

Wait! Before You Measure Market Share, Are You Asking the Right Questions?

By [LawVision](#) on January 17, 2022

A reporter reached out wanting to know if, or how, one could measure the market share of different legal service providers. It appears to be a simple question. That's the problem. Any response to such a broad question might not be terribly useful. For market share calculations to be meaningful, they're not just about coming up with numbers. They're about answering the right questions, understanding and accepting the limitations, and using the information for the right reasons. More specific questions lead to more meaningful insights when determining market share.

The right questions around any market share calculation must start with the fraction's denominator, which represents the "universe" being measured. Mike Short, a co-founding principal at LawVision and an expert on law firm strategy, shared that many firms seek to improve their "market growth," but he emphasized that you should not create growth targets out of context or with an ill-defined denominator. First, seek to establish a discreet universe around your market (e.g., of clients, candidates, targets, or competitors) by applying well-defined parameters and acknowledging assumptions. If you cannot define the entire universe that matters for your purposes, a sample or subset can sometimes suffice, but you must make any adjustments to the denominator clear to qualify your findings. Furthermore, this universe isn't fixed; markets are ever-changing. You should routinely update your calculations to track these changes.

For the numerator, the question of significance comes into play. Now say you've defined your target market. If a compensation committee is trying to award credit for attorney participation in marketing activities in that market, how do they want to apply credit for activities that do not immediately or may never result in new business? Does generation need to be above some minimum dollar threshold? Must the target be served by at least two segments of the firm? Sometimes, multiple calculations are required to uncover actionable insights.

Here's an example of how Silvia Coulter, also a co-founding principal at LawVision, helps attorneys evaluate their business development potential in certain industries and locations. Partners often ask her this specific question: How much of their law firm's revenue and client base comes from any general market (e.g., Life Sciences) or specific market segment (e.g., Medical Devices; Biotech; Pharma; BioEnergy)? To answer this question, part of Silvia's calculations includes doing a 5-7 year look back to see which clients make up 80-85% of the firm's overall revenue. Generally, this will include the top 100-200 clients by revenue for a midsized law firm. Then, she looks at the general markets and specific segments of those clients. Example:

24% Medical Devices

20% Traditional Health Care (hospitals, physician's groups)

19% Financial Services (banks)

18% Traditional Manufacturing

16% Private Client

3% Energy

Next, and one can analyze this at the firm and office levels, ask: What is the industry they are pursuing? Take “medical devices” from the list above as an example, then determine the Top 100 (or more) companies in that industry regionally, nationally, or in a specific local jurisdiction. The results become the firm’s target list. Then determine which, if any, companies are existing firm clients. This number will represent existing market penetration. The resulting number of medical devices companies not represented by the firm will be the target prospects.

For market share calculations to be meaningful, one must ask the right questions to define the universe of what’s included in the denominator and the numerator. More specific questions lead to more meaningful and actionable strategic insights.