

Martindale-Hubbell®
International

EUROPEAN STUDY 2006:
How mid-sized companies
in Europe select and
review their legal services
providers



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Bringing together buyers and sellers of cross border legal services

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**EUROPEAN STUDY 2006:
“How mid-sized companies in Europe select and review their legal services providers”**

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1. Foreword

All too often, research into the European legal market focuses on the highly complex, multi-jurisdictional activity involving Global/European 500 corporations. While this research provides a comprehensive picture of this important sector, it overlooks the real ‘engine room’ of economic growth in Europe – the ‘mid-sized’ market.

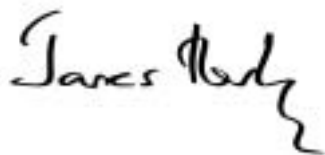
It is perhaps not surprising that existing studies tend to avoid analysing the legal needs of mid-sized European companies, whilst dynamic, they are a diverse group. What is more, there is a perception that the demand for legal services is low among these smaller companies, and that they tend to engage in low-risk low-value transactions. While it is true that few of these companies have any formal annual legal budget, this survey demonstrates that such companies require the same full range of legal services as their larger competitors. In addition, a significant minority intend to increase their external legal spend in the next twelve months. Mid-sized companies are enthusiastic outsourcers of legal services as few have the in-house legal capacity to deal with even the simplest of legal problems. Collectively, therefore, despite their low profile, they are a crucial target market for European law firms.

This latest LexisNexis Martindale-Hubbell research aims to overcome the lack of information in relation to the legal services requirement of the mid-sized market. It aims to discover how well the European legal profession is currently servicing this market and explores what mid-sized companies ‘like’ and ‘dislike’ about the service they receive.

2. Acknowledgements

LexisNexis Martindale-Hubbell would like to extend its thanks to Silvia Hodges of Legal Marketing Italia for co-ordinating and overseeing the qualitative phase of this research, and for acting as independent research advisor. Silvia played a key role throughout the project, assisting with the study design, response aggregation and analysis of findings.

We would also like to thank the anonymous yet distinguished group of senior executives and in-house managers who gave their time to support this study with their candid and valuable opinions. Only with the support of those responsible for corporate legal decisions within Europe can we continue to produce these regular reviews of the legal services market, which we first published in 2002.

A handwritten signature in black ink that reads "James Harley". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

James Harley, International Marketing Director
LexisNexis Martindale-Hubbell

3. Introduction and overview

This is our third major study into the European legal services market. Unlike previous reports, which have tended to focus on the ‘top end’ of the market, this report focuses on what is arguably the most demanding and least-researched of sectors – the European corporate ‘mid-tier’. This research focused on four major European jurisdictions: France, Germany, Italy and the UK.

The main body of the research comprised of a number of in-depth interviews with company executives, legal managers and key decision makers within European mid-sized companies. This qualitative research is supported by a quantitative study. To aid recruitment of volunteers, and to prevent “survey overload”, we were forced to exercise considerable self-restraint when devising the scope of the questionnaire.

Research Objective: Understanding market dynamics in the mid-sized market

The study focused on establishing what matters most to mid-sized companies in terms of the delivery of legal services by external providers. In particular, the study aimed to gain a clearer appreciation of:

- How mid-sized companies establish their need for legal advice;
- Their approach to the buying process for legal services;
- How they identify and evaluate alternative law firms and lawyers;
- Which key stakeholders/individuals are involved in the decision-making process to purchase legal services;
- The type of law firm they instruct and the type of legal work they outsource;
- Their preferences in relation to billing;
- Which marketing and business development activities by law firms tend to influence the selection and decision-making process by mid-sized companies.

In order for law firms to operate effective marketing strategies, their principal objective must be to convert marketing stimuli into purchase responses. Firms must understand the processes by which sophisticated and demanding purchasers of legal services identify, evaluate and ultimately select their external counsel. In the professional services sector, however, such clarity is often hard to establish. Many factors contribute to the decision making processes. This makes it extremely difficult to attribute success to individual or isolated activities. Only by better understanding the challenges, needs and expectations of prospective buyers can law firms be confident that they are engaging with the customer on their terms.

“I don’t understand why [all] law firms say how high quality their work is. For me, quality is a given...I don’t expect any less. Law firms can only surprise me positively if they are attentive, good listeners, and are truly interested in the well-being of my company.”

(Italian manufacturing/production company)

We believe these findings provide a valuable insight into the external legal service buying habits, needs and expectations of the ‘backbone’ of the European economy.

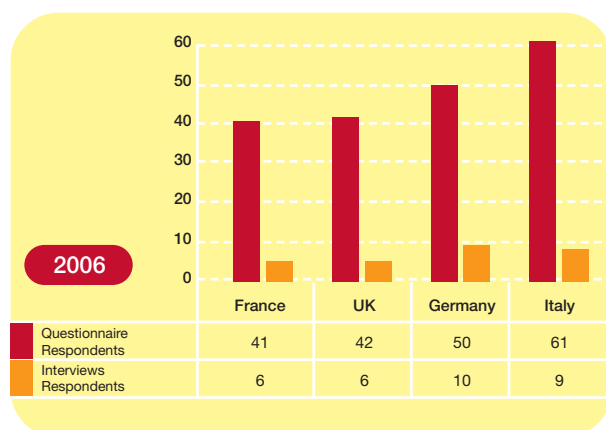
4. Methodology and demographics

A qualitative and quantitative approach

The first phase of the market research comprised **31 in-depth interviews** (face-to-face or by telephone). Each interview was conducted with the individual responsible for engaging law firms in the respondent company. Interviews were carried out between October 2005 and February 2006.

Qualitative interviews were conducted with the company's managing director or owner, head of finance, in-house lawyer, or head of human resources/operations. Interview respondents represented four major EU jurisdictions: **6** from France (19%), **6** from the UK (19%), **10** from Germany (32%), and **9** from Italy (29%).

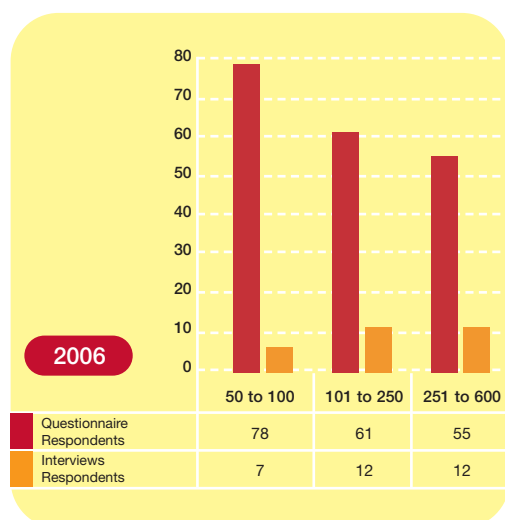
After this exercise, a supporting quantitative study was carried out to validate or rescind the initial qualitative findings. **194 questionnaires** were collected: **41** from France (21%), **42** from the UK (22%), **50** from Germany (26%) and **61** from Italy (31%).



For purposes of the study, 'mid-size' companies were defined as 'for-profit' organisations with between 50 and 600 full-time employees at the time of the research. The companies were then sub-divided into 'small' (50 to 100 employees), 'medium' (101-250) and 'large' (251-600).

Among the interview participants, 7 companies were classified as 'small', 12 as 'medium', and 12 as 'large'. In the quantitative part of the study, 78 companies qualified as 'small' (41%), 61 as 'medium' (31%), and 55 as 'large' (28%).

Methodology and demographics



The study encompassed three civil law jurisdictions (France, Germany, and Italy) and one common law country (UK). To minimise the risk of branches of multinational corporations distorting the findings, participants were recruited on a geographical basis, and were assigned to the jurisdiction of their head office. Only companies that had their head office in one of the four jurisdictions surveyed were invited to take part.

Respondents were segmented into three broad industry groups: manufacturing/production, retail/wholesale, and services. Respondent representation was evenly distributed across these industry sectors for both the quantitative and qualitative areas of the study: Among questionnaire respondents, 76 companies belonged to the manufacturing/production sector (39%), 67 to the services sector (35%) and 51 to the retail/wholesale sector (26%). Among interview respondents, 12 belonged to the manufacturing/production sector, 10 to the services sector and 9 to the retail/wholesale sector.



5. Research Findings: Executive Summary

Legal departments in mid-sized companies

The overwhelming majority (70%) of respondent companies have no dedicated internal legal function. Even among the largest companies within the sample (between 251-600 employees), only half of respondents operated a dedicated in-house legal department.

Consequently:

- The business management/executive team plays a key role in all matters relating to the evaluation and appointment of outside counsel. Crucially, these personnel also carry out the initial risk assessment in deciding whether or not to instruct outside counsel;
- A majority of respondents from small and medium companies (employing fewer than 250 staff) outsource all of their 'high risk' legal work. Among the smallest companies, this figure is 54%, while among medium-size companies this figure rises to 77%. Just under a half (45%) of respondents within the largest companies sampled outsource all of their high risk work.

Role of management

Within medium sized companies, the company's management team play a central role in the evaluation and selection of external counsel. More specifically, in 86% of respondent companies it is the company's managing director/owner who plays the key role in the identification, evaluation and final decision on external law firm appointments. This is often the case even if the company has its own in-house legal team.

Outsourcing

For the purpose of this study 'outsourcing' refers to legal work that is performed by external, private practice, law firms. Within our survey, mid-sized companies take a pragmatic approach to outsourcing.

- There is a general recognition amongst respondents that, in order to have access to high-quality legal advice, it is often more efficient and effective to outsource legal work than have it completed internally.
- Small companies within the sample, would appear to be loyal clients, and tend to prefer not to change their external legal service provider.
- More than a third (37%) of respondents set aside a dedicated annual budget specifically for outside legal assistance.
- All respondents made use of national law firms, while smaller respondents tended to also make use of local or regional firms and larger respondents tended to make use of national law firms.

Research Findings: Executive Summary

Law firms most likely to retain or improve their market share with mid-sized companies must demonstrate the following characteristics:

- They must offer a consistent, high-quality service. Whilst mid-sized companies tend to be loyal clients, law firms serving this market cannot afford to be complacent. Also despite their loyalty, mid-sized clients expect a high level of customer service.
- Law firms should be aware of sector or industry trends affecting the client. They should display an in-depth knowledge of the client's own business, their industry in general and the activities of their major competitors.
- Firms should be honest and realistic when submitting cost estimates.
- They should be flexible with their billing arrangements.
- They should offer lawyers with the appropriate level of expertise and experience. Respondents repeatedly stated that they wished firms would do more to match their lawyers' level of expertise with that required by the task in hand.
- They should ensure that the legal service delivered represents 'fair' value for money. That is, the cost of the advice should be in keeping with its commercial value, quality or level of sophistication.

Law Firm Marketing

When selecting a new law firm, mid-sized clients tend to ask their peers or existing outside counsel for their recommendations. As a result, law firm marketing or business development partners face an uphill task in winning new work, unless they have an existing relationship or contact within their target company. Managers are also wary of marketing "gimmicks", such as cut-price trial offers.

Generally, decision makers take a dim view of the marketing efforts of many law firms. In many cases, mid-tier companies reported that they were never or rarely approached by law firms offering their expertise and services. In relation to pitches and tenders, several reported that their requests for information were either entirely ignored or, where presentations were made, were of a disappointing quality.

Decision makers expect firms to be familiar with their industry sector/line of business and to offer relevant, timely commercial advice. In many cases the reputation of an individual practitioner was found to be far more influential to the final selection decision than the reputation of the firm.

6. Organisation: Legal Department

According to the study, a typical mid-sized company is unlikely to have its own internal legal department with only 30% of respondents employing dedicated in-house lawyers.

	Total	Italy	Germany	France	UK	S	M	L
Companies with an in-house Department	30%	16%	22%	51%	36%	12%	33%	51%
Companies with no in-house Department	70%	80%	76%	46%	60%	85%	64%	47%

That said, the survey highlights significant variations between countries. Contrary to expectations, companies in France – a civil law country – are the most likely (51%) to employ in-house lawyers against 36% in the UK, a common law jurisdiction. Of all the jurisdictions surveyed, Italian companies were least likely to employ in-house lawyers, with just 16 per cent doing so. Slightly more than one fifth (22%) of German mid-sized companies employed their own in-house counsel.

Perhaps unsurprisingly, there is a clear correlation between the size of the company and whether they employ a dedicated in-house legal department, 51% of the largest mid-sized companies sampled employed at least one in-house lawyer, compared with 33% of medium-sized companies and just 12% of small companies.

Of all mid-sized companies that employ in-house lawyers, the typical size of the in-house legal team is between one and two staff members.

Outsourcing

Given their lack of in-house legal capacity, it is perhaps not surprising that almost two-thirds (61%) of mid-sized companies outsource all **high risk** legal matters to law firms. By contrast, just 4% chose to handle high risk legal matters entirely in-house. High risk legal matters will typically involve supporting high value transactions; matters with potential impact on company and/or personal reputation; company liability related to core product/service; or matters requiring a high level of expertise.

With matters involving a **low risk** to the company, mid-sized companies are generally more willing to handle matters in-house. A total of 41% handled low risk matters entirely in-house, with 38% acting in combination with external counsel. Curiously, around one fifth (21%) of mid-sized companies appear willing to outsource all of their low risk legal work, rather than maintain any form of in-house legal capacity.

For the purpose of this survey, low risk legal matters involve limited exposure/risk to company; simple, predictable outcomes of high volume/recurring matters.

Organisation: Legal Department

How respondents tend to handle legal matters

	High risk	Low risk
Only internally	4%	41%
Combination of internal and external resource	35%	38%
Only outsource	61%	21%

How respondents handle legal matters by size of organisation

	Small		Medium		Large	
	High risk	Low risk	High risk	Low risk	High risk	Low risk
Only internally	4%	41%	3%	46%	5%	33%
Some internally, outsource others	40%	32%	16%	21%	45%	60%
Only outsource	54%	24%	77%	30%	45%	4%

When these results are examined on a more granular level, several curious variations occur. Most obviously, the smallest of the mid-sized companies (50-100 employees) appear to be surprisingly willing to handle at least some “high risk” legal matters themselves, either internally or in association with outside counsel. While this approach is understandable for the largest of the mid-sized companies (251-600 employees), many of whom will presumably have their own in-house legal function, the results indicate that many small mid-sized companies take a somewhat cavalier approach to managing legal risk. By contrast, medium-sized mid-tier companies (101-250 employees) are enthusiastic outsourcers of high-risk legal matters. This suggests that senior managers are sufficiently aware of legal risk and exposure and are more willing to mitigate these risks, investing in external legal advice.

For law firms, these results provide some industry insights. Firstly, companies employing more than 100 staff would appear to be amenable to the idea of outsourcing some or all of their high risk legal work, without hesitation. This suggests both a reasonable level of risk awareness among senior personnel, and a willingness to pay for high risk legal advice. By contrast, a significant proportion of the smaller mid-sized companies are prepared to make extensive use of external lawyers, even for high risk work. It is possible that this reluctance could either be due to ignorance of risk, or simply, because of cost or perceptions of cost.

In relation to low risk work, a small majority of all types of companies routinely outsource at least some of their legal work. Firms wishing to offer low risk legal advice should either target the largest mid-sized companies, or the smallest. The smallest companies may wish to use external legal advisers for low risk legal advice because it is easier than incurring the expense of employing an in-house advisor. For larger companies, which are more likely to have an in-house legal function, the reasons for outsourcing low risk legal work may well be different. Here, the legal function is more likely to be engaged on strategic / managerial matters, and not be willing to deal with low-value matters on a day-to-day basis.

By contrast, medium-sized mid-tier companies offer the slimmest pickings for law firms in relation to low risk legal work. These companies are likely to be large enough to employ their own legal function, but small enough to keep this function engaged in routine matters.

Organisation: Legal Department

When examined on a geographical basis, there appears to be some correlation between the prevalence of an in-house legal function and a company's willingness to handle a wide range of legal matters internally. For example, French and UK mid-sized companies appear more likely to handle high risk legal matters internally than their Italian or German counterparts, perhaps mirroring the fact that in-house lawyers are more common in French and UK companies than those in Italy or Germany.

In relation to low risk work, however, the correlation appears less clear. It makes sense that, given their tendency to employ an in-house legal capacity, French companies also handle routine, low risk legal work. However, Italian mid-sized companies also appear willing to handle low risk legal work internally, despite being far less likely to employ an in-house team. It must therefore be assumed that a large amount of routine legal work handled by mid-sized Italian companies are being dealt with by personnel who may not be legally qualified.

The comments below were taken from the qualitative phase of the research and point to a general feeling of dissatisfaction with the value external law firms bring when employed on routine legal work.

Comments from respondents preferring in-house resource

"We would rather handle technically simple legal issues in-house."

(French retail/wholesale company)

"We started handling more of our legal issues in-house, because we didn't feel we were getting much value-added benefit from our law firms."

(German services company)

"For less complicated matters we no longer hire law firms. We calculated that it costs us much less money and saves time if we handle these matters internally."

(Italian manufacturing/production company)

Comments from respondents preferring external law firms

"We use external counsel to save money. On some occasions, they can be quicker and cheaper than an internal resource."

(UK retail/wholesale company)

Organisation: Legal Department

Number of law firms

The majority (83%) of companies work with three or fewer law firms in a given year. For law firms who act for these companies, this offers a degree of reassurance that their clients will have limited opportunities to sample the work of rival firms. Conversely, this also limits the opportunities for law firms to demonstrate their expertise to potential new clients.

Question: How many law firms do you work with in a given year?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
1	28%	43%	18%	29%	21%	29%	33%	25%	44%	21%	16%
2	30%	26%	34%	17%	40%	36%	27%	24%	29%	38%	20%
3	25%	15%	28%	32%	24%	22%	16%	31%	18%	26%	29%
4	9%	7%	8%	5%	10%	7%	12%	9%	3%	8%	18%
More	8%	7%	8%	15%	2%	7%	10%	9%	4%	7%	16%

When examined geographically, Italian companies are most likely to instruct on an exclusive basis, with 43% opting for a single legal supplier. By contrast, approximately half of German, French and UK respondents were more likely to instruct between 1-2 law firms. Not surprisingly, smaller companies tended to instruct just one law firm, whereas larger companies were more prolific.

When presented by industry sector, two major observations can be made. Firstly, manufacturing clients are by far the most frugal in the number of firms they instruct, with 65% instructing between 1 and 2 firms per year. By contrast, in both the retail and services sectors, a significant minority (22% and 18% respectively), used four or more different law firms on a regular basis.

At the most extreme end of the scale, one respondent reported that they had referred work to 12 separate law firms during a 12 month period.

Changes in number

Question: Has your company changed the number of firms it outsources legal work to in the last 12 months?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Stay the same	75%	79%	70%	76%	69%	80%	59%	78%	69%	75%	78%
Increase	19%	18%	26%	5%	24%	13%	33%	13%	24%	18%	11%
Decrease	6%	2%	2%	20%	5%	5%	8%	6%	6%	5%	7%

According to the survey, most mid-sized companies are relatively loyal clients. A total of 75% reported that the total number of law firms they used had remained constant over the past 12 months.

Organisation: Legal Department

When broken down geographically, the number of companies reporting “no change” was fairly consistent between countries – ranging from 69% (the UK) up to 79% (Italy). Among those intending to change the number of firms they instruct, far more respondents in Italy, Germany and the UK said they intended to increase rather than decrease the number of external firms they instruct. French companies, who are most likely to employ their own in-house counsel, said the opposite.

For law firms wishing to target mid-sized clients, the survey suggests that retail sector is the most promising market. While around four fifths (90%) of manufacturing and services sector respondents said the number of law firms they had instructed had stayed the same, one third of retail clients (33%) reported an increase.

Staying with the same law firm

“The longer we work with a law firm, the better they know us and our industry. This means that we waste less time explaining issues to them. However, if they take us for granted and don’t give us enough attention, we do not hesitate to shop around.”

(Italian manufacturing/production company)

“We continue to work with the (law) firm that has been working with us for the last 30 years. They know our business and take good care of us. The only time we had trouble was when we hired a different law firm for an area of law our usual lawyers were not specialised in. Unfortunately, the other law firm..... did not seem to care about us.”

(German retail/wholesale company)

“We keep working with the same firm..... They give us great service, and we have a close personal, yet professional, relationship with them.”

(French services company)

Changing law firm provider

“We recently changed law firms. Very junior associates worked on our case, but we were billed partners’ fees. That is unacceptable.”

(Italian retail/wholesale company)

Organisation: Legal Department

Panels and preferred providers

While “law firm panels” and “preferred advisors” are commonplace among larger companies, they are very much the exception among mid-sized companies. In our survey, none of the small or medium-sized respondents had used such a list. Informal lists were more common among large-sized respondents, with between 251-600 employees. Among these companies, around half of respondents had a preferred provider list.

Types of firm

Local/regional, national, and international firms

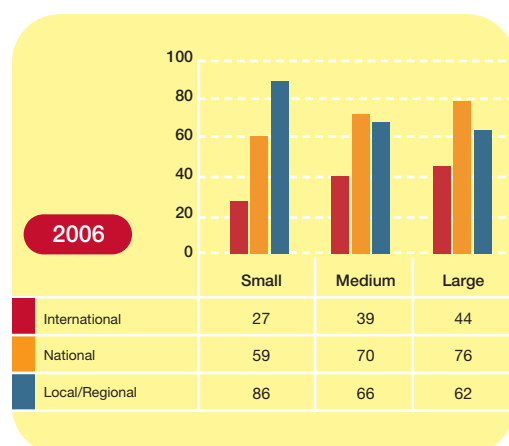
Typically, mid-sized companies prefer to use local/regional and national law firms. By contrast, only around one third (37%) make use of international firms on a regular basis.

Among all respondents, there is some correlation between the size of the company and the type of law firm they instruct. Not surprisingly, smaller mid-sized companies tend to use local firms, while the larger mid-sized companies make the greatest use of international firms. National law firms are used extensively by all types of mid-sized companies, irrespective of size, location or industry specialism.

When examined on a geographical basis, the most obvious anomaly relates to French firms, with 59% of mid-sized companies making use of the services of the international legal practices. However, this may partially be explained by the specific nature of the French legal market. Firstly, the French legal market is highly concentrated in Paris, which may explain the relatively low percentage of companies making use of local or regional law firms in that country. Secondly, the French commercial legal market is dominated by international law firms, most of whom have significant local capabilities. Hence, many international French law firms are also these companies’ main domestic legal supplier.

The types of law firm respondents work with (multiple answers possible)

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Local/Regional firms	75%	80%	80%	61%	64%	82%	61%	68%	86%	66%	62%
National firms	70%	61%	60%	88%	67%	72%	69%	58%	59%	70%	76%
International firms	37%	25%	32%	59%	33%	41%	39%	25%	27%	39%	44%



Organisation: Legal Department

“Our main law firm is small, with just two partners. But they give us all the attention we need, and do not bill us for every little thing. That’s why we continue working with them.”

(German manufacturing/production company)

“I prefer smaller law firms, as I usually get the bosses’ attention. Larger law firms have a tendency to send youngsters to the meeting that don’t add any value.”

(German retail/wholesale company)

“We don’t like hiring large law firms as their lawyer turn-over is too high. I once worked with several lawyers who were supposedly taking care of us for a high stakes case. I am not willing to experiment like that again – it jeopardised our case.”

(Italian manufacturing/production company)

“I am disillusioned with larger firms. They promise the world but do not deliver. We are too small for them to really care. In reality, they are after the ‘big boys’, not us.”

(Italian services company)

“Specialisation is so much more important than geographic proximity for high-stake matters. For our regular day-to-day legal matters, however, I prefer a local law firm that appreciates my business. Even after years of working with them, they understand that cost and value matters to a mid-size business like mine.”

(German services company)

Multi-disciplinary practice, full service, and boutique

By a small margin, the most commonly-used law firm instructed by mid-sized companies is the traditional “full service” practice. Full service firms are particularly popular in the UK, where few MDP (Multi-Disciplinary Practice) or boutique firms exist, and also among medium-sized mid-sized companies.

The popularity of MDPs varies sharply between countries. However, these differences may be due more to variations in regulation in relation to MDPs, rather than market-led cultural preferences. While the MDP business model is commonplace in both France and Germany (albeit in different forms), MDPs are not generally permitted in either the UK or Italy. However, both the Italian and UK governments intend to introduce new laws permitting fully-integrated MDPs in the near future. If these changes are introduced, it is possible that the popularity of the MDP business model may increase in these jurisdictions in the next few years.

Question: What kind of law firms do you appoint?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Full service	37%	28%	42%	29%	48%	39%	25%	38%	26%	57%	27%
Specialist, boutique	25%	26%	28%	22%	19%	25%	16%	28%	18%	30%	27%
MDPs	24%	15%	38%	32%	12%	17%	25%	28%	19%	25%	29%

(Multiple answers possible.)

Organisation: Legal Department

“I am not a fan of one-stop-shops. I have never received good service from them. They take you for granted.”

(Italian retail/wholesale company)

“I found that working with multidisciplinary firms did not work for our company. They were always trying to ‘cross-sell’ other services. I did not appreciate this. Professionals have to be more sensitive and realise when enough is enough.”

(Italian retail/wholesale company)

Involvement in the buying process

Among the companies sampled, the managing director or owner was directly involved in the buying process for legal service in 86% of respondent companies. The second most common person to be involved in this process was the head of finance (49%).

Question: Who in your company is involved in the buying process (of external legal services)?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Managing Director or Owner	86%	82%	88%	93%	71%	80%	90%	82%	83%	84%	84%
Head of Finance	49%	48%	42%	39%	64%	54%	55%	36%	41%	54%	51%
In-house Lawyer	27%	20%	16%	46%	26%	34%	25%	16%	27%	8%	44%
Head of Operations	14%	16%	10%	17%	12%	4%	20%	21%	22%	8%	9%

(Multiple answers possible.)

By contrast, just 27% of companies reported that an in-house lawyer played an active role in the buying process, though this statistic should not come as a surprise as 70% of respondent companies have no in-house legal team.

Whilst easy conclusions might be drawn from these findings, they do not explain the whole picture. In Germany, for example, 22% of respondent companies had some form of in-house legal capability, whereas just 16% of German respondents involved their legal function in the buying process for external legal services. A similar discrepancy is also apparent (36% to 26%) in the UK. This reinforces the view that law firms should not assume that an in-house lawyer is the most important contact in mid-sized companies. In reality, the in-house lawyer is not always the final arbiter of which law firms obtains a share of the company’s external legal budget.

In some situations, departmental heads play a key role in purchasing specific types of legal advice. For example, the head of human resources is often involved in the purchasing decision in relation to employment law matters – albeit in consultation with the managing director or owner. However, operations managers appear to have a limited role in the decision making process, particularly among manufacturing companies. Operations managers only tend to be involved in the purchasing of legal services in the very smallest of mid-sized companies, employing between 50-100 staff.

Organisation: Legal Department

Geographic scope

The domestic nature of the mid-sized company's legal requirements is highlighted in the following table, where 54% per cent of companies said that "international" matters accounted for less than 25% of their total legal spend. While it may be expected that the smallest of the mid-sized companies have little need for international legal advice, it is worth pointing out that international legal work is also a minority concern for the largest of mid-sized companies.

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Over 75% international	12%	11%	14%	10%	12%	16%	14%	6%	4%	15%	20%
50-75% international	14%	15%	10%	7%	24%	13%	18%	12%	10%	16%	16%
25-50% international	19%	13%	22%	20%	21%	18%	16%	21%	26%	11%	16%
Under 25% international	54%	57%	52%	61%	40%	50%	49%	60%	59%	54%	44%

The findings reinforce some market stereotypes while confounding others. The UK's reputation as an international trading nation is confirmed by the popularity of international legal advice among mid-sized companies, particularly when compared to those based in Italy and France.

In addition, the manufacturing and retail sectors are surprising international in their demands for legal advice, particularly when compared with the services sector. The European Commission is currently examining the lack of cross-border activity amongst European services companies. It remains to be seen whether this sector will become more "international" as a result of this investigation.

As mentioned previously, there is a broad correlation between the types of law firm mid-sized companies tend to instruct (mainly local / regional or national) and the percentage of international legal work they require (low). However, the French legal market does indicate that it is possible for international firms to have a substantial market share among domestic clients, so long as they have a strong local law capacity. While just 17% of French mid-sized companies report that the majority of their legal work is international, more than 59% per cent of French respondents make regular use of international law firms. This discrepancy can only be explained by the fact that international French firms must also act for domestic clients on local matters.

Organisation: Legal Department

Areas of Practice

The most common practice areas requiring external advice are corporate/commercial (76%) and employment law (73%), followed by litigation, intellectual property, real estate and mergers and acquisitions.

Areas of practice: demand for legal services

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Corporate & Commercial	76%	56%	80%	83%	83%	70%	80%	73%	67%	74%	84%
Employment	73%	75%	72%	76%	60%	54%	84%	81%	67%	72%	76%
Litigation	51%	38%	44%	68%	52%	54%	45%	46%	49%	54%	44%
Intellectual Property	50%	49%	52%	49%	43%	62%	45%	36%	45%	49%	53%
Real estate	30%	20%	20%	29%	52%	20%	35%	34%	21%	26%	44%
M&A	30%	18%	28%	41%	36%	33%	29%	25%	23%	28%	40%
Finance	22%	26%	10%	12%	36%	22%	20%	21%	12%	13%	44%
Tax	22%	39%	18%	10%	12%	18%	22%	25%	26%	21%	16%
Regulatory/Compliance	16%	30%	4%	12%	12%	20%	16%	10%	14%	18%	15%
Environmental	7%	8%	8%	7%	2%	13%	6%	0%	3%	5%	15%

(Multiple answers possible.)

The survey results highlight some interesting variations in the demand for legal services between countries. For example, far fewer mid-sized companies require corporate and commercial advice (56%) in Italy compared with respondents in Germany, France and the UK. Given the extremely low (16%) percentage of Italian companies with in-house legal departments, this figure is surprising. It must be assumed that these matters are handled in-house by non-legally qualified staff.

Less surprising, however, is the popularity of instructing lawyers on tax law advice in Italy. In Italy, the ‘dottore commercialista’ is a professional figure who combines legal and tax advice. In doing so, they blur the distinction between ‘regular’ tax lawyers and tax accountants.

Interestingly, according to the survey, French companies appear to be the most prolific purchasers of litigation services – far more so than the UK. Although this study did not discuss ADRs (Alternative Dispute Resolution) and mediation, it is possible that a comparatively slow Italian legal system might explain the low percentage of mid-size companies reverting to litigation.

There are also noticeable differences in priorities between the different industry sectors surveyed. Most notably, the need for employment law advice is far more prevalent in the labour-intensive service and retail sectors, than in manufacturing and production. Conversely, intellectual property is far more important to the manufacturing/production sector than in retail and services sector. Likewise, the need for environmental advice is far more prevalent among manufacturing clients than either the retail or services sectors.

When examined by size of company, it is clear that the largest mid-sized companies have far more “corporate” legal requirements than their smaller counterparts, requiring more corporate, M&A, real estate and financial advice. And, despite the fact that they are more likely to have in-house legal functions, the larger mid-sized companies are also more likely to require “pro-active”, “best practice” legal advice, such as in relation to employment, IP and environmental law issues. This indicated a greater awareness of legal risk than their smaller competitors.

7. Financial matters

Budgets: Flexibility rather than structure

Financial budgeting for external legal services does not appear to be a priority for mid-size companies. The majority of respondents (63%) make no budgetary provision for external legal advice. Instead, they appear to take a more 'ad hoc' approach to budgeting.

Question: Do you have an annual budget for outside counsel?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
YES	37%	28%	26%	59%	38%	46%	37%	24%	32%	33%	45%
NO	63%	72%	72%	39%	57%	53%	63%	72%	68%	62%	53%

In very general terms, there appears to be some correlation between the prevalence of a dedicated in-house function and the budgeting for use of outside counsel, particularly among French, German and UK respondents. The more likely the company is to have an in-house legal function, the more likely they are to have an annual budget for legal services. Similarly, the largest-mid-sized companies, who were more likely to employ their own in-house counsel, were also more likely to organise an annual budget for their legal spend.

Curiously, the survey highlights significant variations in budgeting between the different industrial sectors. The only possible explanation for this discrepancy is that in-house lawyers tend to be more involved in the decision-making process for the purchasing of legal services in the manufacturing sector than they are in the retail or services sector. By contrast, it is slightly more commonplace for the company MD / owner or head of operations to be involved in the decision-making process for legal services in the retail and services sector. This suggests that in-house lawyers are slightly better at budgeting for external legal services than their non-legal counterparts.

One of the most surprising statistics in the table below relates to Italy. Despite only 16% of Italian respondents having their own in-house counsel, 28% of respondents had an annual budget for legal services. Just as Italian companies seem adept at handling legal matters in-house without any in-house legal counsel, so they have a greater tendency to make provision for external advice.

Changes in expenses

More than half (56%) of respondents expect their expenditure on legal services to remain constant during the next 12 months.

Question: Do you expect your company's annual expenses for employing outside counsel to change during the next 12 months?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Stay the same	56	61	62	56	33	61	51	49	56	61	44
Increase	28	26	22	32	31	24	35	25	31	21	29
Decrease	16	10	14	10	31	14	10	21	12	13	24

Financial matters

Where changes to the legal spend were anticipated, more respondents (28%) said they were likely increase rather than decrease (16%) their total spend. Among the companies interviewed for this research, organic growth was cited as the main reason for the anticipated increase in legal spend. However, UK interviewees were less certain of their future external legal service needs. In interviews, many respondents said they were under pressure from management to cut legal service expenditure.

Billing Preferences

Overall, mid-sized companies expressed a preference for value-based billing, such as fixed-price projects, caps or retainer arrangements. In particular, a clear majority (55%) of UK respondents favoured this approach – noticeably ahead of those in other countries. The UK is also the most hostile to ‘traditional billing’ methods, such as those based on a percentage of the value of the transaction.

This general preference for value-based billing is understandable, given the widespread skepticism in relation to the hourly rate indicated below. However, value-based billing requires a certain degree of sophistication, because it generally presumes that both parties can agree the value of a particular piece of legal work in advance. Perhaps for this reason, this method of working is preferred by larger mid-sized companies rather than their smaller counterparts, as such companies are more likely to have their own dedicated in-house legal team.

However, some mysteries remain. French mid-sized companies are most likely to have their own in-house legal team and yet hourly or traditional billing methods remain popular. Similarly, while manufacturing clients are most likely to have a fixed annual budget for legal spend, they also appear most willing to submit to the vagaries of the hourly rate.

Question: Which type of billing do you prefer...?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Value	42%	36%	38%	39%	55%	37%	29%	55%	35%	43%	49%
Hourly	33%	34%	38%	24%	31%	43%	27%	24%	35%	30%	33%
Traditional	24%	26%	22%	34%	12%	18%	37%	19%	27%	26%	16%

“Hourly-rate billing does not work. It is not cost-effective. If you talk to a lawyer on the phone for two minutes, they charge you for at least half an hour.”

(French services company)

“Hourly billing encourages inefficiency. I am suspicious of law firms that resist other type of billing, such as project or value-based billing.”

(UK services company)

“One law firm accepted a fixed-price arrangement. That’s why we chose them. It makes things much easier for us. We are much less worried about calling them now. Before, we wondered if we would get billed an enormous sum for a ‘yes’ or ‘no answer.’”

(UK manufacturing/production company)

Financial matters

“I prefer fixed price or value based billing over hourly billing. It makes it easier for me, and less risky to calculate.”

(German retail/wholesale company)

Surprises are best avoided

During the qualitative phase of the research, one of the most important concerns for mid-sized clients was the provision of realistic estimates and the need to be kept informed as the project progressed over time. Like most legal service customers, mid-sized companies particularly disapproved of billing surprises – especially if these bills were significantly beyond expectation or their allocated budget.

Further to this, mid-sized companies expect to see a correlation between the price they pay and the perceived value of the legal advice they receive.

“We like fair cost estimates, fixed-price project-related arrangements and no surprises. Lawyers must inform their clients about costs as the case or transaction advances.”

(French manufacturing/production company)

Discounts

The majority (67%) of mid-size companies ‘sometimes’ discuss discounts with their external legal providers. With the exception of France, responses were fairly consistent across geographical boundaries. The apparent reluctance of French clients to discuss discounting is surprising, given the relatively high percentage of these companies that employ their own in-house counsel.

Not surprisingly, small mid-sized companies were most aggressive in asking for a discount, suggesting that they are more cost-conscious than their larger counterparts, who were the least likely to ask for a discount. Curiously, despite their general inability to budget for their external legal spend, retail sector clients were most willing to seek a discount, far more so than their manufacturing or retail counterparts.

Financial matters

Question: Do you negotiate discounts?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Yes, always	19	20	18	17	19	17	6	30	24	16	13
Yes, Sometimes	67	67	66	56	69	64	78	55	65	67	62
No	14	10	14	24	10	14	14	13	9	11	24

“Discounts are normal in business. I am not afraid of discussing them with lawyers. Why should the rules of the games be different for them than for anybody else?”

(UK services company)

“If we give a firm a lot of business of course I expect them to be flexible when it comes to giving us discounts.”

(Italian retail/wholesale company)

“As long as we are happy with our lawyers and trust them, we don’t discuss money, we never ask for discounts.”

(French manufacturing/production company)

“Talking about price is a difficult thing with lawyers. They are usually very inflexible.”

(French retail/wholesale company)

Several mid-size companies pointed out the importance of matching experience of the legal professional with the task in hand:

“We don’t always want the most brilliant lawyer on the case. If it is a minor issue, a less less costly lawyer might do just as well. Law firms need to talk with their clients to fully understand the importance of the case.”

(Italian retail/wholesale company)

8. Marketing activity

Courtship

According to the survey findings, mid-sized companies are generally not aware of law firms' marketing activities. Either law firms tend not to target such companies or more alarmingly those marketing campaigns they do run have little impact.

"It is almost as though law firms don't realise we exist. They want the 'Siemens' of this world, not us."

(German manufacturing/production company)

However, this is not necessarily true of all legal markets, particularly in the UK and France, and also in the retail/wholesale sector. Here, firms often send letters and newsletters, or cold-call to propose their services. Whether these initiatives are welcomed or not is another matter.

"I regularly get approached by law firms, soliciting for business at conferences and seminars."

(French retail/wholesale company)

"I receive more and more cold calls from law firms offering their services. Perhaps they would be better taking care of their current clients."

(UK service company)

"I receive many glossy brochures from law firms, but would never choose one because of what they say. I usually ask my friends, other managers and entrepreneurs. We exchange information, and tell each other which firms are the experts in their field."

(Italian retail/wholesale company)

Pitches/Beauty contests

It tends to be the exception rather than the rule for mid-sized companies to ask law firms to pitch for work. With the exception of some of the larger respondents, and also companies in the service sector, only a handful of respondents issued 'requests for proposals' (RFP) or managed 'beauty contests'.

When companies did ask firms to pitch for work, the majority felt these firms did not consider their operations large enough to give serious treatment to the pitch process. Positive examples, where the law firms took time research the company's requirements, were few and far between.

Marketing activity

“When I asked two firms for an RFP, one of them did not even respond!”

(UK retail/wholesale company)

“I invited three law firms to pitch for a major litigation case....Not one of the three firms I invited even bothered responding!”

(Italian services company)

“I once asked two law firms to pitch for an important matter. One firm came and gave a very general presentation. The other firm asked me a number of questions that I hadn’t actually considered myself, but were worth reflecting on. They brought the team that would work on my case, and gave me a detailed idea about what they would do. Instead of just telling me how great they were, they demonstrated it. Guess who I hired?”

(German manufacturing/production company)

Newsletters

Most participants in the study reported to have little time or interest in reading legal newsletters. Usually, they were perceived as being too general and not sufficiently focused on the target company’s industry or business needs.

“Reading updates on new laws hardly ever seems to make any sense. I am a businessman, not a lawyer. I expect my lawyer to tell me what the consequences of a new law are for me, not to explain all the legal background.”

(German manufacturing/production company)

“I only read newsletters that address my current business issues.”

(German manufacturing/production company)

“I would read newsletters if they were relevant to my business, but most of them are written in an overly technical style and don’t focus on the practical implications of the law.”

(Italian services company)

“Successful newsletters are the ones that don’t waste my time.”

(German retail/wholesale company)

“I don’t read newsletters and bulletins. Everyone claims to be the best. I would rather ask friends and business partners who they successfully worked with in the past.”

(French services company)

Marketing activity

Seminars

Similarly, most mid-size companies do not regularly attend legal seminars, irrespective of whether or not they have been organised by their currently-retained firm. Most participants said they did not have time to attend, but admitted that they would make the effort if the seminars were more focused on topics relevant to their business, market or sector. This might explain why retail/wholesale companies were mostly interested in attending legal seminars by their own trade organisations.

“Legal seminars have to be pretty tailored and specialised to interest me. If it is not immediately relevant to my business, there’s little likelihood that I will attend.”

(Italian services company)

“I would attend seminars, but I don’t have time. It is a ‘time is money’ cost issue, unless the topic is really focused.”

(UK retail/wholesale company)

“I don’t attend legal seminars, but I guess it would be a good way to attract me if the topic was right.”

(UK manufacturing/production company)

Test runs

With the exception of a small number of UK respondents, few mid-sized companies endorse trialing a potential new law firms on a discounted rate. In any event, such practices may not be permitted by local bar rules.

This is not, however, to say that clients do not appreciate discounts from their existing law firms, as a reward for their continued business.

“We don’t ‘try out’ law firms at a cut rate. When I turn to a law firm, it means that I have a serious problem. I can’t risk anything then. If it costs – it costs.... but the result better be good!”

(French manufacturing/production company)

“We sometimes ‘test’ new law firms with smaller cases. If they prove to work well, we might give them larger, more important cases.”

(German retail/wholesale company)

Marketing activity

More surprises

Both questions: ‘Has a law firm ever positively surprised you?’ and ‘Has a law firm ever truly disappointed you?’ drew strong responses from the survey’s participants. In particular, mid-size companies in Germany, Italy and the UK said they had never been positively surprised by a law firm. The same reaction was also given by the ‘larger’ mid-sized companies, and those in the manufacturing/production sector.

Other mid-size companies, either based in France or belonging to the services sector, said that they had better experiences with lawyers. These companies appreciated legal advice that simplified the case at hand; lawyers who gave them personal attention and were available when they needed help.

Whereas less than half of the participants in France and the UK had ever felt truly disappointed by their law firms, the majority of participants from Germany and Italy have experienced true disappointment. The positive experience of French and UK companies may be due, in part, to the fact that several reported that their law firms helped them save money – for example, by negotiating favorable out-of-court settlements. German and Italian companies generally did not perceive external lawyers as a means of saving money.

From positively surprised...

“There is one lawyer who continues to impress me: he is always up-to-date on industry news and knows everyone in the business.”

(French manufacturing/production company)

“One law firm surprised me by coming up with quick and imaginative solutions, rather than being slow and laborious.”

(UK services company)

“I have always been impressed by one of my lawyers who regularly calls me back within an accepted time frame – that is, the same day. Also, he doesn’t waste my time writing lengthy reports I don’t want and don’t need. I continue to give him business.”

(German retail/wholesale company)

“I am always positively surprised by fast-reacting, pro-active lawyers. Those are the ones I hire.”

(Italian manufacturing/production company)

Marketing activity

Service Quality

“I rarely feel well taken care of by the law firms I retain. I feel like I am still responsible for everything, otherwise things will just be forgotten, ignored, and dates missed.”

(German manufacturing/production company)

“The level of complacency of law firms continues to surprise me.”

(UK services company)

“We are planning to change our law firms... They have to be more pro-active and more attuned to our needs.”

(UK retail/wholesale company)

Technical quality

“Lawyers disappoint me when they either do not have the level of expertise I expected or when they do not act in a professional manner.”

(French retail/wholesale company)

“I wish I didn’t have to explain so many things ex novo to lawyers. They don’t seem to grasp business issues. This continues to surprise and disappoint me.”

(German manufacturing/production company)

“I once got annoyed when my lawyer didn’t show up for a court hearing, but instead sent a junior associate from his firm without telling me. This associate didn’t know anything about the case – this is not acceptable!”

(German retail/wholesale company)

9. Selection

According to the interviews conducted, the **expertise** of the **individual lawyer** is the most important selection criterion for mid-sized companies, followed by **trust** and **personal relationship** or ‘**chemistry**’ between lawyer and client. The third and fourth most important criteria are (excellent) **client service/responsiveness** and **previous (positive) experience** with the law firm.

Firm expertise and reputation in a particular field, industry sector or practice area was generally more important than the firm’s **reputation** or ‘brand name’. German and French companies rated general firm reputation relatively speaking more importantly than the average, as did companies in the services industry. Retail/wholesale companies rated law firm **office locations** as an important factor, while ‘medium’ mid-sized companies cited **cost**.

The ethnic, religious and gender make-up of a firm – known collectively as its “diversity”, which is an increasingly important issue for US clients, was not mentioned by any of the participating mid-sized companies in this study.

Individual Lawyer Expertise

“When choosing legal advice, the expertise of the single lawyer is much more important than the reputation or ‘brand’ of the law firm.”

(French manufacturing/production company)

“I once chose a specialist after reading in a specialised trade publication that he won a similar case. He was expensive, but worth it.”

(German retail/wholesale company)

“I prefer lawyers that know their limits and tell me, ‘I am not an expert on this matter’. Nobody knows everything.”

(German manufacturing/production company)

Personal Relationship/Trust

“When I talk with a new law firm, the chemistry aspect is very important. I don’t work with people I don’t like and trust.”

(French retail/wholesale company)

“All things equal, I prefer working with lawyers I like and can get on with.”

(German services company)

Selection

Service

“One lawyer took his time to explain his unconventional approach to a litigation matter in detail. After that, it all made sense, and I was willing to go for it, no more questions asked. I knew I could trust him.”

(German retail/wholesale company)

“The perfect combination is a knowledgeable, friendly and responsive lawyer that understands that I have to be cost-conscious.”

(German manufacturing/production company)

“I appreciate it when law firms don’t just react, but pro-actively identify issues I might face in the future.”

(UK retail/wholesale company)

“One law firm offered us in-house seminars on a new law. This really helped my managers, and prevented a lot of possible mistakes.”

(German services company)

Firm Experties

“As our cases become more difficult, we increasingly work with specialists. They have to hit the ground running.”

(UK services company)

Firm Reputation/Brand

“Sometimes, we choose an ‘important’, well-known law firm, not because we think they are brilliant, but because having them on our side sends a signal that we are serious.”

(German services company)

Sources of information

Referrals, or “word of mouth”, appear to be the most popular source of recommendations and information on a particular law firm.

Colleagues, currently retained outside counsel and managers at other companies tend to be the most valuable and trusted sources that buyers of legal services turn to when seeking external legal assistance.

Selection

Question: Which of the following sources for information do you use when selecting law firms?

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Friends	56%	72%	42%	39%	60%	50%	61%	52%	59%	57%	45%
Outside counsel	56%	62%	48%	59%	48%	42%	69%	55%	51%	54%	60%
Entrepreneurs/managers	55%	43%	60%	59%	55%	50%	49%	58%	36%	62%	69%
Employees at company	35%	16%	38%	27%	60%	26%	35%	20%	15%	33%	38%
Accountants/Notaries	34%	34%	40%	10%	45%	29%	47%	25%	31%	39%	29%
In-house lawyers (other companies)	34%	18%	22%	56%	43%	33%	35%	28%	29%	31%	38%
Trade organisers	29%	30%	34%	37%	12%	39%	37%	8%	41%	28%	11%
Seminars (law firms)	22%	33%	18%	27%	2%	21%	20%	21%	33%	16%	9%
Banks	18%	20%	14%	10%	24%	16%	16%	18%	15%	20%	16%
Seminars (professional organisers)	13%	13%	10%	27%	9%	20%	12%	4%	27%	5%	0%

(Multiple answers possible.)

“Many of my friends are either managers at other companies or entrepreneurs. They are the first people I turn to when I am looking for a law firm that specialises in a specific area of practice.”

(French manufacturing/production company)

“I prefer to hire lawyers from trusted sources, such as recommendations from my accountant or trade association.”

(German retail/wholesale company)

“When we need legal advice abroad, we usually ask our lawyers who they recommend.”

(UK services company)

“If we have important cases, we search for the specialist in the field. I check who won similar cases in my industry, talk to friends and other business advisors, and then check their recommendations on the internet.”

(German services company)

Selection

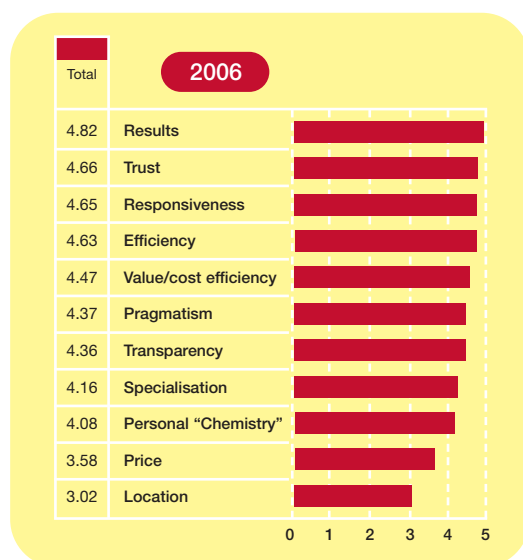
Evaluation

Successful mid-size companies are known to be flexible, pragmatic, and results-oriented. The survey found that they expect the same from their lawyers: results, trust, responsiveness, and efficiency were the most important criteria.

Mid-sized companies also said that personal “chemistry” was a relatively important evaluation criterion. From the interviews, it appears that chemistry becomes the deciding factor when “all other things are equal”. This seems to be even truer for people who have to report to someone else, i.e. justify their choices to the managing directors/owners, or heads of legal finance, operations, or human resources.

*Question: How important are the following when evaluating the firms you work with?
(Scale: 1 to 5, with 1 being not important and 5 very important)*

	Total	Italy	Germany	France	UK	Manuf.	Retail	Services	S	M	L
Results	4.82	4.72	4.85	4.82	4.87	4.91	4.69	4.87	4.78	4.77	4.90
Trust	4.66	4.72	4.80	4.22	4.88	4.62	4.68	4.68	4.63	4.56	4.79
Responsiveness	4.65	4.37	4.80	4.70	4.73	4.82	4.61	4.53	4.49	4.74	4.72
Efficiency	4.63	4.31	4.84	4.91	4.45	4.82	4.47	4.60	4.41	4.74	4.75
Value/cost efficiency	4.47	4.39	4.25	4.60	4.63	4.49	4.46	4.45	4.46	4.41	4.55
Pragmatism	4.37	3.88	4.53	4.50	4.57	4.38	4.31	4.41	4.45	4.31	4.36
Transparency	4.36	4.27	4.29	4.22	4.67	4.38	4.39	4.31	4.39	4.21	4.47
Specialisation	4.16	4.37	4.42	4.11	3.73	4.38	4.05	4.06	4.04	4.28	4.16
Personal “Chemistry”	4.08	3.75	4.43	4.00	4.15	4.00	4.32	3.93	3.97	3.94	4.33
Price	3.58	3.82	3.51	3.41	3.56	3.58	3.60	3.55	3.79	3.47	3.49
Location	3.02	3.01	2.88	2.89	3.30	3.07	3.24	2.76	2.92	3.07	3.08



All companies rated **results** and **trust** as the two most important criteria when evaluating law firms.

Selection

Results

“For me, results, efficiency, and pragmatism are basically the same. Together with trust, they are key ingredients for a good legal service.”

(French retail/wholesale company)

“I want results. Lawyers have to ‘function’. My job is to run the business successfully. It’s their job to monitor deadlines etc. If I have to remind them of this something is very wrong.”

(German manufacturing/production company)

“The case at hand and the lawyer have to fit. There is no one-size-fits-all solution.”

(Italian services company)

Trust

“The most important characteristics I look for in a lawyer is trust, and confidence that they have my best interest in mind.”

(French manufacturing/production company)

“I have so many things to worry about. I don’t want to have to worry that my lawyers are doing the right thing for me. I need to be able to trust them completely.”

(German services company)

Responsiveness

“If I call my lawyer, it means that I have a problem which must be resolved now. I can’t wait for them to call me back a few days later. They must call me back within 24 hours, or else I will hire a different law firm next time.”

(UK manufacturing/production company)

“If I have a problem, I want to speak with my lawyer: Right away.”

(Italian retail/wholesale company)

Efficiency

“I want effective and efficient lawyers. Small, flexible, pragmatic teams that can think on their feet.”

(UK manufacturing/production company)

“A high turnover in a law firm and unprepared lawyers are a red flag for me. That means inefficiency.”

(Italian retail/wholesale company)

Selection

Value/cost efficiency

“I don’t want lawyers to be ‘yes-men’. I want them to understand the situation, find solutions that are in the best interest of my company, and even contradict me when I am wrong. In other words, I want them to make my life easier and add value.”

(Italian retail/wholesale company)

“Price is relative. There must be value.”

(French manufacturing/production company)

“Law firms must stop and think before they send out an invoice to their client – they have to balance what they deliver with what they expect us to pay.”

(Italian services company)

“Price really matters to us when it comes to value. If you are good and win the case, then we are willing to pay. But we don’t want to get a ridiculous bill for bad service and a lost case. Law firms still seem oblivious to this.”

(German services company)

Pragmatism

“I want a business advisor in legal matters, not a mere legal technician.”

(German manufacturing/production company)

“Pragmatic, energetic, attentive to my needs and my company’s well-being in mind – that’s how I wish lawyers would be.”

(UK retail/wholesale company)

“Most lawyers learn to handle cases a certain way. They apply that approach to everything, whether it makes sense or not.”

(Italian services company)

“I don’t understand why lawyers are often so passive. I would never have survived in business if I didn’t pro-actively seek solutions to the problems I could see approaching.”

(German manufacturing/production company)

“It should be an obligation for all lawyers and law students to study business. Unfortunately, many are quite oblivious to even our most simple business issues. Only my tax lawyers had some business sense.”

(Italian manufacturing/production company)

Selection

Transparency

“I appreciate it when lawyers are there for me, explaining their approach and reasoning.”

(Italian services company)

“I want lawyers to speak my language, not some legal-ese I don’t understand.”

(German retail/wholesale company)

“It would make me very happy if lawyers sent me letters or emails in a ‘language’ I can actually understand.”

(French services company)

Specialisation

“We just hired lawyers in a specialised area. They are experts in their field, know everyone in the sector, are always on top of things, friendly and courteous. Of course, they cost a bit more, but they are worth it.”

(UK services company)

Chemistry

“All things equal, I prefer working with a lawyer I like.”

(French retail/wholesale company)

“My favorite lawyers are pragmatic and are down-to earth – like me and my company. The chemistry has to be right.”

(Italian manufacturing/production company)

Price

“I used to be more focused on price. I know now that a cheaper price might cost you if your lawyer doesn’t know their stuff. That’s why I only bargain hunt for less complicated things such as debt collection now.”

(German retail/wholesale company)

Location

“We don’t necessarily care if a law firm has an office near our office. When working on international issues, I prefer working directly with foreign lawyers. I don’t want to have to pay the ‘middle man’ who adds no value, and just makes things more complicated and costly.”

(French services company)

Selection

Mid-sized companies show interesting **national variations** in their evaluation criteria:

- Italian mid-sized companies appear to place relatively little importance on responsiveness, efficiency, pragmatism and personal chemistry. Instead, they regard price (as opposed to value/cost-efficiency) as being far more important – more so than other jurisdictions surveyed.
- German mid-sized companies said that responsiveness, specialisation, and personal chemistry were more important, whereas location was less important.
- French mid-sized companies placed relatively less importance on trust and location, but rated efficiency and value/cost efficiency as more important.
- In the UK, on the other hand, trust, value, transparency and location were considered more important, whereas specialisation was less of a concern.
- When examined by industry sector, few clear trends are evident. All sectors place a relatively high priority on results, trust, responsiveness and efficiency, and relatively low priority on price and location. Curiously, the service sector also placed the lowest priority on personal “chemistry” – an unusual response for a client-facing market.

In addition, the size of respondents appeared to have little impact, with two notable exceptions: Surprisingly, personal chemistry seemed to be relatively more important for ‘large’ sized companies. And, perhaps unexpectedly, price was more important for ‘smaller’ companies in the sample.

10. Conclusions

Today's European legal market is highly competitive and remains a buyer's market. Yet, many mid-sized companies feel that lawyers and law firms often ignore that fact.

"In the past, the service aspect was not a big priority when working with lawyers. Almost everybody treated you badly. But now it's different. I can now choose to work with highly competent, friendly people."

(French retail/wholesale company)

Law firms should consider targeting mid-sized companies for several reasons:

- With an increasingly competitive global market, mid-sized companies face more legal challenges than ever. Such an environment provides an interesting opportunity for law firms.
- Mid-sized companies outsource a relatively large portion of their legal work, in particular the more complex high risk work.
- Mid-sized companies work with a relatively small number of firms. As a result, they may be suitable targets for cross-selling.
- Mid-size companies are a particularly interesting target for local, regional, and national law firms. This is because mid-sized companies prefer to work with firms of their own size, where they believe they will receive personal attention. While mid-sized firms also use international firms, these firms often fail to make them feel "important" or "well taken care of".

11. Recommended approach to marketing

Show, don't tell

Law firms that are targeting mid-sized companies in Europe should display a pragmatic, flexible and down-to-earth approach to their engagements. They must be interested in their client's concerns and speak the client's 'language'.

Get to know the right people within target companies

Mid-sized companies are more difficult to reach with conventional marketing tools, such as adverts in the legal press. They are not part of the 'legal world', and do not refer to normal sources of legal information. Word-of-mouth is a key marketing instrument. A personal recommendation to a potential client by a satisfied customer should be the goal of law firms who target mid-size companies.

Law firms who wish to work with mid-sized companies should target managing directors, owners, heads of finance or – where this position exists, the in-house lawyer. These 'leads' will not be impressed by general statements of the quality of the firm's legal advice – firms should stress how they will provide value to the potential client's business.

When targeting mid-sized companies, cold-calling, sending brochures and offering test-runs are unlikely to be successful. Beauty contests are not widely used by mid-sized companies.

Normal language, not "legalese", please

If personal introductions are not possible, it is better to target potential clients with brief, and relevant, newsletters. These newsletters should be in a journalistic style and emphasise practical measures that the company should take. They should not be written in impenetrable 'legalese'. Speeches at client seminars trade association meetings on the practical implications should be delivered in a pragmatic, practical 'what-to-do next' style.

When dealing with in-house lawyers at mid-sized companies, avoid unnecessary legal jargon. It is likely that your advice will be circulated to the company's board members, who are unlikely to have a legal background. Do not over burden the in-house team by forcing them to translate your 'legalese' (legal advice) into a language their managers can understand.

Value, not price

Mid-sized companies are very cost-conscious. Like most businesses, they are under pressure to reduce costs and increase productivity. High legal costs (amongst mid-sized companies) are difficult to justify. Although many mid-sized companies do not budget in advance for their legal work, if they need to spend money on external advice, they prefer to work with accurate cost estimates. Fixed-price work, caps and retainers are greatly appreciated. Law firms who cannot offer a flexible approach to pricing and billing are likely to be less desirable partners for mid-sized companies.

Unlike larger companies, mid-sized companies are generally loyal clients. However, they expect law firms to honour this loyalty by flexible and favorable financial arrangements.

Recommended approach to marketing

Recommendations

Mid-sized companies tend to ask their existing counsel for legal service recommendations. Law firms are well-advised to be sure of the quality of their ‘best friends’ overseas. Word-of-mouth recommendations play a key role in the selection process. A poor quality reference will reflect badly on the law firm making the recommendation.

The ideal lawyer

In the qualitative phase of the research, a number of mid-size companies expressed clear preferences for how they would rather buy legal services and work with lawyers. Several respondents gave a good insight into their ‘perfect’ lawyer: honest and demonstrating a real interest in their business, results-driven, efficient and effective, flexible and fast.

Personal relationships and trust between individuals are universally regarded as important, irrespective of the country in which the respondents were based. Mid-sized companies not only live by these qualities and values, they also expect them of their business partners; in fact, the concept of a business ‘partner’ seems to be of the utmost importance to them.

Key takeaways

- Treat your clients well: be responsive and pro-active;
- Minimise your correspondence: explain even the most difficult issues in a few lines;
- Remember that your clients’ time is valuable: avoid wasting it with too much detail;
- Take care of client service in all possible forms;
- Ask your clients to give you their feedback;
- Understand your clients’ business before attempting to establish their needs – give them what they want.

12. The Parties

About LexisNexis Martindale-Hubbell

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