

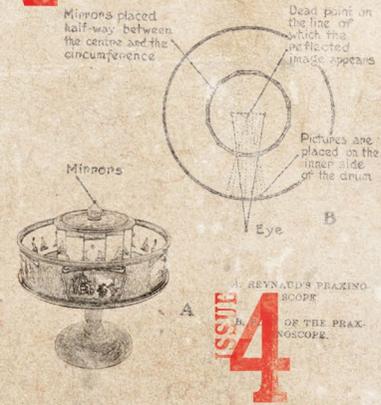
THE RIDDLE OF PERCEPTION



As the world shifts and the rules change, we explore the differing - and often conflicting - perceptions of independent lawyers.



2016' LEXISNEXIS
BELLWETHER
REPORT



It seems the world is in flux and nowhere is this more apparent than within the legal profession. Clients are demanding better value for money. Technology is changing by the day. Lawyers are taking on roles outside their comfort zone.

How do independent lawyers, midsize law firms and sole practitioners see the future? And more importantly, do their clients see things the same way?

Based on structured interviews with 122 independent lawyers and 108 clients, **The Bellwether Report 2016: The Riddle of Perception**, uncovers some telling differences of opinion. It highlights contradictory perspectives on the issues and how, if at all, the profession is reacting to these. Spanning everything from the demands of the economy and embracing digital technology to managing the client/lawyer relationship, we uncover differences in how lawyers see themselves and their competition, and how they are really perceived by their clients.



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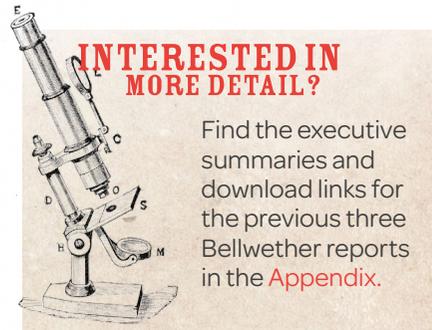


Introduction

Our previous LexisNexis Bellwether Reports pinpointed three big trends in independent law: the constant need to evolve and specialise (*Survive or Thrive, 2013*), the birth of a new breed of entrepreneurial lawyer (*Brave New World, 2014*) and the big paradigm shift that's been creeping up on the legal profession over the past few years – the Client (*The Age of Client, 2015*). In this year's report, we felt it was time to step back and take stock.

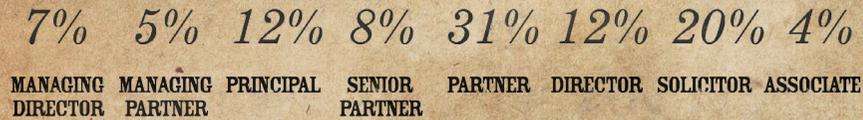
The Riddle of Perception explores the current and future state of the legal landscape from the different – and crucially, differing – points of view of independent lawyers.

It uncovers the gaps between how independent lawyers see themselves, how their clients see them and what's actually happening in reality. We examine their priorities, challenges, attitudes and appetite for change.

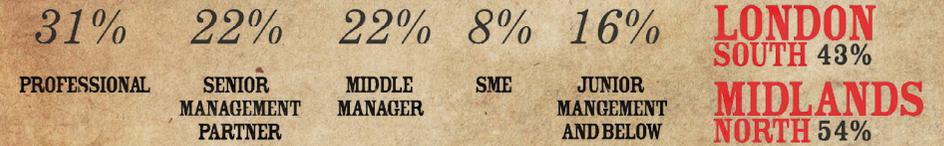


Who we spoke to

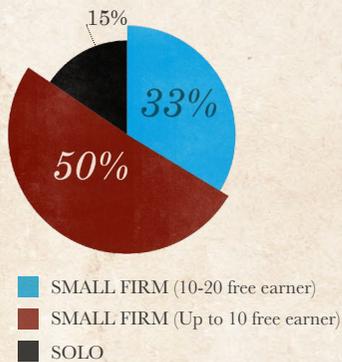
LAWYERS Base: all lawyers (112)



CLIENTS Base: all clients (108)



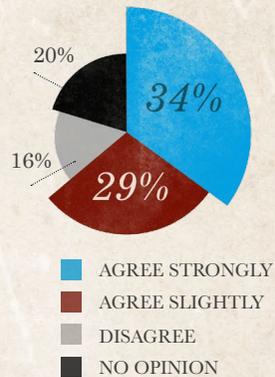
Practice size



Specialist vs Generalist



"I see myself as an entrepreneur"



93% OF CLIENTS HAVE HAD DEALINGS ON PRIVATE MATTERS

41% OF CLIENTS HAVE HAD DEALINGS ON COMMERCIAL MATTERS



Executive summary

**“95% ARE
PREDICTING
ROUGH TIMES BUT
AHEAD”**



**“OVER 1/2 ARE STILL
PLANNING FOR
GROWTH”**

Is this foolhardiness? Or have lawyers simply embraced the changes we identify throughout the legal profession, thereby seeing opportunities where their peers only see obstacles?

This is **the Riddle of Perception** behind the name of this year’s report.

Some firms are clearly gaining confidence from their success over the past few years. Yet across the sample as a whole, there is a great deal of uncertainty about what the ideal size to profit ratio should be. Only 40% of those we asked believe they’ve got this ratio right.

The market has changed. Clients today expect ever higher levels of service and value for money. To thrive now, lawyers need to think and behave more like business people. This is no mean feat for lawyers who, by their own admission, aren’t hot-wired for change. They tend to still see the world through the eyes of a traditional lawyer, though they readily admit their world has moved on dramatically.

What does this change in mindset – from lawyer to business – actually entail? Among other things, it means:

- looking beyond the legal profession for insight, support and seeing the law as part of the service industry
- accepting that non-fee earners and business specialists can contribute to your success (and free up your lawyers to focus on their core competence: the law)
- having a proper, joined-up development strategy that’s based on your clients’ future needs (instead of making piecemeal changes, ad hoc)
- seeing the opportunity within the threat and using it to gain a competitive edge over your rivals.

We have seen that failing to embrace these new ways of thinking can result in a series of disconnects – between challenges and priorities, priorities and actions, and how lawyers and their clients view the law firm and the services provided.

Fixed fees are a good example of both a disconnect and an opportunity. Clients want better value for money. The traditional lawyer responds by dropping their hourly rate – mistaking cost for value. The entrepreneurial lawyer

introduces fixed fees and different tiers of service to give their clients more control over how much they spend, and on what.

For more routine matters, lower fees go hand-in-hand with higher volumes of business. Yet there’s a further mismatch between the need to take on more work on the one hand, and the willingness to invest in automated systems or change the service model, on the other.

Clients value efficiency highly and until these systems are firmly in place, they are likely to be disappointed. This cannot be good for the profession. As all lawyers know, the client is the lifeblood of the firm. In order to earn their loyalty and word of mouth recommendations, law firms need to re-engineer their working practices, so they are more in line with what today’s customers expect.

Finally, it’s worth pointing out that this year’s less bullish outlook may well reflect the current uncertainty in the world economy. After the vote on Brexit and the American elections, we may find that firms see the world very differently.

Time will tell.



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Foreword



“The report provides evidence

of what I once described as ‘the grand delusion’ – essentially, a culture that is out of tune with the market and a broken business model.”



Professor Stephen Mayson

Independent advisor and non-executive director to law firms

This report is a worthwhile read on so many levels. Perhaps most tellingly, it records a drop in business confidence. Eight years after the Global Financial Crisis, most law firms have attacked their cost base to address the challenges of that downturn and supposedly to put themselves in good shape for the upturn. But suppose the post-Crisis ‘bounce’ is already behind us, with persistently flat economics – or even another recession – to come? The tentative performance of many EU and emerging economies, the possibility of Brexit, and a tense US Presidential election certainly do nothing to raise confidence.

Perhaps this dip in business confidence reflects these economic and political uncertainties. Or perhaps it reflects an enduring tendency in law firms to blame external factors: Government policy, competitors, regulators, and even clients. The report provides evidence of what I once described as ‘the grand delusion’ – essentially, a culture that is out of tune with the market and a broken business model. The news that this delusion still persists is disappointing. Tinkering around the edges of the cost base and blaming others for the rest, rather than tackling some possibly uncomfortable home truths, will not address it and secure a sound future.

But there is hope in these pages, too. The report also shows the correlation between growing, successful firms and other identifiable factors.

The foundations lie in firms actually doing something about the fundamentals of their business through entrepreneurialism, thinking outside the legal box, focusing on client value and their experience of service delivery, specialisation, re-staffing, and the appropriate use of technology.

The principal messages and lessons to be learnt are summed up in the report’s title. Seeing legal services as those who pay for them would wish to see them is far more valuable than pursuing one’s own pre-conceived and unchallenged notions.

<https://stephenmayson.com/2012/10/09/law-firm-partnership-the-grand-delusion/>.



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The mood of the moment



Are firms chasing

growth with good reason or simply because it's the 'done thing'?

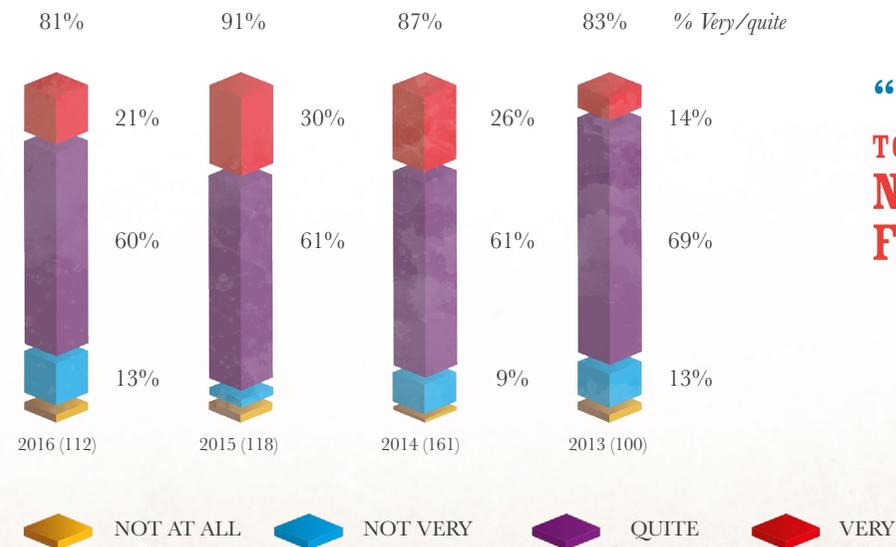
Last year's Bellwether report showed a rise in business confidence for the first time since our report in 2013, as firms felt they were emerging from the tail end of the recession and coping well with the more rigorous compliance regulations. This optimism was also reflected in our recent report, 'Mind the gap' (looking at the top end of the profession).

This year's Bellwether report tells a slightly different story. Confidence and performance have both dipped back to the levels we reported in 2013/14.

"[Law school] doesn't challenge you to think about what things could be changed or how to do things differently."

How would you describe your level of confidence for the practice looking forward?

Base: all lawyers



"58% PLAN TO GROW IN NEXT FIVE YEARS"



However, it is not all doom and gloom. Just under half of the sample have seen some growth over the last few years, and are quietly confident about the future.

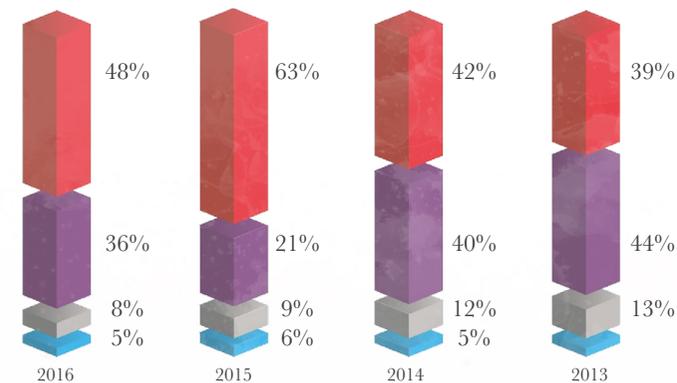
Nevertheless, the mood is remarkably less bullish than last year.

Is this a temporary blip, or an early sign of another downturn? This is something we will explore in more depth in [Section 10](#).

Whatever the future holds, there is no doubt that lawyers are feeling more challenged than they were last year.

Thinking about the performance of your practice compared to 3-4 years ago, how would you describe business?

Base: all lawyers



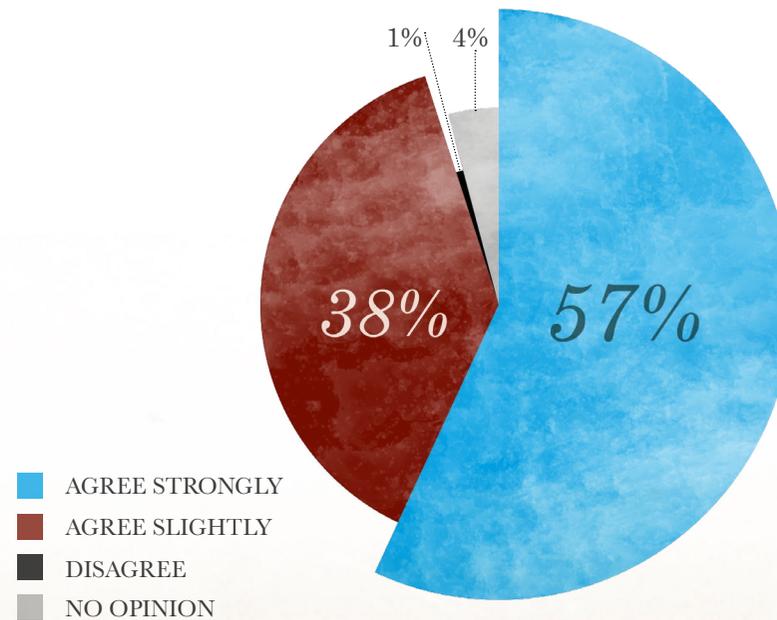
DON'T KNOW/PREFER NOT TO SAY
 DECLINING
 STABLE
 GROWING



This climate of renewed vulnerability is underlined by the almost unanimous (95%) sense that there are 'still rough times ahead for law firms'. The fact that just under 60% 'strongly agree' with this statement reinforces just how deep-seated it is.

How much do you agree or disagree. *"There are still rough times ahead for law firms."*

Base: all lawyers



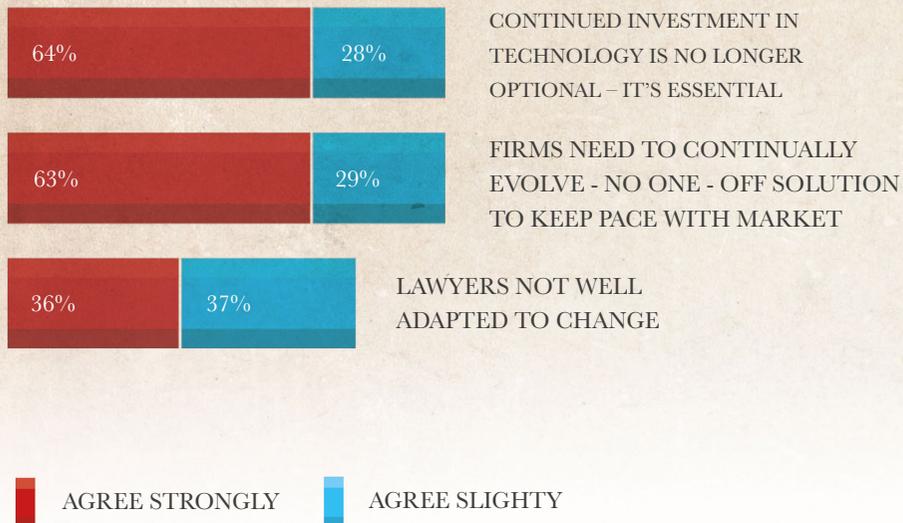
There is also a widely held belief that traditional survival tactics won't be enough to weather this storm. Most of the obvious quick fixes have already been made, and we are entering a stage where 'continual evolution' is the new reality. 92% believe that 'continued investment in technology is no longer optional' – it is a 'must'.



PROCESSES/TECHNOLOGY



How much do you agree or disagree with what other lawyers have said about lawyers and the future legal landscape?



Worryingly, though, there seems to be a disconnect between thought and deed. Most of the lawyers we spoke to had a tendency to believe their own practice was better equipped than their competitors to confront these challenges. Is this simply a matter of seeing what they want to see? Quite possibly.

In fact, whenever we asked them questions about the legal profession in general, they repeatedly distanced themselves from the pack – the subtext being that *'other lawyers are like that...but we're not'*. This disconnect was especially obvious when we asked them about lawyers' aptitude for change. Just under 72% agreed that change is not a strength for lawyers in general, while also maintaining that they had made significant progress in their own practice.

They regularly criticise their own profession for *'not understanding the client's commercial realities'*, for being *'too concerned with words and black letters'* and for *'becoming more focused on the argument than on resolving the issue'*. As one lawyer put it: *'I don't think many lawyers are terribly innovative. The grounding you get at university is you read what someone else has said and how that would apply to a different situation. It doesn't challenge you to think about how things could be changed or how to do things differently.'*

This may explain why two out of three lawyers are planning for growth over the next few years. Although they predict turmoil ahead, they believe it is a problem for *'them, not us'*.



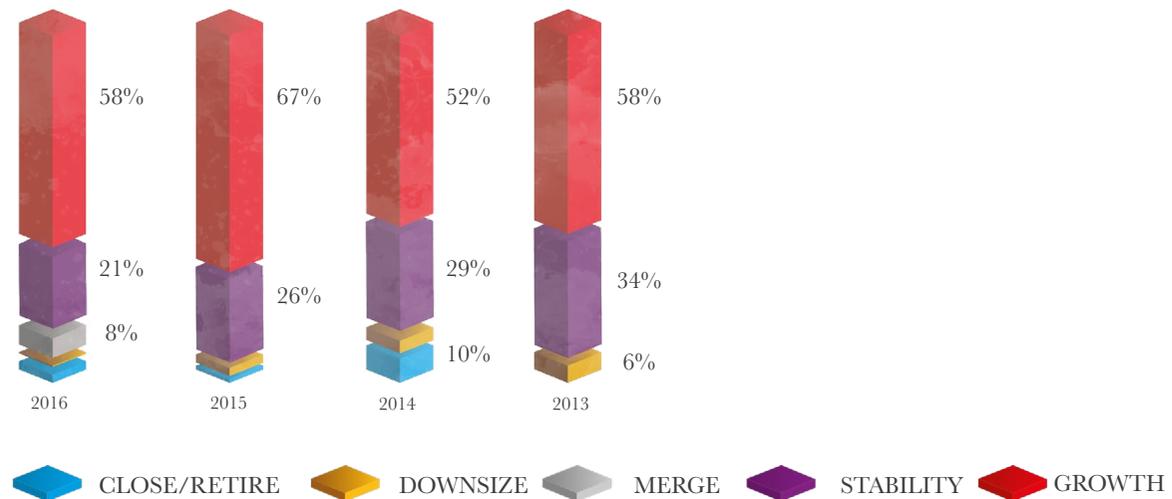
Given the widespread concerns about the future of the legal profession, this seems wildly optimistic. Are lawyers being too complacent? Could it be that having weathered the last recession, they now believe they can handle any difficulties the future might throw at them?

Some firms are clearly justified in their growth projections, given their success over the last few years. Throughout this report, we'll be examining whether these particular firms hold more of a key to assured growth than others (because they have made the right changes, for example, or have a different mindset).

Unsurprisingly, there is a clear correlation between growing firms and the entrepreneurs in our sample – which suggests that thinking outside the legal box may well be a pre-requisite for success in the future.

So thinking ahead for 5 years or so, is the plan for the business to:

Base: all lawyers



Is bigger always better?



While firms struggle to discover the optimal size, most agree that it's safer to specialise.



With growth still on the cards for two thirds of our lawyers, despite renewed worries about the future, it begs the question: is growth always the right strategy?

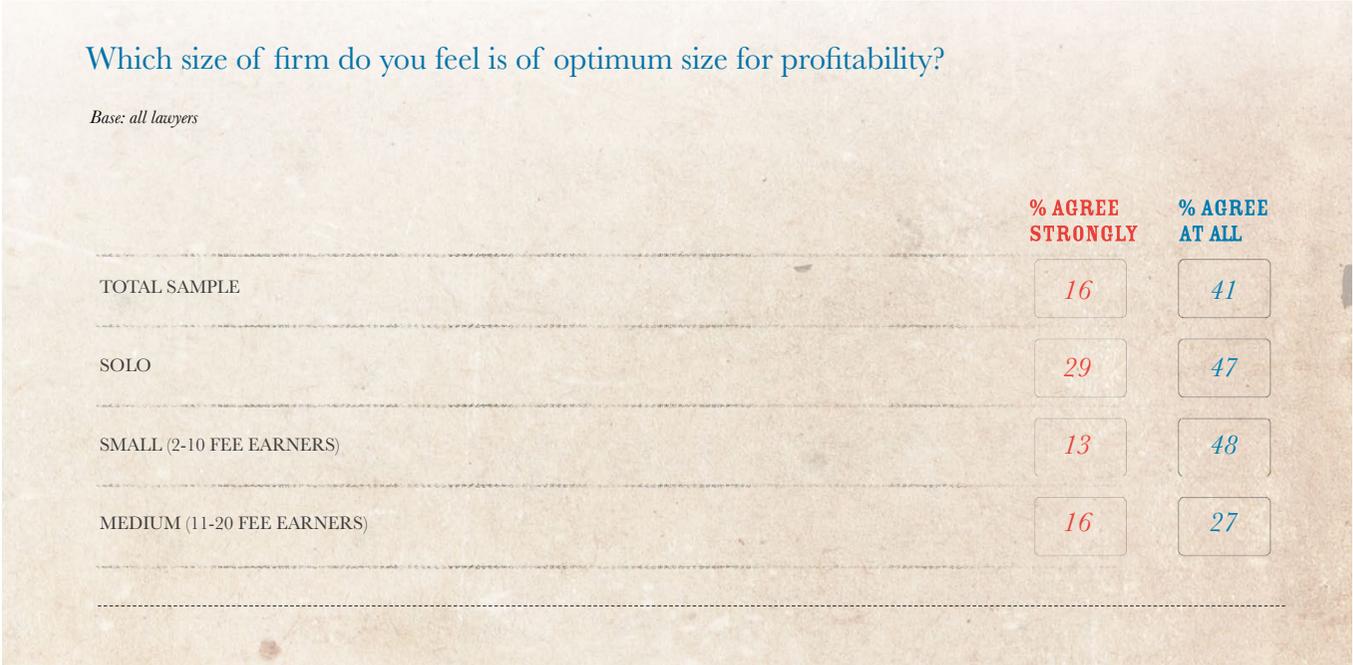
There were mixed views on this in our original in-depth interviews. Some saw the need for growth as almost a foregone conclusion, as one lawyer explained: *'The general perception is that firms will have to widen their client base, lower their risk and get together. I see the future of medium sized firms as probably on the way out. The smaller one is definitely on the way out.'*

Others questioned whether growth was sometimes implemented out of sheer 'vanity' rather than for sound business reasons. They spoke of having witnessed firms which had *'expanded for the sake of it', 'damaging both the firm's reputation and ultimately the bottom line.'*

This prompted us to explore just how vulnerable firms of different sizes were seen to be in our survey. Most tended to think that it was the small firms (i.e. smaller than their own) that were most at risk – especially smaller sized general practices.

However, it was telling that when we asked whether their own firm was 'optimally sized for profitability', it was the larger firms who were the least likely to agree they'd got it right.

Across the sample as a whole, only 41% agreed that their own firm was optimally sized, dropping to 27% among firms with between 11 and 20 fee earners.



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This may well be because decisions about size are more complex for midsize firms. As one lawyer explained: 'I originally started in the middle but have come down smaller. If you are in the middle you are somewhere between a rock and a hard place, do you go up or come down? I think most firms of this size are not sure whether to go bigger or cut back and go smaller!'

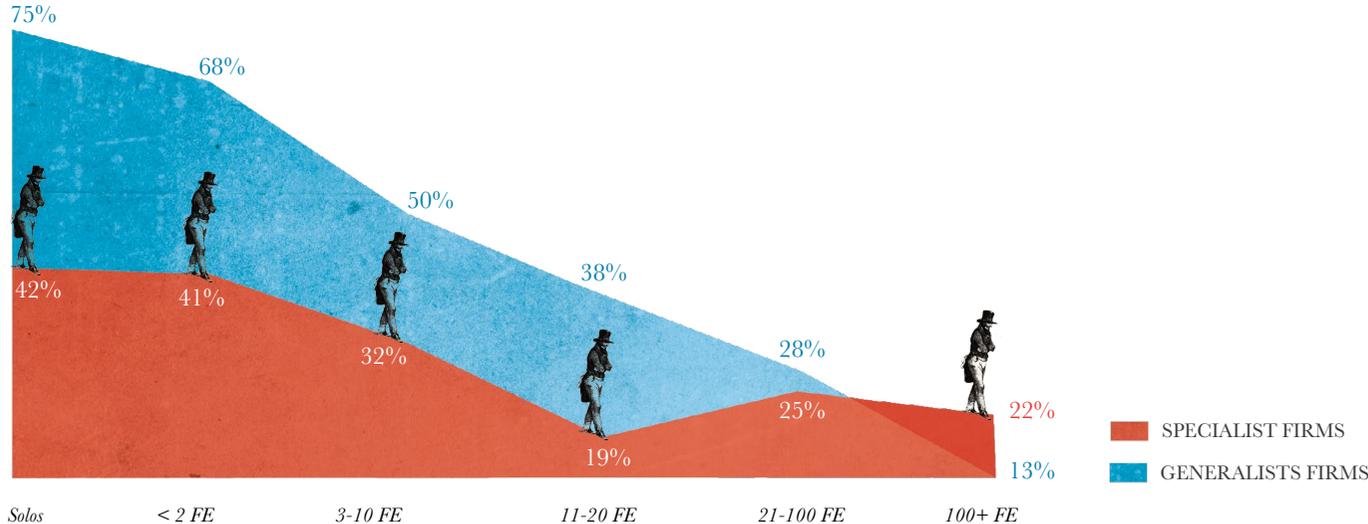
When thinking about growth, law firms need to be both more honest and more analytical about what the effect on their bottom line might be – and whether or not it is the right strategy for their particular firm. This uncertainty about the optimum size suggests that the smaller end of the market will continue to be in a state of flux for some time yet – and that we haven't seen the last of the mergers, acquisitions and closures which have characterised the recent past.

Regardless of size, however, there is a fairly unanimous view (accept among the largest players) that specialists are more secure than generalists – especially if they are working in complex and niche areas of the law, which can't be commoditised (which makes them more able to effectively complete on cost and service level vs larger players).

This begs the question: could specialisation be a viable way of helping to protect the business in the future? It is something every firm needs to consider.

Which of the following sizes and types of firms do you see as being most vulnerable in the future?

Base: all lawyers



“If you’re in the middle, you’re somewhere between a rock and a hard place. Do you go up or come down?”



Words into deeds



What firms say

they're going to do and what they're actually doing are often two different things.

Using CRM for technology is the sixth top priority, but only half have done or are planning to do something about it.

Even if growth per se isn't the answer, now is no time for complacency.

When we began this series of reports in 2013, the new compliance regulations were top of everyone's list of concerns. Four years on, that is still true. But as technology makes major advances, society changes and clients become increasingly more empowered, the rest of that list has changed considerably.

This suggests that increasingly, today's lawyer needs more sophisticated business skills to run a successful practice.

The top 10 challenges/threats to your current business?

Base: all lawyers

	RANK
CONTINUING DEMANDS OF COMPLIANCE REGULATIONS	1
ATTRACTING NEW CLIENTS	2
ATTRACTING AND RETAINING GOOD LAWYERS	3
INCREASED COST CONSCIOUSNESS/MORE SHOPPING AROUND	4
KEEPING UP TO DATE WITH THE CHANGES IN THE LAW	5
KEEPING WORKING PRACTICES UP TO DATE	6
INCREASED DEMAND FOR FIXED FEES	7
INCREASING COMMODITISATION – MORE AREAS BEING HANDLED BY UNQUALIFIED LAWYERS/ONLINE DIY SERVICES	8
BEING ABLE TO SECURE AND RENEW PII COVER	9
CLIENTS INCREASINGLY RELYING ON THE INTERNET FOR LEGAL INFORMATION	10

“85% AGREE THAT CLIENT DEMANDS ARE HAVING AS BIG AN IMPACT ON WORKING PRACTICES AS REGULATIONS.”

YET ONLY

“40% OF FIRMS HAVE TAKEN ON ON MORE STAFF TO MEET THOSE DEMANDS.”



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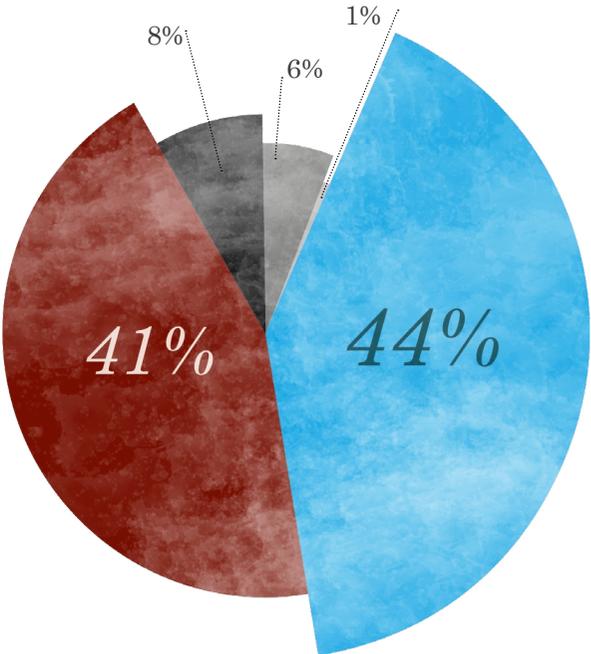
'Compliance' continues to top the list, followed by 'attracting and retaining' both clients and good lawyers. Though there is consistency year on year, when we include

new threats such as 'increased cost consciousness', 'increased demand for fixed fees' and 'increasing commoditisation', these are immediately catapulted

into the top 10 alongside the usual suspects. In fact, according to 85% of the lawyers we asked, the 'Client Effect' has become almost as onerous as keeping up with the SRA's stream of regulations.

How much do you agree or disagree with the following statement made by other lawyers: "Changing client demands are impacting on working practices as much as regulations are."

- AGREE STRONGLY
- AGREE SLIGHTLY
- NO OPINION
- DISAGREE SLIGHTLY
- DISAGREE STRONGLY



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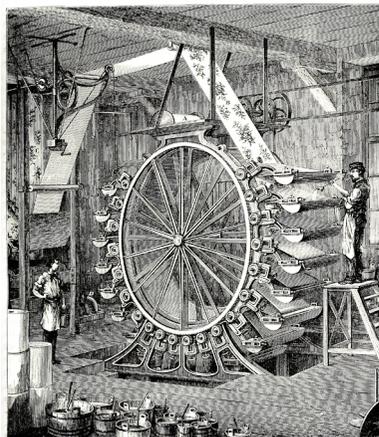
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As one lawyer put it ‘*Client demands for things to be done cheaply is having a dumbing down effect. The problem is that these increasing demands are still growing, and though ‘everyone is competing and trying to do more, it will never be enough’.* This suggests it may be time for law firms to fundamentally review how they conduct their business, focusing on those areas which their clients value the most, and will therefore make the biggest difference to their client’s experience.

“Everyone is competing and trying to do more, it will never be enough”

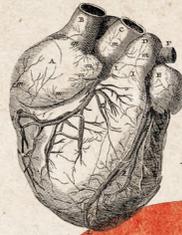
Though all of the above challenges are consistently in the top 10, priorities do vary by size and type of firm. Unsurprisingly, independent lawyers, are finding the ‘need to keep up-to-date’ and ‘securing PII’ more challenging than the larger players – whereas those with over 10 fee earners and generalists are much more worried about ‘increased cost consciousness’ and ‘increasing commoditisation’ of some of the services which they have traditionally offered as bespoke.



In the light of these increased challenges, what do lawyers view as the top priorities when it comes to future-proofing their business? This question covered all the main keystones of the business – the business model, the people and the processes/technology – and the findings show that all of these need to be reviewed when setting the future strategy for the firm.

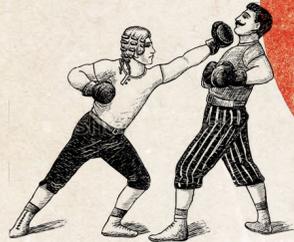


FUTURE PROOFING KEYSTONES



BUSINESS MODEL

**LAW FIRM
OF THE
FUTURE**



PEOPLE/ATTITUDES



PROCESSES/TECHNOLOGY

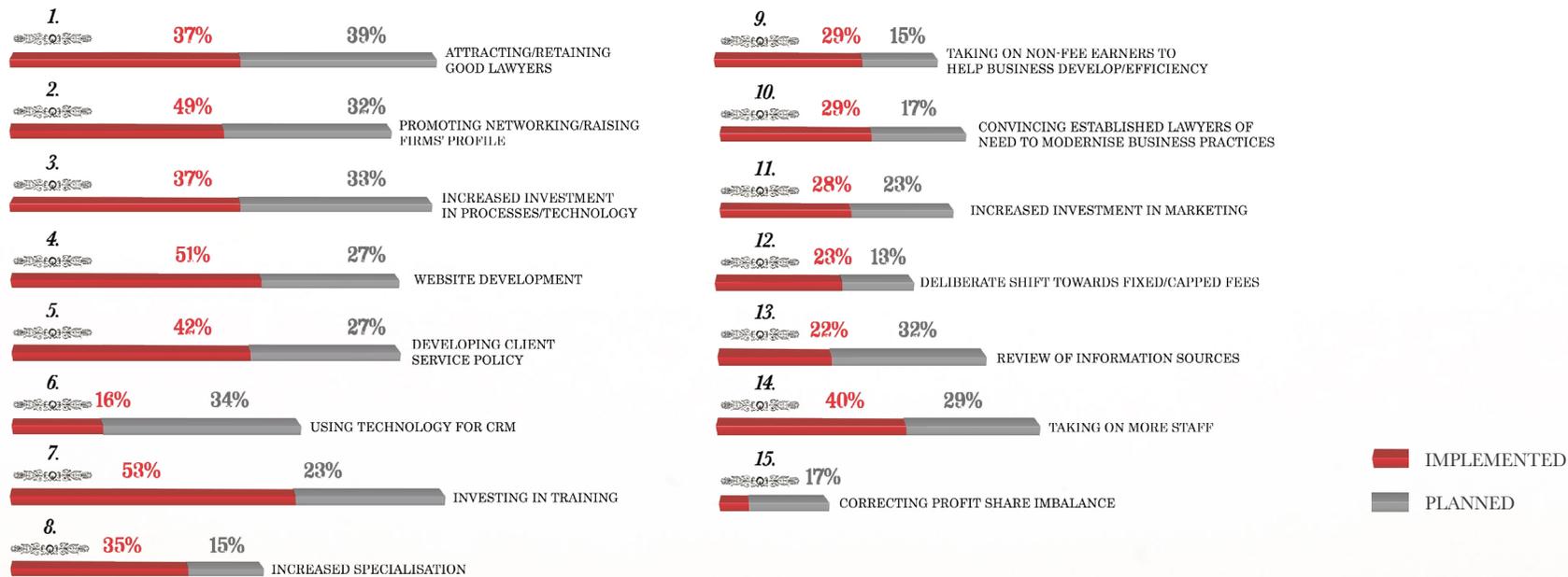
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VI



Changes firms implemented in the last year or plan to implement in the forthcoming year.

Base: all lawyers (112)



‘Attracting and retaining good lawyers’ tops the list of priorities on changes implemented in the last year or plan to implement in the forthcoming year, followed by ‘raising the firm’s profile’ and ‘increased investment in processes/technology’.

Interestingly, all the main technology initiatives sit within the top six priorities, reinforcing the earlier view that ‘increased investment in technology’ is a given these days.

Though the top priorities all make sense, the lower position of some factors does raise a number of questions, as does the mismatch between the challenges and priorities. For example:

- ‘Marketing’ is in 11th place, while ‘promoting networking’ and ‘web development’ sit near the top of the list. This suggests that digital is still seen as the panacea to all ills, rather than part of the broader marketing package. It seems many lawyers still do not fully appreciate the importance of having an integrated marketing strategy in these consumer-driven times.
- ‘A shift towards fixed fees’ lies almost at the bottom of the list, despite widespread concerns about increased cost consciousness (the fourth highest concern for lawyers).

- ‘Using technology for CRM (Customer Relationship Management)’ is in sixth place, just below ‘client service policy’ – yet there’s little evidence to suggest that this is actually happening or that people understand what it entails (based on our in-depth interviews).
- Three technology-based initiatives in the top six priorities, while ‘convincing established lawyers of the need to modernise practices’ is not high up the agenda. As this is widely seen as one of the major barriers to implementation, this suggests that lawyers aren’t tackling the problem at its roots.
- Only one in three say ‘increased specialisation’ is a priority, despite the fact that almost everyone (except the largest players) agrees generalist firms are more vulnerable than specialist ones.
- ‘Taking on non-fee earners to help develop business/increase efficiency’ is also quite low down the list, even though a number of the key challenges faced by lawyers lie outside their comfort zone.

The underlying conclusion seems to be that many lawyers are still reluctant to think with their business hats on, versus their traditional ‘lawyer logic’, to tackle some of the fundamental challenges within the profession (despite the fact that clients and technology have moved so far and continue to evolve rapidly). This view is underlined when you look at what changes have been implemented or planned. On the face of it, we would expect these to follow a similar order as the priorities and challenges. To some extent they do, but with some notable exceptions: the very low implementation of a ‘CRM system’, a low level of tackling the ‘fixed/capped fees’ issue, and a focus on ‘training/growing staffing levels’.

Though there has been ‘investment in processes/technology to increase efficiency’, less than a third have taken on non-fee earners to help in this area. Only one in three have addressed the issue of ‘increased specialisation’, despite widespread concerns about the future of the small, generalist sector. And once again, there’s a disconnect between ‘marketing’ and ‘raising the firm’s profile/web development’.



These anomalies suggest that firms are focusing on quick wins, potentially with little in-depth knowledge, rather than fundamentally reappraising which core areas will directly address their key challenges. It is also worrying that compared to last year, more changes are in the pipeline than have already been made. This somewhat contradicts the belief, expressed earlier, that ‘ongoing change is the new reality’.

On a positive note, it is encouraging to see that the firms reporting recent growth are much more likely to have actually implemented changes rather than relegating them to the back burner (an average of 6.3 changes vs. 4 for firms reporting stability).

It’s also worth noting that these firms are more likely to have tackled the more fundamental issues, namely ‘increased specialisation’ and ‘taking on non-fee earners’.

**“ON AVERAGE
GROWING FIRMS
HAVE IMPLEMENTED
6.3 CHANGES.”**

VS

**“4 CHANGES
BY FIRMS
REPORTING
STABILITY”**

Who is most active on change?

AVERAGE NUMBER OF CHANGES (OUT OF 14)	IMPLEMENTED
ALL	4.9
GROWING	6.3
STABLE	4.0
GENERALIST	4.1
SPECIALIST	5.6
ENTREPRENEURS	5.7
NON-ENTREPRENEURS	3.7
OPTIMALLY SIZED FOR PROFIT	6.3
NOT OPTIMALLY SIZED FOR PROFIT	4.1



Looking beyond the law



Lawyers don't always appreciate they're operating in a service industry.

One of the most striking themes to emerge from our findings is the insular nature of lawyers – whether they are independent lawyers, midsize law firms or sole practitioners.

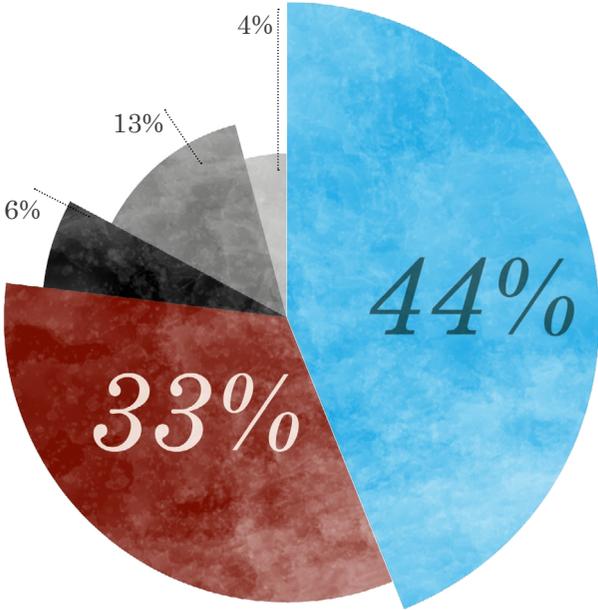
They have a tendency to look within their own profession for answers, without realising that many of the problems they face are common to other professions and industries – especially other service industries.

The problem, as 77% agree, is that 'lawyers don't recognise they are operating in the service industry', so they are unlikely to look outside their own sector for support.

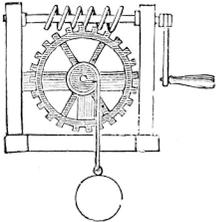
This suggests that the biggest change needs to be a shift in attitude, with lawyers learning to think outside their traditional lawyer's box.

This is hardly news. The media has often noted that accountants and other professionals are 'ahead of lawyers on client service'. Only one in three lawyers agree with this, suggesting an industry-wide self-awareness problem. Here again, the clients we spoke to saw things differently.

How much do you agree or disagree with the following statement made by other lawyers: "Lawyers don't always appreciate that they are operating in a service industry."



"Changing client demands are impacting on working practices as much as regulations are."



- AGREE STRONGLY
- AGREE SLIGHTLY
- NO OPINION
- DISAGREE SLIGHTLY
- DISAGREE STRONGLY



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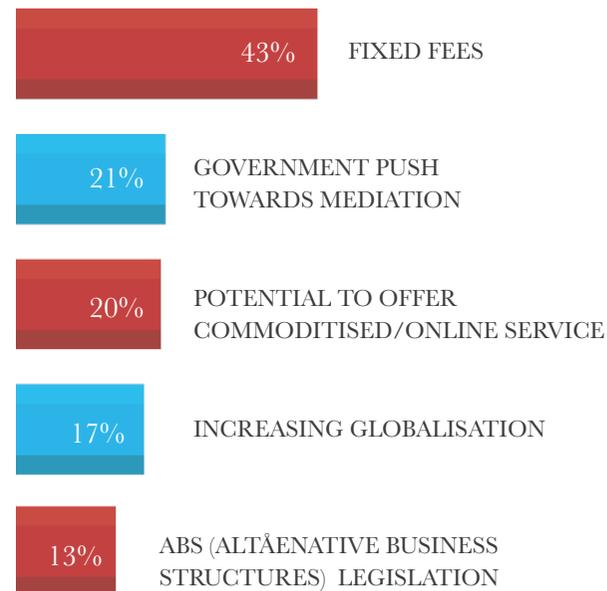
On the whole, they seem to enjoy a closer, more trusting and more mutually respectful relationship with their accountants, who had more of a handle on their business priorities. We asked lawyers to identify whether or not any of the challenges they were facing could, in fact, be seen as opportunities.

Around one in five felt that 'mediation', 'globalisation' and 'commoditisation' could be seen as opportunities – but it was clear that the opportunities afforded by the new 'ABS legislation' barely register on most lawyers' radars.

On the other hand, 43% see fixed fees as a potential opportunity (especially growing firms). Despite this, introducing fixed fees is still ranked low on both the list of future-proofing priorities and changes implemented. This disconnect suggests that some have yet to grasp the full implication of fixed fees, and many law firms are only offering them reluctantly.

Which of the following is an opportunity for your business going forward?

Base: all lawyers



**“43% SEE
FIXED FEES
AS AN OPPORTUNITY.”**

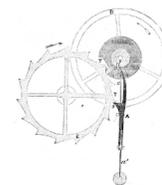
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“We are trying to get away from hourly billing. We have the knowledge now and ought to be able to price check without looking at the clock.”

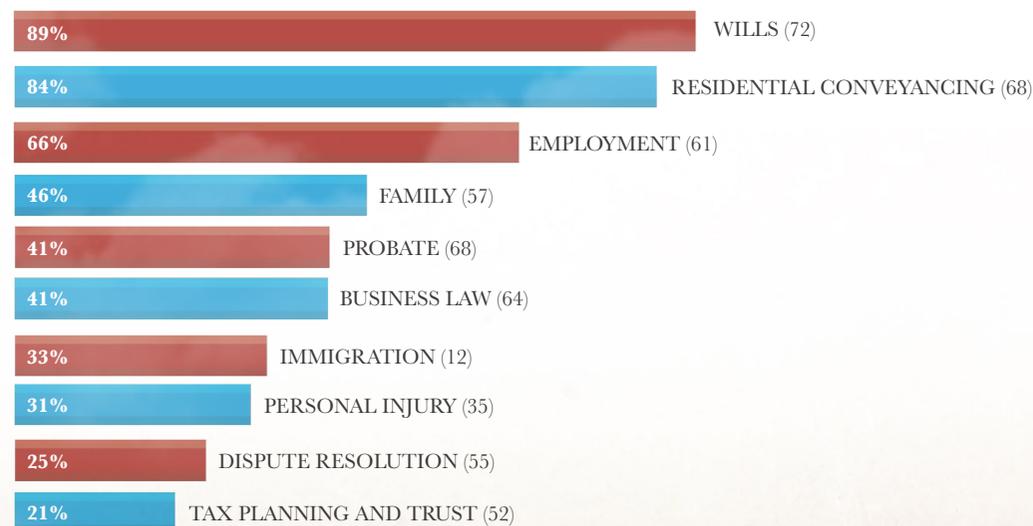
In our in-depth interviews with independent lawyers, we found a more consistently positive and strategic adoption of fixed fees. These firms were ‘streamlining their processes’ in order to offer fixed fees cost-effectively. There was some feeling that the barrier was often more to do with tradition than cost. As one lawyer explained, ‘we are trying to get away from hourly billing. It’s difficult when you’re used to putting the clock on. But that is still prevalent in the way you charge your clients. It’s a default position and you’ll always fall back on that. But we have the knowledge now, and ought to be able to price check without looking at the clock.’

Importantly, fixed fees can also help in cementing a better client relationship from the start, by putting clients at their ease. This can also translate into more word of mouth referrals. According to our findings, clients who were serviced on a fixed fee basis were more likely to recommend the firm to others.

Some of the more entrepreneurially-minded firms are using fixed fees strategically, as a ‘taster’ for more bespoke services. As one lawyer put it, ‘we try and avoid fixed fees on the whole, but we’ll do a fixed fee for a first stage.’

We would tell them what their options are, what the strengths and weaknesses of the case are, how we can help next and the cost. We typically do that on a fixed fee basis. It’s a great way for a new client to dip their toe in the water.’

Does your firm offer fixed fees for any of the following:



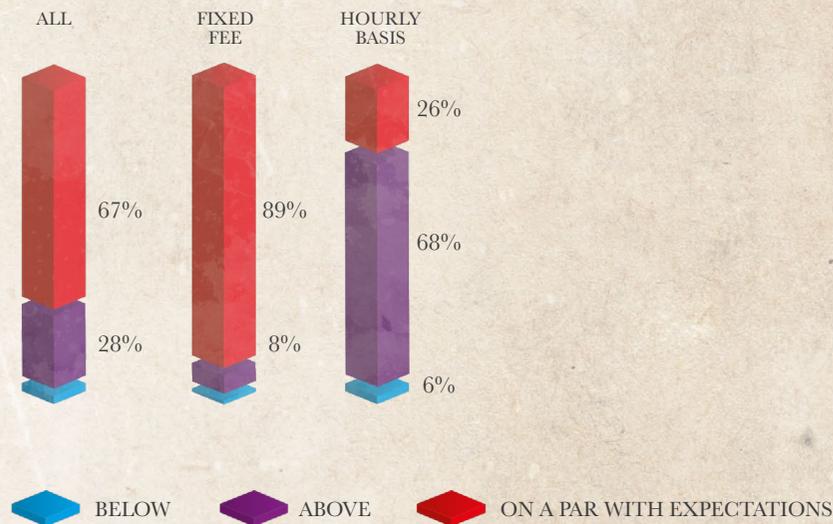
Some law firms are also offering a tiered pricing structure, with different levels of service for different costs: *'We try and provide a service at a level which our clients are willing to pay for. If you only want to pay for a bronze service, I shouldn't give you a golden one. We are focussed on delivering a service as defined by our clients.'*

Instead of simply lowering costs across the board for all clients (by delegating more work to less experienced staff, for example), this approach lets the client choose the level of service they want. In our view, these tiered offers are also more likely to result in greater client satisfaction and repeat business, as they are more transparent and give clients greater control.

However, there seems to be a lack of consensus around what 'fixed fees' actually means. Quite a few firms claim to be offering them on less commoditised/more open-ended areas of the law – and just under 10% of the clients who believed they were on fixed fees actually ended up paying more than they were expecting.

Degree to which Clients' final fee met their expectations?

Base: all clients



Smart technology



Harnessing technology

is now seen as a given – but lawyers are still reticent to use it throughout the business.

One recurring theme running through all of our reports is the growing importance of technology. Everyone agrees it is a ‘must’.

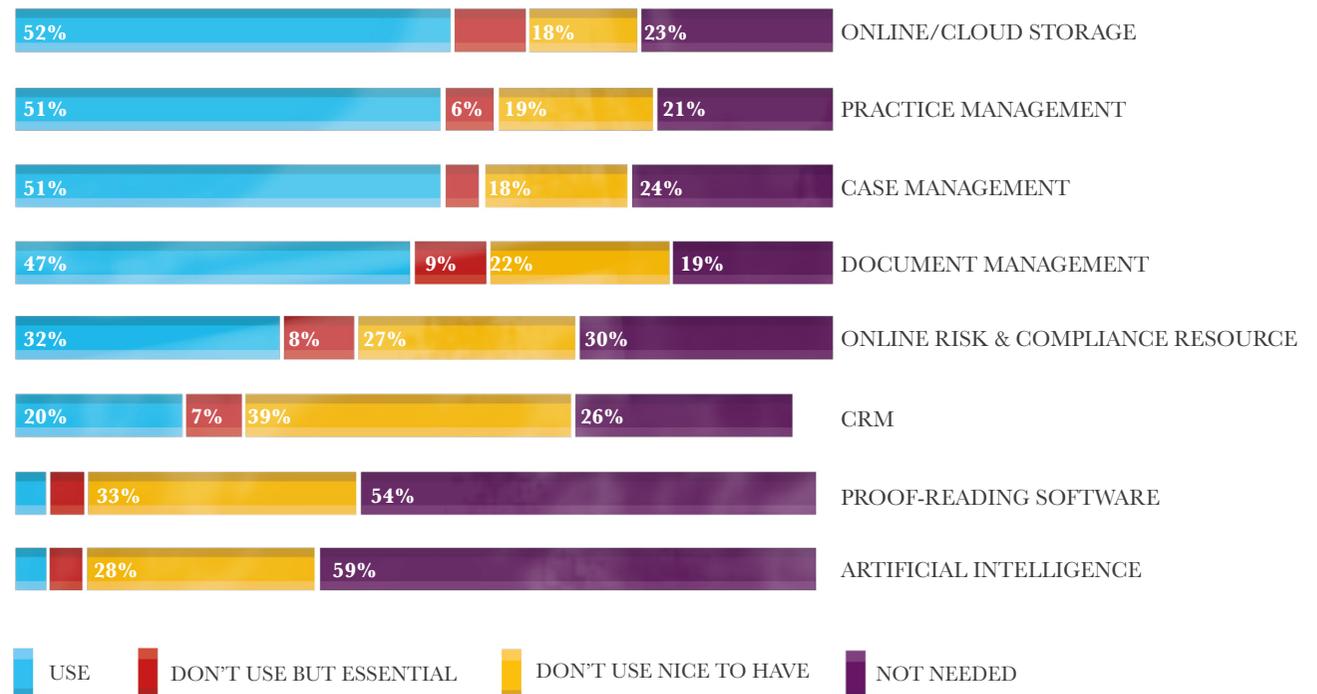
But although the need to invest in technology is seen as a given and technology initiatives are high on the future-proofing agenda, once again there is a gap between priorities and actions – and arguably, a lack of understanding around which forms of technology are likely to make the most impact on the business.

We believe that many law firms still are not using enough of the technologies that drive efficiency of client servicing, even though it's what the market demands: *'I think people in general are putting less value on legal services. You can't get away with charging as much as you used to. A lot of what we do is process-driven and clients are aware of that and making law firms put processes in place to deal with it.'*

This apparent lack of self-awareness is perplexing, especially as the use of technology is so widely accepted as the way forward.

Do you use the following types of technology in your practice. If not, is it essential, not needed or a nice to have?

Base: all lawyers



Although over 80% are using technology for forms and research and guidance, the figures drop to nearer 50% for automated precedents and calculators, checklists and flowcharts, down to around 20% for drafting and proof-reading tools. More widespread use of these technologies would almost certainly speed up the handling of matters, regardless of staffing levels and firm size. It's encouraging to see that bespoke precedents and calculators, checklists and flowcharts, at least, are being used more extensively by the successful firms that are in growth.

In terms of the smooth running of both the practice and individual matters, around half of the firms we interviewed did have practice, case and document management technology. The more worrying statistic is that among those who do not use these types of technology, less than 10% see them as 'essential'. This seems likely to put these law firms on the back foot, when it comes to freeing up lawyers' time to service a growing volume of business.

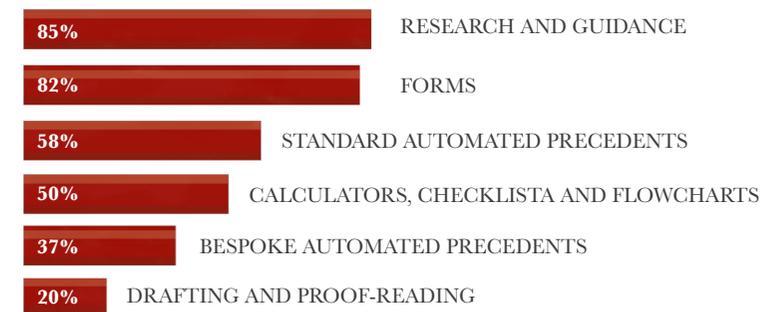
Another disparity is that although 'compliance' remains the number one challenge, less than one in three firms have invested in 'online risk and compliance resources' to help tackle this issue. Using client relationship management (CRM) software is even further down the list, with only one in five claiming to have it – and less than 10% seeing it as a priority.

These figures suggest that there is not simply an investment barrier operating here, but also an unwillingness to accept that practices will need to become more automated to increase efficiency, even if lawyers are working in more specialised branches of the law.

In our view, law firms can no longer afford to think they have embraced technology unless they are using it to address the gap between the level of service their clients expect and the level of service they actually deliver.

“A lot of what we do is process driven and clients are aware of that.”

Technology audit – Which of these do you use for the practice of law?



**“87% OF FIRMS
DON'T SEE THE ADVANTAGES
OF USING
ARTIFICIAL
INTELLIGENCE TOOLS
TO INFORM THEIR DECISIONS.”**



Price vs value

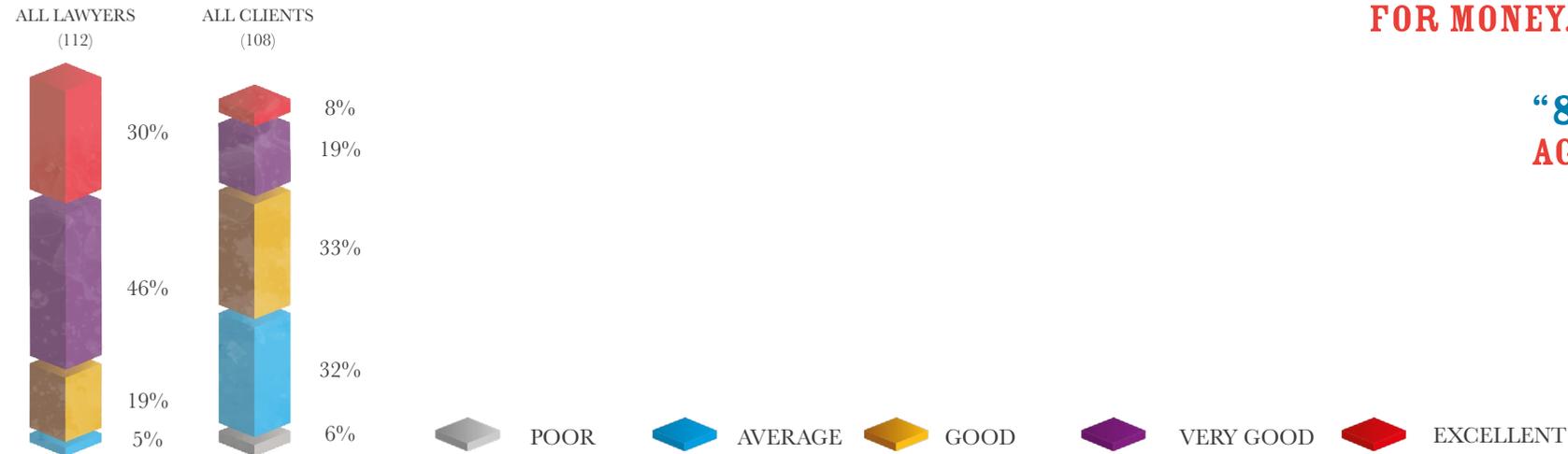


*Many lawyers think
they are offering excellent value – but their clients beg to differ.*

There is a clear, yet crucial, difference between value and price. Clients want value for money: a good service at a fair price – not a cut-rate service at a cut-rate price.

How do you rate the service given/received in terms of value for money?

Base: all lawyers



**“30% OF LAWYERS
THINK THEY OFFER
EXCELLENT VALUE
FOR MONEY.”**

**ONLY
“8% OF CLIENTS
AGREE.”**



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This difference may stem from the fact that the two parties are using different benchmarks to judge value. Lawyers are often comparing their current fees to the fees they charged in earlier, easier times. Clients, on the other hand, are looking at the bigger value shifts that are happening across society as a whole, and expect to see the same

kinds of changes in their legal dealings. For example, in their everyday lives, they are getting Waitrose-standard food from Aldi and Lidl, by cutting out the frills they value less.

They are eating at quality restaurants, on fixed price menus. The list goes on and on, but in each case the client is either

trading off on their own terms, or not trading off at all.

By contrast, the legal profession has always been seen as expensive. And even though lawyers clearly have a specialised skill set, they aren't seen as being any more qualified than other professionals:

“I think law is good value because the degree of complication and technical difficulty and problems which can arise are very challenging. Fees are in place at the moment where clients are getting a really good deal comparative to the amount of training and degree of expertise that is being provided.”



“They don't need more training than any other profession. Obviously they have to get it right, as it is important to you, but I've never felt that's £500 well spent. Even with set fees you end up paying more, a little bit more still sneaks in.”

Lawyers should not be looking back, but rather seeking expertise, learning and inspiration from other service industries. The market will never revert to the glory days, and 'working a lot harder for less money' isn't the exclusive domain of lawyers – it is a fact of life in today's value society. As one lawyer honestly admitted: 'There is a little bit of resentment on my part. I started when guys could sit behind a desk and work would come to them. They made money

hand over fist, so now surely it is my turn. But I am flogging myself to death.'

Lawyers need to understand what constitutes value in the eyes of the client, in order to focus their efforts more effectively on the right priorities. From the list we gave them, our client sample identified almost every criterion as either 'top priority' or 'very important'. And when we look closely at what clients are asking for,

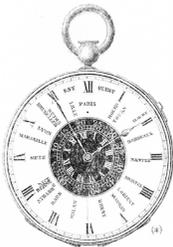
their demands are by no means unreasonable.

Topping the list is 'clear understanding of my individual needs', followed by 'efficient' and 'keeping to a timetable'. Transparent costs and communication are also key priorities – they want regular contact and easy access, in line with last years' findings. 'Good customer service', 'value' and 'plain speaking' all play an important part as well. Tellingly, 'lower price' comes bottom of the list, underlining that value and price are indeed two different things.



Just as lawyers and clients define value differently, they also differ in their top priorities. Lawyers rank 'clear indication of costs/works to a fixed fee' in top position, well ahead of clients – and 'efficiency' and 'keeping to a timetable' much lower than their clients. Lawyers also rank 'customer service' ahead of clients, perhaps not appreciating that the key components of customer service – efficiency and timekeeping – are much more important to the customer.

It seems to us that the increased cost-consciousness among clients may have clouded the underlying issue of value among lawyers. Lawyers seem to assume that their clients should be more satisfied these days, as they are charging less. In reality, clients feel that legal fees were overpriced to begin with – and that today's lower costs should not necessarily come with any trade-offs.



“Topping the list is ‘clear understanding of my individual needs’, followed by ‘efficient’ and ‘keeping to a timetable.’”

What do clients value the most when dealing with lawyers?

LAWYER PERCEPTIONS(112)

1. PROVIDES CLEAR INDICATION OF COSTS/FIXED FEE
2. CLEAR UNDERSTANDING OF MY PARTICULAR NEEDS
3. PROVIDES GOOD CUSTOMER SERVICE
4. EASY TO GET IN TOUCH WITH
5. KEEPS ME INFORMED ALONG THE WAY
6. KEEPS TO TIMETABLE/ AVOIDS CASE DRAGGING ON
7. MAKES ME FEEL VALUED AS CLIENT
8. SPEAKS PLAINLY/ NOT TOO MUCH JARGON
9. EFFICIENT
10. VALUE FOR MONEY
11. DELIVERS ADDED VALUE
12. DOESN'T OVER COMPLICATE
13. CHOICE OF PRICING/SERVICE LEVELS
14. LOWER PRICES THAN OTHERS

CLIENT PRIORITIES(108)

1. CLEAR UNDERSTANDING OF MY PARTICULAR NEEDS
2. EFFICIENT
3. KEEPS TO TIMETABLE/ AVOIDS CASE DRAGGING ON
4. KEEPS ME INFORMED ALONG THE WAY
5. PROVIDES CLEAR INDICATION OF COSTS/FIXED FEE
6. EASY TO GET IN TOUCH WITH
7. PROVIDES GOOD CUSTOMER SERVICE
8. VALUE FOR MONEY
9. DOESN'T OVER COMPLICATE
10. SPEAKS PLAINLY/ NOT TOO MUCH JARGON
11. MAKES ME FEEL VALUED AS CLIENT
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Seeing what they want to see



All too often

lawyers mistake their clients' apathy for loyalty.

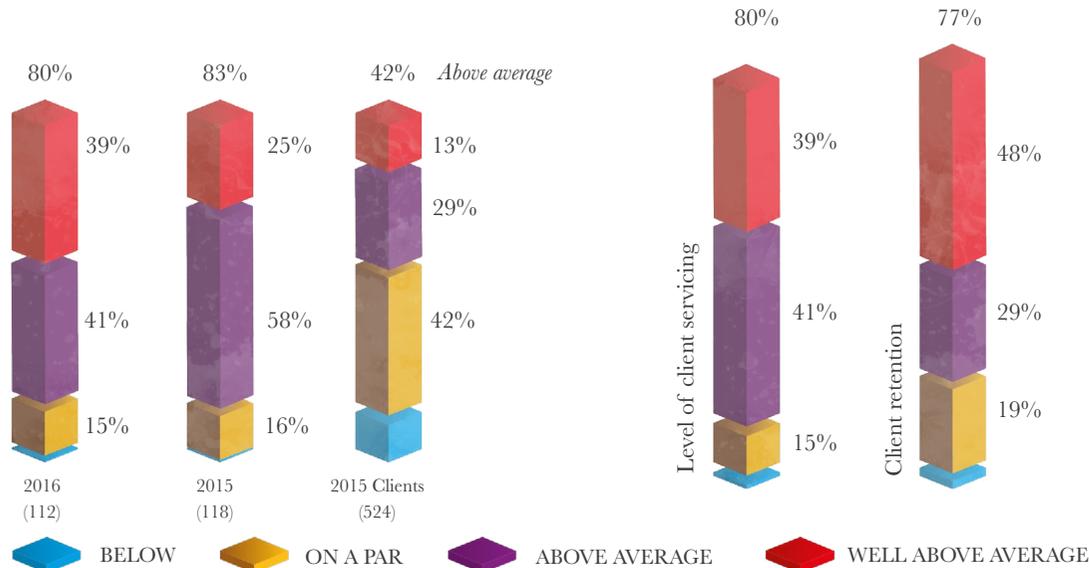
Nowhere is the difference in mindset between lawyer and client more acute than when we look at actual delivery.

Last year, we saw a major disconnect between lawyers and clients on perceived service levels. This year, lawyers are rating their own service even higher. Is this because they have lowered their charges, so they assume their clients

must be happier? Or, as so many firms describe themselves as having high client retention, could it be that they are misreading their clients' inertia for loyalty?

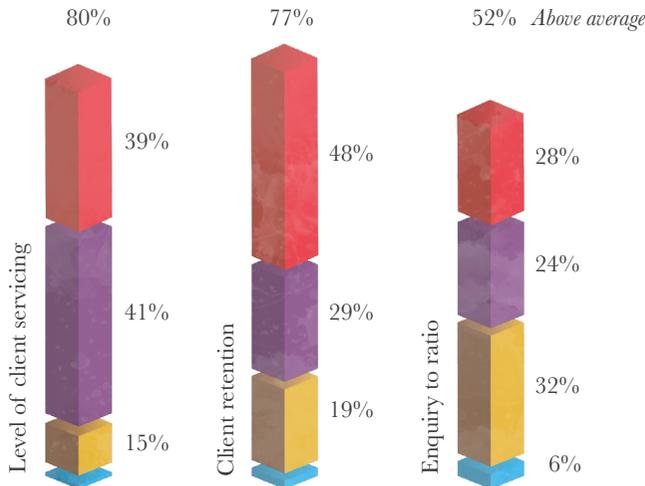
The perceived level of client servicing.

Base: all lawyers



How well do you feel your firm performs on client service, retention and enquiry to conversation ratio?

Base: all lawyers



“You go to 20 solicitors and they’ll give you service in exactly the same way.”

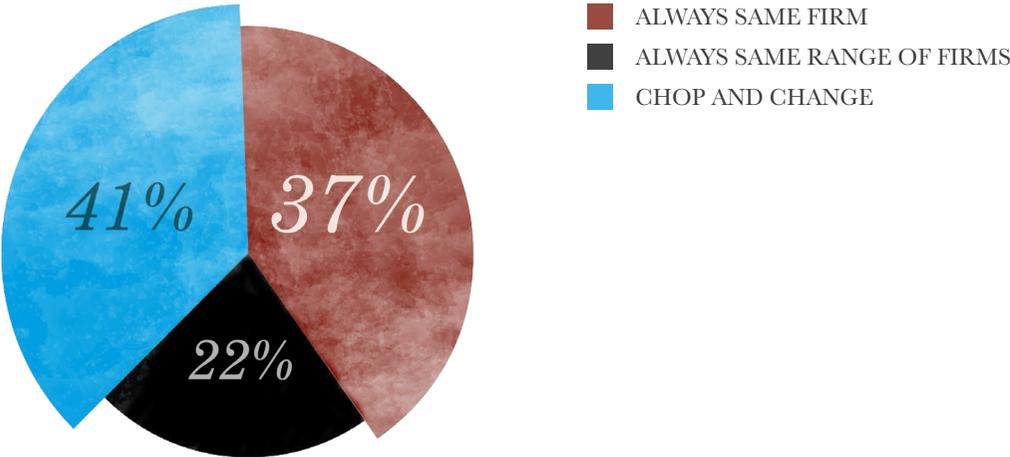


Loyalty is not always an active choice. Often, it's a kind of inertia, born out of a suspicion that there isn't much to choose from, between one law firm and another. The fact that 59% of our clients said they always use the same firm or same range of firms tends to back this up.

“63% OF CLIENTS SAY THEY ALWAYS USE THE SAME FIRM OR SAME RANGE OF FIRMS.”

Client behaviour - loyalty vs promiscuity.

Base: all clients



Clients Vs Lawyers: How well do lawyers deliver 'very well' against each of the following:

Base: all clients

	CLIENTS %	LAWYERS %	PT DIFF %
CLEAR UNDERSTANDING OF NEEDS	32	56	+24
EFFICIENT	23	38	+15
KEEPS TIMETABLE	22	21	-1
KEEPS ME INFORMED	29	48	+19
CLEAR INDICATION COST/FIXED	32	49	+17
EASY TO GET IN TOUCH WITH	31	55	+24
GOOD CUSTOMER SERVICE	30	51	+21
VALUE	19	46	+27
DOESN'T OVER COMPLICATE	31	50	+19
SPEAKS PLAINLY	31	55	+24
FEELS VALUED	25	50	+25
CHOICE OF PRICING	19	19	=
ADDED VALUE	19	43	+24
LOWER PRICE	16	10	-6
AVERAGE	23	42	+19

The net result is a clear gap between lawyers and clients on many of the key criteria clients see as important. Lawyers are almost twice as likely to feel they perform 'very well' in each area vs clients (whose average 'very well' score is only 23%).

This suggests the need for a strong dose of humility, alongside rigorous internal analysis, if law firms are to survive in a client-driven market. Interestingly, there was little difference in satisfaction between private and commercial dealings, so there does not appear to be a bias towards private matters.

Clients generally feel that they use lawyers because they *have to* rather than because they *want to*, so anything lawyers can do to improve the experience is worth pursuing.



When one in three clients describe themselves as 'frustrated during the process' and only 44% say they feel 'understood', that doesn't bode well for their long-term loyalty – especially as more astute competitors start upping their game.

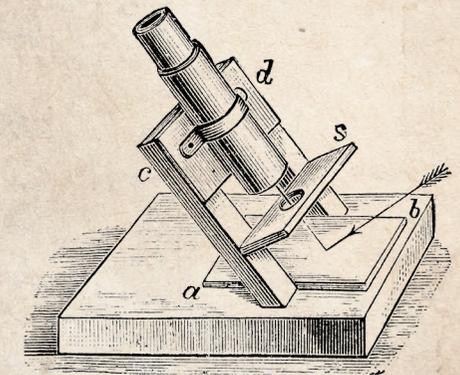
In this context, it is encouraging to see that the growing firms tend to rate their service delivery higher on a number of factors which matter more to clients, such as 'efficiency' and 'ease of access'. They are also more likely to be delivering a range of service levels/fee structures, which we believe will ultimately translate into greater client

satisfaction – and may explain why they are more successful at converting clients, from the outset.

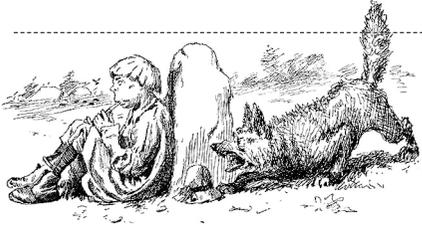
It also suggests that rather than looking at their repeat business, law firms should be rigorously analysing their conversion track record and addressing any recurring issues to really win their clients' loyalty.

How confident is your firm that you can convert enquires into business?

Base: all clients



Looking forward



Lawyers may be

less confident about the future of their profession than last year — but the vast majority are still positive.

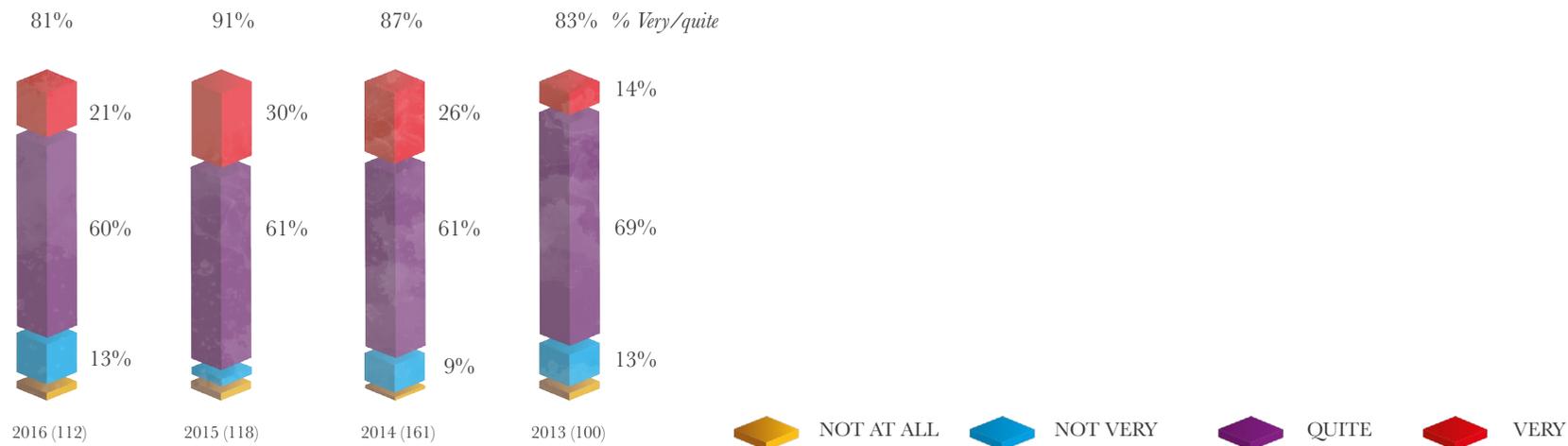
After last year's peak in confidence, we were surprised to see it fall to a new low.

The overall picture is still largely positive. Nevertheless, there is no denying a generally less bullish mood, on all fronts.

At this stage, it is hard to discern whether this is a short term blip, due perhaps to the media focus on Brexit and uncertainty in the global economy – or if this represents a long term change.

How would you describe your level of confidence for the practice looking forward?

Base: all lawyers



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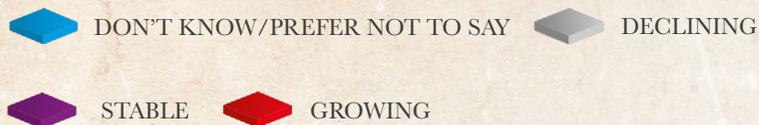
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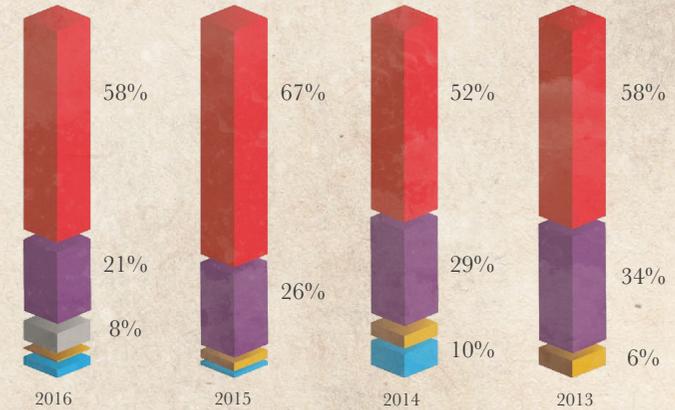
Thinking about the performance of your practice compared to 3-4 years ago, how would you describe business?

Base: all lawyers



So thinking ahead for 5 years or so, is the plan for the business to:

Base: all lawyers



Conclusion

These are challenging times for independent lawyers, midsize law firms and sole practitioners, with clients demanding better value for money and technology progressing by the day.

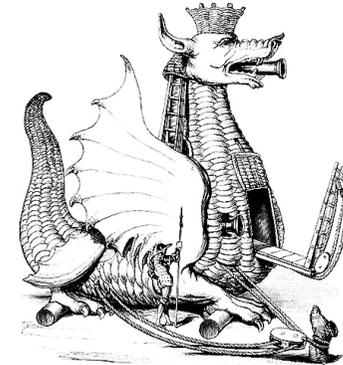
Whether lawyers recognise it or not, their clients increasingly see them as another branch of the professional services – and expect to see the same changes in the legal profession they see happening around them in their everyday lives. Many lawyers are dealing with issues which are outside their training, experience and comfort zones, rather than inviting in non-fee earning experts with the relevant knowledge and skills.

Lawyers also need to appreciate that lowering their prices and offering value for money are not one and the same, especially in the eyes of their clients. Clients value timekeeping and efficiency far more than a low hourly rate.

This disparity between perception and reality is the recurring theme of this year's Bellwether report.

Time and again, we have seen gaps between how lawyers see themselves, how they see one another, and how their clients see them – as well as differences in words and deeds. However, the outlook is far from bleak. Many in the profession not only appreciate the changes occurring within the legal profession and the wider world, they are embracing it and making the necessary changes to meet the growing demands of their ever more demanding clients.

“Time and again we have seen gaps between how lawyers see themselves, how they see one another, and how their clients see them.”



Appendix

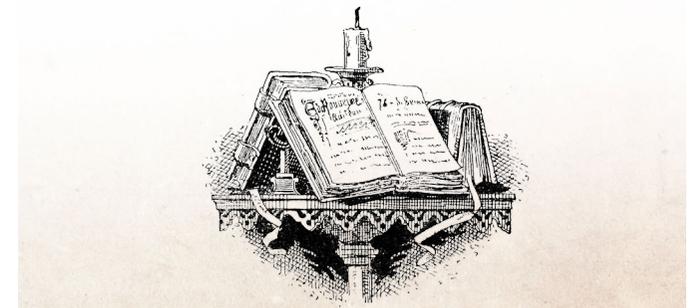
Our methods.

Our legal sample consisted of 10 executive in-depth interviews among lawyers in smaller legal firms, followed by an online survey among 112 lawyers, via the LexisNexis database. Those taking part were mainly decision-makers in firms comprising 2 – 20 fee earners, with a bias to specialist or niche practices. The study was conducted across the UK throughout January and February 2016, and attracted a high level of response from entrepreneurial lawyers.

Our client research was handled in a similar way, across the same period. It encompassed an initial sample of 8 executive in-depth interviews, followed up by an independent online survey amongst 108 clients who had instructed a lawyer in the last year or so. Of these, around 40% had been involved in commercial proceedings, though the majority of the sample also had recent experience in private matters. In socio-economic terms, over 80% of clients were ABC1's.

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About the author



Jon Whittle is Market Development Director at LexisNexis, responsible for the company's offering for the independent legal sector – independent, smaller law firms, and sole practitioners.

With 16 years of experience in research, insight, and business strategy, Jon has been passionate throughout his career about understanding and representing the voice of individuals to big businesses. Jon is currently focused on advocacy and community development for independent legal practitioners.

He produces cutting-edge research, such as the industry leading annual Bellwether report into the changing landscape for independent legal practitioners, and is a key contributor to the Business of Law Blog, an online independent legal community.

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