

Innovative Business Plan – *Kita Netzwerk*:
A network specialist to align business and family

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Abstract

In today's western societies the role of women has changed. The conservative role allocation, the woman being at home running the household and looking after the kids, whilst the man brings home the money, has become outdated. The education level of women is often higher than that of their male fellows. The logical consequence is that we find more and more career-driven women in top-level positions - but what about family life? Tailored daycare offers that help to reconcile both career and motherhood are more important than ever. Yet, in many places the development of early childhood education lags far behind, forcing parents to stay home longer than actually needed. For companies this means a great loss in terms of talent and costs for replacement.

The present thesis tackles this issue with an innovative business idea to establish a sustainable and socially viable and economically sound concept, which allows parents to find daycare services for their offspring in alignment with their professional goals. The theoretical background brings the reader closer to possible hurdles of a disruptive business model and the consequences of parental leave for companies. The results of the study carried out show great chances of success for the proposed "Kita Netzwerk" to be rolled out in Hamburg as the initial go-to market. Expansion and internationalization are possible. However, both factors are heavily dependent on the local legal landscape and individual demand.

Keywords: Disruptive Innovation, Daycare, Parental Leave, Opportunity Costs

JEL Classification System: M13, J13

Abstrato

Na sociedade ocidental actual, o papel da mulher tem vindo a alterar-se. A atribuição do papel conservador da mulher permanecer em casa a cuidar dos filhos enquanto o homem providencia para a família está muito ultrapassado. O nível de instrução das mulheres é muitas vezes superior ao dos seus pares do sexo masculino. A consequência lógica é o crescente número de mulheres com ambições de carreira e em cargos de topo - então e a família?

Ofertas de cuidados infantis customizados que ajudem a conciliar mutuamente a carreira e a maternidade tornaram-se mais importantes que nunca. Ainda assim, em muitos sítios, o desenvolvimento da educação pré-primária fica aquém do expectável, forçando os pais a permanecer em casa mais tempo do que é realmente necessário. Para as empresas, isto significa um grande custo e perda, não só ao nível do talento, como também de substituição.

Esta tese aborda este assunto com uma ideia de negócio inovadora de forma a estabelecer um conceito socialmente económico e sustentável, que permite aos pais encontrar uma solução de cuidados infantis para as suas crianças em conformidade com os seus objectivos profissionais. A fundamentação teórica aproxima o leitor de possíveis obstáculos de um modelo de negócio disruptivo e as consequências da licença parental para as empresas. O estudo demonstra grandes probabilidades de sucesso para “Kita Netzwerk” de se estabelecer no mercado inicial de Hamburgo. A expansão e a internacionalização são possíveis, no entanto muito dependentes do panorama legal local e das exigências individuais.

Palavras-chave: Inovação Disruptiva, Creche, Licença Parental, Custos de Oportunidade

JEL Classification System: M13, J13

TABLE OF CONTENT

1. Introduction	1
1.1 The Business Plan – the entrepreneur’s roadmap	1
1.2 Business outline – Executive Summary	2
1.2.1 The Management	2
1.2.2 The Market	3
1.2.3 The Service	3
1.2.4 Competition	4
1.2.5 Financial overview	4
1.2.6 Expansion	5
2. Literature Review	6
2.1 The consequences of maternal and parental leave	6
2.1.1. Maternity Leave.....	6
2.1.2 Parental Leave	7
2.1.3. Consequences for companies.....	8
2.1.4 Cost-benefit consideration due to family-friendly benefits	9
2.1.5 Conclusion	11
2.2 Blue Ocean Strategy	12
2.2.1. Advantages of the blue ocean strategy	13
2.2.2 Challenges of the blue ocean strategy	14
2.2.3 The Strategy Canvas	15
2.2.4 The Four Actions Framework – ERRC Grid.....	16
3. Methodology	18
4. Action Opener: 2019 – The quest for the right kindergarten!	20
5. Market Analysis - The target market.....	22
5.1 Launchpad Hamburg	22
5.1.1. Kita landscape.....	23
5.1.2 Personnel Ratio a quality value	25

5.2 Trends in the market for daycare centers	27
5.2.1 Daycare centers with different nutrition concepts	28
5.2.2 Daycare centers with robots	28
5.2.3 Bilingual daycare	28
5.2.4 Daycare centers specialized on children with migration background	28
5.2.5 Daycare centers with extended opening hours	28
5.2.6 Daycare centers for the “elite”	29
5.2.7 Daycare centers with a scientific-, technical- orientation.....	29
5.3 Market entry strategy.....	29
5.3.1. Navigating a highly regulated market	29
5.3.2 PESTEL Analysis	31
5.3.2.1 Political factors	32
5.3.2.2 Economic factors	32
5.3.2.3 Social factors	32
5.3.2.4 Technological factors.....	33
5.3.2.5 Environmental factors.....	33
5.3.2.6 Legal factors	34
5.3.3 Blue Ocean Strategy	34
5.3.3.1 The Strategy Canvas	36
5.3.3.2 The Four Actions Framework.....	37
5.4 Corporate Partners	38
5.4.1 Partner companies.....	38
5.4.1.1 General profile of partner companies	39
5.4.2 Partnering daycare centers.....	40
5.4.2.1 General profile of partnering daycare centers.....	40
6. Competitor Analysis.....	42
6.1. Incumbents	42
6.1.1. State-provided network Elbkinder.....	42
6.1.1.1. Facts	42
6.1.1.2. Branding and Reputation	43
6.1.2. Corporate day care centers	44
6.1.3 Self-financed company daycare.....	44

6.1.4 Subsidized company daycare.....	45
6.1.5 Fully financed hybrid public/company daycare	45
6.1.6. pme Familienservice.....	45
6.1.6.1. Business Model & Market Share	45
6.1.6.2. Expansion and Quality Standards	46
6.2 Unique Selling Propositions	47
6.2.1. Diverse Ecosystem USP	48
6.2.2. Kita of the Future Brand	49
6.2.3. Implementation.....	49
6.3. Porter´s Five Forces of Competition Framework.....	50
6.4 SWOT Analysis.....	51
6.4.1 Strengths & Opportunities	52
6.4.2 Weaknesses and Threats	53
7. Implementation Plan – Cost Calculation.....	54
7.1 Milestone 1 - The Founding	54
7.1.1 Milestone 1 - Respective Costs Estimation	55
7.2 Milestone 2 – Funding & Launch partners.....	56
7.2.1 Milestone 2 - Respective Costs Estimation	56
7.3 Milestone 3 - Online platform	56
7.3.1 Milestone 3 – Respective Costs Estimation	58
7.4 Milestone 4 – Pilot phase	58
7.4.1 Milestone 4 – Respective Costs Estimation	59
7.5 Milestone 5 – Employee Readiness and Advertisement	60
7.5.1 Milestone 5 – Respective Costs Estimation	60
7.6 Milestone 6 - Go Live.....	61
8. Finance	62
8.1 Legal entity - Charitable private enterprise “gGmbH”	62
8.2 Business Model	64

8.3 Break-Even Analysis	66
8.3.1 Minimum Sales Scenario	67
8.3.2 Break-Even in the First Year of Business Scenario	67
9. Expansion	70
9.1 Requirements to open a new branch.....	70
9.2 Kita Netzwerk becoming a franchisor	71
10. Conclusion.....	73
BIBLIOGRAPHY	75
APPENDIX	80

FIGURE INDEX

Figure 1: Survey on the length of parental leave in Germany by gender 2017.....	8
Figure 2: Overview of the Blue Ocean shift process	14
Figure 3: Strategy Canvas – Exemplary performed on Cirque du Soleil.....	16
Figure 4: The Four Actions Framework – ERRC Grid.....	16
Figure 5: Newborn Children in Hamburg from 2008 to 2017	23
Figure 6: Attendance of educational offerings for early childhood in daycare centers from 2006 to 2017 in western states of Germany	24
Figure 7: Distribution of daycare sponsorships in Hamburg	25
Figure 8: Intensive Growth Strategy shown on the two dimensional Ansoff Matrix	35
Figure 9: Strategy Canvas - Daycare landscape from a parent’s point of view	36
Figure 10: Strategy Canvas - Daycare landscape from a care facility’s point of view	37
Figure 11: Geographical spread of Elbkinder daycare facilities in Hamburg.....	43
Figure 12: Michael Porter’s Five Forces of Competition Framework	50
Figure 13: Timeline Implementation – Milestone 1.....	54
Figure 14: Timeline Implementation – Milestone 2.....	56
Figure 15: Timeline Implementation – Milestone 3.....	56
Figure 16: Timeline Implementation – Milestone 4.....	58
Figure 17: Timeline Implementation – Milestone 5.....	60
Figure 18: Timeline Implementation – Milestone 6.....	61
Figure 19: Business Model Graphic	65
Figure 20: Financial Stream Graphic	66

TABLE INDEX

Table 1: Classification of family-friendly corporate benefits	10
Table 2: ERRC Grid performed on Cirque du Soleil	17
Table 3: Recommended Personnel Ratio compared to Hamburg and the FRG.....	26
Table 4: The Four Actions Framework – ERRC Grid performed on Kita Netzwerk	38
Table 5: Porter’s Five Forces applied on Kita Netzwerk’s competitive position	51
Table 6: SWOT Analysis performed on Kita Netzwerk	52
Table 7: One-time payments – Milestone 1	55
Table 8: Ongoing payments – Milestone 1	55
Table 9: Ongoing payments – Milestone 2	56
Table 10: One-time payments – Milestone 3	58
Table 11: Ongoing payments – Milestone 3	58
Table 12: One-time payments – Milestone 4	59
Table 13: Ongoing payments – Milestone 4	59
Table 14: One-time payments – Milestone 5	60
Table 15: Ongoing payments – Milestone 5	61
Table 16: Accumulated Costs Estimation - One-time Costs.....	61
Table 17: Accumulated Costs Estimation – Ongoing Costs	61
Table 18: Expenses in first year of business per month.....	68
Table 19: Worst-case, base-case, best-case scenario	69

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1. Introduction

Being a student of the Portuguese University ISCTE Instituto Universitário de Lisboa, more precisely being a master student of the Master's program "Master international Management - MIM" took me on a route through all important facets of managing a company in today's international business world. Reaching the point of finding a suitable field in which I want to write my thesis, I instantly knew I want to dedicate that special time to the critical elaboration of a business plan. Why a business plan? For me, being an entrepreneur is the premiere class of management. One must have a holistic and in-depth understanding of every angle of one's business to succeed with a new idea and/or market.

1.1 The Business Plan – the entrepreneur's roadmap

In today's society, especially in the generation Y an entrepreneurial spirit has arrived, and more and more start-ups are springing up like mushrooms. Many universities offer entrepreneurship as a discipline, crowdfunding websites like kickstarter.com support bottom-up funding of start-ups, and even television has discovered the entertaining aspect of entrepreneurship, giving us shows like Shark Tank and Dragons' Den. Despite all the preparation a person receives through education or other social influences, nobody can be completely prepared for the demands that come along with starting a business. Each business idea is unique, no matter whether it is a product or a service. Especially when considering the exact point in time and space which is chosen for introducing the novel product or service unto a market. The same rule applies for the character behind the idea: often the entrepreneur is the most important factor that determines the outcome of the entrepreneurial endeavor: success and failure of a newly started business. The only thing every entrepreneur has in common is the possession of a business idea and/or the explicit desire to become independent. The first step toward founding a company is comprehensive preparation and planning. In doing so, the existing idea must be thoroughly assessed, the personal situation has to be analyzed and the effects of the overarching economic, social and legal framework have to be carefully examined. The written result of these comprehensive considerations and analyses is the business plan.

The business plan is a written company concept that describes its goals and strategies, the underlying innovation, the market, the financial estimates and, importantly, the team

that implements the concept. In doing so, qualitative statements about the company's development, the potentials as well as the risks are in focus.

The business plan is of particular importance for the creation and development of young, fast-growing companies. A well-developed and engaging business plan is the decisive step for the future success of the company. Therefore, the business plan is not to be viewed as a rigid instrument, which, once written, enjoys eternal validity. Accordingly, the thorough preparation and constant updating of the business plan should be of paramount importance. The creation of a business plan helps in deciding whether an idea for a new product or service is actually an economically promising opportunity. The business plan, which is also referred to as a company concept, is the down-market entrepreneurial vision, based on business data. In it, the company's founder presents his idea, the customer benefit, the market entry strategy, the product and service concept, the financing and his own qualification. Just as a pilot never flies without a flight plan and no building engineer builds his own home without a construction plan, no company should be founded without a business plan.

1.2 Business outline – Executive Summary

This master thesis will treat about a business idea that arose due to circumstances in Germany that have become a social challenge impacting politics, the economy and the general public. The market in which the new business model shall be implemented is quite delicate, as it interferes with the early childhood education of our offspring. The business shall provide and secure the qualitative development of daycare centers (Kita¹), at first locally in Hamburg, and later internationally.

1.2.1 The Management

The company will be founded by a three-member core team comprising me as the person in charge of all matters in terms of partner companies, a second person with a background in early childhood education responsible for all daycare operations, and a third person building, curating and maintaining the online platform. Both founding partners are yet to be identified.

¹ Kita, short form for Kindertagesstätte [German] = daycare center [English]: is the care and supervision of a child or multiple children at a time, whose ages range from six weeks to thirteen years, but mostly referred to the preschool stadium of a child. Childcare can be done by a daycare center, nannies, babysitter, teachers or other providers.

1.2.2 The Market

The demand for slots in daycare centers in Hamburg exceeds the supply. This imbalance leads to long waiting lists for a suitable place for one's child. The waiting time depends on the desired location of the daycare center and can reach up to a year or more. The described problem does not only cause problems for parents trying to find adequate daycare places in their close surroundings, but also for companies that have to release employees from duty for maternity and parental leaves, causing exorbitant opportunity costs.

The current dire situation in the daycare-sector has different structural causes. State funding does not suffice to meet the needs of parents, employees and children. The delegation of the responsibility for education and training to federal countries from central government makes it difficult for policymakers to develop comprehensive and sustainable solutions. The permanent under-financing and lack of general care standards both put great strain on daycare centers. These shortcomings leave little or no room to providers of daycare centers, management, and childcare workers to offer adequate care services compatible with the everyday work of employees. Consequently, companies bear a large part of the ensuing financial disadvantages. Maternity benefits, maternity leave, higher absenteeism, disruption to business operations are some of the most glaring opportunity costs that arise.

1.2.3 The Service

To deal with this nexus of intersecting issues, a close cooperation between companies and daycare centers is necessary. The goal of the envisioned company, Kita Netzwerk, is to create a digital network in which daycare centers can tap into and eventually fulfill the current requirements of childcare to the fullest. This endeavor is to be supported by additional funds from the private sector. In Hamburg, childcare is primarily supported by a voucher system provided by the City of Hamburg. Demand-oriented subsidization ensures the payment of each offered and used daycare center, to which the parents also contribute an income-dependent supplement. The partner companies of the network will provide an additional source of income for daycare facilities, which, in turn, will be the basis for the necessary standards in the respective daycare facilities. The development of these standards will be driven by the new player in the market to ensure a diversified offer in the network.

The new network acts as an interface between daycare centers and partner companies, whose main task is to provide professionals with adequate daycare offers. All daycare facilities that join the network remain legally and economically independent. The new company with the provisional name “Kita Netzwerk” can be compared to enterprises like Airbnb or Uber. Both are huge players in their respective business domains of hospitality and mobility. Yet, none of the two have ownership of the apartments or cars that are being used by their customers.

This is analogous to the underlying business idea of Kita Netzwerk: the business will not open or run daycare centers, it will rather act as an intermediary equipped with a state-of-the-art online gateway platform aiming to intuitively connect and match provider and customer. On top of that, Kita Netzwerk will enhance the early childhood education landscape.

The vision is a full-service provider that can help daycare centers in all business aspects. In the course of this development, network members will be offered other services too, such as professional consultancy work to ensure a modern preschool education, as well as business related advice on how to reduce costs through process optimization and the deployment of economy of scale models. Tuition fees paid by partner companies will mostly directly flow into the daycare facilities themselves, whilst just a relatively small portion will be used to run the operational business of Kita Netzwerk. The socially grounded motivation behind Kita Netzwerk will be underscored by the particular type of legal entity “gGmbH” that has been chosen for the venture.

1.2.4 Competition

Kita Netzwerk is going to tap into a non-existent market (Blue Ocean). Competition is therefore rather secondary in the nature of company owned kitas (market share 1.4%). The inherent market potential is promising.

1.2.5 Financial overview

Kita Netzwerk is an expensive venture, drawing almost EUR 700,000 during the first year, with more than half of it without generating any profit. Hence, extensive seed funding has to be secured. However, a market share of just 0.63% – reflecting 500 of the 80,000 occupied daycare slots in Hamburg – will already result in a financial surplus.

1.2.6 Expansion

Once set-up, the business can be transposed and launched in other cities in Germany and, eventually, around the world. Still, the preparation needed to locate a suitable market environment and product-market-fit with beneficial social and political boundary conditions is deemed to be very high and work-intensive. In the course of this thesis, the business idea will be evaluated and explored across various dimensions: functionality, chances of success, potential for internationalization, and target turnover.

2. Literature Review

The business idea is a completely new and disruptive model for connecting early childhood education with the private sector – thereby uniting social and private interests on a very delicate topic. Therefore, the idea taps into a “Blue Ocean”, which, in turn, involves several challenges in terms of the business itself and also for the process of gathering relevant data to be used in this thesis. The business outline has shown that the planned venture has to overcome hurdles on many different levels and matters. As a result, many different issues must be taken into account in the literature review. A feasibility study on an entrepreneurial venture such as “Kita Netzwerk” requires a solid foundation and domain expertise relating to various concepts and theories that will be discussed in the following chapters. The scope of this section was framed according to what I consider to be the most relevant issues treated in this study and covers the following two main topic areas: First, differentiation on maternity- and parental leave and the influence of state law, consequences of maternity for employer, and cost-benefit analysis on family-friendly measures, and secondly, the blue ocean strategy as a special form of market entry.

2.1 The consequences of maternal and parental leave

The first section of this literature review describes the underlying cause for the window of opportunity to start this business, namely maternity leave and parental leave and the consequences resulting from it, especially for the economy. First of all, it is necessary to differentiate between the two terms “Maternity Leave” and “Parental Leave”.

2.1.1. Maternity Leave

Maternity leave is a legal prohibition to employ an expectant mother in a certain time before and after she gave birth. The exact period may vary from country to country but usually has a duration between 14 to 20 weeks, whereas 14 weeks was defined as a minimum by the European Commission (European Commission 2015).

In Germany, six weeks before the expected date of birth and eight weeks thereafter a mother shall be reposing from her work duties. During this time she receives her usual salary. The statutory health insurance covers a maximum of 13€ a day, the employer covers the rest of the wage payment (Stalinski 2019). After this period, a mother could return to work from a legal perspective. Nonetheless, a mother does not have to return as quickly as legally possible. To give away a newborn at the age of eight weeks to

childcare might feel cruel to many anyway, however, others cannot wait to go back to work. Yet, as stated before, the question of return to work also depends on the accessibility of a trustworthy childminder or daycare facility. Should a mother not be inclined to give away her child or have difficulties finding a suitable place, she can shift to “Parental Leave”.

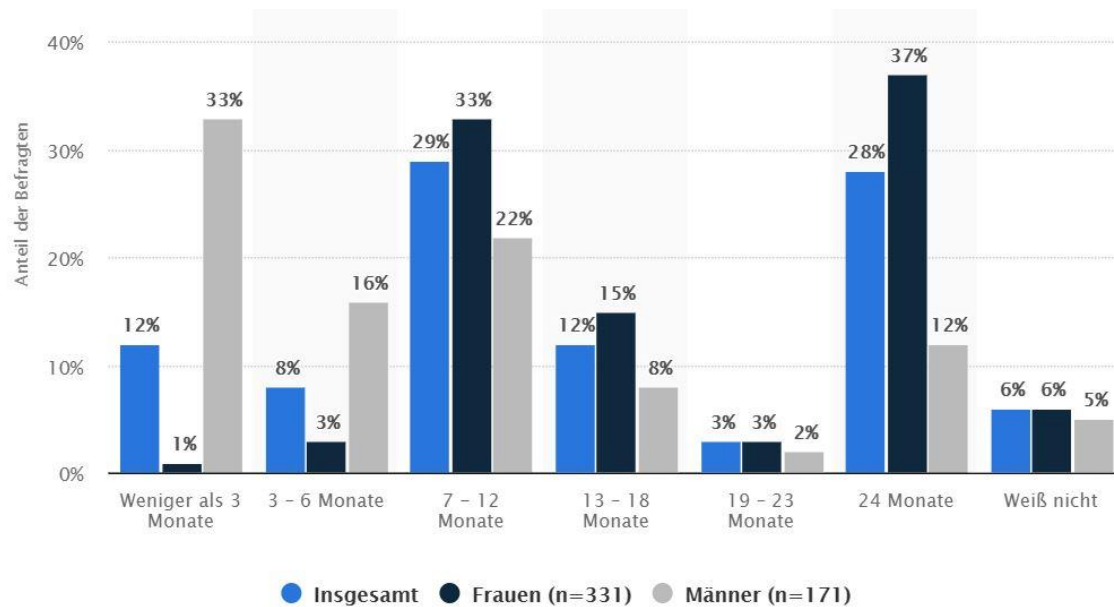
2.1.2 Parental Leave

Parental Leave is an extension of maternity leave, which can be used by mothers and also fathers. An employer cannot refuse the request for parental leave during the first 14 months of life of an employee’s newborn. Even after that he will need a special reason related to operating conditions. Most commonly parental leave is used for about 14 month until the completion of the third year. During this time the employer does not have to pay the mother’s or father’s salary (Stalinski 2019).

In Germany, parents are supported by tax money called parental allowance during this time. Eligible for parental allowance are mothers and fathers, who care for and educate their children after birth and therefore do not work more than 30 hours a week. It can only be obtained during the first 14 months of the child’s life and absorbs the income omission after the birth of the child from 65 to 100 percent. The amount of the parental allowance is based on the average monthly earnings that the parent earned in the year before the child’s birth (Bundesministerium für Familie, Senioren, Frauen und Jugend, 2018).

A survey conducted in 2017 in Germany on 508 respondents shows how parents plan to make use of the parental leave.

Figure 1: Survey on the length of parental leave in Germany by gender 2017



Source: Statista 2017²

The x-axis shows the number of month parents plan to stay at home. The light blue color combines both men and women, whilst the dark blue stands for women and the light grey for men. What we can see from this survey are basically two main findings. First, most men stay at home for less than three month. Women on the other hand are planning on staying with their babies for about 7 to 24 month. 37% actually want to stay away from work for two years.

2.1.3. Consequences for companies

In today's society, women play an increasingly important role in the economy. Several social developments such as feminism, equal gender roles, higher education levels, career-seeking women, lack of sufficient qualified men and many more have led to more and more female employees in crucial positions within a company (Krell 2004). Due to this, it is an inevitable necessity that women, at some point in their career, pause due to their pregnancy and the following parental leave. The consequences for a company are quite obvious. As stated before, in Germany, the maternity leave is to be paid by the employer for the most part, whereas the parental leave is paid by the state.

² <https://de.statista.com/statistik/daten/studie/727825/umfrage/dauer-der-elternteilnahme-in-deutschland-nach-geschlecht/> accessed on August 6, 2019.

These costs cannot be minimized through family-friendly benefits such as partnering with Kita-Netzwerk. Therefore, we will take a closer look on those factors that can and should be optimized by such initiatives:

- Loss of talent in case the person does not return after the pregnancy because of a change to a more family-friendly employer
- The costs that occur for hiring a temp to cover the person while she is on leave or working part-time afterwards
- Opportunity costs that occur while the covering person is in the onboarding process
- A potential decrease in productivity due to the fact that other team members may have to cover the person's workload
- A potential decrease in motivation of the remaining team if they feel overused covering the other person, possibly without an appropriate compensation
- The cost of covering full benefits for the employee while she is on leave or working part-time
- The cost of reintegration process after the person's leave, which gets higher the longer the person is on leave

2.1.4 Cost-benefit consideration due to family-friendly benefits

The idea of Kita Netzwerk is to offer a service to companies that can be easily implemented in order to minimize the aforementioned downside of parental leave. The service offered should be seen as a part of a holistic family-friendly concept. The range of typical family-friendly benefits is broad. The following table gives an overview:

Table 1: **Classification of family-friendly corporate benefits**

Flexibilization of working hours	<ul style="list-style-type: none"> • Flextime • Part-time • Sabbatical • Remote work / home office
Leave	<ul style="list-style-type: none"> • Paid special leave • Extent of employment guarantee
Human resource development	<ul style="list-style-type: none"> • Re-integration programs for returner • Advanced training / Management trainings
Childcare offers	<ul style="list-style-type: none"> • Workplace nursery schools • Emergency support • Lactation room / Parent-child workplaces /
Financial support	<ul style="list-style-type: none"> • Financial support for nursery services • Special child-raising allowance
Consulting and information	<ul style="list-style-type: none"> • Seminars about family and employment

Source: (Own illustration in accordance to Badura & Vetter 2004; Flüter-Hoffmann & Sobig 2003; Becker 2003; Dulk et al. 1999; Evans 2001)

The enhancing effect of family-friendly corporate benefits on productivity gets confirmed in various empirical and exploratory studies on the subject. Connelly, DeGraff and Willis (2004) compiled several studies on childcare at the workplace in which they report a heightened morale and job satisfaction for employees who are provided with childcare services. The ensuing positive effects such as heightened motivation and productivity are confirmed by case studies and company surveys, in which over 70% of the employees claim to have a higher motivation and improved output (Vierzigmann 2002). The German federal ministry of family, the elderly, women, and the youth (Bundesministerium für Familie, Senioren, Frauen und Jugend 2014) lists the main advantages as following:

- **Less absence:** Employees who are not worried about the supervision of their children are less likely absent. The costs for bridging downtime, replacement and hiring as well as for onboarding decline significantly.
- **Faster re-entry after parental leave:** Employees who have a daycare place in the corporate daycare center are more likely to return faster to work from parental leave.
- **More productivity:** Working mothers and fathers who know their children are being looked after by a trustworthy institution during the time at work are less stressed, more motivated and more productive.

- **High degree of loyalty to the company:** Companies that offer family-friendly benefits can retain qualified employees also during early parenting years.
- **Image gain:** Family-friendly companies boost their business attractiveness as an employer. This significantly reduces the costs of workplace marketing and attracts better talents.

In order to ensure comparability and applicability across different companies and sectors the German ministry of family, the elderly, women, and the youth created a model calculation for costs and benefits of corporate family-friendly benefits for a fictitious enterprise (Bundesministerium für Familie, Senioren, Frauen und Jugend 2005). The enterprise with a total of 1,500 employees has a female employee quota of 44.6% which translates into an absolute number of 669 Women. 20 of those are on maternity leave every year. With averaged variables such as the duration in parental leave, number of returners, and the number of part-time workers the ministry calculated a potential for savings of € 700,000 per year. The outcome of the implementation of family-friendly benefits is displayed in a “basis-, real-, and best-case scenario”. Overall, the total cost of insufficient work-life balance can be reduced by 55% in the real scenario and by 78% in the best-case scenario. In absolute terms, this translates into a realized cost saving of € 379,000 or € 540,000 and a saving potential per person of € 19,000 and optimally € 27,000 compared to the basis case of the family-unfriendly company. The realized savings exceed the costs for the assumed package of family-friendly measures amounting to around € 304,000 annually by € 75,000 in the real scenario and € 235,500 in the optimal scenario. Translating this into economic terms, the investment of capital into more family friendliness pays off in an expected return on investment (ROI) of 25%.

2.1.5 Conclusion

To conclude, the legal regulation for maternity- and parental leave varies by country. Yet, measures to support a fast return of talented people offer a profitable return on invest, not even considering an enhancement of soft variables such as improvement in the company’s reputation. The combination of the findings with the current situation in the daycare market in Hamburg opens up a huge window of opportunity for Kita Netzwerk. The expansion of the venture to other countries highly depends on the existence of similar circumstances and requires intense analysis, local knowledge and planning.

2.2 Blue Ocean Strategy

“The creators of blue oceans, surprisingly, didn’t use the competition as their benchmark. Instead, they followed a different strategic logic that we call value innovation... instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space.” – (Kim & Mauborgne 2005)

Kim’s and Mauborgne’s blue ocean strategy emphasizes the focus on value innovation rather than competitive advantage in an existing market. This shift is probably the most exciting development in the strategy field for the last twenty years. The planned venture, namely Kita Netzwerk, seeks to pursue exactly that kind of strategy. The course towards the blue ocean, so to speak, has been set the second the idea for this company came up. The motivation to open up this business arose because of the window of opportunity to innovate a sector rather than the pure will to become an entrepreneur in a profitable field. Therefore, we will take a closer look into the strategy to understand the advantages and challenges that come along with it.

The blue ocean strategy joins the rank of two other models, “disruptive innovation” (Christensen 2015), and “value co-creation” (Prahalad & Ramaswamy 2004), which share some common characteristics with the value innovation perspective distinguishing it from an approach that primarily seeks to obtain a sustainable position in an existent market. These are:

- Considering the primary challenge as how to create and capture new demand
- Shifting the primary focus in strategic development back onto the customer instead the competition
- Recognizing major potential for demand in current “non-consumption areas” and ways to overcome it
- Reaching for a “value breakthrough”, usually through business model disruption/innovation – changing the game

All three models highlight somewhat different approaches of new market space opportunities. Brian Leavy (2018) explains it by taking examples of known companies. While the Blue Ocean Strategy tends to focus on value innovation that aggregates demand by redefining a category, like Cirque de Soleil – entertainment that merges

circus and theater –, “disruptive innovation” changes the emphasis on new demand-creation that expands the current served market, like Ryanair does in low-price air travel. The third model, “value co-creation” or “experience innovation” tends to create new demand through the reinvention of the user experience through using ubiquitous, smart-connected technologies to convert traditional products into interactive, information-rich, engagement platforms, as Nike has done with its Nike+ smart wearables and LEGO with its robotic toys.

The counterpart to the Blue Ocean Strategy is the Red Ocean Strategy. Red oceans are existing market spaces where competitors are already well established. The red ocean stands metaphorically for bloody shark water as competitors strategize for a greater share of limited demand. Industry boundaries are already set and accepted and the competitive rules of the game are known. Competition revolves either around cost reduction or around a relatively narrow set of differentiation of a core product or service features. Competitors of a red ocean typically face a differentiation-cost trade-off which obviously increases with each new competitor in the market (Kim & Mauborgne 2019).

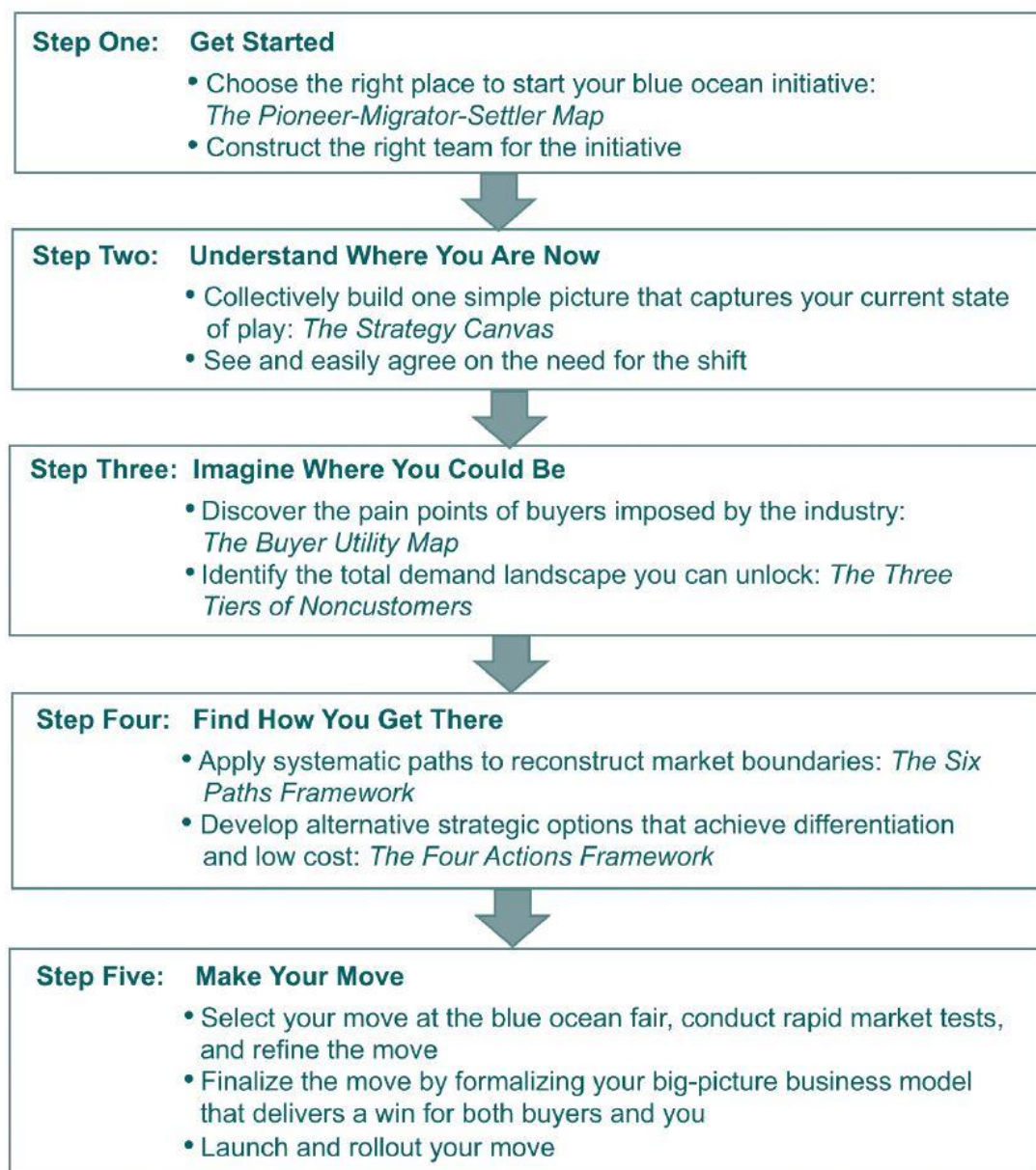
2.2.1. Advantages of the blue ocean strategy

The investigated strategic approach generates advantages for a company entering an uncontested market space. The potential growth in a market can be tapped by just one player exclusively. Thus, value innovation merges a set of an enterprise’s two basic interests that Micheal E. Porter (2008) describes as a binary choice: the achievement of differentiation or cost reduction. First, value innovating companies achieve the creation of a new customer-oriented solution which differs from competitors and improves the buyer’s benefit. The offered product or service expands the existing market and creates uniqueness. As a consequence, the product or service creates a unique selling proposition (USP) which promotes customer loyalty. By setting those standards brand equity can be developed and in some cases it can last for many years, increasing the entry barrier for imitators at the same time – a good example being Airbnb. Nowadays the term “Airbnb” gets even used to describe a vacation apartment. In red oceans, the differentiation of a product or service by adding a feature would automatically result in an increase of the price. Value innovation on the other hand is not limited to differentiation or value only. The product or services can be designed in accordance to customer’s needs whereby factors that do not deliver significant customer advantage are reduced or eliminated (Kim & Mauborgne 1997).

2.2.2 Challenges of the blue ocean strategy

The biggest challenge one faces when tapping into a blue ocean is that he or she is a pioneer in this field. Innovation does not come with a manual like you would probably find when you are looking to open a pizzeria. In their follow-up literature, Kim and Mauborgne (2017) provide entrepreneurs with a five step guideline including different techniques and tools to apply to one's business case along the implementation process. The following figure shows the so called blue ocean shift process:

Figure 2: Overview of the Blue Ocean shift process



Source: Kim & Mauborgne 2017

Two of the strategic tools mentioned in the shift process will be explained in further

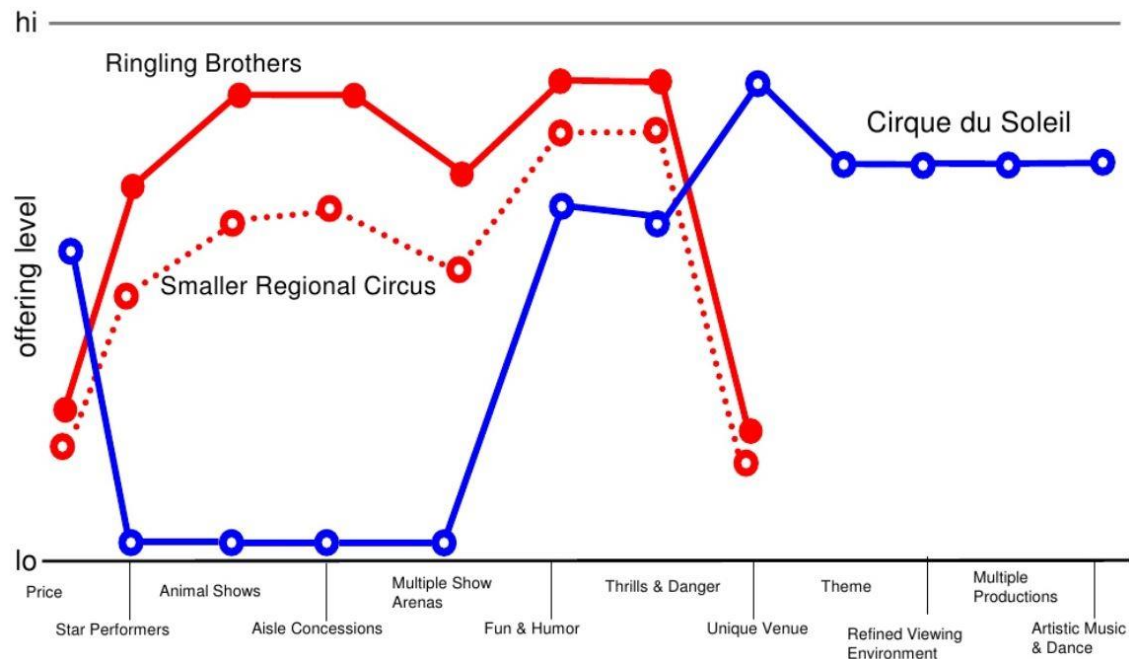
detail, as they will be applied on the case at hand later on. Step two of the process shown above, seeks to get a better understanding of the status quo. With the “Strategy Canvas” the entrepreneur creates a sketch of the industry landscape with its competing factors. In step five, the authors provide the entrepreneur with a tool called “The Four Actions Framework” which serves to create a strategic profile essential to unlock a blue ocean.

2.2.3 The Strategy Canvas

“The Strategy Canvas” is a central diagnostic tool and an action framework that graphically frames the current strategic landscape and the future prospects for a value innovating business. The strategy canvas serves two purposes. Firstly, it displays the current state of play in the known market space in one simple picture. It facilitates a clear overview of all factors that an industry competes on, invests in, and what buyers receive. Secondly, it supports the entrepreneur to convert the project’s focus from competitors to alternatives and from customers to noncustomers. The visualization seeks to ensure a high innovation level which breaks away from the existing red ocean reality.

The x-axis on the strategy canvas shows the different variables that an industry competes on, while the y-axis indicates the offer level that customers receive across all of these key competing variables. The value curve is a strategic profile of a company’s relative performance compared to the prevalent industry landscape (Kim & Mauborgne 2019). The exemplary Strategy Canvas performed on Cirque du Soleil shows the differences compared to classic circuses in one picture:

Figure 3: **Strategy Canvas – Exemplary performed on Cirque du Soleil**

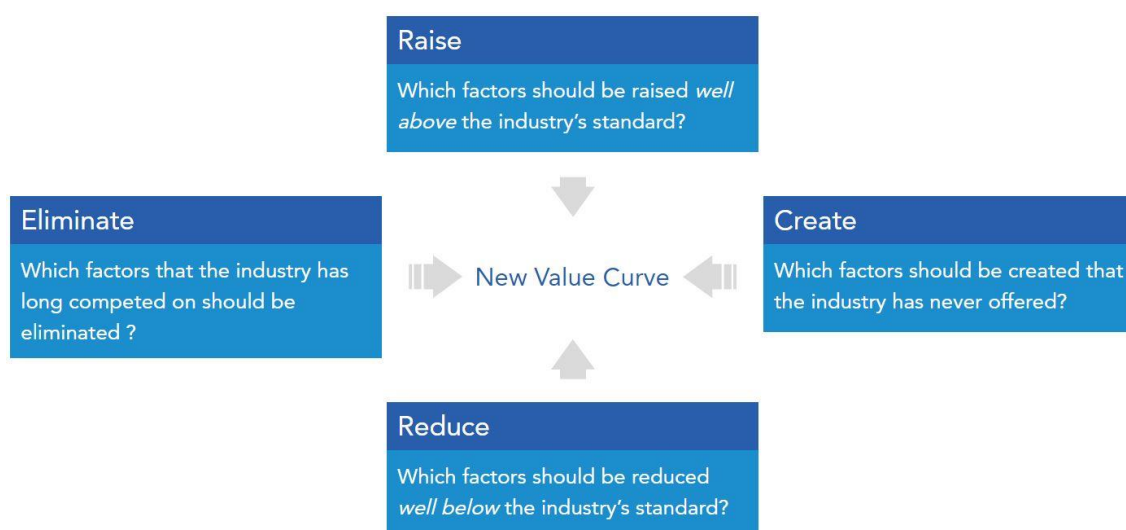


Source: <https://de.slideshare.net/infotech101/blue-ocean-strategy-12338451> accessed on August 10, 2019.

2.2.4 The Four Actions Framework – ERRC Grid

The Four Actions Framework or ERRC Grid is an analytic tool to push company's boundaries beyond the prevalent red ocean reality. By asking four simple questions a new value curve is being created.

Figure 4: **The Four Actions Framework – ERRC Grid**



Source: (Kim & Mauborgne 2019)³

³ <https://www.blueoceanstrategy.com/tools/four-actions-framework/> accessed Aug. 12. 2019.

Four immediate benefits can be gleaned from the grid seen above:

- It pushes the entrepreneur to pursue for both differentiation and low cost at the same time to prevent the value-cost trade off.
- It immediately points out when companies are too focused on only raising and creating, thus increasing the cost structure by over-loading products and services with unnecessary features.
- It can be understood by managers at any level, creating a high degree of involvement.
- With its application companies are forced to thoroughly examine all the factors that an industry competes on, helping them to spot a range of implicit assumptions they unconsciously made.

To get a better understanding of how to use the Grid, it will be applied on the example that was chosen to explain the Strategy Canvas as well: Cirque du Soleil:

Table 2: ERRC Grid performed on Cirque du Soleil

Eliminate:	Reduce:
<ul style="list-style-type: none"> • Star Performers • Animal shows • Aisles concessions sales • Multiple show arenas 	<ul style="list-style-type: none"> • Fun and Humor • Thrill and danger
Create:	Raise:
<ul style="list-style-type: none"> • Theme • Refined environment • Multiple productions • Artistic music and dance 	<ul style="list-style-type: none"> • Unique venue • Ticket price

Source: Own illustration in accordance to the ERRC Grid by Kim & Mauborgne 2019

3. Methodology

The methodology used in this thesis was predicated by the type of project chosen. The “innovative business plan” comprises the two parts “innovative” and “business plan”, already indicating the idea that the main focus of the thesis will be to create something never seen before. The process of gathering data about something nonexistent, an entrepreneurial research, is therefore quite diverse. Data from every type of source and time period is used to create a holistic picture and to formulate a credible insight of the topic. Therefore, a multi-site, multi-source research methodology was chosen in order to attain generalizability and statistical significance in reporting findings while not losing the nuances and understanding of the individual business context of the presented idea. A way of incorporating one’s own hypotheses and answering preliminary questions such as what, why and how, was to pursue a qualitative exploratory research methodology. It is based on document analysis of different empirical material including secondary literature, reports, newspaper articles, case studies and simple online-based sources, as well as quantitative records that can be transformed into statistical analysis (Denzin & Lincoln 1994). One ambiguous characteristic of this constructivist paradigm is that it imposes the researcher’s values (e.g., predetermining which variables are worth measuring).⁴ The type of research can be deemed as intensive as it has a clear focus on the case study at hand, investigating a contemporary phenomenon by exploring, describing, explaining and assessing the case.

When first thinking about the approach of this entrepreneurial research, the preliminary questions that arose were **“Is the business idea likely to lead to success?”** and **“Is there a window of opportunity in the place and time chosen?”**. As a consequence, follow-up questions such as **“What makes your business idea special?”** and **“What are suitable business strategies/tools to find out?”** came up. In order to generate the information needed to answer these questions I started going through the material that I gathered in the course of the master lectures at ISCTE in 2015/2016. Many different useful strategies and approaches were presented in classes such as Entrepreneurship, International Business, International Marketing and International Strategy. After reviewing the courses’ slides, it quickly became clear where to put the emphasis in the first section of this research project. The Literature Review should cover two main

⁴ <http://salmapatel.co.uk/academia/the-research-paradigm-methodology-epistemology-and-ontology-explained-in-simple-language/> accessed on August 24 2019.

topics: The window of opportunity and the theory of implementing a unique business.

In order to make the findings of the report more conclusive, different data sources were used for each chapter. Whilst the literature review is mainly based on secondary literature gathered from the Library of the University of Hamburg in Germany, either as a physical version or through the online portal, the market analysis is largely based on online reports and newspaper articles, including quantitative data covering the prevailing topic. I deliberately decided against a questionnaire or interview as it would not be conducive to answering the questions I initially asked myself. Since the research attempts to gauge the success of an international applicable and disruptive business model, sampling or interviewing individuals would not reflect the holism and broadness of the topic. Furthermore, they are again sources with a great extent of bias, knowingly that the methodology chosen is already quite interpretive, as my position as the researcher includes my own perception and influences the results.

The main reason for collecting data is to analyze and process it, seeking to prove or disprove a hypothesis. It helps in describing the problem at hand and identifying the relationship between variables. Data can be segregated in two categories: While qualitative data is used for hypothesis testing, quantitative data gives quantifiable and easy to understand results. The combination of both helps to conduct a wholesome analysis. My approach was rather inductive, as I decided during the data gathering process which analysis could be used to process it, even though a standard set of strategic tools (e.g. PESTEL and SWOT) are quite obligatory.⁵ Logical steps were the following:

3. Formulating the business idea in a schematic sense
4. Develop hypothesis and questions to be answered in the course of the thesis
5. Identify sources, authors and strategic tools to assess the case
6. Gathering data through various sources
7. Organizing and categorizing data for assessment and evaluating the main points
8. Transform/process the information by applying them with strategic tools and elucidating the findings

⁵ <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.466.1256&rep=rep1&type=pdf> accessed on August 24 2019.

4. Action Opener: 2019 – The quest for the right kindergarten!

You are a professional who has just moved to Hamburg for a new position in a law firm. Your wife and two-year-old son have come with you. Your wife also has an attractive job offer from the local branch of a major technology firm. After much hassle, your family has finally found a comfortable flat in a centrally-located residential area. The neighborhood is nice and green but the rent is hefty. Will you be able to afford such an apartment without a second income? Here is the problem. Your wife would really like to start working again in her area of expertise, and there is a job opportunity for her, but who will look after your son?

It turns out finding a suitable Kita in Hamburg is even harder than the right flat. All Kitas in your immediate vicinity have no more capacity for another child. The waiting list has so many names on it that it makes no sense to even apply. Kitas that are available neither conform to your family's needs in terms of flexible hours nor do they really offer the kind of early childhood education you wish your son to benefit from. What to do?

Suddenly, you remember that during your job interview it was mentioned that your law firm's Family & Career department has partnered with a new digital platform that takes care of all the employees' daycare needs. Worth a try! After talking to a colleague, you quickly figure out that the platform called Kita Netzwerk can be easily accessed through the law firm's log-in data.

You log onto the site and right from the start you are optimistic that this tool will help you out. The site feels like Airbnb – a simple geographical search sources a variety of daycare facilities scattered in a 3 km radius around your home. To your amazement, you discover that previously you had overlooked more than a dozen of small private daycare centers right around the corner from where you live. Browsing through the offerings, you are immediately picking out your favorites. All the daycare centers have a profile with plenty of photos and information. As your new employer is a member of Kita Netzwerk, you notice that you do not even need to pay the part that is not covered by city-sponsored subsidization. The fact that your employer is part of Kita Netzwerk makes you eligible to receive daily childcare for free in an upscale daycare center located in a street practically only a five-min-walk away from your flat. And what will your wife say when she hears about the English-language classes and the music

lessons? This is the kita you were looking for all along. The profile says that currently there is room for more children, so you better call them up right away!

Kita Netzwerk took the pain out of looking for childcare services. Having moved to Berlin in the meantime, you are returning to the platform. Apparently, your son prefers smaller groups of children to bigger ones. Might not be a childminder the right choice for him? From first using the site back in Hamburg, you remember that childminders also have personal listings on Kita Netzwerk. And again, after just a few clicks, you find a wonderful mother of two living in the same street who professionally looks after other parent's children in her home.

As a partner of Kita Netzwerk, the childminder uses the platform's payment system, allowing you to use up the hours of paid-for childcare granted to you as part of your employment package. Really appreciating how good your law firm has taken care of your family needs, you gladly sign up for another 5-year-contract. In the newspaper you read that several cities are applauding Kita Netzwerk for easing the shortage of daycare capacity that plagued the public system. As you go for a stroll through your neighborhood with your family, you notice small stickers with a familiar logo in the windows of all the small daycare facilities you are passing by – Kita Netzwerk is everywhere!

5. Market Analysis - The target market

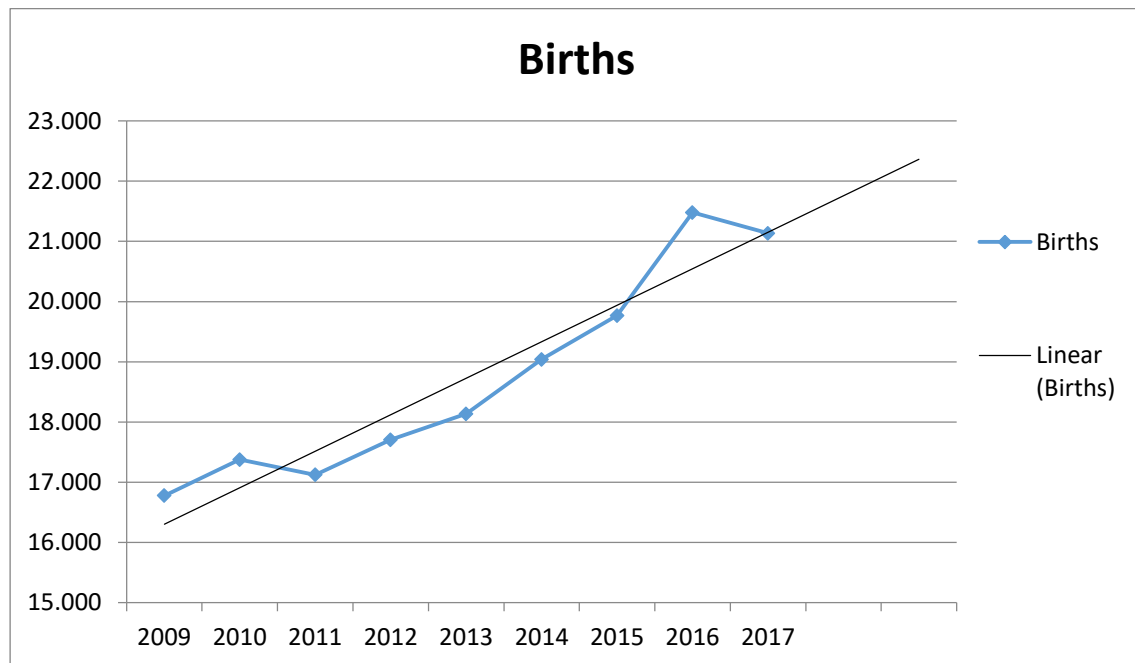
Tapping into a market with a new start-up such as the childcare market, several factors have to be taken into account. When conducting a market analysis, one main question arises: Is there a window of opportunity that is worth the risk of quitting your job to try to become an entrepreneur?

The main drivers of this market analysis will therefore concentrate on the current situation around the daycare market in Hamburg, where the business will be initially implemented. As childcare is a topic of public and social interest, we will have to find ways to unite public childcare and the private sector. To further guarantee the business idea will not misfire, it is important to have our finger on the pulse of the time, knowing all about new trends and drivers in the Kita market.

5.1 Launchpad Hamburg

Hamburg is the second biggest city in Germany after Berlin with around 1.8 million inhabitants. The city's metropolitan region is home to more than five million people. Hamburg is located in the northern middle of Germany and is its own federal state. As such, the city has considerable autonomy, which impacts the legal perspective of this venture. Hamburg's size in terms of inhabitants is forecasted to increase by about 9.1% until 2035 in marked contrast to the common trend of rather shrinking populations in the rest of the country (Hamburger Abendblatt 2017). The growing number of residents is attributable to several reasons, such as urbanization, migration, but also an increase of the newborn rate.

Figure 5: **Newborn Children in Hamburg from 2008 to 2017**



Source: Own illustration in accordance to Deutschlandin zahlen.de⁶

The figure shows a continuous increase of the birth rate in Hamburg in the examined timeframe. In 2017 4,354 more babies were born than in 2009. This is an increase of more than 26% in less than 10 years. Thus, it can be concluded that the market for early childhood education is growing and will most likely become more relevant every year.

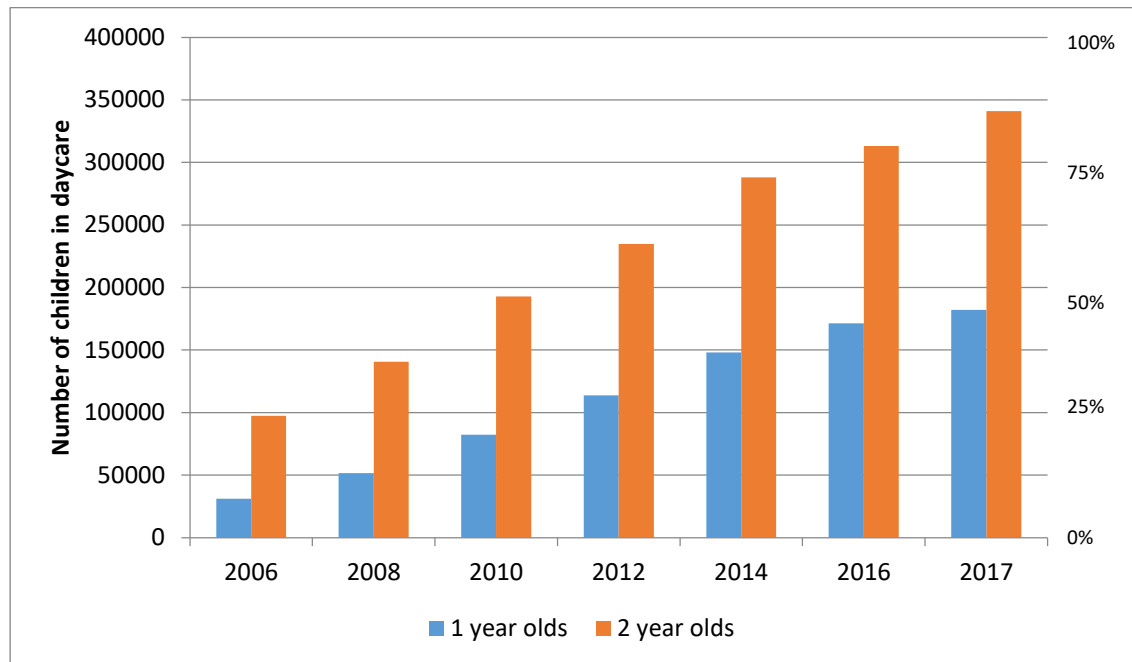
5.1.1. Kita landscape

To get an idea of how big the kita market in Hamburg actually is, we will look at some demographic figures. The most recent data to be found on the total amount of daycare centers in Hamburg comes from 2015. The data shows somewhat of a worrying trend. Compared to 2009, the number of daycare centers rose from 950 to 1037, meaning in Hamburg only 87 new kitas were founded in 6 years. That is an increase of just 8%. Comparing this number with the percentage increase of newborns in the time of 2009 to 2017, it becomes clear that the construction of kitas and the provision of sufficient daycare places have been neglected. Furthermore, the number of individual nannies, so called in-home daycare providers nearly halved in that particular timeframe from 1,905 in 2009 to just 1,004 in 2015. On the other hand, we have 61,489 children under 6 years that make use of a daycare offering in 2009 whereas in 2015 already 79,798 children visit a kita on a regular basis - again an increase of 23% (Fickermann & Schwippert,

⁶ <https://www.deutschlandin zahlen.de/tab/bundeslaender/demografie/natuerliche-bevoelkerungsbewegungen/geburten> accessed on May 4th 2019.

2017).

Figure 6: Attendance of educational offerings for early childhood in daycare centers from 2006 to 2017 in western states of Germany



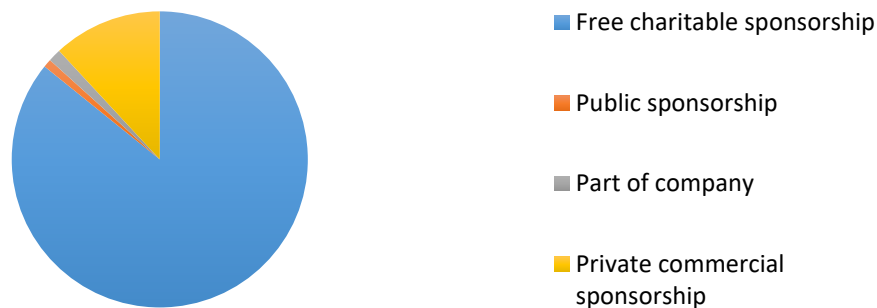
Source: Own illustration in accordance to Bildungsministerium für Bildung und Forschung 2018 Page 72⁷

The figure above shows a clear tendency of more and more children at the age of 1 to 2 years old attending daycare offerings for early childhood. This development is a result of the shifting role of women in today's society. In order to chase personal goals in terms of career, individual fulfillments, and money, women are increasingly poised to give their children into daycare even at an early age. Consequently, more daycare places are needed year by year.

⁷ <https://www.bildungsbericht.de/de/bildungsberichte-seit-2006/bildungsbericht-2018/pdf-bildungsbericht-2018/bildungsbericht-2018.pdf> accessed on May 8th 2019.

The following figure shows the distribution of sponsorships of daycare facilities in Hamburg:

Figure 7: **Distribution of daycare sponsorships in Hamburg**



Source: Own illustration in accordance to Bertelsmann Stiftung 2019

The figure above shows that almost 9 out of 10 (86%) daycare centers are financed by a free charitable sponsorship. Private commercial sponsored kitas take 12% of the market. In-house daycare facilities provided by a company itself and public sponsored daycare centers together have a market share of just over 2%. For the intention of Kita Netzwerk this is a quite beneficial basis, as it leaves around 98% of potential partner kitas.

5.1.2 Personnel Ratio a quality value

As set out above, the development of sufficient daycare centers falls behind and daycare facilities get too crowded. The Social Security Office and the operators of kitas are thinking about introducing a “Control Board” for daycare centers. At the moment, the “Homeland Control” (Heimataufsicht) is responsible for occasion-related checks.

An unanswered question occurred during the discussion concerning the feasibility: “What exactly should be surveyed?” The operators want to have the educational concept and the quality of their work reviewed, the Social Security Office on the other hand sees the compliance of the Personnel Ratio (Personalschlüssel) as an important value that needs to be surveyed. The Personnel Ratio is the ratio between the amount of children looked after by each educating professional. Better Personnel Ratios would allow positive pedagogical interactions and education-stimulating activities for the children (Schmude & Pioch 2014).

The size of the group, the Personnel Ratio, and the qualification of the skilled educators are considered as especially important. These three factors together are called “The Golden-“ or “The Iron Triangle“, invented by the professor of early childhood

education, Hans Günter Roßbach (Roßbach 2005).

The Personnel Ratio in daycare centers in Hamburg lies over the German average in daycare centers with children under three years of age. Especially for daycare centers of early childhood education the ratio is almost twice as high as the recommended 1:3 ratio with one childminder looking after 5.2 kids. As a result, some parents fear their kids not to be in good hands or not to get the attention they should get. Consequently, they stay at home with their kids instead of returning to work. Daycare centers that become network members of Kita Netzwerk will receive additional funds, which can be used to lower the Personnel Ratio to at least the value that is considered as a minimum by the Bertelsmann-Stiftung (see table below). The data shown below is from the years 2015 and 2017.

Table 3: Recommended Personnel Ratio compared to Hamburg and the FRG

	Personnel Ratio	
	Daycare centers, children < 3 years of age	Daycare centers, children > 3 years of age
Hamburg	1:5.2	1:8.4
Median in the FRG (Federal Republic of Germany)	1:4.3	1:9.1
Recommendation of the „Bertelsmann Stiftung“	1:3	1:7.5

Source: Own illustration in accordance to Bertelsmann Stiftung 2017⁸

In daycare centers for children up to three years, the average value of the Federal Republic of Germany (FRG) is 1:4.3, in Hamburg however, there is 1 educator for 5.2 children. In centers with children older than three years, the deviation of the ratio is similar. While the average in the FRG is 1:9.1, in Hamburg 8.4 children are being looked after by one educator. Both values do not meet the minimum requirements by the „Bertelsmann-Stiftung“ of 1:3 for daycare centers with only children of 3 years and younger and 1:7.5 for the centers with older children (Bundesministerium für Bildung und Forschung 2016).

Although the number of educators is rising slightly, there is still a lack of about 3,852 professionals, just in the Hamburg area. Furthermore, in order to reach higher quality standards, the Bertelsmann Stiftung estimates that the annual budget needs to be

⁸ https://www.bertelsmann-stiftung.de/fileadmin/files/Projekte/Laendermonitoring_Fruehkindliche_Bildungssysteme/Laendermonitor_2018/20180828_Grafik_Laendermonitor_FrueKi_2.jpg accessed on May 8th 2019.

increased by 171 billion Euros. It is unlikely that this gap will be filled in the next 3 to 5 years, considering the development of the past 5 years, where the overall situation was observed to deteriorate (Stein & Bock-Famulla 2018).

5.2 Trends in the market for daycare centers

A daycare center is no longer just a daycare center. Concepts of early child education are being reformulated and, sometimes, controversially discussed. When it comes to vegan nutritional approaches, extreme early intervention and such, opinions differ widely. Adults themselves are faced with many nutritional concepts and food ideologies, just to pick one example. The logical consequence is that parents project their conceptions on their children. Hence, the expectations towards pedagogical concepts are rising, not only in the minds of parents but also in the economy and politics, as it is crucial to ensure a certain work-life balance for parents in order to guarantee a steady economic growth.

Employers know that additional expenditures accrue when a female employee goes into maternity and parental leave: a substitute has to be found and incorporated and the person has to be reintegrated after his or her return. Therefore, all stakeholders will espouse the idea that more care places need to be developed. Parents will be more and more willing to let even babies with daycare, as reservations towards day nurseries become less prevalent whilst many families are dependent on the second income. Moreover, in a fast-paced knowledge economy, it becomes harder to reconnect with the state of art in a given area of expertise. Also, career prospects shrink the longer a parent takes a time out (Textor 2018).

Taking all the aforementioned facts into account, it becomes clear that the landscape of early childhood education and daycare will adapt to the new circumstances. Daycare centers in the future will have concepts that will follow different pedagogical approaches, shifting the emphasis to topics such as music or sports, space concepts, the optimum age mix, working with either open or closed groups. Children of financially well situated parents will increasingly visit other institutions than children from socially disadvantaged families or from families with a migrant background. The daycare landscape will be more colorful and diverse. In order to understand with which concepts the future brand Kita Netzwerk could be confronted with, an overview of contemporary trends follows:

5.2.1 Daycare centers with different nutrition concepts

As mentioned above, parents with a vegan or vegetarian diet most likely want their kids to follow the same ideology as they do, starting from the early childhood years. To be able to provide kids with a special diet, a daycare center needs a certain focus on that topic, as it would be time consuming and inconvenient to prepare different meals for each children.

5.2.2 Daycare centers with robots

Recently, prototypes of robots have been developed that look like humans, speak several languages, play the violin, work as tour guides, participate in plays or serve as sexual partners. In a few years, we will meet robots working as receptionists, security guards, kitchen helpers, nurses for the elderly, and probably even as childminders (Textor 2013).

5.2.3 Bilingual daycare

In today's world of globalization, being multilingual is an essential qualification. On top of that, it is more common that parents with different cultural backgrounds and mother tongues find together, later raising their children bilingually.

5.2.4 Daycare centers specialized on children with migration background

Due to segregation tendencies, children with a migrant background will increasingly congregate in individual daycare centers. According to the Education Report 2018 by the Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung 2018) already 28% of children that attend a kindergarten have a migrant background and more than half of the children speak a native language other than German. Two future scenarios are conceivable for these daycare institutions: either they do not recognize their responsibility and refuse to act on it until the children enter elementary schools with a poor knowledge of German, or the government and municipalities promote intensive language training by keeping the personnel ratio lower than in other facilities.

5.2.5 Daycare centers with extended opening hours

Working models such as early- late-, or nightshifts require daycare offerings in accordance to the working hours.

5.2.6 Daycare centers for the “elite”

Especially in bigger cities it is a quite transparent phenomenon that people of similar income groups gather in the same district. Preferable locations are often associated with proximity to the city center, recreational water bodies, cultural offerings, landmark architecture and so on. Rental prices in those areas displace people with lower income. The consequence is that children with similar family backgrounds end up in the same daycare centers. Those daycare centers might have adapted to the parent’s needs, such as longer business hours, or a higher share of educational activities.

5.2.7 Daycare centers with a scientific-, technical- orientation

In order to keep up with the drastic development of science and engineering, children are going to be exposed to such content in a pedagogical setting. In Germany, there are already 4,200 daycare centers with this educational approach, an example being “Haus der kleinen Forscher” (English: “House of little scientists”), an initiative for early childhood education by the German Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung)⁹.

5.3 Market entry strategy

5.3.1. Navigating a highly regulated market

According to an Accenture study titled “Platform strategies: How the rules of competitiveness have changed in the era of ecosystems”, the modern business landscape is defined by the technology-driven convergence of disparate business activities on a single digital platform (Lacey & Hagenmueller & Ising 2016). Competitors become strategic partners to address expanded customer needs that one single agent is no longer capable of catering to on his own. Quite convincingly, the authors argue that “Consumers today expect more than better, faster, cheaper. No longer do they simply want a car – they want mobility. People want more than just a hotel room – they want a tailored travel experience. People do not want food – they want a curated cuisine.” Value delivered to customers is no longer to be conceived as a static end product. Instead, different players join forces to integrate services, collaborate with each other and share resources and data, in order to offer a seamless, all-encompassing, dynamic experience to customers. The platform strategy is a symptom, as well as a driver, of major technological disruption across various industries.

⁹ <https://www.bmbf.de/de/haus-der-kleinen-forscher-79.html> accessed on August 13, 2019.

Kita Netzwerk aims at capitalizing this mega trend towards business ecosystems. For example, the kindergarten market bears a striking resemblance to the newly emerged mobility market – the main common motif between the two markets being the strong presence of public service providers that intermingle with private entrepreneurs. Take the fleets of rentable vehicles that major manufacturers such as BMW and Mercedes now maintain as part of a diversified business model. While being a lucrative in and of itself for the providers, car-sharing has also been integrated into a multi-modal mobility offering called “Switchh” that Hamburg’s public transport agency has introduced in an effort to provide citizens with high-end mobility across different modes of transportation.

The boundaries between private business and public service become blurry, interests of various stakeholders – industry, city/state, customers – turn out to be aligned and new technologies enable everyone to come together on one single platform. Kita Netzwerk strives to tap into this potential of collaborative value creation by breaking down barriers between the different players in the kindergarten market. Massive synergies result from the willingness to cooperate rather than to compete.

This is especially true for the daycare market which has a kind of private-public hybrid nature similar to mobility. Parents and children, public administration, employers, private market participants – all these players have a common interest in a sufficient supply of childcare. Public administration’s obligation to support parents arises from the social market economy principle underlying a broad range of public services provided to citizens by the German state. Healthcare, pension, welfare are but a few of the responsibilities of the state. Within the context of a social market economy, the childcare sector is also massively subsidized.

Interestingly, state-sponsored social services have not been exempt from privatization. Most notably, the energy and public transportation industries have been opened up to private companies. The state no longer performs the essential public services itself but outsources them to entities from the private sector. The retreat of the state has redefined its role from service provider to guarantor of quality standards.

The alliance between state and private sector in the provision of public services might be seen as a trend falling under the umbrella of what the authors of the Accenture study term the emergence of “value networks”. Surprisingly, the privatization of the public

sector – under way for decades – has not really transformed childcare as profoundly as other industries.

Rethinking childcare thus seems as urgent as ever in order to relief the capacity shortage in urban areas. Rather than to opt for a camp in the fundamentalist debate on state vs. private industry, Kita Netzwerk understands itself as a kind of mediator between the two sides. Enhancing the cooperation between the public and private sector by means of technology promises to unlock value reservoirs to the benefit of everyone involved.

Positioning itself at the intersection of corporate family & career initiatives, the private kindergarten market, state-sponsored subsidization and end customer needs, Kita-Netzwerk has to be imagined as a kind of digital infrastructure for the childcare sector. The goal is not to penetrate and monopolize a market previously captured by state-financed entities. Instead, Kita-Netzwerk endeavors to act as a complementary solution to the existing lack of capacity which might also be a problem of misallocation apart from the actual shortage. The cooperation of private and public sector that has proven successful in other industries such as public transport is underdeveloped when it comes to childcare. Kita Netzwerk is going to bridge the gap between public service and private entrepreneurship, thereby building the architecture for a hybrid childcare system for which the legal conditions have been around for decades. Disruption of childcare, in this sense, has been long overdue. The advent of a privatized kindergarten market has failed because the necessary technology had not been available, not because of an inherent reluctance of this market to privatization. For Kita Netzwerk, privatization does not mean replacement of the state, but support of the state.

5.3.2 PESTEL Analysis

When choosing a suitable market for one's tentative steps to create or to expand a business, several frameworks to explore the prevalent business framework help guiding the entrepreneur through this decision. The PESTEL (Political, Economic, Social, Technological, Environmental and Legal) analysis is a business measurement tool that analyses and monitors the macro-environmental (external marketing environment), factors that have an impact on an organization. Using such a framework facilitates to become aware of potential risks in an unfamiliar environment.

In the first step of the evolution of this enterprise, the PESTEL Analysis will be performed on the first market that Kita Netzwerk will be introduced to - Germany. In a

later stadium, when opting for internationalization, the analysis has to be repeated.

5.3.2.1 Political factors

Germany is a federal, parliamentary, and representative democracy. The country is divided into 16 states, each of which has its own constitution and is largely autonomous in regard to its internal organization. Germany is part of the Schengen Area, member of the United Nations, NATO, G8 and G20, the OECD, and the Council of Europe. The legislature, the judiciary, and the executive are three separated pillars which make up Government of Germany. The legislative period of the government amounts to four years.¹⁰ The 18th federal election was a re-election of the Federal Chancellor (Bundeskanzlerin) Angela Merkel and her Christian Democratic Party CDU and CSU.

5.3.2.2 Economic factors

As the largest contributor to the budget of the European Union and the third largest contributor to the United Nations, Germany plays an important role for the world economy. The Second World War was a resetting of Germany's economy. With comparatively low levels of domestic raw materials, Germany's industry consists of 70% service, 29% industry and 1% agriculture. Known for its high quality engineering products, Germany exports luxury automobiles, metals, machinery, and chemical goods.¹¹

5.3.2.3 Social factors

Germany has around 82 million residents, 23% of which have a migration background.¹² This makes Germany the largest EU country in terms of population. The society can be described as modern and multicultural. It is molded by a variety of lifestyles that vary from north to south and east to west and also depending of the size of the respective city. Even though a lot of social changes took place in the past century, the family is still the most important social reference unit. Young people usually have a tight bond with their parents. Religion does not play a crucial role in the daily lives of the typical German, especially when it comes to making business, religion can be left out. In Germany, more than one third (37 percent) of university graduates in 2016 have a degree in sciences, technology, engineering, or mathematics (STEM). No other

¹⁰ <https://www.bpb.de/politik/grundfragen/deutsche-verhaeltnisse-eine-sozialkunde/138714/regierungssystem> accessed on August 22nd 2019.

¹¹ <https://www.bpb.de/nachschlagen/zahlen-und-fakten/globalisierung/52841/deutschland-und-die-weltwirtschaft> accessed on August 22nd 2019.

¹² <https://www.bpb.de/nachschlagen/zahlen-und-fakten/soziale-situation-in-deutschland/61646/migrationshintergrund-i> accessed on August 22nd 2019.

country has such a high proportion of graduates in these fields.¹³ In the professional business environment, especially in an international context, a fluent English can be seen as a given.

5.3.2.4 Technological factors

Germany is an important player in the fields of nanotechnology, biotechnology, and electrical engineering. Around 3% of the country's GDP flow into research and development.¹⁴ The country contributes broad European R&D with funding, scientist and laboratories. In manufacturing, Germany has widely adopted advanced technology and robotics, thereby increasing efficiency and productivity. Germany's infrastructure can be deemed as very good both in terms of communication and traffic. The infrastructure is characterized by many kilometers of German Autobahn, railways and sea lanes. The condition of roads is good. Maintaining them, however, entails an allocation of 5 billion Euro of taxpayer money each year.¹⁵

5.3.2.5 Environmental factors

In 2017, more than 36 billion tons of CO² were emitted worldwide. Germany's share was 2.1 percent. At 9 tons per capita, Germany is well above the level of 4.8 tons reached by other states.¹⁶ Germany is a low-resource country. Around 70 percent of the energy supply is covered by imports of various energy sources, making Germany dependent to a high extent.¹⁷ The macroclimate of Germany is the typical temperate climate zone of Central Europe. However, due to the large east-west extension and the considerable south-north extension as well as the numerous low mountain ranges, there are considerable regional climate differences. The cost of living is quite high in Germany – as a comparison a list with data from Germany and Portugal is shown below¹⁸:

- Consumer prices in Portugal are 24.48% lower than in Germany

¹³ <https://orange.handelsblatt.com/artikel/33428> accessed on August 22nd 2019.

¹⁴ <https://www.bpb.de/nachschlagen/lexika/lexikon-der-wirtschaft/20829/technologiepolitik> accessed on August 22nd 2019.

¹⁵ <https://www.welt.de/wirtschaft/article121719145/42-Milliarden-Euro-vom-Staat-zweckentfremdet.html> accessed on August 22nd 2019.

¹⁶ <https://de.statista.com/statistik/daten/studie/37187/umfrage/der-weltweite-co2-ausstoss-seit-1751/> accessed on August 22nd 2019.

¹⁷ <https://www.umweltbundesamt.de/daten/energie/primaerenergiegewinnung-importe> accessed on August 22nd 2019.

¹⁸ https://www.numbeo.com/cost-of-living/compare_countries_result.jsp?country1=Germany&country2=Portugal accessed on August 22nd 2019.

- Consumer prices including rent in Portugal are 23.27% lower than in Germany
- Rental prices in Portugal are 20.02% lower than in Germany
- Restaurant prices in Portugal are 32.45% lower than in Germany
- Grocery prices in Portugal are 22.72% lower than in Germany
- Local purchasing power in Portugal is 51.95% lower than in Germany

5.3.2.6 Legal factors

The legal system of Germany is based on civil law and has been influenced by the law of the European Union and by international law. It consists of a legislature and a separated individual judiciary. Legislative power resides at both the federal- and the state level. The constitution says that all legislative power remains at the state level unless otherwise provided.¹⁹ As mentioned under “political factors”, Germany is divided into sixteen autonomous federal states that differ from each other in many fundamental aspects of administrative law. This may affect the type and the amount of subsidy parents may get from the state for daycare. To conclude, it can be said that the legal stability attracts foreign companies which benefits investments and entrepreneurial activity in Germany.²⁰

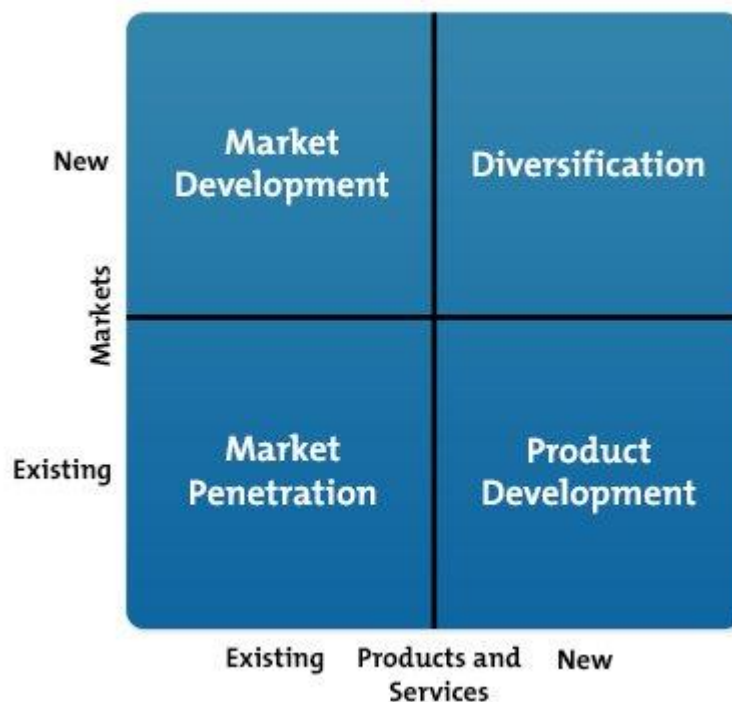
5.3.3 Blue Ocean Strategy

Harry Igor Ansoff's Product Market Matrix was the first strategic analysis grid emerging from the prevailing strategic thinking patterns of the 1960's. He describes four alternatives for a growing organization in existing or new markets, with existing or new products or services. In my opinion, his strategic matrix is a pre-stage of the later developed Blue Ocean Strategy.

¹⁹ <https://uk.practicallaw.thomsonreuters.com/4-519-4996?transitionType=Default&contextData=%28sc.Default%29> accessed on August 14th 2019.

²⁰ <https://www.ukessays.com/essays/economics/a-pestle-analysis-of-germany-economics-essay.php> accessed on August 14th 2019.

Figure 8: **Intensive Growth Strategy shown on the two dimensional Ansoff Matrix**



Source: Website showing the Ansoff Matrix²¹

Kita Netzwerk is a disruption of the existing daycare market. Some may argue it is an existing market, as there have been offerings for daycare places for children for decades. However, the approach is new to partner up with private daycare facilities and offer a service to companies that benefits employee satisfaction. Companies, heretofore not subsidizing early childhood education services for their employees, whose primary interest is an increase in turnover, will employ Kita Netzwerk's services, in order to drastically shorten the period of absenteeism of their staff, hence lower their opportunity costs. The final customer in this case is the parent/employee, generating the return on investment for the company. Both the service offered and the market penetrated can be categorized to the column *new*, making Kita Netzwerk a diversification in the sense of the Ansoff Matrix.

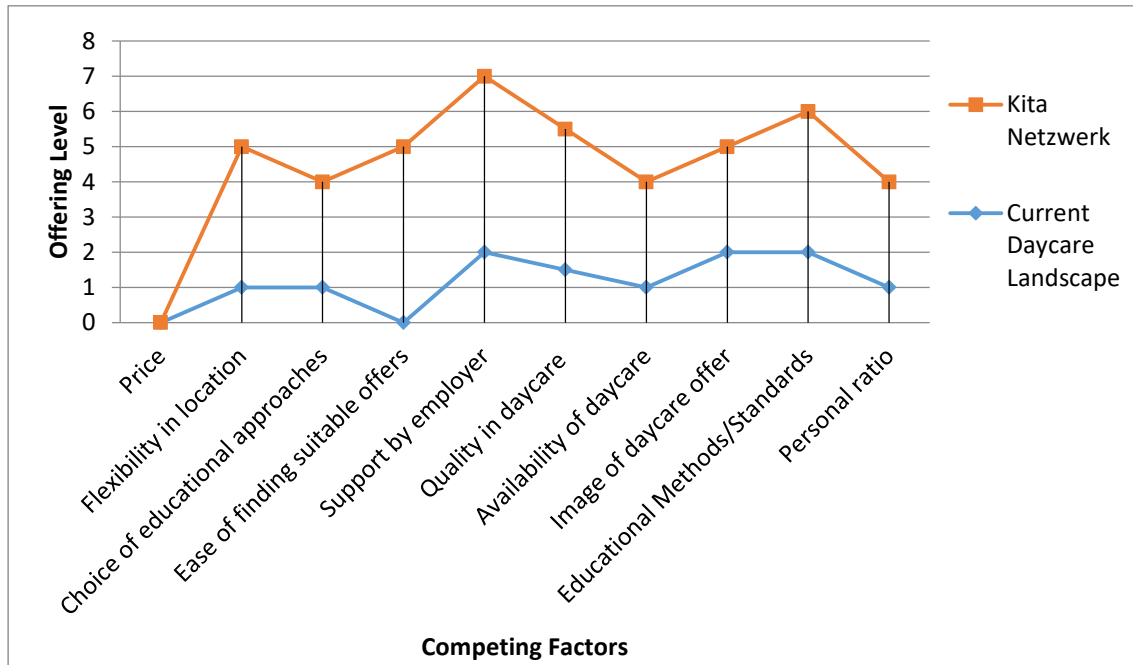
As part of the literature review in chapter 2, the risks, the opportunities, and the challenges when entering a blue ocean have been examined. In the course of this business plan two of the provided strategic tools mentioned in the shift process will be applied to the case at hand.

²¹ https://www.mindtools.com/pages/article/newTMC_90.htm accessed on August 2nd 2019.

5.3.3.1 The Strategy Canvas

The first strategy canvas shows the relative performance of Kita Netzwerk across the daycare landscape from the buyers point of view – in this case the parent.

Figure 9: **Strategy Canvas - Daycare landscape from a parent's point of view**



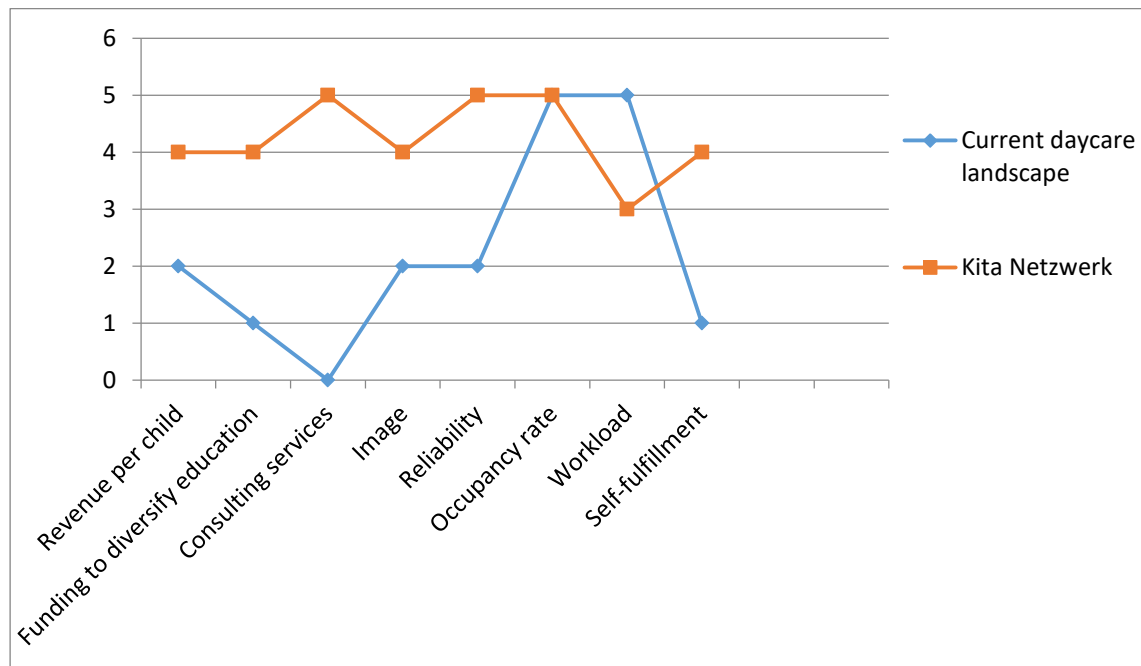
Source: Own illustration in accordance to Kim and Mauborgne “The Strategy Canvas”

The competing factors display features of daycare options that should be of interest to parents seeking to place their child in daycare. The offering level of the current daycare landscape, shown in blue, reflects the current situation in Hamburg, where Kita Netzwerk will be launched.²² The canvas shows a clear advantage of Kita Netzwerk in the offering level, highlighting the convenience gains that parents would reap from using the new platform provided to them by their employer. For now, there will be no in-depth analysis of the competing factors as they will be addressed later on. Due to the fact that there are some more stakeholders who are crucial for the network to be able to operate, I will perform the strategic canvas tool once more from a daycare center's point of view.

The second strategy canvas shows the relative performance of Kita Netzwerk compared to the current approach of daycare allocation from a daycare facility's point of view.

²² Own evaluation based on the research done in the course of this thesis.

Figure 10: **Strategy Canvas - Daycare landscape from a care facility's point of view**



Source: Own illustration in accordance to Kim and Mauborgne "The Strategy Canvas"

The competing factors display factors that should be of interest to a daycare center, both the center's Manager and employed childminders. The offering level of the current daycare landscape, shown in blue, reflects the current situation in Hamburg, where Kita Netzwerk will be launched.²³ The advantages for a daycare facility of partnering up with Kita Netzwerk can be seen in this canvas. Increased income per child opens up many possibilities for a daycare center to develop its services in the field of education. Higher salaries will attract qualified staff, reducing the workload and leaving time to use Kita Netzwerk's consulting services to optimize business. The steady income allows a wider planning horizon. Being a member of Kita Netzwerk will also raise the profile of partnering daycare centers in the public perceptions.

5.3.3.2 The Four Actions Framework

The ERRC Grid of the Four Actions Framework performed on the Kita Netzwerk business model covers the main factors that will be eliminated, reduced, created, and raised.

²³ Own evaluation based on the research done in the course of this thesis.

Table 4: **The Four Actions Framework – ERRC Grid performed on Kita Netzwerk**

Eliminate:	Reduce:
<ul style="list-style-type: none"> • Lack of daycare places • Outdated educational methods • Traditional boundaries of the industry 	<ul style="list-style-type: none"> • Opportunity costs for employers • Lack of qualified daycare personnel • Fear of change in early child education
Create:	Raise:
<ul style="list-style-type: none"> • Network / marketplace for daycare offers • Connection between daycare center and company • Financial support for daycare facilities • Brand equity for daycare standards 	<ul style="list-style-type: none"> • Availability (for daycare) • Choice (of daycare options) • Ease (of finding daycare offers) • Quality-standards (of daycare offers) • Companies image, hence employees loyalty

Source: Own illustration in accordance to the ERRC Grid by Kim & Mauborgne 2019

The ERRC Grid of Kita Netzwerk opting for a blue ocean is a resemblance of the competing factors seen in the strategy canvas. One of the aims of the Four Actions Framework is to ensure a balance between all four pillars. An unbalance between *create* and *raise* with *reduce* and *eliminate* could point out a unreasonable increase of future costs. However, in the case of Kita Netzwerk, in order to reach a blue ocean, there are no relevant factors that can serve to reduce costs in the initial sense that Kim and Mauborgne had in mind. Rather, the cost reduction will be a return of investment (ROI) for the partnering company.

5.4 Corporate Partners

The network is subject to various influencing factors with great relevance for the market potential. The network itself was identified as the most important success factor, which is dependent on the number and demographic structure of the employees of partner companies on one hand and on the available places in daycare centers that belong to the network on the other hand.

5.4.1 Partner companies

Hamburg is one of the most important industrial conurbations in Germany and very

attractive for young workers. In 2017, about 940,000 people, almost half of which were women, were active as an employed person. The total number of employees is spread over more than 100,000 companies, 2,000 companies have 50 to 249 employees and over 500 have more than 250 employees (Statistisches Amt für Hamburg und Schleswig-Holstein 2019). Potential members (partnering companies with a high number of female employees) for the network are sufficiently available in Hamburg. The challenge in building up the network is to identify those companies that have a corporate demographic structure and culture such that they can benefit from cooperating with Kita Netzwerk. Furthermore, the company has to be ready in terms of corporate social responsibility, willing to carry a financial burden for childcare to support their workforce. The decision whether to join the network will be based on a cost-benefit analysis each company has to do on its own. The costs for the services provided, respectively each daycare slot, will be equal for all partners. A barrier that will have a decelerating effect on the network growth is the opacity of the ROI. It cannot be measured like a marketing expense on Facebook that shows directly how many new customers were gained, the benefits are rather secondary and long-term impacts. Hence, the willingness to join the network depends largely on the experiences made in regards to maternity and parental leave, resultant opportunity costs and the company's philosophy to reconcile career and private life.

5.4.1.1 General profile of partner companies

A typical partner company of Kita Netzwerk has a high proportion of women with a low average age who will potentially become mothers in the future. In addition to the demographic factors, the financial strength of the company, the employee retention, the average salaries and the proportion of women in higher positions are also decisive. Another aspect, which cannot be readily assessed from the outside, is the dependency of the partner company on its employees. The attractiveness of the membership in the network increases in parallel to the employee replacement and opportunity costs, which are created by parents through maternity and parental leave.

Factors influencing the network quality by partner companies:

- Average age of employees (young, female employees)
- High expenditures for employees (opportunity costs)
- High dependency on the individual employee (low replaceability)
- High qualification/education level (Employee replacement costs)

- Innovative companies (simple network integration)
- High employee satisfaction

5.4.2 Partnering daycare centers

The strength of the network depends on one side on the partner companies, as explained before, and on the other side on the partnering daycare centers. The first critical factor is the amount of partner daycare centers being part of the network. The daycare landscape was discussed in the first part of the market analysis and can be summarized as currently insufficient and dependent on further development through financial support among other things. This fact, the current shortage of daycare slots for children will result in a preference of children that get mediated by Kita Netzwerk, making it a privilege to be a member. This will be an unintended condition that will change due to the additional income for daycare facilities with which they can expand in terms of space and staff. Over time, the shortage will diminish in those regions where Kita Netzwerk operates, establishing a new ecosystem in which Kita Netzwerk plays a significant role.

5.4.2.1 General profile of partnering daycare centers

The structure and condition of a daycare center is irrelevant when partnering up with Kita Netzwerk. The first criterion during the start-up phase is of a quantitative nature: Win as many daycare facilities as possible, in order to give the network a certain clout. During a second phase, the focus will switch to more qualitative aspects: The daycare offer should be diversified in terms of several aspects. Parents need to have access to daycare centers in their surroundings, either close to their home or workplace, which premises an area-wide distribution. As described earlier, the trends in the kita market show that early childhood education follows new paradigms to fit with different education styles of parents. Kita Netzwerk will support today's daycare centers to develop modern values and approaches, mostly by financing the reorganization and further training for staff. Additionally, the network needs to develop a quality standard for daycare concepts including aligned business hours.

Factors influencing the network quality by daycare centers:

- Independent daycare centers (variety)
- Geographical coverage (neighborhoods with high fertility rates, industrial and urban areas, infrastructure)

- High quality standards (to be developed)
- Openness to support and change

6. Competitor Analysis

Daycare, corporate social responsibility and corporate benefits, maternity and parental leave are all long existing concepts we can encounter in every modern society's work life, however, the combination of all in an intermediary network is distinctly novel. Consequently, as for now and to my knowledge there is no direct competitor worldwide. However, there is still rivalry with other daycare options that will be reviewed in this chapter. After doing so, the unique selling propositions (USPs) of Kita Netzwerk will be defined and used with all the findings from the previous chapters to use the Porter's Five Forces model and create a SWOT Analysis.

6.1. Incumbents

6.1.1. State-provided network Elbkinder

The name Elbkinder has two components: "Elb" and "Kinder". "Elb" is based on the river Elbe which runs through Hamburg and is a symbol of the city. "Kinder" is the German word for Children, together meaning "Children of the Elbe". The name already shows the orientation and the strong local bond to the city of Hamburg. Elbkinder was founded 100 years ago and was state operated until 1988 when it was privatized and became a legal entity of its own. Elbkinder is Hamburg's biggest operator of daycare centers and ranks among the biggest employers of the city. As already mentioned, the geographical coverage ends with the borders of the state Hamburg (Weigl & Dey 2019).

6.1.1.1. Facts

Elbkinder is a non-profit organization. In total, it takes care of approximately 31,000 children in 187 daycare centers and employs around 6,800 employees. With a quite dense network of daycare centers, Elbkinder has a presence throughout Hamburg:

Figure 11: Geographical spread of Elbkinder daycare facilities in Hamburg



Source: Elbkinder Vereinigung Hamburger Kitas gGmbH 2018

Over 80 of their kitas also offer care and support for children with disabilities. A special feature of their kindergartens are the long opening hours, which range from 6 am to 6 pm. This gives families a greater time window in terms of their own labor hours. Unlike the facilities of some other institutions, they open throughout the year, even during school holidays.²⁴ Their share of the market of all daycare centers in Hamburg is at approx. 30%, and their annual revenue adds up to an order of magnitude of approx. € 305 million. Most daycare centers of Elbkinder are comparatively large. On average, more than 100, in individual cases, more than 200 children are being looked after in one building complex (Elbkinder Vereinigung Hamburger Kitas gGmbH 2018).

6.1.1.2. Branding and Reputation

The brand Elbkinder is renowned in Hamburg. Every parent has heard of the former state-operated association that takes care of 30% of Hamburg's offspring. The general

²⁴ https://www.elbkinder-kitas.de/de/ueber_uns/unser_unternehmen/daten_fakten/index.html accessed on August 21st 2019.

perception of the brand is positive, which is closely linked to the close cooperation with the federal state of Hamburg and an impeccable online presence.²⁵ Furthermore, the company celebrated its 100 jubilee this year in 2019. The daycare market of Hamburg is therefore not imaginable without Elbkinder. Yet, when looking behind the curtain, there is also bad press about the organization. The press spokeswoman, Mrs. Hegermann, of a small union that was formed by Elbkinder staff argues that the privatization of the company in 1988 was undertaken in order to get rid of old wage agreements. With the state subvention of childcare during that time, more and more children had been coming into the facilities, however, neither the staff was increased accordingly, nor did the salaries rise. The union bemoans that Elbkinder only pays the statutory minimum wages while the labor conditions worsen.²⁶

6.1.2. Corporate day care centers

Setting up their own facility is the most time-consuming form of daycare for companies. It can be regarded as a “company within a company” so to say and requires relevant know-how. In Hamburg, this form is rarely chosen. Nevertheless, having their own daycare center can be interesting for some companies, for example when many employees live outside of Hamburg or the respective city. Mostly it is located on company property or in the immediate vicinity. The daycare center can be run by public, private, non-profit and private-commercial providers. The company must apply for permission at the local youth welfare office and fulfill special requirements for the outfitting of room and adequate qualification of staff. A private institution is primarily profitable for larger companies with long-term daycare needs (Bundesministerium für Familie, Senioren, Frauen und Jugend 2014). The market share of company owned daycare centers in Germany was at 1.2 % in 2014, thus it presents quite a rare business model.²⁷ Basically, there are three options for company-owned daycare centers:

6.1.3 Self-financed company daycare

In this case the company determines the care offer and the business hours. A key advantage is that the company can also provide care offers to employees that do not live in Hamburg or the respective city. The company is free to charge its employees a share of the occurring costs.

²⁵ <https://www.elbkinder-kitas.de/en/index.html> accessed on August 21st 2019.

²⁶ <https://taz.de/Hauswirtschaftlerinnen-fordern-mehr-Geld/!5236399/> accessed on August 21st 2019.

²⁷ <https://www.spiegel.de/karriere/betriebskita-in-kleinen-unternehmen-klein-aber-familienfreundlich-a-979937.html> accessed on August 21st 2019.

6.1.4 Subsidized company daycare

The city of Hamburg pays a subsidy of EUR 115 per month for every child living in Hamburg who takes advantage of the offered service. The costs not covered by the subsidy must be paid by the company. The company decides on the eligibility and the duration of each child receiving daycare services, as well as the financial participation of their employees.

6.1.5 Fully financed hybrid public/company daycare

For companies that cannot afford to operate their own daycare facility by themselves, a hybrid form can be chosen. The founding of a kindergarten, financed by Hamburg's kita voucher system is an option, but is attached to certain terms. Vacant seats must always be available to be occupied by neighboring children. Still the educational concept and opening times can be tailored to the needs of the company.

A prerequisite to receive funding by the kita voucher system is that the employee's children live in Hamburg. Further, the daycare center must also be open to children from the neighborhood, and the facility must meet certain quality standards. The company does not have to be the operator of the facility, but can restrict itself to providing, for example, only the rooms. The operation of the daycare center can be entrusted to a professional childcare provider.²⁸

6.1.6. pme Familienservice

pme Familienservice was founded in 1991 and started as a project that was outsourced by BMW in order to create a customized daycare service for their employees. Already two years later well-known companies like Mercedes Benz, Deutsche Lufthansa, Commerzbank, Philips, Beiersdorf, Fraport, and Bosch began relying on the services offered by pme. From the foundation until today, pme Familienservice opened many new branches in Germany, Austria and Switzerland and expanded in terms of types of services offered.

6.1.6.1. Business Model & Market Share

The pme Familienservice Group assists professionals in crisis situations, e.g. conflicts in the workplace, addiction or partnership issues. They assist professionals organizing and financing daycare services and provide psychosocial help. Parents can receive support in finding the right form of childcare for their kids as well as high quality and

²⁸ <https://www.hamburg.de/familie-beruf/3225008/betriebliche-kinderbetreuung/> accessed on August 21st 2019.

flexible pedagogic environments in 70 childcare and educational institutions. In the case of daycare bottlenecks, pme can be reached via a hotline to arrange short-term placements of emergency care by private nurses or back-up facilities. pme mediates between private households, childminders, au pairs, holiday programs, schools, homework and tutoring, and domestic help. As part of the pme Academy, seminars, workshops and coaching about personnel management and personnel development, information on tax aspects, and financial support options are offered.²⁹

pme Familienservice Group in numbers:³⁰

- 70 locations in Germany and the Czech Republic
- Cooperation in Austria and Switzerland
- Operator of 75 daycare centers, back-up centers, and nursing homes
- 900 customers (partner companies) provide their employees with counseling and placement services
- Over 1,900 permanent employees in the pme Familienservice locations and day nurseries
- About 3.3 million people - employees and their family members use the provided services
- Approximately 27,500 daily bookings of a pme holiday program
- Approximately 14,000 days of caretaking a year in the back-up facilities for care in exceptional situations

6.1.6.2. Expansion and Quality Standards

All daycare and consultancy opportunities that are provided in the aforementioned 70 locations run under the name of pme Familienservice. In Germany, Austria, Switzerland and the Czech Republic there are 75 facilities in total, including private homes run by nurseries. All locations are operated by the 1,900 pme Familienservice employees. On the homepage of pme, the company mentions co-operations in Austria and Switzerland, on which one can draw inferences about the company's structure. Branches in Austria and Switzerland might probably be franchises, whereas all the other locations are pme-owned.

Even though most of the branches and childcare facilities are self-owned, they have

²⁹ <https://www.familienservice.de/entstehung> accessed on August 20th 2019.

³⁰ <https://www.familienservice.de/wer-wir-sind> accessed on August 20th 2019.

been undergoing a regular certification process according to DIN EN ISO 9001:2015. This certification refers to the quality management of the following business areas:

- Work-life balance offers through counseling and placement services in the areas of childcare, homecare and elder care, and life coaching
- Childcare facilities for children from 0-12 years
- Back-up facilities for flexible childcare at the age of 0-12 years
- Promoting youth and adult education in the fields of education, training and further education

In order to review quality standards, pme conducts annual internal audits in all branches and childcare facilities. Through this, they try to guarantee a nationwide uniform level in all work processes. For all products of pme Familienservice there are own standards and process chains whose compliance and possibly existing further development needs are checked annually in internal and external audits.³¹

6.2 Unique Selling Propositions

Novel and innovative business ideas are based on one or multiple unique selling proposition(s) (USPs). These defining stand-alone characteristics of a nascent company or start-up are not only relevant from a marketing perspective but constitute an important and necessary building block of every business plan.

USPs are the hallmarks of a truly innovative business concept and can be found at any point along the spectrum of a company's entrepreneurial activity: a completely new kind of business model (e.g. Airbnb, Uber), ground-breaking proprietary technology (e.g. in the high-tech sector) or untapped consumer markets (e.g. placement of well-established products onto untouched markets). Naturally, successful USPs can also be derived by mixing novel elements from these business sectors.

In the case of Kita Netzwerk, a strategic decision must be made in terms of where to put the entrepreneurial focus and how to shape the long-term business development. These decisions must be based on a preliminary definition of Kita Netzwerk's USPs.

The final embodiment of Kita Netzwerk's USPs should be based on an in-depth

³¹ <https://www.familienservice.de/qualitatsmanagement> accessed on August 20th 2019.

analysis of costumer sentiments and market monitoring once the MVP³² is launched. Two more or less mutually exclusive (or maybe sequentially emerging) scenarios with differing USPs could be tested. Specifically, the “Diverse Ecosystem” vs. “Kita of the Future Brand” models are introduced.

6.2.1. Diverse Ecosystem USP

We are living in a diverse society and childcare is reflecting this trend in terms of an increasing variety of educational, psychological, linguistic, technological, cultural, artistic, and even ecological approaches to child development. Good examples are Waldorf or Montessori kindergartens that have a particular take on how to foster creative and balanced individuals during early childhood. More recent advances in modern child care might focus on creating an environment in which the technological and scientific affinities or language capabilities of young children are catered to.

Essentially what we are encountering in 21st century daycare is an ever expanding diverse ecosystem of different styles and approaches to child development. Of course, such strategies should always target the optimal development of each individual child. There are many roads to achieve this goal, since each child is a universe of its own.

For many parents the right or “personal” approach to childcare will be a significant factor in the decision process of where to send their kids. Therefore, one of Kita Netzwerk’s USPs is the provision of an intuitive network or database system that is reflective of just this very diverse ecosystem. Most parents will already have certain preferences of what the childcare environment they are looking for should offer, e.g. an emphasis on musical education. Others will have no initial preference but might be interested in exploring what kind of approaches modern day care has in store for them. Such an interactive discovery process which involves the parents’ and children’s natural preferences, inclinations and talents will be an interesting feature. It is no exaggeration to claim that Kita Netzwerk’s portfolio of kindergartens could be a singular diverse source of different styles and approaches to early childcare by virtue of taking the “ecosystem” USP seriously.

³² MVP = A Minimum Viable Product is the most pared down version of a product with sufficient features to satisfy early adopters.

6.2.2. Kita of the Future Brand

The other way of formulating Kita Netzwerk's USP is based on the idea of creating a unique brand or franchise - the Kita of the Future so to speak. In close collaboration with child development experts, e.g. psychologists and teachers, Kita Netzwerk could try from the get-go or an early stage to synthesize a new outlook on daily childcare altogether. On the one hand, this would be a somewhat uniform approach and, initially, appears to be opposed to the concept of a diverse ecosystem. On the other hand, this offers rich opportunities to build up brand awareness and customer loyalty. By no means, however, is the Kita of the Future Brand to be confused with educational monoculture. Just the opposite, Kita of the Future could draw on the vast ecosystem of daycare complexity and take the best insights from diverse fields to mold a singular franchise that embodies childcare at the leading edge of modern education. In this sense, Kita Netzwerk's initial product, the provision of just the right daycare spot, will naturally morph into a broader context: the creation of a unique daycare environment, a model that is inherently rich but can be easily replicated and is constantly evolving due to insights gathered on the fly and in real time. The potentially emerging franchise that could be built upon Kita Netzwerk's expertise is not only presenting a USP but is opening up the possibility of immense added value to the whole enterprise and business idea. Kita Netzwerk could not only provide child daycare but actively shape what daycare is in the 21st century by creating a franchise and brand of its own.

6.2.3. Implementation

At first sight, it appears the two different kinds of USPs are hard to reconcile. This holds only true, however, if we are viewing these in a simultaneous framework. As already hinted at, we can perfectly envision defining Kita Netzwerk's USPs sequentially. The product will be launched by stressing that Kita Netzwerk's clients are covering the whole breadth of established and modern early childhood education practices. From the day to day experiences that Kita Netzwerk is collecting with its clients and customers it will become possible to work out the ideal "Kita of the Future" brand that bridges the gap between academic approaches to childcare, education, business world and hands-on approaches, the daily reality. The initial relatively high R&D costs for the latter product could be incrementally financed by the revenues of Kita Netzwerk's principal business activities, i.e. the provision of kita slots.

6.3. Porter's Five Forces of Competition Framework

Porter's Five Forces are a recognized and widely spread framework to analyze structural variables of competition that influence the profitability and durability of a business. Michael Porter's framework is determined by three sources of horizontal competition: competition from substitutes, competition from entrants, and competition from established rivals, as well as two sources of vertical competition: the power of suppliers and the power of buyers (Grant 2015). They reveal where power lies in a business situation, which is useful both in understanding the strength of one's current competitive position, and the strength of a position that an enterprise may look to move into. Porter's five forces are often used by strategic analysts to understand whether new products or services are potentially profitable. The theory can be used as a preparation of a SWOT Analysis as it identifies the areas of strengths, improves weaknesses and avoids mistakes.³³

Figure 12: Michael Porter's Five Forces of Competition Framework



Source: Website showing Michael Porter's Five Forces Graphic³⁴.

The following table shows the evaluation of the five external forces that impact Kita Netzwerk's future competitive position:

³³ <https://www.cgma.org/resources/tools/essential-tools/porters-five-forces.html> accessed on August 22nd 2019.

³⁴ <http://masonmyers.com/five-forces-michael-porter-business-fundamentals/> accessed on August 22nd 2019.

Table 5: Porter's Five Forces applied on Kita Netzwerk's competitive position

Rivalry among existing competitors	Medium – Kita Netzwerk enters into an untapped market, yet the competitor analysis had shown that other well-established models exist.
Bargaining power of suppliers	Low – Daycare centers are the core drivers for the new business, still they need more funds which causes an interdependency for the network and the daycare facility; high number of possible partners.
Bargaining power of buyers	Low – Companies will have a financial benefit of using the network's service. The service is unique and will be consistent in its pricing.
Threat of new entrants	Medium – The service is not patentable hence imitable, especially by locals of other cities around the globe. Still the entry barriers are not low, as a network such as Kita Netzwerk needs a well-functioning and designed online appearance which is costly. Additionally, prevailing legal norms must be fully understood before opening this kind of business. A network of daycare centers must be built and first customers to be found.
Threat of substitute products	Low – there are different options for companies to support their employees, such as a company owned in-house daycare center. Still it will never offer such a variety in terms of culture, focus, and location.

Source: Own illustration and assessment in accordance to Porter's Five Forces Model

6.4 SWOT Analysis

The SWOT Analysis approach is among the most important strategic tools in order to obtain an accurate and holistic picture of the business concept and the market, in terms of demand and supply. It covers both elements of the internal and external analysis and is well known for its simplicity. The SWOT analysis helps to reveal the company's prevalent opportunities, the strength they can exploit, their weaknesses to minimize, and the risk of impending threats. By using this tool, enterprises are enabled to differentiate themselves from competitors and successfully compete in their market environment.

The following table gives an overview of Kita Netzwerk's SWOT in abbreviated form. Some points will be further explained later.

Table 6: SWOT Analysis performed on Kita Netzwerk

Strengths	Weaknesses
<ul style="list-style-type: none"> • Intermediary – no own daycare facility • Disruptive / Blue Ocean business model • No direct competitor yet • Low expansion costs • Highly scalable • Positive social impact • Service is highly variable and always on the pulse of the time (trendsetter) 	<ul style="list-style-type: none"> • Well established competition (e.g. Elbkinder) • High initial investment / costs for online platform and booking system • Market attractiveness is highly dependent on daycare network • Currently no staff / entrepreneurial partner with expertise in the fields of daycare and education • Responsibility to use funds wisely lies completely at daycare center (in order to guarantee high quality standards)
Opportunities	Threats
<ul style="list-style-type: none"> • Geographical flexibility – endless market opportunities • Once developed – easy to multiply / expand • Early childhood education in a state of flux • Many different education approaches / trends (Kita Netzwerk comprises all – trendsetter) • Currently high demand of daycare slots – chance to establish brand and image • International customers (companies) with several branches can open doors to expand • Expansion via franchise 	<ul style="list-style-type: none"> • Delicate market • No acceptance by daycare market • Established players or big investors could copy business model • Decreasing birthrates • Company-owned daycare facilities get more popular

Source: Own illustration and assessment

6.4.1 Strengths & Opportunities

Kita Netzwerk's biggest strength is probably the fact that the company will not own a single daycare facility while opting to become the biggest provider of daycare services. Hence, the financial risk and the organizational effort can be minimized and streamlined whilst the scalability and possible revenues appear to be very promising. The blue ocean that Kita Netzwerk steps into holds advantages in terms of low competition and the chance to establish a renowned brand and image that has the chance to hold for years

and might spread internationally because of its positive social impact. The business seeks to support every participating stakeholder: parents who find the desired daycare offer; daycare centers that finally receive sufficient funding to develop; and companies who save money and retain talents during a time where early childhood education is going through a phase of extreme change. Once the online platform is built, went online and works flawlessly, the business can be expanded to cities all around the world where cultural parameters require upscale daycare services.

6.4.2 Weaknesses and Threats

While the many strengths and opportunities that could turn Kita Netzwerk into a great success internationally, there are, of course, also a number of weaknesses and threats that might cause the failure of the whole venture. The initial effort in terms of time and funds to set up a high-class online platform that can be compared to “Airbnb”, allowing parents to easily find the desired daycare service is estimated to be very high. Only when the platform represents the upscale business proposition, partner companies and daycare centers can be involved in the network on a large scale. As the education and daycare market is very delicate, revolving around our own flesh and blood, there is a high risk that Kita Netzwerk does not receive the desired acceptance by the market and its participants, i.e. the parents. The entrepreneurial team needs to be made up by members with long-term experience in the field of daycare in order to gain the trust of daycare facilities to partner up with Kita Netzwerk – which, so far, that is not the case yet. A current weakness might also be that there is no clear allocation scheme as of now, that deals with the control of how the additional funds are used wisely by the daycare providers to increase quality standards. Next to these personalized weaknesses and threats, there is always the chance of an economic depression in terms of shrinking birth rates, or new copycats with great financial power.

7. Implementation Plan – Cost Calculation

The following part aims to give a structured implementation plan that serves as a guideline for the managing team. This tactical plan is crucial as it covers relevant topics such as the sustainable utilization of resources, roles and responsibilities of the core team and the necessary budget to launch the business as planned. Moreover, the careful planning of the implementation and execution of the business plan helps in reducing the risks of failure. The initial implementation of Kita Netzwerk differs a lot from the later planned expansion to different cities around the globe. Apart from being the maiden voyage, the main difference of the first phase is that it includes the development of the online platform which requires the most funds without being profitable yet. The implementation is structured in six broad milestones to give it a concise chronological order. Each phase includes a table with respective costs for the undertaking at hand. Some numbers are assumptions as real data was not accessible for free. The costs will be divided into one-time payments and ongoing payments, whereas the latter will be calculated down to the fiscal year. The kick-off is set to the first of January 2020. If an employee joins the company in July, his salary will be calculated as per six months. This way it can be differentiated between the implementation phase and a regular business year once the company is up and running smoothly.

7.1 Milestone 1 - The Founding

Figure 13: **Timeline Implementation – Milestone 1**



Source: Own illustration (same for subsequent timelines)

Before the official founding of Kita Netzwerk, competent partners have to be found. The core team should comprise three people, including me. Each founding member will be the head of his or her area of expertise. The three areas are partner companies, partner kitas and the online platform.

CEO - Currently working as an Account Manager, my job is it to take care of business clients and make cross and up sales. Therefore, I would take the responsibility for the acquisition and management of partner companies, also covering finance and business development. I will look out for the two missing members in my personal network, in

co-working spaces and online via job postings.

CSO/CPO - A second founding member should have a background in daycare and education, maybe being a PhD-level professional in early childhood education taking the responsibility of enriching the network in terms of the acquisition and enhancement of daycare facilities.

CTO - The third person of the core team should be a specialist in software development, leading the developer team to create a state-of-the-art online presence.

7.1.1 Milestone 1 - Respective Costs Estimation

Getting listed in the commercial register and setting up a contract for all foundation members require a lawyer or notary. The costs of finding the core team can be estimated between EUR 0 to 3,000 for online job postings or hours spend in co-working spaces in order to network with potential candidates. The core team will initially have to work without payments. Once funding has been secured the core team will each get a monthly payment of EUR 5,000. The financial burden for the employer is way higher as he additionally pays a contribution to the pension scheme, employment insurance tax, health insurance (only for employees) and so on. The final costs were calculated with the help of a salary converter.³⁵

Table 7: **One-time payments – Milestone 1**

Nr.	Category	Position	Amount	Cost/unit in EUR	Total
1	Human Resources	Job Posting / Co-Working Space	1	1,500	1,500
2	Startup operations	Notary fees, Registration	1	5,000	5,000
TOTAL					6,500

Source: Own illustration according to referred sources or estimated figures (same for subsequent payment tables)

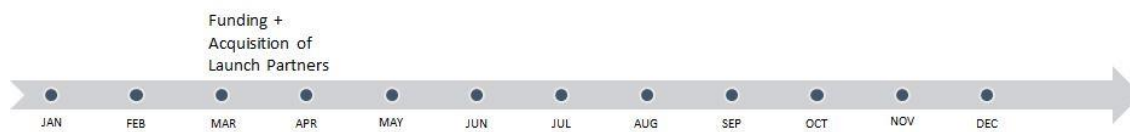
Table 8: **Ongoing payments – Milestone 1**

Nr.	Category	Position	Amount	Cost/unit in EUR	Total	Total/year (10 month)
3	Human Resources	Salary Core Team	3	5,695	17,085	205,020 (170,850)
TOTAL						205,020 (170,850)

³⁵ <https://www.nettolohn.de/rechner/gehaltsrechner-fuer-arbeitgeber/ergebnis.html> accessed on August 27th 2019.

7.2 Milestone 2 – Funding & Launch partners

Figure 14: Timeline Implementation – Milestone 2



As mentioned before, the first launch of Kita Netzwerk implies the development of the online platform which can be deemed as the biggest consumer of funds. In order to get to the point where income can be generated, seed capital is required. In Hamburg, every year a handful entrepreneurs are chosen by a selection committee to receive funding of the government for their newly founded socially valuable businesses. The best opportunity to obtain funding lies here, as Kita Netzwerk does not have to sell shares to business angels. In case that Kita Netzwerk does not make the race against the other contestants, seed capital has to be secured through external investors. The responsibility to prepare the presentation and pitch and to win suitable sources of funds lies with the core managing team. Next to funds, Kita Netzwerk needs visionary launch partners, both on the side of daycare facilities and partner companies willing to test the new service.

7.2.1 Milestone 2 - Respective Costs Estimation

In order to move around Hamburg, the CEO and CSO/CPO need access to local transportation. In this stadium, each founding member will use their personal technical equipment e.g.: phone and laptops.

Table 9: Ongoing payments – Milestone 2

Nr.	Category	Position	Amount	Cost/unit in EUR	Total	Total/year (10 month)
4	Human Resources	Public transport pass	2	60	120	1,440 (1,200)
TOTAL						1,440 (1,200)

7.3 Milestone 3 - Online platform

Figure 15: Timeline Implementation – Milestone 3



As an asset-free and technology-enabled start-up, the balance sheet of Kita-Netzwerk will be “lean and clean”. The brunt of the costs will be incurred by the expenses for skilled programmers whose task will be to develop a state-of-the-art online platform that serves as a gateway for employees of client corporations, allowing them to browse the database of partner kitas and sign up for the daycare offering of their choice with the same ease of use people are used to from online shopping or from interacting with service providers such as Uber or Airbnb.

A strategic decision that must be taken right at the outset of the start-up initiative is the question of whether to outsource the programming to external contractors or to employ in-house developers. Opting for in-house developers seems to be a more sustainable long-term solution. Due to the fact that these specialists are currently in high demand, it seems likely that finding suitable employees will in itself require a certain amount of expenditures, meaning that in all likelihood the services of a headhunter or a recruitment agency are to be solicited. Especially for experienced specialists, considerable human resources-related extra costs must be taken into account. For the beginning, two experienced developers and three career entrants will be employed. This number may be adjusted once the CTO is aboard and a routine workflow has been established. In order to minimize costs, we will try finding three rookies at bachelor degree level currently enrolled at local universities, thereby offering a great job opportunity, whilst hiring a headhunter for the two experienced candidates.

First employees are expected to be hired after four month and entail the necessity of Kita Netzwerk’s first premises. Besides personnel-related costs, the main capital draw is likely to arise from office rent and IT infrastructure investments. Office location is not really of paramount importance as there is no need for representative splendor nor does the product offered by Kita Netzwerk rely on a well-situated physical store to be sold. The quality of the IT infrastructure, however, does matter. As a substantial amount of time is going to be spent in front of the computers, the hardware as well as the office furniture must be of the first order. The quality of the work strongly depends upon the available tools and the surrounding environment. An overly frugal approach to hardware and workspace equipment might result in a less engaged workforce or even worse in strong problems finding the right staff. Therefore, no wrong savings should be made here.

7.3.1 Milestone 3 – Respective Costs Estimation

Working in the field of Human Resources, I know that headhunters in Hamburg take between 15 – 30% of the yearly income of the mediated employee. The calculation will be done with a 20% fee for the headhunting company. According to an online report, developers in Hamburg have average income of EUR 54,137 per year³⁶ whereas rookies earn EUR 38,400 a year³⁷.

Table 10: One-time payments – Milestone 3

Nr.	Category	Position	Amount	Cost/unit in EUR	Total
5	Human Resources	Headhunter	2	10,827	21,654
6	Office	Furniture	1	70,000	70,000
7	- -	Prof. IT Equipment (Computer, Software)	6	3,000	18,000
8	- -	Basic IT Equipment	2	1,500	3,000
TOTAL					112,654

Table 11: Ongoing payments – Milestone 3

Nr.	Category	Position	Amount	Cost/unit in EUR	Total	Total/year (9 months)
9	Human Resources	Salary Rookie Developer	3	3,923	11,769	141,228 (105,921)
10	- -	Salary experien. Developer	2	5,545	11,090	133,080 (99,810)
11	Office	Rent (incl. utilities)	1	3,000	3,000	36,000 (27,000)
12	- -	Internet , Phone	1	80	80	960 (720)
13	- -	Cleaning Service	4	120	480	5,760 (4,320)
14	- -	Miscellaneous	1	100	100	1,200 (900)
TOTAL						319,668 (239,751)

7.4 Milestone 4 – Pilot phase

Figure 16: Timeline Implementation – Milestone 4



After about eight month the first milestones should have been reached: The core team is formed, the company is registered and funding is secured. The team found first launch

³⁶ https://www.glassdoor.de/Geh%C3%A4lter/hamburg-softwareentwickler-gehalt-SRCH_IL.0.7_IM1059_KO8.26.htm accessed on August 27th 2019.

³⁷ <https://www.academics.de/ratgeber/gehalt-softwareentwickler> accessed on August 27th 2019.

partners and daycare facilities and is continuously winning more. The company and its first employed developers moved into the office. After four months of hard work, a first beta version of Kita Netzwerk should be accessible. In a pilot phase the beta version is presented to network members and implemented for all launch partners. First daycare placements are done, and the balance sheet starts recording turnover. All learnings are collected and processed in order to improve the service.

Besides the online platform, Kita Netzwerk's business activities require a sophisticated back office to process the immense bureaucracy that results from the position of the company at the intersection of public childcare, corporate employee support and daycare partnership. The presence of such diverse stakeholders entails the handling and transmission of various files involved in the process of accommodating a child in a kita, necessitating an advanced document management solution and skilled accountants to deal with the complexity. Therefore, two Accountants and a Human Resource Manager will be hired.

7.4.1 Milestone 4 – Respective Costs Estimation

The average income of an Accountant in Germany is EUR 3,283³⁸. An HR Manager earns EUR 3,450 on average.³⁹

Table 12: One-time payments – Milestone 4

Nr.	Category	Position	Amount	Cost/unit in EUR	Total/year
15	Human Resources	Job Postings	3	395	1,185
16	Office	Basic IT Equipment	3	1,500	4,500
TOTAL					5,685

Table 13: Ongoing payments – Milestone 4

Nr.	Category	Position	Amount	Cost/unit in EUR	Total	Total/year (7 months)
17	Human Resources	Salary HR Manager	1	4,233	4,233	50,796 (29,631)
18	- -	Salary Accountant	2	4,026	8,052	96,624 (56,364)
TOTAL						147,420 (85,995)

³⁸ <https://www.absolventa.de/jobs/channel/buchhaltung/thema/gehalt> accessed on August 28th 2019.

³⁹ <https://www.absolventa.de/jobs/channel/human-resources/thema/gehalt> accessed on August 28th 2019.

7.5 Milestone 5 – Employee Readiness and Advertisement

Figure 17: Timeline Implementation – Milestone 5



During this phase the company braces itself to go live. Therefore, more staff must be hired and managed. Currently the company comprises three members of the founding team, five developers, a Human Resource Manager and two Accountants. Kita Netzwerk will additionally hire the following staff:

- 1x Marketing Manager (av. salary: EUR 3,813)⁴⁰
- 1x Marketing Intern / Working Student (EUR 850)
 - Manage the day to day marketing activities of the organization and long term marketing strategy.
- 1x Office Manager Intern / Working Student (EUR 850)
 - Responsible for the efficient functioning of the office through a range of administrative, financial and managerial tasks.
- 3x Account Managers (av. salary: EUR 4,063)⁴¹
 - Develop strong relationships with customers, answer client queries and identify new business opportunities among both existing customers and new customers.
- 3x Daycare Consultants (av. salary: EUR 4,363)⁴²
 - Provide consultancy services among existing daycare partners, identify new potential partners and enhance their quality standards and education approaches.

7.5.1 Milestone 5 – Respective Costs Estimation

Table 14: One-time payments – Milestone 5

Nr.	Category	Position	Amount	Cost/unit in EUR	Total/year
19	Human Resources	Active Recruiting Tool	1	3,750	3,750
20	Office	Basic IT Equipment	10	1,500	15,000
TOTAL					18,750

⁴⁰ <https://www.absolventa.de/jobs/channel/marketing/thema/gehalt> accessed on August 28th 2019.

⁴¹ <https://www.absolventa.de/jobs/channel/sales/thema/gehalt> accessed on August 28th 2019.

⁴² <https://www.absolventa.de/jobs/channel/geisteswissenschaften/thema/gehalt> accessed on August 28th 2019.

Table 15: Ongoing payments – Milestone 5

Nr.	Category	Position	Amount	Cost/unit in EUR	Total	Total/year (5 months)
21	Human Resources	Salary Marketing	1	4,682	4,682	56,184 (23,410)
22	- -	Salary Intern	3	850	2,550	30,600 (12,750)
23	- -	Salary Account Manager	3	4,991	14,973	179,676 (74,865)
24	- -	Salary Daycare Consultants	3	5,362	16,086	193,032 (80,430)
25	Marketing	Campaign	1	1,000	1,000	12,000 (5,000)
TOTAL						471,492 (196,455)

7.6 Milestone 6 - Go Live

Figure 18: Timeline Implementation – Milestone 6



The implementation plan aims to go live with Kita Netzwerk in beginning of October.

The following tables show the entire one-time and ongoing costs for the year 2020.

These figures can be used to calculate a break-even point and general turnover of a regular year of running business.

Table 16: Accumulated Costs Estimation - One-time Costs

Category	Total
Human Resources	28,089
Office	110,500
Startup operations	5,000
TOTAL	143,589

Table 17: Accumulated Costs Estimation – Ongoing Costs

Category	Fiscal year 2020	Total / year
Human Resources	655,231	1,087,680
Office	32,940	43,920
Marketing	5,000	12,000
TOTAL	693,171	1,143,600

8. Finance

The business concept can only be successful if sustainable revenue streams can be generated. To this end, an appropriate legal entity for the company must be chosen that is accommodating to the envisioned business activities. Especially for Kita Netzwerk, it is quite an important decision as we will see in the following chapter. The SWOT Analysis has shown that a main threat for the success of the venture is that the daycare market will not accept Kita Netzwerk as a trustworthy player. The legal entity might be the key to dispel possible concerns clients might have. Later, the business model will be further explained and held against the one-time and ongoing costs that were established in the past section. A minimum sales scenario will show the least number of placements needed in order to keep the business viable. Kita Netzwerk is a venture that will consume almost EUR 700,000 during the first year, with more than half of it without gaining any profit. Extensive seed funding has to be collected. A breakeven analysis will define the funds needed to keep a clean balance sheet by the end of the first fiscal year, estimating sales in a worst-case, base-case and best-case scenario.

8.1 Legal entity - Charitable private enterprise “gGmbH”

The legal entity of a company is a defining feature of its business strategy. In Germany, there is a host of different entities to choose from – the most common one for SME’s and start-ups being the GmbH. The major advantage of its legal structure is the limited liability that arises from the fact that in an insolvency situation, creditors of the company will have no choice but to take recourse to the company’s capital, while the private assets of the stakeholders are shielded from any claims. Simply put: If your company goes bankrupt, your personal savings stay untouched. In Germany, a minimal capital invest of 25.000€ has to be made in order to found a GmbH. However, since 2008 it is possible to incorporate a so called “UG (haftungsbeschränkt)”, a kind of “light version” of the GmbH that requires just 1€ of capital. Despite the low initial investment, the UG (haftungsbeschränkt) offers the same protection against insolvency risk as the GmbH does. It took only 5 years after the introduction of the UG (haftungsbeschränkt) until more than 100,000 of these companies had been registered in Germany.⁴³ Quite a success for the legislator whose rationale for legalizing the new legal form was to counter the common law-based legal entity called LLP (Limited

⁴³ <https://www.ug-ltd.de/service/news/100000-ug-in-deutschland-gegruendet.html> accessed on August 28th 2019.

Liability Partnership) that became increasingly prevalent even among German company founders because of the low capital requirements.

Historically, the legal form under which most kitas have been incorporated is the so called “Eingetragener Verein” – “e.V.” – an abbreviation everyone in Germany is familiar with. The expression may be roughly translated as “registered association”. The e.V. is the legal entity of choice for all kinds of groups that associate for purposes other than the pursuit of profit such as sport clubs, hobbyist organizations and charities. While the main purpose of the e.V. is not to generate an income, its activities may still require funding, say, to rent a club house. The expenditures of the e.V. are mainly financed from membership’s fees and donations. An elected treasurer oversees the finances. A well-run e.V. may have a professional accounting system in place that runs as smoothly as that of a professional company. Large e.V.’s can act as employers for paid staff, blurring the boundary between club and company even further.⁴⁴ The overwhelming majority of kitas in Germany is organized as an e.V..⁴⁵

This is the result of the fact that in the past decades childcare has been more of a charitable activity rather than an entrepreneurial. Many might find a business mindset inappropriate for a sensitive area such as childcare, insisting that the well-being of a child is not a commodity. But applying a business approach to a charitable cause does not necessarily have a detrimental effect on the delivered services. Quite to the contrary, inefficiencies of all kinds that haunt non-profit organizations because of the lack of the monetary incentives may reasonably be eliminated by approaching even charitable organizations with the outlook of a businessman. Common good and individual gain do not have to be mutually exclusive.

In Germany, the need for a more business-oriented way of running charitable organizations has been recognized by the legislator, resulting in the introduction of the so called “gGmbH” (gemeinnützige GmbH = charitable GmbH) in 2013. Among the catalogue of charitable causes eligible for pursuit within a gGmbH, childcare is recognized as one of them. After proving to the tax agency the charitable cause of the company, a gGmbH enjoys special tax exemptions and the right to grant donation receipts to donors, giving them a tax advantage as well (Winheller & Jansen 2016).

⁴⁴ <https://deutsches-ehrenamt.de/verein-gruenden/eingetragener-verein/> accessed on August 28th 2019.

⁴⁵ https://www.laendermonitor.de/fileadmin/files/laendermonitor/basisdaten/basisdaten_hh.pdf accessed on August 28th 2019.

However, these privileges go hand in hand with certain limitations in terms of commercializing the company's activities. For example, a shareholder may not sell his equity stake in a gGmbH for a profit. Similarly, it is not allowed to conduct business unrelated to the charitable cause that was registered with the tax agency. By opting for a gGmbH, one permanently waives the right to sell off shares (Bundestag 2010). Therefore, the founder of a gGmbH has to carefully consider his or her fundamental motives for starting a company. Are you an entrepreneur who has identified a promising business opportunity in the childcare market, looking ahead to a lucrative exit in 3 to 4 years? Or can you imagine dedicating your life to building the company and turning your gGmbH into a lasting source of income? When setting-up a company under a legal form, these long-term objectives have to be clearly defined in an early stage, as switching to another legal form later on is extremely difficult.

8.2 Business Model

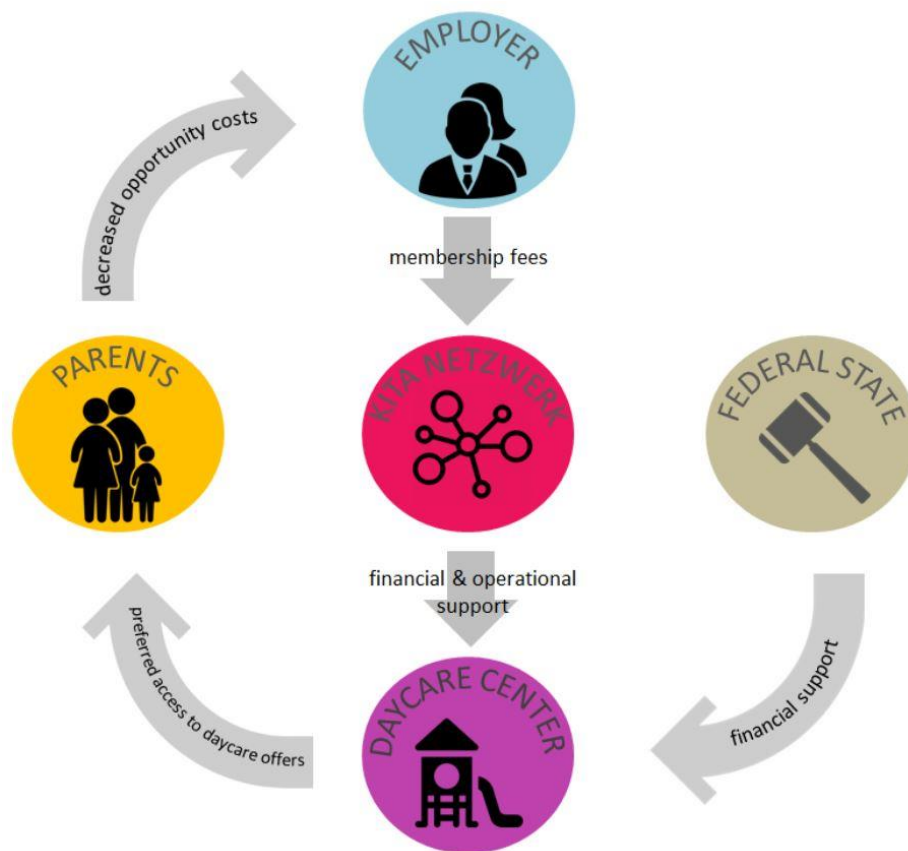
Kita Netzwerk understands itself as the long arm of corporate social responsibility. Corporate contribution will be allocated to two main budgetary funds. One fund dedicated to the maintenance of Kita Netzwerk's operations, particularly the consulting and quality-standards branch that formulates and implements cutting-edge pedagogical offerings for early-age education and the state-of-the-art online appearance, the other one dedicated to offer a financial surplus for daycare providers to tackle personnel and quality issues. For example, from this pool, Kita Netzwerk could afford advanced training for the staff of partner kitas, teaching new methods and skills (art, music, language teacher). Kita Netzwerk therefore raises the quality of childcare throughout the public system, delivering on the corporate social responsibility mission of their corporate clients. In the following, a more refined financing model for Kita Netzwerk's business operation is presented.

Partner companies are not obliged to pay the parental contribution for their employees. As the amount of financial contribution is subject to a mile-long catalogue of variables such as the parent's income and whether he or she receives alimony (Freie und Hansestadt Hamburg 2019), Kita Netzwerk will not intermingle with that procedure as it is the city department's duty and is likely to differ from city to city, and even more when internationalizing the concept.

The contribution paid by the partner company is a door opener to Kita Netzwerk's

online portal and the secured access to high quality daycare offers for their employees in the quantity the company decided to cover for. The company pays the contribution for each daycare slot all year long weather it is used by one of their employees' child or not. As mentioned earlier, the funds are then split into the coverage of Kita Netzwerk's operation, a general bonus for daycare providers for being a member and reserving slots and the actual contribution to the individual facility for each slot that is taken by a Kita Netzwerk member.

Figure 19: **Business Model Graphic**



Source: Own illustration

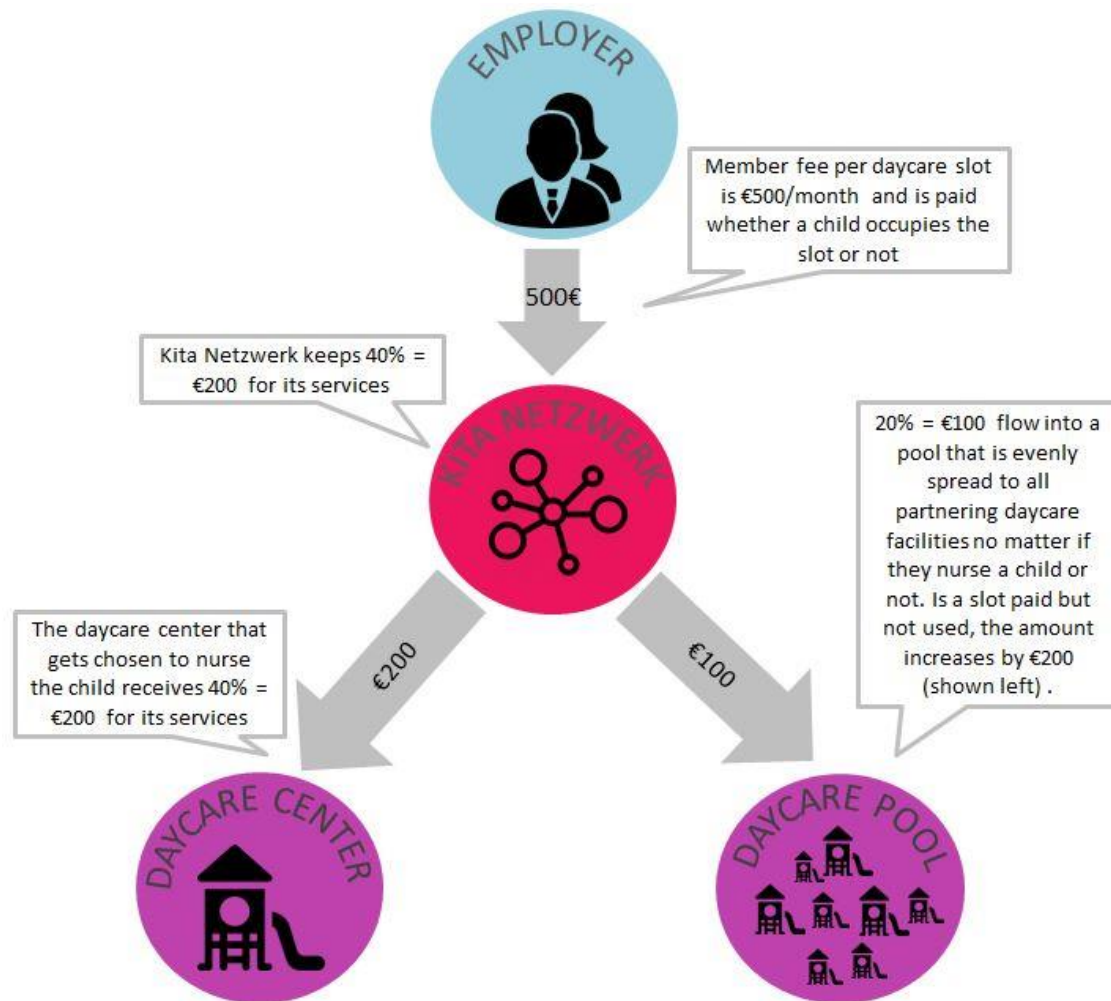
The monthly contribution for a child “**cm**” (cost/per child and month) is set to EUR 500. $Cm \times 12 = \text{“ca”}$ (child/annually) = EUR 6,000. The revenue stream for each assigned child is termed Child Placement Fee “**CPF**”. Put simply, developing operations towards the break-even point is a process of cumulating enough CPFs for running the business in an economically viable way without the need for further seed capital or debt financing.

The CPF is divided into 40% to be funneled towards Kita Netzwerk, 10% that will be

spread over all daycare providers and 40% for each individual daycare slot.

- Ca-Kn (child/annually – Kita Netzwerk's contribution) = $ca \times 40\% = \text{EUR } 2,400$
- Ca-Os (child/annually – overall daycare spread) = $ca \times 10\% = \text{EUR } 600$
- Ca-Is (child/annually – Individual daycare slot) = $ca \times 40\% = \text{EUR } 2,400$

Figure 20: **Financial Stream Graphic**



Source: Own illustration

8.3 Break-Even Analysis

The analysis of the break-even point will be divided into two calculations. First, I will compute the minimum sales scenario, showing the minimum number of CPFs in order to cover the operations of Kita Netzwerk in Hamburg. In a second step, the fiscal year 2020 will be scrutinized, helping to determine the amount of seed capital needed in order to reach the break-even point in the first year.

8.3.1 Minimum Sales Scenario

In order to calculate the minimum number of CPFs needed to cover the operation of Kita Netzwerk in a full economic year, the total figure of table 17 “Accumulated Costs Estimation – Ongoing Costs” (OGa = Ongoing Costs/ annually) is used as the threshold value. The running costs were estimated to EUR 1,143,600. To simplify the calculation and to include a financial cushion the amount is increased to EUR 1,200,000.

Minimum CPF = OGa / CaKn

$$\rightarrow 500 = 1,200,000 / 2,400$$

The calculation shows that 500 Child Placement Fees per year cover the yearly operational costs to sustain Kita Netzwerk in the market. We learned earlier in chapter “5.1.1. Kita landscape” that in 2015, Hamburg had around 80,000 children being entrusted into daycare. The Minimum Sales Scenario reflect a share of the total number of kids in daycare of only 0.63% ($80,000/500=0.63\%$).

8.3.2 Break-Even in the First Year of Business Scenario

We already found out the total costs incurred in the first year of business shown in the “Accumulated Costs Estimation - One-time Costs” (OTa = One-time Costs/ annually) and the “Accumulated Costs Estimation - Ongoing Costs” (OGa2020 = Ongoing Costs/ annually broken down to the fiscal year 2020).

Total Costs Fiscal Year 2020 = OTa + OGa2020

$$\rightarrow 836,760 = 143,589 + 693,171$$

The total costs for the first business year were estimated at EUR 836,760.

The implementation plan envisions Kita Netzwerk’s beta version release for all launch partners in August 2020 (see “Figure 16: Timeline Implementation – Milestone 4”). From this moment first revenues will be made. The actual “Go Live” is planned for October 2020 (see “Figure 18: Timeline Implementation – Milestone 6”), leaving three month to generate income, tackling the entire market potential.

The following table shows all expenses made in 2020 per month. It starts with March as it is the month that first expenses were made.

Table 18: Expenses in first year of business per month

Category	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
HR										
One-time	1,500	21,654	1,185		3,750					
Ongoing	17,205	40,064	40,064	52,349	52,349	90,640	90,640	90,640	90,640	90,640
Office										
One-time		91,000		4,500		15,000				
Ongoing		3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660
Marketing										
Ongoing						1,000	1,000	1,000	1,000	1,000
Founding										
One-time	5,000									
TOTAL	23,705	156,378	44,909	60,509	59,759	110,300	95,300	95,300	95,300	95,300

Source: Own illustration according to estimated figures taken from implementation plan

Adding all monthly sums, we get the total costs for the first business year, estimated at EUR 836,760. As mentioned before, August is the first month revenues can be generated through all launch partners, until then the entire operation has to be covered by seed funding. The expenditure until end of June accumulates to EUR 345,260, which reflects the minimum amount of seed funding needed to operate until first turnovers can be expected.

A different approach to achieve the break-even will be analyzed in the next step. What sales figures can be expected during the launch phase and after the official “Go Live”? The following table shows a worst-case, base-case and best-case scenario for estimated child placements in the months from August to December. The calculation is made with the contribution that Kita Netzwerk receives of the monthly placement fee (cm). The new figure will be called CmKn (cost/per child and month – Kita Netzwerk’s contribution). Cm was set to EUR 500, whereas Kita Netzwerk’s contribution is at 40%.

$$\text{CmKn} = \text{cm} \times 40\%$$

$$\rightarrow 200 = 500 \times 40\%$$

Each slot “reserved” by a company leaves an income of EUR 200 for Kita Netzwerk.

Table 19: **Worst-case, base-case, best-case scenario**

	AUG	SEP	OCT	NOV	DEC	TOTAL
Worst-case						
Number of slots	50	70	100	130	160	
CmKn	10,000	14,000	20,000	26,000	32,000	102,000
Base-case						
Number of slots	100	125	175	225	275	
CmKn	20,000	25,000	35,000	45,000	55,000	180,000
Best-case						
Number of slots	250	300	500	750	1000	
CmKn	50,000	60,000	100,000	150,000	200,000	560,000

The sold numbers of slots in the pre-launch and launch phase are assumptions. Moreover, it is assumed that sales increase more rapidly with the actual “Go Live” in October and through the continuous marketing effort. It has previously been determined that the total expenditure in 2020 was EUR 836,760. The minimum amount of seed capital until August was deemed to EUR 345,260, leaving a funding gap of EUR 491,500. Subtracting this gap with the three case scenarios we receive the following figures:

- Worst-case scenario: $102,000 - 491,500 = -389,500$
- Base-case scenario: $180,000 - 491,500 = -311,500$
- Best-case scenario: $491,500 - 560,000 = 68,500$

Only the best-case scenario leaves a surplus without further external funding. Both other cases leave a negative annual balance or increase the initial seed fund from EUR 345,260 to EUR 734,760 in the worst-case scenario and EUR 656,760 in the base-case scenario. Yet, we saw earlier that with 500 children being mediated by Kita Netzwerk, reflecting a market share of 0.63% the business model proves to be financially independent. A three year financial outlook of the three case scenarios can be found in the appendix 1-3.

9. Expansion

So far, the business model has proven to be successful in the market of Hamburg, Germany. Yet, the real chance to make a difference in early childhood education and corporate social responsibility lies in the expansion of the business model to other cities around the globe. Additional funds generated through further branches can be used for research to further develop Kita Netzwerk's social impact through continually updated educational paradigms.

9.1 Requirements to open a new branch

In order to establish Kita Netzwerk in a new marketplace, the main requirement is qualified staff. As mentioned before, once up and running, the online platform serves for all locations around the globe. In order to enrich the network with sufficient partners in a location, it needs ambitious sales persons with preferably basic knowledge in Human Resources and a good business network on one side (acquisition of partner companies) and a background in education and daycare on the other side (acquisition of daycare facilities). In a second step, certain consulting services will be offered for daycare centers in order to raise and control quality standards and expand educational approaches. The daycare team should consist of coaches and consultants in the fields of education and business management. A small marketing team ensures that the new city is aware of Kita Netzwerk being available in their city too. The venture opened in a new location will be led by a general manager of this branch. Next to the personnel requirements, the new branch needs an office with respective equipment, including furniture and IT. Sales and consulting staff need cars or access to local transportation, as they work in the field most of the time.

The demand of the offered service, namely daycare slots, is geographically limited to one place. Meaning parents living in Lisbon don't have the need of a daycare slot in Hamburg – making each branch and city a closed ecosystem. Chances of success obviously rise with the increasing brand awareness and image, however, every location might differ in terms of network potential and daycare demand. Furthermore, we found that the legal and political landscape has great impact on the business and a profound knowledge of the individual framework is best accessed by a local business partner.

9.2 Kita Netzwerk becoming a franchisor

These findings quickly lead to the franchise model when browsing through the various entry modes. In the following part, I want to justify the decision by pointing out pros and cons of this internationalization strategy. In general, the choice of an entry mode can be described as one of the most critical decisions in international business, because of its great impact on basically all future operations in the target market (Kumar & Subramaniam 1997). The success of foreign operations hinges upon the entry mode (Wind & Perlmutter 1977).

The different entry modes can be classified by degrees of resource commitment, risk exposure, control and profit return (Pan & Tse 2000). Franchising is a contractual entry mode based on a license agreement with a rather small resource commitment and low risk on the side of the franchisor. Kita Netzwerk provides assistance with corporate design, equipment, organization and marketing of a contractual partner. The franchisee benefits of the trademark strength of Kita Netzwerk which gives immediate access to customers through an externally managed and renowned brand (Mühlbacher & Leihs & Dahringer 2006). Additionally, the franchisee receives technical services and support, e.g. for using the online platform and booking system.

In return for the brand and services of the franchisor, the franchisee pays an initial one-off payment and a share of his future profits, namely royalty payments. This generates a steady income stream which can be used for example for R&D and to maintain the online platform. At the same time, Kita Netzwerk benefits from a possible rapid growth as new franchisees invest their own capital in order to set up their venture (Murray & Smyth 2011). Each new franchisee raises brand awareness of the company. New franchisees are like capital infusions for Kita Netzwerk while the overall risk spreads across different geographical markets.

Contracting partners are most likely familiar with local habits and handle cultural differences, helping to develop local markets through appropriate means of advertising and promotion. They are able to cope with possible political and bureaucratic problems of their countries and are also in a better position to negotiate with government agencies and private businesses. Furthermore, it can be assumed that a licensing partner will be more motivated to lead his business to success than an employee with a regular salary. In short, franchising attracts talents.

However, franchises are independent businesses and cannot be controlled like employees. The major disadvantage of the franchise model is the challenge to innovate your own business. In my opinion, the key success factor of a market leading company is the rapidness of change and the flexibility to adapt to new circumstances. With franchising, if you come up with an innovation, you have to negotiate with each contract partner to get them to accept the new product or service you would usually just put in place. To avoid future conflicts with franchisees, a solid contract needs to be prepared.

10. Conclusion

This thesis has taken us through many different subjects including early childhood education from a social point of view to the system of maternity and parental leave and its financial consequences for economic entities. The thesis aimed to answer questions such as “Which pros and cons come with adopting the Blue Ocean Strategy?” and “Can it be justified to take money for a social matter as a private enterprise?”. The combination of all those topics led to an innovative business idea that puts the interdependence of public, social and private interests in a different light.

When looking at the financial figures the business model proved to be successful. Once up and running, I am personally convinced that Kita Netzwerk will have an enormous positive impact to the daycare and early childhood education landscape. However, to get to this point, the business faces one big challenge: During the market entry phase, the business model lacks details when it comes to the favored access to daycare slots. Kita Netzwerk wants to guarantee the free choice of daycare slots from a variety of offers to its customers. Hence, the partnering daycare centers need to reserve a slot in case a Kita Netzwerk customer wants to place its child at their facility. This is the added value of Kita Netzwerk to its customers. Parents want to be able to place their offspring in an upscale daycare center of their choice, just around their home or workplace. The paying employer on the other hand profits through its employees quick return after the baby was born and promptly placed into a nursing home.

Obviously, the occupancy rate will be quite low in the beginning, as the client base has to be built up successively. The result is that partnering kitas lose money while saving one of their slots for Kita Netzwerk. Furthermore, the business has a socially motivated approach and does not want to privilege the elite and displace other children. So far, it would both happen if the business model will not be altered adequately.

If we skip three years and picture Kita Netzwerk with a huge customer base, subsidizing many daycare places, the model has a positive impact for the entire society. Why? Let's take an average daycare center with 10 slots as an example: If the facility nurses just 4 children mediated through Kita Netzwerk, the facility already has a financial surplus of EUR 800 per month, plus the share of the funding pool. Due to the surplus to their usual revenue, the daycare center can increase its overall quality, make an extension to their facility, or afford additional manpower. As a consequence, all children of this daycare

center profit from the enhancements. Furthermore, the daycare center may be able to take in more children due to the bigger facility or increased staff; hence the shortage of daycare places declines.

Until then, during the transition phase, the daycare centers only financial buffer is the share they receive from the overall funding pool (see Figure 20: Financial Stream Graphic). This share most probably won't cover the financial gap that accrues by reserving a slot for Kita Netzwerk. With its actual business model, Kita Netzwerk is dependent on visionary partners, both daycare centers and companies, to overcome these hurdles.

Concluding it can be said that Kita Netzwerk has a fair chance to succeed, especially in Hamburg offering a great window of opportunity. We learned that the business is highly dependent on various legal, cultural and social parameters that have to be analyzed in depth prior to expansion. Yet, the business concept is quite simple to copy and implement into another market, as the costly online platform and the educational paradigms already exist and are constantly updated. Through the expansion of Kita Netzwerk around the world, the social impact will gain full thrust. I envision the branch in Hamburg to become the headquarter that furnishes all franchisees with the online appearance and more importantly with revolutionary educational approaches that will be developed in close cooperation with renowned institutions and personalities, making Kita Netzwerk a pioneer and influencer in the field of early childhood education paradigms.

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APPENDIX

APPENDIX 1 – Three Years Financial Outlook, Year 1

Three Years Financial Outlook - Jan 2020 to Dec 2020													
	Jan 20	Feb 20	Mar 2020	Apr 202	May 2020	Jun 20	Jul 20	Aug 20	Sep 20	Oct 2020	Nov 20	Dec 2020	TOTAL
Sum EBT (Base):	-1.500	-5.000	-17.205	-156.378	-44.909	-60.509	-59.759	-90.300	-70.300	-60.300	-50.300	-40.300	-656.760
accumulated	-1.500	-6.500	-23.705	-180.083	-224.992	-285.501	-345.260	-435.560	-505.860	-566.160	-616.460	-656.760	
Sum EBT (Worst):	-1.500	-5.000	-17.205	-156.378	-44.909	-60.509	-59.759	-100.300	-81.300	-75.300	-69.300	-63.300	-734.760
accumulated	-1.500	-6.500	-23.705	-180.083	-224.992	-285.501	-345.260	-445.560	-526.860	-602.160	-671.460	-734.760	
Sum EBT (Best):	-1.500	-5.000	-17.205	-156.378	-44.909	-60.509	-59.759	-60.300	-35.300	4.700	54.700	104.700	-276.760
accumulated	-1.500	-6.500	-23.705	-180.083	-224.992	-285.501	-345.260	-405.560	-440.860	-436.160	-381.460	-276.760	
FOUNDER	0	0	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-170.850
Founder	0	0	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-170.850
CEO	0	0	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-56.950
CSO/CPO	0	0	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-56.950
CTO	0	0	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-56.950
OPERATIONAL COSTS	-1.500	-5.000	-120	-139.293	-27.824	-43.424	-42.674	-93.215	-78.215	-78.215	-78.215	-78.215	-665.910
Human Resources	-1.500	0	-120	-44.633	-24.164	-35.264	-39.014	-73.555	-73.555	-73.555	-73.555	-73.555	-512.470
Recruiting Costs	-1.500	0	0	-21.654	-1.185	0	-3.750	0	0	0	0	0	-28.089
Public transport	0	0	-120	-120	-120	-120	-120	-120	-120	-120	-120	-120	-1.200
Rookie Developer	0	0	0	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-105.921
Experienced Developer	0	0	0	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-99.810
HR Manager	0	0	0	0	0	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-29.631
Accountant	0	0	0	0	0	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-56.364
Marketing Manager	0	0	0	0	0	0	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-23.410
Marketing Intern	0	0	0	0	0	0	-850	-850	-850	-850	-850	-850	-4.250
Office Manager Intern	0	0	0	0	0	0	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-8.500
Account Manager	0	0	0	0	0	0	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-74.865
Daycare Consultants	0	0	0	0	0	0	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-80.430
Office	0	0	0	-94.660	-3.660	-8.160	-3.660	-18.660	-3.660	-3.660	-3.660	-3.660	-143.440
Furniture	0	0	0	-70.000	0	0	0	0	0	0	0	0	-70.000
Prof. IT Equipment	0	0	0	-18.000	0	0	0	0	0	0	0	0	-18.000
Basic IT Equipment	0	0	0	-3.000	0	-4.500	0	-15.000	0	0	0	0	-22.500
Rent (incl. Utilities)	0	0	0	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-27.000
Internet, Phone	0	0	0	-80	-80	-80	-80	-80	-80	-80	-80	-80	-720
Cleaning Service	0	0	0	-480	-480	-480	-480	-480	-480	-480	-480	-480	-4.320
Miscellaneous	0	0	0	-100	-100	-100	-100	-100	-100	-100	-100	-100	-900
Marketing	0	0	0	0	0	0	0	-1.000	-1.000	-1.000	-1.000	-1.000	-5.000
Marketing Campaign	0	0	0	0	0	0	0	-1.000	-1.000	-1.000	-1.000	-1.000	-5.000
Start-up Operations	0	-5.000	0	0	0	0	0	0	0	0	0	0	-5.000
Notary Fees	0	-4.000	0	0	0	0	0	0	0	0	0	0	-4.000
Registration	0	-1.000	0	0	0	0	0	0	0	0	0	0	-1.000
REVENUE (Base / Worst / Best)													
Revenue Stream (Base)	0	0	0	0	0	0	0	50.000	62.500	87.500	112.500	137.500	450.000
Revenue Kita Netzwerk	0	0	0	0	0	0	0	20.000	25.000	35.000	45.000	55.000	180.000
Revenue Daycare Share	0	0	0	0	0	0	0	30.000	37.500	52.500	67.500	82.500	270.000
Number of Slots	0	0	0	0	0	0	0	100	125	175	225	275	
Revenue Stream (Worst)	0	0	0	0	0	0	0	25.000	35.000	50.000	65.000	80.000	255.000
Revenue Kita Netzwerk	0	0	0	0	0	0	0	10.000	14.000	20.000	26.000	32.000	102.000
Revenue Daycare Share	0	0	0	0	0	0	0	15.000	21.000	30.000	39.000	48.000	153.000
Number of Slots	0	0	0	0	0	0	0	50	70	100	130	160	
Revenue Stream (Best)	0	0	0	0	0	0	0	125.000	150.000	250.000	375.000	500.000	1.400.000
Revenue Kita Netzwerk	0	0	0	0	0	0	0	50.000	60.000	100.000	150.000	200.000	560.000
Revenue Daycare Share	0	0	0	0	0	0	0	75.000	90.000	150.000	225.000	300.000	840.000
Number of Slots	0	0	0	0	0	0	0	250	300	500	750	1.000	

APPENDIX 2 – Three Years Financial Outlook, Year 2

		Three Years Financial Outlook - Jan 2021 to Dec 2021												
		Jan 21	Feb 21	Mar 2021	Apr 21	May 2021	Jun 21	Jul 21	Aug 21	Sep 21	Oct 2021	Nov 21	Dec 2021	TOTAL
FOUNDER	Sum EBT (Base):	-30.300	-20.300	-10.300	-300	9.700	19.700	25.950	39.700	49.700	59.700	69.700	79.700	-364.110
	accumulated	-687.060	-707.360	-717.660	-717.960	-708.260	-688.560	-662.610	-622.910	-573.210	-513.510	-443.810	-364.110	-1.030.110
	Sum EBT (Worst):	-57.300	-51.300	-45.300	-39.300	-33.300	-27.300	-25.050	-15.300	-9.300	-3.300	2.700	8.700	
	accumulated	-792.060	-843.360	-888.660	-927.960	-961.260	-988.560	-1.013.610	-1.028.910	-1.038.210	-1.041.510	-1.038.810	-1.030.110	
	Sum EBT (Best):	154.700	204.700	254.700	304.700	354.700	404.700	450.950	504.700	554.700	604.700	654.700	704.700	
	accumulated	-122.060	82.640	337.340	642.040	996.740	1.401.440	1.852.390	2.357.090	2.911.790	3.516.490	4.171.190	4.875.890	
FOUNDER		-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-375.870
FOUNDER	Founder	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-17.085	-205.020
	CEO	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-68.340
	CSO/CPO	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-68.340
	CTO	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-5.695	-68.340
OPERATIONAL COSTS		-78.215	-78.215	-78.215	-78.215	-78.215	-78.215	-81.965	-78.215	-78.215	-78.215	-78.215	-78.215	-1.608.240
Human Resources		-73.555	-73.555	-73.555	-73.555	-73.555	-73.555	-77.305	-73.555	-73.555	-73.555	-73.555	-73.555	-886.410
	Recruiting Costs	0	0	0	0	0	0	-3.750	0	0	0	0	0	-3.750
	Public transport	-120	-120	-120	-120	-120	-120	-120	-120	-120	-120	-120	-120	-1.440
	Rookie Developer	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-11.769	-141.228
	Experienced Developer	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-11.090	-133.080
	HR Manager	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-4.233	-50.796
	Accountant	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-8.052	-96.624
	Marketing Manager	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-4.682	-56.184
	Marketing Intern	-850	-850	-850	-850	-850	-850	-850	-850	-850	-850	-850	-850	-10.200
	Office Manager Intern	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-1.700	-20.400
	Account Manager	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-14.973	-179.676
	Daycare Consultants	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-16.086	-193.032
Office		-3.660	-3.660	-3.660	-3.660	-3.660	-3.660	-3.660	-3.660	-3.660	-3.660	-3.660	-3.660	-43.920
	Furniture	0	0	0	0	0	0	0	0	0	0	0	0	0
	Prof. IT Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
	Basic IT Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
	Rent (incl. Utilities)	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-3.000	-36.000
	Internet, Phone	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-960
	Cleaning Service	-480	-480	-480	-480	-480	-480	-480	-480	-480	-480	-480	-480	-5.760
	Miscellaneous	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-1.200
Marketing		-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-12.000
	Marketing Campaign	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-1.000	-12.000
Start-up Operations		0	0	0	0	0	0	0	0	0	0	0	0	0
	Notary Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
	Registration	0	0	0	0	0	0	0	0	0	0	0	0	0
REVENUE (Base / Worst / Best)														
Revenue Stream (Base)		162.500	187.500	212.500	237.500	262.500	287.500	312.500	337.500	362.500	387.500	412.500	437.500	4.050.000
	Revenue Kita Netzwerk	65.000	75.000	85.000	95.000	105.000	115.000	125.000	135.000	145.000	155.000	165.000	175.000	1.620.000
	Revenue Daycare Share	97.500	112.500	127.500	142.500	157.500	172.500	187.500	202.500	217.500	232.500	247.500	262.500	2.430.000
	Number of Slots	325	375	425	475	525	575	625	675	725	775	825	875	
Revenue Stream (Worst)		95.000	110.000	125.000	140.000	155.000	170.000	185.000	200.000	215.000	230.000	245.000	260.000	2.385.000
	Revenue Kita Netzwerk	38.000	44.000	50.000	56.000	62.000	68.000	74.000	80.000	86.000	92.000	98.000	104.000	954.000
	Revenue Daycare Share	57.000	66.000	75.000	84.000	93.000	102.000	111.000	120.000	129.000	138.000	147.000	156.000	1.431.000
	Number of Slots	190	220	250	280	310	340	370	400	430	460	490	520	
Revenue Stream (Best)		625.000	750.000	875.000	1.000.000	1.125.000	1.250.000	1.375.000	1.500.000	1.625.000	1.750.000	1.875.000	2.000.000	17.150.000
	Revenue Kita Netzwerk	250.000	300.000	350.000	400.000	450.000	500.000	550.000	600.000	650.000	700.000	750.000	800.000	6.860.000
	Revenue Daycare Share	375.000	450.000	525.000	600.000	675.000	750.000	825.000	900.000	975.000	1.050.000	1.125.000	1.200.000	10.290.000
	Number of Slots	1.250	1.500	1.750	2.000	2.250	2.500	2.750	3.000	3.250	3.500	3.750	4.000	

APPENDIX 3 – Three Years Financial Outlook, Year 3

Three Years Financial Outlook - Jan 2022 to Dec 2022													
	Jan 22	Feb 22	Mar 2022	Apr 22	May 2022	Jun 22	Jul 22	Aug 22	Sep 22	Oct 2022	Nov 22	Dec 2022	TOTAL
Sum EBT (Base):	89,700	99,700	109,700	119,700	129,700	139,700	145,950	159,700	169,700	179,700	189,700	199,700	1,368,540
accumulated	-274,410	-174,710	-65,010	54,690	184,390	324,090	470,040	629,740	799,440	979,140	1,168,840	1,368,540	
Sum EBT (Worst):	14,700	20,700	26,700	32,700	38,700	44,700	46,950	56,700	62,700	68,700	74,700	80,700	-461,460
accumulated	-1,015,410	-994,710	-968,010	-935,310	-896,610	-851,910	-804,960	-748,260	-685,560	-616,860	-542,160	-461,460	
Sum EBT (Best):	754,700	804,700	854,700	904,700	954,700	1,004,700	1,050,950	1,104,700	1,154,700	1,204,700	1,254,700	1,304,700	17,228,540
accumulated	5,630,590	6,435,290	7,289,990	8,194,690	9,149,390	10,154,090	11,205,040	12,309,740	13,464,440	14,669,140	15,923,840	17,228,540	
FOUNDER	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-580,890
Founder	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-17,085	-205,020
CEO	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-68,340
CSO/CFO	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-68,340
CTO	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-5,695	-68,340
OPERATIONAL COSTS	-78,215	-78,215	-78,215	-78,215	-78,215	-78,215	-81,965	-78,215	-78,215	-78,215	-78,215	-78,215	-2,550,570
Human Resources	-73,555	-73,555	-73,555	-73,555	-73,555	-73,555	-77,305	-73,555	-73,555	-73,555	-73,555	-73,555	-886,410
Recruiting Costs	0	0	0	0	0	0	-3,750	0	0	0	0	0	-3,750
Public transport	-120	-120	-120	-120	-120	-120	-120	-120	-120	-120	-120	-120	-1,440
Rookie Developer	-11,769	-11,769	-11,769	-11,769	-11,769	-11,769	-11,769	-11,769	-11,769	-11,769	-11,769	-11,769	-141,228
Experienced Developer	-11,090	-11,090	-11,090	-11,090	-11,090	-11,090	-11,090	-11,090	-11,090	-11,090	-11,090	-11,090	-133,080
HR Manager	-4,233	-4,233	-4,233	-4,233	-4,233	-4,233	-4,233	-4,233	-4,233	-4,233	-4,233	-4,233	-50,796
Accountant	-8,052	-8,052	-8,052	-8,052	-8,052	-8,052	-8,052	-8,052	-8,052	-8,052	-8,052	-8,052	-96,624
Marketing Manager	-4,682	-4,682	-4,682	-4,682	-4,682	-4,682	-4,682	-4,682	-4,682	-4,682	-4,682	-4,682	-56,184
Marketing Intern	-850	-850	-850	-850	-850	-850	-850	-850	-850	-850	-850	-850	-10,200
Office Manager Intern	-1,700	-1,700	-1,700	-1,700	-1,700	-1,700	-1,700	-1,700	-1,700	-1,700	-1,700	-1,700	-20,400
Account Manager	-14,973	-14,973	-14,973	-14,973	-14,973	-14,973	-14,973	-14,973	-14,973	-14,973	-14,973	-14,973	-179,676
Daycare Consultants	-16,086	-16,086	-16,086	-16,086	-16,086	-16,086	-16,086	-16,086	-16,086	-16,086	-16,086	-16,086	-193,032
Office	-3,660	-3,660	-3,660	-3,660	-3,660	-3,660	-3,660	-3,660	-3,660	-3,660	-3,660	-3,660	-43,920
Furniture	0	0	0	0	0	0	0	0	0	0	0	0	0
Prof. IT Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Basic IT Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent (incl. Utilities)	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-36,000
Internet, Phone	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-960
Cleaning Service	-480	-480	-480	-480	-480	-480	-480	-480	-480	-480	-480	-480	-5,760
Miscellaneous	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-1,200
Marketing	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-12,000
Marketing Campaign	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-12,000
Start-up Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Notary Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
Registration	0	0	0	0	0	0	0	0	0	0	0	0	0
REVENUE (Base / Worst / Best)													
Revenue Stream (Base)	462,500	487,500	512,500	537,500	562,500	587,500	612,500	637,500	662,500	687,500	712,500	737,500	11,250,000
Revenue Kita Network	185,000	195,000	205,000	215,000	225,000	235,000	245,000	255,000	265,000	275,000	285,000	295,000	4,500,000
Revenue Daycare Share	277,500	292,500	307,500	322,500	337,500	352,500	367,500	382,500	397,500	412,500	427,500	442,500	6,750,000
Number of Slots	925	975	1,025	1,075	1,125	1,175	1,225	1,275	1,325	1,375	1,425	1,475	
Revenue Stream (Worst)	275,000	290,000	305,000	320,000	335,000	350,000	365,000	380,000	395,000	410,000	425,000	440,000	6,675,000
Revenue Kita Network	110,000	116,000	122,000	128,000	134,000	140,000	146,000	152,000	158,000	164,000	170,000	176,000	2,670,000
Revenue Daycare Share	165,000	174,000	183,000	192,000	201,000	210,000	219,000	228,000	237,000	246,000	255,000	264,000	4,005,000
Number of Slots	550	580	610	640	670	700	730	760	790	820	850	880	
Revenue Stream (Best)	2,125,000	2,250,000	2,375,000	2,500,000	2,625,000	2,750,000	2,875,000	3,000,000	3,125,000	3,250,000	3,375,000	3,500,000	50,900,000
Revenue Kita Network	850,000	900,000	950,000	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000	1,350,000	1,400,000	20,360,000
Revenue Daycare Share	1,275,000	1,350,000	1,425,000	1,500,000	1,575,000	1,650,000	1,725,000	1,800,000	1,875,000	1,950,000	2,025,000	2,100,000	30,540,000
Number of Slots	4,250	4,500	4,750	5,000	5,250	5,500	5,750	6,000	6,250	6,500	6,750	7,000	