

Case Study 2: Optimising marketing spend per sector for a Law firm

The purpose of this Case Study was to optimise the marketing spend of a law firm, to find a solution that reflects the value of each sector that the law firm operates in. This was intended as an opportunity to create a model that can be used in the future to assist in this crucial element of business. For this reason and given a lack of access to all required data, I decided to approximate the values for each sector. To do this, discussions were held with the Practice Manager, who has an intimate knowledge of the caseload, to reach agreeable figures that reflected the typical caseload of the firm.

Requirements

- Attain 50 new clients
- No more than 40% of budget in any one sector
- Spend £1,500 on Google Adwords
- At least 5 new clients per sector
- Spend £700 on Facebook Ads

Method

Spending £1,500 on Google and £700 on Facebook was decided as requirements due to approximations made as to the outcome and cost of generating clients through each avenue. These approximations were informed by several online publications including data found on the Facebook Ads and Google Adwords websites. Estimating that Google Adwords would cost £5 per click on average and Facebook would cost £1 per click, with conversion rates of 5% for both (specific to Law firms). This leads to an approximate cost per new client of £100 for Google and £20 for Facebook. It was decided that it was worth paying more for Google because of the prevalence of Google as a search platform. It was estimated that by spending £1,500 on Google and £700 on Facebook, it would lead to 15 and 35 new clients respectively. A rule of thumb for Law Firms is to expect a third of incoming money to go to rent and equipment, a third to go to paying staff, leaving a third as profit. Net profit was chosen as the metric, so that board level members of the law firm could be briefed with real numbers to expect in terms of profits from investing in marketing.

It was important to apply the 4th and 5th constraints because the law firm still want to generate business across all sectors. Each sector was split into three categories to allow for a greater accuracy in approximating the value of new clients, they were split into 'Small', 'Medium' and 'Large' cases. In most instances the client lies in the middle, but there are less frequent but still valid clients who generate much larger and smaller cases too, each with typical fees and timeframes.

Calculations

The model was set out in a way that allowed one of two different optimisations to be calculated, either optimise the first month net profit, or the total net profit generated by the end of the cases. It was decided that total net profit was the desired goal.

Results

CASE STUDY 2: ESTIMATING & OPTIMISING RETURN FROM MARKETING WITH 'FACEBOOK ADS' & 'GOOGLE ADWORDS'

FACEBOOK ADS						GOOGLE ADWORDS						EXPECTED PROFIT					
BUDGET (MONTH)	700					BUDGET (MONTH)	1500					1st Month NET					
EXPECTED AVERAGE COST PER CLICK (£)	1					EXPECTED AVERAGE COST PER CLICK (£)	5					£ 4,710.75					
EXPECTED CONVERSION RATE	5%					EXPECTED CONVERSION RATE	5%					Residual NET					
TOTAL EXPECTED CLICKS FOR SPEND	700					TOTAL EXPECTED CLICKS FOR SPEND	300					£ 60,986.75					
TOTAL EXPECTED CONVERSIONS FOR SPEND	35.0					TOTAL EXPECTED CONVERSIONS FOR SPEND	15.0					Lifetime NET					
COST PER NEW CLIENT	£ 20.00					COST PER NEW CLIENT	£ 100.00					£ 65,697.50					
SECTOR AVERAGES																	
SECTOR	Litigation			Wills			Probate			Conveyancing			Commercial Conveyancing				
CASE SIZE	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large		
PER CASE GROSS PROFIT	£ 225.00	£ 2,500.00	£ 20,000.00	£ 200.00	£ 450.00	£ 750.00	£ 2,000.00	£ 4,500.00	£ 12,000.00	£ 650.00	£ 950.00	£ 1,250.00	£ 750.00	£ 1,100.00	£ 1,500.00		
PER CASE NET PROFIT	33% £ 74.25	£ 825.00	£ 6,600.00	£ 66.00	£ 148.50	£ 247.50	£ 660.00	£ 1,485.00	£ 3,960.00	£ 214.50	£ 313.50	£ 412.50	£ 247.50	£ 363.00	£ 495.00		
RETURN TIME (MONTHS)	1	4	24	2	2	2	6	18	24	3	3	3	3	3	3		
MONTHLY INCOME PER CASE	£ 74.25	£ 206.25	£ 275.00	£ 33.00	£ 74.25	£ 123.75	£ 110.00	£ 82.50	£ 165.00	£ 71.50	£ 104.50	£ 137.50	£ 82.50	£ 121.00	£ 165.00		
APPROXIMATIONS																	
SPREAD OF CASES PER SECTOR (%)	20%	60%	20%	40%	40%	20%	20%	60%	20%	20%	60%	20%	20%	60%	20%		
MONTHLY VALUE PER 10 CASES IN EACH SECTOR	10 £ 148.50	£ 1,237.50	£ 550.00	£ 132.00	£ 297.00	£ 247.50	£ 220.00	£ 495.00	£ 330.00	£ 143.00	£ 627.00	£ 275.00	£ 165.00	£ 726.00	£ 330.00		
MONTHLY MARKETING GOALS																	
EXPECTED CLIENTS GENERATED	4	12	4	2	2	1	3	9	3	1	3	1	1	3	1		
MONTHLY VALUE TO BUSINESS	£ 297.00	£ 2,475.00	£ 1,100.00	£ 66.00	£ 148.50	£ 123.75	£ 330.00	£ 742.50	£ 495.00	£ 71.50	£ 313.50	£ 137.50	£ 82.50	£ 363.00	£ 165.00		
EXPECTED GOOGLE ADWORDS CLIENTS GENERATED (PER SECTOR)	15			0			0			0			0				
GOOGLE ADWORDS SPEND (COST PER NEW CLIENT = £100)	£		1,500.00	£			£			£			£			-	
EXPECTED FACEBOOK ADS CLIENTS GENERATED (PER SECTOR)	5			5			15			5			5				
FACEBOOK ADS SPEND (COST PER NEW CLIENT = £20)	£		100.00	£		100.00	£		300.00	£		100.00	£		300.00		
CONSTRAINTS																	
NEW CLIENTS = 50	a	1	1	1	1	1	1	1	1	1	1	1	1	1	1	50	= 50
GOOGLE ADWORDS SPEND = £1500	b	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1500	= 1500
FACEBOOK ADS SPEND = £700	c	1	1	1	1	1	1	1	1	1	1	1	1	1	1	700	= 700
NO SECTOR MORE THAN 40% TOTAL	di	1	1	1	0	0	0	0	0	0	0	0	0	0	0	20	<= 20
	dii	0	0	0	1	1	1	0	0	0	0	0	0	0	0	5	<= 20
	diii	0	0	0	0	0	0	1	1	1	0	0	0	0	0	15	<= 20
	diii	0	0	0	0	0	0	0	0	1	1	1	0	0	0	5	<= 20
	dvi	0	0	0	0	0	0	0	0	0	0	0	1	1	1	5	<= 20
	dvi	1	1	1	0	0	0	0	0	0	0	0	0	0	0	20	>= 5
	di	0	0	0	1	1	1	0	0	0	0	0	0	0	0	5	>= 5
	di	0	0	0	0	0	0	0	0	1	1	0	0	0	0	15	>= 5
	dii	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	>= 5
	dii	0	0	0	0	0	0	0	0	1	1	1	0	0	0	5	>= 5
	dvi	0	0	0	0	0	0	0	0	0	0	0	1	1	1	5	>= 5
AT LEAST 5 NEW CLIENTS PER SECTOR	ei	1	1	1	0	0	0	0	0	0	0	0	0	0	0	20	>= 5
	ei	0	0	0	1	1	1	0	0	0	0	0	0	0	0	5	>= 5
	ei	0	0	0	0	0	0	0	0	1	1	0	0	0	0	15	>= 5
	ei	0	0	0	0	0	0	0	0	0	0	1	1	0	0	5	>= 5
	ei	0	0	0	0	0	0	0	0	0	0	0	1	1	1	5	>= 5

Table 3. Case Study 2 - Excel Solver Results

The result of the optimisation can be seen in the top right of the above Table 3. The model shows the optimised scenario to be, 20 new clients in Litigation, 5 in Wills, 15 in Probate, 5 in Conveyancing and 5 in Commercial Conveyancing. This was estimated to generate a total net profit of £65,697.50 (once all generated cases had concluded).

Discussion

The above marketing strategy should prove very persuasive with board members at the Law Firm, though the limitations cannot be ignored. In example, the input data was approximated as opposed to making a full analysis of the caseload at Nicholls Law. Furthermore, real data was not available for the true costs of marketing with Google and Facebook, this would only become available after beginning to employ a marketing strategy with them.

Conclusion

The true value of this statistical model will only be realised once genuine data can be input. Even with the limitations set out, the model still provides a powerful tool for showing the value of the different sectors and will enable a well guided initial marketing strategy.

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