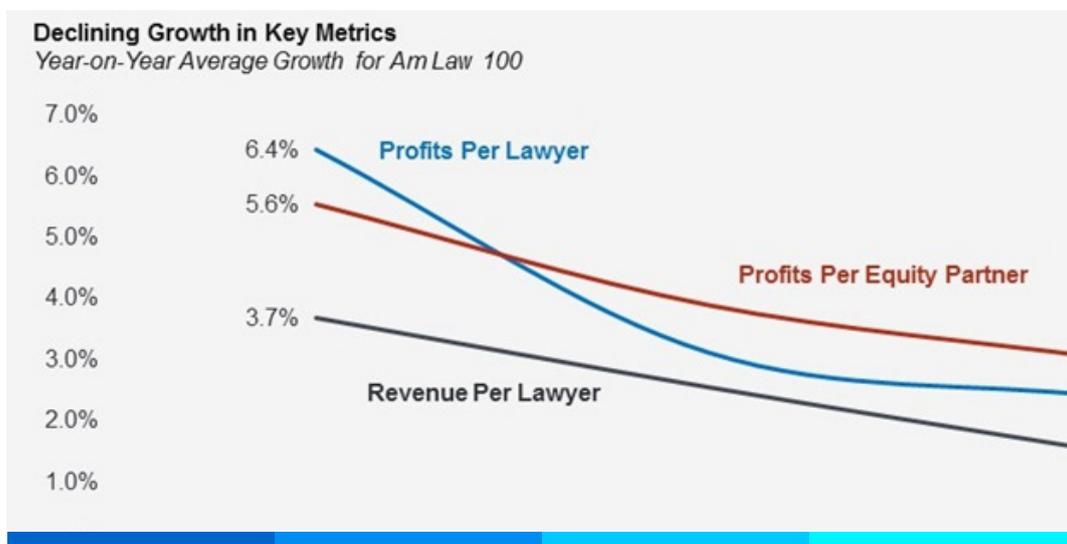


2017 AMLAW 200 – The State of the Top 200 Firms

The AMLAW 200 and AMLAW 100 reports have been industry bellwethers since 1986, touting the trends and changes in the top law firms in the US. Despite the fact that the overall indications are that law firms are still showing growth, these reports are inciting lots of buzz this year because with closer analysis, many troubling trends seem to be emerging.

The three main measures of law firm performance have historically been revenue per lawyer (RPL), profit per lawyer (PPL) and profit per partner (PPP). While all of these indicators are still showing growth in the top 100 firms, they are growing at a reduced pace year-over-year. Growth in RPL slowed from 2.6% last year to only 1.5% this year. PPP slowed down from 3.9% to 3.0%. Even more worrisome is that growth has slowed in all three of these key metrics in each of the last three years (see graph). This downward trend could be an indicator that slowed growth is a product of declining performance of the law firm industry as a whole. (1)



One thing that is clear from the recent reports is that the top 30-50 firms are big and they continue to get bigger and more successful, and the 2017 Georgetown Report goes even further in proclaiming that there are only 20 firms that have achieved fiscal separation from all the rest. These firms have achieved a level of distinction that has put them on top and also serves to keep them on top, above all others. While legal services are becoming more and more commoditized and market pressures are squeezing firms to do more for less, there are still some matters that companies will seek out counsel from these elite firms. These types of cases represent 1% of all cases and 12-15% of total legal spend, and tend to be "bet the farm" situations, international or cross-border transactions and litigation or matters that demand very specific and specialized expertise. (2) These select few firms seem to be immune to the pressures that face the rest of the market. They have achieved an elite status and as such have less competition and as such, they are able to negotiate higher rates with their clients.

Outside of the top firms, much has been made of the second 100 firms in the AMLAW 200 this year. Upon close inspection, these firms appear to be struggling when compared to the top 100 firms. Bruce MacEwen, a lawyer and law firm consultant for Adam Smith Esq. in New York coined the idea of the AMLAW 200's 'Hollow Middle'. This label was based on the finding that the closer firms were to the middle of the top 200, the lower their gross revenue was. These firms are suffering slower growth than both the firms above them and the firms below. In an analysis of the second 100 firms (101-200) divided into quartiles based on total revenue achieved, the top two quartiles performed noticeably worse than the bottom two quartiles. For firms 101-125, gross revenue increased 0.3%, and for firms 126-150, it increased 0.8%. In contrast, gross revenue in firms 151-175 increased 2.27%, and in firms 176-200, it increased 2.78%. (3)

What is at the heart of the struggle for these firms in the middle? Some pundits are arguing that these firms are getting squeezed by the firms above and the firms below them. The big firms are the “go to” choice for the biggest, most critical/complicated matters. These firms also have a national presence and can offer the same services across the US. The firms at the bottom of the AMLAW 200 are capitalizing on their regional presence, knowledge and relationships, as well as their ability to offer standard legal services at lower prices due to lower overhead. The firms in the middle are typically national in scope and therefore they are competing with the larger, national firms with bigger brand names, as well as smaller regional firms who can offer better rates and localized specialization. (4)

While at a high level, this year’s AMLAW statistics may seem discouraging, there is much to be learned as well. The firms that are surviving and even thriving in this difficult market are the ones that have succeeded in differentiating themselves from the others. Differentiation can be achieved in many ways – from brand recognition, to specialization in a specific industry or law, to developing a strong regional reputation with deep roots and relationships.

The legal profession – historically impervious to market pressures – has turned a corner. More and more, law firms are susceptible to the same pressures that other industries face. Pressure such as commoditization of services, a growing number of alternative service providers, technological innovations and shifts in supply and demand. While differentiation is key, even more important is the overall experience customers perceive as a benefit of the differentiation is critical.

Firms will do well to look at how they can fundamentally change their firm structure and business model in order to evolve and create value for their clients. This type of change does not come easy for many firms. However, the firms that are willing to look at these challenges as opportunities will be the ones who truly embrace evolving in order to address market pressures, will be the ones who succeed. (5)

About BigHand

BigHand is a leading software technology company with a big difference. Established in 1996, BigHand has developed a range of speech, workflow, document creation and process improvement solutions that help our customers achieve more in less time. BigHand is based in Chicago, Eindhoven, London, Sydney, Temecula and Toronto and currently supports over 280,000 users in 2,550 global organizations.

BigHand’s Voice, Delegation and Improvement product suites are HIPAA compliant to protect the privacy and security of protected health information (PHI) as defined in the HITECH Act. BigHand is proud to be ISO27001 certified. For more information, visit www.bighand.com or follow @BigHandNA on Twitter or BigHand North America on LinkedIn.

1. The AMLaw 100: Dark Clouds on the Horizon, law.com, by Nicholas Bruch, May 2, 2017
2. The AmLaw200 Is Down to 50 — Maybe 20. What Does It Mean?, May 11, 2017 by Mark A. Cohen
3. The Am Law 200’s ‘Hollow Middle’ If you aren’t high-end or super cheap, are you a firm clients will come to? Miriam Rozen, The American Lawyer
4. Midsized Firms Are Struggling Where Competition Is Fiercest, law.com, by Nicholas Bruch, May 31, 2017
5. Big Law Clings to ‘Guild-Like Veneer’ As ‘Super Rich’ Firms Pull Away, May 11, 2017, by J. Stephen Poor, Chair Emeritus, Swyfarth Shaw LLP

