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Episode title: Regional Law Firm Brand Indexes show shifting relationships between corporate clients and their outside law firms

Release date: April 20, 2022

Bill Josten: As part of the research the Thomson Reuters Institute conducts every year, we explore a wide variety of proprietary data sources. Some of them are quantitative, looking at things like law, firm financials and legal department invoicing. Other sources are more qualitative, relying on surveys or interviews. As part of the interviews we conduct, we have a team of people who conduct more than 2,000 general counsel interviews around the world every year. During these conversations, we talked to GCs about their legal, about how their legal needs are changing. We asked them about their legal spend trends and a large part of the conversation is dedicated to discussing which law firms they use, why and for what types of work. Now it's this last bit which law firms buyers use and why that feeds many of the insights we're able to learn about how clients view their outside law firms. And one of the outputs from that research are what we call our Regional Indexes. These indexes, which look at the UK, the US, the Asia Pacific region, Canada and Mainland Europe are a way for us to look at each of these regions to understand which law firms are best positioned in the minds of buyers in terms of their brand strength. Now the process of combining these indexes is understandably complex. So, to better understand what goes into it, I brought in a teammate who can help take us through how the indexes come to be, what they mean, and the lessons that can be taken away from. Becky Halat is a Senior Manager with our Market Insights Client Services team. She came to TR after spending almost a decade in academia. She left academia in search of a research position in the corporate world, transitioning first to a market research role at a publishing company before joining TR last year. In her current role, she works with law firms to help them understand our market insights data by providing tailored reporting and analysis on market and brand trends. Becky, thanks so much for joining us.

Becky Halat: Thanks for having me here to talk about this. Any opportunity to chat about data and insights is it's pretty much a win for me.

Bill Josten: You know, it's surprising how much of our audience really, they just, they love the numbers side of things and really get into the data. So, it's great that we can bring this type of stuff to them, so with that these regional indexes. This is something that you know I've only been familiar with for a short amount of time myself and there's a lot of, really, I think fascinating insight when you dig into some of the nuances, but I think the first thing to understand is how do we create these indexes? What goes into them?

Becky Halat: Yeah, to compile these indexes we look at a few different factors that we've seen in our research that most influences buyer behavior, and we ask respondents in each of these regions that you mentioned about which law firms first come top of mind and that's our awareness metric and then who they're favorable to. We also ask which firms buyers would consider for top level litigation and M&A work, as well as who they go to for their higher value work, whatever that may be. And finally, we also ask buyers outside of the region which firms they use for their needs within the region.

Bill Josten: So, there's a lot of different angles that we're asking about these firms, you know, sort of from who do you know, about to who do you like to, who do you use the most? And then even sort of cross border and cross regional if you have work in in some place that you're not familiar with, who would you go to for that type of work?

Becky Halat: That's right, that's right. It's looking at both mainly internal inside buyers inside the country, but we also have those buyers coming from outside to capture that piece of it as well.

Bill Josten: So, we're identifying specific law firms here, but it raises a question, why should law firms and others that are in these industries care about the indexes?

Becky Halat: Yeah, the indexes are really about keeping a pulse on a piece of what's happening in the industry, and that's always important to stay up to date on industry trends wherever you are specifically to this, the interviews that we conduct with these senior corporate legal decision makers, they're the sole source of data used for these indexes, and that means that it gives people a rare view of the legal market through the eyes of the buyer. It's a really unique and insightful way to understand which firms are adapting and adjusting their strategies and approaches to the market in a way that resonates with the client, I think that's really the way the index is pulling that buyer perspective. I think that's the piece that's so important looking at that buyer perspective.

Bill Josten: Yeah, having worked in the legal industry a long time, obviously the voice of the client from the law firm perspective is of paramount importance, but it's really interesting even looking from legal department to legal department, understanding what their peers are thinking is valuable for them as well.

Becky Halat: Exactly and then you can kind of measure yourself up against it and measure how your strategy is working, all of that.

Bill Josten: So, before we dig too deep into any of the individual indices, what are some of the similarities, if any, between some of the firms for sitting at the top of these various regional indices? Or does any of the regions have its sort of own unique dynamic?

Becky Halat: Yeah, as we see each year the firms that are at the top, regardless of region, are those that are demonstrating that they can adapt to whatever the new market circumstances are, right? So, in most of the markets, we're finding that firms that are increasing their rank and the index are showing up with actually double-digit growth in some of those key metrics used to calculate the index. Just to take the US as an example, firms who increased in ranks since last year actually increased their top of mind awareness by 24%. So, those who held steady increase their rank in awareness by 11%. So, just to hold steady right? Just holding steady treading water, you need to be improving across the board.

Competition is really fierce, and the top firms are really knocking it out of the park in terms of increasing their performance. And then if we get specifically into the US, the UK Asia Pac, we saw that firms that buyers most frequently consider for top level M&A work benefit in the index and this was a year in those regions where emanate was an important work type for buyers and so firms that already had that strength were often getting recognition for the work that works specifically as well as for being a provider that buyers used for their high value work because that M&A work was considered high value, right? And again just looking at the at the US as an example, firms who improved their index rank increased their consideration for top level M&A work by 62% compared to last year so it's obvious that

you know firms need to be taking an aggressive approach to generating that top of mind awareness and subsequent consideration for work that's needed for firms if they're looking to be at the top of the index.

Bill Josten: That's really interesting that we're seeing that level of top-of-mind awareness. I mean you think at least you get the impression that within the legal industry. People sort of know who the major players are, right? You can sit down and think about who, who some of the biggest firms are, but to see, you know, these firms that are improving raising top-of-mind awareness by 24% that that tells you that, you know, it's potentially true that not every one of these firms that's seeing the highest level growth is one of those firms that sort of everybody would already think of as sort of a brand standard. And it really puts the emphasis on that starting at the beginning from that top-of-mind perspective.

Becky Halat: Yeah, the top of mind, that's obviously the beginning of the funnel if you if you don't have that, you're unlikely to get to get the other pieces right to get the consideration for the work so that top of mind awareness is key. We've also been thinking about the strong increases in competition alongside the increased spend that's been predicted across the board and in each of these regions is between 40% and 50% of General Council are expecting to increase their spend in 2022 and expectations are going up alongside that increased spend. So, you know when need goes up, obviously, so does that need for efficiency to help control costs. So, buyers are going to be looking for that from their firms across the regions. That's another piece that we found within the index. That was pretty interesting across all regions.

Bill Josten: So basically, if I'm if I'm understanding that correctly, we're not only seeing some firms increasing their top-of-mind, and that's leading to increases across the board in the indexes, but overall clients are anticipating having more need, spending more money with outside counsel this year, so firms that have that top of mind can convert that down into favorable buying decisions. There's potentially more money out there for them to capture too, but they have to show the things that the clients are interested in seeing.

Becky Halat: That's right, you know, with COVID obviously everyone is always going back to that. It's kind of a tired record now, but there was a decline in expectations of spend, right? You didn't see as many general councils expecting to increase their spend. And now that that's definitely starting to come back now that we're in 2022.

Bill Josten: So, with these indexes, obviously we're looking at specific firms who is at the top and what kind of movement was there in each of these region's indexes?

Becky Halat: Let's take this region by region and I'll start in Canada and Mainland Europe, where the top spots actually held steady from last year. In Canada Blakes has been at the top spot in that region index for the last seven years, so pretty impressive achievement. They stand out on that M&A work consideration Blakes and then the top the firm in the number two spot McCarthy Tetrault both stand out to buyers as being business savvy, meaning that they have a deep understanding of clients, businesses and sectors and they also use that knowledge to provide commercially relevant advice which is becoming increasingly important to buyers as time as time goes by. Then in Mainland Europe, Baker McKenzie is holding its spot at number one for the 4th year in a row, also very impressive. In our global data set, Baker McKenzie stands out to buyers as having a strong global footprint and European buyers value the firm for its ability to connect them to other parts of the world. You know, this footprint

combined with what buyers describe as a wide breadth of service, a focus on the client and an ability to handle that important work has helped them maintain their position as that top provider for high level work. Then, you know, we continue on with Baker McKenzie. They're also taking the top spot in the Asia Pac index, moving up a spot since last year and going back to that importance of M&A work consideration. Theirs grew this past year, which certainly has helped them increase in their ranks. Those Asia Pac buyers also value Baker McKenzie for their global footprint and their breadth of services as well. And then in the number two spot we have King and Wood Mallesons just a constant in the Asia Pac index. They're standing out to buyers for high quality work, exceptional client services, and a strong reputation, and that's leading buyers to them for their high, high value work. And then we also have the US. Some movement there coming up from Latham and Watkins. They saw an increase in mentions across all metrics used in the index, especially in awareness, and they continue to be a go to firm for high value work, likely the result of, you know, buyers saying that they have high quality work, specialty knowledge and reputation. And then in second place we have Kirkland and Ellis, who for the second year is listed by buyers as the firm they most frequently considered for actually top-level litigation, and they're standing out through expertise, service and reputation to their buyers. Also helping them be in the top three firms for M&A work. And then lastly, we have Clifford Chance on the UK side, which they moved up by 8 spots. It's pretty crazy there.

Bill Josten: Yeah, I mean that's really something when you think about the relative stability of some of the other indexes. And as you mentioned before, even standing still takes a lot of effort. It's very much treading water with a pretty a pretty strong current. So, it's not just standing in place. You know, I've said in in other contexts that there's no such thing as status quo when nothing around you is static, and it seems like the firms that, you know, Blakes and Baker McKenzie and, and those firms that you mentioned that have maintained strong positions KWM down in in Asia Pac, they've done a really good job of doing what they need to do to maintain a really high level, which is no mean feat, but then you've got a firm like Clifford Chance that makes an eight position move. So, I think firms would some of our firms listening would be really interested, you know, this kind of goes to those potential takeaways that we promised. What did Clifford Chance do that helped them move up by so much?

Becky Halat: They did a few things that the awareness increased quite a bit. They went from being mentioned by 17% of buyers to being mentioned by almost a quarter of buyers, so quite a large increase there, and that awareness is important because for them specifically, they didn't just gain it in a vacuum, right? So, they were able to also increase the percentage of buyers who are considering them for various work types that we track in the index. So, they're converting that increase in awareness into work consideration, which is a really important calculation as part of the index. They were actually converting their awareness into those other metrics like consideration for top level M&A at a higher rate than they were last year, which is particularly impressive given that increase in awareness. Oftentimes, you know, awareness goes up and then the other conversions go down a bit just because you have more people aware of you and so you're not always converting all of that increased awareness into work, but they were able to actually do that and more. And M&A was one where they were especially strong compared to last year, so they had a bit of a compounding effect on the index. In terms of, you know, favorability Clifford Chance also stood out to buyers for being accessible. They were called out as having a strong reputation and having solid relationships with buyers and that accessibility piece for Clifford Chance I think is particularly interesting just across the board for all regions. You know during the pandemic everyone was working from home in crisis mode, right? Everyone became incredibly responsive, so

responding to a client has become less of a differentiator. If you don't do it, you're you know it's a negative differentiator, but you have to be responsive to keep up, so this accessibility piece it's a little bit different, and it's referring to being available when a client needs you and our study found that just over half of our UK respondents are expecting their lawyers to be available outside of business hours, and that number is even higher in the US. It's at 65% and at Canada it's at 70%. And keep in mind, one of the metrics on the regional index is look at firms used for inbound buyers. So, those buyers from other countries with legal needs in the UK and those buyers are likely in different time zones, leading to a need to be available outside of UK business hours. So, this is really one way to show how what's behind favorability really depends on who your target clients are. So, if you're looking to serve those international companies, accessibility is going to be key, and that's a particularly fun piece of our data. I think we can look to see what kinds of buyers favor certain attributes over others and that can help lawyers know best how to approach their prospects depending on, you know, what industry they're in, what, what geographic region they're in, what, what their needs are across the board.

Bill Josten: Yet when you talk about that ability to build awareness, but then also increase conversion, I know it was some of the data that I've used from our market insights team in the past I've seen exactly that phenomenon where they've done a really good job of increasing awareness, but then percentage wise the other metrics suffer. You know, if five people knew about you before and all five of them used you, you had created metrics across the board. Now, if suddenly 50 people know about you, but only 10 are actually using you your metrics are going to take an absolute nosedive, so to be able to improve those metrics across the board I think really shows a strong effort to not only raise awareness, but drive that deep into those client relationships where it's not just awareness, but conversion as well from, you know, to use marketing lingo.

Becky Halat: Exactly, it is that marketing lingo and it's true that it's particularly hard, especially to get those conversions right off the bat right in that first year, so to see that shift happening, you know immediately is particularly impressive.

Bill Josten: So, I imagine that we've got some listeners out there potentially thinking, OK, great, so these firms made these index excellent Gold Star for them. My firm's not on the list or you know, potentially even for some of mid-sized law firm customers around the world, they they're just on a different level than some of these firms. So, at this point they may be thinking this is interesting, but why do I care?

Becky Halat: Yeah, it's a good question because at the end of the day, we're talking about how well these metrics align with a law firm strategy in the market, and so is the firm carving out an advantage in the market through size through specialization or service. Or is there a different angle? Strategy will always define which metrics are important to measure that can't be ignored. As an example, size is going to be an integral part of a firm strategy. If that's the case then you know that top of mind awareness metric that's foundational in each index is correlated strongly to lawyer headcount, so the more lawyers a firm has, the more likely buyers are to be aware of them. And this is because the main thing that actually leads to top-of-mind awareness is contact with lawyers. So, if you're if size is your competitive advantage, you can tell how well you're leveraging that size by looking at these indexes and more particularly that top-of-mind metric. You know, but not all. All firms are going to be competing on size and you can see that reflected in the indexes as well. Other firms carve out their place in the minds of buyers by being more closely aligned with certain worked work types as an example. So, if you're looking to be the most frequently considered for top-level litigation or top-level M&A, these rankings give you

an understanding of your relative performance to others. Now that said, if service is your firm differentiator, while we'd expect you to score highly in terms of buyer favorability, some of these other metrics, like being the firm who buyers consider most frequently for top level M&A work, they're going to be a less of lesser concern to you. So, while the indexes and data like this can help a firm get a quick overview of the market there's definitely a bigger conversation to be had around how this ultimately plays into their particular strategy.

Bill Josten: Yeah, you know that actually tees up my last question here I think pretty well. When you talk about how there's a bigger conversation to be had, what do you think are the most important takeaways from these regional indexes?

Becky Halat: I think that the main thing that we take away every year from this data is that it's so easy to get busy with work and forget that lawyers need to be regularly reaching out to clients in a personal way, right? The one factor that I haven't mentioned in terms of how the indexes are calculated is that the order a firm is mentioned in matters right in each of these top-of-mind questions. So, a firm is going to get more points if they're the first one mentioned compared to the second or the third, et cetera, right? So, we weight it this way because we know that when a buyer has a legal need, very concrete legal need, they typically reach out in that same order, right? So, interacting with clients regularly, even when you're not working with them directly, will help ensure that when they go to pick up the phone or send that email that it's you that they're reaching out to first. Beyond that, outreach and regular contact also serve as just a really good way for you to stay in touch with your clients' changing needs and expectations. Firms are too frequently reacting to what's happening around them rather than proactively keeping in touch with how clients and their needs are evolving.

Bill Josten: Yeah, that I should make so much sense that idea that top of mine truly means top, right? If you want to get that that number one for mentions and this will make sense to our US-based audience, but I'm thinking sort of the Family Feud you want that number one answer, right?

Becky Halat: Right, exactly

Bill Josten: Well, Becky, this is really interesting stuff and I hope that folks listening are able to go out and find these regional indexes and start to parlay them for some of the insights that are available because obviously the data shows that firms can make a pretty big move if moving up in the index is something that's of importance or even just understanding and being able to dig into a little bit about how some of these firms have made these moves, even if you're not looking to be highly ranked on the index, if you just want to be able to position more effectively in the market, there's definitely some really important lessons here.

Becky Halat: Yeah, it definitely helps contextualize your place in your strategy and understanding what's working and what's not. So, thanks for having me. This was a lot of fun.

Bill Josten: Becky Hallett, senior manager of Thomson Reuters Market Insights Client Services. Thanks so much for being with us.

Becky Halat: Thank you.

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