J&J, Inc.

Jack and Jill were first-year MBA students at the Darden School of Business at the University of Virginia (U.Va.). Both of them had an interest in pursuing an entrepreneurial venture following graduation from Darden. They routinely ran into each other at First Coffee, a time for interaction and networking between students, faculty, staff, and school administrators that was built into the daily schedule of all students. Through their ongoing conversations over coffee, they discovered their mutual interest in entrepreneurship and agreed to consider developing a small start-up during the summer after their first year.

After much contemplation, Jack and Jill came up with an innovative idea for creating their own new business venture. Undergraduate students were welcomed on the U.Va. campus each fall, and Jack and Jill thought that those students presented an untapped opportunity. The two friends formed a corporation called J&J, Inc. (J&J), that would offer incoming undergraduate students the opportunity to purchase ergonomic desk chairs for their dormitory rooms. Each year, U.Va. offered a Student Expo on campus during the two days before classes started in August. For a $500 fee, various businesses were invited to participate in the Student Expo. Participation allowed the businesses to set up a booth at the Student Expo, and at the beginning of the summer, participating businesses were provided with a list from U.Va. that contained the names and e-mail addresses of all entering first-year undergraduate students. Jack and Jill decided that this route would give them the access to the incoming students that they needed to launch a successful venture.

Jack and Jill spent the summer between their first and second years working in Darden's iLab launching their venture. If things went well, they planned in the future to expand their offerings to more products, offer customers the opportunity to order online, and then eventually make their products available to incoming undergraduates of other universities. Jack and Jill thought the opportunities were virtually endless.

Between April and August, Jack and Jill made the following decisions and arrangements:

1. Each of the two partners invested $9,000.
2. They set the chairs’ selling price at $60. The chairs were sold in boxes and needed to be assembled. J&J offered assembly service at a price of $20 per chair.
3. After extensive research, the partners chose ErgoFurniture, Inc. as their sole supplier for the summer. ErgoFurniture would send a tractor trailer containing 800 chairs on the day prior to the Student Expo. Jack and Jill agreed to find a suitable place to park the trailer. ErgoFurniture agreed that J&J would initially purchase 500 chairs to sell at the Student Expo. J&J would purchase additional chairs as needed to satisfy remaining orders from students at the Student Expo. ErgoFurniture would take back any unsold chairs above the 500 originally purchased to its warehouse in Winchester, Virginia. ErgoFurniture also agreed to allow students to return any damaged chairs within five days of receipt.

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for a replacement chair free of charge. To do so, students needed to simply log onto ErgoFurniture’s website to register their damaged purchase, obtain a free shipping label, and then ship the damaged chair to ErgoFurniture’s Winchester warehouse.

4. J&J paid the fee of $500 to participate in the Student Expo, and as a result, obtained a list from the university containing the names and e-mail addresses of all entering first-year undergraduate students. J&J contacted these students by e-mail, providing information about the ergonomic desk chairs and informing them that the chairs would be available for purchase at the upcoming Student Expo.

5. In addition to the $500 participation fee, were these costs and expenses:

   a. The cost per chair to J&J was $30. The company had to pay ErgoFurniture in August for the 500 chairs initially purchased; payment for any remaining chairs purchased was payable by September 10.

   b. Other operating costs, paid in cash, were as follows:

      - Parking permit for supplier’s trailer $200
      - Rental truck to deliver assembled chairs to dorm rooms 100
      - Tools needed for assembly 100
      - Business license from the city of Charlottesville, Virginia 300
      - Marketing and advertising 500

   c. Sales tax, to be added to the price charged to customers, was 5%.

The company sold 600 chairs at the Student Expo. Of those, 500 were sold in boxes, and 100 more were sold, assembled, and delivered to dorm rooms. Four chairs were returned to the supplier due to damage, and each student returning these chairs received a replacement.