

BUILDING BUSINESSES IN MICHIGAN



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Jack Horner, chief technology officer of Boomdash, observes Lex Williams, a customer service representative, at work at the start-up's Ann Arbor offices Tuesday. The company's test-market success stirred interest in its Reach & Go search engine ad product.

START-UPS POISED TO FLY

A little more than halfway through the year, two of Michigan's newest start-up companies are moving forward despite the weak economy. RealKidz Inc. is still searching for investors but got a lucky break. Meanwhile, Boomdash LLC passed a key test and achieved a major milestone. Here's the latest updates on how both businesses are faring.

RealKidz preps more stylish line for school

BY KATHERINE YUNG
FREE PRESS BUSINESS WRITER

In June, RealKidz seemed on the verge of becoming another failed start-up. The clothing company for plus-size young girls was scrambling to come up with \$25,000 to launch a much-needed back-to-school line. It had already missed a deadline to place its order, and time was running out.

Merrill Guerra, RealKidz's CEO and founder, had thought that sales from the company's introductory line of clothes would generate enough revenue to pay for an improved second line. Slow sales scrapped those plans.

Just when things looked bleak, a local angel investor came to the rescue, putting \$25,000 into the company. That



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RealKidz CEO Merrill Guerra, 37, ordered trendier clothing for fall.

money, combined with an additional \$10,000 from Guerra and her husband and \$10,000 from her parents enabled RealKidz to put its back-to-school line into production.

"I'm on very thin ice," the first-time entrepreneur said at the beginning of July. "We can

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 startup companies as they try to turn their dreams into reality.

To read previous stories in the series, see the special report in the Business section of freep.com.



See REALKIDZ, 6E

Boomdash test-market coup nets new client

BY KATHERINE YUNG
FREE PRESS BUSINESS WRITER

In late June, the Boomdash team faced a critical test that could make or break the Ann Arbor start-up company. Would their search engine advertising product, Boomdash Reach & Go, deliver the kinds of results customers were hoping for?

Boomdash had tested the product before, but not with real customers.

In early July, 20 small businesses in the Metairie, La., area began using Boomdash Reach & Go. To get them to try the product, Boomdash didn't charge the usual fees.

The results proved so successful that Sunshine Pages, an independent telephone directory publisher that's selling the product in Metairie, decided to schedule another training course in mid-August so that more of its sales representatives could learn about Boomdash Reach & Go.

See BOOMDASH, 6E

REALKIDS | Firm set to sell more stylish gear for school

From Page 1E

make it work. We will."

The Ypsilanti company's fate now depends on how well its back-to-school line sells. This time around, Guerra is using a more experienced designer and a better manufacturer in the Los Angeles area. The line features fashionable colors, trendier graphics and mix-and-match pieces such as an empire waist shirt, a sweater-shirt combo and a skirt that goes over leggings.

The company is even rolling out a line of headbands, scrunchies and bags.

The first samples arrived the weekend of July 19. "They just look so cute," said Guerra, who is planning a September launch party to help kick off sales. She's so excited that she even invited Gov. Jennifer Granholm.

"Being able to put this line in production ... that saved everything," Guerra said. If not, "I would have figured something out, but I don't know what."

RealKidz's first line of clothes taught Guerra an important lesson. Parents weren't interested in buying basic clothes, like the simple pants and shirts on RealKidz's Web site. They wanted trendier stuff and e-mailed Guerra asking, "Is that all you have?"

So far, RealKidz has sold about 10% of its first line of clothing to customers all over the country. It's averaging one or two sales a week through its Web site, but it lacks the money to do any advertising other than buying some Google AdWords. Even a *BusinessWeek* story that featured RealKidz didn't help much.

But Guerra is betting that sales will take off once she gets more appealing clothes. The former Amway sales consultant is also starting to build a network of independent sales representatives to sell RealKidz's products. Already, three women in metro Detroit have signed up.

Guerra is now putting together sales brochures, manuals and forms for them and plans to set up sales training calls. RealKidz has hired an experienced net-



REGINA H. BOONE/Detroit Free Press

Merrill Guerra, 37, who owns plus-size girls clothing firm RealKidz in Ypsilanti, is still seeking investors.

work marketer in Grand Rapids to recruit and train its independent sales consultants.

But money worries continue to loom large over RealKidz. Guerra has been meeting with potential investors and will soon be talking with more.

The BlueWater angel investor group in Midland did increase its potential investment in RealKidz to \$155,000 from \$140,000. But that money won't be released until Guerra can raise \$100,000 from other investors.

On July 24, Guerra got some good news. An angel investor group in Traverse City may be interested in RealKidz. These investors invited her to make a presentation about her business Aug. 12.

Like many other entrepreneurs, Guerra is watching every penny. At the end of August, the company plans to move into a nearby 500-square-foot office. The rent is less than half of what Guerra has been paying for 1,300-square-feet of space in Depot Town.

To save money, RealKidz also adjusted its back-to-school line so that it needed to order only six sizes instead of eight.

"I'm trying to conserve cash as much as possible," she said.

With the clothes in production, she is breathing easier. But even after spending all day on her business, Guerra works on it at night after her two children have gone to bed.

Key moments in the lives of 2 Michigan start-ups

REALKIDZ INC.

Ypsilanti company that makes and sells young girls' plus-size clothing

April 2007: RealKidz rents office space in Ypsilanti's Depot Town.

April 21, 2008: First of 817 pants and shirts arrives from the factory.

April 30: RealKidz's main sales avenue, www.realkidzclothing.com, goes live.

May 19: An angel investor group in Midland agrees to invest money in RealKidz.

June 12: RealKidz lowers its prices.

June 15: A local angel investor invests \$25,000 in RealKidz so it can make a back-to-school line of clothes.

Week of June 23, 2008: RealKidz signs its first independent sales consultants.

BOOMDASH LLC

Ann Arbor search-engine marketing services company

Nov. 2007: Boomdash founder Cesar Nerys meets with potential partners Doug Neal and Jack Horner. The trio decide to work together.

April 24, 2008: Boomdash launches business at Association of Directory Publishers convention in Orlando with its first customer, Sunshine Pages, already on board.

June 3: Boomdash gains its second customer, Bridgerland Phone Book-Logan Pages in Logan, Utah.

Week of June 9: Sunshine Pages' sales representatives receive training to sell Boomdash's product, Boomdash Reach & Go.

Early July: Several businesses in Metairie, La., start using Boomdash Reach & Go as part of a pilot program.

July 9: Boomdash lands its third customer, Local Book Publishing in Midway, Utah.

July 16: Boomdash signs its biggest customer yet, Names and Numbers of Pittsburg, Kan.

BOOMDASH | Trial run lands big client

From Page 1E

"The customers that are using it are very excited," said Cesar Nerys, Boomdash's chief executive officer and founder.

The technology didn't cause any glitches. Customers told the company that its product, which tracks such things as Web site visits, offered more features than competitors and was easier to understand.

And the questions customers had were very routine, such as how to change prices on their Web landing pages.

Boomdash works with telephone directory publishers to help their customers advertise on search engines like Google. Many of these firms lack a presence on the Internet, so Boomdash helps them create one.

It relies on the publishers to sell its product since they already have experienced sales teams and a large customer base. The publishers and their salespeople receive some of the fees that businesses pay to Boomdash.

Since launching its business at the Association of Directory Publishers' annual convention in Florida in late April, Boomdash has been trying to win new customers. It added its third one, Local Book Publishing in Midway, Utah, on July 9.

So far, Boomdash has kept a tight lid on expenses, spending less than \$500,000. But it will soon need to add employees and already has been inundated with more than 200 résumés.

In early July, Nerys and Boomdash's two other partners, Doug Neal and Jack Horner, met in Los Angeles and San Francisco to sit down with a publisher and to hold follow-up meetings with a few venture capital firms.

Like other start-ups, the



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company faces the critical question of when to seek venture capital financing. With Boomdash on the verge of signing several publishers, its partners plan to seek venture dollars at the end of August or early September instead of waiting until later in the year.

But Boomdash must first show its potential venture investors some results, such as two months of data from the Louisiana businesses that are using Boomdash Reach & Go.

"If we don't take venture capital, we won't be able to grow revenue as quickly," said Nerys, a former AT&T executive.

Despite these and other pressures, Nerys still managed to squeeze in a short vacation with his family on the shores of Lake Michigan in mid-July.

That's a luxury because since starting the company Nerys estimates that he is away from his wife and young daughter as much as 70% of the time. Sometimes he doesn't even make dinner. Even on the Sunday of the July 4 weekend, he had to leave for California.

"It's an extraordinary hardship for the family," Nerys said. "Life has a different intensity when you are in start-up mode."

During his brief time at a resort in Onekama, north of Man-

Boomdash sales director Adrian Fortino, 30, of Plymouth works with one of the founding partners, Jack Horner, the firm's chief technology officer, at Boomdash offices in Ann Arbor last week.

istee, Nerys couldn't escape from Boomdash, frequently answering calls about the business. "At this stage, it's impossible to be totally disconnected," he said.

But on July 16, the dedication and hard work paid off. Names and Numbers of Pittsburg, Kan., which publishes telephone directories in 11 states, became Boomdash's fourth and biggest customer. It employs 150 salespeople.

With this win, Boomdash will now have 208 sales representatives selling its product, making it more competitive with rival ReachLocal Inc. Unlike Boomdash, ReachLocal, based in Woodland Hills, Calif., maintains its own sales staff.

"This is really a big deal," Nerys said. "It's a huge breakthrough."

But he and his partners didn't celebrate. They know the business has now entered a critical phase at which Boomdash must exceed customer expectations.

"We took a great big deep breath," Nerys said of signing Names and Numbers. "It's going to take a lot of work to implement. But that's the kind of problem you want to have."

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