



# The Strategic Review and Outlook for the Legal Services Industry

2003

prepared by

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## **Introduction**

### **The Strategic Review and Outlook for the Legal Services Industry; Your Definitive Guide to Powerful Insights Into Fortune 1000 Clients**

*The Strategic Review and Outlook for the Legal Services Industry 2003* is your most powerful guide to client-based insight. Discover and act on the key drivers behind client relationships, client spending, and the future direction of the legal profession. You get exclusive, driving insights and facts that have been proven to anticipate the changes in key client behaviors and improve results.

This is the only source of systematic strategic analysis of law firm client needs, priorities, spending, client satisfaction and management strategies. *The Strategic Review and Outlook for the Legal Services Industry 2003* gives you a bird's-eye perspective on the entire legal services industry – analyzing what the market wants, how it will change, how law firms really perform in the market, and a host of other strategic insights.

#### **The Only Industry Analysis Based on Client Data**

*The Strategic Review and Outlook for the Legal Services Industry 2003* is the only analysis of the legal services industry that is based on in-depth client research on how Fortune 1000 companies and corporate counsel buy legal services and manage their outside law firms. Drawing on more than 13 years of meticulous research on how Fortune 1000 companies buy professional services, BTT's analysis and outlook draws on the most extensive continuing research effort in any professional services market. This gives you direct insight into how your clients are thinking, which factors are changing now, and more importantly, how they are going to change in the future.

#### **Direct Client Insight - More than 180 Interviews with Corporate Counsel**

Our research on legal services' market needs and outside law firm management is based on more than 180 unique individual interviews with corporate counsel, including general counsel, associate counsel and assistant general counsel at the Fortune 1000. We've spoken with more than a quarter of the Fortune 100. Our research evaluates all key industry sectors, including financial services, retail, high tech (hardware, software, services), insurance, telecommunications, and chemical/pharmaceutical. We conducted these interviews using open-ended, unstructured techniques so that the market defines their needs and priorities according to their own understanding and perceptions. Our interview team has an average of more than 10 years of experience. We conducted our interviews through the period June 1 through August 31, 2002.

# Introduction

## **Objective Sample - Individual Telephone Interviews and Avoiding the Self Selected Sample**

BTI designed, developed and identified the companies and individuals in the survey. Each interview is conducted individually via telephone with each participant. We use a variety of sources, including our own research, to identify the individuals in the survey. BTI did not conduct any mass mailings, solicitations or group invitations. All the interviews were conducted using this objective approach.

## **The Most Robust Insight from Sophisticated Technique: Forming a Weighted Decision Matrix, Tested with Clients**

BTI uses a combination of techniques to bring the most robust insight to you. We use a combination of quantitative and qualitative analysis. Get the benefit of client thinking from our carefully designed techniques and longitudinal approach. We capture unprompted responses as well as prompted data, providing the most direct reliable insight into client thinking.

You can use the data to develop a weighted decision matrix that helps the user distinguish decisive factors from other less important factors. Tactically, we look for two or three categories that are decisive (i.e., 51%) to discover the driving insights. This approach enables you to devote your resources to the factors that can impact the outcome of vital decisions.

# Introduction

## **All the Data You Need to Design and Implement a Strategic and Tactical Plan to Increase Revenue and Market Share**

The *Strategic Review and Outlook* provides virtually all the data you need to develop and implement strategic and tactical plans to increase revenue and build market share for your law firm. This data includes:

- Key Client Findings, Conclusions and Insights
- Client Spending on Outside Counsel (its going up)
- Client Budgets
- Changes in Client Budgets for 11 Key Practice Areas
- How Clients Award Work
- Client Law Firm Utilization and Management Strategies
  - Cuts in the number of law firms used
  - Why 2 law firms get 50% of the work
  - Practice areas served by primary law firms
- Client Satisfaction
  - Why it is low but headed up
  - The Client Service Expectation Gap
- Why Clients Recommend Law Firms
- How to Oust an Existing Primary law firm at a Fortune 1000 client
- Client Service Needs and Priorities
  - Today
  - Three years from now
- Clients' Unmet Needs
- How Clients Want to Improve Their Law Firm Relationships
- How Clients Want Law Firms to Improve Client Service

## **Match Market Share against Profit Performance: Strategic and Competitive Analysis of Law Firms**

You can discover which law firms are gaining market share, which law firms deliver superior profitability, and which firms deliver both. Learn how the acquisition-minded law firms are performing versus the organic growth firms in both market share gains and financial performance. See which law firms are paying for future profits and how much they're investing. Gain insight into why some of the market giants are not growing as fast as the market and in fact are seeing market position erode. The competitive landscape is undifferentiated from the client's perspective and is challenging for future growth. See what this means to your firm, and to your competitors.

## Introduction

### **Pinpoint Clients' Needs and Priorities**

Delineate specific market needs and client priorities—as defined by your clients. Litigation tops the list of most important services clients will buy from their outside counsel for the next three years. IP gains as M&A declines in priority. Find out which other new services will emerge and why. Make the market trends work for you.

### **Don't be a Victim: Use Client Cutbacks in the Number of Law Firms They Use to Your Advantage**

Clients cut the number of law firms they work with by 30% in just one year and more cuts are on the way. See how you can help your clients cut the number of law firms they use and leave yourself as the primary provider getting more than *twice* the billings.

### **Understand the Impact of Low Client Satisfaction**

Client satisfaction with law firms is up but still low—only 35.6% of companies are satisfied with their outside counsel. See how clients are upping the ante and changing their definition of good service from their law firms. Learn how clients' drive to boost satisfaction fuels the plans to reduce the number of law firms they work with by another 30%.

### **Specifics on Tactics and Recommendations About How to Take Advantage of Clients' Unmet Needs and Market Trends**

As a key element of *The Strategic Review and Outlook for the Legal Services Industry 2003*, we include exclusive information on clients' unmet needs—services they want from their law firms but can't find. Find out why some of clients' most pressing unmet needs are management and business related. Get insight into key positioning and analysis to more effectively sell into the lucrative area of clients' unmet needs. See why and how you can use unmet needs to develop new clients and improve relationships with existing clients.

### **Tap Into the Power of How Clients Want to Improve Their Relationships**

Clients spell out how they want to improve their law firm relationships. You get the 10 specific changes clients want to improve law firm relationships and client service. This translates directly into happier clients that are more loyal, more billings, increased profits, and more money for your firm.

### **Unequivocal Recommendations, Innovative Yet Proven Strategies, and Tactics Proven to Increase Margin, Revenue, and Market Share**

Your *Strategic Review and Outlook for the Legal Services Industry 2003* is chock-full of recommended actions, strategies, and tactics. You also get our unequivocal viewpoint on the current strategies and what the impacts of clients' changes and market trends will be. BTI is the leader in anticipating the most compelling changes and trends in the industry. Put these proven recommendations to your immediate, tangible advantage.

# Introduction

## How to Use This Report (Please read this, it's worth it.)

We cover a broad range of issues and analyses in *The Strategic Review and Outlook for the Legal Services Industry 2003*. To help you get maximum value from the information, we offer the following analysis:

### Client Satisfaction

This section pinpoints why clients are generally unhappy or happy with their law firms. Use this data to assess where you might stand with your clients, and try to be brutally honest with your own perspective and viewpoints. See what drives good service and calibrate this with your client service team's understanding.

A number of competitors are using new drivers of client satisfaction to their advantage and stand out to clients as high-value and client-focused firms. These law firms are stealing market share at their competitors' expense and are actively aware of the advantage they bring to new and existing clients.

### Competitor Analysis

Our goal is to present a picture of the strategies in use at law firms today. Some work, some don't. We also analyze industry structure. Use it to assess the different strategies law firms use. See who is losing market share and who is winning. This will help you understand and plan for competitor behavior and help give you a perspective on elements to consider when developing your own strategy. A large number of clients and subscribers catalogue the different strategies in our analysis to look for themes and patterns.

### Client Spending

This section outlines what clients spend on legal affairs in their organization and what they spend with their outside counsel on an annual basis. Use this information to assess whether you are gaining a big enough share of your clients' spending and the potential revenue you can gain with each client. Find out what is driving client spending in the future and where clients expect their budgets to increase next year. This will help you assess whether your targets and strategies for growing your key services are in sync with what your clients plan to spend.

### Clients' Unmet Needs

These are services clients want, but can't find. They define the new priorities and concerns that go beyond the day-to-day issues. When clients say "go above and beyond," they want you to focus on issues beyond basic legal skills and services—and they are usually referring to unmet needs. Our experience shows that unmet needs are the extras that build true relationships around the more traditional and commodity-like services. They are excellent new business development and displacement tools because they offer the dual advantage of providing high value and proving you can exceed clients' expectations. Other professional services industries live on

## **Introduction**

meeting unmet needs as a source of key competitive advantage. This strategy is rapidly becoming a source of strategic advantage in the legal services business.

### **Client Service Priorities and How They Will Change**

This documents clients' concerns and goals and is effective in looking at differences in planning for your service offerings to each client. It also illustrates how these priorities will change based on your clients' own forecasts. This helps you plan future offerings and stay ahead of your clients' needs and expectations.

### **Client Relationships and Client Service**

Clients spell out how they want to improve their law firm relationships. Tap into the power of client guided improvements and use it as a road map to develop activities within your firm to boost client relationships. Use it to help target your training, marketing message, and client and attorney communications, and to increase your hit rate.

### **Full Unlimited Telephone Support**

Each and every *Strategic Review and Outlook* comes with unlimited telephone support. We encourage a dialogue with all our clients, and are dedicated to helping them get maximum benefit from this report. Please call Michael Rynowecer, President at (617) 439-0333 or send an email to [mrynowecer@bticonsulting.com](mailto:mrynowecer@bticonsulting.com). You will find us responsive, helpful, and to the point.

The opinions expressed in *The Strategic Review and Outlook for the Legal Services Industry 2003* are based on The BTI Consulting Group's analysis of objective data, combined with our extensive experience. Any perceived criticism is offered in the spirit of constructive input and is not intended to offend any firm. Our analysis is designed to identify strengths, weaknesses, opportunities, and threats for all BTI clients and subscribers.

# Introduction

## The BTI Consulting Group, Inc.—Who We Are

The BTI Consulting Group (BTI) is a Boston-based market research and management consulting firm with over 20 years of experience. The BTI Consulting Group offers the most compelling research, analysis, and insights to our clients with one goal - *compelling, superior results and outcomes for our clients*.

BTI boasts the largest independent knowledge base of client needs, satisfaction and loyalty in the world for service firms. BTI's insight is based on more than 5,000 interviews with key buyers of professional services at the world's largest and best run companies. BTI prides itself on a direct, no-nonsense delivery of critical, high-impact insights that help our clients improve their performance.

BTI has worked with our clients from their earliest initial efforts through virtually every stage of their client and practice development process. We understand how our clients can and will use the insights, data and analysis we provide, and help our clients anticipate issues and accelerate the process. We can provide discrete components or entire client-focused protocols. Our breadth of experience and research deliver both short-term and long-term tangible, lasting value.

### *Key Services to Help Our Clients*

BTI help offers the following key services for law firms:

#### *Strategic Market Research*

Client satisfaction and loyalty surveys  
Practice awareness and measurement  
Client needs assessment  
Rates and fee studies  
Partner and Associate surveys  
New market Assessments  
Best practice and benchmarking studies  
Competitive analysis  
Due diligence support  
Strategic research

#### *Consulting*

Key client strategies  
Client focused business practices  
Strategic business planning  
Advanced business development training

### *Private Briefings*

BTI also offers private briefings both in person and via the web. Chock full of client-based insights, experience and facts, we draw from our research, experience and other resources to provide provocative, constructive insights to help you boost client satisfaction and loyalty and your performance. We can tailor our briefing to include specific feedback on your firm.

Please contact Michael B. Rynowecer, President The BTI Consulting Group at 617-439-0333 or [mrynowecer@bticonsulting.com](mailto:mrynowecer@bticonsulting.com) for more information on how you can put BTI resources to work for you.

## **Introduction**

For 13 years BTI has been, and continues to be, the only market research firm to continuously track Fortune 1000 client needs, priorities, spending, hiring criteria and overall decision-making relative to professional services. We also track market share performance and business strategies of more than 400 professional services firms. Our clients use this data as an early warning system to detect new service opportunities and critical changes in the market.

### **How BTI Helps People within Large Companies that Acquire and Manage Large-Scale, Big Ticket Professional Services**

BTI brings its research and experience to help companies implement strategic sourcing programs, get more value from their service providers, benchmark their department's management practices and performance, and evaluate service providers and management strategy. Our clients purchase professional services in the range of \$3 million to more than \$90 million annually.

# Introduction

## Additional Insights from BTI Publications

### *Client Opportunities and Impacts of Information Technology for Law Firms*

Use this exclusive new report to get critical insight into how to improve your client relationships through high value implementation of information technology. BTI's *Client Opportunities and Impacts of Information Technology for Law Firms* defines the opportunities created by information technology and extranets provided by law firms. You also get insight into the 6 far-reaching impacts of information technology on service delivery and client relationships. Based on almost 100 interviews with Corporate Counsel at Fortune 1000 companies, this is your opportunity to get client-driven facts on how clients want to use information technology and how it impacts you.

### *The BTI Survey of Corporate Counsel Management Strategies, Tactics and Practice*

Exclusive fact-based report gives you deep and broad insight into management strategies, practices and protocols that drive new behaviors and help corporate counsel improve performance.

### *The Survey of Client Service Performance for Law Firms: The BTI Client Service A-Team*

The landmark BTI report *The BTI Survey of Client Service Performance for Law Firms: The Client Service A-Team* gives you an unprecedented view of how law firms are performing, and which law firms stand out from the pack in the client's mind at providing superior client service. Based on interviews with almost 200 corporate counsel at the Fortune 1000, this compelling research tells you—by name—which law firms have differentiated themselves from the competition through excellence in client service. Learn how your clients view good performance and through their unprompted and open assessment, which firms are the best.

### *The BTI Client Service All-Star Team for Law Firms*

A report on law firms and individuals who have been nominated by their clients because they provide superior service. In this exclusive BTI Client Service All-Star report, based on hundreds of interviews with Fortune 1000 corporate counsel, clients identify the individual lawyers that provide the best client service - by name.

Please contact Michael B. Rynowecer, President The BTI Consulting Group at 617-439-0333 or [mrynowecer@bticonsulting.com](mailto:mrynowecer@bticonsulting.com) for more information. We also invite you to visit our website where you can download more information at [www.bticonsulting.com](http://www.bticonsulting.com).

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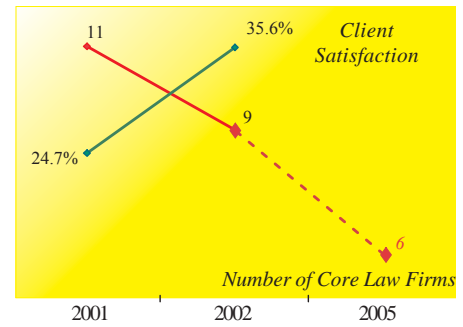
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# The Strategic Review and Outlook for the Legal Services Industry 2003

## What Fortune 1000 Clients Think of their Law Firms and How they Buy Legal Services

BTI's *Strategic Review and Outlook for the Legal Services Industry 2003* gives you fact-based insight into the future of the legal services market. We've interviewed more than 180 corporate counsel at the Fortune 1000 and combined this knowledge with a strategic analysis of top law firms and the underlying industry structure.



### Client Satisfaction Up: Number of Law Firms Down

Fortune 1000 clients reduced the number of law firms they use by 20%. These Corporate Counsel are using 9 core law firms, down from 11 last year. And more cuts are on the way.

Only 35.6% of Fortune 1000 clients recommend their primary law firm to clients, up from 24.7% last year.

### Spending on Outside Counsel is Up and Heading Higher

Fortune 1000 client spending on outside counsel grew by over \$1 million per client.

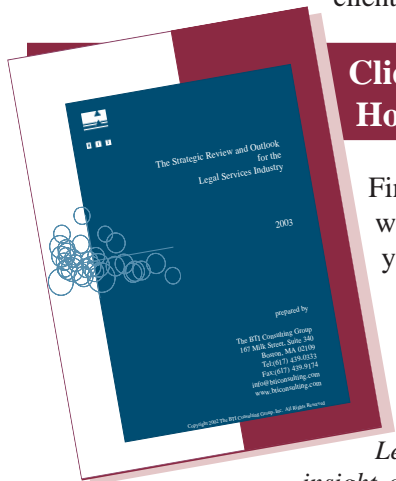
#### SPECIAL ANALYSIS

#### Market Share Gains versus Profitability: No-Holds-Barred Analysis of the Top 33 Law Firms — by name

60% of law firms have seen their market position erode, up from 45%. See how, why, which strategies are winning, and how it impacts profits.

### Litigation and IP Headed for Spending Surges

More than 50% of Fortune 1000 companies are boosting their litigation and IP budgets. Both areas are increasing client priorities as well.



### Clients' Service Priorities: How They Will Change

Find out what services clients want from your firm today and 3 years from now.

### How BTI Research Benefits You

*Leverage this extraordinary client insight and our proven experience*

- Turn client service into profits
- Assess whether you are gaining a big enough share of your clients' spending
- Anticipate client priorities and put the changes to work for you
- Target key pockets of growth in client spending
- Claim your share of client spending increases
- Use client dissatisfaction to your advantage
- Oust competitors using proven tactics deemed effective by clients themselves

### 4 Proven Ways to Replace a Major Law Firm From the Client Perspective

75% of clients are open to hiring a new law firm - if you can tap into the 4 reasons clients will put you on their roster.

#### DISCOVER POWERFUL INSIGHTS INTO YOUR CLIENT RELATIONSHIPS:

- ◆ Key Buying Patterns
- ◆ What Makes Clients Happy with Their Law Firm
- ◆ Why Clients Recommend a Law Firm
- ◆ How Your Law Firm Can Improve Client Service
- ◆ Clients' Preferred Billing and Fee Arrangements
- ◆ How Clients Say Your Law Firm Can Change the Client Relationship for the Better

In the last 12 months

**63.6% of Clients Hired a Major Law Firm - with whom they never worked**

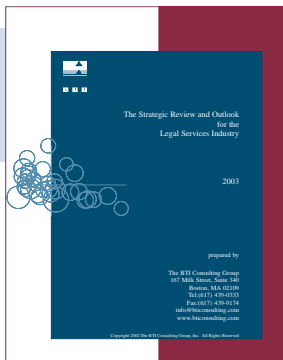


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- ◆ 30% Reduction in the Number of Core Law Firms clients use *Profitability*
- ◆ 65% of Clients believe that Someone Other Than their current law firm offers Better Service
- ◆ 4 ways Clients Say You Can Replace their Existing Law Firm *Loyalty*
- ◆ 6 out of 10 law firms are Losing Market Share
- ◆ 75% of Clients are Open to Replacing their Existing Law Firm *Strategy*
- ◆ Competitive Bidding has Tripled from last year
- ◆ Clients are going to Cut Another 20% of Law Firms from their roster
- ◆ 7 ways Clients See to Improve the Relationship



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