

## THE CROSS-SELLING CONUNDRUM

The cost of not doing it  
(Feb 06)



Whenever I or one of my colleagues speaks to a law firm about 'cross-selling' the usual response is a version of: "That's marketing isn't it – that's Jane's responsibility". This indicates how little cross selling is going on and shows a failure to appreciate the enormous benefits that can be derived from what should be a standard client service function. If it is accepted that clients are the principal source of fees it would be usual to expect some effort to maximise the opportunity they represent.

It may help to set the scene by offering a definition of cross-selling: It is a process for identifying clients who have purchased a specific service in order to sell them similar or related services. Cross-selling is designed to widen the client's reliance on one provider and decrease the likelihood of their switching to a competitor. To place the application of the process into some perspective it was Ford Harding of Harding & Company who said in his seminal work "Cross Selling Success": "I don't think there is any firm with multiple services that couldn't add 25% to its revenue if it just did cross selling more effectively." It would appear too many managing partners are unaware of this or worse, they don't believe it.

Effective cross selling requires a number of elements to be in place that are all too frequently absent in the modern law firm, including:

- A fully accurate and centralised client database which can interrogate the sales ledger and confirm fee income by: client, individual lawyer/team, work type, client type, value of work, frequency of instruction, etc.
- A climate or culture whereby clients are freely referred between partners and departments, eliminating the 'why bother, it's not my client' syndrome.
- A team/collaborative approach which facilitates the 'leveraging' of client relationships.
- An incentive structure which rewards any and all cross-selling.

The barriers that preclude the application of effective cross-selling always comprise the following, individually or collectively:

- A lack of knowledge on the dynamics of selling
- A lack of knowledge on what other partners and key fee earners do
- A lack of any incentive to cross-sell
- Fear of client loss
- Failure to recognise or reward cross-selling when it does occur
- The existence of pre-existing practice/client relationship in the proposed new area
- A fear of 'imposing' on partners and their pre-existing relationships

Whilst software driven cross selling applications are available for most if not all Practice Management Systems (PMS) they are virtually useless until the barriers (above) have been removed or neutralised. (For reference, the applications are generally referred to as Customer Relationship Management or CRM packages). Despite the significant gains in fee income available, firms wishing to profit from the opportunity will need to embrace change in the way they think about discretionary compensation, client 'relationships', team structures, attitude to rainmakers and basic client knowledge/information. For too many these represent insurmountable obstacles, despite the profit

opportunity that can see margins go through the roof. In an environment where clients' expectations of their professional service providers are increasing exponentially this is not a good look. Clients increasingly want to instruct professional service providers who embrace commercial best practice imperatives.

Investment in technology-driven systems is the wrong starting place for any law firm wishing to increase fees through cross selling. Investment in a CRM component to the PMS system prior to eliminating the barriers to success will lead to further frustration and entrenchment of isolationist behaviours. The last thing partners need is long lists of allegedly new fee earning opportunities which are frustrated by other partners when attempts are made to work with 'their' clients. It is divisive and futile.

Boston Consulting has conducted considerable research into cross selling and has reported a number of findings including a worrying trend that saw the number of law firms receiving instructions from the 'Fortune 1000' falling by 20% in 2005. The implications are clear; the number of firms getting the available work is declining and it is going to firms that are effectively applying cross selling.

Cross selling is the most successful 'lever' for delivering new fees in volume but its application is misunderstood, which frustrates its success. LegalBestPractice has wide experience in de-mystifying the processes required to deliver more fees from existing clients.

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