

Table of Contents

IMRS Limited | 30 Buckingham Gate | London | SW1E 6NN | United Kingdom
Tel: +44 20 7932 4100 | Fax: +44 20 7834 5708 | www.imrs.co.uk | info@imrs.co.uk

Finaccord | Jubilee Business Centre | Exeter Road | London | NW2 3UF | United Kingdom
Phone +44 20 8453 7552 | Fax + 44 20 8453 7583 | www.finaccord.com | info@finaccord.com

TABLE OF CONTENTS

0.0 EXECUTIVE SUMMARY.....	2
<i>Over 60% of consumers have used legal svcs. of one sort or another during the last five years.....</i>	<i>2</i>
<i>... although utilisation among small businesses and self-employed individuals runs at lower levels..</i>	<i>2</i>
<i>Conveyancing of residential property is the legal service most frequently required by consumers.....</i>	<i>2</i>
<i>Conveyancing of residential property is the legal service most frequently required by consumers.....</i>	<i>3</i>
<i>The transparency of pricing of legal services is a concern for both individual and business clients....</i>	<i>3</i>
<i>Choice of legal services provider is influenced by a wide variety of factors</i>	<i>3</i>
<i>Consumer willingness to use new providers rises in line with actual usage of legal services.....</i>	<i>4</i>
<i>Small businesses and the self-employed appear less ready to consider new providers</i>	<i>4</i>
<i>Financial institutions, notably banks and building socs., appear best-placed to have an impact.....</i>	<i>4</i>
<i>... especially as use of new provs. is most likely to occur for residential property conveyancing.....</i>	<i>5</i>
<i>... albeit any new entrants must convince customers that they possess the requisite expertise.....</i>	<i>5</i>
<i>A majority of individual and business customers can manage without initial face-to-face contact... ..</i>	<i>6</i>
<i>... although a significant proportion require personal interaction on an on-going basis</i>	<i>6</i>
<i>Opinions are sharply divided with respect to whether traditional providers offer value for money.....</i>	<i>6</i>
<i>Few individual or business clients possess an accurate idea of the fees payable for legal services ..</i>	<i>7</i>
<i>Small businesses and self-employed individuals typically dislike hourly charging rates</i>	<i>7</i>
<i>The Citizens Advice Bureau is viewed as a logical first port of call for advice by many consumers....</i>	<i>7</i>
<i>Financial institutions rate most highly as potential alternative providers of legal svcs. in the future</i>	<i>8</i>
<i>Certain other consumer-facing organisations may also be in a position to enter the market.....</i>	<i>8</i>
<i>Deregulation of legal services will almost certainly occasion major changes in customer behaviour ..</i>	<i>9</i>
1.0 INTRODUCTION.....	11
Research rationale	11
<i>The study offers a detailed and timely update to a range of issues in the legal services market.....</i>	<i>11</i>
<i>... in advance of the deregulation of the market scheduled to occur in 2007</i>	<i>11</i>
Research sample	12
Consumer questionnaire.....	17
Small business questionnaire.....	26
Strengths and weaknesses.....	32
<i>The Internet research methodology is characterised by several advantages and drawbacks</i>	<i>32</i>
Finaccord	32
<i>Other consumer and small business research studies.....</i>	<i>32</i>
<i>UK consumer research publications.....</i>	<i>32</i>
<i>UK small business research publications.....</i>	<i>33</i>
IPT / IMRS.....	33
Errors, omissions and limit of liability	34
2.0 CONSUMER BEHAVIOUR.....	36
Introduction	36
Use of legal services generally during the last five years	38
<i>Propensity to use legal services is relatively uniform above the 16-24 age group</i>	<i>38</i>
Specific legal services paid for by consumers during the last five years	41
<i>Conveyancing of residential property is the legal service most commonly used by consumers</i>	<i>41</i>
Average annual expenditure on legal services	43

LAW METRICS: CONSUMER AND SMALL BUSINESS BEHAVIOUR IN THE UK LEGAL SERVICES MARKET

<i>Among consumers buying legal services, average annual expenditure approaches £2,400</i>	43
Current penetration rates among consumers for wills	44
<i>A very significant percentage of consumers lack a will but are thinking of making one</i>	44
Satisfaction with aspects of service offered by legal services providers	47
<i>Over 25% of consumers using legal services are dissatisfied by the value for money received</i>	47
<i>... although this figure rises to over one third among those who are able to express an opinion</i>	47
Means of finding out about legal services providers	50
<i>Recommendation from friend or family is the most common method of identifying legal firms</i>	50
Motivation for using legal services providers	52
<i>... although it is less important than geographical proximity when actually selecting a legal firm</i>	52
Willingness to switch to a new provider following deregulation	54
<i>A high number of consumers are open to new providers of legal svcs. following deregulation</i>	54
<i>... with apparent willingness to switch rising in line with actual use of legal services</i>	54
Willingness to use specific types of new provider following deregulation	57
<i>A significant array of organisations could potentially begin to offer legal services to consumers</i>	57
<i>Banks, insurers and other financial providers are viewed as the most viable new entrants</i>	57
<i>Many members of non-universal affinity groups would use their affinity for legal services</i>	60
<i>... including over 75% of members of professional associations and trade unions</i>	60
Willingness to use new provs. for specific legal services following dereg.	62
<i>Consumers would be most likely to consider new providers for residential conveyancing</i>	62
Attitudes to using new provs. for spec. legal documents following dereg.	65
<i>Consumers are confident that many types of legal doc. could be prepared by new providers</i>	65
Factors causing use of new providers in the wake of deregulation	68
<i>Ten factors are viewed as very or quite important by over 50% of the sample</i>	68
Willingness to interact with new providers through remote interfaces	71
<i>The lack of an initial face-to-face option would not be a problem for most consumers</i>	71
<i>... especially for those aged between 25 and 54 and with a higher annual household income</i>	71
<i>Almost 50% of the sample express a preference for at least some on-going face-to-face contact</i>	74
Views related to charging structure of traditional solicitors and law firms	76
<i>Opinion is divided with respect to whether traditional legal firms offer value for money</i>	76
<i>Many consumers have little idea of what constitutes a reasonable charge for legal services</i>	77
Expectations related to charges currently payable for legal services	78
<i>Few consumers anticipate paying £750 or more for residential property conveyancing</i>	78
<i>Consumers are prone to under-estimating the current fees charged for drawing up a will</i>	79
<i>... with many also in the dark with respect to the hourly charges payable for other legal services</i> ...	80
Expectations related to charges payable for legal servs. following dereg.	81
<i>Most consumers anticipate falling fees for legal services in the wake of deregulation</i>	81
Willingness to use specific potential new providers following dereg.	82
<i>Which specific organisations do consumers view as obvious providers of legal services?</i>	82
<i>Financial institutions would benefit from a number of factors in the context of legal services</i>	82
<i>However, certain primarily non-financial entities are also viable providers of legal services</i>	83
<i>... although the transformation that would be required by others might well prevent their entry</i>	83
<i>The correlation between customer numbers and likelihood of use for legal services is weak</i>	86
<i>A similar analysis for current customers produces a somewhat different picture</i>	90
3.0 SMALL BUSINESS AND SELF-EMPLOYED INDIVIDUAL BEHAVIOUR	94
Introduction	94
Use of legal services generally during the last five years	96
<i>Almost 40% of small businesses have used legal services during the period since 2001</i>	96
Average annual expenditure on legal services	97
<i>The results suggest that average annual expenditure is modest among small businesses</i>	97
<i>... although the market for company and commercial law is believed to be worth over £6 billion</i>	97

LAW METRICS: CONSUMER AND SMALL BUSINESS BEHAVIOUR IN THE UK LEGAL SERVICES MARKET

Specific legal services paid for by sbs. / s-eis. during the last five years.....	99
<i>Legal services related to business contracts have been utilised with greatest frequency.....</i>	<i>99</i>
Satisfaction with aspects of service offered by legal services providers.....	101
<i>Small businesses and the self-employed are most likely to find fault in transparency of pricing</i>	<i>101</i>
<i>On the other hand, accuracy and travel time / proximity are least likely to cause concern</i>	<i>101</i>
Means of finding out about legal services providers	104
<i>Knowledge of legal services providers is most frequently attributable to prior usage.....</i>	<i>104</i>
Motivation for using legal services providers	106
<i>... although it ranks quite evenly with other factors when the final choice of legal firm is made</i>	<i>106</i>
Willingness to switch to a new provider following deregulation.....	108
<i>The opinions of small businesses and self-employed individuals are quite evenly split.....</i>	<i>108</i>
Willingness to use specific types of new provider following deregulation	109
<i>A large proportion of small business and self-employed resps. will stick to traditional firms.....</i>	<i>109</i>
<i>Accountancy firms represent an obvious alternative source of legal svcs. for small businesses</i>	<i>109</i>
<i>Professional and trade associations appear to be effective channels for selling legal services.....</i>	<i>112</i>
<i>... although only around three in ten small businesses belong to such an association.....</i>	<i>112</i>
Willingness to use new provs. for specific legal services following dereg.....	114
<i>Propensity to use new providers varies according to the type of legal service in question.....</i>	<i>114</i>
Attitudes to using new provs. for spec. legal documents following dereg.....	117
<i>Certain types of legal document are straightforward enough to be automated or templated.....</i>	<i>117</i>
Factors causing use of new providers in the wake of deregulation	120
<i>Known expertise and better value for money are the most important considerations.....</i>	<i>120</i>
Willingness to interact with new providers through remote interfaces	123
<i>Remote channels hold no fears for most small businesses and self-employed individuals.....</i>	<i>123</i>
<i>Nearly two thirds of the sample appears able to manage without face-to-face interaction</i>	<i>124</i>
Views related to charging structure of traditional solicitors and law firms	126
<i>Over 40% of respondents disagree with the notion that trad. law firms offer value for money</i>	<i>126</i>
<i>Many respondents have little idea of what constitutes a reasonable charge for legal services</i>	<i>127</i>
Expectations related to charges currently payable for legal services	128
<i>Few small businesses have a clear idea of typical hourly charges for legal work</i>	<i>128</i>
Expectations related to charges payable for legal servs. following dereg.....	129
<i>Over 40% of respondents anticipate a decrease in legal fees of 10% or more</i>	<i>129</i>
Preferred charging structures for legal services	130
<i>Hourly charging rates are at odds with the preferred charging structures of small businesses</i>	<i>130</i>

GRAPHICS / TABLES

Sample of consumers broken down by age group, household income band and geographical location	13
Sample of sb. and s-ei. broken down by annual turnover, number of employees and business sector	14
Sample of small businesses and self-employed ind. broken down by geography and longevity of business	15
Breakdown of UK enterprises by legal status, number of employees and business sector	16
Use of legal services generally by consumers, 2001-6	39
Use of legal services generally by cons., split by age group, annual house. inc. and geography, 2001-6 (data)	40
Specific legal services paid for by consumers, 2001-6	42
Average annual expenditure by consumers on legal services	43
Current penetration rates among consumers for wills, 2006	45
Current pen. rates among cons. for wills, split by age group, annual house. inc. and geography, 2001-6 (data)	46
Consumer satisfaction with the service provided the last time that legal services have been paid for, 2006	48
Cons. satisfaction with the service provided the last time that legal services have been paid for, 2006 (data)	49
Means of finding out about the provider used the last time that legal services have been paid for, 2006	51
Motivation for choosing the provider used the last time that legal services have been paid for, 2006	53
Cons. willingness to switch to a new provider in the wake of deregulation of the legal services market, 2006	55
Cons. willingness to switch to a new provider split by age group, annual household inc. and geography, 2006	56
Cons. willingness to use specific types of new provider in the wake of dereg. of the legal services market, 2006	58
Cons. willingness to use spec. types of new provider in the wake of dereg. of the legal svcs. market, 2006 (data)	59
Willingness to use non-universal affinity groups, 2006 (among consumers belonging to affinity group)	61
Consumer willingness to use new providers for specific types of legal service, 2006	63
Consumer willingness to use new providers for specific types of legal service, 2006 (data)	64
Consumer attitudes towards using new providers for specific types of legal document, 2006	66
Consumer attitudes towards using new providers for specific types of legal document, 2006 (data)	67
Importance of factors causing cons. to use new providers in the wake of dereg. of the legal svcs. market, 2006	69
Imp. of factors causing cons. to use new providers in the wake of dereg. of the legal svcs. market, 2006 (data)	70
Consumer willingness to interact with new provs. through remote interfaces at the initial point of contact, 2006	72
Cons. willing. to int. with new provs. through remote ints., split by age, ann. house. inc. and geog., 2001-6 (data)	73
Consumer willingness to interact with new providers through remote interfaces on an on-going basis, 2006	75
Cons. views with reg. to whether the charging structure of trad. sols. and law firms rep. value for money, 2006	76
Cons. views with reg. to the ext. to which they have been over-charged the last time legal svcs. paid for, 2006	77
Cons. exps. with regards to the charges that they would ant. paying currently for convey. of res. property, 2006	78
Cons. exps. with regards to the charges that they would anticipate paying currently for drawing up a will, 2006	79
Cons. exps. with reg. to hourly charges that they would ant. paying for other advice from a sol. or law firm, 2006	80
Cons. exps. with reg. to change in charges that they would ant. paying after dereg. of the legal svcs. mkt., 2006	81
Willingness of all consumers to use specific potential new providers, 2006 (data) (1)	84
Willingness of all consumers to use specific potential new providers, 2006 (data) (2)	85
Existing relationships of consumers with specific potential new providers of legal services, 2006 (data) (1)	87
Existing relationships of consumers with specific potential new providers of the legal services, 2006 (data) (2)	88
Correlation between likelihood to use and existing rels. of cons. with spec. potential new provs. of legal svcs.	89
Willingness of current customers to use specific potential new providers, 2006 (data) (1)	91
Willingness of current customers to use specific potential new providers, 2006 (data) (2)	92
Use of legal services generally by small businesses and self-employed individuals, 2001-6	96
Average annual expenditure by small businesses and self-employed individuals on legal services	98
Specific legal services paid for by small businesses and self-employed individuals, 2001-6	100
Sb. and s-ei. satisfaction with the service provided the last time that legal services have been paid for, 2006	102
Sb. and s-ei. satisfaction with the service provided the last time that legal svcs. have been paid for, 2006 (data)	103
Means of finding out about the provider used the last time that legal services have been paid for, 2006	105
Motivation for choosing the provider used the last time that legal services have been paid for, 2006	107
Sb. /s-ei. willingness to switch to a new provider in the wake of deregulation of the legal svcs. market, 2006	108
Sb. /s-ei. willingness to use specific types of new prov. in the wake of dereg. of the legal svcs. market, 2006	110
Sb. /s-ei. willingness to use spec. types of new prov. in the wake of dereg. of the legal svcs. market, 2006 (data)	111
Willingness to use non-universal affinity groups, 2006 (among sbs. and s-eis. belonging to affinity group)	113

LAW METRICS: CONSUMER AND SMALL BUSINESS BEHAVIOUR IN THE UK LEGAL SERVICES MARKET

Willingness to use non-universal affinity groups, 2006 (among sbs. and s-eis. Belong. to affinity group) (data)	113
Sb. / s-ei. willingness to use new providers for specific types of legal service, 2006	115
Sb. / s-ei. willingness to use new providers for specific types of legal service, 2006 (data)	116
Sb. / s-ei. attitudes towards using new providers for specific types of legal document, 2006	118
Sb. / s-ei. attitudes towards using new providers for specific types of legal document, 2006 (data)	119
Imp. of factors causing sbs. and s-eis. to use new provs. in the wake of dereg. of the legal svcs. market, 2006	121
Imp. of facts causing sbs. and s-eis. to use new provs. in the wake of dereg. of the legal svcs. mkt., 2006 (data)	122
Sb. and s-ei. willingness to interact with new providers through remote ints. at the initial point of contact, 2006	123
Sb. and s-ei. willingness to interact with new providers through remote interfaces on an on-going basis, 2006	125
Sb. and s-ei. views with reg. to wh. the charging struct. of trad. sols. and law firms rep. value for money, 2006	126
Sb. and s-ei. vs. with reg. to the ext. to which they have been over-chgd. the last time leg. svcs. paid for, 2006	127
Sb. and s-ei. exps. with reg. to hour. chgs. that they ant. pay. currently for legal ad. from a sol. or law firm, 2006	128
Sb. and s-ei. expectations with regards to the change in the charges that they would anticipate paying, 2006	129
Small business and self-em. views with regards to their preferred charging structure for legal services, 2006	130