



Students in the Price College's Integrated Business Core receive firsthand exposure to the hazards and rewards of entrepreneurship.



Courtesy | IB Rememberin'

Risky Business

BY RANDALL TURK

No matter how well calculated, risk can yield misfortune as well as rewards. In business parlance, “the downside of risk is loss.”

This principle, seemingly so simple, was put to the test last fall by 140 students in the Michael F. Price College of Business. At semester’s end, the fledgling entrepreneurs reported a combination of successes and crises in their efforts to form student companies to market products and raise funds for worthy causes.

Enrolled in the college’s “Integrated Business Core” curriculum, the students were just organizing their companies when they were devastated by the terrorist attacks of September 11. A common desire to aid families of those left behind became a motivating factor in the fundraising, and the ensuing national tide of patriotism influenced product selection.

On the upside, the students designed and marketed products that resulted in a record-setting semester “bottom line” of nearly \$113,000. Together, the four groups also devoted more than 1,800 hours of volunteer service to Oklahoma-based nonprofit organizations—a return on investment considered priceless, even by Price College standards.

On the downside, two of the student companies whose products featured the OU football Sooners experienced the hazards involved in choosing the championship arena to sell sports-related goods. On November 24 they encountered the wrath of football fans disgusted by the Sooners’ loss to the OSU Cowboys at Owen Field. Tempers flared and sales withered on that day. But even that point was well taken, its consequences dwarfed by the optimism and spirit of young people on a mission.

In the IBC classes, undergraduate students learn in the space of a semester lessons previously relegated to the “school of hard knocks.” Such training will not insulate students from the “real” business world’s triumphs and disappointments, but it can let them experience such events much sooner than expected.

The 16-week IBC curriculum includes a unique practicum experience for Price College students. As Larry Michaelsen, David Ross Boyd Professor of business management, frequently advises students, “Companies prefer that you make your own mistakes now—and learn from them. They regard such experience as a positive.” Michaelsen has shepherded the IBC students since he discovered a similar program at another university and adapted it for OU in the spring semester of 1995. He is joined on the IBC faculty by Robin Stead, an attorney who serves as visiting assistant professor in marketing and legal studies, and marketing instructor John Hobbs.

Generally, OU business majors begin concentrating on courses within the college during their junior year. During their first semester, they may undertake IBC marketing, management and business law courses, organize and operate student businesses, and devise and participate in community service projects. Each 30-to-35-member company spends the first seven weeks of the semester developing a business plan, settling on a product, selecting suppliers and securing a bank loan for up to \$5,000 in “real money” to capitalize a start-up enterprise. Oklahoma City-based First Fidelity Bank serves as the IBC lender. During the



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ABOVE: The most imaginative product, a patriotic poster made up of 1,600 individual snapshots of the campus, was also the all-time best-seller for Integrated Business Core companies. Chris Price, of the company “OU Traditions,” closes the sale of an unframed poster to a fan on her way to the Saturday home football game.

OPPOSITE: Bianne Strothers hawks Boomer Stix on Campus Corner.

remaining weeks, each company markets its product to other students and the general public. Students learn that ordering from suppliers, accounting, inventory control, marketing and interpersonal skills are critical to the outcome.

Over the program’s seven-year history, two to three IBC companies have formed each semester. The program’s increasing popularity resulted in the addition of a fourth company last fall. Heightened participation is only partly responsible for last semester’s record-setting results, Michaelsen said. “This time, two of the products were exceptionally creative.” *continued*

In naming the companies, IBC students often borrow “IB” from the program’s designation. Last fall, “I B Rememberin’” marketed “The Best of Sooner Football,” a 52-minute DVD using footage from the video that was part of a Sooners football exhibit at the Sam Noble Oklahoma Museum of Natural History. The product and the creative method used to finance it set IBC precedents. IB Rememberin’ donated 463 hours to benefit the local American Red Cross chapter and underprivileged children and to assist cleanup efforts in the Campus Corner shopping district. The company generated more than \$36,000, the second largest return for the semester and in IBC history.

When the time came to distribute the profits, I B Rememberin’, like the other companies, heeded the plea to support local charities instead of sending the bulk to New York City as they had initially planned. From the DVD proceeds, 70 percent was donated to the Make-A-Wish Foundation and 30 percent to the local Red Cross chapter.

Another company, “I Still B Savin’,” continued a merchant discount card concept after a similar card, marketed by a previous student company, expired last fall. I Still B Savin’ volunteered the most public service time, 592 hours for Meals on Wheels, Children’s Hospital in Oklahoma City, and Independent Living Services for Youth (ILSY), a Norman organization that aids high school students living on their own. Fifty percent of the company’s net profit of more than \$15,000 went to the American Red Cross in New York, 40 percent to the local Red Cross and 10 percent to ILSY.

“OU Traditions” enjoyed the distinction of creating the most imaginative product, a poster in the form of a collage assembled from 1,600 photographs taken by the students themselves. Photos of different hues were aligned to portray the American flag and an upraised OU football helmet. OU Traditions produced nearly \$52,000 in net profit—the all-time IBC record—and 441 hours of volunteer work, most to aid children in need. The Make-A-Wish Foundation, an organization that helps terminally ill children, received half the proceeds with the remainder going to the Willow Springs Boys Ranch for homeless boys in Chandler, Oklahoma.

“Sooner Salute” also used the Sooner helmet and the flag for T-shirts and sweatshirts. The garments bore the motto “Sooner Pride, National Pride.” Students volunteered 325 hours to help Habitat for Humanity build two homes for low-income residents and sponsored a Muscular Dystrophy Association Christmas party. The company raised more than \$10,000 with 60 percent going to the 9/11 relief fund and 40 percent to the Cleveland County Habitat for Humanity.

Errors in judgment, delayed merchandise deliveries and problems with inventory control and accounting are not likely to be forgotten by IBC students. Perhaps most memorable are lessons learned on the street.

OU Traditions president Trey Homan, a Mustang junior, expressed delight with his company’s results. “We handed out disposable cameras to the 35 members of our company. That created a sense of ownership for everybody on the team. It took

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two weeks to edit 1,600 pictures to produce our poster.” The posters were produced for 48 cents apiece and initially sold for \$15. The company averaged \$8,000 in sales at every football game leading to this year’s “Bedlam” disaster.

“We even did well then,” says Homan. “We sold about \$9,000 worth before the game. We dropped our price after the game but only made \$75. Afterwards, a lot of dejected fans told us it was the wrong day to be selling them. A few even cursed at us.”

All IBC companies offer their products at strategic locations on the OU campus

The IBC students learned the hazards of retail marketing the hard way when their sales of the profitable Boomer Stix crashed on the last home game Saturday. A corporate sponsor of OU athletics purchased similar inflatable noisemakers bearing the company logo and gave them to fans before the OSU clash.



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Management professor Larry Michaelsen, above, shares Integrated Business Core faculty responsibilities with Robin Stead, whose specialty is marketing and legal studies, and marketing instructor John Hobbs.

and nearby environs—Campus Corner shops, Oklahoma Memorial Union, Dale Hall, bus stops, a spot near the library's Bizzell Statue and outside food service locations. Greek organizations generally responded to in-house order sheets. "One in 10 OU students bought one of our posters," Homan says.

Mike Pascarella, of Tulsa, the president of I B Rememberin', reported similar reactions after the Sooner upset by OSU. He said his company sold about 300 of the \$20 DVDs prior to the game but only four afterward, even at half price. "We ran into some rude fans," he says. "People were just in a bad mood. There was a lot of swearing. Just a 'no' is bad enough." Later the DVD was promoted as "the perfect gift" for the holiday season and its price reduced to \$10.

Early in the semester, Pascarella and his crew discovered the Sooner football exhibit at Sam Noble Oklahoma Museum of Natural History, which featured a highlights video of OU's seven national championship seasons. The museum produced the video and owned the image. "The Athletic Department helped us obtain the rights to the footage," Pascarella says. A local company edited the video and produced the DVD for an average unit cost of less than \$2. More than 1,800 of the 3,000 ordered sold for full price to individuals.

Initially, however, bankers regarded the DVD's success as

Members of the "Sooner Salute" company listen as IBC faculty member Robin Stead, center, offers guidance on some fine points of copyright law. Pictured from left are Tania Carranza, Kevin Rueb, Nathan Hanks, Marcia Queen, Benjamin Le Gall and Cynthia Crewson.

"highly speculative" and offered a \$4,500 start-up loan at a steep 10 percent interest. I B Rememberin' felt compelled to find a supplemental funding mechanism to establish a line of credit to finance the DVD. The company settled on marketing "Boomer Stix," inflatable noisemakers popular with Sooner fans. The product was manufactured for less than \$1 a pair by an American company in China. IB Rememberin' sold about 3,000 sets of the novelty products for \$3 each. Ironically, sales of Boomer Stix came to a screeching halt when a corporate sponsor of OU athletics purchased 8,000 pair from another supplier, had them imprinted with the company logo and gave them away at the OSU game. Nevertheless, IB Rememberin' needed only \$1,500 from the resulting line of credit to produce the DVDs. Total interest paid: \$5.48.

But the company's difficulties had just begun. Pascarella recalls finding one sales avenue closed by an Athletic Department restriction against wholesaling the DVD for resale by others. Then the supplier experienced a machine breakdown that delayed delivery and left the students with a "selling window" of only four weeks.

I B Rememberin' made use of a well-crafted publicity program to draw the attention of area news media. A major media event occurred November 20, when former Sooner football stars gathered in the parking lot of a Norman supermarket to autograph copies of the DVD. A key attraction was to be the participation of former Sooner coach Barry Switzer. However, Switzer left early that day to attend the funeral in Florida of 1950s gridiron great Billy Vessels, OU's first Heisman Trophy winner.

Two other IBC companies encountered their own problems. I Still B Savin' president Michael To, a Tulsa junior, says printing problems delayed his company's selling period for the merchant discount card. Then the card turned out to be on much thinner stock than had been specified. The company turned its initial disappointment into a positive. The printer agreed to reduce production charges by 50 percent. "The initial



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Financing, production and marketing the football DVDs created business challenges for members of the "OU Traditions" company, from left, Chris Fusselman, Earnest Lewis, Rocky Calmus, Michael Pascarella and Steven Hellums.

"\$10 price gave us an obscene cost-to-profit ratio," To says. The card was marketed as a remedy for the bulging wallet syndrome. "Thin is in!" the slogan declared.

Sallisaw junior Justin Cowart, president of Sooner Salute, says the company ran low on supplies of the T-shirts and sweatshirts prior to the OSU game. Rather than risk profits by reordering, the company decided just to sell out and close down. "We were able to eliminate our debts and attain a reasonable profit margin," Cowart said.

Since its beginning in 1995, IBC has afforded students the lasting learning experience of dealing with a wide array of business problems. Michaelsen is a walking compendium of such knowledge. He recalls that in fall 1997, a company named "Crimson Classics" used a credit card to finance an aerial photograph of the first night game played under Owen Field's new lights, intending to produce a poster and an OU logo T-shirt. Unbeknown to the group, however, OU previously had sold rights to products bearing the University logo to an Atlanta company. "By the time they figured out what they needed to do, the window of opportunity had passed and the T-shirt idea bit the dust," Michaelsen says.

Crimson Classics focused on the posters, which required only local approval. Discovering that the framed version of the poster was severely underpriced, the students encountered a cash flow problem. The posters nearly sold out on the very first day they became available. Students reordered "without checking with accounting," Michaelsen recalls. "They didn't have enough money to pay for the order. In effect, they were bankrupt." The company reached agreement with the supplier for a two-week delay in paying half the production costs. Yet other challenges darkened the company's prospects.

"For this company," Michaelsen says, "football game days were a big selling opportunity. On one of the game days, Crimson Classics had 12 tables set up around campus. When a thunderstorm came up, the kids grabbed the posters and headed for their cars. Their inventory system crashed, and they didn't know where all the posters were."

Although students were "sort of confident they still had them," the IBC faculty insisted on properly accounting for the missing posters. "We wouldn't count them until they knew where they were. They went from being in the red to netting \$18,000, a record for the year." The company logged 502 hours of service for Action, Inc.

Just last year an IBC company that marketed OU golf shirts and baby T-shirts "came closest to bankruptcy." There were problems with the supplier. The company specified that the OU symbol for the baby T-shirts was to be centered. Instead, the symbol was offset. Rather than producing maroon golf shirts with white letters, the

supplier delivered maroon shirts with maroon letters. "The supplier took all the shirts back and put them on sale in one of the malls," Michaelsen says. "He turned out to be a competitor." Only two weeks remained when the replacement shirts came in, yet the IBC company managed a net profit of \$3,500 and donated 396 hours of service to Habitat for Humanity and Madison Elementary School in Norman.

This year was not the first that the "Bedlam Battle" with OSU would pose a crisis for IBC sales. In the fall of 1995, "Sooner Magic" produced a football calendar titled "100 Years of Sooner Magic." Again, a supplier produced despair. With only two game days in the company's selling season, the printer missed the deadline for delivering 1,500 calendars. "The last game of the season was OSU," Michaelsen relates. "That day we lost to OSU for the first time in 19 years. Nobody wanted one of the calendars. Only 47 were sold."

In an emergency meeting, the Sooner Magic team revised its marketing strategy, dividing into six groups to sell the calendars as Christmas gifts. The price was dropped from \$15 to \$10. Many of the calendars, adorned with holiday bows, were sold from display booths in Norman and Oklahoma City malls. "In three weeks the company made \$5,800 net profit," Michaelsen says. "That record lasted three semesters."

In 14 semesters, 1,249 students in 36 IBC companies have channeled more than \$469,000 in net revenues and 14,000 hours of time and energy into causes that improve lives and enrich communities. While learning the risks and rewards of retail business, they have worked to feed and shelter the homeless and preserve the environment, bring comfort to the sick and disabled, and share with children their hope for better tomorrows. Perhaps these were the greatest lessons of all.