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Proving ROI for Marketing Initiatives

By Larry Bodine, Esq. and Suzanne Lowe

"Half the money I spend on advertising is wasted; the trouble is I don't know which half," said department store merchant John Wanamaker. As the firm administrator, you don't want to be heard saying that about your marketing initiatives.

Many attorneys are still skeptical about marketing. They can't define it but they know it's expensive. They ask the marketing director (which may be one of the hats *you* wear), "What exactly do you do around here?" At an average law firm, they'll see $80,000 spent on advertising, $50,000 spent on brochures, and $34,000 spent of public relations – and wonder where the payback is.

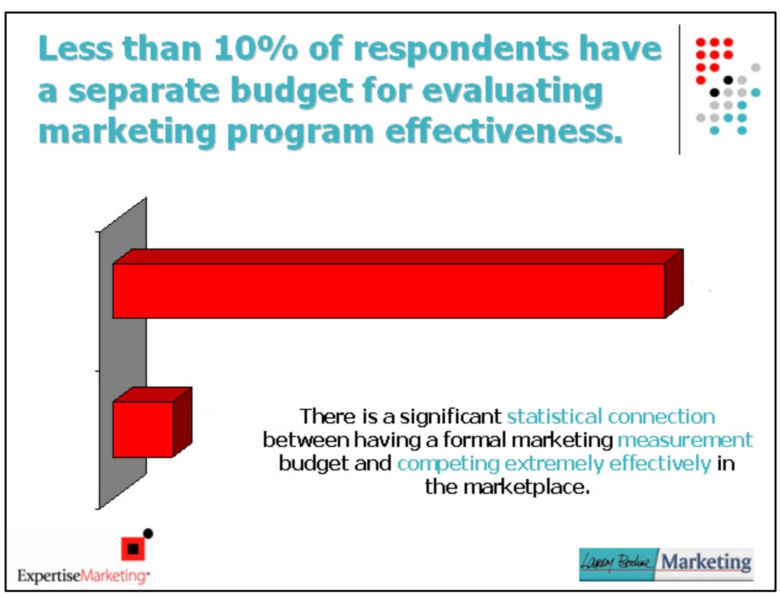
Administrators must be able to prove return-on-investment on the firm's marketing efforts, and know:

- The **three metrics** that law firms should use to measure success in their marketing.
- Which marketing **activities get the best ROI**, and which are a waste of money.
- Five **strategic roles** for administrators that will generate new business for their law firm in a measurable way.

Surprises in new research

We discovered how administrators can prove ROI for marketing in our 2006 study, "Increasing Marketing Effectiveness at Professional Firms," based on responses from more than 377 senior marketing and management respondents. The responses came from a more than a dozen professional service firms, primarily law firms. See http://tinyurl.com/qdame.

We were struck by a surprising fact exposed by the study: most law firms don't measure their marketing! Less than 10% of respondents have a separate budget for evaluating marketing program effectiveness. (37 respondents said they did have a line item in their marketing budget for measuring marketing; 340 did not.) No wonder the partners can't find a payback from the firm's marketing.



The study also showed for the first time that there is a significant statistical connection between having a formal marketing measurement budget and competing effectively in the marketplace.

So for starters, put your money on measuring marketing. Create a specific line item in your marketing budget to track the effectiveness of your marketing, and you'll be ahead of 90% of the other law firms.

Least effective marketing tactics

But most law firms throw their money away on advertising, printed marketing materials and brochures, directory listings, "Super Lawyers and "Best Lawyers" rankings, annual reports, practice announcements, event planning with no follow-up, holiday cards, alumni programs, tracking mentions of the firm in news articles or Web sites, public relations, mining client data and sports tickets.

Is your firm pursuing one of these initiatives? You should know that they were at the bottom of the list of effective marketing tactics, i.e., they were cited as the *least effective* initiatives in the survey. Don't be surprised, because all of those tactics have one thing in common: they can't be measured. There's no real way to tell if they are generating leads.

Management guru and author Peter Drucker said, "If you can't measure it, you can't manage it." Accordingly, put a measuring stick on your marketing efforts. If the initiative is impossible to measure, *don't do it.* This is especially true at a time when so many administrators are getting hammered by partners to demonstrate ROI on the firm's marketing efforts.

How to measure marketing

According to the study, law firms that want to excel at marketing should use three Client Metrics to measure marketing:

1. **Growing client revenue**: "Did you grow revenues with your client or not?"
2. **Moving the phases** of a sale through a pipeline: "Did move the target from a lead to a prospect or from a prospect to a client?"
3. **Listening to the clien**t: "Did you learn about client needs or not?"

Again, if you can't measure the results by one of these three ways, you shouldn't pursue the marketing effort. You are wasting your time and risking your job.

These three Client Metrics are unequivocally objective and obvious, clearly identified with clients, and feature very tangible outcomes. They are fact-based and "non-ignorable." And the more Client Metrics our respondents used, the more they said they were "extremely effective" in growing revenues against competitors.

So please forget about measuring marketing by counting the number of publicity hits, or number of attendees to your seminar or number of magazine copies your advertisement appeared in. These cannot be measured by metrics 1, 2 or 3 above. Push down the money spent on printing and rewriting brochures, writing ad copy or arranging menus for dinners. Discontinue these pursuits, or if your firm is addicted to bad marketing, at least send it to an outside agency.

The seven most effective initiatives

Instead, pursue one of the following seven "best results" marketing initiatives identified in our research study:

The *most* frequently cited "best results" marketing initiatives are:

Arranging business development appointments with clients and prospects	117
Developing differentiation, positioning and branding strategies	84
Targeting and segmentation	75
Implementing programs to increase the firm's share of a client's wallet (i.e. cross-selling more services to clients, increasing the size of engagements that clients buy, etc.)	66
Responding to formal RFIs/RFQs/RFPs and inquiries for service (i.e., reactively)	61
Conducting client relationship management programs (i.e., assigning account managers/client teams, client service directors, etc.)	60
Undertaking client satisfaction feedback initiatives (i.e., end-of-assignment interviews, surveys, feedback evaluations, etc.)	60

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1. Arranging **business development appointments** with clients and prospects.
2. Developing **differentiation, positioning and branding** strategies.
3. **Targeting specific prospects** and marketing to industries of potential clients.
4. Implementing programs to increase the firm's **share of a client's wallet** (i.e. cross-selling more services to clients, increasing the size of engagements that clients buy, etc.)
5. **Responding to formal RFPs** and inquiries for service.
6. Conducting **client relationship management programs** (i.e., assigning account managers/client teams, client service directors, etc.)
7. Undertaking **client satisfaction feedback initiatives** (i.e., end-of-assignment interviews, surveys, feedback evaluations, etc.)

Keeping track of business

Be like survey respondent Patrick Lamb, a partner at Butler Rubin Saltarelli & Boyd in Chicago. "When I arrived the first thing we did was analyze how much revenue we were getting from our clients. We found that our revenue was concentrated in a small number of key clients. If any left it would be catastrophic, so I decided we needed to do client satisfaction studies."

"I was able to convince the two senior rainmakers to try it. The senior partners were skeptical at very beginning; they hadn't heard about the approach, but there is a fairly compelling intellectual case you can make. They got very positive feedback from their clients. They were pleased that anybody would take the time to take the time to find out what they think. By the time we got back from the first interview, the client had called the relationship partner and said it was great."

Lamb said his firm keeps track of three things:

- The number of disputes that are brought to the firm.
- The size of these disputes.
- The percentage of work the client is giving us.

Or follow the model of Lindsay Fikowski, Regional Marketing Manager for McCarthy Tétrault based in Calgary, Alberta, Canada. One of their key marketing initiatives is to increase the firm's "share of wallet" – its share of the client's legal work. "We ask clients what their legal spend will be for the next year and this can lead into very detailed discussions. Our next step is to develop a profitability measure for each client. We're working on that," she said.

The firm also pursues targeting and industry marketing programs. McCarthy Tétrault measures results by comparing the level of work in these key industries against prior results. "We try to estimate very roughly what our market share is based on our estimate of the client's legal spend. We try to figure out where we stand, whether we are the #1, #2, #3 or #4 firm for the client."

"Lack of partner buy-in can be an obstacle," she conceded. "Marketing is very hard for the lawyers to do; they don't always know how to do it. They need to have a long-term plan in place – at least 5 years – because they may not see any work for five years. One year is too short-term for a plan," she said. But she overcomes the internal obstacles, because, "We demonstrate the value of our approach to the partners and find ways to make it useful to the partners."

The five marketing roles

The survey revealed that many administrators are not assuming the roles that would increase their individual effectiveness, nor helping their firms move ahead in the marketplace. Administrators should reconsider the traditional notion of their marketing function by focusing on five roles that they should review annually. If growth is the ultimate goal, they should make it a priority.

The Lookout: Defining and identifying the most strategically important prospects/clients

Too many administrators know only who the most strategic clients *used* to be, not who they *should* be now and in the future. Defining and identifying the most important "growth potential" clients should be an important role for every administrator.

Most firms haven't truly assessed their most strategically appropriate clients and prospects. Admit it: even your firm says "yes" to too many potential clients that won't be very profitable for the firm. Even your firm is vulnerable to serving shrinking segments of the marketplace and missing out on those that are expanding.

Administrators should make it their role to lead their firm's targeting and segmentation studies and other market research to help define and identify the most strategically optimal clients.

The Hunter: Acquiring the most strategically important prospects/clients

Study participants ranked this goal second most important of five strategic marketing roles in the last three years. This goal has been the traditional purview of marketing, and it encompasses numerous critically important initiatives: differentiation, positioning and branding; client value-added events; direct mail; publishing; speaking engagements and numerous communications tactics.

This goal is also highly important for administrators: arranging business development appointments with prospects and clients; responding to RFPs; presenting proposals and other acquisition activities.

Administrators should make it their role to emphasize client acquisition, including client retention and growing revenue from those clients.

The Nurturer: Retaining the most strategically important prospects/clients

Survey respondents deemed this to be their most important goal. Law firms should be applauded for recognizing that retaining profitable relationships is one of the most critical springboards to real growth.

Administrators have excelled at the tactical marketing aspects of helping their firms retain clients. Using CRM applications and internal communication networks, they have done much to strengthen their firms' infrastructure to manage client relationships. But much of administrator's work toward this goal has been based on a strong focus on communications – like PR, advertising and direct mail solicitations. Administrators will have to work hand in hand with lawyers who are *business developers* and practice leaders to manage key client accounts.

The Extractor: Increasing the firm's revenues with its most strategically important current clients

Administrators should lead their professional colleagues to embrace one of the basic rules of marketplace leadership: grow your revenues with the best clients, and your competitors won't. It involves a keen focus on deepening the ties with loyal clients.

Last century's administrator would simply communicate more to the current stable of clients. Now, administrators can lead the charge by guiding their firms to develop innovative solutions that meet their clients' *emerging* needs. Even if it's never been done before, administrators should be working with practice leaders to stimulate the development of *new services*.

The Promoter: Increasing the perceived value of the firm to all audiences (including suppliers and employees)

The survey revealed that many law firms see their main marketing goal to be largely "communications" or "image" and whose marketing orientation has not yet matured to more tangible, client-focused, and measurable priorities. If a firm has not yet identified its most strategic audiences (including current clients, referral sources and prospective clients), any efforts to increase its image may be directed at the wrong audience.

Administrators should make it their role to help their lawyers understand the importance of prioritizing marketing roles that are more meaningful, non-ignorable, and client-focused.

Measure your marketing and measure it well. Your firm will be glad that you did.

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Readers can find an 18-page summary of the study online at http://www.lawmarketing.com/Summary of 2006_study_results.pdf. To see the complete 80-page study and its accompanying 68-page case studies report visit http://www.lawmarketing.biz/store.