Discovering Your Legal Practice Niche Through Internal Practice Analysis

Many attorneys feel there is an increasing importance to focus on selected practice areas. Part of this is a reflection of a growing need to establish niches. Very simply, emphasizing practice areas, or for that matter even client groups, allows lawyers to become increasingly expert in the needs of the clients. By the same token, most clients appreciate the value of that expertise and are willing to pay accordingly.

How does an attorney find a practice niche? Should that niche be based on what the attorney likes to do? Should it be based on what appears to be the most profitable or shows the most dramatic propensity for growth? The answer is: “It depends.” It depends, first, on what the attorney is willing to accept and sometimes even to sacrifice. It also depends on the attorney's competitive market.

There are several methods of analysis which can help an attorney find a niche that will be both satisfying and rewarding. Whether attorneys choose just one or all of these methods will be affected by their belief in the priorities of relative benefits of finding the right practice area.

The managing partner for a midsized firm in a city of about 100,000 felt that his firm could be considered a full-service firm. After all, they provided a wide range of practice area services, including some retail client needs; first-party and insurance defense litigation; and business, real estate, tax, franchise, and corporate work. The practice group that was the most active varied each year, depending on the local market conditions. But practice area emphasis was the center of some debate in the firm as a result of declining revenues, particularly from key clients. Two partners thought by trying to be full service, the firm was covering too many practice areas with limited resources. The business development partners were asked to investigate options and make a recommendation at the next partners' meeting.

They began by inviting a legal services marketing consultant to the office to discuss the issue. They explained the problem and asked how he might proceed, if retained by the firm. The consultant told them he would start by conducting an internal analysis to find possible growth areas as well as drains on the firm's resources.

The firm retained the consultant who immediately began his analysis. The consultant and the firm's administrator examined the firm's gross client revenue (in contradistinction to billable hours). Then they plotted the revenue for each practice area by year for the last five years. They used graphs to compare client revenue and practice area revenue. From this comparison, they were able to draw a few preliminary conclusions which they presented in a report to the firm's partners. The partners agreed that some of their perceptions of client revenue and practice area revenue had been wrong. One partner said that because of
her own interest and experience, she thought that one practice area was very profitable for the firm. She was surprised to find that it had provided a great deal of work but had not been a substantial source of profit for the firm. Other partners described their misconceptions similarly.

They discussed those areas which were the most successful for the firm which they enjoyed and in which they felt most competent. The most difficult even wrenching decision was actually to eliminate some practice areas. Other firms had internal battles over this very issue. The practice areas they decided to discontinue were ones which provided the least revenue and the least professional satisfaction for the partners.

By narrowing the firm’s practice scope, based on the recommendation of the consultant, a potential niche was identified for the firm based on its size, remaining practice areas, clientele, and anticipated revenue. The anticipated revenue, although negatively affected in the short term, was expected to increase over the long term. This revenue increase would result from two factors: the enhanced reputation of the firm due to its focus and increased client satisfaction due to attorney expertise in the selected areas.

**DISCOVERING WHAT WORKS**

Attorneys who want to specialize certainly are not alone. Many professionals and businesses are discovering that specialization is a key to survival in a very competitive marketplace. Clients are often no longer satisfied with an attorney who knows a little about a lot of things when an attorney who knows a lot about a particular need is available. For some attorneys, finding a practice niche is easy. They may be particularly proficient at land use or real estate law or may be “natural” defense litigators.

For most attorneys the choice is not quite so simple. With a broad range of practice areas from which to choose, narrowing a practice down to a few areas may be difficult.

Here are some simple methods and rules which should be used to find the proper niche or verify the appropriateness of a selected niche. The information to utilize these is in the attorney’s office—the only work required is the discipline to access and analyze that information.

First, the attorney should examine client revenue for at least the past five years. Billable hours can be examined as an altogether different exercise to determine attorney efficiency, but client revenue is a more important factor in predicting profitable growth areas.

Next, the attorney should list all practice areas in which he or she has at least some experience. With this list, the attorney then can track practice area revenue. Finally, a compilation, comparison, and trend analysis is used with the information already gathered. The most effective way to accomplish this task is with a business analysis software program. Using bar graphs, pie graphs, line graphs, or any other graphic form, the attorney can readily visualize what type of practice area work occupies most of his or her time while at the same time producing the most revenue. With this information, a choice (albeit sometimes a difficult one) can be made. The attorney can select the practice area that appears to be the most positive.

**NARROWING THE SCOPE**

Once the attorney chooses the practice areas on which to focus, the most important next step is to commit all energy into those new areas. Conversely and more difficult yet, disregard CLE’s, potential clients, and other developments in a discarded practice area. In the words of Mark Twain, "Put all your eggs in one basket and watch that basket!"

The attorney should watch for continuing legal education sessions on the emphasized practice areas and, to the extent that the attorney’s existing practice and resources permit, should attend them all. The attorney should also attend community conferences and join associations, where practical, that will further knowledge in that area and introduce the attorney to others in the field.

After becoming increasingly versed in the selected practice areas, the attorney can begin to seek speaking engagements and article-writing opportunities. This will generate a more recognized presence in situations where information is needed about the selected practice areas.

The attorney should not speak as an attorney at these opportunities, attempting to impress the audience with "legalese." Instead, the vernacular of that particular industry or group should be used to demonstrate expertise in that area and using the law credentials only as a "hook" (see Chapters 64 and 70 on specific methods for attracting client attention to an attorney’s expertise in a practice area).
The most important point is that the practice area niche should be one in which the attorney has established quantifiable potential resulting from internal analysis and one to which he or she is completely committed. The ideas presented here are as useful to an individual attorney as they are to a large firm.