

Briefing Note October 2017

How to efficiently drive profitable growth: the role of client and market feedback

There has rarely been a time when law firms have faced more competitive challenges than now. Yet it seems that many are still not taking effective steps to meet and overcome such challenges by understanding what their clients will expect from them in the future.

If law firms are to be able to provide realistic answers to fundamental questions affecting their competitiveness, such as –

How can we most cost effectively drive profitable growth (without any major investment being needed)?

How can we provide clients with what they will need in the future?

What kind of law firm do we really need to be?

then they will need to talk to and above all listen to, not only existing clients, but also prospective clients and those who regularly refer work to them. The objective in doing so will be to indicate to a firm the nature and required levels of its future performance for it to successfully compete, by:

- understanding how it is currently perceived by clients, referrers and the market place, to enable it to focus on issues of most relevance and highest priority;
- identifying any clear requested improvements or gaps in its capability against what its market needs, both currently and in the future, or what its competitors are providing;
- identifying any significant strengths and weaknesses against relevant competitors;
- providing input into its strategic thinking and decision – making with a view to expanding what it provides to, and the share of business it wins from its current clients; and
- understanding levels of client awareness and receptivity to current services and how these may need to change.

Consider the following – would better knowledge about any of the following areas help you future – proof your firm?

- **What are our most profitable market opportunities?**
- **What is the potential demand for new specialisms?**
- **Where should our firm position itself and build capability to gain more profitable business?**
- **How is our firm perceived by key clients and referrers, and how does it compare to our key competitors in fulfilling these needs?**
- **How can more revenue and profit be generated from our current client portfolio?**
- **How can we evidence a robust revenue stream when talking to potential new partners, merger targets or investors?**
- **How can we reduce client loss?**
- **In which of our clients is there untapped potential for more work?**
- **In which of our intermediary relationships is there untapped potential for more work?**
- **How can we improve the return and revenue from our marketing and BD efforts?**
- **How can we ensure all of our investments – including training – will help improve revenue growth and profitability?**

The most valuable input?

It is clear from recent research published in April 2017 by LexisNexis in conjunction with the Judge Business School at the University of Cambridge, that there is evidence of a serious disconnect between what clients expect from law firms and what they get.

The most valuable input on this issue is objective feedback from the key clients and other market participants that matter the most to you, whether in your current or potential future spheres of operation. This often means key clients, prospects and referrers who will have the clearest perspective on what they (and the market) value and what your firm should do to secure its future growth.

Independent research doesn't replace the continuous dialogue which law firms need to have with their clients, but it can provide much more meaningful and usable feedback on key issues.

Feedback is able to create not only significant improvements to the return on marketing investment but can directly generate revenue opportunities for partners from their own client / referrer relationships as well as opportunities for partners from other client / referrer relationships.

Yes, but...

“...we know what our clients think already!”

That may be true – *in part*. Firms often know perhaps 50%-70% of what objectively gained client and market feedback uncovers. But the 30-50% left undiscovered can make a huge difference and remind us of the sage words of Donald Rumsfeld -

*“There are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. **But there are also unknown unknowns – the ones we don’t know we don’t know**”.*

It’s what doesn’t get discussed openly, because of day to day pressures, because it’s not relevant to the transaction at hand, or because it’s very difficult for the client to tell their main contact (and for the main contact to ask).

This might include the fact that the client needs complex advice in a new area (but isn’t sure if the firm has this capability). Lack of awareness about a law firm’s capability is a major cause of partner BD ineffectiveness

It might also include the fact that the client is unhappy about something that you are completely unaware of, and as a result is actively talking to other firms. In one project we carried out, a client representing 25% of a firm’s revenue was planning to stop using them within 3-6 months. By identifying the cause, and what could be done about it, the client relationship was saved. Indeed, in about 1 in 6 cases we have found that there is a **risk of client loss** of which the firm was unaware.

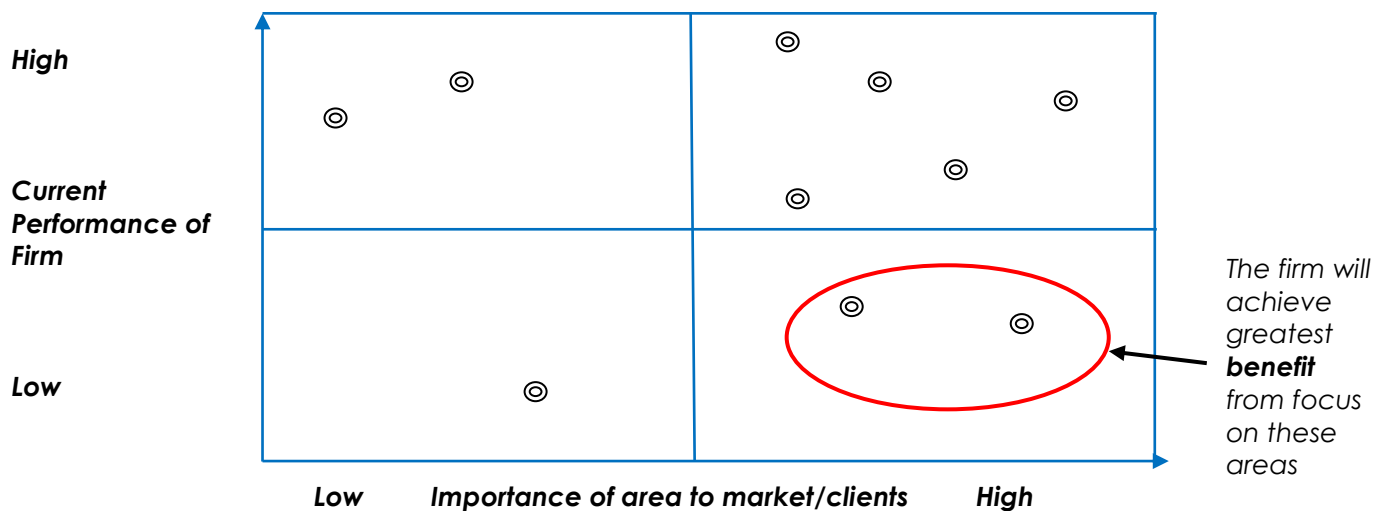
There can also be short-term financial as well as strategic payback as in our experience, **unknown opportunities** are also discovered by objectively – gained client feedback in about 25-30% of a firm’s key clients.

Below are just some of the examples of insight from clients and referrers which were previously unknown to their law firm. Being aware of these views then can lead to much greater clarity and consensus within a firm about which direction to take:

- ***“What would happen if in the panel process, [Firm X] were up against a firm who were as good at [technical advice] but better at the added-value things?...[Firm X] would reduce their risk if they were to increase their strategic input”***
- ***“There is market potential here and need for expertise in employment law”***
- ***“We are looking at the level and volume of transactions we have. [] on his own cannot undertake them. We have servicing requirements. [] is stretched, and needs more resource that isn’t there.”***
- ***“We haven’t explored all potential areas... with [Firm X] on risk management”.***

- “We are on a relentlessly upwards growth plan... and making significant investment”
- “They don’t really have their own champion / ability to describe exactly what they do...they’ve got the critical mass but they don’t leverage it”

As well as specifically gaining new opportunities for work from clients and referrers, research can really help to define the key choices and areas a firm should focus on. It can often be difficult for firms to do this on their own; however, client and market feedback can provide greater clarity, as shown below.



Within any peer group of law firms most firms in that group can deliver what their clients require. However, while expertise is a *must have*, surveys conducted with clients of law firms consistently show that clients choose and retain law firms not only for the expertise of their people but crucially decisions are linked to **how they deliver** and this often becomes the key differentiator.

Do you know how your clients want you to deliver?

Crucially, when lawyers operate in ways which show their clients they **care**, then **pricing** tends to more easily fall into place because clients recognise these behaviours **add value** to them – and they are prepared to pay for that.

Knowing what is key to your clients and referrers, and how your performance is currently perceived can help determine how capability, recruitment, training, marketing and other efforts should be focused. This means that your investment in time and resources can be optimised and any unnecessary investment reduced.

Maximising the range of benefits possible

This is best done by considering the following areas:

1. Be clear about research objectives.

Doing a “satisfaction survey” because other firms do one, or from a vague interest in client views, won’t help you much. Define the most important questions you need insight on – as without it, your firm’s strategy may be founded on guesswork.

What are the real challenges and key issues for your firm?

It may be that competitors are beginning to win more business from your clients and target markets. If so, how and why are they able to do so?

2. Use the right methods

You can track service performance with paper or on – line questionnaires, but if you’re trying to gain insight into important client and market issues, they will not bear much fruit.

Think about your own response to paper or on – line questionnaires. ***How many do you complete?*** If the client is long standing, or has just involved you in a major issue, does a standard letter or email with a form full of boxes show you really care about them?

3. Think about those who should take part

One answer is to identify “***which clients we least want to lose***”.

Research is able not only to identify a risk, but can also determine the corrective action to “rescue” a relationship.

Research can in addition identify from a client’s future plans whether or not there is extra potential for you, and where you can win business from competitors.

4. Engage clients effectively

If done professionally and appropriately, client and referrer research will enhance their perceptions of the firm

Also explaining the rationale for the research can pay great dividends. Showing interest in their views, to improve client service or to inform them about your future plans is always very well received.

5. Engage other partners

Partners can often feel threatened when client research is first suggested.

However, their concerns can be alleviated if they are well briefed about the process and it is explained to them that it will not only strengthen their relationships with clients but will most likely directly generate work for them. Partners should always be involved in speaking with those client and referrers you would like to take part.

Indeed the more you can engage with colleagues the more likely it is that the follow – up plans and actions will be supported. The reality is that not just the firm as a whole, but each partner, will gain benefits from the process

6. **Act!**

Unless you are prepared to respond to what you learn from your client and market research, don't do it!

Participating clients expect that the insight gained by the firm is used. Their view of the firm can *worsen* if they believe the firm hasn't listened to what they have said.

Gaining the return from your investment requires that you act. After the feedback is gathered, partners should identify priority actions, set accountability, and track them.

In this way, investment in market feedback can truly pay off. It can lead to a direct improvement in financial results, a realistic strategy more capable of being implemented, improved competitive positioning, and a healthier client portfolio with more opportunity.

For more information on how market and client research can provide you with the insight that will help drive forward successful strategy, and increase the revenue and profitability of your firm, please contact either:

Peter Scott
Mobile; 07725 039 573
Email: pscott@peterscottconsult.co.uk

Robin Dicks
Mobile: 07940 886677
Email: robin@thrivingcompany.co.uk