

Article

# Legal Technologies in Action: The Future of the Legal Market in Light of Disruptive Innovations

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Received: 22 January 2019; Accepted: 11 February 2019; Published: 15 February 2019

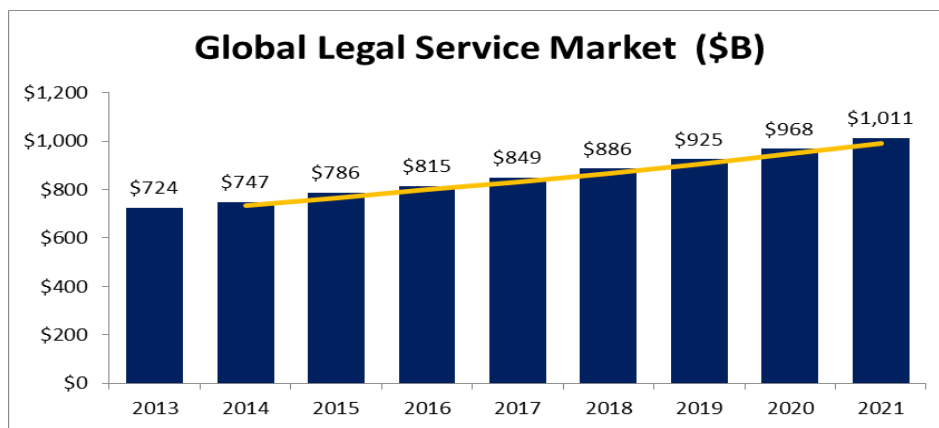


**Abstract:** Legal technologies (digital solutions to providing legal services) have turned into the essential element of competition among legal-market stakeholders. This study highlights the competitive superiority of legal services based on the concept of innovative disruptive technologies in comparison to traditional firms. For this purpose, the present study identified several trends in the evolution of the legal tech market (i.e., changing landscapes of legal business, delivery models, legal-market segments, and disruptive technologies); moreover, qualitative content analysis has been conducted to provide sound grounds for cost-benefit analysis. Furthermore, cost-benefit analysis makes a comparison of the monetary, social and psychological costs, benefits of legal technologies and traditional firms from clients' and lawyers' viewpoints. This has been, in fact, neglected by extant research. Based on these analyses, a new model for legal business has developed to highlight how potential advancements can take place in legal practices. Our findings reveal that legal technologies make legal services more affordable and easily accessible, while helping lawyers to develop innovative solutions and a relaxed working environment. In addition, this study contributes to the literature on service innovation with a focus on how new services and business models have been developed in the legal market as a result of digital technologies. Eventually, this study adds theoretical and practical implications to the research discussing the advent of legal technologies.

**Keywords:** legal technology; disruptive technology; online legal services; sustainable solutions; legal market; market segmentation; traditional law firms

## 1. Introduction

Law, order, and justice are essential ingredients for ensuring trust in a global age [1]. In particular, since legal services have become an international phenomenon, the need for services such as the provision of legal documents, sanctioned applications, intellectual-property management, and business structuring has significantly increased. Accordingly, total spending in the legal-service market is expected to grow in the following years, reaching an amount of about \$B 1.011 in 2021 (see Figure 1).



**Figure 1.** Growth prediction of the global legal-service market (author-generated, data source: Statista.com).

In this context, traditional law firms are facing a very large amount of pressure from clients to deliver more at less cost and higher quality. This goes with the advent of reforms in the legal market, especially those pushed by new technological opportunities [2]. These changes in the legal market have opened doors to the development and adoption of legal technologies that allow legal-service providers to enhance productivity, offer innovative digital products (e.g., cybercrime consultation, contract management, due diligence), improve legal-service delivery and quality while keeping costs at a low level. Specifically, scholars have defined legal technology as the application of technology and software to help law firms [3–5] with practice management, billing, big data, e-discoveries, predictive analytics, knowledge management and document storage [6,7]. In addition, legal technology helps the clients by providing access to online software that reduces time, money and several other costs [8,9]. Overall, this has resulted in change with respect to conventional business models and allowed meeting the demand of low- and middle-income clients through the commodification of relatively conventional legal services [10]. For instance, Wise Legal Services, Rocket Lawyer, Legal Zoom, and Legal Shield have adopted alternative business models based on legal technologies to provide individuals and small- and medium-sized businesses with online legal services including incorporation, estate plans, legal health diagnostics, legal-document automation, practice management, document storage, billing, accounting, and electronic discovery [9].

The legal industry is experiencing a shift in delivery and business models, in turn leading to a disruptive change of the “conventional” legal market. In fact, initially, technology-based legal services served the low ends of the market since they were unable to afford sophisticated legal offerings [11]. These services were novel, cheaper, simpler, easily accessible, and more convenient to use for relatively simple legal actions [12], albeit with avenues for improvement when more complex services were requested. Therefore, legal technologies were not welcomed by well-established firms because of less attractive profit margins and rigid mental models [13]. Yet, as time has passed, some (disruptive) innovators (e.g., Avvo, Axiom, Great Way Great Win, LegalZoom, and Rocket Lawyer,) improved the quality of their offerings and started to satisfy the large population of customers and their needs and displace prevailing firms [14]. At the same time, the leadership strategy of traditional law firms (e.g., Bingham McCutcheon, Heenan Blaikie, Dewey and LeBoeuf) failed due to a lack of focus on clients’ demands, refusal to learn, lack of experimentation and of the adaptation of legal technologies (as it usually happens in disruptive revolutions) [15–17].

However, despite the increasing relevance of legal technologies in providing new services, “[t]he clients were [still] unhappy, and the lawyers weren’t happy; it just felt like there must be a better way” to adopt legal technologies [18]. This implies that the future of and path toward the adoption of legal technologies still need to be clearly unveiled and designed [19,20]. Accordingly, both academics and practitioners have tried to better understand how legal firms should deploy legal technologies to

revisit their business models and satisfy customers' and lawyers' needs. For instance, the studies by Barton [21], Brivot [20], and Skjolacik et al. [22], as well as the IBA research unit report 2016 [23], the ABA report 2016 [6], and Harvard Law school annual report 2015–2016 [24] provided good insights about the emergence of legal technologies, related business models, market segments, particularly discussing the impact of digitalization on legal industry, the role of billable hours, digitalization on productivity, promotional campaigns, how the role of legal technologies changed from a source of differentiation to enabling and supporting business. Still, these studies have neglected some relevant aspects; that is, these studies have neither specifically accounted for the social-, psychological-, monetary-, and time-cost aspects for (legal) consumers when adopting technology-based legal services, nor pointed out the costs and benefits for lawyers, thus highlighting relevant gaps in the extant literature because these aspects reflect the willingness of customers' lawyers to work under an alternative business model. Therefore, this study aims to overcome these gaps by properly considering the efficiency and effectiveness of legal services based on disruptive technologies that provide potential sustainable gain to the clients and lawyers, over the traditional services. In turn, the study seeks to understand the variance between traditional and legal tech firms, with specific comparisons between more traditional, novel business and delivery models. In sum, this study addresses the question of how legal technologies enable the development of new business, and delivery models, and whether they provide enough incentives to clients and knowledge to lawyers, for the adoption of alternative legal services.

To do so, content analysis was adopted to identify new trends in the legal market and develop a cost-benefit analysis that allows us to come up with a novel sustainable business model for legal firms. Our model includes five main pillars (services, resources, financing, investment, and pricing) that provide grounds for achieving the goal of cost efficiency and the fast delivery of legal services.

For the development of the paper, the following steps have been conducted to eventually propose a novel and fresh business model on the basis of adopting legal technologies by investigating their disruptive nature. Firstly, Section 2 discusses the main theoretical underpinnings of the study, followed by an analysis of the avenues opened by legal technologies in the legal market. Secondly, Section 3 discusses the study design and methods. Afterward, legal-market segmentation from traditional to new legal services models is presented to better dig into its peculiarities in Sections 4 and 5. Finally, in Section 6, by relying on the prior steps, qualitative cost-benefit analysis is presented and a novel business model is proposed. Section 7 summarizes the paper, concluding the discussion, and presents theoretical and practical implications.

## 2. Theoretical Background

The term “disruptive innovation” was first coined by Christensen [25] as a process by which a product or service primarily takes root at the bottom of a market and then relentlessly moves up, ultimately displacing established competitors [26]. Recalling this concept, Raymond et al. (2014) were of the opinion that the legal profession is in the midst of immense disruption that will change the practice and delivery of law [27]. Similarly, according to Susskind [28], the legal profession and industry are experiencing substantial disruption [28] and the current trend will result “[in] the emergence of a legal industry that will be completely strange to the current formation”, hence modifying the future of lawyers and the legal market [29].

Broadly speaking, disruption provides a solid ground for digital transformation and is becoming a prime objective for industries across the world [30], since it leads to the implementation of novel business and delivery models by allowing various forms of co-operation between companies, employees, and customers [31,32]. In this vein, relevant studies (e.g., Nambisan [33], Barret et al. [34], and Nylen et al. [35]) have reported the importance of digital technologies, especially in the context of service innovations or for the servitization of manufacturing firms, leading to the restructuring of business and delivery models. This is particularly evident when considering e-procurement and e-government, which are representative examples of how disruption has significant effects on the delivery of new services by public administration [36]. Thus legal firms, as service-oriented companies,

are also expected to benefit from digital technologies through the introduction of disruptive innovative legal services (e.g., online courts, documentation, consultation, legal intelligence), which provide;

- A rich user experience that can be measured on its usability, aesthetics, and engagement.
- Enhanced value propositions by delivering the promised services in a speedy and innovative manner, which can be assessed on the dynamics of customers' segmentation and service bundling.
- The path for continuous improvement and cost efficiency, e.g., the invention of legal robots is a continuation of legal drafting and contract management.

These characteristics make the legal industry a suitable candidate for developing disruptive-service innovations [35], in line with Christensen's definition [24,35,36].

### 2.1. Legal Market and Avenues Opened by Legal Technologies

People desire quick and valuable legal services that are characterized, for instance, by the ease of access, cost efficiency and affordability. Susskind [28] suggests that legal-services providers are still in the process of transforming legal work through disruption. So far, three main drivers for change have been identified by most of the scholars and legal institutions [6,23,29]:

- the 'more-for-less' challenge,
- liberalization, and
- technology.

#### 2.1.1. Drive One: More-for-Less Challenge

Scholars suggest that the 2008 recession gave birth to changes in the legal industry [37,38], whereby the success of law firms lay in charging less by offering alternative fee arrangements, i.e., efficiency and collaborative strategies [29]. These are reflected in the recent transition from bespoke to commodification [39]. The disruption process from bespoke to commodification and fee-structure models in the legal-service market is presented in Figure 2 [29].

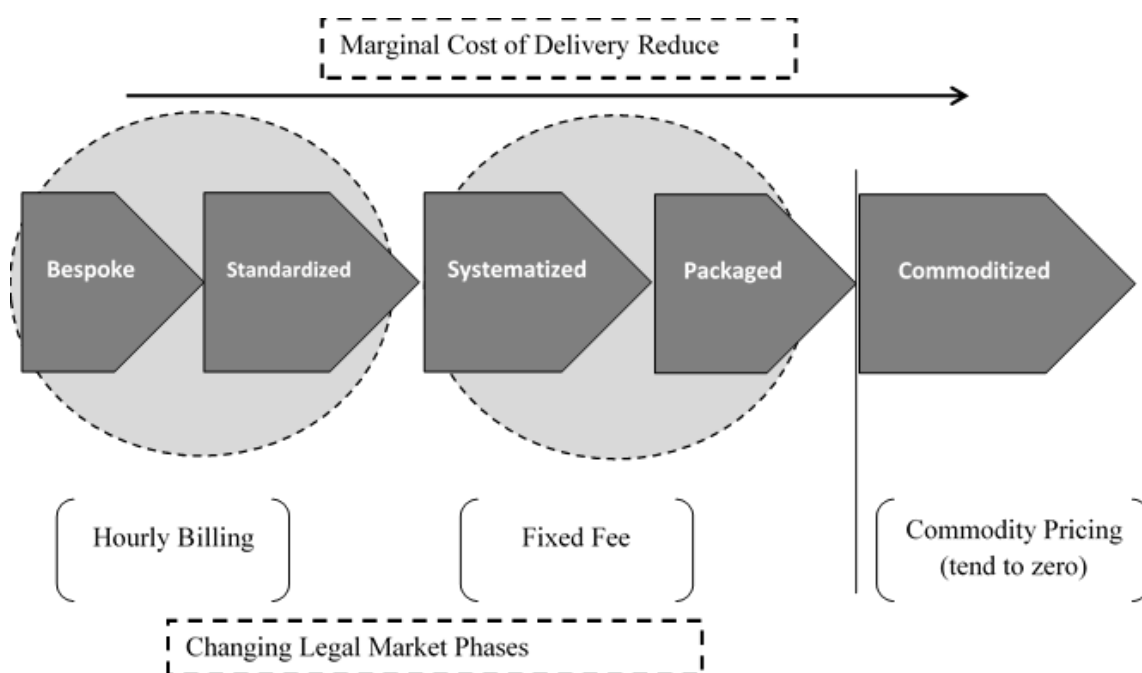


Figure 2. Richard Susskind (2008) evolutionary path.

The legal service moves from bespoke to standardization [29], and with the advent of technology, further changes took place in legal services in form of systemization [40]. For instance, recent trends reveal that routine legal work, such as employment contracts, was once filled by human-resource departments; nowadays, it is done online and directly with the client organization, and this externalization (packaging) of legal services is deemed to become a more sustainable approach [29]. Online technologies have thus allowed lawyers to virtually prepackage and offer their experiences to clients in a more efficient and effective manner [28]. The entire process, from bespoke to packaging, is termed as the commoditization of legal services [29]. Commoditization is the process through which providers charge for access to their online services and offer dramatically lower costs to clients [29,37]. The core drivers for change in legal services are three-dimensional; clients are unable to afford legal services due to the traditional hourly-billing model [37,41]. Corporations, small- and medium-sized businesses, and individual consumers started to demand fast legal services for a low cost [29,42], that is, 'the more-for-less' movement. Transparency functioned as a catalyst to bring change into legal work [43].

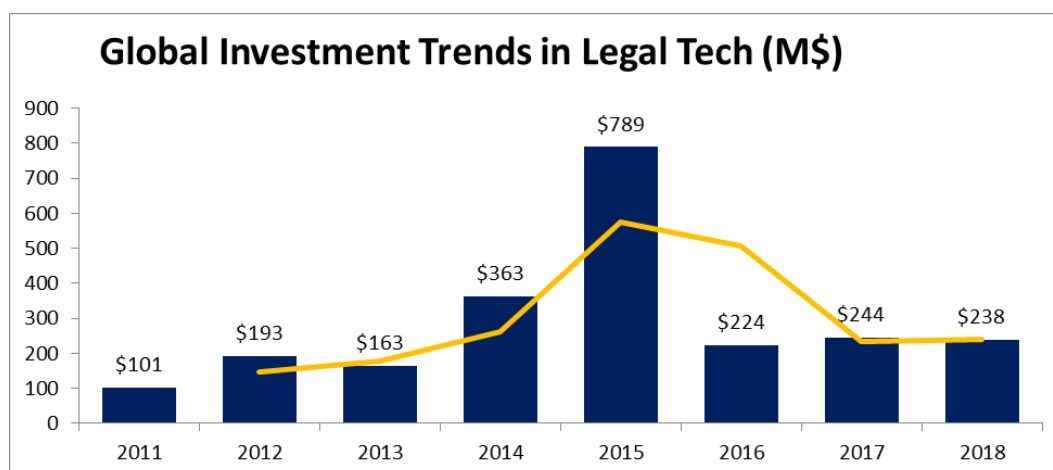
### 2.1.2. Drive Two: Liberalization

The second drive for change in the legal arena is liberalization. Scholars contend that lawyers are authorized to provide legal services, but did not offer appropriate alternatives to the client, and this led to huge criticism for the unjustifiable monopoly and restrictive practices [29]. This fueled many campaigns in countries like the United Kingdom and Australia for 'relaxation of the law and regulations that govern who can offer legal services and what types of businesses'. For example, in England, the Legal Services Act 2007 permits the setting up of new types of legal businesses. This became the birthing ground for alternative business structures (ABSs); now, non-lawyers and paralegals can own or run legal businesses [29]. Legal-service regulations in England, Scotland, and Ireland are the best examples of liberalized legal services [44]. Indeed, liberalization opens venues for legal partnership and the adoption of legal technologies, as revealed by the delivery of novel services such as e-disclosures, virtual courts, and online dispute resolution.

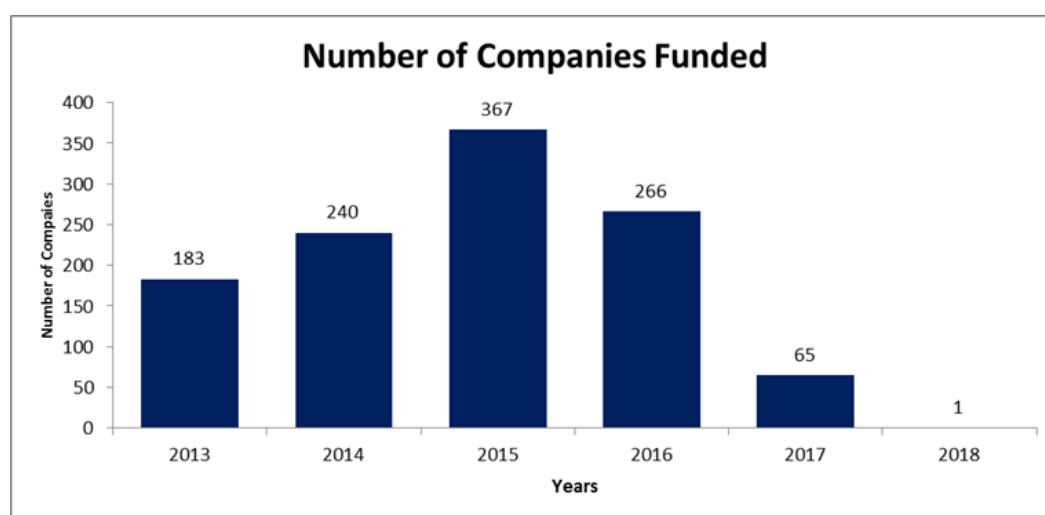
### 2.1.3. Drive Three: Technology

The third major drive for change is technology; it has not only made legal services more transparent, but also more accessible and cost-effective [24]. There are online startups that match lawyers with prospective clients according to their needs and financial means [45]. Campbell (2012) suggests that the body of general counsel has given birth to potential disruptive openings for non-lawyers and other vendors to sell their offerings to the general counsel's office [14]. Alternative business structures are innovated by unbundling legal services through affordable prices and easy access compared to competitors [46].

Figures 3 and 4 indicate huge investments in a large number of disruptive legal-tech companies during the past few years as Susskind has mentioned that legal disruption will take place due to market demand for cost efficiency, liberalization, and quick and easy delivery of legal services [26,28,29,47], the results of Figures 3 and 4 are in-line with Susskind and other scholars. Cost efficiency in legal services is a market force driven by client demand for 'more for less', and it is dominant in a law business like any other businesses, while technology and liberalization bring a storm of reforms to legal practices [2]. Scholars have, in turn, viewed disruptive technologies as key to a sustainable economy [48].



**Figure 3.** Global legal-tech investments (author-generated, source: Tracxn 2018 report: legal tech startup landscape. Note that the data for 2018 are until May).



**Figure 4.** Legal-tech companies funded worldwide (author-generated, source: Tracxn 2018 report: legal-tech startup landscape. Note that data for 2018 are until May).

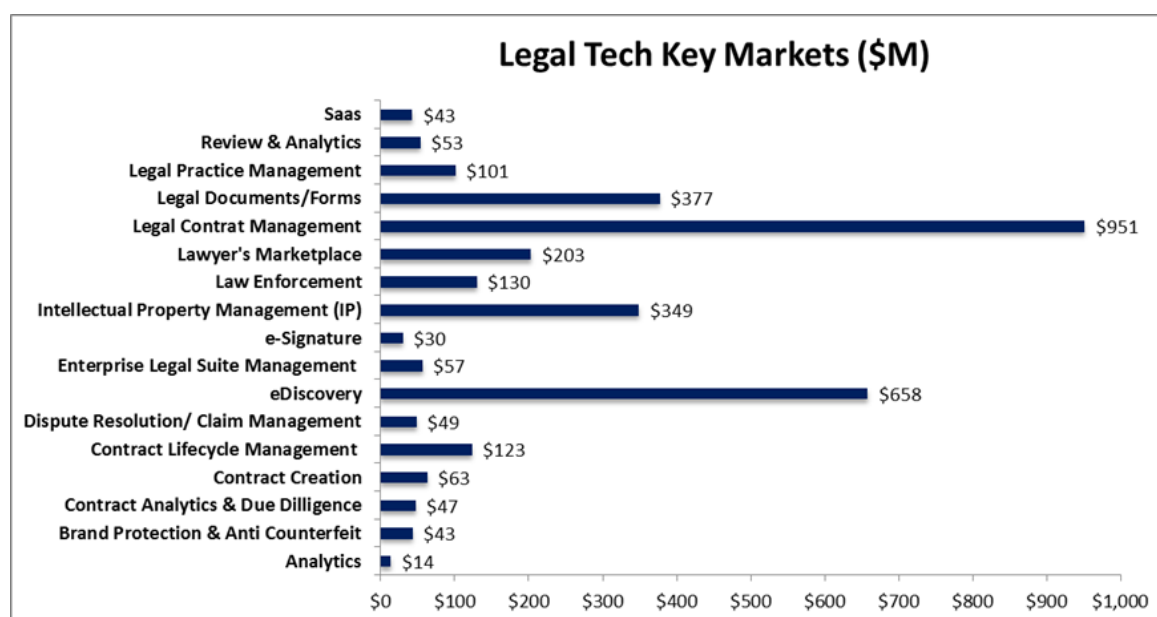
### 3. Study Design and Methods

Legal technology is in the nascent stage of development in the legal industry and very little knowledge is available in published and structured form. Thereby, exploratory analysis is recommended [49]. Firstly, data about legal technologies and their (potential) implementation have initially been collected from various sources (e.g., Bloomberg Law, Capterra, Forbes, Great Way Great Win, Law Society Gazette, Lawfar, Lexsnap, IBA reports, ABA reports, Tracxn reports, Thomson Reuters, Legalzoom, Minnesota State Law library, Nerdwallet, Rocket Lawyers, The Legal Intelligencer, 1818Wise Services, news articles, and online blogs). Then, to improve the reliability and validity of this research process [50], the present study has triangulated data for developing a more effective method to capture and fix the main themes and trends underlying the evolution of the legal market [46,51]. Content analysis was also conducted for systematically analyzing the data [52–54]. Scholars suggested that due to the lack of sufficient empirical evidence regarding a phenomenon, the appropriate research strategy in such a situation is the case study and qualitative content analysis [52,55,56]. Three different strategies have been identified by scholars for analyzing the data through content analysis, i.e., summary, explication, and structuring [52]. In detail, the present study particularly focuses on online legal services or tech-based legal services since they are the main products of disruptive innovations in the legal market [57].

#### 4. Legal-Tech Market Segmentation

Market segmentation is not a new phenomenon for industries, due to the availability of various alternatives, specific tasks, and expertise. The legal market, client's needs, and specific legal segments are the cry of the modern world [58]. The present study views price, quality, cost, specialized tasks, target markets, and the services model as a base for legal-tech market segmentation, and that service model is preferred both by clients and investors that bring more economies of scale. The legal market is similar to the other products and services, such as accountants and management consultants [59], but it is broader than these examples because it has more subject areas [60]. Clients put pressure on lawyers for cost efficiency, quality, and easily-accessible legal services [61]. The supply of legal services consists of software engineers, clouds specialists, investors, paralegals, non-lawyers, and entrepreneurs. Scholars suggest that supply and demand in the legal market do not match with regard to the contents. This gap between demand and supply leads to disruptive innovation in the legal market [62,63]. Due to change in business-model paradigms, emphasis on the legal market has shifted from bespoke to value proposition, creating customer value and many other marketing elements [63]. Scholars are of the opinion that 'Big Law' will remain, but innovations will divide the legal market into various segments [48,64].

From the mentioned literature and with the help of the investment portfolio in Figure 5, it is evident that various firms offer numerous technology-catered service packages to individual lawyers, larger corporate-law firms, and other key stakeholders in the legal market. According to the investments in Figure 5, legal-tech market segments include a range of services, for example, Saas, eDiscovery, legal management, review, and analytics.



**Figure 5.** Legal-tech key market segments (author-generated, data source: Tracxn 2018 report: legal-tech startup landscape).

According to Tom Wilson, “the legal-tech market covers companies (mostly startups) utilizing technology to build products that solve problems faced both by the industry and clients of legal services” [65]. He further added that the maturity of the legal-tech ecosystem, automation, increasing transparency, innovation, and generation shift has given a boost to legal-tech startups [66]. According to Zoe, legal-tech startups cater services to different geographies and jurisdictions, have diverse practices and operating areas, and offer legal technological solutions to various end users in each category. She proposes that the legal-tech market is based on three distinct features, namely:

- Jurisdiction boundaries and geographical operating areas.

- End users, such as lawyer to lawyer (L2L), lawyer to business (L2B), and lawyer to consumer (L2C) [67].
- Technical complexities and practical applicability, such as enabler technologies, support process solutions, and substantive law solutions [68].

According to investments and the literature, a five-point segmentation of the legal-tech market based on clients' needs has been developed, as below.

#### 4.1. Segment One

The first segment of legal-tech startups provides self-service through commoditized law solutions and improved access to justice in the legal industry by satisfying clients' cost-effectiveness needs [69]. In this category, most legal-tech startups target individuals, small businesses, and enterprises, for example, for online legal-document services (i.e., firms like Great Way Great Win, Rocket Lawyer, and Legal Zoom), smart law, and the drafting of smart contracts (firms like ShakeLaw, smartlaw.de, and synergist.io) [70].

#### 4.2. Segment Two

The second segment works on a manifold business model, it includes electronic legal marketplaces, networks, and multisided platforms for L2C, L2B, and L2L services. Other legal tech activities in this group include legal advice and content portals, online reverse-auction platforms, recruiting platforms, legal-database insourcing platforms, and legal-process outsourcing [67].

#### 4.3. Segment Three

The third segment of legal-tech startups works on a big business model and contains a large variety of high-tech tools for specific legal workflows, processes, and tasks. This category includes document review, e-discovery, intellectual-property asset management, automated document assembly, legal-contract management, legal-research analysis, and legal-practice management. E-discovery [71] companies include Kcura, Epiq, Recommind, Zapproved, and CS Disco; intellectual-property asset-management companies include Anaqua, Lecorpio, AcclaimIP, and Trademarknow; legal-contract management companies include lexalgo.com, knowledgetools.de, and normfall.de; legal-research analytics firms include CaseText, Judicata, RavelLaw, and LexMachina; and legal-practice management solutions companies include RAMICRO, AnNoText, Renostar, Lawpal, Clio and ViewABill. All of these companies fall under this broad category of legal-tech startups [72].

#### 4.4. Segment Four

The fourth segment of legal startups provides online dispute-resolution (ODR) platforms. In the United States, legal-tech startup Modria provides ODR for small consumer claims [73] and resolves 90% of 60 million annual eBay disputes without court intervention. In 2001, the first U.S. virtual court was developed in Michigan. Susskind predicts ODR to become the leading way to resolve online cases [29]; the disruptive and socially constructive nature of ODR technology will displace traditional litigators and judges as well [9].

#### 4.5. Segment Five

The fifth segment of legal-tech startups' business model [61] works on the most advanced legal-tech solutions, i.e., legal artificial-intelligence systems. For instance, at Denton's innovation program lab NextLaw, the students of Toronto University developed ROSS, an artificially intelligent lawyer solution based on IBM Watson's cognitive computer technology [74]. In response to simple legal questions, ROSS conducts legal research for relevant legal source materials by combining the contents of legal documents from its database through advanced pattern-recognition software instead of using keyword [75]-based searches like many legal-research or document-review tools do [39].



## 5. From Traditional to New Legal-Service Models

The words “business” and “delivery models” were commonly used in the legal market after the invention of the dot-com era [39]. Legal technologies led the debates on alternative business structures based on cost reduction, efficiency, expertise, client care, and sustainable profits [28].

In this study, “delivery model” means the effective deployment of expertise, technology, and processes that are used to solve a client’s problems, as well as the effective and efficient delivery of services. Notably, academics and analysts around the globe have yet to develop business and delivery models for legal-tech industry’s best utilization and sustainable profit generation [37]. The conventional legal-service delivery model, developed by Cohen (2017), is shown in his article *Differentiation in the New Legal Marketplace and Why It Matters*; traditional law firms fabricated a pyramidal service model where partners leveraged the time and expertise of other lawyers to service clients, and maximized Profit per Partner (PPP) [75]. In Figure 6, the upper part represents a traditional law-firm delivery model based on the sole providers’ (lawyers), extensive labor force, maximization of profit based on per hourly billing, and exclusively depends on legal expertise (law knowledge). The modern delivery model of legal services is not just selling law knowledge, but the faster delivery of expertise in a cost-effective and quantifiable manner, shown in the lower part of Figure 6. The legal-tech business model is consumer-centric, transparent, affordable, predictable, and easily accessible [57]. A traditional legal firm’s organizational structure is more labor-intensive, while a modern legal firm is less laborious and more technologically intensive [76]. The literature reveals that clients were unable to afford traditional law-firm services. Regardless of size, corporations, small and medium enterprises, and individual clients demanded quicker and more cost-effective services [77]. This challenge was accepted by alternative-business-model service providers [75].

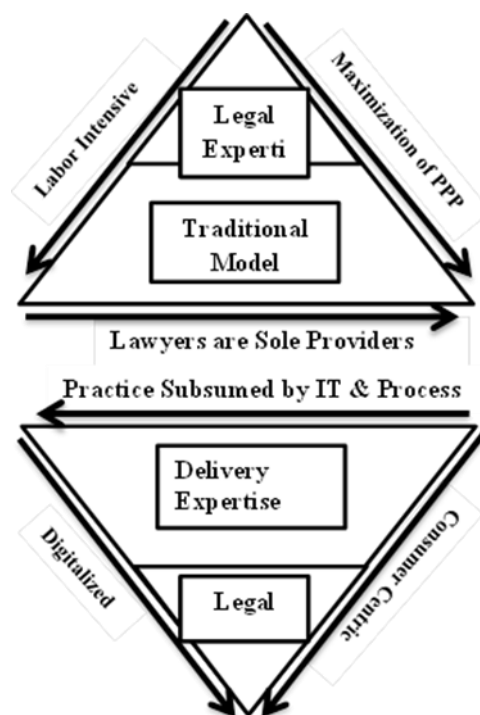


Figure 6. Adapted from Cohen (2018).

A more complex business model was presented by the Boston Consultant Group (BCG) in partnership with the Bucerius Law School in Hamburg, Germany, on the legal profession [68], after exploring and researching the legal-industry market. In their report, they presented various solutions and ideas for how large and small law firms can exploit opportunities, as well as overcome the challenges presented by legal tech as shown in Table 1 [65].

**Table 1.** Adopted from the Boston Consultant Group (BCG) and Bucerius Law School in Hamburg (2016).

Main Components	Traditional (Today) Legal Industry			Modern (Tomorrow) Legal Industry		
Value Scheme	<b>Client Demand:</b> need for legal advice.	<b>Offering (services):</b> Transaction or litigation advice	<b>Pricing Structure:</b> Billing per hour.	<b>Client Demand:</b> Need for legal case management, project management, cost reduction, efficiency.	<b>Offering (services):</b> Product portfolio: advice, project management, case management, legal-tech consulting, online dispute resolution (ODR), contract management.	<b>Price Structure:</b> Fixed price and billable hour.
Operation Model	<b>Value chain:</b> Integrated—do it yourself.	<b>Cost structure:</b> People, low electro-optical system (EOS).	<b>Organization:</b> Traditional Pyramid	<b>Value chain:</b> Disintegrated— >Outsource >Automate	<b>Cost structure:</b> People and technology High EOS	<b>Organization:</b> Rocket

This model offers a win-win opportunity to all legal-industry stockholders [5]. The BCG model has two basic components, i.e., value scheme and operations model [10]. The value scheme of traditional law firms is based on legal advice and billing hours, and the operations model is centered at integration, high labor, a low electro-optical system; the organization structure is pyramidal [78]. The value scheme of the modern business model in BCG is based on client demands and offers portfolio variety at fixed and flexible prices. In addition, the operation model is disintegrated, automated, cost structure consists of low labor, high technology, and an electro-optical system, while the organizational structure is like a rocket [79]. Researchers have identified four different alternative legal business models (e.g., secondment firms, law and business advice companies, law-firm accordion companies, and innovative law firms and companies) in the United States [40,76].

### 5.1. Secondment Firms

In legal practice, the word secondment means “a procedure in which a law firm temporarily loans out an associate to a host organization, usually a client of the firm, to act as an inside counsel” [80]. The process of secondment is beneficial not only to law firms, but also to clients and attorneys [81]. According to William et al. (2015), secondment-firm lawyers are not guaranteed annual salaries, as they are only paid for the work done, but lawyers are not under the pressure that law-firm lawyers are [40]. There are two different secondment models, one is independent-contractor secondment, and the other is the employee-secondment model. The independent-contractor secondment model includes Avtikka, General Counsel Limited, Innova Counsel, LLP, and Conduit Law. These firms offer flexible work schedules and an escape from billable hours [12]. The employee-secondment model includes firms like Paragon Legal and Bliss Lawyers; the motivation behind this model is to offer women a high level of work after they become mothers or while having a career break [82].

### 5.2. Law and Business Advice Companies

Historically, lawyers are prohibited by law to share their fee with non-lawyers. Law and business advice companies provide legal and business advice and insourcing services to corporate general counsel [83]. Under this kind of arrangement, companies “combine legal advice with general business advice of the type traditionally provided by management-consulting firms [84], and/or help clients with investment banking as well as legal needs”. For example, Axiom Law Corporation and Exemplary Companies Inc. work under this model [40].

### 5.3. Law-Firm Accordion Companies

Law-firm accordion companies [40] manage networks of curated lawyers, available to enable law firms to ‘accordion up’ to meet short-term staffing needs. Such companies provide employment to

women [85] who stay at home but want to polish their skills by working short part-time hours. Such companies, as matchmakers, connect lawyers with law firms rather than directly with clients [86]. Companies like Counsel On Call, Montage Legal Group, Custom Counsel, and Cadence Counsel are examples of accordion companies [87].

#### 5.4. Innovative Law Firms and Companies

This type of organization includes “the widest variety of different business models [88]. An innovative law firm is based on the concept of monetization model that allows attorneys to work in a sophisticated schedule [89], little or no weekend work, and three weeks’ unplugged vacation per year” [90]. Innovative law firms have changed key elements of the traditional law-firm model in various ways [91], e.g., better work-life balance, alternative fee arrangements, team scheduling, and elimination of the partner distinction [18]. An example of such a firm is Smithline PC [40].

## 6. Findings: Cost-Benefit Analysis and Proposed Legal Business Model

### 6.1. Cost-benefit Analysis

A cost-benefit analysis is a systematic approach to estimate the benefits and costs of alternatives [92]. According to the customer-delivered value concepts, the delivered value is the difference between the total cost and benefits of an offering [93]. From the client’s perspective, when purchasing a product or service, they take into account several types of costs, i.e., monetary, time, energy, social, physical, and psychological cost. Similarly, clients also compare the value (is the bundle of the benefits obtained from a product or services?) for various alternative offerings, i.e., image, offered value, value-delivery system (consisting of choosing a value, provision of the value, and communication of the value), personnel value, and innovation [94]. Clients choose that product or service that offers the maximum benefits, incurs the least cost, and is the most important to serve their needs the best [95]. The cost-benefit analysis in Table 2, based on the content analysis of the previous literature, indicates that modern legal firms offer more benefits at less cost for satisfying the specific needs of clients than traditional legal firms [96]. Likewise, from the lawyer’s perspective, modern legal firms are easy to form because they require minimum investment, low overhead cost, and low labor and consumable cost [97]. The modern legal firm provides flexible working hours to lawyers, highly innovative solutions, a more client-oriented approach, various partnership opportunities, a high level of differentiation, and several selling points through an online portal and the easy delivery of legal services [98]. Modern legal firms also offer higher profits to lawyers through a market-penetration strategy that allows the provision of services to very large middle- and lower-class markets at low cost rather than providing services at a high cost to the small elite market [97].

**Table 2.** Cost-benefit analysis (CBA) of legal tech.

Description	Client Cost-benefit Analysis		Lawyer Cost-benefit Analysis	
	Traditional Firm	Legal Tech Firm	Traditional Firm	Legal Tech Firm
Cost	• High time	• Low time	• Hard formation	• Easy formation
	• High energy	• Low energy	• More working hours	• Fewer working hours
	• High monetary	• Low monetary	• High overhead	• Low overhead
	• High social	• Low social	• High consumable	• Low consumable
	• High Psychic	• Low psychological	• High labor	• Low labor
Benefits	• Bespoke	• Bespoke and innovative	• Low networking opportunities	• High networking opportunities
	• Drive to the office	• Easily accessible	• One practice area	• Many practice areas
	• Billable hour	• Alternative billing	• High-end market	• Low-end market
	• Standardized	• Commoditized	• Fixed hours	• Flexible hours

Table 2. Cont.

Description	Client Cost-benefit Analysis		Lawyer Cost-benefit Analysis	
	Traditional Firm	Legal Tech Firm	Traditional Firm	Legal Tech Firm
Benefits	• Legal advice	• Legal advice/project management, document automation, legal research, risk assessment, etc.	• Traditional solutions	• Innovative solutions
	• Low access to information	• High availability and access to information	• Low differentiation	• High differentiation
	• Takes maximum time	• Takes minimum time	• High profit per partner (PPP)	• Client-centric
	• Periodic updates	• Regular updates	• Only lawyers	• Lawyers and non-lawyers
	• Technology used for cost reduction	• Technology used for cost reduction and quality enhancement	• Lawyer partnership	• Lawyer and non-lawyer partnership
	• Address general needs of client	• Address specific needs of client	• Low innovation	• High innovation
	• Low innovation	• High innovation	• Sophisticated delivery	• Easy delivery
	• Image and offer value	• Image and offer value	• One selling point • Limited collaboration	• Many online selling points • Limitless collaboration

6.2. Proposed Legal Business Model

The legal-technology industry is in its nascent stage [75]. Even though scholars are trying to present a uniform business model [5,79,99], there is still a difference of opinion regarding its business models [65]. Each segment of the legal-tech market has a diverse business model from the other category with some degree of variation [61]; this variation is required for distinguishing oneself from the other. Based on more for less, flexibility, innovation, client demands, and a service structure, a generic uniform business model for the legal industry has been developed on the five pillars, i.e., services, resources, finances, pricing, and investments (Figure 7).

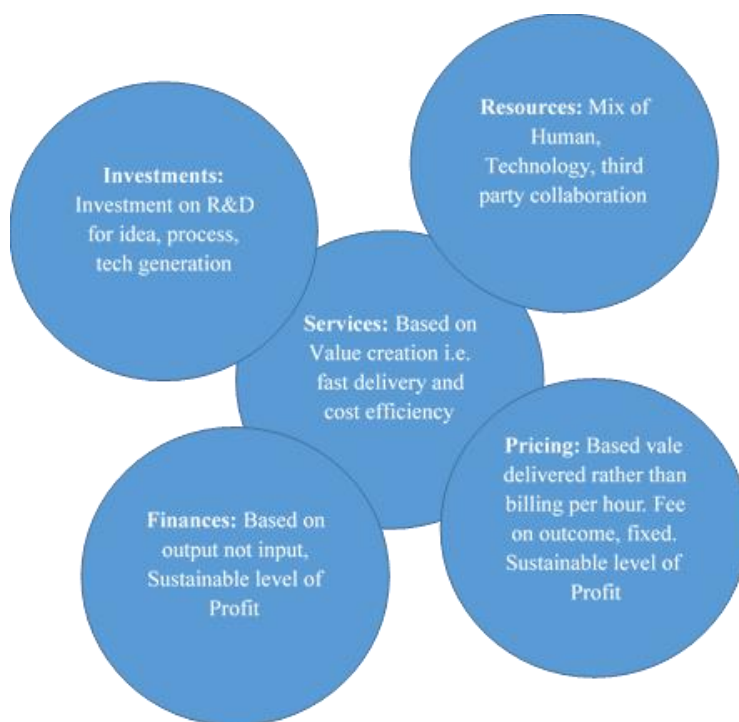


Figure 7. Authors’ proposed legal business model.

The proposed legal business model here is applicable to every firm in the legal industry regardless of size and geographical location, whether they are providing a mix of traditional and tech services, non-legal services, or only tech legal services. The service structure, irrespective of what type or segment a firm wants to serve, should be based on value creation.

#### 6.2.1. Service Value

“Value creation” is the process of diagnosing a client’s problem to develop a service that can serve their needs best, and “value proposition” is the promise that a firm makes to deliver certain service value to the client. Therefore, value proposition is based on value creation, and it tells the client why they should do business with you rather than your competitors, making the benefits of your services crystal-clear to the client. According to the proposed model, service-value creation is in the middle because it is a client-centric model. Value creation and value proposition are based on the utilization of the other four elements in the model, i.e., resources, finances, pricing, and investment.

#### 6.2.2. Resources

The legal industry has entered into a technology race; thus, to be successful in the market, its resources should be diverse, i.e., human (partners, junior lawyers, paralegals, professionals, technicians, innovators, and technologists) and technological. This combination reduces cost and expedites service delivery.

#### 6.2.3. Finances

The finance structure in the model is based on sustainable profit. “Sustainable profit” is the ratio between the actual value and cost of the delivered services. The financial structure of this model is assessing the fees in the market that the client wants to pay for specific services, the cost it incurs, and the profit margin it needs to achieve to sustain its business.

#### 6.2.4. Pricing

A firm’s pricing strategy should be based on output rather than input. One of the main reasons for the downfall of traditional law firms was their pricing strategy, which was based on billing per hour.

#### 6.2.5. Investments

The last element in this model is investments. A specific amount of the firm earnings must be invested in research for developing new sustainable ideas, processes, fast and smart delivery models, and technology creation.

The use of these four elements must be focused on how efficiently and effectively to deliver the promised services in an improved and less costly way.

## 7. Discussion and Conclusions

### 7.1. Main Findings

This study examined how legal technologies became the main disruptor in the legal field by offering various kinds of innovative legal solutions and, hence, the possibility to establish new business and delivery models. However, a comprehensive analysis of previous studies [6,14,18,20, 21,23] had research gaps, i.e., on the client level of value (beyond legal expertise), lawyer level of value, and the technical differences between the business and delivery models of traditional and tech legal firms. In client cost-benefit analysis, it is evident that technology in the legal field has changed clients’ buying behavior as it is more cost-efficient. Traditional business models have a strictly hierarchical structure and are inherently interested in keeping the law opaque and obfuscated to gate-keep the monopoly. On the other hand, legal-tech business models are more flexible and client-centric. The present study proposed a generic business model for legal firms that is more

client-centric and advocates for investment in research and development in the legal field for more innovative and sustainable solutions.

Based on content and cost-benefit analysis (client and lawyer value), this study highlighted that modern legal business models are client-centric and lawyer-friendly, and more flexible in terms of opportunities for lawyers, paralegals, non-lawyers, and entrepreneurs. It similarly provides a bundle of rich experience and increased value for the clients.

The current study has the view that failure has long existed in the legal industry. To overcome this gap, entrepreneurs brought a huge variety of innovations to meet the needs of the clients and lawyers. Furthermore, cost-benefit analysis allows the complementing of previous findings by addressing a client's monetary-, social-, psychological-, energy-, and time-cost incentives obtained from legal-tech firms in comparison with traditional firms. In addition, legal technologies equipped lawyers to innovate on their offering, propose flexible prices, and have partnerships with non-lawyers, easy delivery, sustainable profit, and flexible working hours. Furthermore, clients are more empowered to choose between different alternatives to meet their needs. Additionally, legal technologies minimized the communication gap and allowed online team collaboration for lawyers, e.g., investigators, counselors, and experts, to access the information related to cases on which they are working together. In sum, legal technologies had a positive impact on the legal industry in terms of client and lawyer perspectives.

The present study is different from the previous literature in terms of specific analysis of business and delivery models, providing better insight of real changes in the legal market through technologies. In addition, the discussion on market segmentation signifies the target market for firms according to their specialties. Furthermore, the proposed business model defines a path of success not only for the legal-tech business, but also for traditional legal firms on how to overcome the challenges of current market demands.

### *7.2. Theoretical Implications*

Previous studies [6,14,18,20,21,23] have focused on the emergence of legal technologies and related opportunities for the legal market. However, they are silent about specific implications from client and lawyer perspectives. This study narrowed the attention on client and lawyer cost and benefits, which are the critical driving forces in the legal market. Thus, the current study's evaluation of legal technologies from a market standpoint further advances the research on this subject. In addition, this study's findings explicitly compare the monetary, social, and psychological cost, and the benefits of legal-tech and traditional law firms from a client and lawyer viewpoint, which has been neglected by extant research. Furthermore, the automation in the legal industry has resulted in global market revenue of \$3.6 billion in 2010 (\$1.1 billion in software and 2.5 billion in services), with growth to \$9.9 billion anticipated by 2017 [5] (\$2.5 billion in software and \$7.4 billion in services); this further strengthens our arguments based on the cost-benefit analysis that legal tech disruptive innovation is growing due to its accessibility, cost effectiveness, and greater benefits for clients and lawyers.

More generally we may struggle to contribute to the literature on service innovation with a focus on how new services and business models are developed as a result of the adoption of digital technologies. Indeed, we further confirm that digitalization is a relevant antecedent of (disruptive) service innovations.

### *7.3. Practical Implications*

From the literature and the findings of this study, it is evident that legal tech has empowered clients and lawyers in the market. Furthermore, monopoly in the legal market was disrupted by legal tech, and this has created a competitive environment that demands continuous improvement and cost reduction of the offerings.

The proposed business model has practical implications for business strategy and policy decisions because it provides comprehensive directions to individual lawyers, firms, managers, and policymakers

with respect to legal-service value creation via sustainable investments in research and development for ideas, processes, and tech generation. The proposed model guides individual lawyers and firms through the process of choosing partners (IT engineers, paralegals, AI enterprises, investors, financiers) for the enhancement of their business offerings. The proposed model has identified the specific dimensions essential for value creation in service sector in terms of consumer/client perception and required for business success in the contemporary arena, which is a unique contribution in legal studies. In other words, to face current market needs and competition, traditional firms must adopt legal technologies and invest in their further development.

**Author Contributions:** The first author (Q.H.), the second author (S.B.), and the third author (A.K.) have contributed equally to the conception, study design, and writing of the original manuscript. The fourth author (A.L.) has revised and edited the manuscript, the fifth author (M.B.K.) has contributed to the data collection.

**Funding:** This study was supported by special project on Artificial Intelligence and Law at the Guanghua Law School of Zhejiang University, Hangzhou, China. Grant number 18ZDFX011.

**Conflicts of Interest:** The authors declare no conflict of interest.

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