



DESIGNING A SUCCESSFUL BUSINESS PLAN

*Plan Your Work... Work Your Plan:
Creating a Comprehensive
Laundromat Business Plan*

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www.coinlaundry.org

 **Gold Book**
Research Series
Your Guide to Laundry Excellence

Designing a Successful Business Plan

Plan Your Work... Work Your Plan: Creating a Comprehensive Laundromat Business Plan

This white paper is intended to help prospective laundromat owners develop a successful and usable business plan for their proposed laundry operation.

In the pages within this resource, potential operators will gain a basic understanding of the main purposes for creating a plan, and learn about the key elements that should be included in a detailed, carefully researched and well-formulated business plan.

Rationale

What are the main purposes of a laundromat business plan?



The business plan's main purpose is to serve as a road map, as well as to set realistic expectations for the business. Creating a plan is also a compulsory exercise that one needs to perform in order to secure funding and ensure the success of the enterprise. As the saying goes: "Failing to plan is planning to fail."

Writing a laundromat business plan compels one to define one's goals in owning and operating the business, as well as to lay out the strategies one will leverage to achieve these goals. It forces the prospective owner to think through the finer details of the business's operational and marketing functions, as well as refine its mission.

Informing the Lender

A business plan can serve as an effective tool for helping a

lender or other finance partner to more quickly assess the *qualifications of the prospective borrower* and the *soundness of his or her business proposition*, leading to faster loan approval.

Just how exhaustive the plan needs to be will be dictated the nature of the specific opportunity. For example, lenders and investors tend to require a more detailed and formal business plan when the applicant is building a new laundry rather than acquiring an existing business because of the greater costs and risks associated with starting up a new business. Such a plan would include a much closer examination of certain factors—such as demographics, operational details, the start-up cost of equipment, the construction timetable, and projected revenues and expenses—and require the borrower to put forward a more compelling and well-supported business case. The plan should include an estimate of when the business will generate profits, as well as details on where those profits will go.

Educating and Convincing Oneself

The process of creating a plan also forces a prospective laundry owner to dig deeply into the operational requirements of the business, generate revenue and expense projections, and create a profitability timeline. In doing so, it compels one to understand the full range of responsibilities that come with owning and operating a laundry.

Once completed, the plan can serve as a reality check, and provide the owner-to-be with a final opportunity to make a go/no go decision on whether the venture and its resulting income are worth the required time and investment.

Uncovering Negative Factors

A well-researched plan can reveal shortcomings that may preclude proceeding further with the venture, or uncover unexpected issues that must be addressed for the laundry to succeed. Research conducted while collecting the information to be incorporated in the plan, for example, may turn up problematic issues regarding the lease, the laundry site, reported revenues or utility consumption, or other factors

which, once discovered and remedied, may prevent painful and costly outcomes.

Establishing Organizational Structure, Ownership and Responsibilities

The plan should contain clear descriptions of how the ownership of the laundry will be structured, and how the business itself will be organized. It should indicate which individuals—whether employees or others such as outside technicians—will be responsible for various functions and duties. It also should describe those functions and duties, and provide a schedule of any daily, weekly and monthly tasks that need to be addressed on a regular basis. Much of this information eventually should be incorporated into a *formal operations manual*.

Laying Groundwork for a Company Culture

While it may not be specifically addressed in the document itself, a plan for an attended laundry implicitly indicates the sort of company culture the business will have, since that culture is determined in part by the business's organizational structure, distribution of responsibilities, pay, and any benefits or perks that the owner will offer to employees.

While company culture may not be foremost on a prospective owner's mind when developing a business plan, it is worth some level of consideration given that employees contribute heavily to a laundry's success.

Creating a Plan of Attack

When a laundry faces competition within the area it serves—or in the case of a new laundry, the area it plans to serve—one of the primary purposes of a business plan is to document how the venture is going to edge out its competitors and capture the largest possible percentage of the gross laundry spending for the area.

To accomplish that, a comprehensive plan should clearly define the competition, describe the prospective laundry's

offerings, and demonstrate how the laundry will use those offerings and any improvements to target specific areas of the competition and steadily pull revenues away from those competitors.

Components

What are the critical elements that should be included in the business plan? And what makes each of these elements crucial to the success of the plan?

A business plan is simply a formal way to organize and present information and data related to a proposed commercial enterprise. It can be as simple or complicated as the situation requires. At the same time, there are typically a number of common elements that appear in some fashion in all business plans.

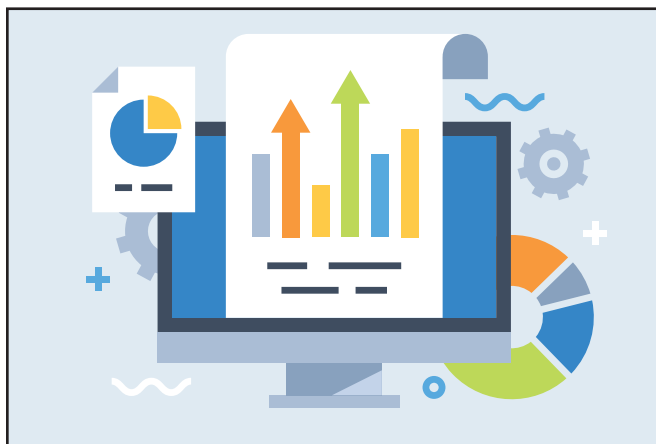
Creating an Outline

There are a wide variety of templates available that can be used to create a coin laundry business plan. While there are many variations, most of these templates are designed to include the following sections:

- Executive Summary
- Company Description
- Products and Services
- Marketing Plan
- Operational Plan
- Management and Organization
- Start-up Expenses and Capitalization
- Financial Plan
- Appendices

While all of these sections contribute to the completeness of the plan, various sections—such as *financial plan* and *startup expenses and capitalization*—may not be broken out, but rather integrated into a single section, depending on the template used. The key thing is that the critical information pertaining to these subject areas appear somewhere in the document. At its most basic, a template is not a rigid format, but simply a general framework that can be retooled, shortened or added to in order to accommodate the unique characteristics of a particular business or business opportunity.

Not all lenders require the same information. If seeking funding from a particular lender, one should inquire as the specific kinds of facts and figures the lender requires to consider a loan. If seeking a Small Business Association loan, for example, one might be advised to research the agency's recommendations on what information a business plan should contain, and how that material should be presented.



According to some experts, the most important sections of a business plan are the *executive summary*, which condenses the information contained in the plan into concise, easily understood text for lenders or investors; the *marketing plan*, which describes how the business will attract and keep customers and beat out the competition; and the *operational plan*, which presents nitty-gritty details on how the business will function on a day-to-day basis.

The elements detailed below, which should be addressed in a business plan, support many of the goals touched on earlier in this white paper under **Rationale**. While most of these elements are treated in freestanding sections, some may be incorporated into other sections, depending on the template used. These elements include:

Executive Summary

The executive summary is written last, and appears at the top of the business plan. It boils down the information contained in the entire plan, and presents it in a succinct fashion. Unless one is using one's own cash to cover all the costs of acquiring or building the business, prospective buyers in most cases will be seeking financing to fund a significant portion of the acquisition or start-up. Viewed in that context, the executive summary emerges as the most important part of the business plan. That's because if the summary does not succeed in presenting a strong and compelling business case, commercial lenders or investors will be less disposed to read the rest of the plan.

At the same time, the summary should not read like a sales pitch; it should be presented in a tight, business-like manner, using short, concise paragraphs that present the information in the same order as it appears in the plan.

The summary should highlight the reasons for getting into the business, include a description of the store, explain opportunities the business is seeking to exploit in the target market, and demonstrate how it will accomplish its mission. One common and simple recommendation is for the summary to dedicate one paragraph to each section of the full document. In terms of overall length, the Small Business Administration recommends one to two pages for an executive summary, and no more than four.

Owner/Officer Overview

The plan should provide a brief rundown on the work experience of the principal(s)—especially any business and/or financial experience, which is of particular importance to lenders. In this section, or under *management & operations* below, one also can include information regarding whether the owner(s) will work with a partner to perform duties such as marketing, payroll and accounting or, alternatively, outsource those functions.

Management & Operations

A clear management structure should define titles and responsibilities, and lay out who performs various specific duties, including administrative tasks such as ordering and accounting, tasks such as maintenance and repairs, and chores such as removing dryer lint, taking out trash, refilling vending machines, and so on. These tasks must be tackled whether a laundry is attended or not, so the process of reviewing them in a business plan also may open the eyes of a business owner who initially believes he or she can perform all the duties required in an unattended facility, which in most cases is neither realistic nor sustainable. This section may include—or used as the basis for—an operations manual that includes not only specific details pertaining to day-to-day tasks and responsibilities, but also *policies, processes and procedures* governing things such as quality control, terms of employment and other legal matters, resolution of customer complaints and other issues.

Maintenance

Because a laundry's success is heavily dependent upon the reliability of its washers, dryers, water heaters and other equipment, the plan should include some specific information on how the business plans to manage and execute the expeditious maintenance and repair of that equipment.

Financial Plan

The contents of the financial plan are determined by whether the overall business plan is intended to address the acquisition of an existing laundry or the construction of a new one.

Regardless of whether it is created for an acquisition or a start-up, the financial section should include:

- 12-month financial projection, plus five years of annual projections
- Income and expenditures spreadsheet, including debt service
- Cash flow projections
- Break-even analysis

In the case of an acquisition, the financial section also should include:

- Current balance sheet of the existing business
- Past two years of financial statements, at minimum
- Last three years of tax returns, at minimum
- Last three years of utility bills
- Copy of the lease to be transferred
- Breakdown of any expenditures related to leasehold improvements or equipment acquisition or replacement.

If the business plan is for a new laundry, the section also should cover:

- Start-up costs (real estate, construction, financing, equipment costs and other expenses)
- Capitalization

Projections should be developed based on the new owner's proposed mix of product and service offerings and the hours the business will be open. If the plan is to be used as part of a loan application, it also should include a personal financial statement and two or three years of the buyer's tax returns.

Salaries

The plan should account for wages and any other expenses related to employment of regular staff.

Profit Timeline

A timeline to profit, as detailed in the plan's financial documents—together with a plan for how that profit will be used—provides the dollars-and-cents context for the overall business plan. The timeline aids the laundry in designing and scaling the business, and helps to reassure lenders that the laundry will have the ability to repay its loan. That is why it is important to generate a *realistic* timeline that takes all financial and operational factors into account. It is also wise to overestimate expenses and underestimate income. An overly optimistic timeline has contributed to the failure of many businesses.

Marketing

This is another section that is of particular interest to lenders and investors, because it contains important details on who the customer base is, how the business plans to retain existing customers and attract new ones, and what means the store is going to use to grow the business. This section should lay out individual strategies for marketing the business through social media, a business website, print media and other advertising methods—and an overall strategy for executing the marketing effort, tracking success and calculating return on investment. Many self-service laundries do little or no significant marketing, so a robust marketing effort may provide a substantial competitive edge if nearby laundries do not market their businesses.

Competition

The plan should contain a complete portrait of the competitive landscape within the service area. Successful due diligence will generate findings that can be used to understand market demographics and the store's potential market share, as well as who the competitors are, how they conduct their business, and which services they offer. Good competitive intelligence informs marketing efforts, service offering choices, pricing and customer experience decisions the laundry will need to implement in order to win customers in a competitive service area. It may be useful to examine

and organize some of the information in this section using a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. Again, depending on the template used, competition may be treated in a stand-alone section, or merged with the marketing section.

Demographic reports from the Coin Laundry Association can help you to see what competitors are in your area.

You can order a demographics report at: www.coinlaundry.org/demoreports

Products and Services

The list of the laundry's offerings, depending on market demographics and competition, may include wash-dry-fold, over-the-counter and/or vending-machine sales, pickup and delivery, and other offerings. Nailing down this list early helps to guide decisions on what the facility will need in terms of operational processes and support. A well-chosen slate of products and services can provide marketing leverage if those offerings set the laundry apart from the competition, and some offerings—such as wash-dry-fold—also can keep the laundry productive during hours that experience less walk-in traffic, or when the facility is closed to customers.

Other Customer Benefits

A plan also may include details on any plans for novel, non-commercial customer benefits aimed at attracting clientele. For example, coin laundries are finding that establishing an area reserved for children—a space as small as 4 feet by 5 feet—is a major draw for customers with small kids, and can serve as a significant differentiator when competition is present. (The Coin Laundry Association's LaundryCares Foundation has partnered with other groups such as Too Small to Fail to create the Laundry Literacy Coalition, which helps laundries create children's library spaces. More details are available at LaundryCares.org.)



Appendices

These include various documents that supplement and support the information presented in the body of the plan. These items may include lease information, financial documents, managers' resumes, customer demographics and other market research data, or any other materials that back up the business case presented in the plan.

Research & Resources

How can a potential laundry owner best go about researching and collecting the information needed to create a comprehensive business plan?

A business plan is only as good as the information contained in it. But before one can research and collect that information, one needs to establish that the business opportunity itself is sound enough to merit investing time, effort and expense in creating a detailed business plan.

Preliminary Research

Creation of a business plan generally is preceded by a *feasibility study* which the prospective business operator conducts to support the laundry's business proposition. This involves gathering and analyzing various kinds of information pertaining to a store targeted for acquisition, or to the potential site for a new store, in order to gauge the viability of the proposed venture.

Armed with the results of this study, the prospective owner then can make an informed decision on whether to reject the proposed venture, or to proceed to the next step, and write a business plan. Information collected during this preliminary research also can be used to populate various sections of the actual plan.

An important part of this preliminary research—especially in the case of a new laundry—involves examining one or more *demographic reports*, the data for which is pulled from the results of the decennial U.S. Census performed at the beginning of every decade—2000, 2010, 2020, and so on. The census collects information on population by age, gender, ethnicity and race, and housing status.

Some demographic reports also may include updated data that the Census Bureau collects through its ongoing American Community Survey, which samples a small percentage of the U.S. population every year. In addition to collecting the same sort of data contained in the regular census, the ACS also gathers detailed data pertaining to family relationships, income, education, occupation, home characteristics and values, disabilities, workplaces, how people travel to work, the amount spent on essential

expenses, and a range of other information. Demographic reports from other sources also may contain statistics pertaining to crime, weather, geographic changes and other characteristics.

Tapping into this wealth of data, a demographics firm can select and leverage pertinent statistics to assess a specific site's viability for a specific business model—in this case, a coin laundry—and generate a custom demographic report for that location. The prospective owner need only provide an address and the desired radius surrounding that address. By teasing out trends from current and past data, a demographics company also can create estimates for future years.

Demographic reports from the Coin Laundry Association provide insights from a variety of data sources including traffic patterns, mobile device usage, and the census. You can order a demographics report at: www.coinlaundry.org/demoreports

While demographics are indispensable when creating a feasibility study, numerous other elements also come into play.

In the case of an existing store, for example, preliminary research would include other due diligence tasks such as *store valuation, lease review, equipment inspections, verification of income, and verification of expenses—particularly expenses reported by the seller for water, gas, electricity and sewer, among other things.*

Additionally, many stores offered for sale also may need significant refitting in order to better serve the target demographic and reach a desired level of profitability. To ensure these objectives are met, preliminary research also should explore costs related to replacement of old or nonfunctioning machines, adjustments to the store's machine mix, and repairs and upgrades to the laundry's mechanical infrastructure. Research also should lay out expected expenditures for any other leasehold improvements that may be necessary to make the store more appealing to customers on aesthetic and functional levels.

In the case of a new laundry, issues such as *physical access to utilities, utility costs, local regulations, impact fees and other concerns* also come into play.

Once the feasibility research cited above has generated overall favorable results, one then can begin the task of collecting and assembling information for the actual business plan using the resources described below.

Information Resources

There are a range of excellent resources and tools that individuals can leverage to obtain information, advice and intelligence that can be used to create a solid coin laundry business plan.

Laundry Owners

Laundry owners are probably one of the best sources of information to tap into when researching and assembling a plan. Most owners typically have gone through all of the processes associated with the business—buying or building a laundromat, negotiating a lease and/or researching and buying property, seeking and obtaining financing, and finally, operating the business itself.

Seeking the mentorship of an owner/operator—and spending time with that individual in an up-and-running laundromat—can be extremely valuable and instructive, both when conducting preliminary research and when creating the actual business plan. Owners can offer insights that can be gained only by actually running a laundry. Moreover, once a solid relationship is struck, a laundry owner can continue to serve as a mentor even after the new owner has become an active operator.

Attending industry events such as those sponsored by the Coin Laundry Association (see details below) can provide numerous opportunities to network with laundry owners and operators, many of whom welcome the chance to offer advice to those seeking to enter industry. At the same time, it is probably wise to seek any ongoing mentorship from an owner whose business is not in the same market as the one targeted by the prospective operator—but rather a reasonable distance away—in order to avoid opening a potential competitor's eyes to a heretofore unrecognized business opportunity. Better safe than sorry.

Distributors

In addition to owners, equipment distributors also can serve as good sources of information and often act as advisors to those acquiring or building a laundry. They can help in assessing the condition of the equipment in a targeted business, aid in drawing up the business plan itself, and provide counsel regarding suggested changes in an existing laundry's equipment or infrastructure—or regarding how to outfit a new one.

By working with operators in a specific region or city on a regular basis, distributors also typically have gained expertise in the peculiarities and demands of specific markets. Moreover, some distributors also are laundry owners. Distributors' advice can be of significant value as long as one accepts their recommendations with the understanding that they are in the business of selling equipment.

Brokers

Like distributors, business brokers—particularly those who specialize in conducting coin laundry transactions—also can serve as sources of information when assembling a business plan for a specific laundry acquisition, much as a real estate agent might aid a prospective home buyer in hopes of an eventual sale. And like many distributors, brokers who focus on laundry transactions may themselves have hands-on expertise in owning and operating laundries.

First-Hand Research

Industry experts put a high premium on firsthand research as a key means of collecting information for a laundry business plan. As noted above, seeking the mentorship of an owner and working alongside that person in a laundry is a good way to gain insights that other means of information collection do not provide.

But the firsthand research should not end there. If acquiring a laundry, one actually must spend time in that specific laundry—not only working alongside the seller, but also doing laundry, talking to customers, and observing how they use the equipment. This is the only way to develop well-substantiated projections, to catalog the strengths and weaknesses of the operation, and to identify and cost out any required improvements.

Whether buying or building a laundry, one also needs to spend a reasonable amount of time in any rival laundries in the service area to collect competitive intelligence and perform the same tasks listed above, with the exception of working alongside the owner. This research will help in identifying any startup investments in addition to the purchase price that may be necessary to compete effectively with other stores in the same area.

It is also critical to understand that any washer or dryer in the service area is a competitor—whether it is in another coin laundry, in a house or apartment, in a centralized laundry in student or multifamily housing, or in a hotel or other location. It therefore is important to do sufficient legwork so these facilities are accounted for in the calculations that go into the plan.

Financial Services Providers

Lenders, especially those who focus on funding small and medium-sized businesses, can provide key guidance in assembling the financial elements of a laundry business plan. Among these lenders, there also are firms that have special expertise in providing financing for the purchase of laundries, as well as in furnishing startup capital, equipment loans and commercial real estate financing related to the coin laundry industry. This includes captive lenders—

manufacturer- or distributor-affiliated lenders who provide financing for the purchase of laundry equipment. In some cases, the principals or representatives of these firms may themselves own or have owned coin laundries. These firms also often can offer direction on structuring a business plan to support a request for a Small Business Administration loan.

Calculators

There are many calculators available to aid in constructing an accurate portrait of a laundry's current and projected performance. Because laundries are essentially in the business of repackaging and reselling utilities, these calculators typically center on leveraging utility usage figures to help owners calculate the cost of providing service and, based on those results, set vend prices that will result in a profitable enterprise. This information is integral to the financial portion of a laundry business plan.

Equipment manufacturers can provide guidelines and/or calculators for generating these figures for various sizes and types of machines using industry averages and/or statistics specific to their own products. For washers, factors that go into these calculations include gallons of water per cycle, cost of water (and sewer) per gallon, electric consumption per cycle, and cost of gas to heat hot water per cycle. Similarly, calculations for dryers of various sizes are based on the average amount of electric and gas-generated btus used per cycle, and the per-unit cost of those utilities.

Organizations



Coin Laundry Association—CLA serves as the best overall source of industry information for self-service laundry owners, operators, managers and investors, as well as those who equip and serve the industry. The 60-year-old trade organization provides a range of programs, products and support services that a prospective laundry operator can leverage in putting together a business plan. The association's offerings include:

PlanetLaundry

This free magazine and website provides extensive monthly coverage of the self-service laundry industry, and serves as a primary source of vendor and product information. The website also features a range of tools aimed at educating and training owners, connecting them

to vendors, and aiding in the acquisition and operation of coin laundries.

Demographic Reports

CLA has partnered with a research company to produce demographic reports that are designed to respond to the unique needs of the coin laundry industry. Each report is created on-demand for a specific laundry site based on a desired address and service radius, and includes data on the target area's household value, size, ownership and income; population age and gender; traffic volume; social media and search engine demand; and weekly per capita spending—as well as other data that can be added to the report.

Webinars

CLA's live webinars cover topics, such as marketing, store operations and management, membership services and other topics related to business and succeeding in the laundry industry—including a regularly occurring webinar for people looking to enter the business.

Digital Marketing

CLA has partnered with an online publisher to offer digital marketing packages designed for coin laundry owners. The packages include mobile-optimized website development, website hosting and service, web optimization, reputation management and other services.

CLA Connect LIVE

These meetings, open to CLA members and non-members alike, are held throughout the year in major markets across the country to bring together new, potential and seasoned store owners, as well as distributors and manufacturers. In 2020, for example, 40 such gatherings were scheduled to take place on a state and regional basis across the United States. The events, which feature expert speakers and presentations, provide the opportunity for attendees to network and share best practices, and to learn about CLA initiatives.

Clean Show

The biennial, four-day trade show—created for the laundering, dry-cleaning and textile services industries—provides attendees with the chance to learn about the latest industry products, trends and business strategies. Throughout the show, the CLA presents educational sessions on topics critical to the success of laundromats.

Excellence in Laundry Conference

This biennial show is designed to help laundromat owners

learn, network with others and improve their respective businesses. The event provides attendees with access to training and educational opportunities, as well as the chance to make new contacts and explore new tools and technologies.

CLA Online Store

The association's online store offers a wide range of educational and informational products geared specifically to the coin laundry industry, including industry surveys, research tools, and instructional audios and white papers that deal in depth with issues related to the operation of coin laundries.

See more at: <https://www.coinlaundry.org/>.

Small Business Administration



U.S. Small Business Administration

A coin laundry is in the end a small business, and there are a wide range of free and paid resources that can provide education and guidance on many of the basic issues related to the start-up, financing and management of small enterprises.

One of the leading sources of this sort of information and expertise, the Small Business Administration, maintains more than 100 district offices throughout the United States and its territories. SBA, in partnership with universities and local business groups, funds and sponsors a network of Small Business Development Centers and Women's Business Centers that offer various classes and sessions on different small-business-related topics—as well as free counseling, advice and information on starting and/or expanding a business.

In addition to funding 120 Women's Business Centers, SBA also maintains various Veteran's Business Outreach Centers and a Minority Enterprise Development Program, and has partnered with the *Service Corps of Retired Executives Association (SCORE)* to offer experienced counsel to small businesses and those wishing to start them.

Each SBA district office maintains a website featuring descriptions of the services it offers, as well as a calendar of local training events that can serve as excellent starting points for acquiring knowledge regarding the ins and outs of creating and operating a small business—and for learning about other training and counseling resources that are available in one's region.

More information on SBA and SCORE small-business resources such as mentoring, workshops and instructional materials is available at:

- Service Corps of Retired Executives Association: <https://www.score.org/#>
- Small Business Administration: <https://www.sba.gov/>

Here are several links to a few particularly useful resources on their websites worth exploring:

- <https://www.sba.gov/business-guide/10-steps-start-your-business/>
- <https://www.score.org/resource/business-plan-template-startup-business>
- <https://www.sba.gov/offices/district/az/phoenix/resources/sba-recommended-business-plans-length>

Both SBA and SCORE also can serve as gateways to other government and private-sector small-business advisory and information resources.

Software

There are many business-plan-creation programs from which to choose. One good example is Business Plan Pro from Palo Alto Software, which offers a wide selection of business plan development tools. See: https://www.businessplanpro.com/compare_editions.php

One way to weed through the surfeit of plans is to check out online reviews. PC Magazine, for example, posts reviews of leading business plan software programs on its website at: <https://www.pcmag.com/categories/business-plan-software>.

Books

There also are a number of well-respected books that can serve as valuable resources for those looking to enter the self-service laundry industry, including:

- ***Today's Laundromat: Coin Laundry Association's Official Guide to Getting Started in the Laundry Business***, by John Vassiliades. Coin Laundry Association.
- ***How to Find, Evaluate and Buy a Laundromat: A Comprehensive Guide***, by Jason Lombardo. Julian John Publishing.
- ***Coin Laundries: Road to Financial Independence***, by Emerson G. Higdon. Mountain Publishing.

Written by coin-laundry experts, these instructional guides contain practical, step-by-step advice on how to meet the challenges associated with entering the industry—from conducting the research through closing the deal.

White Papers

Readers also can find more in-depth examination of some

of the topics discussed here in other **Gold Book Research Series** white papers published by the Coin Laundry Association, and available through its website, including:

- *Deciding When to Replace Laundry Equipment*
- *Demographic Analysis & Site Selection for Self-Service Laundries*
- *The Laundry Owner's Guide to Leases*
- *Best Practices for Due Diligence in Laundromat Acquisitions*
- *Financing Your Laundry Project*
- *Water & Sewer Impact Fees and New Laundry Development*

Other publications

In addition to the CLA's *PlanetLaundry*, another industry publication, *American Coin-Op magazine*, also provides coin laundry news, a small selection of how-to guides, and online industry directories.

Helpful Hints

What are some tips and strategies for actually writing and assembling the business plan?

Once one has completed the fact-finding portion of the process and collected all the information necessary for the plan, it is then time to organize and present that information in a logical and compelling way. Experts offer a number of simple suggestions that make this process proceed more smoothly.

Be smart with the template

There are wide variety of downloadable business plan templates—most of which share many common elements—available online from business schools, trade organizations, business advisors, financial institutions, distributors and business brokers, as well as from government agencies such as the Small Business Administration.

One does well to dedicate some time to exploring these sources and examining various plans to select the one that appears most suited to the specifics of the targeted venture, and to the type of financing one is seeking. Many of the websites that feature these templates also offer helpful advice and guidance regarding their use.

Because the template for the business plan also serves as a sort of checklist during the research process—and in some ways helps to dictate the kinds of information that one puts into the document—it is always helpful to select a template before that research process begins. Additionally, by having

a basic template in hand as research begins, one can adjust the format as one goes along to better accommodate the specific business opportunity as more information is collected and the details of the venture come into sharper focus.

As long as all the salient information for a plan is addressed in the template, one need not adhere to it in every single way. One can use a template as is, alter or shift around its format, use only parts of the template, or even merge elements of more than one template to create a new one. The point is that with so many templates available, there really is no reason to reinvent the wheel.

Remember the Audience

As one begins to assemble a plan, it's wise to keep in mind that the most important reader of the plan is going to be a lender or investor. For that reason, whenever possible, the content of the plan should be presented in a manner that helps in some way to answer one of two basic questions: Why the person writing the plan wants to enter the coin laundry business, and how the venture is going to repay the loan or investment.

In terms of the first question, this content could include information concerning the principal's background and management skills, any particular factors driving the person's desire to become an entrepreneur, and—importantly—details on steps the new owner will take to improve the business, better serve the current or proposed clientele, beat out competitors and steadily generate revenue growth.

Content that answers the second question—paying back the lender—is essentially the financial portion of the plan. With this content, one should ensure that all financial data are as comprehensive as possible, and that projections are realistic, and perhaps even a bit conservative rather than overly ambitious.

Play Devil's Advocate

It's the job of lenders and investors to look for weak spots in the business plans that cross their desks. That is why it makes sense for the author of such a plan to play devil's advocate, examine the completed plan with a critical eye, and search for ways to shoot holes in it—because that is exactly what the people who read it will try to do.

It's far better to take the time to go back and patch up holes in one's plan than to submit one with even minor weaknesses and risk having the plan rejected.

Continue to Think

One should continue to think about product differentiation and competitive advantage throughout the entire process

of researching, constructing and executing a business plan. Creative thinking should not cease just because the main task has turned to plugging data into a template. Playing devil's advocate means remaining critical at all times, and using a review of the final plan as an opportunity to *enhance* the plan as well as address any faults.

For example, if on review a finished plan appears to lay out an enterprise that is perfectly viable, but plain vanilla in character, it may be time to focus some effort on pulling the business out of plain vanilla territory and providing it some enhancement that will further increase its appeal to customers and give it an edge on the competition.

For example, if such a plan were for a business in a warmer area of the country where many laundry owners do not air-condition their facilities, furnishing that A/C for the comfort of their clientele could go a long way toward increasing and retaining customer traffic.

Another example might be the addition of wash-dry-fold—a service that is increasingly in demand for time-strapped customers, particularly in more affluent urban areas. Adding that service also could help keep machines operating and provide a competitive edge over any nearby self-service or on-premises laundry facilities.

Potential Pitfalls

What are the most common and costly mistakes one might make when developing a business plan? How can these miscues be avoided?



Even the most detailed laundry business plan can fall short, either by failing to present a convincing business case to lenders or investors or—after the business is acquired or launched—by trapping an individual into an unprofitable enterprise because of some oversight or error in the plan.

According to industry experts consulted for this paper, a few of the most common mistakes that people make in

developing their plans which later can result in unfavorable outcomes include:

Incompleteness

In a typical case, the primary objective of most coin laundry business plans is to attract the investment of hundreds of thousands of dollars. While a strong executive summary is critical to selling the business proposition to lenders, once those lenders make the decision to dig further into the plan, they want to see a complete presentation of the numbers that support that proposition. For that reason, experts advise individuals to put sufficient effort into ensuring that the financial portion of a laundry business plan is complete in its details, and that it demonstrates the borrower's projected capacity to comfortably repay their loan.

A solidly constructed business plan also stands as evidence of the writer's business acumen, and reassures the lender that the business will be run at a profit. If the business plan—especially the financial section—is incomplete, lenders will be far less willing to provide financing.

Loans in the end are all about money and numbers, so while narrative portions of the plan are best presented in a tighter and more concise manner, financial portions should be thorough and detailed.

Unrealistic Projections

Another fault that experts often point to in business plans is overly optimistic or aggressive revenue projections, which can raise skepticism among potential lenders, as well as result in unfortunate financial surprises for an owner further down the road. While enthusiasm is a positive attribute in small business, harboring unrealistic expectations is not. Projections should be based on rational assumptions.

Too Little Down

Putting too little cash down means that the borrower must take out a larger loan, which can strain the business's finances once it is in operation. Experts recommend minimizing risk by putting 30 percent or more down when acquiring an existing store and at least 40 percent down when building a new one.

Taking out a larger loan means larger loan payments, which leaves less cash available to cover expenses, especially at the start of ownership. Moreover, some costs associated with a start-up may have been overlooked in planning. Those entering the industry, for example, may fail to anticipate initial expenses such as attorney and accounting fees. And those building a new store may fail to account for interim interest payments that must be made during construction. Having a large loan payment makes it even more difficult to address those expenses.

Insufficient Cash Reserve

Likewise, plans also should call for enough cash reserve to carry the owner through the early months of ownership and—in the case of a new laundry—the construction and startup period. Depending on whether the laundry is an existing or new store—and on other factors, such as the purchase of new equipment in an existing store—break-even could range from several months out to a year or more.

Overspending

Industry experts also caution against plans that call for overly aggressive spending. This could be over-paying for contractors and real estate during a new construction project, for example, or paying too much for a lease on an existing business.

In either a new or existing store scenario, a new owner may also be tempted to overspend on equipment by purchasing certain specific equipment—or more equipment—than required for the target market or the goals of the store or, in an older store, replacing serviceable equipment before its time.

Not Seeking Sufficient Counsel

Speaking to as many information sources as possible is essential to creating a successful business plan. By consulting and collecting information from a diverse group of industry voices, one can gain a more complete picture of the industry, and become better equipped to enter it.

As mentioned earlier, laundry owners serve as some of the most valuable resources for someone looking to become a coin laundry owner. At the same time, while equipment distributors, business brokers and lenders certainly each have a vested interest in serving as a resource, they each also have a unique perspective on the industry that most are willing to share with people seeking to enter the coin laundry business. There is no reason not to avail oneself of all and any expertise to aid in developing a solid business blueprint.

Taking a Seller's Word

When buying an existing laundry, it is essential to question and verify every number and statistic associated with the business—by monitoring income and cross-checking it with utility usage, for example, and closely analyzing every aspect of the business's financials, both current and historical. Failure to do so can result in creating a plan built upon false or misrepresented assumptions. If someone is selling a laundry, it is incumbent upon the buyer to dig into the reasons behind that sale, rather than simply take someone's word.

Not Working with a Good Attorney

One oft-repeated truth in the coin laundry industry is that the lease is a laundry's most valuable asset. While some laundry operators may own of the property itself, most do not. A laundry is literally bolted down to the floor of a building that has been specifically altered to accommodate it, so for the lessee, the lease is king. Without a lease, the laundry does not exist.

Consequently, that lease must be vetted by a competent attorney, preferably one who is familiar with the laundry industry. The lease—whether new or existing—must be a renewable, long-term lease that is appropriately priced, and which spells out details regarding common area maintenance, taxes and insurance.

A competent attorney will ensure that the lease exceeds the length of the laundry operator's debt service; provides a subsequent period of debt-free improved cash flow; and maintains a duration that is attractive for the purpose of selling the store should the tenant choose to do so. If a landlord refuses to negotiate on a lease that is deficient, the creation of a business plan is moot. For that reason, the lease should be reviewed and negotiated early in the process.

Relying on Business Acumen Alone

The coin laundry business is characterized by a unique set of requirements, challenges and responsibilities. Those who hope to enter the business on the strength of experience they gained from operating other small businesses cannot expect to succeed at drawing up a workable business plan without doing the same legwork and research that others who aspire to enter the industry must do.

Keys to success

What are some ways to make the plan development process more efficient, and the result more successful?

The answers to this question go back to many of the best practices touched on throughout this paper, which are worth quickly reviewing here.

Seek Experienced Counsel

This is a must. Some of the best advice and guidance will come from individuals in the coin laundry industry who have created one or more successful laundry business plans—especially if they operate their business in the same general region.

Because they have been through the process before—and accomplished their objective—these individuals will be able to offer tips on the best way to craft the plan and deal with

lenders, warn of potential pitfalls, and provide insights into the industry.

One should seek advice from at least one person who created a plan relatively recently, rather than years ago.

Leverage Primary Contacts

As noted earlier in this paper, the businesses that serve the coin laundry industry—equipment distributors, business brokers, small-business lenders and others—can provide useful information and advice regarding the process of creating a business plan. But they also can serve as a *means to connect with other industry experts*, namely the laundry clients with whom they do business. It's perfectly legitimate—once they have been tapped as a resource—to ask distributors, brokers and other such professionals for the names of a few of their clients who might be willing to engage and offer some tips.

Work with a Sense of Urgency

Time does not stand still. Experts recommend establishing a timeline for completing a business plan and then digging into the process, rather than pursuing it as a part-time effort. Establishing project momentum and cultivating a sense of mission helps to reinforce the serious nature of the project and keep the effort on course.

Acknowledge One's Own Shortcomings

Everyone needs some level of assistance to assemble a business plan. That's why it is wise to engage in some serious self-reflection before taking any action at all. That means taking a step back to honestly assess one's strengths and weaknesses, and then checking off areas where one will need to obtain assistance to tackle specific tasks and challenges related to the plan. Enthusiasm is a valuable attribute for an entrepreneur—but overconfidence is not.

Supporting Materials

What documents and other important materials must a laundromat business plan also include?

Documents and materials that contain detailed data that supports and fleshes out the top-line information contained in the body of the plan are typically collected and attached at the end of the plan as appendices. These may include, among other things:

Entity Formation Documents

Legal and government documents related to the formation of a limited partnership, limited liability company (LLC),

corporation (S-Corp or C-Corp) or other business structure should be included in the appendices. Other documents might include a federal Employer Identification Number (EIN), any required licenses and permits, and a possibly a brand trademark, if desired.

Executed Letter of Intent or Purchase Agreement

Copies of these documents should be included if purchasing an existing store.

Financial Statements

Forward-looking financial documents would include a projected cash-flow statement, profit and loss statement with projections, and a balance sheet with projections. A lender may also require a break-even analysis. In the case of an acquisition, a lender will want to see historical data for the store, including the store's last three years' of tax returns, and perhaps three years' of balance sheets.

Financing Documents

These are documents related to loans and investments. This includes a statement that details sources and uses of funds, and perhaps a more detailed worksheet that further breaks down how that money will be spent on various start-up costs such as equipment acquisition and leasehold improvements.

Lenders may also ask a potential borrower for other documents, such as a personal financial statement, three years of tax returns, and documents and statements that provide proof of assets.

Utility Bills

Having assembled utility bills as part of the research process for a targeted laundry acquisition, these may also be attached to the plan.

Demographic Reports

If building a new store, the plan should include demographic reports that support the viability of the site, which lenders will want to examine. **You can order a formatted demographics report at:** www.coinlaundry.org/demoreports

Real Estate Documents

This would include a copy of the lease in the case of an acquisition, or documents related to a property selected as a potential construction site. For larger loans, a lender may also require a collateral assignment of lease that allows the lender to keep the laundry in operation in the event of a default until a new owner is found, rather than having to remove the equipment from the site.

Equipment

A plan should include a spreadsheet detailing the number and capacity of machines in the laundry, and the usage and revenue each piece must generate for the laundry to reach profitability. Whether a new or existing laundry, lenders also will want to see cost quotes for the equipment selected to outfit a the new facility or refurbish an existing one. This can include washers, dryers, card-reading systems, and boilers or other water-heating equipment.

Leasehold Improvements

Existing laundries that come up for sale often may suffer from deficits resulting from the age of the facility, failure to adapt to changing customer demographics or requirements, or simple neglect. These may require a new owner to make significant investments in the leased location which must be detailed in the business plan. Investments to be documented include those pertaining to:

Mechanical Infrastructure

A facility may require upgrades to electrical, water and sewer infrastructure, either due to age and simple wear and tear, or to accommodate planned changes to the machine mix or upgrades to water-heating and other systems.

Interior Spaces

New owners typically make some immediate improvements to customer workspaces. At a minimum, this involves a deep-cleaning and a fresh coat of paint. In other cases, a new owner may go much further—replacing floor and ceiling tiles, painting machine fronts and bulkheads, installing permanent shelving and folding tables, upgrading bathrooms, and investing in other efforts to improve the appeal and usability of the customer space.

Exterior

Expenses related to exterior leasehold improvements typically include the costs of signage, and any enhancements to outside areas not covered as part of the lease's common area maintenance (CAM) fee.

Hours and Labor Cost

This document should lay out the hours the laundry will operate, the number of hours the facility will be attended, and the cost of the labor to attend it.

Responsibilities and Schedule

This document describes responsibilities and tasks that must be performed by management—whether done by the owner, a partner or other individual—and by laundry attendants.

This also includes the schedule for executing those duties. This material eventually also can be incorporated into a company manual.

Construction Timeline

If building a new laundry or extensively refitting an existing one, the plan should include a detailed construction timeline.

Others

Additional documents attached to plan may include materials and cost estimates related to back-office functions such as accounting, human resources and payroll.

Sample Documents

What do actual laundromat business plans look like?

As noted earlier, although business plans share a number of common elements, they nonetheless come in a wide range of shapes and sizes.

With that said, here is an overview of the basic structure of one actual coin laundry business plan obtained from a major participant in the coin laundry industry. While the main cover document was only about a dozen pages in length, appendices to the plan included many supporting documents and materials related to the laundry's finances, equipment and the physical facility.

Laundromat Business Plan Template

Executive Summary

One at-a-glance page which has:

- Company Description Summary
- Products and Services Summary
- Marketing Plan Summary
- Operations



Company Description

- **Mission Statement** (one short, simple statement)
- **Background** (several paragraphs of narrative making the business case)
- **Owner/officer overview** (including education, experience and business bona fides)
- **Key Planned Hires** (any hires and/or employees, with brief C.V.s)

Products and Services

- **Services** (includes access to vending of washers and driers, wash-dry-fold services, pick-up-and delivery, etc.)
- **Products** (includes the sale of specific laundry products including soap, bleach, fabric softeners, laundry bags, vending machine items, etc.)

Marketing Plan

- **Our Advantages** (including factors such as location, services etc.)
- **Services & Target Markets** (planned services and anticipated clientele)
- **Competition & Pricing** (competitor profiles and pricing, and the new venture's planned pricing structure)
- **Communication and Promotions** (how will you get and keep customers)

Operational Plan

- **Facility** (includes detailed attachments related to facility)
- **Technology & Equipment** (brief rundown of machine numbers and capacities; includes attachments related to said equipment)

Management and Organization

- **Roles and responsibilities** (includes detailed attachments related to facility)
- **Policies, processes, and procedures** (synopsis of company policies)

Start-up Expenses and Capitalization

- **Construction Budget** (financial documents attached)
- **Start-Up Costs** (financial documents attached)
- **Equipment Loan and/or Investor Offering** (brief description of funding method/terms)

Financial Plan

- **Pro-forma cash flow projections spreadsheet** (1 year – see example)
- **Financial Highlights by Year** (five years)
- **Net Profit (or Loss) by Year** (five years)
- **Projected Profit and Loss** (five years)

Appendices

Cash-Flow Spreadsheet

While a comprehensive coin laundry business plan contains many financial documents, cash-flow projections are among the ones that give a good overall bird's-eye view of the proposed business.

The sample cash-flow projection spreadsheet below—which provides only static numbers for illustration purposes—contains line items typical of the coin laundry industry.

Summary

Perhaps one thing to keep in mind when creating a plan is that if one is to build a successful coin laundry business—whether through acquisition or construction—one must first build that business on paper.

In that respect, the plan is something just short of a working model. As such, it must address all the working parts of the real, live business. Each element laid out in the plan—physical, operational, managerial and financial—must fit together to create an accurate and realistic portrait of a sound, cohesive enterprise, and support a sensible strategy for activating that enterprise and running it profitably.

Creating a good plan is not a simple task. It takes a lot of effort. But if that plan succeeds in accomplishing its objective, one will have earned the satisfaction of a job well done—even though the real work will have only just begun.



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Cash Flow Projections

Happy Laundry

Fiscal Year 1 Begins:

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
Sales / Revenue:													
Self service laundry	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$12,890	\$154,680
Wash and Fold													
Vending Sales	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$24,000
subtotal sales	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$178,680
returns and allowances													
Gross Sales	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$14,890	\$178,680
Cost of Goods Sold	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Gross Profit	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$13,890	\$166,680
Expenses													
Salaries	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$1,217	\$14,604
Repairs & maintenance	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
license and permits	\$240	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$240
Rent/building mortgage	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$54,000
Alarm	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$504
Cable	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$588
Professional Services	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Store Supplies	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$168	\$2,016
Insurance	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$3,300
Office	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$108
Utilities	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$2,509	\$30,108
Sales Tax	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$168
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$9,273	\$9,033	\$9,033	\$9,033	\$9,033	\$9,033	\$9,033	\$9,033	\$9,033	\$9,033	\$9,033	\$9,033	\$108,636
Net Income	\$4,617	\$4,857	\$4,857	\$4,857	\$4,857	\$4,857	\$4,857	\$4,857	\$4,857	\$4,857	\$4,857	\$4,857	\$58,044
Purchase Price	\$193,000												
Down Payment	\$48,000												
Loan Payments(145k@9%over7)	\$27,995												

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