



Case Study Mid West eServices, Inc.

Salina, Kansas
Dave Rose, Owner/Founder

Mid West eServices, Inc. demonstrates the usefulness of the Internet for selling rural real estate (primarily commercial and public buildings in the Midwest) to buyers across the country. The company's strategy for success in the Internet real estate market is to focus on underserved markets (rural areas) and provide services and quality of information not available elsewhere. Mid West e-Service also shows how to develop a successful e-commerce business with a modest initial investment.

Profile

Mid West eServices, Inc. (MWeServices) is an Internet-based real estate advertising and marketing company. The company headquarters are in Salina, Kansas, and real estate agents are located in Kansas and Colorado. The company's agents are licensed to sell real estate in Kansas, Oklahoma and Colorado. MWeServices specializes in marketing commercial and public buildings (e.g., schools, hospitals, churches) located in rural communities in Kansas and surrounding states. Approximately 70 percent of MWeServices listings are commercial and public properties and 30 percent are residential. MWeServices markets its properties and listings for other real estate firms over the Internet on eBay, LoopNet and Cityfeet. The company provides a Web page for each property that includes a large number of high quality photos, a lengthy description of the property and surrounding area, and links to Web sites that provide information on local demographics, services and amenities. The elaborate and informative Web pages for each property distinguish MWeServices from their competitors on the Internet. Currently, MWeServices does not promote its services to local real estate brokers or multiple listing services (MLS). Leads for new listings come primarily from referrals of prior customers. The company averages 30 Internet listings a month for its agents and one to five listings for other real estate firms.

MWeServices has 13 associates: four salaried, one hourly, and eight straight commission independent contractors. Nine of the staff are licensed real estate agents. The management team for the firm is four members of the Rose family. Dave

Rose is Founder and President, Susan Rose is Secretary-Treasurer, Brian Rose is Vice President of Real Estate Sales and Web Design, and Chris Rose is Vice President of Information Technology. MWeServices anticipates an increase in its sales force to develop leads and respond to information requests from potential buyers.

History

MWeServices was founded by Dave Rose in 2003. Rose worked from 1979 to 2003 as an insurance claims adjuster and regional claims manager for Farm Bureau Mutual Insurance Company. In 2000, Rose suggested that Farm Bureau market their salvaged vehicles (cars, trailers, boats, farm implements) through eBay. The eBay auctions doubled the Bureau's salvage recovery rate over other disposal methods.

Rose retired from the Farm Bureau in 2003, and he started a business selling salvage and repossessions on eBay for area banks and insurance companies. He charged a flat fee per item sold, but the storage of vehicles became a problem. In 2004, Dave branched into real estate advertising on eBay when he was approached by the City of Gaylord, Kansas about assisting them in selling an abandoned school building. Dave acted in the capacity of an advertiser, and he referred all leads to the City of Gaylord. Dave designed and built a Web page for the school that contained more than 20 pictures of the property and surrounding area and links to county and community Web sites. The school was purchased by a couple from Seattle, Washington who are using the building as both home and location for their business (TAB-Funkenwerk) restoring sound equipment.

Year online: **2003**
Area Population: **46,000**
Web site:
www.mweservices.com



Word of the successful sale spread, and Dave started receiving requests from other communities to market their vacant schools and public buildings. MWeServices changed their business strategy to focus on Internet-based real estate marketing and sales. Since 2004, MWeServices has sold 18 schools and numerous commercial buildings, churches, and private residences. All of the properties are in the Midwest (Kansas, Nebraska, Oklahoma and Missouri), but buyers are from across the nation (e.g. California, Florida, Oregon, Georgia, Wisconsin, Nevada). Real estate sales for 2006 are anticipated to be over 200 percent greater than for 2005. MWeServices continues to add employees at its Salina office and agents in rural areas to handle the increase in business. In 2007, MWeServices will move into a vacant public school purchased from the local school board. The additional space will permit the expansion of MWeServices staff plus make available space for businesses with related services (e.g., mortgage, title, and insurance companies).

Business Location

MWeServices is located in Salina, Kansas (2000 population 46,000) in the Salina Micropolitan Statistical area (2000 population 59,760). Salina is a regional trade center with a significant manufacturing base. The city is located at the intersection of Interstates 70 and 135, 180 miles west of Kansas City and 95 miles north of Wichita. High speed Internet services in the Salina area are provided by 28 companies.

Role of e-Commerce

MWeServices is an Internet-based business. MWeServices creates a Web page for each property listing using HTML. The design of each page generally requires three to four days for taking pictures, identifying links to local Web sites, and preparing the relevant marketing information. Web site design is provided internally by Dave Rose and his sons Chris and Brian. The Web page for each property listing is an advertisement and not an auction. An individual interested in buying a property submits a request for information to MWeServices, and MWeServices refers the leads to the company's listing realtor. MWeServices charges a fixed fee for each advertisement that includes the costs associated with listing online with eBay, LoopNet and/or Cityfeet. Currently, almost all online listings are for realtors associated with MWeServices, thus the company receives a brokerage fee in addition to the marketing fee for property sold. Leads that are referred to other real estate companies result in a referral fee (e.g. two percent) from the listing company. Other real estate companies contract with MWeServices for marketing assistance primarily for properties that are unusual structures or difficult to sell.

e-commerce related start-up and operating costs for MWeServices are relatively modest. Dave Rose estimates that investments in computer hardware (seven computers, digital cameras, office equipment) are approximately \$10,000 and software packages are an additional \$2,000. Annual operating costs include fees for eBay, LoopNet and Cityfeet (\$40,000); server costs with a Canadian provider (\$600); cell phones and long distance telephone service (\$3,300); and high speed Internet service with Cox Cable (\$910). All information technology work is done internally by Chris Rose, and Web page design is provided by Brian, Chris and Susan Rose.

MWeServices acknowledges the potential for competition because of the relatively low entry barriers and start-up costs for their services. The company's strategies for remaining competitive in e-commerce include the following: offer services and quality of information that are not available on other sites, provide a low-cost product based on the reasonable production costs and excellent IT/IC infrastructure available in Kansas, and become recognized as the preferred provider for online advertising of rural properties.

MWeServices strategy for future growth is focused on increasing activity in traditional real estate sales targeted at residential, agricultural, public, and commercial properties in Kansas. The growth of online marketing services is anticipated to come from the recruitment of agents licensed in Kansas and association with United Country Real Estate, a national real estate brokerage firm that provides 600 offices nationwide and a network of agents in other states. The identification of high-value properties is very time consuming, thus MWeServices is relying on repeat customers (individuals, businesses, and real estate firms) and associations with organizations (e.g. Kansas Association of School Boards) to identify leads.

MWeServices also will attempt to expand their non e-commerce business to provide alternative sources of income. The company plans to increase listings of public and commercial buildings in Kansas with sales targeted at out-of-state buyers. In addition, MWeServices will become more active in buying and reselling property themselves. In summary, prospects for rapid growth depend on the company's ability to generate quality leads for rural properties and attract technology-savvy agents to respond to online requests for information on the listings. Thus, current business plans address developing a network of agents in Kansas and providing training programs for new agents through the United Country headquarters in Kansas City, Missouri.

Challenges and Lessons for Rural Entrepreneurs

- The principal challenge in growing the business is training new real estate agents in using computers and e-commerce. More agents are needed who have experience with digital photography, Web site development, and Internet sales. Rose noted that most potential buyers shop from their computers until they have narrowed their options to a small number of properties. The business needs agents with computer knowledge and experience who can market the properties online and respond to customers' inquiries.

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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