National Childcare Barometer

2017

Australian Childcare Alliance

rose PARTNERS accountants & advisers

bankwest FOR BUSINESS

Performance and sentiment of the Australian Early Childhood Education and Care sector in 2017: survey findings

Contents

About this report

The National Childcare Barometer is a joint initiative between the Australian Childcare Alliance (ACA), Rose Partners Accountants and Advisers and Bankwest Business. It is intended that this survey will be conducted annually for the purpose of examining current trends around occupancy levels, staffing, financial viability and overall sentiment in the Early Childhood Education and Care sector. It is hoped that information obtained from these annual surveys will provide valuable benchmarks at both a sector and State level, to allow individual service operators to assess and compare their performance with State and National averages.

The initial survey was open for a period of 12 weeks from 27 March 2017 to 19 June 2017. All members of the ACA throughout Australia were emailed a link to complete the survey online on a voluntary basis. The survey contained 28 questions relating to occupancy levels, staffing, financial viability and overall sentiment in the Early Childhood and Care Sector. Responses to the survey were anonymous.

Bankwest received 217 responses to the survey. These results are summarised in the table below:

State	Number of responses
New South Wales	81
Queensland	64
Victoria	30
Western Australia	29
South Australia	5
Tasmania	0
Australian Capital Territory	0
Northern Territory	0
No State selected	8
TOTAL	**217**

Only States/Territories which had greater than 20 responses are given individual treatment in this report. Those with less than 20 responses are represented in the national figures only.

Any reference in this report that is not attributed to an external source has come directly from the survey results and analysis thereof. The commentary provided is based solely upon the survey results as a data source. Any comments made on behalf of an organisation or individual are attributable only to that organisation or individual and not Bankwest. We acknowledge that the results are based on the childcare operators surveyed only and do not represent all childcare operators. Where information in the report is shown graphically, the heading of that graph is the question that survey respondents were asked to respond to.

Our collaborative approach

Australian Childcare Alliance

The Australian Childcare Alliance (ACA) is a not-for-profit, member-funded association for privately operated long day care services in Australia. Our mission is to lead policy and representation in the Early Childhood Education and Care (ECEC) sector by fostering collaboration, knowledge sharing and communication.

We are grateful to both Rose Partners and Bankwest for their support in the production of the first National Childcare Barometer. Our goal is to produce this report annually and use the findings to support service operators and inform lobbying efforts at both the national and State levels.

The first National Childcare Barometer survey highlights a sector experiencing rapid change. This presents both opportunities and challenges. The average reported sector confidence from the survey is low at 2.8 / 5. There are three key themes that emerge from the survey explaining the current confidence level:

1. Implementation of the Jobs for Families Package on 1 July 2018 will guarantee $37 billion in funding to the sector over five years, but services need to start preparing for systems, processes and possible fee changes now.
2. There is concern amongst service operators about the rapid expansion of the sector, with current national occupancy levels already ranging from a low of 72% in Western Australia to 84% in Victoria.
3. The balance between affordability and accessibility for families, financial viability for service operators and wage growth for staff in the sector will be adjudicated by the Fair Work Commission in 2017/18.

ACA will continue to work with its members, partners, government and the ECEC sector to achieve the best outcomes possible. To find out more about the ACA, please visit our website at www.childcarealliance.org.au, or email us at admin@childcarealliance.org.au.

Paul Mondo
President, Australian Childcare Alliance

Rose Partners

Rose Partners have been providing accounting and advisory services to many sectors, including the ECEC sector, for over 40 years. We are pleased to partner with both the Australian Childcare Alliance and Bankwest in this first National Childcare Barometer.

Our depth of experience in a range of sectors has highlighted to us that the ECEC sector is very much undergoing growth and change. It is paramount that service operators are not complacent and they embrace change to maintain their competitive edge. It is more important than ever that service operators take the opportunity to "measure what they manage".

Over 70% of survey respondents in this study are concerned with the number of new ECEC centres and competition. Whilst headline revenue is increasing, costs are also rising, thereby eroding underlying earnings. It is expected that there will be further sector consolidation over the coming years. Service operators that remain focused and continue to identify the key success drivers will thrive and no doubt grow.

Rose Partners looks forward to continuing to support our clients in the ECEC sector by offering insightful advice, backed with practical hands-on knowledge. To find out more please visit www.rosepartners.com.au or email msojka@rosepartners.com.au.

Michael Sojka
Managing Partner, Rose Partners Accountants and Advisers

Bankwest

Bankwest is delighted to partner with the Australian Childcare Alliance and Rose Partners to produce the first National Childcare Barometer, which seeks to track and measure performance and sentiment in the Australian ECEC sector.

The overall barometer confidence score of 2.8 / 5 and responses to the survey highlights some contrasting themes. While respondents that score 4 and 5 point to favourable demographics and growing sector demand, this is tempered by lower scores pointing to increasing supply in some areas and uncertainty around government regulation.

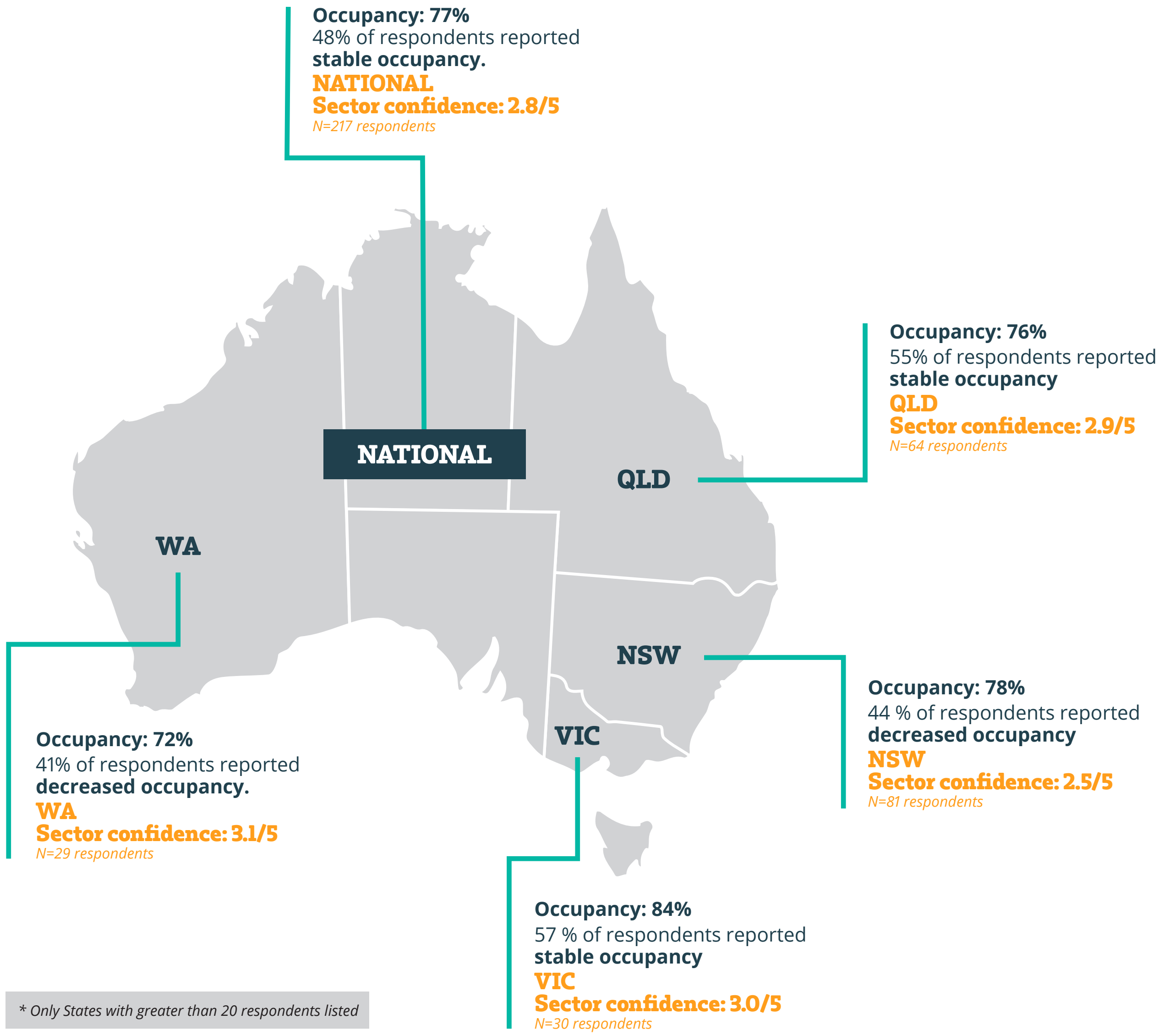
At Bankwest we are committed to supporting the ECEC sector and offer a wide range of products to support sector operators. We hope you gain valuable insights from the first National Childcare Barometer and look forward to producing further reports in the years ahead.

Visit www.bankwest.com.au/business/why-bankwest/our-expertise/childcare or email Travis.Sprigg@bankwest.com.au to find out more about how Bankwest can assist your business.

Travis Sprigg
Executive Manager, Bankwest

At a glance

The National Childcare Barometer surveyed 217 *ECEC service operators over 12 weeks between March and June 2017 on their current performance and outlook for the sector. This feedback represents 409 ECEC services around Australia, with an average of 1.9 centres per respondent. Respondents gave their confidence in the sector a numerical rating, with 1 being pessimistic and 5 being optimistic. Confidence and occupancy figures are averages for the range of respondents, indicated by the N value.



** Only States with greater than 20 respondents listed*

Sector confidence

The average sector confidence of survey respondents is relatively low at 2.8 / 5. Over 70% of respondents voiced their main concern as being the current rate of expansion in the sector.

Current occupancy across Australia ranges from 72% to 84% which is consistent with our own internal analysis. With over 1,200 planning applications underway across Australia for new ECEC services, there is serious potential for future sector viability and quality issues.

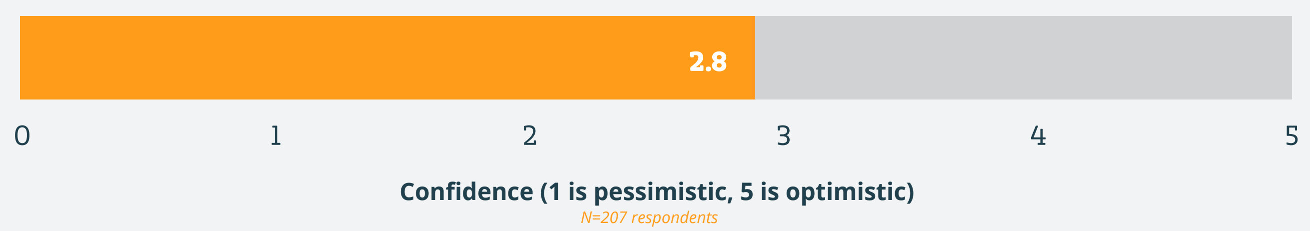
Paul Mondo
President, Australian Childcare Alliance

ECEC sector revenue is estimated to have grown at an annualised rate of 14.3% p.a over the five years to 2016/17^, making it one of the highest growth industries in Australia. This has attracted many new operators to the sector, as well as developers. Anecdotal evidence indicates that sector confidence is lower today than in recent years. This may be due to heightened concerns about the development of new centres and the impact that this additional supply will have on future occupancy levels. Whilst the outlook for sector revenue growth for the next five years to 2021/22 remains strong at an average annual rate of 5.8% p.a^, this is a lower level of growth than the previous five years. Operators will increasingly need to manage their businesses more efficiently to cope with this new supply.

Kim McCauley
Director - Specialised Industries, Bankwest

^IBISWorld Industry Report Q8710, Child Care Services in Australia (March 2017)

How confident are you in the childcare sector outlook?



Respondents were asked the above question, with 1 indicating pessimism and 5 indicating optimism. The above graph shows the average confidence level of respondents.

Respondents on why they were optimistic or pessimistic about the sector:

"I am fearful that increased centre numbers and close competition will make many centres unviable." ***- Single centre operator NSW – Confidence 2/5***

"Too many centres in our immediate area; wages are rising while occupancy is not; and fees are needing to rise too much and making it unaffordable for families." ***- Single centre operator QLD – Confidence 3/5***

"The Jobs for Families packages may impact on the affordability of child care, particularly in remote mining regions and for children that utilise the services for respite and socialisation." ***- Multi-centre operator WA – Confidence 3/5***

"Pressures on families with increasing costs. Government changes to legislation. Educators' wages and issues surrounding pay." ***– Multi-centre operator QLD – Confidence 3/5***

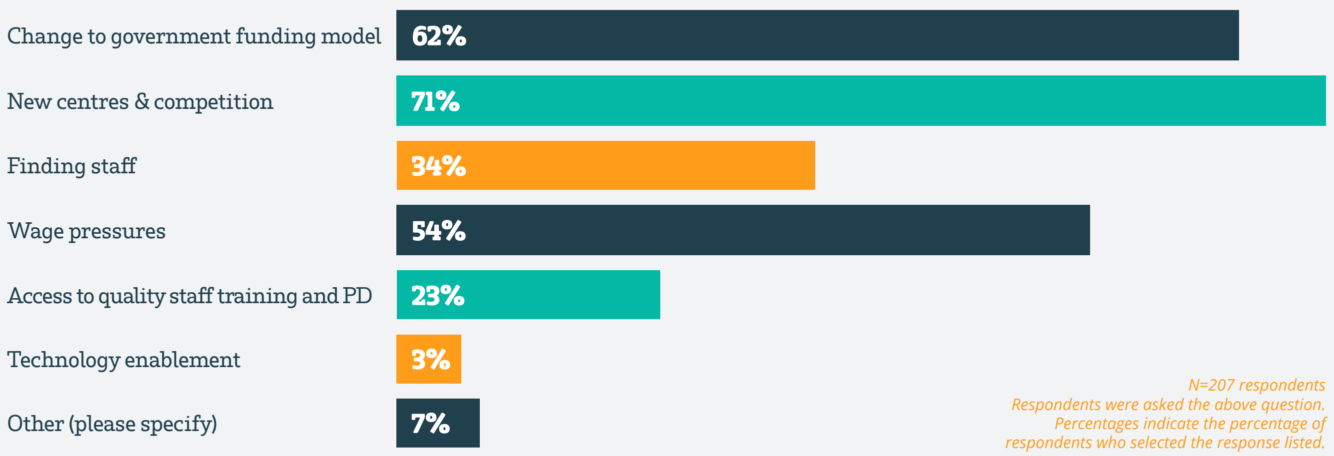
"Increasing demand as WA economy recovers." ***– Single centre operator WA - Confidence 4/5***

Key sector challenges

Three issues have been reported as key sector threats in the next 12 to 24 months:

1. Rapid expansion in the sector, with over 1,200 planning applications currently underway across Australia;
2. Changes to the funding model associated with implementation of the Jobs for Families Package on 1 July 2018; and
3. Potential wage pressure via the Equal Remuneration Order before Fair Work Australia.

What are the key sector or business threats you see in the next 12 to 24 months?



N=207 respondents
Respondents were asked the above question.
Percentages indicate the percentage of respondents who selected the response listed.

New centres and competition

With reported occupancy levels ranging between 72% to 84% nationally, the rate of new service development in the sector is of some concern.

Ensuring development is linked to community needs will be critical to ensuring the long term viability of the sector, as well as quality early childhood education and care.

ACA

Changes to the funding model

On 1 July 2018, $37 billion in funding will be injected into the early childhood sector over five years through a new integrated Child Care Subsidy.

Services need to understand how the new activity test and child care subsidies will impact their families and model their fees accordingly.

A new IT system will be implemented to support the new model. All services will require online sign in software for parents that links directly to the Commonwealth Government's IT system.

ACA

Wage pressure

Wages currently account for 64.1%^ of expenses for long day care service operators.

The Equal Remuneration Order before Fair Work Australia may result in a wage increase of over 30% for staff employed in the sector.

The need to balance affordability and accessibility for Australian families with wage growth for staff is paramount, particularly as there are no allowances for wage growth in the Jobs for Families package.

ACA

^IBISWorld Industry Report Q8710, Child Care Services in Australia (March 2017)

Case Study – SA

The value of quality and knowing your niche!

A case study from Jessica Matheson (nee Langford)
Jescott Montessori Preschool
Magill, South Australia

The pathway to excellence looks different for every centre

At Jescott Montessori Preschool we sometimes feel almost a little like a relic in this industry. We are a relatively tiny centre – only 23 children per day – independently run, entirely 'standalone' and open from only 8am to 4pm each day. We don't have the financial resources of huge childcare centres, we don't have the pulling power of ELCs attached to prestigious schools and we're tucked away on a quiet street in an area surrounded by government funded kindergartens and long-day care centres that offer much longer hours.

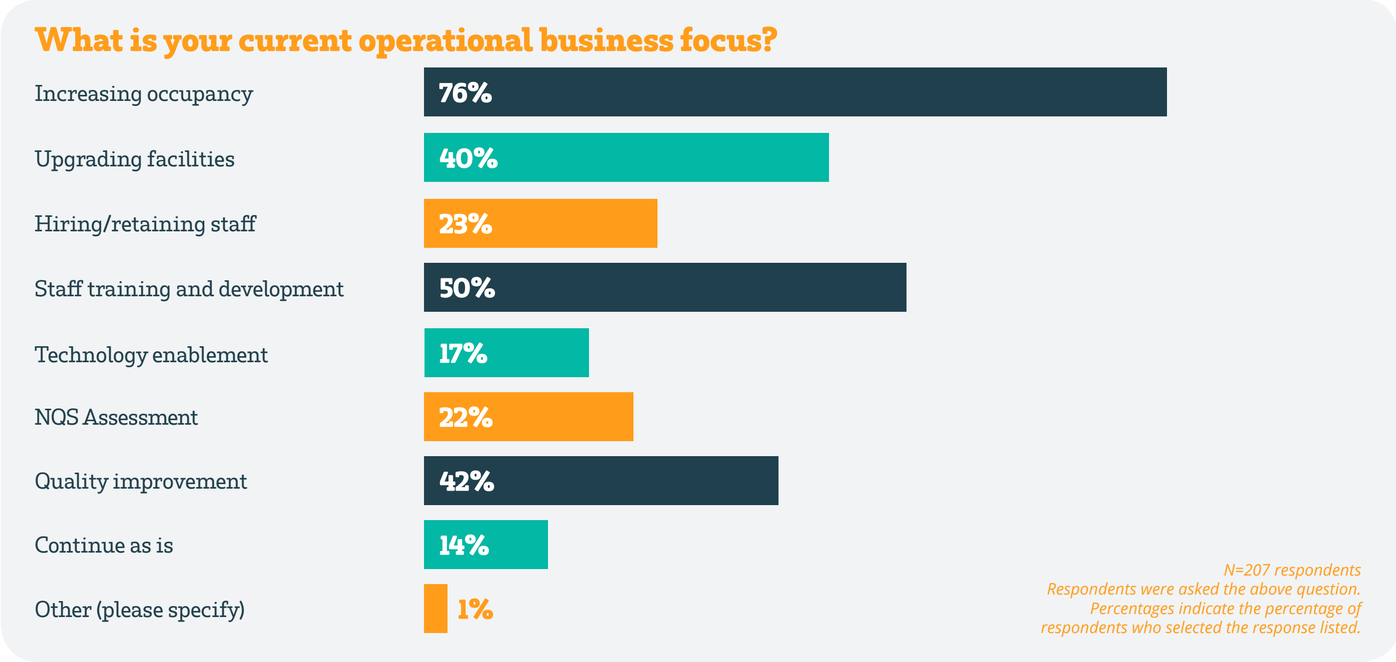
So how are we not just surviving but thriving, with consistent 100% capacity and an 'Excellent' rating to our name? Because we know our niche.

We know who we are and we are not afraid to embrace and celebrate it. We have core values, and an underlying Montessori pedagogical approach, that act as the bright sun around which our little universe revolves. We are open to new ideas, we recognize the value of bringing modern research and best practice into our environment, but we evolve without becoming unrecognisable, without losing sight of what we stand for. This balance can be hard to achieve – maintaining a strong sense of identity without stagnating – but it is more than worth the effort.

Trying to be all things for all people might seem appealing at first, and might make a centre look impressive at a surface level, but scratching that surface often reveals chaos and confusion reigning beneath as the team are unable to truly excel at any one aspect of the mixed bag of pedagogical plans.

At Jescott we know we can't be all things for all people, so we choose our priorities and do some things extraordinarily well rather than trying to be a little bit of absolutely everything. The 'jack of all trades is a master of none' and we believe children and families deserve environments where the professionals have mastered the delicate art and science of providing exceptional early childhood experiences.

Current operational business focus



Increasing occupancy in the light of a rapid expansion in child care services is the key strategic focus for 76% of service operators.

ACA notes that a focus on continuous improvement will remain a key driver for the sector to increase occupancy levels, a finding supported by the survey results. Many respondents are continuing their quality journey through a business focus on:

- staff training and development
- embedding quality improvement planning
- upgrading their facilities.

ACA remains concerned that the expiry of the Long Day Care Professional Development Programme (LDCPDP) funding arrangement will compromise the affordability and accessibility of training for the sector.

ACA

- Fifty-one per cent of centres have occupancy of 80% or more.
- Centres that described occupancy as decreasing had an average occupancy of 68%.
- Centres that described their occupancy as increasing had average occupancy of 76%.
- Centres that described their occupancy as stable had average occupancy of 83%.

Centres with occupancy less than 95% had an 85% correlation with one of their key operational business focuses being to increase occupancy. Interestingly, centres with a lower occupancy indicated less desire to upgrade their facilities which is possibly due to a lack of financial resources or capacity to do so. Thirty-four per cent of centres with occupancy less than 80% want to upgrade facilities, whilst 42% of centres with occupancy of 80% or greater want to upgrade facilities. An ability to increase occupancy may become challenging with increased supply in some States. Owners will increasingly need to focus on how to differentiate their centres.

Kim McCauley
Director - Specialised Industries, Bankwest

Maintaining and increasing occupancy is at the forefront of 76% of operators' current operational focus. This highlights the direct correlation of revenue and occupancy levels. A range of systems, including software solutions, together with an ever-evolving service are key ingredients to increasing and maintaining occupancy levels. Operators should also consider thinking outside the box to derive other income streams that are not tied directly to occupancy levels in order to enhance overall profitability.

Michael Sojka
Managing Partner, Rose Partners Accountants & Advisers

Case Study – WA

The value of continuous quality improvement

A case study from Brett Thomson

Schools of Early Learning
West Leederville, Nedlands, Subiaco and Fremantle - WA

Schools of Early Learning (SOEL) is a family-owned and operated business, first established in 1974.

"Our focus has always been on providing the highest possible quality of early childhood education and care to families and this is a model that has stood the test of time" explains Commercial Director, Brett Thomson.

When it comes to their child's education, parents value quality.

"Even in the face of stiff competition from a number of new entrants into the early education and care space, we have been able to maintain our enrolments by continuously enhancing and improving what we do.

"We do this not because the National Regulations require us to have a Quality Improvement Plan, but to always review our education programs and practices in light of our quality philosophy," says Brett.

It pays to invest in quality improvement and staff development.

Brett goes on to explain that SOEL invests significantly in quality improvement, staff training and further education.

SOEL have also established their own Registered Training Organisation to assist with delivery of their quality improvement program.

"There is an expectation that when you join the SOEL team you will undertake further training no matter what your experience. This has ensured that all of our educators are on the same page and are all delivering cutting edge early childhood education."

Strategic intentions

What are your strategic intentions over the next 12 to 24 months?

> **"Families have been happy with our services and our self-reflection on our practices are frequent, so that quality remains at the forefront. We have to focus on our services as the broader scope within the industry is so varied, and the media's presentation in the public forum isn't always positive. It is a difficult, always fluid and forever changing industry, but having said this, the focus on the children's outcomes and experiences has not wavered."**

NSW respondent (single centre operator)

In a sector undergoing rapid change, ACA urges all service operators to continually review and improve their service models, education programs and community engagement. Being aware of key sector trends, challenges and opportunities will be the key to a healthy sector in the next 12 to 24 months.

ACA

A strategic intention to 'continue as is' contrasts with the need to adapt to change within the sector. More than ever, operators must have a clearly defined plan and measurement framework to ensure that goals are met.

Michael Sojka
Managing Partner, Rose Partners Accountants & Advisers

Unsurprisingly, those whose strategic intentions were 'continue as is' tended to have a higher occupancy rates than other respondents. However, a risk in a dynamic sector is complacency. Operators will need to ask whether they are planning and making decisions today that will benefit their business tomorrow and into the future.

Travis Sprigg
Executive Manager, Bankwest

Case Study – Victoria

The value of creating a team with a strong sense of identity

A case study from Fady Elgithany
Jenny's Early Learning Centres
Strathfieldsaye, Maiden Gully, Epsom and Bendigo Hospital - Victoria

Jenny's ELC pushes boundaries in many areas of early childhood education and care. For example, we were the first provider in the Bendigo region to have a service rated as "Exceeding" in all seven areas of the National Quality Framework.

We also were the first service in the Bendigo region to undertake a Public Private Partnership (PPP) with the State Government to provide childcare and preschool programs on the grounds of the new Bendigo Hospital.

Staff retention was another area that Jenny's ELC wanted to make a considered difference to the sector and more specifically, our staff and our children. We recognise that investment in staff is worth it's weight in gold and that's what we continue to do.

We ensure that our team have a strong sense of identity and a genuine voice in how our services are operated.

Jenny's ELC achieves this outcome as an organisation by providing high levels of support and training to the team. We also take the time to listen to staff feedback.

By ensuring our team are valued, heard and supported (plus having lots of fun along the way!) they are more likely to continue to work within the sector and most importantly, continue to be employed by Jenny's ELC.

We know that consistency of good quality educators is high on our families' priority list. Having content and long term staff allows for our centres to invest in long term projects such as ongoing community excursions, completing the Victorian Government's Healthy Achievement Program and genuinely understanding, meeting and exceeding the educational needs of children and families within our services.

NSW Analysis

Competition driving down occupancy

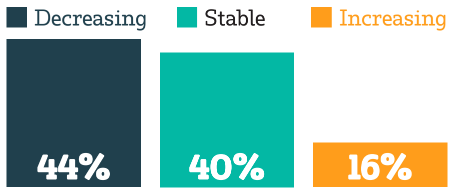
2.5/5
Average confidence in sector (5 is most confident)

1.9
Average number of centres owned by an operator

99
Average number of approved places for each owner operator

16
Full time employees on average

78%
Average occupancy per service operator



Occupancy trends for service operators

82%
See increased competition as their biggest threat in the next 12-24 months

60%
Said their accountant was their key advisor

96%
Rely on word of mouth for advertising

N=81 respondents

Sector confidence in New South Wales is below the national average at 2.5 / 5. Over 44% of respondents reported declining occupancy levels. Combined with an average reported occupancy rate of 78%, there are concerns for many operators regarding long term financial viability.

ACA NSW

NSW is performing just above the national average in occupancy at 78%. However, NSW respondents reported the highest rate of decreasing occupancy among all of the States. This may be due to increased competition, with 82% of respondents listing it as their main threat in the coming years. Many comments reflected a similar sentiment.

Bankwest

NSW service operators on why they were optimistic or pessimistic about the sector:

"New centres are being approved for development in close proximity which I think will impede on established centres. Changes to access for parents who are non-working will disadvantage the children."

Confidence: 3/5 NSW (single centre operator)

"Costs involved, numbers of other centres in the area, fees, parents looking to other cheaper options of childcare."

Confidence: 3/5 NSW (multi-centre operator)

"Increase in childcare chains as well as increasing cost in wages and uncertain, continually changing regulations."

Confidence: 2/5 NSW (single centre operator)

Queensland Analysis

Jobs For Families the key challenge

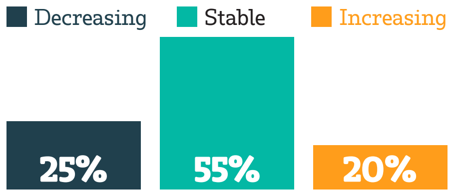
2.9/5
Average confidence in sector (5 is most confident)

1.3
Average number of centres owned by an operator

125
Average number of approved places for each owner operator

9
Full time employees on average

76%
Average occupancy per service operator



Occupancy trends for service operators

70%
See changes to government funding as their biggest threat in the next 12-24 months

67%
Said the ACA and industry was their key adviser

95%
Rely on word of mouth for advertising

N=64 respondents

Sector confidence in Queensland is marginally above the national average at 2.9 / 5. Average occupancy remains comparatively low at 76%, with 25% of respondents confirming reduced occupancy. Seventy per cent of respondents reported that changes to government funding via the Jobs for Families package is the key challenge for Queensland operators to manage.

ACA Queensland

Conditions in Queensland appear to be representative of the nation as a whole. Average occupancy of 76% is just under the national figure. Although 55% reported stable occupancy in the last 6 months, increasing costs may put operators in a tough position. Seventy-three per cent of respondents are focused on increasing occupancy in the next 12-24 months. There appears to be a higher proportion in Queensland for part time or casual staff versus full time staff. Service operators employed 19 part time or casual employees on average, compared to an average of 13 part time or casual employees for the other States and Territories.

Bankwest

QLD service operators on why they were optimistic or pessimistic about the sector:

"New centres are popping up everywhere with what appears to be little planning, meaning that a lot of centres are running under capacity. Changes and expectations on centres are becoming increasingly difficult to stay on top of and keep staff educated."

Confidence: 3/5 QLD (single centre operator)

"New legislation and changes that may impact on viability and occupancy."

Confidence: 3/5 QLD (single centre operator)

"I have two centres. Due to competition and the macroeconomic environment, we have dropped 20% occupancy at our centre rated 'Exceeding' and 35% at our centre rated 'Meeting'. More centres are being built with no children to fill them."

Confidence: 1/5 QLD (multi-centre operator)

Victoria Analysis

Rapid service expansion a key concern

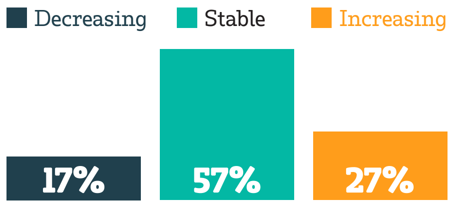
3.0/5
Average confidence in sector (5 is most confident)

1.8
Average number of centres owned by an operator

132
Average number of approved places for each owner operator

25
Full time employees on average

84%
Average occupancy per service operator



Occupancy trends for service operators

67%
See increased competition as their biggest threat in the next 12-24 months

73%
Said the ACA and industry was their key adviser

97%
Rely on word of mouth for advertising

N=30 respondents

Sector confidence in Victoria is above the national average at 3.0 / 5. Average occupancy in Victoria is the highest of any State in Australia at 84%. Just 17% of services reported declining occupancy, in stark contrast to the national average of 33%. Despite this, 67% of respondents reported that increased competition was their biggest threat in the next 12 to 24 months.

ACA Victoria

Victoria appears to be the strongest performing State based on our survey results. Occupancy figures of 84% are 7% higher than the national average. When asked what their current operational focus was, 77% of respondents were focusing on increasing occupancy, while only 23% were going to upgrade centres. With 83% reporting stable or increasing occupancy, operators will be watching to see the effect of more supply coming into the market in the coming year.

Bankwest

Victorian service operators on why they were optimistic or pessimistic about the sector:

"Population is growing rapidly in Victoria especially in 0-8 age group; government changes to funding are encouraging more parents to place their children in childcare; and emphasis on the importance on Early Childhood Education."

Confidence: 5/5 VIC (multi centre operator)

"Our centre is located in a mature neighbourhood with relatively lower young families."

Confidence: 3/5 VIC (single centre operator)

"The wages pressure, unknown government policy changes and the pressure of changing regulations."

Confidence: 1/5 VIC (single centre operator)

WA Analysis

Lower occupancy in a post-boom economy

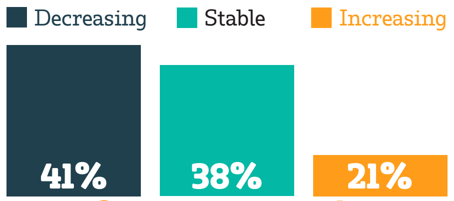
3.1/5
Average confidence in sector (5 is most confident)

2.8
Average number of centres owned by an operator

169
Average number of approved places for each owner operator

26
Full time employees on average

72%
Average occupancy per service operator



Occupancy trends for service operators

59%
See changes to government funding as their biggest threat in the next 12-24 months

55%
Said their accountant was their key advisor

93%
Rely on word of mouth for advertising

N=29 respondents

Confidence in Western Australia is above the national average at 3.1 / 5. Government policy changes via Jobs For Families is reported as the biggest challenge facing Western Australian operators. With the lowest occupancy rate in Australia (72%) and over 41% of respondents reporting decreased occupancy, services will need to remain vigilant.

ACA WA

Despite challenging economic conditions, WA survey respondents had the highest level of confidence in the sector. WA respondents also recorded a higher overall level of confidence (3.4/5) that their centres would rise in value within the next 12 months compared to the rest of the nation (3.1/5). These confidence levels may indicate that operators feel the bottom of the current economic cycle has been reached. Operators with larger centres were on average more optimistic about the sector.

Bankwest

WA service operators on why they were optimistic or pessimistic about the sector:

"I believe that our service is 10/10 and the staff are amazing and always strive for the best quality care."

Confidence: 4/5 WA (multicentre operator)

"Increasing supply of child care, decreasing demand for child care places and a new funding model will significantly change the child care landscape. With this change comes risk but also opportunity."

Confidence: 3/5 WA (multicentre operator)

"Government changes and unemployment."

Confidence: 2/5 WA (single centre operator)

Case Study – Victoria

Leadership remains a key to success

A case study from Andy King
KingKids Childcare
Berwick and Narre Warren - Victoria

At KingKids Childcare our aspiration is to provide great leadership to our team, while nurturing great leaders within our team.

In considering our approach to leadership we identified three crucial elements:

- ***Firstly, great and inspiring leaders always start with the 'vision', the 'why'.*** Put quite simply, people engage with (or buy into) the 'why'.
- ***Next comes respect; truly valuing those in your teams as individuals and human beings.***
- ***Finally, empowering people with an outcome based approach,*** which holds them accountable and responsible.

I regularly go back to a quote that drives our approach to leadership:

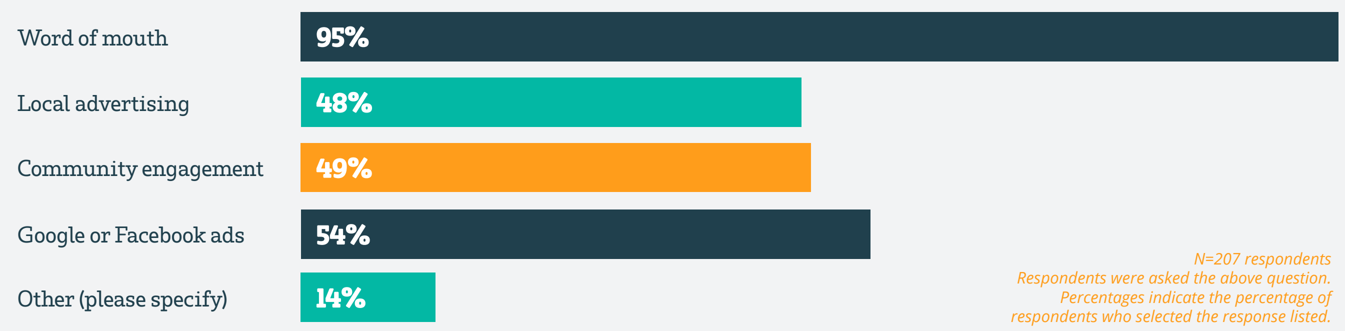
'Management is about arranging and telling. Leadership is about nurturing and enhancing' - Tom Peters

Incidentally, the 'why' is never 'to make a profit' – this is a result. We value our ability to be viable as it allows us to invest back in the quality of the early childhood education and care that we deliver. If you can articulate your 'why' effectively in conjunction with the other two leadership pillars, the bottom line almost looks after itself.

Too many people in business claim to be 'bad with maths' or state that they 'leave it to the finance people or accountants'. However, good leadership coupled with financial stewardship helps ensure this desired result.

Approach to marketing

What is your approach to marketing / how do families find you?



Managing social media

While word of mouth advertising is by far the most popular approach to advertising that operators rely on, more than one in two operators are now using internet based methods to reach potential families. This shows that the increase in local competition is forcing centre operators to explore more targeted methods to find new clients and increase occupancy. Operators who have previously never needed to advertise may be looking at the ability to run targeted advertisements to the right demographics in their local area. With 79% of Australians now using social media^, having an online advertising presence will continue to grow as an important channel to reach new families.

Travis Sprigg
Executive Manager, Bankwest

^2017 Sensis Social Media Report

Word of mouth referrals

Word of mouth referrals reflect the major focus of marketing efforts of service operators. A generational shift linked to parents with strong technology engagement creates future marketing and engagement opportunities for service operators. With competition increasing significantly, service operators will need to define and market their brand and key points of difference to remain viable moving forward.

ACA

For the first time in 18 years, we are now actively advertising.

Multi centre operator, NSW

Case Study – WA

The value of effective marketing

A case study from Sonas Early Learning & Care

Huntingdale - WA

Starting out in challenging circumstances.

The new owners of Sonas Early Learning & Care purchased a run down, older service in a backstreet of an aging suburb 15 months ago. There were just three enrolled children in the 38 place centre.

In Huntingdale there are four LDC services. There are eight within a 5km radius and 60 within a 15km radius.

The centre was renamed Sonas Early Learning & Care ("sonas" being Irish for happiness). On purchase, immediate changes were undertaken - facility upgrades, and updating the care and education delivery model. To supplement this, the service implemented Xplor (integrated CCMS software) to provide real-time updates to families on their children.

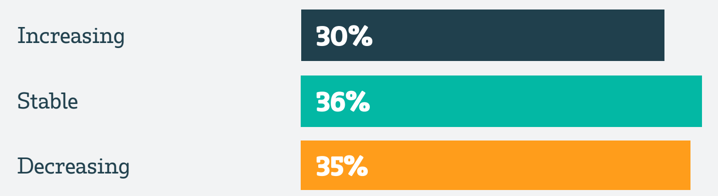
A targeted marketing campaign to engage the community then commenced:

- Community Activity - fetes, markets, shopping centre, playgroups, local sports
- Digital – Facebook, Website, Instagram
- Hard copy – Print Media, Flyer distribution
- In-house - Open Days and special events

Sonas is currently operating at 70% occupancy and is steadily growing. The most effective and responsive marketing activity has been community engagement, initiating community conversations and generating word of mouth. The most effective digital marketing has been the personal story posts on Facebook and Instagram.

Financial – Revenue

What has been the trend on your revenue over the last 6 months?



N=95 respondents
Respondents were asked the above question. Percentages indicate the percentage of respondents who selected the response listed.

Survey data reveals overall sector growth of 12% in revenue for 2016, aligning with recent IBISWorld industry data. ^Based on data from our survey, it would appear that a small number of services are driving the revenue growth. This is evidenced by the fact that over 70% of services reported a stable or declining revenue base in 2016.

Michael Sojka
Managing Partner, Rose Partners Accountants & Advisers

^IBISWorld Industry Report Q8710, Child Care Services in Australia (March 2017)

A large proportion of services are reporting stable or decreasing revenue. Increased competition and over-supply in some areas may create an environment where sector viability and quality are compromised.

Paul Mondo
President, Australian Childcare Alliance

Seventy-one per cent of respondents recorded either stable or decreasing revenue in the last six months. Against the backdrop of higher costs, this means that earnings are likely being driven downwards. The respondents who experienced an increase to revenue in the last six months had on average a higher occupancy rate at 86%, compared to the national average of 77%. This indicates that any revenue increases are more likely to be attributable to an increase in filled places, rather than an increase in fees.

Travis Sprigg
Executive Manager, Bankwest

Financial – Costs

Wages (excluding superannuation)

2016 Wages ($)	$1,070,904
2015 Wages ($)	$916,011

N=95 respondents
Respondents were asked the to enter their total wages and rent costs for the 2015 and 2016 financial years for all centres they operate. The figures above represent an average per respondent based on the sample size.

Rent

2016 Rent ($)	$148,286
2015 Rent ($)	$131,646

N=95 respondents
Respondents were asked the to enter their total wages and rent costs for the 2015 and 2016 financial years for all centres they operate. The figures above represent an average per respondent based on the sample size.

Wages

The survey shows that wage costs grew at a rate of 8% between 2015 and 2016. This can be attributed to the impact of higher educator to child ratios from 1 January 2016 and has already caused downward pressure on earnings. With the change in ratios only being applied for half of the reporting period, it is expected that these costs will continue to grow and that operators will need to focus on efficient rostering to ensure viability is adequately maintained.

Paul Mondo
President, Australian Childcare Alliance

Rent

The cost of renting premises increased by 12.6% between 2015 and 2016. Of the 38 survey respondents who recorded rental cost increases greater than inflation, 22 were located in Victoria or NSW. Average occupancy was slightly lower than the national average (76% compared to 77% for the national average) while the average number of centres was slightly higher (2.0 compared to 1.9 for the national average). This suggests that operators are feeling the pinch of rising rental costs while occupancy, and therefore revenue, is flat.

Michael Sojka
Managing Partner, Rose Partners Accountants & Advisers

"Rapid proliferation of new centres in close proximity to existing centres has had a significant impact on occupancy levels. Financial sustainability is a huge issue for the sector. There is an enormous strain to meet the overhead costs with dwindling enrolment numbers."

Multicentre operator NSW

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