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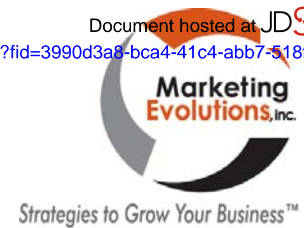

Build Revenue and Value with a Marketing Audit

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Marketing is an investment in your firm's long-term growth. Effective marketing powers revenue growth and paves the way for direct sales. With the average law firm committing one to three percent of revenue to marketing programs, regular marketing audits can ensure your marketing function is a revenue generator and not a cost center.

A few caveats before we review how a marketing audit can cut the fat from your marketing budget and focus your efforts on strategies that deliver the greatest return on investment (ROI): Your first audit can be more time consuming (and more painful) than subsequent ones. Frequently, audits expose sacred cows of law firm marketing – activities a firm has done since time began, regardless of lousy returns. Eliminating sacred cows can be difficult, but you'll free up dollars that can be invested in strategies that generate greater ROI.

To determine which marketing initiatives deliver value and which don't, conduct a marketing audit using these 13 steps:

Phase 1: Financials – This phase will tell you what you must accomplish by way of revenue generation. Some firms have lots of data. Others don't, so I've provided some assumptions below:

1) Define revenue growth goals. This should be something like "Grow overall revenues by 10 percent." Assign an actual dollar value for your total revenue goal.

2) Calculate retained revenue. How many clients leave you annually? There is a natural client attrition rate – they go out of business, for example – so take your natural attrition rate (maybe 10 percent) and add to it the percentage of clients you lose annually (another 10 percent, perhaps) for reasons beyond natural attrition. Annually, you must now replace 20 percent of your revenue to maintain current levels. The 80 percent of clients who stay with you represent retained revenue. Multiply 80 percent by current revenue to estimate retained revenue.

3) Calculate annual retained revenue growth. If you average a 10 percent increase in client billings annually, then multiply retained revenue by that percentage to come up with annual retained revenue growth.

4) Subtract the number in Step 3 from your revenue goal in Step 1. The difference represents the new revenue you need to replace lost revenue and hit your target.

Here's an example: You have $20 million in revenue and want 10 percent growth, giving you a $22 million revenue target. You lose 20 percent of clients to natural causes and other reasons, so you need to replace $4 million in fees annually. With 80 percent of your revenue retained, you can estimate $16 million in billings, if other variables remain constant. Your growth on retained revenue is 10 percent, providing an additional $1.6 million from existing clients to give you retained revenues plus average annual growth of $17.6 million. To increase total revenue to $22 million, you must generate an additional $4.4 million in new business.

Phase 2: Leads – With the shortfall between revenue growth and retained revenue defined, you know what marketing must deliver in dollars and cents. It's time to quantify the leads you need to get those dollars in the door:

5) Identify the number of "suspects" – likely targets for your firm's services – you will reach through marketing and lead generation activities.

6) Assume your marketing program yields a certain percentage (15 percent) of leads from those suspects. As you assess this, consider whether your current program targets the suspects you must reach.

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7) Not all leads will be qualified buyers, but 25 percent probably will be. Calculate the number of true leads you'll collect.

8) What's your conversion rate? Assume 20 percent of qualified leads become clients. That's the number of new clients your marketing and sales efforts must generate.

9) What's the average annual dollar value of a new client? Multiply the average dollar value of a new client by the percentage of leads that convert. That's the new revenue your current marketing can add annually through lead generation and sales support.

Phase 3: Alignment – Armed with the financials, you're ready to audit current marketing programs to determine if they:

- Retain the right clients;
- Reach the right suspects;
- Deliver the right leads in quality and quantity;
- Generate the required revenue.

10) First, if you have the data, segment current clients by industry. Is one segment larger? Is one growing? Is one more profitable? Where should you focus?

11) Next, complete the matrix below for all marketing initiatives:

Activity	Target	Leads Generated	Expense	Cost per Lead	Strategy behind initiative	Expected return	Achieved desired return? Why or why not?

12) Align your efforts. Did you reach the right targets? Did you generate the necessary number of new leads? If not, was the breakdown in execution? Was the initiative poorly targeted? Was it a program you should have done at all?

    If marketing is generating the leads you need, are those leads converting to clients in numbers consistent with your lead to close ratios? If not, you may need to audit your sales process.

Not all marketing generates new business. And it shouldn't. Perhaps you implemented a client satisfaction initiative – a valuable (and under-utilized) tactic but not necessarily a lead generator. If you can point to successes – we saved a client ready to fire us – you achieved your objective, primarily because it helped boost retained revenue. And, client retention is a critical marketing function, so a significant portion of your marketing budget should be dedicated to existing client strategies.

But, if your matrix shows you aren't generating the results necessary to reach your revenue goals, it's time to re-tool existing programs, develop new ones, and dump the dogs.

Regular marketing audits force you to look at the programs you're paying dearly for, align them with objectives, set performance standards, and ensure they're generating the ROI you need to grow. Audits aren't easy. They're invaluable.

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