

Your Relationship with Clients Matters ...

WHITE PAPER

By Robert Pay

The tremendous cost pressures in the changing legal landscape have made retaining and growing business more challenging than ever. With client loyalty and retention under siege, relationships with clients matter. If you don't see value in relationships, clients will find another firm that does. The fact is, firms with relationship management plans are more profitable than those without. We'll explore why law firms with relationship management plans have an advantage, and why firms without plans in place risk leaving clients – and revenue – behind.

THE CLIENT FOCUS DEFICIT

BTI Consulting's most recent report on law firm growth strategies¹ highlighted declining client loyalty as the number-one trend. More than 60 percent of legal decision makers replaced one of their primary law firms in the previous 18 months alone.

This finding underscores the significance of client loyalty and retention. Firms and attorneys need to recognize that a lack of client engagement has an impact on the loyalty clients feel towards their firms and, in turn, on where their business goes.

Michael Rynowecer, principal of BTI, agrees with this assertion. "Why aren't client partners engaging in an ongoing dialog with their clients who are often spending millions of dollars with them?" Rynowecer asks. "It seems to me that many firms are both unaware that they have client relationships at risk and are failing to grow their business by a passive approach to managing their relationships."

It shouldn't take the imminent threat of clients leaving for firms to put a client management strategy into action. A proactive approach of operating under a strategy that continually provides value to clients will ensure that they don't become loyalty risks.

RELATIONSHIP MANAGEMENT BUSINESS IMPERATIVE

The fiscal impact of client attrition can't be understated. The cost of replacing lost business is high; it's between 8 to 12 times higher than acquiring business from an existing client. The general stagnation of spend on external lawyers means law firms can only grow by taking business from other firms.



The best defense is a good offense: Avoid waning client loyalty by having a sound client management strategy in place. One of the most effective approaches used by other professional services is known as a Key Relationship Program (KRP). The differences between the traditional law firm model for dealing with clients and a formal KRP are night and day.

Traditional law client approach	Key Relationship Program (KRP)
Intuitive	Intuition plus process, learning and technology
Service level at individual partner's discretion	Service tailored to clients' respective objectives
"My client" – proprietary relationships	"Our client" – relationships belong to the firm
Little focus on client relationships	Firm management monitors client relationships
No assessment of future work pipeline	Analysis of firm's major clients, with tailored action plans for each one
BD function does not focus on individual clients	BD team is closely involved with key account management
No, or informal, client reviews	Formal client reviews on an ongoing basis

Source: Designing a Key Relationship Program: Building Strong Client Relationships

¹ Law Firm Business Development Opportunity Zone Study
bticonsulting.com/how-to-grow-your-law-firm/

LAW FIRMS LAG BEHIND OTHER PROFESSIONS

If your firm doesn't have a KRP, you're not alone, according to results of a global survey of key relationship programs² in professional services.

Conducted by Wheeler Associates in September 2014, the survey asked if firms had a formal KRP in place – with “formal” meaning a documented program with responsibilities, deliverables and timescales – and 59 percent said they did; 41 percent of respondents reported their firms did not have a relationship program in place.

Kevin Wheeler, a former law firm CMO and a longtime consultant to professional services of all types, suggests these figures may be optimistic. “There is a tendency for marketing personnel to overreport their business development activities, and definitions of what constitutes a relationship program are elastic.”

The research reveals how far behind the legal industry lags in KRPs, especially if firms overstated their efforts. This means firms looking to better retain clients can leverage the KRP concept to quickly get ahead of the competition. KRPs can help firms address client-retention issues and simultaneously propel them to leaders in the legal industry.

The research also showed that US law firms accounted for the majority of the lag and are less likely, in general, to have KRPs. For US law firms, the elasticity of the definition of a KRP is described by Doug Johnson, a professional services consultant with Catapult Growth Partners and chairman of the leading professional services BD event, Gro-Pro.

“When you kick the tires on most law firm programs, you find little more than a list of client names with a team of people who work on the client's business,” he explains. “There is often no written account plan, no team meeting; the analysis on the strength of the client relationship or their needs is not known and there are no plans to investigate them.”

Part of the reason involves law business development personnel.

“Many law firms have copied the nomenclature of the accounting and consulting firms without changing what the people do or the nature of the talent,” he adds. “In a major accounting or consulting firm, a business development manager will either be an outright salesman with client contact and sales targets or be someone who is credible enough to mobilize and manage client teams. In most law firms, the BD manager or director generally has a communications background and is often found in a sales support role, for example, churning out RFPs.”

The trend of declining client loyalty means clients are holding law firms to a higher standard today. Proactive firms with relationship management plans in place are fostering client loyalty while avoiding the high costs associated with client attrition. With clients and revenue on the line, your relationship with clients matters. Law firms can't afford not to adapt.

ABOUT THE AUTHOR

Robert Pay has led the BD function at a number of professional services functions; has implemented key relationship programs in law firms, accounting and consulting businesses. He is the author of *Designing a Key Relationship Program: Building Strong Client Relationships, 2015*, published by Ark Group. tinyurl.com/o3glhu2

² Key Account Management in the Professional Services Sector: wheelerassociates.co.uk/knowledge_bank

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Want to learn more around how some firms are navigating through the new business development landscape? Download “[Reinventing the Law Firm Business Model](#),” authored by Ian Turvill, CMO of Freeborn & Peters.

