



## What Really Differentiates Law Firms?

Many law firms are focused on differentiating themselves from competitors. But what separates one firm from another in the eyes of the client, talent or the market? Years ago, many firms cited culture or quality as the characteristics of their firm which distinguished it from others. However, in today's legal industry, most clients view quality as 'table stakes.' In our work interviewing law firm clients for the purposes of informing law firm strategy and market positioning, we regularly hear clients identify quality as a fundamental requirement among all firms they hire, with a common refrain... "If the quality of work was not there, we would find another firm." In addition, most firms have found that a truly unique culture can be challenging to define, and in today's fluid lateral market, the ethereal nature of culture is seen as offering less relative value to talent and certainly to clients. So, if culture and quality are not differentiators in the eyes of clients, what factors effectively distinguish one law firm from another?

### Depth of Expertise

In today's legal market, clients routinely hire lawyers based on their specific areas of expertise and past experience in handling particular types of legal issues. Clients shop for lawyers with the depth of knowledge and proven experience in the area of law or type of matter relevant to their needs, and in this regard, either real or perceived depth of expertise differentiates one lawyer from another. In fact, our recent client interviews indicate an emerging form of client pre-occupation with "hyper-differentiation" – an almost laser-like focus on selecting lawyers who have successfully proven experience and expertise in increasingly niche areas of law.

As a result, numerous law firms have developed a strategy which involves depth-of-expertise-based differentiation. To be effective, this strategy requires building superior depth in a specific area and then becoming recognized as offering market leading expertise in that area. Typically, depth of expertise is achieved in a variety of ways, including developing and training lawyers, building thought leadership, investing in client opportunities to gain additional experience, enhancing market recognition through speaking, writing, PR, advancing lawyer rankings, expanding lawyer networks among clients and referral sources, and hiring high profile laterals/market leaders, among others – all focused within the expertise areas identified for differentiation.

Recognizing that firms cannot effectively be real or perceived experts in all areas of law, this differentiation strategy requires focus. Most firms identify a select number of areas (typically a maximum of three or four) for building superior depth relative to other firms, such that clients will view their lawyers as offering the greatest depth and richest experience among competitors. These efforts are time and resource intensive and often require a substantial investment in order to be effective. Investment may come in the form of funding lateral hiring, additional marketing and BD support, technology investments, entering new markets, and even additional compensation to current lawyers in differentiator areas. Historically, firms have leaned more heavily into substantive practice-based differentiators, although over the past decade, firms have increasingly incorporated areas of industry focus as targeted differentiators. Industry differentiators offer the advantage of better aligning a firm with clients' business needs, responding to client demand for industry experience, and profiling a range of practices with depth in that industry. Given the magnitude of dollars and energy required – coupled with the competitiveness of the marketplace, many firms find that establishing differentiation in even one to two practice or industry areas represents success.

Often times, the process of focusing on a select number of areas for growth and building depth results in lawyers outside those areas pushing back, as they perceive such an approach as marginalizing the importance of their practice. In resisting a depth-of-expertise-based differentiation strategy, these partners lose sight of the fact that no law firm can credibly be seen a market leader in every area, or even in a large number of areas. By virtue of raising the firm's market recognition, profile and credibility as a leader in a specific practice area or industry, the firm overall benefits from greater market recognition, practice growth, heightened brand awareness and an improved external perception of the firm as being comprised of market leading practitioners. This halo effect of differentiator practices leads to enhanced opportunities for all of the firm's lawyers, as the firm's reputation is expanded as pre-eminent and as differentiator practices attract new clients, leading to additional revenue

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and better economics.

## Other Differentiators

Of course, practice or industry-based differentiation is not the only approach that firms can use to distinguish themselves from the pack. Often times firms couple a practice and/or industry-based differentiation strategy with complementary differentiators, such as those strategies identified below.

**Platform:** An increasing number of firms compete based on a large and growing international or global platform. A platform-based differentiation strategy is one that requires substantial investment and risk-taking through national and international growth and expansion. To compound the challenge, market leadership for a global platform has already been established to a large degree by current global firms. Firms most successful at capturing the benefit of platform-based differentiation have found ways to establish true interconnectedness among their lawyers - to take advantage of and fully leverage the firm's network of offices and practices.

**Service-Delivery:** A handful of firms have already moved to adopt innovative approaches to their service delivery model which differentiates their firm from more traditional law firm models. Many of these firms have successfully differentiated themselves relative to competitors through the use of technology, alternative staffing, legal project management, process improvement and other approaches. For some firms, service delivery differentiation has offered a broader, differentiated market position (e.g., Seyfarth Shaw), while for others, it is more of a direct response to price competition and a need to provide a superior service-delivery offering relative to competitors.

**Pedigree:** A small and elite group of firms seek to differentiate themselves based on pedigree. The goal for these firms is to maintain an internal composition of lawyers from top law schools and/or federal clerkships, which often times contributes to external perceptions of an elite brain trust and high caliber of lawyers. Given the cost of attracting and retaining high-pedigree lawyers, this differentiation strategy has worked best for boutiques – particularly ones in high-demand legal markets (e.g., New York) or with national level practices (e.g., trial).

**Price:** Numerous true commodity firms compete based on price, and some of them are quite profitable. However, the primary challenge with a price-based strategy is that there is generally only one winner – the lowest priced firm in the market. For all other firms competing on price, this strategy simply represents a race to the bottom. Other price-based strategies are still emerging, such as those firms competing based on purely non-hourly pricing approaches.

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In spite of subtle differences, many law firms look an awful lot alike. In today's competitive industry, it takes much more than a claim to a unique culture or better quality to enable a firm to stand out from the pack. Given clients' focus on the selection of lawyers based on depth of expertise and experience, many firms have found that differentiation is most readily achieved by building pre-eminence and market recognition in a limited number of practices and/or industries. For some firms, other differentiation strategies often complement a practice/industry-based differentiation approach, or potentially stand on their own merit. In the end, the aim for firms is to distinguish themselves from competitors and peers, such that the market and clients broadly recognize the firm as offering something superior and different, and connect value with that difference.

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