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CLIENT AUDITS ARE MORE ESSENTIAL THAN EVER

It is generally recognized that clients are taking a more critical look at the law firms they use and are demanding lower fees, better service, more value and greater understanding of their business and operations. Yet client decision-makers continue to complain that only a small percentage of firms ask for feedback on their work and service – nor do they attempt to understand their clients' operations and business plans. As a result, a growing number clients are either changing firms or retaining other firms to handle some of their work.

In today's legal environment, the most essential and productive marketing tool a firm can employ is the implementation of in-depth client audits. These audits produce some of the most valuable marketing intelligence a firm can obtain to remain competitive and solvent, particularly during bad economic times. For example, audits may reveal:

- ∞ Positive feedback about the firm, its work and the attorneys and staff
- ∞ Dissatisfaction with the work, service, attorneys, staff, communications, fees or billing
- ∞ Important issues and developments in clients' operations and industries
- ∞ Clients' strategic goals and their business plans to achieve them
- ∞ Clients' awareness, or lack of awareness, of the firm's capabilities in certain areas
- ∞ Competitive intelligence: other firms clients use, the services they provide and how clients rate each firm.
- ∞ Potential opportunities for additional service and counsel to each client.

Furthermore, a sincere, comprehensive audit demonstrates the firm's commitment to the client and strengthens the relationship. In some cases where there is serious dissatisfaction, it can even result in the client's changing its intention to replace the firm.

There are several approaches to undertaking client audits. Some are conducted by the managing partner. Other firms rely on the responsible partner, the CMO or business development person to conduct them. But a growing number of firms are now using third-party professionals to conduct these sensitive interviews – the approach that was initially taken when the idea of client audits was first introduced years ago. There are several reasons for this:

- ∞ Clients are more candid and open with someone who is not part of the firm.
- ∞ Few partners or CMOs are experienced or comfortable in conducting these audits.
- ∞ Hiring a full-time client interviewer increases firm overhead.
- ∞ The true cost of using a third party is less than the Dollar Value of Non-Billable Time (DVNBT) a partner must spend to prepare for and conduct audits.

We introduced client audits to the legal profession 30 years ago and have since conducted hundreds of them. Here is a sampling of clients' comments from our reports:

“We always have been pleased with (Responsible Partner). In fact, he has become our most trusted business advisor.”

“We have always been pleased with their corporate lawyers. However, we do not feel they have the strength in litigation that (name of firm) has which is why we have continued to use that firm.”

“We will continue to use the firm for all areas except Employment Law. None of the lawyers they have in that area are competent.”

“They are an excellent firm. We have always been delighted with them. However, we have concerns about (Responsible Partner) and his ability to continue serving us and overseeing all our work. He’s starting to miss things and doesn’t appear to be developing any younger partners to succeed him. This concerns us.”

“I understand we have been their second largest client for the past couple of years. We agreed to meet with you today although we stopped sending any new work to the firm several months ago – and none of the partners we worked with has yet noticed that and called us to ask what’s going on.”

“The firm needs to address succession planning. I [the GC] will be retiring within a few years and the firm must pay more attention to the Assistant Counsels, one of whom will be selected to succeed me.”

“The biggest reason we like (Responsible Partner) is because she has put together a top-flight team from several practice areas.”

“They are excellent lawyers but their rates are ridiculous and their bills have many errors. Several times we have asked them about different fee arrangements but they have done nothing.”

Once each audit has been completed and reviewed by the firm, it is important that the firm respond and demonstrate that it has listened to the client. This may involve proposing a different fee structure for at least some of the work, developing a client team if none existed or changing some of the attorneys who work with the client.

The recession has made more firms aware of the importance of client audits. However, firms that have been regularly utilizing this tool for years will tell you that this is not a strategy to be employed only in a down economy. These firms recognize that audits are more essential than ever to retain good clients and both strengthen and expand the relationship with them.

Robert Denney Associates Inc. has provided strategic management and marketing counsel to law firms throughout the United States and parts of Canada for over 35 years. Reports and discussions of other timely issues are posted on our web site, www.robertdenney.com.

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