

Information Strategy for Law Firms

The Evolving Online Legal Research Landscape and Opportunities
for Legal Research Optimization

Introduction

Recent years have seen accelerating change within law firms, driven by market pressures affecting both firms and their clients. The pressures facing law firms are multi-faceted, and include external pressure from clients to improve value and control legal costs, internal pressures to maintain or improve profitability while adding efficiency, and the need to not only maintain technical competency in the practice of law but also to adopt innovative approaches to enhance value provided to clients and to support the firm's needs. Similar changes have also affected law firm libraries and information departments, which are evolving to better meet the business needs of their firms while supporting the changing research styles of attorneys and other internal clients seeking to interact with information resources in new ways.

The Value Challenge

Within the past decade, the increasing expectation that corporate law departments control legal spend on behalf of their organizations has led to closer scrutiny of outside counsel costs and calls for change in legal practice. The now well-known Associated of Corporate Counsel (ACC) Value Challenge, first issued in 2009, called for better alignment between the cost and value of legal services provided by law firms, and notably also called for improvement in efficiency and outcomes. Law firms have responded to the challenge, exploring new approaches to pricing and introducing new project management approaches to handle matters with greater efficiency and consistency.

While the dialogue between law departments and law firms continues, many law departments are also finding savings by taking work in-house to control legal costs. According to HBR's 2017 Law Department Survey, outside counsel spending has remained flat as a percentage of total legal spend, accounting for 53 percent of law departments' total spend, which is in-line with the 52 percent reported in last year's survey. At the same time, however, the survey showed a 4 percent increase in inside legal spending by law departments.¹

With the need for efficiency underscored by increased competition for client work, law firms have likewise invested in new approaches to strengthen their value proposition, including the adoption of technologies to support the practice and delivery of legal services. Firms are embracing efficiency-enabling measures and adopting technology-supported knowledge management, data analytics, pricing, and legal project management. Some firms are also taking innovative steps to package their work product in new

ways to meet client needs. As firms have grown more sophisticated in their use of technology to leverage their own work product, they have also become increasingly savvy consumers of information resources. Firms today expect to receive high value from their information resource investments, including robust content and features as well as the ability to leverage data and analytics to inform both business decisions and legal strategy. In addition, they expect to achieve value through high utilization of the resources they purchase, and many law firm libraries have invested in third-party tools such as OneLog and ResearchMonitor to provide usage data beyond what is available directly from information vendors, enabling careful management of online subscriptions to optimize usage.

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A key aspect of the value proposition is cost, and while firms expect high-quality, innovative features and functionality from their research tools, they are also looking closely at the price of those investments. As law firms strive to provide better value to clients they must also control their own overhead, and in turn they have been looking to their content and technology providers to deliver better value. Research contracts that might have been accepted as necessary costs of doing business 10 or 20 years ago are no longer taken for granted, as both law departments and law firms increasingly adopt "zero-based" budgeting in which each expense must be justified.

As with the ACC Value Challenge, the conversation between law firms and legal information vendors is not exclusively about cost, but rather about the right tools at the right price. What constitutes the right price is being reassessed by many firms, and vendors whose pricing models support the evolving needs of their customers – in addition to providing the high quality resources demanded by users – will see more success in retaining market share than those who do not evolve to meet today’s business needs.

Evolution of Legal Information Resources

While the current business climate sets an often-challenging standard for value, the legal industry’s appetite for efficiency-enabling technology has created opportunity for new entrants to gain traction in the legal information market. As law firms demand products enabling high value research outputs, efficient workflows and cost-effectiveness, advances in technology and increased access to primary law data have empowered a new generation of legal research resources, leading to what seems today to be an ever-growing number of technology and research providers entering the legal information market. Some of these newer platforms offer reduced costs compared to traditional resources, while others tout increased efficiency, or both. Many new products promise to leverage analytics or apply algorithms in new ways to enable faster, more accurate, or easier-to-digest research results. Platforms increasingly feature mapping, color coding, and other visual aids to enhance comprehension and speed research. Established vendors similarly continue to enhance their platforms through new search interfaces and analytics offerings leveraging advanced technology, as well as expanding their secondary content offering through strategic development and

acquisitions, as they each strive to be the “best in class” resource for their market.

Ongoing user demand for enhanced functionality will continue to spur product development by both established and new vendors, with an emphasis on search, analytics, and features enabling users to interact with data in new ways. Artificial Intelligence (AI) products are of high interest, with new applications utilizing AI for improved data mining for business intelligence, in predictive analytics, and in transactional applications, as well as in enhanced research delivery.² While AI is a broad term and applies to a number of advanced technologies which can be leveraged for more efficient problem solving, in the research area these applications often feature natural language understanding, image pattern recognition, machine learning and inference. AI applications, similar to prior technology advances which have already matured, hold the promise of ever more efficient workflows and an ability to digest and analyze vast amounts of data exceeding human capabilities. As firms continue their efforts to increase efficiency, vendor innovation in AI, research analytics and visualization tools will be rewarded in the market. While these products are already gaining market share, HBR’s 2017 Law Firm Library Survey showed that firms are planning additional future investment in these product categories.³



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Strategic Sourcing and Content Optimization

As provider options multiply, firms must make strategic decisions regarding content sourcing. A top trend of interest to the law library community is the discontinuation by law firms of one of the traditionally predominant legal research providers, Westlaw or LexisNexis, sometimes referred to as going “sole provider.” While most large firms would historically maintain subscriptions to both providers, recent years have seen more firms cut back in this area by cancelling one of the major providers. While this movement away from maintaining both traditional platforms has been at times assessed as affecting primarily small to mid-sized firms, more large firms continue to take this step, including firms in the Am Law 100 and 200, with the trend more visible among firms in the second hundred. HBR’s Law Firm Evolving Libraries Survey found that 48 percent of respondents had selected a single major provider for online research and cancelled either Westlaw or LexisNexis, including 24 percent of the Am Law 100 firms that participated in the survey. Among firms that had not yet moved away from one of these major providers, more than half are considering doing so, with 13 percent contemplating such a change in the next 1-3 years.



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While specific needs and priorities vary among firms, key factors in content selection decisions typically include:

- User experience and attorney preference

- Access to unique “must-have” content to support a specific practice
- Value, as defined by firm-specific needs and often driven by secondary content and features
- Integration with other resources used by the firm
- Cost

In addition to considerations regarding content, functionality, and cost of specific research products, firm decisions regarding potential changes in research service subscriptions are significantly influenced by the organization’s internal goals and culture. A key factor in a decision to cut back on a major resource is whether the firm’s philosophy encompasses providing multiple options to support individual attorney preferences, or prioritizes a more unified approach in which the firm consolidates its investment in fewer resources. While the opportunity for each user to select the resources they prefer allows firms to meet a variety of user wants and needs, this approach also can contribute to a landscape of multiple under-utilized resources, as well as higher costs and potential information overload or resource confusion as attorneys seek the best resource for a specific information need.

Another important consideration is the firm’s position on cost recovery. While a firm’s decision regarding whether to charge clients for online research obviously impacts client relationships and the firm’s revenue stream, it also strongly affects associate attitudes toward research. A policy of billing online research costs can in some instances lead researchers to avoid tools the firm has invested in, instead relying on free alternatives rather than incur costs which might be questioned by partners or clients. Even when the firm’s paid subscriptions are used, the user’s approach may emphasize cost avoidance strategies rather than focusing on effective, efficient workflows and successful results.

Many firms opting to consolidate research onto a primary platform plan the timing of the change to coincide with a change in their online billing practices, such as moving away from cost recovery or designating a specific “free” resource for client work. In these scenarios, savings from cancellation of a costly research platform can offset any revenue loss from discontinuing cost recovery across platforms. At the same time, offering users a “no charge” alternative prior to cancelling an existing provider can help drive usage to the new preferred resource by providing attorneys a strong incentive to utilize the service.

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Regardless of the firm’s decision regarding cost recovery, cancelling an expensive research subscription creates opportunity to invest in new technologies and resources, enabling firms to optimize their mix of research services to meet their future practice needs. We anticipate this trend will continue, with more dialogue and openness to change among the largest firms over the next few years.

As the major vendors contemplate greater competition within a narrowing market, they have adopted strategies to make themselves indispensable to their customers. In addition to incorporating advanced technology to enhance the search and analytics features of their platforms, we have also seen a trend of vendors acquiring highly valued and exclusive secondary content. This content is then incorporated into integrated platforms which enable users to

discover relevant results from a variety of proprietary resources within the vendor’s expanded collection of content. While these highly integrated search platforms provide an enhanced user experience, the trend toward more integrated content has been accompanied by related changes in vendor pricing structures. The pricing models and content segment options available to subscribers have become more structured and in many instances reduced to a smaller set of simplified options, making it difficult for firms to pick and choose specific content to match their needs and pushing firms toward purchasing bundled content under an “all or nothing” model. While firms can often benefit from broadly inclusive subscriptions, the higher levels of access and higher costs are not always the best fit for a firms’ specific needs. In some instances, firms which would otherwise purchase their preferred content from a leading provider find themselves seeking alternative sources rather than pay for bundled content that they do not need. The alternatives firms turn to vary, and can range from purchasing similar secondary content from another source, to reordering print sets that might have been canceled in the past as users migrated to using materials online. Certainly in the area of content structure and subscription pricing, the dialogue between vendors and their law firm customers will need to continue, to ensure value is achieved on both sides.

The influx of new legal information providers and evolving content and subscription options from established providers pose considerable challenges for buyers of information resources. In a trend noted by law librarians as well as other industry observers, many firms today find it helpful to engage outside perspective to support their decision processes regarding online research sources. While many firms first utilized consultants to identify cost saving opportunities or renegotiate contracts during the financial

crisis period of 2007-2009 and in subsequent years, firms have increasingly recognized the value of engaging industry experts to provide market intelligence and strategic insights to support their efforts to optimize content mix and costs to meet firm needs. Cost management remains important, but the conversation has expanded to include more strategic assessment of information resources to best support attorneys' needs, with a central goal of positioning the firm for the future.

A successful review of resources includes evaluation of internal and external data, qualitative assessment, and an understanding of the firm's current state, as well as a vision for the future. The consulting project may include various elements, but common steps include:

- Discussion of firm goals and culture
- Assessment of firm needs, including specific practice and attorney requirements
- Review of current content utilization, including primary and secondary resources, as well as mapping of similar content across vendor platforms and content gap analysis
- Assessment of platform preference and user reasons for preference, incorporating analysis of user roles and openness to change in addition to prior usage trends
- Evaluation of available resource options including current and potential suppliers, with recommendations based on the consultant's access to broader market information
- Negotiation with vendors on behalf of the client, or supplying strategy for the client to implement on their own

The ultimate goal of modern consultative relationships in the library and research space is to help firms achieve a strategic, forward-looking approach to vendor alignment, delivering optimal resources to attorneys at an appropriate cost. Given the significant recent growth in this area, it seems apparent that many firms find having relationships with consultants to be beneficial to the value proposition.

The legal information resource market continues to evolve, with new technology, new providers, and new practice needs to consider now and going forward. These ongoing changes in the legal information resource landscape create opportunity for firms to reassess, realign, and optimize their resources for the future. Doing so will position firms to meet their attorneys' – and their clients' – expectations for years to come.

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Sources

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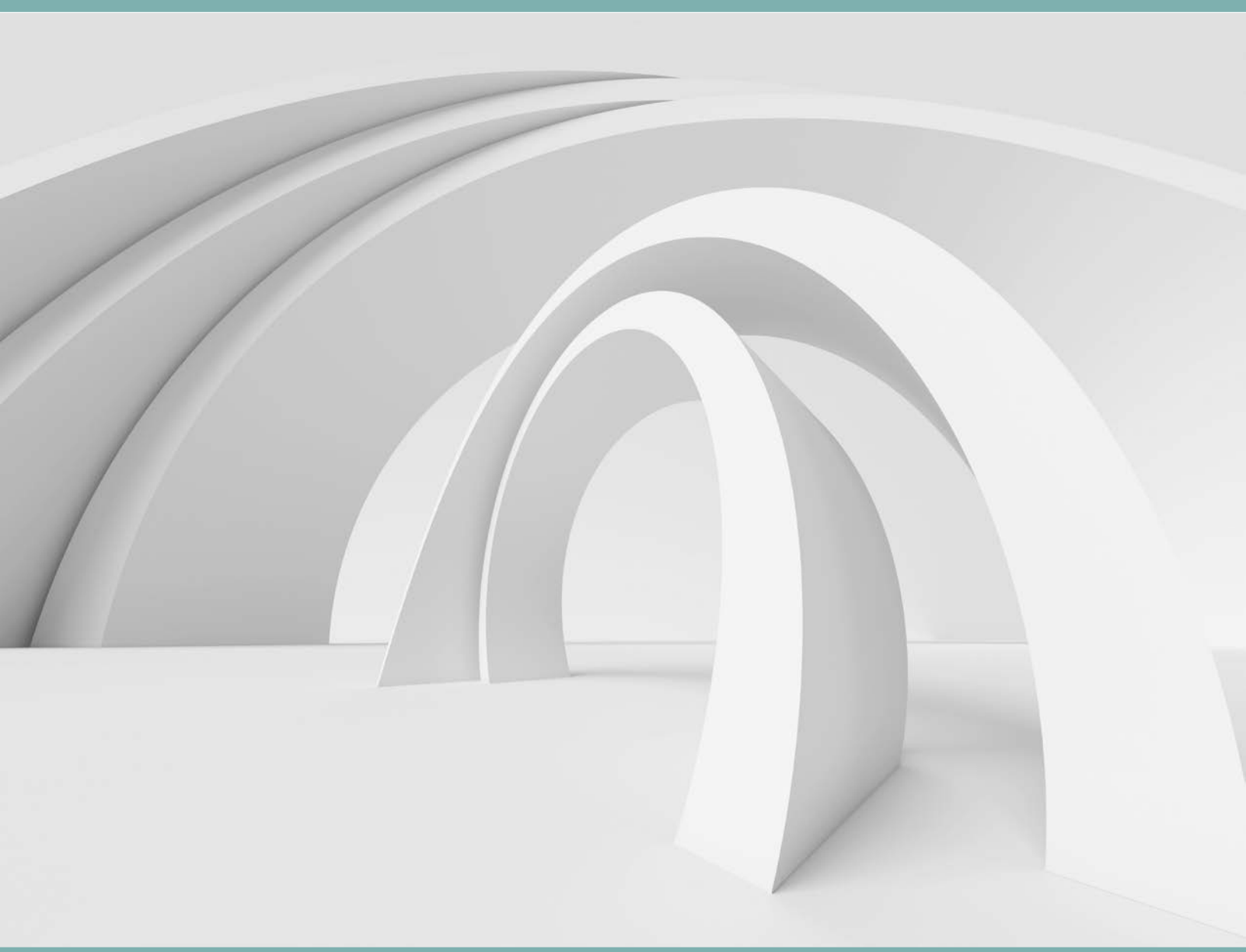
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