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## An Operational Strategy for Private Nursery Schools to Break Through the Low Birth Rate Dilemma

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**Abstract:** With the gradual decreasing birth rate in Taiwan, many nursery schools are finding it difficult to recruit enough children and some are even forced to close. This study explores the operation dilemmas that nursery schools face and how to adjust and improve their operation structure under a low birth rate environment. Our findings show that nursery schools should not only adjust their organizational structure, but also work out an operation strategy for meeting the needs of their customers (i.e., parents) in order to survive, grow and thrive.

**Key words:** Low birth rate, operation dilemma, competitive strategy, educational marketing

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### INTRODUCTION

Within the preschool education sector of Taiwan, kindergartens and child-care centers began to integrate into nursery schools in 2012 when the restriction on the age of children who may enter a nursery school dropped to two years old. This means more preschool children have more choice to enjoy a preschool education provided by the nursery school. For an early childhood education, children are the main users of the service provider, but the real consumers of this service are their parents. Therefore, how to attract parents to sign up their children has become the key target for almost every nursery school's recruitment strategy in Taiwan.

Taiwan's present population structure has been impacted by its low birth rate, with the rate undergoing a continual decline for nearly the last two decades. The country's birth rate has decreased year after year, except for 2000 and 2011, which both encompassed the Year of Dragon. A dragon symbolizes an auspicious animal in Chinese society and people like to give birth to a child during this year. Thus, those two years saw an uptick in Taiwan's birth rate. Because nursery schools recruit children who are two to six years old, they have born a heavy brunt from the impact of Taiwan's low birth rate. Facing the dilemma of fewer pupil recruits and a shrinking market, this study focuses on how nursery schools can make an economic breakthrough. We begin by analyzing the current business situation and then initiating a strategy for nursery schools to succeed.

### CURRENT OPERATION ENVIRONMENT FOR PRESCHOOL EDUCATION IN TAIWAN

**More schools, fewer children and greater recruiting competition:** The birth data for 1991-2011 compiled by Ministry of the Interior (Fig. 1) shows that births in Taiwan have been dramatically falling. From Fig. 1, we find that compared to 1997, the births in 2010 dropped by one half. In the past two decades, the average yearly decrease of births is 6,000. According to the Preschool Education and Care Law, the number of students in one class should not exceed 30 and should have at least two teachers. Thus, the average yearly reduction of classes is 200 and at least 400 teachers have been left unemployed. Many private nursery schools are forced to drop classes or even close, while public nursery schools have cut staff and teachers due to fewer students.

The current preschool education policy in Taiwan is inclined to general education, which lowers down the teachable age, provides a subsidy for each child in the school by counties and free tuition for preschool children, increases the subsidy for economically disadvantaged families, offers free after-school tutoring in public nursery schools, etc. Taiwan's government also subsidizes public nursery schools in improving teaching equipment. For underserved areas, the government has increased public nursery schools. It is hoped through an economic subsidy policy to raise enrollment rate of pre-school children that the concept of equal opportunities in education could be realized.

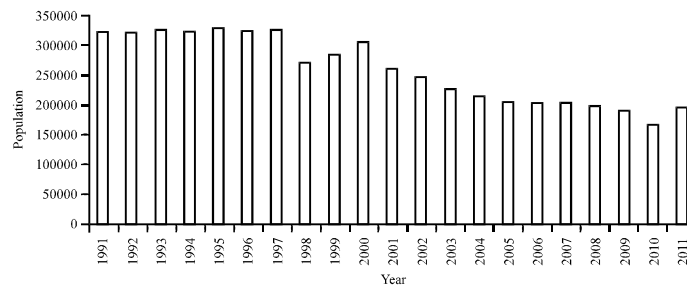


Fig. 1: Births in Taiwan between 1991-2011

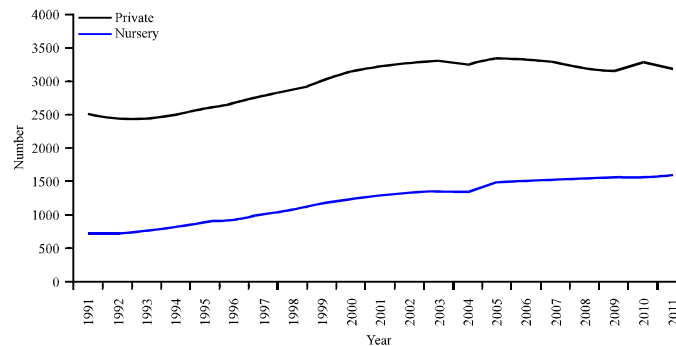


Fig. 2: Number of Public and Private Nursery School during 1991-2011

According to the data of the number of nursery schools compiled by the Statistics Bureau (Fig. 2), Ministry of Interior, the number of private nursery schools in Taiwan has slightly fluctuated while the number of public nursery schools continues to grow year by year. With the situation that the number of students is falling and the number of nursery schools is increasing, private nursery schools will find it more and more difficult to continue operations.

**Integration of kindergartens and child-care centers and the early childhood education and care act:** The issue of integration between kindergartens and child-care centers had been discussed nationally since 1997, with first the integration of private kindergartens and child-care centers in 2010 and followed by the integration of public kindergartens and child-care centers in 2011. The term “nursery school” is now used to denote the type of school after the integration. Taiwan’s government then promulgated the Early Childhood Education and Care Act, which sets the standards of the school environment, faculty and teaching contents and lowered the age of pre-school children allowed to be recruited from four to two years old. The jurisdiction power has been unified under the Ministry of Education. For operators of nursery schools, after integration, the lowering of the age of

recruited children to two to six year olds could increase the number of students and bring more of them into nursery schools.

The implementation of the Early Childhood Education and Care Act also helped set forth the requirements of education and cultivation background for faculty. According to the Faculty Cultivation Act, teachers in nursery schools have to complete faculty cultivation and education practice courses before passing the teacher test to obtain their teacher license. In addition to the enhancement of education background and professional capability, according to the Early Childhood Education and Care Act beginning from 2012, aside from the original teachers already hired, each public nursery has to add one tutor-babysitter per school to provide pre-school children with tutoring and babysitting services. Tutor-babysitters must graduate from a pre-school education-related department at a college or university. In 2012, the nursery schools in Taiwan added a total of 1331 tutor-babysitters to their payrolls.

**Emergence of an education free market:** Taiwan’s education reform policy emphasizes competition in a free market, bringing about the fad of options for parents to choose for their children’s education. Zhang (2000) pointed out that during the selection of education

environment for pre-school children, children are the users of the service, while parents in fact are the buyers. Presently, there are numerous types of education options as education at a home, public school, or private school are included among parents' choices, allowing each parent to choose the appropriate school they want for their children to receive education services.

There are different characteristics between public and private nursery schools. The government operates public nursery schools and the purpose of their establishment is to strengthen pre-school children's basic education. At public nursery schools parents pay a lower tuition, and thus the schools find it easier to recruit students. Individuals or organizations operate private nursery schools, and their purpose is to make profit and thus their tuition is more expensive than public nursery schools, but they are less bound by regulations and can adjust their operation strategy in concert with changes to the external environment. Despite the strong competitive relationship between public and private nursery schools, they have different advantages and disadvantages. Although, the tuition of private nursery schools is more expensive, if they can develop their own special brand and characteristics, then they can still attract parents to send their children to attend them.

#### **PRIVATE NURSERY OPERATION STRATEGY FOR BREAKING THROUGH THE DILEMMA**

Under the impact of Taiwan's low birth rate and facing the various changes in the education environment, regulations and policies and competitive recruiting environment, how nursery schools can attract consumers (parents) who are willing to choose one for their child and how to conduct smooth operations in their educational organizations and teaching teams are issues that need to be considered by each operator of a nursery school. We recommend the following operation strategies.

**Build brand image:** In order to improve recruitment, many nursery schools need to develop their own brand characteristics. After Huang (2008) conducted in-depth interviews with six operators of nursery schools and eight parents, he found that the brand effect is the key factor in choosing a nursery school for parents, because brand image presents an explicit educational image of the school, shows the service quality provided by a school that allows potential consumers to have more opportunities to make contact with the brand and helps in the recruitment and administrative affairs of the school. For parents to widely accept a brand, a school should specially strengthen its own characteristics in regards to courses and teaching ideas, such as all American English

teaching, enlightenment, and an introduction to artistic creation and natural experiences. A school should establish its own brand characteristics to attract parents' attention and consumption, thus increasing enrollment.

**Internal marketing:** The education service environment is composed of "persons" who play different roles. Valentine (1991) drew the phenomenon of interactions between students, parents, teachers, administrative staff, and community, as presented in Fig. 3's internal and external environmental graphs. In Fig. 3, in addition to students and teachers, the internal staff includes decision-making persons in education planning and education committee. The external environment includes parents, community, political organizations, civic organizations, interest groups and pupil-care organizations. The educational marketing of a school is quite particular and different from general commercial marketing. Parents are the primary consumers and are within the scope of external persons, but internal marketing is the first and foremost area in educational marketing. In internal marketing, the teacher is the core of a teaching team. During the process of employing teachers, a nursery school should not only screen the qualifications of the tutor-babysitter according to government regulations, but also must provide teachers with strong pre-job training and job descriptions.

In the study environment the school principal should properly encourage teachers and express care and provide welfare benefits and incentives to them in order to increase their work motivation. The principal should also authorize staff to participate in decision-making so that teachers have opportunities to participate in administration, express their opinions to enhance the centripetal force of the organization and create a quality organizational climate. Zhang and Young (2009) further recommended that schools encourage teachers to engage in advanced studies or learn new educational ideas to enhance their teaching effectiveness and the service quality of the school.

**External marketing:** For external marketing, because education is an invisible product and due to Taiwan's low birth rate, many nursery schools have recognized that every student is an important customer and as such they have developed advantageous educational characteristics in the existing environment and a special teaching model to attract parents to bring their children to the schools. They also hold various activities to allow parents and community to understand the results from running the school and to win the trust of parents and create positive interactions.

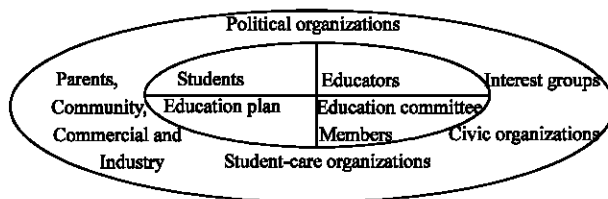


Fig. 3: Valentine's relationship graph of internal and external environments within a school system

**Interactive marketing:** The objectives of school marketing should not only include education and service personnel, students and parents, but also pay close attention to the interactions among them all. Good interactive marketing should offer quality service and emphasize on providing opportunities for parents to participate with their support. Zhang (2009) argued that in addition to quality education services, a school should use various communication channels, including writing, language and activities, to facilitate interactions between teachers, students, parents, community and society with the goal of developing positive relationships and friendly mutual cooperation. Success at this will naturally develop good word-of-mouth among the community and parents, which is one important factor for parents when choosing a nursery school.

### CONCLUSION

In an educational environment impacted by a low birth rate, many private nursery schools in Taiwan are conscious of the fact that they are no longer able to run their school by a production-oriented method. Through this study's findings we recommend that nursery schools continue to enrich and improve faculty, teaching, courses, and hardware equipments break through this today's operational dilemma. They should also take advantage of

the government policy of integrating kindergartens and child-care centers to develop a coherent teaching strategy for two to six year olds, as well as establish unique brand characteristics that can result in good word-of-mouth to help parents decide to bring their children to the school.

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