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## How to Offer Child-Care Services

**Does children's laughter sound like music to your ears? Do you enjoy the idea of six rugrats chaotically crawling at your feet at any given moment? Then read on for your perfect business.**

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*Editor's note: This article was excerpted from our [Child-Care Services start-up guide](#), available from [Entrepreneur Bookstore](#).*

The number of working parents--including single-parent families and families with both parents employed--is climbing, creating an ever-growing need for quality child care. That need is creating a tremendous entrepreneurial opportunity for people who love children and want to build a business caring for them.

Child-care services range from small homebased operations to large commercial centers and can be started with an investment of as little as a few hundred dollars. You can stay very small, essentially just creating a job for yourself, or you can grow into a substantial enterprise with potentially millions of dollars a year in revenue.

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You also have a tremendous amount of flexibility when it comes to the exact services you choose to offer. You may limit your clientele to children in certain age groups or tailor your operating hours to meet the needs of a particular market segment. You may or may not want to provide transportation between your center and the children's homes and/or schools. You may want to take the children on field trips. As an alternative to child care, you may want to consider a business that focuses solely on providing transportation for children.

Of course, the basic work you'll be doing--caring for someone else's children--bears a tremendous amount of responsibility and requires a serious commitment. When the children are in your custody, you are responsible for their safety and well-being. You will also play a key role in their overall development and may well be someone they'll remember their entire lives.

### Filling an Important Need

One of the biggest challenges facing American families today is caring for their children while the parents work. According to the Bureau of Labor Statistics, only 13 percent of all families fit the traditional model of husband as wage-earner and wife as home-maker. In 61 percent of married-couple families, both husband and wife work outside the home. Six out of every 10 mothers of children under age 6 are employed, and the labor-force participation of women in their childbearing years continues to expand. As the number of working parents rises, so will the demand for child care.

Another issue that has an impact on child-care issues is the new, 24-hour global market. Occupations with a high number of employees working nights and weekends--such as janitorial, hospitality, customer service and technical support--are experiencing substantial growth, and workers in these fields find obtaining quality child care an even greater challenge than their 9-to-5 counterparts.

For many working parents, there is no single solution to their child-care needs. More than a third use more than one option, such as day-care centers part of the time and friends, neighbors or relatives on other occasions. A recent study conducted by the Urban Institute, a nonprofit policy research organization, revealed that about 30 percent of working parents have two child-care arrangements, and another 8 percent are using at least three. The study found that 65 percent of parents juggling multiple child-care arrangements use a combination of formal day-care centers,

Head Start programs, and baby-sitting by relatives and friends. Another 20 percent use two separate day-care centers.

### Do You Have What It Takes?

What are the characteristics of a person who would do well operating a child-care center? Lois M., who began the first of her six child-care centers in Toledo, Ohio, in 1982, answers, "The person needs to be energetic, business-minded, a competent leader, have a pleasant personality, be professional, be willing to take calculated risks, be a good role model, have strong financial resources, be consistent in expectations of the staff, and be consistent in the delivery of service."

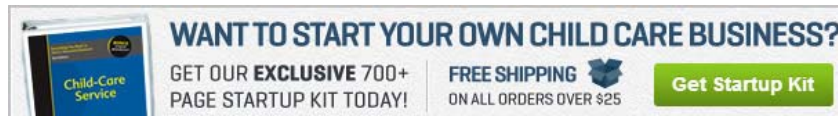
If you're going to be running a family child-care center, Brenda B. of Stockton, Illinois, adds, "You have to really like kids." Janet H. of Exeter, California, agrees; she says, "A person who is going to own a child-care center needs to love children, be a people person, have a high tolerance for stress, have good insurance, and have some management skills."

A child-care business can easily be started in your home with just a few weeks of planning and a modest amount of startup cash. A commercially located center takes a greater investment of time, energy and money. The size and type of business you choose will depend on your start-up resources and goals for the future. Many child-care providers are satisfied with a one-person operation in their home that generates a comfortable income while allowing them to do work they enjoy (and possibly even care for their own children). Others may start at home and eventually move to a commercial site as the business grows. Still others begin in commercial locations and are either content with one site or have plans to expand.

### Startup Checklist

As you complete your startup efforts, use this checklist (and tailor it to your own needs) to make sure you've covered all your bases before you open your doors.

- **Type of center:** Will you operate from your home or a commercial location?
- **Licensing:** What licenses are you required to have and from which agencies? What are the requirements, costs and lead times?
- **Training and certification:** What types of training and/or certification do you need?
- **Market:** What are the child-care needs of your community?
- **Location:** Choose a site that is appropriate and affordable.
- **Legal requirements:** Check on zoning and any other legal issues.
- **Financial issues:** Estimate your startup costs and identify the source(s) of your startup funds.
- **Health and safety issues:** Plan for accident and illness prevention, and develop emergency procedures.
- **Programs:** Develop an appropriate schedule of activities for the children.
- **Equipment:** What do you need to adequately equip your center, where will you get it, and how much will it cost?
- **Insurance:** What coverage do you need to adequately protect yourself and the children in your care?
- **Staffing:** If you plan to hire people, know the required staff-to-child ratios and develop your human resources policies.
- **Links:** What community and professional resources are available to you?



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### Target Market

Prime candidates who need full-time child care are parents with infants to 5-year-olds. Parents with children over 5 are good prospects for after-school care programs. The market segments most likely to use child-care services are dual-income families and single-parent households in most income brackets. A number of government programs help low-income families pay for child care so the adults can stay in the work force.

Within this very broad market is the more narrow group of clients you'll serve. Use market research to figure out who these people are and how you can best attract them to your center. Lois M. says the primary market at four of her six locations is parents who are upper-income working professionals; the other two centers serve a number of middle-income families as well as those being subsidized by public funds. Janet H. says about half her clientele consists of dual-income families, and the other half is single mothers who receive government assistance as they work through programs designed to get them off welfare.

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The goal of market research is to identify your market, find out where it is, and develop a strategy to communicate with prospective customers in a way that will convince them to bring their children to you.

When Lois M. opened her first center, her demographic research revealed that there were 9,000 children from infant to 5 years old within a 5-mile radius of the site; half the preschool children in the area were in day care of some sort because their mothers (or both parents) worked; and the number of households in the area was expected to double within a decade. Contained in that 5-mile radius were six child-care centers serving approximately 800 children.

Brenda B.'s research wasn't as sophisticated. Living in a small town, she knows just about everyone and is well aware of the lack of child-care services. "There's such a need for day care," she says. "I go through periods where I'll get as many as five calls a week from parents needing care, and I don't have room for them. I've had families on my waiting list for up to two years."

## Types of Services to Offer

Before you open your doors to the first child, you should decide on the services you'll provide and the policies that will guide your operation. To simply say you're going to "take care of children" is woefully inadequate. How many children? What ages? What hours? Will you provide food or ask their parents to? What activities will you offer? What sort of price and payment policies will you have? And the list goes on.

Your first step is to check with the appropriate regulatory agencies to find out what's involved in providing particular services. For example, each state has its own guidelines for the maximum number of children and maximum number in each age group in a family child-care facility. States also have guidelines regarding the number of caregivers required per number of children in each age group for commercial facilities. There will likely be other requirements and restrictions, depending on the type of facility you run.

Decide what services to offer based on your own preferences and what your market research says your community needs. Your choices include:

- Full-time care during traditional weekday hours
- After-school care
- Nontraditional hours (very early mornings, evenings, overnight care, weekdays and/or weekends)
- Drop-in or on-demand care, either during traditional or nontraditional hours
- Part-time care
- Parents' night out (weekend evening care)
- Age-based care
- Transportation



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## Startup Costs

Caring for children can be enjoyable and rewarding, but if you're taking care of other people's children and accepting compensation for it, then caring for children is a business and it needs to be managed accordingly. Even though you probably want to get into this business because you love children and not because you love to keep records, pay taxes and worry about staffing, you must do these tasks effectively if you're going to maintain a viable operation.

The high rate of attrition in the child-care business is driven in large part by the fact that many caregivers focus almost exclusively on nurturing and caring for the children in their charge, and neglect the financial and management sides of their operations. But whether your goal is a small, family child-care center or to build a chain of commercial locations, you must deal with administration and management issues if your business is going to survive. If you plan ahead, that won't be hard.

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Set up your financial record-keeping system from the outset in a way that will provide you with the information you need to monitor your profitability and handle your tax reporting. You may want to hire a consultant or an accountant who specializes in small businesses to help you at first; this small investment could save you a substantial amount of time and money in the long run.

Expect to spend a significant amount of time on management, marketing and administration. If you have employees, they need to be trained and supervised. Although the demand for child care is high, parents won't be able to find you if you don't market your service. And keeping up with administrative details--paying bills, buying supplies, doing budgets and forecasts, meeting ongoing licensing requirements, facility maintenance, etc.--is a never-ending process.

If your goal is a sizable commercial center, you're not likely to spend much time actually caring for children.

Though Lois M. spends plenty of time in her centers around the children, she hasn't actually been a caregiver for at least 10 years. "I made a very conscious decision when I began," she explains. "I knew I could hire a secretary to cover the office and I could be a teacher in the classroom. Or I could be the one in the office, and I could hire the teacher. I decided it was better for me to be the one in the office answering the phone and giving the tours because no one else had as much invested in this business as I did. A secretary might go through the motions and give out information, but a secretary is not going to convey the same passion that I'm going to convey when I know I'm responsible for meeting payroll on Friday night." In the beginning, you may double as a caregiver as well as the director, but, Lois adds, "you don't want to get in the habit of doing that on a regular basis or your program will suffer." Her six centers employ more than 100 full-time people, plus approximately 30 substitutes.

## Finding a Location

If you're going to open a center on a commercial site, it makes sense to locate your facility close to your target market. Some parents may prefer a center close to home; others may choose a center close to their workplace. In the latter case, parents get to enjoy more time with their children during their morning and evening commutes, as well as the opportunity to spend time with them during the course of the day, perhaps for lunch or special programs.

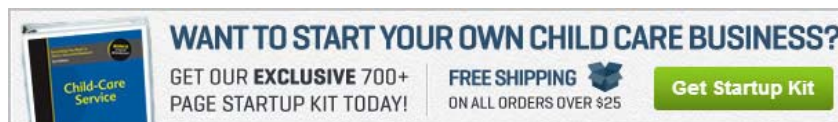
Some site suggestions to consider include:

- A facility within or adjacent to a residential neighborhood or near a school
- A facility in a shopping center where parents with children are likely to pass by
- Sharing a facility with other community organizations
- Office and planned light-industrial parks with a sizable work force

If you're going to open a child-care center at home, discuss your plans with family members and neighbors before you open. Younger children may resent other children coming into your home and changing their lifestyle. Older children--especially teenagers--will need to be told what's expected of them and what they can expect as your business gets off the ground. Spouses may not completely understand the time commitment involved in this business, so talk about things in detail well in advance of bringing the first client in. You may find that your extended family and friends don't really understand what's involved in a professional child-care business and may think that, since you're at home during the day, you're "not really working" or you're "just baby-sitting."

Talk to your neighbors about the impact your business will have on them in terms of traffic (as parents drop off and pick up their children) and noise (think about the decibel levels five or six children can generate when playing). Let them know what steps you'll take to keep any irritation or inconvenience to a minimum, and reassure them that they should feel free to contact you with any concerns or questions.

Some family child-care center operators have certain rooms of their homes designated for their business; others use their entire homes. Your decision will be based on your state guidelines and personal preferences. Brenda B. has a playroom for the children, but they are not restricted to that area; she says she pretty much uses her entire house and her large, fenced backyard for her business. Sherri A.'s house in Winter Park, Florida, has a formal living room that serves as the primary child-care area.



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## Costs

### Setting Prices

The fees you charge will provide the financial base for your company and your income. They need to be competitive in your market, reasonable and affordable for the parents, and also fair to you. You need to consider a variety of issues, including your costs, the profit you want to make, the going rates in your area and what the families you're targeting can afford. Setting your rates, explaining--and often justifying--them to parents and then collecting the money are all part of being in the child-care business.

Since you'll be offering a carefully planned curriculum that is far more than a mere baby-sitting service, you are justified in establishing a fee structure similar in design to a private school. A one-time enrollment charge of half a week's tuition will hardly raise an eyebrow, but it will compensate you for the cost in time, paperwork and special attention each entrant needs.

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Calculating how much to charge for space in your center will be based primarily on three variables:

- Labor and materials (or supplies)
- Overhead
- Profit

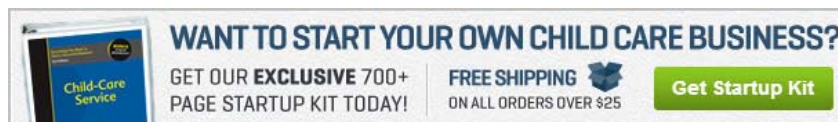
A fourth factor uncommon to most businesses but significant for a child-care center is the limit to the number of children you can accommodate. In most fields, if your business grows, you just keep hiring employees to serve the increasing number of customers. But in child care, state laws and practicality limit the number of children you can accept, putting a lid on the income potential of your business. To overcome this, successful child-care center operators often open more locations in nearby areas to increase their client base and income.

### Forms of Payment

You'll receive payments by check and cash, and you may also want to set up a merchant account so you can accept credit cards. Check with your bank or the different credit card companies for information on accepting credit cards.



Many child-care and transportation service providers find that automatically debiting parents' credit cards is the easiest way to obtain payment. "An automatic charge every month is the easiest way to get your money," says Yvette B. "There are discount fees involved, but it's well worth it."



## Marketing

In most parts of the United States, the demand for quality child care is so high that marketing your business will be relatively easy. In fact, many of the providers we talked to for this book--especially the homebased centers--do little or no marketing because they're established, with strong reputations and waiting lists. But every business needs a marketing plan, and yours is no exception.

All your marketing materials should be professional and letter-perfect. Consider hiring a graphic designer and/or professional writer to help you with your marketing package. If they have children, you may be able to negotiate their fees in barter.

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Keep these questions in mind as you form your marketing plan:

- Who are your potential customers?
- How many of them are there?
- Where are they located?
- What are they currently doing for child care?
- Can you offer them anything they're not getting now?
- How can you persuade them to bring their children to you?
- Exactly what services do you offer?
- How do you compare with your competitors?
- What kind of image do you want to project?

The goal of your marketing plan should be to convey your existence and the quality of your service to prospective customers, ideally using a multifaceted approach. The child-care center operators we talked with used a variety of marketing methods, from simple word-of-mouth to more sophisticated techniques.

### Smart Tip

Ask new clients how they found out about you. Make a note of their answers and what kinds of businesses they represent (how many children they could potentially refer to your business). This will let you know how well your various marketing efforts are working. You can then decide to increase certain programs and eliminate those that aren't working.



## Resources

### Associations

- American Academy of Pediatrics(AAP)
- American Society for Testing and Materials (ASTM)
- Child Care Law Center
- Children's Foundation

- National Association for Family Child Care
- National Association of Child Care Professionals
- National Child Care Information Center
- LISIC: National Children's Facilities Network and Community Investment Collaborative for Kids (CICK)
- National Resource Center for Health and Safety in Child Care

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### Consultants and Other Experts

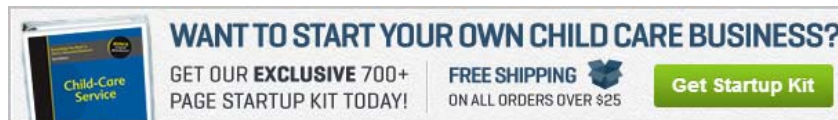
- Robert S. Bernstein
- Vicki L. Helmick, CPA

### Government Agencies and Related Resources

- Environmental Protection Agency (Note: Contact for a list of restricted chemicals that are unsuitable for use in a child-care environment.)
- U.S. Consumer Product Safety Commission (CPSC) (Note: To receive faxed notification of CPSC recalls, fax your name and fax number to (301) 504-0399; to receive e-mail notification, send an e-mail to [lstproc@cpsc.gov](mailto:lstproc@cpsc.gov) with the subject line "Join CPSCINFO-L".)
- U.S. Department of Agriculture, Child and Adult Care Food Program


### Publications

- *Child Care Information Exchange*
- *Early Childhood Today*
- >Earlychildhood.com
- *High/Scope*
- *Young Children*
- *Safe Ride News*



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