



Research and Analysis

The changing legal services market

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Executive summary

This report provides an overview of the legal services market. It brings together existing research into how the market is structured and discusses the emerging practices that are changing the way people access and use legal services.

Overview of the market

The legal services market encompasses a broad spectrum of services. Some legal activities are restricted to regulated providers but many other legal activities can be delivered by any business, without attracting legal services regulation. The people and businesses providing these services offer a genuine alternative to using a solicitor or other regulated lawyer.

Consumer need

Many people and businesses do not get the legal help they need. Research has shown that only a third of people with a legal problem seek advice, with only around one in ten seeking advice from a solicitor. Barriers to accessing legal services include cost and a lack of consumer information about how legal issues can be solved and who can help.

Levels of satisfaction

There is evidence that many people feel unable to complain when they are unhappy with a legal services provider. The disproportionately low levels of complaints from unsatisfied consumers may be, in part, because they do not feel able to judge the quality of legal services.

Competition, emerging practices and innovation

Many factors influence the level of competition in the legal services market. Regulatory reform, increased use of technology and more flexible ownership models are beginning to create a more diverse and competitive market. But many consumers still do not have clear and transparent information to help them choose a provider.

Although around a quarter of all legal services providers have introduced a new or improved service in the last two years, ABS and alternative providers are still more likely to be innovative than traditional law firms. Emerging practices include increased use of fixed costs, unbundling and technological innovations in service delivery. Providers are beginning to change the way they work and react to changing consumer habits.

Introduction

The legal services market is going through a period of significant change. People and businesses are now choosing legal services from a wide range of providers, who are delivering their services in new ways. In a market historically resistant to competition, there are many indicators of increasing competitive pressures, including the drive to deliver better value for money.

Some legal activities are regulated and may only be carried out by specific people such as solicitors, barristers or licensed conveyancers. Regulation can help protect the public and support the rule of law and the proper administration of justice by ensuring those providing legal services meet professional standards.

But most legal activities do not attract any form of legal regulation and can be carried out by any person or business. From will writing, social welfare and housing law to advice on environmental law, media law, commercial contracts and tax. The people and businesses offering these services are said to be operating within the alternative legal services market.

Despite the current growth and activity within the legal services market, there is strong evidence of significant unmet legal need with many people and businesses not getting the help they need when faced with a legal problem. Providers are increasingly looking to technology and other innovative ways of delivering services to help address unmet legal need and grow their businesses.

This report describes the current market for legal services and includes:

- an overview of the legal services market
- a profile of the people and businesses delivering legal services
- information on how consumers access and choose legal services
- detail of emerging practices, factors influencing competition and current levels of innovation.

Overview of the legal services market

The legal services market encompasses a broad spectrum of services from online legal advice to being represented in court in relation to a legal dispute. Providers of legal services can be broadly defined as operating within one of three categories:

- authorised and regulated by an approved regulator under the Legal Services Act 2007 (LSA) to provide legal activities
- that conduct specific legal activities that attract other forms of legal regulation such as immigration, insolvency and claims management
- that provide legal activities outside of any form of legal services regulation.¹

Regulated legal services

The LSA set out a range of activities known as 'reserved legal activities'² and there are restrictions on who is entitled to carry out these activities.

In order to be entitled to carry out the reserved legal activities, an individual or business must be authorised by, and subject to, the regulatory arrangements of an approved regulator³ under the LSA.

Not all approved regulators can authorise people and businesses to conduct all of the reserved legal activities. For example, whereas the SRA can authorise people to conduct all of the reserved legal activities apart from acting as a notary, the Council for Licensed Conveyancers only authorise people to prepare certain documents relating to conveyancing and probate.

All businesses must comply with relevant legislation including consumer law, data protection and anti-money laundering. But regulation provides a further tier of protection. Regulated people and businesses must adhere to the LSA's professional principles⁴ and their own regulator's regulatory arrangements which will invariably include education and training requirements, a code of conduct, framework to practice and provision for disciplinary and enforcement action.

In addition to reserved legal activities, some other legal activities attract other specific forms of statutory legal regulation, outside of the provisions of the LSA. The most notable types of activity are immigration, insolvency and claims management activities.

¹ In the context of this market analysis this group is referred to as operating in the "alternative legal services market". It should be noted that their activities may attract other forms of non-legal regulation.

² The reserved legal activities are exercising rights of audience, conducting litigation, preparing certain documents relating to probate and conveyancing, acting as a notary, and administering oaths.

³ The approved regulators are the Solicitors Regulation Authority, Bar Standards Board, Cilex regulation, Intellectual Property Board, Costs Lawyers Standards Board, Master of the Faculties and the Institute for Accountants of England and Wales.

⁴ See Section 1 (3) Legal Services Act 2007.

Other legal advice or services – which we will call non-reserved legal activities – can be delivered by people and businesses regulated by an approved regulator but also by people and businesses that are not subject to any form of legal regulation. They are said to be operating within the alternative legal services market.

Our current regulatory arrangements places a restriction on solicitors preventing them from providing any kind of legal service to the public, other than from within a business authorised and regulated by the SRA.⁵ This means that businesses operating in the alternative legal services market can not employ practising solicitors to deliver services.

The alternative legal services market

We are seeing a growing market of alternative providers of legal services. These providers are playing an increasingly significant role in meeting the legal needs of people and businesses.

Examples include:

- housing advice, by charities or Local Authority housing departments
- employment advice, by a HR company, Trade Union or insurance company
- advice on planning disputes, by architects or surveyors
- advice on house sales/purchasing, by estate agents
- commercial and corporate professional advisors
- financial, and estate and tax planning advice, by financial advisers or accountants
- Legal Process Outsourcers
- insolvency advice, by insolvency practitioners
- debt management or debtors rights, by debt managers and bailiffs
- advice on funeral planning, including issues such as contractual arrangements, home ownership, title problems and probate matters, by funeral planners
- advice on a diverse range of legal areas, including housing, commercial, consumer, family, employment, health and social care, immigration, criminal, education, social security, asylum, human trafficking, property, probate and wills, by law students via university law clinics⁶, law centres or the Citizens Advice Bureau
- will writing and other forms of legal advice provided by people and businesses with sector specific knowledge (who may be commonly called “paralegals”)
- document review and other forms of unbundled services
- online apps and information portals.

⁵ Please see rule 1.1 SRA Practice Framework Rules 2011.

⁶ [Access to Justice through University Law Clinics](#), Drummond, O. & McKeever, G., Ulster.

The people and businesses providing these services offer a genuine alternative to using a firm of solicitors or other regulated lawyer. Many consumers are demanding greater efficiencies and they want legal services that are affordable and convenient. With little or no regulatory cost placed on many of these businesses, they are in a strong position to competitively price their services and operate efficient business models. There is also emerging evidence that these providers are more likely to introduce new services and new ways of delivering services than traditional legal service providers.⁷

In-house solicitors and those working for “special bodies”

Although this analysis focuses primarily on solicitors and others who provide services to the public, each of the approved regulators also regulate people working in-house, providing services to their employer.

Around 27,300 practicing solicitors currently work in-house, which is one in five of all solicitors and this number is growing.

Research based on 2014 data⁸ found that 60 percent of these in-house solicitors were employed in the private sector (a 31% increase since 2010), 37 percent in the public sector (most notably the Crown Prosecution Service), with the remainder working for “third sector” charities.

We currently impose restrictions prohibiting in-house solicitors from providing legal services to people, businesses or organisations other than their employer. However, in-house solicitors can apply to us for a waiver to this rule. We have granted 81 limited waivers, with the majority granted to local government bodies and advice services.

Some solicitors work for “special bodies” which include not for profit bodies, Community Interest Companies (“CIC”) and independent trade unions. There are specific provisions that relate to the regulation of special bodies within the LSA.

⁷ [Innovation in legal services](#), Enterprise Research Centre – commissioned by the Solicitors Regulation Authority and the Legal Services Board, 2015 – see the section on emerging practices below for more information.

⁸ [The role of in-house solicitors](#), Oxera – commissioned by the Solicitors Regulation Authority, 2014

Market perspectives

In this section, we examine several aspects of the legal services market looking in particular at the role solicitors play and how consumers choose, access and experience legal services.

There is no set industry standard for segmenting the market. However, in 2011 the Legal Services Board (LSB) published a framework by which legal regulators can monitor changes in the legal services sector.⁹ Drawing on the LSB's framework, we use the following approaches to segmentation as follows:

- providers of legal services
 - by relative market size
 - by number of providers of legal services
 - by number of solicitors' firms
 - by proportion of reserved and non-reserved activities undertaken by solicitors
- consumers of legal services
 - by type of consumer
 - by levels of legal need
 - by areas of law and type of provider
 - by levels of satisfaction

Relative market size of regulated and alternative providers

The UK has the largest legal market in Europe. It makes a direct economic contribution of 1.5 per cent of the UK's GDP, and accounts for 7 percent of the global market for legal services.¹⁰

Figures from the Office for National Statistics (ONS) indicate that the 'turnover of legal activities' in 2014 was £30.1 billion, an increase of 2.7 percent on 2013. However, this only includes the turnover generated by solicitors, barristers, and patent and copyright agents.¹¹ As such, we consider it a good estimate of the turnover generated by the "regulated by an approved regulator" market.

According to estimates by the LSB, solicitors' firms account for approximately 60 percent of turnover of the overall legal services market, other regulated firms for 10 to 20 percent,

⁹ [A framework to monitor the legal services sector](#), Oxera – commissioned by the Legal Services Board, 2011.

¹⁰ [The economic contribution of the legal sector](#), The Law Society, 2014 and [Legal Services 2014](#), Bar Council, 2014.

¹¹ [TOPSI: Turnover of Legal Activities](#), Office for National Statistics, 2015.

and other legal services providers for 20 to 30 percent.¹² This indicates that the market for legal services is significantly in excess of the £30.1 billion figure. Indeed if a further 25 percent is contributed by alternative providers the figure could be around £40.1 billion.

The number of legal services providers

It is difficult to estimate the overall number of providers of legal services. This is mainly due to gaps in information about the number of people and businesses operating in the alternative legal services market.

Recent data on the number of regulated individuals indicates there are 133,837 practising solicitors, 15,716 practising barristers, and about 13,000 other individuals who provide regulated legal services.¹³

In respect of the number of businesses regulated by an approved regulator, we regulate around 10,300 businesses, with the Council for Licensed Conveyancers regulating 364, the Intellectual Property Regulation Board (Patent Attorneys and Trade Mark Attorneys) regulating 336, the Bar Standards Board regulating 39 businesses, two businesses regulated by CILEX, and around 150 businesses regulated to provide probate activities by the Institute for Chartered Accountants of England and Wales.¹⁴

In addition there are just under 1,800 claims management companies¹⁵ and 1,700 organisations regulated by OISC for immigration services.

The LSB map of the legal services industry, based on data from 2010, estimated the number of unregulated individuals conducting legal activities to be in excess of 130,000¹⁶, demonstrating that there are at least as many non-regulated persons delivering legal services as there are solicitors.

¹² [Balancing regulatory risk](#) (slides used in conference: UCL International Access to Justice), Legal Services Board, 2014. Please note that these figures are estimates.

¹³ 6,673 legal executives, 1,200 licensed conveyancers, 619 costs lawyers, approximately 1,000 notaries, and at least 2,000 chartered patent attorneys and 1,500 Trade Mark Attorneys.

[Regulated population statistics](#), Solicitors Regulation Authority, 2015; [Practising barrister statistics](#), Bar Standards Board, 2015; [CILEX Authorised Practitioners Directory](#), Chartered Institute of Legal Executives, 2015; [Why be regulated by the CLC?](#), Council for Licensed Conveyancers, 2015; [Authorised Costs Lawyer \(Regulated\)](#), Costs Lawyer Standards Board, 2015; [The Notarial Profession](#), The Notaries Society, 2015; [About](#), The Chartered Institute of Patent Attorneys, 2015; [Home](#), The Institute of Trade Mark Attorneys, 2015.

¹⁴ Sources: [Find an attorney](#), Intellectual Property Regulation Board, 2015; [Regulated population statistics](#), Solicitors Regulation Authority, 2015; [BSB-approved 'entities' double to 33, including four QC Ltds](#), The Lawyer, 2015; [CILEX Authorised Entity Directory](#), CILEX Regulation, 2015; [Licensed conveyancer search](#), Council for Licensed Conveyancers, 2015; [Authorised Costs Law Practices](#), Costs Lawyers Standards Board, 2015; [FAQs About the work of The Faculty Office](#), The Faculty Office, 2015.

¹⁵ [Claims Management Regulator Annual Report](#), 2015.

¹⁶ LSB, Supply, 2011: 18, <https://research.legalservicesboard.org.uk/wp-content/media/RIR-Map-of-LegalServices-Supply-October-2011v2.pdf>

Solicitors

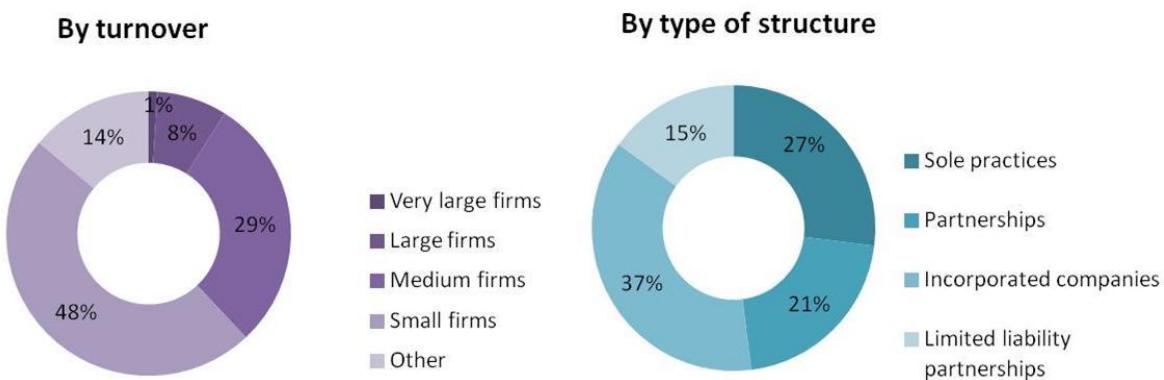
We regulate about 10,300 solicitor businesses, commonly called "firms".¹⁷ Very large firms, defined as the top 100 firms by turnover, make up 1 percent of the total firm population, as shown in Figure 1 below. The next 900 firms by turnover make up 8 percent of all firms we regulate.

The majority of firms we regulate are small firms. We define small firms as firms that have up to four partners, members or directors, and a turnover of under £400,000. These firms represent almost half (48 percent) of the firm population.

Medium sized firms are those firms that generate less turnover than the top 1,000 firms, but do not fit the criteria for small firms. These firms represent 29 percent of all firms.¹⁸

Finally, we have 14 percent of firms labelled as 'other'. Firms are placed in this category for various reasons, including those not currently providing services.

Figure 1: Firm population



Work type

67 percent of all turnover generated by the firms we regulate come from the work types of commercial or corporate work (26.6 percent), litigation (15.3 percent), property (14.1 percent) and personal injury (11 percent). Of the 19 other work type categories we used, each individual area generated less than five percent of overall market turnover.

It is notable that commercial or corporate work, which does not always necessarily involve the conduct of a reserved legal activity, is the work type that contributes the most revenue to the overall market for legal services provided by solicitors.

¹⁷ As at 30 September 2015. [Regulated population statistics](#), Solicitors Regulation Authority, 2015.

¹⁸ The figures presented in this subsection are based on the averages of snapshots taken of the firms we regulate on 01 November 2011, 2012, 2013 and 2014. Note that we articulated definitions for very large, large and medium firms only for the purposes of this paper. However, the description of small firms meets the definition used for our recent small firms initiative. [Supervision for small firms](#), Solicitors Regulation Authority, 2015.

Geographical location and reach

The geographical location and reach of firms is likely to have important implications in terms of the services they offer, and clients they compete for. In this area, the key market segments are high street firms, virtual firms, city firms, national firms, niche firms, regional firms, corporate firms and 'other'.¹⁹

High street firms are the main point of contact for people searching for 'routine' legal services, such as wills, conveyancing and divorce. The large numbers of high street firms makes it difficult to draw conclusions about their characteristics. These types of firms are well placed to provide tailored services to meet local needs, and offer face-to-face delivery.

The largest firms tend to specialise in corporate and commercial work, and account for the largest share of market value by far, and are concentrated in and around London.

The Southeast and Greater London region account for over half of all solicitors. This is largely due to the concentration of large corporate law firms in London.²⁰

Alternative Business Structures

We regulate over 450 ABSs. They range from traditional law firms who have added non-lawyer expertise to their board, to insurance companies, accountancy firms, local authorities and charities.

ABS has provided flexibility for solicitors to grow their businesses through external investment,²¹ to join recognised consumer brands and to provide services in new and innovative ways. They have also opened up the market to new entrants, including other non-lawyer professionals such as accountants but also to people and businesses with technology, educational or third sector backgrounds.²²

Both the turnover generated by ABSs and their areas of practise vary widely. They can take any type of the above types of legal structure apart from that of sole practice. This means that being recognised as an ABS does not necessarily mean that these organisations compete with one another but are competing with the wider regulated and alternative market.²³

Corporate legal services

In 2011, the LSB published a comprehensive study of 'City' law firms, a broad term that is generally used to describe law firms that operate in and around the City of London. City law firms are usually in the top 1 percent of firms by turnover, although even within this band there is considerable variation in their size. The vast majority of city law firms are

¹⁹ [Market segmentation](#), Legal Services Board, 2011.

[A framework to monitor the legal services sector](#), Oxera – commissioned by the Legal Services Board, 2011.

²⁰ [Research note: The legal services market](#), Legal Services Board, 2011.

²¹ See Gateley PLC.

²² Accountants include PwC, KPMG and Ernst and Young, technology specialists include Riverview law, educational providers include Nottingham Law School and third sector providers include Aspire and the Community Advice and Law Service.

²³ We provide further information on the different types of ABSs we regulate, and their role in driving innovation in the market, in the section on emerging business models and practises.

limited liability partnerships. They commonly carry out corporate work for large, corporate clients.

Their closest competitors can vary. They have international legal competitors but are also facing competition from the “big four” accountancy firms, three of which now hold ABS licenses. Also, in certain technical areas, highly specialised smaller firms are able to compete against the very largest firms.²⁴

A survey of 28 large UK public companies that spend around £400 million per year on legal fees found that the law firms providing services to large corporations can be segmented into:

- a global elite – providing legal services of the highest quality and price to the largest banks and commercial clients
- second tier law firms – providing a wide range of general legal services to companies of all sizes, in areas where the prestige of being in the global elite would offer no real advantage
- niche practices – providing integrated services to both the middle and smaller market clients by combining different legal and professional skills.²⁵

This clearly indicates that providers of corporate legal services are by no means a homogenous group. They can be broadly divided into three segments. Firms within each segment are likely to compete with one another. However, competition across the three segments is likely to be limited given the differences in their target client base, and the type of services they offer.

Solicitors providing legal services - by reserved and non-reserved legal activities

It is difficult to estimate the amount of reserved and non-reserved work solicitors undertake. However, by considering annual renewal information, where solicitors attribute percentage of turnover to specific legal work categories, we can gain insights by using these categories as a proxy. For example “personal injury” is treated as reserved while “social welfare” is treated as non-reserved. We understand that a personal injury matter can be settled without litigation and therefore no reserved activity has been undertaken. However, this information is the best proxy available.

We estimate that 46 percent of turnover from the work of all SRA-regulated businesses relates to work comprised of non-reserved legal activities.²⁶

²⁴ Regarding the definition of City law firms, the report states the following on page 10: 'The term “city” law firms is a widely used concept, but there is no definition of what it means and therefore no clear sense of which firms would count as city firms and which would not.' [Benchmarking the supply of legal services by city law firms](#), Charles River Associates – commissioned by the Legal Services Board, 2011.

²⁵ KPMG Impact of the Legal Services Act UK, Survey of Major Companies 2008.

²⁶ The turnover figure reported here is based on the information processed by us to January 2015 on the 2014/15 practising certificate renewal form.

Consumers of legal services - types of consumer

Public use of legal services varies widely – from businesses seeking advice on corporate mergers through to individuals in vulnerable circumstances seeking advice and support.

Broadly speaking, the following categories can be used to segment the legal services market by consumers:

- legally aided individuals
- private individuals
- small to medium enterprises (SMEs) and charities
- large business and government
- government sole purchaser.²⁷

A distinction can be made between individuals and organisations. An individual purchasing a one off legal service is likely to be in a very different position compared to a large business that has an in house solicitor to help them deal with their legal issues.²⁸ There is likely to be less information asymmetry between the large business and the law firm. But this distinction would not necessarily apply when comparing a private individual to a small business owner.

The level of information asymmetry between consumer and provider may be down to the complexity of the legal issue, the availability of clear information or specific characteristics of both the provider and the consumer. For example, individuals in vulnerable circumstances may be less able to assess the quality of legal services, may face other barriers such as choice of provider and would face significant detriment if things go wrong.

There is no one definition of what can make somebody vulnerable but a person with a vulnerability is usually described as someone who is at a higher risk of harm than others.²⁹ We do not know the total number of individuals in vulnerable circumstances that use legal services each year.

However, by looking at the common kind of legal services they access, and assessing the information that solicitors and law firms declare to us, we have a useful substitute.

By identifying the work types that are often associated with indicators of vulnerability, we found that around 11% of all turnover generated by firms we regulate comes from these work types.³⁰

However, there is emerging evidence that many consumers of legal services are more confident, active and powerful than ever before.³¹ Empowered by technology, it has been

²⁷ [A framework to monitor the legal services sector](#), Oxera – commissioned by the Legal Services Board, 2011.

²⁸ [Reserved and Unreserved Lawyers' Activities](#), Roy, A. & Handford, C., Legal Services Board, 2011.

²⁹ [Providing services to people who are vulnerable](#), SRA, 2016.

³⁰ Internal data on firm turnover by work type, Solicitors Regulation Authority, 2015.

The categories we identified as being often associated with indicators of vulnerability for the purposes of this report are: Family/matrimonial (3%), probate and estate administration (2.7%), bankruptcy/ insolvency (1.5%), children (1.4%), debt collection (0.8%), immigration (0.8%), mental health (0.2%), discrimination/ civil liberties/ human rights (0.1%) and social welfare (0.1%).

found that people, businesses and organisations are more likely to shop around to search for the best value, and are more aware of their own importance as customers. They are no longer simply judging lawyers on the end outcome, but also on the quality of the journey.³²

Consumers of legal services - choosing and accessing a provider

We know that around half of adults will have had a legal need in the preceding three years.³³ The key factors that influence how providers are chosen are outlined below:

Cost of services

A recent survey by YouGov found that the cost of services is now considered the most important factor when searching for a provider of legal services. Three quarters of respondents (75 percent) reported cost as an influence.³⁴

Other research has found that people who obtained help from an alternative provider said they did so because of the perceived cost benefit.³⁵

A survey of small business found that only 13 percent consider regulated providers as cost effective.³⁶

Severity and complexity of the problem

It has been found that people are more likely to obtain assistance from a regulated provider in relation to more severe problems, especially those that may be subject to a court trial.³⁷

A survey of employees involved in an employment dispute found there has been an increase in the number of people who turn to solicitors where the matter requires 'experience in dealing with complicated disputes' and 'specialist employment knowledge'.³⁸ This indicates that there is still much power behind the solicitor brand and that there are significant opportunities for solicitors conducting non-reserved legal activities such as employment.

Is the problem 'legal'?

People are also more likely to obtain help from a regulated provider on problems they characterise as 'legal'. However, not characterising a problem as legal does not affect

³¹ [Tracker Survey 2015](#), Briefing note: how consumers choose legal services, Legal Services Consumer Panel, 2015.

³² [Age of the Client](#), LexisNexis Bellwether Report: 2015, LexisNexis, 2015.

³³ [Legal Services Benchmarking Report](#), BDRC Continental – commissioned by the Legal Services Board, 2012.

³⁴ [Usage of legal services remains unchanged](#), YouGov, 2015.

³⁵ [How people resolve 'legal' problems](#), Legal Services Board, 2014.

³⁶ [The legal needs of small businesses](#), Kingston University, commissioned by the Legal Services Board, 2015.

³⁷ [The law, legal services and the public](#), Pleasence, P., Balmer, N. & Reimers, S., on behalf of the Legal Services Board, 2010.

³⁸ [Unfair dismissal claims most likely amongst the employees surveyed](#), YouGov, 2015.

their use of the wider alternative market for legal services. This demonstrates the importance of alternative providers of legal services in improving access to legal advice.

Shopping around

Consumers are more satisfied than in 2011 with the choice available to them. When searching for a provider they are more likely to shop around and less likely to use the lawyer they did previously.³⁹ Younger age groups in particular are much more likely to shop around for legal services.³⁹

Choice between regulated and alternative providers

There is some evidence that consumers are generally not aware of the difference between regulated and alternative providers of legal services. They are ‘generally surprised and concerned to learn that some legal services were not regulated’.⁴⁰

However, even though consumers usually do not understand the differences between a regulated and alternative provider of legal services, or the protections available, this does not necessarily mean they make bad decisions in their choice of provider. Consumers rely on other signals when navigating between the regulated and alternative providers.

For example, the LSB published research on the perceived value of the three legal protections of education and training, compensation arrangements, and professional regulation. The research found that consumers with more serious and complex legal needs are more willing to pay a premium for protection if their legal need is complex, and if the consequences that might arise from poor legal advice are severe.⁴¹

The overall impression given is one where the public and businesses have an appetite to balance their need for protection if the worst happens with other factors such as cost, convenience and specialism.

³⁹ [Tracker Survey 2015](#), Briefing note: how consumers choose legal services, Legal Services Consumer Panel, 2015.

⁴⁰ Quotation from [Mapping potential consumer confusion in a changing legal market](#), University of Leicester – commissioned by the Legal Ombudsman, 2011, p. 15.

⁴¹ [Consumers' Valuation of Regulation](#) (Report of quantitative findings), Legal Services Board, 2013.

Consumers of legal services - levels of unmet legal need

Many people, businesses and organisations do not acquire the legal service they need.

There is evidence that only a third of people with a legal need seek any kind of third party advice.⁴² And only one in ten people experiencing legal problems instruct a solicitor or barrister.⁴³ This shows there is legal need not currently being met by the market.

When people handle legal issues without help from a solicitor, it is often because they assume it would be too expensive or offers poor value for money.⁴⁴

This finding is supported by other research that has found that 63 percent of people do not believe that professional legal advice is affordable for ordinary people. Less than a quarter (24 percent) believes that the justice system is 'fair and transparent', and 81 percent of the public find the justice system intimidating.⁴⁵

But individuals, businesses and others may not be able to, or may choose not to, access legal services for many reasons. For example, there may be a lack of local provision, or changes to state funding may affect the choices people make. A recent survey found that 10 percent of adults considered paying for legal advice, before changing their minds. The main reasons for deciding against accessing professional help were:

- they could not afford it
- it seemed complicated
- they did not want to pay for further advice after receiving some initial free legal advice.⁴⁶

The picture is very much the same for small businesses. The majority of small businesses have little contact with legal providers. Over half of businesses that experienced a problem tried to resolve it on their own. When advice was sought, accountants were consulted more often than lawyers.⁴⁷ This demonstrates substantial legal need not currently being met by legal providers.

A number of initiatives have been introduced to help tackle the levels of unmet legal need and these have mainly focused on providing better information for people and business that have legal problems. For example, the Legal Choices website, which is supported by

⁴² [Online survey of individuals' handling of legal issues in England and Wales 2015](#), Ipsos Mori Social Research Institute for The Legal Services Board and the Law Society, 2016.

⁴³ [Online survey of individuals' handling of legal issues in England and Wales 2015](#), Ipsos Mori Social Research Institute for The Legal Services Board and the Law Society, 2016 and [How people resolve legal problems](#), Professor Pascoe Pleasence and Dr. Nigel J. Balmer, report to the Legal Services Board, 2014.

⁴⁴ [Online survey of individuals' handling of legal issues in England and Wales 2015](#), Ipsos Mori Social Research Institute for The Legal Services Board and the Law Society, 2016 – when asked 'when dealing with a legal issue/problem, why did you not consider getting help from a solicitor?', 28 percent of people agreed that they 'assumed it would be too expensive', and 11 percent of people 'did not think solicitor would offer value for money'.

⁴⁵ [Unjust Kingdom: UK Perceptions of the Legal and Justice System](#), Innovation in Law Report 2015, Hodge, Jones & Allen, 2015.

⁴⁶ [Usage of legal services remains unchanged](#), YouGov, 2015.

⁴⁷ [The legal needs of small businesses](#), Kingston University, commissioned by the Legal Services Board, 2015.

all of the approved regulators, provides information in plain English to people and small businesses that are thinking of using legal services. There is information about how to identify the right kind of lawyer to help solve a legal problem and dedicated information for small businesses. We have also seen the private sector begin to utilise technology and build comparison websites for legal services but these are in their infancy.⁴⁸

The overall picture is one where factors such as cost, and others such as a lack of information, are preventing access to legal services.

Consumers - By areas of law accessed

The Legal Services Consumer Panel (LSCP) commissioned a survey asking people about the type of legal service they last accessed, and the type of service provider.⁴⁹ According to this survey, solicitors provided at least 70 percent of all services in the areas of conveyancing, will writing, power of attorney, family matters, probate and employment disputes.

Alternative and other providers are more likely than solicitors to assist with legal problems relating to consumer law, debt and benefits.

A 2012 survey by the LSB comparing regulated providers against alternative ones had similar findings. The research showed that regulated providers delivered the majority of advice in areas such as conveyancing, probate and divorce.⁵⁰ This supports the view that consumers are more likely to seek advice from a solicitor in relation to more complex matters.

Both studies agree that alternative providers are more likely to help with money and benefit problems, neighbour and employment disputes, consumer problems, and housing or tenant problems.

Consumers of legal services - satisfaction with legal services

It is increasingly accepted that the key to success for providers of legal services will be determined by how quickly they can respond to consumers' changing needs, offer a service that provides value for money, and do this in a way that is cost effective and profitable in the long-term.⁵¹

Levels of satisfaction are an important indicator of how the public, businesses and other organisations are experiencing the legal services market. Recent research shows that many regulated providers need to do more to become truly customer focused.

Some key findings are as follows:

- 80 percent of lawyers think they're delivering 'above average' service, but only 40 percent of clients say they're receiving it
- 81 percent of lawyers believe they provide regular updates on progress throughout the legal matter, but only 61 percent of clients agree

⁴⁸ For example, the consumer rights forum Legal Beagles recently launched LBcompare, a comparison site focused on firms who offer fixed fees for legal services.

⁴⁹ [Tracker Survey 2014 – data tables for recent users](#), Legal Services Consumer Panel, 2014.

⁵⁰ [Legal Services Benchmarking Report](#), BDRC Continental – commissioned by the Legal Services Board, 2012.

⁵¹ [A perspective on the legal market 2014](#), Tsolakis, J., The Royal Bank of Scotland (RBS), 2014.

- 95 percent of lawyers think they explain the charging system clearly at the outset, but only 70 percent of clients agree
- 94 percent of lawyers think they fully appreciate their clients' needs and expectations when taking a case on, 69 percent of clients agree⁵²
- 63 percent of consumers were satisfied with value for money in 2014, up by 6 percent from 2013⁵³
- 'satisfaction with quality, service and professionalism is static since 2011'⁵⁴
- only 20 percent of clients were asked to complete client satisfaction surveys by their law firms.⁵⁵

The research shows that lawyer perceptions of levels of service often exceed the level the client perceives they have experienced.

Data from LeO shows the vast majority of all complaints received about regulated legal services providers in 12 months to 31 March 2014 were caused by poor communication and a lack of clarity around pricing.⁵⁶ This information is presented in figure 6 below.

Figure 2: Complaints to LeO, by cause

Cause of complaint	Percentage of complaints
Failure to advise	18%
Failure to follow instructions	16%
Delay	8%
Failure to progress	8%
Costs information deficient	8%
Costs excessive	8%
Failure to keep informed	7%
Failure to release files or papers	6%
Potential misconduct	6%
Failure to reply	6%
Failure to investigate complaint internally	2%
Other	5%

Despite LeO providing a second tier complaints resolution service for complaints about regulated providers, there is still evidence that even when consumers are conscious of poor service or advice from their provider, they are reluctant to complain. Research has shown that 44 percent of consumers who were unhappy with a legal services provider did not complain. This compares to 27 percent of 'silent sufferers' across the entire services

⁵² [Age of the Client](#), LexisNexis Bellwether Report: 2015, LexisNexis, 2015.

⁵³ [Tracker Survey 2014](#), Briefing note: A changing market, Legal Services Consumer Panel, 2014.

⁵⁴ [Consumer Impact Report](#), Legal Services Consumer Panel, 2014.

⁵⁵ [Consumers less satisfied with legal services](#), YouGov, 2013.

⁵⁶ [Legal Ombudsman Complaints Data 2013-14](#).

sector, thus demonstrating low public confidence in expressing dissatisfaction about legal services providers.⁵⁷

The disproportionately low levels of complaints from unsatisfied consumers may be because they do not feel fully able to judge the quality of legal services.⁵⁸ Sometimes the inability to judge the quality of a legal service may be because of the services' innate characteristics. For example, a consumer who loses a contentious matter may be more likely to feel they were poorly advised than their opponent. But other times the inability to judge may be because of information asymmetry where a consumer will not know if the advice they were given was reasonable and in accordance with objective expectations.

Taken together, these findings have implications for regulated providers in terms of repeat business and referrals, as research has shown that the vast majority of dissatisfied consumers take their business elsewhere.⁵⁹ This means that providers potentially miss out on the opportunity to identify and rectify issues around poor service, and lose the chance to gain the client's loyalty. Furthermore, there is evidence that it costs six to seven times more to acquire a new client than to retain an existing one, so it can make commercial sense to focus on existing clients over potential ones.⁶⁰

⁵⁷ [Consumer Impact Report](#), Legal Services Consumer Panel, 2014.

⁵⁸ [Quality in Legal Services](#), Legal Services Consumer Panel, 2010.

⁵⁹ [Customer Satisfaction, Complaints And Loyalty: The Evidence](#), Market Research World, 2008.

[The Connection Between Customer Loyalty and Customer Complaints](#), Aviation Pros, 2013.

⁶⁰ [Lessons for law firms: The client experience](#), LawNet, 2015.

Competition, emerging practices and innovation

A strong, diverse and competitive legal market is in the interests of consumers, as well as the wider economy. Businesses responding to competitive pressures will strive to become more efficient in how they operate, and will use their resources to understand and meet consumers' needs.

Users of legal services have an important part to play in stimulating rivalry between providers by making informed decisions, and rewarding the businesses that are most responsive to their needs and preferences.⁶¹

In this section we consider factors that can influence competition and discuss the emerging practices we have observed.

Factors influencing competition

The rate of change and competition in the legal services market has traditionally been slow. However, there is evidence competitive pressures in the legal services market are increasing:

ABS

The LSA has permitted new types of providers of legal services into the market to increase competition. We now have non-lawyer managers and owners of law firms, with powerful consumer brands competing with traditional law firms.

Alternative providers of legal services

The opportunities in the legal services market have also attracted a growing number of providers of legal services that are not regulated by a legal services regulator. Will writing businesses, document review specialists and a host of other providers are beginning to meet the demand for affordable legal services.

Government initiatives

Such as the current drive to reduce regulation and foster innovation to improve competition and drive growth and efficiency in many service sectors. For the legal services market, this will include removing barriers to entry for different business structures.⁶²

Regulatory reform

Regulation can support increased competition and innovation in legal services.⁶³

⁶¹ [Guidelines for market investigations: Their role, assessment, remedies and procedures](#), Competition Commission, National Archives, HM Government, 2012.

⁶² [A better deal: Boosting competition to bring down bills for families and firm](#), HM Government, 2015.

⁶³ For example, our paper [Innovation and growth in Legal Services](#) sets out some of the changes we have made to support greater innovation and encourage completion.

Economic conditions

The recovering economy has given many businesses the confidence and means to make brave strategic choices.

Technology

Law is interacting with business and technology more than ever, and is redefining what it means to practise law. Technology presents lawyers with the opportunity to use effective new business models to deliver services, and monitor business and financial performance.

In 2014, regulated lawyers stated in a survey that smarter use of technology is the most important factor to help grow their business. Most business changes either implemented or planned by these lawyers happened by means of investment in processes and technology.⁶⁴

Law firms are likely to focus their investment on information technology in the year ahead, and use it to seek a competitive advantage.⁶⁵

Active consumers

Demand-side factors are increasing competitive pressure on firms. Consumers are more confident, they are demanding fixed and lower fees. They are more active, and shopping around for the best deal. Consumer behaviour is driving the supply of more accessible legal services, as firms innovate and become more efficient to meet these demands.

The Law Society recognise that change in legal services will be driven by competition and describe their vision for the future as follows:

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

Despite the competitive forces at play in the market, there is evidence of challenges the market must still overcome. These include barriers to starting regulated legal businesses due to the reserving of certain activities, costly Professional Indemnity Insurance (PII) and the overall cost of regulation – which is passed onto the consumer. For those wanting to leave the market, there are a range of challenges from the purchase of run-off insurance cover to being able to realise capital by selling as a going concern.

There is also evidence that although consumers are more empowered there are still issues around their ability to choose legal services and assess quality. For example, we are yet to see a leading national comparison site for legal services. Only one percent of consumers have used a comparison website to choose legal services. People regularly rely on passive methods such as personal recommendations to find a provider.⁶⁶

⁶⁴ [Brave New World](#), LexisNexis Bellwether Report: 2014, LexisNexis, 2014.

⁶⁵ [A perspective on the legal market 2014](#), Tsolakis, J., The Royal Bank of Scotland (RBS), 2014.

⁶⁶ [Tracker Survey 2014](#), Briefing note: A changing market, Legal Services Consumer Panel, 2014.

Emerging practices

Both regulated providers and those operating in the alternative legal services market are developing new services and new channels through which to deliver services.

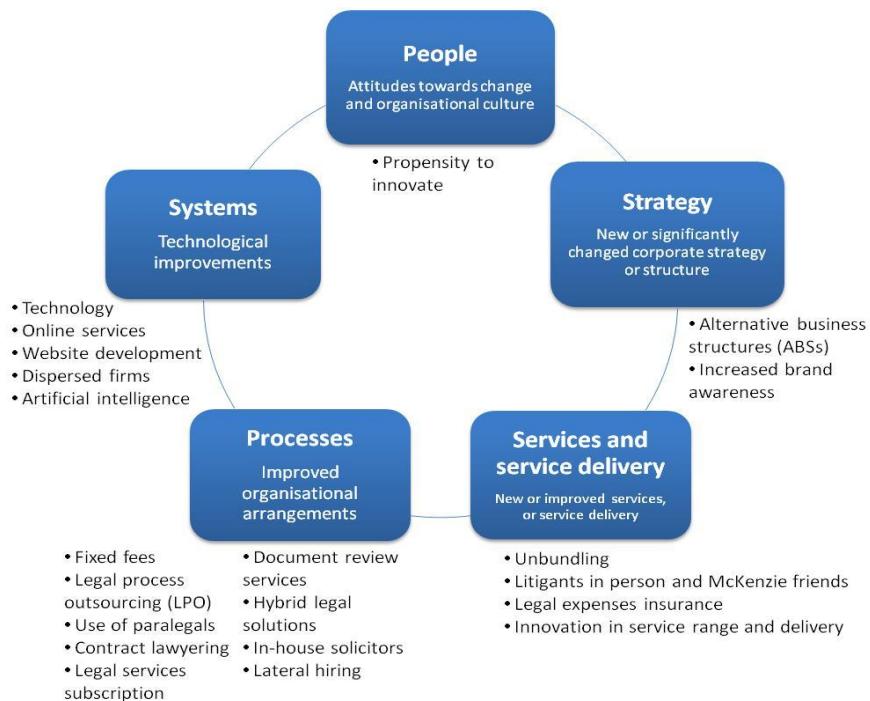
According to the Competition Commission (predecessor to the Competition and Markets Authority), an increase in competition in a market is accompanied by certain observable changes in the market as a whole, and the individual segments within it. The Commission summarised these changes as:

[suppliers] cutting prices, increasing output, improving quality or variety, or introducing new and better products, often through innovation; supplying the products customers want rewards firms with a greater share of sales. Beneficial effects may also come from expansion by efficient firms and the entry into the market of new firms with innovative products, processes and business models, and the exit of less successful ones.⁶⁷

It is possible to group emerging practices in response to competition under the following categories:

- people – attitudes towards change and organisational culture
- strategy – new or significantly changed corporate strategy or structure
- services and service delivery – new or improved services, or service delivery
- processes – improved organisational arrangements
- systems – technological improvements.

Figure 3: Emerging business models and practices



⁶⁷ [Guidelines for market investigations: Their role, assessment, remedies and procedures, Competition Commission](#), National Archives, HM Government, 2012.

People - attitudes towards change and organisational culture

Propensity to innovate

Recent research on innovation in legal services found that solicitors are, on average, more innovative than other regulated providers, but less innovative than alternative providers.⁶⁸ It also found that 80 percent of solicitor firms feel their leadership and culture supports the development of new ideas, but only 40 percent promote the development of new ideas.

This finding is reflected in another survey of regulated providers, which found that 80 percent describe their firm as 'actively embracing change'. However, they had only an average of 1.6 changes planned for the year ahead.⁶⁹

The research on innovation also found that the adoption of ABS status made firms up to 15 percent more likely to introduce new legal services or modes of delivery than other types of law firms.⁷⁰ This is not surprising, as earlier research on ABSs found that two thirds had provided or attracted new investment, with investment most commonly made in technology, marketing and changes to the way legal services are delivered.⁷¹

The research on innovation shows that law firms are indeed doing things differently in order to compete. Other findings include:

- a quarter of all legal services firms have introduced a new or improved service in the last three years
- legal services firms have successfully extended service range, improved quality and attracted new clients by innovating.⁷²

The research found that there is capacity for more innovation in the market but it is happening. However, it was clear that ABS and alternative legal services providers are currently leading the way.

Strategy - new or significantly changed corporate strategy or structure

Alternative business structures (ABS)

ABS encompass a very wide range of organisations, from very small family-owned firms to very large corporate groups with combined cross-business turnovers in excess of £10 billion. However, as highlighted in the previous section, ABS in general are key innovators in the legal market.

⁶⁸ [Innovation in legal services](#), Enterprise Research Centre – commissioned by the Solicitors Regulation Authority and the Legal Services Board, 2015.

⁶⁹ [Age of the Client](#), LexisNexis Bellwether Report: 2015, LexisNexis, 2015.

⁷⁰ [Innovation in legal services](#), Enterprise Research Centre – commissioned by the Solicitors Regulation Authority and the Legal Services Board, 2015.

⁷¹ [Research on alternative business structures \(ABSs\)](#), Solicitors Regulation Authority, 2014.

⁷² [Innovation in legal services](#), Enterprise Research Centre – commissioned by the Solicitors Regulation Authority and the Legal Services Board, 2015.

Some of the key developments in the legal services market in the post-ABS era are outlined below:

- **large, legal brands becoming ABS** – for example, law firm Irwin Mitchell is an approved ABS. It was also the first firm to receive multiple ABS licenses, covering several businesses within its group structure.⁷³

- **retail brands offering legal services** – for example, the CO-OP and BT. BT's legal arm was built using the foundations of its in-house legal team, before becoming the ABS 'BT Law Ltd' and extending its services to other clients.

Many retail led ABS aim to provide a 'one-stop shop', with specialist knowledge of the areas of law their existing retail customers are most likely to need help with. This allows the companies to build on existing relationships with clients to give them a tailored and integrated service.

- **first publicly traded law firm** – In June 2015 Gateley Plc became the first British, wholly legal firm to be listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Gateley's chief executive credited the float with increasing the company's profile.⁷⁴ He also indicated that managers of other law firms have expressed interest in the firm's experience of listing.⁷⁵ In its first six months of being on the AIM, the company's turnover went up by 11% to £29.6 million.⁷⁶
- **accountants offering legal services** – In 2014, three of the global, Big Four accountancy firms were authorised as ABS. Their aim is to operate on a multidisciplinary basis, and be a single point of contact for their clients' professional service needs.⁷⁷ These firms will be able to draw on the enormously prestigious reputation they have in accountancy to win contracts from existing clients from their other divisions.
- **local authority ABS** – We authorised the first local authority ABS, Buckinghamshire Law + Limited, which is made up of solicitors from Buckinghamshire County Council and Buckinghamshire and Milton Keynes Fire Authority. The ABS will serve both authorities and offer legal services to other public sector bodies, thereby broadening access to legal advice to people and organisations that are not normally able to obtain expert advice.⁷⁸
- **private equity investment** – Some law firms have accepted private equity to fund their plans for growth.⁷⁹
- **small businesses** – With almost half of ABS being small businesses,⁸⁰ we have seen many smaller firms deciding to opt for the flexibility of ABS to enable family

⁷³ [Irwin Mitchell Approved As An Alternative Business Structure](#), Irwin Mitchell Solicitors, 2012.

⁷⁴ [Building and banking help boost law firm Gateley's profits](#), Evening Standard, 2015.

⁷⁵ [Gateley hopes to become Britain's first listed law firm with £140m sale](#), The Telegraph, 2015.

⁷⁶ [Hitting the target: Gateley posts 11% rise in revenue in first post-IPO results](#), Legal Business, 2015.

⁷⁷ ['We are offering something new': EY latest Big Four giant granted ABS licence](#), Legal Business, 2014.

⁷⁸ [First local authority ABS receives green light](#), Neil Rose, 2014.

⁷⁹ See for example [Keystone Law accepts private equity investment](#), Keystone Law, 2014.

⁸⁰ SRA data 2016

members, long-standing colleagues and others help build businesses and share in the management and ownership.

Increased brand awareness

Increased competition, especially from established retail brands, means solicitors must continually explore ways to expand and bring in new business.

Regulated legal services providers say marketing is the third most important factor in helping to grow their business, behind smarter use of technology and networking.⁸¹ Research has found that solicitors spend an average of 1.6 percent of turnover on marketing activities, with alternative providers spending significantly more at 2.3 percent of turnover. ABSs spend the most on branding at 3.1 percent of turnover.⁸²

Creating a memorable brand can be a very useful strategy to differentiate a firm and its services from its competitors. Over the last few years, recognisable brands have entered the legal services market and others have emerged from within it. This is an important indicator that the market is becoming more competitive.

Services and service delivery - new or improved services, or service delivery

Unbundling

Almost one in five transactions involves some degree of unbundling, which is where the legal service provider and consumer agree to share the legal work between them. It occurs most in probate, employment and immigration matters, and among the middle class socioeconomic groups and younger age groups. Key reasons why consumers choose to unbundle are because unbundled legal advice is cheaper, and it allows the consumer to have more control over their legal matter.

Consumers typically have very positive experiences with unbundling, and data indicates there is only a small difference in service satisfaction between a full legal service (84 percent) and an unbundled service (81 percent).⁸³

Both providers of legal services and members of the judiciary have stated that unbundling allows some clients access to expert legal advice that wouldn't be available to them otherwise.⁸⁴

Litigants in person and McKenzie friends

Litigants in person have used McKenzie friends in court hearings to provide moral support, help with case papers, and provide advice on the conduct of the case. Traditionally, McKenzie friends are a family member or friend.

⁸¹ [Brave New World](#), LexisNexis Bellwether Report: 2014, LexisNexis, 2014.

⁸² [Innovation in legal services](#), Enterprise Research Centre – commissioned by the Solicitors Regulation Authority and the Legal Services Board, 2015.

⁸³ [Tracker Survey 2014](#), Briefing note: A changing market, Legal Services Consumer Panel, 2014.

⁸⁴ [Qualitative Research Exploring Experiences and Perception of Unbundled Legal Services](#), Legal Services Board, 2015.

However, there are anecdotal reports of a rise in fee-charging McKenzie friends, aiming to meet the needs of the significantly higher numbers of litigants in person in court.⁸⁵

Research by the LSCP concluded that many of the risks consumers face when using a fee-charging McKenzie friend are also present with regulated providers. However, although there are some unique risks associated with fee-charging McKenzie friends, there is little available evidence to suggest these occur often.⁸⁶

Processes - improved business arrangements

Fixed fees

Fixed fee arrangements have continued to rise. In 2014, 46 percent of all legal transactions were under a fixed fee deal, up from 38 percent in 2012.

The five areas where fixed fees are most commonly used are will writing (71 percent), conveyancing (66 percent), power of attorney (65 percent), immigration (55 percent) and family (45 percent). These types of work are more likely to be provided by a solicitor than an alternative provider.

Hourly rates now account for less than 10 percent of transactions. They are most common in probate and employment work, where they are used in around 20 percent of all transactions.⁸⁷

Legal process outsourcing (LPO)

The global LPO market was estimated to be worth \$2.4 billion in 2012, and also estimated to have an annual growth rate of about 28 percent.⁸⁸ Repetitive, high volume work that was typically handled by junior associates and teams of paralegals is now often sent to outsourcers, and the variety of work undertaken by outsourcers is expanding fast.⁸⁹

Other recent research has shown that, since 2008, the number of associates in the 250 largest law firms has gone down by more than 7,000. Law firms are looking to hire more paralegals and use LPOs to cut costs, and reduce the element of fixed costs in their business models.⁹⁰

Early success stories in LPO have helped drive this trend. For example, in 2009 the global mining company Rio Tinto engaged Indian LPO provider CPA Global and saved \$8 million per year in legal costs. Other large LPO deals followed, with A UK law firm signing a £583 million, ten-year deal with an LPO and business process outsourcing (BPO) provider.⁹¹

⁸⁵ [Litigants in person putting pressure on courts system – LCJ](#), Law Society Gazette, 2014.

⁸⁶ [Fee-charging McKenzie Friends](#), Legal Services Consumer Panel, 2014.

⁸⁷ [Tracker Survey 2014](#), Briefing note: A changing market, Legal Services Consumer Panel, 2014.

⁸⁸ [Paper 12/5 Legal Process Outsourcing: LPO Provider Landscape](#), London School of Economics, 2012.

⁸⁹ [Here be MONSTERS, Insight: Legal Process Outsourcing](#), Legal Business, 2014.

⁹⁰ [A perspective on the legal market 2014](#), Tsolakis, J., The Royal Bank of Scotland (RBS), 2014.

⁹¹ [Paper 12/5 Legal Process Outsourcing: LPO Provider Landscape](#), London School of Economics, 2012.

Use of paralegals

The use of paralegals is increasing, as they are often seen as a cheaper alternative to solicitors. Paralegals make up 44 percent of all fee earners in solicitors' firms, and some sources predict they are likely to outnumber solicitors within the next decade.⁹²

Contract lawyering

Contract lawyers are lawyers that are hired by organisations or other law firms for a specific task or period.

A recent survey of senior, corporate consumers of legal services across the globe found that 70 percent of UK respondents have used contract lawyers in the last two years. They expect their use of contract lawyers to increase to 79 percent over the next five years.⁹³ Pressures over prices and uncertain workloads are the main drivers behind this growing demand.⁹⁴

Legal services subscription services

This is a type of service where a client pays a fixed monthly fee in exchange for legal advice, usually by email. It may come as part of a package that may include other services such as a will writing pack, a document review service, and discounted fees if a solicitor needs to be formally instructed. The aim of this type of service is to make professional advice easy to access and affordable.

Document review services

37 percent of corporate buyers of legal services in the UK used document review services in 2014. They expect this to increase to 49 percent over the next five years.⁹⁵

Hybrid legal solutions

The same study predicted use of hybrid legal solutions by global corporate consumers will increase from 24 percent in 2014, to 31 percent of firms over the next five years.

In-house solicitors

The number of in-house solicitors doubled over the period from 2000 to 2012, reaching a population of 25,600 solicitors. Approximately one in five of all practising solicitors describe themselves as working in-house. The main services provided by in-house lawyers are to commission and manage external legal advisers, negotiation, and transactional legal work. Businesses value the need for in-house counsel and are constantly seeking better value for money when using external advisors.⁹⁶

⁹² [Paralegals](#), Law Careers, 2015.

⁹³ [Unbundling a market: The appetite for new legal services models](#), Allen & Overy, 2014.

⁹⁴ [‘Gig economy’ set to transform the legal industry](#), Lawyers Weekly, 2015.

⁹⁵ [Unbundling a market: The appetite for new legal services models](#), Allen & Overy, 2014.

⁹⁶ For example there is anecdotal evidence of increasing corporate haggling and discounting [Charging more, getting less](#), The Economist, 2014

Lateral hiring

Many law firms have used lateral hiring to pursue growth plans. Both domestic and international lateral hiring is expected to accelerate in the year ahead.⁹⁷ US law firms in particular use lateral hiring after moving to London to build their English law capability and to develop their service offering in their areas of focus. However, firms should take steps to manage the risk involved, as this can be a costly process.⁹⁸

Systems - technological improvements

Online services

People, businesses and other organisations have come to expect services to be available to them outside of traditional office hours, and this is likely to influence how they demand legal services.

Do-it-yourself (DIY) online solutions already exist in some areas of law, such as divorce and will writing. This type of service is likely to spread to other areas of law, particularly those affected by changes in legal aid funding.

Regulated lawyers cite the development of online services as one of the most important factors in helping them grow their business.⁹⁹ A survey of businesses revealed that the use of online legal services is likely to increase from 28 percent to 37 percent over the next five years.¹⁰⁰ In a different survey, 40 percent of consumers indicated they are interested in the convenience and low cost of online legal services.¹⁰¹

Using divorce as a case study, recent research sought to understand whether the method of delivering legal services (i.e. face to face or online) could affect consumers' experience. The research found no evidence to suggest that consumers of online services receive poor outcomes.¹⁰²

Website development

The importance of website development to regulated law firms has increased over the last three years. In 2013, firms indicated that website development was the fourth highest area for implementing change.¹⁰³ In 2015, firms were more likely to develop their website than change any other aspect of their firm.¹⁰⁴

⁹⁷ [A perspective on the legal market 2014](#), Tsolakis, J., The Royal Bank of Scotland (RBS), 2014.

⁹⁸ [You say tomato: the problem with lateral hiring across the pond](#), The Lawyer, 2015.

⁹⁹ [Brave New World](#), LexisNexis Bellwether Report: 2014, LexisNexis, 2014.

¹⁰⁰ [Unbundling a market: The appetite for new legal services models](#), Allen & Overy, 2014.

¹⁰¹ [UK Legal Services Market Report 2015 – Press Release](#), IRN Research, 2015.

¹⁰² [Comparing methods of service delivery: A case study on divorce](#), BDRC Continental – commissioned by the Legal Services Board and Legal Services Consumer Panel, 2015.

¹⁰³ [Brave New World](#), LexisNexis Bellwether Report: 2014, LexisNexis, 2014.

¹⁰⁴ [Age of the Client](#), LexisNexis Bellwether Report: 2015, LexisNexis, 2015.

Dispersed firms

A dispersed firm, or virtual law firm, is a legal services provider that does not have a physical office. It usually operates from the homes of its lawyers, and delivers services to its clients from a distance. These types of practices use technology and modern working practices to drive efficiency and reduce costs.

A US article states that 'clients increasingly embrace the model and appreciate the efficiency'. If done correctly, the client pays lower fees and the lawyer is able to retain more fee income.¹⁰⁵

The first dispersed law firm was set up in England in 1996, almost 20 years ago. However, research indicates that the virtual business model has not been taken up by many firms, with research showing that only 5 percent of firms surveyed having 'join[ed] an umbrella organisation or virtual firm where participants share central resources' in the year preceding the survey.¹⁰⁶

Artificial intelligence

In 2011, a cognitive computing system by IBM called Watson defeated two former *Jeopardy!* game show champions, demonstrating the power of artificial intelligence. IBM claims that Watson's performance has improved by 2,400 percent since then. IBM is reportedly working with several legal organisations to develop a range of applications for the profession.

¹⁰⁵ Growing Trends, Of Counsel Legal Trends and Management Report, Wolters Kluwer, 2013.

¹⁰⁶ [Brave New World](#), LexisNexis Bellwether Report: 2014, LexisNexis, 2014.

Summary remarks

We have described the current market and reported on how people and businesses navigate their legal issues. Many people with legal problems do not seek legal help.

In a market traditionally resistant to competition, there are many indicators of increasing competitive pressures. Many law firms are responding by adopting new legal service models and seeking non-lawyer expertise and investment. Practices such as online DIY services, unbundled provision and alternative business are emerging as market solutions, to help make legal services more affordable and broaden access.¹⁰⁷ However, much of this is being driven by ABS and the alternative sector.

For the market to become more accessible, consumers must have the knowledge and confidence to make informed choices and lawyers need to be able to innovate, compete and work flexibly while ensuring standards are maintained. Regulation of legal services must be modern and reflective of how the market is changing.

¹⁰⁷ [Consumer Impact Report](#), Legal Services Consumer Panel, 2014.