



2018

McDonough Business

Strategy Challenge

MBSC

CASE: KABOOM!

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**MCDONOUGH BUSINESS STRATEGY
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Disclaimer: This case is based on a real organization headquartered in Washington, D.C. The details in the case are deliberately limited to information about KaBOOM!. You are encouraged to conduct research, but only publicly available sources are acceptable. You are not permitted to contact your coach, advisor, professors, or any other individual. Please contact the competition directors at: challenge@hilltopconsultants.org if you have any questions during the competition.

Background: KaBOOM!

KaBOOM! is a national non-profit dedicated to making “balanced and active play” a part of every child’s life. America's kids are playing less than any previous generation; only one in four kids gets the recommended 60 minutes of physical activity or active play per day. The challenges are particularly acute for the 15 million kids living in poverty who too often lack access to places to play, go to schools with no recess, and spend their time in places and situations that do not encourage active play. KaBOOM! creates great playgrounds, inspires communities to promote and support play, and works to drive the national discussion about the importance of play in fostering healthy and productive lives.

Since their founding in 1996, KaBOOM! has been a powerful champion for kids' active play and for building strong communities through civic engagement. KaBOOM! incorporates the communities they serve in every stage of the process, through their KaBOOM! Community Playground Build model. They have achieved success with this model; to date, they have rallied more than 1,000,000 volunteers to create better play opportunities for 8.5 million kids, and have built over 3,000 playgrounds and improved 14,000 more. Their impact goes beyond individual communities, as they also advocate their message of active play to policy makers at the local and national level. Another branch of their outreach is dedicated to mobilizing city leaders to invest in programming, policy, and infrastructure that promote active play, and have thus far recognized 258 cities as “Playful City USA Communities.” Finally, KaBOOM! advocates their “playful” message beyond physical playgrounds. They run national campaigns, such as the Play Everywhere Challenge, to encourage kids to take everyday spaces and turn them into PLAYces. They also encourage increased play activity outside of traditional playgrounds through their creative Play Products, Rigamajig and Imagination Playground.

Ultimately, KaBOOM! works to catalyze and create great places to play, empowers advocates to promote and protect play, and elevates public discourse around the importance of play. KaBOOM! believes that play matters for all kids and is critical to a child's overall health, development, and well-being. Moreover, they believe that play can help tackle a number of urgent issues plaguing our society – especially those endemic to low-income communities.

To advance their mission and achieve sustained growth, they are making an organizational investment in the development and prototyping of new, innovative program offerings. Innovation in programmatic offerings is also critical to remain

relevant, drive growth, and diversify revenue. To that end, KaBOOM! is currently in the process of developing and prototyping a variety of new play product models, including a tech-enabled playground that will not only enhance the play experience for kids, but also attract new sources of revenue.

Tech-enabled Playgrounds

Engaging children in active play is more and more difficult as sedentary activities such as computer games and social media become dominant over more of children's lives. Playgrounds that acknowledge the desire for connectivity that children now expect, provides potential never before seen opportunity to leverage the technology of the sedentary activities to make the traditional physical activities of kids attractive to today's kids. No amount of promotion will convince kids not to want social media and exciting computer games. The goal is to integrate those demands into healthy activities by showing kids that sophisticated technology can be integral to old fashioned rough and tumble fun!

The Product

Technology – video games, movie-streaming, virtual and augmented reality, and so forth – historically stands in opposition to more traditional forms of recreation. The KaBOOM! Play Products team, however, does not construe this as a conflict, rather an opportunity. Instead of shunning technology, KaBOOM! plans to integrate it into the traditional playground experience: the Tech-enabled Playground.

Tech-enabled Playgrounds run by on-site computers synced to the cloud, allowing for instant transfer of data from cloud to site and vice-versa. Each module requires two components:

1. An existing playground
2. Proximity sensors at different areas of play, capable of receiving various inputs

Which will be expanded to include:

3. Wearable bracelets with anonymous, but trackable, 12-digit alphanumeric codes

As children encounter different parts of the playground, for instance a slide, the corresponding proximity sensor will trigger a prompt. This prompt can be either auditory or visual. Imagine, for instance, a sudden swooshing-noise as you glide down the slide, or a voice providing the child a new activity to complete at the playground.

This model is referred to as Intelligent Cause-and-Effect Play, which serves to repackage playgrounds as dynamic experiences. Tech-enabled Playgrounds will also perform a second function, namely data-collection. In combination with the wearables, the proximity sensors can gather various metrics such as:

- The number of children on the playground at any given time
- The amount of time each child spends at the playground
- The frequency at which children use different installations (e.g. slide, monkey bars, etc.)

Installation, Maintenance, and Expansion

KaBOOM! relies on supervised volunteer installation crews for every playground they build. This is also a possibility when retrofitting playgrounds with the interactive module, but local community maintenance workers/school engineers could complete this without supervision. With rechargeable batteries lasting anywhere from 2-3 years on a single charge, maintaining a module is neither difficult, nor expensive.

Any associated costs, low as they are, can be looped into grants meant simply to refurbish old playgrounds. The Wi-Fi necessary to sync the cloud and the playground could be provided to students by their schools. For installations not within a school's purview, alternative providers are available. Verizon, for example, is already on board with providing 4G for overnight downloads/uploads at each site. The Play Products team intends on leveraging the PR value of sponsoring this initiative by teaming up with Xfinity for permanent network access.

The future of tech-enabled playgrounds is promising as it utilizes a simple computer platform, which both educators and their students could code. This allows for customization of each respective module; a STEM program could have students design their own interactive playground experiences. In this way, playgrounds can be quite literally 'updated' to cater to different users. Even frontier technologies like augmented reality could eventually be integrated into the neighborhood blacktop.

Playground Market

The Industry

The playground industry has shifted greatly over the past ten years, becoming more consolidated. Previously, individual companies competed in the marketplace by utilizing specified distribution channels with multiple sales representatives. At present, the few companies remaining are part of large equity firms.

KaBOOM!, as a nonprofit, seeks to partner with a leading playground company that shares their entrepreneurial drive and trail-blazing innovation. Research on market competition must focus on what tech enabled playspaces already exist and their corresponding pros/cons. Below is an overview of relevant companies, but it is in no way exhaustive as larger groups like Google, Intel etc. may also be involved in development forms of alternative or augmented play.

Playground Landscape

PlayPower, which recently bought Playworld Systems in 2016, is the world's largest manufacturer of playground equipment and other recreational equipment such as floating dock systems and boat lifts. The company is headquartered in Huntersville, NC with divisions across the United States and Europe. PlayPower Inc. consists of nine companies including Hags (a supplier of wooden and metal playground equipment), Little Tikes Commercial, and Playworld. Playpower also recently partnered with the company Biba to enhance the playground experience with mobile games and augmented reality.

Playworld has continued to stay competitive in its industry through a variety of initiatives. Most notably, Playworld's Inclusive Playground initiative ensures that playground equipment is accessible to a variety of abilities and ages. The Inclusive Playground is only one of Playworld's newest projects and their other endeavors should be researched in order to accurately recommend strategies for KaBOOM!.

PlayCore is a parent firm that oversees multiple recreation companies. Started in 1985, the company has made several key acquisitions, including GameTime Inc. in 1997 in order to expand its product range. PlayCore continues to stay competitive through continued acquisitions and specialized research conducted via an extensive network. In addition, PlayCore focuses on inclusive playground equipment and the integration of nature into play.

In addition there are several other US based playground companies including BCI Burke, Landscape Structures and the dominant European company, Kompan. It is, however, integral to research other playground companies in order to have a thorough understanding of the playground marketplace and the unique offerings each company has.

When analyzing the competitive landscape, it is important to note how companies, both within and outside the playground industry are reinventing themselves in the dynamic marketplace. It is imperative to understand how technology plays a role in other companies' products and how they are changing the user experience.

Objectives

Tech-enabled playgrounds are the new frontier of driving sustained and more frequent playtime and encouraging children to go outside. Rather than holding technology and the outdoors as mutually exclusive, KaBOOM! seeks ways in which it can combine the digital and physical world to enhance both experiences.

Much of the upfront work for KaBOOM!'s prototype is finished. KaBOOM! expects to release the prototype in February or March 2018. To increase the likelihood of success of its product, KaBOOM! must identify competitors that are combining technology with playgrounds, observe what these competitors are doing, and evaluate the extent of these competitors' success. In developing and marketing its product, KaBOOM! also desires as much unrestricted income as possible.

As part of the development phase of this project, KaBOOM! seeks to understand the competitive landscape for tech-enabled playgrounds and the pros and cons of each competitor's strategy. KaBOOM! needs to understand how its product will be competitive amongst other models, and how to best position the product to attract new investments and meet the needs of the owners of the playgrounds, particularly in low-income communities.

As stated in its description, KaBOOM! has brought together a playground equipment manufacturer and tech companies to create a data-gathering architecture that will benefit kids' health, show the benefits of exercise to schools, and inform municipalities about the effectiveness of their spending on parks. This data could inform policy writers, equipment designers, and KaBOOM! itself. Data of this kind has yet to be gathered both efficiently and reliably. While considering the immediate goal of bringing the tech-enabled playground to market, also keep in mind the eventual utility of each module. What would be the best business model for monetizing this data, i.e. subscriptions, per-use charges, etc.?

Ultimately, KaBOOM! needs an overall business strategy to bring the tech-enabled playgrounds to market based on investor interest and competitive advantage, a plan for equitable distribution to lower income communities and monetizing the data that is captured.

Appendix**Balance Sheet**

KaBOOM!, INC.		
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
DECEMBER 31, 2016 and 2015		
	2016	2015
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 6,557,141	\$ 1,993,742
Contributions and program services receivable (Note 3)	1,203,274	2,774,294
Accounts receivable	372,977	264,719
Investments (Note 5)	1,622,640	4,629,163
Prepaid expenses	195,704	248,237
Other assets	<u>35,646</u>	<u>49,566</u>
Total Current Assets	9,987,382	9,959,721
Property and equipment, net (Note 6)	750,775	884,067
Intangibles, net (Note 6)	351,374	434,984
Investments (Note 5)	<u>11,911,870</u>	<u>8,132,703</u>
Total Assets	<u>\$ 23,001,401</u>	<u>\$ 19,411,475</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,163,574	\$ 1,747,028
Grants payable (Note 7)	1,506,307	1,126,038
Deferred revenue (Note 8)	4,959,380	2,720,818
Deferred rent (Note 13)	<u>739,332</u>	<u>857,062</u>
Total Liabilities	<u>9,368,593</u>	<u>6,450,946</u>
Net Assets		
Unrestricted		
Undesignated	7,648,070	5,707,276
Board designated for operations (Note 2)	<u>4,500,000</u>	<u>4,500,000</u>
Total Unrestricted Net Assets	12,148,070	10,207,276
Temporarily Restricted (Note 9)	<u>1,484,738</u>	<u>2,753,253</u>
Total Net Assets	<u>13,632,808</u>	<u>12,960,529</u>
Total Liabilities and Net Assets	<u>\$ 23,001,401</u>	<u>\$ 19,411,475</u>

References

KaBOOM!'s Website:

<https://kaboom.org/>

KaBOOM!'s Financial Documents:

https://kaboom.org/about_kaboom/financials



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