

## ANALYSIS BD INFORMATION

# Closing the value gap

**Firms now need relationship and financial data to win new business, says Sally Calverley for LexisNexis**

**The global legal services pie shrank by 6% in 2010. Clients expect a measurable increase in value and will shop around for it, and law firms have to compete to retain, let alone grow, market share.**

But there is good news – it is possible to demonstrate an increase in value over the period of a client relationship. You can also show how you will continue this trend, while maintaining satisfaction levels. And, by using some clever insight techniques, it's possible to show prospects how you will deliver more for less without a drop in quality.

## The value gap

PwC's Law Firms Survey 2010 warns that "the biggest information gap for firms appears to be in the area of understanding clients' preferences and needs – a critical area".

Law firms want to engage with their clients on improving value, but value is subjective. To understand clients' needs involves understanding their sensitivity to factors such as outcome, service, access and detractors – which lie largely within the firm's control – as well as contextual factors,

such as marketplace developments, which lie outside its control. If the PwC report is right, firms aren't always delivering on those challenges.

Clients try to redress the perceived value deficit that results by pushing back on price. Some firms have responded by launching new pricing strategies, others by asking their clients how they could add value. But clients don't want to advise law firms on how to unlock value from their businesses. Successful differentiation by value requires a more sophisticated approach, and the courage to seize the initiative.

Marketing has already felt the tremors of change in panel tenders. Clients and prospects alike use pitches to gain value, either 'more for less' or much better value for the same price. The stakes are higher: more firms playing for fewer places and lower volumes.

Prospects want to know that you will unlock more value than your competitors, and you will monitor and deliver progress against a plan. Existing clients will increasingly expect firms to prove they have been tracking value, and will want more in the future. The trick is to pleasantly surprise your client, not make

them think: "Why have we only arrived at this offer now?"

## Deeper understanding

By using client insights to segment the market and client stewardship techniques to finesse relationships, firms can better understand what value means to each client and work out together how to deliver a measurable improvement.

But things should start with easy access to reliable financial and client data. Many firms will already have this at their fingertips – or they will have if they use tools such as LexisNexis Redwood Analytics and a decent client relationship management interface such as LexisNexis InterAction.

As Alan Rhodes, financial controller at Brodies, says: "Until you introduce a business intelligence tool like Redwood you have no idea how powerful they are. We now produce relevant financial data on client sectors and profitability in 10 minutes, allowing us more time to focus on innovative solutions and approaches that add value to clients."

The investment in the technology is an indication of willingness to take value

seriously. As Rhodes says, clients "are impressed by how open we can be to new ideas, and think we are pretty forward-thinking". But Brodies' openness is based, quite properly, on financial data and evidence on profitability.

This last point is critical. Firms determined to retain market share and unlock value for their clients can only do so if they have a strong grip on their own profitability. The success of any pricing or new client acquisition strategy has to start with a keen understanding of the current financial and client position.

The debate has moved on from "do clients want better value?" to "how can we deliver better value?" The stakes of failing to answer this question are increasingly high. Firms should be looking at what resources they already have in place to assess accurately where they are now and where they could be. The strength of business intelligence is its ability to shine a light in dark corners and produce reliable data effectively. The drive for value starts here.

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