

For Profit Child Care: Four Decades of Growth

Nineteenth Annual Status Report on For Profit Child Care

by Roger Neugebauer

For decades *Exchange* magazine has tracked the growth of the for profit child care sector. This year, instead of looking one year back and one year forward as is our annual practice, we are going to reflect on trends in the for profit sector over the past four decades.

Overall, it has been a period of tremendous growth for the for profit sector. However, it has also been characterized by alternating periods of rapid growth, slow downs, retraction, and consolidation for the largest for profit companies. Here are some of the key developments along the way:

1967

- Most child care is provided by family child care, small nursery schools, mom and pop centers, and by the recently (1965) launched Head Start program.

1969

- **La Petite Academy**, **Gerber Children's Centers** (now Learning Care Group), **KinderCare Learning Centers**, and **Children's World Learning Centers** (the latter two now both part of **Knowledge Learning Corporation**) all come into existence. These four companies expand quickly and dominate the for profit sector for the next two decades.

1970

- In a famous *McCall's* magazine article, "The Day Care Business," Alice Lake declares: "Everybody wants day care centers, and businessmen are rushing to supply them. But can you serve children the same way you serve Kentucky Fried Chicken?" This launches a debate in the field about for profit versus non profit child care that lasts for decades. Meanwhile, parents, taking little notice of this debate, line up to use care in both sectors in record numbers.

1971

- *Barron's Financial Weekly* dubs child care as "the electronics industry of the '70s"; and lists 125 companies with aspirations of becoming national chains, many making outrageous claims about their plans for growth and their ideas about education. While the industry does expand rapidly, only six of these companies survive the decade.

1974

- Speakers at a conference on "Industry Day Care" in Chicago confidently predict that employers will start stepping forward to provide child care centers for their employees. Though the prediction is correct, it is about two decades premature.

1978

- *Child Care Information Exchange*, promising to support the professional development of center directors in all sectors, publishes its first issue.

1982

- **IBM** makes its first venture into the child care arena by funding child care resource and referral services nationwide. This is the precursor of an ever-expanding work/life commitment by IBM, culminating in its current \$50 million Global Work/Life Fund.

1984

- **Children's Discovery Centers**, the forerunner of Knowledge Learning Corporation, is founded. CDC expands primarily through acquisition, not new construction.

1985

- *Money* magazine names **KinderCare Learning Centers** as one of the "twelve stocks that should stand the test of time."
- Five largest for profit organizations:
 - **KinderCare Learning Centers** (1,000 centers)
 - **La Petite Academy** (442 centers)
 - **Children's World Learning Centers** (210 centers)
 - **Daybridge Learning Centers** (148 centers)
 - **Gerber Children's Centers** (95 centers)

1986

- **Bright Horizons**, eventually the largest supplier of employer child care, is founded.
- **NAEYC** launches center accreditation project.
- Major threat reported by CEOs of Top 50 for profit companies: "Lack of qualified teachers."

1987

- At an *Exchange* management seminar in Houston, the **National Child Care Association** is founded to represent private sector child care, replacing the **National Association for Child Care Management** which dissolved in 1986.
- **Daybridge Learning Centers** (formerly National Child Care Centers) merges with **Children's World Learning Centers**, the biggest merger to date in the for profit sector.

1988

- In its National Day Care Study, **Abt Associates** estimates that there are about 8,000 for profit child care centers in the US, representing about 40% of all licensed centers.
- US Congress defeats comprehensive child care legislation, the Act for Better Child Care.
- **KinderCare** reorganizes its operations after it is rocked by findings of impropriety in the investment of corporate funds.

1990

- Child Care and Development Block Grant legislation is approved by US Congress.
- Five largest for profit organizations:
 - **KinderCare Learning Centers** (1,260 centers)
 - **La Petite Academy** (722 centers)
 - **Children's World Learning Centers** (474 centers)
 - **Children's Discovery Centers** (118 centers)
 - **Gerber Children's Centers** (117 centers)

1991

- *Exchange* magazine observes the slowing of growth in the for profit sector: "For the three years preceding 1990, the nation's 50 largest child care organizations increased their number of centers at an annual rate of 8% to 10%. Last year (1990) they expanded by less than 2%."
- Major threat reported by CEOs of Top 50 for profit companies: "Funding of early childhood programs by public school systems."

1992

- Leading US corporations form **American Business Collaborative for Quality Dependent Care**, committing \$25 million to ensure that their employees have access to quality child care and elder care. Within three years, this commitment expands to \$125 million.

1995

- With growth rates starting to pick up again, a number of for profit child care companies, including **Sunrise Preschools**, **New Horizons**, and **Kiddie Academy**, are able to complete successful public offerings.
- Major threat reported by CEOs of Top 50 for profit companies: "The availability of qualified teachers."
- Five largest for profit organizations:
 - **KinderCare Learning Centers** (1,147 centers)
 - **La Petite Academy** (750 centers)
 - **Children's World Learning Centers** (500 centers)
 - **Children's Discovery Centers** (239 centers)
 - **Childtime Childcare Inc.** (163 centers)

1997

- **Corporate Family Solutions** raises \$27 million and **Bright Horizons Children's Centers** raises \$42 million in successful initial public offerings.

- Major threat reported by CEOs of Top 50 for profit companies: "Shortage of qualified teachers."

1998

- Investment firm **Kohlberg, Kravis Roberts** takes **KinderCare** private by purchasing 86% of its public shares.
- *Exchange* reports, "For the second consecutive year, child care franchising operations were among the fastest growing organizations in the industry." In the 1970s many of the original chains, including **KinderCare**, started out as franchise operations, but moved away from that model as quality control became difficult. Now with more sophisticated management and communication tools available, franchise operators are confidently moving forward.

1999

- **Bright Horizons** acquires **Corporate Family Solutions**.

2000

- **Bright Horizons Family Solutions** becomes the first for profit chain to go international in a significant way by acquiring London-based, **Nurseryworks**.
- Five largest for profit organizations:
 - **KinderCare Learning Centers** (1,155 centers)
 - **La Petite Academy** (749 centers)
 - **Children's World Learning Centers** (605 centers)
 - **Knowledge Learning Corporation** (348 centers)
 - **Bright Horizons Family Solutions** (340 centers)

2001

- *Exchange* reports that the deepening recession and the anxieties arising from the September terrorist attacks causes downturn in growth of the for profit sector.

2003

- **Knowledge Learning Corporation** acquires **Children's World Learning Centers**, the largest acquisition in the history of the sector.
- Major threat reported by CEOs of Top 40 for profit companies: "State of the economy."

2005

- **Knowledge Learning Corporation** exceeds its recent record-setting acquisition by merging with **KinderCare Learning Centers**.
- **Learning Care Group** (previously Gerber and then Childtime) is acquired by **ABC Learning Centres Limited**, Australia's largest private child care provider, operating 697 centers in Australia and New Zealand. (Contrary to conventional wisdom, this is not the first time a foreign company has owned one of the largest for profits in the US. For a period in the mid-'80s, **Children's World Learning Centers** was owned by **Grand Metropolitan**, a British conglomerate.)

- Five largest for profit organizations:
 - **Knowledge Learning Corporation** (2,027 centers)
 - **La Petite Academy** (643 centers)
 - **Bright Horizons Family Solutions** (560 centers)
 - **Learning Care Group** (466 centers)
 - **Nobel Learning Communities** (168 centers)

2006

- In their projections, the majority of CEOs of Top 40 for profit companies (see "The Exchange Top 40") report more optimism than they had in any of the past five years. 2005 was a strong growth year, and CEOs expect this growth to continue. For example, David Lissy, CEO of **Bright Horizons Family Solutions**, reports. "We continue to see strong growth opportunities for all areas of high-quality child care designed to support working families."
- Major threat reported by CEOs of Top 40 for profit companies: "Competition from the public schools."

The Exchange Top 40

North America's Largest For Profit Child Care Organizations

Organization	Headquarters	CEO	Centers*	Capacity*
Knowledge Learning Corporation	Portland, OR	Thomas Heymann	2,454	256,000
La Petite Academy	Chicago, IL	Gary Graves	650	84,000
Learning Care Group, Inc.	Novi, MI	Bill Davis	457	69,000
Bright Horizons Family Solutions	Watertown, MA	David H. Lissy	620	67,000
Nobel Learning Communities	West Chester, PA	George Bernstein	150	28,100
Child Care Network	Columbus, GA	Ray Crowley	135	18,299
The Sunshine House	Greenwood, SC	Dennis and Roseann Drew	122	17,879
Mini-Skool	Scottsdale, AZ	Douglas MacKay	89	16,000
Children's Courtyard	Arlington, TX	Edward Follen	75	13,131
New Horizon Child Care	Plymouth, MN	Susan Dunkley	87	12,448
Minnieland Private Day School	Woodbridge, VA	Jackie M. Leopold	93	10,884
Brightside Academy	Pittsburgh, PA	Harold Lewis	38	6,611
Children's Friend	Warner Robins, GA	F. Dewayne Foskey	40	5,820
Sunrise Preschools	Tempe, AZ	Robert Orsi	28	5,557
Rainbow Child Development Centers	Lathrup Village, MI	Patrick G. Fenton	43	4,570
Crème de la Crème	Greenwood Village, CO	Bruce T. Karpas	15	4,500
Action Day Nurseries/Primary Plus	San Jose, CA	Carole Freitas	18	3,625
Youthland Academy	Cincinnati, OH	Mary Janice Schmitt	17	3,000
Pinecrest Schools	Sherman Oaks, CA	Don L. Dye	12	3,000
Hildebrandt Learning Centers	Wilkes-Barre, PA	William J. Grant	30	2,832
Children's Choice Learning Centers	Plano, TX	Nate McClintock	11	2,814
Country Home Learning Center	San Antonio, TX	Sharon K. Ford	8	2,504
Stepping Stone School	Austin, TX	Rhonda Paver	14	2,426
Children's Lighthouse Learning Centers	Fort Worth, TX	George Michael Brown	9	2,372
Creative World School	Tampa, FL	Billie McCabe	19	2,350
Rogy's Learning Place	East Peoria, IL	Wendy Pettett, Dawn Meyer, Rick Rogy	18	2,346
Children's Creative Learning Centers	Sunnyvale, CA	Ty Durekas	19	2,315
Tot-Time Child Development Centers	Plymouth Meeting, PA	Donna M. Fluehr	19	2,035
Valley Child Care & Learning Center and Cactus Preschools	Phoenix, AZ	James Emch and Michael Emch	9	1,931
Kid's Country	Snohomish, WA	Lynnda Langston	11	1,786
Child Care Connection	Lincoln, RI	Kevin Fusco	16	1,705
Bobbie Noonan's Child Care	Frankfort, IL	Judith Nevell	13	1,680
Kiddie Kare Schools	Fresno, CA	James Fisher, Jr.	11	1,637
<i>Celebre Learning Centers</i>	<i>Bel Air, MD</i>	<i>Richard Huffman</i>	12	1,548
The Malvern School	Glen Mills, PA	Joseph and Kristen Scandone	12	1,457
Sunny Daze	Edmond, OK	Mike North	7	1,368

National Child Care Franchising Organizations

Organization	Headquarters	CEO	Centers*	Capacity*
Kids R Kids International	Duluth, GA	Patrick D. Vinson	130	32,500
Goddard Systems, Inc.	King of Prussia, PA	Philip A. Schumacher	205	27,000
Primrose School Franchising Company	Acworth, GA	Jo Kirchner	148	24,000
Tutor Time Franchise, LLC	Novi, MI	Bill Davis	131	23,500
Kiddie Academy	Bel Air, MD	Michael J. Miller	76	10,197
Children's Lighthouse Franchise Company	Fort Worth, TX	George Michael Brown	6	1,440

Data on capacity in above chart is the total licensed capacity for all centers as of January 1, 2006. Data for "Franchising Organizations" include both franchised and company owned centers. Based solely on information supplied by organizations listed.

*Data for companies in italics is from January 2005.

Do You Belong in the Exchange Top 40?

Over the past two years, the organizations listed in the **Exchange Top 40** have not changed dramatically. However, we are certain that there are plenty of new players out there who have escaped our notice. We want our list to be as accurate as possible. Therefore, if your for profit organization currently has a total licensed capacity of over 1,000, or if you know of such an organization that is missing from our list, please get in touch with us at info@ChildCareExchange.com.