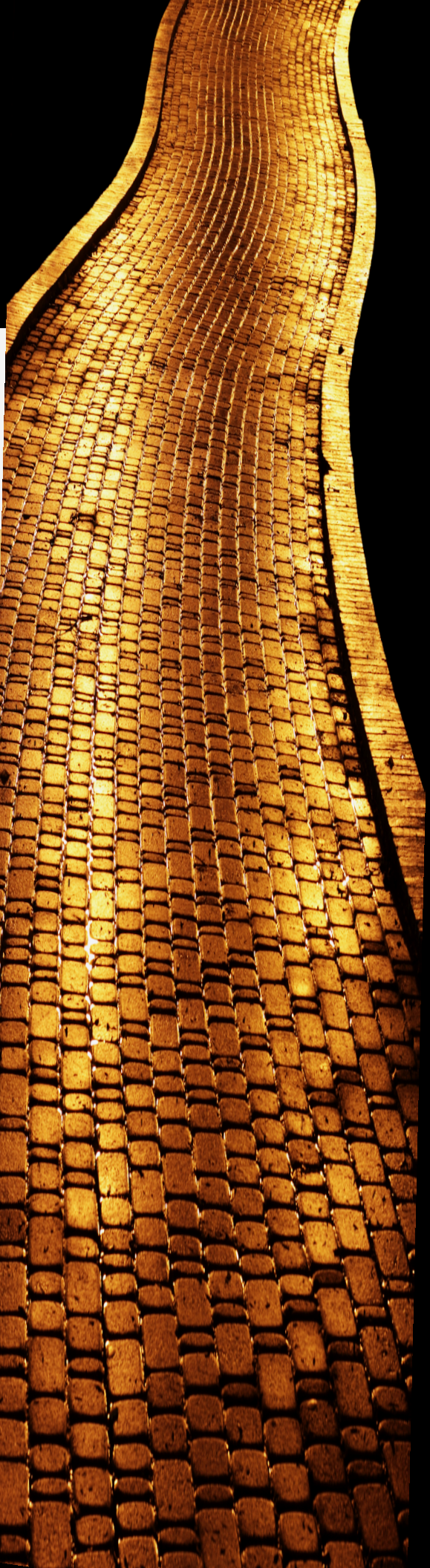


THE ESSENTIALS OF LAW FIRM MARKETING

PerformLaw
law firm performance improvement experts

www.performlaw.com

TABLE OF CONTENTS

1 Introduction: A Change in Thinking

2 Plan and Process Development

3 Branding

4 Web Development and SEO

5 Market Research

6 Inbound Marketing

7 Training and Support

8 Budgeting

9 Analytics

10 Metrics

11 Compensation

INTRODUCTION:
A CHANGE IN THINKING



It is not unusual to find cultural biases towards what marketing is and how it should be executed within a law firm. A firm's definition of marketing often includes travel and entertainment, legal network and professional organization participation, bar activities and some advertising in well-known legal directories. Spending marketing dollars outside of a firm's existing norms is often tightly controlled and not encouraged.

Many modern marketing tactics like web development, SEO (search engine optimization), content marketing, social media and market research are performed at an elementary level at many law firms -- or not at all. Cost, time, IT security implications, professional ethics and even bar association marketing rules are common reasons for constricting these marketing activities.

Curious firms who seek to overcome their marketing concerns will soon be encouraged by new opportunities for business growth. **We believe that a strong planning process, a good data tracking system and substantive analysis will help most firms embrace new ways of marketing and could be transformative.**

INTRODUCTION

A diverse marketing approach

Firms that support a diverse approach to marketing expand their opportunities for success. For example, one partner may have a strong book of business and deep relationships. This partner may benefit from a marketing strategy that promotes the depth of her knowledge, considerable industry experience and the strength of her team. This partner could develop and promote content to the relevant levels within client and potential client organizations. A goal could be to perpetuate a strong reputation as a market leader, while creating new growth opportunities around team members.

On the other hand, another lawyer may have a smaller book of business and a lower profile. He is more likely to benefit from a content marketing approach aimed at lifting individual visibility and referral development. His plan may include blogging, editorial support for blogging, social media training, influencer marketing, webinars, web development, SEO and lots of public speaking.

What I am about to suggest is a departure from most firm's control processes:

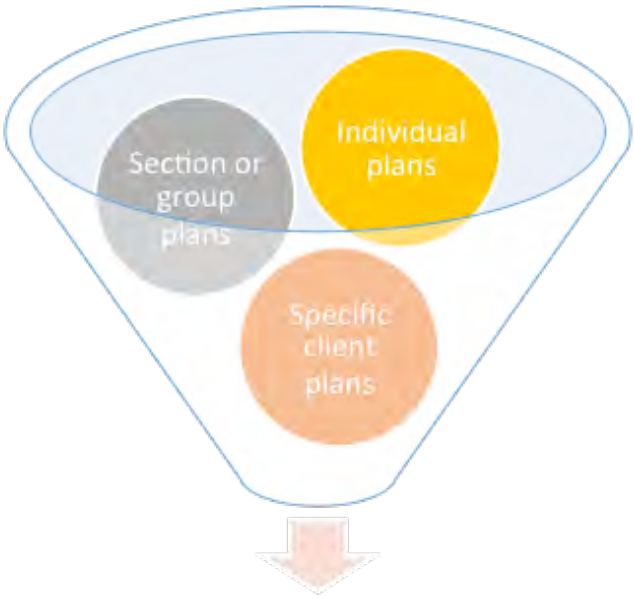
- *To best implement this type of diverse marketing approach, we recommend that firms allocate marketing money to each lawyer based on a written plan.*
- *Empowering individual lawyers to direct the apportionment of this money and their time to marketing opportunities, consistent with their plan, will create a heightened level of enthusiasm and accountability.*
- *Further, the frustration of trying to overcome firm biases will be significantly reduced.*

Marketing strategies that are developed based on specific goals and a deep understanding of the market are most likely to succeed. Pinpointing exactly what a market wants and being able to deliver it requires a precision that comes from those who are most **market aware**. There are a number of marketing fundamentals that are universally supportive to marketing legal services, but these must be calibrated to specific situations.

2:
PLAN AND PROCESS DEVELOPMENT

Firms searching for high engagement in marketing efforts benefit from a process that emphasizes planning at the individual, section, group or even client levels.

Expressed graphically, the process would look something like this:



Developing these plans can be a tedious process. To ensure that all of the critical elements are considered, we recommend using a planning template. Templates also help with the evaluation and funding process.

The templates described on the following pages are a great place to start.

TEMPLATES

Marketing Activity Tracking Calendar

Successful lawyers recognize the need to constantly develop new business, especially when busy with existing client work. These lawyers avoid developing a false sense of security and understand that one settled case or change in a client relationship can change fortunes in a day. Here is a handy tool for staying focused on marketing.

Marketing Activity Tracking Plan

This resource will assist lawyers in expanding their marketing scope. Lawyers and firms should consider the effectiveness of existing business development methods. Lawyers are quick to reduce marketing to entertainment. In-person contact is an important aspect of business development especially when coupled with an expanded activity plan.

Marketing Budget

Recognize that part of the marketing budget should be allocated to training and education in business development. Proper training will increase the effectiveness of marketing efforts. Firms that expand the definition of marketing have an advantage. Here is a sample budget template that I find useful when seeking funding for client marketing plans.

3:
BRANDING

Beyond a look or a logo, a strong brand is supported by an actual experience. It conveys what differentiates a firm from others and why it matters to clients. A clearly defined brand bolsters the confidence of existing clients, tells potential clients what to expect, and draws the attention of lateral hires and recruits.

Branding is also a symbol of firm competence that transcends individual attorney competence. While most clients hire lawyers more so than firms, a good brand behind a talented lawyer adds value. An effective firm brand resonates on all levels from the receptionist to the billing department, to secretaries and even to the attorney who is "pinch hitting" for a colleague.

Branding law firms comes with the added challenges of tradition and firm power structure. In most law firms, power has a linear relationship to client generation. Individual situations vary, but firms should consider the message potentially communicated by their firm name.

For example, a small firm with a name that includes all of the equity partners could suggest a flatter power structure or an inclusive culture. In this instance, one of these messages matters to the market, and one does not. Alternatively, the same smaller firm name that includes only one partner, who is still actively practicing, tends to communicate a concentrated power structure and potentially limited dimensions. Again, one of these messages matters to the market, and one does not. It is also important to understand to what extent the partner names are the brand.



BRANDING

These realities seem to conflict with the trend to shorten names, regardless of the subtle messages that may be communicated. More established firms tend to shorten their names to simplify or to recognize how the market knows the firm. When named partners are no longer practicing, branding lawyer names has very little to do with communicating the actual client experience.

Given these factors, law firms use other branding techniques to communicate the client experience. The use of tag lines is very popular, but firms must be careful to ensure that these phrases effectively communicate the firm's message.

Finally, trade names are generally acceptable for use, but many firms are unwilling to risk the market value of an existing name for an unproven trade name. Nuanced firms positioning themselves as evolutionary are more apt use trade names.

Many of these firms are relatively new and are freer to operate under a different naming convention. They see their name as an important component of communicating that they are different from traditional law firms.

Some build on the notion that they are former large firm partners who, now liberated from the big firm world, are free to deliver higher quality and more cost-effective services. Others position themselves as being unburdened by the traditional law firm pyramid that passes training costs along to clients. All of this has an attraction to those clients searching for a different experience, which must be borne out by solid results and the promised value added benefits (economic, collaborative or creative, etc.)

To highlight this with a real life example, I asked the managing partner of Rimon (rimonlaw.com) about the intended message of their name and logo.



His response:

"We chose that name because it was a symbol for integrity, prosperity, and the law in the ancient world. We also liked the imagery of many equal seeds that make a pomegranate, the way we see ourselves as a team made of equals."

Michael Moradzadeh, Managing Partner

A branding process that focuses on how the market interprets a firm's brand and aligns the reality of the firm's service offerings to support that brand is ideal. The firm brand will then communicate the true client experience.

4:
WEB DEVELOPMENT AND SEO

Continuous web development and SEO are often overlooked pieces of a law firm's overall marketing strategy. A firm will invest significant time and money in creating or redesigning their website and then breath a sigh of relief, thankful that they won't need to worry about their website for a couple of years. In doing this, many firms miss out on great opportunities to promote their website.



Much of the hesitation towards web development and SEO stems from the static and defensive approach many law firms take towards their web presence. We often hear clients say, *"no one is going to hire a lawyer without meeting them first"* or that *"our work comes from referrals and personal contact, not from our website."* These firms believe their site is only needed to keep them from being disqualified.



Enhancing Current Marketing Efforts

Practically speaking, this approach is not all wrong , but it is limiting. I agree that personal contact is important to client generation. However, I see a website and related content (blog articles, resources, news stories) development as opportunities to enhance this personal contact.

For example, when I meet with a potential client for the first time, and they tell me that they have read my blog or reference a particular piece, the conversation can immediately become substantive. The point is that an informative web presence promotes a real conversation with a potential client long before ever meeting in person. It also continues to build value with existing clients. Consider how many client marketing calls, especially early in the relationship, are about small talk. Small talk is a part of being likable and may be necessary, but it less costly if a potential client is already comfortable with how a firm or a lawyer thinks.

Developing useful website content that answers questions your potential clients are asking is valuable to client development, but only if the content can be found. This is why a commitment to search engine optimization (SEO) is also essential. A law firm's position in search engine results can directly impact client development and the overall reputation of the firm. The world of SEO is ever-changing and complicated. For firms to develop a well-optimized website that establishes the firm as an authority in particular areas of expertise, it is essential for firms to always remain focused on SEO.

WEB DEVELOPMENT AND SEO



An Offensive Approach to Web Development and SEO

We recommend firms to take an offensive approach to web development and SEO. The idea is to have a website and related content (blogs, resources, profiles, case studies, social networking etc.) constantly marketing the firm. Picture a never ending digital stream of value associated with the firm.

There is demonstrable value in taking an offensive approach to web development and SEO. Firms and lawyers shifting to an offensive strategy that includes continuous web development and committed search optimization will benefit most from engaged professional support. Finding a web developer that is interested in a firm or lawyer's mission is essential. We encourage firms to allow their lawyers maximum leeway to maximize their web presence. Law firms should also rely on the help of experts to succeed in the complicated, ever-changing world of SEO.

Law firms that seize the opportunity to invest in these online marketing strategies will not only advance their offline marketing efforts; they will also have a vital advantage in a highly competitive legal market.

5:
MARKET RESEARCH



Lawyers appreciate the value of research. When working on a case for a client, a lawyer will search databases and newspaper archives, interview witnesses, explore social media and discover pertinent information wherever it exists. I am fascinated with some of the information they can obtain.

I have been told that the best lawyers are curious lawyers, making the research concept a seemingly natural fit in legal marketing. However, law firms rarely make a serious effort to employ market research. In fact, I have never witnessed consistent in-house market research processes or regular relationships with external research firms. This rarity appears to exist beyond my law firm clients. When searching for "legal market research firms" and "market research firms for lawyers", I come across only a handful of firms, most of which are marketing or practice management consultants.

We see the lack of a market research function as a missed opportunity for law firms. This is because market research can give insight into what clients and potential clients want from a law firm, helping firms to be more successful with their marketing efforts.

We recommend firms include professional market research as a choice among other marketing activities for their lawyers to spend their marketing dollars each year.

Disruptive Market Forces

Several disruptive factors are currently at work in the legal market, impacting the way in which some firms handle client development and marketing.

3rd Party Lawyer Rating Services



One such influence is the presence of 3rd party rating services that research court databases and rank lawyers based win/loss rates by court, jurisdiction and judge. Interesting comparisons are made between the results of lawyers at different levels, firm size and rate charged. Predictive value data are available to indicate success and failure rates by type of litigation, jurisdiction, judge and several other statistics. This information will certainly be of interest to clients and should also allow for opportunities for law firms to assess their results and competition. For more on such 3rd party rating services, see premonition.ai/publications.

Influential Studies

Certain studies are also contributing to the transformative nature of law firm marketing. For example, the litigation management study performed by CLM Advisors (clmadvisors.org) surveyed over 60 counsels general about their law firm relationships. The revealing data in this study indicates that sophisticated clients are continually developing new measurement metrics on law firm and lawyer effectiveness. Law firms can take the opportunity to influence this conversation. Some law firms are already finding competitive advantage in self-reporting their performance. One example is the South Carolina law firm of McAngus Goudelock & Courie (mgclaw.com), who reports the number of cases settled on the home page of their website.

Several other influential studies are available, including the LexisNexis CounseLink study (*CounselLink Study Link*) that evaluates lawyer and client behavior by analyzing actual legal billings. Since this study does not rely on subjective measurements, feelings, or opinions, the report is very informative and preferred to the many softer surveys.

All of these sources and information are readily available on the web to the curious lawyer, but time rarely permits for substantive non-billable research. As such, an external professional research approach may be optimal.



Marketing Research Program Objectives

Finally, I have had the opportunity to dialogue with John Fox of John Fox Marketing Consulting (www.johnfoxmktg.com). John has many years of experience with marketing research and he provided the following summary of what marketing research is really all about.

The objectives of a research program should include:

- Identifying the segments of the market most interested in a firm's services;
- Identifying the client drivers for selecting counsel in these markets;
- Determining the most effective way for reaching high opportunity clients;
- Creating the strongest message to potential clients; and
- Reconciling internal understandings with market perceptions of competitiveness.

The goal of a marketing research program is to provide a firm with actionable information to improve overall marketing effectiveness, client procurement and brand development.

6:
INBOUND MARKETING

Law firms must utilize the most efficient marketing techniques to remain relevant and succeed in today's competitive market. Since consumers are more in control of what information they receive and how they receive it, inbound marketing is an effective method of marketing that can help a law firm to get ahead of the pack.



What is inbound marketing?

Inbound marketing, according to the experts at HubSpot, is all about creating great content and being found. We are accustomed to traditional outbound marketing tactics such as advertisements, brochures, print mail and event sponsorships whose purpose is to reach out to a wide audience with a particular message. Inbound marketing, on the other hand, includes newer marketing strategies such as blogging, social media and SEO (Search Engine Optimization) whose purpose is to attract and bring in a targeted audience with quality content.



INBOUND MARKETING

Inbound marketing strategies are value-based and are non-disruptive in nature, which means that value is offered to the client and their engagement is voluntary. Inbound marketing draws in clients and potential clients who are interested in what a firm has to offer. They engage with the firm through its website or social media because they see value and want that relationship. Properly executed inbound marketing strategies are incredible equalizers for small and mid-sized firms because they afford an opportunity to demonstrate competence using the same platform as their much-larger competitors.

As someone who perpetually developing an inbound marketing strategy, I can attest that it is a process of trial and error. First, you must learn – *and keep learning* – what is important to your clients and potential clients, and then produce high-quality content to meet their expectations. Continuing and growing these relationships requires ever-improving, ever-evolving content. This is analogous to the value that a law firm must deliver to keep pace in an increasingly competitive legal marketplace.

Inbound Marketing Components

The heart of an inbound marketing strategy is a blog supported by e-books, downloadable reports, guides, infographics, webinars, email services, video and social media. To implement an effective inbound marketing strategy, firms must be trained in the fundamentals in at least the following areas:

- Blogging;
- Blog content promotion;
- Search Engine Optimization (SEO) ; and
- Social media.

Much of this training is available from free sources – such as YouTube, HubSpot Academy, Content Marketing Institute, etc.

Inbound Marketing Support

As inbound marketing strategies are substantive, support is required to ensure the process is ongoing and that quality content is consistently created. This support comes in the form of talented people, training, software, editorial and graphics support. I recommend one marketing support person for every seven active inbound marketers (at least 5 hours a week). As new technologies and changes in client workflows continue to disrupt the legal secretary's job there exists an opportunity for retraining in a marketing support role.

Allocating resources to marketing initiatives that are generally not well understood can be a struggle for most firms. The good news is that most law firms generally spend 2-4% of their revenue on what is described as business development, and much of the funds needed to support an inbound marketing strategy can come from a simple reallocation of existing expenditures.

7:
TRAINING & SUPPORT



Perhaps the most difficult aspect of implementing an effective marketing strategy is the availability of training and support protocols. Keeping your law firm competitive means understanding how to effectively market your services. *How can your firm do this and stay current with all of the evolving concepts and tools?*

SOLUTIONS

Online training

An immediate solution is to look online. While there a numerous sources of training available, these online courses are usually centered on tactical elements. One training course focuses on the best PPC approaches; another focuses on SEO, and still another on blogging. A course covering all important elements is very hard to find.

Marketing Platform

A better solution to quickly gear up a firm's marketing function is to adopt a marketing platform that has much of the needed core competence built into it. After a year of trial and error on our own, PerformLaw has recently signed on with HubSpot .The training that come with the software and the availability of top quality content in e-books, reports, tools, forms and blogs is over the top.

TRAINING AND SUPPORT



Consultants, Coaches, and Courses

There are relatively few trainings offered to lawyers on the actual selling process when in front of a real client. While there are marketing consultants available and even marketing coaches who are about the "how to do it" , it is rare to find one actually "doing it" and attending a client meeting with a lawyer. Also available, are selling solutions such as Sandler who has adapted their programs to lawyers and professionals. I have worked with clients who have attended Dale Carnegie courses, and the reported results were good. All of these may be worth checking out.

Good Reads

There a number of really good books on professional selling and one that addresses the actual face time with the client *is Let's Get Real or Let's Not Play* by Mahan Khalsa and Randy Illig, which is available on Amazon. Another important read is *The New Rules of Sales and Service* by David Meerman Scott, which also available on Amazon.

In-house Mentors

Finally, some of the best training an attorney can receive is from the other successful business developers in the firm. Admittedly, training takes more time than some of these potential marketing mentors are able to give, but it is worth the effort of seeking out. Often, these resources are not called upon because of ego considerations. This is a mistake, and those who are able to put down their ego are able to learn.

MARKETING STAFFING

As mentioned earlier, a serious marketing program will need trained support. For firms large enough to warrant a marketing director, a potential staffing matrix for a 30 lawyer firm may look as follows:



Assuming a $45,000 salary (or comparable market salary) and a 20% benefit load, the cost of this support model, exclusive of the marketing director's costs, would be about $650 per month per lawyer. Clearly, this approach would require a serious marketing effort to be cost effective. Additionally, some attorneys may want to opt out and policies covering that would also be needed, but the staffing would be modulated based on need. Finally, the secretarial and other staffing levels and budgets would likely be reworked to allow for marketing support.

TRAINING AND SUPPORT



An outsourced approach is also an option for smaller firms or firms preferring not to invest in these processes internally.

The job description for the typical support position would include:

- Blogging support
- Editorial support
- Graphics support
- CRM support
- Research support
- Social media management and promotion
- Referral source outreach
- Lead follow up.

Our experience is that marketing support is much more effective after an investment period. A number of important things need to be achieved that include the development of a chemistry between the lawyer and the marketing support person, the need for the marketing support person to learn the lawyer's practice and marketing goals, and the building of a basic trust between the marketing support person and the lawyer. My experience is that generic marketing support, while better than no support, is only marginal.

8:
BUDGETING

Determining a marketing budget is both an important and extremely challenging part of developing your law firm's marketing plan. A budgeting process that recognizes trial and error is inevitable and that allows an adequate amount of time for success is recommended.

We have developed a basic template (SEE TEMPLATE) that allows for a structured consideration of the necessary elements. Based on marketing strategy, each firm would ultimately develop their own process.

Our budgeting preference parallels the planning funnel shown below. We recommend a process that includes planning at various levels: individual, section or group, firm. It is also preferable to organize these plans around similar tasks to ensure that economic scaling is possible.



The main components of the budget would include:

- Funding thresholds
- Traditional marketing costs
- Inbound marketing costs
- Professional support

Within each of these areas are subsets (SEE TEMPLATE) of additional elements making up the broader categories. For example, funding model that is based on past results and planned revenues would contain a percentage apportionment by to each category.

A mature practice with a strong track record of success and high market penetration may need a budget weighted in favor of maintaining the existing client base. Alternatively, a less mature but growing practice would benefit more from budget based on planned revenues. Consider the following scenarios:



SCENARIO 1: MATURE PRACTICE

Assumptions:

- This practice is presently billing $2.0 million annually
- This practice can only expand an additional 5% (based on client preferences, rates and competition)
- Attrition rate is 10% annually
- Legal resources are not easily translatable to other practice areas
- Business is healthy and there are no immediate disruptive threats

Client Acquisition Cost (CAC) averages $7,639 per, existing Client Maintenance Cost (CMC) averages $350 per and the average client relationship is $25,000 annually. The goals for this practice are to maintain the stability of the base and to create sufficient new relationships to cover the attrition rate.

BUDGETING

SCENERIO 1: MATURE PRACTICE continued 

Given the growth potential of this practice and the stated goal to replace business lost through attrition, a budget might look as follows:

		PER CLIENT DATA			
	Fees	Avg. Fees	Clients	CMC	CAC
Base recurring business	1,800,000	25,000	72	350	
New planned business	200,000	25,000	8		7,639
Sub-total expected revenue	2,000,000				
		% Budget			
Existing client budget	25,200	29%			
New client budget	61,112	71%			
Sub-total	86,312				
% Base revenue	4.80%				
% Expected revenue	4.32%				

As a result of existing Client Maintenance Costs (CMC) only being a fraction of new Client Acquisition Costs (CAC), it only takes about 30% of the budget to maintain the existing client base, leaving the remaining 70% for new client marketing. Notice that the overall budget, which is based on client maintenance and acquisition metrics, results in a cost range between 4.3% and 4.8% of expected and base revenues respectively.

What happens if a firm decides to arbitrarily cap marketing expenditures at a percentage of historical or expected revenue resulting in a smaller overall budget than the amounts indicated by the metric approach?

.

Many difficult decisions must be made in allocating a firm's available marketing dollars. A firm must consider such questions:

- Is the actual allocated budget simply apportioned 70/30 as indicated?
- Should new client acquisition be put at risk to ensure the existing client base is well covered?
- Are there specific items in the budget that are more valuable than others?
- Does the firm decide to selectively increase and decrease budgets throughout the firm?

Having the data and approach that allows for thoughtful consideration of alternatives will force partners to develop quality marketing plans and inject accountability into the process.

SCENARIO 2: YOUNG PRACTICE



Assumptions:

- This practice is presently billing $300K annually
- This practice can expand at least 5 fold (based on client preferences, rates and competition)
- Attrition rate is not a factor due to the newness of the practice
- Legal resources, while transferrable to other practice areas, are better employed in the current practice area.
- Business is healthy, and there are no immediate disruptive threats

Average Client Acquisition Cost (CAC) is $7,639, average existing Client Maintenance Cost (CMC) is $350 and the average client relationship is also worth $25,000 annually. The average account lasts 4 years. The goals for this practice are to double revenues in the upcoming year.

SCENERIO 2: YOUNG PRACTICE continued



Given the growth potential of this practice and the stated goal to double in the upcoming year, a budget may look as follows:

		PER CLIENT DATA			
	Fees	**Avg. Fees**	**Clients**	**CMC**	**CAC**
Base recurring business	300,000	25,000	12	350	
New planned business	300,000	25,000	12		7,639
Sub-total expected revenue	600,000				
		% Budget			
Existing client budget	4,200	4%			
New client budget	91,668	96%			
Sub-total	95,868				
% Base revenue	31.96%				
% Expected revenue	15.98%				

Candidly, this is the type of situation that will really test firm's will to grow. This budget is actually larger than the budget for the mature practice area billing $2.0 million annually. Additionally, this budget calls for almost 32% of existing revenue and almost 16% of expected revenue.

BUDGETING

Building on the previous discussion, is it worth it to spend $92K on $300,000 in annual business? Assuming the average account lasts 4 years, the new client revenue is really worth $1,200,000. Once the new client acquisition cost is absorbed, the costs of maintaining an existing account are negligible.



We will review metrics that address the lifetime value of an account compared to acquisition cost in the following chapter.

Assuming these two practice examples are from the same firm, an issue may arise as to what funding level is appropriate for a particular practice. Firms would do well to analyze and fund practices based on potential opportunity, plan quality and ability to execute. Large practice partners normally enjoy large measures of power, and it takes a concerted effort to ensure these partners see the benefits of investing in a high growth practice area.

9:
ANALYTICS

Law firms struggle with investing the needed time and money into marketing because of the difficulty tracking cause and effect.

After implementing all of the marketing research, training, support and systems, how does a law firm know what is and what is not working?

Data analysis is essential not only for determining effectiveness but also for improving results.

Digital Marketing Analytics

The effectiveness of traditional legal marketing tactics such as direct mail, advertising, sponsorships and speaking events is extremely difficult to measure. Luckily, gathering analytics on more modern marketing methods such as websites, blogs, social media and email newsletters is much easier and much less expensive. *So, what can law firms measure to determine the effectiveness of their digital marketing efforts?*

Website

Analytics reporting starts with the firm's website. There are customized analytics programs such as Hubspot and also free ones such as Google Analytics that measure website activity. Statistics gathered include the number of website visitors, the length of stay on the site, content and pages viewed, the number of unique visitors by location, referring domains and several more. Monitoring *where* and *how* visitors are getting to a firm's website and what pages are generating the most interest indicates the most relevant content.



ANALYTICS

Blogs

Traffic analytics are also available to bloggers. Many of these are included or offered by the blog hosting platforms. These data are used to inform future blog post topics and help a firm generate more interest from a targeted audience.

Social Media

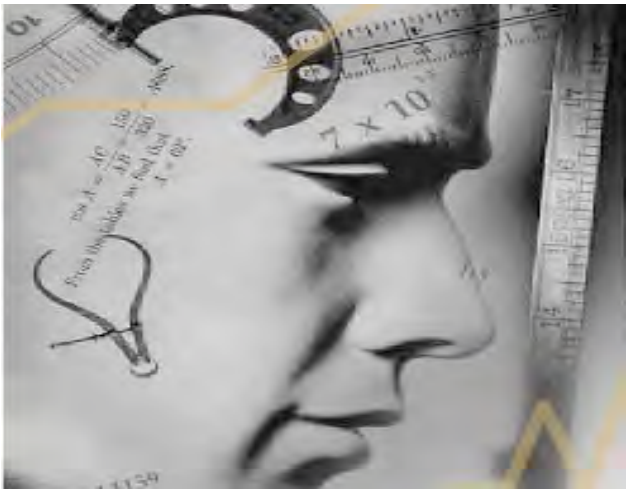
Social media activity is also easily measured. For example, Twitter's analytics program allows firms to see how many people viewed, clicked on, shared and liked a post. LinkedIn provides similar data. Keeping track of which posts get the most engagement will help firms create content that drives engagement.

E-newsletters

Email newsletter activities are easy to measure. Email send applications will typically track open rate, click through rate (website visit), the number of clicks per link, forwards and shares.

While all of the data gathered from analytics is interesting and informative, it is only beneficial if a firm incorporates it into future decisions. In addition to ensuring that a firm's marketing efforts are worth the money and time, a real analytics process is a primary tool for improving effectiveness.

10:
METRICS



Behind all of the powerful tools now available to law firm marketers is a mountain of data. When this data is combined with readily available accounting system information, curious lawyers have the ability to target marketing more precisely than uninformed competitors.

While not yet a mainstream in law firm management, metrics exist that have been successfully employed outside of the legal industry long enough to be considered reliable. Once adapted to a legal setting, and with some trial and error, these measurements will provide the same analytical benefits to law firms.

I first came across these metrics on HubSpot's marketing blog (Article Link). They were kind enough to provide a downloadable e-book, which I adapted to a law firm setting. By implementing a few simple tracking systems and supplementing them with commonly existing marketing cost information, firms can measure their marketing effectiveness over periods of time.

METRICS

The additional tracking systems would include:

- Creating codes for client development expenses in the firm's time and billing or accounting systems
- Having non-billable marketing resources keep time
- Expanding expense report coding options, or implementing a simple expense reporting App to improve data capture

I understand that many small and midsized firms have limited resources for data collection, but if organized properly, much of the work to collect these data may be accomplished during normal workflows.

4 Insightful Metrics

METRIC	DESCRIPTION
Client Acquisition Cost	Indicates the average cost to obtain a new client
Time to Payback	Indicates the amount of time it takes to recover marketing costs
Marketing Originated Client %	Indicates the number of new clients obtained directly through marketing
Marketing Influenced Client %	Indicates the number of new clients influenced by marketing

The formulas to compute these measurements for a given period are explained on the following page.

:

Client Acquisition Cost (CAC)

While this is a very broad metric, it does provide an idea of the relationship between marketing spend and new client acquisition over a given period of time.

$$\frac{\text{Total new client marketing spend \$}}{\text{Total period new clients}} = \text{CAC}$$

To obtain an accurate average CAC, the first challenge is to identify costs specifically for new client activities, which must be differentiated from existing client maintenance costs.

Time to Payback (TP)

Time to payback may be the simplest and easiest to understand.

$$\frac{\text{Client acquisition cost \$}}{\text{Average gross margin \$}} = \text{TP}$$

Average gross margin = Fee collections or billings less timekeeper salaries and benefits.

Marketing Originated Client (MOC) %

$$\frac{\text{New clients resulting from the marketing program}}{\text{Total new clients from all sources}} = \text{MOC \%}$$

Marketing Influenced Client (MIC) %

$$\frac{\text{Total new clients that interacted with marketing}}{\text{Total new clients from all sources}} = \text{MIC \%}$$

Adapting measurements from industries that have different business models will take some imagination. As firms continue to implement diverse marketing strategies, advanced methods of determining effectiveness will be necessary. Almost every aspect of the legal market is changing, and firms committed to change with it will continue to prosper.

11:
COMPENSATION

Supporting law firm marketing efforts with a compensation system that aligns risks and rewards is ideal. We like profitability based compensation systems in most all cases, but especially in entrepreneurial firms with highly mobile partners.

Successful firms create thriving internal economies that manage overhead appropriately, invest in people wisely and pay competitively. Supporting these high-performance cultures are well-established objective norms that advance effective decision-making with only a necessary amount of subjectivity.

When offering a value proposition to successful partners, we recommend that firms consider their ability to meet the following criteria:

- Pay partners a competitive market return;
- Encourage impact on the priorities of the firm;
- Provide capital to build a practice;
- Give access to billable work while building a practice;
- Generate better opportunities as a result of working with other partners.



COMPENSATION

For a collaborative marketing environment to exist, a firm needs policies addressing client profit splitting. In many firms, origination credits are tied to compensation. Partners must have directly impacted the origination of a client to get credit. To overcome this, we recommend a compensation system based on client profitability that allows partners to share profits on a flexible basis.

Sharing of client profits is an incredible motivator if properly managed. Client profit sharing systems work very well in firms with partners who focus on the competitive advantage of delivering the best possible service to clients.

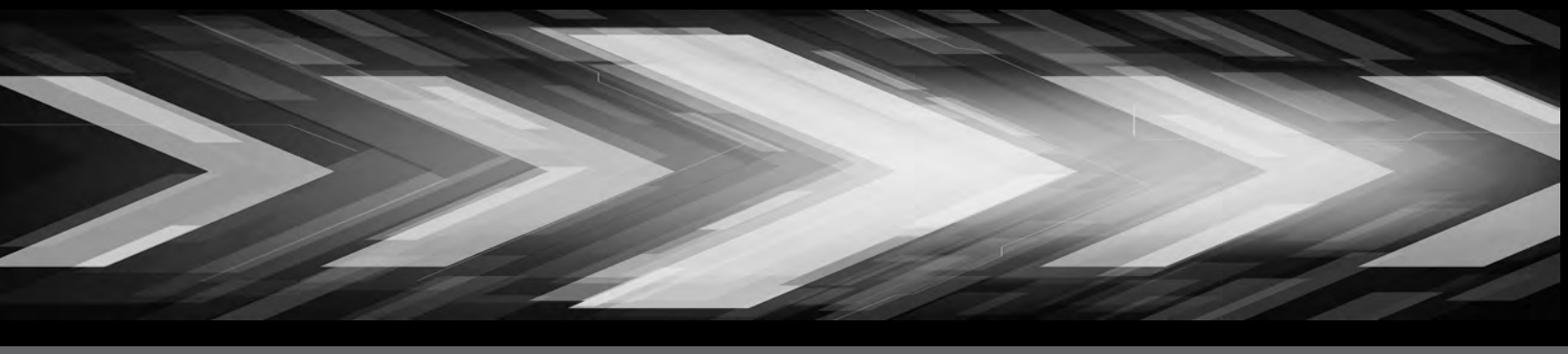
Smart partners and collaborators realize that it is not important to push profit splitting on the margins. Fair always accompanies a judgment. The important things to remember are that clients come first, and everyone should be incented to provide their best work.

As a starting point, we offer the profit sharing guidance shown on the following page. It should be noted that several other scenarios exist for client profit sharing. For example, a different client sharing agreement may be applicable when connected to a succession plan or lateral agreement.

COMPENSATION

ORIGINATORS	PROFIT SHARING GUIDANCE											COLLABORATORS
Underutilized partners – standard cost assessed to profitability	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	VALUE ADDED	Partner who needs work bring no special expertise – generally no profit split
Providing work to partner with expertise and to manage associates	10%	20%	30%	40%	50%	60%	70%	80%	90%			Adding capacity and some expertise, supervising others
Based on the importance and amount expertise provided	10%	20%	30%	40%	50%	60%	70%	80%				Subject matter expert/skill set expertise
Based on the importance and expertise provided	10%	20%	30%	40%	50%	60%	70%					Subject matter expert/skill set expertise
Based on the importance and expertise provided	10%	20%	30%	40%	50%	60%						Subject matter expert/skill set expertise
Material participation and helped originate work	10%	20%	30%	40%	50%							Material participation and helped originate work
Originator has minimal or no on-going involvement with case or client	10%	20%										Completely handling case and critical to origination

The actual percentages are flexible and usually left to the collaborating partners. These guidelines are a good starting point and allow for a structured discussion. Good origination policies create a collaborative environment that results in better client service and partners who learn how to succeed together.



ARE YOUR FIRM'S

MARKETING EFFORTS

DELIVERING OPTIMAL

RETURN ON INVESTMENT ?

PerformLaw can help to make that happen.

LEARN MORE

PerformLaw

law firm performance improvement experts