Redesign or Build? Invest in Expansion?
These are the Questions...

BY SANDY SMITH

PICTURE IT: THE LAUNDRY IS busy and growth is a possibility. But the machines, workflow and employees are maxed out. Do I redesign or build new?

"It’s the age-old discussion around cost and quality," said Bob Corfield, president and CEO of Laundry Design Group. "It’s not just the quality of the linen and the work. It also is the consistency of the service delivery. It’s knowing that, if I go to the shelf, I’ve got what I need and it’s ready and prepared for me, regardless of the environment I’m working in."

Yet cost pressures can cripple any new construction project and constraints may make expanding in place a challenge. These are the sorts of challenges that design-build experts help laundries navigate all the time.

When Land is in Short Supply

Often, the facility has no available land in which to expand its current operation. That’s when a laundry has the opportunity to analyze the entire operation, said Chip Malboeuf, president of Turn-Key Engineering Services, Inc.

"Can you get more out of what you have? That is our first target for them. Once we answer that question, we can look at constraints."

As a black belt in lean manufacturing techniques, Malboeuf suggests starting with the finished product and working backwards. Lean is a systematic approach for eliminating waste in the manufacturing process.
“Our industry is famous for believing that if we have anything hanging in soil, we’re a failure,” Malbouef said. “That’s anti-lean. We start at the dock and work backwards. What are the delivery items today?” Lean principles, he says, focus on “reducing the motion and wasted movements as much as possible.”

Corfield also sees opportunity in evaluating the processes to increase productivity. He has recommended to some clients that they no longer presort, but sort in the folding stage, or that they reduce the number of presort categories. That can reduce waiting for full washing loads or lessen the waste that comes with washers that are not at full capacity.

If the staff and process are efficient, Gerard O’Neill, president and CEO of American Laundry Systems, says it may be time to take a look at the equipment. “Sometimes you can retrofit and upgrade in place,” O’Neill said. “There have been huge leaps in technology in the last five to 10 years. Anybody prior to that is operating a 1940s or 1950s washing machine. Sometimes it’s a matter of taking the old stuff out and putting the new stuff in, and you’re good for 10 years.”

Laundry leaders are busy keeping the facility running, seeking new business and managing employees. Or, they are faced with a pending contract that quickly will increase workload. That means any decision must be made quickly. This might just be the trickiest scenario today’s leaders face.
The devil is in the details; adding new equipment can edge out space for movable items like carts. But they must be incorporated into the design plan for efficiency.

Washers and dryers have dramatically improved in efficiency in the last decade. Upgrading equipment can be an easy—albeit expensive—option for expansion.
Growth Potential

The market is ripe for expansion, but laundries that want to capitalize on growth opportunities may have to make investments without firm commitments. Use this as an opportunity to plan, the experts say.

"These decisions can be emotional," Malbouef said. "Take the emotion out of it with data. Look at the volume you’re producing and project out for three to five years. The plan should anticipate what you’ll need if you grow in certain areas. A master plan may show where to add a dryer or tunnel washer. Then, it becomes plug-and-play once that potential becomes reality."

Corfield said any anticipated growth offers an opportunity to look at infrastructure. Can the local utility deliver the water, sewer and electrical/gas capacity needed for that growth? "You can add another washer, dryer or ironer when you have the infrastructure," he said.

But space to grow will be the ultimate consideration, O'Neill said. If the laundry has opted to move to a larger facility in anticipation of growth, don’t purchase the equipment until

When considering adding new equipment, make sure that it fits in with a long-range plan.

Anticipating additional work can mean adding new equipment as the contracts arrive.

Improved efficiencies in the sorting area can increase productivity, without the cost of expansion.

A detailed return on investment analysis can support the laundry leaders’ plans to expand.
the contract is signed, he said. “If you move from a 20,000-square-foot building to 40,000, take the existing equipment,” he said. “Design the space so you can plug and play. When you get 10 percent of the work you were hoping to get, you plug in a machine or two. Another six months goes by and you land more work, you add another machine. You don’t get 100 percent of the growth in one fell swoop, but before you know it, you were at the number you hoped to get to.”

**Financing Challenges**

Financing any new project is not without its issues—and weak support from decision makers can be daunting. This is where details can win the argument. Corfield said many laundry leaders are afraid to ask decision makers for a full budget, so they under budget. “Most people will say, if I need $100 million, I’ll ask for $80 million. No, you need to ask for $140.”

The risk of under budgeting, he said, is under equipping. “Then, when the project gets launched, they have more capacity than they thought and they choke.” That may lead to a knee-jerk decision. He cited one recent example of a laundry that invested $600,000 in equipment and is now closing. “They invested in the wrong areas. Getting it right is really hard.”

O’Neill sees pushback from the laundry owners who “are not there every day running the plant. They want the cheapest price.” When it comes time to pitch to those leaders, O’Neill recommends “dot your i’s and cross your t’s. Do not make a mistake.”

That means taking solid numbers, reasonable estimates and a logical return on investment. “Even if it’s not attractive, at least it’s something,” O’Neill said. “If you educate people who are making the decisions, more often than not, it will happen. In a lot of cases, owners are not aware of how bad the facility is in real terms.”

That means being upfront about the real problems—and the potential fallout if equipment fails. “Let them know that you can’t run out to The Home Depot and get a part and have the machine up and running in two hours,” O’Neill said.

“You pitch that the correct way to an owner or decision maker, more often than not, they’ll listen.”

Any discussion on finances has to account for what is a growth trend. “It’s not outsourcing versus inhouse,” Corfield said. “It’s disposable versus reusable.” While he sees some healthcare facilities opting for disposable items like isolation gowns or incontinence pads, facilities have to look at the full impact. “They do it short term because they think that it lowers their linen costs. Then they realize it’s not only the cost of purchasing the disposable item, but that item has to be treated as classified waste, which may cost 10 to 15 times more for disposal.”

Healthcare in particular is facing difficult financial pressures. “The competition for dollars is as fierce as I’ve seen it,” Corfield said. “There are significant pressures to look at the question of whether you should be in the laundry business. A laundry facility is competing with the new heart cath lab or new flooring. You have to be able to show a that whatever investment is made will have a direct impact or cost avoidance.”

Malbouef recommends a thorough return on investment analysis that ideally ties in with the master plan. “Through data, you can make much better decisions,” he said.

And while today’s decision makers likely are looking for a three-year ROI, a longer one doesn’t have to be a deal killer. Malbouef points to a recent project in which a hospital installed a brand new facility with a seven to 10-year ROI. “Presenting a more detailed ROI with net present values and cash values worked out well.”

If the decision is made to seek outside financing, understand that the rules of banking have changed since the economic downturn. “The lending parameters have definitely gotten more stringent,” O’Neill said. “Now, we’re having customers ask us to get specs for leasing companies or third-party institutions that would be interested in financing the projects or to ask the vendors to fund.”

And that creates an issue, he believes. “Previously, customers would make the decision to purchase on price, efficiencies, environmental impacts and long-term maintenance costs. Now, they’re making the decisions solely on finance. Customers are going to make the wrong decision, pick the wrong vendor, the wrong equipment. All because they can save half a percent on the finance rate.”

**Moving Quickly**

Laundry leaders are busy keeping the facility running, seeking new business and managing employees. Or, they are faced with a pending contract that quickly will increase workload. That means any decision must be made quickly. This might just the trickiest scenario today’s leaders face.

Corfield said he has seen plants that put in more productive equipment, but don’t look at their mechanical infrastructure, or those that have upgraded wash systems but not mechanical delivery systems, resulting in linen damage and lost productivity.
Despite the pitfalls, though, it can be the easiest scenario to execute, Corfield believes. “The choices are very narrow. But you have to stay focused. The mistakes that people make under pressure can take the whole plant down.”

Malbouef has seen some quick decisions that have led to long-term pain. “Sometimes they’ll do knee-jerk installations that may cripple them for the future,” Malbouef said. “It could be where you place the equipment and five years from now you can’t expand the boat area because you’ve cut it off with a washer. Or you built a small building addition to meet demand, but it wasn’t totally thought out and in a few years it is in the way of a bigger expansion. Those may not be things you run into in two or three years, but in seven years, they can create real problems.”

To avoid those costly mistakes, it may be time to bring in some help. “If it is an emergency situation, hire somebody who does this every day of the week,” O’Neill said. “We know what it costs and which vendors can get equipment to you quicker. If you do this on your own, you will mess up.”

Malbouef sees some making the mistake of opting for used equipment when attempting to expand quickly. “The danger in that, with used equipment you have to take what’s available,” he said. “I may buy a short-term fix and create a long-term problem.”

He points again to the need for a three- or five-year-plan that can help make projects—even last minute ones—much less stressful. But the key is in keeping that plan updated. “It’s a constant evolution and constant journey to make sure that I have the planning in place,” he said. “If I’m forecasting to meet benchmarking, I’d better make sure that production can meet that number.”

No matter what scenario a facility faces, a solid plan—built when not in crisis mode—can help guide decisions that allow the operation to remain in-house.

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