It’s the Client, Stupid: How to Avoid Marketing Malpractice with Large Key Clients

By William J. Flannery, Jr., JD

The bad news is that most law firms are marketing to the wrong people. The good news is that the solution is so simple that it was best stated by my dentist, George Olds: "Floss only those teeth you want to keep". If the link between dentistry and marketing is not immediately apparent, the moral is this: if you take care of what you have, you can avoid painful, expensive replacement procedures.

In most law firms, 20 percent of the clients produce 80 percent of the revenue. Yet they typically receive a minuscule portion of the firm's marketing attention. Client retention is regarded as something outside the boundaries of marketing, and as only a minor factor in compensation. But increased competition, eroding client loyalty, "partnering" and a slew of other factors have made that an increasingly suicidal equation. Willie Sutton may not be a proper role model, but he knew where the money was. Law firms, on the other hand, seem compelled to focus their limited marketing time and resources on where the money isn't -- dispatching hit teams all over the place to give new business pitches to prospective clients most of which will not pan out. To be sure, natural attrition and other factors mandate that a firm keep looking for opportunities with new clients. But it's far more important to retain current clients. This is difficult for most firms to comprehend; that is, until a major client defects -- or fades away. Then they realize not only how much of their revenue the client represented, but also the incredible amount of additional time and resources must be devoted just to try to get back to where they were in revenues.

Why do firms lose these clients? Formal surveys point to how the client was treated by various members of the firm, i.e., poor service or neglect. Most well-established client relationships can sustain a litigation loss or a matter that exceeded the client's perception of cost; but not poor service in the form of missed client deadlines, phone calls not returned promptly and other acts of marketing negligence. Often, the loss of a client is due not to a single catastrophic event but to a cumulative series of "little murders" committed by partners. If clients do look for new outside counsel because of mismanaged relationships or neglect, then survival demands a strong key client relationship management program. The immediate and long-term mission of the program is client retention. Managing partners should ask the following questions:

- Does the firm have client relationship managers in place for each of our key clients?
- Is there a well-defined team in place that services each of these key clients?
- Does the team meet frequently to develop client retention or business development strategies?
- Is there a written plan in place for each key client that defines how the firm plans to retain and service the client?
- Do we conduct client opinion surveys of our key clients to get feedback on how our firm is performing?
- Is the client relationship manager accountable to the firm for increasing the client's satisfaction with our firm?

- Does the firm track -- by practice areas and potential practice areas -- opportunities for these clients?
- Does the firm hold internal review meetings to determine if the client managers and the teams are meeting the firm's objectives for these clients?

If the answer is "no" to most of these questions, then there is the chance that the key clients of the firm are not being well-managed and these clients are susceptible to competitive overtures. Leaving these key client relationships unmanaged is likely to result in client defections, either partial or complete, especially if competition is actively marketing to your key clients.

The single biggest threat to your firm's business is other law firms in your region, national firms and in large U.S. cities, the foreign-based law firms. However, competition for these large key clients may come from sources other than law firms. Contract lawyers hired as temporary in-house counsel may be, and frequently are, less expensive than outside law firms. Newly created research factories that turn out opinions on various legal issues may replace work traditionally done by your firm's associates. The client may elect to keep the work in-house. Frequently, the client may create a new position--tax manager; in-house human resources manager; or environmental consultant--that reduces the outside law firm's opportunity.

Another trend that may also cause a firm to lose business is the move by clients to consolidate to fewer outside law firms. This trend is reflected in the recent rash of RFPs (Request For Proposals) and beauty contests where the incumbent firms are being asked to rebid the relationship and a formal bidding process is used. The consolidation to fewer outside firms increases the client's needs to rely on more lawyers of the firm and should be viewed as an opportunity to create a client-focused team. These new "partnering" relationships are consistent with corporate America's trend toward downsizing and consolidating to fewer, more preferred suppliers, a benefit of the work of Dr. Edward Deming and TQM in the 1980s. The firm will need hard facts to understand these trends, the potential client defections and competitive exposures.

How to Analyze Key Client Relationships

The best way to begin the analysis is to create a computer spreadsheet of the top 150 clients on one axis and use the practice areas of the firm as the categories on the other coordinate. In each cell, show the revenue for clients by entering the fees collected yearly. This simple and powerful report shows which practice areas the client has been using, the overall fees collected annually, practice areas not utilized at all and finally, the variations year-to-year in revenue by practice area.

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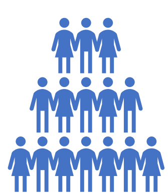
Annual Revenue History
in $000

Client	Real Estate	Corp. Securities	Employ.	Environ.	Litigation	T&E Planning	Tax	TOTAL	Opportunity $$	Market Share
Logic Solutions, Inc.	4	18	180		210		15	427		
ABC Manufacturing	75	17	35	22	87		99	335		
Strategic Systems	99	94			69		29	291		
ZEO Computers	10	13	35	44		45	66	213		
Lawn Games, Inc.					100			100		
First United Bank			2					2		
Total	188	142	252	66	466	45	209	1,368		

To further refine this spreadsheet, it may be necessary to include more detail. An analysis of the client's organization is helpful. For example, the client may have in-house lawyers assigned to product divisions or geographic locations. Each division or location may have broad-ranging legal needs. The spreadsheet analysis may have to include both the overall company and each division. Also, practice areas of the firm may overlap as a real estate transaction may also involve environmental issues. Start with a simple system and move to the more complex later. By analyzing the various practice areas' revenues or lack of revenues, you may be able to pinpoint a potential client relationship problem. Once this information is collected and analyzed, it should be circulated to the designated client relationship manager. Ask the client manager a series of probing questions to understand why and where the revenues are coming from.



Who Are These Client Relationship Managers (CRM) and How Are They Selected?

The CRM selection process will need to be clear, open and carefully defined by firm's management to avoid the appearance of favoritism or politics. It is important that the client manager's role be one of an ombudsman and not an owner of the client. Select the person who will get best results for the client and the firm. Simply, that means taking the high road: Who will "play" best with the client? Who do they trust? Who at the firm makes them feel secure that their best interests are being looked after? In most firms, this process has a strong political content and even in the 90s lawyers continue to guard their clients jealously and may avoid exposing their clients to this approach. However, the alternative is to leave key client relationships unmanaged and, thus, fail to focus the firm's marketing resources on the retention of key clients of the firm. Client retention is typically undermanaged or overlooked in most firms.

Role of the Client Relationship Manager (CRM)

The goals of the Client Relationship Manager are to increase the client's satisfaction with the law firm, expand or retain the business that the firm does with the client and eventually increase profitability. In short, make an effort to develop the relationship between the firm and the client's organization. Although these relationships are typically built from a singular contact, the most profitable and enduring client relationships result from a complete network of contacts that yield business and opportunities for both the firm and the client's organization. The time the CRM spends as a CRM is typically non-billable. A business case for the investment of non-billable time can be made based on increased profitability due to key client retention.

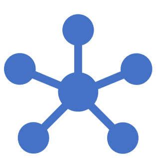
The CRM should constantly focus the team on its goals, provide new vision and direction when the client shifts its strategy or responds to market forces. The CRM should motivate the team with positive feedback, keep goals and tasks relevant, select appropriate new team members, establish a sense of urgency and present new information. Most importantly, the CRM needs to maintain credibility with the client and the team by doing real legal work. The CRM should be accountable in a formal way to the firm for the overall state of the relationship. The client relationship manager and the team should be responsible for forecasting potential revenue to ensure that the firm identifies the resources that are needed to meet the client's demands. Typically, sophisticated clients have done these same economic projections in the form of in-house legal budgets. In many firms, the CRM assists the client in preparing annual legal budget projections. The CRM needs to understand the client's business well enough to assist in identifying legal strategies and how to integrate legal services into the business to help in the budgeting process.

The CRM should serve as the focal point as both the client and the firm identify the appropriate lawyers and support staff required to increase the client's satisfaction with the firm. As team leader, the CRM should serve as a coach to team members. Some other duties of a CRM are to: identify the best team members to work on specific client projects; identify and strengthen team member skills; manage the client-focused team's relationship with outsiders and create opportunities for other members of the firm. The CRM should work with the team to develop pricing and alternative billing strategies for these key clients.

The CRM should work with the team members and firm management to develop relevant reward and recognition systems for the team members. What gets compensated gets done. The obvious benchmark of a successful CRM is when the client and the members of the firm's client-focused team meet and plan jointly for the upcoming year. This joint planning approach significantly reduces the adversarial tensions that can arise in relationships between inside and outside counsel.

Selecting Team Members for the Client-Focused Teams

First and foremost, the team members will need to be selected on the basis of the legal skills the client needs or will need. A willingness to be a team player is another asset. Experience has shown that the way we work as lawyers, "monks in a cloister," gives us little in the way of team experience. Our achievements, both academic and in practice, contribute to the Lone Ranger Syndrome, a tendency to become self-contained and unwilling to seek outside advice. We are good, however, at working in teams on a specific billable project for the client. The CRM should select those team members who are willing to spend non-billable time in internal firm meetings focused on building more profitable client relationships. The team members will need to learn team building, as well as client development skills and must make time available to devote to client development. The CRM should select team members who are motivated to learn about the client's business and industry.



The Role of the Client-Focused Team Members

The major mission of team members is to execute the client-focused development plan that the team creates. The client-focused development plan should focus on increasing the client's satisfaction with the firm, increasing revenue and profitability and expanding or protecting the existing relationship. Clearly, a common firm-wide planning methodology must be agreed upon as the client-focused teams shift in size and composition depending on the needs of the client. Without a common planning methodology, team meetings deteriorate into "who do you know" discussions and the ability for lawyers to move effortlessly from team to team is difficult. The planning task appeals to most lawyers; planning is what lawyers like to do most. In the early stages of executing a plan, the team members need to collect information about the client's business strategies and legal needs. In addition, team members should help the team identify competitive threats. Many firms do not sense the competitive threat and very often do not track competitive activity.

A client-focused team member's knowledge of what, how much, how often and why your clients are buying from other service providers is critical to the team's strategy. This information should be gathered in face-to-face meetings with client decision makers and the information shared with the team members. The face-to-face time with clients is the most useful element in execution of a plan, not the endless cycle of redrafting the internal written plan. If team members are reluctant to gather this information and to meet face-to-face periodically to share ideas and information, then the CRM needs to determine if they are meeting their team's contract.

Who Else Is Doing This Client-Focused Teams Thing?

Is this idea a radical notion or an old idea revisited? Who else is using this CRM and client-focused team approach? This approach is perhaps a throw-back to what partners and firms did in the first fifty years of this century to build both a firm's reputation and client relationships. The idea that a CRM is the firm's ambassador or account manager is not unique to industry or professional services organizations. Many large sales and service organizations--IBM, Xerox, airlines, financial institutions, accounting firms, advertising firms and a small number of law firms--have had account managers. The account manager, NAM (National Account Manager) or LAM (Large Account Manager) are currently being used with great success in accounting and consulting firms. Clients look upon these account managers as their resource. They assist clients in finding new and more profitable ways to manage their business. Most of the industry and accounting firms have formal training programs for these Large Account Managers.

Clients do not share the same feelings. Client acceptance of the accounting firm CRM has been so great that many businesses have allowed the accounting firm's CRM to work out of an office at the client's location. The on-site accounting account manager is not a fad but rather a clear strategy to seamlessly integrate accounting services into the client's business strategies. There is strong cynical feeling among lawyers that these account managers are in place to exploit the client rather than help the client manage their accounting service needs. Do an informal survey of your key clients to determine which outside service providers have offices on their property. This a good indication of the trust that clients' have in accountants, consultants and outside vendors. Most law firms are not currently organized in client or industry teams. Most are grouped by practice or by area of specialty. Exceptions are high-tech teams, health care, financial institutions, etc. Even these teams typically do not have all the lawyers that the client might need (real estate, employment, ERISA, trust and estates) on the team. The practice groups in firms have been functional work groups whose mission is to produce a work product, not manage the overall client-firm relationship. Without the benefit of client-focused teams, the client can drift from practice group to practice group like refugees seeking help from the firm's various independent "lawyer-states." Another impediment to creating teams is the knee jerk response when revenue goes down. Firm management responds by cutting internal firm operating costs and sending partners the "get your hours up" letter. As a firm's revenue picture becomes darker, the partners respond by client-hoarding and avoiding teams which has the effect of accelerating the downward revenue spiral and reducing opportunity.

Several firms varying in size from 12 lawyers to 700 lawyers are beginning to show signs of moving from soft marketing (brochures, newsletters, speeches and entertainment) to client-focused teams. One senior New York litigator characterized his firm's past efforts as "sissy marketing," a timid approach to marketing that fits partners' unwillingness to embark on anything other than traditional or soft marketing. It has been suggested by some managing partners that their firm's culture may not be consistent with the new team approach and the concept of selecting client managers may create internal firm competition for clients. Just the opposite should occur; cooperation and coordination is more likely to be the product of a well-managed team effort. Internal firm "food fights" over client control are occurring now in many firms without a clearly defined CRM or client-focused team approach. Several of these internal firm discussions have spilled over into the client's offices with disastrous effects. Who in the firm owns the client is the wrong discussion. The continued debate over what is right for the firm's culture is an internal focus that overlooks the external competitive threats and what is best for the client. Who can imagine a client that is not interested in a well-coordinated outside law firm's team which is clearly focused on their success in achieving their corporate and organizational objectives.

How To Get Started

Select a small group of clients where the client manager is an obvious non-threatening or political choice. Produce the spreadsheet report of practice areas and revenue, then call the first team meeting. To ensure success, have an agenda and a meeting start and stop time, a rarity in most firms today. Explain the mission of the CRM and the roles of the team to the meeting participants. Decide at this first meeting when to convene the planning session that will focus on the client. Give each team member background information on the client so the planning process will be effective. Create a computer database to collect and store information that comes from these internal and external client meetings. Report back to the firm's management the results of the first internal firm meeting and then get started on implementing the client-focused team approach. Experience has shown that an aggressive schedule involves 10 to 12 client-focused teams with a CRM and a plan in place within 12 months of inception. This team approach will be consistent with the client's view, a more competitive response in the marketing effort and create greater profitability for both the client and the firm.