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Family Batters

by Christina Boyle Cush

These hardworking sisters ditched corporate careers to launch a cupcake business. Commitment to their brand made them best-selling cookbook authors and the stars of TLC's *DC Cupcakes*.

Some people can't suffer through a holiday meal with their family. But for sisters Sophie Kallanis La Montagne, 35, and Katherine Kallanis, 33, spending *more* time together was the impetus for opening Georgetown Cupcake on Potomac Street in Washington, D.C., on Feb. 14, 2008. "We do what we love with the people we love," Katherine says. "In our old jobs, we had crazy hours and never saw each other. With Georgetown Cupcake, we still have crazy hours, but we see each other all the time. We don't feel like we're missing out on family time anymore."

At launch, the sisters, who were raised in a Greek working-class family in Stoney Creek, Ontario, thought they'd be lucky to sell 100 cupcakes a day. Now they clear 10,000 a day. Katherine says, "When you have true passion and you love what you do, you make the recipes and you're hands-on... those are the most successful restaurants and bakeries." It's been a whirlwind, but Sophie and Katherine happily sat for an hour at their pristine location in downtown New York City to share how they beat the odds.

LISTEN TO THAT RELENTLESS VOICE.

Immersed in exciting careers—Sophie as a venture capitalist and Katherine as a special-event manager for Gucci—the sisters ignored their desire to bake together for years. "We always dreamed of opening a bakery," Katherine says. "Our parents dismissed it because in Greece, people were trying to get out of the kitchen to go to college and into a steady profession. We were going to college to go backward!"

In summer 2007, the sisters spent a girls' weekend in New York City with their mom, who had just overcome a health crisis. Family time never seemed so precious. That weekend, they decided they'd quit their jobs and start a cupcake business. "Every entrepreneur has this fire inside of them," Sophie says, "and it's just a matter of time before you act on it."

But Katherine admits, "It was hard to leave jobs that we liked to do something relatively unknown."

HAVE HEARTFELT MENTORS.

It's not media maven Martha Stewart or Ina Garten of *Barefoot Contessa* fame that these women look up to, but their grandparents. Their mom and dad worked while the girls were little, and their grandma, Babe, cared for them. She'd welcome them home from school with fresh treats or a baking project. "She was a huge inspiration," Sophie says. They learned the craft of scratch baking and the art of gracious hospitality from her.

Their grandfather taught them the value of persistence by emigrating from Greece, learning to speak English and eventually becoming head engineer at his company. Katherine reflects on the brutal sleepless nights of fledgling Georgetown Cupcake: "We'd lie awake worrying about money and failure, but then we'd think of our grandfather. So we worked hard, and we did it. If you work hard, dreams *do* come true."

Family Batters

WATCH YOUR DEBT.

To start Georgetown Cupcake, the sisters struggled to secure a small-business loan. They eventually found a banker who believed in their idea, but they didn't rely on that loan for much money. The bulk of their financing came from maxxing out their credit cards. Sophie cautions, "It's not the ideal way to start a business, and I wouldn't recommend it. For us, it was OK because we didn't have any kids. I had been married for about four years by then, and Katherine was sleeping on my couch. We consolidated our lifestyle." Luckily, within two months the bakery turned a profit, and the sisters could start paying off their loan and credit card bills. Within a few more months, they were debt-free.

KEEP YOUR BUSINESS PLAN SIMPLE.

To get a loan, the sisters prepared a business plan. Thankfully, they didn't spend too much time on it, as the reality of their business turned out to be drastically different from their on-paper ideas. "We thought we were doing pre-catering orders for parties, but we got a high level of walk-in traffic for fresh-baked cupcakes," Sophie recalls. So they adjusted to a more in-store focus to meet customer demands, sensing that they'd lose out on a huge part of their business otherwise.

RESPECT YOUR BOND.

It's imperative to find the right partner, be it family member or friend. "Our relationship is solid," Katherine says. "When times get tough, no one is bailing. Sophie and I are only a year and a half apart. Growing up, we fought every day over toys and clothes, but we never took it personally—and we still don't. If we argue about work, 10 minutes later, we can grab lunch together."

"Sisters are complex," Sophie adds. "You can say anything to your sister that you can't say to anyone else. We can be honest, and that helps." Katherine agrees: "I know she'll make the best decisions for the business. If I come up with a bad idea, she'll tell me. It's 100 percent truth because we want the business to thrive. We are in the trenches together fighting the same fight."

TAKE SOME RISKS.

When you have financial cushioning, you can be a visionary. Georgetown Cupcake signed a long-term lease for what was a

complete dump in downtown New York City. Although the SoHo store practically sparkles with cupcake-y charm now, it took a lot of imagination and construction to get it there. Sophie says, "It was abandoned for 25 years, there was graffiti everywhere, and the inside looked like a war zone."

CALL IN FAVORS.

Katherine asked a family friend if he'd create their logo—gratis. She sent him pictures of three cupcakes, and he conceived the graphics that appear on their packaging today. "Katherine's husband's cousin did our first website," Sophie says, "and he makes the cupcake murals in our stores."

TURN HATERS INTO MOTIVATORS.

Back when they were renovating their Potomac space, the contractors told the sisters they'd go out of business selling cupcakes. Katherine remembers: "They were like, 'You're going to sell 100 a day? Good luck! We faced doubt, but that inspired us to work harder.'"

MINGLE WITH YOUR CUSTOMERS.

Focus groups are helpful if you can afford them. But walking around your sales floor to schmooze with customers is free. "It's about adjusting to what your customers tell you," Sophie says. "We use pink boxes, which was a complete accident. We originally had white to go with our black and white logo." Katherine jumps in: "So I said, 'Let's have pink boxes for our Valentine's Day opening.' Eventually Sophie gave in. On that day, a complete tornado came through our store. The next day, we had pink boxes left over, and the customers asked, 'Do you mind putting them in the pink box?' So we had to transfer the orders from the white box. Everyone— young, old—wanted this pink box." Pink has become a signature color for Georgetown Cupcake. The sisters bake in pink Wellington boots and aprons.

SLOWLY INCREASE BRAND AWARENESS.

Ideally your product is so good that it can speak for itself, yet the cupcake bakers gradually realized the value of marketing. When Georgetown Cupcake began, they hung a \$50 Kinko's poster in the window. Sophie laughs and says, "My husband screamed because I spent money on it. He said, 'We can't afford it!'"

Eventually, they ran a few ads in local newspapers. Next they developed a website and a presence on Twitter and Facebook. Their favorite means of marketing is participating in philanthropic events with groups such as the Girl Scouts. And, yes, they've been on *Oprah*.

SWEET SUCCESS

Privately held Georgetown Cupcake can't disclose earnings. But Sophie did say revenue is increasing yearly. Here's a look at vitality in growth rather than dollar signs.

February 2008:

The sisters open Potomac Street location in Georgetown.

November/December 2009:

Second shop opens in Bethesda, Md.; Georgetown store relocates to M Street.

July 2010:

Season 1 of *DC Cupcakes* premieres on TLC with six episodes.

November 2010:

The sisters' book, *The Cupcake Diaries* (HarperOne), debuts. It has sold 70,000 copies.

February 2011:

Season 2 of *DC Cupcakes* airs 17 episodes with more than 1 million viewers.

February 2012:

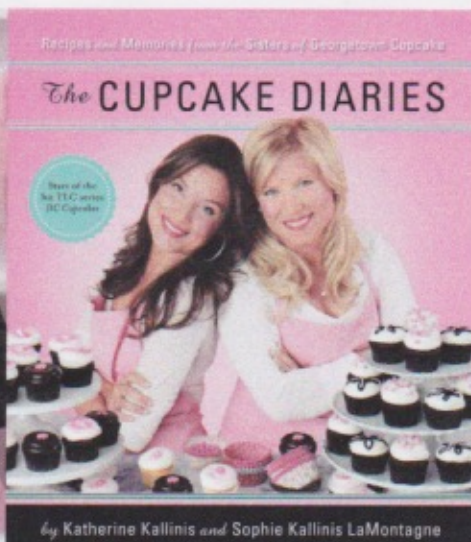
Mercer Street shop opens in SoHo, New York City; Season 3 of *DC Cupcakes* hits the small screen.

June 2012:

Georgetown Cupcake holds grand opening on Boston's Newbury Street.

Fall 2012:

Sweet Celebrations (another *Cupcake Diaries* book) hits bookstores; a Los Angeles store is opening.



EXPECT THE UNEXPECTED.

As an entrepreneur, you should also brace yourself for pop-up expenses. For Georgetown Cupcake, the biggest unplanned bills came from expanding their first kitchen three times. The costs piled up quickly: permits, architects, electricians and builders.

BECOME YOUR BEST EXPERT.

Sophie and Katherine built the business from the bottom up. They've mopped floors, ordered flour and delivered goods. "We know the place inside out," Katherine boasts. "We know exactly what it takes to clean it and to order the right amounts of ingredients. We know everything." Sophie concurs that you can't "direct from a faraway office."

LEAD BY EXAMPLE.

Naturally, these peppy sisters want high-energy, positive employees. Despite rapid growth, you'll still find Sophie and Katherine baking, frosting, selling, delivering and much more. "Our staff sees our example," Sophie says. "We are there watching and mentoring. They adopt our good habits. They see that we care. We spend a lot of time training them." To their credit, Georgetown Cupcake has a high employee retention rate and often promotes from within.

CONTROL QUALITY AS YOU GROW.

Georgetown Cupcake employs approximately 370 people. About two-thirds are part-time, and the rest are full-time or salaried. The strategy is to keep their baking crews small and make them frosting pros. Sophie is very fussy about their signature frosting swirl. "It is hard to do. I gave an employee lots of training just yesterday on how to do it right," she says.

But what about all the business stuff like bill-paying, human resources and payroll? The sisters don't have time for that anymore. Luckily, they persuaded Sophie's husband, Steve, to make a huge career switch and become their CFO about two years ago, when things got really busy while they were taping *DC Cupcakes*. Katherine's husband, Ben, also helps by rolling up his lawyer sleeves on the weekends to work in the shops.

BE YOURSELF.

So how did TLC find the once-tiny bakery? The girls say that executive producer Terrance Noonan came in to their Potomac store as a customer. "He saw me working the front counter, Sophie covered in flour, Mommy yelling at me, and a line down the street," Katherine says. "He said, 'This place is crazy. You are a family? You all work here? And there's a line down the street? I've never seen anything like

Sisters Katherine Kallinis and Sophie Kallinis LaMontagne became best-selling authors in 2010 with *The Cupcake Diaries*. They also star in *The Cupcake Diaries* on TLC.

this.' " He came back the next week and saw more of the same. Then he filmed a pilot in the store over a weekend.

Looking back, the girls are embarrassed about all that went wrong that weekend. But the film crew caught something appealing in the comedy of errors. Terrance took that footage to TLC executives, and they liked it. "Then we shot the first season," Katherine says. "It all happened very quickly."

The Kallinises were thrilled to showcase what it's like to work together and to highlight their charity- and community-oriented projects. "The show is a way for us to reach other women," Sophie says. "Whether it's a bakery or a design business or whatever, follow your dream."

KNOW YOUR LIMITS.

So how much exposure or growth is too much? Katherine says they keep outgrowing their spaces, which is "a good problem to have, but we don't want to become a chain. We don't want to be on every corner." Sophie agrees: "We want to keep the magic of our flagship location in every store. Will there be more locations? Hopefully, but there are not going to be 10 in one city. People want to come here because it's special. It's cool to have one in New York for people to visit. Or in Boston. Or in Los Angeles." Wherever they expand, the shops will have a personal, warm, neighborhood vibe. Most important, their crews will continue to bake from scratch on site throughout the day.

ENJOY YOUR RESULTS.

From watching the sisters interact with the stream of fans that comes through their SoHo store, it's obvious that they appreciate the support. Sure, they've baked for Sasha Obama's birthday, Nick Lachey and Vanessa Minnillo's wedding, and Kim Kardashian's bridal shower. But they seem more excited about their everyday fans. "Someone sent us a YouTube video of their daughter doing the signature swirl. It was adorable and touching," Katherine says.

And Sophie gushes, "We love when girls come in and say, 'I've baked from your book.' " **S**

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