

Can Marketing Survive?

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The events of September 11th raise enormous social, political, economic, legal and cultural issues. In fact, every thread of society's fabric seems to have come undone. In times such as these, businesses often make rash decisions, reacting rather than planning for the future. The "soft" sides of the enterprise -- human relations, research and development, planning and especially marketing -- often seem expendable and are usually the first to experience cutbacks.

Can marketing survive? Especially in a law firm?

Experience shows that marketing is often scaled back or eliminated completely during a recession. But marketing can be one of a law firm's most potent weapons during an economic downturn. Two ground-breaking surveys conducted over a period of 50 years showed that *businesses that continued to invest in marketing during a recession had greater growth and profitability during the down cycle and the subsequent three years than their competition who decreased or eliminated marketing during the same time.*

In early 2000, it appeared that the good times would never end. The deal flow to law firms continued virtually unabated and new businesses were coming on-line by the minute. Firms could not find associates quickly enough or pay them enough to join the firm. Mergers and globalization were on everyone's lips. Competition was fierce, but there was plenty of work for virtually everyone. Almost all of Altman Weil's law firm clients reported that 2000 was their best year ever.

How quickly times change. Now everything is at risk. Cutbacks in staffing, real estate, technology investments and even lawyers are likely to increase. In this environment, marketing is being more closely examined than ever.

In good times, marketing is important. In bad times, it's vital. For a law firm to cut its marketing investment just as it has achieved its branding and client service objectives is self-defeating. Cutting back marketing efforts deprives clients and prospects of needed information for making sound law firm choices. Reductions in marketing also trim client service, the most important differentiating factor among law firms.

When risks increase, it's smart to bet on a sure thing. During a recession, clients' needs can change abruptly and unpredictably. Because of this, firms need to stay in touch with their clients, anticipating their needs and offering pertinent services promptly. Focused, timely marketing planning implementation can reduce risks, cement client loyalty and allow the firm to respond to change. Systematic marketing planning and implementation avoids untested, knee-jerk reactions to the market. No law firm can afford to gamble during a recession -- the risks are too great.

More than ever, law firms must market wisely, using their best resources -- their people -- rather than making massive cutbacks and imitating other firms' marketing programs. Effective marketing means marketing by objective, achieved first by planning and diligent budgeting followed by implementation. In fact, marketing must have objectives that are in sync with the overall firm strategic plan if marketing is to make sense and have the intended impact. Strategic and marketing plans should differ only in the specific strategies and implementation.

In a down economy, marketing must work harder than ever. That means focusing on current clients first and asset-based marketing tools -- in other

words, the firm's lawyers, marketing professionals and staff. Long term and costly client acquisition programs that have limited immediate return may need to be sacrificed until the economy turns around.

1. *Focusing on value*

It's safe to assume the clients will be more price conscious than ever. Some clients will price shop and engage in interactive bidding on the Web. Almost all will demand budgets, estimates and/or fixed prices. Many will expect their firms to be experienced in risk-management, the newest general counsel trend that focuses on potential cost and risk trade-offs for less than total due diligence. In addition, many clients will demand to work only with specialists or seasoned attorneys who can control costs because of their range of experience.

Thus, the firm must position itself to offer the most effective, client focused and cost-efficient service to clients. But beware. It's easy to fall into the trap of wholesale fee reductions, write-offs and loss-leader pricing. These lead to significant realization problems, diminished image, and reduced profitability. To counteract these problems, firm leaders must focus on:

- Increased productivity including better utilization of technology, associates and paralegals, as well as support staff
- Meaningful practice group leadership, with a focus on profitability, work allocation and training
- Lean staffing, which may require painful decisions regarding retention of partners as well as associates
- Effective case management
- Conforming with clients' billing requirements

- Perhaps most important, continual coordination with house counsel, including "lend-lease" programs that place firm associates within client law departments

In short, during the fiercely competitive times to come, it will be vital to "hard wire" clients to the firm, taking every step necessary to insure their loyalty. Communications and marketing messages to clients should focus on practical experience, knowledge of the client's industry and continual feedback mechanisms to ensure that highest quality product at the most effective price. This will help differentiate the firm from its competition and build client market share.

Recessions present another opportunity: some lawyers with business will be looking for a new home. This means that competition will not just be for clients but for lawyers as well. The law firms with an effective marketing program will know what services they want to offer, what their clients will need and what expertise the firm will have to develop internally or "buy" on the outside market. These firms will be the ones in the best position to identify available legal superstars and will have the economic strength to capitalize on the opportunity. Those firms without focused marketing will be the ones left behind when superstars decide to move on.

While other firms retrench and grapple with cost-cutting measures to retain their client base, smarter firms can market the concept of value during and long after the recession.

2. *Client focus*

During a recession, firms need to be more focused than ever on client profitability. Hard times drive home the point that some clients just aren't profitable and probably never will be. In addition, some of the firm's

marquee clients may have cash flow problems that extend to their suppliers, their law firms and other strategic partners. Both of these factors create waste within the law firm that must be avoided in these hard times.

Recently, Altman Weil conducted a study for one of America's largest law firms. The survey found that over 16 full-time lawyer years were spent on clients for which the firm received no fees. By carefully scrutinizing client-by-client profitability and eliminating unprofitable clients, law firms can reduce the hidden costs of servicing those clients. This allows attorneys the time to focus on providing value and building market share among current clients.

The recession will create another problem: many firms will focus their marketing energies on new client acquisition, with the assumption that any business is good business. This is often not the case in good times and much less so in bad. New clients require a learning curve, which is often uncompensated, may be difficult to manage, are typically less loyal, and may be slow to pay. It is considerably easier and less expensive to retain existing client than to obtain a new one. Continually chasing new clients has a limited payoff in boom times and will have less reward during a slowdown.

Instead, the firm should keep the 80/20 rule in mind: 80 percent of profits come from 20% of its clients. Management diligence and/or case acceptance policies should be used to fire clients so the firm consistently can service clients who pay their own way.

Law firms need to build client loyalty by getting closer to them. To do this, firms need to research client needs and evaluate the ability of the other firms to meet them. Instead of cutting back on long-term practice growth,

firms need to develop and refine revolutionary new products to offer to existing clients. Because clients purchase specialty legal services and clearly defined product lines, the firm should institute Client Industry Teams led by seasoned specialists. And because clients expect clearly defined lines of accountability, responsible partners must be truly responsible. Many firms have instituted a relationship or Account Manager concept, based on the hierarchy developed by other service industries including banks and advertising agencies. This system places senior partners in a position to understand the client's business, establish relationships with client decision makers, maintain continuity and look for opportunities to increase market share with current clients.

3. *Marketing focus*

Now, more than ever, the firm needs to focus on what profitable clients -- and even prospects -- need from their law firm rather than what the firm has to sell. In a recessionary period, firms need to determine what the firm does well, how its skills match up to clients' needs and which services the firm can perform most profitably. A comprehensive marketing plan, aligned with the firm's strategic plan, can identify those services and position the firm to capture and retain profitable business. In the absence of marketing, the firm will continue to do less of what it did before and more of whatever comes through the door.

The current market environment presents the opportunity for marketing partners and professionals to shine brightly in their firms. But this means taking a long objective look at the firm's current and planned marketing activities, focusing on those with a greater opportunity for success and measurability and postponing or eliminating " nice to have " but ultimately less productive tactics.

These strategies should be expected to produce measurable results:

- Identify industries that demonstrate stability or growth and retool the firm's practices to focus on them. Opportunities exist in sectors that resist recessionary pressures, including those that meet vital needs or those where clients maintain buying power.
- Be prepared to focus on counter-cyclical practices such as bankruptcy and creditors' rights, as well as higher value insurance services.
- Consider offering non-legal services to replace segments of the firm's traditional work that may have flattened. These may include disaster planning, strategic planning and other business advice that will make the client view the firm as a valued partner.
- Train lawyers in providing excellent client service -- everything from initial consultation, continual communication and responsiveness, bill preparation and follow-up.
- Continually and formally survey clients for their level of satisfaction. Among the most satisfied clients, identify opportunities for referrals and increased market share.
- Ask for referrals. A recent Altman Weil study for Martindale-Hubble indicated that 99 percent of clients use referrals as a means of identifying new law firms. The cost of asking for referrals is a nothing, yet many firms continually miss the opportunity to use this vital tool.
- Form alliances with related and prestigious organizations, such as financial institutions, accounting firms and brokerage houses, that continue to market successfully via seminars and Webcasts.
- Make sure the firm's Website is more than just an electronic brochure. The best firm Websites add value to the client relationship by providing clients information they can use in their

businesses rather than just a recitation of firm practices and lawyers.

- Develop client-specific Intranets that will provide private and secure case management, billing and other vital information only to clients, accessible 24 hours a day.
- Conduct reverse seminars. Ask clients to present an update to the firm on their business and where they see future trends in their industry. Invite as many lawyers as possible so the client sees the depth of expertise that exists within the firm
- Most important, plan. Make sure that tactics identified above match the firm's practices and client base, rather than just a list of good ideas. Make each item accountable, identifying results in client retention and/or increased market share as well as new client acquisition.

If the firm's last client survey was conducted over two years ago, the information it gathered is probably outdated. Firms should survey their clients continually to determine the best mix of price, product and service improvements for increased market share, revenue and profitability. If potential growth among many existing clients is limited, the firm should then identify high-potential clients and market segments and develop targeted, high-impact marketing for that group.

A sluggish economy means that every marketing dollar must count. Even though many firms are new to marketing, their marketing budgets still contain waste. To control costs and focus on results, closely evaluate those projects that do not produce results. This often means eliminating sacred cows, such as Superboxes at sporting events that are rarely used for client entertainment, glitzy advertising or brochures that do nothing to differentiate the firm or compel the reader to act, "do nothing" Websites, and branding programs that focus on the theme lines and logos rather

than identifying and marketing the essential reasons to choose the firm. Many firms have adopted a zero-based budget for marketing that evaluates the success of their previous marketing strategies, and includes only those which have all likelihood of short or long term success.

For a law firm to market itself efficiently and aggressively during a recession, it must know its objectives. And the objectives must be based on profitability and economic realities, not on fuzzy marketing reactions that produce limited results.

Marketing is now big business for lawyers. Law firms continue to spend more and expect more from their marketing programs. These expectations will only increase during a downturn in the economy. Remember, the competition will probably be keeping a low profile. Opportunities are out there for firms to see beyond the recession and maintain a constant presence with their clients and in the market. By investing carefully in selected marketing strategies now, smart firms are more likely to insure greater returns when the recession is over.

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