

## YOUR SUMMARY:

# PROFILING GOALS AND SPEND OF IN-HOUSE LEGAL DEPARTMENTS WEBINAR

Acritas Directors Lizzy Duffy and Liz Tate previewed highlights from our latest report: Profiling Goals and Spend of In-house Legal Departments during a webinar on June 23, 2015 which is now available to purchase.

Increasing proportion of legal spend allocated in-house

In-house teams are changing and so are their goals

Robust business plans are based on **solid, accurate evidence**

### Increasing proportion of legal spend allocated in-house

▶ The proportion of total legal spend allocated in house has surged by 5% each year in the last three years to 36% at the end of 2014. This is a trend that we expect to continue, potentially reaching up to 50%.

### In-house teams are changing and so are their goals

▶ As general counsel are asked to not just run their legal departments but also to help run the business, their goals are reflecting an increased need to align with other business units.

▶ As spend shifts in-house, the composition of the legal department is changing. They are getting bigger and more specialist in terms of skill sets.

▶ As a result, law firms need to carefully consider their approach to relationship management in light of a larger and more sophisticated client.

### Robust business plans are based on solid, accurate evidence

▶ Having access to trusted data and metrics enables the creation of more robust business plans.

▶ Today it is no longer enough to rely on hunches. You need to have evidence based decisions and business planning supported by solid evidence. Market research data provides the science behind success.

▶ In your own clients' businesses, no decision relating to investment, business development, product offering or strategy is made without relying on solid market research and that is why Sharplegal exists.

### Size up the opportunity:

Analyze the average spend per client in a market segment, identify how many potential targets in that segment, and extrapolate that to forecast ROI and the level of investment required.

## REPORT PREVIEWS AND AREAS OF KEY CONSIDERATION

**Measure and track legal spend:** A key section of the report analyzes spend per client, ROI and the level of investment required.



The average US client has a \$7m legal budget for external services (mean) or \$2m (median). By measuring and tracking legal spend now and in the future you can inform business plans with hard evidence. Accessing clients' average spend levels allows you to:

▶ See spend per client by industry. Extrapolate market value in an area you might be looking to target and the subsequent size of the opportunity.

▶ Calculate how many clients you would need to secure in order to realize that opportunity or achieve a target value of income.

▶ Knowing which market segments are forecasting growth can inform your allocation of resource and investment.

## Understand what your clients and prospects are trying to achieve: Changes within in-house legal departments

Our interviews reveal the stated goals of legal departments over the next 12 months.

1. Drive efficiency and reduce cost. Almost half of all clients are striving to do more with less. For many this means cost reduction but for most it is about cost management. Working smarter, more efficiently and having predictability in budgets.
2. Service the business needs. Almost half need to deliver an excellent service to their own client - the business, and indicate a need to better align with their own business and its units.
3. Protect the organization from legal risk. A third of buyers strive to be more proactive and assume their strategic role in protecting the business. Identifying and preventing litigation, grappling with regulation, keeping in compliance, ensuring educational programs and day to day counselling to employees will reduce risk.

### Don't forget...

To consider how the shape and size of in-house departments are changing to meet these goals.

Understanding their capabilities, skills and structure will allow you to communicate in the most effective way and build mutually beneficial long term relationships.

## Identify threats at the earliest opportunity: Impact of alternative legal providers

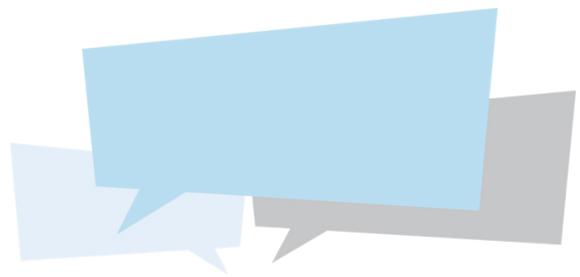
We have precise data on the level of overall budget that is allocated to non-law firms, which specific models are used and what the impact has been. Clients tell us that the alternatives they have used deliver efficiency, complementary skills and knowledge building to the in-house team.

Clients also rely on external knowledge sources to help them manage their workload. The report details the level of usage. Not all relate to the practice of law, some support the management of legal services.

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### Understanding the threats above allows firms to consider them as opportunities.

Collaborate with alternatives, help clients manage the outsourcing process, or market through the channels that have a live feed into clients' teams on a regular basis.



### Key takeaways:

#### ✓ Alignment resonates. Relevance enhances trust and loyalty

Messaging and behavior that aligns with clients' needs and supports their pain points will resonate the most. In a highly competitive market such as the US legal vertical, resonating with clients is key to driving loyalty and profitability. When investment decisions are based on a reliable source, risk can be minimized.

#### ✓ The in-house team is changing. Relationship management must change too

The make up of the in-house team is changing. How are you going to keep on top of who the decision makers who have influence? Which non-legal roles are involved and are influencing relationships and buying decisions?

#### ✓ Revenue risk or opportunity? Your choice

Legal spend and law firm revenue is threatened by an increasing reliance on in house resource and new entrants to the market. Understand the risk factor. How much revenue is at stake? Which work types are being resourced differently? Turn the risk into opportunity by collaborating where required for the good of the client.

#### ✓ Successful business planning. Identify your sweet spot

Find a position where your firm is the best match with each type of client. For new clients, think analytically about the opportunity, the investment required, and set realistic expectations around return.

To find out more about how Acritas and its Sharplegal data is helping law firms to stand out from the competition and to order your copy of the Profiling Goals and Spend of In-house Legal Departments report, contact Elizabeth Duffy on +646 480-5738 or email [eduffy@acritas.com](mailto:eduffy@acritas.com)