



Photos by SARAH LIM/Detroit Free Press

Merrill Guerra, founder of RealKidz Inc., moves furniture with her son, Ruben, 7, and daughter, Gabriella, 11, last month in Depot Town.

Getting product is sign of progress

Next move for RealKidz: Raising the awareness

By KATHERINE YUNG
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Bit by bit, slowly but steadily, RealKidz is making progress.

The Ypsilanti start-up company that sells clothes for plus-size young girls has signed up four independent sales consultants in Michigan. It has also raised \$150,000 from angel investors. And its new back-to-school line of clothes finally arrived early this month.

"We have the product," Merrill Guerra, RealKidz's CEO and founder, said while trying to market her company's clothes during a women's business meeting in Novi earlier this month. "Now we need the funds to push it into the marketplace because nobody knows about us."



RealKidz moved around the corner to smaller, less-expensive space in Ypsilanti.

About this series



In Michigan's diversifying economy, thousands of workers are starting new businesses. This year, the Free Press is following the ups and downs of two of the state's newest start-up companies, Boombash LLC and RealKidz Inc., as their founders try to turn their dreams into reality. Today, we focus on RealKidz, but stay tuned in early October for the latest update on Boombash. And to read previous stories in the series, see the special report in the Business section of www.freep.com.

Unlike most other retail companies, RealKidz aims to sell most of its clothes through a network of independent sales consultants, a method used by famous brands such as Avon and Tupperware. For now, though, the company's Web

site serves as its main sales vehicle.

The new line of clothes includes trendier pieces, such as a houndstooth skirt and an empire waist shirt, in appealing graphic designs and col-

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Lessons

What has first-time entrepreneur Merrill Guerra learned from starting her own business? Here are her thoughts:

■ "I was told that 'everything takes longer and costs more than what you think it will.' Being an optimist, I never quite believed this or it never seemed like this would apply to me. This statement is now completely ingrained into every fiber of my being. It is true, and the trick is to manage your resources so that you don't run out of time and/or money before the job is done."

■ "Managing people is the hardest part of running a business."

■ "Raising money in Michigan is extremely hard. It has been easily an order of magnitude harder than everything else that I have done to get this business up and running."



Photos by KIMBERLY P. MITCHELL/Detroit Free Press

CEO and founder Merrill Guerra, right, shows the new fall line to prospective customers Dawn Dennis, 44, of Ypsilanti, center, and her daughter Sabrina, 10, at the RealKidz booth during the Ypsilanti Heritage Festival last month.

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ors. RealKidz is still selling its first line of clothing, but at sharply discounted prices.

Early this month, the company's four sales consultants participated in their first sales training call, led by Laura Hamblin, RealKidz's director of sales and network development. Only one consultant has network marketing experience.

Each plans to hold so-called trunk shows in their communities to introduce RealKidz clothes to mothers. This week, they are also holding several private sales sessions with potential customers.

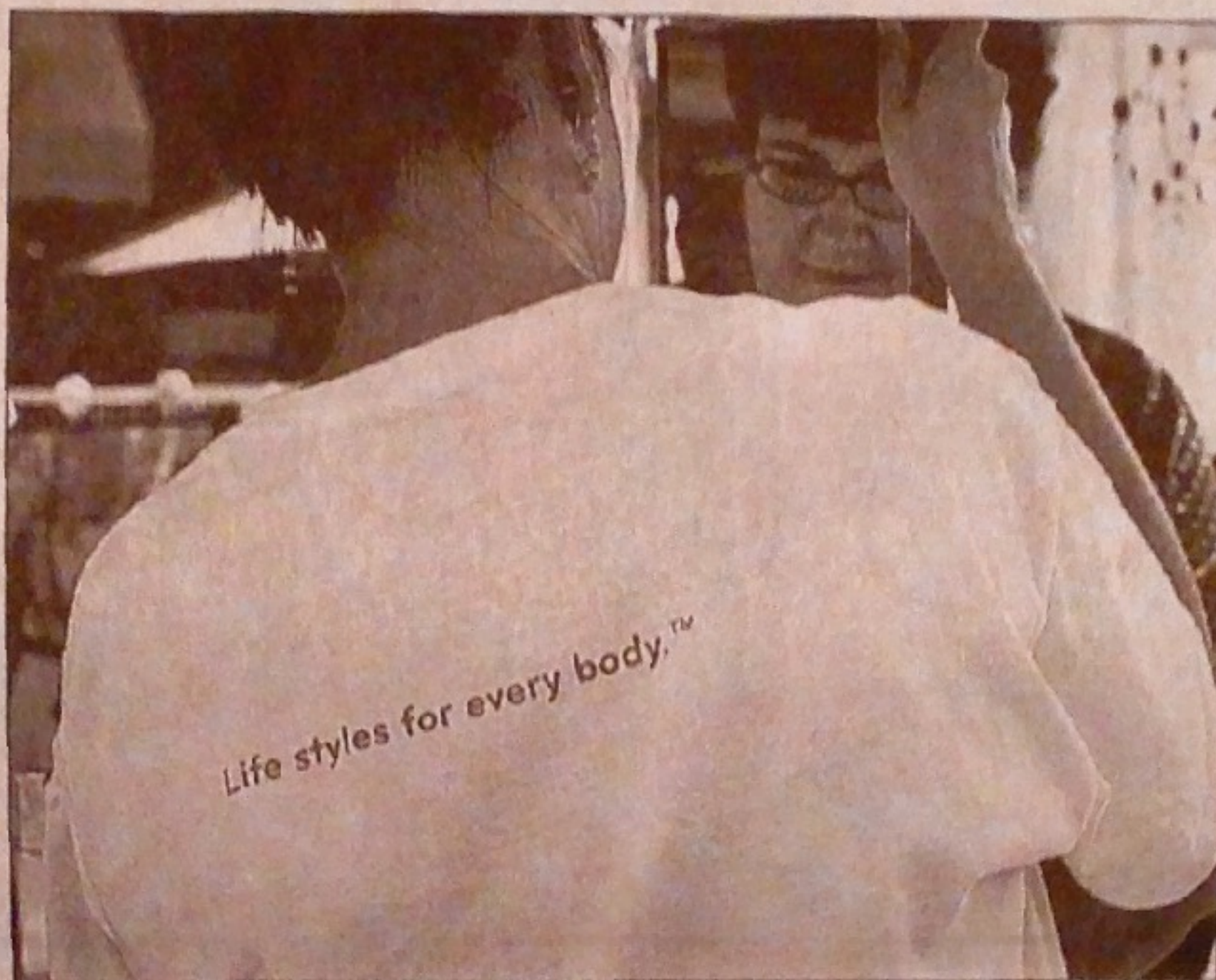
"It's very difficult to find plus-size clothes for my daughter," said Melissa Stanley of Clawson, a house cleaner who was the first consultant to sign up after discovering RealKidz's Web site. "I want to be able to make Merrill proud."

"There is such a need in the market for this," said Sheree Robinson, another consultant who teaches math in Bellaire, northeast of Traverse City, and is the mother of a plus-size 6-year-old daughter.

Though a few retailers sell plus-size apparel for girls, Robinson has found it difficult to find the right sizes for her daughter. "These are specifically made for her shape and they flatter her," she said of RealKidz's pants and shirts.

Guerra, who used to sell products for Amway, drew up a sales manual for her consultants.

But to really get RealKidz's consultant network off the ground, she hopes to hire a California network marketing consulting firm to create a professional compensation plan and marketing and training materi-



Guerra wears a RealKidz logo T-shirt while setting up a booth during the Heritage Festival last month.

als. It would also help attract additional consultants.

Initially, these services will cost \$20,000. That's something RealKidz may soon be able to afford.

New and existing angel investors have agreed to put \$150,000 in the company. That's down from RealKidz's initial capital target of \$300,000, but in late August, Guerra and her advisers decided RealKidz didn't need to raise that much money right away. Instead, the company wants to quickly establish a sales track record, which would make it easier to get more capital in the near future.

Guerra is still waiting to hear back from the Traverse Angels, a new angel investor group in Traverse City. She had pitched her business plan to them in mid-August.

Though RealKidz's financial prospects look brighter, not everything has gone smoothly.

A Los Angeles factory did not properly sew the bottom of a pair of RealKidz's pants.

Guerra wound up having to drive to a Chicago manufacturer to get 300 pants rehemmed.

The snafu and other issues caused her to part ways with a designer she had been using to oversee production of the clothes.

The first-time entrepreneur has learned the hard way the pitfalls of outsourcing design and production work. From now on, Guerra plans to handle these tasks in-house.

In late August, Guerra was also worried about the financial pressures facing her family. Going without a salary for two years has meant doing away with family vacations and cutting back on her two children's extracurricular activities. She and her husband, Juan Guerra, had taken out a loan on their 401(k) retirement account to help pay for expenses.

During the summer, Guerra had to pay for child care so she could work on RealKidz. "That was a huge hit" financially, she said.

Guerra plans to pay herself

and Hamblin a small salary using the \$150,000.

Cutting expenses

In the meantime, in order to stretch her dollars, Guerra moved her business during the Labor Day weekend to a smaller and less-expensive office above a food cooperative in Ypsilanti's Depot Town.

RealKidz is also using interns from nearby Eastern Michigan University to help with design and accounting work.

And a local photographer agreed to take pictures of the company's new clothes in exchange for Guerra telling her friends about the artist's new Depot Town studio.

RealKidz can use all the assistance it can get. With 2,700 pieces of new clothing sitting on its shelves, it's under pressure to generate sales in an economy where many retail stores have gone under.

Guerra remains convinced that her company will succeed.

On a sparkling late summer afternoon, she stood in a booth outside her office during Ypsilanti's annual Heritage Festival. Women strolling by sometimes stopped to examine RealKidz's new back-to-school clothes.

Dressed in a RealKidz T-shirt and jean shorts and sneakers, Guerra carefully watched their reaction. When one mother and her young daughter admired the empire waist shirt, the fledgling entrepreneur smiled happily and tears came to her eyes.

"To see what people are saying — it's awesome," she said. "I can't believe it's been this hard."

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