
Walker Advertising: Los Defensores and 1-800-THE-LAW2

In 1984, Mary Ann Walker launched Los Defensores (Spanish for “the defenders”) in the city of Los Angeles (LA) to connect Spanish-speaking consumers in need of legal services with bilingual attorneys.¹ Shortly thereafter, she expanded the business model to connect English-speaking consumers with attorneys through 1-800-THE-LAW2. Before long, she built a reputable local advertising firm called Walker Advertising, which was trusted by consumers and attorneys alike. Located in San Pedro, California, Walker Advertising partnered with law firms to advertise their services. Its business model worked as follows: the marketing department generated inquiries; the contact center filtered inquiries by geography and law type to match them to participating attorneys’ practices; and then the intake departments of the law firms turned leads into retained cases.

After more than 30 years of success in and around LA and parts of Northern California, Walker partnered with a private equity firm called ClearLight Partners to further build the business. The firm brought in several new members of the executive team, including Quentin Kluthe as CFO in 2017. The goal was to grow the firm in additional markets around the country. That meant developing an attorney base outside of California. In addition, the company would shift from a subscription-based revenue model toward a pay-per-lead model.

An important piece of the growth effort was building a digital team. Management wanted to forecast how much the business needed to spend in advertising to drive various levels of callers. While Walker Advertising had been collecting data since its inception, there was not a process in place to leverage those data. Kluthe, along with others in management, believed that fully utilizing the data would optimize the business process and better inform decision-making.

Yet the jump to data analytics and machine learning in a firm with a strong brand and purposeful mission was not simple. Kluthe understood the importance of gaining acceptance for a major change in how the business ran. It was crucial to provide clarity and transparency so others in the organization would embrace the shift from the old approach to new methods. How could a business that traditionally had not been data focused make a pivot to use data science in decision-making?

The Advertising Industry

The advertising industry was made up of agencies that provided development and production services for advertising, promotion, corporate communications, brand design, media planning and buying, and related consulting services. The industry was one of the largest and least-acknowledged influences on the US economy.

¹ This is a field-based case. All information and quotation, unless otherwise noted, derive from author interviews with company representatives.

Agency comparisons were generally based on *media billings*, dollars channeled through advertising agencies to the major media outlets for the purposes of placing advertising.

Advertising agencies required very little fixed capital investment; virtually all costs were variable and associated with people. Most agencies were compensated on an annual retainer basis, and the drivers of compensation tended to be tied to some proxy for advertising production. Consequently, operating margins, ROA, and EBITDA were typically very high for well-managed firms.

As a full-service advertising agency, Walker Advertising offered legal marketing research, creative services, media buying, and bilingual call center services. For 35 years, it had helped numerous law offices grow from hanging their shingles as sole practices to firms with large staffs of practicing attorneys.

Advertising in the legal segment required consideration of a complication that many other industries and even other advertising companies did not have to worry about: business often depended on unpredictable, unplanned events or accidents. The response time between an incident and when a consumer contacted an attorney was short. As Kluthe described,

Most people are intimidated by lawyers and often don't like to talk to them. It is essential that these callers be promptly connected to an attorney in their time of need so that they get that help once they've gotten the nerve to make a call.

Law firms typically spent 1.7% of their income on advertising and sales—regardless of whether they were small, medium, or large firms.²

Walker Advertising History

Walker launched the Los Defensores attorney network as a subscription-based service when she was a 22-year-old court translator in LA, because she was troubled that many of the Spanish-speaking people charged with an offense had little to no access to lawyers who spoke the same language. Usually, non-English speakers were provided public defenders who spoke only English. She recognized the need of Hispanic consumers and realized that few, if any, were aware of their rights, despite there being resources they could tap. In addition, a huge number of complainants had been injured at work—often as state workers. Since public defenders also worked for the state, she believed there was a conflict of interest and that the injured parties in those situations may not have been robustly defended. She started recruiting attorneys willing to let her advertise their services in the Hispanic media market (Univision and Telemundo). Nereida Casarez, an early employee and VP of media, recalled that Walker started with five attorneys who agreed to a monthly subscription.

When a call came in, Walker's few employees jotted down the caller information on what became a standard form and connected the caller with a Spanish-speaking attorney. Since the attorneys at Los Defensores practiced only two types of law (auto accidents and workers' compensation), only callers who needed those types of assistance could be connected to attorneys. As her employees answered phones, they would call out which attorneys they were connecting callers with. Following each call, the attorney's name would be posted on a huge board, so all could see who was next in line for a lead. The forms were separated by the event involved (auto, workers' compensation, and "others"), organized into piles determined by which lawyer received each lead, and entered into a master log. Walker would then follow up with attorneys.

² Merchant, "Legal Services Industry Overview," March 25, 2019 (accessed Mar. 26, 2019).

To attract more than the original five Spanish-speaking attorneys, contact-center agents were required to make at least 100 cold calls a week to lawyers, using the State Bar of California (CBA) licensee directory. In addition, Walker would drop off her business card at the numerous law firms along the lawyer-lined Wilshire Boulevard in LA. Although Walker Advertising focused on the Hispanic market, there was also a general market of consumers who attorneys believed would benefit from their services. They asked Walker to consider reaching out to that target group, and in 1985, she launched 1-800-THE LAW2 (TL2) with English-speaking consumers in mind.

As word of mouth spread in LA, Walker hired a media company to help grow the local market. That firm looked at the two buckets of leads (auto and worker's compensation) and encouraged her to find bilingual attorneys who practiced different types of law and to offer alternative advertising packages. As a result of these changes, business grew 30% as more attorneys began advertising for diverse types of inquiries.

Just as business was improving, in 1985 the CBA contacted Walker and challenged her business model, claiming it was illegal to pool attorneys for advertising purposes. Reaching out to her network, Walker contested the interpretation as a First Amendment issue—the CBA was censoring attorneys' right to advertise. The CBA asked the California Supreme Court for an opinion on the issue. The Supreme Court agreed that not allowing lawyers the right to pool together to advertise was indeed censoring the group. As a result, Walker was able to continue doing business; she was invited to collaborate with CBA to rewrite the rules, and her firm continued to advertise and provide leads by law type and region, mostly in California.

Eventually Walker subscribed to Nielsen to compare audiences of the Hispanic stations and programs with those of general-market stations. The Nielsen reports offered usage by demographics during select parts of the day ("dayparts"), and Casarez used that information to search for the dayparts best suited to advertise for each side of the business (Hispanic and general).

As the use of research to target consumers grew, so too did opportunities to expand the firm. In the spring of 2015, Walker raised an undisclosed amount of private equity funding from a firm in Newport Beach, California, called ClearLight Partners. The plan was to use that capital to fuel growth—this time not only in new local markets but in various markets across the nation. Walker had developed a great brand in Southern California, and she saw growth outside California as an opportunity to tackle a fragmented national marketplace.

Walker Advertising Expands outside of California

Being part of a private equity firm meant a lot of basic blocking and tackling to generate board reporting, financials, lenders, and so on. The board helped Walker build out her executive team, which included hiring Quentin Kluthe as CFO. Kluthe had grown up in Whitehorse, Yukon, in the wilds of northern Canada, then earned his BA at McMaster University and MBA at Kellogg School of Management. He had a wealth of experience working for McKinsey, Mattel, Fisher-Price, and The Wonderful Company (owners of Fiji Water, Teleflora, and POM Wonderful).

Kluthe joined Walker Advertising in the late summer of 2017 and immediately began financial planning. He soon realized that the company needed more sophisticated data—data pipelines, data analysis—to more efficiently deploy media. At the time, the company's tech stack was focused on supporting the contact center and business users, and access to insightful media information was limited. In addition, there was a tension with the revenue model. Costs—mostly media—lined up only partly with sales. A large portion of revenue was generated from responses to the advertising—85% were phone calls. The Los Defensores brand gave rise to 80% of those calls and TL2 produced 20%. It was challenging for the management team to convey unit

economics and profitability, and to follow where conversion happened. With a subscription-based sales model, the revenue per lead and cost per lead didn't necessarily add up. "We do a clean job of measuring media effectiveness in aggregate," Kluthe said. "But the reality is that the aggregate shows spend on media spots but not which spots generated each phone call or lead." Kluthe wanted to know how many leads would be coming in, and changing the subscription-revenue model to pay-per-lead would help facilitate that.

By this time, three business units made up the majority of Walker Advertising's business model. Media and marketing drove the call business through a mix of traditional and digital media. The contact center received the calls, filtered leads, and connected consumers to the advertising attorneys. The sales team was responsible for developing relationships with attorneys and selling them advertising. Kluthe's team of finance, HR, information technology (IT), and legal supported the three business units.

Marketing: Generate inquiries

Everything Walker Advertising needed to create revenue began with advertising to generate calls. Indeed, the whole business started with those first phone calls, as Casarez described:

Mary Ann Walker had a friend help and they produced commercials for Los Defensores. When the first spot aired, Mary Ann and her friend were sitting by the TV ready to go. She was thinking it wasn't going to work because there were no immediate calls. She thought someone was going to pick up the phone and call as soon as they saw the spot. They sat there for more than a minute without a ring and then all of a sudden, probably two or three minutes later, the phone started ringing. "Oh my God, it worked!"

The primary cost for the company was either traditional media spend or digital media spend. There was no doubt that Walker Advertising had brand recognition in parts of California. The creative process started with consumer segmentation, consumer insights, and key insights from both Spanish-and English-speaking segments that the company could translate into creative concepts. Walker Advertising would go to market with one communication (called copywriting) executed across television, radio, digital, and social media. For example, one campaign message—"even a small distraction can have a big consequence and injury—reach out to us"—was consistent no matter where viewers consumed their media.³ "Successful media placement is the marriage of an awesome message and appropriate marketing channel to reach consumers," Serrano said.

The consumer segment determined media mix and planning. In California, the brand was built around 1-800-THE-LAW2 and Los Defensores, which used its own vanity number: 1-800-636-3636. Los Defensores reached consumers across and outside California, while TL2 operated within a subset of the Southern California market.

To connect with consumers through traditional marketing methods, Casarez allocated dollars based on networks' whole audience. Her department would test dayparts for four weeks for the highest number of impressions (points at which an ad was viewed). She could track duplications and remove dayparts to isolate local markets that would see national market advertisements. In traditional marketing, advertising would run for a year and then, if it was believed to be ineffective, shut down. Walker Advertising's digital reach was more limited and accounted for 15% of leads, with the company website generating 10% of leads, and chat or text providing the rest (5%). The company had 10 unique numbers for traditional advertising and roughly 25 unique numbers for digital advertising, enabling it to attribute certain calls unequivocally to certain channels.

³ For more see "Walker Advertising—Testimonials," YouTube video, 4:22, posted by "walkeradvertising," February 5, 2018, <https://www.youtube.com/watch?v=ZRnb0Y1AWg> and "Walker Advertising—Celebrating 35 Years," YouTube video, 0:30, posted by "walkeradvertising," April 24, 2019, <https://www.youtube.com/watch?v=nq-fPDg3tbU> (both accessed Jul. 22, 2019).

Contact center: From inquiries to leads

The lifeline of Walker Advertising's business was inbound telephone calls. The contact center was open 24/7, but calls were cyclical. For example, weekends and Monday holidays were generally slower, as were summers. The fall was a high season and weekdays were busy. Not all calls were leads. Sometimes a consumer mistakenly identified a Walker number as their attorney's, or the caller hung up. From each completed call, the company collected data that included call duration, law type description, sub-law type description, media source, geographic area, media month, media quarter, and date (see **Exhibit 1**).

Contact-center agents filtered inquiries based on their particular issues and connected callers directly with attorneys. To be categorized as a lead, the inquiry had to meet certain criteria, which were determined by how callers answered questions. Inquiries were classified by areas of law geography. On average, roughly 2% of leads resulted in a seven-figure outcome for the related attorney. The other leads were valuable to lawyers, though not in the seven-figure range. Not all consumers could be connected to attorneys, because the company didn't partner with attorneys who practiced all types of law. Lead distribution was an important part of the business. Kluthe explained:

Because new lawyers may be concerned, and even suspicious, that we might be cherry picking and treating some lawyers better than others, we need to maintain really clear boundaries around that. We have to make sure that for everybody who is in the line, you get your fair share of the leads of all types.

Think of it as a wheel that turns with each lead. When you get to the top of the wheel, you get the next lead. And that lead might be a fantastic lead, it might not be, we have no control over that. And you can't appeal, as long as the lead met our criteria.

Not every lead turns out. We take consumer calls and what they say at face value. We ask them questions on fault but we're not doing law here. If a lawyer is unhappy because the consumer told us he wasn't at fault but the lawyer works up the case and finds out that the consumer rear-ended someone, we had no way of knowing that—our leads are what we were told.

If the call met lead criteria, the caller was placed on hold while the agent connected with the appropriate attorney. Once the lead was transferred over, the agent dropped off the call.

Staffing the contact center was critical to Walker Advertising's bottom line and required balance and operational excellence to meet service levels. Unanswered phones were costs. The standard in most call centers performing customer service functions was to answer calls within 30 seconds; as a lead-generation business, Walker Advertising targeted 8 to 10 seconds. "We have such a loyal Spanish-speaking consumer group that they are more willing to hold longer," John Pan, VP of the contact center, said. "But phones should be answered as quickly as possible." The more he staffed the phones, the more quickly calls were answered, but more staff also meant agents sitting with nothing to do in off-peak hours.

Sales: Into contracts

Developing relationships and selling contracts to attorneys interested in leads was key to Walker's success. For the most part, lawyers were not trained to run small businesses. Most were not educated on how to grow their practice and did not focus on how to retain clients. As one former Walker executive described that impact on selling marketing to attorneys:

One of my first law classes was criminal defense. My professor said, "If you do xyz that would be considered first-degree murder." I asked—"what if I do this, this, and this, am I still guilty of first-

degree murder?” His response was “I don’t know—are you the prosecution or defense?” The learnings from that was simple—lawyers are trained to look at the facts and then argue them to fit the case that he or she wants. So when selling marketing to attorneys, ambiguity can actually hurt you. Because when left to their own devices, lawyers will go with what they know and have been doing as opposed to adopting or adapting anything new. The more innovative or out-of-the-box the notion is could potentially hurt you until someone understands it, then it will reverse and all of a sudden become an accepted way of doing things and starts to work in your favor.

As an advertising firm, Walker Advertising made no promises to attorneys except that leads would be generated, and each subscription would be treated fairly. Walker had a successful formula in California—so good that there was a waiting list of attorneys wanting to buy contracts.

Walker Advertising structured sales such that attorneys would purchase contracts on a per-month subscription specific to categories of interest and in a particular geographic region. Attorneys could not buy just auto contracts, for example, because auto contracts were sold with blocks of other leads. “We have a stable base of clients,” Kluthe said. “And some of them have multiple contracts for a sizable amount of money a month.” Usually new attorneys received their first client calls within days of advertising. Lawyers perceived some categories of leads as of higher value than others and often bought more than one contract.

Because many attorneys had been with the company for a long time, they understood Walker Advertising’s value proposition: it was long-term, not about delivering on a weekly basis. Over the long run, lead production was fairly predictable. However there could be significant variations on a month-to-month basis. As a result, 60% to 70% of new contracts dropped Walker’s service inside 12 months. The challenge was with new attorney clients, who were unaware of Walker Advertising’s brand. When measured on a weekly or biweekly basis, leads proved highly variable, depending on when the attorney got in the queue. Kluthe said,

We tend to suggest a three-month sale. Over the long run, there is a high degree of confidence that the ROI is there. The challenge that we have as we introduce new attorneys is that in some cases, they don’t stick out the program long enough to realize that value. Based off our numbers, we believe attorneys can earn many multiples of their marketing investment if they are able to stay with the program.

The Data Dive

Given the unpredictable nature of Walker Advertising’s business, data analytics seemed like the right fit to better understand the dynamics. The company had always collected data, but its ability to access information in the database was limited. The firm used SSRS as an interface. Pulling and retrieving new data to manipulate was a cumbersome process across the organization. Indeed, key performance indicators (KPIs) didn’t even mean the same throughout the business—a lead to one group meant something different to another. Essentially a database administrator would create a report, customize it for each person, and the query would be static—the lag time was long. An important element of the company’s business was how many slots or subscriptions it made available to attorneys. “And you can imagine in a world where data is difficult to get and organize, trying to make that decision on a weekly basis was clunky,” Kluthe said. “It required multiple people getting in a room and having a discussion around very different sets of metrics that they individually would go pull through a power pivot. At the end of the day, you didn’t know if you were getting to a good decision or not, as the data was very opaque.”

So the analytics team started developing a data warehouse in 2018, and Jeannie Tai, a financial analyst, built Power BI reporting capabilities on top of that infrastructure. “That allowed everyone in the organization to produce their own reports and analytics on a daily basis to find levers influencing their department and make decisions more real-time,” Neal Parekh, senior director of financial planning and analysis, said. “I think it acted as a real motivator for each department and really changed the culture of the company.”

Walker Advertising’s new business model required real-time balancing of supply and demand. The company launched data-science projects to look at external factors that influenced its lead generation—could it develop a forecast model that would predict leads? “If we spend X amount of money, we can expect leads to move up or down based on whether we are expanding our expenditure, moving it somewhere else, or reducing it,” Nitesh Prakash, a data scientist, said. “If leads forecasted failed to line up with actual lead volumes, it would give us an indication if that spend underperformed or overperformed.” This work would be a benchmark for testing new markets and setting prices to manage inventory.

As Walker Advertising transitioned away from its traditional subscription-based business model toward a pay-per-lead model, the forecasting model held promise. Overall, the company wanted to better manage spending—to more accurately forecast lead generation one to four weeks down the line. The subscription model had less flexibility. “Examining which markets perform better and how much of that spend at a network level or national level could be more targeted as local spend would be a useful tool,” Prakash said.

The Impact

By spring of 2019, the data analytics team felt it was making strides in data collection. At the very least, with the investment Walker Advertising had made, the data warehouse would make for a less tedious process of collecting, cleansing, and reporting on the data. “In the real world, the data set and the appropriate modeling technique don’t necessarily fit,” Prakash said. “This is taking a data set and trying to figure out how best to approach it—problems are not always clearly defined.”

Kluthe expressed his own thoughts about the investment:

It all comes down to what drives business and how can we use data to become more informed and insightful about it. The digital team was confident it could build a sophisticated model that considered 90,000 different variables. The prediction itself might be more accurate, but would you ever understand it?

Exhibit 1

Walker Advertising: Los Defensores and 1-800-THE-LAW2

Walker Data Dictionary

Calls Table

File Field Name	Explanation
CallId	ID column
StartTime	Call timestamp in PST
City, State	Location of originating call
Area	Area codes for distribution markets
CompanyShortName	LD: Spanish, TL2: English, LRD: Spanish web
LawType	Different types of law (MVA, L&E, Premise, WC)
MediaSource	More accurate for digital leads; Can be overwritten by agents in the contact center
MediaGroup	Lead attribution: Traditional/digital
Weekof	Week start date

Media Placements

File Field Name	Explanation
StartTime	Spot timestamp. PST/relevant time zone based on area. EST in most (not all) cases for national.
PostLogDate	Spot date
MediaType	Radio/TV/Cable
ISCI	Tape code for creative aired
Duration	Length of spot
CompanyShortName	LD: Spanish, TL2: English
LawTypeDescription	Law type that creative is targeted at:
LawSubTypeDescription	
MediaSource/ Station Area	Channel where spot aired; corresponds to Walker distribution markets in most cases.
MediaMonth/MediaQuarter/ MediaYear	Spot airdate according to broadcast calendar
WeekOf	Week start date

Source: Walker Advertising, used with permission.