

# ARE YOU READY TO SELL YOUR SALON?

Everything I wish I'd known BEFORE I wasted time  
and money trying to sell my Salon & how I succeeded



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Are You Ready to Sell Your Salon?

# Are You Ready to Sell Your Salon?

Everything I wish I'd known  
BEFORE I wasted time and money  
trying to sell my salon...  
and how I finally succeeded!

BY

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## Introduction

# My Gift to You: Lessons That Took Me Five Years, Wasted Over \$10,000, and Stressed Me to the Max!

There are two primary ways to learn tough lessons:-

1. Your own experience
2. Others' experience

I learned the lessons in this book the hard way... through my own experience. I'd like to offer you the opportunity to learn the easy way and to save yourself time, money, stress, and all the associated problems that go along with those three expenditures. As far as I'm concerned, this book is an extremely profitable investment in your health, sanity, relationships, and bank account. It may be the biggest bargain you buy all year.

As I talked to people about the process of selling one of my salons, several friends and colleagues in the industry said to me, "Kylie-Ann, you've got to write this down for us so we can use the secrets you discovered and avoid the mistakes you made." So that's how this book came about.

The premise of this book is that you don't know what you don't know... and what you don't know can absolutely jump out and bite you! There's a lot more to selling your salon than you might think, and if you want to maximise the money you receive for your salon and minimise your frustration when trying to sell it, you need to read this book carefully.

Before we get into the nitty-gritty of what to do and how to do it which is the focus of this book, I'd like to tell you a bit of my story... just so you understand where I'm coming from, and why what I say can transform your experience and ensure you don't repeat my mistakes.

### **My First Salon Business**

Like many hair and beauty therapists it wasn't long after I qualified that I bought my first beauty salon. I was frustrated working for others and

extremely critical of their operating methods, stock levels, and many other aspects of the business (which I didn't fully understand), and I also couldn't believe how little they paid me when I saw how much they charged clients.

It was 1996 and I had recently moved to Melbourne from Adelaide. I found a salon in Brunswick whose owner wanted to move to Perth and live near her family and was able to purchase the lease, equipment, and clientele quite affordably. She was grateful to get out of the salon. I was glad not to have to build my business from scratch.

I quickly learned that while I knew a great deal about skin and beauty therapy, there were a lot of things I didn't know about running a business, so I set out to learn them. In the meantime, I built my business up, invested in equipment and product, and also hired some additional staff. The salon was profitable and then I started a second salon in Preston, about 10 minutes drive away.

When the lease at the Brunswick location came up for renewal the real estate agent told me that the owner wanted to dramatically increase the rent and also expected me to carry out expensive renovations on the ceiling of the building. I said, "No, thank you," and was able to move my clients and staff over to the Preston salon which was thriving (and which had a far more advantageous lease - we'll talk about the importance of this later). So, I effectively closed the Brunswick salon and used my extra time, equipment, and energy to set up a new salon in Highett which was closer to where I was living.

### **Times Change... and the Salon Business Has Changed Too**

Back in 1996 the salon industry was different and most of the people who bought salons were hair dressers or beauty therapists like me (or their parents purchasing it on their behalf). We were really buying ourselves a job as much as anything. That was great for people who wanted to sell their salon and it was relatively easy to create a win-win outcome. Nowadays, prospective buyers are just as likely to be investors who have no background or specific interest in the industry. Many of the people who enquired or negotiated with me about my salon were overseas buyers who didn't really care what business they bought. The aspects they cared about were its profitability, key-turn readiness, and minimal staff-turnover - each of which we will discuss in detail later.

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There have always been lower-priced and higher-priced salon options, but back in the '90s and early 2000s you weren't competing with the range of nail bars, brow bars, waxing salons, and even doctors who engaged in skin care. What this means for salon owners today is that a successful salon requires substantial investment in training (to stay on the cutting edge of technology and product and to know **why** you recommend the products and treatments you do) and equipment (so you can deliver amazing results for your clients). Every branch of salon industry faces similar competition and it's important to recognise this and factor it into your business model so you can sell it easily when the time comes.

### Is Your Salon Built to Sell?

Now is the time to start thinking about what you want to do with your salon when the day comes for you to get out. It doesn't matter if you're just starting out, have already built a thriving business you love, or anywhere in between. In my experience the day will come for most salon owners when you are ready to get out and the younger you were when you bought your salon, the sooner the time will for you to move on to the next chapter of your life.

Maybe you want to stop working and start a family...

Maybe you want to move out of the beauty industry into something else...

Maybe you want to travel...

Whatever the reason, if you want to move on you have just four options: -

1. Close your salon, sell your equipment and get nothing for your years of business-building;
2. Continue to work in your salon and put up with the tedium until you retire;
3. Employ a full-time manager, train her to run everything, and hope they keep things running while you supervise from a distance; or
4. Sell your salon for a price that makes both you and your purchaser happy and move forward.

These days a lot of salon owners end up taking option #1, #2, or #3 because they don't know the things I learned while trying to sell my own salon. In fact, I know a lot of salon owners who tried option #3 and finally went with option #1 or #2... the hassles of training and handling a manager are often too

big! My own determination to solve this problem was actually one of the reasons that lead me into my current coaching business because I recognised what a difference such training made to my own salons.

In my case, I decided that I wanted to sell my Preston salon when I was pregnant in 2011. I figured I had eight months to finalise the sale, and worked out the price I expected with my business broker based on 4x turnover. I was truly shocked when the months passed with no enquiries at all! In hindsight, I picked the wrong broker (that's why there's a whole chapter on choosing your broker), had unrealistic expectations, and just didn't understand how the industry had changed over the past few years when it came to selling your salon.

I spent the next 5 years managing one salon in Preston, another in Highett, and resenting all the time I spent in the car, on the phone, dealing with emails, marketing, orders etc. because it took away from the precious time I had with my son.

Really, when you're done owning your salon, you're done. You don't want to help someone else manage a salon that no longer holds your interest, it's too much work! And you don't want to waste five years trying to selling it like I did! At the same time, you don't want to 'give' your salon away at a bargain basement price.

In fact, once I got my process right, I sold my salon for a great price in just three months...

...if only I'd known then, what I know now!

### **What Happens Next?**

Many salon owners decide they want to sell their salon and move on. However, it's not until their salon is actually sold that they realise they haven't thought about what they are moving towards. I believe that it's just as important to think about what you are going to do next as it is to make sure that your salon is ready to attract a great purchaser.

I already knew what I wanted to do next... at first it was simply to have more time to spend with my family and not have to rush off so often. Soon I realised that my real passion was coaching and mentoring people including my staff and other salon owners. It wasn't just a question of helping them

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learn techniques so they could do their job better, it was helping them overcome their fears about the future (with or without a salon), develop better communication skills, build a realistic picture of themselves, and overcome limitations of belief so that they could grow into the kind of person they really wanted to be and do the things they really wanted to do. During this time, I learned a lot about myself and even more about how to change limiting beliefs and habits.

As my passion for coaching and training grew, the clients I coached became more diverse including: -

- Salon owners who wanted to make the mindset changes needed to build the business they want;
- Salon Managers who had difficulty keeping and developing their staff;
- Salon teams who needed to overcome their fear of selling so that their clients could achieve better results;
- Elite athletes who knew they'd hit a wall in their performance and wanted to move forwards;
- Business owners in a range of industries whose business had hit a plateau, or who had lost their drive;
- Parents who were struggling to raise resilient children in a system that isn't helping...

Different kinds of people who had one thing in common: they knew they were capable of more, but *something* was holding them back, and they wanted to identify it, release it, and move forward!

I worked with them to discover what that something was, and move on. Some of my clients had already spent a lot of time and money in different types of therapy, others were getting help tackling their road blocks for the first time, but they were all astounded by just how quickly they were able to move forward using the techniques I taught them... and so were their friends and family when they saw the transformation.

I don't need to go into much detail about my own next step, but I do want to make an important point here:-

**Even though I knew exactly what I wanted to do after my salon was sold (and was already doing it on the side) when the deal was finally done, there was an unexpected sense of emotional overwhelm!**

Once again, my own experience explained what I've seen in others who sell

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their salon (or any other business, for that matter!)... it's rather like losing your job. You can feel cut adrift, lost, emptied out. If you don't have a purpose and a plan you can end up doing what many people do when they lose their job, partner, or close friend: get lost and go wild, or fall into depression because this kind of experience can either create or reveal your inner fears, perceived limitations, and general sense of lack.

Being prepared for this and having a plan is really, really, important so that you don't stuff up the next stage of your life and make mistakes that will take you years to undo.

## CHAPTER 1:

# 8 Myths That Could Sabotage Your Salon Sale

Let's start with the bad news! Times have changed in the salon industry. I mentioned this earlier, but it's important enough to reiterate because it has a big bearing on the process of selling your salon and the price you can expect to receive.

If you are talking to someone who bought or sold a salon prior to 2010, then I strongly recommend that you do your own additional research (which is why you bought this book, anyway!). If they bought or sold their salon before 2005 then they were operating in a completely different marketplace and most of what they will tell you is irrelevant! The way salons are valued, the way buyers operate, and all the expectations you can reasonably have about the process have totally changed. I can only assume that the first broker I dealt with simply hadn't kept up with these changes in the salon business sales market.

So, before we start on what you **should** do, expect, and work towards, let's look at some common myths that could derail your process: -

### **Myth #1 - Any Business Broker Can Sell Your Salon.**

Anyone in the salon business is used to questioning claims about new products and processes that make wild promises, but for some reason we suspend our critical faculty when it comes to business brokers and assume that they can all deliver what they promise.

I did this... twice! In my first costly venture, I fell for a great sales pitch from people who seemed genuine and experienced. Even though I questioned the second broker intensively before I engaged him, due to my previous terrible experience, I still didn't know enough to make a great decision.

In the section on choosing a business broker and setting up the sale I tell you how to do effective due diligence. I also suggest that you contact me for an introduction to the broker I used who finally sold my salon, because he was

incredibly effective, easy to work with, organised, and has a great reputation.

### **Myth #2 - All Buyers Want the Same Things**

That may have been true 20 years ago when most salon buyers were hair or beauty professionals who understood the business, but it's certainly not true today. Today's buyers could just as easily be looking for a pure investment with no day-to-day responsibility at all (in which case the quality of your manager is crucial), or they may want to provide a relative (who may, or may not already be in the hair and beauty industry) with a valid immigration opportunity.

There are still industry professionals looking at purchasing your salon, but they certainly aren't the only type of buyer.

### **Myth #3 - Selling a Salon is Like Selling a House**

Nope!!! When you sell a house, your biggest challenge is choosing the agent most likely to deliver a great outcome. Once you've chosen your agent they'll run a campaign on your behalf and in six weeks or so it will all be settled including the final settlement date.

Selling a business is more like competing on Survivor than running a six-week campaign to sell a house. There are always unexpected challenges and it's difficult to anticipate exactly how long the process will take, what terms the buyer will choose to negotiate, and what the final result will be.

### **Myth #4 - If You're Tired of Running Your Own Salon, Selling it is Your Best Solution**

Selling your salon won't solve all your problems. In fact, if you're trying to sell your salon because it's driving you crazy and you aren't making a profit then initiating the sales process will just be one more stress-filled nightmare you have to face.

The reality is that if your business is not making a profit, you probably have some work to do to make it sale-ready BEFORE you put it on the market. In fact, before you sell any business you should make sure it meets the criteria in Chapter 2. If it doesn't (yet), that's the best place to start because once you have a sale-worthy business you may actually decide that being a salon owner isn't so bad after all. Even if you still want to sell your business, you'll attract higher quality buyers, be able to ask a higher price, and have the opportunity to negotiate more favourable terms.

**Myth #5 - Your Purchaser Actually Cares About How Much You Have Invested in Equipment, Training, and Decorating**

Your purchaser is interested in just ONE thing... your profit margin! They don't care how much your equipment cost or how much you invest in staff training **unless** those investments increase your bottom-line. Yes, you do need equipment to serve your customers, and your staff certainly need on-going training, but that will only increase your sale price if it also improves your profitability. The same principal applies to your decor. The purchaser may think your salon looks wonderful, but your only justification for spending a great deal of money on decorating it, is if that enables you to attract more clients or charge higher prices.

That means you need to think carefully about the business case for any equipment purchases and ask yourself whether the expensive new machines you are considering will enable you to deliver superior results and set you apart from your competition so that you can increase your prices, or whether your existing clientele and target market will refuse to pay more than they already are. If your clients want to pay beer prices, then delivering champagne is not a great business decision. At the end of the day your sale price is based on profits, not the cost of your equipment, or your gorgeous premises.

**Myth #6 - There Are No Buyers Out There. You Should Just Sell Your Equipment and Close the Business**

I got to the point where I believed that this myth might be true. Just three months later my salon was sold and the money was in my bank account!

There **are** buyers out there who are keen to purchase your salon... if you can demonstrate that it is worth the purchase price. Follow the steps in this book and you will be able to capitalise on all the hard work you have spent building your business.

**Myth #7 - You Are The Best Person to Discuss Your Business with Prospective Buyers**

It is true that, as the salon owner, you know most about your salon and the business it supports, but that doesn't mean that you are the right person to show prospects around and talk to them about the opportunity it presents.

Here are some situations in which you should get someone else to talk to prospects, or you should get some help so you don't make these fatal mistakes: -

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- You can't stop talking. Providing too much information can be a deal-breaker.
- You are totally 'over' your salon. This will show in your language and physiology and prospects will unconsciously pick up on your desperation and wonder what is wrong with the business.
- You are unclear about the opportunity and value of the business. They'll wonder what you are trying to hide.
- You are not sure if you really want to sell. Buyers don't want to risk you pulling out of the deal and they are quick to sense your unspoken hesitation.
- You are afraid that you won't get the price you're asking. Prospects will recognise this and play on your desperation to push the price down.

If any of the above are true, then you should deal with these mindset issues immediately, or ask someone else to discuss the business with prospective buyers on your behalf. I've worked with salon owners who had already unconsciously sabotaged a few promising sales at this late stage of the process. Once we dealt with their limiting decisions and emotions, and worked on some strategies for building rapport and answering objections the very next prospect went through with the sale because the owner's projections were completely transformed and her confidence in the business was clear.

Ideally you want to invest in the self-development needed so you can manage this aspect of the sale yourself. Honesty with yourself at this point is essential. I work with many salon owners who have so many competing voices shouting inside their heads that it's no wonder they are stuck, and if it isn't sabotaging their salon sale, it's undermining their salon's profitability, their personal and professional relationships, or other aspects of their life. If this is you, then I just want you to know two things:-

1. You're not alone - it's a common experience; and
2. You can deal with the underlying reasons for this in a matter of hours when you are ready. (More on that later).

But, if you don't have time or energy to deal with your own 'stuff' at present, then ask someone who understands the salon business to take care of this interview. They will be able to discuss the business from a professional standpoint as well as considering it as a business investment. You generally don't want your salon manager or business broker to show prospects around as this may turn some buyers away. This is a service that I provide for salon owners. As an industry insider, I am able to quickly master the specific facts and figures supporting your business and also to discuss your services from a

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professional standpoint. I will work with your broker to determine a desirable outcome for you and communicate that to your prospect without the emotion and pressure that you may feel.

### **Myth #8 - At the End of the Process You Will Have No Regrets**

Selling your salon is a big decision! You've invested time, money, and energy (both emotional and physical) into building a saleable business and now you're handing it over to someone else. It's natural to wonder what will happen and to second guess yourself. That is why it is so important to know **why** you are selling your salon in the first place, and what you plan to do with yourself once it's sold.

This plan for your next amazing step should be written down and it should include milestones and a timeline. That way you'll be genuinely looking forward to your future and will have a tangible reminder of your goal.

## CHAPTER 2:

### Why Are You Selling Your Salon Anyway?

This may seem like an odd question, but it's extremely relevant.

From my own experience as a salon owner, as well as the time I've spent coaching, and talking to other salon owners it's essential to know why you really want to sell your salon. Maybe you are:-

- Frustrated with your business which takes all your time and emotional energy, but isn't turning over the profit you'd like;
- Ready to move into a new field and out of the hair and beauty industry;
- Wanting to travel and see the world and feeling that your salon is tying you down;
- Pregnant or planning to start a family and not wanting the added responsibility of your salon;
- Sick of the commute;
- Irritated by on-going problems with staff including lack of reliability, accountability, quality of service, and lack of productivity and sales;
- Or... you may have other reasons including a buyer who's keen to buy and you just want to know how to negotiate the best terms of sale.

Here's an important lesson I've learned as I've coached salon owners on the business of their salon: once your salon is a sale-able entity (which it needs to be if you want to sell it profitably) many salon owners realise they want to continue running the business. Their problem was never really their ownership of a salon, it was simply the way their business was running.

#### ***Truth bomb:***

The #1 reason that you want to sell your salon might be because you aren't running a business.

You simply own your job!

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If you feel as though you have ‘tried everything and nothing works’ then that is a clear sign you have a ‘job’ rather than a ‘business’. I would suggest your first step is to hire a business coach, because you probably can’t learn and do everything you need to do to create a viable business without some help. If you think that asking for help is a sign of weakness, then get over it now! The greatest weakness (and the greatest danger to your health and bank account) is pretending you don’t have a problem! That said, it’s not your fault. I’ve been there too, and so have many of your peers.

### Think About the Standard Career Path for Salon Owners!



Then ask yourself, “When did I actually learn how to run a business?”

For most of us the answer is: Never!

Now ask yourself another question:-

“What **ONE** thing am I not doing that would make the biggest difference for my business right **NOW**?”

It's ok if you can't think of the **ONE** thing that would make the biggest difference, but have a long list of 'things you need to do'. In fact, it's a symptom of our general lack of business preparation... and it's the reason many salon owners struggle to run a profitable business.

### **New Thinking Needed!**

You're technically proficient and highly skilled. You care about your clients' problems and you make them look and feel good. You have a general idea of what to do in business. But you never actually learned how to run a profitable business or how to think like a business owner. You may not even have realised that this is important.

It's not just about whether your business is profitable, it's also about whether you have the systems, the people, the communication skills, and the market insight in place so that it can operate effectively without you. These are also the things that make all the difference when it comes to selling your business profitably.

If you recognise that this is a problem for you and that you really want to know how to run a business with systems etc., I suggest that when we talk about your salon you raise this point. In addition to my own coaching services which focus mainly on developing the mindset and communication skills that you and your team need for success, I also can refer to you coaches and implementers who will work with you to take your systems and business practices to the next level.

If you don't want to invest in coaching (although I strongly suggest that you think seriously about doing so) to help you build a saleable business, two books that are great places to start are: -

- **The E-Myth Revisited** by Michael Gerber (a classic book that helps business owner and entrepreneurs understand the difference between your technical or professional skills, and the skills needed to own a business); and
- **Built to Sell** by John Warrillow (which talks about the importance of starting your business out on the right footing so that you can either manage it or sell it when the time comes)

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In addition to honing your basic business skills and setting up effective systems, many salon owners don't have **all** the people management and communication skills they need. Let's look at various aspects of this and consider how sharpening your skills in this area could transform your profitability and reduce your stress: -

- Attracting and keeping clients - Do you and your staff consistently have rebooking rates that are above 85%?
- Retail & Product Sales - Do you and your staff maximise sales of products?
- Maximising Lifetime Client Value - Beyond simply rebooking clients do you and your staff have strategic plans to increase this value?
- Creating a Team that Delivers Results - Does your team find that clients accept their advice on products and treatment and rebook eagerly?

### **How Much Time and Energy Do You Really Want to Spend in Your Salon?**

This is one of the first questions I ask salon owners when we sit down for coaching, and it usually draws out the reason for their frustration. When you first start your salon, or take it over from someone else, it's like having a new baby. You are obsessed with decor, staff, you're exploring new ideas, and you have an inexhaustible supply of energy and enthusiasm. Even when you're not actually in the salon, you're thinking about it... and it's fun!

However, as time goes by you realise that you **can't** stop thinking about your salon... only now you're thinking about problems, ideas that haven't worked as well as you hoped, staff issues, cash flow... and you realise that you can't even take a week off because if you're not around, everything goes wrong and your profits vanish.

Before you can expect to sell your business for a decent price, you need to make sure you have a profitable, well-managed business... once you do, you may no longer want to sell because your level of frustration will be enormously reduced.

Now the other side of this is: Why do you want to **hold onto** your business?

Here's the deal: once you resolve the frustration and energy demands your business is making of you, you'll discover that part of you wants to sell the

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salon, but part of you doesn't. This is normal because it's a big decision to make, BUT... it's critical to understand what's going on in your unconscious mind because if you don't, the chances that your lack of clarity will cause you to unconsciously sabotage any sales opportunities that arise.

## CHAPTER 3:

# A Checklist: Do You Have A Saleable Business?

Your sale hinges on whether your business is truly profitable, or not. You can't get away from the relationship between the systems you have in place and the price you can ask for your business but you can save yourself an enormous amount of angst by asking these questions at the outset to determine how attractive your business will look to a prospective purchaser. Even if this means you must do some preliminary work before you are ready to approach a broker and start seriously looking for purchasers the time you spend on this exercise will pay-off quite quickly.

This is not the place to go through all the details of developing the systems and processes you need to have in place for your salon if you want to attract serious buyers.

Depending on where you are right now, these can take anything from 3 months to 3 years to implement. If your answers to these questions indicate you don't yet have all these elements in place, then that's where you should start. I discussed some of the resources you might like to use in Chapter 2, but if you're not sure how to go about turning your salon into a business, then you can email me at [info@solutioncreator.com.au](mailto:info@solutioncreator.com.au). I offer a business development coaching program specifically for salon owners which focuses on developing the mindset and communications skills required to take your business from average to successful. We can look at your checklist together and determine what steps you need to take to create a profitable and saleable business.

## Saleable Business Checklist

- ✓ I have an accountant who will set up the structures to minimise tax when the salon is sold and check my accounts thoroughly.
- ✓ I have one or more services with potential for scaling (this means it can be taught to staff as a process, it has value to clients, and clients need it regularly).
- ✓ My rebooking rate is better than 85%
- ✓ I sell consumables that my clients repurchase regularly
- ✓ I track the repurchasing of consumables so that I can remind clients
- ✓ I have a renewable subscription or membership program with guaranteed revenue
- ✓ I have proprietary systems or products that make it easier for clients to buy from me
- ✓ I have a positive cash-flow cycle (to minimise the need for a large cash operating fund)
- ✓ My business is profitable
- ✓ I have an effective sales team (sales are not dependent on my own time, skills, and energy)
- ✓ My team members enjoy selling and believe in the products and services we sell
- ✓ My team members are long-term employees and average staff employment time is over 2 years
- ✓ I am selling the highest value packages possible and focusing on my core expertise
- ✓ My manager can run the salon without my constant intervention
- ✓ I know how much post-sale involvement I want in my salon

It doesn't really matter what your answers to these questions, or the numbers are. The important thing is that you think about each of these items and understand what they mean because they define your ability to stand out in the marketplace and your business's appeal to prospective purchasers.

Once you have answers to these questions you'll quickly realise where you need to do more work: either improving the numbers or evaluating your business model and targeting your efforts, and where you are on track.

Let's look at each of these in a little more detail because these are areas that you may need to work on if you want to sell your salon easily and profitably.

### **Accountant**

Your solicitor and business broker are part of the sale process, but your accountant needs to be involved much earlier. If your existing accountant just prepares your tax returns and takes care of BAS etc. then you may need to look for someone else. Yes, you can learn this stuff yourself (and you should certainly understand it), but an engaged accountant can save you thousands of dollars both now and in the future.

A good accountant will offer advice on structuring the ownership of your salon to maximise benefits and minimise obligations both now, and at the time of sale. They should also be analysing your Profit and Loss statements and making sure that these reflect the state of your business accurately. When we look at the documentation you need to prepare and give to your broker in Chapter 5, you'll realise the difference a diligent accountant can make.

### **Services and Products**

You should have a standard process for evaluating your clients' needs and for executing every treatment that is taught as part of your staff orientation and reviewed regularly with your staff. Ideally this process is something your clients really appreciate because it makes them feel as though you care and are looking out for their specific needs.

Never assume that your clients will understand why they need to come regularly. Just because it's obvious to you and your staff doesn't mean that clients realise it too. So, your process should include reminders about additional products and treatments, as well as the timing of visits. As you consider the services and products you sell, ask yourself if these deliver the greatest perceived value to clients, and the greatest profit to yourself and think about other ways you can maximise value and minimise effort.

Simply having a standard process makes it easier to share clients between staff in case of sickness or emergency, to train new staff members, and to go away on holidays without staying in constant contact with your salon.

### **Re-booking and Re-purchasing**

It is far more expensive to attract new clients than to keep existing clients and increase their lifetime customer value. A high re-booking rate is extremely appealing to prospective buyers (and to your overall profitability) and this is an important metric to measure.

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The same is true of the consumables you sell. Ideally your clients purchase them directly from you, and you can improve your sales by helping clients to remember to re-purchase the products they need. If you develop a subscription or membership model for your services and consumables, you can substantially increase customer value and make your balance sheet look even more interesting to prospective buyers.

### **Proprietary Systems or Products**

At first sight you may think this isn't possible for salons, but if you think a little harder you can often come up with ways of making your salon's offers unique so that it is easy for clients to eagerly buy everything they need from you because that makes their lives easier, saves time, and delivers the results they want.

The more you can do this, the more attractive your salon becomes to a purchaser.

### **Positive Cash Flow**

If a purchaser needs to inject a large amount of working capital into the business they will reduce the amount they are willing to pay for the business. It's worth spending some time creating positive cash-flow, which is not as hard as it sounds, as this makes operating the business less stressful for you, and buying it an easy decision for a purchaser.

### **Profitability**

This is one of the key metrics your prospective buyer is interested in. The key number here is your Net Profit: the amount left after all your bills are paid. The amount you can reasonably expect on your salon is basically 2 x Net Profit. However, you may have claimed certain expenses (car, overseas travel, mobile phone, depreciation, superannuation, business coaching, interest on loans, etc.) which the new owner may not claim, so they can legitimately be added back into the net profit to make your business look more attractive.

Your prospective buyer will also be interested in your Earnings Before Income Tax (EBIT) figures and Return on Investment (ROI). Both these figures help prospects know how quickly they can reasonably expect to recoup the purchase price. Clearly the sooner this can be done, the more attractive an investment your salon will be. ROI is usually expressed as a percentage, so to calculate your ROI you take the EBIT figure, and divide it by the sale price of the business, then multiply it by 100.

**Example: ROI Calculation**

Earnings Before Profit (EBIT) = \$150,000

Sale Price = \$300,000

$$(\$150,000 \div \$300,000) \times 100 = 50\%$$

So, in 2 years you will have recouped your investment.

**Your Team**

Employee turnover is tremendously stressful for you, and high staff turnover is extremely off-putting for prospective purchasers so it's important to look at how long your staff stay and why they leave. High staff turnover may be the result of your hiring process or possibly the fault of your manager or yourself. In my experience, the three key factors in retaining staff are: -

1. Choosing people who have the right attitude and take pride in the service they deliver (you can train skills, but not attitude or desire to improve);
2. Developing your employees technical and communication skills (important for future success in all industries); and
3. Ensuring that you and your managers have (or are willing to develop) the communication and interpersonal skills needed to manage staff effectively.

Once you resolve these issues, staff usually stay longer and leave for personal reasons, not to work at another local salon.

You need to be extremely honest with yourself because staff turnover is a big issue for buyers, especially if they are buying your salon as an investment and are not trained in the specific services your salon offers.

**You and Your Manager**

If you are your own manager then you need to ask yourself whether you want to stay in that role after the salon is sold, and if so, for how long?

However, if you don't want to stay on at all, then you need to consider which of your key staff members are suitable and train them as your team leader or manager ASAP. Sometimes you'll look at your current staff members and

## Are You Ready to Sell Your Salon?

decide that none of them are suitable for a managerial role. If this is how you are feeling then I recommend you seek some assistance in recruiting a prospective manager because I would predict that you might have some personnel evaluation challenges. It wasn't until I completed my NLP Master Practitioner Training and learned how to elicit people's values and leadership styles that I really became effective at hiring staff who were potential managers. Once I did sort this out three great things happened:-

- 1) Staff were more engaged with my business objectives which added more value to the salon;
- 2) I discovered manager potential and sales performance in people whom I had previously thought unsuitable; and
- 3) I finally found effective staff and salon managers who cared about my clients, my business, and other team members, not just about themselves and their plans.

Even if you think you want to stay in the role for a certain period you need to consider the possibility that you won't enjoy working with the new salon owner - moving from owner to manager is a bigger challenge than you might expect!

### **The Key Question!**

As you look at the equation above, it is immediately clear that your profit margin is a key factor in your sale price. Therefore, the one question that you need to ask yourself again is: -

- What is the one thing that I am not doing now, that, if implemented, would make the difference to my salon's profitability?

As I've coached salon owners, and looked at my own salon operations, I have always found that discovering the answer to this question is transformative. Often there is one key area in which you can take action that will skyrocket your salon's profitability. This is often something simple that you have overlooked because you are so close to the business which an outsider can quickly identify and show you how to change.

## CHAPTER 4:

### Terms of Sale

There are various types of salon sale and each has its advantages and disadvantages so the best terms really depend on what outcome you want. These are the most common terms of sale: -

#### **Walk-In Walk-Out (WIWO)**

In this scenario at the end of the day of the sale you disconnect your EFT machine, walk out of the business and hand the key over to the new owner. From that point on, they are responsible for staff, stock, services, and everything else and you are free as a bird.

This is my favourite way of selling your salon. As I said earlier, if you're done, you're done. You probably purchased your salon because you wanted to run it your way in the first place, so why would you really want to go back to being told what to do?

#### **Sale + Handover**

Your salon purchaser may negotiate for you to have a continuing role at the salon for a clearly defined period which could be anything from a week to 6 months so that you can help them with the take-over. This can be awkward if the new owner wants to change existing processes and systems, but it does help them learn the ropes and understand your day-to-day practices.

If you sign off on this basis I suggest that you include an escape clause to allow either party to shorten the handover period with a week's notice if it's not working out. It is a lot easier to write this into your contract prior to the sale, than to regret it afterward when one or both of you become impatient and want to move on.

#### **Sale + On-Going Management**

I really discourage this arrangement unless your primary reason for selling the business is to release your capital. After all, you bought the salon so you could run it according to your preferences. It is better to work on your systems and processes and install a manager prior to selling your business and it also adds a great deal of value to your potential asking price.

If working on those systems isn't something that interests you, then you may want to consider working with a business coach like myself to develop the mindset and check your systems before you sell the business. Not only will you get a better price for your salon, you'll also save yourself a lot of stress and conflict.

Really, why would you put yourself in the middle of potential disagreements between your former employees and the new owner... or make yourself the target of complaints and questions from your clients? The thought just makes me shudder!

### **Equipment**

The terms of sale will include the equipment you use in the salon and it is your responsibility to pay out any financing before handing it over. You should ensure that all equipment is serviced and in good working order so that there are no complications on this score, and once you decide to sell your salon you should avoid investing in new machines or upgrading your existing ones. These things will not add to your salon value and may complicate the process.

Items that can be negotiated with the new owner include existing contracts. For example, you probably have items such as water coolers, sanitary bins, phone systems, internet etc. which you may have paid in advance. These should all be itemised and the value listed but it is up to you and your broker to decide whether the payments they represent are worth risking the sale. In some situations, if the new owner does not want to pay for these items you can take them with you. If the purchaser does take over these items you should ensure that the contract is transferred into their name so that you are not deemed responsible for future payments.

### **Stock-on-Hand**

Depending on your stock levels you may simply include all stock in the purchase price (this is common when you hold less than \$5,000 worth of stock in your business), or you may sell your stock as value (SAV) on the day of handover. In any case, you will need to provide your purchaser with an accurate itemised stock count.

I strongly recommend keeping your stock levels as low as possible (without affecting your services) while you are negotiating your sale. The purchaser usually agrees to purchase stock up to a certain value and you don't want to

hold more than that value. The advantage of this is also that once the sale is finalised the new owner can increase stock levels quickly which usually means that clients are impressed by this new ownership from the outset.

### **Confidentiality**

Clearly, it makes sense to keep the prospect of sale from your clients since ideally they won't notice any difference before and after the sale and your client list is one of the things your purchaser is buying. It can also be very destabilising for your staff, especially your manager, when they know that you are thinking of selling your salon. At the same time, if you spring it on your manager on the day of sale then it's hard for them not to feel betrayed which may negatively affect their attitude to the new situation.

Usually the purchaser will be the person who decides how closely they want the possibility of sale kept and they will often write their terms into the contract. In my own sale, the deal was contingent on my strict confidentiality. I was only permitted to tell my manager and she informed the staff the day before the sale was finalised so that they would understand that I was trying to do the best I could for them as well as complete the sale for my own benefit.

### **Website, Email Addresses, and Business Name**

These are essential items that you will need to transfer as quickly as possible after the sale and they may be more complicated than you expect.

You need to contact ASIC and arrange the transfer of your business name to the new owner. This is quite straightforward but can take a few days to finalise.

Your website and email change of ownership may be more complex, but is an essential part of your business value. In some situations, the company who set up your website own (or control) the WHOIS for your domain name, and if they have subsequently been sold or acquired discovering who to contact can be a labyrinthine process. The sooner you find this information, the simpler the transfer will be. I strongly recommend that when you are purchasing future domains you ensure they are registered in your name rather than to a web hosting or web development company. The new owner will want to own and use the Salon Domain Name (eg. <http://yoursalonname.com.au>) and email addresses (eg. [info@yoursalonname.com.au](mailto:info@yoursalonname.com.au) and [admin@yoursalonname.com.au](mailto:admin@yoursalonname.com.au), and [sales@yoursalonname.com.au](mailto:sales@yoursalonname.com.au)).

### **Other Contracts and Leases**

It is essential to have a comprehensive list of all contracts related to the operation of your salon including insurance, public liability, lease of premises etc. and to arrange for these to be cancelled or transferred on the day of sale. Your accountant should carefully analyse all payments that are your responsibility and compare these with the itemised list in your Contract of Sale and Section 52 to make sure nothing is left in doubt or open to dispute.

Your Section 52 is an important document that is only valid for three months from the date of completion. Although your accountant should have all the information for this prepared, the document itself should only be finalised when you have a solid prospect, or your negotiations with a buyer are close to finalisation.

Care in this matter can make all the difference between a smooth, hassle-free transfer of ownership and future problems.

## CHAPTER 5:

### Checklist: Essential Documents to Prepare

Now that you have determined that your business is saleable (See Chapter 3), there are certain things that you need to prepare **before** you put your salon on the market.

- ✓ Profit and Loss financials for the last two financial years and to the end of the last quarter of the current financial year
- ✓ Balance Sheet for the last two financial years and to the end of the last quarter of the current financial year
- ✓ Tax returns for the last two financial years
- ✓ Preparation for Section 52 with your Accountant
- ✓ Computer reports from your Point of Sale system that highlight the strengths of your business
- ✓ Plant and Equipment List detailing all the items that are included in the sale
- ✓ Employee list detailing name; position; pay rate; date of commencement; employment status; annual, personal, and long service leave records
- ✓ Copy of your signed lease including any amendments and right-of-renewals
- ✓ Copy of any rental agreements or leases on computers, security systems, furniture, coffee machines etc. that will be transferred over to the new owner
- ✓ Depreciation schedule for the last financial year (this is normally included in your tax return)
- ✓ List of suppliers and their contact details for the new owner (this includes electricity, website, products, phone, equipment)
- ✓ Current rent receipt that details the exact rent payable at the time you list the business for sale
- ✓ Salon insurance documents
- ✓ Decent pictures of your salon

If you have all these prepared then your chances of selling your salon quickly and profitably are much higher.

Now that you know what you need, let's look at all these items in more detail so you can see why they are important.

### **Financials**

Today's buyer may be looking at a variety of businesses. In fact, the chances are they are not nearly as interested in the type of business they are buying as they are in its profitability. This is the reason that I mentioned in Chapter 3 that you need a competent and thorough person inspecting your accounts prior to putting your salon on the market.

My own salon was bought by a family who has recently invested in several businesses, but this is the first salon they have ever owned. They were far more concerned about the profitability of the business, than in its nature. They were extremely interested in the financial statements listed above and their accountant scrutinised them very thoroughly to ensure that there were no inconsistencies between the various financial records.

### **Plant and Equipment List**

This needs to be appropriately detailed depending on the nature of the item. For example, any salon will have a large number of items such as wax strips, facial wipes, cotton buds, tissues, perm rollers, etc. which can be rounded to the nearest 100 or dozen. On the other hand, expensive equipment should be itemised and details of date of purchase and servicing should be available on request so that the prospective buyer can see exactly what they are getting.

Your depreciation schedule is part of this list as it will show the current value of each item on the list and how close it is to the end of its useful life. This is normally included in your annual tax return.

In addition to the equipment you own, you need to supply rental / lease agreements on any other equipment used in the salon as these agreements will need to be transferred to the new owner.

### **Employee List**

Ideally your employee list will show that you have stable, qualified, and productive staff. High staff turnover is a red flag for purchasers especially if they do not have a salon background themselves as they will rely on the expertise of your existing staff to continue satisfying clients and growing the business. As you know yourself, the quality of your staff can make or break your business.

You should demonstrate that your employees' wages are close to 30% of net profit. This suggests to buyers that your staff are productive and that your business is sustainable.

### **Lease on Premises**

This is essential and should be carefully scrutinised so that you can discuss any amendments with your real estate agent before you put the property on the market. In my case, I had no reason to suspect that my agent was hiding a skeleton in the closet, so I didn't realise there was a potential problem until my lawyer flagged it quite late in the process. I then discovered that the landlord was not living in Australia and that the property was in his (deceased) father's name. In other words, there was no proof that I had the agreement of the property owner to occupy the premises. It took a lot of work on the part of myself and my solicitor to resolve this issue so that the lease could legally be passed over to the new owner.

A current rent receipt is also important to prove that what you are paying for the premises matches the terms of the lease. Your purchaser will want to assess the cost per square metre of your premises against its location because this has an impact on the ease with which you can attract clients.

When it comes to your real estate agent and landlord it is worthwhile investing some time and effort into your relationship with them well before you are thinking about selling your salon. A positive relationship will help you negotiate your own lease terms and right-to-renew and will be invaluable when you want to pass the lease over to a new owner.

### **List of Suppliers**

Your purchaser will need a comprehensive list with the names and contact details of all your suppliers and contractors. This should include electricity, website, phone, each product line, tradesmen and equipment servicing companies and anyone else you rely on. If you have agreed rates or service contracts the terms should be stated on this list to make it easy for the new owner to operate efficiently.

### **Insurance**

Because you are operating a business, your premises and equipment should always be properly insured and you should maintain your public liability insurance until the time of handover. The new owner may choose to organise their own insurance or they may negotiate with your insurance company.

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Once the handover is completed insurance is no longer your responsibility.

### **Salon Photographs**

Decent quality digital photographs from your phone are sufficient, you do not need to engage a professional photographer, but you should provide several photographs showing both the exterior and interior of your salon so that prospective purchasers get a feel for what they are buying.

Many buyers don't care about the look of the salon, but some do, so highlight the most attractive features of your salon in these photographs.

### **Stock Counts and Value**

You will need to do a final stock count and prepare stock reports for each supply company separately on your last day of trading, However, while you are in the process of selling your salon you should keep a close eye on stock so that you can provide accurate ballpark figures if asked for them. Since counting stock is also a massive job, it will make your life far less stressful if you count your stock early in the process and then track your incoming and outgoing stock very carefully until your final day.

All open stock is counted at half cost price, and the correct buy and sell prices should be accurately entered in your computer along with any discount you receive from suppliers. The new owners will almost certainly want to count stock just before handover and ensure that the numbers are consistent with what they are paying for it.

## Checklist: Day of Sale

Jumping ahead a little to the day that you hand over your salon to the new owner, here are the things you need to take care of: -

- ✓ Make sure that stock counts in the computer match your stock on shelves
- ✓ Make sure you have printed stock reports for each company separately
- ✓ Make sure that you have downloaded and printed your EFT transactions right up to close of business on the day of the sale as otherwise you will have to rely on your bank statement for all transactions when you complete your tax return
- ✓ Unplug your EFT machine and remove it along with all the cords as

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- you need to return them to the bank
- ✓ Verify the cash float in your till (at the end of the day, this is yours to take home)
- ✓ Ensure PAYG, Superannuation, Workers' Compensation reports and payments are complete and that you have printed copy of them all
- ✓ Confirm that periodic payments are complete and closed off
- ✓ Export and **print out** your sales report for the financial year for your EOFY tax return and BAS
- ✓ Remove all your documents and training folders from the computer
- ✓ Check everything against your Section 52

Once these tasks are complete you are ready to walk out of your salon for the last time and hand over the key, confident that everything is ship-shape. There is nothing worse than forgetting these things and having to go back into the salon you no longer own and ask favours of your former employees or the new owner.

## CHAPTER 6:

# Choosing a Business Broker

Selling a salon is **hard work** so you want a broker who is invested in the process!

I know. I spent nearly \$15,000 on my first two brokers and got nowhere. Since I believe you can learn from my mistakes, let me tell you how it happened...

As I mentioned at the start of this eBook when I initially bought my salons the salon marketplace was quite different. In those days, you simply decided to sell your salon, then put up some advertisements and often had a buyer within a month or two. So, when I fell pregnant that's what I expected to do.

Three months later I decided to enlist the services of a business broker because no one had shown any interest at all in purchasing my key-turn-ready salon - at any price! Unfortunately, it took me a few years and several thousand dollars to realise that this broker wasn't going to have any more success selling my salon than I had since he had already been paid and wasn't interested in doing any more work on the sale.

### **My First Business Broker Experience**

The first brokers were great sales people... and I bought their story about their knowledge and experience selling salons and about how tough the market was. They requested a long list of documents which they put together into an elegantly bound book to present to prospects. The terms of our agreement included an up-front payment to them of \$5,500 plus a percentage of the sale, and they assured me that I would get a good price in a reasonable timeframe. (I later realised that they simply agreed to the price I said I wanted to receive even though that wasn't realistic in the existing market in order to get the listing.)

I waited. My son was born. And I waited. Every time I managed to speak to one of the brokers they sounded confident and implied that the deal I wanted was just around the corner. I guess that was what I wanted to hear, so I kept on waiting, calling regularly and pushing for news... for two years! Finally,

my patience gave out. They weren't quick to return my calls and I decided that losing my initial investment of \$5,500 was a small price to pay to take back control of the sale.

### **My Second Business Broker Experience**

I toyed briefly with the idea of selling my salon without a broker, but since I was already managing two salons and looking after my 2-year old son I decided that I would try another business broker. I had learned from my previous experience so this time I stipulated that he report to me every week. I paid his \$2,200 fee (for advertising) and he agreed with my valuation of the business and assured me that I would soon have the sale price in my bank account and be paying him his commission. Didn't happen!

The short story is that I heard from him weekly and from time to time he asked me for financial information to present to prospects but there was basically no movement at all and finally I was just fed up.

I seriously thought about just selling the equipment and closing my salon without getting anything back for the work I had put into building a successful business and large client list, but a new business friend urged me to give her broker a try. One of his key selling points was the fact that he didn't charge anything up-front just a commission on the sale which meant that he had a vested interest in attracting legitimate buyers. The second important selling point was that he came as a direct referral from one of his satisfied clients.

### **Success at Last!**

Maybe there's some truth in the idea that the third time is a charm, or maybe I'd just learned some lessons about goal setting in other areas of my life, but this time everything was different. For the first time, I really felt my broker had some skin in the game... he wasn't getting paid until I did and his valuation of my business was logical and well-defended.

Secondly, he clearly had a process for gathering information about my business. He asked me for all the documents in my checklist upfront and refused to list my business on the market until they were all in his hands. When he looked at my lease, he sent me straight back to the Real Estate Agent having told me exactly what I needed to sort out before he would list my business. I hadn't even thought of some of the documents on that list, but they all made sense when I thought about what I might want to know if I were buying a business. He also took the trouble to let me know that asking

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for all these documents up front was in my interest - he would not simply dump all the information on a prospective buyer, but when they asked for any documentation he could provide it quickly and impress them with his (and my) efficiency, rather than waiting for me to provide it.

It took a lot of effort to get all the information together, but once I handed it over and he confirmed that everything he needed was all there I didn't need to worry any more. Each week he sent me a quick email outlining what he'd done and whether there were any prospects on the horizon, but he's a busy man so I didn't hear much from him until he had a serious prospect who wanted to talk to me and have a tour of the premises. We had three of those in total and by the time they talked to me they were well informed about the legal and financial aspects of my business and their main question was how to manage without themselves knowing much about the technical aspects of running a salon.

He took care of all the negotiations, kept me informed, and finally closed the deal about one week after I had spoken with the successful buyer. Obviously, he gave the buyer confidence and managed their doubts and fears as successfully as he managed mine and on the day we signed off on the transaction we were both happy and relieved... which is all you can ask for.

In all fairness, I'd also have to add that over the course of those five years my business had grown, my team building and hiring skills were reflected in the quality and longevity of my staff, and my rapport-building skills improved dramatically as did my ability to determine people's motivation and assess and speak to their goals. This not only showed up in my ability to attract and retain great staff, it also positively influenced my interactions with prospective buyers and the price I was able to attract.

I'd also like to add that different brokers have different methods of presenting information and a different layout for documents, but in any case if your salon takes a while to sell there are several documents that will need to be updated, including your Section 52 which is only valid for 3 months.

As far as I'm concerned, if you are selling a salon you can't go past the broker I used for my successful sale. He is professional, delivers on his promises and makes it as easy as possible for all parties to come to agreement and delivered value far beyond the commission he earned. If you would like me to introduce you, please email me at [info@solutioncreator.com.au](mailto:info@solutioncreator.com.au) and I will connect the two of you formally.

### Lessons I Learned About Business Brokers

Some of these are so obvious that they are almost embarrassing to list, but you don't know what you don't know, so I'll set them out here anyway.

1. Always do due diligence even when it involves asking hard questions. You wouldn't buy a business without rigorous investigation, so why would you pay a business broker without doing the same thing? Some great questions to ask in order to verify their claims include:
  - How many salons have you sold?
  - When was the last salon you sold and how much did you sell it for?
  - May I speak to a successful client? - Insist on names and contact number and follow up on them!
  - What are your terms for handling the sale of my salon?
  - What documents do you need? (If they say they'll ask you for them as they need them, that is definitely a red flag and you are setting yourself up for nightmare experience full of pressure and unnecessary interruptions!)
2. Personally, it would take a lot to convince me to pay any fee up-front in the future even if they tell you it's for advertising. I really want my broker to have serious skin in the game and there's nothing like having to deliver an outcome before you get paid for that. An extra .1% of the sale price was a small price to pay for the speed and efficiency at which he worked.
3. Get them to tell you the value of your business and how they calculated that value (2 x EBIT is fair these days). Don't tell them how much you want for it.
4. All businesses aren't the same when it comes to buying and selling, so find a broker who has experience with salons.
5. Agree on a communication schedule. If you prefer that they update you every week tell them so, on the other hand if you prefer only to hear from them when they have something to report, request that level of communication.
6. Be clear on your expectations.

If you apply these lessons, you can get top-dollar for your salon in a relatively short time-frame (weeks or months rather than years), and end up with a deal that works for both you and the purchaser.

## CHAPTER 7:

# Beyond a Business Broker... Other Professionals You Need

This is just a short chapter but I wanted to mention the other professionals you need to work with in addition to your business broker.

### **Accountant**

You've probably already realised that a good accountant is essential. In fact, a good accountant will make managing your business far easier even if you **don't** want to sell it. Your accountant can help you make wise decisions about your business's structure and about your financing options which can help reduce your tax bill (legally). Some accountants will also help you implement better business practices and financial controls. He will also prepare your Section 52 (details of what is included in the sale).

You get what you pay for, but you don't necessarily need to pay exorbitant accounting fees to ensure that you can talk to your accountant when you need to, and to make sure that your financial records are kept up-to-date and any discrepancies are quickly noticed and reviewed.

As I mentioned in Chapter 5, it is especially important when selling your business that the various financial reports are 100% consistent as any discrepancies may cause prospective buyers to lose interest.

Some of the qualities you may seek in your accountant include: -

- Attention to detail
- Willingness to explain in layman's terms anything you need to know
- Trustworthy and inspiring confidence
- Conservative, yet creative approach
- Quick turn-around time for communication

### **Solicitor**

Your solicitor is another important member of your team and he should have experience in drawing up Contracts of Sale. At the last moment, my buyer's solicitor announced that he was unable to attend our scheduled meeting to

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sign the final documents of sale, until my own solicitor pointed out that if he couldn't make it, he should send a substitute. For this reason, I suggest that you work with a solicitor who has at least one other partner in the office... just in case. You also want a solicitor who will spot any deficiencies in your contracts and make sure that your interests are protected and to check over any contracts you have with your landlord, suppliers, and service providers thoroughly to ensure that your transfer of title is watertight.

Your solicitor probably isn't quite as crucial as your accountant, but you don't want to work with someone who is never available to meet with you or take your calls. However, you also want to keep these calls to a minimum as many solicitors charge in 5 minute blocks so talking on the phone can be very costly and it's worth discovering how they operate before you work with them.

### **Real Estate Agent**

Because your lease is a critical element in the sale of your salon it is important to have a good relationship with your real estate agent so that your negotiations progress smoothly. In any business sale, you need to pass on your right-to-renew and a sympathetic agent will support your case with the landlord.

As I mentioned in Chapter 5 I learned about the importance of a watertight lease the hard way! I never discovered why the real estate agent was not aware of it (or whether he knew it, but simply didn't bother informing me). However, the reality is that the situation could have sabotaged the sale since without legal ownership the terms of my lease and right-to-renew had no legal standing. Surprisingly, these anomalies are not uncommon.

## CHAPTER 8:

# What Questions Might Your Prospective Purchaser Ask?

At some stage in the process your prospective purchaser will want to see your premises and talk to you (or a well-informed representative) about your business as part of their due diligence. You really want your buyer to do their due diligence **before** they sign the contract because it's far better to have all the details thoroughly examined in advance and while they are doing this you can continue to prospect for buyers, whereas once the contract is signed you can no longer engage with interested parties.

This conversation can be tricky if you are ambivalent about the sale or extremely anxious to sell your salon, which is why you may want to consider asking an independent person who knows your industry to show the prospective buyer around.

Many people are unaware that we unconsciously project our uncertainty, insecurity, and other negative emotions and limiting beliefs onto others and they pick them up equally unconsciously. This means that it is extremely important to be 100% congruent and make sure your projections match your desires and words when you are talking to prospective buyers.

But here's the issue: you probably aren't 100% certain you want to sell your salon, and you may even question whether it's worth the price you are asking. If that's the case, your prospective purchaser will pick up your uncertainty and may call off the deal, or at least get a 'funny feeling' that your broker will need to explain away very convincingly.

For this reason, it's worth considering the following common questions a prospective purchaser might ask and preparing answers. If you're not comfortable answering these questions honestly, then think seriously about whether you should show them around yourself.

- Why are you selling your salon?
  - This is almost a given and you need to have a good answer. "I'm pregnant and plan to stay at home with my baby," is effective.

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“I’ve just got married and will be living at the other side of town,” could work, too. “I’m tired and it’s time for me to get out of here,”... is not such a great option because it suggests that your salon may have some problems that make it a hassle to run. Ask yourself, “If someone gave me this response would it seem reasonable, and would it make me want to buy the salon?”

- How do you get on with your staff?
  - Again, you need to answer honestly but convincingly, and you also need to remember that the impression you give could affect their job security under the new owner.
- Is your manager effective and will she stay if you sell your salon?
  - If you cast doubt on your manager’s competency in any way, then you will jeopardise the sale unless the prospective purchaser is a hair or beauty therapist themselves and wants to manage the salon.
  - If they think that your manager is so dedicated to you that they will leave soon after you sell, that could also be a problem.
- Why do you use X product?
  - You need to know why you have chosen the products you use rather than their competitors and be able to explain this.
- Why do you keep the levels of stock you do? (Every buyer asks this question!)
- What are your top 5 treatments? (They may ask for a printed report on this.)
- Why do (or don’t) you offer Y Service / use Z equipment?
  - Again, you should be able to clearly articulate the services you do and don’t use preferably in terms of client interest or profitability
- What is your rebooking rate?
- Who is your best sales producer?
- Which therapists do your clients prefer? (Some prospects will ask for a breakdown of services and sales by employee.)
- Why do you have this number of staff?
- Why are your staff on the contracts they are on? (Full time? Part time? Casual?)
- Which treatment does each therapist prefer to carry out?
- Why don’t you have a receptionist? (Or, Why do you have a receptionist?)
- How are you marketing your business and what is your most effective source of clients?

## Are You Ready to Sell Your Salon?

There are many more questions that your prospective buyer might ask. You can probably guess most of them by looking at your financials and wages. You should prepare answers for anything that might raise red flags in the mind of a buyer because this can be the difference between the sale moving forward and the process stalling at this point.

## CHAPTER 9:

### Telling Your Staff and Clients About the Sale

Sooner or later you will have to tell people that you have sold / are selling your salon. In most cases I strongly recommend that you don't tell your clients until everything is finalised. Nothing can be more fatal to the value of your business than having several clients move to another salon down the road! Once they see that nothing has really changed (unless it's for the better) under the new ownership, they probably won't move anyway because in many ways your therapists are the big drawcard.

The purchaser of my salon stipulated 100% confidentiality. I was allowed to inform my manager 5 days before settlement (she already knew that I had been trying to sell the salon for some time so she was not completely unprepared for the news). In the end, they agreed that my manager could let the staff know on Thursday, because my manager convinced them that this would be better in the long run than if they came to work on Saturday and were told that I had sold the salon and been introduced to their new employer there and then.

As a general rule, I don't think you want staff to have too much notice because it can be quite destabilising. It's often better for them to transition quickly to the new owner and (hopefully) discover that not much has really changed. Perhaps this seems unlikely to you, but you need to remember that you are selling a profitable business... and that is what your purchaser is buying. The new owner usually doesn't want to leap in and make changes which might jeopardise the profitability of the salon.

By the same token, your staff are hopefully happy to work in your salon and don't want to look for another job just because it has been sold. Assuming that the new owner is basically following your systems and processes they'll be fairly content to stay and see how things work out because they really don't want to hunt for another job and start building their reputation from the ground up.

The key person who will keep your business stable during the transition is your manager. They should have a chance to meet their new employer and

## Are You Ready to Sell Your Salon?

discuss things with them although I suggest that this takes place the day before the sale. This can be a difficult meeting since both parties are unsure of each other. However, you can help things to run smoothly by pre-framing your confidence in your manager's judgement and the systems and processes you have in place and by staying with your manager throughout the interview.

One of the things that I have emphasised in my salon is the importance of learning how to develop rapport, quickly determine what a client's main needs are, and present treatment options persuasively and understandably. These communication skills have been the focus of a lot of our in-house staff trainings because they are critical when working with: -

- Clients
- Other staff members
- Employers
- Managers

Some staff members had resisted learning these skills at first, but later acknowledged their value in the salon as their client cooperation and product sales went up, and in other relationships outside the salon. These skills are immensely valuable when they are adjusting to new ownership.

My manager found these skills incredibly important when getting to know her new employer and explaining some of the processes we used. They were also valuable when communicating the news of the sale to her staff, and subsequently, in helping them settle in to the new situation. As a result, there was very little resistance to the change of ownership (despite a flattering sadness when we said goodbye for the last time on the Friday night). As I've talked with her since, she has told me how grateful she was that I equipped her with the knowledge and communication skills to help her ensure that the salon continues to grow and prosper under the new ownership... in other words, I built a profitable salon and passed it on to a new owner with a 'mini me' to keep things running profitably and position the salon for further growth.

## CHAPTER 10:

### Now That You've Read This Book: Your Next Step...

If you've read through this book, nodded your head in agreement with most of it, and decided that you have all your ducks lined up and ready to go then your next step is simple: -

Contact a business broker and move forward to the sale.

But if, like many of the salon owners I talk to each week, you have now realised that you have some work to do before your salon is ready to sell, you may be feeling discouraged at what you think is the mountain of work ahead of you! The good news is that there's a chance you are further along the path than you suspect, and that even though you still have a lot of work to do, you don't have to do it alone: there are people who can help you achieve your goals faster, and proven processes you can implement so you don't waste time and energy reinventing the wheel.

I suggest that you take advantage of the complimentary session I offer to people who have purchased this eBook so you can move forward with confidence.

Your next step involves: -

- Setting clear goals and milestones to guide your planning and decision making
- Creating a plan for your future and a timeline so you know what you want to do post-sale
- Finding the right professionals to help you with your financials and contracts
- Creating and documenting systems and processes for your staff to follow
- Making sure your financial and legal documents are all ready to hand over to a broker
- Adjusting your mindset so you are 100% congruent in your words and actions

Then... you'll be ready to talk to a qualified broker who specialises in selling

salons and set a realistic price you would like to receive for your business.

Speaking from my own experience, if I had known all this when I spoke to my first or second broker I would have realised immediately that they didn't have the specific expertise I needed. They were great salesmen and I didn't know what I didn't know. That's OK. You live and learn... but it's much less expensive and better value to follow a proven pathway than to blaze your own trail.

**Know This:**  
**There are buyers out there who would love  
to purchase your salon for a fair price.**

Because... There are people who will tell you it's impossible to sell your salon at all, or that you should just take what you can get and be done with it. Along the way, lots of people told me that I would never sell my salon and sometimes I was tempted to break down and cry. I'm glad I didn't quit and simply sell off my stock: it's better for my clients, it's better for my staff, and it was better for me... but I wouldn't wish the path I travelled on anyone else. That's why I've written this Book and offer my coaching services to any of you who want to take the highroad to a successful sale, rather than the twisted trails of a pioneer.

### **A Final Word**

Along the way, you'll have plenty of well-meaning people tell you, "Just sell your business yourself and save the broker's fee!" I know many people gave me that advice. The truth is, you **may** be able to sell your salon yourself, but know that it's a lot more complex than selling a house... and you probably won't get the price you are hoping for. If you want to get a good price for your salon, you need to have all your ducks lined up and tens, or even hundreds, of extra hours to spend on the process! So, Be Prepared!



## Epilogue:

### Now That Your Salon is Sold...

#### **Congratulations!**

If you've gone through the process above to get your business in order, prepared your documents in advance, used a qualified business broker, and set a reasonable sale price your salon could be sold in an incredibly short amount of time.

As I've mentioned, when I finally got in touch with the right broker I had finalised the purchase and received payment within a few months... in fact, once the purchasers had done their due diligence and made an offer it was only about a week before the handover was complete.

#### **Unexpected Grief**

I had been warned, but I was completely unprepared for the sense of emptiness and loss that followed. I loved the sense of freedom... no more waiting for calls or emails from the broker, or wondering what problem I would be called to solve next. At the same time, it felt odd to know that my manager would not call me to ask a question about stock levels or to share a new promotional idea. I felt a bit like a boat that has been cast out onto the ocean without sails, engine, oars, rudder, or anchor. Everything seemed a little unreal. In a way, it's a bit like a wedding: you have months or weeks of preparation, then the big day, and then... a bit of a (happy) let down.

Unlike many 'catastrophes' that hit us without warning, this is something you **CAN** prepare to face in advance. Here are three critical pieces to have in place... I believe they are an essential part of your pre-sales process because you don't want to waste your time and energies spinning in unnecessary circles, instead you want to take advantage of the momentum the sale generates for you: -

1. Your answer to the question, "What next?" is crucial. You need a plan or a project that will provide a focus for your energy and thinking so that you don't second guess your decision to sell.
2. You also need some space to grieve, to process, and to move forward gracefully. Whether the process of selling your salon took months or

## Are You Ready to Sell Your Salon?

years you probably don't want to hurtle headlong into another high-pressure situation. Give yourself and your relationships a chance and be kind to yourself, celebrate the win, and dream about achieving your next milestone.

3. You need an outsider to talk to. Talking to a counsellor, therapist, or coach will help you process your triumph more effectively and move forward with confidence. Personally, I'm more into coaches than counsellors or therapists because in my experience many therapists and counsellors treat clients as though they are broken and need to be 'fixed', rather than whole but needing empowerment and some help navigating rocky terrain. In my case, my coach helped me work through some limiting beliefs that emerged and empowered me to move forward with greater confidence.

### An Offer...

Maybe you have read this book and realise that you already have most of the pieces in place, or the people around you to help you do so. If that's the case, great job!

However, if you feel you could do with some help I'd be happy to talk to you.

Your purchase of this book includes a **complimentary obligation-free 30-minute session** with me via phone, Skype, or at my Highett office where you can ask any questions you may have or talk to me confidentially about your own salon issues, sales strategy, or plans for the future.

If you are interested in further help I offer the following services: -



- Personal coaching to help you release any negative emotions, limiting beliefs or decisions, and other baggage that is stopping you from getting on with your life and becoming all that you could be, doing all

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- that you can do, and having the life you want;
- Business coaching to help you create the salon business you deserve and prepare your salon for sale; and
- Team Coaching to help every member of your team develop the interpersonal skills and confidence they need to fulfil their own ambitions and drive your business forward.

Thank you for reading my ebook. I hope you've enjoyed the journey and gained some valuable insights from it. I look forward to talking to you soon.

To Your Success!

Kylie-Ann Kobelt

[info@solutioncreator.com.au](mailto:info@solutioncreator.com.au)

*“You can do anything,  
but not everything at the same  
time.”*

~ David Allen

## Would You Like to Try a Pathfinder Session?

Now You've Read the Book...  
You know what's involved in selling your salon.

*Did you notice what some of the biggest sale-stoppers were?*

They were things like:-

- Confusion about what you really want / deserve...
- Uncertainty about the value of your salon...
- Inability to select and retain motivated, productive staff...
- An unsustainable business model...
- Lack of clarity about your future...

Most of the had more to do with what was going on in your head, than what was happening in your salon.

There's a reason for this: Your insecurities, doubts, and confusion communicates itself to your employees, your clients, and your prospects and they can strangle your business, and kill your salon sale.

But you don't have to put up with them any longer!

*Using some simple techniques that don't require:-*

- Delving into your deep past and exposing your darkest secrets;
- Hours of meditation or months of counselling;
- Exotic practices and classes, or any other woo-woo...

You can acknowledge, learn from, and silence the voices that are clamouring inside your head, and move forward.

Solution Creator's Pathfinder Session helps you find the answers you need in just 90 minutes.

Visit <http://kylieannkobelt.com.au/make-an-appointment/> to  
Book Now