

# 2017 STATE OF THE INDUSTRY SURVEY

Corporate Legal Operations Consortium

November 2017

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C L O C  
CORPORATE LEGAL OPERATIONS CONSORTIUM

# SURVEY REPRESENTATION

**156** companies represented

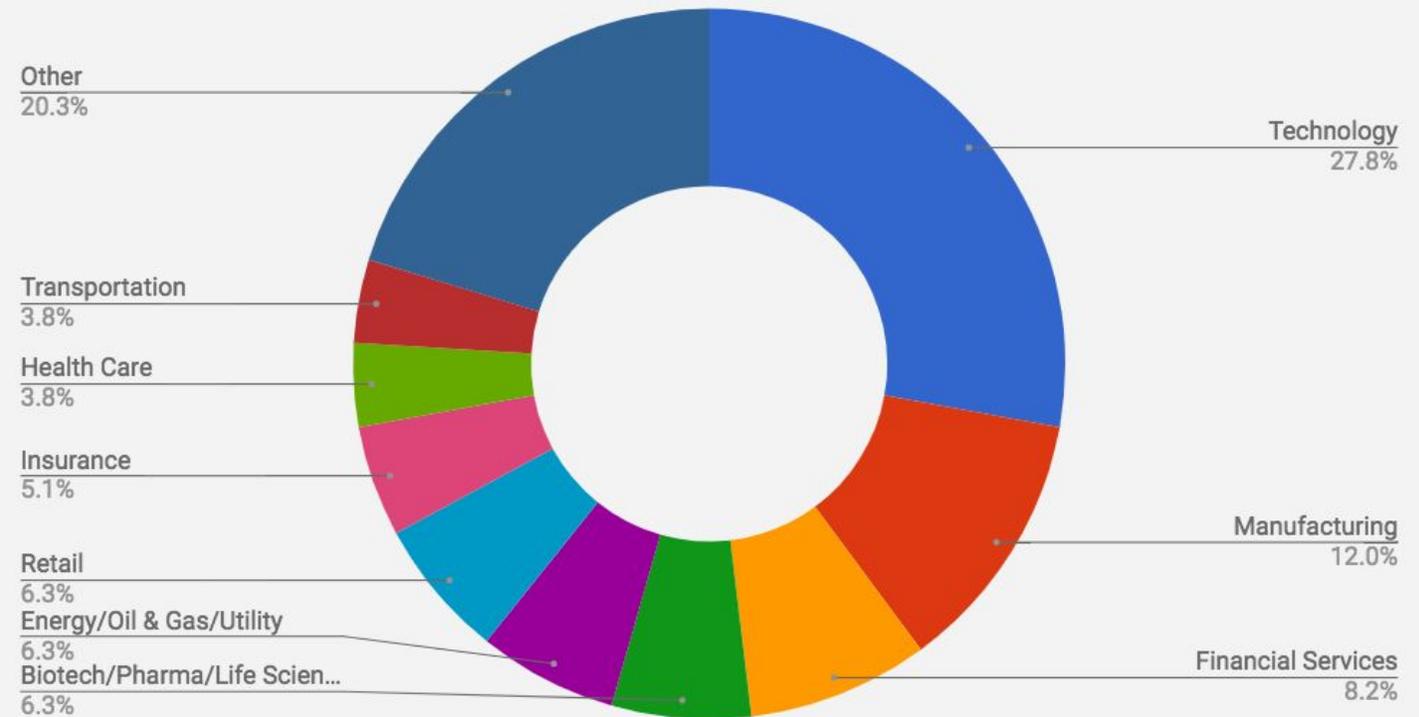
**11%** of the Fortune 500

**11** countries represented

**30** U.S. states represented

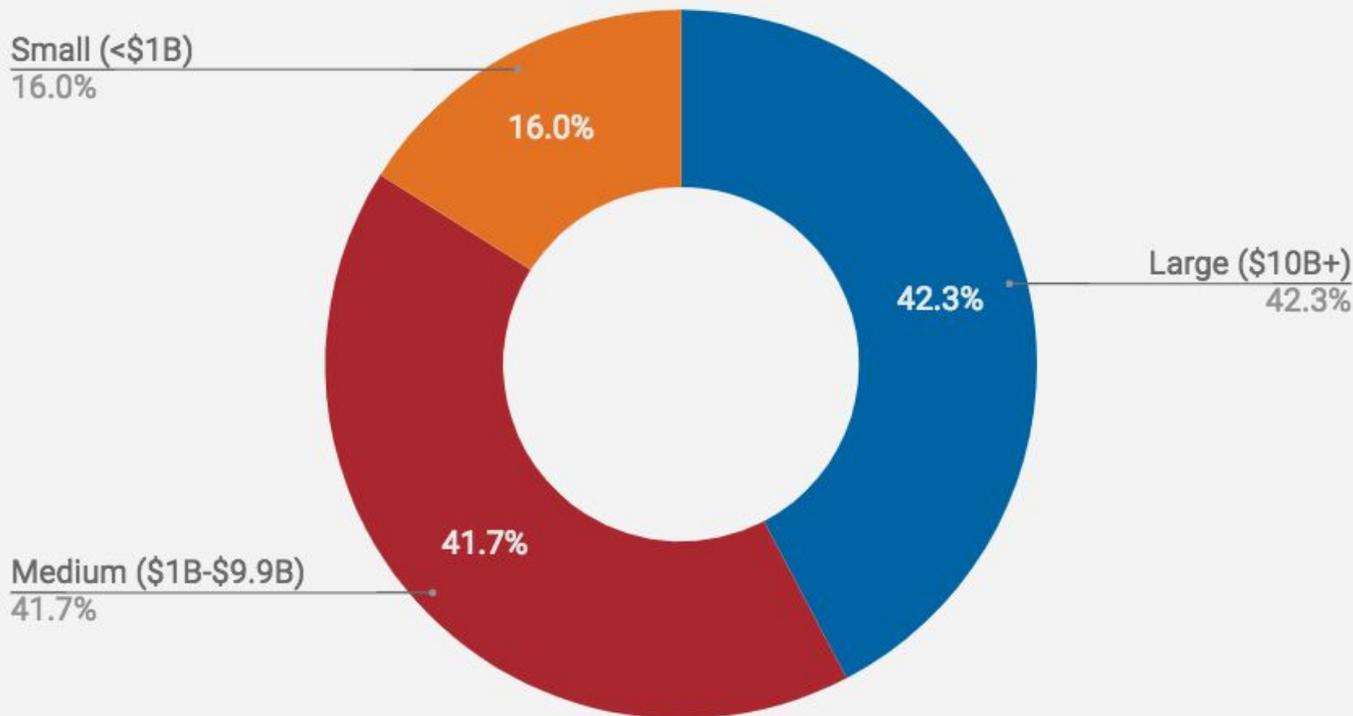
**32** Approximate number of industries represented

## 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**

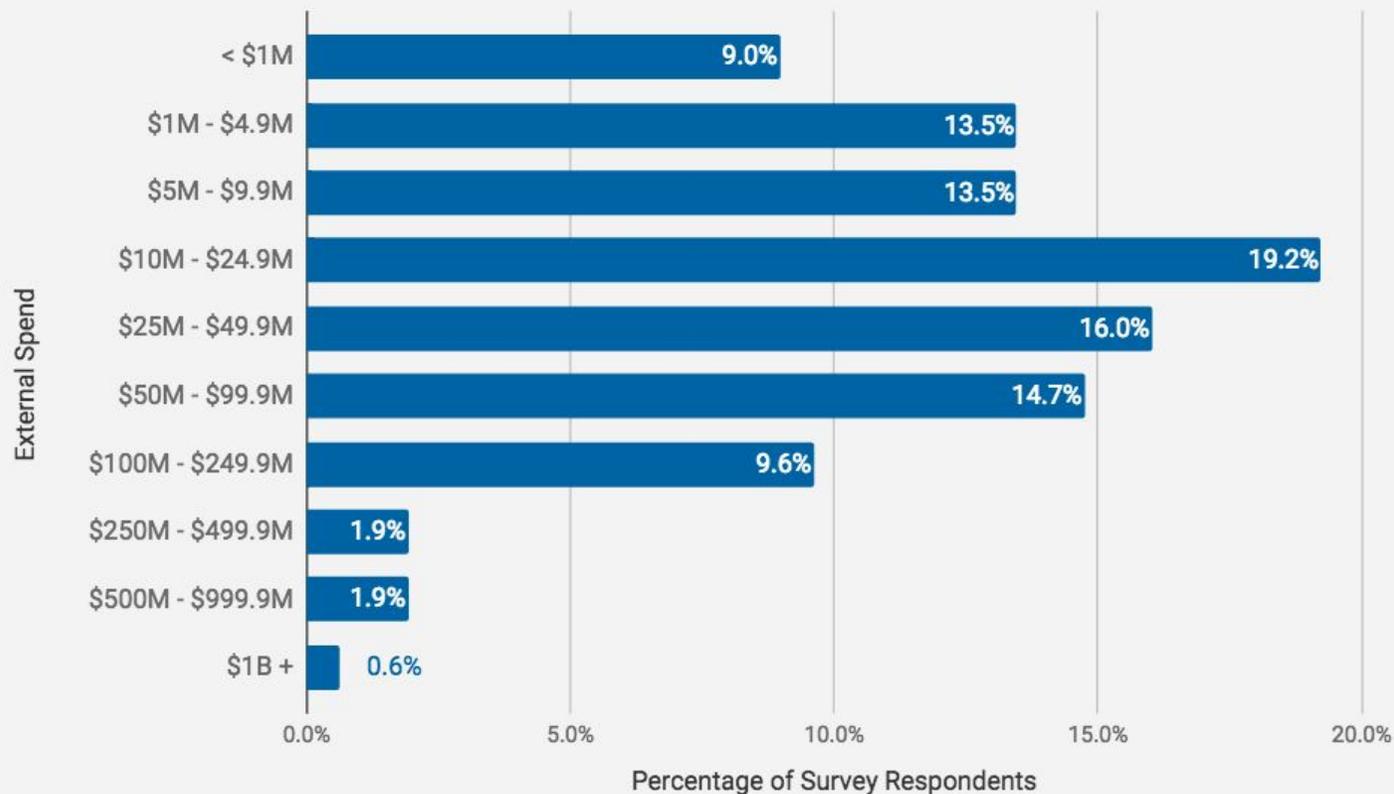
average  
external legal  
spend

# 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

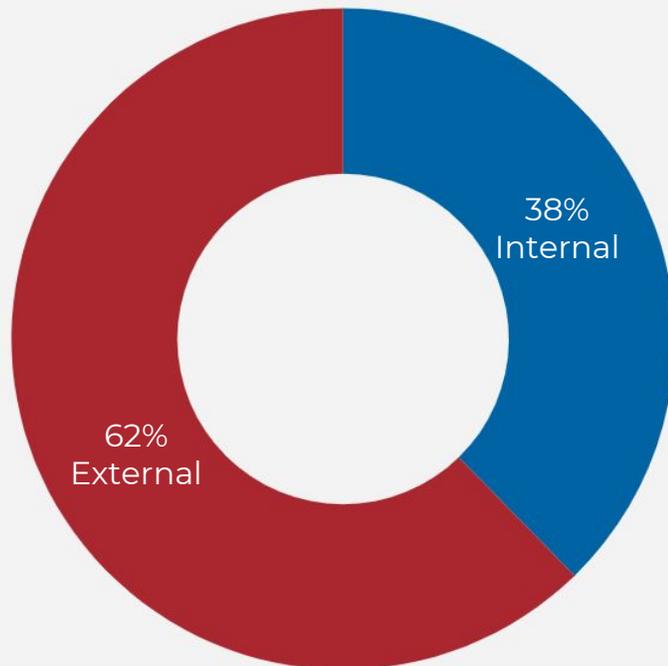
average external legal spend per in-house attorney

*\*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

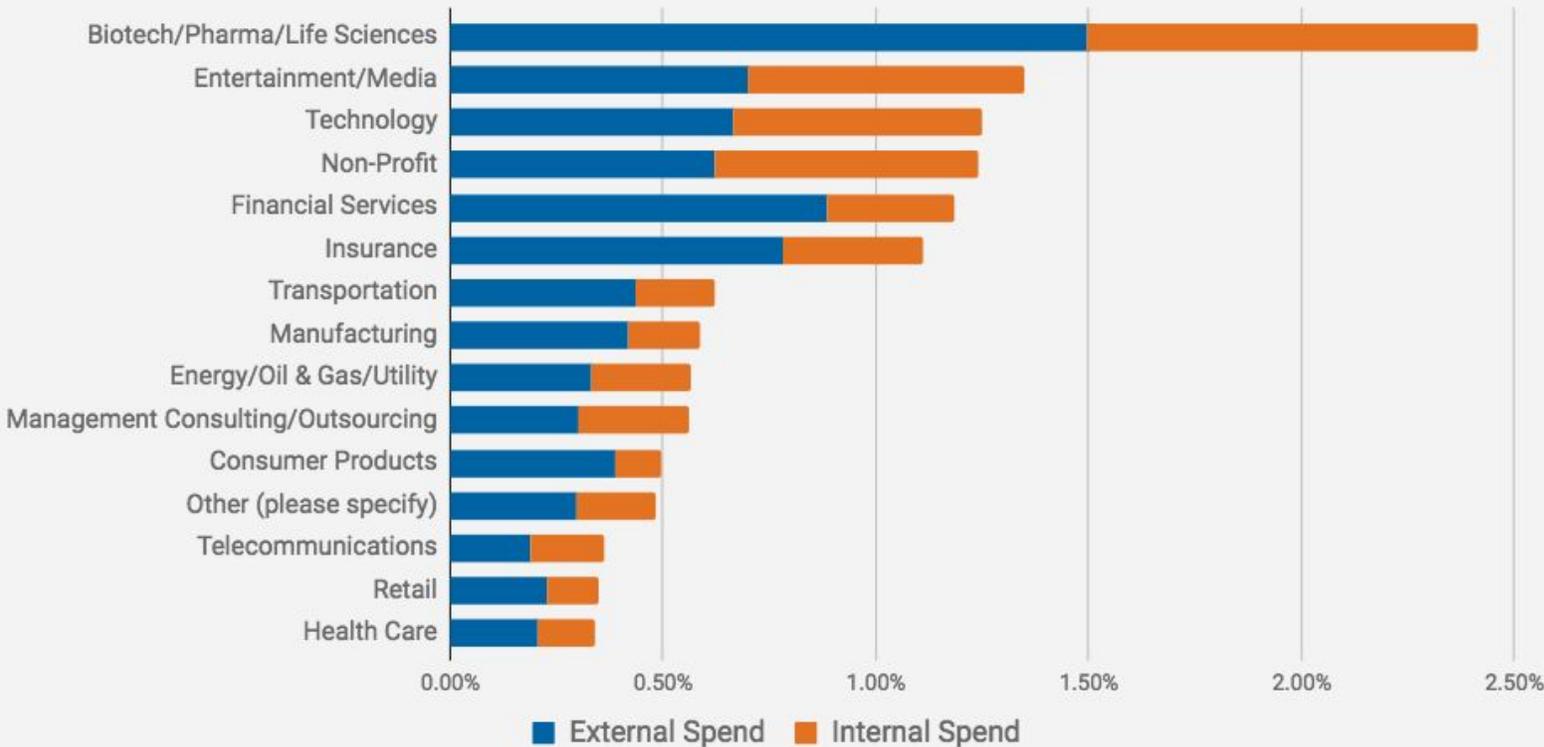
**\$60M** average external legal spend

# SPEND BREAKDOWN BY COMPANY SIZE

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

# SPEND BREAKDOWN BY INDUSTRY

EXTERNAL AND INTERNAL SPEND BY INDUSTRY  
(% OF REVENUE)



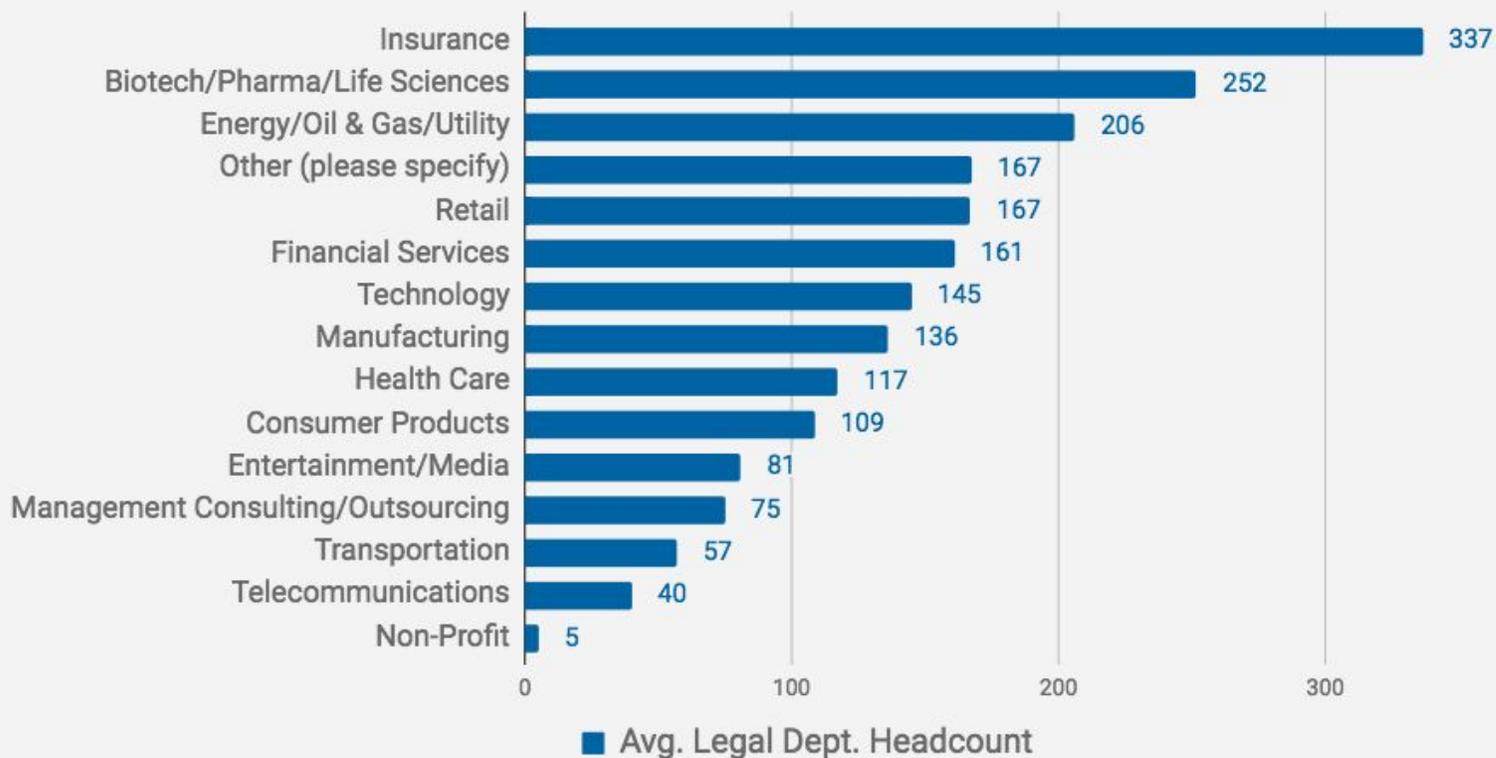
**Biotech companies** spent up to **2X** on legal costs compared to **technology** companies and nearly **5X** compared to **manufacturing** and **energy** companies

**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

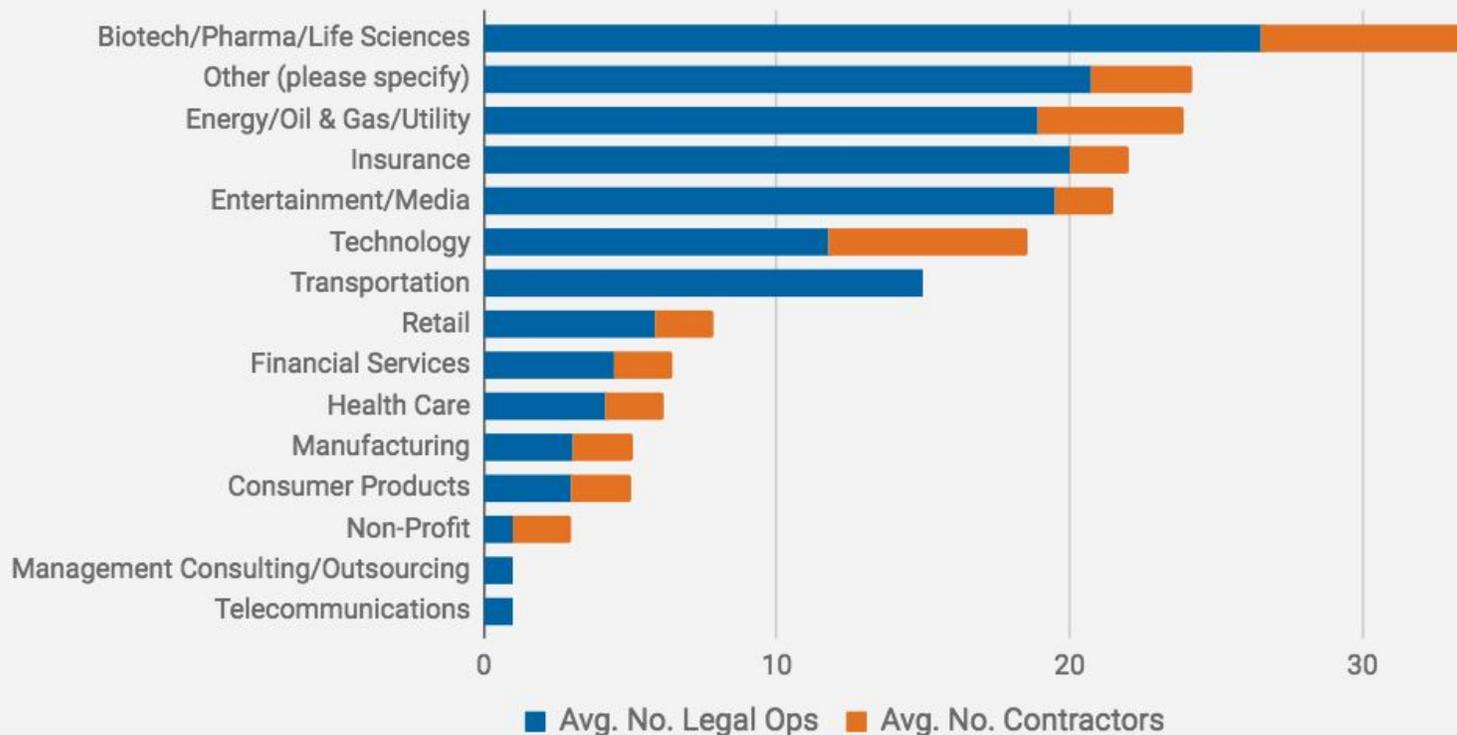
11 average **small** company (<\$1B) legal dept. headcount

\*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

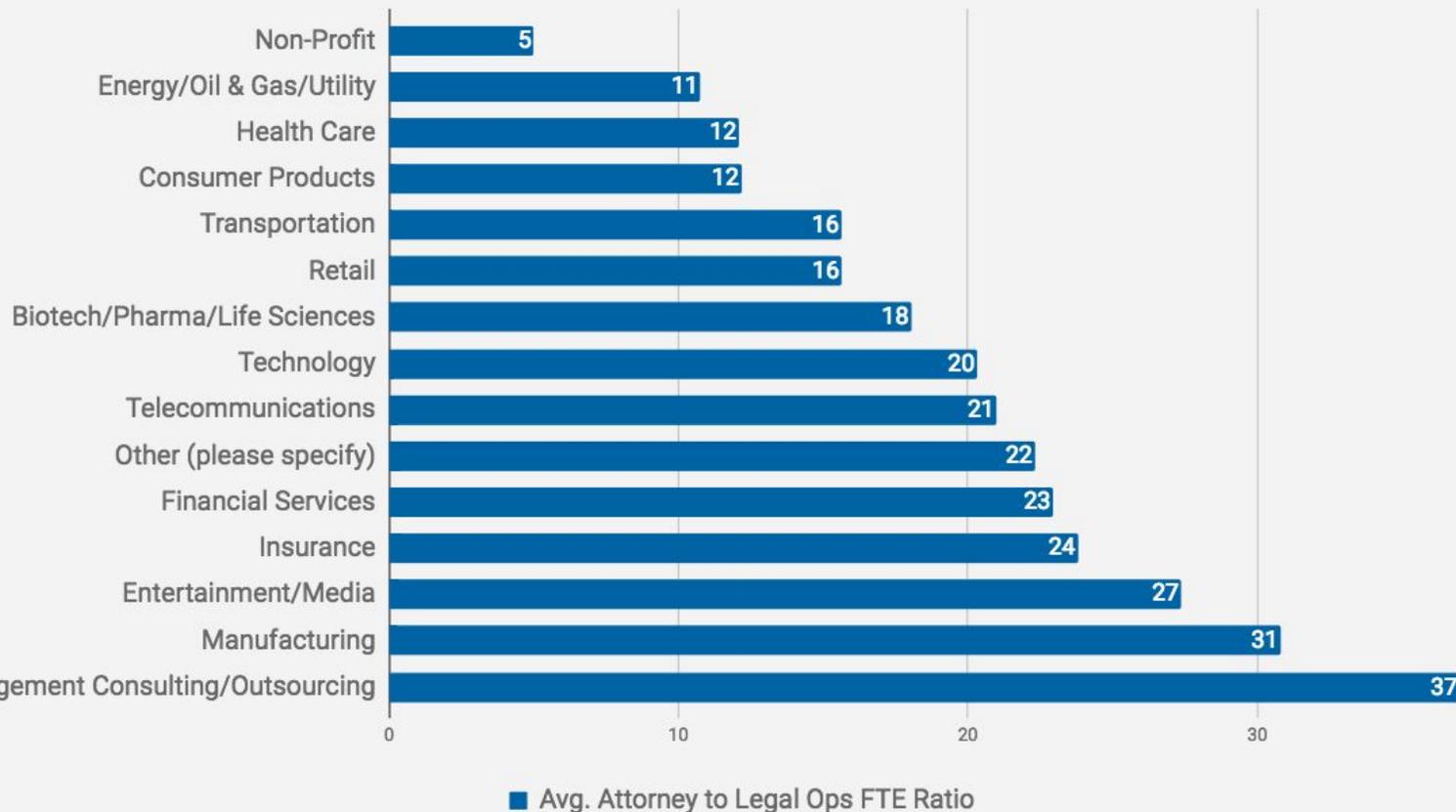


**Half of energy companies** utilize contractors on their Legal Ops team, while **one-third** of **technology** and **entertainment** companies do

**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

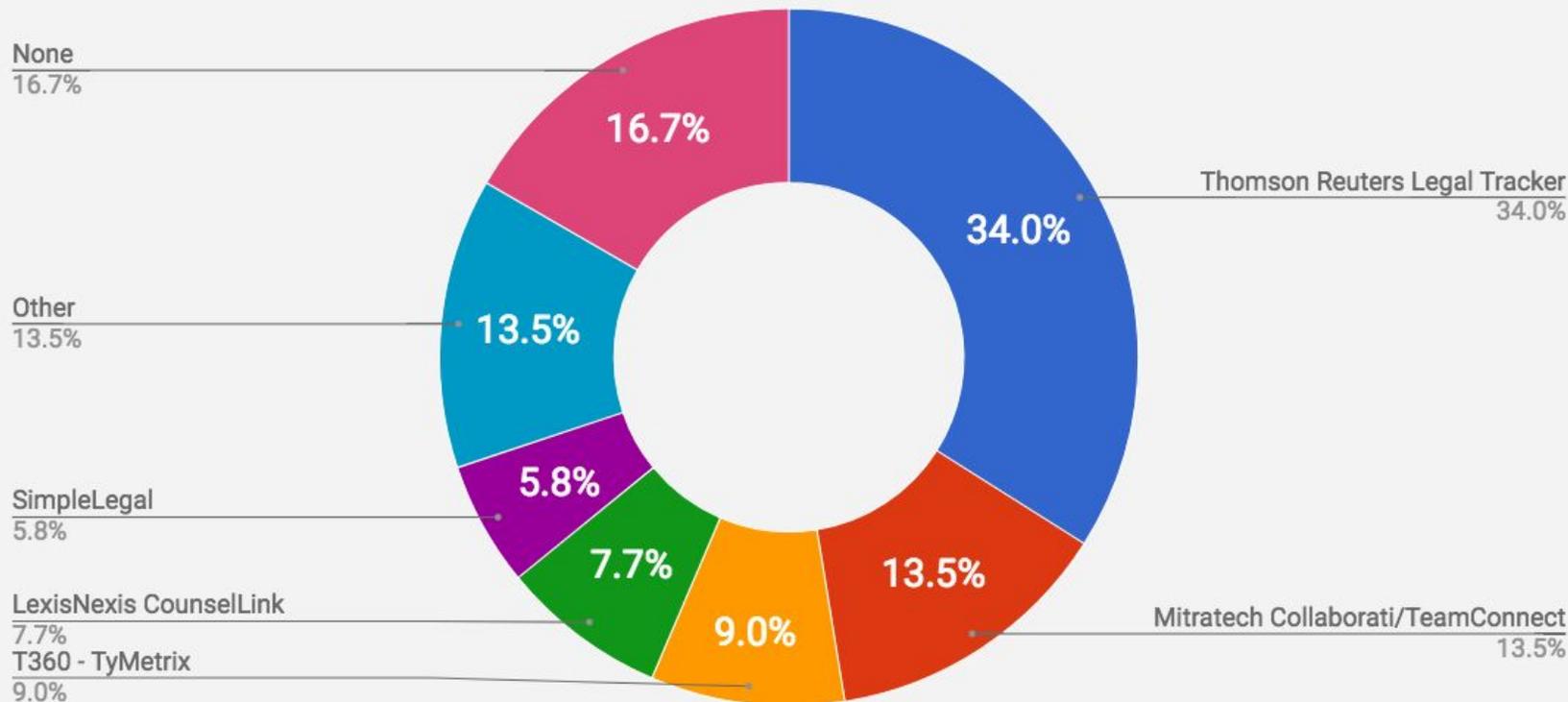
|  | Large Companies<br>(\$10B+ revenue) | Mid-Size Companies<br>(\$1B-\$9.9B revenue) | Small Companies<br>(Less than \$1B<br>revenue) |
|--|-------------------------------------|---|--|
| Avg. attorney headcount                  | 188                                 | 41  | 9  |
| Avg. Legal Ops headcount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

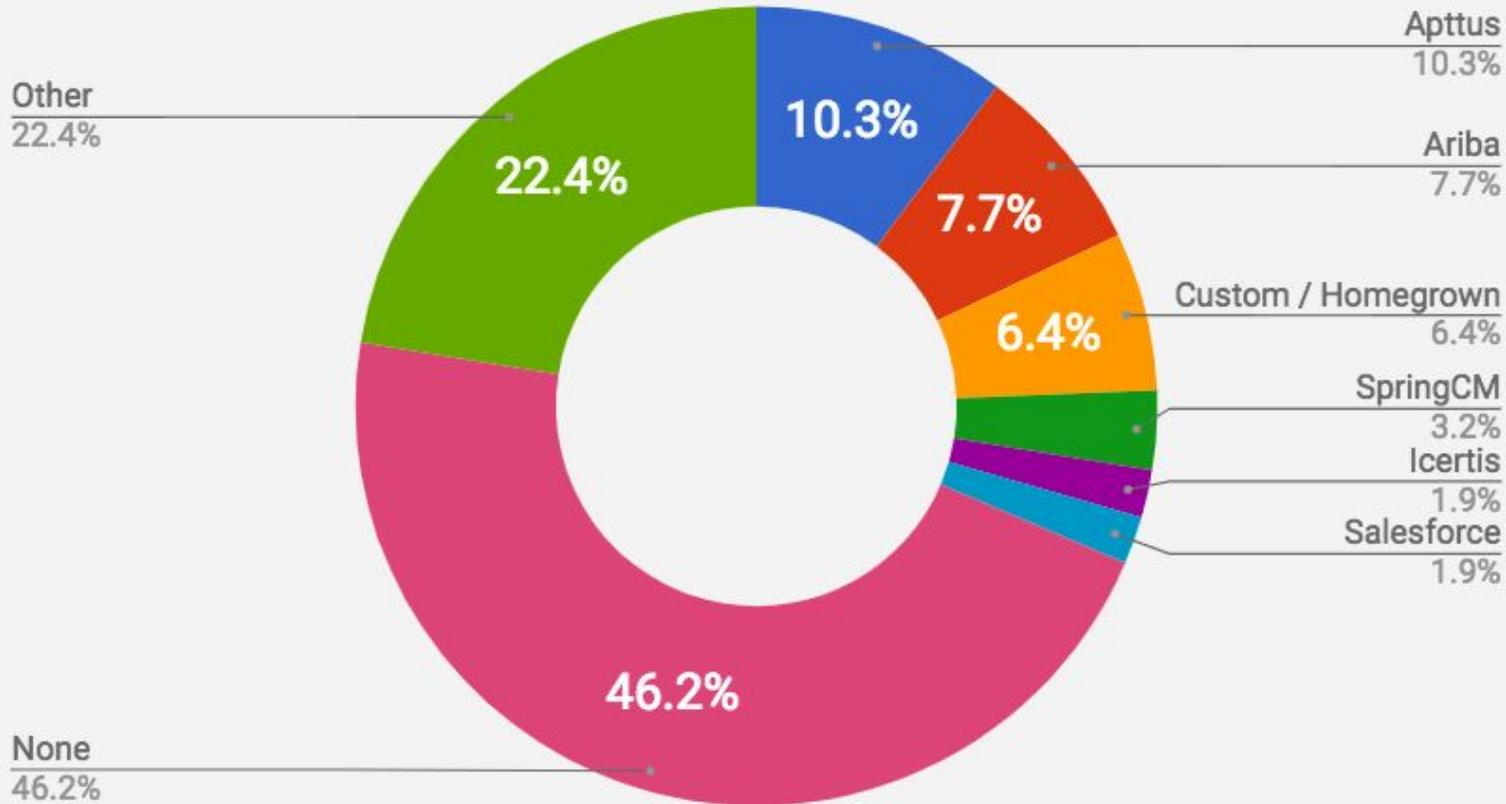
**5 eBilling vendors** account for **84%** of the market share among respondents with an eBilling system

# 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

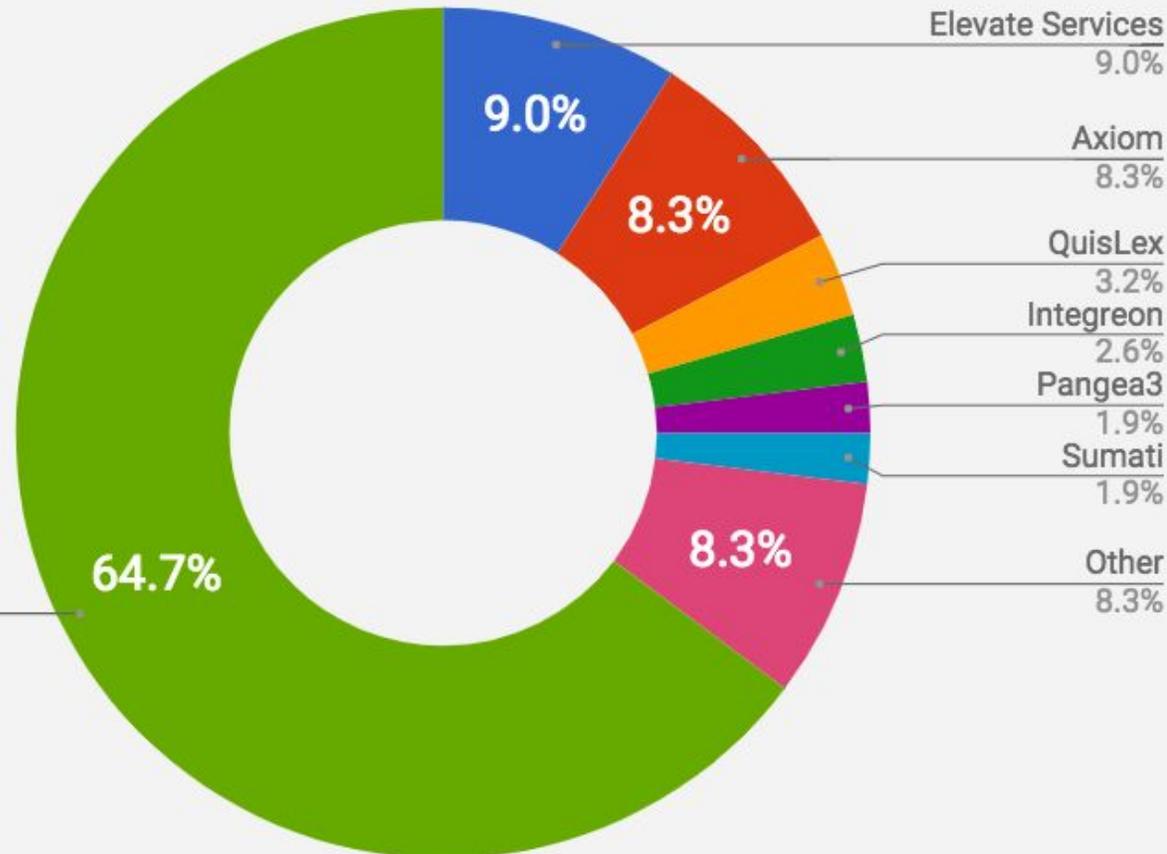
# LIST OF CONTRACT MANAGEMENT SYSTEMS MENTIONED

| 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 2<sup>nd</sup> 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](mailto: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!

