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By PAMELA RYCKMAN

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A Local Dry Cleaner Tries to Compete Against P.&G.

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Published: April 14, 2010

FOUNDED in 2004, **Hangers Cleaners** of Kansas City, Mo., was started as an environmentally safe dry cleaner. It uses colorless, odorless liquid carbon dioxide instead of the aggressive chemicals applied at traditional dry cleaners. It has 35 employees and 2009 revenue of \$1.6 million.



Is Hangers Cleaners Taking the Right Steps?

THE CHALLENGE To survive the arrival of a huge new competitor, **Procter & Gamble**, which began testing a Tide dry-cleaning service in Kansas City in 2008.

THE BACKGROUND When Joe Runyan started Hangers, he was hoping to bring a fresh approach to what he considered a stagnant industry. A first-time entrepreneur who had left a marketing career at Sprint, he had been dissatisfied with the local dry cleaners, finding dirty facilities and rude workers to be the norm.

Then, while researching the business, he discovered that the chemicals used by most cleaners were prohibiting new entrants. Building owners refused to lease space to cleaners using **perchloroethylene**, or “perc,” which is now heavily regulated. “By no means was I a tree hugger,” Mr. Runyan said. “But from a business perspective, it was clear this industry had to change.”

He found that liquid carbon dioxide was acceptable to landlords and as effective as perc in cleaning. Mr. Runyan decided to employ the new process.

While his business plan had called for 12 to 14 storefronts and drive-through counters throughout the city, pick-up-and-delivery vans emerged as Hangers’ most effective sales channel. At a storefront, customers might forget to retrieve garments, and Mr. Runyan might never get paid. His six vans, however, picked up and delivered clothes in waterproof bags from patrons’ porches or garages twice a week. Upon delivery, Mr. Runyan immediately charged his customers’ credit cards. He didn’t charge extra for the service, but he said, “It’s so much less expensive to roll a van.”

Better yet, he found that if customers never put clothes in their own cars, they were less tempted by competitor sales. “Our bricks-and-mortar storefronts provide credibility,” he said, “but we encourage our employees to convert customers to the vans. Our stickiness is so much higher. It’s one more errand people don’t have to run.”

And then, in 2008, **Procter & Gamble** opened an eco-friendly dry cleaner about 1.5 miles from Hangers’ headquarters. Using Kansas City as a test market for a new line of franchised **Tide Dry Cleaners**, P.&G. offered drive-through service, 24-hour lockers, an on-site tailor and traditional “wet”

cleaning, as well.

"I think there's enough business in town for both, especially if they focus on storefronts, but they're spending tons of money marketing and undercutting price," Mr. Runyan said. "How do we overcome the gorilla down the road?"

THE OPTIONS One way to differentiate Hangers from a global brand, Mr. Runyan hoped, would be to increase the quirky messaging he believed his patrons enjoyed. Hangers gave away T-shirts that say "Sniff me" and sent promotional e-mail messages with riffs on the latest "American Idol" episode. It returned garments on hangers with slogans like "In the closet and proud" and "You're the 23rd person I've seen naked. Please recycle hangers." These efforts had brought positive feedback in person and through Mr. Runyan's social networking on Facebook and Twitter.

Another option was to cast the company as an integral member of the community. For example, Mr. Runyan could try to partner with local businesses and charities, picking up from and delivering to their offices. A single point of contact might introduce Hangers' services to thousands of employees, bypassing the cost of traditional media.

Third, Mr. Runyan could re-evaluate his storefront strategy, promoting the best ones but placing an even bigger bet on the vans.

Finally, he contemplated offering "wash 'n fold" laundry, too. "How can we leverage the trust we've built, the payment mechanism, and the vans to capture a larger share of wallet?" he asked. "What else can we sell?"

THE DECISION Mr. Runyan decided to pursue a combination of these options:

Hangers continued to cultivate its offbeat image. "We have a personality in a business devoid of it," Mr. Runyan said. "We can't out-price or out-spend our big competitor, but we can be genuine, funny and edgy."

He worked to create a tight-knit culture of service and accountability. If a garment was damaged, a store representative would call the customer immediately and offer to replace it. He held a St. Patrick's Day tailgate party for 60 people in a Hangers parking lot and financed a float in the local parade. "Maybe it's goofy and old-fashioned," he said, "but it seems to be resonating with the folks in K.C. Who would expect people to party with their dry cleaner?"

He initiated partnerships with corporations, nonprofit organizations and community groups, and he can quantify the patrons gained from each. He also contacted schools and donates 10 percent of the proceeds from parents' dry cleaning back to each school.

In 2009, Hangers closed an underperforming storefront. And he concentrated Hangers' van service on affluent, densely populated neighborhoods, hiring an additional sales representative to explain and expand the service in these areas. "We were already focused on the vans," he said, "but P.&G.'s arrival made us work even harder." (So far, Procter & Gamble has not offered van service.)

Additionally, Hangers began offering laundry service at \$1.55 a pound (Tide cleans primarily pressed shirts and charges per article of clothing).

THE RESULTS While other local dry cleaners have told him that their year-over-year revenue is flat or down as much as 25 percent, Mr. Runyan said his revenue grew 2 to 3 percent in 2009 and his profits quadrupled, largely as a result of closing the unprofitable location. The laundry service proved a hard sell to suburbanites with their own washers and dryers, but young professionals and dual-income families responded; it now accounts for 2 percent of Hangers' revenue.

Procter & Gamble now has three locations in Kansas City, and according to Lisa Popyk, a communications representative, they have been "a big win." The company is advertising franchise opportunities in Cincinnati, Columbus and Dayton, Ohio, and in Lexington, Ky.

Mr. Runyan noted, however, that several of his customers had tried Tide's service and returned to Hangers; he can tell, he said, because of the bar codes "the gorilla" leaves on each garment.