



THE FUTURE OF LEGAL SERVICES

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EXECUTIVE SUMMARY

Changes to legal services will have an inevitable impact on the solicitor profession. We have identified the key drivers for change in the current landscape of legal services, and attempted to predict how solicitors' and lawyers' interests may change in the future, where they will face competition and what opportunities may present themselves in a changing market.

This report presents findings drawn from a range of sources: a literature review, round table discussions and interviews with a range of practitioners across different practice types, firm visit reports, and the outcomes from a series of three Futures panels.

The key drivers of change in the legal services market can be clustered into five groups:

- global and national economic business environments
- how clients buy legal services (including in-house lawyer buyers as well as small and medium sized businesses and the public)
- technological and process innovation
- new entrants and types of competition
- wider political agendas around funding, regulation and the principles of access to justice.

It seems inevitable that solicitors and lawyers face a future of change on a varied scale, depending on area of practice and client types. Business as usual is not an option for many, indeed for any, traditional legal service providers. Innovation in services and service delivery will become a key differentiating factor.

Current alternative business structure (ABS) developments, 'including consolidation, specialisation, emerging brands, investment in marketing, technology and new delivery methods hold clues to the future' (LSCP 2014: 7-8). These clues are also likely to impact business-to-business (B2B) markets and prove influential in shaping the overarching picture of legal services in 2020.

Most of the expert commentary about changes to the legal services market points towards a shift in how services are purchased. Clients will buy services they need as and when they need them. Fixed-fee services are now commonplace and the traditional model of a solicitor charging fees based on an hourly rate is gradually disappearing. There is a growing interest in fixed fees across all main consumer law sectors (YouGov Reports 2015: 53).

The need for all types of lawyer to expand their skills base beyond technical legal knowledge, to encompass business and project management skills and a better understanding of complex risk, places corporate and in-house lawyers ahead of the game, as they already work with clients and in environments which expect such skills as the norm.

Solicitors

The combination of a number of factors including the recession, market liberalisation and reform to legal aid make it extremely difficult to predict changes in the size of the profession in the long-term. The extent to which the market continues to be as labour intensive as has been the case to date is likely to depend on how a range of factors play out. Overall, we expect to see:

- more solicitors working in-house, and more specialist solicitors from City firms and the larger commercial firms moving to the in-house sector.
- more solicitors working in B2B markets. There is a definite increase in the amount of B2B work around, but this area is ripe for new entrant

picking as more clients unbundle to find the most cost-effective solutions.

- fewer solicitors working in business-to-consumer (B2C) markets. There are the same levels of legal need, but fewer instances where this translates to demand for solicitors' services. Fewer consumers are able to afford advice, gain access to legal aid, or feel confident to choose a solicitor over other options, one of which is doing nothing.
- more solicitors exploiting the developments in the B2C market arising from competition between regulators, such as relinquishing official use of the solicitor title and setting themselves up as non-lawyer and/or unregulated providers.

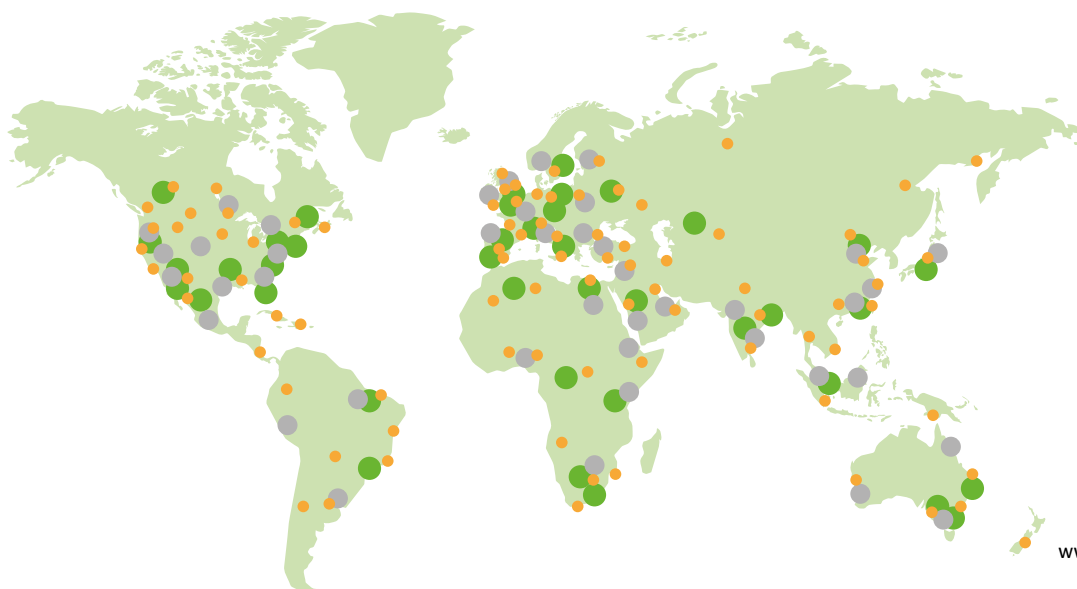
Globalisation

Top 200/City US and UK law firms have benefited from globalisation. Established law firms that have strong client relationships, mainly with global corporations, have been able to rapidly increase their global footprint. However, in 2015 we are beginning to see the large law firms from emerging markets create a meaningful presence in their own countries and in Western markets. We expect them to be even further along this road by 2020, not least due to a backlash against US/UK dominance.

With corporations looking globally for further growth, there is greater need for in-house counsel who understand the global requirements of their businesses. This includes the need to ensure global coverage from panel firms with international operations, and to demand that firms have a presence in different jurisdictions. With so many areas of concern in so many different legal landscapes, the breadth of responsibility for in-house counsel continues to expand.

The shift in global economic power has brought a new legion of foreign investors from countries such as China, Russia and India, which have significantly changed the global business landscape. We may potentially see more cross-country partnerships and/or influence arise from this.

The continued search for high-growth markets and the creation of efficiency by making the best use of a globalised economy will drive firms to pursue their options in overseas markets. The extent to which businesses go international significantly impacts the type of advice they need, and to some extent law firms' global ambitions will be driven by the needs of their clients. The opening or closing of international markets and jurisdictional boundaries will also drive changes to location, client type and service provision.



Technology

The impact of technology is being felt where firms largely service mass or process-driven needs rather than specialist cases. The push towards automation of routine work will be levelling off by 2020, and instead we might expect to see technology fuelling innovative models of delivery or service solutions.

Technological innovation has led to more standardised solutions for the delivery of legal processes and the ability to commoditise many legal services. Numerous legal tech companies, universities and law firms are now exploring the extent to which the cognitive domain of lawyers can also be automated.

Legal technology companies are one of the biggest new group of players mixing up the dynamics of the market.

Online dispute resolution (ODR) is being suggested as an area with enormous potential for meeting the needs of the legal system and its users in the 21st century. Its aim to broaden access to justice and resolve disputes more easily, quickly and cheaply is already being successfully put into practice by sites such as eBay, Cybersettle and the Canadian Civil Resolution Tribunal.

Technology is exerting a significant effect on consumer buying behaviours across a range of sectors and purchase needs. The legal profession is inheriting the impact of changes made by leading consumer brands to successfully build reputation and interact with purchasers online.

Buyers of legal services

There remains a great deal of uncertainty amongst consumers about different types of lawyer and legal businesses. It is currently very difficult, even for knowledgeable consumers, to work out which provider is the most appropriate for their particular issue. On the internet, most firms look the same.

There is a large group of potential clients who cannot afford to pay for legal services. If it's not possible for someone to gain advice at the earliest stage of a problem, this could, in many cases, mean that the issue escalates to more serious and potentially more costly resolution.

Buyers of corporate legal services (typically in-house legal departments) are wielding greater bargaining power. Several factors have shifted the balance of power toward corporate clients, in particular: (i) greater access to information that enables clients to more effectively compare the cost of legal services; (ii) the ability and increased willingness to unbundle legal services and source them to the most cost-effective provider; and (iii) the expanding availability of alternatives to top law firms from which to source work.



Competition for solicitors

The collective strength of competitive forces in the legal services market is moderate, but three forces are likely to have an impact on firms' profitability over the next 3-5 years: (i) changing buyer behaviours; (ii) threat of substitute suppliers/services; and (iii) increasing rivalry among the pool of Top 200 and large corporate firms.

The implications of the Big 4 accountancy firms offering legal services should not be underestimated. These four are gaining ground in overseas markets, and perhaps readying themselves for changes to the ABS rules in other regimes, so they can offer legal services in currently closed markets.

The most significant competition for solicitor firms serving consumer/retail markets will come from generalist legal businesses with wide practice scope. These businesses offer a range of services and gain most of their efficiencies from automated low-cost high-volume offerings.

It is important to distinguish competition for existing solicitor firms from competition for solicitors' jobs. By 2020 there may be a significant reduction in viable traditional firms, but if new entrants and other legal providers are more successful at unblocking demand and access to advice, this may result in more jobs for qualified lawyers within different corporate structures.

Opportunities for solicitors

Changes to the legal services market bring both challenges and opportunities for those selling legal services. However, the opportunities for solicitors cannot be distinguished from the opportunities for other types of lawyer, or non-lawyer-owned businesses. Solicitors will need to be quick and act confidently to keep up with their competitors, be they peers or others.

The number of niche firms has grown as solicitors identify an opportunity to service a particular market more competitively than larger, more broad-based firms. Niche practices, by specialising, often tend to be market leaders in their fields, possessing clarity about what the firm does and projecting a lucid brand message.

Solicitors who can reach out to help consumers clearly understand their issues and options, and market themselves as such, should do well as more providers enter the market and confusion around choice grows. Solicitor firms who fail to get offerings right for consumers may see these retail buyers bypass them to seek refuge in familiar brands.

Opportunities also arise with new and evolving client types and the services they need, including new ways to disaggregate and repackage current offerings.

Risk, an ever increasing factor in business operations, is underserved by current market suppliers. There are opportunities here for in-house counsel and law firms to develop offerings and advice around how companies handle risk, and manage their risk appetites.

There are opportunities for in-house lawyers to achieve impact in terms of commercial contribution, handling major strategic transactions or dealing with the impacts of regulation. The ability of legal teams to be revenue generators for their companies through innovative approaches to systems and process management is evident throughout the 2014 Financial Times ranking.

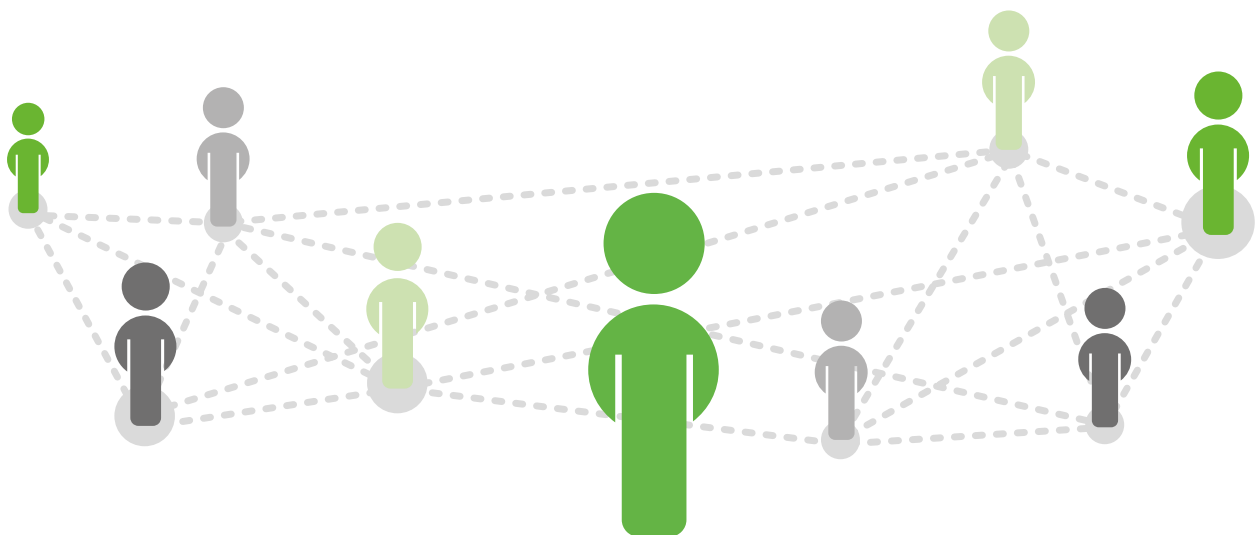
New business models present an opportunity for in-house lawyers to establish legal teams as ABS in order to offer services to clients outside their business. An econometric analysis undertaken by Roper et al. found that the adoption of ABS status has a positive effect on innovation: 'All else being equal ABS are 13-15 per cent more likely to introduce new legal services. They are also more likely to engage in strategic and organisational innovation' (Roper et al. 2015: 8).

Tharmaraj (2015) identifies five areas worth exploring by any in-house department if it is at the start of an innovation curve (and arguably these five areas are applicable profession-wide, not just in-house): data analytics; use of an intranet; social media; project management; and collaboration.

Opportunities for the Law Society

Based on the likely legal landscape in 2020, there are opportunities where the Law Society could make a real difference. These include:

- upholding professional values, ethics, standards and legal integrity throughout an environment of change and market flux.
- increasing the CPD offering and providing relevant and quality training.
- raising awareness of innovative ways of operating that are more effective.
- adopting a horizon-scanning role to position the Society at the forefront of advising solicitors about changes and developments in the market.
- helping solicitors prepare for and embark on change.
- offering public education to build confidence among both consumers and providers, becoming the go-to point for consumers looking for help with legal issues.



If a business is not reinventing itself to adapt to changing market conditions then it is highly likely it will go into decline or be taken over by those that are better adapted to the new environment. This statement is no less true for law firms than for any business.

The diverse range of demands and impacts on the profession is forcing a rethink of everything from training and development through to the type of people being recruited.

With one in four lawyers in England and Wales now practising in-house, this branch of the profession is transforming the contribution that lawyers deliver to business. In-house lawyers are now seen at the forefront of devising complicated legal solutions, and are attracting a growing number of specialists from private practice into the sector.

As legal markets and sectors of the profession, and the services they offer, continue to evolve, the Law Society has an opportunity to establish itself as the go-to point for solicitors seeking information about market developments and how to utilise change for their own working benefit. There is opportunity here for the Society to capitalise on its overview of a diverse membership in order to help those on the ground better understand and appreciate the bigger picture.



1. INTRODUCTION

Changes to legal services will have an inevitable impact on the solicitor profession. We have considered the likely shapes and natures of the legal services landscape in 2020, to identify the key drivers for change in the current landscape of legal services. We have used this to predict, based on available evidence, how solicitors' and lawyers' interests may change in the future, where they will face competition, and what opportunities there might be for solicitors in a changing market.

Our findings are drawn from a literature review, round tables and interviews with a range of practitioners across different practice types, as well as firm visit reports, and the outcomes from a series of three Futures panels.¹ The scope of this report means it is not possible to discuss in detail the future for specific areas of practice; information relating to individual markets can be found in the *Market Assessment Report: Key Markets* (Law Society 2013a). Instead, we focus on forces of change and possible impacts of the dominant forces acting in and on the legal services market, to form a picture of the overarching legal landscape in 2020.

In the report, we refer to solicitors as working within business or retail markets. We use business or business-to-business (B2B) to refer to providers of legal services to businesses and in business contexts – including large companies/organisations, in-house counsel and larger small and medium sized businesses (SMEs). Retail is a slightly more problematic designation, intended to replace what were called high street firms and to recognise the evolution of these practices. Thus, we use retail or B2C to refer to providers of legal services to private individuals in areas such as family law, conveyancing, will-writing and personal injury, and to include the smaller end of the SME buyers.²



¹ The panels followed the concept of the Delphi Method, though could not strictly be called Delphi in the purest sense, for this work. We ran three panels: one exploring B2B markets, one B2C markets and the third drawing expertise from our Committee Chairs. More information can be found in the appendix.

² There are inevitably some areas of overlap or 'hybrid' markets covering for example employment and personal injury work. For information on all three designations: 'business', 'retail' and 'hybrid', please see the Law Society's *Market Assessment Report: Key Markets* (2013a).

1.1 An overview of legal services in 2020

The key drivers of change in the legal services market can be clustered into five groups:

- global and national economic business environments
- how clients buy legal services (including in-house lawyer buyers as well as SMEs/public)
- technological and process innovation
- new entrants and types of competition
- wider political agendas around funding, regulation and the principles of access to justice.

The impacts of these combined forces are likely to lead to a legal profession in 2020 where:

- the gap between successful and struggling firms widens further – leading to more consolidation, and at a faster rate.
- the globalisation of business activities remains a key feature for Top 200, City, and large corporate firms. For these firms, emerging players such as China will shake up the game.
- in-house departments are providing legal support to all aspects of the business and demonstrating the value of that support. This is a break from the past when legal was often viewed as a separate, isolated team.
- the expansion of businesses with in-house legal teams on a global scale leads to further fragmentation of legal provision. This creates its own challenges, but helps fully integrate in-house counsel across these businesses.
- the ageing solicitor population means that greater numbers of small and medium sized retail firms are likely to face problems around closure or funding run-off cover.

- solicitor firms in the consumer market feel the squeeze from a mix of funding cuts, process automation and cheaper volume providers, again resulting in increased consolidation.
- the specialisation of work continues in attempts to carve out profitable niches.
- digital technologies continue to pervade legal services and everyday life. Digital infrastructure will increasingly improve performance across B2B and B2C markets.
- there is growing sophistication in the use of software programmes to read contracts and other legal documents, with potential for machines to render judgment on formulaic cases.
- there is greater flexibility of work and employment contracts for all, from solicitors to paralegals, in response to the need to adapt to market volatility.
- an hourglass shaped employment market develops, with increasing competition faced by low skilled workers and specialists/senior staff, and the hollowing out of the middle of the workforce.
- the number of diverse business models increases, funded through external investment and using capital to drive innovation in service delivery.

The Legal Services Consumer Panel (LSCP) *2020 Legal Services* report predicts that by 2020 there will be 'less involvement by lawyers in many of the tasks that until now have made up their staple diet'. Focusing on consumer/retail markets, the LSCP panel envisages that consumers will seek alternatives to lawyers or use them in different ways: 'in place of lawyers will be greater self-lawyering, online services, entry by unregulated businesses, and also by regulated providers, such as accountants and banks' (LSCP 2014: 4-5).

The LSCP *2020* report further challenged that 'the legal services market will be unrecognisable by 2020 as the pace of change accelerates following

the ABS reforms’ (LSCP 2014: 7). The *Law Firms in Transition Survey* (Altman Weil 2015) reported that 83 per cent of law firm leaders believe that competition from non-traditional service providers is a permanent change in the legal market. Current ABS developments, ‘including consolidation, specialisation, emerging brands, investment in marketing, technology and new delivery methods hold clues to the future’ (LSCP 2014: 7-8). These factors or clues are also likely to impact the B2B markets.

It seems inevitable that solicitors and lawyers face a future of change on a varied scale, depending on area of practice and client types. Business as usual is not an option for many, if indeed any, traditional legal service providers. Innovation in services and service delivery will be a key differentiating factor. Most expert commentary about changes to the legal services market points towards a shift in how services are purchased (Bellwether 2015; YouGov Reports 2015; LSCP 2014; Maule 2013). Clients will buy the services they need as and when they need them. Fixed-fee services are now commonplace and the traditional model of a solicitor charging fees based on an hourly rate is gradually disappearing. There is a growing interest in fixed fees across all main consumer law sectors (YouGov Reports 2015: 53).

Figure 1: A picture of the future for solicitor firms



The recession and cuts to legal aid funding have magnified instability in the smaller traditional law firm business model. The evidence suggests that the year 2020 will bring a further fragmentation in an already heterogeneous profession. A partner at a Top 200 London firm told us:

‘The fragmentation of the profession continues to be cited as a major market trend, and one that the Law Society must recognise.’

(the Law Society internal relationship manager report)

Top 200/City firms and those corporate firms (large or specialist/niche) which serve business buyers appear better placed to weather storms in the service delivery climate. While there is a need for all types of lawyer to expand their skills base beyond technical legal knowledge, to encompass business and project management skills and a better understanding of complex risk, corporate and in-house lawyers are ahead of the game, as they already work with clients and in environments which expect such skills as a norm. The harder transition will be for smaller traditional private practice firms, and it seems likely that existing firms will have fewer solicitors working in them in 2020. The typical role in demand for consumer firms is one that reflects the move towards meta-accountability (a human audit and verification process – checking machine codes have been applied properly), the supervision of paralegals and compliance with changing regulatory regimes.

The presence of shareholders, different governance models, and more non-lawyers being involved in firms’ decision-making and strategy development, will all have a profound impact on law firms by 2020. On the one hand, this potentially means law firms are better managed, with many operating more like corporate businesses. The downside is that the quality and delivery of some areas of law may become compromised or diluted in the process.

The legal profession is experiencing fundamental change that is accelerating the need for law firms to innovate, to reconsider their offerings and potential client base. It is becoming vital for firms to employ strategic planning tools that incorporate uncertainty and complexity when they consider their future business. Unsurprisingly, there are a parade of consultancy businesses offering to help them do this. Larger firms (Top 200, City, large corporate) seem better equipped to meet the future, as one member commented:

‘I think most large London law firms appreciate and have a very good understanding of what is happening... I do not think there are many managing partners in large London firms who are asleep on the job.’

1.2 Key trends and uncertainties

Many trends we see now can help inform what 2020 might look like for solicitors. But there remain some uncertainties around the significance or long term nature of change in some areas.

The following two tables list the most frequently occurring trends and uncertainties identified by a range of futurist reports and commentaries (ABA 2014; LSCP 2014; Allen & Overy 2014; Hodgart Associates 2014; Strong 2014; CBA 2013).

Table 1: Key trends

Technology	<ul style="list-style-type: none"> • Increase in the pace of technological change across all parts of society. • Increase in the role and importance of technology in the delivery of legal services, including the ability to standardise or automate basic and process-driven legal services. • Growing sophistication in the use of machines to read contracts – with potential on the horizon for machines to render judgment on formulaic cases. • Overall increase in the amount of data and information exchanged online relating to legal cases and clients, requiring greater reliance on IT infrastructure and cyber security. • Expectation by clients of increased speed, ability to communicate and transact via mobile devices.
B2B fees/savings	<ul style="list-style-type: none"> • Top 200/City (B2B) firms placing greater reliance on increased billing rates to drive profitability, in conflict with pressure from their clients to drive prices down. • Firms driven to be more transparent around how their fees are calculated, giving clients more power to negotiate lower legal costs, especially in B2B markets. • Move by corporate clients to unbundle legal services and disperse them across the most cost-effective providers (including non-lawyer providers), to drive down cost of legal spend. This increased unbundling of legal services is leading potentially to the growth in market segmentation.

Continued

<p>Consumer access to justice</p>	<ul style="list-style-type: none"> • Crunch in access to justice for consumers, linked to cuts to funding, areas falling out of legal aid scope, and areas neglected by firms due to low profit margins.³ • Consumer confusion around types of legal business, what accredited and regulated really mean. Consumers struggling to know who is the right supplier for them, with too much and often contradictory information. • Costs and procedural changes in the personal injury (PI) market have had serious consequences for solicitors practising in traditional firms offering PI services. Changes to this market have fostered a volume factory approach which has 'undermined consumer confidence and may well further undermine the reputation of solicitors in this sector' (Bacon 2014: no page).
<p>Career path</p>	<ul style="list-style-type: none"> • Talented senior lawyers are moving from Top 200/City firms to slightly smaller practices in the regions (better work/life balance and more influence for the individual – big fish, small pond). The firm gets top talent to grow the business and compete by offering some City services at a lower cost. • Changing career paths for legal professionals. Concerns that legal education is no longer preparing LPC graduates for future industry needs, especially around business skills, risk appetite and technology skills.

³ This assumes that other mechanisms or providers do not step in to fill the service gap. Some new entrants or forward thinking firms may find innovative ways to offer this work in the near future. However, it may be that there is a minimum cost of provision that, no matter how cheap or innovative the business model, will still prove too high for some.

Table 2: Key uncertainties

For City firms, the pace of globalisation and entrance of emerging market players. Will we see greater demand for localised services, as with China, or a move towards a more uniform or synchronised legal landscape?
The regulatory climate of business operations. Will we see continued complexity for businesses or a shift towards simplicity? Will this mean more work for regulatory lawyers advising business clients?
Whether the UK will withdraw from the EU. If it does, will the whole of the UK leave? Withdrawal could trigger another independence vote in Scotland, and the SNP has indicated that it would want to remain in the EU. The issue of the Northern Ireland position could arise again if the UK withdraws. Wales also might be more in favour of staying in the EU given that it receives a significant amount of funding from the EU.
The outcomes of Transatlantic Trade and Investment Partnership (TTIP) agreements if the UK leaves the EU, and resulting impacts on the legal profession.
Consolidation of law practices. Will we see increasing buy-outs or mergers leading to a reduction in firm numbers and potentially a few behemoth firms?
The pace/potential of economic recovery. Will clients continue to disaggregate services and/or drive firms to lower costs if the economy improves?
The number of new entrants. How many new players will set up their stall in legal services, in which area(s) and at what pace?
The pace of technology adoption by both firms and their current and potential clients.
The amount of outside investment flowing into ABS and non-solicitor service providers.
The extent to which traditional law firms choose to float on the stock market. For those that do, how much influence will shareholders exert over what/how the firm operates, i.e. to make profit? Will firms opt out entirely of providing advice in some perceived unprofitable areas of law, like social welfare?
Will solicitors set themselves up as unregulated providers? Will they find a more successful business operation without the solicitor title and associated (SRA/other) regulation?

Two key – and in crucial places intersecting – uncertainties for small to medium practices in both B2B and B2C markets are: (i) the pace of technology adoption; and (ii) the level of outside investment in and by new entrants. Probably the most dramatic

future for traditional/retail solicitor firms is one where there is significant outside investment in new entrants, and rapid adoption of new technology by clients.

Figure 2: Rate of technology adoption by clients x level of outside investment

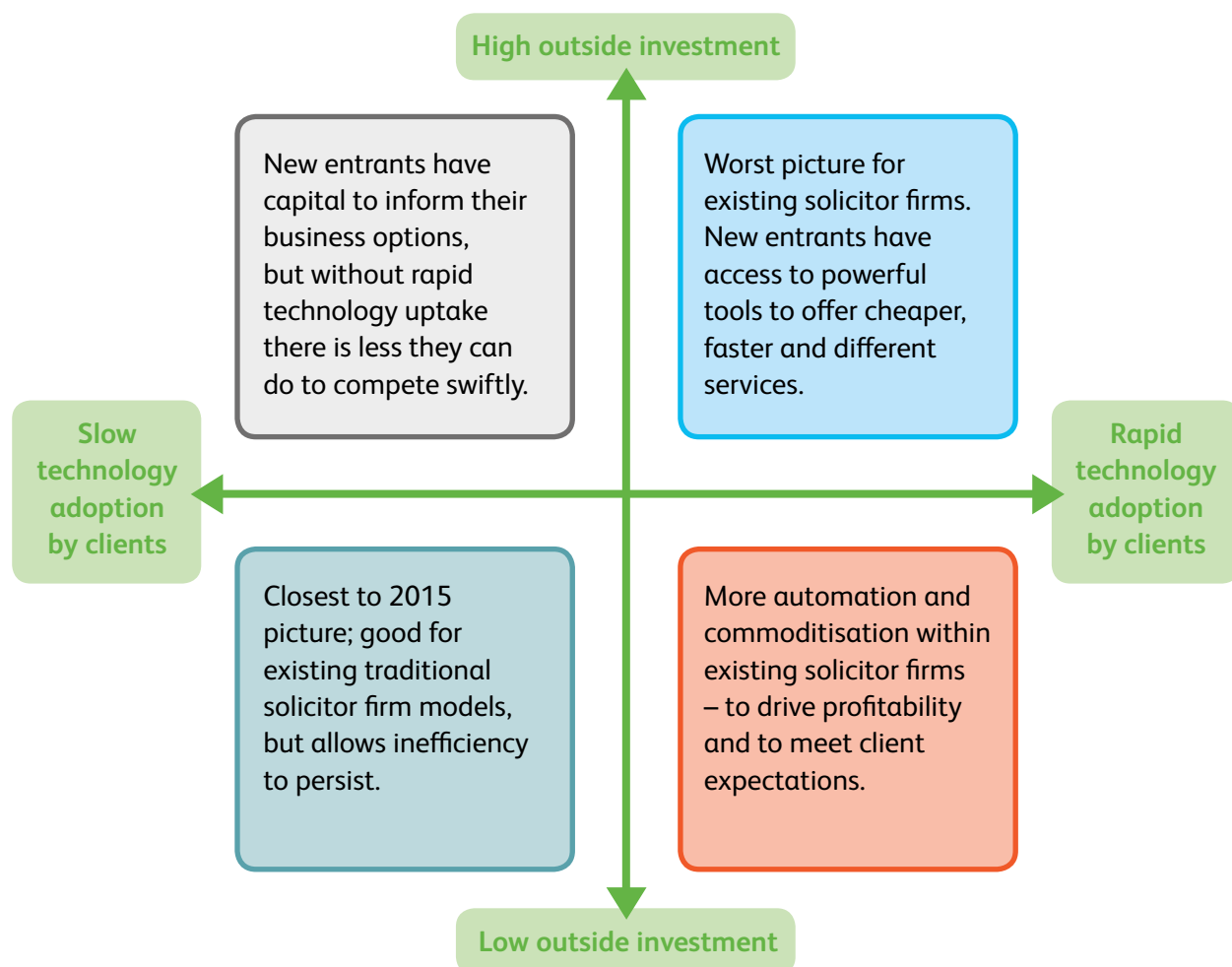


Figure 3: Roadmap to the future for solicitor firms

Cumulative evidence about the likely legal services landscape in 2020 suggests four routes solicitor firms might adopt to improve their business prospects and profitability moving forwards: (i) do the same but better;

(ii) do similar but begin to focus on a specialist niche; (iii) do less and focus on early issues or preventative measures; (iv) do different – rethink the approach of 2015.



Figure 4: Scope of the B2C solicitor role x public perception of solicitors – four possible worlds in 2020

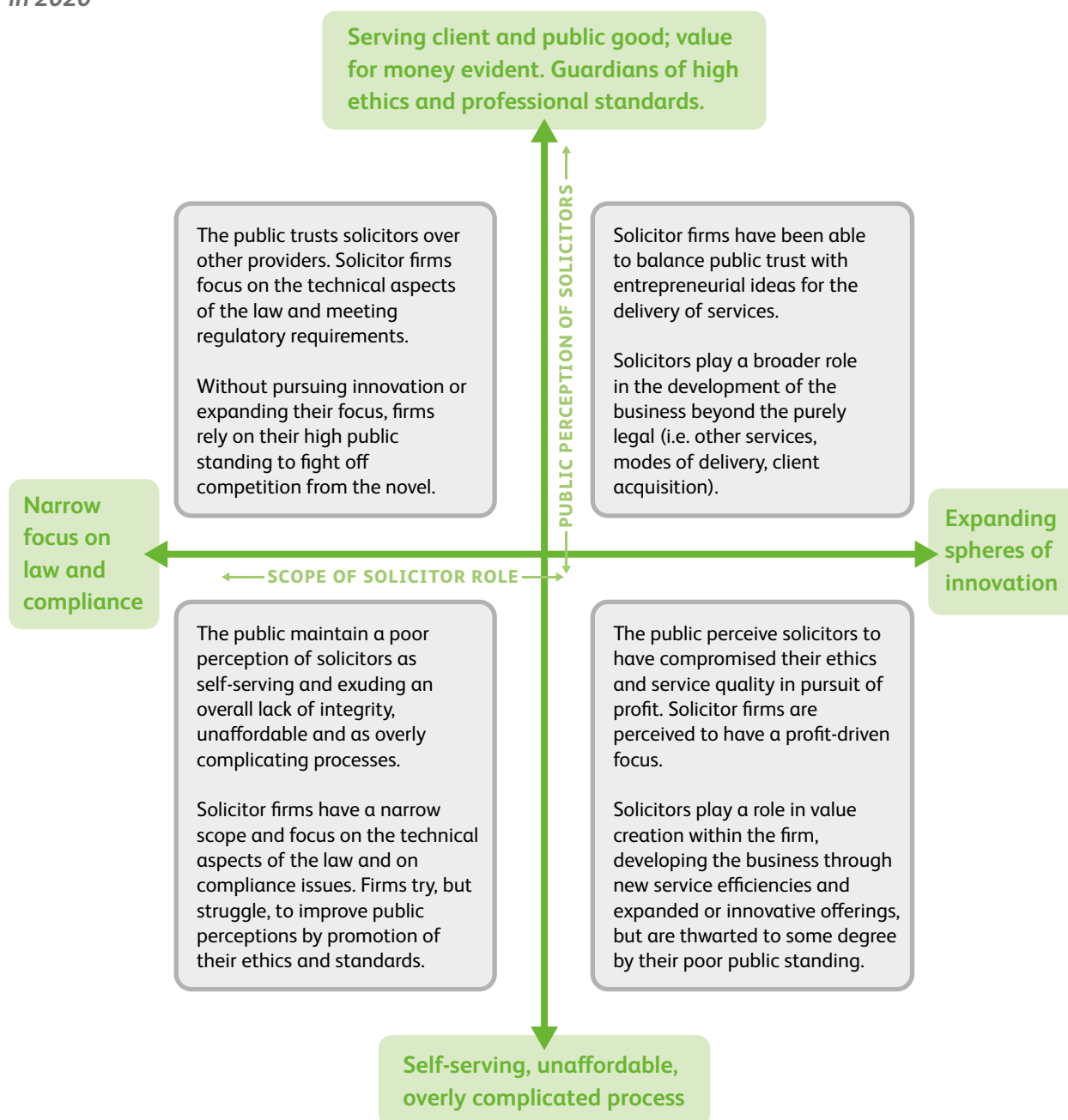


Figure 4 examines four possible futures for solicitor firms serving retail markets. Here the bisecting axes are: (i) the public perception of solicitors, along the scale from 'guardians of high ethics and professional standards' to 'self-serving, unaffordable'; and (ii) scope of the solicitor role, along the scale from a 'narrow focus on technical law and compliance' to a more 'innovative approach to service provision'.

The best outcome for solicitor firms is in the upper right quadrant, where they have been able to balance public trust with implementation of entrepreneurial ideas. There are real opportunities for firms in this quadrant and even more so in a future where technology adoption by clients has been rapid and investment in new entrants low (see bottom right quadrant in Figure 2, page 17).

2. SOLICITORS

The combination of a number of factors including the recession, market liberalisation and reform to legal aid make it extremely difficult to predict the future size of the profession in the long-term.

The extent to which the market continues to be as labour intensive as it has been is likely to depend on how a range of factors play out. Existing personnel forecasts do not take into account the extent to which technological and process innovation could replace the need for human intervention in the delivery of some services and the potential for change in buyers' purchasing preferences.

Table 3: Change in the number of entities and in-house teams, and expected growth

PROFILE Type of member	No. in 2010	No. as at July 2014	% change	Expected growth ▲ UP ▼ DOWN	Turnover in 2010/11 £bn	Turnover in 2012/13 £bn	% change	No. of sols in firms 2010/11	No. of sols in firms 2012/13	% change
ENTITY:										
Top 200 (B2B)	157	148	-5.7%	▲ UP	£9.97	£10.94	10%	33,157	33,403	0.7%
Top 200 (B2C)	11	10	-6.1%	▲ UP	£0.20	£0.22	9%	1,085	1,131	4.2%
Top 200 (hybrid)	32	42	31.5%	▲ UP	£0.79	£1.69	113%	3,374	5,305	57.2%
SME (B2B)	1,760	1,813	3.0%	▲ UP	£1.56	£1.88	21%	10,289	13,255	28.8%
SME (B2C)	6,584	5,965	-9.4%	▼ DOWN	£4.04	£3.84	5%	33,107	30,768	-6.8
SME (hybrid)	1,432	1,518	6.1%	▲ UP	£1.48	£1.24	19%	6,837	6,780	-0.8%
IN-HOUSE, INDIVIDUAL:										
In-house (private)	12,592	16,500	31%	▲ UP	-	-	-	-	-	-
In-house (gov)	7,494	7,060	-5.8%	▼ DOWN	-	-	-	-	-	-
In-house (third sector)	1,654	1,765	6.7%	▼ DOWN	-	-	-	-	-	-

Source: The Law Society, Market Intelligence data (Research Unit – KB)

2.1 Firms

When we analyse past short-term changes using Law Society data, assuming the historical trend continues, we see there could be an overall increase in the number of firms for whom business work, or a hybrid of work (e.g. employment and personal injury⁴), is their main source of income.

The fact that the number of Top 200 firms undertaking mainly business work has fallen since 2010/11, whilst SME firms undertaking mainly business work has increased significantly, supports both the notion of consolidation of firms into global elites at the top of the food chain, but also the idea of more second tier firms servicing those business clients who prefer to pay less by sending work to firms that are just large enough to meet their needs. Whilst the Top 200 is a fixed number, the lowest stratum is permeable. Every time a retail firm (potentially a new entrant) moves into the 200 count, a previously Top 200 firm is pushed out.

Only the number of firms undertaking predominantly retail market work (e.g. wills, probate, conveyancing, family, personal injury) has fallen since 2010/11. This is linked to decline in demand on the consumer side, either due to changing scope in legal aid or consumers finding other providers or means to resolve their issues, or choosing to ignore them altogether.

The number of Top 200 firms undertaking mainly retail work has fallen by one since 2010/11. This category most likely includes large factory firms and/or ABS. The fact that the most recent data available is from 2012/13 (this table being based on turnover, not ASR counts) means that the recent pick up in ABS will not be reflected here. Based on the latest Law Society data extract, out of the 372 registered ABS, only 282 (approximately 75 per cent) appear to be operating as firms, which means that some 25 per cent of ABS registrations have been made, but either nothing has currently been done with them or they are operating as shell financing companies. (The SRA web site counts 405 registered ABS as at August 2015 – though again it is unlikely all of these are operational).

Table 4, overleaf, shows a breakdown of firms undertaking B2B work, including those for whom this work constitutes more than 30 per cent of their turnover. Where we have comparable figures from 2012, these are included. Across all areas, turnover is up from 2012, and in all areas except one the number of firms practising in these areas has also increased. This rise is expected to continue upwards past 2020.

⁴ For which we cannot distinguish claimant and defendant firms.

Table 4: Firms undertaking B2B work in April 2015 (comparable 2012 figures in brackets)

	Corporate/ Commercial	Commercial property/ planning	IP	ADR/other litigation	Other business work	All B2B
Total turnover in this category of work (all firms)	£4,876m (£4,472m)	£1,576m (£1,291m)	£406m (£346m)	£3,364m	£719m	£10,941m
Total number of firms doing this work	2,830 (2,618)	4,390 (4,166)	470 (496)	4,500	159	6,396
Number of firms where turnover from this category >30%	617 (517)	292 (213)	55 (60)	686	10	2,224
Total turnover of these firms in this category of work	£3,792m (£3,406m)	£228m	£60m (£53m)	£1,371m	£294m	£10,374m
Total turnover of these firms (across all their work)	£6,976m (£6,178m)	£638m	£80m (£76m)	£2,607m	£798m	£13,586m
Number of these which are City firms	34	7	0	33	1	75
Number of these which are ABS*	25	4	1	26	0	84

Source: The Law Society, Market Intelligence data (Research Unit – KB)

*ABS covers a spectrum of entities, from firms which have simply promoted a non-lawyer to the partnership, to entirely new business models (including stock market flotation, big brand entrants). Our data does not allow us to systematically distinguish between these.

Although turnover in Intellectual Property (IP) work has risen, this is the only B2B area where the count of firms has fallen since 2012. Fewer firms can be explained by some consolidation between existing firms, lawyers and patent agents, and the suggestion that:

‘Major City firms may lose interest in IP because it is not as profitable for them as M&A work.’

(Futures Panel – Committees)

Overall, UK growth in IP-related business activities is likely to continue through 2020.

Table 5, opposite, shows a breakdown of firms undertaking B2C work, including those for whom this work constitutes more than 30 per cent of their turnover. Again, comparable figures from 2012 are also shown. Across all areas, overall turnover is up from 2012, and the number of firms practising in

these retail areas has also increased during the last two years. However, in contrast to the B2B markets, it seems unlikely that this rise will continue towards 2020. Rather, we expect to see a marginal decline in firm numbers due to consolidation or closures. We should not rule out the idea that a solicitor firm may close in order to set up as an unregulated or non-solicitor-adviser practice, should they perceive this route as more profitable.

Of the areas detailed in Table 5, probate seems to be the main area where firms which derive in excess of 30 per cent of their turnover from a single retail market category are struggling.

No one legal brand takes a significant share of the consumer law market. Most of this work is still carried out by small-medium law firms and sole practitioners. The larger law firms in the market have annual revenues of between £100m and £200m, generated mainly, but not exclusively, from consumer law work. So, even the largest consumer law firm only has just

Table 5: Firms undertaking B2C retail work in April 2015 (comparable 2012 figures in brackets)

	Family/ children	Criminal	Residential conveyancing	Probate	Wills and trusts	Other retail work	All B2C*
Total turnover in this category of work (all firms)	£944m (£821m)	£746m (£701m)	£1,033m (£830m)	£531m (£512m)	£553m (£468m)	£17m	£4,073m
Total number of firms doing this work	4,408 (3,985)	2,171 (2,128)	4,751 (4,651)	3,782 (3,514)	4,398 (4,014)	295	7,276
Number of firms where turnover from this category >30%	1,109 (978)	1,080 (1,098)	1,536 (1,378)	482 (481)	213 (171)	9	5,992
Total turnover of these firms in this category of work	£398m (£319m)	£566m (£556m)	£433m (£295m)	£67m (£85m)	£55m (£46m)	£5m	£3,286m
Total turnover of these firms (across all their work)	£684m (£583m)	£771m (£774m)	£944m (£625m)	£167m (£220m)	£112m (£101m)	£7m	£4,866m
Number of these which are City firms	2	5	3	0	2	0	25
Number of these which are ABS**	14	11	16	7	10	0	96

Source: The Law Society, Market Intelligence data (Research Unit – KB)

* total is for all B2C markets, not just those included in the table (others include: immigration, mental health, social welfare, civil liberties, human rights).

**ABS covers a spectrum of entities, from firms which have simply promoted a non-lawyer to the partnership, to entirely new business models (including stock market flotation, big brand entrants) Our data does not allow us to systematically distinguish between these.

over 10 per cent of the market, with most of the larger law firms taking around 5 per cent or less of market share (YouGov Reports 2015: 18).

Many changes in the profitability of the legal industry can be attributed to new entrants to the market e.g. Riverview, Brilliant Law. Entities such as Parabis, Slater and Gordon (which has been buying up firms), Rocket Lawyer and Legal Zoom are agile competitors which may take business away from traditional firms, or create entirely new markets where traditional firms cannot – or will not – compete (Neill 2014). In so doing, they tangibly demonstrate innovation in services and service delivery as a key differentiating factor.

Table 6, overleaf, shows a breakdown of those firms that provide services in personal injury work and

those that provide services in employment work. As before, we have included those for whom this work constitutes more than 30 per cent of their turnover, with previous figures, (where available).

Since 2012, there has been an increase in the number of firms that derive more than 30 per cent of their turnover from personal injury or employment work. Personal injury has by far the largest number of ABS taking a market share compared with all categories of B2C and B2B services. Of those practices with 30 per cent or more of their turnover coming from PI work, 6.5 per cent are ABS. We see this as a sign of things to come, as more insurers set themselves up to practise in this market. Personal injury is not a reserved activity and litigation and liberalisation has opened up PI significantly. ABS securing high volume caseloads, and partnerships with insurers, brokers

Table 6: Firms undertaking PI and/or employment work in April 2015 (comparable 2012 figures in brackets)

	Personal injury	Employment
Total turnover in this category of work (all firms)	£2,494m (£1,487m)	£886m (£765m)
Total number of firms doing this work	2,713 (2,519)	3,625 (3,309)
Number of firms where turnover from this category >30%	962 (716)	331 (258)
Total turnover of these firms in this category of work	£2,418m (£1,175m)	£107m (£76m)
Total turnover of these firms (across all their work)	£3,094m (£1,653m)	£160m (£103m)
Number of these which are City firms	5	1
Number of these which are ABS*	63	13

Source: *The Law Society, Market Intelligence data (Research Unit – KB)*

*ABS covers a spectrum of entities, from firms which have simply promoted a non-lawyer to the partnership, to entirely new business models (including stock market flotation, big brand entrants). Our data does not allow us to systematically distinguish between these.

and claims management companies, are slowly and consistently driving the more vulnerable traditional model service providers out of the market.

For firms practising in employment law, challenges arise from the introduction in July 2013 of fees for taking a claim through the tribunal system, and from further proposed changes to the tribunal system, including the introduction of preliminary hearings, increased use of ADR and additional changes to fees. As employment is not a reserved area, firms also face competition from non-solicitor entrants and in particular from accountants, banks and business consultants who might see an easy step over into this area of legal services.

2.2 Individuals in private practice

Data from our Annual Statistics Reports on solicitor demographics indicates that the profession, overall, has grown by 34.8 per cent between 2004 and 2014. As at July 2014, 130,382 solicitors held current practising certificates. During the decade from 2004-2014, the proportion of practising certificate holders who are women increased from 40.5 per cent to 48.2 per cent.

The proportion of women solicitors and the proportion of solicitors at or near retirement age both look set to increase significantly over the next five years. Women are expected to account for over half of all solicitors by 2020, for the first time becoming the majority gender in the solicitor profession.

The number of solicitors nearing retirement age who can actually afford to retire has become a serious concern in the profession. Some firm owners, especially of smaller retail firms, may face considerable costs to close their practice:

'A part of the profession, in the smallest firms, will struggle on when they are ill equipped to do so until something serious goes wrong, such as a mistake leading to the inability to obtain insurance, or ill-health, or a regulatory issue. It is difficult to see an end to that phenomenon or how it might be achieved.'

(Futures panel – Committees)

Increasingly, those owners who are at retirement age or who are struggling to keep their business viable are encountering savvy buyers who only offer to pay the cost of buying the risk. This places no value on the business itself which a solicitor may have worked hard to build up and manage for many years. This is likely to impact on the esteem of those solicitors leaving practice in these conditions, and on overall perceptions of the profession.

Projections by Warwick Institute of Employment Research (as part of the Legal Education Training Review) indicate that significant numbers of barristers, solicitors and other legal professionals and associate professionals are likely to be needed between 2015 and 2020. They cite an additional 58,000 workers needed in the legal activities sector, whilst expecting a decrease of about 9 percentage points for those working in justice and judicial activities and public security/law and order (Wilson 2012: 3). What is unclear is how many of those needed might be paralegals, or how many roles might be replaced during this time by technology. In effect, a new model is developing – one that counters the decline in work for retail solicitors by growing more lower cost capability. Paralegals and other non-solicitor-lawyers are doing more work overall, and increasingly will do more of what solicitors used to do themselves. The use of paralegals lowers costs significantly. With numbers of paralegals, legal executives and non-solicitor advisers set to rise in retail markets, any growth in the solicitor profession in the next five years is most likely to come from the in-house sector and SME commercial firm growth (see Table 3, page 20).

2.3 In-house

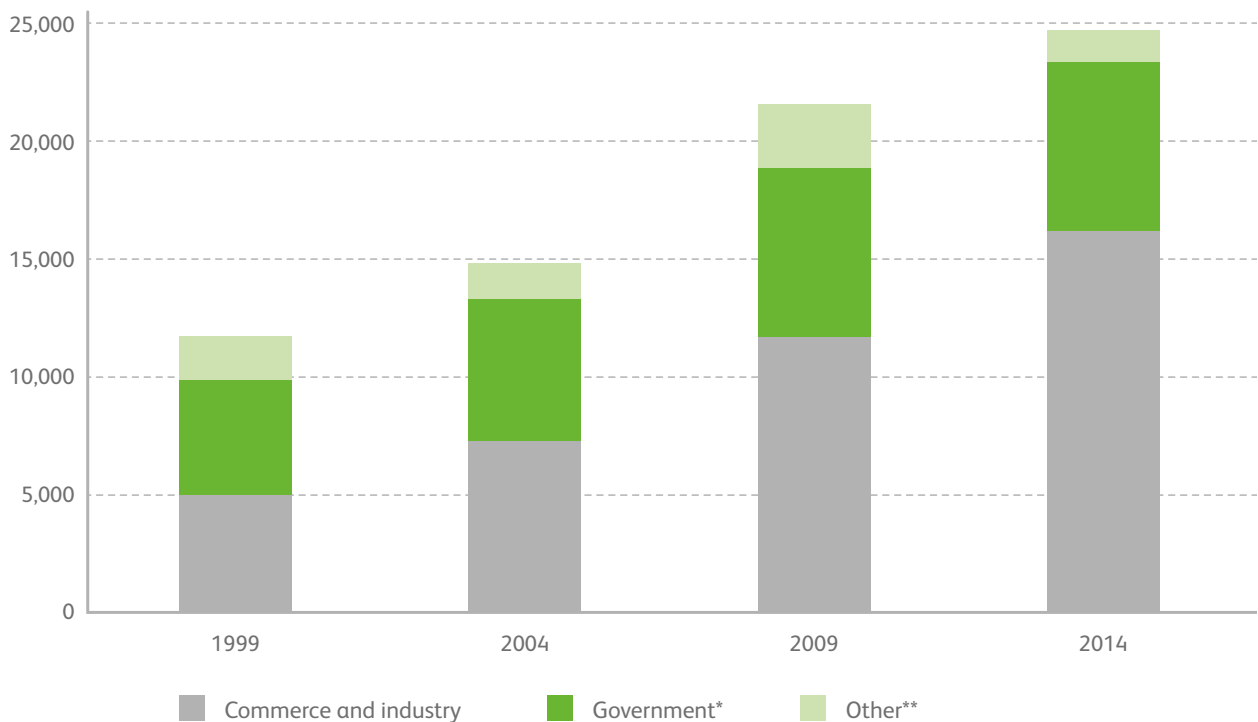
Between 2000 and 2012, the in-house solicitor population doubled, reaching 25,600 solicitors and increasing to 18 per cent of the total solicitor population (Law Society, ASR, 2013c).

The vast majority of in-house solicitors (60 per cent) work in the private sector, with many concentrated in the financial services sector. The next largest group, accounting for 37 per cent, are employed in

the public sector, of which 18 per cent are in local government and 8 per cent in the Crown Prosecution Service. The remaining 3 per cent work in the third sector, including advice centres and registered charities (Law Society, ASR, 2013c).

In terms of age and ethnic background, the profile of individuals working in-house is similar to those in private practice. The average age of in-house solicitors is 42, the same as for the general population of solicitors, and 15 per cent of in-house solicitors with known ethnicity are BAME, again closely matching the profile for the profession as a whole.

Figure 5: In-house solicitors by employer type (ASR 2014: 3)



Source: The Law Society, Annual Statistics Report data

Note: There is a slightly different total here due to different counting of employer types.

* Includes PC holders in government departments, local government, Court, government funded services and the Crown Prosecution Service.

** Includes PC holders in trade unions, nationalised industries, advice services, educational establishments, health services, others and accountants.

Around one in four employed female PC holders now work in-house – a significantly greater proportion compared with male solicitors. Advice centres employ the highest proportion of women (68 per cent) and BAME in-house solicitors (28 per cent) (Law Society, ASR, 2014).

Over the past five years, barriers between legal departments and businesses have come down: ‘The idea that an in-house legal team should function like an internal law firm has given way to a vision of the legal department as a commercial function that can and does drive economic value for the business’ (RSG Consulting 2012: 8).

Table 7: Breakdown of in-house solicitors and offices by type of organisation
(Table reproduced from Oxera 2014: 6)

	Number of in-house solicitors (% of in-house population)	Number of offices
Private sector organisations		
Commerce and industry	15,208 (59%)	5,153
Accountancy practices	167 (1%)	28
Public sector organisations		
Local government bodies	4,607 (18%)	440
Crown Prosecution Service	2,145 (8%)	54
Educational establishments	459 (2%)	186
Courts	391 (2%)	71
Government bodies	259 (1%)	47
Government funded services	363 (1%)	52
Government legal services	762 (3%)	25
Regulatory bodies	493 (2%)	24
Health services	87 (0%)	32
Armed forces	334 (0%)	1
Third sector organisations		
Advice services	474 (2%)	145
Registered charities	116 (0%)	55
Institutes	6 (0%)	3
Churches and other religious bodies	19 (0%)	11
Legal consultancy services		
	12 (0%)	18
Total	25,602 (99)	6,345

Source: Oxera analysis of SRA data

Note: In cases where solicitors work for multiple organisations, they were categorised according to their main practice. Less than 0.5% is rounded to 0%; consequently, the column total does not sum to 100%.

2.4 Snapshot summary

By 2020 we expect our membership to include:

- more female solicitors overall and more female partners.
- more solicitors at retirement age; including, amongst firm-owners, more who are struggling to fund run-off cover.
- a greater diversity of roles and titles, beyond the purely legal taxonomy.
- a declining number of traditional law firm models.
- a growing number of new types of business model with jobs for solicitors, often with a strong non-lawyer presence, and with external investment – but not just ABS.
- more solicitors working in-house (c. 35 per cent of all membership).
- more solicitors working in B2B markets. While we expect an increase in the amount of B2B work around, this area is ripe for new entrant picking, especially as more clients unbundle to find the most cost-effective solutions and want a combination of legal and business skills.
- fewer solicitors working in B2C markets. The levels of legal need are the same, but fewer instances translate to demand for solicitors' services, with fewer consumers able to afford advice, gain access to legal aid, or feel confident to choose a solicitor over other options, one of which is doing nothing.
- a declining number of PI solicitors – some recruited into volume suppliers, others edged out entirely.
- a declining number of solicitor full service conveyancers, due to growing automation in this process, use of paralegals and non-solicitor providers, and growth of licensed conveyancers.⁵
- more solicitors exploiting the developments in the B2C market arising from competition between regulators, e.g. relinquishing official use of the solicitor title and setting themselves up as non-lawyer and/or unregulated providers.

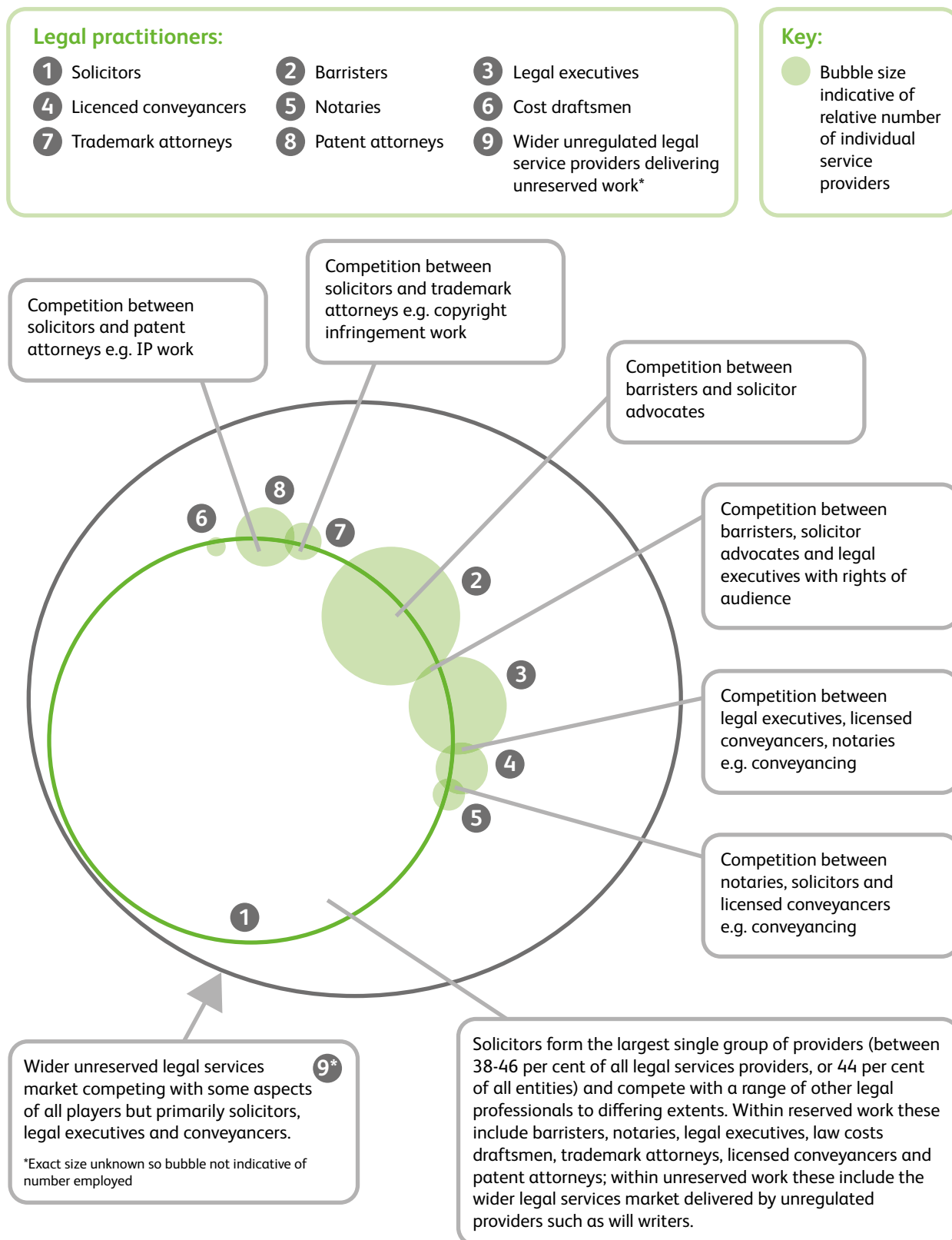
Figure 6 reproduces the regulated/unregulated provider map from the Law Society's *Market Assessment: Overview* report (2012a) highlighting the different forms of competition for solicitors. This is the last date at which comparable data was available following the LSB's regulatory information review in 2011 (further information can be found in the three Market Assessment reports: *Overview* (2012a); *Main Sectors* (2012b); *Key Markets* (2013a)).

While the number of notaries appears to have declined over the last decade, from about 1,300 in 2000 (Shaw, 2000) to around 900 in 2012 (Federation of Notaries 2013),⁶ it appears that the overall number of legal executives (Chartered, or equivalent, and trainee) has been relatively static over the last seven to eight years, at around 22,000 (CiLex). By contrast, we expect to see a rise either in the number of licensed conveyancers, or in their share of the value of the market and/or volume of transactions.

⁵ Only the transfer of title is a reserved practice and licensed conveyancers compete with solicitors here. Evidence (Law Society 2013a) points to licensed conveyancers taking a growing share of the conveyancer market.

⁶ <http://www.facultyoffice.org.uk/Notaries1.html>

Figure 6: Regulated and unregulated providers compete in a UK market worth £26.8bn in 2011



3. WHAT IS DRIVING CHANGE?

The key drivers of change in the legal services market can be clustered into five groups:

- Global and national economic business environments (affecting private practice (pp) and in-house)
- Buyer behaviours (including in-house lawyer buyers as well as SMEs/public) (pp)
- Technological and process innovation (pp and in-house)
- New entrants and types of competition (pp)
- Wider political agendas around funding, regulation and the principles of access to justice (pp mainly but some impact on in-house (e.g. regulation – increased regulation/complexity is likely to be a driver of demand for in-house lawyers)).

Each of these drivers does not operate in isolation, and we can see considerable overlap when looking at how different drivers take effect. For example, technology might be seen as one aspect both driving change in buyer behaviours, and also enabling new entrants to differentiate themselves and potentially thrive. These new entrants then drive existing firms to revisit their own business models. The difference here is between disruptive technologies that drive behaviour and those technologies that ease or facilitate existing pathways.



Figure 7: Overlap and interaction between drivers

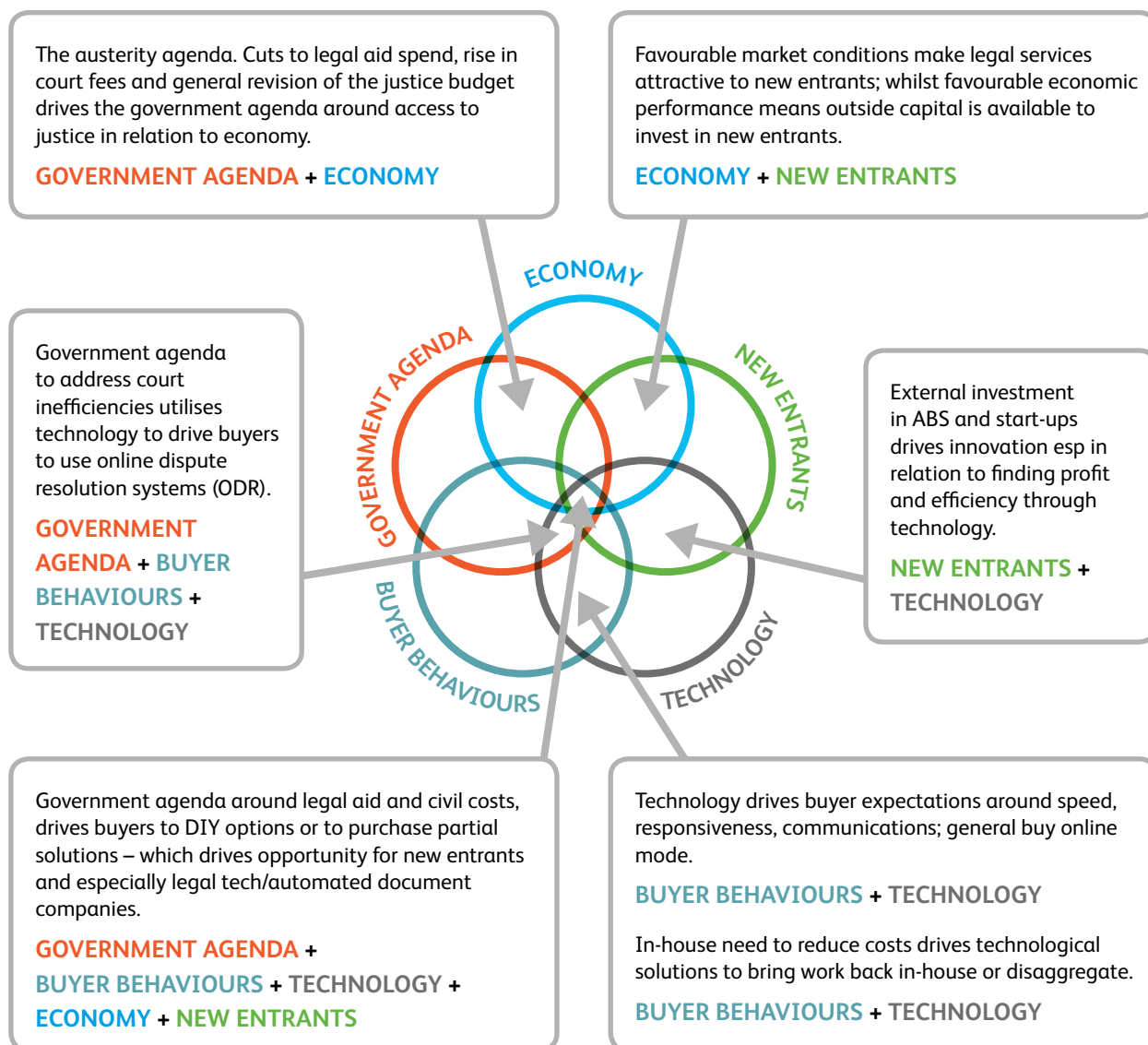


Table 8: Key drivers making an impact on firms/in-house

GROUP	
<p>Top 200 firms servicing B2B markets</p>	<p>Globalisation: The continued search for high growth markets and efficiency by making the best use of a globalised economy will drive firms to pursue their options in overseas markets. The extent that businesses go international significantly impacts the type of advice that they need, and to some extent law firms’ global ambitions will be driven by the needs of their clients. The opening/closing of international markets and jurisdictional boundaries will also drive changes to location, client type and service provision.</p> <p>Overseas investors: The shift in global economic power has brought a new legion of foreign investors to the UK from countries such as China, Russia and India. This has significantly changed the global business landscape, and may potentially lead to more cross-country partnerships and/or influence.</p> <p>Buyer behaviours: Clients do not want to pay for unnecessary resource, so we are likely to see greater use of counsel and contract lawyers, or disaggregation of services across different suppliers driving the design of new or partial offerings. Buyers will demand more and better advice at lower cost and faster speed. Top 200 B2B firms will continue to see clients wielding influence over fees, timing and quality in the relationship.</p>
<p>Top 200 firms servicing B2C markets</p>	<p>Technology: This brings increasing potential for efficiency gain, especially for large firms that make their margins through volume work. The Top 200 B2C firms group is likely to contain a large number of ABS which utilise external investment to compete.</p> <p>External investment: ABS are gaining traction and there are likely to be many more well established by 2020. External investment has enabled firms to invest in the latest technologies and in hard and cognitive systems to help support ambitions towards innovation. ABS have facilitated changes in law firms that are primarily driven by customer demands.</p> <p>Brand loyalty: This driver can work both ways, especially as, for many consumers, legal purchases are infrequent. YouGov Report’s <i>Legal Services</i> found that many consumers are loyal to firms and 31 per cent of those using a law firm or solicitor in the last three years went back to the same solicitors and law firms they used before (YouGov Reports 2015: 11). However, for those individuals who had not used a solicitor previously (the younger pipeline), the familiarity of leading consumer brands is likely to be more of a draw, and financial services brands in particular.</p> <p>Insurance industry: The actions of the insurance industry, especially around PI claims, is driving change in how the markets operate for the largest consumer firms. Insurers have historically influenced the PI claims process and have successfully lobbied for changes that impact the shape, nature and size of supply and demand for PI services (see Lewis and Morris 2012; also SRA ABS report (ICF/GHK 2014) – insurers own many of the ABS in PI and ever since 2012 this group has increased).</p>

Continued

GROUP	
Other firms servicing B2B markets	<p>Technology: This is having a greater impact amongst small and medium firms, where firms largely service mass/process-driven needs rather than specialist or high value transactions. The push towards automation of routine work will be levelling off by 2020 when we might expect to see technology instead being used to fuel innovative or specialist services. Running cost-efficient systems may benefit these smaller B2B firms by attracting in-house buyers looking to spend less.</p> <p>Buyer behaviours: Those in-house counsel who are looking outside the Top 200 to save money, by using just large enough firms, are driving growth in demand for B2B services from smaller providers. There is also an opportunity for these small and medium-sized B2B firms to capitalise on the appetite for unbundled services or holistic business solutions, of which legal is just one part.</p> <p>Competition: Small and medium-sized B2B firms face significant competition from accountants, banks and legal tech companies. For non-legal businesses such as accountants or banks, the easiest transition into legal service provision is to target the B2B market, where they are more likely to take market share from smaller firms than the Top 200, who face competition from the Big 4 accountants.</p>

Continued overleaf



GROUP	
Other firms servicing B2C markets	<p>Funding cuts and fees: The government access to justice agenda (including funding cuts and rising court fees, support or not for LiPs, and funding for University law clinics) is having a cumulative impact on the feasibility of smaller firms providing certain services, and consumers’ ability to access solicitor-led legal advice.</p> <p>Technology: As with B2B markets, the impact of technology is being felt where firms largely service mass/process-driven needs rather than specialist cases. The push towards automation of routine work will be levelling off by 2020 when we might expect to see technology instead being used to fuel innovative modes of delivery or service solutions. Technology is also driving buyer behaviours through expectations of speed, communication and online delivery, as well as widening access to information, albeit with a range of accuracy and quality.</p> <p>Buyer behaviours: Consumer habits have changed greatly. Clients, particularly the younger generation, are far more tech and business savvy and are accustomed to accessing and researching legal services in different ways. The expectation of buyers in terms of how they communicate and transact with sellers will drive service design and delivery.</p> <p>Competition: Small and medium-sized B2C firms face the greatest variety, and potentially volume, of competition from other legal providers (e.g. Bar, legal executives, licensed conveyancers) and from non-legal businesses (e.g. accountants, banks), as well as from consumer organisations (e.g. Citizens Advice, Advice Network, Which?) and legal tech companies (e.g. Legal Zoom, Rocket Lawyer). Providing consumers with basic advice and/or facilitating consumers to follow a DIY route is a potentially low effort/ high reward means for non-solicitors to gain a share of this market.</p>

Continued

GROUP	
In-house counsel	<p>Globalisation: With corporations looking globally as a source of further growth, there is greater need for in-house counsel to understand the global requirements of their businesses, including the need to ensure global coverage from panel firms with international operations and demands that firms have a presence in different jurisdictions. With so many areas of concern in so many different legal landscapes, the breadth of responsibility is extraordinary, and in-house counsel must be equipped to respond rapidly.</p> <p>Employer company strategy/vision: The agenda and motivations of in-house buyers is driven by the objectives and strategy of the wider employing business – to which counsel also contribute. The business, in turn, faces drivers like the government agenda and the economy.</p> <p>Saving money: As a subset of the above, there is pressure on in-house counsel to demonstrate value and to help the business save money, across the business as a whole and within legal spend.</p> <p>Technology: As part of the drive to save money, in-house counsel are utilising technological systems that facilitate more legal work being brought back in-house. They are also taking advantage of the cost savings of outsourcing part of their legal purchase to technologically adept, and more cost-efficient, suppliers.</p> <p>Unbundled services: In connection with saving money and technology, an increasing number of in-house counsel are disaggregating their legal purchase to pay a premium only for those parts which warrant expertise from top firms. For routine work or basic advice, work is being spread across the most cost-effective providers. As the legal market evolves and new entrants set up, in-house counsel will have different types of resourcing options.</p>

4. WHAT IS HAPPENING IN THE MAIN DRIVERS?

This section considers likely impacts of the following drivers of change:

- globalisation
- technology
- buyer behaviours
- external investment
- competition.

4.1 Globalisation

Top 200/City US and UK law firms have benefited from globalisation to date. Established law firms that have strong client relationships, mainly with global corporations, have been able to increase their global footprint rapidly.

In 2015 we are beginning to see the large law firms from emerging markets create a meaningful presence both in their own countries and in Western markets, and are likely to be even further along this road by 2020, not least due to a backlash against US/UK dominance:

'Some markets will open up to foreign law firms and other markets will most probably become more restrictive. There is a protective tendency that is growing in many countries and areas of the world and a reluctance to see the spread of English / New York law.'

(Futures panel – B2B)

The Economist Intelligence Unit's (EIU) long-term macroeconomic forecast, *Key Trends to 2050* (2015)⁷ reports that emerging markets are expected to grow faster than developed economies, and 'as a result developing countries such as China and India are likely to overtake current global leaders such as the US, Japan and Western Europe'. There will certainly be strong signs of this in place by 2020, but looking ahead to 2050, the EIU predict that 'other emerging markets, such as Indonesia and Mexico, will rank among the top ten economies at market exchanges rates... overtaking economies such as Italy and Russia' (2015: 12).

An increasing number of Chinese firms are looking to invest and do business in or through the UK, but for these firms cultural and legal differences can be a real barrier. On 1 June 2015⁸, *Legal Futures* reported that the SRA had licensed a unique Chinese-owned ABS targeting Chinese companies looking to invest abroad. YangTze Law, based in London, has been set up in association with Exeter-headquartered law firm Michelmores, which will provide legal back-office and regulatory services.

⁷ The Economist Intelligence Unit (EIU) (2015) *Key Trends to 2050*. The Economist Intelligence Unit Ltd. Retrieved November 17, 2015 from: http://pages.eiu.com/rs/783-XMC-194/images/Long-termMacroeconomicForecasts_KeyTrends.pdf

⁸ <http://www.legalfutures.co.uk/latest-news/unique-abs-aims-to-capitalise-on-push-by-chinese-companies-to-invest-overseas>

There was an expectation from the Futures panel that:

‘[England and Wales] firms will continue to find ways to associate themselves with overseas domestic firms’

in order to operate in closed markets, but also an expectation that by 2020

‘there will be an inexorable falling of barriers in the worst offenders (e.g. Brazil, India).’

(Futures panel – B2B)

While China will continue to be a massive financial player internationally, it is much less clear whether Russia or India will make a difference at all. For one panel participant, 2020 was possibly too soon to see the full impact that emerging global players will have on the legal markets. Others felt countries such as China, that currently do not operate under the Rule of Law, will use the next five years to advance their learning, and that ‘as countries such as China, Russia, India, etc modernise their legal systems, their law will probably take on many more Western aspects’. We may expect serious landscape shifting from the global players and their firms from around 2022 onwards.

Current government policy towards the UK’s relationship with the EU is likely to inject major and unsettling uncertainty in some areas of practice, especially if global businesses prefer to secure their access to EU markets and choose means that bypass the UK. England and Wales IP firms face competition from, in particular, German and other EU IP practitioners:

‘Increased internationalisation of IP law means work is done at European level. If we leave the EU it could have a major and adverse impact.’

(Futures panel – Committees)

London’s place as a dominant financial centre is linked to the UK’s membership of the EU. There is a clear connection between London as a centre for financial services and magnet for foreign direct investment (FDI) and the success of City firms. Any change in this relationship might reduce London’s position as a key global financial centre and would have a detrimental ripple effect on the wider economy including legal services. In interviews with the Law Society, firms thought it was crucial to preserve the perception of London as a gateway to the EU, as a safe place for non-EU investors/clients to conduct EU-related transactions, and as a highly competitive place to do business.

Leaving the EU would diminish the pool of talent that firms could attract and would likely diminish the attractiveness of the City of London, and of the legal profession as a whole. However, for firms that already operate on a global level, rebalancing their presence between individual countries is ultimately part of what they do. As such, City firms are confident about their ability to adapt, and if necessary move their operations from the UK to an EU state – meaning that an exit from the EU would have a potentially much bigger impact on the wider profession and on medium-sized firms than on the top City firms themselves. That said, the collective impact of leaving the EU would clearly be detrimental to the economic status and wealth-generating potential of London as a global commercial hub, and would mean an uncertain fate for individual England and Wales qualified lawyers who might be left behind.

In addition, the Transatlantic Trade and Investment Partnership (TTIP), a deal to cut tariffs and regulatory barriers to trade between the US and EU countries and make it easier for companies on both sides of the Atlantic to access each other’s markets, also raises questions around outcomes if the UK leaves the EU. At present, the government claims ‘TTIP could add £10bn to the UK economy, £80bn to the US and £100bn to the EU every year’ (Padmanabhan 2014: no page).

4.2 Technology

Technology is impacting on legal services in five main ways:

- enabling suppliers to become more efficient at procedural and commodity work.
- reducing costs by replacing salaried humans with machine-read or artificial intelligence (AI) systems.
- creating ideas for new models of firm and process innovation.
- generating work around cybersecurity, data protection and new technology laws (including use, crime, corruption, online purchase rights, copyright).
- supporting changes to consumer decision-making and purchasing behaviours.

4.2.1 Technology and AI systems innovation

Technological innovation has led to more standardised solutions for the delivery of legal processes and the ability to commoditise many legal services. Numerous legal tech companies, universities and law firms are now exploring the extent to which the cognitive domain of lawyers can also be automated. According to Riverview, 'a primary objective is to automate some of the cognitive abilities of knowledge workers to provide organisations with intelligent decision support tools' (Hyde 2015). Riverview is currently working with Liverpool University in a bid to apply artificial intelligence (AI) to legal tasks. The joint venture will see how far the AI expertise of Liverpool University's computer science department can be used in a commercial law firm.

This venture comes on the back of Hodge Jones & Allen's work with academics from University College London (UCL) to create software that assesses the merits of personal injury cases. A professor of

economics and economic measurement at UCL examined 600 cases concluded over a 12-month period using statistical techniques to determine the factors contributing to success or failure and level of damages and costs. The result was a device that can calculate the likely outcomes of personal injury cases. The firm's personal injury team manager said the modelling 'challenged some of our prejudices about the cases we should be taking on' (New Law Journal 2014: online).

Sophisticated machine reading software has proven faster and more accurate than a solicitor in delivering comparable legal services and options advice. As early as the 1970s Weizenbaum (1976) argued that computers ought not to make judicial decisions, even though they could conceivably do so. Berman and Hafner (1987) discuss a number of reasons why legal decisions cannot be explained by any rule-based model of law, however complex. The legal decision-maker not only applies existing rules, but is often called upon to creatively modify rules, to choose among competing rules, and to create new rules (Gardner 1985). Expert systems can be used in the service of algorithmic decision-making – the degree to which this use meets ethical and nuanced interpretations of cases remains to be seen – but these systems can also be used to organise and present the relevant facts and issues in the service of human decision-makers (e.g. IBM's Watson and ROSS systems⁹).

The Futures panels expected the trend towards the use of cognitive systems to continue, with more than one participant making reference to IBM's Watson.

'Happy to see commodity work be done more efficiently, for the same reason I no longer use an old-school typewriter.'

(Futures panel – B2B)

⁹ Watson takes in data from all sorts of sources, from research reports to Tweets, and can read millions of unstructured documents in seconds. It interprets data to expose patterns, connections, and insights, pre-processing and organising the information to make working with content more efficient. Watson learns from how humans interact with its systems, continually refining its actions. <http://www.ibm.com/smarterplanet/us/en/ibmwatson/> ROSS applies Watson's functionality to legal research.

'I think it is inevitable that computers and intelligent systems will take over an increasing amount of work in the future i.e. IBM's Watson computer.'

(Futures panel – B2B)

'Cognitive systems like IBM's Watson, which are capable of impressive approximations to intelligence if appropriately supplied with content, trained and maintained. Initially, these systems will allow legal professionals to establish what the law is, the prospects for success, the top-five factors to consider in a particular type of case, etc.'

(Futures panel – B2C)

Built on top of Watson, IBM's cognitive computer ROSS is 'a digital legal expert that helps you power through your legal research'. The user asks questions in plain English and 'ROSS then reads through the entire body of law and returns a cited answer and topical readings from legislation, case law and secondary sources to get you up-to-speed quickly... In addition, ROSS monitors the law around the clock to notify you of new court decisions that can affect your case' (see www.rossintelligence.com).

In another example, US law firm Winston & Strawn have adopted legal review technology known as predictive coding. The lawyers mark up relevant information in a subset of documents and feed it to a computer programme that uses it as a basis for analysing the entire dataset of documents. The firm found its software was more effective than human reviewers in surfacing relevant documents, and helped it complete the review process in about a third of the time. A partner at the firm believed that the true significance of these technologies has not caught on yet and 'probably less than 5 per cent of the complex cases in the civil system are using them' (O'Toole 2014: no page).

An assistant professor at South Texas College of Law claims that AI programmes will 'in the not-so-distant future' have the ability to advise on whether to file a lawsuit, predict how it might be resolved and even draft portions of legal briefs. And yet he also wonders who is responsible if clients get bad advice (O'Toole 2014: no page) – returning to debates around ethics, client care and regulation which arise with the use of new technologies and in particular automation: hence the growing number of roles for humans to supervise the application of machine code in law firms.

Technology can play a facilitative role, helping law firms achieve productivity-driven growth. It can also take work away from firms, as we have seen above in examples of shifts to automation. Further, technology can help competitors who have access to external investment to innovate away from traditional models of delivery. The Altman Weil 2015 survey of law firms found that the second largest threat to law firm business, after new (non-lawyer) entrants, is clients' use of technological tools that reduce the need for lawyers and paralegals. This was particularly true for Top 200/City firms. Twenty-four per cent of law firms surveyed were currently losing work to client technology solutions and another 42 per cent saw this as a potential threat to their firms' business.

Legal technology companies are one of the biggest new group of players mixing up the dynamics of the market. These companies leverage technology to do some of the same work as that of LPOs and contract lawyers, offering high-volume, low-margin, technology-assisted document review, and creating a model of firm built around professional management, technology and process re-engineering (e.g. Riverview Law, Clearspire).

The innovation made possible for many by external investment has largely focused on the ability to use technological systems to automate the delivery of legal services, and also on the analysis of legal issues in real time for business buyers. Business technologies not only affect the way work can be done. They are also capable of reshaping marketplaces, service relationships and even easing communication across international boundaries. Yet, many clients still rely on major law firms (Top 200, City, Magic Circle) for their complex and specialised legal issues and are willing to pay the higher premium for these, despite the fact that technological solutions are available to address some of these complex legal issues, at a much lower cost and with greater accuracy. Some clients, themselves in-house lawyers, remain sceptical about the ability of technology to do a better job at legal service delivery than an actual lawyer. While they accept technology assisted document review, some do not yet fully trust technology to analyse a legal situation or offer legal options. Whilst we expect to see some shift in this attitude by 2020, the human-to-human relationship will still be favoured by many large corporations.

4.2.2 Criminal law, e-disclosure and virtual courts

It is likely the incorporation of information and digital technologies into criminal legal practice and the operation of the courts will reshape the behaviour patterns and the thinking process of stakeholders in the criminal legal field, from judges and lawyers to court clerks and staff in legal firms.

The value and feasibility of virtual court systems in England and Wales has been discussed on a number of occasions as part of the Ministry of Justice's digital strategy. A shift to e-disclosure and digitalised CPS/ criminal case processes has already changed criminal legal practice. By 2020 digitisation looks set to further impact criminal legal practitioners – both in terms of how traditional cases are conducted, as well as through new cyber crime and technology laws.



Case study

Singapore already has in place an Electronic Litigation System which has been claimed to help achieve effective, efficient and economical dispensing and administration of justice (<http://www.supcourt.gov.sg/>). As early as 1996, the Singapore systems convinced some 'IT savvy lawyers' to try out using e-docs in the Technology Court for both criminal and civil trials. In 1998, the use of e-docs was extended to all appeals heard in the Court of Appeal and in Magistrates' Appeals (presided by the Chief Justice). And in 1999, the use of e-docs was extended to all criminal trials and selected civil trials. This was made possible when all the courtrooms and chambers in the Supreme Court Building were fully equipped to support the use of e-docs via flat screen monitors on rotatable arms, video switching devices and custom-made lecterns, all making the courtrooms 'e-docs capable'.

4.2.3 Online dispute resolution

Online dispute resolution (ODR) is being touted as an area with enormous potential for meeting the needs of the legal system and its users. Its aim to broaden access to justice and resolve disputes more easily, quickly and cheaply is already being successfully put into practice by sites such as eBay, Cybersettle and the Canadian Civil Resolution Tribunal.

For low value claims, the current court system can be costly, slow, and complex, especially for litigants in person. The Online Dispute Resolution Advisory Group, set up by the Civil Justice Council, explored the potential of ODR for civil disputes of value less than £25,000. The group's main recommendation is

that HM Courts & Tribunals Service establish a new, internet-based court service, known as HM Online Court (HMOC): 'On HMOC, members of the Judiciary would decide cases on an online basis, interacting electronically with parties. Earlier resolution of disputes on HMOC would also be achieved – through the work of individuals we call 'facilitators' (ODR Advisory Group 2015: 6). The group suggests three tiers: online evaluation (advice); online facilitation (mediation); and online judges (managing and deciding cases) (Hodges 2015: no page).

Numbers in the current small claims system have shrunk from 60,000 in 2001 to a mere 25,000 in 2014. That usage is 'dwarfed by the 500,000 disputes processed in 2014 in the ombudsmen system, which have continued to rise for some years' (Hodges 2015: no page). Hodges (2015) notes that 'it is already established that consumers who have disputes with traders are more attracted to ombudsmen than to courts or regulatory complaint functions'. Questions about the viability of a court-based ODR system point to the missing human element, the need for discussion, and the importance of unpacking where terms and agreements may have been misunderstood.

And yet, eBay's ODR system is potentially one of the most successful arguments for looking at widening where and how these processes are implemented. Some 60 million disagreements amongst traders on eBay are resolved every year using ODR (ODR Advisory Group 2015: 11-12).

4.2.4 Technology/buyer behaviours

Technology is exerting a significant effect on consumer buying behaviours across a range of sectors and purchase needs. The legal profession is inheriting the impact of changes made by leading consumer brands to successfully build reputation and interact with purchasers online. Consumers have become accustomed to researching information and reviews to help make decisions and then communicate and transact with sellers via screen technologies. For many consumers this type of behaviour is feeding their expectations of how they should be able to access and purchase legal services.

'I believe that, generally, clients will expect to engage with legal assistance through a computer screen (if that is not already outdated by mobile devices); that they will require low cost fixed price delivery of what they want. One of the problems is of course that they may not be able to say with certainty what they do want (in medicine for example a GP may be approached, not because he or she is expected to be able to achieve anything, but because he/she will at least be able to identify, probably, the right specialist to whom to make a referral).'

(Futures panel – Committees)

The ways in which technology informs buyer behaviours is but one ripple in a pool of changes in future client types and needs. As such, this theme is better addressed in the context of buyer behaviours as a whole than in technological isolation, and is addressed in more detail in section 4.3.1.

4.3 Buyer behaviours

4.3.1 Buyer behaviours in retail markets (B2C)

Overall, rates of incidence of legal need are unlikely to change much over the next five years – people will still get divorced, still commit crimes, still die. But it is a mistake to assume that because issues continue to exist, that means requests for advice will continue to flow into solicitor firms. The Futures panel (B2C) concurred with wider futurist commentary about the need for public education about solicitors and buying legal services:

‘Solicitors are a large and powerful group of legal professionals, but there is nothing about their education, admission, ethical standards or regulatory processes that insulates them from the need any service provider has to make its value proposition clear: what value do I get from you? (To know this, I have to know enough about what’s involved to appreciate the difference you make.) What will it cost? Who are the people doing this for me? How safe am I if something goes wrong? How easy is it for me to walk away if you turn out to be the wrong supplier for me?’

(Futures panel – B2C)

There remains a great deal of uncertainty amongst consumers about different types of lawyer and legal businesses. It is currently very difficult, even for knowledgeable consumers, to work out which provider is the most appropriate for their particular issue; and on the Internet, most firms look the same. The YouGov Report’s *Legal Services* found that 60 per cent of consumers agree or strongly agree that they cannot differentiate one high street law firm or solicitor from another; this is an increase from 51 per cent in December 2013 (YouGov Reports 2015: 15).

‘People find it hard to know how to compare different providers...consumers like the sound of regulated by and accredited by and member of without having a clear idea of exactly why those are good things.’

(Futures panel – B2C)

‘The ABS/conventional firm distinction is arbitrary to the consumer, and I don’t think we’ve seen any evidence of improvement in the consumer’s understanding of whether or not legal businesses are regulated.’

(Futures panel – B2C)

Despite the volume and significance of changes in the legal marketplace, the public on the whole remain confused about what a solicitor can offer them and about their own rights as purchasers. This confusion is enabling competition from both unregulated and other regulated providers.

By 2020, clients paying for legal services will expect these to be responsive, personalised and transparent – even more so than today and potentially with a greater choice of providers. Understanding how consumers are changing is key for firms if they are to meet the needs of current and future generations of clients. Generation Y (or the Millennials)¹⁰ is becoming more important to the economy, and yet the gap is widening between how Generation Y communicates and connects and how solicitor firms approach them as potential clients.

¹⁰ Following Generation X, Generation Y are individuals born between the early 1980s to early 2000s.

‘Consumer habits have changed significantly and firms must adapt and innovate in order to remain competitive. Even as a niche, elderly client firm, prospective clients are researching legal services in different ways. [The firm] receives a significant amount of queries from the younger generation via the web site and Facebook page.’

(Sole Principal of niche, boutique firm, RM report)

Generation Y will form 75 per cent of the workforce by 2025 and are actively shaping corporate culture and expectations across a range of sectors (Solis 2012). And yet, for Solis (2012), Generation Y are already being subsumed by what he calls Generation C – the Connected Consumer.

Connected, empowered consumers have come to expect businesses to know them, to understand them, and to deliver what they want, where, when and how they want it (Solis 2014). It is how people embrace technology, from social networks to smartphones to intelligent appliances, that contributes to the digital lifestyle that is represented by Generation C. Where Generation Y turns to Google for information about their legal issues, possible options and whether/how to find a solicitor, Generation C consults their social media networks. This group want to know who amongst their network has had a similar problem, what they did and how they rate what they did. Solis (2013) advocates: ‘At the end of day, you’re not

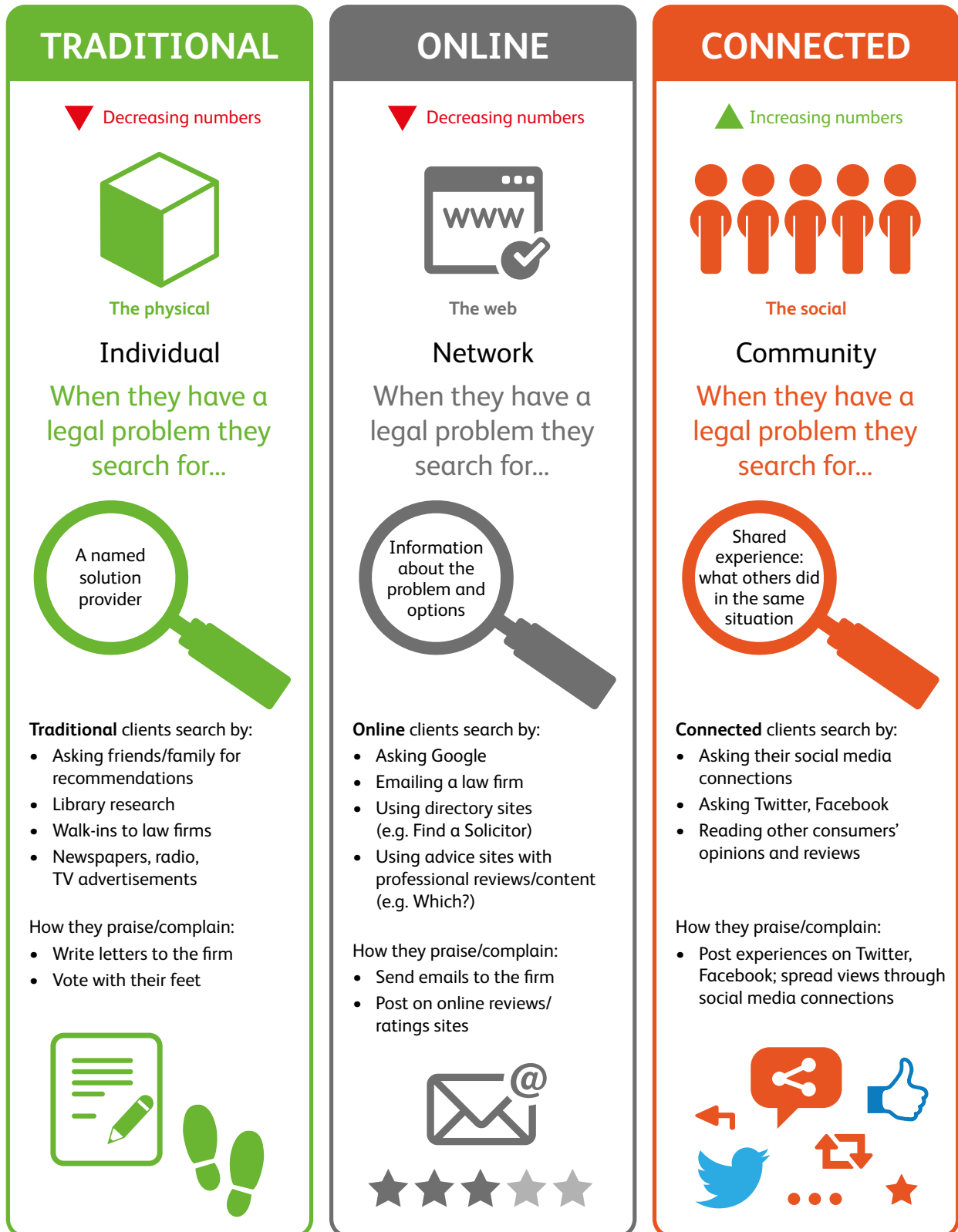
just competing for attention, you are competing for relevance. To earn relevance, you have to understand what the connected consumer values.’

Figure 8 on the following page illustrates how clients (and their buying behaviours) are changing.

Many law firms may believe they are delivering good client service based on their legal knowledge, but clients are looking for a level of value that goes beyond legal expertise. This has created opportunities for new entrants who have a better understanding of how clients define value, and who then proceed to fill this value gap (ALM legal intelligence 2012). Client-oriented strategies adopted by established brands pose a significant threat to existing small retail firms. National consumer brands leverage existing brand loyalty alongside developing services which start from what buyers say they need (Hedley 2011). Many solicitor firms take the opposite approach: they focus first on their own areas of expertise and then look for ways to communicate and sell that expertise.



Figure 8: How clients are changing



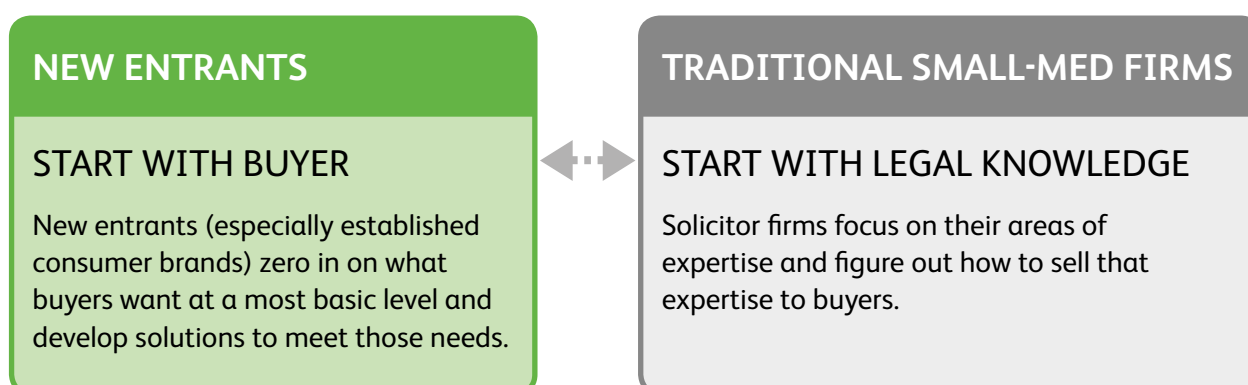
There is a large group of potential clients who cannot afford to pay for legal services, and this situation will most likely get worse over the next five years. In 2014, the cost of services was mentioned by more adults (75 per cent) than anything else as being a factor when choosing a legal adviser – surpassing the experience and reputation of the adviser, mentioned by 74 per cent (YouGov Reports 2015: 31). Of the 2,097 nationally representative adults surveyed by YouGov, 4 per cent of those with a legal problem could not afford to pay for legal services and a further 3 per cent ‘decided against it as it all seemed too complicated’ (YouGov Reports 2015: 20). An oft-touted solution for those who cannot afford legal advice from solicitors is to pursue a DIY approach facilitated by online information and guided digital self-complete forms. Yet it is important to remember that not everyone is online or digitally astute:

‘There is a big overlap between those who can’t afford to pay and those who either don’t have access to digital services or who lack the skills to exploit them. So there is an access to justice/access to law issue which will require some combination of pro bono, publicly funded schemes, student-powered clinics, and technology-supported services.’

(Futures panel – B2C)

The Futures panel warned that an inability to gain advice at the earliest stage of a problem would, in many cases, mean that the issue could escalate to more serious and potentially more costly resolution, including official intervention, at a later point. As Figure 3 illustrates (page 18), some firms have identified a market in focusing on providing earliest stage advice (including expanding to mediation and counselling skills). For these firms, being able to help consumers understand their options and take action soonest is the perfect marriage of marketing the firm as approachable, while capturing clients before they are sure if they want to take legal action, and handling problems which require relatively little effort for the firm to resolve.

Figure 9: Starting from the buyer need vs starting from the firm expertise



4.3.2 Buyer behaviours in business markets (B2B)

For the Futures panel (B2B), clients' demand for legal services in the next five years was thought likely to increase as the wider business operating environment developed and grew more complicated. Panellists predicted that negotiation of fees would continue to be at the forefront of discussions with clients and would become more critical if players such as China and India began buying UK legal services.

Buyers of corporate legal services (typically in-house legal departments) are wielding greater bargaining power in the client-provider relationship. Several factors have shifted the balance of power toward corporate clients, in particular:

- greater access to information that enables clients to more effectively compare the cost of legal services across providers.
- the ability and increased willingness to unbundle legal services and source them to the most cost-effective provider.
- the expanding availability of alternatives to top law firms from which to source work.

In-house legal departments are facing increasing pressure from their own boards to reduce total legal spend, and are using their market power to obtain price reductions from suppliers (Laurence Simons 2013; Nabarro 2010). In a 2014 Altman Weil survey of Chief Legal Officers, almost 80 per cent of respondents said they negotiate price reductions from outside counsel to control costs. The ALM Legal Intelligence survey of in-house counsel (2013) reported that 60 per cent of respondents felt they were responsible for driving the movement of service pricing toward Alternative Fee Arrangements.

As a means of lowering the cost of legal services, many business buyers are increasingly willing to unbundle or disaggregate legal services and send more routine work to lower-cost providers who are able to deliver good enough work. Clients simply are no longer willing to pay the high billing rates for their more routine work. (see section 4.5.2 for more on unbundling).



4.4 External investment and law firms with shareholders

Our research suggests that external investment is likely to be most dominant in areas such as accident and insurance work, legal aid and other commoditised areas of practice. City lawyers do not foresee the Magic Circle firms seeking external investment in the near future. Equally, none of the four major firms of accountants have sought external investment from the Stock Exchange or elsewhere. The Top 100 (B2B, corporate) have historically been protected from new entrants to the legal market, because of:

- the specialised nature of legal work
- the level of rivalry among top firms
- the difficulty of displacing top law firms with strong reputations from established client relationships.

However, the following factors are now making the B2B legal services market more attractive for external investment in new entrants:

- increasing market size.
- potential profit margins.
- the fragmented nature of the market (the largest firm accounts for only 3 per cent of the market).
- increasing willingness of clients to disaggregate/unbundle legal services.
- growing willingness of clients to substitute top law firms with lower-cost providers.

- expanding opportunities to use technology and process re-engineering to increase efficiencies and standardise the delivery of legal services.
- top firms that appear to be willing to cede what they perceive as lower-margin work to other providers.

There are two primary groups of rising new entrants in the market for corporate legal services, who could be well established by 2020. These are legal technology companies and accounting firms.

The SRA struggled with early licensing requests for ABS and the protracted process deterred many from embarking on this route. However, one panellist predicted:

'I believe we have only seen the first relatively tentative steps by external investors. The perception has been that the process of ABS licensing by the SRA is (or was) a complete nightmare. There are signs that the SRA is determined to overcome this and if this is successful in persuading investors not to be put off I foresee a massive increase in external investment.'

(Futures panel – Committees)

In May 2015, Gateley became the first UK law firm to list on the stock exchange.¹¹ Being able to cash in at retirement was an important factor in leading the firm to the stock market: 'In law firms, you generally come with nothing and leave with nothing, but you earn well in between. This is the start of people being able to leave with something. It will be a momentous change for the profession.'¹² The Futures panels were cautious about the impact Gateley's move would have on other firms:

¹¹ Legal Futures reported that 'with a market capitalisation of £100m, based on the placing price, the ABS raised £30m from institutional and other investors, with £5m of the gross proceeds going back into the company and £25m to the selling shareholders. Around 10% of the proceeds are investments by Gateley clients, while it is planning to distribute up to 70% of post-tax profits to shareholders'

¹² <http://www.legalfutures.co.uk/latest-news/a-moment-of-legal-history-as-investors-start-trading-law-firms-shares>

'I believe that some will follow the Gateley lead though I do not expect a stampede. Flotation is massively more complex than attracting private equity, for example. There may also be a backlash on the basis that much of the sale price of the practice only benefits the existing owners rather than being invested in the business.'

(Futures panel – Committees)

Some solicitors envisaged significant problems arising in relation to conflicts of interest between firm senior management and shareholders. For retail markets, such conflicts might be in terms of which services a practice offers in order to return a decent profit – thus pushing some already vulnerable areas of law further out of reach for many. For business markets, conflicts between shareholders, firm and clients' interests were potentially much more significant.

'Shareholders will exercise whatever influence they can to increase profits. Any pretence that listed firms are a profession and not a business will be gone.'

(Futures panel – B2B)

'Lawyers don't like others telling them what to do, particularly non-lawyer outsiders. I think it is inconceivable a firm in the top 20 per cent profitability will head this way.'

(Futures panel – B2B)

'There is an inevitable tension between the traditional priorities of a plc (the interests of the shareholders) and those of a law firm (the interests of the clients)... It is a mistake (and insulting) to assume that solicitors are more moral and ethical than non-lawyer businessmen or have a right to be treated as if they are a higher form of life.'

(Futures panel – Committees)

'In the context of major firms, it will be an anomaly. Corporate clients don't want their lawyers to have that conflict.'

(Futures panel – B2B)

4.5 Competition for solicitor firms

The collective strength of competitive forces in the legal services market is moderate, but three forces are likely to have an impact on firms' profitability over the next three to five years: (i) changing buyer behaviours; (ii) threat of substitute suppliers/ services; and (iii) increasing rivalry among the pool of Top 200 and large corporate firms.

4.5.1 From the Bar

Small and medium firms serving private clients in areas such as Family, Employment, Personal Injury, ADR and Intellectual Property face the most competition from the Bar – especially as the lay client no longer needs to instruct a solicitor in order to obtain access to a barrister. Following the withdrawal of legal aid for most family law matters, solicitors are instructing fewer and fewer barristers to represent publicly-funded clients at court. In the first year of cuts to legal aid, family law barristers across the UK saw their legal aid income drop from £38m to £15m (BSB 2014). The affected barristers are starting to take advantage of recent changes to Direct Access regulation that allows them to offer the same services as family solicitors. In September 2014, DivorcePuzzle, a team of family law barristers from Middlesbrough, became the first barristers to

offer the public a fixed fee divorce service designed to keep their clients out of court.¹³

Barristers are restricted in the services they can provide to the public and, according to the Bar Standards Board (BSB) guidance, a barrister cannot: issue proceedings, applications or notices of appeal; acknowledge service; sign a statement of truth on behalf of the client; instruct an expert witness; lodge bundles; find witnesses; or receive or handle client money, including paying court fees. Although barristers are prohibited from handling client funds under Rule C73 of the Code of Conduct, BARCO (a third party company, owned and operated by the Bar Council) performs an escrow service that preserves this prohibition while still enabling the Bar to offer its services to those who require them – and thus widening the scope of where barristers can compete with solicitors.

Direct public access will create greater competition between solicitors and barristers, but it could also allow greater collaboration. Solicitors and barristers working together (e.g. the Riverview Law model) can offer a greater range of services than either group could on their own. The client gets to buy which services they want, when they want, at a clear fixed price. There will also be instances where a client has approached the barrister first, and the barrister needs to refer them to a solicitor for some part of their case – hence public access to barristers may well provide a different stream of revenue for solicitors with the work coming from the Bar.

4.5.2 From clients: DIY/unbundling

Law firms (large or small) providing services in ADR, IP, corporate/commercial, employment and commercial property face competition from the in-house teams of the very businesses they serve. The Altman Weil 2015 *Law Firms in Transition Survey* reported that 67 per cent of law firms are currently losing business to corporate law departments that

are in-sourcing legal work, and another 24 per cent of firms see this as a potential threat going forward.

An AdvanceLaw¹⁴ survey of GCs from 88 major companies, found that almost 75 per cent would be willing to move legal work away from the Magic Circle or Top 50 firms assuming a 30 per cent difference in overall cost. Fifty-seven per cent also noted that they find lawyers at the top firms less responsive than those of their second tier colleagues.

Rather than purchasing the full service option, by 2020 an increasing number of in-house lawyers are more likely to have taken work back in-house or opted for unbundled services, where they buy expert advice and assistance at key stages but deal with the actual running of their own cases. And by 2020 we are likely to see general public buyers also starting down this path. For some, this will be mainly to mitigate an otherwise unaffordable service. It appears that the fear that buyers will decamp to full DIY, handling all aspects of their legal resolution by themselves is probably unfounded. The reality is that very few savvy clients will undertake procedural law completely on their own: most have neither the time nor expertise to feel comfortable being their own lawyer. However, the DIY analogy is a useful one. The vast majority of people would not attempt to renovate an entire property on their own and would buy in services from plumbers and electricians, whilst handling the unskilled labour or less difficult tasks themselves.

And yet, will having to manage the process of unbundling and then reintegrating services introduce inefficiencies into the market? There is a role here for non-lawyer coordinators (wedding planner style suppliers) to coordinate the functions a traditional firm used to provide, working with a variety of service providers and taking the lead to ensure coordination of all service delivery.

¹³ http://www.familylaw.co.uk/news_and_comment/barristers-take-on-solicitors-in-battle-for-survival-cost-of-divorce-to-fall#VXcEqFVhBc

¹⁴ The AdvanceLaw survey 'vets law firms for quality, efficiency, and client service and shares performance information with its membership of some 80 GCs of major global companies, including the likes of Google, Panasonic, Nike, eBay, Oracle, Deutsche Bank, Kellogg, Yahoo, 3M, ConAgra, Nestle, and Unilever'.

Scott-Moncrieff explains that: ‘the essence of unbundling in its purest form is that the case remains client-led so the solicitor does not accept service of documents, does not send out correspondence in the firm’s name or otherwise communicate with third parties, does not incur additional case-related costs and does not go on the court record’ (in Law Society, *press release*, 2013: no page). The ethical duties of competence and diligence pose challenging issues for a solicitor providing unbundled legal services and poses an actual practice danger where, as one member explains:

Claims against solicitors arise from circumstances in which a client says – ‘You should have told me that x, y or z was a really bad idea’. The solicitor says ‘Why? You only retained me to act in connection with matters a, b and c’. Clients however still expect solicitors to be sages and all-seeing men of affairs and unfortunately so do judges. (Futures panel – Committees).

4.5.3 From ABS/Big 4 accountants

By 2020 competition at the top corporate law firms will still be somewhat contained. However, the possibility of new markets opening up (especially Brazil and India) and of more jurisdictions allowing ABS is looming, although members of the Futures panel were not in agreement about the latter. For now, many firms are focused on stealing market share from competitor law firms rather than managing competition from new entrants.

The Futures panel (B2B) did not foresee ABS or other types of non-lawyer provider as serious competition to large corporate firms. Rather, they saw competition as remaining rife amongst the top City and international firms themselves. If work went elsewhere, they thought this would be to in-house counsel, with the Big 4 accountants having some impact, but accountants generally encroaching on lower value legal services to businesses:

‘At the corporate end, I think the need for top quality specialist advice will largely protect law firms from competition, except from each other.’

(Futures panel – B2B)

However, the implications of the Big 4 accountancy firms offering legal services should not be underestimated. These four are gaining ground in overseas markets, and perhaps readying themselves for changes to the ABS rules in other regimes to be able to offer legal services in currently closed markets. The pace of global expansion of firms from developed and developing markets alike is placing the spotlight on accountancy’s ability to master the technical, language and cultural challenges of cross-border operations. As businesses adapt to a turbulent environment, opportunities are emerging for accountants to assume a far greater organisational remit. The potential exists to leverage the capabilities of the accountant across all aspects of corporate decision-making, from strategy formulation through to defining new business models.

Ernst & Young (through its legal arm EY Law) hired over 250 lawyers in 2013, increasing its total lawyer headcount almost 30 per cent to 1,100. Also in 2013, it launched legal services in 29 countries around the world, including Australia, China, Japan, Mexico, and 14 separate countries in Africa. Its legal services cover transactional, commercial, and employment practices, with a strong focus on the financial services and banking industries. KPMG are also using the ABS model to restructure their legal operations in the UK.

In 2013, Deloitte Legal opened its own domestic law firm in Shanghai, apparently taking advantage of an idiosyncrasy in Chinese regulations that allows international accounting firms, although not international law firms, to offer domestic legal services in China. England and Wales, and US law firms are currently banned from practising legal services in China, unless with a Chinese domestic firm in partnership. Are accountants getting a head

start in Asia by establishing ABS licenses in UK and then setting up under the accountant/legal banner in China? How will these dynamics change if or when the markets open to international law firms?

In February 2014, PricewaterhouseCoopers obtained an ABS license in the UK, permitting PwC Legal to offer legal services in the UK. Both Deloitte and KPMG have recently expanded their legal service offerings by hiring additional lawyers in the UK, Germany, and Asia.

4.5.4 For solicitors in consumer/retail markets

The most significant competition for retail solicitor firms will come from generalist legal businesses with wide practice scope. These businesses will offer a range of services and gain most of their efficiencies from automated low-cost high-volume offerings. It is likely that these businesses will buy in specialist legal advice from niche providers only as and when needed.

It is important to distinguish competition for existing solicitor firms from competition for solicitors' jobs. By 2020 there may be a significant reduction in viable traditional firms, but if the new entrants and other legal providers are more successful at unblocking demand and access to advice, this may result in more jobs for qualified lawyers within different corporate structures.

The main competition in B2C markets will be from:

- generalist legal businesses (including all of the below)
- ABS (new entrants and transitioned firms)
- legal tech companies
- other regulated non-legal (i.e. accountants, banks)
- other regulated legal (barristers, legal executives, licensed conveyancers expanding offerings)
- unregulated providers.

Initial take-up of ABS has been reasonably slow, but evidence points to this model gaining traction as entities leverage additional capital to invest in technology or processes to make the business more profitable. In England and Wales, 2020 should see ABS as a fully entrenched part of the profession and serious competition to smaller-medium B2C firms.

'Co-op Legal may have had some difficulties in recent years, but with sufficient investment in triage and entry-level services, it's the kind of brand that could reassure consumers unsure how to proceed. Which? is another obvious one, and the retail banks may recover their credibility.'

(Futures panel – B2C)

'Perceived threats from ABSs or accountants are overstated in my view. The real competition is from businesses (solicitors' practices or others) who are more efficient/ cost effective, better at what they are doing, and in keeping clients happy.'

(Futures panel – Committees)

The ABS model has drawn attention from overseas firms. The legal sector's current market size and potential profit margins make it an attractive target for new entrants able to exploit the rising trend for both unbundled or differently packaged legal services.

Earlier in 2015, international corporate firm, Cahill Gordon & Reindel, became the first US firm to set up in the UK as an ABS. Following their lead, the second US firm granted an ABS licence by the SRA – in May 2015 – was Foran Glennon (UK) LLP, specialising in legal representation and consultation to businesses, insurance companies, healthcare and governmental organisations. For the latter, ABS status 'triggered

all sorts of further ideas' for the partners and the practice is now considering a merger with a firm of forensic accountants (Hilborne 2015, Legal Futures June 12). One of the partners at Foran Glennon claimed they were 'slightly more entrepreneurial in our thinking than a standard UK law firm. We are interested in how we could attract other capabilities as an alternative business structure, such as an in-house forensic accountancy capability' (in Hilborne 2015). Although both Cahill, Gordon & Reindel and Foran Glennon are corporate City firms serving B2B markets – and thus not direct competition for B2C firms or retail markets – it might only be a matter of time before the strategy is deployed in the retail sector (see Cordell & Cordell below).

4.5.5 From niche/USP providers



Case study

Cordell & Cordell, 'a family law practice that specialises in acting for men and has more than 100 offices across the US' has opened in London with the prediction that it could 'very quickly dominate the UK market' (Rose 2015: no page). London was the first overseas location, with the stated aim 'we could very quickly dominate the UK market' if the UK embraced the concept of a men-focused divorce firm.

Several IP and boutique firms have emerged elsewhere over the past five years in practice areas such as intellectual property (e.g. Deeth Williams Wall), employment (e.g. Kuretzky Vassos Henderson LLP) and tax (e.g. Millar Kreklewetz LLP). Niche firms typically have lower overheads and can provide a local and national service as they trade on their specialism, not their locality (Khan 2014). Setting up a niche practice can also be an opportunity for solicitors to develop their own business without the corporate structures of a large firm.

The number of niche firms has grown as solicitors identify an opportunity to service a particular market more competitively than larger, more broadly based firms. A former managing partner of a London and European firm claims that 'niche practices, by specialising, often tend to be market leaders in their fields – achieving market leadership is about gaining a competitive edge over rivals' (in Bentley 2015). One main benefit of setting up as a niche practice is having clarity about what the firm does and a clear brand message.

But the SRA warns that smaller firms which provide specialist or niche services could put themselves 'particularly at risk if their main focus of work, such as legal aid or personal injury work, starts to dry up' (in Bentley 2015) – and this also potentially explains the growth in SME B2B practices (see section 2.1).

4.5.6 From unregulated providers

Unregulated providers and unauthorised individuals can provide services direct to the public and businesses, in private practice or by working as executives in-house in non-legal businesses (LSB 2011: 99, and see also Figure 6 on page 29). Research on unregulated legal practices in the for-profit sector is limited. However, this area covers entities from small will-writing companies through to major brands such as CPP.

One Futures panel participant raised an important point:

‘There is competition from unregulated providers of legal services. The intended abolition (for all practical purposes) of the separate business rule¹⁵ will enable solicitors to enter this market as unregulated suppliers themselves. I do not believe that the consequences of this have been truly understood.’

(Futures panel – Committees)

Solicitors themselves may choose to shed the shackles of regulation and utilise their legal knowledge to work in or as unregulated providers. It is not yet clear what the full implications of this possibility may be, apart from the fact that the individual will not be able to use the solicitor title or practise reserved activities under the current regulatory framework.



¹⁵ With the abolition of this rule, solicitors and law firms are to be allowed to own or manage businesses in other professions that are not subject to legal service regulation. Under the new rules, which have yet to be made official, ‘it must be made clear to clients what services are offered by the firm and what by the separate business. The separate business must not carry out reserved legal activities or immigration work, and clients may be introduced to the separate business only if they have given consent. Separate businesses must not be represented as regulated by the SRA.’ (Hyde 2015b)

5. OPPORTUNITIES FOR SOLICITORS

Changes to the legal services market bring both challenges and opportunities for those selling legal services. However, the opportunities for solicitors cannot easily be distinguished from the opportunities for other types of lawyer, or non-lawyer-owned businesses. There may be a role for the Law Society in helping solicitors spot and act on opportunities. In any case, solicitors will need to be quick and act confidently to keep up with their competitors, whether these are peers or others.

The opportunity remains to use technology to improve efficiency and user experience in high-volume work, though it is likely that the impact technology is currently having on process-driven work will have levelled off by 2020.

In the retail market, opportunities involve finding ways to inform and reassure consumers on questions of scope, price, team and protections. Solicitors who can reach out to help consumers clearly understand their issues and options, and market themselves as such, should do well as more providers enter the market and confusion around choice grows. Failure to get offerings right for consumers may see these retail buyers bypass solicitor firms to seek refuge in familiar brands.

Increased use of diagnostic forms to collect information from a potential client can greatly speed up the interaction between solicitor and client, and also ensure the client arrives understanding more about the complexities of the case, and therefore the value the solicitor brings.

Whilst drivers and shapers of the market in the form of fees and technology are taking effect, Futures panellists felt that the real opportunities would come with new and evolving client types and the services they need, including new ways to disaggregate and repack current offerings:

'There will be greater opportunities for law firms who devise a more effective way of providing advisory services to their clients including technology, unbundling, outsourcing, etc. Price structuring will be vital.'

(Futures panel – B2B)

'Offering a mixture of bespoke and off-the-peg solutions at different price points.'

(Futures panel – B2C)

Lawyers working in B2B markets face a pyramid-shaped future which brings opportunities for specialism at the peak and innovation/efficiency at the base:

'Opportunities are in the high and low end of the pyramid, as a consultant capable of solving the most complex legal issues and develop legal strategies, and on the low-end by bringing innovation and efficiency to the legal services industry to benefit the underserved population.'

(Futures panel – B2B)

Risk, an ever increasing factor in business operations, is underserved by current market suppliers. There are opportunities for in-house counsel and law firms to develop offerings and advice around how companies handle risk and manage their risk appetites:

'The area of risk – identification of risk; avoidance of risks; management of risks when they arise; solutions to risk related problems. This will require an amalgam of services – strategic advisory process related – intersecting legal and other inputs.'

(Futures panel – B2B)

There are opportunities for in-house lawyers to achieve impact in terms of commercial contribution, handling major strategic transactions, such as mergers and acquisitions, or dealing with the impacts of regulation. Further, new business models present an opportunity for in-house lawyers – establishing legal teams as ABS could allow them to offer services to clients outside the business.

5.1 Innovation

Any discussion around opportunities for solicitors will inevitably settle on the word innovation. Whilst much innovation in the delivery of legal services centres on technology, it is a mistake to think about innovation only in relation to this.

The main outcome of innovation in legal services has been to extend the range of services offered, to improve the quality of services and to attract new clients through better or different offerings. A report into innovation in legal services, commissioned jointly

by the SRA and LSB, found that 'solicitors are, on average, more innovative than other regulated legal service organisations in terms of both managerial and organisational changes' (Roper, Love, Rieger and Bourke 2015: 4).

The SRA/LSB report identified seven standard measures of innovative activity commonly used in innovation literature:

- service innovation – the provision of new or significantly improved services to clients.
- radical service innovation – services new to the market and introduced before competitors.
- innovation in service delivery – significant changes in the way services are delivered to clients.
- strategic innovation – a new or significantly changed corporate strategy.
- AMT innovation – any advanced management techniques (AMT) such as knowledge management systems or Investors in People.
- organisational innovation – major changes in organisational structure such as the introduction of team-working or outsourcing of major business functions.
- marketing innovation – changes in marketing strategies or channels (Roper et al. 2015: 28).

Although findings highlighted that 'among solicitors the predominant change was in the use of electronic communication with clients including the use of electronic forms and improved case management systems' (Roper et al. 2015: 6), there are opportunities for solicitors in the above seven measures which reach beyond the technological.

An econometric analysis undertaken by Roper et al. found that the adoption of ABS status has a positive effect on innovation: 'all else being equal ABS are 13-15 per cent more likely to introduce new legal services. They are also more likely to engage in strategic and organisational innovation' (Roper et al. 2015: 8).

The SRA/LSB report found that regulation acted as both a barrier to and driver of innovation, but that 'solicitors generally take a more positive view on the role of regulation and legislation in innovation than other legal service providers' (Roper et al 2015: 73).

The in-house legal teams ranked in the FT Innovative Lawyers report (2014) show that innovation is not the preserve of large, well-resourced teams. Two of those in the top five have only five lawyers in the divisions being ranked (SenGupta 2014: no page). The ability of legal teams to be revenue generators for their companies through innovative approaches to systems and process management is evident throughout the 2014 FT ranking. SenGupta reports that 'the days of reactive legal functions are gone, and the in-house teams ranked in the FT operational change table have shown the ability to effect rapid transformation in their functions' (2014: no page).

Tharmaraj (2015) identifies five areas worth exploring by any in-house department if it is at the start of an innovation curve (and arguably these five areas are applicable profession-wide, not just in-house):

- **data analytics:** In-house teams are setting the trend by embracing data analytics through their e-billing systems and e-discovery tools. The data helps teams apply an informed approach to assess the possible or likely outcomes of a dispute or litigation matter so they can avoid costly, long-drawn court battles or are able to arrive at a quick settlement.
- **intranet:** In-house teams can use the intranet to provide answers to routine or frequently asked questions and to help clients auto-generate documents such as NDAs and contract templates, whilst also hosting links to other sites, governance guides, ethics and compliance guides.
- **social media:** Social media can help in-house counsel improve communication with internal clients. Such tools help to amplify messages into a one-to-many channel, thus breaking down communication walls, with the further advantage of informality.
- **project management:** One of the biggest changes to affect the in-house function in the next five years is likely to be the adoption of project management as a key skill amongst lawyers. Project management is a common function in businesses and some large companies already require this skill in their lawyers and will facilitate training to ensure it is in place.
- **collaboration:** Collaboration between the different teams in the legal department, and cross-collaboration between the lines of business, brings all teams together to share best practices and knowledge. This can enable in-house teams to apply that knowledge into a process or method in a novel way.

6. OPPORTUNITIES FOR THE LAW SOCIETY

Based on the likely legal landscape in 2020, there are opportunities where the Law Society could make a real difference for solicitors.

These include:

- upholding professional values, ethics, standards and legal integrity throughout an environment of change and market flux.
- picking up the reins on CPD and providing relevant and quality training.
- raising awareness of innovative ways of operating that are more effective than at present.
- adopting a horizon-scanning role to position the Society at the forefront of advising solicitors about changes and developments in the market.
- helping solicitors prepare for and embark on change.
- offering public education to build confidence among both consumers and providers, becoming the go-to point for consumers looking for help with legal issues.

Across the Futures panels, participants saw a role for the Law Society in upholding professional values, ethical standards and legal integrity. Participants spoke about protecting these values in an ever-changing environment. There was also the suggestion that the Law Society pick up the reins on CPD and provide access to high quality training.

‘As an advocate of the principles underpinning legal integrity and the legal system.’

(Futures panel – B2B)

‘Build up quality in the people being admitted as solicitors; cut the numbers.’

(Futures panel – B2C)

Individuals saw a role for the Law Society in leading projects that help law firms (whatever type/size/client) prepare for the challenges they will be facing in the future, helping them embrace rather than resist change. The B2C panel saw a role in training solicitors and raising awareness of innovative ways of operating that are just as, or more, effective than present.

As legal markets and sectors of the profession (and the services they offer) continue to evolve, the Law Society has an opportunity to establish itself as the go-to point for solicitors seeking information about market developments and how to utilise change for their own working benefit. There is an opportunity here for the Society to capitalise on its overview of a diverse membership in order to help those on the ground better appreciate the bigger picture. An enhanced horizon-scanning role which draws on the Society’s core and bespoke research findings, alongside the Society’s data, and awareness of external research and market trends, will position the Society at the forefront of helping solicitors understand and effectively act within their wider working contexts.

The B2C panel also suggested extending engagement to consumers and offering public education to build confidence among both consumers and providers. The internet has increased the amount of free information about the law exponentially to the point where it can cease to be helpful and only confuse consumers about what applies to their situation and what their options are:

‘There is an abundance of information to help consumers understand their legal issues and make good choices about legal service providers. Whether all this information makes the slightest difference is not clear,

at least to me, because this body of content is packed with duplication, contradiction, complexity, unclear motivation, and jurisdictional uncertainty, all packaged up as 'plain English guides to help you.'

(Futures panel – B2C)

'I think what's needed is consolidation of sources, trusted comparison services and standardisation, not just more content.'

(Futures panel – B2C)

There is real opportunity for the Law Society to take a leading role here and build on the authority consumers already afford the Law Society brand, to become the go-to point for anything connected with legal issues; but to be credible in doing so the Society will need also to explain to consumers about non-solicitor options. There is a trade-off to be had by widening access and increasing demand for all with the acknowledgement that some work will not go to solicitors.



7. CONCLUSION

If a business is not reinventing itself to adapt to changing market conditions then it is highly likely it will go into decline or be taken over by those that are better adapted to the new environment. This statement is no less true for law firms than for any business.

A substantial majority of the managing partners and chairs of the 304 law firms who responded to the *Law Firms in Transition* survey (Altman Weil 2014) acknowledged that the market for legal services has changed permanently in fundamental ways, and almost 67 per cent predicted that this pace of change will only increase. At the same time, only about 13 per cent of respondents expressed high confidence in their firms' ability to keep pace with the changes in the marketplace (down from almost 24 per cent in 2011).

The diverse range of demands and impacts on the profession is forcing a rethink of everything from training and development through to the type of people being recruited. Characteristics such as curiosity, creativity and strategic thinking skills could assume far more significance in the selection of tomorrow's lawyers than purely technical legal knowledge. With one in four lawyers in England and Wales now practising in-house, this branch of the profession is transforming the contribution that lawyers deliver to business. In-house lawyers are now seen at the forefront of devising complicated legal solutions, and are attracting a growing number of specialists from private practice into the sector (SenGupta 2014: no page).



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¹⁶ Conducted in March and April 2015, the Law Firms in Transition Survey polled Managing Partners and Chairs at 797 US law firms with 50 or more lawyers. Completed surveys were received from 320 firms (40%), including 47% of the 350 largest US law firms.

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APPENDIX 1:

THE FUTURES PANELS

As part of its evidence gathering, the Future of Legal Services work stream conducted a series of three panels based on the Delphi method in order to increase the depth of understanding and the reliability of the predictions for future market changes.

The Delphi method

The Delphi technique was created by Harvard University and is widely used in professional sectors. The technique engages a panel of people who can bring insights and knowledge to help develop a picture of the future through a series of questionnaire iterations. Delphi is based on the assumption that forecasts from panels of purposively chosen experts are a better indication of future trends than forecasts from a random sample of individuals. Participation is anonymous – participants do not know who the other panellists are and all comments are shared without attribution – thus we encourage participants to respond candidly.

For round one, participants receive a number of open questions and are invited to feedback any comments, thoughts and views where they are able. These comments are collated and shared anonymously amongst all panel participants with additional questions or probes as part of round two. For round two, participants have the opportunity to respond both to the probes and to other participants' views. All comments are then brought together for analysis in a final report.

Our Futures panels

To reflect the wide ranging nature of legal services markets and practitioners' experiences we ran three parallel panels: one looking at issues in the B2B market, one in the B2C market and the third

harnessing expertise from Law Society Committee chairs. While these panels utilised the open question method of Delphi and, in the instances of the B2B and B2C panels, the two rounds of questionnaire iterations, the diversity of the profession and the range of issues we could meaningfully explore through the panels suggests these as futures panels rather than the Delphi method in the technical sense intended by Harvard. This is not to devalue the panels and their contributions – which have brought invaluable insights to this work – merely to avoid any unnecessary distraction that the Delphi name might bring.

The B2B panel was designed to address drivers, impacts and opportunities in a market where lawyers are dealing with informed buyers and providing services to businesses or counsel. Participants were recruited to reflect the context of this market as corporate, international, dealing with high profile/ high value transactions, often repeat purchases, and including lawyers themselves as purchasers of legal services. Participants of this panel included: senior and managing partners at City and Top 200 firms; International lawyers working in London offices; GC350; members of the ABA; and founder of ABS.

The B2C panel was designed to address drivers, impacts and opportunities in a market where solicitors are dealing with uninformed buyers and providing services to the general public or to small companies. Participants were recruited to reflect the context of this market as a predominantly retail law sector, including family cases, personal injury, residential conveyancing, and dealing with one-off purchases in often distressing situations. Participants of this panel included: Legal Services Consumer Panel members; legal technology experts; senior partners of 'high street' practices; individuals from ABS and from advice agencies.

The Committees panel sought insight from chairs of the Law Society Committees and, where appropriate, a view of the future in the context of the Committee's own area or issue of focus.



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