

Clients and the Value Proposition

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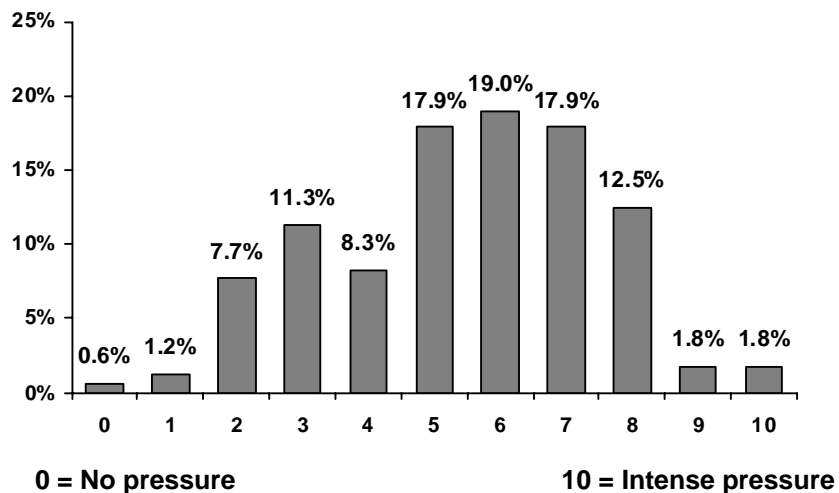
In the current highly competitive legal market, law firms need to dramatically improve their alignment with client needs, both strategically and operationally. They must find ways to elevate their 'client value proposition' — i.e., the value they deliver to clients. This is critical to create 'lock-in' with clients, increase loyalty, and ensure future business.

For 13 years, Altman Weil has conducted an annual **Chief Legal Officer Survey** (www.altmanweil.com/CLO2012). In 2012, 204 Chief Legal Officers (CLOs) and General Counsel participated. Each year there are important pieces of intelligence for law firms in the survey, including some insights on the law firm-client relationship.

In the 2012 survey, CLOs were asked how much pressure corporations are really putting on law firms to change their value proposition (as opposed to simply cutting costs).

The median response was a mid-range six on a scale of 0 to 10, with a lot of variation emphasizing that all clients simply do not think alike.

Pressure from Clients to Change the Value Proposition



Some of your clients will happily equate value with an offer of hourly discounts, while others are looking for a more innovative approach to value that might include alternative fee arrangements or project management initiatives.

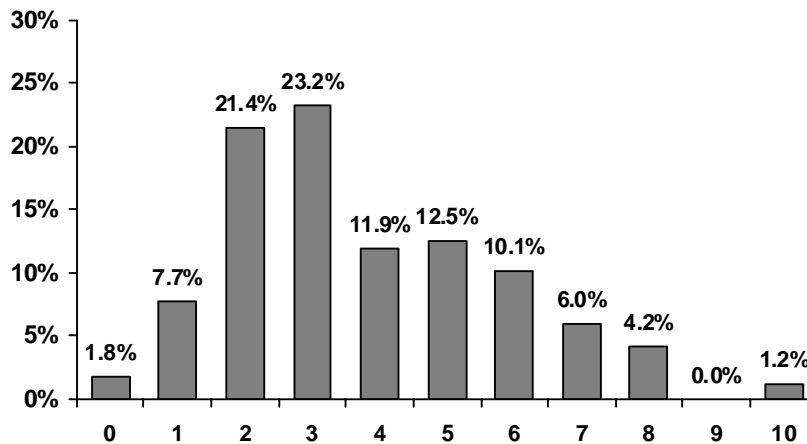
We often hear from law firms that they think their clients are increasingly less loyal, but we're not sure this is necessarily correct. Many clients simply want more. They want innovation, or efficiency, or other improvements, and unfortunately many law firms aren't delivering fast enough.

If you define client loyalty as a willingness to stick with your firm *no matter what*, you will be disappointed. Clients want to see new and different ways for law firms to provide services, to be more efficient and to be more productive.

The Survey also asked CLOs how serious they think law firms are about changing their legal service delivery model to offer greater value (as opposed to simply cutting costs).

Their answer was 'not very serious.' The median response to this question was three on the 0 to 10 scale.

Law Firms' Seriousness about Changing the Service Delivery Model



0 = Not at all serious

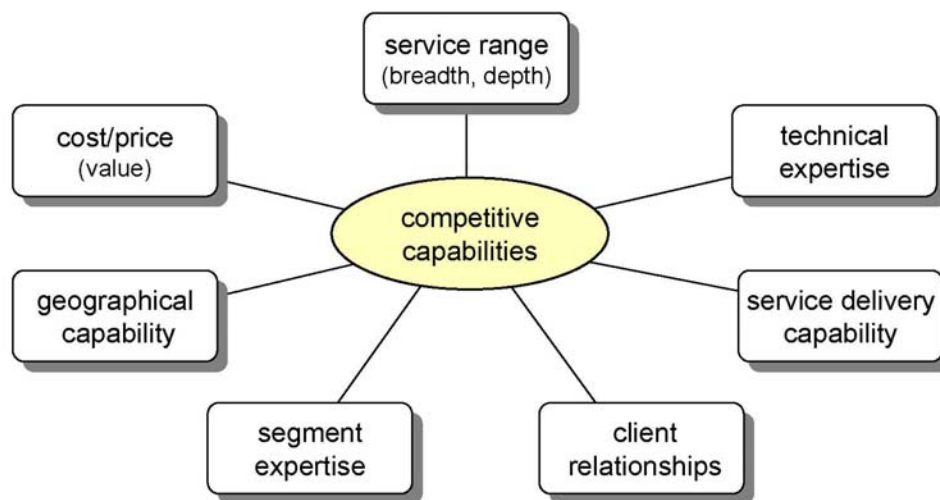
10 = Doing everything they can

This is striking and it demonstrates to us a pretty big misalignment of interests between clients and law firms. However, it also highlights a huge opportunity for law firms that are willing and able to take a leadership role with their clients. There is ample room for improvement.

Many firms have only one idea about value: *discounts*. But firms that only offer discounts, rather than asking how they can collaborate with clients, ultimately erode their value perception. If discounts are the only answer your firm can come up with, then you are in serious trouble. This is why establishing and defining your firm's value - and the unique value you offer each of your clients - is so essential.

Law firms can take the lead with clients on defining value using the Altman Weil Law Firm Differentiators Chart.

Altman Weil Law Firm Differentiators Chart



This chart shows the seven basic areas in which law firms can differentiate themselves, specifically in terms of their value proposition. It is relevant not only at the firm level, but at the practice level, and industry group level as well. It is the perfect strategic/tactical planning diagram to begin to determine what your clients want and what they appreciate most.

We can't emphasize enough that clients are not monolithic in what they want and need from law firms. Each will value different factors or combinations of factors. Their needs may change over time. Firms must be aware of that and stay in front of those changes. This makes it a little harder, but it is necessary to recognize these realities if you're going to deliver value to your client.

Although many firms have partnering models or client service templates, it is critical to understand that law firms cannot treat each client equally. It's a mistake for firms to come at their client base generically.

Talk with each of your key clients and ask them to help you understand what their value hierarchy is.

Law firm leaders should not leave this up to individual relationship partners who may be reluctant to do anything that might disrupt a client relationship. It is leadership's responsibility to educate the firm's lawyers on how to approach discussions with clients about value.

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Editor's Note

This article is a transcribed excerpt from ***Altman Weil Webinar: Client-Centric Law Firm Leadership*** presented by Tom Clay and Dan DiLucchio in December 2012. The webinar discussed the leadership imperative to innovate client management and set forth new approaches to strengthen client development and retention strategies. The program also included feedback from over 200 General Counsel in Altman Weil's *2012 Chief Legal Officer Survey*.

Learn more or purchase a CD recording of the webinar at www.altmanweil.com/ClientCentricLeadership.