



GE2402 English for Business Communications
2018/19 Semester A
Assignment 5

Laundry360

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1. Executive Summary

In view of the increasing market size of laundry service in Hong Kong, Laundry360 is established as a new business model that emphasizes on sustainability and efficiency. It strives to extend its care from clothes to its customers and the society. Young adults, whose lifestyle is packed and flats have limited space, are targeted. The strategy of price skimming will be adopted. Although the set-up costs are high, Laundry360 is believed to achieve break-even within a year because of its sustainable business model and the considerable growth of market size.

2. Company Overview

Founded by five university graduates in 2018, Laundry360 is a laundry of the future that provides laundry services while caring its customers and contributing to the society. It is called 360 because of its comprehensiveness; it is not only equipped with energy-efficient washers and dryers, but also a café where customers could sit down and enjoy some quality time while waiting for their laundry. Meanwhile, it fulfils its social responsibility by only brewing Fair Trade coffee and providing earth-friendly washing detergents.

Laundry360 is led by a Chief Executive Officer, who is supported by an Accounting Manager, a Maintenance Manager, a Marketing Manager and an Operations Manager. Each manager oversees a team of 2-5 staff (APPENDIX I).

3. Business Objectives

Laundry360 is committed to achieve the following goals:

- 3.1 To offer laundry services with professional cleaning solutions and safe detergents
- 3.2 To improve the quality of life of customers with technology and space
- 3.3 To fulfil social responsibility through the pursuing of sustainability by addressing environmental and equality issues

To achieve these, only laundry and café services will be provided in one district in the short-run. Upon stable financial performance, the business may expand to other districts and provide services of greater variety.

4. Business Descriptions

Laundry360 consists of two parts - a laundry and a café (APPENDIX II). Self-service will be promoted and 1-2 staff will be on duty at the back-office to handle sudden issues.

Laundry. Energy-saving washers and dryers are installed. Customers could enjoy high flexibility by choosing the mode of washing and the type of washing detergents that best suit their needs. Only e-payment is accepted and customers could pay at the Smartmeters, or on the mobile app. When the laundry is done, customers will receive notifications via SMS or the mobile app.

Café. Upon completion of transaction in the laundry, customers will receive a QR code via SMS or the mobile app automatically. With this code, they could pass the gate and enter the café, where free Wi-Fi and vending machines that sell Fair Trade coffee are available. Other facilities such as laptops and socket plugs will also be provided.

5. Market Analysis

5.1 Market Environment

The market size of laundry service in Hong Kong is considerable. According to a research conducted in the U.S., the laundry service market size will rise continuously (APPENDIX III) because of the increasing purchasing power of consumers and the convenience resulted from technological advancement (“U.S. Laundry Facilities”, 2018). As the economies of Hong Kong and the U.S. are closely related and people in both places share a hustle and bustle of lifestyle, the laundry service market in Hong Kong is predicted to grow similarly as that in U.S.

Moreover, referencing to a news by South China Morning Post, more ‘nano’ flats will be constructed because of the rise of nuclear family and the scarcity of land, resulting in a decrease in average size of living space (Cheng, 2017). To save space, people may thus choose not to buy a washer or dryer, or they may find it difficult to hang clothes at home. Therefore, the demand for laundry service is likely to increase.

5.2 Consumer Analysis

Young adults are the target customers of Laundry360. Because of the high land price in Hong Kong, most young adults could not afford a big flat. With the limited capacity at home, they may save space by not purchasing a washer. Even if they do, they may find it hard to dry clothes because of the insufficient space and the absence of a dryer. The humid weather and the hot island effect by packed buildings also make drying clothes with natural ventilation almost impossible. Therefore, doing laundry at shops has become popular nowadays. Furthermore, being new to the society, young adults often have a schedule packed with work and social activities. Therefore, to accommodate their different lifestyles, it is important that the laundry shop is open 24 hours a day and allows them to utilize their time.

5.3 Competitor Analysis

The trend of unmanned laundry store arrived in Hong Kong in 2015. Since then, the number of traditional laundries are declining. Currently, around 200 unmanned laundries, which are the major competitors of Laundry360, are present in 18 districts. They have similar pricing and provide other services such as parcel pick-up. However, all of them do not have a decent waiting area (APPENDIX IV).

5.4 Business Advantages

Time Uncertainty Eliminator. With a café just besides them, customers no longer struggle between going home and hanging around while waiting. They could sit down and make good use of their time by utilizing the resources and facilities available. Moreover, the entrance to the café is restricted and customers will find the space relaxing, and hence perceive a shorter waiting time.

Self-Service Operations. Since self-service is promoted in Laundry360, little manpower is needed. Salary expenses will therefore be lowered and customers could enjoy lower prices. Besides, opening 24 hours become possible because staff logistics arrangement becomes easier. Meanwhile, customers could enjoy higher flexibility as they could have control over their laundry by selecting the mode of washing and the type of washing detergent that best cater their needs.

Sustainable Business Model. To protect the environment, all machines provided are energy-saving models, which will also reduce the utility expenses by lowering electricity consumption in the long run. Additionally, only Fair Trade coffee will be sold in the café, which ensures that

all coffee beans used are bought from farmers at a fair price. As such, the fulfilment of corporate social responsibility could be demonstrated and more customers, who are conscious about ethical behaviors of companies, will be attracted.

6. Potential Problems and Risk Management

Since self-service operations are promoted, unauthorized access to the café may occur. CCTV will therefore be installed, so that staff-on-duty can ensure that only customers of the laundry are using the service of the café. Besides, customers may encounter difficulties when using the machines and would like to seek help. So, instruction manuals will be provided on every machine and “contact us” buttons will also be available so that customers can receive immediate assistance from our staff-on-duty when necessary. Lastly, since this business is capital-intensive, insurance and care package from vendors will be purchased to avoid the huge costs resulted from wear-and-tear of machines.

7. Marketing Strategy

Distribution of Leaflets and Coupons. Prior to the opening of Laundry360, leaflets and coupons will be distributed to the housing estates nearby to introduce the business to them.

Pricing. Since competition is keen, the strategy of price skimming will be adopted. At the introductory phase, a higher price will be set (Washing: \$25/30mins; Drying: \$32.5/30mins), but customers will enjoy discounted price with the use of coupons distributed. Later, price will be reduced to normal (Washing: \$15/30mins; Drying: \$22.5/30mins) and a membership scheme will be launched. Membership fee is free and members could collect points after every transaction, which could be redeemed for a free coffee.

8. Timeline

Laundry360 is at the stage of seeking financial support. Adequate capital is expected to be gathered by April 2019 and an appropriate location will be selected by May. Upon contract signing with the landlord, renovation and development of mobile application and computer system will be carried out. Procurement of fixed and variable assets and recruitment of staff will start in July. With sufficient manpower, promotion will begin on 1st August and the shop will be ready to operate on 8th August (APPENDIX V).

9. Financial Forecast and Projection

9.1 Expenditure Forecast

\$300,000 will be spent on renovation and purchase of furnitures. \$48,000 will be used evenly for the procurement of washers and dryers. The Smartmeters, together with the development of the computer system and the mobile application, will cost \$20,000. The two coffee vending machines will cost \$7,500 each. Other facilities such as Wi-Fi routers and laptops will cost \$20,000. The total set-up cost will be \$403,000. (APPENDIX VII)

The monthly rental expense will be \$39,000. Utility and salary expenses will cost \$10,000 and \$80,000 per month respectively. Other expenditures include \$3,500 and \$20,000 for the monthly purchase of washing materials and coffee beans respectively. The regular expenditure will therefore be \$152,500/month. (APPENDIX VIII)

9.2 Revenue Projection

The utilisation rate of the washers and the dryers is estimated to be 75%. With this assumption, \$2,160 and \$3,240 will be generated everyday from the washers and the dryers respectively, and the monthly revenue from the laundry will be \$167,400 (APPENDIX IX).

The price of the coffee is estimated to be \$35 each. Based on the assumption above, 144 customers will visit the laundry every day. It is assumed that 75% of them will visit the café and 66% of them will make purchase. The monthly revenue from café will thus be \$77,338.8 (APPENDIX X). The total revenue from Laundry 360 will be \$244,738.8/month.

9.3 Profitability

The profitability of Laundry360 could be proven by the ratio of return on asset, which is 275%. This indicates that huge return will be achieved within a year with the relatively small amount of investment. The prospect of Laundry360 could also be ensured by the 38% profit margin, which demonstrates that a net income of \$0.38 could be generated for every dollar of revenue (APPENDIX XI). Lastly, the break-even point is foreseen to appear in the 3rd month, when the total cost is \$708,000 and the total revenue is \$734,217. Starting from that day onwards, since all costs will have been covered, Laundry360 can start earning profit (APPENDIX XII).

10. References

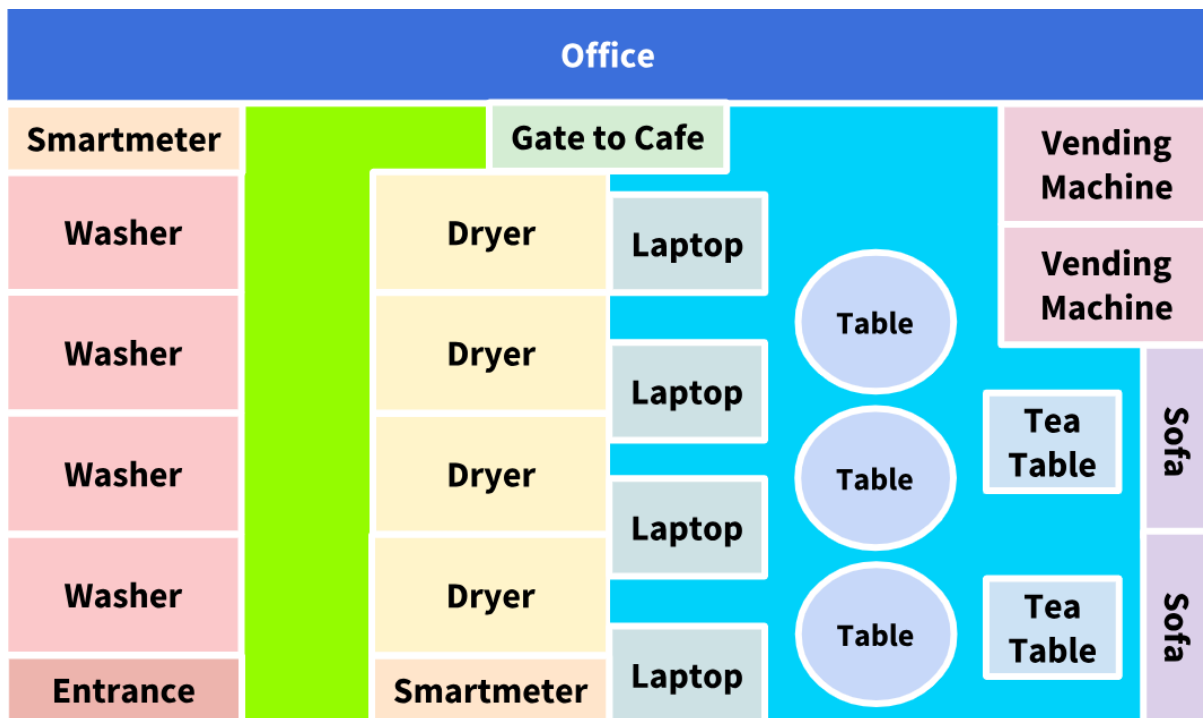
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11. Appendices

APPENDIX I - Company Structure



APPENDIX II - Floor Plan



APPENDIX III - U.S. Laundry Facilities & Dry-Cleaning Services Market Size



APPENDIX IV - Information of Existing Laundry Shops

	LaundrYup	Water Laundry	Sunshine 24
Washing Fee	\$20/40mins	\$20/30mins	\$25/25mins
Drying Fee	\$30/40mins	\$10/15mins	\$30/40mins
Other Services Available	- Locker for parcel pick-up - Claw machine	- Coin changer - Vending machine	- Locker for parcel pick-up - Charging station - Vending machine
Waiting Space	Only one bench available		

APPENDIX V - Laundry360's Timeline



APPENDIX VI - Laundry360's estimated renting place

[Shop Info](#)
[Location Map](#)
[Floor Plan](#)
[More Listings](#)
[District Info](#)

3/12

Tong Mi Road, Tai Kok Tsui

Kwong Ming Court

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 Enquiry
 Share
 Print

Like 0 Share

Shop Details

Ref#3158193

Shop Type	Street Shop
Area	Approx. 980 ft² (Gross)
Asking Price	HK\$19M (@HK\$19,388)
Asking Rent	HK\$39,000 (@HK\$40)
Frontage	Tong Mi Rd - 13 ft.

Mall/Arcade/Building Information

Type:	Residential
No. of Floor :	8
Year Completed :	1990

Transportation

- ☒ MTR : Mong Kok (Within 10 minutes walk)
- ☒ Bus
- ☒ Taxi

APPENDIX VII - Laundry360's Set-up Cost

Item	Amount (\$)
4 washing machines	24,000
4 drying machines	24,000
IT system	20,000
Electronic devices in the Café (WIFI router, laptop)	20,000
Vending machines	15,000
Renovation of the shop	300,000
Total set-up cost	\$403,000

APPENDIX VIII - Laundry360's Regular Expenditure

Item	Amount (\$/month)
Rental expense	39,000
Utility bills (water, gas, electricity)	10,000
Purchase of materials for vending machines (e.g. coffee bean)	20,000
Purchase of washing material	3,500
Salary expenses	80,000
Total regular expenditure	\$152,500/month

APPENDIX IX - Laundry360's Revenue from Laundry

Item	Amount
Utilisation rate of washers and dryers	75%
Assumption of number of customers visiting the laundry	$8 \times 24 \times 75\% = 144/\text{day}$
Revenue from washers	$4 \times 2 \times 24 \times \$15 \times 0.75 = \$2,160/\text{day}$
Daily revenue from dryers	$4 \times 2 \times 24 \times \$22.5 \times 0.75 = \$3,240/\text{day}$
Total revenue from laundry	$\\$(2,160 + 3,240) \times 31 = \\$167,400/\text{month}$

APPENDIX X - Laundry360's Revenue from Café

Item	Amount
Assumption of price of coffee	\$35
Assumption of number of customers visiting the laundry	144/day
Assumption of number of customers visiting the café	$144 \times 75\% = 108/\text{day}$
Assumption of number of customers making purchase in the café	$144 \times 75\% \times 66\% \approx 71/\text{day}$
Total revenue from cafe	$\\$35 \times 144 \times 75\% \times 66\% \times 31 = \\$77,338.8/\text{month}$

APPENDIX XI - Laundry360's Profitability (ROA and RM ratio)

Return on Asset (ROA)	Net Income (Year) / Total Assets $(((\$244,738.8 \times 12) - (\$152,500 \times 12)) / \$403,000) \times 100 \%$ $= 2.746564764 \times 100 \%$ $= 275 \%$
Profit Margin (PM)	Net Income (Year) / Revenue (Year) $(((\$244,738.8 \times 12) - (\$152,500 \times 12)) / (\$244,738.8 \times 12)) \times 100 \%$ $= 0.376886705 \times 10$ $= 38\%$

*Net income = Net sales - Fixed expense - Variable expense

APPENDIX XII - Laundry360's Profitability (break-even analysis)

Set-up cost	Monthly expense	Total Cost	Revenue
\$403,000	\$0	\$403,000	\$244,739
\$403,000	\$152,500	\$555,500	\$489,478
\$403,000	\$305,000	\$708,000	\$734,217
\$403,000	\$457,500	\$860,500	\$978,956
\$403,000	\$610,000	\$1,013,000	\$1,223,695
\$403,000	\$762,500	\$1,165,500	\$1,468,434
\$403,000	\$915,000	\$1,318,000	\$1,713,173
\$403,000	\$1,067,500	\$1,470,500	\$1,957,912
\$403,000	\$1,220,000	\$1,623,000	\$2,202,651
\$403,000	\$1,372,500	\$1,775,500	\$2,447,390
\$403,000	\$1,525,000	\$1,928,000	\$2,692,129
\$403,000	\$1,677,500	\$2,080,500	\$2,936,868

