



Emerging Franchise

Wheel Fun Aims To Make A Recreational Bike Rental Biz Into A Franchising Gold Mine.

By Scott Smith

When Brian McInerney discovered four-wheel covered surreys while vacationing in Italy in 1987, he saw more than an afternoon's fun. He saw dollar signs.

Like many entrepreneurs in-waiting, he'd jumped from job to job — from cook to used car salesman to real estate. The Italian surrey sighting launched McInerney into his stateside business of importing specialty bicycles to distribute to bike shops and rental locations in tourist areas. He named it Freetime.

McInerney also started his own local rental operation and during the 1990s grew it to six California locations — some operating with shared-revenue arrangements. From his base in Santa Barbara, he began dreaming of expansion across the U.S.

A FRANCHISE REALIZATION

"I gradually realized that the only way to establish a nationwide network with committed local management was to set this up on a franchise basis which would provide equity motivation to grow the business, says McInerney.

So he set about the task of making it happen, re-launching as Wheel Fun Rentals in January 2000.

McInerney scored his first coup by recruiting Al Stonehouse, president of Diamondback Bicycles, a major manufacturer. "I was only mildly interested when he first approached me," says Stonehouse. "But what put me over the top was looking at Brian's books." Stonehouse, now president of Wheel Fun, saw dollar signs, too.

Wheel Fun's target market: fun-seeking Baby Boomers with their young families. Recently, they've upped the nostalgic appeal to Boomers by making an exclusive co-branding deal with Schwinn Cycling & Fitness, Inc., allowing Wheel Fun to offer reproductions of bicycling classics such as Stingrays, Cruisers and Orange Krates.

EXPERIENCE HURDLE

There was just one problem in the beginning: neither McInerney nor Stonehouse knew much about franchising. That's where James Colitz comes in.

Colitz had spent 11 years with Uniglobe Travel — first as a franchisee; then as an executive with the corporation.

“Being on both sides of the franchising table gave me a unique perspective,” says the VP of Wheel Fun. Colitz was first motivated to become a franchisee after reading a

government report that franchisees have a success rate nine times higher than owners of independent businesses. “You’re in business for yourself, but not by yourself,” he says.

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At year-end 2000, Wheel Fun had a dozen territories operating and was expecting another 15 to 20 in 2001. The firm has found franchisees through ads in The Wall Street Journal and via franchising Web sites such as franchisesolutions.com and www.bison1.com.

SEEKING SALES SKILLS

McInerney looks for franchisees with marketing and sales skills, since Wheel Fun provides the operational expertise in a week-long seminar. The total costs can range from \$35,000 to \$330,000, depending on the territory size, the build-out costs, inventory level and whether the franchise is a start-up or a conversion from an existing bike shop.

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"We're a little on the high side in franchising, but our profit model is good so we know we're still offering a great deal," □ says Colitz. In an unusual move for the franchise industry, Wheel Fun disclosed historic numbers about its locations (profit projections are forbidden by law and most franchise companies decline to reveal past figures). "We were surprised at how many franchise opportunities aren't all that profitable for the amount of hours the owner puts in," □ Colitz says.

One Wheel Fun franchisee who has prospered is Reggie Drew. After 25 years in the bicycle rental business, Drew took over a company-owned territory in Santa Barbara in March 2000. "The conversion

was a piece of cake. They have their business down to a science.'□
he says. "It looks like I'll have a 25 percent increase my first year.'□

Drew pays a reduced royalty of five percent based on his industry experience and spent \$20,000 in new signage, letterhead, marketing materials, a point-of-sale system and remodeling, plus \$30,000 in new inventory. "But I recouped 75 percent of that by selling my old inventory,'□ he says. Wheel Fun bikes rent for \$5 to \$35 an hour, depending on the vehicle.

Those vehicles sport names such as:

- Slingshot: a three-wheeler that sits low to the ground and slingshots the rider side to side when turning.
- Deuce Coupe: a two-seater that allows both people to pedal; includes rear jump seat for kids.
- Surrey: Italian-made four-wheelers that seat three to nine.

TAPPING PUBLIC PARKS

A specific growth strategy involves establishing Wheel Fun outlets in city and state parks under co-branding agreements. According to Stonehouse, state and city parks are particularly eager to work with family entertainment companies because activities such as biking encourage greater public use of the parks and bring in needed revenue.

According to McInerney, public parks are an untapped market for businesses that offer products and services involving the outdoors, and an environmentally-friendly activity at a reasonable cost. By locating in the heart of city and state parks, Wheel Fun places itself squarely in the path of its customers — most of whom are looking for a diversion.

Wheel Fun has established its prototype co-branding location at 80-acre Lake Balboa Park, in Van Nuys, CA, where 5,000 to 10,000 visitors show up over a weekend. "That's a lot of people looking for fun,'□ says McInerney. "And we're standing by to give it to them." **eB**

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