

October 2015

If, after digesting the information available you wish to visit and discuss progressing the purchase further, you will need to fill out the attached "Prospective Purchaser Confidentiality Agreement" and return it to us, either by post to our address or scanned/attached to an email to: SellingUp@SplashDogGrooming.co.uk

Once we have this, we will call you to arrange a visit at a mutually convenient time/day where you can see and discuss any aspect of the business you wish plus examine detailed accounts information summarised in the sales brochure.

It would be helpful if you could also include a very brief introduction to yourself; your skills background, any business experience, how you propose funding the purchase and your aspirations in taking over/running this business.



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Dear prospective Purchaser of Splash Dog Grooming,

Thank you for taking an interest in our small firm. It has proven to be, and continues to be, a great source of income for a small amount of effort compared to previous businesses I have operated over the past 30 years. For a bit of background information, let me tell you a bit about how Splash was formed and my background. You can get a feel for that from the information already on the website, so this will just flesh it out a bit more and give you more of an insight to why we have decided to sell up now.

From the start, Splash was conceived as a "wind down to retirement" firm and never intended to operate for more than 10 years - 15 years as an absolute maximum. As such, the idea was to build up a decent repeat client base to a manageable level, reduce my hours and have a relatively stress free working lifestyle. Why we are selling up sooner than our planned schedule is down to the changes in the Pensions legislation that took effect in April 2015, which allows me to take early retirement much sooner than I would have been able to under the previous rules.

Dog grooming came about completely by accident and as you may have read on the website, was down to the need for our own dog Rio needing groomed as she was starting to look like a sheep. I didn't get good feedback from other dog owners when asked about the groomers operating in East Lothian and didn't want to have to take a day out to go farther afield so thought (with some scepticism from friends and family) that I could do it myself. Looked around and researched training facilities and booked on a 3 day introductory course at Scotgroom. I was hooked and blown away at just how much there was to it, plus surprised at how much I enjoyed it. I started doing some figures on it as a potential business start up and did some market research for the East Lothian/Edinburgh area. I decided to go back for the more intensive hands on 5 week course. I was able to pick up the methods quite quickly and became really interested in Poodles and other more complex styled breeds - to the extent that I ended up buying our Miniature Poodle Roco (one of Agnes's Poodles is his dad), after I finished and had a shot at showing him. I didn't enjoy the showing scene though and when Roco needed neutered due to a medical condition, that was the end of showing for us although I still like to spectate at shows. On the plus side it meant he was free to "be a dog" and could get wet, muddy and generally have a normal dogs life which we are all for.

The market research I did in late 2008 estimated that there was over 12,000 dogs in East Lothian so there was plenty to go around. The problem was getting premises to work out of, as to operate dog grooming commercially you need specific change of use planning permission as it is an unclassified business. That caused a problem for private landlords as it meant there would be a delay due to the planning process before they could rent out and no guarantee it would be granted anyway. There was a strong indication from some that they would charge a higher rent as a consequence of a consent change too. If the business failed it would mean they'd have to apply for change of use back again at their cost, with the same delays before being able to re-rent. So that was a non-starter. Trying to rent premises from East Lothian Council was the same problem, whether it was a class 4 industrial unit or a class 2 shop. The "easiest" route looked like buying, with a caveat of obtaining change of use before completing. Initially we had a property lined up in Dunbar, but that was a listed building and when investigated further, had unauthorised modifications which would have required extra expense to correct back. Another in Tranent had drainage problems in its basement and a third in Musselburgh almost went to completion until the seller had a significantly higher offer at the 11th hour which bombed us out.

After the first site in Dunbar failed, I obtained a mobile grooming van, intended as a temporary "stop-gap" to get the business started, while we searched for a property. The van proved to be very popular and not at all temporary, as it took 2 ½ years to finally buy a suitable property, get all the permissions in place, spend £30k converting and renovating it to current building standards and open for business in October 2011. I had expected that lots of our mobile customers that would want to stay mobile, so expected to keep the service for maybe one or two days a week

but was totally wrong, as it turned out to be less than 10. As we were now getting around 10 new customers per month with the increased capacity, the few remaining mobile customers were let go, the service ceased and the van sold to a start up groomer in Dunbar. She only lasted a few weeks before selling the van to another start up in Musselburgh. Unfortunately, there is a very high turnover in grooming start ups as it takes at least 6 months to build a good reputation and a large enough repeat customer base to become self financing, so until then you generally need to have enough financial reserves of your own to pay the bills to survive beyond that point. I have seen around 8 or 9 start up and disappear since starting Splash in February 2009. A very small amount of those managed a couple of years, but most only lasted a few weeks or months. To be fair, illness also played a part in the demise of some of these businesses.

I quite enjoyed the van, but the extremes of weather, especially hot and cold, are magnified plus the logistics of appointment times, travel time between, and estimating grooming duration took a lot of refining to get right. Within a year I had "topped out" the most you can achieve grooming that way and our available appointment slots were getting pushed further and further out, losing new customers and inconveniencing existing customers that wanted more regular appointments. Within a couple of weeks of opening the Studio the lead time to our next available appointment was dramatically cut and NO new customers were lost.

It should be apparent by now, there are significant and substantial benefits to purchasing an established business operating successfully and about to start it's 8th year, which has a huge (and still growing) customer base, with an excellent reputation and plenty of scope for further expansion. It is the best way to either get started or rapidly expand an existing grooming business. You are hopefully in a position to gain from this incredibly rare opportunity to do just that with Splash.

So if Splash has so much scope and potential, why have I not taken advantage of it myself? Well I have as far as I want to and I addressed that right at the start. I didn't want to have a high pressure working life any more and I didn't want a lot of staff to manage any more either. I've had businesses in the past where I've worked 110 hours a week and to 4am at weekends, travelled all over the country and abroad, had a multi-million pound turnover and employed 24 staff at a peak. Been there, done that - no desire or any need to go there again. Quite the opposite in fact and you can see from the annual financial summary in the sales information. I have specifically targeted reducing working hours whilst building/maintaining turnover and profitability. So bear in mind when looking at the figures that I was working 6 to 7 days a week in the beginning and have reduced that down to a leisurely 3 ½ days a week. But I'm also making more since opening the Studio on less days than I did with the van doing twice as many. I also have more holidays. My main overall strategy is to do less hours, maintain turnover and slightly raise profitability.

When the Studio layout was designed, it was done to accommodate up to 5 grooming tables and a wash/dry capacity of 60 dogs per day. This is 6x more than I currently average per day, but clearly even if you operate the way I do and simply increase the working week to 5 or 6 days, you will double turnover and the equivalent profitability. If you employ say 1 or 2 more groomers with 1 or 2 assistants plus a full time receptionist to handle bookings and expand the retail section out front, doubling, trebling and quadrupling turnover is achievable. So the potential is there to achieve £150k to £200k with the setup as-is by opening longer and having more staff. Also, with profitability running at around 46%, this is a proven, consistent, high margin business. In short, you can hit the ground running!

So why lay it out with this potential if I had no intention of utilising it? Given the high mortality rate of grooming start ups, I wanted to help more get started successfully as I'd already done with some mobile groomers. I wasn't concerned with competition as there is plenty of dogs around and even now with 1,400 dogs only cater for 10% of the East Lothian potential. So, I put the idea out there prior to the Studio opening that I'd be happy to operate a "rent a table" scheme along the same lines as hairdressing salons operate "rent a chair" to independent hairdressers - but no takers.

My background areas of expertise are in electro/mechanical and electronic systems design and manufacture, which took up my time from leaving school in the mid 1970's to 2001. I worked my way up through the ranks from an apprentice to running a development lab in a large company (6 yrs), left in the early 80's to work on sub-sea navigation systems (4 yrs) but the company folded and was made redundant a few years later when there was a collapse in the oil industry. I then formed my own design company (2 yrs), merged with a manufacturing company (14 yrs), was a Director computer importing company (2 yrs) and started another electronic company producing road traffic safety systems, of which I was the Chairman and Technical Director (14 yrs). I've also done commercial property renovation/letting, buy-to-rent and holiday letting. I had a small business computer networking/support company (8 yrs) but 33 years in technology was more than enough and so Splash was born. Quite a departure from all that went before, but I applied my past experience and technical abilities to bring my grooming equipment and facilities into the 21st Century. First of all improving the mobile van facilities, then adapting some of these for the Studio's new equipment. No other groomers have the advanced bathing and drying facilities that have been developed for our use.

It's time for me to move on to try out a couple of other ideas that I can do from the comfort of home, before finally putting my feet up for good. I hope that you too can see the potential of this fantastic little business for a relatively modest investment and that you decide to take it on, develop it to the next level and achieve a rewarding return.

Alastair Ritchie, Partner.