



National Appraisal Consultants

Brian Kathenes' and Leon Castner's Appraiser Success Business Development Newsletter

Issue # 160

Dear Fellow Appraiser and Inner Circle Member,

In this issue:

- The “It’s not what you know - it’s who you know” syndrome
- Why you MUST bill for all your time
- Marketing lessons from a pizza maker
- Hours mean dollars
- You can’t get rich by yourself
- Are you leveraging your association connection?

The secret to appraisal marketing success

For the past 35 years I have studied marketing from many different vantage points –

- As an operations manager for one of the world’s most prestigious fragrance companies
- As a Director of Sales for the nation’s leading domestic small engine manufacturers
- As a consultant to many Fortune 100 firms
- As a small business consultant and business owner

In those positions over the span of a career (or two), one single common key to marketing success stands out. It is the concept of constant marketing action every single day. Marketing must be a continual and continuous part of every business day, whether you run a mom & pop retail store or serve as the CEO of a global manufacturing firm.

Once you decide to do something every day, select the actions that will provide you with the highest return on the investment of your time, and energy -- Then do it!

This issue, like all the others, is packed with marketing and sales tips you can instantly apply to your appraisal practice. Grab a cup of tea or coffee. Get out your highlighter and start reading.

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“It’s not what you know - it’s who you know”

I hear it all too often – business people complaining that all their business has gone to a competitor who know ‘someone’ on the inside -- the good old boy network – or whatever they call it.

They make it sound like that’s a bad thing. Frankly – that’s the way business works. People do business with people they know and like. It’s been like that forever. So, why are people whining about it? -- Because, these whiners don’t know the rules of the business world.

I just left a conference with 220 fellow appraisers. I watched some appraisers do their best to introduce themselves to most of their colleagues. I plan to send a hand-addressed envelope and a note from me and Leon to all the participants.

On my way home I met five new people in the airport and on the plane that may need my services. I got their cards.

Next week one of our associates will speak at a Rotary Club with 32 members. Another will preside over a not-for-profit Board meeting with 14 fellow members, and another appraiser will have lunch, coffee, or breakfast with six potential gatekeepers.

Leon and I will record four new editions of “Value This With Brian and Leon,” that tens of thousands of people will hear.

I certainly do not believe that just “knowing people” will get you business, but if you know that you are qualified to help, and have instilled confidence in the people you know, you have a much better chance of doing business with them compared to someone they do not know.

TIP

Build in a specific amount of time each week to get to know ‘people’ who can bring you business.

Find networking meetings and plan to attend. Attend your local Chamber of Commerce meeting. Speak at an insurance agency function. Attend a local Bar Association meeting.

Make sure your competitors don’t get there first.

Why you MUST bill for all your time!

Last year I wrote a short article titled; “Why do appraisers send an invoice?”

I have reprinted it right after this new article, as an important reminder.

There are four main reasons you MUST bill for all your time. Two of them are covered in the following article. The two I have not discussed until now are as follows:

REASON NUMBER ONE:

Litigation Leverage

If your appraisal is part of any litigation, chances are the opposing lawyer

will ask for it as part of the discovery process. If you do not have all of your time documented in your invoice, the opposition will use it against you. They will argue that you did not spend much as much time on the case as you should have to produce a credible result. When we work for lawyers as litigation consultants, we strongly urge them to get a copy of the opposing appraiser's invoice.

Even if do decide to "give back" billable hours, make certain you document them in your final invoice.

REASON NUMBER TWO:

Your Appraisal Certification

New and existing appraisal certification requires documented proof of a minimum number of hours that you have worked in a given period of time. Your invoices (with the appropriate sanitizing) will serve as superb documentation.

Document all of your time. Let your clients know how much work you have done for them, even if you do not charge for it.

"Why do appraisers send an invoice?"

Sounds like an obvious question, but there's more to it than the obvious. Most appraisers will say they send an invoice to get paid. Ahh, but there are many, many more reasons to send an invoice. The primary reason you send an invoice is to show what you have done for your client AND to promote your value.

How many times have you spent more time on a job than you quoted your client? I've done it tons of times. Hopefully I'm getting better at estimating, but I still goof once in a while and underestimate the time it will take to do what we promised.

So when most appraisers under estimate a job, they make good on their promise and stick to their estimate. But --

they fail to document all their hours and expenses in the invoice. Instead, they write up the invoice to reflect the estimated fees, so they don't 'go over.'

When you fail to document all your time, the client never knows how much extra work you did for them. So, next invoice, include all your hours, all your expenses, including phone calls, shipping, mileage, and photographs. THEN, if you wish, provide a "professional courtesy discount." This way your client will understand all the extra work you did but did not bill for.

So show your value and "bill it all!"

Progressive appraisers have used this technique for many years, with great success. They frequently get calls from clients thanking them for the extra time and the 'discount.'

Naturally, it's better to bill for it all and get paid, but if you can't, let your client know what you've done for them.

It works for other business too. Last week I received an invoice from our local chamber of commerce. It contained the

Quote of the Month!!

"Nobody goes to that restaurant anymore – it's too crowded."

Yogi Berra

renewal amount and an adjustment to zero. Seems the Executive Director of our chamber caught on and used this technique very effectively.

Tip: The next time you do some pro-bono work -- speaking at a seminar -- doing a freebie for your church or synagogue -- running a free ‘appraisal day’ for the local school -- send a bill and zero it out.

When appraisers do “free work” they rarely get a ‘thank you.’ But when they send a bill that has been ‘zeroed out’ they almost always get a thank note or thank you call.

Marketing lessons from a pizza maker

When was the last time you asked your customers and clients what they thought of your product and services? Have you ever asked a client or customers why they buy from you?

If you are like most small business owners the answer is “never.” That honest answer may be the wake-up call for all business owners.

Domino’s Pizza asked those questions through an elaborate survey. Responses included: “Your sauce tastes like ketchup.” “The crust is bland and pillowy.” “Your cheese is like plastic.” The rating of Domino’s Pizza was just below that of Chucky Cheese’s.

The critical issue here is that the business model and competitive edge of Domino’s has changed. Remember what put Domino’s on the map? It was “pizza delivered in 30-minutes or less or it’s free.”

The competitive edge was “fast” not “good.” Today there are dozens of places that will deliver fast. Many of those pizzas taste better.

Domino’s listened and you can see the results of that survey in their new commercials.

Fast delivery put them on top – but that was 20 years ago. Today their new strategy is quality. Quality will allow them to raise prices, offer up-sells and cross-sells.

TIP: Take a second look

It is time to look at your business model. What was your model when you started your business? What has changed – in the market – in the world – in your competition – in the economy – in the mind of your clients and customers?

As the captain of your business ship, you are responsible for plotting the safe and profitable course of your ship.

Take the blame, apologize and move forward

The CEO of Domino’s spoke on national TV commercials apologizing and promising to do better.

When I was in the small engine service business, Kohler Engines, produced an absolutely horrible engine model. It was a real dog. It failed frequently. The corporation initially refused to acknowledge the design flaw. They refused warranty on most claims.

Dealers stopped stocking any products by Kohler and steered their clients to alternative engines. After a good deal of pleading, screaming, threats - and a huge drop in sales, Kohler senior management got the message. The CEO appeared in a video with Muppet-type puppets heckling him and trashing the Kohler engine. That video was shown at every dealer sales meeting in the country.

The public acknowledgement and the admission of the mistake by Kohler senior management let the Dealers know that Kohler was finally listening. The video went on to explain what Kohler had done to fix the problem and asked the dealer network for their trust and support.

The approach was a hit and got Kohler out the doghouse and back on track with sales and credibility.

Networking Tips

I am always amazed at the behavior of small business owners at networking events. It is hard to determine if they are ignorant or stupid. There is a major difference. Ignorance is a lack of knowledge and can be eliminated. Stupidity is not curable and should not be tolerated.

A while back I provided a networking seminar at a networking event. The most common mistake participants make is the expectation of making sales at the event.

The job of a participant at a networking event is to introduce yourself, provide your competitive edge, then use the rest of time you have to learn as much as you can about the people you meet. All the marketing and sales work comes AFTER the event, not during the event.

Tony Alessandra, a colleague and a sales marketing professional, has a few networking tips.

He suggests a five step approach marketing approach to your “elevator speech.”

- Start with your name.
- Follow it with you company.
- Provide a statement related to the state of your industry or profession.
- Establish the potential problem your clients have and then --
- Identify how you are different from your competition.

This entire “elevator speech” can take as little as 30 seconds, if you structure it properly.

Here’s an example:

“My name is Fred Flintstone with Acme Granite Preservation Company. We’ve discovered that most people think that once a granite counter top is installed it is maintenance free. But granite cracks, chips and stains, if left untreated. Once that granite is damaged, the value of their house drops drastically.”

“We’ve developed a new scientific product that protects the huge investment of your granite-top kitchen and keeps granite safe and gorgeous -- just like the day it was installed.”

How Stupid Can People Be??

“Is this miniature cannon an antique?”

That was the question a woman asked the dealer at the local flea market. The dealer assured her it was over one hundred years old.

There was a label on the barrel that read: “Do not look into barrel of cannon when firing.”

Wellll, maybe it could be antique, but I doubt a 100-year-old cannon would have a 20th century litigious-society label on it.

What really kills me about this experience is not the person asking the question, but the fact that our society has caused us to create labels to combat stupidity. As I mentioned before, ignorance can be cured -- stupidity is terminal.

As professional appraisers we must prevent our current society from draining our energy and our enthusiasm. Our products and services must be targeted toward the types of clients that are responsible, professional and understand the value of good work and professional services.

Do whatever it takes to avoid someone who needs to read a cannon label

to prevent him from looking in the barrel while firing.

TIP

Take a new look at your marketing materials. Do they attract people that you want to avoid? Does your website encourage people to call you and pick your brain for free?

This approach may be a good way to generate phone calls or emails, but be sure you can quickly identify the difference from a perspective client and a time sucking tire kicker.

Are You Leveraging Your Association Connection?

Do your professional associations add to your credibility? If so, then use their materials, logos, and credibility to build yours.

I am a member of the International Society of Appraisers – and a CAPP for many years. My resumes, bios and CVs reflect my qualifications, but I rarely use the ISA logo in my letters and correspondence. My mistake -- ISA and other professional organizations can add credibility to your firm and to you.

Leon is a member of AAA as well. It sounds like it’s time for both of us to revamp our advertising and marketing.

How about you?

Hours Mean Dollars

How much can you earn per year as an appraiser? That's one of the most common questions we hear from new appraisers (and old appraisers) in our Marketing Bootcamp, Selling Skills Seminars and coaching calls. It's a fair question that deserves some consideration.

So here's an illustration to help you figure it out.

2,000: Total number of work hours in a work year. (Based upon a 40 hour work week with a two week vacation)

50%: Hypothetical billable effectiveness of a skilled professional service provider, appraisers too. (This assumes in an 8-hour day, i.e.; only four hours will be billed in a full work day).

\$100.00: hypothetical hourly rate of a professional appraiser

So, if you could bill a year at 2,000 hours, with a 50% effectiveness, at a rate of \$100.00 per hour, you would gross \$100,000.00. I think the 50% effectiveness is quite high. It is more likely 30% -- at best.

I also believe that most appraisers bill way less than 1,000 hours per year.

So in reality the best any one appraiser can bill (using these assumptions - 1000 hours, 30% effectiveness, and \$100.00 per hour) is \$30,000.00. That is not a living.

In order to earn a living in this business you must focus on getting more business and being more efficient.

That means billing more hours per day and more days per year.

You Can't Get Rich By Yourself

Once you build that business to a point where you cannot handle it all, that's when you bring in your associates, and start making real money.

Maybe you can use item counters, photographers, identifiers, or word processors. You get more time to take on more jobs.

This week one of our Inner Circle members had four appraisers on an appraisal engagement all at once. That's a billable rate of \$1,000.00 per hour for his firm. They were on site for three days. Do the math. Not a bad week's work.

Tips:

- Focus on building the business
- Line up your associates
- Stop doing \$10.00 per hour work.
 - Find an assistant to do the routine and repetitive work
- Make ten calls to existing clients per week.
 - Ask how it's going
 - Let them know you are available to help
 - Ask for a referral
 - Offer ways to help them

- Suggest an update
- Follow-up with a note or with promotional material

Have you offered to help?

Perhaps you are not in a position to retain a crew of associates, just yet. There are appraisers you know who can use your help. You must offer your services to them. You must promote the benefits of your services to your fellow appraisers. Ask how you can help. Learn about the jobs that your colleagues are getting and discover how you can help them be more successful.

Here are five ways to build your practice by helping other appraisers.

- 1) Provide research services. You can provide general research, or specialized research. Your research time in your area of expertise will be more effective than their time, since you know the market in your area of specialty.
- 2) Be a proof reader / report reviewer: Offer to read and edit a colleague's appraisal report. A second pair of eyes always provides a benefit.
- 3) Be a gopher for local appraisers. Be the sorter, photographer, measuring dude or dudette. In many estate jobs, appraisers need a second or third skilled person to open drawers, search attics, and rummage through the basement in order to find the good stuff amongst the junk.

4) Be the rebuttal witness. In court cases, your fellow appraiser's client (usually a lawyer) may need a rebuttal witness i.e.: someone to serve as an expert to challenge the opposing report.

5) Be the methodologist and litigation support consultant for your fellow appraiser's client. The legal team usually needs a second appraiser to serve as a consultant in appraisal strategy and in finding ways to challenge the opposing appraisers CV. That goes beyond the job of the primary appraiser.

Tips:

- Call three appraisers you know.
- Ask about their work.
- Ask how you can help.
- Tell them how you can help.
- Offer a discounted, subcontractor rate.
- Build relationships.

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Check out the Marketing Calendar Examples in this month's hot sheet.

I have just returned from the ISA conference in Nashville. Thanks to all my friends and colleagues for a wonderful time. -- Terrific barbeque, smooth bourbon, and great flat-picking country music. AND \$10,000.00 Gibson banjo I played, but did not buy.

Oh yea, the conference was great too!

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