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## LAUNDROMAT OPERATIONS

### 1. What to expect and do when a beautiful new store opens near you

Potential competition from a new or remodeled Laundromat is part of the experience of Laundromat ownership. If you operate your store as a safe, clean (with well maintained equipment) and a friendly staff, you will see an initial drop in income, but after the Grand Reopening promotions of a new competitor are over, your business should return to normal. Keep in mind that new Laundromats draw most of their

customers from apartment buildings and homes with old or broken washers. It's a mistake to believe that a new Laundromat will draw away all or most of your customers.

As your business dips at the beginning, it also makes your store more desirable because your store is not as crowded on weekends. Avoid engaging in a price war of any kind. Competing with lower prices gains nothing for you or the new Laundromat owner. Try to arrange a meeting with the new owner and ask about his pricing policy. Explain that no one wins in a price war. If your equipment is older, advise him that you will price your equipment at a quarter less than his new machines. If he's an experienced owner he'll set his prices accordingly. Avoid discussing fixing a price, but only advise that you'll be following his lead on whatever pricing he selects.

The money he spends on promoting his business will also tend to help you as he attempts to draw customers out of their apartments and into the notion of using the many benefits of a Laundromat. In a worse case situation, the new owner will believe he can drive you out of business. It won't work, and keep in mind that in six months to a year you'll both be competing with used equipment. Don't panic, don't get into a price war and make sure you treat your best employees with special attention. The new owner could attempt to recruit your best workers. Be aware and act accordingly. Finally, try to handle this event with a positive attitude. It's part of the Laundromat experience and remember that problems are not forever and that "this too will pass."

## **2. What to do if someone leaves their wet clothes in a washer?**

It's a flip of the coin decision to me. If you dry the clothes, you have to fold them to avoid wrinkling. Almost all customers will be thankful. If you leave them wet, you might have a very unhappy customer, although I doubt you'll be damaging or growing anything on the clothes if you left them for ten hours or even overnight. Ask yourself what would you like to have done if it was you who left the clothes in the washers?

In our fast paced life, people forget things. Haven't you ever left a roast in the oven for too long? Missed a birthday? Missed the bell and forgot clothes in your own home washer? Stress, distraction and sometimes even emergencies can result in routine things being forgotten. Dry it, fold it, and you're likely to have a customer for life.

## **3. Should I only buy replacement parts from my local distributor?**

The sale of replacement parts is a huge profit center for most manufacturers or distributors. They don't set their prices based on a comparison with Ebay parts prices.

Some of these non-OEM (original equipment manufacturer) parts are just as good, some better and some not as good as those OEM parts you can buy from your distributor.

Many distributors may purchase some of their parts from sources other than their factory sources because they also recognize the comparative high prices.

I suggest you try these parts and make up your own mind on their quality and service life. If you buy a Ford automobile do you only buy your tires from your Ford dealer? How about oil changes? Same concept with replacement parts.

You can also search the internet for other factory distributors willing to discount parts. There is no restriction on distributors selling parts outside their assigned marketplace. Search for the best deal from various distributors and parts warehouses.

There are certain parts I would only buy through a factory outlet but many disposable parts can be sourced from a variety of locations. Many of the factory parts and "pirate" parts are made in Asian countries and sometimes are made in the same parts factories.

Do you send your computer boards for repairs or always buy new boards? This is another cost saving area. In today's marketplace with increased competition, it is smart to search a little, for parts and repair services, and sometimes save a lot.

#### **4. Inspecting dryer flames and removing lint from you dryers.**

I've found that observing dryer gas flames and the determination of their meaning can best be provided by an inspector from your gas company provider. You're looking for the blue flames and not the orange ones. In SoCal, inspections are prompt, professional and free of charge. This is one area of ongoing maintenance better left to gas company professionals. These inspectors have looked at hundreds, maybe thousands of irregular gas flames and can provide you a conclusive report on causation. You're paying for these services; why not use them (if they are available in your area).

It is well known that lint buildup in or near the burners can impact the burn efficiency and can certainly be a cause of a dryer fire. This area should always be kept clean with a wet-dry vacuum and a can of air. You should also visit your roof at least once a year to inspect for any gaps in the sealants around vents and other roof penetrations, dryer vent obstructions, bird nests, tipped over candy canes and excessive lint accumulation.

The dampers seldom develop lint buildup because they are near the fans and therefore the highest volume of airflow. They can be impacted by birds that have flown into vents and after dying fall and block the dampers from opening correctly, but they are not used as an easy way to inspect vents. It is frequently suggested that access through rooftop candy canes are a better way to both inspect and clean your vents instead of taking apart interior venting.

If you do not have excessively high ceilings (roofs) and properly installed vents, the buildup of lint in vents is rare, if at all, and seldom restricts airflow so much that it would impact dryer capability. Lint buildup on dryer computer boards, burner boxes and behind the drums are far more troublesome than vent problems. This is especially true if installation instructions were followed including no flex venting, no multiple vents into larger vents, screws used in vents, 90 degree turns or the use of undersized vent pipe.

A common rule of thumb is a minimum of one square foot of unrestricted intake air for every 30-LB tumbler drum and an additional three to five square feet of air intake for your water heater system depending on size. When you screen (to prevent bird/animal access) your intake vents, you need to increase your total air intake capacity. These need to be cleaned whenever they accumulate lint and restrict airflow. They should be located as far as possible from the lint infused exhaust vents of the dryers.

When stack dryers replace single dryers in a remodel, an increase in intake air vents is sometimes lacking caused by a lack of following installation instructions or a desire of an installer to save time and money. Since your dryers are older, make sure you have sufficient makeup air available since dryers need enough air to breathe and function efficiently.

As to cleaning your vents, use a large capacity wet-dry vacuum hose (with extended hose) lowered into vents through the candy cane to see if significant lint being is picked up. It is a great way to determine if more attention is required and it can also be used to remove any excessive lint buildup with the help of a chimney brush head.

Finally, it is important to review your installation manual every now and again to ensure you have not missed anything and you're specifically following the instructions and recommendations for your brand and model of dryer. Sometimes the first read results in an overlooked item. Don't overlook your interior dryer vent screens for gaps or even small holes. These screens should catch most lint before it can enter the exhaust vents.

## **5. How to react to customer bad behavior in your Laundromat.**

- 1) Instruct your cleaning people, attendants and contract repair people to never physically engage or verbally confront anyone exhibiting behavior that could lead to violence. Your staff is not trained and they don't make enough money to handle these situations. Instruct them to walk away without comment or attitude, even if it means leaving the premises.
- 2) Prior to a potential incident visit your local police precinct to understand their response techniques in these cases. If they are only going to ask bad people to leave, a call to the police may not be the best option because the bad ones will know you called the police and may elect to retaliate against your staff or equipment in the future. Sometimes doing nothing is the best option. Burning fires do eventually go out, and there is little sense in throwing fuel on a burning fire.
- 3) Discuss in detail the matter with a watch commander or official of the local police agency before you formulate how you will react. Planning ahead avoids silly responses in evolving situations that can become violent. Have a plan before these things happen.
- 4) The days of physically throwing people out, flashing a gun, carrying a baseball bat or using abusive language are gone. These actions might lead, in our current world, to significant legal issues for you and may excite an elevated response in the matter at hand. Be cautious, be careful and avoid confrontation.
- 5) Make sure you have video equipment that is working and you're able to quickly make a copy for law enforcement personnel. Many people don't have cameras, don't know if they are working and can't figure out how to download a copy for the police. Be prepared and you won't be disappointed.
- 6) If there is violence and injury, it is a good idea to call the fire department or other agency medical assistance agency to respond to your location. If someone is injured, it is great to quickly have medical help available, and it is the right thing to do.

## **6. Losing money by installing super large capacity washers?**

Many distributors are pushing the purchase of 80-LB and 100-LB washers. Salespersons often encourage a lower vended price for their jumbo washers in order to draw in customers. Often owners are confused by the large cost of these jumbo washers, the recommendations of others, and worry that the washers might not be used enough, so they give away their profits by lowering prices.

Laundromat income should not be calculated by the number of pounds that are processed during a day. When prices are lowered on the larger machines it reduces the income of the facility. If a top load (12 pound capacity) is two dollars, how much should you charge for an 80-LB washer? Proper pricing of \$13.25 would balance out the income regardless of washer selection.

Unfortunately, many owners elect to give drastic discounts to customers who use larger machines and actually cut into their own bottom line. This makes no business sense. It is one of the downsides of the variety of washer sizes used in Laundromats today with the advent of so many front load washers. There are only so many pounds of clothes (demand) available for processing in a market area. There is nothing a Laundromat owner can do to increase the basic need to wash clothes and therefore increase the demand of customers. You can't create more dirty clothes. When large washers offered at discount pricing are common, the overall income based on the finite pounds of processing is reduced in the marketplace.

If you believe that customers prefer to stuff all their clothes into an aircraft carrier sized washer because they think it's a benefit, you're wrong in my opinion. Customers

use the large machines because they have calculated that Laundromat owners are giving discounts on their jumbo inventory of washers. Many Laundromat customers are poor but they're capable of recognizing a deal; a deal that directly takes money out the pockets of the Laundromat owner. I find it curious that fluff and fold operators are very specific on their cost per pound but totally ignore their cost per pound on their self-service customers.

I'd love to see a single study that shows the installation of 100-LB washers sold at discounted vended prices improve the net income of any Laundromat owner. Short of an actual verified study, and ignoring those owners with only undocumented opinions, I'll state it doesn't make sense. However, you're free to give your money away and crow like an early morning rooster as to the benefit of super large washers. At a minimum, you've made a few customers and the equipment salesman happy people.

## **7. Does buying new equipment always increase business?**

"Free" has been tossed about by politicians and Laundromat sales people for too long a time. It sounds great, but is not always achieved. In a September, 2021 Planet Laundry article this subject has been touted by someone identified as a "national consultant" and a Laundromat owner.

Sorry, but I see this more as a traditional equipment sales pitch as the Planet Laundry article leaves out some of the contrary, additional or alternative points that should be considered before accepting the information as conclusive.

1) Increased gross sales are possible but not always. If your business has a depressed income stream brought about by the opening of a new store within your marketing area that is bigger, better designed, with better visibility and parking, installing some new washers and dryers will have a minimum increase in your gross revenue.

2) Increased vend prices are possible if your current prices are way below market. Sometimes there is little room for further price increases just because your washers and dryers are a few years newer. In an urban setting with aggressive competitors operating new or near-new stores, price increases will be limited. When you hear a suggestion that up to a 20% increase in revenue is possible understand it is more of a wish than a guarantee.

3) Utility savings claims are more of a magical trick than a reality. If you want to say that new equipment has made "significant progress" with regard to energy efficiency you will often be wrong. By reducing water levels during cycles (less water in the tub) and reducing in frontloads the number of washes and rinses (no longer two washes and three rinses, but now one wash and two rinses) is not "significant progress" in efficiency but is the magical trick of factory marketers. Reducing water levels in the tubs and reducing cycles in each wash program may reduce utility use but significantly reduces the quality of the cleaning properties of your washers. Do you think your customers won't notice? Anyway most purchasers of new washers raise the water levels in their washers after the wave of customer complaints about water levels being too low. The factory brochure listing extremely low water use is maintained only on the paper of the brochure. How has a ten year old Dexter dryer become more energy efficient in their latest model? What about dryer factories who elect to lower BTUs? Does this actually reduce gas use or increase the time of drying? There has been minimal to no significant increase in drying technology in the last ten years for the major manufacturers. Slower drying times brought about by lower BTUs can increase customer dissatisfaction and increase the need for additional expensive dryers.

4) Depreciation on new equipment really benefits those who have large incomes,



including millionaires, but the regular guy operating a single Laundromat could see a limited, to non-existent, benefit.

5) ADA would only benefit those who are replacing equipment preventing the handicapped from using. No changes in stack dryers for at least fifteen years. Same with front load washers. All were and are considered ADA compliant.

6) I hope this allows a more in depth look at the benefits of buying new equipment and the actual cost in a wider view of various regions in our Laundromat industry free from the constraints and influence of manufacturer and distributor sales pitches.

## INSURANCE RELATED ADVICE

### 1. Cause and solutions to frequent dryer fires and avoiding claims.

If you have a properly installed vent system, it is extremely rare to have a fire in the exhaust venting. Once lint enters a clean, straight vent that does not have curves, bends, and screws holding the vents together or with long vent runs, it would be rare to have a fire in the venting itself. Most lint is captured in vent screens or blown up onto the outside roof. In owning over 50 stores I never had a regular vent cleaning schedule.

Most dryer fires start and are contained in the cabinet of the dryers. Read the installation instructions and recommendations, including but not limited to a build-up of lint inside the cabinet and more likely behind the drum. Holes in lint screens or improperly inserted lint screens allow lint to build up in areas near the heater box or behind the drum. I've never found lint buildup in the vents without finding corresponding lint inside the cabinet.

Trusting your installers without reading installation guides and observing the work can lead to poor lint handling in your dryers. Especially the decision to save money and tying two vents into one vent (with a stack dryer, this is four dryers funneling into a single rooftop candy cane is a cost saving installation not recommended by the factories.

The only alternative cause that I would look at is the drying of oil or chemical infused cloth that is catching fire inside the drum itself caused by a business customer or a regular who has a job that involves extremely dirty work clothes with petroleum or chemical stains. Post signs telling customers to not over dry or to dry any item with a petroleum smell.

Ask for a fire prevention inspection from your local fire department or utility company providing your gas service. Should be free and you'll get a professional opinion.

### 2. Increased Laundromat insurance on the rise.

If history repeats itself, Laundromats may have some difficult times in shopping for insurance in the continuing recession. Our last big recession saw big name insurance carriers like State Farm, Allstate, Farmers and others drew back from the Laundromat market.

Despite what some critics say, the profitability of insuring Laundromats is small. During tough economic times, underwriting of business risks undergoes scrutiny and guidelines are sometimes tightened.

One could anticipate that many more carriers could expand their guidelines by refusing to insure 24 hour locations and imposing strict requirements to have an employee on location for all hours open.

A few sketchy operators are likely going to increase costs for all Laundromat owners by not complying with these rules. "I close for an hour late at night" is still seen as a 24 hour location by most underwriters. Once a major loss happens and the investigation reveals the owner has been tricky, new underwriting requirements emerge and insurance costs can go up for everyone.

Let's discuss what it means to be fully attended. An example would be a 7-11 store. No employee takes a break, or responds to a personal emergency and leaves the front door unlocked. In a Laundromat it's not uncommon to have an employee leave twenty minutes before their replacement employee arrives. The Laundromat worker can go pick up a lunch at a fast food restaurant without asking all customers to leave and then locking the door. Which business do you think the underwriters think is fully attended?

A fully attended Laundromat with a legal employee open from 6am to 10pm at minimum wage (and required other employee costs including workers comp) costs at least \$17.00 an hour in SoCal. This means a monthly cost of \$8,170.00 a month just for one legal employee to be fully attended.

If all insurers were to require a full time employee, how many smaller Laundromats would be put out of business? We might see a lot of owners violating their leases and operating without insurance. Risky and sketchy.

If underwriters determine Laundromat owners are lying on their applications, it can push them towards withdrawing from the marketplace. Think about being an insurance company and you offer policies on unattended self-service business with potential water on the floor, fire risks from gas dryers, large machinery used without owner supervision and often maintained by amateur owner/repairmen; is this your first choice of businesses to insure?

If all Laundromat owners tell the truth on applications, avoid sketchy behavior and keep Laundromats clean and well maintained, we can help keep our insurance costs and our markets open to many carriers writing our business.

### **3. What steps should an operator take to reduce liability risk?**

Here are a few potentially dangerous things many operators can avoid.

1) Replace all discolored ceiling tiles. The stain is from a leak and should be fixed, but if you wait too long and it rains again, the stained tiles are weakened and can collapse and injure someone standing beneath them.

2) Don't ever leave a door to your back rooms unlocked. Children are curious and love to explore. You don't want to hear about the injuries resulting from the rear of dryers (especially when the rear covers have been left off) or burns from water heaters and boilers. Attendants often don't lock up behind themselves.

3) No floor or accessible electrical outlets should be available to your customers. Children stick their fingers into these outlets. Want to charge cell phones? Put in a USB panel with the electrical plug behind the bulkhead.

4) No towels on the floor in front of washers that frequently leak. Creates an observable liability claim concern. Fix the reason for the leak or put down one of the large wet water floor mats. If someone slips in front of this washer you may have a problem explaining why you have ongoing and dangerous water on the floor issue.

5) Never train or have your attendants confront the homeless or any other visitor. You may be responsible for their acts and their conversations.

6) Post a sign about children not being allowed to ride in laundry carts or sit on folding tables. Many injuries can come from cart tip-overs and headers off folding tables.

7) Never use those "white plastic" chairs in your Laundromat. They are not rated for

commercial use and can collapse and cause injury especially to anyone above 275 pounds.

8) Almost have an emergency phone number posted in your Laundromat.

## LAUNDROMAT CONSTRUCTION

### 1. What kind of signs should be on a Laundromat?

One question new Laundromat owners frequently ask is "what kind of outside sign should I put on my new Laundromat?" Here are a few things you might consider:

1) Cities may have sign standards that need to be reviewed before moving ahead on any changes or additions. Permits are required.

2) If you rent your store, read your lease for sign standards and landlord approval issues.

3) Although vanity signs promoting your brand or chain are personally rewarding, there is no evidence that putting your name, decal or logo increases or attracts more business than a generic exterior sign.

4) Any design or decoration that detracts from the ability to rapidly recognize you as a facility for washing clothes is a distraction.

5) Certain color combinations are useful to know when you're designing your signs. The human eye sees black lettering on a yellow background better than any other color combination, hence the use of traffic signs being yellow with black lettering. I remember when all stop signs were also colored yellow with black letters. The second best color combination that the human eye can see is white lettering on a red background, hence the current red stop signs with white lettering.

6) If your city or landlord requires individual letters, many owners will select "Laundromat" over "Coin Laundry" because it has one fewer letter. 24, 30, or 36 inch individual lighted letters are expensive.

7) In my travels in Baja California, Mexico, I never saw a Lavanderia sign, but it has become popular in SoCal. "Lavanderia Laundromat" is a popular choice.

8) The quick glimpse afforded a driver while driving past multiple monument signs is just about one second. Try to control your creativity and keep your signage to declaring your business. "LAUNDROMAT" gets noticed, while "LARRY'S FAMOUS WASH TUB LAUNDRY" is too long, complex and not easily recognized no matter how much you might like the design, message and color.

9) Interior signs are the place to free your spirit of creativity, logos, colors and designs.

10) Blocking your front windows with signs, writing, vending machines or dryers reduces the ability to see the interior and lessens the feeling of safety necessary for the well being of your customers.

12) Advertising the brand of equipment on an exterior sign should only be done in situations where the manufacturer or distributor is paying for all or part of the sign. Customers don't select Laundromats by the brand of equipment installed, no matter what a distributor might tell you.

13) I've seen owners spend more time designing and naming their Laundromats than they did finding a name for their own children. Spend the time and money on management, equipment and promotion.

In a dense urban setting, with a variety of washing facilities available, street side monument signs, fast moving traffic and arterial roadways, I believe your exterior signs need to quickly grab your eye and brain.

Signs declaring their service are very popular, such as Butcher, Computer Repair,



Emergency Room, Palm Reader and Watch Repair are just a few examples. You don't need to brand these enterprises on their exterior signage; people know immediately the services offered. Let's look at a few branding names that make quick recognition difficult. The Coin Wash, Clean and Lean (combination of Laundromat and exercise), Suds and Duds, Come on Over Laundry, Sparkle Plenty Home Washing and Rub a Dub Dub Wash in a Tub.

I believe that embellishment on street side monument signs should be big letters, short and simple. Storefront signs should be simple and as large as possible by city codes. I suggest that cute names, logos, pictures, phrases or phone numbers do not need to be displayed on exterior signs. Signs that display the brand of the washers and dryers may last longer than the brands themselves. Anyone still have a Norge, GE or Primus logo on their sign? Does anyone believe that advertising the equipment brand leads to more customers? There is another branding technique used by some distributors to push their company. When they build a new Laundromat, they use a name stating their company name to continually advertise their name on your business free of charge. Here SAP Distributor has created a smart, continuing promotion at your expense. Their branding doesn't draw in customers for you, but for them.

*Reversing a letter can draw attention*



## **2. What type of floor is best for a Laundromat?**

Here are my best suggestions:

- 1) Laminate planks. I tried the "wood look" in half a dozen stores. Looked great but didn't wear very well at all. The water would get under the vinyl and pop up the planks. Hard to repair and they can tear. They also tend to shrink in colder weather and expand in warmer weather and can cause the planks to wrinkle. Very pretty but not durable.
- 2) Carpeting. 1970's fad in Laundromat flooring. Looked good but couldn't hold up. Hard to repair. Water overflows difficult to fix up. Short life expectancy and the laundry carts don't like these floors.
- 3) Vinyl Tiles. This is the old standby 12"x12" (or in the older days called asbestos tile.) Congoleum is one brand that has stood the test of time. You glue them in place and they stick for a long time. Use the best glue. Various colors and patterns. Can be easily repaired.
- 4) Epoxy. I have tried a few times and it stands up very well. Others have told me to about peeling problems. Ground water rising up through the floor because of lack of moisture barrier increases problems. Repair is possible. A wide variety of colors and patterns.
- 5) Ceramic tile. Tried in earlier days. Cracking a problem, especially if it is not properly installed. Must make sure the floor is leveled. Avoid complicated or busy patterns. Not as strong as Porcelain. Lasts a long time, but often seen with cracking or worn off glazing. Lots of colors and patterns.
- 6) Porcelain Tile. Gold standard of Laundromat flooring. Make sure you purchase color all the way through, slip resistant, commercial grade tile. Avoid the varied height surface (used mostly on stairs or slopes) styles due to inability to easily

mop the floors. Keep a box of extra tiles for the rare potential of a crack (drop a big hammer impact.) Various colors and patterns. Have them laid in offset pattern so long grout lines do not show any variation in width of isles.

7) Painted Floor. Peeling and short life. Avoid. Future replacement alternative flooring complicated.

8) Polished Concrete. Comes in colors and neutral gray. Long life and durable. Gives an industrial look that some people like and others not so much. Easy cleanup and maintenance. Not recommended for older floors with cracks and covered saw cuts. Experience of installers important.

9) Stone or real wood. Expensive and inappropriate for Laundromats.

When selecting colors the lighter colors are best because they hide surface dirt better (like on automobiles.) They also reflect the light and make the space seem larger. Avoid complicated patterns. Keep in mind the impact of spilled liquid bleach can have on the floor material you choose. If you install porcelain or ceramic, keep the grout lines small a natural grey to disguise any floor dirt. Consider which floor surface will clean easily and last a long time in a traffic intensive environment. Preparation of the floor surface is important, choose a good installer.

### **3. What about buying dryers with moisture sensors to reduce utility costs.**

Does anyone have any comments on the reliability & maintenance of moisture sensors? Yes, they were available over 30 years ago in the Cissell Dimension 2000, a vended model.

The sensors were reliable but not a feature that Laundromat owners appreciated. Customer complaints were very high about this feature because dryer heating time is sold by the "per minute" method.

If a dryer stops because "it thinks the clothes are dry" it creates a problem. People want the heat they purchased. Customers frequently judge the heat by putting their hand on the door glass. Out of order signs are posted on dryers that do not continue to heat during their timed cycle. The clothes never feel hot enough when customers remove their clothes.

There is a wide range of what is considered dry by customers. Some like a little moisture while others want the clothes a little more crispy.

Moisture sensing dryers are available for homeowner and commercial non-vend models. It is not a feature requested by Laundromat owners in sufficient numbers to justify the cost to manufacturers and market this feature to Laundromat owners.

Just as double glass doors really do limit heat loss through the glass door, this is a feature not widely demanded by Laundromat owners. Moisture sensing is not needed for a self-service business. Commercial and industrial non-vend models have features not demanded by self-service vended buyers.

### **4. How do I reduce my sewer fees charged by local governments or utilities?**

Sometimes you can reduce the amount of your sewer fee charges collected by the local water district or sewer district. The doors that you should knock-on to get supporting documentation are as follows:

1. Your local distributor who is attempting to sell you the equipment.
2. The manufacturer of the equipment.
3. The CLA documentation that can support your claims.
4. Other local Laundromat owners (probably not those within a few miles of your proposed location.)

5. The water company or authority that provides water service to Laundromats in your area. These records should be publicly available information. Get a usage run and then go and note the number of washers and models currently being used. Create a sheet demonstrating your findings.

A visit with the members of the local City council (or the governmental authority that can modify or reduce the sewer authority demands) is in order. I've had a high sewer hookup fee waived by a City Counsel in a jurisdiction where the water and sewer facilities were owned by the corresponding city. I prepared a paper in which I described the following:

1. The need for a modern low water use Laundromat to save water in the future.
2. The benefits of modern low water use washing machines for the community.
3. The benefits to the people of the community that cannot afford to have a washer and dryer in their living accommodations.
4. The reality that Laundromats more proportionately serve women, minorities and those less fortunate in our society.
5. That all parts of the community should be entitled to participate in preserving low water use facilities.
6. That this Laundromat with a modern design and equipment would be a benefit to the community.
7. That high sewer (impact fees) should be modified for this community benefit service facility.

## **BUYING & SELLING A LAUNDROMAT**

### **1. Selecting an Agent to help your sell your Laundromat**

Before discussing the amount of a commission you may want to consider the history of success that your potential agent has experienced. You want an agent who is knowledgeable in the sale of Laundromats. Ask for references and actually visit the stores he has sold. Talk over the quality of service received. You might want to check the local courthouse records for lawsuits (mostly available on line) and the real estate department in your State to verify past discipline issues. You really want to avoid an agent that has been in numerous lawsuits alleging fraud and misbehavior. Lawsuits can cost you a ton of money and is not covered by your insurance. Keep in mind that whatever is said by your agent is your responsibility. He is acting under your authority, and if he lies, tricks or overstates the income, expenses and other aspects of your business, the two of you could face a lawsuit. As to amount of commission, there is no fixed or normal business brokerage percentage.

You have a right to negotiate. The higher the value of the Laundromat, the more likely a broker will negotiate his fee. I've seen fees that range from 5% to 10% depending on features, ease of sale and proper pricing by the owner. Review the advertising program used by the potential agent. An experienced broker will prepare a record of income and expenses, demographics, pictures, water bill analysis, lease review, site selection analysis and assist in negotiations with the Landlord.

The amount of work a good quality agent expends is often considerable. A good agent can usually ensure that you receive the maximum amount your Laundromat is worth. Selling is a skill and deserves to be appropriately rewarded. The most important thing an agent can do for you is to help you value your Laundromat. Overpriced stores don't sell. Priced right stores attract buyers.

## **2. You should select your own Laundromat sales person**

It is best to be represented by an experienced sales agent who is working only on your behalf. A dual agent relationship is usually not good for buyers. You should insist on the right to select your own agent and require your agent be paid from the commission proceeds of the sale. You can make this a term on your purchase agreement. Keep in mind that the laws, regulations and standards imposed on agents involved in the sale of a home do not always apply to the sale of a business.

Many Laundromat agents are not Realtors or members of associations and are therefore not bound by an association code of ethics. Any agent who refuses to share the commission paid by the seller may unfortunately be tempted to put earning a commission ahead of your best interests. A lawyer would never consider representing both parties in a contested divorce or any other contested action between parties.

A purchase of a Laundromat is a contested event. Your agent should be fighting to get you the lowest price and the best terms, not just trying to close the sale to earn a commission. Non-disclosure agreements are often used by agents during a potential sale. They are seldom requested by the sellers, but only benefit the agent who wants to protect his/her commission. Read any non-disclosure agreement carefully and see if it protects you, the agent's commission or the seller.

Always print "Valid only if the agent has a current written listing agreement for the sale of this business at the time of my signing," above your signature. There are no proprietary secrets in our industry that necessitates a non-disclosure agreement. No secret formulas, competitive marketing strategies or other proprietary information that needs to be preserved by a non-disclosure agreement. An experienced owner can estimate income and expenses by observing operations over a period time. The water meter is usually available for anyone to read. The non-disclosure agreements are really meant to protect agent commissions and the sometimes attached disclaimers are written on behalf of the agent to shift the responsibility of errors or fraud to the seller.

Your agent should know due diligence standards and be willing to disclose any issues being withheld or fabricated. My advice is to retain or use your own agent or consultant to review the terms prior to signing a purchase agreement.

## **3. The future of Laundromat locations in our country.**

The ship has sailed decades ago on the free and selective right of property owners to use their land as they see fit. Local zoning, master plans, impact fees, building regulations and building commission decisions or regulations impact almost every aspect of property use and high taxes take care of those who elect to keep their land in a fallow state.

In California we have the highest overall housing costs in the country. A significant portion of that cost is the increase brought about by "out of the country" Chinese, Asian, Middle East and European buyers using our real estate marketplace for investment profits. Huge amounts of land, commercial space and residential housing is being purchased by out of country investors. Our skyrocketing housing costs make these purchases profitable compared to what money invested in their own locations can provide. This uncontrolled foreign investment drives up the cost to American residents but puts huge profits in the pockets of foreign investors.

Locations for Laundromats have long been in a slow slide in many communities. There are currently no Laundromats allowed in upscale Irvine, California. All housing must have a washer and dryer available to every tenant and home owner. Some communities are moving toward what I call the Swedish model where no Laundromats are openly available to individuals in the entire country. Every property owner and

Landlord must provide on-site laundry facilities limited only by a measured distance in feet from housing unit to laundry area location.

The cost of installing any type of community laundry facility will likely be too expensive for individual owners in the future with increased sewer fees, building costs, rents and fees, but our equally slow movement toward our "cradle to the grave" form of socialistic government may eventually result in increased government control and perhaps ownership of laundry facilities in depressed neighborhoods.

There has been a suggestion that there should be installation of showers in Laundromats for use by the homeless. Why not a future when readily available Laundromat facilities, including showers, are determined to be the health right of every person living in any neighborhood? Shots, showers or laundry are currently seen, or can easily be seen, as something controllable by our government. Food stamps provide food at no cost to the poor, why not laundry facilities?

I can imagine a time when our government leaders will require a developer donation of land or space as a condition of project approval to be used for building or installing community owned laundry facilities. The government's regulatory function over utilities could bring pressure on water, gas and electric companies to provide free or extremely lowered utility rates for these community laundries. These facilities will be run by non-profit groups with volunteer workers and paid government supervisors providing a health related necessity to those people identified as less fortunate.

Does our government make mistakes? Our country is currently facing an extreme housing shortage, yet we continue to generously allow an infusion of several large population blocks that will need housing. Where, and in what type of housing, are they going to live? Does anyone see traditional American leadership in the future? Our leaders allowed our manufacturing base to move offshore, immigration to exceed housing capacity, unrestrictive foreign investment and an ever increasing movement towards a government controlled lifestyle. Does anyone believe that "free" enterprise may soon be sacrificed for the "common good?" We could use a little more pro-Laundromat advocacy on the government level and a deeper involvement of Laundromat ownership.

#### **4. How do I do calculate value of a closed Laundromat that's for sale?**

You should not make a significant investment without an in-depth analysis provided by an experienced industry veteran.

Too many people are fooled into making bad investments in the Laundromat because they are unwilling to acknowledge their own limitations. The financial liabilities of the lease alone should make you shudder.

Closed Laundromats in supposedly good locations are especially concerning and often filled with deceptions or more plainly stated contain long term traps. Why would a good location be closed? Why would experienced competitors not be grabbing this location?

I suggest you find an uninvolved industry consultant (someone not likely to earn a commission) to help in evaluating this investment opportunity. Better to invest a little money now for an analysis then move ahead because you "guess" you can understand all aspects of this Laundromat.

I am often surprised by people willing to hire their mechanic to look over a potential used car purchase but shy away from seeking professional advice when risking hundreds of thousands when buying a Laundromat.



## **5. Check carefully the yearly increases in your lease agreement.**

When buying a Laundromat, exercising an option or negotiation for lease improvement read the section on yearly rental increases. A popular provision bases yearly increases on the Cost of Living Index. There are various COL indexes based on National, State or local basis. Check which one is used in your lease. If you have a fixed yearly increase (such as 2% per year) you can stop reading. No advice for you follows.

If you have a yearly rental increase based on COL, now is the time to visit your Landlord and ask to have your increase based on a fixed yearly percentage. You have a potential opportunity in this era of the pandemic. Maybe the Landlord will grant a revision giving you 2% increases per year.

If you don't do this now and inflation continues to rise, your rent can go up every year. Let's say 5 or 6% becomes the cost of living. Your rents can skyrocket after a few years. Take out your calculator and figure out where you'll be in five years if we have runaway inflation.

Once we stabilize our current crisis and COVID is behind us, high inflation is likely to continue. We know current government policies will cause large increases in natural gas and electricity for most of us. Expect water and sewer to also increase. Big increases might just make operating costs too high to cover with competitive price increases. How do you compete with someone who has lower costs?

Take the time now to rework your lease. Landlords might be fighting vacancies and might be willing to negotiate a number of issues now. We all know you can't just pick up your equipment and move it to a cheaper location, and so does your Landlord. He knows he holds most of the cards, but now is the time to try and improve your position. If he's willing to negotiate, also discuss any negative provisions or maybe get a few more options.

Another concern many might face is the bankruptcy of Landlords. Many smaller Landlords, even some larger one, are faced with tenants unable to pay their rent along with an inability of the building unable to find long term take out loans. This may make some Landlords to consider dumping their shopping centers into bankruptcy. They'll only dump their LLC or corporations which are the technical owners of these shopping centers and not seek personal bankruptcy protection.

Unfortunately, if your Landlord goes BK, your lease is subject to cancellation by the new owner or Landlord's defaulted lender. Consider this possibility before you make any major equipment expenditures, additional investments or tenant improvements. Loss of lease, or demands for higher rents to avoid lease cancellation, does happen to Laundromat owners more than one might expect.

## **6. Are the internet sites listing Laundromats the best way to find a store?**

A lot of potential buyers are confused about how to find a good Laundromat. They often tend to do internet searches and wonder is this the way most Laundromat acquisitions occur. They also mention "brokers" as a prime source.

How do you image brokers go about getting listings? They visit owners, call them at their in-store posted phone numbers and mail solicitations to Laundromat owners. For this gathering of information they often receive a commission of 10% or more.

Maybe you need to do the same in a more limited fashion. Use Google maps and locate all the Laundromats that are located within a one-half hour drive of your home or place of employment. Head out every weekend with a load of clothes and some flyers and visit all these Laundromats.

If you find a store you think has potential, drop off some flyers, wash a load of

clothes or two and talk to some customers. Ask the people why they use this location, and ask about the location of other Laundromats that they avoid. After a few months of engaging in this search behavior your knowledge level will have gone way up. You'll meet owners, customers, attendants and repair people. You'll get a better picture of what the business is about and even give you a perspective if you really want to buy a Laundromat.

Having owned and operated fifty Laundromats, this is the only reliable method of finding a Laundromat that I can recommend. I believe you will discover that finding a Laundromat to buy at a fair and reasonable price is the hardest part of buying a Laundromat business; you will never have to work harder. Operating a Laundromat is much easier than finding a good Laundromat to buy.

Do you really believe that "good Laundromat buys" are going to be listed on BizBuySell, BizBen, CraigsList or offered by a real estate broker? Not likely. I've found that at least 75% of the online offerings are filled with bogus and/or deceptive income and expense information. Most brokers have a pocket filled with the names and numbers of friends, relatives and repeat customers who are exposed to "good buys" before their listings are put on the internet. You need to find a way to be first in line for owners who might be willing to sell. It is hard work, but the results can be fantastic.

### **7. Should I form a corporation or LLC to own my Laundromat?**

In many cases there is limited benefit in not owning the business in your own name. Let's start with the assumption you are the only person behind an LLC or Corporation. The legal liability protection of each form of ownership is minimal at best. If you are the owner, operator and make all decisions, the attorneys will sue you as an individual and not just the LLC or Corp.

Aside from the meetings, record keeping and potential of not meeting all operational requirements you have to figure in the cost to pay the government each year for the privilege of registering your entity. The cost can often be more than paying for an umbrella insurance policy. Insurance offers more protection than any corporate entity.

If you have lots of additional assets, have partners or multiple owners, there are some benefits as an LLC or corporation to protect the investor from the acts of the operator.

The least known benefit is for partners. LLCs are unique in allowing a designation of income and loss distinct from percentage of ownership. In other words, an investor who owns 50% of the business can take 100% of the depreciation. If you are confused by this concept call me for more information.

I spent a great deal of time with New York attorneys and CPAs who provided me many details on Laundromat ownership and protection. Happy to share.

### **8. Why do owners really want to sell their Laundromats?**

You often see "retirement" or "other business opportunities" listed as the reason a current owner wants to sell his Laundromat. It seldom is the real reason someone really wants to sell their business. Here are some actual reasons:

1. Seller is aware that a new Laundromat is being planned or being built nearby or within the market area of this Laundromat.
2. Seller is aware that Landlord is in process of selling the building and the appraisal after sale will cause property taxes to skyrocket leading to increases in net/net/net or CAM fees.
3. A major change in access or parking is planned, which will impact income.
4. Street redesign or improvement of the roadway is planned by the city or State.

5. Owner is aware that a large lawsuit will be forthcoming, and owner wants to get rid of the liability.

6. Seller is aware of issues or incidents that will result in the insurance being non-renewed or cancelled.

7. Seller is aware that Landlord will be making major improvements in the property and a Tenant contribution under terms of the lease will have to be made.

8. Owner is aware of underground water, sewer, electrical, or ADA compliance issues or problems that could be too costly to properly repair.

## WASH-DRY-FOLD OR FLUFF & FOLD

### 1. Should you start a drop off service, WDF or Fluff and Fold

Drop-off service is also known as WDF (wash, dry, fold) and/or Fluff and Fold in various parts of the country. It requires more attention (work) and management than a self-service only store. If you plan to devote a good amount of time to operating your Laundromat, and don't mind doing other peoples laundry at times yourself, it can be a good business. Success is normally contained in three aspects:

1) Is there potential demand present? Review your demographics and marketing area.

2) Do you want to put in the effort to develop this business, and

3) Are you willing to charge enough for the service to make a good profit?

Advice often given to new owners is to wait at least six months before making additional significant investments or changes. This includes establishing a new drop-off service.

WASH/Dry/Fold is marketed to new owners as a potential source of huge income but seldom have I seen the negatives adequately explained.

I always tell potential new owners that it is another business (beyond a Laundromat) and requires increased time and management skills well beyond a self-service Laundromat. I think only a small percentage of operators can operate fluff and fold operations and still keep another job as well. It requires a full time management plan with an onsite presence. Too much can go wrong such as the example in the original post.

I suggest the income off WDF never be considered as equal to self-service income when determining purchase price.

### 2. What type of demographics information is needed for WDF operations?

The local demographics best suited for pickup and delivery is nearly the opposite of what is ideal for a self-service facility. Let's say you charge \$1.50 a pound for pickup and delivery services. That means a 60-LB order to wash clothes would cost your customer \$90.00. The same customer can do their own wash and dry in the self-service portion of your business for approximately \$10.00.

This great cost variation might therefore have limited demand in lower income neighborhoods. Review your own demographics for residential population, income level, renters, rent rates and you'll have some basis for believing the demand you'll have for pickup and delivery in your immediate area.

If you are going to be searching for business oriented washing services it is important to not only consider potential demand but the legality of operating your business. Does the city you're located in allow a pickup and delivery service; it is not a self-service laundry and may not be allowed in all zones. Demand on delivery services in commercial areas with limited parking is frequently cited as reason commercial and

industrial laundries are excluded.

Another concern would be with your landlord. If you are leasing, you need to read your lease carefully and see if the lease defines the businesses that can be operated in your facility. A space rented for a "Laundromat" does not include in most jurisdictions approval of a pickup and delivery service. A Laundromat is defined as a self-service laundry facility. Ask your landlord for a written approval to offer pickup and delivery services (which is considered a commercial laundry facility.) As your business grows, you will have more of a demand on parking (including overnight parking) for delivery vehicles.

If you're in a small shopping center, the demand on parking for your business might become a concern. A city might also require the installation of a sampling well to determine the content of your waste water, which is frequently required for commercial and industrial laundries. Each part of the country might enforce or have different regulations but keep in mind that a right to conduct business as a Laundromat business does not mean you can always operate a dry cleaner or a commercial or industrial laundry without further approval.

A final concern would be your insurance coverage. Does your insurance carrier know you are converting your business to include pickup and delivery? It is important to put this issue to rest before you encounter an incident that might require insurance coverage. The most common issue might include automobile accidents, laundry theft and behavior of your workers when they are outside your premises. Ask your insurance agent to provide you with approval for your business expansion.