



Managing Your Client Relationships:

How to Factor in Marketing, Business
Development and Fee Structures

If you're planning to open your own law firm, chances are you have questions about marketing, client development, and of course, making money—all while maintaining your clients.

In this practical guide we'll tackle each one of these burning questions and much more.



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Introduction

In the process of acquiring a client, you set expectations that will influence your future relations with that client, as well as your chances of retaining them.

The attorney-client relationship is both a “journey” and a “cycle.” Attorneys who are opening their own firms should compare their own experiences as consumers to their clients’ experiences as consumers of their legal services. A common and detrimental misconception among attorneys and law firms is the belief that there is something unique about the purchase of legal services.

Marketing vs. Business Development

In differentiating between marketing and business development, it helps to think of the former as “one-to-many” and the latter as “one-to-one.”

Your marketing program is comprised of any and all advertising, networking efforts, social media, websites and more. In short, it’s whatever you do on your end to make sure people are aware of you—and to convince them to add you to the list of attorneys they’re considering.

Business development is a continuing conversation between the attorney and the prospective client in which the attorney explains who she is and what she can do for the client. It elicits the client’s specific needs so that both can decide whether they can work together.

As in any market, increased competition drives a greater need for differentiation—which is why you need to take a proactive approach to growing and maintaining your business.

Consistent and effective marketing and business development can help you differentiate yourself—and your business. It helps potential clients understand the value you bring—and it can help you gain a better understanding of your clients’ distinct needs.





Positioning Yourself in the Marketplace

Whether you work with individual clients or businesses, you should be able to quickly, clearly and concisely summarize your distinct differences—the things that set you apart—and do it in under 90 seconds. This is your “elevator pitch.”

As an attorney—and a business professional—you must fully understand the idea of “value propositions,” the unique statements talking about your benefits, that no other attorney or very few attorneys are able to say to a market or an individual client.

You should also be aware that how you charge for legal services can send signals to clients about you as well. Whether you charge an hourly rate or a contingency, tells your prospective clients several things about you:

- **Where do you see yourself in the marketplace?**

Are your services worth \$100 an hour? Are they worth \$500 an hour? Basically, the fee helps answer the question: What is your value to potential clients?

- **Whether they should hire you.**

Compare this aspect of pricing to shopping in a grocery store. You might see half a dozen different brands of the same product with slightly different prices. As a consumer, you make decisions about how these differences influence what you buy. In recent years, big law firms have been offering discounts of 10 or 20 percent to their clients in light of the recession. Keep this in mind in setting up your fee structure.

- **Your firm’s profitability after taking overhead into account.**

Are you running a viable and sustainable operation? An easy way to keep these concepts in mind is to think of them as “the three Ps”: positioning, purchasing and profitability.

One more aspect of fee structuring that must be taken into account is competition. If you don’t know what your competitors are charging—or even what services they may be offering—you might be missing the boat on certain opportunities.

For example, a competing firm only offers very basic-level wills—but you’re coming in at a more sophisticated estate level. You know you could be charging more for that service because it has a broader appeal and it has greater value.

- **Are you pricing correctly?**

If an attorney is unable to make use of local resources to determine the market rate for her services, pricing benchmarks like those published annually by ALM can be helpful. ALM® 2014 numbers indicate that the average partner charges \$604* an hour.

*ALM, *The National Law Journal*®. (2014). *The National Law Journal* reports that 1 in 5 of the largest U.S. law firms employ partners who charge more than \$1,000 per hour.





Don't Undervalue Yourself

While you want to attract clients to your practice, take great care not to price yourself too far below the competition.

Yes, you want to differentiate yourself from large firms or well established boutique practices. But being the "low-cost" option is not always the best way to get noticed. Potential clients may question the quality and value of your work and effectiveness—regardless of past results for other clients. It's a bit of a dance: While you must know what your prospective clients can afford and what they expect, they must be able to afford what you can produce, or you won't find that there is a match.

Along those lines, be careful about clients who appear to be capable of paying your fees, but truly cannot. Doing your due diligence to ensure that clients can truly afford your pricing is critical. The potentially extraordinary cost of collecting past-due client fees must be factored into the equation. Not just in terms of hiring outsiders to pursue those individuals, but because of the impact on your reputation in the legal community and the repercussions to your future ability to recruit clients.

A messy collections dispute is certainly not going to engender that former client to say anything positive about you in the community, and even to other prospective clients, as they may come into contact with them. A little due diligence upfront can save significant hassle and headache when it comes time to get paid.



Best Practice

Conduct due diligence on what potential clients can afford before accepting work.



So What Am I Worth?

The value of legal services can change depending on individual clients' circumstances. There are four factors that must be taken into consideration when determining what clients can or should be expected to pay for legal services. Those four key concepts are:

- **Relativity.** Your services may be worth more or less to a client depending on his situation. For instance, what if your client has been arrested for DUI or some other sort of personal issue that has life ramifications?
- **Worth.** How much do your clients think your services are worth?
- **Value.** Even if your client isn't consciously aware of it, he or she has ascribed a certain value to your services. He has a maximum cost in mind, and what you need to do is make sure you "get the maximum dollar from the client for your services."
- **Willingness to pay.** Attorneys may not talk about this much, but there is a limit to what clients will pay and this must be borne in mind.

Always Remember

Understanding your clients' motivation can help you address fee concerns.

To sum it up: If you understand your client's willingness to pay—and what their motivation is—that will help you know what's really important to them. This in turn can help you address any fee concerns.

The key is to show your clients that you're worth more to your customers than what they're paying—and more than what they might pay to your competitors.





Figuring Out Fee Arrangements

Clients have begun to push back against the billable hour. It was, after all, invented by the ABA in 1920 when it came to light that attorneys were earning much less than other professionals. That's not so much the case anymore.

Although time-based (e.g., billing by the hour), budget-based, performance-based and other "value-based" fee arrangements have emerged in the legal market, the fixed-fee arrangement is winning among clients these days as the preferred way to pay. At the same time, the hourly rate still remains a close second—so clearly it is not going away. Contingency fee arrangements—fees paid only if an attorney handles a case successfully—are a distant third.

Common Alternatives to the Billable Hour

- **Fixed or flat fees arrangement.** Attorney and client agree to a set price for a specific service.
- **Performance-based fee arrangements.** Attorney receives a contingent payment if certain legal goals established with the client are met.
- **Budget-based fees arrangement.** Attorney and client collaborate and develop a budget for the work to be performed.

Know the competitive fee structure in your market

Regardless of these preferences, knowing and understanding the competitive fee structure in your market and practice area is critical. When an attorney first opens her practice, she may take on cases for a very low flat fee—severely undervaluing her service—because she failed to investigate the average market price of cases.

Another cautionary tale: Don't make the mistake of one attorney who came from a largely criminal law background where most of his work was done on a flat-fee or fixed-fee basis. Because of this, he incorrectly expected this to be the format for fee structures in his new practice. He quickly realized that the hours invested in even the most simple and straightforward family law matters can multiply at an alarming rate—due to personality conflicts between the litigants, which may or may not have been previously known. In his words, he was literally earning only "pennies on the hour."

Bottom line: Think about your pricing plan upfront

Be sure to put significant thought into the fee arrangements that are suitable to each case before engaging a potential client in a conversation about litigation, including the typical fee arrangements for each type of case in your market.





Keeping Your Clients Informed and Engaged

The importance of reminding your clients that they are relying on your expertise and involvement in their cases cannot be overstated. This means taking their calls, explaining the latest developments, maintaining a good reputation in the community, and emphasizing quality over quantity when you do speak with them.

You should also understand your clients' level of sophistication regarding the subject matter of their cases so you can speak their language. It is also important to provide clients with the most cosmetically impressive execution of your services as possible.

This includes your clients' experience with parking, reception in your office and other factors that may seem insignificant, but can actually mean a great deal. This comes down to engaging clients in your services and making them feel that you are listening to their needs, goals and expectations in general.

Good client relations require that you establish the framework for attorney/client relationships, and help your clients set reasonable expectations and obtainable results. You must help your clients see just what you can do for them—how your services may shape or change their business, or how you will help them achieve their specific goals.



Important

Remind your clients that they are relying on your expertise for cases.



A Checklist for Maintaining Best Practices

- Maintain adequate professional liability insurance that covers all areas in which you plan to practice.
- Limit your practice to those areas in which you are insured.
- Prepare a business plan and register with any governmental agencies it requires.
- Prepare a realistic budget for your firm.
- Invest in cost-controlled, effective marketing for your firm, long before you start out on your own.
- Make a splash when you open. Hold an open house and invite everyone you've ever met. Incorporate your opening into your networking and marketing plans.
- Keep in mind the message conveyed by *existing* infrastructure, office space, parking, furniture, hardware and software, Internet and telephone service, and other aspects of your operation.
- Network, network, network.

Remember that the first year or two will be “pretty lean times,” and if you’re patient, the profits will come.





Content of this resource guide is based on a three-part nationally Web-streamed seminar—Starting Your Own Firm: Understanding Client Relations and Fees, presented by LexisNexis® and featuring Joel Hand, Esq., and Patrick Johansen, CLM, CPP, Director of Business Development at Brinks Gilson & Lione.

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