



Master of Science in
International Business

EDUCOM: BRIDGING THE GAP SOCIAL ENTERPRISE FOR EARLY CHILDHOOD EDUCATION

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ABSTRACT

EduCom is a social enterprise that focuses on providing quality early childhood education to impoverished areas in India. Education standards pose huge risks to the growth and sustainability of our world. More specifically, early childhood education from ages 0-6 is a grey area in education that is often completely underrepresented and vital in the successful development of human future. To combat this issue, EduCom locates its first project in India, working closely with the government to improve the public kindergarten system they currently have in place. After successful growth in Mumbai, EduCom aims to spread its business model throughout the country, improving the quality of education, raising awareness of health issues and documenting existing infrastructure. EduCom will ensure a brighter future through a positive impact on the development of future generations.

ABBREVIATIONS

ECE Early Childhood Education

ICDS Integrated Child Development Services

Hub EduCom's first kindergarten, which is a model for our franchisees

AWC Anganwadi Center established by the Indian Government



Table of Contents

ABSTRACT.....	2
ABBREVIATIONS	2
1. EXECUTIVE SUMMARY	4
2. INDUSTRY ANALYSIS	6
2.1 PESTLE Analysis of India	6
2.2 Market Analysis	7
Customer Profile.....	7
Industry Profile	8
Competitors' Profile	9
EduCom's reaction	10
3. OUR BUSINESS	11
3.1 Vision, Mission, Motto and Principles.....	11
3.2 EduCom: What we do?	11
3.3 Value proposition	13
3.4 Tactical Plan.....	14
3.5 Marketing Plan	14
3.6 Human Resources Plan.....	18
3.7 Operations Plan	20
3.8 Franchise Model.....	21
3.9 Financial Plan.....	23
3.10 SWOT Analysis.....	25
4. FORECASTS AND PROJECTIONS	26
4.1 Future Expansion.....	26
4.2 Projection of EduCom's social impact.....	27
4.3 Key Performance Indicators.....	27
4.4 Contingency plan.....	28
5. APPENDIX.....	29
REFERENCES	62



1. EXECUTIVE SUMMARY

Lack of quality education today is an issue that affects millions of people across the globe. In fact, 70 million children are prevented from going to school every day (Hult Prize, 2014). EduCom understands that taking on the whole education sector is a difficult feat. Thus, EduCom has decided to focus on what is the most important issue facing the education system today. Early childhood education, which is defined as education from ages 0-6, is rarely thought of as key to successful human development. Yet, research shows that increasing the quality and even existence of education during these extremely formative years will exponentially increase the opportunities available to these children later in life. According to UNESCO, if all children in low income countries left school with basic literacy, 171 million people could be lifted out of poverty, which would translate to a 12% cut in overall poverty (Hult Prize, 2014). Yet to have success in reaching a statistic this huge, it is crucial to begin the process at a young age. For example, by the age of three, there is a thirty million word gap between the richest and the poorest families (Hult Prize, 2014).

EduCom believes there are two main issues regarding early childhood education today:

1. A lack of funds from governments to implement Early Childhood Education (ECE) programs has resulted in overworked, low quality, and generally ineffective programs.
2. Majority of those less fortunate people view the opportunity cost¹ of sending their children to school as too high, as they need the extra income to support the entire family's survival/lack of incentives.

EduCom's business model will combat these issues, aiming to reach 400,000 children in India with better education, food, healthcare and sanitation by 2020. The first project will be implemented in Mumbai, India. By using revenues created from our core business, EduCom will be able to implement training to improve the quality of education at existing preschool centers, create a metric system that will locate these preschool centers, provide health and sanitation advice and knowledge, and use funds to provide nutritional benefits to these centers. To understand EduCom's approach, a brief understanding of an Anganwadi Center is necessary. These centers, which can be abbreviated into AWC, can be directly translated into 'courtyard shelter'. This is a public education system that the Indian government has established in order to attempt to bring early childhood education to millions of children across India. There are approximately 1,342,146 of these AWCs sprawled across the country, that service an average of 52 boys and 75 girls per day (Ministry of Women and Child Development, 2014). Many of these AWCs fail to bring adequate education and nutritional services for the children they service. In other words, many lack certain aspects that could ensure a more beneficial and quality education. For example, 59% of AWCs have no toilet facilities and 37% reported no availability of learning materials/aids for nutrition and health education (Ministry of Women and Child Development, n.d.). There are only a very few enterprises or NGO's working to improve the AWCs nowadays, and none on such a big scale as EduCom aims to do. Therefore there is no competition for EduCom.

¹ The cost of an alternative that must be forgone in order to pursue a certain action (Investopedia , n.d.).



Sustainability and Social Direction

As briefly mentioned earlier, generating funds that will make it possible for EduCom to implement a positive change on any AWC is imperative. EduCom will open a kindergarten (referred to as a Hub) in an affluent area in Mumbai, called the Bandra Kurla Complex. This area will give us access to a higher income segment of the Indian population and will give us the opportunity to generate income by charging kindergarten fees. From the profits we produce at our Hub, we will put proceeds directly into AWCs through educative materials, improvement of materials, and anything that could benefit the quality of care and education being given. EduCom will avoid reliance on charity or grants by utilizing existing infrastructure and creating an affordable, safe, international, and forward driven child care program.

Training

Throughout many public school systems in developing countries, especially among AWCs in India, there is a lack of formal education, and many of the teachers are pulled from local towns or villages. By conducting training at our Hub to recent graduate students, we will be able to tackle the lack of teaching experience and provide professional curriculums or teaching methods that are proven to function well among this age group of children. After a two months training these students will be send to the AWCs as our main workforce in order to share their knowledge, to improve the overall situation of the AWCs with our funds and to create the below mentioned metric system.

Metric System

Throughout many developing countries, there is not a consistent database on where their schools are located and what can be done to improve them. Again, this is especially the case in India, as their official web site and many NGO's only locate a portion of the AWCs available throughout the country. Therefore, as we implement our training at various AWCs, we will also construct a metric system that will detail the location and the possible improvements at the centers. By doing this, we will help other NGOs and even the government in improving current collaboration on ECE programs throughout the country.

Health and Sanitation

EduCom will provide sanitation awareness from a very young age to assist in informing both the students and the teachers about techniques and habits to maintain a sanitary lifestyle. We believe this is a crucial aspect of our approach, as the education standards we are raising are worthless if kids are not healthy enough to process and absorb the knowledge. 1.5 million children under five years old die each year because of diarrhea and washing hands at critical times throughout the day could cut this number by more than 40% (Unicef, n.d.)

2. INDUSTRY ANALYSIS

2.1 PESTLE Analysis of India (Appendix 1)

Political

India has a high corruption perception score (Appendix 2), a huge variety of political parties, a very low perception of political stability, low regulatory quality, and just above average rule of law (The World Bank Group, 2014) & (The World Bank Group, 2015). This situation affects EduCom and creates possible difficulties as our first step to approaching the market is approval by the Indian government. Yet with their new Prime Minister and his new party, BJP, they plan on initiating a variety of policies that will tackle education problems, such as launching youth programs that will assist entrepreneurship, youth parliament community programs, setting up a National Youth advisory program, and more (Bharatiya Janata Party, 2014) & (Elections.in, n.d.). Due to the progressive and almost aggressive approach the new government is taking to boost education standards, we do see room for potential assistance. In the case that we do not receive assistance from the government, we expect our project will be welcomed by one of the numerous NGOs in the field.

Economic

India's GDP grew around **5.15%** in 2014 (Appendix 3), and is expected to continue growing steadily until 2050 (Appendix 4). India has a GDP of 1,875 trillion, which has risen from 1,708 trillion in 2010. India's GDP per capita has risen 15% since 2010, from \$1,031.6 to \$1,189.8 (Trading Economics, 2015). India could become the world's largest middle class consumer market with a total consumer spending rate of nearly 13 trillion by 2030 (India Brand Equity Foundation, 2015). Yet India still has a low GDP per capita, inflation, low manufacturing and production costs, a negative trade balance, and improving infrastructures. We believe that because of the extreme poverty, but steadily growing economy and huge market size, India is the perfect place to implement our project. In fact, India's total disposable income has increased **300%** since 2006 (Appendix 5). Consumer spending and personal savings are at their highest levels ever, and are expected to continue to grow (Trading Economics, 2015).

Social

India has the second largest population in the world with approximately 1.2 billion people and has a variety of languages, the main being Hindi and English. They are also a very traditional nation with a strong connection to religion; Hindu with 80.5%, Muslim with 13.4%, and more. They still have a thousand year old Caste system, in which people identify with a certain caste that they traditionally do not marry out of. In fact, because of India's traditional factors, we must be very delicate when implementing certain learning techniques and must take into account the huge variety of social factors that exist in the country. India has a high unemployment rate (10.7%), low literacy rate (62.8%), and low education expenditure from the government (3.2%) (Central Intelligence Agency, n.d.). Although there are low expenditure on education indexes, the low literacy and high unemployment are the factors we are targeting to improve with our impact.



Technological

India has a huge IT sector, yet an incredible lack of access to electricity (306.2 million people) (SE4ALL, 2013) and limited infrastructure and facilities. Furthermore, technology involved in education is extremely limited. For example, in 2012 in primary and secondary schools in India, there were 89 learners for every available computer (SE4ALL, 2013). The lack of technological tools during the learning process in India is an issue that EduCom has noted and plans to tackle in the future. We will use any available resources either from other NGOs or through tools purchased ourselves to tackle the problem. Although the constitution of India explicitly lays out a framework for free education in India, it does not include children 0-6 years old. Appendix 1 summarizes these findings.

Legal and Environmental

The most important sources of legal framework are the Constitution and initiatives by the Supreme Court of India during the 1990s. Changes made such as the new article 21A, 45 and 46 introduced more awareness regarding to the importance of education in the country. India is a member of the United Nations, so all recommendations and agreements such as the so called “Millenium Development Goals” (among other objectives, it seeks “*achieve universal primary education*”) or the goals of UNESCO which are in the same direction of human development and education as human rights. Therefore, our activity is not fully regulated in the Indian market due to the early age of our segment market but in accordance with the progressive environment emerged from the Constitution as well as the obligation of the Government to protect citizens from social injustice as Article 46 states, we can expect our activities to be welcomed in the Indian market because of our social objective (Indian Government, n.d.).

2.2 Market Analysis

Customer Profile

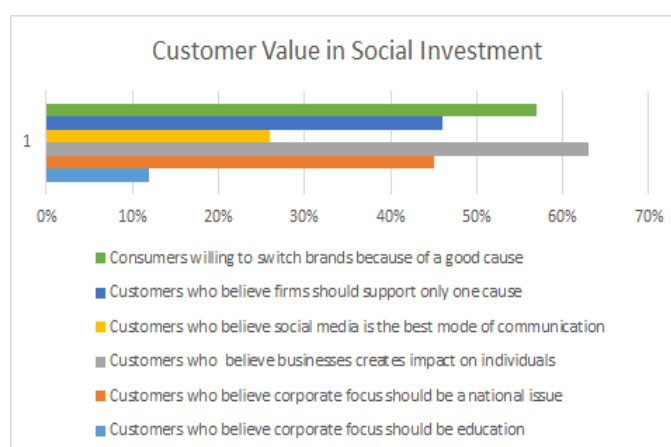
From the total Indian population of 1,252,139,596 inhabitants, there are approximately 158,789,287 children from 0-6 years old, 41,203,773 of them living in slum areas (Government of India; Ministry of Home Affairs, 2012). In 2011, around 300 million or 24% of Indian population was living on less that 1.25\$ a day (The World Bank Group, 2015). EduCom focuses on Urban Areas, which account for 31% of India’s population at an urbanization rate of 2.47%, where there are 9,888,906 children that belong to a household living on less than 1.25\$ a day (The World Bank Group, 2015). Hence, as a result of an unequal distribution of income, families that belong to this segment of Indian society are deprived of access to quality ECE. EduCom plans to fill this gap by providing accessible and reliable ECE to boost the human development of their children and their communities overall.

Nielson UMAR released a report that illustrates the other spectrum of Indian income; there are 2.6 million households in India with monthly incomes of around 40,000 rupees or roughly 624 USD (Iyer, 2010). With comparatively high income levels, households are able and more importantly willing to pay for premium ECE as an investment on the future of their kids. (See Appendix 6 for market segmentation).

Direct Target: Higher Income Families at the ECE market

These are households with a high purchasing power located in affluent areas of the country as part of the segment mentioned before. The revenues generated from the primary target (higher income consumer) will finance the social side of our business, which focuses on our indirect target (those less fortunate without access to proper ECE). Urban households in India spend 9% of their expenditure on education, whereas it is only 4% in rural areas. Moreover, the fourth and fifth quintile of an income segmented population will spend 9% and 10% of their household income on education, compared to 4% and 5% in the 1st and 2nd quintile (Martins, Yusuf, Brooks, & Swanson, 2014). As can be seen in the chart below, an analysis from Impact Partner shows that Indian customers prefer brands with a good cause. They believe that businesses are able to create an impact on the society and are willing to switch brands because of a good cause (Impact Partner, n.d.). EduCom expects to benefit from this consumer preference, making it a competitive advantage for us.

Figure 1: Indian Customer Value in Social Investment (Impact Partner, n.d.)



Indirect Target: Impoverished Families with poor or no access to ECE

There is a vast lower income population that only has access to very poor ECE or no access at all. Poor families in India can get access to AWCs, but they are underserved due to the lack of proper facilities and inefficiencies in the public education system. An estimation of 35.3 million children in the age of three to five years attend to AWCs, but there are still six million unattended. Up to date, the total number of Anganwadi centers that have been budgeted for is 1.4 million, with approximately 1.3 million in existence (Ministry of Women and Child Development, 2014). We believe that many of these centers are in dire need of improvements, in the form of training, various utilities, and in some cases even the food they are receiving. We believe that by focusing on the improvement of AWCs, there is huge potential to offer poor families' free enrollment and access to a reliable ECE, always upon availability of public AWCs.

Industry Profile

The education sector in India is currently seeing huge potential for investment (Vaish, 2014),

as the entire system is going through a process of change and overhaul. In fact, education is the fastest growing sector in India, and is the third largest in the world (GetMoneyRich, n.d.). One of India's key advantages in its growth in this sector is its young population. By 2022, India targets the creation of 500 million skilled workers (Anonymous, 2015). Specifically, ECE is offered in India through three channels: public, private and Non-governmental organizations. The Integrated Child Development Services (ICDS) is the major public initiative and is coordinated by the Ministry of Women and Child Development, Government of India. Especially in urban areas, a big share of the pre-primary education is held by private-un-aided ECE services, such as kindergartens, nurseries and pre-primary classes or sections in private schools. On top of that, many NGO's are engaged in offering small-scale innovative ECE programs.

By analyzing the forces within the education market (see Appendix 7 Porter's 5 Forces Model) it can be observed that there is a medium-high threat of new entrants as other companies can enter the market easily with the same or similar business. Nonetheless, there is a certain entry barrier regarding to capital investment required to target a high end segment in the market. The threat of substitutes is low since no other company has the integrative and cohesive offer. However, rivalry is high since there are solid competitors in the market including private companies and NGOs. Customers have medium bargaining power because there are other companies with similar products. Suppliers have high bargaining power since as they are a pillar of providing ECE service.

Competitors' Profile

Extensive research on possible competitors in India has been conducted, with the most important conclusions being highlighted in this section. Firstly, there is a great number of direct competitors in the area of setting up a high-end, quality international kindergarten with a possibility of franchise. Be that as it may, none of these competitors engages in social cause helping the less fortunate, they only provide the regular ECE in their kindergartens. What is more, except the Indian governmental program ICDS, no NGO provides direct improvement and services in early childhood education in AWCs. Naturally, in order to administer our purpose of helping children in slums, we will have to face competition in affluent areas, primarily in Mumbai, where we will build our brand. We identified key characteristics of our Hub and compared those to the number of kindergartens in Mumbai, analyzing only the kindergartens with the strongest brand presence and franchise model (please see Appendix 8 for competitor benchmarking charts):

Kangaroo Kids: A research-based ECE, with a quality curriculum developed by professionals with continuous improvements based on children psychology (in 2010 ranked as number one pre-school in India) (Kangaroo Kids Education, 2015). Internationally expanded to Dubai, Maldives and Qatar, however in Mumbai only two centers with ECE (Kangaroo Kids Education , n.d.). Operated mainly by Indian standards, without international appeal. Due to its broad focus on children and teenagers of all ages, we positioned it as a weaker player in terms of ECE, in addition to minimal or no CSR. The prices per month is \$60 (Netscribes, 2009), which is comparable to our pricing, however it is the highest among the three chosen competitors.



Kidzee: Allegedly, the largest preschool chain in India, patented interactive contemporary curriculum, strongly focused only on ECE (Kidzee, n.d.)[a]. Very strong presence in Mumbai and Maharashtra in general, cca 50 centers (Kidzee, n.d.)[b], charging only \$24-48 (Netscribes, 2009). Use of technologies as tablets and computers is highlighted, however online interaction is lagging. High requirements from franchisees, focus on community support and quality.

Eurokids: Originally a Danish founder, obvious appeal to European component. Strong presence, moreover a children's' book publisher, operating only ECE sphere. High-end equipment and only in the city of Mumbai, they currently run 20 centers (Euro Kids, n.d.). Moderate franchise requirements, explaining the success of expansion. However, standard curriculum with globally accepted techniques, nothing extra-ordinary. The fee per month is \$27 (Netscribes, 2009).

Appendix 9 represents the positioning of EduCom in terms of the same characteristics and values we decided are important for the market we are aiming for. One will be able to clearly see the characteristics of niche market we are targeting, with differentiation and positive scores in several sectors, however lacking competitiveness on pricing and presence.

EduCom's reaction

India's economic indicators highlight a vast amount of opportunity that is prevalent throughout all sectors in India. The disposable income, confidence, spending, and even personal savings of the Indian population represent a growing middle class that is not only able, but excited to offer their children a better future. India is a very family oriented culture that is positively correlated with spending on education. By offering a quality service that will focus on preparing children for their future in a rapidly globalizing world, we will be able to tap into this growth that can be observed in India's growing income. India's education system is already huge, and we will be competing against a wide variety of successful and established franchises that focus on children aged 0-6. Yet with India's goal of creating 500 million skilled workers by 2022, EduCom believes that this will create a stimulus in demand of quality education. Government incentives will provide assistance to schools who will aid in their goal of reaching this figure, as can be seen in the growing amount of PPP's in India. Our social direction will be welcomed by Indian consumers, as a high percentage of the population is willing to switch brands because of a good cause. Urban locations are a must due to the differences in spending patterns in urban and rural areas. We know that social media is significant and that making our cause a national issue and supporting one strong cause will be important in winning over the consumer (please see Appendix 10 for Customer Value chart).



3. OUR BUSINESS

3.1 Vision, Mission, Motto and Principles

Vision: A world where every child has access to quality childhood care and education.

Mission: Our mission is to bridge the gap between the wealthy and the poor in order to bring educational equality to children of all societies. Our integrative process of generating earnings from higher income areas and subsequently investing in the childhood care of children in low income areas will not only bring more equality in education, but will also encourage the creation of a more interdependent society. EduCom strives to reach 400,000 children by 2020.

Slogan: “*Bridging the Gap*” wants to express the concept of solidarity that results from bringing value to the communities in which we operate by increasing cohesion among the richer and poorer areas of urban conglomerations. We finance the improvement of conditions at urban slums with the revenues obtained at richer neighborhoods of urban agglomerations.

Principles: EduCom is founded and driven with Five Guiding Principles from which our vision, mission and slogan emerge:

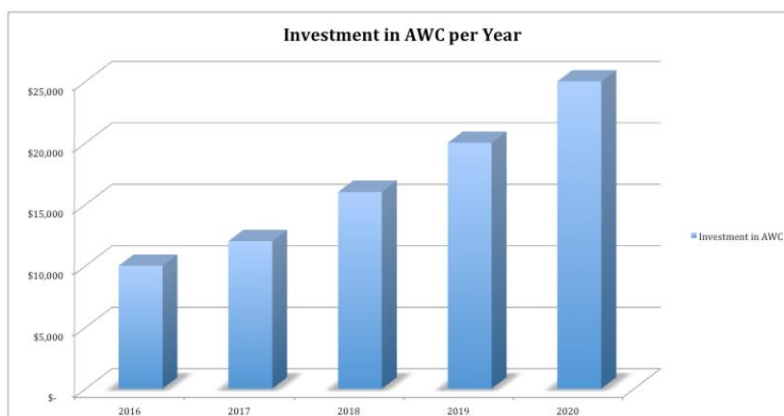
1. Sustainability	Our revenue generated by our business covers our expenses
2. Scalability	We intend to grow exponentially, we seek expansion
3. Replicability	Our business must be standardized and easy to adapt to any country
4. Community	We improve the communities where we operate looking for the cohesion of society as a whole by bringing value to our stakeholders
5. Efficiency	Sharing is caring, we believe in finding solutions that maximize impacts with scarce resources

3.2 EduCom: What we do?

Our enterprise offers a scalable model of education for children with a full development plan and a safe environment with a particular focus on achieving metrics of quality while providing basic needs such as food and drinkable water. Our operation plan is based on a three-tier system. Throughout this system, we will use a scheme of collaboration among nonprofit organizations as well as educational partners and universities, the establishment of private kindergartens in affluent areas, and the improvement of government sponsored child-care centers in India called AWCs (please see Appendix 11 for detailed description of our partners). We leverage AWC’s existing infrastructure and incorporate stakeholders that enhance the final educational and caregiving offer in order to satisfy the unsolved need in the market: a quality and stable educational model with a holistic approach towards human development.

First tier: Our Hub, which is our HQ, will be situated in the suburbs of Mumbai, in the *Bandra Kurla Complex* (See Appendix 12 for the location). This is a commercial complex that will grant us access to a higher

income segment of the Indian population. This initial Hub will be opened in 2016 using existing infrastructure, which entails refurbishment, high rental costs, and startup capital as an initial investment. We will employ six teachers and two assistants to service up to 168 children for five days a week. Their



enrollment fee will be \$100 plus a tuition fee of \$40 per month in our first year of operation and \$60 per month in the following years. The earnings generated from this Hub will disperse \$10,000 of its revenue to each Franchise we open. The figure illustrates our investments in AWCs, which will go towards any education materials, construction costs, or even nutritional products they may need.

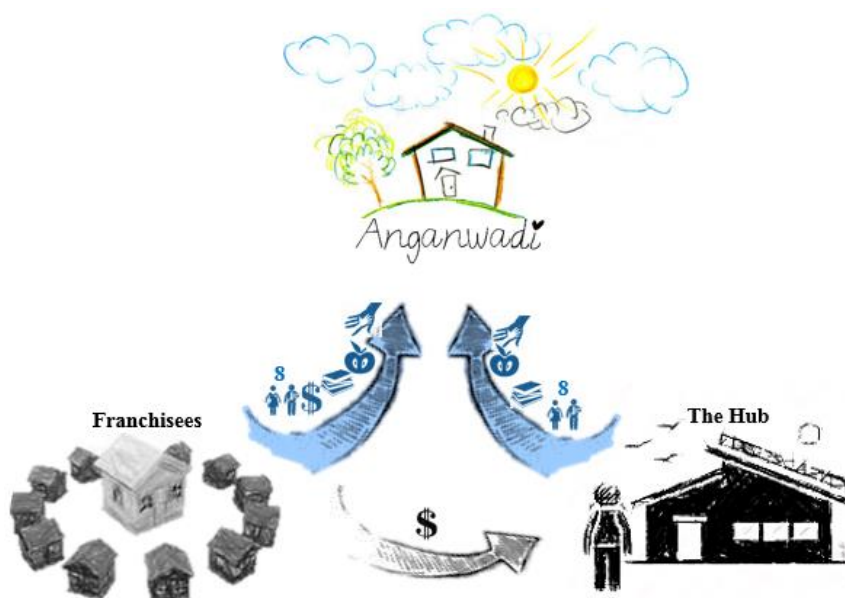
Second tier: We will hire 8 recently graduated university students, whom EduCom calls Anganwadi Mentors. EduCom will hire these students and give them an opportunity to make above average salaries (\$1,656) while giving back to their local communities. We will pay them monthly for one year, and in turn their responsibilities will include visiting AWCs and developing a database of where the AWCs are located and what exactly the AWCs need in order to increase the education standards (EduCom’s metric system). During their visits, they will implement the positive teaching and sanitary methods that they received in training. The salaries that Educom pays the AWC mentors is on top of our investment into AWCs each year. The first two months of their contract will be spent receiving training at our Hubs, which will include educational sessions where EduCom’s professionals will teach our mentors how to properly identify necessities within each Anganwadi, how to create the database that must be standardized and universally recognized by each mentor, proper sanitation methods, teaching methods, and health warnings to look for within the children. The following eight months of their contract will be used to visit the Anganwadi centers, visiting one AWC for two months. This means that five days a week, they will be going to the AWCs, creating a checklist of items that could improve the teaching that is taking place, implementing teaching and sanitation aid, and carrying out basic health checkups (see Appendix 13 for the AWC checklist). As a result, the Anganwadi mentors will be able to visit four AWCs during their eight months of visits². The last two months of their year contract will be spent revisiting previously visited Anganwadi centers, delivering the items that we were able to acquire for them with our profits and updating the metric system that analyses the effect that their visit had. They will also check that any

² The higher amount of AWCs visited is in order to spread our reach and build better network and database

funding or aid they receive from us is being implemented properly and to the highest benefit of the children, thus the revisiting schedule will be unknown to the Anganwadi centers themselves.

Third tier: At the end of each Anganwadi mentor’s year contract, we will offer them the opportunity to open their own kindergarten, allowing them access to our franchise model. By this point, EduCom will have a long standing relationship with its mentors, thus will have tighter control over who benefits from the model. Our chapter on Franchise model will further elaborate on this model.

Figure 2: Business Structure



3.3 Value proposition

EduCom is a social enterprise with a solution that improves society as a whole through the education and brain boost of future generations. We intend to bring value to all our stakeholders at every stage of our activities while improving the communities around us. We provide access to a better future to communities through quality early education, and this is where our name “EduCom” comes from. See the Appendix 14 for our Business Model Canvas, where we identified our key advantages, means of operation, our customers and partners. Highlighting our unique value proposition, our main purpose is preparing children of India, poor or rich, for their future by developing their social, cognitive and physical skills. This is why our motto is “Bridging the Gap”, as we plan to increase the social cohesion and progress of the societies we operate in. To that purpose, we will create better and safer conditions for education in AWCs, where children and teachers will be driven by a quality educational program with strong evidence of effectiveness in human development. Parents of children who did not find AWCs appealing will realize that improved facilities able to provide their children with daily nutritious meals and an excellent curriculum for free will make a difference in the opportunities of progress for their family. We believe that millions of people and even all of India will benefit from our proposition. Our franchising will scale and help to create kindergartens and reach

AWCs all over India for building an even more successful, educated and prepared India.

3.4 Tactical Plan

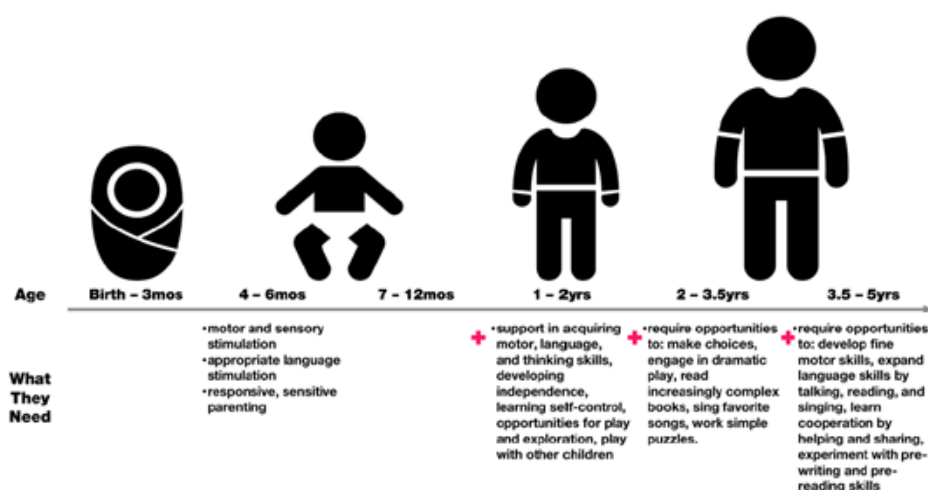
Please see the timeline of the tactical implementation for 2015-2017 in Appendix 15. Initial steps include negotiations with investors and potential partners, such as The Indian Impact, Success for All Foundation or the Akshaya Patra Foundation, as well as the acquisition of donations which already started in March 2015. Negotiations with the Indian government about EduCom’s implementation and its support are planned from July 2015 on. The search for an ideal location and facility for the kindergarten will need to be finished by the end of 2015, so that with the beginning of 2016 the refurbishment of this facility can begin. Simultaneously to that, the training of teachers, assistants and mentors will start. Promotion activities will kick off in January 2016, whereas a special focus and thereby higher investment will lie on the first two to three months. The operation of the kindergarten will start after the teachers’ and assistants’ training is completed in March 2016, with the enrollment level expected to increase over the year to reach full capacity mid-2016. Similar to this, visits and contributions to Anganwadi centers start after the mentors’ training is completed in March 2016. Having a look at the tactical planning of the franchises, it has to be noted that the respective preparation will start in August 2016 with the search of appropriate locations and facilities, a following contracting period with the franchisees in October and the beginning of operations in January 2017. On top of that, the process of evaluating teachers as well as evaluating and controlling the franchises will be an ongoing, continuous process.

3.5 Marketing Plan

Product

EduCom’s product is a service of offering a proper education to children based on innovative, stimulating curriculum, safe encouraging environment and opportunity to help those less fortunate. Reliable ECE practices that have been already tested will be the base to develop our curriculum. EduCom puts the children in the middle of the methodology addressing the needs of children at each stage of their development, as we can see in the figure below:

Figure 3: Needs of children at each stage of their development (The World Bank, n.d.)





For this EduCom will develop a curriculum in partnership with *Success for All Foundation* from a Top-Rated program with strong evidence of effectiveness (Johns Hopkins University , n.d.) called “Curiosity Corner”. This comprehensive cognitive-developmental program developed by the *Success for All Foundation* will be offered by us with their collaboration but customized and oriented to the needs of EduCom. We seek to gain synergies collaborating with an existing and reliable offer. Our goal is ensuring that children receive the appropriate stimulation, diverse experiences and sustained activities that will maximize the development their executive functions. Boosting their memory, cognitive functions, communication and motor skills will develop the attitudes, skills, and knowledge necessary for later school success (Please see Appendix 16 to see more details about the Curriculum). The equipment and material used for this purpose will consist of crayons, pens and pencils, paper, blackboards, clay, puzzles and games in addition to any other material that teachers may find convenient upon our approval. In the Hub and the kindergartens, more expensive materials such as TVs can be used to display multimedia content, while in the AWCs our mentors will focus on the development of traditional games that are enrooted to their communities through the advice of senior members such as grandmothers or grandparents.

Pricing

Pricing is an element that is absolutely key in creating a profitable and successful environment for our enterprise. By benchmarking with other successful kindergartens in India, one can see that we have a high price in comparison. Our price will be justified by our ability to offer excellent quality services, our social purpose, and an innovative curriculum that will emphasize foreign languages. EduCom believes that our strategic location in affluent areas, our marketing efforts, and a rising amount of upper class citizens will provide a sufficient amount of incentives to stimulate demand for our school with the price it has. Furthermore, by having a \$40 tuition fee per month in the first year and 60\$ per month in the following years, we are creating an image of superiority. The lower price in our first year will act as a promotion. We fully intend to have the high cost reflected in our quality and care.

Promotion

In the first year of operation the promotion of our kindergarten will be crucial for EduCom’s success in order to raise awareness for our kindergarten and our social cause. Through promoting especially our social cause (e.g. with the slogan “*Bridging the Gap*”) we aim to achieve a high level of differentiation and to change the purchasing behavior of potential customers, as our customer analysis indicates. As the study from Impact India Partners shows, when promoting corporate social responsibility (CSR) it is important to incentivize customers to become part of a social activity and to create a positive impact (I Impact India, 2015). Therefore our aim is to communicate especially our social cause and to involve the Indian population in social campaigns. To achieve this as efficiently as possible, an investment of \$24,000 will be allocated for the first months, with an additional \$1,000 for the following monthly promotion activities of 2016. Social media advertising was identified as the most effective medium in communicating a social cause in India, with many people sharing information on CSR activities and making others join (I Impact India, 2015). For this reason we place a focus on social media channels, such as an interactive mobile phone applications



and an interactive website where customers can find information on our social cause, donate money, attend competitions and subscribe for active participation in our AWC contribution process. Guerilla³ marketing through this channels is planned, due to its low cost and high reach. With these activities we target especially the so called generation “i”, people aged 18 to 40 years that show a high use of technology and that are positively influencing decision makers in their family towards socially active brands. Since 45% of these people in India have bought a product related to CSR in the last 12 months of the respective study and 37% are more responsive to cause related marketing (such as education) (I Impact India, 2015), this is the audience we need to target in order to be successful in the short-term through their influence and donations as well as the long-term through their high loyalty to socially active companies. EduCom will also focus on traditional promotion and advertising, in order to reach the customer segments aged 40 plus. These are the customers that are likely to bring their children to EduCom kindergartens. Here, our communication will focus on our social investment in education, since they believe that this will better the whole Indian society. While doing so, appearing trustworthy and credible as a corporation is of importance to grab their intention (I Impact India, 2015). Events in our Hub/ kindergarten for example, including food, drinks and games for their children will further raise awareness for our kindergarten and the social cause we are pursuing. Moreover, professional women magazines are a source we will use to spread our advertisement, especially among wealthy mothers. The placement of billboards in wealthy areas will further help us reaching this target group. Word of mouth will play an important role as well, since we believe that satisfied customers will carry their experience to their friends. On top of that, an important promotional activity for our kindergarten is the offering of a cheaper price in the first year: for every enrolled child the parents have to pay only 40\$ instead of the 60\$ that will need to be paid in the following years. Another promotion channel will be the universities: thanks to close cooperation with universities and the fact that we recruit many students from our partner universities we plan to place advertisement on campuses, both for the recruitment of new mentors but also for our kindergarten.

Placement/Distribution

In order to generate the demand that is required for our schools to function, with a comparably high price compared to other kindergartens, we will rely on a higher income segment of the Indian population. For this, the location of our Hub and franchises will be located in affluent areas. Aspects or traits of locations that will benefit our Hub are proximity to business areas, residential, a high GDP per capita, and the availability of infrastructure that will supplement our approach to quality. We will target those parents who are working for the companies operating nearby and incentivize them with our close proximity to them. Our first choice of location will be the *Bandra Kurla Complex*, which epitomizes our choice of locations. It is located in the suburbs of Mumbai, is an industrial area with a residential complex, and is known for its affluent citizens. This location meets our criteria the most: due to the high population of Mumbai, the high amount of universities to cooperate with, Mumbai’s high GDP per capita, the number of AWCs, its demographics, developed infrastructure and proximity to our food

³ A marketing tactic in which a company uses surprise and/or unconventional interactions in order to promote a product or service (Investopedia, n.d.)



supply partner (please see Appendix 17-21 for more information). Furthermore, as the number of franchises that we offer throughout India increases, the market will inevitably become saturated. Because of this, we will plan our expansion into varying locations throughout India, and eventually outside of India, accordingly. Going international is a huge step for EduCom, and would require a variety of pre requisites regarding location. The location would have to have a similar childhood care system that is in need of improvement, the infrastructure, and the human resources. Further information on EduCom's expansion can be found in chapter 4.1.

Physical evidence

In order to demonstrate the quality of our Hub to our customers, persuade them to trust us as their children's' second home, and also to distinguish us from the competitors mentioned above, EduCom has chosen several physical factors to uphold to. In addition, the high standard of these subjects justifies our higher price for services comparing to competitors:

- Safe and clean environment supporting children in development, exploration and self sufficiency
- Appealing ambience with calming and enjoyable color mix
- Spatial layout according to the curriculum, reflecting the educational goals and functionality of the curriculum
- Quality and children-safe equipment and furnishing acquired from My Kids Arena (as well reusable)
- Nutritious food program (based on parents' feedback and consultation with professionals)
- Website (current competitors have complicated and unattractive websites, please see Appendix 22 for the example of competitor's website in comparison to EduCom's website)

Processes

In order to foster confidence and loyalty of parents to EduCom, we will rely on concepts of service delivery through a carefully planned curriculum, schedule, regular controls and evaluation (which is the core of our business), and high quality ECE and kindergartens. The same will apply to taking care of our franchisees, in order to ensure following the code of conduct and avoid losing customers' confidence in our business. This will be done in two different processes; one being regular check-ups and audits by our field managers and also by the IT inter-connection of franchisees systems with ours. This will provide us with the possibility to see into franchisees accounting, suppliers' relationship, customers, etc. Also, we will be able to advise for improvement or optimization. In addition, we will look for customer feedback on a regular basis. We will insist on listening to what the parents and partners have to say and we will take their advice seriously, as they are those who know their children the best. In order to fully grasp their feedback and help, we will give them the opportunity to customize their child's care by e.g. choosing their meal, furniture, toys, etc. As our focus is on business, working people, we would like to simplify some art of information about their children's progress in our Hub by developing a JIT database of children results and progress (Log In button on our website). Here the parents will be able to see the exam/test results, psychological development, art work, etc.



3.6 Human Resources Plan

We value our employees because they are the core of our service. Only bold, smart and motivated *EduComers* can deliver the outstanding education service that we want to offer. We take care of our employees since the very beginning, offering training and a career path that offers support to bring up a new business through our franchisee model. Our employees develop their skills as interns to become teachers. After enough experience and ensuring us of their qualities, we offer them the opportunity to run their own kindergarten, joining our strong network of franchisees and taking advantage of the business and managerial support that EduCom gives them to empower local communities through early childhood education. Our workforce is composed by teachers, assistants, chefs, interns and volunteers which will be distributed along our Hub and franchises in affluent areas and the Anganwadi Centers in which we currently operate. The distribution will be based on the needs of each AWC, which can vary from one to another depending on the size of the facilities and target of children. The positions of teacher mentor, lead teacher and instructional coordinator will be created after they gain experience and get promoted from within our company. We believe in our employees and promoting them is one of most effective ways to retain talent. Our certified teachers, mentors and assistants will be in charge of implementing our curriculum. The duties of teachers are assuring that the goals of the learning process are met and managing assistants, providing instructions to satisfy any support they may need. Mentors will conduct the above mentioned work in the Anganwadi centers, with a rotation cycle of two months among different AWCs.

The training program is implemented to inform our employees, trainees and volunteers about our company, mission and values. For those working at a kindergarten and our mentors, training will consist of developing effective ways to implement the curriculum with quality standards of child care. For those who join the Franchise Program, training and coaching on business management will also be provided to efficiently run the operations of their franchise. Our teachers will be professionals in Education or related fields from local Universities, since it is key that they are used to local culture and traditions. Additionally, we plan to accept non-paid graduate volunteers recruited through local partners, international students' organizations such as AIESEC and Universities for non-paid internships. Prior knowledge of Indian culture and values will be required. They will conduct Information/Marketing campaigns to raise awareness of our project, assist mentors, be hired as teachers if they perform well or apply to EduCom's Franchise Program to be owners of an EduCom kindergarten.

Our main source of supply of HR is going to be Indian universities which we will collaborate with to conduct campus placement services: recruiting events, lectures or posting job and internship offers in their careers site and social networks will be encouraged. However, in addition we will use other recruitment sources such as electronic recruiting through our website's career section, and direct Applicants and Referrals from our teachers and mentors.

The selection criteria will be based on experience and merits. We will look for candidates with high academic performance with an education-related experience, including volunteering and entrepreneurial spirit. The job skills required are communication skills, instruction skills, writing skills, creativity and people skills and will be taken into account on each candidate. After careful consideration only the best profiles will be contacted from the pool of candidates. Our HR Department is guided by the principles of reliability, validity, generalizability, utility and legality and we assure all the procedures are developed with accordance to them.



Our recruiting process will use the selection methods of a cognitive analysis test, a personal interview and a work-sample test, in this order. The first stage of the recruiting process will be an online test or written test to measure candidates' learned reasoning abilities in the three areas most linked to academic success in school: Verbal, Quantitative and Nonverbal. The second selection step will be a personal interview with the HR manager who will assess the motivations and potential of the candidate. In the following step, the candidate will meet with an experienced teacher, who will assess the skills of the candidate in a work-sample test. To ensure objectivity, each phase will be carried out by different persons and the final decision will be reached by consensus from all the interviewers, who will decide if the candidate is successful.

EduCom offers valuable professional experience, with support to fully develop skills and an opportunity to start a business with substantial support to students and professionals in the education sector that are motivated to drive change and make a difference. The career path for an entry level teacher, assistant, intern or volunteer is upgrading to the roles of lead teacher and instructional coordinator. Furthermore, the most successful employees can get access to the positions of school administration and principal of their own kindergarten under the EduCom franchisee. For that role, we will provide the training and counseling needed to run a business and compatibility, and an extra compensation.

After doing pay benchmarking from our competitors, we found that the range for a Mid-career Preschool Teacher salary in India goes from the minimum R95,865 to maximum R250,536 per year, the average salary being R179,572 per year (= R15,000/month) (PayScale, n.d.). We want to attract the most talented and professional teachers that will be able to offer a quality service to a demanding target that will be our customers in affluent areas, and retain them with an attractive compensation. This is why we will pay an above-the-average salary of R220.800 (around \$290/month) to our Hub teachers, together with a merit pay that will be provided in the long-term and based on years at our company and performance.

Regarding to the salary of the assistants at EduCom, we found that the average salary for a Nursery Teacher in the primary education industry of India normally makes R60,000 (= R 5,000/month). We will pay more than the average for the same reasons, offering R96,000 (around \$125/month). A merit pay will be offered to incentivize them to stay for the long-term as well. Our Anganwadi Mentors will receive a salary of R106,200 (\$140/month), which is the standard for an Entry-Level Preschool Teacher in India.

According to the Indian labor law, a standard labor day lasts for 8 hours with a minimum rest of 30 minutes per 6-hour, 48 hours per week with 100% premium pay for overtime. For most jobs in India week begins on Monday and ends on Saturday, being Sunday a rest day (Ministry of Labour & Employment , 2015). Our workers will work full-time in accordance with the regulation, 48 hours and six days per week. For compensation package offered to our employees, please see Appendix 23.

The founders of the enterprise and Managers of Board of Directors will be in charge of the Departments of Human Resources, Marketing and Sales, Finance and Accounting and Operations. HR manager will be in charge of the recruiting process, administration, staff development with the Lead Teachers and employee relations. The Marketing and Sales Manager is key to control the franchise system and brand awareness through advertising, market research, CRM duties. In order to assure excellent relations with the government and



the local communities where we will be established, our Marketing manager will also be in charge of a public relations role that is relevant for the development of our business. The Department of Finance and Accounting will monitor the expenses and revenues of our business always keeping in mind expansion and strategic decisions. Operations will manage the supply chain, the purchase of supplies and procurement. Please see EduCom's Organizational Chart in the Appendix 24 and Team Profile in Appendix 25.

3.7 Operations Plan

EduCom's curriculum is developed by ECE psychology professionals, providing us with cutting-edge practices based on scientific research to take care and boost the abilities of children.

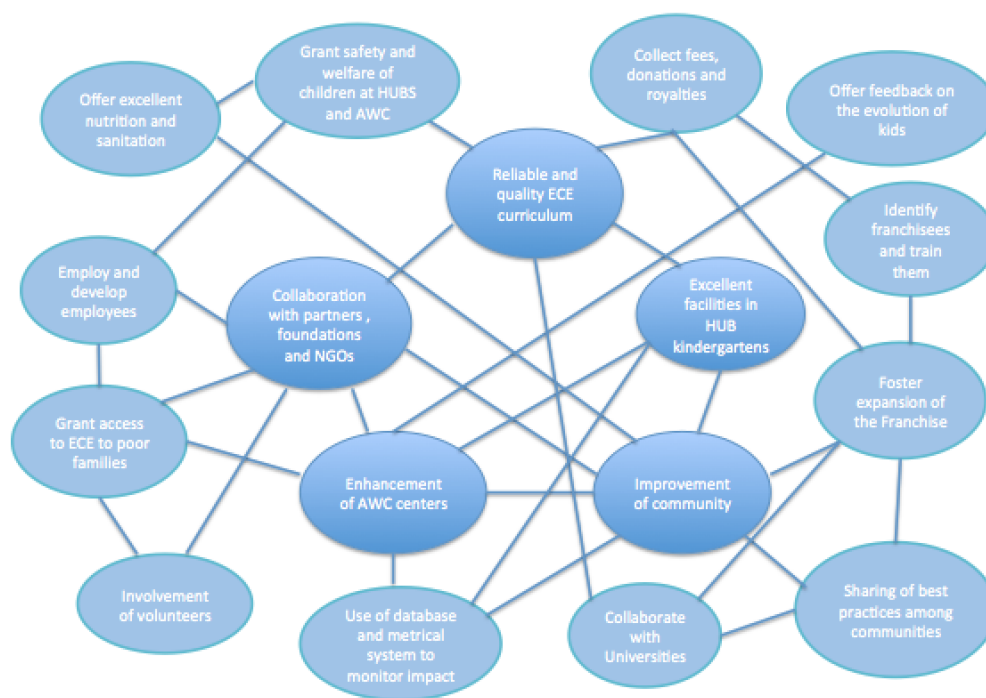
Our teachers and mentors at the Anganwadi centers will register the children and their parents in the EduCom database, where we will have general facts and information regarding health conditions and the educational progress of the kids. The collection, processing and analysis of the data is conducted in partnership with Impact India Foundation. Since they already monitor AWCs, this partnership with them will ease our entry to the market. We will develop our metrics system with them, measuring our impact to offer educational reports on the status of the development of kids to their families while tracking the effectiveness of teachers and caregivers. Thus, this data enables EduCom to conduct better planning and management of existing students and new Hubs or AWCs. In addition, we will collect data on children attending AWC in order to track our performance and apply it for future evaluation.

EduCom does not plan to have inventories since we will follow a Just In Time strategy. Regarding to the food and drink provided, inventories are intentionally avoided in order to obtain fresh food on a daily basis. The assistants will be in charge of finding the closest and most reliable source of provision of quality food supplies. All the cooking will always be done during working hours and following the instructions of maximizing the prevention of diseases, hygiene and nutrition. Teachers will be in charge of assessing the quality of the food provided by the assistants before feeding the kids, making sure that everything is in accordance with the standards of EduCom.

The academic term will follow the usual calendar in India. During the normal academic term, EduCom will offer an all-day kindergarten program at all of our Hubs, and a half-day kindergarten program will be offered at some of our schools upon demand. The curriculum's objectives and assessments for all the programs will be the same. However, the all-day kindergarten program allows more time for instruction, enrichment, reinforcement and intervention. The hours for both program options are as follows: Half Day from 9 to 12 AM or 1 to 4 PM (3 hours in total), or All Day from 9 AM to 4 PM (six hours with a one hour break). Fees for the different shifts will be the same, with the half a day program costing half the price of the full day program. Teachers and assistants will conduct the care and teaching of the kids depending on the Day option through games, singing, dancing, painting or the relax rooms prepared for the kids. Teachers will have access to the database of the kids, where they will monitor the evolution of the kids and will provide tips for their parents, who will receive the feedback from the teacher regularly. In addition, teachers will meet with the parents once each quarter to ensure the correct evolution of the kids.

In order to successfully implement our curriculum, we will have the visit of specialists from the “*Success for All*” Foundation who will train our teachers and will conduct regular controls based on quizzes and observation of our teachers, assistants and mentors.

Figure 4: Activity Map



3.8 Franchise Model

Overview

At the end of each Anganwadi Mentor’s one year contract with us, EduCom will give these Anganwadi mentor’s the chance to create their own business, using our know-how, a proven business model, and established relationships in their corresponding areas. These Anganwadi mentors will come from internally, yet EduCom will also provide opportunities to possible Franchisee’s from external sources. Because of this, our selection process for Franchisee’s will need careful consideration to emphasize the importance of finding appropriate franchisees. EduCom will pay for a part of their start-up expenses, which will be \$10,000, and use our extensive connections to Universities across India to provide them with their own Anganwadi mentors. EduCom will also handle all marketing expenses for our franchisees and consult them on strategic locations to open their Hub. Essentially, we are offering students a job right out of University, then offering them a chance to build their own profitable business, while giving back to their communities and bettering their country. In 2017, we expect 50% or four out of eight Anganwadi mentors to take our franchise offer. In case less than four Anganwadi mentors are willing to start a franchise we will emphasize on acquiring external franchisees. In 2018 we will open eight franchises, and from 2019-2021 we will open 10 franchises each year. Every franchisee will have to hire six full time teachers with a total fixed salary of 20,160\$, two assistants with a total fixed salary of 2,904\$, meet our standards of teaching, sanitation, infrastructure, and comply with our random auditing. They will have to spend 20% of their



revenues on contributions to the AWCs, including the wages for eight Anganwadi mentors they need to hire and additional contributions for the betterment of the AWCs. On top of that, they need to forfeit a portion of their revenues in royalties (7%) to EduCom, which will be approximately 9,643\$ each year. Their Anganwadi mentors will receive the same contract as ours and will commit to the same duties. With an expected 168 children enrolled at their kindergarten, the franchise's forecasted net income is 17,333\$ per year (Appendix 26), showing their profitability.

Policies

Franchisees will agree to a series of policies that will be laid out in a contract that they must sign before operating under our business model. An example of such a contract can be found in Appendix 38. Among these policies will include random auditing by our employees to check business operations and standards, a guarantee of social focus (must reinvest a total of 20% of their revenues to Anganwadi centers, mentors, and the local communities), must operate under our innovative and modern curriculum, and have a communication guideline set in place with HQ that will ensure flow of information and ideas. Also minimum duration of the contract is established two years, renewable. They will agree to operate in a location designated by EduCom, will conduct supplemental tutorial education in accordance with our methods for enrolled students, and will use EduCom's instructional and administrative materials and its proprietary marks, names, and symbols.

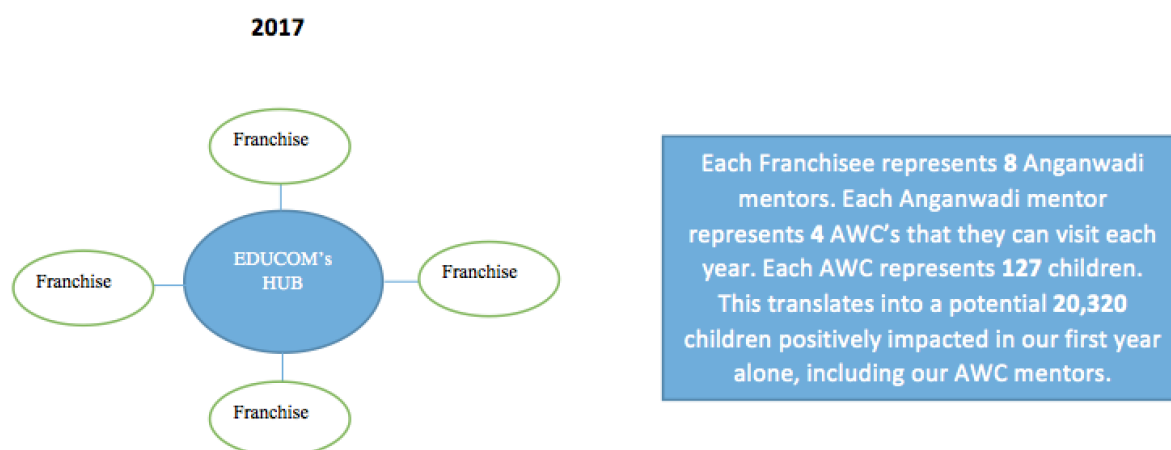
Training

Training for those selected to take on our franchise model will take place in our Hub during the first month of every year. It will consist of informational as well as expertise building sessions with know-how and practical information being passed along from our Human Resource Director. Each franchisee will subsequently be closely monitored with frequent communication the following month after they implement EduCom's model. EduCom sees this training period as integral in the sustainability of our business model.

EduCom's Commitment to Franchisees

As part of our agreement with franchisees, we will take certain measures to help determine their success, and in turn, our success. As mentioned earlier, we will invest \$10,000 into their own Hub, require only a small amount in royalties, and fund nationwide marketing activities. Especially the small amount of royalties will be a competitive advantage to other Indian kindergarten franchises, which charge more than 20% of royalties. We will aid with their human resources, allowing them to benefit from our extensive connections to Universities and the education industry in India as a whole. Of course, our innovative curriculum and business plan will facilitate a painless and effortless transition into profitability for their business.

Figure 5: Franchise Model in year 2017



3.9 Financial Plan (Appendix 26 - 34)

Source of Funds

The main source of funds for the first year of operations will come from family, friends and company operating members, amounting to \$200,000. The fact that EduCom is able to operate without external funding in the first year is a big advantage, since it indicates the low initial investment needed, the low dependence on external stakeholders and the higher control for EduCom. In addition, a healthy operation in the first year will ease the acquisition of external funds for following years. In the second year a bank loan of \$100,000 will be taken out to cover the high investment in opening new franchises. This loan will be paid off after ten years, with a 10% interest rate payable at the end of each year. On top of that, we expect to receive donations from other organizations, the Indian government or the general public of about \$100,000. As can be seen in Appendix 29 and 33, these funds are mainly needed to cover the cost for advertising (\$24,000), website set up (\$5,000), implementation of the curriculum (\$10,000), refurbishment of the facility (\$10,000) and equipment (\$20,000) in the first three months of the operation. Therefore, a successful acquisition of each source of funding is important, but in case of unforeseen circumstances, adjustments in each amount can be made. In the negative scenario of not receiving the bank loan or receiving less donation, there are alternative actions such as lowering the investment in new franchises through slowing down the expansion pace or acquiring more funds through different sources, such as stocking up the funds from family, friends and company operating members. Also, the cash flow statement (Appendix 32-34) indicates that less than the acquired amount of funds is needed to ensure operations.

Revenue Structure

There are two revenue streams in EduCom's operations: the first one is the revenue occurring through teaching children at our Hub, and is essential to cover our expenses especially in the first years. Since it will take two months to refurbish and equip our facility, the operations of the kindergarten and therefore the inflow of its accompanying revenues will start in March 2016. An increasing amount of enrolled children over the first months is likely, with full capacity being expected to be reached by June 2016. After full capacity is reached, this revenue



stream is expected to stay stable on one level. The tuition fee will be \$40 per month child in the first year and \$60 per month the years after, with the whole years amount being payable in the month of enrollment. On top of that there will be an enrollment fee of \$100 per child, payable only once and in the month of enrollment. The second revenue stream is the royalty fee collected from our franchises. Every franchisee will need to pay a 7% royalty fee on all revenue collected through tuition fee and enrollment fee. This royalty fee is low in comparison to competitive kindergarten models, offering an incentive for franchisees while still being an important revenue stream for EduCom. With full capacity of a franchisee's kindergarten, this sum is expected to be around \$9,643 (Appendix 26), which also indicates that the \$10,000 investment in the franchises will be recovered in the second year of a franchisee's operation. Over the years this source of revenue becomes more important, since we expect to open up an increasing amount of franchises, which increases the revenues through royalties dramatically. Appendix 30 displays the increasing importance of royalties as a share of our revenue, with revenues through royalties overtaking the revenues through the Hub in 2018. EduCom is expected to experience a negative net profit in the first two years of operation since the revenues are not high enough to cover the startup cost. But with an increasing revenue stream of royalties, the net profit begins to be positive from year three on, with a strong increase over the following years (Appendix 28).

Cost Structure

The direct cost of revenue, which includes wages for six teachers and two assistants as well as miscellaneous materials account only for around 11% to 15% of total cost over the period from 2016 to 2020. The rest of the expenses are mainly entrepreneur salaries (with an average share of 26%), rent (20%), advertising expenses (16% in 2016) and the investments in the Anganwadi Centers (13%), including the salary for Anganwadi mentors but also charitable contributions to the centers such as furnitures, equipment etc. In order to increase our impact on the Anganwadi Centers, these charitable contributions will increase over the years, assuming that EduCom's financial situation is stable. Whereas the cost of amortizing the investment in opening new franchises (\$10,000 per new franchise) is low at the beginning, this cost rises to over 25% of total cost in 2020 - due the increasing amount of franchises to open: The expected expansion of our franchise model all over India will drive up the necessary investments, as will be further explained in chapter 5.1. Appendix 31 gives an overview of the above mentioned cost structure in relative terms and its development over the years.

The financial data (Appendix 26-34) proves that our business model is: (a) sustainable through two revenue streams, with especially the revenues from royalty fees showing a strong increase over the years; (b) flexible through the fact that a big share of cost, such as the investment in new franchises and the contributions to AWC can be cut down immediately in order to react to unforeseen circumstances or losses; (c) profitable with a positive net income from 2018 on and positive cash flows from 2019 on; and finally (d) contributing to the social welfare through not only directly investing a high amount in the Anganwadi Centers but also spreading this positive impact all over India through its franchises. Usually a company's ROI is measured with its profitability. As can be seen in the positive net income, EduCom does operate profitably. We at EduCom believe that for a social enterprise the social ROI is even more important. Given

the projections in chapter 4.2, EduCom is expected to better the education, food supply, health care and sanitation for approximately 400,000 children by 2020 - with a \$2,000,000 investment. This shows EduCom's positive impact on the Indian society and the high social ROI of EduCom's operations.

3.10 SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> · Business experience, knowledge and international focus · Established contacts with the supporters / partners of the project · Detailed information / knowledge of possible new entrants and their business models · Entrepreneurial aspirations · Positive forecast and support by renowned professionals in the industry · Cultural assertiveness and adaptability · Scalability of the project · Franchise model allows fast expansion · Low dependence on external funding (flexibility and control) · The opportunity to become entrepreneur is a big incentive for graduates and helps recruiting high potential employees 	<p>Weaknesses</p> <ul style="list-style-type: none"> · Lack of knowledge about ECE and child development itself · Operating remotely (Barcelona-Mumbai) · Lack of government contacts essential for starting the business · Lack of experience with franchise system and control of thereof · Legal / administrative difficulties in starting up a company in India · High amount of initial investment
<p>Opportunities</p> <ul style="list-style-type: none"> · High population of children 0-6 & high amount of AWC needing improvement · Growing BOP and emerging markets · Increasing global awareness of importance of ECE · Inclination towards international quality by local citizens · No competition in AWC improvement sector currently · The cooperation with Indian Impact eases the market entry and offers valuable support · Affordable prices of equipment · Importance of primary education in India is an opportunity to build synergies with the public sector. 	<p>Threats</p> <ul style="list-style-type: none"> · Dense competition among affluent kindergartens with long history and reputation · High corruption, difficult cooperation and regulations of Indian government · Lack of willingness to change among existing AWC workers · Persuasion of parents to sign their children into AWC ECE (as some of the children bring an income to family) · High risk on (S)ROI due to the market conditions and BOP operations · High prices of real estate market · Importance of hiring and retaining excellent teachers



4. FORECASTS AND PROJECTIONS

4.1 Future Expansion

Due to EduCom's franchise model, we expect a quick but solid expansion all over India. After the first year of operation, four franchisee's will open up a new EduCom kindergarten in 2017 based on a moderate forecast, most of which are expected to be previous Anganwadi mentors with the possibility of external persons. To open up these four franchises a \$40,000 investment will be needed from our site at the end of 2016 (\$10,000 per franchise). The successful implementation of these first franchises and additional advertising efforts are crucial to promote our business model all over India and to attract further franchisees, aiming to open up eight more franchises in 2018. To ensure a healthy and sustainable growth of our business the expansion of new franchises will be restricted to open up 10 new franchises each year. This will also ensure to narrow down the increasing need for logistics and consultation as well as to set a limit to the investments needed. Therefore an expected 32 franchises will be opened by 2020 (Appendix 35 shows our forecast of investment in franchises). For the allocation of these franchises, EduCom will focus on spreading them all over the big cities in India in the very first years. Having a franchise in every big city in India will raise awareness for our business model and attract further franchises. Consulting our franchise partners in finding the most appropriate location for their kindergarten is an important part of our support. Here, especially the population of the city, its proximity to the universities that we will cooperate with, its GDP per capita, the number of AWC close by, its demographics, the position of competitors, possibilities of infrastructure, cost of rent and proximity to our food supply partner (Appendix 17) are the most important criteria. Appendix 18 shows the concentration of universities in India: The targeted cities need to have a high concentration of universities and need to be home to the universities we plan to partner with. Through placing our franchises in cities with a higher GDP per capita we assure that demand and purchasing power is given in the population of these cities (Appendix 19 and 21). Furthermore, a high amount of Anganwadi centers in the surrounding area is important, since these need to be attended to through every franchise (Appendix 20). Through analyzing this criteria, especially New Delhi, Chennai and Lucknow were identified as potential locations for first expansions. The second expansion wave will target the cities Ahmedabad, Hyderabad and Kolkata, as can be seen in the expansion map in Appendix 36.

The focus of EduCom's operations in the first five years lies on India because of its immense market size. After successful expansion in India, other countries in need of a better early childhood education could be targeted as well. When considering other markets, it is important to analyze whether similar trends to India exist. Especially the respective country's policies regarding childhood education is a significant criteria since an existing infrastructure such as community centers are the basement of EduCom's business model. A middle and upper class that is willing (and wealthy enough) to send their children to a kindergarten is a necessary criteria. This severely narrows down the selection of appropriate countries. Africa and South America appear the most attractive due to their high need for early childhood education and the growing middle and upper class. The policies and measures regarding early childhood education in these countries are less developed than in India and therefore an implementation of EduCom's business model will need to be adapted to the respective conditions - based on



intensive market research.

4.2 Projection of EduCom's social impact

The estimation of the total amount of kindergarten franchises EduCom will own by 2020 provides a basis for an estimation of EduCom's social impact. As we aim to reach as many children in AWCs as possible, the social impact will be measured through the total amount of children reached. To forecast this impact following assumptions have been made: Every AWC hosts 127 children on average; every kindergarten (as well as EduCom's Hub) reaches 32 AWCs every year (based on the fact that every kindergarten employs eight Anganwadi mentors, of which everyone visits four new AWCs every year). As shown in Appendix 37, this leads to an estimated amount of 304,800 children being directly reached through EduCom's operations. Additionally, the indirect reach needs to be taken into account. Here, the assumption is that 20% of the children in the previously visited AWCs leave these centers every year since they exceed the age of six years - and these children will be replaced by new children that have not visited any AWCs before. This "children turnover" rate turns into another estimated 55,000 children being reached by 2020. Another indirect impact is the expected increase in attendance of the AWCs - since the offered education and services such as food, healthcare and sanitation attracts an increasing amount of children. This increase is expected to become effective a year after our first visit to the respective AWC, and is higher in the AWCs that were visited by EduCom's mentors at first (therefore the decreasing percentages over the years in Appendix 37). The amount of additionally reached children through this indirect impact is estimated to be around 40,000. This translates into an expected 400,000 children in more than 1,000 AWCs being positively impacted through better education, food supply, health care and sanitation by 2020 - thanks to EduCom. Furthermore, since 20% of the franchises revenue will be invested in contributions to the AWCs the amount that each franchise invests in AWCs is estimated to be \$27,552 per year. This adds up to a total investment of more than \$2,000,000 of all franchises and EduCom's Hub by 2020. Compared to the \$300,000 initial investment needed for the operations of our enterprise, this is an incredible figure that further underlines the high social ROI of EduCom.

4.3 Key Performance Indicators

Below is a list of indicators that EduCom will use to measure our performance. All information will be recorded by our AWC mentors during their construction of our metric system.

- Increase in attendance of children (in the kindergarten and the AWCs)
- Total amount of children reached in AWCs per year
- Increase score of our standardized test and given to students based on their age
- Survey questioning perceptions of change that EduCom has contributed to
- Survey questioning parent's satisfaction regarding our Hub and kindergartens
- Number of franchises opened per month/year
- Key performance ratios
- Total contributions to AWC (in US\$)
- Amount of time spent visiting the AWC through our AWC mentors (per visit and total per year)
- Employee turnover rate

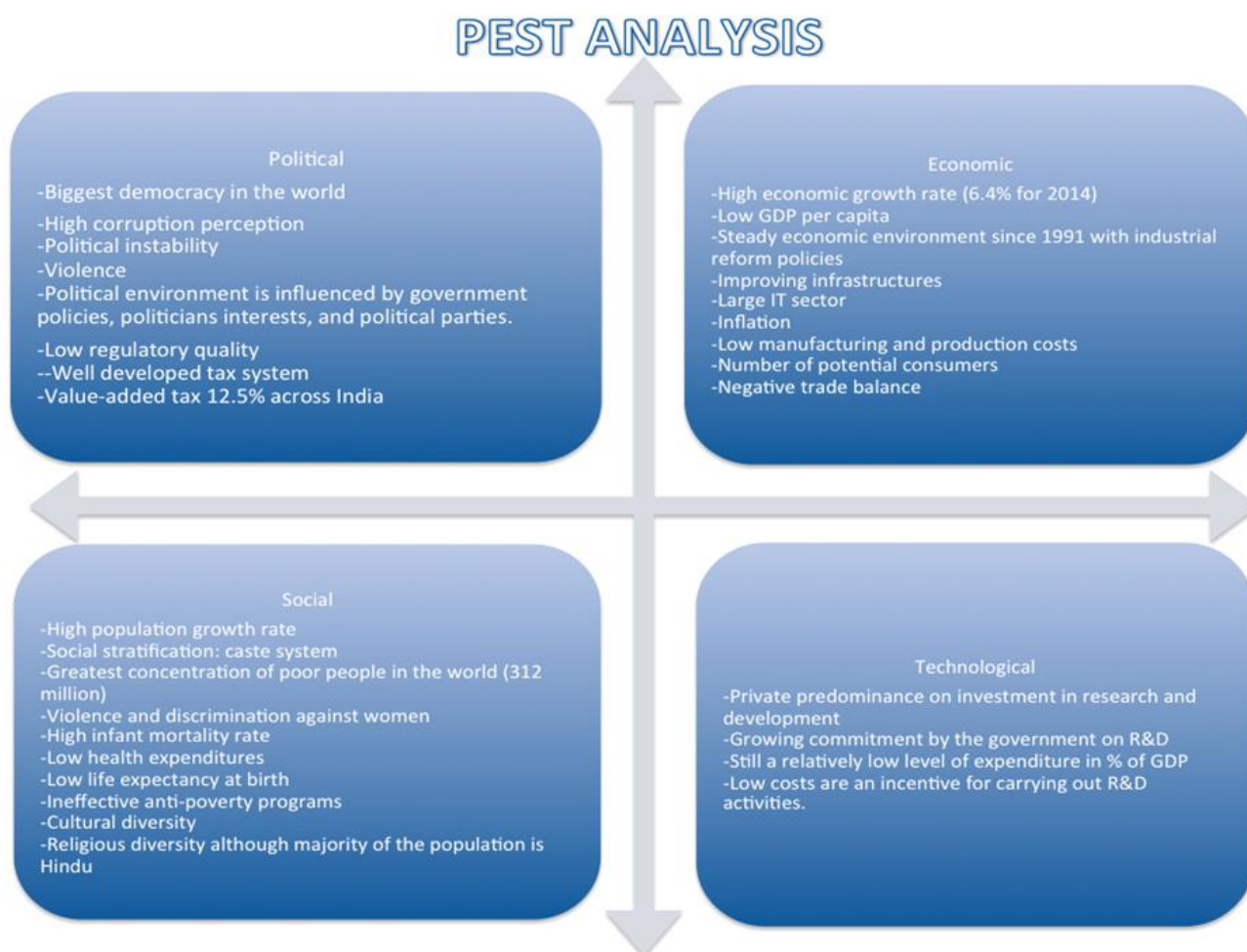
4.4 Contingency plan

Potential Risk	Description	Level of risk	Probability	Mitigation	Max. possible loss
Government reluctance to cooperate	ICDS is a governmental sector that owns AWCs, and may not allow substantial intervention from a private company as EduCom	High	Medium	Joint venture with NGO operating in the field of ECE in AWCs, offer them our services and suggest our business model apart from their operations (e.g. Indian Impact)	The business itself does not lose any revenue or customers, but the main purpose of our social enterprise, helping less fortunate children educate, will perish.
Potential customers of Hub rely on traditional ECE	EduCom's curriculum will be based on innovation, however some parents would rather continue with traditional way of learning, with traditional kindergartens they personally know	Medium	Low	Prove the effectiveness of our curriculum, support it by research and professionals in the area of ECE, incorporate several traditional components such as learning Hindu, Indian books, authors, etc.	Loss of portion of the customers, lower revenues, less investment in AWCs and franchise model, i.e. slower expansion.
Absence of children in AWC	Due to an impoverished situation of families in slums and the opportunity cost of giving the child to attend the AWC instead of bringing a portion of revenue, some parents may opt not to provide their children with ECE in AWCs	Medium	High	Raising awareness of importance of ECE through community involvement, employment offers, event organization / releasing the burden of food provision by offering nutrition program. Cooperation with local community leaders, negotiating for their endorsement.	Efficiency of our operations will reduce, reaching less children while making the same effort, our grapevine will shrink and the community acceptance will be jeopardized.
Market saturation	Indian market is quite saturated with similar businesses as EduCom, providing high quality ECE, some of them international as well.	High	High	Diversification as a social enterprise, cooperation with universities, customized services, individual education approach	Losing the substantial market share would prevent us in successful operation, and would not generate enough revenue for assisting the AWCs

(Ministry of Women and Child Development, n.d.) & (Indian Impact, n.d.)

5. APPENDIX

Appendix 1: PESTLE Analysis



Appendix 2: Corruption Perception Index

RANK	COUNTRY	2014 SCORE	2013 SCORE	2012 SCORE
80	Bosnia and Herzegovina	39	42	42
80	El Salvador	39	38	38
80	Mongolia	39	38	36
80	Morocco	39	37	37
85	Burkina Faso	38	38	38
85	India	38	36	36
85	Jamaica	38	38	38
85	Peru	38	38	38
85	Philippines	38	36	34
85	Sri Lanka	38	37	40
85	Thailand	38	35	37
85	Trinidad and Tobago	38	38	39
85	Zambia	38	38	37
94	Armenia	37	36	34
94	Colombia	37	36	36
94	Egypt	37	32	32
94	Gabon	37	34	35

(Transparency International, 2014)

Appendix 3: India GDP Annual Growth Rate



SOURCE: WWW.TRADINGECONOMICS.COM | MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (MOSPI)

(Trading Economics, 2015)

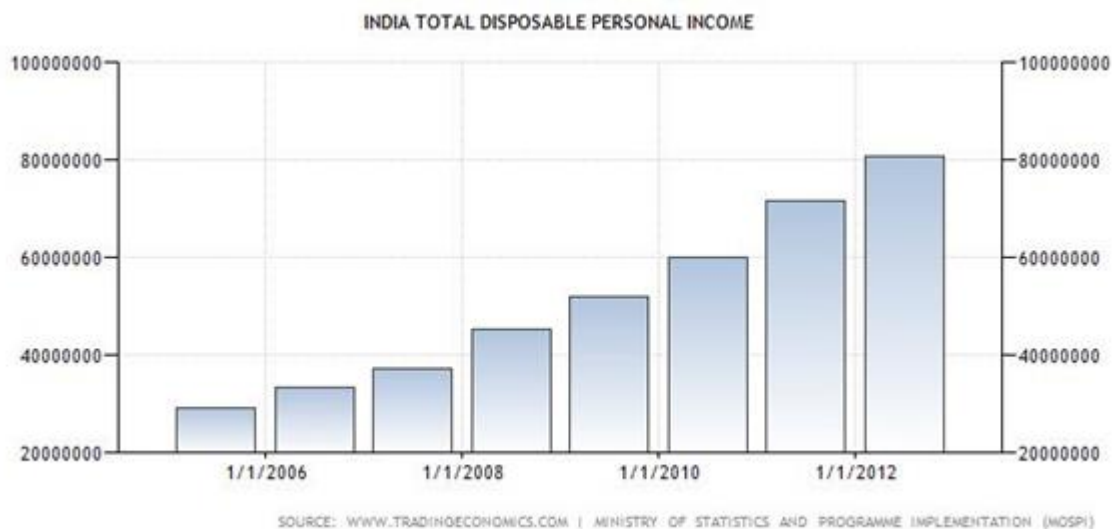
Appendix 4: Worldwide projected economic growth until 2050 based on PPP

Table 1: GDP at PPP rankings

PPP rank	2014		2030		2050	
	Country	GDP at PPP (2014 US\$bn)	Country	Projected GDP at PPP (2014 US\$bn)	Country	Projected GDP at PPP (2014 US\$bn)
1	China	17,632	China	36,112	China	61,079
2	United States	17,416	United States	25,451	India	42,205
3	India	7,277	India	17,138	United States	41,384
4	Japan	4,788	Japan	6,006	Indonesia	12,210
5	Germany	3,621	Indonesia	5,486	Brazil	9,164
6	Russia	3,559	Brazil	4,996	Mexico	8,014
7	Brazil	3,073	Russia	4,854	Japan	7,914
8	France	2,587	Germany	4,590	Russia	7,575
9	Indonesia	2,554	Mexico	3,985	Nigeria	7,345
10	United Kingdom	2,435	United Kingdom	3,586	Germany	6,338
11	Mexico	2,143	France	3,418	United Kingdom	5,744
12	Italy	2,066	Saudi Arabia	3,212	Saudi Arabia	5,488
13	South Korea	1,790	South Korea	2,818	France	5,207
14	Saudi Arabia	1,652	Turkey	2,714	Turkey	5,102
15	Canada	1,579	Italy	2,591	Pakistan	4,253
16	Spain	1,534	Nigeria	2,566	Egypt	4,239
17	Turkey	1,512	Canada	2,219	South Korea	4,142
18	Iran	1,284	Spain	2,175	Italy	3,617
19	Australia	1,100	Iran	1,914	Canada	3,583
20	Nigeria	1,058	Egypt	1,854	Philippines	3,516
21	Thailand	990	Thailand	1,847	Thailand	3,510
22	Egypt	945	Pakistan	1,832	Vietnam	3,430
23	Poland	941	Australia	1,707	Bangladesh	3,367
24	Argentina	927	Malaysia	1,554	Malaysia	3,327
25	Pakistan	884	Poland	1,515	Iran	3,224
26	Netherlands	798	Philippines	1,508	Spain	3,099
27	Malaysia	747	Argentina	1,362	South Africa	3,026
28	Philippines	695	Vietnam	1,313	Australia	2,903
29	South Africa	683	Bangladesh	1,291	Colombia	2,785
30	Colombia	642	Colombia	1,255	Argentina	2,455
31	Bangladesh	536	South Africa	1,249	Poland	2,422
32	Vietnam	509	Netherlands	1,066	Netherlands	1,581

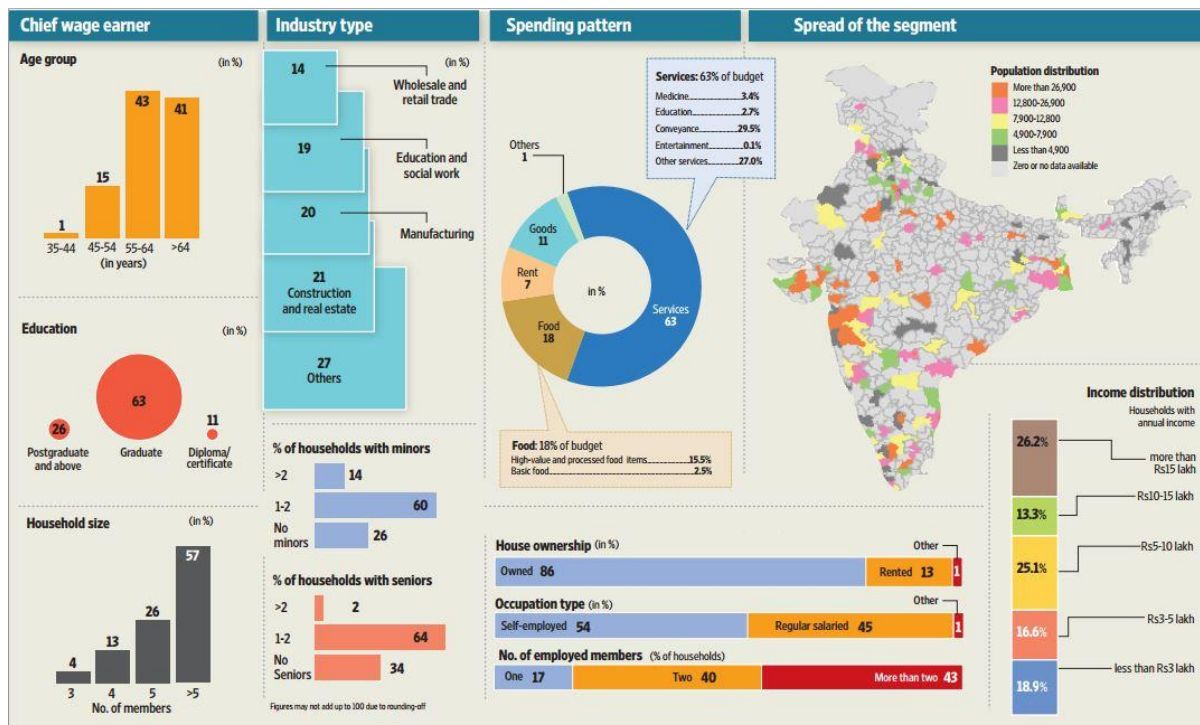
(PricewaterhouseCoopers , 2015)

Appendix 5: Increase in Disposable income



(Trading Economics, 2015)

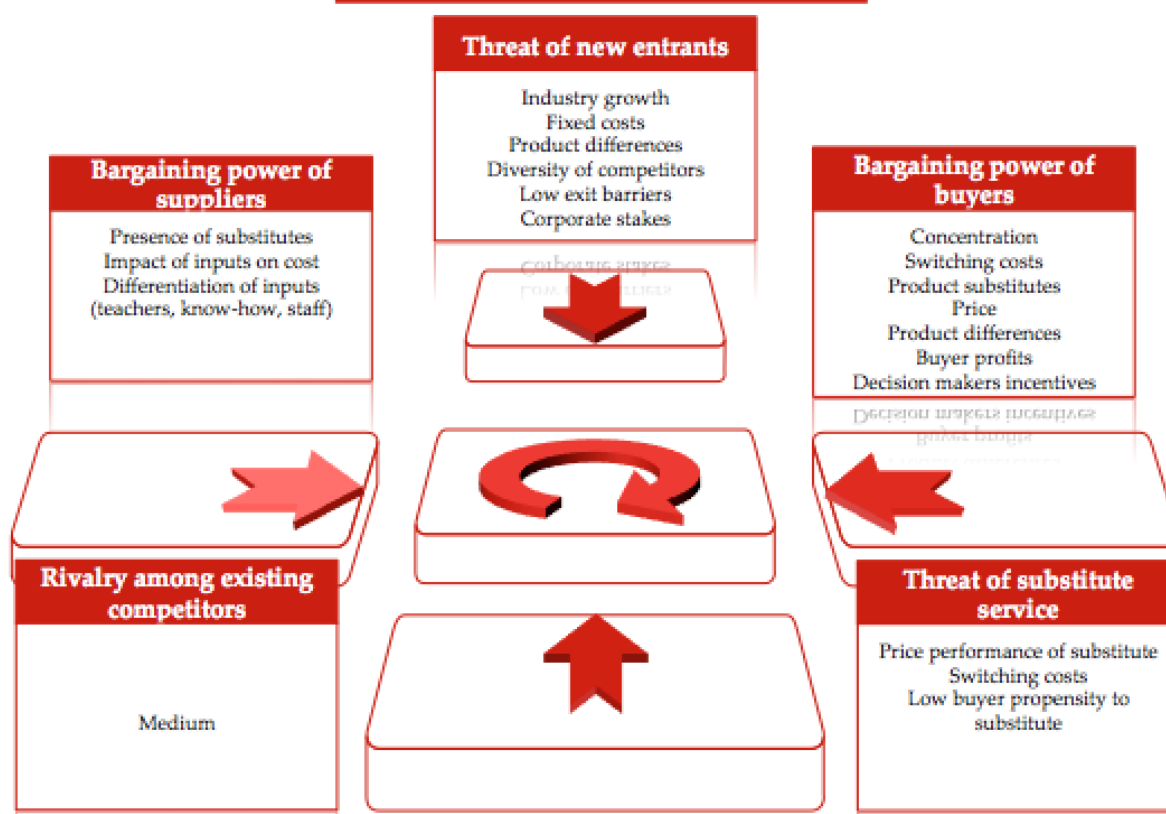
Appendix 6: Market segmentation



(Indicus Analytics Research, 2010)

Appendix 7: Porter's Five Forces Analysis

Porter's five forces

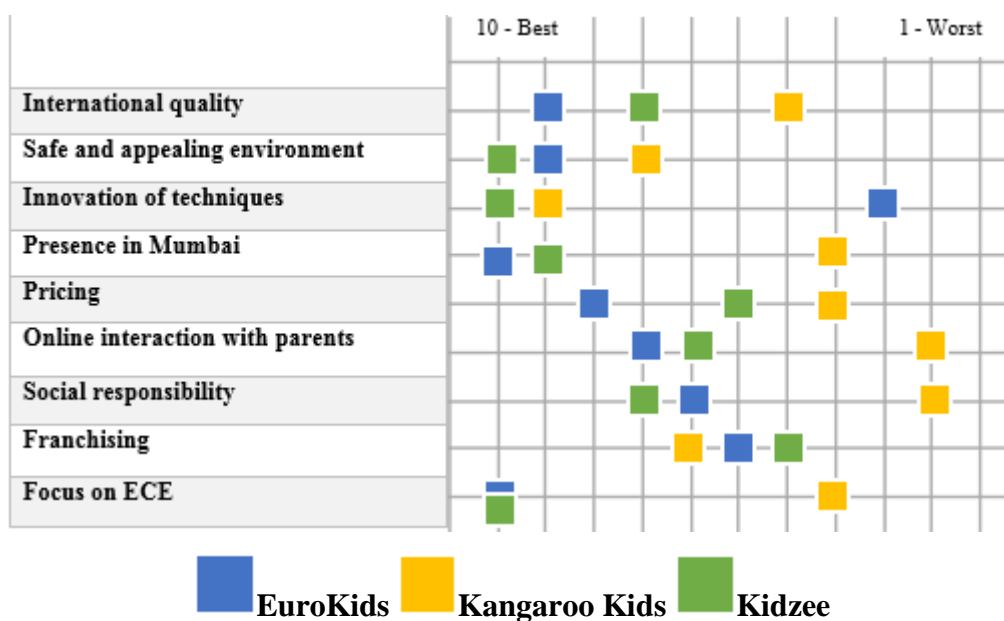


Appendix 8: Competitor benchmarking charts

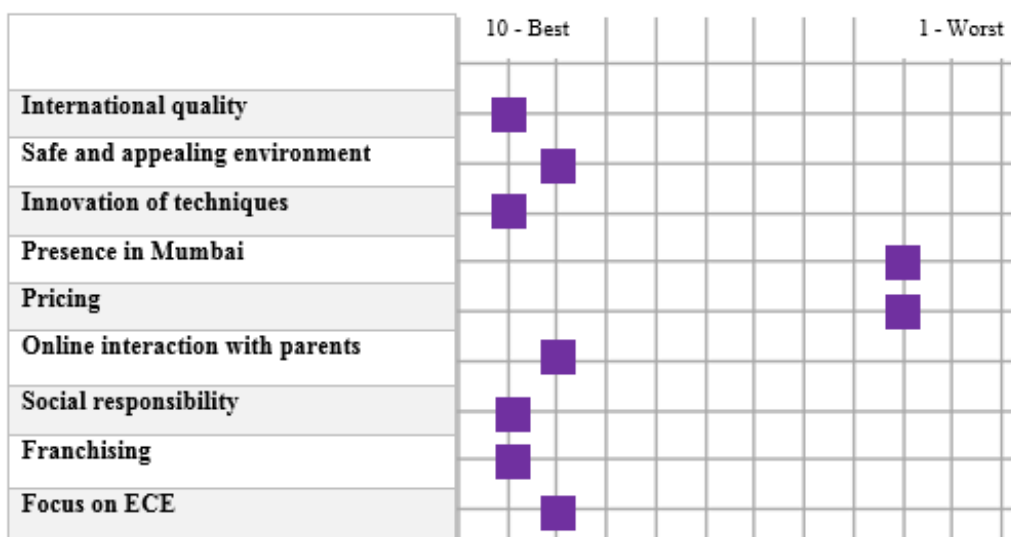
Competitors analysis



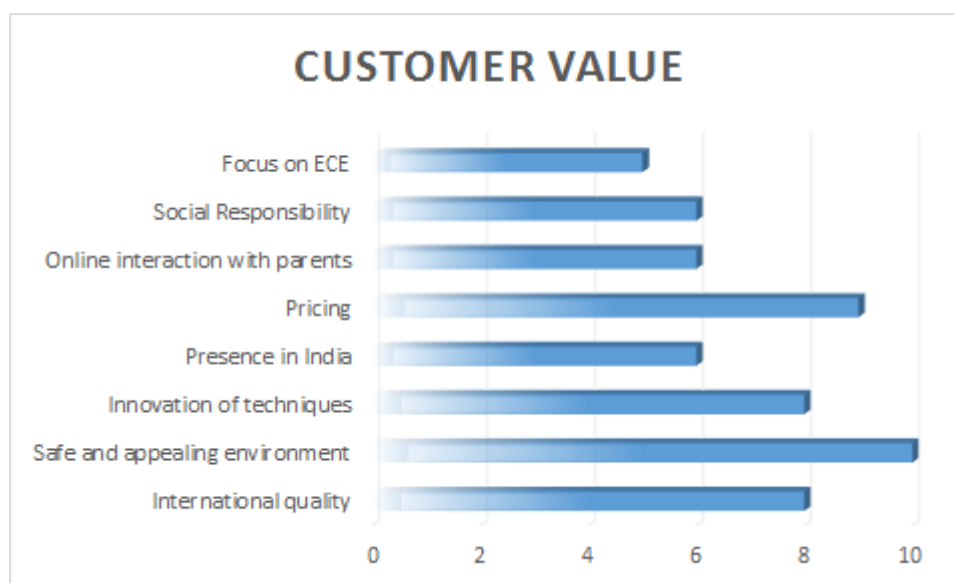
(Netscribes, 2009)







Appendix 9: EduCom's position in the market



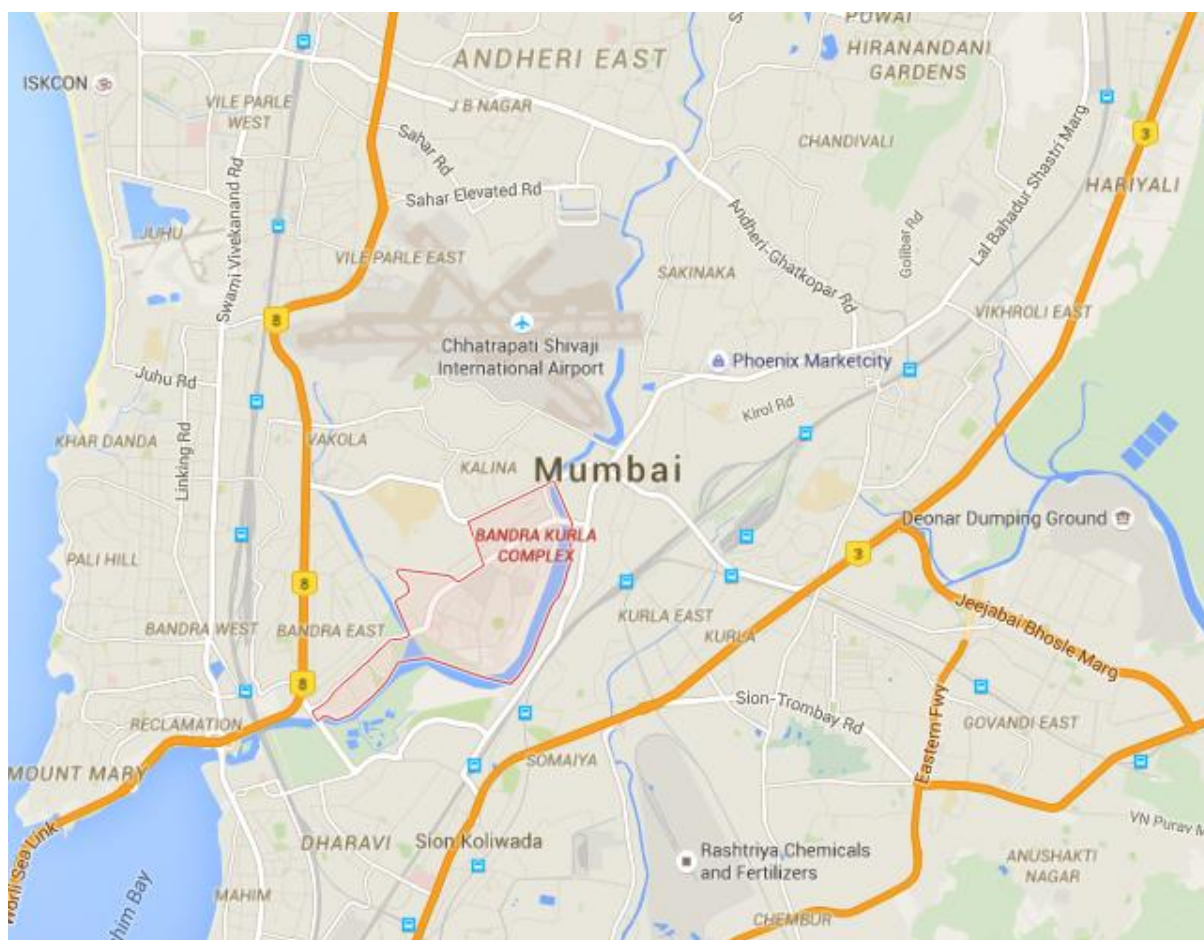
Appendix 10: Customer Value chart



Appendix 11: Our Partners

<p>Indian Impact Foundation</p> 	<p>Indian Impact has been working with the Indian government for years and have access to AWCs where they monitor their most important features. By collaborating with Indian Impact with we ease our entry to the market. We develop our metrics system with them in order to detail where AWCs are and what they need (Indian Impact, n.d.).</p>
<p>Akshaya Patra Foundation</p> 	<p>The Akshaya Patra Foundation is a not-for-profit organisation headquartered in Bengaluru, India. The organisation strives to fight issues like hunger and malnutrition in India by implementing the Mid-Day Meal Scheme in the Government schools. We will partner with them to use their food distribution network and work with them to bring food to AWCs across Indian (Akashaya Patra, n.d.).</p>
<p>Integrated Child Development Services (ICDS) of Indian Government</p> 	<p>ICDS is an Indian government welfare programme which provides food, preschool education, and primary healthcare to children under 6 years of age and their mothers. These services are provided from Anganwadi centres established mainly in rural areas and staffed with frontline workers. EduCom must collaborate with this government agency to gain access to their Anganwadi centers. We must convince them that we will add value and will not profit from our operations with them (Ministry of Women and Child Development, n.d.).</p>
<p>Success for All Foundation</p> 	<p>Their curriculum is developed based on scientific data and research with the John Hopkins University. We will partner with them to gain synergies from their know-how and develop a tailor-made curriculum adapted to our needs (Success For All, n.d.)</p>

Appendix 12: Bandra Kurla Complex in Mumbai, India



(Google Maps, 2015)

Appendix 13: Example of Enhancement Checklist for an Anganwadi Center

Infrastructure	<input type="checkbox"/> Drinking Water (Quality) <input type="checkbox"/> Soap to wash hands <input type="checkbox"/> Floor mats <input type="checkbox"/> Weighing machine for babies <input type="checkbox"/> Kitchen items (plates & gas connection) <input type="checkbox"/> Fan (Ceiling or table) <input type="checkbox"/> Toilet and sanitation facilities <input type="checkbox"/> Windows <input type="checkbox"/> Clock
Environment	<input type="checkbox"/> Paint walls: numbers, alphabets, animals
Learning Materials	<input type="checkbox"/> Playing materials (playing blocks, coloring books, toys) <input type="checkbox"/> Study material (Workbooks, storybooks, encyclopedias, notebooks, slates) <input type="checkbox"/> Items (Pencils, pencils, crayons, sketch pens, erasers, sharpeners & stickers)
Miscellaneous	<input type="checkbox"/> Emergency exits <input type="checkbox"/> Learning corner with toys

Appendix 14: Business Model Canvas

The Business Model Canvas

Designed for: **EduCom**


Designed by: **the team**

On: _____

Month: _____

Year: _____

Iteration: _____

 <p>Key Partners</p> <p>Who are our key partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? How do our partners perform? What are our partners' interests and expectations?</p> <p><i>Indian Government</i></p> <p><i>Parents</i></p> <p><i>Indian Impact</i></p> <p><i>Akshaya Patra</i></p> <p><i>Universities</i></p> <p><i>ECE professionals</i></p> <p><i>My Kids Arena</i></p>	<p>Key Activities</p> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Channels? Partnerships? Key Resources?</p> <p><i>Founding a Hub</i></p> <p><i>Training AWC Mentors</i></p> <p><i>Improving AWCs</i></p> <p><i>Franchising</i></p>	<p>Value Propositions</p> <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying? How are we different? What are our unique value propositions? What are our key benefits? What are our key features? What are our key differentiators? What are our key selling points? What are our key messages?</p> <p><i>Increasing the level of ECE</i></p> <p><i>Preparing the children for future</i></p> <p><i>Improving children's nutrition</i></p> <p><i>Providing access to ECE to everyone</i></p> <p><i>Affecting India's economy</i></p> <p><i>Influencing millions of people</i></p>
<p>Customer Partners</p> <p>For whom are we creating value? Who are our most important customers? What are their expectations? How do we deliver value? How do we create value? How do we capture value?</p> <p><i>Franchisees</i></p> <p><i>Parents & families of young children</i></p> <p><i>Parents & families of young children in affluent areas</i></p>	<p>Customer Relationships</p> <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How do we deliver value with the rest of our business model? How costly are they? How do we create value? How do we capture value? How do we deliver value? How do we create value? How do we capture value?</p> <p><i>Raising awareness</i></p> <p><i>Innovating standards of ECE</i></p> <p><i>Helping the less fortunate ones</i></p> <p><i>Growing the business</i></p> <p><i>Providing international quality</i></p>	<p>Channels</p> <p>Through which Channels do our Customer Segments expect us to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones work best? Which ones work best? How are we integrating them with customer routines? How do we create value? How do we capture value? How do we deliver value? How do we create value? How do we capture value?</p> <p><i>AWC Mentors</i></p> <p><i>Curriculum</i></p> <p><i>Distributors</i></p> <p><i>Marketing mix</i></p>
<p>Cost Structure</p> <p>What are the most important costs inherent in our business model? Which Key Activities are most expensive? Which Key Resources are most expensive? Which Key Channels are most expensive? Which Key Customer Relationships are most expensive? Which Key Partners are most expensive? Which Key Activities are most expensive? Which Key Resources are most expensive? Which Key Channels are most expensive? Which Key Customer Relationships are most expensive? Which Key Partners are most expensive?</p> <p><i>EduCom Hub</i></p> <p><i>Advertising</i></p> <p><i>Curriculum development</i></p> <p><i>HR</i></p> <p><i>Franchisees support</i></p>	<p>Revenue Streams</p> <p>For what value are our customers really willing to pay? How are they currently paying? How would they prefer to pay? How much does each business model contribute to overall revenues? How do we create value? How do we capture value? How do we deliver value? How do we create value? How do we capture value?</p> <p><i>EduCom Hub(s) revenue</i></p> <p><i>Donations</i></p> <p><i>Royalties</i></p>	<p>Revenue Streams</p> <p>For what value are our customers really willing to pay? How are they currently paying? How would they prefer to pay? How much does each business model contribute to overall revenues? How do we create value? How do we capture value? How do we deliver value? How do we create value? How do we capture value?</p> <p><i>EduCom Hub(s) revenue</i></p> <p><i>Donations</i></p> <p><i>Royalties</i></p>

www.businessmodelgeneration.com

Appendix 15: EduCom Tactical Timeline 2015 - 2017

2015												2016												2017
Month	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	
A. Initial steps																								
Investor & Partner negotiation	█																							
Government negotiation	█																							
Search for location for the kindergarten	█																							
B. Preparation																								
Refurbishment of facility												█												
Training of teachers, assistants & mentors												█												
Final establishment of facility (furnitures)												█												
C. Promotion																								
Promotion activities												█												
D. Operation																								
Enrollment of children												█												
Operation of kindergarten												█												
Visits & contributions to Angawandi Centers												█												
E. Franchise																								
Search for locations for the franchises												█												
Contracting												█												
Refurbishment of facility												█												
Operation of franchises												█												
D. Evaluation																								
Continuous evaluation of teachers												█												
Evaluation & Control of franchises												█												

Appendix 16: Curriculum in Partnership with *Success for All Foundation*

Reliability

We used the Research Study “Effective Early Childhood Education Programs: A Systematic Review” (Chambers, Cheung, Slavin, Smith, & Laurenzano, 2010) made by education specialists from the University of York and the John Hopkins University in September 2010 to find the best ones. In the study, they use:



Strong Evidence of Effectiveness: Programs in this category were evaluated in at least two studies, one of which is a large randomized or randomized quasi-experimental study, or multiple smaller studies, with a sample size-weighted effect size of at least +0.20, and a collective sample size across all studies of 250 students or 20 classes. The effects can be on any of the academic or cognitive outcomes, at the end of preschool and/or kindergarten (Johns Hopkins University, n.d.). Hence, we found that Success for All Foundation ranked as one of the best because of its strong evidence of effectiveness and after careful analysis of its content we decided to choose them.

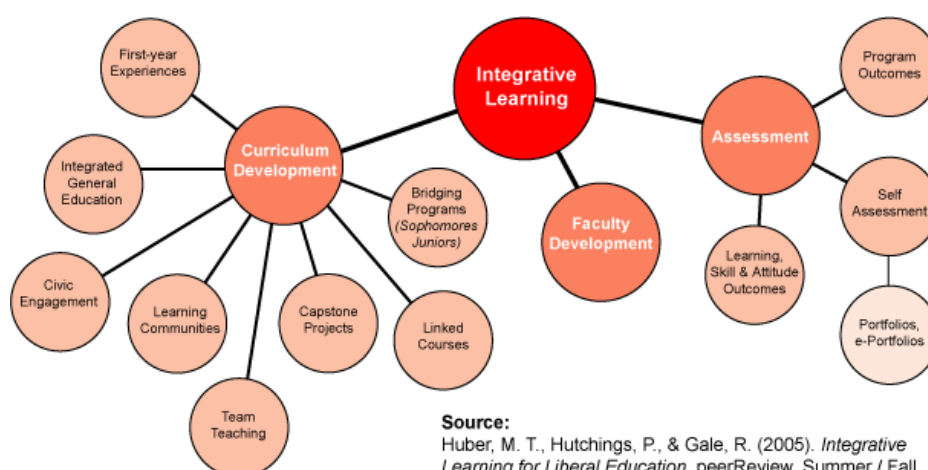


The Success for All Foundation and the John Hopkins University

The Success for All Foundation disseminates research-proven programs and practices originally developed by Dr. Robert Slavin and Dr. Nancy Madden at **John’s Hopkins University**. After two decades, the Success for All Foundation continues to maintain a strong association with Johns Hopkins University’s mission of supporting and advancing the quality of education and human services for the continuous development of children, youth, and adults. The Johns Hopkins Center for Research and Reform in Education (CRRE) works to improve the quality of education for children in grades pre-K through 12. Within CRRE, a federally funded research center, the Center for Data-Driven Reform in Education (CDDRE), was created to help low-performing schools meet their state's academic performance standards. CDDRE uses student-performance data to determine effective plans for meeting state standards, provide information on program effectiveness, and evaluate the success of data-driven reform strategies. CRRE works with the nonprofit Success for All Foundation to develop, research, and disseminate reading programs in grades pre-K through 12. CRRE also develops the Best Evidence Encyclopedia, which provides unbiased, practical reviews about the strength of evidence supporting a range of educational programs.

For more information about the Johns Hopkins School of Education and the Center for Research and Reform in Education (CRRE), go to the John Hopkins School of Education website: <http://education.jhu.edu/> (Johns Hopkins University , n.d.).

Integrative Learning Chart

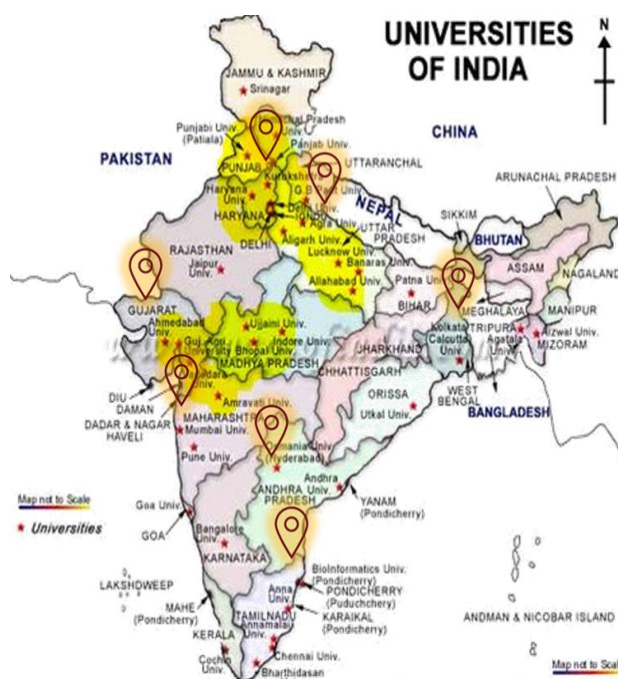


Appendix 17: Akshaya Patra Foundation's locations in India



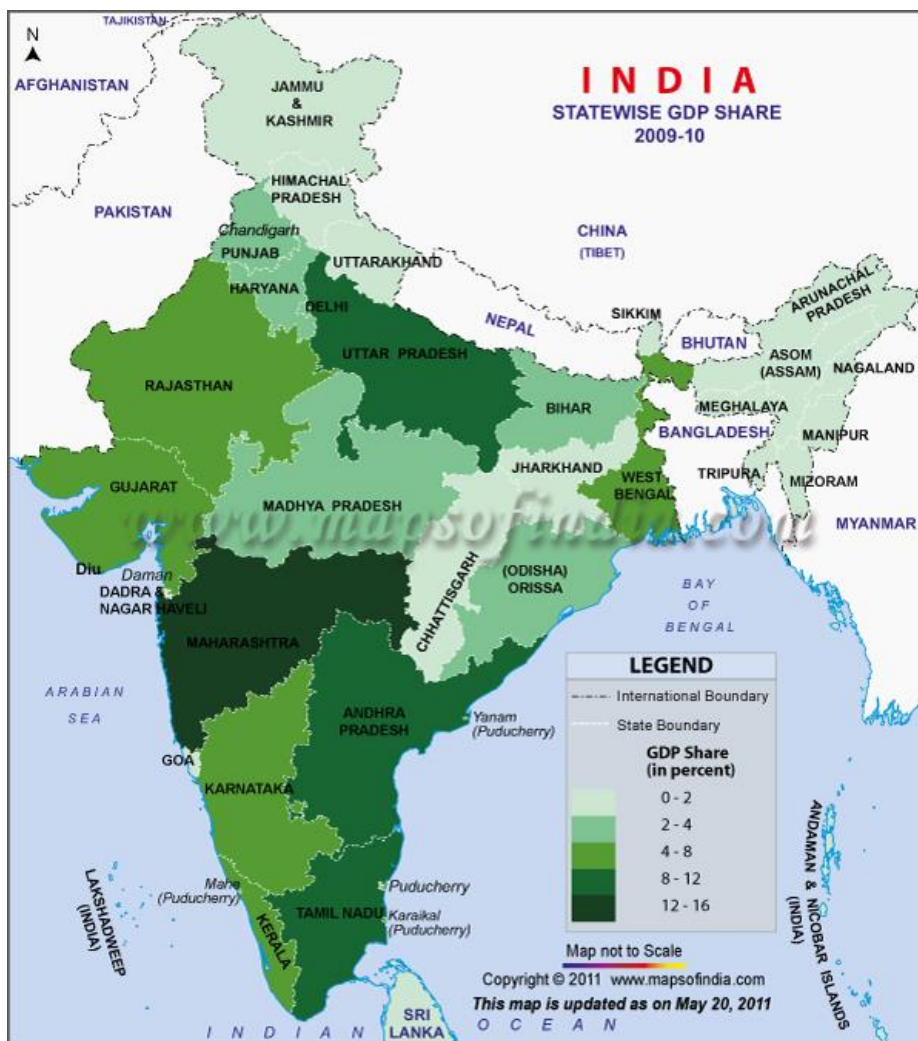
(Akashaya Patra , n.d.)

Appendix 18: Concentration of Universities in India



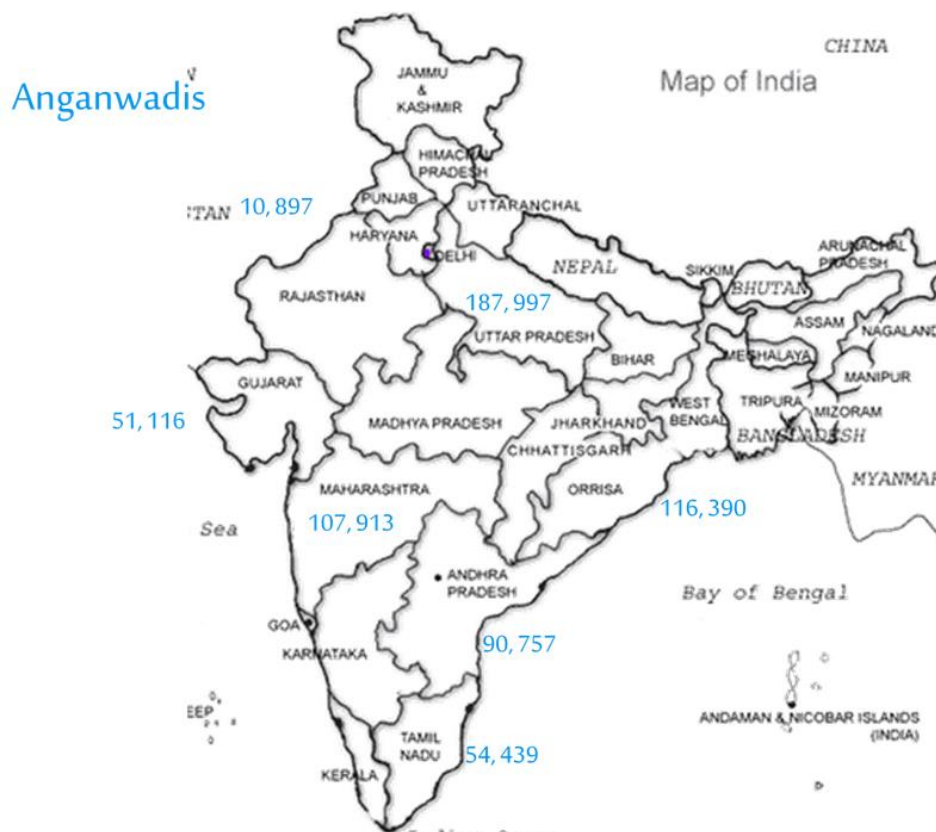
(E-Pathshaala, n.d.)

Appendix 19: GDP per capita (PPP) in India



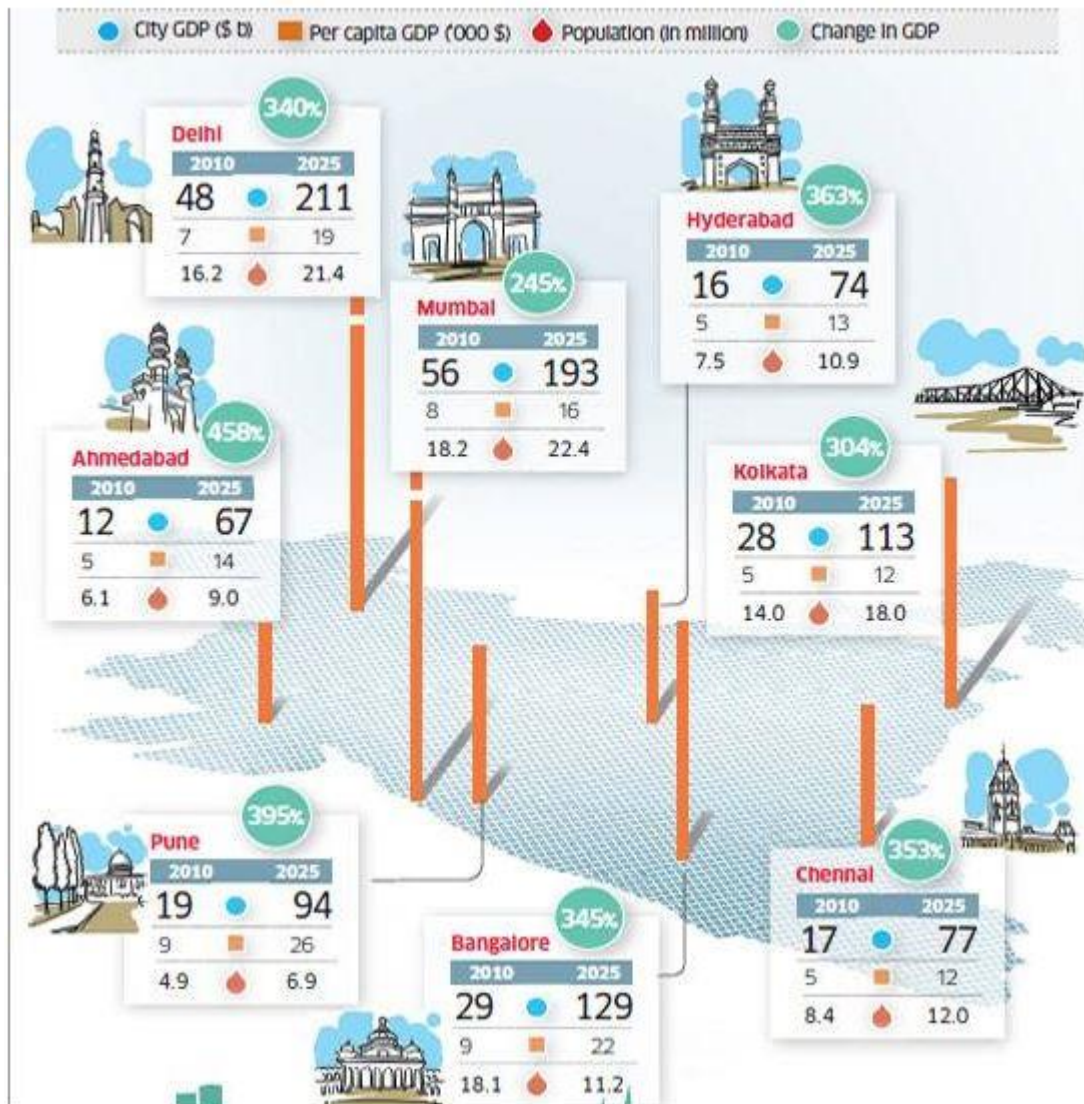
(Maps of India, n.d.)

Appendix 20: Distribution of Anganwadi Center in India



(Ministry of Women and Child Development, 2014)

Appendix 21: Economic Profile of Indian Capitals



(The Economic Times, 2012)

Appendix 22: Example of competitor’s website in comparison to EduCom’s website

(Kangaroo Kids Education, 2015)

The Hub
EduCom

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About us

With top-quality ECE, we close the gap between men and women in health, knowledge, technology and professionals in the ECE of India.

[Read more](#)

Programs

If your child is 0-6 years old, you are at the right place. We offer nursery and diploma programs in two shifts, close to your home and work.

[More Details](#)

Meet our staff

Renowned ECE professionals and children psychologists will take care of your children, but it is you who will be our special advice for individual approach to your child.

[Read more](#)

Contact us

We are now accepting registrations for 2016

[Contact us](#)

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About Us



EduCom is ...

- your child's second home.
- your partner in ECE, nutrition and psychology.
- preparing your child for the future.
- supporting the child's development, self-sufficiency and exploration of the world.
- bringing its innovative curriculum developed by top professionals.
- a listener, seeking for your feedback.
- allowing you to follow your child's progress in real-time.
- closing the gap between rich and poor.
- helping the less fortunate ones.
- offering one's own business.
- guaranteeing international quality.
- improving India's future.

Upcoming Events:
Open Day
01.03.2016

We are opening our doors to all families, parents, grandparents, businessmen and businesswomen; come and see our piece of art in your child's early education. We will take you through our curriculum, and you will be able to live through the day your child will have in EduCom. Prepare for lots of fun, games, songs, great food and meeting our founders and ask them all the questions you can think of.

[More Events](#)

⁴ <http://dannyjela.wix.com/educom>





Appendix 23: Compensation Plan

Position	Base salary	Incentives	Holidays
Assistant	\$1,512	Raise according to performance and seniority	Related to seniority: -Year 1: 5 days -Year 2: 7 days -Year 3: 9 days -Year 4: 11 days (*plus 3 national days)
Hub Teacher	\$3,477		
Intern	-	One meal per day	-
Volunteer	-	-	-
AWC Mentor	\$1,673	Join our franchise	7 days per year
Lead Teacher/ Instructional Coordinator	To be Negotiated	Raise based on dedication and performance	Same as teacher
Principal/ School Administrator	To be Negotiated (plus profits, if owner)	Same as teacher	Same as teacher

Appendix 24: Organizational Structure of EduCom



Appendix 25: Team Profile

	<p>Pau Amigó i Navarro Bachelor of Science in Political Science and International Relations from Universitat de València and York University in Toronto, Canada. Experience in Sales, Project Management and Business Consultancy. He volunteered at cultural and education organizations for years such as the BBVA “Debate League” where he was a Judge mentoring young students.</p>
	<p>Myall Budden Bachelor of Arts, International and Cultural Studies & Spanish from University of Tampa, Florida USA. Experience in Marketing. He taught English in Spain, and gained insight into the implementation process of a learning system for children. He has also fundraised and set up advocacy projects for a non-profit organization, called Friends of Orphans. He also volunteered at PEACE, where he worked with a native tribe in Alaska.</p>
	<p>Danijela Mendanova Bachelor of Science in Business Administration by City University of Seattle in Slovakia. Experience in Import – Export operations and Customer Service. She speaks fluent Slovak, Serbian, Croatian, English and Spanish.</p>
	<p>Jan-Eric Syring Bachelor of Science in Economics and Management from Leibniz University Hannover, Germany. Experience in Contracting and Finance. He taught children in the slums of Florianopolis in Brazil. Through taking care of a disabled child and supporting his integration into an educational environment for almost one year, he had also shown how hard a child’s life can be growing up disabled and being discriminated even in a developed country like Germany.</p>

Appendix 26: Income Statement of Franchises

<i>Income Statement of Franchises</i>		
Revenue:		
Avg. Children enrolled		168
Enrollment fee / child		\$100
Tuition fee / child		\$60
Revenue enrollment fee		\$16,800
Revenue tuition fee		\$120,960
Net Sales		\$137,760
Cost of Revenue		
Direct Wages: 6 Teacher	\$20,160	
Direct Wages: 2 Assistants	\$2,904	
Miscellaneous materials	\$6,000	
Cost of Revenue		\$29,064
Gross Profit (Loss)		\$108,696
Expenses:		
Charitable Contributions (Anganwadis)	\$27,552	
Entrepreneur salary	\$7,200	
Maintenance	\$2,400	
Rent	\$42,000	
Telephone & Internet	\$384	
Utilities	\$1,464	
Wages (Cleaning staff)	\$720	
Total Expenses		\$81,720
Net Operating Income		\$26,976
Other Expenses:		
Royalties	\$9,643	
Total Other Expenses		\$9,643
EBIT		\$17,333
Taxes		\$0
Retained Earnings		\$17,333



Appendix 27: Annual Projected Balance Sheet 2016 - 2020

Annual Projected Balance Sheet						
	2016 (beginning)	2016*	2017*	2018*	2019*	2020*
Assets						
Current assets						
Cash	\$175,000	\$100,080	\$93,493	\$40,051	\$72,334	\$155,143
Accounts receivable	\$0	\$0	\$0	\$0	\$0	\$0
Total current assets	\$175,000	\$100,080	\$93,493	\$40,051	\$72,334	\$155,143
Non current assets						
Property and equipment**	\$10,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Acc. depreciation	\$0	-\$5,667	-\$11,667	-\$17,667	-\$23,667	-\$29,667
Franchises	\$0	\$40,000	\$120,000	\$220,000	\$320,000	\$420,000
Amortization (Franchises)	\$0	-\$1,333	-\$12,000	-\$39,333	-\$86,667	-\$154,000
Website & Curriculum	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Amortization (Website & Curricu	\$0	-\$3,000	-\$6,000	-\$9,000	-\$12,000	-\$15,000
Total non current assets	\$25,000	\$75,000	\$135,333	\$199,000	\$242,667	\$266,333
Total Assets	\$200,000	\$175,080	\$228,826	\$239,051	\$315,000	\$421,476
Liabilities						
Tax payables	\$0	\$0	\$0	\$0	\$0	\$0
Long term debt	\$0	\$0	\$100,000	\$100,000	\$100,000	\$100,000
Total liabilities	\$0	\$0	\$100,000	\$100,000	\$100,000	\$100,000
Owners Equity						
Capital	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Retained earnings	\$0	-\$24,920	-\$71,174	-\$60,949	\$15,000	\$121,476
Total Equity	\$200,000	\$175,080	\$128,826	\$139,051	\$215,000	\$321,476
Total Equity & Liability	\$200,000	\$175,080	\$228,826	\$239,051	\$315,000	\$421,476

* 31st of December of each year

**Property and equipment: investment in equipment (\$20,000) & refurbishment (\$10,000)



Appendix 28: Annual Income Statement 2016 - 2020^{5 6}

EduCom Income Statement					
	2016	2017	2018	2019	2020
Revenue:					
Avg. Children enrolled	128	188	188	188	188
Enrollment fee / child*	\$100	\$100	\$100	\$100	\$100
Tuition fee / child**	\$40	\$60	\$60	\$60	\$60
Revenue enrollment fee	\$16,800	\$3,360	\$3,360	\$3,360	\$3,360
Revenue tuition fee	\$60,240	\$120,960	\$120,960	\$120,960	\$120,960
Total Revenue	\$77,040	\$124,320	\$124,320	\$124,320	\$124,320
Cost of Revenue					
Direct Wages : 8 Teacher	\$20,160	\$20,160	\$20,160	\$20,160	\$20,160
Direct Wages : 2 Assistants	\$2,904	\$2,904	\$2,904	\$2,904	\$2,904
Miscellaneous materials	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000
Total Cost of Revenue	\$28,064	\$29,064	\$29,064	\$29,064	\$29,064
Gross Profit (Loss)	\$48,976	\$95,256	\$95,256	\$95,256	\$95,256
Expenses:					
Advertising	\$33,000	\$17,000	\$17,000	\$17,000	\$17,000
Amortization (Website & Curriculum)***	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Amortization (Franchise investment)****	\$1,333	\$10,667	\$27,333	\$47,333	\$67,333
Charitable Contributions (Anganwadis)*****	\$10,000	\$12,000	\$16,000	\$20,000	\$25,000
Depreciation Property & Equipment	\$5,667	\$6,000	\$6,000	\$6,000	\$6,000
Entrepreneurs Salary	\$57,600	\$57,600	\$57,600	\$57,600	\$57,600
Maintenance	\$2,000	\$2,400	\$2,400	\$2,400	\$2,400
Rent	\$44,400	\$44,400	\$44,400	\$44,400	\$44,400
Telephone & Internet	\$384	\$384	\$384	\$384	\$384
Utilities	\$1,464	\$1,464	\$1,464	\$1,464	\$1,464
Wages (Anganwadi Mentors)	\$13,248	\$13,248	\$13,248	\$13,248	\$13,248
Wages (Cleaning staff)	\$600	\$720	\$720	\$720	\$720
Website maintenance	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Total Expenses	\$173,896	\$170,083	\$190,749	\$214,749	\$239,749
Net Operating Income	-\$124,920	-\$74,827	-\$95,493	-\$119,493	-\$144,493
Other Income:					
Donations	\$100,000				
Royalties	\$0	\$38,573	\$115,718	\$212,150	\$308,582
Total Other Income	\$100,000	\$38,573	\$115,718	\$212,150	\$308,582
EBIT	-\$24,920	-\$36,254	\$20,225	\$92,657	\$164,089
Interest****	\$0	\$10,000	\$10,000	\$10,000	\$10,000
EBT	-\$24,920	-\$46,254	\$10,225	\$82,657	\$154,089
Taxes*****	\$0	\$0	\$0	\$6,708	\$47,614
Net Income	-\$24,920	-\$46,254	\$10,225	\$75,949	\$106,476
EBITDA	-\$14,920	-\$16,587	\$56,558	\$148,990	\$240,422

*Paid once a year (in the month of the children's enrollment);

Assumption: A turnover rate of enrolled children of 20% (meaning that every year 20% of the children are leaving the kindergarten and that these children will be replaced by the same amount of new children, which therefore pay the enrollment fee)

**Paid once a year for the whole rest of the year (in the month of the children's enrollment)

***Amortization: straight line - 5 years

****Depreciation expenses: from investment in equipment (\$20,000) & refurbishment (\$10,000); straight line depreciation - 5 years

*****Interest: The bank loan will be paid back after 10 years, with interest rates of 10% being paid at the end of each year

*****Tax rate: 30.9%

⁵ Cost of utilities according to Numbeo (Numbeo, 2015)

⁶ Cost of rent according to 99Acres property portal (99Acres, 2015)



Appendix 29: Income Statement 2016

	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
12 Months Income Statement 2016												
Revenue:												
Children enrolled	0	0	80	110	140	168	168	168	168	168	168	168
Enrollment fee / child*	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Tuition fee / child**	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
Revenue enrollment fee	\$0	\$0	\$8,000	\$3,000	\$3,000	\$2,800	\$0	\$0	\$0	\$0	\$0	\$0
Revenue tuition fee	\$0	\$0	\$32,000	\$10,800	\$9,600	\$7,840	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$0	\$0	\$40,000	\$13,800	\$12,600	\$10,640	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Revenue												
Direct Wages: 6 Teacher	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680
Direct Wages: 2 Assistants	\$242	\$242	\$242	\$242	\$242	\$242	\$242	\$242	\$242	\$242	\$242	\$242
Miscellaneous materials	\$0	\$0	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Total Cost of Revenue	\$1,922	\$1,922	\$2,422	\$2,422	\$2,422	\$2,422	\$2,422	\$2,422	\$2,422	\$2,422	\$2,422	\$2,422
Gross Profit (Loss)	-\$1,922	-\$1,922	\$37,578	\$11,378	\$10,178	\$8,218	-\$2,422	-\$2,422	-\$2,422	-\$2,422	-\$2,422	-\$2,422
Expenses												
Advertising	\$10,000	\$7,000	\$7,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Amortization (Website & Curriculum)***	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Amortization (Franchise investment)***	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Charitable Contributions (Anganwadis)	\$0	\$0	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Depreciation Property & Equipment****	\$167	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Entrepreneurs Salary	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800
Maintenance	\$0	\$0	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Rent	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700	\$3,700
Telephone & Internet	\$32	\$32	\$32	\$32	\$32	\$32	\$32	\$32	\$32	\$32	\$32	\$32
Utilities	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122
Wages (Anganwadi mentors)	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104	\$1,104
Wages (Cleaning staff)	\$0	\$0	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Website maintenance	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Total Expenses	\$20,275	\$17,608	\$18,668	\$12,868	\$12,868	\$12,868	\$12,868	\$12,868	\$12,868	\$12,868	\$13,535	\$13,535
Net Operating Income	-\$22,197	-\$19,530	\$18,710	-\$1,490	-\$2,690	-\$4,650	-\$15,290	-\$15,290	-\$15,290	-\$15,290	-\$15,957	-\$15,957
Other Income												
Donations	#####											
Royalties	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Income	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBIT	\$77,803	-\$19,530	\$18,710	-\$1,490	-\$2,690	-\$4,650	-\$15,290	-\$15,290	-\$15,290	-\$15,290	-\$15,957	-\$15,957
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBT	\$77,803	-\$19,530	\$18,710	-\$1,490	-\$2,690	-\$4,650	-\$15,290	-\$15,290	-\$15,290	-\$15,290	-\$15,957	-\$15,957
Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$77,803	-\$19,530	\$18,710	-\$1,490	-\$2,690	-\$4,650	-\$15,290	-\$15,290	-\$15,290	-\$15,290	-\$15,957	-\$15,957

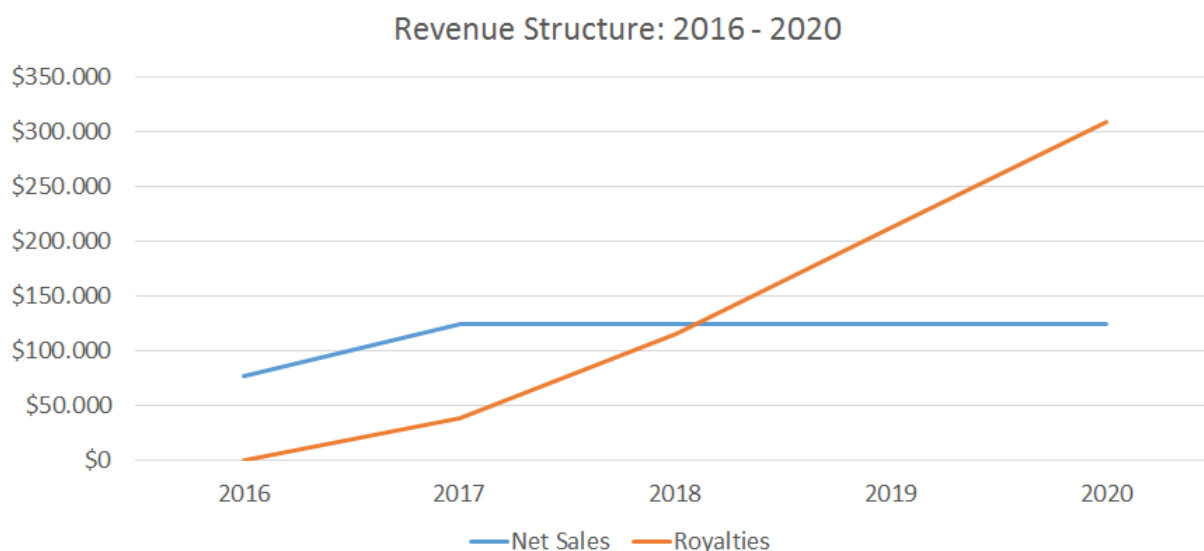
*Paid once a year (in the month of the child's enrollment)

**Paid once a year for the whole rest of the year (in the month of the child's enrollment)

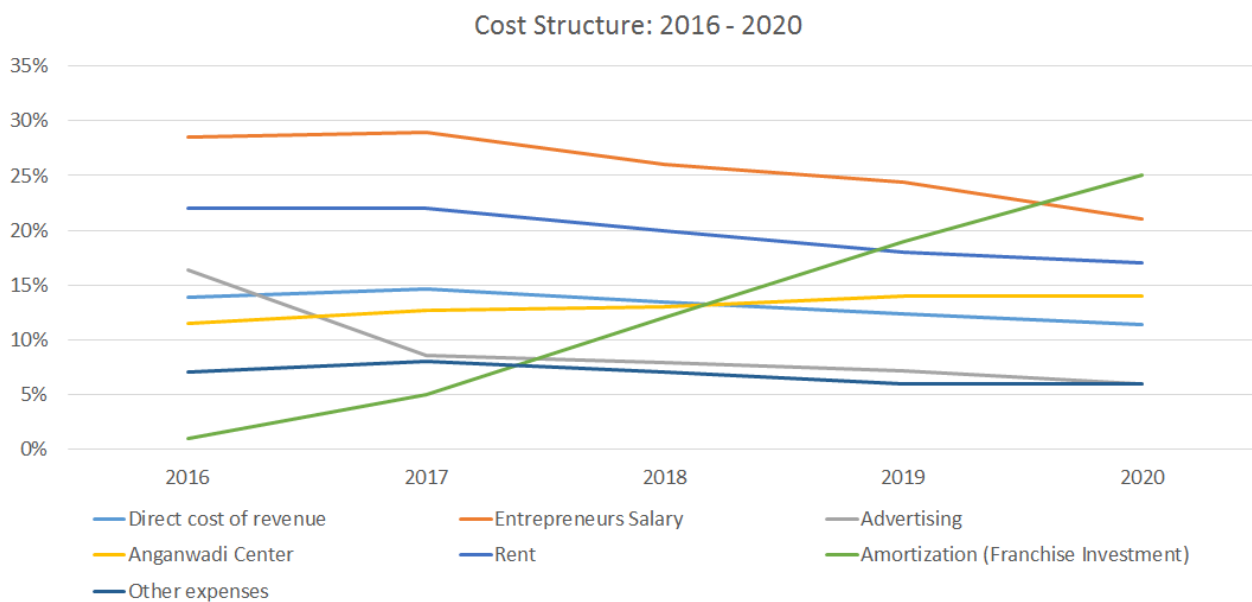
***Amortization: straight line - 5 years

****Depreciation expenses: from investment in equipment (\$20,000) & refurbishment (\$10,000); straight line depreciation - 5 years

Appendix 30: Revenue Structure in \$ 2016 - 2020



Appendix 31: Cost Structure in % 2016 - 2020



Appendix 32: Annual Projected Cash Flow 2016 - 2020

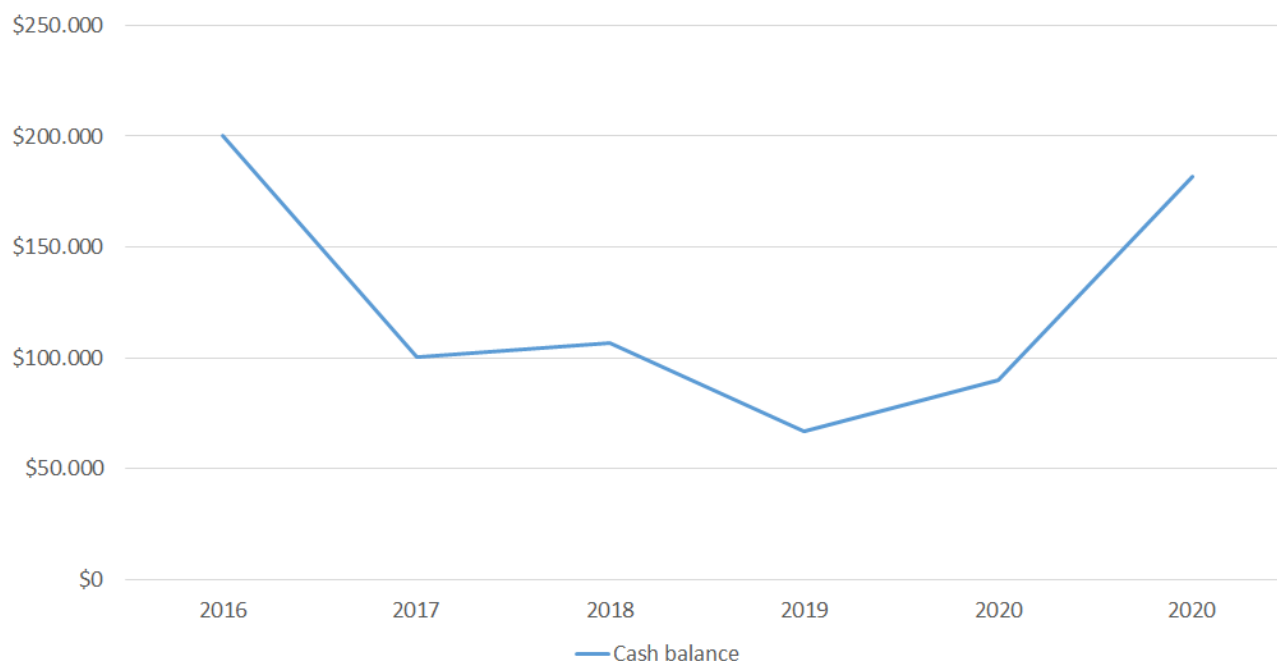
	Annual Projected Cash Flow				
	2016	2017	2018	2019	2020
Operating:					
Net profit	-\$24,920	-\$46,254	\$10,225	\$75,949	\$106,476
Depreciation	\$5,667	\$6,000	\$6,000	\$6,000	\$6,000
Amortization (Website & Curriculum)	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Amortization (Franchise investment)	\$1,333,333	\$10,667	\$27,333	\$47,333	\$67,333
Change in tax payable	\$0	\$0	\$0	\$0	\$0
Net Operating cash flow	-\$14,920	-\$26,587	\$46,558	\$132,283	\$182,809
Investing:					
Assets purchased (Website & Curriculum)	-\$15,000	\$0	\$0	\$0	\$0
Franchise investment	-\$40,000	-\$80,000	-\$100,000	-\$100,000	-\$100,000
Office material/Equipment purchased	-\$30,000	\$0	\$0	\$0	\$0
Net Investing cash flows	-\$85,000	-\$80,000	-\$100,000	-\$100,000	-\$100,000
Financing:					
Capital received	\$200,000	\$0	\$0	\$0	\$0
Change in long term debt	\$0	\$100,000	\$0	\$0	\$0
Net Financing cash flows	\$200,000	\$100,000	\$0	\$0	\$0
Cash at start	\$0	\$0	\$93,493	\$40,051	\$72,334
Change in cash	\$100,080	-\$6,587	-\$53,442	\$32,283	\$82,809
Cash at end	\$100,080	\$93,493	\$40,051	\$72,334	\$155,143

Appendix 33: Annual Projected Cash Flow 2016

Annual Projected Cash Flow 2016												
	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Operating:												
Net profit	\$77,803	-\$19,530	\$250	\$18,710	-\$1,490	-\$2,690	-\$4,650	-\$15,290	-\$15,290	-\$15,290	-\$15,290	-\$15,957
Amortization (Website & Curriculum)	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Amortization (Franchise Investment)**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$667
Depreciation Property & Equipment****	\$167	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Change in tax payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Operating cash flow	\$78,220	-\$18,780	\$19,460	\$19,460	-\$740	-\$1,940	-\$3,900	-\$14,540	-\$14,540	-\$14,540	-\$14,540	-\$14,540
Investing:												
Assets purchased (Website & Curriculum)	-\$15,000											
Franchise investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$40,000	\$0
Property & Equipment purchased	-\$10,000	-\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Investing cash flows	-\$25,000	-\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$40,000	\$0
Financing:												
Capital received	\$200,000											
Change in long term debt	\$0											
Net Financing cash flows	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash at start	\$0	\$253,220	\$214,440	\$214,440	\$233,900	\$233,160	\$231,220	\$227,320	\$212,780	\$198,240	\$169,160	\$114,620
Change in cash	\$253,220	-\$38,780	\$19,460	\$19,460	-\$740	-\$1,940	-\$3,900	-\$14,540	-\$14,540	-\$14,540	-\$14,540	-\$14,540
Cash at end	\$253,220	\$214,440	\$233,900	\$233,900	\$233,160	\$231,220	\$227,320	\$212,780	\$198,240	\$169,160	\$114,620	\$100,080

Appendix 34: Cash Flow Development 2016 – 2020

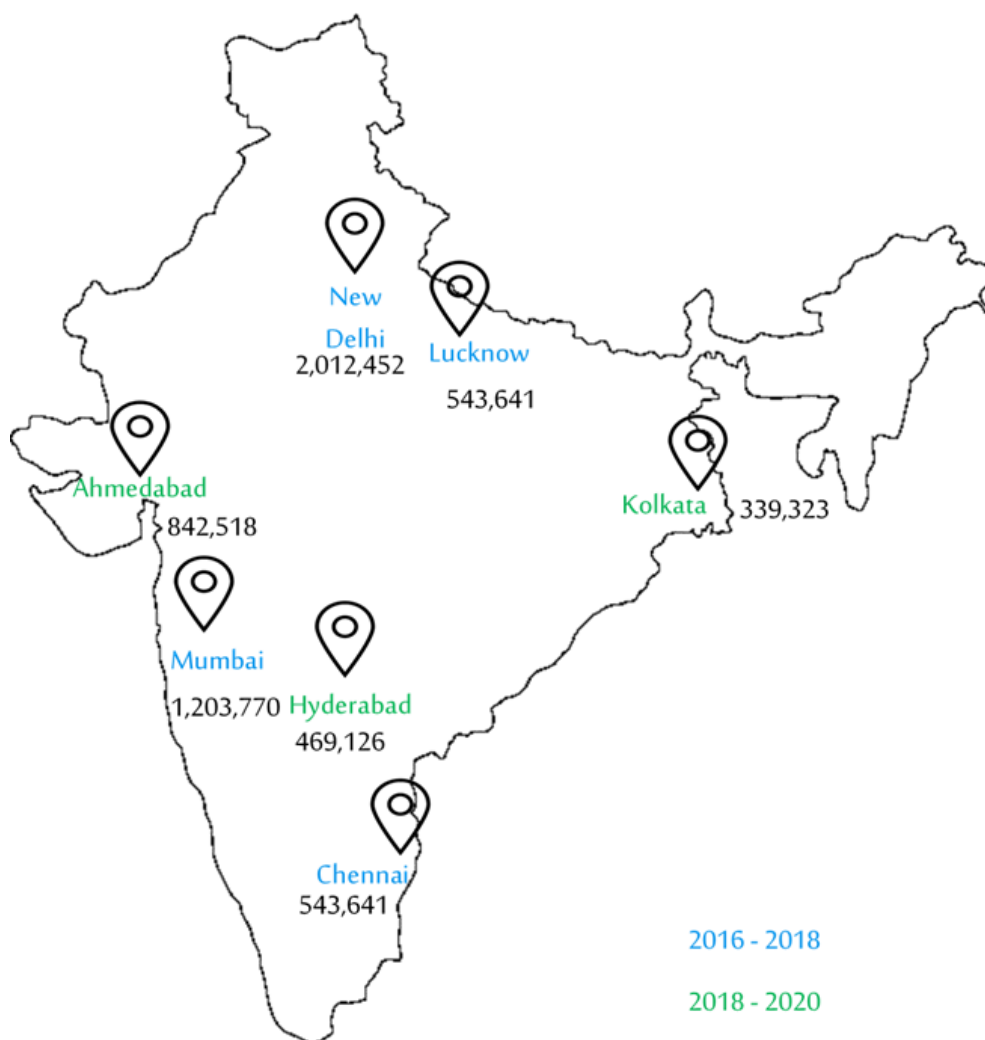
Cash Flow Development: 2016 - 2020



Appendix 35: Investment in Franchises 2016-2021

	Investment in Franchises					
	2016	2017	2018	2019	2020	2021
Investment for Franchises (end of each year)	\$40.000	\$80.000	\$100.000	\$100.000	\$100.000	\$100.000
Total investment paid (of the previous years)		\$40.000	\$120.000	\$220.000	\$320.000	\$420.000
Royalties collected	\$0	\$38.573	\$115.718	\$212.150	\$308.582	\$405.014
Franchises to open (beginning of each year)	0	4	8	10	10	10
Existing Franchises at the beginning of each year		4	12	22	32	42
Initial investment for every franchise	\$10.000					
Royalties collected from each franchise per year	\$9.643					

Appendix 36: Expansion map for the Franchises



Appendix 37: Impact of EduCom

Impact of EduCom						
	2016	2017	2018	2019	2020	Total
Franchises to open	0	4	8	10	10	
Existing kindergarten (incl. our HUB)	1	5	13	23	33	
New AWC's visited each year	32	160	416	736	1056	2,400
Amount of new children directly reached each year	4,064	20,320	52,832	93,472	134,112	304,800
Amount of children indirect reached (children turnover) by 2020	-	-	-	-	55,270	55,270
Amount of children reached through the increase in attendance	1,422	6,096	13,208	18,694	-	39,421
Total amount of children reached	5,486	26,416	66,040	112,166	189,382	399,491
Amount invested in AWC from franchises	\$ -	\$ 110,208	\$ 330,624	\$ 606,144	\$ 881,664	\$ 1,928,640
Amount invested in AWC from our Hub	\$ 23,248	\$ 25,248	\$ 29,248	\$ 33,248	\$ 38,248	\$ 149,240
Total amount invested in AWC	\$ 23,248	\$ 135,456	\$ 359,872	\$ 639,392	\$ 919,912	\$ 2,077,880

Assumptions:

Children we reach through every AWC	127					
Amount of AWC's every kindergarten reaches per year	32					
Investment of every kindergarten for AWC (per year)	\$ 27,552					
Increase in attendance of each AWC	35%	30%	25%	20%	-	



Appendix 38: Franchise Agreement EduCom⁷

FRANCHISE AGREEMENT EDUCOM

This Franchise Agreement (the "Agreement") is entered upon as of November 15th, 2016, by and between **EduCom** ("Franchisor"), and _____, an individual residing at _____ ("Franchisee").

RECITALS

- A. Educom is a corporation that developed a unique and successful kindergarten model in India.
- B. Franchisor has the exclusive rights to utilize Educom Teaching methods and instructional and administrative materials associated therewith in India and desires to appoint Franchisee as an authorized franchisee for operating a neighborhood supplemental education center using such teaching methods and materials ("kindergarten").
- C. Franchisee has been provided with a copy of Franchisor's "Franchise Offering Circular for Prospective Franchisees." Franchisee has shown further interest in the franchise of Educom methods described therein (the "Franchise") and has successfully completed the Prospective Franchisee Education Program conducted by Franchisor.
- D. Franchisee understands that effective use of Educom instructional and administrative materials depends on accurate implementation of Educom methods. Franchisee shall not deviate from the Educom methods in the operation of the Franchise and instruction of subjects.

AGREEMENTS

NOW, THEREFORE, IN CONSIDERATION OF the foregoing facts and mutual agreements and covenants set forth herein, Franchisor and Franchisee agree as follows:

1. Grant of Franchise

- (a) To establish and operate a kindergarten at the location designated in Section 4 below ("Class Location").
- (b) To conduct supplemental tutorial education in accordance with the Educom methods for enrolled students.
- (c) To use at the Class Location, in conjunction with the operation of the Franchise, Franchisor's instructional and administrative materials and its proprietary marks, names and symbols listed in Schedule A.
- (d) To receive a \$10,000 initial investment from the Franchisor, which needs to be spent on the equipment or the refurbishment of the facility.
- (e) Nation wide advertising will be covered by the Franchisor. Additional advertising in the location of the kindergarten will be covered by the Franchisee.
- (f) The Franchisor will consult the Franchisee in order to find an appropriate location for the kindergarten.

2. Initial Term; Renewal

2.1 Initial Term. The initial term of this Agreement shall commence on the date hereof and shall expire on the two anniversary thereof, unless sooner terminated pursuant to provisions under Section 8 below.

2.2 Renewal. Unless terminated pursuant to provisions under Section 8 below the Franchise may be renewed by Franchisor for one (1) year at the expiration of the initial term set forth in subsection 2.1 above or any extension

⁷ An example of relevant parts (DocStoc, n.d.)



thereof, if the performance of Franchisee is satisfactory to Franchisor. If requested by Franchisor, Franchisee shall be required to execute a new franchisee agreement in the form then in use for the Franchise as a condition to renewal of the Franchise. Franchisor may refuse to renew the Franchise, if, in the reasonable judgment of Franchisor, Franchisee has not shown satisfactory performance. For the purposes of this Agreement, "satisfactory performance" shall mean satisfaction of the minimum standards as set forth in Schedule F.

3. Franchisee's Payment to Franchisor

3.1 Security Deposit. Upon execution of this Agreement, Franchisee shall pay Franchisor a security deposit of \$1,000, which security deposit Franchisor shall refund to Franchisee, without interest, upon Franchisee's compliance with Section 8.5 at the termination or expiration of the Franchise.

3.2 Enrollment Fee. Franchisee shall charge to and collect from each student at the time of his or her enrollment an enrollment fee as set forth in Schedule B attached hereto, which may be revised from time to time. Franchisee shall pay to Franchisor an amount equal to **7 percent of all enrollment fees charged to students at the kindergarten as a royalty fee**. Franchisee shall not waive enrollment fees except as set forth in Schedule B attached hereto.

3.3 Monthly Tuition. Franchisee shall pay to Franchisor an amount equal to **7 percent of all tuition charged to students at her kindergarten**. Franchisee shall charge and collect monthly tuition as set forth in Schedule C attached hereto, which may be revised from time to time. The applicable percentages for the purpose of this hereto.

3.4 Time and Method of Payment; Late Charge. Enrollment fees and monthly tuition (together "Royalties") payable to Franchisor are due and payable on or before the fifth day of the following month. Other payments due to Franchisor shall be paid in accordance with Franchisor's invoices. If Franchisee fails to pay Royalties or any other fees or charges when due, such unpaid amounts shall accrue interest at the rate of the maximum rate then permissible under the laws of the state where Franchisee is located. In addition to interest, there shall be a late payment charge of \$30 per month. If a check drawn by Franchisee is returned unpaid by her bank, a charge of \$20 shall be imposed on Franchisee for each returned check. Any payments received from Franchisee shall be applied first to any return check charges, if any, then to any late payment charges, if any, then to interest accrued on unpaid amounts, if any, and then to any unpaid balances in the order of their accrual periods.

4. Assigned Territory and Location

4.1 Class Location. Franchisee shall operate the kindergarten at Class Location described in 4.2 hereto. Franchisee shall not change the location of the kindergarten without prior written approval of Franchisor.

4.2 Assigned Territory. Franchisee shall have the non-exclusive right to operate the Franchise within the area of _____ (the "Assigned Territory"). Franchisee shall not solicit, enroll or accept any students who do not reside within the Assigned Territory without prior written approval of Franchisor. **Exclusivity will be provided within 3 km of the decided location** of the Kindergarten placement within India .

4.3 New Franchise Within Assigned Territory. Franchisor, at its sole discretion, may grant a Franchise to a third person within the Assigned Territory after six months from the date on which Franchisee opens her kindergarten within the Assigned Territory. In addition, Franchisor reserves the right to promote the use of kindergarten Teaching methods by licensing public schools, private schools, and/or in-home tutors to utilize Educom methods and materials. Franchisee shall not establish any program utilizing Educom methods in any setting other than the kindergarten at Class Location.

5. Contribution to the Anganwadi Centers

5.1 **The Franchisor must invest 20% of his revenues from the monthly tuition fee and the enrollment fee into contributions to the Anganwadi Centers. This contributions must cover the salary for mentors that visit the Anganwadi center and their training. Furthermore, the remaining amount will be invested into necessary equipment, food etc. for the Anganwadi Centers**



IN WITNESS WHEREOF, through its duly authorized representative, and Franchisee have executed this Agreement as of the date first above written.

Franchisor: Educom.

By: _____

Its:

Franchisee: _____

Name:

Address:

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