



# Business Plan Development for Bann Noo Kindergarten

by

Mr. Ronpibul Chaiyakul

A Final Report of the Three-Credit Course  
CE 6998 Project

Submitted in Partial Fulfillment  
of the Requirements for the Degree of  
Master of Science  
in Computer and Engineering Management  
Assumption University

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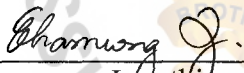
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The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

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## ABSTRACT

This project is focused on the business plan development of Bann Noo Kindergarten. This business plan is conducted to provide the direction and control for the new owners and management of the school to achieve their objectives. Based on the study, two main problems have been tracked. One is the declining number of students, and the other was the lack of maintenance.

The marketing research has been performed to analyze the industry, market and direct competitors. Then, the target group is set before the marketing plan and strategies have been developed. The marketing plan consisted of product strategies, pricing strategies, promotion and public relation strategies and sales strategies.

After that financial plan, which included the forecast of new students, the projection of income statements and cash flow, has been prepared. Then, the strategic plan, which emphasized the direction of organization in the future is developed.

However, after the plan has been implemented, there will be an evaluation of the plan, which focuses on comparing actual with the budget. Lastly, the contingency plan is prepared as a back up in case the business plan failed to reach target.

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## I. INTRODUCTION

This project will focus on the business plan development of Bann Noo Kindergarten. Bann Noo is a small-sized kindergarten opened since 1984 or around 19 years ago. As the previous owner intended to retire from this business due to her poor health, she sold this kindergarten to the new owner, Khun Pimjai Narongrith and Khun Ronpibul Chaiyakul for approximately Baht 16.5 million.

The school is located at 129 Sukhumvit 107, Samrong Nua District, Samut Prakarn province, covering an area of 350 square wah. Bann Noo focuses on having a small number of students per classroom so that the teachers are able to know the students and their individual needs better. The school's mission is to provide a friendly environment for both students and parents and to make a kindergarten an exciting and impressive start to education. The school building and the surrounding area has been repaired and redecorated to provide a pleasant and suitable environment for the children.

Presently, the school has approximately 58 students, 7 teachers, and three classes, divided into 3 levels, Level 1 called OR 1, Level 2 called OR 2, and Level 3 called OR 3. The education system is on semester basis. The first semester usually runs from the middle of May to the end of September, while the second semester begins around the end of October until the beginning of March.

The main objective of this project is to develop business plan for Bann Noo Kindergarten in order to use as a guideline for management to manage and control both financial and operation so that the school could accomplish business mission, financial objectives and marketing objectives further described.

- (1) Business mission of Bann Noo Kindergarten is to provide a friendly environment for both students and parents and to make a kindergarten an exciting and impressive start to education. Bann Noo allows the children to have time to adapt themselves slowly and to experience enriching activities necessary for their developments.
- (2) Financial objective is to deliver a reasonable financial performance, thus, an annual rate of return on investment of around 3% starting from year 2005 is expected.
- (3) Marketing objectives converted from business mission and financial objectives are to expand the number of students to 140 within 5 years and aim for an average tuition and fee of around Baht 18,000 per student per semester within 5 years.

The scope of this project covers the development of Bann Noo's business plan as follows:

- (a) Overview of Bann Noo Kindergarten
- (b) Defining the problems facing Bann Noo
- (c) Marketing research
- (d) Analyzing overall industry and competitors
- (e) Developing the marketing, financial, and contingency plan.
- (f) Conclusion and recommendations

## II. LITERATURE REVIEW

### 2.1 The Components of Business Plan

#### 2.1.1 The Basic of Business Plan

Philip Kotler mentioned in his book “Marketing Management” that business plans were becoming more customer-and-competitor oriented and better reasoned and more realistic than in the past. The plan draws more inputs from all the functions and are team-developed. Marketing executives increasingly see themselves as professional managers first, and specialists second. Planning is becoming a continuous process to respond to rapidly changing market conditions. Some companies take their plans very seriously, whereas others see them as only a rough guide to action. (Kotler 2001)

[www.sba.gov](http://www.sba.gov) (September 2003), a web site for The U.S. Small Business Administration supported by the Federal Government, pointed out that starting and managing a business takes motivation and talent. It also takes research and planning. Although initial mistakes are not always fatal, it takes extra skill, discipline, and hard work to regain the advantage. Take time beforehand to explore and evaluate your business and personal goals, then use this information to build a comprehensive and thoughtful business plan that will help you reach these goals. ([www.sba.gov](http://www.sba.gov), September 2003)

Developing a business plan will force you to think through some important issues that you may not otherwise consider. Your plan will become a valuable tool as you set out to raise money for your business, and it will provide milestones to gauge your success. ([www.sba.gov](http://www.sba.gov), September 2003)

A business plan precisely defines your business, identifies your goals, and serves as your firm's resume. The basic components include a current and pro forma balance

sheet, an income statement, and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals. ([www.sba.gov](http://www.sba.gov), September 2003)

The importance of a comprehensive, thoughtful business plan cannot be overemphasized. Much hinges on it: outside funding, credit from suppliers, management of your operation and finances, promotion and marketing of your business, and achievement of your goals and objectives. Despite the critical importance of a business plan, many entrepreneurs drag their feet when it comes to preparing a written document. They argue that their marketplace changes too fast for a business plan to be useful or that they just don't have enough time. But just as a builder won't begin construction without a blueprint, eager business owners shouldn't rush into new ventures without a business plan. ([www.sba.gov](http://www.sba.gov), September 2003)

What goes in a business plan? The body can be divided into four distinct sections:

- (1) Description of the business
- (2) Marketing
- (3) Finances
- (4) Management

Before you begin writing your business plan, consider four core questions:

- (1) What service or product does your business provide and what needs does it fill?
- (2) Who are the potential customers for your product or service and why will they purchase it from you?

(3) How will you reach your potential customers?

(4) Where will you get the financial resources to start your business?

### 2.1.2 Marketing Research

While marketing research has been a driving force in large companies for years, small businesses have been reluctant to use it. Marketing research can be the key to future success for many small businesses if the buyer or user of the research understands its parameters, strengths and limitations. Failure to comprehend the proper use of marketing research can result in useless, or even worse, damaging information. ([www.sba.gov](http://www.sba.gov), September 2003)

Philip Kotler explained that marketing research is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company. One major reason for undertaking marketing research is to discover market opportunities. The process in marketing research consists of defining the problem and research objective, developing the research plan, collecting the information, analyzing the information, and presenting the findings to management. In conducting research, firms must decide whether to collect their own data or use data that already exist. They must also decide which research approach; observational, focus-group, survey, behavioral data, or experimental, and which research instrument; questionnaire or mechanical instruments, to use. In addition, they must decide on a sampling plan and contact methods. (Kotler 2001)

Surveys are best suited for descriptive research. Companies undertake surveys to learn about people's knowledge, beliefs, preferences, and satisfaction, and to measure these magnitudes in the general population. Once the research is complete, the company must carefully evaluate its opportunities and decide which markets to enter. Once in the market, it must prepare sales forecasts based on estimates of demand. (Kotler 2001)

Marketing research has a choice of two main research instruments in collecting primary data: questionnaires and mechanical devices. A questionnaire consists of a set of questions presented to respondents for their answers. Because of its flexibility, the questionnaire is by far the most common instrument used to collect primary data. Questionnaires need to be carefully developed, tested, and debugged before they are administered on a large scale. (Kotler 2001)

In preparing a questionnaire, the professional marketing researcher carefully chooses the questions and their form, wording, and sequence. The form of the question asked can influence the response. Marketing researchers distinguish between closed-end and open-end questions. Closed-end questions prespecify all the possible answers. Open-end questions allow respondents to answer in their own words. Closed-end questions provide answers that are easier to interpret and tabulate. Open-end questions often reveal more because they do not constrain respondents' answers. Open-end questions are especially useful in exploratory research, where the research is looking for insight into how people think rather than in measuring how many people think a certain way. (Kotler 2001)\*

Finally, the questionnaire designer should exercise care in the wording and sequencing of questions. The questionnaire should use simple direct, unbiased wording and should be pretested with a sample of respondents before it is used. The lead question should attempt to create interest. Difficult or personal questions should be asked toward the end so that respondents do not become defensive early. Finally, the questions should flow in a logical order. (Kotler 2001)

#### 2.1.2 Marketing Plan & Strategy

To prepare an effective marketing strategy, a company must study its competitors as well as its actual and potential customers. Companies need to identify competitor's

strategies, objectives, strengths, weaknesses, and reaction patterns. They also need to know how to design an effective competitive intelligence system- which competitors to attack and which to avoid. (Kotler 2001)

#### (1) Industry and Competitor Analysis

An industry is a group of firms that offer a product or class of products that are close substitutes for each other. Industries are classified according to number of sellers, degree of product differentiation, presence or absence of entry, mobility, and exit barriers, cost structure, degree of vertical integration, and degree of globalization. (Kotler 2001)

The starting point for describing an industry is to specify the number of sellers and whether the product is homogeneous or highly differentiated. These characteristics give rise to four industry structure types: pure monopoly, oligopoly, monopolistic competition, and pure competition. (Kotler 2001)

Industries differ greatly in ease of entry. Major entry barriers include high capital requirements, economies of scale, patents and licensing requirements, scarce locations, raw materials, or distributors, and reputation requirements. Even after a firm enters an industry, it might face mobility barriers when it tries to enter more attractive market segments. Firms often face exit barriers such as legal or moral obligations to customers, creditors, and employees, government restrictions, low asset salvage value due to overspecialization or obsolescence, lack of alternative opportunities, high vertical integration, and emotional barriers. (Kotler 2001)

Nowadays business takes place in a highly competitive, volatile environment, thus, it is important to understand the competition.

[www.sba.org](http://www.sba.org) (September 2003) suggested that it would be useful to ask the following questions:

- (1) Who are your five nearest direct competitors?
- (2) Who are your indirect competitors?
- (3) Is their business growing, steady, or declining?
- (4) What can you learn from their operations or from their advertising?
- (5) What are their strengths and weaknesses?
- (6) How does their product or service differ from yours?

Once the company has identified its main competitors and their strategies, it must ask What is each competitor seeking in the market place. Many factors shape a competitor's objectives, including size, history, current management, and financial situation. Whether competitors can carry out their strategies and reach their goals depends on their resources and capabilities. A company needs to gather information on each competitor's strengths and weaknesses. (Kotler 2001)

A company's closest competitors are those seeking to satisfy the same customers and needs and making similar offers. A company should also pay attention to latent competitors, who may offer new or other ways to satisfy the same needs. The company should identify competitors by using both industry and market-based analyses. (Kotler 2001)

[www.sba.org](http://www.sba.org) (September 2003) recommended the ideas in gathering information about the competitors as follows:

- (1) Internet - The internet is a powerful tool for finding information on a variety of topics.

- (2) Personal visits - If possible, visit your competitors' locations. Observe how employees interact with customers. What do their premises look like? How are their products displayed and priced?
- (3) Talk to customers - Your sales staff is in regular contact with customers and prospects, as is your competition. Learn what your customers and prospects are saying about your competitors.
- (4) Competitors' ads - Analyze competitors' ads to learn about their target audience, market position, product features, and benefits, prices, etc.
- (5) Speeches or presentations - Attend speeches or presentations made by representatives of your competitors.
- (6) Trade show displays - View your competitor's display from a potential customer's point of view. What does their display say about the company? Observing which specific trade shows or industry events competitors attend provides information on their marketing strategy and target market.
- (7) Written sources: General business publications, Marketing and advertising publications, Local newspapers and business journals, Industry and trade association publications, Industry research and surveys, Computer databases

Competitive intelligence needs to be collected, interpreted and disseminated continuously. Managers should be able to receive timely information about competitors. With good competitive intelligence, managers can more easily formulate their strategies. (Kotler 2001)

Managers need to conduct a customer value analysis to reveal the company's strengths and weaknesses relative to competitors. The aim of this

analysis is to determine the benefit and how they perceive the relative value of competitors' offer as important as a competitive orientation is in today's global markets, companies should not overdo the emphasis on competitors. Companies should manage a good balance of consumer and competitor monitoring. (Kotler 2001)

## (2) Target Market

Companies usually are more effective when they target their markets. Target marketing involves three activities: market segmentation, market targeting, and market positioning. Markets can be targeted at four levels: segments, niches, local areas, and individuals. *Market segments* are large identifiable groups within a market. *A niche* is a more narrowly defined group. Marketers are localizing their campaigns for trading areas, neighborhoods, and even individual stores. Finally, more competitors are practicing individual and mass customization. The future is likely to see more *self-marketing*, a form of individual marketing in which individual consumers take more initiative in designing their products and brands. (Kotler 2001)

There are two bases for segmenting consumer markets: consumer characteristics and consumer responses. The major segmentation variables for consumer markets are geographic, demographic, psychographic, and behavioral. These variables can be used singly or in combination. Business marketers use all these variables along with operating variables, purchasing approaches, and situational factors. To be useful, market segments must be measurable, substantial, accessible, differentiable, and actionable. (Kotler 2001)

Once a firm had identified its market-segment opportunities, it has to evaluate the various segments and decide how many and which ones to target. In evaluating segments, it must look at the segment's attractiveness indicators and the company's objectives and resources. In choosing which segments to target, the company can choose to focus on a single segment, several segments, a specific product, a specific market or the full market. If it decides to serve the full market, it must choose between differentiated and undifferentiated marketing. (Kotler 2001)

Marketers must choose target markets in a socially responsible manner. Marketers must also monitor segment interrelationships, seeking out economies of scope and the potential for marketing to supersegments. Marketers should develop segment-by-segment invasion plans. Finally market segment managers should be prepared to cooperate in the interest of overall company performance. (Kotler 2001)

[www.sba.org](http://www.sba.org) (September 2003) recommended that the best strategy for a smaller business is to divide demand into manageable market niches. Small operations can then offer specialized goods and services attractive to a specific group of prospective buyers. There are undoubtedly some particular products or services you are especially suited to provide. Study the market carefully and you will find opportunities. While researching your own company's niche, consider the results of your market survey and the areas in which your competitors are already firmly situated. Put this information into a table or a graph to illustrate where an opening might exist for your product or service. Try to find the right configuration of products, services, quality, and price that will ensure the least direct competition.

Unfortunately, there is no universally effective way to make these comparisons. Not only will the desired attributes vary from industry to industry, but there is also an imaginative element that cannot be formalized. ([www.sba.gov](http://www.sba.gov), September 2003)

(3) Product or Service

Kotler identified that a service was any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Services are intangible, inseparable, variable, and perishable. Each characteristic poses challenges and requires certain strategies. Marketers must find ways to give tangibility to intangibles; to increase the productivity of service provided; and to match the supply of services during peak and non-peak periods with market demand. Services industries lagged behind manufacturing firms in adopting and using marketing concepts and tools, but this situation has now changed. Service marketing strategy calls not only for external marketing but also internal marketing to motivate employees and interactive marketing to emphasize the importance of both “high tech” and “high touch”

The service organization faces three tasks in marketing.

- (i) It must differentiate its offer, delivery, or image.
- (ii) It must manage service quality in order to meet or exceed customers' expectations.
- (iii) It must manage worker productivity by getting its employee to work more skillfully, increasing the quantity of service by surrendering some quality, industrializing the service, inventing new product

solutions, designing more effective services, presenting customers with incentives to substitute their own labor for company labor, or using technology to save time and money. (Kotler 2001)

(4) Price

Despite the increased role of non-price factors in modern marketing, price remains a critical element of the marketing mix. Price is the only one of four Ps that produces revenue; the other three Ps produce costs. In setting its price policy, a company follows a six-step procedure. First, it selects its pricing objective. Second, it estimates the demand curve, the probable quantities that it will sell at each possible price. Third, it estimates how its costs vary at different levels of output, at different level of accumulated production experience, and for differentiated marketing offers. Fourth, it examines competitor's costs, prices and offers. Fifth, it selects a pricing method. Finally, it selects the final price, taking into account psychological pricing, and the impact of price on other parties. (Kotler 2001)

(5) Channel of Distribution

The concept of marketing channels is not limited to the distribution of physical goods. Producers of services and ideas also face the problem of making their output available and accessible to target populations. Schools develop "educational-dissemination systems" and hospitals develop "health-delivery systems." These institutions must figure out agencies and locations for reaching a population spread over an area. As internet technology advances, service industries such as banking, insurance, travel, and stock buying and selling will take place through new channels. (Kotler 2001)

(6) Advertising and Public relations

Philip Kotler suggested that Advertising is any paid form of nonpersonal presentation and promotion of ideas, goods or services by an identified sponsor. Advertisers include not only business firms but also charitable, nonprofit, and government agencies that advertise to various publics.

Developing an advertising program is a five-step process (a) Set advertising objectives; (b) establish a budget that takes into account stage in product life cycle, market share and consumer base, competition and clutter, advertising frequency, and product substitutability; (c) choose the advertising messages for desirability, exclusiveness, and believability; and execute the message with the most appropriate style, tone, words, and format and in a socially responsible manner; (d) decide on the media by establishing the ad's desired reach, frequency, and impact and then choosing the media that will deliver the desired results in terms of circulation, audience, effective audience, and effective ad-exposed audience; and (e) evaluate the communication and sales effects of advertising. (Kotler 2001)

Public relations (PR) involves a variety of programs designed to promote or protect a company's image or its individual products. The appeal of public relations and publicity is based on three distinctive qualities: High credibility, ability to catch buyers off guard, and dramatization. Many companies today use marketing public relations (MPR) to support their marketing departments in corporate or product promotion and image making. MPR can affect public awareness at a fraction of the cost of advertising, and is often much more credible. The main tools of PR are

publications, events, news, speeches, public service activities, and identity media. (Kotler 2001)

In considering when and how to use MPR, management must establish the marketing objectives, choose the PR messages and vehicles, implement the plan carefully, and evaluate the results. Results are usually evaluated in terms of number of exposures and cost savings; awareness, comprehension, or attitude changes; and sales-and-profit contribution. (Kotler 2001)

### 2.1.3 Financial Planning

It is suggested in [www.sba.org](http://www.sba.org) (September 2003) that in order to determine how much money is needed, a business must estimate its costs for at least the first several months. Every business is different, and has its own specific cash needs at different stages of development, so there is no universal method for estimating your startup costs. Some businesses can be started on a shoestring budget, while others may require considerable investment in inventory or equipment. To determine the startup costs, a business must identify all the expenses to be incurred during its startup phase. Some will be ongoing, such as the cost of utilities, inventory, insurance, etc. While identifying these costs, decide whether they are essential or optional. ([www.sba.gov](http://www.sba.gov), 2003)

The forecasts of individual financial variables can be combined to develop complete forecasts of the firm's financial position over time. There are two general approaches that may be used. The cash flow method focuses directly on movements of cash into and out of the firm. The balance sheet method relies on forecast of individual balance sheet accounts. Income statement forecasts are used with both approaches. Each forecast provides somewhat different information about the financial condition of the

firm over time, and both may be calculated if the financial manager wishes to have a complete forecast of financial aspects of the firm's operations. (Schall 1991)

Forecasts are used as part of the planning and budgeting process of the firm. Budgets are formal plans used as an aid in controlling the firm's operations. Two approaches to planning are in common use. The top-down approach begins with some general goals for the firm for the planning period, and then the activities necessary to achieve these goals are estimated. The bottom-up approach starts with estimates for the separate parts of the firm. These separate plans or budgets are then combined to provide a total plan. Often both approaches are used to ensure consistency of separate budgets with the general goals established by management. The budgets for individual departments or operating units of the firm enable a firm's management to control its operation. (Schall 1991)

#### 2.1.4 Strategic Planning

Philip Kotler explained that market-oriented strategic planning was the managerial process of developing and maintaining a viable fit between the organization's objectives, skills and resources and its changing market opportunities. The aim of strategic planning is to shape the company's businesses and products so that they yield target profits and growth. Strategic planning takes place at four levels: corporate, division, business unit, and product. (Kotler 2001)

Strategic planning for individual businesses entails the following activities: defining the business mission, analyzing external opportunities and threats, analyzing internal strengths and weaknesses, formulating goals, formulating strategy, formulating supporting programs, implementing the programs, and gathering feedback and exercising control. (Kotler 2001)

## 2.2 The New Concept of Early Childhood Education

The new concept of early childhood education is based on the article "Power of the first five years" published on the website of United Nations Educational Scientific and Cultural Organization ([www.unesco.org](http://www.unesco.org), September 2003). The article describes that in the new century, education is an utmost important process in human cultivation to bring up and open the human mind in order to adjust to the ever-changing world. In the Thai education system, students learn passively and are fed information and knowledge, in the so-called "teacher-centered method" which is now obsolete under present circumstances. ([www.unesco.org](http://www.unesco.org), September 2003)

As the globalized world moves on, a learning-oriented environment is now offered through interaction whereby students' minds and brains are stimulated to learn. Students are not yet ready to adopt the dramatic changes of globalization in which one has to think, express ideas, make decisions and solve problems. Several countries have already changed to the student-centered method which concerns learning and conceptualization (brain development). Children have to learn happily as well as acquire skills development through the modern media, including raising creativity, developing personality, broadening horizons in addition to academic subjects. Further, the new method offers emotional cultivation and psycho social subjects. ([www.unesco.org](http://www.unesco.org), September 2003)

Research has found that nothing is as wonderful as an infant's brain and each child's brain has its own potential. There are a billion cells in a new born baby's brain at birth. Early childhood education between 0-5 years of age, is a most vital stage as it is fundamental to all ages of learning. The firmer the foundation, the higher a building may be built. If children's brains, during these years, are neglected, the chance for further development is slim. It is much more difficult to learn during the adult age,

unless stimulated brain cell interaction has occurred during the earlier childhood age. ([www.unesco.org](http://www.unesco.org), September 2003)

It is apparent that, Thai education fails to reach its goals because it underlines memorization from kindergarten all the way through to university level. Besides growing up physically, the child's brain and social development must also be catered to, for their future success. Merit instilled during the infant age influences behavior in later life. Criteria to be considered in a child's development to becoming and educated and well-adjusted adult in society include: raising by parents; father's role; disciplined upbringing; spoiling behavior; parent relationship; etc. ([www.unesco.org](http://www.unesco.org), September 2003)

At school, children need to be happily cultivated. They learn naturally through routines, knowledge is transferred by demonstration. It is important for everyone to consider the proper process of learning. The absence of a sound education system may result in a nation's weakness, followed by an unfulfilled future. ([www.unesco.org](http://www.unesco.org), September 2003)

According to studies made by the National Institute for Early Childhood Education, the Office of the National Education Commission (ONEC), there are educators and institutions offering new educational approaches of learning in childhood education in Thailand - the education innovation - to be applied in teaching a student-centered approach which involves an interaction-oriented classroom between children and children, and children and teacher. Children are taught to make plans, implement, revise and present ideas in groups and individually. The communications skills of the children are also developed. ([www.unesco.org](http://www.unesco.org), September 2003)

Education researchers believe that learning through playing and feeling is active learning and is a significant factor in bringing out the potential of each child. The

teacher's role has changed from teaching children directly, to that of arranging children within an atmosphere that stimulates them to learn, to encourage and evoke learning, while presenting opportunities to express and interconnect ideas and to observe children the way they are naturally. ([www.unesco.org](http://www.unesco.org), September 2003)

Child-Centered education enables children to learn happily, learn to think and learn what interests them. Therefore, the above approaches need to be adopted in early childhood education in Thailand to be in line with the National Education Act B.E. 2542 which promotes life-long education. Schools, parents and communities are crucial supporters of the child's development. When children between 0-5 years are appropriately educated, the power of the first five years provides the strength to enable the children to become high-calibre adults in the future. ([www.unesco.org](http://www.unesco.org), September 2003)



### **III. PROBLEM DEFINITION / BUSINESS SITUATION**

#### **3.1 Background / Problems**

Bann Noo Kindergarten was originally established in 1984 by Khun Rattapun Na Nakorn, under the governing of the Ministry of Education. The school is a one-storey building on 350-square wah land located in Soi Sukhumvit 107 (Soi Bearing) around 500 metre off Sukhumvit road. In the beginning, the school was granted the license from the Office of the Private Education Commission under the Ministry of Education. to operate kindergarten level 1 and level 2 with students of 140 at the maximum. However, in 1988 the school had sought permission from the Ministry of Education to change the educational structure to 3 levels; Level 1 (OR 1), Level 2 (OR 2), and Level 3 (OR 3) with the maximum number of students extended to 245.

After 19 years of operating the school, Khun Rattapun Na Nakorn, who had some health problems for several years, decided to sell the school to Khun Pimjai Narongrith and Khun Ronpibul Chaiyakul in 2002. As mentioned earlier the previous owner was not in good health, the school was, therefore, operated under a minimum attention. Thus, the two new partners faced with 2 main problems. The first problem was the declining number of students. The school presently has less than 15 students per level, which resulted in operating loss. The second problem was the lack of maintenance, which made the school building and the surrounding area look old and unpleasant. After the school has been operated under the new management, several improvements has been done to the school as listed below:

- (1) The new principal, who has experience over 20 years of teaching and managing the curriculum, was appointed in order to improve the school operation in both academics and administration.

- (2) The school building was repaired and painted to provide a new and pleasant environment for children. The kitchen and the bathroom were renovated together with the house of previous owner, which was turned to be the school's new office.
- (3) As the school was lower than the road outside, the land had been filled to prevent flooding in the rainy season.
- (4) Trees and grasses were planted on the playground to create the green atmosphere.
- (5) The new school bus was purchased to provide a reliable transportation service to students living around the area.

### **3.2 Overview of Current Business**

Bann Noo is a small-sized kindergarten with a total of 58 students. Most students live in the nearby area of Samrong, Sukhumvit, and Srinakarin. The school offers a nursery and 3 levels of kindergarten. Each kindergarten level consists of one class and is instructed by 2 teachers. Presently, the school has 12 students in the nursery, 19 students in kindergarten level 1, 13 students in kindergarten level 2, and 14 students in kindergarten level 3. The head principal is responsible for supervising the teachers, managing the curriculum and administering general operation of the school, while the general manager is responsible for strategic planning and marketing management of the school. Details of the school's operation are as follows:

#### *Classes Offered*

Nursery	:	2-3 years old
Kindergarten I	:	3-4 years old
Kindergarten II	:	4-5 years old
Kindergarten III	:	5-6 years old

## Curriculum

The curriculum of Bann Noo is set under the guideline from the Ministry of Education with aims to develop social, emotional, physical, and intellectual standards of the children. The fundamental subjects of Bann Noo's curriculum and their benefits are as follows:

- (1) Early Mathematics: A basic introduction to numbers, and classification.
- (2) Language Development: To provide opportunities for learning the visual characteristics of letters and pre-reading skills. Children can develop their language skills from listening to stories, reading books and talking and learning facts about the world
- (3) Educational Games: To promote teacher/child interaction, offer problem solving opportunities, teach new skills and stimulate imagination.
- (4) Action Songs, Body Movement and Rhythm: To strengthen the children's large muscle coordination.
- (5) Physical Education: To integrate children's play experiences to stimulate large muscle control. A program of vigorous activities to strengthen the muscles used in maintaining posture, in a safe environment with appropriate equipment made of impact-absorbing material.
- (6) Art and Craft: To help create ideas and imagination along with developing the child's small muscles. To develop manual skills vital for pre-writing by drawing, painting, modeling with clay and play dough.
- (7) Music: To develop and motivate children to participate in singing, rhythm, body movement, listening, and following directions.
- (8) Free Play: To develop children's thinking, senses, movement and enjoyment.

### Price

Tuition fee is presently structured from Baht 14,730 – Baht 15,860 as presented in the table below:

Table 3.1. Tuition and Fees Structure.

	Nursery	Level 1	Level 2	Level 3
1 Application fee	100.00	100.00	100.00	100.00
2 Enrollment fee	2,910.00	2,910.00	2,030.00	2,030.00
3 Accidental Insurance	100.00	100.00	100.00	100.00
4 Books and Sheets	300.00	450.00	500.00	550.00
5 Air-condition	300.00	300.00	-	-
6 Tuition	12,000.00	12,000.00	12,000.00	12,000.00
7 School Bus Service	Fee for school bus depends on the distance.			

### Promotion and Public Relation

Promotion and public relation at this stage are minimal. The school just shows its address and telephone number on the school bus. There is also an advertisement board at the front door of the school.

### School Calendar

The first Semester : The middle of May to the end of September

The Second Semester : The beginning of November to the end of February

Summer Session : The middle of March to the end of April

Note: Summer school is also provided for students who express their interests.

### 3.3 Shareholding

Two partners invested in Bann Noo Kindergarten with the agreement that the benefits will be shared equally between the two partners. Details of the investors and their investments are as follows:

<b>Name</b>	<b>Investment</b>
Khun Pimjai Narongrith	Baht 8.25 million
Khun Ronpibul Chaiyakul	<u>Baht 8.25 million</u>
Total	<u>Baht 16.50 million</u>

### 3.4 Organization and Staff

Management team of Bann Noo, who had extensive experiences in their own area, consists of the following:

Khun Pimjai Narongrith	Licensee
Khun Ronpibul Chaiyakul	General Manager
Khun Santhana Sanow	Principal

Teacher and staff are qualified and competent with on-going professional development and constant updating on the latest educational approaches. Presently, the school has 7 teachers and 4 administration staff with education background as per details below:

<u>Teacher</u>	<u>Number</u>
Master Degree	1
Bachelor Degree	3
Vocational College	3
<u>Administration Staff</u>	<u>Number</u>
Vocational College	1

Secondary School (Mor 3) 1

Primary School (Por 6) 2

The organization structure is to divide the operation of the school into 2 sections managed under the head principal. The two sections are academic and extra curricular activities section, and administration section. Organization chart is as follows:

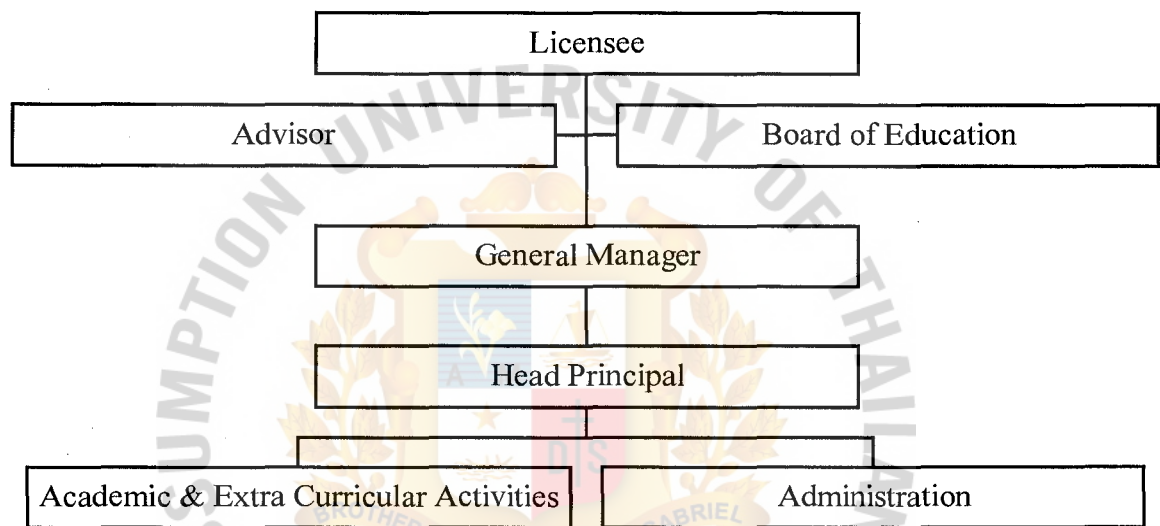


Figure 3.1. Bann Noo's Organization Chart.

### 3.5 Business Objectives

- (1) Bann Noo intends to provide a quality learning in a friendly environment.
- (2) The school will increase number of attending students to 140 within 5 years.
- (3) Average tuition and fee will be raised to Baht 18,000 within 5 years.
- (4) The average rate of return on investment is expected at 3% from year 2005 onwards.

## **IV. MARKETING RESEARCH**

In order to clearly analyze overall picture of kindergarten business, marketing research has been done by visiting and talking to teacher and staffs of 30 schools in Bangkok and Samutprakarn, in-depth interview with the teachers and the principal of Bann Noo, and interview with our focus group.

### **4.1 Marketing Research Objective**

- (1) To define overall pictures of kindergarten business and education philosophy
- (2) To understand the attitude of parents towards kindergarten
- (3) To define the key success factors in operating a kindergarten
- (4) To search for main and direct competitors in the area in order to define their strengths and weaknesses

### **4.2 Research Method**

- (1) Survey 30 schools in Bangkok and Samutprakarn and talk to their teacher and staffs concerning the educational approach, tuition and fees, number of teacher per students, the environment, extra curricular activities and other services.
- (2) In-depths interview with kindergarten teachers and principal of Bann Noo Kindergarten to gather information concerning overall industry and kindergarten business.
- (3) Interview with our focus group; a middle to upper-middle income families with children aged between 1-6 years old. The focus group was randomly selected at Seacon Square and Central Bangna, as major customers of these two shopping malls are middle to upper middle income who live in our

target area. 25 families were selected from each shopping mall based on the ground that they came with kids aged around 1-6. Both close-ended and open-ended questions were used since we want specific answers for some questions and respondent's opinions and attitudes in some areas.

### 4.3 Result of the Research

The result of the school survey and in-depth interview will be discussed later in the industry and market analysis, whereas the result of the focus group's interview are presented as follows:

- (1) The criteria in selecting the school's location;

	<u>Number of respondents</u>	<u>% of total</u>
Close to home	26	52%
Close to workplace	16	32%
Any of the above	5	10%
Others	3	6%

One of the families who selected others explained that they would send their kids to a reputable kindergarten.

- (2) The important factors in selecting a kindergarten other than the location;

The answers are varied from safety, environment, academic knowledge, reputation, number of students, teaching approach, cleanliness, tuition, to extra curricula activities.

- (3) The ranges of tuition and fees;

The acceptable tuition and fees for majority of respondents was in the range of Baht 12,000 – Baht 15,000. However, they are willing to pay more if the quality of the school was worth. The maximum tuition and fees for respondents ranges from Baht 18,000 – Baht 25,000.

<u>Tuition and fees</u>	<u>Number of respondents</u>	<u>% of total</u>
Baht 9,000 – Baht 12,000	15	30%
Baht 12,000 – Baht 15,000	26	52%
Baht 15,000 – Baht 18,000	7	14%
Above Baht 18,000	2	4%

- (4) The additional course or subject that a kindergarten should provide;

The majority of respondents thought that the kindergarten should teach more computer and English course.

- (5) How do you know the kindergarten that your children was attending or going to attend?

Most of the respondents knew from friends and relatives, while some knew because they are located in familiar territories such as their houses or workplaces.

- (6) The ratio of students to teacher;

The majority of respondents wanted the number of students to be in the range of 12-15 for one teacher.

- (7) The number of students per class

Most of the respondents would like the number of students per class to be no more than 20-25, however, when asked about their experiences, their children were in the class of more than 20 students. The number of students per class from the experiences of focus group ranges from 25-40 with the majority in the range of 25-30.

(8) Child-centered concepts

Approximately 58% of the respondents were familiar with the child-centered concepts, and most of them have good attitude towards this approach.



## V. INDUSTRY AND MARKET ANALYSIS

### 5.1 Industry Description and Analysis

Based on our survey of 30 private kindergarten around Bangkok and Samutprakarn, including in-depth interview with several people in the education system. Thus, this analysis shall discuss only private kindergarten, while excluding public kindergarten and home-school system from the discussion as they have different target markets. In this project, the kindergarten is classified using 2 basis. The first one is to classify based on the language of instruction and the other one is divided by their teaching approaches.

If language of instruction is used to group private kindergarten, it should be able to be divided into 3 groups as follows:

#### (1) Thai Kindergarten

In general, the curriculum and teaching language of normal Thai kindergarten are conducted in Thai. The teaching approaches for most Thai kindergarten are teacher-centered, however, the trend of child-centered concept is becoming more popular as evidenced in several kindergartens in our survey. Curriculum consisted of Thai, English, Mathematics, Physical activities, and Art. Some schools may have native speakers to teach English language. The class will be classified into three levels; level 1 (OR1), level 2 (OR2) and level 3 (OR3). The emphasis will be on providing intense academic background in order to help the children pass the competitive examination to further their studies in one of private schools after the students finished level 3. Tuition and fees can range from Baht 8,000 per semester to over Baht 30,000 per semester for the kindergarten that has a lot of special classes and extra-curricular activities to suit the kid's

interest. School year is divided into 2 semesters with the first semester beginning from the middle of May to the end of September and the second semester runs from November to the end of February.



Figure 5.1. An Image of Thai Kindergarten.

## (2) International Kindergarten

In international kindergarten, the curriculum and the language of instruction are in English. The teaching approaches usually are child-centered, which encourage students to become independent, have self-confidence and be active explorers. Curriculum is quite similar to Thai kindergarten in teaching English, mathematics, physical activities, music and art. The class will be divided into three levels; level 1, level 2 and level 3. Tuition and fees can start from Baht 30,000 per semester. School year varies from semester system, trimester system to quarter system. The children have to further their education in international school.



Figure 5.2. Classroom of International Kindergarten.

### (3) Bilingual Kindergarten

Nowadays, the trend of bilingual kindergarten becomes more popular as the children will have better English language skill and could choose later whether to further their education in either Thai or International school. Thus, parents who have not made decision whether to send their children to Thai or international school in the primary level usually opt for bilingual kindergarten. The bilingual school teaches with similar curriculum as the international school with English language as a medium of instruction, however, the difference is that the bilingual schools offered Thai language in their curriculum. Tuition and fees are compatible to those of international kindergarten.

Nevertheless, if the kindergarten is divided by its teaching approach, it can be roughly classified into teacher-centered and child-centered approach as the following details:

#### (1) Teacher-centered Approach

In the schools that teach with teacher-centered approach, the role of a teacher is to feed information and knowledge to the students directly, whereas the

students learn through memorization. The school will focus more on academics and measure the development of the children through academic excellent. The children are not strongly stimulated to think and express their ideas naturally, thus, they may have less self-confidence and creativity. Most Thai kindergarten still uses this traditional teaching approach. The tuition and fees for the school using this approach are varied depending on the reputation for their academics so they can ranges from Baht 9,000 to Baht 27,000.

## (2) Child-centered Approach

For Child-centered approach, teachers act as facilitators or coaches, using interactive discussions and hands-on learning to help students learn and apply concepts in subjects such as science, mathematics, or English. They are using more tools and games to help children understand abstract concepts, solve problems, and develop critical thought processes. As children get older, they use more sophisticated materials such as science apparatus, cameras, or computers. Classes are becoming less structured, with students working in a group to discuss and solve problems together. Most international and bilingual school uses child-centered approaches. Some Thai kindergartens also start teaching with child-centered approaches, however, their tuition and fee can be as high as Baht 30,000 per semester as these kindergartens have a lot of extra curricular activities to improve the children's social skills and self confident.

## 5.2 Market Analysis

Based on our survey in the area, there are 2 kindergartens 1 primary schools, and 2 secondary schools that also offer kindergarten. However, we considered only those 2 kindergartens and the primary school as our direct competitors as the other 2 private secondary schools are quite reputable, thus, its students are mostly from upper-middle

class to upper-class family whose income are higher than our target group. Moreover, their enrollments are very competitive with high enrollment fee. Meanwhile, other aspects of the market has been analyzed as follows:

#### 5.2.1 Intensity of rivalry among existing firms

According to our survey, the competition of kindergarten business in our area seems to be quite intense as there are around 3 kindergartens and 3 schools offering a kindergarten including Bann Noo, however, the room for growth and development still exists. This is strongly evidenced from most of our competitors whose classes expanded to more than 2 per 1 kindergarten level and some even have 7-8 classes per level, and they have reached the maximum number of students permitted by their licenses. Thus, it could be our opportunity for expansion.

#### 5.2.2 Threat of new entrants

Barrier to entry into the market still exists since operating kindergarten required a license from the Ministry of Education, which is rather difficult to obtain due to the bureaucratic system.

#### 5.2.3 Bargaining power of buyers

Buyers do have some bargaining power as there are a number of both direct and indirect competitors (private kindergarten outside the area, and public kindergarten), however, if any kindergarten can differentiate their offering and target niche market, the bargaining power will switch to the sellers.

### 5.3 Competitor Analysis

Competitor analysis is based on our survey and observation of direct competitors in the area. As we disguise to be one of their customers to visit and gather information directly from our competitors, the real name of them will be omitted from this report.

The analysis of each competitor is under assumed named, Kindergarten A, Kindergarten B, and Primary School C, as follows:

Kindergarten A located in a Soi next to Bann Noo. The school is a one-storey building with a homely atmosphere created especially for kids such as playground with toys. *Kindergarten A* uses a mix of teacher-centered and child-centered approach as the teachers try to encourage students to have creativity and to participate in classroom activities. Extra curricular activities such as computer and music are also available. *Kindergarten A* offered nursery and 3 levels of kindergarten. Each level offered 2 classes with approximately 25 students per class, and each class is instructed by 2 teachers. Tuition and fee is around Baht 20,000 per semester.

Strengths:

- (1) *Kindergarten A* has a friendly and relaxed atmosphere, which is more suitable for children.
- (2) The tuition and fees is not too expensive as it is in the mid-range when comparing with overall industry, and the lowest among the three competitors.
- (3) The school is child-focused so the students will have much more self-confidence and creativity.

Weakness:

- (1) It is not academic focused so the children may have some problems if they have to take a competitive exam to a private primary school.
- (2) The school usually faces flooding in the rainy season.

Kindergarten B is a two-storey building with some available space located close to one of reputable private girl schools. The atmosphere is rather formal like an ordinary primary school than a kindergarten. The teaching approach is more of a teacher-centered than a child-centered as the school emphasizes on academic aspects in order that the children could further their education in the private girls' school next door. The

school has several interesting extra curricular activities such as swimming and dancing lesson, however, the fees are separated from normal tuition and fees of the school and the children have to take those classes on weekend. *Kindergarten B* offered 3 levels of kindergarten. Each level offers 7-8 classes with approximately 35 students per class, while each class is instructed by 2 teachers. Tuition and fee is around Baht 27,000 for the first semester and Baht 22,000 for the second semester.

Strengths:

- (1) Strong academic background and its reputation ensure that the students will be able to enroll into a good private school.
- (2) The school provided several interesting extra curricular activities.
- (3) The bus services are in excellent condition and cover wider area than most competitors.

Weakness:

- (1) The school focused more on the academic field so the children may lack development in other areas.
- (2) There are too many students per class and too many classes per level, thus, child safety is questionable.
- (3) Facilities such as bathroom, washing basin, and drinking water are not sufficient as there are too many students.
- (4) The tuition and fees are quite expensive and in the high-end even when compared with overall Thai kindergarten.

School C is a primary school offering 3 levels of kindergarten and 6 levels of primary school (Por 1–6). The teaching method and atmosphere of *School C* is quite similar to *Kindergarten B* since the teacher-centered approach is used. The atmosphere is also more like a school than a friendly environment of a kindergarten. The school offers 3-4 classes per level with approximately 30 students per class. Each class is instructed by 2 teachers. Tuition and fee is around Baht 20,000 per semester.

Strengths: (1) The parents can ensure that their children enroll in the primary level of this school.

(2) The tuition and fees are in the mid-range and not too expensive.

Weakness: (1) The school's atmosphere is too formal and not as warm and friendly as *Kindegarten A*.

(2) The teacher-centered approach may not encourage the student's creativity and self-confident.

## 5.4 SWOT Analysis

### 5.4.1 Strength

- (1) Bann Noo has less number of students than its competitor therefore, the teacher is enable to know the students and their individual needs better.
- (2) The ratio of student per teacher is the lowest among the competitors so it is easier for the teacher to recognize the problems and remedy them immediately.
- (3) Tuition and fees are very competitive and the lowest among the competitors.
- (4) The teaching method is more of a child-centered approach so the students are strongly encouraged to participate actively in a wide variety of activities that stimulate physical, emotional, and social development naturally.
- (5) The environment is homely and warm since the school was built in a home-style with playground and toys.
- (6) Bann Noo operated its own school bus and driver, so it could ensure child safety through this good quality service unlike some of its competitors whose school bus is rented, and in bad condition with unqualified driver.

#### 5.4.2 Weakness

- (1) Bann Noo's reputation has been in a declining stage when the previous owner was sick and neglected the school's operation.
- (2) Bann Noo is less academic focused than its competitors so the parents may be worried for the future of their children when having to take competitive examination to enroll in primary school.
- (3) The promotion and public relation campaign to the public and target market is still not sufficient.

#### 5.4.3 Opportunities

- (1) The Thai economy is partially recovered, resulting in better economic situation and higher purchasing power, therefore, the opportunity for private kindergarten, which is more expensive than public kindergarten, seems bright.
- (2) Bann Noo already has a number of parents on our list who have shown their interest in Bann Noo through the visit during last semester.
- (3) The trend of child-centered kindergarten such as Bann Noo is becoming more popular as the National Education Act encourage Thai kids to develop towards more analytical and independent thought under learner-oriented education.
- (4) Bann Noo has a nursery taking care of the pre-kindergarten kids, which could turn to be the students in our kindergarten in the future if we could impress the parents through the best care.

#### 5.4.4 Threats

- (1) There is already one reputable kindergarten in this area so it may take time for Bann Noo to establish itself as a school of choice in the eyes of the parents.
- (2) Except from the direct competitors mentioned above, there are a large number of indirect competitors which includes public kindergartens, private kindergarten elsewhere.



## **VI THE MARKETING PLAN**

### **6.1 Target Market**

Bann Noo will focus initially on middle to upper-middle income parents as their attitude tend to be more modernized and have an understanding towards the child-centered approach. (This group of parents also need their children to study in a safe and friendly environment as they are willing to pay higher school fees for a better quality kindergarten.) Thus, our market niche will be to focus on the group of parents who are interested in child-centered approach. The group of parents who understand that it is important to allow the children the time to make related discoveries and experience enriching activities and to keep the academic goals developmentally appropriate.

Furthermore, based on our marketing research, a majority of our respondents selected the school close to home for their children over other options. Therefore, in the beginning we shall focus only on the families in Amphur Muang Samutprakarn as our target customer, of which according to the statistics from the National Statistical Office, the number of children aged between 1-5 years living in Amphur Muang Samutprakarn are registered at 6,556.

### **6.2 Product Strategies**

Our product strategy to impress our target parents and attract more students will rely on three key factors as follows:

- (1) To differentiate our curriculum by using child-centered teaching approach.

To be prepared for the future, students must be able to interact with other, adopt to new technology, and logically think through problems, thus, our curriculum and extracurricular activities will be improved to prepare students for future needs. Bann Noo believes that children learn better

through active involvement with their environment. Their environment should promote independence, foster decision-making, and encourage involvement. By focusing on the developmental progress of each child, we offer an ideal setting for all children through different interest areas, such as: blocks, art, music & movement, table toys, art, computer, library, and outdoor. The most important goal of our curriculum is to help children become enthusiastic learners. This means encouraging them to be active explorers who are not afraid to try out their ideas in a hundred ways. Our curriculum will help the children become independent, self-confident, inquisitive learners. It is also giving them good habits and attitudes, particularly a positive sense of themselves, which will make a difference throughout their lives.

Based on our interview with teacher and principal at Bann Noo, the kindergarten presently has no timetable for class to present to both current and prospective parents what a daily life of their kids look like. The timetable for our kindergarten class has, therefore, been developed by consulting the teachers and head principal to move towards more child-centered approach. The class timetable is presented as follows:

7:55 to 8:20	Small group math lessons
8:20 to 8:35	Class meeting/restroom and drinks
8:35 to 8:55	Math board/calendar
8:55 to 9:10	Whole class math lesson
9:10 to 9:20	Predictable chart
9:20 to 9:50	Shared reading
9:50 to 10:15	Learning Centers

10:15 to 10:30	Morning recess
10:30 to 10:55	Learning Centers continue
10:55 to 11:10	Alphabet/phonics lesson and paper
11:10 to 11:40	Writing workshop or Reading Lab
11:40 to 12:20	Lunch and recess
12:20 to 1:10	Special classes (music, English, sport, art or
1:10 to 1:45	computer)
1:45 to 2:00	Nap/rest time
2:00 to 2:15	Afternoon recess
2:15 to 3:00	Picture and word chart
3:00 to 3:10	Theme related activities integrating science and/or social studies. Show and Tell and get ready to go home

In addition to the improvement of curriculum mentioned above, we will add more extra curricular activities to encourage natural development of our students both mentally and physically. Field trips to the community such as temples and Suan Luang park will be arranged so that the students can learn through real life experiences and active involvement with their environment. Furthermore, activities on special occasions such as Mother Day, Father Day, and Loy Kratong Day will be arranged to encourage students to participate and express their ideas and creativity.

We have learned from the principal of Bann Noo that a lot of parents expressed their preference towards our school, however, they are worried that their children may not be able to pass the competitive exam to enter a reputable private school as our academic level is not as strong as our

competitors. Therefore, we will arrange summer school for Kindergarten level 2 and 3 to tutor the students who need to further their education in private schools.

(2) To add value to our curriculum.

According to our survey, it is suggested that a kindergarten should teach more English and computer class. Therefore, we plan to hire a native speaker to teach English to our students in a special English class as part of the curriculum twice a week so that our students are familiar with foreigners and develop a correct English accent. In addition to that, the computer class will be taught once a week to encourage the students to adopt to new technology slowly.

(3) To encourage a friendly and safe atmosphere of the school

Bann Noo plans to have a small class with students of no more than 25 per class under the instruction of 2 teachers as suggested by our survey in order to create a safe environment and also encourage the teacher to know the students and their individual needs better. It is also important to develop a good parent-teacher relationship, therefore, the teacher will communicate with parents through daily memo, telephone calls, biweekly newsletters, semester reports and parent-teacher conferences. The parents also require to respond back to the teachers in daily memo.

There will be no physical punishment in our kindergarten, so we will establish good classroom discipline through class discussion and rule making to protect each student's safety. If the class rules are broken, punishment will be in the form other than physical punishment such as time-out away from class for class disruptions or bothering other children,

cleaning or repairing damaged property, or written and/or verbal apologies for aggressive behavior.

### **6.3 Pricing Strategies**

Based on market research findings, our tuition fees, excluding enrollment and application fee, which is one-time, of around Baht 15,000 was in an acceptable range for the majority of parents. However, when compared with all direct competitors, our tuition fee is lowest. Thus, when coupled with our operating loss, Bann Noo has to increase its tuition fees starting from next year. In order to have the least impact to our customers, it is suggested that overall tuition fees should be increased.

The tuition for nursery and kindergarten level 1 should be lower than kindergarten level 2 and 3 to attract more students with lower tuition, and also because the parents have to pay enrollment and application fee when the children first enroll in the school, so the lower tuition will help overall payment to be in affordable range.

Air-condition fees will be adjusted to charge at all levels of kindergarten and nursery. Presently, Bann Noo charges air-condition fees only for the nursery and kindergarten level 1, since they sleep in the air-conditioned room in the afternoon. However, the policy will be changed to charging kindergarten level 1 and 2 as well, since some of their extra curricular activities are in the air-conditioned room. Book and sheets will be increased by Baht 100 per semester at all level. Thus, the estimated tuition and fee for the first semester of year 2003 is expected to increase as follows:

Table 6.1. Estimated Five –Year Pricing Structure.

	Nursery	Level 1	Level 2	Level 3
1 Application fee	100.00	100.00	100.00	100.00
2 Enrollment fee	2,910.00	2,910.00	2,030.00	2,030.00
3 Accidental Insurance	100.00	100.00	100.00	100.00
4 Books and Sheets	400.00	550.00	600.00	650.00
5 Air-condition	400.00	400.00	400.00	400.00
6 Tuition	13,000.00	13,000.00	14,000.00	14,000.00

However, after year 2003, the tuition and fee except application and enrollment fee should be increased at an average of 5% per year for all levels.

#### 6.4 Promotion and Public Relation Strategies

As Bann Noo is a small-sized kindergarten with objectives to service the community in the area, the advertising and public relation plan at this stage will have to focus towards our community. Thus, in order to promote Bann Noo and create awareness and good image among our target group, we will have promotion and public relation activities as follows:

- (1) The three-folded brochures describing our kindergarten and the children activities will be mailed directly to our focus group in Samrong and Srinakarin area so that the target group will be familiar with our school. The budget is estimated at Baht 30,000 in the beginning.
- (2) Internet home-page describing our teaching approach as child-centered, the curriculum, extra curricular activities, school calendar and other services and successful experiences will be developed to provide another access to our school. There will be no cost related to developing the home-page as the

manager could create a home-page and free hosting will be used in the initial stage.

- (3) The school bus will be decorated with bright cartoon stickers to advertise and create awareness and image for our kindergarten. The cost is estimated at around Baht 30,000.
- (4) Aerobic activities will be arranged in the playground of the school in the evening to promote our school. There is no cost for these activities as we have one teacher who volunteers to teach the class and we also have our own stereo system.

In addition to the above mentioned marketing tools, we are positive that the parents will recommend our school to their friends, families and relatives as we provide the best cares to their children.

## **6.5 Sales strategies**

Our sales strategy will focus on 2 tactics as follows:

- (1) As we faced an unfriendly manner when we called to ask for some information and visited most of our competitors as an interested parent, we plan to train our administrative staff and teachers to provide a willing and friendly manner and welcome any parent to visit our school. The tour of the school and our brochure will be provided to the parents who come to visit our school. The training will compose of a guideline in discussing and offering information and also a simulation of the event where each staff and teacher could role-play their conversation and touring.
- (2) Since most of our competitors don't offer a nursery, we will focus on encouraging and promoting our nursery as the parents will be less selective in choosing a nursery for their kids than a kindergarten. Thus, if our school

environment impress both the children and their parents, the possibility that the parents have their children attend our kindergarten class will be strong.



## VII. THE FINANCIAL PLAN.

### 7.1 Sales Forecast

Based on the assumption that after our promotion and public relation campaign, and also word-of-mouth from the parents, our school should be known to the target groups and the number of new students should increase as per our forecast on the table below:

Table 7.1. The five year forecast of number of students.

	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
Nursery	15	18	21	24	29
Kindergarten 1	25	30	33	41	44
Kindergarten 2	19	25	27	33	41
Kindergarten 3	13	19	25	27	33
Total	72	92	106	125	147

#### Key Assumptions

- (1) New students enroll in either the nursery or kindergarten 1.
- (2) It is estimated that approximately 3 students will move out from our nursery to study kindergarten 1 at other schools.
- (3) It is assumed that there is no students moving out of our kindergarten after they finished kindergarten 1. Hence, the number of students for kindergarten 2 and 3 are the students who study in kindergarten 1 and 2 the year before.
- (4) Year 1 : There are 15 children enrolled into our nursery, 14 new students enrolled in our kindergarten 1, while the remaining are from our nursery.

- (5) Year 2 : There are 18 children enrolled into our nursery, 17 new students enrolled in our kindergarten 1, while the remaining are from our nursery.
- (6) Year 3 : There are 21 children enrolled into our nursery, 20 new students enrolled in our kindergarten 1, while the remaining are from our nursery.
- (7) Year 4 : There are 24 children enrolled into our nursery, 23 new students enrolled in our kindergarten 1, while the remaining are from our nursery.
- (8) Year 5 : There are 29 children enrolled into our nursery, 26 new students enrolled in our kindergarten 1, while the remaining are from our nursery.

## **7.2 Financial Projection**

### **7.2.1 Key Assumption for the financial projection**

- (1) Revenues are derived from tuition and fees based on the new pricing structure and estimated number of students enrolled.
- (2) Salary is based on current salary and the number of existing teachers and staffs. One new teacher will be hired each year. The salary will be increased around 5% per year.
- (3) Other administrative expenses are based on current expenses. The expenses will be increased around 5% per year.

### **7.2.2 The projection of income statements**

The following information presents a summary of projections for 5 years of operations starting from May 2004, which is the beginning of the school year.

Table 7.2. Summary of Projected Income Statement.

	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
Total Revenues	2,870,387	3,711,394	4,630,017	5,720,723	6,896,794
Expenses	2,904,489	3,293,074	3,708,420	4,169,131	4,664,587
Net Income	(34,102)	418,320	921,597	1,551,592	2,232,207

Bann Noo will incur a net loss of around Baht 34,102 in year 2004 since we believe in improving the quality of the school first and let the word-of-mouth strategy to work. Therefore, we have projected the number of students to rise slowly while increasing our teachers first, so the economy of scale does not exist in the first year. However, after that the net income has been forecasted to increase to the maximum of over 2 million baht at year 2008.

### 7.2.3 Cash Flow Projection

The cash flow has been projected by the assumption that there is no cash at the beginning of year 2004. The summary of cash flow projection is as per table below:

Table 7.3. Summary of Projected Cash Flow.

	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
Beginning Cash		202,164	856,749	2,014,612	3,802,470
Cash Inflow	2,870,387	3,711,394	4,630,017	5,720,723	6,896,794
Cash Outflow	2,668,223	3,056,808	3,472,154	3,932,865	4,428,321
Net Cash Balance	202,164	856,749	2,014,612	3,802,470	6,270,943

As evidenced from the projection that the net cash balance will be positive throughout the five years of projection period, the school should be able to operate smoothly if the number of students increase as our forecast and the expenses has been controlled as budgeted.

#### 7.2.4 Return on investment

From the projected income statements above, the net present value (NPV) for five-year net income using the discount rate at 6% (average Minimum Lending Rate of Thai Banks) is Baht 4,010,962. Hence, the return on investment for 5 years period will be approximately 24%.



## **VIII. EVALUATION AND CONTINGENCY PLAN**

### **8.1 Evaluation of Business Plan**

As our business is in the area of education, it is quite difficult to evaluate the effectiveness of our marketing plan and strategies within a short period of time. It may take a few years to see the result of our plan as in this business word-of-mouth is probably the best marketing strategies. However, we do plan some evaluation to measure our business plan so that we may consider using our contingency plan if the number of attended students was below our forecast. Our evaluation plan will be as follows:

- (1) After the first semester begins, the administration staff has to prepare report comparing the number of students enrolled in our kindergarten with the forecast. If the figures are below our projection, the management together with the principal has to discuss our alternative and consider whether to use our contingency plan.
- (2) Prepare a monthly report and half year report (when the semester ended) to compare the actual revenues and expenses with budgets.
- (3) Prepare a questionnaire for the parents who come to visit our school to answer so we have the database of our potential customers so that we can follow them up later. This questionnaire will also ask how they know our kindergarten in order that we can evaluate whether our promotion strategies are effective.
- (4) Prepare a questionnaire for the parents to answer at the end of each semester to understand their attitude towards our curriculum and services in order to be a guideline for our improvement.

## 8.2 Contingency Plan

As mentioned earlier that it may take a few years to see the effectiveness of this business plan, however, we can have the contingency plan to be a back up in case our actual operation are not in line with the plan. Our contingency plan will be separated into three areas as follow:

### 8.2.1 Operation

As one of the key successes for our operation is the teachers and our head principal, there will be some risk that they resign from the school, especially the head principal who is the key man of this kindergarten. Therefore, the contingency plan for the case that the head principal resign is that the manager and another senior teacher will be responsible for the operation of the school when we recruit a new principal. The manager, who is also one of the owners, will be responsible for the administration of the school, while the senior teacher, who has been with the school since the beginning, will be responsible for the curriculum and managing the teachers in the school. It is believed that the operation can run effectively as the manager already understands all the operation of the school, while the senior teacher knows all the aspects of the curriculum as she presently helps the principal, and she also receives respect from other teachers due to her experiences and seniority. For the resignation of the teachers, it should not be a big problem as we already have 2 teachers per class so we will use one teacher to teach the class and another staff to help taking care of the students until we could find a new teacher.

### 8.2.2 Marketing

The area that we can improve in our marketing plan is the promotion and public relation strategies. For the contingency plan, we will add some promotion plan as follows:

- (1) As our target groups are the families that send their kids to a kindergarten close to home, our contingency plan is to set up a booth in 2 shopping malls close to our kindergarten, Seacon Square and Central Bangna. The booth will consist of the board to introduce the good points of our school and an interesting student activity. We will arrange a fun game and set up a few computers for the kids to play in order to attract people to come to our booth. With this plan, our target group will be better informed about our school.
- (2) The frequency of mailing the brochure to our target groups may have to be increased to introduce our school harder. There will be the distribution of our brochure in the public places such as the shopping mall.
- (3) We will put our advertisement on the large billboard on top of the building located in the crowded area of Samrong.
- (4) Our students will be sent to join and perform the show in some interesting events such as Loy Krathong or New Year Celebration.

#### 8.2.3 Finance

The policy and regulation in granting financial aid to support private school including kindergarten has already existed, thus, in case our income is below the projection, our contingency plan to help improve the financial position is to request for financial aid from the Ministry of Education. However, the disadvantage point of receiving financial aid from the government is that the Ministry of Education will have the right to investigate the management and operation of the school, and make decisions together with the management concerning the direction of the school. Therefore, if we have to face financial difficulty, the request for financial aid could be our contingency plan to help the school's financial situation.

## **IX. CONCLUSION AND RECOMMENDATION .**

### **9.1 Conclusion**

This project focused on the business plan development of Bann Noo, which is a small-sized kindergarten opened around 19 years ago. Khun Pimjai Narongrith and Khun Ronpibul Chaikyakul purchased this kindergarten for Baht 16.5 million. The two new partners faced with 2 main problems. The first problem was the declining number of students. The school presently has less than 15 students per level, which resulted in operating loss. The second problem was the lack of maintenance, which made the school building and the surrounding area look old and unpleasant. The second problem had already been resolved at some extent with the redecoration and repair of the building.

After we understood our own problems and performed SWOT analysis, we have done the marketing research to analyze the industry, the market and our direct competitors. Based on the marketing research, we have 3 direct competitors, 2 kindergartens and 1 primary schools that also offered kindergarten. All of our competitors charged a higher tuition and fee ranging from Baht 20,000 to Baht 27,000 per semester with rather crowded classes. Most of them used a more teacher-centered teaching approach.

Our target is set to focus on middle to upper-middle income parents as their attitude tend to be more modernized and have an understanding towards the child-centered approach. After that we had developed our own marketing strategies, which consisted of product strategies, pricing strategies, promotion and public relation strategies and sales strategies.

Our product strategies will rely on three key factors, to differentiate our curriculum by using child-centered teaching approach, to add value to our curriculum, and to encourage friendly and safe atmosphere of the school. For our pricing strategies, it is expected that the tuition and fee except application and enrollment fee should be increased at an average of 5% per year for all levels. The promotion and public relation strategies will focus on mailing brochures to our target group, create home page on the internet, arranging aerobic activities for people in the community at the school, and advertising on our decorated school bus. Lastly, our sales strategies would be to train our staffs and teachers to provide information to visiting parents impressively and to focus on encouraging and promoting our nursery as most of our competitors do not offer nursery.

After that financial plan has been developed which included the forecast of new students, the projection of income statements and cash flow. According to our projection, the return on investment for 5 years period should be approximately 24%. Finally, after the plan has been implemented, we will evaluate the plan by preparing monthly report to compare actual revenues and expenses with our budget, and prepare questionnaire for the parents to answer in order to get feed back for our improvement. However, if our strategies failed to work as planned, we have a contingency plan as a back up. Our contingency plan will focus on operation, marketing and finances. The contingency plan for our operation is to prepare personnel in case the head principal or any teacher resign. The contingency plan for marketing is to increase the promotion activities such as setting up a booth at two shopping malls in the area to introduce our kindergarten, while the contingency plan for finance is to seek financial aid from the Ministry of Education. Lastly, we recommend that Bann Noo should open a bilingual section in our kindergarten and a training center for child-care personal in the future.

## 9.2 Recommendation

If Bann Noo can perform according to our objectives and the marketing plan discussed earlier, the school will have sufficient cash flow to expand in the future. Thus, it is recommended that Bann Noo should consider expanding its business into operating bilingual kindergarten and child-care training center as per details below:

- (1) To open the bilingual kindergarten section. The first expansion plan for Bann Noo should be to open a section of bilingual kindergarten to operate in parallel existing kindergarten. As English language becomes a necessity in today's world, our bilingual section will be an option for parents who would like their children to develop good foundations of English language skills. The bilingual section should aim to provide a solid educational and emotional foundation for each of our students. Special emphasis is placed on English language creative, social, emotional, and physical development. The school should provide a half-day English teaching by a native speaker so that the students develop higher skills in reading, writing, listening, thinking, and speaking in English, while another half-day will be taught in Thai to maintain awareness of Thai culture.
- (2) To open a training center for child-care personal. Since Bann Noo already has a nursery to provide child-care for children between the age of 2-3 years old, we plan to train child-care personal by using our nursery as training center. Our trained child-care personal will be employed by Bann Noo and sent to work at any home upon request with monthly charges. We believe that our trained child-care personal will be in demand as nowadays it is difficult to find a reliable one. The advantage of opening this training center is that we have child-care staffs for our nursery while increasing our source of income.
- (3) To advertise the curriculum and services of our kindergarten in some web sites.



<b>BANN NOO KINDERGARTEN</b>					
<b>THE PROJECTION OF INCOME STATEMENTS</b>					
	2004F	2005F	2006F	2007F	2008F
<b>Revenues</b>					
From education	2,416,890	3,230,707	4,121,232	5,167,837	6,319,876
Other income	453,497	480,687	508,785	552,886	576,918
Total Revenues	2,870,387	3,711,394	4,630,017	5,720,723	6,896,794
<b>Expenses</b>					
Salary	1,343,061	1,553,383	1,776,672	2,018,719	2,276,483
Meal	324,960	434,381	554,115	694,835	849,731
Book	22,572	30,950	39,481	49,507	60,543
Uniform	20,310	27,149	34,632	43,427	53,108
Teaching equipment	120,030	126,031	132,333	138,949	145,897
Transportation expenses	183,639	192,821	202,462	212,585	223,214
Benefit for employees	70,713	80,009	89,769	100,018	110,778
Training	126,000	132,300	138,915	145,861	153,154
Admin expenses	401,266	421,329	442,396	464,515	487,741
Repair expenses	55,673	58,457	61,380	64,449	67,671
Depreciation	236,266	236,266	236,266	236,266	236,266
Total Expenses	2,904,489	3,293,074	3,708,420	4,169,131	4,664,587
<b>Net Income</b>	(34,102)	418,320	921,597	1,551,592	2,232,207

Figure A.1. The Projection of Income Statement.

<b>BANN NOO KINDERGARTEN</b>					
<b>THE PROJECTION OF BALANCE SHEET</b>					
	2004F	2005F	2006F	2007F	2008F
<b><u>Assets</u></b>					
Current assets					
Cash	202,164	856,750	2,014,612	3,802,470	6,270,943
Other current assets	88,664	88,664	88,664	88,664	88,664
<b>Total current Assets</b>	<b>290,828</b>	<b>945,414</b>	<b>2,103,276</b>	<b>3,891,134</b>	<b>6,359,607</b>
Fixed assets	16,695,803	16,459,537	16,223,271	15,987,005	15,750,739
<b>Total Assets</b>	<b>16,986,631</b>	<b>17,404,951</b>	<b>18,326,547</b>	<b>19,878,139</b>	<b>22,110,346</b>
<b><u>Liabilities and Shareholder Equity</u></b>					
Liabilities					
Total current liabilities	861,013	861,013	861,013	861,013	861,013
Equity					
Capital- K.Ronpibul	8,250,000	8,250,000	8,250,000	8,250,000	8,250,000
Capital- K.Pimjai	8,250,000	8,250,000	8,250,000	8,250,000	8,250,000
Retained Earning (Loss)	(374,382)	43,938	965,534	2,517,126	4,749,333
<b>Total Liabilities</b>					
<b>and Equity</b>	<b>16,986,631</b>	<b>17,404,951</b>	<b>18,326,547</b>	<b>19,878,139</b>	<b>22,110,346</b>

Figure A.2. The Projection of Balance Sheet.

<b>BANN NOO KINDERGARTEN</b>					
<b>CASH FLOW PROJECTION</b>					
	2004F	2005F	2006F	2007F	2008F
<b>Cash Inflow</b>					
From education	2,416,890	3,230,707	4,121,232	5,167,837	6,319,876
Other income	453,497	480,687	508,785	552,886	576,918
<b>Total Cash Inflow</b>	<b>2,870,387</b>	<b>3,711,394</b>	<b>4,630,017</b>	<b>5,720,723</b>	<b>6,896,794</b>
<b>Cash Outflow</b>					
Salary	1,343,061	1,553,383	1,776,672	2,018,719	2,276,483
Meal	324,960	434,381	554,115	694,835	849,731
Book	22,572	30,950	39,481	49,507	60,543
Uniform	20,310	27,149	34,632	43,427	53,108
Teaching equipment	120,030	126,031	132,333	138,949	145,897
Transportation expenses	183,639	192,821	202,462	212,585	223,214
Benefit for employees	70,713	80,009	89,769	100,018	110,778
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Admin expenses	401,266	421,329	442,396	464,515	487,741
Repair expenses	55,673	58,457	61,380	64,449	67,671
<b>Total Cash Outflow</b>	<b>2,668,223</b>	<b>3,056,808</b>	<b>3,472,154</b>	<b>3,932,865</b>	<b>4,428,321</b>
<b>Net Cashflow</b>	<b>202,164</b>	<b>654,586</b>	<b>1,157,863</b>	<b>1,787,858</b>	<b>2,468,473</b>
<b>Beginning Cash</b>	<b>-</b>	<b>202,164</b>	<b>856,749</b>	<b>2,014,612</b>	<b>3,802,470</b>
<b>Ending Cash</b>	<b>202,164</b>	<b>856,749</b>	<b>2,014,612</b>	<b>3,802,470</b>	<b>6,270,943</b>

Figure A.3. Cash Flow Projection.

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