

## **THE HOME INSPECTION BUSINESS A WHITE PAPER FOR CHANGE**

**By Lorne Steiner, CEO  
Porter Valley Software, Inc.**

It is my firm belief that there needs to be a wholesale change in the way the home inspection business is managed, if the business is to survive the ups and downs of the Real Estate market.

The right attitude when starting your business has a lot to do with the outcome and survival of the business. If you start your business based on the assumption that you are tired of working for someone else, want to be self-employed and answer to no one but yourself, and at the same time make a living, it is most likely you won't. If you add up all of the headaches of being in business for yourself including insurance liabilities, taxes, employee's, benefits, etc. why anyone would want go into business just to make "a living" is incomprehensible to me. You could make a living working for a construction company, working in a factory, working as a mechanic etc. come home at night and rest peacefully. However if the reason you decide to go into business for yourself is to make "a great living", having the ability to send your kids to private school, paying for that family vacation to Hawaii, not having to worry about retirement, chances are you will.

Having the right attitude will allow you to visualize and achieve your goals. Create a viable business plan including knowing the true cost of an inspection and charge accordingly will allow you to stay the course through the long haul of the real estate economic roller coaster. Each time I talk with a group of Inspectors I always ask the same question, "How many of you know exactly how much it costs to complete an inspection without making your first dime of profit." If you were the owner of a car dealership, you would know exactly how much to sell the car for in order to make a profit. If you are a grocer you know exactly how much that apple costs or a retailer selling a pair of shoes or a dress. You would know how much your costs are in order not to loose money. Why are inspectors any different? In a group of two hundred inspectors on average only three or four admit to knowing this.

How can you stay in business if you do not know what your underlying costs are? This is the main reason why over 30% of all inspectors nationwide go out of business each year. If you don't know how much your costs are then how do you know how much to charge for your services? It never ceases to amaze me that the answer I get from most home inspectors is "I can only charge 10 to 20 percent more than my competition in my area. What if your competition is wrong? Talking about a sinking ship, are you going to follow your competition into oblivion just because they insist on undercharging? First you need to get a handle on how much it actually costs to do an inspection. Second, don't worry about your competition. If they want to undercharge and go out of business, fine. In the long run, this will mean more business for you!

Inspectors that attend my seminars are always asking me the following question, "If I were to go back to a community college and take one class that will help me in my inspection business, what class would that be." You would think the answer would be a business class. Nope, the class you should be taking is "Human Psychology." You will be using what you learn in this class every day of your inspection career.

This is because the inspection business is primarily a "perceived business." The first interaction with the client is most likely either on a phone call or at the time of inspection. If you meet them at the site, then they have already hired you. Typically the fee negotiations were done by the Real Estate agent instead of the client who is actually paying you. A good businessman knows that they have to control the dialog and the situation in order to control the fees charged. Therefore having the Real Estate agent control the situation takes you out of the loop with the client. No wonder the average inspection fee is so low.

You need to understand the complexities of the real estate transaction and the built-in conflict between agent and inspector. Always keep in mind the Real Estate agent does not get one penny till the property is sold. The agent's job is to accentuate the positives about the house and play to the feelings of "your client" as to why they fell in love with the residence. Your job is to take a step back from this emotional transaction and to explain the truths about the condition of the client's new dream house. The average home owner buys a house once every five, ten or twenty years. If the home buyer has no interaction with a home inspector in this length of time then how do they know how much a home inspection should cost? Where do they get this perception of low fees?

The home buyer gets this information from usually one of three sources, the Real Estate agent, an Inspectors website, or brochure. I find that prices listed on Inspectors websites for the most part are low and in a lot of cases not up-to-date. Brochures can hang around a Real Estate office for years. If you have pricing on these brochures they could already be out of date. When you ask a Real Estate agent, how much a typical inspection should cost, invariably the answer will always be the same, around two hundred dollars. You need to understand agents have been saying this to your potential clients for over five years. As a professional, you need to confront the agent and ask "haven't you raised your fees in the last five years?" They will typically say "No, I get the same five or six percent I got five years ago." Remind them that five years ago that house sold for \$25,000. Today the same house is selling for \$400,000. I think they have given themselves one heck of a raise. Are you not allowed to raise your fees in five years?

Let's put this in perspective. Someone interested in buying a used boat would never think of buying it without having it inspected first. In that field the inspector is called a "Marine Surveyor." How much do you think a Marine Surveyor charges for a \$250,000 boat, a boat that might be used a dozen times during the year. The typical Marine Surveyor charges one to two percent of the cost of the boat. That would be \$2,500. And this same homeowner would not pay \$500 to have his million dollar house inspected? What is wrong with this picture? What is wrong is that the Real Estate agent has been saying \$200 for five years! It's time for you to stand up and say enough is enough. In the real estate transaction, the home inspector is the king pin. You are waving a red flag, saying "wait a minute; let's think about what you are buying. I know you have fallen in love with this house, but don't buy the house with blinders on. You need to know all of the outstanding issues that may be uncovered before you move in."

This is the exact reason why the unscrupulous agent does not want you there or want their client (your client) to view a comprehensive report explaining all details in plain English. If the client has requested a home inspector, all the agent wants to see is a small "check list" style report that only skims the surface of the issues. I was looking at one such report, just the other day. In the roofing section, the Inspector had selected the following item, "Part of the roof should possibly be replaced." And he put a check in both checkboxes for "Poor" and "Good." Which part was in good shape and which part was bad and how bad? This was a law suit waiting to happen - and it did. I am not saying all Real Estate agents feel this way; however I find it unfortunately to be more of the norm. They want the client to hire an inspector that will not deflate the reasoning behind why the client fell in love with the house. They know a good professional inspector that tells the complete story will charge more than \$200.

Being in business for yourself means that you are a professional at what you do. Therefore you need to act in a professional manor and charge professional fees. All you have to sell are your services and your report. After all, you do not "sell" clothing, apples, or hair products. You are a professional just like a Dr., Lawyer, or Dentist. When your stomach is really hurting you go see your doctor. The doctor walks into the room and you look at him through your pain. Are the first words out of your mouth "How much are you going to charge me?" You go to the dentist because you have an extreme toothache. The technician puts you in the dentist chair and turns the overhead light on. The Dentist comes in the room and looks over you with his blue mask over his mouth. What do you say, "How much is this going to cost?" You know that you are going to be charged professional prices because you are dealing with a professional with years of training

and the questions of costs don't come up. Why are you any different? All you have to sell is your service, years of experience and your report.

If a client tells you that Jerry Smith, the other Inspector that called told me he was going to charge \$175 for the inspection and says, "Can you do it for \$150?" Tell the client that you will do it for \$400 and explain the type of report that you give, and that you are a professional and do not want them buying this house with blinders on. "Oh by the way, here are letters of recommendation from some of my other satisfied clients and you can look on my website to find a sample report of the same type you can expect for your house." The client was given two inspectors name's to contact by the agent. The client has got be asking themselves "How can there be this much of a difference in fee's between the two inspectors. Maybe the first inspector will not be telling me the whole story. Maybe he is actually working with the agent.

Let's say you walked into a restaurant and you saw Picasso sitting at a table eating his dinner. You walk up to him and you say "Mr. Picasso" I hope you do not mind but could you draw something on this napkin so I can have it for a keepsake? Picasso takes the napkin from you and scribbles something on the paper and hands it back to you saying "That will be \$10,000." "But Mr. Picasso, it only took you a few seconds to scratch that etching." "Yes, but it took me 50 years to learn how to do it."

It's up to all of you to raise your fees to the professional level that you deserve. Being in business for yourself means you have an obligation to do well; to make a great living, not just a good living; to charge professional fees because of the professional that you are; to not only stay in business during the ups and downs of the business climate, but to thrive.

*The above commentary is drawn from a two hour motivational seminar entitled "Advanced Client Communication and Education given by Mr. Steiner. If your group would be interested in having Mr. Steiner as a speaker at your meeting or convention, He can be contacted at (818) 360-7750.*