

Wash Cycle Laundry

Christina Wiskowski 23 October 2012

Introduction

Wash Cycle Laundry is a for-profit, triple bottom line, wash and fold delivery service in Philadelphia. This socially and environmentally responsible innovation, which opened in October of 2010, was founded by Maryland native Gabriel Mandujano. Mandujano has held leadership positions in several nonprofit organizations, and he has studied at several elite universities. His extensive background in the nonprofit sector helped him to identify what he believes is missing from the current workforce development systems in the United States. Although he believes these public agencies and nonprofit organizations do good and important work, he thinks the current way of doing things has substantial shortfalls that can only be made up in the private sector. Within the private sector, Mandujano sees the greatest opportunity for social impact in the low-end service economy.

The philosophy behind Wash Cycle Laundry ("WCL") has been influenced by many different companies and organizations. Most notably, Mandujano has focused on the progressive management techniques of high-end companies like Google and Toyota. He uses similar methods at WCL to help his employees define their goals

and begin the steps to achieving them. In this way Mandujano is preparing his employees for positions of greater responsibility, knowing that many of them will find those positions elsewhere.

Another passion of Mandujano's is environmental conservation. One of his goals in starting Wash Cycle was to "green every step of doing laundry." In order to accomplish this goal WCL uses highly water- and energy-efficient machines, and eco-friendly detergents produced locally in King of Prussia, PA. The most visible step Wash Cycle is taking for the environment is using an all-bicycle delivery fleet. Using bicycles allows WCL to avoid driving delivery trucks through Center City and West Philadelphia, which means no carbon dioxide emissions, no additional congestion (causing other vehicles to increase *their* carbon dioxide emissions), faster deliver times, and less overhead expense.

Despite taking so many steps to be socially and environmentally responsible, or maybe because of them, Wash Cycle is a highly competitive company. Their pricing structure is on par with other wash and fold delivery companies, and their quality of service is winning them accolades: they were recently featured in *Philadelphia Magazine's* Best of Philly 2012 issue. As an employer, WCL is still quite small, but is doing big things for its employees. Of the five welfare-to-work participants hired by WCL, one left to pursue a Bachelor's degree, one moved on to another job, and the remaining three are all

taking on more and more responsibilities on their path from "job" to "career."

As it is still very much a growing company, Wash Cycle Laundry's social and environmental impacts are growing right along with it. The 5-10 year plan includes expanding to several big cities, hiring a few hundred employees, and generating millions of dollars in revenue. Mandujano recognizes that one company, even a very large company, can only do so much. The true measure of WCL's impact will be its ability to affect change within the low-end service economy and beyond. By proving social and environmental innovations can be profitable, Mandujano hopes to change the way the service economy manages its people and conducts its operations.

The Founder

The Founder

Mandujano is no stranger to community and economic development; he was previously the Executive Director of The Enterprise Center Community Development Corporation in Philadelphia and the Manager of Strategic Alliances at the Center for Strategic Transport in Mexico City. Mandujano also spent time working at the Center for Culinary Enterprises in Philadelphia and the World Resources Institute in Washington, DC, as well as to several other nonprofit organizations. In addition to his considerable work experience, he also has an impressive

educational background: spent time at the University of Havana, received a B.A. from the University of Pennsylvania and a B.S. from the University of Pennsylvania, Wharton School, as well as Master's degrees from both the London School of Economics and the University of Cambridge. In August of 2010 Mandujano returned to Philadelphia from Washington, DC to open Wash Cycle Laundry.

The problem: Inadequate Workforce Development Support

The problem: Inadequate Workforce Development Support

It is no secret that workforce development programs have their flaws. In addition to good intentions, they have a seemingly ever-expanding number of clients, budgets that are stretched too thin, layers of internal and external bureaucracy, and, all too often, a private sector that is unaware of or unwilling to participate in their programs. In Philadelphia they are saddled with a higher than average rate of unemployment, and a higher than average gap between the education level required for the jobs being offered and the education level possessed by those who need the jobs.

According to a January 2012 Pew Charitable Trust report, just 12 percent of Philadelphia's employers are registered to use the roughly \$110 million workforce development

system in the city (Ginsberg 2012). The average rate of participation for employers in the rest of the state is double that. Additionally, in FY 2011 just 25 percent of participating welfare recipients in the city found employment through one of these programs, compared to 31 percent in the rest of the state. Of those, only 52 percent in Philadelphia maintained their employment, compared to 55 percent in the rest of the state. These numbers illustrate the lack of participation and lack of success statewide, and particularly so in Philadelphia.

Mandujano believes the solution to these shortfalls lies in the private sector. In his experience, workforce development in general is “problematic,” with the all of the focus placed on that first step of getting the client a job, and not enough foresight towards a career progression. While this may result in some short-term successes, it is not an adequate long-term solution. Based on the previously mentioned numbers, of the welfare recipients in Philadelphia who used workforce development programs to find employment, only 13 percent found and maintained jobs for over 6 months. In the rest of the state that number was slightly higher at 17 percent.

In addition to the numbers, Mandujano believes some of the lessons learned in workforce development programs can hinder a client’s long-term success. Since most of their job placement is in the low-end service economy, clients are taught how to survive in those jobs: arrive on time, follow the rules, don’t rock the boat, etc., and they

come to believe these are the skills needed to get ahead. As anyone who has succeeded in business knows, however, these are not the keys to getting ahead. In order to translate the skills of low-end service jobs into careers, one must learn how to innovate, develop creative solutions and alternatives, and manage people and projects, as well as develop leadership skills.

The Innovation: People, Planet and Profit

The Innovation: People, Planet and Profit

The true innovation behind Wash Cycle Laundry does not have to do with technology, clever management strategies, or employee education programs. The innovation, stated in its simplest form, is a for-profit company that cares about the well being of people and the environment. That's not to say they are not applying the aforementioned tools to achieve success, but, in and of themselves, those tools are not the innovation. As stated on their website, "Wash Cycle Laundry is a triple-bottom line social enterprise....That means that we try to look out for people, planet, and profit."

Mandujano has put together a winning combination of hiring, management, operations and human resources practices in order to build a successful company that generates a substantial social impact. He has taken inspiration from everywhere he can, locally, nationally and

internationally, to develop his model. Specifically, he mentions Pedal Co-op, a nonprofit in Philadelphia that uses volunteers on bicycles to clean up neighborhoods and haul trash and recycling; Greyston Bakery, a socially responsible for-profit bakery that uses progressive hiring practices and has an attached nonprofit foundation in New York; American Apparel, the internationally successful for-profit clothing company; and Google and Toyota. While at first glance it would seem these companies have nothing to do with each other or with a laundry service, Mandujano managed to learn valuable lessons from each of them, and incorporate those lessons into his business. While most of the innovations in professional development are coming out of the high-end businesses, that hasn't stopped WCL from applying them to wash and fold.

Influenced by Google's Innovation Time Off program, where Google employees are instructed to spend 20 percent of their time at work on projects other than their regular responsibilities, Wash Cycle Laundry employees take on "stretch projects." These projects allow the employees to expand their skills and see a different aspect of the business while allowing WCL "to create meaningful, upwardly mobile careers for Philadelphians." Mandujano uses executive coaching techniques to help his employees match their interests to defined goals, then finds or creates projects that will put them on a path to achieving those goals. For example, when one employee expressed an interest in going back to school

to study hospitality and hotel management, Mandujano had just the right project for her. He assigned her to do market research on the linen and laundry needs of twelve small to mid-sized hotels in Philadelphia, then present a sales pitch to those hotels. Another employee who expressed an interest in entrepreneurship and starting her own business was assigned to manage the opening of a new Wash Cycle location. A third employee, who simply desired an incremental increase in responsibility, was promoted to inventory manager. One of the great things about Mandujano's vision for his employees' success is that he is entirely non-judgmental of their goals. Whether they want to move into the corporate world, get an education, or simply provide for their family he will help get them there. He has no illusions of creating "bigger" goals for them; he simply does his best to provide them assignments that match those goals.

Since opening its doors in October 2010, Wash Cycle Laundry has created 14 jobs, with five of those 14 employees coming from a welfare-to-work program affiliated with the Philadelphia Workforce Development Corporation (PWDC), all of whom are now completely out of the system. Three of those five employees are still employed with WCL, one left to pursue a Bachelor's degree, and one left, on good terms, for employment elsewhere. By providing positions of increasing responsibility and management, Mandujano is preparing his employees for mobility outside of WCL. Roughly, he is

aiming for a 20 percent long-term retention rate with the rest of his employees moving on to the next step in achieving their goals elsewhere.

In his original business plan, Mandujano expected to purchase his own facility and machines. He has since realized, however, that there are a number of benefits to renting space and time in a laundromat. Some of the biggest advantages are the number of leadership positions it allows him to create, and the proximity he is able to have to his clients, as well as flexibility regarding operations and location. By operating out of multiple facilities, Wash Cycle Laundry is able to have a flatter structure, which accommodates more managers and positions of leadership. It also increases the likelihood of his employees being able to walk to work, which results in a number of positive benefits for those employees, as well as the environment.

In addition to the progressive hiring and managing practices, Wash Cycle Laundry has a strong commitment to the environment. When his initial research revealed that an eco-friendly process could actually reduce operations costs, Mandujanoset out to "green every step of doing laundry," and he has succeeded. By having a bicycle-only delivery fleet, Wash Cycle Laundry is able to harness pedal power instead of gasoline, reducing carbon dioxide emissions, fuel costs, vehicle maintenance costs, and delivery times. With specially designed bike trailers that can haul over 200 pounds of laundry at a time, Wash

Cyclists are actually able to navigate through the city faster than a delivery truck. In order to reduce transportation emissions further, Wash Cycle Laundry sources its eco-friendly detergent locally, from King of Prussia-based Sun and Earth. Sun and Earth's website boasts their "natural formula is hypoallergenic, biodegradable, non-toxic and free of allergens, dyes, perfumes, and petroleum-based solvents."

To round out the list of environmentally friendly methods employed by WCL, they are using the most water- and energy-efficient machines available. In addition to their efficiency with resources, the washing machines have a significantly faster spin cycle, allowing more of the water to spin out so less time is required in the dryer. Mandujano explains that not much has been done to make dryers more energy efficient. Aside from keeping them clean and well maintained, currently the best one can do is use them for shorter periods of time, which WCL does.

What Sets Wash Cycle Laundry Apart?

What Sets Wash Cycle Laundry Apart?

With its triple bottom line mission statement, Wash Cycle Laundry creates a major distinction between itself and other groups, organizations or companies that only focus on one or two of Wash Cycle's three priorities. While there are many nonprofit organizations and government agencies that focus on job placement and career training,

Mandujano believes the private sector has to take on the bulk of the responsibility. After an individual receives job training, counseling or placement, it is up to the private sector to hire and mentor that individual. A company such as Wash Cycle Laundry can provide real-world experience and opportunities for growth, while maintaining its own financial sustainability. Without employer buy-in, support and participation, workforce development programs cannot be successful.

From a business standpoint, WCL is competing with other wash and fold services in Philadelphia. If there was any doubt whether their service is competitive, it was erased when they were named Best Laundry Service in *Philadelphia Magazine's* Best of Philly 2012 issue. With approximately 60 percent commercial business and 40 percent residential, customer demand is increasing steadily, allowing WCL to open multiple locations. Mandujano explains that Wash Cycle's efficiency partly lies in its multiple locations. Having most of their clients within four blocks of a WCL location allows them to be highly responsive to their clients' needs and to offer faster turn-around times.

As an employer, Wash Cycle Laundry is competing with other low-end service companies in general. On the whole, the low-end service economy has notoriously low wages, high turnover rates, lack of advancement opportunities, and is commonly known to sacrifice quality in the name of the bottom line. Every one of these

characteristics is at odds with Wash Cycle Laundry's philosophy. While employees are currently working for hourly wages with no benefits, Mandujano says that benefits are in the business plan, and therefore in Wash Cycle's future. Benefits aside, the growth opportunities and progressive culture at WCL set it apart from other low-end service employers in Philadelphia.

There are a number of reasons Mandujano decided to pursue Wash Cycle Laundry as a completely for-profit company, rather than as a nonprofit or a nonprofit/for-profit hybrid. To be certain, he has a great deal of experience in the nonprofit sector, and he values their work highly. Ultimately, though, he believes the shortfalls in workforce development must be made up for within the private sector. There are approximately 44 million low-wage jobs in the United States, according to Mandujano, most of which are in the low-end service economy. This represents an enormous opportunity to change hiring and management practices in such a way to create upward mobility for employees. In order to get the big players in the low-end economy to take notice, though, Mandujano had to be able to demonstrate financial sustainability and success with a private company.

Social/Environmental Impact

Social/Environmental Impact

The social impact of WCL can be measured and

quantified in a number of ways. The most obvious impacts are jobs created, number of workforce development program participants hired, pounds of carbon dioxide *not* created, volume of phosphates not released into the water system, etc. There are some very valuable although less obvious effects as well. These include the long-term advancement of Wash Cycle employees, the reduced congestion (and subsequent reduced CO2 and increased productivity) due to not using and *not double-parking* delivery trucks in the city, and the influence on other companies who ideally will adopt some of Wash Cycle Laundry's ideas.

After 21 months of operations WCL has created 14 jobs. As mentioned previously, five of those employees came from PWDC. All of the employees, however, are gainfully employed in a city that boasts around 11 percent unemployment. While those 14 jobs may not have much effect on the city's unemployment rate, they have a huge effect on those individual people. Considering that Wash Cycle is a for-profit company and the only public investment it has received is the wage subsidies from PWDC, it is showing a tremendous return on investment.

The process of doing laundry is a highly resource intensive one. High-efficiency washers use around nine gallons of water per load compared to traditional washers, which use around 35 gallons (Alliance for Water Efficiency n.d.). Wash Cycle reports processing approximately one ton of laundry per day, so assuming roughly 15 pounds per

load, WCL is doing 133 loads every single day. Using the estimated figures above, Wash Cycle is saving an average of 3,458 gallons of water per day. The actual energy savings are a little more difficult to pin down, although most estimates say the high-efficiency models save 50-80 percent over the traditional machines.

Additionally, according to a World Bank report, approximately one-fourth of the transportation-related CO₂ emissions in European cities comes from intra-urban freight transportation (Dablanc 2009). While that number is not derived from American data, it stands to reason we would have a similar figure. By using bicycles instead of trucks, Wash Cycle Laundry is not adding to the problem of intra-urban freight CO₂. In fact, for every customer that switches from a truck-delivered wash and fold service to Wash Cycle, the CO₂ emissions in Philadelphia will be reduced. Mandujano hopes to demonstrate that, within cities in particular, bicycles can be a beneficial alternative to traditional freight transportation.

The true social impact of Wash Cycle Laundry will be achieved when they influence other companies to adopt the same or similar hiring and management philosophies. Mandujano hopes that as WCL becomes more successful the larger low-end service employers will start to take notice. Over a 22-month period, one-third of Wash Cycle's employees became welfare-to-work success stories. If a company with 10,000 employees is able to achieve just half that rate, they will have helped 1,667 people achieve

meaningful employment and graduate from public assistance in every two-year period. If that same rate is replicated just twice in all 50 states, there will be 166,700 individuals in careers with opportunities for positive growth and progression. Mandujano is excited about the social impact Wash Cycle is able to have, but knows the real impact will come when he is able to influence the hiring and management approach of the entire low-end service economy.

Scalability

Scalability

The scalability of WCL can be addressed in two ways: the actual company and the concept/model. Mandujano's research indicates that laundry is a \$20 billion per year national industry, with approximately \$80 million worth of demand coming from Philadelphia. Other cities, he assumes, will have the same rate of demand based on their population size. Mandujano believes Wash Cycle Laundry could potentially control 20-25 percent of any market they enter, which works out to a \$16 to \$20 million market share in Philadelphia. His 5-10 year plan is for WCL to grow to a multi-million dollar company with hundreds of employees and a presence in several major markets.

The scalability for the model, however, is limitless. The low-end service sector accounts for the vast majority of unskilled/low-skilled low-wage jobs, and Mandujano

hopes to change the way those jobs are hired and managed. There are several very large low-end service employers in the greater Philadelphia area, and Mandujano has his sights set on them. If he can convince just one of those employers to implement his methods and philosophy, the door will be open to changing the way the entire sector does business.

The scalability of Wash Cycle's environmental practices is a bit different. In that respect his model is very specific to the laundry delivery business. That is not to say a lesson can't be learned, though. By showing a commercial venture can institute eco-friendly procedures in a profitable way, Mandujano may cause other industries to rethink their current practices. The notion of environmental responsibility is theoretically scalable to every individual and every business in the world. In practice, however, the rate of buy-in and the perceived costs and inconveniences often get in the way.

Financial Costs

Financial Costs

Since Wash Cycle Laundry is a privately owned business, it is not surprising that Mandujano is keeping his financial data close to the vest. He did share some information, though, which paints a favorable picture for WCL's financial state. The business first opened its doors in October 2010 with approximately \$100,000 capital

invested. Since that time they have exceeded that number in sales by “two or three times.” In January 2012, just 15 months after opening, WCL closed its Program-Related Investment with the Untours Foundation of Media, PA. Shortly after, in April of 2012, WCL closed their seed investment with an angel investor. While Mandujano has accepted investment from an angel investor, he remains the sole owner.

Mandujano recognizes he might have more access to certain kinds of funds (grants, donations, etc) if he had a nonprofit arm, but he sees too many drawbacks to that. Aside from the previously mentioned reasons for being a for-profit company, Mandujano believes it's easier for him to source capital as a for-profit company. Being a private company means Wash Cycle Laundry is not beholden to anyone (foundations, governments, etc) based on grant money, and therefore has the speed and agility to respond to changes as needed. Mandujano says he would not have been able to predict certain needs before he got started, and as a nonprofit he would have had to commit to a budget too early in the process. He has received some grant money, though: \$14,000, total, in wage subsidies for his five PWDC hires.

Policy Implications

Policy Implications

Mandujano does not see a major problem with current

policy and workforce development programs, and is clear that he did not start Wash Cycle Laundry as an advocacy organization or to change policy. By the time employees get to WCL they have had access to necessary services provided by the government, and Mandujano appreciates that. He believes the change needs to come from the private sector, and, as he put it "government does not have the levers to change how managers work." Of course there is always room for improvement, and Mandujano says he would love to see policy support the system, or rather his concept of what the system should be. He would also like to see a public forum devoted to his and other progressive methods, in order to share ideas and disseminate information about what works.

Conclusion

Conclusion

Wash Cycle Laundry is a great model for social innovation, with clear goals and growing customer demand. By fitting social and environmental goals into the framework of a *profitable* for-profit business, they are demonstrating that doing the work of betterment does not have to come at the expense of profits. If WCL is able to influence other, larger, low-end service companies to adopt its methods and philosophies it may become a catalyst to revolutionize the management approach of the entire low-end service economy, at least this is the hope of Gabriel Mandujano.

This type of large-scale influence can be possible, but only if WCL is able to disrupt the old ways of managing people and environmental impact.

Christina Wiskowski is a class of 2013 MPA candidate at the University of Pennsylvania's Fels Institute of Government. Local to the Philadelphia area, Christina completed her B.A. at Temple University, majoring in Political Science and minoring in History. Prior to being accepted at Penn, Christina worked on Capitol Hill in the office of Senator John Kerry (D-MA). Christina is also a Technical Sergeant in the United States Air Force Reserve, where she works as an Aeromedical Evacuation Technician. Christina resides in Bryn Mawr, PA with her fiancé.

References

References

Alliance for Water Efficiency.(n.d.).Laundromats and Common Area Laundry Facilities.Accessed October 12, 2012, <http://www.allianceforwaterefficiency.org/laundromats.aspx>.

Dablanc, L. (2009). Freight Transport for Development Toolkit: Urban Freight. The World Bank. Available at <http://siteresources.worldbank.org/INTTRANSPORT/Resources/336291-1239112757744/5997693-1266940498535/urban.pdf>.

Ginsberg, T. (2012, January 18). Philadelphia's Workforce Development Challenge: Serving Employers, Helping Job Seekers and Fixing the System. The Pew Charitable Trusts. Available

at http://www.pewtrusts.org/uploadedFiles/wwwpewtrusts.org/Reports/Philadelphia_Research_Initiative/Pew-Philadelphia-Workforce-Development-Jobs.pdf.