



The Age of the

Client

LexisNexis Bellwether Report:
2015

Issue **3**



The balance of power in the client/lawyer relationship is shifting: we explore how independent law firms and sole practitioners are responding to a new breed of client.

A new type of client – more informed, more demanding and more price-sensitive than ever – is challenging traditional working practices and forcing lawyers to adopt a smarter approach, not just to client service, but to every aspect of the business.

Based on interviews with 118 independent lawyers and more than 500 private clients, the 2015 LexisNexis Bellwether Report reveals how independent lawyers, small to midsize firms and sole practitioners are handling the new demands of the Age of the Client.

We look at the forces that are transforming the traditional client/lawyer relationship, explore how firms can meet new expectations, and ask what the profession’s entrepreneurs can teach us about succeeding in this new environment.



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Introduction

The previous Bellwether reports identified two big trends in independent law: the constant need to evolve and specialise (Survive or Thrive, 2013), and the genesis of a new breed of entrepreneurial lawyer with a strong appetite for change (Brave New World, 2014).

This year's report turns the spotlight on a big paradigm shift that's been creeping up on the legal profession over recent years – the Age of the Client.

Over the last few years, while independent lawyers have been busy dealing with upheaval within their profession and getting through the economic recovery, a major change has been taking place.

A new breed of smart client has emerged – empowered by technology and the internet, always searching for the best value, and very much aware of their own importance as customers.

This report, the third in a series commissioned by LexisNexis into the changing legal landscape, examines how the rise of the smart client is affecting independent law firms and sole practitioners. Other industry reports have looked at improving client service, but we believe the challenge is more fundamental – nothing short of a revolution in the traditional client/lawyer relationship and the way lawyers interact with clients.

We've interviewed 118 independent lawyers (sole practitioners and practices with up to 20 fee earners) and more than 500 private clients (individuals who have instructed a solicitor in the last two years). This report reveals practical steps lawyers need to take to meet this new challenge and deliver the smart client service that will secure the future of their business.



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Executive Summary

How are independent lawyers, midsize law firms and sole practitioners handling the increased demands of a new breed of client? We interviewed 118 lawyers and more than 500 private clients to find out.

Here's what we learned.

Smart clients

It's the Age of the Client. Clients are more informed and more demanding than ever before. They're expecting outstanding service, but there's a big gap between lawyers' and clients' views of the service that firms actually deliver.

Most lawyers (80%) believe their service is 'Above average', but only 40% of the private clients we interviewed say the service they receive is at this level.

It's now critical for lawyers to get a better understanding of what clients need throughout the progress of their case. Currently, what clients want and what lawyers think they want doesn't align. For example, 'Providing regular progress reports' ranks second on clients' priorities, but lawyers rate it tenth.

Smart firms

More and more independent lawyers are acknowledging that continued success means they'll have to revisit many different aspects of the business, from client service to business development planning.

Although there's still some resistance to the sorts of changes other service industries have embraced (such as bringing in external consultants and enabling remote working), many firms are redefining their business models as they search out new revenue streams.

Smart people

The entrepreneurial spirit we identified in last years' survey is still going strong. Ambitious entrepreneurial lawyers are more willing than their counterparts to question existing practices to find a competitive edge.

In the Age of the Client, a deep understanding of the critical importance of marketing, technology and clients' needs gives entrepreneurs a real advantage over their counterparts.

Opportunities await

For the smartest firms the opportunities are waiting to be seized, but it will take a dynamic and questioning mindset, and an ability to look at the business from the client's point of view, to be consistently successful.



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Foreword



Professor John Flood

John Flood is the McCann FitzGerald Professor of International Law and Business at University College Dublin and Honorary Professor of Law at University College London. He is an international researcher on the legal profession and globalisation of law. Flood was awarded a Leverhulme Research Fellowship for 2012-14. He is a member of the Legal Services Board Research Strategy Group. Recent publications include *What Do Lawyers Do? An Ethnography of a Corporate Law Firm* (Quid Pro Books, 2013); "Theories of Law Firm Globalisation: A Cultural and Institutional Analysis of English and Indian Law Firms in the 21st Century" in *The Indian Legal Profession in the Age of Globalisation*, eds. D Wilkins et al (Cambridge UP, 2015); and "Will There Be Fallout from Clementi? The Repercussions for the Legal Profession after the Legal Services Act 2007" 2012 *Michigan State Law Review* 537.

The lawyer-client relationship has always been fraught. With the classic information asymmetry embedded in professional relationships, clients were in thrall to their legal advisers. Long-term, all-embracing relations were part of normal business as was the infinitely extendable billable hour. Procurement didn't exist: when clients had a problem, their lawyers told them how it would be fixed.

This in part resulted from the inferior status of in-house counsel compared to private practice lawyers who represented the elite of the legal profession. In the final years of the 20th century this switched around. In-house practice offered many advantages over private practice—better life-work balance, more women-friendly working arrangements, stock options, and a say in the business. The results have been a steady stream of lawyers moving in-house with a rise in their authority and earnings.

The priestly dominance of the professional adviser has now disappeared. Clients know what they need and how it should be delivered. Over the past twenty-five years clients, especially corporates, have been forced to justify their legal spends within their companies. In-house counsel compelled their external counsel to cut the infinite length of string into identifiable pieces so each could be costed and allocated to the appropriate law firm and legal teams. Company procurement groups demand explicit manageable budgets, ones that will be adhered to, and that their legal advisers will invest in understanding their businesses.

The power in the lawyer-client relationship has swung to the client. The question is do lawyers understand this shift, and if they do, do they grasp the implications? The answer is, unfortunately, it is too soon to tell. The LexisNexis Bellwether Report provides data and analysis as to why lawyers need to understand how the legal landscape has changed.

We learn lawyers still see themselves as mainly reactive not proactive. Some have caught on that they need to start predicting what their clients' needs may be but these are rare. Although some lawyers are investing in technology to offer standardised services to clients, areas like big data analytics, volume document assembly and contract management are rarer still. And while small groups of law firms might rely on specific reputations, the vast bulk of law firms have few features to distinguish them from each other.

These changes apply to lawyers serving individuals as well as corporate clients. Increasingly services are offered on a fixed fee basis. No one would expect hourly billing for a house conveyance, for example. Technology is taking over the simpler tasks: wills, leases, simple contracts are machine-producible, which has reduced costs significantly. Developments in legal insurance put lawyer-power into clients' hands and employers increasingly offer this as part of an employee's fringe benefits package.

With clients—individual and corporate—in the ascendant, lawyers can't be complacent. They must change and adapt. And if they don't, there are others waiting to take over.

Interested in more detail?
Find the executive summaries and download links for the previous two Bellwether reports in the **Appendix.**



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Trend

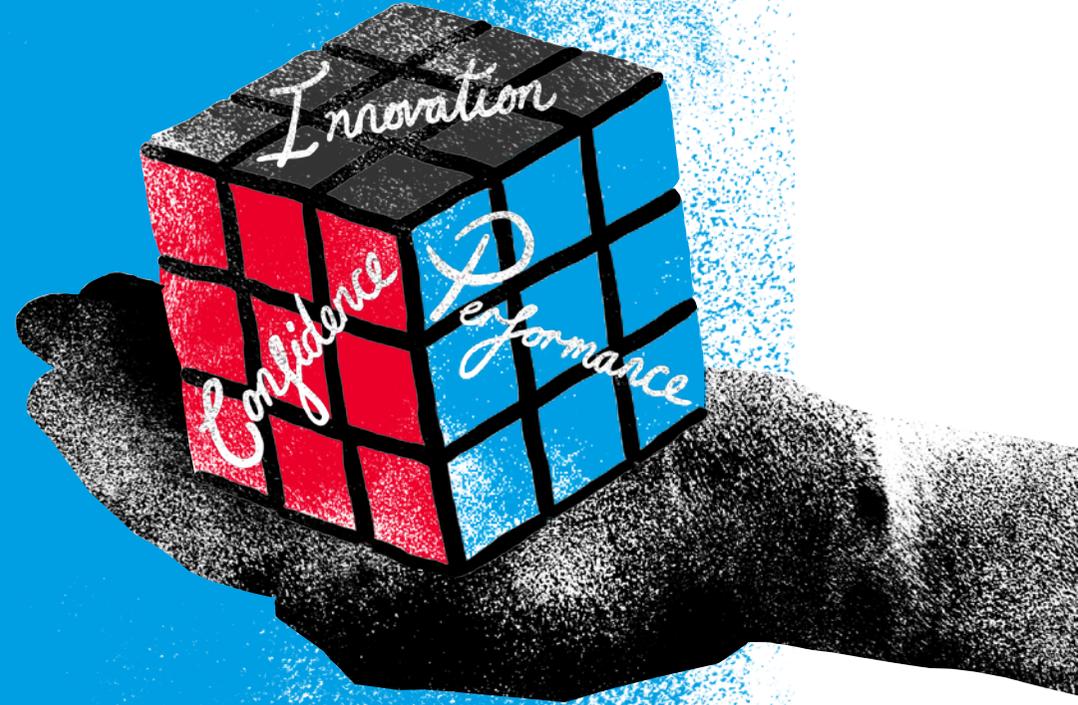
Update

What's changed since last year?

“More firms are going to have to become more specialised, because there are all these competitors who can do the bog-standard work”



What's changed since last years' Bellwether Report? Many respondents predict business growth, but tough challenges remain. Operational practices are increasingly changing in businesses, but could complacency be creeping in?





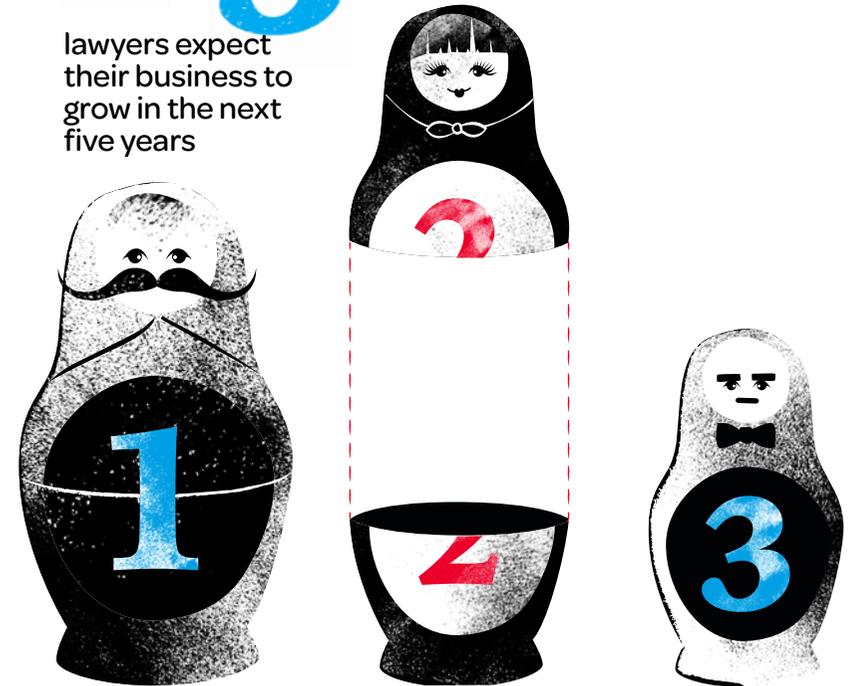
Not just surviving, but thriving

This report is the third in a series of annual Bellwether reports tracking developments in the independent legal sector.

Before we dive into the emerging client service issues that are at the core of this edition, let's have a look at how the trends identified in previous reports (*Survive or Thrive, Brave New World*) have developed this year.

2 in 3

lawyers expect their business to grow in the next five years





Practice performance shows encouraging signs of growth, with 63% saying performance is on the rise.

Two-thirds of the lawyers we interviewed also anticipate growth over the next five years. So overall, there's great confidence about the future.

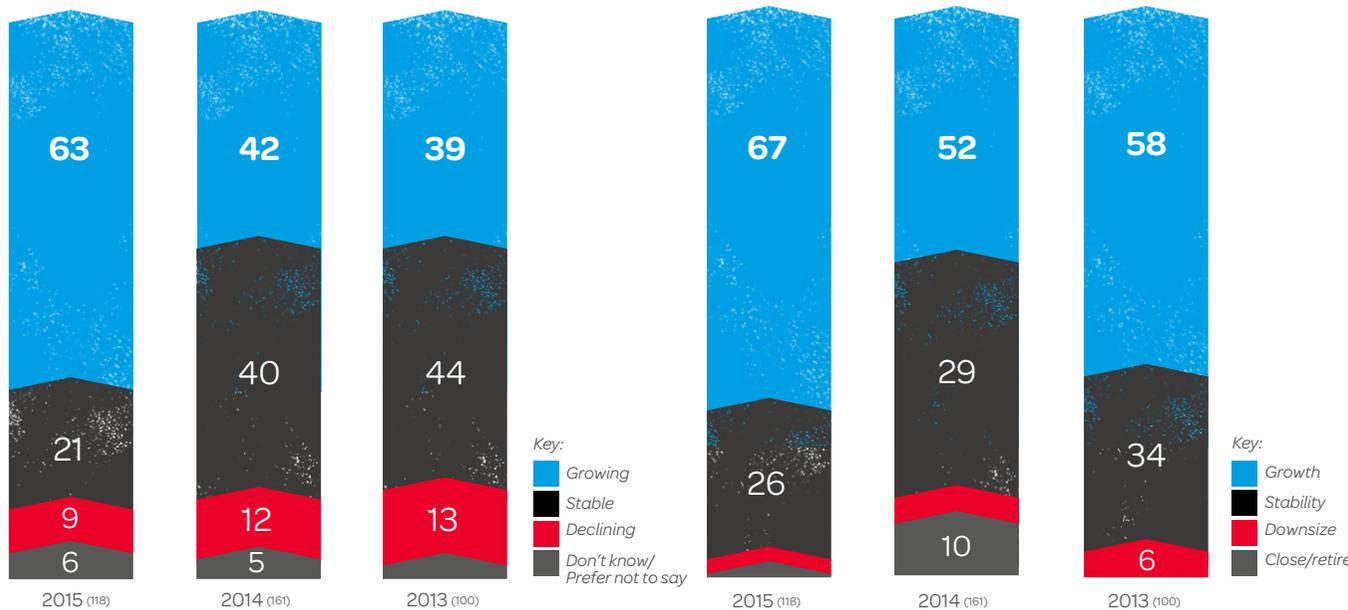
This year, the growth projection is also more uniform. We've found a smoothing out of the variations seen in previous studies, as groups such as sole practitioners, generalists and less entrepreneurial firms catch up with the progressive, entrepreneurial firms that led the way last year.

Practice performance vs 3-4 years ago (%)

Thinking about the performance of your practice compared to 3-4 years ago, would you say that business is ...

5 year practice plan (%)

So thinking ahead for 5 years or so, is the plan for the practice to grow, to continue to trade at a similar level, downsize or close?



63%
of lawyers say performance is on the rise



The challenges keep on coming

Make no mistake; this confidence doesn't mean the challenges have disappeared.

Almost nine out of ten lawyers believe they're operating in a period of unprecedented change. Making this year's growth forecasts all the more encouraging, demonstrating confidence despite continued challenges.

The most significant of these challenges haven't changed much in the last year: the spectre of a compliance investigation, the need to attract new clients and the difficulty of keeping on top of working practices and changes to the law. Securing the right level of Professional Indemnity cover also remains a worrying undercurrent.

The economy may be recovering, but the recession has produced a more demanding and value-conscious client. As low-cost competitors enter the market, retaining clients is seen as a challenge by almost six out of ten lawyers.

Differentiating the business offer from cheaper alternatives becomes a top priority, as one lawyer explained:

“More firms are going to have to become more specialised, because there are all these competitors who can do the bog-standard work. That's how you differentiate yourself – by being able to do the more complex work that they can't do.”

9 out of 10
lawyers believe they're operating in a period of unprecedented change



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The demand for fixed fees has risen, but it seems that many independent lawyers are putting off the decision, perhaps equating it with a ‘race to the bottom’ approach to pricing.

Many larger firms, however, have already made a successful move to fixed fees for some legal transactions, so this type of pricing certainly shouldn’t be dismissed out of hand.

Clients increasingly turn to the internet and automated services. Almost half of the lawyers we interviewed see this as a challenge. To combat this, independent lawyers will need to rethink their portfolio of services:

This need to adapt to developments in technology, communications and lifestyle is exposing rifts between new and established lawyers, whose views on future priorities are clearly diverging. So, if the marketplace remains just as challenging as last year, what’s behind the optimistic predictions of growth?

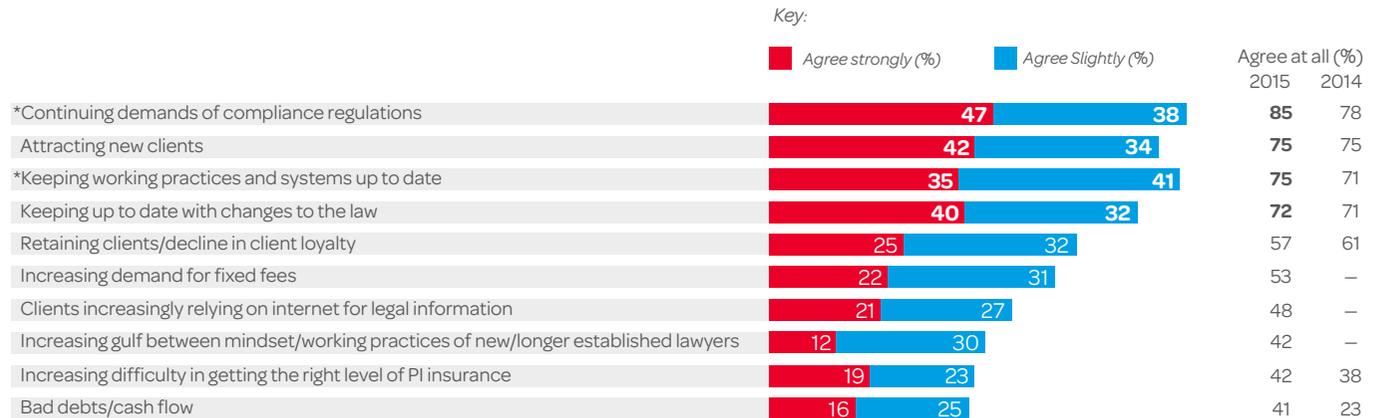
“Ultimately a lot of what we do could be computerised.”



lawyers see retaining clients as a challenge

Business challenges

How significant are each of these challenges to your current business?



* Statements have been re-worded slightly. All unchanged challenges consistent year-on-year.



Change never stops

This confidence may be partly because lawyers are taking greater charge of their own destiny by implementing change on a wider scale.

Out of the 15 changes we monitored, lawyers had implemented an average of just over five, a significant increase on 2014.

These include everything from website development and staff training to outsourcing and changes to the firm's status, showing that every aspect of the business is beginning to be reviewed.

This activity illustrates the new mindset we're seeing in the profession.

Almost **80%** of lawyers describe their firm as 'Actively embracing change', but it's surprising this hasn't increased significantly since last year. The pace and extent of change are also decreasing, with an average of just **1.6** changes planned for the coming year.

Could this be interpreted as over-optimism or even complacency? After a period of intense upheaval, do some lawyers think the job has been done? If so, they could be in for a shock.

The Brave New World of increased confidence, improving performance and greater appetite for change outlined in last year's report is still evolving, and adapting to this fast moving landscape will be a continuous process.







The consumer culture of 24/7 availability will become even more entrenched, DIY internet-based solutions will spread to other areas of the law and competition from non-traditional sources will continue to grow.

Against this background of rapid and constant change, lawyers can't afford to become complacent.

Only a culture of continuous innovation will ensure they can meet future challenges head-on.

Changes implemented or planned

Which of these changes has already been implemented or is planned for this year?

Key:

■ Implemented (%) ■ Planned (%) Implemented/Planned (%)



Average number of changes 5.2 implemented/1.6 planned



Smart

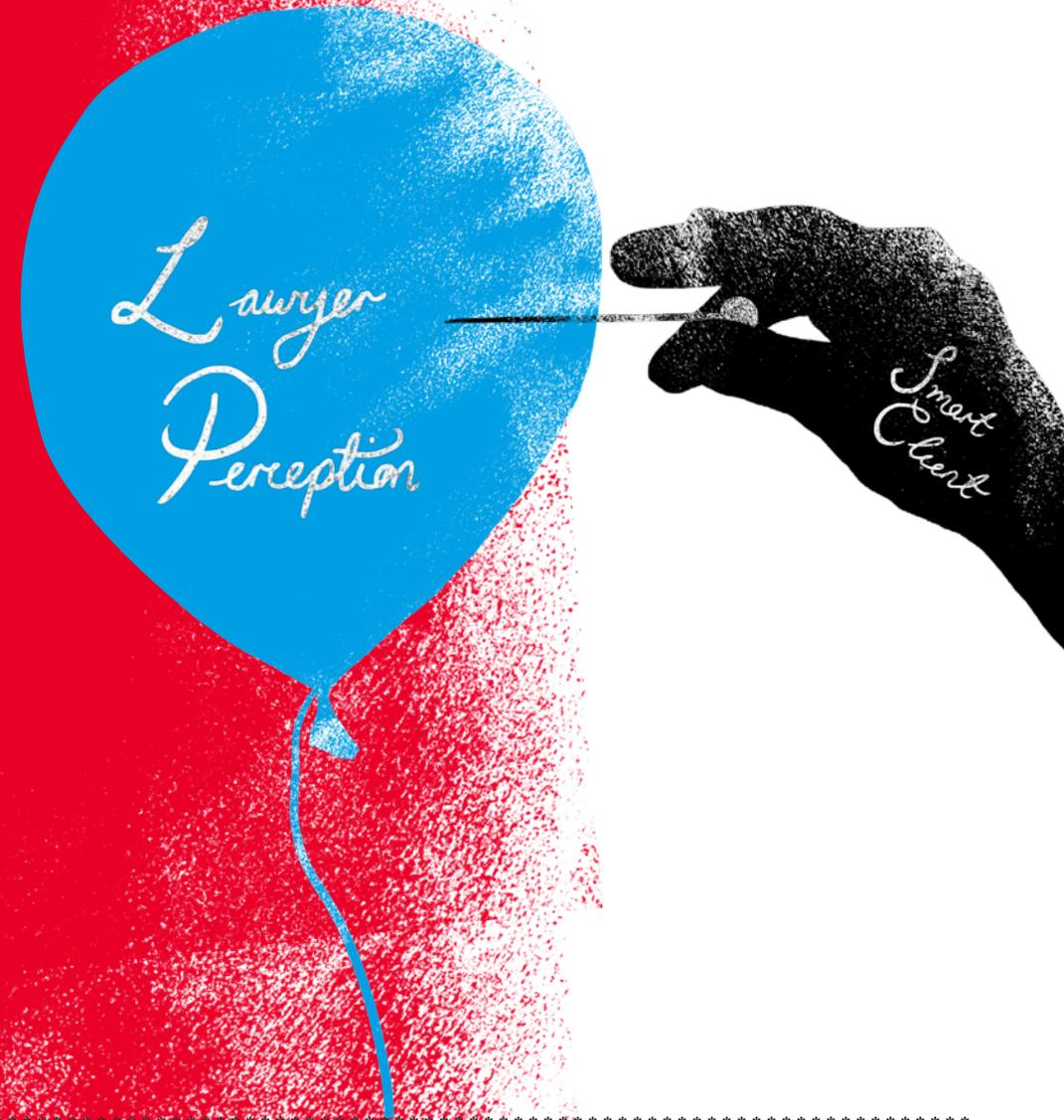
Clients

Are increased client expectations being met?

“Consumer comes first is key – if we didn’t put our clients first, we would be out of business. A client has a relationship with us. They put their trust in us and we build up a rapport with them.”

The traditional client/lawyer relationship is being turned on its head as clients become more demanding and competition heats up. Understanding what clients really want at every step of their journey is critical to delivering great service. So just how are clients’ expectations changing? And what can independent lawyers do to succeed in the Age of the Client?

There’s no place for complacency in dealing with the new breed of smart client. Though lawyers have woken up to the increased importance of client service, some believe that efforts to become more client-focused may be hampered by the profession’s traditionalist mentality. In this more client-focused environment, it’s vital to fully understand how clients are changing and what that means for legal profession.



The client/lawyer relationship: who's in control?

The changing attitudes and behaviour of consumers have been well-documented by the media. Lawyers are starting to see these changes in their clients. After all, these private clients are 'consumers' of legal 'products'.

Dwindling brand loyalty among consumers means that the brands that offer real value at either end of the price spectrum will come out on top.

Providing value and differentiating your offering from your competitors is critical to survival in this environment, whether you're running a supermarket, a fashion label or a legal practice.

Client expectations have changed as they become accustomed to managing much of their daily life online. With information always at their fingertips, they shop around more to get the best value deal, and they expect 24/7 access to services.

This changing behaviour affects all aspects of modern consumers' lives, including their legal dealings. So it's not surprising that nine out of ten lawyers are seeing similar changes in their own clients.

Increased cost-consciousness is the main change they report, and this has become a major threat to law firms, with over half our sample talking about the demand for fixed fees as a key business challenge. It's clear that service expectations are also rising – clients are demanding not just better levels of service, but also quicker responses, with almost half expecting this to extend beyond office hours.

“My expectation is what my clients expect of me. In this digital era, I respond back even if I don't have the answer as yet, so they know it's being sorted out.”

80% of

lawyers think they're delivering above average service... but only

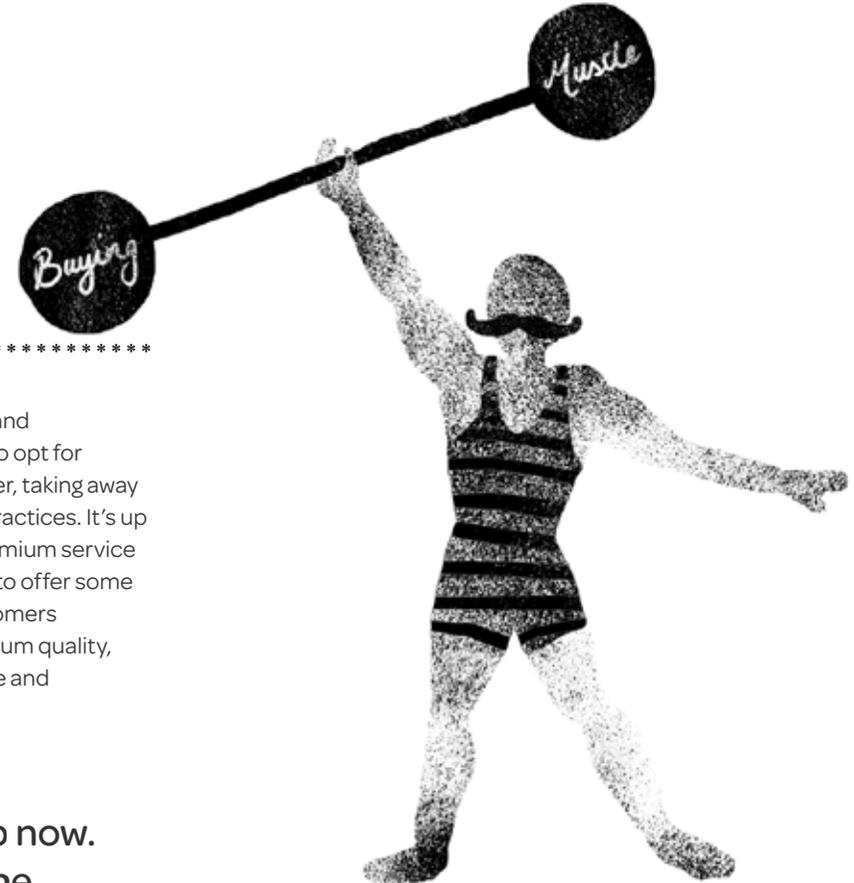
40% of

clients say they're receiving it.



“I did some research after the first meeting – I looked into the problem. Everything she had told me was what I was reading.

I didn’t just want someone telling me something I wanted to hear.”



As clients flex their buying muscles, they’re shifting the balance of power in their favour.

They’re entering into the relationship on a more even footing, partly also because they’re preparing themselves better and reading up as the case progresses. They demand to be heard. As one private client we interviewed explained:

Trust needs to be earned. Increased self-reliance and value-consciousness can also lead some clients to opt for automated or DIY services which bypass the lawyer, taking away some of the bread and butter work of generalist practices. It’s up to lawyers to make it clear to clients what their premium service delivers that cut-price alternatives can’t - or even to offer some alternative service approaches themselves. Customers are still prepared to pay a premium price for premium quality, so it’s essential that the difference is clearly visible and easily understood.

“I get a better-quality service or product if I do the homework upfront. I like to be in control.”

This is having a major impact on the traditional client/lawyer relationship, and the way that clients expect to be treated. Many clients want more control and more regular updates about how the case is progressing. They feel that more involvement increases the likelihood of getting better advice, which in turn makes them feel more confident about the progress of their case. Today’s clients are much more likely to question, rather than take advice at face value.

“We are a service profession. I think lawyers are catching up now. An arrogance has pervaded the profession for years. There is a lack of understanding of what a customer is.”



Understanding the customer journey: clients have feelings, too

To help understand the impact of changing client attitudes, it's necessary for lawyers to put themselves in their clients' shoes.

They need to keep in mind that, for most private clients, instructing a lawyer is not an everyday occurrence.

While a corporate client will recognise it as a key part of doing business, private clients are more likely to see it as a necessary evil, often coinciding with a period of high anxiety.



Most clients aren't exactly excited about the prospect of having to find a good lawyer. Though they may respect lawyers' knowledge, clients are less flattering about their human qualities.

Clients don't tend to expect a high degree of rapport when they enter into the relationship. As one client put it:

"Lawyers are not people people."

Private clients don't always feel that their concerns are fully appreciated by lawyers. The legal situation itself prompts enormous anxiety in them – and then there's the worry about entering into an open-ended financial commitment.

Uncertainty about what's included in the cost, the often unpredictable timescales, and dependence on the knowledge of others can all lead to client anxiety.

Add to this the stress of feeling in the dark about how the case is progressing – and constantly chasing to find out – and it's easy to see why clients have become so demanding.

"They talk more than they listen, which is a big turn-off. I judge them based on the questions they ask."



Are lawyers doing enough to address these concerns, or are they adding to the stress factors themselves? It seems the time has come for every practice to have a policy for dealing with inexperienced clients, as many of these could become the regular clients of the future.

Demonstrating an understanding of client needs is vital, not just in client interactions, but in all communications, from brochures to blog posts and articles in local newspapers. Lawyers who can do this effectively will be able to stand out in an increasingly crowded market.

“To be a lawyer you need to have a big ego. That is my perception as a client. They feel the service they are providing is above average. I wouldn’t say so – I think they are pretty average.”

“Nothing makes them stand out as good or client-centred. I don’t find legal services very customised to the client, I see them as very standard, off-the-shelf services.”

Changing clients

Which of these changes in client behaviour and attitudes are you noticing? (%)





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What clients really, really want

Developing a client-centred view will help lawyers understand what's needed at each stage of the client journey.

It's clear from our research that lawyers currently misunderstand clients' customer service priorities.



Essentially, lawyers and clients agree about the primary importance of cost transparency – i.e. providing indications of likely costs and an explanation of the charging system.

However, it appears clients and lawyers mean different things by 'transparency'. For lawyers, it might mean quoting their hourly rate, but clients want to know what this includes and what's extra.

They feel they've 'been stung' by unexpected costs.

Transparency should eliminate these surprises and offer, at the very least, the ability to monitor costs in real time, if fixed or capped costs are not feasible.

Beyond costs however, the views of clients and lawyers begin to diverge. 'Providing regular progress reports' is clients' second priority, but this lurks down at tenth place in the lawyers' rankings (though younger lawyers who have grown up in the 24/7 culture are more likely to recognise its importance).

From the client's perspective, regular updates are a key factor in feeling in control, and satisfaction ratings improve significantly when this service is delivered. The same split of opinion is true of 'Good at listening' – ranked sixth by clients but twelfth by lawyers. In contrast, lawyers think of 'Demystifying the law' as higher-priority than clients (ranked fourth vs eighth respectively), as they do of 'Being treated as a partner in the relationship'. While this may be desirable to some clients, it is by no means as important as being kept informed.

In developing client service guidelines, it can be helpful to think of each case in terms of a client journey. It's clear that clients need regular communication at every stage of their journey, from instructing to closure, and that failure to deliver this will undermine the relationship, regardless of the quality of advice.





“I need regular updates. At the end I want it to be wrapped up and concluded. I want to be given that assurance that it is safe. I want an ending. The key word is assurance that it has been dealt with.”

Though many client needs are clustered at the start of the journey, regular updates on the progress of the case, and more control over its timings help to alleviate client anxiety.

Closure at the end of the case is critical, so that clients can draw a line under the events of the case and move on with their lives. Lawyers who understand the clients’ state of mind throughout their journey are more likely to meet their service expectations.



What clients really want

What are the three main things you look for in a lawyer/solicitor?	Client rank	Client (%) (524)	Lawyer rank	Lawyer (%) (118)
Provides clear indication of likely costs/works to fixed fee	1	35	1	53
Provides you with regular updates on progress	2	31	10	14
Explains charging system clearly at outset	3	28	2	36
Fully appreciates your needs and expectations when taking the case on	4	26	5	30
Personally responds to emails/calls within 24 hours	5	22	3	36
Good at listening	6	21	12	6
Keeps to a timetable/avoids case dragging on	7	21	7	19
Demystifies the law/makes it understandable	8	18	4	31
Explains range of possible outcomes based on previous experience	9	16	8	18
Empathises with your situation	10	12	11	12
Treats you as a partner in the relationship	11	10	6	19
Provides a tailored service vs package solution	12	10	9	14
Proactively alerts ongoing clients to relevant legal changes	13	8	14	3
Retains a professional distance	14	5	13	5



Not quite the same experience

Clients and lawyers have very different opinions of the service delivered against each of these client priorities.

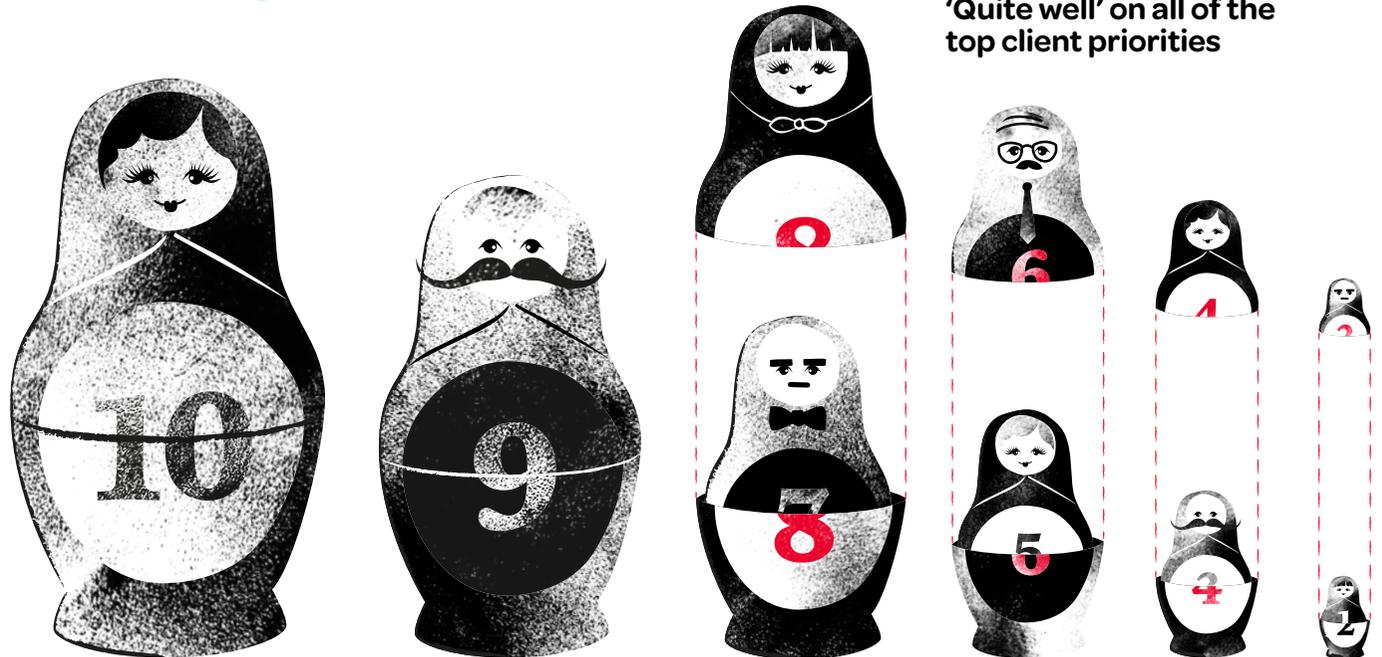
Bearing in mind these are two independent samples (i.e. we have not interviewed clients of the lawyers sampled), there is still a major difference of opinion between the two groups.

Eight out of ten lawyers believe they are delivering 'Very well' or 'Quite well' on all of the top client priorities.

It's telling that lawyers rate their own service so highly, with most suggesting they're 'delivering very well'. In contrast, clients' satisfaction ratings are generally closer to 60%, with 'Very satisfied' scores averaging out at just less than 30%. Though this is by no means a poor result, clients don't have quite the rose-tinted view of service delivery that lawyers appear to have. In fact, for each of these priorities, one in three clients feel that the service is 'Average' or 'Below average'.

8 OUT OF 10

lawyers believe they are delivering 'Very well' or 'Quite well' on all of the top client priorities





8
OUT
OF 10

lawyers believe they are delivering 'Very well' or 'Quite well' on all of the top client priorities

Client priorities: a difference of opinion

How well do lawyers deliver on each of these services?	Client rank	Client (%) (524)	Lawyer (%) (118)
Provides clear indication of likely costs/works to fixed fee	1	68	91
Provides you with regular updates on progress	2	61	81
Explains charging system clearly at outset	3	70	95
Fully appreciates your needs and expectations when taking the case on	4	69	94
Personally responds to emails/calls within 24 hours	5	57	80
Good at listening	6	67	92
Keeps to a timetable/avoids case dragging on	7	59	80
Demystifies the law/makes it understandable	8	66	91
Explains range of possible outcomes based on previous experience	9	66	90
Empathises with your situation	10	63	89
Treats you as a partner in the relationship	11	57	82
Provides a tailored service vs package solution	12	61	90
Proactively alerts ongoing clients to relevant legal changes	13	53	56
Retains a professional distance	14	71	81

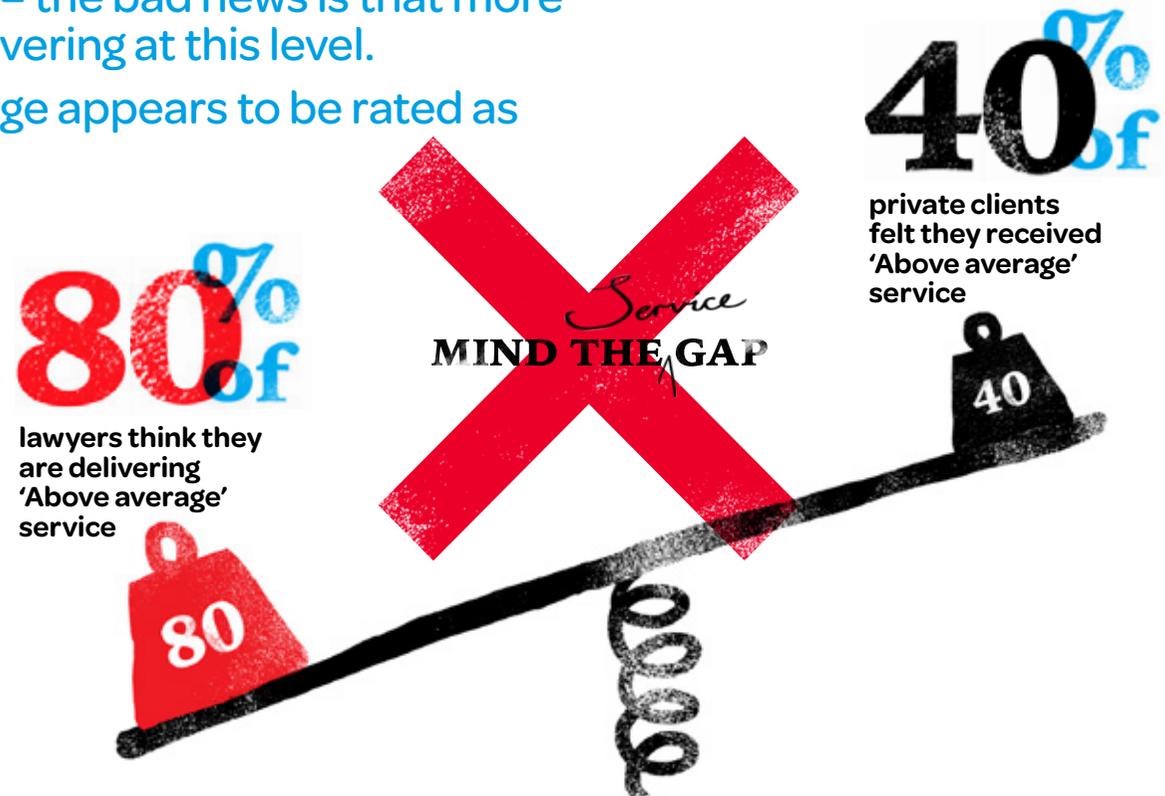


Average isn't good enough

The gap between client and lawyer perceptions widens further when we compare their views on service quality.

The good news is that just over 40% of private clients felt they have received 'Above average' service – the bad news is that more than 80% of lawyers think they are delivering at this level.

So what lawyers define as above average appears to be rated as simply average by clients.





The issue is not that lawyers are failing to provide adequate service (only 15% of clients judged their lawyer to have under-performed), but that they have a higher regard than clients for the service being delivered.

If this is the case, it will prove difficult for law firms to genuinely differentiate themselves on quality of service if they are over-estimating the strength of what they currently offer.

This blinkered viewpoint was backed up in our in-depth interviews, with lawyers quick to criticise other firms for providing poor service, and safe in the belief that their own house is already in order:

“That’s why so many are in trouble. So many are going out of business, and in my view they should, because they are not providing the correct level of service.”

Bridging this service gap means focusing on real client priorities throughout the entire client journey, and regularly anticipating how they may be feeling, rather than simply responding to their prompts.

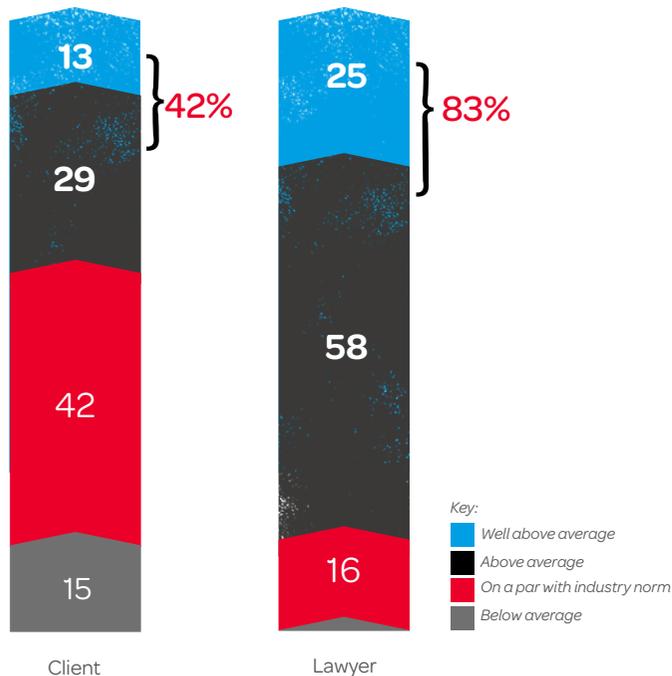
Delivering at every step of the client journey

Lawyers are increasingly aware of growing client power and the importance of service in securing future business. However, they often judge themselves against outdated standards of service, giving them a false sense of security.

The results in this report should be a wake-up call for the profession and a timely reminder that client service values may be out of touch.

It’s become clear that those who respond by identifying with client priorities and anticipating client feelings across the journey are likely to win out in the client service battle, particularly if they adapt their working practices, or consider bringing in outside expertise.

Level of servicing (%)





Smart Firms

What are the priorities for improving the business?

“If you slack in one area it can have detrimental effects in others. If you are good at law but not at business, you won’t make any money.”

What separates the smart firms from the rest? We outline the five essential ingredients for success, based on interviews with the entrepreneurial independent lawyers who are leading the way.

As clients become smarter in how they purchase services, legal firms will need to make improvements if they’re to deliver the excellence clients expect. Although client service is clearly vital for this, smart firms need to have a broader range of expertise across all areas of the business – from marketing to IT.





Boutique or small?

Independent law firms and sole practitioners should be able to respond to these challenges much faster than larger firms. Indeed, this series of reports has consistently highlighted that independent firms are acting smarter than their shop front may suggest.

More than half of the lawyers in our sample have worked for larger law firms, and one in five have top tier experience.

With more than 60% also describing themselves as specialist or niche, there is nothing parochial about today's independent lawyers. This is backed up by their respect for their own sector.

Their role models, far from being the big firms that hit the media headlines, are much more likely to be firms of similar size to themselves. Perhaps the time has come for the independent sector to share examples of best practice more openly and bring attention to the successes of smaller firms.

92%

say being forward-looking is important

... but only

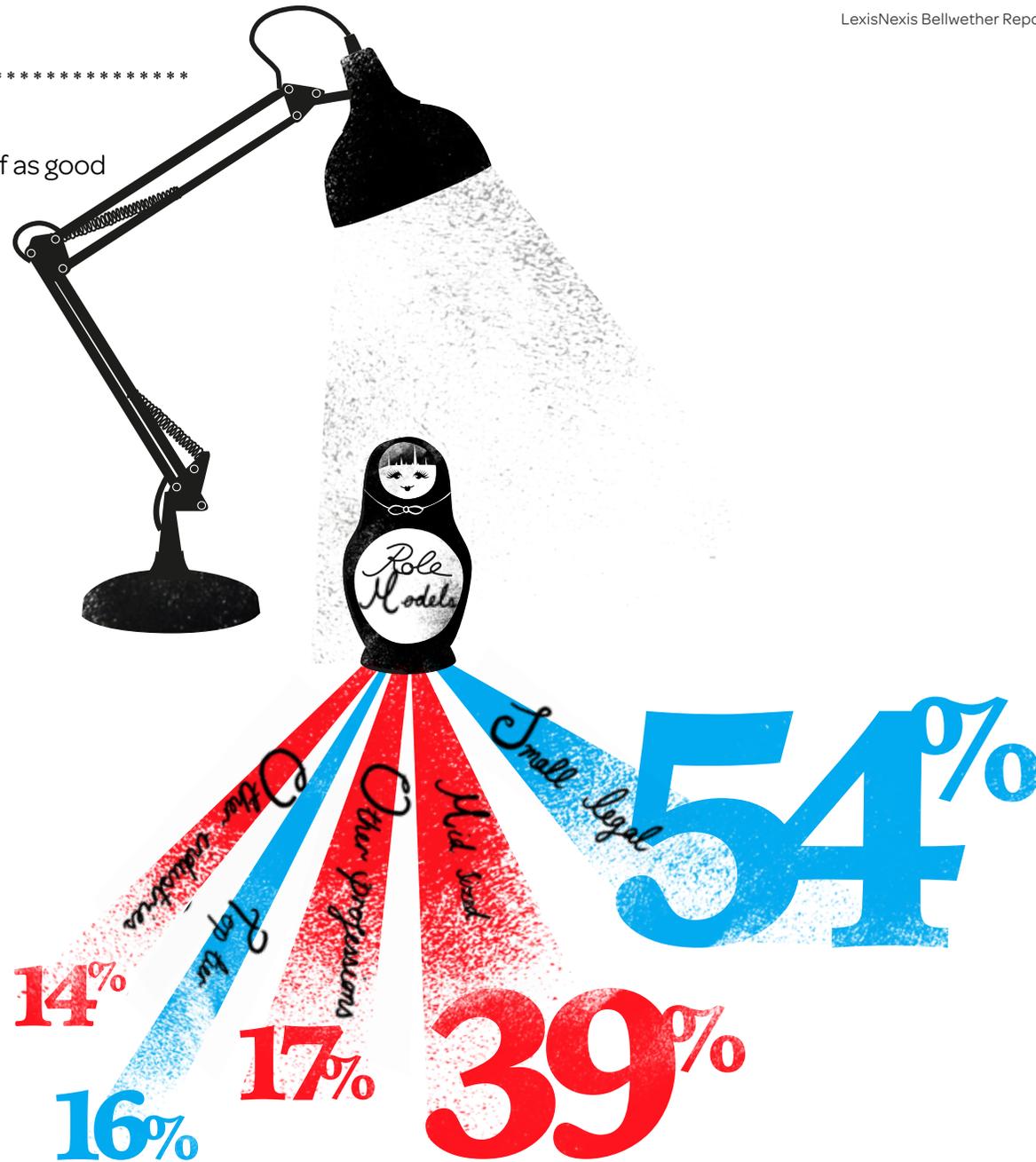
68%

rate flexible working as important



Role models

What types of firm do you think of as good role models for your business?





Smart operating

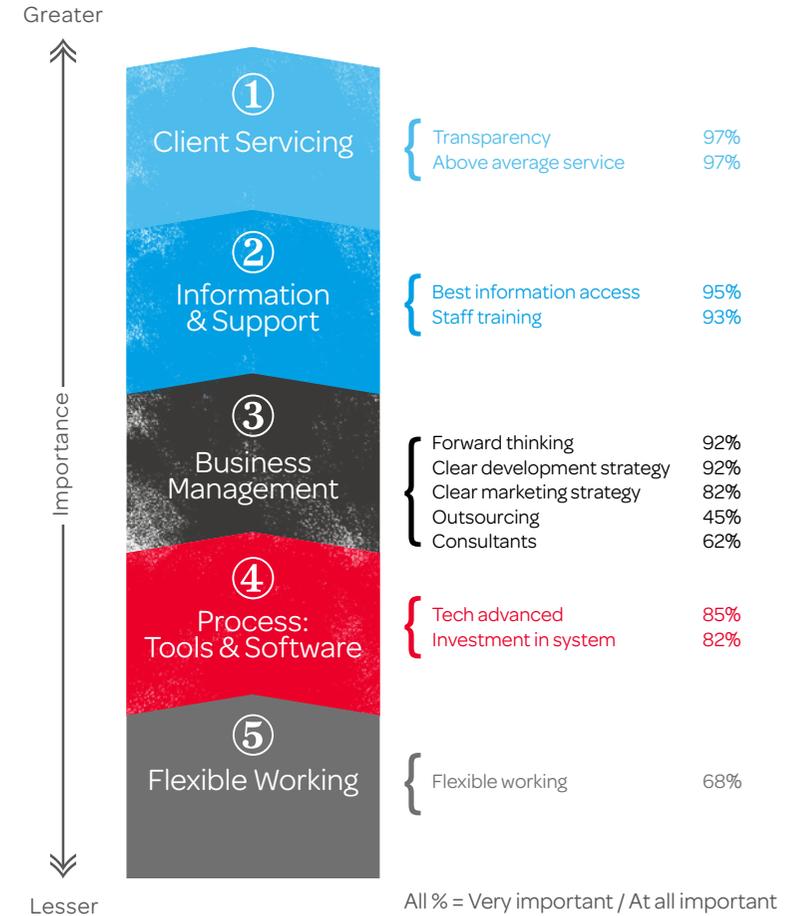
Smart lawyers make smart firms

How important are these factors to the smart firm?

So what does operating smarter look like?

We examined this issue in a number of ways in our research. Firstly by exploring what makes a 'great lawyer' in our in-depth interviews with entrepreneurs and then moving on to quantify the key ingredients of a 'great law firm' in our wider survey.

5
Five themes emerged from this investigation, and it will come as no surprise to find that client servicing again tops the list.





The 5 ingredients of a smart firm

What separates the smart firms from the rest? We outline the five essential ingredients for success, based on interviews with the entrepreneurial independent lawyers who are leading the way.



- 1 Smart servicing:**
rethink service for the Age of the Client
- 2 Smart support:**
the best advice is based on the best information
- 3 Smart thinking:**
there's no room for 'business as usual'
- 4 Smart processes:**
successful businesses harness advanced technology
- 5 Smart working:**
flexible working helps drive success





1 Smart servicing

Alongside 'Above average' client service levels, transparency tops the list of key requirements, with almost three-quarters of lawyers judging this to be 'Very important'.

To meet these requirements, independent firms will need to look at how they can better align their service with their clients' needs and then implement a clear client service policy. They'll also need to invest in new software tools and give clients greater clarity about what's included in quoted rates. As we saw in our interviews with private clients, it would help dramatically if they were willing to move to fixed fees where possible.

2 Smart support

Guaranteeing quality of advice come next in the list of priorities.

This isn't just about recruiting the right people, but continuing to invest in their development, as well as in the best research and guidance tools. Lawyers back up this internal support with their own informal network of external experts, as it's all too easy to become isolated when working in smaller firms.

3 Smart thinking

When it comes to managing the business, 'Being forward-looking' is rated surprisingly high, ahead of technology and marketing, with entrepreneurs stressing the importance of fostering a culture of innovation.

But this is easier said than done. Though **90%** claim that their business 'Actively embraces change', this means questioning many traditional working practices and looking again at billing methods, flexible working and using technology more effectively. Challenging traditional ways of working is essential if firms are to keep younger lawyers on side. We saw earlier that the increasing rift between younger and longer-established lawyers can be a tough challenge.

This underlines the need to not only elect, but also to empower, ambassadors for change within the organisation:

Walking the talk:
as well as cultivating a more innovative mindset, firms must implement clear strategies – both for business development and marketing.

A clear positioning:
to develop the business, firms need to identify new revenue streams, and protect existing revenues from incursions by cut-price competitors. Specialist firms have already made some advances in this area – with **38%** redefining their niche in the light of current demand, but generalists also need to think carefully about the future of their income streams.

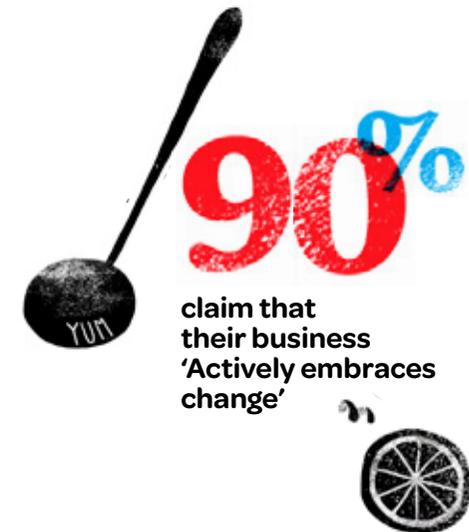
Customised service:
our interviews with private clients also suggested that service generally feels 'off-the-peg' rather than bespoke, so a further challenge is to deliver a more tailored service without adding to the costs.

As one client put it:

“I don't see a lot of tailoring or customising for me. Financial advisors and accountants are better than lawyers at customising the service and providing that client-centred focus.”

Branding:

firms also can't afford to overlook the role of marketing as an important tool for building the business. Smart firms recognise the importance of their brand, as well as the need to differentiate themselves from their competitors. It's rare to find in-house marketing expertise in smaller legal firms, so it's surprising that only one in five agree it's 'Very important' to be open to using specialist consultants or to outsource non-legal work.







Smart processes

Although technology is a lower priority, our face-to-face interviews highlighted that firms are underinvesting in technology, and that this jeopardises their efficiency.

Part of the reason for technology's low-priority status, aside from cost, is that it often doesn't have a senior sponsor within the business. Also, rather than looking at the efficiency gains to be made, firms tend to focus on the potential disruption to the business from implementing and bedding-in a new system. However, in a world where up-to-date information and tailored support are expected at every stage of the client journey, it makes sense to invest in the tools and processes that enable firms to deliver this.

By enabling better processes that improve client service and operational efficiency, technology investments can be self-financing. Independent law firms need to give their business a technology health check, investigate the tools that are available, and explore how new systems could complement their existing processes.

As one entrepreneur told us:

“I don't think we would be able to be half the firm we are without the technology and practice management tools that we have. We've had it from day one.”



To succeed in the Age of the Client, firms need far more skills than ever before – across every part of their business. However, it's encouraging to see progress being made in the use of social media, blogs and other modern marketing tools, though this is still very much in its infancy in many firms compared to other service industries.

5

Smart working

Flexible working was consistently the lowest rated priority, but its role in the modern workplace is better appreciated by growing firms, which may be one reason they are pulling ahead.

Remote working isn't just about being able to achieve a better work/life balance, but also about being better equipped to meet the 24/7 expectations of a new breed of client. Having access to your files wherever you are and whenever you want is critical to this, and we may see more adoption of flexible working once there is clarity from the Solicitors' Regulation Authority about the use of cloud-based technology to support 'anytime-anywhere' working.

Taken as a whole, this prioritisation exercise indicates that firms seem well aware of what needs to be done to operate smarter, but some may need guidance in areas of the business that are outside their expertise, whether it's marketing, technology, or support with moving to a new client-centred approach to service.

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Smart People

What can we learn from the entrepreneurs?

“What’s important? Keeping your foot on the accelerator with changes and marketing. And being recognised by your client that you are different.”

The entrepreneurs aren’t afraid to question the way things have always been done –and they’re seeing big rewards. They identify three areas of critical importance for success and show why a relentless focus on the client’s point of view is essential.





Who are the entrepreneurs?

In last year's report we looked at the rise of the entrepreneur within the legal profession.

These dynamic, ambitious entrepreneurs use a combination of agility and top-class customer service to compete with major industry players.

Always thinking at least one step ahead, they constantly look for ways to hone their competitive edge.

The entrepreneurs

What sets them apart?	Entrepreneurs (%)	Non Entrepreneurs (%)
In growing business	72	51
Drivers to practice law: profit	34	16
Strongly agree to 'getting a real buzz out of practicing law'	67	27
Early adopter of technology	84	45

More than half of our sample identify with 'Having an entrepreneurial spirit'. These entrepreneurs may be younger or established lawyers and can be found in all types of firms. Importantly however, they tend to be found in businesses that are growing.

One of the main attributes which sets them apart is that they're twice as likely as their counterparts to be motivated by profit to practice law. This doesn't mean they're exclusively profit-driven or that the law is not a passion.

On the contrary, two-thirds 'Strongly agree' they get a buzz out of practicing law, compared to only 27% of non-entrepreneurs. As you'd expect, entrepreneurs are also more likely to be early adopters of technology and to enjoy business management.

67%
of
entrepreneurs who
strongly agree say they
get a real buzz out of
practicing law...

Only
27%
of
non-entrepreneurs do.



What are their priorities?

Entrepreneurs see three areas as significantly more important in creating a great law firm, compared to other lawyers.

- 1 Continually look forward.**
Entrepreneurs don't allow the business to stand still, constantly questioning every aspect of its operations, shape and future direction.
- 2 Use technology to deliver a competitive edge.**
Entrepreneurs understand that the efficiency benefits of technology can help the business overcome the commoditisation of many legal services.
- 3 Implement a well-honed marketing strategy.**
Entrepreneurs are more likely to talk about the importance of the brand as a key asset:

“We do want growth but not necessarily in terms of fee earners but more the quality branding.”

They also talk about the need for brand differentiation:

“Keeping your foot on the accelerator with changes and marketing. And being recognised by your client that you are different.”

Entrepreneurs back up these beliefs by implementing higher levels of change than non-entrepreneurs – and they've got more changes planned.

For example, they appreciate that technology developments are an ongoing challenge, and that processes and information sources need to be regularly reviewed. They're also more likely to have implemented marketing strategies and used external consultants to fill gaps in their own expertise.





What are entrepreneurs' priorities?

And how do they compare to their non-entrepreneurial peers?

What are their priorities?	Entrepreneurs (%)	Non Entrepreneurs (%)
Very important to be forward looking	72	41
Important to be technologically advanced	93	75
Important to have a clear marketing strategy	91	71
Implemented marketing strategy	42	25
Used consultant	16	4
Planning to continue to implement changes	22	6
Planning to continue to increase staff levels	33	12
Planning to continue to review information sources	24	8

A client-centred approach

How do entrepreneurs' views on their ability to meet key client priorities differ from their counterparts?

View as very important	Entrepreneurs (%)	Non Entrepreneurs (%)
Provides clear indication of likely costs/work to a fixed fee	70	41
Explains charging system clearly at outset	78	59
Keeps to a timetable/avoids case dragging on	42	22

Entrepreneurs are on the side of the client

Entrepreneurs show more confidence than their counterparts that they're meeting some of the top client priorities.

They believe they deliver particularly well on transparency, and also on keeping to timescales and delivering regular updates. This suggests they are taking a much more client-centred approach to the way they do business.

As they're always looking for ways to improve the business, it's no surprise to see entrepreneurs focus on smarter ways to use technology and marketing – and smarter ways to serve clients. The firms that can identify and nurture this entrepreneurial spirit are likely to see significant rewards.



Conclusion

In the Age of the Client, lawyers need to take a long, hard look at their service offering and learn from other client-focused businesses.

It's encouraging to see a more optimistic economic outlook in this year's report, but this shouldn't lead us to think that life as an independent lawyer is getting any easier.

The economy may be in recovery, but lawyers are now challenged by a new generation of clients – more demanding, more cost-conscious and more self-assured. For ongoing success, the highest levels of client service are required.

Private clients aren't just judging lawyers on results, but also on the quality and smoothness of their journey. Examining this experience through the eyes of the client will be a major help in anticipating their needs and ensuring they feel in control throughout the process.

Almost all lawyers feel that their service is 'Above average', but as far as clients are concerned, all too often it's simply average. The profession needs to learn lessons from other service industries and become more effective at identifying and addressing real client priorities at every stage of the client journey. The clamour for fixed or capped fees also can't go unheeded for much longer.

Servicing this new type of client will mean overhauling established traditions, so it's good to see that independent lawyers have implemented changes at an unprecedented rate. However, the momentum now appears to be slowing down, which suggests a degree of complacency creeping in – firms feeling they're already prepared for the 'Brave New World' we outlined in last year's study.

This report should be a reminder that change is not a finite process, but a continuous state of mind.



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The 24/7 'always-on' culture will become more entrenched, clients will become increasingly reliant on the internet, and technology will advance faster than ever. More new players will enter the legal market, bringing with them service cultures entirely different, and more appealing to clients, than the client/lawyer relationship of the past.

Lawyers need to remain in a permanent state of alert, always aware of the need for new initiatives and always looking for opportunities to improve the business. This is recognised by up-and-coming lawyers, but less so by their more established colleagues, leading to tension in many firms. Fostering a culture of innovation and empowering these younger lawyers to drive and implement change will be one of the most important factors for continuing success.

For the first time, we also have a clear picture from lawyers of the formula for success:

**smart servicing through
smart staff, smart information
and smart processes.**

In all this, technology is the enabler, playing a fundamental role in helping independent lawyers deliver outstanding service.

The entrepreneurs reinforce this message. They also emphasise the importance of remaining forward-looking, differentiating the brand to deliver a competitive edge and devising a clear marketing and communications strategy, and, if necessary, using external consultants and mentors to plug knowledge gaps.

The Age of the Client is here to stay. Clients may be more demanding than ever, but by continually questioning traditional working practices, smart firms can meet these new expectations – and reap the rewards.



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Methodology

These findings are based on a study conducted between November 2014 and February 2015 amongst independent lawyers, midsize law firms and sole practitioners, as well as private clients.

The legal sample comprised a mix of 118 telephone and online interviews of lawyers drawn from the LexisNexis database. All were defined as either sole practitioners or practices with up to 20 fee earners. Ten face-to-face interviews were also conducted with selected lawyers who described themselves as entrepreneurial.

The interviews with private clients were conducted using an online Omnibus study. A nationally-representative sample of 2,000 was screened to deliver a series of more than 500 interviews with individuals who had instructed a solicitor in the last two years. This was supplemented by a series of six face-to-face interviews.

The project was managed by Linda Jones & Partners, an independent research specialist, in conjunction with QRS fieldwork agency (for the lawyer sample) and TNS (for the client sample).

Profile of the lawyer sample

Of the sample of 118 lawyers, 100 were interviewed by telephone, and 18 completed the survey online.

The sample included the following practice types:

- Firms of up to 20 fee earners: 75%, sole practitioners: 25%
- 60% describe themselves as specialist or niche
- Broad regional coverage across England

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Jon Whittle is Market Development Director at LexisNexis, responsible for the company’s offering for the independent legal sector – independent, smaller law firms, and sole practitioners.

With 15 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 Bellwether report into the changing landscape for independent legal practitioners, and is a key contributor to the Business of Law blog, an online independent legal community.



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