



Insights Report

Equipment Replacement –
Understanding Laundromat Owner
Attitudes, Approaches and Motivators

In partnership with



CLA Insights Report

Equipment Replacement – Understanding Laundromat Owner Attitudes, Approaches and Motivators

The Coin Laundry Association conducted this laundromat-owner survey to discover owners' attitudes, perceptions and strategies toward the replacement of washers and dryers in their businesses.

The CLA set out to identify the main hurdles to timely equipment replacement, the accepted benefits and advantages of retooling a laundromat with new machines, and potential triggers to future equipment buying decisions.

The goal of the project was to further educate the laundromat industry by sharing best practices and prevailing factors related to replacement of washers and dryers derived from the survey – all in an effort to move the industry forward and maintain the best possible service to laundromat customers. The survey was conducted thanks to the generous sponsorship of Maytag Commercial Laundry.

Executive Summary

Washers and dryers are the lifeblood of a laundromat business. This survey was conducted to discover laundromat owners' thoughts and strategies with regard to equipment replacement.

Among the key findings of this research project were:

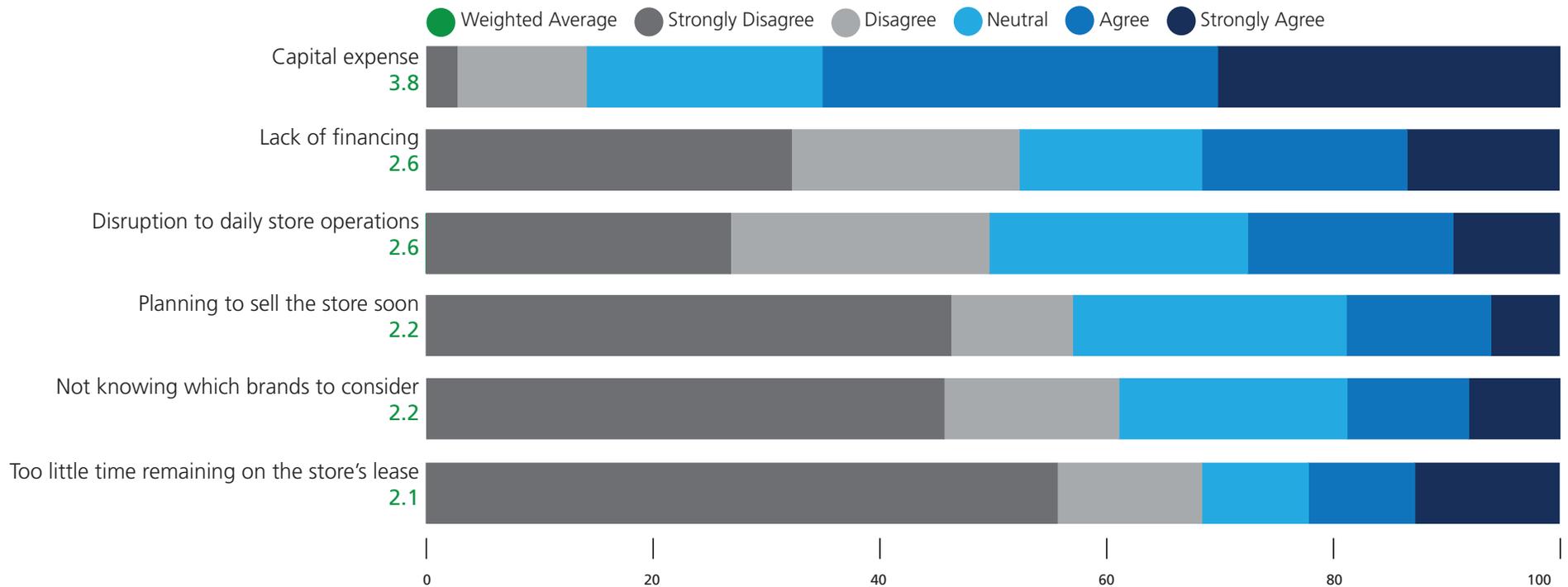
- The end-users of laundromats are drawn to new equipment.
- Today's successful laundromat owners are interested in spending less time and money on repairs.
- Laundromat owners prefer a stepped approach to replacing equipment.
- Nearly half of the respondents plan to buy equipment in the next 12 months.
- Owners are in agreement on equipment replacement benefits.
- Equipment suppliers can help their customers with compelling financing options and other fiscal incentives.



Considerations for Decision-Making

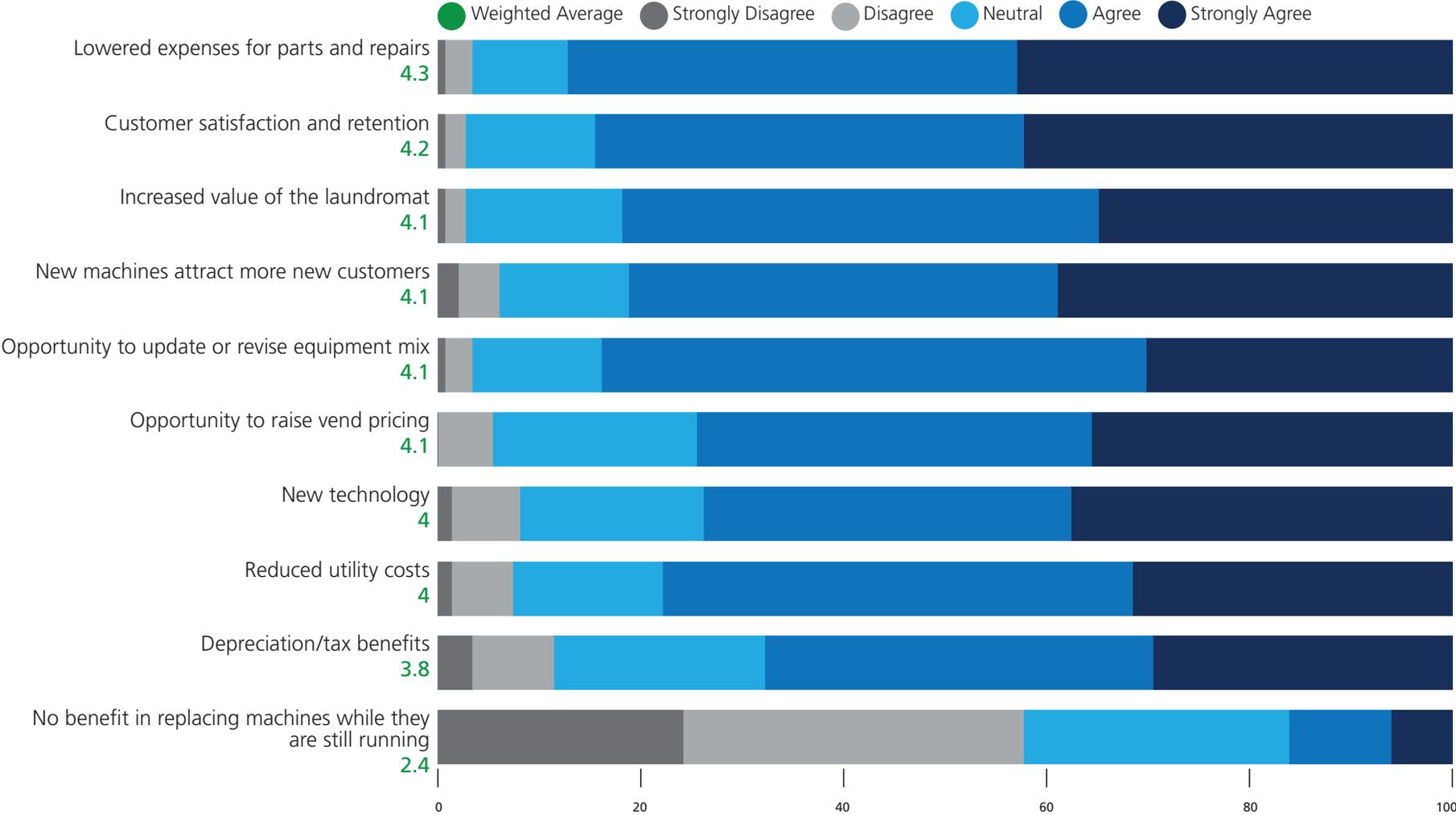
When laundromat owners consider replacing their laundromats' washers and dryers, they are certain to face at least a few hurdles or pain points along the way. Our survey sought to discover the most prominent stumbling blocks on the way to purchasing and installing new equipment.

How important are these "pain points" for you as you consider replacing washers and dryers? Please rate each option on a scale of 1 to 5 with one (1) representing not at all important and (5) representing extremely important.



Replacement Benefits

How strongly do you agree with the following items in terms of being benefits of replacing washers and dryers? Please rate on a scale of 1 to 5 with (1) representing strongly disagree and (5) representing strongly agree.



Replacement Benefits

Open-ended questions revealed that some of the owners admitted skepticism as to whether or not the current design and layout of their laundromats would easily accommodate replacement equipment dimensions and utility requirements.

“Finding equipment that fits a current layout or having to replace whole sections of equipment to have it look right” also was a key pain point, according to one owner.

Another laundromat owner mentioned the importance of “knowing the capacity of one’s infrastructure – including water, electric, natural gas and air handling” – before making any decisions about new equipment.

“I look at how profitable the business is, the outlook of the neighborhood, the repair history of the current equipment, and the innovations and utility improvements of the new equipment,” explained one respondent.

Another laundromat owner weighs any potential pain points of retooling against the warranty of the new equipment, along with “word of mouth from other owners.”

Beyond the tangible pain points of cost, business disruption and so on, the other major (somewhat intangible) hurdle is the owners’ own perceptions concerning the useful lives of their washers and dryers, based on their past experiences.

When asked how old washers and dryers should be before being considered for replacement, the average

responses were 15 years for washers and 18 years for dryers. However, keeping in mind that most industry sources place the prime lifespan of commercial laundromat equipment at somewhere between 12 to 15 years, depending on the specific volume of laundry running through those machines, owners might want to consider the overall financial benefits of reequipping sooner – before the end of those machines’ prime lifespans to reap the full financial benefits associated with reduced utility costs and improved revenue.

The laundromat owners surveyed clearly saw and understood the many benefits of updating their laundromats’ washers and dryers.

Laundromat owners are deliberate in their consideration of making the substantial capital expenditure to reequip their laundries. New equipment costs money; money that doesn’t necessarily have to be spent due to outright equipment failure – it’s more nuanced than that single consideration.

To a large extent, the decision to replace equipment is an elective one driven by an array of potential motivations. A new competitor down the street may serve as the catalyst to refresh one’s equipment mix. Rising expense ratios for utilities may have a laundromat owner weighing the decision to replace machines in an attempt to boost the bottom line. Tax considerations and the desire to reset the clock on depreciation may ultimately trigger placing a new equipment order with their distributor.

The CLA has come to call this analysis “The Equipment Equation.” Viewing the cost of new equipment as the monthly cost of servicing “the loan for the machines, many look at whether the benefits and the corresponding savings will pay for the project.

The laundromat owners surveyed clearly saw and understood the many benefits of updating their laundromats’ washers and dryers.

Replacement Benefits

Here are the most common factors in the equipment equation:

- Monthly reduction in the costs of water, sewer, gas and electricity resulting from the installation of the latest machines
- Anticipated increase in revenue based on the belief that brand-new machines will bring new customers to the laundromat – drawn by the appeal of “new”
- Monthly reduction in expenses incurred for replacement parts and technician service calls associated with keeping “perfectly good,” older machines operating week in and week out
- Restoration of sales lost to machine down time – especially during peak usage times on weeknights and weekends
- Estimated increased revenue from raising vend prices on new equipment
- The increase of the valuation of the laundromat for sale when factoring in new equipment
- The potential for tax savings upon reequipping from standard depreciation and/or applicable bonus depreciation, along with benefits of Section 179 considerations

Even older machines that may be functioning adequately may well create a problem for laundromat owners: a lack of available replacement parts. If a machine's parts are difficult to find or obtain quickly and affordably, it may be better to replace the machine than to tolerate longer down times and high costs for parts.

Of course, time is money – and a laundromat owner's time is certainly worth something as well. Some hands-on owners often may not adequately track or place a value on the time they spend maintaining and repairing their older laundry equipment.

An owner who spends an inordinate amount of time repairing marginal machines might be better off replacing those machines and putting that time to better use managing or marketing the laundromat to generate better profits, or working on other businesses.

Successful laundromat owners understand that at some point there is a diminished return on their original investment. The equipment equation will often lead them to make the capital investment with an eye toward increasing profitability – and more importantly, giving their customers the best possible experience come laundry day.



Looking Ahead

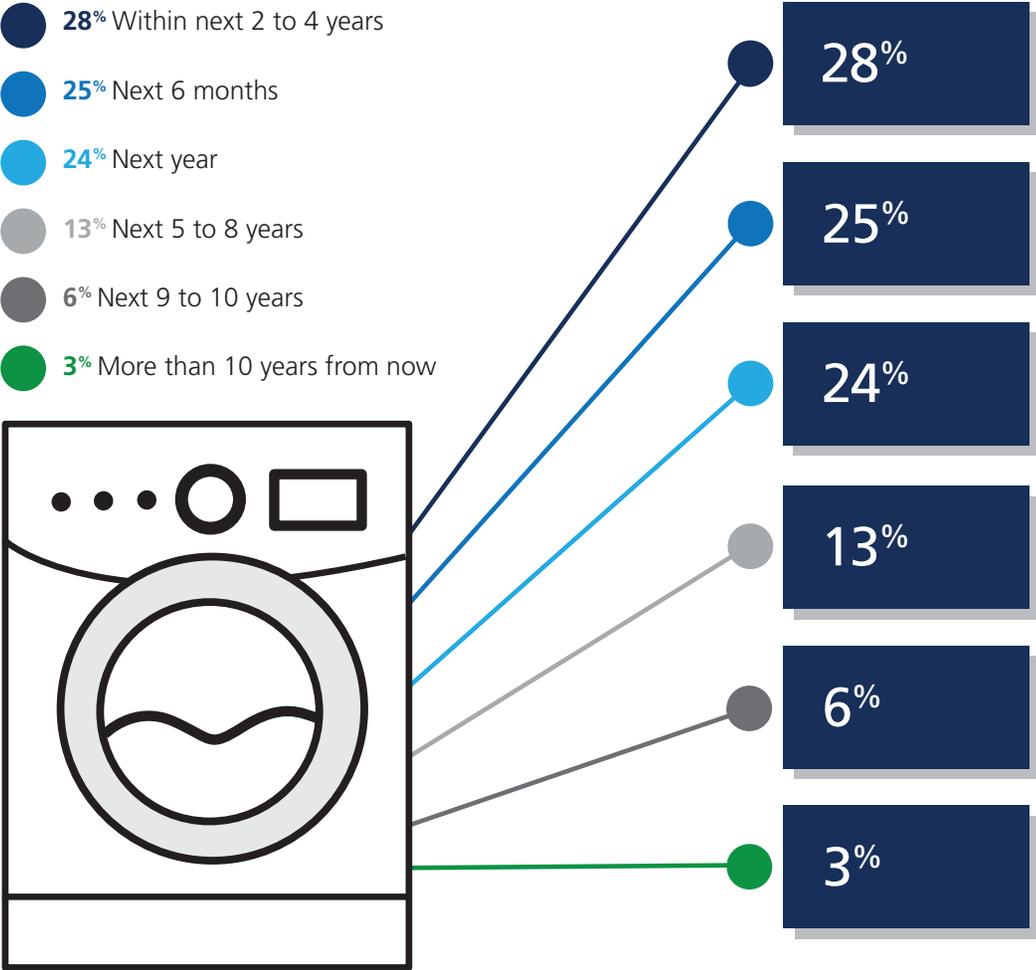
Looking Ahead and Strategies for the Future

When it comes to actually taking action with regard to their laundromats' equipment needs, nearly half of the owners surveyed indicated that they would be making an investment in replacement equipment within the next year. Moreover, half of those owners said they'd be starting a retooling project within the next six months.

For laundromat owners, what are the implications of such an anticipated surge in equipment purchases?

- Do they plan to be among those shopping for machines in 2021?
- Are they more likely to face competitors who recently upgraded their equipment?
- Will end-users in their markets have more choices when it comes to refreshed laundromat facilities and access to larger capacity washers?
- Do they expect vend prices in their markets to increase due to newly installed washers and dryers? When it comes to equipment replacement strategy, there are a few schools of thought.

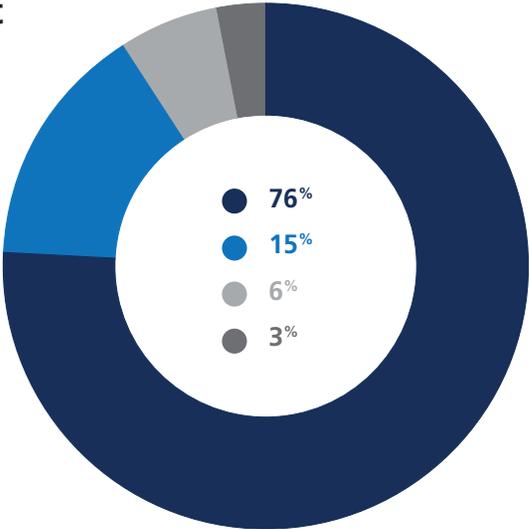
When do you anticipate making your next investment in replacement equipment?



Looking Ahead

Which of the following best describes your equipment replacement strategy?

- 76%** Gradual replacement (one machine type/row at a time)
- 15%** Full store re-tool (all washers and dryers at once)
- 6%** Single machines as needed
- 3%** Run machines until they fall apart!



Considering capital expense and lack of financing are two of the major roadblocks cited by owners, it's no surprise that **76 percent** say they take a stepped approach to replacement – whereas full store retools are most common when taking over an existing laundromat.

Most of those indicating plans for near-term upgrades will execute the stepped strategy in their laundromats. Eighty-six percent of those anticipating machine purchases in the next 12 months also cite stepped replacement as their preferred strategy – compared to just **11 percent** ready to take on a full retool in the next year.

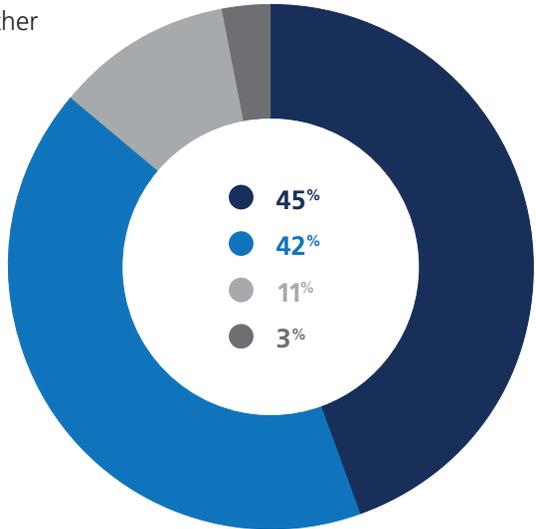
Of those who predict waiting nine to 10 years before their next equipment purchase, a whopping **56 percent** indicate adherence to the full store retool philosophy.

Impact of COVID-19 Pandemic

Given the fact that this survey was conducted during the COVID-19 pandemic, it would have been shortsighted not to inquire how the crisis has impacted today's laundromat businesses and, more specifically, changed owners' perspectives with regard to equipment replacement.

How has the COVID crisis and its impact on your laundromat(s) changes your perspective on equipment replacement?

- 45%** I'm more cautious due to financial risks
- 42%** No change in my outlook
- 11%** I'm ready to double-down on my essential business
- 3%** Other



Motivators Leading to Equipment Replacement



When asked, “What is one thing that would make you more willing to replace your equipment within the next six months?” here’s a sampling of verbatim responses from respondents:

“Lower finance rates”

“Lower [equipment] prices”

“Since the laundromat business is my sole source of income, I’d need proof that my income would increase out of the gate”

“Great deal on trade-in of used equipment”

“If current machines become too expensive to repair”

“More stable economy”

“Longer terms on loans”

“Confidence in future business climate”

“Special pricing or deal”

“Looking for new technologies – water savings”

No question that there are plenty of opinions when it comes to identifying the single catalyst for purchasing new washers and dryers, but taking the responses to this open-ended prompt altogether it’s clear that both financial considerations and the condition of the equipment will drive much of the decision-making for laundromat owners.

Key Findings

The main takeaways from this survey are:

The end-users of laundromats are drawn to new equipment.

When asked about the main benefits of replacing washers and dryers in their laundromats, the overwhelming majority (85 percent) either “Agreed” or “Strongly Agreed” that customer satisfaction and retention were key benefits.

In addition, 81 percent surveyed were in agreement that new machines attract more new customers.

Today’s successful laundromat owners are interested in spending less time and money on repairs.

Lowered expenses for parts and repairs was the leading benefit of replacing washers and dryers, based on those who responded to the survey. In fact, more than 87 percent agreed that this was indeed a key benefit to reequipping their laundromats.

This sentiment is echoed in the findings of the CLA’s most recent Industry Survey, in which 34 percent indicated that the cost of machine maintenance was the biggest problem they faced in the laundromat business.

And, in fact, several open-ended responses to this survey pointed to increased equipment breakdowns and increased repair costs as leading reasons for machine replacement sooner rather than later.

Laundromat owners prefer a stepped approach to replacing equipment.

The results revealed a strong preference for a gradual, stepped approach to equipment replacement that features the refreshing of one machine capacity (or row of machines) at a time.

When the CLA asks its members about equipment replacement plans, it often hears examples such as, “this year, I’m going to update my stack dryers, and next year I’m going to add some 60-pound washers where those old 20-pound washers sit now.” Considering the capital expense – and the potential disruption to day-to-day operations highlighted in the survey results – it only makes sense that successful owners have a multi-year plan focused on continual improvement of their facilities.



Key Findings

Nearly half of the respondents plan to buy equipment in the next 12 months.

An incredible 49 percent plan to make an equipment purchase sometime in the next 12 months. This response seems to predicate a surge in the purchase of replacement equipment, which aligns with the survey's responses regarding the age of equipment currently in service and the popularity of the stepped approach to replacement.

Owners are in agreement on equipment replacement benefits.

All in all, the survey seems to solidify the fact that most laundromat owners are at near consensus in agreeing with some of the most held benefits of equipment replacement. These include:

- Lowered expenses for parts and repairs
- Increased customer satisfaction and retention
- Increased value of the laundromat business
- Reduced utility costs
- Increased ability to attract more new business
- Increased opportunity to raise vend prices
- New technology upgrades the entire business and its services

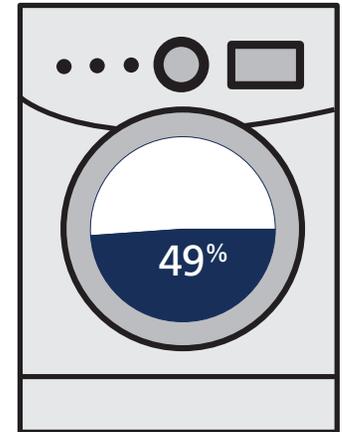
These benefits fit the equipment equation model considered best practice among leading laundromat owners. The basis of the equation is a consideration of increased revenues and reduced expenses expected as a result of replacing washers and dryers. This anticipated improvement in net income can be compared to the planned monthly loan amount with an eye toward having that net income offset the cost of reequipping the laundromat.

Equipment suppliers can help their customers with compelling financing options and other fiscal incentives.

According to the survey, the leading pain points impacting laundromat owners who are considering equipment replacement are (1) the capital expense of new washers and dryers, and (2) a lack of financing.

These results correlate with CLA research from 2020, in which the second-leading business "problem" laundromat owners faced was reported to be the high cost of equipment.

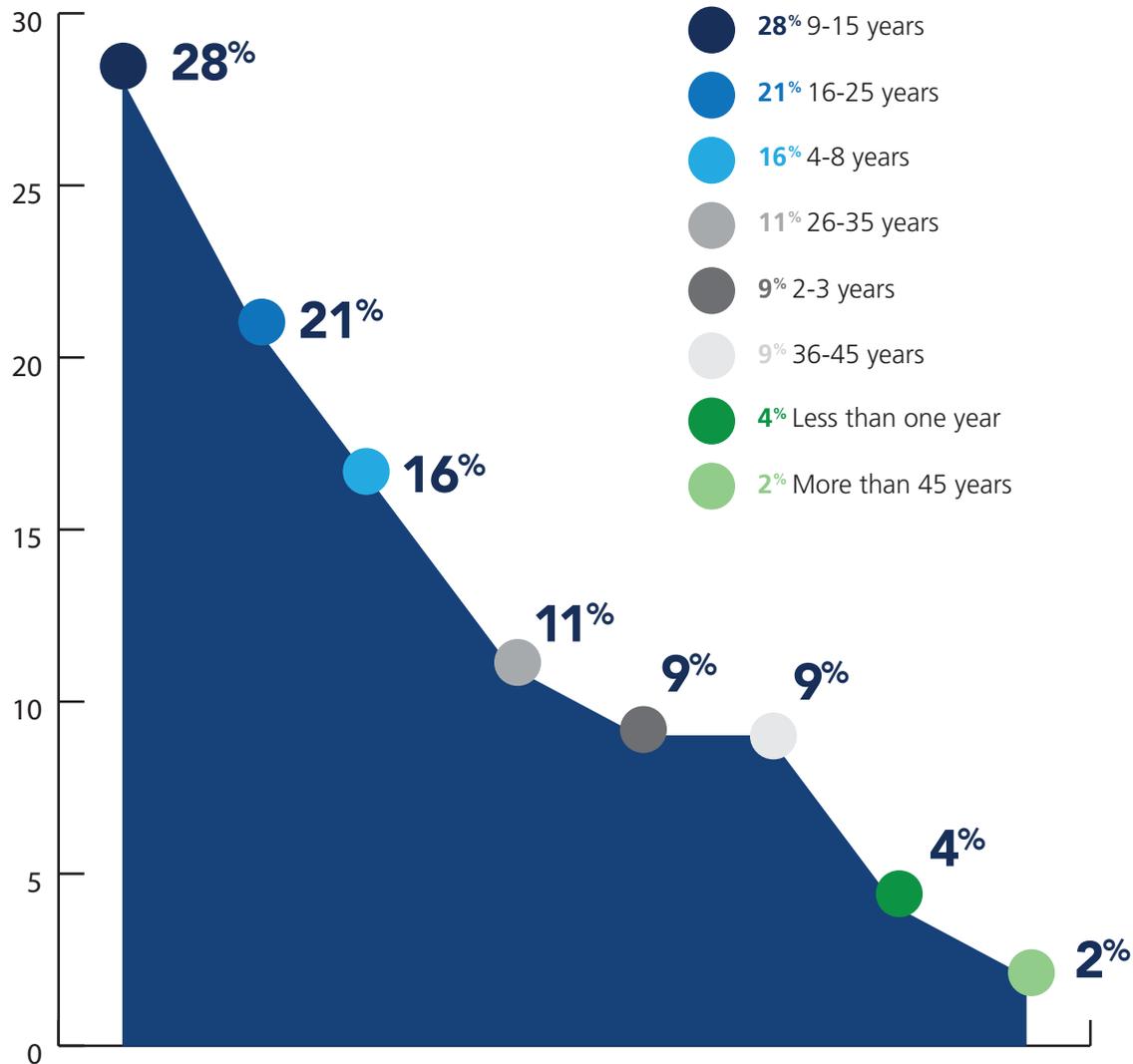
As noted throughout the survey, the X factor with regard to whether or not laundromat owners replace their laundromats' equipment in a timely manner is a financial one, and that journey may very well begin with attractive financing options.



An incredible **49 percent** plan to make an equipment purchase sometime in the next 12 months.

Demographics of Respondents

How long have you been in the laundromat business?

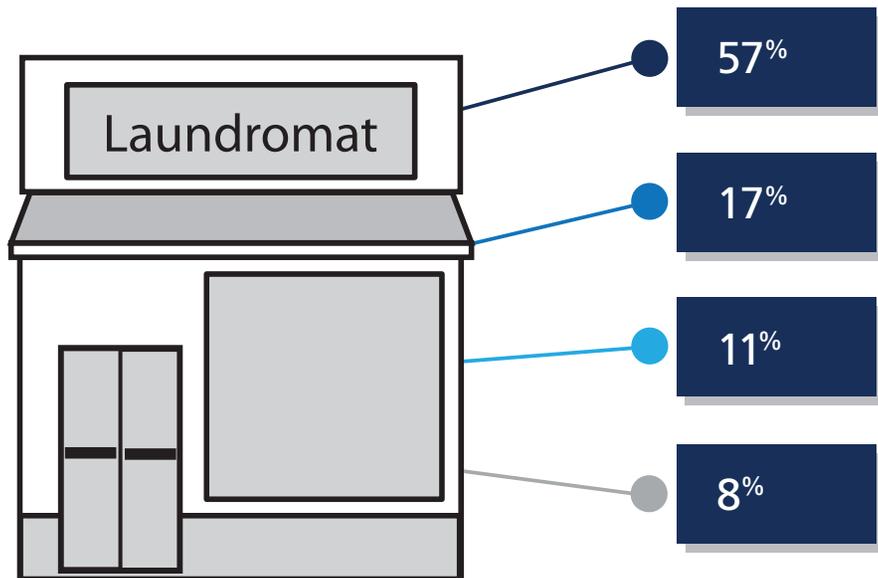


Demographics of Respondents

Mirroring the industry in general, the majority of those responding (57 percent) indicated owning just one laundromat business. In addition, nearly 20 percent of those participating in the survey own two locations, while just over 10 percent of the owners noted having three laundries.

How many laundromats do you currently own?

- 57% 1 laundromat
- 17% 2 laundromats
- 11% 3 laundromats
- 8% 4+ laundromats



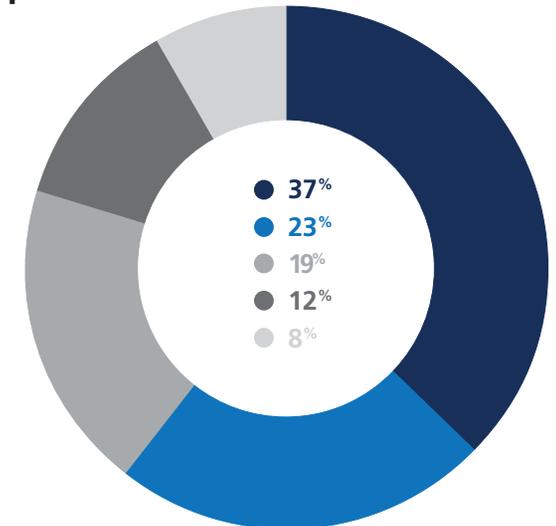
To accommodate the multi-store owners, all respondents were asked the age of their single largest laundromat. The vast majority noted that their laundromats (or the largest laundromat location in their chain) were at least 26 years old.

However, new laundromats also are well-represented in this survey. In fact, a combined 15 percent said they run laundromats that are just five years old or less.

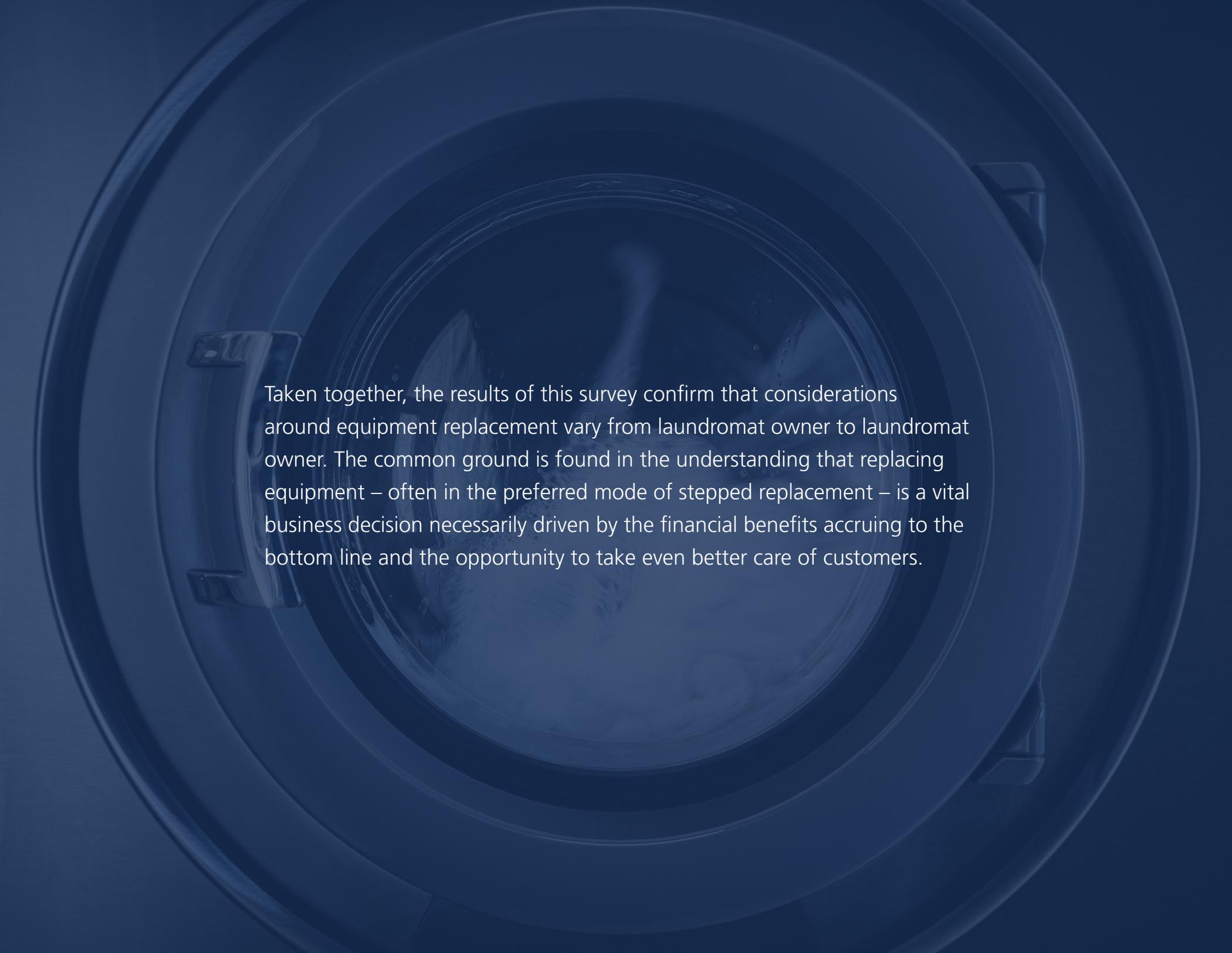
With regard to laundromat size, just over 60 percent operate laundromats that are 3,000 total square feet or less.

What is the total square footage of your largest store?

- 37% 2,001 to 3,000 square feet
- 23% Less than 2,000 square feet
- 19% 3,001 to 4,000 square feet
- 12% 4,001 to 5,000 square feet
- 8% 5,001+ square feet



Respondents reported the average age of the washers as **nine years old**, while the average age of the dryers was **11 years**.



Taken together, the results of this survey confirm that considerations around equipment replacement vary from laundromat owner to laundromat owner. The common ground is found in the understanding that replacing equipment – often in the preferred mode of stepped replacement – is a vital business decision necessarily driven by the financial benefits accruing to the bottom line and the opportunity to take even better care of customers.

CLA Insights Survey

The following is a sample of the survey that was sent to the selected population.

- 1. How long have you been in the laundromat business?** (please fill in a number for each; 0 if none)
 - Less than one year
 - 16-25 years
 - 2-3 years
 - 26-35 years
 - 4-8 years
 - 36-45 years
 - 9-15 years
 - More than 45 years
- 2. How many laundromats do you currently own?**
 - _____
(please specify number)
- 3. What is the age of your largest laundromat?**
 - _____
(please specify number)
- 4. What is the total square footage of your largest store?**
 - Less than 2,000
 - 5,001 to 7,000
 - 2,001 to 3,000
 - 7,001 to 10,000
 - 3,001 to 4,000
 - 10,001+
 - 4,001 to 5,000
- 5. What is the average age of the washers and dryers currently installed in your laundry?**
 - _____
(age of washers in years)
 - _____
(age of dryers in years)
- 6. How important are these "pain points" for you as you consider replacing washers and dryers? Please rate each option on a scale of 1 to 5 with one (1) representing not at all important and (5) representing extremely important.**
 - Capital expense
 - Lack of financing
 - Planning to sell the store soon
 - Disruption to daily store operations
 - Too little time remaining on the store's lease
 - Not knowing which brands to consider
- 7. Based on past experience or future plans, how old should washers and dryers be before you consider replacing them with new machines?**
 - _____
(age of washers in years)
 - _____
(age of dryers in years)
- 8. How strongly do you agree with the following items in terms of being benefits of replacing washers and dryers? Please rate on a scale of 1 to 5 with (1) representing strongly disagree and (5) representing strongly agree.**
 - Depreciation/tax benefits: _____
 - New machines attract more new customers: _____
 - Reduced utility costs: _____
 - Opportunity to raise vend pricing: _____
 - Increased value of the laundromat: _____
 - Lowered expenses for parts and repairs: _____
 - New technology: _____
 - Customer satisfaction and retention: _____
 - Opportunity to update or revise equipment mix: _____
 - No benefit in replacing machines while they are still running: _____
- 9. When do you anticipate making your next investment in replacement equipment? (choose one)**
 - Next 6 months
 - Next year
 - Within next 2 to 4 years
 - Next 5 to 8 years
 - Next 9 to 10 years
 - More than 10 years from now
- 10. Which of the following best describes your equipment replacement strategy? (choose one)**
 - Full store re-tool (all washer and dryers at once)
 - Gradual replacement (one machine type/row at a time)
- 11. How has the COVID crisis and its impact on your laundromat(s) changed your perspective on equipment replacement?**
 - No change in my outlook
 - I'm more cautious due to financial risks
 - I'm ready to double-down on my essential business
 - Other _____
(please specify)
- 12. What is one thing that would make you more willing to replace your equipment within the next 6 months?**
 - _____
(please specify)

Methodology

The survey was distributed by email via Survey Monkey in December 2020 to a list of qualified laundromat owners curated by Coin Laundry Association. The survey distribution totaled 5,783 and 149 completed surveys were received after two distributions resulting in a response rate of approximately 2.5 percent.

The survey was conducted on a confidential basis and no personal contact information nor any corresponding responses to the survey questions were captured by the Coin Laundry Association or the survey's sponsor, Maytag Commercial Laundry.

— OPEN —
EVERY DAY
5am - 11pm

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