

They Hopped Aboard the Bus To Economic Success

By Jim McConville - 10/2/2006

BIZ SPOTLIGHT - SMALL BUSINESS

It all started with one worn-out school bus. Add an idea and you've created a brand-new franchise called Fun Bus: Fitness Fun on Wheels, a Tinton Falls-based day-care fitness program that serves children from 2 to 7 years old.

Started in 2001, Fun Bus is an offshoot of a Somerset County day-care center called Kids Come First run by Kari Denton and her mother Dawn McGarry. The women decided to create a mobile version of their business by adding on the so-called Fun Bus, a mobile gymnasium.

The Fun Bus concept has proven quite successful. Since 2001, when Denton and McGarry sold the day-care center, the company has sold 25 franchises in seven states.

Now Fun Bus is an example of the growing number of franchises sprouting up in New Jersey and across the country. New Jersey was home to an estimated 17,350 franchised businesses in a 2005 PricewaterhouseCoopers study. The survey found that Garden State franchise outlets generated \$17.6 billion in revenue a year and employed an estimated 401,480 workers who earn roughly \$6.5 billion a year.

"It is a viable and growing opportunity in New Jersey," says Marion Zajac, program manager of the Entrepreneurial Training Institute for the New Jersey Economic Development Authority.

That's what Denton and McGarry counted on. The Fun Bus franchise concept started serendipitously when the two women bought a used school bus for \$1,500. They ripped out the seats, spent \$20,000 on wall-to-wall carpeting, padding and children's exercise equipment, and turned the vehicle into a pediatric fitness center. The women took Fun Bus on the road, trekking through the state, renting the portable gym to schools and children's groups for the day.

Denton, a former elementary school teacher, and McGarry, a former mortgage loan officer, had originally planned to own and operate a whole fleet of Fun Buses themselves. However, they say the quick growth of the business forced them to look for a better model.

"With all the need and demand and the phone calls and the business that we turned away and driving the bus from Middlesex County to Morris County to Bergen County, we realized that it wasn't the smart way to do business," Denton says.

The Fun Bus partners did some research and came up with a practical solution: start a franchise company and sell the Fun Bus idea to clients who wished to start their own business.

"That's why we didn't just design multiple buses and have employees work for us," Denton says. "We wanted other people to kind of buy into a concept that we knew was profitable and working as opposed to somebody just coming in and jumping aboard to buy a job."

Denton and McGarry are a ripple in a very big wave. Nationally, there were an estimated 767,483 franchise businesses that generated an estimated \$1.5 trillion in sales and provided more than 18 million jobs, according to estimates compiled by PricewaterhouseCoopers. The data came from 2001, which were the latest figures available.

The fastest-growing types were service businesses, real estate and building and construction businesses. Only travel industry franchises had posted a decline. Of course, the king of the franchise hill is fast food, which grew 67% from 2003 to 2005, according to International Franchise Association (IFA) and statistics from FRANdata, a market research group that follows the industry.

"There's a franchise for everything," says Lawrence Cohen, chairman of the Washington, D.C.-based IFA, an industry group with more than 1,000 franchise-parent companies as members. "It just proves that if you can make it, market it and sell it, you can franchise it."

Entrepreneurs have caught on to this and are creating new franchise models at ever-increasing rates. Since 2003, roughly 900 businesses started franchising. In 2005 alone, more than 500 new franchise businesses were started in the United States compared with 220 businesses in 2004, and 207 in 2003.

Franchise growth appears to boom in weak economic conditions. "Economic adversity breeds invention," says Cohen, who's also president of Cookies Associates, a franchise of the Great American Cookie Co.

"When people suddenly find themselves unemployed or suddenly disenthralled with what they're doing, they look around to see how they can improve their lives."

Proponents say franchises let operators be their own boss without the hassles of creating a small

business from the ground up. Franchising also allows a would-be businessowner to expand with less capital than would be required otherwise.

"They don't have to go out and develop a recipe for cookies; they don't have to go find a logo; they don't have to print bags and boxes; they don't have to worry about a marketing program and developing advertising material: it's all there for them in a package," Cohen says.

One franchise lawyer describes franchising as a symbiotic relationship. "Franchising is a way for franchisers to expand their operations very rapidly, and provides for franchisees the ability to get into business that they normally could not," says Mitchell J. Kassoff, a South Orange-based attorney who specializes in franchise law. "The ? benefits by getting people working and getting a cut of the proceeds, and the franchisee benefits by getting into a business by in effect buying the expertise of the franchiser."

Symbiotic, perhaps, but not necessarily inexpensive. Most franchises require an initial fee in order to operate the business under their trademark. Nearly 75% of franchise systems charge an initial fee of between \$35,000 to \$50,000, according to FRANDATA figures. Start-up costs for a Fun Bus franchise, including bus and equipment, range from roughly \$50,000 to \$80,000, depending upon what region it operates in, says Denton.

Then there are franchise royalty payments to the franchiser. In approximately 85% of those cases, the royalties are calculated as percent of revenue, typically between 3% to 6% of the franchisee's monthly sales.

Having spent a large chunk of their working careers on the employee side, Denton and McGarry have found running their own franchise business both liberating and, at times, overwhelming.

"The buck stops here," Denton says. "When you work for a company you can turn to someone and say 'help me out.' Here, when a situation arises, it's up to us to decide where to go. We have the ultimate decision; there's nobody to overrule us."

On the plus side, the proprietors of the Fun Bus franchise say it provides them with unbridled economic freedom. "We're in control of our own destiny as far as how big a franchise company we want to be," Denton says. "At one point we said maybe we'll just stay small and franchise all of New Jersey. But then we were getting leads from various states. It's hard to turn away business. But it's our choice to make." The strong selling point for Fun Bus franchises, says Denton, is the focus on kids' physical fitness and health.

"With so much media coverage out there about obesity in children and diabetes it makes it an easier concept to sell," Denton says. "It's not like we're trying to sell you something that you don't need."

The pair is considering an ambitious program. "We are going to cover the whole United States; that's our plan," Denton says. "Obviously as you grow you have to bring in new employees, too. Dawn and I alone can't cover the whole country."

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