, but I'm sure other people will be like, Well, no, I want to control what comes out of here.



Jill Badger 30:06

Some do both. I've seen a lot of salons that do like half of their stylists are booth rental and half are what they call commission based. So the salon gets a percentage of whatever they sell, whether it's a haircut, or a product or whatever the services, the salon may make 30%. But they do that when somebody doesn't have enough clientele to support them doing the booth rental, or when they just want to diversify their own revenue

sources, because if they have enough booth rental people to pay all the rent for the salon, they might just want to make money off the other people because they're getting 30% off of every single, you know, service that person does. So, and they can have different you can have booth rental for all sorts of things, whether they're nail techs, estheticians, whatever the case may be. So salons can be a unique service, because they have a lot of different opportunities for revenue. They can receive revenue, just off the products, you know, the different shampoos and whatever hair products that you buy.

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Halie Morris 31:09

It's very interesting. And I was just at the salon this weekend. But we're also friends with our stylist who owns the shop. So her thing we got to see her when she worked for a different salon or worked with a different salon, I'm not sure if she was renting or how she was doing that. But now she owns her own place. And it's been something she's created. So it's interesting scene, I think they traditionally do booth rental. And just seen from that perspective, because there is a misconception that you can just hire somebody out as a contractor if you don't want to pay them like an employee and give them benefits. And it's not true, because anytime you over define the work parameters, they become an employee really quickly. And it's especially if you're setting their schedule, and you're doing that a lot of time a contractor is you need a certain job done, you can't do it in house. And you can work with a contractor frequently. But like it's more project you pay on like project to project when you need them versus like, okay, they're here

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Jill Badger 32:11

every single day at your disposal.

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Halie Morris 32:14

If you're you're paying them a set wage every single week, and you are telling them exactly what to do. They're like,

J

Jill Badger 32:21

even like a landscaper, I've seen landscapers try to call all of their people, independent contractors. But if you're providing the truck they drive and the lawn mower they use and the weed whacker they use and telling them which job site to be at and how you want it done and inspecting it to make sure that you're quality and you're collecting the payment, they're probably not an independent contractor. So it just depends on what you're providing. Even the booth rental people, if you're trying to tell them that they have to be

physically at the salon seven days a week from this time to this time, you're starting to not just be an independent contractor on booth rental.

H Halie Morris 32:58

Yeah. And that's like our thing is like, we know when our silos works, but the other people who work at her salon come and go, they have their own, they have their own clientele, they have their own business cards, they have their own

J Jill Badger 33:09

hours, a lot of them even have their own prices.

H Halie Morris 33:11

Yeah. And all she does is she sets requirements for other spaces maintained to you know, because she's renting out that space, right. So she has her standards. But aside from that, like you can tell they're all different. They all have different products they sell. And so that's where like the divisions maintained really well. And like understanding how that works from an employer perspective is so important, because you can get yourself into a really ugly legal minefield really quickly, especially with the HR stuff. And that is so costly that like

J Jill Badger 33:41

well, that is more of a tax issue and accounting issue. If you ever have any questions on whether somebody is an employee or independent contractor, I would definitely be running it by your CPA, and making sure you're doing all of that like

H Halie Morris 33:58

asking, asking, clarifying. And getting the answer is going to make your life a lot easier,

J Jill Badger 34:04

you can get an entire list on what makes somebody an employee versus independent contractor. There's something like 50 guidelines, which is why somebody is probably more an employee than an independent contractor. If you violate any one of those, like 50 things, then they're considered an employee.



Halie Morris 34:20

And that's like one of the things is like, you can usually pull lists like that right off the internet, like the government, government sites and state sites and everything else will have lists that outline the stuff really nicely. And they're free. And you can just pull that and if you don't know where to go for it, coming into an organization like yours, you'll be able to direct them in the right place. And sometimes like really easy questions like they do this, this and this and you can be like, okay, you're definitely employed. Right? So, but yeah, so we'll wrap up this episode right here. I think this is a great just talking about the customers and your employees and understanding your budget and how to you know really understand how far your money stretches and starting to start that conversation to find the break even point is so important, because all of that plays into it. It does all of it. Alright, so thank you everybody for tuning in for another episode. Thank you, Jill, for joining us and we will be back next week to learn more from the Small Business Development Center.