

The Bad Economic Hits Just Keep Coming

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The good news is that "At best, we may have reached a bottoming out," says a bleak new midyear economic report on large law firms from the Law Firm Group at [Citi Private Bank](#). It is the other shoe dropping in news last week that 2009 was a bad year for small to mid-sized law firms, according to the new [ALM Survey of Law Firm Economics](#).



In a nutshell, as of September 2010:

- Revenue was virtually flat
- Demand was down slightly
- Expenses have decreased largely due to the layoffs of 5,259 lawyers – 4.3% of the lawyer workforce – who lost their jobs in 2009
- Billing rates are up 4% but realization (the percentage of dollars collected from hours billed) is down.
- Laying off equity partners will be a priority throughout 2010.

"Given these results, we see the first six months of 2010 as lackluster from a volume perspective but made palatable due to belt-tightening. However, expense cuts have gone about as far as they can, so firms now need to focus on how to increase top-line revenue," the report says.

"Unfortunately, demand for legal services remains soft, and that is unlikely to change any time soon. So the only way firms can grow their revenue is at someone else's expense. Firms have to be more strategic about how to increase their share of a smaller pie--specifically, by differentiating themselves from competitors."

There is a good trend for regional and mid-size law firms: "Respondents agreed that general counsel are increasingly willing to diversify their portfolio of legal service providers and include lower-cost alternatives to their traditional firms, such as Second Hundred firms, offshore legal service providers, and virtual law firms."

Citi surveyed The 187 firms, including 87 Am Law 100 firms, 50 Second Hundred firms, and 50 other firms.

For more on this topic, call:

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