

# SUSTAINABLE GROWTH IN A NON-GROWTH ECONOMY: DEVELOPING NEW MODELS FOR SUCCESS

MARKETING BEST PRACTICES



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# SUSTAINABLE GROWTH IN A NON-GROWTH ECONOMY: DEVELOPING NEW MODELS FOR SUCCESS

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*This Hubbard One® whitepaper discusses some key issues in law firm marketing brought on by the global financial crisis. It draws upon a recent survey of law firms in the Am Law 200, undertaken by Catapult Growth Partners, which unearthed some interesting trends – and a few anomalies – about the changing dynamics of the marketing function at law firms.*



## Summary

The study quizzed managing partners about the current state of, and future plans for, their marketing and business development functions. The results indicate that the need to stimulate growth in a contracting market is catalyzing a change in the way law firms position their services, facilitating a fundamental shift from knowing what they have to “sell,” to understanding exactly why their clients “buy.”

But as the survey indicates, law firm leaders are still considering the most effective means to execute on this goal. While traditional marketing skills, such as branding and communications, are still highly valued, almost all managing partners surveyed recognize the need to embrace more sales-focused business development practices. However, law firms are struggling to understand exactly what business development is and how they should alter their existing marketing structures to effect the change.

Faced with these competing demands and the mantra of “do more with less,” law firm marketers must deploy new technologies to help tighten the focus on two key metrics, revenue and profitability. The need to look elsewhere for growth will render obsolete many existing practices as firms conclude that their old markets are no longer viable. Tools and technology platforms that provide qualification and measurement are coming to the fore as firms demand improved marketing effectiveness.

## Background

Over the last 10 years leaders in the wider corporate world have been tearing down walls between marketing and sales to improve revenues. Smarting from the current recession, law firms have also set forth down this path, thinking about ways they too can integrate these two functions and educate their lawyers in the art of business development effectiveness.

With the days of increasing profitability and double-digit growth firmly behind them, law firms are entering a new era and are working much harder to protect and leverage existing relationships and forge new growth strategies.

But while traditional law firm marketing is now the equal of any other sector, it is in the area of business development and sales that law firms are struggling to adapt. The need to adapt to changing buying audiences, and improve effectiveness with traditional buyers of legal services, has seen more Chief Marketing Officers (CMOs) from outside the legal industry enter the legal profession, helping the marketing culture catch up to sales-driven corporate business strategies. The current recession has expedited this trend, and managing partners are now more willing to give CMOs a mandate to rebuild the firm’s marketing organization – with a keener focus on revenue growth and generation.

### The evolving role of the CMO

An article published by management consulting firm McKinsey & Company over a year ago pointed out that the role of the CMO in most corporations has become far more complex, expansive, and strategic. Where in the past the role of the CMO has been tightly defined around building the brand, corporations are now demanding they become true agents of change and business strategists.

In the face of the downturn, law firms are beginning to move the same way. Strategies and tactics that worked for law firms in the past are no longer valid and greater emphasis is now being placed on identifying Return On Investment (ROI) of marketing and business development strategies. More than ever, law firm marketers will find that new initiatives won't be resourced or funded unless they can be justified with a strong business case. Further complicating matters, as a result of the recession, some of the traditional markets law firms relied upon for steady revenue have disappeared and CMOs are being forced to think strategically about where next to look and how best to utilize scarce resources.

In the corporate world top-line growth and ROI have become the key measures of success for CMOs, and similar movements are afoot at law firms. Where in the past law firm CMOs were only expected to influence growth, they are now charged with having a direct impact on it. Many CMOs operating in the current economy have to proactively bring in clients, and if they are not contributing to top-line growth, their job may be in jeopardy. This new imperative is also forcing law firms to look at how marketing roles are best organized within the firm. Taking the lead from the wider corporate world, there is a gathering trend to supplement the CMO role with that of a chief business development officer (CBDO) role. And best practice points to having all the levels of the marketing organization report up to the CBDO – the person charged with driving revenue preservation and generation.

### The future of marketing

Current economic pressures have forced law firms to look seriously at how they can focus better on business development. Clients now have much more control over the market and are exercising their buying power by shopping around for law firm services – forcing law firms to look closely at how they can retool their marketing organizations to operate more effectively.

Helping law firms in this regard is the sophistication of marketing technology, which has increased dramatically in the past few years. The use of analytics is on the rise, enabling firms to constantly monitor which initiatives work and which do not. Whereas 10 years ago most law firm marketing organizations were run by “creatives” who looked after branding and positioning, the next generation of marketers is much more attuned to the sales disciplines of prospect qualification and identification; the accurate measurement of target audiences; opportunity scoring and assessment; understanding of competitive and business intelligence; and tuning external messaging based on intelligence and insight.

The recession has also changed the reasons why clients buy legal services. Law firms have always understood what they have to sell, but are yet to fully grasp why their clients buy. In a market where legal services are becoming increasingly commoditized, understanding what your clients want, in addition to knowing what they need, is going to be the real sales breakthrough. If marketers can discover what their clients really care about and train their lawyers to help them uncover and articulate that message, a true point of difference will be realized – and a corresponding premium can be maintained in the sales process.

### Survey results

The Catapult Growth Partners survey used both anecdotal and empirical research to gauge the state of law firm marketing and received responses from 15% of the Am Law 200 firms. Specifically, the survey wanted to find out which marketing functions managing partners thought were significant, and against a backdrop of a large number of vacant CMO positions at law firms, whether this role was still valued.

### Staffing and budget

The survey results regarding staffing and budget levels confirmed that in 2009 the severity of the downturn forced law firms to downsize, with 33% stating that they had reduced staff and 74% decreasing marketing and business development budgets. Only 7% of the firms surveyed said they had added staff during 2009.

When asked to forecast staffing levels and budgets for 2010, law firm leaders were optimistic. Twenty percent of firms said they would be adding staff during the year – replacing those they lost through natural attrition in 2009. And a bullish 46% of firms said they would be increasing marketing budgets, with only 8% stating that they would decrease budgets.

However, as the year has unfolded this optimism has not come to pass. Based on data from Hildebrandt® and anecdotal evidence in the market, spending and staffing levels have not come back as strongly as predicted. Hildebrandt's Peer Monitor® indicates that from 2008 to the present day there has been a 16% dip in per full-time lawyer spending on marketing and business development.

Charged with increasing profits per equity partner, it appears managing partners are locked into a short-term mentality. Thanks to the recession, profits can only be maintained by cutting spend on both professional and administrative staff, technology, and marketing and business development budgets, which are the very lifeblood of long term viability. One of the key findings from the current downturn is that the market for legal services is much more discretionary than anyone thought. As a result, CMOs must work to protect their existing client base and then figure out intelligent strategies to go after new clients – all within the confines of a diminishing budget.

### Top marketing priorities

When asked to name the key priorities for its marketing and business development organization over the next 18 months, the respondents rated improving a lawyer's business development effectiveness as number one, followed by driving revenue growth. The bottom three priorities included improving marketing collateral, rebranding the firm, and developing a Web 2.0 strategy. It appears that law firm leaders are relegating these classical marketing functions to the bottom of the importance pile.

Mid-table priorities included developing client satisfaction programs, measuring ROI, and developing market intelligence capability. It could be argued that these three should be placed above the top two priorities, because it is very difficult to do those without addressing the mid-table tasks.

### Survey Results – General Marketing & BD Overview

During the next 18 months you are planning to place significant pressure on your marketing/BD organisation to focus on these priorities:

Average	Weighted
1. Improve lawyers' BD effectiveness	5.1
2. Drive revenue growth	4.9
3. Develop or improve client satisfaction programs	4.6
4. Measure/track and prove a return on marketing/BD	4.0
5. Develop or improve market/competitive intelligence capability	4.0
6. Improve RFP process	4.0
7. Develop a strategic growth plan	3.7
8. Develop a Web 2.0 & Social Media strategy	3.1
9. Improve marketing collateral	2.9
10. Rebrand the firm / redesign website	2.5

### Buying versus selling

Without talking to clients and understanding exactly what they want from a law firm, and then measuring the effectiveness of their programs, law firms cannot hope to improve revenue. Another way of looking at this is to examine the difference between buying and selling. One of the most inefficient practices in any organization is attempting various sales strategies without first understanding why and how clients buy. Many organizations, including law firms, take this backwards approach to the market, hoping to sell products and services without understanding why the decision maker buys and, in the process, not only increase the cost of sales, but also compound that cost by consistently missing opportunities to succeed.

In the current climate where opportunities are minimal, measuring effectiveness, developing closer client relationships, knowing exactly where the opportunities for new work arise, and knowing which opportunities should be prioritized will be essential to developing a winning value proposition. Continuing to mistake activity for achievement with regard to business and client development is not a viable course of action. Law firms now need to know exactly what keeps clients happy, measure and track the return on their marketing efforts, and develop reliable and, most importantly, actionable marketing intelligence capabilities.

### Old versus new

Even though they rank low in the list of priority actions, the survey highlighted that the traditional marketing skills of a CMO are still valued by 80% of managing partner respondents. However, a significant number of them now feel that these skills are less critical to the firm than in the past and that outsourcing could be used to fulfill branding and communication functions.

Interestingly, when asked whether the skill sets of law firm marketers must change in order to deliver value, 93% of managing partners answered in the affirmative – highlighting an interesting disconnect between what is valued and what is needed to move the firm forward. Another way of reading these results is to say that law firms are happy with the way marketing has operated up to now – the functional core of undertaking branding, proposals, and advertising is working well, but looking to the future, law firm leaders are aware that the CMO will need to bring other skills to the role.

When asked what these other skills should be, the top three responses were business development acumen, strategic insight and planning, and leadership. Another key skill which should be added to this list is the ability of a CMO to sell ideas internally. If a CMO wants to be an agent of change, they have to be able to bring the internal organization on board first, and when needed, push back against the day-to-day demands of lawyers in order to bring about a more tactically efficient marketing and business development approach.

### Survey Results – The Role of the CMO

Question 3: What skills will be needed from a CMO?



### Adding value

Another interesting finding from the survey – but a worrying one for CMOs – was that 53% of respondents felt there was a large gap between what the firm and partners need and what the CMO delivers. Added to this, 43% of managing partners were either dissatisfied or very dissatisfied with the value their CMO delivers. These findings seem to indicate the value of the CMO is in the balance at many law firms – and will be further undermined when firms begin to split duties between a CMO and a CBDO. However, these findings are also indicative of different expectations between management and marketing. Due to the recession, marketing is being asked to produce a higher number of proposals than ever before to win increasingly more complex competitions for work, quality control is therefore under stress, and partners may feel they are not being well served as a result. On the other side of the equation, many marketers feel they are being bogged down executing day-to-day administrative functions, with little time to get their head around the “big picture.”

The combination of shrinking resources and an increased workload is making demands on CMOs and their marketing teams to work smarter. Leveraging technology to undertake routine tasks – such as the production of RFPs, proposal management, and marketing administration – can free up time for CMOs to plan more strategic initiatives. Tools such as Hubbard One’s Proposal Generator and Experience Manager help unite information from disparate sources and provide marketers with improved access, output productivity, and end product quality. When asked what CMOs can do to provide more value, the responses included improving business sense, educating lawyers on alternative fees as a marketing advantage, and providing more focus on developing a comprehensive approach to client development.

What these results point to, is the realization by law firm leaders that the new imperatives brought on by the downturn may be here to stay. A return to the old practices may not happen.

Prior to the recession there was no reason for law firms to change their business model. But the recession has meant they can no longer set their own price – the market is demanding lower fees and better service. They are being forced to change and are asking their CMOs to bring new skills to the table in order to deliver better value to their clients.

### Technology is here to help

Faced with a challenging economy, this survey highlights that the role of the CMO is undergoing significant change. Law firms are searching for leadership and execution in strategy, sales, and measurable growth, and technology will be critical in helping CMOs provide these services to the firm.

At its most fundamental level, technology can help CMOs communicate more effectively – both internally and externally. As law firms grow their global footprint they become more decentralized and, as a result, sophisticated intranets are fast becoming the glue that holds law firms together, allowing lawyers and staff from multiple offices to collaborate across time zones and jurisdictions.

Client extranets are also valuable. By serving up information tailored to the needs of a particular client, law firms can maintain customer satisfaction levels, open up cross-selling opportunities, and more importantly, defend their favored legal supplier status.

Another key technology CMOs can use to gain improved visibility of market opportunities is competitive intelligence products, such as Hubbard One's Monitor Suite. These tools help law firms understand exactly why a client buys legal services and provide a roadmap of "who is buying what and from whom." Such data can be turned into valuable business intelligence. It provides firms with a better idea of the strength of relationships between clients and other firms, and allows them to make assessments on the time, energy, and cost it may have to outlay to convert a new opportunity. It also allows a firm to benchmark clients against key competitors, enabling them to forecast potential trends in the marketplace by analyzing what "like" companies are experiencing.

Similarly, knowing where a firm's relationships lie is critical. As the capital on which law firms trade, relationships, along with the firm's experience, are really the only two unique assets law firms have. An Enterprise Relationship Management (ERM) tool, such as Hubbard One's ContactNet product, can be extremely helpful in improving customer relationship management and charting exactly who is connected to

whom. And now, with the advent of ERM 2.0, the next level of enterprise relationship management, expanded relationship intelligence functionality enables firms to identify new targets, prevent missed opportunities, monitor client engagement, and ultimately evaluate the success of their client development efforts.

### Conclusion

The findings of the survey provide a snapshot of an industry undergoing change. And this change is throwing up some interesting anomalies, chief of which is the fact that while traditional marketing skills are still valued, over 90% of law firm leaders surveyed say CMO skills need to change.

In the final analysis, to preserve the value of their role, CMOs will need to enable law firms to "make rain in a drought." To do this they will have to carefully manage the amount of activity against the results achieved, bring new sales focus and leadership skills to the table, and provide the firm with the tools to better monitor and measure return on investment.

#### Rainmaking in a Drought

- Gain more from less – activity vs. results
- Never, never, never give up (and never lose your sense of humour)
- Clarify your value proposition (ask your best clients)
- Focus on existing/dormant clients (learn their language)
- Don't sell – seek to understand and add value
- To be more natural, prepare like crazy
- Fail fast
- Become the differentiator
- Commit to consistent activity
- Start small
- Indirect strategies

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