



# GETTING THE MOST FROM YOUR MARKETING BUDGET

**Eight tips to ensure your firm's money is spent well and in alignment with strategic goals**

*BY ADAM STOCK AND CLARE OTA*

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TI reported in 2015 that law firms spend about 2.6 percent of firm revenues on marketing and business development. There is no magic number for any law firm's marketing budget. However, management consultancies have expressed that law firms should spend between 2 percent and 5 percent of gross revenue on legal marketing. Whether you're at the low end of that scale or the high end, it's not how much money, but rather how the money is spent that will make the difference at the end of the fiscal year. The most important guiding factor is showing that the firm's money is spent well and in alignment with its goals.

What each firm spends ultimately depends on multiple factors, including geographic location (of an individual office or multiple offices), the firm size, the practice areas and management's expectation of growth in one, some or all practice areas.

Ideally, the budget would grow year over year, but because law firm budgets do not

change by very much, effective budgeting is about aligning marketing spending with the firm's goals. So, for instance, if the firm's goal is to focus on raising visibility of a practice area via a public relations (PR) and advertising campaign, then the budget will show more money in those categories. This usually means that less important areas must be reduced.

## Tip #1: Think of yourself as a steward of the firm's money.

### Budget or Projection — or Both?

A budget is a financial plan that is structured to detail projections on incomes and expenses on both a long-term and a short-term basis. A projection is a forecast of future revenues and expenses. Typically, a projection will account for internal or historical data and will include a prediction of external market factors.

Most law firms rely on a combination of both budgeting and projection to determine what their spend on marketing and business development will be for a fiscal year.

Whether we're talking about a budget or a projection, or a combination thereof, what is important is optimizing the money the marketing department has to spend in a given fiscal year.

### What Is Included — Expenses or Expenses and Headcount?

Generally, the marketing department budget only includes what is spent. This means that you can often hire people, rather than external resources, to solve a problem (even though an external resource may be more cost effective for the firm).

In some firms, however, the salaries and related overhead (e.g., insurance, professional development) of marketing staff and contract employees are included in the marketing budget.

## Tip #2: Understand how your firm views expenses vs. headcount to get the most from your budget.

### Make vs. Buy

A make-or-buy decision is choosing between using an internal resource and using an external provider. In a make-or-buy decision, the most important factors to consider are the associated costs of production and whether an employee has the capacity to produce at required levels. Additionally, a

budget item approval limit can mean that it is expedient to outsource projects rather than doing them internally. For example, is it smarter to hire a graphic designer or to outsource that work and use that money to fill another position on the team? In many firms, it is more important to increase the amount and level of customer service for your attorneys and hire a contract graphic designer; but the reverse can be true for your firm.

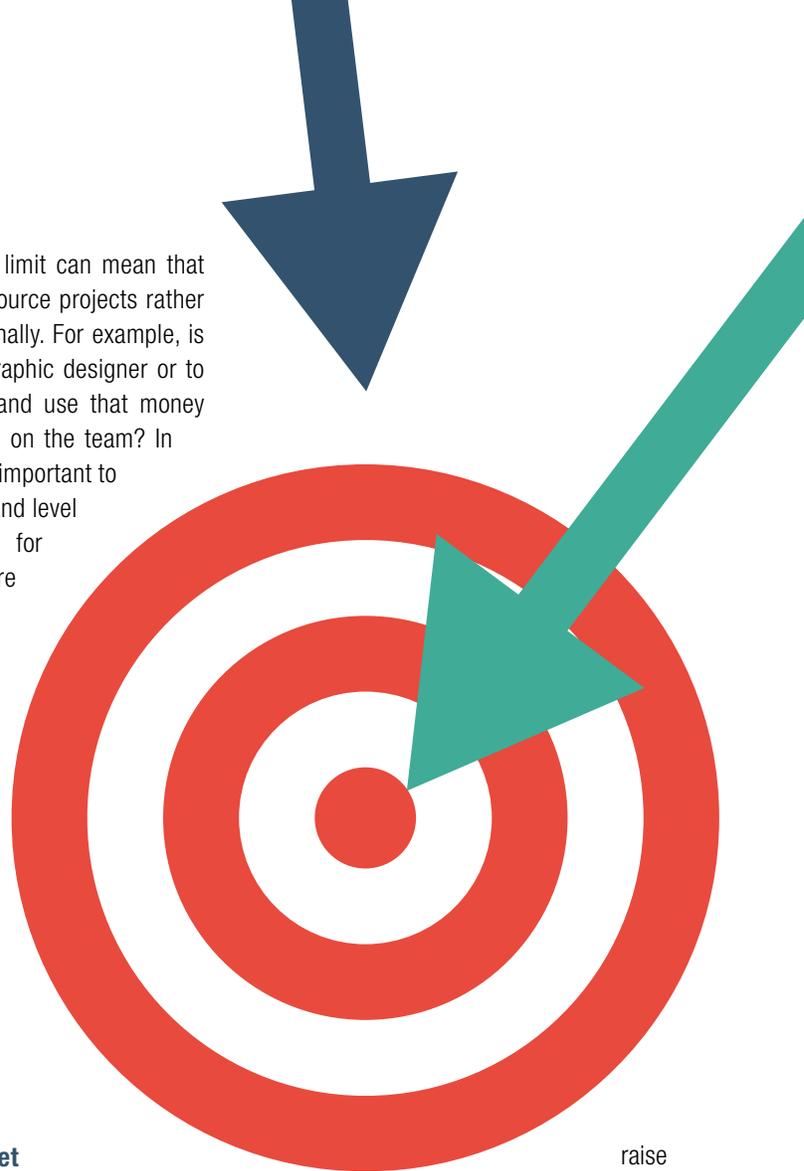
## Tip Outsourcing be very cost effective; however, you should staff for strategic positions internally.

### Planning Your Budget

The best way to develop any marketing budget is to treat the budget as an investment. The budget and plan, whether formal or informal, has to be made in tandem with management's vision and input. Lay the foundation for what the marketing department, on behalf of the firm, will strive to achieve over the course of the next three years — or a mutually agreed upon horizon.

### Top Down/Strategic Alignment

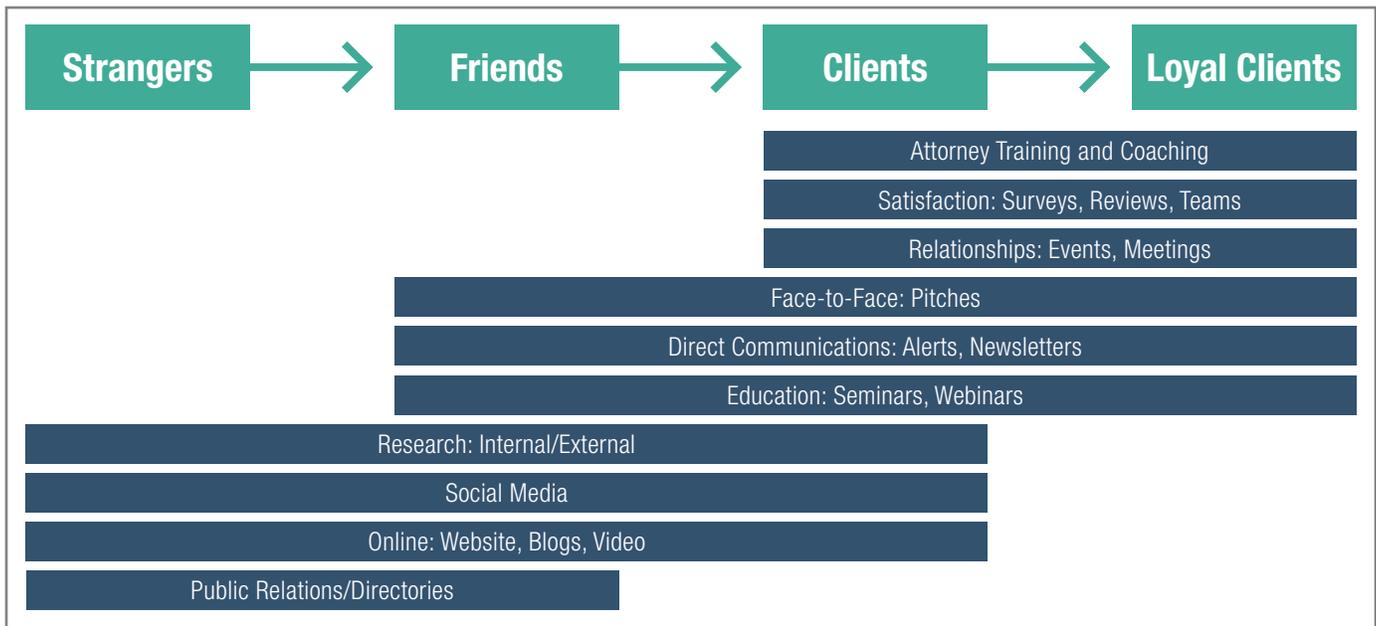
- Align with the strategic plan — When there is a strategic plan in place, align the marketing plan with the firm's strategic plan. Also consider what initiatives have come to the forefront in discussions over the previous 3-9 months that may not currently be in the plan, yet align with the firm's strategy. So, if the firm's long-term vision is to grow the practice in New York City, then show in the budget how you are going to



raise  
visibility  
in New York.

- Align with practice area plans — If there is no established strategic plan to consider, then align the marketing plan with the firm's developed practice area plans, especially focusing on those that management wants advanced sooner. Also consider firm initiatives that have become imperative, such as launching a new website, hiring for a coaching program or developing a large PR or ad campaign. This often requires understanding the practice area plans, so be sure to provide counterbalance to the budget — one size does not fit all here. A new niche practice area is going to need more marketing than an established practice area that instead will have more business development needs.

## Budgeting by Client Engagement



In building your marketing budget, ensure you understand where your weaknesses exist, either in marketing-client tasks (left) or business development (right)."

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### Bottom Up/Tactical Alignment

- Align with what worked – Reviewing the previous year's activities, identify where there was strong client or potential client engagement — whether at speaker or sponsor events, or on social media platforms or the firm's website, etc. — and determine whether or not to include these activities. For instance, use analytics to track content on social media platforms and the firm's website — evaluate where the firm is getting more traction and double down in that area.
- Align with what was viewed as a success – Similar to the above,

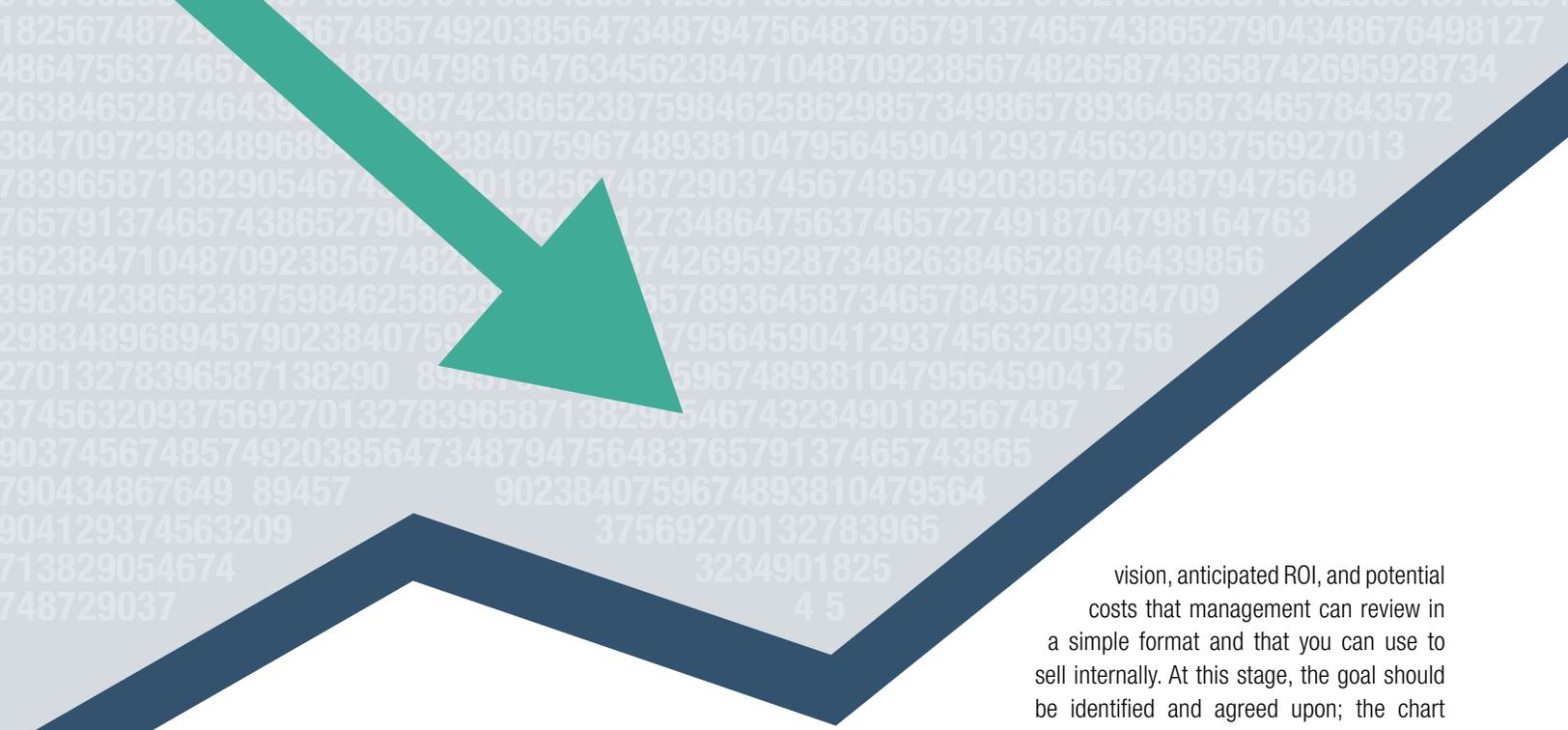
review the events, sponsorships, social media buys, ads, etc. to determine what was effective in retaining current clients and signing new clients and include these activities in the budget. For instance, assume the firm's top rainmaker is a speaker at a marquee industry event and invites clients to attend/participate. The firm supports the event with a sponsorship, and then the next day a potential client calls about a new matter. By all means include the event and sponsorship again the following year. Conversely, if an

attorney requests a sponsorship for a table at a marquee event, but then doesn't invite clients or firm lawyers and doesn't attend the event, you may want to reconsider including the sponsorship the following year.

**Tip #4: The more evidence of a successful initiative, the more likely it is to come to fruition.**

### Selecting Sales Activities That Align With Goals

Budgeting should always be directly related to potential client and current client engagement. In the illustration on page 13, the activities on the left side are communications oriented — relating to getting the message out about your firm's capabilities. On the right-hand side of the illustration, the activities are focused on business development, which is about closing business with qualified leads. In building the marketing budget, especially with practice groups, make sure that you understand your goal and where your perceived weakness is. For



example, if the perception is that the market doesn't know that the firm does eminent domain work, show how you are investing in communicating those capabilities. However, if the practice group's perception is that cross-selling existing clients is the key to their success, invest in activities on the right side, such as client teams and coaching.

### **Selling Your Budget**

Selling a budget effectively is really about getting decision makers to see the problem the way you do, and then showing how the recommendations in the budget are a good investment for the firm. If you have carried out the steps described above, then justifying what you've put on paper should be much easier to get buy-in from the management team.

As the budget planning progresses, begin to sell the budget internally — discuss concerns and ideas informally with solid examples or anecdotes to share. This can be especially important when bringing new ideas to the table for consideration. Bring trusted business partners into the conversation at this point, too — they are going to have war stories, fresh ideas and experience working with other law firms who have also had to sell the initiative internally.

For example, let's say that over the course of the year (or more), you assess

that one (or many) of the mid-level associates need business development coaching before they are ready for partner consideration. Bringing that to the attention of management prior to the budget planning process and working through concerns (e.g., cost, personnel, time) will A) determine if this conforms with the firm's vision; and B) send you on your way looking for appropriate business partners with whom to work and various price points to consider. That way during budgeting, you are not still trying to sell the idea but rather working with management to execute.

Additionally, many larger initiatives, such as a new website or customer relationship management (CRM) implementation, cross fiscal years. So, plan to budget those numbers accordingly, and you are likely to reduce sticker shock among the management team on some of those big ticket initiatives.

### **Tip #5: Get Buy-In**

Because the payoff of a successful law firm marketing initiative is so high — one matter or case can usually more than covers the expense — getting buy-in and participation from key partners can help sell the initiative.

In addition to the budget spreadsheet, create a chart that includes proposed initiatives with how they align with the goal/

vision, anticipated ROI, and potential costs that management can review in a simple format and that you can use to sell internally. At this stage, the goal should be identified and agreed upon; the chart would only include specific tactics to deepen the level of engagement by management. Continuing the example above, coaching has been identified for three key attorneys, but now the managing partner also thinks a fourth and fifth associate should be included — it's about adding the numbers to the budget, not the idea.

### **Tracking the Firm's Return on Investment (ROI)**

Tracking marketing spend is an important piece to a successful marketing budget. In order to do this accurately, set up categories with accounting at the outset. Alternatively, if the categories in the accounting department have been preset, create a list within the marketing department and teach your marketing staff how to track in order to truly understand marketing spend and eventual return on investment (ROI).

**Tip #6: Set up new matter memos to include touch points that may have contributed to opening the new matter.**

### **Actively Managing the Budget**

Once the marketing budget is approved, your role now is to actively manage the budget. As marketers, we know that sometimes it's difficult to report hard numbers, so keep a running list of the soft numbers and anecdotes that come your way and share them with the

management team.

It is easy to stay within the proposed marketing budget when you are actively and regularly reviewing reports of the data. Evaluating the data is the second most critical piece. Begin by comparing past performance to the performance after marketing the attorney services. As you do so, keep these questions in mind:

- What is the firm trying to drive this year?
- What needs improvement?

If the current spending isn't aligned with the answers to these questions, then it's time to review, re-establish and/or re-allocate the money within the budget. You want to be sure to actively manage the budget by tracking the ROI.

**Tip #7: Review your budget quarterly to see where you are and what has changed. This will allow you to better understand how to optimize the budget you have.**

For example, there may be an instance where a fledging practice area has an opportunity that arises during the course of the fiscal year. Just because it wasn't in the initial budget planning process doesn't mean the opportunity shouldn't be given ample consideration. Alternatively, if the budget allowed for an event that an attorney is no longer interested in leading or directing, then the event should be removed from the budget because the likelihood of any measurable ROI would be

low to non-existent.

If you've done a good job of managing the budget, you may notice upon closing in on the fiscal year that you have significant dollars leftover. You also know that your department will be ramping up a fourth quarter PR campaign at the start of the new fiscal year. Check with your management team to see if it makes sense to re-allocate the money for the PR campaign, and you may be able to fund that new project sooner rather than later. Alternatively, management may ask you in the last quarter to tighten the marketing belt and find ways to cut your budget — staying current with the numbers makes this process smoother whichever direction you need to take.

**Tip #8: By actively managing the budget, you can save money on items you know will not have a high ROI and apply the money to things that are in the pipeline.**

Ultimately, the marketing department budget should be designed to bring in extra revenue. If any of the proposed strategies or initiatives do not align with this goal, you must reorganize and prioritize. ■



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