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1.0 Executive Summary

The Toddler Warehouse is a full-service child care/development facility that cares for toddlers from age three to five. The Toddler Warehouse will be concentrating on the upper end of the market, two income professional parents. These personally ambitious parents are typically eager in terms of their children's development and are willing to pay to have their children attend the best facilities.

Through specialized training of the support staff and innovative learning systems, The Toddler Warehouse is cutting edge in terms of child development. This curriculum, coupled with a custom designed facility and a low teacher/student ratio ensures a top-shelf service for the children and the parents.

The Toddler Warehouse expects to become profitable by month 11, and has projected \$43,000 as the revenue for year three.

2.0 Situation Analysis

The Toddler Warehouse is a start-up business. A comprehensive marketing plan and effort will be instrumental in developing visibility and generating sales. The Toddler Warehouse offers Salem, Ore. a full-service child care and child development facility for toddlers. These services will be differentiated from the competition through advanced training and learning systems.

2.1 Market Summary

Through a lot of research, The Toddler Warehouse has accumulated good information regarding the market and are aware of many common attributes of key customers. The Toddler Warehouse will leverage this information to continue to study who is served, their needs, and how The Toddler Warehouse can best communicate with them.

Table 2.1: Target Market Forecast

Target Market Forecast							
Potential Customers	Growth	2001	2002	2003	2004	2005	CAGR
Two income professional families	9%	12,000	13,080	14,257	15,540	16,939	9.00%
Other	0%	0	0	0	0	0	0.00%
Total	9.00%	12,000	13,080	14,257	15,540	16,939	9.00%

2.1.1 Market Demographics

The Toddler Warehouse's customers can be described by the following factors:

Geographics

- The immediate geographic area is the city of Salem which has a 130,000 person population base.
- A 20 mile radius is in need of the offered services.
- The total targeted population is 12,000.

Demographics

- Primarily two parent household.
- Two income household.
- Professional parents.
- Household income of at least \$70,000.
- Parents have at least a college education, typically one of the parents have a graduate degree.

Behavior Factors

- Have high expectations for their child development and child care.
- Are willing to pay for higher-quality services.
- Have chosen to work instead of raising their child full time, however, this by no means implies neglect of the child.

2.1.2 Market Needs

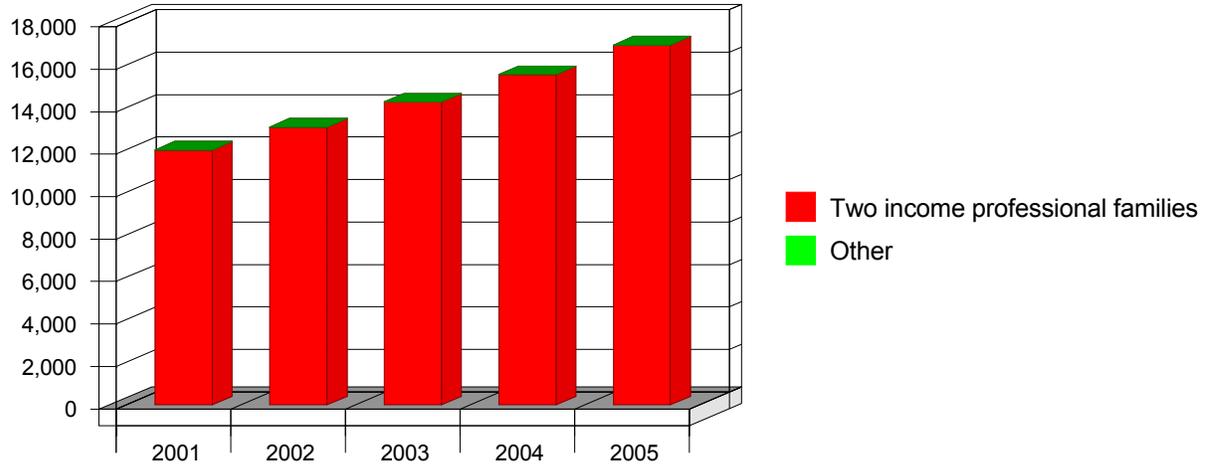
The Toddler Warehouse is providing Salem parents with a full-time child care service that utilizes a sophisticated learning development system. The Toddler Warehouse will fulfill the following benefits that are important to their customers:

- **Selection:** A complete service offering of child care and learning development for toddlers age three to five.
- **Accessibility:** The facility is centrally located and is open from 6 a.m.- 7 p.m.
- **Customer service:** Treating the customer like they are the most important customer that The Toddler Warehouse has is reinforced in all employee training programs.
- **Competitive pricing:** The pricing is reasonable relative to the services offered.

2.1.3 Market Trends

The market trend in child care is an increased utilization of child care by parents. This is fueled by the parents desire/need to go back to work generating income for the family. While this trend fuels the need for more general child care facilities, it also generates demand for facilities that offer child development. As the parents are spending less and less time with the children, they have less time to help them develop. The trend is moving demand away from solely babysitting child care to child development care. This will benefit The Toddler Warehouse because they offer state of the art learning systems.

Market Forecast



2.1.4 Market Growth

In 1999, the national child care industry had \$11 billion in revenues. The industry is estimated to grow at 9% for the next several years. This growth can be primarily attributed to parents going back to work, creating two income households. These parents need a service provider to care for their children, and more parents are turning to child care services as opposed to a babysitter or live in nanny.



2.2 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing The Toddler Warehouse.

2.2.1 Strengths

- A sophisticated and effective learning system.
- Excellent training programs that all employees must participate in.
- An educated customer base who recognize the benefits that The Toddler Warehouse offers.

2.2.2 Weaknesses

- A lack of visibility due to the newness of the operations.
- The ability to attract and keep well trained employees.
- The inability to perfectly forecast demand of services relative to the number of employees on staff at any one time.

2.2.3 Opportunities

- A growing market with a large percentage of target customers not yet aware of The Toddler Warehouse.
- Increased revenue as more and more people are working, thereby unable to care for their children during the day.
- As the number of children served grows, fixed costs are spread thinner over a larger customer base.

2.2.4 Threats

- Competition from already established facilities that improve their service offerings to be more competitive to The Toddler Warehouse.
- Unfounded "public scares" regarding child care.
- Legal liability issues, either one large suit against The Toddler Warehouse, or significant increases in premiums due to changes within the operating environment of the industry.

2.3 Competition

There are many different competitors in the child care space. The Toddler Warehouse will only detail the direct, or reasonably direct competitors, and will not detail the myriad of other service providers that offer some sort of child care option. The direct competitors are:

1. **Established, often franchised, child care centers.** These are typically larger facilities that offer care to a wide range of ages. The number of children serviced is usually quite large. The child care is adequate, although somewhat impersonal by virtue of its large size.
2. **Small, home-based child care.** These competitors are people that have a child care facility based out of their house. The quality of these ranges considerably, some are great, some are sub par.
3. **Medium-sized companies.** These are typically independently owned facilities. Some will handle a wide range of ages, others will specialize with a specific age group.

2.4 Services

The Toddler Warehouse offers Salem, Oregon upper-end child care for toddlers aged three to five. The Toddler Warehouse offers a low teacher to student ratio, custom made facilities, and innovative learning programs. The Toddler Warehouse hours will be a wider range than normal business hours to accommodate the working parents, the target customer.

The two income families have children, yet both parents work. The Toddler Warehouse is an innovative solution that acts as virtual parents, broadening the children's skills during the day. This is no baby sitter facility. The children are engaged throughout the day, learning new skills and reinforcing already acquired ones.

2.5 Keys to Success

- Superior customer attention.
- Immaculate care of the children.
- Professionalism.
- Safety.

2.6 Critical Issues

The Toddler Warehouse is still in the speculative stage as a child care facility. Its critical issues are to continue to take a modest fiscal approach; expand a reasonable rate, not for the sake of expansion in itself, but because it is economically wise to; and continue to build brand awareness which will drive new customers.

3.0 Marketing Strategy

The Toddler Warehouse's marketing strategy will be based on an advertising effort as well as strategic alliances with organizations related to the care of children.

- **Advertisements:** The Toddler Warehouse will run advertisements in the Yellow Pages, The Marion County Community Resource Newsletter, and Statesman Journal, the local newspaper. These advertisements will be used to raise visibility regarding the Warehouse and its services to prospective customers who are otherwise unaware of it.
- **Strategic Alliances:** The goal of this initiative is to create an alliance or perceived partnership between The Warehouse and a number of organizations that are a resource base for information regarding raising children. Two of the main organizations are the Oregon Midwifery Association and Birth to Three. Both organizations are well respected and wonderful sources of information. The Warehouse will be tapping into these organization's customer base. The alliances will create a sense of legitimacy for The Toddler Warehouse. One way the alliance will be created is by co-sponsoring parent education seminars. By sharing insight, research, and systems that The Warehouse uses, it will have a good source of information that will be attractive to parents, as well as to the organization themselves. While networking can be effective, The Toddler Warehouse recognizes that it must offer something of value to the organizations to create an incentive for them to form an alliance and the co-sponsoring of educational events is just one method.

3.1 Mission

The Toddler Warehouse's mission is to provide top-level child care. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

3.2 Marketing Objectives

- Grow the number of customers by 10% annually.
- Build customer loyalty through superior service and educational/development systems.
- Build The Toddler Warehouse brand to the point where it becomes a household brand synonymous with superior child care/development in the Salem area.
- Increase the referral rate by 5% per quarter.

3.3 Financial Objectives

- A double digit growth rate for each future year.
- Reduce the employee training costs while increasing the skill of the employees.
- Increase the per child profit margin by a percent per quarter.

3.4 Target Marketing

The Toddler Warehouse is targeting one specific customer group, the middle to upper class, two income professional family. This group of families have both parents working, not allowing them time to raise their child during the day. This group has the money for child care, and are willing to spend a little extra to get a higher level of care.

This customer segment has already begun teaching their child advanced concepts like reading, singing, socialization, etc. The Toddler Warehouse will continue to develop the children's skills.

This customer group is typically made up of two professional parents. This would explain why the parents 1) have the money for more sophisticated child care, and 2) are ambitious in terms of their children's learning and development.

The Toddler Warehouse intends to concentrate on the two income working professional families because they are the segment that can most readily afford day care, need day care because of their work obligations, appreciate the advanced learning and development The Toddler Warehouse has to offer, and lastly are a growing segment of our society.

With both parents working, this segment needs provisions for care of their child. While the Department of Labor indicates that over 50% of children are cared by relatives compared to 29% for a commercial day care center, our targeted group prefers a more structured learning environment. Relatives are great for nights out or weekends, but they do not compare to a structured program when it comes to the learning and development that occurs at The Toddler Warehouse. Having both parents as professionals, they are ambitious with the development of their child and willing to pay to get the best program for their prodigy.

As America continues to be a society of people working long hours, there will always be the need for child care. The trend of longer work weeks drives The Toddler Warehouse's business.

3.5 Positioning

The Toddler Warehouse will position itself as an advanced day care service that offers unique learning and developmental programs for toddlers. The positioning will be achieved in part by leveraging The Warehouse's competitive edge:

1. **Specialized training:** The facility can only be as good as the teacher/assistants. With this in mind, the The Toddler Warehouse has a specialized training program that all teachers and assistants are put through so they are proficient at teaching the specific programs that The Toddler Warehouse has developed for toddlers age three to five.
2. **Innovative learning programs:** Typical learning programs for toddlers this age focus on specific traits and only work on one trait/skill at once. While this is successful in reinforcing the skill, it is often very difficult for the child to appreciate the interrelationships of the different skills. Consequently, the child can learn the skill, but has difficulty applying the skill when faced with multiple stimuli. Matt's Master's thesis was based on Intertwined Learning Systems that teaches skills not in isolation of each other, but taught together. Matt's research strongly supports the assertion that when the skills are taught together, just as you would expect to encounter them in real life, children are able to assimilate the new task into their skill set much quicker.

3.6 Strategy Pyramids

The single objective is to position The Toddler Warehouse as the premier child care facility in Salem. The marketing strategy will seek to first create customer awareness regarding the services offered, develop the customer base, and work toward building customer loyalty and referrals.

The message that The Toddler Warehouse will communicate is that they offer the the most sophisticated and practical child care/development facility in Oregon. This message will be communicated various ways. The first method will be advertisements in the Yellow Pages. Two other sources that will have advertisements placed in is the Marion County Community Resource Newsletter, and the Statesman Journal.

Lastly, The Toddler Warehouse's message will be communicated through the formation of strategic alliances with two well respected organizations. The alliances will provide The Warehouse with a large customer base as well as legitimacy.

3.7 Marketing Mix

The Toddler Warehouse's marketing mix is assembled from the following approaches to pricing, distribution, advertising and promotion, and customer service.

- **Pricing:** The pricing structure is based on an hourly rate.
- **Distribution:** All services will be offered at the Salem facility.
- **Advertising and Promotion:** Two different campaigns will be used. The first will be a multifaceted advertising campaign, the second will be the formation of strategic alliances.
- **Customer Service:** Customers will be pleasantly surprised at how attentive The Warehouse is in regards to their needs. The business operates on the assumption that it will do whatever is reasonably necessary to keep the customer happy. This reflects the notion that if the customer is kept happy, long-term profits are ensured.

3.8 Marketing Research

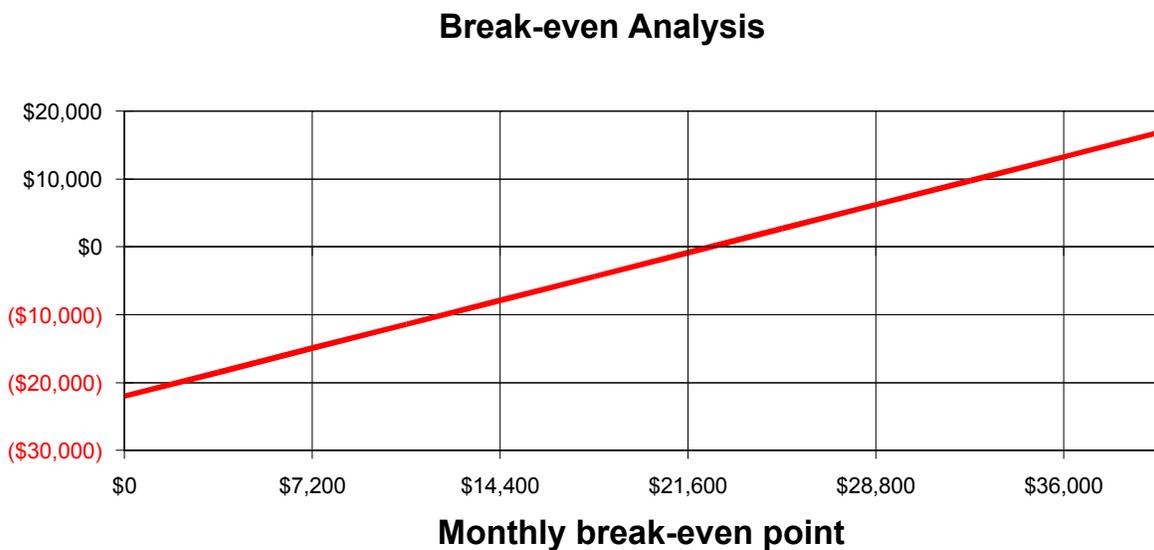
During the initial stages of the writing of the business plan, several focus groups were held to gain insight into preferences and decision making processes of the target customers. These focus groups were an indispensable source of information.

4.0 Financials, Budgets, and Forecasts

This section will offer a financial overview of The Toddler Warehouse as it relates to the marketing activities. The Toddler Warehouse will address break-even analysis, sales forecasts, expenses forecasts, and how those link to the marketing strategy.

4.1 Break-even Analysis

The Break-even Analysis indicates \$22,449 will be need in monthly revenue to break-even.



Break-even point = where line intersects with 0

Table 4.1: Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	25
Monthly Sales Break-even	\$22,449
Assumptions:	
Average Per-Unit Revenue	\$900.00
Average Per-Unit Variable Cost	\$18.00
Estimated Monthly Fixed Cost	\$22,000

4.2 Sales Forecast

The first two months will be spent renovating the house and bringing it up to specifications, both for the state health and license codes, as well as Matt's specifications. During this time Matt will be finishing up the training program and manuals. Although Matt had designed an entire training program as part of his Master's in Education, he is reworking it so it is custom designed for his new facility.

The first week of the third month will be used for training of the staff. By the middle of the third month The Toddler Warehouse will begin accepting children for care. It is anticipated that the facility will be underutilized until eighth month. By then word will have spread and the classes will be filling up quite nicely.

From month seven on, there will be a steady, incremental increase in sales.

Monthly Sales Forecast

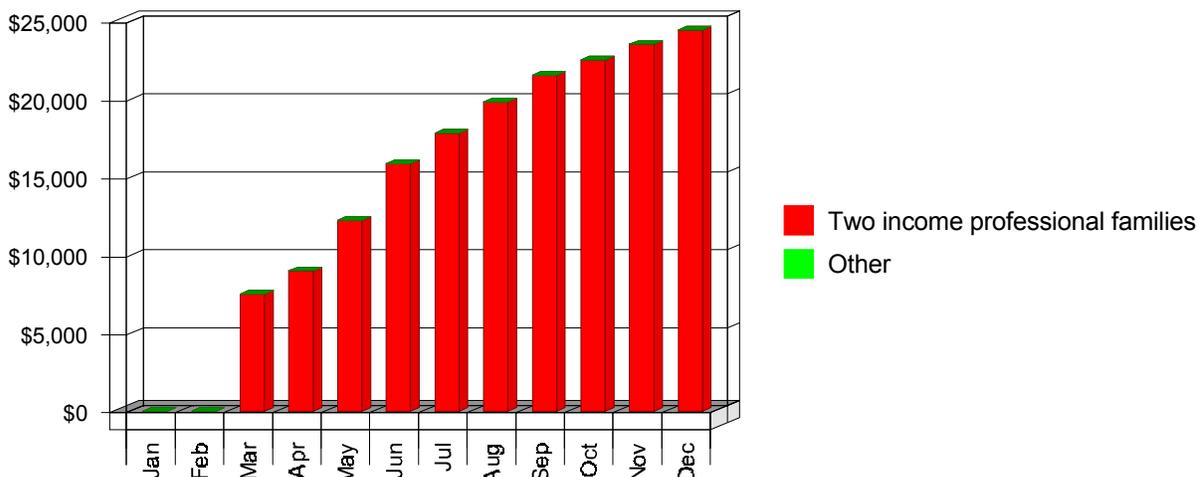


Table 4.2: Sales Forecast

Sales Forecast			
Sales	2001	2002	2003
Two income professional families	\$174,425	\$335,458	\$351,254
Other	\$0	\$0	\$0
Total Sales	\$174,425	\$335,458	\$351,254
Direct Cost of Sales			
Direct Cost of Sales	2001	2002	2003
Two income professional families	\$3,489	\$6,709	\$7,025
Other	\$0	\$0	\$0
Subtotal Cost of Sales	\$3,489	\$6,709	\$7,025

4.3 Expense Forecast

Marketing expenses are budgeted so that they are increased during the months when parents are most likely to enter their children into child care. This occurs to a larger degree between August through November and March through May.

Monthly Expense Budget

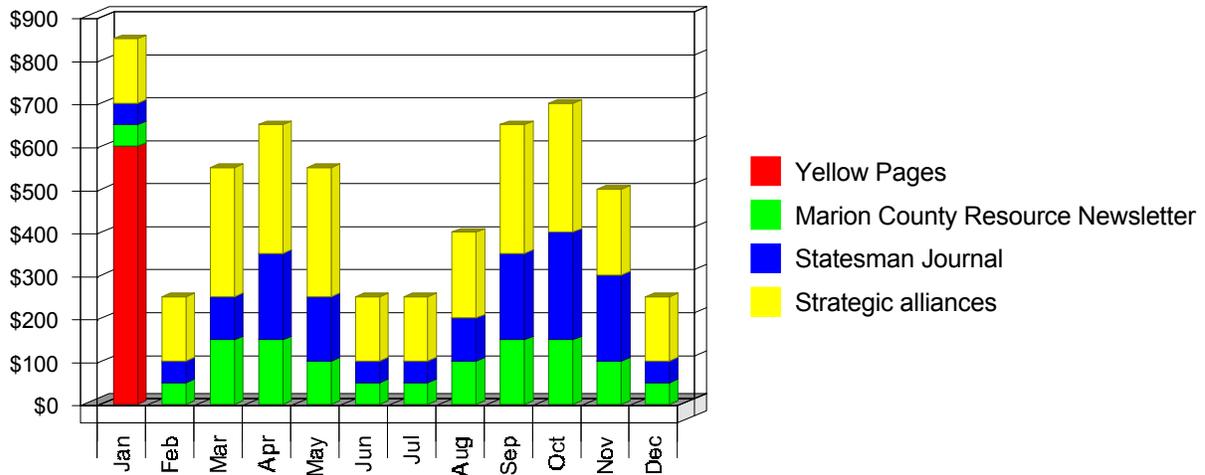


Table 4.3: Marketing Expense Budget

Marketing Expense Budget	2001	2002	2003
Yellow Pages	\$600	\$1,000	\$1,200
Marion County Resource Newsletter	\$1,150	\$1,500	\$1,500
Statesman Journal	\$1,450	\$2,000	\$2,500
Strategic alliances	\$2,650	\$3,000	\$3,500
<hr/>			
Total Sales and Marketing Expenses	\$5,850	\$7,500	\$8,700
Percent of Sales	3.35%	2.24%	2.48%
Contribution Margin	\$165,087	\$321,249	\$335,529
Contribution Margin / Sales	94.65%	95.76%	95.52%

5.0 Controls

The purpose of The Toddler Warehouse's marketing plan is to serve as a guide for the organization.

5.1 Implementation Milestones

The following milestones identify the key marketing programs. It is important to accomplish each one on time and on budget.

Milestones

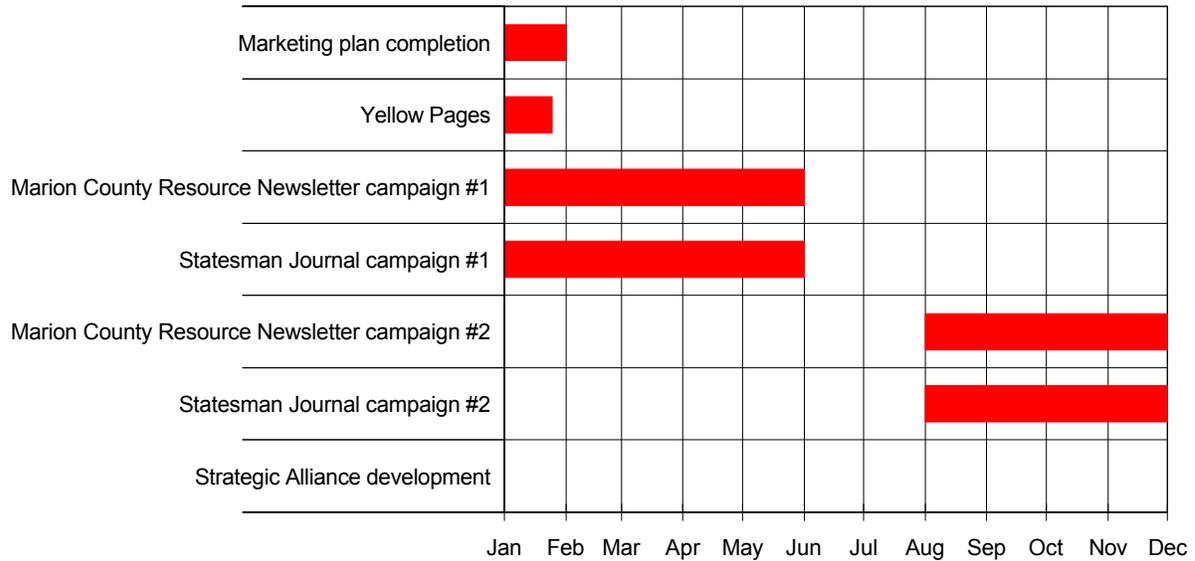


Table 5.1: Milestones

Milestones	Plan	Start Date	End Date	Budget	Manager	Department
Marketing plan completion		1/1/01	2/1/01		Matt	
Yellow Pages		1/1/01	ongoing	\$700	Matt	
Marion County Resource Newsletter campaign #1		1/1/01	6/1/01	\$400	Matt	
Statesman Journal campaign #1		1/1/01	6/1/01	\$450	Matt	
Marion County Resource Newsletter campaign #2		8/1/01	12/1/01	\$500	Matt	
Statesman Journal campaign #2		8/1/01	12/1/01	\$750	Matt	
Strategic Alliance development		1/1/01	ongoing	\$2,650	Matt	
Totals				\$5,450		

5.2 Marketing Organization

Matt Ernal will be primarily responsible for the marketing activities, however he will outsource the creative work.

5.3 Contingency Planning

Difficulties and risks:

- Generating awareness of The Toddler Warehouse among the target customer segment.
- The entry into the Salem child care market by competitors who recognize the value added services of sophisticated development and learning systems.
- A sudden downturn in demand for child care services.
- A debilitating law suit that is not covered by insurance.
- A severe negligent act of an employee.

Worst case risks may include:

- Not generating enough revenue to support the business.
- Having to liquidate equipment to cover liabilities.
- Sudden illness preventing Matt from carrying on day to day activities.

Appendix: The Toddler Warehouse

Table 4.2 Sales Forecast

Sales Forecast	Plan											
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Two income professional families	\$0	\$0	\$7,500	\$9,000	\$12,254	\$15,874	\$17,854	\$19,854	\$21,545	\$22,545	\$23,541	\$24,458
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales	\$0	\$0	\$7,500	\$9,000	\$12,254	\$15,874	\$17,854	\$19,854	\$21,545	\$22,545	\$23,541	\$24,458
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Two income professional families	\$0	\$0	\$150	\$180	\$245	\$317	\$357	\$397	\$431	\$451	\$471	\$489
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cost of Sales	\$0	\$0	\$150	\$180	\$245	\$317	\$357	\$397	\$431	\$451	\$471	\$489

Appendix: The Toddler Warehouse

Table 4.3 Marketing Expense Budget

Marketing Expense Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Yellow Pages	\$600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marion County Resource Newsletter	\$50	\$50	\$150	\$150	\$100	\$50	\$50	\$100	\$150	\$150	\$100	\$50
Statesman Journal	\$50	\$50	\$100	\$200	\$150	\$50	\$50	\$100	\$200	\$250	\$200	\$50
Strategic alliances	\$150	\$150	\$300	\$300	\$300	\$150	\$150	\$200	\$300	\$300	\$200	\$150
Total Sales and Marketing Expenses	\$850	\$250	\$550	\$650	\$550	\$250	\$250	\$400	\$650	\$700	\$500	\$250
Percent of Sales	0.00%	0.00%	7.33%	7.22%	4.49%	1.57%	1.40%	2.01%	3.02%	3.10%	2.12%	1.02%
Contribution Margin	(\$850)	(\$250)	\$6,800	\$8,170	\$11,459	\$15,307	\$17,247	\$19,057	\$20,464	\$21,394	\$22,570	\$23,719
Contribution Margin / Sales	0.00%	0.00%	90.67%	90.78%	93.51%	96.43%	96.60%	95.99%	94.98%	94.90%	95.88%	96.98%