



The UKs Most Valuable Law Firm Brands 2005

Overview

Clifford Chance, let down by relatively low profitability and a declining income stream, relinquishes the top spot for brand value to the challenging Linklaters. Linklater's brand value is driven largely by steady growth and healthy profit margins combined with recent investment behind the brand and in marketing – something which has also enabled Freshfields to close the gap with Clifford Chance. Freshfields is one of the most profitable law firm brands in the UK. Most of Freshfields' profitability is directly attributable to the strength of its brand which it has been investing in heavily. Allen & Overy is the fourth largest magic circle firm by income and also by brand value, it has a healthy profitability and sound growth prospects.

The scrum of firms jostling for position behind the magic circle brands is led by Lovells with DLA close behind. Punching above its weight is Herbert Smith with the seventh highest brand value. Herbert Smith's solid growth and identifiable brand are just some of the factors determining this value. Eversheds' brand, however, is underperforming. Eversheds is the seventh biggest UK law firm brand but its brand value is only the eighth biggest. This underperforming brand is reflected most obviously in the firm's inability to derive value from it – hence it is one of the least profitable firms in the UK. Slaughter and May is in quite the opposite position whereby it has a very strong brand (despite its understated and idiosyncratic brand) which enables it to achieve impressive profitability. Taking up the bottom of this pile is Norton Rose, Ashurst and Simmons & Simmons whose brands are strong enough to give them the ability to compete with the larger firms and given suitable investment and direction, could really start to challenge those above it.

Methodology

The ranking is based on the "relief from royalty" methodology which uses forecast revenue streams and the implicit royalties which the firms are relieved from paying because they own the brands. The royalty rates are based on 10 measures of brand strength using qualitative market research, media coverage and websites. This is then discounted to a present value using an estimated weighted average cost of capital. The analysis is based on published or estimated figures.

Rank	Name	Brand value £m	Rank by turnover	Revenue / BV Ratio	Strapline
1	Linklaters	1,687	2	2	Excellence in any language
2	Clifford Chance	1,394	1	1.5	A truly integrated global law firm
3	Freshfields Bruckhaus Deringer	1,312	3	1.7	Leading international law firm*
4	Allen & Overy	1,164	4	1.7	An international legal practice*
5	Lovells	603	5	1.6	International business law firm*
6	DLA	535	6	1.6	Legal advice anywhere in the world*
7	Herbert Smith	490	8	1.8	Leading, full-service international legal practice*
8	Eversheds	469	7	1.5	Cost predictability and outstanding service*
9	Slaughter and May	445	9	1.7	A leading international law firm
10	Norton Rose	282	10	1.4	Leading international law firm*
11	Ashurst	279	11	1.4	Leading international law firm*
12	Simmons & Simmons	227	12	1.3	We shape our service to fit our clients needs and cultures*

Source: Intangible Business Ltd.

*Assumed in the absence of an official line.



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Comments

Brand value: 'There are two interesting facts about these brand values. The first is that law firms actually have a valuable brand and secondly that they are extremely valuable. For instance, we all know and accept Burberry, Yell and Michael Page as being very powerful and valuable brands. What was perhaps not known before was that some of these law firm's brands are equally valuable.'

Branding: 'UK law firms are beginning to recognise the value that is attributable to their brands but what they need to do now is leverage this value, as Linklaters, Freshfields' and Slaughter and May have done, to increase their profitability and size – they are very big and could be even bigger.'

Differentiation: 'Most brands achieve success through differentiation: McKinsey through recruiting the very best in each of its fields; innocent smoothies by using 100% natural ingredients; Avis by being the second biggest and therefore having to work harder. Ironically, however, there is little differentiation between the top UK law firms and what is even more ironic is that while most of their claims to greatness are centered around being international, this is indeed largely spurious. There is therefore a big opportunity for the law firm that manages to successfully differentiate its brand from the market and communicate this successfully to existing and potential clients.'

Branding: 'Three brands have recently embarked on an effective marketing investment programme, Linklaters, Freshfields, Slaughter and May. And each of these has had success because of it. Freshfields and Slaughter and May's profitability is over 40% and Linklaters has the biggest law firm brand in the UK. What this proves is that effective branding works. What others should do is take note or take care.'

Intangible Business

Intangible Business is one of the world's leading brand valuation consultancies, specialising in valuing intangible assets, such as brands, for financial, management and litigation purposes.

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