

Business Plans for Lawyers

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Business Plans for Lawyers – The Non-Financial Side

1 Why write a business plan?

Forces you to think through important issues you may not otherwise consider
The recipe to grow your law practice

- What is a business plan?
 - A roadmap, albeit a changing one, with milestones to help reach goals you already know and have yet to define
 - A sales tool to obtain financing
 - A sales tool when looking to form a partnership or join one
 - Some parts of a business plan include stating the obvious, but should not be overlooked because they still form a part of the whole
 - As you write it, ideas come, strategies unfold, beliefs you may have had change
 - If you write a business plan and put it away in a drawer you have not written one that is feasible or is going to do you any good. Continual updating – whether semi-annual, annual, biennial, whichever is best for you - is your own set of checks and balances.

If you are going to buy a book, look for one that offers general advice and suggestions applicable to all businesses.

Suggestion: Don't just buy one from an online bookstore. Take the time go through a table of contents and thumb through.

Examples available from Barnes & Noble:

- Business Plans for Dummies 2/ed by Paul Tiffany, PhD and Steven Peterson, PhD
- The Complete Idiot's Guide® to Business Plans by Gwen Moran and Sue Johnson
- Alpha Teach Yourself - Business Plans in 24 Hours by Michael Miller
- Successful Business Planning in 30 Days™, 3/ed, Peter Patsula

ABA offers business plan software for attorneys. Price \$179 plus tax/shipping

<http://abastore.abanet.org/abastore/index.cfm?section=main&fm=Product.AddToCart&pid=5110528>

- General Components of a Complete Plan
 - The Executive Summary
 - Analysis of Your Market
 - Description of Your Firm
 - Finance
 - Competitors
 - Your Marketing Strategy

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Non-Financial

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No set formula for a successful practice

Before developing a plan, answer the following:

- Identify your practice niche(s)
- What skills and experience you bring to your practice
- What legal structure to use: sole proprietorship, PC, partnership, LLP, etc.
- How your firm's records will be kept
- What equipments and supplies will be needed
- What library and other information sources will be needed
- What insurance will be needed
- What other resources will be needed
- How you will compensate yourself
- Review your current finances re assets, current cash flow, expenses
- What financing may be needed
- What financial assets do you have
- What banking accounts will be needed
- Review your current non non-financial resources
- Identify your market
- Describe your startup plans
- Where will your office be located
- What will the name of your firm be

2 The Executive Summary

For some businesses this is the most important part of the business plan because it summarizes what the company does, where it is going and how to get there. Therefore, it must describe the company, the "product" and the market opportunities concisely.

It is written after the plan is complete but is the first and, sometimes, most important part read by investors.

How important this is for a legal business plan depends on your long and short term goals, e.g., whether they are to grow a partnership, join a firm, build up a practice that is enticing for acquisition by a larger firm, etc.

In order to provide that summary, go through a number of exercises:

- Company overview
 - Mission statement – the firm's purpose and what it will do
 - Major goals
 - Objectives/milestones needed to achieve those goals

- Vision statement – where you want to go and what you want your firm to become, not just 20 years down the road but where you want to be three or five years from now
- Business environment
 - List what is out of your control e.g., nature of the law business, direction of the marketplace, competition, mergers and acquisitions among clients, and competitors, attorneys and firms already in place
 - Analyze opportunities to face and threats
- Firm description
 - List your firm’s specific capabilities and whatever you believe you can offer that is unique
 - If you are not a solo practitioner, who is the management
 - What is the legal organization
 - What technology will you be capitalizing on
 - What is the marketing potential
- Firm strategy
 - Describe your basic strategies based on the information you have learned about the legal business, your competition and applicable markets within your field.
 - Provide the basis for why you believe your strategy is the right one for your firm.
 - What markers will you use to change direction
 - Outline what your firm needs to make that strategy succeed
- Financial review
 - Financial projections
 - Back up of those projections
 - Summary of revenues by quarter, year, etc.
 - Balance sheet
 - Cash flow statement
- Action plan
 - What actions you’re going to take to carry out the plan
 - What changes will be needed or skills acquired to put the plan to work

3 Analysis of Your Market: The Legal “Business” that Affects You

Purpose: an accurate understanding of trends affecting law practice in general and your specializations, client demographics, client universe.

Keep track of impact factors, obstacles, opportunities and threats to better forecast and build the strategies.

- Analysis of the Legal business you're in or want to enter
 - Identify who and what firms dominate and where they are
 - What new technologies have already and may yet change the way your practice is done
 - What laws and regulations have and may yet change your practice
 - Describe the overall demand for your specialties
 - What else besides price affects your client decisions to use your services
 - What clients (people or companies) can influence your areas of practice

- Competition
 - List all major competitors you are aware of and can find out about
 - Large firms, mid size, boutiques, solo practitioners
 - In-house attorneys
 - Government attorneys
 - Divide into primary, secondary and, if necessary, tertiary levels
 - Is there substitution, e.g., do it yourself or outsourcing to India

- New Technology
 - List what is available and how it affects your practice
 - Describe how technology is affecting your kind of practice
 - Describe who controls the technologies that affect
 - Describe how you keep up with new technology

- Entry Barriers/Exit/Transitional Barriers
 - List all the things that will make it difficult for you to practice in your expertise and locale
 - List the things that will make your exit from you area of expertise or your transition to a different one difficult

- Relationships
 - What can relationships with suppliers do for you
 - Could a supplier become a competitor, e.g.; for articles you write
 - What other relationships can be of importance to you:
 - Colleagues and competitors
 - Family
 - Professional associations
 - Community associations
 - Social
 - Current and former clients
 - Former employment colleagues
 - Pro bono colleagues
 - CLE and business organizations

- Current Client Relationships
 - What ways improve your position with clients
 - Does pricing affect
 - What else affects your relationship

- Potential Client Relationships
 - What kind of follow up do you do after meeting someone who may be a potential client or who can introduce you
 - Writing articles
 - Giving speeches
 - How can you use your other relationships

- Finance
 - What are the overall costs that affect your hourly, daily or matter rates?
 - Profit margins
 - What do suppliers of your technology, research, information, etc. offer by way of pricing, discounts
 - Are there long term agreements that can be to your advantage/disadvantage
 - Elasticity of demand for the rates you charge
 - If on a regular retainer, are you realizing 100% of your hourly rate, or more/less

- Cost Trends and Profit Margins
 - Identify where the biggest costs of your practice come from
 - Identify fixed and variable costs
 - How to gain economies of scale
 - Identify where you can lower costs
 - Is the profit margin you're working with the right one for your practice

- Market Size and Growth Potential
 - Describe the size of your primary market
 - List the niche markets that can use your expertise
 - Is your kind of practice a growing or shrinking market

- Legal Industry Opportunities
 - Identify new growth opportunities in your areas of expertise

- Legal Industry Threats
 - Economic slowdowns
 - Changing statutes, regulations and decisions
 - Social pressures

- Potential Clients
 - By product, industry, size, geography
 - Membership lists of trade organizations
 - List of conference attendees
 - By referral of current clients
 - By referral of colleagues, bar association, etc.
 - By referral from competitors with conflicts
 - What untapped market is there
 - What underserved market is there
 - Trade associations made of small companies in the same field
 - Part time general counsel for small companies
 - Trade associations you can join and committees you can volunteer for

4 Describing and Analyzing Your Own Firm

- It's not just a law firm.
 - What's the general history
 - When was it formed and why
 - What is your mission
 - What are your goals
 - What direct experience do you have? Your partners?
 - How relevant is your experience to the current world?
 - How often do you talk to prospective clients
 - What do your current clients feel about you
 - What is the maximum amount of business you can handle yourself without farming it out
 - To whom can you farm
 - Who is your backup when you are too busy, traveling on business, on vacation, sick
 - What is unique about you or your practice
 - Describe the areas you focus on and want to focus on
 - What are the ancillary areas of law that often or usually involved or triggered by your focus area
 - What need does your expertise serve
 - What are the advantages and disadvantages of your areas of expertise
 - Identify your own strengths and weaknesses
- Who are your clients
 - Who among your clients makes the decisions to use your services
 - What stage of business development are your clients in
 - How sophisticated/knowledgeable are your clients
 - Are your clients street smart and/or business savvy
 - Do they use more than one lawyer at a time
- Your Strategy Outline

- Long term objectives
- Short term objectives
- What problems do you face
- What problems do your clients face
- What do you consider milestones
- How will the future affect your firm
 - What are the legal (statutory, regulatory & case law) trends that will affect it
 - What are the technological trends that will affect it
 - What are the economic trends that will affect it
 - What potential risks and opportunities to be faced?
- What “edge” does your firm have?
 - Do you use innovative technology
 - Do you offer superior client care/service
 - Is your hourly, daily, or matter pricing lower than the “norm”
 - Is there a small group of firms or attorneys who offer the same expertise or specialization
 - Are you well known for a book, a speech, an article, news coverage, etc.
 - Are you a trade association or bar association director or active participant
- Do a SWOT Analysis – Strengths, Weaknesses, Opportunities, Threats

Strengths & Weaknesses are vis à vis your competitors, rather than your own history
Focus on current competition and potential competition

- Strengths
 - Are there advantages to your expertise areas
 - What do you enjoy doing
 - What resources to you have access to
 - What do others see as your strengths
- Weaknesses
 - What can you improve
 - What don't you do well
 - What should you avoid
 - Do others perceive a weakness you don't agree with
 - Are your competitors doing better than you
- Opportunities
 - How can you meet a potential client
 - What are the good opportunities – are they new areas, new statutes & regulations, etc.
 - How can changes in technology help you

- How can changes (or no changes) in government policy affect your area of expertise
- Are there changes in social patterns or lifestyle that can help
- What opportunities can open if a weakness is eliminated
- Threats
 - What obstacles do you face from
 - Family/emotional/physical challenges
 - Technological challenges
 - Experience
 - Expertise
 - What is your competition doing you are not
 - How can technological changes threaten you

5 Competitive Analysis and Target Market

- Summarize Your Market
 - List law firm/solo practice trends
 - List direct competition
 - List indirect competition
 - Describe the extent of the unserved market for your kind of legal services
 - Who is your client/customer
 - What is your price
 - Profile your primary customer
 - Traits: geographics, demographics, psychographics
 - List client needs
 - Describe how you fill those needs
- Competitive Analysis Worksheet
 - List primary, secondary and tertiary competitors
 - What services do they offer in addition to yours
 - What do they charge
 - How do competitor firms sell their services
 - What are the competitor strengths
 - What are the competitor weaknesses
 - What size competes with you
 - What other specialties do they offer
 - Who are they representing
 - What is their pricing
 - What are their operational strengths and weaknesses
 - Are they adequately financed
 - How do your competitors advertise or promote themselves
 - What are their conflicts
 - How does your competition market itself

- Identify Competitor Trends
 - Competitive Identification
 - Direct competitor – offers the same benefit
 - Indirect competitor – services the client can get instead of yours
 - Visit and read competitor websites and their advertising, including separate websites by individual partners
 - Subscribe to competitor law firm online or other newsletters

- What “edge” does your competition have?
 - Does it use innovative technology
 - Does it offer superior client care/service
 - Is its hourly, daily, or matter pricing lower than the “norm”
 - Is there a small group of firms or attorneys who offer the same expertise or specialization
 - Are they well known for a book, a speech, an article, news coverage, etc.
 - Are they trade association or bar association directors or active participants

Generate similar info for potential clients to help identify the target that will be most interested in you

A marketing plan must have a detailed description of the target market for your services, an analysis of the trends and conditions of that marketplace and how the trends affect that marketplace

- Overall Market
 - Total size of targeted market
 - Historical current and projected growth rates
 - What social, economic & political changes could affect it and your services
 - Describe recent developments in the law that affect your areas of expertise
 - Are there identifiable niches
 - What or will be your clients’ needs and wants
 - How will potential customers find out about you
 - What kind of marketing, if any, are your clients and potential clients receptive to
 - What do existing clients like best about your services
 - Are your target clients consumers, businesses or both

- Client Worksheet
 - Demographics, psychographics, legal service purchasing habits
 - When and how does the client decide to use a lawyer & find a lawyer
 - Does your potential client use the Internet, bar association, trade association, business referral, family referral, friend referral, etc. to find a lawyer

- What is your client's level of education and occupation
- Are they Fortune 1000, 500, 100, mid size or smaller
- Is your client industry specialized and do you know that industry
- Does the client use more than one lawyer or law firm
- How long does the client take to decide to use a lawyer
- Does more than one person at the client make the decisions to use a lawyer, and if so who are they
- Is the person who decides who is going to provide legal services the one who is going to receive those services
- What influences your client's decision to retain a lawyer
- Is using a lawyer optional, a necessity or a luxury
- Is a lawyer needed all year round, seasonal or ad hoc
- How and how well do your clients market themselves

6 Marketing & Strategy

Once you analyze your client needs you can build a comprehensive marketing strategy,

- Create a Set of Marketing Strategy Goals
 - What is it you intend to accomplish
 - What is the amount of increase in clients and/or billing that you want to achieve
 - Make each goal measurable and explain each one specifically
 - Set each goal to a planned schedule
 - Be able and prepared to assess all components to revise when necessary
 - Compare these goals to what you believe your competitors' goals to be
- Marketing Plan = your long term plan of tactical objectives to achieve the strategic goals
 - Tactical objectives = measurable tasks
 - Overall objectives
 - Create client value
 - Name recognition among your clients and potential clients
 - Client retention
 - Attracting partners or merging into a bigger firm
- Marketing Plan Development
 - Create a timeline for the objectives or events
 - Determine the time frame for the plan, e.g., every six months, every year, etc.
 - Create your "USP" (unique selling proposition, a sentence, phrase or slogan that sounds like a benefit your clients will obtain from your services; can be exclusive or not, and/or preemptive)
 - Describe the need for your services from the client's POV
 - Define the impact on the client of your services

- Ask whether your clients currently obtain this service more cost-effectively than you can provide it
 - Describe what would compel clients to change from the lawyers they are using to you or to add you to their lawyer rosters
- Action Plan
 - Create the list of tactics that will get you to your strategic goal
 - E.g., how you will use that list of relationships
 - Timeline
 - Marketing Mix – Networking, Advertising, Promotion, PR
 - Media (*NB: remember CAN SPAM, and Telemarketing and Telecommunications Act limitations)
 - Inserts in papers
 - Stuffers
 - Email*
 - Postcards
 - POP
 - Billboards
 - Bus, taxi, etc. ads
 - Space in professional and trade publications
 - Street banners
 - New resident welcome kits
 - Trade and trade association show directories and handouts
 - Trade and trade association show sponsorships
 - Internet*
 - Coupon mailers
 - Press releases
 - Sponsorship
 - CRM (customer relationship marketing)
- Develop your pricing strategy
 - CF standard pricing:
 - Cost based = cost plus profit margin
 - Cost plus profit = cost plus fixed percentage markup
 - Market based = use the market norm and add or subtract
 - Ask what the highest price your target market can bear
 - Determine the price elasticity for your kind of legal services
 - Should you offer an introductory rate
 - Marketing Budget Factors
 - Age of business
 - Premises/location
 - Clients
 - Competition
 - Cost to acquire a client