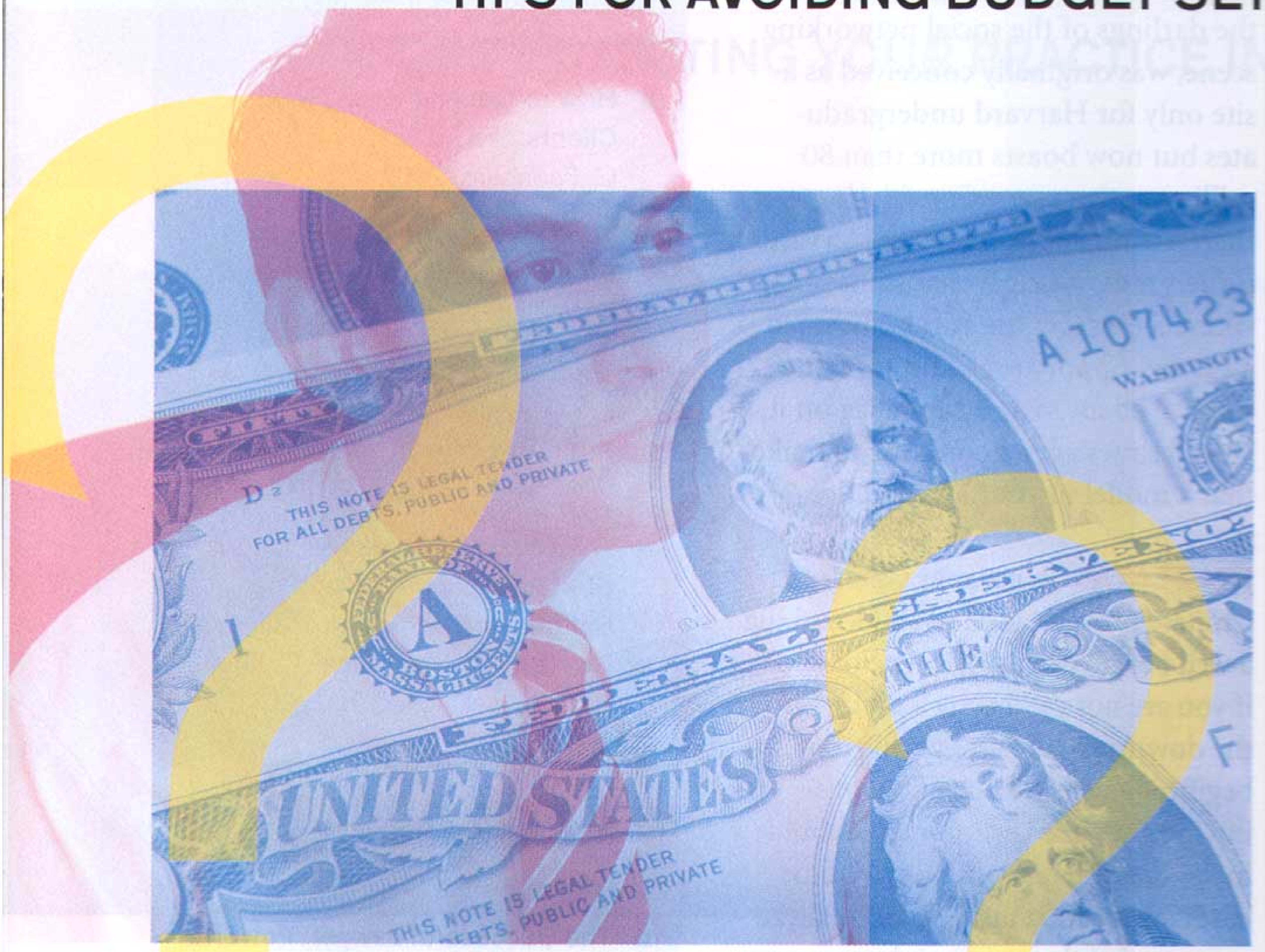
Rethinking Your Marketing Budget

INVESTMENT OR EXPENSE? TOO MUCH OR TOO LITTLE? TIPS FOR AVOIDING BUDGET-SETTING SINS



By Les Altenberg. For law firms, developing a marketing plan can be an excruciating process. And establishing the marketing budget is invariably the most painful part, generating vagueness about what to include and hand-wringing over what things will cost. This is particularly so in a slumping economy. Interestingly, though, research suggests that businesses should actually increase promotional spending during difficult economic periods.

If only we were all just selling soda, setting budgets for our marketing might be a little easier. Then firms could apply a variety of known methodologies to the challenge. There's Peckum's Principle, suggesting that a company or product must increase its share-of-voice (percent of spending in a specific category) by two points for every additional share-of-market point it seeks to capture. Easy for Coca-Cola to calculate—but a bit more difficult for Topeka-based Smith Jones & Everyone Else LLP.

Then there's the tried-but-true advertising/sales ratio that allocates a marketing budget based on a predetermined percent of revenue. For law firms, it's been suggested that figure should be from 2 to 5 percent. But what does that really mean? What if you're a financially healthy full-service firm launching a new branding initiative, requiring a new look, a new national advertising campaign, and a new Web site and firm brochure? Do you abide by the same guidelines as a struggling boutique practice seeking to promote its expertise in patent law to a confined geographical target?

Guidelines like these percentages are really nothing more than that—guidelines. If a firm's marketing allocation lies beyond those parameters, it doesn't mean the firm is doing something wrong. But it does suggest the firm should at least look at the possibility that it's committing one of the two cardinal budget-setting sins: spending too much *or* spending too little.

Adopting an Investment Mind-set

The sin of overspending is obvious. But underspending can be just as wasteful. Research shows that prospects must be exposed to a message a threshold number of times before that message registers and the target consumers are prompted to act. Merely dipping the proverbial toe into the marketing water may make you feel like you're doing something, but it's shortsighted. A single press release, an ad that runs two times, or a cheap Web site produced on-the-fly all do very little in terms of generating the type of message and level of exposure necessary to elicit a desired response.

So how can a firm reduce the chances it's committing such budget-setting sins? One way is to take a "task approach" when budgeting for marketing. Such an approach assumes that marketing is an investment, not an expense. This mind-set helps firms move away from a philosophy that can, at times, limit growth. You also become more cognizant of return-on-investment considerations and make the marketing discipline more accountable. In addition, when marketing is viewed as an investment, you are more likely to outline specific objectives for each initiative.

A task approach raises a whole set of questions, not the least of which is: "What do we seek to have happen?" It's doubtful that there will be a single answer to this. A firm may seek to raise its overall profile in the community, promote a specific practice area, highlight the hiring of a new lawyer, or educate specific groups of prospects or referral sources—or any combination of those things. In turn, it may need to spend 50 percent of its marketing budget at the practice or niche level and, say, 25 percent at the individual lawyer level. It all depends on the objectives that have been set.

Once you've determined the objectives, you should then spell out alternative strategies for achieving each goal. Are existing clients, new clients or referral sources to be targeted? Does the firm require a new image and hence a new Web site, brochure and ad campaign? Will seminars be part of the mix? Is it necessary to place articles in legal or business publications to enhance the firm's credibility? The nature of this marketing mix is a function of many variables, including:

- The nature and uniqueness of the services being offered
- The target audience
- The extent and character of the competition
- Geographical considerations
- The economic times

But even answers to those questions are not enough. With each answer, a new question crops up: What kind of optimization effort will be necessary to make that new Web site pay dividends? What level of media exposure to the new ad will make the overall campaign effective? How many seminar participants will be necessary to make the event "pay out"? What's the likelihood of success in placing attorney-authored articles in the appropriate publications? How many placements does the firm hope to get, and how might the reprints be used?

Answer that round of questions and you're almost there.

Cutting Down to the Best Bets

So what remains to be done? The next step is assigning a dollar figure to each marketing activity. In most cases, when you've established your mix and the level of commitment each activity will require to make it successful, you find that you've bitten off more than you can comfortably chew.

Something's got to give. There are two ways to determine this:

- The first is to cut the level of money allocated to each of the planned activities (for example, run in two issues of a publication versus the originally planned eight). In most cases, however, this is not the wisest course, as once again, you waste dollars by running below threshold levels.
- The second, preferred method is to eliminate specific activities. Although this can force some painful choices, "when in, be in strong" is usually a good rule of thumb to follow.

Ultimately, developing a marketing budget is more art than science. Successfully practicing that art requires an investment mind-set, a commitment to ROI, flexibility, a natural inquisitiveness, and an understanding of the marketing environment at the given point in place and time. LP

Les Altenberg (laltenberg@legalprofessionalsmarketing.com) is President of A.L.T. Legal Professionals Marketing Group. The firm is dedicated to the business development efforts of law firms nationwide.