

MARKET INTELLIGENCE: LEGAL SECTOR

# The Insight Gap

What you don't know can hurt you

 **insightBee**<sup>TM</sup>

# Executive summary

This report looks at the role that business insights play within the legal sector, and evaluates whether the current offering from insight and intelligence providers adequately caters for the needs of law firms.

## Scope of research

InsightBee surveyed over 100 senior executives in mid-to-large UK law firms.



79%

were employed in associate or partner roles



87%

were working in UK firms employing between 51–500 employees



72%

were involved in business development activities for their organisation

Collated from a survey of over 100 senior executives in mid-to-large UK law firms, the report uses quantitative and qualitative research to build a detailed picture of the legal industry and the issues it's facing.

New pressures have led to increased competition in the legal sector, and it's getting harder to differentiate and stand out. Unsurprisingly, the majority of law firms want to concentrate on keeping their existing clients happy, and winning new ones. Having said this, survey respondents say that a lack of good business insight can actually cause them to miss out on new business opportunities, so it's important that they get this right.

Law firms are finding it hard to gather quality business insights, with the main challenges being time, accuracy, cost and difficulty in sourcing relevant information. While the majority of the larger firms now have dedicated business development teams, the mid-sized firms have not yet caught up.

It's clear that not enough time is being dedicated internally to gathering insights about current and potential clients, and firms know this. But existing third-party providers often aren't able to offer the custom insight that the legal sector needs either, leaving 34% of respondents dissatisfied with the output they're receiving in response to unstructured business questions.

Law firms believe that improved business intelligence will help them to better service existing clients, win more business and react faster to market opportunities. And with growing competition, changing industry structures and increased financial pressures it's fast, affordable and accurate business insight that will give them the edge, if they put it to good use.

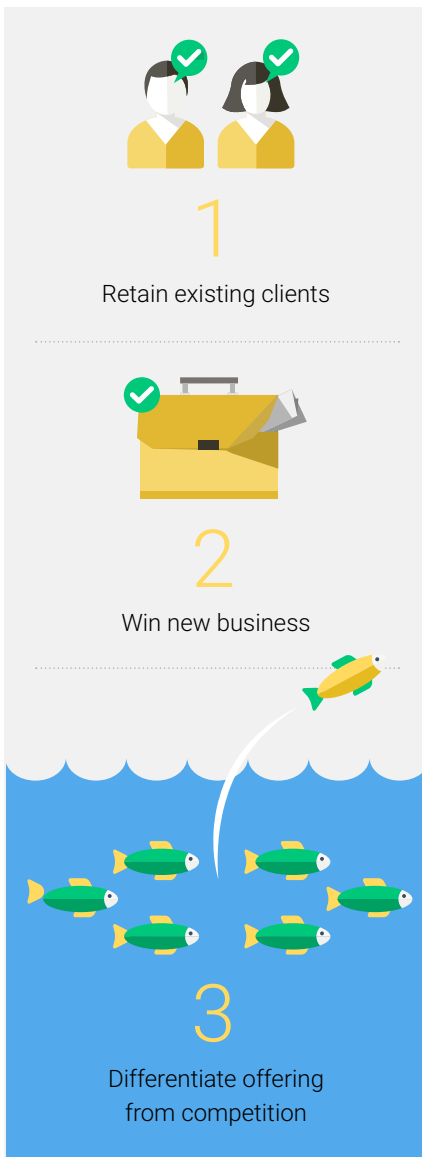
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# Where do you grow from here?

Confidence may be returning to the legal sector in the UK and beyond, but not all firms are out of the woods just yet.

## The top three business priorities for law firms



In our survey, just under half of all firms cited **retaining clients** as their top business priority. This was closely followed by **winning new business**, which was described as a top priority by 41% of firms – and the key concern most often featured in their top three.

Evidence suggests that the top 10 law firms in the UK are starting to pull away from the rest of the market. In fact, the top 10 now account for 44% of the total fee income of the biggest 100 firms.<sup>1</sup>

It is mid-tier firms that are feeling the squeeze most acutely, with many facing declining margins and reduced fee income per chargeable hour. This is clear evidence to suggest that the market is over-supplied – as firms face intense competition, battling it out for client business.

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*Successful firms will be those that are able to enhance their existing client relationships – while identifying and acting on new business opportunities faster than their rivals.*

In recent years the ever-evolving legal landscape has given rise to a variety of new pressures, and these are driving the priorities of today's firms.

Since 2008, concerns over the commoditisation of the legal sector have been growing – and are perhaps well founded. As enabling technologies get cheaper and more readily available, the legal marketplace is becoming more crowded. This has forced competition on the basis of price rather than on the strength of reputation, which is hampering the development of any meaningful differentiation between suppliers.

<sup>1</sup>PwC Law Firm Survey 2014

It's well publicised that globalisation is a key trend in the legal sector, with everyone from the magic circle to mid-tier firms chasing new markets – from Africa and the Americas to the Middle East and Asia. Meanwhile, on the home front, there's an added threat coming from US firms making plays for UK business.

It's not just established firms that are competing for clients either. The Alternative Business Structure (ABS) licence has allowed firms to seek outside investment and enabled companies without a background in law to offer legal services – creating a whole new set of players in an already competitive market.

All this new competition is putting more pressure on the structures and business models of traditional law firms. Clients are becoming increasingly sensitive about pricing, with firms challenged to maintain service quality while staying competitive.

Of the firms we surveyed, 21% consider the need to **differentiate their offering from the competition** to be one of their top three business priorities.

*Now, more than ever before, firms need to innovate. They must create distance from the competition, avoid the downward spiral of commoditisation and alleviate the pressure on their margins.*



21%

of firms said that differentiating their offering from competitors placed in their top three business priorities

# Whose role is it anyway?

The development of new and existing client relationships was once considered to be an activity that distracted from fee-earning work, but executives now acknowledge that it can pay dividends.

Business development activities are becoming part and parcel of the role of the senior executive in law firms. A third of associates and over half of partners surveyed spend over 16 hours a week on marketing and business development activity, demonstrating its strategic importance to firms in the current climate.

Now over two thirds of firms have established a dedicated business development function. However, while over 90% of the larger firms employing 251–1,000 staff have dedicated business development teams, it is concerning that only 52% of firms with 51–250 employees offer the same, when it's arguably the latter that need it most.

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>16 hrs

a week are spent on marketing  
and business development  
activities by 34% of associates  
and 52% of partners

# Striking the balance

When we looked at overall business priorities, we established that law firms are primarily focused on retaining their existing clients, though winning new business is also on the radar. But how are new clients valued in comparison to existing ones when it comes to business development?

It's interesting that the time spent by associates and partners is, more often than not, equally split between developing existing relationships (51%) and pursuing new clients (49%). This suggests that beyond simply retaining clients, there's still the belief that there's potential to explore new opportunities with existing clients.

Respondents in business development roles were even more heavily focused on existing client relationships, devoting 57% of their time to them. Strengthening client relationships makes a lot of sense, not just to foster loyalty – but also to increase the likelihood of advocacy.

*How are law firms dividing their time between business development activities?*



51%

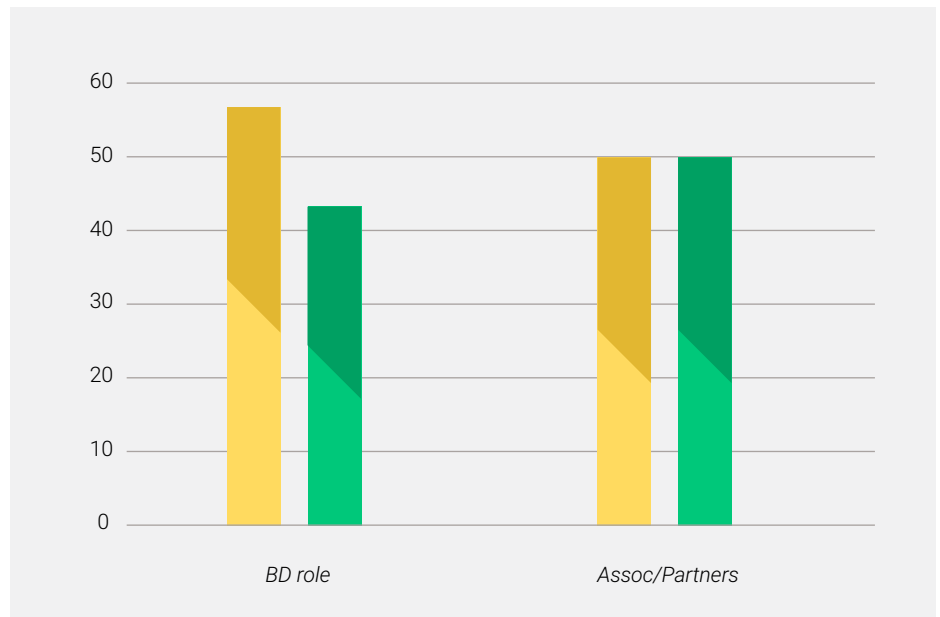
developing existing relationships

49%

pursuing new clients

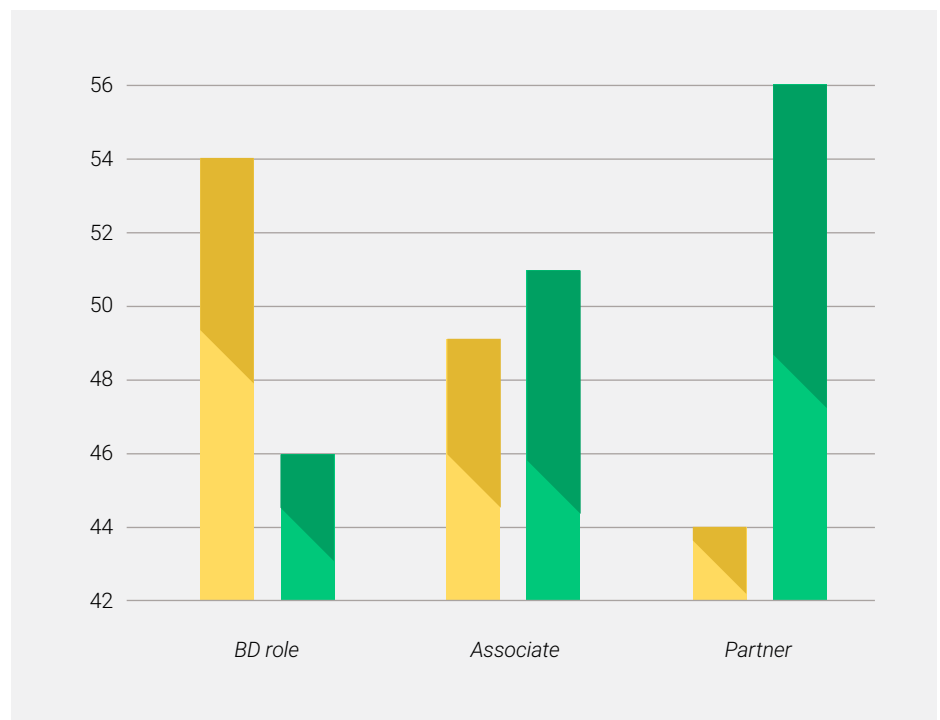
How much of your **total business development efforts (%)** are focused on developing existing relationships vs. pursuing new clients?

- Developing existing relationships
- Pursuing new clients



Of the **total time (%)** you spend on understanding clients, how much do you spend on existing vs. potential clients?

- Existing clients
- Potential clients





# The insight gap

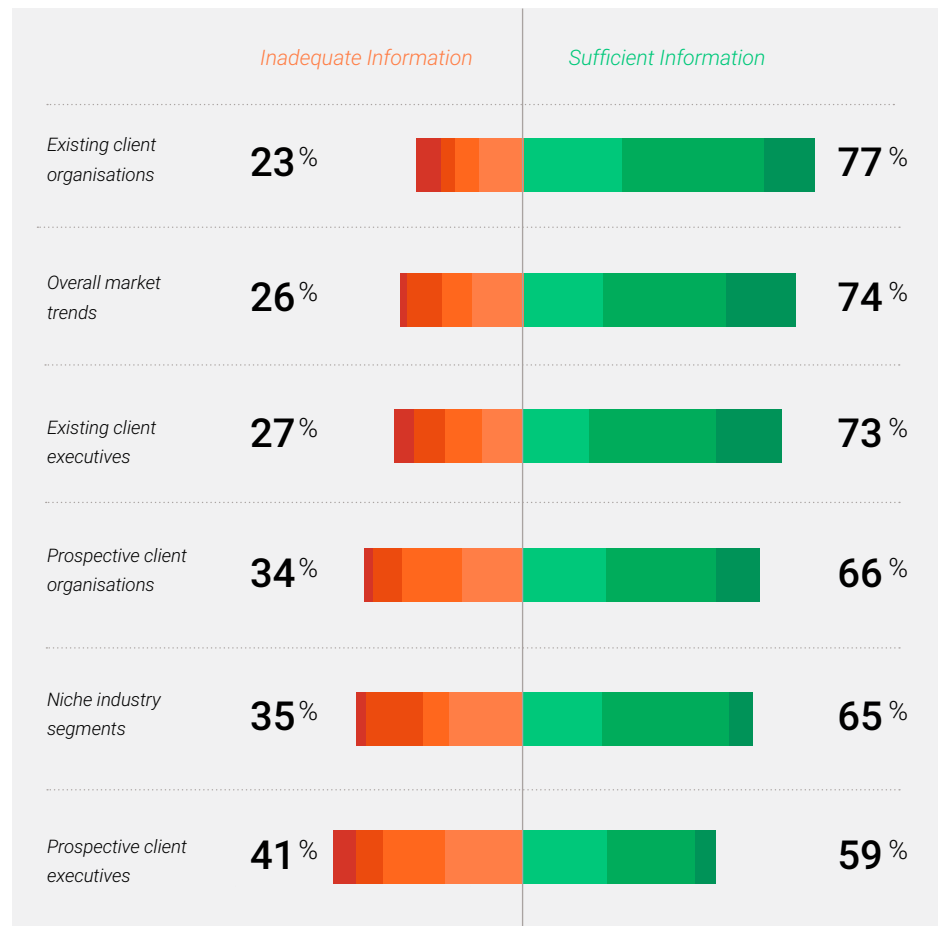
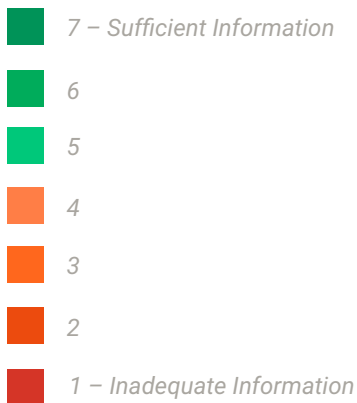
Despite the time and resource commitment being made by firms to business development, there's clearly still cause for frustration.

Only 4% of partners strongly agree that they have the right tools, information and systems to achieve their business development priorities.

Though firms are generally confident in their knowledge of their existing clients, a third feel they lack adequate information about prospective client organisations.

When we delve into the specifics, 41% say the biggest gap in their insight is in relation to the executives within prospective client businesses – suggesting that a large number of firms simply don't know enough about the people they're pitching their services to.

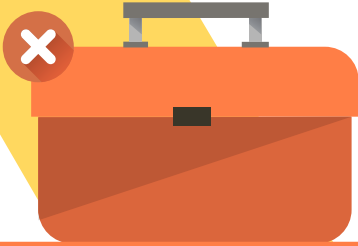
How do law firms rank their current level of knowledge?



*At a time when the market is more competitive than ever, knowledge and understanding of potential clients can be the difference between winning their business and losing out.*

With the right business and executive insights, firms are much better positioned to tailor their offering (and their pitch) to meet specific client needs, articulating the value they can provide over rival firms.

Clients expect their legal advisors to have detailed knowledge of their business and industry in order to best serve them – especially if that client operates in a different country or niche market. This knowledge needs to be demonstrated right from the very first point of engagement and at every subsequent interaction, not just once the business has been secured.



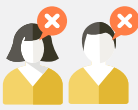


# The haves and the have-nots

Our survey results highlight a worrying divide emerging between the level of insight at the disposal of the haves and the have-nots, covering everything from market expertise to insight about clients or prospects.

How does a **lack of insight** impact law firms?

While a third of firms feel their knowledge is sufficient, around a third feel that their intelligence just isn't up to scratch.

-   
1  
They can lose out on new business opportunities
-   
2  
They're unable to react to significant market opportunities in time
-   
3  
It can weaken their relationships with customers

*This insight gap is likely to have serious effects on the short and long-term commercial success of firms.*

Though some firms are already proactively investing in ways to acquire new business insights, most of our survey respondents said that the adequacy of their knowledge base has either remained unchanged in the last 12 months, or for a minority, worsened.

There's no doubt that markets are changing at an unprecedented rate, driving a greater need for knowledge of niche market segments and overall market trends. Ultimately though, firms are very aware of the impact the insight gap is having on their business, recognising the potentially damaging consequences of not having the right business intelligence.

*The message is clear. An insight gap within your firm could cost your business dearly.*

# Barriers to being in the know

So why do some legal firms find it harder to acquire business intelligence and insights than others?

The biggest challenge is, quite simply, time. With all the other demands on partners, associates, dedicated business development executives and marketers, time is in short supply. We found that 28% of executives spend just 1 to 5 hours a week on sourcing insights, while a further 21% spend 6 to 10 hours a week.

As one partner told us, the biggest challenge they face in achieving their business development priorities is a “lack of time, internal or corporate politics – and lack of overall resources.”

These days, clients expect firms to respond to requests much faster than they used to. But speed is nothing without informed decision-making based on **accurate information** – this is ranked as the joint second biggest challenge facing firms, along with the **cost of acquiring insights**.

# 28%

of executives spend just 1–5 hours a week sourcing business insights

*“Lack of time, internal or corporate politics – and lack of overall resources.”*

**Business Development Exec,  
Legal Firm**

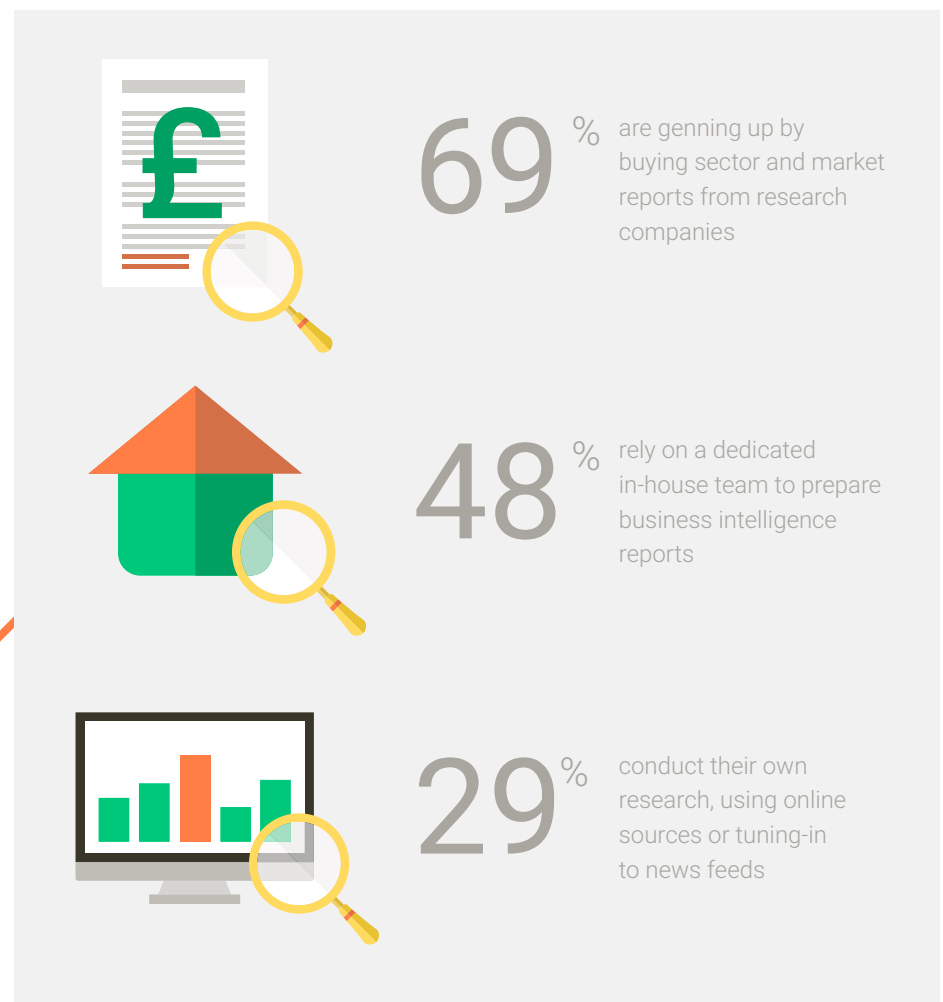
## Top 3 challenges associated with acquiring insights



# Acquiring insights for better sales

The good news is that firms are doing their homework prior to sales meetings.

There's even a small minority – 12% of firms – who are investing their own money to commission bespoke research to give them the edge over their competitors.





# Going digital

Lawyers are no longer the Luddites some may believe. Many firms are becoming more aware of the need to innovate and embrace new technology in order to deliver efficiency savings and to better engage with clients.

But embracing this technology comes at a cost, as associates and partners still need to spend valuable time extracting business intelligence and insights.

*In the past 12 months, 69% of associates and 61% of partners have used paid online databases to source insights.*

More surprisingly though, 42% of associates and 26% of partners say they've used online media sources (like Forbes or The Economist) to acquire business intelligence. They're also using the wider web, with 25% of associates and 32% of partners generally using Internet search engines or going directly to websites to gather intelligence in the past year. But is this really the best use of their time?

As the adoption of mobile devices and cloud services becomes more widespread, firms are more flexible in their working practices – and more responsive to client demands.

When it comes to gathering business intelligence, our research reveals a growing preference for using online over offline. Our report showed that 63% of respondents access paid databases or information sources online – and some 49% use electronic communications, such as emails and newsletters, to keep up with everything. They're also turning to search engines like Google and Bing – with 28% saying they've relied upon Internet searches in the hunt for useful insights.

63%

of respondents access paid databases or information sources online

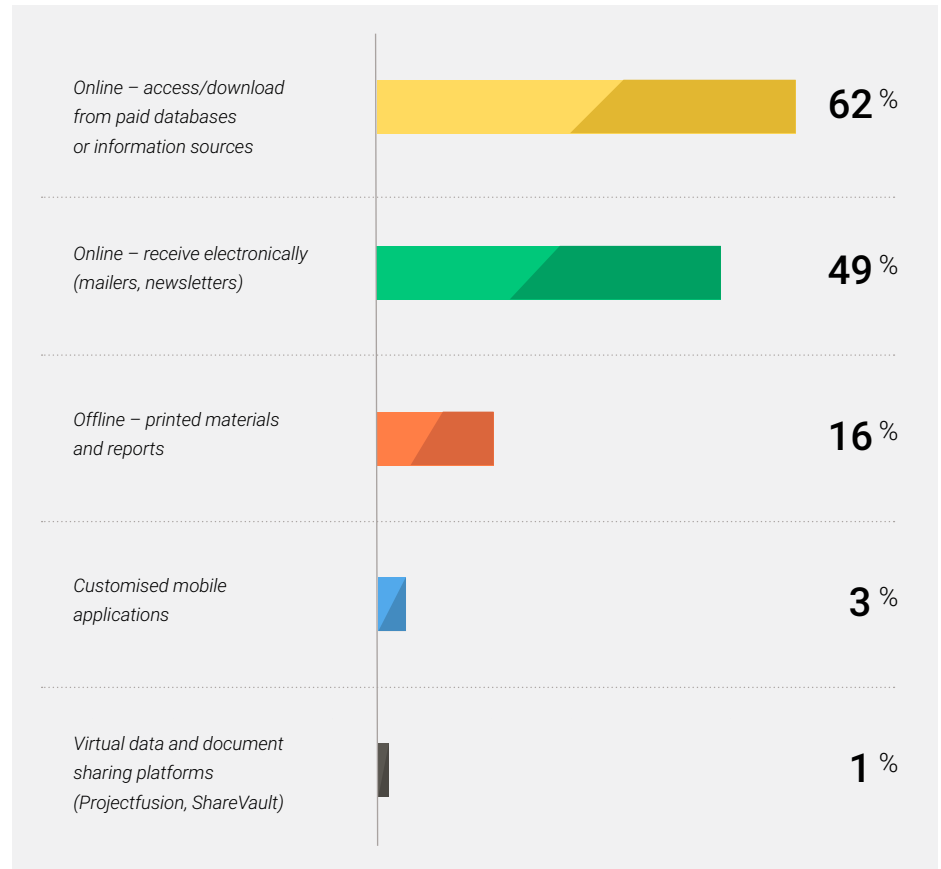
Only 25% of firms now opt for offline sources, such as printed material and reports, though this figure rises to 32% for smaller firms (51–250 employees). Has the old world had its day? Probably not (yet), but by the time printed matter lands on the desk, there's a risk it's already out of date. The fact is: if you want the most up-to-date information and you don't want to wait for it, you're more likely to get it from a trusted online source.

As firms grow in size, they're more likely to order custom reports from large consultancies like McKinsey. Only 14% of small firms (51–250) had used such a report in the past 12 months, compared to 54% of firms with 251–500 employees, increasing to 69% for firms employing between 501–1000. With nearly two thirds of the large firms making use of these reports, it's clear that they're a valuable resource – unlike off-the-shelf reports that are used only by 16% of firms surveyed, irrespective of company size.

*Our research has made it clear that smaller firms, which arguably stand to benefit the most from easy access to up-to-date insights, are not currently using them. The most likely reason? Price.*

Interestingly, 3% of firms are now using customised mobile apps to access external business intelligence. Though only used by a minority at the moment, mobile access to insights will no doubt become more popular with senior executives moving forward. It'll give them greater freedom to access the information they need, whenever and wherever they need it.

What external sources are law firms using to find business intelligence?



# The quest for knowledge

To build a better picture of both existing and potential clients for business development, firms are relying on research from various sources, but they seem to favour broader top-level insight.

## Company profiles

These were the most popular type of insight report – used by 68% of respondents. As one partner told us, these profiles give them the insights to deliver “an anticipatory service” which they can use to “show [their clients] what distinguishes [them] from competitors.” Another said that the right insights enable them to “predict the needs of future clients and set up a marketing strategy to win them.”

## Sector profiles

The second most-popular, used by 40% of firms. The demand for market-specific knowledge is no doubt spurred on by firms’ desire to explore and exploit new market segments. It’s also only expected to grow – with 46% of firms saying they would like to access more sector profiles in future.

## Executive profiles

Just 34% of firms are using executive profiles – which is concerning, as our survey showed that this was where respondents felt they had the biggest gaps in insight.

Given partners and associates are well versed in working their networks, why aren’t they concentrating on securing insights into the people they’re selling to? It’s definitely acknowledged as an area for improvement, with 56% of firms saying they’d like greater access to executive profiles in the future. As one partner told us, “We’re always searching for new approaches and improving relationships with clients.”

Accessing intelligence is one thing, but it’s important to note how firms are sharing that knowledge within their firms. Three quarters of respondents currently share customer-related information with their teams electronically – while 58% said they take time out to have face-to-face discussions. Only 25% have established a knowledge management portal – while just 21% rely on a Customer Relationship Management system.

As firms continue to recognise the value of insight, we expect more of them to rethink their approach to knowledge sharing, ensuring that all client-facing staff reap the benefits.



*“We’re always searching for new approaches and improving relationships with clients.”*

**Partner, Legal Firm**



# It's intelligence, but can you trust it?

There's nothing worse than turning up at a new business meeting to find the company report you downloaded failed to pick up on a recent strategic announcement. Or the fact that the executive you've fully researched left the company six months earlier.

Paying good money to subscribe to external business intelligence resources and reports is one thing, but is the information being provided actually reliable?

While some firms are very positive about the ease of use, accuracy and quality of information in their reports, others are more critical. Around half say the biggest challenge they face with company profiles is that the information provided can sometimes be out-of-date, irrelevant or insufficient.

*"It's all about receiving information that we can use in our business as soon as it is received."*

**Partner, Legal Firm**

For instance, one associate told us that acquiring accurate and updated information "is always a challenge"; another stated that the biggest challenge they face is getting "the exact and correct information," as often reports aren't updated with fully current details.

Others are more critical about their experiences with reports. Respondents were often time-poor, and were keen to avoid wading through 90 pages of small type to find the important nuggets of insight. For example, an associate described sector reports as "many pages of information that take time to sort through, [with] information [that] is not always up-to-date."

The affordability of intelligence and insight reports is also a cause for concern for some. If it's costing money, executives don't want to be taking chances with the quality or accuracy of the information.

One firm highlighted another issue: "It can be costly and not worth the money spent in the end, especially when the information we receive is not put to good use." It's a cautionary tale, as there's clearly no point in investing in insights if they're going to gather dust rather than actually being used.

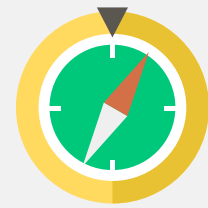
Ultimately, there's a strong opinion that insight and intelligence providers could do a lot better. Fewer than 1 in 10 of the firms surveyed are extremely satisfied with the company profiles they're currently receiving. For those accessing executive profiles, this falls to just 3% of firms.

The biggest quality concern for firms is with regard to getting answers to unstructured business questions. It appears that when it comes to getting more customised insights, legal firms are not currently as well served as they could be. Some 34% of respondents said they were dissatisfied – half of whom were not at all satisfied by what was on offer.

*What do law firms want most from services providing them with business intelligence and insights?*



Quick turn-around times



Reports that are easier to navigate and interpret



Up-to-date and accurate information, every time



A user-friendly service they can rely on



Affordability



Better, more relevant insights

# Getting the best return on your insight

Law firms are feeling the pressure. There's more competition in the legal sector than ever, and the effects of globalisation and commoditisation are being felt across the board.

As a result, firms need to innovate to stay one step ahead of their competitors, but they don't always have the time, resources or the knowledge required to do so.

Firms recognise the importance of building and maintaining client relationships, and they realise that quality, up-to-date business insights will help influence and improve them. However, it seems that not all firms are as proactive as others, and while some have dedicated internal teams or processes to gather or share business intelligence, others are woefully under-prepared – and they know this.

The firms we surveyed aren't entirely satisfied with the third-party insight and intelligence providers they're currently using either. Concerns about the cost, speed, accuracy and ease of use of many existing reporting services are stopping them getting the information they need, when they need it.

It's clear that law firms need to improve the way they gather and action insight into their current and prospective clients, the sectors they work in and the executives they deal with. If firms don't address the way they currently deal with business insights, they risk losing out to competitors who already are.

*Five steps to getting better return on insight*

- 1 Understand the value and opportunity cost of researching insights, and develop a well-articulated research strategy and data gathering process.
- 2 Gather as much specific, actionable information about your project as possible.
- 3 Only use trusted partners when collecting information – out-of-date or inaccurate insights can do more harm than good.
- 4 Don't confuse more information with better insights – learn to distinguish the useful signals from the background noise.
- 5 Make time to turn your insights into action – translating great insights into forward strategy takes time and expertise.

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## About InsightBee

Being successful in business today relies on the ability to make informed decisions, quickly. If you don't always have the time or resources to get business-critical insights at short notice, talk to InsightBee. Our online service provides high quality insights, fast – all researched, analysed and compiled by our global network of highly qualified consultants. Just order your tailored report on an organisation or an executive and we'll have it done, dusted and delivered to you in no time.

### **Ready to get the insight you need?**

Speak to one of our specialist consultants today and find out how you can start getting quality insights, quicker.

Give us a call on: **+44 (0)20 3695 5555**  
Or email us at: **[support@insightbee.com](mailto:support@insightbee.com)**

**[www.insightbee.com](http://www.insightbee.com)**