

Choosing Sides

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Recently I read about an arrangement between Embers restaurants and Bridgman's Ice Cream parlors where the two entities offered a limited number of each other's menu items. The concept is called "co-branding." It got me thinking about similar efforts that lawyers could make in providing services for clients.

There was a time when the simple act of cosponsoring a seminar with one accounting firm was thought to eliminate referrals from another. Now the idea of multidisciplinary practices (MDPs) has at least some law firms thinking about strategic alliances with other providers of products and services, from law firms to providers of nonlegal services. It is viewed as an opportunity that may change both the quantity and type of competition. One such arrangement, established in 1997 between the Miller & Chevalier law firm in Washington, DC and Price Waterhouse to provide coordinated tax controversy services, was well ahead of its time.

But driving this trend to affiliate is not just about MDPs. It is also about how clients make decisions about hir-

ing counsel. Smaller companies and individuals may prefer "one-stop shopping," and often are unconcerned about the type of entity that may provide the services. The owner of a closely held business expressed the view that he didn't care if his legal services were provided by his law firm or his accounting firm. In-house counsel members tend to select the lawyer, not the firm, and to do so they will contact people they know and respect for recommendations. A firm's efforts to develop relationships with others who may be referral sources should be a strategic consideration.

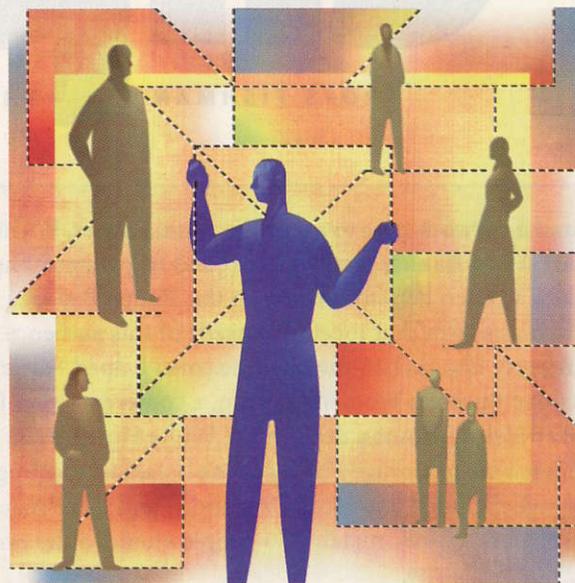
Law firms are thinking about strategic alliances with other providers of products and services. How do you select appropriate providers, and what type of alliance should you form?



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Identify Other Providers

The first step in an effort to develop productive relationships is to determine the types of products or services your firm's clients need that your firm does not, or will not, offer. These could



range from other legal services to products, such as specialized software for a particular industry.

For example, if you are a small firm that attracts start-up businesses, you may want to align yourself with an intellectual property boutique firm to handle clients' patents, trademarks and other IP protection issues. If you are an estate planning lawyer, you may want to develop close relationships with trusted financial professionals, such as brokers, personal bankers, insurance agents and accountants. If you are an employment lawyer, you may want to explore relationships with employee benefit consultants or human resource training companies.

Often, many lawyers' efforts to cultivate referral sources are scatter-shot. They attend professional meetings and engage in general networking. Future efforts, on the other hand, should be focused. It may become necessary to target a few productive relationships and devote yourself to developing them, perhaps even at the expense of others. A solid relationship with one high-level insurance professional will likely produce much more business than casual relationships with many agents of varying success.

Consider the Type of Association

Once you have identified and developed relationships with people with whom you would like to cultivate a stronger association, the second step is to determine the appropriate type of relationship. There is a wide range of alliances to consider with other providers, from informal to quite formal. These might include the following:

■ **Referral arrangements.** Lawyers have traditionally built strong relationships with other professionals in a position to refer business. For family lawyers,

this might be a family counselor; for appellate lawyers, it might be litigators. The importance of solidifying these relationships in the future cannot be overstated. In this "you scratch my back, I'll scratch yours" economy, it is crucial that the law firm take several steps:

- Track sources of new business.
- Thank and acknowledge the sources of business.
- Reciprocate whenever possible.
- Look for opportunities to position the source positively, on seminar programs, through coauthored articles or by introductions to clients.

Many lawyers are finding that the best way to ensure that these relationships pay dividends is to have a forthright conversation with the other provider, to discuss client needs, opportunities and expectations for referrals and other collaborative opportunities.

■ **Networks.** Increasingly, law firms are aligning themselves with networks to build relationships with noncompeting firms, to share management or marketing information or to generate referrals. Some of the larger networks, like Lex Mundi, TerraLex and Commercial Law Affiliates, have more than 100 member firms and operate internationally.

LABNET, consisting of approximately 20 labor and employment boutique law firms across the United States, is an example of how firms can collaborate on marketing strategies and even new business opportunities. Other networks allow noncompeting firms focusing on a particular client,

tele, such as family-owned businesses, educational institutions, technology companies and injured plaintiffs, to share marketing ideas and strategies.

■ **Strategic partnerships.** The recent arrangement between Ernst & Young and the Washington, DC law firm McKee Nelson Ernst & Young provides a sneak peak at the probable outcome should the American Bar Association adopt revised Model Rules of Professional Conduct and recommend that the states embrace MDPs. Of course, any firm entities must adhere to the Rules of Professional Conduct for the appropriate jurisdictions. The District of Columbia is currently the only jurisdiction that allows non-lawyer partners of law firms.

Shall We Dance?

As large financial services organizations continue to expand their offerings to customers and other alternatives to traditional legal services are developed, lawyers increasingly will be forced to choose "dance partners." It may be wise to begin the process of identifying a few potential candidates for more formalized relationships before everyone else pairs off. ■

ACTION

"Developing New Business by Developing Relationships," *The Practical Lawyer*. ALI-ABA. June 1999.

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