Profile

Innovative firm cleans up

This is one business that thrives on its clean approach to dirty laundry, with impressive results for its bottom line and the environment.

Mark Fenton-Jones

An Australian company has invested about $2 million over two years in a system that could substantially cut a laundry's carbon footprint while making significant inroads into energy and utility costs.

Michael Skry and son David have taken South African technology based on ultraviolet light to develop an ozone system specifically for the laundry market.

The pair founded Ozone Technology in 2005 to create their ozone generator that uses UV light to produce ozone as a cleansing and disinfection booster for industrial applications.

Ozone can be produced in a variety of ways but for industrial applications it is generated by ultraviolet light or electrical discharge, similar to the way lightning produces ozone during a storm.

Ozone Technology claims its ozone system using UV light is a fraction of the cost of the corona discharge systems now available.

"The corona discharge systems require more equipment and time for an installation and therefore their costs are higher," says operation manager Dean Constable. The ozone system takes about an hour to install on a laundry machine.

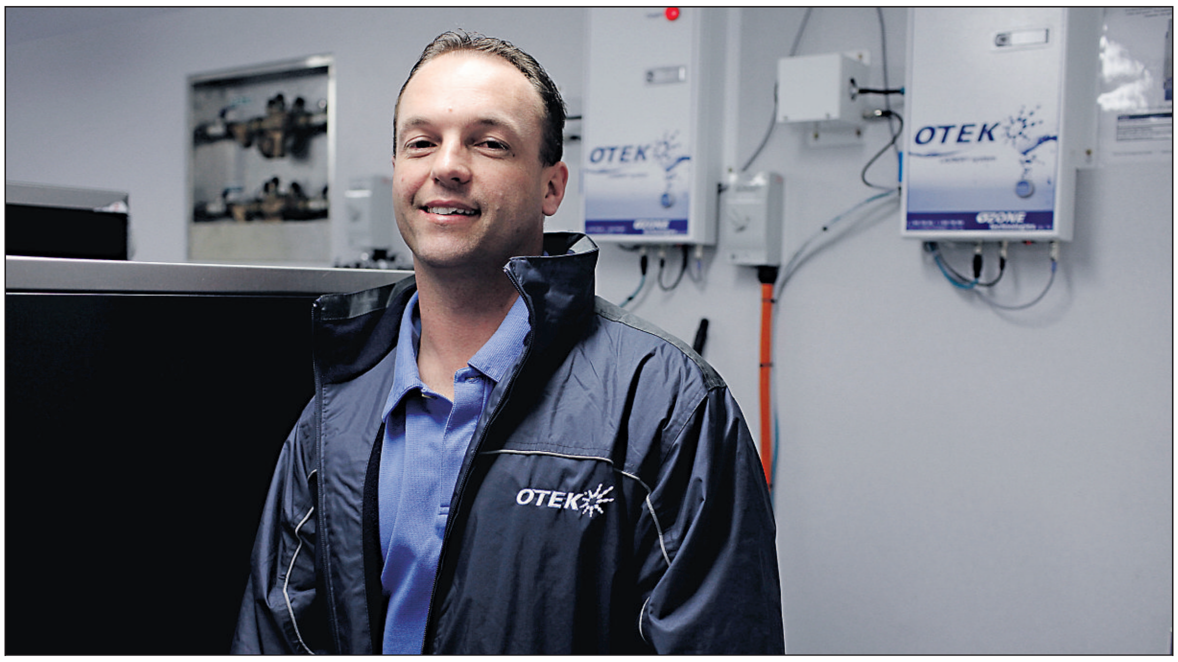
The system uses UV lamps to form small amounts of ozone, which are then fed into the commercial laundry machine throughout the length of the wash cycle using its patent pending injection method.

The only similarity between the two ozone systems is that ozone is used as a highly efficient bactericide in both applications.

Sydney-based Isaac Technologies makes the units for Ozone Technology, which has Australian and international patents pending. The first unit was sold in 2006.

Founded in 1989, Isaac Technologies designs, manufactures and install its own ozone sanitation systems for use with spas, pools, hydroponic installations and drinking water. While the company has no equity in Ozone Technologies, it has assisted in making some refinements to the generator.

While Michael retired in 2010 leaving David as chief executive, Constable joined the same year as operations manager after leaving Ecolab, the largest global sanitation and cleaning company, as Ozone began to ramp up its marketing efforts.



Dean Constable of Otek in front of one of his laundry economising devices. Photo Andrew Quilty

"I worked with Ozone Technology while at Ecolab and I saw that they were growing," says Constable, who took a minority share in the family owned business.

"Ozone Technologies and Ecolab worked together within the laundry sector independently of each other as Ecolab supplies the chemicals and Ozone Technologies supply the ozone units for the washing machines."

The ozone generators are leased for a four-year period on a tiered plan depending on the capacity of the washing machine. A 29-kilo appliance costs $225 a month, a 30- to 70-kilo is $355 a month and a 71- to 200-kilo will cost $465 a month

"As it can be harder for an individual nursing home to find the capital to purchase a unit, we thought this would be more attractive. Also it keeps us in touch with that business," Constable says.

Employing ozone gas as a cleansing and disinfectant booster, the system exploits ozone's highly active energy state to replace the use of heat in accelerating the work of the water and chemicals. One significant result of this process is the speedier destruction of soil and micro-organisms.

"The saving is $20,000 to $30,000 for an average-size nursing home," Constable says.

Derek Gillmore, a project manager for three aged care facilities in NSW, confirmed that using the technology had saved 3 million litres of water for the facilities each year, representing a saving of more than $38,000.

> The company is scheduled to install nine systems at a mine in PNG.
> David Skry

At present, 510 units are leased to nursing homes, the majority (90 per cent) in NSW.

The company is ramping up its state sales teams and has just signed its first Victorian customer, a Melbourne prison. Distribution is being finalised for Queensland, Western Australia and the Northern Territory.

While most units are leased, the company has sold nine of the bigger machines to mining companies in Papua New Guinea and Indonesia.

Overseas business is still in its infancy. The business was registered in South Africa last month and is talking to a hospital in Mauritius.

"We are involved in discussions with one of the largest laundry operations in the southern hemisphere, namely Mauritius, where 50 tons of linen can be processed on a daily basis.

"The company is also scheduled to install nine systems at a mine in Papua New Guinea which employs some 10,000 workers," David Skry says.

Headquartered in Alexandria, in the inner suburbs of Sydney, Ozone Technologies is equipped with its own research and development laboratory.

Staff numbers at Alexandria have remained stable at five full-timers but a professional with chemical and laundry experience is being sought.

In the past year, rental income increased from $40,000 a month to $70,000 while sales averaged $300,000 a year in 2009 and 2010. Business from the aged care sector accounts for 85 per cent of revenue.

Q&A

Put it out to tender

I wrote a business plan a couple of weeks ago ready for the new financial year. For safety, I factored in a 5 per cent buffer for possible supplier price increases. No sooner did the financial year start than three key suppliers jacked up their prices by as much as 17.5 per cent. My margins are already evaporating and we're in the first weeks of 2011-12. What should I do?

Kenelm Tonkin, chairman of Tonkin Corporation: Firstly, congratulations. You are writing a business plan and this places you in an elite group among Australia's 1.2 million employers.

However, there is nothing worse than having suppliers eat away at your profits. Thankfully, you can counter this by exploiting commoditisation, competition and tendering.

If you operate in a competitive market, and who doesn't, your suppliers probably do too. So, use market forces to your advantage. Then, and this might seem contrarian, think like a government department announcing a tender.

With immediate effect, tell these three suppliers that you are putting your account to the market and invite them to make a bid. Let them know you are mustering at least four of their rivals simultaneously.

Dangle a three-year exclusive contract in exchange for capped prices and reliable fulfilment. Prepare a one-page letter and single-sided tender form and send them to each bidder, insisting the tender form is completed according to your format.

Tell them failure to follow your format will result in a failed bid. You don't have time to cut through verbose pitches or decipher parochial pricing. Set a clear deadline for submissions. Never reveal the identity of the competing bidders or their bids.

Avoid indulging prospective suppliers with insider tips. Play a straight bat by telling them to put in their absolute best offer. Never allow yourself to be compromised in such a process by being friends with a supplier. You must be free to terminate if their rates and guarantees are substandard. Once the bids are in, make a clear-headed decision and communicate it. The result will be cost control for three years in a range closer to a 17.5 per cent reduction rather than 17.5 per cent increase.

Answers are general and should not be taken as specific advice. Send queries to fentonjones@afr.com.au or Enterprise, the AFR, GPO Box 506, Sydney, NSW, 2001.

Noodle Box growth down to the right ingredients

Mark Fenton-Jones

Holidays have been an unplanned but a deciding factor in the growth strategies of the founders of one gourmet franchise.

Josh James and David Milne established the Noodle Box franchise in 1996 after returning from a global trip where they discovered both the delights of ice cream served in a convenient and classy box and the exotic foods of south-east Asia.

On their return to Melbourne they decided the time was right to combine the two by opening a store in Chapel Street, Melbourne.

The success of that first store convinced the two to franchise the operation, which now has 80 units, including nine company stores.

Most of the stores (42) are in Queensland, with 17 in Victoria, 10 in Adelaide, nine in NSW and two in Perth. Growth was particularly strong in the three years to early 2010 when almost 50 units had opened.

That growth slowed in the past two years, partly says Milne, as the banks were not as prepared to lend to franchisees against the value of the business.

In response, Milne and James focused on consolidating the business after the previous three year's growth by strengthening the management team with four new appointments. Head office numbers rose from 14 to 27 staff.

A general manager for franchise and retail responsible for training and day-to-day contact with franchisees was appointed along with a brand manager and head of marketing with a team of two, a procurement manager overseeing production of the system's own sauces and packaging, and a chief financial officer. "A couple of weeks ago we began a push to start growing again as we now have the team in place," Milne says. Besides revamping its website, Noodle Box will start advertising for franchisees.

Units cost between $280,000 and $350,000 depending on the size of the outlet which can range from 50 to 120 square metres.

Significantly, because it is a growing trend for franchise systems that are often struggling to find franchisees, Noodle Box has four to five franchisees owning four to five sites each, who have been in the chain for longer than three years.

Part of the latest push is related to another holiday, although in this case, it's to do with the owner of the Mauritius-based construction and food company Hyvec Partners who was in Australia with his family and visited a Noodle Box outlet.

Hyvec is also the master franchise for the South African Barcelos flame-grilled chicken franchise.