

Business Mastery

§5 Business Fundamentals

Business Start-Up

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Business Start-Up

Initial Research

- Scope Out the Competition
- Meet People with Insider Information
- Determine the Business Feasibility
- Complete a Self-Assessment
- Assemble Your Business Advisors

Start-Up Financing

Legal Entity Status

- Sole Proprietorship
- Partnerships
- Corporations
- Limited Liability Companies (LLCs)

Business Name

Domain Name

Laws and Regulations

- Professional Licenses and Requirements
- Business Licenses and Permits

Insurance Coverage

Setting Your Fees

- Sliding Fee Scales
- Prepaid Package Plans
- Raising Your Rates
- Value-Added Service

Business Start-Up

Buying a Practice

- Evaluate Your Reasons For Buying
- Determine the Fit
- Conduct a Preliminary Evaluation
- Assess the Business Premises
- Open Negotiations
- Final Stages
- Purchasing a Franchise



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KEY

Terms

- ☐ Bank Loan
- ☐ Building Safety Permit
- ☐ Business Feasibility
- ☐ Business Interruption Insurance
- ☐ Business License
- ☐ C Corporation
- ☐ Certificate of Occupancy
- ☐ Competition
- ☐ Corporation
- ☐ Crowdfunding
- ☐ Doing Business As (DBA)
- ☐ Domain Name

KEY

Terms

- ❑ Draw
- ❑ Employer Identification Number (EIN)
- ❑ Estimated Taxes
- ❑ Fire and Theft Insurance
- ❑ Franchise
- ❑ General Liability Insurance
- ❑ Grants
- ❑ Insider Information
- ❑ Lawsuit
- ❑ Legal Entity
- ❑ Liability Insurance

KEY

Terms

- ☐ Limited Liability Company (LLC)
- ☐ Logo
- ☐ Malpractice Liability Insurance
- ☐ Medical Health Insurance
- ☐ Negotiations
- ☐ Occupational License
- ☐ Partnership
- ☐ Partnership Insurance
- ☐ Personal Disability Insurance
- ☐ Personal Service Corporation (PSC)

KEY

Terms

- ❑ Planning and Zoning Permits
- ❑ Prepaid Package Plan
- ❑ Professional Limited Liability Company (PLLC)
- ❑ Regulations
- ❑ S Corporation
- ❑ SBA Loan
- ❑ Sliding Fee Scale
- ❑ Small Business Insurance
- ❑ Sole Proprietorship
- ❑ Supply and Demand
- ❑ Trade Name

KEY

Terms

- ❑ Trademark
- ❑ Transaction Privilege Tax License
- ❑ Value-Added Service
- ❑ Workers' Compensation Insurance

Business Start-Up

Because knowledge is power, it makes sense to start with knowing your market—your clients, colleagues, and competition.



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Initial Research

- Set up your practice by researching your industry facets and local market to figure out if your specific practice model can flourish
 - Scope out the competition
 - Meet people with insider information
 - Determine the business feasibility by considering supply and demand
 - Follow that up by doing a self-assessment and identifying your needed business advisors.

Questions to Ask When Interviewing Business Owners

- How long have you been in practice?
- What obstacles did you have to overcome?
- What are some of the smartest decisions you made in terms of business success?
- What are some poor decisions or mistakes that you made that I should avoid?
- What are the keys to long-term success in this industry?
- At what point in your career did you first feel successful?

Questions to Ask When Interviewing Business Owners (cont.)

- How much has your business model changed now from when you first started?
- What advice can you offer me about gaining the best results with a business support group?
- If you could do it all over again, what would you do differently?
- Students should also ask: What would you suggest I do while in school to prepare me for being in business?

Evaluating Your Business Potential

Gather Income Statistics, Client Usage, and Trends

- U.S. Department of Labor
- Professional Associations
- Practitioners in Your Field
- Trade Journals
- State & Local Licensing Agencies
- Online Resources

Research Potential Markets

- People most likely to utilize your services
- People or conditions with whom you wish to work

Estimate Supply and Demand

- Calculate the numbers of potential clients
- Find out the average number of people receiving your type of work
- Determine the average number of sessions per client
- Ascertain the number of practitioners in your field & city
- Project the average number of clients seen by current practitioners
- Divide the potential clients by the number of practitioners



Supply and Demand Example

Data Collected

- City Population = 100,000
- Current practitioners in your field = 100
- Average number of people receiving your type of work = 15%
- Average number of treatments per year that a client receives = 10

Calculations

- $100,000 \times 15\% = 15,000$ people receiving your type of work
- $15,000 \times 10 = 150,000$ sessions per year
- $150,000 \div 100 = 1,500$ sessions per practitioner per year
- $1,500 \div 48 \text{ weeks per year} = 31.25$ sessions per week*

**31 sessions per week is really too much for one practitioner in this example; it's likely this city can support a few additional practitioners.*

Initial Research (*cont.*)

● Assemble Your Business Advisors

- Before “starting-up,” seriously consider creating a personal group of advisors with whom you meet regularly for business advice
- Consider a business coach, bookkeeper or accountant, attorney, experienced practitioner/mentor and marketing specialist.
- Consult professional advisors, like business attorneys who are experts in their field, to avoid potential issues and future problem



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Start-Up Financing

- The costs of starting and running a business can be daunting, which is why many opt to work for others
 - The Small Business Administration (SBA) estimates the median startup cost for a solo business owner to just open the door is between \$5,000 - \$18,000
 - Many wellness practices are fairly easy to set up, particularly since the initial costs tend to be minimal, especially if work from home office or provide on-site work

Start-Up Financing (*cont.*)

- When determining start-up costs, include operating and personal living expenses for at least 6 months.
 - Factor **initial expenses, annual expenses, and common monthly expenses.**
 - Many wellness practices are fairly easy to set up, particularly since the initial costs tend to be minimal, especially if work from home office or provide on-site work
 - Many finance with money from personal savings, through loans from friends and relative, or bank loans

Options for Financing a Practice

- **Personal Savings**
- **Personal Loans**
- **Student Loans**
- **Family & Friends Loans**
- **Private Investor Loans**
- **Bank Loans**
- **SBA Loans**
- **Grants**
- **Partnerships**
- **Community Development Corporation (CDC)**
- **Investors**
- **Crowdfunding**

Legal Entity Status

- Common legal entity choices for your practice include:
 - Sole Proprietorship
 - Partnerships
 - Corporations: C Corporations, S Corporations, Personal Service Corporations (PSC)
 - Limited Liability Companies (LLCs) or Professional Limited Liability Company (PLLCs)



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Business Name

- Considerations:

- Usage of own name, but usage of title is recommended
- If you want a separate business identity, *e.g.*, for a group practice, choose carefully and avoid anything gimmicky
- When you select a potential company name, say it out loud to be sure it's easy to pronounce and understand.
- If you choose a business name other than your own, request a name search with the Corporation Commission or Secretary of State to check availability
- Register trade name, trademarks & domain name.

Tips for Choosing a Business Name

Marketing expert Healy Jones says your business name should be:

1. Simple to remember.
2. Easy to pronounce.
3. Easy to spell.
4. Illustrative of your service.
5. Have the same Internet domain name.



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Laws and Regulations

- Business owners need to comply with the laws and regulations that apply to them.
- 2 Main Categories:
 - Professional regulations that relate to you being a wellness practitioner.
 - The local, state, county, and federal requirements that apply to starting or relocating a business.

Licenses & Permits—Quick Reference

- **Business License:** Allows you the privilege of doing business. Contact your Business Licensing Bureau.
- **Occupational License:** Allows you to work in a specific industry as long as you comply with that profession's regulations. Contact the State Agency of Consumer Affairs or the local Business Licensing Bureau.
- **Transaction Privilege Tax License:** Allows you to collect (and remit) sales tax. Contact your State Department of Revenue.
- **Planning and Zoning Permits:** Issued after location is assessed; shows business operation conforms with area plans and has proper zoning and adequate parking. Contact your City or County Hall Planning Department.
- **Building Safety Permit:** Issued after location is inspected and has met the minimum safety requirements, and complies with fire and building codes. Contact the Fire Department.



Insurance Coverage

- Obtaining proper insurance coverage is imperative for any small business.
- Discuss your specific needs with an insurance agent (or three) to determine the appropriate types and amount of insurance needed.
 - Check your office lease thoroughly. Your leaseholder may not be responsible for providing complete (if any) coverage
 - If you work out of your home, review your homeowner's or renter's policy

Types of Insurance Coverage

- **Liability Insurance**
- **General Liability Insurance**
- **Malpractice Liability Insurance**
- **Small Business Insurance**
- **Product Liability**
- **Automobile Insurance**
- **Fire and Theft Insurance**
- **Business Interruption Insurance**
- **Permitted Incidental Occupancies-Residence Premises**
- **Personal Disability Insurance**
- **Medical Health Insurance**
- **Workers' Compensation Insurance**
- **Partnership Insurance**

Setting Your Fees

- Fee structures vary greatly depending on the type of work you do and where you're located.
- Carefully weigh all costs involved in running your business before you finalize your fee structure.
 - Review fixed costs and amenities.
 - Consider time: keeping client records, networking, planning, extended business hours, traveling, practice management, continuing your education, and client follow-up.

Four Major Fee-Setting Strategies

1. **High-end rate:** Set rate significantly higher than industry standard rate to target a small percentage of the population. This usually only works if your service is innovative, in demand, and has no competition.
2. **Industry standard rate:** Determine the industry standard rate and align with it.
3. **Low-end rate:** Set rate significantly lower than the industry standard rate to attract a larger market share.
4. **Time-limited introductory rate:** Offer introductory rates for a limited time or package deals reflecting reduced rates. Beware of the tendency to overextend introductory rates.

Time/Income Factor Analysis

One Year	=	365 days
	-	104 days (weekends)
	-	8 days (holidays)
	-	10 days (health)
	-	10 days (vacation)
	=	233 days
233 days x 8 hours/day	=	1,864 hours/year
	-	30% (promotion, operations, professional development)
	=	approximately 1,300 hours
1,300 hours	=	approximately 25 billable hours/week

Figure 15.10, *page 209*

Time/Income Factor Analysis (cont.)

Desired Annual Income*	50% 650 hrs (12.5 hr/wk)	70% 910 hrs (17.5 hr/wk)	90% 1170 hrs (22.5 hr/wk)	100% 1300 hrs (25 hr/wk)
\$25,000	\$38 ⁵⁰	\$27 ⁵⁰	\$21 ⁵⁰	\$19 ²⁵
\$30,000	\$46 ⁰⁰	\$33 ⁰⁰	\$25 ⁷⁵	\$23 ⁰⁰
\$35,000	\$54 ⁰⁰	\$38 ⁵⁰	\$30 ⁰⁰	\$27 ⁰⁰
\$40,000	\$61 ⁵⁰	\$44 ⁰⁰	\$34 ⁰⁰	\$31 ⁰⁰
\$50,000	\$77 ⁰⁰	\$55 ⁰⁰	\$42 ⁷⁵	\$38 ⁵⁰
\$60,000	\$92 ⁰⁰	\$66 ⁰⁰	\$51 ²⁵	\$46 ⁰⁰
\$75,000	\$115 ⁵⁰	\$82 ⁵⁰	\$64 ⁰⁰	\$58 ⁰⁰
\$100,000	\$154 ⁰⁰	\$110 ⁰⁰	\$85 ⁵⁰	\$77 ⁰⁰

**Does not include allowance for overhead and income taxes*

Figure 15.10, *page 209*

Setting Your Fees (*cont.*)

- Other considerations when setting your fees:
 - **Sliding Fee Scales** for those who cannot afford your full fee
 - **Prepaid Package Plans** to encourage people to book sessions more frequently and infuse extra income into your bank account.
 - **Raising Your Rate:** Inform your clients of your rate changes at least 2 weeks in advance via a personalized letter or pre-printed postcard.
 - **Value-Added Services** such as additional modalities or products

Package Example

Francine Feelgoode is a massage therapist trained in several energy balancing techniques and aromatherapy. In addition to massage equipment, she has a steam canopy, paraffin unit, and set of heated gloves and booties. She offers several different packages to her clients:

- 1-hour Massage \$60
- 90-minute Massage \$80
- 20-minute Steam Treatment \$15
- 20-minute Aromatherapy Steam Treatment \$20
- 30-minute Energy Balancing \$25
- Hand and Foot Paraffin Treatment \$20
- Deluxe Session \$70
- Mini-Spa Session \$100
- Total Health \$125

Buying a Practice

- The idea of buying an existing practice may seem very appealing to avoid the process of building a strong business foundation.
 - It may be easier and faster, but you also inherit the previous owner's problems.
 - There is no guarantee the clients will stay on with you.



Image courtesy of GraphicStock

Steps to Buying a Practice

1. Evaluate your reasons for buying.
2. Determine the “fit.”
3. Conduct a preliminary evaluation.
4. Analyze documentation.
5. Evaluate business premises.
6. Clarify legal agreements.
7. Have an attorney review all documents.
8. Open negotiations.
9. Offer a letter of intent.
10. Have an attorney finalize the purchase agreement.
11. Purchase the business.
12. Begin the transition stage.

Highlights

The business start-up phase provides solid groundwork for a business to grow and prosper.

Knowing your competition helps guide the direction you want your business to take.

Schedule informational interviews with several different people to gain inside information on trends and potential trouble spots for a new business owner.

Highlights (*cont.*)

Ensure success by learning about business start-up basics such as marketplace research, financing, business structure, licensing and permits, insurance coverage, and fee structure.

Realistically assess your plans and pinpoint any actions needed to move you closer to your ideal practice.

Consulting professional advisors and meeting with them on a regular basis is the best way to avoid potential issues and future problems.

Highlights (*cont.*)

While many wellness practices are fairly easy to set up, the actual start-up cost depends on the scope of practice, location and build-out costs, and the requisite equipment.

Carefully consider the optimal business structure, such as sole proprietorship, partnership, or corporation.

The type of business you operate and your tax requirements determine which tax structure is best for you.

Highlights (*cont.*)

Select a name for your business that communicates the essence of your business and inspires people to find out more about your services.

Verify with the state you're practicing in to see if you're required to be licensed or certified. Separate from professional laws and regulations, you may be required to obtain a business license or permit.

Check with insurance agents to see which types of coverage are required, as well as recommended, for your business.

Highlights (*cont.*)

Carefully evaluate all the costs involved in running your business before finalizing your fee structure.

Consider putting the majority of the money received for prepaid package plans into a savings account and withdrawing the money only when the client has actually received the session.

Diversify your practice. It is key to long-term success. Consider adding new modalities, hiring other practitioners, or selling holistic wellness products. Avoid relying solely on your hands-on work as the source of your livelihood.

Highlights (*cont.*)

Value-added services can boost your revenue and help you work smarter. Consider offering services such as hot packs, steam units, paraffin treatments, aromatherapy, or heated gloves and booties. Offering add-on services at no extra cost can increase client satisfaction and subsequent referrals.

Purchasing a pre-existing practice may seem like a good idea since you will avoid most of the process of having to build a strong business foundation. Know that you also inherit the previous owner's problems; find out why the business is for sale.

Highlights (*cont.*)

Purchasing a franchise is normally a high start-up investment since the brand reputation and marketing is already set up and worth a larger value.