Understanding Client Loyalty: It's All About Listening, Not Selling

By Lee H. Eisenstaedt

Client retention is the number one issue facing law firms today. Firms are trying to protect their most profitable clients from the pressures of new business challenges and various threats that weren't even on their radar screens two years ago. For example, larger competitors are going "down market" to find work, while industry concentration through mergers and acquisitions is making retaining clients even more difficult.

At the same time, clients continue to become more sophisticated and demanding. They can easily find lower-cost providers who also promise better service without sacrificing quality or taking on more risk. In today's business environment, these reasons are compelling for even the most loyal and/or smallest clients to review their current relationships with their law firms, as well as all of their other providers of professional services.

If firms are already doing client satisfaction surveys, then they are well-positioned to go to the next level: understanding the drivers of client retention. While many legal marketers may think the two are interchangeable, the two are very different. Client satisfaction involves measuring a client's experience versus its expectations. It is transaction-oriented. The drivers of client retention involve understanding why clients retain a firm in the first place and then elect to maintain that relationship over the long term. It is relationship-oriented.

Championing a client-listening process also offers marketing professionals a unique opportunity to increase their presence within a firm and demonstrate the value they add to it.

By implementing a voice of the client-listening process, legal marketers will gain insights and findings necessary to retain their firms' best clients. By incorporating these insights into their firms' marketing and business development campaigns and proposals, legal marketers will be able to separate their firms from the competition, accelerate their growth, improve their profitability and increase their partner compensation.

Championing a client-listening process also offers marketing professionals a unique opportunity to increase their presence within a firm and demonstrate the value they add to it. By being the advocates and leaders of the process, marketing professionals will be viewed as more strategic and less tactical in the contributions they make to growing the business. In turn, this will result in leaders of the firm more frequently seeking out their opinions and expertise.

A Simple Prescription

Improving client retention begins with listening to clients. Not selling them something, not entertaining them, not giving them something for nothing—just listening to them. The best approach is using a structured interview process that produces results within two to three months of implementation. It only requires one to two hours of time each year with each client and leads to insights that can improve the returns on all of a firm's business development and marketing campaigns.

Step 1 – Start small.

Select a key segment of a business—a strategic industry, service or geography—that a progressive leader who is open to new ideas currently leads. This has two benefits. First, a firm only needs to interview 15-25 clients to get the key findings and insights. Second, proving and fine-tuning the process in a segment of the business significantly increases the likelihood of success and rapid adoption across the firm.

Step 2 – Design a questionnaire.

Create a questionnaire, consisting of both qualitative, open-ended questions and quantitative questions, that together lead to understanding the strategic issues clients are facing. Find out what differentiates a firm from the competition, and what it can be doing differently to meet its clients' current, unmet and emerging needs.

Step 3 – Use third-party interviewers.

Clients often will give the most candid and direct responses to questions when people unrelated to the engagement ask them. The most important characteristics of a good interviewer are the experience and ability to ask the questions that should be asked. Interviewers can be partners; the heads of firm's finance, marketing and business development departments; or people from outside the firm. The latter are particularly credible and effective when they have firsthand experience as clients of professional services firms.

Step 4 – Arrange the interviews.

Before setting up an interview, the partner in charge of the relationship with the client should contact that client. Let the

client know about the program and that someone will be calling shortly to schedule the appointment.

Step 5 – Do your homework.

Before interviewers meet with a client, be sure they know how long the client has been with the firm, what services the client uses and if there are any issues of which interviewers need to be aware.

Step 6 – Conduct the interviews.

Two people should conduct the interviews, because everyone listens and hears things differently. It also further demonstrates to the client that this process is serious. The interviews should be limited to one hour and be conducted either in person or over the telephone. Again, listen and learn, but do not sell or defend.

This process will help firms realize one of the biggest, most tangible benefits: They will be able to identify opportunities with existing clients that they had not recognized previously. In my experience, one out of three interviews leads to identifying an engagement that would have otherwise been awarded to a competitor.

Step 7 – Identify themes and threads.

After completing all the interviews, a firm should review everything that the clients said, look for common themes and threads and identify the gaps between what clients said they need and what the firm thought they needed or were providing. Document these findings and share them broadly.

Step 8 – Turn insights into actions.

Developing an action plan and holding people accountable for implementing it is the most important step. How it is done is as unique as each firm's culture. A firm should be committed to acting on what it has learned from its clients. A firm shouldn't waste the goodwill it has earned over the years with its clients by not being responsive to their needs after asking the clients for their input.

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If a firm wants to retain its best clients, the ones who have high financial value, are less sensitive to fees, are most likely to buy multiple services and who are the best source of referrals, the firm needs to adopt new approaches to nurture client loyalty. Firms only need to look as far as their clients to learn what they can do to retain their business. Just remember three things to be successful: start small; listen don't sell; and be committed to turning insights into actions. ■

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