



A Quiet Revolution – Changing business models for legal services

Introduction

This brief looks at the changes to business structures and business models taking place in the UK legal services market. Some of these, like Legal Disciplinary Practices (LDPs), are a direct provision of the Legal Services Act 2007 which came into force in October 2008.

However, there are others that are responses to increased competition in the sector and new ways of using legal services. Some of these approaches are likely to be better options for smaller law firms, individual solicitors, and groups of firms or solicitors. In particular, the brief will look at virtual law firms, law firm networks, and the growing presence of big national brands in the market.

1. Legal Disciplinary Practices (LDPs)

On 31st March 2009 it became possible for law firms to become LDPs, enabling practices to be operated in partnership with non-lawyers. By October 2009, an estimated 100 firms had become LDPs so interest has been relatively limited so far.

LDPs are seen as the first step towards the full implementation of Alternative Business Structures (ABS), an even more radical change likely to arrive in 2011/2012. ABSs will allow outside investors to take a share in a legal services business. Multidisciplinary practices, providing legal and other services such as accountancy, surveying, health care and so on, are also likely to emerge.

Currently, less than 20% of all law firms can become LDPs – at least 75% of the managers of an LDP must be lawyers so only firms with 3 or more partners are eligible. Of the 10,000-plus law firms in England and Wales, only an estimated 2,000 have 3 or more partners. For ABSs, the likelihood is that there will be no numerical or % restriction on outside ownership. So the ABS structure may be more appealing to smaller firms: for example, we could see a high street law firm join forces with the accountant, insurance broker, and estate agent on the high street to offer a one-stop-shop for services.

2. Virtual Law Firms

For the purpose of this brief, we have separated virtual law firms into two types although these can overlap and often do:

Disbursed firms – this is the term coined by James Knight of Keystone Law and relates to those firms which have largely dispensed with physical premises and work virtually. So, individual lawyers can work from home or a satellite office, overheads are reduced, and staff can achieve a more acceptable work-life balance. There is also the opportunity to reduce fees as overheads are cut. There may be a central site for firm administration but this could be the home address of the person setting up the firm.

There may be a central bricks and mortar site for firm administration while individual solicitors typically adhere to a common company policy and have access to shared IT solutions and software.

These businesses have been around for many years but their numbers have grown significantly in the last few years. This is partly due to the growing pressures placed on high street law firms, and technology improvements which make a virtual practice much more feasible these days:

The exact number of these firms is difficult to calculate but they are growing and here are just a few examples:

Keystone Law (www.keystonelaw.co.uk) 10 different commercial practice areas and 85 solicitors.

Lawbridge (www.lawbridgesolicitors.com) Established in 2008 with a serviced office in Folkestone. Internet-based practice management and case management system allows for virtual working.

SpringLaw (www.springlaw.co.uk) A boutique city law firm which announced in October 2009 that it was expanding across the UK by bringing in “legal consultants” working from their own workspaces.

Woolley & Co (www.family-lawfirm.co.uk) 18 solicitors covering all aspects of family law and spread around England and Wales.

Virtual legal services – our definition of virtual firms relates to those firms offering legal services directly from the Web and selling legal services online. Typically, services offered via the Web often cover basic legal services such as wills and conveyancing. Potential clients coming to a web site can buy legal documents online and begin the legal process themselves for relatively simple legal matters. If and when the specific legal matter becomes more complicated and requires detailed advice from a solicitor then they can be introduced to a legal representative from the site. One advantage for the client is that legal fees are reduced as they are doing some of the basic legal work themselves. For the legal services provider, less time is spent on low-value legal work, services are available 24/7, and the Internet presence can attract new clients.

Here are 2 profiles covering recent developments in the virtual legal services area:

Profile 1 - DirectLaw

Just launched in the UK is DirectLaw (www.directlaw.co.uk) from Epoq Group Ltd. DirectLaw, already with a strong client base in North America, enables a law firm to offer automated legal documents, legal advice, and other online legal services on the Web. By using the DirectLaw platform, any law firm, however small, can become virtual without spending capital resources for developing or licensing complex software applications.

By engaging a client or prospective client on its web site, a law firm can offer pre-defined fixed fee services online which can also be paid for online. There is also the option for the traditional hourly fee arrangement and clients coming to the web site initially can still meet a lawyer face-to-face if this is required. For the drafting of simpler legal documents Direct Law’s Rapidocs, its document automation system, is used on a law firm’s web site.

Profile 2 – Everyman Legal

A recent launch in September 2009 has been Everyman Legal (www.everymanlegal.com) offering selected legal services for personal and business users. Everyman Legal combines a disbursed working model with the online provision of some template documents for clients on a central branded web site. Some of these documents are free while others are priced. For example, a shareholders agreement can be downloaded free while other commercial legal documents are priced.

The brand is currently building up its homeworker network and maintains the emphasis on face-to-face contact supported by strong IT solutions and a web interface. Fixed fees up front are also important. Once the initial development of the homeworker network is completed, Everyman Legal will be looking for what it describes as “entrepreneurial solicitors” who want to run legal shops under the Everyman brand. The ultimate aim – to become a national legal brand with a presence on the high street and on the Web.

3. Law Firm Networks

Law firm networks are groups of independent solicitors and law firms that have come together under an umbrella national brand. One of the oldest networks – Lawnet – has been around since 1989 but others have been formed more recently in the wake of increased competition in the market. Some examples are:

- **Lawnet** (www.lawnet.co.uk) – network of 66 law firms established in 1989. Offers a wide range of marketing options and purchasing discounts for its members.
- **The Legal Alliance** (www.thelegalalliance.co.uk) – formed in 2009 as a network of independent law firms. Two types of members: general practice firms offering a range of services and each has an exclusive area based on postcodes; specialist members offering niche practice areas.
- **Quality Solicitors** (www.qualitysolicitors.com) – Law firms and solicitors pay an annual membership fee to be on the site and when users fill in an online form covering their legal issue, the site matches the user to a solicitor after calling/emailing the user to discuss their needs in more detail.

4. The Big Brands

Many of the initiatives already described are partly a response to growing competition in the legal services market, and the potential threat from national non-legal brands entering the market. Concerns about the big high street brands muscling in on the legal services market are still prevalent although we have yet to see any market-transforming moves by a brand such as Tesco, or Virgin.

Nevertheless, some are already making moves to increase their presence in the market and these include:

- **Halifax Legal Express** - In Summer 2009, Halifax launched the Halifax Legal Express online service (www.halifaxlegalexpress.co.uk) offering “pay-as-you-go” access to legal document production and advice. Visitors to the site can purchase legal documents covering areas such as wills, divorces, power of attorney, prenuptial agreements, consumer complaints and many more legal topics. Then, if they need more detailed legal advice they can be passed to a solicitor. At its launch, the service was working with six law firms – Pannone, Hugh James, Nelsons, Minster Law, Last Cawthra Feather, and Brethertons – but it has now asked its IT provider Epoq to broaden its panel of solicitors.
- **The Cooperative Legal Services** (www.co-operative.coop/legalservices/) – offering free legal advice to members on wills and probate, conveyancing, accidents and injuries, and employment law and detailed legal matters are passed to a lawyer. In Summer 2009, it started a promotional campaign in its stores for its legal services. The campaign ran for 9 weeks and was aimed at its 17 million weekly shoppers, emphasising again the ability of the big high street brands to reach a wide audience quickly.

Summary

The Legal Services Board (LSB), the newly established regulatory body for legal services, is launching a consultation exercise on ABSs at the end of 2009. But these are still some way off – in the meantime we can expect to see more changes in the way legal services are delivered.

FURTHER RESEARCH

IRN Research will be publishing a report into the *UK Legal Services Market* in March 2010. The report will include the results of two pieces of original research:

- a survey of a sample of high street law firms
- a consumer survey of legal services users

As well as survey questions and results included in the report, there are some opportunities for additional questions to be added. If you would like to add a question (s) to either of the above surveys – the question (s) and results would be confidential to you – then please contact David Mort on 0121 635 5210 or email: david.mort@irn-research.com

The report will cover the following areas:

Industry Overview, Market Size & Segmentation
Market Drivers
Key Trends and Issues
PEST Analysis
Competitive Structure
Profiles of Key Players
IRN Consumer Research Results
IRN Law Firm Research Results
Market Forecasts 2010-2011

Published price £350 but available for £300 if ordered in advance from david.mort@irn-research.com

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