

EYES ON THE MONEY

An Interview with New CLA Director Harvey Kantor

Harvey Kantor is an experienced coin laundry owner, having owned and operated four stores over the past 15 years. At times, he has been a multiple-store owner. Presently, he and his wife, Shirley, own a state-of-the-art, 2,850-square-foot debit card store located in Philadelphia. This location opened in April, 2004.

Kantor has a diverse background that spans nearly 25 years in the coin laundry industry. He often serves as a consultant to existing and prospective coin laundry owners. In this capacity, he analyzes the demographics, competition and financial potential of coin laundries. Kantor has also developed numerous laundry marketing programs and worked with owners to sell their stores.

He also is the founder and president of *Triumphe Leasing Network*, a company that specializes in the financing of coin laundries, as well as HVAC and general business equipment. He is a frequent speaker to business groups on such topics as sales development, cash management and profit improvement strategies.

More than 30 years of experience has provided him with a diverse entrepreneurial and financial background. His first positions were with *Peat Marwick Mitchell* and *Coopers and Lybrand*, national CPA firms. This was followed by nine years in financial and strategic planning with the *Warner Lambert Co.* In 1978, Kantor took the position of chief financial officer for *Maaco Enterprises*, a major national franchiser. In 1983, he left *Maaco* to transform *Triumphe* from a part-time to a full-time endeavor.

Kantor holds a bachelor's degree in accounting from *Penn State University*, an honorary degree from the *University of Salamanca, Spain*, and an MBA in finance and marketing from *Seton Hall University*. He also has been an adjunct professor of finance at *Fairleigh Dickinson University's Graduate School of Business*. Kantor resides in *Phoenixville, Pa.*, with his wife.

How did you get your start in the self-service laundry business?

I got involved through my finance company. I had financed a laundry for a business associate in 1980. Unfortunately, he was not successful. We had to take over the store and sell it. He foolishly opened the store more than 75 miles away from where he lived. He didn't know better.

So I got pretty knowledgeable. From there, I hooked up with a vendor, who I have been doing business with since then. So that's how I got into it, as a finance company.

Today, *Triumphe Leasing*, finances 25 to 30 coin laundries a year.

Basically, you seem to have stumbled into the ownership end of this business. However, along the way, something must have attracted you to it because you're still a laundry operator.

Properly designed, a coin laundry is an extremely lucrative, safe investment. It beats the stock market to death. In fact, it has pretty consistently beaten the stock market to death.

You currently own one store. But you've had multiple stores in the past. Will you elaborate?

I sold off two laundries, not due to the businesses themselves but due to



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the locations. They were in New York, and I'm in Philadelphia. I had opened them with a partner, and he ran into financial troubles, so I bought him out. I ran the stores for about two years with the help of a manager. But I eventually sold them because it was difficult operating them from so far away.

Again, I had an excellent manager, and I made very handsome returns on those stores. I just had alternatives. They were two 10-year-old stores, and they were doing very well. They were in great condition, and I sold them for decent prices.

As you mentioned, you're also the founder and president of Triumphe Leasing. Please explain that side of your professional life.

Triumphe Leasing finances coin laundries, drycleaners, commercial air conditioning and other related businesses. We are the national finance company for IPSO USA, and we are one of two finance companies for Continental Girbau. In addition, we do a fair amount of work with the local Maytag distributors throughout the United States, but mostly in the Northeast.

Triumphe represents about 75 percent of my business. I've become somewhat of a laundry expert—between owning, building and financing stores. I guess the only thing I haven't learned how to do properly yet is wash-dry-fold.

Are there any special challenges you face in securing financing for self-service laundries, as opposed to some of the other businesses that you work with?

I think it's easier. With us, we know the coin laundry business so well. For one thing, we only finance fully attended stores.

The biggest hurdle we encounter are clients with less than adequate capital. You need non-borrowed equity capital equal to at least 30 percent to 35 percent of the total project. That's essential. So you're looking at upwards of \$100,000 to \$200,000 in most cases. If people don't have those resources, they can't get financed and they can't open a store.

I think people underestimate the cost of opening a store. But they find out rather quickly what it costs. And laundry equipment is going up in price very quickly. In fact, a 2,000-square-foot store today costs \$300,000 to build before you're done.

Of course, we also finance many larger stores in the 5,000- to 6,000-square-foot range, and at that point, we're looking at \$1 million.

The vast majority of laundromats that are five to seven years old and older are disgusting. That's due to the mindset: "I'm getting the money out. I'm happy. I don't want to put more money into it."

Many of the inquiries we get are from first-time lookers. They call and say, "I've got \$10,000 or \$20,000 to invest." They just don't know. They think it's putting in 30 home washers at \$600 a pop.

Has running Triumphe Leasing helped you run your own coin laundries?

Triumphe is a rather sophisticated, good-sized business. It's almost a bank. I'm a professional business manager. I've got a background in accounting and a master's degree in finance. I've also taught graduate-level finance.

By contrast, a coin laundry is a pretty simple business to run. You've got to pay attention to detail, but it's a pretty simple business to run.

It's simple, but not altogether easy.

No. For instance, my store's restroom is checked every hour to make sure it's clean. It's the simple things. There's always soap in the soap dispenser. There's always toilet paper for the customers. It's the little things.

That's why I say coin laundry is a simple business, but it's not something that lends itself to complete absentee ownership.

Although I've been in the industry for 25 years, this experience of having to do a lot of the work around the store myself has been a surprise. I had a partner who decided he didn't want to be in this business so I bought him out. And I'm surprised at how much work is really involved. I'm referring to the maintenance. It's not so much the day-to-day administrative work, but all of the little things that people don't see.

You've just added another title to your resume, which is CLA Board member. What made you decide to give your time and effort to this Board of Directors? After all, you're running Triumphe Leasing. You're running your laundry. It's quite a commitment.

I think there is something I can contribute. I think my level of business experience is a little bit more in depth than the typical small-store owner.

I see an awful lot of stores in my business, both new and used. And I see some real weaknesses in the industry in terms of professionalism that, hopefully, we can improve upon.

It's not that much of a time commitment, and it's nice to meet other people in the industry in which you make your living.

What types of skills and talents do you bring to the CLA Board?

I can contribute in terms of small-business marketing, small-business analysis, cash management, finance and accounting. I see probably 20 to 30 small businesses a month, in terms of people requesting financing for laundries or drycleaners or restaurants. Also, I've done merger and acquisition work at a very high level for a Fortune 100 company.

I like to tell people that I know a great deal about very little.

You've also developed a number of coin laundry marketing programs for your stores. Will you discuss some of those?

Marketing starts when you open the store. You should have an appropriate grand opening. What I was very disappointed in was the fact that many distributors, in spite of what they claim, are not very effective in this area of the business.

There are exceptions, but most distributors are not very effective at helping stores market and operate. I have nothing but good things to say about the distributor who sold me my equipment, but they were totally invisible when it came to marketing and store operations. They just don't do it. They made the sale. They did a great job. They serviced the equipment. And that's what they do.

Marketing needs to take various phases. During the first year of operation, you must have a significant amount of money available for marketing—\$10,000 to \$20,000, depending on the size of the store and the market. You have to get yourself known.

The most difficult thing is to get people to change habits. Just because you opened a coin laundry doesn't mean that people are suddenly going to start dirtying more clothes. They're going somewhere to get it done now. You're providing an alternative to an existing service, so you need to give them a reason to come see you.

"We're more convenient" only works for a very small area. You need to draw people in. That's marketing.

For example, we offered 25-cent washes on our 18-pounders during the first 30 days we were open. We're advertising on local supermarket cash register tapes. We've done newspaper advertising. We've sent out a lot of postcards. We give away free washes. We offer \$5 off on our debit cards.

We have a continuing level of marketing. We're going to implement a door-hanger program in an area populated by smaller, single-family homes, to try to get them in.

The key is to give people a reason to break their old habits. It's very difficult, and marketing requires consistency.

Do you see a neglect of marketing as one of the bigger missteps that self-service laundry owners make?

I see not only a neglect of marketing, but I see people start to neglect their businesses after a few years. They neglect the maintenance. They neglect the cleanliness. They don't repair things when they break, other than the equipment when they absolutely have to.

A broken tile, a dent in the wall. The vast majority of laundromats that are five to seven years old and older are disgusting. That's due to the mindset: "I'm getting the money out. I'm happy. I don't want to put more money into it."

But you have to put money into it if you want to have an ongoing business that will preempt competition and keep your customers happy. Otherwise, the store will go downhill over 15 or 20 years, you will eventually lose your investment.

You've got to be a businessman today. I am a finance executive from 9 a.m. to 6 p.m., and then I go to the laundry and clean lint traps. I'm not very mechanical, but I try to fix the machines if the problem is something small. You've got to do that. You've got to be in there at least six to eight hours a week.

Of course, my wife runs the store day-to-day. She's there three to four times a week, and she manages the staff.

How many employees do you have?

We have two full-timers and three part-timers. We're open 7 a.m. to 10 p.m.

What overall trends are you seeing in this industry?

The apparent ones are an increase in the number of larger stores, more sophisticated investors and owners, and more multiple-store owners. I see some of the small regional chains being successful, whereas in the past, the national laundry chains, without exception, all have failed. These successful regional chains—five to 20 stores—are located mainly in larger cities.

Of course, debit cards also are a trend, and they are very desirable in my mind.

Your laundry is a card store. Correct?

Yes. It makes life easy. You can count money in \$5 increments, as opposed to quarters. We collect the money twice a week; however, with a bill-to-bill changer, we could go two weeks if we had to without going into the store. If you had a manager, you wouldn't have to go to the store at all.

I finance a lot of stores, and the only ones I have seen that have not been successful are due to poor management and not being sensitive to the customers' needs.

You mentioned the increased professionalism on the part of today's newer laundry owners. What's causing that trend?

It may be the weakness in the stock market. A coin laundry is a much better alternative investment. There are the tax advantages.

If your store breaks even, you've got a 30 percent return on your investment, between your debt payment and your depreciation shelter.

The other thing I find among many of the people who finance with Triumphe is that they look at their stores the following way: "I'm going to make a little bit of money the first seven years, but I'm going to get all of my money back. The store's going to pay for itself, and then I'm going to get it back when I sell it in five, six, seven or eight years."

If you maintain your store—keep it fresh, current and looking nice—you're going to get back more than it cost you to build the store in the first place, plus you've made money along the way and the store has paid itself off over that interim period.

It's a great investment. In fact, it's difficult not to earn a 40 percent to 60 percent return on your equity investment.

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After location, which is the most important variable in the success of a coin laundry, the next most important variable are your attendants and how they treat your customers. People need to feel good about doing their laundry in your store.

What are your thoughts on attendant training?

We interview, on average, 10 people to get one. However, all our attendants have been with us since the beginning. We interviewed a lot of people to get these few.

I think attendant training is essential. We spend four to six hours training them, and then they work with another attendant for the first week or two, because we have double shifts on the weekends.

Also, we call some of our wash-dry-fold customers to see how they were handled by the employees. And I go to the store and talk to customers as well. It's critical to have pleasant people working in your store.

Regarding attendants, I often see coin laundries staffed by Hispanic or Asian attendants who don't speak English. This practice is quite prevalent in the cities. It would be lovely if your clientele were 100 percent Hispanic or Asian. But whose is? That doesn't work.

If that's your goal, the attendants at least need to be bilingual. When someone calls on the phone and the response is, "I don't speak English," it really affects your business. Unfortunately, that type of thing is quite prevalent.

What's the biggest issue facing self-service laundry operators today?

I think a lot of owners are afraid to raise their prices and charge what they need, which is foolish. My washers and dryers are premium-priced.

I charge 40 cents for a 10-minute dry. I can do that because I've got a debit card system. Also, I charge \$2 for an 18-pound washer, \$3.95 for a 35-pounder, and \$4.95 for the 50-pounders.

Do you have a business philosophy that guides your decisions?

It's to treat all of your customers with dignity. I am fortunate enough to be at a higher socio-economic level than most of my customers, but they're still my equals. They're my customers. They're important to me. They come first when I'm in that store.

The fact that I'm fortunate enough to live in my own home and to have a washer and a dryer and a lawn, when they may not, doesn't make me different from them. I've got to communicate that when I'm in the store. For example, I can't tell you how many people I have helped carry their laundry to their cars.

What's your favorite aspect of the coin laundry business?

I don't have one particular favorite aspect. It's my free time. It's not especially fun for me. I really got into the business with an entirely different philosophy—having a partner who would act like a manager. Unfortunately, that didn't work out.

I'd prefer to just handle the administrative end of the business. I'm not an enthusiastic operations guy. I'm a finance guy.

Then again, I do like to see the store hum. I like to see it busy and to know that it's making a contribution to the neighborhood, because there are no other nice laundromats nearby. It's something that was truly needed.

I'm fortunate that I'm not in it for the money. I'm in it for the tax shelter and for the long run. However, I don't need to draw from the store's income to pay my mortgage and feed my family.

When coin laundries fail, what is the most common reason?

The most common reason is poor management. People begin neglecting the business, or they never even start paying attention to it.

Bad locations are the second reason. Neighborhoods change, locations change and competition comes in. If you are doing your job, you will not lose much business to a new store. For example, I had that experience with a large store I had in New York. Two mega-laundries opened up nearby, but I only lost 15 percent of my revenue. And the current owners have maintained strong sales numbers.

We were a 3,000-square-foot store facing two brand new 6,000-square-foot stores within a half mile. It was truly the location, the attendants, etc.

All of the things we discussed earlier, if they are not done, they can create failure.

Then again, very few laundries fail. It's a great business because very few actually do fail. What you end up doing is not optimizing how much you can earn.

By not regularly maintaining your equipment, you end up with machines that require costly repairs or, if you don't want to spend the money, a lot of "out of order" signs. You end up with 20 percent of your equipment down and customers waiting for washers and dryers. Eventually, those customers will go somewhere else. It becomes a downward spiral.

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

It was misreading a business partner, who I thought would do what he said. Then he got too busy for the business. That's not really a mistake. It's just a disappointment.

Fortunately, overall, the coin laundry business has been a very good industry to me. We have a very high success rate on the stores we finance.

What concerns do you hear from customers you finance?

Cash flow. You don't start a business and, all of a sudden, have 500 people lining up every week to do their laundry

at your store. You've got to build it, but you've also got expenses. You've got to recognize in the beginning that you need investment money.

What advice do you give new store owners?

Do your homework. Before you choose a location, walk the streets, look at the competition, go into supermarkets, talk to the prospective customers.

The most important variable is the distributor and the type of support that he's going to give. Go into other stores that the distributor has opened and talk to people who he has serviced.

The equipment in the industry, almost without exception, is excellent. All of the manufacturers have great products. The guy behind it is what counts.

The main thing is for prospective owners to not think about a coin laundry as investing as a true investment. A laundry is more of a living business. Although it doesn't require 40 hours a week, if you're going to make it happen, you've got to give it some of your time and attention. 