

The Business Case for CRM: Relationship Intelligence and its Benefits

John Lipsey, Interface Software, Inc.

John Lipsey is a lawyer and currently serves as the Director of Corporate Communications of Interface Software, developer of CRM solutions for law firms. He is a frequent writer and speaker on the topics of technology and the professional services sector. Prior to entering the high-tech field he practiced corporate law in Washington, D.C.

Introduction

Client Relationship Management (CRM) is one of the most potent business strategies to emerge in recent years. Its allure is rooted in common sense which dictates that the more a firm knows about its clients and the closer the relationships it can forge with them, the better it can serve their needs and the more it can sell.

While virtually all sectors of the business economy are engaged in CRM, the role it plays within law firms is entirely different than in the broad-based corporate marketplace. The reason? The business models of most law firms differ widely from their corporate brethren. Therefore, to evaluate whether a CRM solution would be of benefit to a particular firm, it is critical to understand the unique role that this technology plays within the law firm environment.

Definitions

There is significant confusion in the marketplace as to what exactly is CRM. It is therefore useful to establish a working definition upon which to build.

For law firms, CRM can be defined as a business strategy leveraging Relationship Intelligence that enables firms to exceed client needs and expectations as well as revenue and productivity objectives. Relationship Intelligence is a firm-wide asset that reveals the unique and complex connections between people, companies, relationships, experience and expertise, empowering professionals to leverage who and what they know to uncover new revenue opportunities, differentiate themselves from the competition and enhance client service.

CRM is not simply a technology, but a business strategy, and it therefore must be closely aligned to the law firm's strategic objectives as defined by firm leadership. Likewise, firm culture and business processes must support the firm's CRM strategy.

One of the important distinctions between traditional CRM and CRM for law firms is the knowledge asset described above called Relationship Intelligence. Information possessed about people, companies, relationships, experience and expertise is used in all facets of a law firm's business – from reducing costs, uncovering new matter opportunities, cross-selling services and executing tailored communications, to properly staffing matters, improving client service and increasing operating efficiencies.

Accordingly, for a CRM strategy to be successful, the firm must have a means to aggregate its collective knowledge about people, companies, relationships, experience and expertise, and transform this scattered data into Relationship Intelligence. It must also have a means to centrally manage this intelligence and a means to deliver Relationship Intelligence to professionals, when and where they need it.

Business Benefits

The impact that Relationship Intelligence has within the organisation is far reaching. Below are some examples of the business benefits:

Reducing Client Defections

To spot opportunities, potential risks and otherwise effectively manage the client relationship, it is critical to have a global snapshot of all firm interactions that are taking place with individual clients and contacts. This is especially important when multiple

individuals within the organisation interact with the same client regularly.

Clients can grow frustrated with their firm and defect if they feel their relationship managers are not on top of the current status of their matters, or are unable to provide timely updates. Indeed, frequently when many lawyers and paralegals are working on different aspects of a case, communications can break down and it can appear to the client that one hand does not know what the other is doing.

A good example to illustrate this point came from a law firm, which employed "client teams" that were dispersed between different offices. This firm had no efficient way to keep everyone apprised of what was happening with the client at any given time, which often lead to mishaps that reflected poorly on the firm.

Relationship Intelligence functionality targeted at this problem helps eliminate the complexities of keeping everyone apprised of firm interactions with the client. Some solutions can automatically notify users when relevant interactions occur between other firm members and important contacts. For instance, a client relationship manager can automatically be notified when anyone in the firm has a meeting, phone conversation or correspondence with an important contact – eliminating the risk of embarrassing mishaps that occur when one hand does not know what the other is doing.

When technology is used in this way, it appears from the client's perspective that everyone involved is working in unison and communicating effectively despite the complexity of the matter and the number of members in the team. This creates the high level of confidence and perception of competence that keeps clients loyal over the long run.

The Business Case for CRM: Relationship Intelligence and its Benefits

Cross-Selling

The skills and expertise that law firms market to their clients represents the firm's "inventory" of services. As a firm expands, so does its skill-base, which ideally can then be leveraged to attract a wider variety of clients and cross-sell a richer complement of services.

Many law firms have a difficult time keeping up with their ever expanding and evolving capabilities, making it difficult to leverage the full range of their strengths. This challenge is most common as new lawyers join the firm, bringing new skills and expertise with them, or after a business combination such as a merger or acquisition, when a new group of lawyers is added to the team.

A CRM system's ability to provide visibility into client needs as well as firm capabilities can facilitate effective cross-selling. For example, one law firm manages its cross-selling initiative as follows: A core client service team is assembled based on who within the firm the CRM program identifies as having the strongest relationships with the client. A complete profile of the client is then generated from the system that can include information such as the client's business, revenues, past billing history, services currently used, key players, influencers, decision makers, etc.

A strategy session of the client service team will reveal what additional needs the client might have that the firm can accommodate. An additional query of the system uncovers who within the firm has the specific experience and expertise to comprise the appropriate services team and what other clients can serve as references for this work. The team then has all the information it needs to pitch the client on these additional services.

Networking for New Business

As law firms grow, their expanding network of relationships becomes a critical competitive advantage. However, without immediate access to Relationship Intelligence, leveraging these resources effectively is nearly impossible.

For example, in the most common scenario, a lawyer trying to win a new client will typically send out a mass e-mail to other firm members asking if anyone has a relationship with the prospect. If a response is given, the lawyer will then try to leverage that relationship to win the matter.

In many instances, however, responses are few and far between for a number of reasons: These mass e-mails are viewed as nuisances and ignored; the recipient is not in the office at the time; or the recipient is simply too busy to respond. Regardless of the reason, information about useful relationships is not revealed at the time it is needed. And one of the firm's most precious assets – who it knows – goes underutilised.

Through a variety of features, CRM systems can automate the process of revealing the strategic relationships that can help a firm win new business. This functionality removes one of the most frustrating barriers a lawyer has of leveraging the firm's internal network.

Eliminating Missed Opportunities

Missed opportunities count among the most costly consequences when a law firm does not have the proper Relationship Intelligence infrastructure in place. For example, a firm had been competing against three others for a lucrative client engagement. Each firm was on equal footing relative to capabilities and cost. Ultimately, the prospective client decided to go with one of the firm's competitors.

A number of weeks later the lead lawyer who had been pursuing this prospect had a chance conversation with a colleague at his firm who had not been involved in the prospect opportunity. The colleague mentioned that his brother-in-law sat on the board of the prospect company. Had this relationship been revealed via a CRM system, the colleague could have leveraged his relationship on behalf of the firm, which may have resulted in a different outcome.

Avoiding Embarrassing Losses

More so than in any other industry, the legal sector is founded upon image,

trust, competence and confidence. Mishaps and errors that might go unnoticed in the mainstream business world can have devastating effects in the legal field.

The ways in which a firm can inadvertently alienate clients or prospective clients are numerous. Take, for example, a law firm that held an annual conference at a luxurious five star venue to which important clients are invited. To compile the invitation list, the marketing team of the firm had to aggregate firm contacts stored in a variety of locations such as lawyers' individual contact managers and firm marketing databases. The process of compiling the lists was unnecessarily complex and prone to human error. When the invitation list was finally compiled, some of the firm's most prominent clients were inadvertently omitted. Invitations to several other clients were sent out with incorrect name and address information. Errors such as these can cause irreparable damage to client relationships.

A firm's inability to properly track and manage interactions with clients and prospects will lead to embarrassing mishaps that detrimentally impact its image and relationships. By providing a centralised system from which law firms can manage client services and marketing activities, CRM solutions can drastically reduce the likelihood of these costly problems.

Reducing Losses Associated with Turnover

When key lawyers leave the firm, whether voluntarily or involuntarily, they take with them a vast resource of knowledge about people, companies, relationships, experience and expertise. The absence of these professionals can cause a knowledge vacuum that can have myriad consequences, from lapses in service, to the loss of clients.

By providing a centralised knowledge base of Relationship Intelligence that survives the tenure of individual employees, CRM systems can help eliminate the substantial risks associated with employee turnover,

One cannot always predict every way in which a firm will need a CRM system. In one example, a firm's

The Business Case for CRM: Relationship Intelligence and its Benefits

partner had died rather suddenly. Amidst the tragedy the other lawyers were fortunate that information about the deceased partner's clients was in the system. Detailed background concerning activities, notes from conversations, information relating to work that was being planned was available, enabling the firm to step in and provide a continuity of service that otherwise would have been difficult or impossible to accomplish. This trying experience provided additional proof that a CRM solution was essential to this firm's practice.

Conclusion

Investing in a CRM solution can be one of the most important strategic decisions made by a firm to advance its client relationship management strategy. While CRM has been widely popular throughout the general business community for years, the legal sector is now catching on as firms grasp the competitive advantages that these systems provide.

Importantly, because each industry carries with it a unique culture, process and business model, the CRM solution selected must be optimised to the

specifics of that market in order to deliver the desired benefits. Accordingly, the CRM solution chosen by a law firm should be tailored to address its unique needs, with features and functionality specifically designed to provide lawyers with the Relationship Intelligence that they need to uncover new business opportunities, cross-sell more effectively and maximise client service.

* Further information on CRM software is available by contacting John Lipsey at jlipsey@interfacesoftware.com.

Spam Industry Code of Practice and eMarketing Code: drafts released

Alice Grey, Paralegal, Freehills

On 26 July 2004, the Internet Industry Association (IIA) released¹ a draft Industry Code of Practice² (**Industry Code**) for spam. The Industry Code was developed by a specialist taskforce established by the IIA in March 2004, and is designed to sit alongside the *Spam Act 2003* (Cth) (**Spam Act**) which came into effect in April 2004.

The Industry Code is intended to define best practice standards for internet service providers (**ISPs**) and email service providers (**ESPs**) in their spam management, as well as assisting their customers to exercise greater control as users. The Industry Code will require ISPs and ESPs to configure their own networks to make them less vulnerable to spam, provide customers with information and solutions to help them avoid spam, and give reasonable assistance to those investigating illegal spam activity.

Once registered with the Australian Communications Authority, the Industry Code will be binding on all ISPs and ESPs in Australia. Comments on the draft Industry Code were due by 30 August 2004.

Also designed to complement the Spam Act and the Industry Code is the eMarketing Code of Practice (**eMarketing Code**) issued on 11 August 2004 by the Australian Direct Marketing Association (**ADMA**). The eMarketing Code was developed by the national eMarketing Code Development Committee, which consists of representatives from industry, regulatory and consumer bodies. Once registered with the Australian Communications Authority, the eMarketing Code will bind all organisations that use either email or mobile as a primary form of marketing as well as third parties who market on behalf of a client.

The eMarketing Code is intended to provide detailed guidance about acceptable eMarketing practice, particularly with respect to issues such as consent and viral marketing, which are currently causing some confusion. It will also assist companies who use email in their business but are not necessarily defined as eMarketers, to ensure they comply with the provisions of the new legislation.

ADMA has invited industry and consumers to comment on the draft eMarketing Code by 14 September 2004.

1 "IIA Releases Draft Spam Industry Code of Practice", Internet Industry Association, Media Release, 26 July 2004. See: <http://www.iaa.net.au/news/040701.html> (last accessed 28 September 2004).

2 *Internet Industry Spam Code of Practice – July 2004*, Version 1.0, Internet Industry Association, Public Consultation Draft. See: http://www.iaa.net.au/nospam/Draft_IIA_Spam_Code.pdf (last accessed 28 September 2004).