

# Recreating the legal ecosystem

Investing in client experience — and not raising rates — will strengthen the legal marketplace in a time of hardship

**THIS IS** the year when legal service providers with moxie will take huge steps to advance their market position by investing in clients and themselves. Those who are timid will sit on their hands and lose ground to the competition.

Having the money to advance practice and firm position in the marketplace doesn't appear to be an issue.

According to the 2021 State of the Legal Market report from Georgetown Law and Thomson Reuters, last year, U.S. law firms cut marketing and business development spending by 44 per cent, recruiting expenses fell 40 per cent and office expenses dropped 22.5 per cent. The savings resulted in a profit per equity partner (PEP) of more than 20 per cent through to November 2020 for the Am Law 100. That's more than double the growth rate in 2019.

While there are no hard numbers of this nature pertaining to the Canadian market, anecdotal evidence reports a similarly bountiful situation.

## Divvying up the doubloons

Much of the treasure went into partners' pockets rather than being invested in market positioning, client relationship management, business development, building infrastructure and nurturing talent.

Even though many firms did well financially last year, many of their clients suffered business drought and financial hardship, and they are continuing to struggle. Still, there's

talk in the market about firms considering raising their rates.

Raise rates at your peril. Clients want more and better, ideally for less, and at worst the same. Last year's increased profit margins were largely due to expenditure cuts. Clients know this. As a result, many law firms responded to twice the usual volume of Requests for Proposals because clients were, and still are, shopping for value. The unwise short game is to raise rates, infuriate clients, wrangle over discounts and then watch collections stay flat or fall. This is the market determining your value and telling you what you're worth.

Better to stash cash into investments that directly benefit clients and your business. Smart legal service providers, including the Big Four, legal companies and traditional law firms playing the long game are doing exactly that.

## Rough seas make good sailors

If we've learned anything during the tough times of this pandemic, it's that relationships and interconnectivity matter enormously.

The phrase "client-centred law firm design" gets thrown around in the legal lexicon like a rowboat in rough seas. But what does it mean? The answer depends on who you ask and their agenda. But in a nutshell, it means being cognizant of and consistently delivering service elements that happily surprise and delight current and prospective clients.

It's about meeting clients where they are. This means finding and capitalizing on your unique streak and what you offer to the

market — in other words, your market position and brand. It means clear and consistent communication in the manner, method and schedule that each client desires — and if you don't know what that is, ask. And it means technology is the table-stakes solution, for everything from virtual meetings to electronic file sharing and payments.

## Rising tides lift all boats

None of these factors has anything to do with nut-and-bolts lawyering.

Lawyers who insist on practising while also handling operations are usually fiercely organized or wretchedly not. Lawyers who focus on lawyering strengths rely on professionals to handle business operations. This can include everything from building market profile, nurturing current clients, developing relationships with prospective clients and managing the sales pipeline to financial management ranging from budgeting and pricing to billing and collection, as well as designing and writing technical code and procuring and enabling advanced technologies.

These are areas of solid long-term investment that can be amortized over a span of time but pay for themselves in short order. And, like a well-oiled machine, operational functions work together seamlessly, from intake to invoice.

## Find your place

Perhaps that's another lesson to be learned during these most peculiar times — that we all need to find our place.

For all constituents of the legal services provider community, be they members of a traditional law firm or law company, practising or non-practising lawyers or people who have never practised law in their lives, there's a place in a strong legal ecosystem for every one of us.

The trick is to find it. And if it's not to be found, we need to create it. **CL**

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