

JLA/WASHSTATION MERGER INQUIRY

Summary of hearing with Photo-Me International plc on 22 May 2018 at 2pm to 3pm

Background

1. Photo-Me International plc (“Photo-Me”) is a provider of vending equipment and support services in the UK. Photo-Me entered the laundry services market offering full maintenance and service contracts following installation of self-service laundry kiosks in 2017.
2. Photo-Me said that it recently launched a new product, Revolution laundrette, in the market for the provision of laundry services.
3. Revolution is a 24/7 outdoor self-service launderette that is designed to sit in car parks, convenience stores, supermarkets and petrol station forecourts. Revolution launderettes are equipped with 8kg and 18kg washing machines, a built-in hypoallergenic washing liquid pump and a vented dryer. The Revolution laundrettes machines cost £[REDACTED] per unit.

Current business of Photo-Me in the UK

4. The main focus of Photo-Me business in the UK are supermarkets and petrol station forecourts.
5. Photo-Me said that its offering differs from the traditional model offered to higher education customers (HE customers), because it gives the universities flexibility in how they price and end-users can access laundry services 24/7. Additionally, Revolution laundrettes have a number of different payment options and are installed outside.
6. Photo-Me said that it does not currently tender for the provision of managed laundry services to HE customers, as its alternative offering does not lend itself to tenders which have prescriptive requirements.
7. Currently, Photo-Me currently has one customer in the HE sector ([REDACTED]). This customer approached Photo-Me directly, as it was dissatisfied with the level of service provided by the current supplier of managed laundry services. While Photo-Me aims to offer a laundry service to HE customers which it sees as a substitute to the traditional managed laundry service revenue-share model rather than a complementary service, Photo-Me laundrettes are currently a complement to the services provided to [REDACTED] by the current supplier of managed laundry services.

8. The service offered to [redacted] is akin to a fixed rental agreement: Photo-Me leases Revolution laundrettes and services and maintains these laundrettes.
9. Photo-Me said that it makes most of its profit selling/leasing its Revolution laundrettes at point of sale and generates a small return for its ongoing maintenance and repair services. Photo-Me also noted that the provision of laundry services is complementary to its other businesses, as it helps it to achieve efficiencies in the use of its service engineers' time.
10. When questioned whether Photo-Me would explore opportunities with customers that require a revenue-share model, Photo-Me said that it operates a revenue-share model in supermarkets and on petrol forecourts. This option was not offered to [redacted] as it wanted to set the vend-price of the laundry service and Photo-Me needed to achieve a certain amount of revenue to make a revenue-share model viable. However, Photo-Me indicated that it would be willing to offer managed laundry services based on a revenue-share model, provided that this was commercially feasible. In this regard, Photo-Me said that it currently operates a [redacted]% revenue-share in other markets based on three different vend options: the 8kg washing machine, which vends at £4 per wash; the 18kg washing machine, which vends at £8 per wash; and the 18kg dryer, which vends at £2 for ten minutes.

Views of Photo-Me on the supply of managed laundry services

11. Photo-Me said that the provision of managed laundry services to HE customers is dominated by JLA, Washstation and Armstrong and that HE customers currently have limited options available, as JLA, Washstation and Armstrong offer similar services.

Expansion of Photo-Me business in the UK

12. Photo-Me is planning to expand its laundry services business (in general) in the UK and has an installation target of [redacted] machines per year.
13. Photo-Me has not submitted any tenders for HE customers, due to their preference for a revenue sharing model. Photo-Me is targeting the installation of [redacted] machines within the HE segment within the period 2018/2019.
14. Photo-Me noted that it had received positive responses from HE entities, but that it found it difficult to gain traction, mainly because these entities are tied into long-term contracts with existing service providers.
15. Photo-Me noted that [redacted] the length of contracts with the incumbent provider has prevented HE entities from appointing Photo-Me.
16. Photo-Me said that it believed that the market for the provision of laundry services to HE customers will be important in the future. However, Photo-Me is focusing on the provision of its laundry services to [other customers than HE customers] [redacted].

17. Photo-Me indicated that if it were proactively approached by a potential customer in the HE segment, it would prefer a sales agreement alongside a maintenance and repair agreement, rather than a revenue-share agreement, due to [REDACTED].
18. Photo-Me noted that it appointed [REDACTED], a business management consultant, to explore whether HE customers were interested in its laundry services offering. However, Photo-Me indicated that [REDACTED] did not have much success because they felt the industry to be a “closed shop”.