

The signs that the legal industry is on the cusp of major change are everywhere: client power is reverberating through the profession; the regulatory and legal environment is uncertain and demanding more attention from solicitors; attracting and retaining business is challenging, especially in light of the swathes of new market entrants every year.

Solicitor confidence nevertheless remains high but, in the face of such industry-wide pressures, could a 'business as usual' attitude actually spell disaster for the future of the law firm in this rapidly-changing marketplace?

INTRODUCTION

The LexisNexis Bellwether reports explore the important trends and issues currently impacting law firms. They deliver groundbreaking market research and provide a major contribution to the discourse on the future of independent law firms. LexisNexis first launched the Bellwether in 2013.



For the inaugural report, we canvassed the opinions of solicitors across the industry to get to grips with what mattered most to independent law firms. We wanted insight into the issues and opportunities affecting their firms and to garner their views on what was likely to happen next. We wanted to understand fully the pressures and confidences that underpinned the solicitor's world.

We learned that, in 2013, the legal profession was marked by a sense of buoyancy and an industry-wide confidence. It seemed, after a sustained period of uncertainty, that growth was on the horizon. Interwoven with this market confidence, however, were three areas of unease: compliance, how to remain current, and how to attract and retain clients. For an industry enjoying new growth, these concerns were logical and indicated that firms were turning their attention to the future. The confidence was bullish and signalled a real appetite for progression.

Fast forward to 2018 and the picture of the profession looks remarkably similar. Our research teams met with over 200 legal professionals this year and it quickly became clear that perceptions within the independent legal market haven't changed much since we began. Our respondents continue to report the same confidence alongside the acknowledgment of the existence of the same challenges. However, despite perceptions about the future holding optimistically steady, the profession has undergone tremendous change in recent years, evolving more quickly than the mindsets of some practitioners.











EXECUTIVE SUMMARY

Thanks to increased competition, the emergence of ABS firms, and rapidly changing client attitudes and behaviours, the legal industry is almost unrecognisable today compared with ten years ago. Despite these seismic changes, only one in five of the respondents we spoke with felt that more significant change would be needed within their firm to keep pace with the world around them. The evolution of the legal marketplace, however, is beginning to outpace those firms making only conservative changes and rewarding those moving with the times.

In the modern, digital, client-driven world solicitors must reassess how they impress. With over 700 new firms opening each year, the profession is becoming more competitive by the day. In a market increasingly informed by the activities of young, energetic firms, do more traditional law firms have the infrastructure, technology, and market know-how to stay afloat?

This year, the Bellwether report 2018 explores how law firms can swap confidence for progress and drive meaningful growth in a client-driven marketplace.

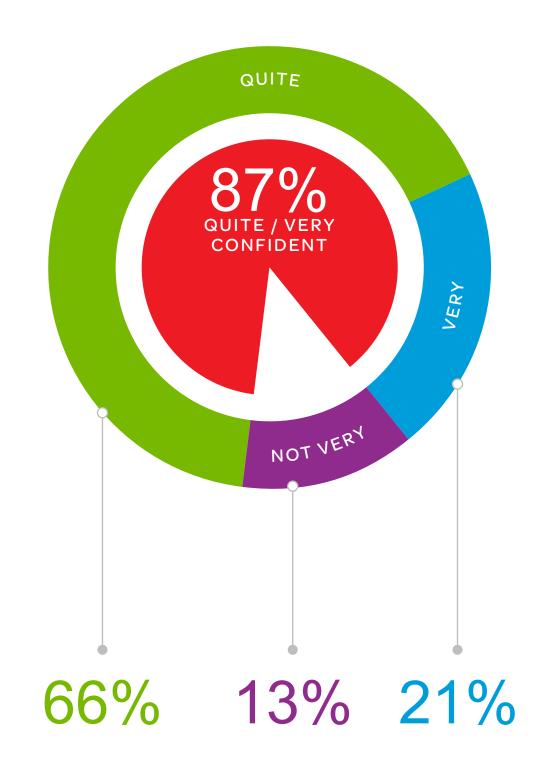
1. INDUSTRY CONFIDENCE

OF SOLICITORS ARE CONFIDENT ABOUT WHAT THE FUTURE WILL BRING FOR THEIR FIRMS AND THEIR AREA OF PRACTICE.

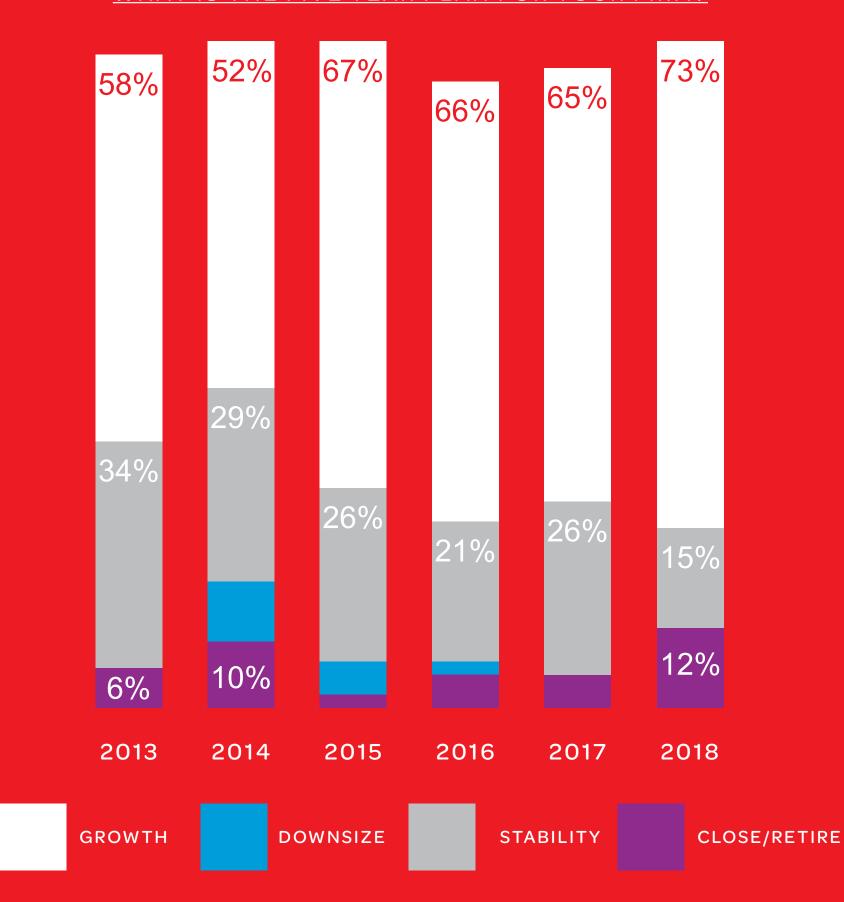


I am very buoyant about my business. It is my intention to scale it up as far as it will go.





WHAT IS THE FIVE YEAR PLAN FOR YOUR FIRM?



When asked about their future plans, almost threequarters of those surveyed cited growth as their primary focus. This isn't anything new. Plans for growth have been on the cards for five years, but only marginal gains have been achieved in that time.

1. INDUSTRY CONFIDENCE

Nevertheless, the legal industry clearly thinks it is going to change.

Of the firms we spoke to, almost **seven** out of 10 said that they are actively embracing change. This is commendable and could serve them well in the future. But intention does not necessarily equal action.

FIRMS ACTIVELY EMBRACE CHANGE.

AGREEMENT LEVELS OF STATEMENTS MADE BY SOLICITORS

The legal landscape is changing at a faster pace than ever

75% I get a real buzz out of practicing law 74%

As a firm we actively embrace change

There are rough times ahead for law firms

69%

68%

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

68%

The law today is becoming more of a job than a profession

64%

I see myself as an entrepreneur

47%

I see myself as a business person more than a lawyer

46%

2. CONFUSING COMPLACENCY FOR CONFIDENCE

With many of the same challenges plaguing the legal industry today as five years ago, is the confidence exhibited by solicitors warranted? Or are they mistaking business as usual for the promise of future success?



MANY OF THE CHALLENGES FACING THE INDUSTRY IN 2013 ARE STILL CONCERNS THIS YEAR. PLANS TO CHANGE AND ADAPT STILL SEEM, FOR MANY, TO BE JUST PLANS.



don't think law is a modern service industry. The law is old and entrenched it is not very good at keeping up in any way, shape or form.

We've been tracking the challenges facing the legal industry for the past five years and it's clear to see that the industry has been experiencing a period of profound flux, with new market entrants and increased clientled cost pressure exerting particular stress on law firms.

Add to that the uncertain regulatory environment, especially in light of Brexit and recent SRA developments, and it will come as no surprise to find that solicitors rank attracting new business, keeping up-to-date with industry changes, and the continuing demands of compliance regulations as the top three challenges facing their businesses – it's been that way since 2013.

SIGNIFICANT CHALLENGES FACING YOUR BUSINESS Continuing demands of compliance regulations 2018 81% 2013 83% Attracting new busines 2018 80% 2013 85% Keeping up to date with industry changes 2018 78% 2013 81% Retaining clients/less client loyalty 2018 76% 2013 56% Keeping up to date with the changes in the law 2018 76% NOT ASKED IN 2013 Keeping working practices/systems up to date 2018 74% 2013 88% Increased cost consciousness/more shopping around 2018 60% NOT ASKED IN 2013 103

BASE

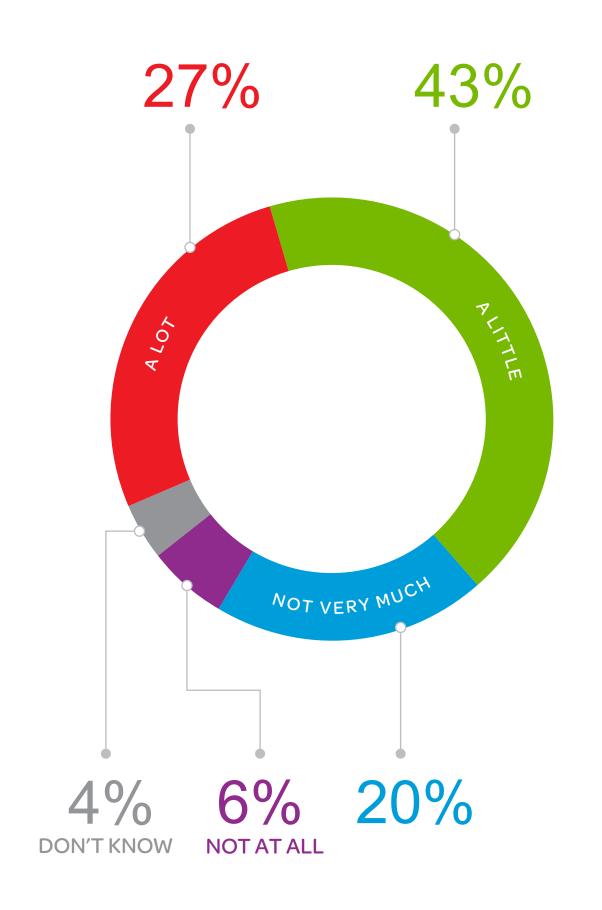
2. CONFUSING COMPLACENCY FOR CONFIDENCE

So are some members of the profession confusing complacency for confidence?

Are some firms mistaking the safety of business as usual for the promise of future success?

After all, while some firms are thriving, many have revealed a sense of inertia. Our respondents indicated that, yearon-year, only small changes were taking place, resulting in the profession making little progress towards adapting to the new client-driven marketplace.

TO WHAT EXTENT IS YOUR FIRM CHANGING TO MEET THE DEMANDS OF **TODAY'S PRICE/CUSTOMER DRIVEN SOCIETY?**



Rather than make significant changes, many businesses are undertaking small-scale development.

Whether this stems from complacency or fear, do law firms appreciate that they risk the market moving on without them if they continue to only take small steps forward?

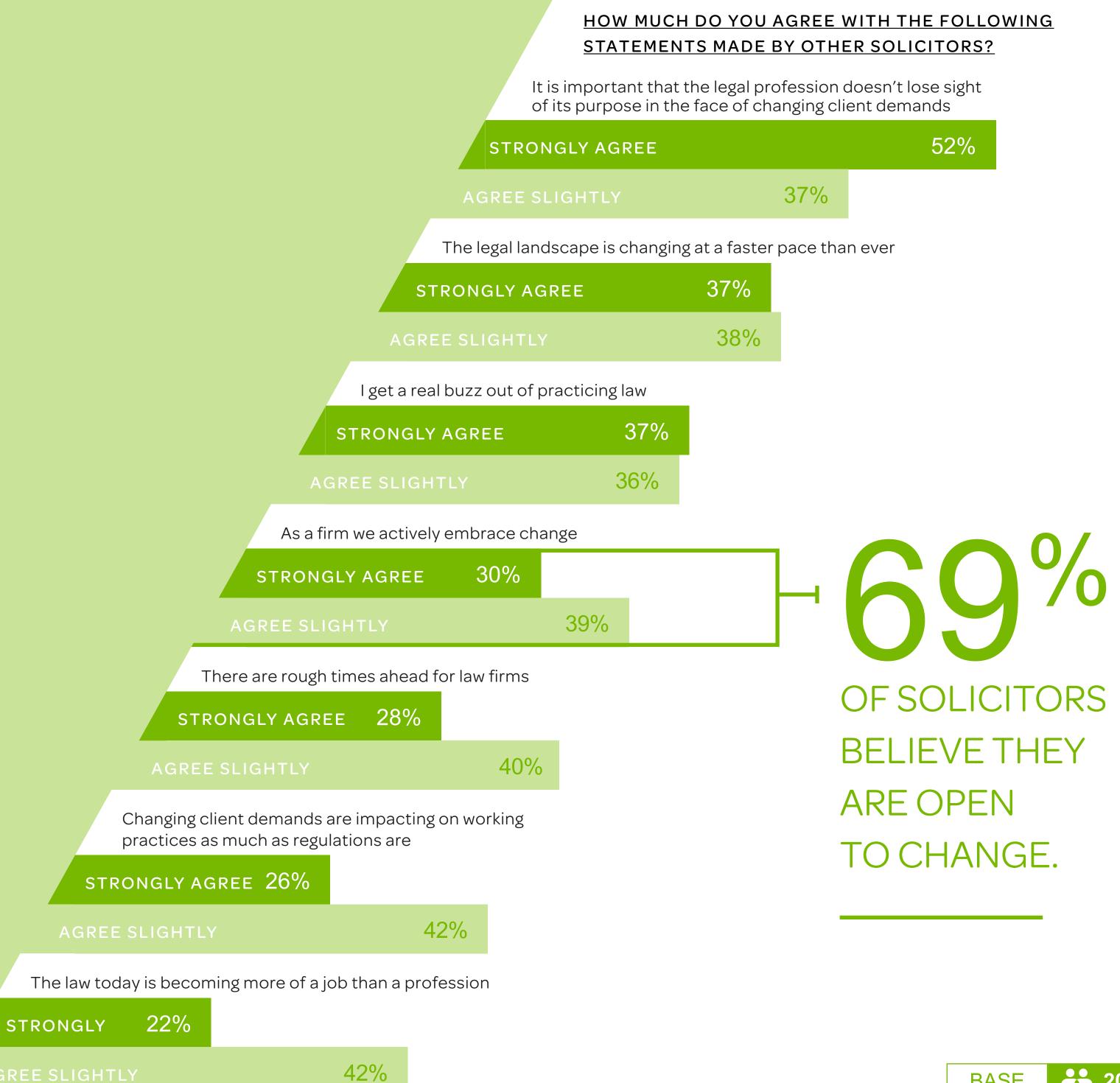


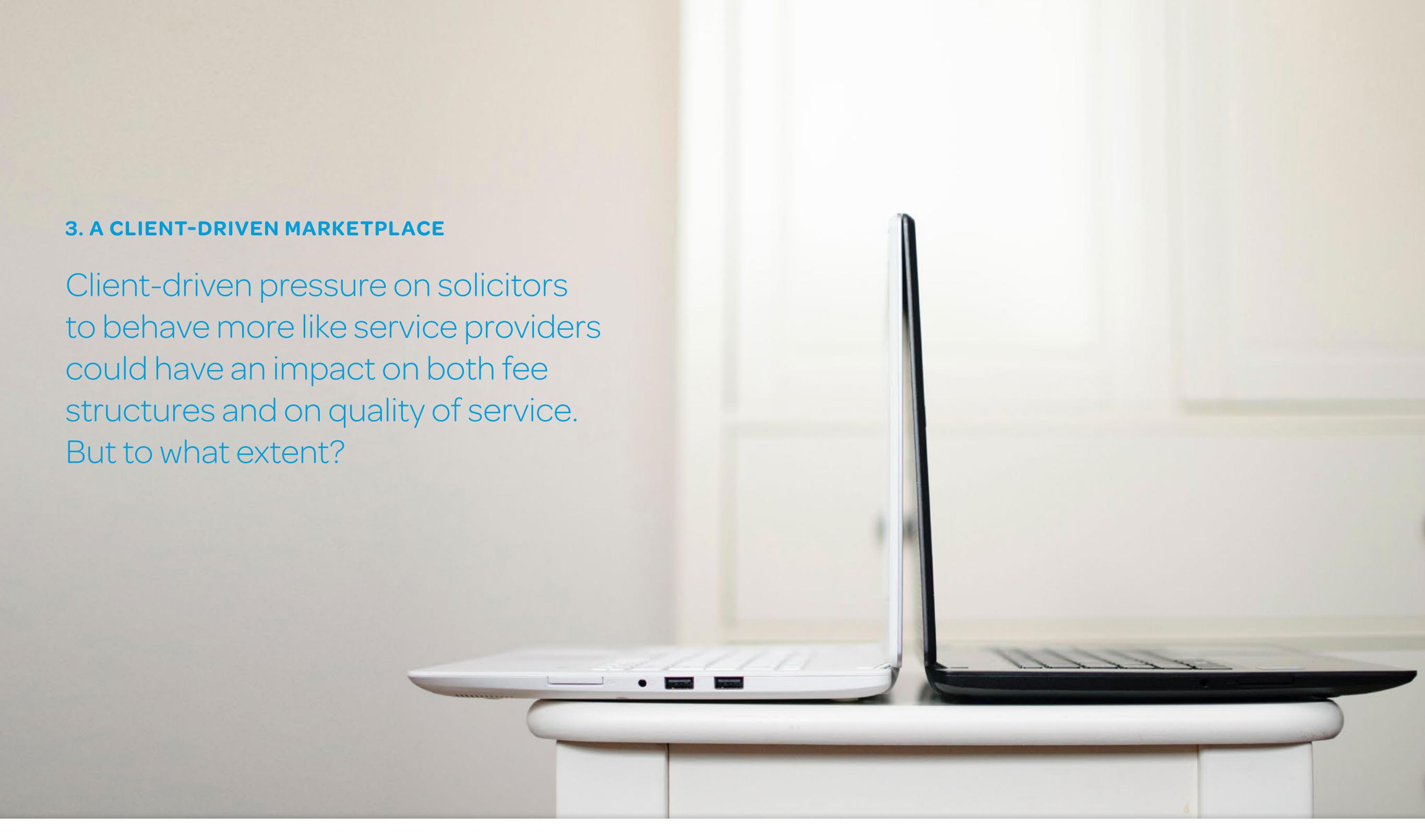
How has your firm reacted to the fast pace of change to the industry in recent years?

Although 69% of solicitors believe that their firms are open to change, many question whether this is sufficient.

We should sit down as a team and discuss strategy to move forward. But I don't think it will happen because the partners aren't those sort of people. - SOLICITOR

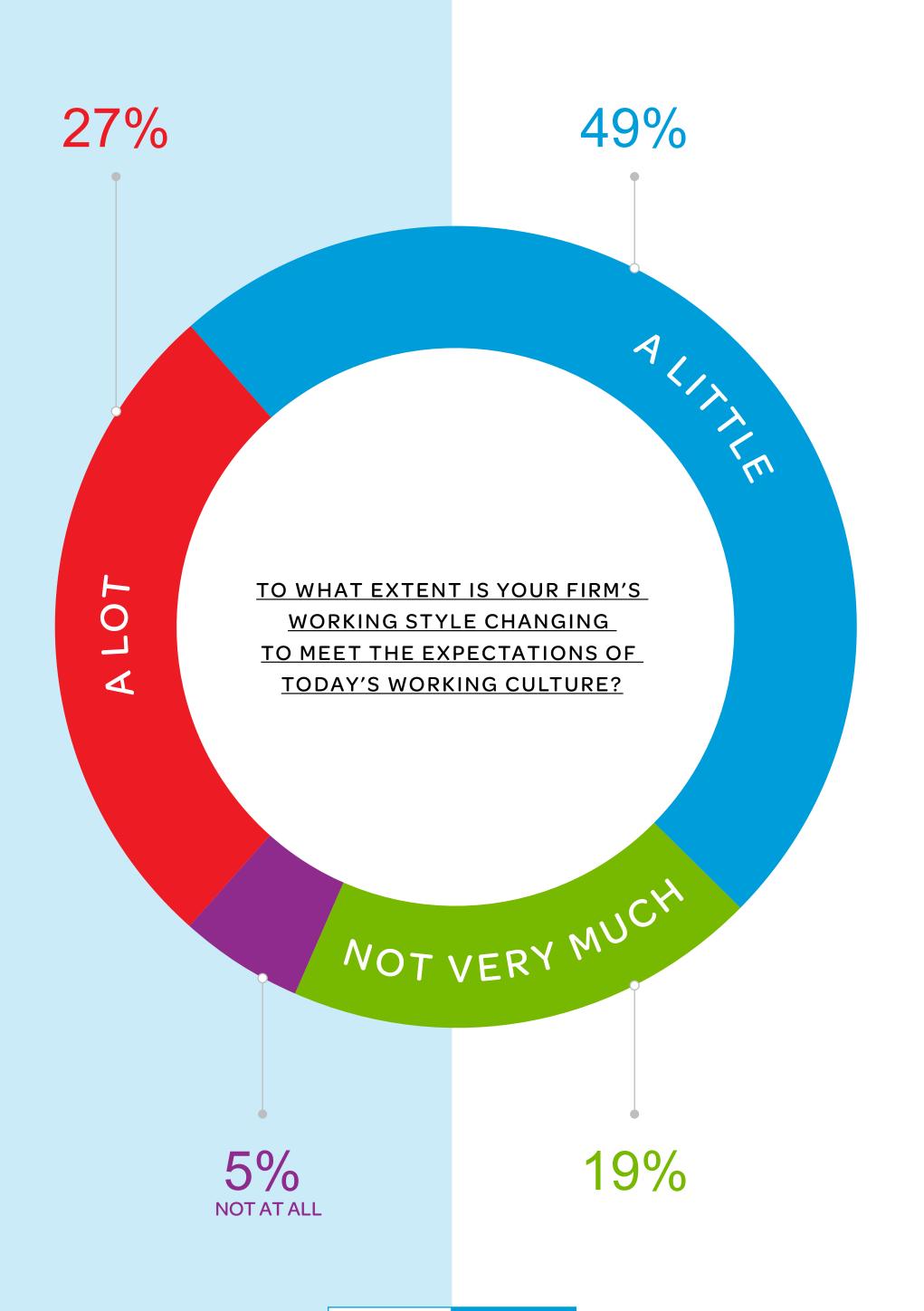
There is the sense that, rather than taking steps to improve business practices, when push comes to shove, many solicitors seem content to rely on the power of their expertise rather than energise and adapt their practices to today's client-driven marketplace.





LAW FIRMS CAN BE SLOW TO RESPOND TO CHANGING CLIENT DEMANDS, PREVENTING THEM FROM RECOGNISING THE SEISMIC CULTURE SHIFTS THAT ARE HAPPENING WITHIN THE INDUSTRY.

Thinking in business terms, clients are customers.



Client power is reverberating throughout the profession.

From price comparison websites and review forums to powerful search tools, clients currently have an unparalleled ability to shop around. Intuitive search tools alongside review websites are changing the way the legal industry does business. Clients have found means of gaining advice on their own terms.

As a direct result, clients are demanding more from their solicitors; namely, that they act more like service providers.

Solicitors bang on about how good they are, but it means nothing. Clients don't care about problems you have sorted out for other people, they just want you to sort theirs.

- SOLICITOR

3. A CLIENT-DRIVEN MARKETPLACE

The value of reputational excellence within the legal industry has decreased, resulting in solicitors being forced to develop other means of persuasion to bring clients through the door. Indeed, when you look at what's going on inside small law firms, as one of our respondents was quick to point out, the pressure on the solicitors themselves has only increased in recent years:

When I first qualified, work used to flow through the door, but those days are gone. We are now expected to go out and get the work on top of our normal working days. It is very wearing.

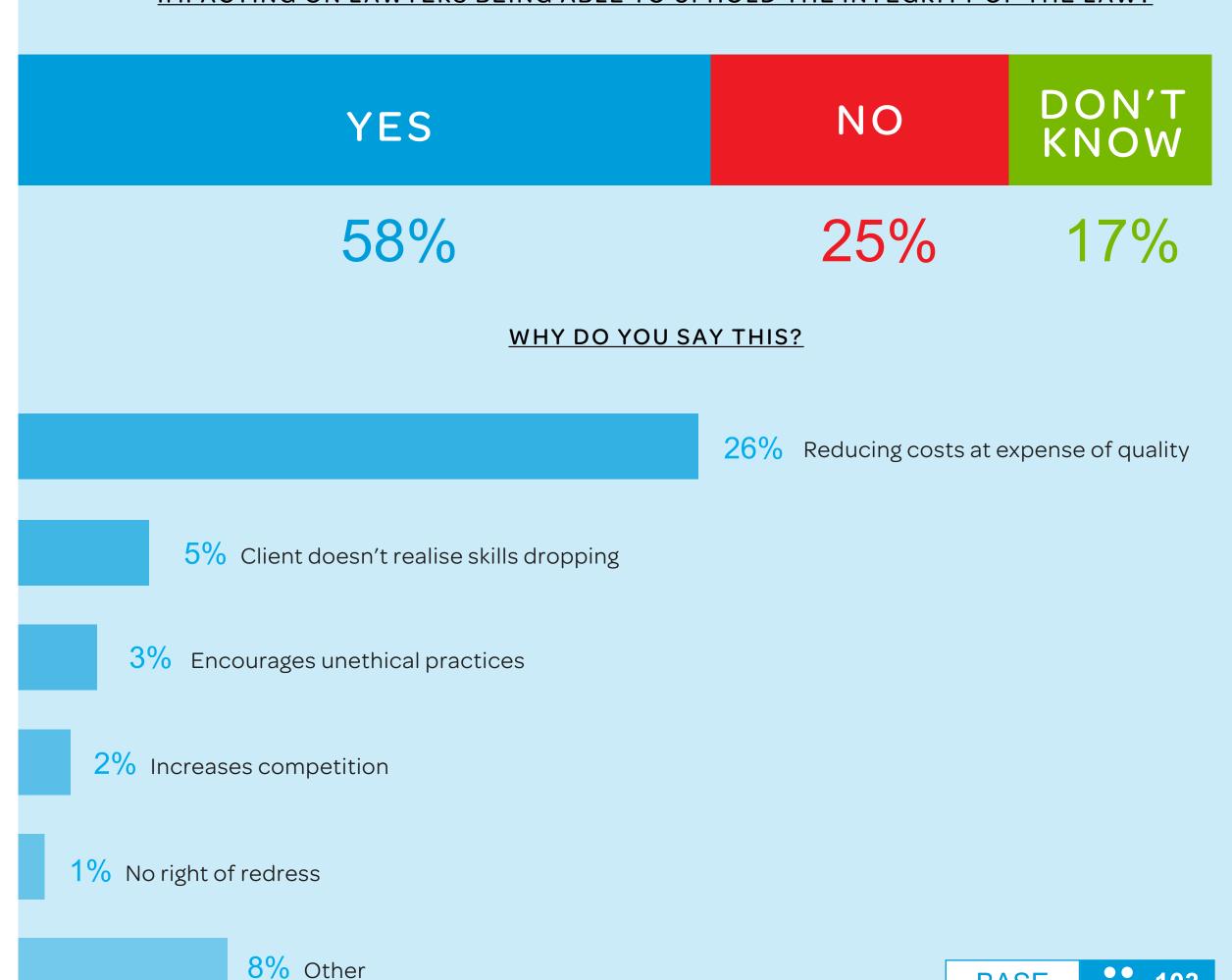
How has your firm responded to the increased pressure to source and retain clients?

Has this drive impacted you?

THE BELLWETHER REPORT 2018 THE CULTURE CLASH

One of the other main issues reported by the respondents we spoke with was the potentially negative impact that this emergent client-power culture could have on fee structures. A quarter of those surveyed expressed concern that it would reduce costs at the expense of quality of service. Many respondents expressed concern that driving down costs will ultimately compromise the profession as a whole.

DO YOU THINK THAT TODAY'S PRICE/CUSTOMER DRIVEN CULTURE IS IMPACTING ON LAWYERS BEING ABLE TO UPHOLD THE INTEGRITY OF THE LAW?

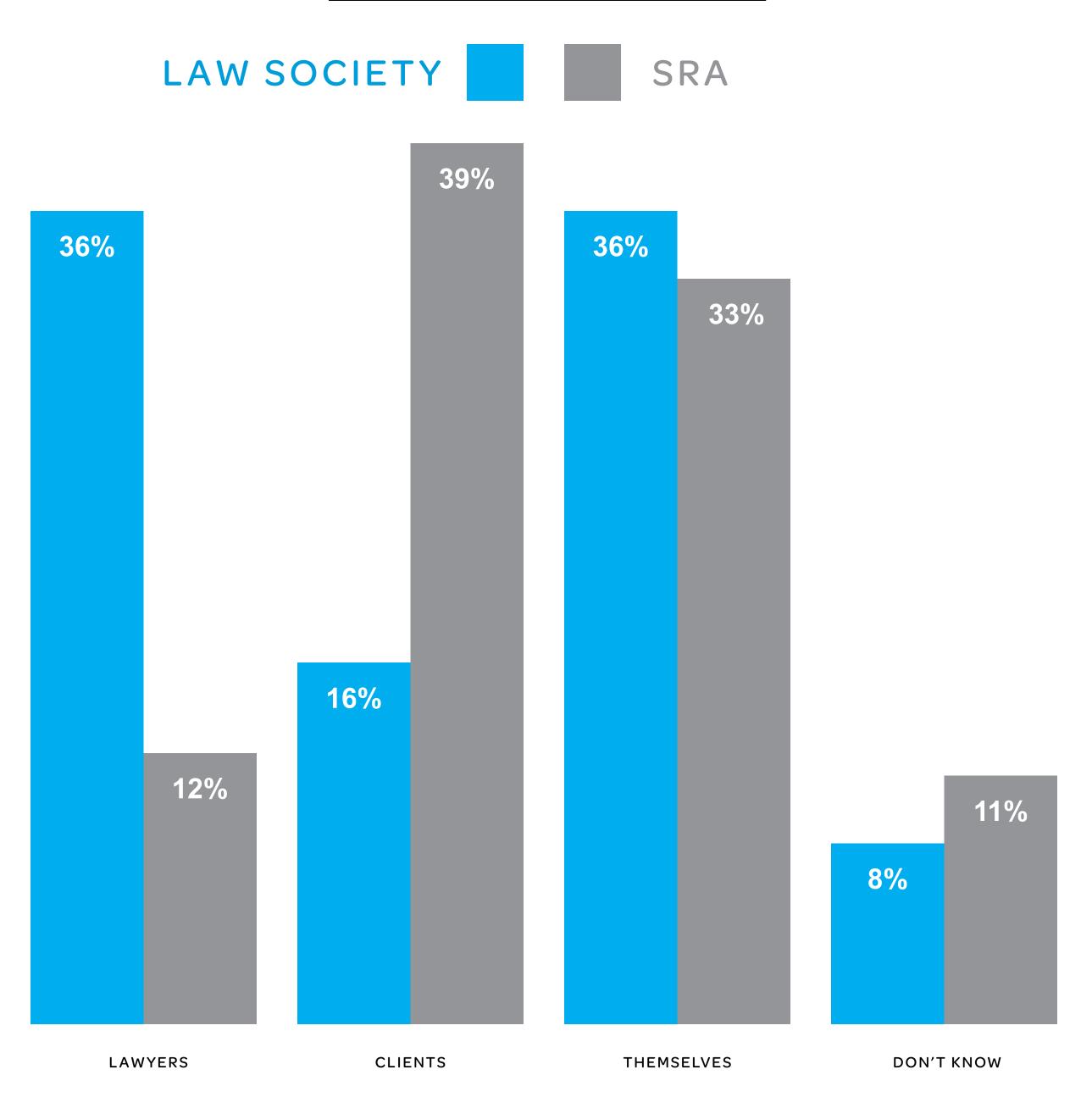


3. A CLIENT-DRIVEN MARKETPLACE

The pressures of deregulation are only adding to these concerns about the quality of legal services solicitors are able to provide.

The SRA has proposed that firms should publish their rate cards in a bid to make the profession more transparent and foster a more commercial marketplace. However, solicitors are dismayed by these changes, with 60% believing that the SRA is acting outside of the interests of solicitors, potentially causing significant risks for the profession moving forward. Many solicitors, for example, believe that access to fee cards would "degrade the profession's image" and "encourage lower standards" due to the potential for some legal providers to feel pressured to cut quality for cost.

WHOSE INTEREST DO YOU FEEL THAT THESE ORGANISATIONS HAVE MOST AT HEART?







4. THE RISE OF CLIENT POWER: COMPROMISING OR JUST CHALLENGING?

Clients are opting for a mix-and-match approach to legal service, rather than the traditional model. But with client retention being a significant challenge for law firms, is it time to embrace the challenge rather than lament the compromise?



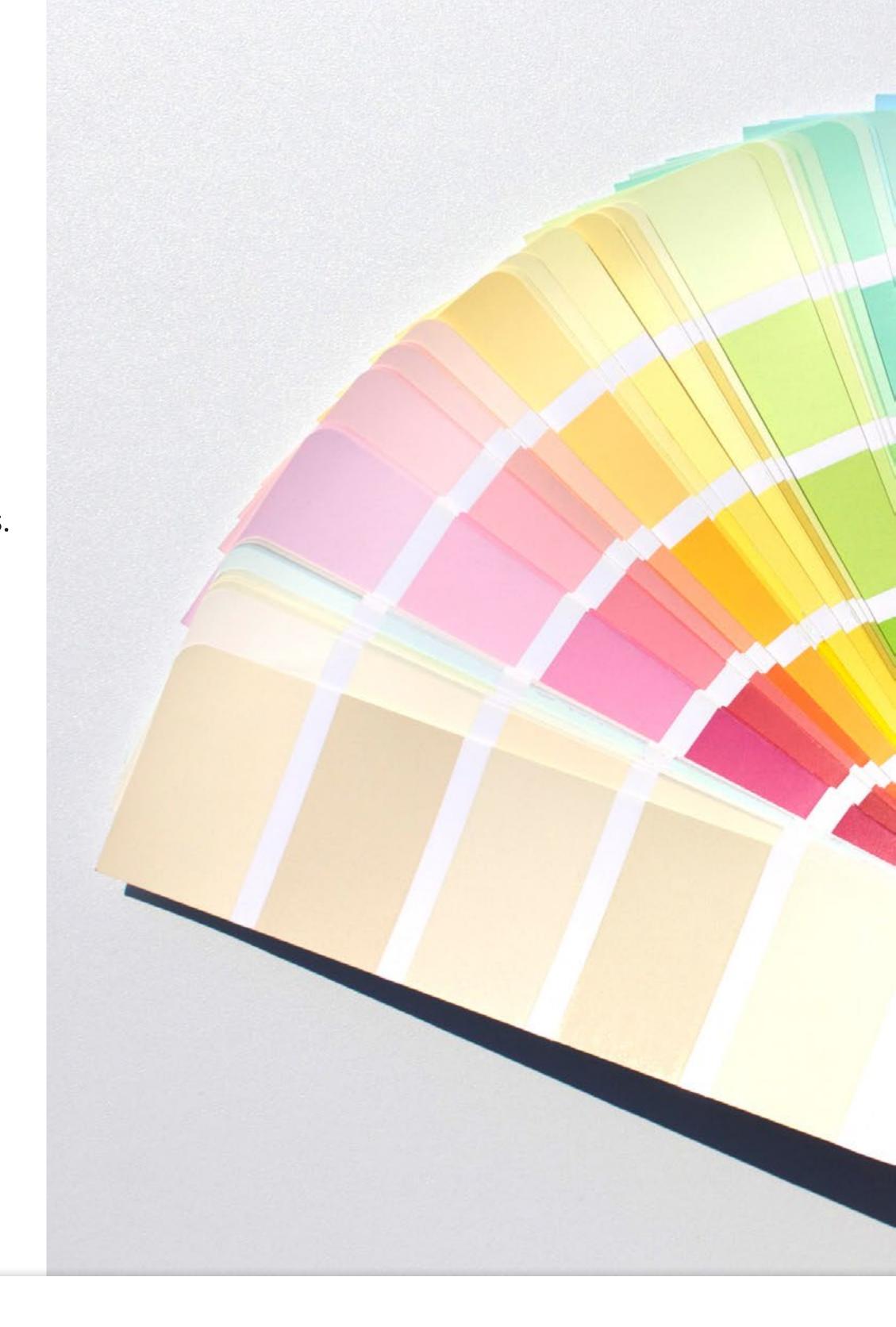
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BELIEVE THAT A CLIENT-FIRST CULTURE IS IMPORTANT TO THE SUCCESS OF THEIR LAW FIRMS.

- SOLICITOR

Our clients always come first. Come what may, the firm will do the same standard of work. If clients come to us, that's fine. If they leave, that's fine. At the end of the day, the client is important. It's their lives.

It seems clients are moving away from the full-service model that traditionally defined legal services, towards a more mix-and-match approach, enabling them to choose the aspects of service that suit their needs.



HOW SIGNIFICANT ARE THESE CHALLENGES TO YOUR CURRENT BUSINESS?

Keeping working practices/systems up to date

Increased cost consciousness/more shopping around

Unsurprisingly, maintaining client loyalty and attracting new business remains one of the greatest concerns for solicitors, with threequarters articulating that this is one of the major challenges facing their business.

37% Continuing demand of compliance regulations 44% **VERY SIGNIFICANT QUITE SIGNIFICANT** 43% 37% Attracting new business **QUITE SIGNIFICANT VERY SIGNIFICANT** 32% 46% Keeping up to date with industry changes **VERY SIGNIFICANT QUITE SIGNIFICANT** 37% Retaining clients/less client loyalty **VERY SIGNIFICANT** QUITE SIGNIFICANT 41% Keeping up to date with changes in the law **VERY SIGNIFICANT QUITE SIGNIFICANT**

QUITE SIGNIFICANT

QUITE SIGNIFICANT

22%

VERY SIGNIFICANT 18%

VERY SIGNIFICANT

BELIEVE THAT CLIENT LOYALTY IS A SIGNFICANT CHALLENGE.

55%

38%

Indeed, whether it is impacting the ways in which firms showcase and negotiate fees to the nature of service expectations, clients are in the driving seat. Additionally, with more than 700 new firms opening each year clients are also enjoying the benefits of increased choice.

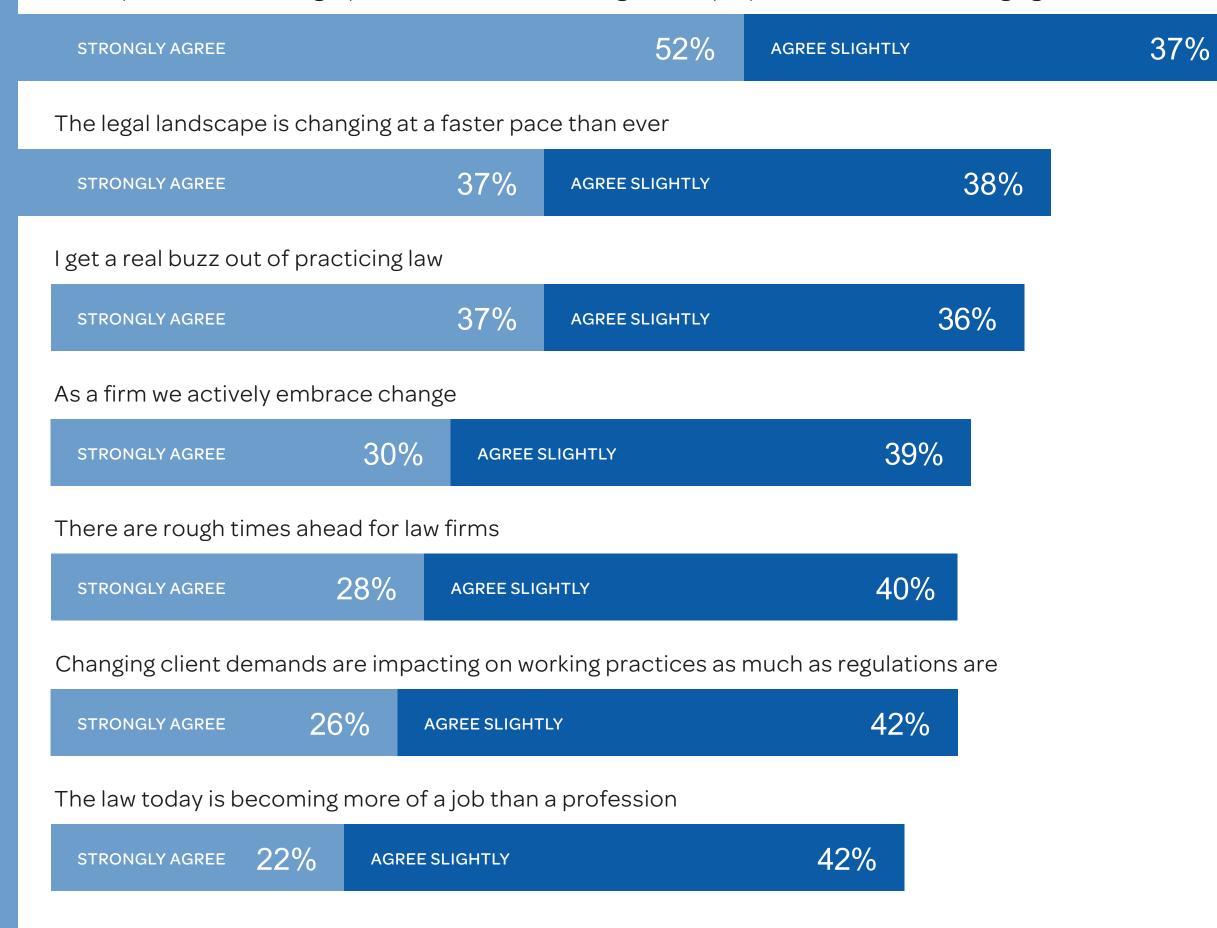
Currently, the future of the legal profession looks like it's moving towards a more service-oriented process where the client is king. For now, legal professionals must ask themselves tough questions about how their appetite for growth stands up to the new expectations. While 89% of solicitors assert that it's important the legal profession doesn't lose sight of its purpose in the face of changing client demands, avoiding the issues inherent in such a client-driven marketplace is no longer possible. Clients will not yield this newly-acquired power and agency; solicitors must pro-actively adapt to the changes presented this year and evolve their business strategy. As three-quarters of solicitors stress, the legal landscape is changing at a faster pace than ever.

80%
THINK THE LEGAL
PROFESSION
SHOULDN'T LOSE
SIGHT OF ITS
PURPOSE.

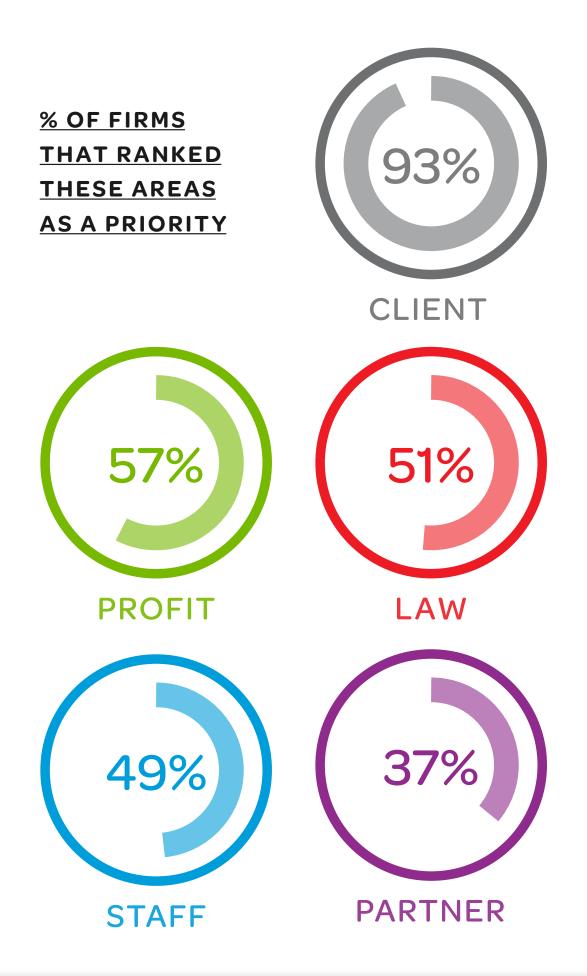
THINK THE LEGAL LANDSCAPE IS CHANGING FAST.

HOW MUCH DO YOU AGREE WITH THE FOLLOWING STATEMENTS MADE BY OTHER SOLICITORS?

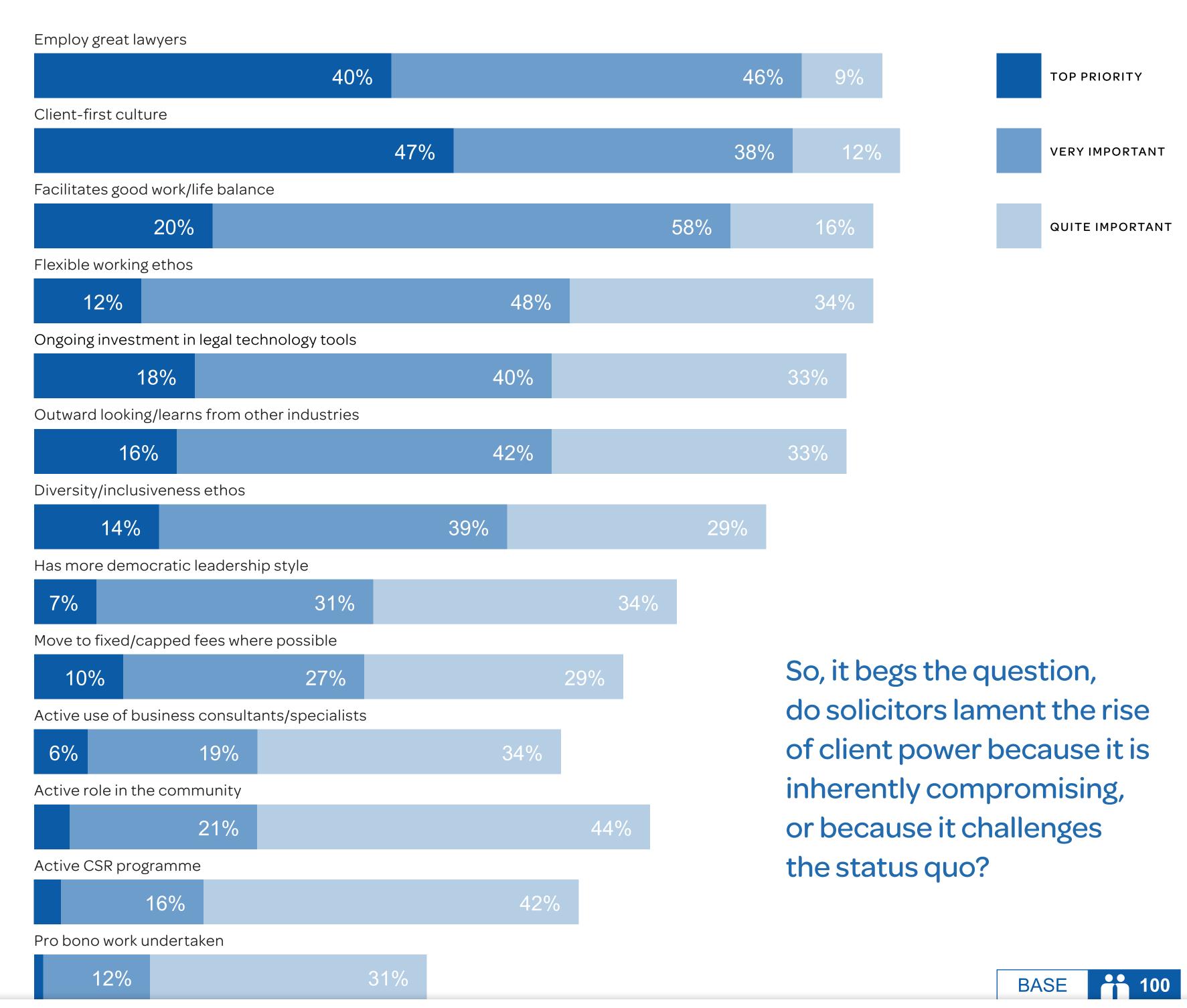
It is important that the legal profession doesn't lose sight of its purpose in the face of changing client demands



It's also worth noting that clients hold many of the same values as solicitors themselves do; they are both driven by a pursuit for excellence and positive client outcomes. 93% of solicitors already rank the client as one of their top three priorities and 97% believe that a client-first culture is important to the success of their law firms.

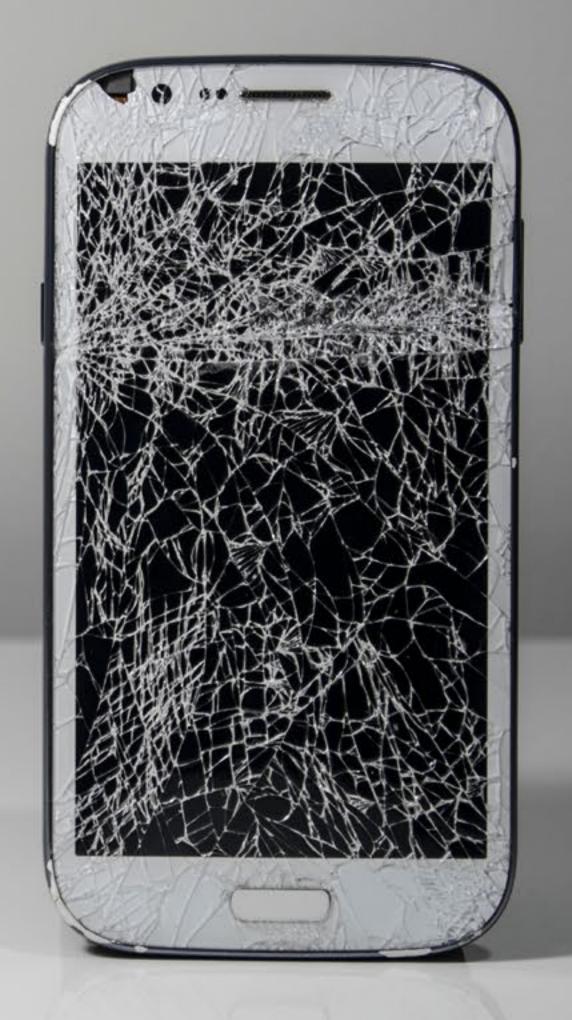


WHICH ATTRIBUTES WILL CONTRIBUTE MOST TO THE FUTURE SUCCESS OF LAW FIRMS?



5. THE SKILLS FOR SUCCESS

Cracks are starting to appear in the industry due to external pressures and an internal lack of the skills required for success.



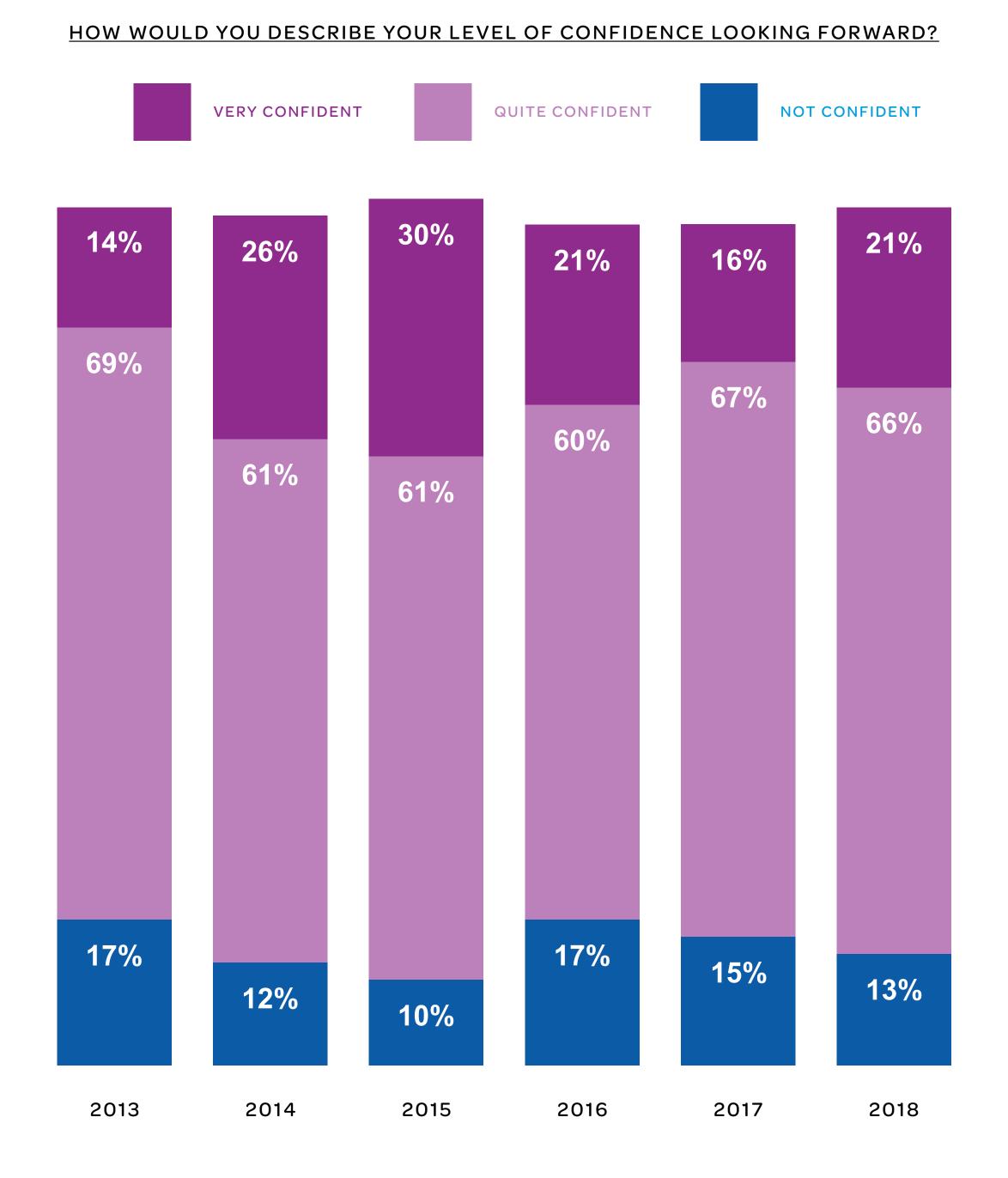
Being outcome focussed, tech-savvy, and businessoriented are important skills required for law firm success, but these are three areas in which solicitors consider their peers to be performing poorly.

There is a push and pull at work in the industry – there are fears about waning client bases, but high confidence rates and the resulting cracks are beginning to show.

Firms are feeling the pinch from the more than 700 new firms entering the market, as well as from regulatory pressures, like the new SRA proposals, and the rise of the client.



am not too worried about any of my competitors because they are still behind me.



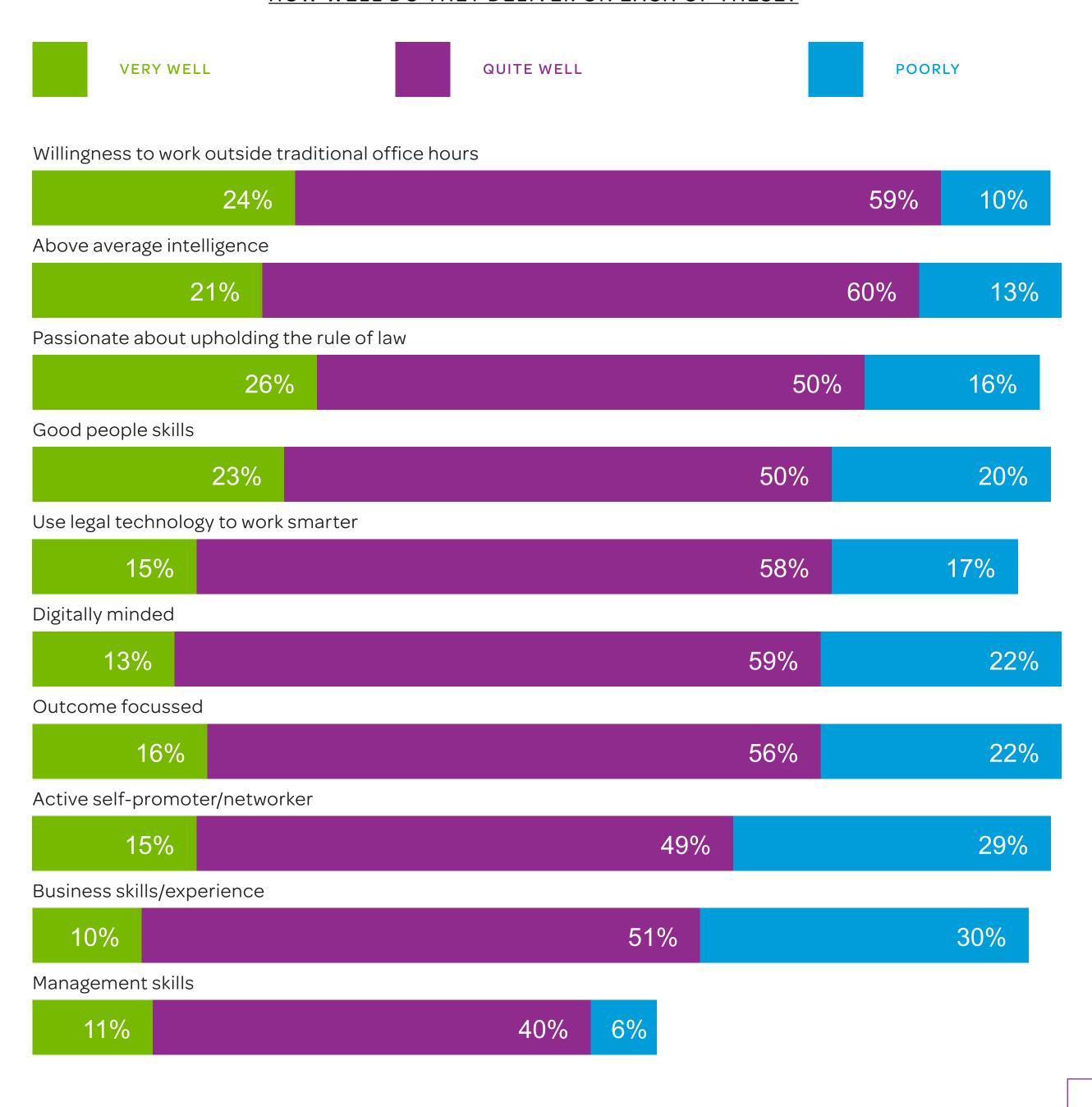
5. THE SKILLS FOR SUCCESS

Peer feedback doesn't paint a particularly optimistic picture of the future either.

When assessing your colleagues, how do they measure up?

On the whole, the solicitors we spoke with deem their colleagues to be fairly skilled, faring at least "well" in the requisite skills that enable a legal practice to thrive.

THINKING ABOUT YOUR PEERS/OTHER LAWYERS YOU DEAL WITH, **HOW WELL DO THEY DELIVER ON EACH OF THESE?**



5. THE SKILLS FOR SUCCESS

However, our research suggests that while people skills is considered the most important success-related skill for solicitors, being outcome focussed, tech-savvy, and business oriented are also increasingly necessary skills in today's legal landscape. But this is where around a quarter of solicitors identify the work of their peers to be poor, which could prove to be detrimental; these are the skills essential to ensuring that firms are capable of retaining existing business, as well as attracting future clients.

Herein lies the challenge. Confidence has indeed remained high for the past five years, save for a market-related downturn in 2015, so it seems safe to say that the profession is capable of holding steady through dramatic market change.

But is the profession able to grow in a climate that is at odds with solicitors' values?

Solicitors, for example, intrinsically value legal and academic ability where clients ask for skilful consultants and business savvy advocates.

So how can solicitors respond to these market changes?

Are the two ideologies capable of being reconciled?



6. A SOLICITOR'S STATURE

The traditional role of a solicitor is being threatened by clients who measure success by their own metrics.

Almost three-quarters of our respondents have had personal experience of the culture clash between the client-driven market and the traditional role of the solicitor.



This is a business and we have to sell ourselves.

Driven by a more informed, fee-savvy clientele, the market this year has put solicitors in the difficult position of having to prove themselves to clients, not to mention negotiating the worth of their expertise.

The current marketplace appears to put the skill set of solicitors second, suggesting that solicitors must reconcile themselves to the new demands of working within a service profession in order to remain buoyant. As one solicitor articulates:



Previously, solicitors have been able to monopolise the market, thanks to the complicated and technical nature of the work. However, this is no longer primarily the case. Clients are more empowered than ever and, thanks to the rise of tools like digital searches and review tools, clients are able to redefine the framework of success for solicitors by using their own metrics.

So while solicitors rank "good people skills" and being "outcome focussed" and "technically savvy" as important traits for a thriving business, are clients measuring solicitors by the same criteria?

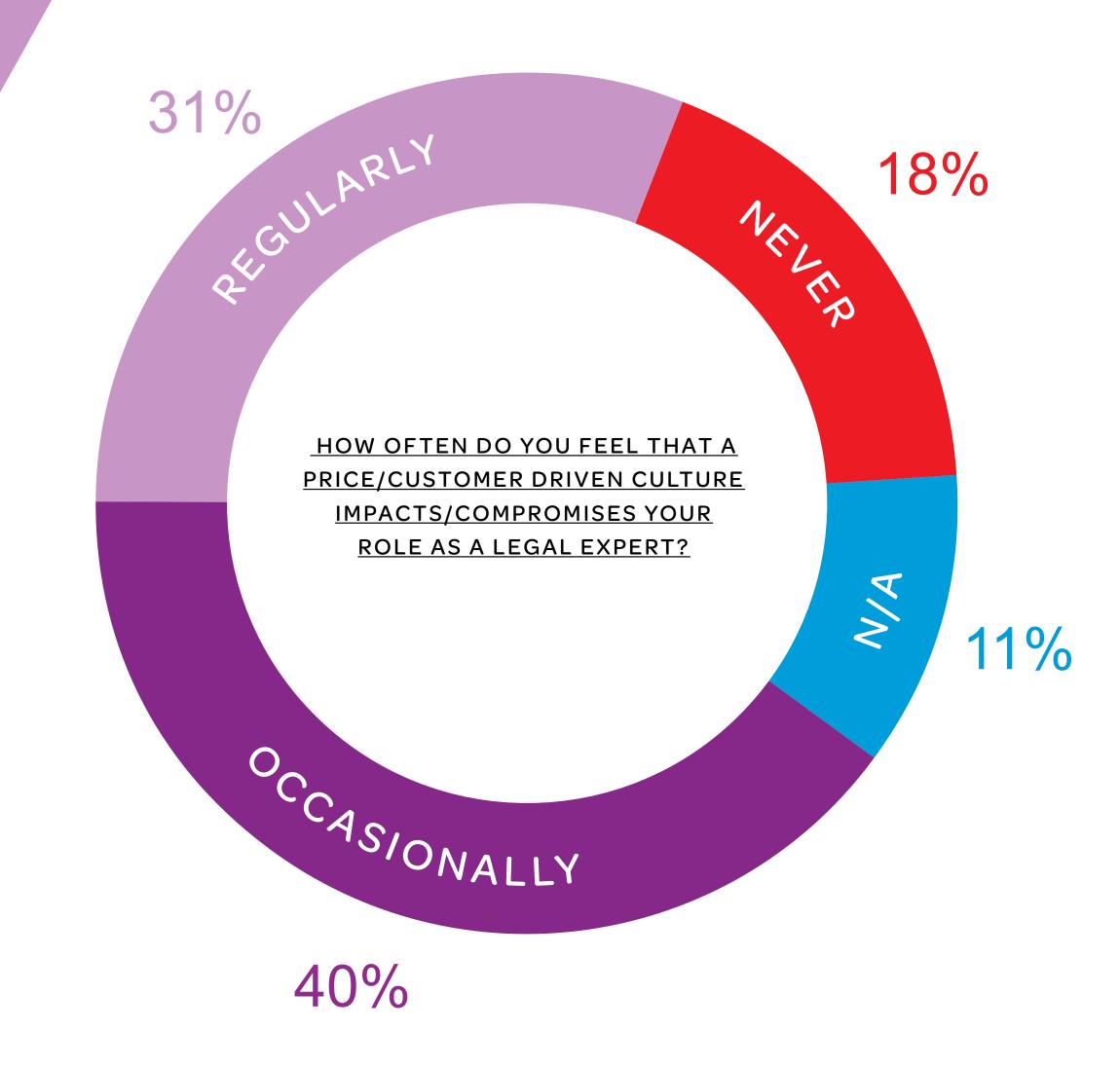
6. A SOLICITOR'S STATURE

The challenges of working in this new legal landscape are already visible. Almost three-quarters of our respondents have had firsthand experience of the culture clash between the client-driven marketplace and the traditional role of the solicitor.

THINK THE CULTURE CLASH COMPROMISES THEIR ROLE.

Many understandably argue that it is already beginning to reduce costs at the expense of quality.

But, while solicitors may be confident in their legal abilities, it's yet to be seen whether their confidence is founded looking to the future, especially in light of the current concerns regarding client retention and acquisition.



7. SPECIALISTS AND GENERALISTS: PRACTICE-SPECIFIC CHALLENGES

While some challenges impact the industry as a whole, generalists are feeling the pressure more than their specialist counterparts.

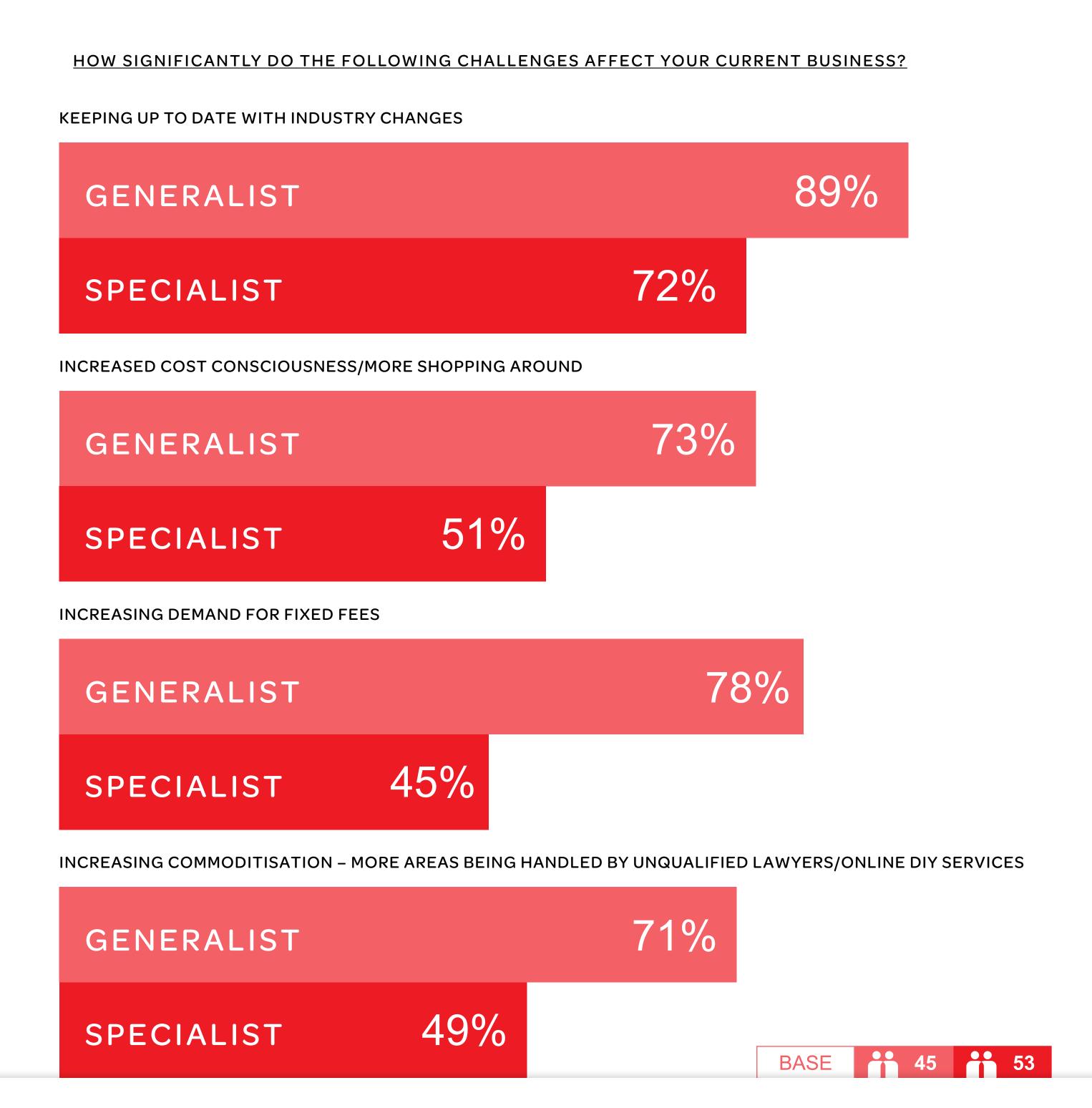




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GENERALIST FIRMS
ARE STRUGGLING TO
STAY UP-TO-DATE WITH
INDUSTRY CHANGES.

- SOLICITOR

The law is not monopolised by a huge single entity. You have freedom to practice more than just your technical profession; you can be an entrepreneur and a business owner as well if you so choose.

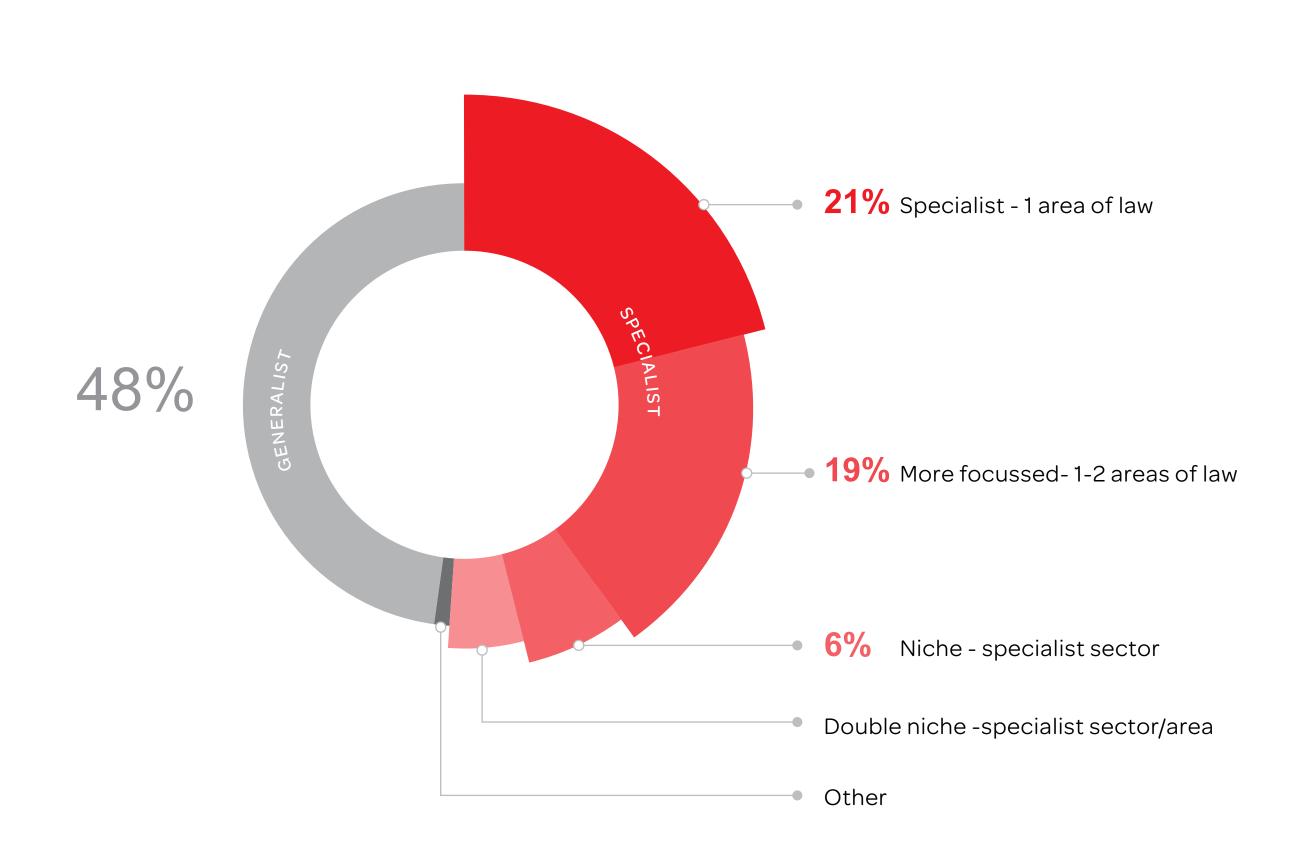


7. SPECIALISTS AND GENERALISTS

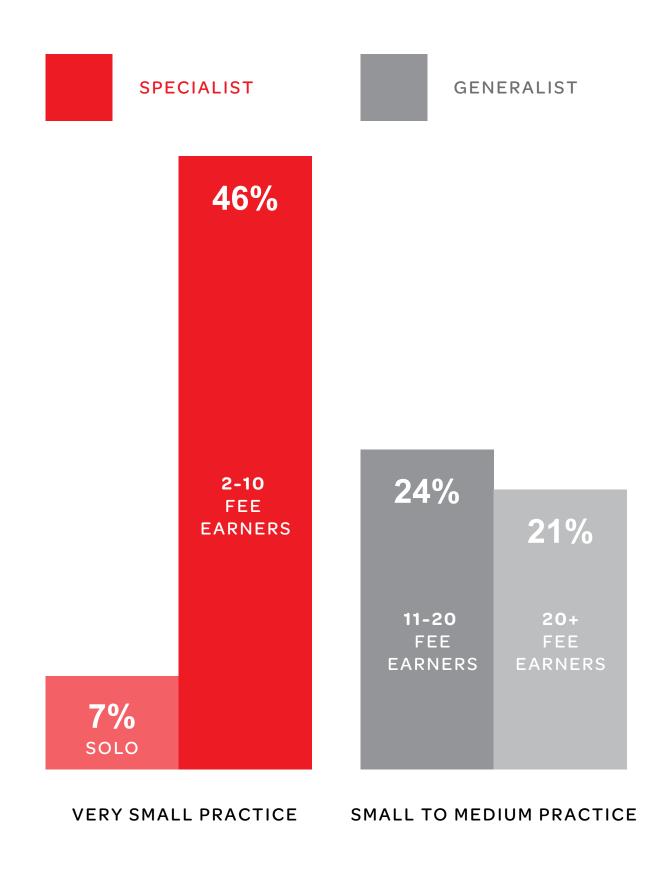
While there are challenges facing the profession as a whole, like the client-driven marketplace, the devil is in the details.

Different types of firms experience challenges differently, partly based on their expertise, partly on size. Specialist practices tend to be smaller, for example, than general practices, which tend to have higher numbers of fee earners.

WHICH OF THESE BEST DESCRIBES THE TYPE OF WORK PRACTICED BY YOUR FIRM?



HOW MANY FEE EARNERS WORK IN THE PRACTICE (INCLUDING YOURSELF)?



7. SPECIALISTS AND GENERALISTS

The majority of generalists are feeling pressure across the board, from the increased commoditisation of the law to clients' demands for fixed fees.

In fact, 68% of lawyers think that the demands of clients have as much impact on the business as regulations; both require firms to adapt and keep up so as not to be left behind. Solicitors should be under no illusions – failing to meet the demands of clients will have negative longterm consequences, just as neglecting new regulations will negatively impact you in the short term.

THINK CLIENT **DEMANDS ARE IMPACTING** WORKING PRACTICES ASMUCHAS REGULATIONS.

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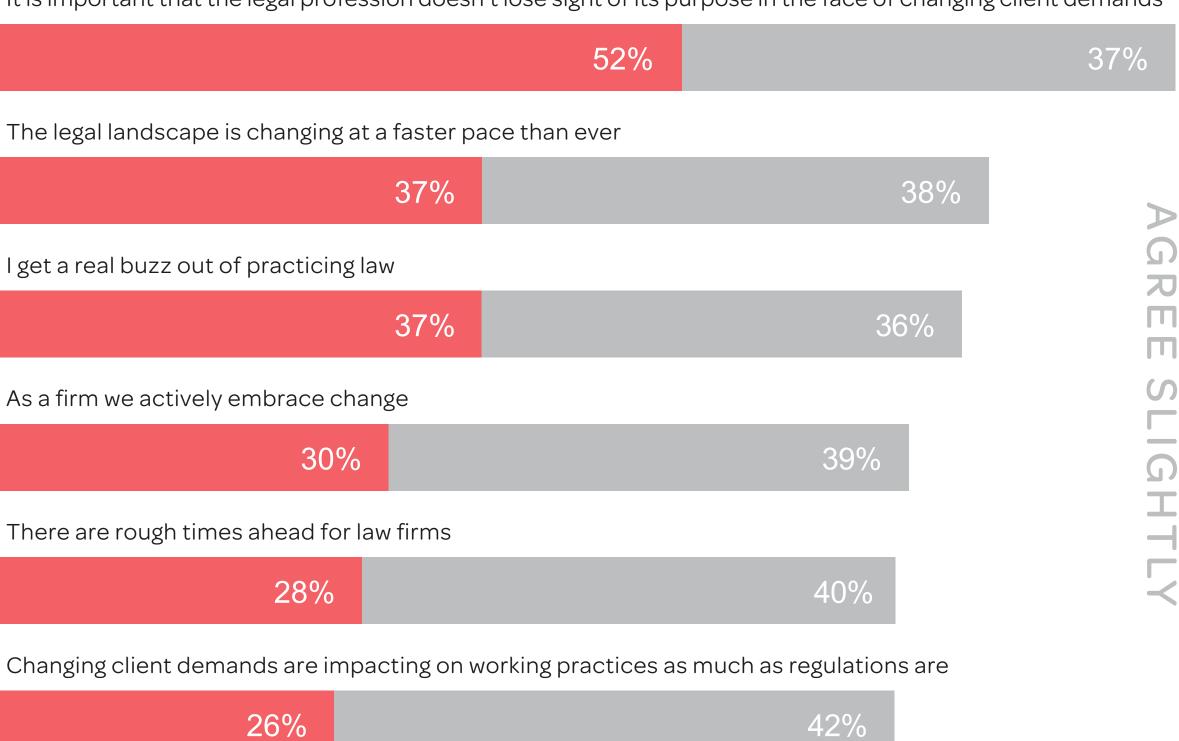
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HOW MUCH DO YOU AGREE WITH THE FOLLOWING STATEMENTS MADE BY OTHER SOLICITORS?

It is important that the legal profession doesn't lose sight of its purpose in the face of changing client demands

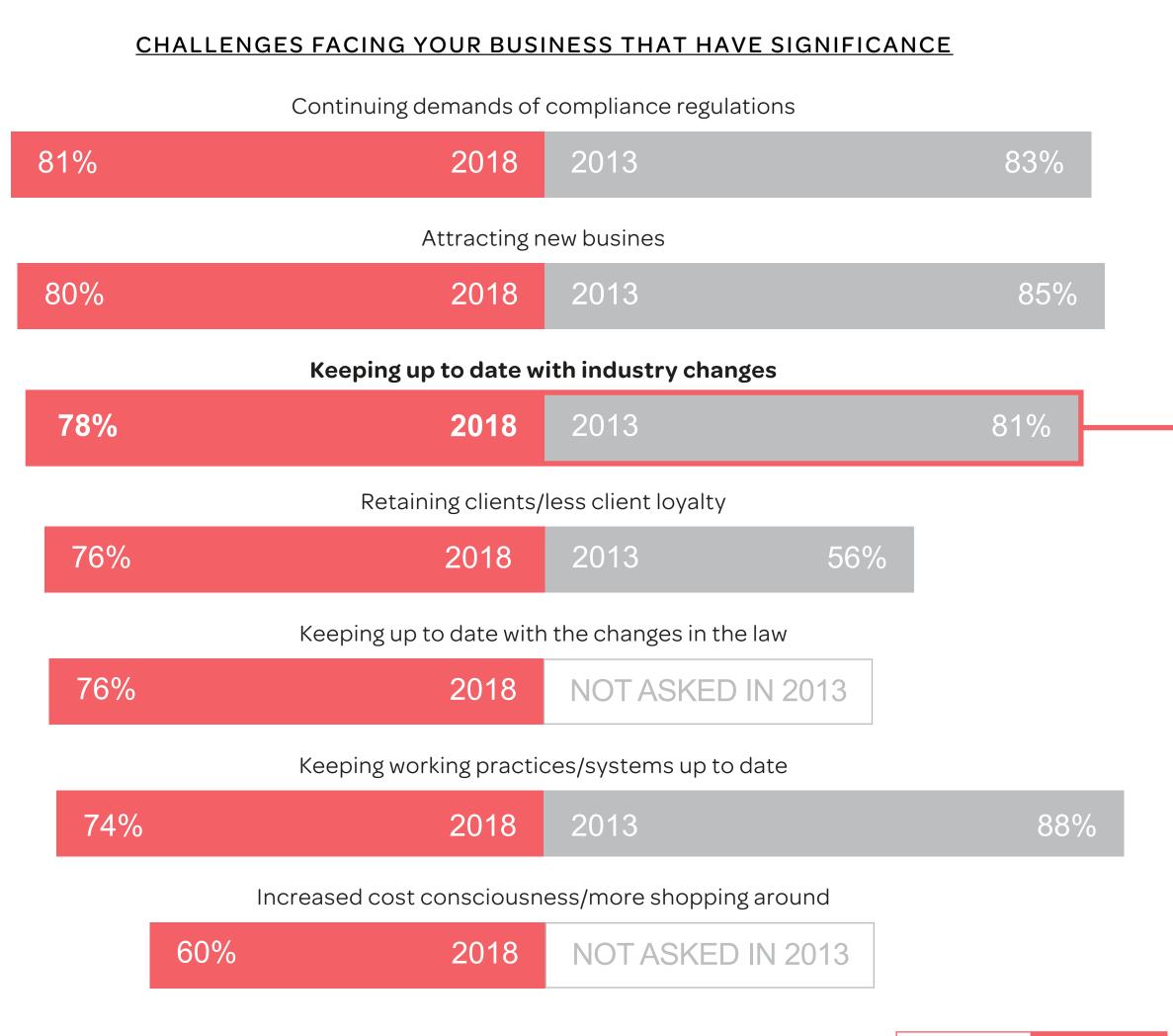


The law today is becoming more of a job than a profession

42% 22%

7. SPECIALISTS AND GENERALISTS

Much like we see industry-wide, keeping up-to-date with industry changes is a prominent concern. However, where the industry views it as the third most dominant challenge (and has done since 2013), with over 78% considering it significant, it is the prime challenge facing generalists, with nine out of 10 generalists expressing concern about its impact on their business in particular.



CONSIDER
KEEPING UPTO-DATE WITH
INDUSTRY
CHANGES
SIGNIFICANT.

Specialists, on the other hand, don't feel these challenges quite so severely, especially with regards to cost and new market entrants. Our results show that around four out of 10 specialists rank those challenges as significant, compared to seven/eight out of 10 generalists.

Is this because, by virtue of their specialisation, they're more cushioned from the pressures of the market?

After all, their practices are more contained; their specialisms are, in effect, their market insurance. Specialist firms are more likely to gain business based on their expertise, whereas larger firms are more likely to get business based on price, for example.

With that in mind, is it any wonder that larger, generalist firms are more concerned by cost consciousness?

CONCLUSION

The monopoly law firms have enjoyed regarding how business is conducted in the legal industry is on the wane. The rising power of the client, alongside pressure from the SRA to radically overhaul access to solicitors is likely to change how the profession conducts itself.

But the question remains – are you prepared for the potentially profession-altering changes that the year ahead will bring?

Complacency is no longer an option.

With the fast pace of change currently being experienced across the industry, a 'business as usual' attitude may well prove disastrous for a firm's business.

The signs that the industry intends to change are manifesting, so it's just a matter of time before someone puts the wheels to the road and races ahead.

Why can't that be you?

If your firm makes sure it is built on solid foundations now, it will not only weather the upcoming industry-wide changes, but get ahead of the competition in the process. Now is the moment to tackle the changes and challenges facing your business and be fit for the future.

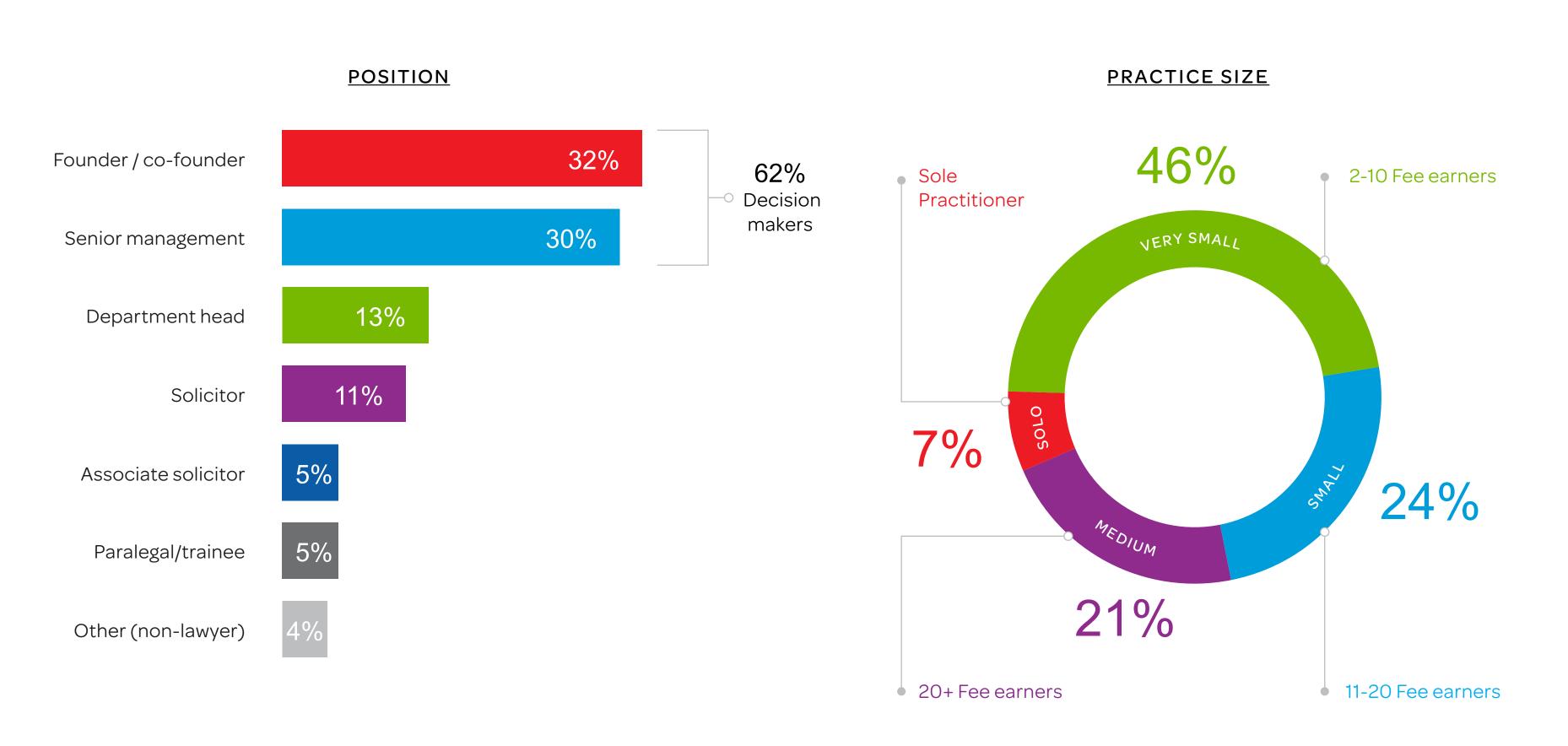


LAWYER DEMOGRAPHIC

APPENDIX

Our research sample for this report was compiled using data from two quantitative surveys completed by over 200 solicitors across the country. This work was informed by 12 in-depth interviews with partners and decision makers in small firms and small offices of larger firms.

The quantitative research included the views of respondents from a wide geographical area and represented a broad sample of lawyers in a variety of positions in the firm and areas of expertise. The research was conducted throughout January 2018.

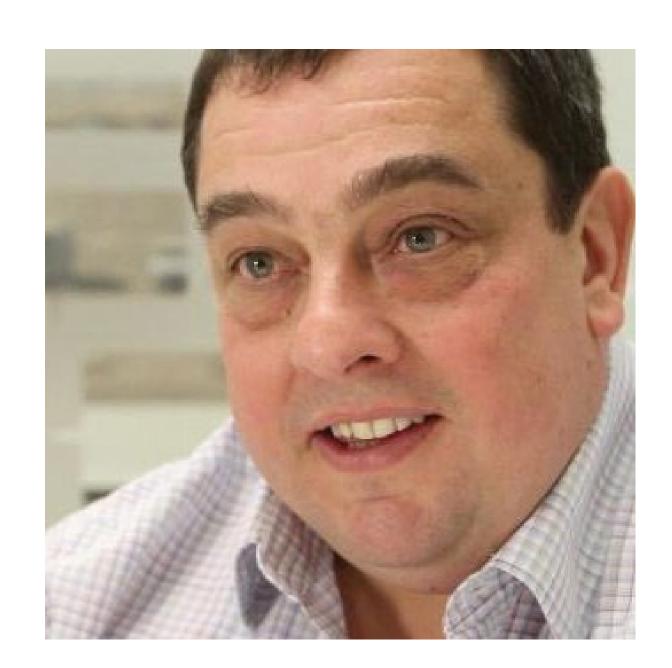


53% 20% LONDON 31% SOUTH 20% **MIDLANDS** 23% NORTH

GEOGRAPHY

GENDER

ABOUT THE AUTHOR



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Jon Whittle is Market
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With 18 years of experience in research, insight and business strategy, throughout his career Jon's been passionate 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 LexisNexis Bellwether report into the changing landscape for independent legal practitioners and supporting the business of law firms.





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