

Legal Marketing Spend Is Up - So Is Client Dissatisfaction. Now What?

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Everywhere you see “legal profession” ... think valuation profession.

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Competition for corporate legal work is keen. Law firms vie with each other for a shrinking segment of outsourced legal work. Corporate legal departments and a growing array of well capitalized, tech and process savvy service providers now account for an almost 50% of legal spend. It's not surprising, then, that law firms are stepping up investment in marketing and business development activities. Will this narrow the growing delta between rising demand for legal services and declining call for law firms? Short answer: not unless law firms address the myriad of reasons for client dissatisfaction as well as differentiate themselves.

A joint study conducted by the Legal Marketing Association (LMA) and Bloomberg Law found that more than two-thirds of attorneys and business development professionals agree their firm is increasing its emphasis on marketing and business development—only 6% disagree. Nearly half of those surveyed report their marketing budgets will increase more than 10% over the next two years, even as firms continue to engage in belt synching to prop up profit-per-partner (PPP).

The primary reasons firms cited for expanding marketing budgets relate to internal pressure to generate revenue, law firm convergence-fewer outside firms used by clients, and keeping pace with other firms that are hiking marketing spend. But jacking up marketing and sales spend will only yield a positive return on investment for firms if they: (1) tackle client dissatisfaction; and (2) differentiate themselves. These will be the linchpins of success.

'What We've Got Here Is Failure To Communicate'

A recent study of the British legal market commissioned by LexisNexis and Judge Business School at Cambridge University contains a stark finding: 'There is unambiguous evidence of a significant and persistent disconnect between law firms and their clients.' The disconnect has resulted in a steady migration of work from firms to corporate legal departments as well as a growing client receptivity to service providers and other non-traditional sources for legal services.

Rod Burkert 6 27 10:36 AM

Comment [1]: Anyone doubt this?

Rod Burkert 7 27 9:37 AM

Comment [2]: Sounds like our “big data” valuation options, e.g., BizEquity.com.

Rod Burkert 6 27 10:38 AM

Comment [3]: The AICPA, ASA, and NACVA won't do this for us. We have to do it for ourselves.

Rod Burkert 6 27 10:37 AM

Comment [4]: Again, the DIY valuation websites.

The LexisNexis survey cites three persistent causes of the client/firm disconnect: (1) clients want *solutions* and law firms offer advice; (2) law firms strive for perfection while clients generally want a 'good enough' basis to solve a problem - this varies with the value a client assigns to a matter; and (3) law firms fail to provide cost and time predictability—they have not invested in project and process management capability that is common among their clients (and, more recently, in-house legal departments).

The divide between clients and firms is more profound than firm delivery and pricing deficiencies; it also involves a knowledge gap. A stunning 40% of clients in the LexisNexis survey noted that *senior partners* of their law firms lacked more than a basic knowledge of their businesses. No wonder there is convergence and a willingness to look beyond incumbent firms. Add to that client dissatisfaction with firm cost, incremental delivery improvement, and law firms' failure to take an enterprise approach to client matters rather than a transactional one, and you've got quite a list of client gripes. The consequences are starting to become noticeable. It's not just a buyer's market - it's also one where buyers are not satisfied by what most law firms are selling. And clients are voting with their feet.

The Law Firm Herd Mentality

Law firms have a herd mentality in an age where differentiation and customer satisfaction is paramount. Take for example Cravath's announcement last year that it was raising associate salaries. The timing was curious since clients were already in open rebellion about excessive law firm bills and fees. Cravath could get away with the pay hike because it is one of about twenty brand-differentiated firms that work on high-value matters where legal fees are inconsequential (read: they can afford it and they really are separated from the herd). But that did not stop about one hundred other large firms from quickly matching—or exceeding—the Cravath benchmark.

And so it is with marketing budgets—many firms are substantially upping them because 'other firms are doing it.' But what exactly are firms marketing? *What's the message and how is it really different from a raft of other firms?* If you look at a random sampling of large law firm websites you will see common language—'we partner with our clients;' 'we are value driven;' 'we have assembled top talent that handle some of the most complex matters;' and so on. What's conspicuously absent is any evidence of differentiation—as to expertise, results, efficient use of technology, process/project management, client service, knowledge of clients' businesses, fee flexibility, etc. Also absent is reference to customer satisfaction and data to back it up. Most firms believe they provide outstanding service. The 2015 LexisNexis Bellweather Report highlighted another perception gap between firms and clients - 80% of lawyers responded they're good at client service while only 40% of clients said they received good service from their lawyers.

Rod Burkert 6 27 10:40 AM

Comment [5]: We provide a valuation report and don't offer any follow-up on what to do with it.

Rod Burkert 6 27 10:42 AM

Comment [6]: We calculate cost of capital to the tenth or even hundredth of a decimal point.

Rod Burkert 6 27 10:43 AM

Comment [7]: A problem with the billable hour – there is no incentive to be efficient.

Rod Burkert 6 27 10:45 AM

Comment [8]: If we don't have an industry specialty we lack depth. How many of us read industry journals to stay on top of trends?

Rod Burkert 7 27 9:36 AM

Comment [9]: We offer one product, a report, sold 3 different ways (Detailed Report, Summary Report, Calculation Report). What can we come up with that no one else is doing – because no one else is doing it!

Rod Burkert 6 27 10:47 AM

Comment [10]: Remember this when we start working on websites.

Rod Burkert 6 27 10:49 AM

Comment [11]: Do you request feedback from the client after a valuation engagement?

Differentiation Requires Soul Searching

Most large firms are undifferentiated. Many engage in the same practice areas; have offices in similar locations around the country or around the globe; have comparable salaries and billing quotas; and have grown through mergers/acquisitions and lack integrated IT systems and cultures. Generally, each firm has one or two departments (practice areas) upon which its reputation is staked and a couple of 'superstar' lawyers. For a long time, firms sustained themselves by relationships with particular clients. That still exists, of course, but only so long as results are delivered. That's why clients, like partners, are peripatetic as never before. Clients are demanding value and efficiency—two outputs the traditional law firm partnership model was not constructed to produce.

Which brings us to that long, hard look in the mirror firms would be wise to take. The question they should ask themselves is: 'What is it that makes our firm distinct from others, and what services, products, and processes do we offer that cannot be obtained from other sources providing a comparable level of service, results, customer satisfaction, consistency, and value?' The days of large firms being all things to all clients in all geographies are over.

One of the legal marketplace's many ironies is that so many firms have joined the 'bigger is better' stampede when, in fact, clients want a more specialized, agile, integrated, and process driven legal service provider that excels at what it does and produces consistent, measurable, efficient, and effective business solutions. This is not to say there is not a place for a firm that is bigger *and* addresses the client concerns exposed by LexisNexis and a slew of other surveys. Of course there is. That is difficult to achieve, however, by a patchwork of acquisitions unaccompanied by integration of technologies, culture, and a slew of other client centric capabilities. To be effective—differentiated—scaled legal providers must have expertise across geographies; integrated IT platforms; the ability to service clients on an enterprise basis; and operate as an extension of the client's internal as well as outsourced resources. That's a rarified version of 'bigger is better' that most large law firms bear little resemblance to.

Conclusion

Law firms are smart to increase marketing and business development budgets. That investment should start with a frank assessment of how the firm identifies itself in the marketplace and how—if at all—it is differentiated from its peer group. That assessment should be shared with clients and the broader marketplace to prevent a perception gap. There's little to market if firms don't confront the causes of client dissatisfaction and demonstrate a commitment to rectify them. That's the most effective marketing of all.



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Rod Burkert 6 27 10:50 AM

Comment [12]: One of my first newsletters was about what you can do to make it easier for clients to work with you.

Rod Burkert 6 27 10:50 AM

Comment [13]: To me, this is the most important paragraph of the whole article.

Rod Burkert 6 27 10:53 AM

Comment [14]: Here is a potential selling point: you're not small ... you're agile and process driven, which allows you to produce consistent, measurable, efficient, and effective valuation solutions!!!