

COVER STORY

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How to Respond When a New Laundry Business Enters Your Market



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Bill Gates has carved into his desk a quote by Andy Grove, one of the founders of Intel. It states: "Success breeds complacency... complacency breeds failure."

This may sound strange or surprising, but there are many examples of this in our business – illustrating that success is one of the biggest contributors to the failure of an established laundromat when a new, larger, more modern store opens nearby.

Savvy and professional new investors are developing and opening much larger vended laundries in the middle of mature areas, where smaller, successful stores have been doing business for years. Of course, it makes sense – go where the customers already are.

Your laundromat has been doing well for so long, and by all measurements, your business is a success. However, as we all know, "good is the enemy of great" and when the competition moves in you will need to be great.

Like so many of us in this business, perhaps you have been slow to replace those old washers and dryers with new, state-of-the-art machines over the years. It always seemed to be cheaper to just keep fixing them.

You also probably haven't thought very much about an important statistic that you no doubt learned a long time ago. Your neighborhood's renter population changes every seven years. And, as you think back, you can't seem to remember the last time you did any sort of marketing or advertising within your community.

At this moment, a quote by Benjamin Franklin seems quite poignant: "Love your enemies for they tell you your faults."

To many of us a very natural initial reaction to new competition would be to panic and see your life pass before you. Then, after settling down a bit, you begin to strategize in your head...

"I'll drop all of my vend prices! I'll offer free dry to my wash customers! I'll give away free soap... a new flat-screen TV... an all-expenses-paid trip to Bora Bora..."

There are differing schools of thought on the subject of competition with several approaches you can consider. Some very experienced laundry owners will tell us to lower our vend prices or offer free dry for several months – assuming the new owner's

FROM THE FRONT LINES: Muskegon Laundromat

Owner: Larry Adamski

Location: Muskegon, Mich.

It was 3:00 p.m. on Christmas Eve 2009. That was the day I discovered a new laundromat under construction just two and a half miles from my laundromat. I was driving by a building that was being refurbished. The tarps that previously covered the entire front were gone now, revealing an automatic entrance door. I knew that there are only two types of businesses that have automatic entrances – grocery stores and laundromats. And this building was too small to be a grocery store.

That new laundromat immediately went to the front burner of my mind. It was about one month from opening. How would it affect my laundromat? How should I react? When should I react? I decided to make no immediate changes to my operation. I would closely monitor my sales to gauge the impact of the opening of this new, 2,500-square-foot store. I considered the opening of this laundromat as a direct attack on my profit and, therefore, would come up with an effective defense.

I began developing my “secret nuclear weapon.” This weapon would be delivered using my 13 new 20- and 30-pound, hard-mount washers. Meanwhile, six months passed and the new laundromat was gradually eroding my customer base. It had opened with substantially lower prices and soon began offering daily specials as well.

My secret weapon was developed, tested and ready for deployment. What I didn’t know is whether or not this weapon would destroy the new laundromat or destroy my own business. Either way, the timing had to be near perfect, so I waited another five months until the new laundromat had been building its customer base for nearly a year.

Then, I quickly deployed my nuclear weapon, which I call “E-cycles” – for Effective, Economical, Expandable and Expeditious. Those 13 frontload washers were unique among

all vended washers in the country at the time, boasting a 20-minute cycle. The washers also had a reduced vend price but were fully capable of washing even the most soiled loads through customer expandable, up-charged options like extra wash and extra rinse baths.

Having deployed my exclusive E-cycles, my sales dropped substantially due to the now deeply discounted washers. Of course, this was anticipated, so I simply waited to see if my sales would recover in the coming months. When my sales began to climb above pre-deployment levels, I knew that my plan was having a devastating effect on the new laundromat. My sales continued to climb higher month after month. Confirmation of the overall devastation came when the laundromat’s landlord contacted me. He informed me that he had yet to receive any rent payments from his lessee. He even offered to sell the building to me.

Not long after that, the equipment manufacturer and the distributor sent representatives to visit the store and to assess the competition – namely, my laundry business. They met with the owner and an agreement was reached to close that competing store. Documents were signed to augment the repossession of the equipment. I bought three laundry carts from the owners (my “trophy carts”), which I made sure were not on the repossession list. That laundromat closed 21 months after it opened, and all remaining equipment went back to the distributor.

My customer base was fully restored shortly after the closing, and it continues to grow. Today, all but two of my washers are E-cycle-capable. I have since developed a Generation II secret weapon that is ready for deployment should the need present itself. I expect this one would be even more effective than my E-cycles, which I continue to offer my customers to this day.

rent is high, and he or she probably has a huge monthly equipment note. This new owner can’t possibly compete on vend price for very long, one would think.

On the other hand, many veteran operators feel that you may be trapping yourself with this strategy, becoming the guy who sells only price and not so much quality.

In the end, I believe the reality of this strategy is that you would slowly lose your existing self-service customer base over time, without being able to replace them with new customers. Couple that with the unrelenting increases in the

cost of doing business, and you may be painting yourself into a corner, with the inevitable selling or closing of your business as your only remaining option.

It’s possible you can maintain a number of your regular self-service customers and especially your wash-dry-fold clients, if they like you and your friendly attendants. These are important strengths that the new owner has yet to cultivate. Your customers will appreciate the reduced vend prices each week and remain loyal even though the new store is offering spaciousness, new technology and much larger machines.

FROM THE FRONT LINES: Suds Yer Duds

Owner: Andy Merendino

Location: Carneys Point, N.J.

Having new competitors move into my markets has happened to me multiple times over the years with various types of businesses. The most important lesson I've learned is to try to reach out to the owner of the new business. Having a discussion about business practices could be important and might yield friendly competition, where both stores can survive. Once the competing owner realizes you're not leaving town and are prepared to invest in your business to be more competitive, this can make a huge difference.

Competition can – and should – motivate you to work harder to be better. I would immediately create a game plan to further invest in my business to make it the best it can be. First, it's time to fix everything that is wrong – everything you've been too lazy to deal with. Even that one washer or one dryer that's been out of service for a while because it needs a \$500 part – fix it! Every machine needs to be working.

After that, take a walk around your property with a clipboard, taking notes. Start outside at the curb. How's your curb appeal? Do you need new signage? Does the parking lot need repairs? Is your building's exterior holding up?

Inside the store, I like to redecorate, paint, and clean up all the nooks and crevices where dirt can build up. Does your flooring need repair? Is your restroom clean, inviting and fully operational? It all matters.

Lastly, I like to add something new that the customers will notice and love – perhaps it's a new payment system, some new furniture or a few larger machines.

When the new competition finally opens up, I believe you have an obligation to go visit. Take notes on the pricing, as well as what the new store is offering that you don't. Congratulate the owner – whom you should have already met – and wish him or her well with the new venture.

Above all, don't panic! Don't hastily drop your prices because the competitor is cheaper or seems to be better than you. Wait and see how the customers trend toward the new store. If you have done everything suggested above, there's probably nothing to worry about. It may be a matter of simply figuring out how to trim some of your regular monthly expenses. But you'll be fine.

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However, over time, it still may not be enough – especially when you inevitably have to return to your normal pricing, while your store remains in the Stone Age in terms of equipment, amenities and overall vibe.

Drop the Gloves

With that said, I'm solidly in the camp that espouses taking off the gloves and getting serious. Keep your vend prices exactly the same, while creating a store that's better than ever. You are now in a battle, not of your own choosing – and you must start thinking like you are opening a brand new laundry business for the first time.

As soon as you discover a new laundromat “Coming Soon” or “Now Open,” I recommend you begin telling all of your customers about it and asking them personally or through a written survey what improvements they would like to see in your store. Get in front of it and show no fear.

After all, your customers are going to find out about the new store anyway. I believe it's better that the news comes from you first. You will be amazed at some of the valuable insights and suggestions your customers will come up with. You'll be wondering why they never told you that before. (It's probably because you never asked before.)

Get in touch with your local distributors – except the one building the new store across the street from you – and start pricing the new washers and dryers being manufactured today, along with all of the ancillary equipment and available financing. Take note of the newest technology, payment options and other bells and whistles now on the market.

Next, be certain that your laundromat's infrastructure is solid. And, if at all possible, retool your business with some new, larger machines. It has never been beneath me to send a “secret shopper” into a new laundry to see what it's got in there and what the owners are offering the neighborhood.

If you are currently providing a wash-dry-fold service, turn it into a first-class operation and take your quality to the next level. Also, seriously consider starting a pickup and delivery component, possibly using a third-party to pick up and drop off while you process the laundry.

I strongly recommend that you get out and into your local retail community to begin signing up commercial accounts each week. You should be looking for small businesses that generate some type of laundry on a regular basis – and there are plenty of them right near you. Also, visit the schools in your area, and leave flyers for all of the teachers and administrators, offering them one free wash as a way of re-introducing your laundry business to the community.