Unleashing the Power of Referrals

Build Relationships that Pay

Jared Correia

Opportunity cost

Between opening and closing a file, there are several marketing opportunities that attorneys risk missing out on. But, for lawyers who view the attorney-client relationship as a continuum, marketing opportunities abound.

According to a recent study, the greatest challenge for small-firm managers is acquiring new business[1]—which makes sense. The infinite legal claim has not yet been invented. All client work must come to an end; and so, new work must be brought in. Even the best lawyer in the world, without any work, is just a body sitting in an empty office.

It may seem that new clients acquired through direct advertising or networking are just as good as any other clients. The reality, however, is that those clients come with a lofty acquisition cost. If a potential client has not yet heard of you, the effort and expense required to land that client is tangible and large. If you're at a cocktail reception, and you convince a potential client to send her business your way, consider all the associated expenses: time, travel, parking, attendance fee, drinks (for you and anyone you're looking to have a word with), business cards, dry cleaning, gas on the way home, etc. It all adds up.

So consider this: What if someone else was at that cocktail party, referring you a client—while you stayed at home? That's a far more palatable (and less costly) maneuver.

Couple that notion with the traditional marketing thesis that it takes seven touches to land a client. These touches might entail meeting you at a cocktail party, seeing an ad, reading a blog post, viewing a LinkedIn profile, receiving an email, meeting for lunch, and making a phone call—all before a potential client becomes an actual client. You can see how your efforts and costs begin to multiply. By the time you're done making those seven touches you'll quickly see that it is far less costly, and far less exhausting, to have business referred to you than to go out and get it by yourself.

Referral madness

The power of referrals lies in the fact that they are passive business generators. This is not to say that getting referrals is easy. In fact, it's a lot of work to build referral arrangements; however, once those relationships are entrenched, maintenance takes far less time and effort than direct advertising or professional networking, which need to be ongoing in order to be effective. Therefore, the time you put in up front will pay off in a major way on the back end.

And, there are a number of different ways to craft referral relationships.

> You need to be able to withstand bad, or unexpected, results.

Internal combustion engine: How to cull referrals from existing clients

Dissatisfied clients don't pay you. Dissatisfied clients badmouth you—sometimes publicly via online reviews. Dissatisfied clients may even report you to your ethics board. Conversely, happy clients don't report you. They pay you on time—and, they endorse you. It's that last part that's the most important in terms of referral generation.

Happy clients have family, friends, neighbors, and colleagues who will inevitably require legal services, and if you've made a good enough impression, there's a good chance your name will come up—regardless of whether your expertise aligns with their actual issues. If you're good enough, and likeable enough, you can become your clients' go-to professional resource.

This begs the question: What factors into earning yourself a happy client?

Do great work

Your substantive work product needs to be terrific. It's even better if you can get your client her hoped-for result. In a highly competitive legal market, populated by hungry rivals and smart consumers, substandard work just won't cut it. But, in some cases, a client's ideal outcomes aren't always possible, and there's nothing you can do about it. Save yourself, and your potential referral, by preparing your client with realistic expectations.

Plan for negative outcomes

You need to be able to withstand bad, or unexpected, results. It starts with an honest conversation about the nature of legal work (you can't win every time) coupled with an open discussion on the merits of the particular case (every claim has specific strengths and weaknesses). It's one thing to have a client sign off on the fact that generally you can't guarantee results; it's another thing entirely to communicate that in light of their specific claim. It's a tightrope to walk, certainly; but, the better you can prepare your clients for a potentially adverse result, should one arise, the easier it will be to manage. And, if you win; well, you look even better than you would have otherwise.

Maintain timely communications

Hate it when your kid/spouse doesn't tell you when they are coming home? Multiply this by a factor of ten, and that's how much clients hate it when their lawyers don't stay in touch. Even if you are juggling 250 cases, each of those cases is of primary importance to each individual client; you have to convince each client that you feel the same way about their case as they do. But, solely contacting your clients when you have to is not enough. Customer service is not the same as customer maintenance. If you want your clients to feel like you care about them, you'll call just to check in. A good rule of thumb is to call all of your active clients every six weeks, even if nothing in particular is going on. Don't worry if remembering personal details isn't one of your strengths—use a case management system like Clio to make personalized notes about your clients and to schedule follow-up calls (you can even do this automatically with Clio's Task Lists, which we'll discuss later on). When you express an interest in your client's daughter's softball team, your client is far more likely to express an interest in referring you to a friend.

When something important comes up concerning a case, share the information as soon as it becomes available, and schedule a time to talk about what the news means in the broader context of the case. Remember that your clients are laypersons when it comes to legal issues, and that a relative non-issue for a lawyer can spark serious concern for a client. Scheduling notifications and taking advantage of client portals within case management software, like Clio Connect, are great ways to effectively relay information to clients.

Be a problem solver

Certainly, you'll want your clients bringing you the sorts of legal problems that you build your business on; but, if you can get your clients to come to you for any legal needs, (or even if they're looking for an accountant, butcher, baker, or candlestick-maker ...) well, the more referrals you can pass out, the more likely those lawyers in other practice areas and ancillary professions will be to send referrals back to you. Savvy lawyers become personal clearinghouses for all their clients' problems.

Go above and beyond for clients to earn more work

Meeting people is only the first step when it comes to business development. The real work comes in finding ways to cultivate relationships as issues come up. To stand out from everyone else, you need to do good work—really good work.

Renee Thompson is a mediator and civil litigator working from Ocala, Florida, where she focuses on mediation, litigation, and equine law, and is heavily involved with the local and state bars. Renee says, "You have to go above and beyond for people. That's how they remember you. Anyone can hire someone to handle a task, but if you handle it in a way that exceeds their expectations, that's where people start to say, if I send it to her, it'll get taken care of, and taken care of properly."

For law firms, a big part of that client care comes from good communication. "People want to know you're taking care of things, but they also want to be informed. That's the biggest lesson I learned throughout my legal career. Keeping up with clients, keeping them informed, is a huge skillset that lawyers have to have."

"People really get to know who you are as a person, and how you handle things, and then they're willing to trust you with other things. To me, that's where the magic happens."

When it comes to following up with clients, Renee says, "I spend a lot of time on my tasks and on my reminders. Clio has a great tool for task reminders. It emails you reminders. It updates you in the platform."

Read more about Calendar and Task reminders in Clio.

Prime the pump: Be top of mind

Ideally, referrals would come to you automatically based on the good quality of your work, but there are a few things you need to do to ensure you remain visible and top-of-mind for those who might recommend your services to others—some of them flow naturally from the process of representation, while others need to be artificially buoyed through active marketing.

Law firms have lots of opportunities to leverage natural triggers to connect with clients; and, for some practice areas, it's fairly obvious what those triggers are. Every estate planning attorney in the world sends out annual letters asking their clients whether they need to consider updating their estate plans. Small business and corporate lawyers get to check in annually with their clients with respect to the payment of filing fees for corporate entities. Personal injury lawyers should check in regularly on a client's medical status. In addition to being necessary for substantive, case-related issues, these are also marketing opportunities, and should be treated as such. Automating case-based workflows can ensure that you make the regular check-ins desired. Clio's Task Lists allow lawyers to create batches of tasks that can be tied to specific cases. Automate the process and take advantage of the conversation.

In addition to the natural triggers, there are the do-it-yourself marketing triggers that lawyers can actively pursue. Law firms have a wide array of resources for creating these triggers. Some prominent examples include: scheduling quarterly e-newsletters or client alerts, broadcasting to social followers, and sending holiday cards. What might this look like? An estate planning attorney could write a blog post about a close relative who didn't have a will and the consequences this had for the family—this post could then be used in a newsletter directed at potential clients; a corporate lawyer may post on her Facebook business page about the importance of policies and procedures manuals; or, a personal injury lawyer may eschew a traditional Christmas card for a Flag Day greeting. Each touch is an opportunity for someone in your network to act by calling you with an issue or by referring you to someone else.

Fortunately, there are a number of tools that help lawyers to implement these processes. Services like Constant Contact and MailChimp provide email marketing with a high level of targeting and control. There are also a number of social media management programs that can help busy lawyers review multiple accounts from a single dashboard, post simultaneously across channels, and schedule automated posts. And, with services like Zapier, you can link workflows and contact lists directly through Clio. The right software can be the savvy attorney's best friend.

Staying in touch with clients, asking the right questions, and buttressing your good work with clear acknowledgment of it are the keys to converting your client base into a referral base.

> Each touch is an opportunity for someone in your network to act.

External hard drive: How to generate referrals from professional contacts

The difference between sourcing referral work from clients versus acquiring them from other professionals is very much like switching from a stick shift to an automatic transmission. You're still driving a car, and the engine still works the same way; the difference is in your degree of attention and interaction. To that end, many of the mechanics of a referral work the same way with professional contacts as they do with clients. The difference is that your existing client list is essentially a closed world from which to work; whereas, the world of potential referral sources is much vaster when you leverage the networks of other well-connected professionals, which necessitates more in-depth planning about whom you should be reaching out to. Some traditionally effective attorney-to-attorney relationships stand out here.

Big firm-small firm pipeline

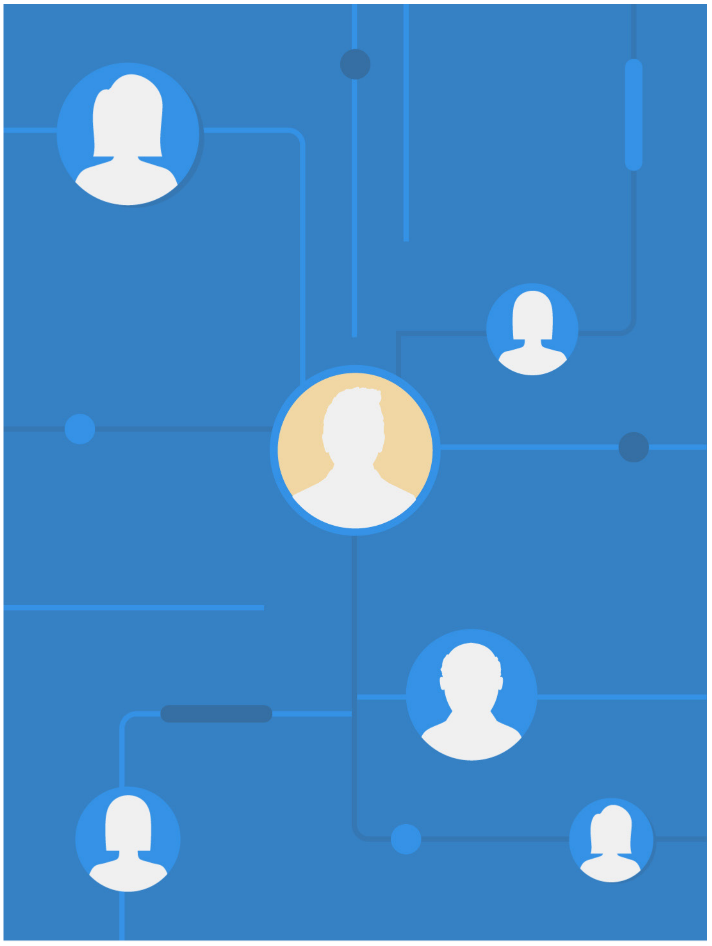
The big firm-small firm pipeline is a standard driver for referrals. Many potential clients will present claims that are not at a high-enough value for big firms to bite on; but, there are many small-firm attorneys who would happily take those lesser-value cases. The small-firm attorneys who get those cases are the ones who have built relationships with their big-firm counterparts and demonstrated their proficiency for such cases.

Complementary practice areas

Lawyers seeking referrals should also network with attorneys in complementary practice areas. A complementary practice area is one that tends to sprout the types of claims you handle. There are some obvious examples: A divorce practice will yield estate planning work, because divorcees require new wills. A personal injury practice will yield Social Security Disability Insurance (SSDI) work, because people hurt in accidents sometimes don't return to work. The point being: Set yourself up as the go-to resource for attorneys practicing in areas from which your cases hatch.

Shared practice areas

There are a number of ways attorneys practicing in the same area can share referrals: One divorce attorney specializes in collaborative law, another in mediation. One personal injury attorney litigates, while another does not. One patent lawyer may focus on electrical engineering, another on software.



Mentors

Mentor-mentee arrangements are often viewed as strictly student-apprentice relationships; but, mentors can pass lower-value, or less difficult, cases to mentees; and, often, as time passes, mentor-mentee arrangements convert to straight referral relationships.

Sharing referrals with other attorneys does, however, require an awareness of jurisdictional ethics rules. Before entering into a referral arrangement for a specific client, you should:

- Know whether your jurisdiction prohibits or limits quid pro quo referral agreements
- Determine how you must notify clients of the referral and whether and how you need to acquire client consent
- Understand to what extent each lawyer is responsible for the representations, how the attorneys may split fees under the referral arrangements, and whether that directly relates back to the percentage of work performed.

Assuming you meet the ethical strictures of your jurisdiction, you will still need to decide whether the referral source is a valuable one for your law firm. In order to determine the return on investment for your referral marketing efforts, you will need to know who is sending you work, and how often.

Clio's Campaign Tracker allows you to track referrals directly to their source. You can create individual campaigns to track the results of a particular relationship and then set up unique forwarding numbers or web forms to monitor the value of each lead they send. From there, you can list any expenses in terms of referral fees or other costs that arise in maintaining that relationship. Campaign Tracker will aggregate the total income from all leads linked to a referral source and balance these against how much you spend to maintain a particular relationship. You'll see essentially how much it costs to build a referral arrangement, which you can then compare to your other marketing efforts.

You'll also quickly see which relationships are most lucrative—helping you determine which to cultivate and which to gracefully put to pasture.

How to create a referral agreement

When building referral agreements with other lawyers, recognize that rules may vary between jurisdictions. Some areas may allow referrals only between lawyers. Some may limit non-lawyer referrals to approved sources. Some jurisdictions may allow non-lawyer referrals but place heavy restrictions on their setup. Be sure to check with your local regulators for specific rules in your jurisdiction.

Rules to consider in building a referral agreement

The ABA Model Rules of Professional Conduct generally prohibit lawyers from paying others for recommendations unless paid fees align with exceptions under Rule 7.2(b), which includes allowances for referral services formally approved by regulators. Among other considerations, the rule also requires that referral arrangements must not conflict with any other Model Rules.

Instead, a typical referral arrangement is built upon the sharing or splitting of earnings from a case in accordance with Rule 1.5(e), which includes clear stipulations for the sharing of fees. These include: (1) that a shared fee be proportional to the work performed (otherwise, both lawyers assume joint responsibility), (2) that the client provides written consent to the sharing of fees, including the proportion of disbursement, and (3) that the fee shared be reasonable.

It's also important to consider rules around exclusivity and agreements with nonlawyer professionals. Rule 7.2(b)(4)(i) stipulates that referral agreements may not be exclusive, and Rule 5.4 prohibits lawyers from sharing fees with nonlawyers. In other words, if a real estate lawyer refers a client to a realtor, the referral cannot be exclusive, and the lawyer cannot receive any payment beyond reciprocal referrals.

Allocating fees

Aside from stipulations around the agreement itself, lawyers are required to keep detailed and transparent records on all shared or split fees.

In accordance with the ABA's Formal Opinion 475, for any payment subject to an agreement where more than one lawyer has an interest in the earned fee, this payment must be deposited into a trust account separate from the receiving lawyer's own property before being paid out to any other lawyer. Aside from safeguarding the money, notifying the other lawyer of the payment, and promptly delivering the amount owed, the receiving lawyer must also be able to provide a full accounting of the earnings.

Clio's Fee Allocation Report quickly assembles detailed information on matter earnings and shows what amounts should be paid to each contributing lawyer. Lawyers from different firms can easily consolidate their time entries through Clio Connect to share a matter between firms at no additional cost.

Referral agreement checklist

When building a referral agreement with another lawyer, be sure to consider the following:

- [ ] Do I have a written agreement with the partner law firm?
- [ ] Does this written agreement state that fees will be split either by proportional earnings or joint representation?
- [ ] Do I have the express written consent of the client agreeing to shared fees and how they are divided?
- [ ] Does the agreement state who is the primary billing law firm for the client?
- [ ] How is billed labor to be reported to each law firm?
  - [ ] Fee Allocation Report
  - [ ] Submitted timesheets
  - [ ] Joint timekeeping records via Clio Connect
  - [ ] Accounting to be completed at the time of referral
- [ ] Can my law firm's trust account record client trust deposits and disbursement of shared fees?

Cult of personality

Underscoring any referral arrangements is the personal involvement needed to make those relationships successful. There are a plethora of lawyer referral services out there, and while they might work for some, they typically don't pan out in the long run. When a faceless organization sends potential clients to a faceless lawyer, there are no personal stakes involved. Referrals garnered from personal relationships, whether fostered from an existing client base or external sources, are defined through regular contact, which makes them more plausible in the first place.

With an established personal relationship, referral sources also know which clients to send along—beyond the shallow "practice area X is what attorney Y specializes in." The deeper you engage your referral sources, the better, since you will then generate more opportunities to educate them about the clients that you want—and, perhaps more importantly, about the clients you don't want. The more your referral sources know about the kinds of clients you want, the more likely they will be to refer you those clients, the less time you will need to vet those referrals, and the more time you will have to focus on other things like dedicating your time to your clients—or building out a broader marketing strategy.

Set up consistent opportunities to talk with your referral sources, just as you would for your existing clients. Always update your sources on the outcome of any case they referred; that is a tangible opportunity both to thank them and to instruct them further on the work you do—since it relates to work in which they have a vested interest. And, get personal: Talk to your referral sources about the personalities you like to work with. If you don't want to work with Type A personalities, then make that clear.

Definable results

Law firms with a strong referral base are more successful than law firms lacking such a foundation. With the right relationships in place, attorneys can dedicate more time to practicing substantive law, and can bill for that additional time. Putting in the effort to build referral relationships yields definable, bottom-line results.

As it turns out, time really is money.

Seal the deal online

If you manage your referral sources well, they will make a compelling case for the use of your services. But, those potential clients won't just take the word of others. In fact, according to a study conducted by the Hinge Research Institute, 80 percent of consumers will review the website of a professional service provider before hiring them.[2] What that means is that you must develop and maintain a professional website, and that your online persona must be in agreement with what your referral sources say about you. Fortunately, there are many ways that you can take control of your profile online, even when you don't have a lot of money to spend.

About Jared D. Correia

Jared D. Correia, Esq. is the CEO of Red Cave Law Firm Consulting, which offers subscription-based law firm business management consulting and technology services for solo and small law firms. Red Cave also works with legal institutions and legal-facing corporations to develop programming and content. A former practicing attorney, Jared has been advising lawyers and law firms for over a decade. He is a regular presenter at local, regional, and national events, including ABA TECHSHOW. He regularly contributes to legal publications, including his column, Managing for Attorney at Work and a forthcoming advice column for Lawyerist. Jared is the author of the American Bar Association publication Twitter in One Hour for Lawyers. He is the host of the Legal Toolkit podcast on Legal Talk Network. Jared also teaches for Concord Law School, Suffolk University Law School, and Solo Practice University. He loves James Taylor, but respects Ron Swanson; and, he tries to sneak Rolos when no one is looking.

Sources

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2. Hinge Research Institute. "Beyond Referrals: How Today's Buyers Check You Out." Reston, Virginia: 2014.

About Clio

Clio is the most comprehensive cloud-based practice management platform for the legal industry. With the help of the cloud, Clio eases the process of time tracking, billing, administration, and collaboration for law firms of all sizes. Based in Vancouver, B.C., and with a European office in Dublin, Clio is used by legal professionals in over 50 countries. Clio has raised $27 million from investors including Bessemer Venture Partners.

Want to learn more about Clio? Sign up for a free trial or schedule a demo today!