



**Researching**



**Purchasing**



**Managing**



**Profiting**

The

# **laundromats101**

## Complete Guide to Purchasing a Laundromat

*by Randy and Laura Dobbins*

**INCLUDES:**

- Customizable Business Plan
- Site Visit Checklist
- Purchase Timeline Checklist
- Monthly Income Tracker
- Net Income / Cash Flow Calculator...and Much More!



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## **Disclaimer**

This guide is for general information and educational purposes only, and must not be considered investment or financial planning advice. Such advice must be tailored to your individual situation and objectives. Investors should consult all available information, including legal, accounting and industry professionals, before executing any investment strategy.

All investments involve risk. There can be no guarantee that the strategies, tactics and methods discussed here will be successful.

Note: Affiliate links may appear within this guide for products we personally use and recommend.

Sample Chapter

## Author's Note

### "A Laundromat? Why?"

This is something we heard frequently as we told friends and family about our plans to purchase a laundromat. We admit it's probably not the *first* thing someone thinks of when they decide they want to own a business.

In fact, we struggled to come to terms with being business owners at all, never mind the fact it was a laundromat. Business ownership always seemed like something "other people" did. Not regular folks like us.

But here we are, over a year later, successfully owning and managing two stores. It's been an exhilarating and educational ride. But it wasn't always easy, and a few times we believe our hearts may have skipped a beat or two from the pressure.

You're going to have moments of stress, disappointment and frustration. That's just part of the process, so you might as well make friends with that now. And while you may not be able to completely avoid all frustration, arming yourself with information and familiarizing yourself with industry practices will help you avoid mistakes.

And *less* mistakes mean *less* stress.

And *more* profit.

That's our goal here, and in the pages that follow, we hope to share with you everything we've learned; from veterans in the industry, folks like us that are new to the scene and everything we *all* wish we had known at the beginning.

Lastly, pay attention to the special icons within this guide:



**BONUS!** - This indicates a section where a helpful template or calculator was included with your package purchase.



**LIGHT BULB** - An important point not to be missed.



**REAL-LIFE 101** - A true story from our ownership journey.

Welcome to Laundromats 101. Let's get started.



## PERFORM A SITE VISIT

If you're anything like us, as soon as you get the address of your target laundromat, you'll want to jump in the car and head straight over there. But before you drop your dinner fork and grab the car keys, get prepared. Bring a pen and paper, some dirty laundry, detergent and a laundry basket. You're going undercover.

Yes, it probably sounds strange, but it's a typical practice for prospective laundromat buyers to act discreetly when performing a site visit. Sellers don't necessarily want customers (or employees!) knowing that the store is for sale. So bring a basket of dirty laundry and perform your review of the store while you wait.

### 1. STORE CONDITION

Walk around the store. Take a look at the floor, the walls, the ceiling, the bulkheads, the bathroom (if applicable), lighting, décor, etc.

Is it in poor condition? Don't necessarily disregard it because of this. In fact, you may be looking at a virtual gold mine. The real question you should ask yourself is if there is *potential* for improvements. You're certainly not going to *pay* for potential, but purchasing an existing laundry that needs some TLC can net you a great return on your investment, if it's done right.

When you walk in the front door, put yourself in the shoes of a potential customer. What would discourage you from patronizing this business? Are there specific issues, a general sense of being outdated, or both? Are the bulkheads falling apart? Is the floor in severe disrepair? Or is it generally in decent condition but just needs a facelift? Are there extra amenities not currently being offered that you could implement rather inexpensively? (TVs, Wi-Fi, a play area for kids, etc.) Or does it need a complete overhaul?

Make a list of the items you would need to improve and determine what could be addressed with minimal cost/effort, and which items would require a significant investment. (This is where that pen and paper come in handy.) A run-down store that just needs some TLC can often be purchased for very little money, and requires only a small amount of improvement to shine like new again.



A Site Visit Checklist is included in this package. Check the digital files you received with your purchase.

## 2. MACHINE AGE / MIX

We just discussed the condition of the store, but the condition of the *machines* is a separate issue. A store with newer equipment will obviously be easier to maintain and manage, but will also be more expensive.

If you're trying to be conscious of purchase price, you'll want to find a nice balance between machines that are just new enough that you aren't buying a maintenance nightmare, and just old enough that the purchase price is reasonable. The machines in this "value" spectrum will usually be about 5-15 years old. Any older and you'll be spending too much money and time on repairs. Any newer and the price of the laundry will go up accordingly.

However, if the machines are *so old* that they clearly need to be replaced, you may want to use this to your advantage. You may be able to get the store for dirt cheap, and then just replace all the machines with new equipment.

Financing on new equipment is fairly easy to get, and they often allow interest-only payments for the first 6-12 months. This gives you time to build up the business and increase incomes before the full payments are due. But you'll need to work with a local equipment distributor to get a basic idea of how much replacement will cost, and the approximate loan payment so that you don't get in over your head. We don't necessarily recommend this option for a first-time laundromat buyer, but we didn't want to ignore this option either.



**Real-Life Example:** Our second store was a real eyesore. 30-year-old washing machines, 40-year-old dryers and a severely dilapidated, run-down interior. Incredibly, those old machines were still running (but the dryers were very temperamental). It was making money, but not much.

It had been on the market for quite a while, and by the time we found it, the price had just been lowered from \$50,000 to \$40,000. There (*continued...*)

***Real-Life Example (continued):***

were several nibbles, but the offer had always fallen through. We can imagine that most prospective buyers stepped one foot inside and turned around. We have to admit, it was pretty bad.

But we knew we could really turn that place around. It was a good space, it just needed a full overhaul. So we met with the listing broker to make an offer. He let us know that there was an accepted full-price offer on the place, but it had expired. The buyer had been delaying, promising that his purchase money was supposed to come through “any minute.”

So we offered what we thought it was worth, \$28,000. All cash, ready to close any time. The seller accepted, and we closed in 30 days.

We’ve done a lot of remodeling on the place already, and have plans for equipment replacement in the next few months.

## **Calculations...Calculations...Calculations**

By this point you should have the pieces of information you need to determine what kind of net income your target laundromat is making. It’s time to put those data points together and run some calculations. You’re going to subtract the estimated monthly expenses from the estimated income figures and arrive at Net Monthly Income.

**BONUS**

**A Monthly Net Income and Cash Flow Calculator is included in this package. Check the digital files you received with your purchase.**

### **Typical Monthly Expenses:**

- *Lease - Base Rent*
- *Lease - CAMs Charges*
- *Sewer Charges (if not included in CAMs)*
- *Electricity*
- *Gas*
- *Water*
- *Taxes*
- *Phone*
- *Internet*
- *Security / Alarm*
- *Insurance*
- *Trash*



- *Labor / Attendants*
- *Janitorial*
- *Repairs & Parts*
- *Cost of Vending Supplies*
- *Office Supplies / Miscellaneous*
- *Advertising*

These categories should cover 95% of the expenses you'll encounter. Using the worksheet we provided, fill in the estimated monthly costs for each category. Then fill in the estimated income. Subtract the expenses from the income to arrive at a net monthly income figure. Then subtract the debt payments and you'll have your actual cash flow.

At this stage, if the seller has only provided a summary expense total, that is fine. Use that for now. You'll have time to verify the expenses later on during your detailed due diligence.

## **The Final Verdict**

So, how do the net income and cash flow figures look? Lower than you anticipated? Higher? About what you thought? Either way, take these figures with a grain of salt. Right now you're only running high-level calculations in order to determine if this particular laundromat is worth pursuing further.

*If...*

...the Net Monthly Income and Cash Flow figures you derived earlier meet your requirements...

**AND**

...the laundromat is in a condition that meets your criteria...

**AND**

...the machines are of a condition/age that is agreeable to you...

**THEN...**it's time to...