

How do clients define value?

As value means something different to every organisation, defining it is very difficult, especially, as Stacey Coote comments, when too many organisations define it by hourly rates and fixed fees.

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It is imperative that firms start to better educate buyers (especially procurement teams) on why cost alone is not a good measurement of value. It is also key that firms better understand their clients and what is important to them.

I have seen value represented in many ways by organisations and I have seen firms appointed / re-appointed to panels for many different reasons – some high-level examples of which include:

- **Meeting rooms** – worth their weight in gold: ‘We needed a room and they gave us one so we must keep them on the panel as they add more value than other firms’.
- **Need a project manager** – professional services firms to the rescue: ‘We have no budget for a PM and firm XYZ provided one for free, which means it doesn’t matter that their hourly rate is more’.
- **Secondments** – valuable to both sides: Arguably I think they are valuable to both sides. Talking to clients they believe the secondee goes away with a far better understanding of client requirements.
- **Write-offs: ‘we were going to charge you this but...’** – Write-offs always go down extremely well with clients. I got a bill recently that was written down by 50%. I forgot in truth that I wasn’t happy with the advice. Firms cannot ignore the importance of perception and getting a discount / reduction in most cases adds to the perception of value.

In my experience firms do a poor job of communicating value added services. Always show value delivered to as many people as possible!

- **No, we don’t want to work for you** – I once requested legal advice from a firm who refused to undertake the work as they told us the law was about to change and we would be wasting our money taking the advice until the new legislation was published. In the end this firm won the work (even though they were more expensive) as everyone then trusted them. The only person who didn’t like them was the project manager, who wanted to appoint a firm at an earlier juncture simply to comply with his project plan!
- **Use of technology: ‘yes we do use technology where we can’** – Any innovative technology use is generally very well received by clients in my experience, eg. automating contract

generation for clients, deal rooms, etc.

- **Company insights: ‘you mean you can tell me about my business’** – Insights such as the below examples I have seen are very well received (especially when revenue generating obviously):
 - Business Unit XYZ keeps getting discrimination claims so re-train the people or fire them
 - Business Unit XYZ makes us get on calls every week when we don’t need to be there
 - Business Unit XYZ sends us everything they have related to case on opening meaning we have to read same document several times on occasions
 - You are out of line with market and you need to change to stay in line with the market (I saw a client generate £4m additional revenue from this sort of firm recommendation), which kept them on panel for another three years with a rate increase

Don’t create a perception of poor value

Firms should ensure they understand what poor value looks like and avoid creating the perception of providing poor value. For example:

- **Wrong resources:** Putting one year associates on £500m outsourcing deal, or putting a partner on low level work (we saw one firm invoice for copying undertaken by a partner!)
- **Over-advising:** Having 12 fee earners on a call.



- **Charging for questionable items:** Watching a video for an hour (the video was, in fact, only 30 minutes long).

Understanding what your client views as value is key to leaving the right impression:

Case study

Facts: ABC Law Firm wins a massive piece of litigation (£100m claimed against the organisation; achieved settlement at £10m). Their legal fees were £500,000 over budget but when compared to the saving of £90m on the amount claimed, they saw this as money well spent.

Firm's perception: "Didn't we do a great job! We saved our client £90m"

Client's perception: "The firm is £500,000 over budget!" The Head of Legal is extremely unhappy as he had not made allowances in his budget for the over-spend on legal fees.

Result: The client looks for a new firm next time they need a litigation firm. The law firm does not even know why they have not been selected for more work.

Personal perspective

Value is all about perception.

- **Trust:** Clients have to trust the person giving the advice.
- **Relationships:** Even in commercial / corporate work, you need to get on with your client and build personal relationships – people buy from people.
- **Responsiveness:** You cannot underestimate the importance of responsiveness. If a client is going to external counsel for advice it normally means

they are in a difficult situation that needs resolving quickly so a speedy response makes a huge difference to their perception of value.

- **Be useful:** Clients don't typically want long and woolly briefs. They want short and concise legal opinions with a clear strategy for possible next steps. They want to understand percentage chance of success in litigation, not just a list of the pro's and con's.
- **Brand:** You just cannot get away from it but some brands are just more trusted than others.
- **Sponsorship:** when it comes to appointment to panels / getting work from an organisation, it is important to understand who is your ally within the organisation; who will sell the benefits of your firm internally?
- **Rates:** Unfortunately clients can see a high hourly rate on a spreadsheet. This stands out to the legal team and the procurement team, and means you have to work harder to justify your firm's position on the panel.
- **Budget management:** Clients really want you to help them manage their budgets.

How do clients measure value?

In my experience value is generally not measured at all. If it is measured, it is not measured very well, eg. clients will survey their internal buyers just before the panel process starts to get anecdotal perceptions on service.

That said, there are some organisations who measure value effectively and some measurements I have seen – good and bad – include:

- **360 feedback:** some sophisticated

organisations use 360 feedback processes which can provide, in themselves, immense value to the organisations. Firms adding the most value through these processes are always reappointed to panels.

- **Staffing models:** looking at firm's staffing models to see if they are getting value for money
- **Litigation patterns:** using data to understand who settles claims fastest and at what cost
- **Busted fixed fees:** amount of times fixed fees have been changed / increased
- **Shadow billing:** some organisations measure the value of fixed fee by using shadow billing, ie. itemising every task and associating an hourly rate equivalent to the items. I personally think this practice is very unfair and breeds the wrong behaviours to the use of fixed fees.

Should value be tied to pricing?

Value is always tied to pricing but currently in my experience it is far too often tied to brands, perceptions, relationships and value perceptions, ie. their hourly rate is too high!

Unfortunately, clients do a bad job of understanding value themselves and firms need to educate them more using data to support this. I also strongly believe more firms should try and tie value into the pricing proposition – even if they start the work at risk while working out a mechanism for pricing the matter.

One key takeaway

Firms need to demonstrate the value they are adding regularly. In my experience firms do a poor job of communicating value added services. Always show value delivered to as many people as possible!

Organisations want to show value for year-end reviews, budget reviews, etc. Therefore, firms should help them show how they have delivered value to their client organisation, eg. settled claim for £XXm under original claim, wrote off £XXm in fees, provided discounts of £XXm, provided £XXm of free advice, provided free technology etc. worth £XXm.



Stacey Coote is an expert in legal services procurement and a partner at Coote O'Grady.