



Kid Works Children's Center

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Long Beach Preschool Attains Success in Less Than One Year

A once-struggling Long Beach preschool business owner increases profits by 25 percent thanks to expertise from the SBDC.

Dinuka Ranasinghe studied law and passed the New York Bar exam, but after realizing law was not her passion, she decided to pursue her dream: working with young children. She began studying early childhood development and in 2008 purchased a preschool in Long Beach, California called Kid Works Children's Center.

Challenges

When she first visited Kid Works Ranasinghe, "immediately fell in love with the school and knew this is what [she] wanted to wake up and do every morning." Threatened by a cash crisis, Ranasinghe faced the possibility of losing her newly acquired business. "I wanted to run a quality preschool, so I kept spending money on making improvements," Ranasinghe explained. Then in 2014, a parent at the preschool referred her to Mike Daniel, former director of the Small Business Development Center hosted by Long Beach City College.

Best Advice

Daniel and SBDC Business Advisor Laura Lara helped Ranasinghe budget, manage her finances, find the short-term capital necessary to keep the business afloat, and develop a plan to increase long-term revenue.

INDUSTRY

Child Care Services

CHALLENGES

- Cash Flow
- Lack of Operating Capital

SOLUTIONS

- Restructured pricing strategy and conducted competitor analysis
- Reviewed accounting methods and reconciliation management
- Obtained short-term financing

CLIENT IMPACT

- Increased revenue by 25% in less than 1 year
- Retained 7 employees
- Operating at full capacity.



“I wish I had gotten the help of the SBDC before I bought the business! I don’t see how my business would have survived without them.”

Dinuka Ranasinghe, Owner
Kid Works Children’s Center



Do the Math

“When I originally met Dinuka at her preschool, she had a model that she felt was working, but her revenue was not growing and in fact she was upside down as a business,” Daniel recalls.

Daniel broke down Kid Works’ staffing, overhead and other costs to show Ranasinghe the discrepancy between her operating costs and the price of her service(s). “My eyes were opened wide,” Ranasinghe says. “I finally realized I was spending more and more money without increasing my rates.”

Know Your Worth

Increasing rates was difficult for Ranasinghe. “I would say, ‘Oh, if we increase our rates, this family can’t afford to join, and I won’t be able to help this child.’ [Mike and Laura] pointed out that we wouldn’t be able to help anyone if we went out of business.”

Daniel helped Ranasinghe prepare price comparisons by researching her competition. “We discovered our prices were far lower,” she says. As a result, she raised her prices and changed her child care model.

“Rather than having students that come two or three days per week we changed to a more formal preschool that has children come all five days a week,” Daniel says. “Parents [can] choose between all day and half day, but just this small tweak [allows] Dinuka to go from negative to positive in her profit.”

“The SBDC gave me the confidence that we were worthy enough to increase our rates,” says Ranasinghe. “If I hadn’t seen Mike for a week, I’d call him up. He’d show me the numbers, say ‘This is why we’re doing this,’ and it would all make sense.”

Monitoring Your Money

Although she was using QuickBooks, Ranasinghe wasn’t maximizing its functionality. “My stumbling block was limited knowledge,” she says. “I would reconcile [accounts] only once a year, at tax time.” Lara showed Ranasinghe more efficient ways to use QuickBooks and kept her accountable. “She came in every two weeks and met with me, which really kept me on track,” says Ranasinghe. “I learned how to reconcile regularly. Now, I monitor how I did every month so I can see trends, costs and patterns.”

Meanwhile, Daniel worked with Ranasinghe to find short-term working capital, which came from personal loans to carry the business through the new pricing transition. Daniel brainstormed with Ranasinghe on other ideas for boosting cash flow. “He explained how it was necessary to add more programs to [increase revenue, he me to think about fundraising, doing an after school kindergarten program, and adding summer camps--something I had always wanted to do.”

Client Impact

Soon after implementing her new business model, Ranasinghe began seeing a significant change in the bottom line. She added a Spanish dual-immersion after school kindergarten program and launched a summer camp in July 2015.

Thanks to help from the SBDC, sales increased by 25 percent in less than a year. Ranasinghe retained her seven original employees and all of her customers; Kid Works now operates at full capacity.

In the future, Ranasinghe plans to improve the school, purchase new furniture and equipment and hire more employees.