



# SHEAR KNOWLEDGE

MAXIMIZING YOUR INCOME

## Buying an Existing Salon vs Building a New One

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It's a lot of work to build a new salon. Would you rather focus your time on site selection, lease negotiation, architectural plans, permitting, buildouts, and contractors, or would prefer to focus on staffing, training, sales, and marketing? Depending on your strengths, you may want to consider buying an existing salon rather than building a new one.

### **How to find businesses for sale:**

When selling a car, you might use eBay and Carvana. When looking for a date, you might use Tinder or Match.com. When selling a business, the vast majority of business owners use a website called BizBuySell ([www.bizbuysell.com](http://www.bizbuysell.com)). A quick search of this website will likely show a dozen salons for sale in your market. Another way to find businesses for sale is to network. Talk to business owners, brokers, banks, landlords, and friends. Get the word out that you're wanting to buy an existing salon.

### **How to value a business:**

Once a salon is open, the value of that business should be based on its cashflow (profits), not the initial buildout cost. Just because someone spent \$250K to build a salon doesn't mean it's worth \$250K. A good rule of thumb is 4 times annual profits. For example, if a salon is doing \$300K/year in sales and earning \$50K/year in profit, that salon might be worth  $4 \times \$50K = \$200K$ .

Remember, a business is only worth what someone is willing to pay, and everything is negotiable. If no one else is bidding, you should be able to drive the price down. Fight for every penny. The less you spend on the purchase, the faster you'll be able to pay off the debt.