

BUSINESS DEVELOPMENT IN RECESSION

Part 3 – The blueprint for existing clients

By James Newberry and Maeve Jackson of People Scope

In any business environment, existing clients are the lifeblood of most professional firms. In a recession, their status can become elevated to that of saviour. With new sources of work drying up, those firms that have the sound footings of a well-served and connected client base will be better able to weather the storm. So, amongst other things, this downturn will be a test of the investment – or lack of it – that firms have put into their client relationships in the good times. Unfortunately, the picture is far from a universally rosy one. In this article, we look at the good and bad of client retention/growth, and offer a six point plan for securing your client base and making the most of what they offer.

The impact on clients

By now, the recessionary impact on many clients is self-evident. They are downsizing, closing, making redundant, offloading or selling assets. For some, survival is the search for cash, or funds from shareholders. Cost reduction is paramount. For many of their professional advisers, there are fewer projects and work streams; those that exist can be subject to re-pitches (for cost limitation), with clients that may be much pickier about who they choose and why.

The work that exists and who decides on it is also far more of a moveable feast than in the good times. In some cases, there are fewer decision-makers and ‘doers’ due to redundancy; in others, where staffing levels are maintained, clients are taking more of some types of work in-house to save on cost. Generally, ultimate decision making will move up organisations to higher and/or more central levels to gain greater cost control.

All these factors make for significant **turbulence**: they present both threats and opportunities that require a new response from professional firms. This is a response that, from our observations, is still not being realised or acted upon with sufficient urgency in some quarters. The move has to be from “wait for the instructions to come” to “find out what is going on and take action”. To help direct this re-focusing, we have come up with six key areas to concentrate on, a blueprint for action with any firm’s existing client base.

Effort from knowledge

Even with reduced work flows, there is only so much time in the day. The good news here is that not all clients offer an equal return for your investment in them, so resources can be targeted for maximum effect. Over time, the clever firms have developed evaluation criteria to assess the potential in their client portfolio (e.g. strategic importance, firm-wide growth potential, strength of relationship) and are now busy making and implementing achievable plans to concentrate their fire. These plans are ‘live’ tools that contain up-to-date knowledge and analysis of the client and his/her market place, along with targets for the firm’s revenue growth, quality of service, and relationships with contacts.

Make ‘touch points’ really count

Without regular contact even the best relationships diminish over time. Why make it easy for clients to forget what made you their firm of choice – or worse still allow competitors to whisper their sweet nothings unopposed? Sadly, there are still too many fee earners at all levels who stick to transaction-only contact – even when the transactions are tailing off. Why do we know this? Because when they are presented with a list of over 50 potential methods to keep in contact with clients (‘touch points’ if you like), many of them actually use fewer than three or four...for their most important clients!

The quality of any client plan depends upon the knowledge we have of the client and the potential opportunities to do business with them – especially in times of turbulence. With so few touch points, any such plan will be next to useless as a working document: a recipe for achieving little. If they lack them, professionals urgently need education in the use of these contact methods, and the stimulus and support to make them happen.

Broad base is best

Despite the natural inertia present in many professional business relationships, recession will drive client attrition rates higher for a lot of firms. Research has shown much better retention for those that have more partners or key contacts materially involved with a client's business – at least two, but preferably more. Yet still firms do not broaden their spread beyond the one partner/one service line, even with clients who deliver large amounts of work and with whom they have an established relationship. In this recession, the firm **must** drive cross selling as a fact of life, finding ways to motivate relationship partners to bring others in, and provide training for those who lack the knowledge or skills to do it.

Quality and added value

Fewer projects, more competition for this scarcity, and higher standards demandable by clients. It is now paramount to ensure that clients' experience of what you do is of the highest perceived quality and value if more transactions are to flow. This requires a major change of priority for many client teams that we have come across.

In boom, their most neglected activity was the conduct of post-transaction reviews – “no time for it”; “what use is doing that?”; “we need to move on to the next deal” etc...

But in this market, they are an essential to ascertain your quality accurately, spot opportunities and problems, and reinforce client feelings of satisfaction when things have gone well.

These reviews and other feedback mechanisms should drive your professionals' understanding of what real 'added value' means - *to each individual client contact*. This means moving well beyond the next legal update, broadcast to the entire firm or department's clients, and any other 'extras' that clients perceive as a given. For one client, real added value might mean one of your experienced partners mentoring a member of their in-house team. For another, it might be offering members of the team to take part in a brainstorming to provide a different perspective on a critical client project.

Money, money, money..

Like it or not, cost is very high on the agenda in most quarters. This is proving a stimulus to bring some branches of the professions, kicking and screaming, into the world inhabited by almost every other service business for a very long time. Clients insisting upon an accurate estimate of cost for a job (rather than an open cheque based upon hourly rates)? Scandalous! Providing regular, frequent updates of cost vs. estimate to clients? Horror!

The clever firms have recognised and acted upon all this some (long) time ago. But they have also realised that, in recession, a bit of short-term profitability pain is preferable to the long-term revenue (and profit) agony of losing clients that they often can never recover. So a menu of pricing options is developed and made available according to client and project need – fixed fees, value-based, volume-based discounts etc.

Innovation and creativity

Finally, we have two words that are not normally associated with professionals, because few have bothered until they had to. Now they have to. So in some small but significant ways, we can see new or different methodologies being developed to enhance clients' experience (and the firm's revenue streams), such as the following.

New service development or enhancement – client service reviews are a valuable vein of information to drive innovation, but it's what you do with the data that counts. We have come across several examples where clever analysis of client feedback has resulted in a significant change to the service offering or, better still, a brand new service to meet client base demand, and improve loyalty and retention.

Clever IT – it may sound simple, but making sure that clients receive regular reports and financial information in a way that suits them is incredibly helpful and valued highly. Client-centric IT systems can offer client portals, client-centric dashboard (a one stop shop for all client data) and an individualised communications platform.

Strategic support/sweating the assets – some canny firms view their non-fee earning professionals as another source of potential competitive advantage. A classic 'poacher turned gatekeeper' example which worked a treat was the successful use of a firm's business development experts to help a client plan a tender and panel management exercise.

But at the end of the day..

It is action that counts. We know that it costs at least seven times more to win work from a new client than it does from an existing one. We know that the threat levels to existing clients are raised by harder times. But only by grasping the nettle and mobilising will professional firms be successful in the new environment: only this will turn your life bloods into saviours, rather than failures.



In the next article, we will explore the blueprint for success with prospective clients in these “interesting times”.

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James Newberry is managing partner of People Scope. Maeve Jackson is a senior executive associate for People Scope. More information can be obtained about the firm on-line at www.peoplescope.com or by contacting James Newberry or Maeve Jackson at People Scope, 6 River Court, Chartham, Canterbury CT4 7JN. Telephone: 01227 730411. Email: james.newberry@peoplescope.com.

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