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How a T-Shirt Challenge Teaches Market Segmentation and Pricing

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Students apply concepts such as market segmentation, end-user profiles, value propositions and pricing by building and selling their own t-shirt products.

Many entrepreneurship professors want to provide students with applied learning experiences. Yet, implementing an applied project in a large, introductory entrepreneurship course can be a challenge. How do you create a project that can work for small and large courses alike?

At the University of Wisconsin, we teach a course that includes an applied project for an introductory entrepreneurship course of over 200 students. The project requires students to sell t-shirts to a market of their choice. This project was inspired by legendary entrepreneur Kenny Dichter whose career included a bold t-shirt venture at the University of Wisconsin-Madison. This is a team project. Each team picks their design and price point, and they are graded in part on how their profits rank in comparison to their peers. Teams range in size from two to 5 students. As of writing we have do not have robust insights regarding the optimal team size.

Around 320 students take the introductory entrepreneurship course each year and total t-shirt revenue per academic year (across all teams) is over $100,000. For many students, the class provides them with their first taste of what it is like to make money as a result of their own creative efforts.

The T-Shirt Entrepreneur Project

The t-shirt entrepreneur project was created for the Introduction to Entrepreneurship course at the University of Wisconsin in 2014. The course is designed for non-business students and teaches concepts including team-building, market segmentation, end user profiles, persona development, and pricing. The t-shirt project is focused primarily on providing a vehicle to teach customer discovery techniques. In doing so, it makes use of the aforementioned concepts to give students an applied entrepreneurship experience that amplifies the lessons learned in class.

The t-shirt entrepreneur project is tightly integrated into the course curriculum. For example, market segmentation is taught midway through the semester. The assignment for that lecture requires students (in teams) to fill out a market segmentation worksheet for their t-shirt business. The worksheet requires the students to create a list of possible t-shirt designs, a list of end users who would gain value from those designs, and categories or groups to which those end users belong.

Similarly, the lectures on end user profile and persona creation, total addressable market, value proposition, and customer decision making process all include assignments that tie that week's readings and lecture to the students' t-shirt businesses.

Students complete the projects in teams of two to four people. Students are free to sell to any market including other university students and non-university groups. They may come up with the design entirely on their own, or work with the designated t-shirt vendor to create a design for their chosen market. Once the t-shirt has been designed and approved by the vendor, the vendor provides a URL (web link) that students can give to their target market to order shirts. Students must market their t-shirts to their target markets, but they cannot spend money to advertise their products.

The t-shirt project accounts for 30 percent of each student's grade for the course. The grade for the project

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was determined from a combination of project-specific worksheets and a team profitability rank score.

At the end of the semester, students were able to either split their profits equally across members of a team or donate their profits to charity. The income is taxed as self-employment income (there is no legal business entity component of the project). T-shirts are only printed after orders are placed, so students are not at risk of losing money so long as they price their shirts higher than the cost of production.

Examples and Lessons Learned

One successful team worked their way through each student group on campus until they found a group without an official shirt. The group, the Wisconsin Hoofers, is the university's oldest and largest student organization and provides outdoors recreation education and opportunities such as sailing and skiing. The team of students designed hooded sweatshirts for the Hoofers club and brought in $3,779 in revenue [1].

Another enterprising student created a design for his team that used the Honda TRX (sport ATV) logo. The student combed through more than 20 pages of Google search results to find contact information for Honda corporate executives. After numerous phone calls and emails, the student was able to reach an executive in Japan who gave the student and his team formal permission to use the Honda TRX logo at no cost. The student promoted the t-shirts in targeted Facebook groups and at local events and sold 105 shirts and brought in $2,430.20 in revenue.

A less successful team landed about 500 sales but priced their shirts lower than the cost of production and nearly took a financial loss on the project. After re-negotiating with the supplier, the team was able to break even. The same team was able to book a second sale at profitable prices.

The successes and failures of the students provided a valuable feedback loop for the course. For example, the nearly missed financial loss mentioned above showed that it was important to cover pricing in more detail.

The project teaches students more than the customer discovery process. It also shows them how far knowledge gained from books can take them and what they need to learn through experience. For many students, the project represents the first time they have made money through their creative efforts rather than by doing what they are told. Some never look back.

Special Considerations

Not all students are able to make a profit through university activity. It is important to coordinate with the university athletics department to ensure that the project is in compliance with NCAA rules. In addition, students on certain visas may also have prohibitions from making money while enrolled in university. For example, students on an F-1 visa cannot work off-campus in their first academic year [2].

In our course, students were allowed to donate any profits to the University of Wisconsin Great People Scholarship if they were student athletes, restricted by visa rules, or charitable in nature.

Since family members of students or classmates can artificially inflate a team's revenue and hence grades, the project includes rules such as limits on how many t-shirts a single customer can buy and prohibitions on buying t-shirts from other students.

We highly recommend working with Underground Printing because the company has locations in college towns across the country and has proven to be a valuable partner in running this project. If Underground Printing is not an option in your area, choose a printer that:

- Has a system in place to ensure that students don't use copyrighted images without the appropriate permissions, such as Disney characters or major league sport franchise logos.
- Offers design services for students who are not design-savvy.
- Offers online ordering.

Implementation

A Qualtrics survey is used to track student designs. Students submit the designs they are working on using Qualtrics for approval. If you are a Qualtrics user and you wish to have access to the survey for use in your courses, reach out to Jon Eckhardt.

Recommended Course Topics and Readings

The teaching notes available for download on this page

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can help professors implement the t-shirt project in class. We recommend that students read *Disciplined Entrepreneurship*, but if you do not use it, refer to the recommended course topics and readings listed, with links, in the teaching notes.

If you have further questions, please free free to reach out to Jon Eckhardt at the University of Wisconsin at jon.eckhardt@wisc.edu(mailto:jon.eckhardt@wisc.edu) .

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