

WHAT WENT WRONG?

Prim: How a Lack of Passion and Resolve Can Kill a Business

Prim's idea was to disrupt the laundry industry. A growing number of people in the United States are using laundry services to wash and fold their clothes. The problems with these services is that they are a hassle. In most instances customers have to bag their laundry, drop them off at the laundry service, and then pick them up later. Many services have lines at the busiest times of the day, which result in drivers having to wait to drop off or pick up their laundry.

Prim's launched in mid-2013, after passing through the prestigious Y-Combiator business accelerator program earlier that year. Here's how Prim's laundry service worked. A customer bagged her/his laundry, and then went online to choose a pickup and delivery time. The price was \$25 for the first bag and \$15 for each additional bag. The bags would be picked up by a driver recruited by a third-party delivery service. (Rickshaw was the name of the delivery service in the city where Prim started). Everything would be back, washed and folded, later that day or early the next day. No cash changed hands between the customer and the pickup or delivery drivers. Everything was paid for through Prim's website. Prim gained favorable press and early momentum. When it closed, it was handling 1,000 pounds of laundry a day from 40 clients and was growing. What went wrong?

Two things went wrong with Prim. First, once Prim got your clothes, it went from a innovative disruptor to an old-school company. It would take your clothes to a laundry service and utilize its wash and fold services. Prim negotiated volume discounts with several laundry services, but the discounts were verbal and were not in writing. What Prim didn't count on was the partnerships going sour. While the laundry services were initially receptive to working with Prim, they had their own delivery services and eventually saw Prim as siphoning off their customers and revenue. During its short history, Prim churned through three different laundry services.

The second thing that went wrong with Prim was a lack of passion and resolve on the part of its founders. Faced with the reality that working with local laundry services was a fragile business model, Prim's founders, Yin Yin Wu and Xuwen Cao, had a decision to make. Should they build or lease their own laundry service? This was a daunting prospect, given the hundreds of thousands of dollars necessary to build and staff a high-volume laundry wash and fold facility. Even more daunting was the prospect that this step would

need to be repeated in each new market Prim entered. After two months of deliberation, Wu and Cao pulled the plug. While they estimated that by constructing their own laundry service they could build a profitable business in 5 to 10 years, with revenues of \$10 million to \$15 million, it was a direction they simply did not want to pursue. Both were computer science students in college and had no direct experience in the laundry business. In an article published by CNNMoney, Garry Tan, a partner with Y-Combinator, reflecting on why Wu and Cao closed Prim, said, "They didn't want to actually have to wash the laundry—they wanted to be the connector."

Questions for Critical Thinking

1. Why is passion such a critical part of entrepreneurial success? Prim's founders were apparently passionate about building a company but not passionate about the laundry business specifically. In what ways is this combination problematic?
2. How could Prim's co-founders have better anticipated that laundry services would eventually see Prim as siphoning off their own business and be reluctant to work with them?
3. Rather than employ its own drivers to pick up and deliver laundry for its customers, Prim relied on the use of third-party delivery services. In what ways do you think this approach could have limited Prim's growth in other markets?
4. San Francisco, the city in which Prim launched, has several innovative laundry services. These services include LaundryLocker, where you drop your clothes in a public locker, Sfwash, a delivery service where you pay by the pound, and Sudzee, which requires special lockable bags. Spend some time studying LaundryLocker (<https://laundrylocker.com>), Sfwash (<https://sfwash.com>), and Sudzee (<https://sudzee.com>). Select the service that you think has the most potential and explain the rationale for your selection. Compare the service to Prim's approach.

Sources: J. P. Mangalindan, "Prim: Anatomy of a Folded Startup," CNNMoney, available at <http://tech.fortune.com/2014/01/22-prim-anatomy-of-a-folded-startup>, posted January 22, 2014, accessed March 14, 2014; J. Constine, "Prim Laundry Startup Throws in the Towel," Techcrunch, available at <http://techcrunch.com/2014/01/06/prim-laundry-shuts-down>, posted Jan 6, 2014, accessed March 14, 2014.