

Occupier Services

Five future trends shaping
the Legal Services sector



Your Future, Now



Five Trends Shaping Your Future

In partnership with insight and innovation consultancy FreshMinds, we undertook extensive research into the medium term future of the legal services sector. The scale and impact of sector change is summarised in the following five trends.

1

The strength of response to the disruptive effects of technology will distinguish the future winners and losers in the legal services sector.

Rapid advances in technology will lead to process driven work historically undertaken by associates for higher margins, being automated and commoditised. Agile, tech-savvy and client focused new entrants will take increasing market share in this space, hitting the profitability of traditional law firms if they fail to adapt. Over the longer term artificial intelligence has the potential to perform complex analytical tasks with little human input. Furthermore, mobile technology will enable agile resourcing models.

Incumbents can get ahead of the curve if they move fast, invest in and fully embrace technology, viewing it as an opportunity rather than a threat.

Legal start-ups are on the rise

15

2009: 15 legal start-ups on AngelList

1,479

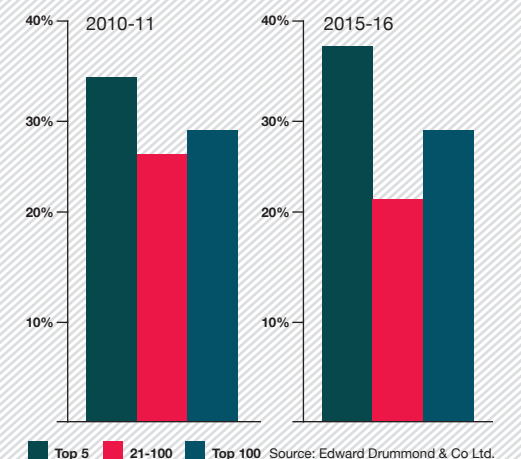
February 2017: 1,479 legal start-ups on AngelList

2

The competitive threat to the mid-tier will intensify.

The mid-tier will find their market share threatened by dual pressures from top-tier law firms who have capital to invest in technology and will increase their focus on high-end work, and from more agile market entrants able to offer process driven work at a lower cost. Struggling to compete on fees and differentiation, the mid-tier will have little choice but to further consolidate. This consolidation will take the form of mid-tier firms merging to improve their market position and larger players picking up firms that can provide access to growth markets or specialist / niche skills.

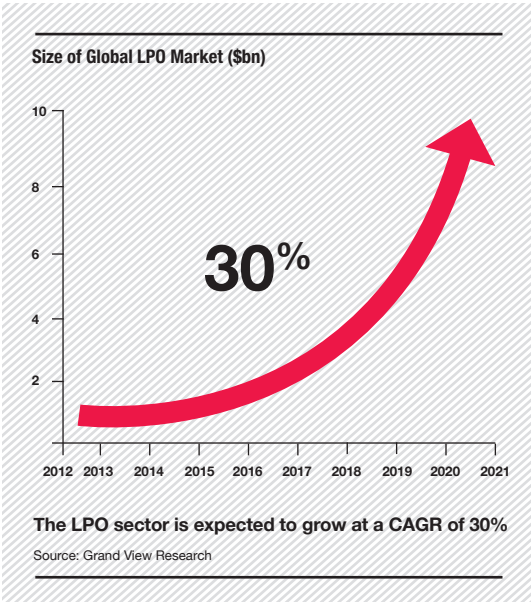
Profit margin gap between UK's top five and mid-tier has doubled from five years ago



3

After numerous false dawns, the legal services landscape will finally be reshaped and influenced by new market entrants and process re-engineering.

The legal services landscape is going to become more crowded, as alternative business structures, including legal process outsourcing providers (LPOs), legal-tech and the Big Four accounting firms, gain traction by offering clients greater efficiency, quality and service. They are already doing this by investing heavily in technology and processes to undercut traditional law firms for high volume work. In the case of the Big Four, there is also expansion into emerging markets, a focus on legal areas that complement their own wider practices, and the targeted acquisition of top legal talent. These additional competitive threats will force incumbents to continue to rework business models and processes in order to optimise efficiencies. Levers include automation, outsourcing, changing the lawyer to non-lawyer ratio, on demand staffing and off-shoring or near-shoring.



4

The next five years will bring radical change to the organisational structure of law firms and a different talent requirement.

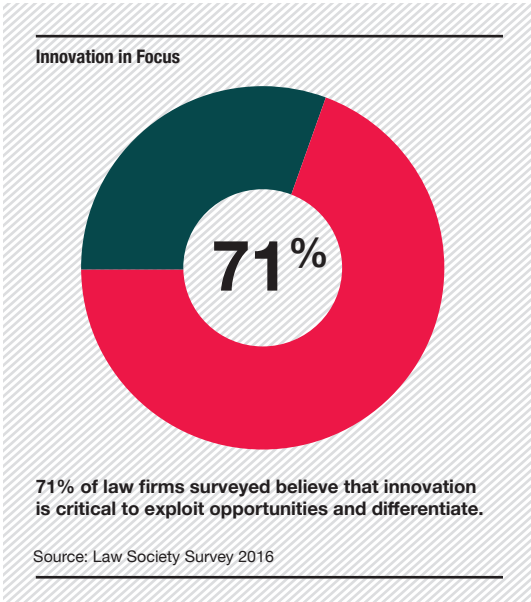
The traditional law firm staffing structure will be replaced by a leaner pool of permanent legal staff working closely with non-traditional and temporary employees. Certain roles will vanish or be redefined as work is either automated or outsourced, and an increase in the use of contract lawyers is anticipated. Transition from law firm to legal enterprise will demand a broader range of business skills relating to technology, business analytics, data intelligence and project management. These broader skill-sets are in great demand across the services sector and will pitch law firms directly into an intense war for talent.



5

Legal services firms of the future will flourish on the triumvirate of skill, productivity and on-going innovation rather than simply scale.

Bigger will not always be better, particularly given the heightened risks of international expansion and the corresponding need to be agile to changing market conditions globally. The most resilient firms will be those that anticipate and understand client needs, build strong relationships, convey a differentiated culture and purpose, and deliver in the most efficient and innovative (and hence profitable) way. For most, this will mean moving up the value chain to focus on more complex areas that cannot be easily replicated, automated or commoditised while continuing the unstinting focus on improving operational and cost efficiency.



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