

FIVE CONSIDERATIONS WHEN ACQUIRING A LAUNDROMAT



Brad Steinberg

The purchase of a coin- or card-operated laundry can truly be a great investment.

Compared to other more traditional investments, laundries can offer a significantly higher return, with the added bonus of tremendous tax benefits.

When assessed alongside other entrepreneurial investments, laundries can offer comparable meaningful returns, but with a more passive involvement.

As co-owner of PWS – The Laundry Company, my team and I have helped store owners open more than 2,500 new Laundromats, brokered a similar amount of existing Laundromats, and sold more than \$400 million in commercial laundry equipment.

Whether you are looking to purchase your first store, or your 20th, here are five key considerations to keep in mind when acquiring a Laundromat:

PARTNER WITH A LAUNDRY EXPERT

Partnering with a laundry expert is imperative.

Most experts do not charge a fee, so pick someone you trust and use their services until you have found the right investment. Many experts can help you find an existing Laundromat, or assist with building a new store.

Ryan and Bernadette Hansen had entrepreneurial aspirations, but they weren't sure what type of business they wanted to operate.

After finding a small, run-down Laundromat on Craigslist in 2009, they decided to put in an offer for \$30,000. The owner rejected it.

"A couple of weeks later, I got in touch with PWS and they showed me a beautiful 3,000-square-foot store," says Ryan Hansen.

The laundry was less than a year old and had a positive cash flow. The Hansens purchased the store and, within six months, increased revenue by 40%.

PWS also showed the couple how to analyze the competition, secure financing, and make basic repairs on equipment to keep the machines running, minimizing downtime.

MATCH THE LOCATION TO YOUR VISION

It's important to have a clear vision of what type of store owner you want to be, and what your business plan is before you acquire a Laundromat.

The Hansens have had great success because they were able to impose their vision on the Laundromats they purchased or built. They have a clear vision of the type of stores they want to operate and do not deter from that vision.

They like larger stores that operate mostly or fully attended. They do not mind taking over run-down or poorly operated stores, as long as the location has potential when cleaned up and managed properly.

Since buying their first store, the Hansens have purchased eight additional locations.

Of their nine stores, they have built three and acquired six existing stores, rebranding all of their stores as Dirty Bird Laundry in Fresno, Calif.

"If you're buying an existing Laundromat, you are buying the existing customers," Ryan Hansen says. "It is nice because you know whatever improvements you make will add upside to the existing cash flow."

Another perk of refurbishing an existing store is that older stores are typically grandfathered in by their municipality and are not contingent on additional fees and charges that new stores may be subject to.

UNDERSTAND THE TERMS OF YOUR LEASE

A long-term viable lease is imperative to the success of a Laundromat. You not only want a lease that works today, but one that will be viable for years down the line.

This business is about cash flow, and a long-term reasonable lease protects your cash flow and enables you to sell the laundry when you are ready to exit the store.

When entering a lease, always look for a fair rental rate, and make sure that any increases are reasonable.

Try to get a term for as long as possible—10 years is great, but 20 years or more is even better.

Additionally, the lease should include a base term plus options. Make sure the lease and the options are assignable to a new buyer.

Negotiating your lease with your landlord is key to running a successful store. All of the Hansens' nine stores are leased.

"When building a new store, or heavily remodeling a store, I always negotiate 90 days of free rent from the store opening day to build cash reserves," says Ryan Hansen. "You're not paying interest on that money."

PICK A VIABLE LOCATION

Good distributors have access to demographic information to help you select the best location possible.

Evaluate the demographics, particularly population density and percentage of renters, and evaluate the competition, as well as if the property has good exposure and adequate parking.

Typically, a viable location consists of a renter population of 35% or more, with an average household size of at least two people with an annual income of \$35,000 or less.

Being surrounded by a grocery or convenience store, auto parts retailer or check-cashing outlet can complement your business by attracting even more customers.

PAY ATTENTION TO EXISTING EQUIPMENT

The equipment you choose is crucial to the ultimate success of your Laundromat, so pay close attention to the existing equipment when purchasing a new store.

Having newer, energy-efficient equipment—manufactured after 2009—will save you money on utilities in the long run.

If the location is prime, old equipment shouldn't scare you away

—it can always be replaced.

On one of the Hansens' first acquisitions, the store had 15 washers that worked but 25 washers that were irreparable.

After Ryan Hansen cosmetically remodeled the laundry, he received compliments that the store looked great, but his equipment didn't operate properly. As a result, he had lackluster customer retention.

"That's when I called my distributor for help and his team came through. Today, my equipment works well and looks great, and the replacement parts are durable, affordable and easy to get."

By putting these five tips into practice, the Hansens have found great success in the laundry industry.

When looking to buy or build a Laundromat, be prudent, patient, and follow these five steps to put yourself on the road map to success in the vended laundry industry. **ACO**

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