

No Frills Legal Services

Nick Jarrett-Kerr

A number of recent books and articles (such as Richard Susskind's best-selling *The end of Lawyers*) have focussed on the increasing commodisation and systemisation within the legal profession as well as the threats of the so-called Tesco-Law providers anticipated when the Legal Services Act comes into play. I have just finished writing a book for Law Society Publishing entitled *Strategy for Law Firms – After the Legal Services Act* which is due to be published in November. In my research for this, I spoke to a great many law firms managing partners and lawyers about the possible impact of the Legal Services Act. It became clear to me that all lawyers to whom I spoke are increasingly aware of the need to harness technology and case management wherever possible in order to competitively provide legal services in areas of law where price sensitivities are high. Even so, I am seeing two linked areas of complacency that are starting to concern me greatly. The first is that virtually every managing partner to whom I have spoken has convinced himself or herself that the competitive danger levels remain low because the sort of clients served by his or her firm will not be responsive or attracted to the offerings of a low-cost provider. The assertion seems to be that low cost services will only be attractive to the lower-earning bracket of private clients and will not be of any interest to higher earning clients, higher net worth individuals and anyone with a commercial issue. If this seems fallacious, then the next fallacious assumption is that in commoditised areas of law, prices will become tighter but not radically so. In other words, the view of many law firms is that low cost providers will affect other firms - but not ours and that prices may be pressed down a bit - but not a lot.

For my part, I am uneasily conscious of the way low-cost airlines have completely changed the pricing structures of the airline industry. The rich and the famous all make use of providers such as Ryanair and Easyjet – not just lower income travellers. In real terms, increased competition has meant that prices of short haul airline tickets from established providers has fallen dramatically in real terms over the last ten years or so. It is entirely feasible that simple and straightforward house sales and purchases, and wills could be provided by new providers as a no frills service at virtually no cost. The profit would be made out of transacting high volumes, attaining high utilisation and low costs, offering no added

extras. My prediction is that these services will not therefore be offered at 75% of today's average prices or even at 50%, but at maybe 20% or less as compared with today. The question therefore that I believe Managing Partners should be asking is whether their business models and pricing structures are sustainable (or could be made sustainable) if a house sale or will is offered by a no frills provider for a nominal sum such as £1. In such a case, the rich and the famous might not be tempted by the low frills offer, but would expect their traditional law firm to offer a price that is not perceived to be ridiculously high in comparison. Now I know it will be argued that no-frills airlines are not as cheap as they seem and that a fair comparison should be made against the average overall price offered rather than the lowest. By the time premiums are exacted for late bookings, baggage carrying, on-board meals and the like, it is clear that the price comes up to something not far off the prices charged by traditional carriers. However, the shares of market and pricing pressures established by such providers has eased out many traditional providers and put huge economic pressures on those which have survived.

My suggestion is therefore that firms should plan for a worst-case scenario – however far-fetched it may seem - in which some straightforward areas of work are offered at nominal prices.

There are three steps which can be taken immediately. In the first place, firms should clearly be working in all their areas of practice to cut production and service costs wherever they can. A combination of higher utilisation and slicker working practices will be needed to achieve this. Systems, case management, workflows, standardised documentation and working practices plus greater use of technology are all vital.

Second, law firms differ from airlines in at least one important respect, in that lawyers can get close to their clients. Airlines can offer loyalty cards and air miles, but lawyers can offer a sustained level of intimacy and partnership with long-standing clients. Strong and close client relationships will continue to be a vital part of the lawyer's armoury in fighting an escalating competition war.

Thirdly, now is the time for firms to consider how and where they might position themselves better in order to win. An improvement in profile and brand – perhaps achieved through sustained growth – may bring better clients or higher volumes of work. Growth of less

sensitive areas of law or diversification into new areas may also provide options. Greater specialisation, geographical expansion or a strategic move towards greater levels of commercial work are all choices which many firms are considering. The overall shape of the firm – with perhaps less reliance on transactional work and greater reliance on litigation work and advisory work - is also a challenge which firms must face as a matter of deliberate strategy rather than reactive happenstance.

It has often been said that there are three types of firm – those who make things happen, those who watch things happen, and those who say “what happened?” The first type of firm plans carefully, assesses risk proactively and implements rigorously. The second type of firm plays catch-up constantly, imitates assiduously and executes sporadically. The third type of firm procrastinates dangerously, hopes unrealistically and performs self-indulgently. I think I know the type of firm that is likely to succeed in a worst-case scenario.