STRATEGY FOR PROFESSIONAL SERVICE FIRMS

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DO YOU MEASURE UP?
Demonstrating the effectiveness of your marketing activities is the best way to shore up your budget in uncertain times, which means you need appropriate metrics in place.

By Tami Dower
Whether you’re trying to secure next year’s marketing budget or justify a one-off initiative, nothing speaks louder than a successful track record. However, many professional service firms (PSFs) are under-utilising their capacity to evaluate the effectiveness of their marketing activities.

Typically, service marketers have lagged behind their product marketing counterparts in their application of metrics. This can in part be attributed to the complexity of the client acquisition process in the service environment. Rarely can a client’s decision to engage a particular firm be clearly traced back to a single source. Compounding this problem is the fact that the sales cycle is usually longer for services than for products. So there is a less immediate and usually less obvious connection between the initial point of awareness and the point of conversion.

This article examines current attitudes to metrics, which metrics are being used in PSFs, how to optimise your measurement practices and how to use metrics to demonstrate the effectiveness of your marketing program. Metrics, as discussed here, refer broadly to any measure that can be collected by a firm to evaluate the performance of its marketing activities.

ATTITUDES TO METRICS

According to research conducted by Melbourne Business School marketing academic Dr Don O’Sullivan, measuring marketing performance is generally seen as a priority among marketers. His study indicated that 54 per cent of marketers rank it as a high or moderate priority, 35 per cent a moderate priority and only 11 per cent a low priority.

However, the research also revealed that marketers are broadly dissatisfied with their ability to measure the performance of their marketing activities. O’Sullivan identified the main obstacles to effective measurement as:

1. Lack of information – insufficient availability of reliable data and measurement tools, or inability to link customer response to individual programs
2. Lack of resources – personnel, expertise, and budget

A global study, *Increasing Marketing Effectiveness at Professional Firms*, conducted in 2006 by US-based researchers Suzanne Lowe and Larry Bodine, found the main barrier to measurement in the professional services environment was internal resistance.

Common explanations included: ‘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’; and ‘Measurement is perceived as too hard, too costly and too time-consuming’. The study’s authors concluded that ‘Measurement obstacles are largely self-caused, and are related to myopia, inertia and avoidance of accountability’.

WHAT IS BEING MEASURED?

Despite the obstacles, plenty of measurement is occurring using processes that range from the comprehensive to the nearly nonexistent. The techniques span quantitative and qualitative evaluation methods, and active firms report spending up to 15 per cent of their marketing budgets on performance-related measurement. The main metrics being used by PSF marketers typically centre on:

- client satisfaction
- return on investment (ROI)
- specific campaign/project analysis.

Client satisfaction

A 5 per cent increase in customer loyalty can produce estimated profit increases of up to 85 per cent, according to a *Harvard Business Review* article titled ‘Zero Defection: Quality Comes to Services’ by Frederick F. Reichheld and W. Earl Sasser Jr. Most of the PSF marketers interviewed for this article said they had implemented client feedback programs to gauge customer satisfaction. These included client surveys, phone and face-to-face client interviews, and commitment audits conducted by third parties.

Where time and resources allowed, interviews were generally seen as preferable to surveys. As David Lennane, Director of Business Development and Marketing at Lander & Rogers Lawyers, explains, “The problem with a survey is that if it’s too rigid you often miss the subtleties and the things that people don’t say unless they’re probed for them.”

The downside of client feedback is that it is far from an exact science. As Bain & Co. reports, more than 80 per cent of clients who fired a PSF gave the firm a positive review the last time they were asked. To some extent, this problem can be alleviated by engaging an independent party.

“In order to determine the true nature of a relationship as opposed to the perceived nature of the relationship, it is important to provide the participants an environment where they don’t feel ‘obliged’ to say what the business wants to hear,” says Kumar Vaidyanathan, a Senior Partner at Relationship Audits & Management, a large UK-based relationship management consultancy which recently opened an office in Melbourne. “Participants find it easier to be candid with somebody who is independent.”

Return on investment

With the inherently indirect relationship between marketing and the actual sale of professional services, return on marketing investment is a notoriously elusive benchmark. As Lisa Adams, Business Development and Marketing Manager of Hopgood Ganim Lawyers, states, “ROI is very difficult to measure; not many people are putting their hand up to say they’re doing it. How do you link a marketing

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MEASURE UP

FOUR WAYS TO SHOW RETURN ON MARKETING INVESTMENT

1. Keep a log of all proposals sent out and track the results
   Each time a secretary requests even as much as a bio to send to a potential client, find out:
   - Who they are sending it to
   - What practice area they are promoting
   - When they expect a response
   - What industry their target company belongs to
   - Whether there are any other services your firm provides that can be hitched onto that proposal.

2. Keep track of website visitors by month and report trends
   Be sure that for every month you track the number of unique visitors to your site. Unique visitors is really the most important number because 'total visitors' could just be one person who visits 10,000 times.

3. Change your new client intake form to better track referral sources
   Here are some of the checkboxes you want to be sure to include on your form under 'Source of referral':
   - A person (name)
   - Speaking engagement
   - Seminar
   - Networking event/sponsorship
   - Community involvement
   - Website/internet browsing
   - Firm client (name)
   - Client transferred from prior firm (for lateral hires).

4. Provide end-of-year statistics on accomplishments in a big fat notebook
   At the end of the year, take a big fat notebook with all kinds of information and exhibits on what your department has been doing over the past 12 months. Then write an executive summary. Partners will probably only read the summary but having the information on hand is invaluable for helping you plan the firm's marketing strategy for the coming year.

Source: Aaron Kirk Douglas, Legal Marketing Consultant, Portland, Oregon (aaronkdouglas.com)

Despite these challenges, a significant number of PSF marketers do still attempt to measure ROI. “We’re very keen to try to quantify the ROI on all of our marketing expenditure,” says Natalie Vaughan, Accenture’s Asia Pacific Financial Services Marketing Director. “We tend to collate a bunch of different metrics and roll that up as a whole ROI report, with the cherry on top being ROI based on sales or leads generated. It’s not as hard and fast as it might be in FMCG or product [marketing] but I think it’s still an important thing to try and determine.”

Lennane suggests breaking the firm’s marketing activities down into discrete categories to get an estimate of your ROI. “Some activities are difficult to measure; some are not,” he says. “We focus on four main areas: advertising, promotional activities, events and sponsorship. In a tight market we need to be very clear about exactly what value we’re delivering.”

Specific campaign/project analysis

Specific project metrics include the analysis of outcomes from business development meetings, bids and proposals; and responses to activities such as PR initiatives, events and digital campaigns.

- **Business development meetings with prospective clients.**
  The degree to which firms track the outcome of business development meetings varies, from the number of meetings practitioners attend per week/year, to the percentage that translate into proposals, and the percentage that result in engagements. Some firms also track the process right through to the ongoing value of the client.

- **Bids and proposals.**
  The success rate of bids and proposals is often supplemented with post-analysis interviews to ascertain why the firm was or was not successful. This commonly occurs where the firm made the final shortlist but was ultimately unsuccessful.

- **Media, PR and events.**
  In relation to media and PR, some firms track share of voice themselves while others do so through an agency. With events, most firms quantify basic metrics such as number of attendees, RSVP rates and attrition, while some go further to analyse leads generated.

- **Digital.**
  Certain fundamentals of email marketing are routinely tracked, including: number of emails viewed (and by whom); undeliverables (permanent and temporary); number of forwards, subscriptions (or other types of conversions); and opt-outs. Some firms also look at what people are reading and where they go after they’ve clicked onto the email (which may then be used to identify topics for future seminars or thought...
leadership articles). Web analytics generally focus on: number of hits; number of unique visitors; page views; and time on site. Many firms also track traffic sources, including referring sites and search engine keywords.

OPTIMISING MEASUREMENT PRACTICES

There is no magic one-size-fits-all solution to measuring the effectiveness of marketing. There are, however, some basic principles you should keep in mind when developing your metrics program.

**Link your metrics back to clear objectives**

The starting point for any measurement program should be a clear articulation of what you expect to achieve with your marketing spend. The most effective metrics are those that can be benchmarked against a well-defined, quantifiable objective.

According to Suzanne Lowe, co-author of the above-mentioned study *Increasing Marketing Effectiveness at Professional Firms*, benchmarking is a much misunderstood and sparingly applied concept in professional services marketing. The study revealed a broad spectrum of approaches to benchmarking. At the practical end of the scale were things like:

- To average 9 proposals submitted per partner per year, win 40 per cent of all proposals, and win 60 per cent of those where we have given a formal presentation of the proposal.
- To achieve 5 per cent overall growth, with 25 per cent margin at the manager level.

Some of the more nebulous benchmarks included ‘Success in building a national brand’ and ‘Higher revenues’. The more specific and measurable your objectives, the more likely you are to achieve them and to be able to demonstrate that you’ve achieved them.

**Measure in the context of specific clients**

It’s important to select metrics that will produce actionable results. As Lowe explained to *PSF Journal*, the most useful are those which focus on specific clients. Her study revealed that the firms that consider themselves most effective against their competitors use a combination of the following three client-focused metrics:

1. **Growth in client revenue/share of wallet.** “Growth in [specific] client revenue is a measure that’s objective and very tangible,” said Lowe. “If you’re trying to measure your firm’s overall or client-neutral revenue, that’s a waste of time as it produces less than tangible outcomes.” Client revenue can then be extrapolated out to give an indication of whether you’re increasing your share of the client’s wallet, she added. However, the difficulty with using client revenue as an indicator of share of wallet is that it doesn’t take into account the client’s overall spend within the sector. One way around this problem is to simply ask them directly. If your client is reluctant to share such information, Lennane points out that you can sometimes get a rough idea of where they’re spending their budget by looking at their annual report.

2. **Leads resulting in conversions.** Successful firms are now tracking leads further down into the sales pipeline. “In the olden days, many firms would measure the number of cards they would collect after a speech to determine whether the event was successful or not,” said Lowe. “What they’re now learning to do is be more discerning in their examination – not just looking at how many leads they got, but how many of those resulted in meetings and subsequent engagements.”

3. **Response to client feedback.** Many firms undertake client surveys or post-assignment interviews but the real measurement should not be the level of client satisfaction but what happened as a result of the feedback, said Lowe.

The firms in the study that ranked themselves as less effective against their competitors tended to use metrics that were not specifically client-focused, such as broad assessments of branding strategies, benchmarking to other industries, tracking competitors’ strengths and weaknesses or tracking media relations hits. “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 the context of the most strategically appropriate clients,” said Lowe.
NATALIE VAUGHAN, Asia Pacific Financial Services Marketing Director, Accenture

Over her 15 years in professional services marketing, Natalie Vaughan has witnessed the evolution of metrics in the services environment. “It’s been a huge change,” she says. “If you look at where we are now compared to where we were when I started, this conversation would not have happened - who would have thought of measuring marketing?”

These days, Vaughan sees measurement as an integral piece of her marketing arsenal. “Measuring effectiveness has always been a challenge for marketers, especially in the professional services space, but I do passionately believe that it’s important – because if what you’re doing is not effective, you’ve got to change your strategy.”

Vaughan says what she measures will depend on the marketing activity in question. “If we are doing a marketing campaign where the objective is around lead generation, then I’ll be wanting to measure as accurately as possible the leads that we generate off the back of the campaign. Once the opportunities hit our pipeline, we’re able to collate and track them as a measure. That’s quite effective, I find, because we can then draw a connection between opportunities and marketing and from that we’re able to track the ROI of the marketing spend.

Focus on profit, not gross revenue

Most PSFs that endeavour to measure their return on marketing investment misapply the concept, believes Michael Zolno of Zolno Consulting, a US-based marketing consultancy for law firms. “ROI as properly used is the profit on a marketing project divided by the cost – the return is profit, not gross revenue. And the investment includes all expenses, not just out of pocket expenses,” he told PSF Journal.

Zolno gave the example of a lawyer who runs ads on the internet at a cost of $8,000 and gets, on average, four responses a year. If the lawyer bills $8,000, he considers this a break-even. What the lawyer is not taking into account here is the time and expense involved in securing the clients’ business. This includes costs such as rent, meeting with the client and introductory marketing collateral.

“Metrics are a means, not an end. Being too clinical can kill off the enzymes that the firm needs for growth.”

TIM AMBLER, AUTHOR OF MARKETING AND THE BOTTOM LINE

Avoid paralysis by analysis

Measuring your marketing effectiveness doesn’t necessarily have to be an overly expensive or time-intensive exercise. If your budget is limited, there are some fairly simple things you can do, such as asking callers where they first heard of the firm and including that question on new client questionnaires, or creating separate phone numbers for different promotional channels.

Enlisting the support of practitioners in passing on potential leads and following up clients for feedback is also a good way to spread some of the onus of measurement across the firm. “Whenever we do events, workshops or any client-facing activity, we brief our client teams that we’re going to be measuring it,” says Accenture’s Natalie Vaughan. “So they know that we’re going to
be following up with them on whatever conversations or potential leads come out of that activity, even if they’re very vague. We make the reporting process very simple; they just complete a table and shoot it back to us in an email.”

In some cases, a more relaxed approach to measurement may be the most appropriate strategy. As London-based metrics expert Tim Ambler writes in his book *Marketing and the Bottom Line*, ‘a slavish devotion to specific metrics will lead to distortions and sub-optimal behaviour’.

‘Metrics are a means, not an end,’ Ambler continues. ‘Being too clinical can kill off the enzymes that the firm needs for growth.’

**DEMONSTRATING MARKETING EFFECTIVENESS**

How much of your measurement findings you present to your firm’s partners or senior management will largely depend on their attitude to metrics.

“I’ve worked in a Magic Circle firm before and the audience there was very different to Hopgood Ganim,” says Lisa Adams. “In the Magic Circle firm, I felt all I did was provide statistics and evidence on why we should do something or why we shouldn’t. Here, it’s more about intuition and gut feel and what my experience tells me will work for this particular market, our client base, our employees and the firm.”

William Fazio, Managing Partner at Australian law firm Herbert Geer, says he would expect to see metrics that clearly demonstrate a connection to the broader, firm-wide strategy.

This might include: web traffic (e.g. repeat visits and click-throughs); uptake of media releases; number of email newsletter opt-ins or unsubscribes; market research survey results; and number of graduate applications arising from participation in careers fairs and student marketing.

John Chisholm, Principal of John Chisholm Consulting (and formerly Chief Executive of Middletons and Managing Partner at Maddocks), favours a more demonstrative approach. “You should use case studies of other firms or other offices in your firm to show how what you’re proposing to do has worked before,” he says. “You can make numbers and success rates mean anything you want them to mean. At the end of the day, overall numbers count, but if you’re looking to drive it down to the numbers, you run the risk of becoming too internally focused and unable to see the wood for the trees.” Essentially, when presenting your results you should be aiming for maximum comprehension in minimal time. That means sticking to the metrics of greatest interest to your audience, using charts and visual references to compare results to benchmarks, and using narrative to identify trends and pinpoint opportunities for improvement. In some cases it may simply mean sitting down with the partners to discuss the options.

**NO SILVER BULLET**

The measurement of marketing effectiveness, particularly in the services environment, is an evolving discipline. Although metrics are generally now applied with far more scientific rigour than they once were, there is still much room for improvement.

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**BEST PRACTICE FOR MEASURING EMAIL CAMPAIGNS**

1. **Be targeted** - Campaigns that are sent to large lists (e.g. to a firm’s entire client database) are less likely to be relevant and therefore experience lower open rates and higher opt-out rates.

2. **Be timely** - The best time of day to send an email depends on the nature of the subject, but in general, avoid sending your campaign at a time of day when your recipient is likely to be busy or cleaning out their inbox (e.g. before 9am on a Monday, after 4pm on Friday and over the weekend). Any time between 10am and 4pm weekdays is appropriate for most B2B audiences.

3. **Vary your approach** - Optimise your electronic communications by measuring and testing sender profiles, subject lines, article headlines, timing frequency, format and the use of audio and video.

4. **Evaluate and modify** - The old saying, ‘If you can’t measure it, you can’t improve it’ still holds true. Assess performance at every stage of the process.

5. **Focus on results** - When presenting outcomes to senior management, focus on results metrics rather than process metrics. Senior managers are probably not going to care too much about open- and click-through rates, but rather about whether the campaign generated phone calls or other expressions of interest.

Source: Damian Purvis, Managing Director, Concep Sydney (concep.com.au)