Law firm mergers: a tasty concoction?

Introduction

The much heralded impact of deregulation has been making waves in the legal industry for a couple of years now, with the introduction of Alternative Business Structures creating new competition in the industry and causing existing law firms to take a step back and examine their next strategic move in light of these market changes.

Amidst all this change, few law firms have considered how their brands are affected and can be utilised to help them develop a competitive edge in this new legal landscape.

Intangible Business brought this issue to the industry's attention back in September 2012, when it issued a report comparing law firm brands to chocolate bar brands. The light-hearted campaign encouraged law firms and legal commentators to suggest which law firm brands best resembled which chocolate brands. It highlighted the important message that in this brave new world, law firms needed to wise up to the value and potential their brands could hold if they were to compete with heavyweight consumer brands entering the market for the first time.

Since then, a flurry of law firm mergers have been announced as the legal market consolidates in response to the changes. The process of bringing two or more firms' brands together to create one enticing brand proposition is similar to how mixologists capitalise on individual spirits and mixers to create cocktails. Intangible Business has used this concept to invite the legal industry to compare the big law firm mergers to cocktails to highlight the brand management issues at stake when law firms enter into merger negotiations.

In a world of law firm mergers, we ask whether brand management is getting the attention it deserves? Or are these law firm 'cocktails' diluting their brands and creating confusion? Intangible Business investigates…

Law firm mergers

The legal industry has historically been characterised by the number of small firms which operate in it, quite unlike other markets such as banking where a few large firms dominate. As the legal market looks to consolidate and the largest firms - the so-called 'magic circle' - start to take the lion's share of the market, merging is an increasingly attractive prospect for those firms looking to compete on this level.

Mergers and their half-sister *Swiss Vereins* have become increasingly popular as firms look to grow in a tough market, with mergers offering firms the chance to compete in new markets and create larger firms, often with the aim of becoming global. Following the spate of mergers between the now-Magic Circle back in 2000, namely Allen & Overy, Clifford Chance, Freshfields Brackhaus Deringers, Linklaters and Slaughter and May, the market once again seems to be looking to mergers to compete for these top spots.

Branding the last point on the merger agenda

Mergers are never entered into lightly, and there are lots of important considerations from the offset. Some key questions for any law firm considering a merger are the legal market are:

- *What are the key objectives of merging and how will these be achieved?*
- *Are the strategic objectives of the two firms aligned and do they complement one another?*
- *Are the firms financially aligned?*
- *Are the firms' cultures similar and will they integrate well?*
- *Are the firms' financials similar in terms of profitability and charge-out rates?*
- *Are the internal practices of the firms similar?*
- *Are the partners (key stakeholders in a law firm) on board with the decision?*
- *How can the partners' involvement in the decision-making process be maintained to keep them satisfied?*
- *How will the client work be split after the merger?*
- *Who will manage the brand?*
- *Who will manage the integration process?*
- *How much is this going to cost and can the firm afford it?*
- *Has the firm got the resources and time to enter into merger negotiations?*

With all these considerations and many more, it is far from unusual for firms to reach a sticking point well into the negotiations and for the deal to fall through.

A key consideration that arguably gets left at the bottom of the agenda is how the brand will function as part of this merger process. Merger negotiations are run by individuals who have been integral in building a firm over a number of years and this often clouds their judgement when it comes to merging the brands, with the safest compromise often deemed to be simply joining the two firms' names together, rather than considering what kind of branding best reflects the identity and capabilities of the newly merged firm. A brand represents a short-hand for the values it represents, and when merging two firms, these values and a clear message can often be lost.

Suggestions

Our clients and customers have once again stepped up to the challenge of providing entertaining and insightful comparisons between merged law firms and their cocktail counterparts. We have collated some of the best suggestions, which highlight how law firms have tackled the complexities of combining the values and expertise of two or more firms into a single overarching brand. However, as we will discuss, these brands have experienced a varied degree of success.

sjberwin, KING & WOOD MALLESONS → KING & WOOD MALLESONS	*"A classic drink with an Asian flavour"*	**Singapore Sling** 
Slater & Gordon Lawyers, Fentons Solicitors LLP A Leading UK Personal Injury Firm, GOODMANS || LAW, PANNONE Solicitors → Slater & Gordon Lawyers	*"A strong tipple with lots of ingredients, that you can continue adding to"*	**Long Island Ice Tea** 
dwf, cobbetts → dwf	*"A classic mainstay"*	**Mojito** 

NORTON ROSE; FULBRIGHT & Jaworski L.L.P. Attorneys at Law	*"Internationally recognised and familiar to many"*	**Cosmopolitan** 
NORTON ROSE FULBRIGHT		
SNR Denton; SALANS INTERNATIONAL LAW FIRM; FMC FRASER MILNER CASGRAIN LLP	*"A short name that packs a punch, with three ingredients that blend well"*	**B-52** 
DENTONS		
SQUIRE SANDERS; PATTON BOGGS LLP	*"A strong US flavour"*	**Manhattan** 
SQUIRE PATTON BOGGS		
THORNTONS; MURRAYDONALD SOLICITORS; Steel Eldridge Stewart	*"A combination of some of Scotland's finest"*	**Rusty Nail** 
THORNTONS		

Morgan Cole Blake Lapthorn BLAKE MORGAN	***"Life is simpler with two complimentary ingredients"***	**Gin and Tonic** 
HBM Sayers Berrymans Lace Mawer blm-law.com BLM CLEAR ▸ CONCISE ▸ CONNECTED	***"A low-risk blend"***	**Mocktail** 
SHAKESPEARES Newsome Vaughan LLP SOLICITORS MARRONS PLANNING SHAKESPEARES	***"Shaking up Britain's domestic legal industry"***	**Martini** 

This concept captured the imagination of many of our clients and had a favourable response from many of the firms involved. They felt the light-hearted topic perfectly demonstrated the importance of branding in a highly saturated market.

Murray Prior, Executive Director, Marketing and Business Development at King & Wood Mallesons liked the firm's comparison with a Singapore Sling and suggested that when it comes to branding "most firms are deeply connected to their heritage, often making it difficult to embrace rebranding and differentiate themselves in the legal market. King & Wood Mallesons on the other hand recognised the merger as an opportunity to create a powerful brand to resonate with clients and staff; a brand that is bold, new and grounded in the new world. It plays to where we think the global legal market is going".

Squire Patton Boggs also recognised the importance of its brand during their merger and a spokesperson stated that its comparison to a Manhattan cocktail was "a good suggestion since it shows our focus on creating a unified brand, building on the strength of our heritage and values."

These comparisons serve to highlight how merged law firms, much like cocktails, are a combination of components blended together to create something new and arguably more palatable to their consumers. A single brand must be used to encapsulate this sentiment, whilst attempting to maintain the brand heritage and recognition that the individual firms formerly possessed – no mean feat.

Brand management – time to add some fizz

Firms might not always place branding at the top of their list in merger considerations but it should arguably be the first matter to be discussed at the negotiation table. Each firm will have a sentimental attachment to its brand name and the values and heritage associated with it; nonetheless these feelings must be put to one side when looking to blend the firms seamlessly and operate under a single brand. An inability to agree on a brand name and the values of the firm has the potential to collapse merger negotiations.

Mergers also put at risk the stability of an organisation, in that partners and employees may feel their position is in jeopardy. The brand equity of a law firm is often thought to be within the relationships partners cultivate with their clients, and so merged firms must not only focus on presenting a united brand but must also maintaining client relations through the transition period.

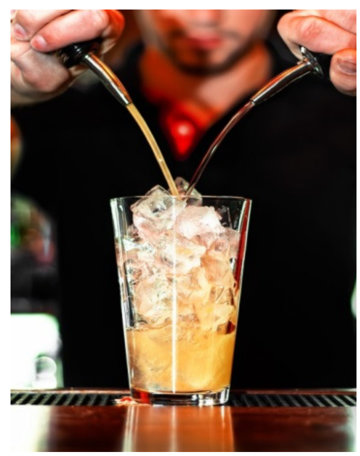
As demonstrated with the cocktail of merged firms listed above, law firm branding is undergoing a revolution, with firms using mergers as an opportunity to modernise and refresh their branding. Whilst it was a traditional method to join the name of partners when firms merged, this is becoming an increasingly archaic method of presenting an expanding firm. Very few firms are resorting to this method but those that still do, such as King & Wood Mallesons and Norton Rose Fulbright, often possess individual brands held in high esteem and so look to maintain their legacy and recognition in the eyes of their clients.

In the majority of cases, this amalgamation of named partners to stand as a firm brand is no longer sufficient; instead a merger can be a useful opportunity to refresh a firm's brand. The merger of SNR Denton, Salans and Fraser Milner Casgrain is a prime example of this. The decision to shorten the brand to Dentons demonstrates the firms' keen desire to position themselves as modern and efficient. The name effectively reflects their aim to become one polycentric firm by being easy to pronounce in multiple languages. They implemented a branding policy to use Dentons as the overarching brand, alongside the legacy firm titles on marketing material until clients sufficiently recognise the Dentons brand on its own.

Merged firms that do not consider their brands can suffer an identity crisis, both internally and externally. If employees and clients become disillusioned and feel the values and ethos of the firm have changed, they may not feel as loyal to the organisation as they originally felt.

Alternatives to mergers and the brand issues that arise

Bigger won't always be better for some law firms and a merger with a like-minded competitor cannot be considered the silver bullet that will guard a firm's future against the upheaval facing the industry. A report by Georgetown Law, considered this in its"2014 Report on the State of the Legal Market", showing that there isn't necessarily correlation between the size of a firm and the profits per partner and arguing that many firms would instead benefit from looking to improve client perception through brand management as well as by providing a more efficient, client-focused service. Clients will value expertise over size when it comes to their legal advisers; and firms must focus on conveying this expertise through their brand.



Swiss Vereins

Given this backdrop, it is unsurprising that the Swiss Verein structure is being increasingly favoured by merging firms in the legal marketplace. The structure has grown in popularity since 2004 with the likes of Dentons, King & Wood Mallesons, Norton Rose Fulbright and Squire Patton Boggs growing their firms on this premise.

Swiss Vereins share a brand and marketing approach but retain control over their own profit pools and control over the governance of their locality. In principle, the method by-passes many of the complexities of mergers and unites firms under an umbrella brand, which provides clients with an international network of law firms that can provide the knowledge and expertise of a local firm in each jurisdiction. Swiss Vereins place emphasis on the need for a carefully constructed brand that successfully articulates the firm's expertise and values and almost dictates that firms entering into such an arrangement should put their branding decisions at the foreground of the process.

Conclusion

As law firms continue to weigh up the pros and cons of mergers and alternative methods of consolidation, so too must they carefully consider the variety of branding options laid at their feet. A brand serves to unite members of a firm, reassure existing clients and entice prospects. As such, branding should be effectively utilised during the uncertainty of a merger to maintain confidence in the firms involved. Just as drinks are successfully combined to create new concoctions that have a brand all of their own, so too do merging law firms. They must use this as an opportunity to capitalise on their merger or association with other firms in order to strengthen their brand proposition, as they look out from an increasingly competitive market.

Mergers inevitably cause a stir in the legal industry, so law firms are advised to choose their new brand identity carefully and let it do the talking for them.