

## Briefing Note March 2010

### Do you really know what your clients are going to need from you in the future? - How to efficiently drive profitable growth: the role of client and market feedback

There has rarely been a more challenging time for law firms, given the unprecedented economic recession this country and the world have experienced over the past few years. For many firms, recovering from the recession will be their main priority for some time.

However, it will also be important to look ahead because law firms cannot assume that business will eventually return to the way it was before the credit crunch. The reality is that things will never be the same again. The challenges facing law firms will be steeper and more demanding.

Markets have changed or even disappeared and client needs in the future will be different. To prosper, law firms need to continually ask themselves:

#### ***“What kind of law firm do we really need to be?”***

To get a realistic answer to this fundamental question, 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:

- providing input into its strategic thinking with a view to expanding what it provides to, and the share of business it wins from its current clients;
- ascertaining how it is perceived by clients, referrers and the market place;
- identifying any clear requested improvements or gaps in its capability against what its market needs, both currently and in the future, or competitors are providing;
- identifying any significant strengths and weaknesses against relevant competitors; 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 further secure your firm’s future?

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

Client and market feedback better answers these key questions for many firms.

## **The most valuable input**

The most valuable input on these issues is objective feedback from the key market participants that matter most in your current sphere of operation, or where you are considering extending into. This often means key clients, prospects and referrers. They have the clearest perspective on what they (and the market) value and what your firm should do to secure growth from this.

Independent research doesn't replace the dialogue which you have with clients, but it provides much more meaningful and usable feedback on key issues.

Some of the questions that can be asked of clients include:

- What are the key objectives you have, and the challenges you face?
- What are the key opportunities and risks you/your company will face over the next 12-24 months?
- What factors determine who you retain/continue to use for legal advice?
- How would you describe Firm X? What are their strengths and weaknesses?
- How does the firm perform in key areas of client service and delivery?
- Which are the most important areas?

Clients can also be asked to provide feedback on how aware they are of the firm's specialist capabilities, and how relevant they are to them. This can create huge improvements to the return on marketing investment.

## **Yes, but...**

"...we know what our clients think already!" Very true – *in part*. Firms often know 50%-70% of what objectively gained client feedback uncovers. But the 30-50% makes a huge difference.

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). It might include the fact that they need complex advice in a new area (but aren't sure if your firm has this capability). It might be what your firm should do to get many more referrals.

It might include the fact that the client is unhappy about something you are completely unaware of, and is actively talking to other firms. In one project of ours, a client representing 25% of a firm's revenue was going to stop using them within 3-6 months. By identifying the cause, and what could be done about it, this client relationship was saved.

In our experience, unknown opportunities are discovered in about 25-30% of a firm's key clients. In about 1 in 6 clients there is a risk of client loss of which the firm was unaware. There is short-term financial as well as strategic payback.

Indeed, these are just some of the examples of insight from clients and referrers which were previously unknown to their supplier firm. Being aware of these views leads to much greater clarity and consensus within the firm about which direction to take:

*"There is market potential here and need for expertise in employment law"*

*"We are looking at the level and volume of transactions we have...(B) on his own cannot undertake them. We have servicing requirements ... (B) is stretched, and needs more resource that isn't there."*

*"We haven't explored all potential areas...with (Firm C) on risk management"*

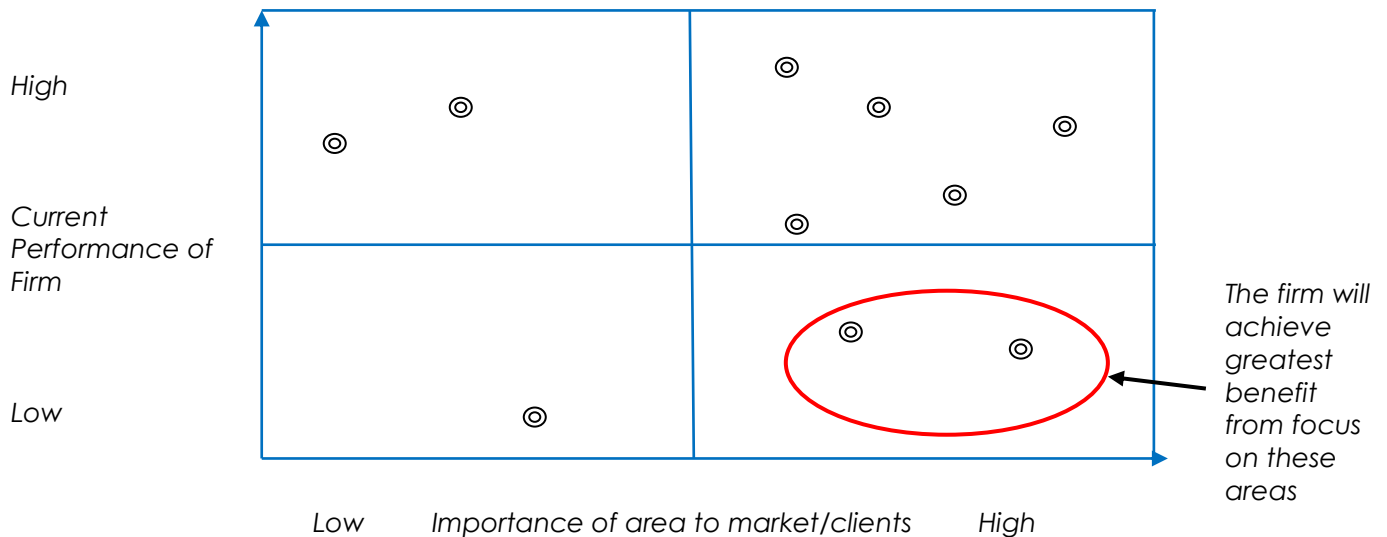
*"We are on a relentlessly upwards growth plan... and making significant investment"*

*"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"*

*"What would happen if in the panel process (Firm D) were up against a firm who were as good at (technical advice) but better at the added-value things?...They would reduce their risk if they were to increase their strategic input"*

**Getting Clarity, Focusing Effort**

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



Generally, in the client research work we do for law firms, the following factors are highly important in their choice of firm, and any decision to continue using a firm.

When Choosing a Law Firm	Retaining/Continuing to use a Firm
<ul style="list-style-type: none"> <li>⊕ Relationships &amp; rapport</li> <li>⊕ Perceived technical expertise &amp; capability</li> <li>⊕ Location</li> <li>⊕ Approachability &amp; accessibility</li> <li>⊕ Commercial understanding</li> <li>⊕ Resource/Depth of capability</li> <li>⊕ Confidence in “brand”</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Meeting deadlines</li> <li>⊕ Ability to offer advice quickly</li> <li>⊕ Keeping client informed of progress</li> <li>⊕ Care &amp; attention given to work</li> <li>⊕ Track record of consistent delivery</li> <li>⊕ Overall value provided</li> </ul>

These factors can be different in different marketplaces and specialisms. It is vital to know what drives decisions in the markets **your** firm operates in. 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 investment in time and resources is optimised and any unnecessary investment reduced.

**Gaining 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 the firm? If you are considering merging, what areas are most in demand from your client base? If competitors are beginning to win more business from your clients and target markets, how and why are they able to do so?

2. Utilise the right method

You can track service performance with a paper questionnaire, but if you're trying to gain insight into important issues, it won't bear much fruit.

Think about your own response to 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 with a form full of boxes show you value them?

3. Think about those who should take part

One answer is to identify "which clients we least want to lose".

Research not only identifies the risk, but determines the corrective action which can "rescue" the relationship.

Do you think certain clients may need additional legal advice? Research can identify if there is extra medium term potential for you, from their future plans, and where you can win business from competitors.

4. Engage clients effectively

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

Explaining the rationale for the research pays great dividends. Showing interest in their views, to improve client service or to inform your future strategy, is very well received.

5. Engage other partners and staff

Partners and staff can feel slightly threatened by client research.

However, their concerns can be alleviated if they are well briefed about the process. Partners should be involved in contacting those you would like to take part.

Engaging with colleagues makes it more likely that the actions you may need to take – with individual clients as well as across the whole firm – 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 will respond to what you learn from 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 will truly pay off. It can lead to an improvement in financial results, a stronger strategy more capable of being implemented, improved competitive positioning, and a healthier client portfolio with more opportunity.***

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