

BUILDING BUSINESSES IN MICHIGAN



MARY SCHROEDER/Detroit Free Press

Gabriella Guerra, 10, of Ypsilanti, Gwenyth Andrusiak, 10, of Willis and Phoebe Routledge, 10, of Ypsilanti model RealKidz clothing in January. Founder and CEO Merrill Guerra is seeking more investors in the company that specializes in plus-size clothes for young girls.

1 FIRM HITS SNAG, 1 RACES TO LAUNCH

Start-up efforts struggle, advance in tough economy

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FREE PRESS BUSINESS WRITER

Production delays. Money worries. Work-filled weekends.

As two of Michigan's newest start-up companies move closer to their launch dates in April, the pressure is mounting.

Will they see their ambitious dreams come true? Or will the sluggish Michigan economy and a potential nationwide recession prove too much for a fledgling company to overcome?

Only time will tell.

The last two months have tested the patience of first-time entrepreneur Merrill Guerra.

The founder and chief executive officer of RealKidz Inc. had hoped to start selling her company's clothes for plus-size young girls in March. But in mid-February, she discovered that more testing was needed to make sure the clothes would fit her customers.

Guerra is anxious to get the clothes made so her company can

start generating revenues.

Money has turned out to be one of her biggest challenges.

RealKidz only has \$20,000 left. So Guerra has been searching for investors and keeping a tight lid on spending.

Without additional funding, she can't begin seriously working on a fall or winter line of clothes. To preserve cash, the company has put on



REGINA H. BOONE/Detroit Free Press
Cesar Nerys, left, of Dexter is CEO and Doug Neal of Brighton is COO for the Internet ad firm Boomdash, which is scheduled to launch in April.

Building business in Michigan

In Michigan's diversifying economy, thousands of workers are starting new businesses. Throughout this year, the Free Press will be following two of the state's newest startup companies. To see the first stories in the series, go to www.freep.com/buildingbiz. And stay tuned for future installments.



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hold plans to publish a catalog, and hire a designer and a part-time administrator.

RealKidz also may have to move to cheaper office space. The company's one-year lease in Ypsilanti's Depot Town expires at the end of April.

"Another \$20,000 to \$25,000 would do a lot for me," said Guerra, who appeared somber and a bit anxious in early March. "As my capital is decreasing, it's definitely more stressful for me."

Late Wednesday, Guerra planned to travel to Midland to pitch her business to an angel investor group.

Finding new investment sources has been a struggle.

In mid-February, Guerra presented her business plan to University of Michigan business school students who run a start-up investment fund. They didn't pick her company.

In late February, Guerra gave a telephone presentation to a group of female angel investors in Chicago. She's waiting for their decision.

She's also spent time with two potential individual investors. One of them chose to invest in a Harley-Davidson dealership instead of RealKidz. Guerra is still trying to work out a deal with the other one.

Much to her chagrin, she discovered that her company can't apply for any money from Michigan's Pre-Seed Capital Fund, which helps local start-ups get off the ground. Only technology-based businesses in the fields of alternative energy, advanced manufacturing, homeland security and life sciences are eligible.

"The Pre-Seed fund could be huge for me, but I can't even qualify for it," she said in frustration.



MARY SCHROEDER/Detroit Free Press

In her Ypsilanti office in December, RealKidz CEO Merrill L. Guerra shows off a T-shirt with the company's logo on it.

tration.

But Guerra isn't giving up. She believes RealKidz will generate revenue soon. "Whether I get funding or not, this business will grow," she said.

So far, 90 people have signed up to be on RealKidz's e-mail list. Guerra also has met a woman who's eager to head up a network of independent sales representatives the company plans to recruit.

But the real sales work can't start until the clothes arrive. The company's manufacturer in Illinois plans to start cutting and sewing fabric this week, with shipments to Ypsilanti slated for mid-April.

"Right now, everything seems like it's moving in slow motion," Guerra said. "The sooner I have revenue — that's just going to help on so many levels. My philosophy is, 'Keep it moving forward.'"

Big deadline nears

Unlike RealKidz, Boomdash LLC cannot delay its launch.

Only a few weeks remain be-

fore the Internet advertising company debuts at the Association of Directory Publishers' annual convention in Orlando, Fla. Two partners, who are software engineers, are working 14- to 16-hour days, seven days a week, to finish computer programs for the firm.

Boomdash wants to provide online listings and other Web-based services for businesses that advertise in small to medium-size telephone directories around the country.

Cesar Nerys, Boomdash's founder and CEO, saw a need for the company because most small directory publishers lack online offerings for their customers and have been losing business as a result.

At the convention, Boomdash plans to demonstrate a live version of its services.

"The conference in Orlando is going to be a watershed moment," predicted Nerys, a former AT&T executive.

Invitations to Boomdash's hospitality suite at the convention are being printed, and the

company has hired a meeting planner.

For Nerys and his two partners, Doug Neal and Jack Horner, Boomdash is quickly moving from concept to reality. They've hired a PR firm, some contract workers and a sales training company.

They continue to meet with three directory publishers in Michigan and Utah to get feedback on their plans. These publishers will test Boomdash's software in early April.

"We've crossed a huge chasm from 'This is an idea' to 'This is software we are able to play with,'" Nerys said.

He and his two partners, all experienced entrepreneurs, have been carefully laying the groundwork for growth.

They hope to obtain some venture capital so they can hire employees. The partners have met with five venture capital firms in Michigan and California.

The company is also getting ready to handle heavy demand for its services after the Florida convention. It has set up a toll-free number for publishers to call.

As Boomdash's launch date nears, a pleasant development has occurred. Nerys has bonded with Neal and Horner, even though they met only last November. "They feel like family," Nerys said of his partners.

In the fast-paced, pressure-filled environment of a start-up, partnerships don't always result in strong friendships. But the trio shares some common interests.

"We have debates 'but we work through them,'" Horner said. "We really complement each other."

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