

Increasing Marketing Effectiveness at Professional Firms

Findings, Analysis and
Commentary from a Global Study
February 2006



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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.



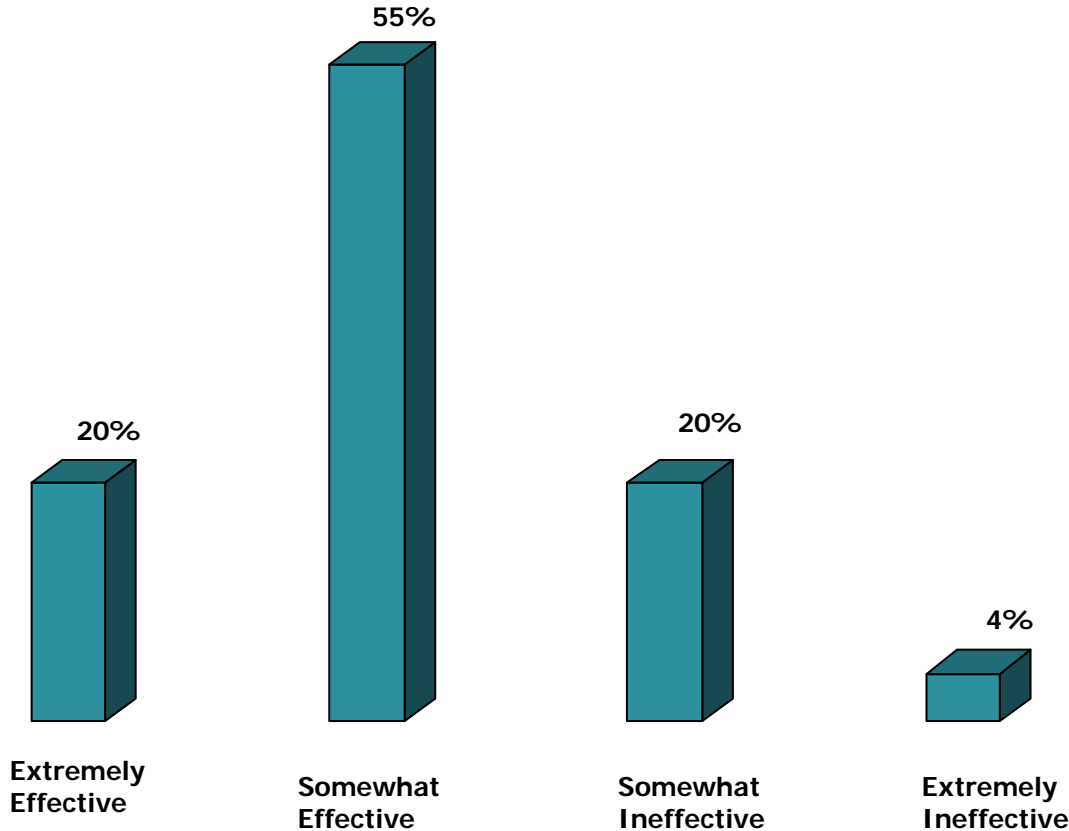
Professional service firms need to make four changes to compete more successfully in today's marketplace.



- ❑ Expand the firm's marketing horizons beyond "acquiring" clients. Professional service firms must be more explicit and intentional about defining their best clients, retaining them, and expanding their firm's portfolio of services to those clients. Firms will need to reduce their current heavy emphasis on broad marketing communications "visibility and awareness-building."
- ❑ Do better at aligning their marketing and business development initiatives with their strategic goals.
- ❑ Strengthen measurement programs to focus on meaningful, non-ignorable marketing and business development assessments. Emphasize measurements that are simple, tangible, objective, and observable. If an activity can't be measured, it should probably not be pursued.
 - ❑ Did this initiative help us **increase revenues** with our clients or not?
 - ❑ Did this initiative help us **close the sale** or not?
 - ❑ Did this initiative help us listen to and "**get in touch with**" the client or not?
- ❑ Commit to overcome internal obstacles to effective competition -- and do so with irrefutable data.



#3: Only 20 percent of professional firms said they were extremely effective against their competitors in the last three years.



Comment: Self-delusion is rampant in too many professional service firms' perception of their marketing and business development effectiveness. We wondered: Can the self-reported 'extremely effective' group offer us objective insight into improving the effectiveness of marketing and business development at professional firms? What are they doing that allows them to say, unequivocally, that they are competing at the top of their game?



#4: Professional firms that said they were extremely effective used three client-focused metrics in combination with each other.



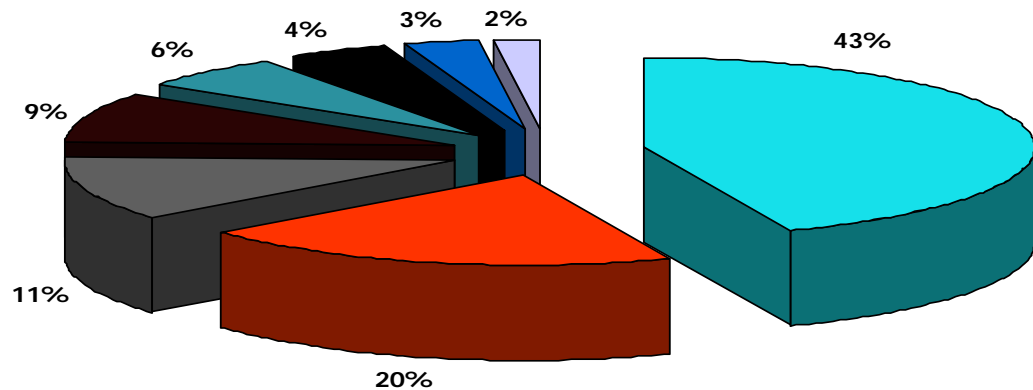
These three Client Metrics were unequivocally objective and obvious, clearly identified with clients, and featured very tangible outcomes.

- ❑ Growing client revenue: “Did you grow revenue with your client or not?”
- ❑ Moving the phases of a sale through a pipeline: “Did you close the sale or not?”
- ❑ Listening to the client: “Did you listen to your client or not?”

Comment: While this finding may seem intuitively logical, it's the first time that professional firms have a verified link between competitive effectiveness and the intentional act of measuring. This is where the rubber meets the road – the guts of a successful business!



#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%



#15: Benchmarking is not well-understood and is sparingly applied in professional services marketing.



Benchmarking means setting a “highest achievable level of measurement” and evaluating the firm’s progress toward attaining it.

Good examples of benchmarking

- “Average 9 proposals submitted per partner per year. Win 40% of all proposals. (Win 60% of those where we have a formal presentation/meeting of the proposal).”
- “We try to use the leader in our sector and our region in terms of market-share as our bench-mark. We try to replicate and perfect their strategies.”
- “Fifty percent increase in traffic from 2004.”
- “Want to win over 30% of bids (industry average).”
- “5% overall growth, with 25% margin at the manager level.”

Bad examples of benchmarking

- “Success in building a national brand will be [our] goal.”
- “We have no idea other than we hope the fees won are a multiple of the cost of the campaign.”
- “Maintain or improve turnover [revenue] rates from year to year.”
- “Higher revenues.”
- “Increase number of speaking engagements every year.”



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