2023 State of CRM at Law Firms Industry Report

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Foreword

While we've noted previously that the CRM industry has been undergoing rapid growth and major change outside of law firms, this year's State of CRM at Law Firms Industry Report shows that within our industry, there is nothing more constant than the status quo.

New providers have entered the vertical market with CRM technology purpose-built for law firms and new interfaces and features designed to enhance user experience and value, but Marketing/BD professionals at top firms surveyed still report that lawyers are not using the systems to their advantage… and many are still not using the systems at all.

The reasons for lack of system use by professionals has also remained pretty consistent over the years:

- Lack of perceived system value
- Lack of accountability for using the system
- Too much data entry required
- Failure to prioritize business development efforts and tracking

And of course…

- Not enough hours in the day

The fact remains that lawyers are not adopting CRM systems or perceiving value from the technology even despite advances in the technology such as:

- Verticalized interfaces designed specifically for the way lawyers work
- Cloud technology making systems easier and quicker to implement
- Added ERM technology to automate contact capture and relationship scoring
- Pipeline software to facilitate tracking BD activities and opportunities and forecast revenue
- Mobile apps to provide access to CRM data on the go
- Integrations to minimize data entry and improve reporting

But this doesn't mean that CRM systems don't or can't provide value to law firms. This is confirmed by the fact almost all firms surveyed had purchased a CRM - and more firms than ever are in the process of evaluating and selecting new systems and making additional investments in the technology. So, on some level, lawyers do believe in the inherent value of CRM. It's just that individual lawyers don't seem to feel like they are getting real ROI.

Consider that one measure of ROI is perceived value relative to perceived costs. In a law firm, where time is money - literally - any lawyer time required is a cost. This is why some firms are attempting to redefine the measure of CRM value. Instead of defining value by lawyers being required to 'use' the system and/or put data into it – which is perhaps not the best use of their limited (and expensive) time – these firms are finding ways to actually minimize the time lawyers need to spend in the system by:

- Automating contact and relationship capture to minimize lawyer effort
- Facilitating list creation based on key segmentation data
- Enhancing system data with information from feeds of news, business and industry data
- Creating and delivering custom reports to meet the unique needs of groups and individual lawyers
- Building dashboards to provide quick, easy access to relevant information
- Utilizing support teams to provide them with targeted information

In this new paradigm, CRM value – and success – will ultimately be defined not by lawyers putting data into the system but instead by lawyers getting value out of the system. Perhaps with this new definition of CRM success, we can look forward to improving survey results in the future.

About the Author

As a CRM Success Consultant and the Founder of CLIENTSFirst Consulting, Chris Fritsch and her team help firms choose and implement the right marketing technology solutions to support their business development efforts, enhance value and maximize return on investment. She also writes and speaks nationally on law firm marketing and business development technology. Her areas of expertise include CRM, data quality and utilizing technology to strengthen client relationships.

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Executive Summary

In November 2022, Ackert Inc. conducted the second installment of its market-wide study on Client Relationship Management (CRM) software utilization in Professional Services firms and its seventh study on CRM in law firms. This white paper is a continuation of similar studies on law firms exclusively conducted since 2015. It examines trends in CRM use based on the responses of marketing/BD professionals at 71 U.S. law firms.

Key Findings:

More than eight out of 10 law firms have a CRM platform.

Fewer than four out of 10 lawyers use CRM at law firms.

Fewer than two of 10 law firms rate their CRM as highly effective for pipeline management.

Of the lawyers who use CRM at law firms, only about 1 in 10 use it regularly for sales pipeline management.

Nearly 45% of lawyers at law firms use Excel spreadsheets instead of CRM for sales pipeline management and nearly a third have no identifiable system.

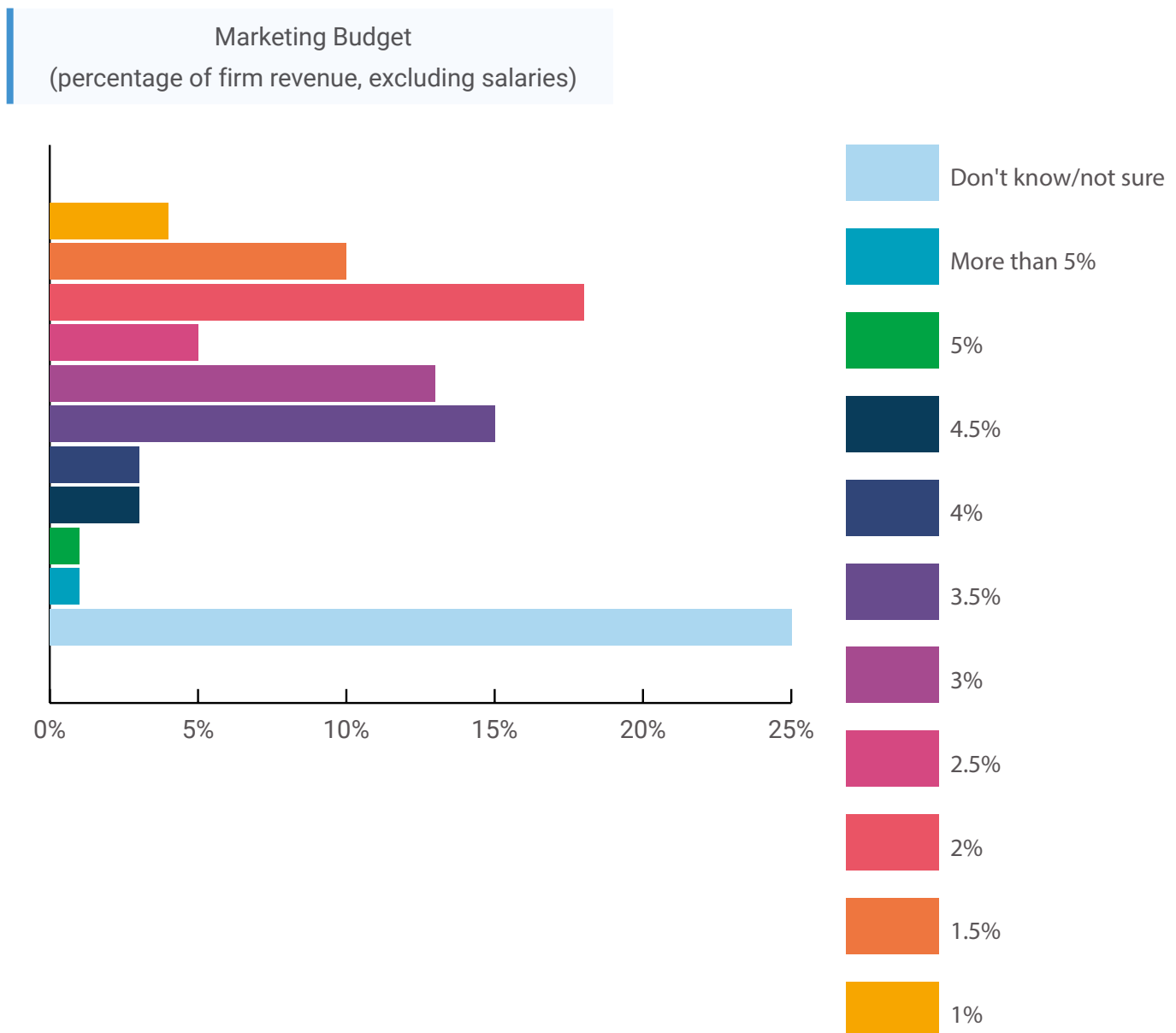Lawyers face no accountability for using CRM at more than half of law firms.

Nearly one-quarter of marketing/BD professionals at law firms cites lawyers not prioritizing BD enough as their firms' biggest BD challenge.

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Marketing Budget

We asked respondents to quantify the size of their marketing budgets as a percentage of law firm revenue, excluding salaries. The response to this question indicates whether a firm can afford or how much of an investment it can make in CRM.

The greatest number of law firms (18%) have marketing budgets of 2%. More than six out of 10 firms have marketing budgets between 1.5% and 3.5 %.
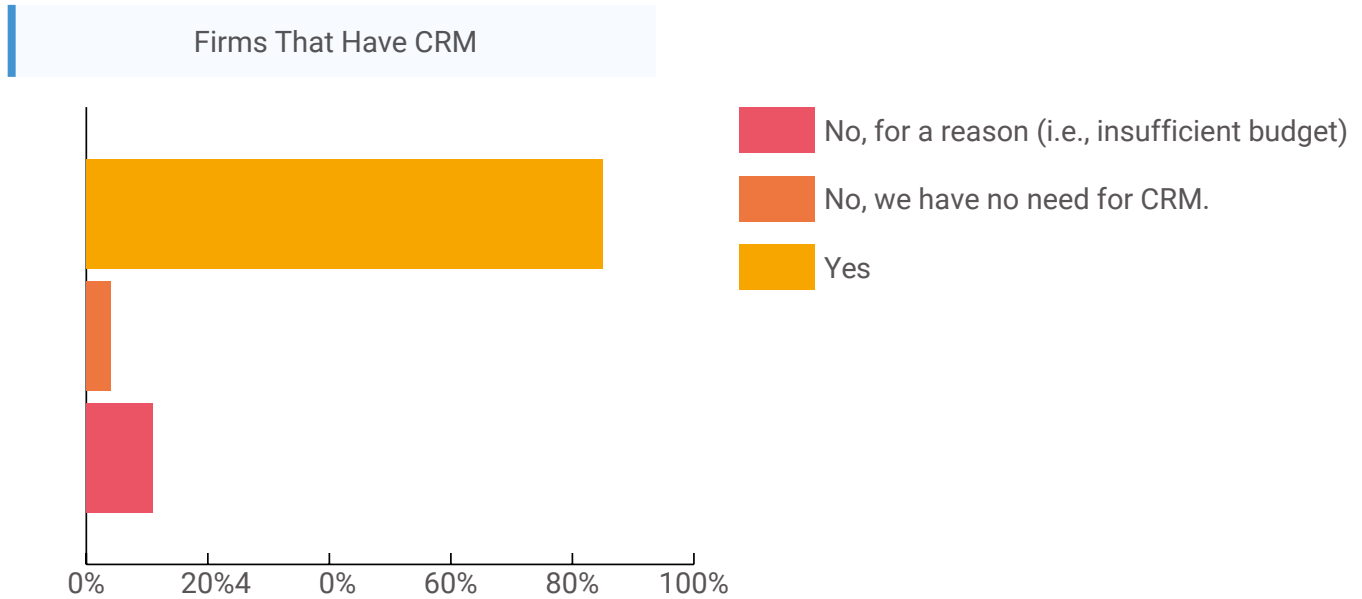
Interestingly, the response chosen by the largest percentage of law firms (26%) is that the marketing/BD professionals do not know or are unsure of their firm's marketing budget.

Marketing Budget
(percentage of firm revenue, excluding salaries)

Legend:
- Don't know/not sure
- More than 5%
- 5%
- 4.5%
- 4%
- 3.5%
- 3%
- 2.5%
- 2%
- 1.5%
- 1%

How Many Law Firms Have CRM

According to respondents, more than eight of 10 (85%) law firms have CRM.

Just 4% of law firms say they don't have CRM because they don't need it. The 11% of firms who don't have CRM for a particular reason cite reasons such as no buy-in, insufficient budget and time, and inability to find a CRM suitable for law firms.

Firms That Have CRM

Legend:
- No, for a reason (i.e., insufficient budget)
- No, we have no need for CRM.
- Yes

X-axis: 0% 20%4 0% 60% 80% 100%

The Types of CRMs Law Firms Have

The majority of law firms report that they have InterAction, and the second-most cited platform is ContactEase. The industry-agnostic CRM HubSpot is cited by the third highest number of law firms.

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How Much Law Firms Spend on CRM

When asked how much their law firms spend on CRM in a typical year, 23% marketing/BD professionals report that their firms spend between $75,000 and $150,00 USD, and the second highest percentage (18%) spend less than $10,000. Just slightly fewer law firms (15%) spend $25,000-$75,000.

Interestingly, marketing/BD professionals at 15% of firms report not knowing or being unsure of what their firm's marketing budget is, the highest percentage among all firm types researched for our 2023 State of CRM in Professional Service Firms industry report (law, accounting, financial advisory, consulting and engineering). This number was notably lower in our last study, where only 10% of our law firm respondents reported they were unsure of their budget for CRM.

How Much Firms Spend on CRM
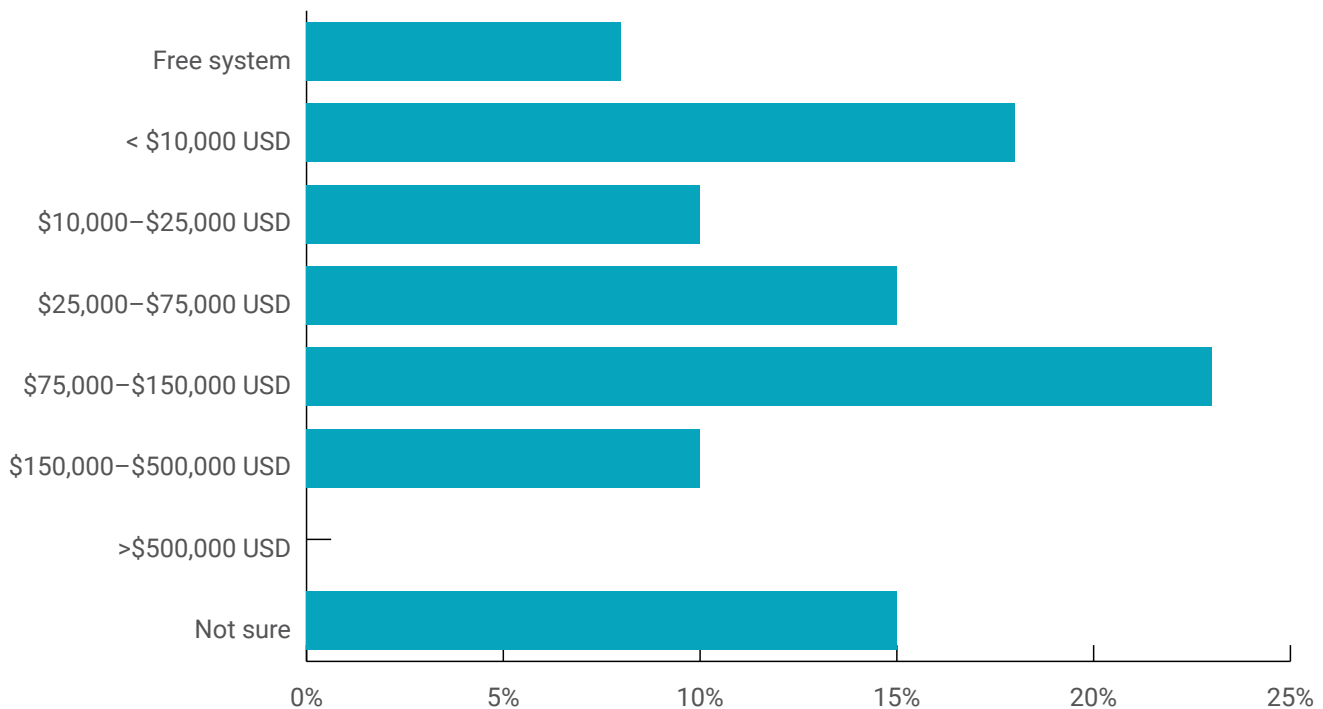
Are CRMs Cloud-based or On-premises at Law Firms

We then asked whether law firms' CRMs are cloud-based or on-premises. More than six out of 10 firms (61%) report using a cloud-based CRM, and 41% report they use an on-premises CRM, indicating that very few firms have both a cloud-based and on-premises CRM platform.

When we compared Professional Service firm types in the industry-wide study mentioned above, law firms report having the lowest percentage of cloud-based solutions. Historically, in other professional services verticals, 80% of firms reported having cloud-based solutions and 29% reported having on-premises solutions.

Cloud-based

On-premises

0%   10%   20%   30%   40%   50%   60%   70%   80%
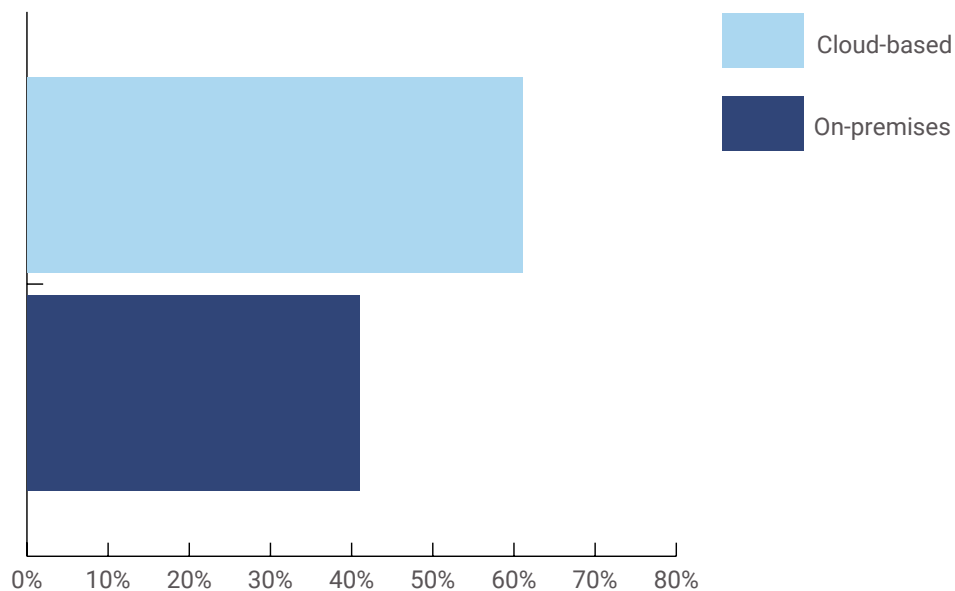
The Effectiveness of CRM for Key Marketing/ BD Functions

We then asked respondents to rate the effectiveness of their CRM solution on a scale of 1-5 (1 being very ineffective and 5 being highly effective) for each of 10 essential marketing/BD functions.

21% of law firms rate their CRM at four out of five across functions and just slightly fewer (18%) rate their CRM at three/moderately effective.

> CRM Effectiveness for Marketing/BD Functions
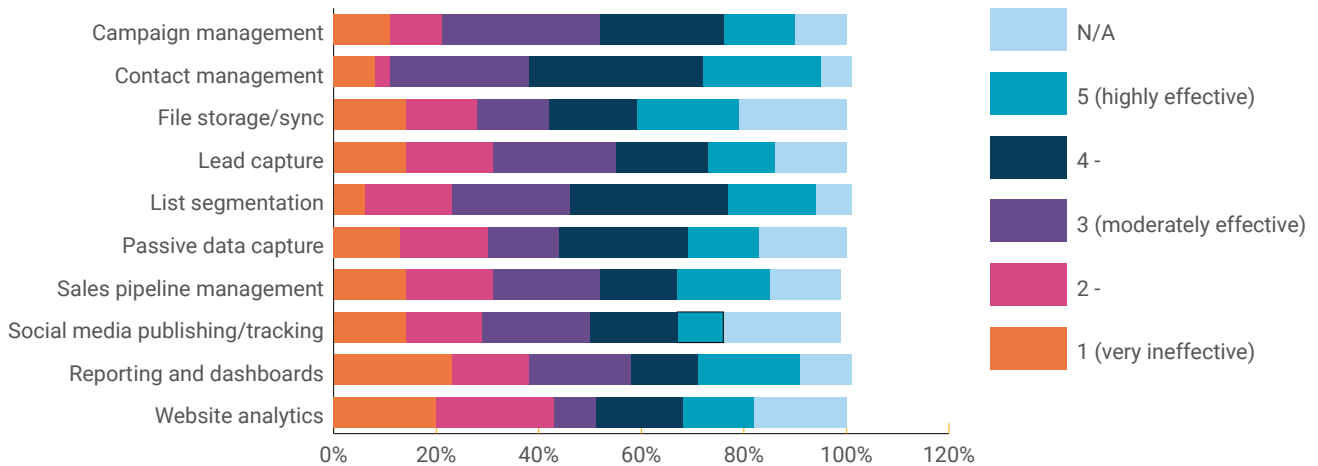
The function for which the highest percentage of law firms rate their CRM highly effective is contact management (23%) and the function that the lowest percentage of firms rate highly effective is social media publishing/tracking (10%). The highest percentage of firms rated their CRM highly effective for contact management (25%) in our last study as well.

The function for which the highest percentage of firms rate their CRM very ineffective is reporting and dashboards (23%) and the function for which the lowest percentage of firms rate their CRM very ineffective is list segmentation (6%).
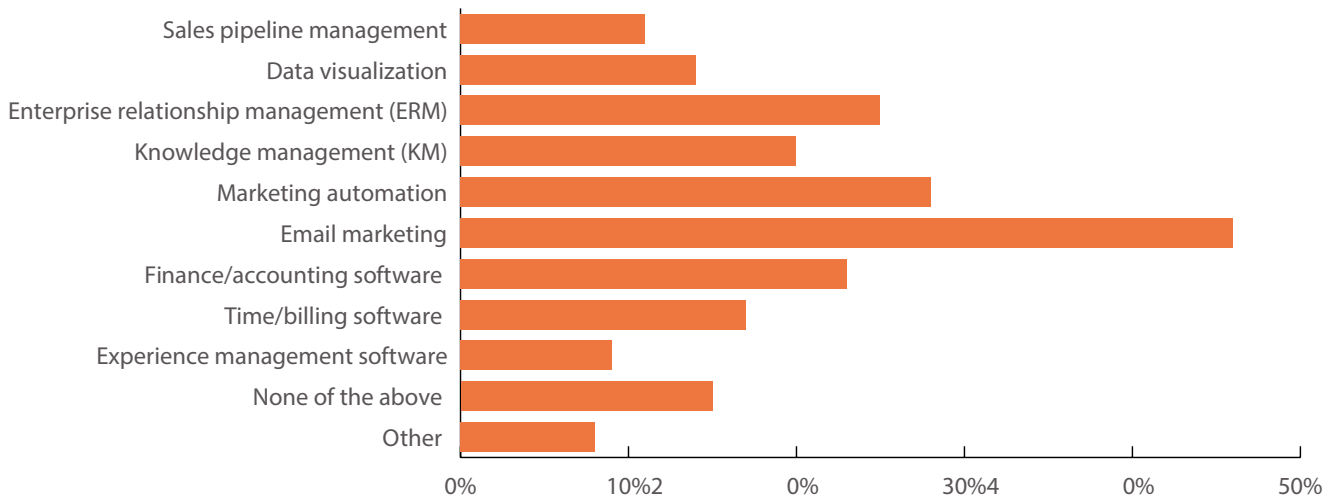
When rating their CRM on its effectiveness for sales pipeline management, the highest percentage of law firms rate it moderately effective (23%).

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CRM Platform Integrations

Of nine types of CRM software integrations, the highest percentage of law firms (46%) integrate their email marketing with their CRM platforms. The next most popular integrations are with marketing automation (28%), followed by Enterprise Relationship Management/ERM (25%).

Of the nine types of integrations, the fewest law firms integrate their CRMs with experience management software (7%).

CRM Platform Integrations

Horizontal bar chart showing CRM Platform Integrations with the following categories (top to bottom): Sales pipeline management, Data visualization, Enterprise relationship management (ERM), Knowledge management (KM), Marketing automation, Email marketing, Finance/accounting software, Time/billing software, Experience management software, None of the above, Other. X-axis labeled 0%, 10%, 2, 0%, 30%, 4, 0%, 50%.
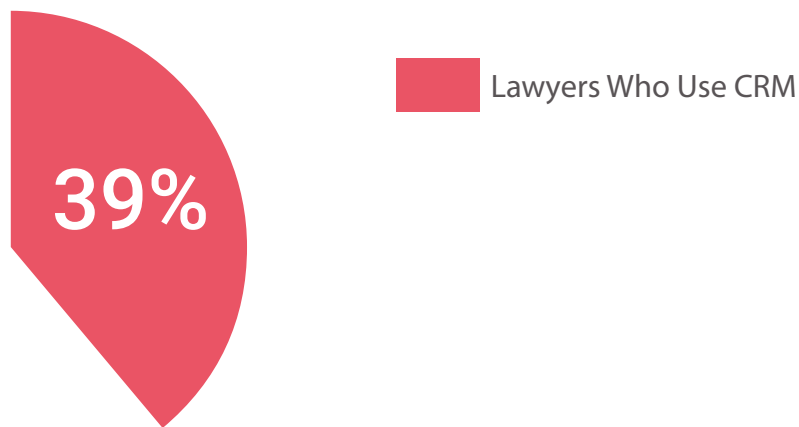
How Many Lawyers Use CRM

We asked respondents what percentage of lawyers use CRM in their firms. Results reveal that lawyers use CRM at fewer than four out 10 law firms (39%)

Comparing firm types in our industry-wide study, we find law firms represent the lowest percentage of timekeeper CRM users across Professional Service firms.

39%

■ Lawyers Who Use CRM

How Lawyers Use CRM for Sales Pipeline Management

Next, the survey asked how many lawyers use CRM regularly for sales pipeline management - defined as at least once every two weeks. According to respondents, just slightly more than one in 10 lawyers (11%) who use CRM use it regularly for pipeline management.

Once again, comparing firm types, lawyers represent the lowest percentage of timekeepers who use CRM regularly to track BD activities.

11%

■ Lawyers Who Use CRM

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CRM Adoption Challenges

So why do nearly three-quarter of lawyers who use CRM at their firms not use it regularly for sales pipeline management? We asked law firm marketing/BD professionals, for those lawyers who don't regularly use CRM for BD at their firms, what are the top three contributors to low adoption.

For lawyers, the top three challenges to CRM adoption are lack of time (46%), no requirement to use it (44%), and a tie between high level of data entry and they don't understand/care about CRM's value to the firm (both 41%). In our last study, the highest percentage of firms reported lack of time (also 46%), followed by high level of data entry CRMs require (43%).

CRM Adoption Challenges
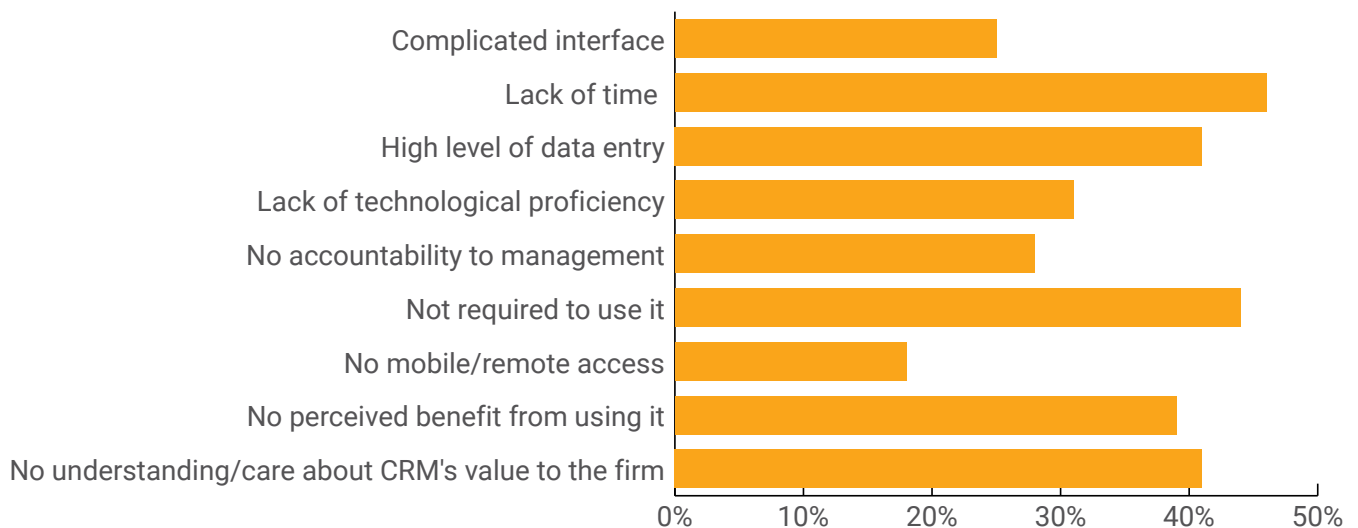
The CRM adoption challenge for lawyers marketing/BD professionals cite the least is no mobile/remote access (18%).

What Lawyers Who Don't Use CRM for Sales Pipeline Management Use Instead

Now we know some of the top challenges that explain why many lawyers who use CRM don't use it regularly for sales pipeline management. Next, we asked what they use instead.

Marketing/BD professionals report that more than four out of 10 lawyers (44%) use Excel spreadsheets, followed closely by paper notes (42%) and Outlook reminders (41%) instead of CRM for sales pipeline management. In our last study, respondents reported that the highest percentages of lawyers used Excel spreadsheets (51%), Word documents (46%) and Outlook reminders (39%).

What Lawyers Use Instead for Pipeline Management
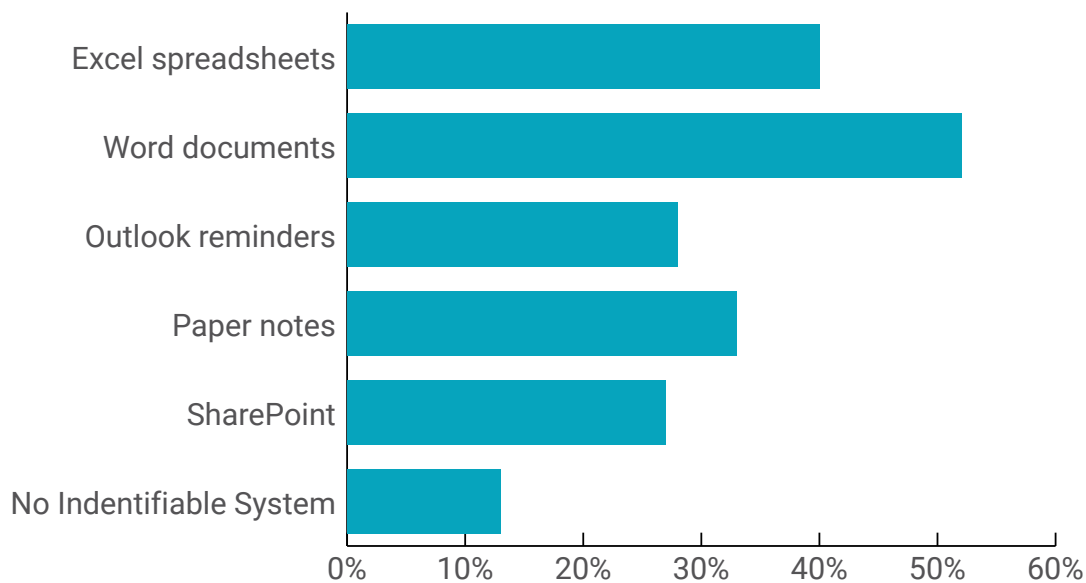
Less popular, but still frequently utilized methods of sales pipeline management by lawyers include Word documents (39%) and SharePoint (18%).

Notably 31% of law firm marketing/BD professionals report that lawyers at their firm have no identifiable way of managing their pipelines. That is about 10% more than reported the same in our last survey.

Lawyers' Accountability for Using CRM

Lack of accountability to management for regularly using CRM for sales pipeline management was one of the factors we asked about in the earlier question about lawyers' CRM adoption challenges. The responses to that question show that lack of accountability to management was considered a top three concern at 28% of law firms.

In the next question, we dig a little deeper into the topic by asking marketing/BD professionals what level of accountability lawyers at their firms are held to for using CRM regularly for sales pipeline management. Respondents share that lawyers at a large majority of law firms face no accountability (56%), the highest of all firm types surveyed in our 2023 State of CRM in Professional Services industry study. In our last survey, respondents reported that lawyers faced little to no accountability at 30% of firms.

### Accountability Lawyers Face for Using CRM
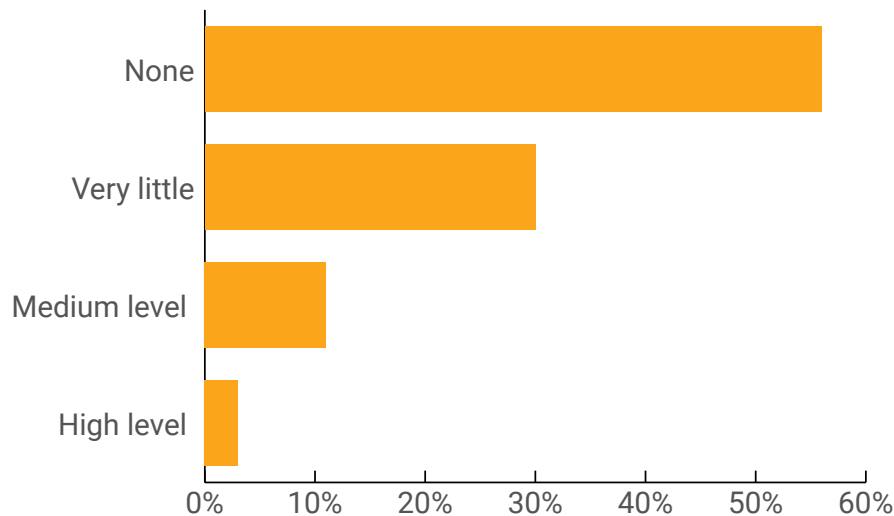
Lawyers face very little accountability at 30% of firms and a medium level at 11% of firms. Lawyers face a high level of accountability for using CRM at just 3% of law firms.

What Law Firms Use to Support CRM Implementation

Adoption of new technology of any type can be challenging and the support – or lack thereof – provided would-be users can make or break adoption success. We asked marketing/BD professionals what their firms use to support CRM implementation and who provides each service.

According to respondents, the highest percentage of law firms (39%) use initial training/onboarding services by their CRM provider, and the second highest is a tie between ongoing training provided by internal marketing/BD teams and user adoption initiatives provided by internal marketing/BD teams (both 27%). This is followed closely by data quality management, also provided by internal marketing/BD teams (25%).

What and Who Firms Use to Support CRM Implementation
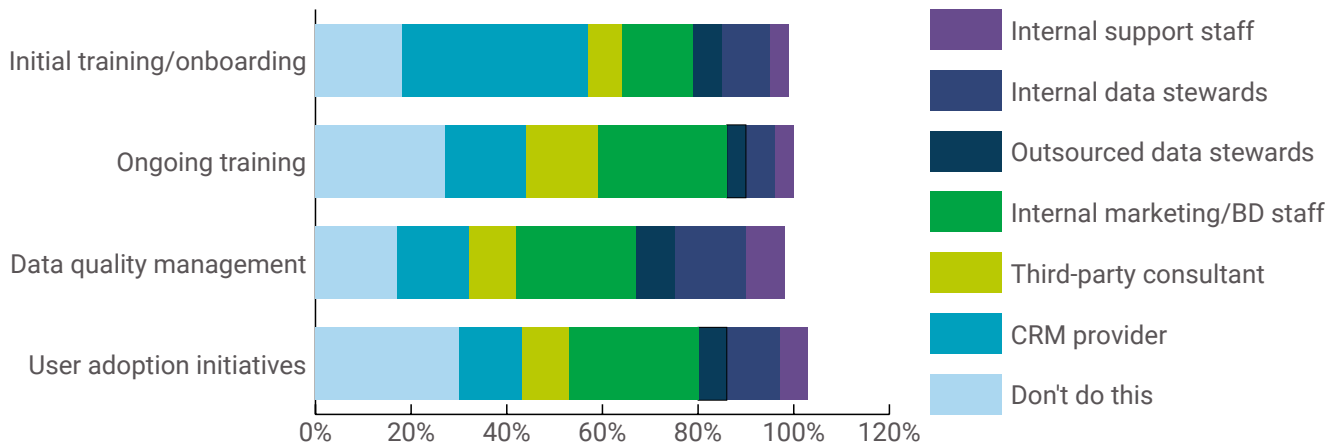
A significant 30% of respondents report that their law firms don't provide CRM user adoption initiatives to lawyers and 27% don't provide on-going training. In our last survey, respondents at fewer than 10% firms reported not providing initial training/boarding and not providing on-going training.

Comparing types of firms in our industry-wide study, we find that a higher percentage of law firms rely on their internal marketing/BD staff for user adoption initiatives than any other firm type.

Tools and Initiatives Law Firms Use to Increase CRM Adoption

In addition to providing support services when CRM solutions are implemented, law firms have additional resources at their disposal to help maximize user adoption. We asked marketing/BD professionals what tools and initiatives they use at their firms to increase CRM adoption.

The highest percentage of law firms (44%) use marketing/BD teams to update their CRM on behalf of lawyers. This is an increase from 35% reported in our last study. The number two and three CRM user adoption tools or initiatives law firms use are internal BD coaching (30%) and regular encouragement from the marketing/BD team managers for lawyers to use CRM (28%).

Lawyer CRM Adoption Tools and Initiatives
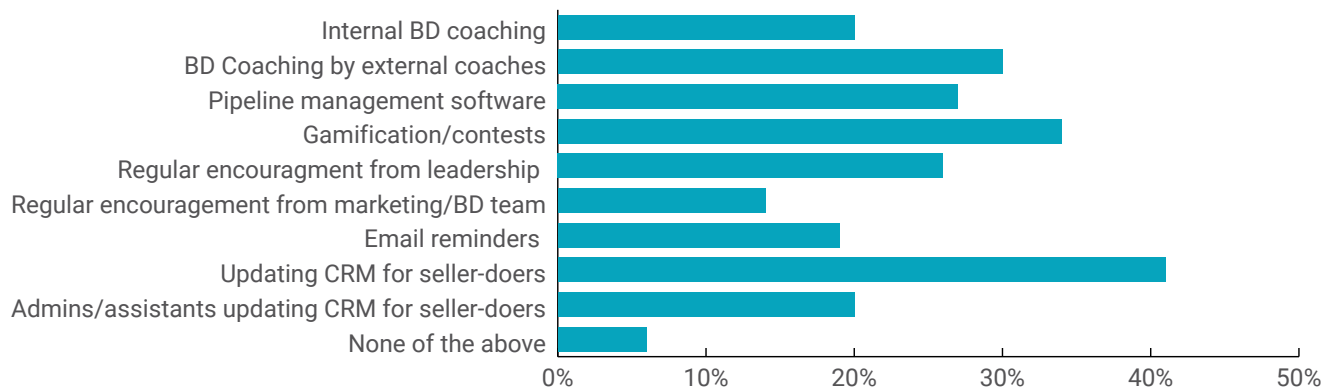
The CRM user adoption tool or initiative the smallest percentage of law firms use is gamification/contests for lawyers (10%). Fifteen percent of law firms use no initiatives to increase CRM user adoption.

It's interesting to note that our industry-wide industry report reveals that while gamification/contests for seller-doers to increase CRM adoption is a top three initiative at financial advisory (52%), engineering (45%), accounting (43%), and consulting (30%) firms, it is used by far the fewest law firms.

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Quantifiable ROI CRM Delivers

Having in-depth responses about how effective CRM is for several marketing/BD functions, how many lawyers use it, how many of them use it regularly for business development, as well as the CRM implementation and adoption services, tools, and initiatives marketing and BD professionals use, we asked about the level of quantifiable ROI CRM delivers for their law firms.

Quantifiable ROI CRM Delivers

- 4 (high)
- 3 (medium)
- 2 (little)
- 1 (none)
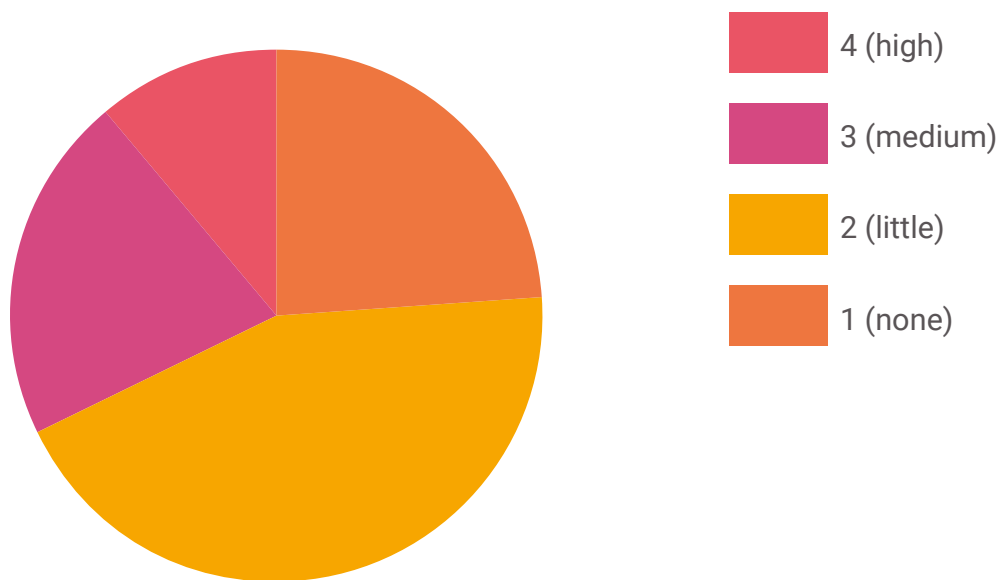
Marketing/BD professionals at law firms report that CRM delivers little (44%) to no ROI (24%) to their firms. Very few report it delivers a high level (11%) of ROI, down from 15% reported in our last study.

Comparing firm types in the Professional Industry report, the largest percentage of law firms report their CRM provides little to no ROI.

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Law Firms' Biggest Business Development Challenges

Finally, we asked marketing/BD professionals at law firms to select their biggest business development challenge.

According to responses, the biggest BD challenge overall is that lawyers don't prioritize business development enough (24%), the same number one challenge reported in our last study. The second and third highest percentages of law firm marketing/BD professionals cite the lack of a strong BD culture at their firms (15%) and lack of coaching to make lawyers efficient at and accountable for business development (14%).

Law Firms' Biggest BD Challenges
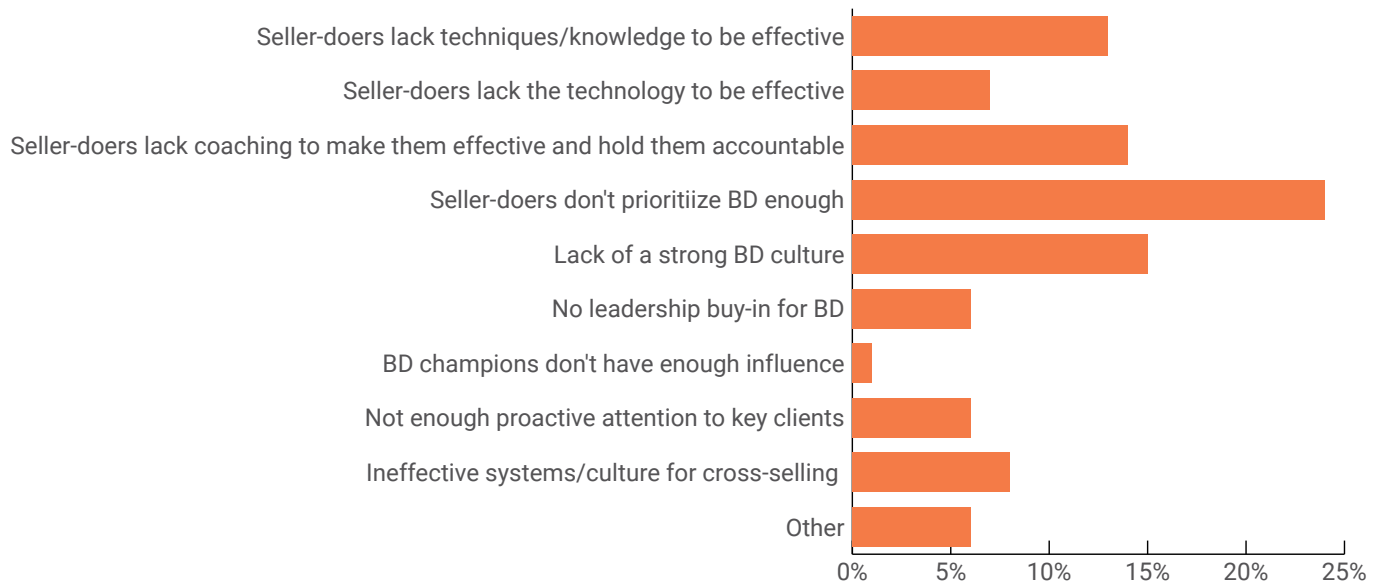
The least cited BD challenge is that BD champions at law firm don't have enough influence, which is identified at just 1% of law firms. Notably, marketing/BD professionals at only 7% of firms cite lawyers' lack of technology to be effective as a top BD challenge.

In our industry-wide study, the responses for firms' top BD challenge being ineffective systems/culture for cross-selling, while the least cited challenge overall, are notable. Nearly one in 10 law firms cite it (8%), while only 5% of financial advisory firms, and 2% of consulting firms. No accounting or engineering firms cite it as a top challenge.

Conclusion

2023 brings many of the same challenges that law firms faced in 2022, like ever-changing hybrid work arrangements and talent shortages. Added to the mix are three exacerbating factors: a decrease in client demand driven by an uncertain economic forecast, the ever-increasing array of technologies vying for market share, and the usual reticence to engage seriously in any endeavor that may come across as "salesey." In the wake of these challenges, law firms must find ways to motivate busy, client-focused lawyers to consistently and effectively manage their sales pipelines. In the 2023 State of CRM industry report, we explore the perspective of marketing/BD professionals from more than 70 US firms as they seek to navigate these business development headwinds.

At the core of our annual research is finding out whether CRM is effective for law firms, especially when it comes to business development. We view CRM as one of the byproducts of a law firm's business development maturity and its willingness to put effective technology, systems, and operational structures in place to optimize its sales function. Our research shows that more than 80% of law firms have a CRM solution, but only 20% rate their CRM as "effective" across critical marketing/BD functions, and just slightly fewer rate their CRM as "moderately effective."

It's interesting to note that comparing responses by firm types (law, accounting, financial advisory, consulting, and engineering) in our 2023 State of CRM in Professional Services Firms industry study, law firms rank CRM the lowest in terms of effectiveness in multiple marketing/BD functions.
Of course, for CRM to be highly effective for BD at law firms, it must be consistently utilized by lawyers to manage their pipelines. This year's results reveal that fewer than 4 out of 10 lawyers at firms use CRM at all, and of them, only slightly more than one-quarter use it regularly for sales pipeline management.

So, what are lawyers' main challenges regarding CRM adoption?
1. Lack of time
2. No requirement to use it
3. High level of data entry
4. Lawyers' lack of understanding/care about CRM's value to the firm

It is notable that a significant percentage of professionals from law firms cite lawyers not being required to use CRM as a key factor contributing to low adoption.

An additional adoption challenge is a lack of technology integrations. In the words of one of our marketing/BD professional respondents, "We are seven years into our CRM with little to no integration improvements. We'll likely be searching for a more integrated tool in the near future that will hopefully

address our issues."

Whether they use CRM for sales pipeline management or not, lawyers must somehow manage their BD efforts. This year's research shows that more than four out of 10 lawyers still use Excel spreadsheets, paper notes, and Outlook reminders for sales pipeline management. The fact that these disconnected, old-school methods are preferable to CRM demonstrates that firms have a long way to go to help lawyers understand how using a Customer Relationship Management tool benefits its lawyers.

In our 20+ years of experience introducing BD technology into law firms, we've found that if leadership does not play a role in driving adoption, lawyers will not use it of their own accord. Delving a little deeper into the issue of accountability, we asked firms to identify the level of accountability lawyers are held to for using CRM.

To us, it was not surprising to learn that lack of accountability for using CRM is a top challenge by three out of 10 firms, yet marketing/BD professionals claim that lawyers are held to little or no accountability at nearly two-thirds of law firms. While most law firm leaders would agree that an organized, synchronized approach to business development is important, few are willing to use their social capital to introduce accountability measures that would improve lawyer CRM user adoption.

Turning to what law firms do to provide to support CRM implementation and who provides it, respondents reveal that the most significant percentage of firms use initial training/onboarding services by their CRM provider, and the second largest percentage use either ongoing training or user adoption initiatives provided by internal marketing/BD teams.

But adoption efforts don't end after CRM implementation. The survey asked what tools and initiatives BD/marketing professionals use to increase user adoption. The top three tools and initiatives firms use to boost lawyers' CRM adoption are:

1. Marketing/BD professionals updating their CRM on behalf of lawyers
2. BD coaching by internal coaches
3. Regular encouragement from the marketing/BD team

The CRM user adoption tool or initiative the smallest percentage of firms uses is gamification/contests for lawyers.

Despite the low percentage of lawyers who use CRM for sales pipeline management, we wanted to know what level of ROI marketing/BD professionals get from the CRM.

Overall, marketing/BD professionals at more than four out of 10 law firms report that CRM delivers little ROI to their firms. The second highest percentage of firms say their CRM delivers no ROI. Since over 80% of law firms have CRM, it is clearly deemed a valuable technology, so it's important to analyze firms that report little to no ROI versus those that report a medium to high level of ROI. The data reveals several key differences. Firms that report medium to high ROI are:

- Three times more likely to spend $75-500K per year on CRM
- Four times more likely to use CRM adoption initiatives
- Three times more likely to hold seller-doers to a high level of accountability for CRM use
- 60% more likely to use internal or external BD coaching

Finally, we asked law firm marketing/BD professionals to identify their biggest BD challenge. According to responses, the biggest BD challenge is that lawyers don't prioritize business development enough. The second and third most cited challenges are the lack of a strong BD culture at their firms and lawyers lacking the coaching they need to be effective and to hold them accountable.

In a year when client demand is relatively low, it is even more critical that lawyers have the skills and technology needed for business development success. For marketing/BD professionals, aptly arming lawyers in 2023 poses a particularly tough challenge. Tighter budgets mean smaller investments in the resources that yield better ROI, namely sophisticated BD platforms, adoption initiatives, and external coaches that can help drive new lawyer behaviors.

PipelinePlus Sales Acceleration Software

PipelinePlus addresses the business development challenges facing professional services firms today.

It simplifies business development through a user-friendly interface, showing busy seller-doers which high-value clients, prospects, and referrals to target and what to do with them.

PipelinePlus combines three critical business development features in a single app:

- **Pipeline** – an intuitive system that helps seller-doers prioritize their most important prospects, clients, and referral sources
- **Trainer** – a comprehensive library of e-learning tools that cover every step of the business development process
- **Insights** – concrete BD recommendations that guide seller-doers to the specific actions that will help them close new business

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PipelinePlus is available on laptop, desktop or mobile. The stand-alone app only takes five minutes to set up. It can also be used as an integrated CRM companion.

PipelinePlus can be licensed in three tiers based on the needs of your firm.

PipelinePlus Essentials is for individual lawyers who want to hone their business development skills and optimize their results.

PipelinePlus Teams is for marketing and business development professionals working with multiple lawyers at a firm. It includes Pipeline management, Trainer, and BD insights, as well as Viewer, displaying comprehensive dashboards and analytics that track critical data on users' activity and outcomes.

PipelinePlus Coaching pairs lawyers with a BD expert so they can get the advice, techniques, and accountability necessary to maximize business development outcomes. Used by our top-performing firms, PipelinePlus Coaching offers a powerful combination of coaching that helps seller-doers clarify goals, develop a relationship pipeline, pursue opportunities, and bring in new business, and PipelinePlus software to organize pursuits and track progress.

For case studies demonstrating the ROI firms report from using PipelinePlus, or to schedule a demo, visit www.pipelineplus.com.