



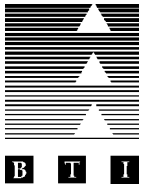
# The Strategic Review and Outlook for the Legal Services Industry

2001

Prepared by

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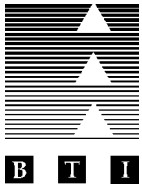
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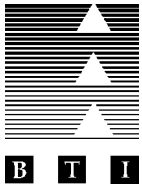
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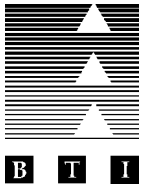
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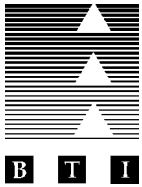
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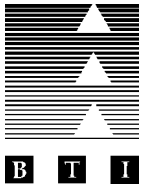
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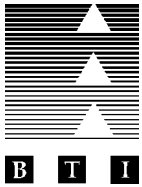
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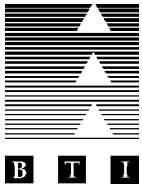
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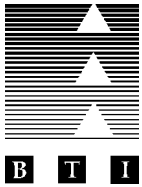
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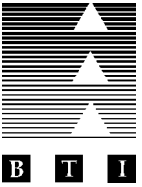
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## **Introduction**

### **What is the Strategic Review and Outlook of the Legal Services Industry**

*The Strategic Review and Outlook for the Legal Services Industry 2001* is the definitive guide to customer-based insight into where the legal services market is headed and what clients want now, and in the future. This is the only source of systematic benchmarking of law firm client needs, priorities, spending, client satisfaction and management strategies. This report provides the **MUSTHAVE** information to plan your growth and business development strategies, and competitive positioning. *The Strategic Review and Outlook for the Legal Services Industry 2001* provides a bird's-eye perspective of the entire legal services industry – analyzing what the market wants, identifying how clients pick and manage their outside law firms, and highlighting key changes in the market...before they happen.

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

*The Strategic Review and Outlook for the Legal Services Industry 2001* is the only analysis of the legal services industry that is based on in-depth client research on how companies and corporate counsel buy legal services and manage their outside law firms. Drawing on more than ten years of meticulous research on how Fortune 1000 companies buy professional services, BTI'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, what things are changing now, and more importantly, how they are going to change in the future.

### **Open-Ended, Unstructured Techniques Ensure the Market Drives Conclusions**

Our research on legal services market needs and outside law firm management is based on more than 170 personal, in-depth interviews with corporate counsels, including general counsels and assistant general counsels, at the Fortune 1000. We've spoken with more than a quarter of the Fortune 100. Our research evaluated all key industry sectors, including financial services, retail, high tech (hardware, software, services), insurance, telecommunications, and chemical/pharmaceutical. We conduct 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 in unstructured interviewing techniques. We conducted our interviews through the period January 1 to March 30, 2001. We analyze the data using proprietary techniques and conduct confirming interviews to check our conclusions and observations.

### **Forming a Weighted Decision Matrix, Tested with Clients**

Statistically, open-ended, unstructured answers provide 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 increase focus on getting decisions made in your favor. 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:

- Competitive Performance and Strategies for the Major Players
- Overall Market Performance
- Market Share Gains and Losses for the Top 30 Law Firms

You can understand how the acquisition-minded law firms are performing versus the organic growth firms. Gain insight into why some of the market giants are not growing as fast as the market and where they stand now. The competitive landscape is highly undifferentiated, and is challenging for future growth. See what this means to your firm, and to your competitors.

### **Client Spending and the Key Segments of the Legal Services Industry**

Get the inside perspective on what clients are spending on legal affairs and with their outside counsel. See how law firms are only capturing 23% of their clients' spending on outside counsel, and the opportunities to increase that share. Understand where the key market segments of legal spending are headed—and why, including:

Litigation  
Mergers & Acquisitions  
Employee/Labor Relations  
Patents/Intellectual Property/Trademarks  
Environmental  
Investor Relations  
Tax  
Health & Safety  
Investigations  
Internet/E-Commerce

See which services are growing and are seen as value-added, and which ones are not. Get the details on how spending in key services areas is changing and how you can stay ahead of the curve.

#### *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. M & A services will also continue to be important. E-commerce is emerging on the horizon. Find out what other new services will emerge and why, and have the market trends work for you.



## Introduction

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

Client satisfaction with law firms is low—only 24.7% 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 this plays into clients' plans to reduce the number of law firms they work with by 31%. And find out the secrets to why those few clients will remain loyal to their law firms.

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

A key element of *The Strategic Review and Outlook for the Legal Services Industry 2001*, 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 on how you can better sell into the lucrative area of clients' unmet needs. Find out why this big area of opportunity is also attracting the Big 5 accounting firms, and how and why this will be their entry point into this market. See how law firms successfully change their approach to co-opt this opportunity for themselves and tap these lucrative client service needs.

### *Which Services Clients View as Commodity, and Which are Specialty Needs*

Our research shows that clients place a higher value on specialized services than they do on those they perceive as commodities. Differentiate the way you market and deliver your services to clients by mapping this valuable information on which services fall into each category in your own client base and menu of service offerings.

### *Clients Begin to Explore the Idea of Strategic Sourcing*

We found 38% of clients are considering developing strategic sourcing or vendor optimization programs with their outside law firms. See what you can do to take advantage of this early trend today—ahead of your competition—and turn it into an opportunity for long term revenue growth. Consider the value of proactively approaching your clients, instead of waiting for your clients to tell you, which puts you at a strategic disadvantage.

### *See What Clients Truly Think of the Law Firms' Many Mergers and Acquisitions*

Get the client viewpoint. A large majority of clients have negative views, concerns, and strong opinions about being on the receiving side of legal services from the newly merged entities. Many of these client concerns will have an impact on how legal services are delivered in the future. Find out how you can potentially avoid the pitfalls, or use this information to your own competitive advantage with clients.

### *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 2001* 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 2001*. To help you get maximum value from the information, we offer the following analysis:

#### *Client Satisfaction*

This section pinpoints why clients are generally unhappy 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. It is difficult to prove value when you focus on things that are not important to clients.

Conversely, a number of competitors are using new drivers of good satisfaction to their advantage and stand out to clients as high-value and client-focused firms. These law firms are stealing market share at competitor 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 paint a picture of the 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 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.



## **Introduction**

### *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.

### *Marketing Channels: How Clients Select a Law Firm*

The section gives you the critical insights you need to market to and reach new clients. While the best source of business is with your existing clients, every firm needs to keep an ongoing pipeline of potential new clients to counteract mergers, attrition, and defections. Find out what clients look for in selecting a law firm, and the first place most clients look as they start their search. Use this information to map your marketing strategy and your service delivery strategy.

### **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 us at (617) 439-0333 or send us an email at [info@bticonsulting.com](mailto:info@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 2001* 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 for the buyers and sellers of professional services. With over 20 years of experience, The BTI Consulting Group offers the most compelling research, analysis, benchmarking, and consulting to help two primary sets of related clients:

- ◆ Professional services firms
- ◆ People within large companies that acquire and manage large scale, big ticket professional services

BTI boasts the largest independent knowledge base of how companies acquire big ticket and complex professional services and how these companies manage and interact with their service providers. 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 information and recommendations that allow its clients to thrive in the face of brutal competition and maturing markets.

BTI conducts and analyzes more market research than any other firm remotely related to the professional services industries, professions, and practices. We have talked to more than 5,000 buyers and key managers in professional services and we use that data to help our clients and subscribers. We conduct research for our own databases, as well as conduct client-specific custom research designed to meet our clients' individual needs.

Specifically, we help clients benchmark customer satisfaction, improve penetration of their client base, support new market entry and development, and map out concrete steps to seize new opportunities. We also help large companies learn about best practices and how to manage their relationships with consultants, law firms, accounting firms, and others.

In addition, we help professional services firms with strategic planning, national account and key account programs, and developing and improving all aspects of the client and business development process. Specifically, we help define the steps you can take to improve your client service on the front line and develop ways to grow relationships.

BTI benchmarks all of our client-specific research against our national database, offering unique insights into especially effective marketing tactics. BTI also provides broad-based strategic advice on positioning, repositioning, and strategies and tactics to help firms thrive.



## Introduction

For 12 years BTI has been, and continues to be, the only market research firm to continuously track industrial companies' 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.

BTI publishes the highly-acclaimed *Strategic Review and Outlook for the Legal Services Industry*. This definitive guide to the legal services industry reveals subtle and not-so-subtle shifts in management strategies, decision-making processes, and organizational structures. Based on more than 170 open-ended, unstructured interviews, *The Strategic Review and Outlook* provides a bird's-eye perspective of the entire legal services industry—analyzing what the market wants, identifying how customers pick and manage their vendors, and highlighting key changes in the market... before they happen.

### How BTI Helps Professional Services Providers

BTI is a trusted advisor to the Managing Partners, CEOs, Chairmen and other senior executives on any and all issues related to revenue acquisition, client development, and business development. Specifically, our client relationships include a series of overlapping services including:

- Strategic Planning and Business Strategy
- Practice Development
- Customer Satisfaction Research
- Client Development Strategies, Tactics, Training, and Tools
- Processes and Protocols that Drive Client Focus
- Market Research
- E-Strategies for Client Development and Retention
- E-Business for Sharing Work Processes with Clients
- Client Education Tools and Knowledge Platforms
- Client Development and Sales Training for Experienced Professionals
- Coaching for Executives in Charge of Sales and Business Development

### 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 departments 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. Specifically, our client relationships include providing the following:



## **Introduction**

Strategies for Strategic Sourcing and Vendor Consolidation Programs  
Information Management Strategies  
Improving Management Performance  
E-strategies for Management  
Benchmarking  
Best Practices  
Total Cost of Service Analysis – Creating Business Value through Professional Services  
Management

For further information on how BTI can help you through our research, sales training, or consulting, please contact Roanne Neuwirth, Principal at (617) 439-0333, or visit our website at [www.bticonsulting.com](http://www.bticonsulting.com).



# The Strategic Review and Outlook for the Legal Services Industry 2001

## Exclusive Research—What the Fortune 1000 Think of their Law Firms and How they Buy Legal Services.

BTI's *Strategic Review and Outlook for the Legal Services Industry 2001* gives you fact-based insight into the future of the legal services market. We've interviewed more than 170 corporate counsel at the Fortune 1000 and combined this knowledge with a strategic analysis of top law firms and the underlying industry structure.

You'll get the most compelling insight on where the industry is headed, what clients want, and the driving changes in the legal services market — before they happen.

### Learn Why There are So Few Happy Clients

Fortune 1000 satisfaction rates are plunging. Only 24.7% of companies recommend their primary law firms. Find out what drives good service, why some clients are happy, and why most are not.

### No-Holds-Barred Competitive Analysis of the Top 30 Law Firms — *by name.*

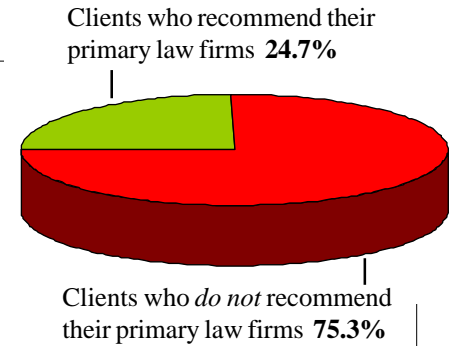
46% of the top law firms are losing market share, despite robust growth. Get an independent, strategic assessment of the top 30 law firms — *by name.* Find out who is really doing well, who isn't, and why.

### Clients' Unmet Needs

See what clients want, but can't find, from their current law firms. Unmet needs are the extras that build true relationships, add value, and help you exceed clients' expectations.

### Clients' Current Service Priorities and How They Will Change

Find out what services clients want from your firm right now, and 3 years from now. Be proactive — anticipate these new priorities and put the changes to work for you.



Source: BTI's *Strategic Review and Outlook for the Legal Services Industry 2001*

### The Myth of the Large Firm Advantage

Many large firms are struggling with client satisfaction issues and seeing their market position erode. A number of small- and mid-sized firms are designing and orchestrating client service delivery processes that are propelling them to the top. See what clients think about the advantages of different sized firms. You would be surprised.

### Client Spending

See what clients spend on outside counsel and what they plan to spend in the future. Use this information to assess whether you are gaining a big enough share of your clients' spending and to target pockets of increased spending.

### Bidding Comes to the Business of Law

42% of clients are increasing the amount of work they put out to bid. See how to freeze out the competition before any of your clients think of going to bid.

### Stake Your Claim

The battle for clients and growth is just beginning. The long term winners are using seemingly ominous threats to their distinct advantage. BTI's *Strategic Review and Outlook for the Legal Services Industry 2001* provides you with the must-have information to plan your growth, business development strategies, and competitive positioning. Order it now and stake your claim in the battle for market share and clients.



The BTI Consulting Group offers the most compelling research, analysis, benchmarking, and consulting to help you sell professional services. BTI boasts the largest knowledge base of professional services practice and market trends in the world. BTI's research and 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 information that drives competitive advantage to help you thrive in the face of today's brutal competition and maturing markets.

The BTI Consulting Group  
Compelling Research for Compelling Results <sup>sm</sup>

Order information on the other side.  
Call (617) 439-0333 for more information.  
Or visit us at [www.bticonsulting.com](http://www.bticonsulting.com)



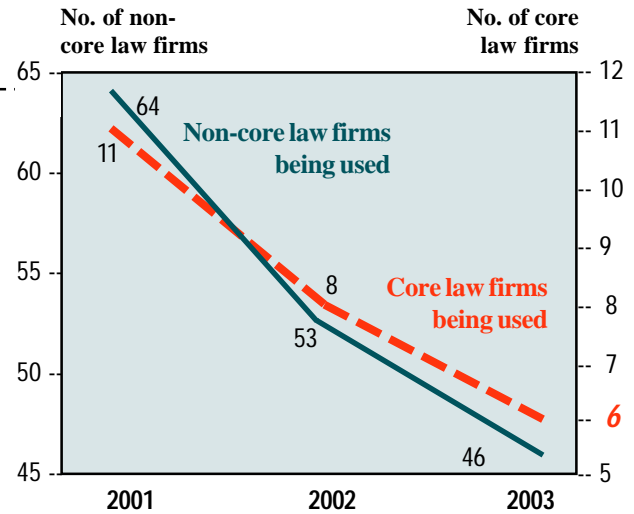
# The Strategic Review and Outlook for the Legal Services Industry 2001

## Get the Facts on The Market and Your Clients.

BTI's *Strategic Review and Outlook for the Legal Services Industry 2001* will define where the legal services market is headed, and why. Based on more than 170 interviews with corporate counsel at the Fortune 1000 and strategic analysis of the 30 top law firms, our insight is the must-have information to stake out your market share, delineate business development strategies, and position your firm for real growth. You'll see that:

- Despite robust organic growth, 46% of law firms are losing market share to competitors.
- 44% of companies plan to cut back on their outside law firms. On average they plan to cut the number of core firms by almost 50%.
- 42% of companies plan to move to competitive bidding for their legal needs.
- 38% of clients are thinking of adopting formal strategic sourcing and preferred provider agreements.
- 90% of companies surveyed believe that someone other than their current law firm offers better client service.

Our experience shows these trends are a major opportunity for some firms, and a threat to others. Get a first-hand look at the trends that are fundamentally redefining the business of law. Your report includes full, unlimited telephone support. Your satisfaction is guaranteed.



Fortune 1000 to Reduce Core Law Firms by Almost Half  
Source: BTI's Strategic Review and Outlook for the Legal Services Industry 2001

**YES!** I want to better understand and benefit from changes in the industry and client needs. Send me BTI's exclusive *Strategic Review and Outlook for the Legal Services Industry 2001* for \$1,600 plus shipping.



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**Questions?** Visit [www.bticonsulting.com](http://www.bticonsulting.com) or call Roanne Neuwirth at (617) 439-0333. wh