



Going Beyond Laundry...

BY BOB NIEMAN | Aug 26, 2009

With more than 60 percent of today's self-service laundry owners offering their customers wash-dry-fold services and three-quarters of stores providing some sort of soda/snack vending option, the term "ancillary profit center" gets tossed around quite a bit these days.

However, some store operators - not content with simply offering Snickers bars, Ms. Pac-Man and drop-off drycleaning - are raising their adjunct businesses to the next level. Here are "snapshots" of some laundry owners who have taken their ancillary operations to the extreme:

Coffee Bar

Matt O'Connor, who owns Matt's Lake Effect Laundromat in Williamsville, N.Y., provides his customers with a full-service coffee bar and bistro.

During the winter, Lake Effect offers up 10 choices of hot chocolates - including turtle hot chocolate, white hot chocolate, cherry hot chocolate, dark forest hot chocolate, peppermint hot chocolate and orange hot chocolate.

"And, because we have the coffee bar, we've created all of the chocolates from scratch so it's not a pre-mix," O'Connor noted.

In the summertime, the laundry/coffee bar combo serves up flavored slushy, blended concoctions of cream, crushed ice, blended ice, soda water and any flavoring you can imagine.

Of course, Lake Effect also tempts caffeine junkies with a full complement of cappuccinos, espressos, lattes and iced coffees.

"And we've got three or four types of sandwiches, pizza by the slice, cookies, brownies, carrot cake, red velvet cake and

double chocolate cake," O'Connor added.

Why: "The initial thought was to look for an additional profit center and to give my customers something to spend a little extra money on," O'Connor said. "When they're sitting there, people like to do something, to be engaged. Coffee is a popular item these days, and it's got a decent profit margin as well.

"We wanted to give people an opportunity to get a good cup of coffee and then give them a nice environment in which to enjoy it."

Challenges: "Labor costs. It's difficult to have two employees on any given shift," he said. "The biggest issue we have is balancing that. For instance, we might have a customer checking in a drycleaning order and another customer is waiting in the bistro, so it creates a customer service challenge at times."

Costs: The initial capital setup for the cappuccino/espresso machine can be pricey. In fact, you can spend \$20,000 on a top-quality machine, according to O'Connor; however, be sure that your customer volume is such to warrant that large of an outlay.

O'Connor bought his machine used for \$4,500.

"With the sliced pizza, we've made an arrangement with a local pizzeria," he said. "They provide us with the warming unit, as long as we continue to buy the pizza from them."

Additional, ongoing costs with such an operation include paper products, cups, containers and napkins.

Percentage of Total Revenue: "When we first opened, the profit center itself generated close to 25 percent of our revenue," O'Connor said. "We found that a lot of individuals who were curious about the business would come in and grab something to drink or eat, and they might not even be doing laundry. However, since then, our total business has gone up, so as a percentage, the coffee bar and bistro has leveled off to where now it probably



represents 10 percent of our revenue.”

Advice to Laundry Owners: “Carefully plan your potential labor costs,” he suggested. “You have to keep that labor component in mind at all times – and how the profit center is going to work with the rest of your operation. Also, we set up our facility so that we can clearly close off the bistro section. We’ve got a gate that comes down and shuts off that area.”

In addition, be careful to not let it become a distraction, O’Connor warned.

“You’ve got to remember that your primary business is laundry, and your primary capital expense has been put into the laundromat, not a bistro,” he said. “It’s easy to become distracted if you’re not careful. While it’s beneficial, you have to go back to Square One and look at where the majority of your money was invested, and make sure that you’re driving that component of the business.

“Also, market that side of the business hard internally. If you do too much external marketing on the bistro side, you will lose focus. You’ve got to be careful with that.”

Tanning

Mike Gilley, who operates eight Laundry & Tan Connection outlets in the Indianapolis area, has been in the self-service laundry business since 1991. And he’s been in the tanning business nearly as long – adding that component to his stores in 1996

“Our average store is between 7,000 and 8,000 square feet.” Gilley said. “The coin laundries take up 5,000 square feet, and the additional 2,000 to 3,000 square feet is for the tanning. Each store has anywhere from 12 to 20 tanning beds. Generally, they’re lay-down units.”

The Laundry & Tan Connection offers its tanning customers both membership and package pricing options. The packages range from \$25 to more \$100, while memberships start at \$19.95 a month.

Why: “We were just looking for an additional revenue source, and the businesses were very similar in the fact that you’re buying capital equipment in both businesses and you’re renting it for time,” Gilley explained. “The business models are very similar. With our tanning, we’re targeting 18- to 34-year-old females, and that’s not a bad customer for our coin laundries either.”

Costs: Of course, there is the initial capital expenditure for the beds, and then there is the regular maintenance. “You have to replace the lamps over time,” Gilley said. “The lamps are like the cost of utilities for your laundry.”

In addition, Gilley carries a large inventory of towels and tanning lotions.

Percentage of Total Revenue: Gilley noted that tanning represents about 40 percent of his business’ total revenue.

“People tan year-round, but it is predominantly a January-through-June business,” he added.

Advice to Laundry Owners: “There is more to it than just putting a tanning bed in a back room and hoping it will make money,” Gilley said. “It really is a calculated endeavor, and you need to consult with a professional or someone who has done it before. You’ve got to know how to market it, how to choose the proper equipment and how to build the rooms properly so that you have the proper amount of air conditioning.”

Gilley added that laundry owners considering adding tanning should be sure they have enough room to accommodate it – a typical tanning room is about eight feet by eight feet. Also, don’t neglect cross-training your attendants on both segments of your business. What’s more, when hiring, it would be wise to look for candidates with some sort of sales skills to help you push your tanning packages and memberships. “It was the best thing that we’ve ever done,



as far as adding an additional revenue source," Gilley said. "It's really what has made us successful."

In fact, Gilley feels so strongly about the tanning business that he has become a distributor of tanning beds nationwide. "We're also the sixth-largest distributor of tanning lotion in the country," he added.

Art Exhibitions

Tenth Street Laundromat, located in Philadelphia's trendy and eclectic Italian Market neighborhood, dubs itself the coolest laundromat in Philly. And owner Lisa Budnick makes sure her business lives up to that moniker with quarterly art exhibitions at the store.

She's been holding these popular events at the 1,600-square-foot laundromat for about four years.

"I usually find artists either from the laundromat - young people who are coming in - or through friends and friends of friends," Budnick explained. "Or I will put an ad on Craig's List."

The exhibits typically feature photography and painting, but there have been exceptions. "I've had a woman who works with fabric come in and do a display for a night," Budnick said. "She takes old clothes and makes them new again, so I thought the fabric theme was good for the laundry."

The events, which run from 8 to 11 p.m., typically feature food and beverages, a DJ and live music - as well as, of course, the works of one or two featured artists.

"Most artists don't have enough work to fill up the store by themselves, so I usually have two," she said.

The turnout for these events can vary from 20 people up to as many as 70. "I get a lot of people in here just through the grapevine in the neighborhood," Budnick explained.

There is no charge to attend these art events. "I really feel like this is my form of advertising," she noted. "The word gets out,

and I think I get some business from it. I know my revenue has gone up."

While the events themselves run for only three hours, the artwork is displayed in Tenth Street Laundromat for up to 60 days. "The works are for sale, and that's between the artist and the customer," Budnick said. "I don't get involved."

Why: "I didn't want my laundromat to look like everybody else's," Budnick explained. "I never have known where 'the box' is. Plus, it's nice to expose the community to art and photography. I've had the works of photographers who have traveled the world, and they come here and will put up a display of where they have been. I think that's good for the community, and it adds some color to my walls and some character. Of course, I certainly encourage people to bring their laundry when they come in."

Costs: Budnick estimated that a typical event costs her between \$300 and \$500, once she factors in the food and drinks, as well as the small fees she pays the artists and musicians that perform.

Advice to Laundry Owners: "If you're going to do something like this, have fun with it," she suggested.

Dog Wash

Mark Grishaber is a dog lover. As a result, when he opened U.R. Washinstuff, a 7,000-square-foot laundry and car wash in Menasha, Wis., he was sure to leave room for a separate self-service dog-washing operation.

"We've got two rooms that are about nine feet by nine feet," Grishaber explained. "Some dog washes have a metered timed system, where you just drop in a quarter, but we don't have that. We have an attendant on duty at all times. We take the money at the counter, and that way we can be a bit more flexible with the time."

U.R. Washinstuff supplies its dog-washing customers with towels, a blow dryer and



four shampoo choices.

“We also give dog wash customers a discount on a car wash,” he said. “We cross-promote.”

Why: “We have a big building here, and I thought it would be fun,” Grishaber said. “It’s nice to show the dog people that our laundromat is nice and that they can come here and also do their blankets. It is a little bit different client than the traditional laundry customer. Most people who will pay \$12 to wash their dogs don’t use laundromats very often, except for their larger items. But at least those people get exposed to what a nice place we have here.”

Challenges: A dog wash is definitely extra work – Grishaber makes sure that each dog wash room is cleaned thoroughly after each use.

Another consideration is the increased risk exposure that comes with having dogs in your facility, according to Grishaber.

“We had one dog get his pad caught in the mesh screen that sits in the bottom of the wash tub,” he explained. “His pad got stuck in there and wouldn’t come out. We sent the dog and the screen to the vet, and he got the swelling down and the screen slipped right off. It was a freak thing, but I worry about that kind of stuff.”

Costs: The space itself certainly has a cost associated with it. What’s more, Grishaber had a cabinet custom made to fit the space within the drying station, and that cost about \$500 for each room. The wash tubs were the big-ticket item, and they were about \$5,000, according to Grishaber.

Ongoing costs include utilities and water, as well as an inventory of shampoo, combs and brushes.

Percentage of Total Revenue: 8 to 10 percent.

Advice to Laundry Owners: “I’d be afraid to have a dog wash if my store were unattended,” he said.

Café

The Spin Cycle Café Laundromat put its additional profit center right in its name. The Newington, Conn., laundry features an 18- by 8-foot café counter, panini grills and a full-sized sandwich prep area. And, within the last year, Spin Cycle is now armed with a liquor license as well.

“We have coolers, and the bar behind the counter displays our beers and wines,” explained co-owner Laury Rosario, who operates the business with her cousin Jesus Ortiz. “Our counter holds about nine bar chairs. Also, there is a six-foot wall that divides this area from the lounge and seating area, where we have six additional two-person tables.”

Challenges: “We’re limited on space due to the design of the building,” she said. “A big challenge has been trying to fit as much as we need into a small area, and at the same time, have an extensive menu where a lot of the items are being used in different forms.”

One way Spin Cycle can offer a number of different menu items is by using one particular item in several forms. For example, the café’s signature panini is its chicken pesto. That same chicken, just without the pesto sauce, is used in the salads and quesadillas.

“We’ve put a lot of thought and effort into having great ingredients so that our food stands out,” Rosario stated. “It’s not just boring old microwavable food. Some of our paninis and ingredients are gourmet quality, and a lot of people will come in just because they love one particular menu item or another. We have people come in specifically for the food or to take advantage of our happy hour specials.”

Another challenge is labor. Whoever is working behind the café counter is multi-tasking. They’re serving food, cooking food, pouring drinks, getting change for laundry customers and so on.



“We have a fairly intense, two-week training period,” Rosario explained. “That filters out who’s going to be able to make it and who’s not.”

Costs: Rosario said they spent between \$60,000 and \$75,000 for the café, including the equipment and inventory. Ongoing costs are in the neighborhood of \$3,000 to \$5,000 a month.

Percentage of Total Revenue: 40 percent. “That’s because of the alcohol,” Rosario said.

Advice to Laundry Owners: “Our restriction is our size,” Rosario said. “We’ve outgrown our place and are in the process of starting a franchise and opening a new location soon. So, be sure you have room for expansion if it turns out to work really well.”

Live Entertainment

In addition to its full-service café, Spin Cycle also holds special events on a nightly basis. Sunday night is karaoke night at the laundry, while Monday is sports night, where Monday Night Football or whatever major sport is in season is on TV in the store’s lounge.

Tuesday nights are laundromat dating night. “We have a bunch of singles that come and mingle,” Rosario explained. “It’s very casual.”

Wednesday is movie night, where Spin Cycle will showcase whatever blockbuster or independent film is most requested.

Thursday is “open mike night,” which includes everything from poetry readings to solo musicians. “A lot of comedians will come on Thursdays and practice in front of the customers just to get their feet wet or to try out new material,” Rosario said.

However, Friday and Saturday nights are reserved for live entertainment – typically, standup comedy, improv and live bands. Spin Cycle charges \$5 to \$10 for most of these weekend shows.

Why: “It was one of the clear ideas we had that was going to set us apart from the other laundromats,” she said.

Challenges: Advertising and promotion is expensive for the Friday and Saturday events. Therefore, Spin Cycle invites mostly new artists to play, in order to keep costs down.

“We encourage the performers to do a lot of promotion on their end,” Rosario said. “Then, I negotiate a percentage off the door.” “The biggest challenge, depending on who is performing, is getting a feel as to where I can get the most bang for my buck as far as advertising and marketing,” Rosario said. “For instance, we’re right around the corner from Connecticut State University. However, I’ve found that some events didn’t attract anything on campus, yet I spent most of my money and time promoting them on campus. So the trick is getting a feel for who your customers are going to be for a certain event.”

Percentage of Total Revenue: Approximately 5 percent.

Advice to Laundry Owners: “It’s wearing 15 different hats,” she said. “You’ve got to be focused. Also, at times you may explore new ideas that just won’t work because of your market’s demographics.”

“One of the biggest problems I face is drawing the line as to who we can afford and who we can’t. Is it worthwhile? We’ve had a few bombs, but then we’ve had the other extreme too, where the performance was incredible and the people who came spread the word like wildfire.”

Clearly, not all of the above options will work for each particular market, location, facility or business model. However, diversifying your self-service laundry business in 2009 can turn out to be a win-win situation for you and your customers.

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