

Day-Care TV: ParentWatch Keeps Eye on Kids

by Danielle Sessa

Separation anxiety isn't just for kids.

Parents with children in day care also have real concerns about how their kids are doing during the day.

ParentWatch Inc., a closely held New York start-up, aims to help ease these worries by offering parents the opportunity to see what happens in the playroom while mom and dad are at the office. A network of tiny video cameras deployed at child-care centers allows parents who register for the service to check on their tots throughout the day using the Internet.

"I want to make sure the mom who drops the kid off who's crying has a way -- 15 minutes later online -- to know that he's okay," says Chairman and Chief Executive Adam Aronson. Mr. Aronson hatched the idea for his start-up three and a half years ago while watching television with his soon-to-be wife, a sixth- and seventh-grade science teacher. During an episode of the Fox melodrama "Party of Five," one brother voiced his concern about placing a younger brother in a day-care facility. How could he know about the toddler's well-being during the day, the brother wondered? "They should have cameras," Mr. Aronson said to his then fiancée. After doing some research, he decided to turn his observation into a business plan.

He launched ParentWatch in January 1999, and the company now has 100 employees with offices on both coasts. It has recruited more than 2,000 child-care centers in 38 states, including some 1,000 centers that came with ParentWatch's acquisition this past summer of eDaycare.com (www.edaycare.com), a closely held Santa Clara, Calif., company that builds Web sites for child-care centers.

ParentWatch's headquarters are housed in a former sewing factory in New York City's garment district. Instead of rows of sewing machines lined up in the high-ceiling office space, computer terminals are set up side-by-side, resembling a trading desk at a brokerage house.

The Wall Street flavor is no coincidence: It reflects Mr. Aronson's previous career as an investment banker. The 32-year-old traded currencies for three years at Credit Suisse First Boston and PaineWebber Group Inc.

Mr. Aronson and a partner invested \$500,000 in seed capital throughout 1998 and then tapped former co-workers to invest. He even lured some former CSFB technology staffers to join the firm.

"I had access to smart tech people, but also had access to a lot of people with money," Mr. Aronson says. The company has raised a total of \$30 million in four rounds of financing; the latest round, completed last month, was led by Oak Street Investments LP.

ParentWatch uses its capital to provide several free services to its centers. Those who sign up for its remote-viewing service get roughly \$15,000 in video and computer equipment, at no charge. ParentWatch pays to install and maintain two to three wall-mounted cameras in each room, and also provides the centers with free high-speed Internet access.

In addition to remote viewing, ParentWatch also gives each center in its network free space on the ParentWatch Web site to post lunch menus and schedules of activities and events that parents can check. And it offers another service that helps the centers save money.

There are roughly 100,000 child-care centers in the U.S. and about 95% of them are independently owned, according to Keith Gay, partner at Thomas Weisel Partners in San Francisco. Since the industry is so fragmented, ParentWatch uses its network as leverage to broker deals with school supply and food vendors. The centers receive discounted prices, and ParentWatch gets a cut of the sales from vendors.

Mr. Gay believes this is the right strategy to help ParentWatch separate itself from competitors in the \$30 billion child-care industry.

"If you come into the center and say 'We are going to help parents watch your kids all day,' there would probably be some centers that don't see value in that. But they do see value to ParentWatch saying 'We are going to come in and create a community and help you order supplies.'"

In the beginning, it was a struggle to persuade day-care centers to sign on, Mr. Aronson recalls. Parents were worried about security, instructors felt uncomfortable on camera, and owners didn't want to open themselves up to lawsuits. Some centers still have reservations about allowing cameras in the playrooms.

Christy Lowery, director of Cricket Hollow in Raleigh, N.C., uses the Community Web Site to alert parents about field trips and other special events, but has no plans to sign up for the viewing service because the teachers objected to the cameras, and the video images could be misinterpreted. The parents of children at Family Partners in Jacksonville, Fla., have mixed feelings about the service, says director Sherry Crawford. Many "like it because while they are working at their desks, they can click on and see what their children are doing," she says. But "other people say they don't like it because anyone can use the passwords" and watch their children over the Web, she adds.

Security is of paramount concern to the parents, child-care directors and ParentWatch. When a parent signs up on the Internet for the remote-viewing service, which costs

\$24.99 a month, ParentWatch gathers personal information over a secure socket line and then sends it to the center director, who assumes the responsibility of verifying the parent's identity and authorizing access to the user. The parent can share passwords with friends or create a separate account for grandma and grandpa five states away.

ParentWatch tries to distance itself from the premise of using its technology as a surveillance tool for parents to spy on caretakers. "ParentWatch is a keeping-families-connected tool, rather than a watch-your-kid and monitoring tool," says the 32-year-old Mr. Aronson, echoing a slogan on the company's Web site.

Mr. Aronson has focused on keeping ParentWatch on a path to profitability, but declines to disclose any financial information, adding: "As a private company we enjoy a luxury of keeping [this data] close to the vest."

About ParentWatch

ParentWatch provides the most comprehensive Internet solution for the \$35 billion child care industry. The company keeps families connected by allowing parents to view live video images of their children in child care and access center-specific information such as schedules, lunch menus and more through its Community Site. ParentWatch offers child care programs the services they need to grow their businesses, operate more efficiently and better communicate with parents and children. Chairman and CEO Adam Aronson founded ParentWatch in 1998 to enable parents to take a greater role in their children's care and schooling. ParentWatch is headquartered in New York, with offices in Silicon Valley.