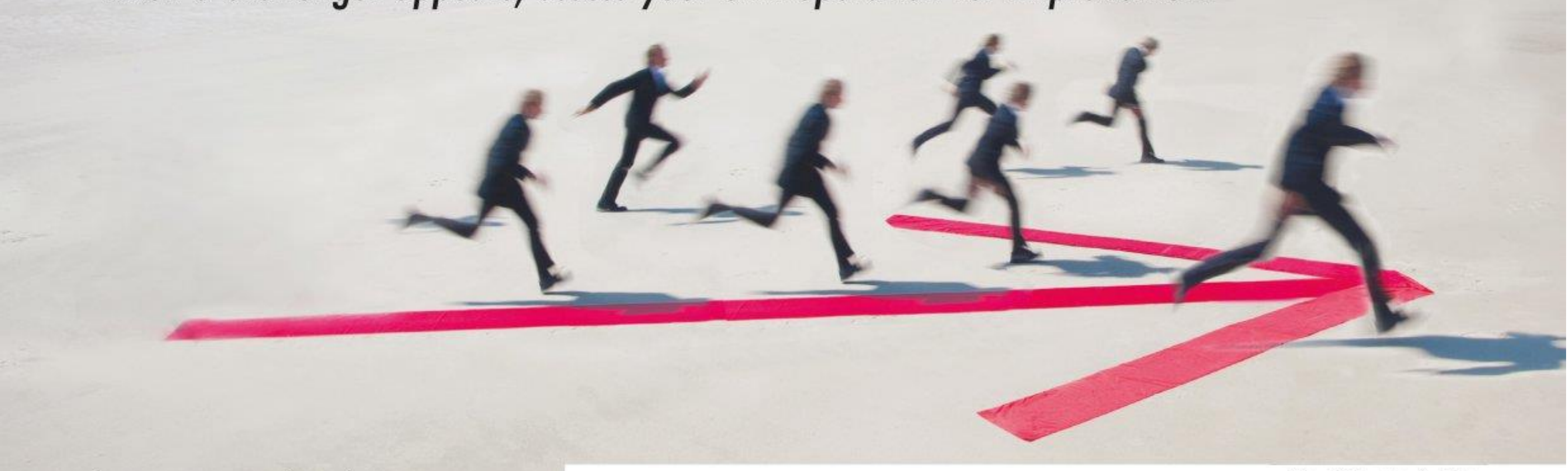
STAYING AHEAD OF THE COMPETITION

When a challenger appears, assess your own operation for improvement



by Bruce Beggs, Editorial Director

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Your store is established and the money is coming in at a steady clip now. It's taken you some time but you've built a customer base that makes visiting your vended laundry part of its routine. You're operating comfortably in the black.

But, wait, what's that happening up the road? A new store is being built. You've got yourself a competitor. It looks to be bigger, brighter. Rumors are it'll have all-new equipment, including larger-capacity machines that your store doesn't have.

American Coin-Op polled several distributors about the topic of competition this month. It's understandable if your attention is on a challenger, they say, but you really should be looking at your own operation for the keys to staying at the top in your marketplace.

ASSESSING THE THREAT

Once you learn new competition is coming or has opened a store nearby, you should assess the threat it may pose. But how should you do that?

"Store owners should mix up (travel) routes when visiting their own store," advises Brad Steinberg, co-president of PWS – The Laundry Company, based in California. "This will give them insight into what their competitors are doing, and also see if any new competition is being built."

"I would send in a secret shopper to actually use the (competing) facility to see what kind of equipment mix, what kind of ancillaries they have there, as well as what kind of staff they have," says Michael "Stucky" Szczotka, president of Eagle Star Equipment, based in Michigan.

Some of the experts say the best way to ward off competition is to run your operation so well that challengers will set up shop elsewhere.

"When this whole competitor concept comes up, I think the biggest takeaway is don't look like a victim," asserts Bryan Maxwell, who works in sales and marketing for Western State Design, based in California. "If you're the limping gazelle in the forest, you're going to be a victim. You need to be a lion, and you need to be prepared to be attacked. The biggest thing I see is stores, somebody fixes up a store 15, 20 years ago, and then does nothing to it."

"In my opinion, your store being attended, being clean, being bright and having the proper equipment mix is first and foremost," says Szczotka. "Then (it's) your ancillary services, or the products you may have."

"Keeping your store current and your customers happy is one of the best ways to avoid the competition from coming in in the first place," says Brandon Hoffman, salesman for Gold Coin Laundry Equipment, based in New York.

"The biggest and best answer for that is you've got to look in before you look out," says Brett Nolan, director of vended laundry systems for TLC Tri-State Laundry Systems, based in Georgia. "Honestly, it's the best defense against a new competitor, to make sure that you're on point, that your store is the best that you can make it, that you are engaging with your customer base on a regular basis."

"There are a lot of little things that need to be done," suggests Steinberg. "Cleanliness, safety, customer service and equipment in working order are the basics. Before offering other amenities, I would make sure a store owner has those down. I am obviously a supporter of replacing equipment, but if for some reason that is out of the question, small cosmetic changes go a long way: new paint, flooring, bulkheads, seating and folding are extremely important. Many times, a competitor will make you step up your game, which can be a good thing long-term."

IMPACT AND REACTION

The impact of a new competitor on an established store could be felt almost immediately or take as long as 18 months ▶

after the opening, distributors say.

"Depending on the proximity, strength, size and promotions a new store is offering, the first six months normally have the greatest impact on business," says Steinberg. "After six months, things generally seem to normalize. That's to say, you will not know the true impact of a competitor until six-plus months after it opens."

"I think it's going to be a minimum of six months and may even go out as far as 18 months until the 'honeymoon' is over," Szczotka says. "A lot of people would like to go in and try a new operation, because they're coming into a neighborhood new and most likely lowering their entry-point pricing to try to bring, or draw, more traffic in."

The store owner who keeps good financial records—profit and loss, projected growth, etc.—should know within the first month how a new competitor is or isn't impacting them, Nolan says.

"You should, as a store owner, be keeping up with all of these metrics. Whatever your minimum reporting period is, whether you're tracking it weekly, biweekly or monthly, you should be watching that. If you've got a new competitor coming in, honestly, I would say that you should take your minimum reporting period to a week and be tracking weekly so that you know if your business is going to be impacted."

Whatever the impact, distributor experts warn against making operational changes immediately.

"I've seen stores that lose 20-25% of their business two weeks later because the new owner is doing free dry or dollar wash promotions," Hoffman says. "Let the dust settle. Let the newness of the new place wear off before you go making any drastic changes in your place."

"Many times, you will lose customers briefly," Maxwell says. "They're going to try the newest, if there's some kind of entry special. Most Laundromats are personal, right? Is this new shiny place going to treat your customer better than you do? Lot of times, you lose a customer for a short period … but they come back to what they're comfortable with."

"Customers like routines, but they also like new. If you can upgrade your laundry, your existing customer base can keep with the routine of going to your laundry and also get new equipment at the same time," says Steinberg. "If you are going to do some remodeling, I always recommend doing this before the competitor opens. You do not want your customers leaving your store to try something new and get out of their routine."

"Our customers are almost exclusively entrepreneurs, and one of the few things an entrepreneur is not capable of doing is sitting still. So that drives that knee-jerk reaction," Nolan says. "But if you start changing things without taking the time to analyze what's going on and collect some data so that you're using facts to drive your change and not knee-jerk-reaction emotion, you may change something that your customers consider to be a benefit."

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—Bryan Maxwell, Western State Design

PRICE WAR PERILS

In the face of a newcomer's special pricing upon opening, you may be tempted to drop your own prices to match. The distributors polled oppose getting into "a race to the bottom."

"I always strongly discourage it," Nolan says. "It sends the exact wrong message to your customer base, and that message is: 'I've been overcharging you and now somebody's called me on it so I need to correct that.' The better response is to do nothing and leave your prices where they are."

"If you look at any industry survey, price is way down on the list for what drives people into a Laundromat," says Maxwell. "You have to be competitive. Someone comes in and wants to be cheaper, how loyal is a price shopper? … In a capital-intensive business with ever-increasing utility costs, ever-increasing insurance costs, ever-increasing rent costs, and everything else tied into this business, why do you want to get into a price game?

"There have been exceptions but, generally speaking, I believe that a better store, long term, will outperform a cheaper store."

"If you already know you're going to be taking a hit, whatever percentage that is, why would you want to multiply that by also decreasing your prices?" Szczotka asks.

"A race to the bottom is never a good idea. However, it is definitely OK to focus on new pricing or marketing techniques when a new competitor opens," Steinberg says. "If you happen to have a card store, instead of reducing machine prices, I like offering bonus dollars on their cards (spend $20 and get $5 free, or do nine washes and the 10th is free). This kind of marketing leads to customer loyalty."

TO YOUR ADVANTAGE

While a competitor may be banking on the newness of their store, an established store has advantages of its own.

"The customer base is absolutely the biggest advantage, because they can be your biggest evangelist out in the market," Nolan says. "If you have an established store, you've paid off your equipment, and the guy coming in put down the bare minimum the finance company would approve and has a huge note that he's got to meet every month, that's a huge advantage as well."

In that vein, listening to and acting upon your customers' feedback is vital to success, especially when there is competition that could draw them away.

"I think it's at the top of the list," Szczotka says of customer feedback. "The ultimate bosses of any business is the customer base. Without them, the power of the signatures on our checks mean nothing."

"Customer feedback is extremely important. Before a new laundry opens, get feedback from your customers, and also try new things to see what works and what doesn't," Steinberg says. "This is really helpful to observe before the store opens."

"It's essential. Without customers, you have no business," Hoffman says. "For you not to listen to your customers' reactions and what they're telling you, you'd be a fool."

"If you're coming in to a new market with a new store, you have maybe a rough concept of who you want your ideal customer to be," Nolan says. "As the existing store owner/operator, you have the ideal customers standing there dropping quarters in your machines and telling you what they want. Your market research is bringing money to you, you're not paying for market research."

But Maxwell says that if you're listening only to your current customers, you're missing an opportunity.

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also deliver real-time data, so they're always aware of how their machines are running.

THE ROLE OF EQUIPMENT CAPACITY

Adding multi-load equipment into the mix can be a profitable decision for vended owners. With bigger capacities, multi-load machines allow for higher pricing, which means they can potentially bring in more revenue per wash than single-load machines. To get the most out of their machines, owners should consider the store demographic, competition, and utilities before setting pricing rates.

Additionally, multi-load washers offer the benefit of high extraction speeds to help with fast drying, and quick turnover.

As you set yourself up for 2019, whether you're only investing in a few machines, or equipping your entire store, this equipment is a great way to help maximize your operational investment. **ACO**

Nick Koukourakis is senior product line manager with Whirlpool Corporation Commercial Laundry and has held several product and sales roles over the past two decades.

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"Customer feedback is critical in the sense that you need to make people who come into your store happy and resolve their concerns, but if you only listen to *them*, well, they're already your customer. … But what does the marketplace need?

"It's very important to satisfy customers and keep them happy but you need to understand global trends in the industry and find out if any of those trends make sense for you, and you need to think outside the box to attract new customers. The way you drive the business is to drive new customers into your store."

MARKET SHARE SHAKE-UP

In competitions like these, sometimes the older store comes out on the losing end. Why is that?

"I think the biggest mistake that business owners make is not realizing … that the only constant is change," says Szczotka. "If you're not willing to look at the horizon and see what is changing to adapt to it, you're not going to stay in business."

"I see larger stores knocking out smaller, older stores," says Steinberg.

"Where it happens, it's because the existing store owner was not taking proper care of their business," Nolan says. "They were not in the store regularly engaging with customers. They may have been letting machines sit out of order for extended periods of time. The place may not have been as clean as it could be. So it showed when the competitor came in.

"It's probably a large factor in why the competitor chose to come in there: They saw this potentially 'run-down' location that somebody is finished *investing in* and is now just *taking from*, and they thought they could do it better … and they were right." **ACO**