

## **JLA/WASHSTATION MERGER INQUIRY**

### **Summary of discussion with F.Donald Forbes Co. Limited (“Forbes Professional”) on 13 June 2018**

#### **Background**

1. F.Donald Forbes & Co. Limited (“Forbes Rentals” domestic, “Forbes Professional” commercial) is an independent national rental services company specialising in Smart TV, Home Entertainment and Domestic Appliances with a large domestic and commercial customer base. The domestic business generates the majority of the annual turnover of Forbes Rentals ([X]%) which is around £[X]. Forbes Professional entered the commercial laundry services market four years ago. Forbes Professional provides commercial laundry equipment and service to the healthcare sector, care homes and the hospitality sector. The hospitality sector (eg hotels) accounts for the majority of its customers of managed laundry services, due to pre-existing commercial relationships. Forbes Professional identified the higher education sector (ie universities and private student accommodation providers), as a key area where they want to grow.

#### **The tendering process for the provision of managed laundry services to the higher education sector**

2. Forbes Professional said that the commercial market mainly consists of local dealers with only a limited number of national players such as JLA, Armstrong, Forbes Professional, Girbau and Electrolux. However, the latter two are more focussed on manufacturing and Laundryserv another national player has been purchased by JLA.
3. Forbes Professional noted that JLA, through its subsidiary Circuit, and Washstation have gradually cornered the market for the provision of managed laundry services to higher education (HE) customers over a number of years, by developing the payment infrastructure for machines and introducing software that enables end-users to check the availability of machines in realtime and a mobile app. Forbes Rentals indicated that these innovations have made it difficult to respond to tenders in the HE sector. In this regard, Forbes Rentals said that it recently responded to a tender for a customer in the HE sector and that the tender was highly prescriptive and seemingly based on the services provided by the incumbent supplier. Forbes Rentals said that it participated in a few tenders and did not succeed in winning.
4. Forbes Professional said that the only supplier of managed laundry services that can currently fulfil all of the requirements of a tender in the HE sector is JLA. However, Forbes noted that it is able to compete effectively with JLA in other customer segments of the managed laundry services market.
5. Forbes Rentals said that it is registered as a supplier for commercial laundry equipment with the Eastern Shires Purchasing Organisation (ESPO) and noted that it has not identified any prospective HE customers through the platform.

## **Possible constraints on entry/expansion into the market for the provision of managed laundry services to the higher education sector**

6. While Forbes Rentals currently has no large HE customers and only a limited number of smaller campuses, it indicated that it views this customer segment as important for growth in its commercial laundry services offering. Forbes Rentals has set aside capital to enter the market for the provision of managed laundry services to HE customers. It is aiming to secure [redacted] HE customers in the next 12 months.
7. Forbes Rentals said that the capital required to purchase machines and refurbish laundrettes could act as a constraint for potential entrants, particularly when combined with high commission levels in vend share agreements. By way of example, Forbes Rentals set out that for a university tender with ten laundry rooms and 100 machines, it would have to pay upfront £[redacted] per stacked machine and £7,000- £10,000 for room refurbishment (cladding, pipeworks, electrics, furniture etc) and it takes at least [redacted] before that capital amount is recovered.
8. While Forbes Rentals would be willing to offer a vend share agreement, and commission levels might potentially be achievable, it prefers the fixed rental model.
9. Forbes Rentals indicated that only Alliance machines are readily available to source from the UK and able to support the functionality specified in tenders because Alliance OEM branded machines are the only machines with remote viewing to show machine availability. In this regard, Forbes Rentals noted that JLA or James Armstrong & Co Ltd are the distributors of these machines in the UK. Forbes Rentals said that this creates an uneven playing field as JLA and James Armstrong & Co Ltd are able to obtain a better margin on these machines. It also noted that Miele machines (for which it is a dealer) are not suited to HE customers, because they are significantly more expensive than Alliance machines.
10. Forbes Rentals said that it is easier to enter the market for the provision of managed laundry services to other customer segments such as for care homes and the hospitality sector, as the requirements are less prescriptive, there are no room refurbishment upfront costs and a greater variety of machines can be sourced to meet the specifications sought.
11. Forbes Rentals said that it considered the HE segment to be a distinct market, because of the vend sharing model and the requirements of HE customers. However, Forbes Rentals said that private accommodation providers to HE customers are seemingly becoming more receptive to alternative arrangements such as fixed rental agreements as they are dissatisfied with their current vend share arrangements.

## **Effects of the merger**

12. Forbes Rentals said that JLA's acquisition of Washstation, and previous acquisition of PHS Laundryserv, have served to strengthen its position in the managed laundry services market.
13. Forbes Rentals noted that it had been approached directly by two prospective HE customers as a result of the merger.