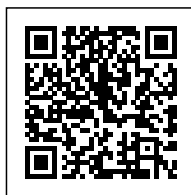


KNOWING THE CLIENT'S BUSINESS

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Law firms must continue to listen to their clients, focus on creativity and invest in getting to know specific business sectors, an audience of senior law firm marketers and communications professionals heard at a recent Iberian Lawyer debate

The debate, 'Has the crisis changed the relationship between law firms and their clients?' moderated by Rosana Rumschisky, Director of Communication and Marketing at Gómez-Acebo & Pombo, focused on the need for law firms to listen to better understand their clients needs at a time of increasing business and budgetary pressures. It began by assessing how the crisis has affected the work of company in-house legal departments.

'What has clearly changed is the type of work we are doing, and our own internal clients are asking us to do – M&A has dropped, but areas such as labour, litigation and restructuring have clearly increased,' said John Rigau, Vice-President of Legal at PepsiCo Europe.

'If a company doesn't have the requisite internal expertise to handle these types of issues it has to look outside. But our legal budgets have been reduced and we now have to do the same or more work with fewer resources.'

Los despachos deben continuar escuchando a sus clientes, centrándose en la creatividad e invirtiendo en el conocimiento de ciertos sectores específicos, según se pudo oír en un debate reciente de Iberian Lawyer entre personas provenientes del marketing y la comunicación de despachos. El debate titulado '¿Ha cambiado la crisis la relación entre clientes y despachos?' se centró en la necesidad de los despachos de escuchar a los clientes para entender sus necesidades en un momento en el que aumenta la competitividad y la presión presupuestaria.

For Silvia Madrid, Head of Legal for Spain and Portugal for The Royal Bank of Scotland (RBS), such developments have also impacted on the types of external lawyers clients now want to work with.

'The type of work has clearly changed, and this means we are looking for a new profile of external lawyer. Fees are an issue. Previously this may not have been the case but it certainly is now. Internally, people are now much more cost conscious and willing to question fees, and the result is a lot more billing disputes.' The challenge for law firms is to be more creative when it comes to billing and the fee models they use, believe some.



'There is a place for success fees, for example in big deals, and the reward for law firms must reflect the amount of effort put in. It is better to agree upfront a potential upside for the law firm rather than negotiating an increase in the original estimate,' said Javier San Román, Head of Legal at Bank of America Merrill Lynch in Spain.

The Bank has been asked in the past for substantial uplifts over the agreed budget after a deal has been closed and these can be difficult discussions to have.

'Law firms have to remember that although the in-house lawyer is their ultimate client, they also work for the business people at the company. Consequently, if a deal is done well then there will be a growing acceptance within both in-house counsel and the business people, and this can be leveraged on to achieve better results for everyone, even at a fees level.'

Trust

Marketers were keen to emphasise however that, when it comes to establishing alternative fee structures, very few firms now have a single billing model and that they are happy to explore the idea of rate caps, fixed fees and blended rates, among other methods. But of course it can work both ways. Law firms are much more receptive to demands for creativity from recurrent clients.

'What is important is that there is a relationship of confidence with the firm's clients. The legal market is very competitive, and firms are trying very hard to be flexible, but if cost is the only factor for a client then it can sometimes be difficult to be creative,' said one Marketing Manager at the Madrid office of a UK firm.

But for some types of work cost can be the deciding factor, in-house lawyers noted, because it is either volume work or can be commoditised, and may therefore be done by virtually any firm.

But indeed, for more complex and strategic deals and transactions, companies are moving towards establishing a smaller team of regular law firm advisers, or in some instances a fixed panel. Nonetheless, in-house lawyers note that there can be wide variations in the fee estimates offered even by such firms.

'We accept that 'estimates are just that and certain types of issues – litigation matters, for example – may be more complicated than anticipated and require more hours than expected. We therefore want much more fluid relationships and to discuss fees in advance. When it comes to billing, businesses do not like surprises,' said Silvia Madrid.

The initial quotes given by firms need to be realistic, agreed participants. A quote given by a law firm that is well below the market expectation does not instil confidence either in the quality that may be ultimately offered, or the firm's ability to foresee the potential issues that may arise.

'If you work closely with a firm they should be able to tell you that something unexpected has arisen. You need them to be ready and willing to update the fees incurred. Firms have to have respect for the client and also have to be understanding of the internal issues that in-house counsel need to liaise with in connection with managing legal spend,' said Javier San Román.

Issues often arise because of a lack of communication, agreed John Rigau. 'In selecting lawyers our in-house team looks at the ability and willingness of the law firm to build a relationship of trust. Communication is always better among the lawyers within the same legal department. What can be disappointing, and frustrating, is to get the feeling from a law firm that you are 'just' another client.'

Secondments are a useful way to build ties with firms, admit some. External lawyers must make an investment but they get to know the sector better – they can do the work in less time and more precisely.

'The Royal Bank of Scotland obtains valuable assistance from a local secondee, who is coordinated from Madrid, to manage the firm's Portuguese legal needs,' explained Silvia Madrid.

Finding law firms

Law firm brands can nonetheless help reinforce perceptions of capability, admit in-house lawyers, albeit many also accept that it is up to them to look beyond mere facades.

'Law firms 'brands are a combination of lawyers skills and the firm's wider reputation. Among big law firms, it infers a certain standard of quality, service and responsiveness. But when you are looking for more specialist skills, there is greater emphasis on internal colleagues own experiences,' said John Rigau.

Outside of familiar jurisdictions directories can offer guidance, say in-house lawyers, and again known brands may give comfort particularly in large and competitive markets. 'But in smaller markets there is often a focus on smaller firms, even very small firms, which nonetheless offer us the requisite expertise and comfort,' added Rigau.

In-house lawyers are though receptive to law firms efforts to market their distinct expertise and

capabilities. But this should always be done in a focused way, they say.

'I will go to events at law firms in which I have confidence. I am not a fan of conferences or seminars if these are poorly managed or do not keep to the allotted timing. However, I believe some seminars prove to be very useful to in-house counsel, especially if these are somehow tailored to the needs of a specific client or type of clients' said Javier San Román.

He also finds useful memorandum and guides prepared by different law firms on different topics, even if very basic. 'They help internal counsel to refresh such topics and may be a very valuable tool for future bankers reference – any time in-house counsel or bankers look at those, they will see the law firm logo on it: is there any better marketing tool than having your logo in the legal materials your clients use?'

Firms may put a lot of emphasis on client lunches, but breakfasts are often a more productive way of getting key messages across, believe many. But again, those firms that take the initiative in finding out about the client's own business are in the strongest position.

'Breakfasts can be a good opportunity to get to know people, and topics, but which are also relatively short and punctual. But I would still be more impressed by a lawyer who wanted to come to our office, and meet our team, rather than the other way round,' said Silvia Madrid.

Marketing material also has a place, participants agreed, but again it should be specific to the client's own needs and sector – it should help them do their job – which again comes down to understanding their day-to-day needs.

'What can be useful are training sessions, given by a law firm, to our lawyers at our offices. What we are looking for are insights into the hot issues, and yes, perhaps over a breakfast at the start of the day. I think this type of 'marketing' activity can present opportunities for law firms,' believes John Rigau.

Feedback

Clients admit though to having little opportunity to give their feedback about the services firms give them, and what there is tends to be informal. Among many firms there seems to be a reluctance to ask the difficult questions.

'I have seen very little activity by firms to get any type of formal feedback. But I think feedback is healthy, it is not simply a case of saying what went wrong or right. For in-house lawyers the feedback process is often part of our daily lives, we are very comfortable with it – often much more than the law firms own lawyers,' adds Rigau.

Satisfaction can also extend to the way firms invoice, noted others. Clients requirements are relatively simple: they want to know who did the work, what was done and for how long. 'We want to see the justification for what is being charged,' said Silvia Madrid.

Despite the growth of firms, and their best efforts to expand their practice depth, and to communicate this to clients, the 'one-size fits all' firm remains an enigma to many clients. On the contrary many still see the need to engage different law firms for different issues, and at different times.

'If firms want to build up meaningful relationships, they have to invest in us as much as we invest in them. We want them to know our business better, to be more specific in the advice and assistance they give us, to highlight potential risks, all of which helps us in managing our needs and costs better,' concluded John Rigau.

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