Day Care Nurseries Business Management Toolkit

Tomorrow Begins Today

NatWest

Running a day care nursery business in the UK

Childcare businesses in the UK have faced an unprecedented set of circumstances in recent years. According to Ofsted, the number of childcare providers in England dropped by 4,000 in the year to March 2022. Companies post-COVID also continue to offer flexible, hybrid working structures, where working from home has reduced the parent's required hours for childcare.

Add to this the unique characteristics that make running a childcare business challenging such as operating constraints, education requirements, regulations, child welfare, ongoing staff retention and motivation issues, stressed cash flow and an uncertain future.

To help childcare businesses navigate these challenges and opportunities, we've developed a management toolkit to help fine-tune their business engines.

After you've read this guide, you should be able to identify what changes are relevant to your business and adjust and improve There is also a business plan template that matches the topics in this guide, a cash flow template to forecast ahead, and a Strengths, Weaknesses, Opportunities and Threats (SWOT) template for you to complete.

We wish you all the best in creating a successful and sustainable business.

Contents

Topic 1. Strengthen the foundation

The more resilient your business is to outside forces, the easier it will be to manage and grow your business to where you want it to be.

Identify and defend your competitive advantage

Every childcare centre will face some competition. Positioning and competing are important steps in the foundation of your business. Competitive advantage is what you do better than your closest rival, which matters to a parent assessing whether your setting is the right place for their child.

Was it a focus on health and wellness, you've been in business the longest, a 'happy' guarantee, the most convenient to access, the longest established staff team with high retention, an attractive and free-flow environment which is well equipped and resourced, exceptional outdoor space, multi-award winning, most nutritious meals, best educational holiday programme, an outstanding Ofsted rating?

Whatever it is, check that you're letting everyone know why you are such a well-run business. Your hook should be in your marketing material, listed on your website, repeated in your email newsletter or part of your conversation with new parents. Parents leave no stone unturned in their search for high-quality, affordable daycare centres, weighing factors like cost, location, operational hours, uniqueness, and the nurturing early years education that their children receive.

Describe why parents trust your business to look after their children.

Outline the hook that won over your last ten new families.

Finding your advantage

Competitive advantages you may want to consider emphasising.

Friendly, knowledgeable, qualified proactive staff	Make sure staff are motivated, trained and perform well. Ask your parents what they value most about your staff, then consider adding these behaviours to their job description. Check you have restraint of employment agreement clauses to reduce staff leaving and working for the competition immediately on resigning.
Regulatory compliance	Passing Ofsted and regulatory reviews with a better outcome than your closest competitor.
A great location	A great location with convenient parking and easy access.
Programmes and events	Unique or exclusive educational programmes or events.
Partnerships	Partnerships with organisations you collaborate with. These could be local businesses, community groups, education partners or council events. For example, joint marketing campaigns with local independent retailers selling educational toys or kid's clothes and refer business to each other.
Local employer	A large local employer programme, where you offer an incentive to be the preferred provider for any local large businesses (if you can, the only provider).
Your credibility and authenticity	Build your personal presence in your area. Become an authority and a spokesperson for the childcare industry. Speak at events and conferences, write a blog or e-book. Try to get in front of parents in any way you can. Turn up to everything you're invited to. Get staff to participate.
Get involved with nearby schools.	They will likely have younger siblings (if not now, eventually). Run parent webinars or seminars on sleep issues, challenging behaviour, excellence and/or supporting gifted and talented children. If not you, invite a specialist to talk. Consider how your business aides the transition into primary education and look for testimonials from schools.
Business 'know how'	The business 'know how' gathered from years of experience, for example, the best way to roster staff, keep children engaged, implement safety protocols, educate, teach, and engage with every child to meet their individual needs.
Your business is top of mind	Your business is top of mind as the first-choice childcare option, and word-of-mouth referrals fill your vacancies, grow and optimise your occupancy levels.
Memberships	Membership of industry bodies and groups including your local chamber of commerce or business association.

Feed the compelling reasons why a parent should choose your business into your marketing and parent communication plan.

Defend what you have

To help defend your competitive advantage, consider if you can.

- **Find suppliers** to sell to your business exclusively, for example, specific educational resources or equipment.
- **Develop partnerships** within your industry, such as sponsoring local events.
- **Build your digital presence** to top search engine rankings. Develop an online following in social media by writing a blog, posting videos (taking care of child privacy laws and permissions) or publishing handy guides.
- **Speak to businesses** or organisations on a topic of interest, such as child development, toilet training, learning through play, communication or weaning. Set yourself up as the expert.
- **Protect** anything you can legally register, for example, your business name, trademarks or programmes and ideas which are covered by copyright. Visit the Intellectual Property Office for more details on protecting your intellectual property.

Having an amazing business with happy parents and children who refer you to their friends is the best way to protect your competitive advantage, but even then, be careful not to take anything for granted.

Protect your location

Parents often choose childcare centres based on how close they are to their home, or place of work. They will only travel so far. Easily accessible locations are therefore more likely to attract more families.

Assuming you can't move from your current location for now, consider.

- **Signage** so your centre is visible and easily identifiable.
- **Focus on advertising** and marketing activities in areas with a large concentration of ideal prospects.
- **Remove location risk** by re-negotiating your lease term for a lengthier period plus a right of renewal.
- **Solve access constraints** such as arranging an overflow parking option or should you provide 'wrap-around' care, offering a pickup and drop off service.
- **Input into any council development or roading plans.**
- **Add extra resources** or infrastructure such as a new play area.
- **Check your location is easily found online** and that search engines correctly list your address. While you're at it, add a map with instructions on how to find you.

Investigate location efficiency

Audit your premises to identify opportunities to grow your revenue stream within your physical space. Your building type and the square feet available probably can't be changed, but they could be options.

- **Change the use of rooms** to increase the number of children you can care for.
- **Convert any spare space** around your building (car park, play areas) to cater for a greater capacity of children. A modular building in the garden, or a tee-pee could facilitate additional space or additional forest school provision.

Staff-to-child ratios will limit some economies of scale, though you could aim to increase the number of older children from new families to your region, who need less staff supervision.

Leasehold vs freehold

If you lease your childcare centre premises, you'll want a secure term with rights of renewal to guarantee you can stay. Leasing has the risk the owner may increase your rent or sell the property, with a new owner deciding the property could warrant an alternative use. Buying your own location and owning freehold changes the risk from operational to debt, assuming you're borrowing a portion of the purchase price. But you do then own the property, including any appreciated value.

Secure the parent relationship

Clarifying expectations with parents helps with clear communication and signals professionalism. How you talk with, encourage, listen, and act with parents cements the relationship.

A parent-early years provider partnership contract helps prioritise expectations for provider-family collaboration. Such an agreement can help families understand that they are respected as equal partners with providers in supporting their children's learning. Consider your ability to tailor these contracts to address the parent and child needs.

Tips for implementation

- **Recognise families' expertise** and knowledge about their children and the importance of provider-parent partnerships.
- **Be open to collaboration with parents**, where suggestions are welcome.
- **Detail the roles** and responsibilities of the family and provider.
- **Create an onboarding programme** for new parents, outlining settling in sessions, open days, handbooks, and orientation in languages other than English appropriate to your catchment.
- **Document the payment process** and solutions if this becomes difficult for families.
- **Create a welfare statement** outlining your values and internal requirements as a childcare centre. For example, you should offer your children a safe environment, healthy meals and snacks, a wide selection of activities regardless of abilities, and welcome all cultures, races, and genders.
- **Run a family connection event**, inviting all families and their siblings. It doesn't have to be at your setting. It could be a picnic at the park in the school holidays.
- **Make** Oftsed's Early Years Foundation Stage (EYFS) Statutory Framework available so parents can see what you're formally measuring against.
- **Review the** Gov.uk Childcare and Early Years survey**.** It is funded by the Department for Education (DfE) and managed by Ipsos. It provides information to help monitor the progress of policies and public attitudes in childcare and early years education.
- **Use marketing automation software** like HubSpot or Pipedrive to find how parents interact with your website and digital presence to send them a custom marketing campaign.

> Time and money spent on retaining your existing parents as customers will be worth the investment.

Actively manage the parenting journey

Put yourself in the shoes of a parent. Most will have a similar routine when searching for a childcare centre. At each stage, set yourself up for success.

For example, parents probably.

- **List conveniently nearby centres**, or they've heard about your business from a recommendation. Action: get to the top of search engines and ask existing parents to spread the word.
- **Ensure the hours provided are suitable.** Action: ask parents what times they prefer so you're taking advantage of every opportunity for care.
- **Compare the cost.** There will usually always be a cost cut-off. Action: price check with your competition. If you're more expensive, have reasons why clearly outlined.
- **Visit to check you out,** talk to your staff, the children, experience the facilities and 'feel' of your centre. Action: create a checklist of answers to typical questions to help staff prepare a response. Offer handbooks or professionally designed marketing materials plus a time to call and close.
- **Want to see a well-run business.** Action: ensure exceptional service, such as qualified staff, safe and clean premises, cultural and need sensitivity, a discipline policy, fun activities, happy children, exercise and rest, and nutritional meals.
- **Will query the ratio of staff to children** and routines. Action: create a policy document that includes a normal day timeline, plus if you operate a key worker scheme where one member of staff has the main responsibility a child.
- **Read testimonials from parents.** Action: display quotes and provide the names of parent referees to call.

If you manage this process beforehand, you'll increase your chance of being the preferred provider.

Find relevant professional services

You don't need to do it all yourself. A range of business services and networks support the childcare sector in the UK.

For example.

ndna.org.uk	**National day nurseries association** Resources, advice, templates and networking across the UK.
www.pacey.org.uk	**Professional association for childcare and early years** Membership to support all professionals with training, insurance, advice, products, policy and updates.
www.familyandchildcaretrust.org	**now Coram Family and Childcare** Parent led programmes and research, including their Childcare survey. Read the 2024 report here.

You'll also have access to your business adviser, accountant, or lawyer for specialist advice, while every region in the UK has a business support or council organisation to encourage and assist local businesses. For example:
- GOV.UK help and support
- Gov.scot
- Business Wales

Ensure you're compliant

Passing relevant regulatory requirements is a core deliverable. The main metrics assessed are quality of education, behaviour and attitude, personal development and leadership and management.

The requirements you must meet in England if you are an Ofsted-registered daycare provider on the voluntary part of the Childcare Register, can be accessed from the Gov.uk site here.

- The Wales education and training inspectorate can be found here: www.estyn.gov.wales.
- In Scotland, Education Scotland inspect, review, support improvement and provide assurance in Scottish education in order to promote the highest standards of learning leading to better outcomes for all learners.

Parents and employees may access your regulator results to help them make a choice to decide which childcare business they will use.

Ofsted best practice guides

Nursery World has created a series of guides to address areas that typically under perform in Ofsted inspections, with a suggested best practice for each. Themes, similar for Scotland and Wales, include monitoring and evaluation, planning for challenge, suitable people, staff management, safeguarding and managing risk, and working with parents.

You can access the guides here

Toolkit next steps

- List existing competitive advantage. Research the reasons for your success, and then include these in your marketing material. Defend what you've built.
- Secure your location, make access easier, and determine any changes of use to increase capacity.
- Audit your terms and conditions, update, enhance on-boarding, and the first-time parent/child experience.
- Address new parent queries by actively managing their discovery journey.
- Use tech. Identify software to improve efficiency.
- Join business support organisations. Login to their resources, attend meetings, subscribe to newsletters, and go to any events.
- Effective planning will negate the risk of any compliance gaps arising,

Topic 2. Business Planning

Planning will help you navigate looming obstacles and identify any roadblocks you must avoid or manage.

The Childcare industry also has a unique set of characteristics that set it apart from other businesses, so your business plan should address these set dynamics.

Business benchmarking

Comparing your progress with similar businesses can help assess if you need to improve or know you're ahead.

You can do some of this yourself. List your closest competitors and then research their roll count, website, prices, onboarding process, marketing materials, and any other information you can find. Compare. Decide if there are any changes you need to make to attract parents.

Inspection reports

Every report by the regulators are available publicly to view. Yours. Your closest competitor. Those failing and those who provide excellence. You can search here at the reports link at ofsted.gov.uk. For Wales you can find them on the Estyn search page. For Scotland, you can find the inspectorate reports on the Education Scotland search page.

Select childcare and early education, and insert a name, location, or postcode. The search engine will list the centres. You'll access:

- The latest inspection ratings (inadequate, requires improvement, good, outstanding)
- A PDF outlining in detail about the centre.
- Tips what the centre does well and then what they need to do better.

Download all the centres you compete with, read their reports, identify what benchmark aspects you want to be compared with, then make a start on being better.

GOV.UK early years benchmarking tool

The early years funding benchmarking tool can be downloaded here (Excel, 306kB), showing projected spending in the 2023 to 2024 financial year to provide early entitlement places for 2-, 3- and 4-year-olds. Select your local authority and statistical neighbours, then generate a report comparing benchmarking data for year groups. It'll show the average hourly funding rate and other information from reported data.

Local authorities use these comparisons to support improvements in fairness and increase value for money.

Early years providers and parents can use these tools to:

- Understand the early education system in their area
- Understand decisions taken by local authorities
- Compare these to other local authorities.

IBIS World benchmarking data

In February 2024, an industry report by IBIS outlines* a range of aggregated data on child day-care centres in the UK. A summary makes interesting reading if you want to benchmark your business financial data:

Employees per business	Revenue per employee	Revenue per business	Profit margin	Profit per business
13	**£27,156**	**£355,300**	**2.3%**	**£8,172**

Though these numbers are averages, it gives some guide on your business, for example, divide your overall revenue by the number of employees. If more than £27,156, you're above average. Below, and you may be overstaffed or need to generate more revenue with your existing headcount.

* IBIS World Industry Report Child Day-Care Centres in the UK, February 2024.

Cash flow warning triggers

There're probably a few aspects of your business that signal when things are going well, and when they are not. An obvious cash flow warning trigger is when revenue slows or falls below your break-even point and you're losing money each week.

There will be signs that it was going to happen. Knowing what these triggers are for your business can give you time to solve the issue before it impacts your profitability.

A few signs to keep an eye out for.

- **A reduction in average hours per child.** Parents could be gradually paying for fewer hours each week without you noticing.
- **The number of children remains steady** but at less than capacity or declines despite efforts to attract new families.
- **The difference between the money coming in** and what's going out. This can signal that costs are rising faster than your prices.
- **Occupancy rate below normalised annual operational capacity.** Empty chairs hint at underused premises and missed opportunities.
- **Queries slow or dry up.** A lack of new parents, less repeat business from existing families, fewer leads from calls or emails, and new meetings booked are down.
- **More work to sign up parents.** More questions and objections.
- **Existing children leave,** either switching to the competition or being cared for at home.
- **Falling web traffic,** social media activity, and online queries.
- **Gross profit slips** (the difference between what revenue comes in and direct costs of costs you use up each month, like food, materials, and stationery).
- **Increase in waste.**
- **Unhappy staff,** with increased turnover or excessive sick leave.
- **Customer dissatisfaction** and complaints increase.
- **Rise in downtime** for staff with little to do.

Decide which of these you want to track and set up a weekly, monthly, or quarterly review depending on how often you wish to check. By monitoring what's important early, it should be easier to proactively fix what needs fixing.

Strengths Weaknesses Opportunities Threat (SWOT) analysis

A SWOT analysis is an established methodology to look ahead and identify the changes you need to make to stay competitive.

Industry Observations*

- Dedicated day-care centres are getting less use as parents can work from home.
- Falling disposable income reduces demand for private daycare.
- Working from home limits demand as more parents look after their children.
- Day-care centres could offer before and after-school clubs if there is demand.
- Some parents of children depend on wraparound childcare to let them work full days.
- Holiday clubs during the school holidays require more investment in care provision.
- More centres are using technology so parents can access reports on what their children do.
- Digitisation is saving time for staff, who can spend more time caring for children.
- Day-care centres will remain under pressure to raise wages to plug staff shortages.
- To access government funding centres must comply with appropriate policies and processes.
- Rent costs can be high in areas with young families and higher incomes.
- Experienced staff responsible for centre reputation are vital for attracting parents, though recruitment and retention within budget is challenging.

A Childcare centre sample SWOT analysis:

SWOT analysis

Strengths (you're good at)

- Amazing qualified staff
- Perfect location
- Great mix of education with fun
- Parent communication and involvement

Weaknesses (not so good at)

- Parents unaware we exist
- High turn-over of staff
- Little word-of-mouth referral
- Older equipment and facilities

Opportunities (a future direction)

- Buy other centres to expand
- Add floorspace to increase roll
- Partner with local authority
- Collaborate with larger employer

Threats (a future worry)

- Larger competitor opens nearby
- Parents can't afford fees
- Reducing local population
- New roading makes it harder to park

* IBIS World Industry Report Child Day-Care Centres in the UK, February 2024.

Using SWOT for your own centre

As a childcare business, trying to solve the childcare industry challenges is hard. But you can use the same SWOT analysis process to focus on your business.

- **Strengths** are things you're good at, and you should protect them from competitors copying.
- **Weaknesses** are things not working well, and you should find ways to eliminate them.
- **Opportunities** are new products, services, customers, markets, technology, or trends that could change how your business works.
- **Threats** are events outside your control. Try to minimise the impact.

A SWOT analysis is only as good as the actions you intend to take. For example, if this was your business, to address each SWOT, you could.

- Leverage your review ratings.
- Reassure parents there's a high level of independent regulation.
- Create a bonus system for high-performing staff.
- Buy your building/property or extend the lease.
- Innovate with new education ideas every quarter.
- Adopt industry software to keep parents informed.
- Identify centres with similar cultures to acquire.
- Renovate or add another room to increase capacity.
- Run a centre inside the location of a large employer.
- Write a marketing plan to create awareness.
- Find out why staff leave and solve the issue.
- Implement a word-of-mouth referral campaign.
- Replace old equipment and facilities.
- Remind parents of the benefits of a locally owned and operated business.
- Find business sponsorship or scholarships to assist parents who can't afford fees.
- Consider relocating to areas with an increasing population of young families.

SWOT template

Download the NatWest Childcare SWOT Template (PDF, 70kB) and try this exercise for yourself. The most important part is not the list of SWOT characteristics, it's the actions you intend to take to improve your strengths and opportunities and reduce the weaknesses and threats.

Writing a business plan

A business plan can help you look ahead, if possible, up to 5 years as a blueprint for where you want to be. Some elements will be unpredictable, so update your business plan every year, feeding in what's changed or may change.

Here are a few highlights to keep in mind.

- **Check you have the right team** with the ideal mix of skills to take your business forward.
- **Remove any bottlenecks** or blocks that prevent you from building your business.
- **Find why parents come to you** and create a marketing and advertising campaign that reflects your competitive advantage.
- **Get feedback** from your parents and children.
- **Talk to other childcare centre owners** to jointly address any industry issues.
- **Check on what your competitors are doing well.**
- **Predict when cash may be tight** in advance and have a contingency plan to solve the issue.

You don't need to write a 50-page business plan document. Sketch out the main components of your business strategy, including key parent segments, your USP, how you get new families, your cost structure, how you make a profit, and the key metrics you measure.

Of course, a business plan is just a piece of paper so once written, decide what needs action and set up a cadence of tasks to implement your ideas.

Templates

Download the NatWest Childcare Business Plan Template (Word, 4,924kB) and build your own custom plan.

Download the NatWest Childcare Cash flow Template (Excel, 30kB) or use your accounting software to forecast the next 12 months' cash flow.

Toolkit next steps

- **Benchmark.** Compare similar operators to see where you need to improve.
- **Set up cash flow warning triggers.** Know what signals a warning.
- **Use a SWOT analysis.** It's perfect to summarise what you should pay attention to.
- **Write a business plan.** Make it short and practical.

Topic 3. Raising funding and finance

At some stage, you may need to raise additional funds to solve a temporary cash flow crisis, invest in new facilities, build capacity or future proof your business.

Creating cash internally

If you need to raise a sum of money for your business, identify other ways you could find the money before you borrow or seek capital from selling part of the business (equity capital).

Personal savings

It can happen when there's a shortfall of cash to cover overhead, and temporarily, you'll need to add some of your savings back into the business. Once the current glitch is solved, you can repay the money from cash flow.

Sell under-used assets

Are there assets you can convert into cash to bridge the gap until the business recovers? For example, sell any business vehicles and lease them back instead. Yes, leasing in the long term is more expensive, but you'll get a short-term bump in cash. Be as ruthless as you need to be, covering anything not bolted down, from a back room full of unused office equipment to spare laptops.

Collect any overdue accounts

Never a pleasant task, but if substantial amounts of money are overdue and your business is under financial stress, you need to be firmer with families with unpaid accounts. Even if you offer a repayment plan to ease the pain.

Existing inventory

If you stockpile inventory items, such as cleaning materials, non-perishable foods, activities, toys, even drawing materials, consider running these stocks lower. You won't need to reorder as much next month, which is cash you can use for something else. Use the 'just in time' process to order what you need, ensuring you don't run out, and try not to be tempted by supplier bulk discounts. They will be cheaper per item, but the purchase may soak up the cash you need for more immediate costs.

Sell property

If the financial viability of the business is in danger, but you know or have plans to turn the business around, you could sell any property you own, or re-mortgage existing property to generate the cash you need. Seek professional financial advice from your accountant or banker if you're making decisions that can impact your long-term future.

Dispose anything draining your cash

Review your business to identify anything that's making a loss, or you're unsure of the investment, or is distracting you from your core business. It could be sponsorship of a local event, using a marketing agency to help with branding and awareness, or paying for software subscriptions. Some of these costs can be hard to justify until you stop paying, to see if there's any negative impact. Usually there isn't.

Grants and awards

Investigate any local grants or awards you can apply for.

- Search for UK grants on the GOV.UK Find a grant page.

Environmental Social and Governance (ESG) Sponsorship

Businesses and organisations increasingly use ESG principles to improve their businesses for the planet and people. In a global survey it was found 88% of public and 66% of private companies use ESG initiatives to help become a better business citizen. One way they can do this is with 'social' responsibility to support early years education in their community.

Approach businesses that have adopted an ESG strategy and target parents in your demographic. Even better if you have shared business, cultural or family values.

Business often need community projects to support, for example.

- **Offer pick up and drop off services** from their location to your childcare centre.
- **Subsidise direct costs** like power, internet, books, or food.
- **Internal parenting networks** for employees, for you as the local childcare owner to share your knowledge on helping children learn at home.
- **Funding training** for your employees to better assist children with special educational needs.
- **Sponsoring** new equipment and training materials.
- **Helping families** who are struggling financially by providing a subsidy.
- **Their staff could volunteer** hours to help, such as transport, cleaning, and preparing.
- **Use part of their marketing budget** to promote to parents the benefits of childcare support.

Many businesses will want to demonstrate their positive impact on their local community and need a vehicle to achieve this goal. You can help.

Sources of new capital

There are 4 main sources of capital.

Debt funding

This occurs when you borrow money that will be paid back (typically with interest) to the lender. You may already have debt funding available to you in the form of a term loan, credit card, or even money you've borrowed from friends and family.

- **A business overdraft** could be ideal, even if you don't need it. An overdraft allocates a sum of money you can dip in and out of, without having to keep applying for a loan when you run short.
- **Small business loans** can be negotiated with different terms, usually between 1-7 years, and you can borrow £1,000 to £50,000, subject to approval. Or borrow from £25,001 to £10m on a fixed interest rate, with no upper limit on a variable interest rate, again subject to approval.*
- **Credit cards** are also sometimes used as funding but take care of repayments and the interest rate will be higher.
- Business owners often turn to **friends and famil**y first. Treat them like any loan with an agreement on repayments to avoid a handshake deal that turns sour.
- **Asset financing** is another common way to free up cash, where you borrow money, and your assets are used as collateral (rather than selling them), especially when you have a lot of money tied up in equipment.
- **Invoice financing**, where you sell your accounts due in advance.

When you decide to add debt funding, talk to your financial adviser or accountant about repayments, or plug the impact of repayments into a cash flow forecast so you can check on the impact.

Benefits of debt

- Easy to set up. You can usually apply online or call the lender.
- You can access funds almost immediately.
- The interest is tax-deductible. Any funding you borrow is a legitimate business expense.

Risks of debt

- As with any debt, you'll sign guarantees and be personally responsible for paying it back.
- You may be declined.
- You will be charged interest.

* See Small Business Loan natwest.com/business/loans-and-finance/small-business-loan.html

Equity funding

Equity funding is where you sell a percentage ownership of your business (your 'equity') for cash to plough back into the business.

Although various names exist for equity investors, the two most common types are angel investors and venture capitalists.

Angel investors

Angel investors have cash to invest in an industry or location they want to support. They'll usually have some reason to help a childcare business, for example, assist the local community, or they see potential to make a smart investment.

Venture capitalists (VCs)

VCs are investment companies or fund managers who tend to favour high-growth companies. If you're an owner-operator with one childcare centre, a VC is more likely to be acting for a larger childcare company on the lookout for acquisitions.

Equity investors can be a great way of raising funds but weigh the benefits against the trade-offs. Ensure you get professional advice if you decide to go down the equity funding path.

Benefits of equity

- Equity investors understand they are buying part of your business and could lose their investment.
- You gain credibility and business validation.
- An investor should offer more than funding, such as access to networks, partnerships, management expertise and mentoring.

Risks of equity

- You are now responsible to investors if things are not going well.
- It takes time and often money to report on financials, as well as accounting and legal fees.
- Once you sell equity, you no longer own 100% of the business.
- It can be expensive to get valuations, buy-sell agreements, contracts reviewed, conversations with employees and other requirements dealt with.

Crowdfunding

Crowdfunding is when you raise money or support from the 'crowd,' or the general population. It is usually facilitated by online platforms such as Kickstarter, Indiegogo, Crowdcube, and Seedrs which match individual investors with businesses needing money to expand, create new products, or finish one-off projects.

It allows you the freedom to raise money from a range of people: investors, customers, colleagues, peers, even strangers. Opportunities could be.

- **Sponsorship funds** to offer free places for parents facing hardship.
- **Reward funding**, where the crowd gives you a set donation and they receive a 'reward,' such as a free branded t-shirt, with the reward going up in value with the increase in the donation.
- **Project crowdfunding** is when a business raises money, usually for a specific project, such as buying a new piece of outdoor play equipment or paying for renovations.
- **Debt crowdfunding** is when a business raises money as a loan from many individual lenders using a platform like Funding Circle.

Crowdfunding campaigns will likely gain traction because they appeal to the people you already know in your network.

Benefits of crowdfunding

- Get a groundswell of support and advocates.
- Reward and project crowdfunding are alternatives to debt funding.
- Builds communities by encouraging interaction. Backers feel a sense of connection to the projects they support.

Risks of crowdfunding

- Crowdfunding often relies on donations, so may not be a long-term funding strategy.
- It can be slow. Donations or requests may need to be spaced over several months to give the crowd time to invest.
- A lot of time can be spent setting up a crowdfund event.
- Most crowdfunding projects have a minimum cut-off, and if the project is within the set lower limit, you get nothing.

Refinancing

You may want to consider refinancing if you have existing debt, credit cards or assets such as property. This includes restructuring the way you fund. For example, if you rent or lease an asset, determine if direct ownership would be more beneficial in the long term. You'd swap out the lease costs for borrowing costs, but then you'd own the asset.

Refinancing is more difficult if your business has:

- Low occupancy levels.
- Assets with limited alternative use or located in undesirable locations.
- Unsecured funding.
- High debt-to-service ratio, which could indicate you're struggling to make repayments.

A favourable credit outcome is more likely if:

- You're an established, proven operator with the ability to grow the business.
- The business is profitable with an income split, including private income.
- There are economies of scale to manage any stress on margins.
- The business is a franchise.
- You own your own premises.
- Management is experienced and knowledgeable and has good relationships with local schools and employers.
- There's a clear strategy for recruitment, training, retention and managing current staff.
- Inspection Reports are satisfactory or better.
- You can service debt, allowing for any potential adverse movement in occupancy levels, fee rates or wage levels.
- Buildings are fully compliant and located in neighbourhoods with high employment levels.

Capacity to raise finance

Each business will have different circumstances when raising funding or finance. Lenders will investigate your 'capacity' to borrow to ensure that any borrowing is sensible and useful, and your business will not be put under any undue stress to repay the funds. Unhealthy debt can cripple a business, while healthy debt can grow your business faster than relying on cash flow surpluses.

Check the need matches the finance method

If you need £10,000 to replace broken or old educational toys or cover a shortfall in working capital, you could use a credit card, an overdraft, some of your own money or wait until the business has generated some spare cash. The term and duration will be short, a month or so, matching the need.

If you need £50,000 to buy new equipment or renovate, a business loan might best, or it could be possible to lease the equipment, or use equipment financing instead, spreading the payments over a longer period which monthly cash flow can cover. The term and duration will be medium-term, for example 12 months.

Anything over £100,000 is more likely to be a longer-term loan, for example 10 years plus.

Talk to us or anyone else who advises you on money matters, to help make the best decision for your business.

Improving your capacity

Being profitable and owning your property with low debt is a good measure of the capacity to borrow and how much. Other ways to increase your chance of a loan include.

- **A precise understanding** of your financial needs and the alternatives available such as government grants, venture capital, angel investors, crowdfunding, and partnerships.
- **Strong credit profile** by paying bills on time.
- **A low debt-to-equity ratio**, calculated by dividing your debt divided by the equity or ownership. There's no magical number except as low as possible.
- **A compelling presentation** that communicates what you will use the money for, focusing on how your childcare business can generate returns or social impact.
- **Evidence of your financial viability** and sustainability through realistic financial projections, budgeting, and cash flow management. Include potential cash flow shocks and how you'll manage them.
- **Collateral**, such as real estate, equipment, or inventory, to secure the loan. Collateral provides lenders with a form of security in case the business defaults on the loan.
- **Personal guarantee.**

Build the capacity to raise finance well in advance before you need the funding. It'll demonstrate you're well organised.

Documentation and forecasts

Most funding applications require a business plan that outlines your management information, plus financial documents such as a Profit and Loss Statement, a Balance Sheet and a Cash Flow Forecast outlining profitability and structure.

If you use accounting software, download your current Profit and Loss and Balance Sheet financial status, though your end-of-year accounts with the full financial year will be a more accurate picture of your business. Your accountant or financial adviser would prepare these for you.

Ask your bank or funder what financial documents they require to assess any funding application.

Forecasting cash flow

The cash flow is a document that's best completed by you, as you're ideally placed to understand the fluctuating nature of the cash coming in and out of your business. Your occupancy rates will be key to predicting money coming in, while staff costs, rent and all your monthly overhead will guide your assumptions on money going out.

When completing your forecast, compare your best guess to your actual numbers to keep on track and identify any cash flow issues ahead. To improve the chances your cash flow is accurate.

- **Look at your past revenue**, occupancy rates, tuition fees, government payments, and any other ways you've managed to bring money into your business.
- **Estimate what's likely to happen** in the coming months, considering what you know about changes in funding and your roll. Make sure you adjust for times when you're busier, or there are vacancies, such as during school holidays.
- **Estimate all monthly expenses** associated with running your business, including payroll, rent, utilities, supplies, insurance, and maintenance. Estimate the timing and expense for each category.
- **Project cash inflows** over a set period (a month or a quarter) based on anticipated revenue from all sources. Factor in enrolment trends and fee changes.
- **Account for non-operating activities** that may impact your cash flow. These include capital expenditures, debt repayment, or one-time expenses.
- **Create a cash flow projection** using spreadsheets or accounting software. Use this to calculate your cash position.
- **Review** your cash flow forecast and revise as needed.

Factor in any future impacts, for example.

- **Funding or legislative impacts** on the childcare industry or planning changes in your geographical location.
- **Market research** or anecdotal evidence of fluctuating demand or cost increases.

Templates

Download the NatWest Childcare Business Plan Template (Word, 4,924kB) and build your own custom plan.

Download the NatWest Childcare Cash flow Template (Excel, 30kB) or use your accounting software to forecast the next 12 months' cash flow.

Smoothing out the bumps

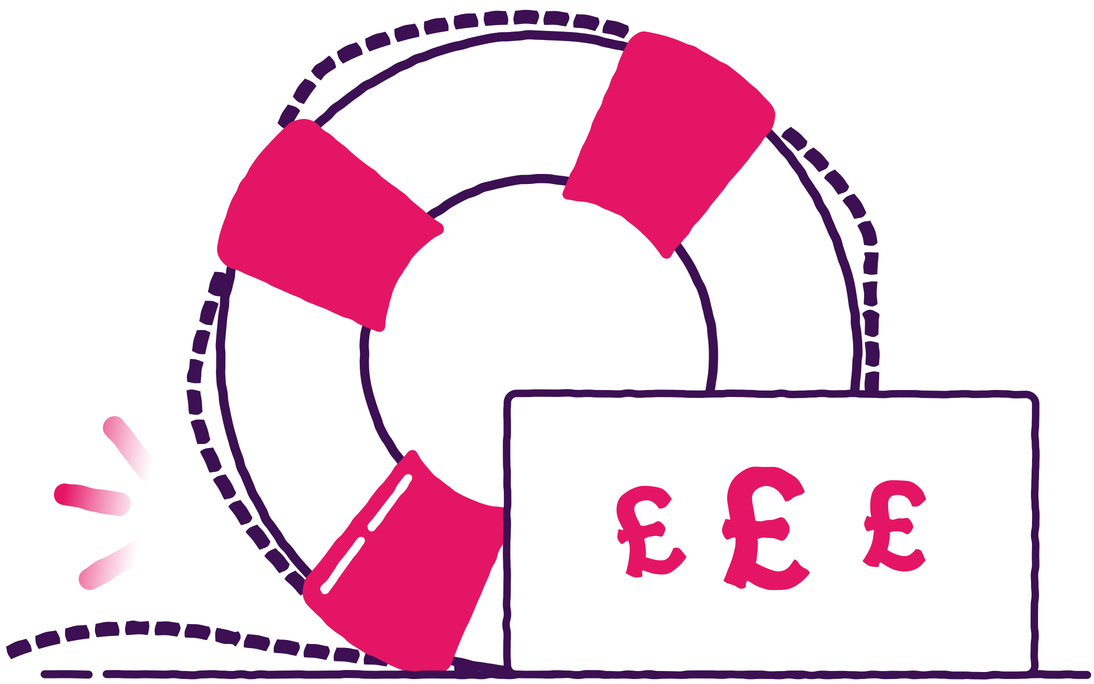
If you forecast your business might struggle to cover costs, identify if you can.

- **Speed up the receipt of cash** by offering automatic payments or pre-payments.
- **Offer prompt payment rewards** to encourage faster payment.
- **Extend your payment terms** to suppliers or pay through a different channel (such as a credit card) to be more closely aligned with the timing of income receipt.
- **Identify which expenses are fixed** and cannot be changed and which are variable. Then, deep dive into both types to see what bills you can eliminate, reduce, re-negotiate, or extend terms.
- **Smooth out costs** by moving expenses into the period where your income is received. To help prevent spikes in costs in a particular month, for example pay insurance monthly not yearly.

To help others understand your cash flow forecast, explain your assumptions about the figures and data you used. This includes the thought process and methodology used to calculate the numbers and what caused any cash flow stress.

Toolkit next steps

- Raise cash internally. Avoid needing external cash if you can.
- Find new capital. Usually, it is a mix of borrowing, crowdfunding, selling equity or re-financing existing debt.
- Improve your capacity to access money. Fine tune your financials.
- Create a cash flow forecast. Accurately predict the impact of any cash fluctuations.
- Write a business plan. It'll help put your ideas and thoughts on paper.



Topic 4. Steps to improve profit

For most childcare businesses, it's difficult to find a way to increase profit when there are set ratios of staff to children, price is sensitive for many families, and there's only so much space at your location to grow the number of fee-paying children.

Where you locate can also determine if demand shifts when you increase the price, which is the fastest way to increase your profit margin. There are usually 2 scenarios depending on the makeup of your families.

- **You increase price**, and demand falls. It's too expensive for your families, and you have empty chairs. Parents find alternatives that are cheaper or move back to full-time parenting if they're working and it doesn't cover the cost.
- **You increase price**, and demand remains the same, or sometimes increases. Of course, you can't charge ridiculous fees, but overall, price increases are absorbed by the parents who can't do without you.

With the introduction of the tax-free childcare scheme, rising prices should support industry revenue growth without hurting demand too much. But there are always exceptions.

The profit multiplier

If you increase leads by 10%, and then convert 10% more of them to clients, then increase by 10% what you sell them, then increase the average child value by 10%, it'll add up to a major bump in profit. This is the multiplier effect of adding small improvements across your business.

Increase leads

If you can improve the number of prospective parents coming to visit your centre, you'll increase your chances of turning them into customers. Make more people aware of your business by.

- Identifying your most successful promotional tactics and repeat.
- Attend pre-natal parenting groups/events or exhibit at baby shows.
- Ask parents for referrals.
- Actively ask parents to get in touch by creating calls to action or incentives through promotional material, your website, blog advice, social media platforms, and free trial offers.
- Running early educational webinars or speaking at events.

Anything you can do to get in front parents or stakeholders is a valid tactic.

Improve your conversion rate

Measure your current conversion rate, for example the number of visits, emails, or phone calls you receive from prospects, compared to the actual number of signed up children.

For example, ten calls in a month and two families sign up is a 20% conversion rate. You can try to improve this rate by.

- **Running sales training** for staff on selling and closing techniques. Provide staff with incentives or bonuses for higher conversion rates.
- **Identify the main objections** or reasons parents don't choose your centre and either fix or explain to reassure them.
- **Create a plan for each method** of contact. For example, let people know about your open day for new families when they first inquire.
- **Create an e-book** or series of blogs to encourage people to download, then follow up and close the sale.
- **Use a sales funnel** to identify ideal leads and use customer relationship management (CRM) software to help track who hits your website, what they've clicked on and an incentive to make contact.

You can also consider running loss leaders: products or services at below cost to convert customers across to your business and then sell to them over their lifetime value.

Increase what you sell per customer

If parents buy just one more item, or hour, or extra service from your business, your sales (and your profits) will increase. Up-selling can improve your profit.

For example.

- **Add products** such as books or toys to purchase. A local bookshop may even give you the books to sell on consignment, where you only pay for what's sold.
- **Send parents a list** of educational toys to buy a month before their child's birthday.
- **Ask parents** what else you could provide that you don't. You may be surprised what they'd pay for.
- **Offer complementary services** from partners.

Increase average value

If you can increase the average fee for each day, you'll directly improve your profit. Try.

- **Adding premium services** or products. You never know what a parent may buy or pay if given the opportunity. It could be one-on-one help with sports, activities, mental health, or special needs.
- **Providing holiday and after-hours care.**
- **Incentivise employees** to know which services have the highest average value or margin.

Increase price

One of the best ways to attract more cash into your business is to increase your price. Even a little bit helps. Calculate the impact a 5% increase would have to your net profit.

But the childcare industry is competitive, and the reality of the market is that you'll need to research what similar competition is charging and what your customers are willing to pay. There's also been a change in pricing, including government funding, rising costs, and parents wanting different levels of care.

Regions will have a mix of demographics and average salaries, where more affluent households can afford a higher price over and above government subsidies. Those not so blessed will have price as a key choice variable, while some private centres charge a premium fee comparable to the service they provide.

Amend your pricing strategy to charge as much as you can without impacting on demand.

Before you increase your prices

Keep the following in mind

- Convince customers you're worth the extra money. Emphasise your unique selling point or hook so customers agree you're worth paying more for.
- People will pay more if the customer experience is awesome.
- Communicate with your parents to tell them why you're increasing your prices. They'll probably understand.
- If you have spare capacity, can you target parents who will spend more money, or who are less price-resistant? They may be quite happy to pay a higher price for your offer.

When you're increasing prices, stagger them over time rather than one large hike.

Improving your margin

You can improve your margin by lowering the cost of supply or finding ways to pay less for the costs associated with your centre.

To achieve lower costs, consider.

- **Negotiate supplier terms** where possible to reduce what you pay, for example, food, cleaning supplies, child activity materials, marketing, and transport.
- **Identify your top five overhead monthly costs** such as power, insurance, internet, and software subscriptions. Check there isn't a cheaper plan or rate for what you need.
- **Source from less expensive suppliers** if they offer the same quality. Avoid falling into a routine and always order from the same supplier. Consider re-tendering or request new quotes each year.
- **Purchase in bulk** if discounts are available, you have the storage space, and they're non-perishable.
- Take advantage of any **early payment or cash payment discounts**.
- Take steps to **reduce theft and wastage**.
- **Conduct an employee time study** to confirm you have the optimal mix of staff.
- **Re-use, recycle.**
- **Use space as effectively as you can.** Identify if you can add the number of children you care for daily, extend hours, or provide added-value services.

To maximise revenue potential, identify and promote services with higher profit margins, such as full-day programs or summer camps.

Get in the regular habit of reviewing your margin to make sure they haven't changed due to creeping input costs.

Improve productivity

There is a range of childcare software and app's that will enhance your business and improve your productivity and ease of operation. More parents want to stay connected, manage, book, and pay with online tools.

A few suggestions:

www.famly.co	cheqdin.com
connectchildcare.com	www.kinderpedia.co

Most can do all or some of the following to make your life easier.

- **Automate administrative tasks**, such as billing, enrolment, attendance tracking, and parent communications. This will free up your time and reduce your paperwork.
- **Staff scheduling software** allows you to organise schedules based on enrolment levels, age group ratios, and programmes. You'll ensure adequate staffing coverage while minimising overtime costs and idle time.
- **Enrolment software** facilitates the enrolment process for families through online registration, electronic forms, and digital document submission. The enrolment process is much quicker and easier, with fewer errors, and parent satisfaction can be improved.
- **Track sales conversions** and leads.
- **Create activity plans**, staff schedules and expected attendance.
- **Get an overview of attendance** in real time. Check allergies and intolerances, share meal plans with families, and record meals eaten.
- **Instant updates** on children's daily activities, check schedules, absences, and calendars.
- **Take contactless payments** and send reminders to families, check who's picking who up.
- **Sign children and staff out** and allow parents to book more sessions.

While software and other tools may seem costly initially, they will save you time, energy, and money in the long run, and facilitate smoother relationships with parents.

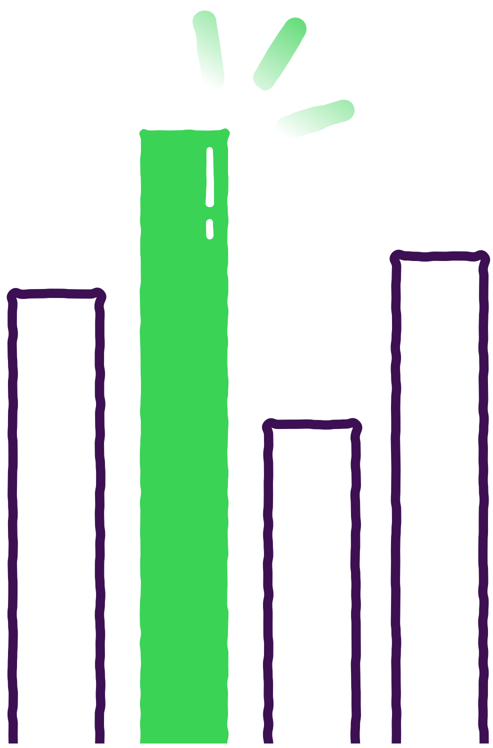
Productivity software helps build parent loyalty, as they'll increasingly rely on the app functions to keep up to date on their child's progress and welfare.

Fine tune the engine

Find where you can make productivity improvements.

- **Sketch out the process** from when a parent first makes contact to when they sign up and finally leave. Determine which decision points, inputs, and outputs are mission-critical and find the parts you can improve. Identify and remove any bottlenecks.
- **Gather feedback** from employees to uncover hidden challenges and opportunities for productivity improvements. Employees have first-hand insights into inefficiencies and can offer valuable suggestions for streamlining.
- **Customer feedback** and complaints are sure signs something needs fixing.
- If you've changed your layout, **compare the result to the previous configuration** to check it's better. If you're thinking of changing your design, decide what improvement you're seeking and test in 3 to 6 months.
- **Time tracking tools** can identify tasks or activities that use disproportionate amounts of time. You may find redundant processes that could be fixed with automation or newer technology.
- **Measure how fast** you respond to parent enquiries.
- **Conduct regular quality control checks** to identify areas where improvements can be made to increase efficiency and reduce waste.
- **Use a risk assessment** and develop contingency plans to reduce them happening. A problem can derail how the business runs. Consider the likelihood of a risk occurring and its potential impact on your business, such as a cyber-attack, extreme weather event or a local disaster that impacts your staff, parents, and children.

Comparing your productivity with competitors provides a benchmark and can highlight areas for improvement.



New ways to generate revenue

While collecting fees may be your main source of income, expanding your services could allow you to diversify your revenue streams.

Some options include.

- **Camps** when schools break for holidays, including for your children's older siblings. Consider offering camps that involve fun and educational themes geared to specific age groups.
- **Birthday parties** and other events. Your childcare facilities offer a fun, safe, and engaging setting. Parents often look for convenient party venues. Hosting during evenings and the weekends enables you to earn money when you aren't busy with childcare.
- **Workshops for parents** on a range of child welfare topics. As an early childhood expert, you and your staff have much knowledge to share with parents of young children. You could host workshops on parenting tips, safety considerations, education, and health and nutrition.
- **Tutoring or homework assistance**, some children might enjoy music or language classes, and sports programs may be great for children with a lot of energy. Offering optional add-ons for a fee allows parents an opportunity to choose activities their children need or will enjoy.
- **Expand age groups.** If you're already offering care for some age groups, consider expanding the age groups to enable more families to use your childcare services.

Toolkit next steps

- **Use the multiplier effect.** Improve each of the main variables that drive profit. Work out what small improvement will do to your bottom line.
- **Improve your margin.** Take steps to lower costs and increase prices.
- **Be more productive.** Be faster and more organised across your whole business.
- **Generate new revenue.** Identify where appropriate to add new services.

Topic 5. Marketing strategies

Market research

Use the internet as a detective. There is much you can do to discover what's happening in your chosen market. Go undercover and search for your main competitors, what they say and offer, their comparative prices and services, events, and activities.

You can also view the leading industry websites which provide a large amount of information on the industry. Some you need to sign up and register, but many are free.

Office for National Statistics

A government agency tasked with collecting data and statistics across the UK. For childcare centres, several surveys and collated information can help with your market research.

For example, the UK regional disposable household income survey collects annual estimates of regional gross disposable household income (GDHI) for regions, local and combined authorities, city regions and other economic and enterprise regions. The higher the disposable income, the more families can save or spend, for example, on childcare. No surprises a city like London has 50% higher disposable incomes than the rest of the UK.

Manchester City Council

Manchester City Council nursery/daycare register provides a list of centres in the region, then a profile of each which outlines their services, postcode, opening hours, facilities, and activities.

Hampshire County Council

Hampshire County Council services for your children has information for parents, carers and families covering a list of Ofsted registered centres, a childcare finder and help with childcare costs. There's also information for early years and childcare providers such as funding, training, business support and safeguarding the early years.

LocalGov.co.uk

Childcare news from LocalGov.co.uk offers recent news and announcements to keep you informed.

Childcare Choices

Tax-Free Childcare updates from Childcare Choices gives you access to a range of communication tools to help you promote 30 hours and Tax-Free childcare, including email templates, leaflets, posters, and social media content.

Mygov.scot

Mygov.scot/business offer tools and guidance on getting started, finance, premises and employing people.

Business Wales

Business Wales provide fully funded impartial information, advice, guidance and support for people in Wales that are starting, running and growing a business.

Find out which organisations are represented in your area and research any trends or planned actions that could impact your business. Sign up for e-newsletters to receive regular updates.

Direct research

Nothing beats asking someone directly if they would buy what you're offering, at the price you want to charge. Identify new parents that match your ideal target and make contact (call, interview, connect in social media, attend events, send an email) and ask them:

- What they like about your centre
- What they don't like.
- If they'd send their children and why. Then why not
- If and why they'd switch from their existing childcare centre provider
- What they are prepared to pay.

The key is obtaining feedback that gives you a direct answer (even if it's negative).

Talk to the industry

Suppliers, industry associations, local authorities, chambers of commerce or business support agencies should all have an opinion on your centre. They'll have a good working knowledge of market trends or any latest innovations. Ask them what they think about market growth, pricing, future opportunities and roadblocks ahead.

Ask the parents

Your existing families will be the most insightful about your business. What's great and what needs to improve. The tricky part is getting honest feedback, as parents may be reluctant to tell you what they think.

To increase your chances of useful research you could.

- Send a survey, online or handed to the parent when picking up. The results could be anonymous.
- Invite several parents to meet after hours as a focus group to discuss issues and solutions.
- Run an online poll.
- Have a few questions you ask each parent verbally, then record their responses after they've left.

Use this collection of insights, research, data, feedback and conversations to guide your future planning.

Revisit your marketing plan

Many childcare businesses rely on positive word of mouth from existing families plus referrals from local authorities and other related organisations. If you need to promote and advertise, or you have a previous marketing strategy you're following, it's useful to know that the money you're spending is bringing the expected results.

Step 1. Check your target market

Re-confirm who your current best parents are and if the demographics have changed. It's possible that over time that you have significantly different families, especially if your geographic footprint has witnessed increased population growth, or decline. Review your promotional messages and advertising to ensure they still suit the current market and that you are still targeting the right parent. Check your 'hook' is still relevant.

Step 2. Check your pricing strategy

Price can be the biggest influence on how your parents perceive the value of your business. Make sure parents still see your price as value for money and determine if there is an opportunity to increase what you charge.

Step 3. Check your promotion is working

To remain profitable, you'll need a high average occupancy level, which will require an ongoing awareness campaign to fill up your places when they fall due.

Other promotional methods to experiment with include.

- **Build your personal profile** by volunteering as a speaker at events and industry conferences or running webinars to your parent database.
- **Improve your reputation** as a childcare expert by creating content, blogs, whitepapers.
- **Collaborate** and advertise with any strategic partners or find out what's appropriate with your local authority.
- **Join and promote** clusters of complementary businesses
- **Test traditional methods**. Banners, radio, and direct mail still have a place for your target.

Many businesses without websites still use word-of-mouth, networking and their reputation and credibility in their industry to generate sales. Other businesses are entirely online and have sophisticated inbound and outbound marketing software to develop and nurture leads.

There is no clear best answer. The only relevant point is to use whatever works for you.

Step 4. Check the budget

Set a budget so you can measure your return on investment (ROI). If you spend £20,000 on all marketing activities, which tactics bring in a parent who signs up? Regardless of your budget, stick to it, measure the results, and do more of the things that work and less of what doesn't work.

Step 5. Make sure your competitive advantage is still relevant.

Ask parents what they think makes your business attractive to their children. It's a good idea to continually ask your customers about the reasons they trust you. That way you can focus on what buyers like most about your business to invest your time and money there.

Drive traffic to your website

When increasing traffic to your website, keep in mind that it's better to drive 'qualified traffic,' or potential customers, rather than just 'traffic', which could be anyone. If 1,000 visitors hit your website each week, it's irrelevant if none are the right target. You can be better off having 2 people a week contact you, and one becomes a customer.

Use these steps to help build the right traffic to your website:

Step 1. Get to the top of search engines

Search engine optimisation (SEO) tactics help your website appear at the top of search results. It's no guarantee, but you're increasing your chances. This includes including relevant keywords to your content, adding text or questions your customers may be asking on your pages, making sure headings and titles are relevant to what you do and covering the reasons why a customer would buy from you.

To help develop relevant keywords:

- List all the things your business does
- Assign common words/phrases to each service
- Use these words in the content on your website
- Check the effectiveness using Google's Keyword Planner
- Use other online keyword search tools to find new keywords (some are free).

Once you have developed relevant keywords to optimise your site, consider using Google Ads to help your business appear within the top of paid search results. Search engines (not just Google) change how their platforms work regularly, so it's worth keeping informed or getting expert help.

Step 2. Add searchable content to your website

Creating content that provides great advice, tools, or insights can make your website more valuable to both your parents and search engines.

Examples of great content that could help with this could be:

- Childcare research
- Articles, blogs or case studies on best childcare practices
- Testimonials from satisfied parents
- Approved videos or photos of happy children and your range of activities.

Linking to other credible sites or resources within this content, when relevant, is another way to help improve your organic SEO rankings. Ensure you maintain this content by checking links to ensure they still work and update blogs regularly.

If you're unsure, use Google's Lighthouse tool to test performance, accessibility, progressive web apps, and SEO results.

Step 3. Build a social media presence

Social media is another channel you can use to help drive new and existing parents to your website. Creating a profile, uploading relevant and engaging content, and managing your social media presence accordingly, can become a valuable tool to drive people to your website to experience your centre.

Once you've established a profile, focus on building your followers and engage with parents by.

- **Posting relevant insights** inside your communities, such as Facebook groups.
- **Sharing engaging content** about your centre, children's success stories and information about you and your staff.
- **Using the paid media** functionality to help reach the right audience
- **Optimising your posts** by discussing recent events and issues.
- **Reposting content** from thought leaders and industry influencers.

Social media is also a service channel and word-of-mouth tool where parents can talk positively about your business. To use social media successfully you'll need to dedicate time and money to responding to enquiries or comments.

Step 4. Visible on mobile devices

Mobile accessibility and a responsive website that can automatically display your content and information in a way that is easy to read and navigate is fundamental.

Step 5. Build your personal profile

Building and maintaining your profile can be a valuable way to drive awareness. As the centre owner, the more you build your credibility, the better. Once people see your business, they will often search for you in social media or on search engines to find out more about your background and experience. Give them something positive and relevant to find.

Topic 6. Expansion strategies

Acquisitions

If you've exhausted the growth opportunities in your local area, or your existing market feels flat, purchasing or merging with other businesses can increase market share and economies of scale.

You can expand around an area which is easy for you to manage, such as within a set distance from your existing centre. Or you're looking for smaller/larger centres that are complementary to what you do or have a different focus.

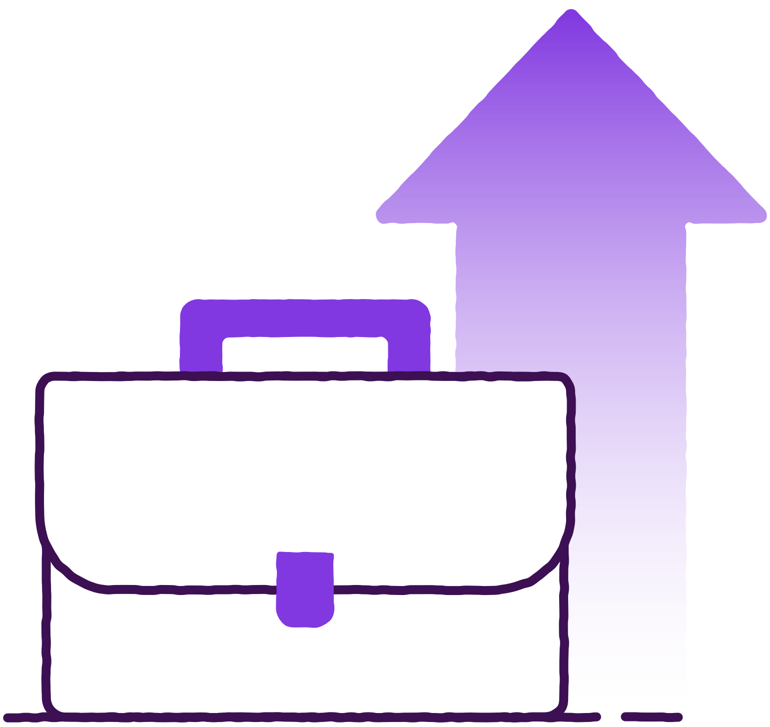
Acquiring new centres can make sense when.

- There may be some economies of scale, for example there may be scope to merge admin and office tasks to cover more than one centre, improving the profit of both centres.
- Acquisitions enable to purchase of revenue, profit and can award prospects for further growth.
- An opportunity arises, such as an owner wants to retire or choose another career, and the business is available for sale.
- You've spotted a centre that has the potential to be more profitable. You know the changes needed for significant improvement, providing a high return on your investment.
- There's potential to franchise your business.

Conducting due diligence

If you've found a childcare to purchase, 'due diligence' is the process of looking at the business in detail to check that their documentation is accurate. This includes investigating the reputation of existing families, studying the financial documents, child numbers, funding, parents, the lease, staff and their agreements, Ofsted reports, and health and safety.

If you're thinking of acquiring another centre, we recommend downloading Christie & Co's guide to buying a nursery. (PDF, 2,039kB) It covers all the essential topics.



New business models

Developing new ways of doing business in the childcare sector isn't that straightforward. There are set dynamics which makes it hard to vary from what you do. Take advantage of any new trends, for example the use of AI that is transforming some sectors.

New ways of selling

With the ease of use and low cost of technology, there's opportunities to find new ways to sell to parents.

- Creating an online store selling educational toys, activities, play equipment and books. You don't need to have any inventory. When a parent buys a product by drop shipping, you instruct a third party to ship it. This opens almost unlimited opportunities to widen your product list. Due to the absence of intermediaries in the supply chain, you can have thousands of products for sale and never have to buy, store or ship the physical item.
- Be a re-seller of educational software. Parents will trust you to find the best learning materials for their children to interact with.
- On-sell cyber security software. Run cyber security, fraud and identity theft workshops. You don't need to deliver, find a specialist cyber company to be the expert.
- Sharing business models where the business relies on the sharing, reusing, or rotating resources between individuals or other childcare centres.
- An online advertising model where you give away information or services for free in anticipation of converting users into paying customers or picking up online advertising revenue. Take care you're not diluting parent trust and ensure what you promote fits your customer promise.
- Offer consulting or training to other childcare businesses you don't compete with. Your experience and credibility are worth more than you may realise.
- Rent out equipment, space, or assets you're not using.

New business models can be challenging to implement. See if or how your competitors (or similar established businesses in other countries) are shifting their business. It may be a sign it's time for you to consider adapting your business model. Then, ask your parents if they'd use any new service. If they both line up, implement slowly to trial and test before you rely on a brand-new model to drive your business forward.

Diversification

Diversifying is where you find new ways to generate revenue, which needs careful consideration. Finding new things to do is fine if the core value of your business isn't at risk and you don't confuse people.

Expand your service offer

Your market research may uncover new needs that align with your brand. For example.

- Offering specialist care for children who have learning difficulties or who may not fit within your current facility.
- Providing extended hours of to accommodate families with non-traditional work schedules, such as early mornings, evenings, weekends, or overnight care.
- Allow drop-in care for occasional use or emergencies.
- Introduce extracurricular activities such as music lessons, art classes, language immersion programs, or yoga sessions to supplement the core childcare program.
- Host workshops and seminars that you charge parents on topics related to child development, parenting strategies, early childhood education, health and wellness, and other relevant subjects.
- Provide cooking classes on weekends or at night to help parents cook inexpensive, nutritious meals and snacks on a budget.
- Sell transportation services, not only to and from the childcare centre but anywhere.
- Run paid classes inside larger employers with a social policy to support their employees. Have the employer sponsor the cost. This could develop into a new revenue stream where a person from your business is permanently speaking and presenting.

Modify your existing service

Modifying allows you to adapt to changing market trends and customer preferences without completely overhauling your business.

- Create bundled services by selecting items or services that naturally go together and provide added value when purchased. For example, offer a pickup and drop service, including a carer until parents are home from work, plus they'll cook dinner. All for one overall price.
- Develop options for customisation, like a smorgasbord where parents can select from a wide range of food, learning and activities for their children.
- Develop specialised programmes tailored to specific age groups, such as infant care, toddler programs, preschool curriculum, or before-and-after school care for children.
- Organise summer camps and holiday camps during school breaks, offering themed activities, field trips, and educational experiences to keep children engaged and entertained.

It's a common problem, you're so busy you need more time to attend to every need. Doubling sales can often triple customer queries, complaints, calls, and demands on your time. Loyal customers can get disillusioned and leave, so it's important your customer experience can scale with growth.

Maintaining the customer experience

If you do expand and grow, you may lose focus and fail to maintain the personal relationships with parents.

To avoid this problem.

- Delegate customer contact early to key employees or hand over your other tasks so you can remain the face of the business.
- Use Customer Relationship Management (CRM) software to maintain your database and try to automate as much as possible.
- Sub-contract some parts of the business, for example any bookkeeping, invoicing, or collections, to a third party to free up your time.
- Grow your team. Audit the current skills on board so you have the right people in the right roles or have a pathway for employees to access future training to develop the skills you need.

Collaborate

Expanding through partnerships or joint ventures can help you access new markets, share research and development or co-market. A good example is the partnership in which Bright Horizons has a nursery situated inside the Gogaburn campus of RBS, expanding its reach and being supported by RBC staff.

Examples of strategic partnership benefits can include.

- Provides access to a new set of parents who will learn about your business.
- Saves marketing costs if the partner agrees to promote your business in their channels to parents.
- Speeds up new customer acquisition as parents are more inclined to trust your service if referred by a company they respect.
- Provides instant credibility by aligning with a well-known brand.
- Prevents the competition from entering the same area.
- Solves gaps in your business, for example the partner may sponsor or donate additional resources you'd usually pay yourself.
- Reciprocal web links between both businesses to assist referrals.

The success of a strategic partnership business model relies on setting clear expectations around the desired outcomes and an understanding of what all partners need to contribute.

Choosing the right partner

Start by identifying business partnerships with organisations demonstrating complementary capabilities and assets. Look at the different sectors that will add more value to your centre.

Ideally, a strategic partner will.

- Have a similar work ethic and approach to business, and be able to commit the time, resources, and energy required to deliver on key objectives.
- Be financially secure and have the capacity and capability to do what they say.
- Have the appropriate insurance, legal, cyber-security, employment, and confidentiality processes in place.
- Have zero conflicts of interest.

Signing a formal partnership contract or arrangement to set out roles and expectations is usually wise.

Toolkit next steps

- **Acquire or merge with complementary businesses.** It could be the fastest way to grow.
- **Experiment with new business models.** One may uncover new revenue streams.
- **Diversify where it makes sense.** Use your existing credibility to extend what you offer.
- **Maintain the customer relationship.** Keep sight of your core business.
- **Collaborate with like-minded organisations.** Find others to share your journey.

Topic 7. Solving the staff shortage

Attracting and retaining employees helps maintain consistency for you and your children. High turnover can be disruptive and soak up much of your time. How businesses treat their employees directly influences who wants to work for you, and how long for.

There's no silver bullet.

But there are some things you can do to reduce the chance of employees leaving.

Promote work-life balance

Work-life balance is important for employees to feel valued, autonomous, and supported in their work and personal environment.

- **Offer flexible work arrangements** such as giving employees the opportunity to work remotely. This could be ok for admin staff, not so great for those caring for your children. You could also negotiate shorter work weeks or job sharing.
- **Have family-friendly policies** allowing employees to take time as they need to care for or be present for family emergencies. You'll need contingency plans to cater for missing staff.

Demonstrate work-life balance where you can.

Support employee health

Consider offering health benefits that enable your staff to stay on top of their mental and physical health.

- **Free or discounted medical,** dental, and vision insurance.
- Access to mental health support such as counselling services, stress-relief workshops, and mindfulness training. Childcare can be a tough environment.
- **Flexible personal days**, stress-relief days, or days where employees do not have to justify taking time off. You'll need to cover employees who are responsible for direct child contact.

Offering a mix physical and mental health benefits will show your employees you care about their overall well-being.

Provide learning and development opportunities

It's essential for employees to feel engaged in their work. One way to do so is to enable employees to develop their skills and continue their education.

- **Foster a learning culture** by paying for your employees' courses, programmes, workshops, or seminars.
- **Encourage cross-training between employees**. Find out what additional skills your employees would like to learn, or what roles they're curious about. Then partner them with someone currently filling that role or have them work together on projects.
- **Implement coaching** by pairing newer employees with those who are more experienced.

The National Day Nursery Association have free online early years and childcare training courses, including:

- Online safety
- Supporting well-being in your workforce
- Effective financial planning.

As your employees' skills expand, they'll build confidence and gain the experience to make better decisions.

Lead by example

Employees tend to follow your example and feel connected when you've built a relationship around trust and a sense of belonging. These lead to increased retention and higher productivity.

The Early Years Alliance has information on employing and managing early years staff.

Offer competitive pay

Even if the job you offer is the perfect fit for that person, they'll still need a level of payment that covers what they need and how valued they feel. Childcare remuneration can be challenging, where rising household costs create pressure for higher wages, which can be difficult for an industry with limits on growth or revenue. To help, look at.

- **Benchmark what you pay** by looking at salary surveys and job postings from competitors. Pay above the industry average if you can.
- **Use performance-based pay** increases or bonuses to reward staff. Give them a profit share if they're in charge of a new initiative that directly increases revenue.
- **Provide discounts** to staff members with children enrolled in the centre.
- **Consider flexible scheduling** options, such as part-time, full-time, or alternative work arrangements to accommodate the diverse needs of your staff.
- **Implement a recognition program** to acknowledge and celebrate staff contributions. Offer awards, certificates, and other forms of public appreciation for a job well done.
- **Pay for professional development**, such as attending workshops, conferences, and training to advance their career.

Provide employee training

A well-designed training programme can address skill gaps, keep your team updated with the latest industry standards and technologies, and prepare them for future challenges.

Adopt productivity tools or software

Productivity tools can transform how your team works, streamlining tasks and facilitating better collaboration. From project management software that keeps everyone on track to communication tools that enhance team interaction, the right technology can significantly affect how efficiently your team operates.

Match the task to the skill set

No one likes being a fish out of water. Place people with the right skills in the job they do best and ensure you hire the right person.

The National Society for the Prevention of Cruelty to Children (NSPCC) offers a safer recruitment course to help recruit the right staff and volunteers to check they are safe to work with children and young people.

Schedule periodic reviews

Regular interviews allow your employees to review their goals and assess performance. You can guide them to the adjustments needed to stay on track, suggest changes to behaviour or take any action needed.

Dig out the poor performers

If you have employees dragging everyone down, you should act fast. Help the employee amend their ways or start the process of disciplinary action. All your other employees will know the person isn't working as they should and appreciate you being decisive. Seek legal HR help if you need clarification on the process.

Be consistent

Treat everyone with the same rules. Provide each employee with a detailed job description outlining all their responsibilities, tasks, and targets so they know what a satisfactory performance level is. If a reward is linked to each goal, make sure they know about it.

Avoid unnecessary meetings

Meetings can be time-consuming and often interrupt workflow, especially if they are poorly planned or lack clear objectives. Only schedule meetings when necessary and when other communication methods can't achieve the objectives. Clearly define the purpose, agenda, and expected outcomes. Invite only those who are essential for the objectives and keep the meeting as short as possible to maintain focus.

Employ staff diversity

Hire people from your region, including from different cultural backgrounds, genders, races, and abilities. A diverse team can provide children with role models they can relate to and learn from.

- **Provide regular training** on cultural competence, including understanding and respecting cultural differences, communication across cultures, and recognising and addressing biases. Incorporate multicultural themes, activities, and resources into the curriculum.
- **Include books, toys, music, and art** that expose children to different traditions, languages, and perspectives.
- **Celebrate cultural holidays** and events from various backgrounds throughout the year. Encourage families to share their traditions and customs with the centre, creating opportunities for learning and appreciation.
- **Offer language support** for children and families who speak languages other than the primary language of the centre. This could include bilingual staff, translated materials, and language activities.

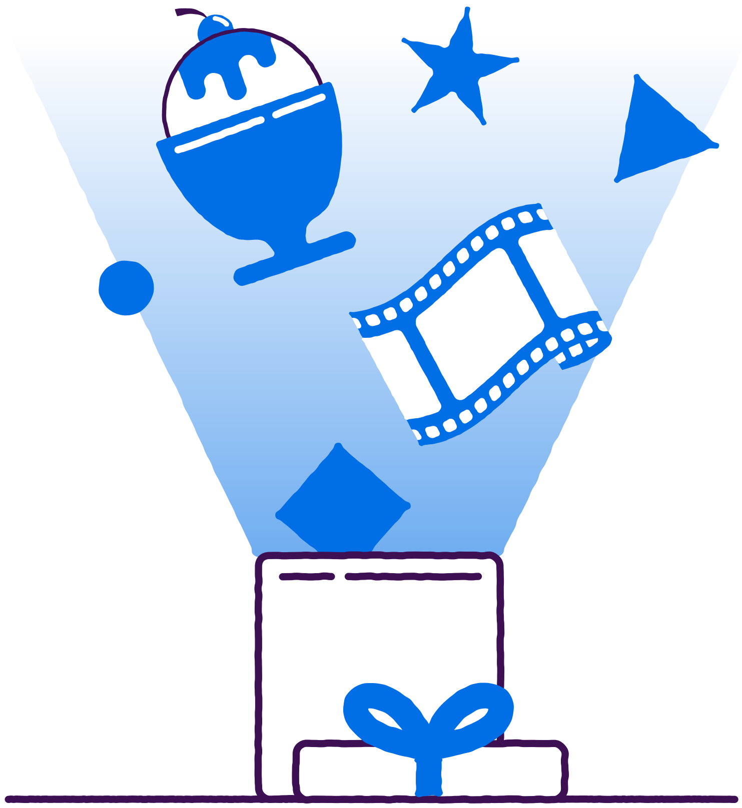
Be honest

If there are challenges ahead, the smart employee will want to know what they are and even have some degree of self-determination. Detail the hurdles and involve staff in how you will solve them.

Delegate

Being an owner that tries to do everything doesn't give your staff the autonomy they may need, or the ability to show what they're capable of.

Delegating allows you to distribute workload more evenly across the team, ensuring that tasks match employees' skills and capacities.



Appendix

A list of useful organisations that support the childcare industry.

PACEY

(Professional Association for Childcare and Early Years)

PACEY is a charity dedicated to supporting everyone involved in childcare and early education. They provide high-quality services, information, and advice to children, families, and carers.
Visit their website: PACEY

Early Years Alliance

Supports parents with childcare costs and provides resources for early years settings. They offer training, legal helplines, and more.
Visit their website: Early Years Alliance

Childcare Choices

The UK government's platform for information on childcare support. It covers 15 to 30 hours of free childcare, Tax-Free Childcare, tax credits, and other schemes.
Visit their website: Childcare Choices

Christie & Co

Christie & Co are the UK's leading specialist advisor for buying and selling businesses in the childcare and education sector. They provide unrivalled insight, experience and expertise including brokerage, valuation, consultancy, development, investment, surveying, rent reviews, dispute resolution, business development and turnaround services. Christie & Co are accredited and regulated by the Royal Institution of Chartered Surveyors (RICS).

Visit their website: Christie & Co

Ofsted

The Office for Standards in Education, Children's Services and Skills. Ofsted inspects and regulates educational institutions, childcare providers, and social care services. They report directly to Parliament and parents.
Visit their website: Ofsted

Office for National Statistics (ONS)

ONS provides data on property prices, private rent, and household statistics. They analyse affordability, house prices, and housing trends.
Visit their website: ONS Housing

Advisory, Conciliation and Arbitration Service

(Acas)

Acas is the workplace expert for England, Wales, and Scotland. They provide free and impartial advice on employment rights, rules, and best practices.
Visit their website: Acas

National Day Nurseries Association

(NDNA)

NDNA is an award-winning national charity that supports the childcare, early years, and nursery sector. They provide resources, training, and guidance to professionals.
Visit their website: NDNA

Family and Childcare Trust

This charity focuses on policy, research, and advocacy related to childcare and family issues. With over 40 years of experience, they work to improve family lives.
Visit their website: Family and Childcare Trust

Foundation Years

Foundation Years provides news, policy updates, and resources for early years professionals. They focus on improving the UK's childcare sector and supporting families.
Visit their website: Foundation Years

Childcare Choices

The UK government's platform for information on childcare support. It covers 15 to 30 hours of free childcare, Tax-Free Childcare, tax credits, and other schemes.
Visit their website: Childcare Choices