

WHITE PAPER 2020

The State of CRM at Law Firms

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CHRIS FRITSCH

CRM Success Consultant and
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FOREWORD

As a CRM success consultant, you don't often get to be an optimist. In fact, rather than extolling the virtues of CRM software and systems, for decades, respected research firms like Gartner and others have been constantly drudging up dismal statistics about the vast number of CRM implementations that are continually failing to meet expectations.

So when the team at Ackert handed me their latest white paper, I said to myself, "Just when I thought 2020 couldn't get any more depressing, now I have to read this year's report on the state of CRM in law firms." But leave it to David Ackert and his team to actually find a bit of good news in 2020:

DESPITE THE PANDEMIC – OR PERHAPS BECAUSE OF IT – FIRMS ARE FINALLY FINDING MORE VALUE IN (AND UTILIZATION OF) THEIR CRM SYSTEMS.

This year's report reveals a continuing positive annual upward trend for firms investing in acquiring this essential technology. In fact, due likely to the alterations to our normal marketing and business development efforts caused by the pandemic, some firms are now deeming CRM technology a necessity (regardless of their ability to adequately attribute ROI, which is a conversation for another year). Firms that are investing in CRM technology are also continuing to be more progressive again this year in their preference for selection of cloud-based systems.

But more important, this year also shows an uptick in attorney adoption of, and accountability for, using the firms' CRM systems. These trends make sense considering that one of the only remaining ways for attorneys to effectively market or develop business in the current climate is through coordinated communication efforts designed to promote experience and thought leadership and to nurture relationships through alerts, webinars and virtual events.

Additionally, while marketing features continue to be the most commonly utilized, business development features may finally be making some progress. Despite being decades behind most other industries, including other Professional Services firms, in embracing CRM systems as pipeline tools for managing the sales process, finally it appears that some law firms and/or individual attorneys are beginning to consider utilizing their CRM systems for tracking and enhancing business development efforts.

All this information reinforces a number of trends we have seen recently while consulting with an increasing number of progressive firms investing in CRM and related and integrated technology to give them a competitive edge during this downturn – and in the future.

So, while the pandemic has drastically altered our reality in a number of negative ways, it has also provided a few contrasting positive points that might even make a CRM success consultant a bit more optimistic: Lawyers who would never have considered remote work as an option are now in no hurry to go back to the office because technology has enabled them to survive, or even thrive, while working remotely. More important, many attorneys who, in the past, had never embraced technology now consider it to be an essential part of their marketing and business development success – and perhaps even important for the future success of their firms.

Finally, a little ray of CRM sunshine in an otherwise pretty bleak year.

EXECUTIVE SUMMARY

From May to July 2020, Ackert Inc. conducted the fifth installment of its market-wide study on Client Relationship Management (CRM) software adoption and utilization in law firms. This white paper is a continuation of similar studies conducted since 2015 and is intended to examine ongoing trends in the industry. This year's survey collected data from over 130 law firms to describe the state of CRM at their firm.

KEY FINDINGS:

- CRM software is increasingly being viewed as a necessity, especially at smaller firms. 81% of law firms have CRM in 2020, compared to only 70% of firms in 2015.
- Overwhelmingly, firms continue to show that a lack of CRM is attributed to leadership buy-in challenges.
- The highest-rated CRM features continue to be marketing-related, while sales-related features like pipeline management and lead capture fail to meet user expectations.
- More lawyers are expected to use CRM as a sales tracking tool to update information and contribute to the sales culture.
- While lawyers show an uptick in CRM log-ins, they continue to show reluctance to use a formal system for opportunity tracking.

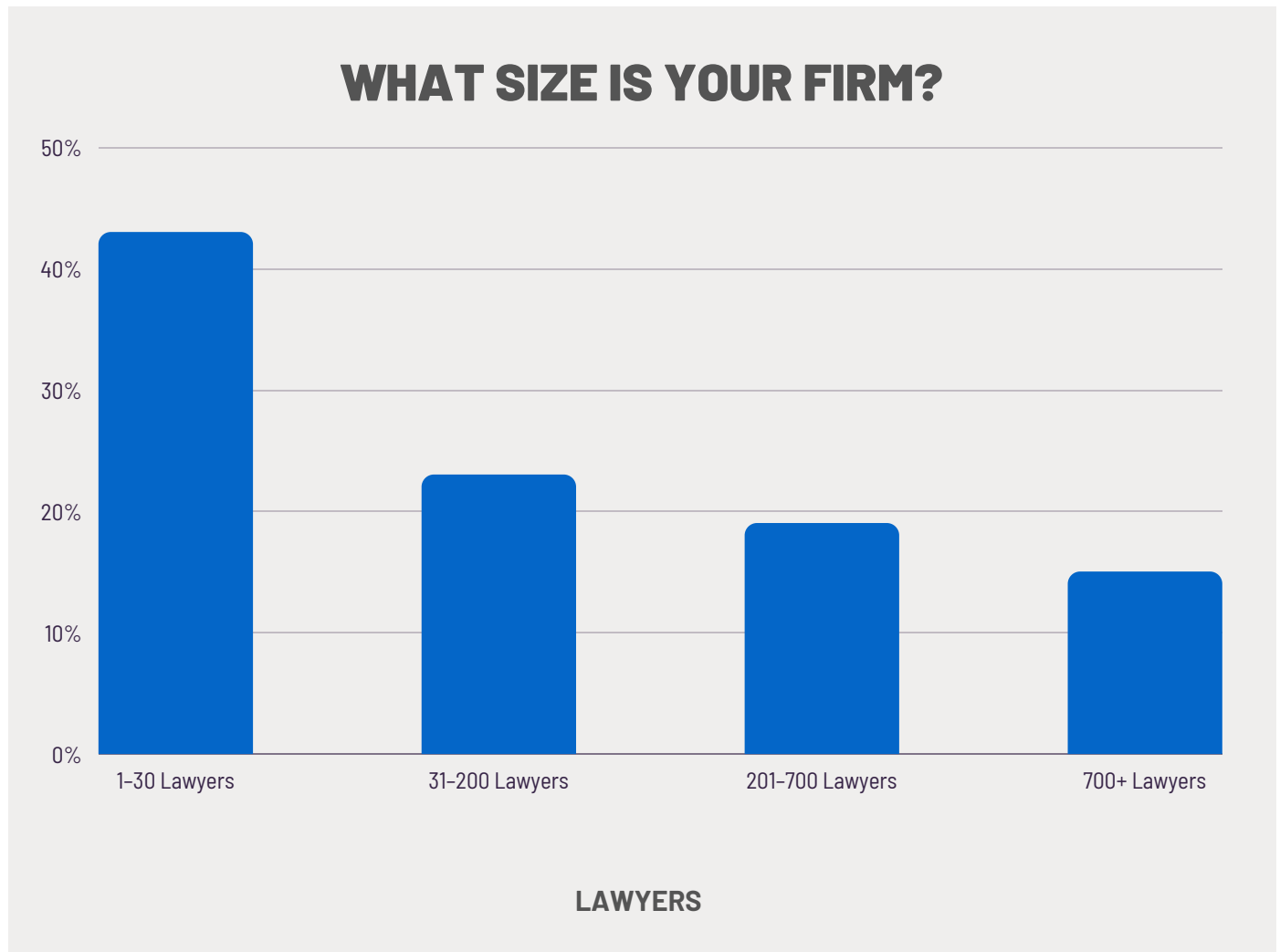


FIG. 1: Size of firm among respondents

DATA ANALYSIS

The data in the following analysis were collected during the COVID-19 pandemic and reflect the mindset of those conditions.

The majority of the survey respondents represented marketing (business development) professionals and lawyers in North America (The United States and Canada) and the UK. Respondents who identified as law and legal service professionals answered a series of 21 questions regarding respondent demographics, platforms in their tech stack, budget allocations, user adoption, ROI, integration, support services, and business development tracking initiatives.

Survey respondents represented 134 law firms of all sizes. Approximately 43%, the largest segment of responses, represented small firms in the range of 1-30 lawyers. **[FIG. 1]**

MARKETING BUDGET

The first survey question asked respondents, "How big is your marketing budget as a percentage of firm revenue (excluding salaries)?" **[FIG. 2]** The data collected informs whether a firm can afford CRM and/or how much of an investment a firm can make on CRM. (The Y-axis represents the percentage of firm revenue. The X-axis shows the percentage of survey respondents who selected each option.)

In 2020, 17% of firms with CRM dedicated 2% of firm revenue to their marketing budget. This figure increased by a weighted average of 2.28% from a 2% weighted average in 2019.

However, most 2020 budgets froze in the first quarter. Many firm-approved monies after COVID-19 could not be spent.

In a first-time follow-up question, we asked "How much money, in USD, does your firm spend on CRM in a typical year?" **[FIG. 3]**

The highest percentage of respondents with access to firm budget information indicated their firm spent between \$10,000 and \$25,000, especially amongst smaller firms.

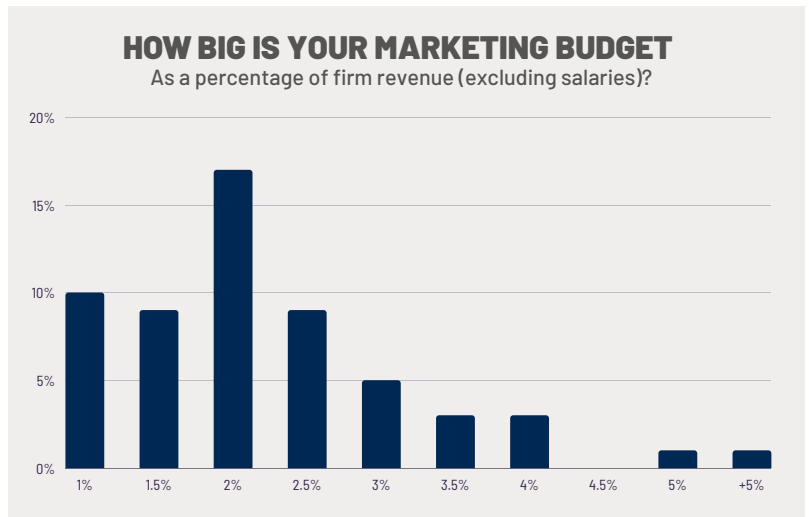


FIG. 2: Marketing budget as a percentage of firm revenue among respondents. Note: Approximately 40% of respondents selected "Do not know/not sure".

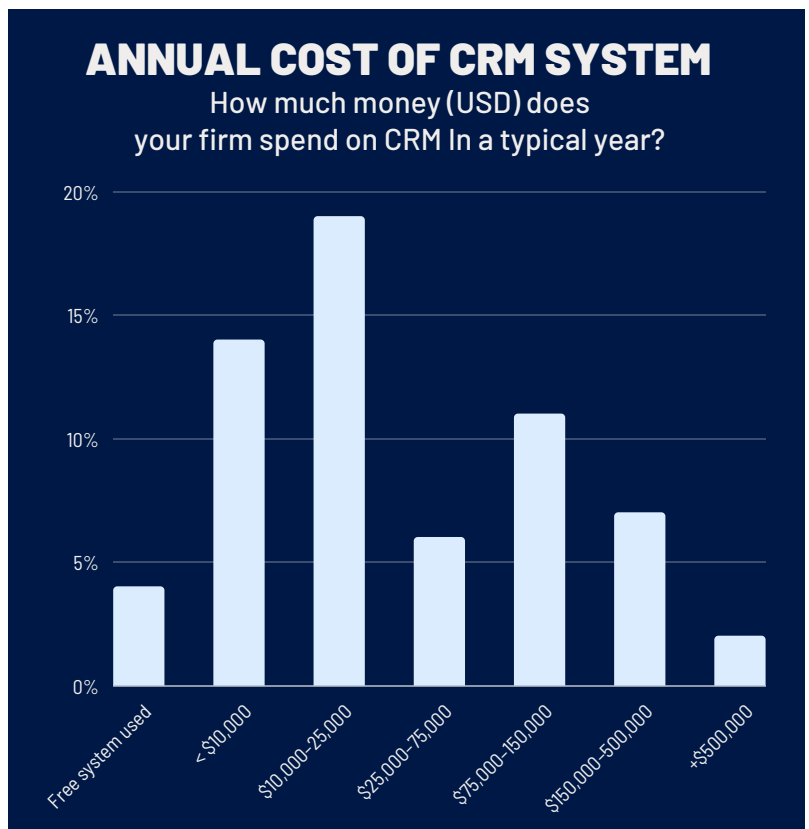


FIG. 3: Cost of CRM system annually. Note: 28.6% of respondents "I do not know/not sure".

PREVALENCE OF CRM SOFTWARE

Does your firm have Client Relationship Management (CRM) software?



FIG. 4: Prevalence of CRM Software

HOW MANY LAW FIRMS HAVE CRM?

Amongst firms that do not have CRM, 3% of firms who previously used CRM responded that the software did not work for their firm and remain dormant. Overwhelmingly, firms continue to show that a lack of CRM is attributed to lack of buy-in, namely insufficient budgets. The number of firms without CRM has slightly increased in 2020 and is believed to be a reflection of sales cultures at smaller firms. Interestingly, a modest percentage of firms paused their decision to use CRM due to COVID-19.

Since 2015, the prevalence of CRM within law firms has increased steadily. **[FIG. 4]** CRM software is increasingly being viewed as a necessity, especially at smaller firms. 81% of law firms have CRM in 2020, compared to only 70% of firms in 2015. Compared to 2019, CRM software is 2% more prevalent.

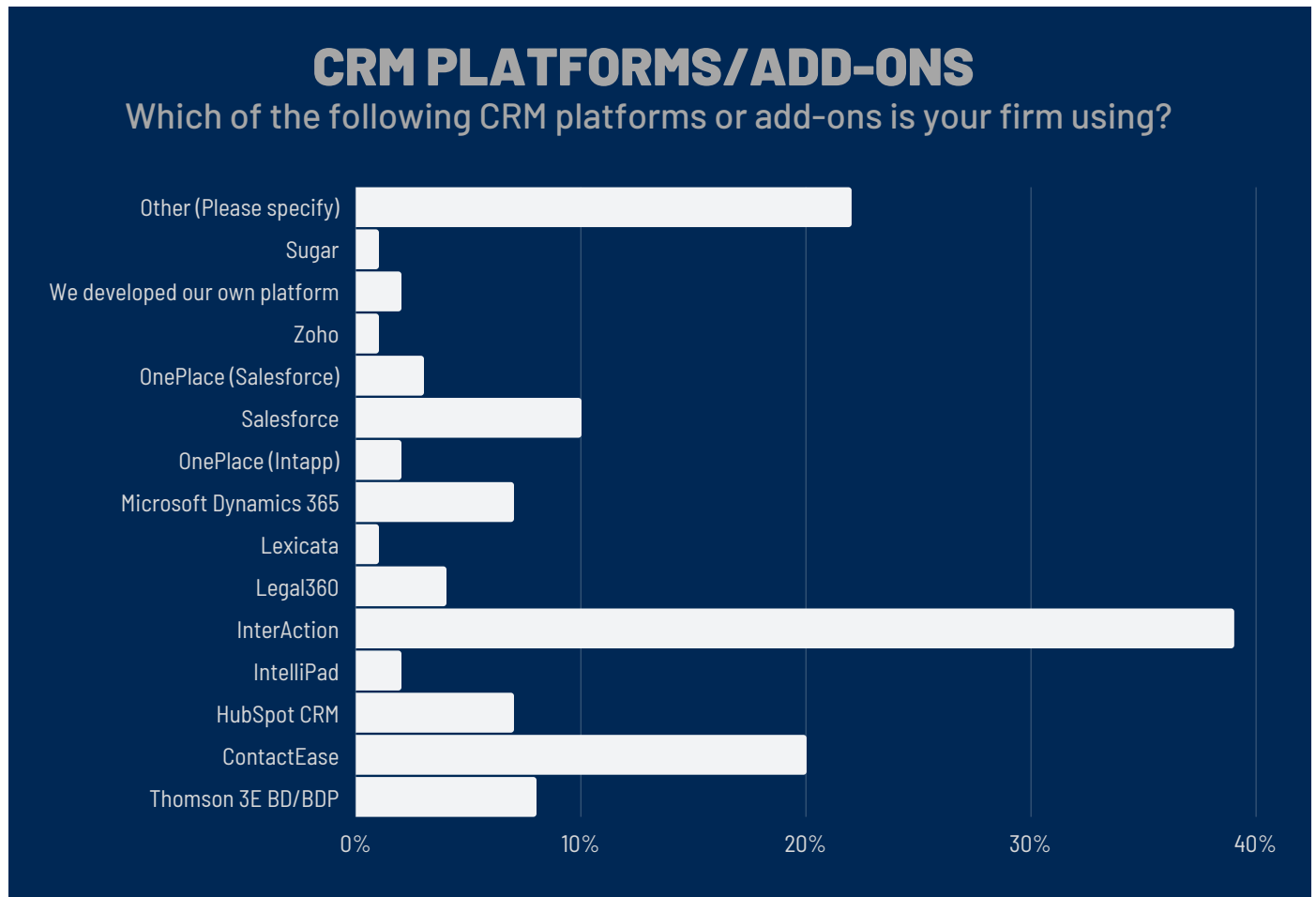


FIG. 5: CRM Platforms/Add-ons

CRM PLATFORMS IN PLAY

For the question “Which of the following CRM platforms or add-ons is your firm using?”, firms were able to select as many platforms as applied.

Outcomes for CRM platforms in play were noticeably different in 2020 from previous years. CRM platforms, bolt-ons, and augmentation tools continue to be popular amongst firms.

As in past years, InterAction continues to hold a strong lead by firms with a 4% increase in 2020. **[FIG. 5]** ContactEase holds a steady second position, especially in small- to mid-sized firms. Many platforms compete for market share, making notable headway. Salesforce has increased by more than 9% since 2019, taking up a considerable share of the market, with other platforms in a modest rear position. HubSpot and Microsoft Dynamics 365 hold respectable shares of 7% and 6%, respectively, based on this year’s respondents.

RANKING CRM TOOL EFFECTIVENESS

We asked respondents to rate the effectiveness of their CRM as a tool for the following activities on a scale of 1 to 5, with 1 being “Very Ineffective,” 3 being “Moderately Effective,” and 5 being “Highly Effective.”

CRM platforms are often robust and have many capabilities, but some features are more important to law firms than others. The highest-rated CRM features continue to be marketing-related, while other features like pipeline management, mobile app, and lead capture fail to meet expectations.

Contact management tools that store and organize client details, contact information, transactions, and other data continue to receive the highest “Highly Effective” (5) rating and highest weighted average with a 3.58 rating. **[FIG 6]**

We continue to see upward traction in cloud-based CRM. The majority of law firms in the past used on-premise storage for data security, insisting their data be kept on local servers despite the growing momentum of software platforms moving to the cloud. Our industry saw an encouraging movement toward cloud-based CRM platforms in 2020 confirming beliefs that law firms would catch up to other industries by adopting more cloud-based technology. This year, cloud-based technology has increased by 10%. **[FIG. 7]**

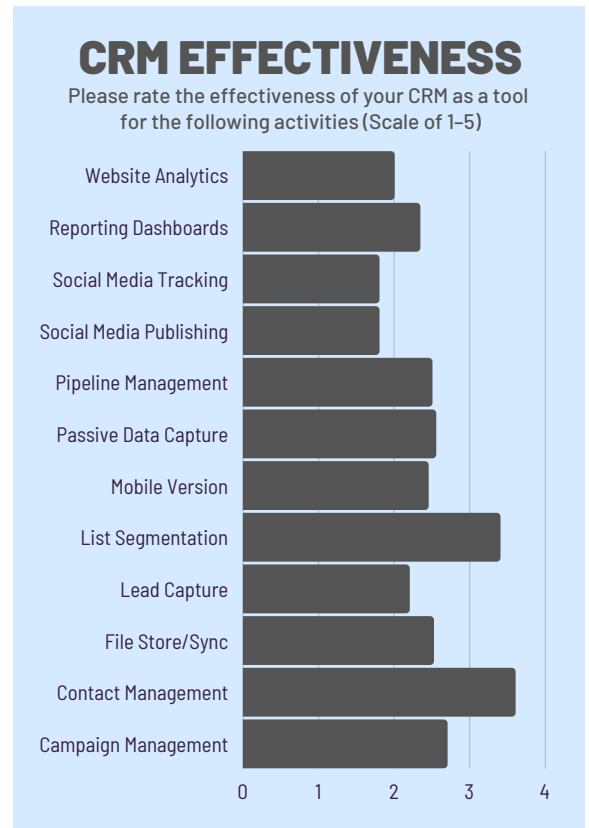


FIG. 6: Effectiveness of CRM along various metrics.

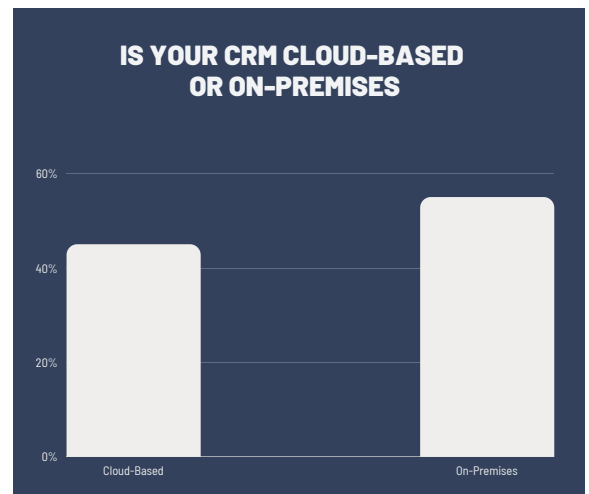


FIG. 7: Cloud-based vs. on-premises CRM

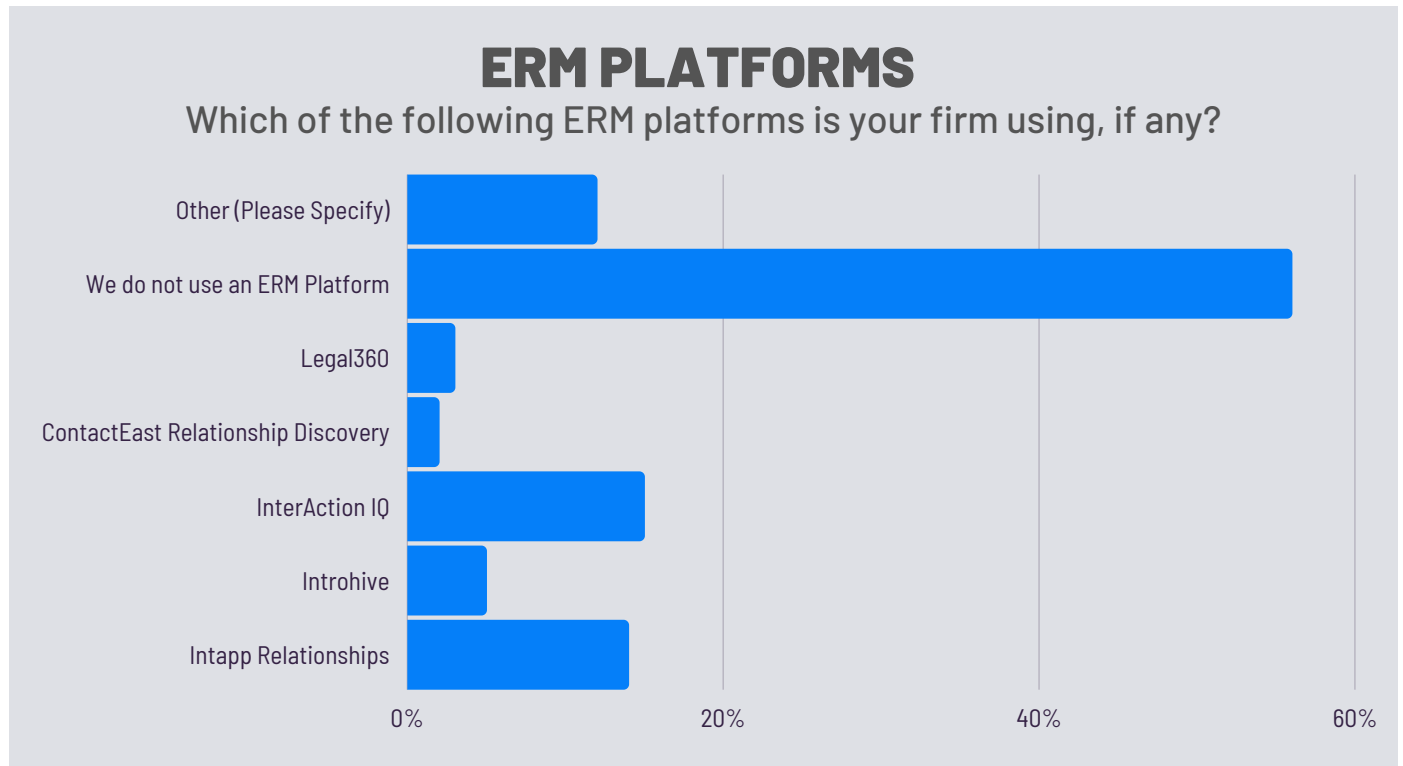


FIG. 8: ERM Platforms

ENTERPRISE RELATIONSHIP MANAGEMENT (ERM)

ERM responds to a longstanding need at law firms: to minimize data entry and take as much administrative work away from the lawyers as possible. ERM has grown 3% since last year but continues to be less widely adopted than CRM. This number does not represent a major movement toward ERM usage since our respondent pool changes each year.

Of the 38.5% of firms that have ERM, the following chart represents the breakdown of market share by each platform. **[FIG. 8]** InterAction IQ and Intapp Relationships, previously known as gwabbit, take the lead this year.

Among this year’s respondents, InterAction IQ holds 15% of the market, while Intapp Relationships holds 14% market share with this year’s respondents.

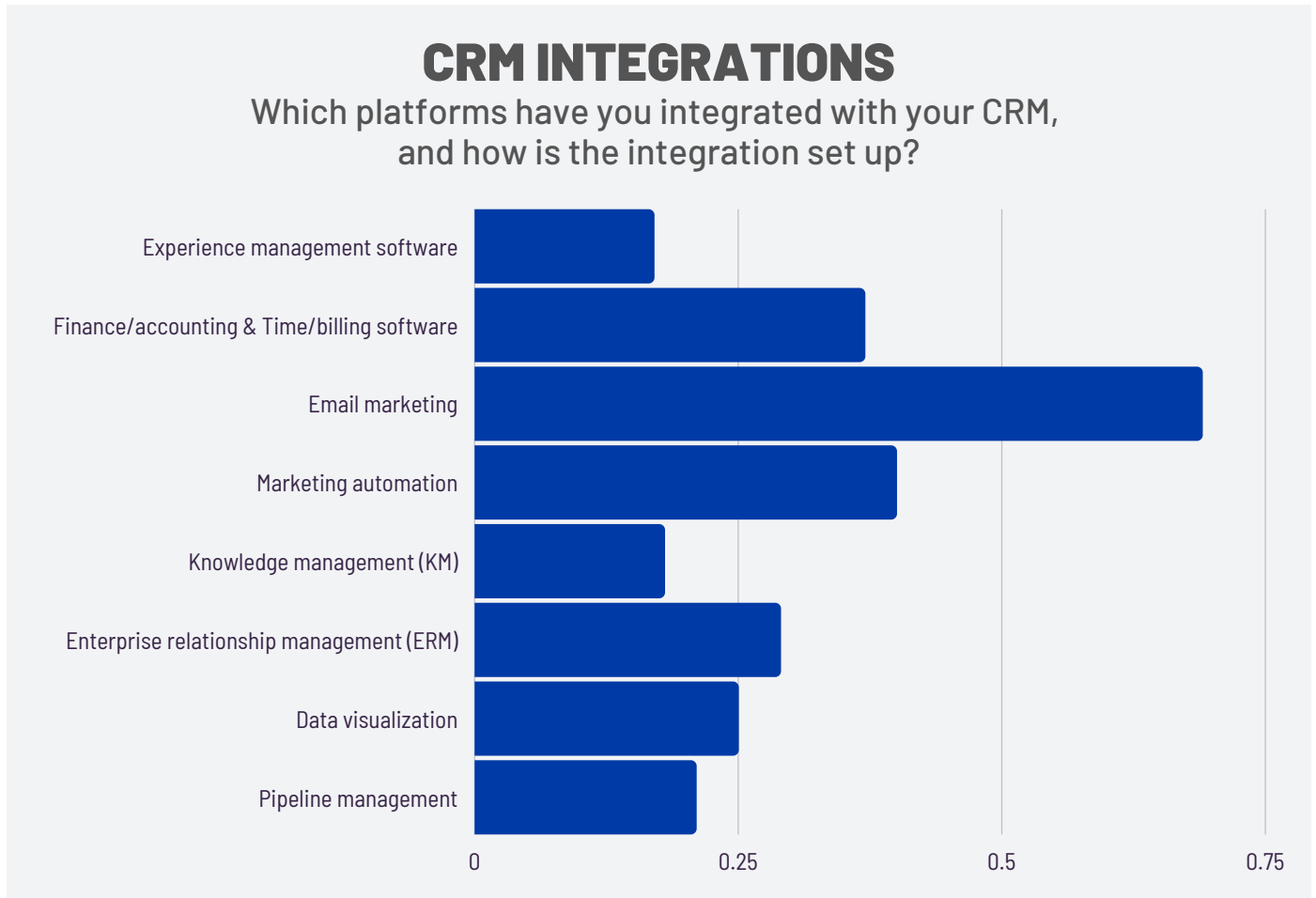


FIG. 9: CRM Integrations

INTEGRATION WITH CRM

In previous years, integrating a legal technology stack was a complex problem for law firms. Most firms are turning to all-in-one solutions or integrating platforms with custom

APIs (or syncing data manually through CSV imports/exports) which explains significant discrepancies between the averages in 2019 and 2020.

Generally, external platforms are being integrated less into CRMs because many features are included in some of the newer all-in-one solutions. **[FIG. 9]** In past years, CRM providers did not include ERM features in their previous offerings, which made firms bundle and integrate a variety of solutions. Now some CRMs bundle or integrate email marketing, finance, ERM/signature scraping, marketing automation, and data visualization into one platform.

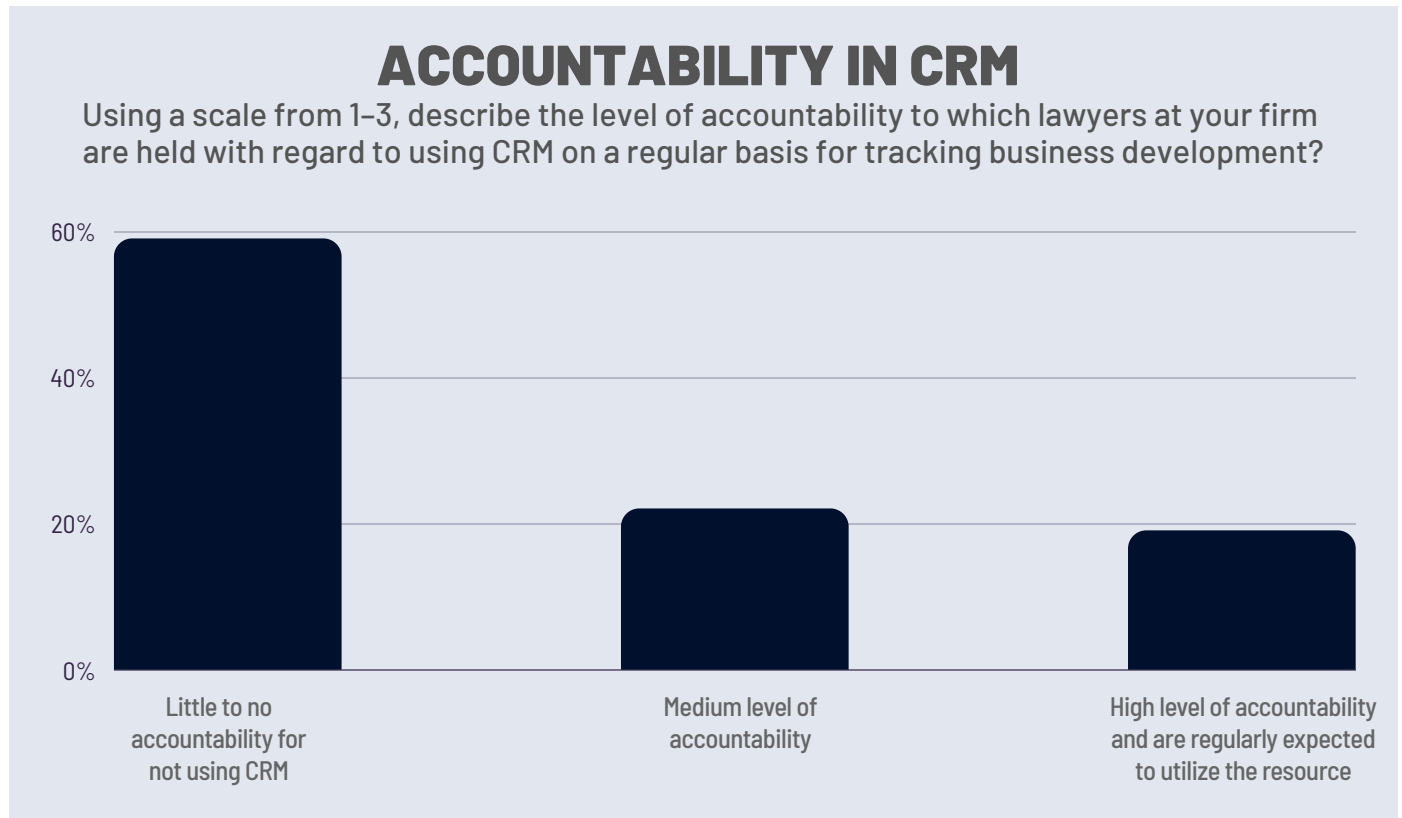


FIG. 10: Accountability in CRM

ACCOUNTABILITY

Firms are making significant advancements in driving lawyers to use CRM. 2020 showed a positive trend toward higher levels of lawyer accountability when using CRM.

When asked, “What level of accountability are lawyers held to when it comes to CRM?”, respondents noted that accountability standards have nearly doubled compared to last year. In the past, law firms spent a significant amount of money on managing the CRM process. During this time, a major task for many marketing departments was dedicated to CRM upkeep, specifically updating to preserve data integrity and reliability. Increasingly, more lawyers

are expected to use CRM as a sales tracking tool to update information and contribute to the sales culture; however, departments which require lawyers to do so still remain in the minority.

Law firms that expected their lawyers to maintain high levels of accountability and utilization rose from 1% to 18% in the past year. Law firms where lawyers face medium accountability for using CRM rose from 10% to 23%. Law firms where lawyers faced little to no accountability have decreased considerably from 89% to 60% in 2020. **[FIG. 10]**

REGULAR CRM USAGE AMONGST LAWYERS

Of those at your firm who have access to CRM, what percentage actually utilize it for business development regularly (at least once every two weeks)?

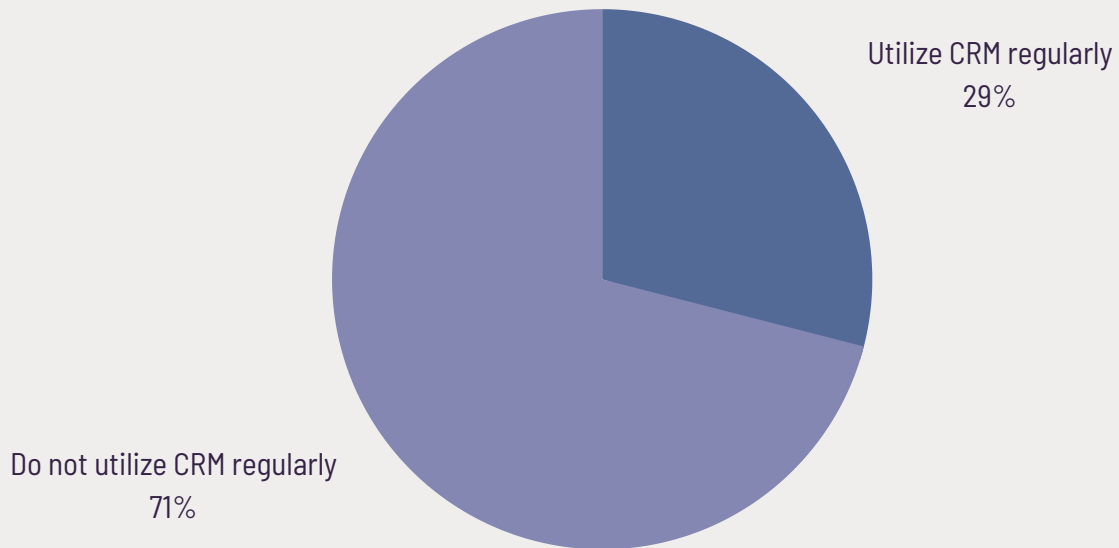


FIG. 11: Regular CRM usage amongst lawyers

CRM UTILIZATION

One particularly encouraging number which showed a significant jump this year was the answer to the question “How many lawyers use CRM regularly?”

Although these figures lag behind in terms of industry standards, general CRM utilization has more than doubled over the past two years, partially due to the current remote

work environment. In the initial months of COVID-19, when we conducted our research, lawyers showed a significant increase in their business development interest in general. This increase could stem from lessened workloads, feelings of disconnection from clients, and concern for general firm health after national economic downturns as a result of the pandemic.

The number of lawyers who logged in every two weeks from 2018 went from 5% to 11%. This year, lawyers’ biweekly log-ins leaped to 28.82%. Future year’s outcomes will provide insight if these numbers resulted from the pandemic climate of if lawyers believe CRM tools are a core part of their business practice. Anecdotally, firms still continue to struggle to sustain CRM utilization among lawyer users.

[FIG. 11]

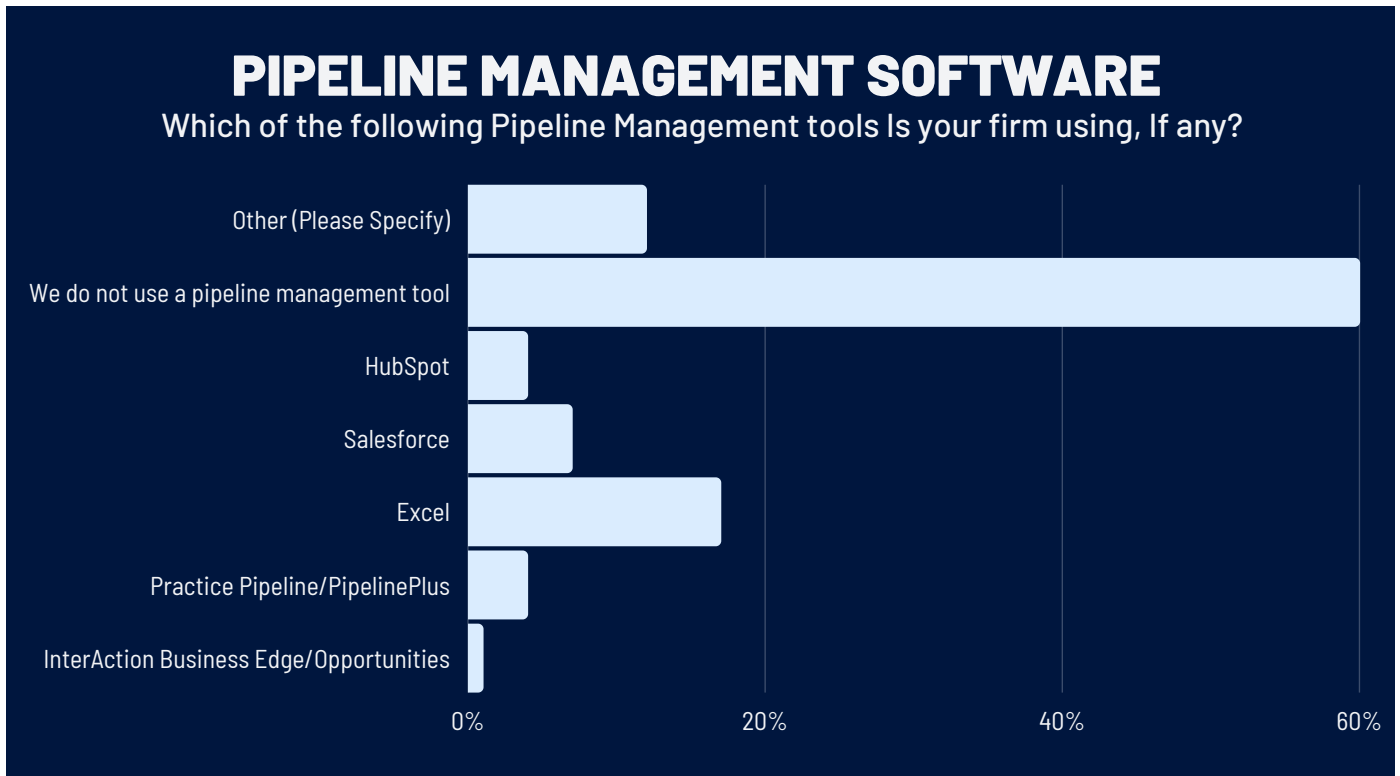


FIG. 12: Pipeline Management Software

PIPELINE MANAGEMENT

Next, we asked lawyers, “Is your firm using any form of pipeline management system, and if so, which tool?”

Pipeline management is defined as a tool or system (even if only a spreadsheet) that tracks the maturity of a sales deal through a pipeline. A deal matures as lawyers take successive touchpoints with the prospect, client, or referral source. These tools also, ideally, facilitate cross-selling between lawyers. In 2019 only 11% of firms used a pipeline

management system. Pipeline Management was still a relatively new phenomenon in the legal industry but has shown to be a solution for firms that are struggling to get their lawyers to use technology and track their business development activity. This year shows a dramatic increase in adding opportunity pipeline management to the technology stack. 40% of firms in 2020 have some form of a pipeline management system.

Among the firms that track opportunity pipelines, 53% use CRM tools like HubSpot, InterAction, and Salesforce, 37% use Excel, and 9% of firms use a dedicated product, Practice Pipeline, now PipelinePlus. **[FIG. 12]**

Although tools like Excel are less optimal pipeline tools, this figure shows that firms are thinking downstream and tracking opportunities by managing lists of contacts.

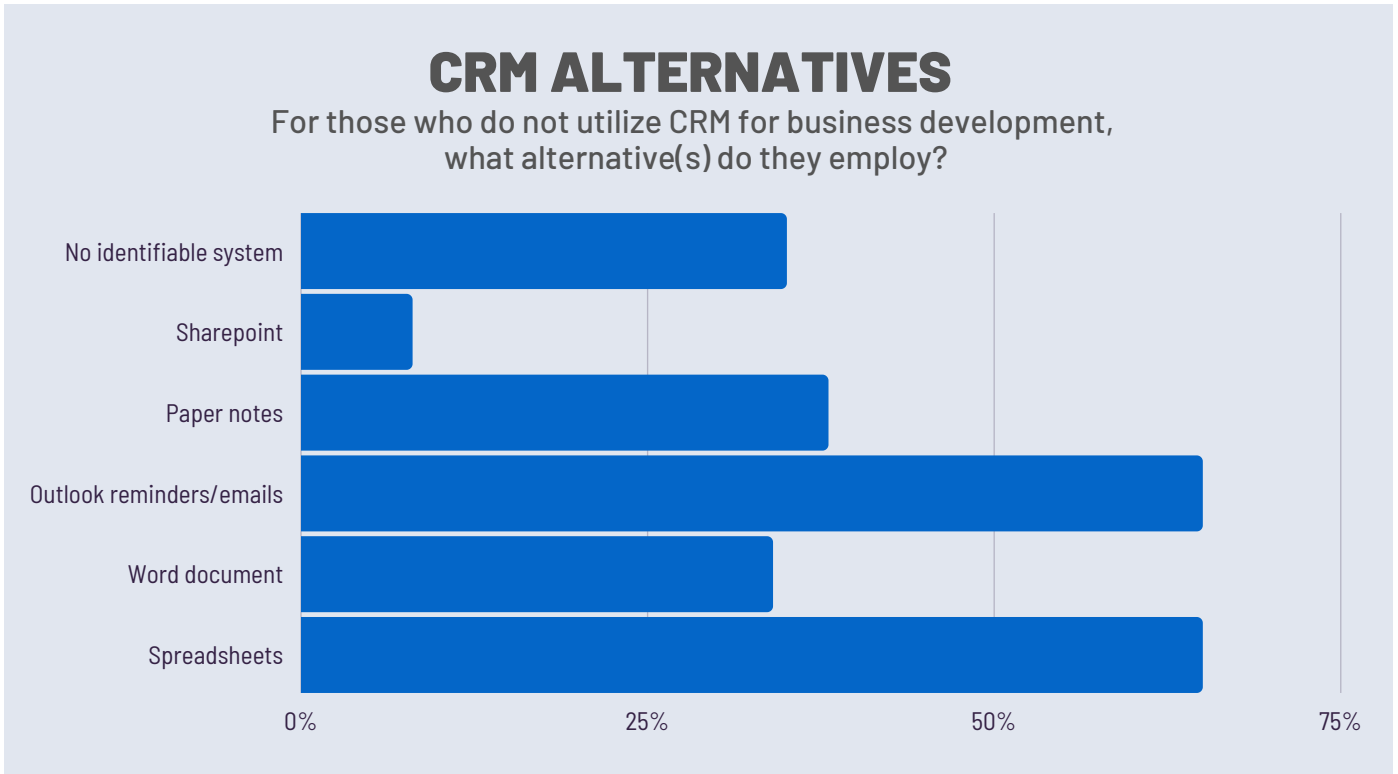


FIG. 13: Alternatives to CRM for tracking business development activity

UTILIZATION OF CRM BY LAWYERS

Next, we asked respondents who do not utilize CRM for business development to select multiple tools they employ.

For firms that do not utilize CRM for business development 66% use spreadsheets, 65% use Outlook reminders/emails, 38% use paper notes, and 34% use a Word document.

[FIG. 13]

34% of firms report they use no identifiable system.

While lawyers show an uptick in CRM log-ins, they continue to show reluctance to use a formal system for opportunity tracking. Only 10% of lawyers use CRM or a dedicated Opportunity Pipeline Management System to track their business development opportunities while 54% have no formal system for opportunity tracking.

REASONS FOR NON-ADOPTION OF CRM

For lawyers who do not utilize CRM for business development, which of the following factors do you believe contribute to low adoption?

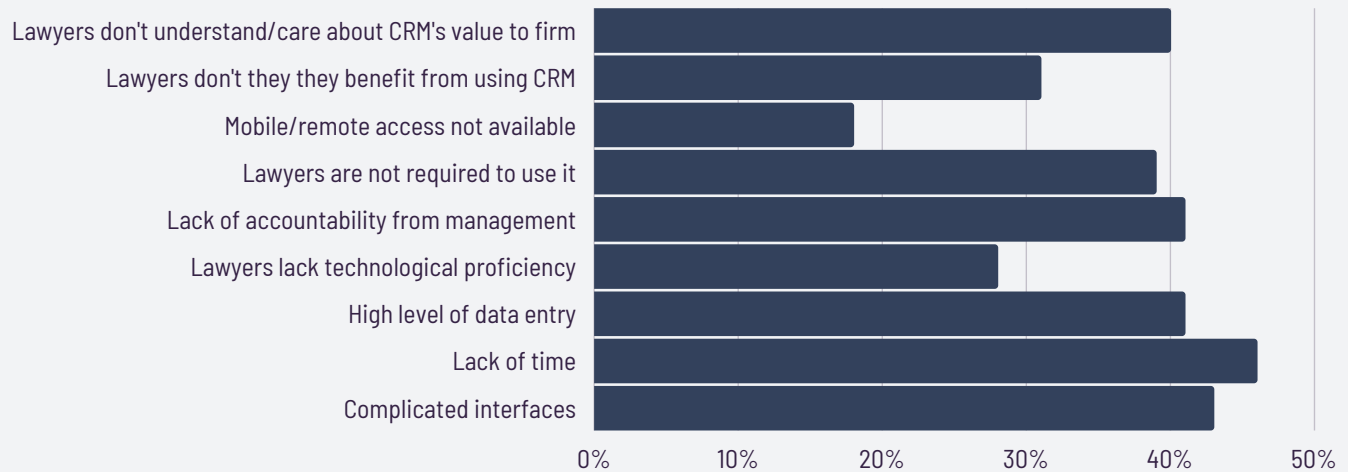


FIG. 14: Reasons for non-adoption of CRM

WHY DON'T LAWYERS USE CRM?

Our follow up question asked lawyers who do not utilize CRM for business development, which of the following factors they believe contribute to low utilization. Respondents could select multiple answers.

This year, firms did a much better job of communicating CRM's importance to lawyers. While the top five barriers are cultural, rather than shortcomings of the CRM software, there has been a significant decrease in most of these barriers in 2020. Along with the data on increased

accountability [FIG. 10], this suggests that law firms are largely doing a much better job of communicating CRM's importance to lawyers and creating sales cultures within their firms. The "reasons why" appear to be improving. While the biggest barriers to CRM use are still the users themselves, the responses suggest that more lawyers are at least trying to use CRM.

Only 39% responded that lawyers are not required to use/ have access to CRM, down from last year's 69%. [FIG. 14] 41% of lawyers credit lack of accountability from management. The figure shows an increase in awareness of CRM's value. From 2018 to 2020, respondents who answered they didn't understand or care about CRM's value to their firm decreased from 65% to 40%.

With more lawyers now required to use CRM, the number who credit lack of time and high level of data entry as reasons for low utilization has increased.

There is hope to develop a strong sales culture amongst lawyers and still advocate CRM utilization to identify and secure new opportunities.

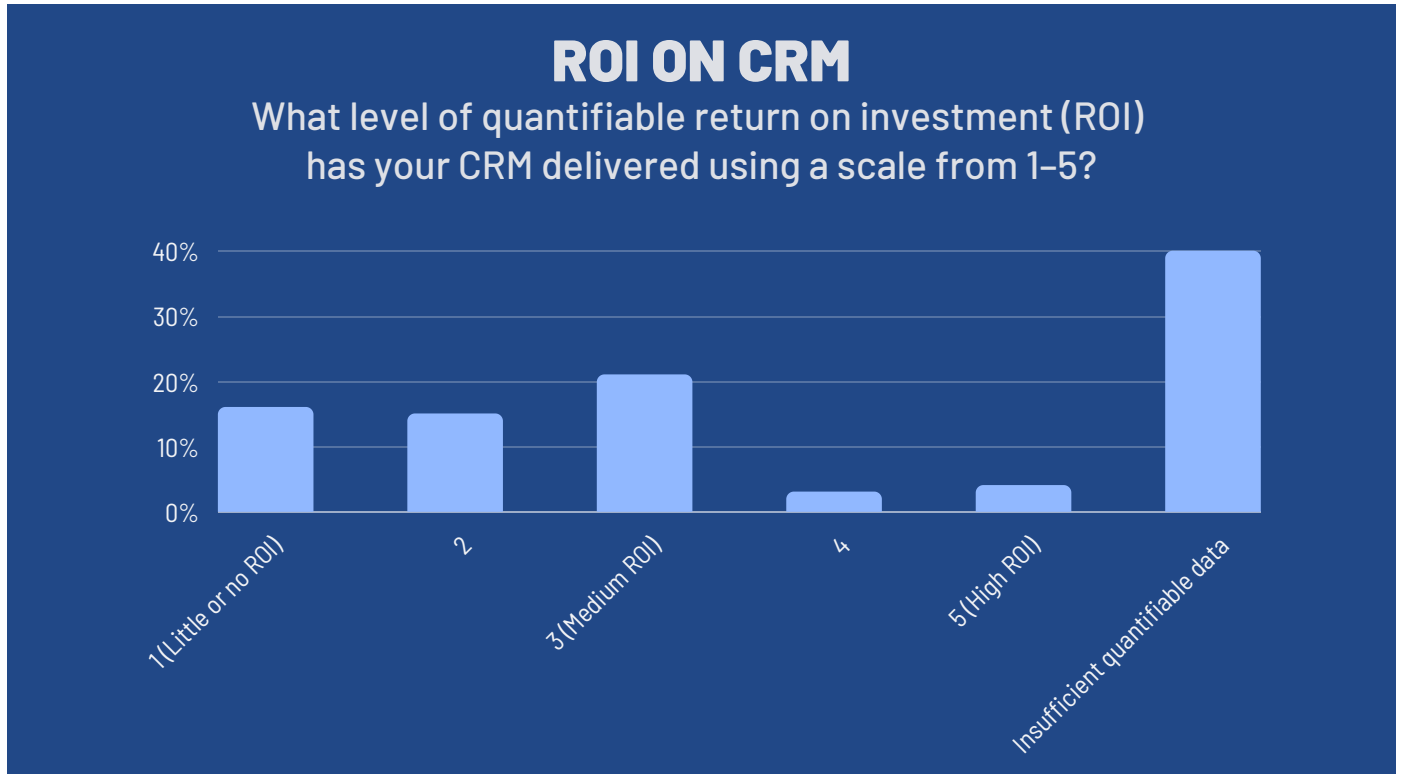


FIG. 15: ROI on CRM

THE ROI OF CRM

The next question we asked lawyers to rate the level of ROI they could attribute to their CRM on a scale of 1 to 5, with 1 meaning “no ROI” and 5 meaning “high ROI.” There was also a “not applicable” option, for firms with insufficient quantifiable data to estimate ROI. The question signals whether firms are ROI-minded.

ROI is still an unclear proposition. Firms are not necessarily using CRM for a return on investment. Many firms view CRM as a necessary part of their technology stack.

42% of firms claim they have insufficient quantifiable data concerning their CRM ROI. **[FIG. 15]** They are willing to invest in CRM tools without an eye for ROI.

Amongst firms that tracked CRM ROI: 16% claim they receive little to no ROI and 22% of firms claim they receive medium ROI. Firms that measured high quantifiable levels of CRM ROI increased from 2% to 5% in the past year.

Tracking ROI can show employees in different positions how their CRM tools can produce positive outcomes by bolstering marketing and business development functions, which are often mission-critical to a firm’s success.

BIGGEST BUSINESS DEVELOPMENT CHALLENGES

The state of CRM reflects our ongoing business development challenges as an industry. CRM serves as a clear indicator of business development and sales culture in law firms. We asked respondents about their biggest business development challenges to track the major concerns at law firms today.

THE TOP FIVE CHALLENGES FIRMS FACE DURING NORMAL MARKETING CONDITIONS:

1. 50% of the responses indicate ineffective systems/culture for cross-selling as the biggest challenge. **[FIG. 16]** This shows collaboration continues to be an area for potential development as firms struggle to maximize the full potential of their client relationships.
2. 34% of respondents indicate a systemic problem of business developers not prioritizing business development enough. This number is becoming more manageable compared to last year as law firms make more of an effort in business development.
3. 31% of respondents indicate they don't have the technology to be effective. This may be a result of some firms not having CRM or the CRM available is not something the lawyers are willing to use.
4. 30% of respondents indicate that business developers don't have the skills (techniques

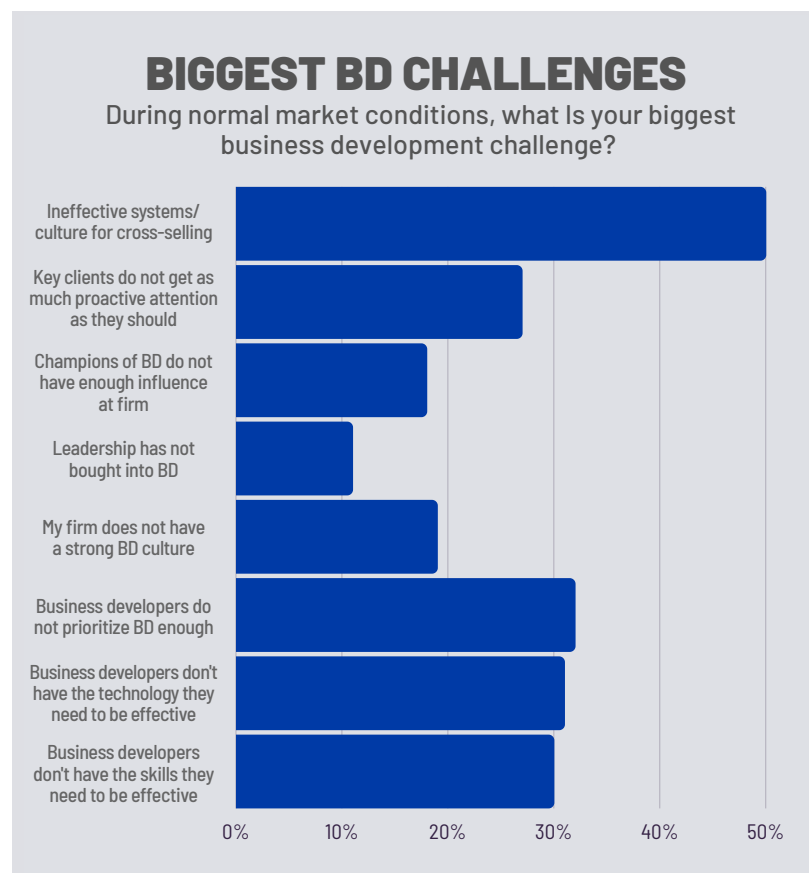


FIG. 16: Biggest business development challenges

or knowledge) they need to be effective. Some platforms like *PIPELINEPLUS* now integrate business development e-learning into their interface to address this need.

5. 26% of respondents that noted “key clients do not get as much proactive attention as they should” may point to a behavioral or cultural problem.

CONCLUSION

Regardless of whether the pandemic creates lasting change in law firm sales cultures, it certainly illustrates that our industry is capable of evolution. In the initial weeks of the pandemic, law firms sustained operations and quickly transitioned to remote working environments.

Marketing departments pivoted their messaging and increased communications to accommodate the sudden demand for relevant information. In-person events were replaced with webinars and virtual happy hours. Sophisticated firms applied standard business practices much more effectively than they had during the economic disruption of 2008, and their sales teams (the lawyers) started using CRM more than ever before. Despite the new attention on business development and relationship

management, it is important to note that lawyers continue to neglect the most fundamental part of a salesperson's job: opportunity tracking. Even as software developers continue to upgrade their offerings, with intuitive interfaces and sales enablement features, over half of marketers report that their lawyers still have no identifiable system for tracking prospective clients.

As firms allocate budgets for 2021, it's clear that much of their attention will be focused on restoring a regular flow of operations. Some marketing departments may struggle to recover their prior spends given that even after slashing marketing budgets, their firms project a strong financial position for 2020.

Hopefully, we will invest in the three lessons COVID-19 has taught us so far. First, our existing relationships are critical to our survival. Second, many of our lawyers have good intentions for business development, but they still have not internalized the basic tenants of salesmanship. Finally, like any organization, we must put in place effective sales enablement procedures so that our actions are a reflection of our ambitions.



TIRED OF LOW CRM ADOPTION AT YOUR FIRM?

PIPELINEPLUS is a relationship management system for the busy professional. With a simple, intuitive interface, it solves many of the biggest challenges associated with low CRM adoption like excessive data entry and complex user interfaces.

With our quick setup process, you'll have a sales pipeline up and running in just 5 minutes. *PIPELINEPLUS* prioritizes your most important relationships so that your business developers stay focused. It also provides recommendations on how to close new business and promote cross-selling across your firm. Built-in tutorials provide business development best practices so you always know what to do next. And our monthly Focus sessions provide a forum for engagement and adoption.

PIPELINEPLUS integrates with your Outlook calendar and your CRM. Use it as a standalone tool or as a CRM power app to boost user adoption.

AUTHORS



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David Ackert, M.A., is the President of Ackert Inc. and its subsidiaries, and business development mentor to thousands of high-achieving professionals in the legal, corporate, A/E/C, and accounting sectors. Over the past two decades, David has developed and implemented revenue acceleration programs for hundreds of professional services firms around the globe. He is the founder of several technology platforms including the **PIPELINEPLUS** software suite. His programs are winners of “Your Honor Awards” in both the U.S. and Canada, are featured in NLJ’s “Technologies on the Rise,” and rank as the top-rated offerings in their G2Crowd category. David regularly keynotes at partner retreats and serves as a guest lecturer at USC’s Marshall School of Business, Carnegie Mellon University, and at the UCLA School of Law. His work has been published and quoted in several business books and media, including the *Los Angeles Times*, the *National Review*, the *Daily Journal*, and more.



JAMES MOORE

Senior Marketing Manager, Ackert

James Moore is the Senior Marketing Manager at Ackert. He has established and lead marketing departments across several industries, helping companies grow their reach, expand their customer base, and create content tailored to their strategic goals. Prior to Ackert, he worked in nonprofits dedicated to increasing diversity in tech and finance, and in the literary publishing industry. His writing has been awarded with fellowships to the Bread Loaf Writers Conference, the Frost Place, and Poets House, among others.



CHRIS FRITSCH

CRM Consultant & President, CLIENTSFirst

As a CRM Success Consultant and the founder of CLIENTSFirst, Chris Fritsch works together with leading professional services firms to help support their CRM and Client Intelligence efforts and maximize their return on investment. Chris’s focus is to help firms succeed by choosing the right CRM solution for their specific needs and implementing it in a way that provides individualized value to the professionals, assistants, marketing professionals and business developers. Chris was inducted as a Fellow of the College of Law Practice Management in 2017, in recognition of her exemplary professional standards and achievements as a law firm consultant. A recognized authority on marketing and business development technologies, Chris was named among the top 10 Marketing and Business Development thought leaders in the JD Supra 2018 Readers Choice Awards. She writes and speaks nationally on topics including client relationship management (CRM), competitive intelligence, business development, relationship intelligence, eMarketing and the use of technology to enhance profitability.

ADDITIONAL RESOURCES

Our Business Development Coaching Programs provide a forum for your lawyers to develop actionable business development plans and implement them through discussion and accountability.

Our Retreat Presentations provide dynamic business development programming for your offsites and create new possibilities for your firm.

Our Executive Roundtables are facilitated peer networks of law firm leaders who tap into each other's perspectives, expertise, and strategic wisdom. Members meet via regular conference calls and an annual hosted retreat. We have one roundtable for marketing and business development leaders, and another for current and incoming managing partners.

For more information, visit WWW.ACKERTINC.COM
or contact us at INFO@ACKERTINC.COM.