



YOUR VENDED INVESTMENT

GET SET FOR SUCCESS



INTRODUCTION

Flexibility. Minimal oversight. High ROI. All benefits that you've correctly determined vended laundry can offer. You've done the work researching the industry to make sure it's where you're looking to invest. But what comes next?

Logically, you might think that determining the proposed location of your laundry business is the next step to take. But lenders suggest that, as a new investor, you go through the pre-approval financing process first.

This helps you establish your approximate budget, and understand the requirements as you get into the details of securing your investment.

FINDING A LENDER

As you start to consider which financial institution to approach, you may contemplate applying to multiple lenders to see which can provide the package that best suits you. Having choices can be helpful, but narrowing your selections to those with a proven track record of specifically financing commercial laundries is crucial. An experienced lender will be able to provide valuable information such as insight into operations, the lease, whether the cost per square foot is reasonable, and valuation.

The laundry business is a long-term investment and you'll want to partner with a lender who both understands the business and will provide the same, if not more, due diligence in vetting the project as you will, because they want it to be just as successful as you do.



A LENDER WITH EXPERIENCE
IN LAUNDRY WILL PROVIDE
VALUABLE INFORMATION.



GETTING QUALIFIED

Let's talk money. No one likes surprises, and many new investors experience sticker shock when they find out that, most of the time, financing a self-service laundry store could require 30%-35% of the entire project down. This is because lenders have found that, once investors have committed that amount of their own money, they're motivated to make the business work.

Something to note is that there are a number of different options to structure equipment and total project financing. For instance, lenders may propose an offer of 100% financing with no cash down. This would simply mean that the equipment is 100% financed and the cash investment is on the build-out/construction. Either way, there will need to be an upfront cash investment.

Don't let the initial capital needed steer you away, though. The actual process of getting qualified for financing is easier than many investors expect. Lenders are essentially looking for the same thing investors are – whether the project makes financial sense. To evaluate whether the project has a good chance at success, lenders exercise due diligence by taking into account several different components.

Beyond being able to meet upfront financial expectations, they'll consider your credit score, net worth, and business experience as well. Guidelines to score an A credit include being a homeowner, a net worth of 2-3 times what you're looking to borrow, having a FICO score of 650 or above, and a minimum 2 years of business experience. If there's a reasonable explanation behind a lower score – such as disputing of medical bills – lenders will listen, so don't assume that you won't qualify simply because your scores don't align with the minimum. Additionally, laundry-specific business experience isn't a requirement, but a background that includes managing people and collecting money is beneficial.



LAUNDRY-SPECIFIC BUSINESS EXPERIENCE ISN'T A REQUIREMENT, BUT A BACKGROUND THAT INCLUDES MANAGING PEOPLE AND COLLECTING MONEY IS BENEFICIAL.

To make the pre-approval process even easier, there are several documents you can prepare and have with you when you meet with your lender. These include:

- Signed credit application
- Personal financial statement
- Previous 2 years of personal and business tax returns
- 2 months of personal and business bank statements

For a more extensive list of the essential information needed to finance your new laundromat business, go to:

<https://easternfunding.com/industries-we-serve/laundry/new-laundromat-financing-checklist/>.

CHOOSING A LOCATION

Identifying the right spot for your business is arguably the most important step in the buying process. Location determines competition, traffic, clientele, and most importantly, profit. In fact, the California Coin Laundry Association estimates that 80% of your customers will choose your store because of its location.* Given its importance, taking time to consider every aspect of your laundry locale is instrumental in the success of your business. As you start to scout around, keep these things in mind:

- Is there a high percentage of renters in the community?
- Do households average towards larger-sized families?
- Is it in close proximity to other basic-need stores, like a grocery?
- Is the laundry location easily visible from the road?
- Is there ample parking space with adequate lighting?
- Will customers be able to easily get in and out of the parking lot?

80%

OF YOUR CUSTOMERS
WILL CHOOSE YOUR
STORE BECAUSE OF
ITS LOCATION. 📍📍📍

Checking out the surrounding neighborhood of your potential site can provide a lot of useful information. The majority of your customers will be those who don't have washers and dryers in their homes. This narrows your target audience to apartment dwellers, those who rent houses, and those with a lower income who're unable to afford an in-house washer and dryer. According to former laundry equipment distributor Paul Donovan, via Entrepreneur magazine, having at least 40% of the neighborhood as renters is the ideal ratio.* Neighborhoods with students and seniors are also desirable since they often don't have laundry units in their homes.

Another useful tool in determining general demographics is the U.S. Census Bureau. Visit <https://www.census.gov/> and choose your state under Quick Facts. Follow instructions from there to see general information about the applicable area, such as income and population. Your laundry equipment distributor can assist with getting demographic information as well.

Convenience is also a key factor to drawing in customers. Will the majority of your clientele be walking to your laundromat? They'll be toting their laundry along with any needed supplies, so don't expect that they'll walk more than a half-mile to get there. If the location is more suburban-based and customers will be driving, the distance they'll travel increases to about 5 miles; rural-based will draw from about 10 miles away. In either situation, being located near other need-based stores such as a grocery is an added convenience that will attract more foot traffic and provide a strong competitive advantage.

*Coin-Operated Laundry: Entrepreneur's Step-by-Step Startup Guide, 3rd Edition.

FINDING A DISTRIBUTOR

It's true that distributors are the ones who will sell you laundry equipment. But their value goes far beyond just product purchasing. The distributor you choose will be there with you from the very beginning and can advise you on most aspects of your laundry business.

As you start the process of finding a distributor, keep in mind that you'll be working with them regularly. Make sure to meet with them and gauge whether they meet the following criteria and any others that you feel are important:

- Works with a dependable manufacturer
- Has extensive industry and product knowledge
- Includes access to brand marketing materials
- Understands the area demographics and how to interpret them
- Offers prompt and professional service
- Provides regular service training programs on equipment
- Has good business decision-making skills
- Maintains a substantial supply of parts with rapid delivery
- Utilizes experienced installation crews
- Provides floor plans, equipment costs, and pro formas
- Offers reasonable financial assistance programs
- Attends in-person meetings with construction people

Once you've chosen a distributor, be sure to consult them on your possible location too. They'll help evaluate the customer base and provide insight into things like parking and visibility. They can also provide feedback on the actual building as well – whether it has enough space for the necessary equipment and even whether it can be remodeled to accommodate laundry if need be.

Be sure to also tap into your distributor's equipment knowledge. From recommending reliable equipment to providing guidance on store build-out, and providing training in maintaining and repairing equipment as well as working closely with the manufacturer to deliver strong brand support, they're a great source with valuable information.



SELECTING EQUIPMENT

The success of your laundry business lies largely with what's inside. The number of washers and dryers, machine efficiency, and utilization of space all contribute to the effectiveness and profitability of your store.

Neighborhood demographics will help determine the ideal number of machines to have. You'll want the maximum amount to provide the total turns per day that will get you the desired ROI. This means considering not only how many washers and dryers you need, but also which type.



Front-load washers have several advantages – they tend to be more energy-efficient than top-loaders and offer several bigger-capacity options to get more laundry done at once. But before you decide to go all-in with front-loaders, no matter which size, consider your clientele. If the neighborhood is filled with primarily students, seniors, or single people, consider including some top-loaders as options. Since their laundry loads will be smaller than those of families, they'll be less likely to want to use the large-capacity front-loaders.

Be sure to have enough dryers on hand too, as this is where most bottlenecking occurs. Industry standards suggest that you should have one dryer for every two top-load washers and one dryer for each front-load washer. This is based on the knowledge that customers will generally put two loads of laundry from top-load washing machines into one dryer but only one load from a front-load washer into the dryer. Some suggest adding a few extra dryers above the estimated need is helpful since drying can take longer than washing.* You might also consider stacked dryer options, which can provide more drying capacity in less floor space for additional efficiency.

Demographics may also drive which payment options you choose to suit your equipment with. If your clientele is more traditional, it may make sense to choose coin. If you observe that they're often searching for change or that they carry smart phones or utilize WiFi, card readers could be the way to go. There are owner and user advantages to both – the key is finding which works best and is most convenient for your customers.

Additionally, considering equipment with remote connectivity will provide laundry management capabilities even when you're not there. Many machines with remote connectivity deliver real-time data so that you're always aware of how they're running. They also have features that let you adjust pricing to fit your needs, and help maximize the store's profitability.

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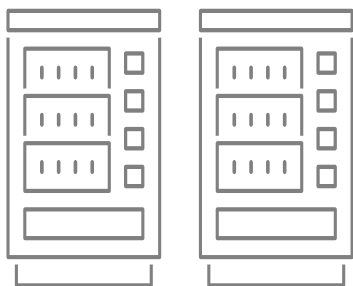
Strategic, thoughtful product layout can easily influence the environment of your laundry business too. If possible, arrange washers and dryers to be opposite each other, six feet apart, so laundry can be quickly and easily transferred from one machine to the other without bumping anyone. Putting front-loaders close to the entrance and visible from the street lets customers coming in with large, heavy loads know they'll be able to unload them quickly. Provide folding tables and carts to encourage good workflow and help with transfer. Easy access and navigation deliver a good user experience and will keep your customers coming back.

Once the store is laid out the way you like, equipped with the dependable machines you need, and running efficiently, do a regular evaluation of laundry turnover to ensure you're always providing the best mix of equipment for your customers.

DRIVING TRAFFIC

Creating a successful commercial laundry business consists of more than just selecting the right equipment and choosing the right location – many factors contribute to attracting and keeping your customer base.

AMENITIES ARE A WAY TO SET YOURSELF APART FROM COMPETITION.



- VENDING MACHINES
- CABLE TELEVISION
- WiFi
- BOOKS
- GAMES

Establishing operational hours that are convenient for your customers is one key to return business. Self-service laundry businesses are generally open between 6 a.m. and 10 p.m., seven days a week.* But if enough of your target customers in the area of your business aren't able to fit doing laundry into those hours, you may want to reconsider and adopt alternate hours. Lenders suggest spending time in the store talking to the people who frequent your business and learning what they need – for instance, do they prefer coin or cash payments? Would they like to remotely check machine availability? You can use this information to identify what you might do differently to increase their satisfaction, and ultimately increase your profits.

Amenities can be a way to set yourself apart from competition. Providing a source of entertainment such as cable television and WiFi connectivity gives customers something to do while they're waiting for their laundry to finish. Vending machines will also be appreciated by hungry or thirsty customers. And customers who need to bring their children are sure to welcome a supply of kids' books and games for added distraction.

Beyond logistical offerings, using traditional marketing and signage is a way to reach potential customers. Signage identifies the name of your business, but it also does much more – it lets potential customers know which services you provide, what dependable brands you offer, and can help create top-of-mind awareness. Your distributor can provide insight into which marketing materials are best for your business and will collaborate with a preferred brand to help support those needs.

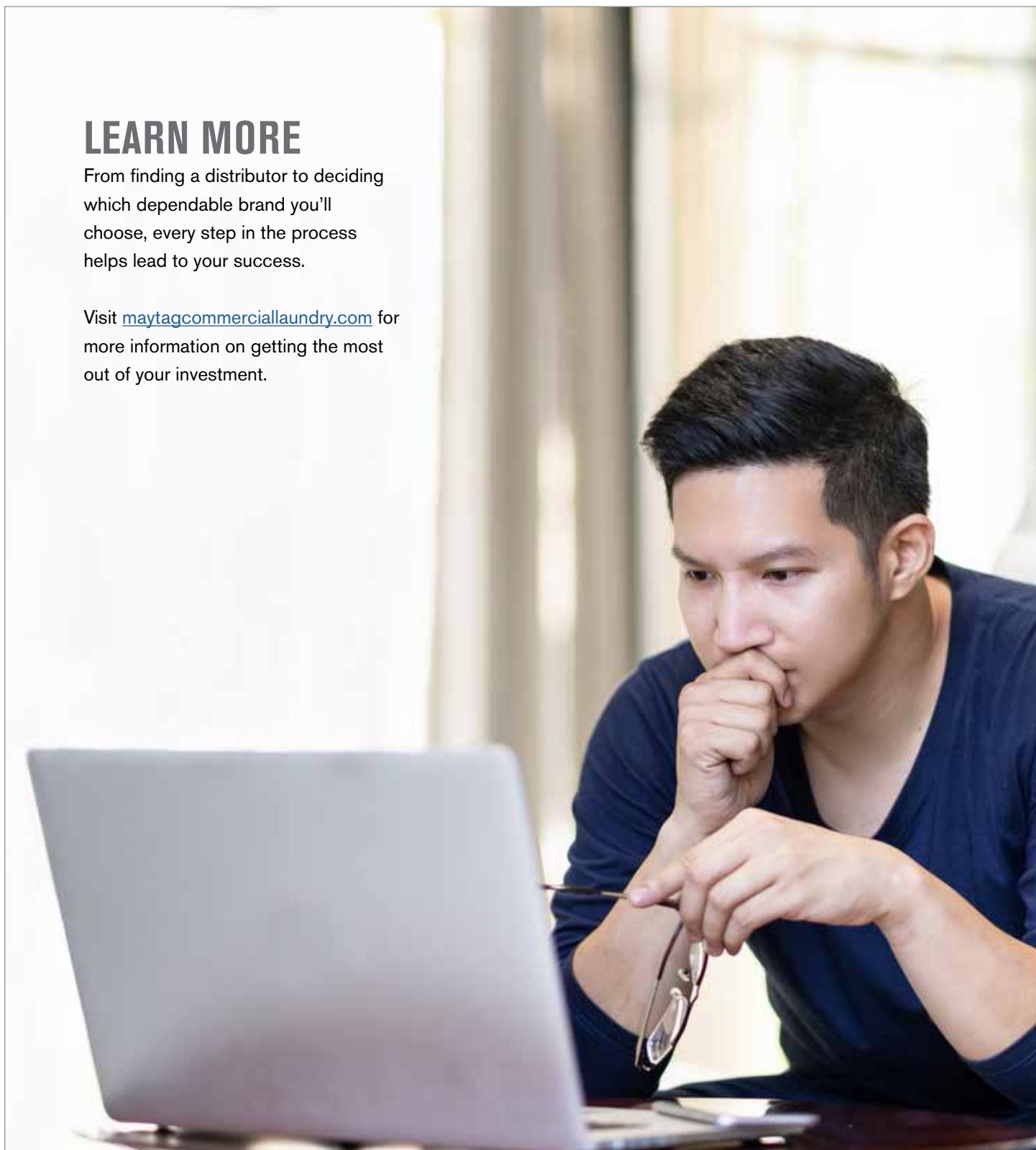
Details like these are what will pull in traffic and keep your customers coming back.

*Coin-Operated Laundry: Entrepreneur's Step-by-Step Startup Guide, 3rd Edition.

LEARN MORE

From finding a distributor to deciding which dependable brand you'll choose, every step in the process helps lead to your success.

Visit maytagcommerciallaundry.com for more information on getting the most out of your investment.





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