

BUILDING A BUSINESS

CLOTHES NEED CUSTOMERS

BY KATHERINE YUNG
FREE PRESS BUSINESS WRITER

After months of planning and product development, first-time entrepreneur Merrill Guerra and her start-up company, RealKidz Inc., face their first big test. With a limited budget, can they sell 817 pants and shirts for plus-size young girls?

Everything's ready to go. Piles of 11 different kinds of shirts and pants for girls ages 5 to 12 sit stacked on shelves in RealKidz's office in Ypsilanti's Depot Town. Boxes, envelopes, tissue paper and clear plastic bags are nearby.

As of Friday, the company had made only one sale, to a Michigan woman who bought a pair of capri pants and a T-shirt. Though the company's Web site, www.realkidzclothing.com, went live the evening of April 30, it has been plagued with glitches.

Only since Monday has it been operating trouble-free. Initially, the Web site will be the key driver of sales for the company.

Getting to this point wasn't easy.

In late April, after an Illinois manufacturer had shipped the clothes, Guerra discovered that the inside bottom seams on one product, a pair of crop pants with cuffs, had not been sewn correctly. That meant sending back 100 pairs of pants.

Then, every time she thought her Web site was ready to go live, Guerra found things that needed to be fixed.

Late one evening, her babysitter called to tell her that the site had opened for business and was selling clothes for \$0. Guerra frantically called a local Web site development company RealKidz had hired. Thankfully, no one had placed any orders.

And shortly after Guerra had sent out 219 e-mails to potential customers, someone tried to make a purchase and got an error message instead.

The Web site trouble "has been the big frustration of the last few weeks,"

See BUSINESS, 4E

About the 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 start-up companies, Boomdash LLC and RealKidz Inc., as they try to turn their dreams into reality.

To read previous stories in the series, go to www.freep.com/buildingbiz.

Start-up's founder presses on after snafus with seam and Web site



REGINA H. BOONE/Detroit Free Press

Merrill Guerra, CEO and founder of RealKidz Inc., is surrounded by plus-size girls' clothes in her Ypsilanti store last week. Initially, the company will rely on the Internet for sales. But its site has been trouble-free only since Monday.



REGINA H. BOONE, Detroit Free Press

In the long run, Merrill Guerra plans to set up a network of independent sales representatives for RealKidz. She knows network marketing, having worked as a sales representative for Amway and now selling Silpada jewelry. She's also trying to get more investors for her company.

BUSINESS | Snafus challenge start-up

From Page 1E

she said with a sigh. "I'm really frustrated with my Web developer."

But the mishaps haven't got the best of Guerra, RealKidz's founder and chief executive. She plans to look for a new Web site development company and a new manufacturer.

"It's stressful," Guerra admitted in early May, days after she had graduated from the MBA program at the University of Michigan.

Aside from a onetime eBay sale of an outfit her son wore at a wedding, the 37-year-old has never sold any clothing online. Like other entrepreneurs, she is learning firsthand that simply putting up a Web site doesn't mean customers will come.

To generate sales, RealKidz put flyers touting its clothes in the packets picked up by nearly 800 preteen girls who ran in a 5K Girls on the Run race in Grand Rapids on Thursday. Many participants were plus size.

RealKidz would like to develop a line of clothes for Girls on the Run, an international organization that helps preteen girls develop self-respect and healthy lifestyles through running.

The company also has begun to advertise on Google's search engine, a marketing tactic used by many businesses.

So far, only a small number of people are landing on her Web site, but those who do are clicking on it.

In the long run, Guerra

Merrill Guerra

Title: Chief executive and founder of RealKidz Inc.

Previous career experience: Served as a Web marketing manager for Spirit Shop in Ann Arbor and ran her own professional organizing business. She is the founder of the Michigan chapter of the National Association of Professional Organizers. Guerra has also served as marketing director for the First Presbyterian Church in Ypsilanti and director of Christian nurture for children and families at Cascade View Presbyterian Church in Everett, Wash. She began her career as an office and project manager at Strata Communications in Everett.

Education: BA in political science, Stanford University, and MBA, University of Michigan.

Age: 37.

Family: Husband and two children.

Residence: Ypsilanti.

hopes the Internet won't be the company's biggest sales avenue. She plans to set up a network of independent sales representatives for her brand, which she said she believes will generate higher profit margins than going the wholesale-to-retail route.

Guerra knows network marketing. She worked as an Amway sales representative for five years and currently sells Silpada jewelry. She sees RealKidz's clothes as a good fit with this sales method.

"My product has an extremely high emotional connection with people," Guerra said, referring to the common struggle with weight issues. "Prod-

ucts that have an emotional connection work best."

She dreams of the day when her network will be creating business opportunities for women, helping to change lives.

"I can't wait to see stories like that," she said.

Guerra is now trying to develop a compensation agreement for an experienced network marketer in Grand Rapids. The potential hire may become the company's director of consultant development.

By June, Guerra hopes to begin recruiting sales representatives. Her business plans call for 18 representatives by the end of RealKidz's first year.

To get her network off the ground, Guerra would like to hire a California consulting company that helps start-up network marketing companies with financial models and compensation agreement materials.

But the firm's service initially costs about \$10,000, money that RealKidz can't afford to spend right now.

Guerra continues to hunt for more capital for her business. In mid-April, she spent 5½ hours talking to the lead investor at BlueWater Angels, a group of wealthy individuals in the Midland area interested in investing seed money in promising start-up companies.

She met again with this investor Monday. This week, she will travel to Midland to make her second presentation to the group, hoping to persuade it to invest \$200,000 in her business.

On Wednesday, Guerra met in Ypsilanti with a Chicago-based group of angel investors that focuses on women-owned businesses and is interested in RealKidz. But she's uncertain whether they will be able to reach an agreement.

"I'm still stressed. It's definitely hard for me to shut my brain at night," Guerra said.

"But every week something really big and exciting happens that will help move this business forward."

The company's cash cushion has shrunk to \$12,000. To keep her business going, Guerra hopes to quickly sell at least 200 pieces of clothing. That way, she will have enough cash to order more clothes and possibly add a line of shorts.

Her shirts sell for \$22.50 for a short-sleeve T-shirt to \$32 for a mock turtleneck jumper combination, with the pants going for \$30 to \$32 apiece. These aren't Wal-Mart prices, but Guerra said she thinks mothers will be willing to pay a little more for clothes that fit their daughters.

Will she be right? Consumers are already reeling from soaring prices at gas pumps and supermarkets.

The next few weeks will provide some answers.

Contact KATHERINE YUNG at 313-222-8768 or kyung@freepress.com.