



Developing a Business Plan for a Child Care Center

Prepared by the Business Consultants at Child Care Aware® of North Dakota

A business plan is a written document that describes your child care business and serves as a road map for where you see yourself in years to come. A business plan should continually be reviewed comparing actual results to those outlined in the plan. (To be an accurate road map, the business plan should be updated regularly.)

Why Develop a Business Plan?

Writing a business plan is an important step towards managing your business more effectively and efficiently.

- A business plan helps to ensure that sound business decisions are being made, as it encourages strategic thinking. The process of writing a business plan is a useful exercise because the business, including any proposed development projects, must be looked at objectively in its entirety. A completed business plan can also provide a road map for a business to follow for future organizational and financial developments.
- A comprehensive business plan is an important tool for communicating a business' mission and goals to potential funders. It provides a lender or funder with detailed organizational information and credibly explains how the proposed funding will further the business' goals. Business plans are commonly required when applying for small business loans or financing from a commercial bank. Lenders and grant makers who do not require a formal business plan will instead ask questions or require written documentation on many of the same topics covered in a business plan.

What Is In a Business Plan?

There are many different ways to organize a business plan. Regardless of the structure of design chosen, every business plan should include the following sections:

Cover sheet

Table of Contents

1. Executive Summary
2. Company Overview
3. Service Description
4. Market and Industry Analysis
5. Marketing Plan
6. Operations Plan
7. Financial Analysis
8. Evaluation
9. Supporting Document

General Tips for Developing A Business Plan

1. Presentation matters

Never underestimate the value of a professional-looking document. Bank and grant officers look at hundreds of business plans and appreciate a plan that is easy to read and well presented. Creating a professional looking business plan shows that the management is serious about the business.

To make the document easy to read:

- a. Use headers
- b. Leave plenty of white space on each page
- c. Include a table of contents

2. Be concise

A short, well-written plan presents better than a long, drawn out one. Write in easy-to-understand terms.

3. Be honest. Don't try to hide limitations and weaknesses

In addition to highlighting the strengths of a child care business, a business plan should demonstrate an understanding of the challenges a business faces. After a challenge has been identified, be sure to discuss a plan for overcoming it. For example, if competition from a neighboring child care provider is identified in the market feasibility analysis, the plan should explain how the proposed business will serve a different market niche or how it will collaborate with the neighboring business to meet the community's child care needs. These weaknesses and threats along with strengths and opportunities can be identified through a simple SWOT analysis.

4. Seek professional assistance

There is nothing more valuable in the process of writing a business plan than receiving assistance from an expert in the field. Child Care Aware® of ND consultants can provide feedback on all aspects of business plan.

5. The plan should provide a lender/funder with an understanding of the business and how the loan/grant will be used

6. A successful plan ultimately answers three questions.

- Where are we now?
- Where do we want to be?
- How will we get there?

Business Plan Outline

Cover Sheet

(Sample provided at right)

Table of Contents

Section One: Executive Summary (one page or less)

1. Brief description of the child care business
2. Mission statement
3. Brief description of the proposed project

Section Two: Company Overview

1. Type of business structure; stand alone or part of an umbrella organization
2. History of the business/organization; years of operation
3. Description of services currently offered (or planned), number and ages of children served, and target market, number and qualifications of staff
4. Programmatic success (e.g. National Association of the Education of Young Children accreditation or environmental rating scale assessments)
5. Future (two-year) business goals and needs

Section Three: Service Description

1. Program expansion/quality improvement goals
2. Description of the expansion project:
 - Whether a new site is being acquired or an existing site is being expanded
 - The attributes of the business location that make it appropriate for child care
 - Number and age-mix of children to be cared for
 - The hours of operation
 - Services to be offered
 - Required equipment and furnishings
 - Room design and arrangement
3. Plan for managing the facility development process
 - Which consultants have already been hired (e.g. project manager, architect)
 - How and when additional consultants will be hired
 - The level of involvement of the board (if non-profit)

Section Four: Market and Industry Analysis (contact Child Care Aware® of North Dakota for current data)

1. Demographics of families in your community or in the target group you plan to serve.
 - Geographic boundaries for the target population
 - Number of young children and families in the area
2. Child care demand information
3. Child care supply information
 - Number of other child care programs in the community or geographic area
 - Number of child care spaces already provided in the area
 - Child care vacancies in the area
 - Average cost of care
 - Length of current waiting list
 - Age groups that are being served (infants, toddlers, preschoolers, school-age, or a combination) or that are NOT being served by other programs
 - Locations of existing child care businesses in your vicinity
 - Types of services offered by existing child care businesses

Cozyland Child Care Center Business Plan

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Section Five: Marketing Plan

1. Why will customers come to you and not to the competitors--price, quality of care?
2. What are your marketing goals?
3. What strategies are you going to use to reach potential customers?

Section Six: Operations Plan

1. Description of management team with staff qualifications
2. Organization chart
3. Staff training practices and staff training needs
4. If non-profit, identify board compositions. List of board members
5. If for profit consider adding information of a potential parent advisory board and their role.

Section Seven: Financial Analysis

1. Start-up budget (if project is new or expanding)
2. Annual operating budget
3. Financial projections for three years including assumptions and comments
 - a. Three Year Income Statement
 - b. Three Year Balance Sheet
 - c. Three Year Revenue Model
4. Current revenue and expense statement

Section Eight: Evaluation

Describe the outcomes to be accomplished. Identify benchmarks that will be measured during implementation to demonstrate successful implementation of the project.

Section Nine: Supporting Documents

- Budgets and current revenue and expenses
- Financial projections for three years including assumptions and comments
- Staff/child ratio information sheet, worksheet and Staff credentials
- Resumes of key people (board chair, owner/operator)
- Consultant contracts
- Letters of support
- Legal documents (articles of incorporation, child care license, property deed)
- Other relevant information (e.g. waiting lists, commitment letters from funders, etc.)
- Letters of support (three)
- Any other relevant information