

# Failed Business Models - and what to do about them



By Wilson Phillips, M.L.S., C.L.S.

**P**rofessional Land Surveyors have a long history of serving the public interest and protecting the public. Being a professional land surveyor, I share that obligation and sense of service. As an economics freak as well, I often wonder about markets and the price of goods and services and how they are perceived, derived, assigned, and manipulated. I would like to suggest some changes to the profession that are overdue and that I think will provide lower costs to the public and change common perceptions.

In Manitoba the public perception of risk and cost for professional land surveys is not based in reality. To the public, the introduction of GPS and faster and better equipment means that land surveys should cost less and take less time. Generally this is true. However, the perception is based on an assigned value of the GPS and equipment and little else. To the public a GPS receiver that costs \$300 dollars in Canadian Tire means that a professional grade GPS for surveyors should cost \$2,000, not \$46,000 and that there is little training behind it. The perception then is that surveyors just measure and that is it. Perceptions are dangerous.

When the public asks about the cost of a survey, I explain what is involved in staking a lot or subdivision, etc. They say things like "I had no idea". Price perceptions do not match prices on a broad level. However, even though they know what is required, the public still looks for the cheapest price. Why? One answer is perceived risk. The public knows that every surveyor is insured and licensed and so has recourse for errors. If the perception is that professional land surveyors just measure, what can possibly go wrong, and why is the cost for a survey not cheaper yet? Therefore in the public's view the perceived risk is lower so a lower value is assigned to the service.

However, when the public is given the choice between a \$300/hr lawyer and a \$200/hr lawyer they will "want" the \$300/hr lawyer. Why? The answer may be risk as well. If Joe public is going to sue someone, he/she wants to win and the \$300 lawyer is perceived to be more knowledgeable about risk thereby reducing the perceived risk of losing. What if something goes wrong? Would you sue your \$300/hr lawyer to recover costs? Is there risk?

## Change to the Practices of Professional Land Surveyors

First, let's look at what we can change. Does your practice do detailed billing? This matters because the longer every

business lists all the costs that go into a service the more perception of price is understood. This benefits a private practitioner, the public and your peers. This is something that we can learn from the legal profession.

Like Starbucks, why not offer a variety of versions of the same thing? Why are we still issuing certificates for stakings? The public wants the monuments placed on the corners or along the property line. If they want a certificate, that should be an extra. Sound crazy? Justify the added cost to the public when you have to maintain the record anyway. A certificate is free information that can be resold without the control but with increased risk to you.

## The Big One

Don't do work for free. Sounds simple. Why then do professional land surveyors provide Real Property Reports (RPR's) or Building Location Certificates (BLC's) in the case of Manitoba? These are not registered public documents. They are usually prepared so that a seller, vendor, bank, lawyer, utility, zoning department or title insurer, can be assured that the property is clear of encroachments, etc. That is a lot of clients. How many are paying you? I bet they are going to copy that copywrited document till the cows come home too. Imagine if Title Insurers did this?

What if the seller, vendor, bank, lawyer, utility, zoning department or title insurer, etc. each came to you for that information? The unit cost would be low with about the right amount of risk to price ratio and all would pay a lower cost but with increased perception of the service, not the product.

The financial model behind title insurance is based on the fact that it is bought multiple times for the same properties and the end risk is covered by the public purse or individual insurance. What you may not know is that banks purchase bulk title insurance to secure all their mortgages and by requiring the purchaser to acquire title insurance, the bank's risk is virtually eliminated. Furthermore, title insurance reduces the cost to the lawyer involved in a land transaction by covering some of the associated risk. This is a big selling point for title insurers to get lawyers on board. How does the public benefit from this exactly? It is a good question, yet when the government looked at this very topic it decided to allow this charade to go on. Why? The perception is that there is value in the products.

So if you are selling a service and a product, (never good economics to combine these) and have uncontrolled, unlim-

ited risk with a one shot reward, what to do? Stop doing that. Follow the title insurance model. Land Surveyors need to move towards a model where the information is controlled like the title insurers. What would your insurance premiums be if the risk associated was limited to a single purchaser at a time? Don't think about a product, think about a service. Services can be resold by you. Sound crazy? The very association rules that guide individual practitioners are set up for failure. Think about that. Who benefits from that model?

Your government does something everyday that makes millions of dollars. They take a title, transfer it, make amendments, add encumbrances, etc. and store and maintain those records in the public system. So why, at least in Manitoba, does it make so much money? The answer is that the government controls the information and assigns risk to the price and makes money not in one shot, but in many, many transactions where the cost per unit service is relatively low. Would you want to sell one Mercedes a month and get the commission or get \$1 for every land transaction in Manitoba? I thought so. Even our government is smarter than us.

Creating products for multiple users and little front end benefit is not a good model for the surveyor or the public. The risk then is severely discounted and the perception of value is low. Therefore the only model that fits is to have

multiple smaller cost sales of the same risk. The only thing we can change is the profession and in doing so we will change the way the public and the governments perceive us and the valuable current land information we provide.

## Move Fast or Die Slow

So how do we lower the cost to the public, increase the use of current land data, change the perception of the public and reduce risk? First, change the way that you see the market you sell into. Demand changes at the association and business group level. Change the products you offer and evaluate risk to reward ratios and extract the maximum value out of everything. The products that land surveyors provide are usually stipulated by a static, "not changed in fifty years" book of what you should do. Do you know of another industry that does this? Look beyond the everyday and realize that if you do not change you are on the way out. The end result; you will be more successful and your clients will be happier.



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