

THE FUTURE OF LAW

HOW THE DIGITAL REVOLUTION
WILL CHANGE LAW FIRMS OF
THE FUTURE



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The Australian legal landscape is undergoing a huge period of change.

Recent years have seen an aggressive move into the market by established foreign firms, alongside global mergers of long-standing Australian names.

At the same time, small practices and sole practitioners have continued to feel pressure from increased competition and the resulting squeeze on service delivery.

Law firms are also being confronted with changes relating to how they carry out their services. Technology has swept through the judicial system, dictating a fast pace of innovation for barristers. Other sectors have embraced online service delivery relatively seamlessly, the path for legal professionals has been less clear and a distinct sense of uncertainty hovers across the industry.

Yet technology, while forcing dramatic change, also enables firms to manage the ongoing industry disruption. For example, innovative developments around e-discovery processes can create dramatic efficiencies

once they have been absorbed into workflows. There's a strong indication that early uptake of technology will be the key to small firms securing a competitive hold on the future.

So what will law firms look like in 30 years – both from the outside, as players in a transformed market, and on the inside, as innovative work environments? Will small firms survive? And what can they do to prepare themselves for the future of law?

Thomson Reuters surveyed more than 100 senior fee-earning legal practitioners in medium-large firms across Australia to better understand the changes set to take place across the legal landscape, and to gain insights into how the sector will evolve to meet them.

LAWYERS AREN'T AS PREPARED AS THEY WOULD LIKE TO BE

Lawyers are generally aware that their current business model will need to evolve in accordance with technology.

Sixty-nine per cent of surveyed law firms agree that the pace of innovation today is faster than at any point in the past 10 years, with 60 per cent predicting it will be faster still in 10 years time.

However, 39 per cent of respondents are not confident that their current model is "future-proofed", while 43 per cent are uncertain that this is the case.

HOW CONFIDENT ARE YOU THAT YOUR EXISTING BUSINESS MODEL IS "FUTURE PROOFED" FOR YOU TO REMAIN COMPETITIVE IN 30 YEARS?



CONSUMERS TAKE CONTROL OF A CONSOLIDATED MARKET

Lawyers recognise that it will be commonplace for the future consumer to use online tools to manage their general legal needs.

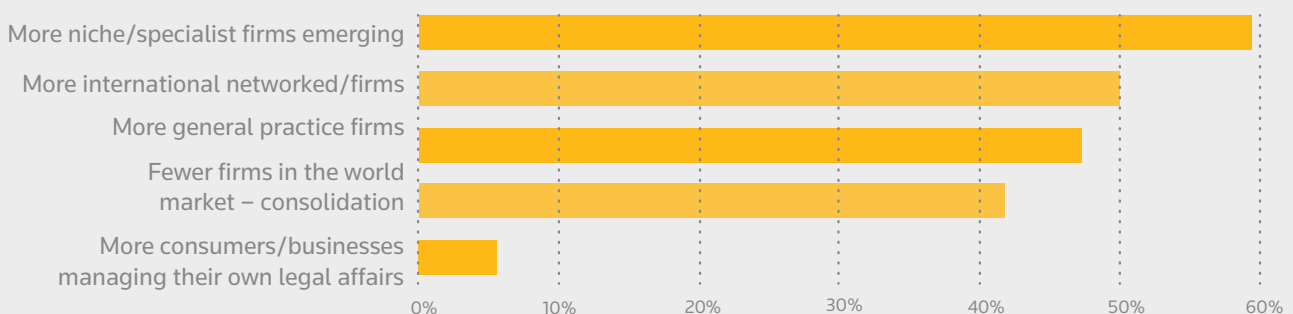
Ted Dwyer, writing for the Law Society of NSW, says, "Rather than a 'distress purchase', the coming market will influence and empower consumers to buy legal services as a 'lifestyle purchase'."¹ This is already taking place in the areas of succession and contract law.

The way the market responds to this trend will be two-fold – consolidation, including international mergers, as firms seek to build

a strong market presence under umbrella brands, and specialisation, as lawyers focus on competencies that can't be met by online technology alone.

Forty-two per cent of legal professionals forecast more consumers and businesses managing their own legal affairs by 2044, while 60 per cent see the emergence of more niche firms. One in two expect a consolidated market with fewer firms overall.

WHEN IT COMES TO LAW FIRMS IN AUSTRALIA, WHICH OF THE FOLLOWING DO YOU THINK WE WILL SEE BY 2044?



SUPER-SPECIALISATION

There's a clear trend away from general practice in the legal sector, coinciding with growth in areas such as construction, intellectual property and employment law.

Law firms – especially small law firms – that have an accredited specialisation and can connect with a niche market will gain a competitive edge over general practices.

However, a recent Macquarie Bank report suggests that, currently, expertise is not as highly valued by new clients as qualities such as professionalism, reliability and friendliness.² This suggests that specialist firms can't rely solely on their proficiency in a specific area to bring in new business in

the future. Instead, they will still have to present the kind of characteristics that embody trust and integrity towards their client base.

In 30 years, 56 per cent of legal firms surveyed see themselves as offering specialised services to some degree. Almost half of these again will become super-specialised, focusing on niche issues offered within specialty sectors.

IN 2044, DO YOU THINK YOUR FIRM WILL BE MORE OR LESS SPECIALISED?



VANISHING LEGAL LIBRARIES

As tablet computers become commonplace in courtrooms and preparations are made for paperless trials in the near future, technology is also making its way into the everyday activities of law firms.

Many legal resources are already available online and the trend is set to grow. Apart from the obvious benefits of efficiency through electronic search, online resources open up firms to the possibility of more flexible working arrangements, which in turn encourage growth in two other areas: teleworking and “virtual firms”.

The majority of surveyed practitioners forecasted the demise of the book-and-binder legal library, with 43 per cent predicting they will “virtually disappear”. They offered evolving information consumption habits and an increase in the availability of digital information sources as the two reasons for this trend.

WHEN IT COMES TO THE FLOOR SPACE DEDICATED TO YOUR EXISTING LEGAL LIBRARY, WHICH OF THE FOLLOWING WILL BEST APPLY IN 2044?



TELEWORKING SATISFIES THE CRAVING FOR FLEXIBILITY

Work-life balance has long been a defining issue for lawyers. As the workforce in general demands more flexible arrangements, the legal sector is willing to take part, at least to a degree.

Almost 60 per cent of firms surveyed will have at least half of their employees working from home in 2044. Key to the uptake of this practice will be the widespread use of

cloud computing, and the development of internal policies on data sovereignty and privacy to protect client information, especially for court proceedings.

IN 2044, WHAT PROPORTION OF YOUR STAFF WILL BE BASED PERMANENTLY AT YOUR OFFICE, COMPARED TO WORKING REMOTELY?

42% will have the majority based in the office.



58% will have at least half working remotely.

VIRTUAL LAW FIRMS COME OF AGE

Virtual law firms – those with no physical office – are already making an appearance in Australia.

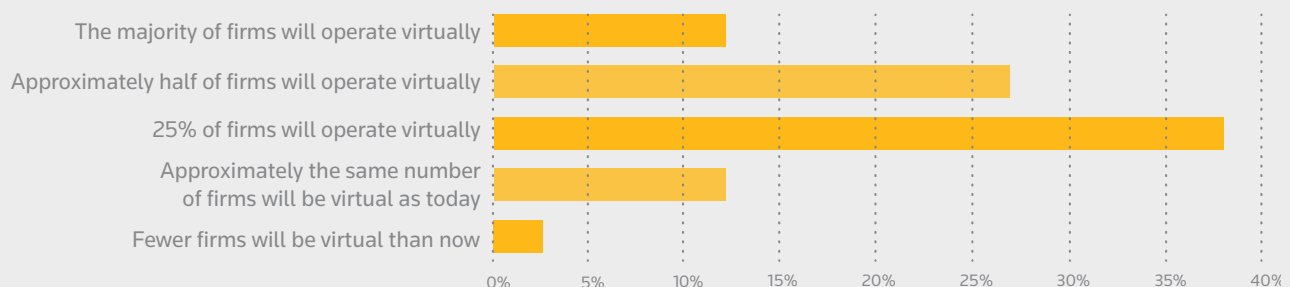
These firms are commonly set up as an agency for freelancing lawyers to take on as much work as they wish, with some startups claiming they can undercut the competition by as much as 70 per cent due to the absence of large-scale IT and HR infrastructure.³

More than three-quarters of surveyed practitioners acknowledged that the implementation of virtual law firms is likely to increase. Thirty-eight per cent believe that one in four firms will be virtual; a further 27 per cent think the market will be evenly split between virtual and physical firms.

However, many of these virtual firms do not engage in court proceedings, which may again affect the established desire for clients to develop a trusting relationship based on in-person meetings.

The research suggests that virtual law firms will service general legal issues driven by consumer demand for cheaper and more dynamic options in this area of the market. Adaptable firms that can find an innovative way to build strong relationships outside the traditional office setting could open up the judicial section of the market.

HOW MUCH OF A REALITY WILL THE 'VIRTUAL' LAW FIRM BE BY 2044?



Technology drives change across all sectors, and the legal industry is no different.

The biggest effect on the sector will come with the shift of routine legal work towards online delivery.

Virtual firms, which offer cost-effective services with lower overheads, will cater to this and make up a sizeable chunk of the market.

In turn, the presence of general legal practices will decrease, as firms either merge or specialise to capitalise on work where traditional legal expertise is still regarded highly.

And technology will change how law firms operate on the inside. Legal libraries are likely to move completely online, which,

along with other cloud technologies, will play a role in allowing lawyers to engage in more flexible work practices.

How smaller firms will maintain competitiveness in the legal sector of the future depends on their ability to adapt to changes in technology. While this could be a challenge for minor players, those who can should invest early to ensure their business strategies are robust and future proof.

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