

## SMALL BUSINESS

## Tote-bag firm thinks bigger

(Makeover, from Page C1)

The baggy pants that hit counter-culture to a \$125 week-end satchel. They include jewelry rolls and garment bags in mod sewing-stripe prints, sweet-toiles and pop-art polka dots on cotton, canvas, oiled, wax silk, micro-nylon and leather.

To corral the items typically jumbled in the bottom of their totes, the pair designed most of the bags with interior pockets, including ones for water or baby bottles, and a key fob. The line, which is updated in spring and fall, has been popular at the home sales parties, the women say.

They were inspired to use the direct-sales system in part after reading Pampered Chef founder Doris Christoffers' book on how she used the method to expand her basement-based business to \$130 million in sales before super-investor Warren Buffett acquired it.

"You can't launch a business with one party and it can grow exponentially," says DeSantis-Cummings, 33, who was happy to avoid having to sign up multiple retailers to sell the goods.

"It can produce huge profits. That's not us yet, but we're keeping our eye on that hat," Gigi Hill works with about 10 independent salespeople. These "stylists" buy packages of products and party supplies from the company. The salespeople, sometimes with the help of the company, recruit party hosts who get product discounts for hosting the sales parties.

DeSantis-Cummings, who has launched businesses twice before, researched the setup for two years but is still learning how to successfully operate it.

She and Hillman hired consultant Nicki Kroschko, founder of Direct Selling Women's Alliance in Kailua, Hawaii, to help them modify their business model, including the incentives and bonuses that are crucial to the success of a home sales party plan.

Their focus now is on recruiting independent salespeople rather than selling bags



Photograph by JASON ERICK FOR THE TIMES

**FOUNDERS:** Gabrielle DeSantis-Cummings, left, and Monica Hillman, co-owners of Gigi Hill. Hope to expand from 30 to 200 independent salespeople and home party hosts by the end of 2008.

As with many small-business owners, their to-do list is long and their funds are short.

themselves at parties. To do that, they have brought on an advisor who will work on commission to help meet their goal of 200 salespeople and party hosts nationwide by the end of this year.

They want to build a quasi-virtual organization, keeping corporate overhead and corporate staff small and using independent contractors to scale up rapidly.

They are tapping their contacts at women's networking group Ladies Who Launch to find a public relations firm to

help get the message out. They had already located the designer of their website, at [www.gigihillbags.com](http://www.gigihillbags.com), through the group.

DeSantis-Cummings and Hillman are working with the Web designer again to rework the site to reflect their shift in emphasis to recruitment. They want to use less text and more photos of the sales parties to give potential recruits a flavor of what it's like to work with the company. They plan to make the site more dynamic, with a slide show of products on the home page.

They are also experimenting with moving production of 200 salespeople and party hosts nationwide by the end of this year. At with many small-business owners, their to-do list is long and their funds are short. They've operated as many entrepreneurs do on the pay-first, earn-second system, whereby they cover costs with credit, then earn the money to make the payments.

Yet they know that won't get them to their goals, especially if sales don't pick up. The

company didn't meet an earlier estimate of \$12,500 for 2007 sales.

Hillman and DeSantis-Cummings don't have an updated formal business plan but say \$200,000 to \$300,000 will start the company on the aggressive growth they envision. They'd like to buy an expensive direct-sales software program and publish a catalog.

Two weeks ago, they met with a potential angel investor — one of their original investors who told them to come back when they were ready for serious money. DeSantis-Cummings says.

The two arrived with their past financial information and copies of their goals but didn't have financial projections or a written strategy plan.

Last week they were told their request was under review. Not waiting around, the two are also preparing to pitch their business to investors at the Growth Capital Conference in West Los Angeles in April.

After a year of "throwing things against the wall," they

## Gigi Hill

## Business

The Yorba Linda home-based company designs and manufactures handbags to be sold by independent salespeople at home parties. Bags are also sold online.

## Owners

Gabrielle DeSantis-Cummings  
Monica Hillman

## History

Founded: September 2005  
Start-up funds: \$23,000 in loans and equity investment from family and friends; \$5,000 in personal savings

## Company snapshot

Sales: \$85,000 in 2007

Workforce: One independent contractor, 30 outside salespeople

## Main challenge

To prepare for and carry out an aggressive growth strategy

## Goal

To end 2008 with 200 independent salespeople and party hosts, eventually reach \$25 million in annual sales and then sell the business to a firm such as Liz Claiborne Inc.

say they have proved their concept but need help with the actual steps needed to safely expand the company to the next level.

Says DeSantis-Cummings: "We need someone to say, 'This is how you execute without making mistakes. Here's how you get the biggest bang for your buck. Here's how you avert danger.'"

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## SMALL-BUSINESS MAKEOVER

## A formula for expanding successfully

Consultant Eric Flamholtz offers steps that tote-bag firm Gigi Hill can take to grow into a big enterprise.

By CYNTHIA ZACHALEN  
Special to The Times

Gabrielle DeSantis-Cummings and Monica Hillman are on the hunt for about \$250,000 to quickly expand their small company, Gigi Hill, which sells totes through home sales parties. But they're worried about making a fatal misstep.

Money isn't the only thing the tiny business will need before it can become the next Tupperware or Pampered Chef, two titans of the direct sales world, says Eric G. Flamholtz, president and co-founder of Management Systems Consulting Corp. in Los Angeles. Gigi Hill will have to learn and apply the principles of professional management across six areas before it can reach each new stage of growth.

"What works now when they are small is not going to work when they are much larger," says Flamholtz, who also is a professor emeritus at the Anderson School of Management at UCLA.

He met with the entrepreneurs in his Wilshire Boulevard office to discuss how well they were prepared to handle growth, assessing their organizational and management strengths.

The management survey showed that they had a reasonable set of skills but weren't prepared to be senior leaders of a significantly larger enterprise, Flamholtz says. That can be solved in part by laying the groundwork now to hire the heavy hitters they will need to complement their strengths in the future.

His organizational assessment looked at the markets, products and infrastructure needed to expand a company. The infrastructure includes a company's resource manage-

## Meet the expert: Eric G. Flamholtz



Management Systems Consulting

ment, operational and management systems and corporate culture.

Like most start-ups, the company is strongest in the markets, products and culture categories, he says. Here's a quick look at his take on how they fared in the six areas.

## Markets and products

"The owners have a good handle on their target market, which they define as women 18 to 60, Flamholtz says. And they've clearly defined their bags as functional lifestyle products that are fashionable but user-friendly.

He says they could do better by trying to be like companies such as Jamba Juice, that gather details in order to paint sophisticated definitions of their customers — "for example, an 18- to 25-year-old female with a disposable income of less than \$50,000 who views the product as a disposable luxury," Flamholtz says.

## Resources

Flamholtz breaks down the growth curve in several ways. At this point, Gigi Hill is in the first stage, where a company has sales of less than \$1 million and is proving its concept. The next stage is a time of scaling up operations, and the last is achieving a professionally managed business, he says. That takes money.

The owners know they can't accomplish their goals with their cash flow alone and must

turn to outsiders for funding. That quest requires a business plan and a strategic plan, says Flamholtz, who outlines strategic planning in his book "Growing Pains: Transitioning From an Entrepreneurship to a Professionally Managed Firm." He is a professor emeritus at UCLA's Anderson School of Management. His clients have included IBM Corp., Countrywide Financial Corp., Starbucks Corp. and Amgen Inc.

Many entrepreneurs are confused over the difference between the two plans, he says. It helps to think of a strategic plan as a detailed set of construction documents for your business, he says.

"We are building the architecture of your business," Flamholtz says. "Most entrepreneurs are good at thinking about the product and the market, but they are not good at the other part of the business that will make them successful, which is the infrastructure," he says.

By comparison, using the construction metaphor, a business plan for funding sources such as banks or angel investors would emphasize certain information from the strategic plan such as what kind of building you want to build, to whom you will rent and what the business opportunity is, he says.

The strategic plan should be attached to a business plan submitted to potential lenders or investors.

## Operational and management systems

To successfully navigate the second stage of growth — the scale-up period between \$1 million and \$10 million in annual

## Growing pains

How well is your company making the transition to the next stage of growth? Management expert Eric Flamholtz uses these 10 questions in the Organizational Growing Pains Survey he designed for his clients. You can take the survey online at [www.mpsystems.com](http://www.mpsystems.com) and get a score and interpretation free. Answers range from "to a very slight extent" to "to a very great extent."

## Quiz

1. People feel that there are not enough hours in the day.
2. People are spending too much time "putting out fires."
3. Many people are not aware of what others are doing.
4. People lack understanding of where the firm is heading.
5. There are too few good managers.
6. Everybody feels "I have to do it myself if I want to get it done correctly."
7. Most people feel our meetings are a waste of time.
8. When plans are made, there is very little follow-up and things just don't get done.
9. Some people feel insecure about their place in the firm.
10. The firm has continued to grow in sales but not in profits.

Source: Management Systems Consulting Corp.

sales — the company will have to build a core group of senior management, Flamholtz says. "You need a team of three people that we call the leadership molecule, that functions as a real team" to scale up rapidly, he says.

The team performs four basic functions: setting the vision, creating the culture and setting up the systems and the operations.

At Gigi Hill, vision and culture are largely the purview of DeSantis-Cummings, he says,

Hillman focuses on systems. They both are involved in operations.

"One of the secrets to Starbucks' success is not just coffee and not just the coffee-shop experience, but they had a core group of senior management" that handled key areas, Flamholtz says. "In all the successful companies, we've found this."

At Gigi Hill, "they've got the dynamic duo now and it's fine at \$100,000, but it's going to be a stretch at \$1 million and definitely at \$5 million and \$10 million, and at that level they'll be working so hard and running so fast that things will slip through the cracks," he says.

Gigi Hill probably can't afford to reach at least \$1 million in sales, but between them and \$2 million they should start looking, the consultant says.

They can work in two stages by hiring a junior-level person to get them to \$5 million or \$10 million in sales. After that, they'll need a heavyweight who can leverage their strengths in products, markets and culture, he says.

## Culture

Gigi Hill has a clear idea of what kind of company culture it wants to build and why, Flamholtz says. The owners have honed their marketing message to attract their target independent salespeople, most of whom are mothers. Gigi Hill's founders say the first two years of operation have been like an ongoing focus group that has showed them what these women value: fun, friendship, family and financial freedom.

They hope their research will pay off by helping them to reach their goal to recruit enough salespeople to reach \$25 million in sales in five years.

It's a big jump, but the consultant thinks they have a good chance to be successful.

"I gave them some tools and tips on how to avoid pitfalls," Flamholtz says. "I think they have a very high probability of making it happen."

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