From Selling Carpets to Starting Groupon

By Julie Halpert

When Eric Lefkofsky, ‘93, was a first-year student at U-M, his friend’s father, who owned a carpet store, offered his son and Lefkofsky the chance to sell carpet remnants to students in dorms out of the back of a van, keeping half of the profits. By his sophomore year, Lefkofsky (who earned his undergraduate degree at U-M in 1991) and his partner, Noah Siegel, had sold $40,000 worth of carpet. One year later, the two took their business on the road, expanding to five universities and generating $300,000 a year in gross sales. “I realized that I liked making money,” says Lefkofsky. “I loved being an entrepreneur and figuring out how to get a business off the ground.”

Since then, he has proven himself to be one of the country’s most successful entrepreneurs. He’s the largest shareholder in Groupon.com Inc., which provides online coupons at significant discounts. The company reportedly had revenues as high as $760 million in 2010.

At age 42, Lefkofsky has been dubbed one of Forbes’ 15 “billionaires in the making” and a “serial entrepreneur.” Still, it’s not the money that motivates the Southfield, Michigan, native, but the thrill of taking an idea and turning it into a hugely profitable company. He owns 20 of them as cofounder of LightBank in Chicago, a venture fund that focuses on helping fledgling technology businesses thrive.

Lefkofsky says that he honed his business skills while at U-M: “Everything that ultimately I became as an adult was molded and touched when I was in Ann Arbor.” In his junior year, he used profits from the carpet business to launch Mascot Sportswear, which provided children’s clothes with college team logos for Big Ten universities. Within two years, it was generating more than $2 million in sales. Lefkofsky ran the company and managed the staff while juggling his undergraduate classes and, later, law school at U-M. “Some people watch TV, read books, or work out. This was my hobby,” he says.

After graduating, he immediately turned his hobby into a career by heading into business with Brad Keywell, ‘93, who became a close friend in law school. The decision was a no-brainer. “I like helping build businesses and starting companies and bringing them to life,” Lefkofsky says. In brainstorming for the next big thing, he looks for concepts that “fix something that’s broken.” Specifically, Lefkofsky wants to harness the power of the Internet to fix that broken element. He’s drawn to businesses that can take advantage of social networks, such as Twitter and Facebook. Predicting what will succeed is “more of an art than a science,” he says.

Though he’s had his share of dark moments—one of his companies, Brandon Apparel Group, became mired in debt, for example—it hasn’t deterred him. “For me, failure is a great tool for learning. If you’re going to take risks and build businesses, not everything you do can be successful.”

Groupon was the brainchild of one of Lefkofsky’s employees, Andrew Mason. His initial business, called The Point, used collective action, through the Internet, to help people solve social problems. But it was unsuccessful, so Mason approached Lefkofsky about changing the focus, to apply the same concept to saving money instead of solving problems. Lefkofsky loved the idea. He agreed to become the initial investor, plunking down $1 million. The notion of the “group coupon” became Groupon in November 2008.

“Almost from its inception, the business began to take off,” Lefkofsky says. “We found a way to get people together and say here are things you can experience and buy, and it gets spread virally.”

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