

# 7 BIGGEST MISTAKES SALON OWNERS MAKE WHEN SELLING THEIR SALON

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**SALON Sales**  
BENCHMARK



## READY TO SELL?

The information below is vital if you want to successfully sell your salon. Doing all of the things we mention here will prepare you for a smooth transition and a stress free exit from your salon. Don't miss a word!

### MISTAKE NUMBER ONE - NOT BEING PREPARED

Not being prepared ... it is said that good luck is when preparation meets opportunity and when selling your salon this is so true. We often see buyers come along looking to buy a salon only to find that the seller has not completed the few items that are so important to making that crucial business decision to buy now!

There are a number of items that you will need to prepare to make sure that you are ready to sell and until you have all these items you should keep your business OFF the market. Listed below are the things you will need ... (if your business has not been in operation long then we can still sell your salon but the price will not be as attractive.)

- Profit and Loss Financials for the last 2 financial years and current year to end of last quarter
- Balance Sheet for the last 2 financial years and current year to end of last quarter
- Tax Returns for the last 2 financial years
- Computer Reports from your Point of Sale system (Shortcuts, Hairware, Gumnuts, Salon Potential etc) we have a select list for each system to highlight the best of your business.
- Plant and Equipment list detailing all the items that are included in the sale. This needs to be detailed but not too detailed eg 100 per rods etc

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- Employee Details List outlining the names, position, pay rates commencement dates and Status of Employment e.g. full time/casual etc.
- Copy of the signed lease including any amendments if you bought the salon off some one else and there was a lease assigned to you.
- Copy of any rental agreement/leases on computers, security systems, furniture, coffee machines etc that will need to be transferred over to the new owner.
- Depreciation Schedule last financial year is a list of the plant and equipment and the value that each item has right now (normally is included in your tax returns).
- List of Suppliers and contact details for the new owner, this includes, Electricity, Product, Website, Phone etc.
- Current Rent Receipt that details the exact rent payable at the moment of listing the business for sale.
- Pictures of the salon, they don't need to be world class, iPhone or digital camera quality is fine.

If you are able to get all this information together you will have a much better chance of getting you salon sold quickly. So BE PREPARED!



Keep reading to make sure you get the maximum dollars for your salon.

## SUPER TIP



### Sellers Checklist

When you purchase the Secrets of Buying and Selling DVD you will receive the Sellers (and Buyers) checklists. A great no fuss tool for owners so nothing gets missed.

Also in the video you will learn all the terminology you need to negotiate like a real pro. Iain will take you through all the ins and outs of getting the deal done and what you can expect when selling your salon.

Available for only \$99.95 you will get information that will save you literally thousands of dollars.

So if you are ready to sell order yours today before they run out.

Click through on the link below to order yours now and start saving today before any more costly mistakes are made.

[YES! I want to make thousands on the sale of my salon. Get me that DVD today!](#)

## MISTAKE NUMBER TWO - LETTING THE STAFF FIND OUT YOU'RE SELLING

The key to selling your salon is to keep it under strict confidentiality and not tell anyone - even your kids! You have spent years getting your business to a sale-able point and have invested a lot of money and hard work into the salon to hopefully realize the best price possible.

You now have your staff loyal to you and they have built a good client base that makes you great money. So don't throw it all away because of one big mistake ... telling the staff you are getting out!

It is advisable to use a salon industry based broker that has been in your position.... Yes of course this means Us! Too many times we see owners and Brokers and Real Estate Agents put your photos up on the internet, mention the salon name and exact address in your sales advertising, even get you to prepare the staff! ... Don't let this happen to you ...

Case in Point ... A lady on the Gold Coast last year got a broker (NOT US) to have a crack at selling her salon ... it was listed at over \$650K (which it would never sell at - Biggest Sales Mistake Number 3) ... The salon was listed with the business name and photos, staff saw this and 5 immediately resigned taking clients with them, the business went from a turnover of in excess of \$20K per week to immediately half that within a month ... her business was in tatters and a year later she went broke as she could not pay the rent ... THIS ONE LITTLE MISTAKE DID NOT JUST COST HER THE BUSINESS BUT SHE LOST HER HOUSE AS WELL! ... BANKRUPT!

So please don't tell your staff ... We always have to tell your staff at some point but this is carefully planned for when the salon is in an unconditional stage at settlement, which is often only a day or two before handover. We call it the bandaid effect ... rip it off quickly and the hurt is much less. Staff often don't leave if the transition is done like this as they have not been worried about their employment and whether they have a job. In our experience we know that staff tend to give the new owners a trial ... just like you are also trialing them. Over the first few weeks of ownership you should always have additional staff in waiting in case you come across a poison pill that does not fit your future plans ...

in a salon your most valuable assets are your staff and we know that by telling your staff the salon is for sale they will jump faster than rats on a sinking ship!

**DON'T DO IT!**

During this transition we will always guide you on what to say so this meeting goes smoothly. We have done it hundreds of times and have it down to a fine art.

**“ So keep your head on your shoulders and price your salon realistically or keep it and build it up so it is worth what you want to sell it for.”**

## **MISTAKE NUMBER THREE - SETTING THE PRICE**

It is always a fact of life that sellers want the best price for their salon, and we will 100% support this, however on the flip side buyers often want the best salon for the cheapest or fairest price. This scenario often finds sellers going with Brokers that have no idea about the value of salons or what the market will pay; only because in their mind they think they are going to cash in big time because the inexperienced broker says they will get their outrageous listing price.

The number one question right now is to ask yourself honestly: What would you pay for your business right now if you were a buyer? We guarantee that it will be considerably lower than what you actually want! In reality we know within a few thousand dollars what salons will sell for and we have the smallest variance from a salon listing price to sale price than any other brokerage firm across Australia. You will find that we sell more salons than any other company and through doing this we are able to establish the benchmark on what the market will pay for your salon.

Over the last few years the sales prices of salons have reduced dramatically as tough business conditions have led to many salons making less money. When you couple this with near impossible finance lending you have a massive reduction in sale prices for salons across the country as many businesses are struggling and banks don't want to lend money to the buyer in what they consider a high risk business.

Be realistic with your sale price. The best rule of thumb is that prices are usually set off the net profit of your business (this is the money left over after all expenses). We also take into consideration the owners wage and some other expense items that can be added back into the net profit.

If your business is not making money and you don't take too much of a wage (on the books) then you have very little to sell ... Your business is still sale-able but don't put a sale price on it that is too high. Be realistic and then you will often get it sold ... If your business is making money and works great then we have lots of investors and buyers that want to buy your salon for good money.

However nothing is worse than having a business sit for sale for over 12 months because the owner thinks that someone is going to come along and pay cash and/or above the market price for their business, especially when it is not making anywhere near what it should be to justify the price ... maybe back pre GFC ... but in today's new business environment it is just never going to happen. Also by having your salon for sale for so long allows 'leaks' to appear and this can lead to a breach of confidentiality. (Biggest Sales Mistake Number 2)

## MISTAKE NUMBER FOUR - NO SOLID LEASE

Buyers look for a lease that will allow them to make back their money and obviously make more money in the future. There are many things you must check with your lease before you decide to sell ...

Firstly, make sure your lease is up to date and you have informed your landlord that you are selling. Get a current copy of the lease and any amended documents (deed of assignment from last owner to you or option letters that you have signed on taking up further options) ... Make sure right now that you are paying the right rent and have had all the reviews of your lease completed. You will need to make sure that all these copies have been signed by both you and the landlord, meaning they are real and have been executed. If you are missing any of these items then you must get this sorted before you sell as it can delay settlement excessively and can result in your contract falling over which will rip your heart out and cost you money for no result!

If you are coming to the end of your lease (less than 18 months left), you must contact your landlord and see if there is any chance of getting additional options for yourself or a new owner. Get this in writing where possible. If you can't get an option, it may impact on your sale price as buyers are a bit scared by a landlord that will not extend the lease. If you are in a shopping centre don't worry as these giants rarely give options and it is just something you need to deal with.

It is important to get a current rent receipt from the landlord or the managing agent and also ask for an outgoings receipt for the last 6 months to prove to the buyer what the rent is now.

If you don't have a lease or it is just about to end ... what should you do? New lease or assignment? Which one is better? An assignment is where the lease gets transferred from the seller to the buyer and traditionally all terms and conditions remain the same. This is the cheaper and easier option. Alternatively you can negotiate a new lease. The benefits of doing this are that you can negotiate the terms and conditions that you want and maybe even a rent decrease if conditions are right. Solicitor's fees are more expensive on this option but it can add value to the business. If you only had a year left on a lease and you are selling, you would either want to get an assignment of that lease with additional year options added or simply get a new one drafted. An assignment is often to the cost of the seller whereas a new lease will often be charged to the buyer.



**When you own a salon most people will have a lease in place that secures their position for a period of time. Leases are important and without one you often have nothing to sell. So make sure your lease is current.**

There are some cheaper options when it comes to leasing; in certain circumstances and in various states you will be able to simplify the leasing process with a Commercial Tenancy Agreement. This is a brief document that outlines all of the things required by the landlord and the tenant but is a simplified version of a lease, allowing all parties to keep their expenses down. The disadvantage is that it doesn't provide the same level of protection for either party. But if the terms are simple and if you are comfortable with this it can be a good option.

Leasing can be a very daunting part of business ownership and it is common to feel apprehensive about signing something that has such long lasting consequences. But leases are a valuable asset and if you can negotiate a good one you will add value to your business. So do your research, ask for a few different opinions and always, always get a lease looked over by a solicitor before you sign. Don't be afraid to ask for clarification on all of the points you don't understand.

## **MISTAKE NUMBER FIVE - TAKING CASH**

Ah yes, we know, nobody takes cash ...But just to make a point, just in case, know this: if you want to realize the best price for your business then you must put all the money through on your books

We regularly talk with salon owners that say they are making \$\$\$\$ on the books; but when we look at the figures they are actually taking \$\$\$\$ under the table in CASH! This may be fine and dandy but when it comes to the sale of your salon it is impossible to prove how much money you are taking in cash and therefore this can not be factored into the sale price of the business. You can't have your cake and eat it too!

We find that it normally does not make a big difference anyway in the sale price of the salon as most clients these days pay with card so this limits the amount of cash that filters through your salon. However if you are taking more than \$500 per week in cash then we recommend that you stop doing this over the next 6-12 months and run all money through your books.

## **SUPER TIP**



### **Let the Buyer know what's coming:**

Outgoings: rubbish collection, water, ambulance levy, electricity, promotions funds; your base rent can be low but add on the outgoing and that gives you the real picture of what the occupancy costs really are.

Often in shopping centres outgoing can be quite large. It is advisable that you get a detailed summary of the outgoing in case your buyer asks to see them. This can be done by obtaining a current rent receipt from the landlord, outlining the outgoing payable.

This will then show the potential buyer what your business is really doing ... We will then value your business on these accurate financials.

You may argue that \$500 per week for 12 months equals \$25K ... Are you going to make that up in a sale price in the current market? Maybe-maybe not ... The decision to put cash though to get a better sale price or keep it under your pillow is entirely up to you.

Please note we definitely do not approve of taking cash out of your business but we understand it is the reality of what happens in a cash business. So tread your own path and make the decision knowing that we cannot include this X factor into your salon's listing price. It will also not be mentioned to a buyer.



## **MISTAKE NUMBER SIX - KEY STAFF HOLDING UP THE BUSINESS**

In most salons there are key staff that run the business. It could be you as the owner, a manager or one senior that brings in most of the income. One of the biggest mistakes is having all your eggs in one basket and then having that one person leave just as you are gearing up to sell ... which in turn takes you back to square one ...

If you are the business that is fine, as the new buyer will come in and take over your clientele; they can protect against you taking clientele through a restriction of trade that cannot be broken. However if there is one staff member that is key to the operation of the business then this can be risky for the new owner and can impact on the sale price of your business.

In some salons the clients will follow the staff everywhere they work because they do a great haircut or a brilliant massage. This will always be the case in our industry and this is why in the pricing of salons we factor in the possibility of client loss because of the sale or a team member leaving. However on the flip side new staff often come with clientele so everything balances out.

The point is, when you come to sell, make sure for the last few months/years you spread the work across as many staff as possible and try and get your clients to be happy with a couple of your team members doing their services, not just one. Of course it is ok to have some key seniors or managers bringing in most of the money ... just don't have one producing all of it.

## MISTAKE NUMBER SEVEN - POOR NEGOTIATION SKILLS

You are good at cutting hair or doing a fantastic facial, but being a top negotiator is an entirely different kettle of fish.

When we first started selling salons many moons ago we were pretty average at getting businesses sold ... We know we missed some opportunities, however after mastering the complex game of salon sales over many years we now know with confidence that if there is a deal on the table we will get it done.

Not using a professional will cost you money right from the word go: When you use the wrong advertising medium, saying the wrong thing at an inspection or have a staff member that finds out your salon is for sale and tells the rest of the team which leaves you with no staff and no business! When you make errors on lease negotiation costing you valuable worth, getting emotionally involved in the negotiations, the extra time it takes to get the deal done and get you out of the business...so many ways.

Of course we are happy for you to give it a go to save a few bucks but if you want it done right the first time then you should only get Benchmark Salon Sales to do it for you. You would never think of wiring up the electricity in your house as the consequences of that are quite obvious. The consequences of doing a deal yourself can also be quite serious. It is important to have professionals on board to avoid liabilities and losses that could send you bankrupt.

We know that real estate agents and non industry specific brokers have very limited experience with salon sales and often are only interested in getting a marketing or listing fee cheque off you so they can meet their weekly targets. They are rarely interested in actually selling your salon and that is why we are 100% fee free ... we only get paid if we get the deal done for you and the money is in your bank account!



### NOW YOU KNOW THEM DON'T MAKE THEM!

We are the biggest and the best and get more salons sold than any other company in the country. AWARDED THE AUSTRALIAN BUSINESS BROKER OF THE YEAR across ALL industries! So get on the phone now and have our salon specific sales team give you a free market price appraisal on how much your salon will sell for right now.

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