

Five steps to create a winning client retention strategy

By Susan Van Dyke

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From the quality movement of the 70s to the customer satisfaction focus of the 80s, quality has long been a top priority for many businesses. But in the 90s, businesses began to learn that quality isn't enough to attract and retain clients. Now, delivering quality merely gets you in the door. The new focus is on client retention.

But doesn't customer/client satisfaction translate to retention? The answer is "not necessarily." To keep clients your focus must shift to the needs of the client. Over the past couple of decades, we've seen that satisfaction programs, which were developed in earnest, did not affect customer or client retention. Even very satisfied customers would purchase products and services from competitors. We see this regularly in legal services today. Clearly, satisfaction influences loyalty, but it is not the only driver.

So, how do we lock in client loyalty? Effective loyalty or client retention programs that are customized and benefit *the client* are uniquely appealing. Ten years ago Canadian law firms began offering free seminars to clients as part of a value-add service. Marketing professionals, myself included, would proudly initiate these events, believing that clients would view this as a special and valuable offering.

Now practically every firm is willing to host a client seminar without charge. But when there are too many equivalent client loyalty programs in place, their effectiveness is diluted. Seminars, newsletters, special occasion cards are no longer the ultimate solution in retention strategies because they're not customized or unique. In fact, they're now expected by clients (whether they value them or not). A side note: since these activities are now a cost of doing business, it's imperative they be executed with precision to maximize your return on investment. Anything less just adds to your overhead.

To have a positive effect on clients, client retention strategies must be customized and well executed. Effective customized strategies require a sound understanding of your client's needs and challenges, and a thoughtful approach to surpassing expectations. Realistically, no firm can design specific programs for each client, and nor should you. But you can do a lot to ensure that your programs are unique. This brings us to our first of five steps in designing your own client retention program:

STEP 1: Select your best bets

Before we even begin to consider client retention, we need to go through – yes, I know it may seem unpleasant – a client selection process. In doing so, we’re not rejecting clients; we’re simply identifying our best bets to zero in on. Not all clients are equally profitable, and focusing on the wrong ones will be costly in expended effort, as well as in terms of missed opportunities with your best bets.

Remember, revenue is based on profit, not billing volume. So assuming that improved retention of just any group of clients will increase profit is quite incorrect. Not all clients are profitable; some may even be draining profits. Profitability does not follow Pareto’s Principle that “80 per cent of *revenues* [billings] come from 20 per cent of customers.” While the 80/20 rule often applies to billings (revenue), profits are skewed differently.

You must consider which practice areas are most profitable (billings minus costs). List the largest clients in this area. Now you’re getting close. Look at, say, your top 20 clients in your most profitable practice areas. Eliminate any clients who are unlikely to bring you sustainable work, required a significant write off of billings, rose to the top of your list because of one significant matter, have difficulty paying their bills or who were acquired or dissolved. None of these clients are good best-bet contenders.

In rounding out your best-bet list, also consider adding motivated clients who bring you work in your most profitable practice areas, but may be further down your list of clients. And if you have capacity to focus on more clients, simply increase your list to the top 50 and go from there.

Ensure that each client you select has either regular healthy billings or growth potential.

STEP 2: Do your homework

The most current research indicates that one of the top priorities of clients today is that you understand their business. Clients want you to know them. In this way, you will be better able to navigate and avoid legal issues for your clients while demonstrating your interest in and commitment to their industry or field. Specialists are valued for their perspective and focused expertise. Clients assume that you understand the legal intricacies of their industry, but they should also know that you understand their challenges, industry nuances and any political influences that exist.

Create client binders with information on company executives, board of directors, company promotional material, annual report, list of recent projects, news clippings, a list of competitors, and acknowledged challenges. Ask your client for background information they deem relevant. In doing so, you will round out your research. As well, the client’s awareness of your genuine interest in understanding their business will be apparent.

As a trusted advisor, you might even obtain a copy of their business plan. Read it during non-billable time, understand it and keep it marked confidential. Share it with every lawyer who works on this client's matters. Try to attend their AGM or strategic planning sessions to drill deeper into their issues. In understanding their goals and tactical plans you will become more valuable to your client.

In fact, in studying the client's business, new opportunities could arise. In your review, note your findings and questions and meet with the client to discuss. Chances are good that you'll have identified new work and helped limit a client's exposure.

This step should now be included in your client retention best practices. It demonstrates your interest in the client and educates all lawyers working for this client. If your firm has the resources, a librarian, marketing professional or legal assistant can prepare this for you.

With long-term clients where it's conceivably assumed that you already have much of this information, it may not be up to date. You'll also want to have a binder available to refer to and pass along to partners or other lawyers to familiarize them with the top clients of the firm.

With a thorough understanding of the client's business in hand, you're ready for the next step.

For the complete story CBA members can access it at
www.cba.org/CBA_Wall_Login/login.aspx?TheURL=http://www.cba.org/cba/practicleink/cs/retention.aspx

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[Sidebar piece]

Four rules to keeping clients

By Susan Van Dyke

Rule #1: Don't neglect your clients.

One of the most common reasons a client leaves a firm is because of neglect -- not because the outcome of a dispute wasn't in their favour or their legal bill was too large, or their deal didn't close on deadline. They simply don't want to be forgotten or neglected. One caveat: one client's neglect is another client's harassment. Find out, specifically, how often a client wants to hear from you during and outside of active files.

Rule #2: Know your client's business

Become an expert in your client's business. Read industry publications – even just the headlines – and attend their events. Talk to as many people in the field as you can. Your interest will be apparent to your client and your insight will be more valuable.

Rule #3: Understand (and surpass!) their expectations.

Every client and client organization is different. When we assume that we understand their expectations, we risk losing the client in the long term. We don't truly know their expectation until we ask or they tell us. By understanding their unique needs and striving to surpass them, we give our clients no reason to look elsewhere for legal services.

Rule #4: Ask for feedback

Yes, this does need to be done at the risk of offending the partner who works with this client. To run a business effectively, you need to protect and manage its assets. One of your most important assets is your client base. Feedback should be collected by someone who doesn't work with the client. This is important. A third party will receive more candid feedback – even if he or she does not know every single detail of every single matter that the lawyer handled. As well, the recipient will be less defensive, and more likely to follow through on the needs of the client. The individual meeting with the client to discuss their feedback should first speak to the clients' lawyers for a briefing of the highs and lows of the relationship.

Self-evaluations are not helpful or particularly relevant and, when done in isolation of client comments, often lead to assumptions and incorrect conclusions. Really, the only opinion that counts is the client's.

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