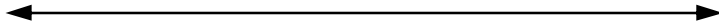


CLIENTS



Let's talk about clients. Have you ever heard that old one-liner, "Business wouldn't be too bad if we didn't have to deal with clients?" At times, that's how we all feel. But, to move ahead or even just keep pace with your competition, you have to know what makes clients "tick" and what really motivates them. In other words, you have to see your firm through the clients' eyes.

Ever wonder how clients select a firm? We know from surveys that 85% of individuals rely heavily on the suggestions and recommendations of friends, family, coworkers and acquaintances. That sounds reasonable, but consider the issue further and ask, "Why does someone suggest a business to someone else?" Most of the time it is because they, or a friend, family member, coworker, or acquaintance was well served by the business being recommended. It may also be that the marketing program had an impact on that person. The marketing program may have projected an image and message consistently enough

over a sufficient period of time so that someone not only remembered it, but was motivated to action by mentioning the firm positively to someone else. Your marketing efforts have the potential of being a significant factor in why 95% of your clients first walk through the door.

When you first sit down with a client ask them, "Out of all the businesses in the world, why did you choose this one?" Typically, the client will reply with, "Charlie Jones recommended you," or "a friend recommended you," or "someone at work said you were really good at this," You might think, "Great! a personal referral. We got this new business because we do such great work." This is not necessarily true. Charlie Jones may have been pleased with the services rendered to him two years ago but he probably would have forgotten that you even existed or would have been nonchalant about referring someone if the business's marketing effort hadn't continued to manage a relationship with him consistently over a period of time. Because the firm continued to communicate with him, this sent him a message that the people in that firm continued to care about him even after the bill was paid. This communication kept him informed about all the services that the firm could provide so he was well prepared to recommend with confidence when the opportunity presented itself.

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When we analyze why new business came through the door,

we must ask, "Was it because the firm did a good job?" or "Was it due to the firm's marketing effort?" The answer is usually a little bit of both. The more time that passes between a previous customer being serviced well by your business and that customer referring or re-purchasing, the more likely it is that consistent marketing follow up was the deciding factor in obtaining the new business, rather than the memory of having been serviced well.

If that new client who walks through your door doesn't mention a name which you recognize as having been a client of the firm, then you don't know why he or she was drawn to your firm. It could be that someone you've never met had been exposed to your marketing program and was impressed enough to mention the firm. Of course, it's just as likely that this "walk-in" was exposed to the marketing effort him or herself, and therefore never sought a third party referral. Good marketing does influence 95% of the business which walks through the door, in one way or another.

The next question to ask when a new client walks through the door is, "Why will he or she decide to hire this firm?" New clients do not make the hiring decision because they want the technical skills you are selling. They buy based upon your stated or implied promise to provide them with benefits - those services which your clients perceive to have value in their eyes. Businesses are also hired because you agree to

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provide these benefits on time, for a certain cost, and in a way which meets the client's expectations. People hire you only after determining whether or not you will provide the benefits that they are seeking. Delivering an effective, focused message about "those" benefits is what the process of "selling" your services is all about.

If prospective clients walk through your door (in large part due to your marketing), and if they decide to hire you (in large part based on your ability to sell them on the firm), ...meaning that you have discussed the benefits they are seeking, decided what determines "value" in their mind, and effectively communicated how you will deliver quality services to them...why is it that some prospects decide to walk out the door and never return? It has little to do with your actual skills and abilities, but everything to do with your firm's organizational ability to manage the expectations of, and the relationship with, the client. Clients may become less than enthusiastic about you if they feel they are treated in a routine, matter-of-fact fashion rather than on an individual basis. They may get the impression that they are "just another client" and they are not getting the value they expected. Most commonly however, they leave you because you are slow, inaccessible, and/or fail to communicate with them.

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You may ask, "But what does this have to do with

marketing?" The answer should be obvious to you by now. Most new business, as much as 30% - 80%, is referred by previous clients. If you appear to be slow and inaccessible and don't communicate well with them, then even the very best "New Client Attraction" program in the world will provide only short term benefits for you. Once clients become disappointed and leave your office, you are going to find that there will be too many little soldiers out there, saying,

"You know, they really weren't that great." You won't get the referrals you deserve and all those little soldiers will continue to dull the impact of all the rest of your external marketing efforts. Your clients are your firms' most valuable assets. When it comes to marketing, it's a lot easier, cheaper, and faster to "mine the gold" in your own backyard before you launch big, splashy, expensive marketing efforts directed to non-clients.

Your existing clients are your most valuable assets because they represent 100% of your good will in the marketplace. They provide you with all of your current income and they will provide you with most of your new business. In addition, you will find that marketing efforts designed to maintain the relationship with them and to keep them informed of all you do is the least expensive and most productive marketing your firm will ever do.

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The “80/20 Rule” states that a very high percentage of current income and profit comes from a much smaller percentage of current clients.

When we make reference to our existing clients (or client base), do we mean to infer that all clients are created equal? Definitely not! Most every business acknowledges the existence of the "80/20 Rule." The “80/20 Rule” states that a very high percentage of current income and profit comes from a much smaller percentage of current clients. It is safe to say that 80% of a firm's current revenue probably comes from 20% of its current clients.

You might find this to be an interesting statistic, but it is also a statistic which should strike fear into your heart! When clients become dissatisfied because things didn't go on schedule, or there was a failure to be accessible and communicate, you probably found yourself saying, "God, that's really an area we could use a lot of improvement in." In this competitive environment, if you need to maintain this type of relationship with the 20% of clients who provide you so much, you allow a situation to exist where even a slight breeze in the marketplace could blow those clients over to another business.

If you're going to minimize client churn, you will have to work constantly to meet reasonable client expectations and to provide value as perceived through the client's eyes. The best marketers will always have the prospective client express, in detail and up front, exactly what it is they expect to happen. By finding out early on what the client's expectations are, you

can determine whether or not your business will be able to provide value to this person. When you can and do provide that value, the client can then be counted on to return to the company with other matters or be counted on to refer others. If the client's expectations remain unrealistic but you try to meet them anyway, those expectations will always go unfulfilled by your company. Then, another dissatisfied client may think that they have license to slander you all around town! Discuss at the earliest possible point, with every prospective client, all the obstacles, contingencies and unknowns which might alter how the matter is handled. Then, think carefully and analyze whether or not you can realistically expect to end up being perceived by the client as having provided value. If it's not a safe bet, say "no" to the matter and refer that prospect to one of your competitors!

You also have to build rapport. A major part of your marketing efforts should be aimed at building good rapport with clients. Do things that will encourage the perception among clients that you are credible, that you are to be trusted, and that you have genuine empathy for their problems. Marketing efforts often fail because they are more related to you than oriented toward the client. Acting busy is not something that will impress clients. Rather, what you should do, is organize your time and have systems in place so that all your client communications go smoothly. Return phone calls quickly, provide periodic updates, send clients copies of work

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generated and documents relating to their matter. Clients want this information because it helps them to make tangible what is otherwise intangible. Set up procedures and work habits which require consistent contact and communication with every current client. Not only will you be more organized, but these practices will also become effective marketing tools which will minimize client churn. They will maximize referrals from your client base and make it easier to cross-sell services, as well as helping to enhance your image in the community.

Your most effective marketing tools will not be the seemingly spectacular efforts you might unleash. Rather, your real competitive advantage will come about from all of the little things that you and your organization do (as a matter of routine) on a daily basis.

The Value of a Client

As we are talking about clients, I would like to make a few more points. The first is about the concept of lifetime value. I don't know statistically how you can determine the exact lifetime value of a client. I am sure it is something to the effect of taking the average value of a client matter, projecting the percentage who return to you for services, adding a percentage for the referrals that new clients make, determining the value of those matters when the client

uses you for the second and third time, adding the value of those referrals, and throwing in the value of the referrals these new people referred will make, and on and on.

I read recently that Taco Bell, the Mexican fast food joint, had just determined that the lifetime value of one of their customers was \$12,000. If their lifetime value is \$12,000 and they are selling burritos and tacos for a couple of dollars a piece, you can imagine what the lifetime value of one of your clients is given your fee structure. Having a good grasp on the concept of lifetime value really does change the way you service a client, and more importantly, it changes the way you set up your office systems in order to service a client.

Let me tell you the story of one professional services provider I know who has a thriving practice. This person provides a professional service and does extremely well. He takes 6 weeks of vacation every year like clockwork, leaves the office every Wednesday at noon to take his daughters horseback riding, and has more money than he can count. Let me tell you two things he does that impact client service and satisfaction in a positive way.

The first marketing strategy he employs is lock himself in his office for a day or a day and a half every month, and call all of the clients being serviced by his office. Not only does he call all the current clients, but he has a schedule of calling

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previous clients and referral sources. He is passionate about making these calls, so I asked him why he felt it was so important for him to do this, keeping in mind that he has approximately seven people on his professional staff and an equal number of support staff. The place is bustling and he is truly “busy” in every sense of the word. He told me, “This is a service business. This is a business of perceptions, not reality. We do a great job, but what we do is not the most important thing. It is what the clients think! We provide a service that does not always go smoothly. I want to avoid the client being dissatisfied because they don’t have realistic expectations about what is going to happen on their matter. I want to discover dissatisfaction in a client’s mind at the earliest possible moment. I find that despite the great work we do, if the client gets it into their head for any reason, right or wrong, that we are not doing the best job, it is a very difficult situation to recover from. From a business standpoint, client satisfaction has a major impact on our referral rate, and the rate at which clients use us again. In order to maintain high operating margins, I have to take steps to root out client dissatisfaction. Not all dissatisfaction can be avoided, but most can be avoided if you’re communicating with clients on a regular basis.”

As he was telling me this, I recalled some interesting statistics. A happy client will tell 4 - 5 people about the positive service experience they had with your business. An

unhappy client, however, will tell 8 - 10 people about their bad experience. To top it off, one in five unhappy clients will tell 20 people how dissatisfied they were with you. These become your terrorist type clients. It is unnerving to learn that only 4% - 10% of people who have a problem with you, such as dissatisfaction about something, questions about what's going on, the timetable, how you communicate, your billing procedures, anything, will communicate that to you. Only 4% - 10% will tell you that something is wrong!

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What is the significance of this? Being aware of client complaints, and knowing of a client defection to your competitors, is only the very tip of the iceberg. Usually, the dissatisfaction you hear about is much more ingrained in your organization than you want to admit. You have to be aware that client dissatisfaction is almost always connected to how you service the client, not in what you actually do for them. If you are a lawyer, you are negotiating a great deal. If you are an electrician, you are using the best quality materials and being super cautious. If you clean air ducts, you do a much better job of getting those ducts clean than your competitors. This is not what clients typically become dissatisfied with. They become disillusioned with you by how you do or do not communicate with them. Every business must learn to relate to the needs of their clients.

The key point is that you have to consciously do something to

root out and avoid client dissatisfaction. The best thing you can do is to ask them what is troubling them, and then listen to their response. Then, you can build your systems to remove any reoccurring sources of client dissatisfaction. The second thing this practitioner did was hire the best receptionist that he could find. Someone with a great personality and super phone skills. He then proceeded to pay that receptionist more than some of the people on his professional staff. In his business people tend to shop a bit. They call around and try to talk to some people before they make an appointment. It is critical that he be super successful on that initial call in order to get people into his office and sign them up.

When asked why he did this, he replied, “We spend a lot of money on advertising to generate leads. The advertising does its job of getting the phone to ring, but the weakest link for me is the receptionist. If she doesn’t do a great job of relating to the clients in such a way that they make an appointment with the office, I am wasting a significant portion of my advertising dollars. I am not saving money by having a good receptionist with decent pay be a prospects first contact with the office. An exceptional receptionist (with much higher pay) is able to get a much higher percentage of the initial calls to schedule an appointment. A major factor in our marketing is being able to get those who prospective clients that call to make an appointment so that we can complete the sale. The higher paid person makes me money. The lower paid person

costs me money.” This is a great story about relating to clients’ needs, and how to alter your thinking and practices to the realities of client behavior.

How To Determine A Clients Value

Have you ever categorized your clients by their value to you?

We have talked about the fact that all clients are not equal, but have you ever stopped to “code” your clients as to their specific value to you. Then, having determined their value, made a conscious decision as to what to do with, and how much money to spend on, each group. I have always thought it convenient to divide clients into four groups and then define the characteristics of each group. I label the categories best, solid, problem and disaster type clients. You might call them “A”, “B”, “C” and “D” type clients. If you divide your clients up this way, you are better able to allocate your time and resources in order to increase retention and referrals.

Who are your best type clients? They are the clients who have reasonable expectations, pay you a lot of money, pay their bills, have important contacts, make referrals, have work that you want, and generate a lot of profits. With this group your objectives are to retain them and stimulate referrals from them. Keep in mind that clients tend to refer others who are like themselves, so if you do nothing else be sure to stimulate referrals from your “A” group, and cross sell them other

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services. Retain, generate referrals, cross sell and clone your “A” type clients.

The next group are what I refer to as solid type clients. They pay you and give you work on a regular basis. They are your bread and butter type client, and the profits are reasonable with your solid type clients. What do you do with this group? Your major objective should be to upgrade them to the best or “A” type client group.

The next group is what I refer to as the problem group. These are clients who have temporary difficulties, who you have to chase fees from, and with whom you have to communicate very firmly and fairly or you will lose your shirt. Your objective with this group should be to upgrade them to a solid type client.

The last group is the disaster type client, the “D” type clients, or clients who have unrealistic expectations, as some people choose to refer to them. They always seem to create a crisis atmosphere and demand unreasonable service. Essentially these are the people on the lunatic fringe. Those who, when they inevitably become dissatisfied with you, feel that they have a license to slander you all around town. Often you are losing your shirt financially with these clients. What do you do with the disaster clients? You have only one option. Run away from these clients as fast as you can, thereby

minimizing damage, keeping your losses small, and redirecting them to other areas.

Reluctance to identify and eliminate unprofitable and disaster type clients can be costly. Marketing is as much about knowing what clients to avoid as it is knowing what clients to attract. What is most interesting about these disaster type clients, is that if you sit down and make a list of all your worst type clients, jotting down notes about them next to their names, you will often find that in about 90% of the cases, the disaster type clients had certain common characteristics that you knew or should have been aware of when you accepted the case. They may have had a particular type of matter which tends to be unprofitable for you, were looking for discounted fees, expressed a need for an unrealistic timetable, or had wrong ideas about what was going to happen. The point is, when you take the time to actually list them out you can often define the characteristics of your typical worst type client. This way, when they present themselves to your office, you have the choice to say no.

Marketing is about creating options. If you make the choice, and it is your choice, to service disaster type, low profit, light fires on your desk, make you reach for the whiskey bottle type clients, you are selling yourself short. You are not going to have the time to service, or figure out how to attract, a higher grade, more profitable type client. It is that simple. So rate

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your clients and allocate your resources accordingly. Most importantly, get rid of your disaster type clients.

Why Do Businesses Lose Clients?

Why is it that service businesses tend to lose clients? A company can have a good marketing program that gets people to the door initially but the true profits are generated by getting those clients to come back a second and third time and to make referrals. Unfortunately, not all clients do that. Some tend to drift away, not come back, or not make referrals. I have read a number of studies, statistically, as to why service businesses tend to lose clients or why clients do drift away. Let me share that information with you right now.

First of all, let's understand that because we have a service business and people are not buying widgets off the shelf, things can change. Despite our best efforts, not all people are going to be happy. Keep these things in mind.

Why do service businesses lose clients? One percent of the people die, three percent move away and five percent of the people are going to follow a friend's or family member's advice and switch to another firm. Nine percent are going to switch due to what they perceive to be your high cost, or because they feel that they can get better service elsewhere. Fourteen percent are going to switch due to some form of

dissatisfaction with your service. To a large extent, this is going to happen despite your best effort.

The last remaining category is the reason why 68% of the clients that you lose tend to drift away from you. It is a category in which you can have a major influence. It is simply this. Sixty-eight percent of the clients you lose, who tend to drift away from you, will switch due to what they perceive and describe as indifference from your firm. You don't communicate with them. They start to feel that you're not interested in them anymore. They don't feel like they are of any particular value to you, or they start to look at another firm across town who they heard about more recently. It is that company, that competitor, that they think of when they have a need in the future or when they know somebody who has needs. You don't communicate with them, so they tend to forget about you. Communicating consistently with previous clients is the most cost efficient, best marketing, that you are ever going to do.

Think about it from a marketing plan perspective. If you want to make quantum leaps in the size of your business or in the profitability of your business, if you can spend a lot of money to try to get new people in the door, or you can spend just a little bit of money to get people who are very happy with you to come back to you and make referrals to you, how are you better off? Obviously you are better off by getting those who

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already know you and are happy with you, to come back again and to make referrals. In order to stimulate that type of activity, you've got to communicate with your clients on a consistent basis with the right message.

What Do Clients Want?

Clients want communication. Clients also want, what they define as, good service. What are the components of a clients definition of good quality service? What is good process quality? How is it defined from a clients point of view? Well, there are actually five factors which determine process quality in a clients mind.

FACTOR #1: The first factor is *Dependability*. Simply, did you do what you promised when you promised that it was going to be done?

FACTOR #2: Second is *Responsiveness*. Were you timely? Did you keep the dates? Did you return the calls? If you're responsive, they are happier with the service process quality.

FACTOR #3: Are you an *Authority*? Did you deal with them confidently? In other words, did you illicit a feeling of confidence from the client during the service delivery? If you're confident about what you're doing, and if you translate

those feelings to the client, they're going to have much more confidence in you.

FACTOR #4: The fourth factor is *Empathy*. Were you able to take the client's point of view on things? If you empathize with the clients they tend to feel that you're on their side or that you understand where they're coming from. They tend to feel that they're not merely just another file that you're handling, and they tend to have more confidence in the service that you're delivering to them.

FACTOR #5: The fifth factor which determines the quality of the service process in the client's mind is that you *Provide Tangible Evidence* to them. This is where you prove to them that you actually did the work. It's often a challenge in a service business, but it's very important that you offer tangible evidence of what you're actually trying to do for them.

I personally believe that examples of good marketing surround us all the time. If you're trying to figure out how to market your business, one of the things that I suggest that you do is make a list of all of the service businesses that you go to on a regular basis, your dry cleaner, your auto mechanic, your lawyer, your accountant, and think about why it is that you use those service providers. What is it that they do specifically that you like, that gets you to come back to them

and make referrals to them. Then, try to apply those concepts to your own business.

Let me give you an example about providing tangible evidence. For ten or twelve years I've brought my car to a local auto mechanic to be serviced. He did a good job, was nice, and personable. He had a small shop and not the most technically sophisticated equipment, but he always treated me very decently. I recently had a problem with my car: it kept stalling on me. I brought it to my local, trustworthy, auto mechanic whom I had used faithfully for about 10 years and he made two attempts to fix but wasn't quite able to fix the problem. I knew that his equipment wasn't the most sophisticated and this problem was annoying. Even though this person had served me very well over a long period of time, I decided that I had to go to another shop in town.

The new shop had a reputation of being more expensive, but had all of the latest equipment and a great reputation. I went to this new business and presented my car, and this is what happened. I had a difficult problem, and something that was supposed to take a day took ended up taking two and a half days. That was a bit of a problem and inconvenience, but this company kept in contact with me constantly about what they were finding with the car and why it was taking so long. Because of this contact, I tended not to blame them for not getting the car back on time. I finally went to pick up the car

after two and a half days. I didn't know what they had been doing in the shop (because I hadn't been able to see them) but the service attendant spent some time with me going over a computer generated printout of all of the diagnostic tests that they had run on the car, what the results were, and the significance of the tests. When he first started going into this I was kind of busy and I said "Yeah that's great, I don't really need to hear this," but he insisted on spending that short period of time with me going over specifically what it was that they had been doing to my car for two and a half days. He went through it, and I was impressed. I had an 8-10 page printout of all of the "stuff" that they had done for me. I could hold it in my hands. I carried it to my car and flipped through it. The bottom line is that they made tangible to me what was otherwise intangible.

Because they communicated with me on a consistent basis, calling me up, and keeping in contact, I felt that they truly had my best interest in mind. Now, let me give you the kicker. They weren't able to solve my problem 100%. They solved a lot more of it than my original service provider did, but they didn't solve it 100%. Because I truly believed that they cared about me and had done their best, I did not blame them for not being able to fix it, even though the car still stalled here and there. I wrote it off as the car being somewhat old, and I really felt that they had cared and given it their best effort. The lesson in that is that the good service was in the

communication, in creating the printout which demonstrated what they were doing for me and in taking the time to communicate with them. Because they did that, I'm now using them versus the service provider who had done a good job for me for ten years.