HOW DID YOU KNOW IT WAS TIME TO HIRE A COO?

In 2015, when we hit $3.5 million in sales, we started to sell more in a particular market: the promotional products industry. While my co-founder and I were both very spunky and hardworking, we didn’t understand the industry well. That necessitated our bringing on a COO. Our COO has been in the business for 30 years.”

— STERLING WILSON
Co-founder and president, Pop! Promos (advertising and marketing)

NO. 135 2016 INC. 5000 RANK
2,608% 3-YEAR GROWTH
$3.5M 2015 REVENUE

The decision should be based on a couple of factors: the amount of money raised and how the company is scaling. My recommendation, after a large raise, is that you need an operational expert to grow smarter and not waste money. With an organic company, you have your finger on the pulse of the day-to-day and there’s no push from outside investors to scale quickly. You’re not on the clock, so you may not need a COO. Another factor to think about is bandwidth: Are you spending more time on operational issues than on strategic issues? When bandwidth becomes an issue, that gets in the way of growth.”

— TERRY WILLIAMS
CEO and chairman of the board, ORS Partners (human resources)

NO. 563 2016 INC. 5000 RANK
639% 3-YEAR GROWTH
$5.7M 2015 REVENUE

I selfishly wanted to spend more time working on product, which is my passion, and I found myself increasingly spending time talking to lawyers and accountants. I started searching for the COO while I was raising our A round, which was $8 million. He came on board immediately after I closed the round. I knew if I was struggling before that, afterward it would be way too much of a struggle.”

— EMERSON SPARTZ
Co-founder and CEO, Dose (media)

NO. 599 2016 INC. 5000 RANK
655% 3-YEAR GROWTH
$8.2M 2015 REVENUE

By 2014, our annual sales were $16.9 million, but we were understaffed. We had to get ahead of our growth. I was spread too thin, and if I had concentrated on things a COO does, something—like product development—would have suffered.”

— MARIE DENICOLA
Founder, Mainstream Boutique (retail)

NO. 1,754 2016 INC. 5000 RANK
212% 3-YEAR GROWTH
$21.5M 2015 REVENUE
HOW MARK TOOK 80,000 POINTS, FRIED THEM, GLAZED THEM AND MADE HEADLINES.

The Ripple craze began with Mark Isreal, owner of Doughnut Plant, using 80,000 points from his Chase Ink® card to buy ingredients and equipment. Mark's points gave him the freedom to experiment and bring an entirely new idea to life for his business. Mark started a food phenomenon with his points. What will you do with yours?

See what the power of points can do for your business, by earning 80,000 bonus points after you spend $5,000 on purchases in the first 3 months after account opening. Learn more at Chase.com/Ink.
Pedego is taking profitable advantage of two converging trends: aging customers looking for an easier bike ride and aging founders who want a second (or third or fourth) act.
he spent in law enforcement, Frank Muscato talked to lots of his fellow cops about starting a business. Escaping into entrepreneurship is a common daydream in the profession, he says, when “the things that happen to you and the things that you see catch up to you.” Still, Muscato never thought he’d actually launch something. So he is both surprised and tickled to find himself, at age 74, the owner of an electric-bicycle store.

In September, Muscato spent $70,000 to open a Bloomington, Indiana, location for the company that makes the bikes, Pedego. On the second day of the annual Pedego dealers meeting in early December, he is among a throng of store owners—almost all in their 50s, 60s, and 70s—touring the company’s blocky, white new headquarters in Fountain Valley, California. It is 8 a.m., and already Muscato has been on the phone to his electrician back in Indiana, discussing upgrades inspired by presentations from other dealers the previous day.

“We’ve got to put new lighting in. I’ve got some new ideas on presenting the bikes on the floor, hanging one in the window,” says Muscato, who wears shorts, tube socks, and his glasses on a cord around his neck. “Last night, I had trouble sleeping, thinking about all the things we could do.”

Pedego, a $15 million company, is the nation’s leading brand of electric bike, according to Navigant Research. (Electric bicycles, which can be powered by a motor or pedaled, are a $15.7 billion global market, which is growing fast.) Primarily a designer and manufacturer, the company, profitable since 2012, relies on independently owned branded stores for 85 percent of its distribution. Currently, it has close to 60 branded stores in the United States. All but a handful were launched by people in their 50s and older, a demographic that—not coincidentally—also makes up Pedego’s primary market.

The public obsesses over tech whiz kids in hoodies. But a more dynamic entrepreneurial species is the silver fox. Among entrepreneurs who start businesses between the ages of 20 and 64, almost a quarter are 55 or older, compared with 15 percent in 1996, according to the Kauffman Foundation. The rate of entrepreneurship has grown faster in this demographic over the past 20 years than in any other. Boomers are living longer, staying healthier, and gaining more experience and education.

**Bikes For Old Knees**

DiCostanzo and Sherry named their first bike the Comfort Cruiser to reassure older customers. The grips are padded, the seat is wide, and the riding position is upright. They wanted a beachy feel and a vintage ’50s look, to play to Boomer nostalgia. They sketched the Cruiser on a cocktail napkin, and a professional bike designer took it from there. The bikes are manufactured in China and delivered to California for final assembly and customization.
than any previous generation. A study by Merrill Lynch found that more than seven of 10 pre-retirees want to keep working.

Gallup reports that 80 percent of Boomer startups are built as lifestyle choices meant to supplement retirement income and keep the mind engaged. But some are far more ambitious. Pedego, co-founded in 2008 by Don DiCostanzo and Terry Sherry when both were in their early 50s, is an unusual hybrid. It marries the experience of serial entrepreneurs in their 50s—whose companies have the highest survival rate of any age group, according to Carmen Cotéi and Joseph Farhat, finance professors at the University of Hartford and Central Connecticut State University respectively—with the enthusiasm of neophytes. The majority of those driving Pedego’s three-year 154 percent growth are retired or semiretired people starting businesses for the first time. They encountered the bikes as consumers and came to corporate Pedego’s rescue in the early days, when it was struggling for lack of distribution.

Of course, later-in-life entrepreneurship has its drawbacks. Just as DiCostanzo and Sherry have built their bikes to accommodate older bodies, they have also built Pedego to accommodate skill deficits—chiefly in technology and social media—among some of their dealers. And the business model intentionally minimizes risk for a demographic that has more money but also less time to make up losses.

Still, the founders say they never had a second thought about trusting their fortunes to the AARP crowd. Pedego store owners “are more mature and, I think, more rational” than younger business owners, says CEO DiCostanzo, an electric-vehicle zealot who is on his third Tesla. “Think about the decisions you make at 55 compared with when you were 25. They’re probably better decisions.”

DiCostanzo notes that he and Sherry, now in their 60s, are tackling the most ambitious entrepreneurial venture of their lives, one they believe can hit $100 million in five years. “I have more energy now than 20 years ago,” he says. “We don’t think of the dealers as old because we don’t think of ourselves as old.”

IN 2006, DICOSTANZO, closing in on 50, lived at the top of a hill. The beach was at the bottom. Biking home from surf and sand, his legs rebelled. So he bought an electric bike online and then seven more from different manufacturers. DiCostanzo liked what they did (helped him up that hill), but he didn’t like the bikes. Mostly for kicks, he opened an electric-vehicle store in Newport Beach in 2007.

The store was just a side gig. Back then, DiCostanzo was enjoying new life as an entrepreneur after 25 years working for a manufacturer of automotive chemicals. In 2004, he launched a magazine for the service departments of auto dealers and recruited Sherry—who was feeling restless after a long career in the mortgage industry—as his partner. The two have been best friends since 1975, when they locked horns over the presidency of the Phi Kappa Tau pledge class at Cal State Fullerton.

DiCostanzo and Sherry ran the magazine for a while (they still own it) and then, in 2007, moved on to the next thing: making customization kits for Toyota trucks. The business faltered in the wake of the Great Recession, and the two turned their attention to DiCostanzo’s “hobby” business: electric bikes.

Almost all of DiCostanzo’s customers were Boomers or older, many returning to two wheels for the first time in decades. The spirit was willing, the flesh, perhaps, not so much. Electric bikes acted as psychic training wheels. “A lot
of customers had bad hips, ankles, hearts, whatever,” says Sherry, Pedego’s CFO. “If their hip starts to hurt, they can just use the throttle. So they are willing to venture out and do things because they know they have the ability to get home.”

But the then-existing electric bikes didn’t cater to that audience. Most came in black and positioned riders to lean forward. Older customers wanted colors and to sit upright. They also wanted models they could mount easily. DiCostanzo and Sherry believed they could design a bike that met those criteria and—by emulating a Schwinn beach cruiser—stoke nostalgia for simpler times and comfort. They sketched their first model on a cocktail napkin and hired a computer-aided-design professional to produce it. DiCostanzo loaned the startup $300,000 in personal (not retirement) funds.

Finding a Chinese factory and training its workers was a predictable struggle. But the greater roadblock was distribution. Bike stores shunned the product. “It was a narrow funnel to start with and they just would not let us in,” says DiCostanzo. “They think electric bikes are cheating.” Online prospects were just as poor: People buy the bikes only after they try them.

For a while, DiCostanzo and Sherry sold bikes to their friends, who in turn sold them to their friends through parties—hardly a sustainable business model. Unwilling to try retail themselves, the pair were largely out of ideas. Then, one day in 2011, a customer asked if he could open his own branded Pedego store. A business model was born.

Virtually everyone who asks about opening a store (Pedego says it receives roughly 400 inquiries a year) discovered the bikes by riding them—typically as rentals while on vacation. Many went on to buy one, paying $2,300 and up retail. Pedego’s average customers are a 58-year-old man and 57-year-old woman; some customers are as old as 95. As the dealer ranks swelled, the Boomer business model developed organically.

Kathy Puryear’s story is typical. Newly retired from teaching at age 57, she rented the bikes with her husband while on vacation in Avila Beach, California. Puryear had never considered entrepreneurship (“I had this weird goal of becoming a florist in a Safeway”), but six months after their trip, the couple opened a Pedego store in Scottsdale, Arizona. “After being in one profession for 35 years, to know you can do something else and be successful is pretty cool,” says Puryear.

**BY ENTRUSTING THE PEDEGO** brand to its Boomer dealers, the founders are drawing on a demographic with proven success in entrepreneurship. Companies launched by people in their 50s have a 50.3 percent survival rate over eight years, higher than those founded by any other age group, according to Cotei and Farhat. Much of that success derives from experience and networks developed in earlier careers.

With two previous startups and three decades each in management at large companies under their belts, DiCostanzo and Sherry were well equipped to navigate choppy waters. Those waters have included state and local legislation unfriendly to electric bikes and a recall of defective batteries in 2013. The latter near-debacle cost Pedego and its battery vendor a million dollars and put the