

# THE JOURNAL

COIN LAUNDRY | DRYCLEANING

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## LEASING YOUR LAUNDRY

**Store Operators and Industry Experts  
Share Some Key Tips to Heed—  
And Red Flags to Avoid—  
Before Signing Your  
Next Lease**



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- **PREPARING YOUR LAUNDRY FOR SALE**
- **FINANCES:**  
Changes in the 'Kiddie Tax'
- **PRODUCT SHOWCASE:**  
Ancillary Profit Centers

# FOR THE RECORD...

## An Interview with California Laundry Owner Art Jaeger

**A** former executive vice president for Capitol Records, Art Jaeger built three self-service laundries and then turned around and sold them all. Now, he's back in business, with a new 5,400-square-foot showplace laundry in Santa Clarita, Calif.

### How did you get involved in the coin laundry industry?

After leaving Capitol Records, I tried my hand at a few Internet startups that were music-related. However, to be honest, they all had bad business plans. But at least that got me used to doing startup, entrepreneurial work.

After attempting those Internet startups, I was offered a fairly substantial amount of money to begin a new record label, but I saw that the record business was going downhill. I felt that, if this person gave me these millions of dollars to work with, he was going to end up having nothing. The Internet and downloading of music has changed the entire economic model of that industry, which is still suffering from those changes.

Armed with the knowledge I had acquired from all of my various professional experiences over the years, I had developed a list of criteria that I was looking for in a business. And, after doing my research, the coin laundry industry was the one business that most closely matched the items on my list.

### What types of requirements were on your list?

One requirement was that it had to be something I could finance myself without a partner. Eventually, I got financing, but I didn't want to have to deal with venture capitalists and equity partners and people like that.

Another item on the list was that it did not require me to be there all of the time. I wanted the flexibility to make my own hours.

A third item was that there would be a readily accessible exit strategy without having to fall back onto a "fire sale" kind of mentality. Also, it had to be a fairly flat organization that I could be able to run myself.

Over time, I've gone through all of these items, including selling stores. And everything that I thought came true. When I decided that I wanted to sell certain stores, I was able to do it in three months at a very strong price.

When I originally got into it, it was not my intention to build and sell. But I look at these things very unemotionally. These are investments to me, and there was a moment in time when I looked at all of the statistics regarding these stores and where the prices were at that moment in time, and I had two fears. I had fear that the interest rates were going to go higher, and I had fear that the utility costs were going to keep going higher.

Both of those things would reduce the total value of a store. At that same moment in time, I was getting very strong offers. I believe that you never go broke by making money. There are a lot of people who won't pull the trigger on a deal, but I've never been scared to leave a couple of cents on the table.



### So you sold your first three laundries.

I sold all three stores, and I made a lot of money on them. Having done so, I then re-visited all of my original thoughts about owning my own business. I looked at a number of different businesses again. And, again, I ended up with another coin laundry. It simply met my needs. Despite looking at all of these other type of businesses and seriously thinking about them, I still returned to the fact that the coin laundry business is the best one for me.

The only thing I did differently this time around is that I decided I wanted to change my business model slightly. And that's what I did with this new store.

### Tell about that change.

The biggest thing I noticed was that I needed to have protection against future price increases. I wanted to be in a position where I had higher margins. And I definitely wanted to be in a business where I felt I could build a large drop-off and commercial laundry segment as well.

My first three laundries were all in what I call 70/70 markets—70 percent Hispanic and 70 percent renters. I wanted to find a demographic that still had a core Latino base, but that also had more middle- and upper-income people that would use my drop-off

service. I also wanted to find an area where I felt I could build a strong commercial business.

With my first three locations, I had a couple of different problems. One was that, because the household income levels were a little low, the customers displayed some price-sensitivity. Even if I clearly had the best, cleanest laundry with the best machines, if somebody came in and was charging 75 cents on their toploaders, the customers would go there.

It didn't matter that the other laundry owner may be losing money, he's still charging 75 cents—and that made it very hard to raise prices. As a result, I was unable to raise my vend prices to where I felt they needed to be for me to achieve a fair return on investment. I needed to find a different location. I needed to get out of that situation.

### **What are some of the top issues facing laundry operators in your area?**

Generally speaking, the vend prices are too low out here. It's the same old story: Back East, the vend prices are higher, but the turns are lower. Here, what we lose in pricing, we "make up in volume."

Of course, that's not exactly true, because our margins are lower. We still have our gas and water prices, which are very expensive. We might be doing more business, so we end up with the same total top line. But our bottom line is less and our ROI is less than they have in the East.

For example, let's say you get to \$10 in the East by two turns, and you get to \$10 in the West by three and a half turns. In the East, you're doing two times water and two times gas. In the West, you're doing three and a half times water and gas.

The second big problem, aside from vend pricing, are dry times. Nowhere do I think there as many store owners still at 25 cents for 15 minutes. At my other three stores, I was monitoring my competition as gas prices went up, and not one of them moved off of 15 minutes for 25 cents—even as gas prices doubled and tripled. You just can't compete with that type of mentality. I'd rather sell, get out and make money—and go somewhere else.

### **Are you the vend price leader in your market now?**

Yes, I am.

### **Any other issues you're dealing with in your market?**

Where I am located, the price of water is very steep and the impact fees are getting up there, too. Those have to be calculated into your budget. In fact, I hear a lot of stories

about people who have all of a sudden gotten hit with a very large impact fee, and they didn't know where that money was going to come from.

### **What industry trends are you noticing in your area?**

What comes to mind immediately are larger stores and larger machines, along with less toploaders. As an owner, one would prefer to have no toploaders at all. But most store owners usually end up with somewhere between six and 10, as a token effort. Nobody really needs them, but there are customers who cling to the notion of the toploader.

In fact, some people come in and tell me that my laundry, which is a card-operated store, is too modern. The first couple of weeks I was open, I had one person start screaming at me as they walked out—and what they're really screaming out is that another element of their lives has past them by.

They probably don't understand the Internet. And while they're yelling at me, what they're really saying is: "I'm trying to stay in the '50s and now I don't even understand how to use my laundromat anymore."

On the other hand, I can't even begin to tell you how many people have walked in and said, "I haven't been in a laundromat in 20 years. This is unbelievable." They're just amazed at the machines, the technology and the whole atmosphere. I built my store with the middle-income consumer in mind.

For instance, my drop-off area has a granite countertop. I put in a POS system. I installed a weigh station. I have a 40-foot-long section of storage racks and shelving, and laundry products are sold behind the counter. Customers receive a printed receipt with their name on it, along with the time the items were dropped off, a pickup date and any special instructions.

I want to have a drycleaner's mentality for my drop-off laundry. As a result, I spent an extra \$500 on my granite countertop. To me, that's one of the best investments I could make, because when customers come in and put their clothes down or sign a receipt, they are subconsciously getting a feeling that their clothes are in good hands.

I've been to other stores that do drop-off laundry, and some just take a small section of a folding table and put a scale on it, while the clothes are thrown in the back room next to the boilers.

### **Over the years, have you developed a business philosophy that you use in your laundries?**

I do. I want to be the number-one store in my market.

Everything I do—from picking the location to determining the size to evaluating the trade area—is to prepare me to go in there and dominate the marketplace.

After that, everything else follows. Because now I'm trying to do everything first class, from the décor to the machines to my employee training and how my attendants treat the customers.

I recently bought a book called "Exceeding Customer Expectations." And I'm actually going to have a sign printed and placed inside my attendants' area; it's going to read: "Our Goal: Exceeding Customer Expectations."

### **What are your thoughts on attendants and their training?**

I don't think enough laundry owners consider their attendants to be more than janitors. I consider mine to be customer service representatives, and their job is to retain my customers, as well as to find me new ones. If they're not doing that, they're not doing their job. That's very important to me.

In fact, I tell each of my attendants that, if they bring in one new customer a week, together they will have brought in 28 new customers by the end of the month.

Whenever we see a customer walk into the laundry looking quizzical, I get an attendant to go right over. We try to make the card system training experience a selling experience as well. This is an opportunity to tell the customer about the promotions we're running, about how the card can benefit them and so on.

Constantly, I get customers saying, "Boy, I'm really glad I'm here. Not only is this the cleanest laundry with the nicest people, but if there is ever a problem, there's always somebody here to help me with it."

Customers encounter all kinds of crazy problems, and it's great to have somebody who can go over to them and help them solve it right away.

### **What are your thoughts on marketing and advertising?**

I'm a major marketer. And I received a very pleasant surprise after I opened this new location in Santa Clarita.

As it turns out, Santa Clarita views itself as very much its own city—and very independent of the surrounding areas. Because of this mentality, there are several publications and other media outlets available to me just in this region and just targeted to this area.

In the past, one of my problems with my stores in other areas was, because they were located in large sections of Los Angeles, there were only a couple of advertising vehicles

I could utilize to get distribution in the zones that I wanted. Otherwise, I was paying for a lot of areas I didn't need.

After all, at the end of the day, coin laundries are still proximity businesses. People aren't necessarily going to bypass eight other laundries to come to yours. You hope they do, but you can't count on it.

Santa Clarita has its own newspapers and its own magazines. I was able to run ads in several different publications. For my grand opening campaign, I received 600,000 impressions in the first five weeks, using a variety of media. Since then, I have retained a budget that allows me to get between 70,000 and 80,000 impression a month. That's been very useful for building up the awareness of my laundry.

I also have exterior banners, which are fantastic. And I've got in-store signage. Regarding promotions, I try to do something different every month to excite my customers. I've got a regular marketing campaign, and I spend between \$800 and \$1,000 a month on it.

### **What's the biggest mistake you've ever made in this business?**

The biggest mistake was building my second store. The truth of the matter is that store did not allow me to maintain the positioning and the standard that I really wanted.

As I mentioned, I want to be able to dominate a market. Building a great store—a very special store—also forms somewhat of a barrier to entry for other would-be laundry owners. When potential entrepreneurs are looking at your neighborhood and thinking about coming in, if they see your store and the kind of investment it takes to build these days, they may say to themselves: "Do I really want to do this?"

Unfortunately, my second store, which was my smallest store at only 2,900 square feet, didn't allow me to be what I wanted to be. Each time I went into that store, I felt claustrophobic. The aisles were too tight. There wasn't enough room for amenities. That was my biggest mistake. I didn't really like that store.

However, I was green at the time. My concept wasn't fully actualized. I virtually signed the leases to my first and second stores within four months of each other.

Now, looking back on it, I feel that my biggest mistake was building that second store because it really wasn't in tune with everything else that I was doing. Also, keeping with that, when it came to sell, it was the most difficult store to sell.



**What are your business goals for the remainder of 2007?**

The rest of 2007 will be devoted to making my new store a success. And you have to run through a whole cycle, a full year, before you really know something about your business. Each day, each week and each month is different than what you experienced before.

Until then, you don't have anything to compare it with. You don't know what the total customer patterns are in your area. You know what your demographics are, but how far does it drop off over the summer? How great does it recover when schools start up again? What happens on the holidays? What happens during vacation periods? Even though you go in with certain expectations, are they going to come true?

So this year is devoted to making my new store a success. If it turns out to be the store that I'm hoping it will be, I'm going to look for a similar location and a similar opportunity. Those aren't easy to find. You have to have your eyes open all the time. And, at the end of the day, it's all a risk.

**What advice would you give to a new laundry owner just getting into this business?**

At the last Clean Show in 2005, I met a young man from Florida who wanted to get into this business. He was there doing his due diligence in 2005 the same way I was doing my due diligence in 2003.

I was really impressed with his enthusiasm and energy at the time. He kept in touch with me, and about a year or so after Clean '05, he bought his first laundry.

He decided to buy an existing store and has given me regular updates on his progress. He has doubled wash-dry-fold sales. He's up 30 percent on the self-service end. He's paying attention to his customers. He's doing fantastic.

I think the answer to that question is right there—enthusiasm and energy. He is already a success and loving every second of it. He left a career in banking to do this. And he has the two attributes—enthusiasm and energy.

I get very upset when I see people trying to promote our industry by telling to people how little you have to put into it. I feel that is sending people the wrong signals. It's also going to attract the wrong type of owners. There is no business that you can run that doesn't require you to have to put some work and effort into it.

Does this business offer you flexibility that you don't have in the corporate world? Absolutely. But when you're heading out at 10 at night to fix a problem, which you will be doing, tell yourself this: "At least I'm doing this for myself." All those years that I spent heading out at 10 at night flying somewhere, I was doing it for somebody else.

With a coin laundry, you have a lot more control over your time. You end up spending less time than you would at a full-time corporate job. But if you don't spend adequate time and energy on your laundry business, you're not going to be successful.

**In your marketplace, is the coin laundry business still a good business to get into?**

You would probably call it more of a mature market. However, I think part of that maturity is because of the number of stores there are. There are a lot of older stores that require replacement, and replacing those stores is a key element right now.

I think you have to do your research and be very careful what you get into. But, if you pay attention to what you're doing, I still feel this can be a good opportunity.

If you're willy-nilly about this and don't do your homework, you could end up with a big problem.

**What did you take away from Clean '07 in Las Vegas?**

I've already put two things into practice that I saw at this year's Clean Show. For starters, I am now opening my store an hour later in the summer. I had spoken with several people at the show in regard to business hours, and they pointed out that, as daylight gets longer and people spend more time outside, they want to come in a little later in the day. I also talked to my attendants about this, and they agreed that we should be open an hour longer, moving the last wash to 10 at night. So I have done that and received positive feedback already.

The second thing was that I was totally knocked out by Minnesota store owner Jeff Gardner and his wash-dry-fold presentation. As soon as I got home, I bought shrink wrap from Sam's Club and made photocopies of his demonstration for all of my attendants. We've instituted shrink-wrapping all of the clothes as per Jeff's demonstration, and the initial reaction we have gotten from our customers so far has been over the moon.

We have adopted his philosophy of making our drop-off service as close to retail as possible. Jeff knocked us out with his presentation.

And I made some other great contacts as well. For me, it was a very productive show. 