

Due process: Rising business activity and disposable income will bolster industry growth

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IBISWorld Industry Report 54111 Law Firms in the US

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Claire O'Connor

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About this Industry

Industry Definition

This industry comprises offices of legal practitioners, known as lawyers or attorneys, who primarily practice law. Establishments provide expertise

on a range of areas or specific areas of law, such as criminal, corporate, family and estate, patent, real estate or tax.

Main Activities

The primary activities of this industry are

Providing criminal law services

Providing corporate law services

Providing family law services

Providing estate law services

Providing intellectual property law services

Providing real estate law services

Providing tax law services

Providing commercial law services

Providing personal injury services

Providing property law services

The major products and services in this industry are

Commercial law services

Criminal law, civil negligence and personal injury

Labor and employment

Real estate law

Other services

Similar Industries

52311 Investment Banking & Securities Dealing in the US

Companies in this industry underwrite equity and debt and provide financial advisory services for activities such as mergers and acquisitions and corporate finance.

54119 Conveyancing Services in the US

Companies in this industry include establishments of legal practitioners (except lawyers or attorneys) and primarily provide specialized legal or paralegal services.

54121c Accounting Services in the US

Companies in this industry provide a range of financial services, such as auditing of accounting records, preparing financial statements, developing budgets and preparing tax returns.

54121d Tax Preparation Services in the US

Companies in this industry provide a range of financial services, such as auditing of accounting records, preparing financial statements, developing budgets and preparing tax returns.

54161 Management Consulting in the US

Companies in this industry provide advice to organizations on management issues, such as strategic planning, marketing objectives and policies, and human resource policies and practices.

About this Industry

Additional Resources

For additional information on this industry

www.americanbar.org

American Bar Association

www.nela.org

National Employment Lawyers Association

www.americanlawyer.com

The American Lawyer

www.nalp.org

The National Association for Law Placement

www.census.gov

US Census Bureau

IBISWorld writes over 1 000 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com

Industry at a Glance

Law Firms in 2019

Key Statistics Snapshot

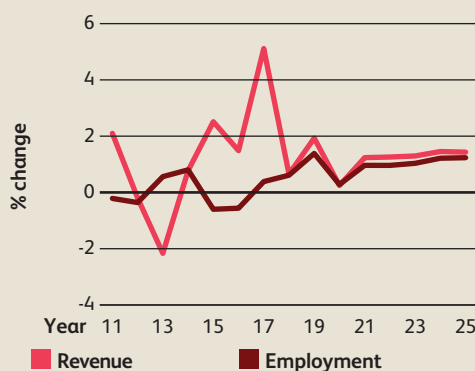
Revenue	Annual Growth 14–19	Annual Growth 19–24
\$330.4bn	2.3%	1.1%
Profit	Wages	Businesses
\$66.1bn	\$116.7bn	436,508

Market Share

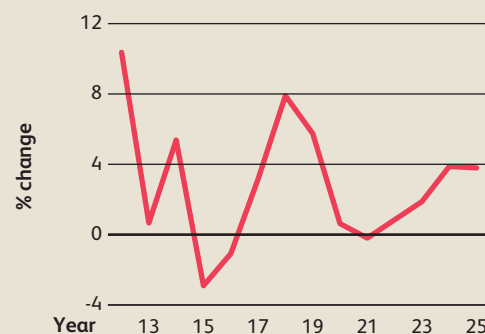
There are no major players in this industry

p. 25

Revenue vs. employment growth



Corporate profit



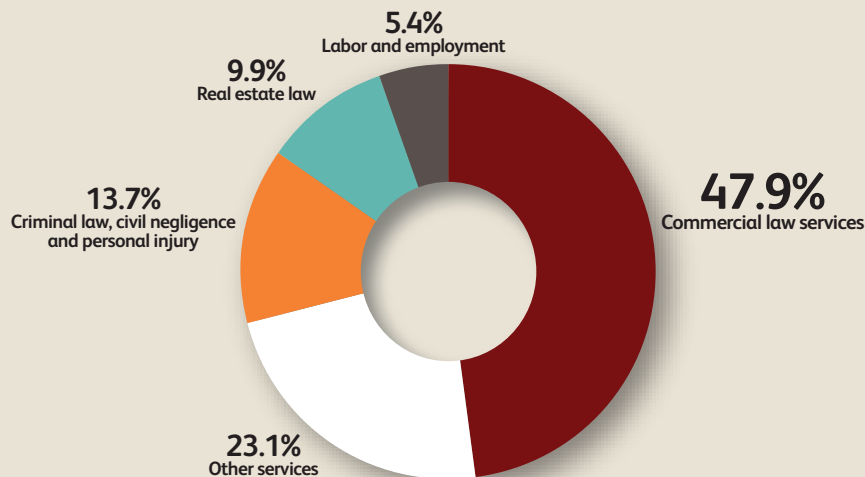
SOURCE: WWW.IBISWORLD.COM

Key External Drivers

- Corporate profit
- Initial public offerings
- Number of businesses
- Crime rate

p. 5

Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Low	Competition Level	Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 32

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

Operators in the Law Firms industry range from sole practitioners to full-service legal firms mostly serving corporate clients. Industry growth has been modest over the five years to 2019, as businesses have expanded and corporate profit has increased. As the economy improved during the current period, the industry has benefited from increased corporate activity. An increasing number of mergers and acquisitions (M&As), coupled with the rising strength in initial public offerings (IPOs) in 2017 and 2018, is expected to

Greater demand for niche practices tied to high-growth sectors such as technology and healthcare is anticipated to boost industry revenue moving forward. However, corporate litigation has failed to grow significantly in recent years, which will likely continue to temper industry revenue growth. During the current period, businesses have continued to seek value over reputation for legal matters, and large corporations are expected to rely more on in-house attorneys, legal process outsourcing companies and consulting firms through 2019. Furthermore, profit has decreased slightly over the five years to 2019, as the average wage has increased due to the specialized nature of the industry.

Greater demand for niche practices tied to high-growth sectors is anticipated to boost industry revenue

support revenue growth for the industry's top firms over the coming years. These firms receive the bulk of their revenue from major corporate clients. Additionally, a rise in business formation has expanded the clientele for law firm services, while a rebounding real estate market has is expected to bolster revenue for firms specializing in real estate law. Overall, industry revenue has increased at an annualized rate of 2.3% to \$330.4 billion over the past five years, including estimated growth of 1.9% in 2019 alone.

Industry revenue is projected to increase at an annualized rate of 1.1% to \$348.9 billion over the five years to 2024. The overall performance of the economy, including an expected annualized growth of 1.1% in corporate profit and an influx of new laws and regulations, will likely aid revenue growth over the next five years. Consumer disposable income is expected to increase at an annualized rate of 1.5% during the same period, which will likely aid smaller operators by increasing demand for services such as estate and trust planning. In addition, improving investor confidence will likely stimulate more activity in M&A and IPO markets, facilitating higher demand for corporate legal services.

Key External Drivers

Corporate profit

Companies are likely to engage in high-cost litigation when corporate profit is high. Strong corporate profit stimulates initial public offerings, mergers and acquisitions and capital-raising activity, which all require the services of law firms. Corporate profit is expected to increase in 2019.

Initial public offerings

Many major law firms receive significant fees from work on initial public offerings

(IPOs), mergers and acquisitions and capital-raising activity. As investment activity increases, law firm revenue rises. The annual sales volume of IPOs is expected to decrease in 2019.

Number of businesses

The major market for law firms in the United States is the business and corporate sector. An increase in the number of businesses with employees will lead to an increase in work for law

Industry Performance

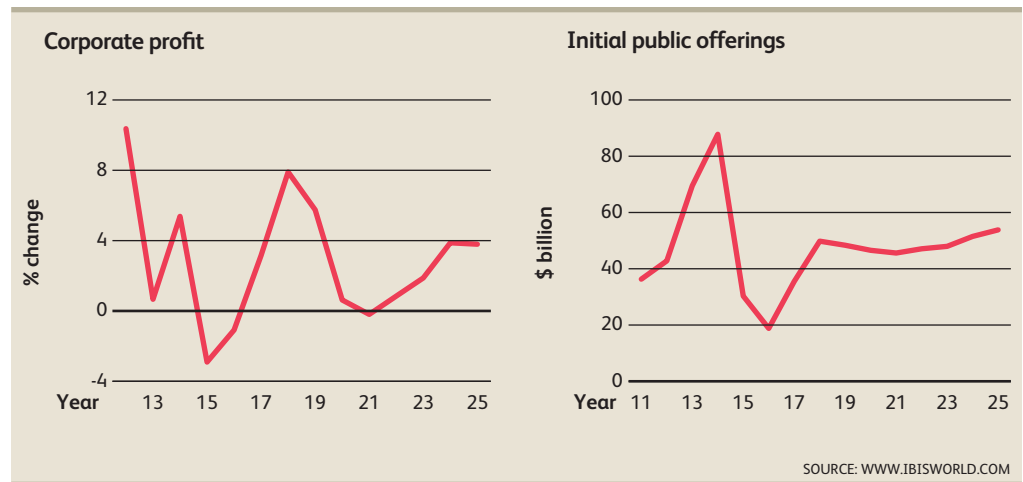
Key External Drivers continued

firms. The number of businesses is expected to increase in 2019, representing a potential opportunity for the industry.

Crime rate

An increase in the rate of reported crimes leads to higher demand for

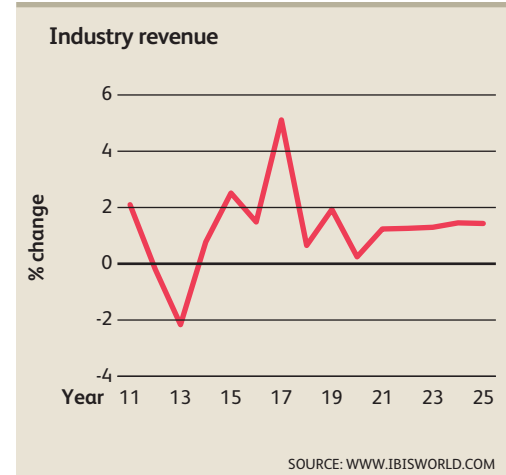
legal advice and, as a result, industry revenue increases. Throughout the past 20 years, the crime rate has declined, mainly because of the aging population. The crime rate is expected to decline in 2019, posing a potential threat for the industry.



Industry Performance

Current Performance

The Law Firms industry provides expertise on a range of practices, including criminal law, business and commercial law, tax law, intellectual property and real estate. Industry firms range from sole proprietors specializing in one particular type of law to international law firms, which offer full legal services and employ upward of 3,000 attorneys. The industry's largest firms rely on commercial activities, acting as legal advisers for corporate deals such as mergers and acquisitions (M&As) and initial public offerings (IPOs). Legal services tied to real estate also comprise a significant portion of industry revenue. Demand for legal services has increased as the economy has continued to grow, even though businesses continue to delay spending on litigation and other legal services,



as well as rely on in-house attorneys. As a result, industry revenue has increased at an annualized rate of 2.3% to reach \$330.4 billion over the five years to 2019.

Employment and declining profit

The average industry profit margin, measured as earnings before interest and taxes, has declined slightly over the past five years, falling from 20.6% of revenue in 2014 to an estimated 10.0% in 2019. The industry has experienced profit pressures mainly as a result of an increase in average wages. Lawyers are typically paid high wages due to the specialized nature of the industry, the fact that their services cannot be replicated by those who do not have a law degree and somewhat as compensation for the money and time they committed to earning their degree. As a result, average wages have increased from \$80,312 in 2014 to \$86,209 in 2019. Furthermore, to meet increasing demand, law firms have expanded their workforces. Industry employment has remained relatively unchanged over the five years to 2019, increasing at an annualized rate of 0.2% to 1.4 million workers. As the economy grew and corporate legal work and billing rates

improved, industry wages expanded as well. Wages have increased at an annualized rate of 1.7% to \$116.7 billion over the past five years. Moreover, total industry wages are expected to increase 1.5% in 2019 alone. However, rising per capita disposable income and various other business activities such as M&As and IPOs throughout the current period have mitigated further declines in industry profit.

Although industry revenue has increased over the past five years, law firms have still been reluctant to hire new associates at the same rate as firms hired in previous periods. Consolidation dissuaded law firms from bringing on new attorneys by permitting them to hire laterally and select from a pool of experienced professionals. As a result, competition for employment remains high among recent law school graduates because many law firms have pared back their summer associate programs and reduced or discontinued hiring of first-

Industry Performance

Employment and declining profit continued

year associates. According to an Altman Weil survey, more than 62.8% of responding firms hired a smaller class of first-year associates in 2017 (latest available data). In comparison, only 11.4% of respondents reported hiring a smaller class of first-year associates in 2009. However, the employment outlook

for new lawyers has improved over the five years to 2019. For example, according to the American Bar Association, 78.6% of the class of 2018 lawyers had secured full-time positions, up from 75.3% the previous year. This trend will likely continue with the class of 2019.

Revenue growth factors

Industry revenue generally increases in line with overall economic growth. Greater corporate deal-making activity, which includes M&As and IPOs, has improved industry revenue, particularly for the industry's largest operators. While the value or annual sales volume of IPOs is expected to decrease by 2.9% in 2019 alone, falling to \$48.4 billion, IPOs increased tremendously the previous two years, rising by 88.8% and 40.3% in 2017 and 2018, respectively. Therefore, revenue generated during those years continues to have a positive impact on the firms.

The frequency of megamergers has also escalated during the current period, benefiting industry operators. For example, Skadden, Arps, Slate, Meagher and Flom LLP, working on behalf of E. I. du Pont de Nemours and Company (DuPont), reached a settlement in June 2017 with the Antitrust Division of the US Department of Justice that will

Growth in developing markets is expected to encourage large firms to acquire smaller competitors

permit DuPont to merge with The Dow Chemical Company for \$130.0 billion. Over the past five years, a growing global economy fueled demand for cross-border M&As and provided a stable stream of revenue for multinational law firms. Aside from growth in these practices, law firms have recently experienced an uptick in demand in other fields, such as labor and employment law. A combination of these factors and an increasingly stringent regulatory framework, both in the United States and internationally, is expected to lead to a revenue increase of 1.9% in 2019 alone.

Increased consolidation

The number of industry firms has increased at an annualized rate of 0.2% to 436,508 operators over the five years to 2019, following a similar growth trend as industry revenue. Slow growth affected both small and large firms in this environment. International M&As of law firms have become common over the past five years, as the industry's largest firms have attempted to attain greater global reach to better serve their multinational corporate clientele. Mergers offer a

simple route to revenue growth and are less costly than opening overseas offices and hiring new attorneys and staff.

Growth in developing markets is expected to continue to encourage large legal firms to acquire smaller overseas competitors through 2019. For example, in June 2017, New York-based Chadbourne & Parke LLP and UK-based Norton Rose Fulbright finalized their merger. The combined firm now operates in 58 offices across 32 countries and

Industry Performance

Increased consolidation continued

employs about 4,000 lawyers globally. Additionally, Womble Carlyle Sandridge & Rice LLP, a US-based law firm with over 500 lawyers, and Bond Dickinson LLP, a UK-based firm with 580 lawyers, merged and formed Womble Bond

Dickinson in 2017. The combined firm now operates 26 offices and employs 1,081 lawyers around the world. Overall, according to Altan Weil MergerLine, there have been 47 merger deals announced in the first-half of 2019.

Industry Outlook

Over the five years to 2024, revenue for the Law Firms industry is forecast to increase at an annualized rate of 1.1% to \$348.9 billion. A projected increase in corporate profit and a stricter regulatory environment, both domestically and internationally, will likely propel industry revenue growth during the outlook period. As the economy continues to grow, improving investor confidence is expected to stimulate more activity in merger and acquisition (M&A) and initial public offering (IPO) markets. Over the next five years, the value of IPOs is expected to increase at an annualized rate of 1.3%. This increase will likely spur revenue growth for the legal industry's

largest firms, which aid corporations in deals and equity offerings.

An expected increase in corporate litigation, which generates a sizeable portion of revenue for large firms, is projected to be another positive growth factor for the industry. However, as companies continue to shop for outside legal counsel based on value over prestige, corporate litigation will likely foster little in terms of overall industry revenue growth. A greater positive factor for the industry will likely be the influx of new laws and regulations, particularly financial regulations, which is anticipated to aid law firm revenue as businesses struggle to comply with new standards.

Industry mergers

The industry's largest firms are expected continue to expand overseas in emerging markets over the next five years. Law firms have commonly gained a foothold in high-growth regions such as China and Indonesia through mergers, partnerships and acquisitions. In addition to international expansions, more domestic mergers are anticipated to take place over the next five years. Many mid-sized law firms, which include practices with fewer than 50 employees, will likely pursue expansions into new US regions. Firms typically perceive mergers as a quicker, more efficient means of expansion than opening new offices, hiring new employees and establishing local recognition for service. However, despite M&A growth, new law firms, especially

Law firm enterprise growth is expected to increase relatively in line with revenue growth

with fewer than 20 employees, and newly graduated lawyers continuously enter the market. As a result, law firm enterprise growth is expected to increase relatively in line with revenue growth. Over the five years to 2024, the number of industry enterprises is forecast to rise at an annualized rate of 0.7% to 450,893 companies. Additionally, industry employment is projected to expand at an annualized rate of 0.9% to 1.4 million employees during the same period.

Industry Performance

Industry constraints

Industry operators have adopted price competition and alternative billing schedules to attract more clients and differentiate themselves from other firms. Although downstream improvements will likely lead to industry revenue growth over the next five years, competition and a desire to attract clients through alternative methods is expected to continue. Such practices have the potential to put downward pressure on fees, resulting in lower industry revenue. Competition from nonlegal professionals is also anticipated to increase over the next five years. In 2012, for example, Washington became the first state to adopt a Limited License Legal Technician Rule, which authorized nonattorneys with certain educational requirements to advise and assist clients in approved practices of law. Other states, such as New York and California, have expressed an interest in developing pilot programs that permit nonlegal, out-of-court assistance to individuals in impoverished or underserved areas.

An additional factor that could constrain industry growth is the commoditization of legal work. User-friendly online tools for drafting legal documents have created generic legal solutions for common services such as wills and employment agreements. The general availability and relatively low cost

A factor that could constrain industry growth is the commoditization of legal work

of these products may pose a threat to smaller law firms, which have historically relied on these services for income. Additionally, the use of virtual lawyers over lawyers practicing in physical locations due to increased mobility and accessibility could present a threat to demand for brick-and-mortar law firms.

Another potential constraint for larger law firms is that more corporations are attending to legal matters through in-house attorneys rather than consulting outside law firms. According to a report published by The Center for the Study of the Legal Profession at the Georgetown University Law Center and Thomson Reuters Peer Monitor, this trend will likely constrain the industry's revenue growth, as one-time law firm clients will likely send legal work to nontraditional service providers, such as legal process outsourcers as well as accounting and consulting firms. The outsourcing of law firm work is also forecast to cut into industry revenue during the outlook period.

Industry Performance

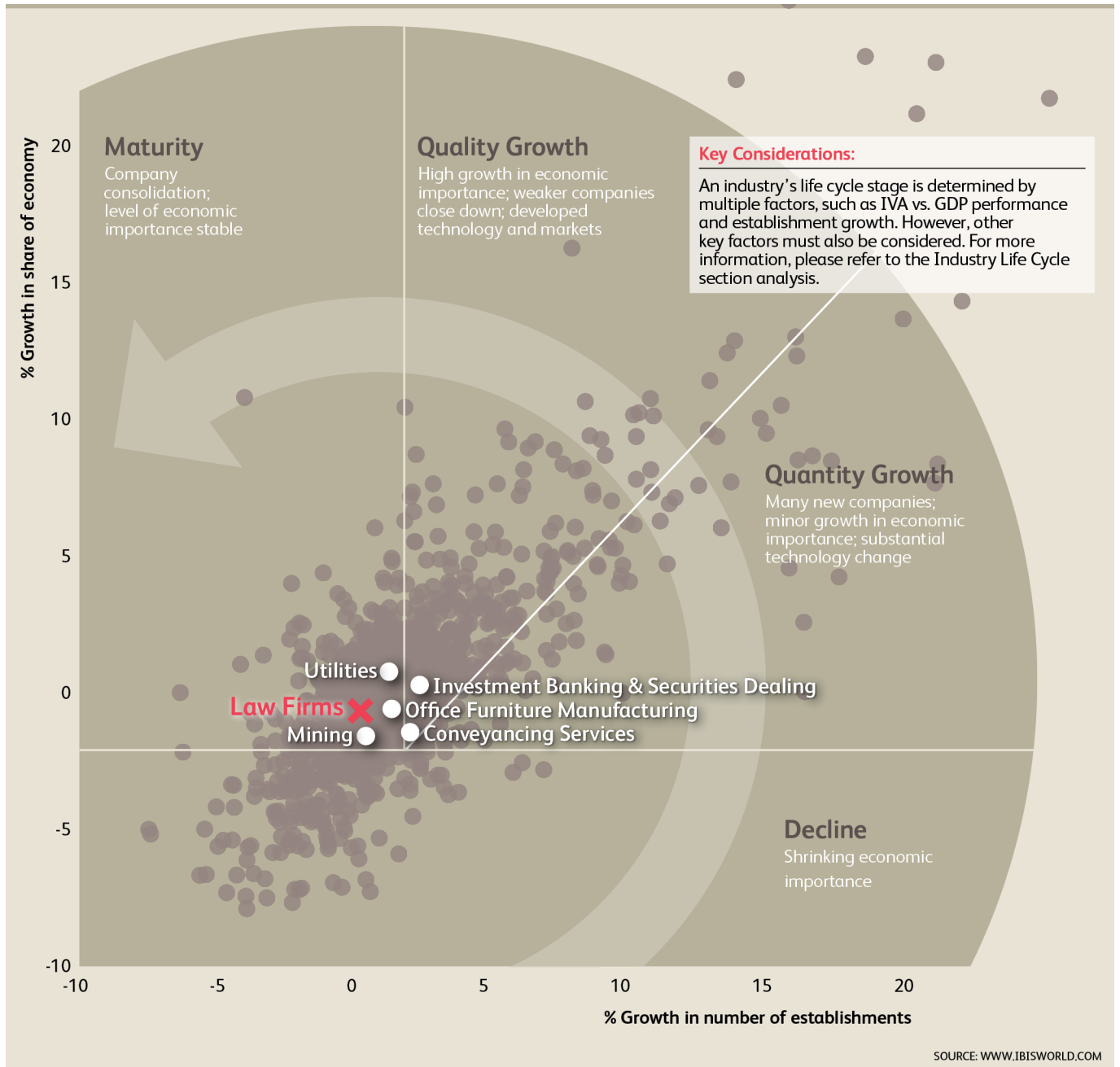
Life Cycle Stage

Industry value-added is forecast to lag behind US GDP

Revenue growth from the industry's traditional practices has slowed

Law firm mergers have been on the rise in recent years

Technological innovation will likely struggle to replace the industry's need for labor



Industry Performance

Industry Life Cycle

This industry is **Mature**

The Law Firms industry is in the mature phase of its life cycle. Industry value added (IVA), a measure of the industry's contribution to the overall economy, is expected to grow at an annualized rate of 1.4% over the 10 years to 2024, as compared with the projected annualized US GDP growth of 2.0% during the same period. Although IVA growth that is slower than GDP typically conveys the characteristics of a declining industry, industry services have not altered significantly and the markets the lawyers serve have not changed. Therefore, the industry remains in a mature life cycle state.

Law firm mergers have increased since the mid-1990s, and firms have increasingly followed other businesses

overseas, indicating signs of saturation in the domestic market. However, at the same time, there are always new lawyers and firms, usually on the smaller side, entering the market. Additionally, companies will always have a need for the industry's services, since property disputes, business activity and criminal justice require a legal framework. The industry also helps define and regulate important aspects of business and government activity and various aspects of personal conduct. Law firms will continue to rely heavily on labor. While new technologies make research and communication easier, technological advancement is unlikely to replace the need for a lawyer in a courtroom.

Products & Markets

Supply Chain | Products and Services | Demand Determinants

Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

21	Mining in the US Mining companies demand the services of lawyers for environmental litigation.
22	Utilities in the US Utilities companies may require legal services for regulatory advice.
31-33	Manufacturing in the US Manufacturing companies may require legal services for patent and copyright cases and a variety of other issues.
51	Information in the US IT companies use legal services for intellectual property issues.
52	Finance and Insurance in the US The finance and insurance sector is one of the largest users of legal services, either for itself or on behalf of third parties.
54	Professional, Scientific and Technical Services in the US Companies in this division may require legal services for patent and advice.
92	Public Administration in the US Governments may require legal services for contracting and third party advice.
99	Consumers in the US Consumers require legal advice on a variety of issues including family, criminal and property law.

KEY SELLING INDUSTRIES

33721	Office Furniture Manufacturing in the US Office furniture manufacturers supply the Law Firms industry with office furniture.
44312	Computer Stores in the US Computer stores supply the Law Firms industry with office equipment.
45321	Office Supply Stores in the US Office supply stores supply the Law Firms industry with office equipment and stationery.
53112	Commercial Leasing in the US The Commercial Leasing industry supplies the Law Firms industry with office spaces for lease.

Products and Services

Small- and mid-sized law firms often specialize in a few particular service areas. These firms regularly provide noncommercial services such as criminal defense, civil negligence or family law. Conversely, large firms generally offer a full range of services focusing on commercial work. This factor is due largely to the heavy manpower requirements and the high level of complexity necessary in dealing with large corporate issues.

Commercial law services

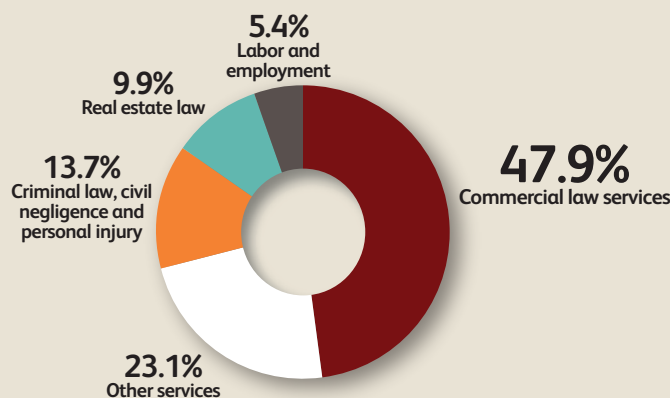
In 2019, business and commercial law is estimated to account for 47.9% of

revenue for the Law Firms industry. Practices in this area comprise financial deal-making and structuring such as merger and acquisition activity; capital-raising involving debt and equity markets; activities relating to initial public offerings; legal services associated with private equity transactions that include leveraged buyouts and the securitization of credit derivatives. These law services are cyclical and depend on the health of the economy and the level of investor optimism. For example, revenue from corporate deal-making surges in periods of economic growth and sound

Products & Markets

Products and Services continued

Products and services segmentation (2019)



Total \$330.4bn

SOURCE: WWW.IBISWORLD.COM

market performance. In periods of economic distress, bankruptcy and insolvency work, which is expected to account for 3.4% of industry revenue, increases. Corporate intellectual property law is another major contributor to commercial law services, accounting for an expected 6.1% of industry revenue in 2019.

Over the five years to 2019, revenue from financial deal-making growth has been mitigated by declines in other areas. Revenue from corporate litigation has not experienced as strong of growth, as corporations are increasingly relying on in-house attorneys or sourcing outside legal counsel based on price and value considerations. As a result, this product segment's share of total industry revenue has remained relatively unchanged during the past five years.

Criminal law, civil negligence and personal injury

In the past five years, growth in the segment is forecast to have remained relatively flat. In 2019, an estimated 13.7% of industry revenue is estimated to come from work relating to criminal law, civil negligence, personal injury or other types of civil litigation. This segment's share of industry revenue has remained relatively unchanged over past five years.

The most common form of civil negligence is personal injury claims, which are filed for incidents such as traffic accidents, workplace accidents, assaults, accidents in the home, defective product-related accidents and medical malpractice. This category also contains criminal law services, which are expected to account for 4.9% of industry revenue in 2019. Criminal law's percent share of industry revenue has remained relatively unchanged over the past five years.

Real estate law

An estimated 9.9% of industry revenue in 2019 was derived from legal services related to property transactions and real estate law, which includes will, estates, trusts and family law. Revenue derived from services related to real estate law has improved in line with growth in the commercial and residential real estate market over the five years to 2019.

Labor and employment law

In 2019, legal services related to labor and employment law account for an estimated 5.4% of total industry revenue. Employment law encapsulates a variety of topics including employee pensions and benefits, discrimination and sexual harassment, while labor law centers on

Products & Markets

Products and Services continued

contract disputes and issues related to collective bargaining. Steadily rising US employment is expected to curtail labor and employment legal services growth in the next five-year period.

Other

Other legal services combined account for an estimated 23.1% of total industry revenue in 2019. Major categories within this segment include: wills, estates and trusts (4.1%) and family law (3.8%), which relates to suits involving paternity, custody and divorce; immigration law; healthcare law (3.4%); environmental law (1.9%); legal research document services,

including copyright and patent law for individuals (not companies); and arbitration and mediation. There are many factors that drive these activities. For example, an increase in the average age of the US population affects wills and estate activity. In the coming years, demand for wills and estate activity is forecast to increase as more baby boomers reach retirement age. Additionally, while US divorce rates have declined during the past five years, rising disposable income levels have increased the affordability of divorce law services and have led to a slight increase in demand for attorneys specializing in family law.

Demand Determinants

Demand for legal services provided by operators in the Law Firms industry depends on the general economic and business environment and comes from a variety of sources. Clients demand legal services to deal with banking and finance law, family law, wills and probate, criminal law, intellectual property and industrial relations.

Law firms generate a significant proportion of revenue from commercial entities by performing services related to initial public offerings, merger and acquisition activity, capital raisings and, more recently, leveraged buyouts. These activities are closely aligned with the business cycle; therefore, industry demand depends on the strength of the economy, particularly the strength of the finance sector. Law firm services are also required for company restructuring, insolvency and bankruptcy, which increase during periods of economic upheaval.

Litigation activities

Litigation activities that involve personal injury, defamation and various civil matters are directly correlated with law firm demand. Publicity surrounding

high-profile cases has encouraged more people to use the courts to satisfy an outcome, even for minor cases. More recently, many companies have opted to settle out of court because of the rising costs associated with litigation.

Regulations

Changes to legislation affect demand for legal services, especially within a commercial environment. Changes in regulations occur in nearly every downstream industry, including financial services and mining. Generally, changes to laws and regulations increase demand for law firms since clients often require expertise to interpret and comply with these types of changes.

Criminal activity

An increase in criminal activity or the number of prosecutions increases demand for lawyers. However, the crime rate has been trending downward, making this factor a less influential source of demand. During the next five years, demand for criminal attorneys is projected to fall as the crime rate is expected to decrease at an annualized rate of 2.2% over the five years to 2019.

Products & Markets

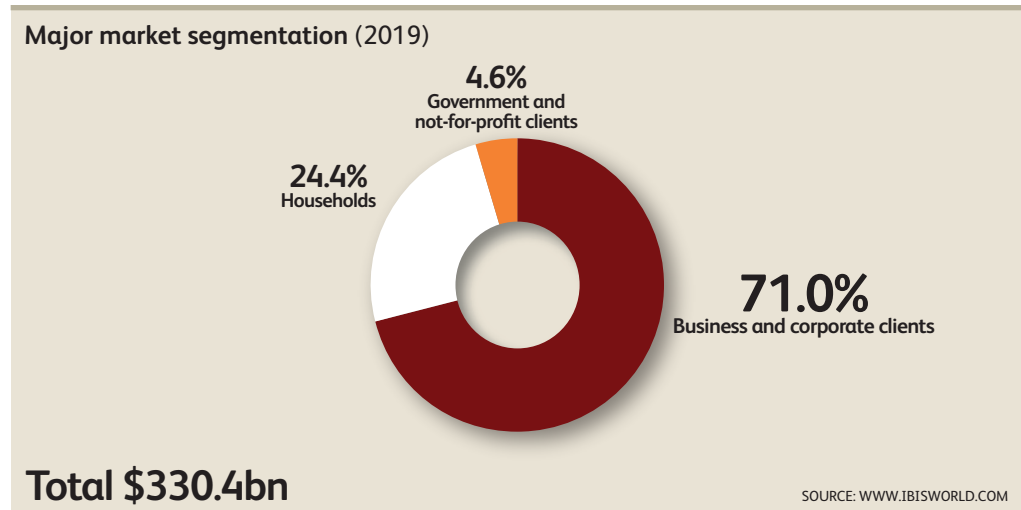
Demand Determinants continued

Real estate market

Law firms derive fees from real estate transactions, including commercial and residential exchanges. Therefore, the strength of the property market influences

demand for law firms that have expertise in property legislation. Much of the activity related to property transactions is also captured in the Conveyancing Services industry (IBISWorld report 54119).

Major Markets



Operators in the Law Firms industry offer a broad range of services to numerous types of clients, including businesses and corporate clients, government and public clients, and households. The proportion of revenue derived from each group has remained relatively static in the past five years.

Business and corporate clients

Business and corporate clients account for an estimated 71.0% of industry revenue in 2019. Law firms often advise corporate clients on initial public offerings and merger and acquisition activity. The industry also provides legal advice related to restructuring, bankruptcy and insolvency. Bankruptcy laws help organizations and individuals who are no longer able to pay their creditors by either liquidating their assets to pay their debt or by creating a repayment plan. Intellectual property (IP) litigation is another area of business law. The Law Firms industry experienced

a small increase in IP revenue as the US economy continued to grow and companies began to spend more on research and development. Litigation, which comprises a large portion of business and corporate client revenue, has decreased slightly over the past five years, as large corporations waited to shore-up their balance sheets before pursuing costly litigation. Moreover, businesses have increasingly relied on nontraditional legal aid, including legal process outsourcing and consulting firms.

Business and corporate legal markets often command higher fees than households due to their extreme complexity. Legal work for these clients often requires large firms that have ample capacity and specific skill sets. Many corporations that require commercial law services must choose between an in-house legal team, an outsourced legal team or a combination of both. Firms often use a combination when they need specialization.

Products & Markets

Major Markets continued

Households

While households account for a high share of industry work volume, the majority of cases are not as specialized as corporate work, resulting in a lower price point. Many individuals seek to resolve noncriminal disputes such as divorce, child custody, personal property damage and other issues. Revenue from the household market was relatively stable during the past five years, as this market is expected to account for 24.4% of total industry revenue in 2019. Personal disposable income is expected to increase at an annualized rate of 2.2% over the five years to 2019 and therefore, many potential clients have pursued legal advice.

Government and not-for-profit clients

Federal, state and municipal governments occasionally hire outside legal counsel under special situations. For example, at the state level, an Attorney General may choose to hire an outside law firm on a contingency basis for cases that require specialized legal experience. Moreover, government agencies, such as The Federal Deposit Insurance Company commonly retain private attorneys with expertise in securities, bankruptcy and insurance law. Overall, the government and not-for-profit market is estimated to account for 4.6% of industry revenue in 2019.

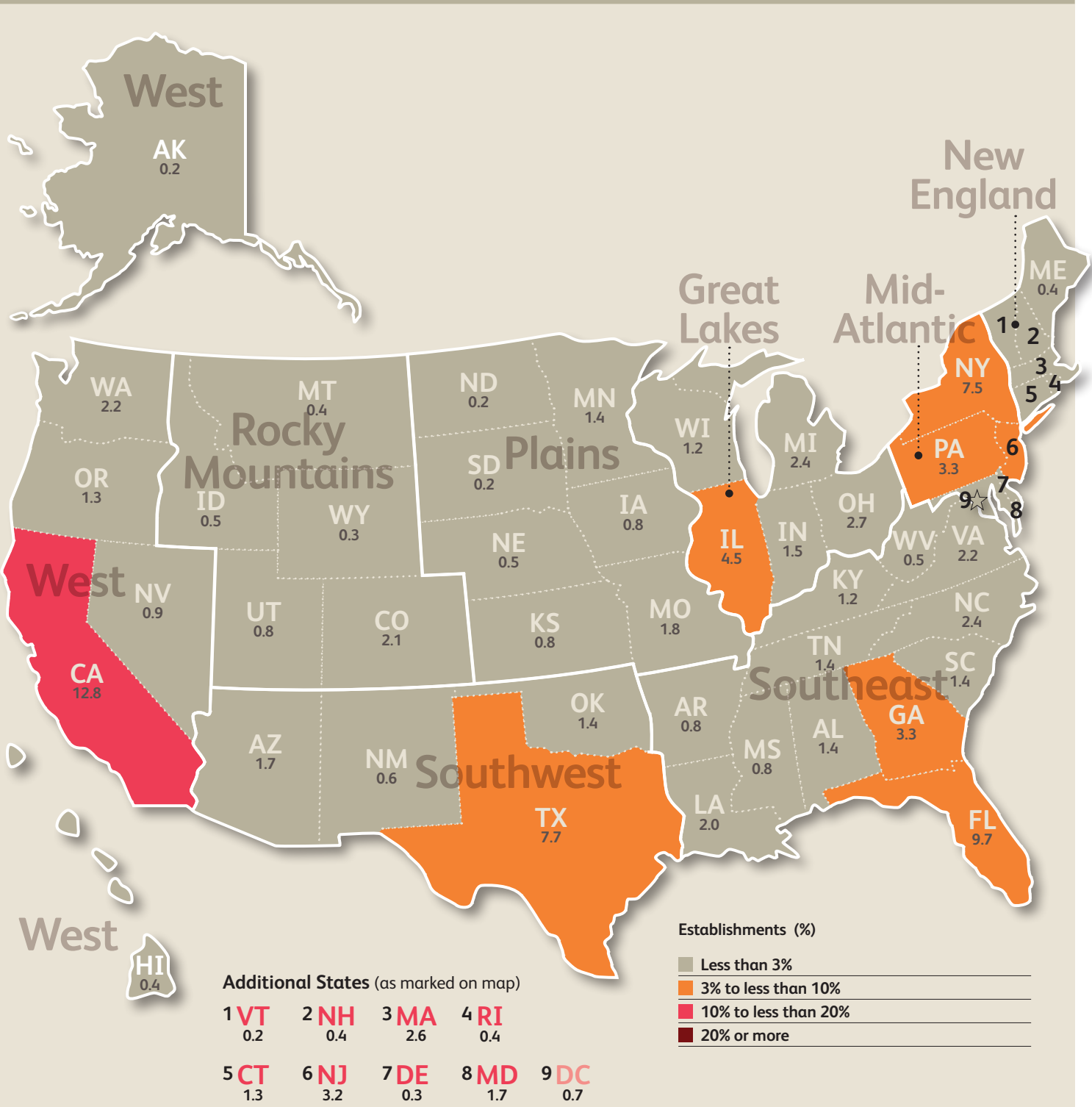
International Trade

Although trade does not technically occur in the Law Firms industry due to the service-based nature of legal activities, many of the largest law firms have offices worldwide. For example, Baker McKenzie has operations in 46 countries and

generates more than three-quarters of its revenue outside of the United States. The industry's largest legal firms generate a significant portion of income overseas; however, the vast majority of US law firms only operate in the domestic market.

Products & Markets

Business Locations 2019



SOURCE: WWW.IBISWORLD.COM

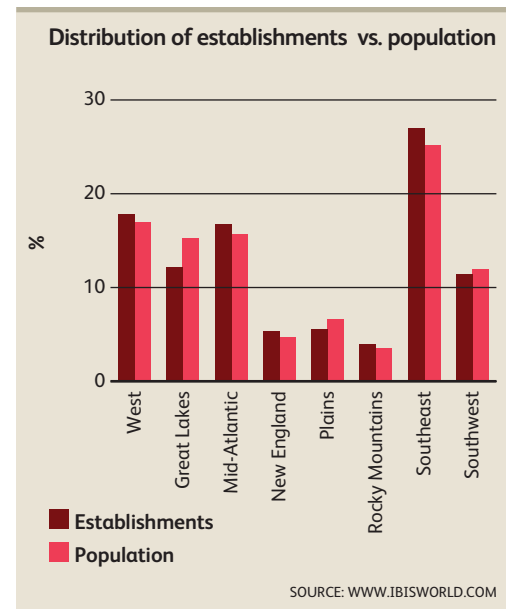
Products & Markets

Business Locations

The region with the greatest concentration of establishments in the Law Firms industry is the Southeast, which accounts for an estimated 27.0% of industry establishments in 2019. Following closely behind, in terms of establishment concentration, is the West and Mid-Atlantic, with 17.8% and 16.6% of industry establishments, respectively.

In general, law firm concentration is proportional to a region's population. However, the Mid-Atlantic, which includes New York and Washington, DC, has a higher concentration of law firms than its population share. Major law firms located in New York derive a significant portion of revenue from commercial practices related to financial deals, and New York also houses the office headquarters of many of the industry's largest law firms. Law firms located near Washington, DC, take advantage of the region's proximity to government agencies.

The West region includes California, the state with the highest concentration of law firm establishments, at an estimated 12.8%. The number of



establishments in the West is in line with the region's population. However, there is also a large concentration of corporate clients in this region, especially healthcare and technology companies that often require legal services for intellectual property and copyright concerns.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in
this industry is **Low**

The Law Firms industry is highly fragmented, with the majority of operators being small- and medium-size firms. IBISWorld estimates that the top four industry participants account for less than 5.0% of revenue in 2019. Small law firms, those with fewer than 20 employees, comprise an estimated 94.9% of employing industry establishments. These attributes indicate a low level of concentration.

Over the five years to 2024, market share concentration among the industry's largest law firms is expected to increase marginally because of highly anticipated merger and acquisition activity. Since the mid-1990s, merger activity among the industry's largest firms has risen, with several major firms merging with entities in Europe and Asia.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to effectively communicate and negotiate

Strong communication skills are essential for contract negotiations and settlements outside of court. Such skills are also necessary to make a strong case in court.

Experienced work force

Work in this industry is highly specialized. Lawyers experienced in their field are more likely to be familiar with previous court rulings and the intricacies involved in their area of practice.

Possession of accurate information

Information presented in court can make or break a case. Whether through

witness testimony or reliable bookkeeping records, it is crucial to possess accurate information.

Having a high prior success rate (including completed prior contracts)

Law firms often attract clients based on reputation. Firms with a high success rate will attract more clients and be able to charge more for services.

Having a good reputation

An excellent reputation equates to the soaring prices commanded by high-profile firms. Likewise, strong word-of-mouth recommendations provide business to lawyers in private practices.

Cost Structure Benchmarks

Cost segments are based off of the average operator in the Law Firms industry. Therefore, segments may vary based on the size and scope of a specific firm.

Wages

In 2019, wage expenses comprise an estimated 35.3% of industry revenue. Like most industries in the professional services sector, wages represent the largest cost to industry enterprises. Attorneys are highly educated and knowledgeable and employees often specialize within a legal sub-sector, such as securities law, which requires further experience and expertise. Work in this

field also requires personal service and face-to-face contact with clients.

In this industry, wages increased annually, with the starting salaries of first-year associates at top law firms reaching upwards of \$170,000. Over the five years to 2019, economic growth and an increase in mergers, acquisitions and capital structuring helped boost legal wages at the largest law firms. As a result, industry wages held a fairly steady as a portion of total revenue over the past five years.

Purchases

Purchases in this industry are minimal, accounting for an estimated 1.0% of

Competitive Landscape

Cost Structure Benchmarks continued

industry revenue in 2019. These costs include necessary supplies for the office, such as paper, pens, notepads, etc.

Profit

Major law firms are able to achieve a higher profit margin because they often conduct high-value work for corporations. According to annual *Am Law 100* survey, which reports on the 100 highest-grossing firms in the nation, profit per partner among these firms increased 6.5% between 2017 and 2018 (latest data available). In 2019, the average industry profit margin, measured as earnings before interest and taxes, is expected to comprise 20.0% of revenue, down slightly from 20.6% in 2014.

Depreciation

Depreciation is also minimal, accounting for an estimated 0.8% of revenue in 2019, as this industry has a low level of

capital intensity and capital expenditures are generally related to computer and office equipment.

Marketing

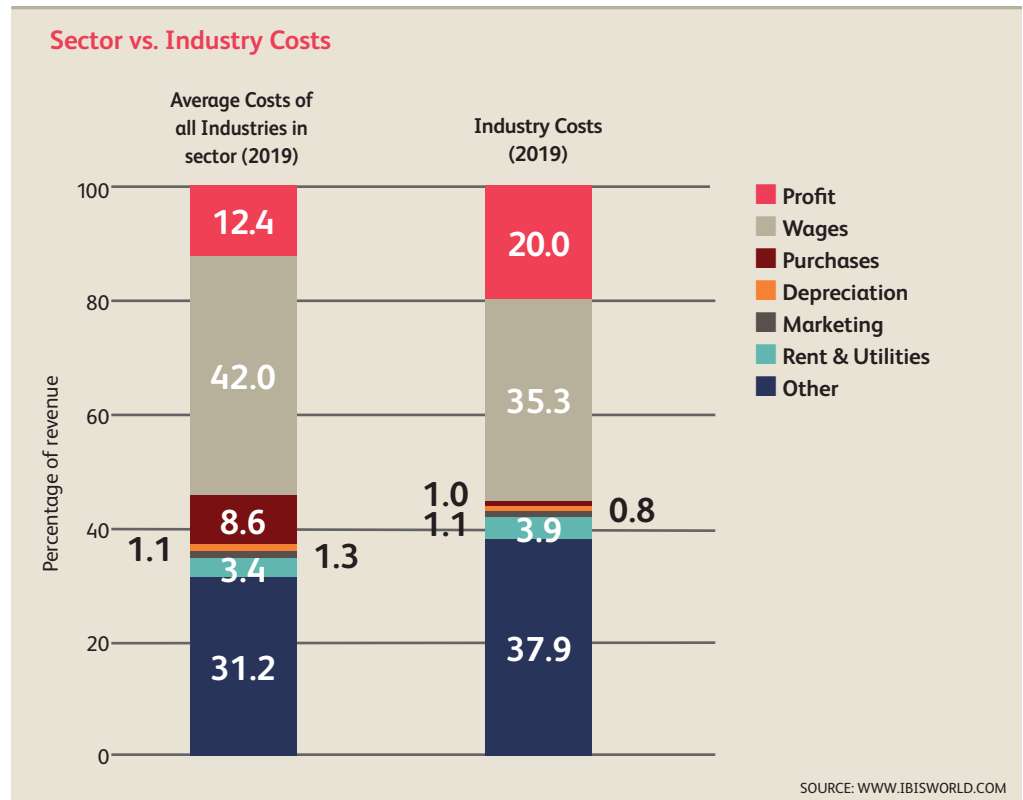
Advertising costs are low in this industry, comprising an estimated 1.1% of industry revenue in 2019. Operators typically rely on word of mouth and referrals for new clients.

Rent

Many law firms lease office space and larger firms often incur higher rental costs because they are located in geographically important regions. In 2019, rent expenses comprise an estimated 3.8% of industry revenue.

Utilities

Utilities are estimated to account for 0.1% of industry revenue in 2019 and include electricity and heating costs for office spaces.



Competitive Landscape

Cost Structure Benchmarks continued

Other

Other significant expenses include insurance costs, costs associated with the outsourcing of temporary or contract

labor, administrative expenses and travel expenses. These costs are estimated to account for the remaining 37.9% of industry revenue in 2019.

Basis of Competition

Level & Trend
 Competition in this industry is **Medium** and the trend is **Increasing**

Internal competition

Operators in the Law Firms industry predominantly compete on the basis of service quality, so establishing a good reputation is essential to being competitive. Law firms that reliably achieve favorable outcomes for their clients are able to establish a positive service-quality reputation. Industry players invest considerable resources into brand awareness and reputation through corporate sponsorship activities, pro bono work and the promotion of ethical work standards and practices.

Industry participants also enhance their quality of service by hiring and retaining the best staff at all levels. These top firms contend for the best and brightest talent using starting salaries as a key basis of competition. Although first-year associate salaries of \$170,000 are still widespread at large law firms in major cities like Los Angeles and New York, over the past five years major law firms began reducing the number of first-year associates and in many cases this trend has continued. Aside from wage rates, some law firms try to attract talent and differentiate themselves by offering challenging work, family-friendly work hours or opportunities for study.

Price competition becomes more prevalent during periods of slow economic

growth, when clients' legal expense budgets are generally slashed and the price of services becomes crucial. Typically, price is more important for small, local firms and solo practitioners that perform general legal services because households account for a large percentage of their revenue. Most law firms bill clients on an hourly rate; however, fixed fees, capped rates, no-win-no-fee arrangements and premiums on big transactions are all common practices. In recent years, large corporations, in an effort to compete for business, have offered more flexible pricing options.

External competition

Given the specialized nature of legal services and the fact that to perform such services, a person must be a qualified lawyer, legal services cannot be replicated by another business or industry unless it employs qualified personnel. Accounting firms and human resources companies have started performing some tasks that were previously the domain of lawyers, including some aspects of employee contracts and benefit counseling. The increasing reliance on dispute resolution and mediation is hampering demand for traditional litigation services.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium and Steady**

There are moderate barriers to entry into the Law Firms industry, primarily due to skill and technical knowledge. Lawyers must be admitted to law school after taking the law school admission test (LSAT) and in most states, complete law school, which is both a time and monetary cost. At the culmination of their time in school, lawyers must become certified by obtaining a recognized legal qualification (passing the state bar exam) to practice in that specific state. Additionally, to become successful in this industry, it is imperative for law students to excel in school and examinations. After successfully entering the industry, competing in specific markets also poses some difficulties.

The barriers to entry for high-value work in the corporate market are considered too high for firms with no history, except when an established partner with existing client relationships starts his or her own firm. A firm's reputation is an important factor in

Barriers to Entry checklist

Competition	Medium
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Medium
Regulation and Policy	Medium
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

obtaining work and developing relationships with key clients can take years. Only time and success can help overcome these barriers.

Large corporate clients also need specialist knowledge, requiring law firms to invest in personnel that have specific backgrounds and experience. Clients with complex cases or transactions may require law firms that have a large pool of lawyers and staff to fulfill their needs.

Industry Globalization

Level & Trend
Globalization in this industry is **Low** and the trend is **Increasing**

Globalization has been a contributing factor to mergers with overseas law firms. As emerging markets develop, larger operators in the Law Firms industry are eager to establish a presence and grow their brand in other countries.

Furthermore, firms want to be available in countries where clients operate. While mergers among many of the major legal firms have been concentrated in the European and Asian markets, some US law firms have started establishing operations in Latin America and the Middle East.

A benefit of overseas expansion includes exposure to growth markets and having the ability to service large companies that have operations in more than one country. Challenges associated with cross-border law firm mergers include varying international profit levels per partner, potential conflicts of interest among clients and technological

incompatibility between entities. The proposal for more standardization regarding international law is expected to make globalization in some areas of the law easier in the future. However, these changes will have little effect on many lawyers because more than one-half of all establishments are nonemployers and an even greater proportion have only a few employees.

Law firms have been increasingly consolidating at an international level. This trend has continued over the five years to 2019. For example, in January 2015, the multinational, Swiss Verein-structured law firm Dentons agreed to merge with Chinese law firm Dacheng in a partnership, which would create the world's largest law firm by attorney headcount. Combined the Dentons-Dacheng merger would result in a firm of more than 6,500 lawyers with operations in over 50 countries. Additionally, in

Competitive Landscape

Industry Globalization continued

2017 Womble Carlyle, a US law firm with over 500 lawyers, and Bond Dickinson, a 580 lawyer U.K. based firm merged and formed Womble Bond Dickinson.

According Bloomberg Law, in 2017 there were over 100 mergers and acquisitions (M&A), ranging from smaller US firms, to Am Law top 100 firms and several cross-border M&As. Furthermore, according to Altman Weil MergerLine, out of the 102 law firm mergers in 2018, 13 of them were cross border mergers. Additionally, the same source reported

that in the first quarter of 2019 there were 27 law firm mergers, two of which were cross-border mergers. Cross-border law firm mergers are expected to continue through the rest of 2019.

While most industry revenue is generated from the domestic market, the proportion of revenue attributed to overseas practices is projected to increase over the five years to 2024, as domestic firms seek new markets and increase the scope of their international operations.

Major Companies

There are no Major Players in this industry | Other Companies

Other Companies

Due to the Law Firms industry's low concentration, small firms and lawyers in private practices comprise the majority industry operators. In 2019, IBISWorld estimates that the top four firms combined account for less

than 5.0% of industry revenue. While the industry's largest firms generate more than \$3.0 billion in revenue globally, all firms are private companies and no firm holds more than 1.0% of the market.

Other Company Performance

Kirkland & Ellis LLP
Market Share: 0.7 %

Founded in 1909 and headquartered in Chicago, Kirkland & Ellis LLP (Kirkland & Ellis) is one of the oldest law firms in the United States. The firm employs more than 2,500 attorneys, with the majority practicing law in the United States, and operates in 15 offices worldwide. The firm's services are grouped in broad categories, including intellectual property; corporate; real estate; restructuring; government and internal investigations; antitrust and competition; litigation; regulatory; tax, benefits and estate planning; and international trade and national security. Their clients consist of a wide range of corporate, governmental and individual clients across the globe, including UBS, General Motors Company and United Airlines. Overall, Kirkland & Ellis have experienced revenue growth over the five years to 2019. In 2019, the company's industry-relevant revenue is expected to reach \$2.3 billion.

Kirkland & Ellis has been involved in many cross-border mergers and

acquisitions. For example, in July 2017, the firm advised UBS AG on the \$6.3 billion offer to acquire Orient Overseas Limited by COSCO Shipping Holdings Co. and Shanghai International Port Group. Furthermore, in January 2019, Kirkland & Ellis advised Bristol-Squibb Company on its agreement to acquire Celgene Corporation for \$90.0 billion. More recently, in June 2019, the firm advised AbbVie Inc., a biopharmaceutical company, on its agreement to acquire Allergan PLC, a global pharmaceutical company, for \$63.0 billion. Additionally, in July 2017, Kirkland & Ellis was recognized as a top 25 national corporate law firm in May 2017 by the Corporate Board Member/FTI Consulting's survey. Furthermore, six of the firm's groups were selected by Law360 in 2017 as "practice groups of the year", measured by litigation wins and major deals. The firm was also named one of the leading Intellectual Property practices of 2018.

Other Company Performance

Latham & Watkins LLP
Market Share: 0.5 %

Founded in Los Angeles, Latham & Watkins LLP (Latham) employs more than 2,700 lawyers across over 25 offices in 14 countries. The firm's corporate practice groups are divided into industry teams, including retail and consumer, digital media, industrial, manufacturing and energy. Moreover, Latham works across the full spectrum of legal practices, from finance to intellectual property to product liability. The firm placed second on the 2018 American Lawyer 100, which ranks

law firms based on revenue. In 2019, the firm's US operations are expected to generate \$1.5 billion in revenue.

In March 2014, Latham advised underwriters in Exxon Mobil's \$5.5 billion bond offering, the company's biggest bond offering on record. Additionally, in July 2015, Latham advised drug manufacturer Allergan PLC in its \$40.5 billion sale of its global generic pharmaceuticals business to Teva Pharmaceutical. In February 2016,

Major Companies

Other Company Performance continued

Latham advised Avago Technologies Inc. in the \$37.0 billion acquisition of Broadcom, which was the largest semiconductor acquisition in history. Furthermore, in June 2017, Latham represented Digital Reality in a merger with DuPont Fabros Technology Inc., which created the largest wholesale data center in the United States. Recently, the firm helped LLR partners form a \$1.2 billion fund in June 2018. Additionally,

in July 2019, the firm represented Eldorado Resorts (Eldorado) in the merger agreement with Caesars Entertainment Corporation (Caesars), in which Eldorado will acquire the outstanding shares of Caesars for an estimated \$17.3 billion. Over the five years to 2019, Latham's other major clients have included multinational corporations such as Amazon.com Inc. and Watson Pharmaceuticals Inc.

Other Company Performance

Baker McKenzie
Market Share: 0.3 %

Baker McKenzie, one of the world's largest firms, was formed in Chicago in 1949. The firm is known for its geographic spread, operating in 78 offices in 46 countries. With 1,549 partners and more than 6,188 attorneys, the firm's sprawl is not limited by geography. In 2004, the firm reorganized itself under a Swiss association structure, meaning that its member firms operate as separate entities to protect the parent firm from liability issues. With less than 30.0% of the firm's attorneys in the United States, the majority of fees are generated abroad. However, the firm recently opened a Los Angeles office. The firm's main areas of expertise include antitrust law, international trade, M&A and tax law.

Baker McKenzie has experienced revenue growth over the five years to 2019. In terms of downstream markets, demand was particularly strong for the company's finance, energy, tax planning, real estate and private equity legal services. In May 2014, Baker McKenzie advised Ardian, a private equity

company, on the \$1.3 billion purchase of a portfolio of funds from GE Capital. Another area of growth for the legal firm was cross-border M&A. As of December 2015, Baker McKenzie announced continued strength in cross-border deal making. For example, in May 2017, Baker McKenzie advised Unilever on its acquisition of Quala, a personal care and consumer goods company located in Latin America. Additionally, in April 2018, the firm advised Servier, a French pharmaceutical company, on the acquisition of the oncology segment of the British company Shire for \$2.4 billion. More recently, in December 2018, Baker McKenzie advised Unilever on its estimated \$5.2 billion acquisition of the Health Food Drinks segment of GlaxoSmithKline. In July 2019, the firm advised Galapagos NV on its 10-year global research and development collaboration with Gilead Sciences, a US-based biopharmaceutical company. Consequently, the company is expected to generate \$1.1 billion in industry-relevant revenue in 2019.

Major Companies

Other Company Performance continued

Skadden, Arps, Slate, Meagher & Flom LLP
Market Share: 0.3 %

Founded in 1948, Skadden, Arps, Slate, Meagher & Flom LLP (Skadden) is a prominent law firm in the United States. The firm is a private partnership that employs attorneys in 22 offices worldwide, eight of which are in the United States. More than 1,400 of the firm's 1,700 lawyers are based in the United States. The firm is a market leader in corporate litigation and merger and acquisition (M&A) work. Other practice areas include banking and institutional investing, corporate finance, government affairs, real estate, healthcare and mass torts and insurance litigation. Increased financial regulation is expected to raise revenue in the firm's securities litigation practices, and in practices that specialize in bank and broker regulatory actions. Overall, continued strength in the M&A market will propel Skadden's US industry-relevant revenue to \$1.0 billion in 2019.

The firm took a lead advisory role in the 2013 merger of Japan's SoftBank, an internet and telecommunications company, with US mobile carrier Sprint Nextel, a deal which exceeded \$20.0 billion. In September 2014, the law firm

began representing biopharmaceutical corporation Merck Group in the \$17.0 billion acquisition of Sigma-Aldrich Corporation. Persistent strength in US equity and M&A markets continued to bolster transactional revenue at Skadden in 2015. That same year, Skadden ranked first in Bloomberg's global corporate financial league tables among law firms in deal value. Skadden also ranked high in equity linked transactions as well as deal count and volume for US high-yield transactions. More recently, Skadden ranked first by value for US-based and global M&A deals in the first half of 2017, according to Thomson Reuters and Bloomberg. Furthermore, Skadden is representing Twenty-First Century Fox in its \$65.0 billion acquisition proposal from Comcast Corporation. In January 2019, Skadden announced they are currently advising Global Asset Capital and Tao Capital Partners in connection with Altria's \$12.8 billion acquisition of Juul Labs. Additionally, in July 2019, the firm represented Caesars Entertainment Corporate in its acquisition by Eldorado Resorts for an estimated \$17.3 billion.

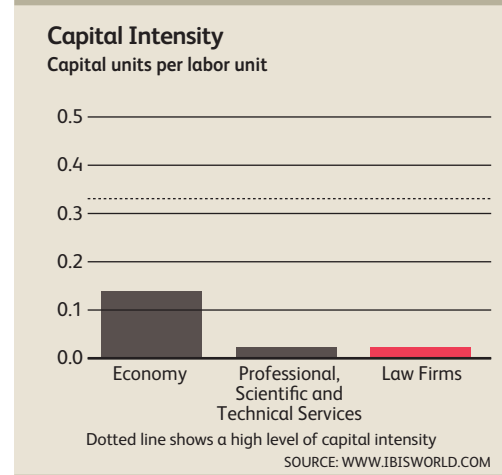
Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
 Regulation & Policy | Industry Assistance

Capital Intensity

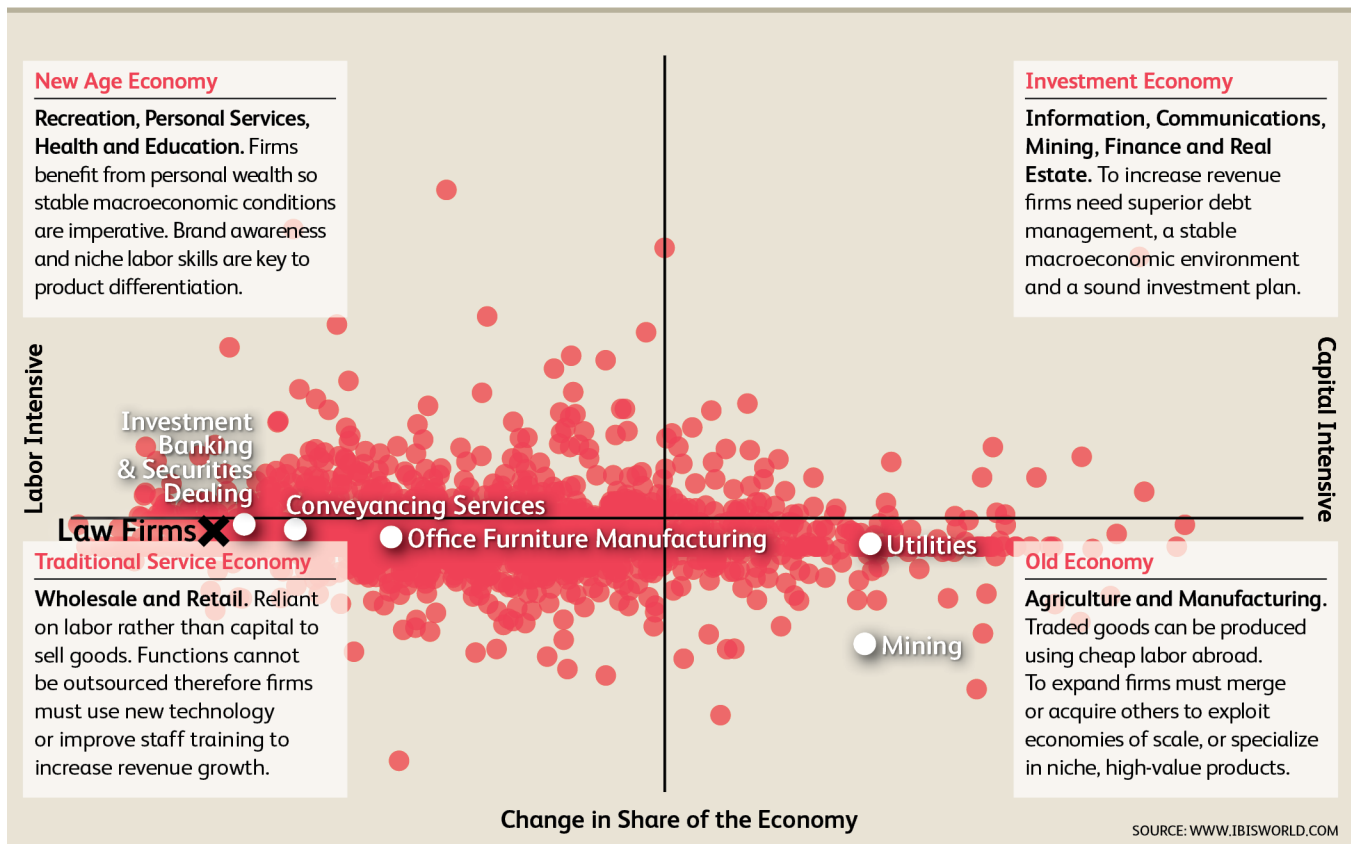
Level
 The level of capital intensity is **Low**

The Law Firms industry has a low level of capital intensity. IBISWorld estimates that for every dollar spent on wages, only \$0.02 is spent on capital in 2019. The industry is highly labor intensive. Attorneys are educated and knowledgeable in the practice of law. Often, employees at law firms specialize within a particular legal practice, such as tax law, intellectual property or securities law. Work in this field frequently requires personal service and face-to-face contact with clients. Therefore, lawyers must keep abreast of any changes created by legislation. In addition, law firms require support staff for research, filing, documenting and ad hoc duties. All these factors contribute to high salaries in the industry.



The industry's capital investment is low; most ongoing expenses are related to the upgrade and maintenance of office

Tools of the Trade: Growth Strategies for Success



Operating Conditions

Capital Intensity continued

and computer equipment, including communications equipment. While the use of computer systems, legal databases, electronic discovery (the reviewing of electronic legal documents) and the internet has improved employee productivity, technological advancements

have not overcome the need for personnel in researching, designing solutions, dealing with clients and completing administrative tasks. Over the five years to 2024, labor's proportion of industry revenue is expected to decline slightly as revenue outpaces wage growth.

Technology and Systems

Level

The level of technology change is **Medium**

The most significant advances in technology and systems for the Law Firms industry are largely associated with computer processes and the internet. Many firms have upgraded their computer networks to digitally store legal information and enhance research databases. The benefits from improving technology in law firms' systems include increased productivity, better client service and greater innovative potential. Lawyers rely on different forms of online research, such as fee-based research providers like Westlaw and LexisNexis. The American Bar Association's (ABA) TechReport 2018 references an increase in cloud usage, increasing from 52.0% in 2017 to 54.6% in 2018 (latest available data). With the prevalence of internet-based activity, the ABA report found that law firms are less than vigilant with their online security, as 38.1% of the firms surveyed in the ABA's study admitted to using encrypted files to protect vital information.

However, industry operators are doing the best to remedy this potential vulnerability. According to the 2018 ABA TechReport, an increasing number of respondents reported that they had hired an independent third-party security firm to do an assessment of the law firm and highlight the potential risks. Additionally, due a large percentage of security breaches that vary based on firm size there has been an increased amount of spending toward security budgets. A majority of this spending has been directed toward integrating mobile

devices, including phones and tablets, into the technology infrastructure of legal firms. According to the 2018 ABA TechReport, 57.0% of the respondents reported that they factored spending on technology into their budgets. Spending on cyber-security has also increased during the five-year period, mainly as a response to data breaches or threats. According to the same survey, 23.0% of respondents state that their firm had experienced a data breach in 2018.

Aside from aiding the industry, advancing technology has negatively affected some legal firms. Legal library systems and the ability to draft documents online have created low cost legal solutions. These electronic services for common legal documents, such as wills and employment agreements, significantly reduced prices and put pressure on some of the industry's smaller firms, who rely on fees from these services. Additionally, there has been an increase in virtual law practice (VLP), in which lawyers only interact with clients virtual, decreasing demand for lawyers who practice in physical firms. VLP increases mobility and accessibility, which is seen as a benefit to certain lawyers and clients.

Technology has also extended into the court system. Courts are introducing online document retrieval and access to information. Clients can obtain real time transcripts of evidence, and courts have also updated audio-visual technology. Most documents are stored digitally, improving productivity and expediting their transfer.

Operating Conditions

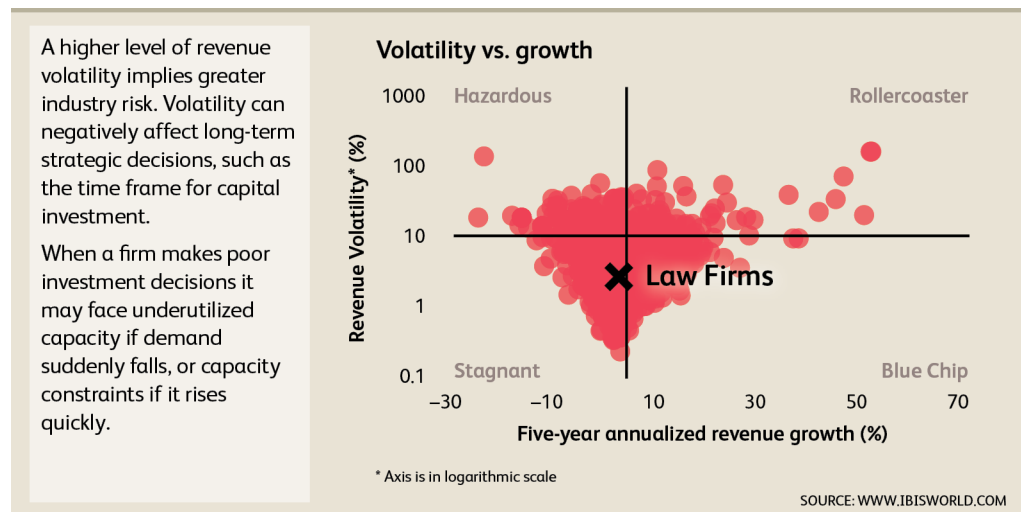
Revenue Volatility

Level
The level of volatility is **Low**

Over the five years to 2019, the Law Firms industry experienced a low level of revenue volatility. Law firm revenue is commonly generated to cyclical factors such as the performance of the economy and investor confidence. Much of the industry’s volatility is associated with changes in financial markets, since many legal fees are generated from equity, debt and capital raisings as well as merger and acquisition activities. When these services underperform, countercyclical practices, such as bankruptcy and insolvency services, mitigated further

revenue losses and reduced revenue volatility. As a result, industry revenue increased as much as 5.1% in 2017 and as little as 0.7% in 2018.

New areas of law emerging from legislative and regulatory changes can affect revenue volatility. Major regulatory changes often boost demand for legal services, particularly in commercial areas, where businesses must comply with new laws. IBISWorld forecasts that revenue volatility will remain low during the next five years as industry revenue growth is expected to increase steadily, albeit at a slow pace.



Regulation and Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Steady**

The Law Firms industry is regulated in all areas of operation by the American Bar Association (ABA) and state regulations that cover areas such as professional conduct. Lawyers must be registered with ABA, the state in which they practice or both. The ABA provides law school accreditation, continuing legal education, information about the law, programs to assist lawyers and judges in their work and initiatives to improve the legal system for the public. The ABA’s most important role has been the creation and maintenance of a code of ethical standards for lawyers (the 1969 Model Code of Professional

Responsibility and the 1983 Model Rules of Professional Conduct). These standards have been adopted in 49 state jurisdictions and in the District of Columbia. California has not adopted the ABA codes; instead, it uses the State Bar of California’s Rules of Professional Responsibility. The ABA regulations do not permit mergers between accountancy and legal firms, a policy that has been reinforced by recent Securities Exchange Commission (SEC) regulations relating to large auditing firms. Furthermore, law firms are not permitted to be listed publicly on a stock exchange or owned by nonlawyers.

Operating Conditions

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

Operators in the Law Firms industry receive no formal government assistance; however, they are supported by various industry associations, such as the American Bar Association (ABA). Founded in 1878, the ABA is a voluntary bar association of over 411,000 lawyers and law students, which is not specific to any jurisdiction in the United States. The ABA is headquartered in Chicago, with

more than 3,500 entities operating within the association. The National Lawyers Association (NLA) is another voluntary association of lawyers in the United States, with about 3,000 members. NLA members benefit from advocacy, networking, and discounts on products and services. The National Lawyers Association was founded in 1993 in reaction to the ABA's stance in support of abortion rights.

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Number of businesses (Mil)
2010	293,107.5	165,480.1	425,148	417,903	1,326,695	--	--	107,444.8	N/A	7.4
2011	299,258.5	167,299.5	427,078	419,809	1,323,859	--	--	108,046.3	N/A	7.4
2012	298,667.3	170,547.5	433,030	425,133	1,319,093	--	--	108,424.7	N/A	7.4
2013	292,201.2	166,645.6	430,861	423,025	1,326,509	--	--	107,328.8	N/A	7.5
2014	294,458.3	170,404.8	439,407	431,490	1,337,158	--	--	107,390.7	N/A	7.6
2015	301,859.2	175,694.0	441,490	433,524	1,329,150	--	--	109,586.8	N/A	7.7
2016	306,341.5	179,680.7	437,249	430,262	1,321,696	--	--	111,366.5	N/A	7.8
2017	322,004.6	179,885.2	438,933	432,012	1,326,786	--	--	112,908.2	N/A	7.8
2018	324,099.5	181,843.2	439,112	432,378	1,334,906	--	--	114,957.5	N/A	7.9
2019	330,357.6	185,125.5	443,565	436,508	1,353,407	--	--	116,675.2	N/A	8.1
2020	331,167.8	185,579.1	444,926	437,881	1,357,231	--	--	116,996.1	N/A	8.0
2021	335,262.2	187,745.8	448,363	441,143	1,370,291	--	--	118,186.1	N/A	8.1
2022	339,481.0	189,967.9	451,401	443,974	1,383,460	--	--	119,392.2	N/A	8.2
2023	343,881.3	192,300.8	454,607	446,963	1,397,777	--	--	120,690.1	N/A	8.3
2024	348,879.4	195,021.7	458,773	450,893	1,414,774	--	--	122,215.0	N/A	8.3
Sector Rank	2/35	2/35	4/35	4/35	3/35	N/A	N/A	2/35	N/A	N/A
Economy Rank	25/694	9/694	16/694	16/694	22/694	N/A	N/A	9/694	N/A	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Number of businesses (%)
2011	2.1	1.1	0.5	0.5	-0.2	N/A	N/A	0.6	N/A	-0.6
2012	-0.2	1.9	1.4	1.3	-0.4	N/A	N/A	0.4	N/A	1.1
2013	-2.2	-2.3	-0.5	-0.5	0.6	N/A	N/A	-1.0	N/A	0.8
2014	0.8	2.3	2.0	2.0	0.8	N/A	N/A	0.1	N/A	1.0
2015	2.5	3.1	0.5	0.5	-0.6	N/A	N/A	2.0	N/A	1.3
2016	1.5	2.3	-1.0	-0.8	-0.6	N/A	N/A	1.6	N/A	1.1
2017	5.1	0.1	0.4	0.4	0.4	N/A	N/A	1.4	N/A	1.2
2018	0.7	1.1	0.0	0.1	0.6	N/A	N/A	1.8	N/A	1.3
2019	1.9	1.8	1.0	1.0	1.4	N/A	N/A	1.5	N/A	1.3
2020	0.2	0.2	0.3	0.3	0.3	N/A	N/A	0.3	N/A	-0.5
2021	1.2	1.2	0.8	0.7	1.0	N/A	N/A	1.0	N/A	1.1
2022	1.3	1.2	0.7	0.6	1.0	N/A	N/A	1.0	N/A	1.0
2023	1.3	1.2	0.7	0.7	1.0	N/A	N/A	1.1	N/A	0.9
2024	1.5	1.4	0.9	0.9	1.2	N/A	N/A	1.3	N/A	0.8
Sector Rank	25/35	25/35	27/35	27/35	29/35	N/A	N/A	27/35	N/A	N/A
Economy Rank	275/694	326/694	297/694	297/694	325/694	N/A	N/A	327/694	N/A	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2010	56.46	N/A	N/A	220.93	36.66	3.12	80,986.81	1.06
2011	55.90	N/A	N/A	226.05	36.10	3.10	81,614.66	1.06
2012	57.10	N/A	N/A	226.42	36.30	3.05	82,196.40	1.05
2013	57.03	N/A	N/A	220.28	36.73	3.08	80,910.72	1.01
2014	57.87	N/A	N/A	220.21	36.47	3.04	80,312.65	1.01
2015	58.20	N/A	N/A	227.11	36.30	3.01	82,448.78	1.01
2016	58.65	N/A	N/A	231.78	36.35	3.02	84,260.30	1.02
2017	55.86	N/A	N/A	242.70	35.06	3.02	85,099.03	1.00
2018	56.11	N/A	N/A	242.79	35.47	3.04	86,116.55	0.98
2019	56.04	N/A	N/A	244.09	35.32	3.05	86,208.51	0.97
2020	56.04	N/A	N/A	244.00	35.33	3.05	86,202.05	0.96
2021	56.00	N/A	N/A	244.66	35.25	3.06	86,248.91	0.95
2022	55.96	N/A	N/A	245.39	35.17	3.06	86,299.71	0.95
2023	55.92	N/A	N/A	246.02	35.10	3.07	86,344.32	0.94
2024	55.90	N/A	N/A	246.60	35.03	3.08	86,384.82	0.94
Sector Rank	8/35	N/A	N/A	6/35	21/35	17/35	5/35	2/35
Economy Rank	64/694	N/A	N/A	393/694	98/694	559/694	97/694	9/694

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM

Industry Financial Ratios

					Apr 2017 - Mar 2018 by company revenue		
	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2016 - Mar 2017	Apr 2017 - Mar 2018	Small (<\$10m)	Medium (\$10-50m)	Large (>\$50m)
Liquidity Ratios							
Current Ratio	1.1	1.5	1.4	1.3	1.2	1.3	1.6
Quick Ratio	1.0	1.1	1.0	1.0	1.0	1.2	1.1
Sales / Receivables (Trade Receivables Turnover)	n/c	n/c	n/c	n/c	n/c	14.7	26.9
<i>Days' Receivables</i>	0.4	n/a	0.4	0.4	0.4	24.8	13.6
Cost of Sales / Inventory (Inventory Turnover)	n/c	n/c	n/c	n/c	n/c	n/c	n/c
<i>Days' Inventory</i>	n/a	n/a	0.4	0.4	0.4	0.4	0.4
Cost of Sales / Payables (Payables Turnover)	n/c	n/c	n/c	n/c	n/c	n/c	58.5
<i>Days' Payables</i>	0.4	n/a	0.4	0.4	0.4	0.4	6.2
Sales / Working Capital	57.7	28.2	36.7	34.8	61.7	28.2	20.5
Coverage Ratios							
Earnings Before Interest & Taxes (EBIT) / Interest	23.8	23.9	32.3	19.8	18.7	13.0	70.4
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	9.9	6.6	4.0	1.9	n/a	n/a	n/a
Leverage Ratios							
Fixed Assets / Net Worth	0.3	0.3	0.2	0.2	0.3	0.2	0.3
Debt / Net Worth	3.6	2.1	2.3	2.3	2.1	2.8	1.8
Tangible Net Worth	7.6	22.7	15.0	20.6	21.2	18.7	22.9
Operating Ratios							
Profit before Taxes / Net Worth, %	107.2	90.3	87.5	94.1	125.0	65.8	65.2
Profit before Taxes / Total Assets, %	33.3	32.9	32.3	26.1	34.0	20.1	15.1
Sales / Net Fixed Assets	89.4	66.3	89.9	90.1	113.5	50.9	38.0
Sales / Total Assets (Asset Turnover)	4.2	3.3	3.6	3.7	3.9	3.5	3.0
Cash Flow & Debt Service Ratios (% of sales)							
Cash from Trading	81.4	81.3	82.7	86.6	92.8	72.5	57.8
Cash after Operations	10.8	12.0	11.0	10.0	12.2	7.4	6.3
Net Cash after Operations	10.1	11.3	11.2	8.8	11.3	7.4	7.4
Cash after Debt Amortization	0.7	1.5	2.1	0.4	0.6	0.6	n/a
Debt Service P&I Coverage	12.1	14.5	13.7	10.0	14.9	4.7	16.8
Interest Coverage (Operating Cash)	19.9	25.0	20.6	18.5	16.2	12.9	80.7
Assets, %							
Cash & Equivalents	37.8	35.5	35.6	35.7	40.3	29.7	24.9
Trade Receivables (net)	16.8	18.1	17.0	15.6	10.2	26.7	17.4
Inventory	1.1	1.6	0.9	0.2	0.1	0.3	0.4
All Other Current Assets	11.6	11.1	14.0	14.7	14.0	13.4	22.9
Total Current Assets	67.4	66.2	67.5	66.3	64.6	70.1	65.6
Fixed Assets (net)	14.0	15.4	12.5	12.6	14.6	9.2	10.3
Intangibles (net)	4.6	5.3	4.6	5.9	3.6	8.9	11.2
All Other Non-Current Assets	14.0	13.0	15.4	15.3	17.3	11.7	12.9
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets (\$m)	2,051.9	2,342.0	2,713.4	2,435.3	294.1	587.1	1,554.1
Liabilities, %							
Notes Payable-Short Term	28.2	18.2	24.8	19.6	20.9	21.3	6.5
Current Maturities L/T/D	5.0	2.5	4.6	3.2	3.2	3.4	2.6
Trade Payables	5.3	5.1	4.7	4.8	4.0	6.2	6.1
Income Taxes Payable	0.1	0.2	0.2	0.1	n/a	n/a	0.8
All Other Current Liabilities	32.2	25.8	28.9	30.2	33.6	24.2	26.6
Total Current Liabilities	70.8	51.7	63.3	57.9	61.7	55.0	42.7
Long Term Debt	9.3	13.3	12.0	10.1	9.6	8.3	18.4
Deferred Taxes	n/a	n/a	0.2	n/a	n/a	0.1	n/a
All Other Non-Current Liabilities	7.7	7.0	5.0	5.4	3.9	8.9	4.7
Net Worth	12.2	28.0	19.6	26.5	24.8	27.6	34.1
Total Liabilities & Net Worth (\$m)	2,051.9	2,342.0	2,713.4	2,435.3	294.1	587.1	1,554.1
Maximum Number of Statements Used	243	230	213	221	136	63	22

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.



Jargon & Glossary

Industry Jargon

BIG LAW The largest firms in the Law Firms industry.

INITIAL PUBLIC OFFERING (IPO) The issuing of a company's common stock to the public for the first time.

INSOLVENCY The inability to pay debts.

MERGERS AND ACQUISITION (M&A) The buying, selling and combining of companies.

PRO BONO Professional work that is undertaken voluntarily and without payment.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

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