Name: Company: TOPHER McGIBBON KID CAR NY

<u>Founded:</u> 2006

Location: NEW YORK, NY



YOU'VE HIT ON A WINNING BUSINESS IDEA – BUT STARTING UP IS OFTEN HARD TO DO. THE ENTREPRENEUR BEHIND A CAR SERVICE FOR KIDS REVEALS HIS ROUTE TO SUCCESS

Six years ago, while having brunch in New York's Time Café, Topher McGibbon was hit in the face by a piece of buttered waffle thrown by a toddler at the next table. Instead of getting irate, McGibbon was inspired. "It was a Newtonian moment for me," he recalls. "I was sitting with some doctors, and it prompted a conversation about safe transportation for young children; I found out, firstly, that the New York state law mandating that children under the age of four be restrained in a child-safety seat didn't apply to taxis, and that over 2,500 children were injured yearly in taxi-related crashes. Secondly, I learned that most U.S. hospitals require that newborns leave the premises in a car seat. That's when the idea was born."

Today, McGibbon is the CEO of Kid Car NY, a Manhattan-based car service designed specifically to whisk newborns home from the maternity ward, and their older brothers and sisters between play-dates, tutors or piano practice, in safety-seated splendor (along with parents or caregivers, of course – "We don't take unaccompanied kids *or* parents," says McGibbon with a smile).

McGibbon wasn't always so convinced of Kid Car NY's viability. A native of Atlanta and an alumnus of Columbia University and the Ross School of Business at the University of Michigan, he reviewed U.S. census data after his initial conversation and discovered that only 20,000 children were born annually in New York City at the time: "It wasn't enough," he says. "I let the idea go and went back to the tech field, which is what I'm trained in - financial software, product marketing." But a perfect storm of circumstances caused him to reconsider. New York state law raised the mandatory car-seat age from four to seven, effectively doubling his potential market; and New York City's post-9/11 baby boom increased the number of under-five-year-olds by 30 percent, while, at the same time, growing numbers of parents were opting to raise their children in the city rather than migrating to the suburbs. "Lo and behold, this was now a great market," says McGibbon. "This was a wave that we'd be perfectly placed to ride."

To raise the needed funds for Kid Car NY's eventual launch in 2006 McGibbon



canvassed old high school friends and put together a group of investors, got a loan from the Small Business Association, and bought startup equipment on credit. "I'm 34 now, and I was one of the few people who started my own enterprise right out of business school, and it made capital-raising that much more difficult. We own our cars and don't use independent contractors, and it costs me \$30,000 to put a car on the road not even counting drivers or training. So debt is a fact of my life and I don't always sleep that well. But, then, this is the life of an entrepreneur," he says with a grin. "I take reservations, I get behind the wheel, I'll make the coffee. I'll do whatever I have to do."

Kid Car NY rates range from \$28 for a single journey within Manhattan to \$100-plus for an airport run. As McGibbon explains, when you hire one of his luxury Nissan or Honda minivans (all in maroon, "to mark us out from the legions of black Town Cars"), they come complete with specially trained drivers who ensure that seats are properly installed (as opposed to the 90 percent that the National Highway Traffic

Safety Administration estimates are not), thus buying convenience and peace of mind along with the ride. That may go some way to explain why Kid Car NY currently has hundreds of local families on its member database, though, says McGibbon, "that doesn't include the families that visit New York City from within the U.S. and abroad."

McGibbon won't reveal how many cars or employees Kid Car NY has - "mostly for reasons of competitive advantage," he says – but indications are that the service is flourishing. Extra services such as Kid Car After Dark, Kid Car MD (for pediatric appointments), and Kid Car Outer Borough (for visits from Queens and Brooklyn) have been introduced. Also, McGibbon has been finding that parents – and new mothers in particular – appreciate the service even more than their kids do "It lessens their sense of isolation," he says. "We get them beyond the twenty blocks that every new parent tends to stick, over to, say brunch parties in SoHo. We're allowing friends to reconnect; there's definitely a social element to it. It's part of the reason that our motto is 'Get Out and Go.'"

CARDMEMBER STORIES — STARTUP: KID CAR NY

Such is Kid Car NY's customer loyalty that enough have signed up to the \$300 yearly membership fee to enable the company to manage its growth. "Because of our niche, we can grow organically and we don't have to buy 50 cars at a time," says McGibbon. "We can reach the magic number of sign-ups and add a vehicle that's fully utilized before it even hits the road. That differentiates us from every other car service in the world." Moreover, the company is currently finishing up its second capital-raise, financed almost wholly from its member base. "Our waiting list went up from about 25 to around 100 families at one point," says McGibbon. "We were approaching angel groups and even local investment funds but we were either too small or too low-tech. So our members stepped in; they said, "OK Topher, I'll write you a check." We've got several sets of parents involved in this next round. They know that we offer something special. If they phone and need a car immediately, but we don't have one for, say, 20 minutes, they'll say OK; it's more important for them to know their kids will be safe than to stick to a schedule. They're prepared to accommodate us. That happens

every day, and it's gold for a business like this. It's allowed us to get to where we are today."

McGibbon balances such fidelity against rising gas prices and talk of a nascent recession, and is cautiously optimistic about the future. "I can't give out numbers," he says when asked about burn-rates, "but our vehicles are almost at the point of paying for themselves. Our revenues are covering our variable costs and going a long way toward covering our fixed costs. I anticipate us being cash-flow-positive within 12 months." With





a scalable model, he floats the possibility of Kid Car Boston, Los Angeles, San Francisco, or Washington, DC – "cities with higher car ownership but perennial parking problems." He's even had inquiries about the possibility of ferrying cab-wary seniors around Manhattan. Yes, he concedes, they've had to raise their rates to cover gas price hikes, and a couple of people have nixed the service as belts tighten. "But we're a luxury that quickly becomes a necessity," he says with a smile. "People make an emotional connection with our drivers and our service. It's not long before they wonder how they ever lived without us."

OPPOSITE PAGE ABOVE

Dorian White at the control center

BELOW LEFT

RIGHT

Keeping the back-seat drivers happy

FOR MORE INFO ON KID CAR NY SEE:

www.kidcarny.com

Door-to-door service, Kid Car-style



STARTUP CONSIDERATIONS —

Early stage companies always wrestle with the perennial question: Where is the money going to come from? Finding the right sources of funds that are both plentiful and flexible is challenging, even in the best of times. Be sure to consider the following factors when starting a new venture:

- 1. Your personal credit record will mean more than ever before. Can you afford to borrow to support a new business? Secure some credit before you quit your day job.
- 2. If your startup requires machinery, vehicles or equipment, explore both leases and loans. There will be lenders willing to finance these items because they act as good collateral.
- **3.** Before you get into debt over your head, look around for investors and partners. It takes a long time to nurture investor relationships, so start early and be persistent.
- Nothing helps a new business thrive like strong sales. Work hard to balance investment in new capabilities with real demand from the marketplace. If you build it, they may not come.
- 5. Think about how your company would be impacted in times of economic uncertainty. Is there a strong enough need for the business you've created?
- 6. Hold something back. Prepare a one-year budget that leaves you with a good cushion in the bank. Things usually take twice as long (and cost twice as much) as you expect.
- 7. Register your business with credit bureaus such as Dun & Bradstreet, Experian or Equifax. Fill out the basics about your company and ask your vendors to report your payment record. The more information that creditors can obtain about your business, the more likely it is that you'll receive a favorable decision from them.