



THE LAUNDROMAT GUYS
GROWING PROFITABLE LAUNDRY BUSINESSES

POSITIVE OUTLOOK FOR THE INDUSTRY

Changing demographics, new technologies create opportunities in the market

The recession has hurt a lot of industries. But the coin laundry business has weathered the storm better than most. In fact, changing demographics have played in our favor; offering owners an opportunity to expand and capture new business. There's a new breed of customers that are requiring laundry services. Over the past two years, financial pressure has reduced home ownership and increased residency in multi-housing communities – many of which don't offer common laundry areas. Many people who owned home equipment have deferred performing necessary maintenance or purchasing new machines when the old ones wore out. And, in some areas, the transient population increased due to families relocating from areas hit by man-made and natural disasters, or from temporary workers involved in the associated clean-up and rebuilding.

Despite these factors, being successful won't come to those operating the "old school way." Successful store owners will have to become more sophisticated, building or updating their businesses to resemble a modern space that will attract these new customers and retain existing customers. Owners will need to offer a variety of amenities; have attendants with excellent customer service skills, and equip their stores with modern, efficient machines.

Keys for Future Success – excellent customer service and new technologies

The profile of the self-service laundry owner is changing. Many new owners are experienced business people who own franchises, are shopping mall developers or investors in a variety of other businesses. These individuals are poised to take business from those who have been in the game for a while, but haven't done much to meet the changing needs of customers. The new owners are sophisticated marketers and will make their store a destination rather than a place their customers dread visiting. One trend we are already seeing is customers looking for laundries that are better run and cleaner, with efficient and up-to-date equipment.

This is a market share business and one of the best ways to distinguish a store and grow the business is by enhancing the customer experience. Most customers are women, with children, jobs and lots of stress. They want to come to a store that's clean, comfortable and safe. Your attendants play a significant role in providing this atmosphere. Store attendants should be clearly identified – either by uniform or with name badges – allowing customers to recognize who they can approach when they're having problems. And the attendants should be empowered to represent the owner and resolve the customer's issues. For example, if a customer comes to an attendant with a problem, such as the machine skipped a cycle or their clothes didn't dry all the way, the worker should be able to restart the machines at no additional cost. Customers will appreciate the courtesy, building loyalty and contributing to positive word of mouth about your store. Attendants should also maintain the facility, making sure machines are operating properly, bathrooms are clean and garbage is where it belongs.

Offering small amenities will go a long way with customers and help make their visit more pleasant. Something as simple as free coffee or satellite radio can make a difference. Many stores offer a family



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area for children. These areas usually feature a television, a variety of books and magazines, and different types of toys. I have found that electric, sliding doors are a huge benefit; since carrying loads to vehicles while trying to manage children can be challenging.

Technology will play a pivotal role in the stores of the future. We are already seeing a move from coin to cards in many markets. And advanced controls provide new tools for managing stores by sending e-mail or text updates to owners if there are issues with their machines. Eventually customers will be able to leave their loads and receive a similar message telling them their laundry is ready for pickup or for drying. These sophisticated control systems reduce the amount of time business owners have to spend at their store and are especially beneficial for the owner operating multiple businesses.

Challenges

As we've seen throughout history, government can create as many challenges as it resolves. In our industry, dealing with a municipality's sewer-tap fee can be significant barrier to entry. Municipalities stand on the idea that laundries create a major impact on the city, county or state water and waste system and they levy those businesses accordingly. Experienced owners can sometimes argue successfully that their store will have a lesser impact and negotiate lower fees. It is often easier to acquire an existing laundry where sewer-tap fees may be grandfathered in with the former owner's contract. This reduces startup costs significantly. For newcomers, your distributor is a valuable resource to help navigate the fee negotiation. Another tip is to build relationships with other store owners. The more you know going in, the better your chances are for a successful negotiation.

Can we expect government interference to get better or worse? The answer is two-fold. In the short-term, the burden of sewer-tap fees will only get worse. Many municipalities are struggling right now, so generating money from commercial laundries is one way to substitute the loss of revenue. But in the long run, laundries will incorporate more and more energy and water saving equipment. They will be able to accurately monitor their store's impact and prove the reduced impact to municipalities. That, coupled with public pressure for adequate laundry options, will cause the fees to decrease, allowing easier entry into the business and greater profit.

Opportunities

It's important to remember that no business is recession proof, but the laundry industry is certainly recession resistant. The current climate, while offering challenges, also offers great opportunity. In many ways this is an ideal time for those looking to enter the industry or grow their current business. The population needing coin laundry services is expanding. Technology is making it easier to run a business and turn a profit. And, while financing may be problematic in our credit-crunched economy, there is ample real estate available. The savvy businessman can negotiate favorable lease or sale terms and enjoy the extraordinarily low interest rates. If you have the capital available, and love the action and the vibe of the of the coin op world, there has never been a better time to get into the business.