



"The Business Side of Child Care"

**Presentation Details: Survive, Thrive & Maximize – Tips for Child Care Businesses**

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**Survive, Thrive & Maximize  
Tips for Child Care Business**



"The Business Side of Child Care"



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**Donna S. Dailey M.Ed.,LREB,CBI,BEC,SBA**


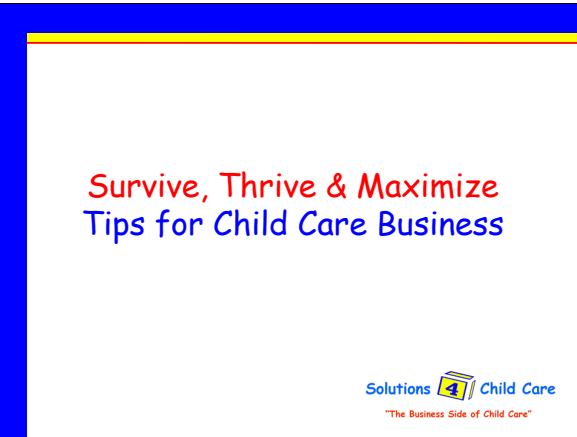


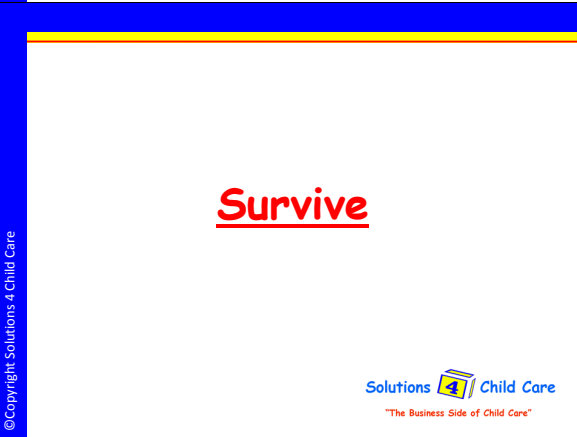




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<p><b>Slide 1</b> </p> <p><b>Survive, Thrive &amp; Maximize Tips for Child Care Business</b></p>	 <p style="text-align: center;"><b>Survive, Thrive &amp; Maximize Tips for Child Care Business</b></p> <p style="text-align: right;"><small>Solutions  Child Care "The Business Side of Child Care"</small></p>	<p><b>Notes:</b></p>
<p><b>Slide 2</b> </p> <p><b>Survive</b></p>	 <p style="text-align: center;"><b><u>Survive</u></b></p> <p style="text-align: right;"><small>Solutions  Child Care "The Business Side of Child Care"</small></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><small>©Copyright Solutions 4 Child Care</small></p>	<p><b>Notes:</b> Let's begin by reviewing some tips and steps owners of child care businesses can take to survive an economic downturn.</p>
<p><b>Slide 3</b> </p> <p><b>Budget Review</b></p>	 <p style="text-align: center;"><b>Budget Review</b></p> <ul style="list-style-type: none"> <li>• Line item review - every item <ul style="list-style-type: none"> <li>– Details</li> <li>– Justify every expense</li> </ul> </li> <li>• Cut out the unnecessary</li> <li>• Major Third Party Expenses <ul style="list-style-type: none"> <li>– Insurance</li> <li>– Facility Rent/Mortgage</li> <li>– Repairs and Maintenance</li> </ul> </li> </ul> <p style="text-align: right;"><small>Solutions  Child Care "The Business Side of Child Care"</small></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><small>©Copyright Solutions 4 Child Care</small></p>	<p><b>Notes:</b> The usual effect of an economic downturn is job losses. And of course jobs losses leads to lower enrollment in child care centers. As a child care owner, there is little you can do to prevent job losses and unemployment in your community. However, you can address the effect it has on your business. Begin by doing a thorough budget review. Review your month profit and loss statement line by line. You should know exactly what items are making up the expenses in each line item or category. For example, the line item miscellaneous expenses, or supplies are often</p>

catch all categories. Many items are usually added into these categories which are fine but as an owner you must know what items make up the total. You must scrutinize and justify every expense and eliminate it, unless it is absolutely necessary in order to stay in operation. Make sure the next week or next month the expenses you have determined to be unnecessary are actually cut out.

Some major third party expenses such as insurance, facility rent/the mortgage, and repairs and maintenance are usually major expense items. Begin by making an appointment with your insurance agent to review your current policy(s). After you understand your current policy, get at least three different quotes from other insurance companies.

If you rent the building or space that houses your child care business, read every page of your lease. Make sure you understand the terms of your lease, i.e. length, common area maintenance, renewal options, future increases in monthly rental rate, etc. Research your market area to determine what others are paying for similar buildings/space. Schedule a meeting with your landlord to discuss options for reducing the monthly lease amount temporarily or for the balance of the lease.

It's tempting to postpone or eliminate routine repairs and maintenance when money is tight. But, it's important to keep things in good repair and working order. Often, deferred maintenance results in break downs and repair bills in excess of the regular scheduled maintenance. If you are not already under a contract for routine maintenance items, get bids from at least three service providers. And, having a maintenance service contract in place may mean your repair request receives a more timely response.

## Slide 4

### Increasing Cash Flow

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### Increasing Cash Flow

- Collect your receivables
- Retain Cash
- Manage Payables
- Inventory Control
- Look into Leasing

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### Notes:

Every child care business has a group of “non-paying” or “slow paying” parents. During regular economic times these payment delays are more easily accommodated. However, an economic downturn may increase the number of parents struggling to pay of child care. Keep accurate tuition payment records, communicate directly with your parents and if possible work out a payment schedule that will benefit both of you.

Planning ahead in business is vital. Analyze your financial information if possible on a weekly basis. Generating profit from a business is the primary goal but cash flow to a business is like oxygen to a person without either its hard to survive. If you are starting to experience cash flow problems, take actions immediately to increase cash flow. Do not wait.

Manage your Payables. If your suppliers offer a discount for paying early, take advantage of it. Other payables should be paid when due and not early.

Keep your inventory in control. Excess inventory, i.e. food, supplies, toys, and paper products tie up significant amounts of cash. Avoid buying more than you need.

Look into leasing. Leasing costs more over the long run, but can still be an effective cash flow management option. Check into leasing versus buying for playground equipment, office equipment, kitchen appliances, etc.

## Slide 5

### Utilize Staffing

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### Utilize Staffing

- Analyze each room for appropriate level of staffing – time analysis – labor costs are improved by sound scheduling not by paying low wages
- Operate rooms at state ratios
- Keep part time employees to a minimum
- Can some employees be utilized in other areas – i.e. cook also drives bus



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### Notes:

Labor costs are normally the largest expense of a child care business and often the hardest expense to manage and decrease. When child care business owners are asked what is causing their labor cost to be high, the number one answer is how much they have to pay their employees. However, paying lower wages is not the answer to managing labor costs. Labor costs are improved by sound scheduling.

It is imperative that a child care business owner consistently, and accurately track the labor cost per room and on an ongoing basis. Each room should be operated at state ratios at all time but not below allowed ratios with excessive labor. Only schedule the staffing needed per room throughout the day.

Part time employees and "floaters" play an important role in a child care business. However, ineffective utilization of part time employees can substantially increase labor costs.

Can some employees be utilized in other areas – i.e. having the cook assist with opening in the morning or driving the bus.

## Slide 6

### Utilize Facility

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### Utilize Facility

Do you need to rearrange your rooms per age group and current enrollment to maximize your facility utilization?

Could you convert two small rooms into one large room and increase enrollment?



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### Notes:

To a certain extent, once a child care center is built, there is little flexibility for changing the floor plan. However, there two situations I see most often that not only increase labor costs but also lead to facility under utilization.

First, is not having the appropriate age group in the appropriate room. The square footage of each room determines what number of children of a certain age can be in that room. However, it is not uncommon for the number of child in each age group to fluctuate throughout the year. For instance, you may find that you have a larger than normal number of two year olds. Instead of placing many of them on a waiting list and operating at a lower number, could you

rearrange your rooms per age group and move some of the children from the waiting list to being enrolled?  
 Second, some older centers were designed with small classrooms. Unfortunately, smaller classrooms can increase labor costs. It may be possible to convert two small classrooms into one large room increasing enrollment and allowing for a possible decrease in labor cost.

**Slide 7**   
**Summer Programs**

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**Summer Programs**



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**Notes:**  
 Most large centers offer a summer camp or some type of organized summer program. Many small and medium centers do not offer a special summer program. But, any size center, given open enrollment space, should consider establishing a part-time or full time summer program. Revenue generated by summer programs can help offset the traditional lower summer enrollment.

**Slide 8**   
**CACFP - Participate**

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**CACFP - Participate**



- The Food Program is a major source of income for the providers that participate in the program
- Providers that participate in the program have more income after taxes than they would have if they did not participate in the Food Program
- "The significant financial benefits of participating in the CACFP outweigh all financial and non – financial objections."

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**Notes:**  
 Every child care center should participate in the CACFP – Food Program. For centers that participate in the Food Program it is a major source of income. And, participating child care business owners have more income after taxes than they would have if they did not participate in the Food Program. The Food Program is not designed to be a profit center for a child care business. However, it will cover the cost of food, paper products, kitchen staff and some food program administrative costs.  
 Over the years, I've heard numerous objections to participating in the Food Program. However, the significant financial benefits of participating in the CACFP outweigh all financial and non-financial objections.

## Slide 9 Add Hours

### Add Hours

- Open earlier and close later
- Second Shift
- Saturday mornings once or twice a month
- Date night
- Interviews



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### Notes:

The work days of a child care business owner can be long, and it's hard to think about adding hours. However, one way to increase enrollment is to open earlier and close later. These extended hours make it easier to accommodate the varying work hours of parents. Just opening 30 minutes earlier and closing 30 minutes later, and marketing these extended hours may be all it takes to enroll a few more children.

Furthermore, if your child care center is located near businesses such as large manufacturers that operate second and third shifts, you may be able to add child care for particularly the second shift workers.

Some variable times to consider offering child care services might include Saturday mornings once or twice a month. Or perhaps one night a week, like Friday night to provide drop in care for parents looking for a date night. And, drop in care to accommodate parents needing to interview for jobs or just run errands can if manage correctly provide the needed cash flow to help with operations.

**Slide 10**   
**Part Time Enrollment**

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**Part Time Enrollment**

- Flexible Program
- Pay by the hour – preregistration required
- Share the week



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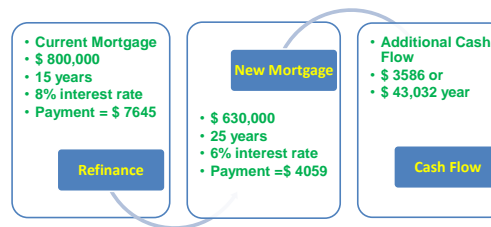
**Notes:**

During good economic times accepting children on a part time basis is usually not the best approach. However, during challenging economic times that produce significant job losses and high unemployment, child care centers can experience significant enrollment declines. It's during these times that offering part time enrollment, a flexible program, pay by the hour and shared week programs, can have a positive impact on cash flow. Evaluate the possibility of offering one of these options in your child care business. But, manage these "part-time" programs closely so as not to actually increase labor costs and possibly causing out of ratio situations.

**Slide 11**   
**Refinance Debt Service**

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**Refinance Debt Service**



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**Notes:**


Many child care business owners also own the real property – building and land. The mortgage on the real property is often the second largest operational expense behind labor cost. When business is good and enrollments are normal the mortgage payment may be within normal operating ratios. But, with the loss of enrollments and revenues making the monthly mortgage payment can become a real challenge. One way to decrease the monthly payment and increase cash flow at the same time is to refinance the debt on the real property. Let's review an example.

**Slide 12**   
**To Summarize**

**To Summarize**

- Review Budget
- Utilize Staffing
- Utilize Facility
- Summer Programs
- CACFP
- Add Hours
- Part time enrollment
- Refinance Debt


**Notes:**

**Slide 13**   
**Thrive**

**Thrive**

**Notes:**

Once the survival stage has passed, it's time to look past just surviving and plan to thrive. In this section, we'll cover some things to consider implementing in your child care business to take it to the next level.

**Slide 14**   
**Slide 14**

**SWOT Analysis**



**Strengths**

What are your centers advantages?  
 Where are you making the most money?  
 What are you doing well?

**Weaknesses**

Where do you lack resources?  
 What are you doing poorly?  
 Where are you losing money?  
 What needs improvement?

**Opportunities**

Niches that competitors are missing?  
 Customer needs?  
 Special Programs?

**Threats**

Obstacles to overcome?  
 Successful competitors?  
 Negative economic conditions?  
 Regulations?  
 Changing business climate?  
 Vulnerabilities?

**Notes:**

In the previous section on surviving, we covered the importance of analyzing the financial information of a child care business as the first step. To take a business to the next level and create a platform for a thriving business, a first step should be conducting a SWOT Analysis on the business. SWOT Stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and Weaknesses are internal aspects of a business and are areas that you as a child care business

owner you have control of to some extent. Opportunities and Threats are things external to a business.

**Slide 15**   
**Get Back to Basics**

**Get Back to Basics**

Everything starts and end with the customer

- Get to know your customers
- Know them by name
- Greet them in the morning and afternoon
- Know what is happening in their life
- Be a positive part of their life
- Happy customers are not lost to the competition



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**Notes:**  
Everything starts and ends with the customer. Unlike many businesses, child care business owners have the opportunity to see, greet, and acknowledge their customers everyday. Thus, this daily opportunity for interaction should be capitalized on by the child care owner, director, and all employees to establish a relationship with the customer – the parents. Parents should be greeted in the morning and at the end of the day by name. Take the time, over time, to get to know what is happening in their life and be a positive, supportive addition to not only the child's life but the parents' and the entire family's life. Happy customers are not lost to the competition. When you have a relationship with your parent customers you will be able have a better indication as to their financial struggles, and current employment status. Knowing this information can help you as a child care business owner to plan more effectively.

## Slide 16 Marketing Overhaul

### Marketing Overhaul



- Who is your customer?
- Where are you spending your marketing and advertising dollars?
- What is the return on the money you are spending?
- Reallocation of spending
- Develop Marketing Plan and measure results

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### Notes:

Since the customer – parent is so important to a successful child care business, it's vital for an owner to have a clear description of what their customer looks like. Every child care business based on location, surrounding demographics, proximity to housing and employment has a specific type or types of customers. For example, if a child care business is located in a predominately blue collar, industrial area the parent – customer will most likely be a working parent. Or, a child care center located near a college or technical school may have a number of customers attending school either full time or part time. The child care needs of each of these types of parent – customers are different. With the first example, the center may experience a more consistent enrollment, with many children attending the center for much of their early childhood. And, the second center with a high percentage of parents attending school may see more of a yearly turnover. It's only by defining the customers and their needs that a child care business owner can adjust the offering of child care services to meet the needs of the customer.

In addition, it's only through understanding who your customer is can you allocate marketing and advertising dollars to effectively target customer. Often, child care business owners are spending money on marketing and advertising initiatives that do not reach the target customer. Thus, the money spent on advertising and marketing yielding little if any return on funds spent. For every dollar spent on advertising and marketing that does not reach the targeted customer it is just wasted money.

As a child care business owner it is imperative to define your customer, and reallocate spending to marketing programs that are design to reach the targeted customer.

Results of every marketing activity must be tracked and followed closely to measure results and aid in designing and implementing future marketing efforts.

**Slide 17** 🎧  
**Invest in Yourself, Your Business & Your People**

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**Invest in Yourself, Your Business & Your People**

- Invest in yourself
  - take a class
  - sharpen your skills
- Invest in your business
  - upgrade computer system
  - upgrade playground
  - paint – clean up- repair
- Invest in your people
  - staff education
  - sharpen skills



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**Notes:**  
Invest. This is probably the last word that most people want to hear today. However, I'm not referring to investing in the stock market, real estate, bonds, etc. I'm talking about investing in the three very important areas, yourself, your business, and your people.

Now is the time to move past being "bitter" to "getting better". As the owner a child care business, you should take classes to sharpen your skills and knowledge. There many inexpensive classes and training programs available at local community colleges, state offer programs, and online. Some highly valuable subject matters of study would be: understanding financial statements, budgeting, strategic planning, marketing, management, etc. All too many owners of child care businesses overlook the fact that a child care center is "a business" and it must be operated like one.

Invest in your business. The cost of technology has gone down so now is a good time to

upgrade computer systems and software. Maybe you could just add one computer that your teacher can use to take required classes online. If you are looking for an investment that will usually have a good return over the long run, investment in quality playground equipment and structures. Not all investments have to be substantial. Investing in a new coat of paint, a thorough cleaning of the facilities and grounds or needed repairs is always a good investment.

Invest in your people. I've heard child care owners complain about helping teachers increase their education and training only to have them leave to work for the county, state, school system or the competition. But, the question is, would you rather not educate them and have them stay? Employees will also come and go; that's just the nature of any business. However, educated, well trained employees are the key to the continued success of any business. Consider tying bonuses, pay increases, or days off to course completion.

**Slide 18**   
**Choose to be Successful**

**Choose to be Successful**






- Stop wasting time and emotions on things you cannot control
- Stop whining
- Get Busy!
- Develop Good Work Habits – get in early, stay late, work on Saturday – persistence always pays big rewards.

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**Notes:**  
The natural human response to change is frustration, and often the inability to focus. Two of the most important things in do in a changing environment are planning and taking action. Allowing yourself to vent initially is healthy. But, as soon as possible it's important to move forward design an action plan and get busy.

In a changing environment where we may feel like we have little control, little things, we do consistently can help us to feel more in control of

		<p>at least some things. Working a consistent schedule that includes daily routine activities and specific activities from our action plan, can go a long way to helping us feel like we are working toward solutions or making things better.</p>
<p><b>Slide 19</b>  <b>Look for Opportunities</b></p>	<div style="border-left: 2px solid blue; border-right: 2px solid yellow; padding: 5px;"> <p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 8px; margin: 0;">©Copyright Solutions 4 Child Care</p> <p style="text-align: center; color: red; font-weight: bold; margin: 10px 0 10px 0;">Look for Opportunities</p> <ul style="list-style-type: none"> <li>• What market opportunities are not being met?</li> <li>• What customer base has unmet needs?</li> <li>• Can you offer a new service/product on a part time or full time basis?</li> <li>• Modeling – what are other successful operators doing? Copy them.</li> </ul> <div style="text-align: right; margin-top: 10px;">  <p style="font-size: 8px; margin: 0;">Solutions  Child Care "The Business Side of Child Care"</p> </div> </div>	<p><b>Notes:</b> When's the last time you took a close look at your child care business and the market area? As business owners we must always be on the lookout for opportunities. Thinking child care is a non changing industry is an inaccurate assumption. Child care like all business industries is constantly evolving.</p> <p>In your market, what opportunities in child care are not being met? Is there an additional customer base that has unmet needs? Can you offer a new service or product on a part time or full time basis?</p> <p>Let's face it, not all of us are good at being creative and coming up with a new approach. However, one of the best ways to seize opportunities is to observe other successful child care operations and model their program or actions. However, make sure that you really understand all of the components they are implementing to be successful. Just deciding to add a summer camp and not understanding and implementing all of the small details may not yield the same results.</p>

## Slide 20

### Execute. Take Action

- Otherwise, you have good intentions that go nowhere
- Layout a written plan
- Review your plan with someone you trust and is successful in child care
- Work the plan



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#### Notes:

Execute. Execute. Execute. At some point, you have to stop planning and take action. Even the best laid plan without action is useless. After you have studied and designed your action plan, review your plan with another child care business owner you trust for feedback. And then, get started!

## Slide 21

### Track Your Progress



- Reassess your progress periodically, 60-90 days is a good time frame to re-evaluate what's working and what's not so that you can make needed adjustments.
- Objectively review what is working
- Revamp or let go of things that are not working

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#### Notes:

As you implement your plan, don't forget to document and reassess your progress periodically. About every 60 to 90 days is a good time frame to re - evaluate. What's working and what's not so that you can make needed adjustments. Objectively evaluate what is working and revamp or let go of things that are not working. Don't marry yourself to any particular idea or plan to the extent that after careful review you cannot admit that it's not working, make adjustments, and if it's still not working junk it and move on.

## Slide 22

### Maximize

# Maximize

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#### Notes:

Not only should your child care business provide you with an income, but you should run your business to reap additional financial rewards when you sell it. After having worked with child care business owners for about fifteen years now, I'm still amazed at how many owners give little if any real consideration to future business value. The value of a child care business should be viewed as a work in progress. With each passing year, your business either becomes more valuable or less valuable. Business value just doesn't happen. And, unfortunately, many

child care business owners make financial and business decisions that actually add little value or adversely affect value.

**Slide 23**  
**What is the Value of Your Child Care Business?**

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**What is the Value of Your Child Care Business?**

What is my child care business worth?

What can I sell my child care center for?

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**Notes:**  
One of the questions I'm asked most often is; "what's my child care business worth?" But, although most child care owners want to know what their business is worth, they actually spend little time and effort working on maximizing their business value.

**Slide 24**  
**Child Care Business Value Components**

Child Care Business Value Components

Business Value Maximizers

Financial Perform...

Organized Operations

Staff Educated & ...

State Child

Building &

Business

What is my Child Care Business Worth?  
This is the most common question a business owner asks. The best answer to the question is... "it depends". Many factors have to be...

PROPERTIES  
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Show 'Next Slide' Button: Show upon completion  
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Properties... Edit in Engage

**Notes:**

## Slide 25 Child Care Business Value Reducers

Child Care Business Value Reducers

Introduction

Having valued and assisted with the sale of child care businesses since 1995, I am still surprised at the lack of understanding of things that can decrease a child care business value. Moreover, how little attention is directed toward controlling these business value reducers.

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Notes:

## Slide 26 Business Evaluation

Business Evaluation

- Financial Analysis
- Current Market Value
- Areas of Improvement
- FREE – Initial Assessment
- Confidential

Call today:

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Notes: