

Understand Your Market Like a Pro

*give article to help support what they're learning here

Week 1: Intro + Define Your Market (macro)

**“THE PRACTICE OF LAW IS AN ART FORM.
BUT THE PROVISION OF LEGAL SERVICES IS A SCIENCE.”**

Christopher M. White

Why Defining Your Market

(Workbook Note: Rated on scale of 1-10 of most to least importance by participant)

The outcomes of understanding the size of your legal market:

1. You will know how large the available immediate legal market is,
 - a. Reality: Most practitioners don't know how big or small their market is.
2. You will be able to evaluate and project investment in marketing of your practice,
 - a. Reality: Most practitioners don't know how to effectively market or invest in marketing.
3. You will be able to evaluate how the market is potentially divided across competitors both inside and outside the market,
 - a. Reality: Most practitioners have a perception of their competition but don't know who they are competing against.
4. You will be able to benchmark growth projections,
 - a. Reality: Most practitioners don't know how much market share is available to them, or how much it costs to obtain a share of the market.
5. You will know when you are succeeding (facts, no feelings)
 - a. Reality: By understanding the size of the market, benchmarking growth, and evaluating marketing investment a practitioner knows how much more they need to do to meet their goals.
6. You know how to invest in your community from a place of strength (not insecurity).
 - a. Reality: Owners don't know when it is wise to yes or no to supporting their community. Out of the practitioners surplus they are giving - not robbing Peter to pay Paul.

How to Define Your Market

The Question:

3-part question that separates you from the fallacy that everybody needs a lawyer/will/etc. People don't make decisions based on logic if they need this, it's if they want this. You should not treat the population as a whole as someone who wants this.

“(1) WHAT PERCENTAGE OF THE POPULATION THAT HAS A LEGAL PROBLEM (2) AND MEANS TO AFFORD A SOLUTION, (3) ARE ACTIVELY LOOKING TO ENGAGE THE SERVICES OF A LEGAL SERVICE PROVIDER TO SOLVE THEIR PROBLEM?”

(1) What percentage of the population has a legal problem...

(a) Counter-intuitive: “The everyone needs a will fallacy.”

(b) Reality: 1 in 5 (20%) of the general population will have a need annually.

(2) That also have the means to afford a solution...

(a) Even the most affordable legal services are inaccessible to part of the population.

(b) 70% of individuals below the poverty line have an legal need

(c) In 2019 12.3% of the county was below the poverty line

(d) 8.61% of the 20% with a need cannot afford services to meet that need.

(e) Leaving 11.39% of the population left with a need and means.

(3) Are actively looking to hire an attorney to solve that problem?

(a) Fallacy: “Everyone with means and need will seek a solution.”

(b) Data: 40-60% of legal needs will go unmet (for whatever reason)

(c) Of the remaining 11.39% if a mid-range of 50% seek a solution via a legal service provider, then the legal market is effectively **5.695% of the population** or **57 out of every 1,000 people** will comprise the annual legal market.

General Practice Legal Market Formula (LMF)

$$\text{Step 1: } (P \times LM) / PPH = M$$

$$\text{Step 2: } M \times A = V$$

P = Population Base

LM = Legal Market (5.695%)

PPH = Average People Per Household in Population Base

M = Matters available in legal market

A = Average per matter revenue

V = Value of legal market

Niche Practice LMF

$$C \times A = V$$

C = Average cases filed

A = Average per matter revenue

$V = \text{Value of legal market}$

Homework:

1. Define your market.
 - a. Is your target market population based? Case based?
 - b. Is your target market geographically bound (city, county, region) or located in a specific place (court, administrative agency, etc.)?
2. Find the size of your market.
 - a. General Practice:
 - i. What is the population of your target market?
 - ii. What is the average number of persons per household (PPH) in your target market?
 - b. Niche Practice: What is the average annual number of cases in your target market over the last 5-10 years?
 - i. Extra Credit: Who filed those cases? (Goes to competition)
3. Insert information into your LMF:
 - a. General Practice LMF:
 - i.
$$\left(\frac{\text{Population}}{\text{Population}} \times 5.695\% \right) / \frac{\text{PPH}}{\text{PPH}} = \frac{\text{Average Matters/Year}}{\text{Average Matters/Year}}$$
 - b. Niche Practice LMF:
 - i.
$$\frac{\text{Total Cases Found}}{\text{Total Cases Found}} / \frac{\text{\# of Years Searched}}{\text{\# of Years Searched}} = \frac{\text{Average Cases/Year}}{\text{Average Cases/Year}}$$
 - ii.
$$\frac{\text{Average Cases/Year}}{\text{Average Cases/Year}} \times A = V$$

Intervening "Office Hours" During Two Week Break Between Session 1 and Session 2

Participants needs to bring two data points to Session 2:

1. Revenue from last 12 months
2. Cases (matters) opened (and closed, if you are hourly) in past 12 months

Week 2: What is their market in the micro

CMW Question: How does what MS does merge with how CMW goes about calculating per matter average revenue?

Option 1: If you have great file management:

Hourly: R / C

C = # of cases opened and closed in given time period (at least 12 months)
R = revenue generated by those cases

Flat Fee: V / C

C = # of cases opened in given time period (at least 12 months)
V = total value of those cases (value = revenue associated, earned or unearned)

Contingency: R / C

C = # of cases closed in given time period (at least 12 months)
R = Revenue received in that same time period

Option 2: If you know how many matters opened and how much revenue:

Revenue/# matters open (in a 12 month period)

**Important note: kick out the outliers that are positive for you, and retain the negative outliers in order to be conservative with benchmarking.*

Definition of Benchmarking: standard point of reference to which things may be compared or assessed; evaluate or check something by comparison with a standard; may not be where you want to go but it's where you should be. If you meet this, you're meeting the base potential. D's get diplomas.

MS thoughts (and totally up for discussion): If firm can't identify one of the numbers needed for equation above, then can go more generic. Also, after talking on Wednesday call, I love your idea and think there's tremendous value in also looking at and comparing to [revenue in a given period] / [cases opened in same period].

Minimum Calculation: 1 year revenue divided by total number of matters in that year.

Specific Calculations:

Homework:

Calculate APMV

Week 3: Strategy and Competition Inside Your Market (taking into account micro and macro)

Combine Week 1 homework with Week 2 homework during this session to get the size of the participants legal markets (macro).

What is your market share? (micro)

- Market Share Formula: $\text{Annual Revenue of Your Firm} / \text{Total Size of Your Market} = \text{Percentage of the Market You Occupy (Market Share)}$
- Factors:
 - 1. Is your market (region(s) covered) large enough to accomplish your strategic goals?
 - 2. What competitors are in your market, how much of the market share do they control (easier with niche markets - harder with general practices), and how are they differentiating themselves?
 - 3. Is your market share competitive? (Perception driven share of the market)

Data Driven Strategy & Aspiration Fueled Vision

- Utilizing your understanding of your market (macro and micro) to define your strategy
- Building an aspirational vision for the future of your firm that is based on realistic and benchmarked metrics

Competitive Analysis

Why do a competitive analysis? CMW Tell the Brokerage story

- List competitors:
 - Niche: Who else is filing where you file?
 - General Practice: What other practitioners are in your market?
 - *CMW: If in a super-saturated market pick top 5-10 competitors*
- What do the competitors do?
 - List their specific focus(es) - the access of the internet (access to who they are and what they do)
- How long have they been in the market?
 - Legacy has a way of cementing practices in people's minds - even if they have poor service.
- How do they distinguish themselves, or claim to distinguish themselves?
 - Example: Experience, professional, track record, client services, etc.
 - *Why is it important to know the strengths and weaknesses of your competitors*
- What do their PNCs, clients, and former clients have to say about them?
 - Example: Google and Facebook Reviews
- How much market share do they control?
 - Niche: Specific
 - General: Speculative

- Create a spreadsheet and answer all of the above, then rank (subjectively) who is a influencer, who is an outlier, who is a peer, and who you don't need to worry about.

Week 4: How you're getting this market

Factors for Success:

Major factor in success: More Clients, More Profitable Services, and More Returning/Referring Clients (CMW share WLO success diagram)

Goal: Define participant success factors

Cost of Capturing Your Market

Rule: If advertising is a black box you are doing advertising wrong.

A. Cost per matter created (acquisition costs):

Annual Marketing Budget:

- Sustaining: 3-5%
- Growing: 7-10%
- Formula: $\text{Marketing Budget} / \text{Total Annual Firm Budget} = \text{Annual Marketing Budget Percentage}$

1. How much is each intake costing you?

- $\text{Total marketing budget} / \text{total intakes} = \text{intake cost}$
- Why does this matter? It is effective in understanding the type of PNCs you are attracting.

B. Acquisition Cost Per Matter:

Intakes v. Matter Creation: Conversion Rate Percentage (25%, 50%, 75%)

- 25%: Too broad a market of intakes that can't utilize or afford your service
- 75%: Too narrow a market and may be more available to you that don't know your are there
- 50%: A good average of broad market reach and target client base

1. How much is each matter costing you?

- $\text{Total marketing budget} / \text{total matters opened} = \text{acquisition cost}$
- Why does this matter? It is effective in understanding the actual cost of each new matter created.

C. What is the percentage total individual matter revenue is acquisition cost.

- $\text{Total APMV} / \text{Acquisition Cost} = \text{Percentage of Matter Revenue}$
- Why does this matter? It is effective to understand how much of your matter revenue is required to obtain that matter.

Defining Your Viable Client Profile

- The PNC that turns into a client bears the "DNA" of your viable client profile.

Homework:

- I. What are your priorities for success?
- II. How much is it currently costing you to capture your market?
- III. What is your conversion rate?
- IV. Define their “viable client profile” (Make space on worksheet for them to list out (or select) traits of their viable client profile.

Week 5: How You Got Where You Are & How That May Not Be How You Get Where You Want to Go

Agenda:

What are you going to do with the information you now have?

Brainstorm, discuss.

What did you discover in the past 4 weeks and how is what you discovered holding you back?

What do you need to do to take the next step(s)?

As you make moves with the info you now have, you are going to grow. How you handle the stages of growth matters. Thinking through the following is important and if you'd like to take the opportunity to do that with someone who's done it, join us for XXX.

Analogy: It takes more fuel to get a plane off the ground than to keep it flying. (outsized investment of time, energy, and resources at the beginning or during a change in direction).

The fundamental changes of a business: \$100k, \$200k, \$500k, \$1mm, \$2mm, etc.

The systems we put in place to get where we are are not sufficient to take us where we want to go.

Homework:

Outline where you want to go? Economics, services, team size, quality of life, etc. What are the barriers? What sophistication needs to be developed to get where they want to go.

Is there a way to help them evaluate their systems?

Week 6: Tactics

Agenda:

Articulate the visions. (hear from the participants)

Knowing about your market, your services, and your modus operandi are essential tools for creating a plan.

Knowing about you is essential for success (Collins: “The Right Seat on the Bus”)

Strengths and weaknesses a.k.a. Finding what gives you life and by bootstrapping is a trap
CMW Possibly share the creation diagram

No plan can succeed without the team to carry it forward, each from a place of strength.

Developing a Comprehensive Plan (CMW share tool for annual planning)

Homework:

The following will need to be a handout/pdf for them to bring back the next week.

Based on your goals and the reality of your market:

1. Vision: Articulate unambiguously the vision (what and why do this)
2. Strategy: Develop the strategy and team to accomplish the vision (how to do this)
3. Tactics: Deploy an agile and adaptive team to deliver on the strategy via actionable steps (who will do this)

Week 7: Recap/Barriers

Agenda:

Review Week 5 Homework

Address unique challenges and barriers

The Next: "Get out of your and your team's way." (CMW share story of getting out of the way)

Set 6 week check in

Anticipate 6-12 months for course correction and sustainable results

Draft of Viable Client Profile Paradigm

Building Paradigm for Viable Client Profile

Practice Observations

1. Who are your 10 best clients?
 - A. What do those clients have in common?
 - i. Do you like working with them?
 - ii. Are they communicative?
 - iii. Do they have a preferred communication style (in-person, phone, email, or text)?
 - iv. Can they afford your services?
 - v. Do they pay on time?
 - vi. Are they an individual or company?
 - a. If a company, are they from a specific industry?
 - b. If an individual, do they occupy a specific demographic(s)?
 - a. If so, define those demographics (age, education, nationality, citizenship status, marital status, employment status, gender, etc.).
2. What are your top 2 most profitable kinds of matters?
 - A. What is the ROI on those matter types?
 - B. What is the time period for collection on services rendered?
 - C. Do you find these matter satisfying/fulfilling professionally and personally?
3. Do your best clients overlap your most profitable kinds of matters?
 - A. If no, why not?

Your Clients' Decision Making Process

4. Conduct client interviews. Ask your [at least] 10 best clients, and if applicable, the non-overlapping clients from the areas of your practice that are the most profitable:
 - A. Why my (our) firm?
 - B. How did you find out about me (us)?
 - C. What did your decision process look like?
 - D. What are the top three qualities you look for in a firm?
 - E. What hurdles did you encounter or hesitations did you have when engaging our firm?
 - F. Why did you endure those hurdles/hesitations to obtain my (our) firm's services?
 - G. Did you ask anyone else about our firm before deciding on using it?
 - H. Do you believe your engagement with the firm was successful and accomplished your goals?
 - I. If you could do it all over again, would you?
 - i. If yes, what would make it easier to work with the firm?
 - ii. If no, why not?

Creating the VCP

5. Create a Viable Client Profile
 - A. Compile and sort what your top 10 clients have in common.
 - i. What are the top 3-5 demographics that they have most in common?
 - ii. What are the top 3-5 demographics that they do not have in common?
 - B. List your top two most profitable and satisfying areas of practice and, if applicable, list the non-overlapping areas of practice that your best clients come from.
 - i. List the ROI for your best areas of practice and, if applicable, list the ROI from the non-overlapping areas of practice that your best clients come from.
 - ii. In other words, are you spending time where you make the most amount of money?
 - C. Compile the interview questions:
 - i. Why and how did the clients choose you/your firm? Identifies their decision making process.
 - ii. What challenges did your client face that you can address right now and what challenges cannot be address (at this time)?
 - iii. What can you do to make your best client's engagement of your firm even better?
 - D. Application:
 - i. Your viable client profile is where the demographics that are most in common intersect with the areas of practice that generate the greatest ROI both monetarily and personally.
 - ii. You can obtain more clients inside your viable client profile by:
 - a. targeting clients inside your identified demographic,
 - b. understanding the process by which clients engaged your firm,
 - c. reducing hurdles for targeted clients, and
 - d. crafting the client experience to accomplish the clients goals and be as tailored as possible.

Acquiring Viable Clients

6. Target the Viable Client Profile
 - A. Develop and disseminate the viable client profile to your team so that it is understood what you are seeking.
 - B. Develop/Refine Your Voice:
 - i. an elevator pitch (etc.)
 - ii. consistently branded content
 - iii. narrowly tailored and targeted SEO and content
 - iv. content place on platform that the viable client is already using/consuming from
 - v. all public facing content should be targeted at your viable client profile
7. Implement an actionable plan to target and attract clients inside your viable client profile

