

---

## 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.<sup>1</sup> 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.

---

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

---

This field-based case was prepared by Gerry Yemen, Senior Researcher, Michael Albert, Assistant Professor of Business Administration, and Saul Yeaton (MBA 2008). It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 2019 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. To order copies, send an email to [sales@dardenbusinesspublishing.com](mailto:sales@dardenbusinesspublishing.com). No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation. Our goal is to publish materials of the highest quality, so please submit any errata to [editorial@dardenbusinesspublishing.com](mailto:editorial@dardenbusinesspublishing.com).

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.<sup>2</sup>

### 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.

<sup>2</sup> 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