

Introduction

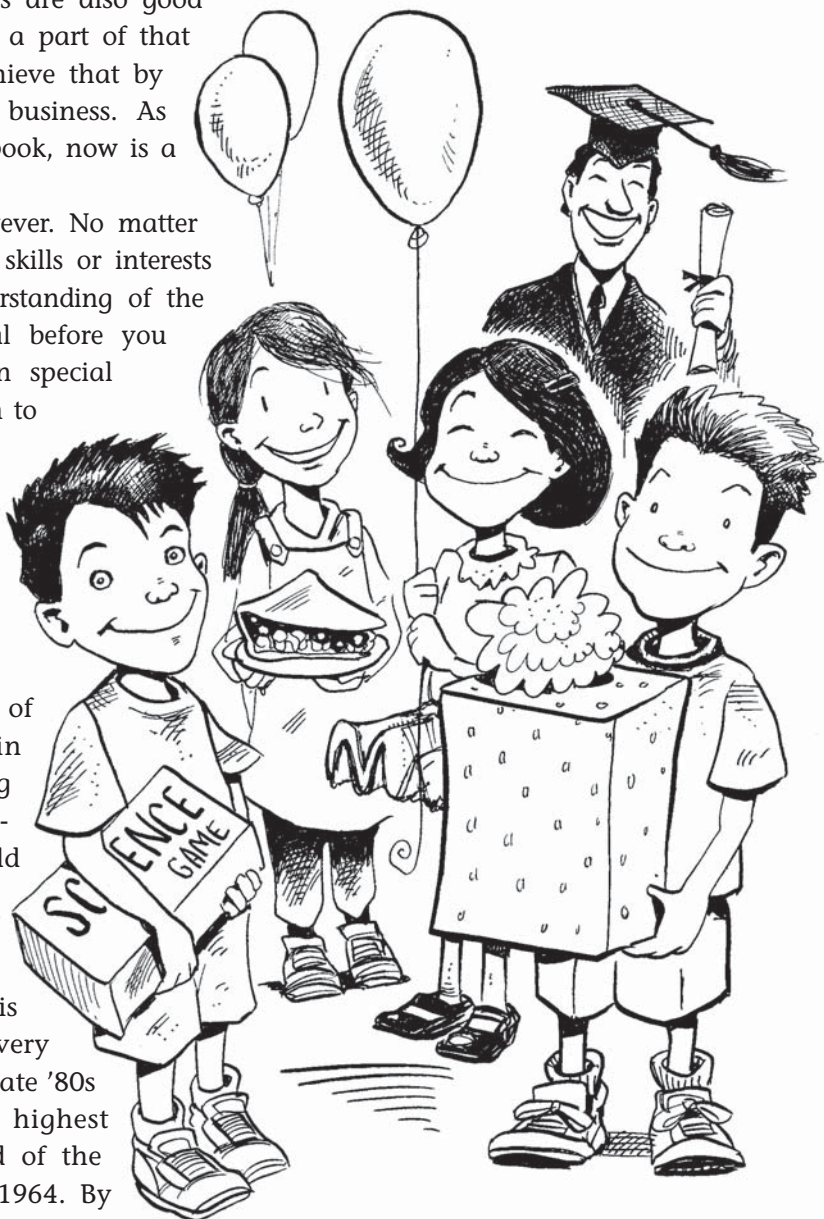
Do you fondly remember your favorite childhood toys? Do you have happy memories of long games of Monopoly or Risk? Do you find younger kids' perspectives interesting and often funny? When you see older kids horsing around, do you sometimes get the urge to join in?

If you answered yes to these questions, chances are you enjoy children and the way they play. Chances are also good that you'd enjoy being a part of that play time. You can achieve that by starting a kids-related business. As you'll discover in this book, now is a great time to do it.

First things first, however. No matter what your background, skills or interests might be, a solid understanding of the kids' industry is crucial before you decide where your own special niche might lie. Read on to find out whether a business catering to kids might be for you.

OVERVIEW OF THE KIDS' INDUSTRY

There's no shortage of potential customers in this industry: According to the Federal Inter-agency Forum on Child and Family Statistics, more than 73 million children under age 18 live in America, and this number is growing every year. Birth rates in the late '80s and '90s were the highest recorded since the end of the famed baby boom in 1964. By



Fun Fact

Today's kids' toy and gift market includes some incredibly upscale products. Want a rocking elephant for \$400? A safari chandelier for \$598? A hand-carved animal table and chair set for \$3,050? How about a magical windmill playhouse for \$38,000? It's all available at www.posh-tots.com.



2020, the number of children is projected to reach 80 million and to account for approximately 24 percent of the U.S. population.

The size of the kids' population is good news. So is the fact that parents and grandparents are spending more money than ever on children. Most compelling of all, however, is the surge in kids' own purchasing power.

Because of changes in the social and family roles of children, recent decades have seen sharp increases not only in kids' direct spending but also in their influence on household spend-

ing. In the 1960s, an era when kids were largely expected to be "seen and not heard," children influenced an estimated \$5 billion of their parents' purchases. Kids now influence upwards of \$500 billion in household spending, including food, toiletries, and a host of other items (even the family car!) outside the traditional realm of kids' products.

So how much do kids spend on products for their own use? According to research conducted by *American Demographics* magazine, 4-to-12-year-olds spend more than \$40 billion, while teenagers (ages 12 to 19) spend \$155 billion of their own money.

There's no question children have more money of their own than ever before—and businesses know it. Children today are the subjects of an unprecedented marketing blitz, not only on TV, but also in school. According to the American Psychological Association, Madison Avenue spends more than \$12 billion a year on marketing to children. Child psychologists estimate that the average child sees 40,000 advertisements each year, and that the average 3-year-old can identify 100 brand logos.

What does this mean to you? Children are savvier consumers than ever before. They know what products and toys are out there. To make sure your business will stand out in this marketplace, you have to be sure you're providing something that kids want—and that means doing lots of research. Let's start with the following overview of the five kinds of kids' businesses profiled in this book and the trends shaping each of their industries. In the next chapter, you'll find more details about how to carve out a specialized niche in one of these businesses.

TRENDS IN KIDS' BUSINESSES

Each of the following kids' businesses—party planning, gift and bath products, educational toys and games, plus-size clothing and cooking classes—is

covered in-depth in separate chapters in this book. For now, here's a quick industry analysis for each.

Kids' Party Planning

This is a booming industry, especially in the teen party sector, where coming-of-age parties are increasingly popular. In addition to the traditional birthday and graduation events, bar and bat mitzvahs and sweet 16 parties signal a trend toward increased celebration of kids' milestones. Given the significant Hispanic population, quinceañera (age 15) parties in particular can be expected to rise in popularity.

Although no numbers exist for this market, experts predict that the industry will continue to grow, as parents provide not only a greater number of parties but also more expensive ones for their children.

Kids' Gift And Bath Products

The sheer breadth of this category, which encompasses everything from books and music to fragrances, makes it a promising market.

Just to take one tiny subset of the market as an example, parents spend more than \$80 million annually on baby soaps in food, drug and discount stores (and that's not even including Wal-mart), according to market research company Information Resources.

Consider, too, another small segment of the market: baby gifts. According to the U.S. Census Bureau, American births are holding steady at approximately 4 million per year. Multiply that 4 million by the number of gifts given per baby, and you get promising potential in baby gifts alone.

Since spending on and by children typically increases every year, kids' gift and bath products should be a strong market for the foreseeable future.

Kids' Educational Toys And Games

The Toy Industry Association estimates that the traditional toy industry (which doesn't include electronics such as video games and handheld electronic games) is worth an estimated \$22 billion in annual sales, with nearly half those sales being generated during the holidays (see "Toy Story" on page 1.4 for a breakdown of popular toy categories). Educational games like Cranium have enjoyed huge mass appeal. In the eight years since its inception, this board game, together with its sibling titles, has sold more than 15

Stat Fact

According to the Toy Industry Association, toy sales increased by \$300 million in a recent year. The biggest increases were in youth electronics (22 percent), vehicles (5 percent), and arts and crafts (4 percent).



Toy Story

What are kids (and their parents) buying these days? To give you a hint, here is a list of top toy and game categories (in millions or billions of dollars sold) from the Toy Industry Association:

▲ Action figures & accessories	\$1.3 B
▲ Arts and crafts	\$2.6 B
▲ Building sets	\$676.5 M
▲ Dolls	\$2.7 B
▲ Games/puzzles	\$2.4 B
▲ Infant/preschool	\$3.3 B
▲ Toys with electronic components	\$1.1 B
▲ Outdoor and sports toys	\$2.8 B
▲ Plush	\$1.3 B
▲ Vehicles	\$2.1 B
▲ All other toys	\$2.0 B
Total traditional toy industry	\$22.3 B

million games in 10 languages and 30 countries. Educational toys like the LeapFrog learning laptops have also been popular. Industry observers believe that educational toys' mass-market appeal will only continue to grow, as parents continue to search for meaningful enrichment activities for their children.

Kids' Plus-Size Clothing

Childhood obesity has become an important issue over the past decade. According to the National Health and Nutrition Examination Survey, one-third of U.S. children and teens are either obese or on the brink of becoming so. Babies are also larger than ever before, so interest in clothes and equipment for bigger babies and children can only continue to increase.

What's the size of this market? According to a new study from the Packaged Facts Division of Marketresearch.com, sales of women's/girls' plus-size apparel is \$47 billion, accounting for 27 percent of all clothing sales and nearly 40 percent of all women's/girls' apparel sales. And let's not forget the boys: Men's/boys' big-and-tall sales are \$29 billion, representing more than 16 percent of all clothing sales and 50 percent of all men's/boys' apparel. And there's no sign of this market slowing down any time soon.

The NPD Group estimates that in the 9-to-12 age group, 31 percent of boys and 38 percent of girls are sizing up and wearing men's, juniors' or women's sizes. Global

Purchasing Co., a retail strategy planning and training firm, notes that the availability of attractive, flattering and stylish children's plus-size clothing is scarce, and that mothers and children alike are dissatisfied with the selection and styles.

Kids' Cooking Classes

Parents want their kids to be well-rounded and high-functioning adults. Yet many people either do not have time or do not feel qualified to teach their children traditional skills. Interest has grown in classes that teach cooking, sewing, carpentry and even etiquette. Cooking classes and products for kids have become especially popular.

The proliferation of cooking shows on TV and a recent educational emphasis on health and cooking in response to the childhood obesity epidemic have also added to the number of kids interested in experimenting in the kitchen. According to the Food Network, TV chefs such as Rachael Ray often draw more tween fans than 35-to-45-year-olds at public events. The Bay Area is currently leading the kids' cooking trend, with interest high in cookbooks, cooking demos and classes, but this market can be expected to keep growing nationwide.

Other Trends

Other trends you may want to think about when deciding how to focus your kids' business include:

▲ **Multicultural products:** According to the U.S. Census Bureau, 45 percent of children under age 5 are members of a racial minority (including Hispanic, African American and Asian American). Since this percentage is growing every year, demand for multicultural and multiethnic toys, educational products and grooming products is expected to increase.

▲ **Tween demographic:** Baby boomers have driven entire sectors of the economy for years. Now the tweens, those kids who are no longer young children but who aren't yet old enough to drive, have arrived. Generally defined as children from ages 8 to 14, the tween group is expected to become the new engine driving the economy for the next 50 years or so. These kids know what they want and are vocal about it.

▲ **Online sales:** The NPD Group reports gifts for children constitute 62 percent of shoppers' online holiday purchases. And it's not only parents and grandparents who are buying. According to Harris Interactive, teens

Bright Idea

Americans want their kids to be clean and germ-free! From anti-bacterial soaps and wipes to protective eating mats (for eating in restaurants) and shopping cart covers, we want to make sure our kids don't bring home any germs.



Bright Idea

Given the high proportion of minorities among the population of U.S. children, consider the multicultural possibilities for your business. Multicultural dolls and toys, language learning games and multicultural books and accessories are all promising ideas.



do 15 percent of their spending online, and this percentage is expected to grow.

▲ **Transforming toys:** Growing up surrounded by multifunctional products (think cell phones that are also cameras), children today demand products that transform both literally and functionally. They want candy that's also a toy, food that changes color, toys that transform from a car to a boat ... you get the picture.

▲ **Health and organics:** Americans' concern about health and weight issues suggests that kids' cooking lessons featuring at least some attention to nutrition are a good idea, as are healthier recipes and edible gifts for kids. Similarly, organic foods and other organic bath and hygiene products are more popular than ever.

WHAT IT TAKES

Do you have what it takes to run one of these businesses? Not surprisingly, the typical owner of a kids' business enjoys being around children. Even if you're not dealing directly with kids on a daily basis, you'll still need to get feedback from them and be sensitive to their interests, so having an appreciation for how they think, learn and play is essential.

Personality Matters

Being interested in kids isn't all you'll need. Depending on what kind of business you start, you may need some of the following traits as well:

▲ **Patience:** Working with kids takes patience, even under ideal conditions. Accidents and bad moods can create a tense atmosphere, not to mention you may need to deal with a wide range of behavioral issues, personality differences, energy levels and attention spans. You need to be able to work through it.

▲ **Flexibility:** The ability to deal with the unpredictable glitches that arise is essential.

▲ **Sense of fun and wonder:** Kids live in a world of magic, excitement and endless

Bright Idea

Most successful entrepreneurs are persistent and have that "bulldog with a bone" determination. They believe strongly in their products and have boundless enthusiasm for them. Remember that enthusiasm is infectious. Do everything possible to make sure your employees, investors and other critical partners catch it.



Take The Test

Are you a leader or a follower? An optimist or a pessimist? Are you accident-prone?

Answers to these and other questions can provide personality clues to help you discover hidden entrepreneurial talents or other useful personality traits. You can find lots of tests online, including the Myers-Briggs personality test. Many are just for fun, but some of them can be informative. If you want your test professionally scored, you'll have to pay, but many tests are available free of charge.

For a collection of different tests, check out Personality Tests, IQ Tests and Entrepreneur Tests Online at www.2h.com.

possibilities. Try to enter that world with them. This is especially important if you're designing kids' gifts or toys.

▲ **Empathy:** Remember what it was like to be a kid? The better you are at putting yourself in the place of your young customers, the stronger your business will be.

▲ **Persistence and energy:** As with any business, perseverance is an important success factor. Launching a business is a time- and energy-consuming venture. It's not unusual to work 70 to 80 hours per week during the first year, or even longer.

Helpful Experience

In addition to having a personality that meshes well with children, there is an entire range of skills and experience needed to run a business. If you're operating your business solo, you'll need all of them to at least some degree, unless you outsource the work. If you hire employees, make sure to hire people whose skills complement, rather than duplicate, yours.

As a general rule, you should have some kind of experience with whatever you're selling. You or your employees may need a background in the following:

▲ **Sales/marketing:** While you don't need a degree, you do need to be good at selling—or hire someone who is.

▲ **Public relations:** Any business owner needs to know some basic guidelines for dealing with the public and the media.

▲ **Accounting/bookkeeping:** If you don't have an employee to handle these tasks, consider outsourcing them. To tackle them yourself, you'll need some previous experience and preferably a bookkeeping class.

▲ **Management:** Chances are, you'll start out with no employees and therefore won't need this experience. As your business grows, it may become more important. The more employees you have, the more time you'll spend on management-type tasks. Informal management experience is usually sufficient for dealing with a small number of employees.

Smart Tip

Community colleges offer continuing education in a wide range of subject areas. You can also find classes online.



▲ **Design:** If you're planning to design the products you sell, you'll need some design experience, preferably with the particular kind of item you have in mind.

▲ **Sewing/arts/crafts:** Launching a custom sewing business (for custom-made plus-size kids' clothes) naturally requires skill at sewing.

▲ **Teaching:** A teaching background is helpful, although not mandatory, for conducting cooking lessons. You can get by without formal training, but it's best to have at least some practical experience.

▲ **Cooking:** As common sense would indicate, you need cooking experience, even if it's not formal training, to teach cooking classes. Even if you hire all your teachers, knowledge of cooking basics is important.

▲ **Event planning:** There's no substitute for experience in party planning. Consider volunteering to help at a few children's events or getting a part-time job with another party planner to learn the ropes.

▲ **Parenting/mentoring:** No matter what kind of kids-related business you decide to start, experience with children is important. If you don't have it, do whatever it takes to get it.

Determining Your Strengths

Take a look at the above lists with yourself in mind. Which of these characteristics do you possess? How outgoing are you? Are you a take-charge kind of person? Are you an organizational whiz? How good are you at multitasking? What kinds of experience do you have? What do you see as your major strengths and/or weaknesses?

Next, think about the kind of lifestyle you prefer and what you most enjoy doing. Will the business you're planning to start allow you to do at least some of those things? If so, this may be the industry for you, at least in the broadest sense. In Chapter 2, we'll help you fine-tune your niche.

STARTUP QUESTIONS

Before you start your business, and even once you've begun it, you'll have many key decisions to make, the most important of which can be summed up in the following traditional journalistic questions:

▲ **Who:** Whom will you sell to? Who constitutes your target market? Who will you hire to help you with your business?

▲ **What:** What product will you sell? What structure will your business take? What equipment and inventory will you need? What kind of financing can you get? What will you charge for your product and what will you pay your employees?

▲ **When:** How soon can you expect to open your business? When will your company show a profit? Is it a seasonal business? When is the best time or season to sell your product?

▲ **Where:** Where should you locate your business? Where should you advertise? Where should you sell your product? Where can you find the resources you'll need?

▲ **Why:** Why should customers buy your product? Why do problems arise and what should you do about them?

▲ **How:** How will you achieve success in your business?

All these questions will be dealt with in this book. So make yourself comfortable and keep reading.