GMSB 238

[00:00:00] **Antony W:** Welcome to the Grow My Salon Business podcast, where we focus on the business side of hairdressing. I'm your host, Antony Whitaker, and I'll be talking to thought leaders in the hairdressing industry, discussing insightful, provocative, and inspiring ideas that matter. So get ready to learn, get ready to be challenged, get ready to be inspired, and most importantly, get ready to grow your salon business.

[00:00:28] **Antony Whitaker:** Hey, it's Antony Whitaker here and welcome to today's podcast. Now, in case you don't already know, video versions of our podcasts are now available on our YouTube channel. So if you want to put faces to the names and head on over to Grow My Salon Business on YouTube and like, and subscribe to the channel so that you never miss an episode.

[00:00:47] **Antony Whitaker:** So with that said, on with today's show, if you currently own a salon business, it is inevitable that the day will come when the business will no longer be yours. It's just a matter of whether you sell the business or alternatively, that you close the doors and end up walking away from it at the end of the lease.

[00:01:08] **Antony Whitaker:** Now, in most cases, when you first opened your salon, you were not preoccupied with the idea of selling. But somewhere in the back of your mind, there is the idea that the day will come that you'll sell it. And often you think that when that happens, that that will be your big payday. But the problem is that most people do not sell the business.

[00:01:29] **Antony Whitaker:** In fact, over 80 percent of businesses that go to market, never even get an offer. And instead, they simply close the doors and end up walking away. Now my guest on today's podcast is Zach Dogar, a business broker and exit strategy specialist who also specializes in the hair and beauty industry. Now, in today's podcast, we will discuss how to establish the value of a salon business, the biggest mistakes that buyers and sellers make, and how to achieve the best sale price for your salon business and lots more.

[00:02:06] **Antony Whitaker:** So with that said, without further ado, welcome to the show, Zach.

[00:02:10] **Zach Dogar:** Oh, hi, Antony. Thank you for inviting me.

[00:02:14] **Antony Whitaker:** Not at all. It's, uh, it's going to be great having you here because as I said at the beginning of the intro, you know, you're not going to have this business for ever. Most of our audience are salon owners and, uh, it never ceases to amaze me that a lot of them sort of bank the future of their business being on the day they sell it, that that's when they'll get a payday.

[00:02:34] **Antony Whitaker:** And as I saw on your website, which we'll put the details up for later on, you know, 80 percent of businesses never even get an offer. I nearly fell over when I read that statistics So I know there's going to be a lot of really good information in this to sort of help people as salon owners set their business up so that when the day comes to sell it, that they, managed to sort of capitalize on their, years of hard work and sacrifice.

[00:03:01] **Antony Whitaker:** So let's jump in. I want to start off by just asking you a very sort of generalized question. First of all, as a, as a broker, who do you work for? Do you work for the buyer or do you work for the seller or do you work for both?

[00:03:15] **Zach Dogar:** Oh, well, good question. And, um, often, uh, it's a valid question because the waters can get muddy. Especially if you've got a broker that's really motivated by getting a commission, but, um, I categorically work for the seller. My best interests lie with the seller. and that's, you know, that's my client.

[00:03:38] **Zach Dogar:** That's, that's the person who's, whose behalf I'm acting. Of course, um, one does get to know a lot of the acquirers on a personal level, but, um, always, um, it's the client's interests that come first.

[00:03:53] **Antony Whitaker:** Yeah. you're based in the UK. I'm based in the UK. As I spoke about with you earlier on, we have a very global audience. Um, and I'm sure that most of what we talk about today, if not all, it's going to be relevant to people, no matter where they are, that the things that you need to consider when buying and selling a business are probably very, global in their application.

[00:04:17] **Antony Whitaker:** But I'm going to imagine that there might be some differences and things like tax and stuff like that. So, um, as much as possible, we'll keep the conversation in a sort of a, a globalized, uh, format. Now, as I said to you earlier on, you know, I've done a couple of podcasts. I'll put the links to them in the show notes for today's episode, but I've done a couple of podcasts earlier on where I have talked about

[00:04:39] **Antony Whitaker:** buying and selling businesses, but I'm not a pro and it was great. when, uh, I first, came across you to, to have the conversations that we had so that I know I can bring your professionalism and your expertise to it because like, you know, cutting hair, anyone can pick up a pair of scissors and do a haircut, but, you know, some people are experts and anyone can give their five bob's worth

[00:05:01] **Antony Whitaker:**, so to speak of what you should do when you're selling a business. But at the end of the day, if you've got an expert, it's going to be much more successful. So. What I find as a business coach is that saddle notice will often have very unrealistic valuations for their business, and it'll be based on, they'll tell me about the amount of money they spent on their fit out or the current revenue.

[00:05:26] **Antony Whitaker:** They'll talk about the loyalty of the team staying on and, you know, the goodwill, meaning that the clients will be staying and the reputation they've built up. And as I point out to them, you've talked about a lot of things there, but a lot of those things don't actually have that much impact on how you really do value a business.

[00:05:46] **Antony Whitaker:** So you're the expert. You tell us, uh, how do you, if I was selling a salon today and I said, so, you know, Zach, I want you to value my business. What does that look like? What are the things that you would take into consideration?

[00:05:59] **Zach Dogar:** Okay. Well, the first and foremost thing is that, um, most brokers don't really value a business. They'll, they'll speak to the client, they'll have a chat with them. They'll find out what they would like to achieve for the business. And based on that, the business goes on the market. Okay. And this is one of the reasons that very few of them sell.

[00:06:24] **Zach Dogar:** Um, so just turning it upside down, uh, I'm a qualified valuer. I value businesses. And, um, The first thing that we do in order to actually make a decision as to whether the business is sellable or whether it should go onto the market or not is actually do a formal valuation. And there are various methods that one can use in order to do a valuation of a salon particularly.

[00:06:50] **Zach Dogar:** But, um, the, the main ones that I use, um, is market comparables. So, you're actually taking Salons that have sold and, um, because over the last 20 to 25 years, we, we've literally got loads of deals, which we've put together. So we've got a database of lots of different metrics where we can match those metrics with.

[00:07:13] **Zach Dogar:** with the current, uh, salon that we're looking to value. So those metrics are used, market comparables. Also, we need to look at, this is a key thing, I think. Um, We need to look at the business from the perspective of an acquirer. Now, the difference between a seller looking at their business and an acquirer are two completely different things.

[00:07:35] **Zach Dogar:** So just to give you an example, a salon owner will, uh, be focusing on their client relationships, which is, which is right cause they want them to come back. Whereas an acquirer is looking for revenue potential. So they're looking at other options that could exist other revenue streams. Are there subscription models in place?

[00:07:56] **Zach Dogar:** Are there any type of, recurring revenue streams? A salon owner will look at things like client feedback. Well, uh, an acquirer is looking at business metrics. They're looking at KPIs.

[00:08:06] **Antony Whitaker:** Got it. Okay.

[00:08:07] **Antony Whitaker:** so when I talk about. You know, points to consider. Tell me if I'm wrong on any of these things. I don't think I'm wrong. It's just a matter of, of, I think I'm missing out a lot of other stuff to consider as well. When it comes to valuing your business, I, I put down a list of things. I say, okay, the first thing you need to consider is how much time you've got left on the lease.

[00:08:28] **Antony Whitaker:** Because if I'm trying to sell a business today, and it's only got six months left on the lease, then that's a very different scenario to selling a business that's got a five-year lease on it. So, um, is that a consideration that you would factor in?

[00:08:40] **Zach Dogar:** well, no, not really. Um, and the main reason is because, first of all, um, we need to check the lease to make sure there's an automatic right to renew. First of all, um, now if there was only six months left on the lease, um, I would already have contacted the landlord and I would have encouraged The person who's going to market to contact the landlord, let them know that look, um, I know that negotiations will be starting shortly for a new lease.

[00:09:09] **Zach Dogar:** However, we're looking to find a buyer and then, and, and I will establish a relationship with the landlord very early on. So that they understand that we're going to market. I understand what their particular criteria is because obviously, especially nowadays. Um, Landlords are very fussy about who they want as tenants, but the short of it is that, um, there will be a new lease drawn up.

[00:09:35] **Zach Dogar:** So, if I go to market with a business that's got six months left on the lease, what we'll be doing is we'll be speaking to the landlord and saying, look, or the landlord's agent, whoever it is,

[00:09:45] **Zach Dogar:** So, so again, um, you know, it's not really an issue provided the deal is handled correctly.

[00:09:51] **Antony Whitaker:** So, okay. Um, the next point that I want to ask you about that a lot of people get hung up on is they'll say, In terms of the fit out that I've done on the salon, I spent a hundred grand on the salon, so the salon owes me back that hundred grand. And I'll say to them, but look, you know, that was five years ago and basically, it's now secondhand furniture and anyone new who's going to come in here is going to pretty much often throw it out.

[00:10:16] **Antony Whitaker:** So the value of that is gone. Whereas if they said, We just did a fit out six months ago and spent a hundred grand on it. Then that's obviously got some, you know, component in the valuation. Would I be right in saying that?

[00:10:31] **Zach Dogar:** Okay, we can look at this in two ways. Um, there will be a balance sheet and on the balance sheet, there will be an assets column. That is generally used, as a, uh, a figure for the assets. So when you are looking to value a business, you're looking at the goodwill element, which is, uh, all those other things apart from physical assets.

[00:10:56] **Zach Dogar:** And you add to that the physical assets. Um, so in the case of somebody who's, um, owned these assets or just only just invested, they're likely to get a majority of it back. And then normally. Depreciate, uh, in a linear 20 percent over five years. So, so after year one, it will probably be 80, 000, et cetera, et cetera.

[00:11:19] **Zach Dogar:** So, the other way to look at this is, um, that, When the acquirer and this is, this is to do with, um, assets that are over five years old, let's say, and they don't really appear on the, on the assets, um, on the balance sheet. Um, clearly there is something there that the acquirer is going to benefit from.

[00:11:42] **Zach Dogar:** And obviously we want to do the best we can for our client. So what we can do is, um, when I'm doing the evaluation, I'm able to adjust. The asset sheet, um, to reflect, um, things like stock, things like, uh, value of equipment as it might, um, equate to a resale value. Now that's never accurate, but what it does is it puts a score on the board that we can, we can look at negotiating.

[00:12:10] **Antony Whitaker:** Yeah. Got it. Got it. Okay. Um, when you are looking at, you know, this is the other thing that people will do is, so obviously if you're buying something, your advisor is going to say to you, well, you need to get their accounts for the last. Three years or whatever, and it needs to be, you know, three years of profit and losses so that we can go through there and have a look at what the numbers have been in terms of how profitable the business has been.

[00:12:38] **Antony Whitaker:** Um, does that, does that sound like the right approach? Now I say three years because often people can fudge something for a year. But if you look at three years' worth of financial history, it's, you know, you're seeing the reality of what really happened. So would that be what you would suggest that you would be looking at, you know, data, financial data, profit and loss, financial statements for the last three years to get a real reflection so that you can put a value on it?

[00:13:11] **Zach Dogar:** depending on the length of the business and obviously we've had COVID, which has really feed all the figures. And so, as you can imagine, valuations have been very interesting. However, I tend to use, uh, five years. Especially with a business that's been around a long time, um, mainly because, um, you've, you've had this pre COVID period where the business has been really successful.

[00:13:39] **Zach Dogar:** And then you've got COVID where there's this uncertainty for a couple of years, and then you've got the rebound, which I call it. Um, so in order to get a really good, um, picture. Of, um, the, the financial performance of the business. I've been sort of using the last five, five years. And I would recommend five years because that gives a more consistent picture.

[00:14:01] **Zach Dogar:** Um, also it's important to, uh, get some cash flows together to understand what the, what the, uh, the next five years are going to be looking like. Okay. Because again, um, an acquirer is not, yes, they're concerned about. what, how the business has been performing financially, but more importantly, they're going to buy the business based on the future performance of the business for the next five years.

[00:14:28] **Zach Dogar:** So if you've, if you've got a business, the last three years are just, the trajectory has been going up and lots of changes have been made. Um, and you should always sell a business when it's at its peak. And there are some clients that do that, then, you know, you need to take into account the future cash flows.

[00:14:46] **Zach Dogar:** Um, But yeah, I think five years because of the circumstances that we have, and the caveat to that is that an acquirer will be particularly interested in the last sort of 12 months or so, because that will give them a realistic picture of what's been happening just in the last year or so. So that will be, they'll be looking to hone in on that period just to see how things are going.

[00:15:10] **Zach Dogar:** And often, um, we do, um, so if, for example, we, we've done a valuation six months ago, they'll also want to see up to date management accounts. So it's really important While we're on the market that I have good access. to accountants so that we can see the momentum going on a deal because they'll often, often they'll complete looking at the last month's figures because they're, they're projecting how they're, they're doing their own cash flows for for the next few years.

[00:15:40] **Zach Dogar:** So it's accommodating the two. it's the seller. Yes, we're acting for the seller, but also in order to make the transaction easy, to make the transaction good, to try and get the best value. We need to think about what the acquirer requires as well.

[00:15:54] **Antony Whitaker:** Yeah. So right at the beginning, you said, The first thing you have to determine is whether the business is even salable.

[00:16:01] **Zach Dogar:** Yeah,

[00:16:02] **Antony Whitaker:** So, for example, if you looked at the three years P& L or five years P& L and it was just breaking even all the time, would that constitute the fact that it's just not salable?

[00:16:14] **Zach Dogar:** I mean, I, I think the reality of the situation is that I suppose 80 to 90 percent of the business is going to be judged on its financial performance. Um, so it's hard for me to persuade an acquirer to purchase a business, which, uh, and to pay money for it when making any money. Um, so unless there's any compelling reason, for example, strategic, um, where they may say, look, well, we'll give you a token goodwill gesture of.

[00:16:45] **Zach Dogar:** X amount, but we know that it's going to take, I don't know, a hundred K for us to invest in the business to take it forward. But as a general rule, um, as a general rule, unsellable businesses, if you're not making a profit, it's going to be tough to sell.

[00:17:00] **Antony Whitaker:** Right. Okay. Uh, last point that I came across just recently, someone said to me in her valuation, she said that she'd given herself, uh, that, uh, when she was breaking down the justification of it, she said, well, I've got a client list of 10, 000 clients, uh, email addresses, and I've got social media, I've got 25, 000 followers on social media.

[00:17:21] **Antony Whitaker:** So, that is worth X dollars. What do you say to that? Do you say there's value in that or not value in that?

[00:17:29] **Zach Dogar:** Uh, well. It depends on who's looking to buy it. And everybody will have a different, every buyer will have a different evaluation. So let's say I approach the salon next door. And I said, look, I've got a client who's got, you know, listed 10, 000, blah, blah, blah, blah, blah. They may be interested. I have never sold a business purely on that basis in 25 years.

[00:17:56] **Zach Dogar:** I wouldn't take on an instruction like that because the chances of success are very low. And even if they were successful, the amounts involved, um, wouldn't really justify me sort of being involved in something like that.

[00:18:12] **Antony Whitaker:** Yeah. Okay. All right. I mean, I sort of think of that sort of thing as being all smoke and mirrors, you know, you've got, okay, you've got, you've got names and addresses, but you know.

[00:18:21] **Zach Dogar:** Absolutely. Yeah,

[00:18:22] **Antony Whitaker:** but in this day and age of, of, uh, of data and, and social media, there is obviously value in some cases for some people,

[00:18:31] **Antony Whitaker:** Um, so, so what would you say? The biggest mistakes are that sellers make. If there, if there were just two or three, just short, you know, um, mistakes that you think that someone would be, but you come across again and again, what would they be?

[00:18:48] **Zach Dogar:** not having an exit strategy, not having thought it through, not having a formal valuation done so that you know where they stand and not having due diligence and having prepared the business ready for sale.

[00:19:00] **Antony Whitaker:** Right. Okay. What, what about the other way around? What are the biggest mistakes that you see buyers make? Yeah.

[00:19:09] **Zach Dogar:** Well, buyers, buyers, by and large, um, they won't buy a business unless they've got a They've got the blessing of their accountant and their financial advisors. So, you know, although emotionally they might like a business and they might love the owner, um, you know, there's a financial reality where they have to.

[00:19:28] **Zach Dogar:** show the accounts to their accountant and the accountant will sort of bring them back to, um, back to reality. Um, those that don't do that, those that just buy off of emotion because they, they like the business, they like the brand, they like the owner. that's a mistake because, uh, you're not looking at it as a, Uh, as a business, you're more interested in how you feel about it.

[00:19:53] **Zach Dogar:** Um, I think that, uh, keeping your emotions out of a business purchase and sale indeed is, is one of the key things. I

[00:20:05] **Antony Whitaker:** um, have heard all sorts of stories over the years, you know, people that sell stuff and this goes right back to what I was talking about before the three years P& L or five years P& L. Uh, and they will say, well, look, what's not showing on the books is. A certain amount of money that I've been just taking out of the business cash and so that's not you have to trust me It's in the business, but I take another 50 grand out in cash or whatever and so that's how I've arrived at these valuations and you know buyers have believed that or they've accepted that and that is, that is crazy, isn't it?

[00:20:44] **Antony Whitaker:** To do that. You are, you are not buying a business based on some hearsay about a certain amount of cash that's miraculously disappearing. You're buying it based on the trading accounts, the financial statements that are filed with the, you know, the, the relevant tax departments at the end of the year sort of thing.

[00:21:02] **Zach Dogar:** had a client, um, who had a very successful business clearly. And, um, I was stunned when I looked at the accounts because it just didn't add up and he said to me, Come and have a look at my car. Come and have a look at my house. Well, come on, you know,

[00:21:21] **Antony Whitaker:** Yeah. Okay. Yeah. I mean, yeah, I know someone that put a 95, 000 kitchen and tried to run it through the business, but the kitchen was at home. Do you know what I mean? It wasn't in the salon for God's sake. And so again, they tried to factor that in as You know, it doesn't show on the statement on the P and L, but you know, trust me, this money exists in the business.

[00:21:42] **Antony Whitaker:** Okay. Um, you just touched on, uh, when I asked about mistakes, you, you touched on, um, exit strategies. When you open a business, you know, I, I was 31 when I opened my first salon. You're not thinking about an exit strategy, but I deal with a lot of people that are in their fifties, sometimes in their sixties, and all of a sudden.

[00:22:08] **Antony Whitaker:** You know, an exit strategy is a very real thing. And as I said at the beginning of the intro, there's a point in time is going to come where you're no longer going to own your business. It's just a matter of whether you sell it or whether you close the doors and walked away. So when you talk about an exit strategy, how far ahead.

[00:22:26] **Antony Whitaker:** Should a salon owner be planning, be starting to put the pieces in place because one of the very important ones and again, you sort of touched on it right at the beginning was, uh, extracting your revenue. That you're producing in the business, because if you're putting, I don't know, imagine you're a salamander and you're putting 150 grand a year through the business and services that you're generating.

[00:22:51] **Antony Whitaker:** Well, when you leave that 150 grand is going to leave with you, let's assume. So, you know, I often say to people, you should gradually be extracting yourself from the business over a period of three years. So it's not reliant. On the revenue that you're producing the sale price. Is that sound advice?

[00:23:10] **Zach Dogar:** Absolutely. I mean, I, I think that, the most successful sales that I've had is working with clients for about three years, preparing the business for sale. Um, I think that. Actually, you know, I've come up with this adage with the business. Every business decision that you're making in the salon is going to either increase or, or, or lower your value.

[00:23:31] **Zach Dogar:** So every time you book in a call and you do that call, you, you do that treatment, you're slightly depleting the value of the company. Every time you pass that on to one of your team, you're then slightly increasing the value of that. Every time you have to ring a supplier to place an order. is slightly depleting the value of your business.

[00:23:54] **Zach Dogar:** Every time you're empowering your staff to do these things, staff rotors, everything that is, um, important in the day to day running of the business, the more of it that is being done by your team, the slowly you're etching up the value of your company. Um, so, um, it's just having that awareness that any action that's being taken, how is this affecting the value of my business?

[00:24:21] **Zach Dogar:** And just having that sort of mindset in the back of your mind. But I think you're right. Sort of three years is an ideal time. Um, generally, I find that people come to me when they've had a health scare

[00:24:33] **Antony Whitaker:** Hmm.

[00:24:33] **Zach Dogar:** or when suddenly a competitor's opened up next door or, um, suddenly staff have left and they've got a depleted team.

[00:24:45] **Zach Dogar:** Now that's actually the worst time to be looking to sell your business. So, um, it's very important to, to have these things in place, um, well before you go to market so that when you go to market, I mean, really, What I'm doing is making my job as easy as possible. If I'm putting a fantastic opportunity in front of an acquirer, which is absolutely a no brainer, I'm going to have five or six offers on the table.

[00:25:12] **Zach Dogar:** And that's really ideally what we want, that the business just sells itself. Um, and that's what we work towards. So, so the clients that I've had, that I've worked with for three years plus. We've actually had that. We, we've been in and out of the market very, very quickly. Of course, another thing to bear in mind is that if your business is on the market, it is very vulnerable.

[00:25:32] **Zach Dogar:** And the longer it stays on the market, the more vulnerable the business becomes. So, it's got to be a very smart and smooth operation. And that's what you end up with if you've really planned. I mean, at the old adage, uh, Antony, if you fail to prepare, you prepare to fail.

[00:25:49] **Antony Whitaker:** Hmm. Yeah, exactly.

[00:25:51] **Antony Whitaker:** in line with that, uh, one thing that I'm often presented with is an owner who wants to stay on. They want to sell the business, but they then want to stay on and only work one day a week or two days a week or whatever. Uh, what's your advice about that? But

[00:26:07] **Zach Dogar:** Um, I like that, um, purely because an acquirer, when they are buying a business or a salon, what they want to do is they want, I mean, let's face it, the team is the business. You know, the guys that are on the workstations doing the work there, the guys that are producing the income, that's the revenue, that's then, um, you know, sort of the lifeblood of the business.

[00:26:31] **Zach Dogar:** And. The acquirer is going to be looking to keep the team exactly as it is. So, if you've got a team and you've got the owner who has been hands on and they're used to having him on the, him or her on the floor, um, it works fantastically well, and it's another selling point, i. e. we've not got the leader suddenly drifting off and the acquirer wondering, well, actually, is this team going to start falling apart now because the spearheads there no longer?

[00:26:57] **Zach Dogar:** Um, Secondly, it allows, um, the owner to slowly leave the business over a period of time. Um, and also, um, it, you know, it maintains stability. You know, a lot of, you know, he's not, that person's not suddenly passing on their client base to somebody else. So, um, salons where the owner is staying on for a period of time tend to make the acquirer more comfortable that they're inheriting a business that's going to have continuity.

[00:27:29] **Zach Dogar:** So certainly, I do encourage that.

[00:27:32] **Antony Whitaker:** Yeah, I can, I'm going to reflect some downside to

[00:27:36] **Zach Dogar:** Sure, sure, of

[00:27:37] **Antony Whitaker:** when you talk about the acquirer, um, are you talking about like a party that is going to buy the business but not actively be involved in it, or

[00:27:48] **Zach Dogar:** largely, yeah,

[00:27:49] **Antony Whitaker:** Largely Right. Okay.

[00:27:51] **Zach Dogar:** anybody that's buying a business, but most of the, most of the, most of the buyers that I deal with, um, they will want a business that is a managed or able to be managed and run from afar.

[00:28:07] **Antony Whitaker:** Right. So, they're not, they don't want to get in there and get behind the chair and build up the Right. Okay. That's interesting. Alright. Yep.

[00:28:14] **Zach Dogar:** if you've got a business that relies on the owner,

[00:28:17] **Antony Whitaker:** Hmm.

[00:28:18] **Zach Dogar:** then really, realistically, only another stylist will buy it.

[00:28:23] **Zach Dogar:** And that stylist will have to be within a 20-to-25-mile radius. And so, it becomes much, much more difficult to, to find a buyer for that, for that type of business.

[00:28:36] **Antony Whitaker:** Yeah. Yeah. Okay. Because often I, when I do see that um, when the owner stays on. And they've sold to a team member. There's often problems because the team member wants to start making changes to the culture and the prices and this, that, and the other, and the former owner finds it very difficult to let go.

[00:28:58] **Antony Whitaker:** So I can see there's advantages and disadvantages with both. And yeah, as you just

[00:29:03] **Zach Dogar:** depends on the

[00:29:04] **Antony Whitaker:** uh, yeah,

[00:29:05] **Zach Dogar:** and the people that you're working with. So, um, I mean, the average amount of appointments or meetings that we will have anything from 30 to 50 meetings with different acquirers, um, you know, uh, accountants, et cetera, et cetera, during the transaction and, um, one of the things, that I like to do is encourage.

[00:29:32] **Zach Dogar:** Dialogue between a buyer and a seller, especially if the seller is going to stay on so that they can understand each other. They can build a relationship and they can see if they can work together or not. Um, and that's very important. So if a seller is looking to stay on in the business, then we need to find somebody that they can work with.

[00:29:50] **Zach Dogar:** So as the transaction unfolds, you do kind of get to. understand each other, uh, and the parties, uh, can see whether there's, uh, the [00:30:00] ability to work together or not. But more often than not, because the motives, the, the success of the salon are aligned, it does tend to work out.

[00:30:08] **Zach Dogar:** Um, yeah.

[00:30:10] **Antony Whitaker:** Okay. Uh, last couple of things before we wrap up, what should you look for? If you're a salon owner and you're, you know, obviously you're based in the UK. So people listening to this outside of, you know, the UK, uh, uh, don't have the opportunity to work with you. But if, if you were selling your business, you were in the United States or in Australia or whatever, and you were thinking, right, okay, I'm going to go to a broker.

[00:30:32] **Antony Whitaker:** What should you look for when you're choosing to sell through a broker? What would be the top two or three things you'd say, look out for these things?

[00:30:40] **Zach Dogar:** Okay. I think, I think the first thing is that selling a salon is a very specialist Um, I have had to pick up the pieces of transactions where whole teams have left because sale hasn't been handled in the correct way. So, experience in the industry is key. Uh, check out testimonials. Um, I think it's very important, um, and have a look at how others have been treated and, uh, the journey, what it's like, what it's been like for them.

[00:31:12] **Zach Dogar:** Um, and also, I think, um, also another key one is the contacts that they have within the industry. How are they going to market the business? Are they qualified? to value, uh, have they got the right credentials? Um, nowadays you can go on LinkedIn, ask them if there is a valuation that they've given you, question it, ask them, you know, put it to the test.

[00:31:36] **Zach Dogar:** Ask them why they're valued to that. Get them to produce, um, some past deals that they've done to justify that value. Um, but I think, oh, do your due diligence because, uh, I think probably about 90 percent of business brokers. Aren't really up to the mark in my opinion, certainly in the UK. I don't know. We, our industry is unregulated, hardly anyone is qualified.

[00:32:00] **Zach Dogar:** So it's a bit of a, it's a bit like the wild west out there, unfortunately,

[00:32:05] **Antony Whitaker:** in terms of brokers.

[00:32:07] **Zach Dogar:** in terms of brokers

[00:32:08] **Antony Whitaker:** Right. Okay. Got it. Uh, very last thing I wanted to, to, uh, mention, and this came up with someone recently. Um, she had a business, let's just say there were 10 stylists in it. And let's say that each stylist was generating a hundred thousand dollars a year. Uh, so, you've got a, uh, you know, a million dollar a year business.

[00:32:30] **Antony Whitaker:** Now, she was saying I've got a million dollar a year business, but what she hadn't anticipated was that she doesn't have a million dollar a year business because all of those stylists are renters. They're so the million dollars or the hundred thousand a year that each of those stylists is producing is the stylist business.

[00:32:52] **Antony Whitaker:** They're a independent business unit of one. The person who owned the salon Was getting whatever they were getting. Let's just for round numbers. So, it was 200 a week from each of those stylists for rent. So, what the person who owned the business really had was revenue based on 10 stylists times 200 a week, you know, uh, they had a business that was generating 2, 000 a week.

[00:33:19] **Antony Whitaker:** That they were trying to sell, not a business that was generating a million dollars a year. Um, the industry is now very much going through a more, uh, self-employed independent contractor sort of, uh, employment model. And a lot of people have completely misunderstood or underestimated the impact that that actually has on the salability.

[00:33:48] **Antony Whitaker:** Of a business. So, uh, what are your thoughts about that before we wrap up?

[00:33:54] **Zach Dogar:** A very interesting question, and I think you're right, Antony, that, that, that has become a trend, um, not, not only because of, um, salon owners, but, but staff, staff wanting to have that little bit more independence. I mean, and the caveat for me is that I'm dealing, I'm dealing with the UK. So I only know the self-employment law within the UK.

[00:34:18] **Zach Dogar:** So, um, I can only speak about the UK, but I'm sure it's similar. Um, if you look at this from the perspective of an acquirer, they're taking on a business where they have absolutely no control. When these guys can just up sticks and go that what I mean by that is just leave and go somewhere else and set up on their own. Obviously, if the staff are employed, there are then, uh, some, some legal grounding for them to be able to dictate to them how they should work, what changes can be made to the company, et cetera. But these, uh, these guys are really mini businesses within themselves. And acquirers really don't like that.

[00:35:01] **Antony Whitaker:** Yeah. But more importantly, the whole valuation of the business is not based on the million dollars turnover or sales. The whole valuation of the business Is if I use my numbers that you've got 10 staff doing 200 each a week rent that they're paying the business. multiplied by 50 weeks in the year that the, the business that that salon owner is trying to sell is actually only got income of 100, 000 a year, not a million dollars a

[00:35:31] **Zach Dogar:** Oh, yeah, yeah. And, and, and just to add, I would not take on a business like that because I think it's unsellable. So I

[00:35:37] **Antony Whitaker:** Yeah. Yeah.

[00:35:38] **Zach Dogar:** wouldn't even take it on. You're going to be able to,

[00:35:41] **Antony Whitaker:** nailed it. It's unsellable.

[00:35:42] **Zach Dogar:** it's unsellable, it's unsellable. So irrespective of what you might value it at, and you could do an academic exercise. The problem is none of that income is guaranteed.

[00:35:52] **Zach Dogar:** Absolutely none of it.

[00:35:54] **Antony Whitaker:** yeah, exactly. Okay. All right. Well, listen, Uh, where, where can people,

[00:35:59] **Antony Whitaker:** Uh, where can they connect with you? Either online, websites, or on any social media channels, etc.

[00:36:05] **Zach Dogar:** Okay. Yeah. Yeah. Um, thank you for asking. Um, we have a website, um, www.etscorporate.com and, we offer, uh, free online questionnaires, one, one of the questionnaires, they're all online. Um, and one is called a salability score. Um, where it takes you 13 minutes to complete this questionnaire. and if you fill out the, uh, financials part of the document as well, um, we can also give you a ballpark figure for evaluation.

[00:36:38] **Zach Dogar:** What that does is it enables you to understand the strengths and weaknesses of your business and have a report, which will then, um, help you to understand what you need to be focusing on, um, for the, for the coming year and what your strengths are. Um, that's free. And, and also, I also offer a free consultation with that.

[00:36:59] **Zach Dogar:** So that, so that they can have some feedback from me so we can relate it personally to their business.

[00:37:05] **Zach Dogar:**

[00:37:05] **Antony Whitaker:** Well, I'll, I'll put those links on our website, growmysalonbusiness.com. And in the show notes for today's podcast, whatever device you're listening to it on.

[00:37:15] **Antony Whitaker:** So to wrap up, Zach, thank you for being on this week's episode of the Grow My Salon Business podcast.

[00:37:23] **Zach Dogar:** pleasure, Antony. Thank you very much for the invite.

[00:37:25] **Antony Whitaker:** Now it's been good. It's been very informative. So thank you.

[00:37:28] **Antony W:** Thank you for listening to today's podcast If you'd like to connect with us, you'll find us at growmysalonbusiness.com or on Facebook and Instagram at Grow My Salon Business And if you enjoy tuning into our podcast make sure that you subscribe like and share it with your friends Until next time this is Antony Whitaker wishing you continued success