

## UK Top 50 in five years' time: a ranking with a shelf-life?

By Tony Williams, Principal, Jomati Consultants  
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With the UK legal sector continuing to undergo significant change, the top 50 rankings could soon be consigned to history

As we consider the financial results for 2013-14 it is easy to assume that the picture is rosier for the UK's largest law firms. Revenue and profits are generally on the rise and firms have adjusted and reshaped to a more competitive market. So what's there to worry about?

The reality is that the downturn was a catalyst for profound change in the legal sector. As a result, the UK top 50 is likely to be substantially different in five years' time, with the rankings potentially becoming redundant. By 2018-19 a standard review of the UK legal market could be very different:

- 1) The shape, focus and financial performance of players in the UK legal market will be so varied as to make effective comparisons between the different models almost impossible.
- 2) For the top UK firms, their global position will be far more relevant than their UK ranking.
- 3) The UK offices of at least 40 US firms will justify a UK top 100 spot based solely on their UK revenues.
- 4) A Big Four accounting firm may be the largest ABS and indeed the largest entity regulated by the Solicitors Regulation Authority.

tony-williams-jomatiThe key driver behind all of this: clients' buying habits are fundamentally changing. The process may still be slower than first anticipated, but it is clear that clients will increasingly demand that firms adopt new methodologies and pricing models to deliver services at lower prices. This is not just for routine or commoditised work but for all types of work, so even the magic circle firms are adopting new working and staffing techniques. This - combined with ever-more rigorous panel review processes and smaller legal panels - will continue to drive considerable change in the UK legal market.

Second, we are seeing an unprecedented level of segmentation and consolidation within the group. While many of the top firms generate the majority of their revenues outside the UK, mergers and organic growth mean they continue to dominate the UK legal market. The top 10 UK firms now generate 57% of the revenue of the top 100 UK firms (up from 53% in 2008). Conversely, the lower half of the top 100 UK firms now accounts for 10% (down from 12.8% in 2008).

These trends, as the domestic mergers announced this year demonstrate, will accelerate as the commercial strains continue. This is not to say merging is a panacea for all. Firms with a clear, compelling and defensible proposition will not only survive, but thrive.

Third, those that seriously want to develop a global presence will need size and depth to compete effectively. With 30 firms having global revenues of more than \$1bn (£600m) and eight at or close to \$2bn (£1.2bn), it is unrealistic for firms with revenues under, say, \$500m (£300m) to effectively compete globally, although they may retain a very strong position in certain countries or product lines. Indeed, most of the top 10 UK-based firms see themselves far more as global players, notwithstanding their historic UK base.

Fourth, the new entrants to the legal sector will become more potent. Slater & Gordon, Parabis and the Big Four may have very different business models and offerings, but it is that difference that will make their business proposition compelling to so many. The global revenues of the Big Four exceed \$110bn (£66.4bn), with a headcount of more than 700,000. They may have previously encountered problems in the legal sector, but it would be brave to bet against the clout, determination and resources that they could bring to bear.