



2011 SPECIAL REPORT

# CHILD SERVICES FRANCHISES



[www.FranchiseBusinessReview.com](http://www.FranchiseBusinessReview.com)

# CHILD SERVICES FRANCHISES

*"From a business perspective, the child services sector is about as recession-proof as you can get for a business."*

The child services franchise sector is vast and varied in terms of business types and how they've performed in recent years. Some business models were strongly impacted by the recession, while others—like afterschool and sports programs—actually benefitted from the spending cuts brought on by the struggling economy.

This report is designed to give you a high-level look at the child services sector. We will explore the different types of franchise concepts, the resources they involve, the pros and cons of the sector, and the characteristics of a "typical" franchisee. We will also forecast where we think the child services market is going.

## Who We Are

Franchise Business Review is a national market research firm that performs independent research of franchisee satisfaction. Our products include franchisee satisfaction reports, economic impact studies, sector studies, and individual franchise investment guides. The data for this report was compiled as part of our annual awards project, which recognizes the top franchise brands based on overall franchisee satisfaction. To compile the data for our awards and this report, we surveyed 10,235 franchisees—752 from the child services sector—representing more than 300 brands. We also talked to senior executives from more than a dozen child services franchise brands for their in-the-trenches take on the industry.

## Child Services Franchises Researched for This Report Include

Amazing Athletes	Learning Express
College Nannies & Tutors	LearningRx
CompuChild	Mathnasium
COMPUTER EXPLORERS	My Gym
GameTruck	Once Upon a Child
The Goddard School	Plato's Closet
Gymboree Play and Music	Primrose Schools
Huntington Learning Center	Pump It Up
i9 Sports	Rhea Lana's Children's Consignment
Images 4 Kids	Sylvan Learning
JumpBunch	TGA Premier Junior Golf
Just Between Friends	TSS Photography
Kiddie Academy	Tutoring Club
Kinderdance	THE TUTORING CENTER
Kumon	Young Rembrandts

Cover photos courtesy of (clockwise from upper left): TGA Premier Junior Golf, CompuChild, TSS Photography, Mathnasium

## Services

The child services sector encompasses many different business models, including tutoring and education, sports and physical development, child care, retail/resale stores, and niche services like photography and event hosting. Even within these different models, there is great variance. Sports development programs range from those that provide mobile services as part of school or community-based programming to those that offer an actual physical space in which instruction is offered. For this report, we looked at several different franchise companies within each type of business model in an attempt to accurately compare and analyze both the companies themselves and the overall market.

## Investment

The child services sector offers a wide range of investment options for prospective franchisees, starting at \$30,525 for a mobile dance instruction business and going as high as \$3,362,000 for a preschool (including real estate). The return on investment is not necessarily tied to the initial amount spent. Some of the bigger investments require a physical space, dozens of employees, and lots of overhead, which can eat into profits during slower months, while a small home-based business might offer more from a profitability standpoint but more limited growth potential.

The time investment required to run a child services franchise also varies. This is one of the few

### Typical Investment Range for Child-Focused Concepts

Mobile Sports Program	\$31,000 – \$135,000
Tutoring Program	\$37,000 – \$320,000
Sports/Activity Center	\$81,000 – \$268,000
Specialty Retail Store	\$199,000 – \$345,000
Daycare/School	\$345,000 – \$4 million
Niche Services (e.g., party and entertainment concepts, photography, etc.)	\$50,000 – \$500,000+

*“This is one of the few sectors in which franchisors might encourage franchisees to run their businesses part-time while keeping their full-time jobs.”*

sectors in which franchisors might encourage franchisees to run their businesses part-time while keeping their full-time jobs (depending on the type of business).

**JumpBunch**, which offers mobile sports and fitness programs as part of a school or daycare’s existing curriculum, requires a relatively small investment, and new franchisees are usually able to run the business part-time as they build up customers and capital.

“What I hear from people is that, in children’s services, generally speaking, people don’t get rich, but a lot of the people who come into JumpBunch want to make a living and they want to be happy doing what they do because they want to work with kids,” said Tom Bunchman, president and CEO of JumpBunch.

Perhaps because of this work-life balance, JumpBunch franchisees rate their overall enjoyment of operating the business very high.

At **TSS Photography** (which photographs youth events), nearly half of new franchisees keep their full-time jobs while operating the TSS franchise nights and weekends, according to president Joe Lindenmayer. Within a few years, 80% of franchisees are deriving a full-time income from the TSS franchise.

Conversely, other franchise opportunities within the sector require seven-day-a-week involvement. **Once Upon a Child**, a chain of resale shops for children’s clothing, demands an operator who is very hands-on—managing staff, dealing with customers, overseeing inventory,

and likely working in the store as a salesperson from time to time.

**Pros**

Depending on the business model, a number of franchise opportunities within the child services sector offer flexible working hours, a decent return on investment, an opportunity to be involved in the local community, and a rewarding experience for operators who enjoy spending time with children. That may be why the franchisees in this space tend to be quite passionate and have remained satisfied even through the economic downturn. Overall satisfaction in child services runs approximately 5% higher than our overall franchise benchmark across all sectors. We see the biggest difference in the area of training and support that franchisees receive, with child services brands scoring nearly 10% better compared to many other industries.

New franchisees can, in some cases, continue to work other jobs (at least temporarily) while getting their businesses going, and a number of business models within the space are quite easy to run, requiring little to no overhead and limited staffing. This is a huge lifestyle sector. According to our survey, 61% of franchisees work less than 40 hours per week, and 39% work less than 30 hours per week. Compare this with the average for franchising as a whole where franchisees commonly work 50- to 60-plus hours a week.

The franchisors who we talked to for this report backed up that data. Sharon DiMinico, CEO of toy retailer **Learning Express**, reported that, although the business is a seven-day-a-week operation, franchisees are able to work flexible hours. "If franchisees are good delegaters, it can easily be under a 40-hour week. Yet we have other people that struggle to keep it under 60 hours a week. A lot of it has to do with organizational skills of the franchisee," DiMinico told us.

Tom Bunchman of JumpBunch said his top earning franchisee works significantly less than 40 hours a week because she is good at managing her time and people.

Another major advantage to the child services segment is that the sector is fairly recession-resistant. Many child-based services remain in demand regardless of what's happening on the stock market, and some of these businesses—particularly those offering afterschool programs—have



Photo courtesy of COMPUTER EXPLORERS

***"Many child-based services remain in demand regardless of what's happening on the stock market."***

fared well in the struggling economy. Frank Fiume, CEO of **i9 Sports**, which operates sports leagues and camps for children between the ages of three and 14 years, told us his franchises have seen their client-base grow as schools have been forced to cut athletic programs, and i9's franchisee satisfaction has remained high throughout the recession.

JumpBunch has also seen an increase in afterschool business due to budget cuts. An example of this is in Los Angeles where the city cut physical education funding and parents replaced it with JumpBunch's services.

Even the retail business—an industry that was struck hard by the recession—thrives when it comes to children. Learning Express planned for a 2% decrease in annual sales in 2009 but actually experienced a 9% *increase*, according to CEO Sharon DiMinico. "From a business perspective, [the child services sector] is about as recession-proof as

**Overall Franchisee Satisfaction by Year**

<b>2006</b>	<b>71.7</b>
<b>2007</b>	<b>68.8</b>
<b>2008</b>	<b>70.3</b>
<b>2009</b>	<b>71.3</b>
<b>2010</b>	<b>70.1</b>

Above numbers represent overall Franchisee Satisfaction Index (FSI). FBR's Franchisee Satisfaction Index is a weighted average of satisfaction that looks at over 30 different key areas of a franchise business including training and support, franchise relations, systems and operations, executive leadership, core values, financial opportunity, and overall franchisee satisfaction.

you can get for a business," DiMinico said. "Parents will spend money on their kids where they will sacrifice things for themselves. Strictly from a business standpoint, I think that's a real plus."

### Cons

While the child services sector can offer flexibility in terms of the investment requirements and work hours, operating a child-focused business is not without challenges. Most business models require significant time and other resources if run as a full-time business, and profits do not always match franchisee effort. Eighty-five percent of child services franchise owners reported personal income of \$50,000 or less in 2010, and 67% reported earnings of less than \$25,000.

It's important, however, to put these numbers in the context of our above data regarding the average work hours for a child services sector. With 61% of franchisees saying they work less than 40 hours a week—significantly less than the other sectors as a whole—it makes sense that personal income is lower. And, although the total hours worked may be less, the amount of night and weekend hours worked is often higher. Joe Novak of **Mathnasium**, a franchisor of math learning centers, said the labor-intensive nature of the business sometimes turns off prospective franchisees.

"We're afterschool supplemental. [Franchisees] really have to plan to be available every afternoon,

nights, and one weekend day. For some people, that is still difficult," Novak told us.

Child-focused franchise concepts like sports and tutoring programs demand night and weekend work, and other investment opportunities—like preschools and daycares—require significant start-up resources and ongoing management to navigate the many regulations and licensing requirements that childcare entails.

Perhaps more than any other segment, the child services sector demands that franchisees hire quality staff. Any franchise (such as JumpBunch or TSS Photography) that goes into schools or preschools must carefully screen their employees. And, even businesses that aren't required to conduct employee background checks should.

The child services sector can be very trend-driven, in general, and especially so when it comes to retail. CEO Sharon DiMinico says Learning Express' best years are driven by hot items, like Beanie Babies and, more recently, Silly Bandz. These trends can be good for a business when there's a hot item on which to capitalize, but there's no way to predict when and what will take off.

Lastly, the child services sector is extremely competitive and not just in terms of business offerings. Child services providers must compete for a parent's attention, a child's time, and a recession-tight

wallet (even if parents are more willing to spend on their kids than on anything else).

The afterschool space, in particular, is especially crowded because children must spread a few afterschool hours among dozens of extracurricular activities.

"The competition is only getting more heated," Joe Novak of Mathnasium told us. "We're competing with a whole other venue of competitors out there because children only have so much time."

Competition for retailers like Learning Express comes from the Internet, where CEO Sharon DiMinico says Amazon has a distinct advantage over other retailers because it doesn't charge shipping or sales tax. (This may change in the future as states move to force the sales tax issue.) DiMinico also says some big retailers use the Internet in predatory ways to price-gouge competitors.

### Market Analysis

Overall, the children's services market will continue to grow steadily. The number of children in the U.S. has increased by 50% since 1950 and is expected to continue growing, according to U.S. census data. However, the recession has had an effect on the population, as overall births in the U.S. fell by 111,000 from 2008 to 2009, according to data from the National Center for Health Statistics. Businesses in the child

services sector—many of which primarily serve children ages zero to six years old—should be aware of these numbers as they plan for the immediate future.

Regardless of population growth, parents continue to seek new options to stimulate and educate their children—be it through daycare or afterschool programs, toy stores, or special events. It's safe to say there will always be franchise opportunities within this sector. Of course, some business models are more recession-resistant than others, and that can clearly be seen in the companies that we looked at for this report.

**Kiddie Academy** and **Primrose Schools**—two national franchisors of private preschools—continued to increase their franchise units

*“Unless a franchise company has long-term staying power and a standout product or service, they won't last long in this space.”*



Photo courtesy of Rhea Lana's Children's Consignment

through 2009, despite the high investment required to open this type of business. Other simpler business models haven't fared as well. **Kinderdance**, a provider of dance and motor development programs, which requires an initial investment of only \$30,525, has lost 10% of its franchise units annually for the past several years. Even **Sylvan Learning**, perhaps the best known tutoring franchise in the U.S., was heavily impacted by the recession, especially in areas like California and Florida, which experienced a high number of franchise closures.

The number of business models within the children's sector is quite possibly infinite, but not all will be profitable. Especially in a struggling economy, business owners need to create a perceived need for their services in order to keep bringing customers in. There are a number of forces pulling at a parent's wallet, and children can be fickle consumers. Unless a franchise company has long-term staying power and a standout product or service, they won't last long in this space.

“My philosophy in being around since 1983 is that if your model is flawed, a recession is simply going to exacerbate the flaws,” said Joe Lindenmayer of TSS Photography. “If you're being honest with yourself, you probably had a flaw during the good times but you may just have been getting lucky.” There is also a great deal of competition in the segment—much of which is local or school-

based. Because of this, local marketing and word-of-mouth advertising may be far more important than a national brand or ad campaign.

“Word of mouth is very impactful for our business. What parents are saying and what they talk about in the community has a huge impact on how we do,” said Joe Novak of Mathnasium. “How we adapt to each community is always going to be slightly different, which is why, as we try to develop a national presence, we're going to have to be very careful on how we're targeting that because in each community it's going to be slightly different.”

Even Learning Express, a national toy retailer, says community reputation is more important than national brand. CEO Sharon DiMinico says the company is planning its first national advertising campaign this year, but up until now, they have focused on local branding and advertising.

### Success Attributes

The child services sector is heavily influenced by women—69% of franchise units are women-owned businesses versus just 23% in all other industry sectors. Ninety-one percent of franchisees have college degrees, and 34% have advanced degrees. This is a sector that attracts passionate operators who enjoy children—a characteristic that's good for franchisee satisfaction but not necessarily for running a business. The most successful franchisees also have solid business experience,

either in marketing and sales or management.

"I don't think liking kids makes you a good business owner necessarily," TSS Photography's Joe Lindenmayer told us, "But not liking them takes you out of children's services."

Although some business models in the child services segment do allow franchisees to hold full-time jobs while starting up their franchises, the most successful businesses require a full-time investment. In a lot of cases, the biggest competitors are local, so franchisees need to constantly market their services or products. Maintaining good relationships with schools, community programs, and other child-based businesses in town is a key to franchisee success. As we already mentioned, creating a perceived need for your business within the community is key to bringing in customers—especially in a struggling economy.

### Franchisee Satisfaction

As already stated, the child services sector boasts higher than average franchisee satisfaction. The sector as a whole scores especially high in the areas of training and support. Franchisees in the sector rate their satisfaction with franchisee communities 9% higher than franchisees in other sectors, and franchisors get high marks for innovation and creativity of the system. More than 80% of franchisees rate their franchise system above average, and 78%



Photo courtesy of Mathnasium

*"More than 80% of franchisees rate their franchise system above average, and 78% would recommend their franchise to a friend or colleague."*

would recommend their franchise to a friend or colleague. Child services brands tend to score particularly well in our survey areas dealing with personal fulfillment and work-life balance. The sector scores slightly lower in financial areas, for reasons stated above, but still receives above average ratings. In our research, 72% of franchisees said they were positive about their business's overall financial picture today, while 89% were positive about the long-term growth opportunity of their businesses.

### Summary

The child services sector offers an array of business models and investment levels, which enables franchisees to pick the businesses that best suit their strengths and management abilities. The demand for certain services—such as daycare and preschool programs—

### Top 10 Child-Related Concepts by Franchisee Satisfaction\*

JumpBunch

Learning Express

Rhea Lana's  
Children's Consignment

CompuChild

Mathnasium

Amazing Athletes

Just Between Friends

Kinderdance

TGA Premier Junior Golf

i9 Sports

\*Includes only companies that have surveyed with FBR. Some companies researched for this report declined to have us survey their franchises.

will continue to grow for years to come. That said, the space can be trend-driven, meaning that a business concept popular with children and parents today may not be tomorrow.

Prospective operators need to be aware that not all franchise opportunities are profitable, regardless of the initial investment or their personal passion for working with children. Regardless of the investment, some businesses are just better franchise opportunities than others, especially during a recession, and franchisees with business acumen tend to fare better than those without. As with all business opportunities, it is important to do your research and compare brands side-by-side. For more detailed research on specific child services franchises, please visit us online at [www.FranchiseBusinessReview.com](http://www.FranchiseBusinessReview.com).

# What are your options for financing a new business?


- I beg
- I borrow
- I steal
-  Finance

One of the first challenges in starting your own business is financing it. As you may have discovered, getting a bank loan isn't easy, and even if you do get one, you're saddled with years of payments. Wouldn't it be better to start off debt-free? By using your retirement funds, you can.

Guidant's iFinance is a small business financing plan that lets you invest your existing IRA or 401(k) funds into launching a business or franchise of your own. You don't have to take a taxable distribution because you're buying stock, as an investment, in your new company. And you needn't apply for a loan, because you'll be using

**Get a free consultation with a Guidant iFinance expert. Call 888-535-6822 or visit [guidantfinancial.com/TOP](http://guidantfinancial.com/TOP) today.**

your own money, allowing you to invest the interest you'd be paying a bank into the growth of your company instead. As your business grows, so do your retirement funds.



*"I chose to invest in myself. I'm a good risk. My income will likely surpass what I would've made in the corporate world and I have all the freedoms that come with being my own boss."*

**- Mark Stanley**  
Franchise Owner, Molly Maid

With Guidant's expertise, you can have your financing in place and be up and running in less than a month. As the national leader in small business financing, Guidant has helped over 5,000 individuals in all 50 states realize their dream of owning a business.

Like them, you have the will to create the life you want. Now let Guidant show you the way.

  
create the life you want

Guidant is proud to support these franchisors and others with fast and easy financing for prospective franchisees.

