

## Vendor Fees in a Down Market

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It must be a down market. Clients are putting the arm on vendors to lower their fees.

The latest pleas-for-lower-fees come courtesy of The Title Report. According to a recent [TTR Web article](#), "... two national title companies (sent mass emails) asking its vendors to reduce their fees.... TransContinental Title Insurance Co. requested its (abstractor and title examiner) vendors reduce fees by 10 percent, while LSI Title Insurance Co. asked for fees to be reduced \$8 because it no longer needed tax information."

Requests like these, troubling as they are on the recipient's side of the fence, seem to make perfect sense in hard times. When my family's finances are squeezed my first reaction is to demand across-the-board grocery spending cuts. Yours too, perhaps. Yet, like the inescapable link between food quality and general health and vitality, we need to be very clear that reducing vendor fees at some point impacts quality. Here's why.

As vendor fees go down (or up), less (or more) vendors will compete for fee-based client orders. Think of it in terms of the Law of Supply and Demand. Put another way, one could argue that each "\$X" in fee reduction (or increase) will result in fewer (or more) vendors who are willing to compete for the work at that price. Push hard enough for lower fees and the pool of available vendors dwindles to one or two in a given market. And this is an area where quality can become taxed.

Having persuaded the majority of vendors from returning our calls, the last few vendors standing will inevitably find them selves deluged with orders. So much so that they will eventually fall behind, drop the ball and miss deadlines. There is nothing like prolonged exposure to performance pressure and excessive work hours to cause a vendor to cut corners, or worse, to burn out.

Cut corners? Burn out? Compromise quality? Why, we have a service level agreement so that simply can't happen! Unfortunately, it can and does. So when it does, the client must go out and find additional vendors to pick up the slack. At the same low fee, you ask? Hardly. Replacing low-cost but struggling vendors is very likely to result in even higher vendor fees. The exact opposite of what we wanted in lowering vendor fees in the first place.

Here's my point. While fee reductions are tempting we must never allow fees to become the most important factor in selecting the vendors that we and our customers rely upon to fulfill our industry's "*Better, Faster, Cheaper*" mantra. Let's let *Better* equal better quality, better service, better customer experience, and better return on investment. Let's not let *Better = Faster + Cheaper*.