

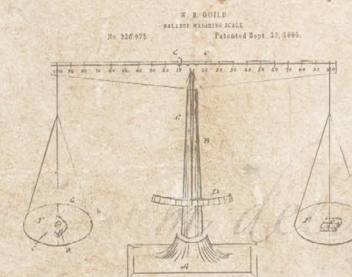
A QUESTION OF VALUE



The critical difference between value and price
for independent legal professionals, small to
midsize law firms and sole practitioners.



2016' LEXISNEXIS
BELLWETHER
MINI REPORT



The value versus price discussion



*“Clients and lawyers
define ‘value’ differently”*

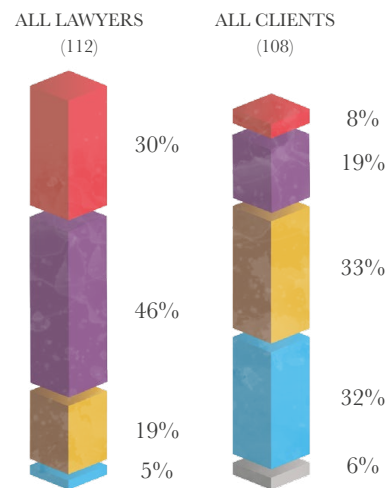
According to our 2016 Bellwether Report survey, 30% of lawyers say they offer ‘excellent’ value for money, but only 8% of their clients agree. What’s behind this discrepancy?

For one thing, lawyers and clients seem to have different ideas about what ‘value for money’ actually means.

Lawyers tend to equate ‘value’ with ‘price’. Like most of the professional services industry, they have been under immense pressure to lower their fees. Having done so, they now feel they are offering their clients excellent value.

Clients, on the other hand, felt those fees were too high to begin with. So even though fees have come down, they still don’t feel as though they are getting more than they have paid for.

How do you rate the service given/received in terms of value for money?



**“30% OF LAWYERS
THINK THEY OFFER
EXCELLENT VALUE
FOR MONEY.”**

ONLY

**“8% OF CLIENTS
AGREE.”**

POOR
 AVERAGE
 GOOD
 VERY GOOD
 EXCELLENT

For more information about the research sample, please see page 18.



Lawyers also seem to have a skewed sense of what their clients actually care about when it comes to service. When we asked lawyers what their clients value most, they put 'clear cost/fixed fees' at the top of the list. But when we asked clients, they put 'a clear understanding of my particular needs' above everything else.



They also valued timekeeping (efficiency/sticking to a timetable) far more than many lawyers seem to realise.

What do clients value the most when dealing with lawyers?

LAWYER PERCEPTIONS(112)

1. PROVIDES CLEAR INDICATION OF COSTS/FIXED FEE
2. CLEAR UNDERSTANDING OF MY PARTICULAR NEEDS
3. PROVIDES GOOD CUSTOMER SERVICE
4. EASY TO GET IN TOUCH WITH
5. KEEPS ME INFORMED ALONG THE WAY
6. KEEPS TO TIMETABLE/ AVOIDS CASE DRAGGING ON
7. MAKES ME FEEL VALUED AS CLIENT
8. SPEAKS PLAINLY/ NOT TOO MUCH JARGON
9. EFFICIENT
10. VALUE FOR MONEY
11. DELIVERS ADDED VALUE
12. DOESN'T OVER COMPLICATE
13. CHOICE OF PRICING/SERVICE LEVELS
14. LOWER PRICES THAN OTHERS

CLIENT PRIORITIES(108)

1. CLEAR UNDERSTANDING OF MY PARTICULAR NEEDS
2. EFFICIENT
3. KEEPS TO TIMETABLE/ AVOIDS CASE DRAGGING ON
4. KEEPS ME INFORMED ALONG THE WAY
5. PROVIDES CLEAR INDICATION OF COSTS/FIXED FEE
6. EASY TO GET IN TOUCH WITH
7. PROVIDES GOOD CUSTOMER SERVICE
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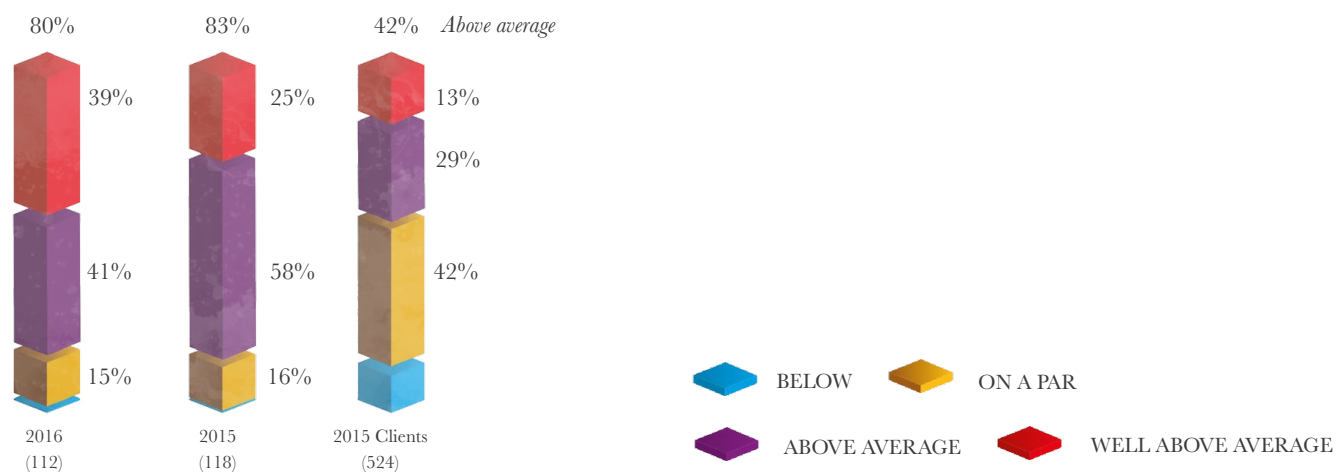
Similarly, lawyers also tend to rate the quality of their own service significantly higher than their clients.

In our 2015 report, 83% of lawyers rated their own firm's service either 'above average' or 'well above average' – versus 42% of their clients.

And this year, the number of lawyers rating themselves 'well above average' has risen from 25% to 39%.

The perceived level of client servicing.

Base: all lawyers



What's more, it seems there is a clear gap between lawyers and clients on many of the key criteria that clients see as important.

Lawyers are twice as likely to feel they add value versus clients whose "very well" score in the 'added value' category is only 19%.

Clients Vs Lawyers: How well do lawyers deliver 'very well' against each of the following:

Base: All clients(112)

	CLIENTS %	LAWYERS %	PT DIFF %
CLEAR UNDERSTANDING OF NEEDS	32	56	+24
EASY TO GET IN TOUCH WITH	31	55	+24
VALUE	19	46	+27

	CLIENTS %	LAWYERS %	PT DIFF %
SPEAKS PLAINLY	31	55	+24
FEELS VALUED	25	50	+25
ADDED VALUE	19	43	+24



Exploring new opportunities



“More and more lawyers

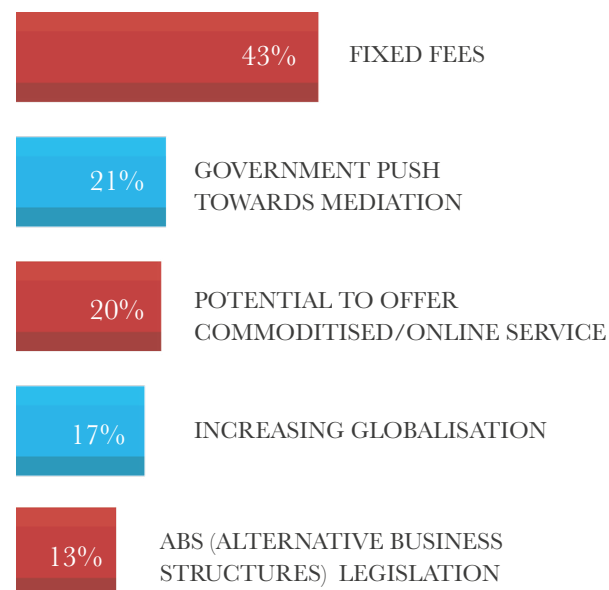
see fixed fees as an opportunity – but most still haven’t switched.”

43% of lawyers (especially in growing firms) also see fixed fees as an opportunity, ahead of mediation, globalisation, commoditisation and ABS.

Yet in spite of this, making the shift from hourly billing to fixed fees still remains low on most firms’ to do list. Only 23% of firms have actually made the change in the past year with a further 13% saying they plan to do so in the next year.

Which of the following is an opportunity for your business going forward?

Base: All lawyers



**“43% SEE
FIXED FEES
AS AN OPPORTUNITY.”**

BUSINESS OF LAW BLOG FOR INDEPENDENT LAWYERS

Business strategy, marketing big-picture trends and what to do about it all.

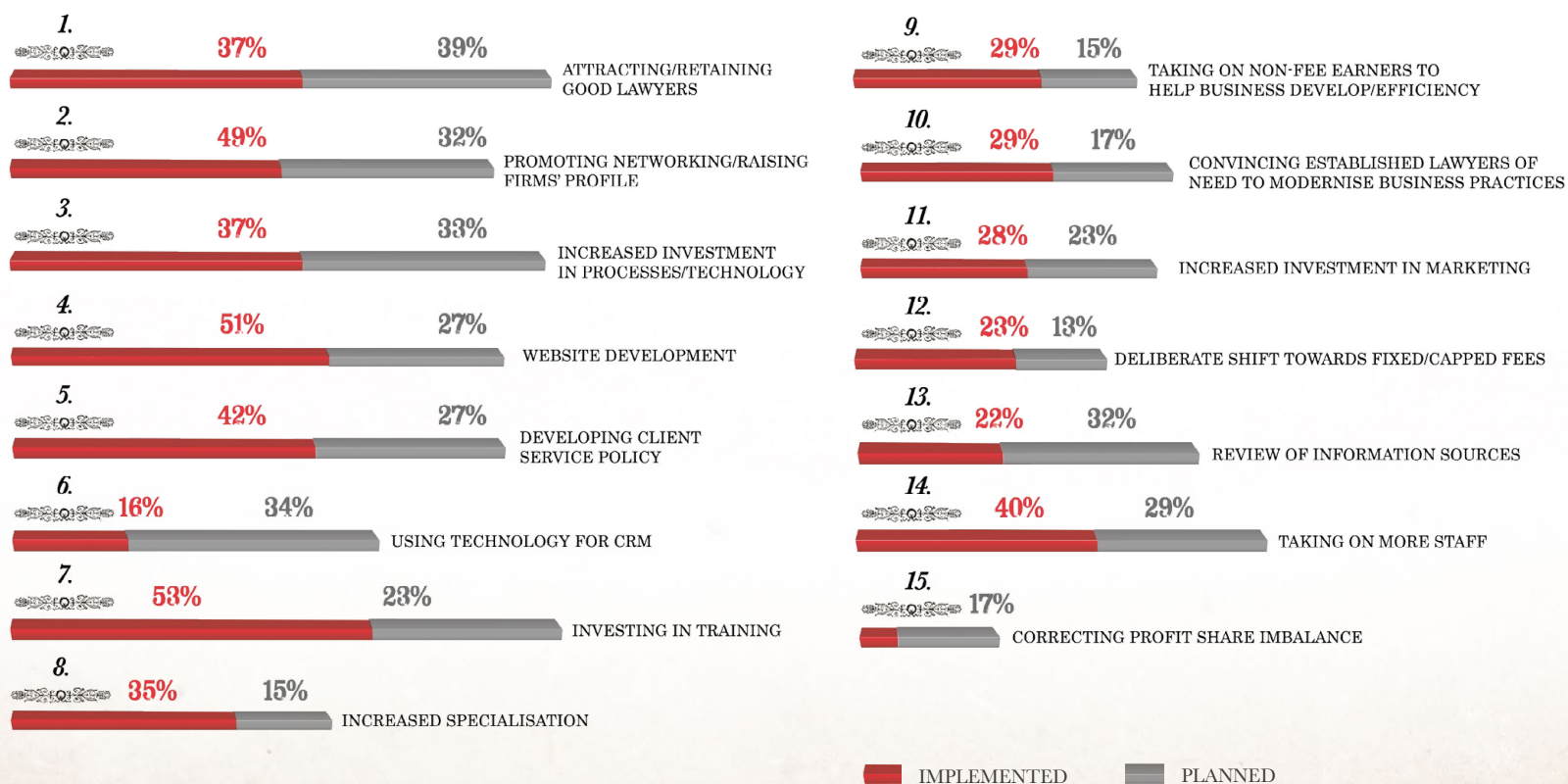
A blog for all the things you didn't learn in law school.

[Go to the Business of Law Blog](#)



Changes firms implemented in the last year or plan to implement in the forthcoming year.

Base: All lawyers (112)



“ONLY 23% OF FIRMS HAVE ACTUALLY MADE THE CHANGE IN THE PAST YEAR.”

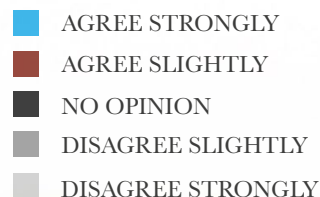
“WITH A FURTHER 13% SAYING THEY PLAN TO DO SO IN THE NEXT YEAR.”



If so many firms can see fixed fees are the future, why are so few making the switch? It could be a question of mindset. By their own admission, 77% of lawyers agree that 'lawyers don't always appreciate that they are operating in a service industry'.

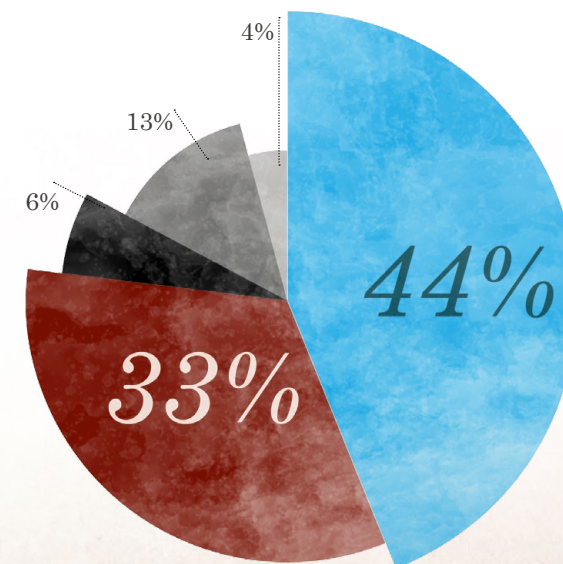
Lawyers still don't see themselves as 'service providers', like accountants. But their clients don't make the same distinction. In fact, they generally reported having closer, more trusting relationships with their accountants, who tend to have a better handle on their business priorities.

**77% OF LAWYERS
AGREE THAT 'LAWYERS
DON'T ALWAYS APPRECIATE
THAT THEY ARE
OPERATING IN A
SERVICE INDUSTRY'.**

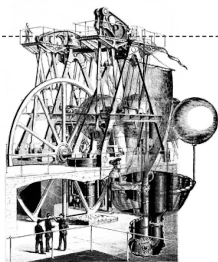


How much do you agree or disagree with the following statement made by other lawyers: *"Lawyers don't always appreciate that they are operating in a service industry."*

Base: All lawyers



The rise of the entrepreneur



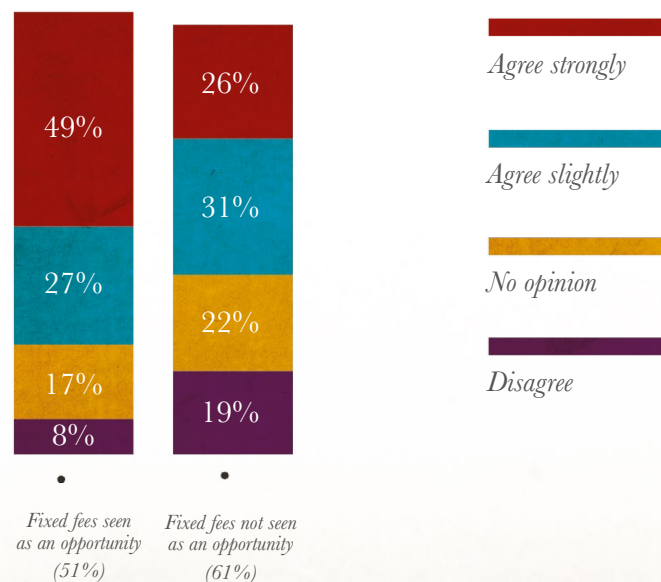
“The same lawyers who have embraced fixed fees are also the most entrepreneurial.”

76% of those who see fixed fees as an opportunity also see themselves as entrepreneurs. They tend to be more progressive, more open to change and more customer-centric.

Our research shows they are investing more in their processes, technology and marketing. They are more likely to have a Client Service Policy and be using CRM software. And they are more likely to have non-fee earning business experts from outside the legal industry on staff.

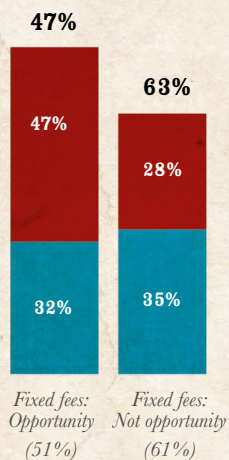
How much do you agree/disagree with the statement - “I see myself as an entrepreneur”

Base: All lawyers

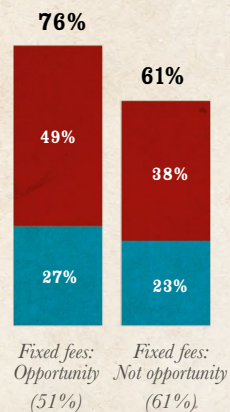


Thinking about change, please tell us whether each of the following have been already implemented or planned:

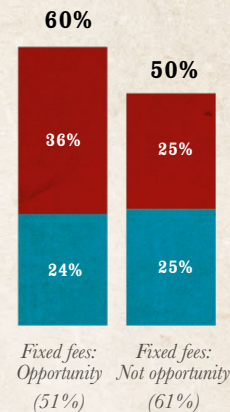
Increased investment in processes/technology



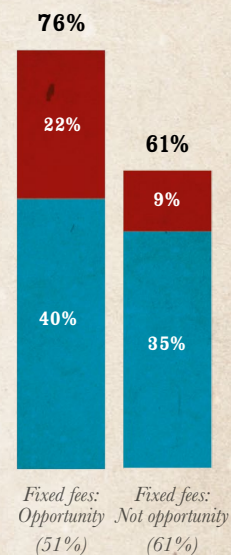
Developing client service policy



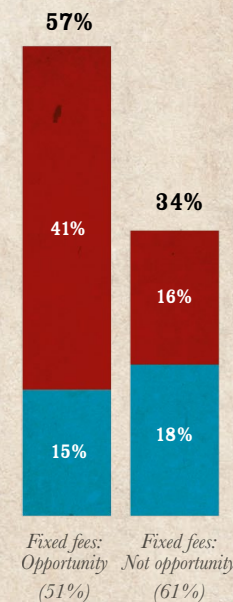
Increased investment in marketing



Using technology for active Client Relationship Management (CRM)



Taking on non-fee earners to help develop business/increase efficiency



IMPLEMENTED/PLANNED

Already implemented

Plan to implement



And according to our research, they also tend to be from growing firms, with client conversion and retention rates either above or well above average.

In other words, today's most forward-looking lawyers see fixed fees as the future and they are taking the leap.

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

Base: All lawyers

GROWING
58%

STABLE
30%

Fixed fees:
Opportunity
(51%)

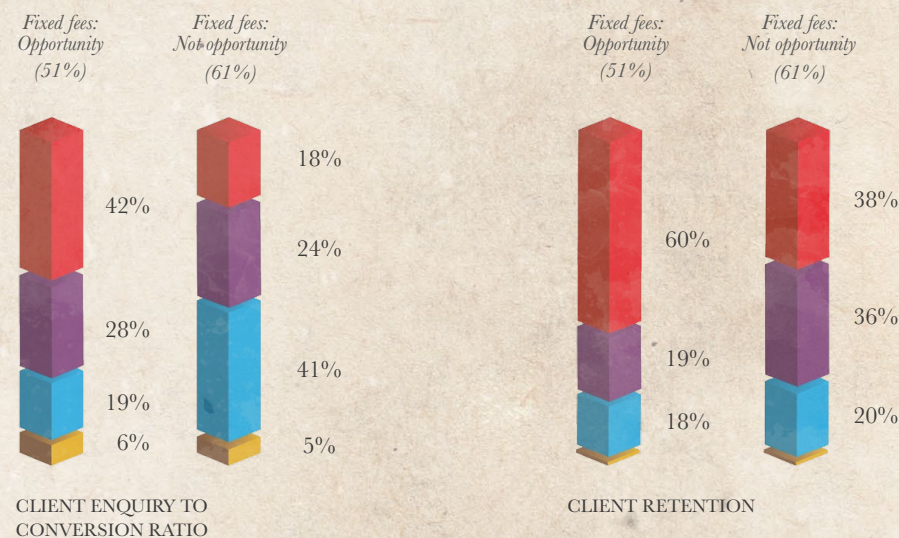
GROWING
38%

STABLE
43%

Fixed fees:
Not opportunity
(61%)

How well do you feel your firm performs on each of the following:

Base: All lawyers



BELOW AVERAGE ON A PAR ABOVE AVERAGE WELL ABOVE AVERAGE



- The value versus price discussion
- Exploring new opportunities
- **The rise of the entrepreneur**

- Building trust
- Strategic pricing
- Looking beyond "good law"
- Conclusion



Building trust



*“Fixed fees can help
lawyers regain trust (in the right cases)”*

As we have already touched on, clients generally don't feel their lawyers offer them value for money. In the words of one client:

“They don't need any more training than any other profession. Obviously they have to get it right, but I have never felt ‘that's £500 well spent’. Even with set fees you end up paying more, a little bit more still sneaks in.”

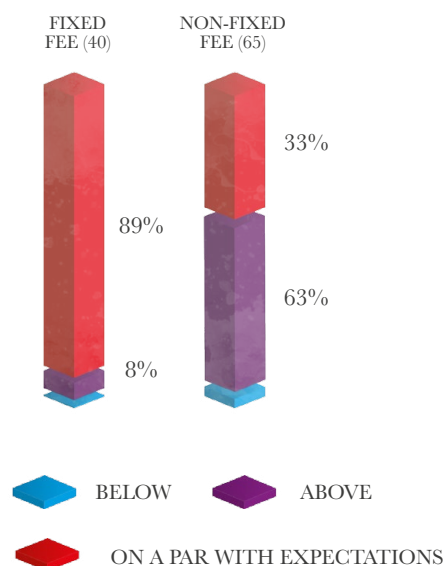
Yet according to our research, a whopping 92% of clients on fixed fees ended up paying either roughly what they expected or less. By contrast, 63% of those on hourly fees ended up paying more than expected.

Importantly, we found fixed fees helps to cement a better client relationship from the start by putting clients at ease – and translates into more word of mouth referrals. According to our findings, clients who are serviced on a fixed fees basis are more likely to recommend the firm to others.

While 68% of clients on fixed fees said they would recommend the lawyer they'd used 'wholeheartedly', only 45% of those on hourly fees said the same (while 48% said they had some 'reservations').

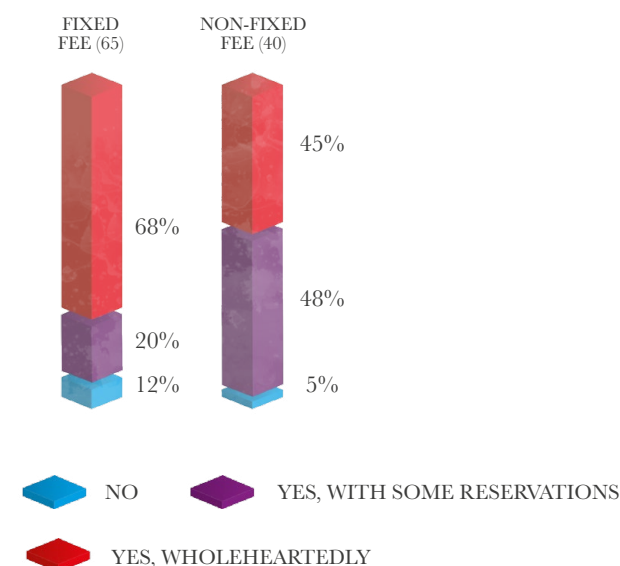
Degree to which clients' final fee met their expectations.

Base: All clients



Would clients recommend the last lawyer they used to a friend or colleague?

Base: All clients

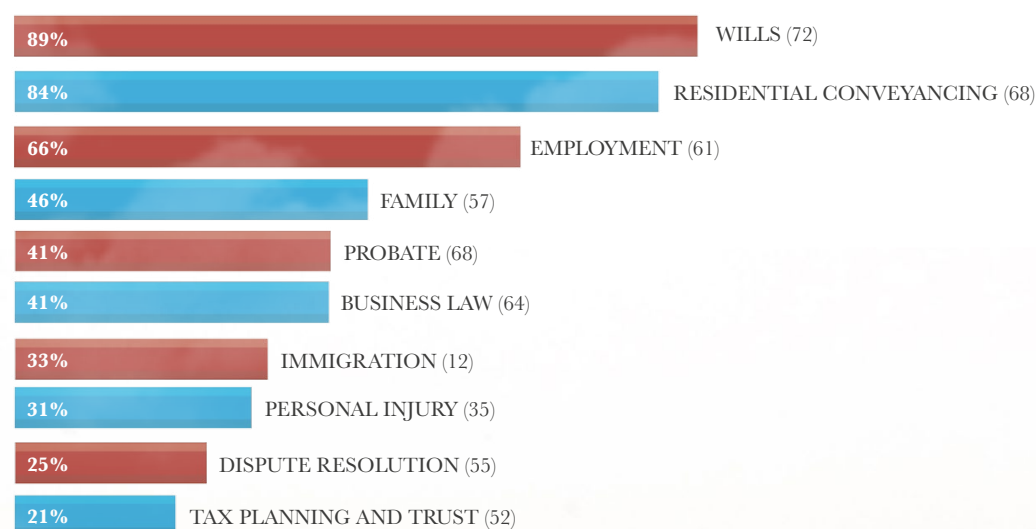


Naturally, some practice areas are more suited to fixed fees than others – broadly, those dealing in ‘things’ rather than people. So while over 80% of firms offer fixed fees for wills and residential conveyancing, for example, less than 25% do for dispute resolution or tax planning and trust.

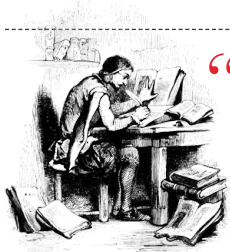
**“92% OF CLIENTS
ON FIXED FEES
ENDED UP PAYING EITHER
ROUGHLY WHAT THEY
EXPECTED OR LESS.”**

Does your firm offer fixed fees for any of the following:

Base: All lawyers



Strategic pricing



“Smart lawyers are using fixed fees more strategically.”

In order to introduce fixed fees, some firms are delegating more work to less experienced lawyers, or cutting back on the level of service they offer – based on a misguided assumption that clients are happy to accept a lower level of service in exchange for a set price.

Our research suggests otherwise. 88% of clients on fixed fees said good customer service was either ‘very important’ or a ‘top priority’ – surprisingly, even higher than for those who weren’t on fixed fees.

But some of the more entrepreneurial firms are using fixed fees more creatively. For example, some are using fixed fees as a ‘taster’ for more bespoke services. As one lawyer put it:

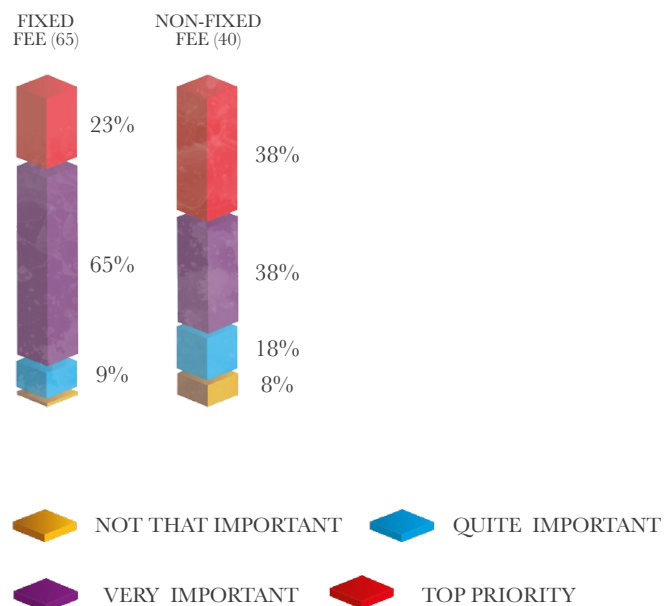
“We’ll do a fixed fee for a first stage. We would tell them what their options are, what the strengths and weaknesses of the case are, how we can help next and the cost. It’s a great way for a new client to dip their toe in the water.”

While other firms are using fixed fees to offer a tiered service, where clients can choose for themselves whether they want – and are willing to pay for – a ‘bronze, silver or gold’ service.

Rather than offering a ‘cut rate’ service for a cut price, they are giving their clients more transparency, choice and control.

How important is good customer service to clients?

Base: All clients



Looking beyond “good law”



*“Good law
isn’t a USP any more – it’s a given.”*

Many lawyers still mistakenly believe that as long as they deliver good law their clients will be happy and keep coming back to them.

Again, clients beg to differ. When we asked clients what they value most in a lawyer they said:

1. A clear understanding of my particular needs
2. Efficient
3. Keeps to timetable/avoids case dragging on

In other words, they don’t see ‘good law’ as a differentiator – they expect it, as a minimum. In the words of one lawyer we spoke to, “I think people in general are putting a lot less

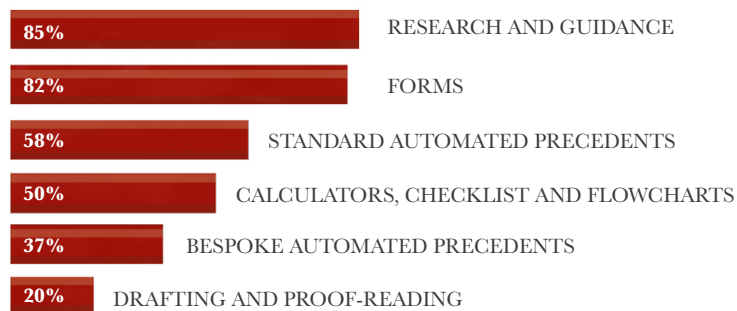
value on legal services. A lot of what we do is process-driven and clients are aware of that.”

Smart lawyers understand that clients only care about the outcome, not the process that leads to it. On top of this, many clients approach a visit to their lawyer in the same way as a visit to their private dentist – a painful and costly, but necessary, experience.

Smart lawyers invest in the tools and technology to help them deliver good law more efficiently, focusing on what really matters to their clients – understanding their needs, working quickly and keeping them up-to-date. From smart precedents, automated drafting and proofreading, to calculators, checklists and flowcharts.

Technology audit – Which of these do you use for the practice of law?

Base: All lawyers



Conclusion

These are challenging times for independent lawyers, midsize law firms and sole practitioners, with clients demanding better value for money and technology progressing by the day. Lawyers need to appreciate that lowering their prices and offering value for money are not one and the same, especially in the eyes of the clients.

Lawyers also need to appreciate that they can also no longer afford to think they have embraced technology

unless they are using it to address the gap between the level of service their clients expect and the level of service they actually deliver.

It's clear from our research that the only way that today's law firms will survive is if they start to see themselves as part of the service industry, look beyond their own profession for answers, and embrace new technology and ways of working.

“Smart lawyers invest in the tools and technology to help them deliver good law more efficiently.”



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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 16 years of experience in research, insight, and business strategy, Jon has been passionate throughout his career 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.

BUSINESS OF LAW BLOG FOR INDEPENDENT LAWYERS.

To read the full Bellwether Report see [here](#).



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- The value versus price discussion
- Exploring new opportunities
- The rise of the entrepreneur

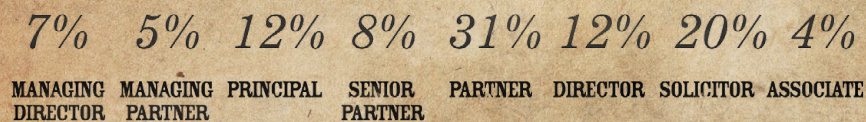
- Building trust
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Who we spoke to

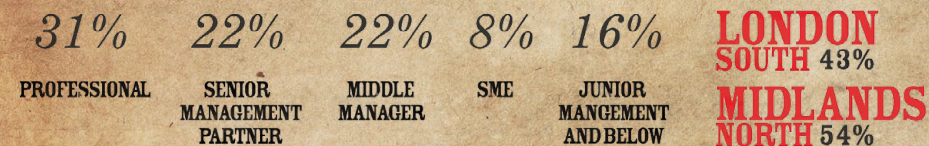
LAWYERS

Base: All lawyers (112)

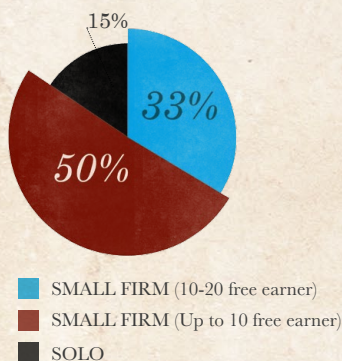


CLIENTS

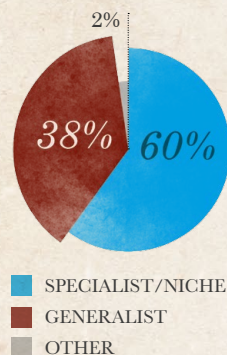
Base: All clients (108)



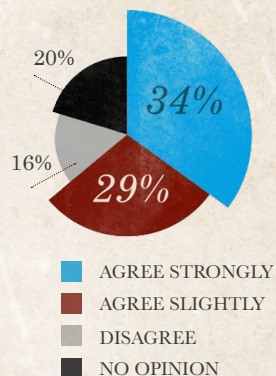
Practice size



Specialist vs Generalist



"I see myself as an entrepreneur"



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