OPPORTUNITIES KNOCK FOR LEGAL INFORMATION PROVIDERS

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THEY SUPPLY CRUCIAL LEGAL data to help lawyers serve their clients—and yet leading information providers are seeing sluggish, relatively flat revenue growth, on the order of 1% or less. Why? The reasons go back a number of years to when, roiled by the recession, law firms and corporate legal departments tightened their purse strings, became tougher negotiators, and adopted a more critical attitude toward their spending.

This heightened level of scrutiny, however, masks significant opportunities for providers that are savvy enough to seize them.

As firms and legal departments look to control costs, they are stressing efficiency but not always achieving it—at least, not to the extent that they could. On the basis of interviews with nearly two dozen legal professionals, The Boston Consulting Group has identified a number of pain points that hamper efficiency in lawyers' daily workflow. By leveraging technology in smart ways, information services providers can lessen or eliminate these problem areas. In

the process, they can boost the value that their own offerings deliver, enabling them to capture a larger share of the legal industry's overall IT spending.

A Drive for Efficiency—and Obstacles in the Way

The recession fundamentally changed the relationship between law firms and information providers. At law firms, pressure mounted to do more with less, adopt fee arrangements that were less familiar and less lucrative than the billable hour, and stem declines in profitability. Staff reductions were common, and firms regularly dissected and debated spending on vendors. Meanwhile, many corporate legal departments, facing comparable pressures, increased their scrutiny of expenses.

Although the broader economy has recovered, market challenges persist. For many law firms, margins remain strained. Competition, meanwhile, is livelier than ever. Able to draw from a large pool of available, high-quality legal talent, smaller firms—

which tend to charge lower fees—are often a viable alternative to large firms. In such an environment, many law firms are looking to efficiency as a route to savings and competitive advantage. And to achieve efficiency, some are turning to technology.

Other industries have boosted productivity, agility, and quality by using high-tech tools. But the legal industry has never been— and still isn't—a particularly big spender on technology. On average, law firms spend some 2% of their gross revenue on IT, significantly below the average for the professional services sector as a whole—which, according to Gartner, is 4.6% of gross revenue. Even now, many firms take an outdated approach to developing and managing IT. Instead of maximizing their use of outsourcing, they employ large and costly IT staffs. In addition, they tend to be slow to adopt useful new tools. And often, the most experienced and influential partners— many of whom came of age in a low-tech legal industry—haven't forcefully pushed a technology agenda.

These dynamics have made it difficult for lawyers to realize the full benefits of technology. New features and improvements always come faster when customers demand them. But at many law firms, senior management doesn't view IT as a strategic and competitive differentiator. As a result, firms are more likely to push vendors on price than on functionality. This may save them money in the short term, but it also hinders any effort to gain efficiencies through technology. Indeed, our conversations with legal industry professionals reveal significant *inefficiencies,* particularly with regard to working with content. Overall, we identified four chief pain points:

- **Rules Changes.** Getting up to speed in a dynamic regulatory landscape, where the rules governing a particular topic don't stand still, tends to be an ad hoc, time-consuming endeavor. Instead of turning to a single source of comprehensive, up-to-date content, lawyers generally take a more piecemeal approach, relying on multiple sites and email alerts—and in many cases getting half the information they need in twice the time they want to spend.

- **Targeted Resources.** Lawyers lack targeted resources to help them understand nonlegal issues that arise in the course of their client work—especially with regard to document review in litigation and due diligence in transactional matters.

- **Access to Internal Materials.** Lawyers often find it difficult to locate existing firm materials—such as documents and information related to previous cases— that could aid them in their work. Few, if any, knowledge management systems provide an optimal balance of security, usability, and efficiency.

- **Annotation and Collaboration.** Deal and litigation platforms—such as virtual data rooms that lawyers can use to view case materials and work on them collaboratively—tend to emphasize security over usability. Lawyers often have limited ability to search within and annotate documents. And when multiple users collaborate on a document, they often find it difficult to track changes and interact. In many firms, the result is an awkward, nonintuitive, and even frustrating experience.

Our interviews also revealed that integration between information services and law firms' in-house IT systems could be improved. In many instances, lawyers must note the amount of time they use a service and manually enter that figure into a separate time-and-billing application. Keeping tabs on one's time becomes, paradoxically, time consuming and burdensome.

Relieve the Pain—and Seize an Opportunity

These issues pose formidable challenges for lawyers, but they present opportunities for information services providers. Given the legal industry's comparatively low level of technology-related spending, providers are competing for a pie that isn't likely to get much larger in the immediate future.

They can grab a larger slice of that pie by addressing the pain points described above and becoming more involved in and more essential to lawyers' workflow. At the same time, by differentiating their products and value propositions, providers can stave off the threat from new market entrants, including startups backed by major VCs.

How, exactly, can providers boost lawyers' efficiency and become indispensable? We recommend a targeted approach, prioritizing three core areas for improvement:

- **Content.** As a baseline step, providers should add well-curated content—both legal and nonlegal material—to their product suites. Savvy players will want to go even further, pushing material directly to individual lawyers and tailoring content to each lawyer's specific needs. The idea is to provide highly relevant content—lots of wheat, little chaff—in a way that the user can consume swiftly and effortlessly.

- **User Experience.** Information services should be secure and feature-rich, but they also need to be user friendly, with readily accessible content and intuitive interfaces and tools. Collaborative environments, such as deal and litigation platforms, should follow this model, too, offering robust and accessible document searching, sharing, and annotating capabilities. This is not an easy combination to pull off, but the providers that manage to do so will stand out from the crowd.

- **System Integration.** In addition to containing time-tracking and knowledge management capabilities, information services should integrate those capabilities with popular standalone packages. For example, an information service could automatically track how much time a user spends researching a matter and enter that figure into the firm's billing software. This would spare lawyers the effort that a more manual process requires, as well as avoiding the errors that sometimes come with nonautomated calculations.

By taking this painkiller approach, information providers can provide the right tools in the right way, putting relevant content in front of users quickly and seamlessly. The arrangement boosts both the efficiency and the quality of lawyers' work. As a result, law firms can meet their mandate to control costs while serving clients well—and, perhaps, better than ever.

Pressing the Case for Advanced Solutions

In a perfect world, providers would simply check off the boxes noted above and deliver better, more efficient legal information services. But in practice, various obstacles may stand in the way. For one thing, many providers lack extensive capabilities outside their traditional fields of expertise. Although artificial intelligence, e-discovery, and practice management—all potential areas of expansion for product suites—are beginning to draw investment from large legal information services providers, they remain new and unfamiliar ground for many providers. Then there is the lingering resistance by lawyers to technology. For providers of information services, growth will always be a challenge if law firms' senior management doesn't view technology as a differentiator and doesn't prioritize it as such.

In light of these obstacles, and in order to smooth the path to success, providers should consider taking two additional steps as they tackle user pain points:

- **Pursue acquisitions in a growing legal technology venture market.** When traditional players need nontraditional capabilities, startups can be a good place to find them. Indeed, many legal technology startups specialize in the very areas where more established providers lack and increasingly need expertise, such as in artificial intelligence. The ranks of these emerging companies are growing. Since 2013, on average, 50 venture deals have occurred annually in the legal technology space, according to CB Insights. Much of this activity has involved online legal

services and e-discovery, and most deals—about 80% of the total—have occurred at early developmental stages (seed/angel and series A). Consequently, for a relatively small investment, an information services provider could gain access to capabilities and talent that would be difficult to develop in-house. For example, a provider could use the technology of an AI-focused startup to create more robust search capabilities, predict case outcomes more accurately, and better match content to users on the basis of individual needs, preferences, and past activity.

- **Promote cultural change at law firms.** Providers should consider leveraging their relationships with law firms to foster discussion and education about what their latest platforms—and those coming soon—can do. Every interaction, whether a training session or a meeting with senior firm management,

is an opportunity to promote and ease the transition to new or enhanced information services. But why stop there? Providers could also establish industry-wide working groups that bring together representatives from a broad swath of firms to share best practices, develop new standards, and evangelize the value of technology as both a tool for boosting efficiency and a weapon for gaining competitive advantage.

By addressing common pain points in the use of law-related content, information services providers can give law firms what they need most: a smoother path to greater efficiency. Providers can help firms realize the full potential of technology and information in legal practice—and while they're at it, they can realize their own full potential.

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