

You're So Vain: Why Some Law Firm Metrics Aren't Advancing the Practice

By [LawVision](#) on January 14, 2016

A [blog post](#) (odds from 2009) resurfaced in my newsfeed recently from Tim Ferris, author of *The Four-Hour Work Week*. The featured content highlighted the difference between vanity metrics – those that give the appearance that things are going well – and actionable metrics – those that truly lend insight to make better decisions. Though the blog post focuses largely on online tools, the four examples of actionable metrics offer lessons for law firms both for and beyond the digital world.

In this day and age of social media, vanity metrics are all the rage. The number of views, likes and comments on any content become a measure of value unto themselves. If it's buzzworthy, it's a winner. Yet content that fares well by these measures is akin to one who wins a virtual popularity contest. It may hold someone's attention or gaze longer than less pretty posts, but at the end of the day it is no more likely to accomplish anything of substance.

Actionable metrics, on the other hand, are measures that provide a relevant comparison or causal relationship to allow for better – or different – decisions. Often they entail looking at ratios, trends or other combinations to gain greater insight and perspective. As we embark on achieving new goals for 2016, these are the measures that will help to determine whether or not we are making the right calls, or how to shift gears to drive a better outcome. Let's explore the four actionable metrics proffered through the lens of how they apply to law firms today:

1. **Split A/B tests** – These tried-and-true tests of how two options compare to one another are incredibly valuable in email marketing campaigns and website landing pages. (If you're not already using them, you should be). For law firms selling high-end professional services to corporate buyers, it's less realistic to think you can present a different user experience to each of two cohorts. We will leave this one to the virtual sphere.
2. **Per customer metrics** – Now we're talking. There are a number of readily available per-client metrics (that, unfortunately, are rarely analyzed on a routine basis) that can yield tremendous insight into the stability, value, potential growth trajectory, and profitability of an individual client. Virtually all firms track billings invoiced and collected at a client level, as well as realization. Other metrics to consider in regular reporting cycles include long-term trends in year-over-year billings for institutional clients, trends in net effective rate, worked hours, billed hours by staff classification, and number of separate services/practices used by the client. Time and again, research indicates those clients who rely on a firm for multiple services spend more money overall – and as a proportion of their overall spend – with a single firm. Plus, clients with climbing net effective rates over time are often more satisfied with their services and more inclined to hire the firm for increasingly complex matters. This can be a leading indicator of high-growth potential. Qualitative internal discussions of client evolution and formal client feedback interviews can help to add insight and confirm the accuracy of per-client metrics.
3. **Funnel metrics and cohort analysis** – Funnel metrics are a rarely used tool in the law firm world. In part, the practicality of getting dozens, hundreds or thousands of partners to share information about leads, sales progression, and business development activities is to blame. Yet let's not lose hope. There are plenty of tools that enable law firms to track touch points and savvy marketers know how to leverage them to better understand ROI on such things as blog posts, live events and digital downloads. It is an effective and fairly standard practice to assess the impact of an individual campaign or series of events. For an added level of sophistication, add a

segmentation analysis not only by the activities in which the firm engages but also by the clients it attracts. Consider, for example, analyzing a pool of individuals who were invited to firm events (of any kind) in the past 24 months. Assign certain demographic characteristics to each individual, perhaps including company size, industry, geographic location, job title, generation, etc. Then track your funnel – Who attended an event? Who came to more events in year two than year one? Who turned into a paying client? Finally compare the demographic characteristics of those who moved through different stages of the funnel with the “typical” demographics of those on the original invitation list. The answers could yield a “eureka” moment of finally understanding with whom your marketing and business development activities are most effective. (You may then want to go back and compare that to the analysis of which clients generate the most profit to truly optimize the firm’s performance.)

4. **Keyword (SEO/SEM) metrics** – Here I will fall on the sword. This is a) not my forte and b) most definitely an exclusively digital metric that will not translate to the analog world. Those law firms with consumer-facing practices including plaintiffs’ firms, or those with highly unique areas of expertise will want to take these into consideration and can read more in the original post about making the most of them.

The amount of data available to law firms today can be overwhelming. Off-the-shelf tools provide a variety of ways to transform data into useful dashboards, yet rarely is that enough to make a difference. As you examine your firm’s next technology purchase or devise your next practice leaders’ monthly report, take the time to assess the value of the metrics. Make it a goal for this year to include at least three metrics on which a leader can *act* – not just feel good (or bad) compared to peers. Think of it as reframing the aspiration from “Most Popular” to “Most Likely to Succeed.”