

Marketing

Developing a Marketing Budget: Dollars and Sense

SALLY J. SCHMIDT | It is a simple fact of business that marketing costs money. However, spending money on marketing is one thing. Spending the money wisely is another. You want to create a budgeting process that matches your firm's marketing goals.

Most marketing initiatives, from advertising and newsletters to sponsorships and client entertainment, come with an identifiable price tag. While there are some low-cost efforts that can be effective, such as writing for industry publications or speaking at professional meetings, they still take time and, as they say, time is money—particularly for lawyers.

How can your firm discern whether it is spending its marketing money wisely? Let's focus on developing a budget for an effective and cost-effective marketing effort.

Budgeting for Marketing: Statistics and Categories

The first question that will come to the minds of many is: How much does a law firm marketing program



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cost? Naturally, the figure will vary from firm to firm, but a recent study by the Legal Marketing Association provides some benchmarks. Released in August 2006, the *LMA 2005 Roles and Compensation Survey* included 449 marketing professionals from law firms of all sizes. The results revealed that, on average, the marketing budget represents 2.6 percent of a firm's gross receipts. This amount reflects an increase from 2.4 percent in the previous year's study, a figure that had, in fact, remained unchanged for the preceding 10 years.

The greatest percentage of study respondents (29 percent) indicated that the marketing budget represents 1.6 to 2.0 percent of their firms' gross receipts. Another 16 percent of the participants reported budgets of 2.1 percent or higher. The smallest firms in the study, those with 50 or fewer lawyers, spent the most on marketing, averaging a budget of 2.8 percent of gross fees.

Yet it can be difficult to compare apples to apples within marketing budgets. Some firms don't have marketing budgets at all; marketing-related

items instead are included in other categories, such as office administration. Conversely, other firms put into their budgets everything even peripherally related to marketing, including such items as CLE, firm retreats and charitable contributions.

Generally, a firm's marketing budget should always include the following categories:

- Advertising
- Alumni programs
- Attendance at industry, trade or professional association meetings
- Client entertainment and gifts
- Collateral materials
- CRM system or client database
- Directory listings
- Events and seminars
- Graphic design and branding costs
- Law firm network activities (e.g., membership and travel)
- Mailings and communications (e.g., newsletters, invitations, announcements, alerts and holiday cards)
- Marketing-related training
- Market research and client surveys
- Marketing staff professional development
- Memberships in industry, trade or professional organizations
- Proposals and pitches
- Public and media relations
- Tickets and sponsorships
- Web site design and maintenance

In reviewing the foregoing list, it is important to note that not all of the categories will fall within the purview of a firm's marketing department. For example, while client entertainment represents a significant portion of most marketing budgets (in some

cases, half or more), the marketing department usually does not control those expenditures.

There are a number of additional categories that get reflected in some firms' marketing budgets, but not in other firms' budgets. Additional entries may include:

- Charitable contributions
- Club dues and expenses (e.g., for country clubs)
- CLE
- Extranets
- Intranets
- Retreats
- Stationery

One could make an argument for nearly any of those items being in the marketing budget. For example, CLE is in effect "product development."

What is particularly interesting is what is *not* included in most law firm marketing budgets: marketing department salaries. The LMA's survey found that more than three-quarters of the respondents' firms do not include the marketing department staff's compensation in the firm's marketing budget. In addition, lawyer time invested in marketing efforts, while clearly valuable, is rarely reflected in terms of dollars.

Building a Proper Budget

Law firms employ various methods to create their marketing budgets. Some use historical figures as the basis. Others use a set percentage of revenue or gross fees. These methods, however, do not take into account changes in the firm's services, market, clientele, competition, goals or any other number of factors that might warrant a change in approach.

Ideally, the budget will be based on a marketing plan or an aggregation of many plans—for the firm as a whole

and for individual lawyers, practice groups or departments, and different offices. A plan-based budget will produce a more effective use of resources because it will be based on what the firm is trying to accomplish—meaning its particular goals. Different goals call for different activities, which require different funding levels.

For example, let's say a firm has a goal to build the market's awareness of its commercial real estate practice. Because the firm isn't particularly well-known for this area of expertise, the lawyers need to become more visible and build more relationships with decision makers in the industry. Activities to consider include joining and becoming active in a real estate industry association, sponsoring the association's events, hosting seminars for industry representatives, advertising in a real estate publication, sending one or more lawyers to related CLE programs, and obtaining certification as real property experts.

For a different example, let's look at an insurance defense practice, where the goal is to develop business from claims representatives who were formerly clients but have left to work for different carriers. For a firm to turn those relationships into new files, the most valuable activity is probably putting people on airplanes to go visit their old contacts and talk about working together again.

As you can see, the most effective activities and, thus, the cost can vary dramatically depending on the firm's specific marketing objectives.

Investing Your Money Wisely: Five Rules

Whatever method you use to develop your budget, and regardless of your budget's size, there are certain princi-

ples that will help you spend your money more effectively. To guide you, let's close with some of my "rules of the road" for marketing budgets and expenditures.

- 1. Remember that money spent on good clients is almost always well spent.**
- 2. Spend more money on your practice areas or niches than on the firm as a whole.** Most effective marketing organizations will spend 40 to 50 percent or more of the marketing budget at the practice or niche level. In addition, much of the money allocated to individual lawyers (usually at least 25 percent of the budget) will also be managed there.
- 3. Match every passive initiative with active participation.** Spending money on passive efforts won't help if there is no activity to match—for example, buying tables at an event for an organization without having lawyers in leadership positions; writing articles for a trade association without attending its meetings; buying ads in an industry publication without speaking at meetings; and the like.
- 4. Be a big fish in a small pond.** Instead of being one of 10 or 20 law firms with business-card-sized ads in any number of charitable programs, make one significant contribution and be recognized as a major donor.
- 5. Evaluate your ROI.** If you are going to spend money on marketing, you should really try to determine if your investment is paying off. While the metric will vary by activity (think of measuring inquiries from a client alert versus new business from a personal visit), it can be done. The critical key is to outline your expectations up front and put in place a mechanism to track your results. ¹⁸