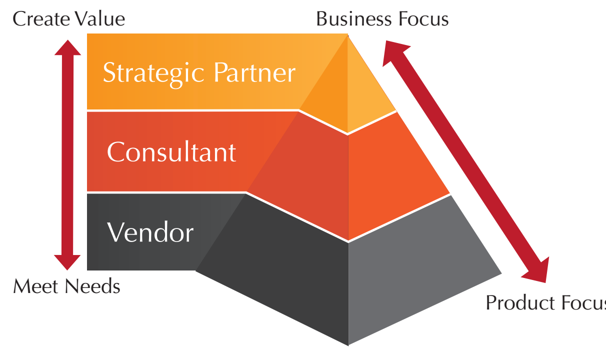
# Future Trends

## Your Pick: Vendor, Consultant or Strategic Partner?

Are you conflicted about the road ahead? We all are, so here's some candid advice on how to succeed regardless of what's to come.

**By Roger Gudobba**




Today's mortgage technology vendor is challenged on many fronts. The first challenge is all the turmoil in the marketplace. The slow recovery of the economy and consequently the housing market, the changing regulatory landscape, the increasing focus on the consumer, the uncertain role of the GSEs in the future all contribute to the hesitation to expend resources.

The second challenge is that technology enhancements, improvements or new solutions are typically ahead of the business side's ability to consume the new technology. It's also possible the business community will not accept or adapt your technology. It's not because they don't want or need it, it's more because the mortgage industry tends to maintain the status quo until there is a compelling reason to change. So it is difficult sometimes to agree on where to focus your resources and how to best determine the true return on your investment.

> Organizations today are taking steps to protect their areas of **core competency** and looking at ways to **outsource** some functions.

The third challenge, especially for small organizations, is how to balance their staff and resources to handle the day-to-day operations and still attend to the current or future market requirements. The first thought is usually to do it in-house. In some situations you may consider acquiring a company or a product that will fulfill the need. If the first two choices will not work, you could outsource or partner with a third party.

Using the chart and working our way up the pyramid describes the various situations and what would work best based on a particular need.

**VENDOR:** How do we define a vendor? These are providers of commodity products or services that are critical to your day-to-day operations. Typically they are a request and respond transaction.There may be many companies that can provide this and you may be required to support more than one vendor. They may also be a vendor to some of your direct competitors. In some situations, they may have a directly competitive product to your offerings. Since your customer is also the vendor's customer this potentially could create a conflict in the future. The vendor's service, support, market reputation and a competitive price are all a major consideration.

In certain situations, you have to go with a vendor, but there are drawbacks that you should be aware of. Going with a vendor is a short-term strategy. Today, more than ever, you need to have a strong relationship with your customers. Their feedback points to the areas in your solution that impact both the functional and tactical operation of your product. Your customer service department is crucial for recognizing that and bringing it to the attention of the appropriate parties. This may present the

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opportunity to enhance your solution with offerings provided by third-party vendors. Certainly this has its advantages, but it is not a long-term fix for any given problem.

**CONSULTANT:** When is the right time to bring in a consultant? A consultant would be an individual or company with an understanding of the business process. This person should also posses extensive experience in your space. Their expertise regarding a variety of potential solutions is both valued and sought-after. Consequently, they may also have worked with your competitors. You may use a consultant to validate your thoughts on the potential solution.

I view using a consultant as your mid-term strategy. For product direction, the customer will help you understand the enhancements they and the industry are expecting. A customer user group can help prioritize these opportunities for you. This is an area where you might engage a third party consultant. Remember, we are not islands in and of ourselves. What do I mean by that? Lenders are all connected in that they are looking to lend money the best way possible. A consultant is a great way to get outside feedback from a knowledgeable source.

**STRATEGIC PARTNER:** How should you view a strategic partnership? This is an arrangement where the parties agree to cooperate in order to advance their mutual interests and to share responsibility for achieving a specific goal. Their area of expertise fills a particular need and fits nicely in your solution. Their core competency will complement yours. Together you strive to add greater value, see the future in a new and different way and the end user realizes they will achieve continuous improvement with your solution. Strategic partners are there from the start and you can think of them as an extension of your staff. This is a long-term relationship. The partnership is really about trust.

It is critical that you have strategic partners. This is your long-term strategy. How will your offerings today be different in the future? Are there opportunities for new products or services? What about new markets? Maybe something outside today's core competency will surface. Customer advisory boards can also help formulate and confirm your vision. Business is more collaborative than ever and a strategic partner may bring fresh ideas and concepts to the relationship. Both parties will benefit from the endeavor.

So, how does all this come together to benefit your business? Think about it this way: Any salesman or company will tell you that they have the best solution at the best price. Make no mistake, it certainly is important to ensure that their solution will do everything as advertised, but don't focus solely on the cost. I offer a quote from many years ago, that is still true today:

**COMMON SENSE AND NONSENSE:** As John Ruskin (1819-1900) so aptly described it, "It's unwise to pay too much, but it's worse to pay too little. When you pay too much, you lose a little money – that is all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do. The common law of business prohibits paying a little and getting a lot – it can't be done. If you deal with the lowest bidder, it is well to add something for the risk you run, and if you do that you will have enough to pay for something better."

Now, let's step back and really apply all of these principles. If we look at a specific mortgage technology class for a second, you can see the true meaning behind this column. For example, let's talk about docs. Historically, mortgage documents were and remain a commodity. Sure, some did it better as compared to others, but in the end everyone was looking to create the same docs. Today, that has changed. Why you might ask? Because the new mortgage environment is focusing more and more on data.

A mortgage is really a collection of data, not a collection of documents after all. So, where those traditional solution vendors with extensive document libraries worked as a short-term fix years ago, it's not agile enough today. Moving along, the smart lender then brought in a consultant or two. That consultant gave them some pointers, suggested some workarounds and ultimately, the consultant advised the lender to be more data centric. Today the smart lender has a strategic partner that can utilize both the legal content and loan information as data to render documents dynamically and easily allowing configurability and flexibility. That's where you as a lender need to be today. ❖

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