

CORPORATE COUNSEL

From 700 Law Firms to 7: Avis' Changed Approach to Legal Work Has 'Saved Millions'

By [Caroline Spiezio](#) | February 27, 2018 at 04:54 PM



Just a few years ago, Avis Budget Group Inc. had hired approximately 700 different law firms to do its legal work around the globe. By 2017, the international vehicle rental company cut that number drastically-down to only seven.

According to Avis general counsel Michael Tucker, the number will stay right where it is for the foreseeable future. Spurred by a company wide zero-based budget revamp, Tucker and other members of the Avis in-house team have executed a redesign of the entire department to boost efficiency and save millions while maintaining strong relationships with outside counsel.

"As more in-house legal departments are being told to do more with less, that's not a burden they will shoulder themselves," said Bryon Koepke, the senior vice president, chief securities counsel and assistant corporate secretary. "They need key partners in their law firms."

Tucker and Koepke said they then brought Trevor Faure, a former in-house lawyer at Apple Inc., Tyco International and EY, to Avis along with other consultants. Together, they devised a plan that Tucker says reduced legal fees in 2017 by over 33 percent, compared to a base year of 2015.

One crucial aspect of the plan, Koepke says, was bringing on more in-house legal help. Avis looked at its yearly revenue and realized the legal department was understaffed, he says, and that work that could have been done inside was being outsourced at a higher cost.

Koepke says the department then hired six new attorneys, three in the United States, and three in Europe. They also hired Vivek Hatti as Avis' first-ever director of legal operations, brought in to manage the business side of Avis' legal team and help implement the Parsippany, New Jersey-based company's legal transformation.

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"We were able to build a business case to increase internal headcount," Koepke said. "In-sourcing the legal work, we were able to save a lot, several millions of dollars. The numbers were so big, it was pretty much validating in and of itself."

But one of the most dramatic and unusual changes Avis' team made was to their relationship with outside counsel. In the past, the department had allowed firms to bid on work as it came up, with around 700 firms representing the company worldwide.

Under Avis' new plan, the company's legal department has a panel of seven law firms, each of which are guaranteed Avis' business for legal matters arising around a particular subject matter or geographical region. Tucker says around 140 firms applied to be on Avis' exclusive panel. After whittling that number down to seven, he says the firms were allowed to bid on what subjects or regions they wanted to represent for Avis.

The winning firms were: Reed Smith, Dentons, Littler Mendelson, Baker, Donelson, Bearman, Caldwell & Berkowitz, Eversheds Sutherland, K&L Gates and Bryan Cave.

"We have promised them they are it, there will never be more than them. The way it's structured, since every firm has its own sandbox, they can all work with each other," Tucker said. "If it [the case] is not in your box, you won't get it, so they cooperate to supplement strengths or weaknesses, so no there's no more bidding or contests."

Tucker says taking away the sense of competition has allowed firms to work more closely with each other and with Avis. But Tucker says the end of bids doesn't mean the company expects lower quality work from firms, and that Avis has called out subpar outside work when it happens.

In exchange for Avis' promised loyalty, the firms agreed to let the company pay discounted rack rates. Avis had a calculated global target rate that was then adjusted to account for geographical norms.

At times, the seven firms may send certain specialized work to their international affiliate law firms, but Avis does not have to manage the relationship with those affiliates.

The seven firms are required to follow Avis' outlined blended rates based on staffing configuration. Under Avis' model, Hatti says, there is an emphasis on firms using associates and LPOs when appropriate instead of partners, with exact staffing percentages outlined in the firms' agreements. He says the firms will have to outline goals to increase diversity and inclusion each year, a growing demand for law firms in general.

"We will see savings, and the other advantage is it takes away the burden of us monitoring a law firm, and shifts the burden to the law firm to correctly staff our matters," Hatti noted.

And Avis isn't just relying on qualitative data to show the program's success. The department has implemented new technology and data collection procedures to ensure spend is being properly tracked. For every matter that will likely use more than 10 hours of outside billable time, firms must fill out a matter assessment form outlining

what kind of matter it is, client bases involved, what lawyers on the outside are working on it and budgetary predictions, Tucker said.

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"Technology is critical to the plan," the GC said. "Technology is how we track the data on both the planning and the execution on any matter and measure the final results."

Avis' transformation, which earned the legal department a Value Champion award from the Association of Corporate Counsel last year, is still in progress. The company's keeping an eye on the outcomes shown in matter assessment form data and listening to feedback from the panel firms.

"We're looking forward to the next two years of contract negotiations," Tucker said. "In putting together the rates for this current contract, we had to take in a lot of assumptions. This time around, we don't have to assume anything because we have the data, real data, as a basis to use going forward."

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