

A journey of laundry business from dhobi ghats to online marketplace

[Business](#)



It's laundry time and seems like organised players are giving the friendly neighbourhood dhobis a run for their money. With the entry of global companies into India and a firm positioning of domestic players, the laundry industry is just getting bigger and more quality-conscious. And to add to the upbeat mood, the global laundry industry has, to some extent, braved the recession.

India being one of the fastest growing economies, organised players are cashing in on this unique opportunity to enter the unorganised laundry market in a big way. And even as global and domestic laundry bigwigs make their presence felt, there is still a large unorganised sector waiting to be tapped.

India has a huge unorganised sector which needs to be professionally handled. The markets in India have not developed as they have in the US. However, India is going to grow in this business as there sees a need for organised players to provide world-class services and educate the unorganized sector.

The estimated size of the laundry market is Rs. 2, 20, 000 crore including the unorganised market (which includes dhobis, maid servants, and mom-and-pop stores). The sector is fragmented with 7, 67, 000 establishments, 98 per cent of which are micro-sized laundries with fewer than 10 workers, says a report by Euromonitor International.

Currently, the laundry market is largely dominated by offline players, who cater to the premium categories only. However, the price points set by these companies are not the best fit for a massive consumer base. Startups in the

online laundry space are trying to fill the gap by offering comprehensive solutions at an affordable price, while challenging themselves to build sustainable business models.

The organised segment comprises 2-3 per cent of the entire laundry market. The online part will be close to 25 per cent of the organised segment, with significant growth potential. There are abundant opportunities as the market is at a very nascent stage and no one player is very big now. Any player who has better technology and operations, and a strong focus on customer satisfaction will emerge as the leader. Read about Lush vision and mission

There are several factors that are driving the online dhobi services in India:

- Consumer-oriented services that have accelerated, owing to smartphone and Internet penetration in India on a massive scale
- On-demand services on the rise be it grocery, food, or household chores
- Increasing disposable income and unreliability of local unorganised players
- Difficulty in getting maid servants and lack of specialised wash care by local *dhobis*
- Unavailability of a one-stop solution for complete laundry needs

Several laundries have popped up across the country over the past year, yet we have barely scratched the surface in terms of the addressable market.

This is not a business based solely on logistics and delivering to your doorstep. The customer has to put a lot of trust in the service provider and it

requires to have a good and sound understanding of the backend to deliver on the promise.

With ever-increasing cost of real estate and decreasing cost of maintaining an online platform, it becomes easier to manage without being asset-heavy. Maintaining strict quality checks and scheduling remains a challenge for an aggregators-outsourced model.

As a player in a labour-oriented industry, the biggest challenge for the Laundry Project is recruiting and training the right people, changing the perception of the consumer and easy access to water.

Startups are of the view that online laundry is a new segment, which is yet to be a proven business model in India. The mentoring from investors and incubators, and the presence of a supportive ecosystem, will help startups focus on unit economics despite the high initial costs.

We have excellent angels guiding us. They have already been through this curve with other industries. As online laundry services mature, we will draw upon their experience of how to scale up without goofing up.

Online laundry services have tried to take the same path of discounting and forced customer acquisition through cash burn followed by e-commerce companies. But companies that will sustain are the ones doing justice over the long term for all stakeholders, and have a vision to build sustainable businesses. An increasing number of players in a particular segment leads to healthy competition, which pushes businesses to bring in better services through innovation and some amount of consolidation.

Like the e-commerce segment, yes, the laundry segment too has witnessed few startups shutting down and a lot of mergers and acquisitions taking place. In the laundry space, since the industry backend is underdeveloped, there will have to be sustained efforts to upgrade the complete ecosystem rather than aggregate what is currently available.

This space is likely to follow nature's age-old law - survival of the fittest. Only those businesses that are highly tech-enabled, and can execute and deliver a beautiful consumer experience at an affordable cost, will survive. Having said that, the Indian market is still big enough for at least a few players to coexist. At least, for all the *dhobis* out there.