

Mining the Surveys: Despite Emphasis on Marketing, Little Growth in Actual Spending

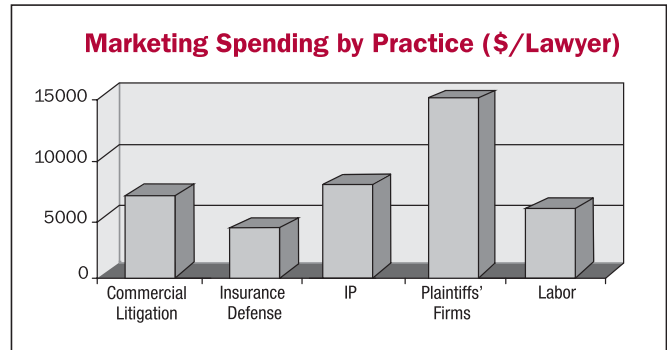
By Charles A. Maddock

Buffed by client pricing pressures and increased competition for business, law firms have placed additional emphasis on the importance of marketing to clients and prospects. Dollars spent on marketing as a percentage of gross revenue, however, remain flat. In some instances, they have actually declined.

The Altman Weil 2004 *Survey of Law Firm Economics* indicates that the national average promotional dollars spent as a percentage of revenues actually dropped from 1.8% in 2002 to 1.7% in 2004. By geography, the highest percentage spent is in New England (2.0%), the lowest is in the Southeast (1.6%). The ratio spent decreases as firms grow larger (nine-lawyer firms spend 2.0%; firms greater than 150 lawyers spend 1.5%) and by market size (firms in metropolitan population areas of more than 250,000 spend 1.8%, while those in areas of more than one million spend 1.6%). It is important to note that these figures do not include marketing staff compensation or benefits. Both have been on the rise recently, with salaries for marketing directors and chief marketing officers in larger firms beginning in the low six figures and topping out at \$500,000. Small to medium sized firm compensation for marketing directors ranges from \$60,000 to \$116,000.

Not surprisingly, spending varies greatly by practice area. On a per-lawyer basis, insurance defense firms spend the least, possibly because of relatively high loyalty of clients and lower firm margins. On the opposite side of the bar, plaintiffs' personal injury firms spend nearly four times

as much as defense firms, most likely because of the high cost of television and outdoor advertising as well as other consumer media.



Just as important as percentage spent, which has not changed materially in the last ten years, is how firms are spending their promotional dollars. At Altman Weil, our experience indicates that law firms are smarter in spending marketing dollars while focusing more on spending and rewarding marketing time – and shifting the focus to retention and growth of current clients rather than continually chasing prospects. ♦

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