How to Start a Coin-Operated Laundry

Like things neat and clean? Starting a coin-operated laundry might be your ticket to entrepreneurial success.

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The coin-operated laundry industry has undergone a revolution. No longer dingy, unsafe, boring places that customers must endure on a weekly basis, laundromats are becoming fun and attractive multiservice centers that customers may even enjoy visiting. "The industry is now getting a facelift," said Brian Wallace, president and CEO of the Coin Laundry Association, a national association for self-service laundry owners. "There's a trend toward coin laundries being more comfortable for the customer."

Newer laundries have snack bars, a place to leave off and pick up dry cleaning and video games. Some of them don't even use coins. Instead, customers use swipe cards that subtract the cost of the wash or dry, much like a phone card or debit card. Many laundry owners also employ attendants to keep an eye on the store and help customers use the equipment.

Laundromat Renaissance

The coin-operated laundry industry has changed in response to several trends. The first is that, for most of us, meeting the demands of work and our personal lives leads to a time crunch – there just aren't enough hours in the day to accomplish

everything we would like to. Laundry owners are capitalizing on this reality by offering their customers time-saving convenience in the form of wash-and-fold (drop-off service) and dry-cleaning service. Some are even picking up laundry from customers' homes and delivering it back to them clean and folded.

In addition, owners have realized that they can maximize their profits by providing customers with access to multiple services. Since they're paying a set amount of rent on their commercial space, they might as well use that space to its fullest potential. Many owners around the country are serving food, renting mailboxes and offering free internet access. Because newer laundries are bigger than in the past – often 3,000 or 4,000 square feet – overhead is higher, and owners are looking for ways to cover the cost. These additional services demand little increase in overhead because the rent is already paid for. Customers benefit by being able to use several services all in one convenient location.

Cindy Patel, owner of Mountain Wash Laundry in Shelby, North Carolina, at time of interviewing, said that she planned opening a snack bar and a minimart in her laundry. "I have a big space, 6,000 square feet," she said, "and this will help pay for it."

Paul Partyka, who edited American Coin-Op, a magazine devoted to self-service laundries, said Patel's approach is the norm. "Trying to generate additional revenue per square foot has always been an issue," he said. "But it's even more so now with tighter competition and utility bills growing. Everybody wants to squeeze as much money as possible out of their space. Looking for an extra service that will work is always on their mind."

Another trend laundry owners have recognized is that customers prefer to visit laundromats with a more pleasant atmosphere. Many laundry owners are building kids' centers, holding music

concerts, giving away coffee and hiring attendants who are friendly and helpful. “I don’t think we’ll ever cross that threshold into making laundry fun,” Wallace said, “but we’re making it more comfortable.”

Tom Leavitt, owner of Darcies Laundry in the Seattle area at time of interviewing, opened three new stores, all of them near older, smaller laundries, most of which have since closed. Darcies offers customers a better deal: bigger stores with play areas for children and attendants on duty at all times. “Our stores are very convenient,” Leavitt said. “They’re clean, they have a friendly environment, and they have a lot of machines, so you can get in and out of there as fast as possible.”

The Good News

As the population of the United States grows, the number of renters – your main market – is likely to grow, too. Other social phenomena, like the prevalence of two-income families, suggest that convenient services such as wash-and-fold will continue to grow in popularity as working parents have less time to attend to household chores like laundry.

According to a survey from the Coin Laundry Association, more than half of coin laundries offer wash-and-fold. “It’s by far the number-one extra service for laundries,” said Partyka. “It’s doing well.” Partyka also notes that even people with washers and dryers at home are using self-service laundries for the sake of convenience. With the regular capacity machines used in homes, it can take quite a lot of time to do load after load – and that’s where laundromats come in. “They just run over to the coin laundry, use a couple of the large machines and knock it off,” he said. In other words, although the majority of laundromat customers are low- to middle-income renters, some laundries are tapping into higher-income markets by offering convenience: wash-and-fold service and large machines.

In addition, office dress codes are growing increasingly less formal. And as more people wear casual clothing (which doesn't require dry cleaning) to work and leave the nicer duds for special occasions, you may find that consumers will be making more trips to the laundromat.

The Bad News

While the trends we've mentioned are favorable for entrepreneurs entering the laundry business, they don't suggest that business is booming. The industry is what experts describe as a "mature market." Save for areas that are seeing high population growth, pretty much every neighborhood that needs a laundry has one – or two or three – that are competing vigorously. In some areas of the country, there are too many laundromats already.

However, there is room for new laundry owners. Many get into the business by purchasing an existing laundry and renovating it. Some also find that they can build a new laundry in an area with competing laundries and thrive by offering a bigger store, more services and better customer relations. Another way to get into the business is to locate your store where there is the best potential need for a new laundry: in an area that's experiencing population growth.

As you consider getting into the laundry business, keep the words "mature market" in mind. Don't buy a store just because it's for sale or build a store just because you have a great idea for a new gimmick. You'll need to be very careful to make sure there's enough of a customer base to make your business thrive. You may be able to draw a little extra business from people who like using your store better because of its cleanliness or from people who use your wash-and-fold service, but the core of your business will be people who just want to get their laundry done quickly and conveniently. If there are already enough laundromats in the neighborhood to serve their needs, they're not as likely to patronize your store.

Finally, you also need to consider that getting into the laundry business requires a large initial investment. The average-size laundromat could cost you in the neighborhood of $200,000 to $500,000 – whether you choose to purchase an existing laundry or build one in a retail space.

The Laundromat Life

If you're planning on operating just one or two stores, you'll be in good company. Three-quarters of laundry owners own only one store, and very few have more than two. While there are no national laundry chains, a few local chains are starting to grow in various parts of the country. These chains are still quite localized, though, and only a few consist of more than a few dozen.

For a little more than half of laundry owners, operating the store(s) is their full-time job. Others take the moonlighting approach-they manage other businesses or work a day job. But more laundry owners are starting to own larger stores and more than one store. These people are able to survive on the income larger stores or multiple stores generate.

The amount of money you can make from a laundry varies tremendously. According to the Coin Laundry Association's Brian Wallace, the annual gross income from one store can range from $30,000 to $1 million. The expenses incurred while running a store range between 65 and 115 percent of the gross income. That means that for a store grossing $30,000 per year, at best it nets $10,500 and at worst it loses $4,500. For a store grossing $1 million per year, the profit could be as high as $350,000, or there could be a loss of up to $150,000, depending on expenses.

Wallace says these profit margins have less to do with the size of the store than with its owner. An owner who runs his or her store well-who keeps it clean, repairs its equipment quickly, uses energy-efficient systems and offers good customer service-will see profit margins of about 35 percent.

The steady income that a laundry generates is a plus for many people. If you're looking for a business that will keep the cash flowing no matter what the rest of the economy is doing, you've found it in laundries. Clean clothes are a necessity, not a luxury, so people are going to use laundromats no matter how the stock market is performing. The business is also fairly steady month in, month out. So unless you draw on vacationers' dollars in a place with seasonal tourism, you'll find that you can count on a fairly steady income throughout the year.

No Experience Necessary

None of the entrepreneurs interviewed for the Coin-Operated Laundry start-up guide had experience in the laundry business when they first started out. One had a resume that included milking cows, another was a contractor, yet another ran a rental equipment business. Most just decided that starting a laundry was a good business opportunity. However, they all recommend that new entrepreneurs research the business by talking to laundry owners, joining associations and reading the trade literature.

Tom Leavitt put some time into planning the three laundries he opened in Seattle. "We traveled around the country, looked at a lot of other operations, and designed our prototype," he says. "We took care to figure out what would work the best." He and his partner also attended a Coin Laundry Association convention in Chicago and took a tour of laundries in the area.

Collette Clarkson knew nothing about the business before she started a laundromat in Evans, Colorado, with Kim Clarkson,

her business partner. But the two got to work when Collette's uncle, who was building a strip mall, asked if she'd be interested in operating a laundromat. "We did a lot of research," Collette says. They spoke to a number of laundry owners about the business and read as many issues of trade magazines as they could find.

While no particular experience is necessary, a business background is always important. In addition, a background in machine repair or a knack for fixing machines helps. Owners who have experience with laundry equipment are able to cut down on the cost of repairs. But others have found that they can learn about the machines and make some repairs themselves, or hire a repairperson and avoid the headache altogether. The self-service laundry business is an open club. With enough enthusiasm, interest and business-savvy, you can join the club and succeed in the industry.

The Laundromat Personality

You may think that the laundry business is about clothes, but what it's really about is people. It's a service business, and like any service business, you need to treat your customers well if you want them to return to your store.

If you're friendly, your customers will want to use your store. By taking the time to talk to them, you will also be able to learn about their laundry needs and their preferences for services. Ultimately, this kind of information will help you improve the quality of your business so that you can attract even more customers.

Even if you decide to hire employees and leave the customer relations to them, you still need good people skills to hire and supervise employees. The more closely you work with them and the better they know and like you, the better job they'll do.

If you have an unattended laundry that you visit twice a day

to clean and collect quarters, you still need to greet your customers with a smile on your face and an attitude that’s ready to help. So if small talk with strangers leaves you cold, and you can’t stand the thought of answering customers’ questions (often the same ones over and over), the laundry business may not be the one for you.

However, if you think you’ll like meeting new people, helping them work the machines, and listening to them talk while they wait for the dryers to finish, you’ll find this business rewarding. “Interacting with customers-that’s the best part,” says Collette Clarkson. “I can’t even imagine how many regulars we have who we know by name.”

The Daily Routine

So what’s it really like to own a laundry business? Whether you do all the work yourself or hire an attendant or a janitor, there are tasks you will need to take care of on a daily basis. You will need to open and close your store promptly each day, clean it, collect money, and fill vending and change machines. You will also need to keep track of which machines are being used and how often.

Those laundry owners who have employees will have other duties, too. They’ll be hiring and supervising those employees and overseeing additional services such as wash-and-fold.

The Hours You Shall Keep
Laundries are generally open between 6 a.m. and 10 p.m. seven days per week. Because weekends are usually the busiest days for laundries, you should definitely keep your doors open on Saturdays and Sundays. In some instances, you may want to adopt alternate hours, especially if the market you serve or

the location of your store lends itself to having open doors at other times of the day.

Brian De Coster, who owns several unattended laundries in and around Iowa City, Iowa, keeps his stores open 24 hours per day. Three of his four laundromats are in a college town, and students are notorious for keeping odd hours. “You’ve got the machines; you’ve already paid the money for the machines and the rent and everything else,” he reasons. Because his laundry is unattended, he doesn’t have to pay employees to stay up all night with his store.

Tim O’Connell, who owns 24 Colonial Laundromat stores in the Syracuse, New York, area, keeps most of his stores open 24 hours as well. “The biggest problem we had was turning customers away,” he says. “Customers would come in late and employees would want to be leaving, so it was easier just to stay open.”

Other laundry owners we interviewed base their hours on surrounding businesses. Dave and Kris Anderson, who own an unattended laundry in New Glarus, Wisconsin, keep their store open daily from 5:30 a.m. to 10:30 p.m. They chose those hours because they’re the same hours the nearby gas station is open. “We feel it’s working out perfectly,” Dave says. “If we had kept it open later, we might have had more vandalism.”

Your first duty of the day is to open your store, and you must be on time because your customers may plan their day around getting their laundry done at a certain time. You can avoid having to be at your store early in the morning and late at night by installing an automatic lock system on a timer. A typical system like this will cost you between $1,000 and $1,500.

At night, of course, you must close down and lock up. If you want all the customers to be gone by 10 p.m., you should consider locking the door at 8:30 p.m., leaving enough time

for the last loads of laundry to be finished. You can either let customers out yourself or install a lock system that allows them to leave but prevents others from coming inside.

Scrub-a-Dub-Dub

The first order of business for you or an employee you hire is to clean your store thoroughly, at least once a day. This will take about two to three hours. You or your employee will need to do the following:

- Mop the floors
- Wipe down the machines
- Clean the soap dispensers in your front-load washers
- Wash off the folding tables
- Clean the bathroom
- Empty the trash
- Wash the windows
- Clean the vending machines, change machines and video game screens

The best time to clean is after customers have gone-that way you or your employees can clean more efficiently. You'll also avoid the risk of customers slipping on wet floors or tripping over cleaning equipment. If you have a large or busy store, however, you may find that it requires cleaning twice a day. You can wipe down the machines and folding tables easily while customers are in the store, but save the floor for after they've left or for a slow period of the day.

Collecting Coins

One chore you're not likely to delegate to an employee is collecting money from the machines. If you have a card system, your job is much easier. All you'll have to do is empty the card machine of the bills, count them and deposit them in the bank.

But if you have a coin laundry, you'll need to empty each machine, preferably daily. You'll want to pull (take out the

coins) from one type of machine at a time so you can determine how often your customers are using each type of machine. Put a bag in one of your laundry baskets and roll it from machine to machine, starting with the top-loaders. Count these coins and record how much money you made on this type of machine, then follow the same procedure with the front-loaders and the dryers.

For recording purposes, you should draw up a chart with seven rows, one for each day of the week, and columns for each type and size of equipment: top-loaders, front-loaders, dryers and vending machines. Then record in your chart how much money you withdraw every day.

You should refill the change machine in your store on a daily basis, too. When it’s empty, your customers can’t do their laundry, and they’ll go elsewhere. If it’s empty more than a few times, they may never return. No one wants to lug several loads of laundry to a laundromat, only to find they can’t get change. De Coster says if his change machine runs out, “that’s like shooting myself in the foot. I check the change machine at least once a day.”

Let Us Vend

The last bit of daily business in your store is restocking the vending machines. If you own your own soda and snack machines, you will need to make sure they’re full every day. If you contract with a vending company, they’ll worry about filling them.

The most important vending machine in your store will likely be the soap vending machine, and since these machines are relatively inexpensive and rarely break, you should buy your own. Make sure it is properly stocked every day. Many customers will bring their own soap, but those who don’t will expect to find soap available. An empty soap machine is almost as bad as an empty change machine-it will cause you to lose business.

Keeping Track
When you're done with the daily in-store duties, you'll need to take care of some additional office work. Many laundry owners do this at home, though some may find it easier to work in a rented office or at the laundromat if they have space. Owners with other businesses, such as De Coster who has both laundries and an equipment rental business, can take care of everything in one office.

At your office, you'll need to take care of your accounting and track equipment usage by customers in your store. It's important to record how often each type of machine is used so that you can determine if you've got the right mix of equipment. For example, if you find that your front-loaders are getting six turns per day (the number of times a machine is used each day) and your top-loaders only two, you may need to add front-loaders and remove some top-loaders. Your customers are likely waiting for the front-loaders and possibly going elsewhere, so you could be losing money.

Startup Costs

You can expect to encounter a number of basic startup costs to get into the laundry business. Depending on whether you build a new laundry in a leased space or buy an existing one, your costs may include:

Market research (literature/subscriptions/association fees)
The cost of an existing laundry business

- Construction or remodeling (if you are building a new laundromat)
- Washer hook-up fees (sewer connection)
- Licenses/permits

- Equipment

Keep in mind that if you buy a laundry, you don’t pay for licenses or sewer connection fees (unless you decide to have additional washers installed). But you will have to pay for renovation and any new equipment you decide to install if you want to update the laundry.

In addition to these basic startup costs, you may also have a number of ongoing expenses. These include:

- Lease/rental costs
- Utilities (gas, sewer, water and electric)
- Insurance (fire, theft and liability)
- Employee payroll/benefits
- Miscellaneous supplies (cleaning supplies, soap, invoices for wash-and-fold, bathroom supplies, etc.)

Research and Development

Once you’ve completed your initial research on the laundry business, you will need to figure out how much it will cost to build your store-to remodel a space and fill it with laundry equipment-or to buy an existing laundry. Whether you decide to buy or build, you can expect to pay between $200,000 and $500,000 for an average-size laundromat (about 2,000 square feet).

If you’re buying an existing laundry, figuring out your major startup costs is simple-just determine the value of the business. If you plan to renovate the existing store by painting the interior or putting in new flooring, be sure to add these costs to your startup expenses.

Figuring out your startup costs involves a little more work if you decide to build. Since you’ll be leasing a space that was something other than a laundry in a previous life, the cost of the construction is going to depend on how much remodeling you have to do. If the space you’ve chosen was formerly a beauty

salon, for example, you're going to have to add enough water, sewer and gas pipes for the conversion to a laundry. You'll also have to provide enough electrical outlets, possibly move a few walls, and completely redecorate before it will look like a laundromat. You should hire a contractor to help you do all this remodeling.

In general, you can expect to pay about $200,000 for the construction costs to remodel an average-size space (2,000 square feet). This includes the cost of installing your equipment and putting in folding tables and seating. The remainder of your major startup costs will be buying the equipment itself.

Licenses and Hidden Fees
The licenses and permits you will need depend entirely on your location. Check with your municipality regarding:

- Business license
- Health department license (if you are serving food)
- Fire department permit
- Air and water pollution control permit
- Sign permit
- Public improvement fees
- Impact fees

You should also be aware of a few lesser-known fees that will affect you as a laundry owner. In many areas around the country, municipal water districts charge sewer connection fees. These can cost you anywhere from $200 to $8,000 per washer. If the fees are $8,000 per washer, the owner of a laundry with 30 washers must pay $240,000 in hook-up fees-almost what he'll pay for construction! Brian Wallace of the Coin Laundry Association tells us that high hook-up fees are one of the biggest problems facing the coin laundry industry today. "Before you get too far down the road, make sure you understand what if any impact fees, tap-on fees, wastewater fees-they call them lots of things-there are," says Wallace.

These fees are a major challenge to laundry developers. And in areas where operators are forced to pay these fees, the price of laundromats has also risen dramatically. If the fees are high in your chosen area, you may need to reconsider your entire plan.

In addition to sewer connection fees, you may find that you have to pay sewer and waste water fees, too-check with the local municipality. Don’t neglect to check on these charges when you’re researching a laundry business. After all, you will be using these utilities heavily, so you’ll want to know if the monthly charges will be manageable from the get-go.

The Goods

If you decide to buy a laundry, you will already have a full complement of equipment-unless you want to replace a few of the older machines or add a few more machines to meet customer demand. However, if you decide to build a laundry, buying equipment will eat up virtually all the rest of your startup costs. You can expect to pay between $150,000 and $300,000 to fill an average-size laundromat with washers and dryers.

Top-load washers cost between $500 and $700 each, and front-load washers cost between $3,500 and $20,000 each, depending on their size. One stacked dryer (which means two dryers arranged one on top of the other in a joined cabinet casing) costs between $5,000 and $6,000.

If you want to add a card system, it will cost you in the neighborhood of $40,000 to $80,000, including readers on the machines, a card dispenser and cards, and the software to compute equipment usage and let you change prices. It’s pricey, but take heart: With a card system, you don’t have to buy a change machine, which runs in the ballpark of $1,000 to $3,000.

A water heating system will run you between $15,000 and $40,000, and a soap vending machine will cost between $500 and

$1,500. Those laundry carts that let customers transport their clothes from washer to dryer cost $50 to $75 each. Supplies such as soap, cleaning equipment, signs, clocks, and trash cans should run another $750 to $1,000.

Setting Yourself Apart

Consider giving your store a theme or a gimmick. For example, one store in San Francisco plays classic black-and-white movies on their TV, and the walls are covered with photographs of movie stars from the 1920s and 1930s. Another store in Texas displays the owner's collection of antique laundry equipment. Iowa City, Iowa, laundry owner Brian De Coster chose humor: He plays comedy channels on his TVs and places signs with clever puns, such as "We have a dryer sense of humor" and "We never clothes." (His store is open 24 hours.)

A theme gives your store more personality; customers will remember it, and they'll find your laundry a more interesting place to come to. A clever gimmick may also get you some free publicity from the local press. If you want to create a gimmick for your laundromat, think about who your customers are and what sort of theme they will appreciate. One owner in Southern California, with customers from all over Latin America, hung his laundry with flags from several of his customers' native homelands and started serving traditional Latin American food.

For the Little Kids

Many laundry owners are realizing that they can increase business by providing a play area for children. Often, customers need to bring their children to the laundromat, so giving little ones something to do makes the laundry chore much easier on parents. Having an area set aside for children

can also help keep them from running around and possibly getting hurt or damaging equipment.

Collette Clarkson and her partner have a play area for children. They have a TV with a VCR, children's videos and toys. "We wind up picking up a lot of toys," she says, "but they love it."

If you want to put in an area specifically for children, check with your insurance agent and your city or county officials regarding liability issues. These professionals should be able to tell you how to design the area to maximize safety and make sure you won't be responsible in case a child gets hurt. In fact, you may need to place signs saying you're not responsible for children's safety.

For the Big Kids

Even adults will get bored at a laundromat. After all, mostly what they are doing is waiting around for clothes to wash and dry. Many laundries these days have one or more TVs mounted to the wall. Some laundries keep the TVs tuned to one channel, some play videos, and others let customers change the channels themselves.

If your laundry is unattended and you want to let customers change the channel, mount the TV low enough on the wall so they can reach the channel and volume buttons. Customers are likely to walk off with a remote control, even if it's tacked to a table.

Many laundry owners also have pinball and video games for their customers. Clarkson says a video game vendor approached her about having a videogame console in her store. He put a machine in at no cost to her, and they split the profits 50-50. "We've seen as much as $300 a month off the video game," Clarkson says. They change the game every so often to keep customers from getting bored.

Snack Time

It’s likely that your customers will get hungry and thirsty while they’re waiting for their laundry to finish. Even if your store is near a shopping area, many customers wisely don’t want to leave their clothes. So vending machines with sodas, chips and candy fit the bill. You can buy a vending machine, fill it yourself and take all the profits. Or you can contract with a vendor who will provide the machine and snacks and split the profits with you. Ask your distributor about vending companies in your area.

Clarkson and her partner decided to put in a snack counter rather than vending machines. They offer their customers-and anyone else who comes in-a soda in a glass with ice, along with candy bars and chips. The partners chose to go that route after talking with other laundry owners. “In interviewing other people, we found that [they] didn’t like cans, they liked a fountain drink,” Clarkson says.

They sell the snacks at a low cost because their store is next to a mini-mart. “If we had the same prices or higher, everyone would just go next door,” Clarkson says. Still, their snack business is brisk enough that it brings in $30 to $60 a day. “Our Pepsi distributor says we do more [business] than some of his restaurants.” Having the snack counter also improves customer relations, she says. “Our customers really appreciate the cheap prices.”

Coin-Operated Laundry Resources

Associations

Coin Laundry Association
International Fabricare Institute

Magazines and Newsletters

- **American Coin-Op**
- **The Journal**
- **Coin Laundry News**

Manuals

- **California Coin Laundry Association Owner’s Manual**
- **California Coin Laundry Association Reference Manual**

Websites

- **Coin Laundry Association bulletin board**
- **Coinwash.com (a bulletin board for laundry owners and marketplace of laundries for sale)**

https://www.entrepreneur.com/article/190424