

December 2011

ZG Survey Finds Continued Growth in Law Firm Marketing Departments

According to the results of our second survey of Am Law 200 law firms, law firms have invested in their marketing and business-development organizations in spite of the recession. The survey, conducted to learn about their marketing and business-development practices, indicates that while large and highly profitable firms experienced greater growth in their marketing and business-development teams, all firms, on average, increased the number of marketing professionals as measured by the ratio of such professionals to lawyers. Moreover, marketers now play an even more strategic role than ever, participating at the highest levels and taking on increasing responsibilities despite already full plates.

Background

In June 2011, Zeughauser Group conducted a survey of the largest 200 American law firms (the Am Law 200) to collect data about the size, structure, salaries, and roles of their marketing and business-development departments. Similar research was conducted in December 2007, which provides for an analysis of trends over time, and changes that have occurred pre- and post-recession. Sixty-two of the Am Law 200 firms responded to the survey in 2011, and a similar number responded in 2007. The firms responding represent a cross-section of the Am Law 200 in size, profitability, and geography. As a result, we believe that the results reasonably describe the state of marketing and business development in Am Law 200 firms.

Marketing Organization Size

In our survey, we found that firms increased the size of their marketing departments between 2007 and 2011

even though, on average, Am Law 200 firms were under revenue and profit pressure and generally were cutting back in other areas, including staffing. The average ratios of lawyers to marketing and business-development staff went from 1:29 to 1:25 among respondents in 2007 vs. 2011. This translates to a 16% increase in headcount per lawyer. Sixty percent of firms reported increasing marketing FTEs from 2007 to 2011, while 22% stayed the same and 18% decreased.

Between 2007 and 2011, larger firms increased the size of their marketing and business-development staffs to an even greater extent than smaller firms. Firms with fewer than 500 lawyers increased their marketing staffs by 15% on average, while those with more than 500 lawyers increased their staffs by 22%, even though they had proportionately more marketers on staff in 2007. Moreover, profitable firms have much larger marketing staffs than less profitable firms. The firms in the most profitable quartile, which averaged a PPEP of \$1.5M, employed almost 50% more marketers per lawyer than those in the least profitable quartile, averaging a PPEP of \$0.5M.

These results tell us that a robust marketing and business-development team has become the norm for successful law firms, following the precedent of corporations, accounting firms, and other professional and business organizations. In addition, law firms with higher revenues and profits are using some of that cash to invest in marketing and business-development talent, presumably because they believe talented marketers help them enhance revenue generation even further, providing a positive return on their investments. We also believe, based on observations from our consulting practice, that firms cut back on other

areas of marketing and business-development expenses, such as advertising and sponsorships, but invested in staff to support a shift in emphasis to business-development activities that they perceive to be more likely to lead directly to an increase in business.

The CMO

Although some high-profile firms have experimented with splitting the marketing, business-development, and even communications functions into different departments, all but one firm among our respondents consolidate those functions under one person. We view this as a best practice because, in our experience, the business-development, marketing, and communications functions are most effective when they are highly integrated. These functions need to support each other so that the whole is greater than the sum of the parts, and this level of integration is best-achieved under the supervision of a single strong leader. In fact, many firms have added to the already extensive responsibilities of their marketing heads. Thirty-eight percent of our responding firms require marketing heads to manage other areas, such as professional development and lawyer recruitment.

Most firms have adopted the title of "Chief" for their top marketers. In 2011, 72% of the top marketers were "Chiefs" vs. 54% in 2007; of those, three quarters had the title Chief Marketing Officer (CMO). In light of their extensive responsibilities, which often include strategic initiatives for the firm, CMOs at two-thirds of responding firms regularly attend executive committee meetings vs. 38% in 2007. Many also regularly attend strategic planning meetings, partner meetings, and retreats as well.

The substantial salaries and bonuses firms pay their CMOs are an indication of how much they value them. In 2011, 75% of responding CMOs had compensation packages, including salary and bonus, with potential to reach \$400,000 and above, as much as a newly-minted

partner in nearly all Am Law 100 and 200 firms. CMOs at the largest and most profitable firms are most highly compensated, with "national"* and "international"* firms typically paying more than \$600,000, including a bonus. The most profitable firms increased the compensation of their CMOs by a greater degree, with the top PPEP quartile of respondents in the survey, which averaged \$1.5 million in PPEP, increasing their CMO's compensation by an average of 39% between 2007 and 2011.

We believe that the CMO salaries increased in spite of the recession due to the forces of supply and demand. Relatively few people are willing, able, and interested in managing the demands placed on the CMO of a large law firm. This lack of supply is exacerbated by the industry trend of hiring CMOs from other law firms, rather than from outside the industry. The long-standing debate about whether to hire candidates from other industries in hopes that they will bring a different perspective or skills versus engaging a current law firm CMO with "hit-the-ground-running" experience continues, but currently appears to favor those with prior legal marketing expertise. Seventy percent of CMOs in the survey came from the legal industry in 2011 vs. 57% in 2007. Moreover, our experience suggests that law firms seek to hire CMOs who are employed by firms they view as more prestigious than their own, limiting the supply even further.

Other marketing department salaries (i.e., those of directors, managers, coordinators, and so forth) stayed relatively flat. Demand for those positions ebbed and flowed during the recession, but our survey results suggest that demand is back up and we will see increased pressure on those salaries as well.

Fortunately, law firm CMOs appear to be increasingly successful, judging by their lengthening tenure. Average tenure of our responding firms' CMOs was 4.5 years in 2011, compared to 3.9 years in 2007. We conclude from this change that higher turnover was not driving higher salaries.

Increased tenure suggests that law firms are hiring more qualified and well-suited CMOs, that CMOs are viewed as more valuable and less dispensable than in the past, that law firm expectations and use of marketing professionals are aligning better with the skills of their CMOs, and that there are benefits that accrue from increased incumbency.

Conclusion

Our 2011 survey indicates that leading law firms increasingly recognize that high-level marketing and business-development professionals can provide strategic guidance, which leads to better, richer, and stronger client relationships, and ultimately, to higher revenues and profits.

*We used *The American Lawyer's* definition of national and international: If no more than 45 percent of the firm's attorneys are located in any one region of the country, the firm is identified as "national." If 40 percent or more of the firm's lawyers are located outside the United States, the firm is identified as "international."



Zeughauser Group is the firm of choice for legal industry leaders seeking to increase their competitive advantage and profitability, enhance market position, and strengthen organizational culture.

Ron Beard

beard@consultzg.com
949.360.0122

Jack Walker

walker@consultzg.com
323.664.2881

Kent Zimmermann

zimmermann@consultzg.com
312.810.8008

Mozhgan Mizban

mizban@consultzg.com
415.868.0100

Mary K Young

young@consultzg.com
301.320.1518

Lonnie Zwerin

zwerin@consultzg.com
415.387.4623

Norm Rubenstein

rubenstein@consultzg.com
202.483.7089

Peter Zeughauser

zeughauser@consultzg.com
949.760.6800

consultzg.com

Copyright © 2011 Zeughauser Group LLC. All rights reserved. *ZG Alert* is a marketing and informational communication sent to you electronically by Zeughauser Group LLC, 3701 Sacramento Street, Suite 444, San Francisco, CA 94118. If you would prefer not to receive future *ZG Alerts*, please write to Zeughauser Group at the address above, or email zgadmin@consultzg.com.