

Increasing Marketing Effectiveness at Professional Firms

Findings, Analysis and Commentary from a Global Study

February 2006



ExpertiseMarketingSM

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Larry Bodine Marketing

Professional firms could bring in more revenue, if only they deliberately added structure to improving their marketplace effectiveness.



At their core, the functions of Marketing and Business Development exist to help a business improve its ability to compete successfully. In the last three years, it has certainly appeared that professional service firms were competing vigorously! They just haven't ensured that they marketed and developed business the most effectively that they could.

In 2005 alone, the 377 respondents of our study spent a paltry sum on measuring marketing – less than one-tenth of a percent – of an aggregate \$94 billion in gross revenue. This does not imply that firms aren't willing to spend any money on marketing! In fact, our study's participants spent more than an aggregate \$1.5 billion on marketing.

We couldn't help but wonder: Why don't more professional service firms formally evaluate their efforts to improve their marketplace effectiveness? Isn't it possible they could bring in even MORE revenue, if they deliberately added structure to improving their marketing and business development effectiveness? From our relationships with clients and collaborators across professional sectors, we know that pressure is mounting to increase the effectiveness of marketing strategies and programs. Information on using measurement to increase the effectiveness of marketing and business development abounds in most industries but, until now, had never been captured for the professional services arena.

For professional service firms – including even the most collegial, partner-oriented firms -- management is moving from art to science. Going forward, the bottom line will be not be about exceeding the competition; it will be about being able to get into the game.

Our findings give professional marketers a never-before-known chance to persuasively advocate the tools they will employ to measure their real progress in the marketplace (“Yes, it will be worth it for us to expend our firm’s resources on this particular marketing / business development program!”), and as a result, to become more effective *personally* in leading their firms toward competitive success.

-- Suzanne C. Lowe and Larry Bodine, February 2006



For the first time, professional firms have a verified relationship between measurement and marketplace success.



In the fall of 2005, we conducted a six-week unblinded Internet study whose findings follow in this report. We augmented this multiple-choice and open-ended quantitative study with eighteen case study interviews with respondents.

Beyond our commentary (featured throughout this report in red), our findings offer professional service marketers specific data about the **highest ranked** marketing and business development practices, the most **effective measurement metrics**, how firms **monitor** their effectiveness, how they perceive they're doing in **measuring** their marketing and business development initiatives, and how they overcome **obstacles** to measuring and improving their marketplace effectiveness.

This report also illustrates how professional firms align their strategic marketing goals with their choice of marketing tactics, and sheds light on the measurement relationship between these strategies and tactics. Finally, we reveal the way professional service firms take an inherently qualitative marketing or business development activity, and monitor it to an objective "end point." The results of this study confirm that *it is possible* to parse out professional service marketing initiatives from each other, so that the outcomes of those collective efforts can be measured, and strategic guidance can be obtained.

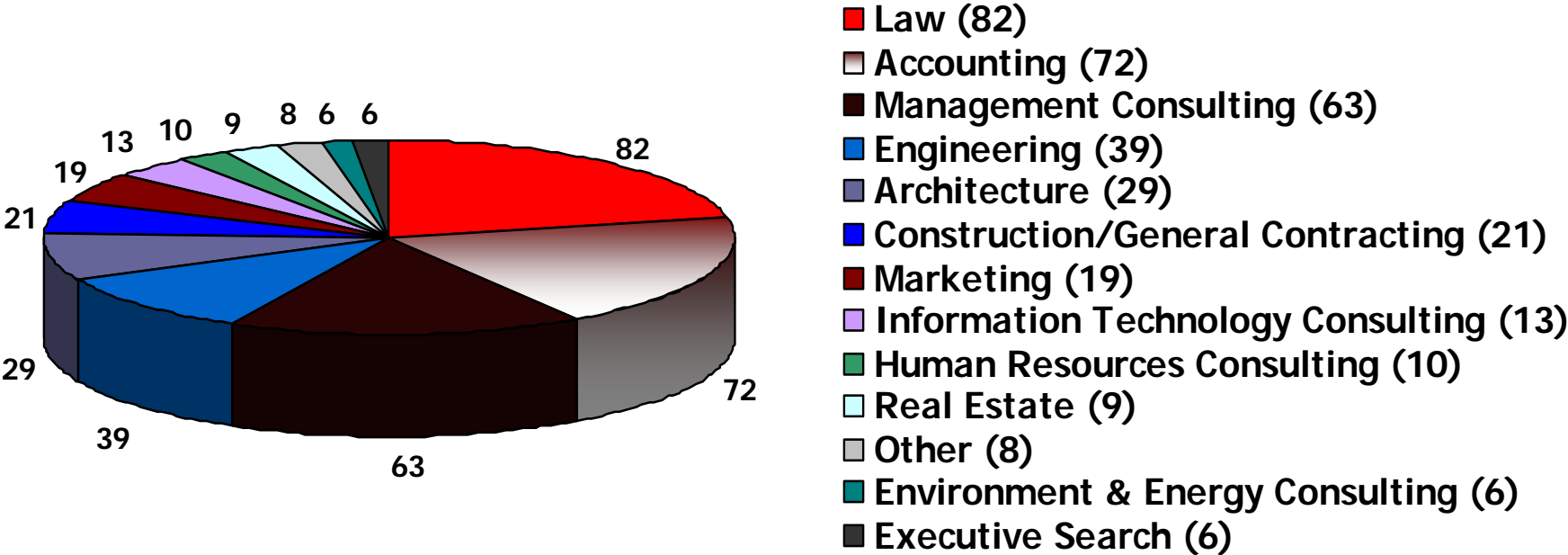
This report contains an overview of our statistically-significant findings, our comments about the import of the findings, and an Appendix containing sector-specific background information. The case study report is featured as a separate companion to this report.



There was broad participation from more than a dozen professional sectors.

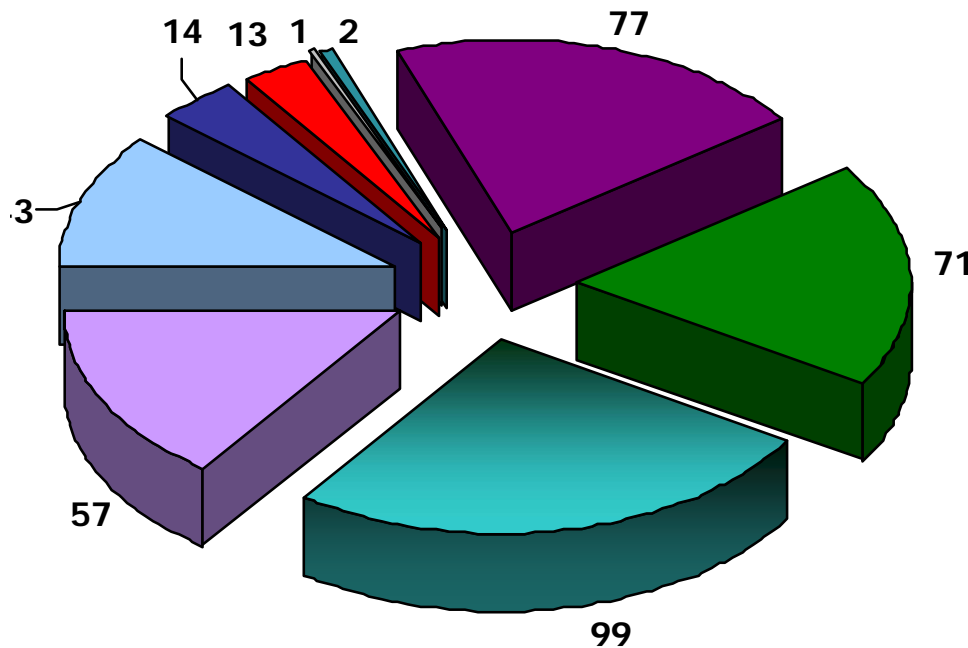


Accounting, engineering, law and management consulting firms made up about two-thirds of the total respondents.



*Other included Insurance-related services; Financial services; Aerospace and Defense services; Senior Living services; Globalization, Translation, and Localization services; and education services.

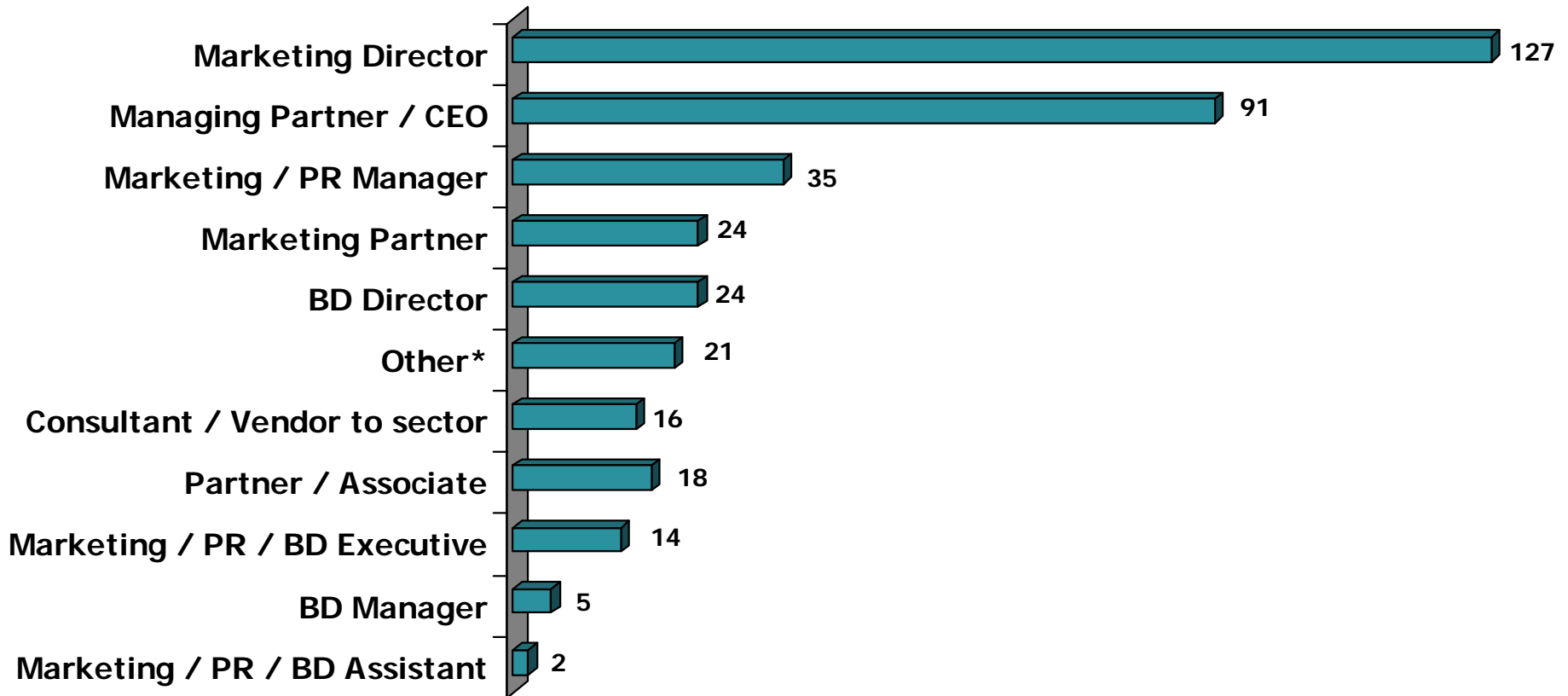
More than three-quarters of respondents had annual revenues of under \$100 Million.*



- Up to \$1 Million (77)
- \$1 Million - \$4.9 Million (71)
- \$5 Million - \$24.9 Million (99)
- \$25 Million - \$99.9 Million (57)
- \$100 Million - \$499.9 Million (43)
- \$500 Million - \$999.9 Million (14)
- \$1 Billion - \$5 Billion (13)
- \$5 Billion - \$7.5 Billion (1)
- More than 7.5 Billion (2)



The majority of respondents were Senior Marketers, Managing Partners and CEOs.

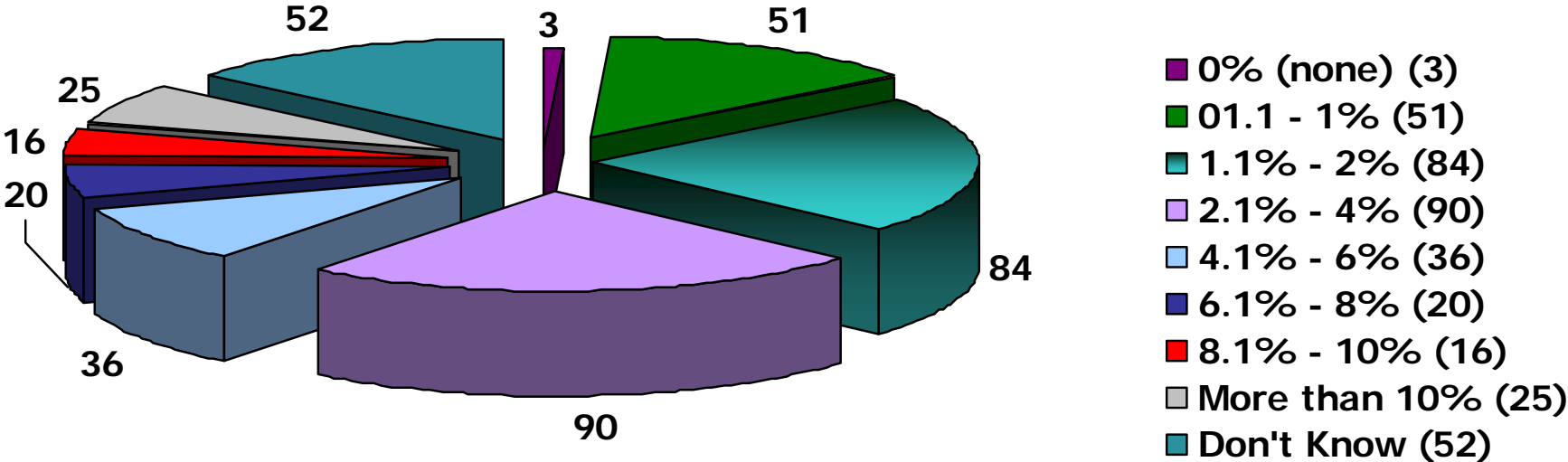


* "Other" included Executive Vice President, General Manager, Vice President, Chief Marketing Officer, Executive Director, Vice President (Business Development), and Director of Practice Growth.

322 firms reported they spent more than \$1.5 billion on marketing in aggregate.



More than sixty percent of firms' marketing budgets were under four percent of their gross revenues.*



Comment: Firms were almost evenly split between budget groups: 36% had marketing budgets under 2%; while 33% had budgets from 2.1% - 6%.

Only a fraction of respondents have a separate budget line for evaluating the effectiveness of their marketing programs.



Nevertheless, there is a significant statistical connection between having a formal marketing measurement budget and competing extremely effectively in the marketplace.



Comment: The firms that have a formal marketing measurement budget are almost 240% more likely to say they are extremely effective than those firms that don't formally allocate money to measure their marketing and business development effectiveness! The percentage of firms that have a separate budget for measuring marketing ROI, and also rate themselves as extremely effective against competitors, is 35%. This compares extremely favorably to our overall respondent group, of which only 20% said they were "extremely effective" against competitors.

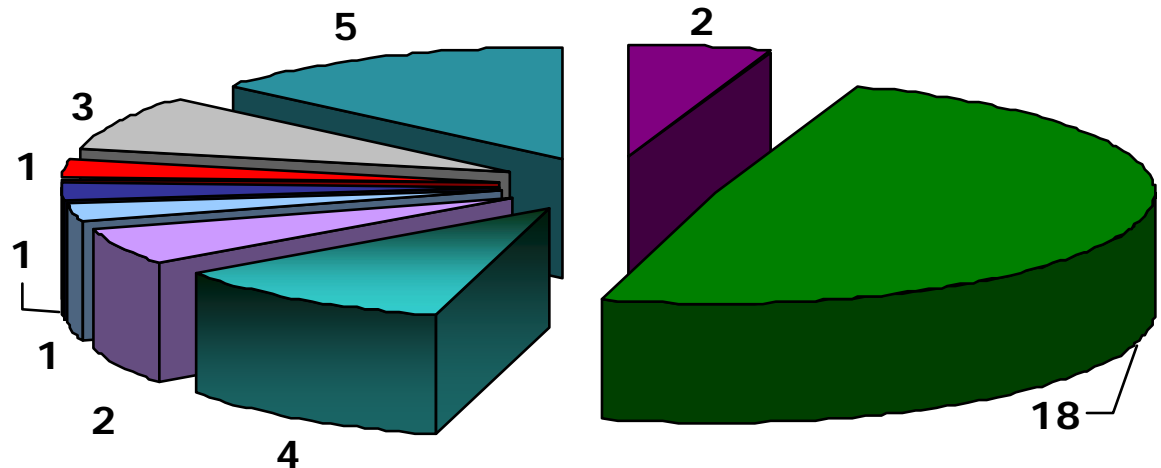


Nearly half of firms that have formal marketing measurement budgets spend up to .5% of their gross revenues to do so.



The firms that have a formal budget for measuring marketing ROI spent a median of more than \$64 million.

- (none) (2)
- 0.1% - 0.5% (18)
- 0.6% - 1% (4)
- 1.1% - 1.5% (2)
- 1.6% - 2 % (1)
- 2.1% - 3.0% (1)
- 3.1% - 4.0% (1)
- More than 4% (3)
- Don't Know (5)



#5: Firms that said they were not extremely effective used metrics that were not explicitly focused on clients.



These metrics also feature less-tangible outcomes than Client Metrics.

- ❑ Growing the firm's overall (or client-neutral) revenue: "What was our firm's overall year-over-year revenue?"
- ❑ Tracking leads: "How many prospects do we have today?"
- ❑ Tracking channels: "How many leads did we get from that speech?"
- ❑ Non-client-specific outreach communication: "How many and what kind of media relations hits did we get last quarter?"
- ❑ Miscellaneous metrics, including assessments of branding strategies, benchmarking to other industries, tracking competitors' strengths and weaknesses, tracking the "industry" type for "won" clients, or analyzing market share or internal progress on firm-wide initiative.

Comment: Our findings don't imply that marketers should STOP using these measurement tools; rather that their usefulness to increase a firm's competitive success should be considered in context to the more direct impact of Client Metrics.



We outlined professional service marketing's main function: leading firms to succeed at five strategic marketing goals.



FIRST: Defining and identifying the most strategically important prospects / clients (i.e., segmenting the market, targeting the “right” clients, and prioritizing which clients or industries to pursue or to avoid).

THEN: Acquiring the most strategically important prospects / clients (i.e., establishing a firm’s attractiveness, credibility and thought leadership with the “right” clients and successfully winning new engagements with those targeted prospects / clients).

NEXT: Retaining the most strategically important clients (i.e., fostering increasingly significant client / firm relationships, and successfully keeping current engagements with targeted clients).

AFTER THAT: Increasing the firm’s amount of revenues with its most strategically important current clients (i.e., known as cross-selling in some sectors, this means increasing each current client’s use of the firm’s entire service portfolio and the firm’s penetration into that client’s available “share of wallet”).

FINALLY: Increasing the perceived value of the firm to all audiences, including non-targeted prospects and clients, influencers, suppliers, and current and potential employees (i.e., growing the firm’s overall brand value and thought leadership equity; building broad awareness of the firm and its favorable reputation in its marketplace; and increasing its perceived eminence generally).

Comment: We doubt that many firms have explicitly identified these five goals as the purview of their marketing professionals. Indeed, most professional service marketers “started out” as expert communicators, and for many firms, this is still a highly important role for their marketing staff. We believe, however, that these five goals are precisely the purview of the professional services marketer of the future.



#7: In the last three years, retaining strategically appropriate clients was a professional firm's most important goal.



Strategic marketing goals	Average importance in the last three years*	Firms that ranked this goal <i>lowest</i>	Firms that ranked this goal <i>highest</i>
Define and Identify	2.8	23.6 %	19.1 %
Acquire	3.2	9.5 %	18.6 %
Retain	3.4	10.6 %	26.3 %
Grow Revenue	2.9	16.2 %	13.5 %
Increase Perceived Value	1.7	40.1 %	22.6 %

Comment: Once firms discover who their best clients are, they try to bring them into the stable and keep them there! These findings reflect the importance of a loyal and profitable client base as firms grapple with recessions, the relative commoditization of their services, and their increasingly keen competitors.



#8: The divergent rankings for the “increase perceived value” goal suggests a lack of clarity within professional services marketing.



- ❑ Almost twice as many firms (40.1%) ranked this goal “least important” than those who ranked it “most important” (22.6%).
- ❑ None of the other four strategic marketing goals featured this amount of “disagreement.”

Comment: This finding reveals that there is a distinct subset of professional service firms whose main marketing goal is still largely “communications,” and whose marketing orientation has not yet matured to more tangible, client-focused -- and measurable -- priorities.



#11: Five sectors reported above-average effectiveness, and used more Client Metrics, than others we studied.



Sector	Average Rating of Perceived Firm-wide Competitive Effectiveness*	Avg. # of Client Metrics
Construction / General Contracting	1.71	1.81
Environment & Energy Consulting*	1.83	1.67
Engineering	1.85	1.67
Accounting	1.89	1.81
Architecture	2.03	1.69
Real Estate	2.11	2.00
Information Technology Consulting	2.15	1.62
Marketing	2.16	1.68
Management Consulting	2.17	1.60
Law	2.23	1.62
Other (please describe)	2.38	1.50
Executive Search	2.50	1.33
Human Resources Consulting	2.80	1.90
Average	2.08	1.69

Comment: These findings confirm that sectors have varying levels of “competitive confidence” and that we are beginning to see how “competitive confidence” relates to measurement practices. As professional service firms’ understanding of and use of measurement tools increases, we believe the alignment between perceived competitive effectiveness and use of metrics will deepen.



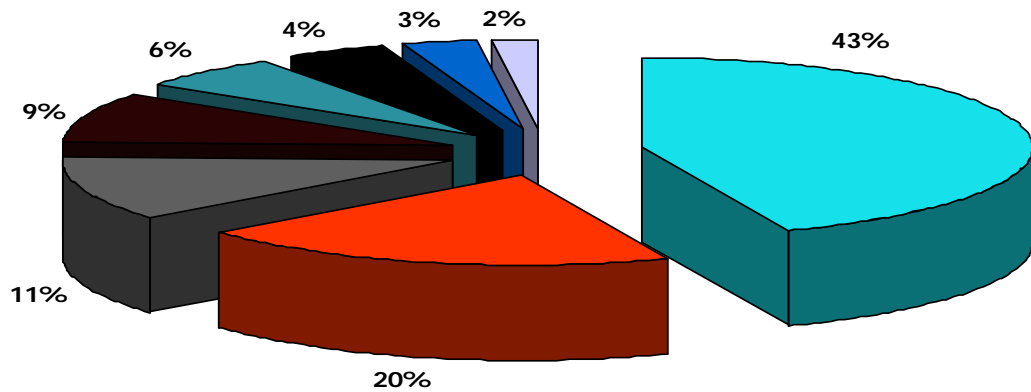
#12: There were more similarities than we expected in the way separate sectors ranked their “best results” marketing initiatives.*



- ❑ The three overall “best results” marketing initiatives were highly ranked fairly evenly across all the sectors we studied. Some distinctions among sectors did appear:
 - ❑ Architecture and Construction / General Contracting were the only sectors that listed “Responding to formal RFIs / RFQs / RFPs” as among their three “best results” initiatives.
 - ❑ Accounting, Management Consulting and IT Consulting were the only sectors that listed “Programs to increase the firm’s share of a client’s wallet” as one of their three “best results” initiatives.
 - ❑ Executive Search was the only sector that listed “Advertising” as one of its three “best results” initiatives.
 - ❑ IT Consulting, Law, Management Consulting and Marketing were the only sectors that listed “Speaking” as one of their three “best results” initiatives.



#13: There are a significant number of internal obstacles to the idea of self-evaluation.



- Internal Problems (43%)
- Do Not Measure/No Answer (20%)
- Firm is Too New (11%)
- Don't Know How (9%)
- Inadequate Systems (6%)
- Lack of Data (4%)
- No Plan in Place (3%)
- Culture/Regional Differences (2%)

Comment: The obstacles that our respondents' described reveal just how young a science "Marketing Measurement" is for professional firms. We believe that respondents' resistance to measurement – or their having not begun to measure at all -- is largely related to a lack of familiarity and experience with measurement's best practices (and the results that measurement can bring). Nevertheless, competitively astute firms recognize that they DO have the ability to measure critically important marketing and business development programs.



#14: Measurement obstacles are largely self-caused, and are related to myopia, inertia and avoidance of accountability.



Respondents' Obstacles to Measurement	Percentage
Our people aren't inclined to measure / It's hard to change their mindset / Measurement is not viewed as a worthy activity / Our people avoid accountability / Measurement is perceived as too hard, too costly and too time-consuming	43%
We don't measure at all / No Answer	20%
We're too small or new to have our act together / Our marketing leadership is new / We have no dedicated measurement resources / We have no measurement budget / We are in too much turmoil to focus on measurement	11%
We don't know how to measure / We can't keep up with the shifts of the marketplace	9%
We have no tracking systems in place / Our technology doesn't support measurement yet / Our systems don't talk to each other	6%
Lack of defined criteria or data for measurement	4%
We have no strategic / marketing plan in place (and therefore no objectives or goals)	3%
There are major differences in opinions / philosophy / cultural approaches to measurement	2%



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