

COMING of AGE

BY SARA WILSON

WE'RE NOT TALKING KID STUFF—THE BOOMING CHILDREN'S MARKET IS SERIOUS BUSINESS, AND FRANCHISEES ARE REAPING THE REWARDS.

The franchising industry is aging beautifully, but there's one segment of it that stays forever young. Youthful, energetic, ever-growing and impulsive, the kids' market definitely reflects its target population.

While kids hold the key to our future, they also control their parents' purse strings. American families spend approximately \$115.6 billion a year on their children for food, clothing, personal-care items, entertainment and reading materials, according to a 2006 report by Packaged Facts. This figure is expected to increase to \$143 billion by 2010. Meanwhile, the buying power of kids themselves now tops \$18 billion. Kids may be small in size, but spending by them, around them and for them represents a powerful market opportunity too big to be ignored.

Much of the reason the children's market has taken off is the fact that the traditional single-income family is rapidly disappearing. "[There is] increased attention on children and the idea, especially in dual working households, of parents trying to juggle work time, quality time and family time," says Paul Kurnit, founder of KidShop, a marketing communications firm specializing in the youth market.

At the same time, today's parents want to provide their children with every possible advantage and believe this can be achieved through their participation in a variety of extracurricular activities. "The whole dynamic has changed dramatically from the '50s and '60s, [when] children were seen and not heard, to today's children being very active members of the family," says Kurnit.

TOP 10 KIDS' FRANCHISES

1	KUMON MATH & READING CENTERS (22)* Supplemental education kumon.com	6	HUNTINGTON LEARNING CENTERS INC. (163) Children's educational services huntingtonfranchise.com
2	CLUB Z! IN-HOME TUTORING SERVICES (99) Tutoring services clubztutoring.com	7	ENOPI DAEKYO USA INC. (170) Tutoring services enopi.com
3	GODDARD SYSTEMS INC. (118) Preschool/child-care center goddardschool.com	8	GYMBOREE (175) Parent/child play program gymboree.com
4	THE LITTLE GYM (140) Children's development/fitness program thelittlegym.com	9	STRETCH-N-GROW INT'L INC. (217) Children's fitness program stretch-n-grow.com
5	TUTORING CLUB LLC (146) Tutoring services tutoringclub.com	10	MY GYM CHILDREN'S FITNESS CENTER (221) Children's early learning/fitness program & facility my-gym.com

Source: Entrepreneur magazine's 2007 Franchise 500®

*Overall rank in the Franchise 500®

The franchise industry has long been meeting the demands created by dual-income families with active children. From serving the most basic of kids' needs by offering day care to dishing out the fun with ice cream parties, all the bases are covered when it comes to kids. Kid-related franchises are at the top of their game, and the growth spurt has been most significant in three categories: sports, education and parties.

Sports

Childhood obesity first started making headlines years ago, but the startling reality of the poor health of today's youth is still top of mind for most parents. And it should be: Approximately 30.3 percent of children ages 6 to 11 are overweight, and 15.3 percent are obese, according to the American Obesity Association, an organization focused on changing public policy and perceptions about obesity. "In the kids' market over the

past three or four years, there has been a tremendous outpouring of concern about childhood obesity from government agencies and parental groups," says Bob Brown, co-author of the Packaged Facts report. "This huge public health problem has actually created opportunities for [entrepreneurs]."

In addition, report co-author Ruth Wash-ton points to a growing trend of kids having their own personal trainers and suggests there's more to it than just health. "Parents in the higher socio-economic levels are willing to shell out big bucks for their kids," she says. "It relates to more than just keeping them fit, but also keeping them competitive."

Whatever the motivation, the effects have trickled down. According to the International Health, Racquet and Sportsclub Association, the number of health club members under age 18 has increased 178 percent since 1990. Meanwhile, franchises

offering fitness and sports instruction to kids have enjoyed notably healthy growth. There are franchises such as The Little Gym, which focuses on children's development and fitness; Frozen Ropes, a baseball and softball instruction franchise primarily for 8- to 12-year-olds; and Gymboree, a parent/child play program. With fitness as its focus, this category as a whole gives franchisees and children a solid dose of a good thing.

Education

According to the Packaged Facts study, 13.4 percent of preschoolers get information about products online, and 4.4 percent actually follow through to make a purchase (all with their parents' help, naturally). It's a brave new world, and franchises zeroing in on tutoring and enrichment in areas including technology, art and drama are growing dramatically.

Anne Dolan offers computer education to 3- to 6-year-olds in day-care centers and Montessori schools throughout St. Louis. She has owned her Compu-Child franchise since 1996, teaches 420 students per week and has been able to weather national disasters like 9/11. "When I was growing up, it was paper and a pencil," says Dolan, 50. "Now it's a computer. And kids definitely need to know how to use it. So parents want their children to learn how to respect it and turn it on and off properly. They want that, so they pay [for it]."

Meanwhile, shifting priorities in the school system spurred by the No Child Left Behind Act of 2002 have increased the need for tutoring services and forced parents to look outside the public school system to complement their children's education. "There has been a huge emphasis placed on literacy, mathematics, test-taking and meeting standards with schools," says Mary Rogers, co-founder of Abrakadoodle, a franchise offering art education classes for kids. "Often, the funds that have previously covered the arts programs and the PE programs are being diverted into test-taking programs." Rogers also remarks that today's

parents are better educated than they were 15 years ago, and consequently they're placing more importance on learning and enrichment opportunities for their children.

Parties

On the lighter side, parents are also willing to pay top dollar for their kids' enjoyment. TV shows like *My Super Sweet 16* illustrate the trend for over-the-top birthday celebrations. Perhaps not all parents are financially able to go to those lengths, but many are increasing the budget for their child's birthday bash. According to an online poll by BabyCenter LLC, 25 percent of parents spent between \$200 and \$500 on their child's first birthday party alone, and 11 percent dropped more than \$500. Where there's a need, there's an opportunity, and now the franchises aimed at taking the hassle out of party planning are celebrating their own unheeded growth.

Shelley Blackhurst, 33, owns an Oogles n Googles franchise. While she does offer preschool programs, her business is largely focused on organizing themed birthday parties for 3- to 10-year-olds. Open since February 2006, Blackhurst's Pittsburgh-based franchise has experienced solid growth every month, moved into an 1,100-square-foot facility six months into business and is always booked at least six weeks in advance. Says Blackhurst, "We're always going to have parents with dual incomes and moms who really want to plan a nice party but just don't have the time."

Marking the Future

The kids' market is backed by significant support: parents' love for their children. And as all signs indicate, this industry will only continue to flourish. There are new concepts sprouting up all the time, and the possibilities are limited only by the imagination. For example, The Party Image offers luxury via spa parties for preteen girls, Halstrom High School specializes in individualized instruction, and Chyten provides test preparation courses for older kids.

These are all franchises we have recently added to our growing database.

But which ones will prosper most in the maturing market? The experts agree that the most successful concepts will have a strong educational focus. They'll be concepts with value that is obvious to parents. And they'll be good for children. "There's a new burden of proof in the kids' market that we didn't have 10 years ago, and that is in the area of health, wellness and wholesomeness—being able to pass the litmus test of whether this is good for a child, on whatever level," says Kurnit. "It can be healthy, it can be learning, it can be an active life-style, but for new businesses, that is one of the new standards to which they need to be able to attach their flag."

Rogers also foresees a growing demand for lifestyle centers that offer something for all members of the family. "Community centers across the country are becoming a destination spot for families," she says. "The family can go to that center; the parents can take a class or listen to a theater event while the children are involved in an art, music or dance program, so it addresses the needs of the whole family and not just part of the family."

Meanwhile, kids are growing up faster than ever. They're also becoming more important than ever in the purchasing decisions of their households and are, therefore, much more of a target for marketers. They're even changing culturally. Says Brown, "A tremendously high proportion of the growth in the under-18 population over the next 10 to 20 years is going to come from Hispanics and Asians as well as African-Americans."

In other words, the kids' market is not one-size-fits-all and is as dynamic as the children who constitute it. Says Kurnit, "Businesses always have to be up-to-date with what parents and kids are looking for." The franchises that take the time to adapt to and truly understand their target population will enjoy a very real opportunity to grow by leaps and bounds.