

## **Marketing to Vendor Management Companies**

By Jeff Schurman

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Adding clients is particularly important in a down-market like the one we're experiencing today. With loan volumes off fairly substantially in most parts of the U.S., relying on one or a few clients no longer seems to cut it. Vendors who prospered in better times by getting a lot of work from a few key clients are finding themselves honing their marketing skills to find new clients to fill the void left by the mortgage meltdown. Increasingly, these vendors are looking to the vendor management industry for work, some for the first time in their professional careers. Little wonder I'm fielding so many calls from appraisers, abstractors, closing agents and others about how to market their services to vendor management companies (VMCs).

Sometimes prospective vendors call or email me to report that, to their shock and dismay, a VMC asked not what the vendor charges for their service, but instead delivered a cold head-snapping "Here's what we pay; take-it-or-leave-it" proposition. Certainly, I understand that such a message sounds cold and impersonal and quality/service/experience be-damned. However, the reality is that VMCs have sufficient numbers of time-tested and proven vendors in most regions of the country that they don't need any more. [Roughly 11,000 residential appraisers](#) (out of about 60,000 fee appraisers in total) already get over 20 percent of their total volume from VMCs; abstractors and closing agents are likely the same percentage. How else would one supplant an existing vendor doing this kind of volume but by differentiating on price?

But there are ways to improve your chances of winning VMC clients. Almost all require cold calls. And a well thought out strategy. The strategy I suggest, when asked, is the two-contact strategy for marketing to VMCs.

### **The Two-Contact Strategy**

The first phase of the two-contact strategy involves competitive intelligence gathering. Here the goal is to find out whether the prospect has a vendor recruiting department or if recruiting is done within title and/or appraisal operations teams. Larger firms typically assign vendor recruitment to a particular individual or a separate recruiting department. The job of the recruiting department is to monitor and analyze vendor coverage across the U.S. and recruit appraisers, abstractors, and closing agents in areas where coverage is thin or where quality and/or service issues persist.

Firms that don't have a recruiting department place recruiting responsibility directly with the operations department. In addition to managing and culling the vendor base over time the

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operations department will often be responsible for so-called 'crisis' hires. A crisis hire is one in which there is a client order but no vendor(s) available to take on the assignment.

To find out how a particular prospect handles vendor recruiting simply ask. If the person you speak to initially doesn't know (they may be a call center employee or perhaps a temp) ask to speak to a supervisor. They'll usually connect you.

Whether the first contact turns out to be the recruiter, call center, temp, or customer service supervisor the key is to be friendly and courteous. These people get a lot of calls every day and are often the recipients of other peoples' bad days (read: clients, vendors, customers, coworkers). But they are good people; so be nice. Try to get the names and contact information for the supervisor(s) of the recruiting department and operations teams. Ask to speak to or find out when would be a good time of day to reach these individuals by telephone. In marketing to vendor managers the telephone is much more effective than email. So pick up the phone and start dialing. Have a script or talking points in hand and gather as much information as you can from each contact you make.

The second phase of the strategy is to make contact with the recruiting manager or the operations manager, director, or vice-president. Your primary intent in this call is to find out about the competitive landscape, how the prospect is being served in the area(s) you cover, and what you'll need to do to win a spot on the client's fee panel. What you'll probably find in this call is that the client is either very interested, interested at the right price, or not interested at all. If the prospect is flush with vendors in your area it won't be very productive for either party to engage in a detailed conversation. If this is the case simply ask if it is worthwhile to send your information. If they say it is then send your information package as instructed. If not, ask permission to call back in a few months to touch base. If you don't already have it, trade contact information so you can stay in touch.

In this stage you may find the prospect to be interested, but only if the price, your fee, is right. If you're in an area abundantly stocked with vendors who've already found a spot on the client's fee panel your chance of both getting on the approved list and receiving abundant volume is limited. The Laws of Supply and Demand are as applicable in vendor management as they are in housing, fuel oil, and dating. When the supply of available partners outstrips demand intense fee competition is sure to result. Alternatively, in areas where demand exceeds supply, or if the prospect is not getting the service they expect from the current batch of providers, you have a decent shot at winning some business.

The prospect will be very interested in talking to you if they have little or no coverage in your area. They may even pay a premium for your services if they have an order that absolutely positively has to be completed right now. However, in today's environment and especially in the more metropolitan areas the prospect might not have a lot of openings to fill. So you'll need to be creative and persuasive to gain attention and win the business. And you'll need to do in practice what you say you do in the selling situation. In other words, meet agreed-to commitments.

Vendor management companies invest heavily to develop or buy advanced technology needed to measure just about everything as it relates to vendor performance, pipeline management, and

service delivery. I recently learned from the head of a vendor management company that his firm invested \$10 million to develop its automated vendor management platform. VMCs are very serious about tracking and reporting, and are highly adept at figuring out who's doing what in the way of performance. They'll figure out pretty quickly if your company does in practice what it says it does, and will do, for the client. My advice is to set up your operations to provide the best combination of quality, turnaround time, service and pricing that is deliverable on a consistent basis. Otherwise, you might be better off selling to clients in a less demanding business channel.

### **Closing the Deal**

Once you've built some rapport and have a sense for the competitive environment you're ready to broach the fee issue head-on. Now is the time to begin to talk about your expertise, work quality, customer service, satisfied clients ... and pricing.

Pricing is the biggest point of contention among critics of the vendor management industry so I'll try to offer some insights that may be useful in the negotiation process. Critics often claim that vendor managers care only about the fee to acquire a particular settlement service. Granted, in a market area with an abundance of vendors with a track record of comparable quality and customer service clients tend to rely on the less expensive alternatives. Note that the last sentence says alternatives (plural) and not alternative (singular). Clients know that heaping all the work on the lowest priced provider costs more than it's worth in rework, delays, and faltering customer service, as the vendor falls further and further behind. A vendor with the best fee, but who can't do the work on time, isn't customer focused, can't be reached, or doesn't produce consistently high quality work isn't much good and will be dropped like a rock. You don't need to be the lowest cost provider but you do need to be competitive with or in the lower range of the wholesale pricing scale for the market.

Some vendors feel most comfortable easing into the business rather than jumping in with both feet. That is, they'll set their fees at, say, the mid-point of the range that the VMC pays in their area (be sure to ask what the fee range is in your area; they'll very probably share this with you). By setting fees above the mean average these vendors probably won't get the bulk of the orders but will be positioned well for overflow work.

Other vendors quote VMs some sort of discounted fee (AMCs, like Wal-Mart and HMOs, work on more of a wholesale model than retail) in hopes of getting more of the business. If you've followed the two-contact strategy you should be in a better position to negotiate than someone else who's simply cold-calling or emailing prospects without having done any homework.

Still, other vendors quote their retail fee anticipating that they'll get just the periodic overflow work. A full-fee strategy works best in areas where vendor coverage is light and/or where VMs can't get consistent quality and service from current vendors. It doesn't work so well in areas where there are lots of other vendors competing for the business.

As I noted earlier, VMs track this stuff and know better than most out-of-towners the prevailing rates for products and services. I'll go so far as to say that vendor managers probably have a better handle on fees in your area than you do. Don't think so? Consider that they track every fee,

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for every order, charged by every appraisal, title, and closing vendor they deal with in every market they serve. That's a lot of data.

Finally, whenever you're talking to a prospective client avoid giving the impression that you're offering your services under duress. I can't tell you how many calls I've gotten from individuals who've started the conversation by voicing a sincere interest in serving the VMC community, only to poison the call by describing to me - the person they've sought out for help - why VMCs are the devil incarnate and ought to be dispatched to the lowest depths of hell. If the relationship is to work it has to provide [self-serving benefits](#) to both parties. VMCs are not for everyone. If your heart's not in it, don't do it. It's okay.

### **Conclusion**

My experience is that the VMC reps are fairly accessible, will be up-front about their product and service needs, and how you can best stack up against the competition. So take advantage of it. A well thought out two-contact strategy and willingness to dialogue with prospective customers should provide the insights you'll need to deliver a business proposal providing the best blend of terms for both you and the VMC.

Good luck and great marketing success!