

more
than
money



NAB Australian Legal
Services Industry Survey

KEY INSIGHTS INTO WHAT YOUR SME CLIENTS *need and value*

NAB Professional Services

FOREWORD

BRETT MOORE

Customer Executive Professional Services, NAB

We understand lawyers provide a critical service to Australia's small and medium-sized businesses (SMEs). Moreover, we believe it's in all our interests that our SMEs – and law firms – perform at their very best. The better performing the legal services sector is, the better insights and advice they can provide to their customers and the stronger the Australian economy.

As the country's biggest* business bank, we can play a key role in supporting our customers with insights that help them successfully manage, change and grow their businesses. NAB banks one in four SMEs in Australia. As such, we're uniquely positioned to discover how SMEs view their law firms, and to compare this with how lawyers perceive the relationship. It's why we've launched NAB's inaugural Australian Legal Services Industry Survey – to provide an insightful study into what SMEs truly need and value in their relationships with their law firm. The research is based on the views of 70 legal services providers and more than 750 SMEs across the country.

While NAB's survey highlights areas of consensus between SMEs and legal service providers, it also reveals key differences between what lawyers think their business clients want and what their clients say they truly value. It also includes some thought-provoking findings about how often SMEs are switching firms – and why.

In addition, we've turned to a leading specialist on professional services – research consulting firm beaton – and its sister company FirmChecker to verify and extend our findings, providing additional depth to our data. The result is an invaluable insight into Australia's legal profession, and the SMEs that rely on it.

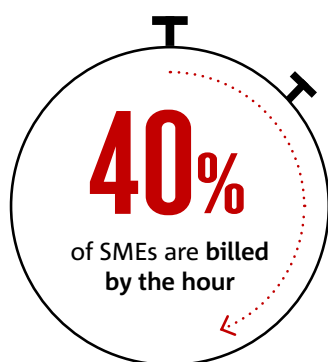
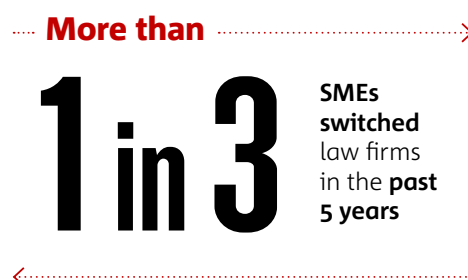
*NAB is Australia's biggest business bank according to Monthly Banking Statistics data (combined deposit and lending data (non-financial corporations)) published by the Australian Prudential Regulation Authority as at May 2019.

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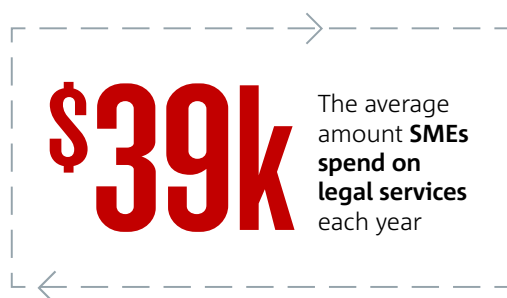
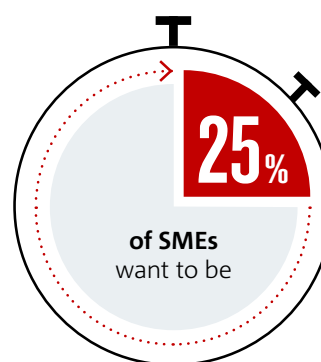
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KEY HIGHLIGHTS

NAB's inaugural Australian Legal Services Industry Survey uncovered valuable insights across a range of issues. It found that while small and medium-sized businesses rely on and value their current lawyers, they are quite prepared to switch firms and are clear about what they do and don't like.



BUT



CHAPTER 1: KNOW YOUR CUSTOMER

SMEs highly value lawyers as business advisers – particularly if they’re just starting out, NAB’s inaugural Australian Legal Services Industry Survey shows. What’s more, this advice has become noticeably more important to SMEs over the past few years.

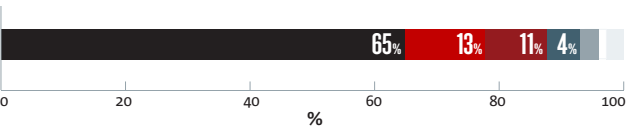
Yet that doesn’t necessarily drive loyalty.

Indeed, NAB’s survey found that over one in three SMEs surveyed (37 per cent) has changed their lawyer in the past five years and almost one in three (32 per cent) has done so within the past 12 months.

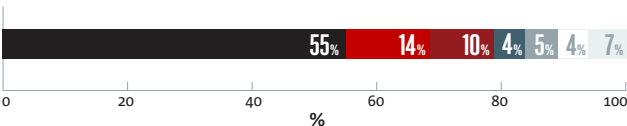
Those SMEs new to the game, or about to change owners or leadership teams, appear the least steadfast, with around seven in 10 establishing or transitioning firms having switched providers over the past year – in stark contrast to the 12 per cent of SMEs doing business as usual.

How many times have SMEs changed their lawyer?

In the past 12 months



In the past 5 years



- Never
- Once
- Twice
- Three times
- Four times
- Five or more times
- Don't know



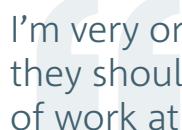
CHAPTER 1:

KNOW YOUR CUSTOMER

Too little too late

So why are SMEs changing firms? According to NAB's survey, most are concerned about fees being too high (40 per cent), but about one in four reported that their provider didn't understand their business (26 per cent) or were poor at responding (23 per cent). About one in five (18 per cent), meanwhile, was put off by work being done at the last minute. As one SME respondent commented: "I expect things to be done before deadline."

Interestingly, it was this latter concern that was least recognised by lawyers: just one per cent singled it out as an issue. In addition, a significant proportion also failed to appreciate the importance of fee levels and understanding an SME's business when it came to retaining clients.



I'm very organised and they should be on top of work at all times.

SME

Meeting clients' expectations

Clearly, many of these issues are preventable. This point is also substantiated by beaton. In its annual research of about 4,000 business clients, it found that a majority of the business clients it surveyed – 60 per cent – switched firms for reasons that could have been addressed by the incumbent firm.

As NAB Customer Executive Professional Services Brett Moore notes, lawyers need to better understand what their clients want, both in terms of what they deliver and in the way they deliver it. "The golden opportunity for lawyers is to truly know their clients," Moore says. "It's not just a matter of acquiring new clients – it's also about finding ways to better serve existing clients. The message is clear from SMEs that lawyers aren't taking enough time to understand them and their business requirements."

Know your niche

According to NAB's research, one in five SMEs (21 per cent) switched firms due to a perceived lack of expertise. This highlights another potential issue for law firms – SMEs' preference for specialised services.

In fact, the NAB survey found that one in five (19 per cent) of Australia's smallest businesses most often seek the services of a specialist, a higher proportion than any other type of firm.

Meanwhile, beaton's findings show that niche expertise in a client's area of need is the most important driver of choice of firm by a significant margin – 83 per cent of SMEs questioned said it was the reason they considered a law firm; just over half (51 per cent) saw it as a clincher in their purchasing decision.

The company's founder and executive chairman, George Beaton, doesn't find this surprising. "What consumers want is someone who is an expert related to their particular need," he says. "So if they're having a dispute that may end up in court, say with a franchisor, they want to know that their chosen firm really is an expert in franchising disputes. The medical profession went down this path more than 30 years ago. If you have a sports-injured knee, you seek out a knee specialist, not a general orthopaedic surgeon or physician. That's what we all want – the best – and law is going down this exact path."

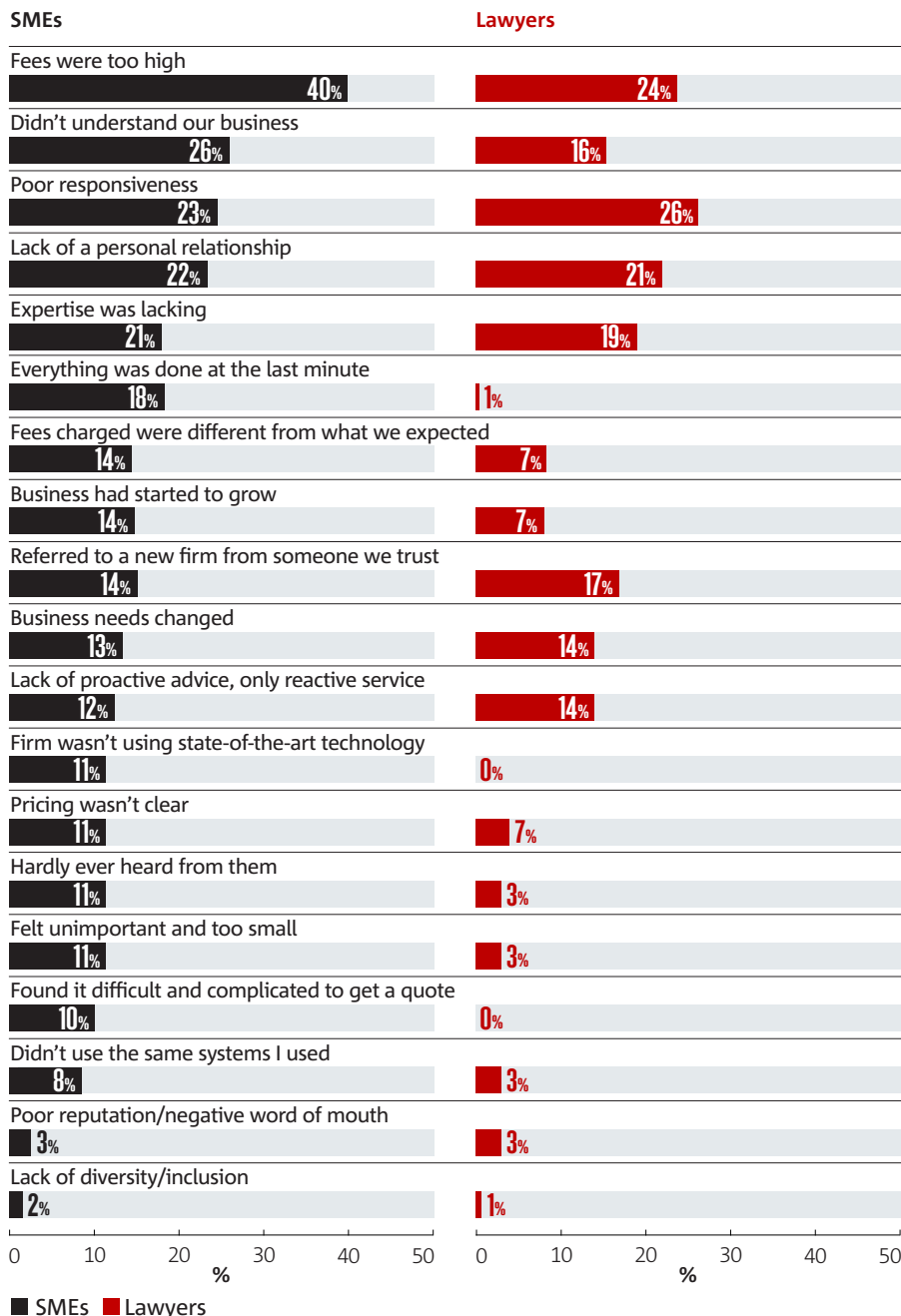
Safety in numbers

Matching their needs to a particular provider's area of expertise might also explain why many SMEs are using the services of more than one law firm. Almost half (46 per cent) of NAB's SME respondents revealed they were using two or more firms; for example, one for employment law and the other for property-related work.

SMEs with large turnovers are the most likely to use multiple law firms (50 per cent). This may also reflect the growing complexity of their business needs.

CHAPTER 1: KNOW YOUR CUSTOMER

Why switch firms? What SMEs say vs. what lawyers believe



My needs are greater than their company can provide.

SME

We will always act within our field of expertise. If we don't have sufficient expertise on any subject, we will be up front about that and not try and bluff our way through.

Lawyer

CHAPTER 1: KNOW YOUR CUSTOMER

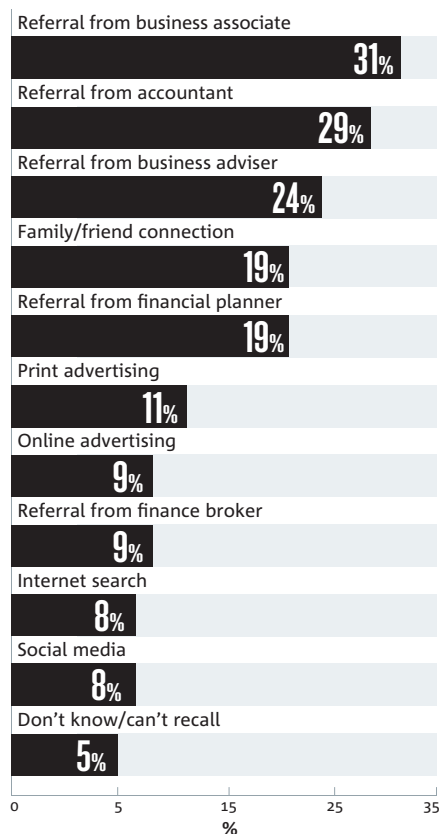
Going with the familiar

Nevertheless, it's interesting to note that when it comes to personal advice, loyalty to a particular firm may trump all other considerations. About half (51 per cent) of the SMEs surveyed by NAB were likely to use the same lawyer for their business and personal affairs.

It could be a matter of opting for the lawyer or firm you think you know best. After all, NAB's survey also found that very few SMEs (just one in 10) were prepared to find a lawyer through social media, the internet or advertising, instead preferring the comfort of a referral (most often the good word of a business associate).

"Again, it comes down to better knowing your client," Moore says, "what's driving them, what they value. Understanding how clients approach buying legal services is critical to a firm's success."

How do SMEs find/choose their law firm?



Services in demand

Of course, law firms provide essential services for many SMEs, and they need to trust them. As NAB's survey shows, lawyers are the second most used professional services provider after accountants. Almost six in 10 SMEs (58 per cent) have relied on a lawyer since starting their business and almost one in two (47 per cent) has engaged one in the past one to two years.

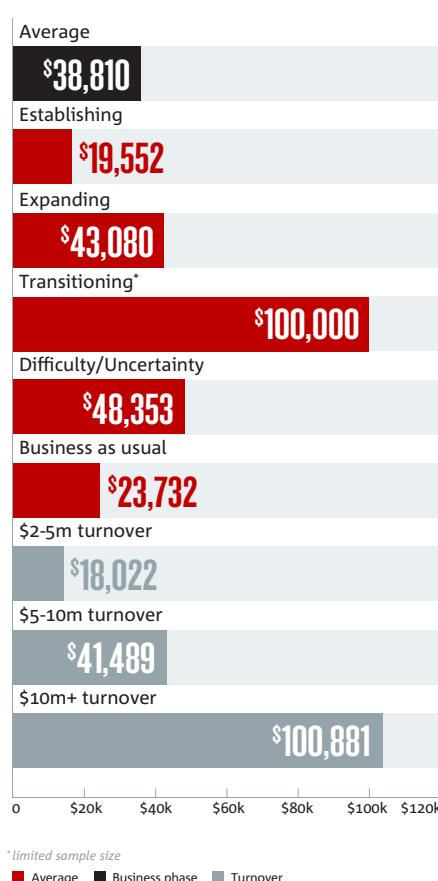
It's clear they value them too. On average, SMEs rated lawyers 7.3 marks out of a possible 10 in NAB's survey, the second highest ranking after accountants.

Dollar values revealed

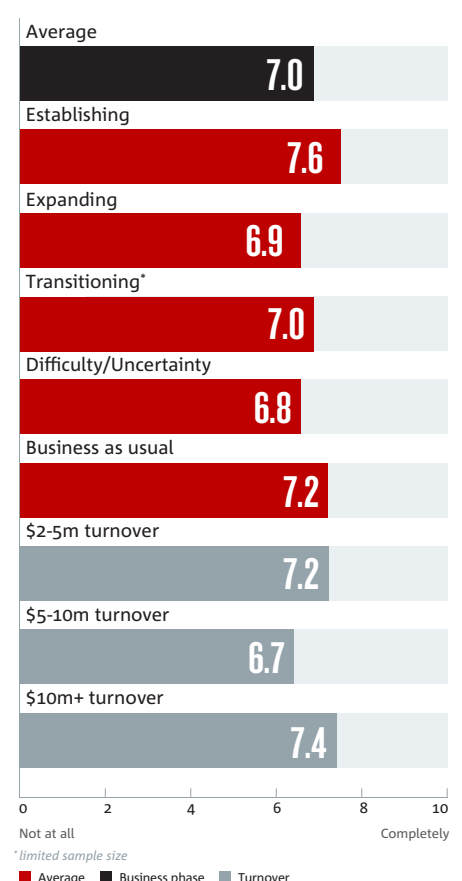
The degree to which SMEs rely on law firms – and, thus, law firms rely on them – is further reflected in dollar terms. NAB's survey found that SMEs spend a substantial amount of money on legal services – \$39,000 a year on average and over \$100,000 if they're turning over more than \$10 million.

In fact, SMEs make up almost one third of law firms' revenue (31 per cent, according to NAB's survey). "For law firms looking to grow, these SME customers represent a significant opportunity," Moore says. "If they can be serviced well."

Approx. how much do law firms charge SMEs each year?



Do SMEs believe this is good value for money?



CHAPTER 1:

KNOW YOUR CUSTOMER

What SMEs want

Most of us understand that good client communication is critical. Putting it into practice can be more problematic, however, particularly when it comes to understanding what your clients do and don't like about your services.

According to NAB's research, this is where lawyers might want to ask themselves: do I seek feedback enough? In fact, almost one in three SMEs (29 per cent) said their lawyer never sought any feedback, while almost one in six law firms (15 per cent) admitted the same.

"Feedback can be a gift – even though it can be difficult to hear sometimes," Moore notes. "It can help lawyers deepen their relationship with existing clients and increase the likelihood they'll be referred to others."

Do law firms seek feedback from SMEs on their work?

	SMEs	Lawyers
Yes, frequently	18%	31%
Yes, occasionally	51%	48%
No, never	29%	15%
Don't know	2%	6%

Too much talk?

It's perhaps not surprising that lawyers are only too prepared to talk to their clients – perhaps more than their clients want to hear from them. A sizeable 30 per cent indicated to NAB that they were prepared to speak to their clients every few days. This didn't sit well with SMEs' preferences, however, with just six per cent saying they were prepared to have a conversation with their law firm once a week. Most wanted to be contacted less frequently – 54 per cent would be happy to have contact every one to three months.

Law firms aren't alone in this issue. Ensuring the appropriate level of communication is a challenge many industries have to contend with. "It's not entirely clear what's driving lawyers to contact their SME customers more frequently than they desire, but it does appear that it's an interruption to the other parts of running their business that they would, ideally, like to reduce," Moore says. "Ways to address this may be as simple as aggregating communications to cover more issues at once, or greater use of different communication methods that allow SME clients to engage at a time that's most convenient to them."

NAB's findings show that SMEs are quite happy to receive emails. Indeed, it was also the favourite form of communication for lawyers, just outstripping discussions over the phone and in person.

How often do SMEs like to communicate with their law firm – and lawyers with their SMEs?

	SMEs	Lawyers
Every few days	6%	30%
Every couple of weeks	18%	5%
Once a month	30%	16%
Once a quarter	24%	2%
Half yearly	9%	5%
Once a year	3%	2%
Never	1%	1%
Depends	8%	28%
Don't know/not applicable	1%	11%

CHAPTER 1: KNOW YOUR CUSTOMER

In search of additional services

Specifically asking clients what they want – whether by email, phone or in person – could also help lawyers shape their offering. NAB's survey picked up several discrepancies between what lawyers thought clients wanted and what SMEs were actually interested in.

For instance, almost one in five (19 per cent) of SMEs said taxation law was in their top five most frequently used legal services. It's also SMEs' third most frequently cited area of law in terms of growth in demand. But just four per cent of lawyers considered this a service that their business customers most use and only one per cent nominated it as the fastest growing area of their practice.

Moreover, while lawyers clearly understand the need for commercial law, property law, litigation and dispute resolution, they remain relatively unaware of SMEs' preference for employment and workplace law, insurance law, and IT, cyber and AI (artificial intelligence) law.

What services do SMEs most use from a law firm?

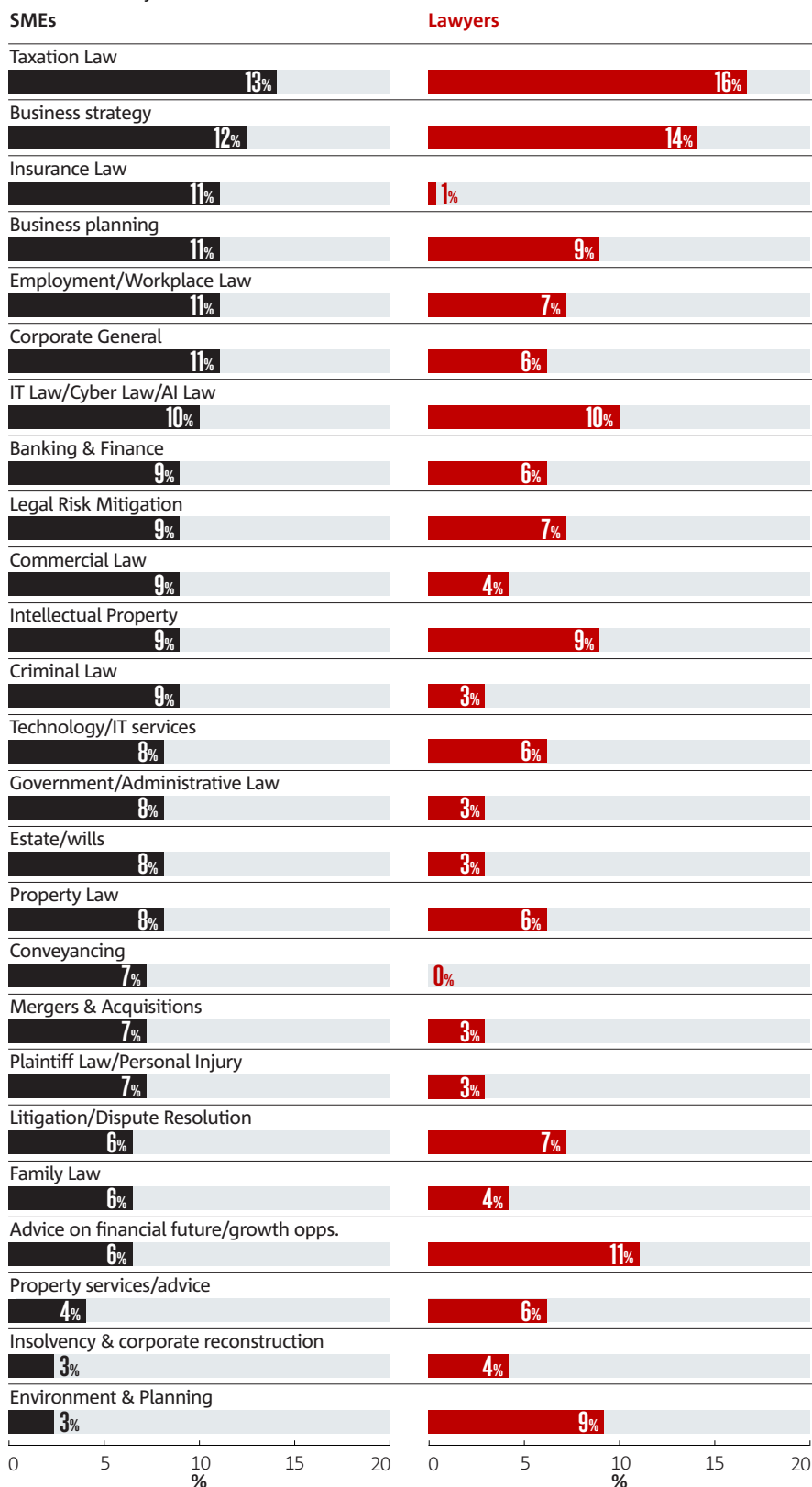
SMEs vs. lawyers' view

	SMEs		Lawyers
Employment/Workplace Law	29%	Commercial Law	61%
Commercial Law	29%	Property Law	54%
Taxation Law	19%	Conveyancing	51%
Insurance Law	17%	Litigation/Dispute Resolution	44%
Property Law	14%	Estate/wills	41%
Banking & Finance	13%	Property services/advice	21%
IT Law/Cyber Law/AI Law	12%	Corporate General	20%
Litigation/Dispute Resolution	12%	Family Law	20%
Corporate General	12%	Mergers & Acquisitions	16%
Legal Risk Mitigation	9%	Employment/Workplace Law	10%
Conveyancing	9%	Insurance Law	10%
Intellectual Property	9%	Banking & Finance	10%
Government/Administrative Law	9%	Plaintiff Law/Personal Injury	10%
Business strategy	9%	Intellectual Property	7%
Property services/advice	9%	Insolvency & corporate reconstruction	7%
Mergers & Acquisitions	8%	Criminal Law	6%
Business planning	7%	Environment & Planning	6%
Family Law	6%	Taxation Law	4%
Plaintiff Law/Personal Injury	6%	Business strategy	4%
Insolvency & corporate reconstruction	6%	Business planning	4%
Estate/wills	6%	Legal risk mitigation	3%
Advice on financial future/growth opps.	4%	IT Law/Cyber Law/AI Law	1%
Criminal Law	4%	Government/Administrative Law	1%
Environment & Planning	3%	Advice on financial future/growth opps.	1%
Technology/IT services	3%	Technology/IT services	1%

CHAPTER 1: KNOW YOUR CUSTOMER

Which additional legal services would SMEs most like?

SMEs vs. lawyers' view



Not all law is equal

There are many additional services SMEs would like to receive but that seem to go relatively unnoticed. For example, 11 per cent of NAB's SME respondents expressed a need for insurance law, business planning, employment and workplace law, and corporate general. Insurance law, in particular, barely rated a mention among law firm respondents – just one per cent considering it a service their SME clients would like to see offered outside those services they already receive.

However, it's worth noting that SMEs and lawyers saw eye to eye here when it came to taxation law – a similar portion recognised it as an important additional service (13 per cent of SMEs and 16 per cent of lawyers).

Yet, as Moore says: "While lawyers recognise some areas of need, there's a clear mismatch in other areas. Adapting their offerings could help them to stay relevant."

CHAPTER 2: PRICING

Pricing arises as an issue throughout NAB's survey. Not only are many SMEs clearly put off by what they see as hefty fees, a sizeable number are also unhappy about the way they're structured. That's not surprising: part of feeling comfortable about what you pay is understanding the final bill, preferably ahead of time.

Most SMEs told NAB that they'd prefer fixed fees (40 per cent). This was a clear mismatch with the perception of lawyers, of whom only 20 per cent believed this to be the case. In reality, 40 per cent of SMEs are being billed for services hourly and only 30 per cent via a fixed fee.

Beaton says it makes sense that SMEs prefer to know what they're paying ahead of time. "If you go to the hairdresser, they don't ask how many minutes you want. It would be ludicrous," he says. "But that's exactly what law firms do. They say, 'I don't know how long this is going to take. I charge \$500/hour, my solicitor charges \$300/hour. We'll let you know in two weeks' time how much we've run up.' Would you get your car serviced that way? Absolutely not."

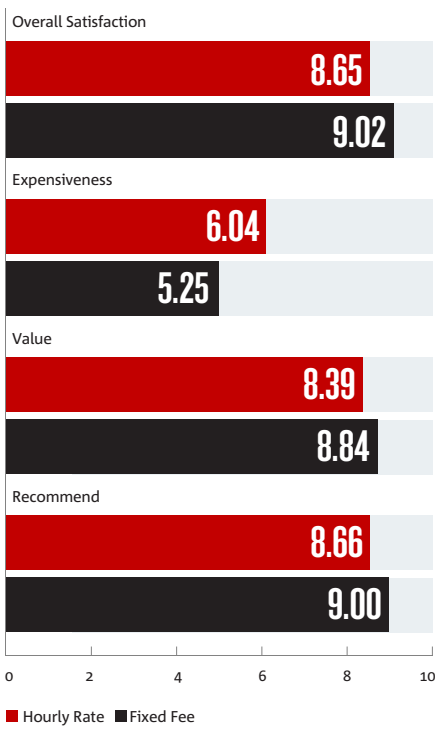
Adds Moore: "Not all work can be done on a fixed-fee basis, but to what extent do lawyers have that conversation up front? Do they ask the customer, 'Here's the piece of work you're asking us to do. Is there a way we can package this that provides you with greater surety of cost? This presents an opportunity for firms to reflect on their current cost models.'"

Billing mix SMEs would prefer – SMEs vs. lawyers' view

	SMEs	Lawyers
Hourly billing	25%	34%
Fixed fee	40%	20%
Value-based billing	17%	7%
Retainer	12%	1%
Other	6%	38%



Fee structure – impact on business client satisfaction



Fixing fees may be a win-win

FirmChecker’s results further support NAB’s findings. Indeed, in a world first – based on the responses of about 8,000 business clients – they empirically prove that if you operate fixed fees for a certain work type, whatever that may be, you will receive a higher satisfaction rating from your client. Moreover, hourly rate clients perceive their law firms to be more expensive than do fixed-fee clients, independent of the actual fee level paid.

The research concludes that this is likely due to ‘bill shock’, with more negative outliers found among hourly rate clients.

Beaton believes that fixed fees can be a win-win for lawyers and their clients. He points to US research by legal industry consulting firm Altman Weil showing that law firms that charge fixed fees actually make more profit than those charging variable fees for similar work.

Beyond price

There’s no doubt that SMEs are also concerned about the sum total being charged. Of those NAB respondents that didn’t use a professional services firm in the past one to two years, about 30 per cent cited cost as the main reason. One noted: “Legal fees are prohibitive for most small businesses.” Another said: “We want a cost-effective solution when we require legal advice, rather than all the bells and whistles.”

Says Moore: “This suggests there remains a sizeable opportunity for low-cost legal service providers to meet the needs of small business.”

CHAPTER 2: PRICING

Changing perceptions of price

Perceptions of price can shift, however, depending on other factors. According to beaton's research, price isn't particularly significant compared with other attributes when first considering various law firms. Rather, it becomes relatively more important in the final purchase decision.

Nevertheless, other factors can still predominate at the end of the day. The research by beaton shows 84 per cent of legal clients had selected a firm that was more expensive than the other options. The main drivers were expertise followed by service. "Clients clearly aren't just shopping around on price and are prepared to pay more to get the right person for the job," Beaton says.

He argues that the biggest driver of firm selection is the benefits received. The second material driver comes down to how much effort is involved – "how much hassle I have to go through to get this work done". Third comes down to how well you communicate what you are doing and what the likely outcome is going to be. Fourth is price. "If, as a lawyer, you can tick those first three boxes very well," Beaton concludes, "price has shrunk into low consequence."

I need to watch
my cash flow.

SME

Drivers of 'consideration' and 'purchase decision'

Attributes	Drivers of consideration		Drivers of purchase decision	
	% 'yes'	rank	% 'yes'	rank
Expertise in your area of need	83	1	51	1
Responsiveness	77	2	25	4
Understanding your business/industry	62	3	27	3
Commerciality of advice	62	4	33	2
Reliability	61	5	10	11
Ease of doing business with	60	6	19	6
Excellent communication	51	7	6	12
Quality documentation	50	8	15	10
Cost consciousness	48	9	15	9
Access to partners/principals	45	10	16	8
Leading expertise	36	11	19	7
Price	36	12	21	5
Caring about their clients	32	13	6	13
Friendly	22	14	2	15
Innovation	11	15	1	16
Strong brand	7	16	3	14

CHAPTER 2: PRICING

Service vs. price

Related to this research, the NAB survey found that while 37 per cent of SMEs wanted services at a price they could afford, around one in five SMEs wanted less paperwork (18 per cent), while a similar proportion wanted lawyers to be more proactive with their advice (18 per cent), to provide more transparency and control (17 per cent), and to be more like a business partner (17 per cent). Following on from beaton's findings, it may be that clients could become less price sensitive if these other expectations were met.

On the upside

However, for all the concern around costs, SMEs by and large aren't feeling hard done by when it comes to the fees they pay their own lawyers. When questioned whether the amount their law firm charged each year was good value for money, most SME respondents gave them a high score – seven out of 10 on average, where 0 = not at all and 10 = completely.

What SMEs want most from lawyers (and what lawyers think they want)

	SMEs	Lawyers
Services at a price that I can afford	24%	37%
Fixed-fee billing to replace hourly rates	19%	11%
My lawyer to have a better understanding of my business/industry	18%	40%
Less paperwork	18%	6%
My lawyer to be more proactive with their advice	18%	33%
More transparency and control	17%	21%
My lawyer to be more like a business partner	17%	40%
Increased specialisation in areas important to me	17%	13%
Offer more collaborative ways of working	14%	9%
Pricing models and methods that provide greater certainty/predictability	13%	26%
Services delivered on a fit-for-purpose basis rather than a premium model	13%	27%
More human interaction/more frequent engagement with them	13%	11%
A broader service offering to include diversified advice about my whole business	12%	9%
Law firm to have a multi-disciplinary team so I can draw on a wider range of expertise	12%	21%
Better located/more convenient offices	12%	4%
A greater variety of billing options	12%	10%
My lawyer to have better interpersonal skills	11%	11%
My law firm to demonstrate diversity and inclusion	11%	4%
More socialising/networking events	11%	1%
More alliances with global practices	11%	0%
My lawyer to challenge me and have more difficult conversations	10%	7%
My law firm to expand	10%	1%
My lawyer to share their tech resources	10%	3%
My law firm to invest more in new legal technology	9%	6%
My law firm to attract and train better quality talent	9%	4%
My lawyer to be less conservative	6%	6%

CHAPTER 3: TECHNOLOGY



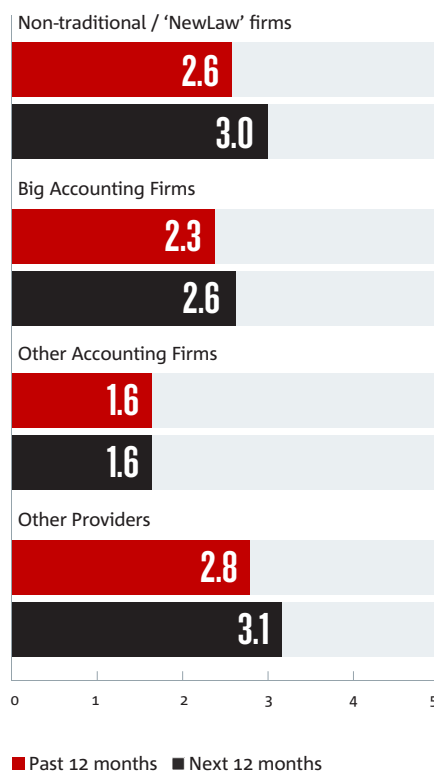
CHAPTER 3: TECHNOLOGY

Technological improvements can undoubtedly help lower costs. They can also improve your customers' experience – and your business's competitive edge. According to the study results, law firms believe they are “change ready” for emerging and potential disruptions both in new technology and new competitors. They are unconcerned about the mandatory introduction of electronic conveyancing, deeming themselves “very well-prepared”, and they are similarly upbeat about their preparedness for online courts and online dispute resolution.

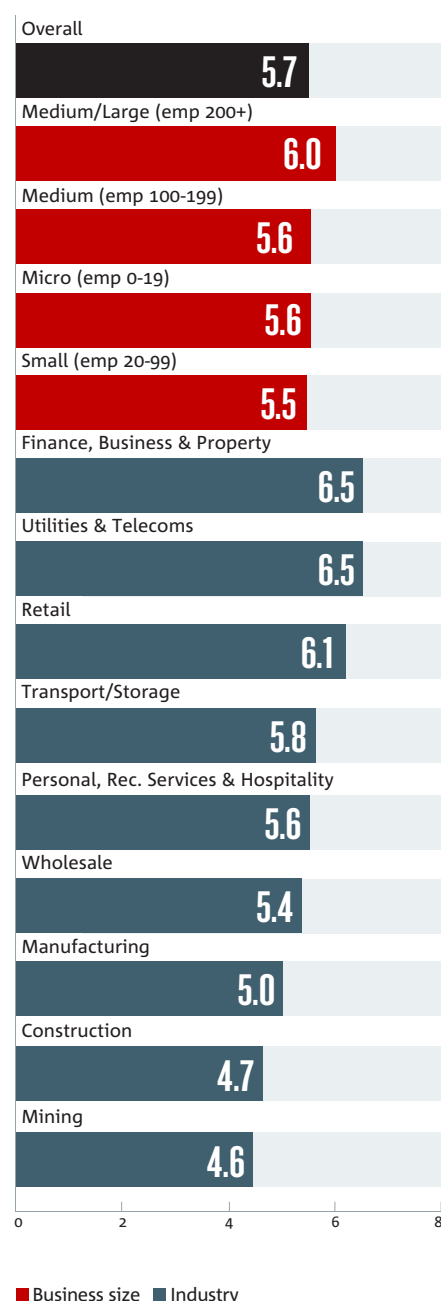
Yet their attitude towards digital disruption is rather surprising when, according to NAB research, businesses in all other sectors of the economy see themselves as being much more vulnerable to digital disruption. Says Dean Pearson, NAB Head of Behavioural & Industry Economics: “Across most industry sectors, businesses are not only aware of digital disruption, they believe their business models are vulnerable to it. This is in stark contrast to our findings in the legal services survey.”

He adds: “Whether the legal profession is more advanced when compared to other industries, or collectively underestimates its vulnerability, only time will tell.”

Level of competition from other providers



Vulnerability to digital disruption



CHAPTER 3: TECHNOLOGY

Is innovation everything?

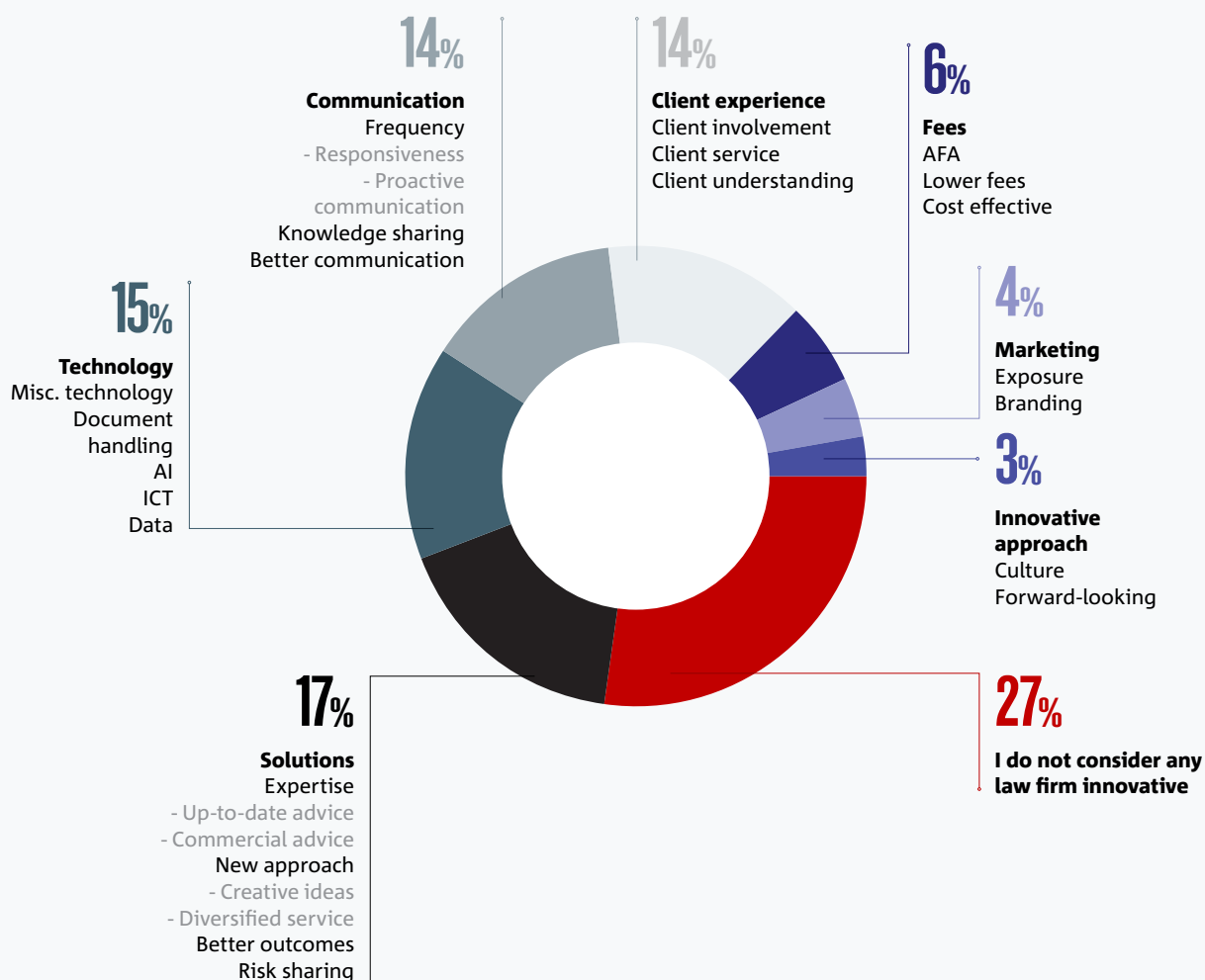
It's also telling that beaton research shows one third of its survey respondents don't think any law firm is innovative. Then again, only 15 per cent mentioned technology with respect to innovation. Instead, they were focused on such aspects as solutions, communication and client experience when it came to innovation.

This makes sense, Beaton says. "Clients are interested in outcomes, in solutions. They want it done right first time or they want low costs from increased efficiencies. They're not interested in innovation per se."

We understand that
the perception of
clients is their reality.

Lawyer

What business clients see as innovative from their firms



CHAPTER 3: TECHNOLOGY

Keeping pace

While technology isn't new, the accelerated nature and plethora of technologies is. Whether law firms have what it takes to respond in an agile manner is debatable. As Beaton notes, there is a tendency to step back from the general hype around new technology. "The conservative lawyer says they'll wait until the hype's passed. They always wait for someone else to go first. So it's a self-fulfilling cycle of slow uptake of technology."

Already there's an issue of lawyers underusing available technology, Beaton says. "What we know is that of the technologies available to lawyers today, the majority do not maximise the benefits of them; they just don't know how to. They're using 10 per cent of the technologies' capability."

Changing behaviours

Behavioural change is the big issue here. "A major challenge for law firms in adopting technologies to benefit the clients or themselves is the behavioural change and training required to get people to use them properly," Beaton says.

The average lawyer trying to do their own internet research is an amateur, he adds. They're also reticent to embrace cloud-based services. "There's heaps of capacity in these systems now that are underutilised by lawyers today. There are huge efficiencies to be gained."

In such circumstances, lawyers may be reassured to learn from NAB's research that law firms and SMEs both agree technology will never replace the skills of a good lawyer.

Attitudes to competition – SMEs & lawyers



We know we need to differentiate from our competitors and deliver value to clients at the same time.

Lawyer

CHAPTER 4: A NEW KIND OF OFFERING

So how well placed are firms to confront new competition? And what benefits can SMEs expect from all this?

According to NAB's survey, SMEs were much more likely to view the big accounting firms as better placed to offer them complex and diversified advice about their whole business (see chart on p.15). Law firms have a great opportunity to evolve their offering, in a similar way to how the accounting profession has evolved over the past 10 years, Moore says. "Accounting firms saw the threat that self-serve, online tax returns posed to their core compliance income and extended their offering to provide broader advisory services to their clients. As trusted advisers to SMEs, leading law firms are also well placed to go down this route as well."



CHAPTER 4: A NEW KIND OF OFFERING

The rise of a new breed of firm

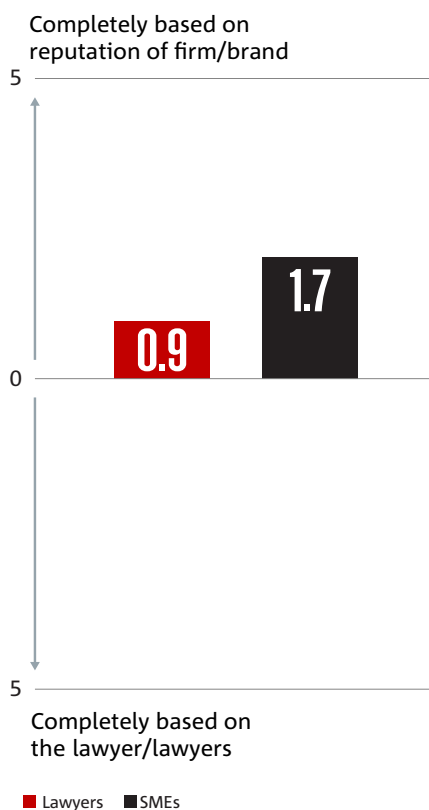
However, there's also the rise of non-traditional firms to contend with. NAB's survey showed that SMEs give more weight to the reputation of the firm than that of the individual lawyer. This held true irrespective of the current phase of the business cycle or the number of people the SME employed.

Does this matter? Well, yes. Traditional firms are all about the individual; they're owned by a group of partners who accrue work based on their own reputation. Yet this isn't resonating with SMEs. Instead, they appear to be more taken by a firm's 'brand', and this works well for the non-traditional firm business model.

'NewLaw' firms, as they're known, tend to be a corporation – that is, owned by shareholders and run by directors. "This is a very big difference because it means the client belongs to the NewLaw company, not to the individual partner," Beaton explains. "The corporate brand is everything and how clients are served is by the best resources in the company."

There are other issues here that may sway SMEs' opinions. "Partnerships have many positives, but this many-decades-old culture of individualism means there's a natural resistance to change," Beaton says. On the other hand, "it's easier with the NewLaw firm because they've already made the determined effort to change the way they do business. They've got a cultural licence to change a lot of things."

Reputation of firm vs. reputation of lawyers



More for less?

NewLaw is a term coined by Beaton in 2013 in his book investigating the phenomenon. Besides being a different business model, the NewLaw concept reimagines a whole range of services for clients – plus how they are delivered and at what cost.

NewLaw firms can offer substantially lower prices for several reasons. One of these is that they hire the lowest cost fit-for-purpose person to do a particular job. That means, as a client, you don't pay for a junior solicitor to do what could easily be done by a paralegal.

They also rely on enabling technologies such as artificial intelligence. That way, work that traditionally took three weeks – for example, the drafting of a Foreign Investment Review Board (FIRB) application – can be done in the space of hours by a machine, then checked by the relevant person.

As Beaton notes, it can bring a bill for \$150,000 down to \$5,000, and because that lower cost is a fixed fee, an SME will know what they are paying up front. "It's a profound change," he says.

Some of the newer firms are even setting themselves up as DIY services so SMEs can access a contract, for instance, at a minimal cost and for minimal effort.

CHAPTER 4: A NEW KIND OF OFFERING

Small but strong

However, NewLaw firms make up less than one per cent of the market. And NAB found that those law firms surveyed had faced very little competition from them over the past 12 months (scoring their level of competition 2.6 out of 10, where 0 = none and 10 = extreme).

Yet this new breed of firm shouldn't be overlooked, particularly when it comes to SMEs. "They're gathering momentum and they're absolutely competing with traditional firms," Beaton says. "The fact businesses like LawPath, Plexus and Legallite are setting up at the rate of one a week, and doing very nicely, is mainly because of small business clients."

He argues that SMEs are naturally attracted to their offering because, at the end of the day, "they like to deal with a small business like themselves".

As NAB and beaton's findings show, SMEs are drawn to experts in their area of need. This plays to the strength of many NewLaw firms, which are setting themselves up as boutique outfits offering advice in a select area.

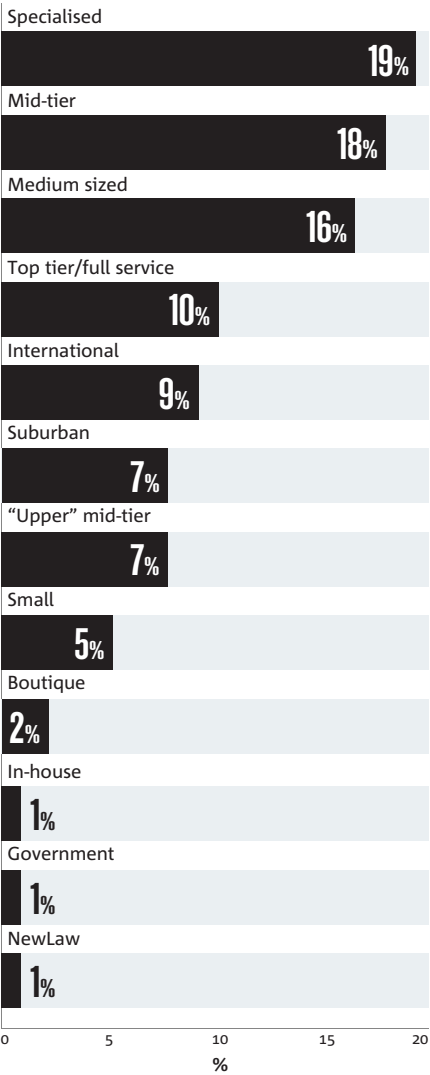
Moving forward

Of course, niche experts are not the sole preserve of NewLaw firms. While traditional firms are, by their nature, generalists, a significant number choose to focus on a particular area of law.

Moreover, several traditional firms are adopting NewLaw features with evident success, says Beaton. "Some traditional law firms are remodelling themselves along NewLaw firm lines. There are firms that are making really good progress in my judgment."

At the end of the day, it's about having the cultural licence within your firm to change things where necessary. But it also comes back to knowing what your clients want. "That's what this report hopes to achieve in some small part," Moore says. "We believe it provides an opportunity for law firms to reflect on the insights, discuss the implications for their business, and ultimately help facilitate the growth of their practice. In this way, they can further support and enable the growth of Australia's SMEs, the engine room of our economy."

Type of firms most used by SMEs



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