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# The Impact of Increasing Competition in the Legal Industry: A Strategic Guide for Lawyers

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# Executive Summary

Intensifying competition amongst personal injury law firms is driving a meaningful shift in the legal landscape. Particularly firms that rely on active marketing for ongoing case generation are being pushed to rethink how they position their firms within the context of their competitive landscape. Several factors drive this macrotrend, including fixed supply of cases, increased demand for cases, and perceived commoditization of services.

As is the case in many maturing markets, inefficiencies that previously provided outsized returns for a select group of participants are slowly being removed by followers seeking similar outcomes. Said more simply, in the early 2000s and 2010s, fewer firms were spending, in aggregate, less money on fewer platforms for case generation than they are today. Meanwhile, the relative number of compensable cases remains somewhat fixed. Firms that aggressively

advertised for cases in the 2000s and 2010s picked low hanging fruit, and built large, successful practices. Success breeds competition – with more firms spending more money on more platforms, the low hanging fruit is scarce. These parallel dynamics create a more challenging competitive environment for growth-oriented personal injury law firms. We have observed irrational and self-destructive behavior on the part of personal injury law firms, in the stated pursuit of defeating competition.

In response to these observations, our team embarked on extensive research on the nature of competition, including interviews with leading academics. In this white paper, we aim to define the macrotrend, prove its existence, and provide actionable insights to aid law firms in making the right strategic decisions for their firms in the context of this challenging landscape.

Overall, we recommend that firms:

**1.**

## **Define the Competition:**

Firms must identify true competitors and understand their growth aspirations, economic models, and strategic priorities. This includes distinguishing direct competitors from substitutes like lead generation firms.

**2.**

## **Identify Gaps in the Market:**

Specialize in underserved niches or establish expertise in high-demand areas, paired with a focus on superior client experience.

**3.**

## **Establish a Creative & Objective Mindset:**

Create a plan for the firm's own strategic goals and marry that with the realities of the current and potential future competitive dynamics of the local market. Avoid one-upmanship and focus on building long-term, sustainable strategies that provide unique value to clients. Be authentic and unique and avoid imitation.

**4.**

## **Optimize for Profitability:**

Shift from reactive spending to data-driven decisions that target undervalued channels and prioritize return on investment. Index on Key Performance Indicators (KPIs) that signal profitable growth – not just increased revenue.

By understanding the implications of this macrotrend and taking deliberate, strategic actions, personal injury firms can secure their position in an increasingly competitive market while avoiding the pitfalls of commoditization. This white paper serves as a guide to navigating these challenges and emerging stronger in a crowded legal landscape.

# Introduction

We believe that growth-oriented personal injury law firms face a more challenging operating environment. This phenomenon is driven by evolving market dynamics. To simplify the complexities of this macrotrend, we turn to Michael Porter's Five Forces to define the state of play for the modern personal injury law firm. Porter's Five Forces is a simple way to understand how competitive a business environment is by looking at things like competitors, customer power, supplier power, new businesses entering the market, and substitute products or services.

## Porter's Five Forces Model



There are lead generation platforms that function as substitutes; there is a rising number of suppliers with increasing power, like Google; and the potential market for new clients (or buyers) is relatively stable over time. All forces that place pressure on the modern personal injury law firm. However, the focus of this paper is on the nature of **competitive rivalries** and **new entrants**. Particularly how firms react to an inherently competitive and changing market.

## Rivals and New Entrants

As we drive around a city, we often see law firm billboards and hear law firm radio ads. When we turn on the TV or flip through Instagram, we see even more law firms. It certainly feels like there are more law firms advertising. There is also data to support this feeling. Not only are there more law firms – the number of attorneys in the US has climbed on average 5% every year since 2013 – the amount of law firms advertising has ballooned.

### Looking at the Data

According to Broadcast TV reporting company, Vivvix, in the first three quarters of 2014, total advertising spend in the United States within the legal vertical was driven by 3,308 legal advertisers that deployed \$487,780,000 compared to 2,336 advertisers deploying \$692,656,000 for the same period in 2024 – 29% fewer advertisers invested 42% more dollars in Broadcast TV. During that same period, broadcast TV viewership significantly declined. In 2024 Nielsen reported that broadcast TV only accounted for 22.2% of all TV usage.

Over the same period, digital advertising platforms, like Google Paid Search, grew in prominence and received an increasing inflow of advertising investment from law firms. Based on our own proprietary data, we see that the average number of competitors bidding in Google's auction environment increased nearly 18% from 2023 to 2024, alone. This increase in competition drives increased Cost per Click on high-value keywords for personal injury firms.

Beyond increasing competition from rivals, new entrants are constantly disrupting local markets.

There is a rise in larger regional and even national firms entering new local markets. In some cases, these firms are long-tenured and bootstrapped operations and in others, they are new firms fueled by unique financing mechanisms like debt-like arrangements with litigation funders or equity-like injections through Alternative Business Structures (ABS). Regardless of the accelerant, firms seeking competitive edge through scale are reshaping the state of play.

Furthermore, the US economy is undergoing a transition as a huge wave of Baby Boomers transition to retirement age. This phenomenon is referred to as the “Silver Tsunami.” As it impacts the legal industry, many retirement-age Managing Partners are not retiring. What should leave a gap for the next

generation’s upward mobility creates a barrier that drives high performing and entrepreneurial mid-career attorneys to start their own practices. New firms with early career energy, a transported case inventory, and, in some cases, a personal brand, create the next generation of digital-native competitors.

## Why Lawyers Should Think About Increasing Competition

Lawyers must understand that true competition centers on creating value, not merely beating rivals. If law firms focus only on beating their rivals, they will participate in a “race to the bottom” where any concessions that have been made would lead to negative consequences. There is no universal blueprint for success—if such a formula existed, every company would quickly adopt it, leading to strategic stalemate. However, this does not imply that strategy is an intellectual free-for-all. On the contrary, there are fundamental principles for analyzing competitive

situations and determining sensible strategic choices. A genuine competitive advantage manifests when an organization can operate at a lower cost compared to rivals, command a premium price, or achieve both simultaneously. This nuanced approach requires careful analysis of unique market positioning, differentiating capabilities, and the strategic levers that can be intelligently deployed to generate sustainable value. Lawyers who think about their competition in a strategic way will be more profitable and emerge as leaders in their market.

### The Price of Missing It

If your law firm ignores the effects of increased competition in today’s legal industry, they risk becoming entangled in a detrimental race to the bottom. This happens when firms prioritize short-term solutions over long-term strategies, often leading them to allocate significant resources toward outdated or ineffective marketing tactics that fail to differentiate them in a crowded marketplace.

Rather than focusing on building a strong brand presence, fostering client relationships, or investing in sustainable growth strategies, many firms fall into the trap of competing solely on price or following

their competitors’ moves without a clear plan. This can erode profit margins, dilute the firm’s unique value proposition, and ultimately hinder its ability to attract and retain high-quality clients. Misplacing resources will lead to inefficiency.

To avoid this scenario, your law firm must shift its approach by embracing data-driven strategies, adopting innovative marketing tools, and emphasizing the distinct qualities that set them apart in the industry. By doing so, they can rise above the competition rather than getting stuck in a downward spiral of escalating costs and diminishing returns.

### Benefit to Getting It Right

If lawyers navigate through increasing competition in a strategic way, they will spend less money trying to cannibalize their competition and they will emerge in the market as a stronger competitor. This leads to increased case count, higher operational efficiency, and positioning in the market as a leader.

When faced with a highly competitive environment, participants win through differentiation (position) or cost (scale). We recommend that lawyers focus on differentiation and scale as well as take a deep look at their profitability pressure points.

# Why Lawyers Aren't Thinking About Increasing Competition Correctly

It may not be controversial to assert that the market is more competitive than ever. What may be more controversial is to assert that lawyers do not often know how to effectively react to competition. And in many cases, they are actively working against their own self-interest. We have identified **3 common mental traps** that snare lawyers:

1.

**Personal Rival:** Law firms are local businesses that are licensed at the state level; they practice before judges in their local county; they belong to professional organizations in their city; and they serve their local community. As a result, competitors often know each other personally, and they may not like each other. This introduces ego and emotion into decision-making that may lead to tit-for-tat tactics, like purchasing billboard space across from a competitor's office in an otherwise low value area. The threat of long-term rivals is also at play as established firms continue to dominate many markets, leveraging their reputation and economies of scale to maintain dominance, making it increasingly difficult for smaller firms to gain traction.

2.

**Punching the Biggest Guy in Prison:** Particularly in situations in which a large regional or national player enters a market, there is an instinct from incumbents to react. This has manifested in firms referencing new entrants in their own advertising creative. Though intended to frame the brand of the new entrant, it serves the opposite of effect of providing free media, as consumers will not appreciate the nuance of the messaging and just be left, at most, with some high-level brand recognition for the new 800-pound gorilla.

3.

**Winner-Take-All:** Whether it is wanting to climb the ranks of "big spenders" in Broadcast TV reports or dominating page results for auction insights within Google's ad platform, there is an instinct to be the "top". This instinct drives collective destruction, as it creates an auction environment with no discernible prize. As a result, competitors react in-kind, which drives a universal rising of the floor price to compete.



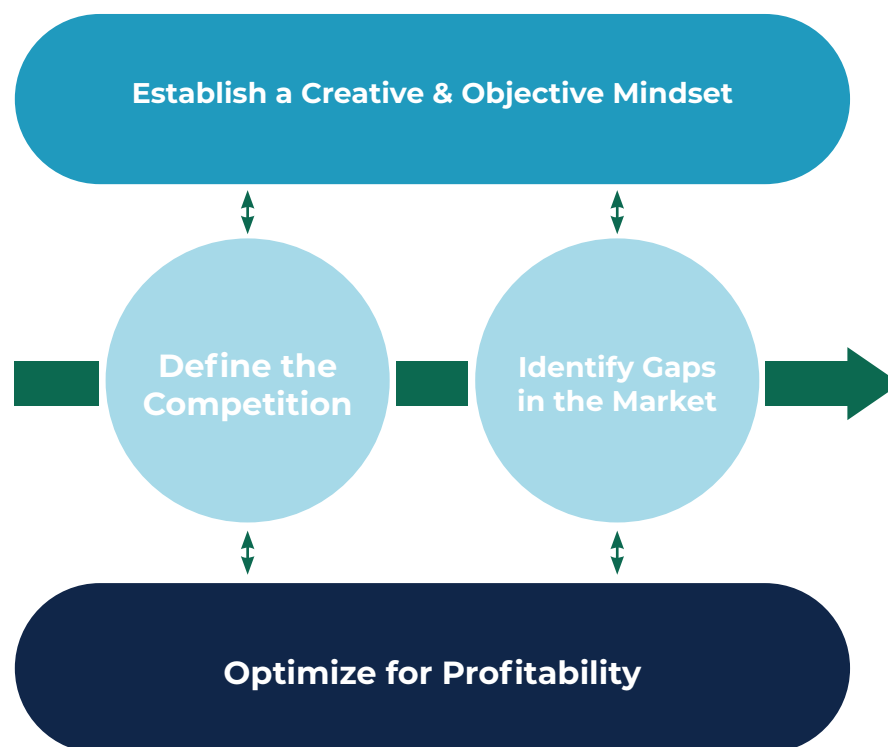
# How Lawyers Should Think About Increasing Competition and Take Action

Not surprisingly, personal injury law firms think about and approach competition in different ways. Some intensely focus on competition and how they can best adversaries, while others do not think about their competitors, at all.

Alone, the knowledge of increasing competition fails to show law firms how to think about their own competitive landscape and, more importantly, what they need to do to succeed. The intent of this guide is to help law firms understand and articulate the key activities needed to set competitive strategy, activate it through operations, and improve the long-term viability of their practices.

1. **Define the Competition:** Firms must identify true competitors and understand their growth aspirations, economic models, and strategic priorities. This includes distinguishing direct competitors from substitutes like lead generation firms.
2. **Identify Gaps in the Market:** Specialize in underserved niches or establish expertise in high-demand areas, paired with a focus on superior client experience.
3. **Establish a Creative & Objective Mindset:** Develop a strategic plan that aligns with the firm's goals and the local market's current and future dynamics. Prioritize sustainable, authentic strategies that offer unique value to clients, avoiding imitation or one-upmanship.
4. **Optimize for Profitability:** Shift from reactive spending to data-driven decisions that target undervalued channels and prioritize return on investment. Index on Key Performance Indicators (KPIs) that signal profitable growth – not just increased revenue.

This useful framework visualizes the sequential 2-step process undertaken with the mutually reinforcing imperatives of mindset and goals. Following this process, you are ready to effectively build your brand identity and strategic roadmap.



## Define the Competition

Your law firm must identify competitors and understand their growth aspirations, economic models, and strategic priorities. This includes distinguishing direct competitors from substitutes like lead generation firms. It also includes segmenting competitors to further refine exactly which firms present a risk (or opportunity) for your business. We segment the market into 6 archetypes.



### Young Gun

a small-sized firm with a short time in-market, this is an upstart trying to make its way in a new market; typically driven by early-career energy.



### Brawler

a medium-sized firm with a short time in the market, this is a firm that is looking to break through to be a market leader.



### Specialist

a medium-sized firm with niche practice area expertise.



### Name Brand

a large firm with a long time in-market, this firm is on the Mt. Rushmore of practices in the local market and needs to keep the growth momentum to sustain the heavy overhead.



### Lifestyle

a medium-sized firm that has been in-market for more than five years; marked by an executive team that is satisfied with case volume and the type of lifestyle the firm affords them.



### 800-Pound Gorilla

a large, well-capitalized regional or national firm that is making a splash as a new competitor.

Sort through your list of competitors and assign them to the above archetypes. And include yourself.

## Identify Gaps in the Market

It is a mistake to solely focus on duplicating a competitor's strategy. There are opportunities to divert potential cases from competitors. However, it is not necessarily a zero-sum game.

Research conducted by PMP on the client journey of a motor vehicle accident victim found that 2 weeks after a car accident, only 45% of individuals would hire an attorney following accident, 32% would be unsure whether they would seek help from an attorney, and 23% would not contact an attorney. Meaning, 55% would not think to contact an attorney.

There remains a large part of the population that is underserved or not served, and we recommend going after that group rather than trying to just take the same potential clients from your competitors.

To carve out your focus, map the market on multiple dimensions:

- **Geographic:** Identify where you see billboards in your market and notice where other law firm offices are located.
- **Demographic:** Do the competitors speak to a particular audience? Are there particular age groups, ethnicities, or income levels their ads target?
- **Media Channel:** Are competitors in your market advertising on broadcast TV, Google, etc? What mediums are being utilized?
- **Message:** Analyze the brand voice and copy of your competitor's advertisements and posts. To identify this, you can provide a brief description of the style and tone of their creative.

Align the competition over these dimensions. Information is not perfect, so there could be a gap in it, but, for purposes of this analysis, anecdotal evidence is more useful than no evidence. With a complete picture, the areas, audiences, media channels, and messaging opportunities will reveal themselves.

Additionally, we recommend your law firm specializes in underserved niches or establish expertise in high-demand areas, paired with a focus on superior client experience.

## Establish a Creative & Objective Mindset

Create a plan for your firm's own strategic goals and marry that with the realities of the current and potential future competitive realities of the local market.

Invariably, your firm will run across a competitor and will need to think strategically about how to approach that challenge. Rather than getting frustrated or wanting to outdo your competitors and take them down, remain highly objective so that you can strategize logically and not emotionally.

## Optimize for Profitability

Shift from reactive spending to data-driven decisions that target undervalued channels and prioritize return on investment. Index on Key Performance Indicators (KPIs) that signal profitable growth – not just increased revenue.

### Profitability Pressure Points

The influx of competition bolsters these forces, compressing profit margins. Firms must identify untapped opportunities for profitability, such as:

- Targeting underserved niches.
- Leveraging data-driven marketing strategies.
- Exploring partnerships or alternative business models to reduce costs.

By focusing on value creation rather than rivalry, firms can avoid falling into a zero-sum competition that erodes long-term viability. The path to profitability lies in strategic adaptation to this evolving macrotrend.

Strategic differentiation in competitive markets requires a nuanced approach to understanding competition beyond simplistic rivalry. Lawyers and firms must rigorously define their competitive

Overall, firms can respond to these challenges by:

- **Differentiating:** Building specialized expertise or delivering an exceptional client experience to command premium pricing.
- **Scaling:** Operating efficiently at high volumes to leverage economies of scale and sustain profitability.



ecosystem by identifying not just who their competitors are, but equally important, who they are not. This involves analyzing potential rivals through multiple dimensions: size, growth aspirations, practice areas, economic models, and distinctive capabilities.

The critical distinction lies between reactive and proactive strategies—moving beyond mere imitation toward genuine innovation. While understanding archetypes like the “800-pound gorilla” or the “young gun” provides valuable context, true competitive advantage emerges from being authentically unique rather than attempting to be universally “the best.” This means strategically positioning oneself where competitors are not, embracing game theory principles that recognize competitive convergence as a potential trap. As Michael Porter’s insights suggest, sustainable differentiation thrives on innovation and distinctive value creation, not on one-upmanship or mimicry.

Firms should critically evaluate lead generation strategies, referral networks, and substitute services while remaining committed to their core authentic strengths. The goal is not to compete within existing market boundaries but to reimagine and expand them through thoughtful, principled strategic choices that create genuine, differentiated value.



## Conclusion

The personal injury law industry is at a critical juncture, with increasing competition reshaping how firms operate, market themselves, and define success. The commoditization of legal services has made it essential for law firms to rethink their strategies and move beyond reactive tactics. As outlined in this white paper, firms that embrace differentiation, strategic investment, and a client-first approach will position themselves as leaders in a crowded marketplace and end up more profitable.

If you ignore this macrotrend, you risk falling into a detrimental cycle of escalating costs, reduced profitability, and diminished market relevance. Instead, you must seize the opportunity to innovate, leverage technology, and create genuine value for your clients.

By focusing on strategic differentiation and long-term value creation, law firms can navigate the evolving competitive landscape and achieve sustainable growth. As the legal industry continues to evolve, those who act decisively and strategically today will secure a more prosperous future, positioning their firms not just to survive but to thrive in an increasingly competitive world.



## About PracticeMadePerfect (PMP)

For more than 20 years, PracticeMadePerfect has been a leading, full-service legal marketing agency specializing in innovative and results-driven strategies for law firms. With a deep understanding of the legal industry and a commitment to excellence, we empower our clients to stand out in competitive markets, drive measurable growth, and achieve their business goals. Our expertise spans digital advertising, traditional advertising, website services, SEO, traditional advertising, and more, ensuring our clients stay ahead in an ever-evolving landscape.

### Contributors

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