

# The gift of an idea that grew

**THE CHALLENGE:** Grow a personalized gift business where sales are 40 percent consumer and 60 percent corporate.

**THE STRATEGY:** Focus marketing on corporate clients.

Her son was 2 and her daughter a few months old when Hillary Feder realized she would have to quit her job as a buyer with Dayton's department stores. Although the job was fun and challenging, her bosses said she had to start taking long trips to visit the Asian vendors from whom she was buying women's clothing.

Within three months of resigning to stay home with her two kids, a craft project with her son planted the seeds of Hillary's, a Hopkins gift business that should hit \$700,000 in revenue this year. As she looks back on the 16-year history of Hillary's, Feder has concluded that despite the challenges of growing a small business, the decision she made to leave the corporate life was the right one for her and her family.

"My daughter's a junior in high school, and my son's a freshman in college, and I've been there for them," Feder said in the showroom of her shop on Mainstreet in Hopkins. "Leaving the corporate environment, making a really nice salary to stay home, morphing into something else, I'm really proud of that. The rewards are being able, for 16 years, to raise the kids the way I want."

Ironically, this corporate refugee owes much of her success as an entrepreneur to the big corporations that buy gifts for their employees and clients. On the two occasions that the economy pushed Hillary's into annual losses, she got back into the black by securing big orders from big companies, such as Medtronic.

Her latest challenge, in fact, is deciding what she should do with a \$300,000 windfall that resulted from product-launch gifts she produced and shipped for the medical-device giant.

## The painted shirt

This all started, she said, with a decision to paint a sweatshirt with her son for a 3-year-old's birthday gift.

That was in 1988, after she quit Dayton's so "I had the time to do the things that moms that are home do." One of those things was shopping for a gift her son could take to his friend's birthday party. While she and her son were in the toy aisle, Feder decided her son's little friend, like her son, probably had more toys than he needed. So mother and son painted the boy's name and some balloons on a sweatshirt and gave it as a birthday gift.



Hillary Feder, owner of Hillary's in downtown Hopkins. The store sells personalized gifts for personal or corporate occasions.



Larry Werner

"The kid really liked it," Feder said. "I said, 'Next time a store puts T-shirts and sweatshirts on sale, I'm going to buy a slug of them,' and I did."

She called them "Hillary's Happy Shirts" and gave them for friends who wanted to buy them for gifts. Then she added other personalized gifts to commemorate graduations, bar mitzvahs and other important occasions. One day in 1991, her husband, Dan, pointed out that this hobby of hers had become something more.

He said: "I've built you shelves and cabinets to store the stuff. UPS now comes here regularly to pick up or drop off. The phone rings regularly from someone who wants to come and pick up something. This isn't working for me anymore. If you want to do this, write a business plan and go find yourself an office."

So she did — renting a small space for \$435 a month in downtown Hopkins. She quickly outgrew that space, and by 1997, annual sales had grown to about \$200,000, and the corporate world had discovered her knack

for producing special gifts. "My business plan said I was going to be a place for hand-painted and personalized gifts," she said. "It immediately morphed into gifts and gift baskets. Right after that we morphed into several other things — sand-blasting and engraving and screen printing and embroidery and a whole realm of other methods of personalization."

One of those personalized gifts was given to a secretary at the Salomon Brothers investment firm who called to say she loved the picture frame, bottle and burp cloth with her baby's name on them. She wanted to know how to set up a corporate account so her company could give the items to other employees and clients who had babies.

With the corporate window opened to her, Feder leaped through it and began selling corporations on the idea of providing gifts for recognizing births, deaths, retirements, product launches and attendance at industry conferences. One of her first big orders was from Medtronic, which wanted a gift to commemorate the 50th anniversary of the external pacemaker at a medical convention in Paris. She found a vendor who produced a replica of the first Medtronic pacemaker encased in acrylic with a card containing the story of Medtronic founder Earl Bakken.

Her original order for that item was 150. But she ended up selling 10,000 as more Medtronic managers saw the value of giving them to their business contacts.

There were bumps along the way. She lost money in 1998 after moving across Mainstreet into a building she bought and spent \$100,000 to renovate.

She sold her way out of those losses by cold-calling corporate contacts she got from her contact at Medtronic. But by 2002, with the economy headed south after the 9/11 terrorist attacks, she was losing money again.

So she went back to school. Specifically, she took an entrepreneurial course called Fast Trac II at the University of St. Thomas. The class persuaded her to keep her focus on the corporate dollar, to stop wasting time with the little personal gifts that were the roots of her business.

"The people in the class were my business peers," facing many of the same challenges Hillary's was facing, Feder said. "[The class] empowered me to recognize I can't be all things to all people. It helped me recognize flexible business models vs. price-driven business models, and I allowed myself to buy into that."

She learned that her marketing efforts should focus on the corporate client because that strategy pays off in numbers that don't come from the consumer side.

She said 40 percent of her business still is to consumers who are willing to pay a little more for high-quality gifts, invitations, decorations and other items for special events. But a corporate client can drop a big year-saving order on her, such as the one Medtronic placed

for an upcoming new-product launch.

Feder has decided to spend some of the proceeds from that deal on marketing and new-product development so she can keep her sales at the \$700,000 level rather than falling back to the \$310,000 she had last year.

She no longer talks like a woman who fled a corporate job to do arts and crafts at home with the kids. "I'm driven," she said. "I'm determined, and I'm not willing to go backwards."

**The expert's opinion:** Cheryl Bann, who was a counselor to Hillary's at the University of St. Thomas Small Business Development Center, said the company's challenge was its mix of corporate and consumer clients.

"Obviously, there are greater economies of scale and enhanced opportunity [on the corporate side]," Bann said. "The company prides itself on providing unique and appropriate corporate gifts as well as top-notch program management and exemplary service to clients. As I look at the company's situation currently, Hillary's seems to be in a place where opportunity and capability are in alignment."

She said the corporate emphasis "will likely move this company to the next level."

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