



Getting Into the Laundry Business

Presented by **Brian Wallace**
President & CEO of the Coin Laundry Association









Basic Industry Facts & Definitions

- Retail, self-service laundry
- 35,000 stores in the U.S.
- Industry continues to grow after 60 years
- Annual sales volume of more than \$5 billion
- Store sizes range from 1,000 to 15,000 sq ft; most in 2,000 to 6,000 sq ft range; average is roughly 2,300 sq ft
- Facilities split between owned and leased locations
- Serve core demographic of low income renters; nearly ⅓ of customers are female; 87% live within one mile of the nearest laundry; median household income \$28,900
- Highly-fragmented ownership; no major chains/franchises





Why Retail Self-Service Laundry?

- Provide a basic necessity in a recession-resistant business
- Proven steady, stable industry for 60 years
- Demand for service on a weekly, repetitive basis
- Customers provide primary labor
- Simple to operate in comparison to other small business endeavors
- Good cash-flow and Return-on-Investment in comparison to other small business endeavors and other investment options (equity markets, real estate, franchises)
- “Cash in advance” business; no receivables
- Very little inventory...



Why Retail Self-Service Laundry?

- Conducive to multiple-store operation
- Appeals to new and experienced entrepreneurs alike
- Positive demographic trends among core customer segments
- Demand for services expanding (new customers)
- Simple, but not easy business
- Can operate on a “part-time” basis (but not absentee)
- Remains state-of-the-art – there is no new way to wash clothes!
- PROFIT PROFIT PROFIT





Why NOT Self-Service Laundry?

- Large capital investment required
- Non-glamorous business – not for everyone
- Financial risk – not every store is a winner
- Rising operating costs – rent and utilities
- Highly competitive in many markets
- Scarcity of locations/stores for sale



Why NOT Self-Service Laundry?

“Lifestyle” considerations:

- Open for business every day; 100+ hours a week
- Are you an entrepreneur?
- You wear all the hats!
- Interaction with the public
- Mechanical inclination
- “Good” neighborhoods vs. profitable locations
- Personal safety



Fixed Vs. Variable Costs



After reaching break-even (fixed costs), the only other significant cost is utilities (variable costs):

- If utilities comprise 25% vs. gross revenues, then \$.75 on the dollar after reaching break-even drops to the bottom line
- The more “efficient” the store, the more profitable the store



Today's Opportunities



- Increasing demand for our services
- Positive demographic trends
- Improved image and perception of laundries
- Better equipped, more profitable stores
- Aging population of existing stores
- Shifts in economy and consumer lifestyles/behavior
- Appeal to non-traditional customers
- Advertising and promotions





Size of Investment

- Today's laundries vary greatly in both size and scope making it difficult to identify the "average" store
- Recent survey places total equipment and leasehold improvement costs from \$120 to \$290 per sq ft. Many projects fall within \$175 to \$225 per sq ft. Excluding sewer impact fees, cost of real estate, and operating capital

Caution: this a very rough range of costs.




Size of Investment

Please consider a multitude of variables affecting potential project costs:

- Local market conditions
- Quality of materials
- Current condition of building
- Existing utility service to building
- Size of store
- Quality & availability of contractors
- Level of involvement by investor
- Equipment mix
- Store design & layout
- Many, many more!

Anything short of current bids for a specific store project in a specific area is just a guess. Talk to your local CLA member distributor for guidance!



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How Much do I Need?



For a new store in an existing building, most projects will require 25% to 35% of the total project cost in cash.

Even the best store will need time to develop sales volume!

Don't forget the need for initial operating capital in addition to the resources needed for equipment and leasehold improvements:

- Marketing and advertising
- Cash-flow support
- Utility deposits
- Debt service





How Much Money Do I Need?

How much money is needed to purchase an existing laundry (excluding real estate)?

- Most existing store purchases require a minimum of 25% to 35% cash down; depends on your financing options
- Most existing stores valued at 3 to 5 times (multiplier) the annual net profit



Return on Investment (ROI)

- The most attractive feature of the industry cited by successful laundry owners is the cash-on-cash return on investment
- Return on investment for successful stores will vary, however most cite ranges of 20% to 35% annual ROI on cash invested.
- To fully evaluate the ROI place a value on your time and effort as owner/operator
- To you expect this to be your full-time or part-time endeavor?
- Will you rely on the cash-flow from this business to be your primary or secondary income?
- What will your store be worth when it comes time to sell?





Buying Vs. Building?

<h3>Building a Store</h3> <p>Pro's</p> <ul style="list-style-type: none"> - Your project, your design, your vision - Hand-picked location - Use latest equipment - Training employees - "New" sells! - Greater upside potential <p>Con's</p> <ul style="list-style-type: none"> - Unproven location - No existing cash-flow or customer base - Larger initial investment, risk - "Red tape" related to new construction - Higher cost of lease 	<h3>Buying a Store</h3> <p>Pro's</p> <ul style="list-style-type: none"> - Known commodity - Existing cash-flow and customer base - Cheaper lease(?) - Access to seller financing (?) - Smaller initial investment <p>Con's</p> <ul style="list-style-type: none"> - Lease problems - Older equipment - Inherit PR, maintenance, and employee problems - Due diligence required - Cosmetic upgrades needed - Availability of desirable stores? - Store has reached potential?
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Buying Vs. Building?

This decision is often made based on your **financial resources** and the **availability** of attractive new locations and the availability of desirable stores for purchase

Stay flexible; be patient; do your homework; and be willing to wait for the right opportunity





New Technology in Self-Service Laundry

Alternative Payment Systems

- Card-operated laundries
- Credit card acceptance at machines
- Hybrid (multiple payment options)
- Central payment systems
- Tokens and Dollar Coin

High efficiency equipment

- Washers
- Dryers
- Water heating systems

Digital video surveillance and remote monitoring

- Protect and monitor your investment




Best Practices for Profit

Most successful laundry owners exhibit common traits

- Price leaders in their markets
- Use the most efficient equipment available
- Regularly replace and update aging equipment
- Own their building or negotiate the best laundry leases
- Spend the most time/money on advertising
- Pay their employees above industry averages
- Continue their laundry education every day; Join their industry trade association
- Work with the best vendors
- Exercise preventative maintenance and learn to make basic repairs
- Spend time to grow their businesses

The most profitable laundry owners have selected the best:

LOCATION LOCATION LOCATION!





Evaluating an Investment in Coin Laundry

Today's customers want time-savings and convenience in a clean, safe environment that is close to home

Let CLA and its member companies be partners in your success

There is no substitute for homework and due diligence




Join the CLA!

- **Consultations:** One-on-one with the CEO and the VP, and a Grand Opening Consultation
- **Demographic Reports**
- **The Gold Book**, a comprehensive owner instruction manual
- **Industry Survey and Customer Profile**
- **Affiliate** networking groups
- **Members-Only Portal** with products, education & more free and with discounts for members.
- **Email Newsletters:** Safer Laundries and Legislative Monitoring
- Continued **Webinar Education**
- Exclusive **CLA Insurance** access
- **Laundry Library** of books:
 - Today's Coin Laundry
 - Road to Financial Independence
 - How to Find, Evaluate and Buy a Laundromat
 - Secrets to Buying & Owning a Laundromat



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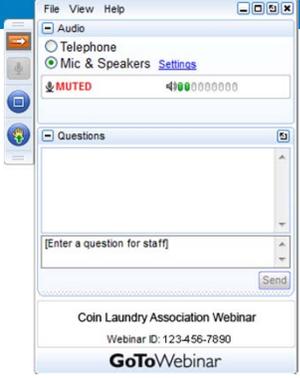


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Q & A

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