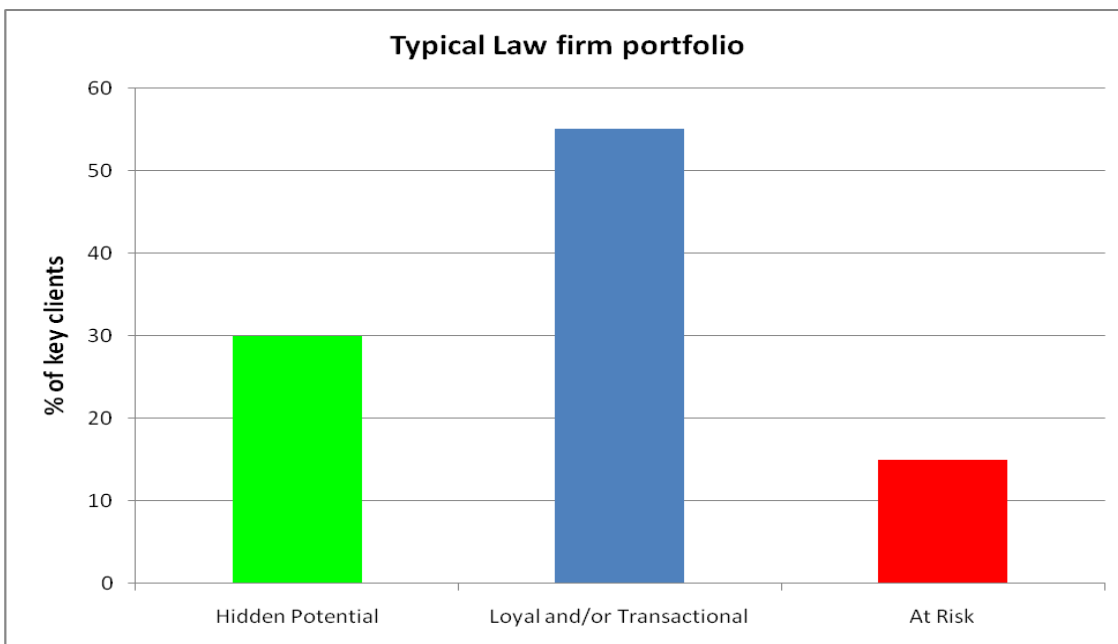


Preventing client leakage – key aspects that ensure financial strength for the firm

A major difficulty for law firms is that unhappy clients will often not tell a firm directly that they are dissatisfied. Instead they will progressively use the firm less, or not at all, until the firm's work from them has disappeared. That has always occurred, even in good times but at the moment pressures on clients to seek 'best value' are such that there is an even higher risk for law firms of losing good clients to competitors.

The client – based research we have carried out consistently demonstrates that unless law firms listen to their best clients and act accordingly, then those clients will migrate to other firms. The graph below based upon many law firm client interviews shows the extent to which many law firms **unknowingly risk** losing a substantial part of their client portfolio. The economic cost and risks involved are significant and typically represent 15% of a firm's revenue. **Survival is at stake.**



Our research also shows that the cost and effort needed to ensure client satisfaction and thus the retention and development of good clients is many times less than the cost of trying to win new business. The graph shows that, typically, 3 out of 10 clients have hidden potential to grow that the firm has not identified. Thus, together with "at risk" clients, typically nearly half of a firm's key clients give feedback that provides an immediate financial payback to the firm.

"Protecting your backyard" should be the most obvious and profitable step to take to ensure not only survival in an increasingly challenging legal environment but also one of the best ways to build long term competitive advantage.

This is also critical when, for example, reviewing a firm's strategy. The key is not just to rely on what you hope or believe to be true but what clients genuinely think. This note summarises some of our most important research findings from interviewing clients of law firms, and in particular from those clients which were in the 'at risk' category shaded red in the above graph.

Understanding and then responding to the issues outlined has created immediate financial benefit and has clarified future direction for each firm. We'd recommend putting the subject of client feedback on the agenda of your next partner meeting to discuss how your firm can benefit.

Perceived lack of skills and technical expertise

Our research shows clients absolutely expect that law firms have the necessary technical expertise to get the results which they require. This is not always a 'given'. Clients express their concerns in a number of different ways and firms need to respond differently depending on the nature of any "gap". For example:

"They are OK for most work but when it comes to something really important to us, we go [elsewhere]"

"If [named partner] is not there we go elsewhere because they lack depth of expertise."

"They need to improve the quality of staff in the 2nd tier".

It is also unquestionably true, as many clients put it, that *"it is not enough just to be a good lawyer"*. The following factors all demonstrably influence the choice of firm.

Brand and firm positioning

Firms win and lose work based on how clients and key decision makers perceive them. Clients often refer to factors around complexity, risk, or size as potentially important in specific transactions. For example:

"For high value / high risk work I would use a big name firm – very unlikely to get bad advice"

"Our accountants tell us to use a 'corporate' firm"

"The firm is under pressure if it does not do some bigger corporate work"

"Sometimes we don't use them for complex work"

"(They) may not be able to do complex transactions"

Lack of client awareness of specialisms offered

Sometimes the problem is not so much actual lack of technical expertise, but more a failure on the part of a firm to make clients aware of what the firm can do:

"They must not assume that people know what they do"

"If I had a £5m project, would I think of (Firm)...probably not...I would think of one or two others first... it may be that I don't know enough re: the full extent of their expertise".

"Not sure if they have certain capabilities"

"They are not proactive with their own clients"

"I don't think they have anyone in litigation...but if (the client partner) told me they did, I would trust him...I'd be interested in talking to them"

"Maybe not so good at telling people what they do"

Speed and other 'service' factors such as meeting deadlines, keeping commitments, the ability to offer advice quickly and efficiently, keeping clients informed of progress and care and attention to work can also determine if a firm continues to be retained for work. Importantly, clients often infer that poor responsiveness indicates a lack of capacity and that **the firm is overstretched**. This also can prompt them to try other firms.

"Their response times leave much to be desired"

"We had to chase all the time ... we said it was urgent but it still ended up drifting"

"They didn't communicate enough, or didn't seem to be on top of things"

"I don't believe they have the resources"

Relationship/understanding of needs

The example of a firm with a client representing 25% of the revenue of one of its practice areas is instructive here. The firm was unaware that it was likely to lose that relationship in an imminent review of panel firms. Being aware of the client feedback below, and effectively responding to it, enabled them to retain their biggest client:

“For service, I would rate them 8.5 out of 10 (they are upper quartile on this)...for strategic value I would rate them 2/10”

Value for money

Interestingly, price on its own is rarely a determining factor. However value for money is. The clients of one firm were clear as to their requirements:

“They always try to sell to us on price – but what we really want is to have a good job done at a reasonable price”

This is a message frequently heard and one which law firms do need to take on board in these ‘value for money’ times. Our research clearly shows that if law firms

- provide their clients with what they need (rather than what the firm thinks they need)
- at prices their clients perceive to be value for money; and
- do this better than their rivals,

client satisfaction improves and clients are more likely to retain a firm, or consider using it for more work.

Of course, for any individual firm it is key to identify what is important to its own clients, and how the firm currently performs in key areas. To be unaware of or to ignore client perceptions is to put at risk a firm’s very existence.

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