

2017 STATE OF THE INDUSTRY SURVEY

Corporate Legal Operations Consortium

November 2017

www.cloc.org
info@cloc.org



WHAT'S INSIDE

Survey representation	<u>3</u>
Quick stats	<u>4</u>
Overall legal spend metrics	<u>6</u>
Internal vs. external spend stats	<u>7</u>
Spend breakdown by company size	<u>8</u>
Spend breakdown by industry	<u>9</u>
Overall legal department headcount	<u>11</u>
Legal Ops headcount	<u>12</u>
Attorney to Legal Ops headcount ratio	<u>13</u>
Headcount breakdown by company size	<u>14</u>
Commonly used eBilling vendors	<u>16</u>
Commonly used contract management systems	<u>18</u>
Alternative service providers	<u>20</u>
Law firm evaluation priorities	<u>23</u>
What our members would like to survey next year	<u>24</u>
Survey methodology and assumptions	<u>25</u>



C L O C
CORPORATE LEGAL OPERATIONS CONSORTIUM

SURVEY REPRESENTATION

156 companies represented

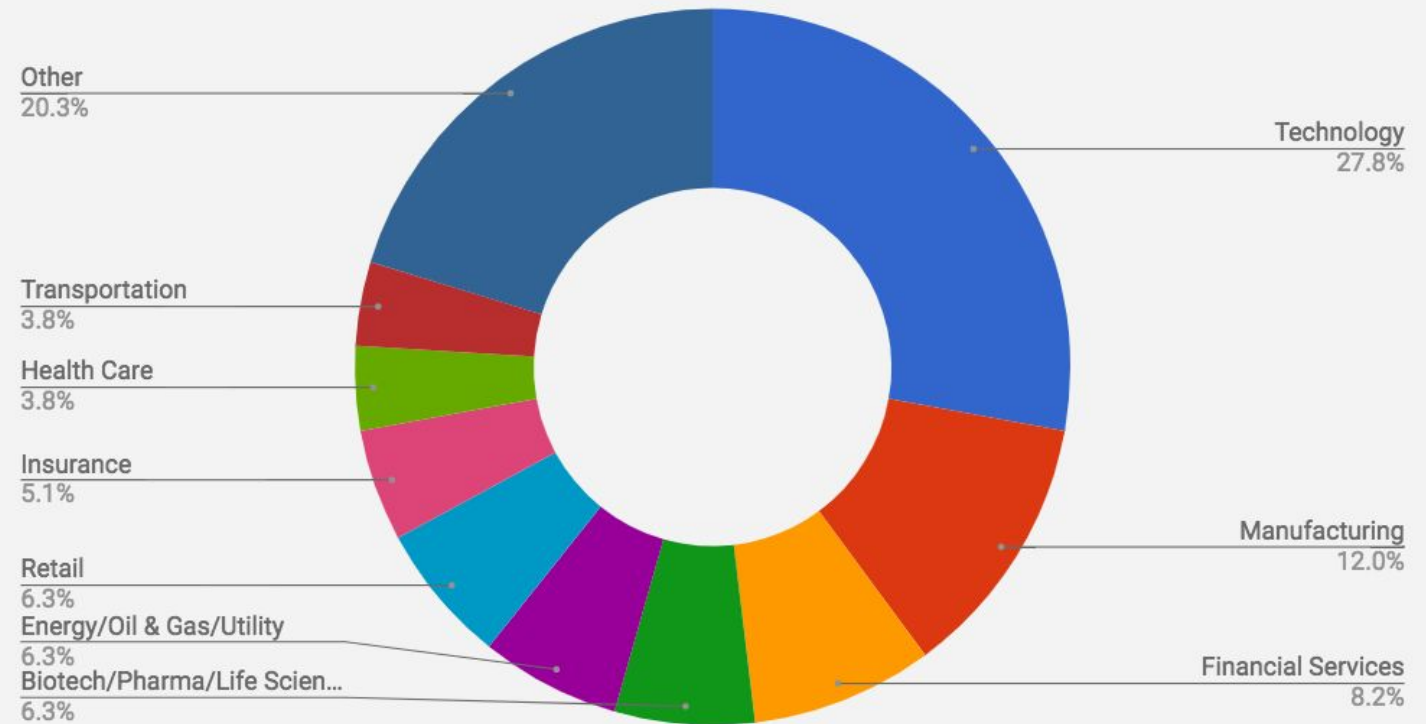
11% of the Fortune 500

11 countries represented

30 U.S. states represented

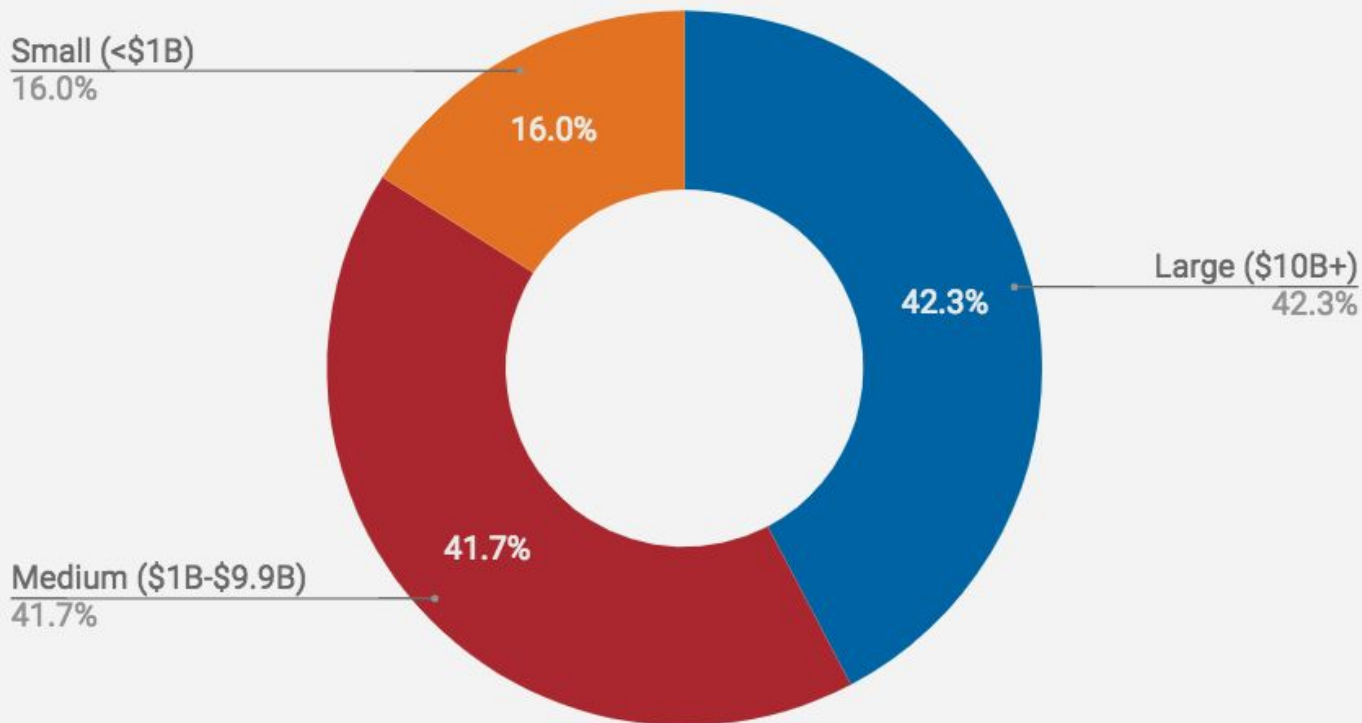
32 Approximate number of industries represented

INDUSTRY REPRESENTATION



QUICK STATS

RESPONDENT COMPANY SIZE
BREAKDOWN BY REVENUE



\$3.3T

collective revenue
among
respondents

\$7B

median
company
revenue

\$9B

collective
external legal
spend

\$60M

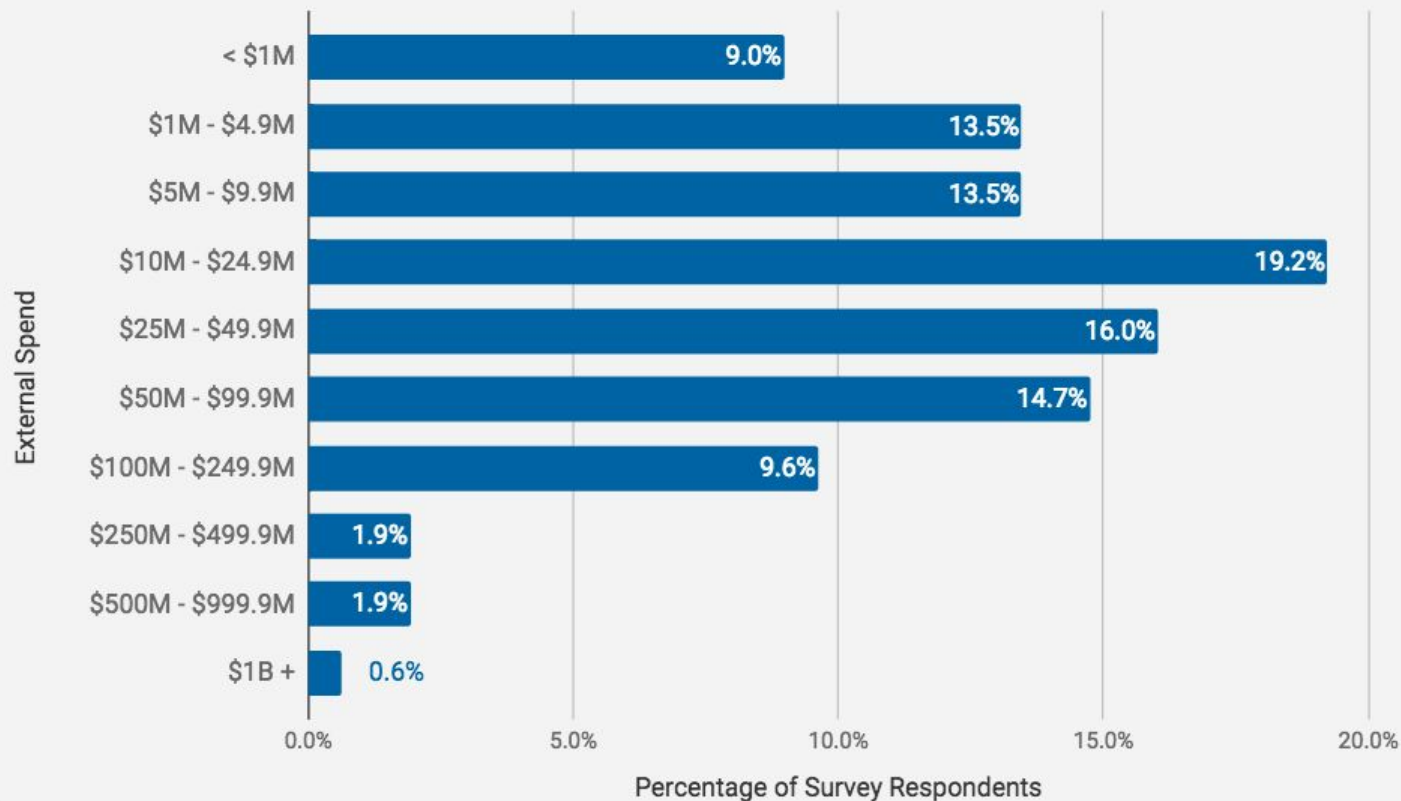
average
external legal
spend

INTERNAL AND EXTERNAL SPEND

OVERALL LEGAL SPEND METRICS

\$9B COLLECTIVE EXTERNAL SPEND

SURVEY RESPONDENT EXTERNAL SPEND RANGE



\$221K

average internal spend per legal dept. FTE*

\$607K

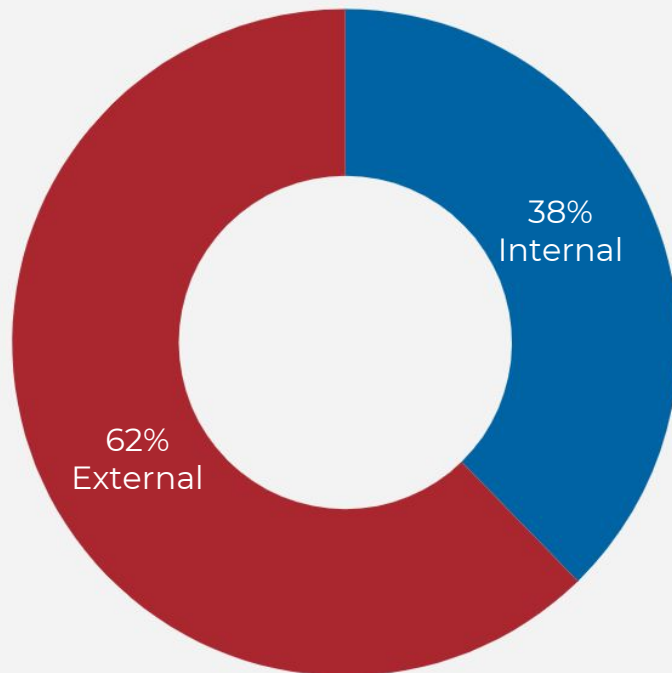
average external legal spend per in-house attorney

**Legal department FTEs include attorneys, paralegals, Legal Ops professionals, administrators, and all other members of the legal department*

INTERNAL AND EXTERNAL SPEND STATS

62¢ OF EVERY \$1 SPENT ON LEGAL COSTS GOES TO EXTERNAL LEGAL COSTS

LEGAL SPEND BREAKDOWN



\$36M average internal legal spend

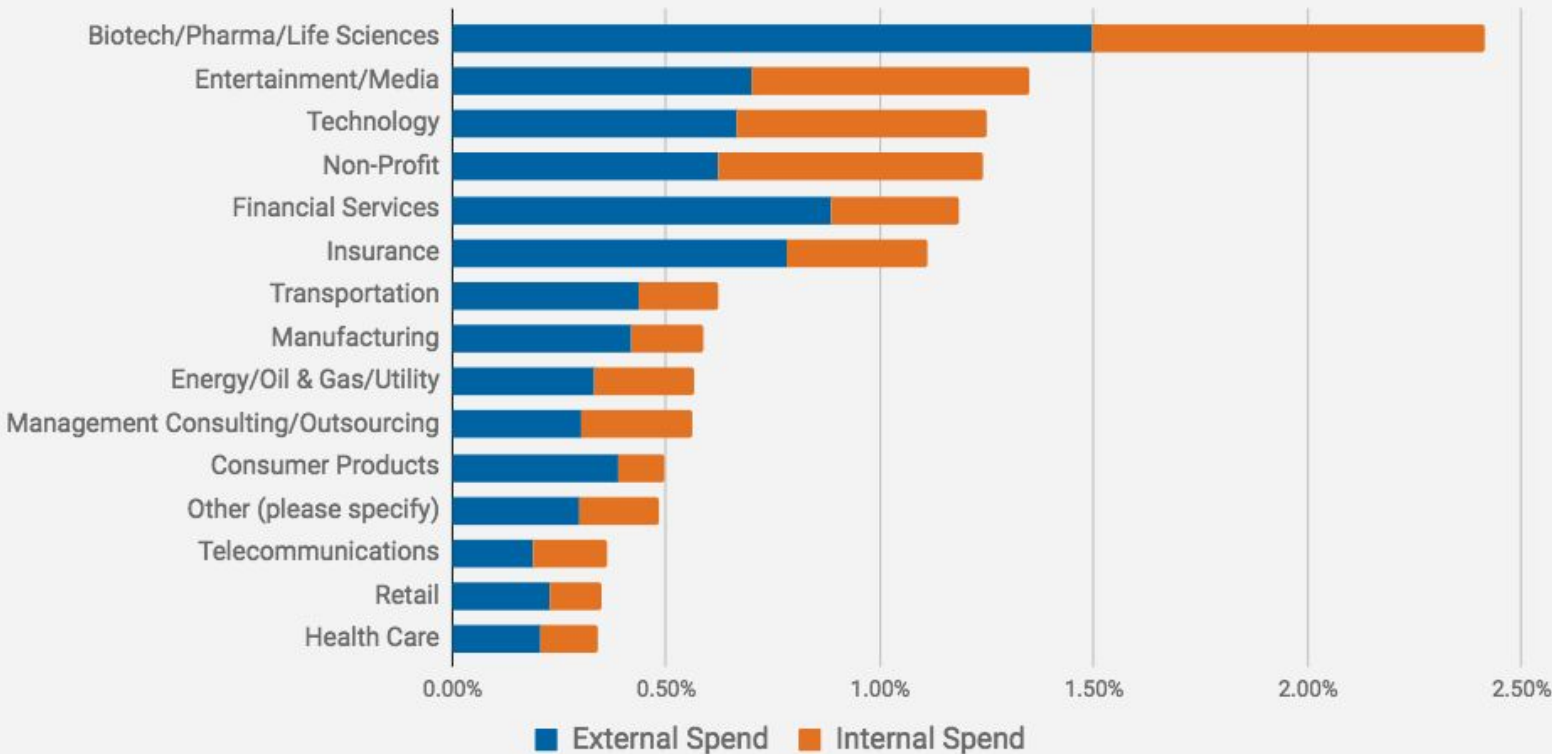
\$60M average external legal spend

SPEND BREAKDOWN BY COMPANY SIZE

	Large Companies (\$10B+ revenue)	Mid-Size Companies (\$1B-\$9.9B revenue)	Small Companies (Less than \$1B revenue)
% of respondents	42%	42%	16%
Avg. external spend	\$115M	\$25M	\$3M
Avg. internal spend	\$70M	\$15M	\$2M
Avg. legal spend as % of revenue	0.55%	1.24%	1.24%
Avg. external to internal spend ratio	\$3.49 external for every \$1 in-house	\$4.52 external for every \$1 in-house	\$2.19 external for every \$1 in-house

SPEND BREAKDOWN BY INDUSTRY

EXTERNAL AND INTERNAL SPEND BY INDUSTRY
(% OF REVENUE)



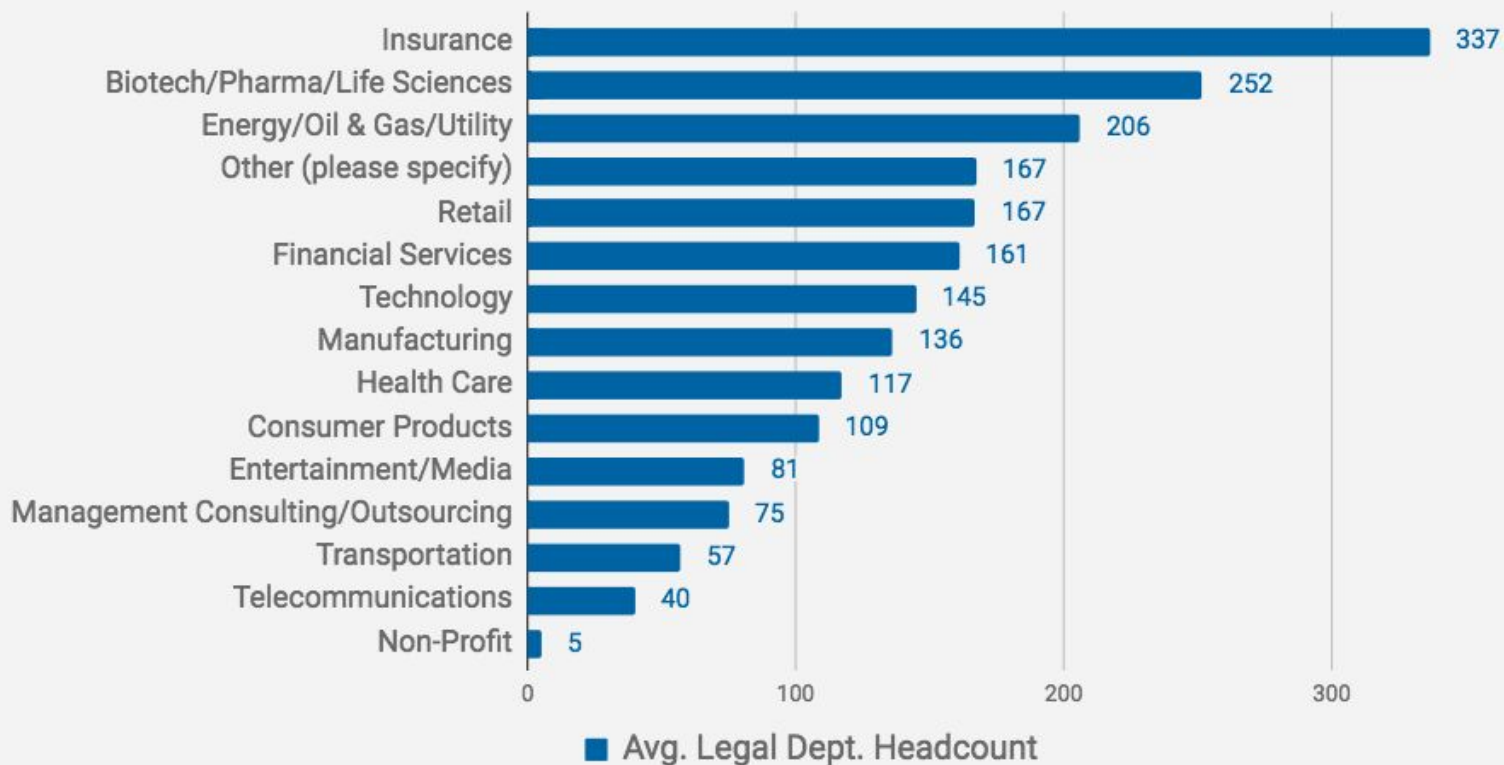
Biotech companies spent up to **2X** on legal costs compared to **technology** companies and nearly **5X** compared to **manufacturing** and **energy** companies

Financial service companies spent **.88%** of their revenue on **external legal costs** – higher than all other industries except **Biotech**

LEGAL DEPARTMENT HEADCOUNT

OVERALL LEGAL DEPARTMENT HEADCOUNT

AVERAGE LEGAL DEPARTMENT HEADCOUNT (FTE) BY INDUSTRY*



296 average **large** company (\$10B+) legal dept. headcount

74 average **mid-size** company (\$1B - \$9.9B) legal dept. headcount

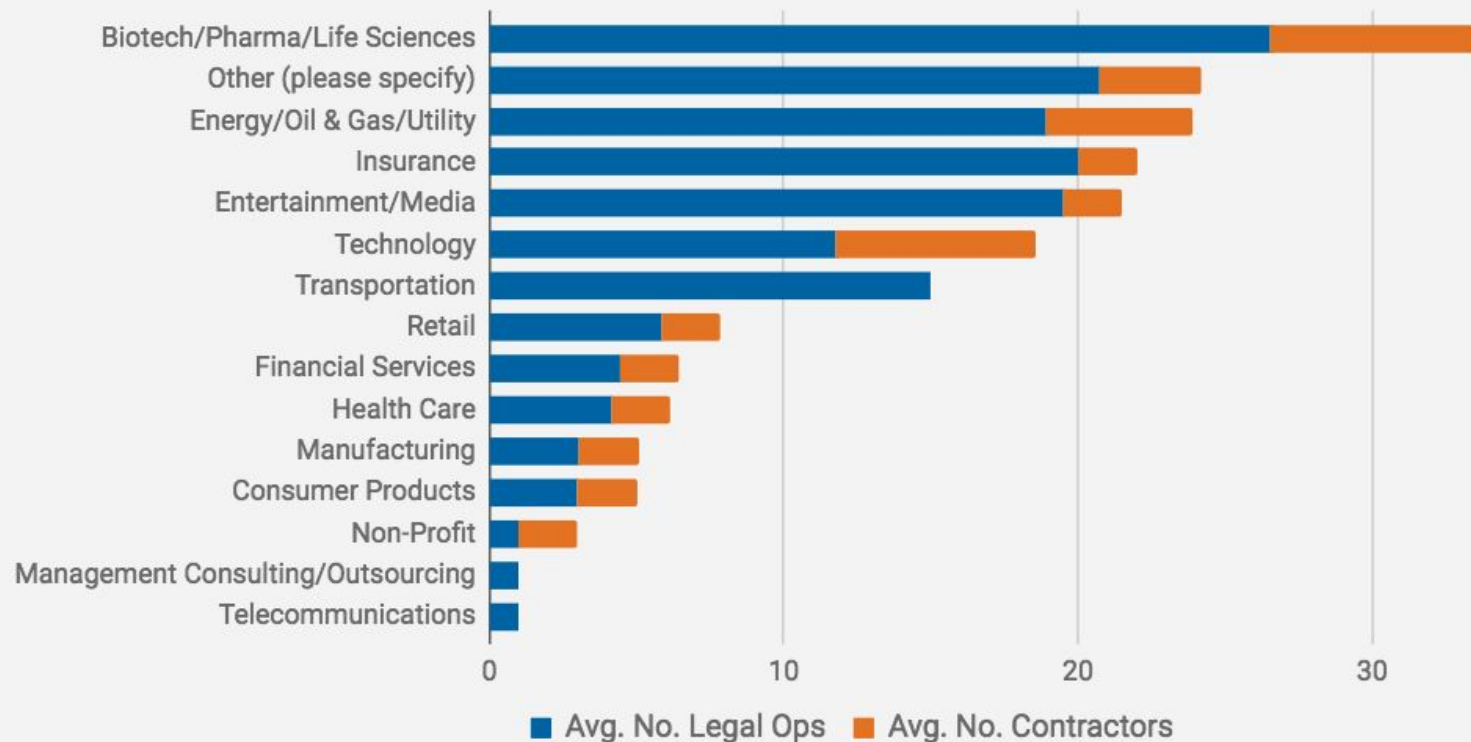
11 average **small** company (<\$1B) legal dept. headcount

*Legal department FTEs include attorneys, paralegals, Legal Ops professionals, administrators, and all other members of the legal department

LEGAL OPS HEADCOUNT

THE AVERAGE LEGAL OPS TEAM HAS **12** FTES

AVERAGE LEGAL OPS AND LEGAL OPS CONTRACTOR
TEAM SIZE BY INDUSTRY

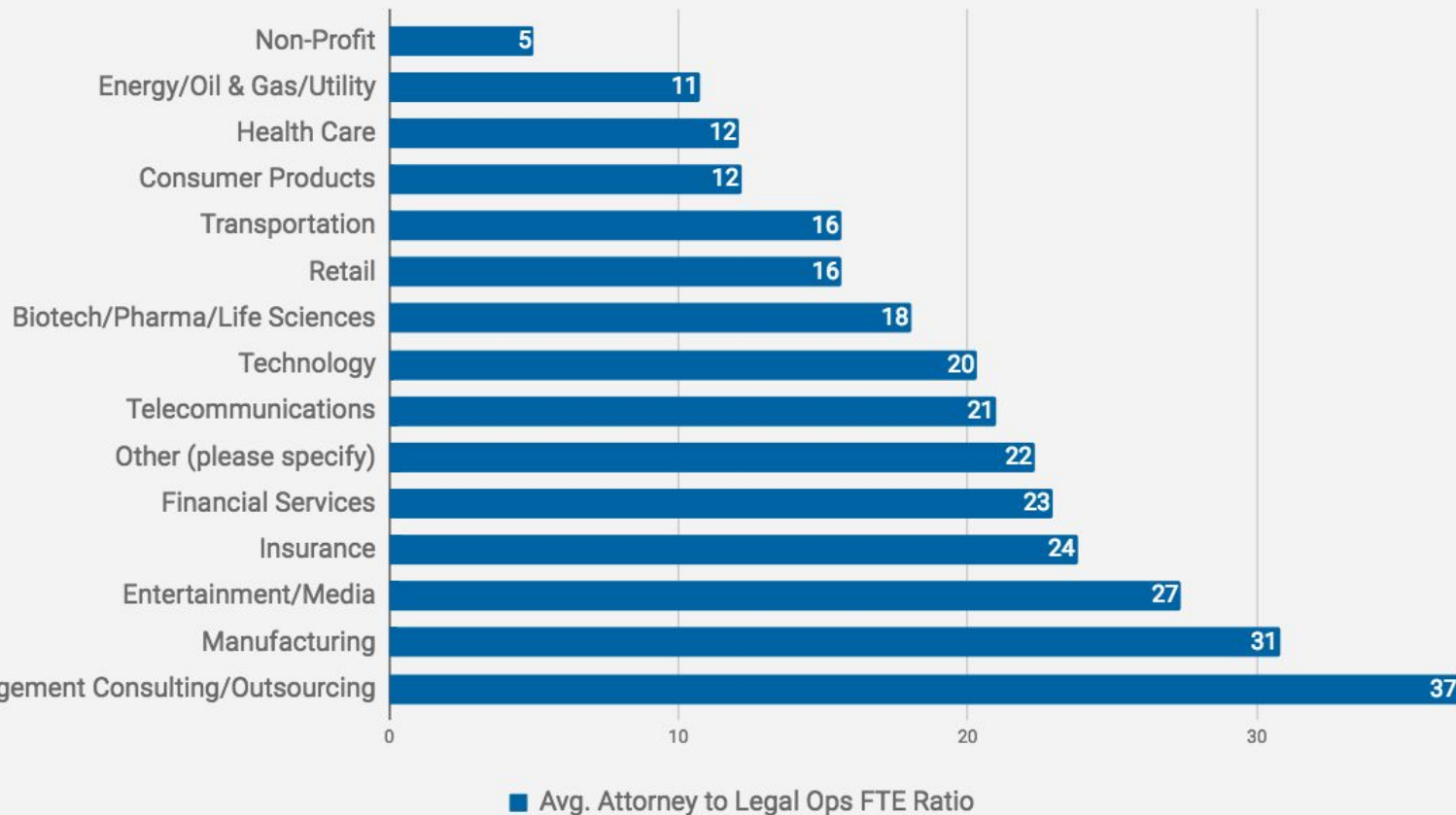


Half of energy companies utilize contractors on their Legal Ops team, while **one-third** of **technology** and **entertainment** companies do

Biotech companies average 27 Legal Ops FTEs while **financial services** and **health care** companies average 4 Legal Ops FTEs

ATTORNEY TO LEGAL OPS HEADCOUNT RATIO

ATTORNEY TO LEGAL OPS FTE RATIO BY INDUSTRY



27:1

average **large**
company (\$10B+)
attorney to legal ops
ratio

19:1

average **mid-size**
company (\$1B-\$9.9B)
attorney to legal ops
ratio

6:1

average **small**
company (<\$1B)
attorney to legal ops
ratio

HEADCOUNT BREAKDOWN BY COMPANY SIZE

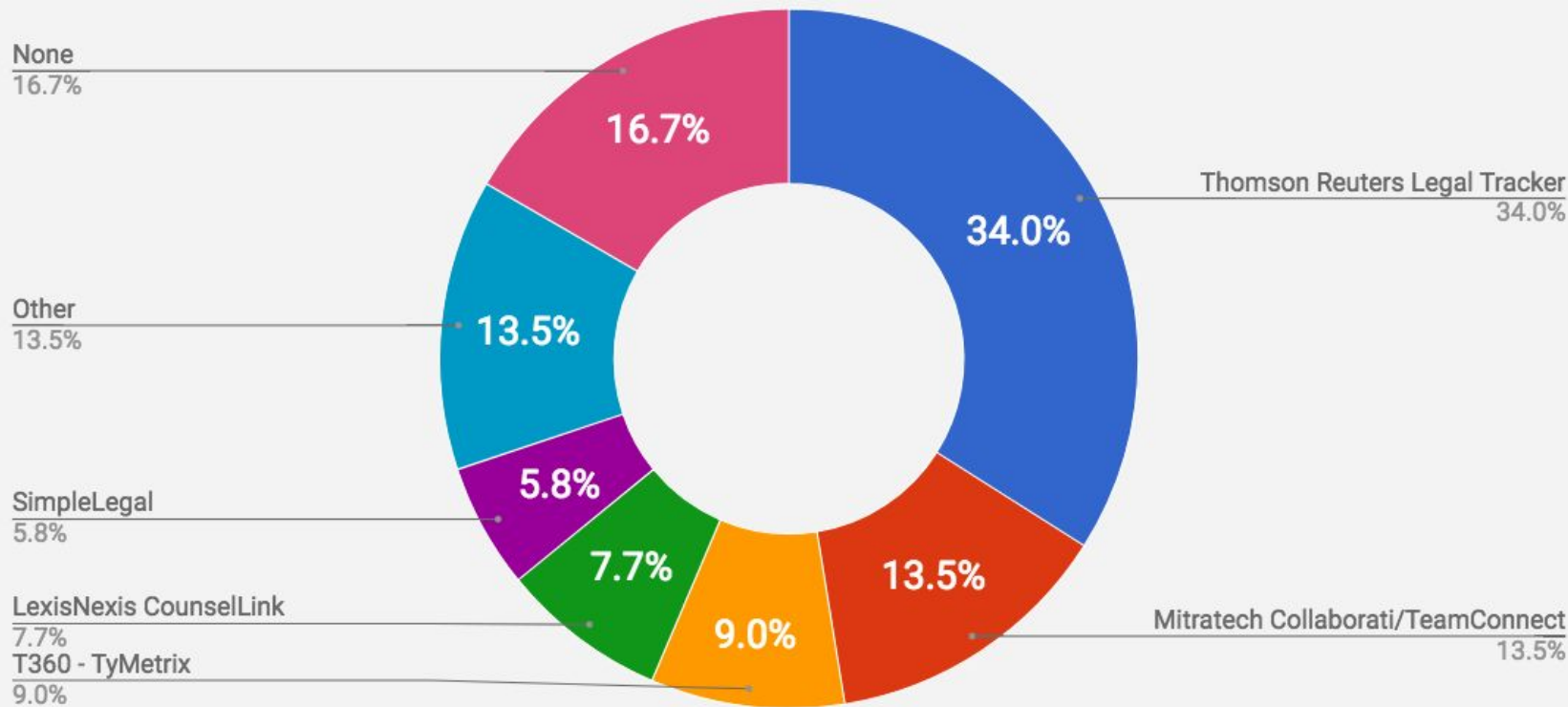
	Large Companies (\$10B+ revenue)	Mid-Size Companies (\$1B-\$9.9B revenue)	Small Companies (Less than \$1B revenue)
Avg. attorney headcount	188	41	9
Avg. Legal Ops headcount	21	6	1
Avg. attorney to revenue ratio	1 Attorney per \$585M	1 Attorney per \$196M	1 Attorney per \$65M
Avg. internal spend per legal dept. FTE*	\$225K per FTE	\$236K per FTE	\$175K per FTE

*Legal department FTEs include attorneys, paralegals, Legal Ops professionals, administrators, and all other members of the legal department

IN-HOUSE VENDORS

COMMONLY USED EBILLING VENDORS

WHAT EBILLING SYSTEM DO YOU USE?



83% of respondents use an eBilling system

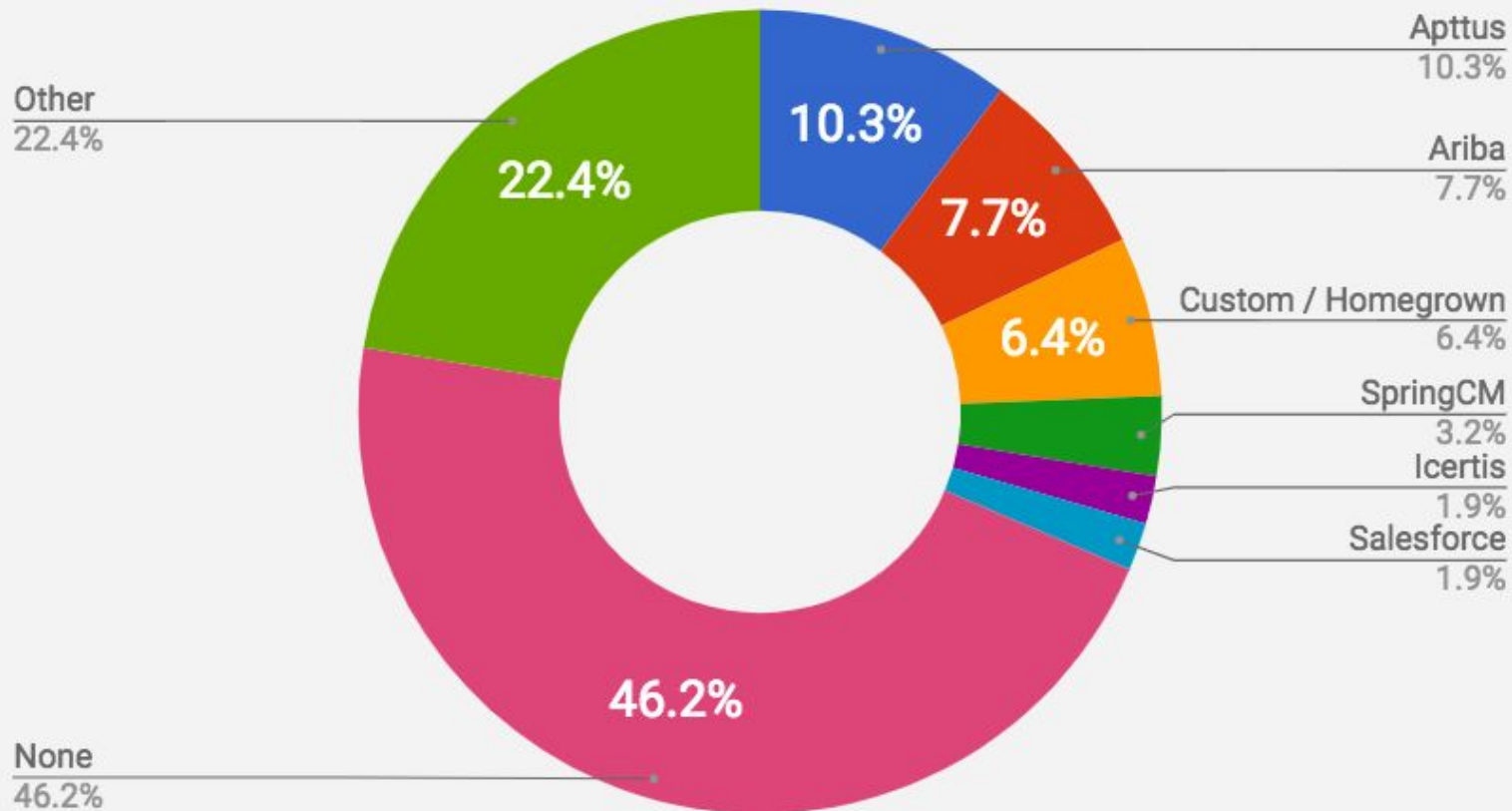
5 eBilling vendors account for **84%** of the market share among respondents with an eBilling system

LIST OF EBILLING VENDORS USED

Vendor	Percent of Respondents
Thomson Reuters Legal Tracker	34.0%
Mitrastech Collaborati/TeamConnect	13.5%
T360 - TyMetrix	9.0%
LexisNexis CounselLink	7.7%
SimpleLegal	5.8%
Datacert Passport	4.5%
doeASCENT	1.9%
Onit	1.3%
TeamConnect	1.3%
AIMS	0.6%
Ariba	0.6%
Cael	0.6%
Lex Connect	0.6%
OnBase	0.6%
Oracle	0.6%
SAP	0.6%
None	16.7%

COMMONLY USED CONTRACT MANAGEMENT SYSTEMS

WHAT CONTRACT MANAGEMENT SYSTEM DO YOU USE?



NEARLY HALF of respondents have no contract management system

33 different vendors are used among the **84** companies that have a contract management system

6 vendors account for **58%** of the market share among respondents with a contract management system

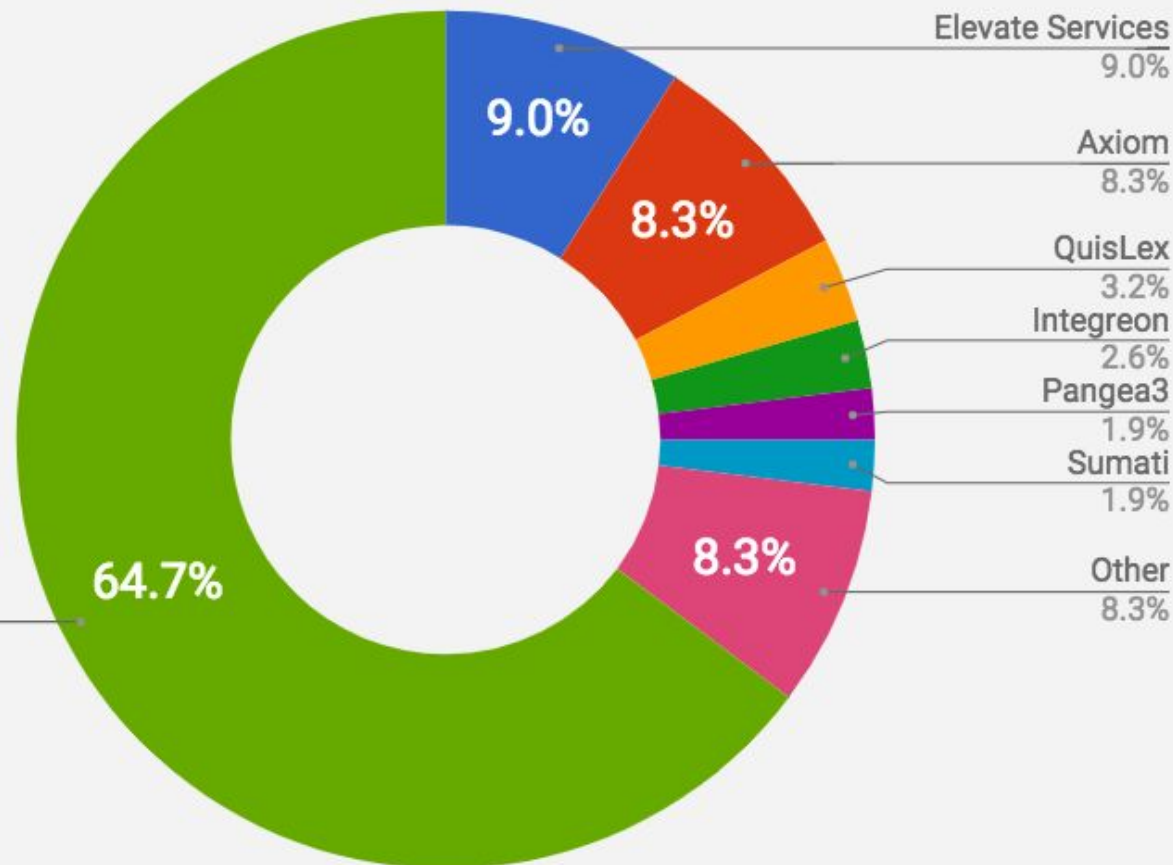
LIST OF CONTRACT MANAGEMENT SYSTEMS MENTIONED

Vendor	Share of Respondents
Apttus	10.3%
Ariba	7.7%
Custom / Homegrown	6.4%
SpringCM	3.2%
Icertis	1.9%
Salesforce	1.9%
Contract Logix	1.3%
Curtis Fitch CF Contracts	1.3%
Novatus	1.3%
Onit	1.3%
OpenText	1.3%
SAP CLM	1.3%
SharePoint	1.3%
Zycus	1.3%
Agiloft	0.6%
Axxerion	0.6%
Cael	0.6%

Vendor	Share of Respondents
CMS	0.6%
Cobblestone	0.6%
Conga Novatus	0.6%
Contract Express	0.6%
Determine	0.6%
Documentum	0.6%
IRIS from Axiom	0.6%
iValua	0.6%
Legal Suite	0.6%
MediTract	0.6%
Mitrastech Law Manager	0.6%
Octiv	0.6%
Plexus Legal Gateway	0.6%
Pramada	0.6%
SciQuest	0.6%
Selectica	0.6%
None	46.2%

ALTERNATIVE SERVICE PROVIDERS

WHAT ALTERNATIVE SERVICE PROVIDERS OR MANAGED SERVICES PROVIDERS DO YOU USE?



NEARLY 2
OUT OF 3

survey respondents do not have an alternative service provider

42%

of companies that use alternative service providers utilize **at least 2 providers**

15%

of companies that use alternative service providers utilize **3 or more providers**

*An additional **40 vendors** are used among respondents – each is used by **less than 4%** of respondents

LIST OF ALTERNATIVE SERVICE PROVIDERS MENTIONED

Vendor	Share of Respondents
Elevate Services	9.0%
Axiom	8.3%
QuisLex	3.2%
Integreon	2.6%
Pangea3	1.9%
Sumati	1.9%
Counsel on Call	1.3%
eDiscovery	1.3%
Exigent	1.3%
F-LEX	1.3%
Mindcrest	1.3%
Morae Legal	1.3%
PwC	1.3%
Resources Global	1.3%
Robert Half	1.3%
UnitedLex	1.3%

Vendor	Share of Respondents
Altep	0.6%
Baker GIPM	0.6%
Bespoke	0.6%
Case Managment	0.6%
Citco	0.6%
Clarivate	0.6%
Cognicion	0.6%
CPA Global	0.6%
Evers Legal	0.6%
FTI Consulting	0.6%
H5	0.6%
InCloud Counsel	0.6%
JurisSolutions	0.6%
Lawyers on Demand	0.6%
Managed Document Review	0.6%
MLA	0.6%

Vendor	Share of Respondents
Navigant	0.6%
Obelisk	0.6%
Onit	0.6%
Orange	0.6%
Paragon	0.6%
Plexus	0.6%
Quovant	0.6%
Sedgwick CMS (TPA)	0.6%
Special Counsel	0.6%
Superior Review	0.6%
Update Legal	0.6%
WIPRO	0.6%
Xact Data	0.6%
Yerra	0.6%
None	64.7%

LAW FIRM EVALUATIONS

LAW FIRM EVALUATION POLICIES

Nearly **one-third** of respondents **don't measure law firm performance** in any manner. Of those respondents that do measure performance, **outcome-based evaluations** are the most important (21.5%) followed by **informal qualitative feedback** (17.7%). **More than half** of respondents **do not rely on formal attorney ratings** and use other means to assess performance.

LAW FIRM EVALUATION HEAT MAP*

Rank	Formal attorney ratings	Informal qualitative feedback	Outcome-based (win / loss / favorable settlement, etc.)	Responsiveness / Turnaround / Timeliness	Staying on budget	We do not rate law firm performance
1	7.6%	17.7%	21.5%	12.7%	9.5%	31.0%
2	6.3%	25.9%	19.0%	29.7%	18.4%	0.6%
3	11.4%	20.9%	21.5%	22.2%	22.8%	1.3%
4	10.8%	17.7%	23.4%	23.4%	24.1%	0.6%
5	39.2%	14.6%	12.0%	11.4%	19.0%	3.8%
6	24.7%	3.2%	2.5%	0.6%	6.3%	62.7%

* Percentage indicates the proportion of respondents that ranked the law firm quality metric at the respective level of importance (1-6). For example, 7.6% of respondents ranked "Formal attorney ratings" as the #1 most important way in which to assess law firm performance and 25.9% of respondents ranked "Informal qualitative feedback" as the 2nd most important.

SURVEY METHODOLOGY AND ASSUMPTIONS

The data incorporated in this analysis is based on **range estimations** (not exact numbers) provided by respondents. Data ranges were gathered for the following metrics:

- Headcount
- Internal and External Legal Spend
- Revenue

Data range analysis. To provide actionable data, some of the data points and charts in this presentation used the **mid-point of a data range** as the respondent's data input. For example, if company X reported 50-99 attorneys, the data point used for analysis was 75. Similarly, if company Y reported \$1M - \$4.9M in external legal spend, the data point used for analysis was \$2.5M.

Low end of the data range. For the lowest data range (e.g. < \$1M) the base number was cut in half. For example, < \$1M in spend is \$500K for analysis purposes.

High end of the data range. The following calculations were used for data at the upper end of the range (e.g. 500+ attorneys or \$1B+ in external spend):

Attorney Headcount: 500+ = 1000

External Legal Spend: \$1B+ = \$1.5B

Legal Ops Headcount: 20+ = 75

Internal Legal Spend: \$300+ = \$450B

Legal Dept. Total Headcount: 500+ = 1000

Revenue data came from two sources. Any publically available revenue data was used in lieu of taking the mid-point of the revenue range provided by respondents. For all companies that do not publically report revenue, the mid-point of the respondent's revenue range was used for purposes of analysis.

Outliers: Our survey analysis team took the liberty to remove any obvious data outliers. For example, if a respondent's data inputs resulted in a calculation that showed legal spend was 41% of revenue, that respondent's spend data was excluded from analysis.

Survey data was collected in September 2017 and survey participation was open to all CLOC members.

If you have any further questions, contact info@cloc.org.

Thank you for participating and we hope you find the results useful!

CLOC



Be on the lookout for CLOC's next

STATE OF THE INDUSTRY SURVEY

in Fall 2018!

