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Kid's Kab: A Distinctive Service Company Helping Busy Parents Cope with Their Many Daily Responsibilities

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**KID'S KAB: A DISTINCTIVE SERVICE
COMPANY HELPING BUSY PARENTS COPE
WITH THEIR MANY DAILY RESPONSIBILITIES.**



Marie M. Hollander, B.S.

**An Abstract Presented to the Faculty of the Graduate
School of Lindenwood College in Partial
Fulfillment of the Requirements for the
Degree of Masters of Science Administration in Marketing**

1994

ABSTRACT

This thesis will focus on building a business, beginning with an idea and a perceived need through personal experience. Kid's Kab is a franchised children's transportation service built on the premise that working parents and single parents need help in getting their children to and from specific events. The times of need are before and after school or during school/work time for doctor or dentist appointments, during the evening hours sometimes while parents are still at work, or on weekends, which are already very busy for parents, working or not.

Working parents and single parents have many different hats to wear and schedules to follow. They need options. They need help juggling all their responsibilities. Feeling the guilt of not having their child participate in an event due to that parent working is not a welcome thought. Hassling with carpools or depending on others to fill that void is not a comfortable situation either. Rather than depend on grandparents, neighbors or juggling work schedules, Kid's Kab will pick up and deliver children to these events, then return to pick them up and deliver them back home again, all for one low price.

Since there is no other company in the St. Charles/St. Peters area providing this service at the present time, Kid's Kab is a new venture with a wide variety of options available to ensure total customer satisfaction for both parents and children using our service.

There were many professionals called upon to help in the building of this idea, from small business owners to business lawyers, accountants, insurance brokers and bankers. With so many avenues to travel on the road to building a business, these people were an invaluable asset to have.

**KID'S KAB: A DISTINCTIVE SERVICE
COMPANY HELPING BUSY PARENTS COPE
WITH THEIR MANY DAILY RESPONSIBILITIES.**

Marie M. Hollander, B.S.

**A Culminating Project Presented to the Faculty of the
Graduate School of Lindenwood College in Partial
Fulfillment of the Requirements for the
Degree of Masters of Science Administration in Marketing**

1994

COMMITTEE IN CHARGE OF CANDIDACY:

Assistant Professor Daniel W. Kemper,
Chairperson and Advisor

Adjunct Assistant Professor Jan Kniffen

Adjunct Assistant Professor James McHugh

DEDICATION

This thesis is dedicated to Randy, Jennifer and Jason. Without your patience with me I would not have succeeded in school. My education and thesis were accompanied by a very heavy burden of guilt. I was missing my children growing up, and was unable to participate in many day-to-day family discussions and events because I had homework to do or class to attend.

We have the rest of our lives together, and I am going to do everything I possibly can to make it the best it can be. Thank you for being patient with me, and for loving me. I love you too.

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Thanks must be given to the special people who helped make this thesis a successful project.

Thanks first to my husband Randy, who, after doubting I could ever start my own business, finally believes in me and the idea. Thanks also for your patience with me, and my roller-coaster moods during this time.

Thanks to my children, Jennifer and Jason, for putting up with my short-temper and impatience during this time. It is hard to explain that what I was doing will benefit you for the rest of your lives. Someday you will understand.

Thanks to my brother Gary Orf, who kept trying to find financial information on private companies for me to use in my industry standards comparisons.

Thanks to Alice Petty, the closest friend I have ever had, for listening to my ideas and dreams, offering suggestions and support when I needed it.

Thanks to my boss, Jim Higdon who put up with my being an air-head at times when the last thing I had on my mind was my job! Thanks also for not noticing when I extended my lunch hours to continue typing on my thesis when I should have been back to work.

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Chapter 1 INTRODUCTION

The Changing American Workforce

The American way of life has changed dramatically in the last two decades. In the majority of American households, both parents work. Today's working mother or single parent is torn between the demands of work and the demands of raising a family. Most parents want their children to have a quality life. But while many of today's two-income families can afford to give their children opportunities that were previously considered luxuries (such as dance class, gymnastics, sports, or private school), they are constantly juggling conflicting priorities between work and family.

Working parents have a tough job to do. They have to effectively balance their career and family responsibilities. They experience definite feelings of guilt, especially working mothers, as they try to fill the void in their financial, personal, family and business lives. These feelings of guilt will never be totally eliminated, but can certainly be reduced significantly when it comes to the type of care they have chosen for their children. This concern does not only cover day care, but other aspects such

If both parents are working, this should not mean their children will be unable to participate in activities after school. If this were true, parents would feel the pangs of guilt even more every time a note came home from school about sports tryouts, practices, games, scouting events, etc. The next decision parents need to make is, if they allow their children to participate, how their kids will get to and from these events. These working parents have several options: They can juggle work schedules, carpool, quit work, or not allow their child to participate. Most probably, they would either try to change their work hours/days if possible and hope they would not be inconveniencing their employer or co-workers. The other alternative would be to call someone to carpool. It goes without saying that both of these alternatives are hassles. The last thing a working parent wants or needs is another hassle.

In the past, these problems were not even heard of, because mom was always home to cart the kids different places. But since the beginning of the women's movement in the 1960s, the divorce rate has soared and wives and single mothers have gone to work in unprecedented numbers (Barber, 51).

Traditionally, women dropped out of the work force when they had children. By the 1980s, that trend had changed. Seventy percent of women with children were working and (for the first

time in America's history) the number of working wives outnumbered housewives, with fifty-one percent of American women working outside the home. That number is steadily increasing (Wright, 570).

While women with children often work by choice, a 1989 study by the National Council of Welfare, an advisory committee to the minister of health and welfare, shows that fifty-one percent more families would live in poverty without two family incomes. But juggling both a career and a family at times proves so difficult that many working mothers are forced to quit their jobs and stay at home (Barber, 52).

Married women with young children are one of the fastest growing segments of the labor force. Almost 68% of married mothers with school-age children work outside the home. This change has had an effect on America's lifestyle. According to a 1989 New York Times poll, eighty-five percent of working mothers and seventy-two percent of working fathers said they were "torn by the conflicting demands of jobs and families" (Wright 571, 572). Whether this is a result of the social revolution, the need for women to achieve self-fulfillment, or the desire for a more affluent lifestyle, despite the demands placed on them, the number of working women is expected to grow. In fact, the Department of Labor estimates that by 1995, eighty percent of

women between the ages of twenty-five and forty-four will be working, and ninety percent of them will be mothers (Wright, 566). The Bureau of Census confirms this trend, predicting that, as early as 1995, women will make up 60% of the labor force (Wright, 570).

The most important concern of working parents is finding a safe and caring environment for their children while they are at work. When working parents feel that their children are safe, a great burden is lifted from their shoulders. When selecting any kind of child care or service, parents first concentrate on the safety issues. They also check factors that include cleanliness, licensing and staff certifications (Smith, 14).

Most working parents are familiar with the following scenario: Billy brings home a note from school. He wants to participate in an after-school activity. The group will meet on Tuesdays from 3:30-5pm, but his mom and dad do not get home from work until 5:30pm. By now Billy is begging, "Please Mom and Dad!" Guilt feelings set in for the parents. What can they do? As they look at each other helplessly the same thoughts going through their heads: Maybe we can arrange for a carpool with some of the non-working parents. Maybe grandma or grandpa can take him and another parent can pick him up. Maybe the group leader can pick him up and stay with him until

we get there. They are, again, at someone else's mercy. They feel like they're begging. They try to reciprocate by offering to carpool for other evening activities. It gets to be a vicious circle.

Parents come home from work, already tired. There is dinner to cook, clothes to wash, errands to run, the kids need help with their homework. Sally has dance lessons on Tuesdays and her monthly Girl Scouts meeting is this Thursday. Billy has soccer practice on Wednesday nights, a Scouts meeting monthly, and he wants to play basketball this winter. Next year Sally wants to try swimming lessons...

There just is not enough time. Billy and Sally's parents feel like a taxi service. Carpooling is a hassle. They are tired of depending on others, then having to reciprocate the favor at other times. Many other parents are facing the same problems. They are frustrated and exhausted.

The Industry Today

It seems that more and more working adults are depending on services of all kinds to help them out with their busy lives. From pizza delivery service to the home shopping network, services are springing up everywhere in many different forms to help the busy working adult. One of the niches being filled by

small businesses in the United States today is the transportation business. There are many ways a transportation service can help working adults. There are transportation services for children, the elderly, the handicapped, and even for pampering the traveling business executive.

These different transportation services have one thing in common; they are helping to make other peoples' busy lives easier. From running a student to swimming lessons or scout meetings to transporting a disabled child or adult to therapy sessions, transportation services are helping people nationwide to cope with extra responsibilities that are a part of everyone's daily lives (Candler 39).

A not-for-profit St. Louis company called Care Cabs, founded in 1981, transports handicapped and elderly adults to different destinations in the St. Louis/St. Charles area. Care Cabs operates 90-100 vans and employs approximately 115 employees with average yearly sales of \$3.5 million (Dun & Bradstreet Million Dollar Directory, 746).

Another St. Louis company offering transportation services for larger groups is Ryder Student Transportation. Ryder, formerly Rustman Bus Services until 1987, sells school buses and provides contract school bus operations for two dozen school districts. Ryder employs 1100 part time employees and operates 700 buses

in the St. Louis area. Ryder is the top St. Louis area company in Inc. Magazine's 500 fastest growing companies. Ryder employs 7000 people nationwide with annual sales of \$65 million (Dun & Bradstreet Million Dollar Directory, 4493).

In 1989 the firm SuperShuttle International, a 24-hour-a-day airport van pool service in Los Angeles, started ExecuCar. This transportation service offers business travelers an alternative to taxi cabs, shuttle vans, and limousines. Uniformed chauffeurs drive full-sized Mercury Marquis sedans outfitted with cellular telephones, reading lamps, and tinted windows. These sedans provide personalized service at a rate ExecuCar says is slightly higher than a taxi but lower than most limousine services. After gaining success in Los Angeles, ExecuCar has expanded to Phoenix, Dallas and Fort Worth, presently eyeing other major business executive travel areas as well (Candler 39).

Table 1 shows the rating of Local and Interurban Passenger Transit corporations with net income according to the 1993 edition of the Almanac of Business and Industrial Financial Ratios. The industry average and up to \$250,000 assets are shown since these are the size companies being researched for this thesis. The smaller industries of under \$100,000 and \$100,000 to \$250,000 seem to be staying fairly close to the industry averages in most respects. Some variances would of course occur in the size of the

business. The smaller the business, the less money would be spent to operate the business. As a percent of net sales there are two large differences: one being cost of operations and the other being depreciation, depletion and amortization. Cost of operations as a percent of net sales is 8.5 percent less for a larger business. This could be due to more streamlined operations and cost-cutting efforts, or just the fact that discounts may be given to a larger company purchasing in larger quantities.

Depreciation, depletion and amortization is 9.6 percent more for the larger business than the smaller business, probably because the larger business owns more assets that are being depreciated and financed. In the selected financial ratios, the net sales to net working capital ratio for \$100,000 to \$250,000 companies seems much lower than it should be. Maybe the larger companies have more money tied up in equipment (as shown in depreciation). Their total liability to net worth is also higher than the industry average of 1.5 or the smaller company of 0.8. The financial factors for the larger company also show they have a higher debt ratio and a smaller return on assets than the industry average or the smaller companies, yet their return on net worth is higher. It seems there are good and bad points about owning a larger company in the passenger transit industry. One

strong note is the fact that bad debts are less than 1/10 of one percent of net sales and is not even listed on the chart.

The SIC 4100 Transportation encompasses all types of passenger transit businesses including taxi services, bus service such as Bi State Transit, and specialized bus services such as Ryder Student Transportation.

Table 1

4100 Transportation - Local and Interurban Passenger Transit

	Size of Assets (\$000)		
	Totals	Under \$100	\$100-250
Number of Enterprises	7700	5184	991
Total Receipts	4449439	527	139
The following as a percent of net sales:			
Cost of operations	38.7	27.0	18.5
Compensation of officers	4.0	4.0	5.8
Repairs	2.3	4.6	1.6
Bad Debts	0.8	---	---
Rent on business property	2.6	3.1	0.7
Taxes (excluding Federal)	4.2	3.4	5.1
Interest	1.7	1.7	4.6
Deprec/Deplet/Amortiz	6.1	7.2	16.8
Advertising	0.6	0.9	0.1
Pension/benefits plans	2.1	0.5	0.2
Other expenses	33.2	40.0	38.0
Net profit before tax	3.6	7.5	8.7
Selected financial ratios:			
Current ratio	1.2	1.3	1.3
Quick ratio	1.0	1.1	0.6
Net sales to net wkg capital	32.0	37.6	12.6
Asset Turnover	2.0	2.4	0.9
Total liab to net worth	1.5	0.8	3.8
Selected Financial Factors in Percentages:			
Debt ratio	59.7	43.0	79.1
Return on assets	15.8	24.6	12.4
Return on equity	25.3	34.0	37.9
Return on net worth	39.2	43.1	59.2

SOURCE: Almanac of Business and Industrial Financial Ratios, Leo Troy, Ph.D. Table II: Corporations with net income 1993 Edition. 4100 Transportation: Local and Interurban Passenger Transit, p. 179.

Transportation services not only provide needed services for all types of reasons, but they also generally help to reduce traffic problems by carrying more than one or two passengers.

Executive Director of the Kearny Mesa Transportation Management Association of San Diego, Jackie Christiansen, feels that what is possible for her city is possible anywhere: "If everyone would leave their cars at home and ride with someone else just one day a week, we would reduce traffic congestion by twenty percent" (Candler 42).

Statement of Purpose

The purpose of this project is to explore the wide-open market of specialized transportation in depth, which includes children, adults, the handicapped, and anyone having a special transportation need. After gaining as much knowledge in this field as possible it will then be determined if there is a market in the St. Charles/ St. Peters area for such a service. Not only will it be determined if there is a market, but if it will be profitable, and grow in demand for many years to come.

Surveying the target market is necessary to see just how much interest and need there is for a specialized transportation service. Understanding the industry, what transportation services are

presently available and how those operations are handled is extremely important to deciding whether or not there is even a need for a children's transportation service in the St. Charles/St. Peters area. There are many working and single parents in the target area, but if they are not willing to use and pay for the service, the surveys would hopefully show this.

A major portion of this project will be building a business plan to see if starting a specialized transportation company would be a profitable venture, or a total failure. The business plan will discuss all areas specific to the transportation industry including the make-up of those companies, their size, the amount of investment required, the actual service they provide, the number and types of jobs created and their success/failure statistics.

Another section of the business plan will focus on what would be necessary to start a children's transportation company in the St. Charles/St. Peters area. Included would be any start-up costs and guidelines, whether the company would be incorporated, a partnership or proprietorship, the business philosophy and even an organization chart showing roles and responsibilities of officers and executives.

The final sections of the business plan will focus on the financial plan and the marketing plan of opening a new specialized transportation business. The financial plan will discuss

forecasting profits and losses, doing a break-even analysis, analyzing tax plans, insurance plans and pension/bonus plans. The marketing plan will discuss a good location for the business, the market size and potential, the competition, the target market, pricing and sales strategies.

Only through thorough research in developing a complete business plan will it be possible to determine whether or not it is feasible to start a company such as this. Just as important is whether or not a lending institution will loan the capital to start such a venture. The more thorough and complete the business plan, the more apt a lending institution will be to loan money for a new business.

It has been said many times that most businesses do not plan to fail, they just fail to plan. It will be through this project that a children's transportation service is planned, developed and implemented.

Chapter II

LITERATURE REVIEW

Existing Industries

There are various forms of transportation services available in the United States today. These types of services have been set up for the elderly, the handicapped, the mentally disabled, and even for special events such as weddings, proms, parties, major sporting events, to and from the airport, and even for shuttle service between and within business districts.

Care Cabs, Inc. is a not-for-profit transportation service available in St. Louis city and county, and St. Charles. This company transports both the elderly and the handicapped to and from destinations employing around 115 employees (Dun & Bradstreet Million Dollar Directory, 366). OATS (Older Adult Transportation Service) is another not-for-profit service in the St. Louis area providing transportation for older adults, the handicapped, and the general public in rural areas (Dun & Bradstreet Million Dollar Directory, 4190). Another type of transportation service is Ryder Student Transportation, which sells school buses and provides contract school bus operations for two dozen school districts in the St. Louis area (Dun & Bradstreet

Million Dollar Directory, 4493). Ryder transports children not only before and after school, but also for school field trips to many different places such as the St. Louis Science Center, the Art Museum, the St. Louis Symphony, Grants Farm, the Zoo, etc.

There are several limousine services, some even offering twenty-four hour service, in the St. Louis area that transport people to and from work, the airport, and even for special occasions such as proms, weddings, anniversaries, birthdays, etc.

Besides the several specialized transportation services available, there are the usual Taxi-Cab companies providing twenty-four hour, seven-days-a-week transportation service for children and adults as well as offering package pickup and delivery services.

There are certainly a variety of transportation services available in the St. Louis area, but none that cater exclusively to children and their working parents. This would seem to be a huge market that is, at the present, virtually untapped in the St. Louis area.

In Birmingham, Michigan, a company named Kids Kab has tapped the children's transportation market and has done very well. The company caters to children in households of single parents, or where both parents work. Kids Kab transports children and teenagers to school, appointments, and special events within an area of five to seven square miles. Kids Kab has done so well, in fact, that they are

now a franchise, offering their idea and service to any willing and qualified person wishing to be a franchisee (Candler 39).

Kid's Kab opened for business in 1989 in Birmingham, Michigan with a full-size Dodge Ram van and within three months had to purchase two more full-size vans. The business grew to where Pam Henderson, president, CEO, treasurer and director, decided to franchise, thinking that if this idea is such a hit in Birmingham, maybe it will do the same elsewhere. In 1991 Henderson opened Kid's Kab International Franchise, Inc. By the end of 1993 the company had grown to twenty-five franchises in eleven states (Babcock).

The field of specialized transportation services is expected to expand drastically in the next several years. Under the Americans With Disabilities Act, transit agencies that run public bus routes also must provide paratransit, or on-demand, curb-to-curb van service for the disabled. This has created a break for transportation services as many agencies choose to outsource these operations. The agencies have until 1997 to phase in the service or expand existing operations. Bobby Griffin of ATE Management and Services Company, a division of Ryder, says "There's twenty percent more bid opportunities this year" than last year (Wall Street Journal, June 24, 1993, p. 1).

Griffin expects the dial-a-ride market to grow to two billion dollars by 1996 from \$500 million in 1993. The present paratransit

contracts generally are bigger, both in terms of the number of vans and service hours comments James Pierson, president of Dave Transportation Services, Inc. in Irvine California. He feels a key ingredient in the larger contracts will be software systems for scheduling and dispatching vans. At present, fares for paratransit service are capped by law at double the bus fare for a similar route (1).

The market for specialized transportation is definitely there. From older adults to small children, from the physically handicapped to the mentally disabled, there is a definite need for different sorts of specialized transportation. With the prediction of the paratransit van service growing in the United States from \$500 million today to two billion dollars in three years, many transportation companies will be stepping up to the challenge and fulfilling these needs (1).

Necessary Business Components

There will be many requirements necessary to own and operate a transportation company. Due to the huge liability of transporting people, it would certainly behoove the owner to incorporate. This would then rule out the possibility of the owner losing all personal assets in the case of a lawsuit or bankruptcy. It may not be required to

incorporate, but it would seem to be in the owner's best interests to do so.

An "S" Corporation would be the way to go for a new small business owner. One advantage of an "S" corporation is that profits are not double taxed since they are passed through to shareholders and the corporation itself is not subject to income taxes. Another advantage is that the losses of an "S" corporation are passed through to the shareholders reducing their taxable income by deducting their portion of the "S" corporation's losses from their income, thereby reducing their taxes. Shareholders are usually not financially liable for the debts or liability of the "S" corporation as in a "C" corporation (Pier).

Operations are very similar in both an "S" corporation and a "C" corporation. The IRS has to give their consent for the new business to be an "S" corporation, and there are certain stipulations:

- 1.) Only one class of stock may be issued, but that class can have voting and non-voting stock.
- 2.) Shareholders are limited to a maximum of thirty-five persons. Husband and wife count only as one.
- 3.) Usually the company must use a calendar year for tax purposes.
- 4.) Owners of more than two percent of the outstanding stock cannot receive tax-free certain fringe benefits such as employer provided health care, meals, lodging or life insurance.

- 5.) The company cannot have a retirement plan that holds the corporation's stock in trust for its employees.
- 6.) Loans to shareholders are prohibited (Pier)

The investment required to start a transportation service would depend on many factors. One being the demand for the service, which would effect how many employees the company would need. For example, Care Cabs, Inc. has around ninety vans and around 115 drivers. A Kid's Kab franchise will normally have three mini or full-size vans and three drivers. The average start-up investment for a Kid's Kab franchise is around \$55,000. This includes the franchise fee of \$26,000, down payment on three vans, office equipment, office lease space, computer equipment, insurance, radio dispatch units, supplies, miscellaneous, and salaries. The average starting salary for drivers and office help is \$6.00 per hour (Babcock). The number of employees would then impact salaries, insurance costs, workman's compensation costs, number of vans to be purchased, van insurance, etc. Start-up costs would vary due to the variables mentioned.

Q: The demand for the service would certainly dictate the location of the business. This means the owner would want to locate in a highly populated area specifically targeted for this type of service. If the business was concentrating on the elderly and handicapped it would

want to be located near retirement areas and para-nursing homes, rather than in a business district.

The owner of the company would certainly need some business background to be able to plan and operate this type of a business. From purchasing vans to the specialized dispatching software for the computer, almost every aspect of the business would be of a specialized nature. It must be mentioned that if the owner is purchasing a franchise, many details would be included and paid for by the franchise fee.

Advertising costs would be a planned expense. There are many ways to advertise, from television to the yellow pages. The owner would have to spend the advertising dollar wisely. If the business was to be located and operated only in the St. Charles area, the owner would not advertise on radio or television. Since the radio and television stations are located in St. Louis city the message would be reaching a large St. Louis metropolitan area that would not even have access to the service. The owner would concentrate on local advertising such as a periodic ad in the St. Charles Journal, the St. Charles Post, distribute fliers to local schools and churches, put an ad in the Greater St. Charles Region Yellow Pages, put coupons in different direct mail advertising packs sent to specific geographic areas, etc. The owner would have to concentrate on reaching only the

specific area in which the service is being offered. Another form of advertising could be to simply sponsor or co-sponsor events, such as the Special Olympics, Walk for Muscular Dystrophy, or even a little league team, etc. These sorts of sponsorships are excellent forms of public relations which puts the company in a very favorable community spotlight.

Real estate costs would vary depending on where the business wishes to locate their office. Since the target market is located in largely residential areas, the owner would want to find an office close to this same area. This would not only save on the cost of real estate by staying away from the more expensive business district, but also on the cost of gas and mileage to and from the office.

Purchasing a computer, printer and related software would be a one-time expense. The software would include a dispatching program, scheduling for the employees, payroll, and a billing method process for payment. Once this system is in place, the employees would have to be trained on the equipment and software.

Since payroll is a very touchy and personal thing, it may be a good idea for the owner to either purchase another computer and printer to keep in the owner's office for this function, or to password the payroll directory and database so that no other employees could have access to this sensitive information.

Office furniture would be another expense. This could range from desks and chairs to couches and lamps if the business also warranted a reception or waiting area. First impressions are certainly a factor to be considered. The owner would not purchase torn or battered furniture for the office, but would be sure it looked nice enough to make people want to come back and do business with them again.

The largest up-front purchase would be the vans. With the huge liability involved in transporting people, car dealers and rental agencies will not lease the vans, since their name would be top on the list for any lawsuit should an accident and injuries occur (McVey).

Once the vans are purchased, regular maintenance is necessary to keep them in top condition. Poor running vans will only speak poorly about the company, and customers certainly would not use a transportation service that was unreliable. A maintenance agreement may be worked out with the dealer the vans are purchased from, or from a local Jiffy Lube or some other local automotive service or repair shop.

A radio dispatching system would have to be purchased, which would include the base unit for the office, and individual units for each van. As more vans are purchased, they would have to be equipped with radio units. Another option might be cellular phones for each van,

which may be less expensive than purchasing a radio dispatching system. A group rate may be negotiated through Southwestern Bell or Cybertel. Another option might even be to use both the radio dispatching system and the cellular phones. It would certainly depend on the needs of the business.

Hiring and training employees is another area where the owner would need good business sense. Hiring drivers to transport people, whether it be children, adults or the disabled, takes very serious consideration. First of all, the company itself would have to be certified by the Department of Transportation. This means the company would receive a D.O.T. certificate and number proving its commitment to customer safety. The drivers would need a chauffeur's license, and would go through drug testing before being considered for hire. To lower insurance costs drivers would have to be over twenty-five years of age. These precautions are not merely to satisfy the requirements of the Department of Transportation, but will also show the consuming public that the company cares about the safety of its customers by hiring only qualified, responsible and professional employees (Stohne).

Once a company has hired and trained an employee, it is in its best interest to keep that employee. To retain good, competent drivers some insurance companies offer achievement and safe driver awards to

keep safety first for all drivers. Lancer Insurance Company, based out of Long Beach, New York, offers achievement awards, driver seminars and training sessions to help drivers in special situations such as adverse weather driving, passenger safety, pre-trip van inspection, accident prevention, etc. (Reichard).

Besides having insurance on the vans, the company must have workman's compensation insurance on the drivers, and insurance on the leased property and its contents. The cost for two employees and the owner for workman's compensation insurance would be approximately \$2400 per year, or \$200 monthly. Full coverage insurance on two vans would be approximately \$7,200 per year or \$600 monthly. Lease insurance full coverage on liability, fire, theft, contents, etc, is approximately \$300 yearly or \$25 monthly. These three types of insurance coverage equal around \$825 monthly (Plasmeier).

Since the company is so small (two to three employees) the company is not required to offer any kind of profit sharing or pension plan, or any bonuses or incentives. All employees, except for the owner, would be considered part time, working only around twenty hours weekly with a salary of \$6.00 per hour. Also since all employees are part time, the only insurance coverage they would receive is the workman's compensation as discussed above. No other types of

insurance (health, major medical) benefits are required for a company with only part time employees (Plasmeier).

Besides investigating all the start-up costs and even the working capital needed to successfully run a new transportation service, there is a need to see just how successful (or not) other companies in the same industry are. Trying to get information on any of their financial records could pose a problem, especially if these are privately owned companies. In order to write a successful business plan, some type of information showing industry-related financial data is necessary. This is important data which will hopefully prove to the lending institutions that what the owner needs a loan for will soon become a successful business venture.

Organizational Structure

In starting a new company the organizational structure will be fairly simple. The president and owner will wear several different hats in the beginning of her new business. The president and owner will probably oversee the operations as well as the sales areas of the business. If the owner is adept at accounting, the owner will also be the accountant, although with all the accounting laws and stipulations required for small businesses, especially those incorporated, it may be

safer for the owner to pay an accountant skilled in new and/or small businesses to handle the accounting aspects of the company.

Accountants can handle any number of procedures for any type of business, all for a fee. The normal CPA fee is \$60 an hour for a retainer service, where the owner would call with questions, but would do all but the quarterly taxes. The area more businesses have problems with is payroll taxes, which would not be included in the retainer since payroll is done more often than quarterly (McKinney).

Also, a CPA may be more expensive than an accountant (from \$10 to \$30 more per hour), but the extra expense may be worth it to a new business owner. CPAs are required to continue their education (120 credit hours in three years) to keep their certification status. An accountant may be someone who has worked in the accounting department in a small or major company for years and decided to go into their own business. Depending on the complexity of the company's taxes, and the new owner's accounting level of knowledge, the new business owner will have to decide between a CPA and an accountant (McKinney).

If the new owner has relied on the Small Business Administration and SCORE (Service Corps of Retired Executives) to counsel and advise the owner along the way, they could be added to the organizational chart under the title of advisor (Shray).

The reasoning behind the basic organizational structure in the beginning stages of a new business is simple. A new business of any kind will want to hold costs to a minimum because it will take several months to maybe even several years to see a profit. It would not be in the best interest of the new company to hire separate people to oversee the organization and the sales areas of the company because hiring these extra people means paying their salaries and benefits as well. These added costs are not necessary in the beginning of a new company since the president and owner would probably want to handle these duties for a while, at least until the business started growing. Most people start a new business because they want to be their own boss. The best way to accomplish that is for the president and owner to handle any areas of the business they can for a while, with advice from SCORE, or input from the employees.

Business Philosophy

The mission of a new transportation service, or for any company, should be very specific and straightforward. The mission statement of Kid's Kab, Inc., is as follows: "To provide a safe and reliable transportation service that meets the on-going scheduling needs of children, parents and organized groups" (Babcock). This mission

statement evolves around the need of working parents to more efficiently schedule their time so that they may direct this increasingly limited resource toward those areas that are most important to them - such as spending more quality time with their family.

A mission statement should bring into perspective the reputation and image the company desires to project to the consuming public. In the mission statement above, Kid's Kab. Inc., uses the phrases "reliable transportation" and "meets on-going scheduling needs" showing they understand the situation working parents are in today, and how their service can alleviate the frustrations and stress involved in parenting situations on a daily basis.

Outside Assistance

It would be very rare for a person starting a new business to know everything there is to know about the industry and not have to use outside sources on which to base decisions. If the owner of the business has never owned a business before, s/he will be depending on outside sources quite frequently. This could be, but not limited to, a lawyer, an accountant, a SCORE representative, an insurance broker, and a banker (Shray).

If the owner is a franchisee, training in standards of operation, including company policies and service guidelines may already be in place and provided by the franchisor. An operations manual in support of the owner and the employees may also be established (Babcock).

Start-up Costs and Operating Capital

Start-up costs would vary depending on several factors. The biggest determining factor is simply what the demand is for the service. If there is a big demand, start-up costs will be higher to accommodate that demand. This would mean purchasing more vans which would require radio dispatching equipment, hiring more employees therefore paying more salaries, insurance, etc. Table II presents a list of start-up costs for Kid's Kab based on the purchase of two 8-passenger vans, with two drivers and the owner, who is also the dispatcher. These figures do not include the up-front franchise fee of \$26,000

It is necessary to step through this table of start up costs and monthly working capital needed and explain a few aspects line by line.

Real estate is a fairly self-explanatory fee. There will be the initial down payment along with the monthly lease fee. It will usually be necessary to fix up the office (add walls, outlets, paint, wallpaper) to meet the needs of the business, therefore an additional \$8000 has

been allocated for initial start-up repairs. A business of this kind requires around 500-800 square feet of office space. This would include the owner's office, the dispatcher's area, a reception/waiting area, a small eating/microwave area and a restroom. First and last month's rent is usually required when the lease is signed, with a monthly lease payment after that (Westphal).

Table II
Kid's Kab Transportation Service Average Start-up Costs

	<u>Start-up</u>	<u>Monthly</u>
Real Estate	\$ 1000	\$ 500
Real Estate fixup & repairs	\$ 8000	
Equipment & Furniture (Desks, chairs, table, copier, fax etc)	\$ 5500	
Computer, printer, modem	\$ 2500	
Computer Software (dispatching, payroll, scheduling, billing)	\$ 750	
Downpayment on 2 vans	\$ 6000	\$ 600
Dispatch radio or cellular phones	\$ 2500	\$ 60
Insurance	\$ 600	\$ 825
Supplies (paper, pens, billing/payroll forms, copier/fax consumables, etc.)	\$ 1000	\$ 25
Painted logos on 2 vans, sign for building	\$ 750	
Training (software, procedures) (outsourced, one time charge)	\$ 1200	
Professional Fees (lawyer, acct)	\$ 2000	\$ 200
Owner's Salary		\$1500
Other salaries (2 employees @ \$6.00/hr x 80 hrs/mo)		\$ 960
Taxes		\$ 200
Advertising		\$ 300
Utilities	\$ 250	\$ 200
Misc. (licenses, maintenance, repairs, etc)		\$ 500
Totals	\$32,050	\$5870

SOURCE: Uniform Franchise Offering Circular. Kid's Kab International Franchise, Inc. Heather Babcock, Qualifications Specialist. August 1993.

Once the office building repairs are completed, it's time to purchase two desks, two desk chairs, a small kitchen table with a few

chairs, a copier and fax machine, file cabinets, a small refrigerator, microwave and coffee maker. If a waiting or reception area is included, a couch and a chair or two, as well as a lamp and table would also be a necessary purchase. These items would total approximately \$5500 and would be a one-time start-up purchase (Babcock).

The next necessary purchase is a computer, printer and modem for around \$2500. This would also be a one-time start-up purchase. As the business grows, another computer, printer and modem may need to be purchased (Babcock).

A special dispatching software would need to be purchased which would enable the company to handle dispatching, scheduling, payroll and billing. This too, would be a one-time start-up purchase of around \$750. Training on the software and its capabilities would also be a one-time start-up charge of approximately \$1200 (Babcock).

The largest cost of all would be the purchase of two 8-passenger vans. The purchase of two Dodge Mini-vans would cost right at \$30,000, plus the sales taxes and licenses. The vans would be financed for five years at ten percent interest through Chrysler Credit Corp. The money needed for a down-payment on the vans would be included in the amount of the SBA loan that was secured for start-up costs and the monthly payment would be figured into the monthly working capital (Babcock).

A new radio dispatch service for three vans and a base or home unit is another large expense. The base station is around \$1000 with a unit in each van costing \$650. There is an additional \$100 charge for each installation and removal. There is also an \$11 per month tower charge to use the radios with an optional phone patch for an additional \$25 for each van. This option would negate the need for a cellular phone, and would be less expensive than having a radio and a separate cellular phone installed. The total start-up cost for the base unit and units in two vans would be around \$2500 with a per month charge of approximately \$60 (Russell).

Insurance is certainly another one of the biggest cost factors in a transportation business because of the huge liability involved in transporting people. Workman's compensation for two drivers and a dispatcher is approximately \$2400 yearly. Each additional driver would cost around \$800 yearly (Plasmeier). A general liability package on the leased property would run around \$300 per year with \$300,000 coverage on contents (Johnson). The van insurance would be around \$7,200 yearly for two vans for full coverage (Reichard). The total downpayment for workman's compensation, the van insurance and the leased office building and contents amounts to approximately \$600 with a monthly payment of approximately \$825 for all three coverages.

Many types of supplies will need to be purchased in the very beginning. These will include, but certainly not be limited to, pens and pencils, computer paper, envelopes, letterhead, copier and fax paper, paperclips, copier consumables, fax consumables, printer forms for payroll checks, billing statements, etc. Once the original supplies are purchased for around \$1000, the monthly amount to keep supplies current should only run around \$25. Some months will be more, but this will be the average monthly cost.

The vans will need the company logo painted on them, and a sign will need to be painted and mounted on the office building. The total cost for this will run around \$750 and will be a one-time cost, until extra vans are purchased and need to be painted, at a cost of around \$225 per van. It is less costly and time-consuming after the first van, since a template with the design and logo have already been prepared and can be used over again, so less time is spent on preparations in design (Babcock).

Professional fees must be figured for both start-up costs as well as monthly payments. It costs approximately \$1500 for a company to incorporate. Plus there are incidental costs for paperwork and research that lawyers charge for keeping your company up to date and protected should any sort of lawsuit arise.

The other part of the professional fees is the accountant. Once the new business account is set up, the owner may elect to do the company's own books and only have the accountant do the quarterly tax statements. Depending on the complexity of taxes, and payroll taxes are usually more complex, most small business owners do their own daily and monthly statements, with the possible exception of payroll taxes. They are set up on what is called a retainer, where the accountant is available to answer any questions, review any financial statements quarterly, etc. The retainer service costs around \$60 per hour. If the owner needs more help, a different type of arrangement would have to be set up (McKinney). If the owner did the company's daily and monthly statements and only used the accountant to do the quarterly statements it would cost around \$185 quarterly and would again save the owner tremendously in monthly working capital. If the accountant did absolutely every piece of paperwork involved with the accounting in the company, the fees would run around \$2000 yearly. If the owner did all the paperwork, except the quarterly tax statements, the yearly cost for an accountant would run around \$750. It would certainly behoove the owner to get a nice accounting software package to do as much of the company's own bookkeeping as possible (Rufkahr).

If the owner is used to getting a salary, or is totally dependent on a salary, it would be best to include a salary as part of the monthly working capital. This amount would have to be planned out for several years, depending on how lucrative the business is, how quickly clientele are retained and profits are growing.

The other salaries will go to the part-time employees. Their starting salary would be \$6.00 per hour for two employees working approximately eighty hours monthly. This would gross approximately \$960 monthly. Care Cabs, Inc. and Ryder Transportation also start their employees at \$6.00 per hour as part-time employees (Wahls).

There are several types of taxes the company would have to pay. These would include federal and state payroll taxes, workers' compensation taxes, social security taxes and quarterly corporation taxes. These taxes are averaged monthly so the working capital is easier to keep track of. It is estimated that around \$200 monthly will be needed for these taxes (Babcock).

As in the first few months of the company, advertising costs will be much higher. Once the company is in business and a good reputation has been established, advertising needs will dwindle. Instead of paying \$200 - \$300 monthly in the beginning for advertising, the company may only pay \$100 monthly, or even less since, hopefully, favorable word-of-mouth will be the company's best form of advertisement.

Most small transportation businesses spend around one percent of their yearly gross receipts on local advertising and promotion of their business. This could be in the form of Yellow Pages ads, fliers, newspaper ads, direct mail, etc. (Babcock).

There will always be utility bills to pay. From the telephone, gas and electric hook-up charges of approximately \$250 to the monthly service charges of \$200 these amounts will not fluctuate much.

The miscellaneous amount is for licenses, maintenance and repairs of any kind and for any other expenses that have been missed or forgotten, or are so sporadic that it can be labeled miscellaneous.

Target Market

The target market for a transportation service for children would be working parents and single parents with school-age children in the St. Charles area, eventually expanding to include the St. Peters area. As shown in Table III, in 1990 St. Charles city had a total general population of 54,555 people which included 27,856 females. St. Peters had 45,779 persons with 22,966 females. In that same group, there were 13,511 children in St. Charles and 15,409 children in St. Peters between the ages of zero and seventeen. This means there is a huge market in the St. Charles and St. Peters area left untapped in the market

Table III

**Missouri State Census Information 1990
St. Charles City and St. Peters City**

	St. Charles City		St. Peters City	
General Population (1990)				
Total Persons / Percent Sampled	54,555	12.5%	45,779	14.4%
Per Square Mile / Land Area	3291.45	16.57	2896.98	15.80
Female Population	27,856	51.1%	22,966	50.2%
Persons by Race				
White	52,299	95.9%	44,138	96.4%
Black	1,531	2.8%	1,029	2.2%
Persons by Age				
0 - 4	4,188	7.7%	4,874	10.6%
5 - 9	3,960	7.3%	4,494	9.8%
10 - 13	2,756	5.1%	3,511	7.7%
14 - 17	2,607	4.8%	2,530	5.5%
25 - 34	11,633	21.3%	9,994	21.8%
35 - 44	8,242	15.1%	9,416	20.6%
45 - 54	5,406	9.9%	3,797	8.3%
Median Age	31.2		29.8	
Households by size				
Total Households / Average Size	21,677	2.46	15,183	2.98
% Households 2 persons		33.1%		27.2%
% Households 3 - 4 persons		31.1%		44.9%
% Households 5 + persons		8.0%		14.0%
Family Households by type				
Family / Percent of all Households	14,301	66.0%	12,621	83.1%
Married couples / Percent of Families	11,743	82.1%	11,287	89.4%
With own children under 18	5,623	39.3%	7,111	56.3%
Female Householder (no husband)	2,013	14.1%	1,053	8.3%
With own children	1,210	8.5%	686	5.4%
Household Income				
\$25,000 - \$34,999	3,885	17.9%	1,980	13.0%
\$35,000 - 49,999	4,707	21.7%	4,269	28.1%
\$50,000 - \$74,999	4,187	19.3%	4,852	32.0%
\$75,000 - \$99,999	1,189	5.5%	1,197	7.9%
Median Average	\$34,336 - \$38,771		\$45,298 - \$46,466	
Families # Workers / Avg. Family Income				
0 Workers	1,121	\$24,328	580	\$21,326
1 Worker	3,793	\$33,697	2,786	\$38,114
2 Workers	7,512	\$49,176	7,451	\$52,470
Level of Education				
Total persons over age 25	34,936	100%	27,135	100%
9th to 12th grade, no diploma	3,772	10.8%	1,741	6.4%
Highschool Grad, (or equivalent)	10,627	30.4%	7,982	29.4%
Some College, No Degree	7,354	21.0%	7,170	26.4%
Associate / Bachelor's Degree	7,686	22.0%	7,500	27.6%
Graduate or Professional Degree	2,230	6.4%	1,709	6.3%
Occupation				
Total Employed Persons over age 16	29,966	100%	24,295	100%
Manager, Professional Specialty Occupations	8,879	29.6%	7,629	31.4%
Technical, Sales, Admin. Support	10,284	34.3%	8,835	36.4%
Service Occupations	3,886	13.0%	2,404	9.9%
All Others	6,917	23.1%	5,427	22.4%

SOURCE: Missouri State Census Data Center, Places in the St. Louis MSA, 1990 Summary Tape File 3, Extract Report. St. Louis Regional Commerce and Growth Association, pp. 26-27.

of children's transportation (Missouri State Census Data Center, Places in the St. Louis MSA, pp 26-27).

The number of family households in 1990 was 14,301 in St. Charles and 12,621 in St. Peters. Included in these numbers are 11,743 married couples with 5,623 married couples having children under the age of eighteen in St. Charles. St. Peters has 11,287 married couples with 7,111 married couples with children under the age of eighteen. There are 2,013 single parent females and 1,210 single parent females with their own children in St. Charles. In St. Peters there are 1,053 single parent females and 686 single parent females with their own children. Again, it is quite evident the wide-open market available for a children's transportation service (pp 26-27).

In St. Charles there are 3,793 households with only one worker with an average family income of \$33,697, and 7,512 households with two workers with an average family income of \$49,176. In St. Peters there are 2,786 households with one worker with an average family income of \$38,114, and 7,451 households with two workers with an average family income of \$52,470. The median family income in St. Charles is between \$34,000 to \$39,000 and between \$45,000 and \$46,000 in St. Peters. Looking at this sort of dual-income range with the number of children under age seventeen, it is again quite evident

this service would be most welcome in the St. Charles/St. Peters area (pp.26-27).

In comparing trends it is amazing how much the St. Charles/St. Peters area has grown in the past decade. According to Table IV, St. Charles has grown from 37,400 in 1980 to 54,555 in 1990 - a 45.9% increase in population. The most remarkable change is St. Peters, growing from 17,029 in 1980 to 45,779 in 1990 - a 168.8% increase in only ten years (St. Louis Trends)!

St. Charles County (St. Charles and St. Peters combined) has many opportunities showing great potential to justify a children's transportation service. The females in the workforce have grown from 40.9% in 1980 to 44.7% in 1990. The percentage of high school graduates has grown from 54.7% in 1970 to 83.3% in 1990. Public school enrollment has also gone up from around 29,000 in 1985-86 to 34,000 in 1989-90. The per capita income has more than doubled from \$7,679 in 1980 to \$15,366 in 1990. The median family income has almost doubled from \$24,167 in 1980 to \$44,634 in 1990 (St. Louis Trends).

More women going back to work mean several things: Both parents are away from the house sometimes before and after school, and there is more disposable income available to be spent on children's activities. Since more children are staying in school longer with both

Table IV

TRENDS - A STATISTICAL SNAPSHOT OF THE ST. LOUIS REGION

Population	1980	1990	% Change	
St. Charles	37,400	54,555	45.9	
St. Peters	17,029	45,779	168.8	
Population Under Age 5	1970	1980	1990	
St. Charles County	9,927	13,095	19,046	
% of Total Population	10.7	9.1	8.9	
Urban Population				
St. Charles County	44,958	113,854	182,716	
% of total population	48.4	79.0	85.8	
Total Square Miles				
St. Charles County		561.4		
Persons per Square Mile				
St. Charles County		379.2		
Total Households				
St. Charles County	25,926	46,354	74,402	
Average Household Size				
St. Charles County	3.54	3.08	2.83	
Families				
St. Charles County	22,953	38,622	58,208	
Persons employed (civilians)				
St. Charles County	66,875	112,393		
Females in civilian labor force				
# / % St. Charles county	29,418 40.9%	52,266 44.7%		
Median House Income				
St. Charles County	22,408	40,307		
Median Family Income				
St. Charles County	24,167	44,634		
Per Capita Income (actual dollars)				
St. Charles County	7,679	15,366		
Education				
% High School Graduates				
St. Charles County	54.7	71.3	83.3	
% With College Education (1990 only)	some college	associate degree	bachelor degree	grad or prof degree
St. Charles County	23.0	6.4	15.4	5.8
Public school enrollment (K - High School)				
St. Charles County		1985-86 29,261	1987-88 32,076	1989-90 34,130
Families w/own children under 18				
St. Charles County (1990) # and %	married	single female	single male	
	28,327 86.5%	3,642 11.1%	795 2.4%	

SOURCE: St. Louis Trends. A Statistical Snapshot of the St. Louis Region. Pamphlet provided by the East-West Gateway Coordinating Council. July 1993.

parents working, there is a need for a transportation service to cater to the needs of both those working parents and their children.

Just using these few pieces of data it is easy to see the wide-open market in the St. Charles/St. Peters area for a children's transportation service to flourish. The majority of St. Charles and St. Peters are middle class/dual-income families with children under eighteen. There are over double the number of dual-income households in both St. Charles and St. Peters as compared to one-income households. Having two incomes means several things: That extra income makes it easier for the parents to pay for extra services offered to them. Also, those two-income households having children must depend on different forms of daycare and transportation for their children and all the activities that grade school and high school offers them. Since there is no service of this kind available in the St. Charles/St. Peters area at the present time, the idea is not only unique, but even more important, warranted.

Competition

The idea of a children's transportation service has not been tapped in the St. Charles/St. Peters area at the present time. There is a transportation service for the handicapped such as Care Cabs, Inc.

This company transports the elderly and handicapped to different destinations mainly in St. Louis, with some stops in the St. Charles area using 90-100 vans and employing around 115 employees. Ryder, Laidlaw, Mayflower and Viacom are the public school bus transportation services in the St. Charles/St. Peters area offering before and after school transportation for those public school households located more than one mile from their school (Geist).

The only other competition would possibly be those few non-working parents who, out of the kindness of their hearts, offer to take working parent's children to and from school, or to and from different activities and events. This is an arrangement that may work sometimes, but the non-working parents do not want to feel used, nor do the working parents want to strain a relationship or friendship having to always depend on some other friend, relative or neighbor to transport their children to and from different activities.

One of the challenges of a new company is making people aware that a new opportunity exists. The more aware the public is of a new company, the quicker that company can grow profits.

Promotion

Since the target market is in the St. Charles area and eventually the St. Peters area, advertising time would not be purchased on St. Louis radio and television stations. Doing so would reach a much larger audience than the service would be covering, so much advertising time and money would be wasted. Also, just the cost involved to advertise on radio and television during prime time when its target audience would be watching and listening would be more than a new small business could afford.

With the purchase of a phone line, a company automatically has their business phone number in the telephone directory. It would make sense to also put a small ad in the Yellow Pages. Depending on the type of ad the cost can vary from thirty dollars monthly to several hundred dollars monthly. For a St. Charles company, the best Yellow Pages to advertise in is the Greater St. Charles Region Yellow Pages. Vandalia Bus Lines has a much larger ad measuring one and one half inches high and two and one half inches long at an approximate cost of \$270 monthly. The other transportation services, such as Ryder, Mayflower, and Laidlaw all have smaller half inch ads for an approximate monthly cost of \$50. Since these companies do not have a particular logo on their buses other than black block letters, a logo-ad

would not be necessary. If a new company has a distinctive logo, a logo ad would be the most effective way to catch the customer's eye as they page through the yellow pages. A new company will not have a big advertising budget, so in-column advertising in a logo ad using their custom trademark may be the best way to go. The size of a logo ad is one half inch high and two and one half inches wide. This way the familiar company logo would show in the column on transportation along with information such as the address, phone number, hours of operation, or any special services offered. The monthly cost for this ad would be \$80. The only stipulation for this type of ad is that the company have a business line. If the company wishes to include discount coupons in the gold pages, there is a \$16 charge for each coupon placed. For a company to get their ad in the next edition of the yellow pages, the order must be in place by the first week in September (Lewis).

Advertising in local church bulletins would be another way for a children's transportation service to reach its immediate target market. There are six Catholic Churches in the city of St. Charles alone, and none of these parishes have public transportation to and from school, etc. It would be an excellent opportunity for the transportation service to reach its immediate target market by advertising in all the church bulletins which are distributed weekly. The cost to advertise depends

on how many church bulletins are used and how many spaces you wish to use for your ad. A one space ad (around 5/8 inch by one and one half inches) is \$1021 per year, or \$85 per month for five churches, and \$1161 per year, or \$97 per month for six churches. The ad could also be type-set as a coupon. The print quality is very good and even very small print is readable. There are no other transportation services in the St. Charles area that use this form of advertising, but this is an excellent way to reach your target audience since many public school parents and children attend Catholic church (Prose).

Distributing fliers in residential areas is another way to spread the word about the service. Distributing fliers is also a very inexpensive form of advertising. Making up a flier on the company computer is free. Purchasing a case or two of colorful paper and running the copies is not expensive. Office Depot or Business Supply Centers have a copy center that charges \$.021 per copy. The cost to have 10,000 fliers printed up would run around \$210.00. The colorful paper runs around \$3.50 per 500 sheet ream, so purchasing the paper and copying would total around \$300.00. Paying a few children to run up to each house and distribute as you follow along in the car is also inexpensive. Just two dollars an hour for five hours for two Saturdays and Sundays for eight children would total around \$320.00. The total investment to deliver around 10,000 fliers in two weekends would run

around \$620.00. The drawback to fliers is that they are very time consuming to distribute. Even though it is a cheaper form of advertising, it is also unclear just how much of your target market is being reached in the large amount of time it takes to distribute all the fliers. Many households may house only elderly people, married couples without children or just singles.

The St. Charles Journal newspaper would be another excellent advertising resource to reach largely the St. Charles/St. Peters market. The Journal is delivered three times weekly, so a small ad could be purchased as business needs arise and advertising dollars are available. A four inch by five inch ad run five times per year would be \$95.70 each time, or around \$480 per year. If the same size ad is run ten times per year there is a price break to \$83.20 per ad or around \$840 per year (Kearny).

One of the popular forms of advertising today is through direct mail. For example, Tri-Mark of St. Charles County has a St. Charles and a St. Peters area with around 30,000 residents per area. A contract with Tri-Mark is a cooperative mailing venture with part of their annual agreement being that no other competitor will be in the same mailing envelope as your ad, that a discount rate be given on an annual contract, and that the customer have the right of first refusal for a new mailing territory. Tri-Mark guarantees a ninety-five percent saturation

of the area at only three cents per home. This charge is based on a single size area (i.e. St. Charles only) at three cents per home multiplied by 15,000 residents equalling \$450 per mailing six times per year. With an annual contract the customer would pay for five mailings, with the sixth mailing being free. This means that about every two months the target area is receiving another mail packet. The St. Charles area has three zip code zones of 63301, 63302, 63303 and an upcoming zone of 63304. If a company were only looking to target those areas, this would be another advertising option they could use (Radginski).

Another form of advertising is through sponsoring special events. Sponsoring a little league baseball team, a walk-a-thon event or even a booth at a parish picnic, just to name a few examples, are all excellent forms of advertising that will keep the company in favorable eyes within the community.

Kid's Kab requires each franchisee to spend one percent of the franchisee's gross sales on local advertising and promotion of the franchise each year. The Kid's Kab franchise wants each franchisee to be successful, so they will suggest different ways to advertise and promote Kid's Kab. They leave it up to the franchisee to make the final decision, though. The Kid's Kab franchise recommends direct mail and special promotions/sponsorships.



Since Care Cabs is not-for-profit and specializes in handicapped/disabled, and elderly transportation, their forms of advertisement are mainly fliers posted in, and distributed to, local government agencies, social service offices, hospitals, doctor's offices and retirement and nursing homes. OATS uses similar advertisement methods since they transport the elderly. Their fliers are mainly distributed to retirement and nursing homes, doctor's offices and social service offices (Wahls).

An excellent promotion strategy for a children's transportation service would be for the owner to schedule time at each grade school's PTO meeting at the beginning of each school year to give an informational overview of the type of service being offered, and how it works. Many parents need to see who the owner of a company is before they will entrust their children to it. This would be an ideal way for parents to meet the owner, listen to her talk and observe how she acts so they can rest assured about their children using this service in the future.

is Par Another excellent form of public relations would be for the company to offer a free ride home on Prom/Coronation nights where the driver had too much to drink, or just got out of hand and the date needed a ride home. This gesture would show the parents how much the company cared, and would again build goodwill in the community.



It is the employees of a transportation service that really 'sell' the customer on the service. This means the employees must look and act professional because they are the people the customers see all the time. The drivers must be courteous and caring at all times to make the passengers feel comfortable. If the passengers give the driver a poor review, the parents are not likely to use the service again. The dispatcher needs to speak clearly and professionally on the phone to the customers. If the dispatcher is curt, sarcastic or unclear on policies or general information, the customer will not have a good impression of the company and this would lead to poor word-of-mouth 'advertising'.

Product/Service Description

The service company being developed is a transportation service for children called Kid's Kab. This company is a franchise based out of Birmingham, Michigan. The franchisor has offered Kid's Kab franchises since June 1992. The president, CEO, treasurer and director is Pamela Henderson. Ms. Henderson is the originator of the Kid's Kab system and has been the President and CEO of the Franchisor since its formation in 1991. Since Kid's Kab has been engaged in franchising it has opened twenty-five franchises in eleven states. Missouri does not, as yet, have a franchise (Babcock).

Most Kid's Kab franchises start out with two or three, eight or twelve-passenger vans, and two or three drivers to cover from fifty to seventy rides per day. As business increases, more vans are purchased and more drivers are hired. Franchisees are not limited to a certain number of franchise purchases. Kid's Kab strives for total customer safety and satisfaction at all times (Babcock).

Kid's Kab will transport children to and from private school, scout meetings, dance lessons, sporting activities and practices, etc. and put an end to the hassles of carpooling. Kid's Kab is a chartered children's transportation service providing curbside transportation service to school, extra-curricular activities, and special events. It also charters transportation services to people of all ages for approved special events. Kid's Kab in St. Charles will limit its territory to traveling within the St. Charles City and County. The children will be picked up at a designated pick-up point in a nice, clean eight or twelve-passenger van, delivered to their activity, and if needed, returned home afterward for one low price.

Kid's Kab will be available seven days per week striving to remain as flexible as possible, scheduling in advance or offering same-day service. They will also take groups on special field trips to the Zoo, Union Station, Grants Farm, Six Flags, etc. Kid's Kab will

take teenagers and friends to the mall, the movies or special events and deliver them back home again.

As long as there are working parents and single working parents with school-age children there will be a need for a children's transportation service like Kid's Kab.

In order for a transportation service to take off and steadily grow profits, it must have a good pricing strategy. The service must not only be convenient, but just as important, it must be affordable. Not only would a one-time pricing strategy have to be affordable, but offering weekly and monthly discounts would keep customers, as well as make the service more attractive and affordable.

Pricing Strategy

The Kid's Kab franchise does not dictate a price per ride or activity, but does suggest a starting rate of at least \$6 per ride. They also suggest a weekly and monthly discount if a family uses the service daily. Their normal weekly discount is ten percent, and normal monthly discount is 20 percent. These are only the franchisor's suggestions; it is up to the franchisee to set the final price they feel the customer will pay, where the franchisee will still make a profit.

The payment method is as follows: Customers would pay up-front for as many rides as they wished to reserve. This means a parent could give the company thirty dollars for five rides. The computer program would keep this information in its database, and each time the parent called to schedule a ride, the computer would show how many rides were remaining. Only unscheduled last-minute rides would be billed, or paid by cash or check at time of service. MasterCard and Visa can also be used to pay for rides. Even though the transportation company would have to pay a small percentage to MasterCard and Visa for this service, they would not have to worry about non-payment.

Parents could send in pre-payment monthly, or however often they felt they would be needing rides for their children. This would benefit the parents as well as the transportation company in several ways: 1) It would enable the transportation company to schedule many trips in advance; 2) If the payment were in the form of a check, it would have time to clear the bank before all or many of the rides were used, so there would be less bad debts; 3) The parents would know where they stand as far as how many rides were remaining before payment was due again, rather than paying at the time of each ride; 4) The parents would be able to rest assured knowing their children's spot was scheduled and reserved for a ride, rather than be on a waiting list.

Care Cabs and OATS have similar arrangements. They also operate on advanced schedules. Care Cabs requires twenty-four hour advance notice. Care Cabs has certain routes run daily, and will run additional routes only after the scheduled routes are completed. The normal cost for a one-way ride from St. Charles to Bridgeton is \$12.50. Care Cabs also occasionally depends on the St. Charles City Taxi Company for riders Care Cabs cannot accommodate due to scheduling constraints. They do not accept last-minute call-ins, but try to adhere to the twenty-four hour pre-arranged rides.

OATS requires forty-eight hours notice for routing service. They also do not accept any last-minute call-ins, but try to adhere to their forty-eight hour schedule. OATS has specific days they travel to different locations. For example, they may service Ladue on Mondays, Chesterfield on Tuesdays, etc. They also require clients to schedule doctor's appointments or grocery shopping in the mornings so the last route begins their drop-offs around 1:30pm every afternoon. Since they are a not-for-profit organization they do not require a specific charge, but request donations of at least \$2.50 to and from a doctor's appointment, and at least \$1.00 to and from the grocery store (King).
Normal taxi fare is \$2.35 for the first mile and \$1.20 for each additional mile. This type of fare adds up fairly quickly.

Ryder transportation charges \$26.00 per hour plus one extra hour for time to and from the base point and the starting point for a bus ride. Charges of this kind would be for weekday school field trips to various locations in the St. Louis area.

Forecasting

There are peaks and valleys in every yearly business cycle. A children's transportation service would be no exception. There are periods when some public schools are on cycle break, or Catholic schools and other public schools have a three-month summer vacation, etc. But there are times when business will pick up such as during summer basketball and volleyball camps held in morning and afternoon sessions during different weeks of the summer; spring and summer scouting field trips for both boys and girls; Prom/Coronation nights when free rides home will be offered to those experiencing that occasional "bad date"; Christmas and regular shopping mall trips for teens; Summer T-ball and little league practices and games; Fall track meets, soccer, football and volleyball practices and games; Winter basketball practices and games. Then the cycle starts all over again. Year-round activities include, but are certainly not limited to, Dance, Gymnastics and Swimming lessons and competitions.

During the school year, besides before and after school rides, are those school day field trips to the St. Louis Symphony, the Art Museum, the Science Center, etc. It seems that when one slack period starts, there are other activities to immediately take up that slack.

Table V shows the income statement and breakeven analysis for fifty, seventy and ninety rides per day and how those extra rides dramatically impact total revenues, and, in the end, profit (Johnson). As a children's transportation company starts out, it will certainly be operating at a loss, but as word-of-mouth advertising grows, so will the business, to where 100 rides per day and up will hopefully be a normal day. New activities taking up slack time will keep revenue levels even, or better yet, growing.

A children's transportation service may even want to branch out for special occasions by chauffeuring parent customers to and from progression dinners or New Year's Eve events, for example. The service would, in essence, be the "designated driver" offering safety and convenience to all parents involved.

No matter what time of year or season, the transportation service would have to plan ahead, realize the upcoming opportunities and advertise accordingly. This advertising would have to be creative enough to make people realize just how convenient and affordable this

TABLE V
 Income Statement & Breakeven Analysis
 Using Direct Costs
 Daily Rides of 50, 70 & 90 Comparison

	# Rides = 50		# Rides = 70		# Rides = 90	
	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly
Revenue						
Transportation Fees (# rides x \$5/ride x 22 days/mo)	5500	66000	7700	92400	9900	118800
Other Revenue Sources (Special svcs & trips chg/hour)	500	6000	750	9000	1000	12000
	----	-----	----	-----	----	-----
TOTAL REVENUES	6000	72000	8450	101400	10900	130800
Cost of Sales						
Direct labor - Drivers/Dispatchers	960	11520	1200	14400	1500	18000
Payroll Taxes for Direct labor	92	1104	115	1380	143	1716
Van Depreciation	647	7764	647	7764	647	7764
Gasoline/Van Maintenance	200	2400	260	3120	340	4080
Van Insurance	600	7200	600	7200	600	7200
	-----	-----	-----	-----	-----	-----
Total Cost of Sales	2499	29988	2822	33864	3230	38760
GROSS PROFIT	3501	42012	5628	67536	7670	92040
Operating Expenses						
Salary - Owner	1500	18000	1500	18000	1500	18000
Payroll Taxes	157	1884	157	1884	157	1884
Advertising	200	2400	200	2400	200	2400
Amortization (SBA Loan & Vans)	2590	31080	2590	31080	2590	31080
Leasing Property	750	9000	750	9000	750	9000
Miscellaneous	400	4800	400	4800	400	4800
	-----	-----	-----	-----	-----	-----
Total Operating Expenses	5597	67164	5597	67164	5597	67164
Net Profit or Loss	-2096	-25152	31	372	2073	24876

SOURCE: Kid's Kab International Franchise. Jeff Johnson, Controller. Financial Models Brochure. Sept. 1993.

service would be for everyone. Knowing what major events are coming in the future would make forecasting and staffing much easier.

Table VI shows the indirect costs (overhead and administrative) as a percent of total revenue from industry data. The table is broken into fifty, seventy, and ninety rides daily and the comparisons of those indirect costs as a percentage of total revenue both monthly and yearly for each of those variables (Johnson). Going from fifty to ninety rides daily shows the indirect costs as a percent of total revenue almost halved. The total revenue amounts also take into account extra monthly activities such as field trips, weekend mall trips, etc., but they are only around ten percent of the total monthly and yearly revenues.

Table VII shows the balance sheet from industry data for both six months and one year based on the percent of the companies net sales (Robert Morris & Associates, 1992). The percentage is shown as well as the rounded dollar amount. There are several line items which would not be in a smaller company such as a children's transportation service, but since there is no SIC number to match that sort of a specialized service, SIC4131 relating to "Services - Bus Transportation - Intercity & Rural" was used.

TABLE VI

Indirect Costs/Overhead & Admin as Percent of Total Revenue
Daily Rides of 50, 70 & 90 Comparison

	# Rides = 50		# Rides = 70		# Rides = 90	
	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly
Total Revenues	6500	78000	9200	110400	11900	142800
Operating Expenses (\$\$)						
Owner's Salary	1500	18000	1500	18000	1500	18000
Drivers Salaries	960	11520	1200	14400	1500	18000
Professional Fees	200	2400	200	2400	200	2400
Amortization	3090	37080	3090	37080	3090	37080
Operating Expenses (%)						
Owner's Salary	23%	23%	16%	16%	13%	13%
Drivers/Dispatch Salaries	15%	15%	13%	13%	13%	13%
Professional Fees	3%	3%	2%	2%	2%	2%
Amortization	48%	48%	34%	34%	26%	26%

SOURCE: Kid's Kab International Franchise. Jeff Johnson, Controller. Financial Models Brochure. September, 1993.

TABLE VII

Balance Sheet
6 month & 1 yr based on % of net sales

Assets	co's net sales of \$63,467 6 months		co's net sales of \$131,742 1 year	
	% net sales	total \$	% net sales	total \$
Current Assets				
Cash	6.6	4188	7.3	9617
Net Trade Receivables	18.4	11677	21.7	28588
Inventory	2.4	1523	3.6	4741
All other current	2.6	1650	2.4	3160
	-----	-----	-----	-----
Total Current	30	19038	35	46106
Net Fixed Assets				
Intangibles	2.9	1840	1.7	2239
All other non-current	4.9	3108	8.1	10670
	-----	-----	-----	-----
Total Current Other	70	44424	65	85630
TOTAL ASSETS	100	63462	100	131736
Liabilities				
Current Liabilities				
Notes Payable - Short term	4.9	3109	4	5269
Current Mature Long term Debt	12.4	7869	10.6	13964
Trade Payables	10.8	6854	10.9	14359
Income taxes payable	0.3	190	0.2	263
All other current	6.5	4125	4.9	6455
	-----	-----	-----	-----
Total Current	34.9	22147	30.6	40310
Long Term Debt	41.6	26402	32.4	42684
Deferred Taxes	0.4	253	0.9	1185
All other non-current	1	634	1.5	2107
Net worth	22.1	14026	34.6	45450
	-----	-----	-----	-----
Total Current Other	65.1	41315	69.4	91426
TOTAL LIABILITIES	100	63462	100	131736

SOURCE: Robert Morris and Associates. 1992.

Summary

More and more people are paying for services all the time. "Service industries now account for nearly two-thirds of U.S. gross national product" (Ackerman, 17). There are so many types of services available today, from instant oil changes to dating services, and many of them have their own little niche they are serving. A children's transportation service would be serving one of those niches by helping working parents alleviate the stress and inconvenience that comes with carpooling or reciprocating those depended on to carpool.

For a new service company to be successful, it must make itself distinctive, and a step above the rest. Since a children's transportation service is a fairly untouched idea in the St. Charles/St. Peters area, the field is wide open for the first company to excel in every way possible. Since it is a new company, there are no companies to compare with, or to exceed. The new company must make its customers so extremely satisfied from day one that they would never dream of going to a future competitor.

(Act) A service company is different from a sales organization. A sales company is selling a product. A service company is selling itself. The company itself is the product. "The psychology of service companies--how they think, their values, their standards--is what

influences the psychology of customers--their comfort level and sense of well-being, their level of trust and likelihood to buy" (Ackerman, 17). Most people don't know who makes Crest toothpaste, but if there was a questionable debt placed on their bank statement, they would know who to call. That's the difference between sales and service. It only stands to reason then, that "the distinctive personality of service companies--indeed, their unique capabilities--are a vital factor in shaping and managing image" (Ackerman, 17).

A children's transportation service is a fairly unique idea, with unique capabilities. The creativity needed to make this type of service company a success is a product called distinctiveness. Since service marketing is mainly a people-to-people activity, there is a very strong interest on the part of customers to know something about the personality of the organization providing the service. The image that a service company projects will make or break that company. "Image can be enhanced by making sure that customers recognize distinctive capabilities which reinforce performance, and, in the final analysis, lead to discernible value in the form of specific products and services" (Ackerman, 19).

This could not be more true of a children's transportation service. This type of company is asking parents to let their children get into a van with a driver and be driven here or there. The type of image this

company has projected to its customers will be evident in the number of customers it services. Pricing strategy will play a small part in the overall picture compared to the trust that parents must place in this company driving their children. A driver's chauffer's license is of minimal concern to parents as well. The parents would need to meet with the owner and drivers and talk to them. Getting to know and feel more comfortable with the people responsible for their children's well-being is of the utmost concern of these parents. If the parents do not feel comfortable with the person(s) transporting their children, even if the van has all the safety features necessary, and the driver has exceeded every qualification needed, they will not use the service. Image will drive this children's transportation service.

In order for most people to open a children's transportation service such as Kid's Kab, financing will be necessary. Before going to a bank to request financing, a business plan must be put together so the bank realizes the prospective franchisee is serious. The business plan would be a very detailed document that would include information such as industry examples about other companies in the same sort of business, background business information about the prospective franchisee, what type of company the franchisee wished to purchase and any background information about the franchisor, and the franchisee's financial plan and marketing plan.

The prospective buyer must have a business plan ready to present to the financial institution before financing is discussed. The business plan not only shows the bank how serious the buyer is, but also how well planned and thought-out the entire business idea is. The bank will not invest their money on a shallow, piece-meal business plan. The bank will be looking for extreme detail and well thought-out plans and ideas on how the purchaser will grow the business from start-up costs to anticipated future franchise purchases. The more organized the business plan, the easier it will be for the purchaser to get the financing necessary to start their own business.

Chapter III

METHODS AND EVALUATIONS

Materials

The business plan (appendix A) presented in the following section is anticipating the reality of opening a Kid's Kab Children's Transportation franchise in the city of St. Charles in the May/June 1994 timeframe. Kid's Kab International Franchise Corporation, the franchisor, is based out of Birmingham, Michigan.

Kid's Kab is a chartered children's transportation service providing curbside transportation to and from school, extra-curricular activities, and special events. Kid's Kab customers are primarily dual-income parents, single parents, and parents with multiple children enrolled in a variety of activities.

This service is designed to help parents, especially working parents cope with all the extra-curricular activities their children are involved in. Kid's Kab will drive their children to and from, rather than the parents taking off work, or juggling working/carpooling schedules to allow their children to participate in these activities. Besides before and after school, Kid's Kab will also transport children to and from doctor's and dentist appointments during school hours and evening hours. This will save parents from running to and

from work to take their children to short appointments during school and work days. After-school and week-end activities are other opportunities where Kid's Kab can help parents by transporting their children when they cannot be there.

Kid's Kab also charters transportation services to people of all ages for approved special events. An example would be a progression dinner evening for adults where the Kid's Kab driver would pick up each couple at their home, take them to each stop, and return them home again at the end of the evening. Kid's Kab would be the designated driver, chauffeuring the parents for the evening for an hourly rate.

Due to the liability of transporting children, the insurance rates for the vans are very high. Workman's compensation insurance is also higher since driving is considered more of a hazardous job than, for example, sitting at a desk.

Start-up costs are around \$52,000 for a franchise. This includes, but is not limited to, the franchisee fee of \$26,000, a downpayment on two vans, office equipment, office fixtures, radio dispatching equipment, pre-business advertising expenses, training expenses, lease and utility deposits and payments, etc.

Depending on the amount and type of advertising, the business can grow fairly quickly. According to the franchisor, most franchisees have begun making a profit between three and twelve months of operation. The

franchisor requests the franchisee purchase a grand-opening package. This is an advertising package of direct-mail, informational fliers and brochures, local newspaper ads, etc. to flood the market with information about this new service soon to be opened. The franchisor suggests direct-mail and sponsoring special events as the main forms of advertisement, but it is up to the franchisee as to what forms of advertisement s/he will ultimately use.

Subjects

Since attending a SCORE (Service Corps of Retired Executives) Seminar in September 1993, their services have been used frequently, from asking basic business start-up questions to having them evaluate the business plan. SCORE representative Dennis Dexter read and critiqued the business plan. Dexter was employed with Southwestern Bell Telephone for 27 years, holding a variety of positions. During the past 27 years with Bell he has been Construction Quality Supervisor, Engineering Project Supervisor, District Staff Supervisor, District Engineering Manager and District Manager of Engineering Design. Dexter took early retirement in 1992 and helped establish a floral, wedding accessories and consulting business with his wife. His career objective is to participate in the management of a dynamic organization and help it grow to its full potential.

Dexter received his BS in Business Administration from Washburn University in Topeka, Kansas in 1972. He has attended numerous Managerial and Technical Training Schools provided by Southwestern Bell during his employment. He is the vice-chairman of SCORE in the state of Missouri.

The other evaluator was Richard Jensen, president, owner and CEO of RX Systems, Inc. in St. Charles. Jensen received his BA in Sociology from the University of Minnesota in 1969, with a minor in Business and Chemistry. Jensen's work experience has related to the medical sales industry for the past twenty-one years. He was Director of Medi-Aid Systems at Drug Package, Inc., O'Fallon, Missouri from 1973 to 1979. In August of 1979 he started his own business, RX Systems, Inc. with two employees, himself and a secretary. RX Systems, Inc. has grown from two employees in 1979 to over seventy employees in 1994, with Jensen overseeing operations. Jensen has also been on the Board of Directors at Mark Twain Banks since 1989. He has experience in all aspects of business from starting his own company, purchasing subsidiary companies, and expanding in all aspects, becoming extremely profitable.

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February 19
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Topics discuss

Instrument

A formal questionnaire was not used with this study. Data collection methods consisted of telephone and personal interviews. Questions were asked at random.

Procedure

Counselling was requested from SCORE on December 30, 1993. Only after filling out a counselling request form will SCORE help a client with a business plan or actually schedule time for an appointment to discuss the business plan and offer suggestions. Dexter was happy to evaluate the business plan.

The business plan was personally delivered to SCORE on January 11, 1994 for evaluation. About a week later Dexter called to schedule an appointment for January 20, 1994 at 1pm. On this date a personal interview was conducted where the format and content of the business plan were reviewed.

A personal interview was also set-up with Richard Jensen for Saturday, February 19, 1994. The revised format of the business plan which included the changes suggested by Dexter, was evaluated one-on-one with Jensen. Topics discussed were financial assumptions, target market, territory rights,

personnel and safety issues, as well as the overall Kid's Kab concept. Jensen also gave suggestions regarding other business opportunities stemming from the main operations of the business. This was a very extensive interview, lasting almost three hours.

Chapter IV

RESULTS

It was through separate face-to-face interviews with SCORE Representative Dennis Dexter, and Richard Jensen, president and owner of RX Systems, Inc., that the business plan was evaluated.

Dennis Dexter was the first person to evaluate the business plan. In reality, two business plans were submitted to Dexter. The first plan was, in his opinion, too much like a research paper. The format used was based on an older outline SCORE used in the past. Lending institutions did not like the older format simply because there was too much verbage, and too little emphasis on the financial aspects. The first meeting was only about an hour long, with Dexter handing out the financial forms to be used, and the outline to be followed along with a brief explanation on what financial institutions expected in a business plan.

After revising the business plan according to the updated SCORE outline and format, a second interview with Dexter was planned. The results of this interview follow.

Dexter asked why a loan for \$175,000 was needed for such a small business. He felt this amount was extremely high, and that no

lending institution would be willing to loan that much money to a first-time business, or first-time business person.

Another topic he brought up was the fact that franchises can change their minds, just like bosses can. Will the franchisor be able to sell this franchise out from under a franchisee, or are there stipulations regarding the selling or takeover of a franchise.

Dexter mentioned the fact that several times throughout the business plan, personal assets and salaries were mentioned. He felt these personal figures should be left out of the business plan. These figures would show up on the loan application the owner would eventually have to fill out.

Dexter also mentioned the fact that lending institutions do not want collateral in the form of houses or cars. They are looking for the owner to put cash up front. Banks do not want to get stuck with someone's house or car if their business folds.

He also mentioned that throughout the plan positive statements were not used. He would rather read statements such as, "this will be done" or "\$300 will be used" rather than see statements such as "this could happen" or "this may happen" or "this will cost around \$300".

Dexter felt that excluding ages fifteen and up was not including enough children in the age group that could use this service. He

suggested adding ages fifteen and sixteen as targeted ages that would use the service.

There were several sentences that were repeated throughout the plan that he suggested be taken out, and left in only one area.

He said there was too much forecasting done after the third year. Forecasting in a business plan should be kept to around three years, whereas this plan was looking out five years at certain times.

As far as offering special services, he questioned whether or not mileage would be unlimited for the fee involved. Also, would the service be considered only within the city limits of St. Charles, or could special adult evenings include Laclede's Landing, a St. Louis Cardinal's game, etc.

There were several promotional events planned in the Marketing section of the business plan, but the costs involved were not included on the income statement in the financial section.

Dexter brought up the fact that triplenet is usually a cost involved in the lease of office space that is over and above the lease cost. This was a cost new business owners were usually unaware of.

Dexter had many comments to make on the Personnel section. His comments regarded the use of parents as drivers. It would not be feasible to use parents as drivers if those parents were using Kid's Kab because they could not drive to begin with.

He also wondered about the benefit of those parents who were drivers getting free rides for their children if they were driving a route when their child needed a ride to an event. He saw the likelihood of abuse of this benefit.

Dexter also wondered about the reputation of the drivers. The franchisee would have to somehow convey the benefits of its drivers over some other form of competition. What would the franchisee be willing to do to make these drivers better than those of the competition.

Dexter saw several ways to improve the financial section of the business plan. He again reiterated how banks do not want collateral such as houses and cars, but cash up front.

He commented about the territory boundaries of the franchise and rights of first refusal for a new territory. This should be part of the franchise agreement and considered in the contract.

In reviewing the start-up costs, Dexter wondered if the franchise fee was payable over twelve months, or was an up front cost. He also suggested a higher start-up cost on the lease rate and monthly lease cost due to the inclusion of triplenet.

man He felt the capital equipment list was correct; prices were normal, and enough equipment and office fixtures were being purchased.

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Dexter paid close attention to the first year monthly income statement and break-even analysis spreadsheet. Several of his comments regarded the cost of gasoline and how much a full tank of gas would cost, filled how many times per month. He wondered why the number of daily rides went down slightly in June 1995. He ran ratios on the number of members compared to the daily number of rides. Another concern was the cost of training the drivers.

When looking at the monthly cash flow statement he commented that it would be much more meaningful with a beginning cash balance. There were several areas where the line items should have been more specific. Rather than 'Other start-up costs', the term 'Franchise Fee' should have been entered. He suggested a cumulative analysis be used on the last line of the cash flow statement to show how much or how little money was being spent and the profit or loss. He said this was not mandatory, but was easier to analyze. He also suggested a sensitivity study where the owner is predicting ten percent more customers, and then predicts ten percent less customers. This is a comparison in a best/worst case scenario. This also was not mandatory.

Dexter looked through the financial statements on the franchisor. He then asked for this same information about other franchisees. This is one piece of information that cannot be supplied until the future

owner becomes a franchisee. This information is regarding the profitability of other franchisees. Since they are private corporations they are not obliged to discuss their profit or loss position, therefore this information is unavailable.

He did not discuss any other parts of the supporting documents, such as the advertising fliers, brochures, resume or reference letters.

Dexter took a very thorough look at the business plan, making many recommendations and suggestions. These recommendations and suggestions were incorporated into the business plan before meeting with Richard Jensen, therefore Jensen had less comments that needed to be incorporated into the plan.

The one-on-one interview with Jensen went as follows:

Jensen also felt the \$175,000 loan amount was very high for a small business. He understood the reasoning behind it, but suggested asking for a line of credit instead. Less money would be needed at a time, with lower payments.

Jensen felt that targeting children ages five to thirteen was sufficient, since older kids would not want to ride with younger kids.

The biggest opportunity for Kid's Kab, according to Jensen would be the opening of Rec-Plex in St. Peters. He suggested this be put in the marketing section of the plan. He also suggested an alternate plan in case the demand for a transportation service was high in St.

Peters due to the opening of Rec-Plex. Would this franchisee be prepared to open a St. Peters franchise six or nine months ahead of schedule.

Jensen did not feel start-up costs were unreasonable. He asked if this business could be opened without franchising.

Jensen agreed with the capital equipment list. There was nothing on the list that will not be needed. He inquired about cellular phones rather than a dispatching system.

Jensen also inquired as to the training drivers would be receiving. Would this cost show up under training, or just as the salary of the driver, it really did not matter on the bottom line.

He agreed that having a start-up cash balance on the cash flow statement would make the analysis much more meaningful. Having a \$5000 cash on hand each month was not necessary. This entire line would probably be different using a line of credit.

Jensen felt the summertime would be an excellent time to begin operations. This would allow parents to get the feel for the service during summer camps and swimming pool runs. This slower time would also give the franchisee a feel for the business a little at a time, rather than jumping in to a full-blown operation during the school year.

Jensen thoroughly discussed the financial statements of the franchisor. He felt this franchise was started on a "shoestring." The

financial statements through December 1992 were very weak, with big debt. It was decided that since most of the franchises were not purchased until 1993, the 1992 numbers would look rather bleak.

He liked the ad fliers from the franchisor. He thought the logo was very distinctive. He felt the franchisor had the best interests of the franchisees in mind, which in turn would help the franchisor. Jensen feels that one of the best ways for an entrepreneur to enter the business world with their own business is through franchising. He feels Kid's Kab is a good idea and the time is right in the St. Charles/St. Peters area.

Chapter V

DISCUSSION

The interviews with Dennis Dexter of SCORE and Richard Jensen, president and owner of RX Systems, Inc. were both informational and stimulating. These experts brought new ideas into the financial and marketing aspects of Kid's Kab. They had several concerns, and many recommendations to make the business plan more feasible and "marketable" to a financial institution.

Summary

The first meeting with Dexter was very short, because the business plan submitted was not in the format SCORE used. According to Dexter it was more of a research paper, and was something a financial institution would not want to review. The paper had much more verbage and not enough financial information. This is the section any financial institution will turn to, after briefly reading the overview of the plan.

Dexter suggested re-working the plan based on the suggested SCORE format. He handed out copies of the SCORE outline format, financial pages and instructions to write an in-depth, yet succinct business plan that any financial institution would want to evaluate.

Within two weeks the revised business plan was submitted to Dennis Dexter at SCORE through another face-to-face interview. He was very impressed with the changes and the format of this second submission. The results of this two-hour interview follow.

Dexter's biggest concern was the fact that a loan for \$175,000 was being requested for such a small business. He did not feel that much money would be needed to get a business like this running smoothly. The prospective franchisee reminded him that many business failures are caused due to undercapitalization. It was not the intent of this prospective franchisee to fold the business due to lack of funding. The \$175,000 covered start-up costs of \$55,000 as well as a separate loan for the vans of \$32,000 after the initial down-payment of \$6000. Monthly working capital of \$6800 for sixteen months was also included as part of the loan amount requested. After much consideration, the final business plan was re-worked to ask for a line of credit for \$60,000 rather than the \$175,000. The prospective franchisee does not feel comfortable asking for the smaller amount, but after looking at the very conservative membership and ride revenues predicted, the \$60,000 amount seems more realistic.

He also commented that banks do not want houses or cars for collateral, but want cash up front to secure a loan. This cash could be in the form of a home equity loan, or cashing in stock, 401K plans, IRAs, etc. and converting these things into liquid assets. A person going for the sizeable

loan mentioned above will need to also have sizeable up-front money or liquid assets for the bank to consider such a loan.

Dexter mentioned that franchises can also go broke, change their minds about the franchisee, or the business, etc. What would happen to the franchisee in that case? The franchisee would have the right to purchase full rights to its franchise(s) or to sell it back to the franchisor. It is illegal for the franchisor to cancel the franchise agreement or close the franchise without contact with the franchisee. The reason behind the cancellation of the franchise must be due to negligence on the part of the franchisee or the wish of the franchisee to sell the franchise.

Another comment was the fact that only ages five through fourteen were being considered as riders in the vans. The response is that this age group is simply the targeted age group. Kid's Kab will transport any age child whether they be in a carseat their parents would secure in the van, to eighteen year olds. It is felt that parents will not begin putting children on a van or bus until age five, which is kindergarten age. Also, by the time children reach age fourteen they have older friends, brothers or sisters that have a car, so they secure transportation with them instead. Kid's Kab will not refuse to drive someone under age five or older than age fourteen, but those ages just will not be in our targeted age group.

Dexter questioned whether or not mileage was involved in the fee. Yes, to a certain extent. Being in the city of St. Charles most transportation

will be done within the city limits. If a parent wanted their child transported from St. Charles city to DeSmet Catholic high school on Lindbergh Blvd. Kid's Kab would transport that child, but would also request a higher fee of \$10 one way and \$15 round trip, and also request that the customer bring a few more students along with him, rather than just transporting one child. It would not be profitable to transport one child that far, even with the higher rate. Distances such as this, in traffic as well, will change the rate.

He also questioned the special adult evenings. Would Kid's Kab take adult groups to the Fox, St. Louis Symphony, Laclede's Landing, etc. or would they stay in St. Charles. The answer to that is Kid's Kab would take adult parties to these places. The methodology behind the franchise territory is a driver can pickup inside a territory and deliver outside or inside a territory, but a driver cannot pickup outside a territory and deliver outside or inside a territory. As long as Kid's Kab is picking up someone within its territory, it is operating within the franchise agreement.

There were several promotional events included in the marketing section of the business plan, but the costs for those events were not included in the income statement of the financial section. Dexter was assured these costs are included under miscellaneous since these are one-time per year costs such as sponsoring a little league team or a charity walk-a-thon, etc. It was determined that a special line entitled Promotions could be added to

separate these costs. It will then be easier to track these expenses, rather than group them under miscellaneous.

Dexter mentioned the fact that triplenet is sometimes an extra cost associated with leasing office space. This cost is not mentioned in the lease rate, but is added to cover inside and outside maintenance and parking facilities. Most people, especially new business owners, do not realize these charges exist. He suggested asking the realtor/broker upfront about these charges. Several brokers were contacted, with mixed results. With three brokers, triplenet was included in the fee, with one broker it was an extra fifteen dollar monthly fee. Also, some property included utilities, some did not.

There were several comments and suggestions made by Dexter regarding the Personnel section of the business plan. He wondered how parents could be considered for drivers when Kid's Kab is supposedly trying to take the place of parents driving children to and from activities. He was told that those parents will not have full-time jobs, but will be part-time employees or stay-at-home moms while their children are in school. Most drivers are expected to be women with husbands who make enough income for them to stay home, or just work part time. These women probably will not need benefits, and will be willing to work around twenty hours weekly. Other drivers may have part time jobs, or do shift work where they could fit a driving shift into their schedule.

Dexter also wondered about the benefit of those parent drivers receiving free rides for their children if they were driving a route when their child needed a ride to an event. He saw the likelihood of abuse of this benefit. It is true, this benefit could be abused, but parents should know ahead of time when their child has an event scheduled, and should avoid driving at that time. All drivers' children's activities will be taken into account when scheduling weekly routes. There will be times when a driver's schedule and their child(ren)'s schedule will conflict, but Kid's Kab will endeavour to keep these conflicts to a minimum through proactive scheduling, while realizing, at the same time, this is a benefit and an incentive to get parents as drivers.

There was a big concern about the reputation of the drivers. Dexter wondered how Kid's Kab would handle this concern parents will surely have. Since Kid's Kab will hire only adults, preferably parents as drivers, these drivers will understand responsibility. The most precious thing in the life of a parent is their child(ren). Parents understand just how precious these children are they will be transporting. Safety is stressed as the number one priority, and these drivers will be trained and coached to treat these children as they would want their own children treated. The owner will check their driving record and police record. Their past employment and any references will be checked as well. They must also obtain a chauffeur's license. If all these checks pass and the prospective driver interviews well, the owner will have

him/her drug-tested, and will also ensure random drug testing at least once yearly.

Dexter saw several ways to improve the financial section of the business plan. He again suggested putting cash up front rather than putting up a house or car. It was determined that a home-equity line of credit would be put up instead of the house and car mentioned in the plan.

He also suggested asking the franchisor to take a twelve-month payment schedule of the franchise fee rather than having to pay the full \$26,000 up front. This point was brought up to the franchisor, but was not acceptable. The franchise fee is definitely due up front at the signing of the franchise agreement.

He also recommended a higher start-up cost for the lease rate since triplenet would need to be included in the first and last-month's lease payment. He felt the capital equipment costs were in line with the needs to opening a business of this sort.

Dexter paid close attention to the first year monthly income statement and breakeven analysis spreadsheet. He wondered why the number of daily rides went down in June 1995. This is because school will be out for the three summer months. Rides will drop off some, but summer camps and activities will hopefully pick up in its place.

He was also concerned about the cost of training the drivers. He was told this training is provided by the franchisor and Lancer Insurance company.

Representatives from Kid's Kab and Lancer fly in for a few days to help the franchisee, and this is one of the on-site services they provide that is included as part of the franchise fee. Also, each franchisee receives on-going safety videos from Lancer Insurance geared towards driving for a children's transportation service.

When looking at the monthly cash flow, Dexter commented it would be much more meaningful with a beginning cash balance. This amount was added, which in fact did make the entire spreadsheet much more realistic.

He also suggested adding a line called 'Franchise Fee' instead of including this cost in 'Other start-up costs'. This line was added, making the spreadsheet more precise, knowing exactly what the \$26,000 was for. He suggested a cumulative analysis line be added at the bottom of the spreadsheet. This line would let the owner know when s/he has actually hit the true break-even point and is surviving by profits, not the line-of-credit monies anymore. This line was later added, which again, gave a more meaningful picture of the financial stability of the company.

Dexter requested information about the franchisor itself. He was told that since this franchisor is a private corporation it is very difficult to get private data about the company. He understood this situation, but suggested calling the franchisees to get their views about the franchisor, and the profitability of the business in general. This networking of franchisees has been an on-going strategy since the conception of this idea. This is such a

benefit to belonging to a franchise. Being able to find out what marketing ideas, advertising, etc. worked or did not work for other franchisees is such a benefit. Talking to each franchisee to find out their start-up costs, when they finally broke even, and whether or not they are getting proper support from the franchisor is invaluable information a new start-up company needs to grow and prosper.

The ideas and suggestions Dexter gave were incorporated into the business plan before meeting with Richard Jensen, owner and president of RX Systems, Inc. in St. Charles. Jensen was very impressed with the business plan, but also had comments and recommendations. The one-on-one interview went as follows:

Jensen also felt the \$175,000 was too high for a small business loan for this type of company. He understood the reasoning behind it, but suggested a line of credit instead. This way less money would be needed at a time, with lower payments. This suggestion was incorporated in the cash flow analysis with dramatic results. Amortization payments decreased by about \$1100.00 monthly and the total amount needed after start-up costs was around \$47,000. This amount takes into account the purchase of another van and hiring another driver, as well as monthly working capital of around \$6800.

Jensen thought that targeting children ages five through fourteen was sufficient, since older children would not want to ride with youngsters.

According to Jensen, the biggest opportunity for Kid's Kab will be the opening of Rec-Plex in St. Peters. He suggested opening the St. Peters franchise shortly after opening in St. Charles. Since Rec-Plex will begin operations in July 1994, he suggested a cooperative marketing venture with Rec-Plex, having them add Kid's Kab information to fliers they send out so that transportation problems could be eliminated and more people would be able to use Rec-Plex. This would be a profitable cooperative move for both Kid's Kab and Rec-Plex. His main concern was whether or not this franchisee would be ready and able to expand with another franchise so early.

Jensen felt the start-up costs and capital equipment costs were normal with this sort of business. He asked if this sort of business could be opened without franchising. In reply, yes it has been tried, and failed. The main problem is the large expense of purchasing the vans and paying the high insurance premiums. Marketing the service is also a major undertaking. The owner cannot be driving vans, but must be out marketing the service to schools, businesses such as Rec-Plex, the YMCA, dance studios, daycares, etc. Belonging to a franchise is a big plus, especially for a new business owner. The marketing, accounting, legal and advertising support the franchisor gives is, of course, part of the franchise fee, but is worth the expense.

Jensen inquired as to the training the drivers would receive, and would this cost show up under training, or just as salary for the drivers. He was told

the initial drivers would receive a two-day training from Lancer Insurance Company. There would also be mandatory on-going training videos regarding all aspects of safety, such as driving in inclement weather, handling unruly passengers, what to do in case of an accident, etc. Customer safety is stressed at all times. These videos will reinforce this priority. As far as costs for training, the drivers will be paid minimum wage for their two-day training, which will show up under salary expenses. After they are trained, their salary will be raised to \$6.00 per hour.

He felt the summertime would be an excellent time to begin operations. This would allow parents time to get to know the service, using it for summer camps, pool runs, mall visits, etc. This slower time would also give the franchisee a feel for the business a little at a time, rather than jumping into a full-blown operation during the school year.

Jensen thoroughly discussed the financial statements of the franchisor. He felt this franchise was started on a "shoestring." The financial statements through December 1992 were very weak, with big debt. It was decided that since most of the franchises were not purchased until 1993, the 1992 numbers would look rather bleak.

Jensen was very impressed with the ad fliers from the franchisor. He thought the logo was very distinctive. He felt the franchisor had the best interests of the franchisees in mind, which in turn would help the franchisor. Jensen feels that one of the best ways for an entrepreneur to enter the

business world with their own business is through franchising. He feels Kid's Kab is a good idea, and the time is right in the St. Charles/St. Peters area.

Suggestions for Future Research

If this paper were to be replicated, one thing to do differently would be to survey grade schools both Catholic, private and public, getting their views on this idea.

Checking into soliciting private investors rather than going through a bank for a loan would be another option. This may be a more expensive option though, if the investor wishes to receive a percent of the profits, such as the royalty fee paid to the franchisor. This may still be a better alternative than banks. This would certainly be worth researching.

Another thing to do differently, or more of, is to talk with more professionals who have started their own business. It is amazing the wealth of information available in the business world today from people who have gone through the same situations in trying to start their own business. Not only have these people experienced the same problems or situations, but their knowledge on how to do things, or what to avoid is so important. Experience is the best teacher. Networking with other entrepreneurs would give insight into many areas of the businessworld in which a newcomer would be totally unaware.

APPENDIX A
THE BUSINESS PLAN

Kid's Kab
2875 Danube Way
St. Charles, MO 63301
(314) 940-0672

Business Plan by:
Marie Hollander

Statement of Purpose

Marie Hollander seeks a line of credit in the amount of \$60,000 to purchase a Kid's Kab Family Transportation Service Franchise in the St. Charles area. Start-up costs for this franchise will total \$55,300. I am securing a second mortgage for \$32,000 which will cover some of these start-up costs. The additional line of credit I am seeking will cover the extra \$23,300 in start-up costs as well as the monthly working capital of \$6,400 for six months.

As profits increase, the payment of this loan will be accelerated. I also plan to purchase additional franchises in St. Peters and St. Louis county within the next five years.

This business is seen as extremely profitable with no similar competition at the present time, and with great potential, catering to a steadily growing target market of dual-income families with school-age children.

This business plan is considered a living document, and will be re-evaluated and updated yearly.

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SECTION ONE - THE BUSINESS

BUSINESS DESCRIPTION

My business will be a chartered transportation service for children ages five through fourteen in the city of St. Charles, with future expansion into St. Peters and St. Louis County. It is my desire to open for business in the May-June 1994 timeframe. This will give me time to set-up my office, hire drivers, and familiarize parents with the service before carpool arrangements are made for fall school opening. Office hours will be 6am to 6pm Monday thru Friday. Saturday and Sunday office hours will be 9am to 3pm. Driving hours will be 6:30am to 10pm Monday thru Friday. Weekend driving hours will fluctuate depending on any special scheduled events and activities.

I will be purchasing a Kid's Kab franchise from Kid's Kab International Franchise, Birmingham, Michigan. They have been in the children's transportation service business for six years, and have been franchising for two years. They presently have twenty-five franchises in eleven states. Due to the liability involved, the franchisor requires their franchisees be incorporated. My company will be an S Corporation.

My franchise will be successful because there is a need for a safe and reliable children's transportation service. Kid's Kab will stress total commitment to safety and customer satisfaction at all times. Working parents need a safe, reliable transportation service to transport their children when they cannot do it themselves. I will have a vigorous marketing schedule which will include: 1) meeting with PTOs to give informational presentations; 2) meeting with doctors, pediatricians, dentists, and orthodontists to give them an informational overview and to request they display my information at their offices as point-of-purchase advertising; 3) meeting with daycare directors to offer my service as a substitute for their having to purchase their own van(s), pay high insurance rates and be short-staffed when their worker(s) have to transport

children; 4) offering weekly and monthly discounts; 5) offering free service on prom/coronation nights for rides home from a bad date; 6) offering before and after school, midday Kindergarten, doctor/dentist/orthodontist appointment rides, rather than parents taking off work to do the running.

Within a five year period I plan to purchase at least 3-5 more franchises, moving into St. Peters, Chesterfield, etc.

This business is unique in the St. Charles area. There are no other transportation services that cater mainly to children. Care Cabs, Inc., OATS and Call-A-Ride services cater to the elderly and handicapped of all ages. My franchise would be the first in Missouri.

Please find Tables I and II in section three relating to monthly business failures in Transportation Services and Services in General. There are many reasons why businesses fail, from family problems to fraud. The biggest reason under financial causes is heavy operating expenses. Kid's Kab has heavy operating expenses at first, but these expenses are fairly predictable and flat. The only rise in operating expenses is when another van is purchased and a driver hired. As the business grows, these operating expenses will become less of a burden.

Another reason for failure is undercapitalization. My franchise will not fail due to undercapitalization; the reason for requesting the additional line of credit. Even though I am painting a very conservative picture of my business, if even less customers sign up or less rides per day are scheduled than anticipated, this money will help keep the business moving until, eventually, all expenses can be paid from profits.

B. PRODUCT/SERVICE OFFERED

The company I wish to start is a franchise called Kid's Kab. Kid's Kab is a service offering chartered transportation service for children to and from school, for doctors/dentist etc. appointments during the school day, and for evening and weekend events and activities. Special "designated driver" evenings will be offered for parents on progression dinner nights, for New Year's Eve partying, Casino night, etc.

This service is needed simply because, the divorce rate is higher, there are more single parents working, and more women are returning to the workforce every year. More households are dual-income because the extra income affords them the lifestyle they grew accustomed to before their children were born. Working parents loath refusing to allow their children to participate in the many extra-curricular activities presently available to them. Their children need transportation to and from these events when the parents cannot be there themselves. Many working parents also depend on other non-working parents to carpool their children before and after school. Rather than those working parents eventually having to reciprocate, Kid's Kab would alleviate that hassle. This is a needed service going after a market that, more and more, is paying for services. Rather than say no to their children, they will say yes to Kid's Kab.

I have worked for 19 years, and have been a working parent for over eleven years, so I certainly understand the needs and frustrations of working parents with school-age children. I have heard many working parents complain about feeling like their childrens' taxi service, or worse yet, not allowing their children to participate in activities due to lack of transportation.

The franchisor also has keen interest in my success so they have set up a week-long training program covering all aspects of the business, specialized software, strict safety rules and regulations, etc. to project a safe and reliable image to the public.

The franchisor wishes to become a nationwide operation. Their reputation would be tarnished if a franchisee were to fail. The franchisor will do everything they can to help me succeed.

C. MARKETING

My market area will be the city of St. Charles, eventually expanding into St. Peters. My customers will be dual-income households with an income of \$50,000 and over, with school-age children, and single-income households with an income of \$30,000 or more, with school-age children. As seen in Table III in section three, according to the 1990 census St. Charles had a general population of 54,555 with a female population of 27,856. St. Peters had a general population of 45,779 with a female population of 22,966. There were 7512 dual-income families with an average income of \$49,176 in St. Charles. There were 7,451 dual-income families in St. Peters with an average income of \$52,470. There were 6,716 children in St. Charles and 8,005 children in St. Peters between the age of 5 and 13.

As seen in Table IV in section three, the St. Charles population grew 45.9% between 1980 and 1990. The St. Peters population grew 168.8% in that same timeframe. With the opening of Rec-Plex alone, it is projected that the St. Peters area will bring in a booming business. The market is growing and will continue to grow as long as the divorce rate keeps rising and more women return to work after having children.

Since I will be the only children's transportation service I expect my profits to grow steadily along with a growing customer base. Exceeding customer expectations and stressing safety above all things will be the main drivers in my business.

Special services will be offered during evenings and weekends for children's activities such as YMCA outings, Rec-Plex activities, group birthday parties, and even parent's night out for progression dinners, Casino-hopping, etc. These special services will be charged at \$20 per hour per van. All monies will be collected up-front when the rides are scheduled payable by cash, check, MasterCard or Visa. There is an initial one-time membership registration fee of \$25 payable by cash, check, MasterCard or Visa. This

membership fee is similar to YMCA membership registration, YMCA Latchkey registration, daycare registration, etc. This fee will be family discounted as follows: \$25 first child, \$15 second child, \$10 third child, all other children free. A laminated picture I.D. badge will be issued to every member at registration for safety and security purposes. This badge must be presented to the driver before boarding.

There will be periodic coupons distributed through direct mail, the St. Charles Post, and St. Charles Journal discounting the registration fee and rides.

I will also build the market by contracting with daycares to be their transportation service rather than their purchasing vans and paying high insurance rates. Kid's Kab could handle all their transportation needs from their scheduled field trips to before and after school pickups. This way their personnel remain at the daycare center rather than driving children here and there in their van(s).

I will also contract with dentists/doctors/pediatricians and orthodontists to recommend Kid's kab to parents for children's school-day appointment rides that will add to weekday business and avoid inundating their offices on evenings and weekends. This service will certainly appeal to working parents not having to leave work in the middle of a working day to take children to a half-hour dental or doctor appointment.

Good Public Relations will also build new clientele. Free rides home on Coronation and Prom nights will be offered for that boy/girl on a bad date. This will certainly impress upon the parents that we are a caring company. I will sponsor a Little League team and/or a charity Walk-a-thon, for example, keeping Kid's Kab in high standing within the community.

The market and the opportunities are there, and with Rec-Plex opening soon in St. Peters, the time is right. Being creative and planning ahead will be key to building and keeping new business.

The Kid's Kab franchisor offers a grand opening package the franchisee can take advantage of to flood the target market with informational advertising about the new service. The grand opening package includes a variety of fliers about the business (please see section three for samples), a mailing list of all target market households in the protected franchise area, point-of-purchase materials for as many offices/locations as needed, large advertisements in local newspapers, and any backup the franchisee needs to get its name in the spotlight.

The franchisor is extremely interested in my success, and will help me in any way they can. The franchisor has already provided me with the list of franchisees and their phone numbers. This is very helpful in networking with other franchisees to find out what problems they came across, and how to avoid these same pitfalls myself, as well as what they are doing that is successful, etc.

D. BUSINESS LOCATION

As yet I do not have an office site secured, but I wish to lease a 500-800 sq. ft. first floor office with approximately eight parking spots to accommodate the vans and the driver's cars. The area I am looking is the Zumbahl/Cave Springs area north of I-70. The reasoning behind this is simple. There are newer buildings located in this area for a nicer appearance and less maintenance rather than mid-town St. Charles which is an older part of town; there is good highway access; and the office site would be close enough to the St. Peters future expansion area that a second office site would not need to be leased. The approximate costs on a lease of this size office is around \$500 monthly, including triplenet, with first and last month's rent of \$1000 due at signing.

Minimum renovation is anticipated, and is included in my start-up costs. The office will be very basic. It will be wide-open with two desks; one for myself and one for another dispatcher. There will be a small kitchen area with a microwave, mini-frig and coffee-maker; and a restroom.

The simpler the better for my office. I want customers to feel comfortable when coming by. Having a too-flashy office will give customers the impression that they are paying for all this luxury in their costs, and I definitely wish to hold my costs to a minimum. We are out to impress people with our service, not our office.

E. COMPETITION

There are several transportation companies in the St. Louis area that make trips into St. Charles, but none that cater mainly to children. Care Cabs, Inc. is a not-for-profit transportation service available in St. Louis city and county transporting both the elderly and handicapped to and from destinations using around 90-100 vans having around 115 employees. OATS (Older Adult Transportation Service) is another not-for-profit service in the St. Louis area providing transportation for older adults, the handicapped, and the general public in rural areas.

Another type of transportation service is Ryder Student Transportation, which sells school buses and provides contract school bus operations for two dozen school districts in the St. Louis area. Ryder transports children before and after school as well as school day field trips to many places such as St. Louis Science Center, the Art Museum, the St. Louis Symphony, Grants Farm, the Zoo, etc.

There are several limousine services, some even offering twenty-four hour service in the St. Louis area that transport people to and from work, the airport, and even for special occasions such as proms, weddings, anniversaries, birthdays, etc. Taxi cab service is another transportation service, available practically everywhere.

Then there are the usual carpool arrangements that parents have set up to get their children to and from school and extra-curricular events.

The formal transportation businesses, i.e. Care Cabs, OATS, and the limousine services, are all located in St. Louis, but will make St. Charles trips. There are several St. Charles Taxi services, but none that cater mainly to children.

Since Care Cabs and OATS are not-for-profit, their prices are low. OATS requests donations of at least \$2.50 to and from doctor's appointments and at least \$1.00 to and from the grocery store. They have specific days they travel to different locations.

For example, they may service Ladue on Mondays, Chesterfield on Tuesdays, etc. They also require clients to schedule doctor's appointments or grocery shopping in the mornings so the last route begins its drop-offs around 1:30pm every afternoon.

Care Cabs has certain routes run daily, and will run additional routes only after the scheduled routes are completed. The normal cost for a one-way ride from St. Charles to Bridgeton is \$12.50. Care Cabs also occasionally depends on the St. Charles City Taxi Company for riders Care Cabs cannot accommodate due to scheduling constraints. Care Cabs and OATS do not accept last-minute call-ins. Care Cabs tries to adhere to a 24-hour advance notice, with a 48-hour advance notice for OATS.

Normal taxi fare is \$2.35 for the first mile and \$1.20 for each additional mile. Discounts of as little as ten percent or as much as a free day may be offered, depending on the length and frequency of use.

Ryder transportation charges \$26 per hour per bus plus one extra hour for time to and from the base point and the starting point for a bus ride.

Kid's Kab pricing strategy will be \$5 one way and \$8 round trip. There will be a ten percent discount weekly on five or more rides, or a twenty percent monthly discount for ten or more rides per month. I will honor only one discount or the other, not both discounts concurrently. Kid's Kab also has a \$25 membership fee. The family discount is \$25 for the first child, \$15 for the second child, \$10 for the third child, and after that they are free. All rides are booked and paid for in advance. Last-minute rides will be accommodated if possible, but are not encouraged.

Kid's Kab may be the only show in town for now, but it is anticipated other children's transportation services will try to break into the same territory with similar services as Kid's Kab. It is because of this reason Kid's Kab must firmly establish themselves quickly and securely. During the summer 1994 a very vigorous marketing strategy will be in place. I will send out direct mail information fliers and brochures to my

target market using a mailing list secured from Kid's Kab. I will visit doctor/dentist offices to request they post Kid's Kab informational fliers in their offices, and to request they suggest Kid's Kab to parents so that daytime appointments can be scheduled for children, rather than evening and weekend. An informational media kit will be left for their review. A follow-up call or visit will be conducted within a week.

I will visit daycares requesting they post informational fliers as well as consider using Kid's Kab as their transportation service. This would lower their operating costs since they could avoid their paying for vans, higher insurance and workman's comp rates, besides having their personnel away from the centers transporting children. An informational media kit would also be left with the daycare center directors with a follow-up call or visit conducted within a week's time.

The same scenario for daycares would be used for the YMCA. They either pay for vans, or they depend on parents to carpool. Kid's Kab would alleviate the extra costs incurred from purchasing vans and extra insurance. The hassles involved in depending on parents to carpool would also be alleviated.

Kid's Kab must flood the market with information stressing safety and peace of mind with a built-in time-saving benefit for parents. Pictures of each driver with their family, background and experience will be displayed to cultivate more of a warm, caring atmosphere. Each employee will wear a polo shirt uniform with the Kid's Kab logo on the front. The commitment to total safety and customer satisfaction is our priority. Keep this idea number one at all times will win and keep customers..

F. MANAGEMENT

I will be the owner, office manager, sales manager, public relations manager, dispatcher, and driver (if necessary) of my business. I have no formal managerial background in my 19 years of employment, but have worked in mainly administrative and customer service positions. Please find a copy of my resume and letters of reference in section three.

The Kid's Kab franchisor holds a required 5-day training class that takes the owner through every aspect of the business covering everything including, but not limited to, safety requirements, hiring drivers, computer software training, bookkeeping and payroll, budgeting, promotional and advertising ideas and strategies, etc. This training is also invaluable because they explain the problems and pitfalls the other franchisees have encountered along the way, and how to avoid these same situations.

The owner's salary will start out at \$18,000 per year, paid monthly out of monthly working capital. The drivers salaries will be \$6 per hour. It is predicted the drivers will work around twenty hours weekly and will be paid twice monthly.

G. PERSONNEL

On opening day Kid's Kab will be starting with two drivers and two twelve-passenger vans. In August 1994 it is anticipated a third driver will need to be hired, and in January 1995, a third van purchased. Due to the liability involved, no driver will be under twenty-five years of age, and only non-smokers will be hired. It is my desire to hire parents, (mainly mothers) as drivers. These parents can presently be part-time employed or not employed. Parents understand the commitment to responsibility and safety and will hopefully handle their passengers with the same loving care as they would their own children.

The drivers will be paid \$6 per hour and are expected to work around 20 hours weekly. Since workman's compensation is around \$800 yearly per driver with a monthly salary of \$480, I will keep the number of drivers to the bare minimum. The drivers will not receive any health benefits, pension or retirement. The benefit they will receive is free transportation for their children if their children need a ride while they are driving on their route. A schedule would be arranged to work around their children's activities to ensure this benefit will not be abused.

Before drivers are hired I will check their: 1) past and present employment; 2) driving record; 3) police record; and if these are favorable; 4) have them drug tested. Random drug testing will be performed on each driver twice yearly to ensure we keep only safe, quality drivers. The drivers will be made aware of this up-front at hiring interviews. The drivers are also required to obtain a chauffeur's license before being hired.

Drivers will be required by the franchisee to view several video training sessions regarding safe driving techniques. The Lancer Insurance Company, who insures the vans, provides these videos at no charge to its clients. These videos cover, among other things, driving in inclement weather, safety-checks before starting out, what to do in case of an

accident, how to handle injured passengers, etc. These videos will be reviewed twice yearly by each employee, driver or office-worker.

The drivers will go through training on what is expected of them on a day-to-day basis. They will learn to avoid backing up at all costs, i.e. always pull into a place where you can pull out forward, not back out; that children must remain seated and buckled at all times; how to discipline, how to handle emergencies, etc.

Since drivers will not work a full day, but will probably work a broken schedule, i.e. 6am-9am, 11am-1pm, 2:30pm-5pm, they will only be paid for the hours they are driving and will have their own time to each lunch, etc. They will, under no circumstances whatsoever, be allowed to take the vans to pick up their lunch, go by the bank, shop, etc. inbetween shifts. The success of Kid's Kab is based on image. Prospective, as well as present customers would wonder if a driver is taking its passengers shopping or banking with them.

The drivers will be responsible for purchasing gas and will use a company gas credit card. They will only have the gas credit card when purchasing gas, always returning the card to the owner. If this priviledge is abused, the owner will be the only person to fuel the vans. Daily mileage will be tracked by each driver at the start and end of every day. The last driver will be responsible for cleaning out the van at the end of each day. The first driver of the next day will ensure s/he is starting out in a clean van. Keys to the vans will be kept in a locked box in the office. Only the owner and drivers will have access to this box. Oil changes and van washes will be the responsiblity of the owner. The owner, her children, or her husband, will occasionally ride with the drivers to ensure their safe driving habits and their ability to properly service our customers.

H. EXECUTIVE OVERVIEW

The only transportation company that caters mainly to children is Kid's Kab, Inc. based out of Birmingham, Michigan. Kid's Kab is a franchise started by Pam Henderson in 1991. As a mother of three, Henderson found she could not be in three places at once to drive her children to all their activities. She started out with a Dodge Mini-van and now has five eight-passenger vans and five twelve-passenger vans to shuttle children to and from private schools, lessons, doctors and dental appointments, and extra-curricular activities from her Birmingham office. Her franchise business is growing as well. Since her decision to franchise in 1991 she has grown to twenty-five franchises in eleven states.

There is no transportation service of this kind in the St. Charles area. With the growing population, a higher divorce rate and more women returning to the workforce, it is anticipated this business will grow steadily.

Safety issues and concerns regarding seat belts, drivers, and the routes in general are major concerns for parents. But with proper marketing and public relations, these issues and concerns will diminish. Kid's Kab will promote its service with strong emphasis on total safety and well-being of all passengers at all times. Hiring only parents, who understand how precious a child is in their lives, will impress our commitment to safe, responsible drivers.

Locating the business in the Zumbahl/Cave Springs area will give customers easy highway access to and from the office; the buildings will be newer meaning less maintenance; and this location will negate the need to lease another office, or move to another office, when the St. Peters franchise territory is purchased.

SECTION TWO - FINANCIAL DATA

A. CURRENT SOURCES AND APPLICATIONS OF FUNDING

All start-up costs, franchise fee, van purchases, etc. will need to be financed. My husband, Randy Hollander and myself have an excellent credit rating, and have never had a problem getting financing. We own our home in St. Charles recently appraised at \$125,000 with ten years left to pay. Our van payment is included in our mortgage payment. Our total mortgage is around \$60,000 at 6.785% interest with monthly payments of \$930. We will secure a second mortgage of \$32,000 to use as my up-front money to prove my commitment to this business venture.

I will quit my job at Xerox and totally devote my time to Kid's Kab. My husband will continue to work at RX Systems, Inc. in St. Charles.

I will be using the funds from this extra line of credit strictly to run the business. This will include approximately \$23,300 of start-up costs the second mortgage will not cover, and six months of monthly working capital. Please see the following page for start-up costs and monthly working capital.

KID'S KAB FRANCHISE
START-UP COSTS & MONTHLY WORKING CAPITAL

	START-UP	MONTHLY
Franchise Fee	\$26,000	
Royalty Fee (5% Mo. total revenue)		
Advertising Fee (2% Mo. total revenue)		
Grand Opening (advertising pkg)	\$3,000	
Real Estate	\$1,000	\$500
Real Estate Fix-up/Repairs	\$1,000	
Office Equipment (see cap eqpt list)	\$4,444	
Store Fixtures (see cap eqpt list)	\$1,295	
Computer Software	\$750	\$50
Line of Credit Amortization		\$500
2nd Mortgage Amortization		\$350
Downpayment two vans	\$6,000	\$680
Dispatch radio base & van units	\$2,550	\$80
Van insurance	\$600	\$600
workman's comp, lease insurance	\$225	\$225
Painted building sign	\$450	
Training at franchise	\$2,000	
Professional Fees	\$1,200	\$200
Owner's Salary		\$1,500
Drivers Salaries		\$480
Taxes		\$300
Advertising		\$300
Utilities	\$200	\$200
Telephone	\$500	\$100
Miscellaneous	\$300	\$300
Van Sales Tax (10%)	\$3,800	
TOTALS	\$55,314	\$6,365

B. CAPITAL EQUIPMENT LIST

Please find on the following page the capital equipment list. This includes costs for all anticipated office equipment and store fixtures and necessities.

CAPITAL EQUIPMENT LIST

OFFICE EQUIPMENT/
BUSINESS MACHINES

	MODEL	COST
Computer	Dell 433 S/L 100 486SX W/Monitor	1296.81
Printer	Epson AL-1000 Laser Printer	549.50
Modem	VFDI Zoom data/voice/fax INT2400	98.86
Copier	Canon PC-11	899.99
Fax	Brother Plain Paper Fax	598.86
Radio Dispatch base unit		1000.00

TOTALS 4444.02

STORE FIXTURES

2 Desks 30 x 60 double pedestal		350.00
2 Desk Chairs		200.00
4 metal fold-up chairs		85.00
Microwave	SANYO .6 cu ft Space Saver	109.99
Coffeemaker	Black & Decker 10 Cup	19.99
Mini Box-Frig	Absocold 2.5 Cu ft Countertop Refrig	129.91
Four Drawer Lateral File Cabinet	53Hx30Wx19D	299.99
Storage Cabinet	36 x 72	99.99

TOTALS 1294.87

VEHICLES

2 Vans	Dodge Ram 12-psngr vans @ \$19,000 each	38000.00
2 Radio units	Radio Dispatch Units @ \$775 each	1550.00

TOTALS 39550.00

GRAND TOTAL 45288.89

C. BREAK-EVEN ANALYSIS / INCOME STATEMENT

On the following page is an Income Statement and Break Even Analysis projection for the first year by month, and one for the second and third years by quarters. The first year of operation is strictly in the city of St. Charles. Expansion into St. Peters is expected in June 1995 with the purchase of a St. Peters franchise. It is anticipated that five franchises will be purchased within the first five years of operation, moving into St. Louis county.

First Year Monthly Income Statement & Breakeven Analysis

	JUNE'94	JULY'94	AUG'94	SEP'94	OCT'94	NOV'94	DEC'94
# Members	12	20	35	55	75	95	100
# Rides Daily	10	16	25	50	70	85	90
REVENUE							
Transportation Fees (# rides x \$5/ride x 22 days/mo)	1100	1700	2700	5300	7550	9200	9700
Registration Fees (\$25 fee/member)	250	200	325	400	475	450	125
Other Revenue Sources (Special svcs & trips chg/hour)	50	125	125	175	225	375	750
TOTAL REVENUES	1400	2025	3150	5875	8250	10025	10575
COST OF SALES							
Direct labor - Driver	480	480	660	660	660	660	660
Payroll Taxes for Direct labor	50	50	69	69	69	69	69
Van Depreciation	647	647	647	647	647	647	647
Gasoline	95	115	130	160	175	195	205
Van & Bldg Maintenance	150	150	150	150	150	150	150
Van Insurance	600	600	600	600	600	600	600
Royalty Fee (5% total rev)	70	101	158	294	413	501	529
Advertising Fee (2% total rev)	28	41	63	118	165	201	212
TOTAL COST OF SALES	2120	2184	2477	2697	2879	3023	3071
GROSS PROFIT	-720	-159	674	3178	5372	7002	7504
Operating Expenses							
Salary - Owner	1500	1500	1500	1500	1500	1500	1500
Payroll Taxes	157	157	157	157	157	157	157
Advertising	300	300	300	300	300	300	300
Radio Dispatch Air Charge	80	85	90	95	100	105	110
Amortization (Line of Credit)	500	500	500	500	500	500	500
Amortization (2nd mortgage)	350	350	350	350	350	500	500
Amortization (Vans)	680	680	680	680	680	680	680
Professional Fees	200	200	200	200	200	200	200
Leasing Property	500	500	500	500	500	500	500
Insurance (rent, wkmn comp)	225	225	225	225	225	225	225
Utilities	200	200	200	200	200	200	200
Telephone	100	105	110	110	110	115	115
Postage	100	100	100	100	100	100	100
Supplies	50	50	50	50	50	50	50
Van Sales Tax (10%)	0	0	0	0	0	0	0
Miscellaneous	300	300	300	300	300	300	300
Total Operating Expenses	5242	5252	5262	5267	5272	5432	5437
Net Profit or Loss	-5962	-5411	-4589	-2089	100	1570	2067

JAN'95	FEB'95	MAR'95	APR'95	MAY'95	JUN'95
105	110	120	125	135	160
95	100	110	120	125	100
10250	10750	11900	13050	13550	10400
100	100	575	550	425	575
250	300	750	500	750	450
-----	-----	-----	-----	-----	-----
10600	11150	13225	14100	14725	11425
960	960	960	960	960	1620
100	100	100	100	100	168
970	970	970	970	970	1616
225	235	250	265	280	300
225	225	225	225	225	225
900	900	900	900	900	1500
530	558	661	705	736	571
212	223	265	282	295	229
-----	-----	-----	-----	-----	-----
4122	4171	4331	4407	4466	6229
6478	6980	8894	9693	10259	5196
1500	1500	1500	1500	1500	1500
157	157	157	157	157	157
300	300	300	300	300	300
115	120	125	130	135	135
500	500	500	500	500	500
500	500	500	500	500	500
680	680	680	680	680	680
200	200	200	200	200	200
500	500	500	500	500	500
291	291	291	291	291	485
210	210	210	210	210	210
120	120	125	125	130	130
100	100	100	100	100	100
50	50	50	50	50	50
1900					
300	300	300	300	300	4100
-----	-----	-----	-----	-----	-----
7423	5528	5538	5543	5553	9547
-945	1452	3356	4150	4706	-4351

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Second and Third Year Quarterly Income Statement & Breakeven Analysis

	JULY AUG SEPT'95	OCT NOV DEC'95	JAN FEB MAR'96	APR MAY JUN'96	JUL AUG SEP'96	OCT NOV DEC'96	JAN FEB MAR'97	APR MAY JUN'97
# Members	200	230	255	280	320	335	350	370
# Rides Daily	150	195	220	240	280	300	320	340
REVENUE								
Transportation Fees (# rides x \$5/ride x 22 days/mo)	48900	63750	71500	78700	91400	98500	104300	111100
Registration Fees (\$25 fee/member)	1400	700	600	600	900	375	375	450
Other Revenue Sources (Special svcs & trips chg/hour)	650	850	650	525	650	900	625	550
TOTAL REVENUES	50950	65300	72750	79825	92950	99775	105300	112100
COST OF SALES								
Direct labor - Driver	4860	4860	6300	6300	6300	6300	6480	6480
Payroll Taxes for Direct labor	465	465	604	604	604	604	622	622
Van Depreciation	4848	4848	5814	5814	5814	5814	6783	6783
Gasoline	880	900	920	940	960	980	1000	1010
Van & Bldg Maintenance	600	600	600	600	600	600	600	600
Van Insurance	4500	4500	5400	5400	5400	5400	6300	6300
Royalty Fee (5% tot rev)	2548	3265	3638	3991	4648	4989	5265	5605
Advertising Fee (2% tot rev)	1019	1306	1455	1597	1859	1996	2106	2242
TOTAL COST OF SALES	19720	20744	24731	25246	26185	26682	29156	29642
GROSS PROFIT	31231	44556	48020	54579	66766	73093	76144	82458
Operating Expenses								
Salary - Owner	6000	6000	6000	6000	6000	6000	6000	6000
Payroll Taxes	576	576	576	576	576	576	576	576
Advertising	900	900	900	900	900	900	900	900
Radio Dispatch Air Charge	300	300	320	320	320	320	360	360
Amortization (Line of Credit)	1500	1500	1500	1500	1500	1500	1500	1500
Amortization (Home Equity Line)	800	800	800	800	800	800	800	800
Amortization (Vans)	5100	5100	9180	9180	9180	9180	13260	13260
Professional Fees	600	600	600	600	600	600	600	600
Leasing Property	1500	1500	1500	1500	1500	1500	1500	1500
Insurance (rent, wkmn comp)	1455	1455	2130	2130	2130	2840	2840	2840
Utilities	700	700	700	700	700	700	700	700
Telephone	400	400	400	420	420	420	430	430
Postage	300	300	300	300	300	300	300	300
Supplies	150	150	150	150	150	150	150	150
Van Sales Tax (10%)	0	0	3800	0	0	0	3800	0
Miscellaneous	1000	1000	1000	1000	1000	1000	1000	1000
Total Operating Expenses	21281	21281	29856	26076	26076	26786	34716	30916
Net Profit or Loss	9950	23275	18164	28503	40690	46307	41428	51542

D. CASH FLOW PROJECTIONS

On the following page are the cash flow projections for the first year by month, and for the second and third years by quarter.

JAN'95	FEB'95	MAR'95	APR'95	MAY'95	JUN'95
14084	16567	18447	22231	26809	31943
10600	11150	13225	14100	14725	11425
0	0	0	0	0	0
3000	0	0	0	0	6000
0	0	0	0	0	13000
13600	11150	13225	14100	14725	30425
27684	27717	31672	36331	41534	62368
960	960	960	960	960	1620
257	257	257	257	257	325
115	120	125	130	135	135
50	50	50	50	50	50
100	100	100	100	100	100
225	225	225	225	225	225
225	235	250	265	280	300
300	300	300	300	300	300
900	900	900	900	900	1500
0	0	0	0	0	0
200	200	200	200	200	200
500	500	500	500	500	500
120	120	125	125	130	130
210	210	210	210	210	210
291	291	291	291	291	485
202	202	202	202	202	270
530	558	661	705	736	571
212	223	265	282	295	229
1900	0	0	0	0	3800
300	300	300	300	300	300
7597	5751	5921	6002	6071	11250
1020	1020	1020	1020	1020	1700
500	500	500	500	500	500
500	500	500	500	500	500
0	0	0	0	0	1550
0	0	0	0	0	15000
1500	1500	1500	1500	1500	1500
11117	9271	9441	9522	9591	32000
16567	18447	22231	26809	31943	30368
74	74	74	74	74	74
647	970	970	970	970	1617

MONTHLY CASH FLOW - SECOND AND THIRD YEAR QUARTERLY ANALYSIS JULY 1995 - JUNE 1997

	JULY AUG SEPT '95	OCT NOV DEC '95	JAN FEB MAR '96	APR MAY JUN '96	JULY AUG SEPT '96	OCT NOV DEC '96	JAN FEB MAR '97	APR MAY JUNE '97
Cash on hand	91105	103622	129465	155205	186834	230650	280082	329647
Cash Receipts								
Cash sales	50950	65300	72750	79825	92950	99775	105300	112100
Collections from Credit Accts	0	0	0	0	0	0	0	0
Van Downpayment	0	0	6000	0	0	0	6000	0
Line of Credit	0	0	0	0	0	0	0	0
TOTAL CASH RECEIPTS	50950	65300	78750	79825	92950	99775	111300	112100
TOTAL CASH AVAILABLE (cash on hand + tot cash receipts)	142055	168922	208215	235030	279784	330425	391382	441747
CASH PAID OUT								
Gross Wages	4860	4860	6300	6300	6300	6300	6480	6480
Payroll Taxes (Drivers & Owner)	1041	1041	1180	1180	1180	1180	1198	1198
Radio Dispatch Air Charge	300	300	320	320	320	320	360	360
Office Supplies	150	150	150	150	150	150	150	150
Postage	300	300	300	300	300	300	300	300
Repairs & Maint (Van & Bldg)	600	600	600	600	600	600	600	600
Gasoline	880	900	920	940	960	980	1000	1010
Advertising	900	900	900	900	900	900	900	900
Van Insurance	4500	4500	5400	5400	5400	5400	6300	6300
Training	0	0	0	0	0	0	0	0
Accounting & Legal	600	600	600	600	600	600	600	600
Rent	1500	1500	1500	1500	1500	1500	1500	1500
Telephone	400	400	400	420	420	420	430	430
Utilities	700	700	700	700	700	700	700	700
Insurance (Rent, wknn comp)	1455	1455	2130	2130	2130	2840	2840	2840
Interest	880	880	1288	1288	1288	1288	1696	1696
Royalty Fee (5% tot rev)	2548	3265	3638	3991	4648	4989	5265	5605
Advertising Fee (2% tot rev)	1019	1306	1455	1597	1859	1996	2106	2242
Van Sales Tax (10%)	0	0	3800	0	0	0	3800	0
Miscellaneous	1000	1000	1000	1000	1000	1000	1000	1000
SUBTOTAL	23633	24657	32581	29316	30255	31462	37225	33911
Van Amort Payment	5100	5100	9180	9180	9180	9180	13260	13260
Line of Credit Payment	2000	2000	2000	2000	2000	2000	2000	2000
Home Equity Loan Payment	1700	1700	1700	1700	1700	1700	1700	1700
Capital Purchases	0	0	1550	0	0	0	1550	0
Franchise Purchase Fee	0	0	0	0	0	0	0	0
Owner's Withdrawal	6000	6000	6000	6000	6000	6000	6000	6000
TOTAL CASH PAID OUT	38433	39457	53011	48196	49135	50342	61735	56871
CASH POSITION	103622	129465	155205	186834	230650	280082	329647	384876
Depreciation Ofc Eqpt	222	222	248	248	248	248	274	274
Depreciation Vans	4848	4848	5814	5814	5814	5814	6783	6783

E. SUMMARY OF PROJECTION ASSUMPTIONS

The following notes must be mentioned concerning the first year of operation, encompassing St. Charles only:

- 1.) Only two drivers and two vans will be necessary until end of August 1994.
- 2.) School starts end of August 1994 and another driver will be needed for before/after school, kindergarten midday times, and doctor's and dentist appointments.
- 3.) A third van will need to be purchased in January 1995, and a fourth driver hired when the number of daily rides equals one hundred.

In June 1995, if profits are similar to the projection, a St. Peter's franchise will be purchased for \$15,000, along with two more vans and the hiring of two more drivers. It will not be as expensive to start-up the St. Peters franchise since the office space and equipment will not need to be leased/purchased with the Zumbahl/Cave Springs office location. It will not be necessary to purchase additional software, pay for training, utility hook-up, etc. Advertising costs will go up during this time to include the St. Peters area through direct mail and point-of-purchase fliers.

It is projected that another van will need to be purchased in January 1996, and two more drivers will be hired, one for St. Charles, the other for St. Peters. Another driver will need to be hired in November 1996, and another van purchased in January 1997, both for the St. Peters area.

The franchisor has expressed their belief that it is best to open a franchise in the summer timeframe. This gives parents time during the summer to investigate and try out the service and make a decision before the fall school year comes and carpooling schedules have been made.

There are many ways the service can be tested during the summer. Since most parents work during the summer while their children have a three-month vacation, there are still transportation needs that working parents require. There are summer camps for volleyball, basketball, football, soccer, swimming, cheerleading, etc. that children wish to participate in. These camps are usually one or two weeks long for half days either 9am to 12 noon, or 1pm to 4pm. A working parent usually cannot take their children to these camps, plus a daycare or babysitter may refuse to transport children to and from these camps. Kid's Kab could alleviate that hassle and frustration for working parents and their children. After parents see how safe and reliable Kid's Kab transportation is during the summer months they will plan on using us for school-day transportation, etc.

SECTION 3 - SUPPORTING DOCUMENTS

In this section please find the following:

- a) Table I Monthly Business Failures
- b) Table II Business Failures by Age of Business
- c) Table III Missouri State Census Information 1990
- d) Table IV Statistical Snapshot of St. Louis Region
- e) Copy of my resume
- f) Letters of reference
- g) Direct mail/advertising flier examples

Table I
Monthly Business Failures
Transportation Services & Services in General

Failure Causes	Transportation /Public Util.	Services in General
Neglect Causes	4.9%	2.2%
Business Conflicts	4.5	0.8
Family Problems	0.0	0.3
Lack of Commitment	0.0	0.2
Poor work habits	0.4	0.9
Disaster	2.0	2.0
Fraud	1.2	1.3
Economic Factors Causes	69.4	60.9
High interest rates	0.0	0.0
Inadequate sales	2.4	0.8
Industry weakness	19.1	25.7
Insufficient profits	46.3	34.0
Inventory difficulties	0.0	0.0
Not competitive	1.2	0.2
Poor growth prospects	0.4	0.1
Poor location	0.0	0.1
Experience causes	0.8	0.5
Lack of business knowledge	0.0	0.1
Lack of line experience	0.0	0.2
Lack of managerial experience	0.8	0.2
Financial Causes	18.7	32.6
Burdensome institutional debt	2.9	6.4
Heavy operating expenses	13.4	24.7
Insufficient capital	2.4	1.5
Strategy Causes	2.8	0.5
Excessive fixed assets	0.0	0.1
Over expansion	1.2	0.1
Receivables difficulties	1.6	0.3

SOURCE: Dun & Bradstreet Monthly Business Failures, Vol 34 #1-9, LC SN 87-21275 1992.

Table II
Business Failures by Age of Business
Transportation Services & Services in General

1991	Transportation & Public Utilities	Services in General
One year or less	6.8%	8.3%
Two years	7.7	8.7
Three years	10.2	8.5
Total three years or less	24.6	25.5
Four years	8.6	8.7
Five years	6.7	8.0
Total five years or less	40.0	42.1
Six years	7.0	7.5
Seven years	6.8	6.2
Eight years	5.9	5.7
Nine years	4.4	4.7
Ten years	4.3	4.3
Total six to ten years	28.4	28.5
Over ten years	31.6	29.4
Total	100.0%	100.0%
1992		
One year or less	1.9%	2.5%
Two years	5.9	7.1
Three years	10.7	9.8
Total Three years or less	18.4	19.4
Four years	9.0	9.5
Five years	9.4	8.4
Total five years or less	36.9	37.3
Six years	8.2	8.6
Seven years	8.5	7.7
Eight years	5.7	6.5
Nine years	4.7	4.7
Ten years	4.0	3.8
Total six to ten years	30.9	31.4
Over ten years	32.2	31.3
Total	100.0%	100.0%

SOURCE: Dun & Bradstreet Monthly Business Failures, Vol 34 #1-9, LC SN 87-21275 1992.

Table III

Missouri State Census Information 1990
St. Charles City and St. Peters City

	St. Charles City		St. Peters City	
General Population (1990)				
Total Persons / Percent Sampled	54,555	12.5%	45,779	14.4%
Per Square Mile / Land Area	3,291.45	16.57	2,896.98	15.80
Female Population	27,856	51.1%	22,966	50.2%
Persons by Race				
White	52,299	95.9%	44,138	96.4%
Black	1,531	2.8%	1,029	2.2%
Persons by Age				
0 - 4	4,188	7.7%	4,874	10.6%
5 - 9	3,960	7.3%	4,494	9.8%
10 - 13	2,756	5.1%	3,511	7.7%
14 - 17	2,607	4.8%	2,530	5.5%
25 - 34	11,633	21.3%	9,994	21.8%
35 - 44	8,242	15.1%	9,416	20.6%
45 - 54	5,406	9.9%	3,797	8.3%
Median Age	31.2		29.8	
Households by size				
Total Households / Average Size	21,677	2.46	15,183	2.98
% Households 2 persons		33.1%		27.2%
% Households 3 - 4 persons		31.1%		44.9%
% Households 5 + persons		8.0%		14.0%
Family Households by type				
Family / Percent of all Households	14,301	66.0%	12,621	83.1%
Married couples / Percent of Families	11,743	82.1%	11,287	89.4%
With own children under 18	5,623	39.3%	7,111	56.3%
Female Householder (no husband)	2,013	14.1%	1,053	8.3%
With own children	1,210	8.5%	686	5.4%
Household Income				
\$25,000 - \$34,999	3,885	17.9%	1,980	13.0%
\$35,000 - 49,999	4,707	21.7%	4,269	28.1%
\$50,000 - \$74,999	4,187	19.3%	4,852	32.0%
\$75,000 - \$99,999	1,189	5.5%	1,197	7.9%
Median Average	\$34,336 - \$38,771		\$45,298 - \$46,466	
Families # Workers / Avg. Family Income				
0 Workers	1,121	\$24,328	580	\$21,326
1 Worker	3,793	\$33,697	2,786	\$38,114
2 Workers	7,512	\$49,176	7,451	\$52,470
Level of Education				
Total persons over age 25	34,936	100%	27,135	100%
9th to 12th grade, no diploma	3,772	10.8%	1,741	6.4%
Highschool Grad. (or equivalent)	10,627	30.4%	7,982	29.4%
Some College, No Degree	7,354	21.0%	7,170	26.4%
Associate / Bachelor's Degree	7,686	22.0%	7,500	27.6%
Graduate or Professional Degree	2,230	6.4%	1,709	6.3%
Occupation				
Total Employed Persons over age 16	29,966	100%	24,295	100%
Manager, Professional Specialty Occupations	8,879	29.6%	7,629	31.4%
Technical, Sales, Admin. Support	10,284	34.3%	8,835	36.4%
Service Occupations	3,886	13.0%	2,404	9.9%
All Others	6,917	23.1%	5,427	22.4%

SOURCE: Missouri State Census Data Center. Places in the St. Louis MSA, 1990 Summary Tape File 3. Extract Report. St. Louis Regional Commerce and Growth Association, pp. 26-27.

Table IV

TRENDS - A STATISTICAL SNAPSHOT OF THE ST. LOUIS REGION

Population				
St. Charles	1980	1990	% Change	
St. Peters	37,400	54,555	45.9	
	17,029	45,779	168.8	
Population Under Age 5	1970	1980	1990	
St. Charles County	9,927	13,095	19,046	
% of Total Population	10.7	9.1	8.9	
Urban Population				
St. Charles County	44,958	113,854	182,716	
% of total population	48.4	79.0	85.8	
Total Square Miles				
St. Charles County		561.4		
Persons per Square Mile				
St. Charles County		379.2		
Total Households				
St. Charles County	25,926	46,354	74,402	
Average Household Size				
St. Charles County	3.54	3.08	2.83	
Families				
St. Charles County	22,953	38,622	58,208	
Persons employed (civilians)				
St. Charles County	66,875	112,393		
Females in civilian labor force				
# / % St. Charles county	29,418 40.9%	52,266 44.7%		
Median House Income				
St. Charles County	22,408	40,307		
Median Family Income				
St. Charles County	24,167	44,634		
Per Capita Income (actual dollars)				
St. Charles County	7,679	15,366		
Education				
% High School Graduates				
St. Charles County	54.7	71.3	83.3	
% With College Education (1990 only)	some college	associate degree	bachelor degree	grad or prof degree
St. Charles County	23.0	6.4	15.4	5.8
Public school enrollment (K - High School)				
St. Charles County	1985-86	1987-88	1989-90	
	29,261	32,076	34,130	
Families w/own children under 18	married	single female	single male	
St. Charles County (1990) # and %	28,327 86.5%	3,642 11.1%	795 2.4%	

SOURCE: St. Louis Trends. A Statistical Snapshot of the St. Louis Region. Pamphlet provided by the East-West Gateway Coordinating Council. July 1993.

Marie M. Hollander
2875 Danube Way
St. Charles, MO 63301
(314) 940-0672

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Professional
Objective:

Own and operate my own Kid's Kab franchise with unlimited expansion privileges

Experience:

Xerox Corporation St. Louis, MO
1990 - Present

Service Analyst / Systems/Network Administrator:

Service Analyst: Track various expenses such as parts, salaries, overtime, phone credit cards, internet charges, and identical replacement of equipment for Service Managers and Customer Service Engineers using Procomm Communications software and D-Base III Plus programs. Monitor response time and daily parts expense through the use of Lotus spreadsheets and Excel on the PC. Use several reporting system databases to monitor performance of technicians weekly/monthly. Developed simple D-Base programs to combine information for easier analysis. Heavy daily usage of the PC and Xerox 6085 Wordprocessor. Heavy copying and distribution of various types of information concerning reporting and performance data to managers and customer service engineers. Proficient on the PC using various software applications such as D-Base III Plus, Lotus 123, AmiPro, and Excel. Have received extensive training as follows: 10-day Quality Improvement Process training, 3-day Interactive Skills training, 4-day Advanced Customer Service training, 5-day Systems Administrator training, and 5-day Service Analyst automated data systems training.

Systems/Network Administrator: Support St. Louis District network users in all aspects of hardware and software from remote workstations and single user application problems to ordering new servers for the equipment room.

Xerox Corporation St. Louis, MO
1985-1990

Administrative Assistant

Performed variety of administrative duties for 3 Region Managers and 9 Region Engineers

Western Union Bridgeton, MO
1975-1985

CRT Operator responsible for taking telegrams, mailgrams and money orders over the phone from customers, being personable yet professional. Helped customers with any delivery or billing problems. Filed and sorted messages and money orders. Phoned telegrams to customers.

Education:

BS in Business Administration, May 1992
Lindenwood College

Marketing Masters of Science Administration, May 1994
Lindenwood College

11885 LACKLAND ROAD
ST. LOUIS, MO. 63146
314-872-1600

February 14, 1994

To Whom it May Concern:

For the past five years I have worked with Marie Hollander and have been her manager since January 1993. She works as the Service Analyst in our St. Louis District office. This job requires a high level of knowledge in systems and good analytical skills. Marie has always demonstrated both of these abilities.

During her tenure with Xerox, Marie has demonstrated a willingness to go the extra mile to ensure that there is continuous improvement in her personal development. She completed her undergraduate in 1992 and is finishing up her Masters Degree this year. This was being done while holding a full time job here. Her job here was also continuing to change and also required new systems skills. She is the back-up support for all of the various systems that this district uses to produce fact-based tools for management decisions.

As you can see, I am a proponent of Marie and I certainly believe that she would be very capable of running her own business. I believe her experience will give her the necessary skills and she has the talent to be successful in any venture that she chooses.

Please do not hesitate to contact me if you have any questions or further information is required.

Sincerely,

XEROX CORPORATION



James R. Higdon
District Customer Service
Operations Manager

JRHnwb



Xerox Corporation
11885 Lackland Road
St. Louis, Missouri 63146
314-872-1600

February 14, 1994

To whom it may concern:

I have had the pleasure of working with Marie Hollander for the past nine years. She has performed a variety of administrative functions, network administrator functions, and financial analysis for the service organization. She has also provided on-site customer training at several of our major accounts, exemplifying her dedication to total customer satisfaction. Every job Marie undertakes is followed through to completion with total competence.

During her tenure with Xerox, Marie has demonstrated a willingness to go the extra mile to ensure there is continuous improvement in her personal development and work environment. Marie completed her Bachelors of Science in Business Administration in March 1992, and will complete her Masters of Science Administration in Marketing in March 1994. Her thesis project is about purchasing and operating a Kid's Kab franchise, therefore she has researched this topic in detail. Besides using her acquired knowledge from her masters degree to help her make an educated decision about Kid's Kab, she has also excelled at Xerox using her education to better her performance and job skills, and has become an extremely valuable employee.

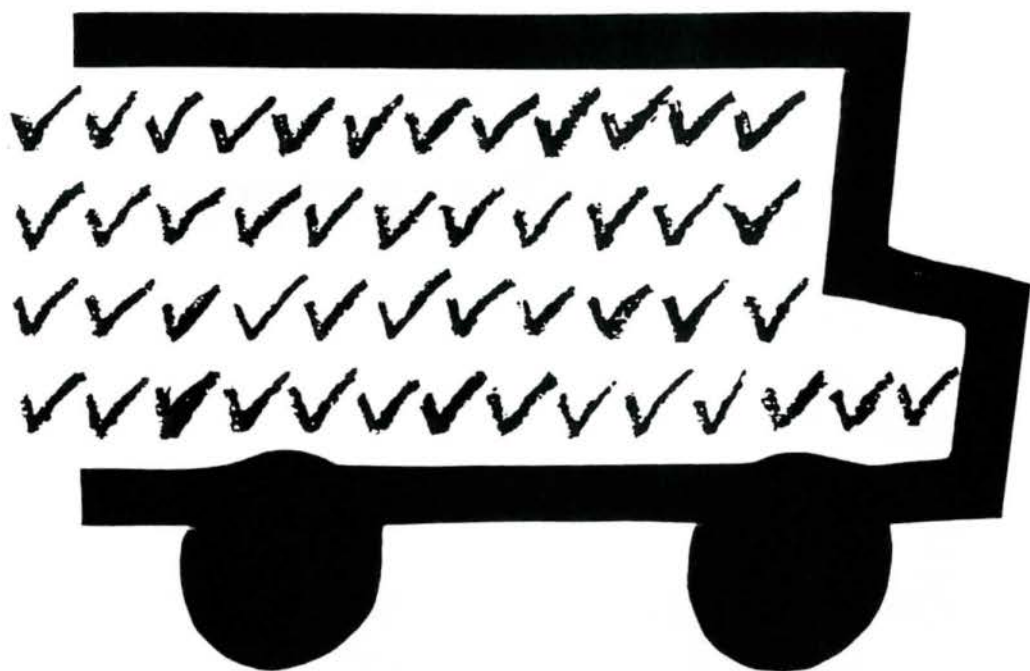
I feel that Marie has the knowledge, determination and drive to manage her own business. She has been dedicated to her success at Xerox and will channel this effort to her new project.

Please do not hesitate to contact me if you have any questions or if further information is required.

Sincerely,



Rick Kemple
District Systems Manager

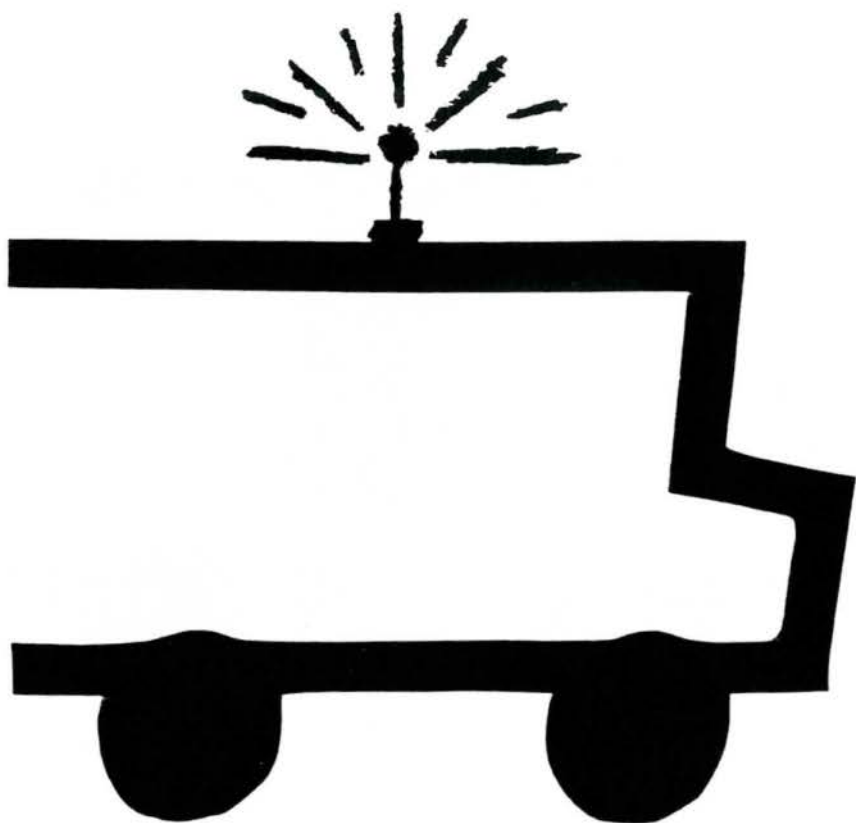


**EVERY MORNING OUR VEHICLES
GO THROUGH A RIGID
48-POINT INSPECTION.
SAFETY MATTERS.**

Before any KIDS KAB hits the road, it goes through our safety inspection process. Why so much emphasis on safety? We carry the most precious kargo of all. Safety matters.



For Service, Call
000-000-0000

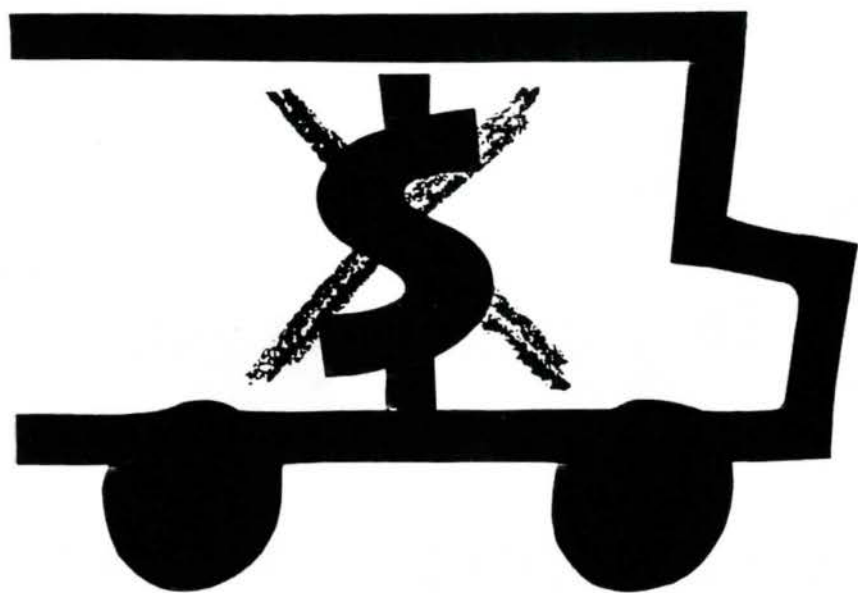


**RADIO DISPATCHED
BECAUSE NEEDS CHANGE
LIKE THE WIND.
SAFETY MATTERS.**

Every KIDS KAB is equipped with radio communications. Why? If your needs should change, we can make the adjustments. Why so much emphasis on safety? We carry the most precious kargo of all. Safety matters.



**For Service, Call
000-000-0000**

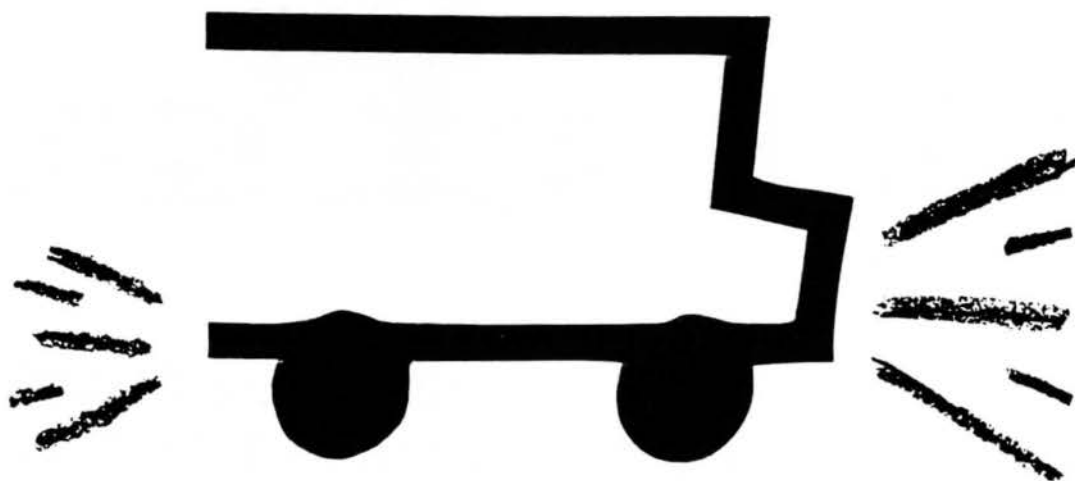


**NO CASH EVER
EXCHANGED.
SAFETY MATTERS.**

Rides on KIDS KAB are prepaid. Your child, and our drivers, never need to carry cash. Why so much emphasis on safety? We carry the most precious kargo of all. Safety matters.



**For Service, Call
000-000-0000**



LIGHTS ON FOR SAFETY. SAFETY MATTERS.

Whenever you see a KIDS KAB vehicle on the road, you'll notice the lights are on during the day. This is so other drivers can better see us. Why so much emphasis on safety? We carry the most precious kargo of all. Safety matters.



**For Service, Call
000-000-0000**



IF YOUR BUSINESS IS DRIVEN BY CHILDREN, WE DRIVE CHILDREN TO YOUR BUSINESS.

OFFER MORE SERVICES TO YOUR CUSTOMERS AT NO EXPENSE

If your business targets consumers between the ages of 4 and 15, one problem you face is your customers inability to drive himself or herself to your place of business. If a member of his/her family, or a friend can't drive — you're not doing business. Until now...

INTRODUCING FAMILY TRANSPORTATION SERVICES

KIDS KAB is an idea whose time has come. KIDS KAB provides safe, reliable door-to-door transportation for children. Equipped with 12 and 15 passenger vans, KIDS KAB could be bringing customers right to your front door.

WHY ARE WE CALLING ON YOU?

Many successful managers are discovering the power of relationship marketing. What is relationship marketing? Simple. It is compatible businesses working together to help each other meet marketing goals, yet the businesses remain independent. Our goal is to serve more customers. Is this your goal, too?

ALL LIGHTS ARE GREEN!

Here's how we can help each other. We'd like to place a small (8.5 inches x 11 inches), attractive, full-color brochure rack on your countertop, and a four inch sticker in your window. In turn, you can tell your customers KIDS KAB provides pick-up services at your business.

THAT MAKES SENSE

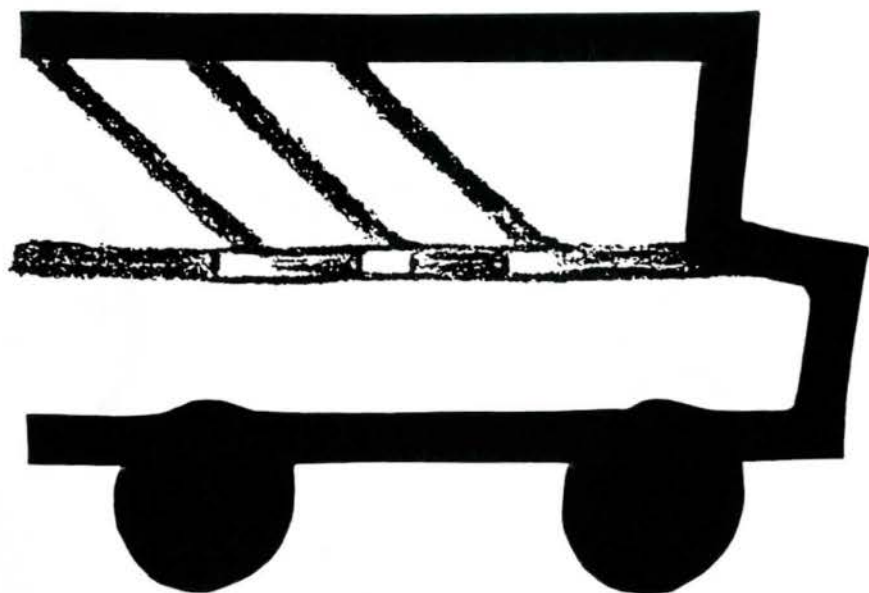
Our joint marketing plan is simple. You offer your customers the opportunity to know more about us, and we drive more customers to your business.

NOW WE'RE THINKING...

Imagine what could happen. Maybe we could serve entire neighborhoods, or groups, etc. With a little brainstorming who knows what ideas could be developed.

IF YOU LIKE WHAT YOU'VE READ, GIVE US A CALL!

Enclosed is our business card and brochure. Please give us a call to get started now.



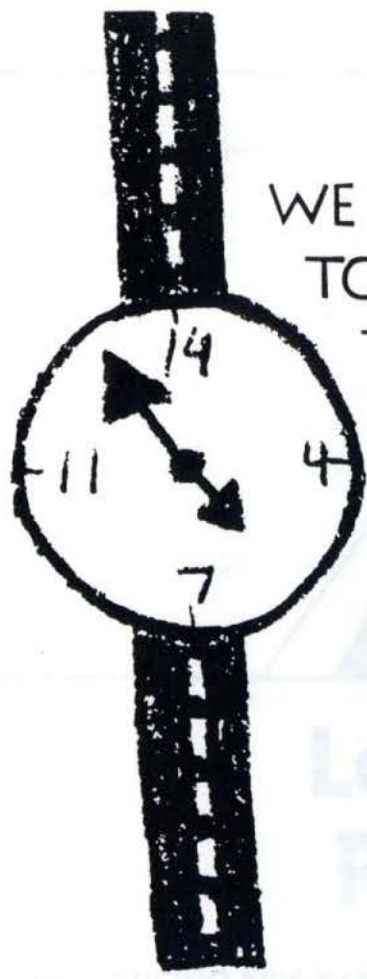
**BEFORE WE TAKE-OFF
A SEAT BELT GOES ON.
SAFETY MATTERS.**

Every KIDS KAB vehicle is equipped with seat belts. We require every passenger to wear one. Why so much emphasis on safety? We carry the most precious kargo of all. Safety matters.



For Service, Call
000-000-0000

Bulk Rate
U. S. Postage
PAID
Permit #
City, ST



WE HAVE A WAY
TO ADD HOURS
TO YOUR DAY!



WE'RE NOW SERVING YOUR NEIGHBORHOOD!

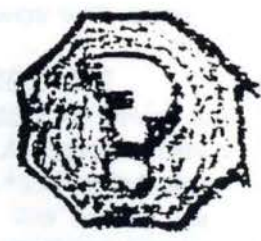
Look For It On A
Road Near You.



GIVE YOUR
KIDS MORE
QUALITY-TIME
WITH
KIDS KAB

KIDS KAB is the solution for today's Busy Parents and Busy Children. KIDS KAB is safe, reliable, and affordable door-to-door transportation services for Children.

HOW DOES
IT WORK?



Register your children for membership with KIDS KAB by visiting our local office. KIDS KAB arranges, with you, your child's personal transportation needs well in advance. Travel is prepaid by you each month so there's no worry about your child carrying cash. All children are issued an I.D. card, for safety purposes, to present before boarding the KIDS KAB van.

BECOME A MEMBER NOW!

Don't wait until you are needed in two places at one time. Register your children now with KIDS KAB. When you need us, we'll be there.

MORE TIME
MEANS MORE
OPPORTUNITY.

Wherever your kids need to go, KIDS KAB is there. We operate morning, noon, and evening, seven days a week.

People use KIDS KAB for all kinds of needs. We take children to school and back, to after school activities, sports, music lessons,

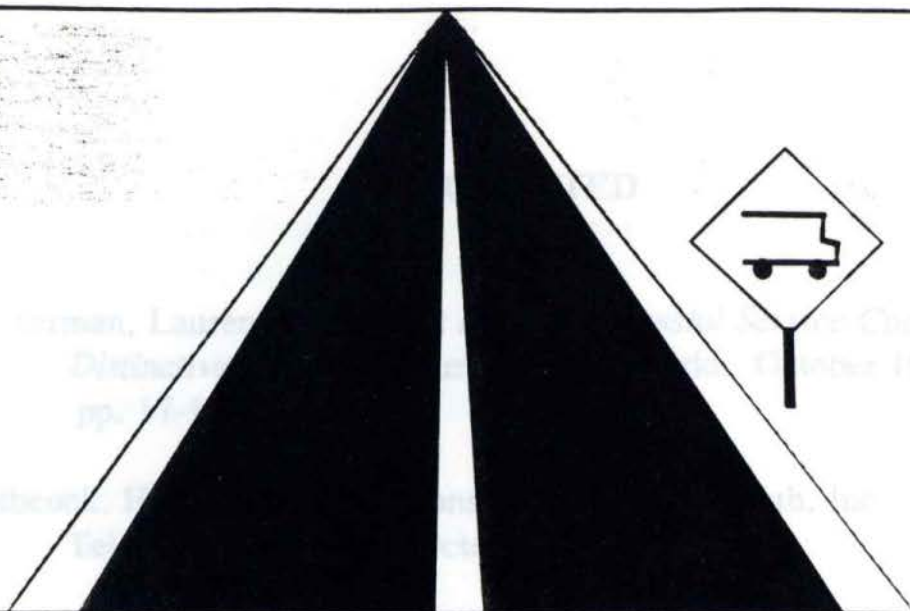



Specialized Charter Transportation Services

We Drive KIDS To Opportunity

(000) 000-0000

0000 STREET



Look For It On A Road Near You.

INTRODUCING KIDS KAB

For active children and parents, **KIDS KAB** is an idea whose time has come. **KIDS KAB** is the safe, reliable, and affordable Children's Charter Transportation Specialist. Started in the Midwest over two years ago, **KIDS KAB** is now providing services for Northern Delaware and South-eastern Pennsylvania.

HOW DOES IT WORK?

Parents, register your children for membership with **KIDS KAB** by visiting our office in Yorklyn, Delaware. All children are issued an I.D. card, for safety and security purposes, to present to our driver before he or she boards the **KIDS KAB** van. **KIDSKAB** then arranges, with you, your child's personal transportation needs well in advance. Travel is prepaid by you each month so there's no worry about your child carrying cash.

DOOR-TO-DOOR SERVICE

KIDS KAB provides door-to-door service. That way your child can stay in the safety and comfort of "inside". Our vans are clearly marked and small enough to enter your driveway with ease.

IT'S SAFE AND RELIABLE

Before every **KIDS KAB** Driver is brought on as an Associate, they go through rigid tests and training programs. We know we carry the most precious cargo of all — your son or daughter. This is why we do so much to ensure safety. Our 12 and 15 passenger vans are equipped with seat belts, which the driver checks to see that they are being worn before moving. Plus, **KIDS KAB** vans are radio dispatched and outfitted with the latest safety equipment. Safety and reliability go hand-in-hand. We won't compromise one for the other.

TO SCHOOL AND MORE

People use **KIDS KAB** for all kinds of needs. We take children to school and back, after school activities, sports, music lessons, movies, and anywhere else where kids need to go.

BECOME A MEMBER

Don't wait until you're needed in two places at one time. Register your children now with **KIDS KAB**. When you need us, call, and we'll be there.

**For Service, Call
(302) 239-9133**



We Drive KIDS To Opportunity®

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