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lAUNDRYWALA: SCALING UP an ON-DEMAND LAUNDRY START-UP

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LaundryWala was an on-demand laundry service start-up founded by Divya Aggarwal, her cousin Chetan Malhotra, and her friend Manuj Khurana. With a small seed investment and additional funds from family and friends, the three had established the service in January 2015. Following a simple start in a small unit on the second floor of an apartment building in Noida,[[1]](#footnote-1) as of November 2017, the small venture had amassed more than 30,000 customers, composed of both individuals and businesses.

The service operator offered an end-to-end solution for daily household laundry. Aggarwal, a 33-year-old technology graduate, was the force behind the start-up idea, and she had taken significant measures to differentiate the firm from other laundry service providers. To ensure superior quality cleaning, LaundryWala procured the best-in-market washing machines and dryers and used premium cleaning solutions. Aggarwal had also developed a unique monitoring system to ensure the efficient tracking of orders. Though initially created for the individual customer, in early 2018, LaundryWala catered to both the business-to-customer (B2C) and the business-to-business (B2B) segments.

LaundryWala’s customer base was expanding, and servicing a larger base meant it would be imperative to scale up operations. The service had grown organically with a company-owned, end-to-end business model, but the question now was whether this model would be viable in the long run or whether Aggarwal would need to outsource some of her operations. She had begun with the idea of catering to individual customers, which was not easy—everyone wanted customized solutions, and this had hampered both the operational efficiency and the profitability of the firm. Aggarwal wondered whether LaundryWala should continue its individual focus or if it would be wiser to shift the focus to business consumers, who had more standard requirements. The organic business model had worked very well for LaundryWala since its establishment; however, a dynamic and volatile start-up needed to have a clearly articulated strategy. As Aggarwal attempted to look at the probable segment mix and product mix, she was no nearer to a solution that could take her dream company to the next level.

THE laundry-care MARKET IN INDIA

Out-of-home laundry service had flourished in India for centuries. The oldest reference to it was in the Hindu epic Valmiki’s “Ramayana,” where Rama exiles his wife Sita based on a public jeer by a *dhobi* (washer man by occupation).[[2]](#footnote-2) In early 2018, the laundry sector in India was dominated largely by the unorganized sector. A comprehensive analysis by KPMG in 2008 estimated the demand for dry cleaning and laundry services in India at about US$31 billion.[[3]](#footnote-3) But the services were unprofessionally managed. A report by Euromonitor International in 2015 also pointed out that the laundry sector in India was highly fragmented and that there were as many as 767,000 establishments, of which 98 per cent were “micro-sized laundries” with less than 10 employees.[[4]](#footnote-4) Whether in a large city or a smaller town, the market for out-of-home washing services in India was an important element of a city’s social infrastructure. Though consumers did not know the whereabouts of *dhobi ghats* (the washing places of washer men and women), their long-term relationship with the washer man or woman was usually based on trust. The report by KPMG stated that India had witnessed a considerable change in consumer lifestyles in the last decade and estimated that the organized laundry market’s future was extremely bright.[[5]](#footnote-5) Further, Euromonitor International’s report stated that the laundry market was likely to reach $76.5 billion by the end of 2018.[[6]](#footnote-6) Nishant Tripathi, an engineer and co-founder of [Dhobilite](https://www.dhobilite.com/) (a laundry service start-up), predicted that by 2020 more than 3 million Indian households would need laundry services on a weekly basis.[[7]](#footnote-7) This opportunity was understood and pursued by a number of international and national players. For example, Pressto, a Spanish express dry cleaning chain with a worldwide presence, had entered the Indian market in 2008.[[8]](#footnote-8) The tremendous demand for better-quality and organized services was predicted to be high enough to make space for varied players and business models.

A. Ramanathan, manager of advisory services at KPMG, further summarized the laundry market in India, stating,

There are essentially three different categories of laundry within a typical household. The first one is laundry-at-ease, which is unlikely to be outsourced (for example, inners [underclothing] and everyday wear). The next is the “painful” laundry comprising difficult-to-launder items like whites, bright colours that bleed, delicate fabrics and linen. Finally, there is the not-my-headache laundry such as silks and formal wear that will almost always go to the local dry cleaner. Hence, the opportunity [out-of-home laundry] is a combination of the latter two segments that essentially add up to more than 70 per cent of the total household washing load.[[9]](#footnote-9)

In fact, laundry was an interesting sector, as even in tough times, the laundry sector remained relatively inelastic. Deepak Chitale, general manager at Pressto, stated, “Globally, the dry cleaning and laundry industry has evolved into a much more customer friendly entity. In hard times, people may buy fewer garments but they like to keep the existing ones clean and fresh so that their usage is optimum. And, our stores in India have shown [a] positive trend even in these tough times.” Rajeev Sekhri, vice-president at White Tiger (a Noida-based laundry chain), corroborated this and observed, “Laundry is a necessary evil. During recession, consumers can stop buying clothes[,] but they would want to keep their existing garments clean. This is an industry that has been least hit by the downturn and promises a brighter future for the dry cleaning and laundry sector in India.”[[10]](#footnote-10)

Significant changes in consumption patterns and lifestyles were another factor fuelling the demand for laundry services. As a result of liberalization, the larger metropolitan cities in India like Mumbai, Delhi, Bengaluru, and Kolkata offered employment opportunities for both men and women. It was predicted that by 2030, India would constitute 28 per cent of employed individuals across the world. The workers-to-dependents ratio was also expected to rise to almost two to one. These positive trends would further lead to a burgeoning middle class, which was expected to continuously increase for the next two decades.[[11]](#footnote-11) Further, the future of the Indian economy was forecasted to be optimistic, as predicted by a United Nations report, and despite slowdown measures such as demonetization, the economy was predicted to grow by 7.7 per cent in 2017.[[12]](#footnote-12) Reasons cited for this included progressive domestic reforms such as a uniform goods and services tax and other proactive reforms such as increased improvement in infrastructure investment and private–public partnerships. A healthy economy further led to an increase in consumer confidence and positive sentiments and subsequently increased private consumption. Market pundits such as Kathleen Armstrong also predicted that as “one of the fastest-growing economies in the world and [having] a rising middle class, India holds the promise of good opportunities for laundry and dry cleaning suppliers, but the basic infrastructure still needs developing.”[[13]](#footnote-13)

Abhinav Agarwal, co-founder of Doormint (an on-demand laundry service provider), observed,

People hardly have seven–eight hours per week to manage laundry, and it has become a huge pain point. On an average, they spend about ₹2,000[[14]](#footnote-14) on washing, which included ₹500 to the maid, ₹200–300 on the detergents, [and] ₹500–700 to the dhobi for ironing. Add to that the capital depreciation of roughly ₹500 of the washing machine and the real estate depreciation, given the fact that you have a demarcated area in the house for the washing machine. And despite having a washing machine, a maid and an ironing guy at one’s disposal, people are unable to get convenience, reliability or quality. Hence it turns out to be a huge category though with a lot of inertia and requiring fundamental behaviour change across the society.”[[15]](#footnote-15)

This trend meant an additional demand of $20 million–$40 million.[[16]](#footnote-16) Aggarwal said,

“[The] majority of people coming from various parts of the country to stay in metros stay in rented accommodation. Even if I calculate good rented houses in the six top metro cities . . . Delhi, Gurgaon, Pune, Mumbai, Hyderabad, and Chennai, there is [a] market of almost $171 million in these cities, according to our analysis even if we take only good rented houses alone, which is a very small number. So the market potential is huge.”

Thus, well-earning middle class consumers were quite ready to give their dirty linens to an organized and hassle-free laundry service provider. Interestingly, Atul Maheswari, executive director of Wardrobe, an on-demand laundry service provider, shared that “homemakers today are keener to get clothes laundered by professional brands. At least 30–40 per cent of his customers are homemakers. . . . Even if she is a stay-at-home spouse, she may not supervise the washing at home. Apparently, it’s too much of a hassle, and opting for an organized laundry service center solves the problem.”[[17]](#footnote-17) Further, the consumer had a higher disposable income and splurged on high-quality branded apparel. Thus, the laundry and dry cleaning services they sought were also those that maintained state-of-the-art technology and cleaning solutions. “It’s all about your choice. If you want a coffee at Café Coffee Day or Barista, you must pay more. But you can also go to a local coffee shop where you can buy coffee even at ₹15. Laundry is also like that. It’s completely up to the customer which service they want. The pricing usually varies from fabric to fabric,” said K. Ullas Kamath, deputy managing director at Jyothy Fabricare Services.[[18]](#footnote-18) This demand for organized laundry came predominantly from the bigger metros and towns. A. Srivastava, executive director of Fabcare, shared that “around 65 per cent of demand is driven by metros and 35 per cent [is] accrued from Tier 2 cities like Chandigarh, Ludhiana, Bhopal, [and] Pune, to name a few.”[[19]](#footnote-19)

Another key consumer trend that significantly affected the growth of the organized laundry market was that a large portion of Indian consumers were quite young (the median age of three-quarters of Indians was 27).[[20]](#footnote-20) This consumer was earning a good income, was digitally savvy, and made most purchases on their smart phones. Thus, any business model that offered an on-demand solution—whether groceries (Grofers, BigBasket), food (Swiggy), or taxi cabs (Uber, Ola)—was their favoured choice. As a result, an interesting array of on-demand laundry services had mushroomed consecutively all over the country. Praveen Sinha, an investor in Wassup (an on-demand laundry service in a major Indian metro), said, “The organized segment [today] comprises 2–3 per cent of the entire laundry market. The online part will be close to 25 per cent of the organized segment, with significant growth potential.”[[21]](#footnote-21)

Though the market opportunity was extremely exciting, it did come with its own peculiar challenges. The unorganized nature of the market and the fact that there was no proven viable business model meant the entry and exit barriers were significant. The sector was seeing the emergence of a number of small start-ups. There was an estimated 100 or more start-ups in the online, on-demand laundry space, with total funding of nearly $6.2 million.[[22]](#footnote-22) This was primarily because of the current government’s drive to boost entrepreneurship. The gestation period for a start-up was broadened from five years to seven years. The government had also eased the norms for getting income tax benefits under the Startup Indiaprogram. Further, companies incorporated after March 31, 2016, could avail of a three-year tax exemption in the first seven years of their existence.[[23]](#footnote-23) In fact, laundry start-ups were emerging as a lucrative sector for angel investors as well. Nidish Patni, co-founder of Aap ka Dhobi (a laundry-service start-up), explained, “The recent investments in the laundry space shows that investors are very much aware of the potential of the industry and they believe in changing market needs. By funding these start-ups, they are playing a very crucial role in making this biggest unorganized sector into an organized one.”[[24]](#footnote-24) The government was also looking at further supporting start-up operations by providing certain tax exemptions to angel investors so that they, in turn, could have a more recovery-friendly contract with the start-up they were funding.[[25]](#footnote-25) With a number of young entrepreneurs and start-ups picking up on the opportunity, varied business models existed in the Indian laundry space (see Exhibit 1). The market had, on one end, the unorganized player—the local dhobi—and on the other end, the well-established players, who had been traditionally offering dry cleaning services. Both of these players had the advantage of a loyal customer base that trusted them and would not shift to a new service provider easily. Thus, any new players who wished to enter the market had to offer comprehensive solutions at an affordable price. A new entrant sometimes also invested heavily in advanced technology and cleaning solutions. This put considerable pressure on achieving commercial viability and building a customer base, which in turn led to a number of shutdowns and mergers.

The second issue was that laundry was not an eco-friendly activity. Most of the commercial detergents available in the market contained large amounts of phosphate. In addition to this, the surfactants in detergents were mainly composed of artificial colours. These chemicals were extremely hazardous when washed into the flow of sewage. Another problem created by laundry services was the quantity of water used for washing, which further aggravated water stress—an issue of both national and global concern. To some extent, this was addressed by fast-moving consumer goods companies introducing organic as well as natural and herb-infused detergents. There had also been innovations by way of machines and technology that used water frugally. Some laundries, for example, Laundryprime in Noida, had built a better water-recycling and waste-disposal mechanism.[[26]](#footnote-26) However, these eco-friendly options came at a considerable additional cost.

The third issue was related to the transitioning customer. Although urban Indian customers were ready to off-load their washing to the modern service provider, the service provider needed to establish clear and distinct benefits for the potential consumer. Thus, it was of utmost importance for the new laundry service provider to establish a service advantage in order to ensure repeat orders and build long-term relationships. Srinivas Rao, an independent laundry consultant, observed, “Compared to other parts of the world, when it comes to laundry, the Indian consumer is finicky. Some want their clothes folded, some do not like any creases. When it comes to starch, [people] like to issue specifications. At the end of the day, laundry is a service-oriented business where quality matters.”[[27]](#footnote-27)

LaundryWala: The Washing Experts

LaundryWala was started in Noida in 2015 by Aggarwal, Khurana, and Malhotra (see Exhibit 2).[[28]](#footnote-28) Although all of them had well-paying jobs with leading conglomerates in the National Capital Region, they were determined to set up a business of their own. The three founding members raised initial capital of $59,000 in 2014—a combination of their own savings plus funds they had raised from family and friends. Khurana, moved out of the LaundryWala team in February 2016. They used the money to buy a washing machine and dryer from Fabcare Garments & Textile Machinery Private Limited, one of the leading manufacturers of washing machines and dryers in India, and rented a space in Noida. They also created a unique mascot and logo for the firm (see Exhibit 3).

On the first day of its operations, LaundryWala distributed 200 stick-on pamphlets within a 5-to-10-kilometre radius of its unit (i.e., sector 80, where it was located, as well as sector 47, where Aggarwal resided, and sector 50, where she had relatives and acquaintances). Aggarwal also gave 200 free washes to Atrenta Limited, the company she had worked for prior to starting LaundryWala, and its employees. LaundryWala also did extensive promotions and campaigns on various social media platforms such as Facebook, on its own website, and through Google advertisements. In eight months, the firm had nearly 4,000 unique customers. Sixty per cent of these were time-pressed, working professionals (unmarried), 15–20 per cent were families, and the remaining 20–25 per cent were customers who were staying in renters’ accommodations. The service start-up was extremely active in terms of carrying out traditional promotional campaigns through leaflets and flyers. Besides this, the firm undertook a great deal of short message service and social media promotions to attract new customers and retain existing ones.

Dry Cleaning versus Laundry

LaundryWala offered a range of services—related to both laundry and dry cleaning—and presented various packages (see Exhibit 4). Aggarwal said,

In laundry, one is not overly concerned about the kind of clothes. We wash, dry, iron, and give it back to the customer. In dry cleaning, we need to check if there is any stain on the cloth, or whether it has to be treated separately. Thus to clear various stains, we have to use some other chemicals, as there are different kinds of stains. So we need a laundry expert who knows this [which chemical will be used for a particular stain] and is able to manage this. This expert is involved in both laundry and dry cleaning, and I am not paying anything extra for the dry cleaning. Since these chemicals are very cheap, we don’t even count them in the cost. Our expert knows this job. If he thinks that a cloth, even if it has come for dry cleaning, can be washed, he will wash it. Like leather jackets, you will not wash them, and in fact you can’t even dry clean them; you need to use various polishes. So let’s say if washing costs me ₹10, then dry cleaning might cost me maybe, ₹1–2 more than this. However, the dry cleaning charges are four times more than laundry.

She added,

You see, the dry cleaning customer basically pays for an intangible benefit called trust because they believe that some special garments need added care and that the dry cleaner will ensure this—and that is what they pay for. So you see, as a service provider, it will always be dry cleaning which is a more profitable opportunity than laundry, while in laundry I will always have to look for bigger volumes but lower margins.

LaundryWala Promotions

Initially, the company undertook no major promotions beyond distributing flyers. These flyers were distributed within the vicinity (5–10 kilometres) of the unit, the owner’s residence, and her previous workplace. Interestingly, Aggarwal also began by giving 10 free washes to those who were employed with her former firm. LaundryWala, like all start-ups in this space, did extensive and periodic promotions both for its dry cleaning and for its laundry services. For both services, the firm used print media in the form of pamphlets inserted into the newspaper dailies, especially during weekends. For new customers, there was a straight discount of 35–50 per cent on the first wash. Besides this, there were seasonal discounts, such as discounts during Diwali and other festivals. Aggarwal shared, “In dry cleaning, the margins are very high, so you can play with the discounts; for example, 20 per cent on a total bill [of] ₹1,000 and 30 per cent on a bill of ₹1,500.” Dry cleaning services typically peaked during October and March, when consumers were taking out their woollens. Slowly, by 2016, the proportion of customers seeking laundry services started to increase. This helped the firm’s cash flows, as laundry was a routinized and near-daily activity. Aggarwal said, “For us, the margin before giving a discount is 40 per cent. So if we give [a] 30 per cent discount, our profit margin reduces to 10 per cent only.” The firm was also exploring whether it should pursue referral points for customers who recommended the service to their friends. Besides this, the firm made considerable use of social media. The firm was on Facebook, Twitter, and Instagram, with posts varying from simple advertisements to testimonials to information about how the service provider used the latest technology to provide superior laundry care.

LaundryWala and Its Customer Segments

The service provider catered to an array of customers. It targeted the individual customer, urban working professionals, and students typically in their late 20s to late 30s. Working professionals and student renters were basically comprised of bachelors/bachelorettes, while nuclear family units were typically young working couples with small children. Single people usually opted for a monthly package, while married couples usually took single-service options. Aggarwal described the LaundryWala customer as follows: “They earn well, care about personal hygiene and appearance, but don’t really have time for chores such as laundry. Most of the customers in this category slowly become repeat customers and now constitute almost 60–70 per cent of our B2C base.”

LaundryWala also serviced the B2B customer segment and what Aggarwal classified as the business-to-business-to-customer (B2B2C) segment. Aggarwal explained the difference as follows: “Hotels, spas and salons can be B2B2C or B2B. If we are doing [washing] the uniforms of the employees, it’s B2B, but if we are washing clothes for their guests/customers then it’s B2B2C, for example, for OYO Rooms [India’s largest hospitality company].”

“There is nothing like repeat customers in B2B. It’s all contract based,” Aggarwal said. “Thus, the laundry business will continue to come to us only for the contract period. If they find anyone providing service at a cheaper rate or if they have any problem with us, they will cancel the contract depending upon the contract details.” The business LaundryWala was given from the B2B customer was usually laundry and ironing, while from the B2B2C customer it could include both laundry and ironing; sometimes customers also sought 24-hour dry cleaning service. Toni & Guy (an international chain of hairdressing salons), Radisson Hotels, Park Plaza Hotels & Resorts, OYO Rooms, and KidZania (a children’s amusement park in Noida) were regular customers of LaundryWala. Also, in 2016, LaundryWala signed a renewable one-year contract with the U.S. Embassy in New Delhi. Among this diverse group of customers, Aggarwal favoured the larger and more stable groups. She shared,

In laundry, unlike other business, it’s reverse logistics. You have to pick the stock and then you have to deliver it. But when you do bulk [B2B] business, you pick the stock in one go and you deliver it back. Thus, the client–laundry relationship in the long run is one where the orders are big and the customer is willing to pay handsomely—in case you deliver superior and quality service. Thus, the [U.S.] Embassy would any day be a preferred customer as compared to price-haggling small clients like the 2-star and 3-star hotels.

LaundryWala’s operations: LaundryWala’s objective was to provide high-quality laundry services along with customized experience and express delivery. It used the latest-technology machines and internationally standardized chemicals for quality cleaning. The cleaning agents used by LaundryWala were from Diversey Inc. and were considered to be among the world’s best cleaning products. Delicate garments were cleaned with petroleum products; no water was to be applied. Aggarwal explained,

We don’t differentiate between dry cleaning detergents and laundry detergents. Once we procure raw material we treat it as cost; it doesn’t matter whether it is used for washing or dry cleaning. Dry cleaning is expensive but for us it’s the raw material cost that is more important. We do not do differential costing for laundry and dry cleaning. We are concerned about unit-level profitability—how much each garment costs us. The raw material is the same and [the] person handling both is the same. Just spot cleaning is required for dry cleaning, which is negligible. Unit economics changes only when capacity utilization changes.

With the added feature of online ordering and free pickup and delivery within 24 hours, LaundryWala aimed to reach every household in its vicinity. Currently, LaundryWala provided washing, dry cleaning, steam ironing, and other value-added services such as darning. It had a staff of around 25 people including one operation manager (responsible for managing the factory, including procurement), one delivery manager (handling the logistics team), two to three washers, one dry cleaning expert, three to four ironing people, eight to 10 pickup boys, two managers, and two to three staff members responsible for packing. Employees largely fell between the ages of 21 and 40. Customers could place an order for a cleaning service with LaundryWala either by telephone or online, taking the following steps:

Telephone

The customer placed an order by calling the company’s customer-care number and identified the service they were seeking. The LaundryWala executive coordinated with the customer a convenient pickup time. The information was entered into the monitoring system at LaundryWala, and the pickup boy received the details on his electronic device for picking up the order. Once the slot had been booked, the pickup boy collected the order. The pickup boys had been given basic training in fabrics and treatment; hence, during the pickup they examined the items to check for any defects such as colour fading and conveyed to the customer the service alternatives. The pickup boy also gave the customer a rough estimate for the order.

Online

A new customer was directed to a registration page, where they filled in their location and contact details. This information was automatically retrieved for a returning customer during login. The customer filled in their laundry and/or dry cleaning demand and selected a convenient pickup time. In the case that the time slot was already booked, the system automatically generated other available slots. The request was immediately conveyed to the central monitoring unit, and the pickup was scheduled based on the locality and the request schedule. A rough estimate for the service was also automatically generated once the customer entered their requirement.

While pickups could be done by van or motorcycle, completed orders were always sent by van. Collected clothes were taken to the washing unit in sector 80, where they were rechecked and validated for the service sought and then tagged. In the case of an issue with the fabric or garment, or if it could be damaged during the cleaning process, the customer was informed about the defect (electronically or by telephone) and told of the alternatives available. Once the consumer gave their consent, the order log was coded and recorded, and the process began. The clothes were then processed as per the service desired—laundry, dry cleaning, or ironing. Once the process was complete, the laundry master carried out a quality check. If the service did not meet the desired standards, the entire process was repeated. Once the clothes cleared the quality check, they were packed and folded or put on hangers as per any special instructions given by the customer. The items were packed in transparent plastic marked with the LaundryWala logo. The packaged and ready orders were then delivered to the customer’s residence or workplace based on the preferred location and delivery timing. Online customers could make an online payment or pay cash on delivery. On the other hand, telephone customers paid by cash only.

Decision Dilemma: The Wash Cycle Ahead

In three months, LaundryWala would be celebrating its third anniversary. The service provider had been able to create a niche and recognition for itself. However, as Aggarwal summarized, “Laundry is a very operational kind of business, so the challenge is how you generate enough traffic to ensure capacity utilization. We have emerged as a decent company. We started with Noida [and have] now entered South Delhi, and we have acquired many customers.” She proudly added, “LaundryWala began operation in January 2015, and we have been growing at a CAGR [compound annual growth rate] of 16 per cent. When we began in January 2015, during [the] first month we had 21 orders in a day, and today in November 2017, we process 1,700 orders per day.”

The first round of funding had got the small firm thus far, but now to scale up, Aggarwal knew she needed a clear and well-planned strategy. Aggarwal explained,

On-demand laundry is a very easy-come, easy-go business. Every day there is a new competitor and an old one has collapsed. With very little differentiation in the offering, one has to constantly look at ways to stand out, offer something unique. There are lots of inventions in this particular segment. In fact, many improvised machines have also come, so we have to spend a lot on that. Burning cash and arranging funds for expansion (if funds are there, we can hire [the] best people for operations) are the main challenges faced by us.

Aggarwal was a firm believer in a bootstrapping business philosophy. She believed that if one wanted to ensure and deliver the best quality of service and manage operations efficiently, it was critical to have sound control over the service operations—and this is what LaundryWala had achieved so far. Aggarwal now wondered, should she continue with her existing model? Would a simple replication of the model work as she opened units in different localities in Noida, Delhi, and other parts of the National Capital Region? Or would it be better to look for some kind of collaboration with laundries in that area? Should she instead retain her laundry and dry cleaning unit at one location and outsource the delivery operations? Her passion had always been laundry, so perhaps in other areas she could collaborate for dry cleaning and other solutions. Would these varied models reduce risk, or would they dilute the quality promise she was so proud of at LaundryWala?

Aggarwal also had to determine which category of customer to give more focus—B2C, B2B, or B2B2C. This led to a related question on the balance between laundry and dry cleaning: Which should she focus on? While one was a regular but low-margin activity (laundry and ironing), the other was a value-driven but seasonal activity (dry cleaning). She knew that LaundryWala had all the right elements to scale up and could emerge as the one-stop cleaning solution company she had envisioned it to be. Aggarwal shared, “The first thing I need to do at LaundryWala is to assess the viability of my existing laundry facility. For this, I have identified some key operating parameters and heads (see Exhibit 5). The first thing I need to assess is the unit profitability of my facility at the capacity that I am currently operating,[[29]](#footnote-29) as, unless the model is self-sustaining, scaling up may create problems. I have created a profitability assessment template (see Exhibit 6), which will give me a clearer picture and take us forward.” The question was, what was the right formula for cleaning up the competition and delivering the LaundryWala magic?

Thanks go to Divya Aggarwal, co-founder of LaundryWala, for her support in the development of the case.

Exhibit 1: Laundry Market in India—Some Key service providers

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|  | **Service Operations** | **Pricing (₹)** |
| **Dhobhi\***:  Washing and/or ironing  **Customers**: Single people, families | * Business model:family-owned—pickup, washing, ironing, drop-off * Outlet: makeshift table, no physical outlet * Service: clothing picked up and dropped off (daily/weekly) * Detergent: unbranded/less expensive brand * Equipment: by hand, locally made iron * Delivery: on foot/by bicycle | * Single garment (wash and iron): 5–15 * Home and bed linen (wash and iron): 30–50 * Woollens: 50–100 * Single garment (iron): 3–10 * Home and bed linen (iron): 10–30 * Price: depended on locality (upscale areas had higher price points); no promotions |
| **On-Demand Laundry and**  **Dry Cleaning**:  Washing; washing, ironing, dry cleaning  **Customers**: Urbanites, working professionals, couples | * Select players (NCR): domestic—Wassup (chain laundry service in most Indian metro cities), PickMyLaundry, LaundryWala, etc.; international—Pressto * Business model: company-owned (Pressto, LaundryWala); alternately, mixed models (laundry machines were self-owned/leased, and delivery and pickup were outsourced) * Outlet: no physical outlet * Service: clothing picked up and dropped off (on demand) * Detergent and cleaning agents: branded detergent and/or unbranded local options * Equipment: machine-run operations for cleaning; manual packaging * Delivery: vans/motorcycles | * International players (Pressto): similar prices to those charged by stand-alone dry cleaning shops * Regional/local: uniform/competitive\*\* * Discounts: attractive, year-round; seasonal/festival discounts and promotions * 20% revenue from dry cleaning and 80% from laundry |
| **Micro-Sized/ Stand-Alone Laundry and Dry Cleaning Shops**  Washing; washing, ironing, dry cleaning  **Customers**: Single people, families | * Business model: family-owned or multiple partners; single outlets or chains * Outlet: 11 × 11 feet to 20 × 20 feet; front desk and glass-door cupboards; shelves for keeping initial and ready stock * Service: clothing picked up and dropped off at the outlet by customers * Detergent and cleaning agents: mix of branded detergent and unbranded local options * Equipment: machine-run operations for cleaning; manual packaging * Delivery: self-owned vans/motorcycles | * Laundry charges: twice the amount dhobhis charge * Dry cleaning costs: twice the amount for on-demand laundry and dry cleaning services * Discounts: attractive seasonal/festival discounts and promotions * 80% revenue from dry cleaning and 20% from laundry |

**EXHIBIT 1 (CONTINUED)**

|  |  |  |
| --- | --- | --- |
| **Aggregators**:  Cleaning solutions (laundry, etc.)  **Customers**: Urban working singles, families | * Select players (NCR): Housejoy, Urban Clap, Zimmber, LocalOye, Taskbob, Bro4u, Timesaverz * Business model: aggregators connected all parties—customer, launderer, transporter * Outlet: no outlet * Service: on-demand/customer’s residence * Detergent and cleaning agents: customer’s own/branded * Equipment: machine-run operations | * Registration/annual service charges—these included any cleaning services provided * Revenue was generated from the service providers registered with the aggregator |
| **Laundromat**:  Wash and dry  **Customers**: Urban working singles, students | * Business model: small outlet with large machines (washing machines and dryers) * Service: self-operated (by customer); 60 minutes per load * Detergent and cleaning agents: customer’s own/branded | * The cost of using the machine for one load of wash (average 7 kilograms = 30 items of clothing) was typically ₹100 |

Note: \*Derived from the Hindi word *dhona* (to wash); \*\*Prices were similar to LaundryWala’s prices (see Exhibit 4);₹ = INR = Indian rupee; ₹1 = US$0.02 on November 30, 2017; NCR = National Capital Region.

Source: Authors’ compilation and secondary data.

Exhibit 2: interview with Divya Aggarwal

Author: Divya, tell us a little about yourself.

Divya Aggarwal (DA): I am essentially an engineering and management graduate. But at heart I am a small-town girl from Punjab. I am an avid traveller and love to explore new places. Similar is my approach to exploring new opportunities. My dream was to be an entrepreneur and have my very own start-up. However, being an entrepreneur is not easy. Every time you think of giving it up—when you are not getting funds from the investors, you are not reaching the break-even [point], you are spending your savings on making your idea work—many times you think of giving it up—when it is dull, or there are lots of problems—but if there is a passion you never give up!

Author: Divya, tell us: How did you start LaundryWala? What was the impetus?

DA: Laundry was a big hassle for me. In fact, for all of us it is a major chore. The process was extremely laborious and time consuming, and never did I get perfectly washed clothes. My earlier memories of my laundry rituals at my engineering school were similar. I remember that a *dhobi* [washer man] used to come every week, taking our clothes and delivering [them] in bags, but the quality was horrible. The problem resurfaced when I started my professional career in Noida and had to fend for myself. I had to look for different laundry places. I finally started going to a reputed but expensive dry cleaner, as I liked their quality. But picking [up] and dropping [off] was done by me, which was a big pain. So I discussed the idea [to start my own laundry service] with my boss and cousin, and finally I decided to just build one! We named the start-up LaundryWala, which is really Hinglish,\* as that is the local lingo that we use, so customers feel this is my kind of service. We also decided to keep this animated middle-aged dhobhi as our mascot. Again, you know, the dhobhi was part of our lives in childhood, so relating to the character is easier, so you [the customer] say let me try this laundry.

Author: LaundryWala does both laundry and dry cleaning. How do you assess the performance of the two services?

EXHIBIT 2 (CONTINUED)

DA: You see, basically, laundry is a repeat business while dry cleaning is not. You will get regular clothes for laundry, but you will not get regular clothes for dry cleaning. In [the] dry cleaning business, you have two seasonal spikes—[one during] weather season (summer to winter and winter to summer) and one during wedding season; sales multiply during these seasons. Thus, though dry cleaning is not [a] regular business, it generates more revenue than laundry because of higher pricing, while laundry is a simpler process, where the essential task is to wash and iron. The only task that is critical is to separate the whites from the non-whites. Laundry is no headache for the master [laundry master], while, in dry cleaning, he has to see everything carefully and ensure that clothes are not spoilt. One needs to understand what kind of garment a customer generally gives for dry cleaning—a garment that is delicate, sensitive, or very expensive and may need a different kind of cleaning facility, which cannot be provided at home.

Author: What do you foresee as your biggest challenge as LaundryWala moves forward?

DA: As one grows and expands, and yet wants to remain a quality-focused service, the biggest challenge is to hire a good set of employees. Other issues . . . include cash flows, the marketing agenda, [and determining] where do the profits lie [and] what kind of customers do you intend to get. There are many options available, but they are quite expensive. So at the starting stage, we need to figure out what is the best marketing strategy that suits your budget as well as how it fits into your vision. Also, honestly, I am in this business to make money. Everyone wants to make money. I have some dreams [and] aspirations, but I don’t see myself doing laundry forever. But obviously I have started this so I will give my heart, my time, and everything that I can give to this for the next couple of years. As we grow we will need massive funding, so we must get this right. I also have other ideas and [am] working on a couple of them. Once you start and run a business successfully then there is no turning back—you want to explore more. Yes, the future looks really exciting.

Note: \*Hinglish = a local dialect that mixes Hindi and English words (more popular in Northern India).

Source: This section and all excerpts from Ms Divya Agarwal, co-owner of LaundryWala, are from the authors' interviews with her at her residence on May 26, 2017 and April 12, 2018.

Exhibit 3: LaundryWala Logo, Mascot, and Home page

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Source: Company documents.

Exhibit 4: LaundryWala services, prices, and packages (individual customers)

**Service & Pricing (₹)—Laundry & Packages**

|  |  |  |  |
| --- | --- | --- | --- |
| **Type** | **Type of Garment** | **Wash & Iron** | **Pickup & Delivery** |
| **Individual garments** | Menswear | 25–120 (woollens) | On order  On order  On order  On order |
| Womenswear | 25–160 (embroidered saree) |
| Household | 25–300 (blanket/quilt) |
| Children’s wear | 25 |
| **Packages**  One-time  Single (monthly)  Couple (monthly)  Family (monthly) | Per load  Any mix  Any mix  Any mix | 79/kilogram\*  999/50 items  1,899/110 items  2,399/150 items | On order  On order  Biweekly  Biweekly  Biweekly |

**Service & Pricing (₹)—Dry Cleaning**

|  |  |  |  |
| --- | --- | --- | --- |
| **Type** | **Type of Garment** | **Price/Garment** | **Pickup & Delivery** |
| Individual garments | Menswear | 60 (shorts) to 800 (bridal dress) | On order  On order  On order  On order |
| Womenswear | 60 (shorts) to 350 (overcoat) |
| Household | 40 (face towel) to 400 (quilt) |
| Children’s wear | 80/item |

Note: \*Option of wash & fold also available at ₹59/kilogram; ₹ = INR = Indian rupee; ₹1 = US$0.02 on November 30, 2017.

Source: Created by the authors based on company documents.

Exhibit 5: LaundryWala operating details

|  |  |  |
| --- | --- | --- |
| **Details** | **Laundry** | **Dry Cleaning** |
| **Operations** | 25 days/month  1 shift/day  1 shift = 7 hours/day  Garment load = 3 items of clothing/kg  Installed capacity = 30 kg/run  Run = 20 minutes  Average pickup = 8 | 25 days/month  1 shift/day  1 shift = 7 hours/day  Garment load = 2 items of clothing/kg  Installed capacity = 15 kg/run  1 run = 15 minutes  Average pickup = 3 |
| **Detergents** | Liquid emulsifier concentrate = ₹219/litre  Consumption = 0.020 litre/run  Fabric washing powder = ₹108/kg  Consumption = 0.050kg/run  Fabric softener = ₹196/litre  Consumption = 0.020 litre/run | Mineral turpentine oil = ₹70/litre  Consumption = 2 litre/run  Fragrance spray = ₹219/litre  Consumption = 0.001 litre/run |
| **Tagging & Packaging** | Ribbon tag = ₹0.05  Tafta tag = ₹0.01  Packaging = ₹10/order | Ribbon tag = ₹0.05  Tafta tag = ₹0.01  Packaging = ₹20/order |

**EXHIBIT 5 (CONTINUED)**

|  |  |
| --- | --- |
| **Equipment &**  **Fuel Cost** | Diesel boiler (load: 0.5 kWh)  Washer extractor (load: 5.25 kW/hour)  Dry cleaning machine (load: 5.25 kW/hour)  Boiler steam (load: 12 kW/hour)  Iron (load: 1.5 kW/hour)  Tumbler (load: 1.5 kW/hour)  Compressor (load: 2.0 kW/hour)  Others (load: 5.0 kW/hour)  Diesel consumption (3.0 litre/hour)  Diesel cost = ₹50/litre  Electricity cost = ₹7/unit |
| **Transportation & Costs** | Delivery (van) = ₹33,000/month (fixed)  Delivery (motorcycle) = ₹14,000/month (fixed)\*\*  1 shift (delivery) = 10 hours/day  1 trip (van) = 75 km (5 hours)  1 trip (bike) = 20 km (2.5 hours)  1 trip (van/bike) = 5 orders/trip (pickup)  1 trip (van) = 20 orders/trip (drop-off) |
| **Administrative & Miscellaneous** | Laundry/dry cleaning expert = ₹13,000/month (salary)  Press worker = ₹13,000/month (salary)  Packaging helper = ₹8,000/month (salary)  Operations managers = ₹25,000/month (salary)  Car helper = ₹11,000/month (salary)  Maintenance cost = ₹10,000/month (100% capacity)  Rental cost = ₹36,000/month  Miscellaneous = ₹25,000/month |

Note: \*\*Bike driver bonus of ₹25/pickup;₹ = INR = Indian rupee; US$1 = ₹64.4243 on November 30, 2017; kg = kilograms; kWh = kilowatt hour.

Source: Created by the authors with input from company sources.

Exhibit 6: Unit economics Template for LaundryWala (in ₹), monthly

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current Capacity** | **Benchmarked\*** | |
| **Operational Capacity: Laundry & Dry Cleaning**  **Laundry**   * Monthly installed capacity in kg/hour * Runs/hour for laundry * Monthly installed capacity (number of clothing items)   **Dry Cleaning**   * Monthly installed capacity in kg/hour * Runs/hour for dry cleaning * Monthly installed capacity (number of clothing items)   **Pickup Statistics: Laundry & Dry Cleaning**   * Laundry (number of pickup orders) * Dry cleaning (number of pickup orders) |  | |  |

**EXHIBIT 6 (CONTINUED)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sales** |  | |  | |
| **Cost of Goods Sold** |  | |  | |
| **Raw Material (Laundry)**   * Liquid emulsifier concentrate * Fabric washing powder * Fabric softener   **Raw Material Laundry (Total)**  **Raw Material (Dry Cleaning)**   * Mineral turpentine oil * Fragrance spray   **Raw Material Dry Cleaning (Total)**  **Total Raw Material Cost** | **Cost/Run** | **Total Cost** | **Cost/Run** | **Total Cost** |
| **Tagging**   * Laundry * Dry cleaning   **Total Tagging Cost** |  | |  | |
| **Packaging**   * Laundry * Dry cleaning   **Total Packaging Cost** |  | |  | |
| **Direct Wages**   * Expert * Press worker * Helpers (packaging)   **Total Wages Cost** | **Number** | **Cost** | **Number** | **Cost** |
| **Electricity Consumption**  **Electricity Cost**   * Diesel boiler * Washer extractor * Dry cleaning machine * Boiler (steam) * Iron * Tumbler * Compressor * Others * Diesel cost (litre/hour)   **Total Electricity Cost** |  | |  | |
| **Gross Margin** |  | |  | |
| **General & Administrative Expense** |  | |  | |
| **Logistics**   * Pickup/drop-off orders * Car trips/day * Bike trips/day   **Total Logistics Cost** |  | |  | |
| **Rentals** |  | |  | |
| **Other Operating Costs**   * Operation manager salary * Car helper salary * Water * Maintenance * Miscellaneous   **Other Operating Costs (Total)** |  | |  | |
| **Unit Profitability** |  | |  | |

Note: \*Assume the capacity utilization for laundry and dry cleaning to be 90% each.

Source: Created by the authors based on company documents.

1. Noida was a suburban township in the state of Uttar Pradesh in India. Due to its vicinity to India’s capital city, New Delhi, Noida was included in the National Capital Region. [↑](#footnote-ref-1)
2. “Valmiki Ramayana,” Valmikiramayana.net, accessed April 2, 2018, [www.valmikiramayan.net/](http://www.valmikiramayan.net/). [↑](#footnote-ref-2)
3. Purvita Chatterjee, “A Future in Dirty Linen?,” *The Hindu Business Line*, August 6, 2009, accessed April 2, 2018, www.thehindubusinessline.com/todays-paper/tp-brandline/a-future-in-dirty-linen/article1083812.ece; All dollar amounts are in U.S. dollars. [↑](#footnote-ref-3)
4. Shivani Shinde Nadhe, “Online Laundries Headed for Shake-up,” *Business Standard*, November 25, 2015, accessed April 2, 2018, [www.business-standard.com/article/companies/online-laundries-headed-for-shake-up-115112400482\_1.html](http://www.business-standard.com/article/companies/online-laundries-headed-for-shake-up-115112400482_1.html). [↑](#footnote-ref-4)
5. Chatterjee, op. cit. [↑](#footnote-ref-5)
6. Suparna Dutt D’Cunha, “India’s $76B Laundry Market and the Startup Trying to Clean Up,” *Forbes*, April 12, 2017, accessed May 2, 2018, <https://www.forbes.com/sites/suparnadutt/2017/04/12/indias-76b-laundry-market-and-the-startup-thats-tapping-into-it/#68a8c6c81f2c>. [↑](#footnote-ref-6)
7. Ibid. [↑](#footnote-ref-7)
8. Abhimany Chakravorty, “Indian Laundry Industry Still an Untapped Market,” *Economic Times*, September 13, 2009, accessed April 2, 2018, <http://economictimes.indiatimes.com/features/sunday-et/companies/indian-laundry-industry-still-an-untapped-market/articleshow/5004559.cms>. [↑](#footnote-ref-8)
9. VCCirce.com, “When Dhobi Ghat Dons the Corporate Garb,” Reuters, April 22, 2011, accessed April 2, 2018, <http://in.reuters.com/article/idINIndia-56521920110422>. [↑](#footnote-ref-9)
10. Ibid. [↑](#footnote-ref-10)
11. Ibid. [↑](#footnote-ref-11)
12. PTI, “Indian Economy Predicted to Grow by 7.7% in FY 2017: UN Report,” *Economic Times*, January 17, 2017, accessed April 2, 2018, <http://economictimes.indiatimes.com/news/economy/indicators/indias-economy-projected-to-grow-by-7-7-in-fy-2017-un-report/articleshow/56629889.cms>. [↑](#footnote-ref-12)
13. Kathleen Armstrong was a freelance journalist and editor for the cosmetics and laundry market. Her profile can be accessed at “Kathleen Armstrong,” LinkedIn, accessed April 4, 2018, <https://www.linkedin.com/in/kathleen-armstrong-5b75831b/>. [↑](#footnote-ref-13)
14. ₹ = INR = Indian rupee; ₹1 = US$0.02 on November 30, 2017. [↑](#footnote-ref-14)
15. Shweta Moudgil, “How Indian On-Demand Laundry Startups are Washing their Way to a Market Worth Millions of Dollars,” Inc42, May 16, 2013, accessed April 4, 2018, <https://inc42.com/buzz/indian-on-demand-laundry-sector/>. [↑](#footnote-ref-15)
16. Chatterjee, op. cit. [↑](#footnote-ref-16)
17. VCCirce.com, op. cit. [↑](#footnote-ref-17)
18. Ibid. [↑](#footnote-ref-18)
19. Chakravorty, op. cit. [↑](#footnote-ref-19)
20. Ibid. [↑](#footnote-ref-20)
21. Aparajita Choudhury, “Are Online Laundry Startups Spinning the Right Business Model?,” YourStory, November 30, 2015, accessed March 16, 2018, https://yourstory.com/2015/12/online-laundry-startups/. [↑](#footnote-ref-21)
22. Ibid. [↑](#footnote-ref-22)
23. “To Boost Entrepreneurship, Indian Govt Broadens Startup Definition,” *Economic Times*, May 26, 2017, accessed March 29, 2018, https://tech.economictimes.indiatimes.com/news/startups/to-boost-entrepreneurship-indian-govt-broadens-startup-definition/58851304. [↑](#footnote-ref-23)
24. Ibid. [↑](#footnote-ref-24)
25. Suprita Anupam, “Angel Tax: Indian Startups May Get Policy Boost from Indian Govt.,” Inc42, February 19, 2018, accessed March 29, 2018, https://inc42.com/buzz/angel-tax-indian-startups-policy-indian-govt/. [↑](#footnote-ref-25)
26. Vijaylakshmi Sridhar, “Commercial Laundry the Eco Friendly Way,” *Clean India Journal*, December 20, 2015, accessed April 2, 2018, www.cleanindiajournal.com/commercial-laundry-the-eco-friendly-way/. [↑](#footnote-ref-26)
27. Nadhe, op. cit. [↑](#footnote-ref-27)
28. LaundryWala was registered under the name Urban Consumer Solution Private Limited. [↑](#footnote-ref-28)
29. The importance of unit profitability analysis rested on the fact that if the company was not profitable at the maximum efficiency level that it set out for itself, then the business model was not a viable one. [↑](#footnote-ref-29)