

SO, YOU WANT TO BUY A DRYCLEANING STORE!

BY JUDITH STONE

Are you interested in buying a dry cleaning store because someone told you that you would make lots of money?

Be an educated buyer who does his/her homework. Start by finding out if you are comfortable with the dry cleaning business where prior retail or textile experience is a plus. Visit your drycleaner and spend time in the store observing the rhythm. Inquire how the owner spends his day. Research the industry by reading trade publications, attending conventions that offer seminars or surf the Internet.

Start looking at the business opportunity section of your newspaper or in the classified section of the trade monthly. If you elect to work with a business broker, request references from other cleaning store buyers.

Location

Location is a key consideration for an over-the-counter retail drycleaner. Investigate the area to learn median income levels, recent housing sales and population growth figures. If the business does routes and/or wholesale, or you bring experienced marketing skills, a less convenient, lower rent property will serve.

Location is also important in relation to where you live and how far you are willing to travel. Keep in mind that this is a demanding business and you need to give consideration to family time.

How much to spend

Establish what your actual investment capital is. You must have enough to make a down payment on the business you are purchasing and also working capital for closing costs, security deposits and cash register drawers.

Use the dollar amount needed to maintain your chosen lifestyle to determine the size of the business you buy, and remember that you will have to pay off the balance of the sale price and/or money that you borrowed.

The debt payments are considered part of your profit because the money is purchasing an asset that you will own. If you must borrow your down payment money, never mortgage your house to do so; the risk of entrepreneurship should not extend to the roof over your head.

Business Lease

If you find a business that interests you, start by asking questions about the business lease. The best lease to have is 10 years, but most common would be 5 years, with a five-year option. Be sure you understand the terms of the option, meaning exactly what the rent will be during the term of the option years. The 10-year time frame gives you a chance to pay your debts and also an opportunity to put more dollars in your pocket!

You may find the current lease has less than five years remaining. Ask the seller if that lease is assignable or if the landlord is willing to write a new lease. Landlords are very difficult these days because of the bad press received by the dry cleaning industry. It is the responsibility of the seller to provide a lease; without a lease, there can be no sale.

Why for sale

Find out why the owner is selling and how many family members are employed in the operation. Discuss who will be leaving and who will stay. Will you be able to do all the jobs done by the owners and family too? If you have to hire new employees it changes the profit figures of the business. Reflect on those talents that you bring to the business.

Environmental concerns

It is important to discuss environmental concerns with the seller. When a seller makes little of this subject or refuses to discuss it, usually there is a problem. Regulations vary from state to state, but every state has its rules. Learn the regulations of the state in which you are considering your purchase; talk to a reputable environmental engineer. Ask the owner what steps he has taken to meet current laws and to show you documentation of compliance.

Gross sales

Can the seller prove gross sales? Ask for two years of tax returns, as well as a current profit and loss statement prepared by the seller's accountant.

The selling price will be mostly based on gross sales, so if you proceed to the point of signing a contract and handing over a check for 10% of the selling price, you will have the opportunity to stay in the store for a specified amount of time and see whether the sales are the amount claimed.

Other considerations

There are many other considerations to review before you decide to make an offer on a particular business including, but not limited to the appearance of the establishment, the condition of the equipment and the pricing structure.

Buying a business is a large, complicated process. Surround yourself with professionals and check their references.

If you choose an accountant, a business broker, a consultant and a lawyer with prior experience in the area of dry cleaning sales, you will protect yourself from costly mistakes.

Show respect for the owner and when you negotiate, pursue a strategy that rewards the owner's accomplishments and maintains good will.

If the owner is financing a portion of the sale, he has a stake in your success. If you've made a fair deal, you will prompt an attitude of helpfulness that can jumpstart your success.