

JLA/WASHSTATION MERGER INQUIRY

Minute of Discussion with Alliance Laundry Systems on 7 June 2018 at 11:00am – 11:45am

Alliance production

1. Alliance Laundry Systems (**Alliance**) is an American manufacturer of commercial and professional laundry equipment. They also do a limited amount of home laundry equipment which is only being distributed in selected countries, but not in the UK.
2. In the UK, Alliance does not have direct presence and sells its production via a number of distributors. In other countries, where Alliance has its own offices, it consequently has more in-depth knowledge of the local markets.
3. In the UK, Alliance has [redacted] distributors that vary in size. These distributors have their accounts with Alliance, buy the equipment directly from Alliance and either resell or rent it in the UK.
4. Alliance manufactures and sells a mix of machines:
 - a. Branded machines - Alliance's distributors represent its various brands, for example, Armstrong represents Speed Queen and Primus brands.
 - b. Non-branded machines - Alliance allows its distributors to brand the machines themselves.
 - c. Private-labelled machines – Alliance provides private-labelling to some of its distributors. For example, JLA has its own label/brand. Next to it JLA also represents other Alliance's brands, such as IPSO and Primus.

Washing machines used in HE

5. Higher education customers tend to use smaller machines with the capacity of approximately 10kg. Internally, this kind machine is referred to as semi-professional. Fully-industrial machines have a longer life span of around 30-35 thousand cycles, i.e. they are designed to run 8-12 hours per day. Semi-professional machines have a life span of around 12 thousand cycles or 2-3 hours per day.
6. Semi-professional machines are acquired by the following Alliance's distributors in the UK: [redacted].

Competitors

7. The main competitor of Alliance for the supply of semi-professional machines is Whirlpool Corporation, a company from the US (they make very similar machines (under the brand named Maytag). Other competitors are LG, Electrolux, Miele, Girbau (from Spain). Finally, there is a number of smaller manufacturers.

Payment systems

8. Alliance offers an OPL (on-premise laundry) version when a machine is used without any form of payment. Another version that Alliance offers is the prep-for-coin system, which is prepared for a coin meter/box to be put in. However, it is becoming less popular. The third version is the prep-for-card system, when a machine is prepared to have a card reader installed.
9. Alliance said that competitors offer very similar machines that can also have integrated card or coin systems.
10. Alliance explained that it is easy to change a machine from a coin system to a card system. Switching from OPL to a coin system is possible but not cost effective, as it would be easier and cheaper to buy a new machine.
11. The distributor either sources the coin meter from Alliance or locally. Alliance does not sell card systems [X].
12. Alliance stated that there is a wide range of suppliers of payment systems to a variety of different industries. The laundry industry is just a small part of their business.

Online systems

13. Alliance said that washing machines come without any connection to an intranet or internet. However, they can be connected later. Online systems are used to check whether a particular machine is being used or whether a washing cycle is finished.
14. Alliance offers software [X]. [X] buying Alliance's online system; other distributors do not buy it but are considering to start buying it.
15. JLA has developed its own online system.

Relationship with distributors

16. In the UK, Alliance does not have [X].
17. There is no [X] applied to distributors in the UK. The purchase of equipment ranges from [X] Euros up to [X] Euros. [X].
18. Alliance said that it [X] in the UK. Alliance has several partners buying [X] washing machines. As for the [X] machines, the [X].
19. Currently, Alliance is not looking for additional distribution partners as the company already has a wide geographic coverage, as well as covers most of sectors. If someone would come to buy machines, Alliance would redirect them to its existing partners. If someone would insist becoming a distributor, Alliance would look whether and how the potential distributor would differentiate itself from the existing partners.
20. JLA is the largest distributor purchasing the largest volume of machines. The second largest distributor is [X] smaller. If distributors started buying a significantly larger volume of machines, Alliance would have capacity to serve them.
21. Alliance expects its distributor Hughes/Armstrong to expand their business. Armstrong is becoming more active after it has been acquired by Hughes and [X]. Alliance anticipates this [X] %.

22. Alliance said that it offers [REDACTED]. Alliance has a list price on which they give discounts to their distributors. Most of the distributors get [REDACTED]. [REDACTED].

23. The list price is [REDACTED] Euros for a washer, and [REDACTED] Euros for a dryer.

Views on the merger

24. The merger did not have a significant effect on Alliance's business as it was a small acquisition. Alliance explained that Washstation was a small player and was buying machines from JLA and from the Whirlpool Corporation. [REDACTED] The merger may therefore have a small positive impact on Alliance.