

Why Clients Choose ALSPs? It's Not About the Cost! Part 1 on Law Firm Competitiveness

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Whether they want to be part of the conversation or not, law firms are hearing more about ALSPs these days. It can be tempting to think that it's all about the Benjamins. After all, corporate clients keep pressuring law firms to be more efficient. But, as it turns out, cost is not the primary concern.

Surprised? Although many ALSPs got their foothold by providing low cost, high-volume work, the game has changed. Today's ALSPs provide:

- business consultancy,
- tech-enabled legal/business solutions,
- regulatory risk and compliance services,
- legal process outsourcing,
- contract services,
- technology-powered document analysis, and much more.

Some Context for Perspective

Let's take a step back and provide some definition around ALSPs as they are today.

ALSPs run the gamut from small independents to contract legal services to industry disruptors such as the Big Four accounting firms, Deloitte, Ernst & Young, PricewaterhouseCoopers and KPMG. Some ALSPs have adopted a "new law" label, signaling their move beyond "alternative," to describe more elegantly their improvement upon the partner-associate model of traditional law firms. These companies typically utilize sophisticated technology, support virtual work processes, and leverage non-legal professionals for holistic solutions, as well.

Thomson Reuters, in their 2019 report on ALSPs, offers a sample of what those include in a chart (shown below).^[1]

	Big Four	Captive LPOs	Independent LPOs	Managed Services	Contract and Staffing Services	Total
Representative ALSPs	<ul style="list-style-type: none"> • Deloitte • EY • KPMG • PwC 	<ul style="list-style-type: none"> • Allen & Overy • Clifford Chance • Eversheds • Orrick • Reed Smith • WilmerHale 	<ul style="list-style-type: none"> • Consilio • DTI • Integreon • KLDDiscovery • Mindcrest • QuisLex 	<ul style="list-style-type: none"> • Elevate • Thomson Reuters Legal Managed Services • UnitedLex 	<ul style="list-style-type: none"> • Axiom • Halebury* • LOD • Special Counsel • Update Legal 	
Estimated Segment Revenue	\$1,200 million	\$300 million	\$7,400 million	\$700 million	\$1,100 million	\$10.7 billion

Each of these categories of ALSPs bring different strengths and advantages to the table. In our experience, characteristics of each include the following:

- **Captive LPOs:** These LPOs are created as an internal division or subgroup, typically as a low-cost support facility, that is fully owned and operated by the law firm.
- **Independent LPOs:** These companies provide legal support to law firms and law departments, often using technology-enabled processes and operational expertise to deliver bespoke solutions.
- **Managed Services:** These providers allow outside counsel to cost effectively tap into rich technical expertise, additional capacity or relevant experience. They may also provide capabilities in areas that are not commercially viable for law firms.
 - It might be a single area like contracts.
- **Contract and Staffing Services:** These companies typically provide lawyers and other legal professionals who contract for a single project or for several years.
 - The lawyers have varying levels of expertise and backgrounds, including Ivy League pedigrees in some cases, and often want job flexibility.
- **Big Four:** They are legal service providers with at least a dual focus: most of them operate an LPO or managed legal services arm that competes directly with other types of ALSPs in the traditional low value-high volume work but they also function as a traditional law firm, as described more fully below.

As a law firm competing for work against today's ALSPs, you need to be honest about who you are, where you are, what your clients need and so much more. In the first of a series of articles on this topic, we'll take a closer look at the Big Four.

Quadruple Threat: The Big Four Accounting Firms

Some question the viability of the Big Four because they "don't have the top legal expertise" of the high end traditional law firms. But, that undermines the urgency of the need to respond with a well-conceived plan. Not every firm is going to go head to head competing for legal work with the Big Four. Yet, the Big Four presents troublesome statistics: In the Thomson Reuters 2019 survey, almost a quarter of large law firms have lost work to these accounting firms. Nearly one-fifth of mid-sized firms, as well, report having lost bids to the Big Four. Thomson Reuters is in the midst of preparing its 2021 Report on ALSPs. We expect the number to be much higher this year.

Turns out that this is only a small part of the concern, however. The Big Four are actual law firms practicing law just like traditional firms in over 80 jurisdictions around the world. Eighty. There is nothing “alternative” about the services they provide. They compete head to head with traditional law firms in almost every market in the world other than the US. Many legal industry experts consider them in a class by themselves: They are law firms and ALSPs in one.

Among ALSPs, the Big Four have strategic advantages that rival world-class law firms. It includes:

- Expertly curated brand image
 - The leading legal market research firm, Acritas, now includes the Big Four in its brand survey of legal providers.
- Existing technological infrastructure and investments — and deep pockets
 - At least one of the Big 4 spent over \$1 billion on technology in 2018 — more than the revenues of many of the AmLaw 100.
- Integrated and holistic service offerings
 - They have the business model and the resources to deploy a multi-disciplinary approach that encompasses business, legal and technology services
- International footprint and geographic diversity
- Nearly instantaneous access to the C-Suite in most every major corporation worldwide while law firms have lost much of their access to these roles in the largest companies.

That last reason, alone, should be cause for concern.

How Can Law Firms Compete Against the Big 4?

Businesses typically ignore the disruptors, like Amazon, until they are suddenly faced with a whole new competitive environment. ALSPs are here to stay, growing stronger every day. Back in the late 90s and into 2000, we warned of the impending Big Four threat. That was prior to the Enron-Andersen collapse that literally stymied Big Four progress in the US market for the next two decades. Now they're back in the US. And they are taking market share from Big Law all around the globe.

So how do law firms win? The first thing we do is stop calling these companies “alternative” legal service providers. As mentioned, they aren't alternative; they are mainstream. It's time for law firms to recognize the threat and protect their future viability with a plan.

Law firms must ensure they too are:

- Providing cost-effective, efficient services to engender client loyalties
- Enhancing their relationships throughout the client organizations, in particular with:
 - C-suite executives where the Big Four are entrenched
 - Legal departments and particularly with the legal operations professionals who are increasingly involved in selection of counsel and not bound by past loyalties
- Learning and using legal project management (LPM) to manage client matters with efficiency, precision and client-

centric communication

- Developing scalable process improvements to service geographic dispersion (and remote workforces)
- Implementing practice-wide technologies that both elevate the value proposition and enhance the client experience, providing just-in-time efficiency for urgent client matters
- Leveraging multidisciplinary professionals to offer end-to-end business (not just legal) solutions

You don't have to do everything at once. Pick one and get started.

Stay tuned for more in our series as we look at how firms compete with (and partner with) other types of ALSPs.

[1] Thomson Reuters, *Alternative Legal Service Providers 2019*.