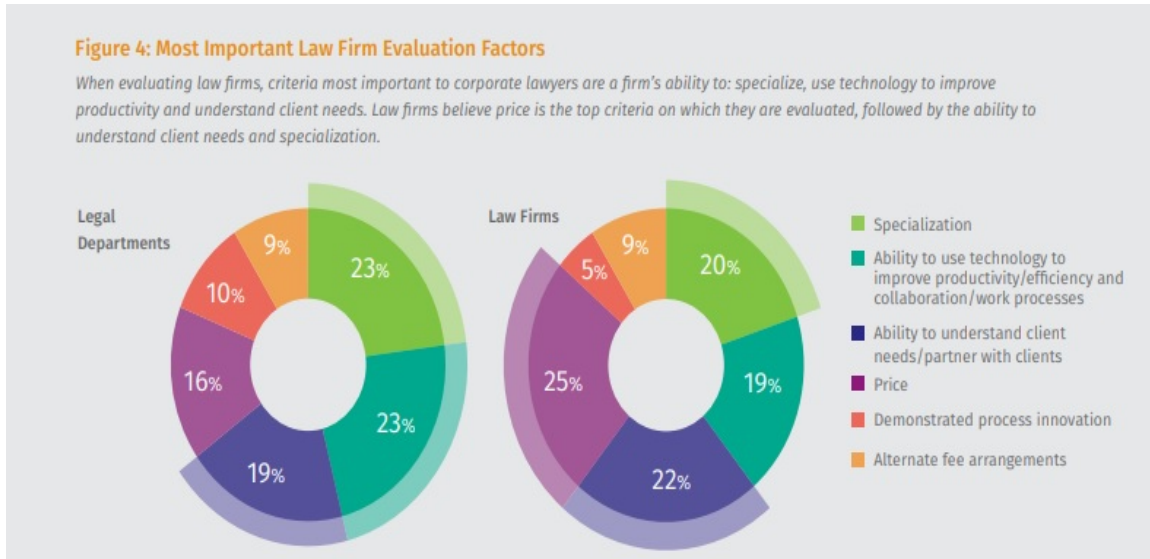


Get Your Industry Focus In Sync



Surveying 700 in-house and law firm attorneys across the US and EU, the *2020 Future Ready Lawyer Survey: Performance Drivers* provides some compelling information. When exploring WHY clients would switch firms, the top three reasons include: they no longer trust that your firm can meet their needs; you don't specialize in the area of law they need; and you failed to communicate your value proposition properly.

Now compare those three failings to the data that emerges when exploring the most important criteria clients use in evaluating and selecting an external law firm. This research, which is completely in line with what I have seen Michael at BTI report in his research – identifies the top three criteria: Specialization (are you doing something that we cannot just get everywhere else?); Technology (are you using technology to improve your productivity and collaboration?); and Ability to Understand Client Needs (which sounds a lot like the commonly phrased – do you understand our business / industry?)

We know that many would assert they have embraced having a smattering of industry groups within their firms. Nevertheless, and consistent with these research findings, it remains interesting and informative to look at what some of your actions may actually signal to clients about your firm's specialized expertise; your industry knowledge; and your competence in addressing client's needs.

For example:

- **What label you attach to your industry group actually matters.**

When you think about the various options available for stimulating revenue growth, one of those options is driven by the preponderance of various industries that are located in

your particular market footprint. That said, I am always surprised by the lack of knowledge some professionals display in understanding which industries often have a prevailing influence in their particular locale. In fact, in a number of my strategic planning meetings (after having done some in depth homework myself), I've asked partners to tell me, "*What particular industry concentration or 'industry cluster' is your city, region or state focusing attention and fiscal resources on developing?*"

A short period of stunned silence is then often punctuated with some wild guesses and sometimes a few manage to guess correctly.

When we think about industry clusters we naturally imagine the car manufacturers of Detroit, computer makers of Silicon Valley, aircraft manufacturers of Seattle, financial services in New York, and the movie makers of Hollywood; but industry clusters are more than just a collection of companies in the same industry. Industry clusters are actually a geographical proximate group of interconnected companies with associated institutions in a particular specialization – all linked by networks.

In other words, while some locality can have an industry group, for example the Napa Valley vineyards, what would make this group a cluster would be the presence of upstream and downstream specialists. Using the example of the Napa Valley vineyards, this would include upstream manufacturers and suppliers of herbicides, pesticides, and irrigation, harvesting and processing equipment – while downstream would include manufacturers and suppliers of winemaking equipment, bottles, labels and corks. The associated institutions would then include government departments (including export), educational and research organizations, plus other related industries like tourism, hospitality, and these days . . . even robotics manufacturers who are entering the AgTech niche market to explore ways of enhancing wine making efficiencies.

The challenge that arises from all of this can often manifest itself in really understanding what specific industry you are really working in and how you are communicating your expertise and value to the market.

For example, in one particular firm I was engaged in working with, as I examined the various clusters in their market, I noticed that one of the top three industry clusters was "Photonics" which included data transmission technologies, laser processing and spectroscopy analysis. When one examined the firm's web site you could not find a single mention of anyone having done work in the "Photonics" industry. When I raised this point later in our strategy sessions, I was informed that the firm had a long history of serving a number of major companies in the . . . "Optics" industry.

Now, you're welcome to call it the Optics industry, but if I, as the client, call it the Photonics industry and am proud of being an active member of the New York State Photonics Industry Association – you might see how you and your firm could be perceived to be absolutely **irrelevant!**

Meanwhile, by not focusing your attention on the right industry “label” you may have just missed opportunities for leveraging your competence into other geographic areas like Michigan, Colorado, Arizona, Florida and the Carolinas where there are active Photonics industry clusters. But then I suppose you could explore prospects in New Mexico, the only state that I could identify that had an active “Optics” industry cluster.

GOING FORWARD:

If future growth is your goal as we all eventually emerge from this pandemic, then make no mistake – it is not what *you* call the industry, it is what the client calls itself that is most important.

• **With many industries you need to be very specific about the sub-industry that you are targeting.**

A blog post that got a fair bit of attention awhile back announced: “*Hot Legal Practice Areas to Consider.*” It advised lawyers that: “*Changing technology, government policies, and legal environments mean that there are more opportunities than ever to expand your practice into new areas.*” And amongst the top areas to consider was . . . Health Care.

The way some firms define and describe their industry groups is really quite amusing – especially in light of the research cited at the beginning of this article and your client’s need to see specialized expertise. If you look at Health Care by way of example, and examine various law firm websites, you are likely see a description that reads something like this:

We offer clients the advantages of both a concentrated practice in health care law and a business firm with broad and varied areas of experience. Our Health Care practice enjoys an outstanding reputation for its knowledge in health law and its leadership in the health law community. Our strength lies in the ability to understand and keep pace with the numerous changes in the health care industry and to work creatively with clients to achieve workable solutions. We offer a comprehensive approach with many inherent advantages. Because we are familiar with how health care is delivered and financed, we can respond quickly to the business and financial needs of our health care clients and to the practical realities they face. Our experience encompasses a wide range of matters of concern to the health care industry, including:

Business Transactions

Integrated Delivery Systems

Contracts

Managed Care Relationships

Health Care Provider Financing

Restructuring and Reorganization

Tax Advice for Tax-Exempt and For-Profit Entities

Antitrust

Fraud and Abuse

Medicare, Medicaid, and Third Party Reimbursement
Employment Issues
Credentialing and Accreditation
Certificate of Need
Patient Care and Operational Issues
Medical Malpractice

It all sounds both comprehensive and compelling. The only small problem from any client's perspective, is that Health Care as an industry, has fractured into over 44 distinct sub-industries as it has grown and matured, each of which is comprised of companies who believe they are very unique. So, if you happen to be a prospective client operating in an Ambulatory Service; General Medical and Surgical Hospital, Family Planning Clinic or Dental Equipment and Supplies company there is no indication in the aforementioned web site description that this particular Health Care Industry Group has any experience whatsoever, in handling your kind of business.

Beyond those obvious sub-industries there are also numerous micro-niches that could provide lucrative opportunities for those lawyers desiring to specialize and effectively market that specific expertise to become the go-to providers and achieve a significant strategic advantage over those attorneys who simply claim health care experience.



If this doesn't make sense for any reason, let's consider the industry of professional services and the sub-industry known as the legal profession. If some service provider

held themselves out to be the renowned expert in professional service firms, your first question would be, “Yes, that’s fine, but what do you specifically know about law firms?”

Then if that same renowned expert began to tell you about how they employed their smarts in digital marketing to the advantage of some major accounting firm, even though you might admit that the tactics were equally applicable, you would still inquire as to what experience they have had serving a law firm like yours. You reject any notion that being an expert in an industry as broad as professional services, or even digital marketing leadership in the accounting sector, is sufficient.

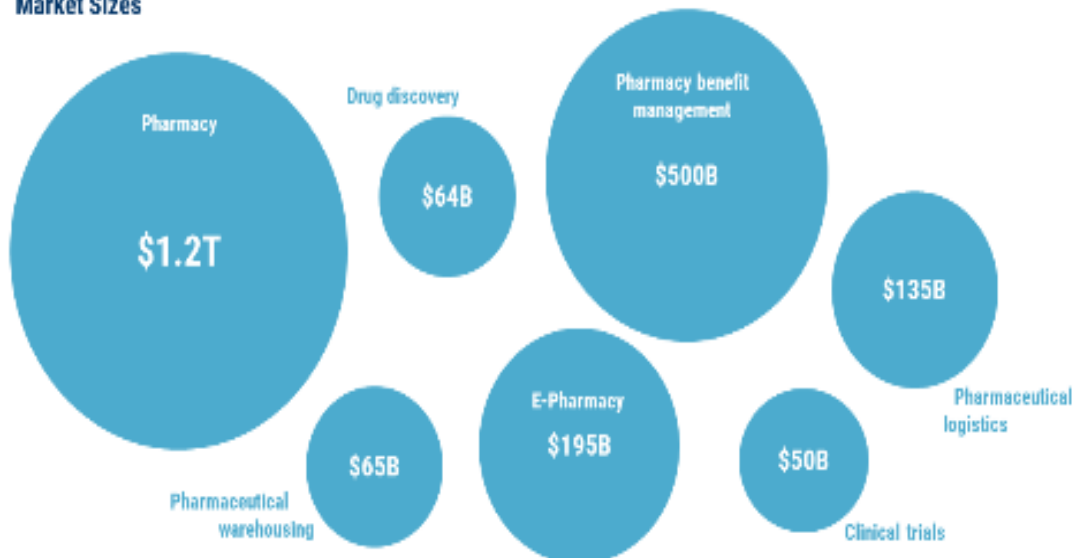
Isn’t it fascinating how the mindset we bring to the table as purchasers of professional services is so completely different from the mindset we exhibit as sellers of professional services? As sellers, we appear to be quite content with telling the marketplace that we are Health Care lawyers with little regard for what our clients are looking to buy. Therefore, to be provocative while also technically accurate – I would strongly advocate that there is no such thing as a Health Care lawyer!

Taking this even one step further, I have witnessed some law firms who do list some of the Healthcare sub-industries they serve, include Pharmaceuticals.

NEWS FLASH: Pharma is a sub-segment within the Life Sciences Industry but not Health Care. Once again, any prospective client seeing that may not be too impressed and you may also have missed out on exploring some of the lucrative micro-niches within Pharma:

Many market opportunities exist in the pharma industry

Market Sizes



GOING FORWARD:

As all industries eventually mature, they naturally fracture into multiple sub-industries and even into what I would label “micro-niches” – and the future for astute lawyers and their firms is to dominate and be the go-to lawyer in some targeted micro-niche.

• **There are areas of lucrative opportunity that may defy simple industry categorization**

One particular area of emerging opportunity and one that continues to be discussed amongst the members of various industry associations is in what is being categorized as the “Internet of Things” or IoT – one of a number of what I have come to label as “Tech-Driven Hybrids” in that they are not substantive legal practices nor are they well-defined industry groups as they impact numerous different industries.

You may have heard about IoT in the context of wearable devices: things like the now familiar Fitbit that promised to improve health and wellness, or more fully featured devices like the Apple Watch with extended smartphone functions like messaging or Web searching. But while consumer technology is a hot area, IoT will likely have its greatest impact amongst your manufacturing, resources, utilities and other industry clients. Simply defined, IoT is about connecting objects, from trucks to refrigerators and hydro meters, to the Internet. Data gleaned from the sensors and systems applied to these objects can then be used to monitor, control or redesign business processes.

Meanwhile, a number of IoT focused venture funds have been launched and one analyst claims that knowing how many IoT companies there are, at any given moment, is like tracking a moving target. Globally, every three weeks there's either an acquisition or a new company starting up. And according to Accenture, roughly three quarters of large companies are investing 20% of their research and development spending on big data and analytics, which IoT is driving.

My research into this area of opportunity indicates that there are four expanding segments: makers and installers of physical sensors; connection providers (landline, wireless, telecoms, etc.); storage and security hardware and software (server farms, the cloud) to hold on to and encrypt all the collected data; and finally the data analysis software. Some companies do all that in one solution; others focus on one piece of the spectrum.

The projections for growth are huge: Networking equipment titan Cisco Systems Inc. believes IoT represents a \$19-trillion (U.S.) global market and predicts that 50 billion devices will be connected to the Internet this year.

So, is there a law firm reading this that will be the first to launch an IoT Focus Team . . . or are you content to let the Big 4 competitors occupy this lucrative market space?

GOING FORWARD:

In spite of what some pundits might suggest – growth is not dead; it is merely hiding amongst area of opportunity not easily categorized within traditional legal practice group or departmental structures.

• **Industry sector expertise is THE differentiator.**

For those who missed one particular development that emerged a few years back, 750-attorney Husch Blackwell, a St. Louis based firm, completely dispensed with its traditional practice group structure in favor of organizing itself into a configuration of six industry groups.

In an interview with Chair Emeritus, Maurice Watson, he explained,

“We were aware that the competition, especially in our segment of the market, was intensifying, that there were too many talented lawyers and talented firms and too little great work to be had. As a consequence, there’s much greater pressure and focus on the need for law firms to be able to differentiate themselves as well as establish, for clients, that they can offer some kind of additional value that other comparable firms could not provide.”

Back in 1989, I co-authored what I believe was the very first book on the marketing of legal services (for Butterworths Publishing and distributed internationally) wherein I confidently predicted that within ten years every significant law firm would be structured based on industry groups . . . so much for the complete folly of making predictions!

Fast forward three decades and it is still staggering for me to understand why, in spite of witnessing other professions, like our brethren in the accounting, financial investment and management consulting fields, focus on analyzing client need through an industry lens, that so many law firms still miss this opportunity. It gets even crazier when we consider the research in this *2020 Future Ready Lawyer Survey: Performance Driver* and evidence that one of the primary reasons for corporate counsel to either select (or deselect) any firm is increasingly based on the degree to which that firm clearly “demonstrates” an understanding of the client’s business, their industry, and what specialized issues are of paramount importance.

What makes industry sector expertise a meaningful differentiator?

First, where you enter into serving a specific industry segment and are eventually perceived by the sub-industry members as having specialized knowledge in their unique business and legal matters (“you talk their lingo”), you can develop a name recognition that becomes hard for others to match.

Second, in any market with a steep learning curve, being first to target and develop a presence in some specific industry segment (think: augmented manufacturing / 3D

printing) can confer the advantage of having a head start. That head start allows you to position yourself as a primary source for media commentary, for seminar presentations, for having articles published, and other such positioning tactics.

Finally, by being early and effective in targeting some lucrative sub-industry, you have the opportunity to draw clients into your web, creating “switching costs” that curtail those clients from any notion of later, moving their work to other copy-cat firms.

GOING FORWARD:

Your future personal growth and career prosperity may very well be dependent upon you participating actively and continuously investing to build your knowledge and skills within some chosen industry segment; and then working diligently to establish a significant presence.

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Patrick J. McKenna

A special thank you to Richard W. Smith for drawing my attention to this research report from Wolters Kluner (<https://rws01.com>)