

Before You Sign: A Checklist for Buying an Existing Salon

Whether you've decided to expand your existing salon(s), or are just starting out, purchasing an existing salon has a unique learning curve—even if you've already mastered the ins and outs of your business.

Before you sign, take some time to make sure you're fully prepared to take on the new challenges.

Know what's available on the market around you:

Until you do a thorough assessment of the available (or potentially available) salons in your area, you won't have the full picture of your possibilities for expanding.

Establish a relationship with a real estate agent.

Consult online directories and listings. A couple of places to start: [BizQuest](#), [BusinessesForSale.com](#).

Get advice from an IBBA broker (International Business Brokers Association – [IBBA.org](#)).

Take a closer look at the space:

Once you've zeroed in on a location, it's time to vet the salon itself. Imagine it as an extension of your brand, because that's exactly what it will become.

Think about the parking situation. Are there enough spaces? Is it easy to get in and out?

Think about the potential for foot traffic. Is the area walkable?

Consider the adjacent or nearby businesses. Are there any future opportunities for cross-promotion?

Overall, is it a good location? (For some more specific advice on that, take a look at our [location checklist](#).)

Get to know the current clientele:

Keep in mind that you're buying a business that's already established—and your biggest asset (and quickest path to profitability) is the clients who are already happy there. Make sure you understand why.

Get a feel for the demographic range with current clients. What patterns emerge?

Dig into the retention rates. Is the salon clientele mostly loyal clients or first-timers?

For those loyal clients, what's making them so loyal? Is it something you can keep, like the stylists or the location—or is it the owner?

Is the current salon offering memberships? If so, what are the perks, how many clients are taking advantage of them, and will that be sustainable in your business model?

Examine the business situation:

Salon owners decide to sell for all kinds of reasons. Some are benign—but others may foreshadow difficulties ahead. Bottom line: You need to understand any potential risks and think about how to overcome them. Get the full picture, so you can [develop a business plan](#) around it.

Is the owner forthcoming about the motivation for selling? Retirement? Moving away?

Is the business in decline? Is the clientele growing or shrinking?

What's the salon's reputation in the community? How about online: What do the reviews say? What's the social media presence like?

Ask the other stylists in the salon for their take on the current business situation. (Red flags: "This location is tough," or "All our clients left for [a competitor].")

Make sure you understand the legal landscape:

There's no way around it—buying a business has legal implications. It's important to protect yourself from any unwanted surprises.

Retain an attorney to guide you through everything.

Are there any pending lawsuits? Have there ever been any involving the salon in question?

Understand what you get with the purchase—because it's more than the space and the equipment. Spell out what intellectual property is included: the website, the logo, any other elements of the existing brand, etc.

Learn the financials inside and out:

At some point, you'll need to arrive at a figure you're willing to pay for the existing salon. It's essential to know that figure is fair, and the only way you'll get there is to understand what the business is worth today.

Find a CPA who will perform a due diligence audit and review their financial statements.

When assessing their books, factor in the owner's salary, employee perks, depreciation, interest, insurance, rent, any company vehicles, etc.

Get your accountant/CPA to give you an honest estimate of the total amount you'll need to put into the business—not just your initial investment but ongoing costs too.

Use what you learn to determine what you're willing to pay.

Plan the path forward:

As this business milestone goes from hypothetical to real, make sure your plans also make the transition from hypothetical to real.

Think about the current staff—not just stylists, but day-to-day management too. Are they staying on, and if so, will they be independent contractors or employees? If not, how do you plan to fill those gaps?

Which [salon software](#) (if any) is the business currently using? How proficient is the staff in the current system?

What's the future of the brand? Are you keeping the name (think about costs associated with changing it)? How about the logo? The website?

Think about how easy it is for clients to book appointments. Can they book directly from the website? Is there a [branded app](#) for the salon? If not, consider how to put that in place.

How will you communicate the transition and introduce yourself to existing clientele? The surrounding community?

Make a tangible business plan:

Whether you do ultimately decide to buy an existing salon or expand on your own with a new space, the biggest indicator of your future success is how well you've thought it through. Take advantage of our [salon business plan template](#) to turn all of that preparation into action.

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