

# SELLING your massage therapy business



“**A**s the baby boom generation approaches retirement, an unprecedented number of workers will be leaving the workforce. According to Canada’s Urban Futures Institute, some 9.8 million Canadian baby boomers, people born between 1946 and 1964, are approaching retirement. By 2020, the number of Canadians retiring each year will be 425,000.

Statistics Canada said in 2005 about 3.6 million workers were within 10 years of retirement age, composing 22.1 per cent of the total, up from 10.3 per cent in 1986.”<sup>1</sup>

### **25% OR MORE OF RMTS MAY RETIRE WITHIN 10-15 YEARS!**

As retirement looms for many baby boomers, a considerable number of massage therapists will be looking to hang up their lubricant-harnesses and retire. The 2003 Collis and Reed survey of massage therapists practising in Ontario indicated 25 percent of RMTs were between the ages of 40 and 50+.<sup>2</sup>

How will these therapists finance their retirement? Will they have a business asset to sell? Entrepreneurial RMTs who have worked hard to deliver compassionate care may not be able to transfer the value of their business to eager new therapists looking to buy . . . unless the entrepreneurs have created a valuable asset in their business. The business, inextricably meshed with the practitioner when the business is new, must eventually take on its own identity to be salable and transferable. Like any McDonald’s location, Ray Kroc needed to put systems and good employees in place so he could move on to open subsequent successful chains. ▶



If you are your business, then your business's life depends on your resources alone. It's worth asking the question, "If I don't show up for work one day, is there still a business?"

Melanie is an RMT that needed to sell her practice in preparation for a move out of province. The purchase price included a contact list of 500 clients, linen, office furniture and computer/fax. Melanie contacted me for information and I recommended several resources – including the discussion forum on my website – where Melanie explored the topic with several RMT business owners.

Instead of packing up and receiving nothing for all her hard work, Melanie acquired a tidy sum to help her in her new life.

"Today I received a cheque for \$12, 000.00. Thank you for all of your help... your suggestions and conversations really helped me get what my (business was) worth!

—Melanie

From Day 1, entrepreneurial massage therapists should be preparing for the day when they'll pass their turnkey operation over to a new owner . . . at a fair market value. The problem arises when the RMT has toiled away at providing high service, but has not systematized the business – that is, set up systems to run the business automatically – or replaced him/herself by bringing in highly competent service providers besides the owner/primary practitioner to deliver care. The primary practitioner/business owner has, in effect, made her or himself irreplaceable. Good for the ego, but bad for the value of the business!

What do I mean by systematize? Michael Gerber in *The E-Myth Physician* describes how the value of your business (equity) depends on how well the practice works. The practice must be designed to deliver service systematically and predictably every time. (You can watch this in action next time you visit Tim Horton's).

To systematize, you must:

1. Honestly evaluate your business – how well is it working for you?
2. Determine the most effective practices in delivering care, then document these, just as you see done in manufacturing when a company is pursuing an ISO designation from the International Organization of Standardization.
3. Replace yourself with competent people. Hire people equal or better at specific methods or modalities than you are! They'll be proud and you'll have a valuable asset.
4. Quantify the effects and improve the systems continuously.
5. Repeat this process for every aspect of your business. Remember to be the owner (work **on** your business) not just the employee (working **in** your business).

#### QUESTIONS TO ASK WHEN SELLING YOUR BUSINESS

According to RBC's *The Definitive Guide to Retiring from Your Business*<sup>3</sup> there are a number of questions to ask when you are considering selling your business.

- Who will buy it? – Family member, employee/contractor or investor
- Can the buyer raise the necessary money?
- Can the buyer successfully run the business? (Very important if you offer seller-financing for part of the purchase!)
- Will you partly finance the purchase?
- Will the buyer offer personal indemnities to ensure the financing?

The purchaser may be a new therapist starting out, complete with student loans and fears about taking on a large expense up front. Therefore, you may consider seller-financing (i.e., you lend the money and the buyer pays in installments with interest). There are pros and cons to this, so do your research and speak with your accountant.



## SELLING TO THIRD PARTY

The purchaser of your business may not necessarily be an RMT. Many entrepreneurs look for an industry that fascinates them but they're not necessarily employed or experienced in – the booming winery industry, for example. Because the potential buyer will know even less about running a massage therapy business, there are some key points to consider.<sup>4</sup>

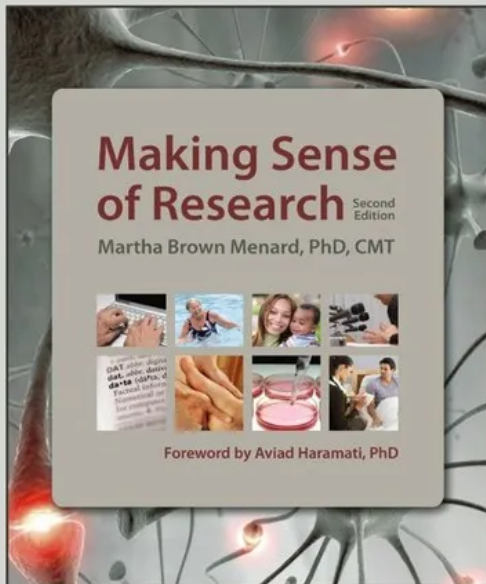
There are two types of buyers: Financial and Strategic. Financial buyers are interested in the company's cash flow; i.e., "How much money can I make if I buy this business?" Strategic buyers are interested in businesses that fit in their long range growth plans; e.g., to secure supply chains or open new markets. Perhaps an existing physiotherapy clinic or spa would be interested in your business in order to offer multiple locations and expanding services.

You will need cash flow records and projections, listing of liabilities, information on new product development, and value of hard assets (property, equipment, intellectual property, customer lists and contractual relationships).

Caveat – protect pre-sale details so the potential buyer doesn't usurp your business information and become a competitor!

The RBC Definitive Guide further recommends you use an advisory team (experienced accountant and lawyer) to assist the buy/sell process, value your business, and ensure protection from errors and omissions/misrepresentation.

Caveat – The RBC guide recommends "Don't test the market if you're not willing to sell. Selling takes up valuable management time, makes the sale public (which can



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affect business), and limits manoeuvrability during the selling process.”

In part two of this article, we'll explore valuation methods to determine what your business is worth.

### **SELLING, BUT FOR WHAT?**

So if 22 to 25 percent of massage therapists may be retiring in the next ten years with nary an asset from their labours, what can you expect to get from your business? Well, with careful consideration and planning, your massage therapy business should have real value to a new massage therapist who hasn't yet developed reputation and location. It's of course much easier to walk into a turnkey, established business than to start from scratch, and could be far less expensive in the long run to the new and eager practitioner.

For the seasoned selling practitioner, the sale of the business provides retirement funds or money to explore other interests. But once you know you want to sell, the first step is valuating your massage business, and perhaps raising that value when it comes time to sell.

Before we start, let's affirm that you should seek the counsel of an experienced lawyer and accountant when forming the valuation.

There are three common methods of assessing the value of a business: asset-based, market value and earnings-based.

Asset-based is the most tangible to measure. You are putting the assets - equipment, office computer, furniture, perhaps real estate and contact list (more on this item in a minute) on the market for sale. This method however does not contain the intangible but highly valuable assets of established location and reputation, expertise of the staff and practitioners or future growth/earnings potential.

The second method is market value. Your business is put on the market at a price comparable to other businesses in the same stream. Your challenge is that it can be difficult to find comparable massage businesses for sale.

The third method positions you to sell the business based on historical and future earnings. This approach, based on speculation, cannot guarantee future business performance and the value is hard to defend on its own. Therefore, it may be helpful to have your business evaluated by all three methods to gain an approximate value.

### **CONTACT VALUE**

A common question is, 'What is the value of my contact list?' In *Success Beyond Work*, Colleen Holloway outlines a strategy for evaluating a contact list. She assigns a dollar value to 'regular clients' (\$US55), 'occasional clients' (\$US25) and 'one-time clients' (\$US15). She then multiplies by the value assigned by the total number of clients in each classification to obtain an overall price list.

There are ways to increase business retention for the new owner. You could stay on for three months to ease the transition, formally introduce your clients/patients to the new owner, and educate heavily via your marketing channels so clients/patients are not unpleasantly shocked or surprised. You can influence how smooth the transition is for all involved and thereby assign a higher value to the business.

What if you value your business and it's not what you were hoping for? You can reengineer your business before putting it on the market by increasing income, decreasing expenses and reducing liabilities. Increase your income by adding modalities such as infrared saunas, TENS or ultrasound, or spa applications. These allow you and your practitioners to provide more care with less wear and tear on you. You can increase your fees, sell retail, or add associate/contracting practitioners to increase the total income generated for the business.

You can decrease your expenses by renegotiating your lease, buying supplies in bulk, and automating processes like appointment booking and bookkeeping/records management. Look at your personal expenses to get rid of your car and take public transport, eat out less often and eliminate other non-



essentials. Less personal draw equals more retained earnings in the business and a better-looking bottom line.

Pay down your liabilities if possible, and write off outstanding bad accounts. Your accountant can be especially helpful here.

Even if you're not ready to retire, it's a good idea to start preparing your exit strategy. If you are the business then when you leave, you won't have a business to sell! As Michael Gerber of 'The E-Myth fame proclaims, 'Learn to work on your business, not in your business'. Give more responsibility to partners or staff, raise the profile of key employees/practitioners so clients/patients will feel comfortable with the switch.

Remember, your primary goals should be to create an asset from the business you've worked hard to sustain over the years. Learn to replace yourself, and one day you will enjoy the freedom of pursuing new interests.

## REFERENCES

1. *Boomers retire idea of Freedom 55, StatsCan analyst suggests. CBC.ca Wed Jan 25, 2007*
2. *Collis and Reed: Report on the Massage Therapy Census 2003 – Membership Survey Report. Pg 6*
3. *RBC Royal Bank: Retiring from Your Business – Sourcebooks for Successful Small Businesses and Entrepreneurs, June 2002*
4. *ibid*

**Don Dillon, RMT**, is the author of Better Business Agreements and the self-study workbook Charting Skills for Massage Therapists. More than 60 of his articles have been published in industry publications including Massage Therapy Canada, Massage Therapy Today, AMTA Journal, Massage Magazine (on-line), AMTWP Connections, Massage Therapist (Australia) and various massage school and professional association newsletters. Don has presented in six provinces to massage therapy schools and associations, and his website, [www.MTCoach.com](http://www.MTCoach.com), provides a variety of resources for massage therapists.



## Massage Board

SEPTEMBER 19-20, 2009  
Ontario Massage Trade Conference  
Burlington, ON  
[www.omtc.ca](http://www.omtc.ca)

SEPTEMBER 26, 2009  
Complementary and Alternative Medicine Policy in  
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Fraser Institute, Vancouver, BC.  
[www.fraserinstitute.org](http://www.fraserinstitute.org)

OCTOBER 16-18, 2009  
Integrative Fascial Release Foundations – NHP Canada  
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[www.nhpcanada.org](http://www.nhpcanada.org)

OCTOBER 22-25, 2009  
Natural Health Practitioners of Canada Association  
2009 Annual National Conference, Saskatoon, SK.  
[www.nhpcanada.org](http://www.nhpcanada.org)

OCTOBER 26-27, 2009  
Myofascial Cupping, NHP Canada Workshop,  
Edmonton, AB.  
[www.nhpcanada.org](http://www.nhpcanada.org)

NOVEMBER 12-17, 2009  
World Massage Conference, Virtual Conference  
[www.worldmassageconference.com](http://www.worldmassageconference.com)

APRIL 9-11, 2010  
Natural Health Practitioners of Canada Association  
2009 Spring Conference, Calgary, AB.  
[www.nhpcanada.org](http://www.nhpcanada.org)

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