



**Gold Book**

Research Series

*Your Guide to Laundry Excellence*

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Coin Laundry Association  
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# Demographic Analysis & Site Selection for Self- Service Laundries

A closer look at demographic data and other  
site-selection criteria

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# Demographic Analysis & Site Selection for Self-Service Laundries

A closer look at demographic data and other site-selection criteria

Determining the right location for a new laundry is a crucial—and very complicated—challenge for laundry owners. And while demographic analysis is not a silver-bullet approach to site selection, it can play a critical and indispensable role in the process when used in conjunction with other research.

To help examine this issue for our members, the Coin Laundry Association spoke with the laundry professionals around the country who are the most versed in the site-selection process—equipment distributors.

We spoke with them about the pros and cons of demographic data, the advantages of using the data wisely and the pitfalls of overreliance on it for decision-making, and how the significance of the data may vary greatly depending on a range of other factors.

What quickly became clear from these discussions is that a demographic analysis can be a valuable tool in determining a site for a new laundry—as long as the user remembers that statistics are only numbers, and that they do not reveal everything about a given population or site.

Demographics can uncover only a limited number of things about a group of prospective customers. Populations—and the areas in which they live, work and shop—also are defined by a countless range of other characteristics, the most significant of which we also explore in the following pages.

The following white paper examines the key demographic factors to consider in the site selection process, explores how those demographics should be used as part of a total decision-making process, and reviews some of the most important non-demographic and non-data factors that can affect the viability of a potential site.

As our experts emphasized repeatedly, every neighborhood is different, each with its own unique set of defining characteristics. We hope that this brief paper leaves the reader with a better understanding of how to use demographics in the site-selection process, which questions to ask, and what other characteristics to look for to affirm—or deny—a potential laundry site.

## 1 Why Demographics?

*Why are demographics so important for placement of laundries?*

The often-heard refrain “location, location, location” is more than a cliché when it comes to the coin laundry business. It is an essential truth.

That's because a coin laundry is a unique kind of business—for a number of reasons.

**CUSTOMER BASE.** First, *not everyone is a potential customer*. Many characteristics can effectively eliminate a consumer as a potential coin laundry customer. Consumers in households with a washer and dryer, for example, are not prime prospects for using a coin laundry. High-income individuals generally also are less likely to use coin laundries, as are homeowners. The list goes on.

**INVESTMENT SIZE.** Second, *a coin laundry is capital intensive*. Depending on its location and size, it may easily cost several hundred thousand dollars to start up a new laundry. The largest part of that investment cannot be recouped.

**LACK OF PORTABILITY.** Third, for all practical purposes, *a coin laundry is next to impossible to move once it is built*. Utility lines are run, venting is put in place, and equipment is bolted to the floor. A laundry's location has been specifically built or altered to accommodate the business.

**ACCESS AND CONVENIENCE.** Although the customer bases of two laundries may be markedly different in demographic makeup—and the areas from which they draw customers far different in size—each one nonetheless must adhere to the same set of requirements: Each must be located where it is *accessible, convenient and safe* for the people most likely to use it. This means that a location must have a number of attributes:

**Parking.** Customers must carry bulky loads in and out of a laundry, so unless the facility will depend solely on foot traffic, it will need access to sufficient parking.

**Visibility.** Unlike many other kinds of businesses, a successful coin laundry cannot be tucked into an out-of-the-way location. It must be visible enough to advertise itself.

**Security.** Customers feel most secure in a facility that is located in an area that is brightly lit, busy and away from less savory businesses such as bars and pool halls.

**Proximity.** A coin laundry will garner more business when it is conveniently located near other businesses frequented by the targeted laundry customers.

For all the above reasons and more, selecting the proper site for a new laundry is the single most critical decision an operator will make. Consequently, operators must use every tool at their disposal in selecting a site for a laundry. A demographic analysis an indispensable part of that toolkit.

## 2 Demographic analyses

*How can a demographic analysis contribute to the process of site selection?*

Whether relying on years of business experience, or simply common sense, most coin laundry owners know that their facilities need be located at or near the geographical center of the targeted customer base.

Demographics are statistics that quantify certain characteristics of a given population. A demographic analysis can serve as a key tool for assessing whether or not the composition of a targeted demographic area contains the right combination of characteristics—the right mix of age, income, household size, number of renters, and so on—to potentially support a new coin laundry.

When someone—whether a seasoned coin laundry owner looking to expand or a novice trying to enter the business—is tempted to go with a gut feeling in selecting a site, a demographic analysis also can be an important tool in denying a site that long-term experience, or lack of it, might indicate is a prime location for a coin laundry.

While no one should rely on demographic factors alone for site selection, most experts would agree that a demographic analysis is an indispensable tool in starting the decision-making process.

Moreover, demographic analyses are considered part of the due diligence process in starting up many new businesses, and lenders often will require them before they grant financing.

*What are some other ways a coin laundry operator can use demographic analyses?*

In addition to aiding in site selection, those seeking to enter a given market can mine the information in a demographic analysis to create a portrait of the market that also will inform a range of other decisions once a site has been selected. Together with other factors, the statistics contained in a demographic analysis can help owners:

**ASSESS THE SIZE OF THE LOCAL LAUNDRY MARKET.** Using demographic statistics, as well as other research, to key in on the size of the market in the targeted site will help an owner determine the size of the facility needed to serve it—a 1,000-square-foot store versus a 5,000-square-foot one, for example.

**ESTIMATE FUTURE GROWTH POTENTIAL OF BOTH NEW AND EXISTING LAUNDRIES.** Many demographic analyses examine changes over previous tracks of time, as well as incorporate other information, to test out statistical trends and create demographic forecasts. By examining predicted growth of key demographic slices—age, income, and other characteristics that define prime coin laundry users—owners about to build a new store or enter a 20-year lease on an existing one can move forward with a greater degree of confidence.

**DETERMINE PROPER MACHINE SIZE AND EQUIPMENT MIX.** Various characteristics, including age, income, household size, ethnicity, number of children, can help an owner determine the size and mix of a laundry's equipment. A population high in seniors, for example, may require more smaller machines and top-loaders. A customer base with a denser population, more children, lower-income working households and a high Hispanic population may require more large machines. A laundry that would attract both groups may require some of each.

**SHAPE SUCCESSFUL MARKETING STRATEGIES.** The demographic makeup of the population around the target site also can inform marketing efforts, both inside and outside the store. A high Hispanic population

obviously would suggest bilingual instructions inside the store, and perhaps a Spanish-speaking attendant. A population of young adults might indicate the need for a web presence and media targeted to younger audiences.

**DECIDE WHETHER TO BUILD OR BUY.** By leveraging the information in a demographic study to determine the total market potential of a given area, a prospective owner then can begin to calculate how much of that market potential he or she would need to capture to operate a successful laundry. In an area with existing laundries, combining this information with other research enables one to calculate how much of the market has already been captured by existing laundries. After that has been done, one can then determine whether there is enough untapped potential to make it worthwhile to build a new laundry, or whether it makes more sense to try to buy an existing facility.

In summary, a demographic analysis is a useful tool for understanding the details of a target market. It provides an empirical component to the site selection process, thereby reducing the need to rely on hunches and guesses. When combined with on-the-ground research, it helps provide a more complete picture of an area's market potential.

The key, of course, is to know how to interpret the information contained in a demographic analysis and to use that information cautiously. After all, statistics are only numbers—and anyone can come up with numbers.

What is critical is to gather enough other information to understand what the numbers mean.

### 3 Demographic reports

*What is a demographic report? Where does the information come from?*

The basic data for most demographic reports is pulled from the results of the decennial U.S. Census performed at the beginning of every decade. The most recent census was performed in 2010.

The census collects information on population by age, gender, ethnicity and race, and housing status. Demographic reports also may include updated data the Census Bureau collects through its ongoing American Community Survey, which samples a small percentage of the U.S. population every year.

The ACS collects the same sort of data contained in the regular census, as well as detailed data not collected through the regular census 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.

Some demographic reports also may contain additional statistics collected from other sources pertaining to crime, weather, geographic changes and other characteristics.

These data sets together provide demographics companies with very detailed information on the population

within a selected trading area. Using this data, a demographics firm can create a report specific to a location based on the pertinent statistics needed to assess the viability of that location for a particular business model—in this case a coin laundry. By identifying trends indicated by current and past data, a demographics company also is able to create estimates for future years.

Ordering a basic demographic report is easy. One needs to provide only two bits of information—an address and the desired radius or radii surrounding that address.

But once that is done, the easy part is over.

*Are all demographic reports created equal?*

Demographic reports can differ in a number of ways, depending on the user's needs and the provider who furnishes it.

**SIZE.** While demographic reports may draw on the same general sources, reports range from very concise studies—several pages of key statistics—to very extensive ones running many pages. A report may have 40 variables, 300 variables, or even 1,000. In general, for coin laundry site selection, a more concise report that contains the basic key statistics serves most needs.

**CURRENT DATA.** A report that incorporates the latest updated data will be more valid and useful than one that does not. While the starting point in the creation of a demographic report is the decennial census, most other variables come from the ACS. Five years after the decennial census, ACS data is considered a reasonable substitute for the decennial census data.

**THE RIGHT DATA.** Unless an individual has a particular need or desire to obtain an extremely detailed demographic report with many variables, or one that drills down deeper into certain characteristics, a more limited report that focuses on basic characteristics of a population generally will contain the key demographic data that is most useful to the site selection process. It would include:

**Population.** By year, ethnicity, race, gender and age.

**Households.** By year, income, size and family type (including details such as head of household, and age of children).

**Employment.** Civilian and military, by gender; unemployed, by gender; not in the labor force, by gender.

**Housing.** Attached and detached structures, as well as trailers. Number of housing units in structure, year of construction, rents, and number of owners versus renters.

**Forecasts.** Percentage forecasts of population and household growth, typically five years ahead.

It should be clear by now that all demographic reports are not created equal. In obtaining one, it is important to make sure that the report stresses the kind of information that is most important to site selection—including, at minimum, information in the five areas listed above.



It also is important to inquire to make certain that the report does not use old data, but draws on the latest updated statistics.

One should always obtain a report from a reputable source that specializes in assembling the latest available demographic data from reliable sources. Relying on a demographic report furnished by a real estate firm, leasing company or business broker looking for a one-time sale or transaction may not be the best approach.

The various firms that supply these reports also may have slightly different expertise. Some experts advise obtaining demographic studies from several providers and comparing them for differences or discrepancies.

## 4 Trading radius

### *How does one determine the size (i.e. radius) of a laundry's trading area?*

Most people who order a demographic report have a specific potential site in mind for a laundry, or at least a several-block area in which they wish to establish one.

With a specific address serving as the center point, a demographic report provides a set of demographic statistics for a potential trading area defined by one or more gradually larger concentric circles—generally three of them—surrounding that center point.

When ordering a report, one specifies the size of the proposed trading area so that the data can be organized to reflect statistics on the population that lives within a specific distance from the address. A report based on a one-mile radius, for example, would retrieve demographic information on the population within a circle two miles across, with the target address at the center.

A report generally also will contain data on the total areas defined by two progressively larger circles drawn surrounding the first. Depending on individual requirements, the radii that define those circles may reach out one, two and three miles; one, three and five miles; or some different combination.

When requesting a demographic report, population density is generally the main factor in determining the size, or radius, of a laundry's potential trading area.

Using population density as the determinant, typical reports might organize data as follows:

*Urban:* One mile or less

*Suburban:* One, three and five miles

*Rural:* Three, five and 10 miles

**KNOWING THE AREA.** Having some hands-on familiarity with the targeted area will help in deciding the size of the trading area a demographic report should study.

For example:

If a proposed site is in a *very dense urban area*, there is no off street parking, and businesses rely mostly on foot traffic, there generally would be less need for information beyond a quarter mile of the site. At the same time, a half-mile radius might be a typical minimum for which many demographic companies would offer data.

For a site in a *close-in suburb* with off-street parking, one might request demographic statistics for one, two and three miles.

If a *suburban site is located near a busy big-box store* that draws business from miles out in to the surrounding area, one might want to retrieve demographic data for areas beyond five miles.

And in a *rural area* where the prospective customer base is used to driving longer distances for goods and services, one might order demographic information based on radii of three, five, 10 miles and perhaps even more.

## 5 Formulas and assumptions

*How does one take raw demographic data and turn it into useful analysis?*

When using a demographic analysis to generate an estimate of potential sales volume for a given area, it is important to keep in mind that the starting point is raw data—with the emphasis on raw. A number is only that.

Moreover, while estimates extrapolated from demographic data are valuable and useful to the site selection process, one must be aware that there are various methods of crunching the numbers to generate those estimates—and none of those methods is perfect.

While there are a number of rule-of-thumb formulas that are used to create these estimates, knowing how to tweak a formula so that it makes sense for a specific site, and then using the formula to arrive at a final estimate, is more art than science.

No matter the method, the key to using demographic data is to take a set of numbers and make it into something useful, usually by combining that data with on-the-ground research.

For example, an individual who has obtained demographic data for a one-mile radius surrounding a potential site might be able to make the following calculation:

*If there are 5,000 apartments within the one-mile radius, and 20 percent of them are regular coin laundry users, that equals 1,000 households. If each of those households spends an average \$10 per week on laundry, that's \$10,000 per week. Over 52 weeks, the potential sales volume in that area comes to \$520,000.*

Of course, it's not anywhere near that simple. There are many questions to be answered...

...some by filtering the result through other demographic data, such as

*Are the renters in the target income bracket?*

*Is one mile the appropriate market radius for this site?*

...and some through in-person market research, such as:

*Do any of the apartments have their own laundry facilities, either in-building or in-unit?*

*Are there competitors in that market who already control a share of that \$520,000?*

*How much of it? How much is left?*

Those are only a few of the factors that need to be considered to create a meaningful estimate.

So the question becomes: Where to start?

Often the answer is: With the distributor.

Reputable distributors are in it for the long haul. They are good at coaching or providing a location to a potential investor, as well as advising established operators on locations those operators may have chosen using "soft analysis" involving qualitative, rather than quantitative factors, i.e., a gut feeling about a site.

Moreover, because they operate in large territories over long periods of time, distributors will have a better feel for which areas are good coin laundry markets and which are not. And when using a demographic report to calculate an estimate of potential sales, they will know which additional factors to take into account for a specific site or area to arrive at a more accurate estimate.

*So what are some of the accepted formulas for turning demographic data into a useful analysis? What are the assumptions made in such formulas, and how does one arrive at a proper estimate?*

Nearly all industry experts agree: There is no **definitive** empirical formula for calculating that a given area will generate X amount of revenues. Moreover, a potential market may be smaller than certain raw statistics alone might indicate at first glance.

However, that fact does not minimize the usefulness of demographic analysis for providing estimates of market potential as part of the overall site selection process.

Here are some of the rule-of-thumb formulas for using statistics from a demographic report to estimate the potential revenue within a given radius:

**Method 1:**

One-third of all renter households + half of all households with income under \$25,000 = *number of core coin laundry customers*

Number of core coin laundry customers x \$10.70 per week (the CLA average) = *Potential Weekly Revenue*  
(to be shared by all coin laundries within that trading area)

**Method 2:**

This method makes greater acknowledgement of the fact that renter populations are not created equal—e.g., some renters in newer housing may have better access to in-unit or in-building facilities. The percentage of total renter households in this formula depends on the age of housing, number of units in multi-family housing structures and other factors. Negative factors could lower the percentage to about 30 percent, whereas positive factors could raise it as high as 50 percent.

30 percent to 50 percent of the total renter households + 5 percent of non-renter population (who will do large items such as rugs and comforters) = *number of core coin laundry customers*

Number of core coin laundry customers x \$11 to \$14 per week (again, depending on other factors) = *Potential Weekly Revenue* (to be shared by all coin laundries within that trading area)

**Method 3:**

(25 percent to 40 percent of renter households [again depending on certain factors] + 100 percent of trailers + 50 percent of condos) x 30 percent = *estimated number of core coin laundry customers*

Number of core coin laundry customers x \$12 per week = *Potential Weekly Revenue* (to be shared by all coin laundries within that trading area)

**Method 4:**

30 percent of renter-occupied housing + 50 percent of owner-occupied housing with annual income less than \$25,000 + 5 percent of all owner-occupied housing = *estimated number of core coin laundry customers*

Number of core coin laundry customers x \$10 to \$12 per week = *Potential Weekly Revenue* (to be shared by all coin laundries within that trading area)

Once one comes up with the estimate, that number can be used—alongside one's separately calculated estimate of the amount of revenue that would be required to support a laundry in this location—to assess the viability of the site.

Looking over these formulas, it quickly becomes apparent that each one is less of a hard-and-fast formula than a general template for a formula that can be massaged and tweaked to accommodate the unique attributes of a given prospective site.

Knowing how to adjust the formulas may depend on certain statistics pulled from the report and/or in-person research gleaned through visits to the trading area.

Because a coin laundry typically will capture fewer renters in a newer community, many of tweaks to the formulas relate to *when the renter housing in the target area was built*. As a general rule, the older the renter-occupied housing, the less access renters have to decent laundry facilities. An underserved trading area full of pre-1970, low-rise apartment buildings with a few machines in the basement will be a riper prospect for a new coin laundry than an area full of newer high rises that offer residents access to brightly lit, centrally located laundries.

At the same time, on-the-ground research will reveal other details such as whether laundry facilities have been added to or updated in any of the older renter housing. On-site visits also will provide clues to who lives where within a given trading area. Canvassing an area includes collecting simple observations as well—things such as clotheslines, dryer stacks on buildings and toys on sidewalks indicating families. Closer investigation may reveal the actual “sweet spot” within the radius in fact may be on the very edge of the demographic area.

## 6 Key demographic factors

*What are the most important demographic characteristics to look for in picking the right location for a coin laundry?*

While individual operators use demographic reports to help make site decisions, it is coin laundry equipment distributors who tend to make the most frequent use of the reports on a regular basis, and who generally have the greatest opportunity to observe over time which characteristics prove the most valuable to making good site selection decisions. Consequently, distributors may have the best store of experience when judging the importance of various demographic characteristics.

There is very little disagreement among various distributors across the country on what those five or six characteristics are generally, although they may differ on which one or two characteristics take primacy over the others.

*Distributor 1.* Size of population, number of apartments, household income levels, number of children, Hispanic population.

*Distributor 2.* Housing considerations are foremost. Consequently, the most important information is data related to the number of renters, condos and trailers. Ethnicity—Hispanic population—would be next.

*Distributor 3.* The number of renting households is the primary consideration, followed by population density. Less emphasis on ethnicity, which is more of a secondary subset of data; an area may be 100 percent Hispanic, but none of them rent.

*Distributor 4.* The primary data needed is population, owner-occupied units, renter-occupied units, and income levels.

The differences in the points of view outlined above—solicited from industry experts—serve as a reminder that the site selection is a fluid process that may involve a variety of approaches, all of which may well work—but some of which may work better when used within a particular geographic region or, variously, for a site that may be primarily urban, suburban, rural or some combination.

Consequently, the “right” approach for one site may differ from the right approach for another, depending, for example, on whether the targeted trading area is a densely populated urban neighborhood in a city with many Hispanic residents, or a more rural or suburban edge area where the number of trailers is a prime consideration.

## 7 Limitations

### *What can't the demographic numbers tell you about the viability of a particular site?*

A prospective investor typically uses the statistics contained in a demographic report to help validate the potential of a tentative choice for a site, and to affirm or deny the selection of a specific building, block or neighborhood.

Positive demographic data concerning an area's population density, renter households, income levels and more may in fact bolster the case for building a new laundry in a specific site.

But a prospective owner must be wary of being swayed by numbers alone. One must continue to question and look past those numbers by asking: "What are these numbers *not* telling me?"

The answer is: A lot.

For example:

- Is the population *seasonal or transient*? The target area may have the requisite lower-income renter population, but that population may depend heavily on seasonal work in construction or agriculture,
- Is any of the population "*off the grid*?" Some proportion of a heavily immigrant population may be undocumented and not reflected in census numbers.
- Are there *physical aspects* of the location that may detract from success? Statistics that indicate a prime location at a specific address will not reveal shortcomings such as lack of street visibility, little or no off-street parking, or nearness to a strip club or bar. Is off-street parking metered rather than free?
- What are the *costs*? Leases in the area may be prohibitive. Utilities costs and impact fees may be too high to operate a profitable laundry.
- Are *utilities* available? A rural area may have all the demographic characteristics to indicate it will support new coin laundry, but if the prospective site relies on a septic system, it will not accommodate one.
- Is there too much *competition*? Are there existing stores in an area? If so, have they already captured the market? Are they too new and well-operated to compete against? Are new stores being planned in the area? What are the vend prices at competing laundries?
- What volume of *traffic* flows past the location? Are traffic patterns conducive to getting into and out of the proposed laundry site easily? Would customers need to make a "dare-devil" turn across traffic to enter?
- Is the area in *transition*? Is there extensive nearby construction planned that will have a short- or long-term impact on the store? Are there plans for civic construction projects? New highways that will re-route traffic?
- Are there *rules and regulations* that would be detrimental to a laundry? Are there signage regulations? Water or energy use restrictions? Local construction or design requirements?

As has been noted, demographic analysis is only one of many research tools used to successfully select a coin laundry site. While one can use demographic numbers to define certain minimum thresholds that must be met or surpassed to ensure success, one also must keep those numbers in perspective and not let them overshadow other facts and characteristics that are revealed only through comprehensive investigation and research.

## 8 Existing laundries

### *What is the value of running a demographic analysis for an existing Laundromat location?*

While there are clear and well-established reasons for studying the demographic characteristics of an area when selecting the site for a new coin laundry, studying demographics of the customer base of an existing laundry can prove useful as well.

Some of the reasons an owner may wish to conduct a demographic analysis for an existing laundry location include:

**REALITY CHECK.** Because owners operate according to an established, long-term routine, many may be “in their own world” and not notice subtle changes in a neighborhood that could be affecting the facility’s bottom line. By obtaining a demographic report, an operator may be able to discover a significant change in a neighborhood, such as an aging of the overall population, that could dictate an adjustment of the mix of machines and services the facility should provide. Or to put it another way, an owner who says: “I don’t need small machines because I only get low-income construction workers,” may be ignoring a burgeoning population of retirees, and be getting only construction workers because all he has are large machines.

**NEW LEASE.** An owner who is about to enter a new long-term lease may find it useful to validate the move by examining demographics. By studying statistics related to key parts of the facility’s customer base, one might look for trends that indicate a stable or growing customer base. Conversely, an owner might find that demographics indicate that the neighborhood that the laundry was built to serve appears to be slowly “moving away” and over time may no longer be sufficient to support the facility.

**INVESTMENT.** An owner who plans to buy a lot of new equipment or invest in other major changes to a laundry may want to examine a site’s demographic characteristics to make certain those statistics support his or her gut feeling that the laundry requires more large or small machines.

**BASELINE.** A demographic report is a snapshot of an area at a specific time. Comparing demographic reports at regular multi-year intervals could help an owner see how fluctuations in the laundry’s revenues and sales volume over time correlated to changes in a neighborhood’s demographic makeup. Comparing a report that was run when a facility opened its doors to one run after 10 years of operation could lead to a change in how an owner approaches the business. For example, an owner who discovers a significant increase in low-income

Hispanic population that currently is not being captured by the laundry may decide to change how and where he reaches out to potential customers through signage, advertising and marketing.

**REACH.** If an operator of a suburban or rural laundry that depends on drawing in customers from a larger radius finds through other customer research that a laundry is not capturing business from certain areas, he may wish to do more focused demographic studies of those nearby areas to see if statistics can provide clues as to the cause.

**EXPANSION.** An owner of a lucrative laundry who wishes to build another facility in a similar market may wish to use the demographic snapshot of the successful business as “formula” for locating the new facility. An owner can never know too much about a laundry’s customer base. Studying the demographic profile of an existing laundry’s customer base can help:

- reduce customer turnover
- increase sales to existing customers
- attract new customers

And just as it does when planning a new laundry, conducting a demographic analysis can help add some empirical weight to a range of decisions owners must make throughout the life of the business.

## 9 Competition

*What factors should one consider in conducting an analysis of competing Laundromats and apartment laundries?*

As noted above, the statistics in a demographic report can aid in creating an estimate of the amount of potential coin laundry business that exists within a specific trading area.

However, if another laundry or laundries already serve the area, a prospective new market entrant also must assess the quantity and quality of that existing competition in order to estimate the amount of business he or she may be capable of capturing with a new facility.

Once a potential investor has used demographic statistics to work up an estimate of the total potential business within an area, he or she can initiate on-the-ground research to gather:

*Quantitative data.* Like the statistics in demographic report, other data that reveals “how much” or “how many.”

*Qualitative data.* Information that reveals how “good” or “bad.”



### Quantitative review

Using demographic statistics to determine the amount of potential business in a location is only a starting point in assessing the viability of a site. The next step is to calculate and compare two other numbers: (1) the share of the total market needed to operate a successful laundry (briefly discussed earlier); and (2) the share of the market that is still available and not nailed down by competitors.

While statistics and closer research into the characteristics of the population base—when used with one of the various formulas outlined in Section 5 above—will aid in coming up with the answer to (1), the only way to determine (2) is through in-depth, in-person study of the competition.

This means getting up close and personal, and examining each source of competition in the targeted area:

**Other coin laundries.** Visiting each competing laundry is critical. How many machines do they have? How many turns per machine? Is the equipment functional?

**Apartments.** What sort of on-site laundry facilities do the units have access to? Older complexes may have one washer and dryer per 10 families, for example. Newer apartments may have in-unit washers and dryers, and should not be counted as apartments in an analysis. Visiting apartment laundry rooms where possible will aid in the assessment.

Perhaps after conducting a quantitative review of the competition in a given area, a prospective investor finds that, based on the numbers alone, there is plenty of excess market potential—enough to accommodate an additional laundry.

Whether or not that is the case, a prospective market entrant's research must also take into account the qualitative characteristics of the competition.

### Qualitative review

An investor may target a specific market based on one of two premises: that there is an *unserved* customer base in the area sufficient to support a first or additional laundry; or, that there is a *poorly served* customer base in the area that can be captured away from weak competitors.

In the case of an *unserved* customer base, there are two possible scenarios:

**Scenario 1:** There may be no competition at all. In that case, a market entrant would pay close attention to population and housing demographics, and if those statistics and other research indicate a market that is sufficient to support a laundry, create a business geared to serving the needs of that population base.

**Scenario 2:** There may be some competition, but a quantitative analysis shows that a lot of the potential market is not being served—one can add another laundry to the trading area based on the size of the market alone. In that case, after verifying that assessment with additional research, a market entrant might then want to study the qualitative characteristics of competitors to try to mimic the approach of the more successful competitors, and avoid the approach of the less successful ones.

In the case of a *poorly served* customer base, a high degree of qualitative review is essential, because in this case the strategy for entering a market is based totally or partially on head-on competition—taking business away from existing laundries. A potential market entrant must review the quality of the competition for clues to its strengths and weaknesses:

**Volume.** While the volume of business a competitor enjoys is also quantitative characteristic, it may also be an indicator of the quality of a laundry, in this case, whether it serves the needs of the population. On one hand, if a target area is home to a single laundry that is packed with customers day and night, it could be a strong indicator that there is sufficient trade to support more than one facility. On the other hand, a laundry that sits in the center of a desired population but which fails to garner a sufficient amount business could indicate either a bad coin laundry market, or a fatal flaw in some aspect of the facility.

**Machine/service mix.** Does the competitor have the optimal machine mix to serve the population? In an area where Hispanic workers are prevalent, for example, are there enough large machines? In a population heavy in seniors, are there enough small machines? Or perhaps creeping gentrification in a neighborhood has opened the door to a wash-dry-fold service that the competitor does not offer.

**Age.** How old is the equipment of the competing facility? Are washers and dryers outdated or in bad repair? Do change machines, snack dispensers and other equipment work properly?

**Equipment advantages.** Does the facility have high-extract machines and other time-saving equipment? Are the payment options sufficient and appropriate for the community? Does the competitor have new, feature-rich equipment? If so, it will be more difficult to compete with them. If not, one might enjoy a competitive advantage by entering the market with new equipment that provides more user options, a utility cost advantage, vend price flexibility and marketing capabilities.

**Pricing.** Are the prices too low or too high for the services being offered? Is the competitor equipped to offer a variety of vend price options?

**Location.** Coin laundries are long-term affairs, but neighborhoods can change. A laundry that was suitably located 20 years ago may now be in a “bad” area. Moreover, new buildings or altered traffic patterns may have made a competitor’s facility less visible or less accessible.

**Parking.** Is there sufficient off-street parking? Is parking an easy walk away? Is it well lit?

**Appearance/condition.** How well is the competitor’s site kept up? Is it clean? Do the walls need painting? Is the floor in good condition? Are machines chipped or rusting? Are there water stains or other unsightly characteristics?

**Comfort/Safety.** Are there design or workflow flaws? Is there sufficient seating? Are machines and folding tables oriented properly? How well is the laundry lit inside and out? Is there an attendant? Is the walk from car to laundry safe?

**Marketing.** How well and where does the laundry advertise? Is it successful in reaching the target customer base?

**Drawing power.** Finding out why a customer goes to a laundry—or why they don’t go—can be an eye-opener in terms of assessing a particular facility’s advantages or disadvantages. Simply asking customers why they use one specific laundry over another can generate valuable anecdotal information.

**Leases.** Knowing if a competitor owns or leases a building that houses a laundry business will provide a good insight into one of his or her major costs of operating that business. All things being equal, an operator who owns his building is likely to be in better competitive position than one who leases. If a competitor leases, one should try to find out the cost and remaining term of that lease.

**Planning.** Another factor that could change the quality, as well as the quantity, of the competition is the existence of another would-be competitor who also is planning to enter the market, or an existing competitor with plans to build an additional location. That information might be gleaned from distributors or local authorities.

### Management review

Combining the qualitative and quantitative information he or she has collected, a potential market entrant will be able to conduct a more complete competitive analysis of each competitor in a target area.

Perhaps most importantly, after reviewing all the collected information, a potential investor will be better able to assess how *well-managed* a competing laundry is. Because the fact is, a well-managed competitor will not stand by and surrender his or her customer base.

An analysis also will provide insights into the competitor's management *style*.

For example, there may be more inroads into a market if observable clues indicate that the owner of an existing competing laundry operates according to a “run them ‘til they rust” approach. In a rural market, an owner who adheres to that principle may well be very profitable. But following that approach in a more densely populated market may make that operator vulnerable to competition.

There also are differences in the competitive heft—and perhaps profitability—of competitors who operate on an investment shoestring, or who ignore the condition and appearance of a laundry, compared to those who replace and update equipment regularly, or invest in cosmetic improvements to keep a location looking presentable.

### Special considerations: Apartments

Most apartment owners are simply looking to offer a convenience to their renters rather than chase revenues or draw customers from outside their complexes. Consequently, they generally do not view their laundries in terms of competitive strengths and weaknesses.

At the same time, when analyzing a trading area, a prospective market entrant does have to put apartment laundries through the same level of scrutiny as one does competing coin laundries—by asking many of the same kinds of questions:

- Does the facility have enough machines to serve the residents?
- What is the condition of the laundry room?
- Can residents do their laundry quickly, or do they have to wait for machines?
- Is the laundry room conveniently located?
- Are machines out of order?

The bottom line in assessing all sources of competition is that decisions on whether or not to enter a market should always be based on the best available information. But the more of that information one can collect and analyze, the more grounded that final decision will be—and if one decides to enter a market, the more able one is likely to be to outperform the competition.

## 10 Non-demographic factors

*What are some other, non-demographic factors inherent to choosing a successful location?*

While this paper has touched briefly on many non-demographic factors that can affect the choice of a site for a coin laundry location, several among those would immediately rise to the top of the list as among the most critical to the decision of whether or not to select a specific site. Moreover, each of these *site-specific factors*—singly or working together—can spell success or failure for a laundry.

### **Position and orientation**

The *position* of a laundry—either in terms of its position as a stand-alone building in relation to other buildings and businesses, or its position within a larger building housing other businesses—defines a number of other critical factors outlined below. These other critical factors—most of which are intertwined, are further defined by the *orientation* of a laundry—the way the front of a laundry faces in relation to the street or main entrance to a business area, and how it is exposed to the traffic that flows or circulates past it.

Factors to study related to position and orientation include:

**Visibility.** On the most basic level, a potential customer base simply needs to know where the facility is. A good location will enable a laundry's signage to be visible to potential customers as they travel through a strip mall, past a building, or simply down the street that fronts the site. One expert estimates 40 percent of traffic will be drawn in by visibility and signage.

**Ease of ingress/egress.** The location of a laundry—either alone or in a shopping strip—defines how easy it is to enter and exit. For a driver, this means the ease of approaching from the street, parking and carrying laundry into the business. For a pedestrian, this means clear access from a walkway. For all customers, it means easy, obstacle-free, walk-in access with no steps up or down, disabled access and so on.

**Synergy.** It is an advantage to locate a laundry close to a business where members of the customer base shop on a frequent basis. For example, customers may find it convenient to use a laundry located near a grocery store during a weekly shopping trip. At the same time, customers making a trip to a laundry in a strip mall may not want to compete with grocery customers for close-in parking spaces. A good location balances being close enough to an anchor business to share in its customer base, yet far enough away to provide good, convenient parking for laundry customers toting baskets of clothes.

**Location within a structure.** This can affect several of the above aspects. For example, a laundry located at or near the inside of the "elbow" of a typical L-shaped strip mall will have less visibility from the street,

and experience more competition for close-in parking. A laundry located at either end of the L typically will have better visibility from one of the bounding streets, and offer customers a better chance of a close-in parking, which typically is less congested toward the ends of the lot, which may even wrap around the end of the structure.

### **Co-tenants, neighbors and nearby businesses**

It is important to study the businesses and neighborhoods adjacent to the potential laundry site. Locating near a grocery store, or in or near a busy local shopping center will ensure a steady flow of traffic around the location that includes both individuals and families. On the other hand, locating near a bar, tattoo parlor, “gentleman’s club” or certain other business could discourage part of the target demographic from using the laundry.

If the site is in a mall or shopping center, one should talk with other tenants to see how well the landlord cares for the building and parking area, and how quickly problems are resolved.

One also should review any available information about crime rates near the business or in adjacent neighborhoods that could discourage traffic to the site.

### **Traffic flow**

Nearby traffic flow can have a profound effect on visibility—more traffic equals more exposure to signage. There are a number of key questions to ask:

- How much traffic passes the location?
- Does one side of the street experience a greater volume of traffic flow than the other?
- What is the speed limit? Are there stop signs or lights? Customers are more likely to see signage at lower speeds, and when slowed or stopped.

### **Parking**

If “location, location, location” is a key to operating a successful laundry, “parking, parking, parking” may well be another. It is all about convenience. The fact is that no matter the location, people do not want to carry laundry very far to bring it into a laundry. A good site requires a number of parking spaces that is adequate for the size of the laundry, located adjacent to the building.

And not all parking lots are created equal. The best ones will be designed with two or more entrances and exits to prevent difficulty entering, parking or leaving the lot. Ideally, no medians should bisect the lot to interfere with traffic flow.

### **Time of day**

The character of a neighborhood and the activity within it can change according to the time of day. A street that is busy during the day can turn into a ghost town at night. A neighborhood that seems safe during the day may appear more threatening at night due to lack of traffic, unsavory groups congregating or lack of sufficient lighting.

It is important to visit a site at different times of day and night to observe changes in the traffic flow, the level of pedestrian activity and the character of the neighborhood.

### **Building limitations**

An existing building may be ideally located for a coin laundry, have good visibility and lots of parking, but be structurally and/or mechanically unsuited to a laundry.

It would be impossible, for example, to place a laundry in a space with wooden flooring. Other physical attributes of the space may interfere—it may be constructed such that there is no way to run venting or install drains.

### **Regulatory hindrances**

An “ideal” site may also be subject to restrictive covenants, local ordinances, rules or regulations that make construction of a laundry impossible or prohibitively costly. High impact fees are a common obstacle in certain areas of the country, for example.

## **11 Non-data factors**

### *What are some non-data factors that can greatly impact a laundry’s trading area and demographic analysis?*

In addition to considering the sort of site-specific, non-demographic characteristics of the location of a proposed laundry discussed above, one also must examine the larger, non-data characteristics of the *surrounding trading area* that may have a significant impact on the successful operation of a new laundry located there.

As one expert noted, it is “easy to fall in love with the perfect circles on a radius map” while losing sight of what actually exists in the mapped area. A laundry close to the north side of an expressway may have its trading radius effectively cut in half, for example, if there is no nearby road that crosses the expressway to the south side, or if those roads are constantly backed up at expressway entrance and exit ramps.

As noted throughout this paper, people are looking for convenience. They will choose businesses that provide the easiest paths to their doors; anything that hinders customers from reaching a business will discourage them from using its services.

### **Transportation**

Many of the most disruptive characteristics of a trading area have to do with transportation.

**HIGHWAYS AND STREETS.** Multilane highways and busy thoroughfares often cut through trading areas. While a transportation route may not actually prevent people from reaching a specific location, it nonetheless may represent an “informal” boundary that people do not cross if doing so is made difficult by the traffic’s *volume, direction or speed.*

**Volume.** A laundry will have less of a chance of drawing business from an area that—while it may be mere blocks away—takes 30 minutes to reach because of regular, heavy, congested traffic.

**Direction.** In denser, heavily traveled areas in particular, customers seek businesses that are close by and easy to reach. If a laundry is located on the northbound side of a main transportation artery and a southbound customer has to make a mad-dash suicide turn to reach the business, that business likely will receive fewer southbound customers.

**Speed.** Locating on a section of a high-speed road where there is a short merge area, blind turn or other dangerous ingress/egress feature can also discourage traffic to the location.

**TRAIN TRACKS.** An area that trains or trolleys frequently cross may pose delays that will prevent members of the customer base on one side from frequenting a laundry on the other.

### **Business boundary**

A population in a target area often frequents a given, well-defined area where its members do most of their shopping and seek most of their services. For most people, a typical round of shopping and errands may involve traveling a specific circuit, out of which they seldom venture.

In choosing a site for a coin laundry, one needs to make sure the business is within or close enough to that area to become part of that “circuit of convenience.”

### **Natural barriers**

A population in a target area may be separated into two or more parts by a natural barrier such as a river. In that case, the population in a one-mile radius will no longer be connected by a grid of streets and highways, but perhaps only by two bridges a half mile apart. An investor seeking to locate a laundry within this radius area may have to discount large portions of the area in calculating a potential market when rivers, bridges or canals pose obstacles.

Other natural features, such as steep hills, also can set apart one area from another in terms of where different portions of a given population go to do business.

### **Racial/Ethnic boundaries**

Other subtle boundaries that do not appear on a radius map are those that demarcate a change in ethnic or racial makeup. Depending on other factors, including the availability of goods and services, each group may prefer to do business with other members of their own group or within their own neighborhoods.

### **Socioeconomic boundaries**

In some dense urban areas, the characteristics of neighborhoods may change completely within a matter of blocks. An upscale, newly gentrified neighborhood of owner-occupied townhouses may exist two or three blocks from a complex of low-income renters—a fact that a demographic report will fail to reveal.

While all of these features can divide areas and cut off parts of a population from a proposed laundry location, other factors may also be in play that may help to overcome those obstacles.

A concentration of well-frequented discount super-stores on one side of a hard-to-cross barrier such as a river, for example, may nonetheless draw many customers from the other side if the benefits—low cost, many shopping options, etc.—outweigh any difficulties in reaching them. A laundry locating near such a popular shopping area might expect to share in its customer base, as well.

Additionally, the significance of boundaries of all kinds may recede in importance as the targeted trading area become more rural. Customers are more likely to cross boundaries when shopping in or coming in from rural areas, where goods and services are more sparsely distributed and generally less available.

## 12 Modeling

### *What is demographic modeling?*

Demographic modeling—for the purposes of site selection—is the process of using the statistics of several successful locations to create a common demographic profile.

For example, an investor can examine demographic statistics of trading areas that surround several successful existing laundries in similar neighborhoods to create a demographic model of what constitutes an “ideal” site for additional laundries.

#### **Expanding current operations**

Compared to the cost of failure, the minimal cost of obtaining and studying demographic data can be well worth the investment for an existing owner.

An operator who owns three successful, profitable laundries in a certain metro area, for example, might want to study the demographics of the populations that use those current three to find demographic commonalities among them before settling on a site for a fourth laundry.

While “gut feeling” may well suffice for that veteran operator, using demographics to tease out the commonalities among the owner’s current operations to create the “perfect” model site may help him select an excellent site as opposed to simply a good one.

#### **Entering new markets**

Prospective market entrants also can use demographics on a much broader scale to study an entire market.

For example, one could run demographic reports on five laundries that research shows are the most successful of the 30 that serve a particular city, and then use the common demographic characteristics that those laundries share to create a demographic profile of the ideal site for a new one.

#### **Caveats**

While some investors may be tempted to believe that demographic modeling is a magic bullet, they should



be aware that a demographic model—like demographics in general—may indicate one thing, but the realities surrounding specific sites that match that model may be something quite different.

The truth is that even though the demographics of several laundries may match up nicely, no two neighborhoods are exactly the same.

A demographic model, after all, comprises only a limited set of characteristics. A demographic profile is just a starting point—a tool to help locate potentially successful sites. Closer examination of the laundries used to create the model may reveal that varying, and quite different, non-demographic characteristics also contributed to the success of each one.

In fact, many experts would say that an ideal site should not match a model, but rather exceed it by a comfortable margin.

## Summary

As noted throughout this paper, one should not use demographics in a vacuum.

It can be used early in the process to deny a site, or to assign a preliminary, tentative approval in advance of gathering and analyzing other key information. But information that is revealed through demographic modeling always must be used as part of a comprehensive research effort.

This means that one must do on-the-ground research for a proposed site. One must determine the size of the laundry and the equipment it will house. One must examine costs, regulations, cash flow and other considerations. One must build a complete business case for a specific laundry. There simply is no other way to do it.

Moreover, every location is unique and likely will not measure up to every single criterion that an owner may want. Just as every site is different, no site is 100 percent “perfect.” Even when some negative factors exist in a location, a prospective market entrant should weigh all the factors and consider the proposition as a whole before making a judgment.

The bottom line is that demographics will provide answers to questions concerning a population—but it is up to the owner to provide the answers to questions concerning the business that would serve it. Use your local distributor to help analyze the details and consolidate all of the data.

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