



# Managing Client Relationships – The Truth in Professional Services 2011

## Dear Colleague

Effective management of client relationships contributes hugely to the health of any professional firm. It is an issue that defines a firm's competitive performance.

This is the fourth year that the Managing Partners' Forum (MPF) and The Thriving Company in association with the PM Forum have surveyed CRM activities and results specific to professional firms. In 2010, we focused on effort and processes to manage service delivery. 2011 has a special focus on the contribution of external consultants, software and systems. The insights should be invaluable to those wishing to grow revenues, drive improved effectiveness and ensure they win in a fast changing environment.

This Executive Report provides a flavour of insights to enhance CRM performance. Further reports contain more detailed insights and feedback on the perceived contribution of specific consultants, software and systems. Details on how to order these reports can be found on the final page.

*Happy reading!*

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## **I Key findings**

- Professional firms have improved their ability to gain strategic and financial benefits from CRM activities.
- Those achieving major benefits across a range of objectives are still in the minority
- The vast majority of firms (93%) continue to make investments. The majority will upgrade, and over a third expect to change systems in the next three years.
- The most and least important areas of functionality, vendor choice and satisfaction with the ongoing performance of third party advisors may be surprising to both clients and vendors
- The reported performance of both in-house systems and third party systems/vendors is very variable.
- It is clear that gaining the full results possible requires clarity, diligence, programme management, client centric thinking and transparency between the professional services firm and the vendor. Some specific contributions are highly rated by firms.
- There are a number of specific ways in which peer professional services firms have found that they can drive the contribution from vendors and third parties forward.

## **2 Survey participants**

There were 277 respondents. The greatest number were from law firms (54%) though there were also a significant number of responses from accountancy firms (17%), management consultants (7%), property consultants (7%), financial services (4%), and consulting engineering firms (4%). Responses from other sectors accounted for the remaining 8%.

20% of the participants classified their firm as global, with 57% operating in the UK, and 15% in North America. Other locations accounted for the remaining 8%.

While marketing directors and managers accounted for almost exactly half of the responses, there was a sizeable response from 'senior' partners and fee earners, incorporating senior partners, managing partners, practice leaders and directors as well as other senior fee earners. These accounted for around a third of participants, with a further 8% of responses coming from heads of CRM and technology.

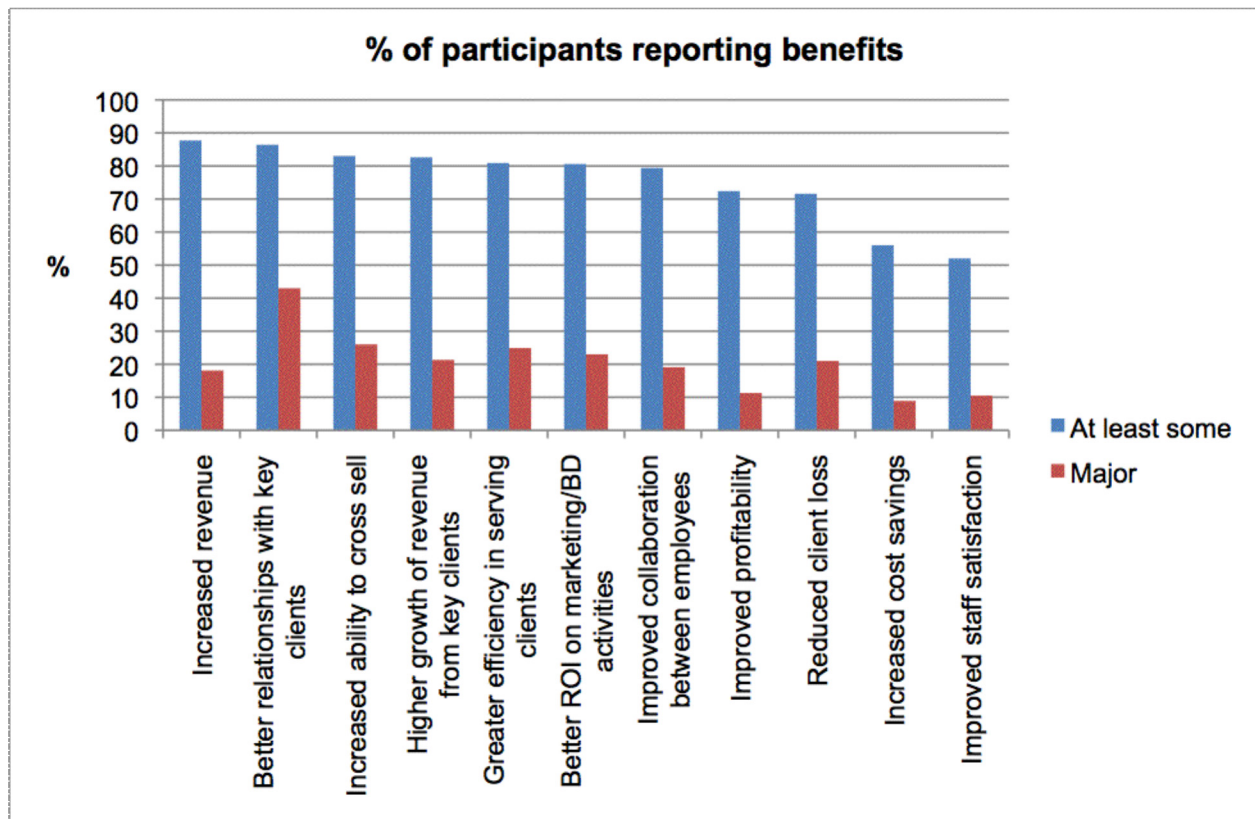
Participants provided feedback on a total of 29 consultants and vendors.

### 3 CRM activities undertaken by firms and results gained

Overall firms appear to be achieving slightly better results from CRM than in 2010. Six of the eleven specified benefits, are, at least to some extent, achieved by over 80% of the respondents. These six are:

- Increased revenue
- Better relationships with key clients
- Increased ability to cross sell
- Higher growth of revenue from key clients
- Greater efficiency in serving clients
- Better ROI on marketing/BD activities

However, few firms are securing the extent of benefits which is possible. The chart below overviews the distinction between those firms securing major benefits and those achieving some.



Performance is still constrained by a lack of focus by many on those key activities which are most correlated with gaining major benefits across the firm from managing client relationships. Our 2010 study identified those activities with the highest correlation with major benefits as reported by participants – i.e. it identified those activities much more likely to be done by those firms reporting greater success.

It is notable that far fewer firms report major improvements in profitability or increased cost savings than report better relationships with key clients. Not all firms are securing the financial return from their efforts and from those better relationships.

Table I summarises the proportion of firms in this year’s study undertaking those key activities:

Four ‘macro’ areas stand out as driving results from more detailed research into those firms that have previously reported major benefits. Every firm would find it valuable to review performance against these areas:

- Gaining robust and objective understanding of what clients need and value
- Having a clear CRM vision
- Effective programme management
- A system of measurement that works

Table 1 (All percentages reflect participants who said they completely or largely undertook the activity)

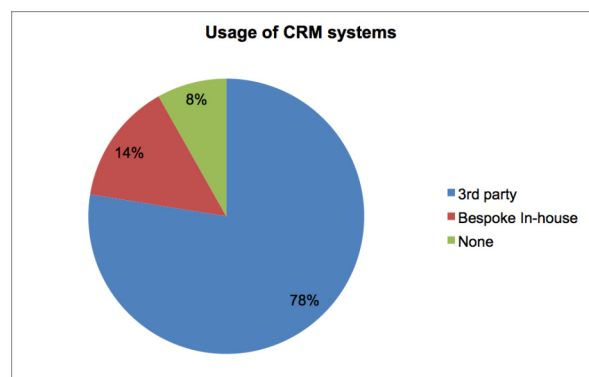
'Gap closers'		'Programme drivers'	
Critical expectations impact how the firm defines client service	37%	The CRM database shows a defined member of staff with overall accountability for each client relationship	47%
Results of client surveys are consistently tracked	34%	The CRM strategy is integrated and aligned with the firm's overall business objectives	42%
Client service training is directly informed by known client expectations	32%	A clear CRM vision, supported by senior management, has been defined with clear benefits for the business	37%
Marketing and HR/Training work together to define training on client delivery, relationship and service issues	30%	Key sales, relationship management and marketing processes have been designed	35%
Expectations for client service delivery are clearly described and measured for all staff with client contact	30%	Key business managers and sponsors have defined the reports and management information they need	30%
We identify client expectations through robust client research	27%	Key success metrics of CRM programme are well defined and regularly tracked	26%
Those staff without direct client contact are measured on the contribution they provide to client contact activities...	16%	System users are included in ongoing requirements gathering	26%
		Robust feedback is gained from heads of functions and other key users of the CRM system	26%
		A clear process is in place to identify, prioritise and implement system changes	25%
		Specific performance standards are tracked for the CRM system	19%

#### 4 Usage of third parties

Improving firm wide performance in managing relationships often requires challenge to existing processes, and even mindsets. It is frequently facilitated by the effective adoption of technology – and certainly consultants and vendors in this area would express the importance of this.

The chart to the right shows that the vast majority of participants (92%) used 'CRM' software and technology, with a significant group (14%) that has developed in-house systems.

So, what are the investments likely to be made in this area by peers? How can ROI be improved?

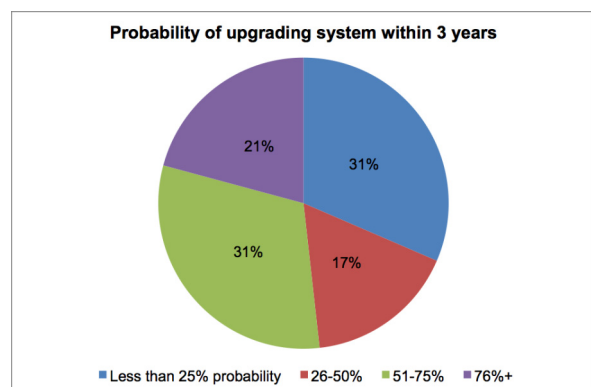
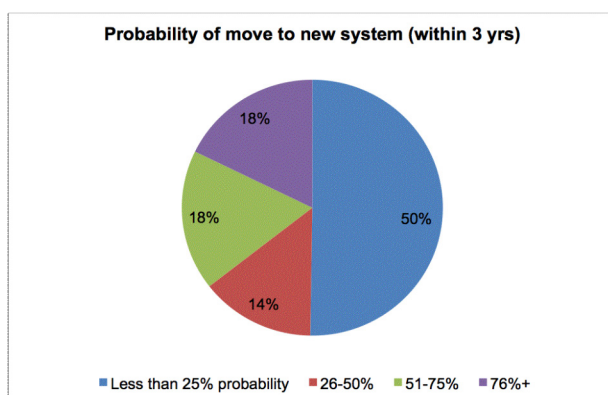
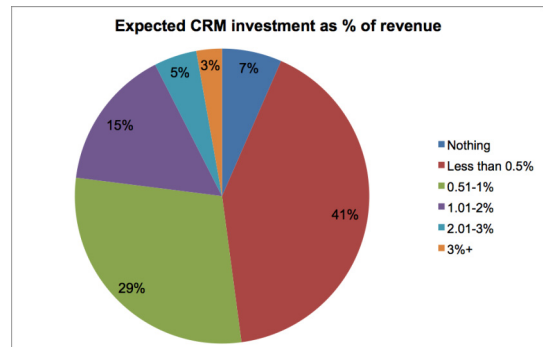


## 5 Are you keeping up with your peers?

A full 93% of firms expect to invest in their CRM systems and processes this year, though 50% will invest less than 0.5% and only 20% more than 1% of their revenues.

Nonetheless there is no doubt that most participants do not expect their use of systems to stand still:

- 52% will probably invest in *upgrading their current system* within the next three years. Some 21% say they are more than 75% likely to do so.
- 36% believe they are likely to *move to a new system* within the next three years. While just over a quarter of these feel they will continue to upgrade their current system, the rest appear to be focusing their future investment on new systems.



## 6 Key areas of functionality and vendor performance

Participants also defined the importance of different areas of functionality based on the impact on their overall CRM capability.

Overall, six areas were viewed as 'mission-critical' or 'extremely valuable' by over 70% of participants. The area (just) seen as most important was *lead and opportunity management*. Other areas were also seen as key. For example, 39% described *data quality management* as mission critical.

The least important area of functionality was *integration with social media*. Only just over 20% viewed this as either extremely valuable or mission critical. It will be interesting to see if this view evolves over the next few years.

The study also sheds new light on how firms view the importance of different aspects when choosing between CRM systems and vendors, and evaluating their ongoing performance across both sales and ongoing client service performance.

Perhaps surprisingly, the *ease of customisation to specific needs* appears to be (by some distance) the **least** important factor when choosing a system or vendor. In contrast, the *overall system functionality* was considered the most important of the thirteen listed.

When ongoing performance is evaluated, the ability of the vendor or consultant to *understand client needs* was, in overall terms, considered the most important. Conversely, of the 13 factors ranked, *strong relationships between board level executives* has the lowest perceived importance.

Table 2:

	<b>Impact on CRM capability</b>	<b>Choosing between systems/vendors</b>	<b>Ongoing performance of vendor</b>
<b>Most important</b>	Lead and opportunity management	Overall system functionality	Understanding client needs
<b>Least important</b>	Integration with social media	Ease of customisation	Relationships between board level executives

## 7 Current contribution of CRM systems and vendors

So, how do vendors and systems currently perform, and how satisfied are clients and decision makers at professional firms?

Overall satisfaction is not high with average satisfaction 5.84/10. This is slightly ironic given the promised impact of these systems and vendors on end client satisfaction. However, it is noticeable that the average satisfaction of those using external help is higher at 5.94 compared to the average of those using in-house efforts at 5.37.

Table 3 below overviews the average overall satisfaction score (of 10) with each vendor/advisor achieving sufficient responses to be included in this summary:

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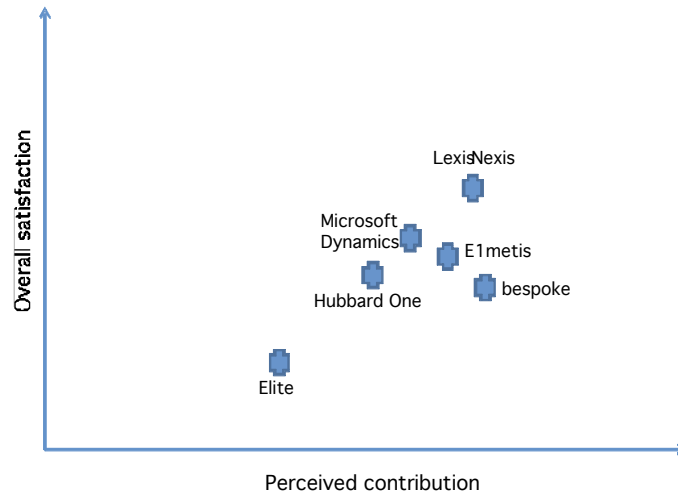
<b>Ranking</b>	<b>Vendor/Advisor</b>	<b>Average satisfaction score</b>
1	Lexis Nexis	6.98
2	Microsoft Dynamics	6.00
3	EI Metis	5.80
4	Hubbard One	5.71
5	Bespoke in-house	5.37
6	Elite (Apex)	3.83

It seems clear that CRM systems and vendors are consistently having some impact on the attainment of some key business outcomes. When participants were asked to score the contribution of their chosen consultant or vendor towards achieving their CRM objectives, there were few saying there had been no impact. Indeed, for every objective, over 80% of the participants said some positive contribution had been made.

The most effective contributions appear to have been made in the areas of better efficiency when serving clients, and better relationships with key clients. However, another key part of the findings is that there are few occasions where the consultant or vendor is perceived as making an outstanding contribution. For all of the potential contributions included in the study, fewer than 20% rated the contribution of their vendor as 8 (or above) out of a possible score of 10.

A comparison of feedback on satisfaction and contribution by system/vendor is shown in figure 1 below. This suggests there is more that can be done by vendors and advisors – and probably also by clients – to bring about improved performance.

Figure 1: Overall satisfaction and contribution



## 8 Getting the most out of vendors and consultants

There is little doubt that effective CRM programmes can deliver competitive advantage and major upturns in revenue and profitability. In the current market, that's key. If programmes are done well, it would seem that the upturns justify the expenditure on external help and support, which can be considerable.

So what is the advice from firms on how to gain the most from vendors and consultants? There are a variety of suggestions...

- **Ensure consultant/vendor understands your culture**

One key area appears to be to ensure that clients choose an external provider that not only has detailed knowledge of the relevant sector, but which is also able to understand and indeed assist with *"internal politics and partnership demands"*. Some participants referred to the valuable role which the vendor or consultant can provide in gaining buy-in and support from key stakeholders. This includes

*"Interaction with fee-earners – (and the) ability to demonstrate and articulate direct benefits to the business"*

- **Focus on specific, relevant business goals**

Allied with this, there is clear advice to choose vendors that are able to understand the client's business objectives, not those objectives which the consultant thinks are right. One participant said that it was critical to:

*"... (set) clear goals for the installation and ongoing use of the CRM system from OUR perspective, not the supplier's"*

As a specific example, another noted that third parties can find it difficult to *"understand that (we are) driven by long term relationships instead of time sheets... surprisingly few consultants are able to get their heads around that."*

- **Governance and setting expectations**

There is recognition by some that this is a two-way street. Some participants recognise that investment in time by those responsible for CRM or the firm's overall effort in managing client relationships is key for this understanding to be gained. But there is more to it than that. Programme governance and management of suppliers is viewed as important, with clear accountability, and setting of expectations.

One participant described this as “...*defined objectives and key performance indicators from the outset, along with agreed expectations of service level and performance*”.

- **Ongoing communication and co-operation**

‘Transparency’ in the relationship and good ongoing communication were also viewed as critical by many participants. This is seen as part of the genuine commitment of the vendor as well as the client, and includes a high level of investment and co-operation between any developer resource at the vendor and the end users of the system. It is viewed as critical in gaining user acceptance.

One respondent described this as thinking of the user as the hub and ensuring that external advisors are effectively engaged in this effort to help “... *join up internally the various stakeholders... ie. IT, BD and users... having a central user group that the consultancy are part of to ensure that latest developments and best use is being made*”.



## **Professional Firm Report**

This comprehensive report contains unique insights on the importance of CRM to firms, important attributes in selecting and retaining vendors, and the performance of named vendors. The detailed contents will help any firm considering changing advisors or systems or aiming to achieve enhanced results and ROI from current efforts. Areas covered include:

- The areas of functionality seen as important to CRM success by professional firm peers
- Perceived merits of external and in-house systems
- How firms choose – The significance of 13 attributes when selecting vendors
- How firms evaluate performance – The significance of 13 attributes when retaining vendors
- The things that damage firm/vendor relationships
- Awareness of named vendors
- Client feedback on the contribution of various vendors
- Levels of client satisfaction with various vendors
- Advocacy by firms for various vendors

The price of the report is £595 + VAT (£714 / 850euros / \$1,100) with special rates available as follows (all prices below include VAT at 20%):

	Ordered before 15 November 2011	Thereafter
Survey participants	£234 / 280euros / \$375	£354 / 420euros / \$560
MPP/PMF members and/or Thriving Company clients	£354 / 420euros / \$560	£474 / 550euros / \$750

## **Improving the contribution and results from vendors and advisors**

This study has identified that there are opportunities for vendors and advisors to improve the satisfaction of their professional firm clients and to improve the value and contribution that they provide. Indeed, some participants provided feedback which they said they would like their vendors and advisors to receive. As part of the shared commitment by MPF, PMF and The Thriving Company to facilitate improved outcomes for professional firms, vendors can access more detailed feedback on their performance, suggested improvements and how they are seen by current clients and professional firms generally.

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