



New Money

Managing Law Firm
Revenue at the
Client Intake Stage



NEW CLIENTS AND REVENUE MANAGEMENT

EXPERIENCE HAS INDICATED:

- No single new client acceptance policy will fit every firm.
- The framework and processes are usually revised to fit an individual firm's culture - and that management's appetite to challenge the status quo.
- The biggest difference between firms delivering revenue realization improvement and those who don't is a **commitment by senior firm management to drive a high level of true policy compliance.**

“Insanity is doing something over and over again but expecting different results.”

Rita Mae Brown

CLIENT INTAKE AS FINANCIAL RISK

DEFINED FOR OUR PURPOSES

- NOT “conflicts checks”
- NOT Subject Matter Preclusion (“the type of work we want”)
- We’re discussing Party Preclusion (“the type of clients we want”) or making sure the firm has clients who pay.
- A “true credit policy” as part of Client Intake is still foreign to most firms.
- Firms can still dramatically reduce their risk of bad debt by managing those clients already in their AR portfolios.
- Policies used to assess risk and manage those high-exposure clients to minimize losses are essential.

AS EXPOSURE MANAGEMENT

- Estimate the scope of work for each new client/matter as part of the intake process.
 - Create and promulgate a policy with risk thresholds representing levels of exposure that the firm finds acceptable.

For example:

 - If the proposed scope of work is less than \$12,000, minimal monitoring policy.
 - If above \$12,000, but falls short of \$75,000, a practice group leader must approve.
 - If above \$75,000, Management committee must approve new matter.
- ABOVE Threshold - the firm should **investigate the client's ability to pay.**
 - Assess the clients' risk and whether the risk indicates a retainer
 - Other fee arrangement be made.
 - This information should be included with the intake form.
 - Public records searches are performed (Lexis/Nexis, Westlaw, etc.) for the business and its principals.
 - Client should receive a rating (see next page). If the rating is a B or C, then a brief write up should accompany the rating.
 - Send to attorney and COO/Department Manager/CFO

CLIENT INTAKE | Risk Rating Examples

A Rating

Low Risk

Commercial

- More than five years in same business.
- Address of business is same as what client listed as owner.
- Association with other businesses does not create conflict with current business.
- No suits, judgments, liens, bankruptcy filings or other blemishes.

Consumer

- No suits, judgments, liens, bankruptcy filings or other blemishes.

Risk Tolerance

- No budget limit required but could be established.

B Rating

Low Risk

Commercial

- Less than five years in same business.
- Address of business is same as what client listed as owner.
- Principal is involved in ownership of three or more businesses in a major role.
- Paid-off liens or judgments or active filing or other derogatory mark greater than \$5,000 which could increase the probability of a client paying slowly.
- Request a D & B Report.

Consumer

- Paid-off liens or judgments, or active filing or other derogatory mark greater than \$5,000 which could increase the probability of a client paying slowly.

Risk Tolerance

- Budget limit of \$70,000 (to be determined).

C Rating

Low Risk

Commercial

- New or less than one year in business.
- Address does not match if client claims ownership.
- Principal is involved in several businesses which may create a conflict of interest or may cause them to not be managed successfully.
- Bankruptcy within last seven years, or active suits, judgments or liens greater than \$5,000 which may indicate a high probability of slow pay or no pay on the client's behalf.
- Request a D & B Report.

Consumer

- Paid-off liens or judgments, or active filing or other derogatory mark greater than \$5,000 which could increase the probability of a client paying slowly.

Risk Tolerance

- Budget limit of \$12,000 (to be determined)

CLIENT INTAKE | Risk Rating Examples

CLIENT RATING SCHEMA

- **Rating A** – No retainer or line required but attorney would want a one-time retainer just to start the engagement. It should be equal to or greater than one month’s estimated billing. Then the client would go to a thirty day billing cycle.
- **Rating B or C** – Retainer should be equal to 2 times the monthly billing rate. The retainer should be replenished when the accumulated balances of AR and WIP equal 70% to 80% of the Retainer.
- **Retainer Policy** – Require a retainer for all matters opened for a new client.
- Exceptions require the approval of a Finance Director or similar role.
- Manage this client evaluation process:
 - Adequate retainer levels set
 - Aged WIP and AR as compared to retainer
 - Public records review

CLIENT INTAKE | Liability and Monitoring

PERSONAL LIABILITY

- Principal(s) of new small businesses may be required to agree to joint liability as specified in the engagement letter.
- Sign the engagement letter, signifying their acceptance of personal liability, as appropriate.

ONGOING EXPOSURE MONITORING

- AR department’s responsibility.
- The client’s WIP must always be calculated as part of the exposure
- COMPARE: addressing accounts once they are 120 or 180 days past due
- Working out terms and credit arrangements with delinquent clients earlier, while you are still representing them, gives the firm a much greater chance of collection.
- Proactive, early detection before exposure becomes excessive.

CLIENT INTAKE | Where Bad Debt is Mitigated

ADDITIONAL CONSIDERATIONS

Based on the annual volume of new client-matters

- Existing clients - no intake review is required but **collection efforts will begin at 30 days** after invoice date.
- For new clients of any budget size, calls will begin at 45 days after invoice date.
- When the Engagement Letter is sent, the Credit & Collections department is notified/copied.
- **Calendar tickler** to verify that a signed letter has been received within two weeks. The person sending the letter will notify Credit & Collections Department when it is received.
- Not returned in two weeks? Credit & Collections department ask when may the firm expect receipt of the signed document?

NEW CLIENT INTERACTION | Reach Out, Respect, Record

EVERY CONTACT AND EVERY NOTE ANTICIPATES:

- a follow-up call,
- a payment deadline,
- a scheduled discussion, etc.

Therefore, just as state-of-the-art collections software is calendar-driven, so too should be the content of client calls and the notes entered for next steps.

- Collection notes maintained in a database (e.g. Minisoft ARCS, StarCollect, etc.)
- Mandatory utilization of the system.
- A uniform software **usage policy** is paramount. Every “touch” recorded.
- If the collections software permits attachments or links to original documentation, these can be grouped with client/matter notes.
- Tone is important. Phone calls are low key, fact -finding, and rapport-building.
- Never strident or threatening.
- Consequences can be discussed.
- Communication is always professional, business like.
- Guidelines adopted by the Fair Debt Collections Practices Act (FDCPA) regarding time, content, and manner restrictions are instructive (though not binding).
- Collections efforts are always tied to **TIME**; they are calendar-driven.

CONTACT & FREQUENCY

- All Clients with AR balance > 60 days
- At least once every 30 days unless approved by the Management Committee or CFO.
- Use best judgment on frequency of future contact, which medium is used, so long as once-per-30 rule is observed.
- Not uncommon for CSMs to alternate e-mail messages and phone calls every several work days if, in their judgment, the AP department of the client needs this type of frequency to settle the amount.
- Remember, follow-up is TIME-driven
- Collections software typically prompts the CSM.
- Outlier Reports may affect frequency.
- If a “red flag” report merits higher frequency due to increased exposure to the firm, the CSM shorten the time between subsequent contacts until the amounts due are brought current.



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Last Refresh: 11/15/15

i3 Demo1 Influencing New Client Behavior Through 10/31/15

Net AR Balance greater than or equal to \$2,000 ;
Total Payments = 0 ; Days Since First Fee Bill between 30 and 120

Chicago

Client	Attorney	Gross AR Balance	Unapplied Payment	Net AR Balance	Days Since First Fee Bill
Client: 85761-85761	Billr :0200	\$8,517	\$0	\$8,517	44
Client: 85770-85770	Billr :0200	\$3,675	\$0	\$3,675	44
Client: 85908-85908	Billr :5402	\$4,257	\$0	\$4,257	86
Client: 85916-85916	Billr :5000	\$22,348	\$0	\$22,348	44
Client: 85966-85966	Billr :5916	\$4,163	\$0	\$4,163	92
Client: 86078-86078	Billr :3794	\$15,983	\$0	\$15,983	57
Client: 86130-86130	Billr :2610	\$18,007	\$0	\$18,007	46
Client: 86145-86145	Billr :5000	\$10,204	\$0	\$10,204	74
Client: 86177-86177	Billr :3742	\$15,719	\$0	\$15,719	30
Client: 86230-86230	Billr :5206	\$2,440	\$0	\$2,440	32
Client: 86280-86280	Billr :5000	\$7,610	\$0	\$7,610	44