ALSPs Spur Big Law to Reexamine Offerings

By Lisa Singh

Alternative legal service providers’ rapid push into the market is challenging long-dominant traditional law firm models. Experts advise that firms keep pace with the competition by reassessing current service areas, as well as future partnership models, to provide lower-cost, higher-volume work.

“As a legal buyer, I would take a long, hard look at what’s behind those claims,” said Mark Cohen, a law firm business consultant.

“There is a big difference between operating as a traditional law firm and delivering legal expertise [versus] the ability to efficiently, and scalably, deliver business-of-law activities. That’s really two different businesses,” he said.

So far, the numbers back this skepticism. In 2017, the few firms competing with ALSPs generated roughly $300 million in revenue, as reported by Bloomberg Law in analyzing industry data. By contrast, alternative providers, spanning legal process outsourcing, managed services, and contract management tasks, raked in more than $9 billion.

This imbalance exists as new legal entrants gain access. Recently, a State Bar of California task force proposed allowing non-lawyer investment in law firms and technology companies offering limited legal services. The proposed rules could set a wider precedent, experts say.

“Where voluntary, those states tend to pander to the interests of their dues-paying members.”

Meanwhile, many firms still struggle to keep pace with growing client demand for new pricing structures. While many firm websites tout alternative fee arrangements, for example, roughly three-quarters of them say their billing models have not evolved with increased technology uses, according to Bloomberg Law.

Law firms risk falling further behind as ALSPs are able to exploit a strong base of technology.

“They’ve already disrupted and changed the document review [and] e-discovery space ... what else will follow?” said Aric Press, former editor-in-chief of The American Lawyer and current partner at PP&C Consulting.
Industry analysts increasingly see ALSPs moving into areas that require a higher level of analysis.

“There is a growing recognition that ALSPs can combine data analytics and legal expertise in other ways” than discovery, said Cassandra Burke Robertson, law professor at Case Western Reserve University. “One of the most important is in providing economic and risk-modeling services for litigation.”

Analysts differ on whether law firms can be all things to all clients.

Law firms’ inability to take outside capital limits the investment dynamic needed to underpin these offerings, industry analysts say. ALSPs, by contrast, “can make investments in technology, and can scale in ways that law firms are sometimes challenged to do,” said Cohen, the consultant.

In this environment, Big Law stands at a crossroads.

“Most firms that continue to have practices from ‘A’ to ‘Z’ should ask, ‘Is my future really in offering all these different things, or might I collaborate with other firms and providers, who have deeper and better capability in certain areas?’” Cohen said. He advises law firms to instead emphasize specific expertise in areas such as cybersecurity, mergers and acquisitions, and intellectual property, and assess ALSPs as potential collaborators.

Due diligence, however, should be a priority in considering any partnership. “First and foremost, be sure to obtain your client’s written consent to outsource legal work to a third party,” McCauley said. “Second, make sure the company and its employees will keep client information confidential, and have them sign agreements promising to do so.”

Law firms should also run conflict checks on ALSPs working for other firms. There should be a clear understanding of the allocation of work, McCauley noted, as well as checkpoints for monitoring, reviewing, and supervising deliverables. Without these measures, “you may be aiding and assisting the unauthorized practice of law,” he said.

In the short term, in partnering with ALSPs, law firms may “cede revenue,” Cohen said. “But in the longer term, it will allow them to focus on what they’re good at, and to drive a better overall result for the client.”

“Collaboration is key. It [should not] be an ‘either-them-or-us’ mentality – it can be both.”

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“My best guess is that law firms will move to own that space, usually in tandem with their own or independent technology companies,” Press said. “In sum, there is room for both traditional and new providers of law firm services.”

In assessing options, however, industry analysts remain divided as to whether law firms can be all things to all clients.