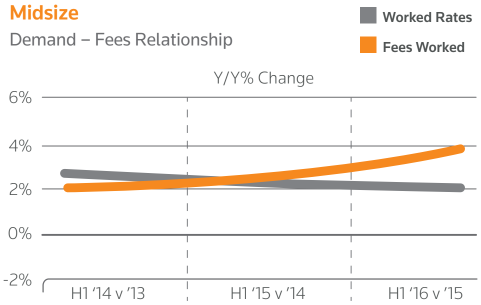
HIGHER RATE GROWTH DOESN'T ALWAYS RESULT IN HIGHER REVENUE.

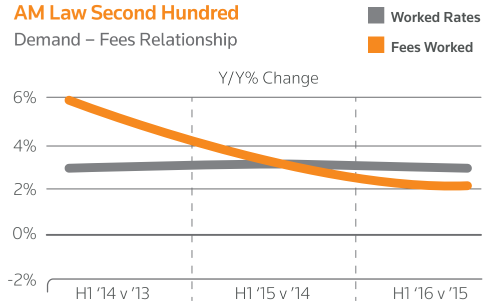
Deciding where to set rates can be incredibly difficult. You have to consider the complex relationship between pricing and demand. It's intuitive to assume that higher rate growth results in higher revenue. But that isn't necessarily true.

SLOWER RATE GROWTH IS ASSOCIATED WITH MORE DEMAND AND INCREASED FEE GROWTH.

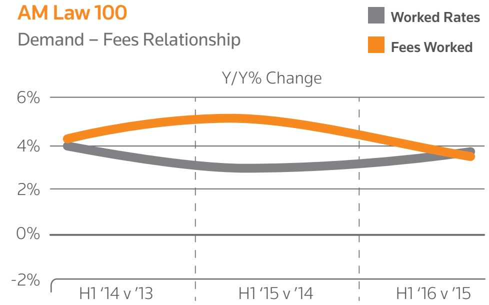
Midsize
Demand – Fees Relationship



AM Law Second Hundred
Demand – Fees Relationship



AM Law 100
Demand – Fees Relationship



WHEN RATES ARE RAISED MORE AGGRESSIVELY, IT NEGATIVELY IMPACTS GROWTH.

Thomson Reuters Peer Monitor® has been tracking the relationship between rates and revenue, and we noticed an interesting trend developing midyear of 2016. Our data from large law firms suggested that *firms with smaller rate increases may be experiencing better demand and revenue growth than firms pushing higher rate growth.*

> 2.7% = 2.4%
HIGHER RATE GROWTH = FEES GROWTH

BUT

< 2.7% = 3.2%
LOWER RATE GROWTH = FEES GROWTH

HOW DO THE DIFFERENCES BETWEEN THE "HAVES" AND THE "HAVE NOTS" FACTOR INTO THIS?

(Based on a 2016 Law Firm Leaders Forum Special Report)

10%+ "Haves" were identified as showing a 10%+ CAGR for profit between 2013 and 2015

0% "Have Nots" had 0% or worse profit CAGR.

SIGNIFICANT DIFFERENCE IN REALIZATIONS

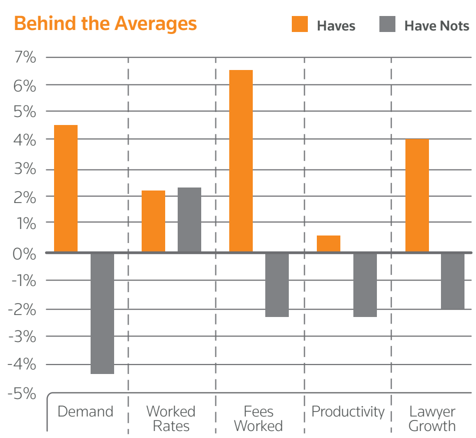
(against standard rates)

HAVES	HAVE NOTS
83.3%	81.4%

WHY ARE THE HAVES MORE SUCCESSFUL?

Positive demand, productivity, and fees worked.

Behind the Averages



THE HAVES ARE MORE SUCCESSFUL – BUT NOT BECAUSE OF RATE GROWTH.

No difference in Worked Rates
- No appreciable difference between Haves and Have Nots

Utilization
- Haves demonstrate far better utilization

Equity Partner to Associate Leverage
- Haves averaged 32% Equity Partners to 39% Associates
- Have Nots averaged 39% Equity Partners to 35% Associates

Marketing/Business Development
- Haves grew their BD expenditures by 4.2%
- Have Nots grew theirs by only 2.3%

To learn more about the study and other valuable industry information, visit **legalexecutiveinstitute.com**

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