

The Wild West of Organic Drycleaning: Demystifying Opportunities for Investors

By
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Key Takeaway: *Eco-friendly startups are hoping to disrupt the lightly regulated dry cleaning industry – but first they have to teach customers why words like “green” and “organic” are sometimes empty.*

Dry cleaners, sometimes two, sit on nearly every New York City block. Despite so many choices, Nilay Gupta, like a growing number of residents, prefers to haul his dirty laundry on the subway many blocks to a rival that claims to be environmentally friendly.

But is it worth the trip? With a lack of regulation over what can be called “green” or “organic,” concerns are rising that consumers, charged double at eco-friendly shops over traditional launderers, aren’t getting what they pay for and the environment isn’t getting much benefit.

Dry cleaning customers may not be aware that most dry cleaners purporting to be “natural,” “green,” or “organic” don’t launder clothes any differently than their competitors. Such terms are unregulated in the industry, allowing businesses to take a small step, such as reusing hangers or using organic detergent for the wash and fold, to make a broad claim of being eco-friendly. They may dry clean the traditional way, using a bath of liquid chemical solvents that can be dangerous to humans and present environmental hazards such as contamination of soil, water and air.

In recent years, startups have emerged to provide a truly eco-alternative to concerned consumers like Gupta.

“I drag my laundry from Queens because I care about the environment. My building has a dry cleaner, but I haven’t tried it,” he told Karma as he dropped off jackets at the Gramercy location of [The Eco Laundry Company](#). Eco Laundry charges \$20 to dry clean a two-piece suit, while a cleaner a few blocks away charges \$7.50.

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Still, the company has hundreds of customers who are willing to pay a premium for the health and environmental benefits of their method. In addition to offering a safer way to launder clothes, the company hired LEED-certified architects to design its spaces, uses garment bags made from USDA organic salvaged and recycled materials, and devotes 1% percent of revenue to planting trees.



The Eco Laundry in Manhattan’s Gramercy location has become popular with New Yorkers concerned about the environmental impact and health effects of dry cleaning.

Like many founders in this industry, Phillippe Christodoulou came up with the idea for The Eco Laundry after becoming curious about how his dry cleaning was being handled and realizing that the industry is not very transparent about its practices.

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The lack of clarity may be why green dry cleaning startups have been few, and aren’t attracting much investment.

Most dry cleaners rely on a solvent called perchloroethylene, or “perc,” to clean garments, even though the chemical is [known to cause cancer](#). The Environmental Protection Agency requires dry cleaners to limit the amount of perc emissions, and California has required it be phased out completely by 2023. Several other states, including New York, have considered bans.

Many dry cleaners, meanwhile, continue to use perc, or turn to chemical alternatives that may not be much better. More environmentally sound options have emerged. There’s a silicon-based solvent called GreenEarth, whose maker has partnered with Procter & Gamble, as well as hydrocarbon chemicals and wet cleaning, which is considered by some to be the safest route.

Still, the only way to know what method a dry cleaner uses is to ask. The [Green Cleaners Council](#) also certifies some cleaners.

Part of the problem facing the \$26.5 billion dry cleaning and laundry industry, as estimated by BIA/Kelsey, is that it is highly fragmented: There are more than 30,000 dry cleaning facilities around the country, and the 50 largest businesses account for less than 10% of revenue, according to the Dry Cleaning & Laundry Institute. Most dry cleaners are small businesses, frequently owned by recent immigrants because of the low barrier to entry.

Environmental Impact

For that reason, some regulators have chosen not to go after the business owners for purporting to be “green” or “organic” in what could be deceptive advertising, according to Steve Whittaker, who is the research services program manager for the Hazardous Waste Management Program in Washington State’s King County and who has studied the environmental impact of dry cleaning extensively.



Jean Calleja, co-owner and president of The Eco Laundry Company, helps customer Nilay Gupta at the startup's Gramercy store in Manhattan.

Because margins are low, few can afford the \$50,000 to \$70,000 it takes to convert to wet cleaning, according to Wittaker's estimates.

"At the end of the day, we concluded these businesses, many of whom are minority-owned, many of whom are struggling, haven't recovered from the recession. We didn't feel it was appropriate for us to go after the small-business owners," he said.

Instead, the county piloted a grant program to cover some of the cost of switching traditional dry cleaners to wet cleaning and has successfully helped 12 shops transition over the last 18 months. They have 50 more cleaners in the county that they expect will make the switch.

Lack of Guidelines

One of the biggest challenges for the industry is educating the customer. Most consumers have no idea how dry cleaners handle clothes, and they can get upset when they realize that their wool suits and dresses marked "dry cleaning only" are going through a wet wash. In fact, wet cleaning relies on specialized washing methods that advocates say have been proven to safely launder garments.

“There’s a lot of work to do in terms of raising the public’s awareness. Most people do not know essentially what’s happening is that their favorite blouse or pants are in a bath of liquid that has been associated with cancer and other health problems,” Whittaker said.

That’s also a challenge for eco-friendly startups operating in the space. For them to grow, customers need to be aware of what makes their businesses different from the average dry cleaner that claims to be organic.

Although business owners rarely welcome greater regulation of their industry, several founders of recent startups said they would like a more enforced definition of “green” dry cleaning to provide clarity.

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“For consumers, it’s really difficult to tell who is for real. It would be great to have some regulation around who can use that label,” Dan Miller, president and founder of [Mulberrys Garment Care](#), told Karma.

Green Startups

Lack of consumer awareness may explain why more startups haven’t revolutionized the dry cleaning space – and why more funding hasn’t flowed to the opportunity. There are fewer than a dozen such companies in operation, and most are funded by individuals or accelerator and alumni venture groups.

The exceptions – including [Rinse](#), which has raised \$23 million, and [Cleanly](#), which has raised \$7 million – have focused less on being eco-friendly than on convenient perks such as home delivery. Those exploring the market also have a cautionary tale in Washio, which raised \$17 million and was backed by Ashton Kutcher, but [went bankrupt three years ago](#) as it tried to disrupt the laundry business with fast turnaround cleaning.

Rinse, which operates in its home base of San Francisco as well as four other metro areas, markets flat fees, delivery options, and reusable bags more than the fact that the

company does not use perc. Joe Senn, head of marketing for Rinse, told Karma that there have been times when the company has considered using perc for its cost and convenience, and resisted primarily because the founders insisted against it.

“What we find is that perc is not like a No. 1 thing that is top of mind for customers. When we educate them about it, they’re very happy and they see it as a value add,” Senn said.

The Eco Laundry, which in addition to its Manhattan and California locations will soon open an experimental space in Denver where customers can watch and even participate in the cleaning process, has established itself as a garment expert, drawing clients from the fashion industry.

Mulberrys, which has 20 storefronts around Minneapolis, San Francisco and Dallas, offers free coffee and treats at its “boutiques” and returns clothes — which are cleaned using a corn-based alternative to perc — on reusable wooden hangers.

Still, Mulberrys’ Miller said he is optimistic that funders will see the opportunity in dry cleaning. While investors have traditionally been wary of the industry because of the environmental impact of dry cleaners, he believes that is starting to change.

“The fact that we can now do dry cleaning in a safe, responsible way really creates a market opportunity to change the industry,” he said.



Ambreen Ali is a freelance writer and editor based in the New York City area who specializes in business and technology. She has 15 years of reporting experience, including covering Capitol Hill and reporting from South Asia.