



Virginia's ARPA Child Care Stabilization Grant Program

Is it time to grow your business?

A helpful checklist of steps to help you decide if and when to expand your child care business.

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Expanding your child care business can be a great strategy for the long-term that builds productivity, brings in more revenue, and most importantly, brings quality child care to more children around the State of Virginia during a time of great need. However, attempting to grow your business before you have taken the steps needed to support this growth can be intimidating and cause problems that you are not prepared for. Sometimes, small businesses will grow too fast or move forward without the necessary structure and capacity to execute the expansion which can weaken, or even end, a business rather than strengthen it.

As such, if you are thinking about growing your business, we recommend you first run through this checklist to decide if and when you are ready to expand. This checklist was created using decades of experience from multiple child care business experts around the nation and will help you take the steps you need to sustainably expand your business.

You can use this checklist on your own or you can [register for a free call with a business coach](#) to talk through your plans for growth and ensure you are prepared to sustain your expansion into the future.

☐ **Step 1: Assess your demand**

One of the most important factors for growth is having customers. It is critical that you make sure that you have the level of enrollment that you need to provide the revenue to sustain your growth before you begin the expansion process. That's why we recommend that you first make sure that the demand by parents and families exists to support the growth that you want to undertake.

First, do you have a waitlist?

The first indicator that it may be a good idea to expand your program is if you have more demand than you have available slots. If your current seats are all filled and you continue to receive inquiries from prospective families, this is a sign that there is enough demand to support your expansion. On the other hand, if you don't have enough children enrolled to sustain your current business as it is, expanding will put an added burden on you as you try to assume the additional costs of expansion without having the projected revenue to sustain it.

Next, is there demand for the type of care that you plan to offer?

While a waitlist will give you a good assessment of demand, it may not tell the full story on the type of services that are in demand. Be sure to talk to your current families to better understand if they would be willing to be a part of your expanded child care program. For example, perhaps you are adding slots at your current facility and could easily fill these slots using your existing waitlist. However, if you are opening up a new location in another part of town or are transitioning from a family care setting to a center-based program, these could be deal breakers for your families if the location is not good for them or if they prefer family care over a center. For this reason, it is important not to assume that a waitlist equals instant revenue. Speaking with families on your waitlist in advance can give you the information that you need to determine how many are likely to enroll in your expanded program, providing your business with the necessary revenue to sustain the added costs associated with growth.

Finally, does your growth plan align with the needs of your community?

The final way we recommend gauging demand before you undertake growth planning is to assess the needs of your community through talking with current families in your care, those on your waitlist, and even others in the community. You can reach out to families on your own or engage your staff to participate in order to better understand exactly who is in need of care in the area you are considering growing in. It is also helpful to understand the landscape of the area and learn what other types of child care facilities and programs are available. For example, are there particular services or characteristics about the location and families in the area that you need to consider? What hours of operation and other services, such as before and after school care, are families seeking? What about the ages of kids that you plan to serve? Ensuring that your growth plan aligns with the needs of the community in which you wish to grow will help to give your expanded business the greatest chance of success.

Due to the immediate impact on anticipated revenue, or lack thereof, understanding the level and type of demand in your area is a critical step that should be done before undertaking any other growth planning. This understanding can help to give you a picture of your potential financial situation and give you an idea of whether or not you are ready to grow. If you do this step and find that you do not have enough families onboard to warrant an expansion, then you will want to take the time to find them and work on reaching full enrollment at your current child care business to start thinking about near-term growth. If you have questions, be sure to reach out to a business coach for free one-on-one support.

□ Step 2: Line up your staff

Similar to prospective families, you want to hire at least some of the staff that you will need to support your expansion before you begin implementing your growth plan. It is important to think about lining up your staff in advance as lack of staff can be just as dangerous to your child care business as lack of demand among families in your area when you are trying to expand. To begin, start with conversations with your existing employees about their interest in a new location (if you are adding one), or people they know who may be interested in working in the program. If expanding into a new region, it is also helpful to ask people familiar with the area about ways to attract employees, such as a local workforce board. You do not need every position filled before you start to grow, but you should have a solid idea of what your staffing needs are going to be and a plan for how you will secure that talent. You might want to consider some ways to recruit and attract high quality staff to ensure you have a group of qualified candidates to choose from. Sometimes business owners assume that they will be able to easily find the staff that they require when it comes time to grow, which is especially true right now as we face such a keen labor shortage. As such, ensure that you are realistic about your staffing needs and your ability to attract and retain employees. To learn more about **attracting talent to your business**, see the resources available at vecf.org/arpa-learn.

□ **Step 3: Develop a clear picture of your finances**

Some child care providers see an opportunity to expand their business and do not realize their current business is actually not in a stable enough financial situation to support the added costs associated with growth. If a provider attempts to grow their business when they are not in a solid financial position, this can result in so much pressure on their business to generate revenue that it can damage a child care business in the process, or even put the child care provider out of business. Accordingly, if you do not have one already, ensure that you have **a budget** for the current year to guide your growth and planning. You should then build off of this information to ensure that you have a clear picture of your financial health by developing a **cash flow forecast** for the next 6 to 12 months. At any time, you can **contact a business coach** for free one-on-one support to help you with these processes.

The difference between your cash flow and budget is important — a budget will tell you how much you think you are going to spend and how much you are spending over a year, cash flow

tells you how much money you have coming in and how much you have going out on a monthly basis. Having adequate cash flow is essential for business startups. For many new site expansions, there is a lot of money put out upfront, including personnel costs, supplies, marketing, furniture, and any renovations, before you begin to enroll children and certainly before you reach full enrollment potential in the program. You must have enough cash to float your business until you can at least break even. Money is the life blood of any business and as such, making sure you are financially sound is critical before you undertake any growth. This will let you know how much you plan to spend and how much you are making, so you have a sense of how much money you then have to invest in potential growth.

No matter how much support you get in expanding your business, it is going to cost additional money in some way, either through loan payments or investing your own capital into the business directly. You should be aware of how much you are spending versus how much you are taking in per month so that you can understand if this additional burden is going to be one that you can accept or one that might be devastating.

A deeper look at the importance of knowing your cash flow: Assume that you have \$5,000 in expenses over the year, and you have \$6,000 in revenue against it, that may look good to you. You see that and know that you're going to make a profit of \$1,000 for the year. Now, assume that you will have the \$5,000 in expenses in January, but you do not get paid the \$6,000 until March. Using cash flow, you can see that you have a potential problem because you must pay the expenses before the cash comes in. Can your business withstand floating expenses like these before your revenue comes in?

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR END
Scenario A: Budget	No understanding of cash flow												+\$1,000
Scenario B: Cash Flow	-\$5,000	+\$6,000											+\$1,000

□ Step 4: Create a business plan □ Step 5: Access capital to support your growth

Your next step is to create a business plan. There are many different types of business plans available, but we recommend you use a simple business plan that provides the most essential elements. Whether you use a simple format or any other, it is critical to have a game plan for your growth and make sure that you have a keen understanding of 1) what you plan to undertake, 2) how you are going to line up the families and children you need to bring in revenue, 3) if you have the staff on hand to make it a success, and 4) that you have all of the facility permits and licenses needed to open for business on time and 5) that you will have the cash flow throughout at least the first year so that you can keep paying your bills and obligations. Having a written business plan will not only help you have a pathway to growing your business, but it also helps you identify where you may need extra attention or finances.

In many cases, when you plan to grow, you're going to need additional funds to make it a reality. Whether you're just adding a classroom to your current facility or building a whole new center or a family care business, you will incur additional costs. In these cases, accessing capital can be helpful because it provides money to help you grow to then make more money. However, you should make sure that you are able to handle any associated costs with accessing capital. We recommend you **contact a business coach** for free one-on-one assistance if you have any questions.

Need Help?

Just remember that you do not have to embark on such a plan alone. You have expert Virginia child care business coaches to help you with each one of these steps. Don't hesitate to reach out and **book a time to talk to a coach at vecf.org/arpa-learn**.

Disclaimer

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