

Selling Tee shirts with Peddlers' Licenses

Purpose:

To provide an engaging, hands-on activity that would teach economic concepts to high school senior class students.

Vocabulary:

Choice, consequence, consumer, cost, human resources, producer, regulations, supply and demand, trade

Project:

Qualified students obtained city Peddlers' Licenses, enabling the entire class to participate in the sale of tee shirts at Chicago baseball games.

Process:

This was our first project for the economics class at Cornerstone Academy. Although everything did not go smoothly, the students gained significant understanding from the project. This narrative of our project is offered to show how our students were able to take an idea, evaluate it as the activity progressed, and make appropriate adjustments along the way to improve our opportunities for success.

We initially planned to have each student obtain a license, but discovered that only those who were 18 years old could qualify, so we had to revise our plan. Although it was time consuming and a little frustrating for the students to wade through all the paperwork, it was a valuable experience to help them see first-hand what is meant by government "red tape". They researched specific requirements and the need to have all necessary documentation before beginning the application. (Some of this was learned the hard way!) Ultimately, we went through a three-step process to obtain Peddler's Licenses for our students.

- Step One
 - We went to the Illinois Department of Revenue to fill out the proper Illinois forms.
 - The Department then generated a monthly statement from the state of Illinois requiring payment of an Illinois sales tax (8%) on the merchandise the peddlers sold.
- Step Two – applying for the Peddler's License at City Hall. Qualifying students (18 years of age) were required to
 - have an Illinois Department of Revenue tax number
 - provide a description of what they intended to sell
 - pay the licensure fee (\$68 for one year)
 - provide a state I.D., tax license or passport
- Step Three – students went to yet another department in city hall to get their photo I.D. peddler's license.

We looked at tee shirts available from a local wholesaler and selected a design we thought would appeal to Chicago White Sox baseball fans. We bought the shirts for three dollars apiece and priced them to sell for ten dollars.

Once we obtained our peddler's licenses, the city of Chicago provided us with information governing when, where and how we could sell the shirts. We spent several weeks studying these city regulations. The students found the rules quite intricate, requiring them to have a very thorough plan for our sale. For example, we were only allowed to sell our shirts at specific places outside the stadium, not inside during the actually game. We formed teams to sell the tee shirts at a designated station. Each team had an owner (the one with the peddler's license), a person to handle the money, plus the owner's support staff who advertised and monitored the product.

Our first sales event was opening day of the 2006 baseball season, and we sold shirts advertising our support for the 2005 World Champion Chicago White Sox. Our selling teams arrived two and a half hours before the game and stayed at least two hours after the game ended. We sold a total of fifty shirts that day for \$10 apiece grossing \$500. Our revenues were divided as follows:

- We calculated our costs
 - Wholesale cost of tee shirts
 - Sales tax to be paid
 - Total of licensure fee (reimbursed to students who paid it)
- We determined our profit and divided it among the participating students

We realized that at that level of sales, our profit was minimal. A significant percentage of our cost was related to the annual licensure fee. By selling tee shirts at additional games, we would benefit from a declining cost structure. We therefore went to both Chicago baseball parks twice, improving our sales as the season progressed. By examining our preparation and approach at each event, we were able to modify the process and make appropriate adjustments. We also realized there were two factors beyond our control that heavily influenced our sales volume: whether the home team won the game, and the amount of alcohol consumed by the fans.

The students discovered that, while the proximity to a major league sporting event was exciting, hawking a product is hard work and they could not afford to be distracted from their efforts by socializing or thinking about the game. They also developed an appreciation for the up-front planning necessary to make even a seemingly simple idea function smoothly.

Submitted by Bill Seitz
Chicago, IL