

# Legal Experts Discuss Impact of Economics and Coming Trends



By Janet Ellen Raasch

**Editor's Note:** As an extension of a presentation about the future of legal marketing given by one legal consulting group at an LMA chapter meeting late last year, Strategies invited other consultants to comment. This article presents several, sometimes similar, sometimes different, perspectives. The Strategies editorial board encourages you to consider all views, meld them with your own and determine their impact as your firm works its way through 2010.

The continuing economic crisis has had a well-recognized, significant impact on everyone, including most law firms. In 2007, profits at many law firms were up a healthy 10 percent. By late 2008, profits were down 5 to 20 percent. For 2009, year-end profits will likely average between flat to down 15 percent from 2008, according to one consulting firm.

"For most law firms in the current economic environment, 'flat' is the new 'up' — although there are notable variations by size, location and practice area," says Kristin Stark, a senior director with Hildebrandt Baker Robbins' strategy group.

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Speaking to an LMA audience last November, Stark predicted more of the same for 2010, noting that she didn't expect much upward movement once final 2009 numbers were in. "We do not anticipate a dramatic upswing in firm performance in 2010. It is likely to be a slow recovery," Stark said, citing figures from Hildebrandt's "Peer Monitor" index of law firm performance.

Others, with the benefit of another month or two worth of data, agree—but make allowance for a silver lining of sorts.

"While revenues are indeed down over 2008, I believe profits will be less-impacted due largely to the significant cost-reduction efforts initiated by many firms in 2009," says Tim Corcoran, a senior consultant with Altman Weil Inc. "Some firms may experience modest profit growth."

Stark suggested that while larger firms operating in major financial centers have suffered the most recently, "smaller firms

and those located in secondary cities have been affected—but not as significantly."

Others agree. "For the most part, mid-sized and regional law firms have fared much better than large firms in money-center cities. In fact, several of my clients fitting that description had not just a good, but a very good, year in 2009," says Sally Schmidt, president of Schmidt Marketing Inc.

Corcoran reported a similar finding, noting that certain mid-sized, Middle America firms are experiencing record growth. "The message these firms have sent for years is, 'We offer quality lawyers, many with big-firm and big-city experience, at rates substantially lower than the major financial centers,'" Corcoran says. "That message hit home in 2009 as budget-conscious corporate clients sought lower-cost alternatives for some of their more routine legal work."

## Law Firm Response

Law firms have responded to varying market conditions by making sharp cuts to overhead and other expenses, according to Stark.

Hildebrandt's Peer Monitor data showed marketing and client development expenses down substantially by the end of the third quarter last year, falling 15 percent on a rolling 12-month basis.

Even if not unexpected, the tightening focus raises questions among legal-industry consultants.

"Wouldn't you think that in an environment defined by less demand and high client frustration, lawyers and law firms would be expanding marketing efforts rather than making cuts?" asks Stark.

The question, perhaps lingering into 2010, is: Where should cuts, if any, come from and what areas should see increased funding?

"It is hard to justify a six-figure investment in a football-stadium suite when people are losing their jobs at the firm," Schmidt says, adding that at many firms "major cuts have been made in areas like tickets, sponsorships and advertising."

As law firms look to the future, the traditional way for law firms to weather economic downturns—cutting overhead and raising rates—may no longer be enough. "Law firms must expand their efforts to understand the marked shift in client

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attitudes that is the product of this economy,” Stark said. “Clients now hold the power where pricing is concerned, and these clients are angry and frustrated.”

Corcoran agrees that many law firms will miss clear signals clients are sending, even while reporting better-than-expected performance in 2009 and even modest 2010 rate increases. According to an Altman Weil study, larger firms have reported rate increases that average 3.2 percent to 4 percent.

“Although we understand the well-intentioned message (of firm value and stability) behind these actions, it is hard to imagine a more tone-deaf response in the face of growing price pressure,” said Corcoran.

### New Roles for Marketers

In the future, law firm marketers must follow a more progressive and proactive model—adding capabilities in research, strategy and sales, according to several of the experts.

“You will see fewer generalists and more specialists—dedicated to a particular practice or industry segment,” said Stark.

Adds Schmidt: “I see a distinct shift in the skill-sets that many law firms are seeking. In the past year, we have been involved in searches for true business development professionals. We have also been helping firms restructure their departments to include sales, sales support and competitive intelligence functions,” she says.

Legal marketing will focus on market, client and internal analysis, along with competitive analysis, client feedback programs and “‘deep dive’ in-person client interviews,” according to Stark. Marketers will also participate in planning and targeting, development of new products and services and pricing and profitability decisions.

Stark’s assessment of how critical these skills and services will be is direct: “Do it wrong and you can lose a lot of money.”

Schmidt sees client teams solidifying and expanding existing client relationships, and “SWAT teams” being deployed to pursue new business. “This approach allows the firm to identify existing relationships and focus internal resources on specific targets. Improved coordination, communication and accountability result—more often than not—in new business,” says Schmidt.

The experts warn that this new focus for legal marketers will not immediately translate to sales and business development, financial or strategy development expertise.

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“To demonstrate value, we must add objective measures to our qualifications. As a result, we will see more marketers with MBAs and true sales experience,” predicts Corcoran. [For more on marketers with MBAs, see “Ask the Authorities” on p. 22.]

Even without an MBA, bold—perhaps nontraditional—moves now may pay dividends later, at your firm or at one nearby. “By taking aggressive steps now, you can position your firm to come out of this economic crisis well ahead of its competitors,” said Stark. ■

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