

# Introduction to *Entrepreneurship*

## OPENING PROFILE

### PURE FIX CYCLES

#### The Classic Entrepreneurial Story

• *Web:* <http://purefixcycles.com> • *Facebook:* *Pure Fix Cycles* • *Twitter:* @PFCycles

It all began in 2010, when Zach Schau and some friends started shopping for a bike. Zach was a senior at the University of Wisconsin. The University of Wisconsin is located in Madison, Wisconsin, one of the most bike-friendly cities in the United States. Schau, along with friends Austin Stoffers, Michael Fishman, and Jordan Schau (younger brother), had been following the bicycling craze in Europe, and in particular admired some of the Italian brands, such as Bianchi. Schau found several bikes he liked, but they were all in the \$1,000 range, which exceeded his budget. He wondered why bikes were so expensive. After doing some research, he found that it was because of the gears. Adding 8 to 30 gears to a bike is expensive. In the nearby photo, from left to right, the Pure Fix Cycle team includes Zach Schau, Austin Stoffers, Jordan Schau, and Michael Fishman.

This experience got Schau, Schau, Stoffers, and Fishman thinking there was a void in the market. What the market needed was an affordable bike that was stylish and durable enough to withstand a daily commute. They knew that the only way this was possible was to take some of the costs out of the making and selling of a traditional durable bike. The solution: build a fixed-gear, single-speed bike, or "fixie." Fixies have been trendy among city riders for some time, but hadn't yet popped up on college campuses. Instead of having a multisprocket gear shifter mounted near the rear wheel, fixies have a single gear, like most children's bikes. Since the bikes have few highly technical moving parts, there isn't much that can go wrong. And while they may take a little more effort to ride at times than a multigear bike, they're cheaper to build and more reliable.

The three friends, along with Schau's brother, Jordan, who was a student at Columbia University, mocked up a design for a fixed-gear bike, which was simple, affordable, and "cool," at least in their minds. Stoffers's family, which was in the import-export business, helped the four find an overseas manufacturer to build the bike. The four friends scraped together enough money to fund their first order of 165 bikes, expecting them to sell over the next year. They shipped the bikes to the Los Angeles area, where four of the friends were from. Incredibly, the entire order of bikes sold over winter break.

This experience emboldened the four, and they created a company called Pure Fix Cycles. The name was designed to convey how the founders felt about the experience

## LEARNING OBJECTIVES

*After studying this chapter you should be ready to:*

1. Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.
2. Discuss three main reasons people decide to become entrepreneurs.
3. Identify four main characteristics of successful entrepreneurs.
4. Explain five common myths regarding entrepreneurship.
5. Describe the three types of start-up firms.
6. Discuss the changing demographics of entrepreneurs in the United States.
7. Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.
8. Explain the entrepreneurial process.

they were trying to create: cycling at its purist. Fishman and Stoffers headed back to Wisconsin, and Jordan Schau made his way back to Columbia University. In 2011, Stoffers and Fishman entered Pure Fix Cycles into a business plan competition at the University of Wisconsin and won \$7,000. This money enabled the team to place a larger, second order. The second batch of bikes sold out in two weeks. That success led to a series of successive orders and sales. "We kept doubling our order, and we'd sell out even before we received the bikes," Zach Schau said. "We had no grasp of the demand, and never had enough bikes."

After Fishman and Stoffers graduated from Wisconsin and Jordan Schau graduated from Columbia, the four co-founders of Pure Fix Cycles, Zach Schau, Jordan Schau, Austin Stoffers, and Michael Fishman, settled in the Los Angeles area to work on Pure Fix Cycles full time. The four continued to have the bikes manufactured in China and sold them via the Internet and through bike shops across the United States. From the outset, they found their bikes to be a fairly easy sell. Fixed-gear bikes are mechanically more efficient than any other bike, with the most direct power transfer from the rider to the wheels. The bikes were also simple and good looking and had an attractive price point of around \$325. The founders also introduced several innovations that spurred the sales of their bikes. Over time, they introduced four categories of Pure Fix Cycles, including the Original, Glow, FGFS, and their City line. Each category includes several different styles of bikes, which have distinctive names and looks. For example, the Victor, which is in the Original category, has a Celeste-Green frame with Ghost-White deep dish wheels. The Whiskey, which is in the same line, has a Flat Dolphin-Gloss frame with Ostrich-Blue deep dish wheels. The company's Glow line—you guessed it—glows in the dark. The frames of the bikes in the Glow line are covered with a glow-in-the-dark paint that makes them visible after dark. Pure Fix Cycle says that an hour of daytime sunlight will make the frame glow in the dark for an hour or more if the moon is out. This feature makes the bike safer to ride and is fun too.

Pure Fix Cycles envisions a bright future; however, the founders also realize that the firm is facing an increasingly competitive marketplace. Several other companies are now selling fixed-gear bikes. To prepare for additional growth and competition, in 2012, Pure Fix Cycles accepted investor funding and hired Andy Abowitz, a former senior executive at Priceline.com, as the company's president. The founding team remains passionate about biking and continues to innovate and build the Pure Fix Cycles brand. Zach Schau recently remarked, "We have various product lines and pivoting is always a fun challenge. Launching new lines feels like launching new brands and it's exciting to see it through, from the design process to the product development to the manufacturing and distribution."<sup>1</sup>

In this first chapter of your book about the successful launching of an entrepreneurial venture or firm, we define entrepreneurship and discuss why some people decide to become entrepreneurs. We then look at successful entrepreneurs' characteristics, the common myths surrounding entrepreneurship, the different types of start-up firms, and the changing demographics of entrepreneurs in the United States and in nations throughout the world. We then examine entrepreneurship's importance, including the economic and social impact of new firms as well as the importance of entrepreneurial firms to larger businesses. To close this chapter, we introduce you to the entrepreneurial process. This process, which we believe is the foundation for successfully launching a start-up firm, is the framework we use to present the book's materials to you.