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Economic slowdown tests firm marketing

Dimming prospects for 2009 may mean more are taking cost-saving steps; other firms may expand to push lower rates

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Layoffs of staff and attorneys may be the ultimate way to measure the recession's effect at law firms, but there are subtler indications, too—such as marketing budgets.

For example, some of Elarbee, Thompson, Sapp & Wilson's clients will be getting less extravagant Christmas gifts than usual, and some people who normally receive at least a little something won't be getting anything at all, says Lee Watts, marketing director for the firm.

"Instead of maybe sending the whole department at one of our clients gifts, we are looking at the main contacts," she says. "We might send that person a gift, and then send a group gift. Maybe last year, we sent everyone something special. This year, we'll send a basket of goodies and label it for various departments."

She says gift-giving is a "pretty important" gesture, "another way to touch our clients," but "we just won't be touching as many."

Typically, law firms maintain marketing costs year to year, or make minor adjustments, but the ever-dimming prospects for 2009 mean more are looking for less expensive ways to show their clients how much they care.

At Arnall Golden Gregory, "We will be looking at individual expenditures more critically to ensure we're delivering value," says Jennifer Barakat, who leads the firm's marketing department. "But I don't anticipate that our overall marketing budget will be much different from prior years. We are simply making smarter, more thoughtful choices on where the firm invests its dollars. There is still plenty of opportunity in this environment."

Some firms aren't saying what cost-saving steps they're taking, if any, and others say they'll either increase or maintain the amounts they spend to hold onto clients, add new ones and bolster their brands.

"We're expanding our marketing," says Wayne A. Risoli, managing partner of Chamberlain, Hrdlicka, White, Williams & Martin. "We believe this is an appropriate time to let all Fortune 500 companies know that our rates are so good that we can handle your work for a very good value."

Economic slowdown tests firm marketing, *Continued*

He says big companies appear to be trying to weather the economic crunch by “looking for law firms that provide more value, and we are a very good firm for that.”

Geoff Frost, manager of marketing and professional development at Bondurant, Mixon & Elmore, says he hasn't heard talk of any kinds of cutbacks the firm might make. “

Our attorneys give gifts individually,” he says. “We're not smoking \$100 bills, but we're OK.”

It remains to be seen how many firms will trim marketing costs, and how many will choose to spend more to go after new business more aggressively.

A Legal Marketing Association survey released in November of marketing departments at 313 law firms found that more than one-third anticipated their 2009 budgets would decrease. Of those anticipating cuts, the average expected reduction from this year's spending was 11 percent, according to the survey.

“There are definitely cuts happening, but we're also seeing a wait-and-see attitude at some firms,” says LMA's president, Lisa Simon.

Law firms spend an average of 1.7 percent of their revenue on marketing, according to Altman Weil's 2008 Survey of Law Firm Economics.

That average is maintained across both large and small firms, though plaintiffs' and personal injury firms tend to spend significantly more—between 4 percent and 6 percent of revenue—says Altman Weil principal Charles Maddock.

Many firms are taking longer than usual to determine their marketing strategies and spending plans for the coming year, mainly because they want to see how the legal market is shaping up as 2009 approaches, says Ross Fishman, a marketing consultant who works with small to midsize law firms.

Business development director Mark Usellis of Davis Wright Tremaine in Seattle says next year's marketing budget should be about what it was this year. But he's still planning to spend money in the most cost-effective ways.

“I'm going to do hardly any advertising in the first half of the year, and I'm bringing all PR activities in-house,” he says. “I won't be attending any conferences or out-of-town roundtables.”

Risoli's firm is far from alone in seeing opportunity in the down economy. Frost Brown Todd, which has its largest offices in Cincinnati and Louisville, Ky., is looking to build more of a national reputation next year, says chief marketing officer Eric Dewey. “

Legal marketing is tough to begin with,” he says. “When you have the challenges that clients are facing today, it gets even more difficult.”

It's clear that most firms have recognized that. Law firms spent less on marketing and client development in the third quarter of this year than they did during the same period in 2007, according to the Peer Monitor Economic Index from West, which measures several

Economic slowdown tests firm marketing, *Continued*

different legal market conditions.

Marketing has long been seen as more expendable than other firm departments, says Maddock of Altman Weil.

"Unfortunately, with most firms, lawyers are so reactive that marketing is always the first to go," Maddock says. "We're seeing a lot of people [in marketing] being let go."

It's happening with clients, too. Elarbee Thompson's Watts said another reason the firm won't be sending as many gifts this year is that some who received them in the past are no longer employed.

