

Chapter 1

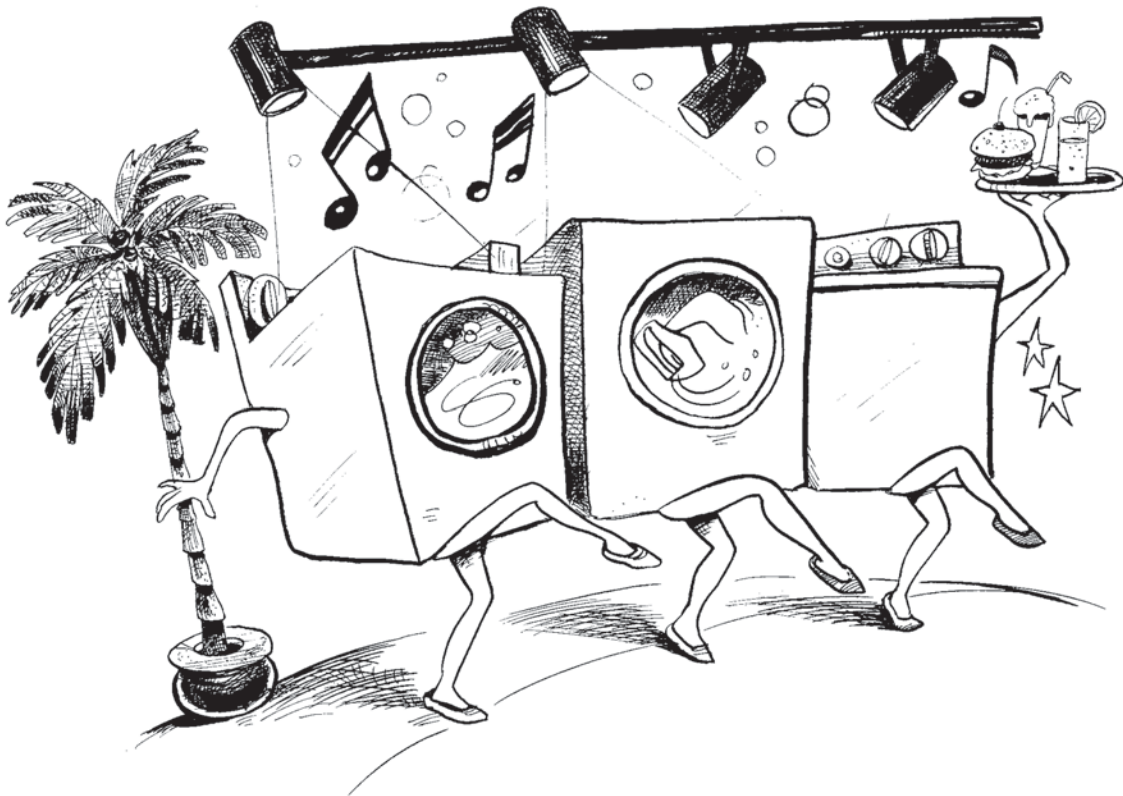
The New Laundromat

The coin-operated laundry industry has undergone a revolution. No longer dingy, unsafe, boring places that customers must endure on a weekly basis, laundromats are becoming fun and attractive multi-service centers that customers enjoy visiting. “The industry is now getting a facelift,” says Brian Wallace, president and CEO of the Coin Laundry Association, a national association for self-service laundry owners. “There’s a trend toward coin laundries being more comfortable for the customer.”

The newer laundries have snack bars, a place to leave off and pick up dry cleaning, and video games. Some of them don’t even

use coins. Instead, customers use swipe cards that subtract the cost of the wash or dry, much like a phone card or debit card. Many laundry owners also employ attendants to keep an eye on the store and help customers use the equipment.

If you’re thinking about getting into the self-service laundry business, the first thing you need to have is a clear picture of the industry—where it’s been and where it’s likely to go. In this chapter, we’ll take a look back at the history of laundromats, and we’ll discuss current industry trends, as well as the market outlook. In short, we’ll give you the skinny on what you need to know before launching your own laundry business.



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LAUNDROMAT RENAISSANCE

The coin-operated laundry industry is changing in response to several trends currently impacting the business. The first is that, for most of us, meeting the demands of work and our personal lives leads to a time crunch—there just aren't enough hours in the day to accomplish everything we would like to. Laundry owners are capitalizing on this reality by offering their customers time-saving convenience in the form of wash-and-fold (drop-off service) and dry-cleaning service. Some are even picking up laundry from customers' homes and delivering it back to them clean and folded.

In addition, owners have realized that they can maximize their profits by providing customers with access to multiple services. Since they're paying a set amount of rent on their commercial space, they might as well use that space to its fullest potential. Many owners around the country are serving food, renting mailboxes and offering free internet access. Because the new laundries are bigger than in the past—often 3,000 or 4,000 square feet—overhead is higher, and owners are looking for ways to cover the cost. These additional services demand little increase in overhead because

the rent is already paid for. Customers benefit by being able to use several services all in one convenient location.

Cindy Patel, who has owned Mountain Wash Laundry in Shelby, North Carolina, for a year, says that she is opening a snack bar and a minimart in her laundry. "I have a big space, 6,000 square feet," she says, "and this will help pay for it."

Paul Partyka, editor of *American Coin-Op*, a magazine devoted to self-service laundries, says that Patel's approach is the norm these days. "Trying to generate additional revenue per square foot has always been an issue," he says. "But it's even more so now with tighter competition and utility bills growing. Everybody wants to squeeze as much money as possible out of their space. Looking for an extra service that will work is always on their mind."

Another trend laundry owners have recognized is that customers prefer to visit laundromats with a more pleasant atmosphere. Many laundry owners are building kids' centers, holding music concerts, giving away coffee, and hiring attendants who are friendly and helpful. "I don't think we'll ever cross that threshold into making laundry fun," Wallace says, "but we're making it more comfortable."

Tom Leavitt, owner of Darcies Laundry in the Seattle area, opened three new stores, all of them near older, smaller laundries, most of which have since closed. Darcies offers customers a better deal: bigger stores with play areas for children and attendants on duty at all times. "Our stores are very convenient," Leavitt says. "They're clean, they have a friendly environment, and they have a lot of machines, so you can get in and out of there as fast as possible."

The Good News

As the population of the United States grows, the number of renters—your main market—is likely to grow, too. Other social



Bright Idea

If you have a friend who's a manicurist, a palm reader, a masseur, or something else that could complement your business, ask if he or she wants to offer those services in your laundry. Your friend will benefit from the captive audience, and you may draw more business from people who want to get their nails done and their clothes washed at the same time.

Dollars And Cents

According to *American Coin-Op* magazine, these are some typical prices that laundry owners charge for using the following equipment or services:

● Top-load washer:	\$1.50 per load
● 18-pound front-load washer:	\$1.75 per load
● 20-pound front-load washer:	\$2.00 per load
● 35-pound front-load washer:	\$3.50 per load
● Dryer:	\$0.25 per 10 minutes
● Wash-and-fold:	\$0.90 per pound
● Vended detergent:	\$0.50 per box

phenomena, like the prevalence of two-income families, suggest that convenient services such as wash-and-fold will continue to grow in popularity as working parents have less time to attend to household chores like laundry.

According to a survey from the Coin Laundry Association, more than half of coin laundries offer wash-and-fold. "It's by far the number-one extra service for laundries," says Partyka. "It's doing well." Partyka also notes that even people with washers and dryers at home are using self-service laundries for the sake of convenience. With the regular capacity machines used in homes, it can take quite a lot of time to do load after load—and that's where laundromats come in. "They just run over to the coin laundry, use a couple of the large machines and knock it off," he says. In other words, although the majority of laundromat customers are low- to middle-income renters, some laundries are tapping into higher-income markets by offering convenience: wash-and-fold service and large machines.

In addition, office dress codes are growing increasingly less formal. And as more people wear casual clothing (which doesn't require dry cleaning) to work and leave the nicer duds for special occasions, you

may find that consumers will be making more trips to the laundromat.

The Bad News

While the trends we've mentioned are favorable for entrepreneurs entering the laundry business, they don't suggest that business is booming. The industry is what experts describe as a "mature market." Save for areas that are seeing high population growth, pretty much every neighborhood that needs a laundry has one—or two or three that are competing vigorously. In some areas of the country, there are too many laundromats already.

However, there is room for new laundry owners. Many get into the business by purchasing an existing laundry and renovating it. Some also find that they can build a new laundry in an area with competing laundries and thrive by offering a bigger store, more services and better customer relations. Another way to get into the business is to locate your store where there is the best potential need for a new laundry: in an area that's experiencing population growth.

So as you consider getting into the laundry business, keep the words "mature market" in mind. Don't buy a store just because it's for sale or build a store just because you

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have a great idea for a new gimmick. You'll need to be very careful to make sure there's enough of a customer base to make your business thrive. You may be able to draw a little extra business from people who like using your store better because of its cleanliness or from people who use your wash-and-fold service, but the core of your business will be people who just want to get their laundry done quickly and conveniently. If there are already enough laundromats in the neighborhood to serve their needs, they're not as likely to patronize your store.

Finally, you also need to consider that getting into the laundry business requires a large initial investment. The average-size laundromat will cost you in the neighborhood of \$200,000 to \$500,000—whether you choose to purchase an existing laundry or build one in a retail space.

THE ANNALS OF LAUNDROMATS

Let's step back for a minute to see how the self-service laundry industry got to where it is today. It all started with the first wringer washer, built in 1907. During the Depression, enterprising businesspeople started using wringer washers to operate public laundries. These businesses were originally drop-off services, where customers left their laundry to have someone wash it for them.

Later on, customers could rent the machines to use themselves. "People took wringer washers and put them in a building," says Lionel Bogut, a laundry expert who's been in the business for more than 50 years. "They would tap hot water to each of the washers, and people would come in and rent them for an hour or two."

Electric washers were not produced until the late 1930s. When manufacturers eventually added coin slots to the machines in the late 1950s, true coin-operated laundries came into existence. A coin-laundry construction boom followed. There was such

Fun Fact

One of the earliest washing machines was designed so that you could hook it up to the engine of a Model T Ford. If you didn't have a Model T, you could still operate it by pumping with your hand or foot.



a high demand for these stores that anyone who built one was almost guaranteed a profit. The owners of coin-operated laundries didn't need to keep their stores clean and machines working to attract customers and make a profit. As a result, many laundromats were kept in poor condition.

The industry deteriorated as broken machines stayed broken, stores were left dirty, and vandals and thieves took advantage of the lack of owners' attention. In the 1960s, however, the industry experienced a resurgence. Smart new investors realized they could do better than run-down, unattended stores and started creating spiffy new businesses. They built larger stores, hired attendants, and added dry cleaning and clothing repair.

This revitalization didn't last long, though. During the oil crisis of the 1970s, the industry saw another downturn as energy costs cut into profits and rising interest rates scared off new investors. But the industry recovered in the 1980s, due in large part to the production of new, energy-efficient equipment by manufacturers. Since that time, the number of laundromats has steadily grown; today there are approximately 35,000 laundromats countrywide.

THE LAUNDROMAT LIFE

If you're planning on operating just one or two stores, you'll be in good company.

Entrepreneur Magazine's
Coin•Operated Laundry

Three-quarters of laundry owners own only one store, and very few have more than two. While there are no national laundry chains, a few local chains are starting to grow in various parts of the country. These chains are still quite localized, though, and only a few consist of more than a few dozen.

For a little more than half of laundry owners, operating the store(s) is their full-time job. Others take the moonlighting approach—they manage other businesses or work a day job. But more laundry owners are starting to own larger stores and more than one store. These people are able to survive on the income larger stores or multiple stores generate.

The amount of money you can make from a laundry varies tremendously. According to the Coin Laundry Association's Brian Wallace, the annual gross income from one store can range from \$30,000 to \$1 million. The expenses incurred while running a store range between 65 and 115 percent of the gross income. That means that for a store grossing \$30,000 per year,

at best it nets \$10,500 and at worst it loses \$4,500. For a store grossing \$1 million per year, the profit could be as high as \$350,000, or there could be a loss of up to \$150,000, depending on expenses.

Wallace says these profit margins have less to do with the size of the store than with its owner. An owner who runs his or her store well—who keeps it clean, repairs its equipment quickly, uses energy-efficient systems and offers good customer service—will see profit margins of about 35 percent.

The steady income that a laundry generates is a plus for many people. If you're looking for a business that will keep the cash flowing no matter what the rest of the economy is doing, you've found it in laundries. Clean clothes are a necessity, not a luxury, so people are going to use laundromats no matter how the stock market is performing. The business is also fairly steady month in, month out. So unless you draw on vacationers' dollars in a place with seasonal tourism, you'll find that you can count on a fairly steady income throughout the year.

Businesses Have Laundry, Too

A laundry can service more than families washing their clothes and sheets. If you offer wash-and-fold, consider approaching small businesses that might need laundry done on a regular basis: hair salons, pet groomers, day spas, motels, caterers, schools and restaurants.

Before you start knocking on doors, however, be sure you have your wash-and-fold system well-greased. And you'll need some wheels: Commercial customers will likely want you to pick up and deliver the laundry, as they're busy running their own enterprises. They may also expect you to invoice them, so you'll need to be ready to send out monthly bills.

Tom Leavitt of Darcies Laundry in Seattle has been successful with his commercial route. "There is a niche in the market for those who need laundry services who can't afford the really big commercial laundries," he says. But he cautions that the commercial accounts take some work to build and maintain: "It takes someone out there selling constantly."

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Stat Fact

According to *American Coin-Op magazine*, the top expenses for laundry owners include utilities, rent, employees, insurance, maintenance and parts, and loan payments.

But remember, the laundry business is not growing; it's mature. There are about as many stores as there is dirty laundry to fill them. To ensure your business will survive, you'll

need to make sure your laundromat is in a location that's convenient for people who use laundromats. And to make your business thrive, you'll need to give your customers something they don't get in other laundromats—a nice atmosphere, good customer service, and entertainment.

By now, you should have a much clearer picture of what the industry looks like. The next thing you'll need to think about is whether the laundry business is the right fit for you. In Chapter 2, we'll delve into what it's really like to own a laundry store, and we'll give you an idea of the personality traits that are best suited to this kind of business.