MARTKETING PARTNER FORUM
Rancho Palos Verdes, CA

2015 Thomson Reuters Legal Executive Institute Annual Marketing and Business Development Benchmarking Survey
Background, Objectives and Methodology

Background and objectives

The Thomson Reuters Legal Executive Institute hosts the annual Marketing Partner Forum, which targets legal marketing and business development professionals. As part of this forum a presentation is given showing legal industry trends for marketing (MKTG) and business development (BD). The survey aimed to provide content for the industry trends presentation.

Methodology

- An online survey was conducted in December 2014. 63 survey respondents that were marketing and/or business development leaders in medium and large firms (80+ attorneys) participated.
- For their participation, respondents will receive a copy of the presentation for their participation.
Industry Context
Demand

Chart 1 - Growth in Demand for Law Firm Services

Y/Y % Change: 2005-YTD Nov 2014

Source: Thomson Reuters Peer Monitor

All timekeepers/billable time
Billing Rates

Chart 4 - Rate Progression

Source: Thomson Reuters Peer Monitor
Realization

Chart 5 - Billed and Collected Realization against Standard

Source: Thomson Reuters Peer Monitor
Profitability

Chart 7 - Profit per Partner (November YTD)

Source: Thomson Reuters Peer Monitor
The majority of respondents were from larger firms (150+ attorneys) with at least five offices.

**# of attorneys**
- 500 or more: 29%
- 150-499: 39%
- 80-149: 27%
- 30-79: 5%

**# of firm offices**
- 20 or more: 14%
- 10-19: 25%
- 5-9: 31%
- 2-4: 25%
- 1: 5%
Most respondents had senior roles, reported to the managing partner/chairman, were experienced and earned $100K to $350K.
MKTG and BD departments remain largely combined and centrally located

MKTG and BD structurally distinct departments?
- Yes: 17%
- No: 83%

Location of MKTG and BD personnel
- Centralized in one location: 44%
- Over 50% in one location: 29%
- 25-50% in one location: 17%
- Fewer than 25% of in any one office: 10%
In the past year, MKTG and BD FTEs have increased – this trend should continue for BD.

### Marketing FTEs

- **2015 planned**: 12.8
- **Currently**: 12.8
- **12 months ago**: 10.5

### Business Development FTEs

- **2015 planned**: 9.7
- **Currently**: 8.9
- **12 months ago**: 8.2
MKTG and BD budgets have increased and will continue to increase in 2015

### Budget changes – past year and planned

- **BD 2014 to 2015**
  - Decrease 10% or more: 2%
  - Decrease <10%: 36%
  - Stay the same: 32%
  - Increase <10%: 31%

- **BD 2013 to 2014**
  - Decrease 10% or more: 3%
  - Decrease <10%: 44%
  - Stay the same: 32%
  - Increase 10% or more: 19%

- **Marketing 2014 to 2015**
  - Decrease 10% or more: 7%
  - Decrease <10%: 44%
  - Stay the same: 24%
  - Increase 10% or more: 20%

- **Marketing 2013 to 2014**
  - Decrease 10% or more: 10%
  - Decrease <10%: 46%
  - Stay the same: 34%
  - Increase 10% or more: 8%
Concrete BD activities are thought to be the most effective of MKTG and BD alternatives

<table>
<thead>
<tr>
<th>BD Activities</th>
<th>% Indicate Activity is Effective (4 or 5 on a 5 point scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing client visits</td>
<td>94%</td>
</tr>
<tr>
<td>Relationship building</td>
<td>81%</td>
</tr>
<tr>
<td>Prospective client visits</td>
<td>80%</td>
</tr>
<tr>
<td>Client interviews</td>
<td>75%</td>
</tr>
<tr>
<td>Client education</td>
<td>71%</td>
</tr>
<tr>
<td>Sales / business development coaching</td>
<td>61%</td>
</tr>
<tr>
<td>Key client teams – program management/implementation</td>
<td>52%</td>
</tr>
<tr>
<td>Sales training</td>
<td>38%</td>
</tr>
<tr>
<td>Lawyer visibility</td>
<td>60%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MKTG Activities</th>
<th>% Indicate Activity is Effective (4 or 5 on a 5 point scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law firm employee training &amp; education</td>
<td>38%</td>
</tr>
<tr>
<td>CRM &amp; data management</td>
<td>23%</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>21%</td>
</tr>
<tr>
<td>Marketing programs &amp; lead generation</td>
<td>20%</td>
</tr>
<tr>
<td>Advertising</td>
<td>4%</td>
</tr>
</tbody>
</table>
MKTG and BD budgets are concentrated on concrete activities

% of MKTG budget spent on activities – past year

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of Budget Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawyer visibility (individual/practice area marketing activities)</td>
<td>32%</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>21%</td>
</tr>
<tr>
<td>Marketing programs &amp; lead generation</td>
<td>16%</td>
</tr>
<tr>
<td>Advertising</td>
<td>8%</td>
</tr>
<tr>
<td>CRM &amp; data management</td>
<td>7%</td>
</tr>
<tr>
<td>Law firm employee training &amp; education</td>
<td>5%</td>
</tr>
</tbody>
</table>

% of BD budget spent on activities – past year

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of Budget Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship building (lunches, dinner, etc)</td>
<td>26%</td>
</tr>
<tr>
<td>Existing Client visits</td>
<td>19%</td>
</tr>
<tr>
<td>Client education (e.g., hosted seminars)</td>
<td>12%</td>
</tr>
<tr>
<td>Prospective Clients visits</td>
<td>12%</td>
</tr>
<tr>
<td>Sales/BD Coaching</td>
<td>7%</td>
</tr>
<tr>
<td>Key client teams - program management/implementation</td>
<td>6%</td>
</tr>
<tr>
<td>Client interviews</td>
<td>4%</td>
</tr>
<tr>
<td>Sales Training</td>
<td>3%</td>
</tr>
</tbody>
</table>

- Lawyer visibility, sponsorship, and marketing programs & lead generation account for 69% of marketing budgets
- Relationship building is the most common BD activity
- Comparatively, few firms are investing heavily in key client teams
Organizational Support
BD and MKTG professionals feel that their function is viewed as important by their firms

<table>
<thead>
<tr>
<th>Initiative</th>
<th>% Indicated Important</th>
<th>% Top Three Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving business development</td>
<td>75%</td>
<td>86%</td>
</tr>
<tr>
<td>Hiring of laterals</td>
<td>49%</td>
<td>27%</td>
</tr>
<tr>
<td>Leveraging technology to ensure efficient practice of law</td>
<td>48%</td>
<td>25%</td>
</tr>
<tr>
<td>Leveraging technology to ensure efficient firm management</td>
<td>44%</td>
<td>17%</td>
</tr>
<tr>
<td>Controlling costs</td>
<td>44%</td>
<td>27%</td>
</tr>
<tr>
<td>Recruiting effective partners</td>
<td>42%</td>
<td>29%</td>
</tr>
<tr>
<td>Leveraging technology investments that have already been made</td>
<td>39%</td>
<td>7%</td>
</tr>
<tr>
<td>Retaining qualified talent to someday succeed current leadership</td>
<td>39%</td>
<td>12%</td>
</tr>
<tr>
<td>Enhancing management practices</td>
<td>36%</td>
<td>34%</td>
</tr>
<tr>
<td>Ensuring consistent services across locations</td>
<td>31%</td>
<td>10%</td>
</tr>
<tr>
<td>Developing new services</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Finding effective first year associates</td>
<td>24%</td>
<td>5%</td>
</tr>
<tr>
<td>Developing new expertise</td>
<td>22%</td>
<td>3%</td>
</tr>
<tr>
<td>Finding effective, experienced associates</td>
<td>22%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Most perceive that they are supported by the law firm, with the exception of some specific administrative departments.

% indicate receive high level of support
(4 or 5 on a 5 point scale)

- Chief Operating Officer: 82%
- Managing partner/Chairman: 81%
- Finance: 79%
- The main lawyer management/executive committee in your firm: 70%
- Library/Knowledge management group: 63%
- Practice group and department leaders: 59%
- Information technology group: 57%
- Human resources: 53%
- Recruiting: 43%

- COO, managing partner/chairman and finance are providing the highest levels of support
- IT, HR, and recruiting provide much less support
Culture / Lawyer Engagement is a major challenge for both BD and MKTG

**Greatest business development challenge**

- Culture / Lawyer engagement: 44%
- Lack of resources (i.e. budget, time, staff): 31%
- Firm business change: 8%
- Lack of information: 3%
- Planning: 3%
- Other: 10%

**Greatest marketing challenge**

- Differentiation: 31%
- Culture / lawyer engagement: 29%
- Building awareness: 10%
- Lack of resources: 10%
- Technology: 8%
- Communicating brand attributes: 7%
- Other: 5%
Many things could be done to enable greater effectiveness, with collaboration as the top action item.

What other groups in your firm could do to make you more effective?

- Increase collaboration: 68%
- Use metrics or a dashboard: 56%
- Increase priority of marketing & business development: 49%
- Improve marketing and business development processes: 47%
- Increase staff dedicated to marketing & business development: 46%
- Other: 12%
Almost universally, the MKTG/BD department is involved with BD training and coaching.

- About half (53%) of the time the professional development department is involved in some manner.

Those responsible for BD training/coaching and client team training:

- Both Professional Development and Business Development/Marketing: 48%
- Business Development/Marketing Department: 48%
- Professional Development Department: 5%
Volume of activity and additional business are how most measure effectiveness of MKTG/BD.

How MKTG/BD effectiveness is measured

- Marketing and business development activities (RFPs, etc): 66%
- Increase in business: 54%
- Number of new clients: 47%
- Other: 22%
- We don't measure it: 29%

* A notable minority do not measure effectiveness at all.
Few explicitly measure ROI

What they measure?

- A number of different hard and soft measurements are tracked and reported
- Assessing number of new assignments directly related to the BD activities
- Assessment of turnover by office and Practice Groups
- By counting both activity (touch points through events and pitch opportunities) and new business.
- Events Client acquisition RFP win rate
- Identify KPIs and measure against them (at least quarterly) throughout the year.
- Largely from top line revenue growth
- Marketing budget in comparison to Revenue Per Partner and overall revenue
- Revenue per dollar spent? Goal is 100:1 on our teams 50:1 on our practice groups
- Revenues
  - There is an expectation on lawyers to complete a review of each investment to ensure that planned goals were met. We track new business where possible to marketing activities. We are beginning to track correlations between individual Business Development/Relationship expenses and file originations.
  - Tracking referral bases, tracking engagements
  - We list target clients build BD initiative around those clients track BD for each target client track sales for each target client
  - We tie new business generation to the cost for specific marketing and BD activities.
  - We track the revenue that results from specific activity minus costs.
Most don’t have data analytics, but plan on implementing them in the future

Does your firm have established data analytics?

- Yes
- No, but we plan to create one in the next 6 months
- No, but we plan to create one in the next year
- No, but we plan to create one in the next 2 years
- No, and we have no plans to create one

29%
19%
22%
10%
20%
Most have or plan to have client teams. Lack of accountability is a challenge to those with client teams

**Firm has client focused teams?**
- Yes: 44%
- No, but plan to implement: 24%
- No, don't plan to implement: 32%

**Biggest impediments to client team success (n=26)**
- Lack of accountability: 81%
- Lack of leadership: 42%
- Lack of effective metrics: 35%
- Lack of training: 19%
Competitive Advantage
Most firms have defined their sources of competitive advantage

Partners in firm have defined its competitive advantage?

- Yes: 73%
- No: 27%

**Marketing/BD department’s role in defining & communicating competitive advantage**

- Communicate the firm's distinct competitive advantage externally: 86%
- Advise management on how to develop a sharper competitive advantage: 66%
- Define the firm's distinct competitive advantage internally: 66%
- Lead discussions on competitive advantage with partners: 59%
- Research competitive firms to determine their relative strengths and weaknesses: 51%

- Marketing and BD departments are mainly charged with communicating their firms’ competitive advantage
- However, they are also often involved in helping define their firms’ competitive advantage
Expertise in a specific area, relationships, and service are primary differentiators

**Methods firm uses to differentiate itself**

<table>
<thead>
<tr>
<th>Method</th>
<th>% Primary Differentiators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry expertise</td>
<td>75%</td>
</tr>
<tr>
<td>Practice area specialization</td>
<td>64%</td>
</tr>
<tr>
<td>Relationship</td>
<td>61%</td>
</tr>
<tr>
<td>Firm-wide service strategy</td>
<td>42%</td>
</tr>
<tr>
<td>Price</td>
<td>37%</td>
</tr>
<tr>
<td>Brand / Prestige</td>
<td>37%</td>
</tr>
<tr>
<td>Geography</td>
<td>36%</td>
</tr>
<tr>
<td>Technology</td>
<td>14%</td>
</tr>
<tr>
<td>Related services</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

% primary differentiators

24%  14%  20%  17%  10%  8%  3%  0%  0%
Industry expertise and service are thought to be key sources of competitive advantage

Description of firms competitive advantage *

* Competitive advantage is defined as the unique reason(s) why clients choose your firm over competitors.
Summary

- Planned growth in MKTG/BD staffing and budgets should lead to opportunity.
- MKTG/BD professionals feel largely supported by their firms.
- However, measurement of MKTG/BD effectiveness remains simplistic.
- This leads to perceptions and spending decisions that may not support the most effective activities.
- The biggest challenge to effectiveness is firm culture in terms of measurement of effectiveness and collaboration with Marketing.
- The law firm perception of competitive advantage is generally simplistic and does not meet the standard criteria: unique, sustainable and valued.
Actions

- Implement rigorous measurement of activities
- Redirect investment based on measurement
- Have a positive impact on firm culture in relation to MKTG/BD, and identify collaboration opportunities
- Promote a more rigorous review of firm competitive advantage