

**BENCHMARK**

BUSINESS SALES & VALUATIONS

# MEANING BUSINESS

News and information on business sales

QUARTER 1  
2020



# 2020 AUSTRALIAN BUSINESS BROKER OF THE YEAR

**Benchmark Business Sales is Australia's most awarded business brokerage firm.**

Recently John Kasapi and Nikki Katz (both from Benchmark) were announced as the only finalists for the Australian Business Broker of the Year Award.

Nikki Katz has been awarded this title for the second year in a row!



## State of the Market Q1 2020 Update

2019 will be remembered as a steady year for business sales. Interest rates were low and some sectors were depressed and slowing, while other areas saw growth. Growth which would have continued until COVID-19.

### One quarter of the way into 2020 and everything has changed.

On January 25th Australia had confirmed the first case of COVID-19 in Melbourne when a 58 year old man from Wuhan was diagnosed as having the virus. The fifth confirmed case was in Sydney a few days later (January 27th) when a 21 year old student from Wuhan was diagnosed in Sydney. Since then there have been 4,250 cases reported (March 30th) in Australia. On January 25th no-one could have predicted the incredible impact that the Covid-19 virus would have on society – all around the world.

No-one can predict how the rest of 2020 will unfold. It will be interesting to see what sort of opportunities and challenges 2020 presents.

## Twenty factors that will influence goodwill value and sale price

The following factors can impact the goodwill and sale price of a small business:

1. Ease of transferability of ownership (simple transfer = higher value)
2. How long has the business been trading for. (Long term = higher value)
3. Profit stability, revenue trend and gross profit trend (demonstrable growth = higher value)
4. Access to funding (Higher LVR = higher value)
5. Security of tenure (longer tenure = higher value)
6. Licences or exclusive agencies held by the business
7. Reliance upon key staff (no reliance = higher value)
8. Reliance upon key customers/Data base size and quality (larger spread = higher value)
9. Performance of business compared to similar businesses
10. Diversity of products and services provided to clients (wider range = higher value)
11. Supplier diversity (wider range = higher value)
12. Location of the business (capital city = higher value)
13. Rate of "Stock Turn" (higher turnover = higher value)
14. Cash flow requirements (less working capital = higher value)
15. Barriers to entry (harder to enter the market = higher value)
16. Preferred supplier status/Government licences
17. Social media exposure and SEO ranking
18. Foreign exchange risk (less exposure = higher value)
19. Intellectual property/Brand value
20. Systemized business processes and procedures (more manuals and documented systems = higher value)



# The Australian Small Business STATE OF THE MARKET REPORT

QUARTER 1  
2020

Type	Category	Demand	Value	Approx ROI	Type	Category	Demand	Value	Approx ROI	
ACCOMMODATION	Aged Care	↑	↑	9% to 14%	SERVICES	Equipment Hire	↑	⇒	16% to 33%	
	Caravan Parks Freehold	↑	⇒	9% to 19%		Labour Hire	⇒	⇒	25% to 33%	
	Caravan Parks Leasehold	⇒	⇒	16% to 25%		Printing	↓	↓	50% to 100%	
	Hotels Leasehold	↓	↓	13% to 30%		Professions	↓	⇒	50% to 100%	
	Motels	↓	↓	18% to 33%		Real Estate/Property Management	↑	⇒	20% to 33%	
AUTOMOTIVE	Automotive Dealership	↓	↓	14% to 25%		Security	↑	↑	20% to 33%	
	Car Rental	↓	⇒	15% to 30%		Serviced Office	↓	↓	33% to 60%	
	Caravan/Motorcycle/Marine Dealership	↓	↓	20% to 35%	RETAIL	Clothing Retail	↓	↓	50% to 200%	
	Mechanical Workshops	↓	↓	33% to 60%		Discount & Variety	↓	↓	50% to 100%	
	Service Stations	↑	↑	33% to 45%		Gifts & Florists	↓	↓	50% to 100%	
DOMESTIC SERVICES	Cleaning Companies	↑	↑	22% to 33%		Homeware & Furniture	↓	↓	50% to 100%	
	Maintenance	↑	↑	25% to 37%		Online Retail	↑	↑	20% to 40%	
EDUCATION & TRAINING	Childcare Centre	⇒	⇒	16% to 20%		Pet Services & Products	⇒	⇒	25% to 33%	
	RTO & Training	↑	⇒	22% to 33%		Post Office & Newsagencies	↓	↓	50% to 100%	
HAIR & BEAUTY	Cosmetic Salons	↑	↑	33% to 50%		Supermarket (Large)	↑	↑	25% to 38%	
	Hair & Beauty Salons	⇒	⇒	45% to 100%		Supermarket (Small)	⇒	⇒	50% to 100%	
HOSPITALITY	Bakeries	↓	↓	50% to 100%		SPORTS & RECREATION	Adventure	↑	⇒	25% to 50%
	Bars & Clubs	↓	↓	33% to 100%	Gymnasiums		↓	↓	33% to 50%	
	Café/Coffee Lounge	↓	↓	50% to 100%	STORAGE	Storage Complexes	↑	⇒	16% to 26%	
	Catering & Events	⇒	⇒	33% to 100%		TRADES	Air Conditioning	↑	⇒	25% to 50%
	Food Franchise	↓	↓	50% to 100%			Electrical & Plumbing	↑	⇒	33% to 55%
	Takeaway & Casual Dining	↓	↓	50% to 100%			Home Improvement	⇒	⇒	33% to 100%
	Vending	↓	⇒	22% to 35%			Pool Servicing	⇒	⇒	33% to 100%
ENGINEERING & MANUFACTURING	Construction	↑	⇒	25% to 38%	TRAVEL & TRANSPORT		Courier	↑	↑	50% to 100%
	Engineering	↑	⇒	24% to 33%		Road Transport	↑	↑	25% to 50%	
	Manufacturing	↑	↑	25% to 50%		Logistics	↑	⇒	25% to 38%	
MEDIA & COMMUNICATION	Entertainment	⇒	⇒	50% to 100%	UTILITIES & INFRASTRUCTURE	Vegetation Management	↑	↑	22% to 40%	
	Internet	↑	⇒	20% to 33%		Power Supply & Solar	↑	⇒	22% to 33%	
	IT & Communications	⇒	⇒	25% to 50%		Waste	↑	↑	16% to 33%	
	Marketing	⇒	↓	40% to 100%		Water Treatment	↑	↑	16% to 25%	
SERVICES	Accounting Practices	↑	⇒	25% to 33%		WHOLESALE	Equipment Wholesale	↑	⇒	25% to 33%
	Dental & Medical	↑	↑	18% to 33%	Food Wholesale		↑	⇒	25% to 33%	
	Facilities Management	↑	↑	20% to 33%	Product Wholesale		↑	⇒	25% to 33%	

RISING ↑ FALLING ↓ STEADY ⇒

## About this report

This State Of the Market Report compares the current sale prices for a range of business types with sale prices from the previous quarter. Usually supply and demand are the greatest factors influencing values, but there are other factors which influence the value of small businesses.

In this report we provide a guide to business values across many sectors, - across Australia. Within Australia there can be variances in business values which may be a reflection of local conditions.



# INDUSTRY REPORT SUPERMARKET SALES

## Are INDEPENDENT Supermarkets in Australia RECESSION PROOF?

The Supermarket and Grocery Store industry sector is one of the most fiercely competitive industries in Australia. The rapid growth of ALDI and Cosco over the past 10 years has significantly altered the industry and has contributed further to an already competitive market-place.

With the world now in the grip of the COVID-19 virus we see the supermarket industry as one of the more stable business types to be involved in. Sales in most stores have doubled throughout recent times as the independent and major retailers were ideally positioned to move quickly to source stock and to make decisions based on their community needs and store location.

Communities around these stores strongly support their local independent retailers who are confident that beyond the virus they will retain at least 10% of their new customers.

It's not surprising that demand has increased for buyers enquiring on purchasing supermarkets and convenience stores.

Metcash and Spar Australia who supply 90% of stock to most independent stores have been working closely with their retailers to ensure they follow same suit, to protect and increase their own market share by also being price driven through these recent chaotic (and unprecedented) times. They are being guided to become more store focused, encouraged to reinvest back into their individual stores and work closely with their customers to ensure they remain just as competitive if not better positioned to ensure growth in sales and profit continues.

Independents have a major advantage over the three majors as most owners work and live within the community in which they operate.

The IGA banner currently operates (approximately) 1,300 stores across Australia. Woolworths have a mere 861 stores and Coles 746. That said, Coles and Woolworths stores occupy much more space than the average IGA outlet and still, IGA handle a large share of the grocery market at approximately 7.1%.



## Future Predictions 2020 – 2025

The Benchmark Supermarket Sales Team see the next 2 – 5 years as a growing time for Independent Supermarkets as they continue to grow their number of stores around the country, and continue to expand private stock range, and focus on the ever-growing number and range of product categories, reducing Cost of Doing Business and working with logistics for a more streamlined operation -ensuring the success of owner-operated Supermarkets here in Australia.

The big difference in independents is they can successfully operate a supermarket from 100m2 up to and beyond 800m2 successfully, which is nearly impossible for any Major supermarket operator to succeed in. Independent supermarkets are here to stay, and will grow and prosper into the future. (Just look overseas and see the trends happening with very successful independent supermarket chains operating in competitive markets)

The Benchmark Supermarket Sales Specialists are working closely with Metcash, Foodworks, and Spar Australia to ensure all relevant information continues to flow through to our clients and ensuring we maintain knowledge of the ever-changing landscapes within the supermarket sector.

Banks are still lending to the right buyers that meet the criteria of individual lenders, but (of course) the Business needs to prove it can succeed.

In summary, demand for independent supermarkets is up, and prices for independent supermarkets are tipped to increase accordingly.... Once the world returns to normality.

**Mathew Hartley**  
*Supermarket Sales Specialist*

[supermarketsales.net](http://supermarketsales.net)



## INDUSTRY REPORT - SALON SALES

The three months leading into April 2020 have been very buoyant. There has been consistent sales volumes to date. Now with the onset of COVID-19 in early March we thought that the market would stall however we have seen very high contract completion rates as people who have committed to buying at this time are actually going through with their purchase. Salons have always been quite resilient through recession times as most people tend to holiday in Australia and also spend money on things that make them feel better.

Looking forward we believe there will be a stall in the market throughout April and then in May we believe that there will be an influx of buyers coming into the industry and also an increase in salon listings that need to get out of leases due to the closure of shops. Investment in this industry will be very strong over the coming months due to people buying jobs and also investors looking for the superior yields provided by fully managed salons.



[SALONSALES](http://salonsales.net)



**Iain Horne - Salon Sales Specialist**  
[salonsales.net.au](http://salonsales.net.au)

# Why you should consult a **BENCHMARK BUSINESS BROKER**

Buying or Selling a business is a specialised and complex process that requires considerable experience in a number of areas. Just as you rely upon a qualified lawyer for legal advice, and your accountant for financial advice - you should seek professional advice and assistance when it comes to buying or selling an asset as important as a business.

Our team of specialists have many years of experience in business sales, management, ownership and consultancy. Whether you're a business owner, investor, buyer, Benchmark will assist you, showing you ways to save time, money and effort – and how to reduce heartache and complication.

After many years in selling businesses – there aren't many challenges that we haven't seen or overcome before. One of the strengths of the Benchmark group is the fact that all of the brokers have either been involved in business or have operated their own small business – in fact some still do! So, in speaking to a Benchmark agent, you are speaking to someone who REALLY knows what it's like to be in business.



**Did you know that there are six essential elements which need to be present to enable a business to be sold? With these six elements present a business should sell promptly. Conversely, if any of these elements are not present, a sale may not be completed in a timely manner.**



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