



Case Study Lakeland Enterprises, Inc.

Seneca, South Carolina
David Schaefer, Owner/Founder

Lakeland Enterprises is an example of an online business started and run by a “lone eagle” entrepreneur. The company designs and sells vehicle luggage carriers that are manufactured in China. Almost all of Lakeland’s marketing and sales occur on the Internet, and the use of e-commerce enabled the owner to locate in rural South Carolina as a lifestyle choice. This case demonstrates how rural communities can compete for and support small Internet businesses.

Profile

Lakeland Enterprises designs and sells top quality vehicle luggage carriers and vacation gear. Principal company products are car top carriers’ cargo bags for the back of an SUV; and truck, van and SUV tents. Lakeland contracts with manufacturers in China and Korea for the production of the carriers and tents, with the designs and materials provided by Lakeland. In addition, the Lakeland Web site offers a variety of outdoor gear from other firms (e.g. bike racks, cargo hitch mounts, sleeping bags, packs) that will be “drop shipped” to customers from these associated businesses. The products of other firms are offered primarily as a means of attracting customers for the Lakeland Web site.

Lakeland Enterprises has two employees (the founder and his wife), and periodically they hire temporary workers when business activity peaks. Almost all of Lakeland’s sales (95 percent) are to Internet customers, and product shipping from South Carolina is primarily with UPS. The company maintains two Web sites: www.piggypack.com and www.lakelandgear.com.

History

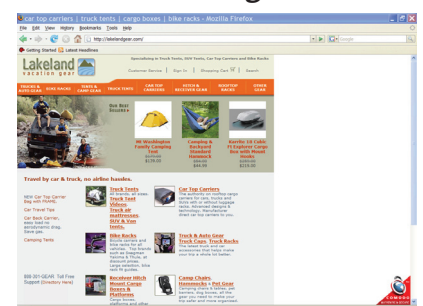
The founder of Lakeland Enterprises, David Schaefer, is a native of Indiana and a graduate of Indiana University. Schaefer moved to California in 1984 and worked in computer sales at Wolf Computers in Los Gatos for eight years. He retired from Wolf Computers as Vice President of Sales to attend culinary school and open and manage a bakery. In 1995, while on a camping trip with friends, Schaefer observed

the need for a fabric bag that fit the luggage racks of cars and SUVs. Mr. Schaefer designed a car-top-bag for his SUV, and had the bag made by a local custom manufacturer of backpacks. The bag received much attention from friends and clients, thus Schaefer had 50 more bags made by a local upholsterer. These bags, named “Piggy Packs,” were sold to family and friends, at local auto dealers, and through newspaper ads.

In 1996, Schaefer sold the bakery and dedicated himself to growing the business. Initial production occurred at various California upholstery and backpack manufacturing companies, and the products were shipped to customers from the post office. Schaefer had a company Web site constructed with the help of a friend and he formed a corporation, acquired patents for designs, and arranged for SBA financing. All remaining financing for the new company came from personal savings or company profits. By 2000, sales had reached a high of \$80,000 a year. In 2001 the Web site was completely upgraded by a professional and bolted to Yahoo Stores, and sales increased to the point where business required the full-time attention of Schaefer. At this time Schaefer added new product lines of carrier bags and truck tents, further developed the Web site, and began offering outdoor gear from other companies on his Web site.

Lakeland offers four types of car top carrier bags and ten styles of truck and SUV tents. The production of tents and carrier bags was moved to Korea and China to reduce product costs. Products are shipped once a year in a container from China to South Carolina, and inventory is stored in the garage of Schaefer’s

Year online: 1996
Area Population: 7,652
Web site:
www.lakelandgear.com



home. Product sales also are made to three to four retailers (including Bass Pro Shops), but these sales are limited to about 5 percent of total sales. Schaefer does not plan to aggressively market to retail outlets (e.g. Wal-Mart and Bass Pro Shop) because sales to retailers require additional expenses in terms of EDI system service, warehouse space, and insurance, and bring less revenue because retailers pay only the wholesale price.

In 2002, the business was relocated from California to Seneca, South Carolina. South Carolina was selected primarily for personal reasons – Schaefer wanted to live on a lake and family members of Schaefer and his wife lived in neighboring states. Seneca, South Carolina was a lower cost location than California, and services required by the business, such as patent attorneys and graphic artists, were available.

Business Location

Lakeland Enterprises is located in Seneca, South Carolina. Seneca is a medium-sized city (2000 population 7,652) located in the micropolitan county of Oconee, South Carolina (2000 population 65,215). Seneca is located in the northwest corner of the state, approximately forty miles from the metropolitan central city of Greenville, South Carolina. Historically, Seneca was a manufacturing center with significant employment in textiles and apparel. Seneca currently is transitioning to a trade center serving retirees attracted to area lakes and residents that commute to the Greenville or Anderson MSA. High-speed Internet service is available in Seneca through AT&T, EarthLink and Northland Cable TV.

Role of e-Commerce

Internet sales are critical to the success of Lakeland Enterprises. Internet sales comprise 95 percent of total company sales. In addition, sales over the Internet increase revenues by retail prices while sales through retailers increase company revenues by only the wholesale price. Thus direct sales over the Internet increase company profits much more than sales to retailers. Lakeland Enterprise's e-commerce activities also include an affiliate relationship with Amazon and the provision of its own Lakeland.com Affiliate Program. Lakeland affiliates will earn 10 percent of product price on all carriers, tents, and accessories sold through the program. Schaefer noted that he preferred not to sell his products on eBay or Amazon because of the relatively high expenses for monthly fees and sales commission (15 percent), the process is labor intensive because of the need for frequent relistings, and the services are slow in returning money from sales.

The Lakeland Enterprises' Web site also provides customers with information on how to select the appropriate carrier

or tent, how to set up truck or SUV tents, and how to pack car top carriers. The customer may use the Web site for tracking the shipping and requesting return of items purchased. Schaefer noted, however, that he continues to receive frequent calls to his toll free information hot line from customers requesting information on how to use his tents and carriers.

Lakeland Enterprises also relies extensively on e-mail for selecting and communicating with vendors and for communications with a quality inspection person in China. For example, product drawings, photographs, and specifications are sent by e-mail to the selected Chinese manufacturers.

All Web site design and maintenance services were provided by non-local sources. Web hosting is with a New Hampshire firm, site construction is provided by a Pennsylvania company, and site maintenance is contracted to North Carolina, Pennsylvania, and Illinois businesses. The initial Web site development (including security precautions) cost approximately \$20,000, and operating and maintenance costs are about \$1,500 a year. A local computer company provides for hardware service needs, and DSL is provided through AT&T.

Schaefer noted that he has reached the maximum size given the current staff of two. To expand further, Schaefer will need to add a partner who has experience in Web businesses and who can help him make the next step to a more extensive product line. In addition, Schaefer is considering providing an information service for travelers to attract potential customers to his site, and expanding his drop ship business.

Challenges and Lessons for Rural Entrepreneurs

The experience of Lakeland Enterprises offers several insights for other rural entrepreneurs:

- Schaefer noted that his knowledge of running an e-commerce business came primarily from trial and error. He recommended that interested entrepreneurs should find a role model or guide to introduce them to “proven principles and technologies” and help them adapt these principals and technologies to their e-business ideas.
- An e-commerce entrepreneur also needs to identify professionals who can provide (at a reasonable price) Internet expertise, hosting services, and expertise in AutoCAD, Photoshop, and technical drawings. Schaefer noted that these services and expertise are available online, but the availability of local sources would be beneficial in reducing start-up time.

- Schaefer also would like to see more networking among area businesses engaged in e-commerce. A local organization of e-commerce businesses could share resources, technical expertise, and ideas for expanding markets.
- Schaefer proposed that the State of South Carolina could play a more active role in promoting new e-commerce business by protecting Internet businesses from unscrupulous customers. Specifically, a customer may return an item that the customer damaged and arrange a refund from the credit card company. Schaefer noted that he has little legal recourse against this action if the customer is located out of state.

From e-Commerce as a Strategy for Improving Business

Vitality: Lessons Learned from Small Businesses by Deborah M. Markley, David L. Barkley, and R. David Lamie

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