



Navigating the new legal landscape: **Why traditional client service and** **competition models are no longer viable**

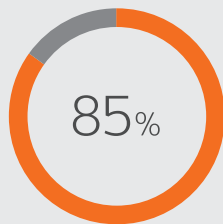
White paper

“Insanity is doing the same thing over and over again and expecting different results.”

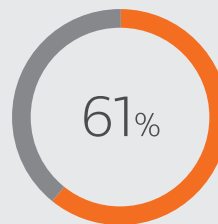
This quotation — often erroneously attributed to Albert Einstein — is a brutally honest observation on a simple but often overlooked fact: Ingrained behaviors must change if different and better outcomes are to be realized. This is true in just about every field, including the practice of law—and especially during unpredictable times.

With the ongoing trend of larger and more lucrative clients opening up their work to boutique firms with the right expertise, many firms are seizing the opportunity. But in order to win that business, firms can't assume that their tried-and-true business models and current client service methods will earn them a place on top-tier clients' short lists. Past performance is no longer a guarantee of future results.

The fact is that, except in a few highly specialized niches with high demand and relatively few practitioners, legal representation has largely become a buyer's market. As a result, clients' expectations and demands continue to increase. Data from [Thomson Reuters 2020 Law Firm Leaders Report](#) indicates that cost pressures from litigation matters (24%) and downward pressure on fees from clients (18%) posed a significant risk to their firms' profitability. According to a separate [2020 report](#) from the Thomson Reuters Institute, 85% of firms with 11 to 29 attorneys responded that clients demanding more for less or rate pressure from clients was at least a moderate challenge. But at the same time, 61% of these respondents also said they either didn't have or had not implemented plans to overcome this challenge. Beyond the specific pressure around rates is the clients' demand for greater value. Not only are they looking for the best rate, they are also looking to get the best possible result for the money.



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Historically, providing legal services was looked upon as a seller's market. Clients viewed attorneys as having knowledge and expertise that was highly specialized and almost esoteric. This gave law firms a great deal of leeway in how they provided legal services and what they were able to charge. That's no longer the case for the vast majority of firms. In the modern legal marketplace, clients have taken control of the client-firm relationship.

There are many possible reasons why this shift occurred. The ways the internet has made the legal market more competitive may be one of the biggest factors. Potential clients can see how past clients rate the firms they've worked with, and ratings can have a significant impact on a firm's reputation and its referral pipeline. Perhaps more importantly, many corporate legal departments utilize technology that provides information about a prospective firm's past performance in such areas as summary judgment motions, verdicts, time to resolution, and, in some cases, even overall cost. What's more, a great deal of additional legal information is available online. (True, that information isn't always accurate, and it's seldom complete. But it makes a difference, nonetheless.) On a separate front, firms are facing new competitors, both large and small.

These are challenges few firms can afford to ignore. The way clients' work gets done is changing. There are new players that provide different types of services. And that has given rise to new and stronger competition for law firms on several fronts. These are sobering facts that law firms hoping to compete for new business must address.

The good news is that firms of all sizes *can* compete for larger clients' business. Firms that are doing so have developed new ways to meet and even exceed those clients' requirements and are able to respond nimbly to changes in client needs.

Firms that want to compete for new clients' business — and continue to satisfy the ones they have — must both embrace the new rules and be able to deliver on them. In this white paper, we will look at changing client attitudes, new (and not-so-new) competitors, and the steps firms can take to remain viable in prospective clients' hiring conversations — opening up new opportunities during times of tremendous change and massive economic uncertainty.



What do clients want in this day and age? The [2020 Report on the State of the Legal Market](#), issued by the Center on Ethics and the Legal Profession at Georgetown University Law Center in partnership with the Thomson Reuters Institute, reveals that clients are gravitating toward what might be considered a “new normal.” This includes instituting more modern billing and service delivery methods. For example, embracing alternative fee arrangements and shifting certain types of work to alternative legal services providers (ALSPs), have become increasingly common. In fact, these models should no longer be considered “alternative.” They have become mainstream.

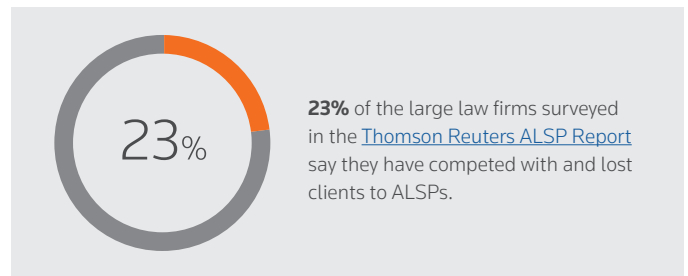
Firms of all sizes are being forced to address the new normal in client service. According to the [2020 State of Corporate Law Departments report](#), more corporate law departments are looking to their outside law firms to offer proactive suggestions for cost containment, as well as flexibility in billing to help with short-term cash flow. Therefore, not only are clients continuing to demand that firms provide superior results at the best possible rate, but they also expect firms to provide advice on additional cost-saving strategies.

One of the best terms that captures what modern-day clients, particularly larger ones, are looking for from a legal representative is *partnership*. Another term is *value*. Firms seeking to keep or add lucrative business are increasingly being asked to demonstrate that their services add value to the client’s own work.

So where does all this leave firms that want to woo larger clients? While the Goliath to most other law firms’ David has historically been the AmLaw 100, there are other competitors that must be considered:

ALSPs: Though they aren’t law practitioners per se, ALSPs perform many of the administrative or “non-law” tasks traditionally handled by law firms. These include not only research and document review but also litigation and investigation support, as well as regulatory risk and compliance. These entities have done a masterful job of selling themselves as a way for corporate legal teams and other large clients to complete essential work done with equal quality but at a lower rate compared to most law firms.

Firms’ responses to ALSPs have widely varied, but the bottom line for many firms remains the same — lost business. That’s true for firms of all sizes: 23% of the large law firms surveyed in the [Thomson Reuters ALSP Report](#) say they have competed with and lost clients to ALSPs that are part of one of the Big Four consulting firms (Deloitte, PwC, EY, and KPMG). And 21% of midsize law firms surveyed said that they lost out to the same kind of competition.



The firms that are successfully responding to the challenge of ALSPs are doing so by offering competitive rates for the work they handle. In doing so, they demonstrate that they are the valued legal partner clients want and need, and position themselves to win more of the business.

In-house legal departments: It may seem counterintuitive to list current or potential clients as possible competition, but it’s worth considering in this context. After all, the more large companies keep certain legal tasks in-house, the less work there is for an outside counsel firm. The more firms can show that they can complete work at a similar or better rate, the more likely they are to retain that business.

And, of course, other law firms: They’re all fighting for the same business, and they’re all selling themselves on their expertise and their past success. But for most clients, the bottom line comes down to simply getting the best result for the lowest possible rate. Firms that are better prepared, have or can quickly gain the right expertise, and can provide quality results in the least amount of time will place themselves at the head of the pack when competing for new business.

These competitors and the client pressures involved are forcing firms to change how they handle client matters, compete for new business, and manage firm business operations. In most cases, firms aren’t in a position to add staff to boost service. After all, doing so would raise costs.

But there are other approaches firms can take to win new and more lucrative business. Firms that are competing and thriving in the current legal market are using tools and techniques that allow them to be better prepared, build expertise, control costs, and respond more quickly and flexibly to changes in client requirements and the legal marketplace as a whole.



MEETING CLIENT NEEDS — AND BEATING THE COMPETITION

One of the key ways firms are staying ahead in the game is by embracing and optimizing digital tools and platforms designed specifically for legal practitioners. These tools can take on tasks, most of them repetitive and tedious, that previously required human staff. What's more, these digital solutions often incorporate AI technology—allowing them to handle tasks with greater speed and accuracy.

There are several ways firms are putting technology to work in practice management to appear more attractive to larger clients in terms of cost, speed, and dependability. Prime examples include:

Improved matter management: This is becoming a much more urgent priority for many firms. With clients keeping a closer eye on finances and firms needing to stay ahead of their changing legal needs, the need for everyone at the firm to be on top of every aspect of a matter is more critical than ever. Firms that use comprehensive matter management solutions give everyone at the firm access to the same up-to-the-minute information. This can help engender a consistent and unified client experience.

E-billing: This may be surprising, given that most clients tend to prefer e-bills, however, electronic invoicing allows them to more easily review invoices for violations of their outside counsel guidelines. In a recent [Thomson Reuters Institute report](#) focused on the current issues law firms face, 66% of respondent firms with 11 to 29 attorneys noted that getting paid by clients was at least a moderate challenge. Still, 55% also responded that they either didn't have or had not yet implemented plans to overcome the challenge. Data from the [Law Firm Business Leaders Report](#) indicates that 71% of firms with more than 50 attorneys have adopted some type of e-billing solution. Though the technology has been in the market for several years, the concept of e-billing is still underutilized among smaller law firms.

Many firms also are taking advantage of e-billing's functionality by checking each line item against clients' outside counsel guidelines. Doing so helps to ensure that invoices are clean and will, ideally, be paid quickly and without pushback from the client. Not only can e-billing help firms reduce the work-to-pay cycle, it can also help them nurture stronger client relationships by sending invoices that adhere to the agreed-upon terms.

Legal research: Today's clients want immediate responses to their queries. And they are not afraid to move on to other legal providers if they are not satisfied with the speed (or lack thereof) of your reply. What's more, an increasing number of clients aren't willing to pay for the time it takes to research such queries. As one respondent in the [Thomson Reuters Institute report](#) commented, "It is becoming more difficult to bill corporate clients for research, such that less time spent equals more billable hours elsewhere."

These pressures are driving more and more law firms to explore AI-powered research solutions that can quickly find trustworthy answers to all kinds of legal questions. A digital legal research platform that is constantly kept up to date while also being easy to use is becoming increasingly essential in terms of productivity and profitability.

Legal know-how: A great many firms have built their practices by having a specialized niche, and clients have hired them based on that specialty. But as the legal marketplace changes, firms can no longer rely solely on their specialty. They must be aware of the other legal needs their clients currently have or will have. That requires firms to expand their knowledge base — becoming a sort of one-stop legal shop for their clients' evolving needs.



That's why forward-thinking firms stay in regular contact with current clients, even when those clients don't have active legal matters. Staying in touch allows these firms to discover potential new areas where they can provide legal services. In addition, many are proactively taking steps to get familiar with trending practice areas where they see potential new opportunities. In fact, 88% of respondents to the [Law Firm Business Leaders survey](#) indicated that they planned to implement increased cross-selling plans in an effort to improve firm performance.

Broadening knowledge into other practice areas not only provides better service to a firm's current business base, it can also attract new clients that may have previously ruled out a firm for being too focused on a particular niche. Recognizing those firms' aspirations, legal-tech developers are building platforms that get attorneys up to speed with information and research on practice areas that aren't currently in their wheelhouse.

Captive ALSPs: Not all of the strategies that firms are using to gain business involve technological innovation, at least not directly. Successful firms have taken at least one of two key steps to overcome the impact of ALSPs on their business. Some are using legal digital technology to streamline tasks, such as e-discovery and litigation support, as a way to offer these services at competitive rates and keep the work. Another tack many firms have taken is launching subsidiaries that function as internal or “captive” ALSPs.

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These subsidiaries can provide lower-cost ALSP-style services to clients with active matters. They also can be the source of a new revenue stream for the firm by attracting non-clients who only need these types of services and support. While providing clients an ALSP-like option, firms also offer what ALSPs don’t — the full suite of legal services of a true law practice.



OPTIMIZING FOR PROFITABILITY

As firms build their competitive capabilities, they need to measure how well they’re doing and identify areas where they may need to improve. With competition intensifying and client demands profoundly impacting the way law firms get work done, ensuring that the work is performed as profitably as possible is essential.

To optimize performance at every stage, competitive firms are implementing digital solutions that allow them to create specific metrics that track profitability at both the client and management levels. By increasing knowledge and efficiency in these areas, a smaller firm can position itself as the lean, nimble, and responsive business partner that corporate clients in particular want.

“We’ve known from early on that investing in the right technology helps enable us to use resources wisely and strategically.”

– James Yukevich, partner, Yukevich|Cavanaugh

One early adopter of this approach is [Yukevich|Cavanaugh](#), a California law firm with offices in Los Angeles, San Francisco, and San Diego. “We’re a boutique firm with the reputation of winning against much larger firms,” notes James Yukevich, a partner with the firm. “We’ve known from early on that investing in the right technology helps enable us to use resources wisely and strategically.”

Firms hoping to compete for business from larger clients should consider these types of improvements to be the minimum requirements needed to differentiate themselves in the market. Nimble firms are finding ways to do the work more efficiently, accurately, and cost-effectively – so much so, that even clients with in-house legal departments see the advantage of outsourcing work to these firms. Practices that demonstrate the ability to produce high-quality results at lower costs will be well-positioned to win that business.



GETTING STARTED

Having the ability to exceed the needs of modern-day clients is how firms can best compete for their business. These clients are pushing law firms to adopt approaches that are more collaborative and multidisciplinary, built around integrated technology platforms, and delivered at the lowest possible cost.

For firms eager to pursue new opportunities, now is the time to invest in resources that keep you ahead of the curve on legal trends and ahead of clients’ needs. Firms that make these investments will be well-positioned to provide the expertise clients demand. Firms that don’t will find themselves on the short end of most RFP conversations.

Clients have specific and ever-evolving expectations, and they want a partner that can deliver on all of them. Firms that want to compete for new clients’ work — and keep the clients they have — can’t remain in or revert to the “old normal,” they must adapt to current market conditions.

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