



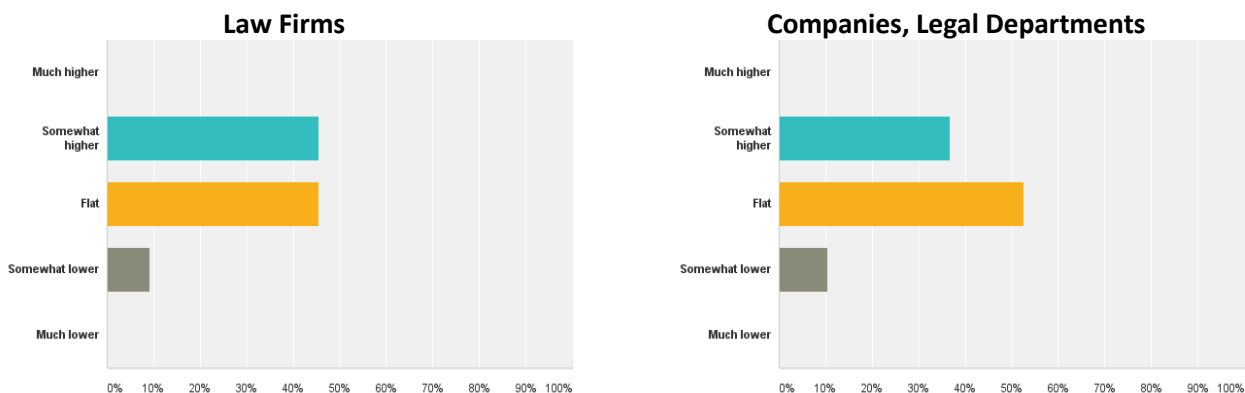
## 2017 Legal Services Outlook: Insights from Your Friends at Nimble

In January 2017, Nimble Services (“Nimble”) conducted a survey on the outlook for the legal services market. Participation included a wide variety of perspectives including corporate legal departments and law firms of all sizes from both inside and outside the U.S. The responses pointed to opportunities for change and highlighted both alignment and disconnects between law firms and their corporate customers.

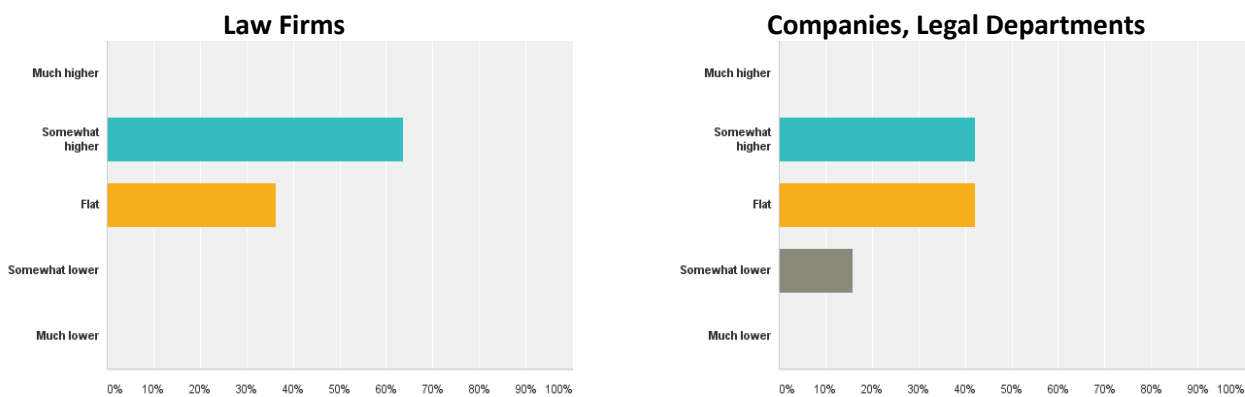
### Steady but Modest Demand

The survey showed that most participants had a conservative view on demand for legal services this year. Law firms were more optimistic seeing overall demand as well as demand for litigation and transactional services as being “Somewhat higher” more often than companies. Particularly with litigation, participants indicated that companies are becoming more selective about the matters they take on and more likely to settle early when armed with a cost-benefit analysis.

#### Overall Demand for Legal Services...

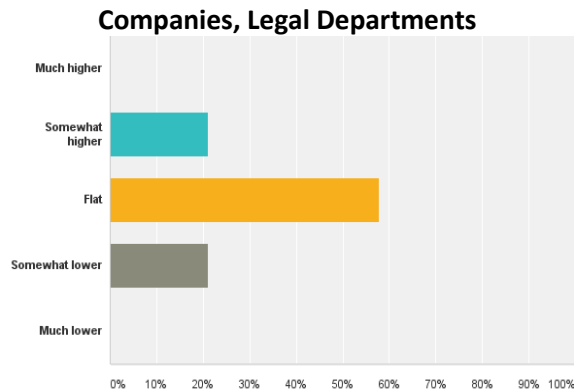
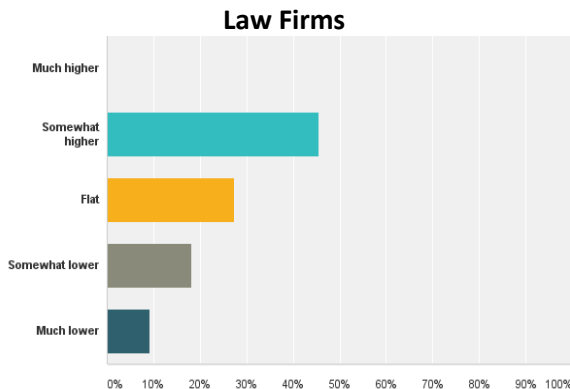


#### Demand for transactional legal services...

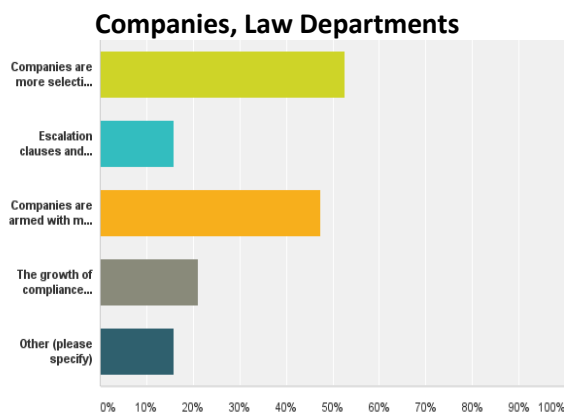
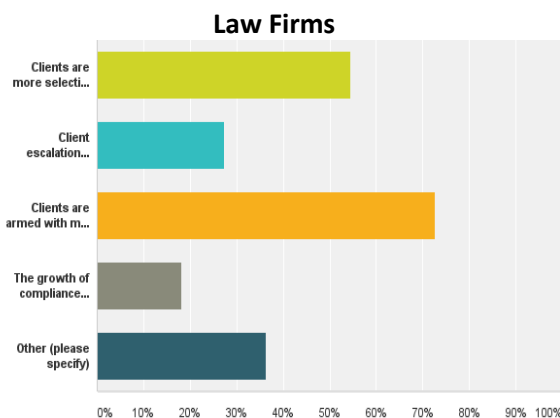




*Demand for litigation services...*



*Reasons for the ongoing decrease in litigation demand...*

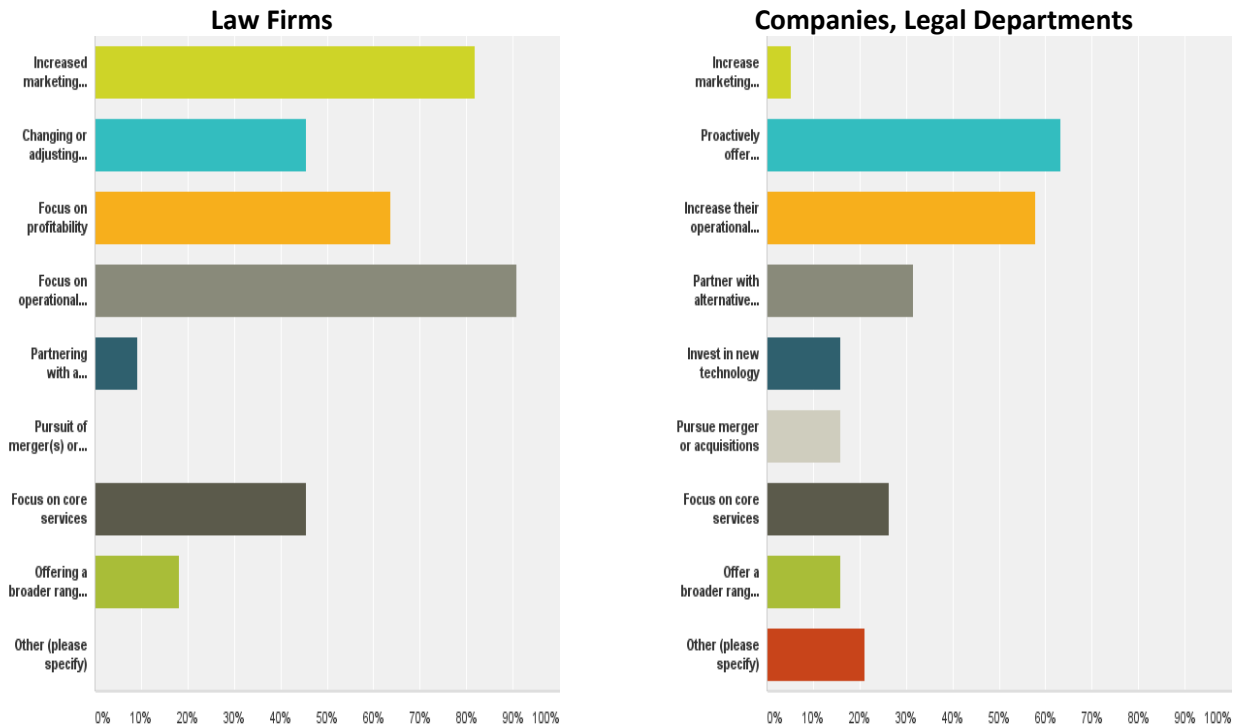


Nimble asked all participants for ideas on how law firms could address soft market conditions and increase demand for legal services. Improving operational efficiency was popular on both sides (Law Firms: 91% Companies: 58%) as was increased use of creative pricing arrangements (Law Firms: 46% Companies: 63%). There was a bit of a disconnect on the value of increased marketing activities. 82% of law firms identified this as a good idea, while only 5% of company participants agreed.

Of course, here at Nimble, we're in enthusiastic agreement with the participants who said they are considering partnerships with alternative service providers. Alternative service providers are creating flexibility and efficiency for both in-house departments and law firms by offering outsourced managed services, peak-time staff augmentation, and resources with complimentary skillsets. Based on the survey results, law departments are interested in exploring the options that alternative service providers bring to the table. 37% of law departments indicated that they will be exploring outsourcing to these alternative service providers in 2017 and 32% of law departments thought law firms could increase demand for services by partnering with alternative service providers.



*How law firms could increase demand for services...*



**Increased Cost Scrutiny**

As with many industries, legal services continue to experience cost pressure and the expectation of doing more with less. Some of this is linked to the Great Recession when many legal service providers cut both attorneys and staff and tried other measures to return to profitability. The results of these efforts have been mixed. Below are our findings on use of budgets, alternative fee arrangements and discounts. It’s interesting to note the rather large disconnect between law firms and companies when it comes to percentage of matters with budgets and percentage of matters charged at “rack rates”.

*Percent of matters managed with a budget...*

Law Firms: 43%

Companies: 67%

*Percent of matters charged using alternative fee arrangements...*

Law Firms: 34%

Companies: 34%

*Matters charged at rack rates (with no discounts) ....*

Law Firms: 54%

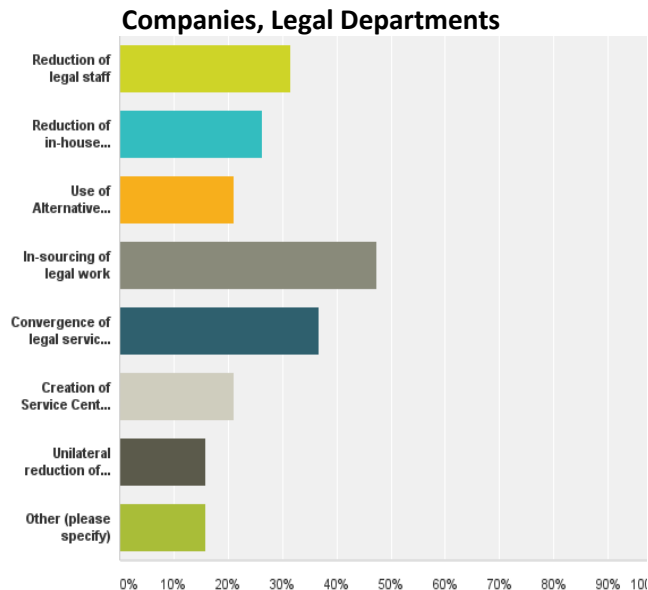
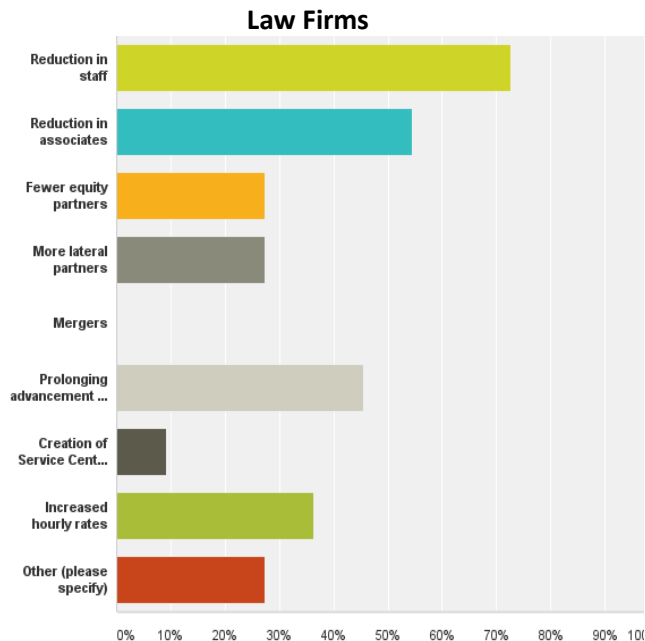
Companies: 27%

*Average Discount...*

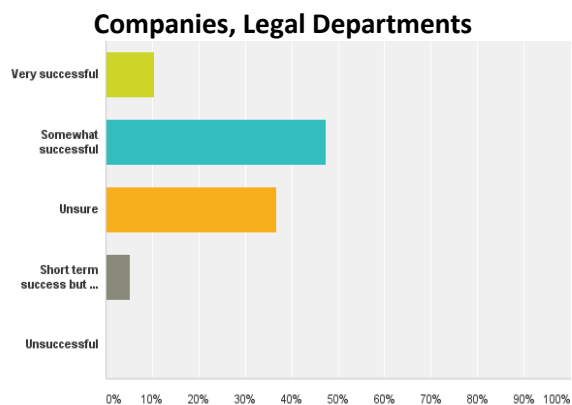
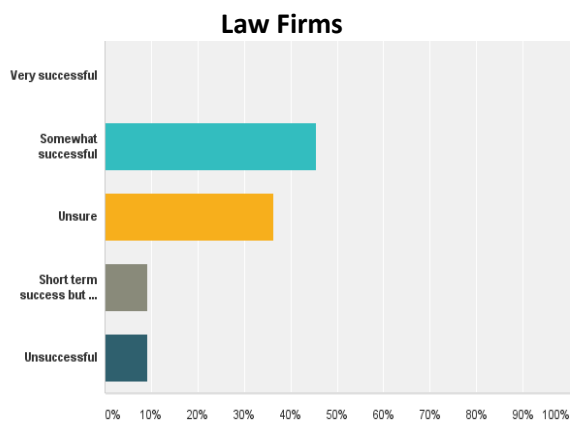
10-20%



Impact of "Great Recession" ...



How successful were those changes in returning your law firm to long term profitability?





## Accountability and Partnership

Industry pressures will continue to drive a focus on accountability and creative ways to partner.

Effective use of metrics may be one area of opportunity. About two-thirds of survey participants use metrics. For corporate law departments, the top three most used metrics were total spend, spend compared to budget and outside spend as a percent of total. For law firms, the most common metrics were revenue per attorney, total expense by practice area and billable hours. These are a great start, but tend to be more about “reporting the news” than driving behavior or change. More accountability will develop as the metrics become focused on efficiency, using establish targets and aligning the performance metrics of law firms to client needs.

### Use of Metrics...

#### 68% of Companies, Legal Departments use metrics

Answer Choices	Response
Total legal spend	68.42%
Total legal spend compare to Budget	73.68%
Total legal spend as a percentage of revenue	26.32%
Inside legal spend as a percentage of total legal spend	31.58%
Outside legal spend as a percentage of total legal spend	52.63%
Total expenses by legal service provider for a particular group of matters	42.11%
Percentage of outside legal spend using Alternative Fee Arrangements (not including discounts or blended rates)	15.79%
Total Legal spend as a percentage of all expenses	21.05%
Number of new matters using Alternative Fee Arrangements as a percentage of all new matters	5.26%
Open matters by matter type	31.58%
Open and resolved matters and length to resolution	10.53%
Legal spend by legal service provider	31.58%
Internal Customer Satisfaction	21.05%
Adherence to billing guidelines	21.05%
Workload by internal lawyers	15.79%
Workload by legal service provider	5.26%
Total inside legal spend per internal lawyer	0.00%
Total outside legal spend per internal lawyer	10.53%
Allocation of outside legal spend by practice area	26.32%
We don't track metrics	10.53%
Other (please specify)	5.26%



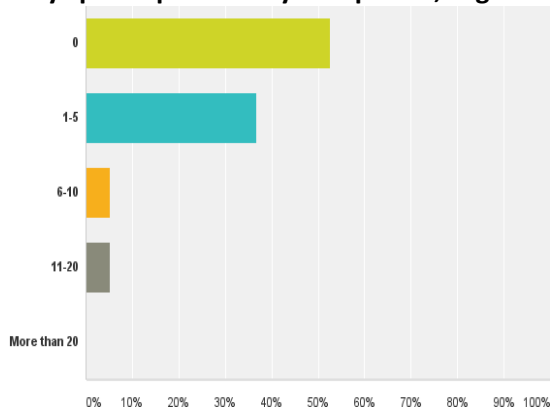
## 73% of Law Firms Use Metrics

Answer Choices	Responses
Performance to Client Budget	36.36%
Total expenses by the firm by practice area	72.73%
Expenses as a percentage of revenue by practice area	45.45%
Number of matters opened and closed by a practice area	36.36%
Expenses for dispute resolution	9.09%
Savings by practice area	9.09%
Profitability by practice area	54.55%
Profitability by office	54.55%
Loss or gain of revenue by client	27.27%
Client Satisfaction	18.18%
New Clients/New Matters	45.45%
We don't track metrics	0.00%
Other (please specify)	9.09%

As the legal services industry continues to evolve, the changing expectations will call for a new kind of partnership on both sides. We found that 64% of firms had plans to undertake initiatives to better understand what clients want through strategic planning and one-on-one client meetings. However, not many are seeking client feedback through formal client satisfaction surveys. In fact, only 18% of firms we surveyed had any formal client survey process. While certainly not the only method, in our experience these can be a great way to get structured, consistent insight into how companies and law firms can partner more closely.

### *Formal client satisfaction surveys...*

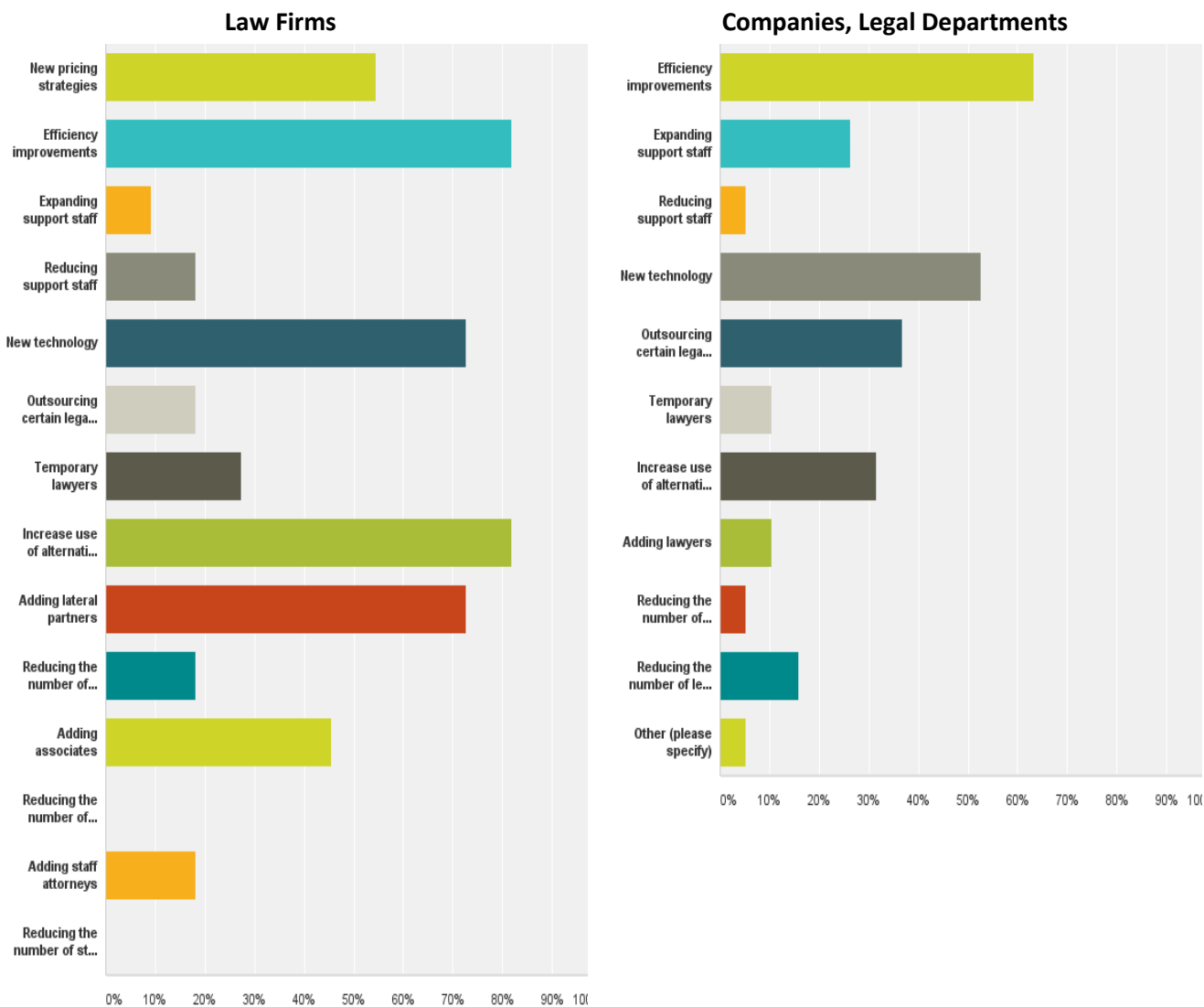
#### Number of Surveys participated in by Companies, Legal Departments:





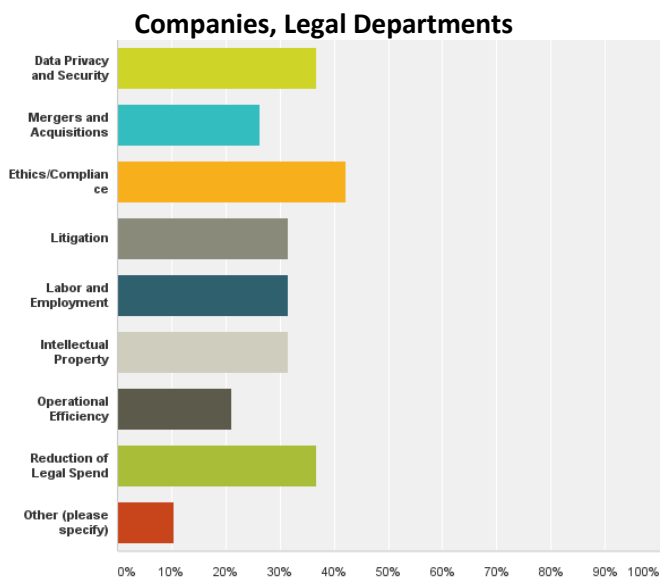
## The Road Ahead

Despite headwinds, our survey participants shared bright ideas on how to overcome the challenges facing the industry. Below are some of the things being considered for 2017.





Top legal priorities for 2017...



All in, 2017 should be an interesting year. Legal services are in the early stages of enormous change which is both exciting and scary. Nimble is excited to be on the forefront of these changes and working with our clients to adapt to the changing legal marketplace.