LavanderiApp

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The Care Economy Knowledge Hub

Profiling Businesses in the Care Economy

The care economy consists of paid and unpaid labor and services that support caregiving in all its forms. In Africa, Asia and Latin America, women spend between three to five times as many hours on unpaid care and domestic work as men. This represents 80 percent of a household's total hours devoted to unpaid care work.

Care economy businesses can help recognize, redistribute, reduce and reward – also known as the 4 Rs – unpaid and paid care and domestic work in the following ways:

Recognize: Initiatives that increase visibility and recognition of paid and unpaid care and domestic activity as "productive" work that creates real value and contributes to economies and societies.

Redistribute: Services and initiatives that redistribute care work from individuals to public and private sector entities, and redistribute care and domestic work within the household.

Reduce: Products and initiatives that reduce the time spent on and burden of unpaid care and domestic work.

Reward: Products, services and initiatives that ensure that care and domestic workers are paid fairly and have professional growth potential. This provides them with financial reward and security.
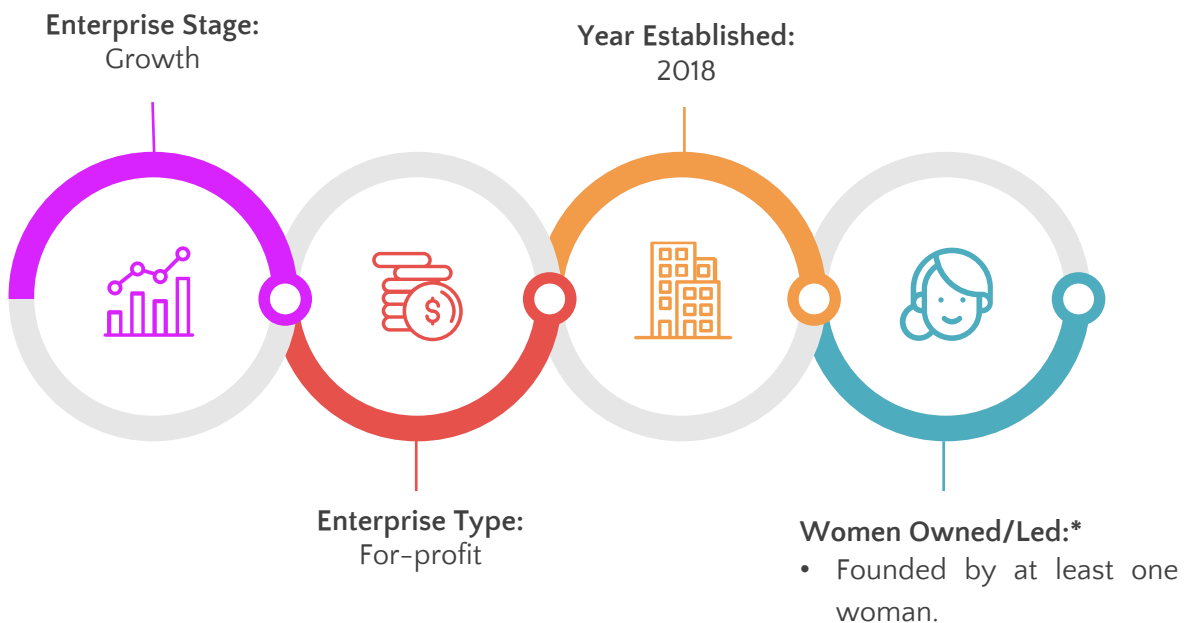
The Care Economy Knowledge Hub aims to address the knowledge gap around care businesses by showcasing various business models and creating a resource base for relevant stakeholders. It also aims to raise awareness and increase knowledge of the state of impact–driven care economy business models and attract a broad range of funders to invest in care economy solutions by showcasing opportunities. These business profiles are intended to showcase said potential investment opportunities. They have been created from information and data provided by the business itself.

This project is supported by Canada's International Development Research Center, in partnership with the Soros Economic Development Fund at the Open Society Foundations. Building on their track record and commitment to transforming the care economy and mobilizing finance for gender equality, they have jointly launched this action research program to help transform the care economy through impact business and investment.

1. About The Enterprise

1.1 Problem

According to Mexico's latest National Time-Use Survey, women and girls over the age of 12 spend (on average) 30.8 hours per week on average on unpaid domestic activities such as cleaning, cooking, and laundry. This is compared to only 11.6 hours (on average) for men.[1] In particular, women spend an 4.9 hours on average a week specifically on laundry activities, compared to 2 hours for men.[2] Households without a washing machine spend an average of 3.37 hours per week doing the laundry, relative to 2.69 hours for those that own laundry appliances.[3] Moreover, increasing female labor participation rates (from 35% in 1990 to 47% in 2021)[4] have resulted in a higher demand for paid domestic services.[5] However, low and middle-income households often find laundry services both inaccessible and expensive.[6]

In Latin America, both paid and unpaid domestic work has traditionally been carried out by women.[7] In Mexico, there are over 1.8 million domestic workers, 98% of whom are women.[8] Furthermore, nearly 97% of Mexican domestic workers are in the informal sector and have low educational attainment levels. This prevents them from accessing social security benefits, as well as exposes them to unsafe working conditions.[9]

There are currently 30,805 Mexican establishments providing laundry and dry cleaning services, with a total of 66,000 employees (68% of whom are women).[10] However, 66.2% of

[1] INEGI (2019) Encuesta Nacional sobre el Uso del Tiempo. Retrieved from: https://www.inegi.org.mx/contenidos/programas/enut/2019/doc/enut_2019_presentacion_resultados.pdf

[2] INEGI (2019) Encuesta Nacional sobre el Uso del Tiempo. Retrieved from: https://www.inegi.org.mx/contenidos/programas/enut/2019/doc/enut_2019_presentacion_resultados.pdf .

[3] INEGI (2019) Encuesta Nacional sobre el Uso del Tiempo. Retrieved from: https://www.inegi.org.mx/contenidos/programas/enut/2019/doc/enut_2019_presentacion_resultados.pdf

[4] García et al. (2022) Determinants of women's economic participation in Mexico: a job qualification approach. Retrieved from: https://www.scielo.org.mx/scielo.php?pid=S2395-87152022000100069&script=sci_arttext&tlng=es

[5] ILO (2021). Making decent work a reality for domestic workers: Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 (No. 189). P. xviii. Retrieved from: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_802551.pdf

[6] Gobierno de México (2018). Lavar la ropa, fuera o dentro de casa: una decisión que puede deslavar el bolsillo. Retrieved from: https://www.gob.mx/profeco/documentos/lavar-la-ropa-fuera-o-dentro-de-casa-una-decision-que-puede-deslavar-el-bolsillo?state=published

[7] ILO (2021). Making decent work a reality for domestic workers: Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 (No. 189). P. 13. Retrieved from: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_802551.pdf

[8] Gobierno de México (2022) Trabajadores Domésticos. Retrieved from: https://datamexico.org/es/profile/occupation/trabajadores-domesticos-9611?employSelector3=workforceOption&typeJob1=informalOption&typeJob3=informalOption#informalidad-evolucion

[9] Gobierno de México (2022) Trabajadores Domésticos. Retrieved from: https://datamexico.org/es/profile/occupation/trabajadores-domesticos-9611?employSelector3=workforceOption&typeJob1=informalOption&typeJob3=informalOption#informalidad-evolucion

[10] ILO (2021). Making decent work a reality for domestic workers: Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 (No. 189). P. 18. Retrieved from: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_802551.pdf

these employees are considered informal and therefore their average remuneration is below the National Minimum Wage.[11] Only 6.7% of employees working in the industry have received formal training, jeopardizing the quality of the services provided.[12]

1.2 Solution

LavanderiApp provides affordable and flexible laundry services for low and middle-income Mexican households unable to purchase a washing machine, or hire a regularly scheduled domestic worker. Laundry services include: pick up, washing, drying, folding, and delivery. Extras may be added to include: stain treatment, ironing, or dry cleaning (for additional fees). LavanderiApp services work as follows: i) the household requests a service through the app (either as a part of a subscription, or as a one-time service) and indicates the address and time for said service(s) delivery; ii) laundry workers living nearby (90% of whom are women) accept the service and pick up the laundry; iii) the laundry worker performs the service(s) requested at their own home, using their own appliances; iv) the laundry worker returns the clothes to the customer. LavanderiApp's business model allows the company to charge fees that are 50% lower than traditional laundry services, as the company does not have the expense of a physical space, nor of washing machines and driers. The aforementioned represent the highest operational costs for businesses in the sector.[13]

As mentioned previously, the company matches[14] households with laundry workers (the majority of whom are low-income female heads of household between the ages of 30 to 65). As part of the LavanderiApp recruitment process, all laundry workers must complete an online certification, which includes information about the company, benefits they may access by joining the app, as well as instructions on various safety and control measures for service delivery. Laundry workers provide all services from their homes during service hours they set up for themselves. To prevent work overload, all laundry workers must complete a service before accepting the next one. Furthermore, to avoid commuting and high transportation costs, they can only accept services within a 5km range of their homes. After laundry workers provide the services, LavanderiApp pays their fees and taxes through its digital platform. The company also enables laundry workers to earn above the average market remuneration (compared to traditional laundry shops), as their monthly income may be up to US$400. This is almost 180% higher than the average monthly wages for laundry workers in Mexico.[15] Laundry workers receive regular

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[11] The average remuneration for laundry workers is around US$ 225 and the National Minimum Wage is US$ 260. Retrieved from: https://www.inegi.org.mx/contenidos/productos/prod_serv/contenidos/espanol/bvinegi/productos/nueva_estruc/889463905240.pdf

[12] INEGI. (2022). Conociendo la industria de lavanderías y tintorerías. Retrieved from: https://www.inegi.org.mx/contenidos/productos/prod_serv/contenidos/espanol/bvinegi/productos/nueva_estruc/889463905240.pdf

[13] El Financiero. (2019). LavanderiApp moderniza 'lavar ajeno". Retrieved from: https://www.pressreader.com/mexico/el-financiero/20191022/281861530283034

[14] LavanderiApp gives low-income women the possibility to become self-employed as laundry workers.

[15] El Financiero. (2019). LavanderiApp moderniza 'lavar ajeno". Retrieved from: https://www.pressreader.com/mexico/el-financiero/20191022/281861530283034

training on different types of procedures and products, in order to guarantee high-quality and reliable laundry services. Moreover, workers registered to the app have access to legal advisory services and psychological support services, should they be experiencing domestic violence.

Finally, the company has a partnership with Lana. Lana serves individuals working in sharing economies helping them access financial services through technology. Lana provides access to private health insurance, telecommunications, legal and accounting services, etc. in order to promote financial inclusion. LavanderiApp also assists laundry workers in opening bank accounts, enabling them to directly receive and manage their income. As a result, nearly 85% of LavanderiApp's laundry workers have a bank account (prior to working with the company, the figure was less than 50%).

1.3 Enterprise Model

LavanderiApp operates a sharing economy business model. This model is based on individuals supplying a service, while others demand it.[16] Currently, 90% of the company's customers are young adults, without children, in middle-income households. The remaining 10% are low-income households from the city's suburbs, whose members tend to work in urban centers during the day. Therefore, they struggle to find traditional laundry services that are open after returning to their homes.

Customer Segment	Product / Service Provided	Paid / Unpaid
Households	**Laundry services:** Households request laundry services through LavanderiApp's platform. Services include: washing, drying, and folding. Additional services may also include: stain treatment, ironing, or dry cleaning (for an additional fee).	**Paid:** Households request the service through the app and pay a fee according to laundry weight. The minimum order is US$5 and fees range from US$1.45–US$9 per kg.
Laundry workers	**Self-employment and income-generating opportunities:** Individuals, 90% of whom are women, are able to offer their laundry-related services through LavanderiApp.	**Unpaid**

[16] Cespedes, H. (2022). "Collaborative Business Models: The Time Has Come to Talk About Them in an Introductory Way". Retrieved from: https://www.linkedin.com/pulse/collaborative-business-models-time-has-come-talk-them-cespedes-a-/?trk=articles_directory

Customer Segment	Product / Service Provided	Paid / Unpaid
Laundry workers	**Online training platform Lana:** Laundry workers have access to regular training on different laundry procedures and products. In addition, the company's partnership with the fintech Lana allows laundry workers to access financial and credit services, medical services, health insurance, phone services, legal and accounting services, etc.	**Unpaid:** All laundry workers must be certified in order to provide laundry services. They receive additional training after they are recruited.

1.4 Team And Governance Structure

LavanderiApp's team consists of 5 full-time employees, 3 men and 2 women. Its management board is formed by the COO, the CEO, and 2 of the company's early investors: an angel investor and a member of the Fly Capital Fund. The board consists of 2 women and 2 men. Moreover, there are 800 certified laundry workers registered with LavanderiApp's platform, 90% of whom are women.

1.5 Enterprise Policies

Policy	Yes / No
Overall HR Policy	Yes
Equal pay for equivalent work policy	Yes
Non-discrimination / Equal employment opportunity / Diversity and inclusion policy (gender, LGBTQ, PWD, etc.)	Yes
Anti bullying and sexual harassment policy / Respectful workplaces	Yes
Whistleblower policy / Employee grievance mechanism	No
Maternity / Paternity leave policy	Yes
Safeguarding policies for vulnerable groups (children, elderly, PWDs)	Yes
Safeguarding policies for the environment or to reduce detrimental impact on the environment (covers reducing carbon footprint, reduced water consumption etc.)	Yes

2. Impact

2.1 Mission Statement

LavanderiApp's mission is to connect households that need laundry services with women who wish to gain additional income to support their families by providing said services. The company aims to guarantee the safety and comfort of both client households and its laundry workers.

2.2 Intended Impact

LavanderiApp currently impacts the following R's:[17]

- It **redistributes** domestic work, in particular laundry responsibilities that are often undertaken by women, to a third party.
- It **reduces** the amount of time households, particularly women, spend on unpaid domestic work.
- It **rewards** laundry workers by providing them with the opportunity to become self-employed, receive above-market remuneration, and access training and financial services.

2.3 Monitoring And Measurement

LavanderiApp captures data for the following indicators in order to monitor the quality of its services and employee satisfaction:

- Net promoter score:[18] to rate the customer's experience. This is captured each time a customer requests a service through the platform.
- Average net promoter score: to rate (on average) all services received by a customer. This is captured monthly.
- Employee net promoter score: to evaluate the organization's climate and employee loyalty. This indicator is captured quarterly.

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[17] According to the care economy's theoretical frame, the 4Rs in which the care economy may have an impact are: Reduce, Redistribute, Reward and Recognize.

[18] The Net Promoter Score is an indicator used by customer's experience programs that estimates the level of loyalty of customers by asking them one single question. Definition taken from: https://www.qualtrics.com/es-la/gestion-de-la-experiencia/cliente/net-promoter-score/

2.4 Results To Date

The company has served over 4,000 customers who report that LavanderiApp's fees are 50% lower than other laundry service chains.[19]

Currently, LavanderiApp has 800 certified laundry workers. The majority are low-income women between the ages of 30 and 65 years. In addition, there are 100 laundry workers who provide services less frequently (one service in the last 45 days). By enabling workers to be self-employed, the company allows them to earn up to $US400 (8,000 Mexican pesos) monthly (if they provide one service a day).[20] Moreover, by providing assistance to open a bank account, the company has enabled nearly 85% of its laundry workers to access formal financial services. The company has also assisted laundry workers who are survivors of domestic violence, by providing them with psychological support and legal advice.

As a way to contribute to the protection of the environment, the company has developed an annual project in alliance with Vanish (and other similar NGOs) to recycle clothing. The partnership works as follows: i) customers donate clothing in good condition; ii) Vanish provides LavanderiApp's laundry workers with supplies to clean the clothes; iii) the clothing is delivered to NGOs, who recycle and transform them into new products or clothing.

LavanderiApp's work is aligned with the following Sustainable Development Goals (SDGs):

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[19] The Net Promoter Score is an indicator used by customer's experience programs that estimates the level of loyalty of customers by asking them one single question. Definition taken from: https://www.qualtrics.com/es-la/gestion-de-la-experiencia/cliente/net-promoter-score/

[20] El Financiero. (2019). LavanderiApp moderniza 'lavar ajeno". Retrieved from: https://www.pressreader.com/mexico/el-financiero/20191022/281861530283034

3. Financials

## 3.1 Financial Status

LavanderiApp aims to be financially profitable in the next 3 years.

Particular (Amounts in USD)	FY2019	FY2020	FY2021
Total Revenue	25,000	5,000	10,000
Total Expenses	20,000	15,000	15,000
EBITDA OR Profit/ Loss	5000	–10,000	–5,000
EBITDA Margin	20%	–200%	–50%

3.1.1 Revenue Streams

The graphic below depicts revenue details reported by LavanderiApp for the past three years. Between 2020 and 2021, it increased by 200%. The company's revenue comes directly from commission fees charged on every service provided.
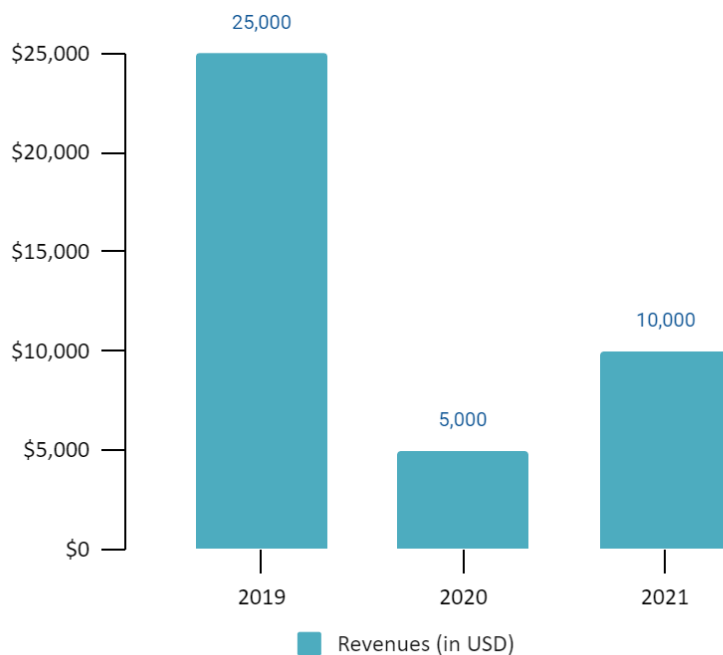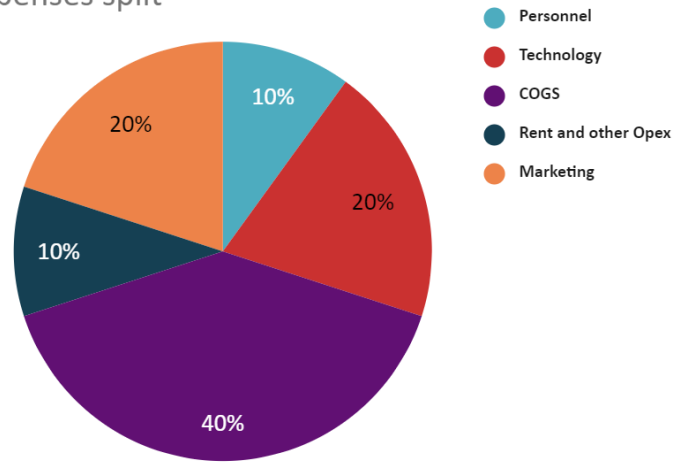
3.1.2 Expenses

The following pie-chart provides details of the key past expenditure areas for LavanderiApp between 2019 and 2021:

- Personnel: 10%
- Technology: 20%
- COGS/cost of raw materials: 40%
- Rent and other opex: 10%
- Marketing: 20%

Expenses split

Legend:
- Personnel
- Technology
- COGS
- Rent and other Opex
- Marketing

3.2 External Funding Sources (Past and Current)

Initial investments in the information technologies area were made by angel investors and the Fly Capital Fund, through convertible notes. These funds were used to advance the company's high technological requirements. In 2020 the company became financially profitable and therefore it does not currently depend on additional external funding sources.

Since 2018, LavanderiApp has received in-kind donations (mainly via laundry supplies) from organizations such as: Vanish, Procter and Gamble, Ariel, and Downy. Products were directly delivered to its laundry workers.

3.3 Challenges Faced In Accessing Capital

The company struggled to access capital from impact investors interested in the sharing economy model in 2020, as the market was mainly focused on fintech companies. As a consequence, the founders chose to bootstrap the company with their personal savings and income from initial sales. They also conducted a cost reduction and optimization process in order to maintain operations without additional investments.

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4. Path To Scalability

4.1 Potential Avenues For Growth

LavanderiApp has identified the following avenues for growth:

- **Franchise model introduction:** LavanderiApp aims to expand its operations to different cities in Mexico through the implementation of a franchise model.
- **Geographic expansion:** In the long run, LavanderiApp plans to expand throughout the Latin American region. It wishes to become a flexible and market-based solution for both laundry workers and customers.
- **Appliances provision:** LavanderiApp is working on establishing a partnership with the manufacturer Servax, in order to furnish registered laundry workers with new washing machines.

4.2 Risks And Challenges

LavanderiApp has identified the following challenges:

- **Technology:** The company's technological requirements to guarantee the platform's updated functionality may represent a hurdle for its expansion across the Latin American region, due to the need for heavy and continuous investments in this area. Much of the initial investment in the app was used to develop the infrastructure of the platform, as it initially operated solely through WhatsApp. Moreover, the company faced challenges regarding the digital inclusion of its laundry workers, most of whom are women between the ages of 30-55. This led LavanderiApp to redesign and adapt its platform's user interface.
- **Regulatory framework:** Currently, some governments are beginning to discuss regulation for companies operating under sharing economy models. For this reason, the company faces major uncertainty with regard to legal matters, such as the employment of part-time and full-time employees. This may increase its costs, or even prevent it from continuing operations under such a business model.

4.3 COVID-19 Impact On The Enterprise

The laundry services market experienced a significant contraction (nearly 60%) during the COVID-19 pandemic. Due to lockdowns and the implementation of remote working, many households experienced a reduction in the need for laundry services. This resulted in a significant drop in LavanderiApp's laundry workers' earnings. To offset the impact of the pandemic on its laundry workers' incomes, LavanderiApp began to provide sanitization services and temporarily reduced the company's service commission percentage from 20% to 10%.

4.4 Support Received To Date

LavanderiApp received technical support and digital marketing advisory services from Google Mexico, which also recognized the company as one of the most innovative social impact startups in 2019. In addition, it won the Mexican contest "*Te la compro*" in 2018. Further, it was able to participate in an acceleration program provided by the Fly Capital Fund, which aimed to support the company's growth and scalability.

4.5 Inputs Required For Growth

- **Financial support:** LavanderiApp is seeking US$500,000 to broaden its network of customers and laundry workers, as well as to develop and assess the feasibility of its expansion strategy.

- **Non–financial support:** The company is looking for partnerships aimed at supporting and developing its operations in terms of technology and regulatory aspects, as well as enhancing its investment attraction strategy.