

Winning Legal Business from Medium-Sized Companies

SILVIA HODGES PHD



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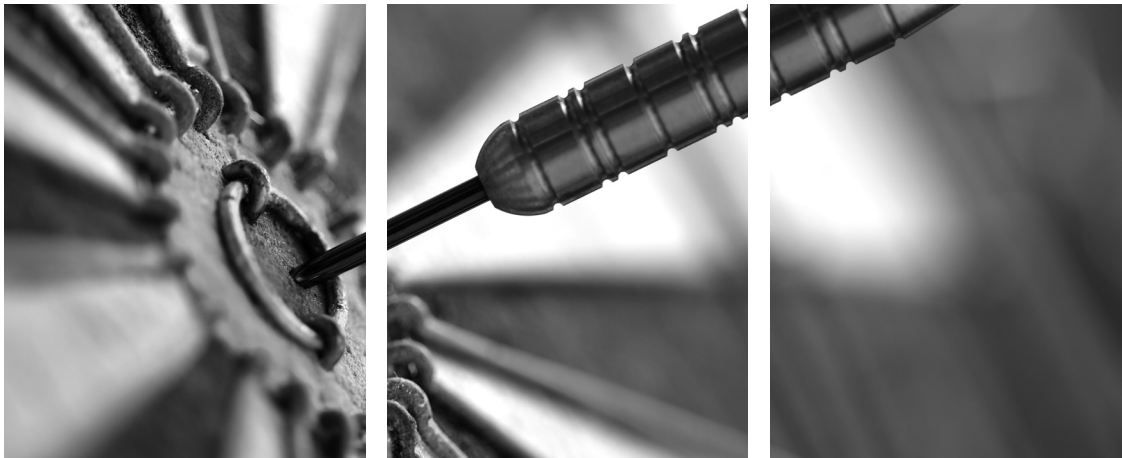
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Executive summary

MEDIUM-SIZED COMPANIES are an important clientele, the economic ‘bread and butter’, for many law firms. However, few firms have a dedicated marketing strategy to target medium-sized companies. In an ever more competitive marketplace, law firms today no longer only compete with other law firms, but also with other professional service providers as well as associations, banks and insurance companies, for example. In addition, a range of online and offline programs and systems are available to medium-sized companies at a much lower price, reducing the amount of legal advice bought from traditional law firms. To develop a competitive edge essential for long-term success, law firms need to thoroughly understand the decision making process of medium-sized companies when buying legal services.

While law firms and lawyers often emphasise the aspect of tailored solutions, medium-sized companies place little emphasis on it. They welcome the idea of more efficiency in the provision of legal services, which they see as a consequence of commoditisation with cost savings being passed on to clients. Packaged legal solutions make business sense for decision-makers in medium-sized companies, and medium-sized companies are content with the type and depth of information they get, particularly considering the lower price.

Medium-sized company clients want realistic cost estimates and disapprove of billing surprises. Predicting and managing cost is therefore one of the most important

aspects for law firms working with medium-sized companies. Good service and added value for them means proactive lawyers who keep their clients informed, suggest solutions and invest time in further developing and intensifying the client-provider relationship. Medium-sized company clients prefer lawyers who help them save money and time. The ideal lawyer for medium-sized companies is able to make judgment calls, in the sense of whether a legal action is likely to make commercial sense, and understands the larger business context in which decision-makers in medium-sized companies work. Their ideal lawyer not only solves the clients’ legal problems, but also helps them run their business better, such as helping improve processes, and provides them with contacts to potential customers.

Decision-makers in medium-sized companies are accustomed to making complex organisational purchases and do not consider purchasing legal services significantly more complicated, riskier or more difficult than purchasing materials. Typically, medium-sized companies initially look at objective factors (which firms are capable of doing the work), then consider subjective/emotional ones (which firms and lawyers would they prefer to work with). They initially assess the professional issue in a wider business context regarding the value proposition sought, and choose the appropriate ‘tier’ of firm. Rather than individual law firm ‘brands’, these tiers are the brands. This means that ‘brand

positioning' within one of the tiers is imperative, rather than attempting to brand the firm as a way to differentiate itself in the marketplace. As the competition is mainly within the tiers, this must be addressed by marketing more than it is perhaps today.

Decision-makers in medium-sized companies also typically differ from managers in large companies in regards to their independence and job security. Managers typically have to report within their hierarchy and justify decisions, and hence have less independence in their choice. Decision-makers in medium-sized companies in their role of entrepreneur/owner or chief executive officer (CEO), on the other hand, have final decision-making power with less or no necessity to report to a superior and justify their choices. This may lead to different choices in regards to benefits sought such as brand and security. Not having to be concerned with 'looking good to their superiors', nor having to legitimise their choice of professional services firm, decision-makers in medium-sized companies are less likely to feel the need to make 'safety brand' choices. This is an opportunity for smaller or medium-sized law firms that should not be missed.

Since medium-sized companies have a tendency to not immediately turn to lawyers, firms should focus their marketing efforts on raising awareness of when legal advice is needed and educating medium-sized company clients about the value they can add and the potential risks of 'self-made solutions'. What will it cost the medium-sized company if it does *not* consult a lawyer?

Information is ubiquitous, *commercial* judgment is not.

Chapter 1 discusses the competitive pressure law firms face today. For the first time in history, firms seriously compete with each other for clients. The solution is focusing on clients' needs and

understanding their decision-making, in other words, embracing marketing. The chapter also explains what medium-sized companies are and why they are a very interesting target group.

Only lawyers used to be able to give legal advice. Chapter 2 highlights that clients today may not need lawyers, but have a number of alternatives. Lawyers will only be trusted advisers to medium-sized companies if they make themselves indispensable and understand and manage clients' expectations.

Firms need to understand whether clients buy lawyers or law firms and when a firm's brand really matters to clients. Chapter 3 also examines personal and non-personal information sources and who in a medium-sized company searches for information on lawyers when legal advice is needed.

Chapter 4 looks at medium-sized companies' evaluation criteria and how law firms can manage clients' expectations. While lawyers often believe that client choice is entirely objective, the results of this study tell a different story. In addition, both personal and non-personal evaluation factors are discussed.

What do medium-sized companies want from their lawyers? Quality? Low price? Chapter 5 discusses the selection criteria and points out the difference between not being chosen and being rejected by a client.

Chapter 6 focuses on how medium-sized companies evaluate the service delivery. Common mistakes law firms can avoid are pointed out, and the difference between cost and value is discussed.

The strategic aspect of marketing to medium-sized companies in Chapter 7 includes the concept of the two-tier buying process and how the buyer's autonomy and experience influence which marketing instruments are most effective.

Chapter 8 looks at the communications, marketing and business development instruments and the implementation of the strategy: what is the best approach to target decision-makers in medium-sized companies?

Four appendices provide marketing checklists, questionnaires and a sample marketing plan for targeting medium-sized companies as clients.

About the author

DR SILVIA Hodges teaches marketing and management at Fordham Law School in New York. She consults and empowers law firms to win and keep the international clients they want.

Silvia earned her PhD at Nottingham Law School in the United Kingdom (UK) with Professor Stephen Mayson on the topic 'Marketing legal services to medium-sized companies'. Silvia also holds a master's degree in business from Universität Bayreuth (Germany) and Warwick Business School (UK).

Silvia has conducted a number of studies on law firm marketing in Europe, Latin America and the United States (US), including the first study on the buying behaviour of medium-sized companies in 2006.

Prior to joining academia, Silvia worked as a marketing manager for law firms in Europe. She has authored a textbook on legal marketing for WoltersKluwer and was a columnist on law firm marketing for an Italian business newspaper. She frequently lectures and publishes on international law firm marketing topics.

A big believer in networking, Silvia founded a networking group for legal marketers in Italy and is very involved in the Legal Marketing Association (LMA) and the New York LMA chapter, as well as the New York State Bar Association, Law Practice Management section. She also closely collaborates with other international legal marketing networks around the world.

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Foreword

THIS BOOK is based on my PhD research at Nottingham Law School with Professor Stephen Mayson, now at the College of Law in London, as my supervisor. Having worked as a marketer in law firms for several years, I wanted to learn more about marketing the knowledge and skills of professionals. I started to review what had been written about the marketing of professional services, especially that of law firms, and found very little robust research. The research I found suggested that buying legal services was seen as being both more complex and higher risk when compared with the buying process for products. Academics did not seem particularly interested in the marketing and management of law firms. At best, the marketing of legal services seemed to be poorly understood. I thought that an understanding of organisational buying processes and the contextual influences on the buyer's decisions and behaviours is critical to the selling organisation to enable it to influence the buyer's decision process. It is also important to the buyer as it enables it to make its decision process more efficient and effective. I believed that this would be particularly true in business-to-business (B2B) markets, where the two parties interact over extended periods of time. I concluded that rather than studying lawyers and their clients in isolation, I needed to look at both sides of the coin: analysing the marketing efforts of the lawyers set against the buying behaviour of the clients.

Apart from a commissioned research project I conducted in 2006, titled 'How mid-sized companies in Europe select and review their legal services providers' for LexisNexis Martindale-Hubbell and a research project by The Law Society of England & Wales, no studies have focused on marketing legal services to medium-sized companies.¹ Their smaller size and different governance, management and ownership structures, however, are likely to necessitate a different marketing approach that legal services providers cannot ignore. Research concerning large companies is not necessarily applicable or relevant to the reality of (small or) medium-sized companies. For this reason, a study specific to this target market was needed. With this research, I attempted to define the constructs that make up marketing of legal services to medium-sized companies and to lay the foundation for future research by developing a research framework on the factors influencing it.

I would like to thank Nicholas Jelf for his ideas as well as his help and patience with me (and my text), as well as Anna Shaw, my editor, and Laurie Young for their support when I needed it most. A heartfelt 'thank you' to all the decision-makers in medium-sized companies and law firms I interviewed for this research.

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1. 'How mid-sized companies in Europe select and review their legal services providers', London: LexisNexis Martindale-Hubbell – Reed Elsevier Inc., 2006; Hall, J., 'Client views: Small and Medium Sized Enterprises', London: Law Society, 2004.