



A World of Opportunity: The Importance of the client lifecycle

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Coverage



- ▶ Five **market forces** that are coming together to drive legal market change
- ▶ Impact on client needs and behaviors
- ▶ Impact on law firms
- ▶ The importance of the law firm client lifecycle

- Sharplegal is an annual global telephone survey of over 2,500 law firm clients from the world's largest organizations
- The survey breaks into elite (revenue \$1bn+) and mid-market organizations (revenue <\$1bn)
 - Countries where mid-market deep dive is conducted include US, Canada, UK, Middle East and China
 - The global 'elite' data is weighted geographically to match the distribution of the Forbes 2000 HQ's

Market forces



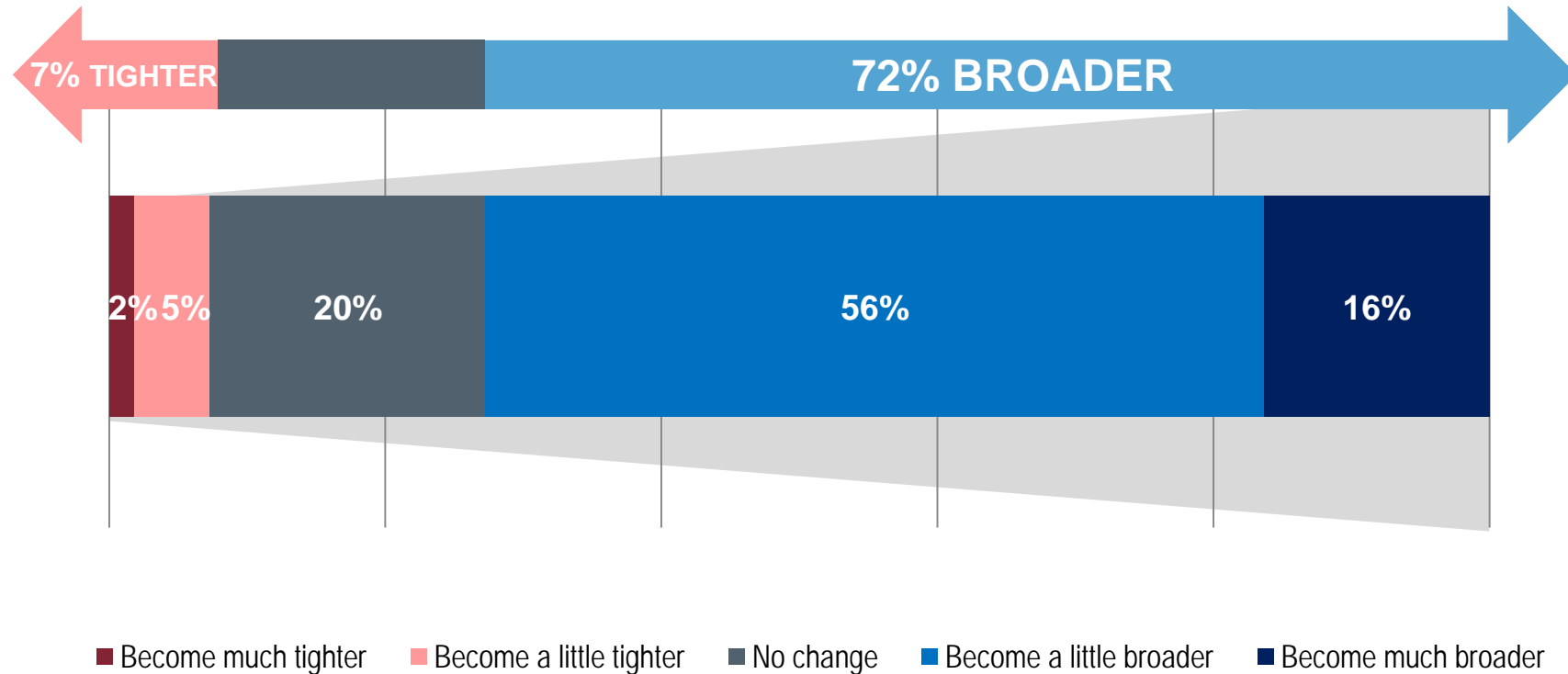
Client led:

- 1 **Increasing workload** → Regulation, compliance, broadening risk remit

GC Role expected to broaden



▶ Sharp Panel - 2011

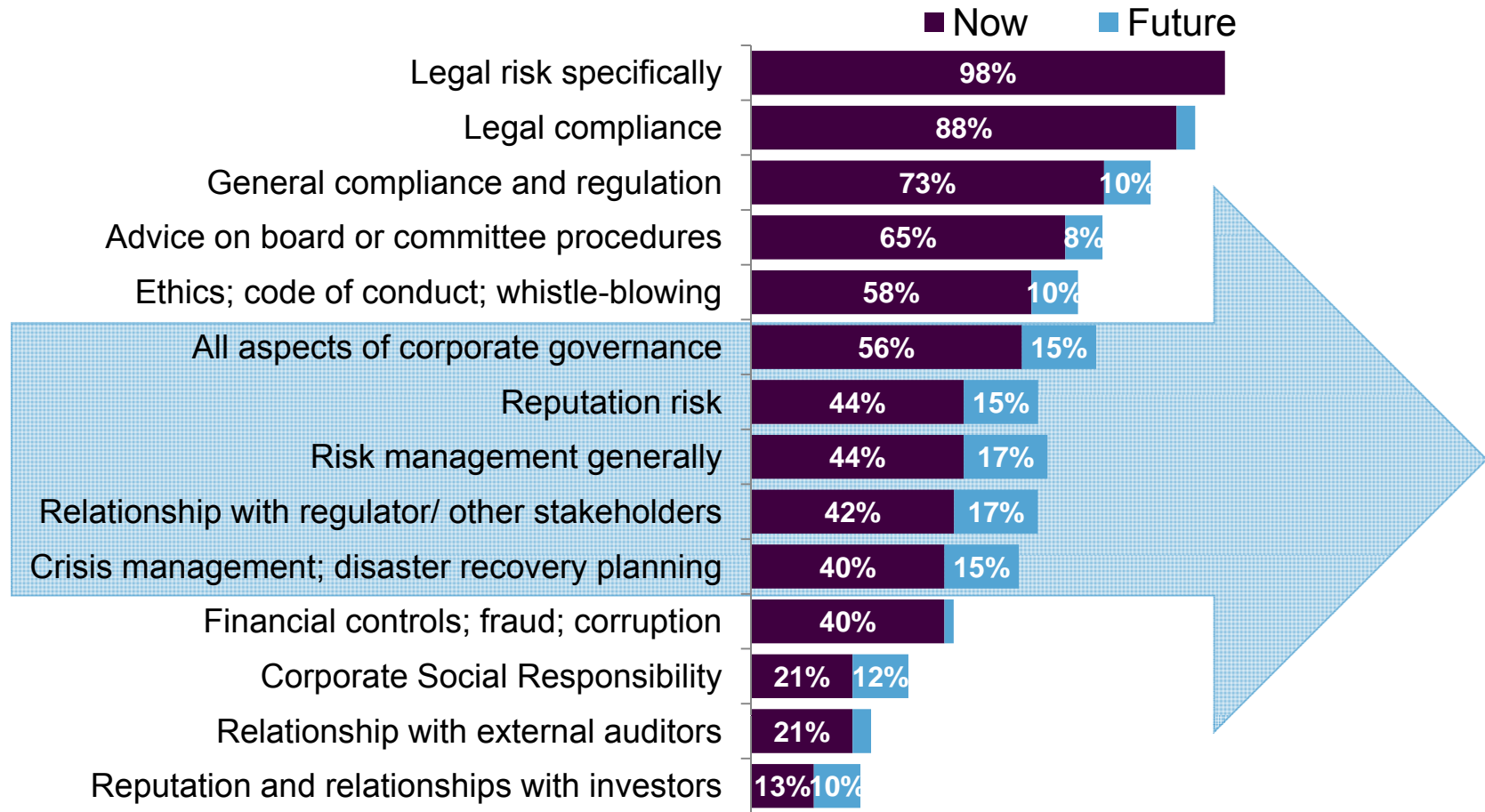


▶ And how do you expect the scope of your organization's GC role to change over the next five years?

Broader risk management



▶ Sharp Panel - 2011

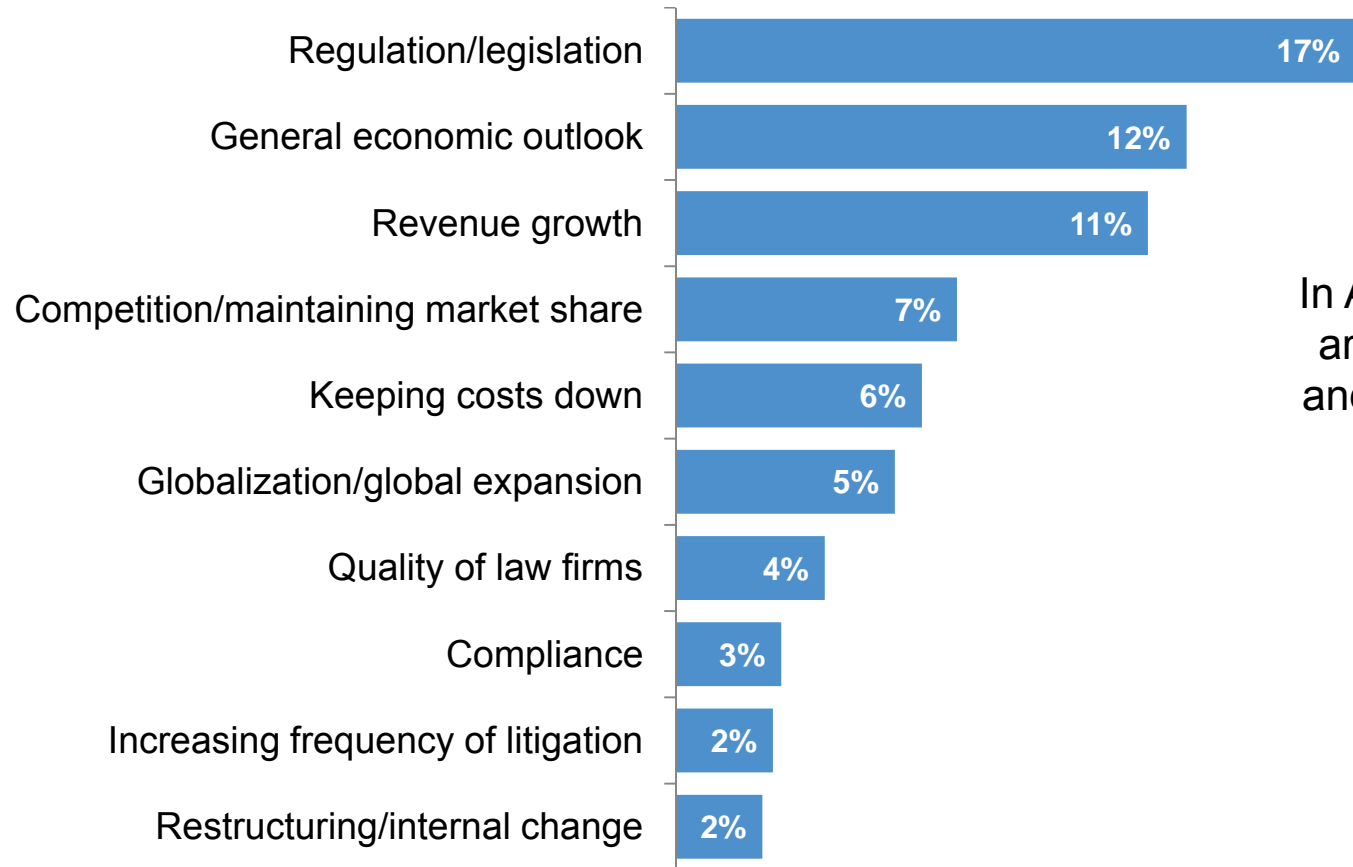


▶ Which of the following responsibilities do you expect to increase/ add to your organization's GC role over the next five years?

Business challenges



▶ Sharplegal 2011



In Asia main challenges are internationalization and increasing litigation

▶ Aside from cost, what is the main business challenge facing your organization?

Market forces



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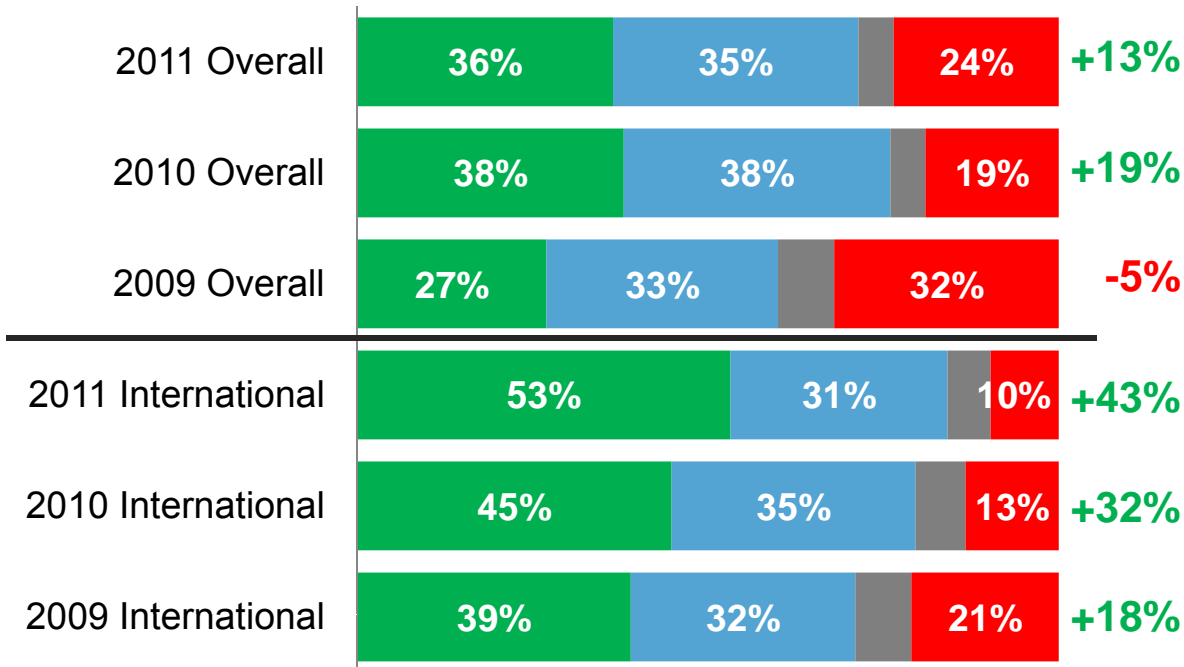
- 1 Increasing workload** → Regulation, compliance, broadening risk remit
- 2 Internationalization** → More countries, emerging markets, variance in regulation, culture, language and laws

Expected increase in spend



▶ Sharplegal 2011

■ Increase ■ Hold ■ Don't know ■ Decrease



Forecast in overall legal spend growth remains positive from low of 2009 slightly but not as strong as last year

International spend growth continues to rise

▶ Do you anticipate an increase or decrease in your overall/ international legal spend in the next 12 months?

Opportunity

- ▶ Increased spend driven as much by multinationals headquartered in mature markets, for their international spend, as the local domestic organizations in the high growth markets
- ▶ Multinationals from mature markets willing to pay for more advice and at higher rates (more risk aware)
- ▶ **More than 80%** of multinationals prefer to use an international to an independent firm overseas
- ▶ However, even in mature low growth markets, growth can be delivered by gains in market share **through innovation and competitive edge**

Market forces



Client led:

- 1 **Increasing workload** → Regulation, compliance, broadening risk remit
- 2 **Internationalization** → More countries, emerging markets, variance in regulation, culture, language and laws
- 3 **Cost management focus** → Under scrutiny, cost reduction targets, panel creation, involvement from procurement

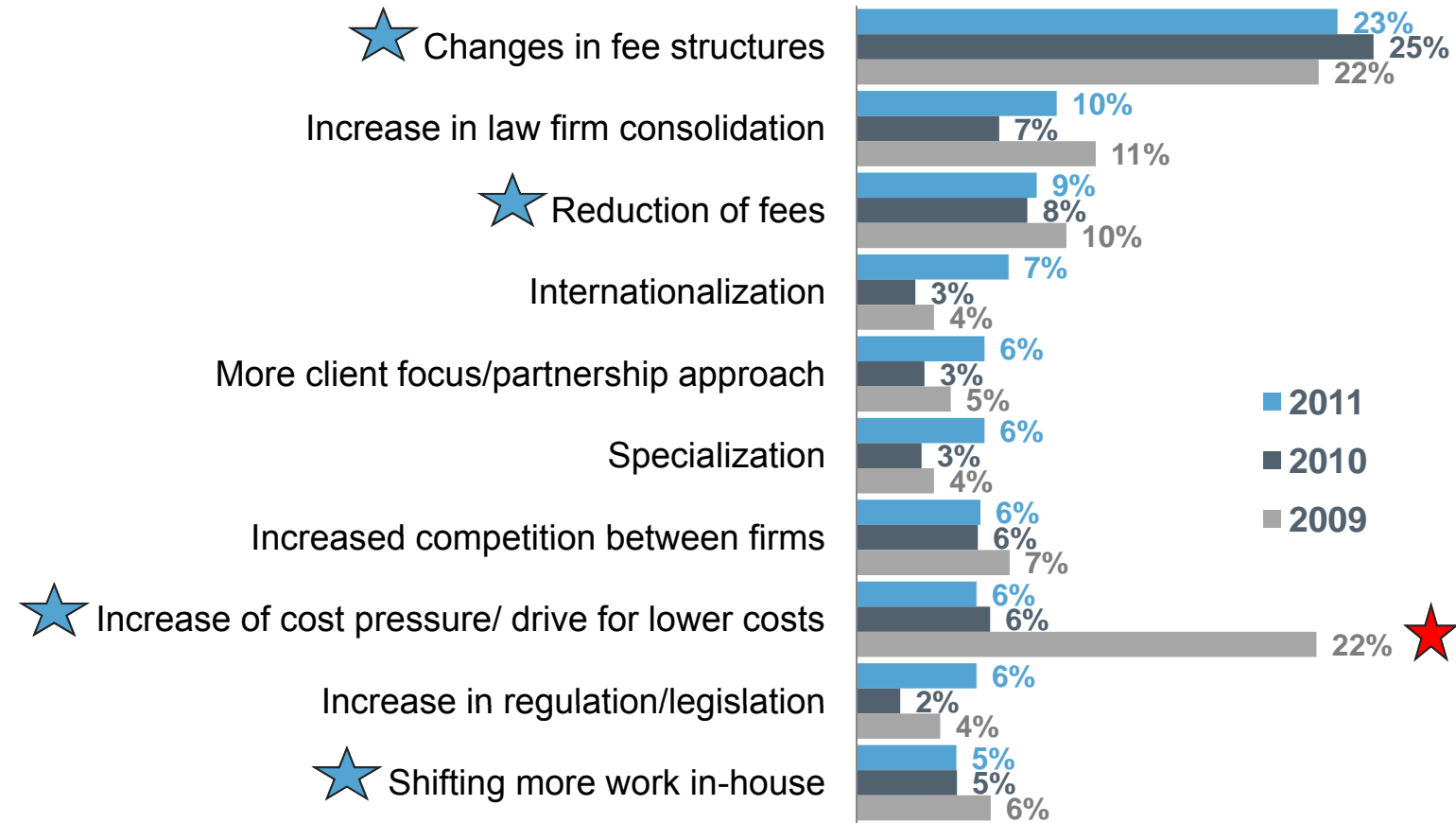
Industry clean up:

- 4 **Efficiency & Pricing** → GC's ex-law firm, aware of huge inefficiencies that exist, lack of incentive for law firms to be efficient on hourly rates, substitutes, lawyer wealth

Legal Market Trends



▶ Sharplegal – 2011 v 2010 v 2009



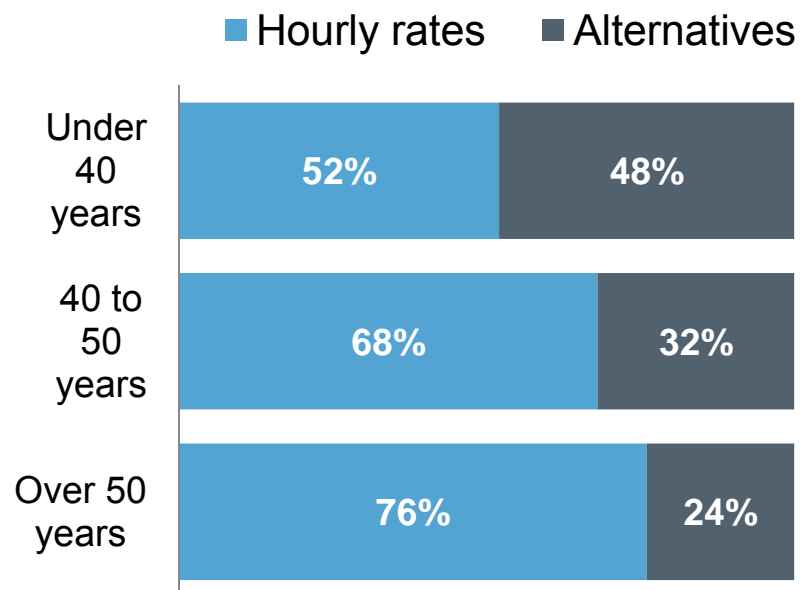
▶ What do you believe will be the major changes in the legal services market over the next two years?

Slow move away from hourly rates



▶ Sharplegal Global Elite 2011

- Most expected change in legal market in 2009, 2010 and 2011
- Yet progress is slow, 1% shift in spend from 2010 to 2011
- Younger clients are heavier users



- ▶ What do you believe will be the major changes in the legal services market over the next two years?
- ▶ What proportion of the work you outsource is conducted under hourly rate versus alternatives?

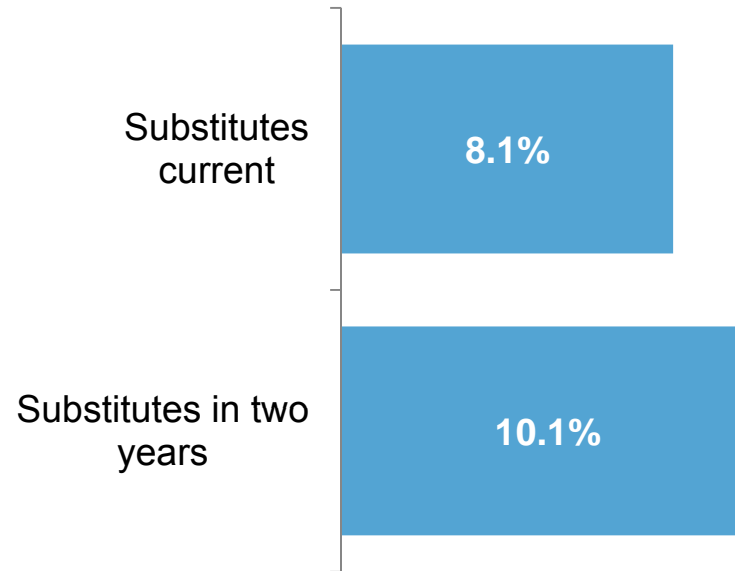
Move towards law firm substitutes



▶ Sharplegal Global Elite 2011

- Substitutes still take small proportion relative to law firms' 90% collective market share
- However, proportion set to increase by 20% to 10% of overall spend

Share of external spend



- ▶ Approximately what proportion of your total legal spend is with law firms and what proportion is direct to alternatives such as legal process outsourcing (LPO) or know-how providers?
- ▶ And in two years' time, what do you anticipate those proportions to be?

Market forces



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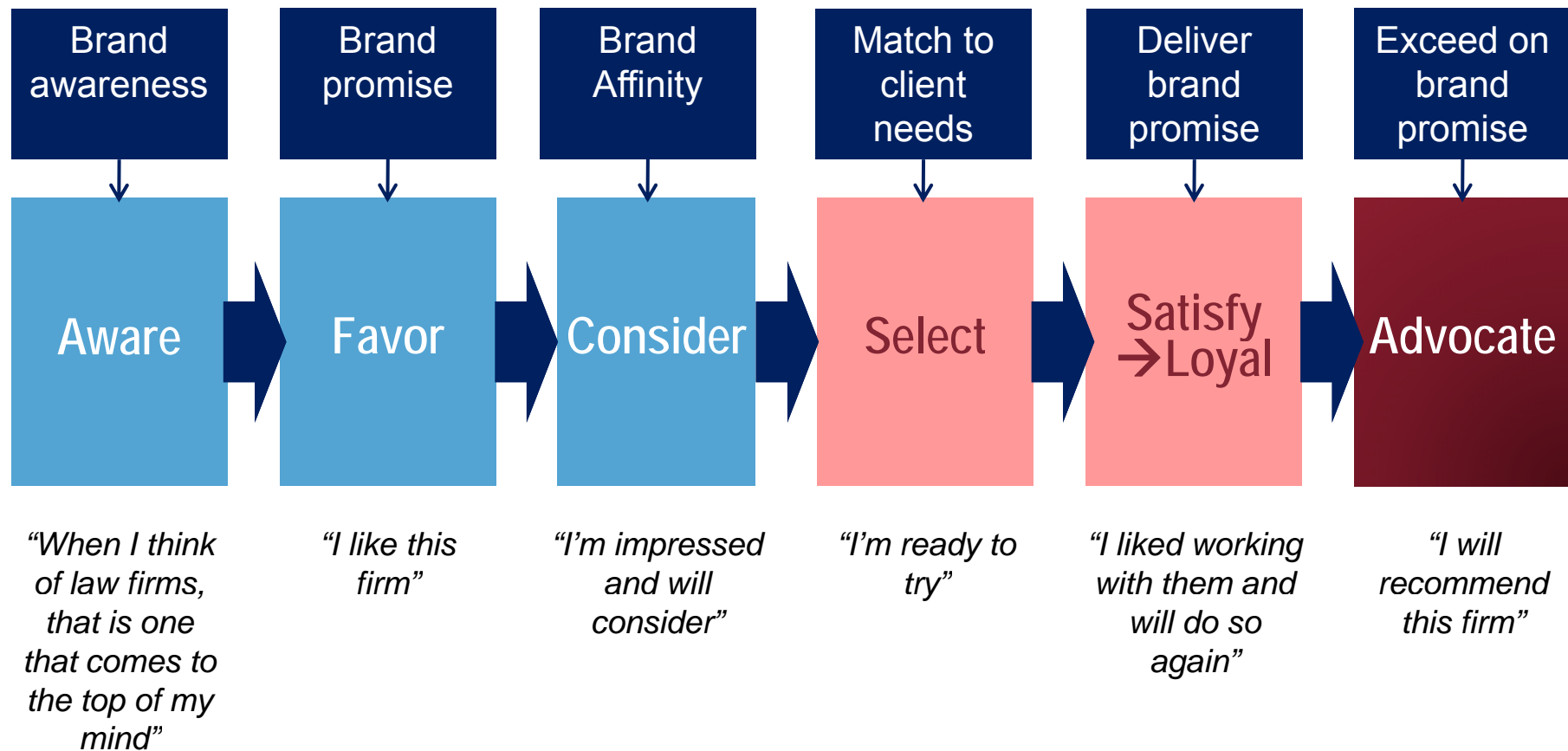
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Industry clean up:

- 4 Efficiency & Pricing** → GC's ex-law firm, aware of huge inefficiencies that exist, lack of incentive for law firms to be efficient on hourly rates, substitutes, lawyer wealth
- 5 Business solutions** → Clients need business-ready advice, specialist detailed knowledge of the matter priorities, their organization and their industries

The law firm-client relationship

▶ Key stages in the life cycle



Implications for law firms



<p>Matter management</p> <ul style="list-style-type: none">- Systems to enable legal knowledge sharing <i>“stop reinventing the wheel”</i>- Project management skills and software- Budgeting and pricing - historical analysis, tools and frameworks	<p>Client management</p> <ul style="list-style-type: none">- Systems to enable client and industry knowledge sharing <i>“know your client inside out”</i>- Sophisticated international client teams, account management skills- 2012 communications tools- Systematic client feedback
<p>Firm strategy and performance management</p> <ul style="list-style-type: none">- Brand platform- Analysis of historical and future legal spend (markets, practices, industries)- Evaluation of positioning and capabilities vs competitors	<p>People</p> <ul style="list-style-type: none">- Cultural shift to one of necessary collaboration and information sharing- Formal skills training at all levels, including traditional sales and relationship management training- Recruiting implications (laterals, new lawyers and staff)

“Don’t drown in a river of information; interpret and analyze key information feeds”

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