



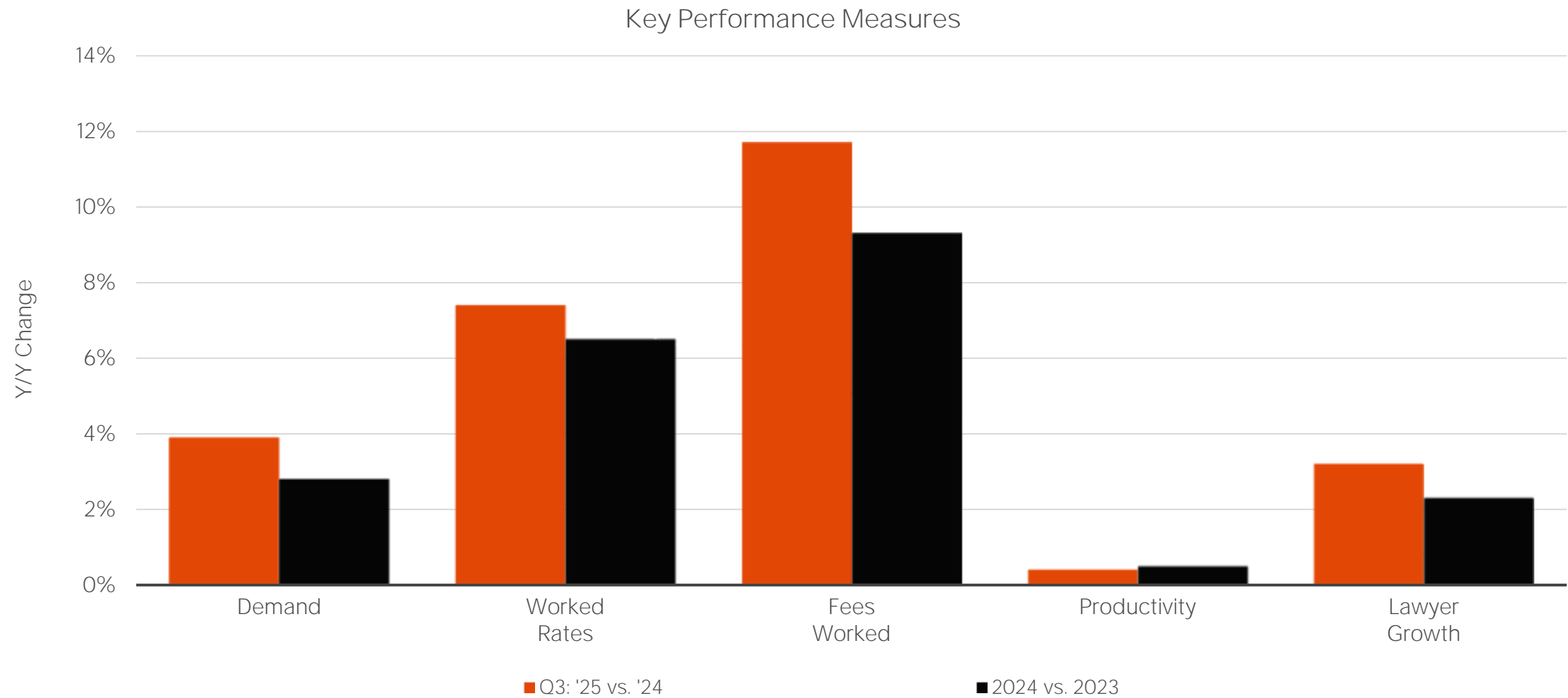
Tides of Change:

Exploring the State of the Legal Market

Thomson Reuters Institute

January 2026

Surface-level figures outperform expectations, but not for all firms



Source: Thomson Reuters Financial Insights

Opportunity to grow is strong...

36%

of \$1B+ companies plan to
increase their legal spend
(only 20% are making cuts)

70%

of total legal spend goes
to outside counsel
(up from 63% in 2021)

+12%

growth in client
external legal spend
over last 5 years

1

out of 8 tracked practice
areas anticipating negative
net spend optimism

...but client relationships are shallow.

23%

of clients' outside counsel spend goes to
the firm they use the most

2.7

average number of work types clients
engage their most-used firm for

15%

of clients plan to use their most-used
firm more this year compared to last

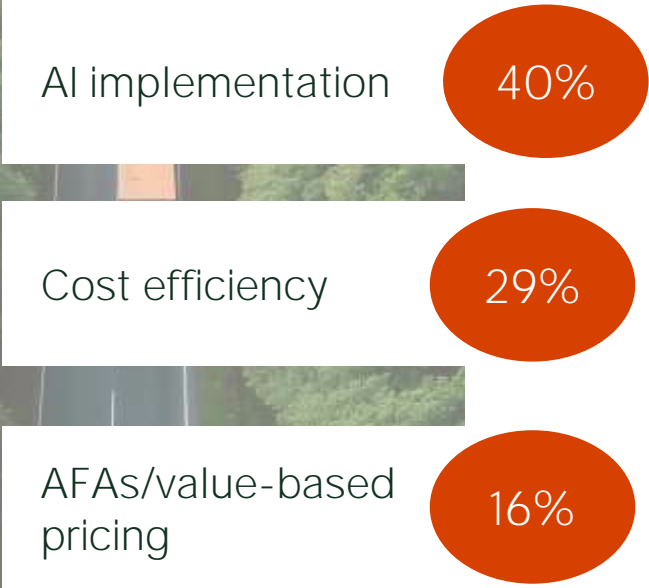
Where client demand is increasing (aka where having integrated teams will be most impactful)

Practice spend optimism H2 2025 (percent of buyers increasing spend minus those decreasing spend in each work type)	Global	Health/ Pharma	Financial Institutions	Tech/ Telecom	Real Estate/ Development	Auto/ Manufacturing	Energy/ Natural Res.	Consumers
Regulatory	+23%	+32%	+33%	+21%	+7%	+30%	+18%	+14%
Disputes	+16%	+32%	-5%	+17%	+22%	+23%	+6%	+13%
Corporate	+13%	+7%	+24%	+9%	+9%	+12%	+5%	+18%
Labor & Employment	+13%	+17%	-1%	+13%	+11%	+25%	-3%	+13%
M&A	+11%	-5%	+6%	+15%	+11%	+14%	+19%	+9%
IP	+2%	+5%	+1%	+4%	+3%	+7%	-11%	+6%
Insurance	0%	+7%	-3%	0%	+8%	-2%	-9%	-7%
Banking & Finance	-1%	+3%	+26%	-11%	-12%	-11%	0%	-4%

Number of responses: (H2 25): Global (635); Health/Pharma (37); Fin. Inst. (89); Tech/Telecom (75); Real Estate (44); Auto/Manuf. (118); Energy (76); Consumers (83)



Top areas that clients say can differentiate law firms



Bridge the gap between potential and reality

While clients recognize the potential for firms to differentiate through AI and its benefits, many firms struggle to effectively implement and showcase their AI capabilities and the value those provide.

Clients rate firms' use of AI, innovation, value, and efficiency the lowest of service traits
(Percent rating their most-used firm a 9 or 10)

