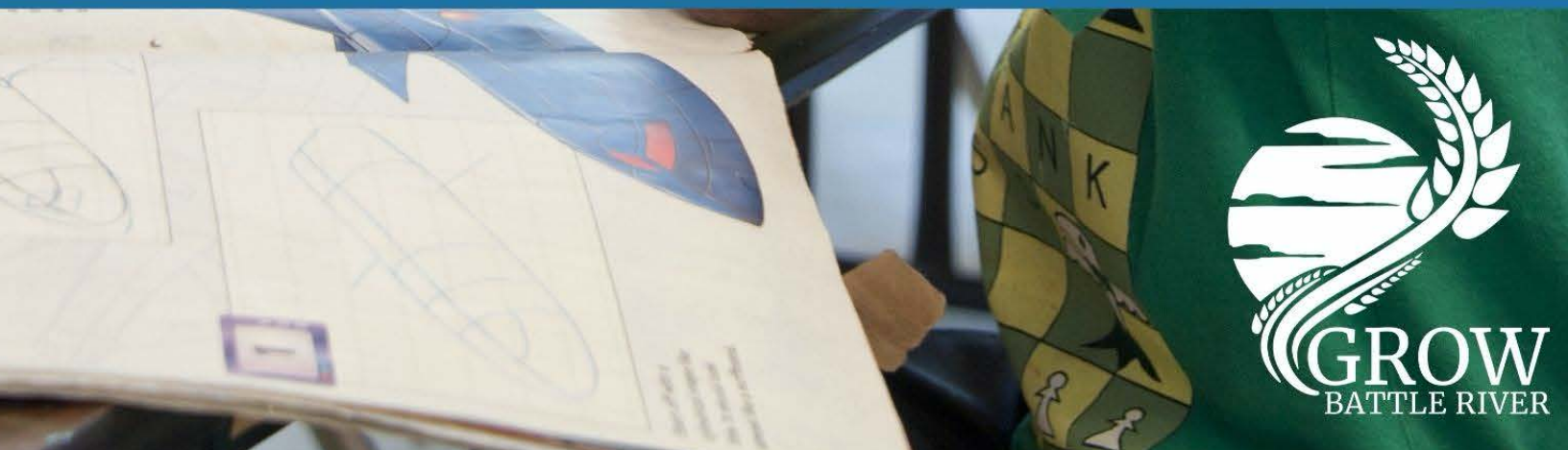




# Business Prospectus: Day Care Services

Created by Battle River Economic Opportunity Committee  
(BREOC)

2021





# Business Prospectuses

## Day Care Services

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## Day Care Services

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## Business Prospectuses

### Day Care Services

## Overview

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Battle River Economic Opportunities Committee (BREOC) is a partnership of seven municipalities that have taken ownership of driving and leading economic prosperity in their region. This region spans two counties in East Central Alberta, the County of Paintearth and Flagstaff County, which house the municipalities involved: Castor, Coronation, Halkirk, Forestburg, and Heisler.

BREOC has developed a comprehensive strategy to diversify, strengthen, and create long-term success within their regional economic portfolio. An aspect of this plan focuses on support for private sector development and inbound investment. This included creating business prospectuses for different opportunities within the region for potential investors to use and grow into fully realized ventures.

BREOC has identified eight (8) business ideas that they feel represent high potential opportunities in the region and created

prospectuses that explore the details of creating and operating the venture.

The following prospectus is focused on creating a comprehensive day care business within the BREOC area. Finding childcare is a difficult problem for parents to figure out across Canada, as many day cares are at capacity or non-existent within their communities. Childcare is a promising industry to enter as it will always be in demand. Parents have busy lives that sometimes require extra help in taking care of their children. On top of that, the social situations that day care services provide are extremely beneficial. While it may seem simple, albeit tiring, to take care of children all day, it is important to understand how to make this service a sustainable business that an entrepreneur and their facility are prepared to handle and operate.

This prospectus has been created to help answer questions and assist in solving those issues.

## The Concept

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Day cares and day homes can exist in many forms. From morning and after school care, to allowing different age groups, to educational care homes, day cares are varied in their offerings and capacities.

It is important to begin this document with clear options on how day cares can be modelled. The following are potential models.

**Childcare Centres:** Childcare centers are usually located in commercial buildings. Centers are larger and care for more

children than family childcare providers. They are usually divided into groups or classrooms of similarly aged children.

**Family Childcare Homes:** In this type of childcare arrangement, providers care for small groups of children in a residential building—a house, apartment, or condo unit. This may or may not be the same home that the provider lives in.

**Preschool Programs:** Preschool programs are usually for children between the ages of 3 and 5 years old. They are often open only





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during the school year, for only part of the day.

**School-Age Childcare:** There are various options for before - and afterschool care for school-age children (also known as out-of-

school-time care). Childcare centers and family childcare homes may offer this type of care. Various organizations can provide care. These include recreation centers, places of worship, and youth program providers.

## About the Industry

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The Day Care industry in Canada includes the businesses and organizations that provide day care services for infants and children, primarily those under the age of five. These operators generally care for preschool children (ages three (3) to five (5)) but may care for older children when school is not in session such as during the summer or after school hours. Operators may also offer educational programs.

The Government of Canada has offered public childcare programs since after World War II. However, the high demand for affordable childcare is not satisfied by the capacity of

these programs. In 2019, there was regulated day care space for only 27% of children aged zero (0) to five (5) years. This has led to the creation and influx of privatized day care institutions which generally offer a better quality of care, at a premium. They come in many forms as described above, regulated and unregulated.

Due to the necessity of childcare and its high demand, it is known for having exorbitant pricing across the industry. The key external drivers that drive the popularity and pricing of childcare services are discussed below.

**Government consumption and investment.** Upon an increase in involvement and financing from the Government of Canada to the day care industry, there will be a greater supply of public day care.

**National Unemployment Rate.** Childcare, subsidized or not, can be expensive. If a parent or caregiver does not have a stable job, they will not send their child to day care.

**Per Capita Disposable Income:** Again, childcare is expensive, disposable income directly affects a parent's ability to send their child to be taken care of.

**Number of Children Aged 19 and Younger:** While parents make the decision of using childcare or not, the actual client is the child. The population base of children will affect the demand of childcare.







## Business Prospectuses

### Day Care Services

## Market

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The market for day care firms in the BREOC region was analyzed by assessing industry trends, as well as typical customer segments.

### Industry Trends

Consistent quality childcare is an essential service for communities. It provides stable social interaction and education within a child's life, allowing for a parent to have more flexibility within their day. Its importance is only increasing due to three main trends.

The first trend is the ever-growing role of women in the workforce. In 2019, Canadian women 15 years and older represented nearly half (47.4%) of the labor force, compared to 37.6% in 1976. This speaks to a significant social movement, challenging and debunking the perspective that women need to be a caregiver and homemaker. If a family is able to afford childcare, both parents can pursue their careers, and take on employment opportunities. However, childcare needs to be available. In many communities it is not available or there is limited supply, and this can affect the role of women in the workplace. 61.4% of Canadian women 15 or older participated in the workforce in 2019. This decreased to 55% in 2020 due to the COVID-19 pandemic. Of course, many individuals were let go from their positions, but over 25% of women cited childcare as the reason for not working in 2020. This was due to the closure of schools and day care institutions as per government health regulations. Of course, this also considers families with single parents, and no external familial support, such as grandparents, aunts, uncles, and close friends.

The second trend increasing the demand for childcare is the positive effects day care can have on a child who attends. Concerns were brought up during the COVID-19 pandemic of the effects that isolating children would have on their education and social skill development. In day care, children learn to share, resolve arguments and play well with others. They also make friends and adopt skills that help them later on in life. In 2016, a study was completed that showed, children who attended formal childcare programs had substantially stronger math and reading skills, developed strong social skills, and had higher high-school graduation rates. With this knowledge and concern highlighted during the COVID pandemic, when restrictions are cleared, demand is expected to increase.

A third trend increasing the demand for a stable day care facility is the amount of temporary unregulated day care homes that are opened by new mothers. Typically, these unregulated day care homes are depended on within the community as they establish themselves, but when the mother who runs the clinic has her child grow too old for day care, they close the business and stop providing the service. This leaves gaps within local day care industries often, which increases the demand for a day care facility to be open and stay open for the foreseeable future.





# Business Prospectuses

## Day Care Services

### Customers

The eligible consumer base for day care services are families with children under eight (8) years old. Of course, the most likely age group for day care services are families with children between the age of three (3) and five (5), as the majority of children over five (5) are in public education.

However, another important differentiation to make among these age groups is the familial support they have at home. Without grandparents or other family support present, parents are more likely to rely on privatized services. This idea is illustrated in Figure 1 below. Ensure that marketing efforts, which are discussed further in the document, are targeted to these key consumer markets.

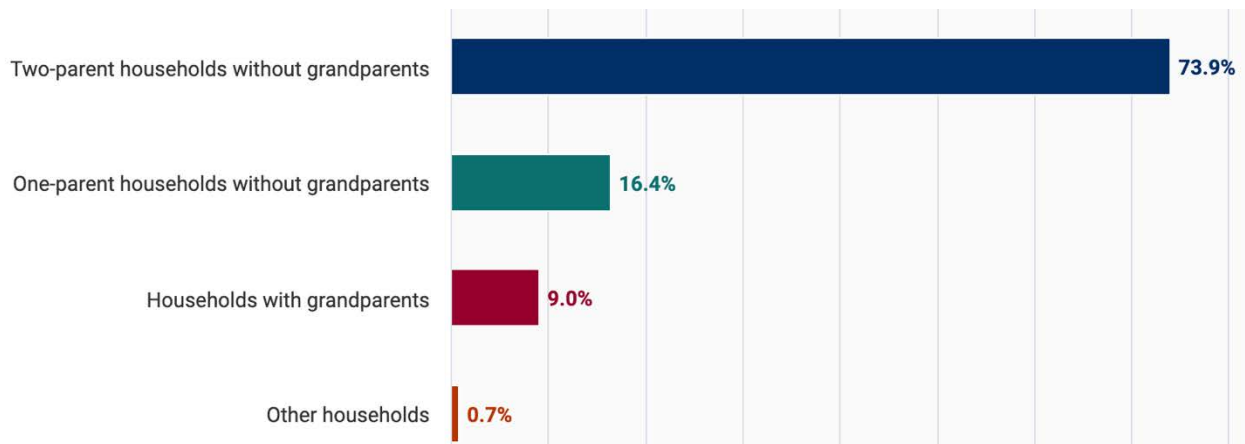


Figure 1. The familial support of children using day care services





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## Day Care Services

### BREOC Regional Market and Trade Area

Table 1 below outlines the population of BREOC citizens under nine (9) years old. The purpose of this table is to assess the viability of the market.

Table 1. Population of BREOC citizens under nine (9) years old (2020)

Age Range	Population of the County of Paintearth	Population of Flagstaff County	Population of BREOC (Paintearth and Flagstaff combined)
0-4	120	181	301
5-9	137	218	355
Total	257	399	656

As can be seen in Table 1 above, BREOC had approximately 656 residents under the age of nine (9) in 2020. This population is more than enough to sustain a successful day care facility, as the range of children allowed by law within a day care is twelve (12) to twenty-five (25), dependent on age. This will be discussed further below in Rules and Regulations.

Though there are 656 children potentially eligible for day care in the BREOC region, the trade area reveals a greater accessible population. When assessing the trade area for day care services a one hour driving radius is presumed. Research suggests that individuals are typically willing to drive up to an hour away for quality childcare, particularly if the parents work in the area that the childcare is offered.

Figure 2 shows the trade area within BREOC, using Alliance as the point of origin as it is the geographical centre of the BREOC region. This trade area includes a large list of communities listed including Bawlf, Daysland, Strome, Killam, Sedgewick,

Lougheed, Hardisty, Amisk, Hughenden, Galahad, Forestburg, Heisler, Bashaw, Stettler, Gadsby, Halkirk, Castor, Fleet, Hanna, Coronation, and Veteran. This trade area reveals that there is an even greater population to be served than the population outlined in Table 1.

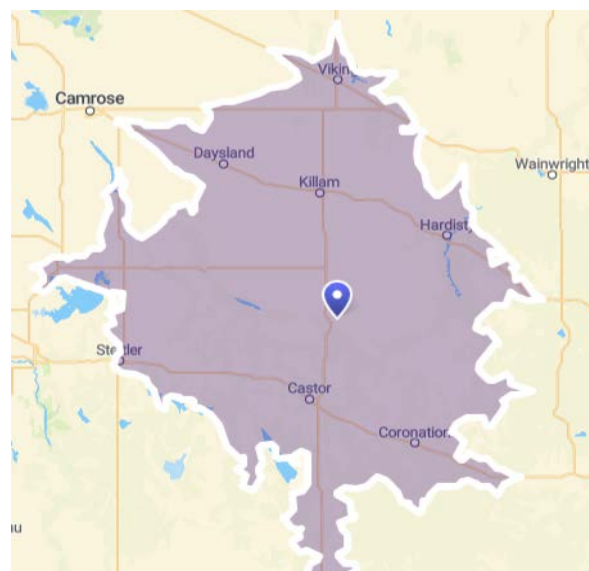


Figure 2: Trade area of BREOC (one hour radius)







# Business Prospectuses

## Day Care Services

### Operations

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Operations of a day care facility can be divided into three (3) subcategories:

1. Rules and regulations,
2. Physical operational considerations, and
3. Human resources.

While the operational needs and requirements will need to respect the specific business model that the entrepreneur(s) wishes to pursue the following have been provided for key operational considerations.

### Rules and Regulations

In Canada, day cares are highly regulated by provincial governments. The federal government does have some legislation associated with childcare, but their main role is to fund and improve the public childcare

industry, so it is available to a larger demographic. An outline of provincial legislation is laid out below, with links provided to official documents.<sup>1</sup>

### Federal Regulation

To find out more about the Government of Canada's plan to improve their Early Learning and Child Care Plan post COVID-19, please visit this link, <https://www.canada.ca/en/department-finance/news/2021/04/budget-2021-a-canada-wide-early-learning-and-child-care-plan.html>.

### Provincial Regulation

In Alberta, facility-based and home-based childcare will operate in accordance with the regulations set out by the Early Learning and Child Care Act and pertinent Regulations.

As can be expected, taking care of children is highly regulated and thus the laws are comprehensive. They detail the licencing requirements and considerations that need to be taken when caring for a child that is not your own.

Two key factors to remain aware of are human resource capacity and facility size. The licence a day care receives is based on the capacity of the building and the staff. Table 2 below outlines staff to child ratio, maximum group size, and area required per child. The licence that a day care applies for will be based on these three factors. Additionally, an outdoor play space of at least 50% of the total required indoor space is necessary.

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<sup>1</sup> The Rules and Regulations were determined using secondary research and are subject to change. The entrepreneur is responsible for the

adherence and knowledge of all pertinent rules and regulations.



## Business Prospectuses Day Care Services

Table 2: The maximum number of children allowed in a day care facility, pre-COVID.

Age of child	Staff/child ratio	Max group size	Area Required per Child (Square Metres)
< 12 mos	1:3	6	27
12 mos - <19 mos	1:4	8	27
19 mos - <3 years	1:6	12	27
3 years and - < 4 year	1:8	16	27
4 years +	1:10	20	30
6 years +	1:15	30	30

### Physical Operational Considerations

The size of facility that is to be built, purchased, or leased, has implications on the quality of the care that can be provided at the day care facility. Therefore, before choosing the size of the facility, careful consideration must be taken on the eventual capacity.

#### Facility Size and Layout

As mentioned above, it is required to have 30 square feet of indoor play space per child. Multiply this requirement by 30 children, and the classroom or building needs to have minimum of 900 square feet of play space. This does not include bathrooms, entrances, administration space, or storage areas. If you are wanting to host multiple groups of

children, there must be a separate and equally large rooms for them to congregate. Estimating two group of children, at 807 square feet of play space and a large outdoor area, with appropriate bathrooms, administration space, and storage, the day care should be between 3,000-4,000 square feet.

#### Necessary Equipment

Below are the necessary equipment and supplies that will be needed to start-up the day care facility:

**Safety Supplies:** First aid kits, smoke detectors, carbon monoxide detectors, fire extinguishers, an emergency preparedness kit, and an emergency plan.

**Furniture and equipment:** Tables, chairs, highchairs, nap mats, cribs, step stools, shelves, storage systems.

**Play Materials:** A large variety of toys, arts and craft materials, outdoor play material, reading material.

**Day Care Tracking Software:** Necessary for tracking child activities and billing customers.

**Cleaning Supplies:** Be aware that extensive and specialized cleaning supplies will be needed for the children.





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#### **Feeding Supplies/Approved Kitchen :**

Typically, there is a snack, and one meal served every day, so there should be a kitchen area. This kitchen area should be stocked with food, cooking utensils, child-

safe eating utensils, plates, and more. In order to provide food a safe food handling certificate will be necessary for one or more of the staff.

## Human Resources

The following are the necessary positions for the operation of the day care facility and their expected roles.

#### *Management/Ownership*

Management and ownership will be in charge of all strategic decision making and future planning. They will create programming, plan overall activities, and manage the *Day Care Professionals*

operational budget. It is important to note that ownership and management have a heavy influence on workplace culture.

The individuals that are hired to be the primary caregivers are crucial to the success of the venture. Children will go home at the end of the day talking about what activities they did, the friends they made, and how their caregiver was. If professionals are hired who

are passionate and dedicated to providing quality childcare, the reviews will be positive, and parents will be encouraged to send their children to the day care and to make referrals.

#### *Administration*

Paperwork and document management are crucial to follow legislative requirements and ensure that children are properly tracked. Administration professionals will ensure this

is done as well as handling day-day operational necessities such as answering the phone, registering children, and purchasing required materials

#### *Professional Services*

Professional services are required to ensure a business as highly regulated as a day care facility is started correctly. Suggested professionals to consult during the start-up stage are listed below:

of children. If a child is hurt, there needs to be legal services prepared to deal with this situation.

**Legal services:** These are required due to the liability taken on by the owner in taking care

**Accounting/Bookkeeping Services:** Outsourcing the financial tracking to a trusted professional can be an optimal strategy to ensure it is done properly.





# Business Prospectuses

## Day Care Services

### Marketing

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The following section outlines product, pricing, and channels of distribution, in an effort to aid the marketing strategy of the day care.

### Product/Services

While the overall service delivered by a day care is childcare, there are multiple formats of childcare that should be included in the service list for those between the ages of three (3) and five (5):

- Before School Care
- After School Care
- Morning/Afternoon Care
- Full Day Care
- Summer Camps

It is important that whatever these programs include in terms of food, activities, time of care, and price, is well communicated through promotional materials, and online marketing avenues.

### Pricing

Due to the steep price increases driven by demand within the industry, the goal of the Government of Canada is to set a standard price of \$10.00/day per child within all regulated day care facilities. Currently, however, the Province of Alberta has set a

\$25.00/day standard within regulated day cares. Unregulated day cares can charge what they want. A study done in 2019 provided the information presented in Table 3 below, discussing the pricing average of the industry within Alberta.

Table 3: The age range and price of full-time care for children

Age Range	Price/Month for Full Time and Full Day Care
Infant (0-2)	\$1,300
Toddlers (2-4)	\$1,100
Preschoolers (4+)	\$1,075



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#### Promotions

The following are general promotional tactics that will contribute to the success of the business.

**Website:** A website with necessary information, registration forms, and available programs, is essential to the efficient function of this business.

**Social Media:** As a day care, there is a lot of content that can be shared on social media to

promote your services. Ensure that there is a comprehensive social media strategy allowing the business to reach its customer segments.

**Promotional Booklets:**

Creating promotional booklets for distribution in schools, churches, recreation centres and more will drive customers to the business.

#### Channels of Distribution

While the day care facility is the main form of distribution for day care services, there are alternative channels through which a customer may hear about day care services.

**Day Care Facility:** The main and most obvious form of distribution is the provision of childcare from the facility. This is a direct distribution chain from day care to customer.

**Centres of Influence:** A customer may be directed towards day care services from teachers, schools, local churches, or

communities. As a day care provider, it is important to have relationships with these influential community figures who may provide referrals.

**Customer Referrals:** A customer may be directed towards day care services by their friends and family. Community referrals can also be a large source of a day care's patient base. Ensure that the customers review you on social media, trip advisor, google, and tell their friends about the business. Everyone knows someone who could use a day care provider.







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## Financials

The following are tables outlining basic financial information for a day care facility start up in the BREOC region.

### Start-Up Costs

Generally, most day care facilities range from \$30,000 to \$800,000 in start-up costs. The cost of starting a day care facility, however, will depend on the business model

of the entrepreneur(s) and the size they envision it to be. The biggest difference will come in the decision to lease, purchase, or build the site of operation.

**Table 4:** The approximate start-up costs for a day care facility

Item	Cost
Building Rent (Average Cost per Square Foot)	\$8.00-\$12.00
Building Purchase	\$100,000-\$350,000
Building Build	\$350,000-\$750,000
Necessary Equipment (Listed Above)	\$15,000-\$25,000
Insurance	Dependent on capacity and business model
Liability	Dependent on capacity and business model
Errors and Omissions	Dependent on capacity and business model
Building and Equipment	Dependent on capacity and business model
Licensing/Regulations	Dependent on capacity and business model
Food	\$1,000
Professional Fees	\$2,750
Legal	\$2,000
Accounting	\$750
Marketing Budget	\$2,500
Total	\$30,000 - \$800,000





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#### Operating Costs

In operating a day care facility, the costliest expenses are salaries associated with the staff. As shown in the table below, it is estimated that a day care facility will cost approximately \$35,000-\$40,000/month without insurance and licencing fees considered. The final operating costs will depend heavily on the business model

chosen by the entrepreneur. In the following operating cost model, 8 staff were chosen because there is a 1:8 staff to child ratio on average. Within two classes of 24 children each, a minimum of six (6) full time staff are required. The additional two staff can be used as extras, or as needed.

Table 5: Operating costs for a day care facility with two classes of 30 children based on staff ratio requirements

Item	Cost (\$)
Rent/Lease/Mortgage	\$2,000
Salaries/Benefits	\$33,333
Day Care Providers x 8	\$26,667
Administrators x 2	\$6667
New Day Care Equipment	\$500
Utilities	\$400
Food	\$2,000
Insurance	Dependent on capacity and business model
Ongoing Licencing and Fees	Dependent on capacity and business model
Total	\$35,000-40,000





## Business Prospectuses Day Care Services

### Income Statements

Below is an income statement showing the average cost of goods, and net profit within the childcare industry in Canada. Day cares are typically very profitable businesses as

their prices can be quite high for the customer. If run efficiently and sustainably, it can be a fantastic opportunity to build a business in the BREOC region.

Table 5: Income statements based off the day care industry average, presented in percentages of revenue

<b>Revenue</b>	100%
<b>Cost of Goods Sold</b>	7.5%
Wages and benefits	4.2%
Purchases, materials, and sub-contracts	3.2%
Opening inventory	0%
Closing inventory	0%
<b>Operating expenses</b>	<b>72.9%</b>
Labour and commissions	25.0%
Amortization and depletion	1.8%
Repairs and Maintenance	1.8%
Utilities and telephone communication	1.3%
Rent	6.4%
Interest and bank charges	0.7%
Professional and Business Fees	1.4%
Advertising and Promotion	0.4%
Delivery, shipping and warehouse expenses	0.05
Insurance	0.6%
Other Expenses	13.5%
<b>Total Expenses</b>	<b>80.4%</b>
<b>Net Profit/Loss</b>	<b>19.6%</b>





## Business Prospectuses

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## Critical Success Factors

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The following section explores different factors that are critical to the success and survival once the business is operational.

**Quality Customer Service:** It is crucial that the child being taken care of leaves having had a positive experience. Of course, this is often times out of the control of the caregiver but given the right environment, and the correct caregivers, a child can leave having had a day they can tell their parents about excitedly.

**Referrals:** If parents are happy with the day care's service, it is key that they tell their friends about the business either online or in person. All referrals are welcome, and in the early stages of business launch, they will be necessary.

**Scaling Appropriately:** With the demand as high as it is, the business has a chance to be overwhelmed initially. Many business owners are quick to react to an increase in demand by scaling up beyond their means. Ensure that any expansion done is well thought out and within the financial means of the business.

**Effective Customer Management and Intake:** Having a system that creates a pain-free intake process, efficiently categorizes client information, and provides invoices and reminders, will give a day care business a good reputation. Parents have enough to worry about in their daily lives, so by providing a pain-free process, the day care will have a better chance at receiving good reviews.

## Conclusion

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Quality, stable, day care services are under more consumer demand than ever. People, specifically in areas where there are no services, are looking for trusted businesses who will take good care of their children.

BREOC is one of these regions. Limited childcare services in the area have created a high demand for families looking to get back to their workplaces as COVID-19 regulations begin to lift.





## Business Prospectuses Day Care Services

### Contact Us

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The Battle River Economic Opportunity Committee is here to help. If you are interested in further exploring this or any business opportunity within the region, contact us today. There are tailored one-on-

one business supports for business start-ups, buying/selling a business, growth and expansions of businesses. The first step is to contact your local Economic Development Officer using the information below.

Economic Development Department – Flagstaff  
County

(780) 384-4100

[ecdev@flagstaff.ab.ca](mailto:ecdev@flagstaff.ab.ca)

#### ***Carol Thomson***

Economic Development Officer – County of Paintearth

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