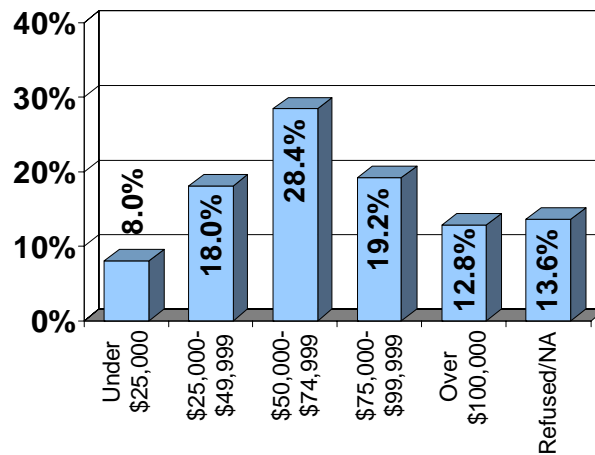


Respondent Profile - cont.

Chart 14
Household Income of Respondents



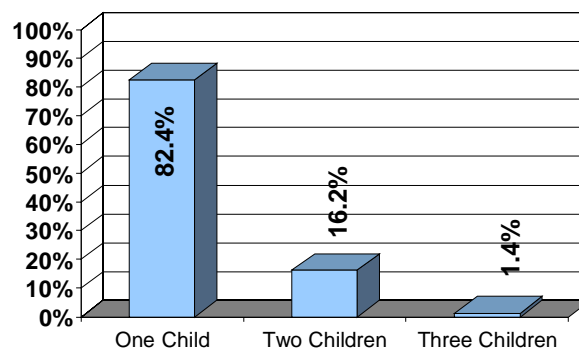
One of the survey questions asked respondents to indicate an appropriate household income range. Of the 250 respondents, 216 provided income information. The largest household income category (28.4%) was \$50,000-\$74,999, while the smallest category (8.0%) was under \$25,000.

Chart 15
Closest Elementary School

| School | Respondents % |
|-----------------|---------------|
| Cloverville | 22.4% |
| East Smallville | 18.4% |
| West Smallville | 18.4% |
| Riverton | 12.4% |
| Polentine | 12.0% |
| Copper | 6.8% |
| Streamwood | 5.6% |
| Other | 2.0% |
| Refused/NA | 2.0% |

Respondents were asked "What elementary school do you live closest to?" Over twenty-two percent (22.4%) stated Cloverville Elementary, followed by East and West Smallville Elementary both stated by 18.4%. Five respondents (2.0%) were either unsure or refused to answer this question, while 2.0% of respondents listed other responses which include: Wilson Elementary (1.6%) and Smith Elementary (0.4%).

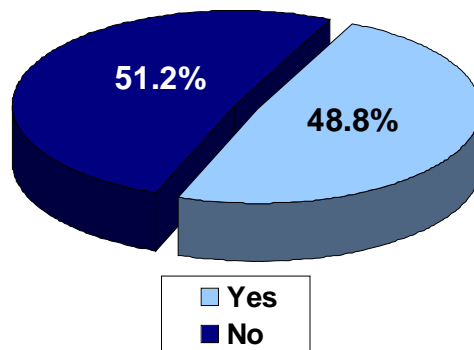
Chart 16
Number of Children



The number of children under the age of six per household is shown in the **Number of Children Chart**. The average number of children under the age of six was 1.21 children.



The survey asked if the respondents regularly (weekly) used the services of a day care center, in-home day care, babysitter, preschool, or employee provided child care. Just over half of the 250 respondents (51.2%) stated that they do not regularly use a day care service, while 48.8% of respondents did use child care services.



Child Care Services

Chart 17
Use Child Care Services

Respondents who used one or more of the day care services listed above were then asked specific questions about their day care service usage. These results are presented in the next section of this report, **Day Care Service Usage**.

In order to identify the potential for a child development center in the Smallville area, the survey was designed to learn more about the respondents who were currently using day care services. The results to the next few questions will be limited to the 122 respondents who said they used one or more of the day care services. The focus was placed on five types of day care services: day care center, in-home day care, babysitter, preschool, and employer provided.

Day Care Service Usage

The most commonly used service was a day care center indicated by 50.0% of respondents, followed by preschool indicated by 23.0% of respondents. The least used category was employer provided (1.6%); only 2 respondents used this type of child care.

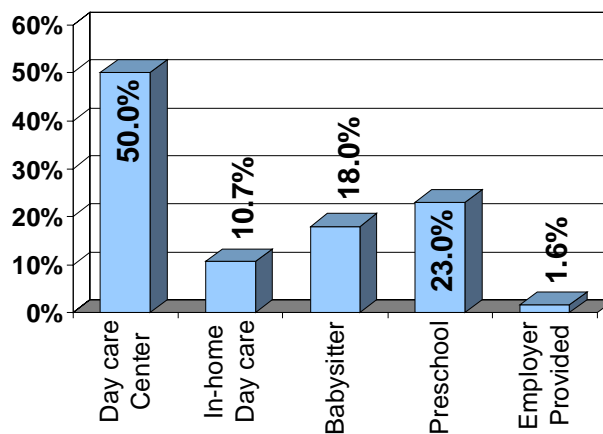


Chart 18
Child Care Service Usage

Percentages in the graph equal more than 100 percent because respondents were able to choose more than one type of child care service. There was an average of 1.05 services used per household.



Using the data obtained from the survey, projections of market share and the potential success of the proposed child care center can be developed.

The first step is to look at the degree of interest in the proposed child care center. This degree of interest can be expressed in terms of strongest, moderate, weak or none. The chart **Degree of Interest** presents this matrix.

Market Demand

Holy Lutheran Church

| | | Would Consider | Would Not Consider/Unsure |
|-----|-----------|---------------------------|---------------------------|
| | | Willing to Change | |
| Yes | Yes | 16.0% Strongest | 12.0% Weak |
| | No/Unsure | 9.2% Moderate | 62.8% None |

Chart 40
Degree of Interest

This matrix was created from the results of several questions, the willingness to change from a current day care provider, the willingness to consider the new child care center, and the willingness/ability to pay a reasonable market-rate for child care. The strongest interest would come from respondents who said yes they would consider the new center, are willing to change day care providers, and willing to pay a reasonable market-rate for child care. There were 40 (16.0%) who would fall into the strongest interest category.

The moderate interest category would be those respondents who were interested in the proposed child care center, but may be unsure or not willing to consider changing from current day care providers. There were 41 respondents (16.4%) that would be considered part of the moderate interest category.

There are 12 respondents (4.8%) who would be considered to have weak interest, based on being willing to change day care providers, not interested or unsure about the proposed child care center, and not willing to pay a market-rate for child care.



One way the estimate can be tempered is by the ability to pay. If the proposed child care center was lower than the market average per hour for a daycare center it would probably attract most of these children. But, if the hourly rate is higher, the number of children who would use the center would be lower.

The following price chart shows the effect of various price ranges on the number of children in the strongest interest category. As to be expected, as price increases, the number of children decreases. For example, if the hourly rate is \$4.50-\$4.99, the estimated number of children is 165. If the center charged \$3.01 to \$3.49 per hour, the estimated number of children would be 248.

| Adjusted for Price Price | Strongest Interest ONLY | | |
|--------------------------------|-------------------------|-------------------------|-----------------------|
| | Willing To Pay | Number of Households | Number of Children |
| \$4.50 - \$4.99 | 40.0% | 136 | 165 |
| \$4.00 - \$4.49 | 42.5% | 145 | 175 |
| \$3.50 - \$3.99 | 50.0% | 171 | 206 |
| \$3.01 - \$3.49 | 60.0% | 205 | 248 |
| \$3.00 | 100.0% | 341 | 413 |

Since the market average per hour for a day care center is at least \$3.00, it indicates that in order to operate a quality child care center, a similar hourly rate would need to be charged. If the hourly rate is significantly less than the average hourly rate, financial resources from sources other than fees may be necessary to maintain the level of service, staffing and facilities as proposed by Holy Lutheran Church. Conversely, should the cost of operating the center require charging a rate higher than \$3.00 per hour, the projected number of users should be decreased accordingly. At the \$3.01 to \$3.49 per hour level the center would still be competitive with the rate survey respondents reported paying for other child care services in the area. It is important to establish a rate high enough to recruit and maintain a highly trained and quality staff. A poorly paid staff will have a high turnover rate and parents will be dissatisfied with the day care services.

Market Demand - cont.

Chart 41 Estimated Number of Children by Price



If the proposed child care center did not include infants, then the total number of children attending the center would be reduced by the number listed under infants. Furthermore, for parents with two or more children under the age of 6, 20.0% have an infant and a toddler or preschool age child. It is generally accepted that given a choice, parents would prefer to have their children attend the same child development center, rather than having one child at one center and the other at another center. Based on the survey, it appears that 20.0% of the parents responding have an infant and another child 2-5 and may not use the child development center if it did not offer infant care.

When looking at a profile of the people in the strongest interest category, compared to all of the survey respondents, the following differences are noted:

- Location: 64.7% of the strongest interest respondents said they would be more likely to consider the proposed center near the intersection of Route 10 West and State Road, compared to 51.2% of all respondents
- Elementary School: 32.5% of the strongest interest respondents lived near Copper or East Smallville elementary schools, compared to 25.2% of all respondents
- Gender: 75.0% of the strongest interest respondents are women, compared to 69.2% of all respondents
- Household Income: 35.0% of the strongest interest respondents had a household income of under \$50,000, compared to only 26.0% of all respondents

These estimates can be used for making decisions regarding the potential for a new child care center. This estimate is based on the strongest level of interest, and therefore, could be considered relatively conservative in nature. Since none of the moderate or weak interest respondents are considered in this estimate, more optimistic estimates could be developed, although the accuracy of those estimates would begin to decline.

This estimate does not factor in any population growth in the Smallville area. While the estimate of use for the child care center could consider this growth, it is difficult since projecting if current child care centers in the area will expand, or if new child care centers will be built is nearly impossible. If Holy Lutheran Church is confident of future population growth, it may want to consider a slightly larger facility than current demand indicates.



Based on the market assessment and survey results outlined in this report, the following conclusions have been developed:

1. Positive Trends. There are several trends and developments that appear to be positive for the proposed child development center. Some of these trends and developments include:

- The total number of children ages 0-5 that potentially could be impacted by Holy Lutheran Church child care services is estimated to be approximately 3,400.
- Nearly sixty percent (58.8%) of all households in the study area include a working mother.
- Over eighty percent (81.2%) of the households in ZIP code 27520 have an annual household income of over \$25,000.

2. Need and Demand. Although there are several child care centers with openings in the Smallville area, the survey results indicate that there is a need and a demand for a quality child care center. Over thirty-one percent (31.1%) of survey respondents would consider changing child care providers for longer hours, closer location, lower cost, flexible scheduling or better staff reasons.

The survey shows there is a sizable number of residents in the Smallville area that would be strongly interested in the new child development center proposed by Holy Lutheran Church. According to market estimates, the number full-time equivalent children range from 109 at the \$4.50-\$4.99 level to 164 at the \$3.01-\$3.49 level.

Based on the information reviewed in this report, it is recommended that the church establish a childcare center as proposed. There is a sizable demand for child care at the \$3.01-\$3.49 level. Most child care industry experts recommend that a center be designed to accommodate a minimum of 75 full-time equivalent children to be profitable. This has been found to be the minimum number of children required to financially support the operations of a quality child care center.



5. The Next Step. If Holy Lutheran Church decides to proceed with developing a development center, the next step is to determine what goals the center will operate under, if those goals can be met, and a business plan should be developed.

This business plan should outline all of the financial considerations for the project, such as building costs, staffing and material costs, fees and income sources. This market assessment report can serve as the basis for the business plan, and many of the estimates in terms of number of users, and prices for the services can be drawn directly from this report.

The business plan should also include a break-even analysis to determine the exact number of children needed for the center to operate at a profit. The break-even analysis will consider income and expenses for the center to pinpoint the number of children the center will need to serve.

The business plan is also important in terms of a planning document. A good business plan can be compared to a road map. All of the main roads are listed, along with each of the cities and points of interest. The business plan should outline the destination, the best highways to take to reach the destination, and the intermediate stopping points in-between. Without this road map, the operation, whether it is a child development center or a multi-million dollar manufacturing operation, will not be able to clearly meet its goals and objectives.

