



MARKETING

BY ANNE DERBY

opinion

Measuring marketing expenditures

Current industry standards report that law firms spend anywhere from two to four per cent of their annual billings on marketing. The percentage depends on a number of factors, such as what firms include in their marketing budgets and how they define marketing. The measuring of marketing results has been a thorn in the side of many law firm marketers. It is, of course, difficult to truly measure marketing results in any industry. This article is more about understanding where those expenses are invested and how they compare to the size of a file or client.

Regardless of the size of a budget, ensuring that marketing expenditures are efficient and effective in reaching and managing key clients is as important as looking at the total spent. It's with this philosophy in mind that the marketing department at my previous firm set out to find out who and where we were spending our dollars. The purpose of the exercise was to examine which clients were being efficiently managed and which ones needed more attention. We used the industry standard of two to four per cent as a benchmark to measure client expenditures. What we also ended up with was a better understanding of how, internally, we were focused. Some lawyers tended to use one or two marketing activities to the exclusion of others.

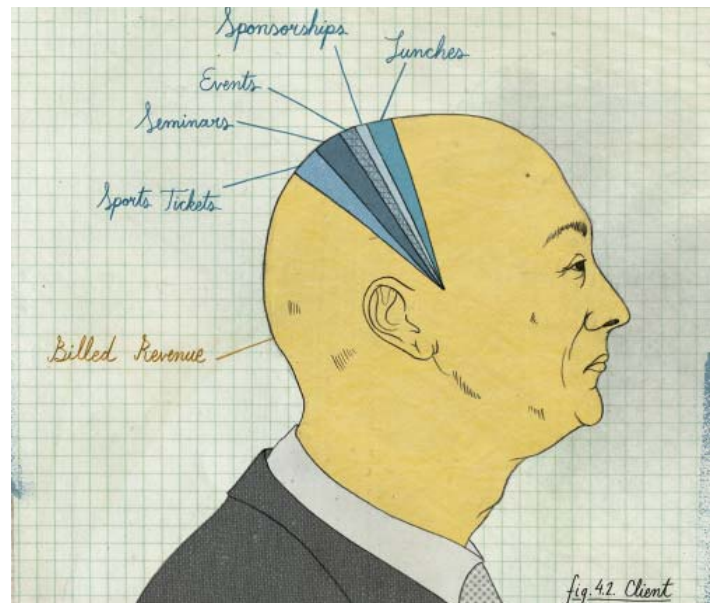
Most of our success was achieved using accounting information, an Excel spreadsheet, and determination. The following is a step-by-step outline of how we gathered and analyzed our information.

As a start, it was decided to narrow our efforts by focusing on our top 25 clients, from one of two offices, and over a limited time frame. Accounting provided the previous year's data that identified those key clients and what the firm had billed them. The marketing activities were gathered for the first six months of the year. Narrowing the parameters made the process less daunting.

Next, we collected as much data on marketing expenditures as possible. Using a spreadsheet, we categorized it by client and by activity. Accounting also helped gather this information. We tried to include all items under sponsorships, events, seminars, lunches, and sports tickets. In addition, we went through individual promotional accounts for the first six months. Although this was time consuming, it let us capture some of the small and sometimes repetitive expenditures.

We also broke down event costs by client. For instance, if we hosted 100 clients (not including lawyers) at a golf tournament and the total expenditure was \$50,000, the per-client cost was \$500.

The last step was sorting the expenses by client and then comparing them to the billing information. In the last example, if the only activity with one client was golf with a value of \$1,500, and if they were billed \$100,000 that year, the cost was 1.5 per cent in



the first six months of the year. However, if their billing from the previous year was only \$10,000, the cost was significantly higher at 15 per cent.

In our experience, we realized that capturing absolutely everything was not important. Even with partial information, we were able to gain valuable insight about our key clients. Surprisingly, it also demonstrated the kinds of marketing activities the lawyers relied upon. With this, we were able to help the lawyers create a better marketing mix. For those who focused on lunches and golf, we encouraged them to hold a seminar for a client or be a sponsor for one of their client's charitable events.

Lastly, it was important to keep the analysis in context. It may not be reasonable, possible, or necessary, to spend over two per cent of billings on your number-one client. If a firm is spending a large percentage of billings on a single client, it is likely safe to cut back. Common sense has to prevail and, at times, more or less has to be spent on depending on the circumstances of the client. Regardless, this level of analysis will help to set some targets for expenditures and guide marketing dollars to effective areas and with greater efficiency. **CI**

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