

# Law in 2018: It's Looking a Little 'Hunger Games' Out There

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Local law firms, like those across the country, will grapple with a market where revenue increases are driven by rate hikes, not demand, and where international embarrassment is never more than a keystroke away.

Growth in revenue and profits per partner will remain in the mid-single-digits nationwide, predicts a report issued this month by Citi Private Bank and Hildebrandt Consulting.

"The slow-growth environment has created a hyper-competitive market," it says. "This higher level of competition extends to competition for matters, for clients, and for talent."

To that end, consultants say to expect a new year with more law firm mergers, more pressure from clients, shrinking headcounts and more attention—and dollars—for cybersecurity.

More mergers. Two Chicago law firms merged into other firms this year: 15-lawyer Baugh Dalton and 150-lawyer Arnstein & Lehr. Firms outside the city continue to want to establish a presence here, says Chicago-based law firm consultant Kent Zimmermann. That drive, combined with the financial pressure some local firms feel as the work pool dries up, means "increasingly firms are willing to put all those options on the table."

More client pressure. Companies' in-house lawyers will encourage the law firms they use to improve their work processes, potentially dropping those that don't, said Audrey Rubin, chief operating officer in Aon's legal department. She sees her colleagues across the corporate world sitting down their law firms for frank chats about e-discovery, templated work and improved billing practices.

Shrinking headcounts. Firms with more lawyers than legal work will be "counseling out" attorneys, Zimmermann says. This will affect both partners who hold equity in the firm and those who don't. Some partners may be able to stay if they can remake their practices. But generally, firms will hold the line on profitability—or become more profitable—by getting smaller.

Focus on cybersecurity. In June, DLA Piper was one of hundreds of businesses hit by a cyberattack, locking lawyers out of their email for days. Later in the year the International Consortium of Investigative Journalists published news stories based on data that leaked from offshore law firm Appleby. Law firms have realized that "not only is it costly to ameliorate (these incidents), your reputation goes to hell," says Laurie Fischer, a managing director in the Chicago office of HBR Consulting. Expect more firms to invest in training and technology to prevent clients' data from being compromised, spending anywhere from a few thousand dollars to "easily in the six figures" if they haven't stayed up to date.