

# Great Clips®

## Business Profile

### Contact Information:

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### Business Basics

|                                     |  |                                   |  |
|-------------------------------------|--|-----------------------------------|--|
| <b>Industry</b>                     | Haircare   | <b>Year started franchising</b>   | 1983   |
| <b>Year business started</b>        | 1982   | <b>Franchise units open</b>       | Over 4400  |
| <b>Number of Company units open</b> | 0  | <b>Investment Range \$</b>        | \$187,800-419,900  |
| <b>Franchise fee \$</b>             | \$25k for single<br>\$40k for Three Star (3pack)   | <b>Royalty</b>                    | 6%   |
| <b>Required net worth \$</b>        | \$500k for single<br><br>*select higher cost markets are increased to \$1M<br>**see below for higher cost market breakdown | <b>Required liquid capital \$</b> | \$100k for single<br><br>*select higher cost markets are increased to \$250k<br>**see below for higher cost market breakdown |
| <b>Market size \$</b>               | \$65 Billion Haircare Industry   |                                   |  |

## **\*\*Higher Cost market breakdown:**

### **Tier One—NW \$500,000 & Liquid funds of \$100,000**

DMAs included:

- All US markets (other than those listed as Tier 2)
- All Canadian markets (other than those listed as Tier 2)

### **Tier Two—NW \$1 Million & Liquid funds of \$250,000**

DMAs included:

- All Ontario, Canada markets
- Boston-Manchester
- Calgary-Lethbridge
- Houston
- Los Angeles
- Miami-Ft. Lauderdale
- New York (not developing select counties, ie. Manhattan)
- San Diego
- San Francisco-Oakland-San Jose
- Washington DC-Hagerstown
- West Palm Beach-Ft. Pierce
- Vancouver, BC

## **Business Features**

- **Full Description:** Great Clips is the largest single brand hair salon in North America. Great Clips is a convenient, walk in, no- appointment hair cutting salon – we keep it simple and focus on cutting hair. Great Clips does not provide spa services, tanning, manicures, or hair color: we allow our customers to get a great cut for a great price in a convenient format. The \$65 Billion Haircare industry is growing at a rapid pace and is one of the most recession-resistant industries available.
- **Ideal Candidate:** The ideal candidate for Great Clips is an Achiever candidate: someone who has a corporate job and wants to build their legacy for the future. Our great performers have strong leadership skills, great people skills, and have an interest in building a multi-unit business. Business and management experience in their corporate job are definite assets to our franchisees, as their primary function is managing developing people, not cutting hair. Our minimum net worth requirement for most markets is \$500K for a single unit with access to at least \$100k in liquid funds. Select higher cost of living markets will increase those minimums to a net worth of \$1M and access to at least \$250k in liquidity. No haircare experience is required, but they should be interested in multiple unit development and have flexibility in their daily schedule.
- **Employees:** Each salon needs to have a Salon Manager, and one Assistant Manager, and anywhere from 8-10 stylists. Great Clips will help the franchisees put together an extensive recruiting plan to assist them as they look for staff. One component of that plan will be networking and building relationships with local cosmetology schools to build awareness of Great Clips with new graduates.
- **Territory:** The territorial protection for franchisees is a 1.75-mile radius around existing salons. Within  $\frac{3}{4}$  mile of a salon, another franchisee may not open, and within 1.75 miles of a salon, the existing salon's franchisee has the right of first refusal. Any other territory is unprotected, and open for developing, if approved by the Great Clips Real Estate team.
- **Registration:** Great Clips is registered in all states.
- **Competitive Advantage:** Great Clips has a competitive advantage over other hair care concepts because we have been around for over 40 years, we have an intense network of support – in Real Estate, Marketing, Operations, Education, and Recruiting. We have done the homework to support over 700 franchisees and have spent time

developing brand awareness with our customers. Great Clips is a hair cutting salon for the whole family, we do not focus on half of the population or only a certain age group, and we are a single brand, with no company owned units. Great Clips is privately owned by the same family for nearly 40 years and does not have to worry about short term investor pressures. Our support is fully dedicated to our franchisees' success.

- **Support:** Great Clips supports its franchisors through every situation. The only new franchisee training that occurs outside the local market is the initial training in Minneapolis for 2-3 days, all other training occurs online and virtually through our digital platform, Great Clips University. We also have Great Clips system training for managers and stylists as well. Great Clips has field staff for every market in which we are open, and we have annual meetings to help keep franchisees connected (conventions and zone meetings).
- **Challenges:** The most common challenge that arises while investigating Great Clips centers around staffing. The turnover in a retail situation is fairly high, and the management team needs to be aware that they will need to be constantly looking for more stylists. Yet, Great Clips manages to staff over 4400 locations across the US and Canada, and there are more cosmetology school graduates each year who pay to be trained in this career. It can also be difficult for some people to look past the industry and see the business opportunity. Some potential franchisees cannot see how they will understand how to run a hair care business if they have no experience in hair care. The reality is, though, the franchisee needs to know how to run a people management business and let the manager run the haircare business.
- **Misconceptions of the Industry:** Common misconceptions of the industry are usually around competition. Some people feel that there are too many convenient haircare concepts out there, when really, the competition just validates the industry, and the industry is constantly growing. Great Clips simply wants to continue to own the larger market share of the convenient part of the industry.
- **International:** Great Clips is currently developing in select areas of Canada and the United States. We are not open for development outside of these two countries.
- **Financial Strength:** Great Clips as a company is very strong financially: top 1% franchisor as measured by units; exceeds \$1B in gross sales; privately owned by the same family for over 40 years.
- **Management Strength:** Great Clips' Management strength lies in their top executives who average 10 years with Great Clips; CEO has been a Great Clips franchisee, and a high-level executive for Rapid Refill, President has experience with multiple franchise concepts; clear succession plan is in place for the future to keep the business privately held.

### **Helpful Tips for Consultants:**

#### Top 10 Reasons to Buy Great Clips

1. #1 Brand in the Haircare industry- largest and fastest growing.
2. \$65 Billion industry.
3. Recession Resistant: Hair grows no matter what the economy looks like, and it will never be a service that can be outsourced overseas or replaced by technology.
4. Multiple unit opportunity- average franchisee has 4-7 salons after 5 yrs. of being in business.
5. Successful History: Great Clips has been franchising for over 40 years.
6. Cash Business with no receivables
7. Manager Run salons: Manage your manager and continue to grow the business.
8. 4400 salons in over 190 markets across the United States and Canada
9. Incredible support for franchisees in Real Estate, Marketing, Recruiting and Operations
10. Training for all franchisees' stylists and managers