

The Ultimate Guide to

# Reducing your Business's Uniform and Linen Service Costs

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If you've ever been confused about the billing and pricing variables from your uniform and linen provider, you're not alone.

Between rates that constantly change, and providers using aggressive pricing tactics, businesses everywhere are being overcharged for their uniform and linen services.

In order to understand where you're being overcharged and to negotiate better rates, it takes expert-level knowledge in this industry. It also takes time and resources that many businesses simply don't have.

To gain a better understanding of how you can start saving costs on uniform and linen services, let's take a closer look at how these services are priced, why there are savings to be found, and how **P3 Cost Analysts** bring these savings to our clients.

## Uniform and Linen Industry Overview and Pricing

The uniform and linen industry is largely monopolized by three national uniform providers and one linen provider. Though there are a few smaller local or regional players, most businesses will have to work with the larger providers.

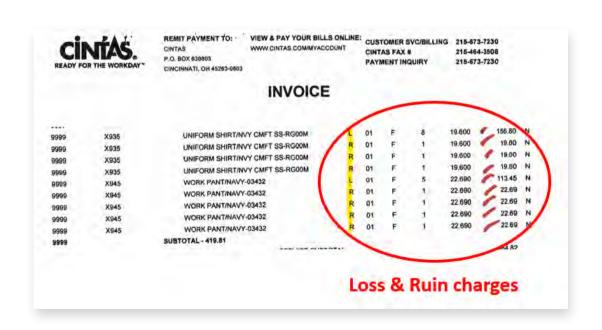
These major providers include:

- Cintas Uniforms
- Aramark Uniforms
- Unifirst Uniforms
- Alsco Linen

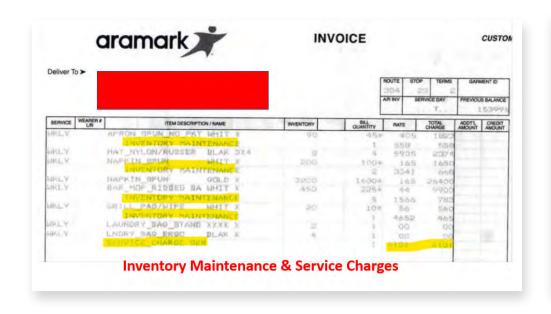
Since these major providers essentially have a monopoly on the industry, they engage in aggressive pricing tactics and constantly change billing variables to serve their needs and not the customers. Furthermore, there are no uniform billing practices between these providers and they each use their own contract verbiage, which is extremely one sided in the vendor's favor. This means you can expect prices to change throughout your contract, often with no recourse.

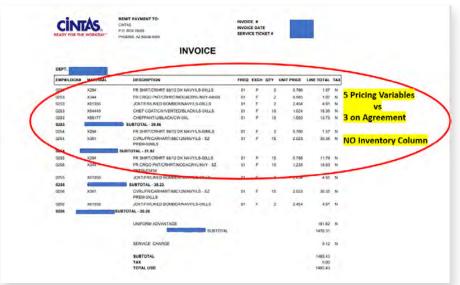
#### Billing Variables

It's important to remember that since uniforms and linens are rented, charges are not a one-and-done transaction. There are many variables in play that you're responsible for on an ongoing basis.



Additionally, it's important to note that route drivers for these providers are paid based on a percentage of invoices and also by hitting certain KPIs. Bonuses get paid out due to revenue-enhancing metrics such as loss charge revenue, meaning there's no incentive for them to correct any billing errors.





Here's an overview of some of these variables:

• Price increases: frequency and amount • Roll-over process: timing, term extension, cancellation Miscellaneous charges: Service, Environmental Inventory Maintenance or Automatic Loss Programs – to supplement for normally damaged linens and towels EZ Care - to supplement for normally damaged uniforms Lost Items - items that are gone or can't be found Ruined Items - intentional or damaged through misuse Equipment (carts, bags, racks, lockers, stands, etc.) **Emblem Charges Prep Charges** Size Premium Charge – additional charges for non-standard sizes Additional products and services (often added after program implementation) • New products added during the middle of an agreement are usually at above-market prices: Restroom Products (TP, paper towels, soap, air fresheners, seat covers, etc.) First aid kits New towels, mats, uniforms, mops, etc. Chemicals

#### Why There are Savings

In most cases, linen and uniform providers are breaching their own contracts and overcharging without valid explanations. It's common to see costs increase 2-3x the rate of inflation and customers getting 5-10 % annual price increases (at current rates of inflation, 2-3% at the time of writing). Without having your core competency in the uniform and linen industry, customers won't know what to look for or how to dispute these surcharges.

How P3 Cost Analysts

Find Savings

#### Onboarding

To start our engagement with clients, we need a signed service agreement and letter of authorization to obtain the info we need from suppliers. We also need your current uniform and linen service agreement, as well as the last 4 weeks of relevant invoices.



#### **Auditing Process**

It will take us 2-3 weeks to work through a full audit of your invoices and to report our initial findings.

During this time, we will look at contract compliance and dive into each of the pricing variables, looking for errors and overcharges. We typically review over 50 different pricing and term variables on every uniform and linen agreement.

With our industry expertise, we are able to see what you are being charged in relation to nationwide standards and alternative product or service solutions. Typically, we are able to find an average of 35% in savings.

#### Negotiating Contracts with Uniform and Linen Providers

Once we've compiled our findings, we will have a 20- to 30-minute call with our clients to discuss a negotiation strategy, then get to work renegotiating their contracts. We leverage our national database of vendor benchmarks, and inside knowledge of the vendors (having worked for them in the past), to drive savings for our clients. We typically stay with the incumbent vendor unless our clients have had issues with them in the past and are wanting to change.

Alongside negotiating better terms for our clients, we will receive refunds or rebates for past overcharges 30-40% of the time. This largely depends on the previous contractual language and if addendums or special terms and conditions were added.

#### Ongoing Auditing

Knowing how to find the savings and how to negotiate them is one thing, but in this industry the vendors are constantly getting caught with their hands in the cookie jar.

Even with a properly negotiated contract and properly negotiated terms and conditions, providers will find ways to increase these costs, in violation of their own agreed-upon contract.

Further complicating things is the fact that most clients have dozens of line items being billed. It can be difficult to catch a \$.02 increase on a mop handle, or towel, that violates the agreement. And even if caught, it can take a mountain of work to reach out to the vendor to have this corrected. These errors happen amongst almost all providers and can add up to significant costs.

During the Ongoing Audit phase, we monitor these expenses for our clients, making sure vendors stay compliant to their contracts - and fighting on our client's behalf when they don't.

#### **Examples of Cost Savings**

#### **Multi-location Auto Dealership**

We worked with a growing auto dealership that had 17 different locations and was spending around \$140,000 annually on uniforms, mats, towels, and other industrial laundry items. Before we started working with them, they had two different suppliers that the CFO and Fixed Ops Director were unsatisfied with due to poor communication, increased invoices, and speed of product repairs.

P3 Cost Analysts audited every contract and invoice line item from all locations and brought these results to the auto dealership. After months of negotiations with the suppliers, we were able to:

- Implement new standards and systems of communication, repairs, and replacements
- Receive over \$12,000 in invoice credits
- Achieve 45% total savings which led to \$300,000 savings in a 5-year period

#### **Large Country Club**

We worked with a Country Club that was spending over \$220,000 per year for their industrial laundry services. They had one supplier for their landscaping department and one for their club and service branch. The CFO tried meeting with these vendors to understand the club's billing but never got any straight answers.

We came in and did a full audit of the existing contracts and invoices. Since this was a complex account, we did an onsite visit to better understand their operations. Once we had our initial findings, we started negotiating better pricing, product quality, and service guarantees.

Through our negotiations, we were able to:

- Receive account credits
- Establish monthly reporting for the CFO
- Achieve 38% in total savings

#### **Grocery Store Chain**

We went to work at a 26-location grocery store chain spending over \$250,000/year on laundry services. We started digging into the existing contracts and invoicing for every line item of all store locations. We discovered that the Master Agreement was not properly executed and that there were 3 different suppliers with inconsistent pricing and terms. The Master Agreement had 25 contracted items, yet there were 139 on the invoices. We compiled all of the results with projected savings for the Initial Analysis and Strategy Meeting. The client selected the strategy to move forward to achieve the best pricing, terms, and product/pricing controls.



#### **Results**

We reviewed all the in-service products, inventories and store placements by store to maximize the service and cost. Successful negotiations resulted in best pricing, terms, product quality and a dedicated National Account customer service manager.

- A National Account Manager with product and price lock control
- Locked in pricing and outsourcing agreement for future stores
- Credits from audits and negotiations
- Monthly reporting for COO/CFO with benchmarking report by location with all changes and variances highlighted

Our work produced 30% total savings for a total of \$75,000/year.

#### Objections to Working with P3 Cost Analysts

Many businesses have an in-house procurement team and believe that this is sufficient to avoid overcharges. But, in many cases, industrial laundry pricing is not their core competency.

It should be noted that we are in no way trying to replace these teams, but rather we are a source of expertise to support their efforts. We often help businesses save around 30%-50% on industrial laundry services even when businesses have a procurement team.

Working through every line item and continually reviewing invoices is very intensive and requires a great deal of time that these teams may not have. We also have the knowledge and skills required to speak with the industrial laundry providers' upper-level management. Often, these people aren't accessible to the original procurement team.

### Real Savings Are Possible with a Full Uniform and Linen Service Audit by P3 Cost Analysts

If you're more than a mom-and-pop type business, the only way you can effectively save on uniform and linen service costs is to hire someone in-house that has a tremendous amount of experience in the industry, or you need to outsource to professionals.

