

MARKETING INFORMATION FACTSHEET





INTRODUCTION

These marketing information fact sheets are aimed at childminders and childcare providers.

They form an introduction to some of the marketing aspects associated with running a childcare business and are aimed at assisting you in your marketing plans for the organisation. They are not intended to be the sole solution to any marketing problems that you may encounter.

Additional marketing help can be sought from various sources including your business Support Officer at Children’s Services; ICCT; Business Link for London; Voluntary Sector Councils etc.

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MARKETING METHODS

How the experts market – A few general tips when planning your marketing strategy:

- **Focus on existing customers first.** It is far, far easier and infinitely cheaper to keep and sell more to the customers you already have than it is to find new ones. Learn to see building customer loyalty and marketing extra services to your existing customers as the most important part of your marketing efforts. Periodically remind customers of what you can offer and let them know about new services or special offers you have introduced.
- **Appeal to your target market.** This may sound obvious, but don't forget you're not trying to reach everyone! Choose your methods and phrase your ads to be relevant to your target customers. If you have a few distinct groups, you may need to use different campaigns.
- **Compile a contact database.** Contact details of people who you already know to be potential customers are like gold-dust when it comes to mailshots, invites to open days and so on.
 - Collect details of the people who contact you, both those who buy and those who don't. Don't forget to ask for email address too.
- **Pre-selling.** Experts place a lot of emphasis on the 'pre-selling' process. The idea is give people something for free that builds their trust and reliance on you, such as free trials, useful written information or social events. The end sale then becomes relatively easy. This sort of thing may cost you a bit up front, but compare the costs to the potential lifetime value of a new customer.
- **Marketing to the emotions.** When a customer enters your premises or picks up some of your literature they form immediate impressions based on every type of information available to them; the colours you choose, the quality of materials, the way your staff dress and so on. Much of this is totally unconscious, but in most cases the buying decision is made in seconds, based on these types of factors rather than your carefully planned presentations and words. So take the time to consider what gut reaction people are likely to have when encountering your setting and its marketing activities. For example, look around your reception area: Does it feel friendly, fun, and educational? Or is it rather impersonal, cold or scruffy?
- **Image and branding.** You can create and use a strong brand to show the Unique Selling Point's (USP's) of your business and appeal to your target market, for example through signage, logos, business paper, staff uniforms, tee-shirts for the children, a glossy brochure. It's worth paying for a professional designer to put this together for you. Shop around, get a few quotes and look at examples of their work. But don't get carried away. This sort of thing can get expensive, and remember you're only aiming to make an impression on your specific target group, not become known throughout the country!
- **Go for cheaper and longer lasting forms of advertising.** People often have to see an advert several times before acting on it, so a big 6-monthly splash is probably less effective than regular or long-lasting but cheaper ads. Try a 'stand-out' format in the Yellow Pages, a weekly Classified ad, or a very small but well placed spot in your local paper (most have a few spaces around their title on the front page).

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25 CREATIVE WAYS TO MARKET YOUR SETTING

There are many, many ways you might choose to promote your setting. The Effective Marketing Module looks at advertising, directories and brochures.

Here are some other ideas you might want to try... be creative!

1. Partnerships with local employers, schools, shopping centres, leisure centres and so on to provide childcare on their premises or on their behalf.
2. Link up with local clubs and businesses to provide discounts for their members, customers or employees.
3. Form alliances with other childcare providers to refer people on when you don't have vacancies.
4. Ask customers if they will provide testimonials and references you can use for marketing purposes. Make use of positive quotes picked up in customer surveys and thank-you letters. (Make them anonymous unless you have permission).
5. Give out free informative leaflets or articles on topics related to childcare, families, education, etc. Include a bit of information on the setting and your contact details.
6. Social events open to all, or just for your customers and their friends. It's vital you follow-up these events with a call or mailer, so make sure you get contact details.
7. Free/discounted trial sessions (maybe just a small charge for the child's refreshments).
8. Pay a bonus to staff for bringing in new customers.
9. Give existing customers incentives for bringing in new customers, such as a free session for example. Remind them regularly that you do this.
10. Local mailshots and leafleting.
11. E-mailshots, especially for existing customers. The cost is negligible!
12. Press releases. Journalists always like an interesting story e.g. special events, unusual achievements of the setting or children (parental permission required of course).
13. Write to your local newspaper's Letters Page on relevant topics. Include the name of the setting and what your role there is.
14. Invite your local media to special events.
15. Get known by local journalists as someone to come to for a quote on childcare related topics.
16. Run a charity related event – they often give you free coverage or mentions in local newspaper or radio.
17. Act as an agent to sell the products or services of others whilst taking a cut e.g. acting as a book-club agent.

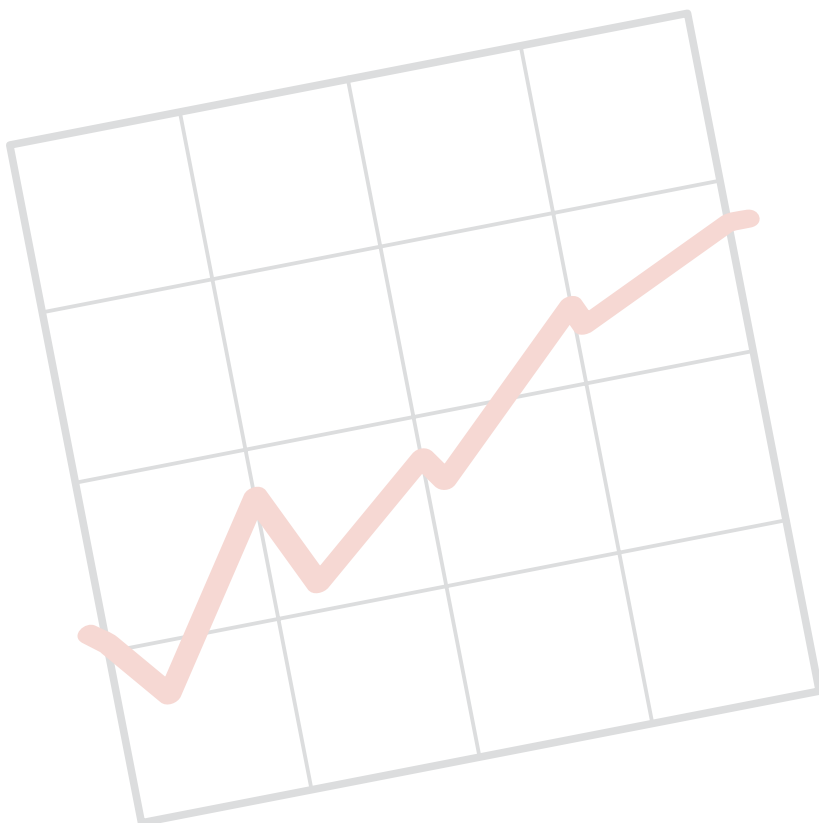
18. 'Cross-sell'. Share customers and mailing lists with non-competitive businesses. Think about whom in your local area is already marketing to your target groups. For instance, sellers of toys, children's furniture, maternity products, school uniforms, dance outfits, etc, etc.
19. Networking. Get involved in the local community, business groups or education related groups. Join committees, volunteer for school governorships.
20. Offer to give short talks to local groups on topics of general interest.
21. Place very local ads where your target groups shop, work, access services and spend their leisure time.
22. Open Days – maybe combined with social events such as summer fairs or the setting's own 'birthday', again don't forget to get contacts and follow them up.
23. Website and internet. Many people use the Internet in preference to Yellow Pages these days. Set up at least a basic website and get listed on all relevant 'portals' (e.g. local business and childcare directories). For advice on this, contact your Business Link.
24. Give out freebies that people will keep around, such as pens or note pads.
25. Run charitable stalls at car boot sales and fetes. Make sure you show off your logo and have leaflets ready to give out!

Ask your Business Support Officer for more information about potential marketing opportunities in your area.

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Next Steps in Marketing A4e



MARKETING – WHAT CAN YOU DO?

- Check what your customers are buying
- Decide your offer & what sessions
- Review your forecasts
- Resource the sales offer
- Help parents access support for fees – BE PROACTIVE!
- Create a good impression
- SELL, SELL, SELL.....plan to get the sales

(Andy Mason – Warwickshire County Council)

Register & Ratio Analysis

1 week per month

- Record each child's attendance by nursery usage / sale type
- Patterns of occupancy
- Ratio Analysis (compare staff ratios with occupancy)
- Are there periods of overstaffing?

Building a Sustainable Business

- Perception is reality – first impressions count. If someone wants to visit your facilities would they be happy with what they see? Would they want to send their child to your nursery?
- Market for contacts – more contacts = more sales
- Match resources with forecasted sales

How to Market for Contacts

- Ensure that you have a detailed marketing plan
- Know where your contacts come from
- Referrals – check where your referrals come from including any website contacts (if you have a website)
- Convert contacts into sales

An example of a simple Marketing/Contact Plan

Activity	Where	Purpose	Date by	Total Cost	Person Responsible
2000 Flyers	Shops; GP's	30 contacts generated		£500	ME
Introduce a Friend	Nursery	10 contacts generated		* Link to management accounts	ME
Sign up for 6 months & get 1 month free	Nursery	5 contacts generated		* Link to management accounts	ME
Website	Nursery	30 contacts generated		£1,500 Per annum	ME

Market for Customers

- It is important to link the cost of your Marketing Plan to your cash flow – they are related – NOT separate
- Do you have a system for calculating recurrent income and expenditure? You cannot plan marketing in a void.

Useful Reading

Title	Author	Publisher
Practical Marketing and PR for Small Business	Moi Ali	Kogan Page
Successful Marketing for the Small Business	Dave Patten	Kogan Page
101 Ways to Market Your Business	Andrew Griffiths	Allen & Unwin
Marketing on a Tight Budget: a ten-point action guide	P. Forsyth	Piatkus
Market Research in Practice: A Guide to the Basics	P Hague, N Hague, C Morgan	Kogan Page
Guerilla Marketing (3rd Edition – 1998)	Jay Levison	Houghton Mifflin

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Next Steps in Marketing A4e

MARKETING YOUR CHILDCARE BUSINESS

With any business that operates regardless of its legal structure, marketing and sales is one of the key tasks of any business.

As a childcare provider you are involved with selling childcare places and childcare sessions. Your ability to be able to fill these places successfully and to increase your occupancy rate is the backbone of the business.

This business fact sheet introduces some appropriate marketing techniques and methods that you could undertake as a childcare business. The following are the areas that will be covered in this guide:

- The Market
- Filling Places
- Customers
- Planning for Success

The market

It is important to have relevant market research information on the childcare sector. This will give you valuable insight into the market, its trends and also its customers. You will consider in your research what the requirements are of the parents who use your facility – these could include met or unmet needs. Remember that your market research does not remain static. Trends and needs are always constantly changing therefore you have to take these into account and update your data in order to help you effectively plan and set objectives for your organisation.

If you know and understand what the opportunities are within the local community where you have your childcare facility it will help you with:

- Identifying gaps in the service that you offer
- It will show you potential opportunities in the local community
- It will help you to secure on going business for your organisation
- It will help you to identify your strengths and weaknesses
- It will help you to be more competitive within the local community

Some of the information that you will require in order to undertake your research will be who are your competitors e.g. the number and type and providers in your local area. Also you will need to know what childcare places are required and the number of places that are available or need to be filled.

There are some key areas that you have to take into account:

- How many parents that require childcare within the community that you operate
- The activities other childcare providers are offering
- The types of provision that the local area wants or needs e.g. full day care, sessional care, extended school care, holiday play schemes, after school clubs or pre-school places, etc
- What your customers or potential customers desire in terms of price, quality and the flexibility of childcare provision

The Local Area

You will be able to find out information and statistics about the local community by accessing several sources:

- Your local Children's Information Service (CIS)
- www.neighbourhood.statistics.gov.uk
- Local Authority
- Libraries
- The Business Support Team
- etc

Some of the statistical data that you will look at will be the birth rate, the number of childcare places in your area and emerging childcare development. These can be obtained from Islington Children's Services.

You will need to find out if the other local childcare providers currently have waiting lists. This will then give you an ideal of the demand for childcare within your area.

The Competition

In order to find out what other childcare providers are doing and offering within your local community you will need to:

- Speak to your competitors
- Read their adverts, brochures, leaflets etc
- Know how much they charge for the services that they offer
- What discounts (if any) that they offer
- Find out what activities that they undertake – what makes them stand out from other providers
- Find out what is the age range that they cater to
- Look at where they advertise and the type of adverts that they use
- Look at whether there is a potential that you could work in partnership with another provider in order to offer new services.

By doing the above it will help you to identify potential threats before they turn into a full scale problem. It will also give you a potential opportunity to expand if there are local closures.

Customers

It is important to find out what your existing and potential customers require and then you will need to try to match your services to their needs. This will help to keep you ahead of your competitors and give you a unique selling opportunity.

By understanding what parents want, you will potentially increase the likelihood of filling your childcare places and increasing your occupancy rates.

You should regularly talk to parents to ensure that you still understand and are fulfilling their needs and to also receive feedback on the quality of service that you are offering.

You will need to build up a picture of their needs e.g. the times that they require childcare services (full week, sessions, after school etc), the price that they would like to pay (will they pay more for a higher quality service, what discounts are available, Working Tax Credit) and what elements of the service that you offer are important to them (educational activities, location etc)

Remember you are trying to encourage parents to place their child within your provision. So the more that you understand about what their needs and wants are and what they want for their children, the better you will be in responding to these demands.

Filling places

The success to your sustainability is ensuring that places are filled at your childcare provision.

Talking regularly with parents will allow you to be able to anticipate what could be the changes in child numbers for your provision. It will also allow you to act more quickly to fill a vacancy that you know will occur, in order to sustain and generate income for the organisation.

Of course in life we cannot also predict what will happen and there will be times when you will not receive any notice etc. Therefore you have to watch for potential telltale signs e.g. a parent changing jobs or moving location.

There is no wrong or right way to attract new parents to your childcare facility. Parents will be attracted by different things depending on what their needs and wants are for their child or children.

Parents will look at the following factors in order to decide whether they take a place at your facility or another competitor:

- Quality and attitude of your staff team
- Location of your facility
- The quality of your facilities
- Price
- Hours available
- The reputation and what other parents say about your facility

By knowing what makes you different from other childcare providers will help you to sell your services within your local community.

Advertising

You will need to devise an advertising plan. You should also ensure that you have an information pack that parents can take away. And finally you should ensure that you have open days or easy visiting processes for parents to look around your facility.

Remember when producing any form of advertising to include the unique selling points that makes the service you offer different from your competitors.

There are several ways that you could advertise and promote your business:

- Children's Information Service (CIS)
- Local newspapers or local newsletters
- Libraries

- Jobcentre Plus
- Leaflets
- Website
- Open days
- Directories e.g. Yellow Pages, Thomson Local Directory etc
- Doctors' surgeries, shop windows etc

Some of the methods are inexpensive and some may not be appropriate for your childcare business. You will need to decide what are the best and most cost effective methods for letting customers know about your services.

Customers

It is important that you keep parents happy and provide a quality service. This will ensure that your occupancy rates are kept up rather than have children leave because the parents are unhappy with the service that you offer.

You will have to constantly monitor the quality of your service provision. You will need to keep track of why parents and children depart from your service and then you will have to put in place, new and creative ways of maintaining customer loyalty.

As part of your retention plan you should speak to parents formally and informally. This can take place when they come to pick up their children. Also have the opportunity for them to feed back to you on a regular basis by having a suggestion box. You could also ask them to undertake a small survey. This should not take more than ten minutes to complete, as their time is precious to them. The survey could give you invaluable information about what they think and how you could improve your service offering.

Parents will always appreciate the fact that you have asked for their input and their opinion and that you are looking to improve your service offering.

Concerns and Complaints

From time to time you will encounter concerns and complaints from a parent. When this occurs look at the concern or complaint in a positive light to help improve your service offering. Remember that they value the fact that your team allowed them the opportunity to express and to help to solve their problem.

You should have in place a complaints policy and process for handling complaints. There are several key points to bear in mind:

- Find out the exact nature of the complaint. Ask the customer to complete a concerns/improvement form.
- Always remain polite and calm.
- Listen to what the customer has to say and ask questions if further clarification is needed to ensure that you have all the right information.
- Remember the complaint is about the service that you are offering and not a personal attack on you.
- Try not to give an immediate response. Let the customer know that you will address their problem and give them a time when you will respond by.
- Make sure that you record the complaint and the solution that has come out from the situation.
- Make sure that there is an assigned individual within your organisation that has responsibility for handling complaints.

Planning for success

Always remember the five P's of Planning – 'Proper Planning Prevents Poor Performance'.

Like any type of business you will need to constantly review and look at your goals and objectives. This can be done by having a simple table that outlines these. See the table below as an example.

Goal	To ensure that there is always a demand for the childcare services of your business
Objective 1	To have an effective marketing strategy by October 2008
Action 1:	Undertake market research on the number of eligible children for your service and the number of places in your local community overall
Action 2:	Investigate who are your main competitors
Action 3:	Find out what type of children service is required by parents being in mind any new legislation that may affect or have an impact e.g. undertake customer surveys
Objective 2	To increase the number of new customers using your childcare service by 10% by October
Action 1:	Production of an advertising plan by investigating the most effective methods of advertising
Action 2:	Design and produce the necessary marketing information e.g. information pack to give to prospective customers
Action 3:	Organise an open day where potential parents can come to visit your facilities and where any of their questions can be answered successfully

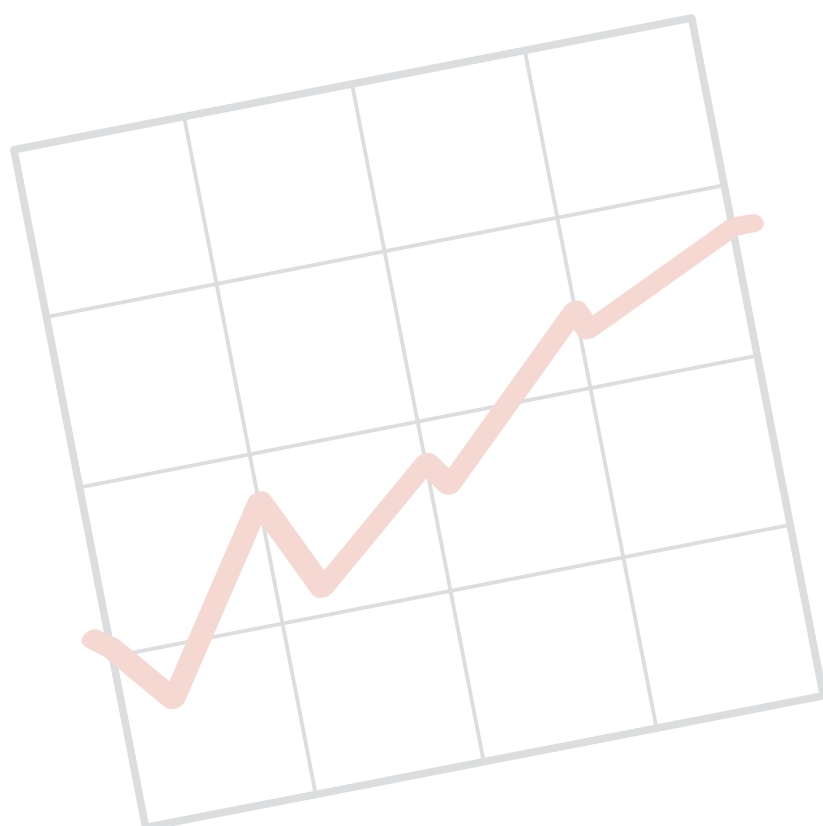
Further business support for your childcare provision can be sought from the Islington Children's Services Business Support Team.

Ronan Fox – Business Support Manager (0207 527 8612)

Zoë Best – Business Support Officer (0207 527 4029)

Source

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MARKETING TIPS

1. Remember AIDA

There's a classic formula used by advertisers and it's well worth remembering. The formula is AIDA. This stands for

Attention

Interest

Desire

Action

If you follow this formula in every ad that you write or produce, you will greatly increase your chances of success.

Attention – the first thing your ad needs to do is grab the reader's attention. You achieve this with your headline.

Interest – once you've got their attention, you need to create an interest in your product or service.

Desire – There is a big difference between being interested in a product or service and desiring it. You need to convert the reader's interest into a strong desire for what you are offering.

Action – Even if someone desires what you have, it is not enough until they take action. At the end of the ad you need a call to action. Tell people exactly what they need to do to follow through and make it easy for them to do so. This is where many people go wrong. Even if you have a good ad, you still need to tell people precisely what to do – how to take action.

2. Benefits, Benefits, Benefits

One of the principles that should drive all of your marketing is communicating the BENEFITS of your product or service.

Your ad needs to be a personal communication to the individual reading, hearing or seeing it. And it needs to be about them. It needs to address their needs, desires and fears and it needs to constantly communicate the benefits of what you are offering.

Nobody will buy anything from you until they have explicitly understood how they will benefit from what you have to offer. So here's a useful tip. When you've written your ad, imagine stepping into the shoes of your prospective customer. From this perspective does the ad fully convey what those benefits are? If not go back and fine tune the ad until it feels right.

1. Don't Advertise on a Left Hand Page

If you're doing newspaper or magazine advertising, this one piece of knowledge can turn an unsuccessful ad campaign into a successful one. This has been tested again and again. When you read a publication, your eyes are drawn to the right hand page as you flick through, so statistically, more people will see your ad if it's on the right hand page.

If you look at the big national magazines and newspapers, you will see that most of the large advertisers are on the right hand pages. The few that appear on a left hand page will be paying less because their advertising agencies know that less people will see the ad.

When you book your ad space, tell them you want it on a right hand page. Very few people in your position ask for this, so the publication will normally oblige. If they tell you they can't guarantee it – tell them you'll advertise in a future edition when they can guarantee it. You'll soon discover how obliging they can be!

2. **Never pay the full rate for advertising**

The person selling you the advertising needs to know very early on that you have absolutely no intention of paying the full rate.

Most advertising rate cards are far too high and you can always negotiate. If you're a small business remember that large companies who use ad agencies are buying based on the readership or audience levels rather than the rate card – so haggle and negotiate. If you can pay 20 or 30% less for your ads it can turn an unprofitable ad into a successful one.

Here's another handy little trick to pay less for your advertising. The closer to the deadline you can book your ad, the better. Sales teams work towards targets and as the deadline approaches they get more desperate to fill the ad space. They become far more open to negotiation.

This applies to all forms of advertising. If your local radio or TV station does not sell all its ad space that they have available for tomorrow – it's gone forever. If you come along and offer them a deal at what seems a ridiculously low price, you might be surprised at how low they're willing to go.

3. **Don't Follow the Competition**

One of the biggest mistakes people make is advertising in publications or on various forms of media (taxis, billboards, buses etc) just because their competitors are doing so. Don't for a minute think that all your competitors are there because their ads are producing great results. They're more likely to be there because everyone else is and most of them won't have a clue whether their advertising is working.

In fact, this is a well known sales trick used by the people selling ad space. If they can get one or two of your competitors to advertise, they can call you up and tell you how you'll lose out if you don't advertise too. What they fail to mention is that your competitors probably never test their advertising, often haven't got a clue how to market and are only advertising there because they think you will. This is a highly effective way to sustain the advertising industry. It's

1. So start to think out of the box. Ideally, you should be using a combination of up to at least ten other marketing strategies to grow your business. They include (but are not limited to).

- Telephone Marketing
- Direct Mail
- Internet
- Email marketing
- Direct Sales
- PR (Why spend money on advertising when PR gives you coverage for free)
- Strategic Alliances
- Lead Response Marketing
- A multi level Referral system

Have a look at this list. How many of these are you implementing in your business? More importantly, what would happen to your business if you could start to combine some of these extra marketing approaches? How would that effect your profits? What would that do to your financial freedom?

Here's another thought. At least four of the items on this list will cost you either nothing or very little to implement. Why throw money at advertising when some of the best marketing is Free?

PRICING STRATEGIES

Definition

A pricing strategy describes the way in which you set charges to reflect the services you offer, so that however parents choose to use the childcare you offer, you'll still cover all costs.

Pricing strategies recognise that:

- Parents want choice – if they're not presented with choices they may seek alternatives and look for other childcare provision
- To maximise profits (surpluses), it's necessary to maximise income
- Offering a range of services (day care, after school sessions, playgroup sessions, collections etc) can result in a range of charges to match.

There are many ways to price your childcare service for example hourly fee, session fee, block pricing, membership, discounting schemes etc. It is important for you to use ideas that suit your organisation.

You also have to take into account what your competitors are charging and the services they are providing.

Building a Pricing Strategy

In order to build a pricing strategy for your organisation you need to use information that you already have:

- Registers – your registers contain information about when children have attended session. This information allows you to work out the revenue you receive from parents for sessions or full days and let you see which children attends every session and which ones may attend only occasionally.
- Advance booking lists – just like registers, by looking at the advance booking lists, you can identify the ways in which parents intend to use your services in the future weeks and months. This allows you to continually review your pricing strategy.
- Forecasts – forecast information is useful when you're trying to estimate your future occupancy trends.

For example

If the past year shows that in your out of school club:

80% of parents chose full after school sessions

20% of parents chose breakfast and after school sessions and

5% of parents received a 'sibling' discount

You are able to accurately forecast what the next year's income is likely to be, under your current pricing strategy.

Make sure that your calculations are real and that you have identified the ways that parents may choose to use your service. Take time to calculate the effects that this could have on your income.

Ask yourself questions:

- What if, in the next six months you have five new children starting on a 'sibling discounted rate?' Will you still cover your costs?
- What if you offer more hourly sessions and ten extra children attend? Do you need more staff and can you cover the extra costs?
- Using your current pricing strategy, what would be better, to have more children using full day care or more children using shorter sessions?
- What proportion of children can you care for on a day care basis and how many on a sessional basis to maintain your child / staff ratio and maximise your capacity and revenue?
- Etc.

Working out costs

The starting point when setting your price is having a full understanding of your costs. It is not just controlling them. Understanding them will also help you set your fees properly to ensure that you charge enough to make a profit or surplus for re-investment in the business.

Working out your costs may initially require a bit of work but this is not difficult. Once you have completed the cost checker, you'll be able to accurately identify your weekly costs. Once you have confirmed these costs, you'll have a good idea as to what your minimum fee should be, to ensure that you at least cover your costs and break even.

	YEARLY COSTS	Total	Explanations
1	Registration/membership fees	300	The amount you pay to register as a childcare provider or to professional organisations
2	Public liability insurance	500	The amount you pay for public liability
3	Employee liability insurance	500	The amount you pay for employee liability insurance
4	Premises	4,000	The amount you pay for rent of if you own the premises as a mortgage repayment
5	Council tax	600	Your annual rate
6	Utilities	1,000	Electricity, gas, water
7	Office equipment	1,000	Desks, computers, stationery etc
8	Marketing	1,000	Advertising, leaflets, brochures etc
9	Wages	38,000	Your total annual wage costs including NIC, tax and benefits
10	Additional staff costs	2,000	Recruitment, training etc
11	Toys and equipment	1,500	Toys, books and safety equipment
12	Other	1,000	Your additional yearly costs (if any)
13	Total yearly costs	51,400	Now add figures 1 to 12 together to get a 'total yearly cost' (13)
14	Number of weeks	42	The number of weeks your business operates in the year
15	Sub-total	1,223.81	Divide total number 13 by total number 14 to get a sub-total (15). Copy this figure into the box below.
	WEEKLY COSTS	Total	
16	Food and drink	60	Meals and snacks for children you look after (don't include milk if you get an allowance)
17	Disposables	100	Craft materials, pens, paper etc
18	Other	40	Your additional weekly costs (if any)
	Weekly sub-total	200	Now add figures 16 to 18 together to get a 'weekly sub-total'. Copy this figure into the box below.

Sub-total		Weekly sub-total		Total weekly costs
1,223.81	+	200	=	1,423.81

Hourly Fees

Having completed the cost checker and arrived at your figure for your weekly costs, working out how much you need to charge per hours to breakeven is straightforward. Simply divide your weekly costs by how many hours you can charge for in a week. This is your maximum capacity.

For example

To work out your number of hours per week

Hours per day		Places		Days Open		Total hours
10	x	10	x	5	=	500

Multiply your hours per day by your places available by the number of days you're open in the week.

To work out what you need to charge per hour at maximum capacity

Total weekly costs		Total weekly hours		Breakeven hourly fees
£1,423.81	÷	500	=	£2.85

For example, if you weekly costs are £1,423.81 and you have 500 hours available per week, the hourly fee you need to charge to breakeven will, at 100% occupancy, be £2.85

Pointers

- Pricing strategies need to be continually reviewed.
- Remember there may be more than one way to solve a problem
- Make sure you do 'real' calculations before implementing a new pricing policy
- Memberships are another example of a pricing strategy. Membership can offer benefits to regular users.
- Make sure that you have a written pricing policy, so that you can present parents with a document outlining your charges.
- If you need to take any cost control measures you will need to ensure the continued provision of a good quality service for your users.
- To build real business strength, concentrate on marketing, pricing and delivering a high quality childcare service.
- Remember the above also needs to be linked to the break even point calculations that you undertake for your business.

OCCUPANCY CALCULATOR						
			100%	90%	80%	60%
1	TOTAL Costs of running provision – from calculations	£258,000				
2	Places registered		40	36	32	24
3	Number of weeks Open		50	50	50	50
4	Weekly Cost based on 100% capacity	(Cost/ Places/Wks Open)	£129.00			
5	Weekly cost based on 90% capacity			£143.33		
6	Weekly cost based on 80% capacity				£161.25	
7	Weekly cost based on 60% capacity					£215.00
8		T Costs	258,000.00	258,000.00	258,000.00	258,000.00
		[Insert Figure Below]				
A	Max Full time weeks available based upon number of weeks	50	2*3	2000		
B	Full Time weeks necessary to sell based on average price per week	£175.00		1474		
C	Occupancy level required		B/A * 100 %	74		
D	Equals Average occupancy IN NUMBERS			29		
STEPS						
How to use: -						
1	Get TOTAL costs of provision (both fixed & variable) that is absolutely all costs of running your provision					
2	Put in number of places registered – it will automatically calculate for 90%; 80% & 60%					
3	Put in Number of weeks your Nursery / After School club etc					
4	This will calculate what you need to charge weekly for the different occupancy levels					
5	This will calculate what you need to charge weekly for the different occupancy levels					
6	This will calculate what you need to charge weekly for the different occupancy levels					
7	This will calculate what you need to charge weekly for the different occupancy levels					
8	This proves your calculations, as this should equal the Total Cost of running your provision in Number 1 above.					
A	Multiply 2 by 3 above (Places x Weeks Open – this gives us our total available places for sale					
B	Here we input our average price (or lowest price if you are been conservative in your calculations) – this calculates how many weeks we need to sell to cover costs					
NOTE: this should give you an indication if your charging policy is covering your costs and generating surplus						
C	This calculates as a percentage the required occupancy level required					
D	This calculates as a percentage the required occupancy level in NUMBERS					

All childcare providers need to know the effect of their actions on profitability. Break Even analysis helps by illustrating the effect of changes in costs, prices and volume i.e. in the above example: -

1. Costs are £258,000
2. Prices are £175 per week
3. Volume is represented by number of places by the number of weeks open (A in the above spreadsheet.)

Companies and charities need to estimate the approximate turnover (amounts of sales revenue earned) that will be needed in order to reach required profit.

Remember Break Even measures profitability not liquidity – this is important as your decisions on how to improve profits may affect your liquidity i.e. the ease at which your business can generate cash.

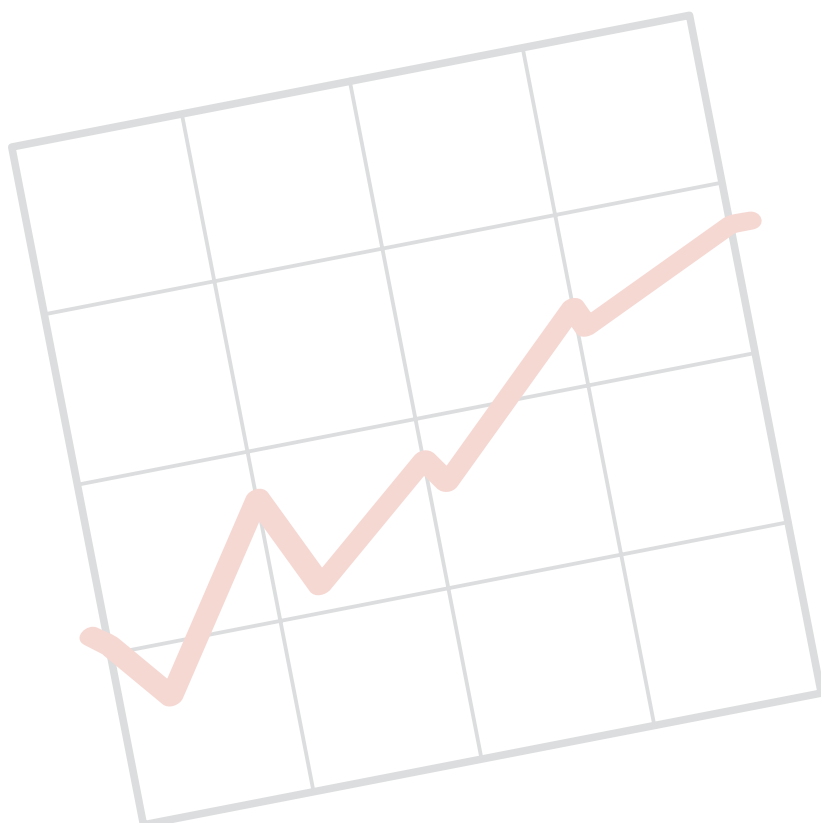
So after getting our Break Even Point this is the point at which at which your childcare provision is getting in enough revenue to cover its costs (both fixed and variable)

What is the value of this information?

If your provision knows that through its existing occupancy that you are covering your existing costs and you still have vacancies to fill then based on the financial information that you have calculated through your Break Even Point you can use this to generate new business.

1. Your existing occupancy covers your costs so any new customers you can entice with a special one off (MAKE THIS CLEAR) discount i.e. one month at £130 per week (as opposed to normal £175 per week) but the parents has to sign minimum of three month contract with normal deposit etc.

Again this is just an example of what you can consider, but it demonstrates a practical example of expanding your use of existing information that is available to you from your internal records.

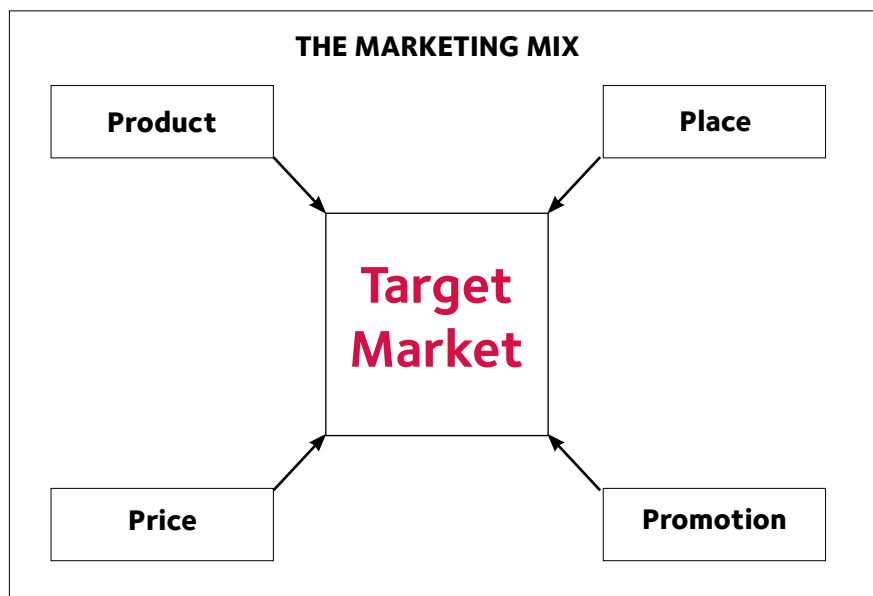


THE MARKETING MIX (THE FOUR P'S OF MARKETING)

The major marketing management decisions can be classified in one of the four following categories:

- Product
- Price
- Place (distribution)
- Promotion

These variables are known as the **marketing mix** or the **four P's of marketing**. They are the variables that marketing managers or business owners can control in order to best satisfy customers in the target market. The marketing mix is portrayed in the following diagram:



The organisation attempts to generate a positive response in the target market by blending these four marketing mix variables in an optimal manner.

Product

The product is the physical product or service offered to the consumer. In this case it is childcare services. In the case of physical products, it also refers to any services or conveniences that are part of the offering.

Product decisions include aspects such as function, appearance, packaging, service, warranty, etc.

Price

Pricing decisions should take into account profit margins and the probable pricing response of competitors. Pricing includes not only the list price, but also discounts, financing and other options such as leasing.

Place

Place (or placement) decisions are those associated with channels of distribution that serve as the means for getting the product to the target customers. The distribution system performs transactional, logistical, and facilitating functions.

Distribution decisions include market coverage, channel member selection, logistics and levels of service.

Promotion

Promotion decisions are those related to communicating and selling to potential consumers. Since these costs can be large in proportion to the product price, a break-even analysis should be performed when making promotion decisions. It is useful to know the value of a customer in order to determine whether additional customers are worth the cost of acquiring them.

Promotion decisions involve advertising, public relations, media types, etc.

A Summary Table of the Marketing Mix

The following table summarises the marketing mix decisions, including a list of some of the aspects of the 4Ps.

Summary of Marketing Mix Decisions

Product	Price	Place	Promotion
Functionality	List Price	Channel members	Advertising
Appearance	Discounts	Channel motivation	Personal selling
Quality	Allowances	Market coverage	Public relations
Packaging	Financing	Locations	Message
Brand	Leasing options	Logistics	Media
Warranty		Service levels	Budget
Service/Support			

Recommended Reading

Schewe, Charles D and Alexander Hiam – The Portable MBA in Marketing

This book is a crash course covering most of the marketing topics taught in a MBA programme, including the marketing concept, the four P's of marketing, marketing research, marketing strategy and segmentation, targeting and positioning.

If you would like more information about what this factsheet contains in large print or for copies of this factsheet please contact - details below.

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