



NEWSLETTER

September 2015

### **Board of Directors**

Applications to join the Executive Committee were received from John Regan of Fabritec (Sanitone) and Jim St. Pierre of Trillium TLC. On a motion by Brian Hatt and seconded by Brad Maxwell, both individuals were accepted by the board subject to ratification at our next annual meeting on Saturday, June 18, 2016, as is the custom. I am confident that these individuals with their combined knowledge and experience will add a lot to our association.

### **President's Dinner**

The President's Dinner is taking place on Saturday, November 28, 2015 at the Octagon Steak and Seafood House on Yonge Street in Thornhill. For those of us who attended the dinner for the last two years at this location, you will remember the great food and comradery that we enjoyed here. We are limited to the number of persons that the room will accommodate and it is important that you make your reservations early to guarantee your presence. The cost this year is \$85.00 plus H.S.T. (\$11.05) = \$96.05 per person. Please remit a cheque payable to Ontario Fabricare Association or submit your credit card information including number, expiration date and the three number security codes on the reverse of your card. (See invitation attached)

### **Benefits**

Your Executive Committee has reviewed our benefit program and has confirmed that we should maintain the benefit of Free Legal Advice, which represents approximately 20% of your dues to the association. The reasons are many, which will be or have been expressed in the September / October issue of Fabricare Canada Magazine. For the cost of \$75.00 per member, we are able to protect each member with liability insurance up to \$200,000. Our executive feels that this is a small cost when you realize that any call to your lawyer to ask a question may result in a bill in the hundreds of dollars. You can call as many times as necessary each year that the premium is in effect. And for \$90 more it can be expanded to cover contract disputes and debt recovery. Maintaining this policy is subject to the insurer accepting the current cost of the plan.

As well, most of you have received an email from me explaining that I have negotiated a discount from Staples On-Line for 60% off of their catalogue pricing. Catalogues are to be mailed directly to each of you soon, if you have not received it as yet. As well, I am awaiting a discounted price list for all toners for printers. I have emailed you previously to request a return email with either the name of your printer and model number or the number of the toner you use. When the list is complete, we will publish the discounted prices for the toners.

As a result of our decision to maintain the Free Legal Benefit, we have no other option but to raise the dues for 2016 from \$359.00 to \$399.00 plus H.S.T. This does not cover the full cost of this benefit and is a modest increase, as the dues have not been raised in many years. OFA operates as “Not for Profit” organization and although we expect a modest deficit as a result of our decision, this increase will help in minimizing this loss.

### **OFA Conference 2016**

Please make plans to attend our next conference which will be taking place on **Friday, June 17, 2016 and Saturday, June 18, 2016 at The Waterside Inn in Port Credit.** The decision to return to this hotel for the conference was based on the comments of all those who attended last year’s conference, that the hotel and venue was excellent and that the food and service was top rate. For those who plan to attend on Friday, make your dinner reservation in their four star dining room early as many found out this year, that they were booked up early.

I am in the process of acquiring top notch speakers for this event, and so far we have a commitment from Ellen Roseman, The Consumer Affairs writer for the Toronto Star to speak at the conference. She normally does not get involved with dry cleaning problems, even though she gets many calls about them, but she has rarely if ever, received a complaint about one of our members. She became aware of our association when I mediated a complaint she received about a nonmember cleaner. She is impressed with our association and this is an opportunity to show her what our members are all about.

As well, we will get an update on what is new regarding Environmental Law and Government Regulations which affect us all, by Jaqueline Stevens of Willms and Shier Environmental Lawyers. Her knowledge of this topic is vast and up to date.

Another speaker confirmed is Michael H. Ballard. Michael specializes in developing and delivering programs that help people and organizations understand, assess and deepen their capacity to thrive through developing their resiliency. These are essential assets for the success of individuals, families, organizations and our community. His broad and varied experience includes coaching and training across North America and the Singapore Government. Clients have included Rotary Club of Scarborough, and Centennial College, IBM Canada, Bell Canada, Shouters Church, Ontario Hydro, Council for the Status of Women, and Alberta Literacy

### **Fabricare Magazine**

Be sure to read the next issue of Fabricare Canada Magazine and read the great article that Becca Anderson, the Editor wrote about the Ontario Fabricare Association. If you currently do not subscribe to the magazine, it is free to those in the industry. Go to their website at [www.fabricarecanada.com](http://www.fabricarecanada.com) and subscribe.

## Allied Trades Members

It is important that you support the following allied trades members whenever possible. They are members of OFA and support our association:

Cleaner's Supply Inc.  
customerservice@cleanersupply.com

Dalex Canada Inc.  
www.dalex.ca

Exttox Industries Inc.  
www.exttox.com

MacDonald, Sager, Manis LLP  
www.msmlaw.com

EZ Products  
www.ezproductsinc.com

Miele Ltd.  
info@miele.ca

Fabricare Canada magazine  
www.fabricarecanada.com

Joe Pereira  
905-607-2447 or 416-617-9741 (cell)

Fabritec International  
jregan57@hotmail.com

Ontario Laundry Systems  
www.ontariolaundry.com

Green Earth Cleaning Canada Inc.  
www.greenearthcleaningcanada.com

Sparkle Solutions  
www.sparklesolutions.ca

Harco Co. Ltd.  
www.harccoco.com

Techstar Company Inc.  
www.techstarplastics.com

Jensen USA Inc.  
www.jensen-group.com

Wiesner Insurance  
www.wiesnerinsurance.com

Marsh Canada Limited  
www.marsh.com

Willms & Shier Environmental Lawyers  
LLP  
www.willmsshier.com

## Beware

A situation occurred with the credit card company which may be of interest to our members. A customer called one of their depots to arrange to have someone come by the store to pick up an order that had been in the store for 3 years. The store manager was so happy to get paid for an old order, that she failed to see the signs. She took the credit card information and expiry date which was left as a voicemail. They were told that their relative would come by in the next few days to pick up the order. The clerk charged the credit card by manually entering the information and the charge went through. The next day someone claiming to be the relative came by in a taxi to pick up the order. The next day, an irate women called the cleaners and said someone from our company charged her card almost \$300 and she has never been to our cleaners before. She then called Visa to complain of a fraudulent charge. The cleaners will receive a charge back and lose the money, as well as the garments.

Telephone orders **BEWARE**. What should have happened for an old order is tell the customer to have the relative pay for the order when she picks it up and she should reimburse her relative directly. A card used in person with a pin number assures guaranteed payment.

A call to Moneris to ask how a business can protect itself in such an instance gave the following shocking response. "You can't". What you can do is call 1-866-802-2637, follow the prompts. Once the card information is entered, you will be given the name and phone number of the bank that issued that credit card. You can then call the bank and ask for a name and address verification. In other words, get their name and at least their postal code. Because of the privacy act, the banks may not release this information about confirming ownership of the credit card. Some banks are participating in the program but not all of them. The onus again is on us to do our own due diligence. In this case, it is **Business Beware** not Buyer Beware.

### **Learn the Five C's of Pricing**

What is the best price for your products or services? It isn't based on how many customers you have, how many salespeople you employ, the standards in your industry - or even what you've charged in the past.

The best price is the amount customers will pay that effectively earns your company the maximum profit. It might be significantly higher than what you are currently charging.

To help determine your optimum price tag, here are five critical C's of pricing:

1. Cost. This is the most obvious component of pricing decisions. You obviously cannot begin to price effectively until you know your cost structure inside out. That includes both direct costs and fully loaded costs, such as overhead, trade discounts and so on.

And it means knowing those cost structures for each item or service you sell - not just on a company-wide or product-line basis. Too often, managers make pricing decisions based on average cost of goods, when in fact, huge margin variations exist from item to item. Traditionally, businesses have priced their goods and services based on their costs. But cost is often irrelevant in the buying decision of the purchasers. They never even know the cost. Understanding this basic, yet all important principle, is essential to determining the real profit opportunities in your business.

Your company's gross margin potential is illustrated using the following model:

Potential sales equals units sold times customer's perceived value per unit

Less cost of sales equals accurate direct and indirect costs of products/ services sold

Gross margin potential equals dollars left to pay all other expenses and generate profits

2. Customers. The ultimate judge of whether your price delivers a superior value is the customer. Are your customers willing to pay more than you're charging? The information you need to know is:

- What is your customer's expected range -- the highest and lowest price points?
- Within that range, what is the highest and lowest price your customer will actually pay?
- When you consider pricing strategy, ask your clientele for their input. Two simple questions: What do you think this product or service is worth? Would you have bought it at another price?

3. Channels of distribution. If you sell through "middle men" to get to the end-users of your products or services, those intermediaries affect your prices because you have to make their margins large enough to motivate them. You must also consider the expenses that intermediaries add. Make sure these third parties add value to the relationship between you and your customers.

4. Competition. This is where managers often make fatal pricing decisions. Every company and every product has competition. Even if your products or services are unique, make sure that you think carefully about your competitors from the buyer's point of view (the only opinion that matters). If you're not sure about how your customers evaluate you in terms of alternatives, pick up the phone and ask a few.

5. Compatibility. Pricing is not a stand-alone decision. It must work in concert with everything else you're trying to achieve. Do you believe McDonald's can sell \$10 filet mignons? Is your pricing approach compatible with your marketing objectives and your sales goals with the image you want to project?

Those objectives have to be explicitly stated. For example, let's say your production goal is to even out the process so you can better control inventory. The last thing you want is a pricing strategy that forces seasonal spikes in demand that result in stocking problems.

Before making a final decision on what to charge for your products and services, examine these five critical C's of pricing. With the right price, you'll generate enough fuel to power your business.

Thank you to Segal Newsletter for providing the above information.

### **Benefits of replacing laundry equipment**

With dwindling sales facing many dry cleaners in today's environment, you might want to consider adding a coin-op location to your locations (where possible). If you currently are operating a coin-op operation, you might want to consider the following. Even if you do not operate or plan to operate a coin-op operation, the same advice applies to your old equipment. With new technologies and advancements in the industry, you should consider replacing your current equipment, especially if it will increase your productivity and lower your operating costs.

There often comes a time when small-business owners have to decide if investing in new equipment, supplies, software or furniture is worth the spend. When it comes to laundromats, upgrading washers and dryers is a smart move that can improve customer satisfaction, boost profits and save money in the long run.

Speed Queen, a washer and dryer manufacturer, states on average, top and front load washers last between five and seven years. Washer-extractors and tumble dryers last between 12 and 15 years. This is of course contingent upon wear, frequency of use and other factors, such as maintenance over time. Also, keep in mind that just because a machine is running doesn't mean it works at maximum capacity.

Small-business owners thinking about upgrading their laundry equipment should consider the following benefits to acquiring new washers and dryers:

"Larger loads can help decrease customer turnover."

Customers appreciate new equipment

Reliable, sleek machinery is a huge customer draw. As one laundry pointed out, appearances mean a lot to consumers, especially if they've never used your facility before. New washers and dryers build customer confidence that the business will deliver quality results.

In addition, the Coin Laundry Association's 2013 Coin Laundry Industry Survey found 64 percent of consumers enjoy large-capacity machines with 40-lb, 50-lb and 75-lb load options. These larger loads can help decrease customer turnover and reduce the number of loads each person has to do.

Customers enjoy clean, safe environments

Along the same lines, a clean and fresh environment is crucial to laundromat success. Upgrading machines instantly modernizes a laundry facility and instills a greater sense of safety in users. Plus, many new models take energy efficiency into account, preventing laundry day from taking such a toll on the environment. Customers appreciate this consideration.

Upcharge possibilities

Just because users complete fewer loads doesn't mean the business has to lose money. Many new washers and dryers come with automatic upcharge capabilities, which would offset the cost of the machinery.

A laundromat owner, pointed out to a laundry machine manufacturer that customizable laundry features can also add to a laundry business's bottom line. Offering clients the choice to upgrade to higher level washes for a slight price increase can add up over time. Charging 10-20 percent more for new machines and technology is acceptable. Newer machines also have more customized cycle options, which would set your laundromat apart from competitors and save money. Hot water, which costs more, could be reserved for only certain types of loads. Cold water typically works well for everything and is a fraction of the price.

Cutting back on costs is possible with high efficiency washers and dryers. Small business owners can save big with newer machines.

## **Tax advantages**

When investing in new capital for a business, you can then write off the price of equipment through depreciation. The government awards depreciation allowances for the expected deterioration of equipment necessary to a business's functionality.

Reduced maintenance and utility costs

When an older machine routinely breaks down or requires maintenance, this not only costs money to solve, it drives clients away. No one wants to wash their clothing at an unreliable laundromat with run-down equipment.

When 67 percent of small-business owners running a laundromat claim utility costs as the most intrusive factor to building a profitable business, it's time others paid attention. Eighty percent of laundromat owners spend 26 percent of their revenue on utilities. Preventing machines from stagnating due to maintenance issues is the key to staying in business, and upgrading washers and dryers is the first step.

Upgrading machinery could also make the financial aspect of planning an expansion or revamping a laundromat easier. Including the cost of the machines into the entire package could improve your chances of receiving financing.

## **How to Negotiate with Edgy Lenders**

It's one thing to read about and feel sympathy for companies being hit by hard times, a cash crunch, or an industry slump. It's quite another to experience the pressure yourself.

But the fact is there is a chance that at some point your company could run into problems, or fall victim to a weak economy or other challenges and fall behind in its debts. If the situation deteriorates enough, you might find yourself being called daily by lending officers wanting to collect.

That's the time to stay calm, come up with a plan and assuage your lenders. Here are some recommendations on how to accomplish that:

- Avoid denial. Facts are facts, so start by showing your banker you understand the situation and the problems. Do this quickly and convincingly. Otherwise the situation could quickly worsen and your banker could start pushing toward liquidating your assets.

- Offer a bone. In exchange for going along with you, give the bank something it doesn't have yet. Assuming you've already provided personal guarantees, agree to pay higher interest rates or to shorten the loan maturity with a balloon payment. Your bank lenders probably won't be the only ones calling you if your business hits a rough patch. You may also run into some difficulties with just about anyone to whom you owe money.

Be prepared to sit down with them to see if you can negotiate ways to spread out your expenses for a while. For example:

- Your landlord may be willing to accept delayed payments
- Your distributors and vendors may be willing to provide you with some trade credit.

•Your creditors may be willing to negotiate payment extensions for as long as 90 days or be willing to accept instalment payments.

Negotiate firmly but not desperately. What you are buying from all your creditors is time and without it you might just be out of luck.

Bankers often like to suggest that a simple way out is to bring in a new bank or investor. Sounds great, but if the business climate is tough you'll find few banks willing to write new loans for troubled companies and few individuals willing to take risks, at least on terms you want to accept.

That leaves the bank two options: liquidation or staying with you. And clearly the only option from your perspective is the latter. That means talking the lender out of the liquidation possibility. So start digging for some real examples of liquidation values and some convincing arguments about how the values of inventory and accounts receivables plunge when a business closes.

Demonstrate that you know what to do, however difficult, and then do it. Have a cash flow plan in hand that lays out how you plan to generate the cash to cover your debt. Corroborate information from trade journals and other independent sources to bolster your credibility and tap the experience of professionals when it comes to complex matters such as projections and cash flow.

Thank you to Segal Accounting for this important information

### **Reasonable Woman**

**Sometimes you get an email that simply makes more sense than the others.**

After being married for 40 years, I took a careful look at my wife one day and said, "Forty years ago we had a cheap house, a junk car, slept on a sofa bed and watched a 10-inch black and white TV, but I got to sleep every night with a hot 23-year-old girl.

Now ... I have a \$500,000.00 home, a \$35,000.00 car, a nice big bed and a large screen TV, but I'm sleeping with an old woman. It seems to me that you're not holding up your side of things."

My wife is a very reasonable woman. She told me to go out and find a hot 23-year-old girl and she would make sure that I would once again be living in a cheap house, driving a junk car, sleeping on a sofa bed and watching a 10-inch black and white TV.

Aren't older women great? They really know how to solve an old guy's problems.

And for my final thought, I suggest the following exercise: **Next page**

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