Understanding 'value for money'

A briefing note for those aiming to more easily grow their share of work

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Value for money and ensuring you grow your share of work

When we gain client feedback for professional services firms, how well they are perceived to perform on "value for money" often turns out to be very highly correlated with the likelihood that the client will recommend and keep using their law firm, accountant, or other professional advisor.

So, performing well on this is vital to ensure you can retain and develop client relationships, grow your share of work, and build a healthier platform for the firm's future.

But…when measuring professional service firms performance, value for money tends to be the most poorly rated attribute. Typically, the average "score" for the firm's performance out of 10 is some 0.5-1.0 points lower than the other attributes.

Why is this? Many firms have only a limited understanding of what the client sees as the key components of value for money.

So, how do you improve the value for money that your clients perceive you provide? How do you secure better growth?

What it isn't (or, at least isn't very often)

Often, lawyers, accountants and others regularly assume that, in the eyes of their clients, 'good value for money' equates to 'lower fees'. And, in fairness, it's wrong to say that's never the case. Some smaller clients, and start-up businesses, clearly are fee sensitive.

Some bigger businesses can be too, if a narrowly considered procurement approach is in place and key performance indicators focus largely on cost savings. That said, even in these cases, an approach focusing on cost to the detriment of quality – i.e. the other side of the 'value for money' equation - tends to be short lived.

That's because the cost to the organisation of using professional advice includes time as well as cash costs. Once the high time costs of using 'cheap', less valuable advisors become visible, the fee alone does not tend to continue to be of primary importance.

The value for money equation and the point about value

'Money' is only part of the value for money equation. What clients are really talking about when they evaluate value for money is:

$$\frac{\text{The perceived value received}}{\text{The cash spent}}$$

What building blocks create a high rating for this? Based on what we hear, there are two overall aspects:

- Things which drive value
- The approach to pricing

Some of the things which drive value – from the fairly obvious to the less so

The outcome

Clearly, if litigation doesn't go your way or a deal 'fails' then the client's view of value for money is going to be impacted.

But, less obviously, we still hear from clients of law firms (for example) that while the firm may have done a decent technical job, the lawyer(s) did not fully scope what the client's aims were, and why they had those aims.

Asking the right questions and demonstrating interest in the client's overall agenda helps secure an outcome that is viewed as better value for money.

Reliability and comfort

Regularly we hear clients say how important it is that they are confident that the issue or transaction is being progressed efficiently, and that they are getting regular updates and communication as needed.

But if the client is having to ask about status, or where timescales seem to be in danger of slipping, confidence and perceived value suffers.

Often, this is about communication. Advisors that reduce stress are highly valued by clients. Clients that feel stressed by their advisors look elsewhere.

Speediness

Corporate clients especially are under pressure to do more with less. The evolution of technology has unequivocally raised expectations about how quickly actions should take place, and how visible those actions are to the client.

It's vital to recognise your clients are expected by their colleagues and boards to utilise technology more effectively to achieve results faster. The time they have to spend on 'clunky' processes, or repeating information, detracts from value.

Transparency

A big frustration we hear from clients of some firms is about the clarity of information they receive. Or the lack of it.

There are two main aspects to this. The first is in progress reporting, or how easy it is to access information about progress. Again, expectations of technology have influenced this. People now expect to be able to quickly access the latest status.

The second aspect concerns fees. We still hear clients of professional services firms say things like "I don't understand why for what looks to me like the same thing, sometimes they charge £x, and sometimes they charge £3x."

This is a 'hassle' for clients. It's not only about the size of the fee. It's often about "I can't explain this to my boss" and the extra time, effort, and distraction from what the client contact really wants to focus on - their day job.

Strategic value

One of the clearest differences we see in the perceived value provided by advisors, and hence the risk they run of being 'deselected' in the future is between:

- Those that simply accept the instruction or transaction
- Those who are seen to be partners and true advisors

The latter group are seen to have a much deeper understanding of the client's aims, to know how they want to work, to challenge where appropriate and to look for opportunities to provide help.

They are perceived not just to "do work for money" but to help the client firm and/or key contacts achieve their personal or strategic aims. You can't do this without asking broader questions.

Additional insight

Professional advisors that are seen to add more value talk with the client about what's happening in the broader world. Clients see significant added value in being given insights about their sector, things which they need to look out for, insight and management information about their business that the firm gains from working wih them, and best practice ideas.

Firms seen to be generating material value aren't just pinging out a newsletter which may be of interest, but creating a deeper dialogue.

Costs and Pricing

Now for the other part of the "VFM"equation. On many occasions the issue isn't absolute cost, but whether the fee is justified, transparent, appropriate and understood.

Where we hear client gripes about professional advisor pricing – and we often do – it can be about additional costs not being expected, or the rationale not being explained. It can be a sense, when charging is done by the hour, that the advisor is generating additional work (*not* value). It can be that the advisor has, in one phrase used by an interviewee, been "nickel and diming" – in other words, charging additional fees for small, incidental areas of work so their utilisation looks good.

That's a great way to weaken your client relationships. We hear clients of such firms explicitly saying that this has caused them to shift work elsewhere.

There are different segments of buyers. Some prefer hourly pricing, some fixed fees, and some a hybrid based on the type of work that is being done. It is really important to know what your clients want. You need to ensure the value your clients get from your service, and the investment you're asking them to make, are clearly connected.

Shaun Jardine, founder of Big Yellow Penguin and ex CEO of Brethertons Solicitors evangelises about value-based pricing, based on his experience…*"Clients have a problem they need solving. You've got to focus on the outcome that the client wants to understand the value. No two clients are the same. The way they're going to communicate with you is different, their attitudes to risk might be different. Everybody's perception of value is different. "*

Final thoughts

You can't optimise your relationships with clients and efficiently develop them, unless they think you provide high value for money. And you can't do that unless you know what constitutes value for money to them. That means asking questions.

If you'd like more insight into this, make contact, using the details on the next page,

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