

Extract

by Donald Teel



My original document entitled *The Ten Commandments of the New Real Estate Economy*¹ sets forth a set of invincible principals...laws, if you will, which will need to be adhered to in the *Consumer-Centric Era*², the era in which we now operate. This document, *Extract*, is a derivation of the 9th Commandment which reads:

“Thou shalt not self-capitalize but extract.”

For the purpose of clarity I call this 9th commandment the twin commandment to the 8th Commandment *“Thou shalt not attempt to purchase markets.”* Commandments eight and nine are the “TWIN” commandments because they look alike but in reality they are two unique personalities. Read on.

“Technology,” said Paul Zane Pilzer, in his 1990 book, *Unlimited Wealth*³, “defines a resource...and determines our ability to find, obtain, distribute...” Mr. Pilzer defines so very well how technology enables extraction (my word) and is therefore, the economic alchemy that turns what previously was viewed as lead, into gold. Technology is having the same impact on the real estate industry.

Through the strategic use of technology to extract market resources (the dollars associated with real estate transactions) there is no longer a sustainable or relevant argument for total self-capitalization for the purpose of market penetration.

In his book *Re-Imagine!*,⁴ Tom Peters tells us that in 1970 it took 108 men five days to unload a timber ship at the London docks...540 man days! Thirty years later, it took eight people one day to unload the same ship...8 man-days. Net result:

98.5% Reduction in Human Capital Needed for the Same Economic Task

Specifically, what was it that changed the economy of scales in the unloading of timber from ships in London from 1970 to 1990? In a word, the answer is technology. In a sentence the answer is that technology when appropriately applied to the cumbersome labor methodologies used to unload ships has increased the amount of capital a company can extract from the same function. *Viola!*

Capital extraction can be further illustrated when we think of the development of the Alaskan pipeline. Technology enabled us to penetrate a market (Alaska frontier), locate a resource (crude oil), extract that resource and deliver the heretofore-unavailable capital potential in the form of oil to the lower 48 states.

¹ *The Ten Commandments of the New Real Estate Economy* sets forth ten laws governing the successful ownership and operation of real estate brokerage companies during the Third Economic Wave of the industry which is characterized as the Consumer-Centric era.

² The Consumer-Centric Era is the third era of the real estate industry’s development. The first era is the Broker-Centric Era; the second era is the Agent-Centric Era.

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⁴ Copyright © 2003, Dorling Kindersley Limited, *Re-Imagine!*, Text Copyright © 2003, Tom Peters.

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The Alaska pipeline is a perfect parallel example to our new-found ability within the real estate industry to utilize technology to extract ancillary revenue from market areas where our labor models will no longer work.

Brokerage firms are going to have to flat-out, learn how to use technology and the Internet to tap into local markets without putting up buildings and engaging in the risky, marginal-ROI capital schemes of the industrial age.

Profit margins are already become thinner and thinner in the *New Real Estate Economy*⁵. We are in the *Consumer-Centric Era*⁶. This is forcing us to seek new technologies that can replace our self-capitalization of our outdated, intensive labor models and give us the ability to extract more from the markets at a fraction of the cost, even if commissions decline.

Okay, enough of my pontificating! On the practical side of things all of the tools necessary to improve our operating efficiencies are in place, including a multiple-market platform such as e-Partner[®], *PaperlessTools*⁷ that can allow us to hire ubiquitous agents in the open, freedom markets all around us and connect them to our business via Internet-based technologies while engaging in lead generation, recruiting, business development and a host of other profit-generating tactics.

Extract. The word has a nice ring to it. Owners can now penetrate new markets (perhaps hundreds of them), extract transaction revenue, manage the process with technology at a fraction of the cost of bricks-and-mortar operations, and improve the ROI and ultimately their chances of developing a financially profitable exit strategy.

Extraction of capital resources from multiple-markets is what the consumers is already asking for. Our industry fears the loss of commissions rates in the 4.5 to 10 percent range. We must face the consumer's disgust with our fee scales by beginning the implementation of technology management tools that will give us a higher yield on less gross. Possible? Absolutely! When? Now?

The future is now!

⁵ The Founder of e-Partner[®], Donald Teel, first coined the phrase "New Real Estate Economy" in 1996 and coupled it with what is now referred to as "The Third Economic Wave" of the real estate industry which began in 1994 and continues to the present. This is the "Consumer-Centric Era."

⁶ Each of the three eras or waves in the development of the real estate industry was characterized by one of the three parties holding the upper hand. In first Economic Wave the broker held the upper hand. In the second Economic Wave, the agent held the upper hand. Now, in this the Third Economic Wave, the consumer is holding all of the playing cards and driving much of the change taking place in the industry, thus, I characterize this era as the "consumer-centric" era.

⁷ PaperlessTools.com introduces broker/owners to the range of possibilities with respect to implementing paperless transactions, electronic signatures and managed closings...all in paperless environments.