



THE ACKERT ADVISORY™

**JANUARY 2017**

LEGAL INDUSTRY REPORT

# The State of CRM at Law Firms

*A Market-Wide Study*

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## Foreword

By Chris Fritsch, Founder of CLIENTSFirst Consulting

The CRM industry has been undergoing rapid growth and major change recently. Respected research organization Gartner reports that the industry has been growing at a rate of more than 13%, making it the fastest-growing type of business software. As a result, this year the market for CRM is expected to reach \$36 billion.

CRM software itself has also experienced some major changes. Providers have created new interfaces and features to enhance the user experience and, consequently, system adoption. Integration with data sources and social media channels can enhance data. Sophisticated pipeline software can facilitate the tracking of sales activities and opportunities and forecast revenue. Additionally, increase demand for mobile access has driven many CRM companies to retool their mobile interfaces and capabilities.

Another significant trend is the concept of industry-specific “verticalization,” which involves taking out-of-the-box software and configuring it to support specific types of businesses or industries. Within legal, software companies have been designing industry-specific CRM systems for more than 20 years to accommodate the unique CRM business model employed by law firms. In fact, the reason that several industry leading software companies have become so entrenched in law firms is that they were designed specifically to support the way attorneys work.

Additionally, as with many other types of technology, CRM systems are increasingly moving to the cloud. In fact, research indicates that cloud-based CRM usage has increased 27% year-over-year and projections indicate that more than 50% of all CRM applications will soon be web-based.

These CRM trends are not limited to corporations. Law firms are finally feeling the effects of increased competition, causing them to take advantage of some of these new features and enhancements. Integrated data feeds and social media information are being used to augment contact information and improve data quality. The user experience has become a focus, with improved Outlook integration to facilitate ease of use in the office as well as mobile interfaces that are evolving to support attorneys when they are out of the office. Some companies are even providing mobile access free of charge, which will be essential to help them compete with the influx of new entrants to the market.

Some of these new CRM providers are attempting to modify the conventional CRM law firm model in unique ways by attempting to minimize attorney time and effort spent on contact collection and list management. Others have deployed cloud-based platforms to reduce the need to rely on the firm's internal technology infrastructure. Additionally, some law firms are finally showing interest in sales pipelines to better enable tracking and reporting on business development efforts.

It remains to be seen how all of these CRM trends will play out in the legal industry, which makes it all the more important to stay informed on the changes taking place. Ongoing research such as this will be essential to help law firm professionals make informed decisions regarding CRM selection, implementation and adoption.

What hasn't changed are the fundamental concepts of CRM success, as noted in the report. Firms must continue to address the people and process issues that are crucial to CRM success. Before selecting and implementing CRM technology, firm and attorney needs must be assessed, Change management issues must be addressed. Data must be cleansed. Adequate resources must be dedicated including time, money and people. Finally, training and communication must be an ongoing focus with the understanding that CRM is not a project or an initiative, but rather a fundamental change – and improvement – in how firms manage their most important assets: their relationships.

*Chris Fritsch is a CRM Success Consultant and the Founder of CLIENTSFirst Consulting. With her team, she helps firms choose and implement the right technology solutions to support their business development efforts, enhance adoption and maximize return on investment. She also writes and speaks nationally on law firm business development technology. Her areas of expertise include CRM, data quality, competitive intelligence and utilizing technology to strengthen client relationships. Chris received her law degree from Emory University School of Law in Atlanta, GA.*

## Executive Summary

In the Fall of 2016, 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. This white paper is a follow-on to a similar study conducted in 2015, and is intended to examine trends in the industry year over year. 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 legal industry is 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

- Nearly three quarters of law firms have a CRM platform. Those who do not tend to be small firms. The market leader is InterAction, in use at 45% of responding firms, followed by ContactEase, which is in use at 24% of firms. Among survey respondents, ContactEase's market share showed a significant increase, while InterAction's decreased.
- 93% of survey respondents estimated that fewer than 31% of the lawyers at their firms actively use CRM, and 58% of respondents estimated that only 0-5% of lawyers at their firms engage in active use.
- 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.
- ContactEase users are more likely to report higher utilization than the overall market, and InterAction users are more likely to report lower-than-average utilization.
- InterAction users are more likely than ContactEase users to report high levels of data entry and complicated interfaces.
- 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.

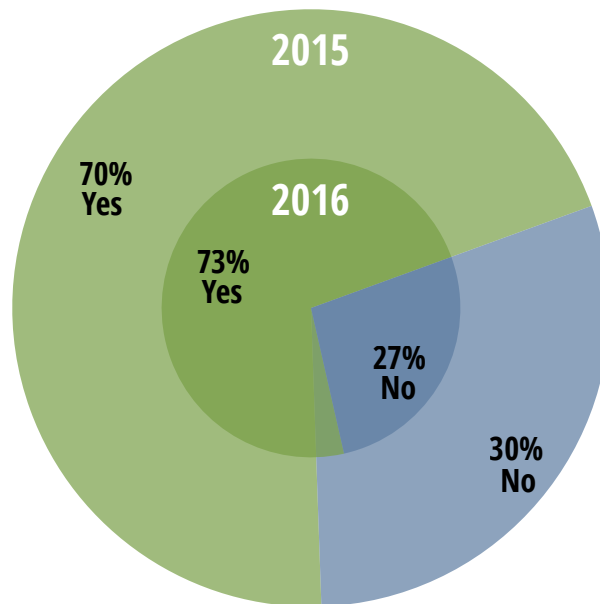
## Data Analysis

The data in the following analysis were compiled via a survey sent out to over 3,000 legal marketing and business development professionals worldwide. 142 respondents representing over 100 individual law firms provided answers to 9 questions concerning CRM utilization and ROI.

### The Percentage of Firms Using CRM

The first survey question asked respondents whether their firm currently uses or has used some type of CRM system in the past. The results are displayed in Figure I.

**Figure I.** Does your firm use CRM, or has it in the past?

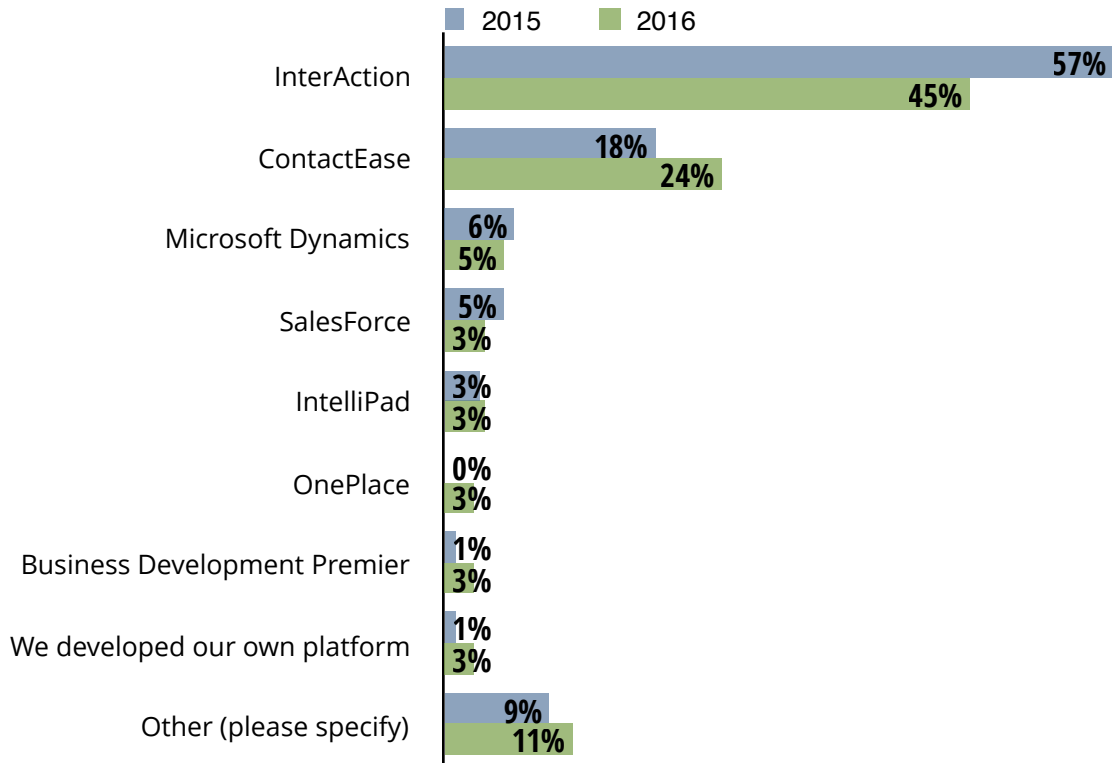


While the prevalence of CRM use in law firms has increased by 3% since last year, over a quarter of the legal market remain without a CRM platform. A further look at the data reveal that, controlling for firm size, the vast majority of firms without CRM are on the smaller side. 95% of firms with 201 or more lawyers indicated that they utilize or have utilized CRM.

## Platforms Ranked by Use in Law Firms

Unlike most other companies, law firms favor niched, industry-specific CRM platforms like InterAction and ContactEase over more robust and industry-agnostic platforms like SalesForce and Microsoft Dynamics. In terms of the market share each CRM captures, this year's data is similar to last year's, as illustrated in Figure II.

**Figure II.** Which CRM platform does your firm use?



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 is still the most popular platform in the market with 45% of CRM-using firms indicating usage, but its market share has decreased 12% since last year. In second place is ContactEase with 24% market share, a 6% increase from last year. Together the two platforms are used in 69% of responding law firms.

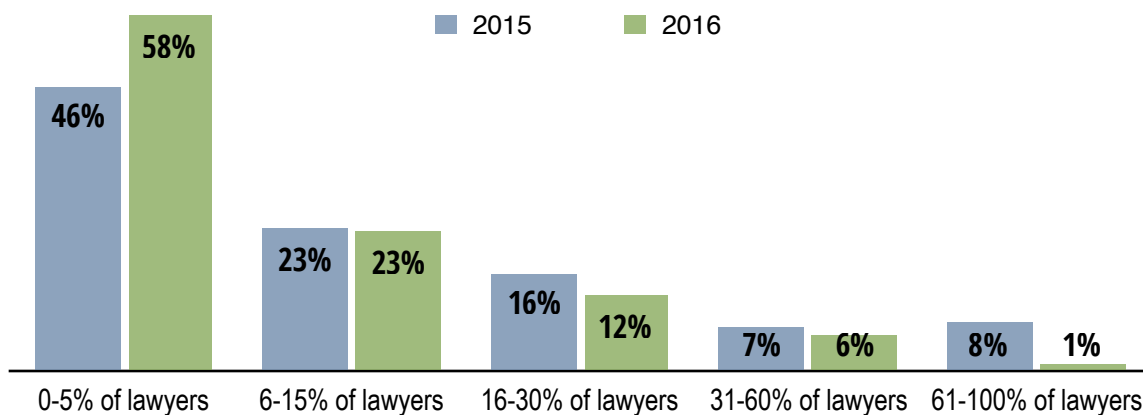
The category of "Other" consists of various CRM platforms that, on their own, did not receive at least 1% market share. These included HubSpot, Soffront, Insightly, Contact Manager, ContactNet, and Constant Contact.



## Utilization of CRM in Law Firms

73% of law firms possess a CRM platform, but this level of market penetration does not necessarily correlate to actual CRM utilization by lawyers. As Figure III below shows, very few law firms have high rates of lawyers utilizing CRM actively.

**Figure III.** What percentage of your firm's lawyers use CRM regularly?



Participants were asked to estimate the percentage of lawyers at their firm who utilize CRM regularly, which we defined using an arbitrary benchmark of at least once every two weeks. For example, a respondent who believes that only 25% of attorneys at her firm utilize CRM regularly would have marked "16-30%."

A total 93% of survey respondents estimated that fewer than 31% of the lawyers at their firms actively use CRM, and 58% of respondents estimated that only 0-5% of lawyers at their firms engage in active use. The weighted average for 2016 utilization rates was a range of 5.8%-14.6% of lawyers using CRM regularly.

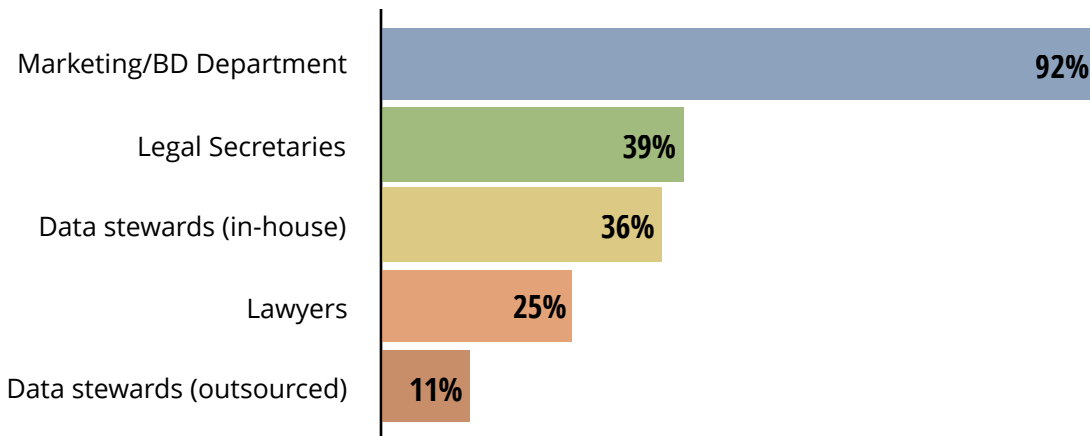
Overall CRM utilization by lawyers decreased significantly from 2015 to 2016. The number of respondents who estimated that 0-5% of their firm's lawyers use CRM increased by 12%. And the prevalence of firms that indicated <31% utilization increased by 8% this year.

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 marketing and business development staff charged with overseeing the implementation of CRM at their respective firms.

## Primary Users of CRM

The fourth survey question explored who in the firm, if not lawyers, utilizes and maintains CRM databases. Note that the percentages below add up to more than 100 because respondents were able to select more than one answer.

**Figure IV.** Who is responsible for maintaining your CRM data?



As Figure IV shows, law firms rely heavily on marketing and business development professionals to maintain CRM data. Given that lawyer utilization levels have decreased since last year, one possible explanation is that law firms have been hiring an increasing number of junior-to-mid-level marketing and business development staff, who are likely to take over the responsibility of maintaining CRM databases.

This makes sense from a cost perspective; firms tend to emphasize that lawyers' valuable time be spent on billable hours rather than administrative tasks. However, the increasing need for lawyers to engage in business development in order to stay competitive is at odds with the need to focus on billing hours. CRM, or at least some kind of pipeline management system, is a necessary component to tracking business development activities for lawyers and marketers alike.

Given this increasing need for lawyers to engage in business development, and for their utilization of technology to follow suit, the next survey question explored the limiting factors behind low CRM utilization by lawyers.

## Reasons for Low Utilization by Lawyers

Respondents were asked to choose from a list of reasons contributing to low CRM usage rates by lawyers. Multiple reasons could be selected and a write-in box was provided for participants to list reasons not explicitly stated. The results are shown in Figure V below. Because respondents were able to select multiple reasons, the percentages added together amount to greater than 100.

**Figure V.** Which factors contribute to low CRM utilization by lawyers?

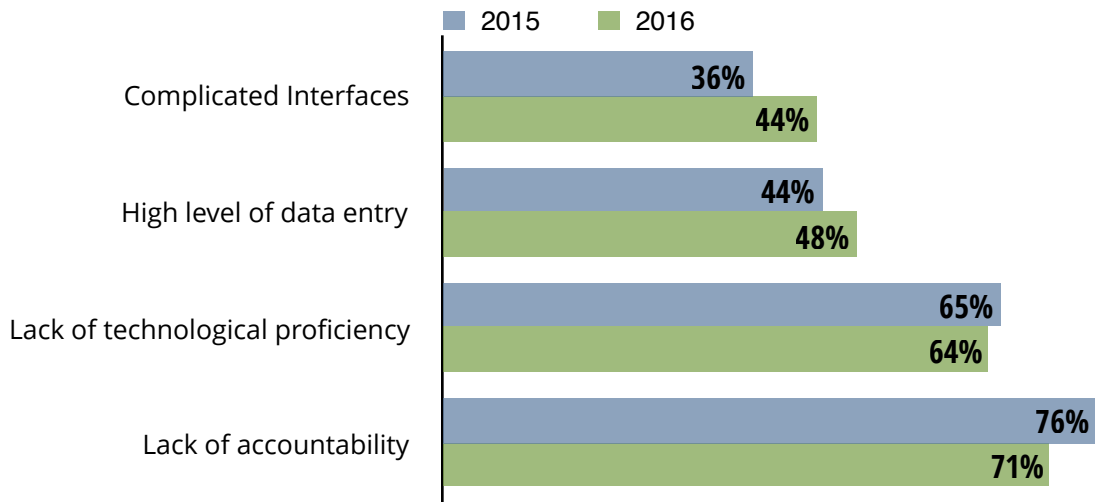


Figure V is best analyzed by differentiating between technological attributes of CRM platforms and firm-specific attributes. While complicated interfaces and high levels of data entry are CRM-specific qualities, CRM providers are unable to influence the technological proficiency of lawyers or the lack of accountability at law firms.

Cultural factors at the firm have a larger influence on CRM utilization than platform design. In 2016, 71% of marketing and business development professionals attributed low CRM use by lawyers to a lack of accountability. In a close second, survey takers also listed general lack of technological proficiency as a contributing factor. Of some note is the observation that these limiting factors have decreased marginally since last year, suggesting that firm culture around CRM use is shifting.

With regard to CRM design, nearly half of respondents faulted their specific platform for high levels of data entry, and 44% indicated that their platform's user interface was too complicated.

Other minor reasons listed for low utilization included:

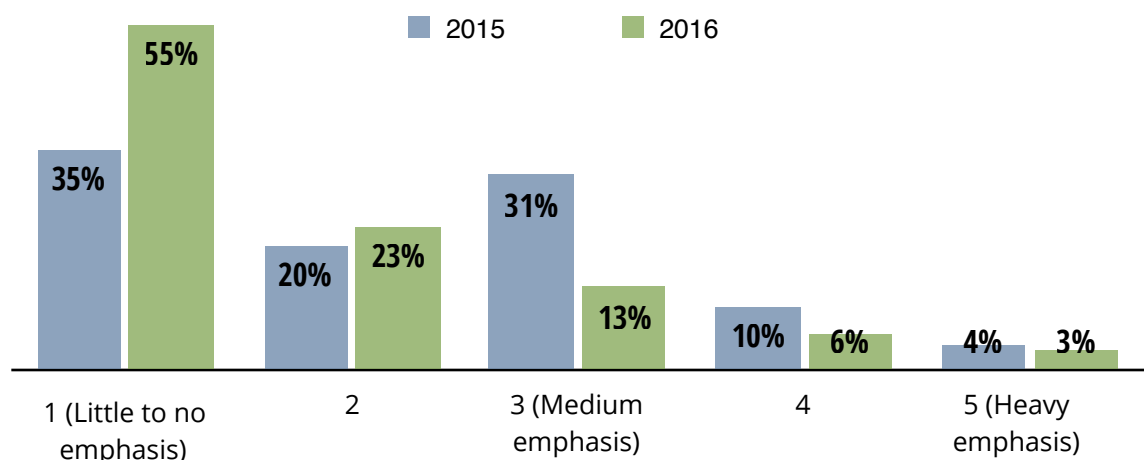
- CRM in early stages of implementation (12%)
- Attorneys are not given access to CRM (10%)
- CRM has inadequate functionality for pipeline management (6%)
- Lack of appreciation of the value of CRM (5%)
- Insufficient time to learn and/or use CRM (2%)

### The Accountability Problem

A lack of accountability for lawyers to engage in proactive behaviors is a prevalent theme, as we uncovered in another market-wide study on business development challenges at law firms. The #1 problem inhibiting the success of business development initiatives was a lack of accountability for lawyers to engage in follow-up activities with their key relationships.

The accountability problem extends to CRM utilization as well. CRM is more likely to be used for marketing functions (e.g., mailings and client data) than business development functions like pipeline management and follow-up reminders. As such, marketers will find greater CRM utility than lawyers will, especially at firms that have been slow to adopt an emphasis on business development. This is the likely cause for the results shown in Figure VI.

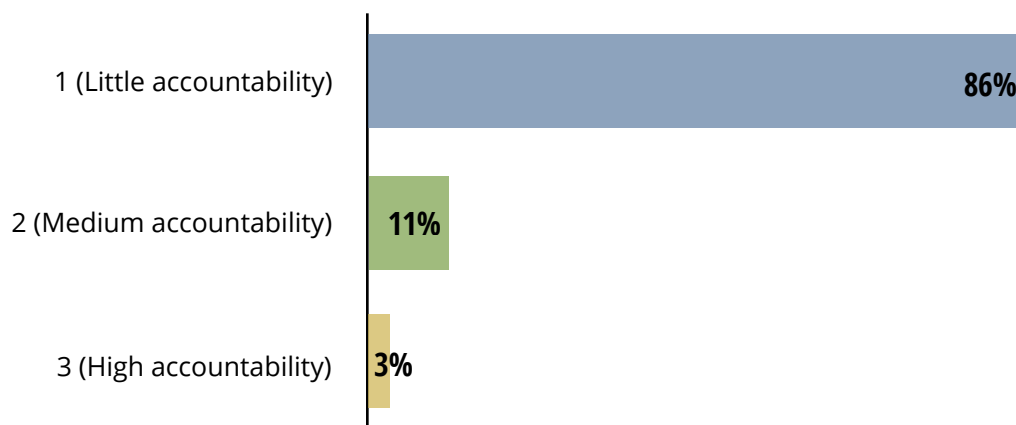
**Figure VI.** How heavily does your firm emphasize CRM use by lawyers?



Over half of responding law firms indicated that little to no emphasis is placed on CRM use by lawyers. Some of these firms do not provide attorneys with access to CRM at all, as shown in the write-in responses under Figure V. However, this leaves a remaining 45% of firms who do expect at least some level of CRM utilization by lawyers. As Figure VII shows, these firms might benefit from increasing the level of accountability to which their lawyers are held with regard to CRM use.

The level of emphasis placed on CRM use by lawyers has decreased markedly since last year. In 2015 the weighted average of the above rating scale was 2.3 (less than medium emphasis) and in 2016 the weighted average was 1.8. Perhaps the cultural challenges listed in Figure V above have led law firms to abandon attempts to increase lawyer utilization in favor of allowing marketing and business development staff to manage CRM systems.

**Figure VII.** To what level are your lawyers held accountable for using CRM?



Unsurprisingly, a majority of firms report that lawyers face little accountability for using CRM. Those firms that do implement accountability structures are likely the same firms that take a more progressive approach to business development and encourage lawyers to use CRM for pipeline management.

## Analyzing the Market Leaders

Given that InterAction and ContactEase possess a 69% market share, it is useful to break down usage rates for these platforms specifically. This drill down into the data provides a useful comparison of the legal industry's most popular CRM platforms versus the market as a whole. Turning our attention back to usage rates, Figure VIII is a comparison between the usage rates of InterAction, ContactEase, and the market as a whole. This provides a comparison of 2016 data without reference to our 2015 study.

**Figure VIII.** Utilization rates for InterAction and ContactEase compared with the market as a whole

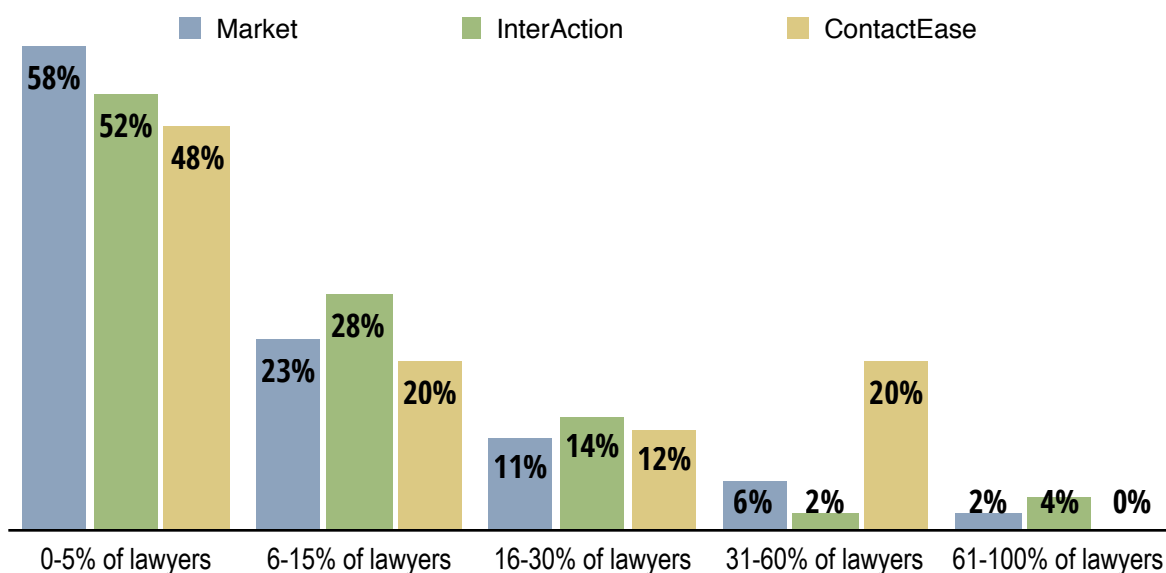
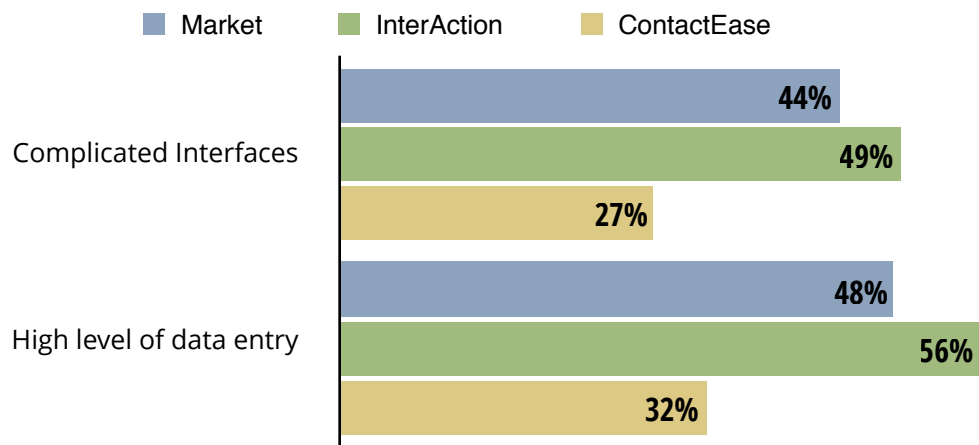


Figure VIII shows us that InterAction users are more likely to under-utilize CRM than ContactEase users. Taking a weighted average of the median percentage values for each bracket, the market as a whole has a 11% usage rate, InterAction has a 12% usage rate, and ContactEase has an 18% usage rate.

In other words, firms using ContactEase reported that an average of 18% of lawyers use CRM regularly, while firms using InterAction see an average of 12% of lawyers using the software regularly.

To explore why these differences in utilization rates exist between platforms, we compared the reasons behind low utilization between InterAction, ContactEase, and the market as a whole. This comparison is shown in Figure IX.

**Figure IX.** Reasons for low utilization (InterAction vs. ContactEase vs. market as a whole)



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, firms using InterAction are 22% more likely to indicate complicated interfaces as a reason behind low CRM utilization when compared to those respondents with ContactEase. InterAction users are also 24% more likely to report a high level of data entry as inhibitive of utilization than ContactEase users are.

Another noteworthy observation is that firms using InterAction reported greater instances of these technical shortcomings than the market as a whole did, and ContactEase users were less likely than the average respondent to indicate these problems.

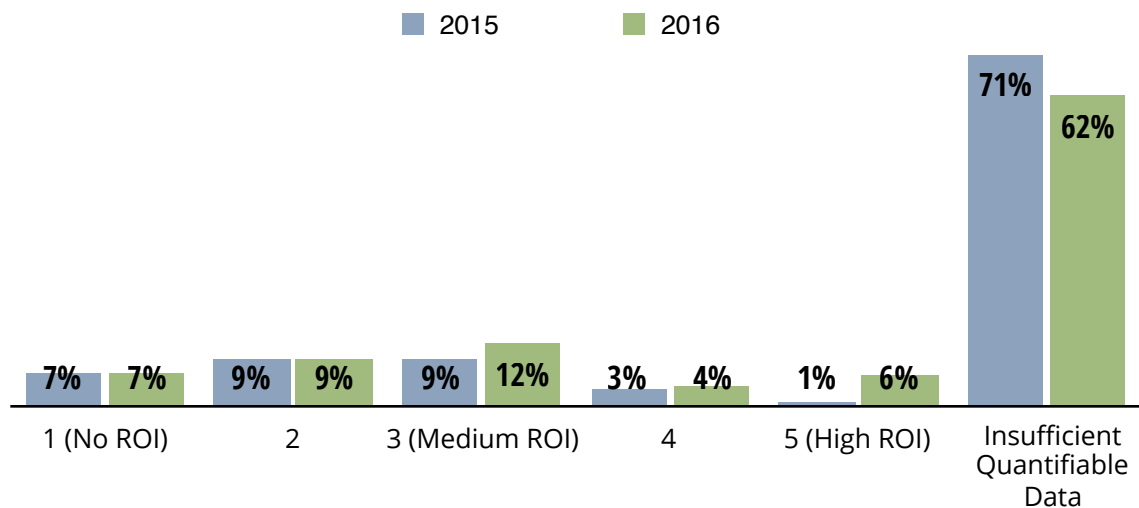
Figure IX should not be interpreted to mean that marketing and business development professionals believe that InterAction's interface is more complicated than ContactEase's in direct comparison. To gather information such as this, respondents who have used both would need to be asked which one is more complicated. Rather, the data in Figure IX 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

Like any investment made in business development or marketing, CRM is only as good as the ultimate return that it garners for the firm. Implementing a CRM platform not only entails the costly licensure of the actual platform, but it also often requires training to use it correctly. When fully implemented, combined costs can swell to five figures or even six figures for larger firms.

Despite the fact that 73% of firms have CRM, most firms are in a poor position to effectively measure its resultant ROI. One of the last questions in the survey asked participants to rank the level of *quantifiable* ROI their firm's CRM has generated. An option was also provided for those firms without sufficient data to effectively assess ROI. Figure X below compares the responses to this question with those of our 2015 study.

**Figure X.** What level of ROI has your CRM delivered?



The 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 of measuring ROI for various initiatives (used by marketing and business development staff). 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.



Encouragingly, firms have improved their ability to measure quantifiable ROI since last year. The instance of respondents who indicated they had insufficient quantifiable data to calculate ROI decreased by 9% this year, and firms that indicated a high ROI increased by 5%. Marketing and business development professionals should endeavor to find more ways to quantify this metric, especially if they wish to emphasize the value of CRM and encourage its utilization by lawyers.

## Conclusion

The majority of law firms have a CRM platform and that number is growing, but nearly a quarter of firms – mostly smaller in size – still do not have CRM. Despite the prevalence of firms having CRM, lawyers use it very infrequently. Instead, marketing and business development staff shoulder the responsibility of maintaining CRM databases.

The primary reasons behind low CRM utilization by lawyers are cultural; they face a lack of accountability to use it, and they possess a general lack of technological proficiency. Furthermore, over half of law firms place little to no emphasis on CRM use by lawyers, so it is unsurprising that lawyers do not use it.

InterAction is the most popular platform, followed by ContactEase, although ContactEase's market share has increased since last year. InterAction has a lower utilization rate than the overall market average, and ContactEase has a higher-than-average utilization rate. InterAction users are more likely to report complicated interfaces and a high level of data entry than ContactEase users.

Most firms lack sufficient quantifiable data to determine whether their investment in a CRM platform has resulted in ROI. However, this number has decreased since last year, suggesting that firms are finding more ways to measure leading indicators to calculate the value their CRM has generated.

## Recent Entries

Additionally, it is important to note that a number of new systems have recently entered the market, some of which have new methodologies designed to address some of the challenges mentioned throughout the survey.

**Business Development Premiere** is built on Microsoft Dynamics CRM technology and combines CRM and Enterprise Relationship Management (ERM) capabilities with company data from Thomson Reuters, as well as competitive intelligence from Monitor Suite and campaign management functionality to reduce the time spent on data input by attorneys or staff.

**IntelliPad** from Versys Corporation is CRM system that assists professional services organizations in marketing and business development efforts. The system works with the firm's Exchange Server to keep contact information up to date across all users. Attorneys work in Outlook to manage relationships as well as marketing and event lists. A mobile interface is also available

**OnePlace** is a CRM solution designed for professional services firms that can be accessed in Outlook through a variety of methods. OnePlace comes pre-configured to help firms track and manage relationships, lists, events, activities, referrals, opportunities, matters/engagements, financial snapshots and experience. Because it is built on the Force.com platform from Salesforce, the system can integrate with thousands of Salesforce apps and also provides mobile access via smartphones and tablets.

**Practice Pipeline** is a simple cloud-based pipeline management tool that combines a user-friendly interface with gamification to make it easy for lawyers to track their business development activity. Its user-friendly interface makes it easy for lawyers to use; the platform has a 75% adoption rate, which is much higher than average CRM utilization rates. It integrates with Outlook calendars and most CRM platforms, is accessible via any device, and offers a mobile app. Practice Pipeline also generates real-time management reports that provide key performance indicators designed to guide productive coaching sessions between lawyers and marketers.

\*The "Other" category in Figure II also included references to HubSpot, Soffront, Insightly, Contact Manager, ContactNet, and Constant Contact. Note: some of these systems are not true CRM systems and others are no longer supported or sold.

## 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.** Selecting the right CRM for your needs is essential and begins by taking the time to assess the unique needs of your firm and attorneys. For instance, if your aim is to promote CRM use by lawyers at your firm, choose a less complicated platform or one with high utilization rates. If either marketing or business development is your main goal, you should choose a system that is designed to support those areas. Ultimately though, it's important to know that the people and process issues such as accountability mentioned in the report will continue to have a significant impact, regardless of the technology you choose.

**2. Provide ongoing support.** To solve the two main challenges behind low utilization, marketing and business development staff should provide ongoing support to lawyers in their use of CRM. Train lawyers in how to use CRM, establish regular meetings to provide coaching, hold them accountable for using CRM, and illustrate its value to growing their practices.

**3. Identify quantitative metrics to measure ROI.** 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.

**4. 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. A gamification initiative wherein lawyers compete against one another for a prize is another method for encouraging regular engagement.

**5. 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.

**Olivia Cowenhoven** is the Marketing and Business Development Manager at The Ackert Advisory. She 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 featured in various publications, including *Strategies* magazine. She graduated Cum Laude from the University of Connecticut with a BS in Environmental Science.