

Selling Your Massage Therapy Business

Part 2 of Canadian business writer Don Dillon's article covers increasing your business valuation. (*Part 1 of this article appeared in the Summer 2008 issue of Massage Therapist.*)

In the previous article I argued that 22-25 per cent of massage therapists may be retiring in the next ten years, with many an asset from their labours. My premise in the article was that the massage therapist is the business, and without careful consideration and planning will have no asset of value to sell at the end of his or her working life.

Your massage therapy business has 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. In this article, we explore how to value your massage business, and how to raise the 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.¹

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.

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 list². She assigns a dollar value to 'regular clients' (\$US55), 'occasional clients' (\$US25) and 'one-time

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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 re-engineer 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.

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.

1 RBC Royal Bank: Retiring from Your Business – Sourcebooks for Successful Small Businesses and Entrepreneurs, June 2002

2 Holloway, C: Success Beyond Work – What Prosperous Massage Therapists Know. Saramore Publishing Company, Maryland USA. 2003 pp 58-60

Don Dillon, RMT is the author of Better Business Agreements and the self-study workbook Charting Skills for Massage Therapists. Don's website, www.MTCoach.com, provides a variety of resources for massage therapists.