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 Future of Law. Since 1818.
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?

<table>
<thead>
<tr>
<th>POOR</th>
<th>AVERAGE</th>
<th>GOOD</th>
<th>VERY GOOD</th>
<th>EXCELLENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>19%</td>
<td>32%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>19%</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

“All Lawyers (112) All Clients (108)

“30% of lawyers think they offer excellent value for money.”

“8% of clients agree.”

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.
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%.
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)*

<table>
<thead>
<tr>
<th>Client Criteria</th>
<th>Clients %</th>
<th>Lawyers %</th>
<th>PT Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Understanding of Needs</td>
<td>32</td>
<td>56</td>
<td>+24</td>
</tr>
<tr>
<td>Easy to get in touch with</td>
<td>31</td>
<td>55</td>
<td>+24</td>
</tr>
<tr>
<td>Value</td>
<td>19</td>
<td>46</td>
<td>+27</td>
</tr>
<tr>
<td>Speaks plainly</td>
<td>31</td>
<td>55</td>
<td>+24</td>
</tr>
<tr>
<td>Feels valued</td>
<td>25</td>
<td>50</td>
<td>+25</td>
</tr>
<tr>
<td>Added value</td>
<td>19</td>
<td>43</td>
<td>+24</td>
</tr>
</tbody>
</table>

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### The value versus price discussion
- Exploring new opportunities
- The rise of the entrepreneur
- Building trust
- Strategic pricing
- Looking beyond “good law”
- Conclusion

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LexisNexis 2016 Mini-Bellwether Report: A Question of Value
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% FIXED FEES
- 21% GOVERNMENT PUSH TOWARDS MEDIATION
- 20% POTENTIAL TO OFFER COMMODITISED/ONLINE SERVICE
- 17% INCREASING GLOBALISATION
- 13% ABS (ALTERNATIVE BUSINESS STRUCTURES) LEGISLATION

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

Base: All lawyers (112)

<table>
<thead>
<tr>
<th>Change</th>
<th>Implemented</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Attracting/retaining good lawyers</td>
<td>37%</td>
<td>39%</td>
</tr>
<tr>
<td>2. Promoting networking/raising firms’ profile</td>
<td>49%</td>
<td>32%</td>
</tr>
<tr>
<td>3. Increased investment in processes/technology</td>
<td>37%</td>
<td>33%</td>
</tr>
<tr>
<td>4. Website development</td>
<td>51%</td>
<td>27%</td>
</tr>
<tr>
<td>5. Developing client service policy</td>
<td>42%</td>
<td>27%</td>
</tr>
<tr>
<td>6. Using technology for CRM</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>7. Investing in training</td>
<td>53%</td>
<td>23%</td>
</tr>
<tr>
<td>8. Increased specialisation</td>
<td>35%</td>
<td>15%</td>
</tr>
</tbody>
</table>

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.

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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

- Agree strongly
- Agree slightly
- No opinion
- Disagree

Fixed fees seen as an opportunity (51%)

- 49%
- 27%
- 17%
- 8%

Fixed fees not seen as an opportunity (61%)

- 26%
- 31%
- 22%
- 19%
Thinking about change, please tell us whether each of the following have been already implemented or planned:

- Increased investment in processes/technology
  - Already implemented: 47%
  - Plan to implement: 53%
  - Fixed fees: Opportunity (51%) / Not opportunity (61%)

- Developing client service policy
  - Already implemented: 63%
  - Plan to implement: 37%
  - Fixed fees: Opportunity (51%) / Not opportunity (61%)

- Increased investment in marketing
  - Already implemented: 76%
  - Plan to implement: 24%
  - Fixed fees: Opportunity (51%) / Not opportunity (61%)

- Using technology for active Client Relationship Management (CRM)
  - Already implemented: 60%
  - Plan to implement: 40%
  - Fixed fees: Opportunity (51%) / Not opportunity (61%)

- Taking on non-fee earners to help develop business/increase efficiency
  - Already implemented: 76%
  - Plan to implement: 24%
  - Fixed fees: Opportunity (51%) / Not opportunity (61%)

---

**Fixed fees:**
- Opportunity: 51%
- Not opportunity: 61%
Thinking about the performance of your practice compared to 3-4 years ago, would you say that business is:

<table>
<thead>
<tr>
<th>Base: All lawyers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROWING</strong></td>
</tr>
<tr>
<td>58%</td>
</tr>
<tr>
<td><strong>STABLE</strong></td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td><strong>GROWING</strong></td>
</tr>
<tr>
<td>38%</td>
</tr>
<tr>
<td><strong>STABLE</strong></td>
</tr>
<tr>
<td>43%</td>
</tr>
</tbody>
</table>

Fixed fees: Opportunity (51%)

<table>
<thead>
<tr>
<th>Base: All lawyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed fees:</td>
</tr>
<tr>
<td>Opportunity (51%)</td>
</tr>
<tr>
<td>42%</td>
</tr>
<tr>
<td>Fixed fees:</td>
</tr>
<tr>
<td>Not-opportunity  (61%)</td>
</tr>
<tr>
<td>24%</td>
</tr>
</tbody>
</table>

Fixed fees: Opportunity (51%)

<table>
<thead>
<tr>
<th>Fixed fees:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
</tr>
<tr>
<td>60%</td>
</tr>
<tr>
<td>Not-opportunity</td>
</tr>
<tr>
<td>38%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Base: All lawyers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CLIENT ENQUIRY TO CONVERSION RATIO</strong></td>
</tr>
<tr>
<td>Below average</td>
</tr>
<tr>
<td>On a par</td>
</tr>
<tr>
<td>Above average</td>
</tr>
<tr>
<td>Well above average</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Base: All lawyers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CLIENT RETENTION</strong></td>
</tr>
<tr>
<td>Below average</td>
</tr>
<tr>
<td>On a par</td>
</tr>
<tr>
<td>Above average</td>
</tr>
<tr>
<td>Well above average</td>
</tr>
</tbody>
</table>

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

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.

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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.

<table>
<thead>
<tr>
<th>Base: All clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Fee (40)</td>
</tr>
<tr>
<td>Non-Fixed Fee (65)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Below</th>
<th>Above</th>
<th>On a Par with Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>33%</td>
<td>89%</td>
</tr>
<tr>
<td>63%</td>
<td>44%</td>
<td>12%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Base: All clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Fee (85)</td>
</tr>
<tr>
<td>Non-Fixed Fee (46)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No</th>
<th>Yes, with some reservations</th>
<th>Yes, wholeheartedly</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>48%</td>
<td>5%</td>
</tr>
<tr>
<td>12%</td>
<td>45%</td>
<td>5%</td>
</tr>
</tbody>
</table>

…”

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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:

- WILLS (72)
- RESIDENTIAL CONVEYANCING (68)
- EMPLOYMENT (61)
- FAMILY (57)
- PROBATE (68)
- BUSINESS LAW (64)
- IMMIGRATION (12)
- PERSONAL INJURY (35)
- DISPUTE RESOLUTION (55)
- TAX PLANNING AND TRUST (52)

Base: All lawyers

- 89%
- 84%
- 66%
- 46%
- 41%
- 41%
- 33%
- 31%
- 25%
- 21%
Strategic pricing

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

<table>
<thead>
<tr>
<th></th>
<th>FIXED FEE (65)</th>
<th>NON-FIXED FEE (40)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VERY IMPORTANT</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td>QUITE IMPORTANT</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>NOT THAT IMPORTANT</td>
<td>23%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Base: All clients
Looking beyond “good law”

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.

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

*Base: All lawyers*

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Guidance</td>
<td>85%</td>
</tr>
<tr>
<td>Forms</td>
<td>82%</td>
</tr>
<tr>
<td>Standard Automated Precedents</td>
<td>58%</td>
</tr>
<tr>
<td>Calculators, Checklist and Flowcharts</td>
<td>50%</td>
</tr>
<tr>
<td>Bespoke Automated Precedents</td>
<td>37%</td>
</tr>
<tr>
<td>Drafting and Proof-Reading</td>
<td>20%</td>
</tr>
</tbody>
</table>
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 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.”
About the author

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.

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To read the full Bellwether Report see here.
Who we spoke to

**LAWYERS** Base: All lawyers (112)

<table>
<thead>
<tr>
<th>Practice size</th>
<th>15%</th>
<th>50%</th>
<th>33%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMALL FIRM (10-20 free earner)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMALL FIRM (Up to 10 free earner)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOLO</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specialist vs Generalist</th>
<th>2%</th>
<th>60%</th>
<th>38%</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGREED STRONGLY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGREE SLIGHTLY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DISAGREE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO OPINION</td>
<td></td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>“I see myself as an entrepreneur”</th>
<th>16%</th>
<th>20%</th>
<th>34%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMALL FIRM (10-20 free earner)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMALL FIRM (Up to 10 free earner)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SOLO</td>
<td></td>
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</tbody>
</table>

**CLIENTS** Base: All clients (108)

<table>
<thead>
<tr>
<th>London South</th>
<th>43%</th>
</tr>
</thead>
<tbody>
<tr>
<td>London North</td>
<td>54%</td>
</tr>
</tbody>
</table>

93% of clients have had dealings on private matters

41% of clients have had dealings on commercial matters

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CPD
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