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**THE ACKERT ADVISORY
LEGAL INDUSTRY REPORT**

The State of CRM at Law Firms

A Market-Wide Study

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Executive Summary

In the Spring of 2015, The Ackert Advisory conducted a market-wide study exploring the utilization, user experience, and return on investment (ROI) of Client Relationship Management (CRM) software platforms. Over 3,000 law firms were asked to describe the state of CRM at their firms, including:

1. Which CRM they used
2. Their lawyers' utilization rate
3. Reasons behind low utilization
4. The ROI generated from CRM

The following pages include a detailed analysis of the survey findings as well as a list of best practices for firms wishing to choose the most effective platform, promote high utilization among lawyers, and maximize the ROI on their CRM initiatives.

The results from this survey form an unprecedented examination on the state of CRM within law firms, specifically with regard to user experience, utilization, and ROI. Other studies on CRM have covered topics like the projected market growth of the CRM industry, market share analyses of individual CRM providers, the user experience, and the ROI of CRM—but these studies tend to span multiple industries and they tend not to be law-firm specific.

There are very little data on CRM utilization at law firms. It is an industry unique from most others in that lawyers are providing the same service they are selling and spend most of their time on billable hours rather than engaging in business development and tracking relevant activities. There is also a cultural difference between law firms and other industries that engage in traditional sales in that there is more opposition to transparency and sharing contacts within law firms, making CRM an occasionally unwelcome or underutilized resource to lawyers. Perhaps that explains some of the key findings from the survey.



Key Findings

- Over a quarter of respondent firms do not use CRM at all. For the remainder, InterAction is the market leader at 57% followed by ContactEase at 18%.
- Nearly half of survey respondents reported that less than 5% of their lawyers use CRM regularly (at least once every two weeks).
- The two primary reasons for CRM underutilization are lack of accountability for use by lawyers and a general lack of technological proficiency. It is noteworthy that these factors are cultural/behavioral issues rather than problems with the CRM software.
- Comparing InterAction with the market at large, lawyers using InterAction tend to underutilize less than those in the CRM market as a whole.
- InterAction users are more likely to report high levels of data entry and complicated interfaces than ContactEase users.
- The vast majority of law firms reported that they had insufficient quantifiable data to calculate an ROI from CRM.

Read the full report for more insights and explanations into our findings. We have also included a series of best practices at the end of this white paper.



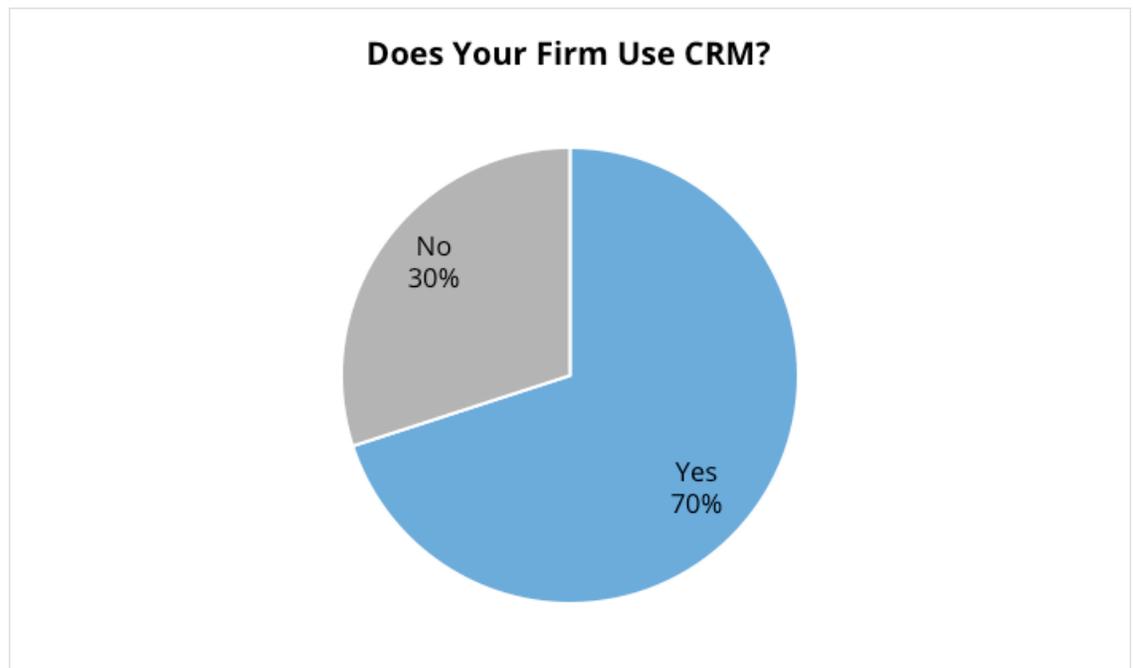
Data Analysis

The data in the following analysis were compiled via a survey sent out to over 3,000 legal marketers and business development professionals worldwide. Over 200 respondents representing 175 individual law firms provided answers to 8 questions concerning CRM utilization and ROI.

The Percentage of Firms Using CRM

The first survey question asked respondents whether or not their firm currently uses or has used some type of CRM system in the past. The results are displayed in Figure 1.

Figure 1



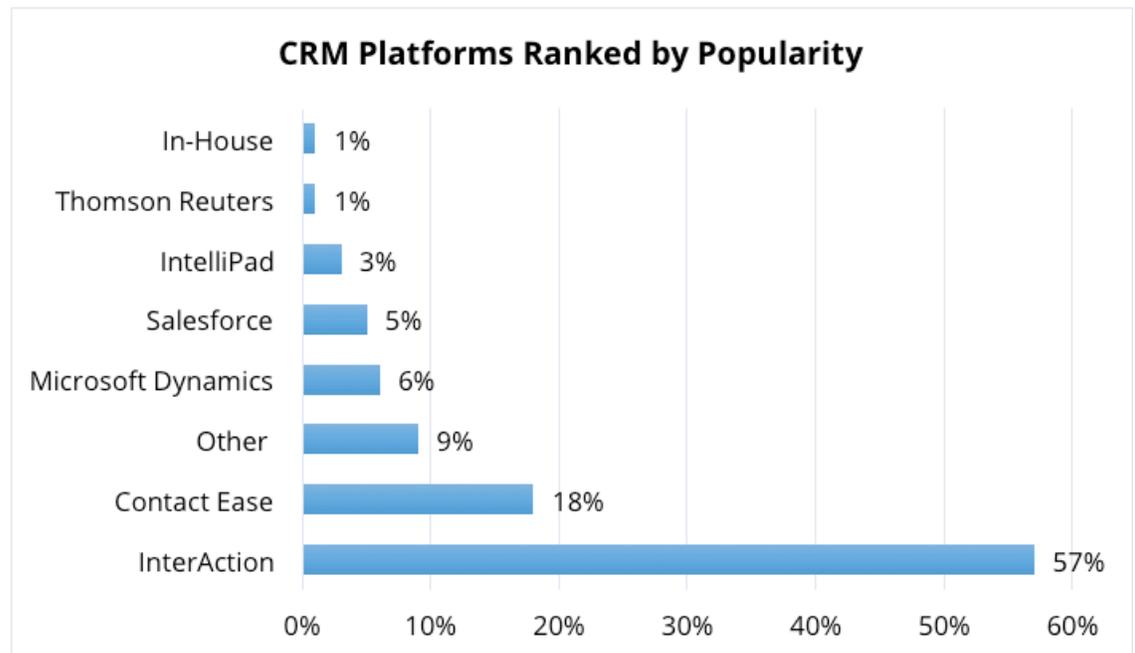
The results indicate that over a quarter of firms do not use CRM at all. A further look at the data reveal that, controlling for firm size, the vast majority of firms without CRM are on the smaller side. 97% of firms with 700 or more lawyers indicated that they utilize or have utilized CRM.



Platforms Ranked by Use in Law Firms

When it comes to choosing a CRM platform, law firms have many options. Ranging in size to large corporations like Salesforce and Microsoft to smaller and more niched legal technology companies such as Cole Valley Software (the maker of ContactEase), several companies offer varying degrees of CRM capabilities to meet the demand in the legal marketplace. Because each platform consists of unique features and design, it is important to understand which platforms are most used by the 70% of law firms utilizing CRM as a means to understand overall market preferences.

Figure II



Given that law firms may utilize more than one platform, respondents were asked to list all CRM platforms in current use. Thus, the above figures specifically indicate prevalence of a particular platform within law firms, regardless of whether it is the sole CRM platform at a specific firm.



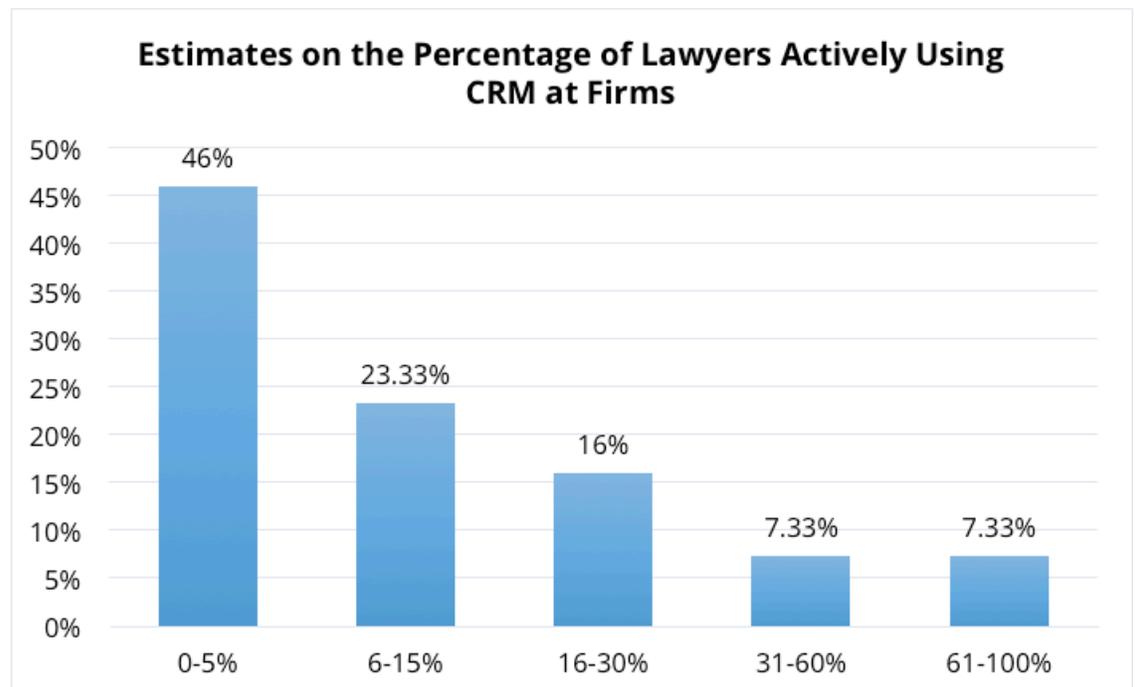
InterAction (owned by LexisNexis) is the most popular platform in the market with nearly 60% of CRM-using firms indicating usage. In second place is Cole Valley Software's ContactEase with 18% market share. Together, the two platforms are used in 75% of responding law firms.

The category of "Other" consists of various CRM platforms that, on their own, did not receive at least 1% market share. We define "In-House" as those CRM platforms that firms have built internally.

Utilization of CRM in Law Firms

To this point, the data reveal a few key insights into the nature of CRM utilization within law firms. Specifically, the data show that 70% of law firms possess a CRM platform; however, this level of entrance into the legal market reveals nothing about the nature of CRM usage. As Figure III below shows, there is good reason to distrust any supposed correlation between having CRM and using CRM.

Figure III



To understand individual firm utilization, participants were asked to estimate the percentage of lawyers at their firm who utilize CRM regularly. To define a regular amount, respondents were asked to use the benchmark of actively engaging a platform at least once every 2 weeks. For example, for a firm whose entire lawyer population uses CRM at least once every 2 weeks, the choice of “61-100%” would have been marked. Alternatively, a respondent who believes that only 25% of attorneys at her firm utilize CRM regularly would have marked “16-30%”.

Figure III does much to convey the belief that lawyers at firms with CRM do not utilize CRM regularly with 46% of survey respondents estimating that only 0-5% of attorneys at their firm actively engage CRM. Indeed, only 7% indicated that 60% or more lawyers at their firm use CRM regularly. Combined, 85% of respondents estimate that the percentage of active utilization at their firms is less than 31%.

Because the survey did not poll lawyers individually, the data in Figure III do not necessarily indicate the usage rates of the entire attorney population. Instead, they reflect the estimates of the marketers and business development staff charged with overseeing the implementation of CRM at their respective firms.

The driving force behind the assertion that many lawyers fail to actively use CRM is the definition of “active” use put forth in the survey. Selecting a metric to determine what qualifies as active is, by nature, a subjective endeavor. What may seem like regular use by one attorney may not qualify as the same to another. Further studies should be undertaken to determine the exact frequency of CRM use needed to obtain the most effective results.



Reasons for Low Utilization

With the vast majority of legal marketers and business development professionals indicating low active CRM usage rates for attorneys, it is important to understand the reasons attributed to this phenomenon. To this point, respondents were asked to choose from a list of reasons contributing to low usage rates. Multiple reasons could be selected and a write-in box was provided for participants to list reasons not explicitly stated. The results of this question are available in Figure IV below. Note that percentages added together are greater than 100. This is due to the ability to select multiple reasons.

Figure IV

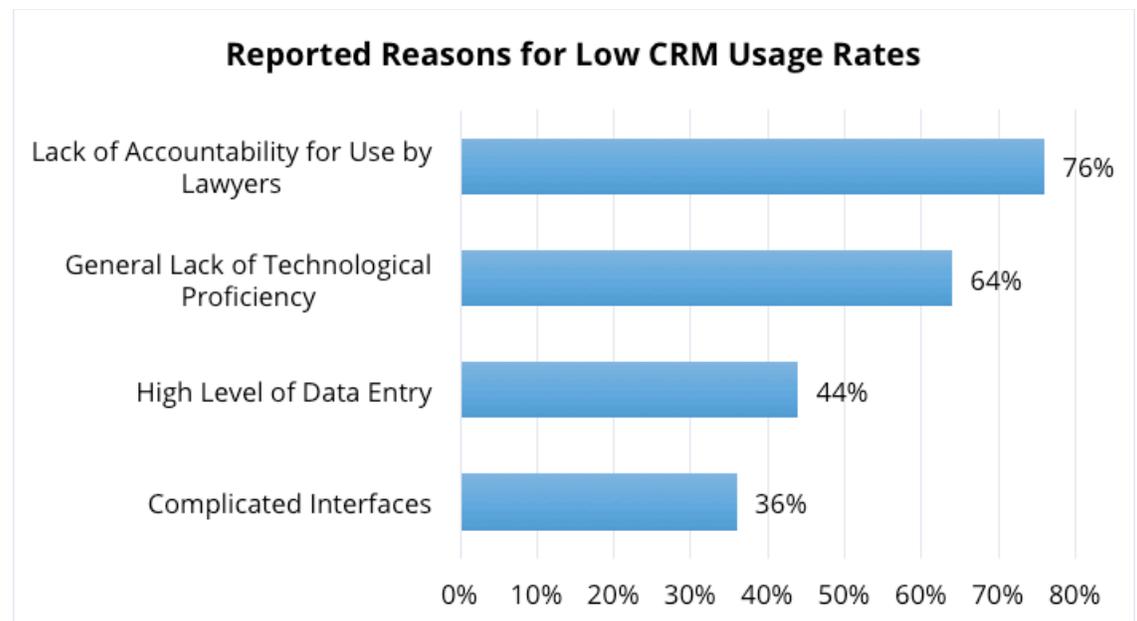


Figure IV is best analyzed by denoting the difference between attributes belonging to the specific CRM platform being used at a firm and the characteristics present internally at the firm. Specifically, “complicated interfaces” and “high level of data entry” are characteristics of the CRM software and “general lack of technological proficiency” and “lack of accountability” are attributes that are firm-specific. To put it another way, CRM providers are unable to influence firm accountability culture or



the general technological proficiency of its lawyers.

The agreement as to why lawyers don't use CRM largely points to firm culture as opposed to CRM platform design. Over three quarters of marketing and business development professionals blame lack of lawyer accountability within their firm for low usage rates among lawyers. In a close second, survey takers also list general lack of technological proficiency as a contributing factor. Again, these are factors controlled internally and are not specific to any single CRM platform.

With regard to CRM design, nearly 50% of respondents did fault their specific platform for high levels of data entry with over 25% agreeing that their platform's user interface was too complicated.

Perhaps one of the most intriguing insights is the fact that 17% of total respondents indicated that their firms do not allow lawyers to directly access their CRM. Naturally, this helps to describe the data contained in Figure III, which indicates low active usage rates among lawyers. Though not directly measured in the survey, there are likely numerous reasons (some rational and some not) for firms to deny CRM access to attorneys.

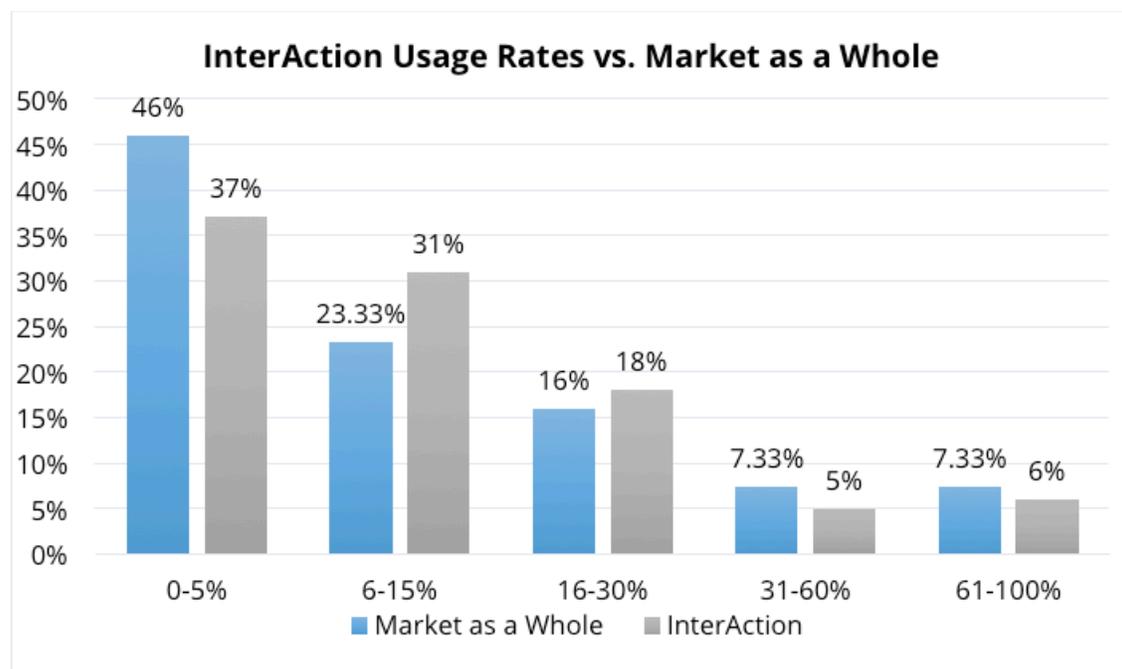
Other minor reasons listed for low utilization included lack of time, an unwillingness by lawyers to share contacts, and a lack of education provided to attorneys for proper use.

Analyzing InterAction Specifically

Given that it holds nearly 60% market share, it is useful to break down usage rates for InterAction specifically. This drill down into the data provides a useful comparison of the legal industry's most popular CRM and the market as a whole. Turning our attention back to usage rates, Figure V is a comparison between the usage rates of those firms using InterAction and the usage rates of the industry as a whole.



Figure V



Do firms using InterAction see increases in active CRM usage rates among lawyers? It is true that, while 46% of market-wide respondents estimate that less than 5% of lawyers at their firm use CRM actively, only 36% of respondents using InterAction indicated such a low percentage. Instead, marketers and business development professionals with InterAction were more likely to estimate the percent of active lawyer CRM use at their firm to be between the 6-30% mark. Thus, on average, firms using InterAction have a moderately higher percentage of active users for lower rates. However, when it comes to the range of 30% or higher, the market as a whole indicates higher utilization rates.

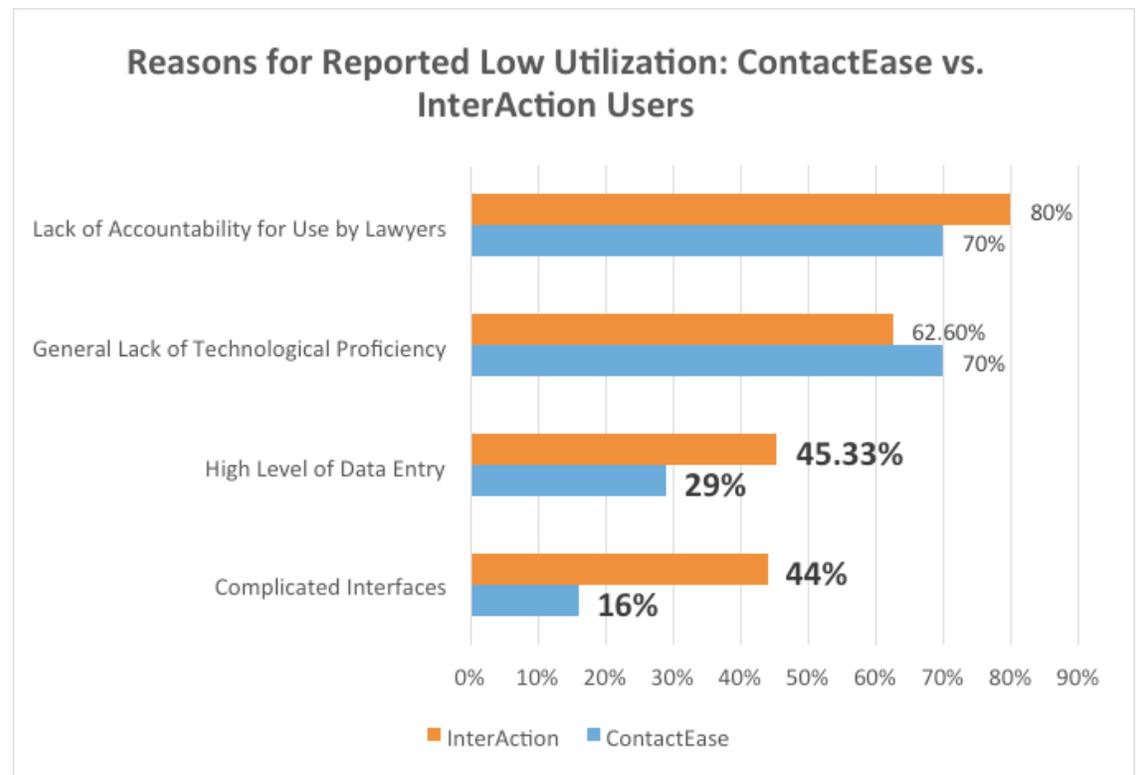
To put it another way, the data indicate that a firm using InterAction is likely to have an active user rate greater than 5%, but no more likely to have user rates higher than 30% when compared to the industry as a whole.

Another way to understand InterAction's differences is to compare the reasons behind low utilization from respondents



using ContactEase, the second most popular legal CRM platform, to the responses of just InterAction users. Figure VI compares the results of Figure IV with the answers of those firms using InterAction.

Figure VI



For the sake of analysis, we will only focus on the CRM-specific attributes for low usage. Again, lack of accountability and lack of technological proficiency are firm-specific and are not influenced by the specific CRM platform.

That being said, those respondents with InterAction at their firm are over 25% more likely to indicate complicated interfaces as a reason behind low CRM utilization at their firms when compared to those respondents with ContactEase. This should not be taken to mean that marketing and business development professionals believe that InterAction's interface is more complicated than ContactEase's in direct comparison. To gather information such as this, respondents who have used both would need to be asked



which one is more complicated. Rather, the data in Figure VI measure survey takers' impression of their own CRM platform, and it happens to be the case that those using InterAction, on average, are more likely to label its interface as complicated compared to those using ContactEase.

A Question of ROI

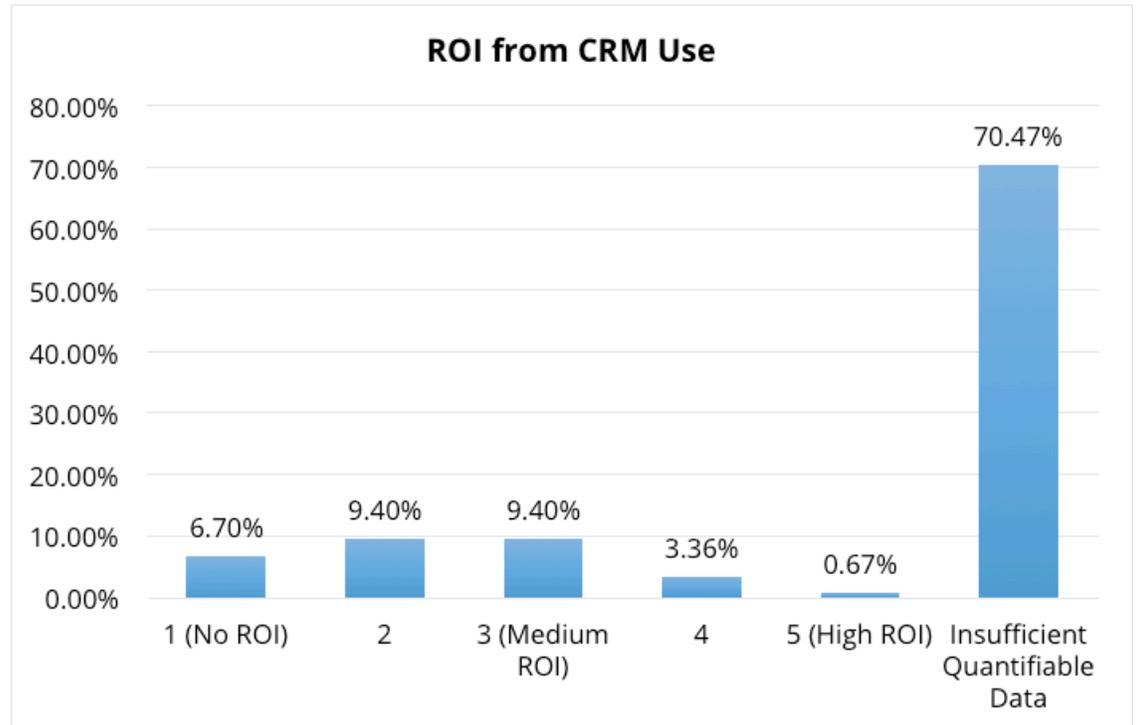
Understanding usage rates alone does not complete the process of understanding the nature of CRM in American law firms. To do this, we must not only understand how lawyers are using CRM, but also how effective CRM use is to the overall objectives of the firm.

Like any investment made in the way of business development or marketing, CRM is only as good as the ultimate return that it garners for the firm. The vast majority of CRM platforms entail costly purchases of the actual platform as well as the training needed to use it correctly. When fully implemented, combined costs can swell to well over six figures.

As it turns out, however, most firms are in a poor position to effectively measure the ROI attributed to CRM. One of the last questions in the survey asked participants to rank, using a scale from 1 to 5, the level of **quantifiable** ROI their firm's CRM has brought forth. An option was also provided for those firms without sufficient data to effectively assess the question ROI.



Figure VII



The vast majority of firms indicated that they lack sufficient quantifiable data to determine whether their investment in a CRM platform has led to a measurable return. Particular emphasis was put on quantifiable data due to the oftentimes subjective nature used by marketing and business development staff when it comes to measuring ROI for various initiatives. It is the firm belief of this paper's authors that soft, anecdotal assessment metrics are unable to compare with more objective data indicators such as originations, new matters opened, and total revenue figures. And given the significant investment needed to fully implement a CRM initiative, the lack of objective quantifiable data tracking is cause for concern.



Conclusion

These survey findings indicate that, though most firms have a CRM platform, usage rates by lawyers are very low. Reasons behind low utilization were primarily problems with firm culture (e.g., lack of accountability for use or lack of technological proficiency) rather than problems with the CRM itself (e.g., high level of data entry or complicated interface).

When we compared the utilization rates of InterAction versus those of the market at large, we found that there are more firms with low utilization rates in the market-wide group than the InterAction group. In other words, lawyers using InterAction tend to underachieve less than lawyers in the market as a whole.

Comparing the two market leaders, InterAction and ContactEase, we found that respondents using InterAction were more likely to report high levels of data entry and complicated interfaces than ContactEase users.

Despite the significant investment needed to fully implement a CRM initiative, the vast majority of law firms reported that they had insufficient quantifiable data to calculate an ROI from CRM.



Best Practices

In light of this conclusion, we offer a set of best practices on how to choose the right CRM platform for your firm, promote higher CRM utilization, and track quantifiable data in order to calculate an ROI. These recommendations are based on over 15 years of experience working with law firms worldwide:

1. Select the right CRM for your needs. If you want your lawyers to use CRM on a regular basis, select a platform with lower reported data entry and a less complicated interface (e.g., ContactEase or even simpler pipeline management tools). If your lawyers are more comfortable with the market leader, InterAction may be a better fit.

2. Provide more training. Some firms provide CRM training during the roll-out process but this is clearly insufficient given lawyer adoption rates. It is our recommendation that firms provide regular training sessions so that lawyers have multiple opportunities to become comfortable with the software and to understand why CRM utilization is important to the firm's growth.

3. Address the human element. The primary reasons for CRM underutilization have to do with human behavior, namely lack of accountability and lack of technological proficiency. To offset these problems, implement initiatives that support the lawyers at your firm in their use of CRM. Incorporate accountability structures such as monthly meetings with business development managers or coaches.

4. Identify quantitative means to correlate ROI to your CRM. You cannot change what you do not measure, so keep track of metrics such as originations, new matters opened, and total revenue figures. If you have not yet implemented a CRM initiative but plan to, set a baseline using these metrics *before* you invest so that you can calculate the change after implementing CRM.



Best Practices (*continued*)

5. Reward the adopters. Since all CRM platforms provide the ability to run utilization reports, acknowledge the lawyers who use the platform regularly. Once their colleagues see that the adopters are being publicly recognized by firm leadership, they will be less likely to disregard the firm's CRM.

6. Exercise patience. Remember that CRM is still a relatively new sales tool at most law firms and that most lawyers do not think of themselves as salespeople. Our industry is slow to embrace new ideas, but the younger generation of lawyers have a greater appreciation for technology and the value of entrepreneurship than their predecessors.



About the Authors

David Ackert is the President of The Ackert Advisory, a business development coaching and training firm with law firm clients from throughout North America. Widely recognized as a pioneer in the intersection of business development coaching and technology, David is the founder of Practice Pipeline, a pipeline management software platform that integrates technology with peer-group coaching to make service professionals' business development pursuits more effective. He is also the founder of Practice Boomers, a BD training program that integrates e-learning with group coaching to generate consistently measurable ROI to law firms.

Gabriel Byberg has worked with several economists in both academic and corporate settings on projects ranging from applied research in the field of renewable resource integration to the development of economic models depicting business development behavior in service firms. His work has been quoted and published in numerous industry publications, including two prior white papers. He earned his BA in Economics from Pomona College with a special emphasis in data modeling and econometric analysis.

Olivia Cowenhoven has worked in multiple industries on diverse projects including environmental policy change advocacy, calculating greenhouse gas emissions and carbon offsets in large-scale systems, data trend reporting in the financial services sector, and numerous initiatives in the SaaS industry. Her work has been published in various publications, including Strategies magazine. She graduated Cum Laude from the University of Connecticut with a BS in Environmental Science.

