



What reputation really means

(Hint: It's not Brand)

Law firms rise and fall on their reputation, both among clients and competitors. But what do we really mean by "reputation," and how is it measured? Edge International's exclusive Reputational Index points the way towards the answers, and warns that the world's leading law firms are raising the reputational stakes for everyone.

By Ed Wesemann

It seems that increasingly large portions of law firm marketing resources are devoted toward branding. In fact, it often appears that the first priority for every newly appointed Chief Marketing Officer is a "rebranding" project. When pressed, the reason given invariably is that a firm's brand reflects the way the firm is seen by the marketplace.

But when we ask general counsel what they consider the most important factor in selecting a law firm, the first answer is usually reputation. It is mentioned well ahead of any other attribute, including price. By the same token, the number-one criterion for a law firm considering a merger partner is also invariably reputation.

One could easily presume that a law firm's brand and its reputation are essentially the same thing. Yet when you talk to law firm marketing staff about branding, somehow you always end up discussing letterhead designs, logos and website color schemes. Indeed, the American Marketing Association defines a brand as a "name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers." That sounds suspiciously like a trademark.

In short, brand is what a law firm says about itself and reputation is what others say about the firm. But regardless of how one defines reputation and brand, both are intangibles that are based on perceptions.

A little research tells us that the textbook differentiation between brand and reputation is that brand is “client-centric,” in that it focuses on what a business promises its customers about its goods or services. Reputation, on the other hand, is “firm-centric,” because it focuses on the credibility and respect that an organization generates among a broad set of constituencies, including employees, investors, regulators, the media, and its customers and potential customers.

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THE EDGE INTERNATIONAL REPUTATIONAL INDEX

Several years ago, at the request of a client, we created a proprietary index of law firm reputations. The Index is based on a range of sources, but it is largely driven by research performed by Edge consultants on behalf of our clients.

Often, the research involves surveys wherein we ask law firm clients and referral sources to identify which firms have the best reputation for overall capability. We combine these surveys with publicly available rankings and ratings, including league tables for transactional activity, federal litigation activity, rankings in directories such as Chambers and Legal 500, and a variety of other sources.

The result, the **Edge International Reputational Index**, is a percentage ranking of law firms in the AmLaw 200 compared to the specific firm that ranked the highest in our study. That firm is ranked as 100 percent — not because the firm is perfect, but because all other firms will be ranked in comparison. So a firm with a ranking of 20 has a reputation that we estimate to be 80 percent lower than the highest-rated firm. It’s not perfect, but it serves our clients’ purposes.

We recently recalculated the Index to provide a specialized report for a client. The client wanted to look at its reputation in comparison to a number of firms it identified as peers. Specifically, it wanted a comparison of reputational change among those firms over a period of several years.

In the process of this engagement we noted a vast — and, we believe, growing — differentiation between the firms with the highest reputations and those with lesser reputations. Indeed, over the past five years, the number of firms with a reputation index of 50 or higher grew by 10 percent, while the overall average rating decreased from 28 to 17.

In our estimation, this change does not mean that law firms’ reputations are declining. To the contrary, the reputations of global firms are becoming so strong and prevalent that the standard by which the entire legal industry is judged has shifted upward and the bar has risen for all firms. As a result, firms that do not pay attention to reputation suffer through comparison.

BASIC TRUTHS ABOUT REPUTATION

The widening of the reputational scale results from some basic truths about reputation. For example, reputations do not have to be based on actual experience. Over and over again, we hear clients describe law firms as extraordinarily good at certain areas of practice, even though they have never actually used those firms themselves. If one hears a comment from someone whose opinion one respects, it will begin to build a reputation in one’s mind. Generally, it takes three or four comments to confirm the reputation.

Once the reputation is confirmed, people will communicate that reputation as if they had personally experienced the event that formed the reputation. I am told that the same is true with restaurant reputations. For example, a substantial portion of people who give a restaurant high marks in Zagat’s surveys have never actually eaten there.

Of course, for an individual to form a reputation, he or she has to have some knowledge or concern about the business. For this reason, geographic dispersion and name recognition play significant roles in reputation. However, there are certain “truisms” about reputation that we have observed:

1. Advertising and public relations cannot on their own create a reputation, but they can accelerate the formation of a reputation. If a certain movie has

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a strong advertising campaign, with the stars promoting its quality on talk shows, it will not necessarily create a reputation as a good movie (as demonstrated by much of what has come out of Hollywood recently). However, the promotion does somewhat enhance the likelihood that an individual moviegoer who has seen the ads will come away from the theater believing he or she saw a good movie.

This power of suggestion is the whole theory behind public relations and celebrity endorsements. Further, when the moviegoer tells a friend that he liked a movie, the friend will accept the positive recommendation of the

movie more rapidly if she has also seen its advertising. She will then willingly communicate the positive recommendation of the movie to others, even if she never goes to see the movie.

2. It is not necessarily true that reputations are fragile and can easily be damaged. In fact, once a reputation is formed, it is very difficult to change. We see this most often when law firms have a reputation for doing certain types of work, such as insurance defense litigation. Even if the firm has not done that type of work for 20 years, large segments of the marketplace will still identify that work as part of its reputation.

3. Reputations have a strong geographic component. A business that is a household name with a strong reputation in one market may never have been heard of in any other. Logically, however, the broader a reputation geographically, the likelier it is to have spread to locations where the business does not have active relationships. For example, Coors beer started out with a very limited but highly positive reputation in a single state. Then, as it spread to a larger region, its reputation spread nationally, even to locations where it was not sold.

4. Negative reputations spread more rapidly than positive ones. In fact, researchers tell us that if someone has a positive experience with a business, he will tell two or three people. But if he has a negative experience, he will

tell seven to nine people. However, advertising and promotion can counterbalance a reputation. This explains why consumers continue to patronize businesses (and plaintiffs' lawyers) that have an awful reputation but do a lot of promotion.

5. The most powerful reputation-building promotion is one that specifically and pointedly tells the targeted audience what the reputational message should be. As a result, creative brand slogans may not have as much impact on positive reputation as a simple declarative sentence, such as the small-business law firm that built a positive reputation with the tag line: "We are good lawyers who get successful results for reasonable fees."

When it comes to branding versus reputation, the law firm with the highest reputation in the U.S. in our Index is consistently Skadden Arps. Can you tell me what Skadden's logo looks like? •

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Global strategic expertise

Ed Wesemann specializes in assisting law firms with strategic issues involving market dominance, governance, merger & acquisition, and all activities necessary for strategy implementation. He has worked with law firms on six continents and is the author of four books on law firm management.

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