

Make Money the Old-Fashioned Way—Focus on Clients First
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Are client teams an economical way to maximize profits in your firm? What is the likely return? What is involved in organizing client teams and making them functional? Know the answers—or set of possible answers—to these questions will help firms decide whether to embark on this initiative.

A recent—and recommended—book by Peter Block, *The Answer to How is Yes*, (Berrett-Koehler, 2001) suggests that instead of asking questions such as how, how much, how costly and how long, we ought to ask whether the thing at hand is one that truly matters. Does it support our (firm's) values? Does it help us achieve our true purpose? Block goes on to say: “The most common rationalization for doing things we do not believe in is that what we really desire either takes too long or costs too much.”

Client teams support the values espoused by many fine firms—those of client service, collaboration, collegiality, and the contribution of valuable solutions to clients' problems. Below is a process for organizing client teams in your firm and some metrics to determine the costs of a client team program for those who will need to answer “how much will it cost.”

Benefits of Forming Client Teams

Client teams promote internal collaboration among your lawyers and staff as well as increased—and arguably more focused—communication with clients. They facilitate increased understanding and collegiality; they build trust both within the firm and with the client. Anecdotal evidence and qualitative studies suggest that buyers of legal services like to work with people they know and like.

Client teams help firms solidify current relationships, protect against encroachment by competitors and broaden and deepen the work done for key clients.

Building the Right Skills

Working with the WJF Institute, Thompson & Knight began the team initiative by training partners in client development and relationship management. We supplemented the training with communication and presentation training by Barbara Miller. We also supported the process by working with Altman & Weil's Biff Maddock to conduct a written satisfaction survey of our clients.

Trained and armed with information on Thompson & Knight's current relationships, we identified clients for which to form teams by analyzing our client base (reviewing fees by

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client in descending order for each of the past five years and then analyzing those fees in the aggregate for the same period). We also created a matrix showing the distribution of fees across the firm's key practice areas.

Subjective criteria weighed as heavily as the more objective data. For example, would the logical leader of the team have the time or inclination to commit to the process? And what was the likelihood of garnering significant additional work from the client?

The First Meeting

Prior to the first meeting of a client team, the marketing staff prepares comprehensive research packets (and continues to supply news and information as the team goes forward) using tools such as Lexis/Nexis, Hoover's, OneSource and Yahoo. The packets also include information on billings over the life of the client—by matter, by practice area, by attorney. Attorneys are asked to prepare to share information about their contacts with the client.

At the first team meeting, the team leader presents an overview of the firm's work with the client, supplemented by comments from other attorneys. We discuss strengths and weaknesses of the relationship, as well as identify opportunities and problems. Before the meeting concludes, we prepare an action plan to address all strengths, weaknesses, opportunities and threats, assigning responsibility and accountability to individuals and noting due dates.

Client Team Logistics

Thompson & Knight currently uses LotusNotes as its database. The client team database can be sorted by attorney, client and task (so that an attorney can check all his or her "to dos" in one place.) The marketing staff is currently working on a central contact database. We created voice mail groups and e-mail groups, which make staying in touch easy. We post client team meeting dates on the firm's intranet, and we track teams and team membership in Excel.

Members of the marketing department support client teams by scheduling meetings, facilitation and documenting them, following up on attorney assignments, gathering and organizing research and supporting team-initiated tasks such as preparing for client visits or client entertainment. Perhaps more importantly, we are instrumental in producing presentations and proactive proposals for client teams.

Costs Associated with Teams

What costs are involved? It depends. The out-of-pocket costs of lawyer training for us are approximately \$4,500 per lawyer, including travel and lodging. This does not include staff support time or lawyer time (since we assume that attorneys will contribute as much time as necessary to fulfill their obligations).

The cost of our client survey was approximately \$30,000—but costs will vary with the length of the survey instrument, the amount of analysis desired and the size of the sample population.

Staff support, including director, administrator and administrative time, will vary greatly from firm to firm. Thompson & Knight has estimated the cost to be about \$130,000 for our first (and possibly most expensive) year. Just as with attorney time, however, these costs could be considered sunk costs. We did not, in other words, add staff in order to support the program—so these are not additional expenses.

Costs for lunches, travel, research and add-ons, such as entertainment or seminars for the client, can also be estimated. In general, these costs (as stated below) are costs at the margin; they are for entertainment which might not have occurred if a team had not been formed, for example.

What about lawyer time spent in training and meetings? Should that be considered in the calculation of client team costs? Again, it depends on the culture of your firm. Does your firm consider lawyer time spent preparing for a seminar or writing an article when calculating the cost of and anticipated return on those investments? Do your attorneys have “free” time available, or are they fully occupied with client work?

Let’s Build Two Cases—Fully Loaded and Marginal Costs Only

For each case, let’s assume the following:

- There are 20 client teams with 10 attorneys on each team;
- Each attorney is a member of two teams;
- Each team meets in person six times per year, and no travel costs are incurred (either because the firm uses video conferencing or the travel is scheduled such that the trip fulfills other purposes).

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Costs Per Team

Attorney Training

Training costs are one-time-only costs and are sunk or fixed since once incurred, they cannot be unincurred. Most firms would not count the cost of training as a cost of client teams, but to construct a worst-case scenario, let's include it here.

- 100 attorneys trained at \$4,500 per attorney
- 10 attorneys per team
- Each attorney serves on two teams
- *Cost per team: \$2,250 per attorney (remember, the attorney cost is divided between his/her participation on two teams) of \$22,500*

Note that the lawyer training cost per team would be much lower if the same attorneys served on several more teams. The cost for training is the same \$4,500 per attorney whether the cost is spread over 10 teams or one, for example.

Attorney Attendance at Team Meetings

- 10 attorneys per team
- Six meetings per year, averaging one hour per meeting
- Average billing rate \$300/hour
- *Cost per team in lawyer time: \$18,000*

Staff Support

If no new staff is hired to support the initiative, and if staff time is generally not charged against projects, you wouldn't do so here. But to construct a worst-case scenario, include staff support costs as follows:

- Assume that client teams consume one-third of a CMO's or marketing director's time and two-thirds of a marketing administrator's time. Adjust costs as necessary for your firm.
- *Cost per team: \$6,500 (\$130,000/20 teams)*

Research Costs

- Assume \$55 per team per month (regardless whether the team meets that month)
- *Cost per team: \$660*

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Cost of Meals (typically lunch)

- Assume \$10 per person and 12 people per team (10 attorneys, 2 staff)
- Assume six meetings per year
- *Cost per team: \$720*

Travel and/or Entertainment

- *Assume an incremental \$1,000 per team*

Client team costs, when fully loaded, would total \$49,380 using the above assumptions. Further assume that your profit margin is 35 percent—your firm’s expenses consume 65 cents of every of fee dollar earned. Each team, then, must net an additional \$141,086 in new business from the client in this first, most expensive year. (The first year is the most expensive if we assume that training costs are fully amortized after year one.)

If you exclude attorney training costs and attorney and staff time, client teams cost virtually nothing.

Marginal costs total \$2,380 per team (above), consisting of \$660 for research, \$720 for lunches and \$1,000 for travel or entertainment (understanding that these assumptions are quite arbitrary). Thus, again assuming the firm’s profit margin at 35 percent, each team must receive an additional \$6,800 in billings to break even.

Which Clients Are Best For Teams?

Let’s look at this a slightly different way. Recent LMA surveys and other surveys have indicated that law firms are spending from 1.8% to 2.5% (depending on the survey you rely on) of gross revenues on marketing. Under our fully loaded case above, the cost per team was \$29,380—which is 2.5% of \$1,975,200. So using the worst-case scenario as the basis for your decision-making model, a firm might form teams for those clients where the revenue for each approached \$2 million, if it wanted the costs of client teams to fit into this “average.” Perhaps not many teams would be formed. We could argue that this consequence would be a mistake, though, as the 2.5% figure—an “average” percent of revenues spent per firm on marketing—never includes attorney time. At most, the 2.5% includes staff salaries and out-of-pocket costs.

The other end of the spectrum occurs when we charge only the marginal costs against a client team. At \$2,380 per team, teams can be justified at 2.5% when the revenue for the client is a mere \$95,200. Mid-size firms or better will have dozens or hundreds of clients for which client teams could be fully justified. Further, in many cases, a firm will form a

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team to court a promising prospect or to develop a budding, high-potential client. In those cases, it is the fees desired or expected that will provide the justification for team formation.

Whether teams are formed for prospects, stars, cash cows or problem children, the better metric for measuring return is the amount of increased revenue per team required to break even. Another metric is the increased profit that may be generated by growth of an existing client.

The above hypothetical scenarios say nothing about the not-so-tangible benefits. What is the return provided by happier colleagues and more engaged and accountable lawyers and staff? Can you spend a warm, fuzzy feeling? How do you measure the benefit from keeping a client you might have lost? It's hard to say. But I believe that client teams make money and make sense.