

Montana Child Care Business Connect

How to Price Your Services?

Thursday, May 18, 2023

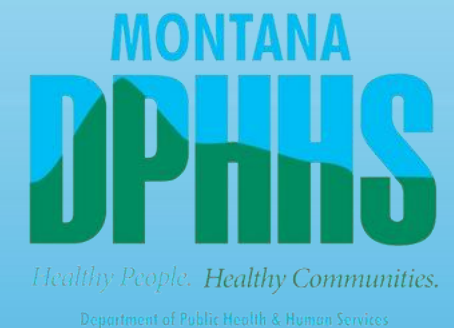
Phase II - Part 4 of 7 in the Tiny Training Series



Small Business Support. Big Community Impact.



ZEROTOFIVE
MONTANA



What is: The 'Tiny Training Series'

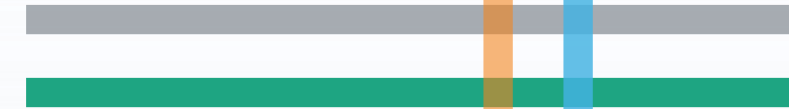
Statement of Purpose

- 30-minute webinars
- Every other Thursday at 1:30pm
- Attendance of four equals 2 hours of ECP credits
- Define basic business concepts
- Feature Business Connect Programs

2023 Training Summary

- ~~April 6:~~ ~~How do mentorships work?~~
- ~~April 20:~~ ~~How to utilize a business advisor?~~
- ~~May 4:~~ ~~How to write a budget?~~
- May 18: How to price your services?
- June 1: How to manage your money?
- June 15: How to sustain without one-time funding?
- June 29: How to organize your community around childcare solutions?

What is: **CONNECT**



Launched in:

2022

Focusing on:

Supporting communities and entrepreneurs with business elements of starting, owning and operating childcare programs.

Critical Areas:

Training, Technical Assistance, Mentorship, Community Capacity Building, Web-Resource Hub

Staffed by:

Rhonda Schwenke, Jason Nitschke, Heide Borgonovo, Shelby Whelan, Alex DuBois, Jennifer Owen, [Business Advisor](#), [Program Assistant](#)

Jason Nitschke; MA, EDFP

Senior Child Care Business Advisor



"Helping entrepreneurs turn
visions into reality"

Education

- 2002 – M.A. Communications – Hawaii Pacific University
- 1997 – B.A. Journalism/Political Science – University of Montana

Economic Development & Entrepreneurship

- 2019-2022 – Vice President – Great Falls Development Authority
- 2014-2022 – Regional Director – Great Falls area Small Business Development Center (SBDC)
- 2011-2012 -- Carondelet Estate Services, LLC; St. Louis, MO
- 2000-2002 -- JNitschke Photography; Denver, CO

Certifications

- 2021 – Certified PeerSpectives Facilitator – Edward Lowe Foundation
- 2017 – Certified Export Counselor – U.S. Small Business Administration
- 2017 – Certified Profit Mastery Facilitator – Business Resource Services
- 2015 -- Economic Development Finance Prof. (EDFP) – National Development Council
- 2015 -- Accredited Small Business Consultant (ASBC) – Association of Accredited Small Business Consultants
- 2015 -- Certified Business Advisor – GrowthWheel International

Recognitions

- 2022 – Boots to Business National Instructor of the Year – U.S. Small Business Administration
- 2018 – Montana SBDC State Star
- 2010 – Television News Enterprise Award – Montana Broadcasters Association
- 2009 – Television Sports Reporting Award – Society of Professional Journalists
- 2007 – Television Sports Enterprise Award – Montana Broadcasters Association

Goals for Today

- I. Why is Pricing Important
- II. Pricing Methodologies
- III. Common Mistakes
- IV. The Mixed Model

But First...

Definition of the Term “Business”

IRS Definition of “Business:”

“Any activity carried on for the production of **income** from selling goods or performing services.”

<https://www.irs.gov/charities-non-profits/trade-or-business-defined#:~:text=The%20term%20trade%20or%20business,of%20the%20Internal%20Revenue%20Code.>

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definition

[def-uh-nish-uh n]

noun

1. the act of defining, or of making something definite, distinct, or clear.
2. the formal statement of the meaning or significance of a word, phrase, idiom, etc., as found in dictionaries.
3. the condition of being definite, distinct, or clearly outlined.

otics. sharpness of the image formed by an

4 Television. the accuracy of

And...

Terms I'll probably mention...

Cost Structure

These are **all** the operating costs and outflows of cash that go into running **your** business. Cost structure varies by business.

Revenue Structure

These are **all** the ways **your** business generates income. Revenue structure varies by business.



...se, etc. The act of defining, or of making something definite, distinct, or clear.
...pecification of the essential properties of something, or of the criteria which uniquely

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I. Why is Pricing Important

Pricing has implications



Snake River Idaho, Summer 2003

- On Gross Revenue
- On Wages & Benefits
 - Including a business' ability to attract and retain employees
- On Ability to Replace, Upgrade, & Replenish Classroom Materials
- On the Quality of a Program
- On Customer Satisfaction
- On Employee Happiness
- On our ability as employers, "to bless our staff with financial security and growth."
 - Jennifer Owen, ZtFMT Consultant

I. Why is Pricing Important

Pricing has implications



- Employer marketing strategy is to compete on Price
- Prices are 30% lower than competition
- Wages are 43% lower than competition
- No benefits offered

Snake River Idaho, Summer 2003

I. Why is Pricing Important

What is the #1 thing every business must have?

A Paying Customer!



I. Why is Pricing Important

Finding a Paying Customer Requires Marketing

For a customer to hand over their money, the price must be justifiable for what they're getting in return.

Marketing mix- 4P's



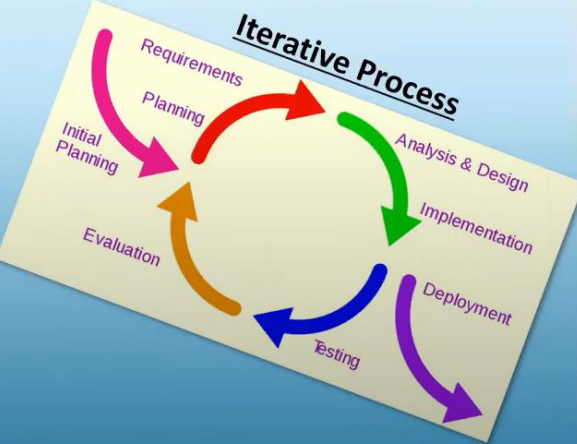
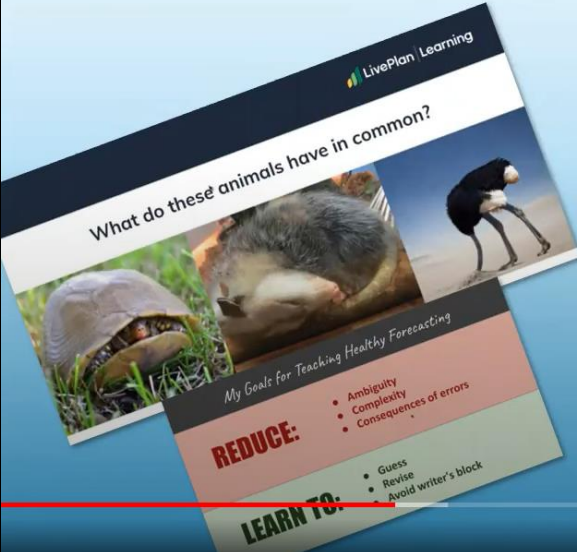
II. Pricing Methodologies

is Cost Informed Rate Setting

I. Pricing Methodologies

There are **three** specific approaches to **calculating** what to charge.

- Competition-Based
- Market-Based
- Cost-Based



Watch later Share

Sheryl Hützenbiler

Tammy Phelps

Kaycee Hodges

Kaycee Hodges

Rhonda Schwenk...

Rhonda Schwenke - Zero to Five MT

CC BY YouTube

Check out our February 23,
2023 Tiny Training:
“What is Cost-Informed Rate Setting?”
Step through each & show how to
calculate per child break-even rates.

SLIDE DECK: <https://zerotofive.org/wp-content/uploads/2023/02/TINY-TRAININGS-What-is-Cost-Informed-Rate-Setting.pdf>

On our website at <https://zerotofive.org/child-care-business-connect/>

On our YouTube channel at <https://www.youtube.com/watch?v=Jg4RkNfEdQ&t=500s>

II. Pricing Methodologies

Cost Informed Rate Setting


Press Esc to exit full screen

I. Competition-Based Pricing

Definition: This is what *direct* competitors, in your immediate vicinity, charge for the exact same types of services.

Of note, there are two sub-categories:

- Penetration pricing – intentionally setting prices low in order to attract initial customers.
- Skimming pricing – intentionally setting a high initial price then offering discounts to appear as if a customer is getting a deal.



Scroll for details

Quick Summary

3 Pricing Methods

Competition-based
Market-based
Cost-plus

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II. Pricing Methodologies

Informed Rate Setting

Press Esc to exit full screen

I. Market-Based Pricing

Definition: This is charging what customers in your immediate market can afford to pay.

Of note, there are a few concepts worth highlighting:

- Premium pricing – intentionally suggesting your services are the best in the market.
- Value pricing – considers the perceived benefits delivered to the customer on convenience or reputation.
- Psychological pricing – plays into a customer’s wants and needs.

Scroll for details

Sheryl Hutzenbier
Tammy Phelps
Kaycee Hodges
Kaycee Hodges
Rhonda Schwenk...
Rhonda Schwenke - Zero to Five MT

Quick Summary

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II. Pricing Methodologies

st Informed Rate Setting

Press **Esc** to exit full screen

I. Cost-Based or Cost-Plus Pricing

Definition: This is setting prices based on *your business' actual or potential operating expenses*, **plus** compensation to the owner and payment of profit to the company.

Pricing accuracy is dependent on knowing 100% of your operating expenses.

COSTS

Scroll for details

Quick Summary

3 Pricing Methods

Competition-based
Market-based
Cost-plus

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III. Common Pricing Mistakes

Not having or sticking to a pricing model

Not being aware of incurred, potential, and projected costs to operation

Only competing on price

Not pricing based on quality of services

Not adjusting prices or not adjusting them enough

IV. The Mixed Model

Pricing accuracy is as much ART as it is SCIENCE!

The only way to know if you've got it right...is to look at revenue volume, net profit, and cash on hand.



IV. The Mixed Model

Five Critical Steps to Pricing Your Services

Step 1: Know Your Costs and Cover All Costs



Step 2: Know Your Customers & Their Ability to Pay



Step 3: Know Your Competitors Products, Services, and Prices



Step 4: Analyze Your Conversion Rates & Customer Attrition



Step 5: Focus on Quality

IV. The Mixed Model

Step 1: Know Your Costs and Cover All Costs

The screenshot shows the LivePlan software interface. At the top, there's a navigation bar with 'Financial Tables' selected, showing 'Profit & Loss', 'Balance Sheet', and 'Cash Flow'. Below this, there's a 'Revenue' section with a line chart showing revenue from July '23 to June '24. A table below the chart lists revenue streams for FY2024, FY2025, and FY2026.

Revenue	FY2024	FY2025	FY2026
Registration Fees	\$12	\$12	\$12
Tuition1 - Infants (ages 0-2)	\$12	\$12	\$12
Tuition2 - Toddler (ages 2-3)	\$12	\$12	\$12
Tuition3 - Preschool (ages 4-5)	\$12	\$12	\$12

The screenshot shows an Excel spreadsheet with a 'CASH FLOW - Year 1' tab. The spreadsheet has columns for months from January to December, and a 'Year 1 TOTAL' column. The data shows monthly cash flow estimates, with some negative values in the early months and positive values later. A large 'qb' logo is overlaid on the spreadsheet.

Pre Start-up Estimate	January 1 Estimate	February 2 Estimate	March 3 Estimate	April 4 Estimate	May 5 Estimate	June 6 Estimate	July 7 Estimate	August 8 Estimate	September 9 Estimate	October 10 Estimate	November 11 Estimate	December 12 Estimate	Year 1 TOTAL Estimate
\$5,000	\$530	(\$1,444)	(\$3,418)	(\$5,392)	(\$7,368)	(\$9,340)	(\$11,314)	(\$13,288)	(\$15,262)	(\$17,236)	(\$19,210)	\$11,700	\$11,700

Know Your Costs

- Incurred Costs
- Potential Costs
- Projected Costs
- Enrollment as % of capacity
- Include Employee Illnesses & Shortages
- Manage Money Outflows (timing)

Cover Your Costs

- Cost Informed Rates
- Revenue Diversification

Money Management

- Budget
- Monthly Financial Reviews
- Financial Analysis

IV. The Mixed Model

Step 2: Know Your Customers & Their Ability to Pay



IV. The Mixed Model

Step 2: Know Your Customers & Their Ability to Pay

What do you know about your families?

- What percentage of your families are on Best Beginnings?
- What percentage of your families are private pay?
- What percentage of families receive other types of benefits?
- How many children do they have?

Make assumptions about:

- Use data to estimate income and monthly costs
 - <https://svc.mt.gov/doc/siteselector/> - Reports – Household Budget Expenditures

Choose MONTANA SITE SELECTOR

Household Budget Expenditures

Bozeman city, MT (3008950)
Bozeman city, MT (3008950)
Geography: Place

Demographic Summary		2022	2027
Population		56,465	61,153
Households		23,146	25,199
Average Household Size		2.27	2.27
Families		10,071	10,912
Median Age		30.9	31.4
Median Household Income		\$76,569	\$81,731

	Spending Potential		Average Amount	
	Index	Spent	Total	Percent
Total Expenditures	92	\$82,248.28	\$1,903,718,716	100.0%
Food	93	\$9,746.59	\$225,594,502	11.9%
Food at Home	91	\$5,637.35	\$130,482,060	6.9%
Food Away from Home	95	\$4,109.24	\$95,112,443	5.0%
Alcoholic Beverages	91	\$646.70	\$14,968,619	0.8%
Housing	93	\$26,664.74	\$617,182,097	32.4%
Shelter	94	\$21,470.59	\$496,958,316	26.1%
Utilities, Fuel and Public Services	92	\$5,194.15	\$120,223,781	6.3%

Median Household Income:

\$76,569

Housing Costs:

\$2222/month (35%)

Food Costs:

\$812/month (13%)

Transportation Costs:

\$810/month (13%)

Childcare Rule of Thumb:

10-25%

IV. The Mixed Model

Step 3: Know Your Competitors Products, Services, and Prices

mt.gov/ecfsd/childcare/childcarelicensing/providersearch

Licensed Provider Search

Child care provider you are searching for may be using a business name.

Name: City:

Name
A Little Journey Montessori School
Alison Green Gappmayer
Ashley Smith/Mountain Sprouts Preschool
ASMSU Early Learning Center
Barbara Limpus
Bozeman Children's Academy
Bozeman Montessori
Bozeman Montessori #2
Bozeman Summit School
Brenna Jean Randall / Mosaic Early
Brittany Butts / Dreaming Tree Preschool
Children's Development Center of Bozeman

Google A Little Journey Montessori School bozeman mt

About 559,000 results (0.79 seconds)

A Little Journey Montessori School
https://alittlejourney.com

Montessori School, Educational Daycare | Bozeman, MT
A Little Journey Montessori School prepares children in the Bozeman, MT area for academic success by providing educational services. We're a licensed child care ...
Montessori Education · About · Registration Form · Resources

https://alittlejourney.com › contact-us

Find a Montessori school near Bozeman, MT.
Where Can You Find a Montessori School in Bozeman, MT? Contact A Little Journey Montessori School today to register your child. Thanks for visiting the website ...

Facebook
https://www.facebook.com › alittlejourneymontessori

A Little Journey Montessori School | Bozeman MT
A Little Journey Montessori School, Bozeman, Montana. 111 likes · 10 talking about this ... 47 Pronghorn Trail Unit B, Bozeman, MT, United States, Montana

*****, Bozeman, MT 59718

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About Us

LEARN ABOUT OUR CURRICULUM >

See photos See outside


A Little Journey Montessori School

Website Directions Save Call

Kindergarten in Four Corners, Montana

Address: 47 Pronghorn Trail APT B, Bozeman, MT 59718

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IV. The Mixed Model

Step 3: Know Your Competitors Products, Services, and Prices

	A	B	C	D	E
1	COMPETITOR	PRODUCT DESCRIPTION	COMPETITION PRICE	YOUR PRICE	PERCENTAGE DIFFERENCE
2	ABC Childcare	Tuition - Ages 0-2	\$53.00	\$45.00	15.09%
3	ABC Childcare	Tuition - Ages 3-5	\$48.00	\$40.00	16.67%
4	ABC Childcare	Tuition - Afterschool	\$38.00	\$25.00	34.21%
5	ABC Childcare	Registration Fee	\$25.00	\$10.00	60.00%
6	ABC Childcare	Product Sales - Diapers	\$56.00	\$0.00	100.00%
7	ABC Childcare	Product Sales - Wet Wipes	\$35.00	\$0.00	100.00%
8	ABC Childcare	Product Sales - Book Fair	\$300.00	\$0.00	100.00%
9	XYZ Childcare	Tuition - Ages 0-2	\$47.00	\$45.00	4.26%
10	XYZ Childcare	Tuition - Ages 3-5	\$42.00	\$40.00	4.76%
11	XYZ Childcare	Tuition - Afterschool	\$25.00	\$25.00	0.00%
12	XYZ Childcare	Registration Fee	\$45.00	\$10.00	77.78%
13	XYZ Childcare	Product Sales - Diapers	\$38.00	\$0.00	100.00%
14	XYZ Childcare	Product Sales - Wet Wipes	\$28.00	\$0.00	100.00%
15	XYZ Childcare	Product Sales - Book Fair	\$150.00	\$0.00	100.00%
16	Business Name	Care - Ages 0-15			#DIV/0!
17	Business Name	Care - Ages 0-16			#DIV/0!
18	Business Name	Care - Ages 0-17			#DIV/0!
19	Business Name	Care - Ages 0-18			#DIV/0!
20	Business Name	Care - Ages 0-19			#DIV/0!

IV. The Mixed Model

Step 4: Analyze Your Conversion Rates & Customer Attrition

- What marketing and outreach strategies do you use?
- Which marketing and outreach strategies drive site visits & facility tours?
- How many site visits convert to enrollment?
- How many total families do you serve?
- How many slots “churn” per month?
- Why do slots “churn?”



IV. The Mixed Model

Step 5: Focus on Quality

Take a systematic approach

Continuous Quality Improvement (CQI) Strategies

- Lean
- Six Sigma
- Plan-Do-Study-Act
- Baldrige Criteria

“The selection of a methodology should incorporate the organization's goals, the feasibility of the data and other resources, the skill sets of those involved, and, ultimately, the strategy that best fits the organization.”

IV. The Mixed Model

Step 5: Focus on Quality

Define what quality means to you

Define the company's mission, vision, and value statements

Define what quality means to families

Define what quality means to employees

Communicate those qualities internally

Communicate those qualities externally

IV. The Mixed Model

Step 5: Focus on Quality

Participate in Montana's QRIS (STARS to Quality)

Education

Qualifications and Training

Staff/ Caregiver-to-Child Ratio & Group Size

Family/ Community Partnership

Leadership & Program Management

Summary

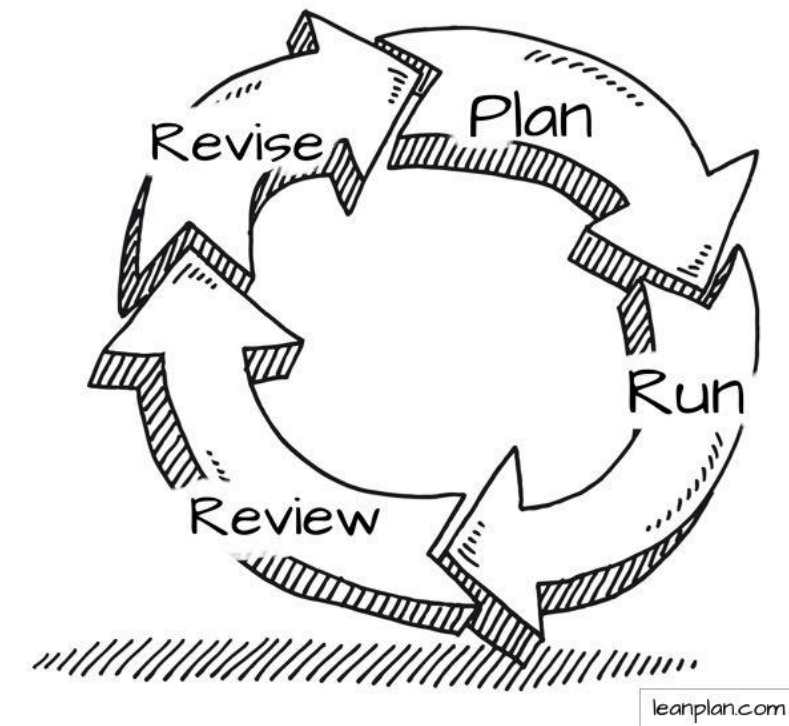
Use Data

To make well-informed pricing decisions about competition and customers.



Focus on Quality and Value to the Customer

Do not compete on price alone.



Budgets

Should include incurred, potential (likely), and projected costs.

Where Can I Learn More?

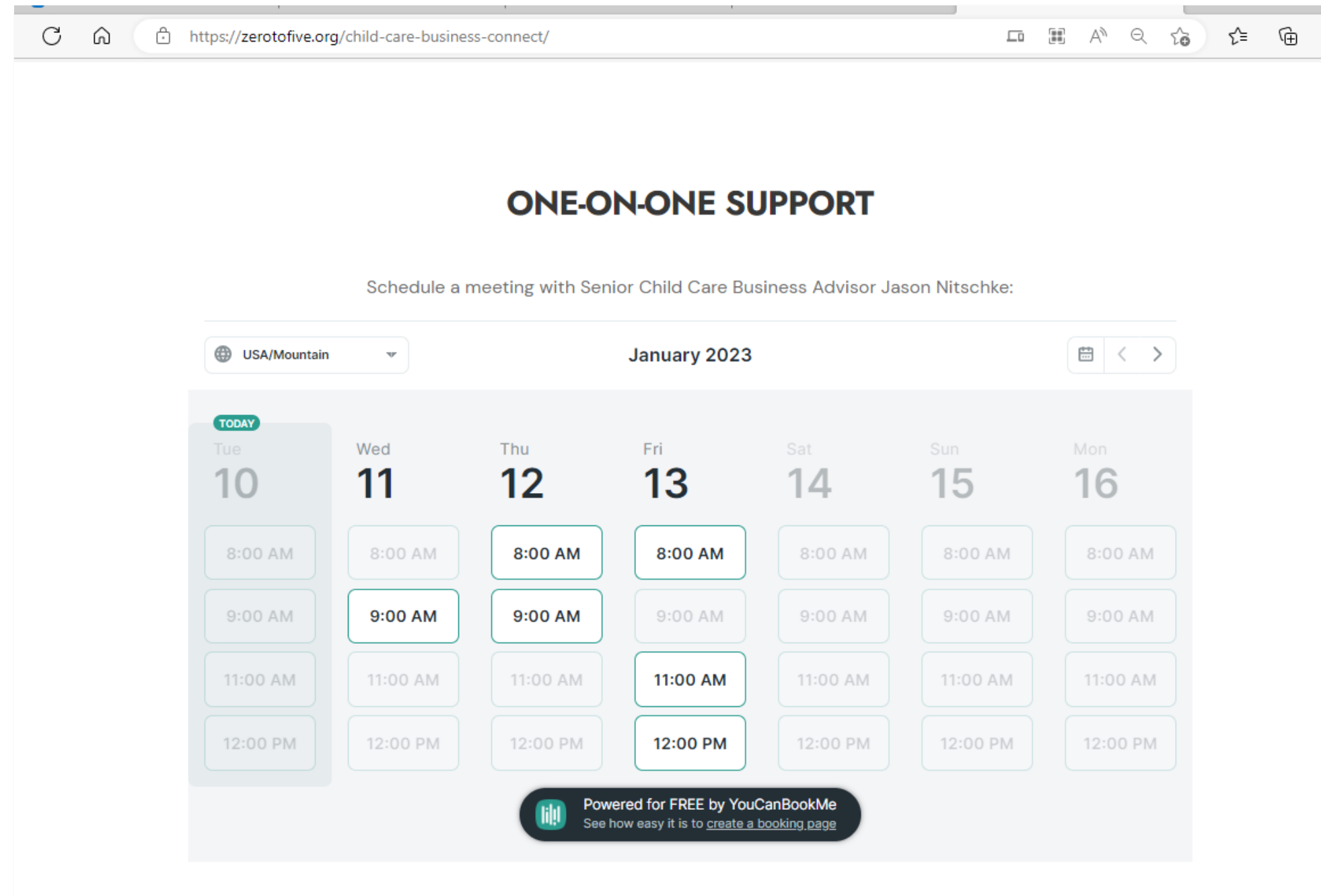
Training:

The screenshot shows a learning management system interface. At the top left, the word "Grow" is displayed in blue, followed by the text "Expand by finding new funding, customers, and locations." and a "Share" button. Below this, a "Your Course Progress" section shows "0 out of 25 objectives completed!". The main content area is titled "Pricing Models for a Successful Business (0/15)". A list of video topics is on the left, with "Pricing Models for a Successful Business Overview" selected. The main video player displays the SBA logo (U.S. Small Business Administration) and a video player interface with a progress bar at 0:00 / 1:50, a play button, a volume icon, a closed captioning icon, and a "Next" button. A "Transcript" link is visible at the bottom left of the video player area.

<https://learn.sba.gov/learning-center-grow/learning-center-pricing-models-for-successful-business>

Is there anybody out there?

Technical Assistance: One-on-One Consultation



ChildCareBusinessConnect.com

More Professional Development Opportunities:

Tiny Training Series

June 1: How to manage your money?

June 15: How to sustain without one-time funding?

June 29: How to organize your community around childcare solutions?

Register through your ECP Account:

<https://www.mtecregistry.mtecp.org/register.aspx?evid=518051>

First Children's Finance

June 22, 2023 – 9:00 am-11:00 am

Managing Enrollment in Your Child Care Center

<https://www.mtecregistry.mtecp.org/register.aspx?evid=518277>

August 8, 2023 – 5:30 pm-7:30 pm

August 10, 2023 - 5:30 pm-7:30 pm

Child Care Business Boot Camp – Starting and Running a Successful Child Care Business

<https://www.mtecregistry.mtecp.org/register.aspx?evid=518278>



Past Recordings Available At:

[On-Demand Webinars: ChildCareBusinessConnect.com](https://www.childcarebusinessconnect.com)



Connect with Business Connect!

Website:

ChildCareBusinessConnect.com

Email:

JasonN@ZeroToFive.org

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<https://mtsfdc.ecenterdirect.com/signup?centerid=21>

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<https://jason-nit.youcanbook.me/>

Newsletter:

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MONTANA



How'd We Do?



<https://www.surveymonkey.com/r/TNFL2SW>