

Startup Guide for Massage Therapy Practices Home Study Course

4 CE Hours

Text and Online Study Guide

Presented by the:

Center for Massage Therapy Continuing Education

PO Box 117 • Elk Point, SD 57025

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Instructions for the Startup Guide for Massage Therapy Practices home study course

Thank you for investing in the Startup Guide for Massage Therapy Practices home study course, a 4 CE hour course designed to empower you with the key information needed to start your own massage therapy practice. This guide will contain all of the instructions you will need to complete this course. This is a 4 CE hour course, so that means it should take you approximately 4 hours to read the text, and complete the examination and course evaluation.

PLEASE READ THE FOLLOWING DIRECTIONS FOR COMPLETION OF THIS COURSE.

The following are steps to follow in completing this course:

- 1. Read the instructions and review the text and exam.**
- 2. Access the online examination in your account at www.massagetherapyceu.com.**
- 3. Complete your examination and print your certificate. The exam is open book and there is no time limit for completion.**

You must pass the exam with a 70% or better to pass this home study course. You are allowed to access and take the exam up to 3 times if needed. There is no time limit when taking the exam. Feel free to review the text while taking the exam. There are no trick questions on the exam. All of the answers are clearly found in the text. The exam is also included at the end of the text for review before taking the exam.

It is advised to answer the exam questions in the study guide before testing online. That way, when you are testing you do not have go back and forth through the online exam.

Good luck as you complete this course. If you have any questions please feel free to contact us at 866-784-5940, 712-490-8245 or info@massagetherapyceu.com. Most state boards require that you keep your "certificate of achievement" for at least four years in case of audit. Thank you for taking our Startup Guide for Massage Therapy Practices home study course.

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Section 1: Before you Begin

Section Objectives

At the end of this section, you should have the information necessary to:

- List the pros and cons of owning your own business
- Write your business goals and the steps you need to take to assure that these goals are attained
- Describe the costs and benefits of operating your business full or part time
- Differentiate between different business legal structures and choose which is best for your business

Introduction

You have decided to open your own massage practice and you either fall into the group of people that believe this will be easy and will jump right in or the group of people that believe that this dream will be nearly unattainable and are looking for excuses to put this dream behind you. Regardless of which camp you reside, the first section of this course is designed to take you through some of the macro issues and topics that need to be discussed before you even consider starting a practice, much less start planning for one. The purpose of these topics is to introduce you to the things that you may not have ever thought of and to give an objective overview of the costs and benefits of this adventure called entrepreneurship.

Pros and Cons of Entrepreneurship

In the spirit of providing an objective view of what it means to own a business before you make your decision to move forward, we can start by looking at what it actually means to be an entrepreneur. Like many things, the decision to start a business can be broken down into pros and cons. Many of the pros for starting your own business are internal feelings of satisfaction that come with succeeding in what so many people have failed to do. These

internal satisfactions include being able to use creativity, being your own boss, directly using your skills and knowledge on a daily basis and the overall satisfaction that comes from knowing that you were able to succeed and survive in the business world. Other pros include the ability to have flexible hours, complete control over your income, and the opportunity to make all the decisions pertaining to the business. While these all seem to make a convincing case to start your own business, these benefits do not come for free.

All the cons for starting a business and the only things that are stopping you from a lifetime of independence and happiness can all be summed up in one word, risk. Risk is the driving force of fear in the business world and fear is what causes many to not even attempt to start a business. One of the major risks in starting and operating a business is that of financial risk. Businesses need startup capital which is usually hard to obtain. We will discuss later how specifically in the Massage Therapy field this risk can be minimized and that in the Massage Therapy field there is a smaller barrier to entry than many other professions. The second half of financial risk is also a “pro”, you have complete control of your income. No one will be there to write you a check every week and if you don’t go out and market yourself, massage appointments are not going to magically appear on your schedule. This leads to the next point, time.

A business, especially at the beginning, requires a complete commitment, there is no room for taking a break and there is no one above you that you can pass the business problems onto. The decisions and underlying problems all end with you. Now this emotional and time commitment can be a major risk for you as an entrepreneur depending on your lifestyle. Free time seems to disappear quickly and your life is engulfed by the necessities of being a business owner.

Whether it is financial risk, the time commitment, or the overall responsibility, the risks are outweighed by the rewards. The benefits, whether they are implicit or explicit are worth fighting for. One of the main traits of an entrepreneur and one that I know you have because you are taking this course is self efficacy. Self efficacy is the ability to create and complete goals. Having self efficacy means that you are able to live with and understand the idea that hard

work now may not create rewards immediately. You must understand that for someone who continues to work toward their goal, the rewards will come.

It is important to keep in mind that while the cons mentioned may be looming over the possibility of you starting a business, there are ways to lessen these burdens and ways to make the road to entrepreneurial success a little less rocky. Throughout this course I will be going over some of these techniques to make your journey through the business world as smooth as possible.

Setting and Completing Goals

An interesting commonality all entrepreneurs share is that of self-efficacy. This is the ability to establish goals and work toward them while knowing that the rewards will most likely not be immediate. On the contrary, the reward for all this hard work may not come for many years. The importance of setting goals cannot be stressed enough. “If you don’t know where you want to go, you will never get there”. This saying encompasses everything that is important about creating goals. The goals you set in this section will set the tone for everything you will include in your business plan. For this section we will go over how to establish goals, what your goals should be about, and how to stick to them until their completion.

What many don’t understand about the creation of goals is that developing a goal is only a tiny part of the battle. Goals set your priorities and these priorities need to become habits. For example, if you just opened your massage therapy business and one of your goals is within a year to have 20 massages in one week. You have established where you want to be so now you have to understand how you want to get there. You need to write down the “map” of how you plan on reaching your destination. The more detailed you are in your “map” the easier it will be to get to your goal. Your map includes items like attending the weekly community business luncheon, spending three days a week going to businesses to pass out business cards and flyers, strengthening your relationships with other natural healers, calling previous clients and asking how they are doing, etc. You will come to realize that establishing goals is not a simple task and that it requires a lot more than saying “I want ...”

The details of this map will be written and compiled into a complex document called the business plan. You will have information on procedures, marketing strategies, financial decisions, and so much more included in this business map. As mentioned before, the goals you set will be the invisible hand behind your business plan. Once you have your goals in place and you have created different versions of your map, some as detailed as the business plan and others as broad as a few sentences, you can move on making these goals a reality.

The next step is to write these goals down and put them in a place you will see them every day, the more times the better. The more you see your goals and the more you read what you need to do to achieve them, the better the mental image of you achieving these goals becomes. When you start to do something that would go against these goals or that doesn't match your mental picture of the end result, a red flag will pop up in your mind. You have made achieving goals a habit, and that is the key. Like anything, practice makes perfect and this is no different in the world of goal making. The first goal you make will be the hardest to achieve, but after this achievement you will start to yearn for further success because you know how good it feels to plan and conquer a goal you have set. After this, achieving goals will become easier and easier.

Now that we have covered the process of setting goals and implementing strategies to complete them, the next step is to figure out what your goals are going to be about. The easiest way to establish your business goals is to answer the question of where you want to be. This is the easiest question in the world because your imagination can run wild. Take the time now before you read anymore and get a piece of paper and a pen. When would you like to start your practice? Where do you see your business one year from now? Write down every detail of what you want in your practice in one year. Think about how many hours you want to work in a week, the number of massages you want to give, weekly/monthly profits, possible partnerships, the location of your business, the possibility of multiple locations, debt repayment, further qualifications, anything that comes to mind when you picture your business in one year.

Once you have a list of everything you want in your practice, it is time to combine it all together for a main business goal and the steps to get there. As you go through this course you

will want to think back to these goals you have just created. What types of things would your practice have to do to complete these goals? Look at your goals for how much money you want to make when you go through the financial plan. Is this number attainable? How many massages would you have to give to accomplish this goal? Once you have completed this process for a one year time period think about longer or shorter goals such as six months or five years. Is there anything that needs to be changed or are all of your goals on the right track regardless of the time period?

These goals you have created will not only be the motivation for your business plan, but also for you as you travel along the path to entrepreneurial success. Use these goals as a light at the end of the tunnel to motivate you to work hard. There will be times when you wonder why you are working so hard without receiving any reward; your self-efficacy will be put to the test. Review your goals to remind yourself of what you have to look forward to if you keep working toward these goals.

Starting Full or Part Time

Many people who start a business decide to take the full risk and dive right in. In all honesty this is not the smart or responsible way to go when opening a business. The ideal position would be to start a business as a part time venture and then when you feel that the business can support you financially, you can leave your other source of income and run the business full time. This is where massage therapy opposed to other fields excels. A massage therapy practice does not have to be opened nine to five everyday to be successful. For this reason you may start your business with one or two clients a week and use any free time you have to continue building a client base. There is still a risk in this tactic because this would be extremely difficult if your other source of income is a full time job. The last thing you want is to start abandoning the work at your full time job only to get fired and lose the security that it once provided. The optimum situation would be a 50/50 split. Spending half of your time at a part time job that is at least paying the bills in the short term and the other half of your time spent completely on growing your new practice. The other benefit that this tactic gives is fear, not a lot of fear, but just enough not to have the complete security of a full time job. The

importance of this fear is that it forces you to have the mindset that you have no choice but to succeed in your business. You will find that with this combination of the slight fear of not having a full time job and the reassurance of your goals, you will become your best promoter of your business. You will focus all you have on making your business survive.

The time to leave your job and run your business full time is totally subjective to each individual business owner because everyone's financial comfort level is different. Once this level is reached, you can leave your job and manage your practice full time. The time commitment at the beginning may be more than a full time job, but remember that the possibilities are endless. Being an entrepreneur allows you the benefit of setting your own schedule. In a year or two down the road you may be able to cut your business down to only working three days a week or maybe expand to another location and grow that business part time until it is self sufficient.

I hope that this section is helping you realize that when you own your own business, you are your own boss; no one can tell you how you should run your business or how many hours you have to work. Your only limitations are those that you set for yourself, and if you truly follow the entrepreneurial spirit, the idea of limitations will be gone forever.

Legal Structures

Legal structures are a very important part of starting a business and unfortunately very few entrepreneurs take advantage of the benefits that come with correctly choosing a legal structure. Even though the majority of massage practices are not partnerships and are owned by a single person, I will focus on explaining all different types of legal structures available to entrepreneurs. The legal form that you use for your business will become the legal definition of your practice and will determine how you are taxed and where the liability of your business falls. While it may sound or even look confusing when you first start looking into different legal organizations for your business, the difference between the different types are actually quite simple. There are three basic legal forms available: sole proprietorship, partnership, and corporation. There is also a hybrid version available called an LLC which will also be discussed.

The first option is a sole proprietorship. A sole proprietorship is created by one owner and this owner has the advantage of being taxed at her personal income level. There are no individual business taxes or distribution taxes to the owner. In this type of legal form the owner is the business and visa vie. The other main advantage to the sole proprietorship is its ease to establish, there is no need to register with the state or federal government for the business to exist. As long as you are the sole owner there is no need to register at all because you are the business. There are no major hoops to jump through and depending on your location you may not even have to register the business locally. This all sounds wonderful with the ease of establishment and the lack of intense regulation, but these advantages come at a cost. This cost comes in the form of liability. Due to the fact that a sole proprietorship is only established through one person, there is no separation between the business and the business owner therefore the debts and liabilities of the practice are equal to those of the practice owner.

Sole Proprietorship Example: Suzy opens a massage therapy practice under a sole proprietorship. She makes \$50,000 a year and this \$50,000 is taxed at her personal income level. While she did not have to register her business with the state or federal government, she is completely liable for her business. If someone were to sue Suzy's business or for some reason her business could not pay the mortgage on her new spa, Suzy would personally take on these debts even if the business were to fail.

The second option, a partnership, is just what you would imagine it to be; two or more people starting a business together. However, there are some things that aren't as obvious. The first is that partnerships have unlimited liability just like we discussed for sole proprietorships. The difference is that you are now responsible for the actions of your partner(s) also. If your partner decides to take out a loan for the business, then you are now responsible for that loan also. Worse, because this is a basic partnership, if the business cannot pay back the loan you would have to pay back the loan with personal, non business related assets. This is a horrible situation and one that can be eliminated by choosing alternative legal forms. If you are interested in a partnership, but want more liability protection consider looking into an LLP

(limited liability partnership) or an LLC with multiple members depending on the business situation. The advantage to the partnership legal form is that it does offer the pass through of business income to the personal level. There is no double taxation and any money the business makes will automatically be taxed at you and your partner's individual personal income level.

The final of the three main legal structures is a corporation. What is unique about a corporation is that it is a separate entity than the actual business owner(s). A corporation can buy real estate, open bank accounts, be sued and sue. The advantage of this is that the business owner or stockholder can own a company by owning stock without the liability problems of sole proprietorships or partnerships. If someone sues the corporation you own, you can only lose what you have invested in the corporation, not anything more. Since corporations are separate entities, they can last forever and do not depend on the life of the individual owner. The main disadvantage to the corporation legal form is the idea of double taxation. Being a separate entity, the corporation is taxed on business income first and then when the owner pulls money out of the business that money is taxed again at the personal level. Because of the complexity of this legal form and double taxation, it is not a top choice for small business owners and entrepreneurs.

A more recent option for your practice's legal structure is a Limited Liability Company or LLC. Essentially, the LLC is the hybrid legal form created to give the benefits that entrepreneurs are looking for without the added costs. The idea that a corporation can be a separate entity giving the owner liability protection is a huge selling point for that legal form, however the sole proprietorship and partnership offer the benefit of business income passing through to the personal level with no specific business tax. Because of the differences in these legal forms, the LLC or limited liability company was created to give business owners exactly what they were looking for. Registering your business with your state as an LLC gives you the liability protection that a corporation would provide (LLCs are separate entities), allows business income to be taxed on a personal level, and an easy registration process. The ease and low costs (~\$100-\$200

depending on the state) along with the perfect mixture of liability protection and taxation makes the LLC the best choice for massage practice owners and entrepreneurs.

Other legal structures such as corporations, LLPs (Limited Liability Partnerships), and partnerships all exist and are possibilities if your business expands to these different levels. In these cases I would definitely recommend hiring an attorney to help with the paperwork because another party may now be involved in the owning of your business. In summation, in the cases where a business is being managed by a sole owner I recommend taking the small amount of time and money to file the business with the state as an LLC and sleep soundly with the liability protection that it provides.

Conclusion

As you can see there are many things to consider before you make the decision to start your own massage practice. While there is a lot to take in, do not become discouraged. The purpose of this section is to introduce you to the large items that need to be addressed. In the following sections we will continue to delve deeper and deeper into the details of planning for your new practice with the hope of breaking down these large issues into more manageable pieces.

At the end of each section there will be three review questions. These questions will go over some of the concepts discussed in the corresponding section and will give you some guidance as to what the final course assessment is going to be like. Along with answering the review questions for each section, you should make sure you can complete the section objectives with the detail and organization shown in your reading.

Review Questions

- 1) Which of the following traits is associated with successful small business owners?
 - a. Low self esteem
 - b. High self efficacy
 - c. Passivity
 - d. Procrastination
- 2) True or False. When choosing a legal form, a sole proprietorship offers more liability protection than a Limited Liability Company.
- 3) True or False. Your business goals should be written down then filed and not looked at again until the goal is reached for celebration.

*Answers to all review questions are compiled at the end of the course. Take the time to review your answers and go back into the text if you find any discrepancies between your answers and the answer key.

Section 2: The Business Plan

Section Objectives

At the end of this section, you should have the information necessary to:

- List the steps and descriptions of how to conduct a thorough S.W.O.T. analysis on your business
- List the strategies to deal with business competition
- List the components of a successful and practical business plan

Introduction

Everything in the first section about goals and your dreams for your practice has built up to the point of getting into the details and finer points of your future practice. The next step is to look deeper into you and your practice. What do you have to offer future clients? What focus will your practice have? How will competition come into play? Once you have this information then you can plan for things like marketing strategies and operations procedures. After completing this section you will have the information you need to move to the next level of actually writing the business plan and planning for your practice.

S.W.O.T Analysis

The S.W.O.T analysis is another important process to take into consideration because it really sets the guidelines for your business plan. S.W.O.T stands for strengths, weaknesses, opportunities, and threats. S.W.O.T analysis is divided into two sections; external and internal environments. The external environment is anything relating to your business outside of the physical building, such as signage, parking or location. Internal environment factors are anything that affects your business from the inside. Examples of internal environment factors would be your staffing, appearance, planning or training. When considering S.W.O.T analysis make sure you write down all that applies to you in each of these four areas so that the information can be used in your business plan.

Strengths

A strength is something that helps your business excel. An example of an external strength would be a gym opening up next to your practice. This would help bring you business solely from being in close proximity to people who care about their health. An example of an internal strength would be that you are skillful and seasoned massage therapist. Another internal strength would be having a certification or experience in a specialty type of massage.

Weaknesses

When something degrades the production or growth of your business, it is considered a weakness. This could be a row of trees blocking your sign or a structure blocking visibility of your business. Any major weakness to marketing or getting customers to notice your business could be considered an external weakness. An internal weakness would be feeling uncomfortable communicating with clients or marketing your business.

Opportunities

An opportunity is an area of potential growth, whether it is the possibility of venturing into a new market or a chance to expand in your current market. Opportunity requires vision from the owner to recognize shifting needs or demands of the customer base being served. An opportunity should always be viewed as a potential strength, granted the idea is well researched, planned and implemented in the correct manner. As an example, you may have recently noticed that the tennis club next door to your massage practice is full of patrons who are filled with sore muscles and who could think of nothing better than a great massage. This is a great opportunity. It's time to walk over to that club, introduce yourself to the owner and either ask to set up marketing materials or better yet, offer discounted massages to club members. Not only does this offer the club an extra perk to add to their sales pitch when they are recruiting new members, but it offers you a whole new marketing path. An internal opportunity example would be extra space in your office. This could offer an opportunity to expand into a different type of service or the space could be rented out to another massage therapist for either a flat monthly rate or as a profit sharing agreement. You should start to

train your mind to look for potential opportunities, the more you analyze potential opportunistic situations the easier recognizing opportunities will be. Use that entrepreneurial creativity!

Threats

A threat is something that could cause problems in your business or cause your business to fail. The best example of an external threat is competition, but threats can also come from changes in the details of your location, possible legislature, employees, or even natural disasters. We will start with the least common of the threats and work our way up to dealing with competition.

Location threats are a very real and unpredictable problem. The worst part about both location and legislative threats is the fact that there is usually very little you can do to change the situation. Location threats can be as simple as road work in front of your door, a large building being built right in front of your practice, or the worst, if you are leasing, your landlord not letting you continue your lease for any variety of reasons. The way to react to a location threat is to stay proactive and have the ability to adapt. Construction does not happen overnight and we all know that it certainly isn't finished overnight either. Keep on the lookout for a "sold" sign on the vacant lot in front of your building or surveyors taking measurements of your road and that new sign that says "Main St. improvements coming soon". The worst thing you can do is to just go on with your normal business life and think that there is nothing you can do so why worry. This is your business you are fighting for so you need to establish a strategy.

All threat strategies are structured the same way. You need to establish what the threat is, how it is going to affect you, and what you can do to either 1. Eliminate the threat or 2. Change your business practices so that the threat no longer affects you. In the event of a location threat, try to think of ways to turn the threat into an opportunity or find a way to outweigh the negative effects the threat will have on your business. If you are unable to do either of these things, have exhausted all the ways to adapt to the threat, and you truly believe that your business is going to be negatively affected, it is time to prepare to eliminate the

threat from your business. In a location threat scenario eliminating the threat may be preparing your current clients of a future move and looking for alternative business locations. This is where being proactive is very handy, the sooner you realize that you may have to move, the better prepared you will be for a smooth transition.

In the large building threat example mentioned earlier, the 8 story building that is being built right in front of your quaint massage cottage has the possibility to turn into an external strength. Maybe this building is a nice office building and has no real threats to your business except for the fact that it is the largest building in your area and is completely blocking any visibility of your cottage from the road. Why not use the building as a landmark for your business? Instead of trying to describe to potential clients where your business is, now you can simply say, “I am located directly behind the Main Street Building”. You can put directions like this on your marketing materials and it will be easily recognized by all of your potential clients.

Competition

Competition is a unique problem for startup practices. Unlike established practices that have to deal with what they have when looking at their competitive environment, startups have the option to completely avoid competition when choosing their location. In the next section we will discuss the importance and steps to complete a market analysis, but from a competitive analysis standpoint, you should be able to pinpoint where all your competitors are located, what types of massage they provide and what they charge. Knowing this information you can choose a location that is optimal for your practice with the least amount of direct competition.

Unless you are extremely lucky, the odds of you finding a location with no competition whatsoever are slim, so you will need to establish a plan to deal with this competitive environment. The first step in dealing with any sort of competition is to follow the old adage, “Keep your friends close and your enemies closer”. Learn as much as you can about your competition. With your investigative skills you should be able to complete a full S.W.O.T analysis on your competition. This information is vital and relatively easy to attain. It will be hard to learn the internal aspects of their business, but the external factors are just sitting there

waiting for you to dissect. Once you have this information you will be able to focus your marketing strategies on your strengths while exploiting the weaknesses of your competition.

When dealing with competition, you want to use your marketing strategies to differentiate your practice in a very clear and simple way. If someone wants a massage and has the choice of three massage therapists in their area, why should they pick you? This is where visibility becomes key. The goal is to have your name associated with your profession. When someone wants or even talks about wanting a massage, your name needs to be brought up immediately by someone in the conversation. Most of your clients will know very little of how to evaluate a massage therapist before deciding who would be the better pick. This is where your reputation becomes very important. What your future clients will rely on is how often they have seen or heard of you and once they are in your practice, the quality of the experience they had.

Organization of the Business Plan

Your business plan will consist of four parts. Remember to refer to your S.W.O.T analysis and goals while writing the plan to help organize your thoughts. Any documents related to any of the subjects listed in the business plan should be included. This includes mock ups of marketing materials, leases, maps, contracts, etc. When writing your plan, take as much space as you need but keep it to the point. You don't want to be confusing, too general, or so detailed that it is outside the limits of your capabilities to complete.

To understand its organization, think of the business plan as an instruction manual for everything that has to do with your practice. It should flow from section to section and you should be able to reference back to previous sections for more information. It is a document that will require research and insight into your practice, your environment, and you as the entrepreneur.

When you begin the process of writing the plan do not feel obligated to write one section at a time with immense detail. Go through the steps and write as much as you can. When you start to see gaps, flag them for more research or further processing. Once you go

through the process once, you will start to see connections between different parts of the plan. You will see that the marketing strategies you plan to implement in the Marketing section are going to affect the marketing budget you set in the Financial section which will affect your procedures of how you schedule clients in the Operations section. These connections will help you to build a very comprehensive document that is interwoven with information and data from all aspects of your practice.

Finally, enjoy writing your plan. This is a big step in your career and understanding the ins and outs of your future practice will be worthwhile. This business plan is a map of your future. If you don't enjoy planning for it, how will you enjoy living it?

Each massage therapist's business plan is different. For this reason there are many different ways to organize a working business plan; however, there is a basic template that almost every business plan will follow. (See next page)

Conclusion

Don't fall into the trap of not taking the time to write out a plan for your business. While it may be easier to simply jump in and sign a lease to a new practice location, you want to remind yourself that starting the practice is the easiest part. The hard part is keeping the doors open and the lights on. The only way to do this is to create a useful and information packed business plan. Take the time to understand how you want your practice to work and what aspects of the S.W.O.T. analysis you can use to help you reach the goals that you have established. The more honest and detailed you are when writing the business plan, the more beneficial it will be when serving as a guide for your practice.

Business Plan Outline

- 1) General Company Description
 - a) Executive Summary
 - b) Business Goals
 - c) Business Description

- 2) Marketing Plan
 - a) Market Analysis
 - b) Competitive Analysis
 - c) S.W.O.T Analysis
 - d) Marketing Strategies/Channels
 - e) Implementation

- 3) Operational Plan
 - a) Location
 - b) Licensing and Legal
 - c) Policies
 - d) Products and Services
 - e) Supplies and Inventory
 - f) Business Procedures

- 4) Financial Plan
 - a) Expenses
 - i) Variable
 - ii) Fixed
 - iii) Startup Costs
 - b) Revenues
 - c) Reserve Account
 - d) Leasing Arrangements
 - e) Funding

Review Questions

- 1) Which is not an example of a location threat?
 - a. Road work in front of your business
 - b. Large buildings or trees covering the visibility of your location
 - c. Poor communication skills with those around you
 - d. The direction of traffic in front of your business has been rerouted away from you
- 2) True or False. When you encounter a threat or weakness, there is usually no way to overcome it and the best thing to do is to work with it.
- 3) Where in your business plan should your competitors S.W.O.T analysis go?
 - a. Marketing Plan
 - b. Operational Plan
 - c. Financial Plan
 - d. General Company Description

*Answers to all review questions are compiled at the end of the course. Take the time to review your answers and go back into the text if you find any discrepancies between your answers and the answer key.

Section 3: Components of the Business Plan

Section Objectives

At the end of this section, you should have the information necessary to:

- Identify what general themes are included in each component of a business plan
- Describe how to pick a business location
- List the steps to a thorough market analysis to increase the effectiveness of your strategies
- Create your own unique marketing techniques and differentiate your business from competition
- Define a margin of safety and use it to solve basic business questions
- Describe techniques to lower expenses when starting your business

Introduction

Your business plan is the single most important document you will ever create for your business. Understanding how to organize the plan and what should be included in each of its components will provide you with the skills necessary to create a useful resource to use in the creation of your business and in the running of your business thereafter.

General Company Description

The General Company Description is just what it sounds like. It's a broad description of what your practice is all about. The purpose of this section is to summarize your plan and keep you on track. It is also the section that will include topics such as your goals, your mission statement, and what your choice of legal form is going to be. When writing the description, your goal is to answer the question, "What is my business?" While this seems like a lofty goal, think of it like an introduction. If you were going to give a speech and someone said, "Tell me about your practice...you have 5 minutes", how would you answer?

The Company Description section should be started with the Executive Summary. However, the Executive Summary should be the last thing you write in your business plan. The Executive Summary should be a short 1-2 page explanation of your business, a summation of everything you have included thus far in the business plan, much like a back cover to a novel. The remainder of the description will contain all other topics mentioned previously.

The Marketing Plan

When setting up the marketing section of your business plan, you need to include three main sections. These sections are the market analysis, strategy descriptions, and the implementation plan. The first section includes the information collected during your market analysis. This market analysis information will serve as a guide when choosing marketing strategies and analyzing who your target market should be. The next section of the plan is where you describe your strategies. In this section, you want to specifically lay out each of your different strategies and who these strategies are targeting. You should also include the costs of these strategies along with timelines for when you plan to reevaluate the effectiveness of each strategy. The last section, implementation, includes information from the actual implementation of the strategies.

Market Analysis

Marketing is only effective if you are marketing to people who are apt to use your product, in this case massage. The key to making your marketing investments effective is to understand your market. There are many organizations, such as the American Massage Therapy Association and the Bureau of Labor Statistics that publish yearly information such as the demographics of massage therapy clients which are important in your marketing ventures. This information will tell you who the clients are and how they are brought into massage therapists' practices. For instance, if you know that the majority of national potential clients are under the age of 50 and use massage for non health related reasons then a spa type set up for your practice would be a better strategy then trying to spend a lot of time marketing in a retirement community.

There is some information that will be specific to your geographic area and customer base that cannot be explained by national information. Using the example above, if you live in a town that has a population that is 80% over the age of 60, the national information doesn't help you much and marketing in retirement communities wouldn't be such a bad idea. Your local government agencies will also have this type of demographic information along with other information that will be of benefit to your marketing campaign. This data will be important pieces of information to add to the marketing plan. Regardless of any published information, the best marketing insights you will get are from your current clients.

When a client walks into your office or makes their first phone call, ask them how they heard of you. This tells you which of your marketing channels are working. Before your client leaves, ask them if they would like to receive an e-newsletter or if they use social media. If they say yes, ask for their email or give them information of how to get updates from you on Facebook or Twitter. This type of information will be pertinent in helping you target market your clients. Keep a running tally in your practice for a couple weeks of the answers you receive from asking these questions. If most of the clients you talk to say they are using social media, what would stop you from making a Facebook page? If your clients tell you that they would enjoy reading a newsletter, why wouldn't you start a monthly massage newsletter? These are the type of activities that will enable you to target guaranteed clients, increase your client relationships, and set you apart from your competition.

Comment cards and questionnaires are also great ways to get information from your clients. Keep comment cards and questionnaires confidential and allow discounts to customers who give you comment cards or questionnaires to put in your confidential comment box. This gives the client an incentive to give you information and also allows you to ask more detailed questions without annoying your client with lengthy questioning and no reward.

When you have all the information related to your market, you can make informed decisions related to your practice location and your marketing strategies. Instead of choosing a random location for your practice, you can ensure that your practice will be in a location that

maximizes your client reach while minimizing the impact of competition. In regards to marketing strategies you can make sure that your efforts are not being wasted. You can target specific groups of people ensuring that you are reaching true potential clients and not a group of people that wouldn't be interested in massage, much less your practice.

Marketing Channels and Strategies

Your reputation when starting your practice can be the difference between your practice launching right from the start or taking the longer route to success. One of the options, not as widely as it should be by new entrepreneurs, is to build a reputation before the practice's doors actually open. By being active in your community and building a network before your business begins you can leverage these connections and create more of a practice launch opposed to a practice opening. This reputation will continue to evolve as your practice grows and will become even more important. The largest generator of new clients in your practice will be referrals. As your reputation begins to strengthen and your relationship builds with clients, more and more clients will schedule because of "word of mouth" marketing opposed to traditional marketing strategies. The beauty of networking and personal marketing used to build this reputation and create this "word of mouth" marketing is that you have complete control over its success. In regards to reputation building, it is important to understand that you are a direct reflection of your business. How you present yourself should be how you want your business to be viewed and in business, perception goes a long way.

One of the more common marketing channels, especially in our age of technology, is online marketing. The low cost and extensive access is great for small businesses that are looking to reach potential clients without the expense of traditional marketing channels. Instead of waiting to implement online marketing strategies, set them up before your practice even opens. You don't need to wait until your practice is already open to start a website, having this taken care of before you start will give you time to focus on scheduling clients and giving massages opposed to choosing a color for your homepage.

The three most common online marketing tools are a website, emails and social networking. The website should be simple with the sole purpose of providing information in a simple and user friendly way. Another aspect of online marketing is email. Once you have collected email addresses from your clients send weekly message e-tips or monthly newsletters. In addition to the classic online strategies of websites and emails, social networking has risen rapidly in popularity as a medium of online marketing. Communicating and updating your clients through social networking sites such as Facebook or Twitter keeps you constantly in the mind of your customers and allows other potential clients to learn about your business much like a website.

While there are an infinite number of marketing strategies available to you as a massage practice owner, the opportunity to implement “startup strategies” only happens once. The most common of these strategies is that of a grand opening. Providing tours of your practice, raffles, and making an event of your practice’s launch are great opportunities to meet people in your community and schedule clients so that you can start bringing in revenue even in your first few weeks of being open. Other strategies include large discounts for those who schedule massages within your first week of being open or BOGO massages for clients that have friends schedule within a certain time frame. Regardless of the strategy, the goal is to start building a client list quickly. Unfortunately, startup strategies can only be implemented once so plan these strategies well in advance so that you don’t miss out.

Marketing Products

No matter what type of marketing strategy you implement, you are going to need marketing tools and literature. Items like brochures, business cards, and promotional products are all needed to help carry out your marketing strategies. These products offer a lot of versatility and can be used at networking events, in your practice, or in other local businesses. These tools should always be carried with you and you should be prepared to hand out these products at every opportunity.

The purpose of these products is twofold. The first is to promote your business and the second is education. Make the items eye catching and informational. Handing out a business card is one thing, but it makes more sense to hand out a business card attached to a brochure that explains the benefits and uses of massage therapy. Doing this gives your potential clients the opportunity to learn about massage therapy in your absence and may spark their interest by learning about a benefit of massage therapy that they didn't know existed. The brochure should be simple and should avoid massage therapy jargon unless you define your word choice. You don't want to scare potential clients off from being overwhelmed. It is also nice to add a little information about you and your practice into the brochure. After they know the benefits of massage therapy, show them why they should choose you as their therapist. Think of it as a short biography with your credentials and some facts about you. Keep it professional and think of it as an elongated elevator speech. After writing the brochure, make it appealing to the eye. Add some pictures, but don't fill it with so much information that it looks cluttered or worse too intimidating where no one will even attempt to read it. Lastly, when it comes to brochures, proofread your writing multiple times. This is the written impression of your business and you want it to be strong and professional.

The business card will be one of the most if not most important marketing products you will have when starting your practice. They are easy to carry around and give all the information necessary for a potential client to follow up and schedule a massage with your practice. In addition to the ease of distribution, the business card is also easy to combine with other marketing products or strategies. You can easily attach a business card to a brochure and it is easy to leave your cards at another place of business.

There are a few techniques when it comes to business cards that will help differentiate your card from the crowd. The first thing noticed when anyone is handed your card is the weight of the paper. The heavier the weight of the paper the less likely the person will throw your card out after you give it to them. Having a heavier weighted card also conveys a sense of importance, a better than the rest sort of situation. This is exactly what you want because when paired against other massage therapists' cards, you want yours to be the last one standing. The

person who has a business card printed on a thin almost copy paper like paper with perforated edges is going to be quickly overlooked when your heavy weighted professionally made business card is handed out. This card is your perception within a few inches of paper. Make the card simple and on a soft, neutral color with contrasting text color. Keep the font easy to read and avoid the use of script type writing. You can never go wrong with a simple format. Your practice name should be centered and the largest writing on the card. Follow this with your name and credentials, title, and contact information.

When dealing with marketing materials and marketing as a whole, it all comes down to how you want to be perceived. Do you want to be perceived as a professional who is serious about their practice or as someone who is cheap and didn't put much thought into something as simple as a business card? Professionally made marketing materials are a great investment and will give you a leg up on the competition right from the gate.

Practice Differentiation

In the starting of your practice, your main goal is to differentiate your practice from any other practice in the area. In other words you need to show potential clients through your marketing that you are the best choice for their next massage. In addition to the benefits and focus of your marketing efforts, the way to accomplish this goal of differentiation is to create a unique and superior massage experience. The two most powerful aspects of your massage experience are your attitude and credibility. When it comes to attitude, you have the ability to make someone happy and personally give your clients a great experience. Your communication with them and the way you treat them are key. Be polite and have a positive attitude. Smiles are contagious and making sure your client is happy when they are at your practice will leave them with a positive memory every time they think of their massage experience with you.

You also want to establish credibility during the experience. Show your clients not only through your words, but your actions that you are a professional and have the education necessary to give them the experience they are paying for. Credibility is most easily created by becoming a source of information for your clients. When your clients have questions answer them proficiently and if you don't know the answer be sure to research the information and

contact them with the answer. This is the type of action that will set you apart from the competition and make the client willing to come back for a second time.

Differentiation is often confused with a change in price. Pricing is important, but there are alternative pricing techniques besides just lowering prices to differentiate your practice from the competition. These techniques include first massage discounts, repeat customer discounts, package deals, referral discounts, etc. These techniques lower the price of your massage to bring clients in the door. Once you show them that the value of your massage is worth more than this discounted price, they will feel more comfortable paying the higher normal price for one of your massages in the future. Remember that your price is your statement of what you value your massage experience. Lowering your price will only cheapen your brand and your services.

Marketing Implementation

Once you have all the components of your marketing plan you're ready to put it into action. As was mentioned, some of the strategies and channels can be put into action before you actually open your practice and others will start the day of. Setting up a timeline related to the rolling out of your marketing plan will be pertinent to the success of its implementation. In addition to the timeline, including receipts, contracts, and feedback you received from different marketing strategies you have put into action. This will help in evaluating the success of past strategies; you never know when you will have to implement a strategy a second time. The more information you have related to that strategy, especially information related to its success, the more prepared you will be to implement it again.

Operational Plan

The Operational Plan is not as exciting or abstract as the marketing plan, but is just as important and very structure oriented. When I described the business plan as being a step-by-step book, this is the section that will exemplify this definition. The purpose of the Operational Plan is to fill in all the details that make your business dream a reality.

Location

The first part of the Operational Plan is Location. In this section you will describe where your massage practice is located and what it costs to be there. Since you aren't constrained with an existing location, this is a great opportunity to write down all the things you would need when looking for a location. How much space do you need for your practice? Would you be better to lease a room in a different business opposed to leasing a complete office space? Is your practice visible from main roads? How does your location affect your marketing plan?

This is your opportunity to put your market analysis to work. Where can you place your practice to have the most success? Look for areas with a large concentration of potential clients and a small competitive environment. Since you can literally choose a location anywhere in the world, many entrepreneurs overlook the simple components of their practice location that can have large impacts on that location's success. The traffic patterns around the practice, visibility from the road, parking availability, and the ease of entering/exiting the location are all things that could potentially deter clients from initially visiting or returning to your practice.

However, even with all these different angles used to analyze location, cost ends up becoming the main driver of the location factor for many small businesses. We would all love our business to be right on the corner of the biggest intersection in the city with the best visibility. Unfortunately, for most of us this is an improbable goal (at least right now). You will have to decide what your business really needs and find the best deal to meet these needs. This will help you establish how much your monthly lease (or mortgage) is going to be along with any variable monthly expenses. Variable monthly expenses are expenses that you know you will have to pay at the end of the month, but are unsure of how much they will amount to. For instance, electricity, utilities, inventory, and some types of marketing would be considered variable expenses.

Realization is one of the biggest milestones in a business. Most business owners when asked do not know how much it costs to run their business every month. Not only is this a large problem for ordinary entrepreneurs, but this could be devastating to startup practices. If you

are unaware of what it is going to cost to keep your practice running then the probability of you not being able to pay your monthly obligations increases. To meet this level of realization, add up all of your monthly expenses then multiply it by 1.40, or add 40%. This 40% is a margin of safety for all those unexpected or forgotten expenses. Since this plan is being used for a startup I recommend using a margin of safety of 40-50%. The reason for this large margin of safety is simple. No matter how much you read or plan, there will always be surprises when you first start out. You have to understand that you are not perfect and you will undoubtedly forget or not know about some of your actual expenses.

Once you have an estimation of how much it is going to cost to keep your practice running, is it actually realistic for you to afford these monthly expenses? You can answer this question by dividing your total expenses for the month by the average price you charge for a massage. For example, let's assume your expenses total \$1,100 a month plus the startup margin of safety ($.40 * \$1,100$) of \$440 equal a total monthly budget of \$1,540. Now, let's assume your average 1 hour massage is priced at \$60. After the math and rounding ($\$1540 / \60) you will have to complete approximately 26 one hour massages in the month to break even. Keep in mind this is just an estimation of your break even mark. What this means is that even if you break even at the end of the month you still won't make any profit, but the lights in your practice will still be on.

While the break even number is an important number to know, you are not starting this business to break even, you want to make a profit. To calculate how many massages you need to give to actually turn a profit at the end of the month, add the monthly profit you would like to make to the \$1,540 of total expenses and divide that number by your average massage rate. I like to call this the salary break even number and this is the most relevant number when considering break even points. These are the types of numbers you should be calculating using different practice locations and different practice scenarios such as the choice of starting a full or part time practice. Once your practice is started and you have actual numbers to use in your calculations you can update your estimations and lower your margin of safety due to the increase in confidence in your numbers.

By understanding the costs of your practice in different locations you can make a more informed decision when choosing the optimal practice location. Once you decide on a location, your estimation of monthly expenses will be locked in and you will be able to use these estimations to create your financial plan.

Licensing and Legal

The next section of the Operational Plan is the Licensing and Legal section. This section is simple, but important due to the negative consequences that come with noncompliance. The most obvious point of this section is to make sure that you are legally allowed to be practicing massage therapy in the state and local municipality you are in and that you maintain this status by following the specific instructions laid out in your licensure (CE hours, renewal forms, etc.). Along with the basic licensure as a massage therapist, as a business owner you will need a business license. You can obtain this license from your local government. The next area you need to look into before choosing your location is to ensure that the property you are looking at is zoned for a business and not strictly residential. The last thing you want is the county or city officials coming to your business and shutting it down because you weren't aware that the property was not zoned for your business. Health code regulations and insurance coverage should also be discussed and established in this section of the plan. Be sure to keep track of any fixed or recurring fees that may arise from this section so that you will be able to include them in your initial startup costs and estimations of ongoing expenses your business will incur.

Practice Policies

The Operational plan should also include a policies section. Once you have started with them, the policies are concrete for every client that walks through your door. More importantly, these policies will be the same for every client no matter who they are, what their situation, or how long they have been a client. While you can put whatever policies you want, the biggest items that need to be addressed are in the payment area.

You need to establish how you want to get paid. Will you only accept cash? Do you accept credit cards or personal checks? Credit cards are a great way to accept payment because

nearly everyone has one and there is no excuse for not having any cash with them. However, there are expenses associated with credit cards. For small businesses I recommend looking into the mobile credit card readers that attach to smart phones. This offers simplicity along with the advantages of being able to accept credit cards in your business. The next payment policy is paying up front. Make it a policy that services are not rendered until payment is received. NEVER give anyone any type of service or product without receiving the payment first. The hardest part about this rule is that it seems easy, but no matter what, eventually you will bend this rule once and someone will take advantage of you. Unfortunately, the person who does will most likely be someone close to you or someone you knew in a non-business way. Again you may be sitting there saying, "This will never happen to me, I am going to follow my policies", but anyone who has been in business will tell you it will happen and if you are smart you will only let it happen once.

Another important policy for any service based business is a no-show policy. In your business one of the things you need to realize is that your time has a price. Most of the time it is a monetary price, but no matter what there is always a price you pay to be anywhere but your business. This price is very high for new entrepreneurs because there are so many opportunities available. Let's use an example to understand the concept of opportunity cost, or the cost of missing out on potential business opportunities: It's Tuesday afternoon and you have only one appointment scheduled at 3:30. 3:45 comes around and still no sign of the client. 4:00 rolls in and you are starting to get upset. 4:15 then 4:30. You have waited for an hour because you have no policy to take care of this. You wanted to leave at 3:45, but what if the client showed up at 3:50. Worse, what was the cost of you sitting there? You could say it was \$50 because that's what you could've earned giving another massage, but think deeper. You also had to take the time to get ready and drive to your practice for this one massage. You could've spent the afternoon marketing your business, and you may have missed your son's soccer game. All because someone couldn't call and say they couldn't be there today. All of those lost opportunities seem to add up to a lot more than \$50. So how do you fix this from ever happening, or ever happening again? You establish a no-show policy.

You can manipulate this policy to your liking, but in general if a client does not give you 24 hours notice that they are unable to make the appointment then they are charged for the appointment regardless of them being there or not. Adding to your policies that a missed appointment is considered anything over 15 minutes late also helps, the last thing you want is the client to show up at 4:20 and expect you to start a one hour massage that was supposed to start at 3:30. When using the no-show policy I recommend that you also put in your policies that clients give you their credit card number so that you can use it in the event of a no-show.

From a customer relations point of view, you will need to include a refund policy. What if someone is dissatisfied with the massage? In most cases of dissatisfaction, it is almost always better to refund the money than to have your reputation smeared by a confrontation. Bad news travels faster than good news and it is always better to remedy a negative situation in a prompt and efficient manner. You never want anyone walking out of your practice with a negative attitude about their experience. The only exception to this is when dealing with your policies. If someone walks out of your practice frustrated after being shown the consequences of your policies, they are upset with themselves because they knew ahead of time what the consequences were going to be. Don't be too worried about this type of negativity; it won't travel far because the client would have to admit to others that they were wrong.

To avoid any confrontation or confusion with clients, have them all sign a copy of your policies on their first visit. Give them a copy so that both of you have a copy to be referred to if need be at a later time. Keep in mind, policies cannot be argued with and are concrete. Just the presence of policies in your practice will eliminate a large amount of confrontation.

Products and Services

Included in the Operational Plan should be a description of the products and services you offer and how you plan on dealing with customer relations relating to these products and services. In massage therapy, this would include your procedure of how to prepare a client for a massage, how clients are scheduled, when will you be open, and how you deal with potential issues. Even a relatively simple procedure such as preparing a client for a massage would

describe the steps for collecting payment, signing your practice policies, walking them to the room, etc. By breaking down each procedure step by step you can navigate through potential problems and issues that can come about.

The Products and Services section is also a great place to include different scripts or procedures related to client communication. The creation of these items will be invaluable if you ever decide to bring employees into your practice or expand to a different location. Already having a polished Products and Services section will make these types of business changes much easier by offering a smoother transition for you and other employees.

Startup Supplies

The next section of the Operational Plan is the Supplies and Inventory section. You will have two supply lists when planning for your startup practice. The first will be the items you need to start your practice and the second will be a list of items you are going to need to continually purchase to keep your practice running. The easiest way to establish the first “startup” list is to go through your operational plan and your procedures. Walk through every process in your mind and keep a list of everything you need for that process to run smoothly. If you are going through the process of scheduling a client write down all the supplies you need for that task. A phone, a scheduling system or book, pens, a printer, a computer, etc. will all be included. Once you do this for all the different situations your practice could encounter you will have a good idea of what supplies your practice needs to start out.

As your awareness of your future business continues to grow, you will begin to have a general idea of what you need on a monthly basis in supplies and inventory and how much it will cost you to keep it. Some of these items will be included on both lists. Massage oil is a great example of something you will need on your startup list, but it is also going to be included on your list of items you will need to replenish on a regular basis.

I like to consider marketing materials as part of supplies and inventory because they are treated the same way. For marketing you should have a minimum amount of business cards,

pens, and brochures in your personal possession and at your practice at all times. Like the marketing materials, office supplies, massage supplies and any products that you sell should all have a minimum associated with them. When this minimum is met the supplies should be reordered. When establishing a minimum for any of your supplies you need to know how often the items deplete and how long it takes to reorder and receive the new product.

Overall, for the Inventory and Supplies section of the Operational Plan, you should have a list of all the supplies you need in the practice to run it effectively and a minimum number next to it that is used as a trigger for you to replenish your supplies.

The Operational Plan should be filled with procedures and lists. It should be simple to follow and you should feel like you are writing a detailed how-to book about your business life. When writing, some details may seem trivial and you may feel weird writing details like “walk client to the room”, but the more detail you give, the more your mind will analyze the situation and help you find the little things that you may have missed in the rest of the plan. Keep in mind that the end goal of the entire business plan is to be able to hand the plan to a stranger and they could start and manage your practice without any issues.

Financial Plan

The Financial Plan should include two main segments. The first being startup and ongoing costs and the second, the ways you plan on funding these expenses. The accuracy of the numbers you use in your Financial Plan is very important. The closer you are in your estimations of expenses to the actual expenses accrued, the better off you will be in the money management portion of your business.

Since you are using this course for the starting of your business you will have to take into account startup costs. Startup costs include everything needed to get your business up and running until the point where the costs thereafter will be somewhat constant. These startup costs would include massage tables, any type of deposit or down payment on your location,

utility turn-on fees, the original inventory levels that you established in the Operational Plan, etc.

Once you have a clear idea of what your initial startup costs are going to be, you will need to include a margin of safety. Just like we included a margin of safety in our Operational Plan for monthly expenses, there needs to be a margin of safety for your startup costs. Using a 35% margin of safety for startup costs will give a nice cushion. For example, if you estimate that your startup costs will be \$7,500 then adding a 35% margin of safety is as simple as multiplying \$7,500 by 1.35. This gives you a risk adjusted startup cost of \$10,125; the amount you will add to your reserve account as the total amount needed to start your practice.

Reserve Account

The size and purpose of having a reserve account is different for every business situation that you encounter. In an established practice, a reserve account is just that, a reserve, a last resort that offers you some peace of mind. The size of this account for established practices depends entirely on the owner and their underlying risk tolerances. In my opinion there needs to be a minimum of a three month reserve. To calculate this number, add up all your monthly expenses, and this is important...including the salary you can live on. Once you have this number, multiply by the number of months you want as a margin of safety, in this case three. In the event something goes wrong whether it is business related or not you want to have the security of knowing you have at least three months of your business paid for. In a worst case scenario you could essentially lock your doors for three months and spend the three months reevaluating and acting on the situation. Now this reserve is not only for worst case scenarios. The main reason for having this account is for peace of mind. By having a reserve account, you will sleep better at night and as a result of your clear and rested mind, your business will be more successful. Another benefit of a reserve account is the feeling that if you know that you are able to take a little risk and still have some sort of cushion, you will be more apt to act on your business ideas. The amount of months you keep in reserve when you establish your massage practice is based on the cyclicity of your business, your risk tolerance, and your monthly expenses.

While the idea of a reserve account sounds great, when first starting your practice a different amount of reserve needs to be created. The goal of a startup business when it comes to a reserve account is to build up to the point that the established businesses are at, a reserve account that is there for security and peace of mind. Before this point is reached, a startup reserve account needs to be quite large. The reason being, you will need time to build your client base and reach your salary breakeven point before you can think about protecting it.

Startups are all different. Some will start with a handful of clients that will keep the lights on when they start out and others will start with nothing but a stack of business cards and a smile. Regardless, both need time to grow before they are self sufficient. I recommend at least six months to a year of salary breakeven months saved in a reserve account before a startup opens. The differentiation between six months and a year will depend entirely upon the amount of time and effort you as the business owner can put into starting the business. If you are spending all your energy and free time promoting yourself and your business, I see no reason why the business could not be “established” in six months. On the other hand if you are transitioning from another job or still holding a job while starting your business, a longer term reserve account may be in order. I know this may seem like a lot of money to be putting away for the starting of a business, but think of it from a different point of view. It is better to have some sort of safety net than to work your first month on a business knowing that at the end of the month you won’t even have the money to keep the lights on. Do not forget that in addition to the reserve account, the startup business owner will have to add in the startup expenses previously discussed to the bank balance before opening the doors.

Lowering Startup Costs

The startup costs for a massage practice can vary greatly, however there are ways to cut costs when starting out. This will help lower the amount of starting capital needed before the doors of the new startup business open. The biggest of these cost cutting techniques is the actual location of your practice. The advantage of massage therapy is space. You do not need a warehouse or an office building to run your practice. When starting out I recommend that massage therapists start by renting a treatment room from another type of similar business.

The ideal business would be one that complements massage therapy, but is not massage therapy. It is very hard to establish your own client base when you are working in another massage therapist's office because your clients may associate your massage with the actual brick and mortar massage business. However, renting a treatment room from an acupuncturist, chiropractor, or even a gym would be a great complement. The potential clients that are in direct contact of your advertisements when visiting these types of locations already understand the importance of taking care of their bodies in a natural way and would be open to massage therapy. Leasing rooms is a great cost saving alternative to opening a whole practice when starting off. Depending on the type of arrangement you work out with the owner of the room this could also eliminate utilities costs if they are included in the lease. Usually there are two types of arrangements made when leasing a room. The first is a flat lease and the simplest to understand. You pay a flat fee every month and the room is yours for as few or as many clients as you bring in. The second is a revenue sharing plan where a percent of the revenue you collect every month is given to the owner of the room sometimes with an additional smaller flat fee. Both have their advantages and disadvantages.

The main advantage of the revenue sharing plan is that there is an incentive for the owner to advertize your services to the current clients of their business because at the end of the day he or she will be getting a percent out of the money collected for that massage. The disadvantage of the revenue sharing lease is that there is a possibility for tensions to rise if you do not bring in a lot of clients for massages. This could possibly lead the owner to see your agreement as a lost opportunity. The advantage to the flat fee lease is also its disadvantage. In a flat fee lease the advantage is that the owner could care less how many clients you bring in because whether you give one massage or a thousand, the lease payment at the end of the month is the same. This gives little potential for added tensions. This flat fee lease also brings very little potential or incentive for the owner to do any advertizing or supporting of your business. Regardless of which structure you choose, you should still market your business as if you are in your own building. Never rely on the business you are leasing from to feed you massages.

When leasing a room, it is important to discuss with the business owner how your clients are going to be scheduled and/or how the money is going to be collected. Depending on the leasing arrangement you may have unlimited access to the room for the scheduling of clients or you may have to work within the owner's office hours. The money collection is a little more complicated and usually only becomes an issue when there is a revenue sharing lease. The owner may want to have a receptionist collect the money so that there is a record for both the owner and you of how many massages were given in a month to calculate the lease payment. These are just two of the many adjustments that can be made to room leases so that the situation is better for all those involved.

Regardless of the lease structuring, leasing a room from a complimentary established business not only gives you visibility to the clientele that would be open to massage, but it also gives you the opportunity to build a book of business. This type of situation provides you with a low cost strategy before you have the clientele necessary to open up your own office, if you even feel you want or need to. When you reach this point, you will have to think about what is going to be better for your business. Do you feel that you will be more successful opening your own office even after including the additional expenses or will continuing to lease a room and making it your "home" be a better fit for you? There is no right or wrong answer and the decision will be completely dependent upon the current leasing situation and your goals.

Initial Funding

The second section of the Financial Plan, Funding, is a major component of the viability of your plan. While established businesses may be able to apply for a bank loan, startup businesses have a very slim chance of receiving a business loan because of the risk involved for the bank. There is no track record for a startup business so there is no way for the bank to evaluate whether your business will be successful and more importantly how likely you will be successful enough to pay the loan back. Due to the importance of a good track record of financial statements, it is pertinent that no matter what stage of the business process you are in you keep clean, organized, and correct financial records. I recommend investing in a computer program such as QuickBooks that will allow you to organize and input these types of records. In

addition to keeping organized financial record, be prepared to explain your plans for the money you are going to borrow. Take some of the uncertainty away from the lender and let them know that you are prepared to handle this money and invest it in a way that lowers their risk by increasing the probability that you will be able to pay it back.

Funding for startups is difficult. For this reason entrepreneurs are known to get creative in getting their businesses funded. One of the most common options for business funding is savings. If you understand from your analysis how much money you need before you open the doors to your new business, you can start to save from other jobs or sources of income until this number is met.

Another common funding channel is friends and family. They know your track record and will essentially put their money where their mouth is if they believe you can successfully run your own business. While this source of capital is easily accessible, possibly abundant, and most of the time free, it's not always as good as it sounds. Asking family and friends for money can add unneeded and unwarranted stress to massage entrepreneurs who are already in a high state of stress due to the starting of a practice. Unfortunately, money is also the culprit in many ended relationships. So is money from family and friends always bad? No. There are different circumstances and changes you can make so that borrowing money from someone close can be as painless as possible. The first thing to remember is to never take free money. It is too easy for family and friends to just hand over money because they believe in you and want to help. Insist that they are compensated for their money like a true loan. Without compensation then the loan is a big favor and favors tend to have a way of hurting rather than helping in the long run. Agree on an interest rate and set up a payment schedule. Just as you want to be open with the terms of the loan in the sense of interest rates, you want to explain all the risks associated with this venture. It is easy to paint a picture of your dream massage practice and show revenue and profit projections to family and friends when looking for money, but remember that it is not all guaranteed. You need to explain to your potential lenders that there is a chance you will fail and their investment will be lost completely. Making sure they understand the risks can ironically make both parties more comfortable. In the spirit of sharing information, letting

your family and friends know when they will get their money back is even more important than the actual loan. Set up a payment schedule with the amounts they will receive, including interest. This will eliminate any phone calls asking for their money back. The final recommendation when dealing with loans from family is to have a written agreement. Even if you have agreed upon the above topics with your new lenders, it all needs to be in writing. Make sure the agreement is written and explained in a way that is easy to understand. Include sections relating to the payment schedule and what happens in the event of business failure or a missed payment. Depending on the size of the loan I recommend consulting an attorney who can easily help you draft the agreement.

Due to the potential difficulties and issues that can arise from loans from family and friends, I believe saving your startup money is the most efficient and effective way to funding your massage practice. It may take a while to save up the money you need, but keep your true goal in mind and don't cut corners. If you know you need \$25,000 to start your business, don't settle for \$15,000 because you will have to work harder to save the additional money instead of borrowing it. Be accurate with your numbers and what amount you will need. When you reach that number, you will have the safety and monetary capital needed to launch your practice.

Reviewing your Plan

Once your plan is completed take a step back and read through your plan. Wait a few days or even a week before you complete this step to give your mind a chance to read through your hard work with fresh eyes. Try to imagine the future practice in your mind when reading through the plan. Are there things you over looked? Did you forget about a certain procedure or are there gaps in your market analysis? Once you have gone through your plan, it's time for someone else to take a look at your work. I recommend giving a copy of your plan to two different people. The first person is a fellow massage therapist. Whether this is a friend, an old professor, or an acquaintance, this person will offer great insight into the reality of your plan. Because they are in your field and hopefully have experience in the massage business, they will look for details of your plan that you may have not thought to add or give more realistic

expectations about expenses or expected revenues. They may even have some advice relating to marketing ideas.

The second person to give your plan to is someone who knows absolutely nothing about massage therapy. While this might seem crazy, this serves one very important purpose, and that is organization. It may be easy for another massage therapist to overlook something in your plan because it is “too obvious”, but these items that are “too obvious” are the things that cause surprise problems because they were “too obvious” to plan for. This person should read through your plan with the idea that they would be running this business and you are giving them the keys. Would they be able to implement everything? Were there certain gaps in the plan that caused a failure of this imaginary practice? The combination of the feedback you receive from these two people and your own review will give you the confidence you need in your business plan.

I think this area deserves a warning because so many new entrepreneurs take what others say to be gospel and it ends up not being the right path. You have to remember that there is a fine line when asking for advice from others of what you should listen to and what to tune out. Has this person ever owned a business? Are they potential competition? If they comment on your marketing ideas, are they an example of the target market you are after? Think of it like this, I would be hard pressed to accept advice on the marketing scheme for a veterinary clinic from someone who hates animals. You are the entrepreneur and at the end of the day whose reputation and well-being is on the line? Take the initiative and look beyond the advice and make sure it is truly in your best interest before you make the change.

The initial plan is only the first step. Whether you are writing your first business plan after being in business for five years or you are writing a plan to start your first year, the plan is in no way a “write and file” document. The business plan should be a living, working, usable roadmap to fulfilling your planned goals. Set a schedule of when to review and revise your plan. This should be at least once a year, more preferably every quarter. Be open minded and honest with your plan, if something needs to be changed change it. Use the following questions to help

organize your revision. Have you reached your goals? If not, why? Are there changes you want to make about how to run your practice? What is and is not working? Has your S.W.O.T analysis changed? These are great questions to ask yourself when reviewing your business plan and they will lead you in the correct direction to keep your business on track.

Before ending this section, I want to speak on the importance of making mistakes and how to use these mistakes to help your practice grow. Even though you have spent numerous hours writing, revising, and researching to build the best business plan possible, it is only a plan. While you should have complete confidence in your estimations, you should also realize that confidence does not equate to accuracy. In other words, your plan may be perfect and you could implement it flawlessly, but unexpected problems and issues could still arise. If you find in the revising of your plan that some of your estimations were incorrect, use this mistake to your advantage. In building your plan you had to rely solely on estimations. Once your practice is up and running you have the advantage of knowing actual numbers. If you were wrong in your estimations then recalculate your plan with the new and more accurate numbers and move forward. There is no problem with being wrong, however there is an issue when a mistake is made and you either do not recognize it or worse do not take action to correct it.

Conclusion

The creation of a business plan can seem like a daunting task. All the information and detail required can easily discourage most aspiring massage entrepreneurs. While all this information can be a deterrent, it can also be used as encouragement. Remember the reasons why you are creating this plan, look back at your goals and remember the light at the end of the tunnel. If you spend the time necessary to complete a high quality business plan the rewards for your future practice could be exponential. Avoid thinking of the plan as a task and more as a resource. Once you have all of this data in an organized and usable format you can focus more on running your new practice and less on the small details that eat up large amounts of time. When your plan is completed and your practice is started, do not fall into the trap of forgetting about the plan. While there are many benefits of realization when completing the plan, even more of the benefits will come from your consistent revision and updating.

Review Questions

1. True or False. A business plan should be filed after its creation and reviewed every 5 years for revision.
2. Which of the following is NOT a benefit to having a revenue sharing room lease?
 - a. The owner of the room has an incentive to promote your business
 - b. Decrease in expenses when compared to leasing an entire office
 - c. There is only one flat fee regardless of how many massages you give
 - d. If the business is chosen correctly the clientele of that business have the same interests as your potential clientele
3. What is the recommended way to procure startup funding?
 - a. Family
 - b. Savings
 - c. Friends
 - d. Banks

*Answers to all review questions are compiled at the end of the course. Take the time to review your answers and go back into the text if you find any discrepancies between your answers and the answer key.

Answers to Review Questions

Section 1

1. B
2. False
3. False

Section 2

1. C
2. False
3. A

Section 3

1. False
2. C
3. B

Startup Guide for Massage Therapy Practices Exam

1. What would be considered a “pro” and a “con” of owning your own business?
 - a. Complete control of your income
 - b. Internal satisfaction
 - c. Creativity
 - d. Being your own boss

2. What is self-efficacy?
 - a. Having faith in yourself
 - b. Being able to establish goals and achieve them
 - c. Having the ability to make good business decisions
 - d. Knowing the correct decision to make at the right time

3. How often should you review your business goals?
 - a. Only when the goal is completed
 - b. Every six months
 - c. Everyday
 - d. Only when you are changing goals

4. When establishing goals what type of time period should you choose?
 - a. Depends on the goal
 - b. The longer the better
 - c. The shorter the better
 - d. Always 1 year

5. What would be a reason to continue a part time job when starting a business?
 - a. Financial security
 - b. Less pressure than starting a business full time
 - c. Both A & B
 - d. None of the above

6. For a sole owner of a business, what is the optimum legal structure?
 - a. Sole Proprietorship
 - b. Partnership
 - c. LLC
 - d. LLP

7. Which is an example of turning an opportunity into a strength?
 - a. Meeting a fellow business owner then agreeing to allow each other to put marketing products in the other's business
 - b. Moving your practice to a new location because of major future construction
 - c. Working on your communication and speaking skills so that you can give a presentation about your business
 - d. None of the above

8. What is not an example of a business threat?
 - a. Competition
 - b. Communication skills
 - c. Negative legislative action against your profession
 - d. Construction in front of your business

9. Which of the following is not a section of a business plan?
 - a. Marketing plan
 - b. Financial plan
 - c. Management plan
 - d. Operational plan

10. What are the signs of a good website?
 - a. A lot of animation and bright colors
 - b. Simple to read and use
 - c. Information limited to your practice and not the massage therapy field as a whole
 - d. A lot of information in a very complex format

11. What should be the main goal of your website?
 - a. Promote the entire massage therapy field
 - b. Showcase discounts and promotions to family members
 - c. Provide information in a user friendly way
 - d. Promote your social networking sites

12. Which is the best way to differentiate your practice from your competition?
 - a. Pricing of massages
 - b. Quality of the massage experience
 - c. How often your practice is open
 - d. Email marketing strategies

13. What is the first part of the operational plan?
 - a. Licensing and Legal
 - b. Location
 - c. Policies
 - d. Supplies

14. What are variable monthly expenses?
- Monthly expenses that occur every month at different times
 - Monthly expenses that occur every month with a fixed amount
 - Monthly expenses that occur every month with different amounts
 - Monthly expenses that occur every month at fixed times
15. A massage therapist charges \$50 a massage. She expects her expenses to be \$200 and her salary to be \$500. How many massages does she need to give to meet her salary breakeven point?
- 4
 - 10
 - 12
 - 14
16. How large should your reserve account be (in months)?
- 12
 - 6
 - 3
 - Depends on the individual practice
17. When leasing a room, what are the two types of arrangements made?
- Raised lease and a revenue sharing plan
 - Reserve lease and a rolling lease
 - Flat lease and a revenue sharing plan
 - Flat lease and an extended lease
18. What is the main advantage of the revenue sharing plan?
- That there is an incentive for the owner to advertise your services to the current clients of their business
 - That there is no incentive for the owner to advertise your services to the current clients of their business
 - That no matter how many clients you have a month, the payment is the same
 - That there is a possibility for tensions to rise if you do not bring in a lot of clients
19. What is not a benefit of keeping clean, organized and correct financial records?
- You will need them if you ever plan on applying for a business loan
 - It is easier to review and analyze your business
 - You don't have to worry about business statistics or trends
 - None of the above

20. Where is the best place to keep your business plan?
- a. Deep in a filing cabinet
 - b. On the computer
 - c. In a visible area so you can review it often
 - d. With a friend

This completes the Startup Guide for Massage Therapy Practices exam.