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# Business Diagnostic

An independent structured assessment of business model, financial position, pricing, positioning, operations and growth constraint.

| Prepared For | Period Reviewed | Report Reference |
|---|---|---|
| Casa Serena Wellness Studio | 12 months to 31 May | BD-SAMPLE-01 |

Contents

# What's in this report

> A diagnostic is not a plan and not a pitch. It is an accurate account of where a business stands, what is holding it back, and what to do about it — in order.


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How to read this

Findings are stated plainly, with the evidence behind each one shown. Where a conclusion depends on an assumption, the assumption is named. Where the data was incomplete, that is said rather than smoothed over. You are welcome — encouraged — to disagree on the findings call.

Section 01

# Executive Summary

> Casa Serena is a well-run studio with loyal clients, a strong reputation and a genuine service. It is also, once the owner's labour is properly costed, running at a loss — and has been for at least two years.

| $183,560 | $42,200 | –$20,140 | 30.3% |
| --- | --- | --- | --- |
| Total revenue, 12 months | Net profit before owner's drawings | True result once owner's labour is costed | Treatment room utilisation |

Headline Finding

**The business appears profitable because its largest single cost is invisible.** The owner personally delivered 1,310 treatments and roughly 690 hours of management and administration during the period, and was paid $30,000. Costed at the same rate paid to associate therapists, plus a modest management rate for non-treatment hours, that labour is worth $62,340. Against a reported profit of $42,200, the business ran a real deficit of $20,140.

## The five findings that matter

- **Owner labour is subsidising the business.** Every reported dollar of profit is funded by unpaid or underpaid owner time. The apparent 23.0% margin is not real.
- **Pricing has not moved in four years.** The average treatment is $72 against a comparable market range of $85–95. Inflation alone means the rate should sit near $82 simply to have held position.
- **Seventy percent of the asset sits idle.** Three treatment rooms run at 30.3% utilisation. Peak windows reach 78%; Tuesday–Thursday daytime runs at 11%. The rent is paid on all of it.
- **Growth is structurally capped.** The owner delivers 60% of treatments and serves 18 of the 20 largest clients. The business cannot grow beyond the owner's available hours, and those hours are close to full.
- **The retail line is underperforming against its own benchmark.** A 14% attach rate and 40% gross margin, where 25–30% and 50–55% are normal for the category.

The Primary Constraint

### The owner is the product, the capacity limit, and the unpriced input — simultaneously.

Every other issue in this report is downstream of that one fact. Raising prices helps. Filling off-peak hours helps more. But neither compounds until delivery is separated from ownership, because until then every additional dollar of revenue costs additional owner hours that do not exist.

The recommendations in Section 10 are ordered accordingly: not by size of opportunity, but by what has to be true before the next thing works. Section 11 models the twelve-month outcome if all four are executed — a swing of roughly $22,700, taking the business from a real deficit to genuine profit without new premises, new capital, or a single additional owner hour.

Section 02

# Scope & Method

> What was examined, what was supplied, and where the analysis is limited by the data available.

## Materials reviewed

| SOURCE | PERIOD | QUALITY |
|---|---|---|
| Management accounts | 24 months | Complete |
| Booking system export — treatments, therapist, duration, rate | 24 months | Complete |
| Bank statements — operating account | 12 months | Complete |
| Retail stock and sales records | 12 months | Partial — no opening stock valuation |
| Associate therapist agreements | Current | Verbal only, not documented |
| Lease agreement | Current | Complete |
| Owner intake questionnaire and 45-minute interview | — | Complete |

## Limitations

Three limitations affect the confidence of specific findings and are flagged where relevant:

- Retail gross margin is estimated from purchase invoices rather than a stock reconciliation, since no opening valuation exists. The true margin could vary by roughly two percentage points either way.
- Owner management and administration hours are self-reported at approximately 15 hours per week. This is a reasonable estimate but not a measured figure, and it materially affects the true-cost calculation in Section 03.
- Comparable market pricing is drawn from eleven competing studios within a 6km radius, advertised rates only. Actual transacted rates after discounting are unknown.

None of these limitations change the direction of any finding. They affect precision, not conclusion.

Section 03

# Financial Position

> The accounts show a profitable business. Restated to include the cost of the owner's own labour, they show the opposite.

## Trading result as reported

| LINE | AMOUNT | % OF REVENUE |
|---|---|---|
| Treatment revenue — 2,180 treatments at $72 average | 156,960 | 85.5% |
| Retail product sales | 17,400 | 9.5% |
| Workshops and courses | 9,200 | 5.0% |
| **Total revenue** | **183,560** | **100.0%** |
| Associate therapist payouts — 50% share on 870 treatments | (31,320) | 17.1% |
| Treatment consumables — $2.85 per treatment | (6,210) | 3.4% |
| Retail cost of goods | (10,440) | 5.7% |
| **Gross profit** | **135,590** | **73.9%** |
| Rent and service charge | (38,400) | 20.9% |
| Reception and administration wages | (19,800) | 10.8% |
| Utilities | (8,640) | 4.7% |
| Marketing | (5,400) | 2.9% |
| Insurance and professional memberships | (4,320) | 2.4% |
| Repairs and equipment | (4,100) | 2.2% |
| Accounting and legal | (3,600) | 2.0% |
| Card and banking fees | (3,490) | 1.9% |
| Booking software and subscriptions | (2,760) | 1.5% |
| Other operating costs | (2,880) | 1.6% |
| **Net profit before owner's drawings** | **42,200** | **23.0%** |

*Owner drew $30,000 during the period. Retained: $12,200.*

## Restated for the true cost of owner labour

The owner is not an investor drawing a return. She is the studio's most productive therapist and its only manager. Both roles have a market cost, and neither appears in the accounts above.

| COMPONENT | HOURS / VOLUME | MARKET COST |
|---|---|---|
| Treatment delivery, costed at the same 50% share paid to associates | 1,310 treatments | 47,160 |
| Management and administration at $22/hour | 690 hours | 15,180 |
| **True cost of owner labour** | – | **62,340** |
| Net profit as reported | – | 42,200 |
| **Restated result** | – | **(20,140)** |

What this means

Casa Serena is not a business generating $42,200 of profit. It is a business consuming $62,340 of labour and returning $42,200 — a shortfall of $20,140 met by the owner accepting $30,000 for work worth more than twice that. This is sustainable only while the owner's capacity and willingness hold. It is not a growth position; it is a slow depletion.

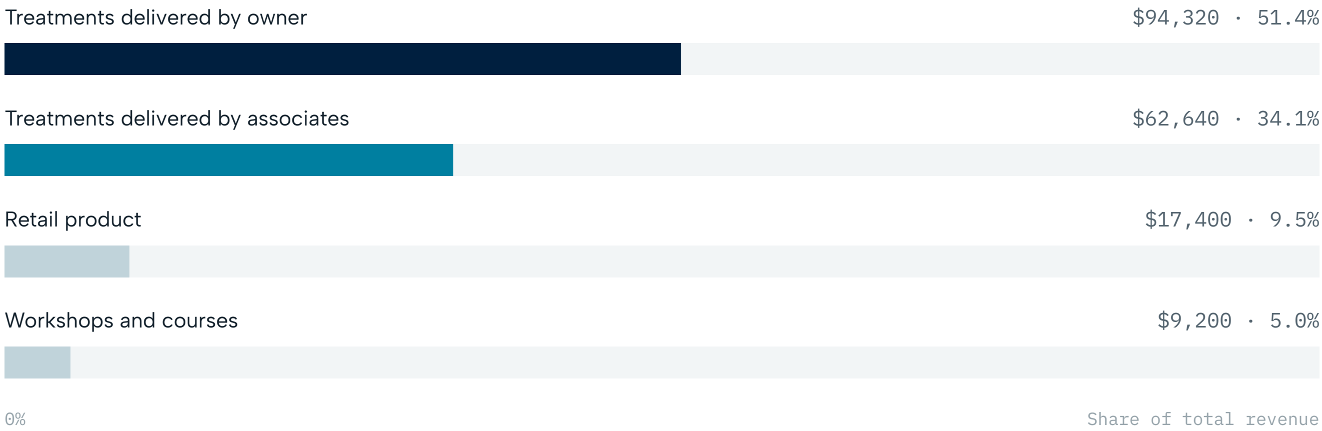
### The cost structure is not the problem

Rent at 20.9% of revenue is high but defensible for a three-room studio in a good location. Marketing at 2.9% is low rather than excessive. There is no obvious waste in the operating costs, and no meaningful saving available by cutting them. *This is a revenue and pricing problem, not a cost problem* — which is fortunate, because cost problems are far harder to fix.

# Revenue Model

> Where the money comes from, and how much of it depends on one person.

## Revenue by source and by deliverer




Sixty percent of treatments, and 51.4% of all revenue, is delivered personally by the owner. Associate therapists carry 40% of volume but return only 50% of their revenue to the business, so their contribution to gross profit is proportionally smaller again.

## Client concentration

| SEGMENT | CLIENTS | TREATMENT REVENUE | SHARE |
|---|---|---|---|
| Top 20 clients | 20 | 48,658 | 31.0% |
| Next 80 clients | 80 | 61,214 | 39.0% |
| Remaining active clients | 412 | 47,088 | 30.0% |
| **Total active clients** | **512** | **156,960** | **100.0%** |

**Concentration Risk**

Eighteen of the twenty largest clients book exclusively with the owner. That is 31% of treatment revenue attached to one individual's availability, health, and continued willingness to deliver. There is no succession, no documented handover protocol, and no evidence that these clients have ever been introduced to an associate. If the owner were unavailable for eight weeks, the modelled revenue loss is $28,000–34,000, with an unknown proportion permanently lost to competitors.

### The dormant asset nobody is using

The booking system holds 1,904 client records. 512 are active in the last twelve months. The remaining 1,392 have not booked in over a year and *have never received a single marketing communication* — no email list exists, and the system's built-in campaign tool has never been activated. At even a 4% reactivation rate at current pricing, that dormant base represents roughly $8,000 of recoverable revenue at near-zero cost.

Section 05

# Pricing

> The single fastest lever available, and the one most likely to be resisted.

## Position against market

| SERVICE | CASA SERENA | LOCAL RANGE | GAP TO MIDPOINT |
|---|---|---|---|
| 60-minute therapeutic massage | 72 | 78 – 95 | −14.5% |
| 90-minute therapeutic massage | 98 | 110 – 140 | −21.6% |
| Facial treatment, 60 minutes | 68 | 75 – 98 | −21.4% |
| Package of six treatments | 385 | 420 – 510 | −17.2% |

*Advertised rates from eleven studios within 6km. Casa Serena rates unchanged since opening four years ago.*

Rates have been held flat since launch. Over the same four years, the studio's own cost base rose 17.4% — rent, wages, consumables and utilities combined. Holding price constant through that is not a competitive strategy; it is a margin transfer from the business to the client.

Modelled Scenario

## Average rate to $82, phased over two quarters

A move to $82 restores the 2022 real price and leaves Casa Serena below the local midpoint — deliberately, since a below-midpoint position is defensible and a top-of-market position is not yet earned.

| ASSUMPTION | VALUE |
|---|---|
| New average treatment rate | 82 |
| Modelled client attrition | 6.0% |
| Resulting treatment volume | 2,049 |
| Treatment revenue | 168,018 |
| Less: increased associate payouts | (2,218) |
| Add: reduced consumables on lower volume | 373 |
| **Net contribution gain** | **9,213** |

At 6% attrition the change is clearly positive. Break-even attrition — the point at which the increase gains nothing — is **13.4%**. Given that the new rate remains below every comparable studio in the area, attrition above 13% would be an unusual outcome, though not an impossible one.

### Why this will feel harder than it is

Owners in personal-service businesses consistently overestimate price sensitivity among their own clients, because the clients most likely to complain are the most vocal and the least valuable. In this case the top 100 clients — 70% of revenue — have booked an average of 9.2 times in twelve months. That is loyalty to a practitioner, not to a price point. The realistic risk sits in the long tail of infrequent bookers, which is where 6% attrition would be absorbed.

Section 06

# Capacity & Utilisation

> Rent is paid on 8,280 room-hours a year. 2,507 are used.

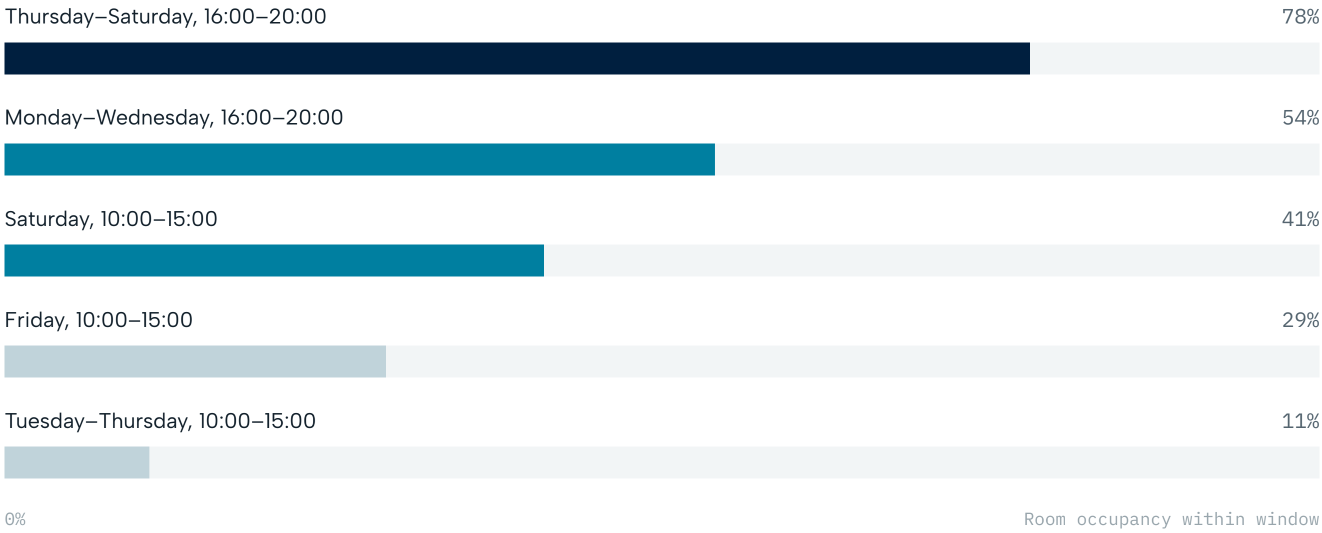
**8,280**
Available room-hours per year

**2,507**
Room-hours actually used

**30.3%**
Overall utilisation

**$26,760**
Rent attributable to idle capacity

## Utilisation by window



Largest Single Opportunity

## The Tuesday–Thursday daytime window

Forty-five room-hours are available in this window each week. Five are used. Over 46 operating weeks that is **1,840 idle room-hours** in one window alone — floor space that is already rented, heated, insured and staffed.

| ASSUMPTION | VALUE |
|---|---|
| Idle room-hours in window, per year | 1,840 |
| Target fill rate | 25% |
| Treatments added at off-peak rate of $60 | 400 |
| Additional revenue | 24,000 |
| Less: associate payouts at 50% | (12,000) |
| Less: consumables | (1,140) |
| **Net contribution gain** | **10,860** |

Critically, this uses *no additional owner hours and no additional fixed cost*. The rent, utilities and reception cover are already being paid during this window whether or not a treatment happens in it.

A caution on discounting

An off-peak rate of $60 against a standard rate of $82 is a 27% discount, and discounts leak. If existing peak clients migrate to the cheaper window, the gain reverses. The off-peak rate must be structurally fenced — a separate named offering, restricted booking window, no bookable within 48 hours, and not promoted to the existing active client base. The target market is people who cannot currently attend at all: shift workers, retired clients, parents in school hours, and remote workers.

Section 07

# Positioning & Market Fit

> The studio's reputation is stronger than its stated proposition — which means it is winning despite its positioning rather than because of it.

## What the market sees

Casa Serena's public description positions it as a wellness studio offering massage, facials and workshops. That description is accurate and entirely undifferentiated: nine of the eleven comparable studios within 6km describe themselves in materially the same terms.

What the client base actually reveals is quite different. Analysis of booking patterns and intake notes shows a pronounced concentration in **post-injury and chronic pain management** — 46% of active clients booked initially for a specific physical complaint, and those clients rebook at 3.4× the rate of general-relaxation clients. This is the studio's real market, and nothing in its outward positioning says so.

| CLIENT TYPE | SHARE OF ACTIVE CLIENTS | AVG BOOKINGS / YEAR | AVG ANNUAL VALUE |
|---|---|---|---|
| Post-injury / chronic pain | 46% | 9.8 | 706 |
| Stress and general wellbeing | 37% | 2.9 | 209 |
| Occasional / gift bookings | 17% | 1.4 | 101 |

Finding

### The highest-value segment is being acquired by accident

Pain-management clients are worth 3.4× a wellbeing client annually, yet no marketing, no service page, no referral relationship and no pricing structure is directed at them. They arrive through word of mouth alone. Meanwhile marketing spend is directed at general relaxation messaging aimed at the lowest-value segment.

This is the clearest strategic misalignment in the business, and it costs nothing to correct. It requires a change of language, not a change of service — the studio is already delivering exactly what this segment wants.

### The referral channel that does not exist

Four physiotherapy practices and two sports clinics operate within 3km. None has a referral relationship with Casa Serena. Given that nearly half the existing client base arrives with precisely the complaints these practices treat and hand off, this is an unworked channel directly adjacent to the studio's strongest segment.

Section 08

# Systems & Operations

> The studio runs well. It runs well because one person holds it together, which is a different thing.

## Dependency map

| FUNCTION | CURRENTLY HELD BY | DOCUMENTED | RISK |
|---|---|---|---|
| Treatment delivery — 60% of volume | Owner | N/A | High |
| Client relationships — top 20 | Owner | No | High |
| Associate recruitment and standards | Owner | No | High |
| Pricing and promotions | Owner | No | Medium |
| Stock ordering | Owner | No | Medium |
| Bookings and reception | Reception staff | Partial | Low |
| Bookkeeping | External accountant | Yes | Low |
| Cleaning and laundry | Contracted | Yes | Low |

Governance Gap

Associate therapist arrangements are verbal. There is no written agreement covering revenue share, client ownership, notice periods, insurance responsibility, or restraint on soliciting clients after departure. Two associates currently deliver 40% of treatment volume and have direct relationships with 180 active clients. In the event of a departure there is no contractual position at all. This should be corrected before any other operational change, because every subsequent improvement increases what is at stake.

### What is working

Booking software is well configured, reception cover is reliable, treatment quality is consistent across practitioners on the evidence of rebooking rates, and the physical space is well maintained. None of these need attention. *The operational problem is concentration, not competence.*

Section 09

# The Primary Constraint

> Every business has several problems and one constraint. Fixing problems that are not the constraint produces effort without movement.

The Constraint

**Revenue growth requires owner hours, and owner hours are exhausted.**

The owner delivers 60% of treatments, holds 18 of the 20 largest client relationships, and performs all management. She works an estimated 2,197 hours a year across both roles. There is no meaningful headroom. Consequently every growth idea that increases treatment demand runs into the same wall — the studio cannot serve more without the owner working hours that do not exist, and cannot hand delivery to associates without risking the relationships that generate the revenue.

## Why the other issues are downstream of it

| ISSUE | RELATIONSHIP TO THE CONSTRAINT |
|---|---|
| Underpricing | Partly caused by it — a fully booked owner sees no empty diary and therefore no signal that price could rise. |
| Idle off-peak capacity | Unaddressed because filling it needs marketing and associate management, both of which require owner hours. |
| Dormant client base never contacted | Same cause. The task has no owner because the owner has no time. |
| Positioning misalignment | Same cause. Repositioning is a project; projects need hours. |
| Undocumented associate agreements | Same cause, and the most dangerous instance of it. |

The pattern is consistent: this is not a business with five separate problems. It is a business with one constraint expressing itself in five places. That is good news — *a single well-chosen intervention moves all of them.*

The Intervention

## Reduce owner treatment volume by 220 treatments, and spend the recovered hours on the four projects that need them.

Moving 220 treatments to associates costs $9,020 in additional payouts and recovers approximately 253 owner hours. Those hours fund the pricing transition, the off-peak programme, the dormant-base reactivation and the positioning change — which together generate $25,973 of additional contribution. The hours are not saved; they are reinvested at a return of roughly 2.9 to 1.

This will be the hardest recommendation in the report to accept, because it means personally treating fewer of the clients who chose you. It is also the only one that unlocks the others.

Section 10

# Prioritised Actions

> Ordered by dependency, not by size. Each item assumes the ones above it are underway.

| # | ACTION | IMPACT | EFFORT | WINDOW |
|---|---|---|---|---|
| 01 | **Document the associate agreements**<br>Written terms covering revenue share, client ownership, notice, insurance and non-solicitation. Nothing else should begin until this exists, because every subsequent action increases the value of what is currently unprotected. | Protective | Low | Weeks 1–2 |
| 02 | **Begin the handover of 220 treatments**<br>Phased across two quarters, starting with newest clients and general-wellbeing bookings rather than the top 20. Introduce associates in-session before transferring. Recovers roughly 253 owner hours. | Unlocks all | High | Weeks 2–26 |
| 03 | **Phase the price move to $82**<br>Half the increase at the start of the next quarter, half at the following one. Notify existing clients four weeks ahead. Honour existing prepaid packages at old rates. | +$9,213 | Low | Weeks 4–30 |
| 04 | **Launch the fenced off-peak offering**<br>Tuesday–Thursday daytime only, separately named, associate-delivered, $60, no booking within 48 hours, not marketed to the active base. Target shift workers, retired clients, parents in school hours. | +$10,860 | Medium | Weeks 8–20 |
| 05 | **Reposition around pain management**<br>Rewrite public description, add a dedicated service page, redirect marketing spend from relaxation messaging to the pain-management segment. Open referral conversations with the four physiotherapy practices and two sports clinics within 3km. | Structural | Medium | Weeks 10–24 |
| 06 | **Reactivate the dormant base**<br>Activate the booking system's campaign tool. Contact the 1,392 dormant records with a single well-written re-engagement sequence directed at the off-peak offering. | +~$8,000 | Low | Weeks 12–16 |

| | | | | |
|---|---|---|---|---|
| 07 | **Lift retail attach rate to 25%**<br>Structured recommendation at end of treatment, stocked at point of exit, associates trained and incentivised. Renegotiate supplier terms toward a 50% gross margin. | +$5,900 | Medium | Weeks 16–36 |

**What is deliberately not on this list**

Extending opening hours, taking a fourth room, adding new treatment types, and building a new website all appeared in the intake conversation as candidate ideas. None of them is recommended now. Each requires owner hours or capital, and each increases demand on a business whose constraint is delivery capacity rather than demand. They become sensible in year two, once delivery has been separated from ownership — not before.

Section 11

# Modelled Outcome

> Twelve months forward, assuming actions 01–05 are executed and 06–07 are underway. No new premises, no new capital, no additional owner hours.

| MOVEMENT | CONTRIBUTION |
|---|---|
| Price move to $82, net of 6% modelled attrition | 9,213 |
| Off-peak programme at 25% fill of the Tue–Thu daytime window | 10,860 |
| Retail attach rate to 25% at improved margin | 5,900 |
| Less: additional associate payouts on 220 transferred treatments | (9,020) |
| **Net improvement** | **16,953** |

| POSITION | TODAY | MODELLED | CHANGE |
|---|---|---|---|
| Net profit before owner's drawings | 42,200 | 59,153 | +40.2% |
| Owner treatments delivered | 1,310 | 1,010 | -22.9% |
| True cost of owner labour | 62,340 | 56,590 | -9.2% |
| **Restated result after owner labour** | **(20,140)** | **2,563** | **+22,703** |

The Twelve-Month Position

### From a real deficit of $20,140 to genuine profit — while the owner works 253 fewer delivery hours.

The modelled surplus of $2,563 is small, and it should be. This is the first year in which the business pays for itself honestly rather than being subsidised by unpaid owner labour. That is the correct milestone for year one. Year two compounds from a sound base: the pricing move annualises fully, off-peak fill rises past 25% once established, and the pain-management repositioning begins to feed a referral channel that currently produces nothing.

### What would make this fail

- **Attrition above 13.4%** on the price move — monitor monthly rebooking rates for the first two quarters and pause the second phase if attrition exceeds 9%.

- **Off-peak cannibalisation** — if more than 15% of off-peak bookings come from existing active clients, the fencing has failed and the rate should be withdrawn.
- **Handover resistance** — the transfer of 220 treatments is the point of highest risk. If top-20 clients are moved before newer ones, relationship loss is likely.
- **Reinvesting the recovered hours into delivery** — the recovered 253 hours only produce a return if spent on the four projects. Spent on more treatments, the entire model collapses back to its starting position.

## Recommended next step

Actions 01 and 03 are self-contained and can be executed without further support. Action 02 — the handover — is the one most businesses attempt and abandon, because it is emotionally difficult and there is no obvious sequence. If support is wanted, that is where it is worth having.

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Reminder

Casa Serena Wellness Studio does not exist. This report was written to demonstrate the structure, depth and tone of a Business Diagnostic. Every figure is invented and internally consistent for illustration only. Real diagnostics are confidential and are never published, shared or used as marketing material.