

the DEALMAKERS

Reporting The Nation's Weekly News on Retailing & Retail Real Estate

Volume XXIV No. XIX

May 22, 2009

CHILDREN OF AMERICA — A GROWING COMPANY FOR GROWING MINDS

by Nicholas Hamner

Appealing to a target market is a fickle thing for any business. To achieve success, a business must identify its target market and then properly appeal to that market's concerns. For a business to appeal to two very different segments of the market is difficult; to appeal to both markets successfully is rare. Children of America has continued to appeal to parents concerned with their child's safety and development and to the minds of children since its founding in 1998.

The company, a subsidiary of World Wide Child Care Corp., currently operates 25 child care centers in Hockessin, DE; Gambrills, MD; Aberdeen, East Brunswick, Oakhurst, Sicklerville and Somerset, NJ; Nyack, NY; Lansdale, New Britain, North Wales, Trappe, Warminster and Warrington, PA, and Bealeton, Fredericksburg, Stafford, Stephens City, Winchester and Woodbridge, VA. The centers provide all-day programs for infants older than six months and toddlers, and after-school programs for children under the age of 12.



Thad Pryor
CEO and President

The company's founder and current chief executive officer and president, Thad Pryor, has worked to distinguish Children of America facilities from competitors like KinderCare, The Goddard School and Bright Horizon. He says "The centers provide much more than some of the other options parents have, in that they have a set curriculum that

provides educational and social development. Children of America is much more than a day care." Each age group's curriculum is established with input from Vicki Folds, Ed. D, a published expert in the field of childcare.

To appeal to the minds of parents, the real estate department of Children of America is very site selective. The company typically locates in suburban markets and bedroom communities of growing metropolitan areas. Once a market has been identified, the company works with a network of brokers to find all suitable properties in the area. Pryor notes that the company is very careful with where they choose to place a facility. He says, "We don't like high-tension power lines or bars or any type structure or business that harbors negative connotations. We want parents to be comfortable with the area they bring their children." He says, "We have found that we do very well with locations near supermarkets and stores like that, and that they see a benefit from

having us near them with the daily traffic in and out of our facilities."

Depending on the site selected, the company operates one of three building types. Children of America operates facilities in endcaps and one- and two-story freestanding sites. Pryor says, "Our perfect site is a 10,000 sq.ft. single-story building with a two-story façade, but we can do anything from 8,500 sq.ft. to 12,000 sq.ft." Because each site is a build-to-suit, the company works closely with the landlord to ensure that a number of specific requirements are met. Every Children of America facility must have an outdoor play area, though the size may vary depending on local ordinances. He says, "We have tweaked our floor plans to allow us to accommodate the most children possible without diluting the experience or infringing any regulations." Another mandatory feature is arguably the most important – a fence surrounding the entire facility. "No matter how many safeguards you have in place, there is always a possibility that a child will slip away in a split-second," he says. "The way our facilities are fenced, all exterior doors dump to the playground. There is no way for a child to wander away from the facility."

As with any company, Children of America's growth has led to innovation. Pryor says, "Several years ago, we began wrapping the lower four feet of facility walls with a non-flammable carpet, which further reduced the possibility of injury from bumping into a wall or corner and reduced the amount of repainting we had to do. We quickly implemented that into all our facilities. When we began installing vinyl bathrooms in our newer facilities, we retrofitted our existing properties." A change or innovation made in one facility is quickly made in all.

Children of America is currently expanding and has recently launched a franchising program in CO, DE, GA, IN, MA, NC, NJ, OH, PA and VA. Pryor says, "We look to open five locations this year as a company and an additional five through franchisees." In addition to introducing the company to new markets, the franchise program is also helping finance the company's own expansion. "As banks tightened up and credit disappeared," he says, "we looked for other funding options. Franchising allows the company to expand at its desired rate and the franchise fees can be used to offset the development costs of company-owned sites." He notes that the goal is to achieve a ratio of 75% company sites and 25% franchise sites. Pryor is also confident that franchising will not dilute the Children of America brand, saying, "We have a high standard and we will keep our thumbs on our franchisees to keep that standard."

Pryor expects the franchise program to help the company expand throughout the East Coast and, possibly, the Midwest. As the company maintains its own operations and maintenance facilities scattered throughout its territories, it will not authorize one location unless there is potential for no less than five in the region for pragmatic reasons. Franchisees will also be required to follow the same rigorous safety protocols required in the day-to-day operations. Those protocols include intense screening of all adults allowed to drop children off and pick them up; electronic, PIN-keyed entry doors and attendance updates with the home office at fifteen-minute intervals. Above all, he expects properly-run franchise locations to be profitable. He says, "Our economic model is such that, at half enrollment, a facility will break even and, at 2/3 enrollment, will be profitable."



A Children of America facility in Winchester, VA.

Enrollment is something many would expect to drop as families across the country struggle to make ends meet, but the company has not seen a noticeable decrease. "Enrollment is still strong," Pryor says, "but we have noticed an increase in subsidized students. Where we usually have 5% of enrolled students utilize government subsidies, we have seen that number grow as high as 35% in some locations. We are still profitable, but subsidies do impact our margin." Still, he does not expect any difficulties in maintaining enrollment and expansion plans. He says, "There are three recession-proof industries: healthcare, elder care and childcare. People will continue to invest in their children, often regardless of the circumstances elsewhere."

Children of America walks a fine line, appealing to the active minds of the children enrolled in its facilities while also appealing to their parents' concerns of education and safety. With a comprehensive curriculum and aggressive expansion plan, the company is making a serious investment in the futures of children and their surrounding communities.

For more information, contact Thad Pryor, Children of America, 5300 West Atlantic Avenue, Suite 700, Delray Beach, FL 33484; 800-821-0561; Web site: www.childrenofamerica.com. ■