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- ***Legal buyers mount pricing pressures on law firms, reveals new research***
 - ***Legal spend set to decrease further***
 - ***Regional firms set to gain as buyers shift away from national firms***

June 04, 2009 - US law firms are being told to brace themselves for aggressive cost cutting demands from legal buyers. Acritas's monthly tracker survey¹ found that 41% of buyers will be considering changing the way in which they procure legal services and get more for their money. Of these, three in four (76%) are negotiating discounts on current hourly rates and 70% are currently using fixed fees.

The survey reveals that pricing issues are the number one concern for buyers with 23% stating increased cost pressure will be one of the major changes in legal services over the next two years, whilst 21% state there will be a decline in hourly rates and 19% are expecting a reduction in fees. Meanwhile, almost one fifth of respondents (19%) will be bringing more work in-house as a direct result of the economic climate.

So far in 2009, 38% of buyers anticipate a decrease in approximate overall spend on external services in the next 12 months.

The hardest hit practice areas are product liability/mass tort (down 21%) and antitrust litigation (down 16%) and the most buoyant area is re-structuring/bankruptcy (up 51%), followed labor litigation (up 16%).

Other key highlights of the survey include:

- Regional law firms are emerging as the winners of the downturn, with spend expected to increase by 5% overall; national firms are expected to be hardest hit, with spending expected to be down 4% overall.
- International spend is holding up well, with 38% of buyers with international requirements predicting an increase in spend on international work compared with 27% expecting to spend less. The Middle East, India and Russia are set to see the biggest increase in spend whilst Japan, France and the UK are to see the biggest decline.
- Average hourly rates have held up at 2008 level. Average hourly rate paid to partner at 'most used' law firm was \$459 in 2008 and currently stands at \$462 in 2009.
- Change is likely with over half the legal buyers anticipating changing their legal strategy in reaction to the economic climate which includes greater control of their external spend. 23% of legal buyers are looking for discounts on rates and 21% are looking to move to fixed fees, rather than the traditional pricing model of hourly rates.

¹ Acritas's Sharp Legal programme has surveyed 200 legal buyers of large US corporate and financial institutions between March and May 2009 together representing over \$1.5bn in legal spend.

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- A staggering 98% of buyers see room for improvement in efficiency at law firms and only 2% believe the market operates 'highly efficiently'.
- Despite the drive for lower costs, legal buyers are not supportive of firms outsourcing, with 54% feeling negative about law firms outsourcing legal processes to companies in emerging markets, such as India. Legal buyers are positive, however, about firms moving some resources to lower cost US/UK locations as long as quality levels are maintained.

According to Lisa Hart, CEO of Acritas: "The legal market appears to be stabilizing in contrast to what we are seeing in the UK. Despite this many buyers will be calling the shots and demanding changes to pricing models and change in practice. As buyers demand value for money, firms are managing to maintain the high hourly rate levels of 2008 but this is not sustainable in most areas. They need to better meet their clients' needs and support them to ensure they are not one of the firms cut as large corporates trim their legal panels. Firms that make aggressive bids to provide more cost-effective services will win market share. Whilst spend at international and national firms is expected to decline, the winners this year are set to be regional firms, whose lower fees appeal more to buyers in the current climate."

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Notes to Editors:

Sharp Legal is the only multi-country law firm management tracking survey available in the US and UK markets. The survey measures changing buyer attitudes and behaviours and trends and law firm brand performance. This document reveals the US data from 200 structured telephone interviews conducted with senior legal buyers (legal specialists and deal-makers) between March and May 2009. The same study is being conducted in the UK on a monthly basis. Additional studies will be conducted in Canada and the Middle East. Acritas has also launched a 'Global Elite' version of the study which will comprise 1,000 interviews with international legal buyers from the world's largest organisations across the globe.

Issued by Kelso Consulting (PR advisers) on behalf of Acritas.

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About Acritas:

Acritas is a leading provider of specialist research programmes to the professional, financial and public service sectors in the US, UK, and Europe. They specialize in providing comprehensive and insightful interpretation of information extracted from key stakeholders. Acritas is a Market Research Society company partner. For further information, please visit www.acritas.com

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