After the Boom: Surviving & Thriving (in any market)

by Dave Biggers, Chairman, a la mode

Editor's Note: *In this story, a la mode Chairman Dave Biggers shows you how it's done.*

The real estate market moves on a continuous up-and-down pattern, as we all know. Booms, busts and everything in between aren't just tolerable, they're necessary, though often painful at either extreme. Luckily, the market today is shifting into a more normal and healthy stance from the "irrational exuberance" of the recent past; so far, it's not a "bust" at all. Even with many areas showing declines in median home prices, it's turning out to be a relatively standard correction.

However, there are a few things which are not so "standard" this time. Never before in past cycles has there been such widespread use of exotic mortgages, nor has there been a boom based largely on automated (and often loose) underwriting approaches: simultaneous first and second mortgages, 125 percent loans, interest-only balloon ARMs, AVM use and much more have contributed to a situation that none of us have ever seen before.

But the real question isn't what the impact of these things is but rather how do we make them work in our best interest as an industry and as individual business owners? This is an important perspective to consider because appraisers are an inherently skeptical, even cynical, group. (The sky is not only falling but someone caused it to fall on us out of pure spite.) Instead of sitting around stocking up on canned goods for the coming collapse of western civilization, we need to do what any good entrepreneur would do: figure out how to benefit from whatever happens—whether the market rides it out perfectly or whether the most dire predictions come true.

In other words, appraisers need a good "counter cyclical" business plan. Ideally, everyone should be putting their counter-cyclical process into place during the boom cycle, not on the downward slope, but even if you've procrastinated, there are many proactive steps you can take to smooth out and even grow your revenues as the major markets cool.

Booms, busts and everything in between aren't just tolerable, they're necessary, though often painful at either extreme.

What's Different This Time?

Let's first look at some unique things which may work to our advantage:

• No boom/bust cycle has happened since the widespread use of the Internet. The Internet is so pervasive that it offers not only new marketing opportunities but also more opportunities to do research and analysis. Plus, it drives local perceptions of the market, which can be used to our advantage, especially if that perception is negative.

• The automated underwriting tools which mortgage lenders used to their advantage over the past seven years worked most effectively by spreading or shifting risk to pools of owners and investors. However, an individual owner doesn't care if the risk was spread when they're upside down in their own personal investment. They only care about their home and we can tap into that.

• Never before has real estate taken on the near-celebrity status that it has the

Dave Biggers is Chairman of a la mode software.

last three years. The media attention focused on it, pre- and post-boom, creates a fertile environment to capitalize on the appraiser's ability to be perceived as the unbiased auditor of what is the largest single asset of most consumers. Gloom and doom stories seen every day on the news merely create questions and fear in the minds of consumers. But fear is a great motivator. A consumer who's afraid of his or her financial future will pay an appraiser to provide reliable answers.

• Lenders and risk analysts realize that the game has changed and that there will be many REOs and other situations outside the scope of an AVM, even if the property is the same as was evaluated by an AVM the first time around. AVMs are not good in a defensive game; they excel at getting loans funded, not at getting property work-outs settled, because their error rate is high on a per-property basis. It's only low when spread across a whole portfolio. But today, the problems are one property at a time and appraisers are "important again."

• Computerization of the typical appraiser's office is light years ahead of what it was last time around. You might use a desktop software package which not only has handy databases of all the property addresses appraised in the past, but also has marketing and advertising tools tied into that database, so you can solicit homeowners and clients alike for follow up and new appraisals. Use these tools.

• "Blogging" has exploded recently, both in popularity and in credibility (even with journalists), creating the opportunity for an appraiser to be a true local expert and quoted extensively in the local and even national media.

Turning Ideas into Dollars and Cents

The first step for appraisers is to take the philosophical steps necessary to embrace marketing and advertising. It's kill or be killed, and understanding how to stand out to get business that others don't will make all the difference. Those who master marketing will be ahead of those who don't, and those who master marketing as well as advertising will absolutely dominate.

What's Your Brand? Understanding Marketing and Advertising

What's the difference between marketing and advertising? Marketing sets the overall impression which potential clients have of you. It is how you dress, speak, and answer the phone; how you design your Web site, follow up on invoices and incorporate your credentials and differentiating qualities into your company brand. Like it or not, you have a brand identity.

What is your brand? How do clients and potential clients—of all types—see you? If you're not sure, ask them. You might be surprised at what you hear. Then be candid in assessing yourself and what you can do to improve or capitalize on it. If they tell you that you're perceived as the intellectual appraiser locally, how do you use that to your advantage? If they see you as a high volume forms appraiser, do you run away from that or exploit it? That's for you to decide. But decide you must because your advertising has to work with your marketing, not against it and not in a vacuum.

Advertising causes potential clients to decide whether to use a particular service of yours, but in the context of your marketing. It makes them get out their wallets. It makes them pick up the phone or hit your Web site. If marketing fertilizes the soil, advertising reaps the crop. It's targeted at a specific type of client, it has a clear call to action, it has a timeline creating a sense of urgency and it's repeated frequently. Marketing is "constant" but advertising is "repetitive." Marketing is background music and advertising is a concert event.

Advertising begins and ends, and then happens again, and everyone knows it started and ended.

Making a Plan, Taking Action

The second step is to act on the newfound appreciation for marketing and advertising and make it a consistent part of your business day, as well as part of the strategic direction of your company.

Do you want to go all the way to having one or more salespeople on staff (it works!) or do you want to simply start doing advertising or sales calls to existing and potential clients by yourself? Do you want to automate everything in a hands-off fashion using the computer or do you feel comfortable getting out in front of potential clients and asking for business?

The best route is usually a layered approach: A consistent system of ongoing automated e-mails, postcards, Web offers, follow ups and status updates combined with the human touch of either making calls yourself or tasking a staff member. Some clients respond better to one or the other and all clients require multiple, ongoing efforts to reap the benefits of a marketing and advertising plan.

That's the third aspect appraisers must master: patience. Sometimes it takes years of ongoing marketing to land a given client or to effectively penetrate a particular sub-market. For example, when doing direct mail, a very good response rate would be interest from less than one percent of those who received the mailer. This doesn't mean that the 99%+ dislike your offer; it means you may not have caught a given client at the right time with the right message. If you stay in for the long haul, and that might be another five or 10 or even 50 mailers—they add up.

But that patience has to be well founded. If you send the wrong sort of

page 16 ▸▸

page 13

message to the wrong type of potential client, all the patience in the world won't solve your problem. That's the fourth part of a marketing plan that can't be off: targeting the right type of client with the right kind of message.

Reaching Lenders & Consumers

In the bullets above, we see there are many opportunities with both lenders and consumers in this post-boom environment. But don't mix up the two and don't hesitate to be specific and narrow in your niche marketing.

On the consumer end, refer to local newspaper, TV, and Internet articles which have talked about the local market changes and state how you can remove doubt as to what their property is really worth. Tap into the anti-salesperson sentiment by making it clear that you don't want a six percent commission for selling their property; you simply charge a flat fee to give them a completely unbiased opinion of what their property is worth.

Speak in plain language and don't preach. Speak to pain or fear and you'll get responses. On the lender side, you might acknowledge that they need experts for tough properties and that you're the one to handle their hardest cases. That's a completely different message than the consumer end.

How do you get lists to send your message to? You're already sitting on them. Your appraisal database has every property you've already done. Print out a mailing list from your software database to every "Current Resident" of every property you've done, telling them that you know their property from when you did it before and that you can not only give them the most accurate appraisal possible but that you can offer them $50 off, or 10 percent off or whatever you choose, to re-appraise the property under the current market conditions.

You also have in the same database all your prior clients. Do the same thing with the lender promotions you choose to do—use the goldmine you're already sitting on to get more business. Or, add in lenders from purchased lists or even from doing manual data entry. In an afternoon, a high school student can add hundreds of names into your marketing database for future solicitation.

Couple that level of direct, proactive advertising with the overall marketing benefits of blogging, submitting articles and press releases to local media, and generally serving your clients professionally and courteously, and you'll have a one-two marketing and advertising plan which will carry you through any off-peak market and straight into the next upswing. The key is, don't stop then. Keep doing it even during boom periods and it will become ingrained in your corporate culture, and then you'll have built something truly self sustaining.

After all, that is the prize.

We've talked about how appraisers are far more plugged in now than they were last time and how computers and the Internet give you many more opportunities and resources for marketing. An article detailing different software approaches to appraiser marketing can be found at *www.alamode.com/appraisermarketing*. **WRE**

$50 /5 Years
Subscribe Online
www.workingre.com