

They're Making Money From Your Kids

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Does your toddler wear perfume? Should your newborn eat organic? And has your four-year-old been to the gym lately?

Moms and dads a generation ago might have laughed at these questions, but today there is a booming market for products and services targeting affluent parents willing to spend freely on their kids. Armed with more information and choices than ever before, modern parents are some of the most demanding customers in the marketplace. Opportunities abound for entrepreneurs who can meet their exacting standards.

"They're the most well-informed consumer group that you can look at," says Simon May, one of the four dads behind Bloom, a maker of high-end baby chairs that are both stylish and functional. Bloom's ovoidal chairs, which retail for \$180 to \$500, can adjust as kids grow, so parents who buy them for infants can keep using them as the kids get older. They're also sleek enough to fit aesthetically in a design-conscious family's home. High chairs normally retail for \$80 to \$120, but May, a father of two, justifies his prices. "There's nothing more emotional or more important or closer to you than what product is going to be used on your baby," he says. Not only are many parents today insisting on the best for their kids, they are willing to pay for it. U.S. spending on food, clothing, personal care, entertainment, and reading for kids reached \$115.6 billion in 2006 and is expected to top \$143 billion by 2010, according to New York market researcher Packaged Facts. One reason parents are spending more may be that more are gainfully employed: 53.5% of married couples in 2006 had both spouses working, according to the U.S. Census Bureau, an increase of 1.4 percentage points from the previous year.

Appealing to Insecurities

Entrepreneurs such as the partners behind Bloom have recognized the potential of selling high-end goods to time-crunched and guilty parents willing to spend. The two-year-old company, which has offices in Europe, North America, and Hong Kong, expects global sales of \$15 to \$20 million this year.

Bloom is just one example of how entrepreneurs—many of them parents themselves—are profiting from the current wave of selling child-related products and services by appealing to parents. Other examples include clothing designers, writers, even nursery decorating consultants. Some of these businesses tap into parental concerns by positioning their products as more than just material goods or practical services; others target parents' political, physical, or social insecurities.

For example, concerns about childhood obesity, diabetes, and other nutritional problems prompted Shazi Visram to start HappyBaby four years ago. Visram identified a market of parents who want to feed their newborns and infants organic food but don't have time to prepare it. The company launched its line of organic, unprocessed frozen baby food on Mother's Day, 2006. A package of 12 frozen cubes retails for \$4.99 at organic groceries such as Whole Foods (WFMI) and in more conventional markets such as Publix (PUSH). "Parents just want to feel really secure that they're doing everything they possibly can to protect their babies," Visram says.

Fostering Individualism

HappyBaby underscores many parents' innate concerns and feelings of inadequacy. In the past, parents would rarely, if ever, ask: Am I providing what's best for my child? The shift in traditional family structures, greater awareness of proper nutrition, and increased distribution of wealth across broader stretches of society has created a generation of parents alienated from their own upbringing. These parents frequently lack the knowledge their own parents had and too often hope that buying the best will compensate for their own ignorance or uncertainties.

Some of this is manifest in the desire of many parents not to treat their children as strictly or patronizingly as they were. If a girl wants to play with certain dolls or a boy with an inappropriate video game, today's parents may be inclined to be more laissez-faire, rationalizing that they are fostering individuality.

Take, for example, the trend fueling the booming business in high-end children's clothing and accessories. One such brand is Kaloo, a decade-old French company that rolled out fragrances aimed at children in 2000. The scents, alcohol-free plant extracts, cost \$25 to \$30 for a 100ml bottle. "They're treating their children like little people that need handbags, that need jewelry, that wear perfume," says Leif Quraeshi, North American president of Kaloo.

Can't Buy Love

Do families spending lavishly on their children risk raising spoiled brats? Only if parents fail to hold kids to reasonable expectations, according to Dr. John Walkup, a child and adolescent psychiatrist at John Hopkins Children's Center in Baltimore. "What I tell these families is that on some level it doesn't matter what you give your child," Walkup says. "What really matters is whether there's the balance between what you expect of your child and what you give your child."

The other trap parents can fall into is indulging in material goods while failing to meet their children's basic needs for love, attention, and discipline. Kids in that situation can grow up alienated and disaffected, Walkup says: "You don't give kids stuff instead of love."