

Marketing and Business Considerations for Law Firm Ancillary Businesses

There are many reasons why law firms are choosing to engage in the development of ancillary businesses, and many law firms have gone down this path. These reasons include the following:

Offer services that compliment your legal service offerings -- Firms with ancillary businesses include those from an array of businesses, ranging from environmental consulting to risk management and human resources outsourcing.

Capture a greater market share -- Get more clients for both the firm and the ancillary business.

Be able to price services differently -- Law firms are typically tied in to the billable hour, but an ancillary business provides a chance to offer fees and rates that are more in line with the wishes of many clients these days (flat fees, project fees, success-based fees, etc.)

Employ a different business model -- Ancillary businesses allow firms to get away from the partnership system and could (and likely should) be run like a corporate business.

Invoke entrepreneurship -- As Charles Darwin said, "It's not the strongest of the species who survive, nor the most intelligent, but the ones most responsive to change." Any business in this day and age needs to embrace and support the entrepreneurial spirit -- it's what will separate the strong from the weak.

Combat multidisciplinary practices of accounting firms and other service providers -- Look around the world and you'll see that the market share of law firms has been greatly eroded -- it's time to get it back and this is one way firms can compete.

Offer one-stop shopping to clients and prospects -- In this client-driven environment, one stop shopping will give a firm a distinct competitive advantage.

Differentiate the firm in a particular marketplace or industry -- If all firms offer the same legal services, provided by similar lawyers, then the establishment of an ancillary service is one way to effectively differentiate your firm from the crowd.

Co-brand the firm with a value-added service -- Many ancillary businesses employ industry leaders, academicians, etc., and by co-branding the firm can capitalize on this third party credibility.

Attract unique talent -- A culture that supports ancillary businesses and the spirit of entrepreneurship behind them provides an effective recruiting tool, necessary in the current "war for talent."

Generate referrals/generate profits -- In many instances, the expectation is that the law firm and the ancillary business will cross-refer each other, increasing the prospective client list. Also, many ancillaries are wholly owned by the partnership of a firm, and the business adds significantly to their bottom line.

No matter the reason, an ancillary business should cause a firm to think differently about how to offer these services. At a recent Marketing Partner Workshop, sponsored by the Institute, participants identified some of the marketing and business considerations their firms gave to the development of ancillary services. When a firm is considering an ancillary business they must answer questions such as:

What is the process for concept approval?

Do you hire a separate manager or is it managed by existing law firm staff?

Who handles the marketing -- your existing department? A consultant? An employee of the ancillary business?

Is the business featured (or even listed) on the firm's Web site?

Where is the business located -- in the firm's offices? If so, how do you allocate overhead?

Do you use the firm's name in the name of the business? (some firms do use their name, others don't).

Is the business branded separately or as part of the firm?

What are the expected results (referrals, profits, visibility, or all of the above)?

There are many marketing considerations in establishing a successful business, and as with any venture, should be considered on the front end. Right from the start the firm needs to decide who will handle the marketing aspects of the ancillary business -- if the decision is that the firm's existing marketing department or marketing manager will be responsible for this new endeavor, then consideration needs to be given to how the law firm's marketing program will fare with this drain on resources -- is the firm willing to hire additional personnel? Marketing directors should be aware that this could be a "two-edged" sword -- it might be exciting and challenging to launch a new business, but it also might be time-consuming and draining. Weigh the benefits versus the risks and help your firm make the right decision about how to handle the marketing. If the firm chooses to outsource the marketing function or to hire someone dedicated to the ancillary business, then be sure to establish a clear methodology for two-way communication. After all, one of the benefits is the ability to co-brand, and both the firm and the ancillary should take full advantage of this. Other marketing considerations include the following:

Have a written marketing plan that includes goals and objectives, action steps, a timeline, a budget, and effectiveness measurements

Brand the business distinctly to take advantage of its full value proposition

Rely on market research and not just intuition

Finally, it's always wise to study the successes and failures of others -- talk to marketing directors in firms who have ancillary businesses -- you'll likely get good advice.

Interested in Learning More About Legal Hiring? Read the Definitive Guide:

[*How to Hire a Legal Recruiter for Your Law Firm: How Law Firms Recruit Attorneys Using Legal Recruiters*](#)