



### Final Business Plan

Business Name: Above and Beyond Childcare (ABC), LLC.

Business Idea: ABC Childcare strives to enhance the mental and physical wellness of young children through a safe and reliable childcare service.

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## Executive Summary

ABC Childcare  
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**Phone:** (703) 434-9856  
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**Management:** General Manager

**Industry:** NAICS 624410 – Child Daycare Services

**Number of Employees:**

8 Full-time  
Varying number of part-time employees

**Amount of Financing Sought:**

\$185,100.00

**Investment Sources:**

Founders: \$100,000  
Outside investors: \$85,100

**Use of Funds:**

Office Furniture/Supplies: \$10,000  
Computers: \$5,000  
Lease: \$30,000  
Employee Salaries: \$140,100

**Product/service selling price:**

School Year Monthly Package – \$3,000  
Summer Monthly Package – \$6,000

**Business Description:** Above and Beyond Childcare is a Limited Liability Corporation headquartered in Vienna, Virginia. Our company's mission is to enhance the mental and physical wellness of children through a safe and dependable in home childcare service infused with tutoring and physical wellness components. Our company's vision is to educate and enrich the lives of children by helping them excel in multiple aspects of their personal development.

**Products/Services:** We will combine childcare, physical fitness, and academic training into one cohesive unit to create an innovate service. We will meet with clients to create a specialized curriculum for their child, which our part-time childcare employee will then carry out during each session.

**Competitive Advantage:** Our competitive advantage is our combination of three different services into one reliable bundle of childcare, tutoring, and physical wellness that is executed with premium quality.

**Markets:** Our target market consists of households with children age 5-12. These households have an income greater than \$200,000 per year and desire premium care for their children

**Distribution Channels:** Above and Beyond Childcare will bring our service directly to the client by providing an in home amenity.

**Competition:** Our closest competitor is a company called College Nannies and Tutors, although we have many indirect competitors such as group daycare companies, local babysitters, and relatives/family friends.

### Financial Projections (Unaudited):

	2015	2016	2017	2018	2019
Revenue:	\$342,000	\$1,026,000	\$1,179,000	\$1,238,895	\$1,276,082
EBIT:	(\$102,812)	\$216,457	\$308,989	\$352,372	\$373,66

## ***Business Description***

According to the United States Bureau of Labor Statistics in 2013, “the share of married-couple families with children where both parents worked was 59.1%.” Looking at this statistic, the need for child supervision is undeniable. The purpose of our company will be to meet this need for child supervision by offering an innovative service that provides an enriching childcare experience. Our company will go “above and beyond” the average babysitter by allotting time during each session for a structured, customized curriculum including physical activity, supplemental schooling, and fun exercises for every child.

Once hired, our employees will undergo rigorous training in various areas including, but not limited to, games and activities to promote children’s physical wellness, fundamentals of school subjects, first aid and other childcare basics. The training objectives for our first line employees will be to develop analytical and problem solving skills to prepare them for working directly with the clients and their children. They will be trained through case studies, coaching and mentoring, and group discussions and classes. The training period for the first line employees will be around two weeks. During this time they will watch an instructional video on our company’s mission and vision. This video will also cover the major points from the official ABC Childcare employee handbook. Another training objective for newly hired employees is to learn and practice behavior such proper childcare techniques, emergency procedures, curriculum execution, proper client interaction, and customer service, which they will acquire through training methods such as role-play situations.

ABC differs from the competition by working with clients to create a curriculum for their child that is catered to their individual needs pertaining to education and physical activity. Our staff will care for the client’s child or children for up to six hours each session while also ensuring the child’s time is used constructively based on the chosen curriculum. Our service appeals to clients as it offers a more personalized experience than the average large babysitting company. Clients will also be drawn to us because we will offer quality childcare that will be mentally and physically beneficial to the children and will be provided to them from the comfort of their own home. We plan to sell school year and summer monthly packages that range in price and number of hours of service provided.

Our business shall be based in Vienna, Virginia with our headquarters located in an office building located at 305 Maple Ave W, Vienna, VA 22180 (City Feet, 2015). This specific location was chosen due to the high income of the Northern Virginia population, which was reported to be \$165,700 (Morello, C., & Mellnik, T., 2013). This amount is more than double the median household income for

the entire state of Virginia, which the Census Bureau calculated as \$63,907 (US Census Bureau, 2015). As a company with a focus on physical wellness, our childcare providers have the option of taking advantage of parks in the area when fulfilling the physical activity component of ABC's services. An additional advantage of our chosen location is its proximity to multiple college campuses where we plan to recruit our part-time employees.

Our company will be set up as a limited liability company, ensuring all six owners' personal assets are protected while also avoiding double taxation. We also decided upon an LLC due to the fact that there is generally less paperwork involved and that it can be formed quickly and relatively easily (Carnes, 2015).

As a company, our mission is to enhance the mental and physical wellness of children through a safe and reliable childcare service and our vision is to educate and enrich the lives of children by helping them excel in multiple aspects of their personal development.

Our company will adapt the differentiation strategy through "making [our] product or service sufficiently different from competitors' offerings that customers are willing to pay a premium price for the extra value or performance that it provides" (Williams, 2014). This strategy embodies the essence of our service. Although we will have many competitors, as shown in the perceptual map (exhibit 4) our service has the ability to draw attention and gain a client base in a reasonable amount of time due to its distinctive characteristics. Our company focuses on maintaining a high level of differentiation in order to create a sustainable environment in which we will thrive. Overall, our business ensures the triple bottom line by investing in children's wellness and providing rewarding jobs for employees, positively impacting the development of tomorrow's leaders, and successfully breaking even and making a profit by the end of two years of business.

### ***Industry Analysis and Competitive Advantage***

Our business will operate within the child daycare services industry, industry code 624410 under the NAICS classification system (NAICS, 2015). Above and Beyond Childcare belongs in this industry because childcare is our primary service offered. According to IBIS World, there are no major players in the childcare industry, however our company has many competing alternatives (2015). College Nannies & Tutors is our main comparable firm offering comparable, but not identical services (College Nannies and Tutors, 2015). Considering we will be creating our own niche market, we will not have any aspirational firms. Exhibit 1 shows the financial ratios for our industry over the last five years.

After conducting an environmental scan and creating a Five Forces Model (exhibit 3), we determined that the childcare industry operates under monopolistic competition because there are many firms offering similar, but differentiated services. Not only will we compete with daycare centers and after-school care, but we will also compete with neighborhood babysitters, friends, and relatives, who all offer different levels of quality, client customization, and service variation. In order to differentiate ourselves from the many competitors, we will create a niche in the market by offering a combination of mental and physical wellness not offered by any other firms.

Above and Beyond Childcare combines three separate services into one convenient and unique package, creating an edge over the competition. We will provide clients with an individualized bundle of childcare, tutoring, and physical fitness, which will save them time and provide their child with an enriching experience. This unique, individualized bundle of services will be our competitive advantage in the market, as it is something our competition does not offer.

### ***Market Analysis and Pricing***

After determining our segments, we decided upon one target market consisting of highly educated homeowners with children aged 5 to 12 years old, who live in the Northern Virginia region. This target consists of households in which the child's primary caretaker(s) is/are employed and make a total income of above \$200,000 per year. In Northern Virginia, 25.2% of households earn more than \$200,000, which is equivalent to about 33,333 families (133,330 families with children younger than 18 years old, multiplied by the 25.2% of households) (ACS DEMOGRAPHIC AND HOUSING ESTIMATES, 2013). From a psychological standpoint, the members of this target market demand the most prestigious amenities for their children, value education, and are willing and able to spend their disposable income to satisfy this need.

Exhibit 4 illustrates how we will position ourselves in the market where no other company is capable of directly competing with our service. The perceptual map depicts our position as a higher value and more hands-on service than our competitors. We will establish this niche by competing in a market in which we are more specialized than the competition. ABC Childcare has a few competitors, but none are able to capture the total value of the service we offer.

Exhibit 5 depicts our sales forecast for the first 12 months of sales. After 12 months, through marketing and word of mouth, we expect sales to increase by 300% in year two. For years 3-5, we expect an increase in sales of 15%, 5%, and 3% respectively as noted in exhibit 5. We plan to reach our

capacity by year five, at which point we will have 0.27% of the market share based on our researched market potential, as shown in exhibit 2.

Our pricing strategy analyzes the income of our target market and the average percentage of annual salary spent on childcare. According to CNN Money, an average 14.1% of household income is spent on childcare services in the D.C. Metropolitan area (CNN Money, 2013). Assuming our target market consists of clients with higher than average income and are willing to provide the best for their children, we estimate they will spend at least 15% of their annual household income on childcare. Based on the first 12 months of projected sales, we determined a weighted average percentage for the number of school year/summer month packages (units) sold. We determined 78.72% of sales will come from monthly school year packages (units) and 21.28% will come from monthly summer packages (units). These weights were used to determine our five-year sales forecast as well as our breakeven analysis. Assuming our clients will not need our service year-round, ABC prices are calculated by multiplying the target market's \$200,000 income by this 15%, for a total of \$30,000 per year spent on childcare. Given this number we finalized our per unit price at \$3,000 per monthly package during the school year and \$6,000 per month during the summer. Our service is of a higher value than the average daycare facility due to the bundling of amenities. Our one-on-one interaction, curriculums, and combined services of childcare, tutoring, and physical fitness, further justify our premium pricing.

### ***Resource Needs***

Our facility will be located at 305 Maple Ave W, Vienna, VA 22180. Our office is 1,200 square feet with a rental rate of \$2,500/month (City Feet, 2015). The office furniture will be \$10,000. The furniture will consist of eight desks and chairs, seven for the three rooms, and one for the receptionist in the lobby, along with lamps and tables. Our room is designated for the following activities: HR and marketing, recruiting, and a workspace for general manager and bookkeeper. Another expense will be office equipment and supplies of \$5,000 for eight computers, a printer, ink, paper, and pens. As a small business, ABC Childcare will not need to acquire supplies in large quantities and therefore, will obtain most of our supplies through commercial vendors.

The key players in our company will be our part-time nannies because they will provide the service, and the HR coordinator and secretary who manage and schedule the employees. Exhibit 7 depicts the organizational structure of ABC. We plan to recruit our childcare employees from local colleges in Northern Virginia. We aim to employ college-aged staff, preferably education majors or other students who are motivated to positively impact children's lives. Another motivation factor for these

potential employees is the ability to use this job as a positive stepping-stone to their future career path. Qualified employees must have obtained their high school diploma, are currently pursuing a degree at a four-year university, and have experience working with children. In addition to the following qualifications, we will conduct background checks, extensive interviews, and provide rigorous training for our employees to ensure they meet and exceed the standards of our “above and beyond” service.

We calculated the need of \$185,100 as startup capital. The breakdown of where we will obtain these funds can be found in exhibit 8.

### ***Operation Strategy***

ABC Childcare’s operations will begin and end with the child’s wellness in mind. Therefore, it will not be surprising if many of our clients hear of our services through positive reviews and word of mouth, in addition to our advertising campaigns. The client will begin ABC Childcare’s enrollment process by calling our office to schedule an appointment to select a monthly package and establish the child’s S.M.A.R.T. goals and sports interests. The client then will select a monthly package based on the time of year. With this information, an ABC representative will collaborate with the client to create the academic and fitness curriculum. If the client wishes, they may set up interviews with ABC employees who would potentially care for their child. Once an employee is selected, childcare services will begin at the client’s desired start date.

An ABC employee will travel to the client’s home and follow the set curriculum during their scheduled time of care. The ABC employee will leave the client’s home once the child’s parent or other verified guardian has arrived to relieve them. If clients are unsatisfied with ABC Childcare’s services or their ABC employee, they may schedule another consultation appointment to reevaluate their child’s goals or interview other potential employees. Clients will be billed at the end of each month for services used, and will have until the end of the following month to pay. Clients will be prompted to renew or drop our services. Depending on the season, clients may also switch to or from our summer package depending on the time of year they need our childcare services. This process is visually represented in exhibit 9 of the addendum.

We derived our maximum capacity from the reasonable number of employees we will be able to manage while maintaining our “above and beyond” quality standards. ABC determined our service capacity to be 50 households (clients). Due to the size of our company, servicing over 50 households would be unrealistic as we have a ratio of one caretaker to one household. Due to this one-to-one ratio, we will need to employ 50 part-time childcare providers in order to reach maximum capacity. We plan



on recruiting these employees from nearby universities. There are about 24,000 college students attending these nearby universities (2014-2015 Facts and Figures, 2014) (Marymount University, 2015), therefore we only need 0.21% of this group to have an interest in and be qualified to work for ABC Childcare.

Within our industry, quality assurance is necessary for maintaining our competitive advantage. We will ensure our high quality service by dedicating full-time personnel to interview, hire, and train new employees and to make the unique and custom-built curriculums for each child. If the child or guardian is not pleased with the quality of the service, a meeting will be scheduled with the HR coordinator to set the child up with a different child care provider and/or a better suited curriculum. As our company expands, we plan to hire a second full-time employee to assist with the training and curriculum processes.

### ***Compensation Plan***

We will ensure our employees have the expertise to run our business by conducting multiple rounds of interviews and using a very selective hiring process. We are seeking employees with prior business knowledge and the appropriate skills to uphold the standards of our company. Our employees' compensation is determined based on industry averages. The amount above or below the industry average of each position varies due to the size of our company, but overall the total cost of the salaries is above the industry average. Based on the Bureau of Labor Statistics average for paid time off, we decided to include ten paid sick/vacation days per year in our employees' compensation plans with no rollover (Occupational Employment Statistics, 2013). Our compensation plans also include health insurance coverage for each full-time employee. Our part-time employees include all of our childcare employees. These employees will be college-aged and will be paid \$13.25 per hour with no benefit package included. The breakdown of the compensation plans for our full-time employees can be found in exhibit 10.

### ***Product Commercialization***

Each of the various media components of our promotional mix will remain consistent with our brand image of "above and beyond" quality childcare service, while also maintaining consistency through logos, color scheme, and language to maintain clear brand imagery. Our promotions will augment our brand promise, which is to deliver the best quality childcare service in Northern Virginia. Our quality assurance comes from hiring the most qualified and passionate employees who will meet

our high expectations of being disciplined and punctual while also providing enriching childcare. A large part of maintaining our brand is for our childcare providers and office staff to create relationships with each of our customers. Establishing personal relationships not only builds our image, but also builds trust in our company. If a customer is not satisfied with our service, we will reevaluate the customer's needs to provide them with a better-suited childcare provider. All of these components of our company will build a brand reputation of "above and beyond" enriching childcare services.

Our promotional strategy aims to accomplish our objective of gaining a client base by building brand awareness and image in the community through a promotional plan consisting of advertising through various channels. We recognize that word-of-mouth communications among members of our target market will be our strongest, and most influential vehicle to accomplish our objective of service trial.

Above and Beyond Childcare's campaign theme emphasizes the key message that our services go "Above and Beyond" the average childcare provider by offering the best quality service in the market. Our ads will also feature our unique bundling of childcare, tutoring, and physical fitness services to save busy parents precious time. This message appeals to clients who want the best for their children and are willing and able to accommodate this desire. The nature of our childcare service has led us to select the ad appeal of "lifestyle". After obtaining 50% of our capacity, we plan to transition our promotional appeal to "testimonials" provided by clients and their children. This approach is consistent with our company mission and values of client satisfaction "above" everything else.

Our promotional mix consists mostly of advertising through various channels such as our website, social media, radio ads, The Washington Post, direct mail, and community bulletins. Our media will be distributed throughout the Northern Virginia area to captivate the attention of on-the-go parents. A breakdown of our promotional budget consists of 30-second radio ads costing \$396 per unit and newspaper ads costing \$74 per unit. The remaining promotional vehicles are priced based on an annual fixed budgeted rate. A summary of our total promotional units and total costs are depicted in Exhibit 15.

The ABC website will provide critical information pertaining to our business such as a description of our services, pricing, package options, location, childcare employee profiles, and contact information. We will also create social media accounts on Facebook and Twitter to allow client's to "follow" or "subscribe" to our feed on one or both of these accounts as a form of a "virtual word-of-mouth" promotion for our company. Our radio ads will appear on local talk and news radio and are likely to attract potential clients listening to the news, traffic, and weather during their commute to and from

work. Our advertisements featured in the Washington Post will grab the attention of our potential sophisticated clients who will come across our ad while keeping up with local and global current events. We also plan to advertise our print ads through direct mail and in community bulletins published by the homeowner's association of the neighborhoods in which we assume members of our wealthy target market live.

We plan to use the flighting promotional tactic by running more advertisements in our first few months of operation to attract the attention of our target market and ultimately attain an initial client base. After this initial burst of advertisement, we will not advertise until one month before our next peak enrollment period. Once this is accomplished, the timing of our promotional advertisements will follow the trend of our expected seasonal demand. ABC will slowly decrease the frequency of trial objective advertisements and increase advertisements to accomplish strengthening our brand image objective.

We will monitor our promotional spending by comparing how many clients we have gained or lost to the amount of money we spend on promotions and the frequency at which we run our advertisements. We will also take into account the seasonality of our business when running these comparisons. We expect our highest levels of clients to be at the beginning of the summer and school year, and to fluctuate after those times as clients add or drop our services.

ABC's integration strategy focuses on running our direct mail, radio, digital, and miscellaneous advertising simultaneously with hopes of generating interest and awareness about ABC as quickly as possible. Running our advertisements on these various media platforms will increase recognition within our target market and make us the business that comes to mind when potential clients think of childcare services. Repetitive exposure to these potential clients will cause our company name to come up in conversation with friends and family, this word of mouth exposure within our target market is our most effective advertisement channel.

As a service, we will not have stored inventory as we will be producing for and servicing our clients simultaneously. ABC's quality assurance plan includes preventative measures to suppress potential issues, such as client dissatisfaction, before they occur. This quality assurance plan can be viewed in exhibit 9. ABC will ensure top quality by having clients provide regular feedback in the form of surveys, employee performance and quality evaluations, and the opportunity to provide constructive feedback at any time. If client remains unsatisfied, another consultation meeting will be scheduled to reevaluate child's SMART goals or interview to select another employee member.

ABC Childcare will use direct distribution to provide our childcare services to the final client. We chose our location in Northern Virginia, as it is a populated area that is easily accessible to our target market. After the initial period of registration for our service, our clients will no longer need to come into our office as our employees will be serving them in their personal home.

Our reactive quality assurance plan will be to use follow up methods. At the end of each month, parents who use our service will have a sit-down talk with our human resource coordinator. Our coordinator will ask a series of questions to evaluate how their children are enjoying the service and if they are seeing progress in achieving their child's S.M.A.R.T. goals. Our recovery plan, should a customer receive poor quality, will be to first talk to the employee who is working with the family. Our staff will give them advice on how to improve. If the client wishes to immediately switch employees, or the conference does not help, the human resource coordinator will work with the recruiter to find them a new match.

### ***Growth Plan***

Our growth strategy beyond our first year of start up will focus mainly on geographic expansion. As we can reach capacity within our target start up region of Northern Virginia and we believe our service can be successful in other regions as well, we plan to expand to other wealthy communities along the east coast after reaching capacity. Along with our geographic expansion, we will constantly be changing and growing our program curriculum to assure we maintain our status as an innovative, high quality service. We will be continually adapting the chosen curriculum based on the child's needs and progression within our program.

After our first year of business the only we will need to hire three additional fulltime employees to aid in serving our growing demand while maintaining our premium quality. These will employees will fill the positions of a wellness coordinator, assistant curriculum creator, and recruiting coordinator. Due to additional hiring, raises, and cost of living increases, the total increase in labor costs between the first year of business and fifth year of business is \$134,330.

### ***Company Valuation***

Our complete financial statements for years one through five can be found in exhibits 11 through 13 of the addendum. The 5-year financial ratios for our company are found in exhibit 14 along with the financial notes and assumptions, which can be found after the addendum.

In regards to management, we plan to hire motivated employees who are passionate about working with children and who, upon hiring, will receive training to ensure they are qualified and prepared to provide excellent service. Our employees will be compensated with benefit packages. In the marketing department, our value is derived from our strong competitive advantage, unique service, and our chosen target market due to their larger than average income. Our main operational strength is the minimal failure points found in our service blueprint. This blueprint can be found in exhibit 9. Although we do have some failure points, we have already devised preventative measures to help minimize them and established processes to help reestablish client satisfaction if the failures do occur. Financially, our greatest strengths come from executing cost control practices paired with premium pricing to increase profit margin.

Under the constant growth model technique our payback period is 4.47 years, our NPV is \$-72,566.67, our IRR is 11.29%, and our MIRR is 13.15%. Under the book value of equity technique our payback period is 4.07 years, our NPV is \$267,358, our IRR 50.82%, and our MIRR 49.47%. Under the constant growth model, our return on investment does not look promising, however, when using the book value of equity technique proves the opposite, therefore showing we are indeed a good investment choice. Under the constant growth model an increase of 50% in revenue will decrease our payback period by 38% and increase our NPV by 182%. The breakdown of the calculations for these numbers are found in exhibits 17 and 18.

Given the \$100,000 contribution coming from the founders, we will need \$85,100 from outside investors to help us reach our goal for startup costs. With this \$85,100 contribution we will not take on any debt financing, which in turn, means we will not have any loans to pay. If we do not have any loans, we will be able to start paying our investors their dividends sooner, rather than later.

### ***Conclusion***

ABC Childcare will be located in the Northern Virginia region in the town of Vienna, Virginia. Our services target two-income families or single parents who need assistance caring for their children during their time away at work. Due to the high income of these clients, they are willing and able to pay the price for premium care. ABC Childcare's competitive advantage is the combination of our mind and body-engaging curriculum provided by trained employees. Our market positioning stems from our curriculum, which combines the services of babysitting, tutoring, and physical fitness. We hope that you will go "above and beyond" with us by choosing to invest time and resources into Above and Beyond Childcare.

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**Addendums**

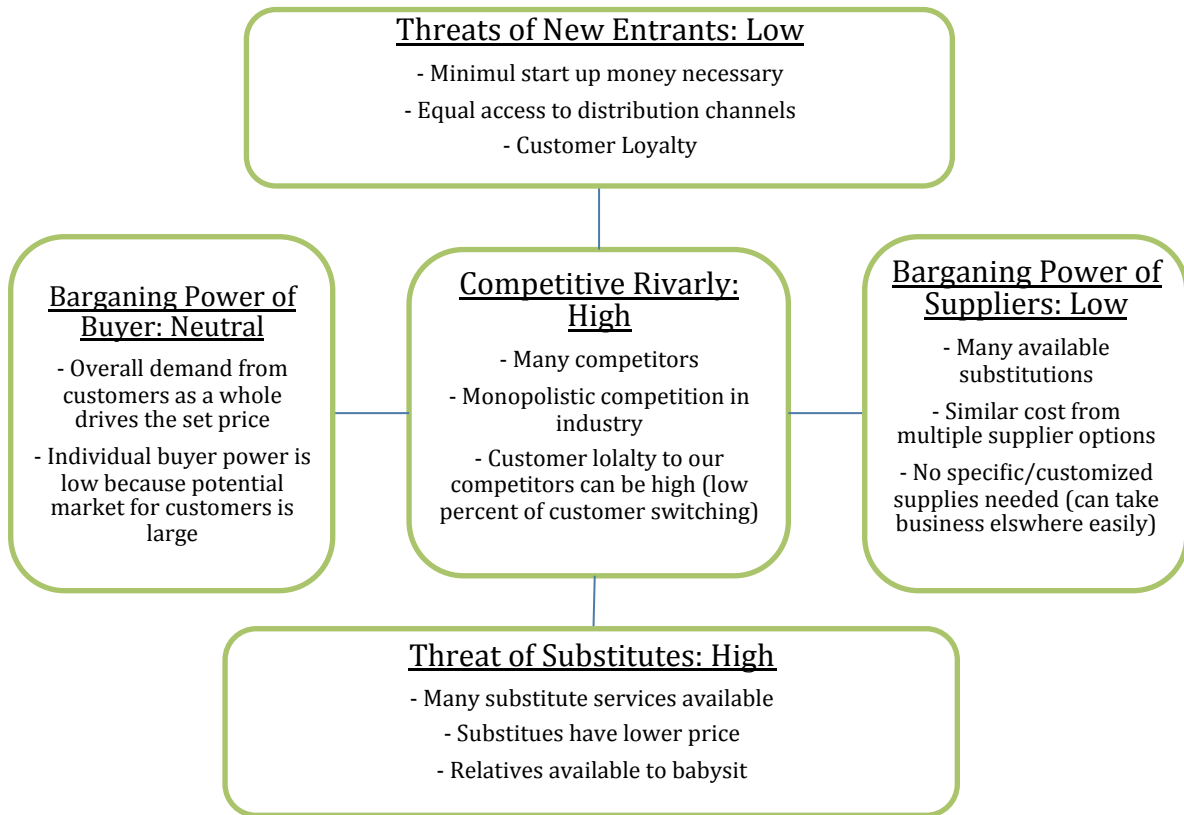
1. Industry Ratios

	2009	2010	2011	2012	2013
<u>Liquidity:</u>					
Current Ratio	2.02	2.07	1.86	1.96	2.28
<u>Productivity:</u>					
Inventory Turnover	765.77	580.39	720.95	611.9	247.64
<u>Financial Leverage:</u>					
Times Interest Earn	5.73	6.79	12.65	12.43	9.79
<u>Efficiency:</u>					
Gross Margin	85.76%	85.75%	85.96%	86.79%	86.99%
Return on Equity	0.66	1.13	1.1	0.96	0.51
Return on Assets	24.03	41.86	40.54	34.95	12.65

2. Market Share

Size of Market (Households in Target Market)		33,333
Market Potential--ASP Price Pkg * # of weeks * Size of Market		
ASP School Yr Pkg	\$2,362 * 39 weeks * 33,333	\$ 3,070,569,294
ASP Summer Pkg	\$1,277 * 13 weeks * 33,333	\$ 553,361,133
<b>Market Potential in Dollars</b>		<b>\$ 3,623,930,427</b>
Maxium child capacity of company		89
Percentage of Market Share (size of market / max child capacity)		0.27%
<b>Market Share of company in Dollars</b>	3,623,930,427 * 0.27%	<b>\$9,675,991</b>

3. Porter's Five Forces Table



4. Perceptual Map

