

At the Expense of Marketing & Sales: Building a Better Budget

By [Steven M. Bell](#) on August 23, 2022

The most common six-word phrase in use at law firms?

“What charge code do I use?”

Perhaps I exaggerate to make a point. But if you’ve led a department or practice group at a law firm, you’ve heard these words often and know the topic under discussion is...budget. In particular, the expense budget.

It’s pretty obvious why expense budgets are so important at law firms. Expenses are subtracted from revenue to determine profit, and profit is the money distributed to partners (aka their income).

Considered in this light, expenses can get very personal very quickly! No wonder firms are so good at monitoring them. They can measure in six-minute increments how lawyers spend their time and how much it costs the firm—in compensation, benefits, and overhead—to do so. Law firms can measure to the penny how much it costs to provide a client photocopies, minutes of phone time, access to research databases, postage, and more. They can also measure with great precision the cost of marketing collateral, website development, advertising, attendance at industry conferences, client entertainment, and all the other wherewithal that comprises firm sales and marketing.

Here’s the rub: Law firm revenue is pretty elastic, not all that predictable, and not really controllable. So, at any point in the year, but particularly in the final quarter, if it appears to the firm’s financial professionals that the organization’s revenue-minus-expenses algorithm will not deliver the profit partners are expecting...it’s cost-cutting season. The closer to year-end, the more frenzied the cutting.

If revenue is the objective, marketing and business development are the last areas that any business should make cuts. Unfortunately, law firms are no different than all the other businesses in the world that routinely ignore this proven business maxim. When law firm budget-going gets tough, marketers and the marketing budget are too often first to be cut.

Having decades of experience as CMOs and CMBDOs responsible for managing law firm budgets, my colleagues and I have seen the aftermath of such shortsightedness and now—battle tested—arm our clients with an array of strategies and decisioning prompts that enable law firm sales and marketing leaders to make budget preparation and management more businesslike, which in turn produces spending plans that are more defensible and resistant to cuts. Read on for some key insights to ensure the resources you need to help grow the firm don’t end up on the budget cutting room floor.

Why the Marketing Budget is Targeted

In our experience, law firm marketing budgets are a hodge-podge. Professional marketers and sales directors, of course, incorporate sensible proposed expenditures, including graphic design, marketing communications, earned and paid media, digital media, industry (and other) sponsorships, and more. Beyond costs that are clearly marketing-oriented, other demands on the client development budget—many non-strategic, extraordinarily expensive, and only tangentially related

to the marketing plan—come into play, including but not limited to attendance by one (or a few) lawyers and clients at exclusive sports or entertainment events; client meals; holiday gifts; lawyer accolades and awards from spurious organizations; and sponsorships or donations to nonprofit organizations purportedly demanded by clients.

Naturally, lawyers propose and defend these expenses as indispensable to their business development efforts or as “mandatory to keep the client’s business.” But even if that’s (remotely) true, beyond these expenditures are still other questionable costs that end up charged against marketing and sales, items that really should be allocated to the budgets of other departments such as technology, library and research, or professional development.

The Problem with Precedents

My colleagues and I believe there is a lot of truth in the saying that “law firms don’t want to be first; they want to be the first to be second.” By training and by inclination, lawyers cling to precedent where matters are concerned, and this is just as true when it comes to marketing and sales budgeting. Two data points are the most critical. The first of these is industry benchmarks, wherein consultants to the legal profession survey firms to determine how much each invests in sales and marketing and then shares that information with the field. Among the notable examples is the annual PwC Law Firm Survey, which requests details from hundreds of firms and produces reports on a variety of topics such as average law firm client development expenditure as a percentage of revenue. A byproduct is that many firms gauge their own expenditures based on what *other* firms are spending. (There is something fundamentally misguided about executing one’s own business vision based on the needs and habits of another organization, especially without understanding the reasoning behind them. But that is exactly what many law firms do.)

The second data point of precedent law firms tend to lean on is ‘last year’s marketing budget.’ Firms often forecast spending not on what is needed to implement the strategy and plan ahead, but rather on what was invested last year...plus a small mark up. All this while asking the firm’s marketing and sales leaders to engineer imaginative and pioneering initiatives to grow the business.

The Right Precedents to Set

In the best of all possible worlds, firms would focus more intently not on precedent and history, but rather on business strategies and plans that include the precise resources necessary to achieve them. But we live in the world of reality, and widespread experience in the legal industry has reinforced this idea as a near pipedream.

So, as you build your marketing and sales budget this fall, here are some critical components to keep mind.

- **Firm strategy.** If your firm has a clear, well-defined strategy, base the proposed budget on that and insist those who review the budget clearly understand the correlation. If the firm doesn’t have a defined strategy, make it your business to establish one. Law firms suffer from a need to be all things to all people. And each of these ‘all things’ requires investment from the marketing and sales budget. This is why an articulate—and articulated—strategy is so important. It has to inform not just what the law firm will be, but that which it will not. Without a defined strategy, there is little chance of concentrating investments in items and activities that are on-target, and little hope of fending off the inevitable expensive side-journeys that lawyers can devise.

- **Data.** Proof is in the numbers. Do everything you can to base proposed budgets not on intuition, but on proof of anticipated ‘return on investment’ (ROI) and, if at all possible, on past performance. At a minimum, marketing budget-preparers must commit to, at the end of each budget cycle, providing fact-based results—good or bad—for specific budget items.
- **Collaboration.** Most items in the marketing and sales budget can be multipurposed. That is, they can serve not only marketing and sales, but also other aspects of the firm’s business, such as professional development, CLE, client service, and more. While the marketing and sales budget must first and primarily support the firm’s growth needs, it is important and much appreciated when it can add value elsewhere.

As one AmLaw firm leader asks, “How many ways can you spend that one dollar?”