Taking care: Parents will demand child care again as employment rises, boosting revenue
About this Industry

Industry Definition
Establishments in this industry provide day-care services for infants and children. These establishments generally care for preschool children, but may care for older children when school is not in session, such as during the summer or after school hours. Establishments may also offer educational programs.

Main Activities
The primary activities of this industry are
- Providing babysitting services
- Providing child and infant day care
- Providing group day care
- Operating Head Start programs
- Operating prekindergarten centers (except part of school system)
- Operating preschool centers
- Operating nursery school centers

The major products and services in this industry are
- Child-care services
- Government contributions
- Pre-primary grade instructional programs
- Private contributions
- Other

Similar Industries
61161 Fine Arts Schools in the US
Schools in this industry offer fine arts instruction.

61163 Language Instruction in the US
Schools in this industry provide foreign language instruction.

81411 Maids, Nannies & Gardeners in the US
Nannies provide child-care services for private households.

61111a Public Schools in the US
Public schools provide government funded education to school-age children. Many schools offer child-care services outside of school hours.

61111b Private Schools in the US
Private schools provide preparatory education without government funding. These schools typically offer more child-care services than public schools.
About this Industry

Additional Resources

For additional information on this industry

www.naccp.org
Association for Early Learning Leaders

www.naccrra.org
Child Care Aware of America

nafcc.org
National Association for Family Child Care

www.naeyc.org
National Association for the Education of Young Children

www.nccanet.org
National Child Care Association

www.acf.hhs.gov
US Department of Health and Human Services Administration for Children and Families

IBISWorld writes over 700 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com
Industry at a Glance
Day Care in 2014

Key Statistics
Snapshot

Revenue
$48.0bn

Profit
$3.2bn

Annual Growth 09-14
1.2%

Wages
$23.0bn

Annual Growth 14-19
2.6%

Businesses
887,745

Market Share
There are no Major Players in this industry

Key External Drivers
Labor force participation rate of women
Per capita disposable income
Number of children aged nine and younger
National unemployment rate

Annual Growth 2013-2018
2.6%

Per capita disposable income

Revenue vs. employment growth

Products and services segmentation (2014)

Child-care services
56.9%

Pre-primary grade instructional programs
27.9%

Government contributions
10.1%

Private contributions
2.5%

Other
2.6%

Industry Structure

Life Cycle Stage
Mature

Revenue Volatility
Low

CapitalIntensity
Low

Industry Assistance
High

Concentration Level
Low

Regulation Level
Heavy

Technology Change
Low

Barriers to Entry
Medium

Industry Globalization
Low

Competition Level
High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 32
Industry Performance

Executive Summary

Day-care services are often a necessary expense for working families, a factor that mitigates revenue volatility for the industry. Over the past five years, revenue has continued to grow in spite of the recession, supported by rising birthrates prior to the recession and the fact that child care represents a relatively nondiscretionary expense for households. Consequently, in the five years to 2014, industry revenue is expected to rise at an average annual rate of 1.2% to about $48.0 billion. Nevertheless, revenue growth slowed over the five-year period because rising unemployment caused by the recession enabled jobless parents to care for their own children. However, this factor was mitigated by an ongoing trend that places focus on child development, with a greater number of parents investing in day cares and preschools that include high-value services, such as personalized education. Therefore, in 2014, industry revenue is expected to rise 0.4% as parents continue to reenter the workforce and disposable income rises, resulting in greater use of day-care services.

Key External Drivers

Labor force participation rate of women
The labor force participation rate of females, especially mothers, is a major factor affecting demand for child-care services. The participation rate itself is influenced by many factors, including community and social values, expectations relating to child care, the growth rate of full- and part-time employment, after-tax wage levels and child-care costs. When the female workforce participation rate rises, there is generally increased demand for day-care services. The labor force participation rate of women is expected to increase slightly during 2014.

Per capita disposable income
Growth in per capita disposable income influences demand for the Day Care industry’s services. Households with higher disposable income are more likely to be able to afford child care and, thus, will be more likely to demand higher-cost services. Per capita disposable income is expected to increase in 2014.

As more parents reenter the workforce, demand for day-care services will rebound

The industry largely comprises nonemploying operators; in fact, nonemployers comprise more than 90.0% of the companies in the industry. Over the past five years, the number of companies offering day-care services has grown, supported by continuing demand for child-care services and the industry’s low barriers to entry. In the five years to 2014, the number of enterprises is anticipated to increase at an average annual rate of 2.3% to 887,745. As a result, the average industry profit margins increased from 5.1% of industry revenue in 2009 to 6.7% in 2014.

The industry will continue to prosper over the next five years. Decreasing unemployment will lead to more parents reentering the workforce, boosting demand for child-care services. Additionally, large players will likely benefit from parents’ increased focus on child development and educational programs, a key growth area for the industry. Large players will respond by offering more personalized development services for children. In addition, early education will be used as a strong marketing tool to attract new customers. Consequently, IBISWorld forecasts that industry revenue will grow at an average annual rate of 2.6% to $54.5 billion in the five years to 2019.
Industry Performance

Key External Drivers continued

Number of children aged nine and younger
Demand for day-care services is positively correlated with the number of children aged nine and younger. Increases in the amount of children younger than nine, particularly those younger than five, boost demand, occupancy rates and profitability for day-care centers. The number of children under the age of nine is expected to increase slowly during 2014, representing a potential opportunity for the industry.

National unemployment rate
Heightened unemployment has a twofold effect on industry performance. With high unemployment, households typically have less disposable income to spend on child-care services. Moreover, with a greater number of parents and family members able to stay home during working hours, demand for day-care services declines. The unemployment rate is expected to decrease during 2014; however, this rate will decline slowly, making it a potential threat to the industry.
The Day Care industry reported positive revenue gains each year during the five years to 2014. During the five-year period, industry revenue grew at an annualized 1.2% to about $48.0 billion. Throughout the recession and subsequent recovery, despite this industry’s continually rising revenue, growth slackened as a result of increases in unemployment and drops in disposable income. This slow growth is exemplified by only an incremental revenue increase of 1.0% in 2010. Furthermore, a greater number of parents and family members were able to take over child-care duties themselves due to widespread unemployment, driving down demand for day-care services. Nevertheless, industry growth was supported by the nondiscretionary nature of child care for the majority of households and a higher-than-average increase in the number of children under the age of nine, representing an expansion in the industry’s target market.

As the economy continues to strengthen and unemployment slowly declines, the industry is expected to experience gains in 2014. Per capita disposable income will also increase as more people return to the workforce. However, fewer births from 2009 to 2010, which has decreased the industry’s target market of children under the age of nine, will counterbalance growth in employment and incomes; consequently, the Day Care industry is expected to slowly grow only 0.4% in 2014.

Women’s participation in the labor force, per capita disposable income and the number of children aged nine and younger are the primary factors affecting the Day Care industry’s performance and upward trends in any of these factors tend to boost revenue. For example, as more women enter the labor force, they have less time to take care of their children, and demand for industry services rises. Higher disposable income allows more people to afford child-care services, particularly higher-priced educational programs. Additionally, the segment of the population under 10 years of age contributes to the industry’s potential growth as increases in the US birthrate are positively correlated with the industry’s performance.

Unemployment levels play a more complex role in the industry’s performance. Higher unemployment leads to drops in disposable income, which decreases the amount of money consumers have available for child-care services. Nonetheless, this factor reduces the need for child-care services because more parents and relatives are able to stay home to watch their children. The long-term shift in women’s participation in the workforce has also fueled demand for industry services. Over the past 30 years, women have been entering the workforce at increasing rates. This trend has contributed to women postponing marriage and delaying parenthood until after they establish professional careers, a factor that has benefited industry demand, since families with working parents require day-care services. According to the latest data from the Bureau of Labor Statistics, in 2013 (latest available data), an estimated 63.9% of mothers in the workforce had children under the age of six.
Industry Performance

For most families with children, child-care services are a nondiscretionary expense. In the past five years, there has been a continuous shift toward dual-income families, and employers have grown increasingly flexible by offering day-care services within the workplace, which has supported industry growth over the five-year period. Consequently, demand for industry services is expected to rise amid a declining unemployment rate. However, as demand for child care rises, competition from substitutes is also expected to grow. With the number of retired individuals significantly rising during the five-year period, there has been an increase in the availability of retired relatives able to provide care during the workday. While the recession did force some would-be retirees back into the workforce, slightly offsetting this alternative option, the availability of this alternative somewhat hindered industry demand over the past five years.

The recession and subsequent slow recovery period also led many unemployed people to take up child care jobs to generate income. While child-care income did not serve as a replacement for full-time employment, many people were able to make extra money by taking advantage of the industry’s characteristically low barriers to entry. As a result of growing participation, industry employment is estimated to increase over the five years to 2014, at an annualized 1.5% to 1.7 million workers.

Demand causes competition

Growth in industry employment over the five-year period should be analyzed in conjunction large day-care centers’ drop in employment. Establishments with significant real estate holdings financed their properties during the housing boom. However, after the recession, these holdings sharply dropped in value. As a result, large centers had to cut employment to combat rising costs; in 2010, employment dropped 1.7% among employer-operators. Although large companies offer the convenience of location and various education programs, the cost of these programs proved too high for some parents to absorb. According to Child Care Aware of America, the average annual cost of full-time, center-based child care for a four-year-old ranged from about $4,500 to over $12,300 in 2013 (latest available data). Parents requiring child-care services often turned to nonemployers to lower the costs of child rearing. Consequently, growth in the number of nonemployers increased the number of enterprises an annualized 2.3% to 887,745 in the five years to 2014.

In 2014, the average industry profit margin is expected to account for 6.7% of revenue. Profit margins differ between employers and nonemployers. The recession caused large centers grappling with mounting cost pressures to leave the industry or consolidate operations. Nonemployers, who often have fewer fixed costs, were able to expand their profit margins because of increasing client volumes. Nevertheless, the net effect for the industry was a drop in overall profitability. Larger companies’ profit margins have significantly fallen during the past five years because many held subprime mortgage loans amid falling customer volumes.

Lower profit margins led to increased consolidation among large players.
Profitability’s mixed tale continued

Historically, the industry’s biggest players aggressively acquired smaller centers and rebranded them, best illustrated by Australian ABC Learning Center, which previously had operations in the United States through its subsidiary Learning Care Group. During the credit boom, many companies followed ABC’s model and took on a significant amount of debt in order to expand. This model broke down when the credit market slowed and companies were no longer able to borrow. In addition, when the credit market deteriorated and revenue decreased, most of those acquisitions and revenue decreased, creating few or no opportunities for growth.

Industry Outlook

The Day Care industry is expected to receive strong returns during the next five years. As the economy slowly gains strength, more parents will return to the workforce, leading to greater demand for child-care services. Additionally, economic growth is anticipated to put more money into families’ pockets, allowing them to spend on necessary child-care services. As a result of these trends, industry revenue is forecast to grow at an average annual rate of 2.6% to $54.5 billion in the five years to 2019. The industry’s strongest growth period will likely occur between 2015 and 2017, coinciding with the largest declines in the unemployment rate. Although the economy is expected to slowly recover, employment growth is expected to lag behind economic growth.

The recession changed the economic outlook for many families. As more people enter the workforce, several trends will likely occur. People who planned to retire during the past five years were unable to due to a lack of a steady income. As family caretakers enter the workforce to gain income lost during the recession, fewer caretakers will be available to provide child care. Therefore, demand will rise as older family members go back to work. Over the five years to 2019, due to more people re-entering the workforce and the rising birthrate, industry employment is forecast to increase an average 2.6% per year to about 2.0 million workers.

As people return to work, many will be in better financial positions to support one or more children. As a result, the number of births is forecast to rise at an average annual rate of 0.5% in the next five years. This growth will expand the industry’s potential target market toward the end of the five-year period. However, the previous decline in the birth rate during the recession and slow recovery period will slightly mitigate the industry’s growth. From 2009 through 2011, the number of births steadily declined. According to the latest data from the Centers for Disease Control and Prevention and the National Center for Health Statistics, the greatest contraction in birth rates occurred during 2010, when the total number of births fell 3.2%. However, in 2011, the rate of decline slowed relative to prior years, falling only 1.3%.
Industry Performance

Child care in the workplace

Employer-sponsored child care will continue to grow as employers increasingly offer these benefits to attract long-term workers. These types of benefits tend to increase staff retention and productivity because employees will be more comfortable staying with one employer for a significant period of time. As the economy becomes stronger, more employers will use this approach to attract talented workers. As a result, industry players that concentrate on addressing this market will experience strong growth in the next five years. In 2015, the growth of employer-sponsored child care will create revenue opportunities for the industry as the US economy continues to improve, causing industry revenue to increase 3.1% that year.

Growth from the employer-sponsored segment will occur most often among large day-care centers, which have more cost-effective programs for employers. Employers spend less on these types of centers because large day-care companies are increasingly interested in long-term contracts that can guarantee revenue for a period of time. These long-term contracts are often less expensive than providing day care on a child-by-child basis because employers provide a steady flow of business to these centers. Long-term contracts lower the cost of day care for employers and entice them to use large centers to provide these services to their employees. These contracts will provide revenue growth for centers that make deals with companies, although they may lower profit margins in the short term for large centers. As more of these centers land deals, the average industry profit margin will expand over the next five years, growing from an estimated 6.7% of revenue in 2014 to 7.1% by 2019. Steady revenue will provide greater profit and more opportunities for large players to expand.

Shift to high-value services

Larger players will also benefit from additional revenue from an upgraded service selection, which will include child development, care and education. In light of recent research recognizing the importance of development in a child’s early years, child development and education will be strong marketing tools to attract new customers. In fact, children with access to high-quality early childhood programs (e.g. preschools) are more likely to earn higher test scores throughout their K-12 careers, according to the Center for Research on Children. Consequently, the number of industry enterprises is expected to increase an annualized 2.7% over the five-year period, to about 1.0 million. Early childhood education often commands a high price, and many parents are willing to pay for early education and day care. Increased per capita disposable incomes will enable large players to command premiums for these types of services.

The rise of employer-sponsored child care will be a boon for large operators in this industry
Industry Performance

Industry value added has grown at a similar rate to GDP

The broader public has increasingly accepted the industry’s services

Consolidation among large players is becoming more prominent

Life Cycle Stage

SOURCE: WWW.IBISWORLD.COM

Key Features of a Mature Industry

Revenue grows at same pace as economy
Company numbers stabilize; M&A stage
Established technology & processes
Total market acceptance of product & brand
Rationalization of low margin products & brands

Quality Growth

High growth in economic importance; weaker companies close down; developed technology and markets

Maturity

Company consolidation; level of economic importance stable

Quantity Growth

Many new companies; minor growth in economic importance; substantial technology change

Decline

Shrinking economic importance

Day Care

Public Schools
Private Schools
Toy, Doll & Game Manufacturing
Orphanages & Group Homes
Household Furniture Manufacturing

SOURCE: WWW.IBISWORLD.COM
Industry Performance

Industry Life Cycle

After an explosion of growth in the 1990s, industry expansion has settled down over the past five years. Industry value added, which measures the industry’s contribution to the overall economy, is projected to grow at an average annual rate of 2.6% over the 10 years to 2019. During the same period, US GDP is anticipated to increase at an average annual rate of 2.5%. However, the rate of industry expansion will not reach the growth rate of the 1990s, when the industry matured and consolidated after large players expanded rapidly before the recession. Needless to say, subprime mortgage holdings did force some players to quickly shed assets during the recession. As the economy gains stronger footing, industry consolidation is expected to continue.

The public has become increasingly accepting of day-care services. Although there are a variety of different options when it comes to child care, 57.4% of four-year-old children were enrolled in center-based care, while 20.7% received home care and 20.0% had no regular nonparental arrangement, according to 2013 information from the National Center for Education Statistics (latest available data). A rise in the number of dual-income families will result in continued demand for day care centers. Also, some employers may increasingly provide child-care services as a benefit for working for the company, which will create strong demand for the industry’s services.

Part of the shift to the mature life cycle phase is due to consolidation among for-profit, day-care center operators. Although nonemployers still dominate the industry, large child day-care centers are purchasing other day-care centers to expand in the United States. This trend will likely continue. The number of sole proprietors will also continue to grow because of the low barriers to entry, which are indicative of this industry.
Products & Markets

Supply Chain  |  Products & Services  |  Demand Determinants
Major Markets  |  International Trade  |  Business Locations

**Products & Services**

**Child-care services**
The industry derives the majority of its revenue from standard child-care services, which accounts for 56.9% of the industry’s revenue, according to the latest data from the US Census. These include child-care centers, family day care, nanny or babysitting services. Child-care centers are licensed facilities that offer relatively large numbers of enrollments. Child-care centers are typically slightly more expensive than nanny or babysitting services. According to the latest data from Child Care Aware of America, the average annual cost of full-time center-based child care for a four-year-old ranged from about $4,515 in Tennessee to nearly $12,320 in Massachusetts in 2013 (latest data available). Comparatively, average prices for full-time child care ranged from about $3,500 to $11,700 per year in 2009. Currently, nearly 30.0% of children under the age of five with working mothers attend day care, according to the Children’s Defense Fund. Over the past five years, this segment has declined slightly due to high unemployment, declining disposable income and fewer women in the work force, which necessitated families to substitute traditional child-care services with lower-cost options, such as an out

**Supply Chain**

**KEY BUYING INDUSTRIES**

54  Professional, Scientific and Technical Services in the US  
Businesses often utilize child-care services to assist working parents.

62399  Orphanages & Group Homes in the US  
Orphanages and group homes often utilize child-care services to provide a stable routine for disadvantaged children.

62419  Family Counseling & Crisis Intervention Services in the US  
Institutions that assist disadvantaged families often utilize child-care services to assist parents.

62422  Community Housing & Homeless Shelters in the US  
Homeless shelters that assist disadvantaged families often utilize child-care services to assist parents.

99  Consumers in the US  
Households are the primary users of day care centers.

**KEY SELLING INDUSTRIES**

33712  Household Furniture Manufacturing in the US  
Household furniture manufacturers supply furniture, such as cribs, tables and chairs to day cares.

33993  Toy, Doll & Game Manufacturing in the US  
Child care facilities require toys to occupy children, particularly those in long-term care.

44312  Computer Stores in the US  
Increasingly, computers are being made available to assist in children’s entertainment and education.

51113  Book Publishing in the US  
Day cares use books as an effective means of keeping children entertained.

56172  Janitorial Services in the US  
Day cares employ janitors for cleaning and maintenance services.

72231  Food Service Contractors in the US  
Day cares employ food service contractors to provide meals and snacks.
of work parent staying home to provide care.

**Preprimary grade instructional programs**
Child-care centers with an educational focus, such as preschools and Montessori programs, are a growing product segment for the industry. These centers are estimated to account for 27.9% of the industry’s revenue. These facilities provide targeted educational programs to introduce children three years and older to a school-type environment. These programs typically focus on mathematics, literacy and language development in order to better prepare children for primary school. These programs also include special needs education for disadvantaged children. Typically, these child-care facilities are more expensive than standard child care. However, in light of research recognizing the cognitive benefits of early education in children, these programs have experienced rising popularity over the past five years.

**Government contributions**
The Day Care industry derives 10.1% of its revenue from government contributions, gifts and grants. Among nonprofit organizations, government grants typically account for about a quarter of their revenue. Day-care centers receive government funding through the Child Care Development Block Grant, which is the primary federal child-care program for low-income families. Furthermore, the Head Start program and the Social Service Block Grant also provide funding for child-care programs. In addition, there are tax credits available that provide tax relief for families with children under the age of 13. This segment has increased over the period, as government funding has risen.

**Private contributions**
Private contributions to day-care centers account for about 2.5% of the industry’s revenue and have remained relatively constant over the past five years. Among nonprofit day-care centers, private contributions typically make up a greater share of their revenue at 6.3%. These include donations from individuals and private businesses.

**Other**
Day-care centers derive the remaining 2.5% of their revenue from a range of different sources, including additional counseling and social programs, adult day centers and investment income, among others.
**Demand Determinants**

**Workforce participation by women**
The rate of workforce participation by parents, particularly women aged 25 to 34, is one of the primary factors affecting the need for child care, because a greater number of working mothers will likely increase demand for industry services. The participation rate among these families is influenced by many factors, including community, social values and expectations relating to child care; the rate of growth in full- and part-time employment; after-tax wages levels; and child-care costs. The trend for women to have children later in life also promotes demand for formal child-care services in some cases, particularly for women who have established careers. According to the latest 2013 data from the Centers for Disease Control and Prevention, the average woman has her first child at age 24.8, down slightly from 25.2 in 2009 and up significantly from 21.4 in 1970.

**Disposable income**
Any increase in household disposable income is likely to have a positive impact on industry growth. An increase in income is likely due to both parents joining the workforce. As a result, child day-care centers will be in higher demand. The availability (or supply) and cost of alternative, informal child-care arrangements (e.g. grandparents) also has a profound impact on industry demand. Family members that do not charge for services might take demand away from baby-sitters and child-care centers, as parents feel more comfortable with family members taking care of their children.

**US birth rate**
The fluctuation in the US birth rate is closely aligned to the economy and may appear to have a negative effect on the demand for child care. The number of births steadily increased from 2002 to an all-time high in 2007. Since 2009, the number of births has decreased at an annualized rate of 0.5% to 4.0 million in 2014, after beginning the period with a recession induced decline; couples are putting off having a baby until they are more financially secure. The greatest contraction occurred during 2010, when the number of births fell 3.2%. However, in 2011, the rate of decline slowed relative to previous years, with only a 1.3% fall. Consumer confidence began to climb in 2010, and the birth rate has been slowly rising since 2012. However, there are other demographic trends that may have the opposite effect on demand. Birth rates for women aged older than 25 have tended to increase, while birth rates for younger women have declined significantly, particularly for teenage females. This trend shows that women are having children at an older age, when they are more likely to have an established career. As such, there will be less time available to tend to children, increasing industry demand.

**Government assistance**
Demand can also be affected by government subsidies (fee relief for low-income families); the availability of tax credits for child care (for both families and employers who provide care); and the level of subsidies for child-care services by employers. Governments and employers have an interest in promoting and subsidizing child care to increase the pool of skilled labor and family incomes. By making investments in work-site child care, employers create a partnership with employees who are parents.
Employers and parents make up the major markets for this industry. Day-care centers market directly to families or to employers. There are some companies that cater to both market segments, although this does not constitute the typical firm in this industry.

**Households with incomes greater than $25,000**
Households make up the largest market segment, accounting for 56.8% of industry revenue. This client segment includes households with incomes exceeding $25,000. Some households in this category use government assistance to access day-care services, but the majority pay out of pocket. In general, this segment has declined over the past five years, as parents who were out of work took care of their children themselves or had a relative help out.

**Households with incomes up to $25,000**
Households with annual incomes of $25,000 or less account for 28.2% of industry revenue. These households typically use government assistance to access child day-care services. The federal government provides grants to states through the Child Care and Development Block Grant. States use these funds to subsidize the monthly cost of child care for low-income families. About 1.5 million children receive assistance, according to Child Care Aware of America. This segment has increased over the period, as a rise in government spending has provided these households with the necessary funds to place their children in day care facilities.

**Employers**
Employer-sponsored day-care services make up an estimated 15.0% of revenue. Employers in this segment provide child day-care services as part of the employee benefits package. The employer contracts with a local day care center or facility and pays for the service on behalf of the employee. This segment has increased over the past five years, as employers are increasingly providing this benefit for new employees. Employers are using this strategy to attract employees who are interested in staying with the same company for an extended period of time.
Due to the service-based nature of this industry, the Day Care industry operates within the domestic economy. Child day-care services are only provided to children that reside within the United States.
Products & Markets

Business Locations 2014

Additional States (as marked on map)

1. VT 0.4
2. NH 0.7
3. MA 2.8
4. RI 0.4
5. CT 1.3
6. NJ 3.3
7. DE 0.4
8. MD 1.9
9. DC 0.3

Establishments (%)

- Less than 3%
- 3% to less than 10%
- 10% to less than 20%
- 20% or more

SOURCE: WWW.IBISWORLD.COM
The dispersion of day-care centers largely reflects variations in the geographic distribution of children. Geographic distribution is also influenced by the cost and supply of child care; labor, income and housing affordability patterns; and child-care subsidy policies. In addition, varying state and local regulations and licensing requirements affect employment in this industry. Government agencies generally review, among other things, the ratio of staff-to-enrolled children. Overall, however, the spread of establishments in the United States closely follows the national share of population.

The West exhibits a greater negative discrepancy between establishments and population. While the West makes up 17.1% of the national population, it accounts for just 15.6% of the nation’s day-care centers. This is partly because the average family in the West favors in-home care from relatives or nannies over day-care centers, according to the US Census Bureau. This explains why there is lower demand for services in this region. However, establishments in the West are dominated by California, which has the highest percentage of day cares in the country, estimated at 10.3% of the total.

With 15.5% of the US population, the Mid-Atlantic region contains 17.6% of industry establishments. These establishments are among the largest and highest earning in the United States. New York, in particular, has experienced strong growth in the number of day cares, accounting for 7.0% of industry establishments. Additionally, staff in this region earn the highest average wages.

New England has one of the highest discrepancies between population and establishments, with 6.4% of industry establishments and only 4.7% of the US population. Both the New England and Mid-Atlantic regions have larger families and register lower unemployment levels. A higher rate of working mothers requires greater levels of professional supervision of children.

The Southeast has more than a quarter of all establishments and population at 25.1% and 25.4%, respectively, according to the latest data from the US Census Bureau. This is primarily due the larger family size in this region (two to three children per couple) and the prevalence of smaller industry establishments in the region. The high level of demand for services has most likely encouraged more part-time employees to enter the industry.
The Day Care industry has a low level of concentration; the four largest companies in the industry account for about 9.0% of revenue in 2014. The industry is largely characterized by nonemployer operators, which make up an estimated 92.6% of companies, according to the latest data from the US Census Bureau. Many people supplement their income by babysitting or partaking in this activity when they are between jobs. However, new operations may arise out of long-standing relationships with many parents. Increasing mergers and acquisitions among major players have led to a gradual shift toward large establishments. Stark revenue growth before the recession prompted many players to acquire rivals so as to grow quickly. This acquisition trend has temporarily slowed as a result of the slow economic recovery. However, companies such as Children’s Learning Adventure are expected to expand their national presence quickly over the next five years. Over the next six years, the company plans to open at least 200 more locations nationwide. Nevertheless, given the industry’s low barriers to entry, the industry is likely to remain highly fragmented.

### Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

**Ability to take advantage of government subsidies and other grants**
Federal and state governments provide various subsidies, including fee relief for low-income families. These subsidies promote demand for industry players.

**Ability to vary services to suit different needs**
Industry operators that have flexible hours and are able to cater to the varied needs of working parents will be more appealing.

**Ability to alter mix of inputs in line with cost**
Having flexible staffing arrangements will minimize the risks associated with any volatility in enrollment or revenue.

**Recommendation/accreditation from authoritative source**
Accreditation promotes the center to parents and potential employees. It can also assist in identifying and correcting any areas that could compromise care.

**Must comply with government regulations**
Compliance with government regulations is essential to maintaining a center’s license.

### Cost Structure Benchmarks

The Day Care industry comprises large, corporate day-care centers and sole proprietors. While the cost structure for individual companies may vary, this section details the average costs and profit margins for companies in the industry.

**Profit**
Profit margins for industry players, measured by earnings before interest and taxes, are estimated at 6.7% of revenue in 2014. The industry has historically remained profitable and profit margins have been up over the past five years; however, most child day-care services operate at a significant loss at the beginning of their operations. According to Bright Horizons, new child-care centers not sponsored by an employer and operating on leased space typically operate at a loss until utilization reaches 65.0%, which typically occurs within 18 to 30 months of operation. Another reason why the
industry experiences low profitability is its numerous nonemployers. Nonemployers are unable to gain as many clients as large operators, and therefore will not benefit from the economies of scale that larger operators experience.

Wages
Labor makes up the largest cost for a company at 48.0% of revenue, indicative of the industry’s labor-intensive nature. Employees are required for administrative purposes, child care and education. For larger agencies, effectively employing part-time workers can lead to efficient management of labor expenses. The ratio of employees to children is often a company’s greatest selling point and is legally mandated by state regulations. Therefore, large agencies generally hire more staff to keep the staff-to-child ratio high. Wages have remained stable over the past five years because companies use the staff-to-child ratio as a competitive marketing strength.

Rent and utilities
Rent and utility costs typically average 16.3% of revenue for industry operators, of which 15.0% is allocated to rental payments. However, this figure varies depending on the operator: rental costs can average as high as 25.0% of revenue for larger day-care centers. On average, day-care centers are required to have 35 square feet of usable space per child, although regulations vary depending on the state. Increasingly, larger operators are competing on the basis of square footage and are changing their location prototype to high-profile locations, with locations averaging between 18,000 and 30,000 square feet.
Competitive Landscape

Industry operators differentiate themselves based on superior qualifications of staff, educational programs, staff-to-child ratios, the level and quality of facilities and aesthetic surroundings. Accreditation by the National Association for the Education of Young Children can also raise the perception of quality of the day care center (the criteria for accreditation is generally more stringent than state regulatory requirements).

Price of service
Price of service is one of the main competitive advantages an industry player can boast. Broadly, parents can choose to place their children in for-profit or nonprofit day-care centers. Many religious and other nonprofit child care centers have low or no rental costs, and may receive donations or other funding to cover operating expenses. In addition, they may use volunteers for staffing. These lower costs may be passed on as lower tuition fees to clients. According to the latest information provided by the US Census Bureau, an estimated 28.7% of day cares with employees are nonprofit.

Moreover, fees for home-based care are normally higher than fees for center-based care. The average cost for center-based infant care exceeded $10,000 per year for 19 states and the District of Columbia and ranged from $5,496 in Mississippi to $16,549 in Massachusetts, according to 2013 information from Child Care Aware of America. By contrast, a live-out nanny is the most expensive option, with an average cost of $785 per week (based off a 45 hour work week), according to the 2013 International Nanny Association Salary and Benefits Survey.

For-profit day-care centers compete on price by using economies of scale. The standardization of service and numerous locations can enable a large firm to lower prices for clients. However, parents may want a more personalized approach. As a result, firms must balance prices with the quality of the child day-care service.

Brands and marketing
Major center-based operators have created their own brand names and spend significant amounts of money on marketing to attract enrollments. A successful marketing campaign can improve perceived standards or override poorly perceived notions held by potential customers. Parents increasingly demand child-care arrangements that will adapt to their own schedules, particularly as parents are often working untraditional business hours, such as early morning or late night shifts. Marketing to those parents working early or late shifts will

Cost Structure

Basis of Competition

Level & Trend
Competition in this industry is High and the trend is Steady

Purchases
Purchases are a significant cost for the industry, representing about 10.5% of overall revenue. Purchases include anything that is bought on a daily basis to keep the day-care center up and running. These expenses generally include the cost of food, beverages and other necessary supplies. Overall, this cost has remained relatively constant over the past five years.

Other
Other expenses include depreciation, legal, insurance, administration, marketing, health and safety training and recruiting. Insurance costs in the industry have been increasing over the past five years because the size of payouts in civil negligence cases has increased, which has raised the risk for insurers and therefore insurance premiums. The combined total of other expenses is expected to be 18.5% of revenue in 2014.
Barriers to Entry

Barriers to entry differ based on the type of firm present in the industry. Non-employers face fewer barriers to entry, given that there are no significant costs or government regulations that would deter a would-be caretaker. For larger firms, there are medium barriers to entry. Although there is not a significant capital investment involved in building a new establishment, hiring enough people to care for children will be a major expense. Additionally, the industry is heavily regulated, and as a result, a new enterprise must obtain permits and comply with other rules in order to operate.

One of the largest barriers for new entrants is the level of regulation in this industry. Newly established firms, whether a family day care or a child day-care center, must be approved by the state. A license ensures that the day-care center is safe for children to occupy. Additionally, it ensures that the employees who are working in the day-care facility meet set credentials and pass a strict background check.

Labor is also a potential barrier to entry. Day-care centers are mandated to maintain a specific child-to-staff ratio, which varies depending on the state. On average, for children six months and younger, there must be one staff member per four children. For children over four years old, one staff member is required per 10 children, according to Child Care Aware of America. Moreover, because this is an industry focused on caring for children, it is important to hire people who are passionate about helping children develop. The costs to attract staff are a large portion of a new entrant’s expenses; therefore, these costs may deter new firms from entering the industry.

For family day care and babysitting services, there may be fewer start-up costs involved because most are sole proprietors. The only significant costs involved for these establishments are the costs of obtaining new customers.

Day-care centers can either purchase a building or lease a building to conduct their business in. The cost of purchasing

Barriers to Entry checklist

<table>
<thead>
<tr>
<th>Barriers to Entry checklist</th>
<th>Level</th>
</tr>
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<tbody>
<tr>
<td>Competition</td>
<td>High</td>
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<tr>
<td>Concentration</td>
<td>Low</td>
</tr>
<tr>
<td>Life Cycle Stage</td>
<td>Mature</td>
</tr>
<tr>
<td>Capital Intensity</td>
<td>Low</td>
</tr>
<tr>
<td>Technology Change</td>
<td>Low</td>
</tr>
<tr>
<td>Regulation &amp; Policy</td>
<td>Heavy</td>
</tr>
<tr>
<td>Industry Assistance</td>
<td>High</td>
</tr>
</tbody>
</table>

SOURCE: WWW.IBISWORLD.COM
There is a low level of globalization in the Day Care industry because operators are almost entirely US-controlled and predominantly provide services to US residents. There have been some domestic companies that conduct business abroad and foreign companies that have established businesses domestically. For example, Bright Horizons Family Solutions, an operator in this industry, began operating in Europe with the acquisition of companies in the United Kingdom.
Major Companies

There are no Major Players in this industry | Other Companies

Other Companies

The Day Care industry is highly fragmented, with 92.6% of the industry’s firms belonging to nonemployers. Nonemployers are most often nannies or babysitters, with an employee coming to the client’s home or business to provide child-care services. Owners of an establishment rarely have more than one location. None of the major companies in the industry account for more than 5.0% of total industry revenue.

Knowledge Universe
Estimated market share: 4.0%

Knowledge Universe was founded in 1983 and is the largest for-profit childcare and early childhood education provider in the United States. Headquartered in Portland, OR, the company operates about 1,700 centers in 39 states and Washington, DC through its six brands: KinderCare Learning Centers, Knowledge Beginnings, CCLC, The Grove School, Champions and Cambridge Schools. KinderCare, which was founded in 1969, was acquired by Knowledge Universe in 2005 in a deal worth $1.0 billion, making the company the country’s foremost child-care operator.

Additionally, the company is highly innovative in terms of its products and services. Knowledge Universe introduced an Mandarin immersion program as part of the KinderCare brand as a way for preschoolers to learn a second language, while its Active Adventures program is an anti-obesity enrichment initiative focused on keeping children fit and healthy. In 2013, the company announced it would begin working with Care.com to provide back-up care for children of corporate clients when regular accommodations are unavailable. The company is also forging into the K-12 and online learning markets, with afterschool programs and summer camps, to foster its philosophy of lifelong learning. Aware of the rising costs of child care, Knowledge Universe provides subsidies to one-quarter of the more than 300,000 children enrolled in its programs. Knowledge Universe is expected to generate $1.9 billion in revenue in 2014.

Bright Horizons Family Solutions
Estimated market share: 2.6%

Bright Horizons Family Solutions is one of the largest employer-sponsored child-care and early education companies. The company provides child care for more than 850 corporate clients across the globe. Additionally, more than 80.0% of its centers are accredited by the National Association for the Education of Young Children, which generally applies more stringent standards than those required by states. The company is headquartered in Watertown, MA, and was founded in 1986. The company was acquired by Bain Capital in 2008 for $1.3 billion and its IPO was launched in January 2013.

Bright Horizons’ business strategy is broadly classified in two types. First, it uses the management cost-plus model, by which the company manages worksite child care and early education centers under an agreement with a corporate sponsor. This model is one of the company’s largest growth segments. The profit-and-loss, or sponsor model, whereby the company operates a center on or near the sponsor’s premises, gives priority enrollment to employees or affiliates of the sponsor company. Despite growth in the management cost-plus model, about 70.0% of Bright Horizons’ centers are currently operating under a profit-and-loss model. Bright Horizons’ growth strategies are focused on expanding relationships with existing employer-sponsors and pursuing strategic acquisitions. Additionally, Bright Horizons offers back-up dependent care, which grants families access to child-care and adult-care operations when their normal arrangements are unavailable. These
services are only accessible to families whose employers offer them as an employee benefit.

The main industries comprising Bright Horizons’ client base include healthcare (17.5%), financial services (15.0%), government (7.5%) and professional services (7.5%). Bright Horizons experienced strong growth over the past five years, including double-digit growth in 2011 and 2012, and the company is estimated to generate revenue of about $1.4 billion in 2014. IBISWorld forecasts that the company’s US operations will generate $1.2 billion in 2014.

**Learning Care Group**

*Estimated market share: 1.5%*

Learning Care Group is the second-largest for-profit provider of child care in the United States with about 17,000 employees. The Novi, MI-headquartered company operates more than 900 schools in 36 US states and Washington, DC through its five brands: Childtime Learning Centers, Tutor Time Child Care, the Children’s Courtyard, Montessori Unlimited and La Petite Academy. Learning Care Group was previously owned by ABC Centers, an Australia-based company that dominated nearly 30.0% of its local child-care market and undertook aggressive expansion into the United States. The company’s primary strategy involved purchasing existing child-care centers through heavy borrowing. Through this strategy, ABC rapidly became one of the dominant players in the industry and acquired Learning Care Group in 2005.

The company began to expand in the United States in 2005, and by 2009, the company had more than 1,000 centers in the United States. As a result of the global credit crunch, the company was highly leveraged from its efforts to buy several day-care centers in the United States. In May 2014, American Securities LLC acquired Learning Care Group in partnership with the management team of the company. Learning Care Group is estimated to generate about $725.0 million in revenue in 2014.

**Primrose Schools**

*Estimated market share: Less than 1.0%*

Primrose Schools opened its doors in 1982 with the establishment of its first school in Marietta, GA. The company began franchising seven years later and has since grown into a national franchise, extending to 19 states. Primrose has continued to expand from 187 locations in 2009 to more than 275 current locations today, of which one is company owned. Primrose plans to continue expanding its nationwide presence and expects to grow to 300 schools by 2014.

Primrose offers both child-care and preschool programs for children aged six weeks to five years old. The company also offers after-school programs for older children. Primrose differentiates itself by emphasizing its educational curriculum and all of its schools receive educational accreditation. Primrose locates its schools in large metropolitan areas to maximize the number of families within its geographic scope.

Primrose is estimated to have a market share of 0.9%, based on its aggregated revenue of $412.5 million in 2014. On average, Primrose School franchise owners bring in school gross revenue of over $1.6 million. Franchise fees total $70,000, with total investment costs ranging from $561,575 to $3.9 million for franchise operators.

**Nobel Learning Communities Inc.**

*Estimated market share: Less than 1.0%*

Nobel Learning Communities Inc. (NLCI), founded in 1974, is a nonsectarian, for-profit provider of private education. The company provides K-12th education; however, its core business includes preschools, elementary and middle schools. The company operates more than
Major Companies

Other Companies continued

180 schools in 17 states and Washington, DC, with a total capacity of 25,000 children. Operations include Chesterbrook Academy, Merryhill School, Evergreen Academy, Paladin Academy and Houston Learning Academy.

The company is expected to generate revenue of about $239.0 million in 2014. Moving forward, growth will be driven by an increase in net enrollments for the first time in two years, primarily attributable to a continued reduction in student withdrawals. The company has begun investing in its educational programs to strengthen its value proposition, despite the recession. This strategy has helped NLCI progressively retain more students.

NLCI has engaged in growth through acquisitions over the past five years, though the company’s main focus has been on preschools. In 2009, the company acquired Southern Highlands Preparatory Schools and Ivy Kids Early Learning Center in Nevada and Texas. As part of the company’s strategy for expanding its curriculum-based preschool business, NLCI acquired five preschools in metropolitan Washington, DC, from Children’s Center preschools in March 2011. The acquisition, the company’s first since September 2009, includes schools in Maryland (Olney, Gaithersburg and Germantown) and Virginia (Fairfax and Herndon), which were part of a total of 11 preschools owned and operated by Children’s Center preschools. In August 2011, NLCI was acquired by the New York-based private equity firm Leeds Equity Partners.
Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

**Capital Intensity**

The Day Care industry has a low level of capital intensity. IBISWorld estimates that for every dollar spent on wages, industry operators will spend $0.05 in capital. Capital investment is mainly used in maintaining the business’ central location. Over the past five years, capital intensity remained constant; in 2009, for every dollar spent on wages, industry operators spent about $0.05 in capital investment. Child day care requires little capital investment; however, firms in this industry may also lease their building or travel to the client’s home, both of which mitigate this capital expense.

Child day care involves a high level of personal care and interaction; consequently, wages constitute the largest expense for industry operators. Contrarily, wage rates are relatively low in this industry, with the average

**Tools of the Trade: Growth Strategies for Success**

**New Age Economy**

Recreation, Personal Services, Health and Education. Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labor skills are key to product differentiation.

**Traditional Service Economy**

Wholesale and Retail. Reliant on labor rather than capital to sell goods. Functions cannot be outsourced therefore firms must use new technology or improve staff training to increase revenue growth.

**Old Economy**

Agriculture and Manufacturing. Traded goods can be produced using cheap labor abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialize in niche, high-value products.

**Investment Economy**

Information, Communications, Mining, Finance and Real Estate. To increase revenue firms need superior debt management, a stable macroeconomic environment and a sound investment plan.

**Change in Share of the Economy**

SOURCE: WWW.IBISWORLD.COM
Operating Conditions

Capital Intensity continued

worker earning $13,368 per year. Still, there are significant costs involved in finding staff that are suitable for child care. The companies do so to insure that there are no liabilities created from poor child supervision.

Technology & Systems

Many home-based, child-care providers use little, if any, technology. Although, some day-care centers are introducing computer-based educational tools for children. This includes the use of digital cameras, computer exercises and the internet as interactive learning tools, according to the National Association for the Education of Young Children. Furthermore, child-care centers are also increasingly allowing parents to become more actively involved by providing streaming cameras so that parents, using a secure access code, can see their child throughout the day. This technology offering is expected to become more common over the next five years. Additionally, several large day-care operators have instituted virtual private networks and company-wide management information systems to decrease administration costs.

Revenue Volatility

The Day Care industry has a low level of revenue volatility. The demand for services in this industry is primarily driven by the number of women in the workforce, per capita disposable income and the unemployment rate. However, for most families, child care is a necessary expense, a factor which minimizes revenue volatility, for the industry. Government funding and tax measures (which reduce price and bolster demand) also tend to reduce volatility with more parents interested in placing their children in day-care centers.

Female labor participation (which affects demand) is not significantly volatile, but, over the past five years, has been trending slightly downward. As the participation rate declines, demand for child care is set to decrease commensurately. A marked shift in the female participation rate will likely have a significant long-term effect on industry revenue. Seasonality is also a critical factor.
Operating Conditions

Revenue Volatility continued

in industry volatility, particularly within a given year. For example, enrollment tends to be higher in the first six months of the year, and it usually decreases during holiday periods. Nevertheless, the amount of revenue changes from year to year tends to stay consistent.

One factor that does increase revenue volatility rates is the unemployment rate. When the unemployment rate is high, families have less disposable income to spend on child-care services and are more likely to rely on family members. Furthermore, with heightened unemployment, a greater number of parents are at home during the day, which further decreases demand for industry services.

Regulation & Policy

Child-care centers are subject to numerous regulations and licensing requirements. Government agencies regularly review the safety of buildings, educational qualifications and training of teachers, dietary programs, daily curriculum and hiring practices. Licenses must be renewed periodically and employee background checks are conducted. Repeated failures to comply with regulations can be subject to sanctions, including fines and even suspension of the operator’s license to operate.

In some states, child-care centers affiliated with religious institutions are exempt from child-care licensing regulations. The National Child Care Information Center, within the US Department of Health and Human Services, provides detailed information on regulations by state and information on starting up a child-care center. Home-based family day care providers are subject to state and local regulations and licensing requirements, which usually differ from those applied to child-care centers. These requirements also differ significantly from state to state.

The National Association for the Education of Young Children (NAEYC) has established comprehensive criteria for providing quality early childhood education and care. NAEYC accreditation criteria cover a wide range of quantitative and qualitative factors including, among other things, teacher qualifications and development, staffing ratios, health and safety and physical environment. The criteria of accreditation are generally more stringent than state regulatory requirements.

The National Child Care Association represents private licensed child-care providers. Also, the National Association of Family Child Care is a national membership organization working with more than 400 state and local family child-care provider associations across the United States and has developed accreditation programs.

Industry Assistance

There is some financial assistance provided to families who use child day-care services. For example, Section 21 of the IRS code provides a child and dependent care federal tax credit ranging from 25.0% to 35.0% of certain child day care expenses. The amount of child care expenses is limited to $3,000 for one child and $6,000 for two or more children. The government also provides incentives for employers to offset costs related to employer-provided child care facilities. Costs related to acquiring or constructing property used as a qualified child care center, operating an existing child care center or contracting with an independent child care operator to care for children of the employees, will qualify for a tax credit.
The federal government provides grants to states through the Child Care and Development Block Grant, alternatively called the Child Care and Development Fund (CCDF). States use these funds to subsidize the monthly cost of child care for low-income families. In addition, state and local governments pay for a variety of child care programs, including pre-school initiatives.

Over 460,900 child care providers (home care and centers) receive CCDF funds. The average monthly number of children served by the CCDF is 1.5 million (67% of whom are under the age of 6 years old). About 65.0% of children served by CCDF attend center-based care.

About 41 states use Title XX (the Social Services Block Grant) funds to help meet the demand for child care assistance. The Child Nutrition and WIC Reauthorization Act of 2004 permitted for-profit child care centers to participate in the Child and Adult Care Food Program when 25.0% of the centers enrollment or licensed capacity receive either Title XX or are eligible for free or reduced-price meals.
### Key Statistics

#### Industry Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($m)</th>
<th>Industry Value Added ($m)</th>
<th>Establishments</th>
<th>Enterprises</th>
<th>Employment</th>
<th>Exports</th>
<th>Imports</th>
<th>Wages ($m)</th>
<th>Domestic Demand</th>
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#### Annual Change

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<th>Establishments (%)</th>
<th>Enterprises (%)</th>
<th>Employment (%)</th>
<th>Exports (%)</th>
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<th>Wages (%)</th>
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</tbody>
</table>

#### Key Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>IVA/Revenue (%)</th>
<th>Imports/Demand (%)</th>
<th>Exports/Revenue (%)</th>
<th>Revenue per Employee ($000)</th>
<th>Wages/Revenue (%)</th>
<th>Employees per Est.</th>
<th>Average Wage (%)</th>
<th>Share of the Economy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>59.28</td>
<td>N/A</td>
<td>N/A</td>
<td>26.31</td>
<td>50.08</td>
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<td>N/A</td>
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<td>49.66</td>
<td>2.00</td>
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<td>47.22</td>
<td>2.02</td>
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<td>2.04</td>
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<td>N/A</td>
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<td>N/A</td>
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<td>47.77</td>
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<td>1.90</td>
<td>13,539.99</td>
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</tr>
</tbody>
</table>

#### Figures are inflation-adjusted 2014 dollars. Rank refers to 2014 data.

SOURCE: WWW.IBISWORLD.COM
Jargon & Glossary

Industry Jargon

CHILD-TO-STAFF RATIO Legal ratio mandated under state law for childcare centers for the maximum number of children per staff member.

EMPLOYER-SPONSORED A day-care service that a company provides its workers through a contract with a local day-care center or facility.

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the “real” growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

OCCUPANCY RATE The rate of available spots at a day-care center that are filled. A rate of at least 70.0% is necessary for a center to be profitable.

IBISWorld Glossary

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEmploying ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.
VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.
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It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

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