

CONSTRUCTING YOUR SPA'S BUSINESS PLAN

Focus on Potential and Opportunity — Generate Interest and Excitement!
BY **LESLIE LYON**

Whether you are just starting up your Spa, or you are a seasoned veteran, you need to have a Business Plan. At some time or another, you will require either outside financing; a lease agreement; be considering a partnership; or even looking for investors. To achieve any of these, a formal presentation outlining your business objectives and strategies must be in place.

But a point not to be overlooked, is that the value and benefits that come to you as the Owner, from doing the research and constructing a viable Business Plan, are often the most important.

A Business Owner needs to always have a clear picture of the company's past, present and future.

Pssst....

Often, compiling a Business Plan takes a team of individuals. You may wish to purchase a Business Plan prototype and even require outside assistance from professionals in marketing, finances and business creation. A common pitfall, or “catch 22”, is that in these formative stages of developing the Plan, funds are often not yet available and it is therefore difficult to pay for the assistance that you may require. To ease you through this process, it may be prudent to secure a small pool of funds for this purpose.

Your Business Plan should focus on potential and opportunity, while generating interest and excitement in those you are targeting. And whom are you targeting?

1. If it's a Lender you are presenting your Plan to, he/she will want to see profitability and payback potential, with a break-even analysis. They will also expect to see collateral and cash flow to secure the loan;
2. If you are targeting an investor, you will want to demonstrate the ability for growth in both sales and profits, as well as providing a good return on investment;
3. A prospective partner or promising individual to help form your management team will want to see a sound strategy, good company management and potential for personal growth and profit.

No matter whom you are targeting however, always remember to align your strategies with the six basic

Plan elements:

1. **Who** are the individuals on the team responsible for building and sustaining the business?
2. **What** will it cost?
3. **Where** are you positioned in relation to your business offerings and opportunities?
4. **Why** will your plan succeed – identify capabilities and strengths
5. **When** will you begin to see break-even, growth, profit?
6. **How** will you start, monitor, sustain and exit the business?

In an effort to construct a focused, realistic Plan, we can sometimes forget to infuse our personality... our creativity... our PASSION! Although the Plan needs to be thorough and sensible, it should also showcase your talents and unique slant on life – after all, it's one thing to fill a need, it's another to fill it with FLARE and turn it into a commodity!

So, let's begin at the beginning. Start with the Cover Page (Business Plan Title, the Date, Company Legal Name, Company Logo and full contact information). Be sure to make it eye catching! Next you will need to compile your Table of Contents. Use the points as set out below to guide you through this process.

1. Defining Statement - Your Business Idea & Goals

Here's where you outline the opportunity and your philosophy. You've found a need, and you now need to demonstrate how you plan to fill it. Talk about your Caring Culture; the Mission Statement; the “Opportunities of Employment” you will make available at your place of business; and your friendly Staff Policies. Without giving too much away, touch on your proprietary advantages; trade secrets and/or business benefits that will give you the edge you need.

2. Industry Background

This shows that you have done your research. Provide a history and overview including:

- Features and industry highlights
- Size of the industry - expected volume of sales trends & growth factors
- Challenges – Vulnerabilities - Seasonality
- Observations and opportunities and future growth potential.



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Recently, Spas2b was awarded Top Honours from Day Spa Magazine as the course of choice in their “Real World Results” Business Class Survey.

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3. Target Market Research

Developing your target's profile will instil a strong sense of security into the reader. If necessary, use the services of a marketing professional who is familiar with the industry.

- *Demographics* cover such topics as gender, marital status, age, education, and income;
- *Psychographics* provides an understanding of their habits, lifestyles and personal preferences (where they shop; what they read, watch and listen to; how they spend their spare time);
- *Geographics* will provide information on location and competitive influences in and surrounding your area.

4. Marketing Strategies

Your marketing strategy will demonstrate how you will reach your target consumer and what your image and message will be. Discuss the marketing vehicles you will use:

- Print – Newspapers; Magazines; Website, eNews; Brochures
- Broadcast - TV, Radio
- Talk about your Public Relations Plan, Media Events and gathering Publicity
- Describe your ongoing sales strategy:
 - Business alliances - Community involvement
 - Packaging and pricing structures, promotional events and campaigns.

5. Your Competition

Know your competition and their 4 P's – Pricing, Product, Promotional Techniques and Placement. Outline what your competitive advantages will be (quality, convenience, innovation, expertise). The reader will also want to see that you have considered the risks. Describe possible obstacles; competitive disadvantages and what challenges or barriers you might face. Finish, however, by outlining your tactics for gradual market gain and overcoming those obstacles.

6. Operational Plan

Includes drawings, blueprints, renditions, the size of the facility, room's layout, your mix of services, traffic flow and even your maintenance requirements. As well, having the "behind the scenes" structures, practices and protocols in place, helps to solidify your commitment to the project and your ability to manage the business. Include your Purchasing Plan - products, equipment & technological requirements needed to service the menu, as well as a preliminary Menu of Services. Any information available on Guest Services and Handling; Facility Maintenance; Policies and Procedures and your Reporting and Monitoring Systems will be of benefit.



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7. Management Outline

Draw up an Organizational Chart. Provide your personal profile, indicating what you have already researched and invested. What milestones have you achieved? What are your strengths, talents, goals and objectives? Provide references. List other key management positions such as Principals, Managers and your Board of Directors. Provide profiles, experience and expertise.

8. Staffing-Up Plan

What are your staffing requirements and what is your logic on staffing up? Provide individual profiles; required experience and expertise; Job Descriptions; Evaluations Systems; and Staff Compensation Structure.

9. Legal Structure

This includes Business Ownership; Insurance requirements; Business Taxes; Business Registration; Licenses and Permits and Employment Standards and Legalities.

10. Financial Structure

This process may seem overwhelming, but it is the most important component of your Business Plan and must be carefully thought out and delivered. Your Financial Plan sets expectations, monitors progress; guides decisions; and displays results. Whoever your audience is, your projections for revenue, growth and profitability are the main factors being considered. You may need to engage the services of a Professional, but in doing so, you will be assured that your Plan will be creditable and realistic - therefore saleable.

Personal Net Worth Assessment

- Are your personal finances in order?

Business Assumptions (for Start-Up)

- Complete site set up requirements
- Products, equipment, furniture & fixtures, technology
- Required financing – Sources and allocation of funds

Staff Payroll Projections

- A helpful tool in designing and managing your payroll model in relation to gross revenue.

Monthly Sales and Cost of Goods and Services Sold Projections

- A clear demonstration of monthly sales projections vs. monthly costs associated to making those sales.

Balance Sheet

- Annual Statements outlining Company Assets, Liabilities and Owners' Equity for business year's 1-5

Income Statement

- Projected Profit and Loss for business year's 1-5

Cash Flow Statement

- Monthly Projected Cash Requirements
- Annual Statements outlining Inflows and Outflows for business year's 1-5

Financial Ratios & Graphs

- Utilizing established industry benchmarks, ratios will help to determine if your business is (capable of) meeting and/or exceeding standards.
- Categories of ratios include Liquidity Ratios; Profitability Ratios; Leverage Ratios; and Operating Ratios, including Key Performance Indicators such as Percent Utilization; Average Ticket Price, etc.

Breakeven Analysis

- Predicts sales volumes required to cover the cost of doing business
- Clarifies how long it will take to start operating at a profit.

Business Risk Assessment – Exit Strategy

This should demonstrate your ability to anticipate and handle potential business risks and a possible "Plan B" process. This may be required due to increased competition; fluctuating industry demands; negative economic impact (recession); supplier problems; staff challenges, etc.

Your Business' sustainability needs to be well planned. Don't be intimidated by this important assignment. The process and end result will not only give you a soaring sense of accomplishment, but will propel you to a new level of knowledge, understanding, expertise and confidence – all characteristics of a Successful Business Professional . . . and that's YOU!

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