



Photos by KIMBERLY P. MITCHELL/Detroit Free Press

Jennifer Ottenbacher, 32, of Redford Township holds a sweater in front of her daughter Emily, 7, to check the size at a RealKidz trunk show Saturday at Kelly Ruby's house in Redford. Ruby went to an earlier show and decided to sell the clothes.

GOOD HELP IS HARD TO FIND

Angel investors skittish;
inmate labor a possibility

By KATHERINE YUNG
FREE PRESS BUSINESS WRITER

In mid-October, just days after the stock market's worst week ever, an anxious Merrill Guerra sat in her Ypsilanti office hoping for the best.

The future of her RealKidz start-up company depends on getting five individual investors to fulfill their commitments to put a total of \$150,000 into her business. But with the stock market tanking and bank lending all but frozen, Guerra worried that her investors might not be able to keep their promises.

"A couple of them are definitely jittery," said RealKidz's CEO. "It's a little nerve-wracking waiting. I need so little and this could be so big."

For most of this year, money worries have dogged RealKidz, which sells clothes



Heather Clark, 34, picks out clothes for her daughter, Taylor, 6, during the trunk show.

for young plus-size girls. But moving to less-expensive office space and bringing out a back-to-school line of clothes enabled the start-up to reach a milestone.

For the first time, RealKidz took in more money in September than it paid out.

But the company needs at least \$150,000 to produce its line of spring

See BUILDING, 3E



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, Boomdash LLC and RealKidz Inc., as their founders try to turn their dreams into reality. To read previous stories, see the special report in the Business section of www.freep.com.

"I can't relax until the money is in the bank."

MERRILL GUERRA, CEO of RealKidz Inc.

BUILDING | Inmate labor could trim start-up's costs

From Page 1E

clothes, hire a network marketing consulting company and advertise its pants and shirts.

Though Guerra has found a few wealthy individual investors willing to back her, she's learned the hard way the difficulties of working with angel investor groups in Michigan.

Several months ago, the BlueWater angels in Midland had agreed to invest. But the two sides ran into disagreements over the company's valuation and other matters.

Another angels group in Traverse City wasn't interested. "I'm not impressed with angel groups at all," Guerra said. "You have a bunch of people sitting together and they're all too scared to invest."

Without any money for advertising or marketing campaigns, RealKidz's sales are still small. Unlike most other clothing companies, the start-up aims to sell its shirts, pants and skirts through a network of independent consultants, a method used by companies like Avon and PartyLite.

But it takes time and lots of hard work to build a network.

On a sunny fall day in late September, Laura Hamblin, the company's director of sales and network development, held a trunk show at her home in Grand Rapids to show off RealKidz's clothes to her friends, family and potential customers.

During the Saturday event, a few mothers brought their daughters to try on clothes.

"I was so excited to hear about this," said Kelly Ruby, who drove from Redford with her 9-year-old daughter Katie. "It's nice not to be in a store. This is a godsend."

Ruby, 40, has had a hard time finding clothes that fit Katie. Many of the bigger pre-teen clothes are too revealing. And Ruby doesn't sew very well, so she usually has to pay her dry cleaner to hem Katie's pants.

Ruby decided she wanted to

sell RealKidz's clothes in her spare time. She works in the accounting department of a real estate company.

"People need clothes," she said. "It's not like this is something everyone else is selling."

So a little more than a month later, Ruby hosted her own show, with Hamblin's help.

With Ruby, RealKidz has five sales consultants.

So far, customer reaction to the back-to-school line has given Guerra and Hamblin hope that they are on the right track. When young girls try on the clothes, their mothers usually buy at least two outfits.

"It's incredibly validating and exciting," Guerra said.

As Hamblin works on building a sales network, Guerra is moving ahead with plans for RealKidz's spring line. Two design interns from Eastern Michigan University have been busy drawing sketches for it.

To get the spring line into production by the end of December, Guerra is considering using a novel manufacturing option — a cut-and-sew facility run by the Michigan Department of Corrections in the eastern end of the Upper Peninsula.

Thanks to a recent change in state law, the Corrections Department can now work with for-profit companies. So far,

Guerra's been impressed with the facility's quality. Using prison inmates to make RealKidz's clothes would reduce her costs, bring the company's manufacturing work to Michigan and allow Guerra to do something good for society.

"Finally, I found something in Michigan that is going to support me as a start-up," she said.

But producing a new line of clothes hinges on getting the \$150,000. So far, all her investors are still on board and the money should be on its way.

"Closing this round ... I can't do anything substantively without that happening," she said. "I can't relax until the money is in the bank."