



Value of Designations

Initial Scoping & Background

Research Office, September 30, 2005



Appraisal
Institute®

*Professionals Providing
Real Estate Solutions*

Background

Findings of Previous Research

- Qualities, experience, or qualifications attributes
 - Specialized market knowledge
 - Advanced and specialized education
 - Highest ethical standards
 - Property specific valuation
 - Market analysis
 - Solving complex real estate problems
 - Portfolio valuation
 - Understanding of finance and accounting issues

Background

Findings of Previous Research

- Appraiser Core Services
 - Market analysis and predicative evaluations
 - Arbitration/mitigation
 - Annual property performance assessment
 - Collective analysis of large blocks of home/properties
 - Absorption studies

Background

Findings of Previous Research

- The value of designations in general and appraiser designations in particular is not well understood.
- The value proposition of appraisers varies depending on the nature of the appraisal task.
- Appraisal decision makers have a limited view of the kinds of expanded services that appraisers can/should offer the marketplace; diversification of services (outside of traditional services) may be a significant challenge.
- Specialized knowledge is a key marketing advantage.

Source: Appraisal Institute: The Power of Designations research, June 2003 (three focus groups)

Background

Findings of Third-Party Research

- Perceived level of competence and ethical behavior are two key reasons why decision-makers seek designated professionals.
- Designations (of all types) are increasingly popular as individuals strive for uniqueness and competitive advantage.
- The distinction between **professional designations** (with substantial qualifications criteria) and “**mail order**” variety is blurred.

Background

Findings of Third-Party Research

- A better understanding of who benefits from a designation is necessary, that is, the individual designated (personal gain such as enhanced credibility, greater employment opportunities, enhanced earnings potential), the organization sanctioning the designation, or the “user” of the services provided by the designated individual.
- For many, the most reliable method of locating specialists (in any field) is to seek out those who hold an appropriate designation. This presupposes that the decision-maker (a business or consumer) has awareness of the range of designated specialists available and has an understanding of the benefits (or requirement) of working with a designated versus undesignated individual.

Background

Findings of Third-Party Research

- For a designation to be recognized, and therefore successful, two crucial criteria must be met in the marketplace:
 - Clients must express a preference for credentials and/or protection beyond those provided by basic licensure; and
 - Clients must view those holding the designation as being more competent and/or more ethical than those who do not hold the designation are.
- A poor level of recognition by itself does not eliminate the demand for designations. However, a poor level of recognition would call in to question the value of a designation in the marketplace.

Background

Findings of Third-Party Research

- Specialization designations need to be better understood. For example, the medical profession has more than 20 specialty designations and the legal profession has more than 10 in some states. “Specialty proliferation” might cause more inter and intra discipline overlap, which might contribute to increased confusion and work against achieving higher levels of recognition. The appraisal industry has numerous designations and distinctions amongst them are probably not clear.
- Among the most commonly recognized designations are the CPA, CFP, and CLU. Consumers and businesses have a strong preference for dealing with professionally designated individuals when making financial decisions.

Source: University of North Dakota Departments of Finance and Marketing 1997 and other whitepapers.

Related Activities

Sources/Opportunities for Information

- Proprietary Research
- Scholarly Papers
- Allied Industry Data
- Macro Topic: Designations
- Visibility Campaign
- Professionalism Project
- Diversity Project
- Macro Topic: Member Demographic Solutions

Sources of Information

Audiences for Developing Perspective

- Banking & Lending Institutions
- Appraisal Management Companies
- Insurance, Securities Companies including Pension Fund Managers
- Government Agencies
- Attorneys, Accountants, Financial Advisors
- Private Parties (commercial and residential)

Sources of Information

Audiences for Scope and Baseline Data

- AI Designated Appraisers
- AI Associate Members (on a designation track)
- Designated Appraisers (other professional organizations)
- Non-designated Appraisers (state licensed/certified)
- Allied organizations