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MAGAZINE

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## HOME SWEET HOME-BASED BUSINESS

*Create a business from scratch*

JULY / AUGUST 2006

# **HOME** *Sweet* **HOME-BASED** **BUSINESS**

The concept of creating a business from scratch and growing it into something successful is the American Dream. Two families in Apex have done just that. But starting and running a home-based business is a lot of work and, often, a successful first year simply means breaking even (meaning there's no paycheck for you). Here, we explore two home-based companies that we think have the determination and the staying power to make it big. How did they get started and what are they doing to stay afloat?

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## **DITY BEADS**

This homegrown company, founded by Deborah McNaughton of Apex, takes craftiness to a whole new level. "DITY" stands for "Design it Yourself." Much like Pampered Chef and Tupperware, sales consultants book a jewelry party at the home of a hostess. The hostess invites all of her friends, but there's no direct selling at this party.

Instead, women gather around as the consultant simply unpacks bags of beautiful beads—from Swarovski crystals and semi-precious stones to hand-blown glass. From there, the women start selecting the beads they love and begin to design, all the while chatting and sipping a glass of wine or margaritas. Some design mother's bracelets, with children's names spelled amongst the beads, others will design necklaces, earrings, key chains, bookmarks and even watches. Samples are displayed throughout the room to offer ideas.

McNaughton, whose first catalog is coming out later this month, wins points for making many of her products interchangeable. If a woman designs a pair of earrings she loves, she can unhook the earrings from their stems and attach them to a Lariat necklace, essentially getting two pieces of jewelry for the price of one.

McNaughton, 38, started playing around with the concept of DITY Beads in 2004 when she and a friend began inviting other women over to make mother's bracelets, identical except for the children's names and birthstones. As the women wore their bracelets, other women spotted them and wanted something just like it, so McNaughton began having more parties. At one party, a guest inadvertently helped McNaughton come up with the design-it-yourself concept.

"One of the women said, 'I didn't really want a mother's bracelet. I just wanted to make something for me,'" remembers McNaughton. "Luckily, the party was just down the road, so I ran home and got my personal stash of beads and took it there and the woman designed the most gorgeous bracelet using glass, sterling silver and semi-precious beads.

"I never asked for more parties at the parties," McNaughton continues. "About two weeks after any party I would get one or two calls from people wanting parties because they'd seen their friends' jewelry. I started getting too many parties, more than I could handle. I thought there was obviously a demand for this, and it would be a great opportunity to offer other people."

DITY beads has caught on so fast that McNaughton, a former biostatistician who consulted for Stanford University, now has 32 sales consultants in 14 states. But, like the Molthens, she's just breaking even. She hopes 2007 might yield a paycheck in her name. Not that it's bothered McNaughton going without.

Deborah McNaughton shows off her beautiful DITY beads to friends



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## TRIED AND TRUE

McNaughton worked out these core tenets  
for sales consultants and hostesses.

### Sales Consultants

- Must sign an agreement and purchase a consulting kit;
- Kits range in price from \$199 to \$489 and include party supplies and jewelry credits to make samples for parties and for marketing;
- Receive 25 to 32 percent on personal sales;
- Receive 2 to 9 percent on sales of entire downline team (people recruited); and
- Receive a personal website.

### Hostesses

- Receive 15 percent of guest sales in the form of jewelry and also have special access to half-price items and deep discounts on exclusive items.

For more information visit [www.ditybeads.com](http://www.ditybeads.com).

## THINGS TO CONSIDER

Since 2004, McNaughton has been working hard to define the parameters of her business. She incorporated DITY beads about a year ago, but before that McNaughton had a lot to figure out: pricing jewelry, recruiting sales consultants, online training, marketing, bead distribution and jewelry crafting. Much of it changed as the business matured.

At first, McNaughton allowed customers to actually string their own jewelry, but that posed problems because she wanted to offer a warranty and couldn't guarantee that each customer was making the jewelry properly.

Now, customers string a segment of their design and a bead stringer makes the piece, ensuring fasteners are secure and the finished product is top quality. The jewelry is backed by a 90-day guarantee. After that, a lifetime service guarantee is offered and repairs to an item will be made for 20 percent of the original price.

Pricing was also difficult. "The pricing actually took a little while. I played with it a lot." McNaughton initially tried pricing per bead, but that didn't work. Next, she decided to charge a flat rate but then customers making earrings three inches long would pay the same price as those making only half-inch earrings and that wasn't fair. Now, figuring in the cost of materials, commissions to pay consultants and other factors, customers are charged for each inch. "It's easy for consultants to calculate and for customers to understand," McNaughton says.

Other issues to figure out included coming up with a plan for sales consultants. McNaughton actually provides her sales consultants with a bead kit before each party. Providing a vast array of beads for their own parties would be too costly, she says. The sales consultant comes by McNaughton's house, picks up a bead kit, gives the party and returns the bead kit and the party orders. McNaughton

collects the orders, assigns them to the bead stringers and then refills the bead kit for the next consultant. Finished orders are delivered to the hostess. Kits are shipped to out-of-state consultants who ship them back with the orders after the party. DITY Beads pays the postage.

Finding the high-quality products McNaughton wanted also took some time. She buys her crystal beads directly from Swarovski and has also found a sterling silver supplier with a high-grade anti-tarnish product. McNaughton feels she's made a lot of progress developing a strong core for the business.

### WORKING HARDER—FOR A GOOD CAUSE

As a part-time biostatistician McNaughton didn't work too many hours. Now she estimates she works about 70 hours a week, including weekends. She is careful to give her husband, who is a freelance writer and also works at home, ample credit for helping with the children and errands so she can make calls and get work done.

For McNaughton, the passion behind this business is two-fold. Not only is she realizing her own dream of entrepreneurship, she's helping other stay-at-home moms start their own businesses and make money while having time and flexibility with their children. All of her employees are moms—from office staff to bead stringers to sales consultants. If school is out on a certain day, no one comes to work. As a mom herself of a 6-year-old daughter and four-year-old son, McNaughton is flexible with schedules, something the other moms appreciate.

"When they come in, you can feel all of this positive karma in the air because the people are so happy to be involved with DITY Beads," McNaughton says.

McNaughton is also proud of DITY Beads because it brings women together socially. "The parties are a girls' night out, and our average sale is somewhere between \$50 and \$60 per customer. If you go out for dinner with the girls, you can easily spend \$40 or \$50 dollars on one person. It adds up. This way, you get the night out, but you also get to go home with something and it's something you created."

McNaughton's life in Apex with her husband and two kids is a lot different than her life four years ago, living in the San Francisco Bay area and working in a scientific field. Helping women build their own businesses through recruiting and selling is truly rewarding.

"It's really different from being a biostatistician," she says. "Now I see the impact everyday; it's an amazing feeling. I liked my job that I had before, but I'd get up in the morning and there were days when I didn't want to go. I don't have that anymore. I really like to work."



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