

Is 2019 the Year You Finally Become a Laundry Owner?



If Operating Your Own Vended Laundry Business is Your New Year's Resolution, Read This First



Cary Lipman, who lives in Atlanta, has designed, built, owned, and operated seven vended laundries and has been in the industry for more than 30 years. He can be reached at clipman36@aol.com.

On New Year's Day, I know two things to be true.

First, throngs of men and women from coast to coast will become members of their local fitness clubs or big-box gyms, which they will visit approximately seven times in the first month and then eventually taper off to exactly zero workouts by the end of February. (Hey, I'm no fitness expert, but may I recommend a one-month "try it out" membership over the two-year, ironclad contract with all of the bells and whistles?)

The second truth is that literally thousands of people will seriously begin to consider changing their lives by starting businesses and becoming their own boss. Most of them probably don't even know what type of business venture it will be yet, but it will be something – *anything* – other than the job they're in right now.

Everyone from school teachers to long-haul truckers to corporate executives will be searching the internet, looking at business opportunities in newspapers and magazines, and attending small-business and entrepreneurial seminars. Some will be looking to hold onto their "day jobs" while owning a side business, and others

(the vast majority, I suspect) would love to quit their current gig altogether.

This begs the obvious question: why invest in a vended laundry rather than the countless other brick-and-mortar retail businesses out there. There are many different reasons.

I've had people tell me they would like set up a retired parent with something that doesn't require a lot of expertise or special skill. Some couples have told me they're looking for a business that the stay-at-home spouse could oversee, despite he or she having no formal professional background.

Many executives are just flat-out tired of the corporate grind. They saved some money and want to own their own business. They don't care that they might be working 80 hours a week in the beginning, making less money than their current 40-hour-a-week position. In fact, I was that guy many years ago – and, seven stores later, I'm writing this through that very lens.

After opening his first self-service laundry, a friend once told me: "I'm in the water business. Customers put money in my machines, press a

button and water starts running. It's that simple."

Clearly, it's not quite that easy, but the relatively uncomplicated aspects of owning and operating a vended laundry, as opposed to many other types of retail operations, are quite appealing to many of today's potential new investors.

There are various ways an entrepreneur can get into the vended laundry business. They can purchase an existing laundromat, buy a completely "turnkey" store, or build out a brand new laundry. They can buy or lease a free-standing building – or space in a shopping center, a strip mall or a retail storefront on the street level of a six-floor walk-up in the middle of a block. For your first laundry business, I would suggest keeping it simple. A fairly typical scenario would involve renting space in a busy shopping center with ample parking and several other compatible businesses.

Everyone knows one of the major attractions of owning a vended laundry is that people need clean clothes... no matter what. It's one of the few small businesses that will resist, to varying degrees, a long-term recession. Also, in most cases, state sales tax for your laundry services will not be an issue. In addition, there are no franchise fees to pay or monthly royalties.

If you plan to operate an unattended store, your labor expense will be almost nonexistent. In such cases, owners can practically manage their stores with

their phones, an automatic door lock, and a janitorial staff to keep the laundromat clean. A partially or fully attended operation gets a bit more complicated, but it will afford you the opportunity to offer a wash-dry-fold service and perhaps also take in some commercial accounts – thus, somewhat offsetting the staff wages and other expenses you'll be paying.

Your self-service customers will do their own work in your store, and you will get paid immediately. The services you provide your customers are mainly delivered to you directly through your store's pipes and wires – and are not payable for 30 days. You won't be carrying accounts receivable, and you'll require only minimal inventory, such as vended soap products, sodas and snacks. This nearly eliminates any concern over pilferage, shoplifting or competition from Amazon.

By using an industry average of about three or four "turns per day" (that's the calculation to determine how many times each washer and dryer is potentially used by customers during a business day), the vended laundry industry boasts a relatively high return on investment and a healthy annual positive cash flow after debt service, along with some positive tax benefits. As a result, it's not unusual for a well-managed store in a good location to return all of the owner's capital in two to three years. Best of all, after you are established you don't have

to be in your store all day every day – leaving you time to do other things, such as opening more vended laundries.

Your equipment distributor has a vested interest in your success, so choose this "business partner" wisely and don't be afraid to lean on them for advice and support. Experienced, successful laundry distributors are extremely knowledgeable and helpful in training and assisting you and your staff in the business of operating your new vended laundry.

For instance, today's leading distributors are capable of generating computerized floorplans with sample layouts, illustrating the proper configuration of washers and dryers for your store, and buildout costs for your particular space. Then, once you add all of your other necessary expenditures, you will be able to calculate your total financial commitment for your laundry project.

As with any business venture, there will be a capital commitment to open a vended laundry. Obviously, the size of the investment will be determined by the scope of the project. The financial requirement, beginning with site development through reaching your breakeven point after opening, will be a combination of personal money and possibly bank or equipment manufacturers' financing on the machines and ancillary items for the entire store. After determining what can be financed, you will have a clear picture of just how much of your own cash you will need to proceed.

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Over the years, I've used 40 percent of the total dollar commitment as a conservative guide for the minimum cash availability required for any financed project. For example, when building a new store that will cost \$375,000 from beginning to end, including all of your equipment, you should have \$150,000 of your own cash available. That should cover almost everything, including several months' cash reserves.

Don't even think about taking out a second mortgage on your home. I can think of only one thing worse than losing your business – and that's losing your business and your house at the same time.

I've broken down actual cash needed to open a vended laundry into three major categories: "soft costs," "hard costs" and "cash on hand."

Your soft costs will be everything from attorney's and accountant's fees for helping with your lease negotiations, as well as setting up your legal entity and money management system. Also, more often than not, you will encounter a sewer impact or "tap fee." These nonrefundable fees are typically paid to the water and

sewer authority up front before bringing your blueprints to the building official's office for your building permit.

Your insurance deposit, lease deposits and first month's rent usually have to be paid in advance of starting any work. Your first month's rent will be applied to the first month after your "free rent" period for leasehold improvements has been completed. If financing is part of the package, you will have to deposit a couple of months' payments to the finance company. Some finance companies allow several months of interest-only payments to help you get on your feet.

Typically, your gas, electric and water providers will require a deposit. Some companies ask for one or two months' projected billing. These deposits can be sizeable, so always ask to have them returned to you in the form of a credit at the end of the year for your good payment history; I have never experienced push back about this request from any utilities over the years.

Some other soft costs will include marketing and advertising, grand opening expenses, the cost of your business license, town or municipal fees,

and the inevitable "surprises" – which typically are not a good thing. However, you must be financially prepared to handle them and move forward.

Hard costs include your architectural blueprints, along with any buildout requirements such as carpentry, plumbing, electrical, venting, upgrading utilities, flooring, painting, signage and other leasehold improvements.

No doubt, after opening your doors a strong cash reserve is vital to getting through your first few critical months of operation. Your absolute minimum amount of reserve cash on hand after all other expenditures should be at least the total of three to four months' operating expenses (more is definitely better). It also helps if you have income from other sources to take the pressure off while you are ramping up.

However, even before you store's soft opening, you can't just sit on your hands, saying, "If I build it, they will come." Your "Coming Soon!" marketing and advertising efforts must be laser-focused on driving customers into your store when you open your doors and on building up your revenue to hit the breakeven point as quickly as possible, which means no longer having to go into your checkbook to cover any more deficits.

The feeling you get when that first customer walks into your store with a laundry basket filled with dirty clothes and goes straight to your washers is something you will never forget. Then, you can take a deep breath and really start building your laundry business.

[The opinions and financial advice shared within this article are those of its author, not PlanetLaundry or the Coin Laundry Association. Before deciding to get into the vended laundry business or any other entrepreneurial venture, be sure to consult your attorney, accountant, and other trusted professional business advisors.]