

## **The Results Are In: ZG Survey Confirms Marketing Comes of Age**

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The results of a recent Zeughauser group survey of Am Law 200 marketing departments indicate that law firms value their marketing departments more than ever before. We applaud this trend. We believe a high-quality and well-resourced marketing department is critical to a law firm's achieving growth in revenue and profitability.

We conducted this survey to provide benchmarks to large law firms for their use in organizing and managing their marketing initiatives and departments. Sixty-four Am Law 200 firms responded to our survey. When we compared the results of this survey to our previous legal industry marketing benchmarking surveys, four key trends surfaced: (1) marketing professionals are playing a more strategic role in their firms; (2) the tenure of the Chief Marketing Officer is increasing; (3) law firms are staffing up their marketing departments; and (4) marketing professional compensation is on the rise. The firms that participated in our survey ranged in size from 95 to 3,600 lawyers. Average firm size was 605, larger than the average 502-lawyer Am Law 200 firm. Twelve percent of the firms reported 1,000 or more lawyers, as compared to seven percent for the Am Law 200 as a whole. Every region of the United States was represented. Twelve firms described themselves as national, and 65 percent had offices outside of the United States. Survey participants represented a cross-section of large law firms; therefore, our results should provide helpful benchmarks for all types of U.S. law firms.

Because most marketing departments have responsibility for business development, we included both the marketing and business-development functions in law firms in our survey. When we use the term marketing in this article, we are generally referring to both marketing and business development. When we use the term Chief Marketing Officer or CMO, we are referring to the highest-ranking marketer in the firm. In our survey, more than half of the highest ranking marketers had the CMO title; the remainder had the title of Director of Marketing.

We found that CMO compensation, including salary and bonus, has increased by about 50 percent in three years, with approximately one-fourth of the CMOs earning over \$500,000, including base salary and bonus. These increases in CMO salaries have been accompanied by significant increases in marketing salaries at the lower levels. The increases coincide with dramatic growth in the profitability of the Am Law 200. Although there are competing demands for profits, many firms are investing in marketing, recognizing that effective marketing can lead to higher profits. Like associate salary increases, marketing salary increases are being driven by increased demand for marketing staff, while the availability of marketing professionals remains flat. Marketing departments are growing. The ratio of marketing full-time employees (FTEs) to lawyers grew from 1:32 to 1:29 in three years. Marketing departments in firms with 500+ lawyers grew the most; their marketing staff-to-lawyer ratio grew from 1:38 to 1:28. This suggests that larger firms are utilizing their greater revenues and profits to invest in marketing rather than taking advantage of economies of scale to reduce net marketing department size. This growth in the size of marketing departments has created an increased demand on a limited pool of skilled marketers.

The tendency of law firms to fill positions from within the industry further restricts the number of available marketers. In 2007, 57 percent of the CMO respondents came from within the legal industry. Anecdotal evidence garnered from our consulting practice suggests that law firms also prefer to recruit lower-level marketers from within the industry.

We expect the demand for legal marketing talent to increase for the foreseeable future. Seventy-eight percent of the marketing departments in our survey anticipate adding FTEs in 2008, creating 85 positions among 39 firms. Assuming similar growth across the industry, hundreds of positions could be added in 2008. Even if the current economic downturn leads to slower growth in 2008, we expect the slowdown to be transient. At the CMO level alone, five to ten percent of the Am Law 200 are recruiting CMOs, which will add to the upward salary pressure.

The trend toward higher salaries appears to coincide with a lower turnover rate within the CMO ranks. In our 2007 survey, the average tenure of the CMOs was 3.9 years. In 2004, CMO tenure averaged 3.2 years; and earlier surveys indicated an average tenure of two years. Even though there has been widespread acceptance of the two-year average tenure statistic, we were encouraged that the average tenure appeared to be lengthening and that more than ten percent of our respondents have been in their positions for ten years or more. This is a positive trend. 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, and that law firm expectations and use of marketing professionals are aligning better with their skills. All of this lends itself to greater effectiveness and job satisfaction of the CMO and a greater return on investment for law firms.

We find it significant that 73 percent of the marketing departments that responded to our survey are involved in strategic planning at their firms. Well-trained marketers are fully versed in the principles of strategic planning and have the judgment and necessary analytical skills to help drive that process. It is noteworthy that law firms are leveraging those skills, potentially leading to more robust and effective strategic plans.

Nearly every firm in our study has consolidated its marketing, business-development, and public relations functions within a single department. We believe this is a “best practice.” Marketing, business development, and public relations are most effective when they are well-integrated.

Sixty percent of the CMOs we surveyed report to the COO or to both the COO and the Chair. Moreover, the COOs are involved in evaluating the CMOs in over 55 percent of the firms we surveyed. Our consulting experience suggests that this increased involvement of the COO in marketing is the result of a trend towards more professional management within law firms--rather than the results of a diminution of the CMO's influence. Firms are increasingly delegating the day-to-day management of administrative functions to a COO. Many of these COOs strongly support the marketing function by providing guidance on budget and staffing issues and by ensuring integration with the rest of the professional staff. They also provide access to the firm Chair and Executive Committee on matters of strategic marketing importance.

The above notwithstanding, we understand that not all legal marketers are recognized as full contributors to the growth of revenues and profits. Many are still evaluated on subjective factors rather than on performance against clearly articulated and agreed-upon goals. Nevertheless, we believe these survey results indicate an overall positive outlook for marketers. Law firms are increasingly placing greater value on their marketing departments, as is demonstrated by giving them increased resources and influence. This trend speaks loudly to firms' recognition that well-resourced marketing departments can make significant and strategic contributions to the achievement of firm objectives.