Marketing Jack and Jill

When Jack Fairchild married Jill Langton, it seemed like a marriage made in heaven. Jack wanted to leave his job in a large corporation in order to be in business for himself, and he planned to start a child care program. Jill had just graduated from college with a specialization in early childhood education, and she had lived for four years as a teenager in Wausau, where she worked as an aide in a child care program.

That was ten years ago. They started the child care program Jack and Jill Day Cay Center, and after the first year it was fully enrolled. The program served 80 3- to 5-year old children, and was open from 7 a.m. to 7 p.m. Jack found that the going rate for child care in the community was $110.00 a week, so Jack and Jill charged $105.00.

The program is located in a converted small church. As its owners see it in their mind’s eye, it could be quite attractive, but there has never been enough money to fix it up. The trash bins, for example, are on the front side of the building. There is clean linoleum on the floors but no carpeting. The outdoor and indoor equipment is about the same as other centers in the area.

The center after the first year operated with four groups of three to four-year-olds, twenty in each group. Jill taught in the center herself, and did some training of staff, for the first six years. Now she is at home with two young children, but she continues to plan and participate in staff development. Jill has seen a lot of high-quality programs in Wausau, and she received a good professional education at the local tech school. She knows that “Jack and Jill” is not as good as the centers she knew in Wausau and others she has seen around the state. But she feels that her program was the best in the whole geographic area where it is located. Of course she would never say this publicly, because the other center directors and staff are her friends, and anyway, she wouldn’t want to brag.

After the first year, the center made 4.5% profit for the next five years. After that, several new centers started that drained off some of the enrollment. There is no longer a waiting list. In order to keep their enrollment up, the center has added 2 rooms with a mix of older two-year-olds and young threes (10-11 in each group).

Staffing costs are up, so the center must charge higher fees. The going rate in the community is now $145.00, but two centers are charging $150.00. The higher the fees, Jack believes, the fewer people will be able to enroll their children. But even $145.00 doesn’t seem to be enough to cover the expenses of staffing now that the center has six groups; it feels as though the center may not make a profit this coming year.

Jack and Jill have decided to re-do their brochure to see if they can attract more parents. The brochure has a picture of the center on the front panel, and the message: Put your child in this picture. The photograph shows the building, and it looks “about like any other good center” as Jack puts it. There are no people in the picture. Inside there is a drawing of Jack and Jill, the nursery rhyme characters, carrying a pail of water up a hill. The message says: Check us out.

These statements are made with boxes next to them, checklist style:

- Our fees are reasonable, $105.00 per child.
- Your second child will get a reduced rate.
- We are licensed by the state, and approved by local health and safety officials.
• Our location is convenient. (See the map on the back panel.)
• Our teachers are professionally trained to work with young children.
• We’re open from 7 a.m. to 7 p.m.
• We offer nutritious meals.

The second panel makes its points briefly, with a lot of white space to set them off. The third panel is much more densely typed. It summarizes center policies, with quite a lot of detail including items such as these examples:

• A health assessment is required before enrolling your child. Immunizations must be up-to-date.
• The center requires that parents pick up their children on time. There is a late fee of $25 for every fifteen minutes of lateness.
• You should plan to attend our parent meetings once a month in the evening.
• Written permission from parents is required in order for your child to participate in fieldtrips.

The back panel has the address and telephone number of the center, and a small map. Call us for an appointment. Check us out!

Last week, a corporation in the area offered to help Jack and Jill become accredited. This offer came as a surprise to Jack and Jill. It was made to five centers in the area nominated by parent/employees at the corporation. The company would pay all the accreditation fees, and would offer an incentive grant of $7,000 for physical improvements. After the center gets accredited, they would make a “reward” grant to enable the center to change its stationery and its brochure to let parents know that it is accredited. They require that the center be within the ratio and group size range as defined in the accreditation standards. As the director, Jack is not sure about this. He has never tried to put his center forward as better than other centers in the area. Further, he’s fearful that accreditation would mean he might have to have smaller groups and lower ratios. He’s already been stretched to make it, and is seriously considering raising fees to $150.00. If he had to have even more staff, the fees he might have to charge could become prohibitive, and parents would not enroll in his center.

As Jack and Jill talk over their options, they realize that they need to do something to bring in more dollars on the income side of their budget. They enjoyed the early years of owning their own center, but ten years have gone by and they seem to have reached at best a plateau in their careers.

**Option 1:** Maybe if they were accredited, and also aggressively marketed to parents at the corporation and elsewhere, they could charge higher fees than other centers. It sounds frightening. There are no accredited centers in this area. Would accreditation add more expenditures? Could it generate more income if Jack and Jill are strategic in using it? Would the income it brings in be greater than the costs?

**Option 2:** Maybe they should not become accredited, but should think through some ways of bringing in more income through broadening the age range of children they serve, or type of service, such as:

• Offering part-time options, and/or drop-in care
• Adding a school-age program
• Serving infants
• Adding a satellite family child care network

**Option 3:** Maybe they should think of other services, in addition to child care, that they could offer on a fee-for-service basis that families would purchase.

**Your assignment:**

Think specifically about the income side of the budget. What are the ways that Jack and Jill can add more revenues to offset expenditures? Flesh out Jack and Jill's thinking about their options; add your ideas. Think about the pros and cons of the different options. Now answer the following questions:

1. What do you think of Jack and Jill's marketing strategy up to now?
2. Are there improvements you would make in their brochure?
3. Should Jack and Jill change their name? Why or why not?
4. Should Jack and Jill change the way they think about their fees? Why or why not?
5. Should Jack and Jill change the way they provide their service? Why or why not?
6. Are there potential parents not currently using center care that Jack and Jill could attract with a different marketing perspective? How could they find out?
7. What would be the effect of accreditation on fees and on the market? How could they find out?
8. What would you do if you were Jack and Jill?

See Budget and Assumptions below:

**Marketing: Jack and Jill**
2009-2010 Amended Budget, based on 93 children enrolled
9/25/09

Enrollment to date: 87
Licensed capacity: 112
## INCOME

- **Parent fees**
  - $105 x 87 children x 50 weeks: $456,750
  - (if fully enrolled, at 112 children @ $105 = $588,000)
  - (if fully enrolled, at 112 children @ $145 = $812,000)

## EXPENSES (other than personnel)

- Admin. services (payroll, legal, accounting ---$1400/month): $16,800
- Garbage disposal/snow removal (200/month): $2,400
- Repairs (500/month): $6,000
- Marketing (500/month): $600
- Postage: $2,000
- Telephone (200/month): $2,400
- Office supplies: $4,000
- Classroom supplies (93 children @ 200/child/year): $18,600
- Kitchen supplies (93 children @ 50/child/year): $4,900
- Food (750/child/year): $69,750
- Professional dues: $500
- Licensing Fee: $200
- Equipment replacement/reserve (1000/year): $1,000
- Mortgage: $19,200
- Cleaning and Maintenance Service (200/week): $10,400
- Taxes: $8,000
- Utilities ($2/square feet): $20,000

**Total OTP (not including depreciation)**: $186,750

## Personnel Expenses

- Owner/management draw: $38,000
- Asst. Director $25,000/year + 20% benefits: $30,500
- Cook (4 hr./day) $7.50/hour: $7,500
- 1 Floater $12,480/year + 20% benefits: $14,976
- Substitutes: $12,000
- Staff for Group 1: $46,800
- Staff for Groups 2: $46,800
- Staff for Group 3: $32,700
- Staff for Group 4: $48,000
- Staff for Group 5: $48,000
- Staff for Group 6: $42,300
- Consultants: $5,000
- Staff development (Jill): $5,000

**TOTAL PERSONNEL EXPENSES**: $372,576

**TOTAL EXPENDITURES**: $559,326

## Assumptions: Average Salary Assumptions
- Lead Teacher $16,000/yr. + 20% benefits: $19,200
6 groups:
Group I: 11 older twos/young threes (capacity 15)
Group II: 10 older twos/young threes (capacity 15)
Group III: 17 threes (capacity 20)
Group IV: 15 older threes/young fours (capacity 20)
Group V: 18 older threes/young fours (capacity 20)
Group V: 16 fours (capacity 22)

Assumptions: Staffing Patterns
6 groups:
Groups I and II: staffed for 12-15 twos/young threes (capacity 15)
.75 lead teacher
1 teacher
1 assistant teacher

Group III:
1 lead teacher
.75 assistant teacher

Groups IV and V:
1 lead teacher
1 teacher
.75 assistant teacher

Group VI:
.75 lead teacher
.75 teacher
1 assistant teacher