

# THE FUTURE OF THE LEGAL MARKET IN THE NORDIC REGION

November 2016

# THE GLOBAL HIGH-VALUE MARKET SEGMENT HAS BEEN DIVIDING INTO TWO GROUPS FOR SOME TIME

With differing client and market/product focuses...



...one with clear membership, the other more fluid

- **The leading firms are:**
  - Investing heavily a) to build a consistent level of client service and b) to ensure the firm has a comparable market position in each location
  - Dominating the high-value end of every market in which they compete – not yet to the detriment of leading independent firms

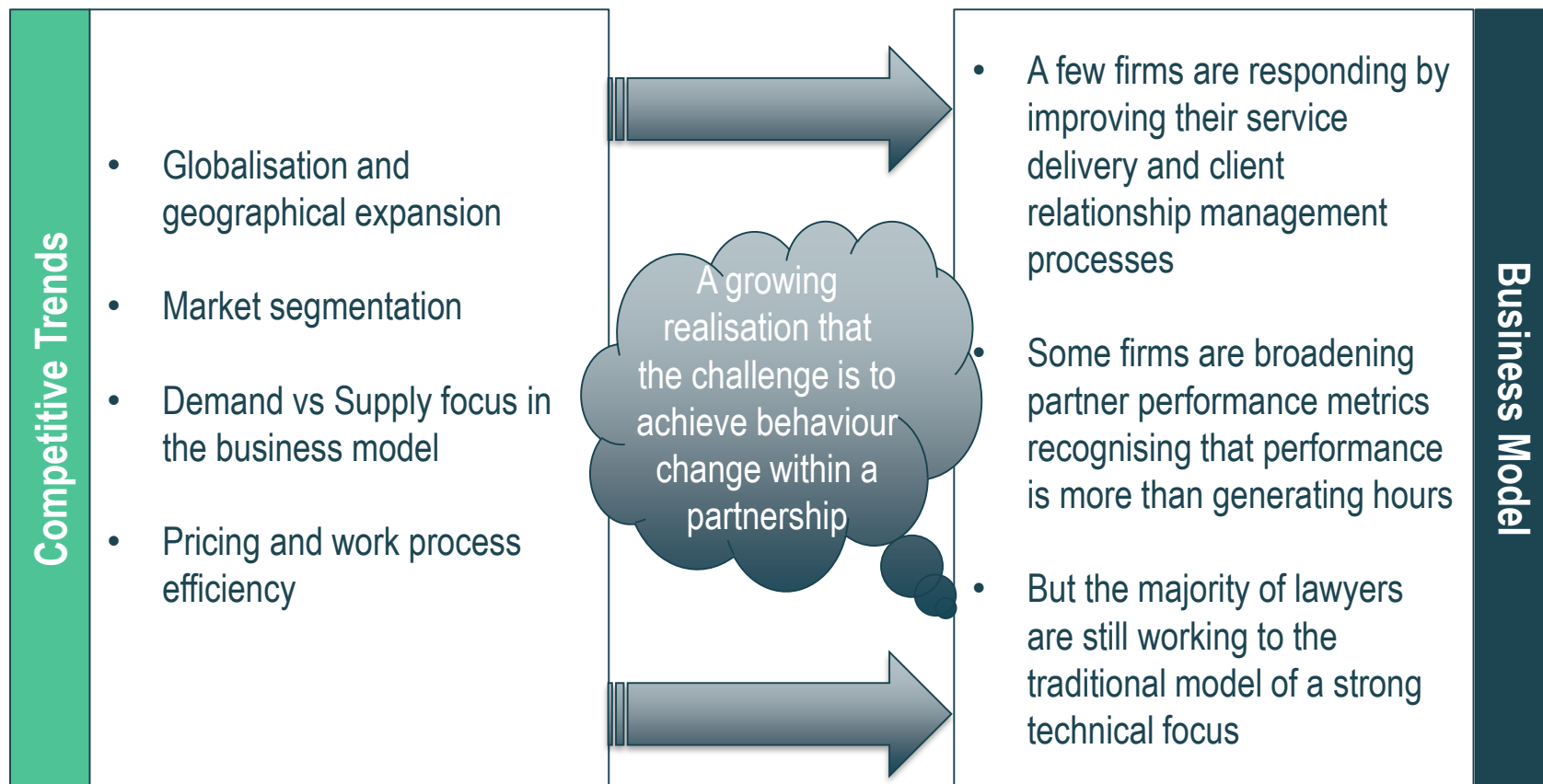
# THERE IS A LONG TERM TRANSITION IN MARKET STRUCTURE UNDERWAY

A different structure is taking shape over the next decade

- More than 40 law firms are competing as IBL firms – or aspiring to do so – plus the Global Elite group
- By 2020/25 there will be a leading group of around 10 or so firms with the capabilities to compete effectively in all major regions in higher value work
- There will undoubtedly be more large law firm “failures”
- The middle ground in the market will disappear with the high value end dominated by the successful international firms and smaller (often local) specialists
- Purely domestic firms seeking to compete at the higher value end will need to focus on a narrower range of offerings plus...

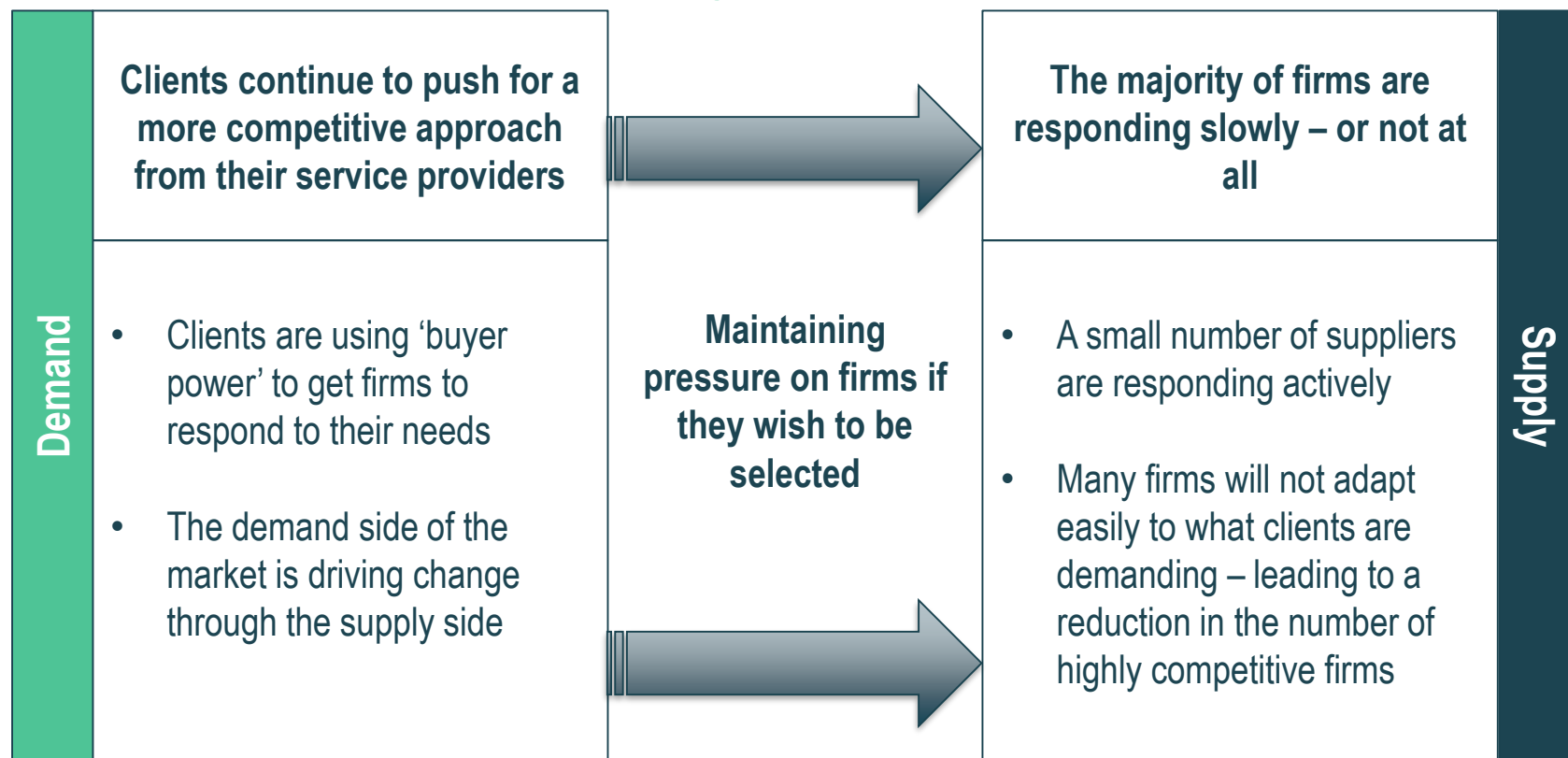
# THE CHANGES IN MARKET STRUCTURE ARE BEING DRIVEN BY SOME KEY COMPETITIVE TRENDS

## Competitive Pressures

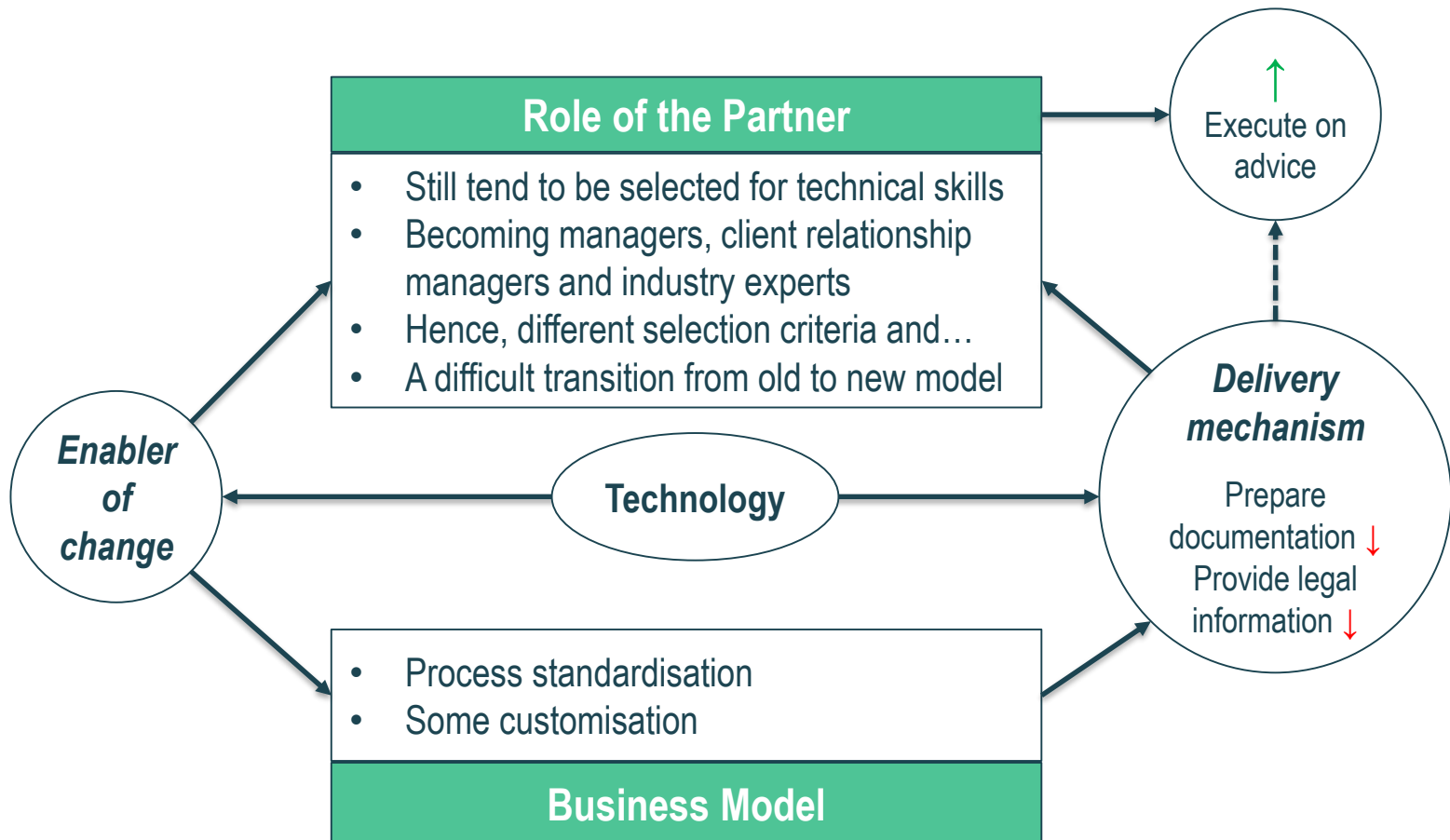


# A NUMBER OF CRITICAL TRENDS ARE TRANSFORMING THE GLOBAL PROFESSIONAL SERVICES MARKET

## A 'Buyer's Market'



# THE IMPACT OF TECHNOLOGY ON LAW FIRMS WILL BE PROFOUND



The work of lawyers 2025

# LEADING INTERNATIONAL LAW FIRMS HAVE NOT YET SOUGHT TO DOMINATE IN THE NORDIC REGION

## Number of lawyers in jurisdiction

#	Firm	Scandinavia	Denmark	Finland	Norway	Sweden
1	DLA Piper	186		38	63	85
2	Bird & Bird	139	26	53		60
3	Eversheds	119		100		19
4	White & Case	63		22		41
5	Baker & McKenzie	55				55
6	Kilpatrick Townsend	23				23
7	Linklaters	21				21
8	Kennedys	18	18			

Source: HA Analysis

## THE NORDIC LEGAL MARKET IS SIZEABLE...

	Denmark	Finland	Norway	Sweden	Total
Legal market value (USD\$bn)	\$1.8bn	\$0.6bn	\$1.7bn	\$1.9bn	\$6.0bn
Number of lawyers (Bar Association Members*)	6,000	2,050	7,450	5,600	21,100
Average RPL (USD\$k)	\$300k	\$293k	\$228k	\$339k	\$284k
GDP per capita (USD\$k)	\$46k	\$41k	\$69k	\$48k	-


Source: HA Analysis; Chambers; Danish, Swedish, Norwegian and Finnish bar associations; CCBE; IMF

Note: \* practising lawyers where quoted



## ...BUT STILL RELATIVELY SMALL CF. THE LARGER EUROPEAN LEGAL MARKETS

With scope for a pan-regional firm

Country	Legal Market Value/\$bn	Number of Lawyers/000s
France	24.9	60
Germany	22.7	164
Italy	21	246
Spain	10.2	151
 Nordic region	6.0	20

- Roschier with a wider footprint – Sweden, Norway, Finland
- Magnussen and MAQS – have been the most expansive of the Nordic firms

Source: HA Analysis, MarketLine 2016, CCBE Lawyers' Statistics 2015

# TRANSACTIONAL ACTIVITY BY COUNTRY IS LOWER THAN IN OTHER MARKETS...

...but as a region is second only to the UK by deal count

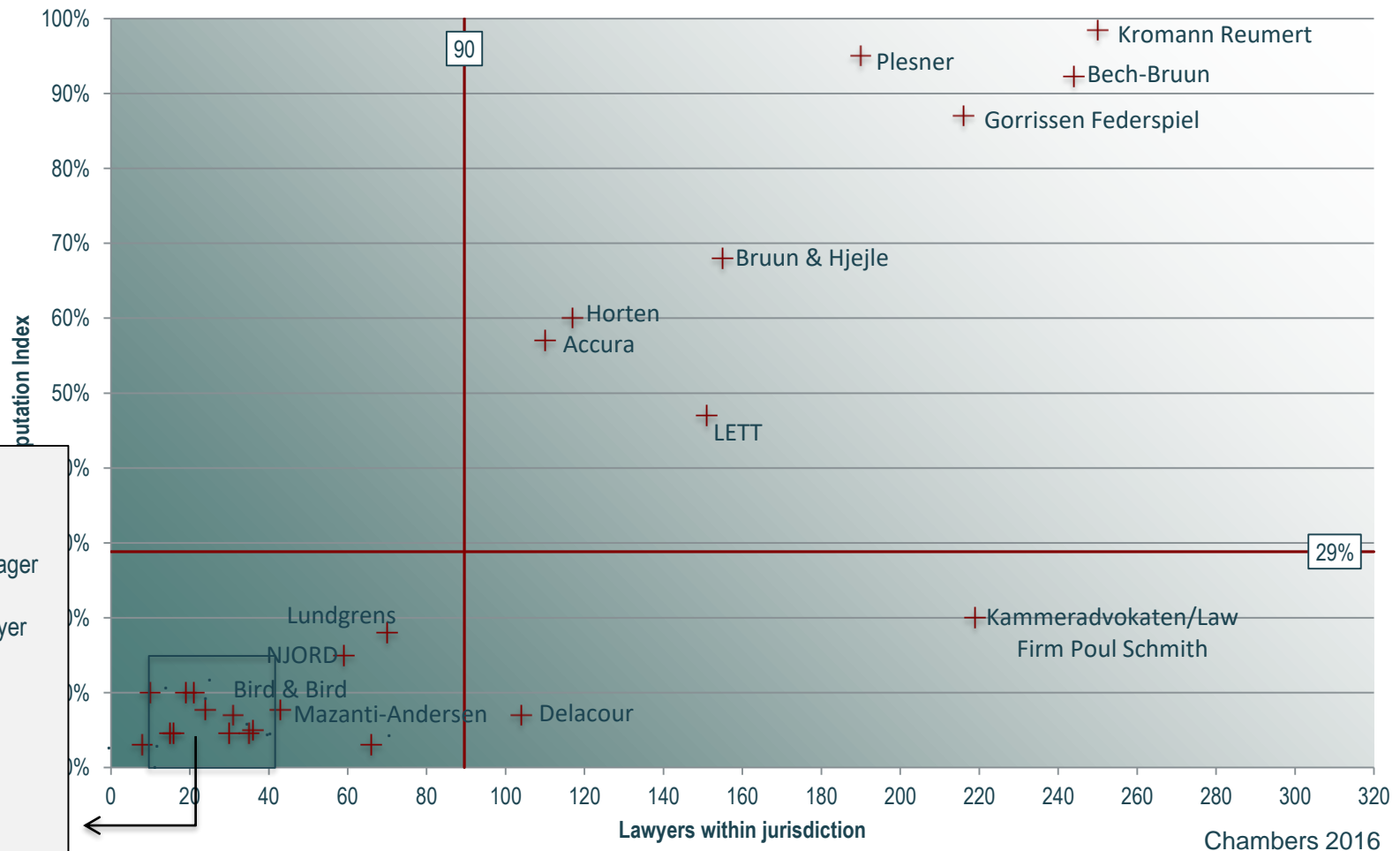
## M&A Deals 2015 – selected countries/regions Activity by Firm (Top 15 firms by deal count)

Country/Region	Average Deal Size/\$ mill.	Index of Deal Size	Average Deal Count	Index of Deal Count
UK	1,257	100	68	100
<b>Nordics</b>	<b>189</b>	<b>15</b>	<b>40</b>	<b>59</b>
Germany	466	37	37	55
France	272	22	36	53
Spain	407	32	29	43
Italy	423	34	26	38
<b>Denmark</b>	<b>135</b>	<b>11</b>	<b>22</b>	<b>32</b>

Source: Mergermarket

# THE DANISH MARKET IS HIGHLY CONCENTRATED AT THE TOP AND FRAGMENTED FURTHER DOWN

Global Elite can rely on strong support from local 'independents'



- Bird & Bird
- Elmann
- Lassen Ricard
- Lund Elmer Sandager
- Magnusson
- Moalem Weitemyer
- Bendtsen
- Nielsen Nørager
- Norrbom Vinding
- Sandel, Løje & Partnere
- Skau Reipurth & Partners
- Viltoft

# THE REGION IS LIKELY TO FORM PART OF A 'THIRD WAVE' OF EXPANSION WHEN IBL FIRMS SEE A CLEAR 'NORDIC' MARKET

For now, other regions are a higher priority ...

- **Asia Pacific and, to a lesser extent, Latin America are focuses for IBLs**
  - Economic growth and FDI flows remain strong and legal markets relatively undeveloped
- **A number of IBLs seeking to increase scale and depth of capability in larger European markets (US) and forge US mergers (UK)**
  - Need to compete more aggressively for share in developed markets
- **The level of transactional activity within and between the Nordic region and other countries is lower than other regions**
  - Investment (strategic and operational) is being directed elsewhere
- **Push will be led by lower value IBLs – DLA Piper, Squire Patton Boggs, etc.**
- **The Global Elite will continue to service the region on a 'fly-in/fly-out' basis**

...but it should be regarded as a question of when not if

# **SERIOUS COMPETITION FROM THE BIG 4 ACCOUNTANTS WILL ALSO BE FELT AT ALL LEVELS**

**Mainly (but not only) operating in the second tier of higher value work**

- **Able to combine their accounting, financial, corporate finance and consulting services in specific work types**
- **Investing to grow legal capability across most markets including the Nordic region**
- **They have scale and well developed organisational processes**
- **The legal profession will be forced to follow over the next 10 years**

# THE CORPORATE MARKET SHOWS A SIGNIFICANT SHIFT TO EMERGING MARKETS – PARTICULARLY ASIA PACIFIC

Region	Year			Change, 2005 to 2015	
	2005	2008	2015	Number	%
North America	189	167	142	-47	-25%
Europe	178	190	147	-31	-17%
Asia Pacific	127	132	198	+71	+56%
Latin America	5	10	10	+5	+100%
Middle East	1	1	3	+2	+200%
<b>Total</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>0</b>	<b>n/a</b>

Note: There were 16 Chinese companies in the Global 500 in 2005 and 98 in 2015

# CHANGES IN THE GLOBAL LEGAL MARKET ARE ACCELERATING

The effect in all regions will be profound and systemic...

- More internationalised regions are already highly segmented but subject to further consolidation
- Developing regions undergoing rapid internationalisation are segmenting quickly
- Developed regions not yet fully internationalised face similar pressures
- All are subject to intensifying competition

...how firms respond will determine the shape of the market in 2025

# **REMAINING COMPETITIVE IN A HOME MARKET REQUIRES A DIFFERENT APPROACH AND IS NOT 'BUSINESS AS USUAL'**

**...regardless of views on/responses to internationalisation**

- **Competition will be driven by clients and technology**
- **In some Nordic countries there is a dearth of high calibre talent**
- **Profitability funds investment in people, process solutions, and technology**
- **A competitive position will provide choices in the future**



# THERE ARE 7 AREAS OF WHICH ALL LAW FIRMS NEED TO FOCUS FOR SUCCESS IN ANY MARKET POSITION

1

Ensure there is clarity of strategic position and the related strategy – and its acceptance within the firm – along with a supporting business model

2

Achieve competitive levels of performance – financial but also across a range of activities

3

Implement processes to ensure work is done cost effectively while meeting profit targets

4

Develop very effective, structured and disciplined business development and client relationship programs – appropriate to the strategy

5

Develop an economic structure for each practice group given its role in the firm's strategy

6

Articulate and manage and set of acceptable behavioral standards

7

Implement lean and effective management structures along with strong organizational processes that support the strategy



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