“Matchmaker” of Today Working Harder

BY DAVE JOHNSTON

Richard G. (Richie) Stone has spent much of his time over the past thirteen years finding buyers for people who want to sell their dry cleaning plants, but he’s glad he’s got other work to fall back on – matchmaking is getting harder and harder.

A former drycleaner, Stone owns Dry Cleaning Plus in Oyster Bay, N.Y., which offers a lot of services beyond matchmaking. And that’s a good thing. As many drycleaners have done, Stone diversified and reaps double benefits: it challenges the creative part of his mind, keeping the left side of his brain in shape, and brings in money when plant brokering gets harder.

These are some of those harder times – in fact, Stone sees the industry’s future headed back to the past when large plants in commercial or industrial zones served drop stores. In the past three or four years, he’s seen at least 10 plants in Westchester County and on Long Island move their processing away from retail shopping areas (especially near locations that handle food) and turned them into drop stores.

In the beginning

That’s the way it worked at his first store in 1965, where the cleaning was done at a large plant but he handled the finishing and some spotting at a drop store, which had two tailors on premises.

Of the many reasons why selling plants has become so difficult these days, the most important are environmental issues. Many plants, he’s found, can’t afford the upgrades required by current regulations; others have contamination; and the threat of possible contamination has many landlords refusing to lease to drycleaners.

The landlord issue is one of the most frustrating to Stone. “They have this thing about drycleaners, they just won’t lease to them.” Frequently a mall owner won’t care if the plant switches to alternative solvents because, in their mind, dry cleaning is dry cleaning no matter what.

If the drycleaner doesn’t have a lease, he has no business to sell, Stone points out. The new owners want at least a ten-year lease, five years to pay off the loan and the other five to make money.

Stubborn landlords

He’s dealt with some landlords who won’t even accept wetcleaning until he sits down and carefully explains the difference; even then, some won’t listen unless the cleaner agrees to pull out all cleaning equipment and operate a drop store. But the landlord still wants the same rent he got when it was a working plant.

Stone advises against accepting rent increases without a fight. “Ask him to lower the rent,” says Stone. “It may not work, but it doesn’t hurt to ask.”

Also, he says, explain to the landlord that the installation of environmental controls will cost a minimum of $50,000 and that protects the landlord as well as the cleaner.

Besides, says Stone, wetcleaning alone doesn't cut it. "More wetcleaning plants are closing than opening," says Stone, who says both processes are necessary.

Money tighter

Money is much tighter now when compared to 10 years ago when the first Koreans were coming into the industry, says Stone. The first wave of Koreans often paid inflated prices for plants. Koreans looking for plants are more experienced operators and are more astute about the value of the plant, he says.

Drycleaners looking to sell today often don't realize that what happened in the '80s skewed the values. Sales today better reflect the true worth of a business, he says.

Surprisingly, he finds it is often easier to find buyers for long-established plants than newer ones, even though the older ones would be more susceptible to contamination. Longevity indicates a strong and successful business.

"But those older stores that have checked their environmental problems are easier to sell," says Stone, citing such plants as Schmuckler's in New Rochelle, run originally by Jerry Golumb. With some long-time owners, says Stone, there's always a danger that he'll change his mind at the last minute because the plant has become part of his life.

Sneak a smoke

And there are others who let their kids run the plant, but show up every day because it's a place where they can sneak cigarettes – or just get out of the house.

There's one lesson Stone learned the hard way: a lot of things can go wrong even after a deal is reached. As a matchmaker/broker, Stone doesn't get paid until everyone signs off at the lawyer's office, the checks are handed out and he's among the recipients. That can take as long as fifteen months.

He lists these examples:

A drycleaner agreed to sell his store to two buyers who had formed a partnership. They said they would hire their own staff, so the plant owner, who was getting married the next day, laid off all the workers and dreamed of his honeymoon.

Unfortunately, the partners had a falling out, fists flew in the lawyer's office and the drycleaner was left with a plant, no workers and one very unhappy bride. He hired back all of his employees, reopened the store and went to work Monday morning. The honeymoon had to wait.

That happened about seven years ago on Long Island, says Stone. "The funny thing is, we're still all good friends – except for one of the (former) partners."

In a New Hampshire incident, a father and son team agreed to buy a store, but the father had a change of heart the day before the closing. In this case, the son's father-in-law came to the rescue and now they're in partnership.

Ten percenter

Generally, though, Stone says he's successful. Of the 700 to 800 plants on Long Island, he estimates he's sold 10% of them. He's sold at least five stores two or three times, which means he's won the trust of everyone involved, he feels. He sold a store in Queens twice in the same year.

In addition to New York, he's made matches for plants in Connecticut, New Hampshire, New Jersey and Pennsylvania.

While he specializes in high-end plants, he'll try to help anyone. He's sold stores for as little as under $100,000 and more than $1 million. "There's always a buyer out there, from a tailor to an entrepreneur," says Stone.

That was back in the good times. He can't be as generous anymore – it costs too much. Stone's expenses begin the minute he agrees to help a plant find a buyer. He now requires a retainer when he takes on a client, buyer or seller.

It's just money up front to protect himself, Stone explains. When the deal is consummated, he'll deduct the retainer from his fee.

Who's selling?

Who's looking to sell? Many of the people lured into the industry by a *Wall Street Journal* article a decade or more ago learned the hard way that dry cleaning is a tough way to earn a million dollars.

"They went out and found it's not that easy," says Stone. "A lot of people like lawyers and CPAs went into the business only to find out it's very labor intensive."

Also bailing out are those who can't meet the new regulations or those forced out by their landlords. But if a plant has no lease, the owner is out of luck, says Stone. He can't help them.

And then there are those who just want to retire.

Networking

His years in the industry (he started as a route driver at 18 and has owned and managed a number of plants), his extensive network of industry experts, consultants and fellow brokers (he works with Ray Colucci in Mamaroneck, N.Y. and Rick Boyle in New Jersey) gives him a variety of resources. "We pick each other's brains," says Stone.

He's also made a lot of very close friends through the matchmaking, especially Peter and Debbie Hayes of Colonial Cleaners in Ridgefield, Conn. It's a result of his habit of keeping in touch with the people he works with.

He urges them to go to school; he estimates he sent more than 60 people to the NCA-I's various courses. That includes Stone and his son Scott. He also looks for jobs for people who want to get into (or back into) dry cleaning.

For those needing long-term hand-holding, Stone's wife Judith, will work with a plant. "She's a wonderful manager," he says. "She's savvy and patient and will run the plant until the new people get a handle on themselves. They're lucky to have someone with her capabilities."

Establishing a value

Stone's approach to valuation is more instinctive than playing a numbers game, he says. "Number one is location. I look for a good location and see what it would take to make it better." That can have its drawbacks. Sometimes Stone will suggest to a seller a way to enhance the value of the property. The owner likes the idea so much; he makes the change and keeps the plant.

Among his standard suggestions for sellers:

Keep good books that prove the volume and income of the plant.

Have a good, long-term lease in place.

Have a good computer system. It will ensure consistent pricing and consumers have more faith in a receipt that's printed on a computer than in a hand-written slip.

Have the property inspected to prove there is no contamination (that protects both buyer and seller) and have all the mandated controls in place.

Make the plant clean and attractive. "Remember," he says, "the first five letters of cleaner are *clean*."

Keep the equipment well maintained.

Looking ahead

As for the future, Stone predicts that "only the strong will survive". He expects a major weeding out of marginal plants. The survivors will be those plants that stress service, quality and price – in that order, he says.

With both husbands and wives working in many families, people often don't have time to stop at the cleaners. That makes routes very important and can be profitable, says Stone. Plants that take credit cards don't have to worry about collecting.

Meanwhile Stone keeps exercising the left side of his brain – just in case. He calls his advertising agency R.G.S. Concepts, and handles some of the bigger names in the industry, including distributors, like Metropolitan Machinery in Richmond Hill, N.Y.