Today, chemical companies offer a myriad of methods to sell their chemicals, each with corresponding advantages and disadvantages:

- Flat Guarantee Billing
- Guaranteed Cost Per Occupied Room (Hotel/Motel) or Occupied Bed (Nursing Home)
- Guaranteed Cost Not To Exceed
- Cost Per Load
- Buy Product Direct

Which is right for your laundry operation?
Flat Guarantee Billing

With flat guaranteed billing, the chemical company analyzes the customer's laundry operation; records the size of the washing equipment, various types of textiles by classification, and their poundage for a given period of time; and the number of loads required for each classification. The chemical company then estimates the chemical cost per load to wash each classification and gives the customer a proposal for doing the laundry for a specific amount each month that is exactly the same for the length of the agreement. No changes, no arguments.

Pros—This method can appeal to the customer due to the consistency of the monthly payment amount, which results in excellent step budgeting. Knowing how much one will be paying for chemicals each month can give the customer the peace of mind that they are not going to get hit with big bills due to inventory changes, or the volume of business.

Cons—There is a level of trust needed when information is taken during the survey analysis. And what if business in the current year is off from the year in which the data was taken? Who has control of the chemical usage, the customer or the chemical supplier? If the supplier is more interested in keeping their chemical usage down to increase profits, then what happens to the linen quality and/or life expectancy? There are a plethora of additional questions one could ask as to how this arrangement might be unfairly used by the supplier, so considerable trust is necessary for this program to work.

Guaranteed Cost Per Occupied Room (Hotel/Motel) or Occupied Bed (Nursing Home)

This is very similar to flat guaranteed billing, except the customer is billed based on the actual number of rooms or beds occupied during the previous month. The chemical company does their analysis of the laundry operation, then submits a proposal based upon a set cost for either the per-room cost or per-bed cost. At the end of each month, the customer notifies the chemical supplier of its occupancy and the supplier invoices based on that information.

Pros—This program allows the buyer to budget a specific amount for washing chemicals for a given year. The buyer doesn't pay for chemical usage until after they have used the product, and the user is typically allowed 30 days to pay that bill. This is step budgeting, and the customer doesn't have to monitor costs or the amount of chemicals a company may be using.

Cons—It is too easy to choose a chemical company that provides the lowest up-front cost. If it sounds too good, it probably is! Where are the checks and balances in this program? Again, the supplier must be given a high degree of trust. Textile replacement, utilities cost, and labor are vulnerable to this program. The buyer can't be too careful when accepting a chemical billing without knowing for certain how other associated laundry costs are affected.

Guaranteed Cost Not To Exceed

With this program, the customer purchases chemicals up front with a promise by the chemical supplier that actual cost will be less than the guaranteed cost, or the difference will be credited back to the customer. Generally, this program is a guarantee based upon a room cost or bed cost, but could be set up in other programs, such as guaranteed cost per pound of soiled linen, or even clean dried textiles by hundred weight. This method of purchasing chemicals is set in an agreement that, at some point, the customer audits the purchases against the set criteria.

Pros—This program enables the buyer to “best” the guaranteed cost while still having a ceiling cost. The buyer can see the cost of each chemical and monitor how much is being used. Some customers may be able to tell if their mix on chemicals seems correct (unlike the other programs), and in particular, if bleach is being overused in place of good wash chemistry. The budget remains consistent for the time of the agreement.

Cons—This method leaves open the question of whether or not good chemistry is being used across all laundry classifications to ensure good
quality. Are the utilities and time of cycles being considered, or is more water and time used to make up the difference to keep chemicals close to the line on the guarantee? Often, these programs have adjustment date restrictions, such as 90 days, by the supplier. Here the customer must track the inventory and rate criteria and submit a request for a refund within a certain time frame or lose the benefit if the cost is over the guarantee. Very often this program does not include spotters, stain removers, and reclaim chemicals. This program can often be confusing and frustrating for inexperienced customers as to what is covered in the guarantee and what isn’t.

**Cost Per Load**

With cost per load, the chemical company performs a study on the laundry operation and submits a proposal that averages back to a “cost per load” for the customer.

*Pros*—With this arrangement, the buyer pays only for actual chemical use. If laundry loads are down, they pay less; and if the loads are up, they pay more. Load counters are installed on the washers or are part of the chemical dispensing system. Each month, the supplier invoices the customer for the number of loads during the particular time period. The buyer only pays after they use the product and typically have 30 days to pay. There is no need for the customer to track occupied rooms or beds.

*Cons*—There is little accountability for the chemical supplier to deliver on a total laundry solution. Replacement cost of the textiles, utilities, and labor are open for abuse. Who is making sure that the washers are loaded properly? Where is the incentive to improve the efficiency of the laundry operations?

**Buy Product Direct**

Here the buyer purchases the chemical products out-right with no guarantees and no limitations. In this program, the customer holds all the cards and has total control of the laundry operation.

*Pros*—The buyer selects supplies based on what is submitted in a proposal for all costs, including hot water use, total water consumption, utilities, and washer cycle times. They can even require information be provided on the types of supplies to be used. The customer can monitor all purchases and control cost by controlling chemical usage. Experienced customers recognize that chemicals are the smallest cost in the operation of a good laundry.

*Cons*—Making a selection based upon all aspects of the laundry, or by whose chemicals are best for the customer’s use, can take far more time than simply comparing up-front price quotes. The buyer has to understand that chemicals are not created equally and that there are differences in quality and concentration from one company to the next. Generally, references and reputation are taken into consideration when buying a product outright. The customer must have a level of trust with the supplier that chemical costs are important and need to be under control, while also considering the bigger cost items, such as utilities and cycle times.

**Other Considerations**

Laundry cost factors should always be considered when selecting a chemical program, or chemical supplier. Some general cost numbers: labor cost 35-55%, linen replacement cost 10-25%, energy cost 10-20%, indirect cost 5-20%, chemicals 3-10%.

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**Paying for Chemicals: Let Me Count the Ways!**

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