

BusinessWeek

BUILD-A-BEAR WITH WHEELS

Reprinted from the July 19, 2007
issue of **BusinessWeek Online**.

BusinessWeek

BUILD-A-BEAR WITH WHEELS

Ridemakerz is off to a fast start, offering kids the chance to build customized model cars, and giving parents a much-needed pit stop

In 2005, Larry Andreini approached two entertainment producers about a possible television show, but their meeting didn't lead to a TV hit. Instead, the pair gave Andreini, an entrepreneur with a track record that includes founding a customer loyalty program and a telecommunications exchange, the concept that would become his next business: Ridemakerz, a do-it-yourself custom model car retailer.

At the time, the pair, Gillian MacKenzie and Jane Startz, had been hammering out an idea for a business, dubbing it Construct-A-Car. And although they thought it was a potential blockbuster, they needed help to execute a business plan, raise money, and recruit a team to translate the concept into a business. "The minute I saw it, I thought what a great idea," recalls Andreini. "My immediate reaction was that I couldn't believe someone hadn't thought of this before."

Actually, someone had. That someone was Maxine Clark, the founder and chief executive of the wildly successful Build-A-Bear Workshop (BBW), the St. Louis-based chain of customized-teddy-bear stores (see *BusinessWeek.com*, 6/6/05, "This Bear Doesn't Hibernate"). Since launching the first workshop in 1997, the business has expanded to 300 shops across the U.S., Canada, Asia, and Europe, with sales of \$437 million.

Clark had come up with a similar toy auto concept in 2002, internally called "Build-A-Car" but had put the plans away to focus on running the company, which was experiencing double-digit growth. "We had many requests from parents who wanted something different to do for boys," she says. "Boys love cars and video games."

FILLING A VOID IN THE MARKET

Not long after, Andreini, partner Norm Pozez, and Startz were able to set up a meeting with Clark, thanks to a connection that Pozez' father had with the Build-A-Bear founder. "I said, let's put our best brains together," Clark says. "There was nothing really at retail that was exciting for boys except for skate parks and computer games. Boys do not shop like girls. There was a real void in the market. But I had no time to really work on this until Larry and Norm came to me with their Construct-A-Car."

Following the meeting with Clark, Ridemakerz went from 0 to 60 fairly quickly. Andreini and his investors raised about \$5 million in seed money—including \$700,000 from Build-A-Bear—and set about figuring out how to manufacture parts for the customizable model cars.

In June, Ridemakerz opened its first store in the entertainment complex

Broadway at the Beach in Myrtle Beach, S.C. On July 20 it is set to unveil its second shop at the Mall of America in Bloomington, Minn., and there are plans to open two more—in Indianapolis and Fredericksburg, Va.,—in the fall.

NO TWO CARS ARE ALIKE

Although the traditional toy market is relatively flat, both the video game and car segments, normally the purview of boys, have been robust. According to a "State of the Industry" study by market researcher NPD Group in conjunction with the Toy Industry Assn., the toy industry hit \$22.3 billion in sales in 2006, only a 0.3% increase from the previous year. By contrast, the overall video game segment increased 19%, to \$12.5 billion, in 2006 from the previous year. Anita Frazier, a toys and video game analyst at NPD, says that among boys, the vehicle category was up about 6% from 2005 to 2006, to \$1.9 billion.

Still, Ridemakerz is trying to merge the near-extinct traditional model car hobby with the interests of 21st century boys.

"Model cars take weeks to build, and they are intricate and detailed, and kids want immediate gratification," says Andreini, who believed there was an untapped appetite for alternative, creative, educational toys for

Success Stories

boys. "If we developed a product that they could develop and build quickly, they'd come into the shop."

Andreini already had a leg up, since he says car customizing was already a part of kids' vocabularies (see *BusinessWeek.com*, 7/13/06, "DIY Dream Cars"). "No two rides leave the shop looking the same. That's one of our biggest differences from model cars, where someone has made the choices for you. At Ridemakerz, you make all of the choices, and we think that is a very constructive thing." On a subtle level, he says, the ability to decal, color, and paint the cars is teaching boys about art. "They see it as customizing, but in a higher sense it gives kids a creative way to express themselves."

RAISING THE RETAIL BAR

NPD's Frazier says Ridemakerz is part of a growing trend in "retail entertainment" that has grown from Build-A-Bear to include other categories such as apparel and dining. "It also taps into a much broader consumer trend to add personalization and customization to any product," she writes in an e-mail. "You can see this played out in myriad ways across industries. Not all of them succeed, but it's important to note that the bar continues to be raised, and all these examples are retailers or products that are trying to stand out from the crowd and engage the consumer at a higher level." (See *BusinessWeek.com*, Spring, 2007, "Breaking the Mold.")

Indeed, at Ridemakerz the store experience is key. It plays up the car culture much in the way Build-A-Bear trades on cheeky references such as calling its accessories "the bear necessities." For instance, the opening doors have handles shaped like large mechanics' wrenches, while the interiors are designed to look like a body shop with kitschy, colorful touches such as floor signs that caution customers to move in a



In June, Ridemakerz opened its first store in the entertainment complex Broadway at the Beach in Myrtle Beach, S.C.



Ridemakerz is trying to merge the near-extinct traditional model car hobby with the interests of 21st century boys.

certain direction or risk "severe sneaker damage" and such product claims as "superior handling when cornering around chair legs." The company also has a "No Lemon Guarantee."

Inside, youngsters build customized model cars (which range in base price

from \$12 to \$25) by mixing and matching a body type and style such as stock, custom, hot rod. The 10-to-12-inch cars are assembled in the RZ Pit Challenge zone, where kids build their cars in a race against the clock. After assembly, they move through an additional seven different zones where kids can choose different types of tires, colors, sounds, grille guards, spoilers, and decals.

CLICKING WITH CUSTOMERS

According to Andreini, there are 649 million possible combinations. However, accessories are extra. For instance, a radio remote control costs \$25, a set of monster tires is \$10, and a "Street Glow" light kit goes for \$15. Many parts are interchangeable and attached through a patented magnet system. "If something breaks," says Andreini, who calls himself the ZEO, "we haven't done our job." A fully "tricked-out" ride can cost about \$100.

When they're finished, kids can create a personalized license plate. Then they're given a certificate with a "Ride Identification Number" that allows them to look up their rides, on the Internet, get digitized images, and upgrade or replace parts.

Success Stories

One of the reasons Andreini says Ridemakerz has instantly clicked with customers is its authenticity. For instance, Ridemakerz has licensing agreements with Ford (F) and Dodge (DCX) to use several of their models such as a Ford Mustang or a Dodge Ram pickup.

“Ford and Dodge both saw this as great way to have kids actually experience building their own licensed car,” says Andreini. “If a kid is building a Ford Mustang, it creates brand awareness at a young age.” Ridemakerz is currently in discussions with two non-American car manufacturers.

EDUCATION AND FUN

Since its launch, the company has received interest overseas, and Andreini says they are considering opening in Canada, Britain, and Asia, where they are mulling the idea of selling country rights. (They plan to keep U.S. stores company-owned, not franchised.) They have also been

approached by various media to extend the brand through video games and television shows, but Andreini says that at the moment they want to stay focused on building the core brand and are plowing revenue back into the company.

Beyond the hoopla, Andreini says Ridemakerz is as educational as it is fun. It offers kids the opportunity to create and build something, and, he says, youngsters can learn about the history of cars and even about alternative fuels on the Ridemakerz Web site. Indeed, one of the model options is a Ford Super Chief, an alternative-fuel concept car. “We are using the vehicles as a ‘ride’ for education,” he says. “When you think of what’s out there for boys, it’s video games, laser tag. But what’s educational and fun? I think we’ve found a niche.”

Build-A-Bear’s initial investment is now a 25% stake in Ridemakerz. That’s expected to increase to 30% by early next year. (Gillian MacKenzie

is now on the company’s board.) In addition to a financial arrangement, Ridemakerz has an operational partnership that allows it to use the Build-A-Bear’s warehousing, distribution, point-of-sale systems, and back-office systems.

“It’s a perfect complement to our business,” says Clark. “Build-A-Bear is about 75% girls and 25% boys, and Ridemakerz is just the opposite. It’s not that girls don’t like cars, but [cars] are not a passion like it is for boys. And this is an opportunity to take on the market and create another phase of playing patterns. Not everything lends itself to experiential retailing. You’ve got to pick those places and focus on those things, and I think we nailed it with Build-A-Bear and now with Ridemakerz. These are two large categories with no real competitors at retail.”

By Stacy Perman

Perman is a staff writer for BusinessWeek.com in New York.