

# THREE IN FOUR CLIENTS CHANGE LEGAL ADVISER DUE TO SERVICE DISSATISFACTION

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## 44%

Proportion of in-house lawyers who said they had decided not to use a law firm because the senior lawyers has not taken much interest in them as a potential client

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## **Most businesses in Spain and Portugal have recently dropped at least one of their external legal advisers due to poor service or because they found a cheaper option**

Almost three-quarters of clients in Spain and Portugal have changed their external legal advisers in the last two years, according to new research by Iberian Lawyer.

A total of 72 per cent of participants in the study said they had switched law firms during the period, with the most common reason cited being dissatisfaction with the legal adviser's work (cited by 62 per cent). Of the in-house lawyers who said they had ceased a relationship with at least one law firm in the last two years, other common explanations included: finding another firm that could do the work more cheaply (45 per cent); the preferred lawyer(s) at the firm joined a different firm; the firm's client service had deteriorated (41 per cent).

Being highly responsive, having a business-oriented approach and having an in-depth understanding of clients' business are among the key considerations that influence businesses' choice of external legal advisers. The survey found that being able to demonstrate the ability to quickly respond to clients' needs was the most commonly cited factor in clients' selection of external law firms (73 per cent). The other key considerations are: a good understanding of the industry sector "in which we operate" (71 per cent); and an ability to "inspire confidence when I talk to them about the issue in question" (70 per cent). On the issue of responsiveness, one respondent indicated that this could be one of the major failings of the largest law firms. "Sometimes big law firms are not as adequate or accessible as boutiques," the participant remarked.

While the cost of legal services is an important factor when choosing an external lawyer, clients also

place considerable emphasis on law firms' ability to act as a business partner. A total of 63 per cent of respondents – who are members of the Iberian Lawyer In-House Club – said a law firm's fees influenced their choice of lawyer, but other considerations included demonstrating a detailed understanding of the clients' business (60 per cent); flexibility and being open to suggestions on how to improve processes (49 per cent).

Understanding the client's business is a crucial element of any law firm's pitch to a potential customer. A lack of industry knowledge is one of the most common reasons why law firms fail to win business from clients – more than half (58 per cent) of respondents said they decided against using particular firms for this reason. Among the other most common explanations for firms failing to convince clients to give them business were: not appearing to have the resources to give the client the support they need (53 per cent); giving the impression they were too expensive (48 per cent); senior lawyers at the firm not appearing to take too much interest in the client (44 per cent); and not having a good reputation (40 per cent).

#### **Key lessons for law firms from the survey**

##### **Minimise the delay when reacting to clients' requests**

A total of 73 per cent of in-house lawyers who participated in the study said they want law firms that "demonstrate they respond quickly to client needs"

##### **Ensure you have in-depth knowledge of your clients' business**

Seven out of ten respondents said they favour law firms that have a "good understanding of the industry sector in which they operate"

##### **Show a willingness to act as a business partner**

Around half of study participants said they preferred law firms that showed they "wanted to be our business partner"

##### **Be adaptable and willing to alter existing ways of working if clients request it**

Half of respondents to the survey said they want law firms that are flexible and "open to suggestions on how to improve processes"

With regard to future trends, the use of law firm panels by clients is on the increase.

Three out of four in-house lawyers who responded to the survey said their organisation had a pre-selected panel of law firms (with a panel being defined as a group of firms that you use regularly under pre-arranged terms and conditions). Of the 25 per cent of respondents who said their organisation did not have a panel, nearly half (48 per cent) said they were planning

to use a panel in future. Another trend is the increased use of requests for proposal (RFPs). A total of 68 per cent of in-house lawyers surveyed said they used RFPs, with the majority of those who currently do not use them saying they would be doing so in future.

Meanwhile, clients are becoming more demanding in terms of how they want law firms to charge for their services. The survey showed that the tendency of clients in Spain and Portugal to issue external law firms with billing guidelines – that is, instructions on how to bill for their services – is on the increase. Around three-quarters of clients said they currently issued firms with billing guidelines – more than half (56 per cent) of those who currently do not issue billing guidelines plan to do so in future.

### **Unsophisticated evaluation**

The way in which clients in Iberia evaluate the performance of their legal advisers is relatively unsophisticated, the survey shows. Only one in five respondents to the survey said they measured their legal adviser's performance against "established benchmarks". The vast majority of participants in the study (80 per cent) said they evaluated their external law firms by means of an "informal discussion". However, it seems evaluations are conducted fairly regularly, with 84 per cent of study participants saying they assessed their legal advisers' performance at least once a year. A total of 40 per cent of respondents said they evaluated their legal service providers more than once a year. The survey also suggests that law firms could do more to find out what their clients think about the service they provide. Most respondents to the survey (53 per cent) said the external firms they used did not ask for feedback on their services. A total of 63 in-house lawyers at Spain and Portugal participated in the study, which was conducted via an online survey during May 2017.