

Confidence continues to rise as long-term outlook improves.

Commonwealth Bank Legal Market Pulse Report
(conducted by Beaton Research + Consulting).



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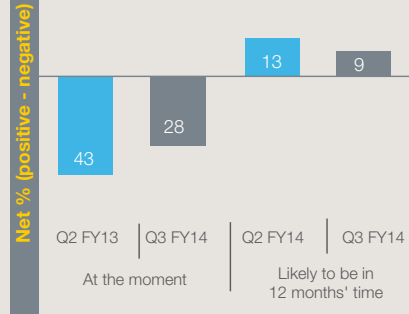
Law firm confidence continues to improve quarter-on-quarter.

Current business conditions improved from a net negative 43% to a net negative 28%.

Although current sentiment in negative territory, law firm leaders rate the overall business conditions in 12 months' time at net positive 9%.



Perception of business conditions.

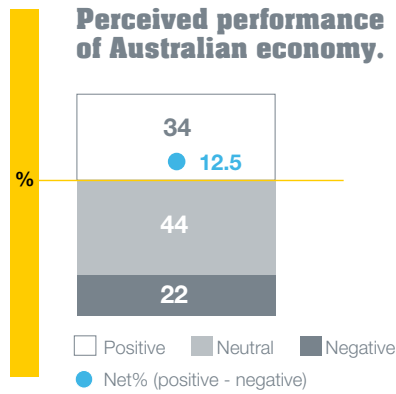


Perceived outlook for the Australian economy is positive.

Optimism about the economy is positive with a net 12.5% of law firms rating the performance of the Australian economy as positive over the next 12 months.



Perceived performance of Australian economy.



Business conditions in specific areas remain tough.

Challenges remain in **Negotiating price with clients** and **Finding quality staff**. However, conditions have improved in 3 of 9 specific areas of business, with largest improvement in **Accessing capital**.



Negotiating price with clients

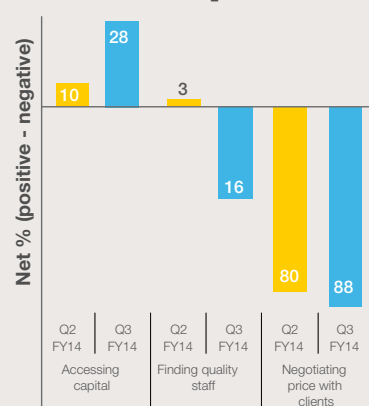


Finding quality staff



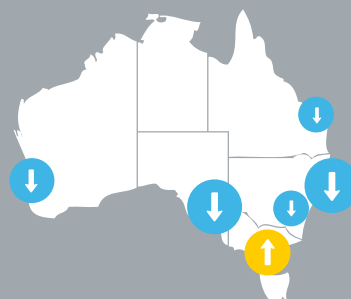
Accessing capital

Perception of business conditions in specific areas.



Revenue expectations in most locations are down.

Revenue expectations have come down this quarter in most locations with the exception of Melbourne.



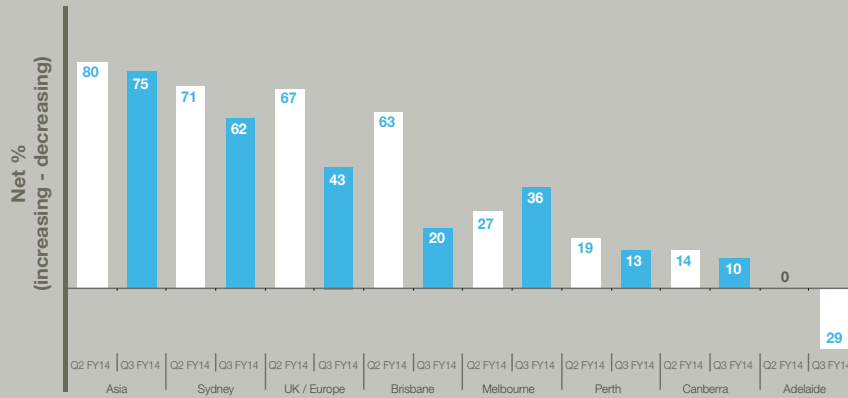
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Changes in revenue by location.



TAX

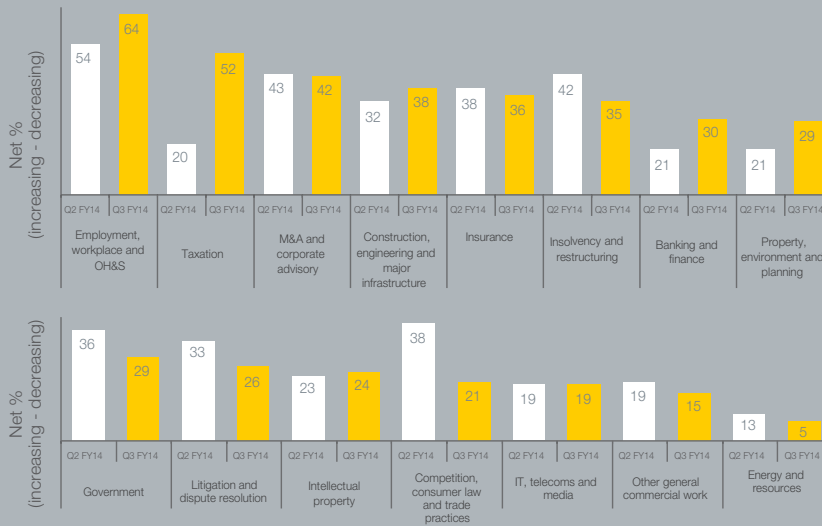


Business conditions improve in 6 of 15 practice areas.

Firms forecast growth expectations over the next 6 months in 6 of 15 practice areas.

Biggest mover: Taxation has the largest forecasted increase revenue growth over the next 6 months.

Changes in revenue by practice area.



REALISED RATES EXPECTED TO INCREASE.

In the next 6 months firms expect realised rates to increase by **+0.9%** and by **+1.0%** over the next 12 months.



In the next 6 months



In the next 12 months

RATES

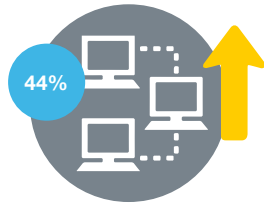
EXPECTED CHANGES IN REALISED RATES.



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IT hardware and software

Expenses forecast to rise in 6 of 7 overhead areas over the next 6 months.

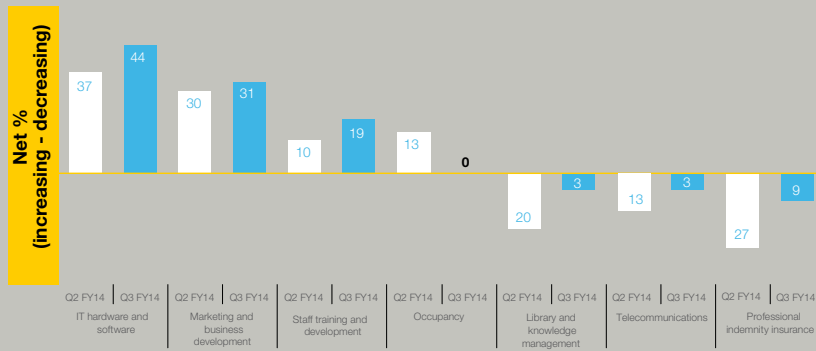
IT hardware and software and **Marketing and business development** continue to be the focus for firms in Q3FY 2014 with expenses expected to increase.

Occupancy expenses have come down this quarter.



Occupancy

Changes in expenses over the next 6 months.



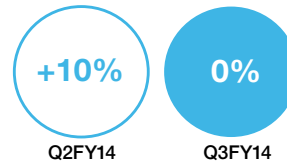
Fee-earning roles



Mid tiers look to grow fee-earning roles.

The **mid tier** firms forecast staffing growth across all fee-earning roles.

Equity and salaried partner numbers are looking to grow over the next 6 months for the **mid tiers** and decrease for the **top tiers**.



MARGINS

Firms expect margins to remain the same for the next 6 months.

Although confidence has had a lift (-43% Q2FY14 to -23% Q3FY14), tough business conditions have left firms expecting margins to be steady.

Changes in staffing by tier.



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BPOs



One in five firms are outsourcing back office functions.

22% of firms have used **Business Process Outsourcing** to resource back office functions.

The **top tier** have the most experience with 63% using LPOs.



Technology adoption in Australia.

25% of firms believe that adoption of new information and communication technologies in the Australian legal market occurs faster than in other countries.

Mobility solutions



Document automation



Most widely adopted new technologies.

Mobility solutions and **Document automation** are the two most widely adopted technologies. **88%** of all firms are implementing or have implemented Mobility solutions at their firms.

Top tier firms display a stronger propensity to implement new information and communications technologies than their mid tier counterparts.

Non-legal services



Firms increase non-legal service offering.

50% of firms say they currently offer non-legal service such as business consulting, eDocument and compliance training.

Proportion of revenue from non-legal services is expected to increase over the next 24 months



Investment in new technologies look to increase despite difficulty in quantifying returns.

Firms cite technology investments improves client satisfaction through: increases in service efficiency, improved communication, and better understanding of clients business/needs. Despite this, **57%** have not been able to quantify the returns of these investments.

Bespoke Law



Competition from non-traditional law firms.

25% of firms have competed for work with non-traditional (alternative business model) law firms in the past 12 months.

Bespoke Law is cited as the non-traditional provider against which law firms have competed most frequently.

Download the Commonwealth Bank Legal Market Pulse Report for the latest findings at commbank.com.au/legalmarketpulse



Things to know before you Can:

This infographic has been prepared by Beaton Research + Consulting and is commissioned by Commonwealth Bank. It aims to provide law firm leaders with reliable legal industry forecasting, business confidence and other lead indicators to make strategic decisions and to budget more accurately. The confidential on-line survey used to prepare this information was undertaken by Beaton Research + Consulting in February 2014. The report is based on the views of 32 law firms across Australia. Commonwealth Bank of Australia ABN 48 123123 124.