



The Law Society

Law Society Market Analysis 2012

Main stories from the research reports

December 2012



Market analysis communications - main stories from the research reports

Legal Services Market, part 1: Overview and scenarios

Intro/background

A Law Society project team has produced a series of assessments of the shape, nature and size of the legal services market and the factors likely to drive change in the future.

The reports, which focus on the UK/England and Wales legal markets include an overview of the market as a whole which is the first document to be published. This report is available free of charge to Law Society members - please submit your Roll number to the following email address: MarketAssessment2012@lawsociety.org.uk. The report can be purchased by non-members via the Law Society bookshop by calling 0870 850 1422 or by ordering online at <http://www.lawsociety.org.uk/bookshop>.

This will be followed by two further reports focusing on (i) the four most significant sectors within the market (top 200 solicitor firms by turnover, the wider market of small and medium solicitor-led firms outside of this group, advocates and in-house lawyers and (ii) 12 key areas of work such as residential conveyancing, corporate practice and employment law, selected by contribution to total turnover generated by solicitor/SRA-regulated entities.

The reports provide a thorough synthesis of a broad range of sources of information about the market, and its submarkets, which are likely to be of interest to the Society's members, non-solicitor suppliers and others interested in the dynamics of legal services provision. Building on the evidence gathered during the project the team also developed four scenarios for what the legal services market might look like in 2025 (using a structured scenario planning process). These have been designed to be used as a strategy planning tool for practical use by members (and others), as well as decision makers within the Law Society.

Market overview report

The legal services market in England and Wales comprises somewhere between 267,000 and 320,000 regulated and unregulated individuals supplying legal services (reserved and unreserved) in around 30,000 entities, generating turnover of £25.6bn, or 1.48% of GVA (2010 figures). Solicitors represent the largest group within the market accounting for 38-46% of individuals, 44% of entities and 58% of total UK turnover (UK figures) but the role of non-solicitor and non-barristers is significant.

The Law Society forecast¹ of growth in real turnover suggests that total turnover is likely to have fallen between 2011 and 2012 to £25.4bn (following only a marginal increase between 2010 and 2011) as the economy struggled through a double-dip recession - and this is corroborated by available analysis of proxy indicators for demand for legal services. However, a return to modest growth is expected for UK legal services in 2013, rising slowly to £27.5bn in 2015. Longer term growth rates are predicted to be above 4.2% from 2015 onwards.

While the turnover forecast model takes into account economic factors, the reports include much broader analysis of a wide range of factors with potential to drive change in the market as well as an assessment of the challenges and opportunities facing providers. These include:

¹ Based on business activity in the wider economy (real profits), households' real disposable income, housing transactions, unemployment rates, and financial sector output and using NIESR macroeconomic forecasts.

- Changing behaviour of purchasers of legal services stimulated and facilitated by technology and broader demographic changes
- Globalisation / global and national economic climates
- Changes to civil litigation and legal aid funding
- The regulatory environment
- Technological and process innovation.

Scenarios for the legal services environment in 2025

In thinking about the future of the legal services market the range of analysis undertaken for the reports has been used to inform the development of a set of possible future scenarios. The scenarios depict four very different stories about the legal services environment in England and Wales in 2025. Unlike economic modelling outputs, the stories are not intended to be predictions. Instead they are simply plausible stories - that is, possible rather than likely - that describe four possible futures. They have been created as tools for practical application in developing and testing organisations' strategies and strategic thinking and are meant to be challenging and thought provoking.

The stories describe four different futures based on a shared foundation of in-depth consideration of the combination of two key groups of factors that will drive change: buyers' behaviour in the future and the global economic and business environment.

Looking to the future - The scenarios in outline

The Law is an App describes a highly dynamic, competitive and amorphous world in which only the fittest, and quickest to adapt, survive. The global economy is highly interconnected and global and domestic economic growth is positive and strong. The global legal environment is marked by growth in international rules and institutions and the rise in prominence of private actors and shapers. 'Leading' buyers play an active role in shaping the services they want and they are supported in this by strong and active civil society organisations and technological and process advancements. Innovation in the broadest sense has transformed the market.



Wise Counsel is a story in which legal expertise is highly valued and demand for good quality legal services is strong. There has been rapid economic and socio-cultural globalisation resulting in increased complexity but high global and domestic economic growth. In this world, however, the increased internationalisation of law and legal institutions has a distinctly public nature. 'Receiving' buyers present very limited stimulus for providers to change and innovation in the market has tended to be enhancing rather than transformational.

The Mini Clubmen uses the metaphor of the mini car to paint a picture of the legal services market: the 2025 mini may not be the classic 1960s car but it is still largely familiar -though, in the case of legal services, actually much smaller. Global markets have levelled out and nation states are now more inward looking and protectionist, coinciding with negative domestic economic growth. The global legal environment is fragmented and the former trend towards expansion of international rules is in reverse. 'Receiving' buyers present very limited stimulus for providers to change, and technological and process innovation has enhanced rather than transformed the market.



Bleak House is a world of tension between buyer and provider, in which the outlook for both is bleak. The dream of globalisation is a memory and growth, both globally and nationally, is low.



Processes of legal internationalisation are in reverse, leading to a fragmented global legal environment - regional pluralism, and 'thickened' legal borders, are rife - and the importance of private legal and governance regimes is on the rise. 'Leading buyers' shop around, search for, and use, information, and have high expectations of delivery and service. They are prepared to be actively involved in the resolution of their problems. However, since innovation in the market has been stifled because of the economic conditions, providers are, in general, not well set up to meet the demands of buyers and dissatisfaction is widespread.

A tool for strategic thinking

The full scenarios can be used by firms to test ideas under different conditions, stretching thinking, in order to:

- develop vision and objectives
- review strategic options and plans
- develop contingency plans
- monitor progress.

The full scenarios can be accessed on the Law Society website here:

www.lawsociety.org.uk/market-assessment-2012

Members, and others, interested in finding out more about how to use the scenarios to enhance strategy development within their organisations can find further information on the links below:

- HSC foresight centre - <http://hsctoolkit.bis.gov.uk/About-15.html>
- Our own high level 'how to' guide - based on how we've used them internally with links to HSC - : www.lawsociety.org.uk/market-assessment-2012/scenario-how-to
- Enquiries can also be submitted to MarketAssessment2012@lawsociety.org.uk

