MPF FEATURED RESOURCE

THE MPF 2018 LEADERSHIP CONFERENCE
KEYNOTE PRESENTATION

by

Patrick J. Fuller, ALM Intelligence

May 3, 2018
About The MPF Conference

- Education, community and leadership development
- Intimate setting, high quality participants
- Maximum peer interaction
- Input from past participants and MPF Advisory Board
Brief History

- Began in 2002
- 27 leadership conferences
- 1,200 leaders from 925 law firms in 43 states

State of The Industry
Managing Partner Forum 2018

Patrick Fuller
May 3, 2018
Atlanta, GA
The MPF 2018 Leadership Conference
May 3, 2018 – Atlanta, GA

Legal Tech Patents Filed 2012-2016

Same Song, Different Verse?
The Changing Market

Pre-Downturn Era
Seller’s Market

Current Period
ASP Adoption
CLOC Movement

The Future of the Legal Market
AI
Big 4
Big Law

GDP Growth
Law Firm Billing Rate Growth


Data Sources: ALM Intelligence, U.S. Bureau of Economic Analysis
Source: When Will Disruption Hit the Legal Industry? Hugh A. Simmons and Nicholas Bruch, The American Lawyer, September 11, 2017

Slowing Revenue Growth for Am Law 200 Firms

Pre-Downturn
13%

Downturn

Post Downturn
2%

Annual Revenue Growth Rates


Data Source: ALM Intelligence

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**Volatility**

**Firms Are Facing a Period of High Volatility**

*Percentage of Am Law 200 Seeing a Decline in a Key Metric in Last Three Years*

<table>
<thead>
<tr>
<th>Metric</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Decline</td>
<td>61%</td>
</tr>
<tr>
<td>Revenue per Lawyer (RPL) Decline</td>
<td>83%</td>
</tr>
<tr>
<td>Profit per Lawyer (PPL) Decline</td>
<td>85%</td>
</tr>
<tr>
<td>Profit per Equity Partner (PPP) Decline</td>
<td>67%</td>
</tr>
<tr>
<td>Decline in Any Key Metric</td>
<td>91%</td>
</tr>
</tbody>
</table>

Data Source: ALM Intelligence

**Opportunity in “MidLaw”**

**New Law** VS **Big Law**

- Future of the Legal Market
  - Rising Market Share
  - Accelerating Growth
  - Gaining Acceptance
  - Emboldened Attitude

- Big Law
  - Slowing Growth
  - Volatile Financials
  - Client Push Back
  - Declining Role in the Legal Market

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Legal Market Trends

- **Law Firm Market Share:** 60% - 70%
- **New Competitors:** Underdeveloped

### Share of law firm spend

<table>
<thead>
<tr>
<th>Source of Total Spend</th>
<th>Pre-Downturn Era</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law Firms</td>
<td>69%</td>
<td>61%</td>
</tr>
<tr>
<td>In-House</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Alternative Legal Service Providers</td>
<td>&lt;1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Data Sources: ALM Intelligence

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Contrary to popular opinion domestic office openings have outpaced international openings

### Number of Am Law 200 offices added by region

- **For offices opened between 2001 and 2016**
  - US Offices: 795
  - International Offices: 346

### Share of Am Law 200 offices added by region

- **US Offices,** 70%
- International Offices...

Data Sources: ALM Intelligence
Many US markets have seen a dramatic increase in the number of firms present

Number of Am Law firms by metro area

- Washington 10%
- New York 33%
- Los Angeles 40%
- San Francisco 81%
- Chicago 88%
- Houston 88%
- Boston 136%
- Dallas 67%
- Philadelphia 96%
- Miami 50%
- Denver 118%
- Alanta 70%
- Salt Lake 118%
- San Diego 73%
- Seattle 88%
- Minneapolis 88%
- St. Louis 92%
- Detroit 120%
- Cleveland 125%
- Percentage Increase (2001 – 2017)

Firms Which Entered Before 2001
Firms Which Entered After 2001

Data Sources: ALM Intelligence

Case Study: Impact of Expansion into the Houston Market

Number of Am Law Firms in Houston

Prominent Entrants in Houston Since 2001
1. Latham & Watkins
2. Kirkland & Ellis
3. DLA Piper
4. Sidley Austin
5. Hogan Lovells
6. Morgan, Lewis & Bockius
7. Norton Rose Fulbright
8. Greenberg Traurig
9. Simpson Thacher & Bartlett
10. Quinn Emanuel
Case Study: Impact of Expansion into the Houston Market

Percentage Change in Houston-based Lawyers at Leading Local Firms (2001 – 2017)

Data Sources: ALM Intelligence

-39%
-28%
-28%
-28%
-27%

Fulbright & Jaworski’s under performance pressured it into a questionable merger with Norton Rose

Case Study: Impact of Expansion into the Houston Market

Change in Number of Am Law Firms w/ Offices in Houston

Change in Market Share of Leading Local Firms

Lawyer Growth at Leading Local Firms

Data Sources: ALM Intelligence
**Law Firms Waking Up Big 4’s Competitive Threat**
*Responses from US and UK Law Firm Leaders*

How concerned are you about alternative legal service providers and accounting firms?

<table>
<thead>
<tr>
<th>Concerned</th>
<th>Neither</th>
<th>Unconcerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>66%</td>
<td>19%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Which competitors do you consider to be a major threat to your law firm’s market share?

- Accounting companies moving into the legal industry: 45%
- Expansion of in-house law departments: 29%
- Legal process outsourcing companies: 18%
- E-discovery vendors moving into a wider range of services: 8%

Data Sources: ALM Intelligence
Source: Elephants in the Room Part I - The Big 4’s Expansion in the Legal Services Market, Nicholas Bruch and James Mayer

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**The Future of the Legal Market: Trends Going Forward**

- **Competition**: areas of intense competition are emerging
- **Consolidation**: more consolidation is enviable
- **Clients**: law department sophistication will continue to increase
- **Technology**: investments in tech will be important – but as means, not an end
- **Management**: success will be determined by firms’ ability to execute
- **Collaboration**: collaborations across vendor types will become essential
Thank You

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