



## BENCHMARKING FOR LAUNDRY PLANT OPERATIONS

Consultants review benchmarking criteria and analytical methods for improved performance

By Bob Bowe and Michael Dodge

**W**hat is a benchmark? A benchmark is something that serves as a standard for others to measure against. The advantage to using benchmarks is they may identify opportunities in the operation to improve quality, efficiencies or throughput. Comparing plants to a known standard may help provide return on investment (ROI) expectations for capital projects to offset rising labor costs.

### HOW BENCHMARKS ARE USED

In laundry plant operations, key production indicators (KPIs) often serve as benchmarks. Some KPIs include:

- Pounds per operator hour (PPOH)
- Therms of natural gas used per pound of linen produced
- Kilowatts of electricity used per pound of linen produced
- Gallons of water used per pound of linen produced

- Inventory (garment and linen) costs as a percent to sales

On average, these items combined represent about 40% of production costs. The beauty of using pounds vs. revenue as a metric is that revenue per pound can vary greatly across markets, while pounds provide a more stable measure of production. However, the product mix of pounds will cause large differences between facilities. Likewise, the amount of automation in a facility will cause a large disparity when benchmarking/measuring individual facilities. It is important to pick “like” facilities to benchmark against. The more similar; the more information one can draw from the comparison.

Other laundry benchmarks include:

- Revenue per pound
- Labor costs as a percent to sales
- Reject (rewash and rag) percentages

The first step in a benchmarking program is to identify the KPIs to use in the effort. The second is to identify other facilities that would be good to benchmark against. If the company

owns several plants that are similar, the company can benchmark against itself. Operations with only one facility must get information from other companies to compare. Even with multiple facilities, it is often helpful to compare with outside operations to see other ideas and approaches to similar challenges. Company managers with similar operations across the North America may have personal relationships they can use to get information. TRSA and other industry groups have information on benchmarking for various categories as well (see examples below). Third-party companies (vendors, consultants, etc.) also have established peer groups, including cost groups comprised of non-competing independent companies from across the industry to share this kind of data.

### BENCHMARKING PROTOCOLS

Below are some tips for pursuing effective benchmarking. Initially, don’t overextend and try to benchmark all available KPIs. The influx of data can overwhelm an operator. That can lead to “analysis paralysis.” Remember, collecting this data takes time and without analysis and action taken from the findings, this time is wasted. Initially, focus on pounds per operator hour (PPOH). This all-encompassing metric addresses the overall efficiency of the operation. Managers can develop action plans, both labor and process improvements, based on this data.

PPOH is calculated by measuring the pounds of laundry processed in a given time period vs. the number of labor hours needed to process those pounds. Typically, soil pounds are used in this calculation. However, some laundries use clean pounds or calculated wash weight to determine PPOH. Ensure that the facility used to benchmark uses the same approach as the facility to which it’s compared. Soil pounds are captured at a soil scale, prior to washing. Understanding the soil factor for each item produced will enable a plant

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using clean weight to compare with a plant using soil weight and vice versa.

Limit production hours to employees who work directly in processing textiles, vs. janitors, drivers, managers, etc., in this calculation. Also ensure that benchmarked plants use the same positions/operations in their calculations.

Laundry classification (Product Mix) greatly affects the anticipated PPOH. Industrial laundries have higher PPOH than food and beverage (F&B) laundries. Medical and hospitality laundries with automation—pickers, feeders, folders, baggers, etc.—will have higher PPOH as well. Mat facilities will probably have the highest PPOH due to the heavy nature of these products and the small number of hours used to process them. A truly mixed plant will usually have a lower PPOH. Ensure that the plants used to benchmark/compare have a similar product mix.

Automation is a major factor in PPOH. A facility using a bagger is 2–3 times as productive as one hand folding towels. A facility using a stack and store is 60% more productive than one feeding napkins to a “catcher.” Automated wash floors can be five times more productive in terms of PPOH than manual operations. Make sure the plants compared have similar levels of automation. While automation is capital intensive, comparing plants with a similar product mix with those that differ on automation could help determine ROI.

Remember what a benchmark does. It provides information that we can use to improve operations. For our PPOH measure, the following aspects of our laundry operation impact this number:

- Product Mix
- Material Handling
- Automation of Equipment
- Customer Service (count soil and packout by account or bulk load?)



TRSA offers members and nonmembers a diverse range of publications to assist laundry operators seeking to benchmark various aspects of their operations. Examples include:

- *Industry Performance Report*
- *Plant Employee Compensation Report*
- *TRSA Healthcare Benchmarking Report*
- *Lodging Linen Loss Reduction Guide and Benchmarking Study*

To learn more or place an order, visit: [trsa.org/store](https://trsa.org/store)

### ■ Plant Layout (travel time)

Each benchmark has influences that account for the differences between laundries. Operators need to identify and analyze these differences similar to the PPOH benchmark. Understanding these differences can provide a roadmap for prioritizing plant improvements. Operators can determine the ROI for these plant improvements by tracking the expected increases in affected KPIs.

## IMPROVED ANALYTICAL APPROACHES

After noting the differences between facilities that affect each benchmark, analyze the numbers. Does the result show the facility exceeding the benchmark? If so, why? Does the result show the facility underperforming the benchmark? Again, if so, why? Can the operator boost results by improving individual or group productivity? Is the facility able to evaluate productivity? Is the operator using that method? Is it adequate? Do we need to improve the method to improve productivity? If so, what options are available?


How does the facility approach the accountability of the individual or team? Are employees receiving constructive feedback? Is there give and take to hear what the associates are saying? Is the operator working to remove obstacles identified as hindering performance?

Do the benchmarked facilities use different material-handling solutions that impact the overall result? Is there sufficient ROI to change the material-handling solutions to improve the metric? The message is to analyze the differences between the laundries that’s causing a difference in performance.

After thoroughly analyzing PPOH, then move on to other KPIs. Look at energy and inventory costs. Look at costs in relation to revenue. It’s possible that the data will show that increasing revenue to reflect increased cost is due. How do other facilities compare?

Benchmarking other departments (besides Production) in the operation could also help. For example, how much revenue/stops/miles does each route run? What’s the average stop size? How many routes does each service manager control? How much revenue? Each data point evaluated provides helpful information for the service department.

While this process takes time and effort, analyzing the data and asking these questions will provide insights on the operation. Improved financials, better-performing teams and improved capital planning are in sight! **TS**

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