

# How Data Will Enable the Shift Towards the Productisation of Legal Services

**Abstract:** Simon Drane writes that the next decade will see a shift within legal service provision, where it will transition from a model which is predominantly geared around internal work processes to one that is geared around customer outcomes. Law firms will complete their evolution from a bill by the hour service-based model to something closer to a product subscription model. This shift will deliver growth, sustainable recurring revenues at high margins and new higher value service opportunities. At the core of this shift is the changing nature of consumption driven by consumer technology and the inexorable drive for base level information to become free. Law firms are sitting on vast quantities of data, and yet very few are currently harnessing this effectively in their offerings. The effective use of data combined with technology will allow innovative organisations to provide a new form of productised offering which will not only drive new recurring revenues but will allow them to offer higher value business advisory services. Whereas effective use of data within the organisation will lead to better evolutionary efficiency, quality and risk management, the use of data externally for clients will lead to more revolutionary changes. It will also blur the lines further between traditional law firms and LegalTech product businesses, in the way alternative legal service providers (ALSPs) and the Big Four are already exploring.

**Keywords:** data; legal services

*N.B. A version of this article appeared as a chapter in 'Building the data-driven law firm' Alex Davies (ed). ARK Group, 2019.<sup>1</sup> It has also been republished as the introductory chapter in a new book entitled 'The Lawyer's guide to the future of practice management' also edited by Alex Davies and again published by ARK Group in September 2019.<sup>2</sup> The editor of LIM is grateful to the ARK Group for permitting this piece to be published in this issue of Legal Information Management.*

## A BUSINESS MODEL IN TRANSITION DRIVEN BY DATA

Having spent the last 25 years in this space working in law and accountancy firms and also within technology providers such as LexisNexis I have seen real changes, but not at the scale or pace we are now witnessing. Although things like 'design thinking' are in vogue, many traditional product businesses have worked on this basis for years, as everything is user-centred and outcome-based – if a customer doesn't feel they get a better outcome they cancel the service. At the heart of this is the need to really understand your customers' problems and deliver compelling products that solve a real need. In

contrast, many professional services businesses are still trading on the process undertaken and the time it takes, along with their personal relationship, rather than the outcome. This will change as we see the generational changes in professional services changing attitudes to all aspects: from work/life balance and ownership structures to expectations of technology and the way they expect to work with their customers. People now expect easy-to-access productised solutions on their devices, and have shorter attention spans around complexity. This impact has yet to fully flow into professional services delivery models.

We are seeing a number of powerful forces that will drive real change. The generational shift, client or customer expectations, economic pressures, the overlap between tech and services businesses, and fundamentally the way in which technology can now be used in ways we couldn't imagine ten years ago, and can't predict in ten years' time. This technology revolution, much written about, will transform professional services firms. Areas such as AI and data analytics are much talked about in the legal space but so much is not yet that tangible. In accountancy though, there are some very tangible examples emerging, perhaps due to the fact that they have a

head start with a very structured set of data. As Microsoft have pointed out, AI technology eats data and what do accounting firms have a lot of? The law firms have this too, or rather a different set of it, but in many cases are not yet moving beyond viewing technology as a way of making a process more efficient as opposed to transforming a customer outcome.

This shift towards greater productisation will deliver growth, sustainable recurring revenues at high margins, and new higher value service opportunities. However, it feels like 95% of what is emerging currently around LegalTech is focused on making processes more efficient rather than providing better outcomes. Only when law firms learn to effectively harness the data in client applications will this change. Achieving this transition requires firms to better understand the approaches and skills needed to meet customer needs and to appreciate the opportunities. There is certainly evidence of some firms embracing this; however product management is not yet a clearly labelled investment area, and there are few that could articulate a clear product strategy. A minority of firms are starting to see the need for roles such as data scientists who really understand the data that is needed to solve client problems, where to source the data and then how to maintain this data set.

## **CHANGES IN CONSUMPTION OF DATA**

In future, customers will expect to consume instantly via technology in self-serve cloud-based models, and to turn to their lawyers for higher level expertise in a more collaborative and ongoing manner. Anything that can be commoditised will be, and those smart enough will find ways to turn this to their advantage through subscription-based products. This has been the approach of information-based technology businesses such as LexisNexis and Thomson Reuters for years, as they can achieve high margins and provide an essential source of repeatable business – often referred to as subscription or “ARR” (annual recurring revenue).

The effective use of data in technology-driven productised solutions will blur the lines further between traditional law firms and LegalTech product businesses, in the way ALSPs and the Big Four are already exploring. The ALSPs and the Big Four will likely be successful in entering the legal space as they focus on processes well, understand the power of technology and of data and are arguably more focused on how to run a profitable business and solve their clients’ business problems in a holistic manner. This is the real challenge to the law firms: on the one hand they are competing with large dominant brands in the Big Four, with deep existing relationships, who have no threat of having to disrupt their existing business models in legal through a more tech-enabled “productised” manner, and on the other with very agile ALSPs who have placed an understanding of the power of data and technology at their very core.

Accountants are perhaps poised to drive significant transformation in the professional advisor space. They have the pressure of the commoditisation of the audit, are naturally analytical, really understand their clients’ businesses and have the key relationship with the CFO. Think about the links between a CFO and a GC in an organisation and how you could possibly proactively reduce legal spend which I think most CFOs would love. The accountants’ deep relationships with CFOs, and their ability to work directly with them around areas like legal compliance to move it upstream from the GC would make so much sense as an approach. They also hold valuable sets of data, and there is a logical fit with technology businesses like Microsoft whose technology runs on it. Successful accounting businesses will likely become technology businesses and offer more productised solutions to clients. On top of this they will layer higher value services based on the unique insight they hold, helping their clients take more effective decisions. This transition will place them more centrally as overall business advisors and drive greater competition between accountants and lawyers.

If you are a large corporate legal department why would you want to buy the tech and information in multiple places and then buy professional services in other multiple places if you could instead get it through one productised joined-up offering in what we used to call a “multi-disciplinary service”?

## **DATA-DRIVEN CUSTOMERS DRIVING CHANGES**

The majority of customers for law firms are corporations, which are under pressures driven in part by technology and effective data use. Understanding the customer has never been more important and law firms are beginning to place this more centrally with concepts like “design thinking”. The combined buying power of these organisations with the types of technology that are emerging has the potential to dramatically transform legal service provision. Some of the LegalTech emerging on pricing and service analysis for in-house will perhaps in future drive a far greater economic dimension to the legal services model.

There is a form of supply chain review operating here which more effectively connects the real consumer (the person in the business) to the providers (the law firms). In order to get to the challenges for the legal in-house teams and then the knock-on challenges to law firms you need to go to the start of the chain first. The underlying theme in each stage of the chain is the way in which data is transforming what is needed and can be achieved.

Firstly, business consumption of in-house legal services is evolving – the core challenge arguably starts here with the way core corporate business functions effectively interface into legal. There is clearly a shift towards things such as a single “front door” to the legal team, ensuring more accurate and efficient engagement; self-serve document automation of areas like NDAs; and

better linkage to tools like Salesforce, combined with the use of electronic integrated signatures, resulting in more effective contracting. This feels the most embryonic stage and also key to really unlocking customer pain points and identifying solutions. Technology has a key role to play here but so does understanding people dynamics and how to deliver change.

Secondly the volume of work undertaken by the legal team has grown significantly while in many cases costs have reduced. Technologies can improve the business of law (matter management, document management etc) and the practice of law (document automation, process automation etc). The legal operations function is growing, with increased focus on management information, analytics and clear Key Performance Indicators (KPIs) for the teams. Again, all based on data. Another key area of focus is contract management and the whole contracting lifecycle – there is currently a lack of consistency in what people are doing, even in being able to allocate the various vendors to the different stage of the lifecycle. Again, effective management of data is key, and it is important that the law firms are involved in shaping the solution. This feels like the most evolved stage of the supply chain but also perhaps the one with the biggest prizes yet to come around areas like proper end-to-end contract management.

Finally, buying in and managing of external services from law firms is evolving – including panel management and a focus around what people are doing with e-billing and spend management software. The concept of a central instruction portal is emerging as a common theme. Some of the technology available from vendors has yet to be widely adopted, but real-time tracking of legal spend from law firms, for example, is not just of interest to the GC, but is arguably pretty interesting to the CFO, helping to better understand and predict costs. This creates both challenge and opportunity for law firms – challenge, in that it uses data to drive transparency and cost pressure, and opportunity if this data can be used to fix bigger client problems as part of a more holistic productised offering.

The ultimate customer of all this is mostly a business person in a corporate seeking quicker, more predictable outcomes, and arguably whoever helps them will be the ultimate winner, whether this be a traditional law firm, an ALSP, the Big Four, or indeed a LegalTech business. How many law firms are engaging enough with their customers on their real needs (which are driven in turn by their business customers)? Perhaps they are but it becomes challenging given their current partnership-structured, services-based business models. It appears their in-house customers may be moving faster to more productised, self-serve, data-driven, outcome-based models.

The other important aspect to consider is how clients' businesses are being challenged by technology and the knock-on effect this has for law firms. Banks, for example, are needing to transform into technology businesses in order to stay competitive. Law firms must rapidly increase tech abilities to serve their clients, with

data at the heart of everything. The technology disruption for clients is driving law firms to innovate, but much of the innovation to date has been focused around internal processes rather than client delivery.

## PRODUCTISATION UNDERPINNED BY DATA

Consider a professional services world where data could seamlessly move between organisations. This is already being talked about between the Big Four in relation to audits, and there is no reason why this could not extend into law firms. They are already working on a common data model which would create a more secure marketplace, cut costs and increase quality. Discussions are ongoing between law firms, audit firms and regulators around the world on an open source approach.

A related area of interest that creates both threat and opportunity is blockchain. The basis of a large amount of legal work is contracting. The blockchain, a distributed ledger, is potentially very suited to the exchange of data housed in contracts. You enter into a contract to transact, so why not transact in a simpler way? Arguably blockchain is the next logical step in the way contracting has evolved for lawyers, and at the very heart of this is data. Law firms that embrace this and productise offerings based on common standards can offer a new level of higher value services by using data in unforeseen ways. The efficiency created will also create threats for those that do not adapt their current processes in their service-based models.

Imagine a world with common data standards for exchange, and blockchain as a part of this underlying technology. If all clients were contracting on this, analysis of the resulting data could identify new client service opportunities. Effective use of AI technologies and data analytics on top of this could identify patterns that a human simply would not see. AI alone is not enough, but AI sitting on top of standardised data layers, with data analytics technology running on this, may allow for some breakthrough opportunities. Productising some existing bespoke legal services with these technologies could lead to a wealth of data with which to drive higher value service offerings.

It feels like there are few examples of client data being used effectively. In the accounting space some firms are starting to shift in the way technology and data usage can transform accounting services. They are using mixed teams of accountants and data scientists to deliver higher value service offerings. They are doing things like applying statistical analysis approaches around spending data to help clients reduce costs but retain the same level of ROI. They are achieving this by combining accountancy skills, data science and clever use of software. Bringing the rich financial data held by accountants to life in this way through effective graphical interfaces for the clients in a more productised approach is allowing them to offer higher value services. Being able to proactively help clients

take better business decisions will place accountants right at the centre of advising clients on how to more effectively run their businesses. Accountants are effectively using approaches to move upstream in the transactional relationships they often have, away from a downstream audit to an upstream decision support approach. This is important for law firms to consider as logically if both they and accountants are moving up the value chain then they will clash more in the future.

Lawyers must ask themselves what the client really wants. Automation is not enough, they want transformation. How many of them want a lawyer as opposed to the outcome a lawyer can deliver for them? How many of them care about the process undertaken rather than the end result? Clients really care about who can deliver an outcome. If, for example, a law firm has created a legal dashboard for the GC that allows the business to self serve through a common front door, the GC to allocate resources and the CFO to monitor various KPIs, then it will be able to engage in more strategic conversations with the corporation around decision making. It will then be able to offer higher value business advice on top of this through the unique insight it holds irrespective of whether it is technically a legal matter. At the core of achieving this will be the way in which law firms productise the valuable data they hold.

Once all data has been systematised, sitting on blockchain, with AI running over the top, delivered in more productised forms, then it's not hard to imagine things like self-executing contracts. So much of what lawyers do is managing risk, and if there are automated ways to do this that would seem appealing. Clients would achieve greater risk and time benefits and be able to consume this in a simpler form. Would a client care that they were paying for a productised solution rather than a lawyer billing them by the hour? Wouldn't they rather have the lawyer provide a higher-level advisory service sitting on top of a more productised offering when they need it?

You may think this shift towards productisation underpinned by data sounds highly unlikely, and argue that many areas can not possibly be viewed in this light and that there will always be a need for the trusted advisor, especially around those "bet the farm" transactions. I agree. However, these areas will logically shrink as more and more becomes productised by either the technology providers or the innovative firms that look hard at what they do and really question how much of it is genuinely unique or bespoke. Also, in this drive towards productisation there will be new higher value advisory offerings that will emerge, but logically only those that have embraced productisation will be able to offer these. The barriers to achieving productisation of services are perhaps though the partnership structure of many firms and the need for investment capital. Where this is a profitable partnership model it can be hard to persuade people to invest for the long term.

But what about the product vendors who have long understood that the real underpinning of their models is data; the Microsofts and the Thomson Reuters that came

from a background of building strong data sets and finding profitable business models to leverage this through technology. How will these product businesses react as services firms adopt increasingly productised approaches for the same customers?

As an example, Microsoft have a compelling set of tools to help accountants in transforming their clients' businesses and are offering to act as the hub and help connect up their technology implementation partners with their accounting partners to jointly help their shared clients achieve new insights. This makes so much sense given the key challenge to leveraging some of the transformative technology is access to quality sources of data. Who better has high quality structured data sets of business information than the accountants? Microsoft feel that the move to the cloud, through Azure, has enabled a lot of this to become a reality in a cost-effective way. They see a shift towards more productised subscription-based services that then become a reality of what accountants will provide. In their view, AI is not a technology play but rather a transformation play and this shift in delivery model is what the transformation delivers. But what of the role for law firms in this race to effectively use data to drive higher value offerings, and who also are heavy Microsoft users? How quickly can law firms move to more structured data models and productised client offerings?

A challenge for law firms as they move towards productisation is therefore how they will work with these technology providers, in partnership or in competition. Providers such as LexisNexis and Thomson Reuters have been on a long journey of commoditising or rather productising the law through the tools they provide lawyers. Take an area like legal analytics that didn't even exist five years ago and think about the data that clients can now access to aid decision making where they may have relied on advice from the law firm in the past. How law firms determine their product strategy will be crucial.

There is also a challenge currently in the way law firms are viewing innovation within their operating structures, with the label applied to many things that are not really that innovative for the client. If they were a product business, innovation would be a value not a team, and the team that drives a lot of the strategy would probably be the product team. In professional services currently there is not yet a consistent view of the role of the "Product Manager", or the need for a product strategy, but this will change. How long before law firms have Chief Product Officers on the board though? I think we are at a point for many where they are starting to see the distinction between the CIO and the CTO roles but possibly not yet what may come next in the form of the CPO role.

## **CONCLUSION**

Professional services firms are undergoing a shift in moving towards a greater degree of technology-enabled productisation, and need a clear data and product strategy to ensure success. At the centre of this is the need

to better understand client problems, and the essential role that data plays. Law firms need to develop a clear data strategy and build new skills, but also need to go beyond this and define a clear product strategy around how this data will power new productised revenue

models which lead to higher value service opportunities. They need to do this quickly as they have increasing competition on many fronts from organisations that have put an understanding of data and technology at their very core.

## Footnote

<sup>1</sup> <https://www.ark-group.com/product/building-data-driven-law-firm-0#.XUv-Nk3saUm>

<sup>2</sup> <https://www.ark-group.com/product/lawyer%E2%80%99s-guide-future-practice-management-0#.XYzIWpNKhBw>

**Simon Drane** is the Managing Director of Earlsferry Advisory, and is the former Executive Director of Business Development at the Law Society and LexisNexis.

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# SLS/BIALL Academic Law Library Survey 2017/2018

**Abstract:** This is the latest report analysing the results of the annual Academic Law Library Survey that is jointly sponsored by the Society of Legal Scholars (SLS) and the British and Irish Association of Law Librarians (BIALL). It has been compiled and written by David Gee, Librarian at the Institute of Advanced Legal Studies, a part of the School of Advanced Study at the University of London.

**Keywords:** academic law libraries; surveys

## SUMMARY OF KEY FINDINGS

- The response rate was 83.04%. The rate was lower at 80.36% last year (section 3);
- There was a slight decrease in the enrolment of PhD and MPhil students in old universities (down from 100% to 98%) whilst new universities maintained the enrolment of these type of students at 83% (section 5);
- Only 16% of respondents failed to meet the SLS Statement of Standards 3.1 on space and physical facilities, through not housing all relevant collections in one place. In the previous year the failure figure was higher at 20% (section 6);
- The ratio of students to seats (with or without a PC workstation) was 4.63:1 which is very good. Some

caution should be expressed in using the “student : seat” ratio, for many librarians noted the difficulty of identifying the number of “seats by the law collection”, where the trend in design is towards seating areas provided according to different study environments (silent, quiet, group activity) rather than made available to serve a particular subject (section 7);

- All 93 respondents (100%) provided figures for the number of laptops for loan within the law collections and law schools. Of these 21 or 23% did not loan laptops at all. Of the 72 libraries (77%) who did loan laptops, the average number of laptops for loan was 83 (2016: 62) (section 8),
- The ratio of students to PC workstations / laptops for loan is still very favourable with a ratio of 1.81 students to every PC workstation / laptop (2016: