Winning in the New Legal Economy: What Profitable Firms Are Doing to Keep Their Competitive Edge

September 11, 2015
State Capital Group Legal 2015 Annual Meeting
Winning in the New Legal Economy: What Profitable Firms Are Doing to Keep Their Competitive Edge

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Goals for Today

• Review current trends in today’s legal market

• Hear from law firm leaders on their personal experiences and individual firm’s successes

• Active participation with panel discussion
WINNING IN THE NEW LEGAL ECONOMY
“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction.”

-Bill Gates, Microsoft
Over the Past Decade…

- Total corporate non-legal costs increased by 20%...
- …but spending on large law firms increased 75%!
- Flat spending squeezing law firm billing rates
What Clients Want

- Cost predictability
- Transparency
- Cost savings
- Increased efficiency
- Risk sharing
- VALUE
Shift in Demand Curve

• Clients driving firms strategic initiatives:
  o Project management
  o Matter budgeting
  o Client teams
  o Technology innovations
  o New strategic business roles

• Increased use of RFPs, price becoming the overriding factor in choosing counsel
What Firms Can Gain

- Stronger client relationships / gain in trust
- Hour / staffing / revenue / cost predictability
- Adherence to budget / accountability
- Increased profitability
- Competitive advantage
- Flexibility
- Increase transparency
In its simplest form...

- How much can we charge?
- How much does it cost us?
- How can we maximize the spread?
Legal Process Outsourcing (LPO)

According to Wikipedia:

“The practice of a law firm or corporation obtaining legal support services from an outside law firm or legal support services company”

- Discovery
- Document review
- Patent searches
- Etc.
Trends in Profitability

2014 Altman Weil Survey of 304 firms

• 56% of firms reported that they were either as profitable or more profitable when using non-hourly rates (vs hourly pricing)

• More significantly, 73% of firms that used AFAs proactively reported they maintained or increased profits (vs reactive firms)

• Profitable firms who used AFAs proactively reported 3x the profits over firms who were reactive
Profit = Compensation = Happy Partners

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Driving Collaboration

• Are you encouraging (compensating) the right behavior?
• Partner insight on client originations
• Managing client attrition

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* Courtesy of Redwood Analytics Think Tank
Rise of the ABS
What is an Alternative Business Structure?

- 2007 Legal Services Act
  - Allows non-lawyers to own law firms
  - Allows for external capital
  - Allows for non-lawyer management
What is an Alternative Business Structure?
What is an Alternative Business Structure?
In Closing

• Unprecedented pressure from clients, forcing firms to change how they are doing business

• Technology helping firms become more efficient and proactive to client demands while also enabling new entrants to challenge firms for business

• With an evolving strategy, firms can be successful in this economy
Panel Discussion

Dwight Drake – Partner – Nelson Mullins Riley & Scarborough

Kevin Hayes – Partner / Government Relations Team Leader – Adams and Reese

Bill Moreau – Partner / Higher Education Practice Group Chair – Barnes and Thornburg
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