

Recession brought lasting changes to law firms



By Jon Newberry
AND
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The Great Recession may be over, but its impact on the legal profession lingers on.

The accompanying graphs and charts depict the results of surveys by organizations that advise law firms. They suggest that as law firms are rebounding from a steep industry downturn in 2008-2010, they aren't returning to their pre-recession ways.

Priorities have changed, and new strategies are being employed. Lawyers view the changes as long-term trends, not temporary adjustments.

"Law firms have recognized a permanent change in how they have to do business," said Marc Krass, who was Procter & Gamble Co.'s associate general counsel for labor and employment until

June and now runs a management consulting business for law firms.

Hourly billing rates are on the rise again, but it's more complicated than that, Krass said. Firms' expenses are also up, and clients want more predictable legal budgets.

"Clients are saying, 'We shouldn't be at the mercy of the efficiency of your firm,'" Krass said.

At the same time law firms are using more alternative billing arrangements, they aren't sure how it's going to affect profits. It's like P&G not knowing how much a roll of Bounty towels costs, Krass said.

He advises businesses to develop partnerships with law firms based on "very open discussion" of fees and quality expectations.

"You don't want to put yourself in the bargain basement. You're going to get what you pay for," Krass said.



OHIO'S CITIES

Average hourly billing rates

City	Position	2009	2010	2011
Cincinnati	Partner	\$342	\$339	\$347
	Associate	\$202	\$220	\$225
Cleveland	Partner	\$406	\$372	\$381
	Associate	\$219	\$226	\$234
Columbus	Partner	\$362	\$360	\$367
	Associate	\$225	\$224	\$232

Source: TyMetrix/Legal Analytics

NATIONAL AVERAGE

Average increase in United States hourly billing rates

Year	2009	2010	2011
2008	\$475	+8.2%	
2009	\$486	+2.3%	
2010	\$507	+4.3%	
2011	\$533	+5.1%	

Source: TyMetrix/Legal Analytics

TRACKING TRENDS

Question: Which of the following legal market trends do you think are permanent trends?

	2009	2012	2009	2012
More price competition	42%	92%	Fewer equity partners	23% 68%
More commoditized legal work	26%	84%	More contract lawyers	28% 66%
More nonhourly billing	28%	80%	Outsourcing legal work	12% 46%

Source: Altman Weil

HOURLY VS. NONHOURLY

Question: Compared with projects billed at an hourly rate, are your firm's nonhourly projects more or less profitable?

More profitable	12%
Less profitable	23%
Too soon to tell	56%
Don't know / Can't say	9%

Source: ALM Legal Intelligence

SHIFTING DEMAND

Year-over-year % change in demand by billable hours

Labor and employment	+4.7%
IP litigation	+0.2%
Litigation	0
Corporate	-2.1%
Real estate	-3%
Bankruptcy	-3%
Tax	-5%

Source: Hildebrandt Institute

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