

How to Read the Tea Leaves Known as Legal Invoices: The Value of Benchmarks

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Today's Discussion

- CounselLink Trends Report key findings
- Practical use of benchmarks
- Processes for rate approval
- Analytic processes and skills

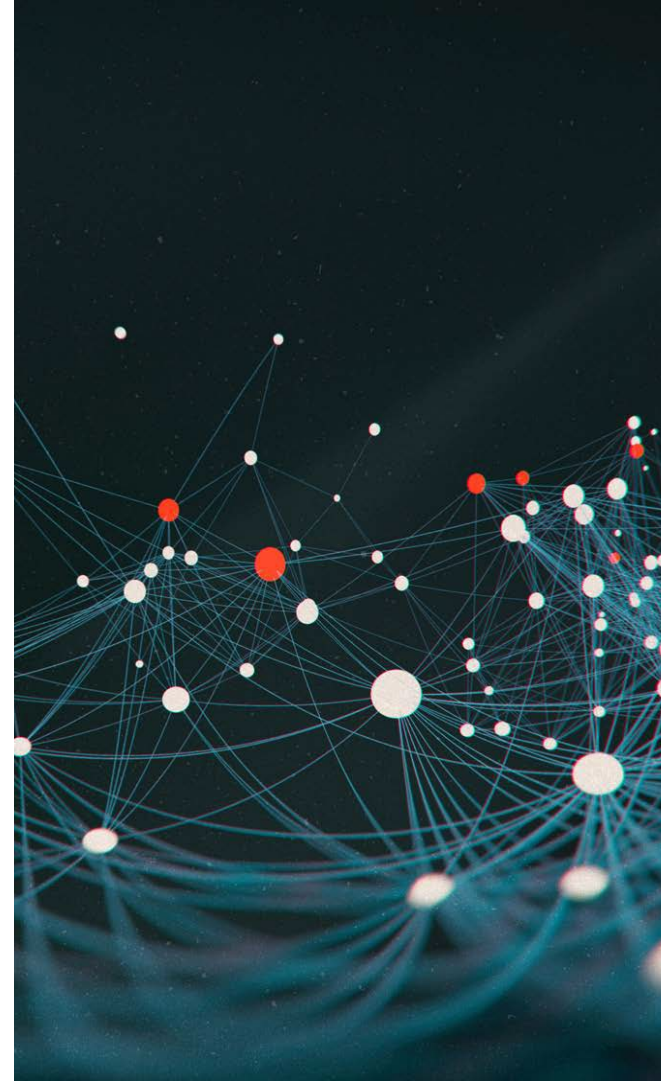
CounselLink Trends Report Data Source

Our pool of data from processed invoices represents:

OVER
\$49 Billion
IN LEGAL SPENDING

MORE THAN
350,000
TIMEKEEPERS

MORE THAN
1.2 Million
MATTERS



Trends Report 7 Key Metrics

1. Blended Matter Hourly Rates by Practice Area
2. Number of Legal Vendors Used by Corporations
3. AFA Usage
4. Partner Hourly Rates and Rate Growth by Firm Size
5. Partner Hourly Rates and Rate Growth by City and State
6. Partner Hourly Rates and Rate Growth by Practice Area
7. International Partner Hourly Rates for 4 Practice Areas

The full CounselLink Trends report is available for complimentary download at <https://counselink.com/trends/>.





Trends Report

Key Findings

2021 Was a Record Setting Year For M&A

6C

KEY
METRIC

Partner Hourly Rate Growth by Practice Area

FOUR PRACTICE AREAS LEAD PARTNER RATE GROWTH IN 2021

Based on 12 months of data ending December 31, 2021



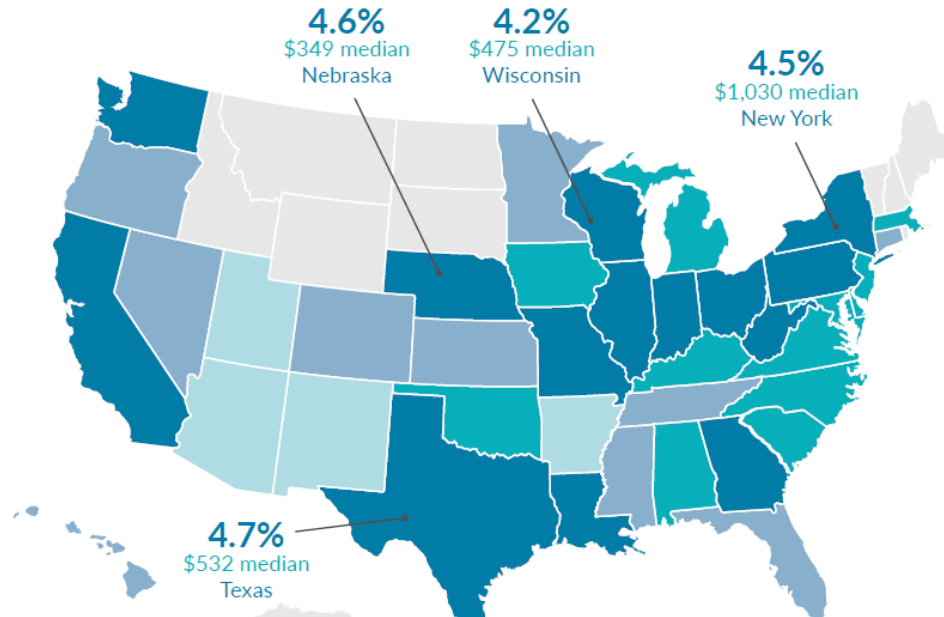
Hourly Rate Growth Shows No Signs Of Slowing

5B
KEY
METRIC

Partner Hourly Rate Growth by State

**GROWTH IN MEDIAN PARTNER RATES VARIES BY STATE,
AVERAGING 3.4% YEAR-OVER-YEAR INCREASE**

Based on 12 months data ending December 31, 2021



Use Of AFAs Continues To Slowly Increase

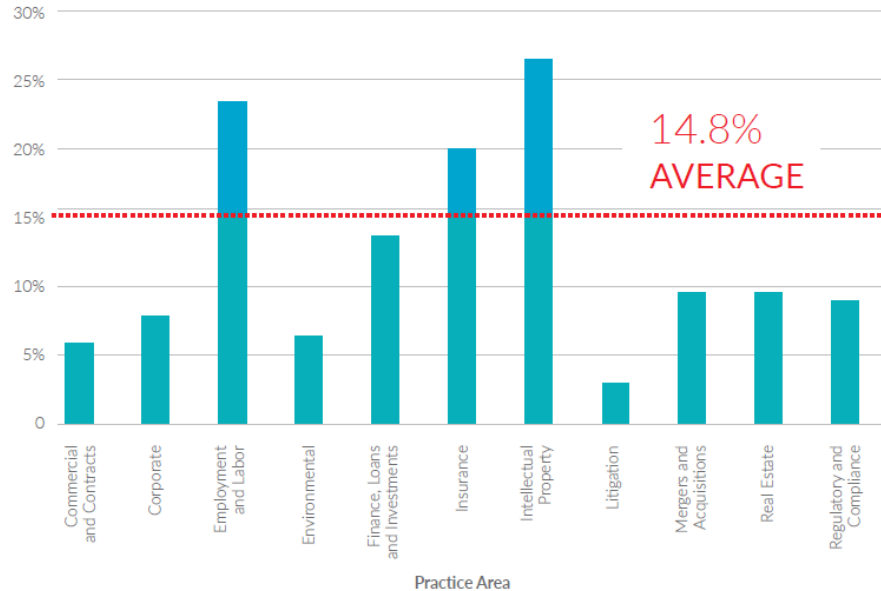
3A
KEY
METRIC

Alternative Fee Arrangement (AFA) Usage by Matter

SOME FORM OF AFAs WERE USED IN 14.8% OF MATTERS

Based on 12 months of data ending December 31, 2021

PERCENTAGE OF MATTERS UTILIZING AFAs



Audience Question

Which of these steps have you taken to reduce outside counsel expenses?

- We **HAVE** successfully negotiated to not have rate increases above 3%
- We are utilizing more AFAs to manage costs
- We are bringing more work in house
- We are directly engaging with ALSPs or asking our firms to partner with ALSPs for certain legal tasks

Largest Firms Dominate Legal Spend Share Of Wallet

The largest firms have a 46% share of legal spending.

And they bill 61% of high-value work (M&A, Finance, Regulatory & Compliance)

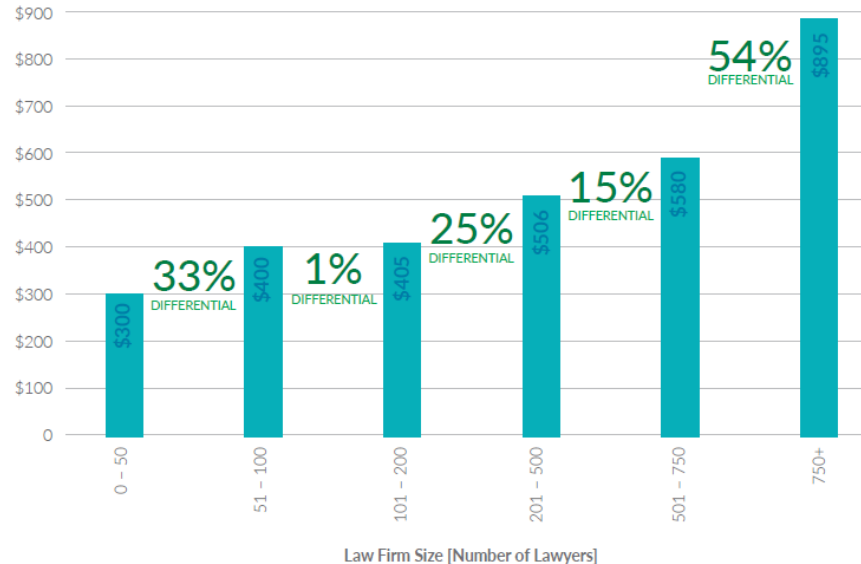
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KEY METRIC

Partner Hourly Rate Differences by Law Firm Size

MEDIAN RATES ACROSS PRACTICE AREAS, EXCLUDING INSURANCE

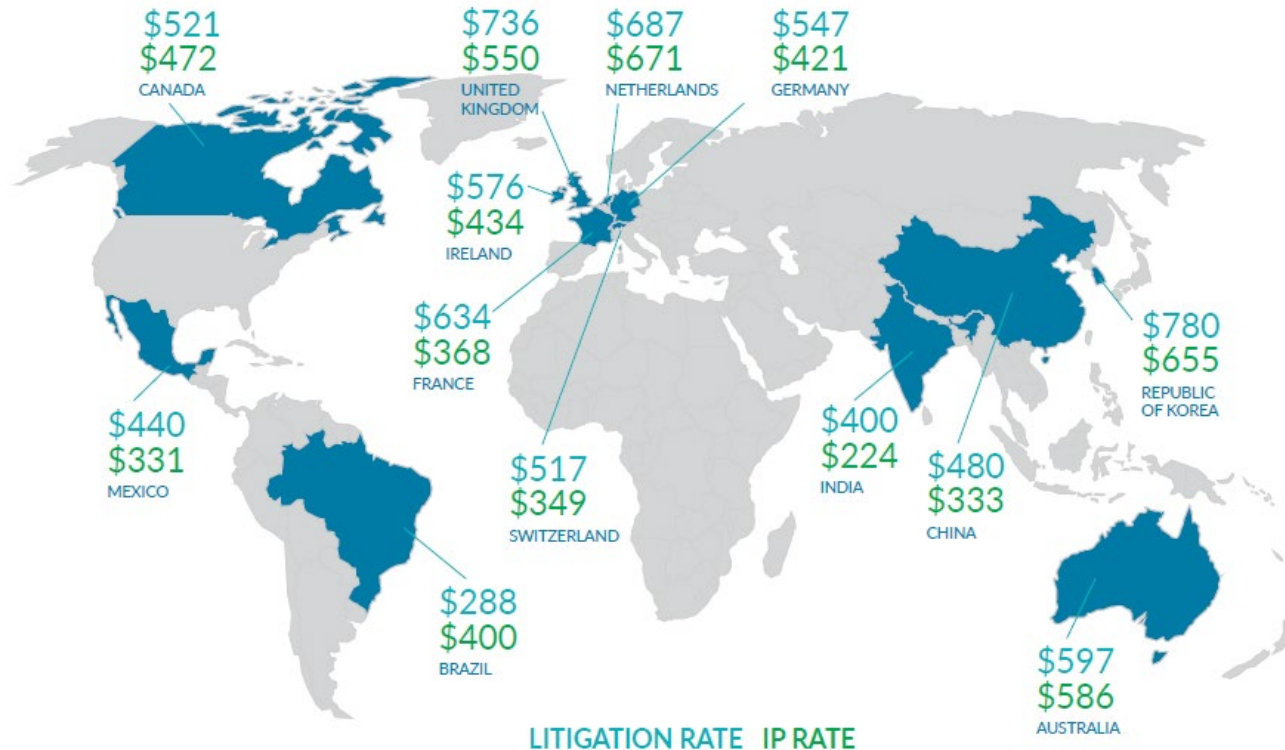
Based on 12 months of data ending December 31, 2021

MEDIAN PARTNER HOURLY RATES BY LAW FIRM SIZE



Metric 7 – International Rates Litigation & IP

MEDIAN PARTNER HOURLY RATES IN 13 INTERNATIONAL MARKETS
RATES IN \$USD



Practical Applications Of Benchmarks



Hourly Rate Benchmarking Tactical vs Strategic Decisions

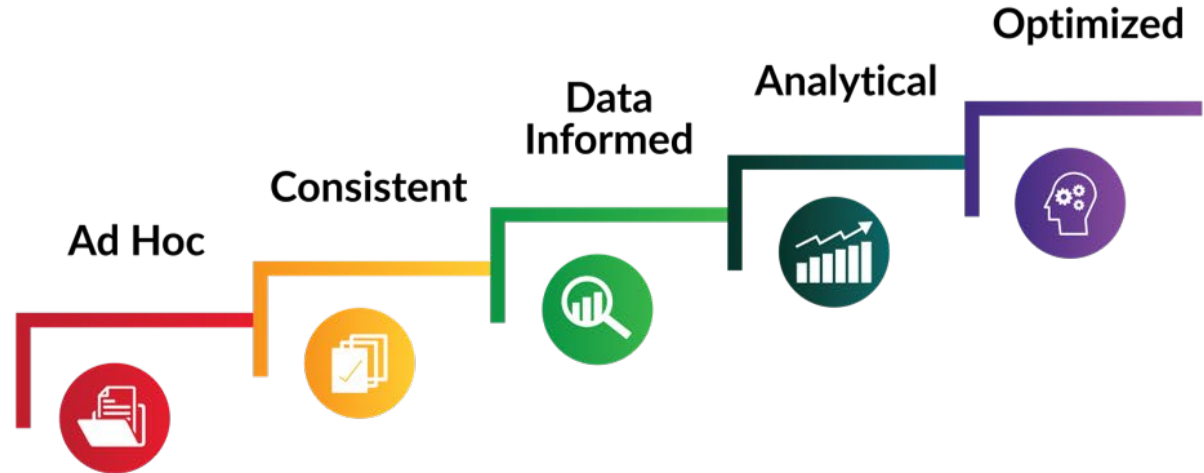
DECISION-MAKING MATURITY

DAY-TO-DAY DECISIONS:

- Matter Intake
- Matter Pricing
- Vendor Selection
- Matter Work
- Matter Payment

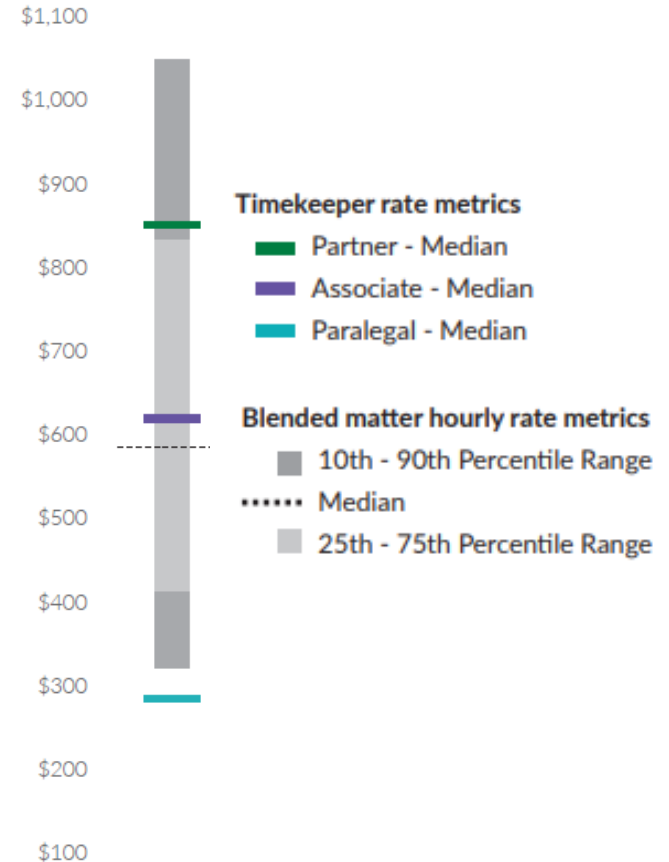
STRATEGIC DECISIONS:

- Vendor Management
- Business Outcomes
- Financial Oversight
- Staffing/Sourcing
- Key Performance Indicator (KPI) Program



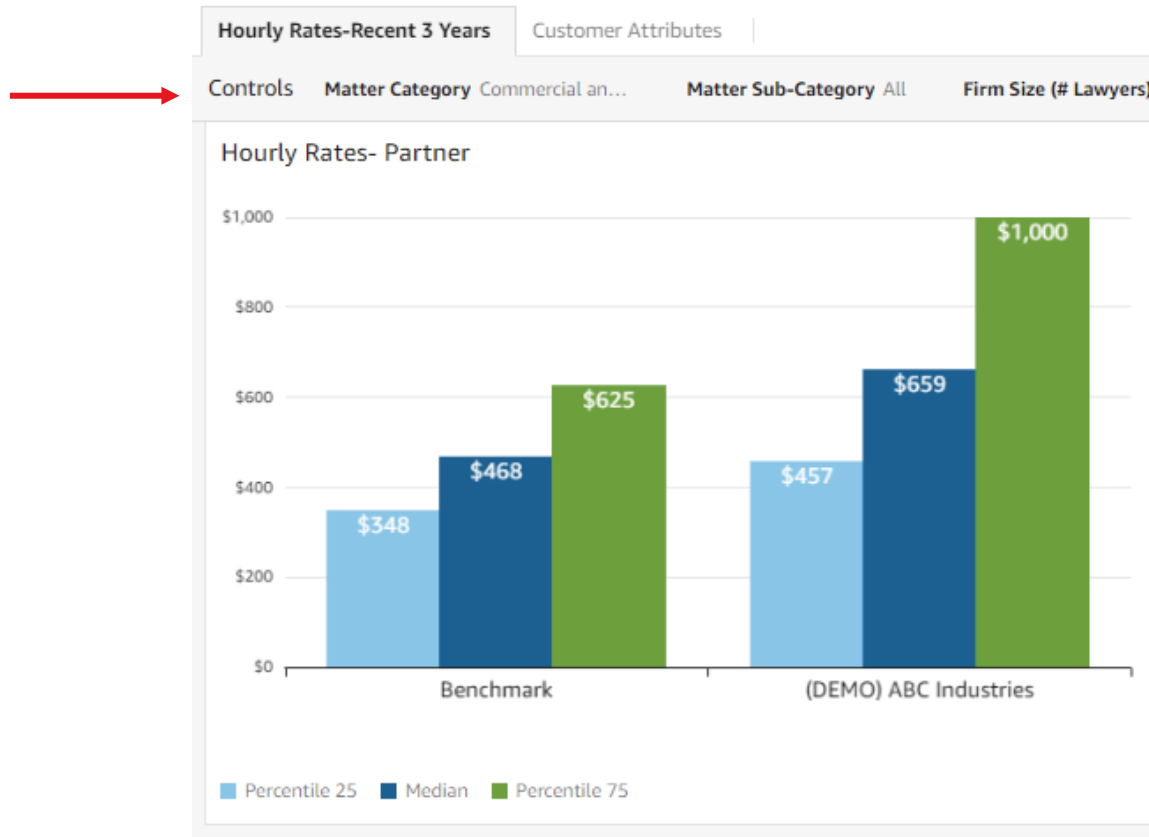
Effective Use of Benchmarks

- Start by benchmarking your own data!
- Pay attention to the range of rates, not just one data point like the median.
- Benchmark matter level rates as well as timekeeper level rates. There should be less variability of matter level rates.
- Consider staffing and its effect on overall blended matter rates.



CounselLink Insight

External Benchmarking Module

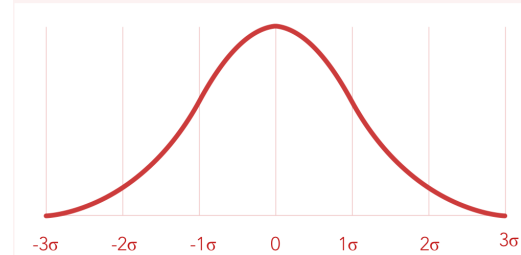


Audience Question

Do you have ready access to reliable external rate benchmarks?

- Yes, within existing software solutions
- Yes, we purchase benchmarks from vendors
- No

One Company's Analysis of Rates paid to Korean Firms



Seoul, KOR	Internal Benchmarks			External Benchmarks		
	Low (1-4 Yrs)	Mid (5-8 Yrs)	High (9+ Yrs)	Low (1-4 Yrs)	Mid (5-8 Yrs)	High (9+ Yrs)
Partner	No Data	No Data	780.00	No Data	508.73	748.14
Associate	521.70	600.00	678.30	350.00	460.00	650.00
Paralegal	123.00	187.00	250.00	163.00	228.50	294.00

Timekeeper	Staff Role	Practice Area	Office Name/City	Years Exp	Current Rate	Vendor Proposed	% Increase Req'd	Total Hours	Billed Fees (USD)	Prop. Rate Fees (USD)	Delta (USD)	CPI Rate	Recommended
Name 1	Partner	Intellectual Property	Seoul	28	780.00	800.00	3%	0.20	156.00	160.00	4.00	2.00%	795.61
Name 2	Associate	Intellectual Property	Seoul	16	600.00	630.00	5%	4.00	2,400.00	2,520.00	120.00	2.00%	612.01
Name 3	Paralegal	Intellectual Property	Seoul	14	250.00	320.00	28%	4.80	1,200.00	1,536.00	336.00	2.00%	255.00
							12%	9.00	5,436.00	5,656.00	220.00		

Audience Question

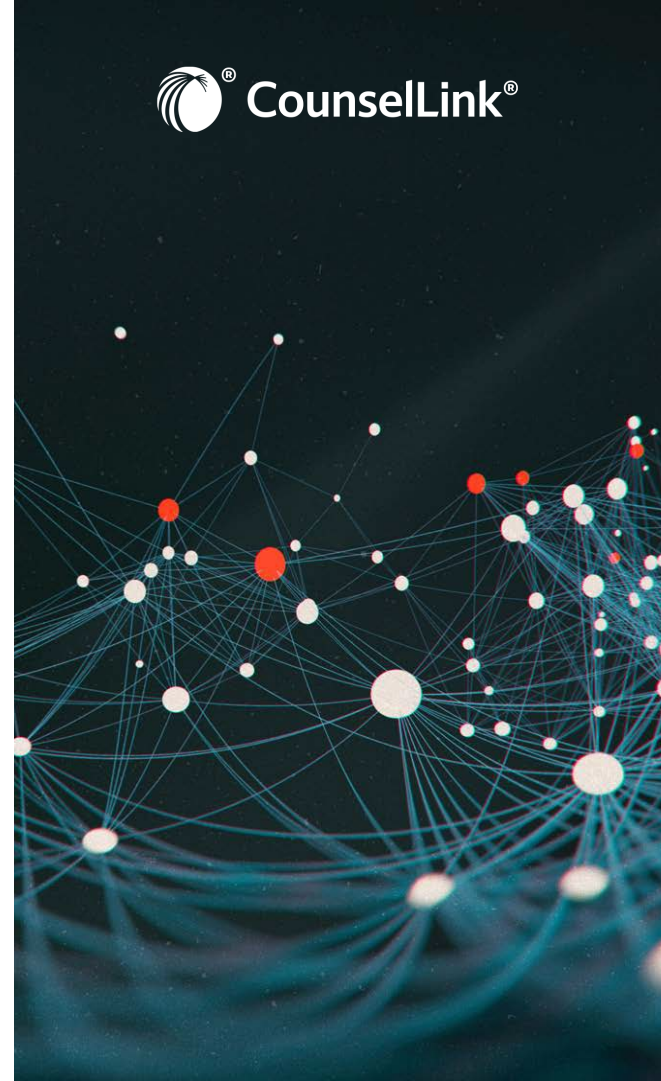
How is your fee review process managed?

- Fully Centralized – Procurement or Legal Ops leads the rate approval process based on rigorous process
- Fairly Centralized – Procurement or Legal Ops leads the approval process, often with input and overrules from in-house attorneys
- Decentralized – In house lawyers approve rates

A Few Words About Analysis

Analysis is a process, not a report!

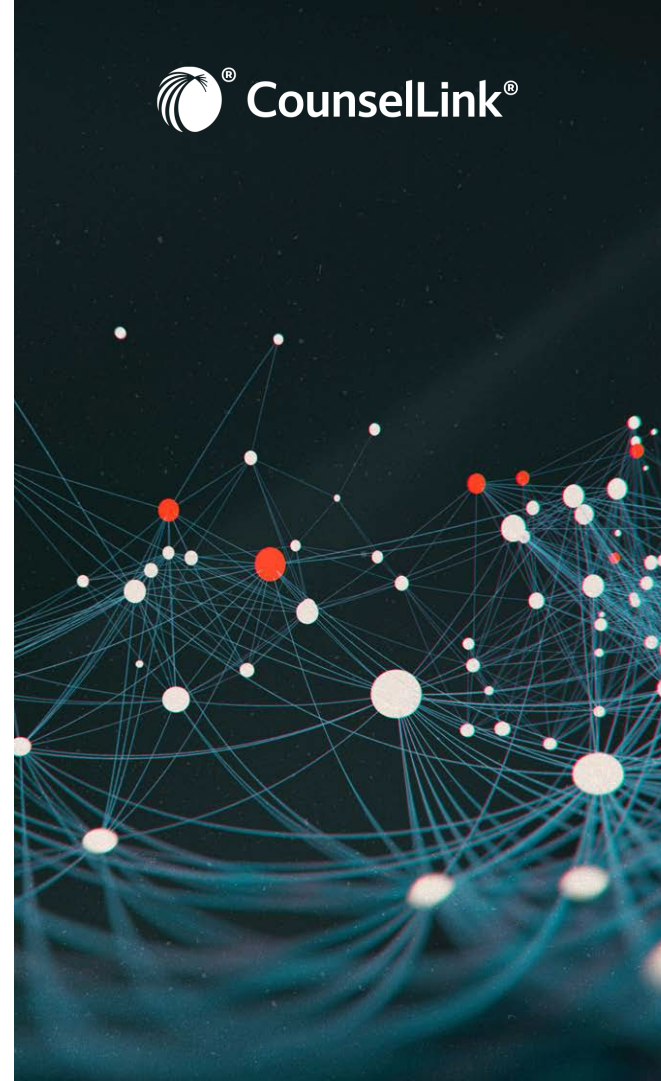
1. It starts with a business question
(*e.g. should we pay the rate that's been submitted for this timekeeper?*)
2. Identify key metrics needed
3. Define relevant parameters for data
4. Gather data
5. Synthesize/interpret data
6. Provide a concise answer to the business question



The Analytic Mindset and Skillset



- Intellectual curiosity
- Methodical
- Persistent
- Judgment – knowing when to stop
- Big picture orientation
- Challenge current thinking
- Continuous learning
- Attention to detail and synthesizing multiple data points
- Ability to use business intelligence tools



Questions?



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