

# Report to Legal Management

O U R 3 5 T H Y E A R

October 2008  
Volume 36, Number 1

**EDITOR**

James Wilber  
Principal  
Altman Weil

**CONTRIBUTING EDITORS**

Ward Bower  
Principal  
Altman Weil

William F. Brennan  
Principal  
Altman Weil

Thomas S. Clay  
Principal  
Altman Weil

James D. Cotterman  
Principal  
Altman Weil

Daniel J. DiLucchio, Jr.  
Principal  
Altman Weil

Charles A. Maddock  
Principal  
Altman Weil

Alan R. Olson  
Principal  
Altman Weil

Eric Seeger  
Senior Consultant  
Altman Weil

Pamela H. Woldow  
Principal  
Altman Weil

**MANAGING EDITOR**  
Susan D. Sjoström

## What's the Real Cost of Responding to RFPs?



Charles A. Maddock

By Charles A. Maddock

**N**ow that business is down, especially at some of the nation's most profitable firms, many partners and marketing directors are taking a long, hard look at how the firm spends its time and money responding to prospective client requests for proposals, more often known as RFPs. Recently, Altman Weil consultants determined that the cost of responding to RFPs ranged from \$35,000 to \$65,000 each, or between 100 to 200 partner hours in most firms. This would be acceptable if the success rate of responding to RFPs were high. Unfortunately, however, it's more like 30%. That's right, 70% of responses to RFPs are rejected by the client organization. Worse yet, "winning" typically means being placed on a list of approved counsel with no guarantee of additional work. Most of the wins produce no income whatsoever, let alone personal contact with the firm. One firm contacted for this article said their new "client" wouldn't even return their phone calls.

In an economy where every dollar and every minute is being watched carefully, what should firms do to improve these dismal odds? These four steps are a good start:

**1. Should we answer the RFP at all?** It's flattering to be asked and it's tempting to respond, but many firms should resist the temptation by first deciding whether the work adds to the firm's business portfolio, not just in terms of billable hours

and revenue, but in terms of prestige, associate training, additional business from other clients and the like.

**2. If it does make sense to continue, what should our response be?** First, it should be short. Second, it should be candid and focus on client benefits, not the features of the firm. If a potential client didn't know that you were qualified to respond, they wouldn't have sent the RFP in the first place. So why is it that so many firms focus on their size, offices, practice groups and educational backgrounds? Answer: it's easy and it's on the network. In a recent round of reviewing responses to RFPs, one of the US's largest insurance carriers found that only two out of 50 deserved to make the cut — they were the only ones that spoke specifically about what their firm would do to address the client's problems based on research the firm had done prior to the response.

*continued on page 11*

**Inside This Issue**

2008 Survey of Law Firm Economics Published . . . . .	2
Making Sense of Staff Compensation . . . . .	3
Face Time — Dealing with the Legal Profession's Communications Gap . . . . .	5
The Thirty Years' Associates' Salaries War . . . . .	7
Merger Line™ Volatile Economy Slows Mergers, Creates Opportunities . . . . .	11

*RFP's... continued from cover*

**3. If we make the cut, who should we take to the presentation?** This is more important than most firms think because it sends a signal about the firm and the way that it will handle the client's business. How many should we take to the presentation? (Hint: fewer is better.) Who should they be? (Hint: the ethnic and gender mix at the first meeting will address client concerns about diversity better than the response to the RFP.)

**4. How should we follow up?** The firm has a real opportunity to distinguish itself even, or perhaps especially, if it didn't get this specific assignment. By contacting the client afterwards and asking candid questions about their performance, the firm will inevitably learn to make improvements in its next presentation while building a relationship with a current or future client.

It might be small comfort to learn that few firms do the RFP dance well. Many take shortcuts by cutting and pasting from previous documents. In one case, one of the nation's largest law firms, which clearly had the resources to do a better job, submitted a response in redlined form with the previous response name identified throughout the document. When questioned about it by the potential client, a partner from the firm simply said "just take it out of redline. It will be okay then."

Another shortcut is either delegating the RFP responses to the marketing department or outsourcing it altogether. While marketers typically are fine writers, they often lack the deep background and experience required to make the proposal outstanding.

In short, to ensure success, the firm's response team should consider:

- Is this client a strategic target or just a one-shot opportunity?
- What are our chances of winning?
- Do we have a brand that is meaningful to this client that would give us an advantage?
- Do we have a personal relationship with anyone on the client side?
- If we got the work, why did we? If we didn't, why not?

By asking and answering a series of questions similar to those above, the firm should be ensured of increasing its odds of winning important and profitable business in difficult times — and even when times improve. ♦

**Charles Maddock** is a principal of Altman Weil, working out of the firm's offices in Newtown Square, Pennsylvania. He can be reached at (610) 886-2000 or [camaddock@altmanweil.com](mailto:camaddock@altmanweil.com).