

Legal Services Act: what it means for the legal industry

Many law firms are facing new challenges in the wake of the Legal Services Act, which came into force in October 2011.

E-Commerce Law & Policy spoke to Peter Fleming, Business Director Legal Services at Huthwaite International, and Steve Arundale, Head of Professional Sectors and Financial Institutions at the Royal Bank of Scotland in the UK, to have their views on the growth of 'e-lawyering' and the likely changes to the landscape in the provision of high street legal services.

● The introduction of the UK Government's Legal Services Act 2007 ('LSA') is spearheading significant changes in the way legal services are delivered. Described as a 'Big Bang' moment for the legal profession, the upheaval caused by the LSA could be nothing short of seismic with industry experts such as Professor Stephen Mayson predicting that as many as 3,000 high street law firms, or 35% of the total, may have to disappear in the subsequent upheaval. What can you say about this? Do you think many small high street firms - who do not have a sophisticated website - will be affected by this new development?

Peter Fleming and Steve Arundale:

The LSA will clearly have a significant impact. Yet, to blame the projected changes on the legislation would be wrong, as the market for legal services in the high street was always going to change anyway. The reason is clear: in a tough economic environment and a fragmented market with too many providers, the level of client service simply has not kept pace with that of

other providers of goods and services.

The fact that many firms lack an effective interactive website provides a powerful example of this shortfall. Nearly three quarters of businesses recognise the importance of technology in communicating more effectively with clients who are now more computer literate and buying more goods and services online every year. Yet, only one in four law firms have positively addressed this issue.

To create a truly effective, differentiated service does not mean going wholly virtual however. Dealing with the client via the medium of their choice will typically mean providing a blended service, combining an interactive electronic platform for the more administrative or process elements of the relationship, while retaining face-to-face contact where professional advice and consultancy is required.

● The emerging legal landscape poses serious challenges for traditional providers, but also presents a wealth of opportunities for those firms who are willing to make the most of the changes. The impact of the reforms and the implementation of legal technology will allow forward-thinking firms to carve out an increasing share of the market as others succumb to increased market pressures. What can you say about this?

Peter Fleming and Steve Arundale:

The key to success here is for each firm to closely examine its business model and interrogate each aspect of the operation. They should identify what they are good at, where they can make money going forward and adjust their business accordingly. They must also recognise that as part of this, some areas - such as conveyancing - will generally become more

commoditised and less profitable.

At the same time, firms must get closer to and become more interactive with their clients. What is certain is that large new entrants will be leveraging their own client base in this way - they have the budgets and the know-how to do this and it forms part of their everyday way of working. Many law firms by contrast do not have a good enough grasp of who their clients are, their buying patterns and where they are in the buying cycle.

Having said this, there is a great opportunity for those who get it right. Even though the buying landscape may change, the overall market for quality legal services will continue to grow, in the face of increasing legislation and a generally more litigious society. Wherever you look, from commercial to employment to family, the ways in which we interact are becoming more complex, with an associated need for sound legal advice to help both consumers and businesses.

● The LSA has now come into force. This means many well-known names, such as Tesco, can start offering legal services. Do you think many consumers would buy their legal aid online if that would be the best offer?

Peter Fleming and Steve Arundale:

There are two questions here: how much would you trust a new entrant and how much would you trust a new way of purchasing legal services?

The answer to both may be the same. Many purchasers may trust the new provider's brand and make regular online purchases, yet are still likely to be cautious in making high-value and complex personal/family decisions via a highly commoditised and impersonal route to market.

Such consumers are unlikely to

be early adopters, having greater confidence in the more traditional, consultative face-to-face approach. However, 'Generation Y' (those born from the late 1970s to late 1990s) purchasers are less likely to be inhibited in this way and more willing to try new providers and new routes to market.

There are two other issues for high street lawyers who charge out on a universal hourly rate for their services to consider here. First, consumers willing to pay the rate for good quality professional advice will be far less willing to pay the same for form-filling and other administrative work. Once again therefore, a blended approach combining online and face-to-face is likely to be more cost-effective and competitive in giving the consumer what they want.

In addition, the new generation of consumers is now much more sophisticated and better-informed as a result of the internet (though this doesn't necessarily make them better buyers). This puts more pressure on the lawyer, as value depends on providing rather more specialist input and advice than the client could find out on Google.

● **What impact will the LSA have on your clients and/or your business activities?**

Peter Fleming and Steve Arundale:

In a more liberalised and competitive market, law firms need to concentrate as much on running the business as providing legal advice. Issues such as getting the right business model, profitability and developing a forward-looking strategy are all about the business and nothing to do with the law.

In establishing a more commercial approach, many law firms are starting to look at other sectors. The banking industry, for example has undergone significant change in moving from simply offering banking services to

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broader providers of specialist financial expertise.

At the same time, the more forward-looking law firms are also looking for specialist third party advice on improving their client relationship skills. Many firms' technical skills are world-class, yet they have still to fully understand that clients today want a different kind of relationship with their professional advisors.

This means that everyone in the firm has to become client-centric. For many, this will require nothing short of a business transformation, by putting the client at the heart of everything the business does rather than simply representing one part of the business. In radically improving customer relationships, the question to be asked is no longer what does the client want, but how does the client want to be handled.

● **Do you think it is possible to make an accurate analysis of a legal case if information is provided solely online?**

Peter Fleming and Steve Arundale:

To a large degree this is already happening. In a standard conveyancing transaction, for example, 99% of the process is automated and can be completed in just 12 minutes, with a short period of review by an approved person.

Some other areas have a large process element which can be automated, yet in most cases there will continue to be a small but essential degree of specialist personal involvement where there is some complexity to be managed. This will be due to the inherent nature of the legal issue to be resolved therefore rather than the desire of the client.

● **By allowing non-lawyers to own law firms, the LSA exposes high street firms to competition from**

all-comers, especially those with well-established brand presence, superior media exposure, IT capabilities, and existing retail muscle.

1) **What should existing law firms do to keep up - or to keep ahead - of this new competition?**

2) **What do your clients say about this?**

3) **What would you say to newcomers?**

Peter Fleming and Steve Arundale: For any firm, the most important first step is to recognise the critical importance of their existing customer base as an asset of the business.

They must then take all steps to secure it, by re-engaging and re-establishing relationships that may have drifted. As the majority of law firms lack an effective web presence, successful contact by phone or mail can then form the basis of an effective electronic database going forward.

Research has shown that, though 90% of firms recognise that the market will change over the next five years, only 30% have yet done anything to address or respond to this. If they are to survive - let alone thrive - in the face of large newcomers with strong branded presence, an existing high street infrastructure and well-researched offerings, law firms can no longer afford to sit on their hands: standing still is not an option.

There will be opportunities for newcomers into what might be described as the 'traditional' high street legal service provision. These are most likely to be in niche areas, where the provider can evidence a strong specialist expertise and quality service for which clients are prepared to pay a premium. To succeed, they will need to be commercially aware and adopt a more aggressive marketing strategy.

● Many in the industry expect 'e-lawyering' to become the new standard. Many solicitors, for example, offer their services online when buying a home. Surveys have confirmed this view. An analysis conducted by CLT concluded that 'Generation Y' are increasingly accustomed to purchasing and communicating via the internet and future legal service provision would have to be electronic. What can you say about this?

Peter Fleming and Steve Arundale: In B2B transactions, 'e-lawyering' is already starting to become established as the *de facto* standard in dealing with many legal issues.

This will be somewhat slower in the B2C environment. However, such a move is almost inevitable as consumers are increasingly willing to buy services as well as products online and demand access to legal services out-of-hours and via a channel that best suits their fast-paced lifestyle.

This has a clear parallel with the medical profession that is embracing technology to deal with the administrative side of patient relationships, as this is both cheaper and what the public wants. Today, patients can book GP appointments online, confirm them via text message and also get repeat prescriptions via the web. The only thing that requires face-to-face intervention with the doctor is the diagnosis of the patient's ailment - the equivalent of the value-added expertise required in providing legal advice to unravel a complex legal problem.

● What other consequences, changes and impact can be expected from the LSA?

Peter Fleming and Steve Arundale: In competing with potential big-name newcomers, law firms should understand better where their business comes from and consider establishing strategic relationships

with other high street providers in offering the one-stop shop solution many consumers prefer.

A simple example would be that of residential conveyancing, where joining forces with an estate agent, financial services provider, removal firm and other related providers could create a much more competitive, consumer-focused offer.

Firms may also have to revisit their internal operating structures in this more competitive environment, including remuneration and people development practices, and make sure that they always have the right people doing the right work at the right fee level. Again, the LSA is not the cause of such a change, although it may be seen as accelerating the pace at which it must take place in order for high street law firms to remain competitive.

● Is there anything else you would like to address, say, add, share?

Peter Fleming and Steve Arundale: Law firms have traditionally been good at recognising and learning from what the best legal practices are doing. Now is the time to look beyond the immediate competition and see what world class looks like in other sectors. This is especially pressing in the area of customer service provision, as newcomers enter the legal services market post-LSA.

It is also time to take a step back from the business, review costs and efficiencies and take a fresh look at what they do best in the context of the changing market. In other words, take time away from working in the business to work on the business.

In the event of any further questions, Peter Fleming and Steven Arundale can be contacted via James Morton at jamesm@whiteoaks.co.uk

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