

The changing client

Lawyers & law firms need to adapt to meet the needs of a more demanding client base, says **Tony Williams**

Law firms have had to anticipate and respond to the needs of their clients in order to stay in business. This is as true in the high street as in the major city firms. It is even more the case today when, for the first time in a generation, we face an oversupply of lawyers. This change is going to force law firms to understand how they are perceived by their clients, why their clients choose to use them and what causes a client to move to another law firm.

At a retail level, we live in a consumer society. We are used to being able to shop around, to compare products, have clear pricing and recourse to effective customer service teams to deal with any problems that arise. The interests of the consumer are key to the Legal Services Act, which is built on the principle of putting the consumer first.

Moving to technology

Accordingly, as buyers of legal services, we want our suppliers to be approachable, responsive, intelligible and to apply predictable and transparent pricing. More consumers now routinely use the internet and e-mail and expect their lawyers to do so.

By way of a recent example, in 2007 I sold my house in Hampshire. I usually keep my private matters and my client work separate, so I asked my estate agent to recommend some good lawyers in the area. He gave me three names. I also had the details of the local firm that had acted for me 11 years before on the purchase of the property. I prepared an e-mail to the firms giving details of my proposed sale and purchase, asked them about the service they could provide and what it would cost. My PA could not find the website of the firm that acted for me on the purchase, so rang them for details of a property partner to e-mail. She was told "We don't do that; send it to enquiries@...and we will deal with it." Quite simply, I do not send confidential information to enquiries@anywhere so they were taken off the list. The e-mail went out to the other three firms. One responded

in 40 minutes with a detailed review of their service, a full breakdown of costs and disbursements, a schedule of what they would do for free if the matter aborted, a guide to the conveyancing process and a screenshot of an extranet page in case I wanted to deal with them online. Another firm replied about an hour later with a basic quote that was cheaper than the first firm. The third firm responded the next day with a curt letter that it was impossible to give an indication of the price of their services.

Hardly surprisingly, I instructed the first firm to reply and asked if I could drop off my papers one Friday on my way back from London as I was travelling a lot over the forthcoming weeks. The immediate reply was: "That's fine but as you are busy and I only live about 20 miles away from you, I can meet at your home on Saturday if that helps." He did an excellent job, has since bought a London flat and a Hampshire house for me, his firm has prepared my will and he has bought a house for a colleague of mine.

I may not be a representative client, but I do believe that clients are capable of applying the price-versus-quality of service equation to legal services just as they do when buying groceries or the family car. Firms that can position themselves appropriately and maintain their positioning, as client expectations change, will still do well. However, this is a big change from the deferential meeting in a lawyer's book-lined office 30 years ago when subsequently chasing a lawyer for the promised action or challenging a bill would elicit a response familiar in a Bateman cartoon.

Corporate historical background

In the corporate world, the change in the client has been even more dramatic. Until the 1980s client relationships were pretty static. Clients used one major firm for most of their "head office" work. There was no direct competition between firms, and advertising and marketing were considered unprofessional. Indeed, at the time, one senior partner of a major city

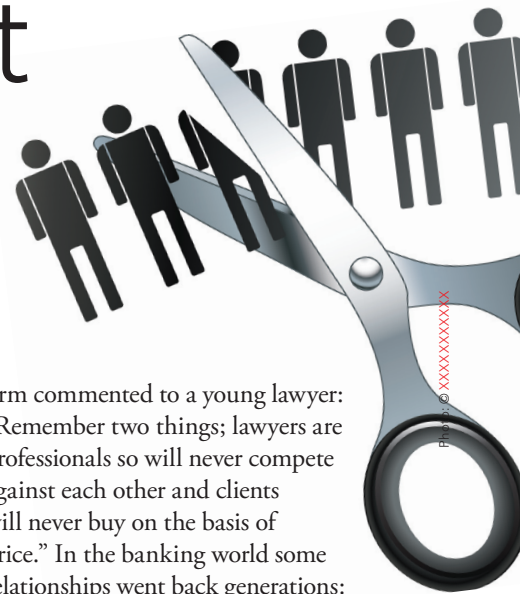
firm commented to a young lawyer: "Remember two things; lawyers are professionals so will never compete against each other and clients will never buy on the basis of price." In the banking world some relationships went back generations: Coward Chance (now Clifford Chance) had acted for Midland Bank (now part of HSBC) since its incorporation in the 1800s, Durrant Piesse (now Lovells) acted for Barclays, Cameron Markby (now CMS Cameron McKenna) acted for Lloyds (now Lloyds Banking Group) and Wilde Sapte (now Denton Wilde Sapte) acted for National Westminster (now RBS).

The general counsel in many corporates was often a relatively relaxed individual who may have formerly been a partner at the main relationship law firm. He saw no need dramatically to change the relationship with the outside law firm. The external legal spend also tended to be relatively small so it did not gain much attention within the organisation.

Change

Three things changed. First, there was a wave of consolidation across a range of industries starting in the mid-1980s and still continuing. Part of this was accelerated by regulatory changes including the abolition of exchange control, privatisation of the utilities industries and the Big Bang in 1986, which reformed the stockbroking industry. These much bigger and more diverse businesses owed little to their historical roots and were prepared to look at all of their professional advisers afresh. Second, the rush to globalisation started. British companies actively developed businesses abroad. In addition, foreign organisations established in the UK, often basing their European headquarters in or around London.

Of particular note, the major US investment banks rapidly developed their operations internationally and, in the absence of the US law firms, quickly turned to the major UK firms in London,



Continental Europe, Asia and, when it opened up, Central and Eastern Europe. It remains to be seen what impact the credit crunch of 2008 will have long term on these global commercial and investment banks and indeed on the globalisation of business generally. Third, we have seen a change in the nature of the general counsel.

Increasingly the general counsel has spent most of his or her career in-house, possibly with a number of different organisations. They see themselves as an integral part of the executive team with good relationships with the chairman, chief executive and chief financial officer. They owe no allegiance to any particular law firm. As a result, these general counsel are demanding better service, an investment by the law firm in the relationship, assistance to avoid problems rather than to solve them when they arise and transparency and certainty on pricing.

Cuts & outsourcing

The current downturn is accelerating the trend. A general counsel recently lamented to me: "My legal team has been cut by 10% as part of the organisation's

headcount reduction exercise, I have been told to cut my external legal spend by 20% and make it more predictable. If I exceed budget for two consecutive quarters I may be fired. Unfortunately too many of the law firms I use just do not get the pressure I am under."

In November 2008 Andrew Garard, the general counsel of ITV, announced the completion of a panel review process. All of the firms on the panel would be required to quote fixed fees for specific projects, with no work done on an hourly rate. Although the demise of the hourly rate has been predicted for many years, this sort of arrangement could have a profound effect on the economics and structure of a law firm. In June 2009 RioTinto, a FTSE 100 company, announced that it was outsourcing some of its legal work to India using CPA Global. Law firms so far have been slow to react to the pressures the general counsel are facing and risk being on the defensive as the general counsel demands new pricing and delivery models. Firms that merely wait for the market to return to "normal" may have a long wait. Buyers of legal services at all levels now realise that they have buying power and will use it.

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This article is an edited extract from Tony Williams's chapter in *Butterworths Guide to the Legal Services Act 2007*, which provides an overview of the Act and explains how to identify and take advantage of new opportunities arising from the reforms. For more information please visit: www.lexisnexis.co.uk

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