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Executive Summary

The Legal Services Market 2030

DAV study on the future of the legal profession



**Technological Change / Demographics / Internationalisation
Competition / Law of professional rules / Law firm management / Human resources**

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Executive Summary:

The Legal Services Market in 2030

What impact will economic, demographic, social and technological developments have on the legal services market over the next twenty years? What is the position of law firms today, and will they still be able to compete successfully in the market in the years to come? A research project on the “Legal Services Market in 2030” carried out by the Prognos AG forecasting and consulting institute on behalf of the DAV [the German Bar Association] deals with these issues. A number of detailed technical discussions and expert workshops have taken place within the scope of the study. In addition, over 5,000 owners and/or partners of law firms were surveyed about how they manage their firms. And finally, the study also takes into account existing research results and current literature.

First study on the future of the legal services market

The following pages will present the main results of the study.

1. The legal services market: situation at the outset

In comparison to other sectors, the legal services market is relatively independent of cyclical or seasonal fluctuations. The international economic and financial crisis has so far had little impact on the overall demand for legal services in Germany; on the basis of its turnovers, the industry has enjoyed healthy economic development. The areas that have benefited the most from this trend are information technology law, banking and capital market law, copyright and media law as well as social, agricultural and tax law. In particular, owners and/or partners of boutique law firms and commercially oriented law firms have been experiencing increases in their turnovers in the last few years and view their earnings as being (very) good.

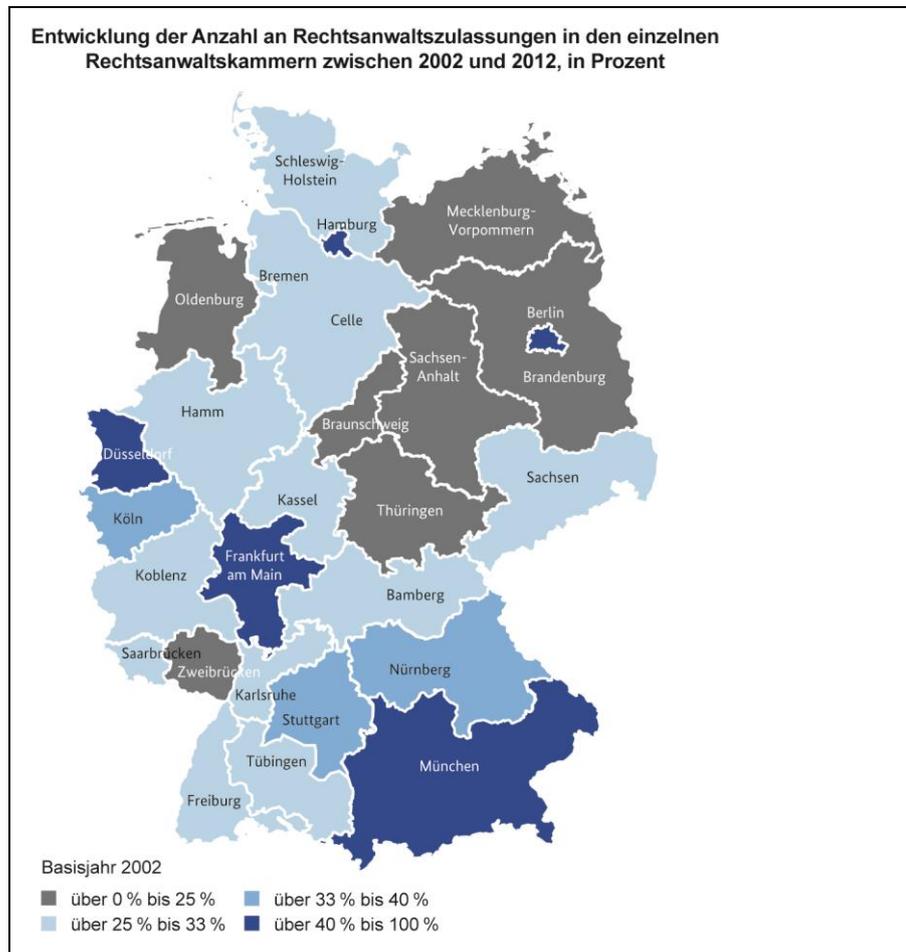
Until now, the economic and financial crisis has had little impact on the legal services market

Many new law firms have been established in the last decade, and there are now over 54,000 law firms in Germany.¹ This has significantly tightened competition in the legal profession. If we look at the numbers of new registrations in each regional bar, we see that the legal profession has expanded significantly, especially in large urban areas.

The number of law firms has significantly increased

¹ Law firms in the sense used in the present study include law firms with notaries, law firms without notaries and firms consisting exclusively of notaries.

Diagram 1: Development of the number of lawyer registrations in the various regional bars (base year: 2002)



Source: The German Federal Bar [Bundesrechtsanwaltskammer], Prognos AG's own calculation and presentation 2013

Growing competitive pressure and increased competition from non-lawyer providers

Individual firms are faced with additional competitive pressure from the increasing number of non-lawyer providers who have gained limited access to the field of extra-judicial legal services in the wake of the promulgation of the German Legal Services Act [Rechtsdienstleistungsgesetz, RDG]. Especially in the area of accident regulation, for instance, car dealers, workshop owners, independent experts and car rental companies are increasingly competing with lawyers. Also insurance companies, banks and other financial advisory services are being perceived as rivals in the competition for clients. So, although the market for legal services has widened, competition has at the same time intensified.

Given the competitive conditions we have just outlined, careful positioning and high visibility based on appropriate competitive strategies and marketing measures are important external factors for the success of a lawyer's own firm. How, then, can law firms strategically position themselves in the market for legal services? How should law firms organise their internal processes? And what role does HR management play given the high importance of personnel in knowledge-intensive industries?

Growing importance of competitive strategies and marketing campaigns

2. Law firm management

Law Firms are highly heterogeneous in size and orientation (including areas such as expertise, client base and geographic catchment area). They include highly specialised boutique law firms, large international firms as well as numerous solo practitioners and small firms. In comparison to the German economy as a whole, the legal services market is characterised by an inordinately high proportion of micro-enterprises with up to eleven employees. International comparative studies of the legal services industry show similarities in company sizes. We see, for instance, that the legal services markets in Denmark, Switzerland, the UK and the USA are also dominated by micro and small enterprises.

Law firms are very heterogeneous

Simply because of their level of organisation, their high degree of division of labour and the availability of resources, large firms usually have at least professional and strategic management structures. Research shows that, in contrast, small and medium-sized enterprises (SMEs) – with their scarce time and limited financial resources – often operate in the market without an overall strategy and, in issues of corporate governance, rely predominantly on measures that cost little and need little time. This trend is also evident among firms operating in the legal services market and in their management activities.² The following pages will show the results of the survey of lawyers carried out by Prognos AG on behalf of the DAV.

SMEs often have no overall market strategy

2.1. Competitive strategies

The survey shows that a high number of law firms have no explicit competitive strategies to position themselves successfully in the market. Among proactive firms, specialisation represents the main strategy. At least half of firm owners described their own firm as being specialised in a field of law. The majority of clients view specialisation as a sign of quality and expression of competence. This is reflected in the growing number of certified specialist lawyers and specialist certifications.

Until now, specialisation has been the single most important strategy

² The management of a law firm, in the context of this paper, includes areas such as competitive strategy, marketing and client acquisition, firm organisation, use of IT, and human resource management.

The strategic importance of client segments grows with increasing size

A second key competitive strategy, which becomes more evident with increasing firm size, is the focus on selected client segments. Most boutique law firms, medium-sized firms (with more than eleven lawyers) and large international firms pursue this specialisation strategy. Small firms and solo practitioners, however, rather seldom specialise in particular fields of law or groups of clients.

Proactive strategies such as actively defining business areas, providing related services or developing new legal products and services are strategies that are pursued almost exclusively by large law firms. But in general, law firms show an overall low level of active strategic planning.

2.2. Law firm marketing and client acquisition

Marketing strategies and the law on professional rules are not incompatible with each other

Marketing and acquisition in the field of legal services and legal representation are subject to specific professional rules and therefore require specific strategies. Law firm owners face the challenge of having to present to their (potential) clients the spectrum of services offered by their firm and the quality of their work using appropriate marketing strategies that comply with lawyer advertising regulations (German Unfair Competition Act and Section 43 b of the BRAO German [Federal Lawyers' Act]). This is complicated by several factors: the uniqueness of each client's case makes it nearly impossible to draw conclusions about the quality of advice, a single client may expect in her/his particular case and there are no independent product tests or provider comparisons such as those carried out by the German consumer protection organisation *Stiftung Warentest*. A recent development has been Internet portals where the services of law firms are evaluated by (former) clients, for instance *anwalt.de* and *anwaltvergleich24.de*. These ratings are subjective, of course, but nevertheless they do allow consumers to draw at least indirect conclusions on the expected quality of future services.

New quality control options for clients via the Internet

Networking is an essential instrument for client acquisition

The vast majority of law firms use a widely diversified, unfocused approach to client acquisition: some of their instruments are their own websites and/or entries in directories and service provider databases, for example *Deutsche Anwaltauskunft*. Also popular are measures to develop target client groups. Important instruments in this area are attendance at events and conferences that foster networking and the organisation of seminars and lectures.

The tendency of firms to use strategic marketing and acquisition instruments generally increases with their size, their turnover, the spread of their catchment area and the average number of commercial companies they advise. On average, the least active group in terms of marketing and acquisition are individual lawyers.

Overall, the potential for law firm marketing and client acquisition is not particularly well exploited. Less than ten percent of the firms surveyed indicated that they intend to be more active in these areas in future.

2.3. Law firm organisation

Lawyers have always known that client satisfaction and a firm's reputation do not only depend on the outcome of a case, but also – and significantly so – on how the firm and its staff have treated the client. Both experts and firm owners report that client expectations have risen in all client segments. Professional client management is therefore indispensable. The present findings reveal that there is still room for improvement in this field. Until now, too few instruments and measures making a professional level of firm management visible have been used.

Professional client management offers significant potential

The greater a firm's size and the higher its revenues, the more often it tends to use instruments for internal organizational measures. This is because the need for more professional structures increases as firms hire more employees. Similarly, documentation of work processes increases with rising turnover and growing firm size. Mechanisms to monitor compliance with measures that have been implemented exist nearly only in large law firms; less than a third of small firms (two to eleven lawyers) have these types of mechanisms in place. In small and medium-sized firms, the organisation of work processes is often characterised by low institutionalisation and formalisation – especially as small size makes formalised coordination less crucial. Most management processes are implemented intuitively by the firm owners or partners. Law firms are strongly influenced by the personalities of their owners or management staff. Leadership and management style therefore play an important role in all management processes.

Small firms in particular rarely make use of tools for internal firm organization

Information and communication technologies (ICT) can provide efficient support for firm organisation and work processes. Two-thirds of surveyed firm owners already use software that is especially designed for running law firms. However, hardly any firms use more management-focused software products. So far, only about one third of law firms use electronic client files (e-files). Despite plans by judicial authorities to encourage the profession to shift to so-called "e-files", currently only another 13 percent are planning to introduce the use of e-files in their own firms. Here again: the larger, the more international and the financially stronger a firm is, the more it tends to use ICT measures. In contrast, comparing the use of software specifically designed for law firm management (e.g. RA Micro, Datev Phantasy) reveals only few differences. Only solo practitioners – about 45 percent of them – are considerably reluctant to use this type of software.

ICT: Law firm organisation software is used more extensively than e-files for law firm organisation

2.4. Staff

High labour supply reduces demand for recruiting and retaining professional staff

Knowledge-intensive areas such as legal services depend on their staff and its expertise as one of their most important competitive factors. The results of the Prognos survey suggest that measures for recruiting and retaining professional staff play only a minor role in law firms. It would seem that, given the numerous legal professionals available in the market, the pressure to act in this area is low. From the perspective of a firm owner, there will continue to be little need for measures to recruit and retain skilled employees.

The few firms that do make targeted efforts to keep their employees tend to prefer financial incentives in the form of salary increases, performance-related pays, bonus systems, partnership opportunities or profit sharing schemes. Few law firms implement team-building measures or make efforts to promote corporate culture. Also, hardly any attention is paid to health promotion or maintaining work ability.

Only limited measures are implemented to reconcile work and family life

At the moment, the professional advancement of women and the compatibility of family and work are topics of intense discussion in politics, society and business. With a growing proportion of female lawyers and large numbers of young and upcoming professionals in the market, the legal services industry is more than ever confronted with these issues.³ However, there are few concrete options available to improve family/career compatibility: 54 percent of the surveyed firm owners offer the possibility of part-time employment, 36 percent use other measures to better reconcile work and family life, and 26 and 11 percent offer flexible working hours and working time accounts respectively. Few firms see any need for future action in this area.

Continuing education is an important issue

On the other hand, more law firms are actively committed to human resource development. Nearly two thirds of respondents stated that they encourage their employees to pursue their professional education. A central instrument here is legal specialisation. Certified specialist lawyers tend to work primarily in small firms. Solo practitioners, on the other hand, are more often listed as “generalists” than lawyers working in larger law firms that operate either locally or regionally – but overall, numbers of generalist lawyers are decreasing.

³ Cf. for example DAV-Arbeitsgemeinschaft Anwältinnen (2012): *Anwältin und Mutter – Klar geht das! Eine Umfrage und ihre Folgen.*

Besides continuing education, other instruments of human resource development are seldom used: there are few structured staff interviews and little life-oriented career planning that take parental time or caregiver leave into account. Keeping in mind the heterogeneous nature of the law firm landscape, we note that firms tend to increase their HR management activities as they become larger and have higher turnovers, a larger geographical area of operation and an increasing proportion of commercial clients. In particular, major (international) law firms do much more in the areas of staff recruitment and development, working time flexibility and development of personnel commitment and thus stand out clearly from the rest in this area.

The number of instruments used for HR development and management increases with company size

3. The year 2030: future trends and their impact on the legal services market

The future evolution of the legal services market will be affected by the regulatory environment of the profession as well as by overall economic and social development.⁴ These factors are of utmost importance for the strategic planning and future positioning of law firms both internally and externally. The following pages will identify key future trends and assess their implications for the legal profession.

The law of professional rules and overall economic and social trends impact on the legal profession

3.1. Economic development and innovation

Prognos AG's economic forecast for Germany until 2035 shows muted GDP growth reaching only 1.0 percent per annum on average. Besides the internationally strong manufacturing sector (the chemical industry, mechanical engineering, electrical engineering and the automotive industry), the lion's share of Germany's added value will in future be created in the services sector. Here we will be witnessing particularly dynamic development in trade and commerce, in corporate services (including legal services) and in the health sector; in 2035, these industries together are expected to generate 47 percent of total gross value added.⁵

Economic forecast predicts dynamic development in the service sector between now and 2035

⁴ The trends set out below and the resulting consequences for law firms and the legal profession are based on the assumption of unchanging professional rules. The predictions outlined here, for instance, are being made under the assumption that German law of professional rules for lawyers will remain unchanged until 2030.

⁵ Prognos AG Welt Report 2012: Daten, Fakten und Prognosen für 42 Länder.

The economic importance of emerging markets will increase, and the EU can expect lower growth rates

In the medium term, the dynamic force of the world economy will be shifting towards emerging markets, especially those in East Asia. Although the United States will remain the world's largest economy, it will lose its role as the engine for economic growth. The European Union will need to adapt to lower overall growth rates than in the past. For the period until 2030, Prognos AG is predicting annual GDP growth rates averaging 1.4 percent. In the coming years, a lot will depend on how much leading emerging economies – Brazil, India and China – can compensate for the anticipated drop in demand in the U.S. and in other industrialised countries struggling with budget deficits. World trade, with an average annual growth rate of 3.9 percent, will continue to grow at a stronger pace than world production (2.9 percent per annum). Cross-border trade in services, including legal services, will continue to gain importance.

New ICTs will fuel change and economic recovery

Technological change stimulates the economy. Studies assume that revenues in the area of public cloud computing will have increased by a factor of 18 by 2020,⁶ and those in the field of ICT security by a factor of five by 2025.⁷ Online mail order commerce will have replaced catalogue trading by 2015 at the latest and also post strong turnover growth figures.⁸ At the same time, new information and communication technologies will fuel innovation in work processes and organisational structures.

Increasing digitalisation in the judiciary will affect the entire legal services market

While internationalisation and international clients are relevant only for certain law firms or types of firms, economic and technological developments will affect the entire legal services market. Technological developments are transforming areas like division of labour, organisational structures and work processes. Interfaces to the relevant target groups – clients as well as public and judicial authorities (“e-justice”) – are shifting increasingly to the digital domain. By 2030, the entire judicial system will have shifted to electronic transactions. The field of activity of the legal profession and work processes in law firms will be noticeably modernised as a result of change.

⁶ Cf. Berlecon Research GmbH (2010): Das Wirtschaftliche Potenzial des Internet der Dienste (BMW).i).

⁷ Cf. VDI VDE IT (2011): Technologische und wirtschaftliche Perspektiven Deutschlands durch die Konvergenz der elektronischen Medien (BMW).i).

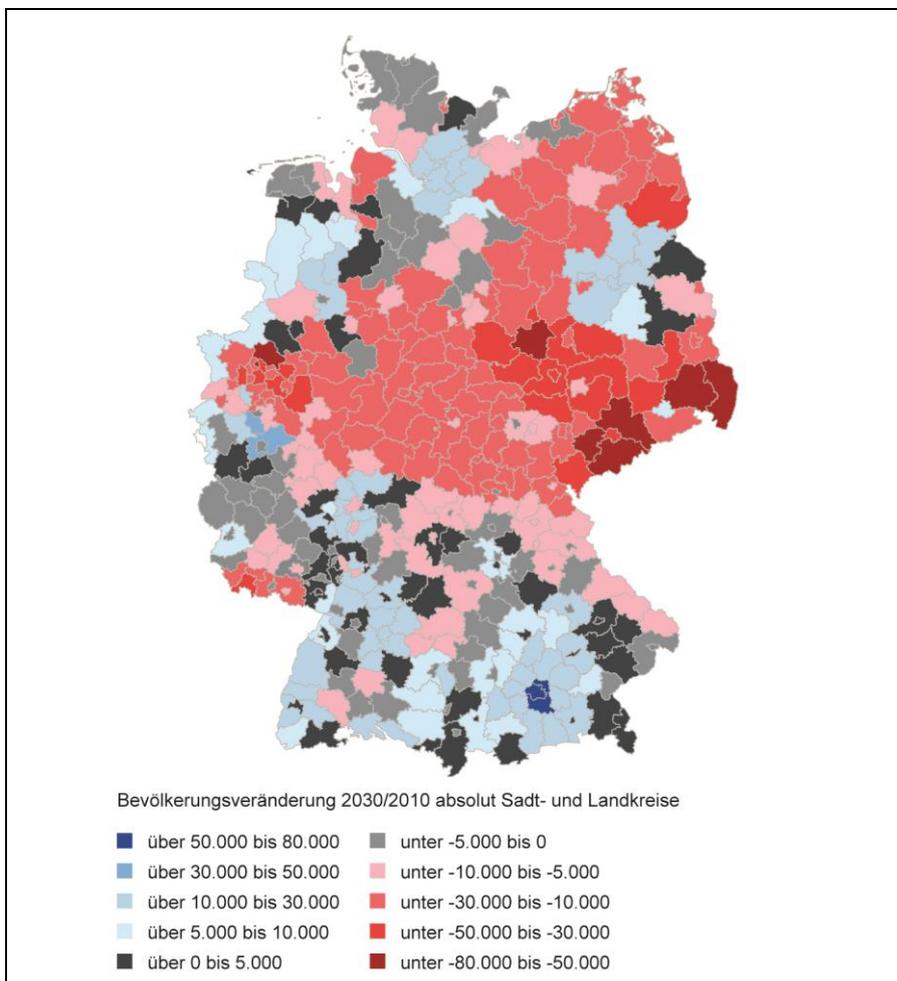
⁸ Cf. Bundesverband des Deutschen Versandhandels, Fortschreibung Exciting Commerce.

3.2. Social trends

By 2030, Germany's social structures will also have undergone significant transformations. Whereas there are currently more than 81 million people in Germany, the population in 2030 will be only 79 million (minus 3.3 percent). The size of young and middle-age groups will decline sharply. The ratio of the population of retirement age (currently 65 years) to the working-age population (old-age dependency ratio) will increase from 34 to 51 percent. Demographic change will exhibit high regional variations: 63 percent of the decline in population by 2.7 million people by 2030 will take place in Germany's new federal states.

Changes in generational distribution will affect social structures

Diagram 2: Demographic change between 2010 and 2030, in absolute figures



Source: Federal Institute for Building, Urban Affairs and Spatial Development [Bundesinstitut für Bau-, Stadt- und Raumforschung, BBSR], Prognos AG's own calculations, 2013

More immigration is needed to compensate demographic trends

The ageing of the German population has implications for, among other things, social security systems and labour supply. By 2030, the number of employed persons in Germany will have declined to 38.7 million, a decrease of nearly four percent. Rising employment trends, especially among women and the older generation, will absorb the drop in overall employment figures for a while, but by 2020 this short-term compensatory effect will no longer be possible without massive immigration.

Social inequalities will continue to present political and social challenges

It is expected that in future, too, an above-average portion of immigrants to Germany will continue to be affected by poverty and seek opportunities for advancement. In spite of increasing shortages of manpower, especially in the highly skilled sector, poverty, unemployment and unequal distribution of wealth and opportunities will continue to present a challenge for German society and German policy-makers. A growing low-wage sector in conjunction with increasing atypical employment forms – i.e. flexible employment forms such as part-time work up to 20 hours a week, non-permanent employment, temporary work and mini-jobs, which meanwhile account for a quarter of all private employment relationships – has increased the number of German households in precarious income situations.⁹

New forms of employment will increase the risk of poverty

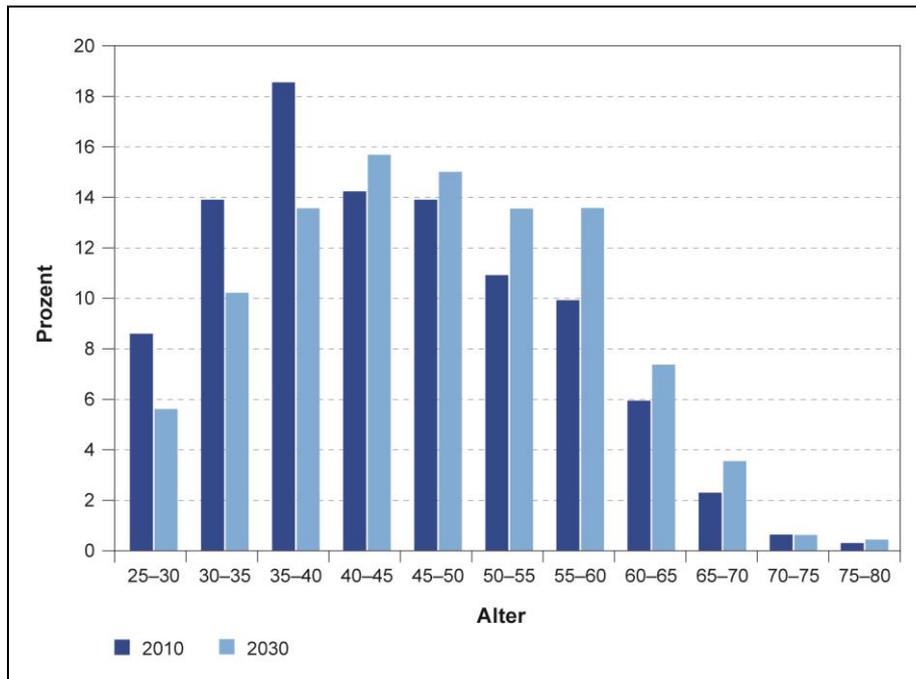
For these households, and especially for the (long-term) unemployed, the risk of poverty increases. In addition to migrants and the (long-term) unemployed, other population groups in Germany who are at risk of poverty include people with low education levels as well as single parents and their children. Also children in households with low labour force participation are increasingly at risk of poverty in Germany.¹⁰

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- ⁹ Federal Statistical Office (2012): *Niedriglohn und Beschäftigung 2010*. According to the definition of the Federal Statistical Office, “precarious employment conditions are conditions that are not suitable to ensure the long-term livelihood of a person and/or ensure their social protection. When classifying an employment situation as precarious, the personal circumstances of the employee – for instance previous employment history and household context – must also be taken into account.”
- ¹⁰ Federal Statistical Office (2013): *Leben in Europa. Gemeinschaftsstatistik über Einkommen und Lebensbedingungen (EU-SILC), Armutsgefährdung nach Sozialleistungen*. Also: Federal Statistical Office (2012): *Fachserie 1 Reihe 2.2 “Bevölkerung mit Migrationshintergrund 2011”*. Results of the micro-census. According to the definition of the European Union, people are considered at risk of poverty if they have to make do with less than 60 percent of the median income of the total population.

Over the longer term, demographic change will lead to significant changes within the legal profession. Admittedly, the population is ageing faster than lawyers taken as a whole, demographic change will thus affect the legal profession much later than other professional groups. Nevertheless, demographic change will, in the long-term, leave its traces in the legal profession as well.

The impact of demographic trends on the legal profession will come late, but it will be noticeable

Diagram 3: A comparison of the age structure of professionally active lawyers in the years 2010 and 2030



Source: Federal Statistical Office, micro-census 2010, Prognos AG's own calculations, 2013

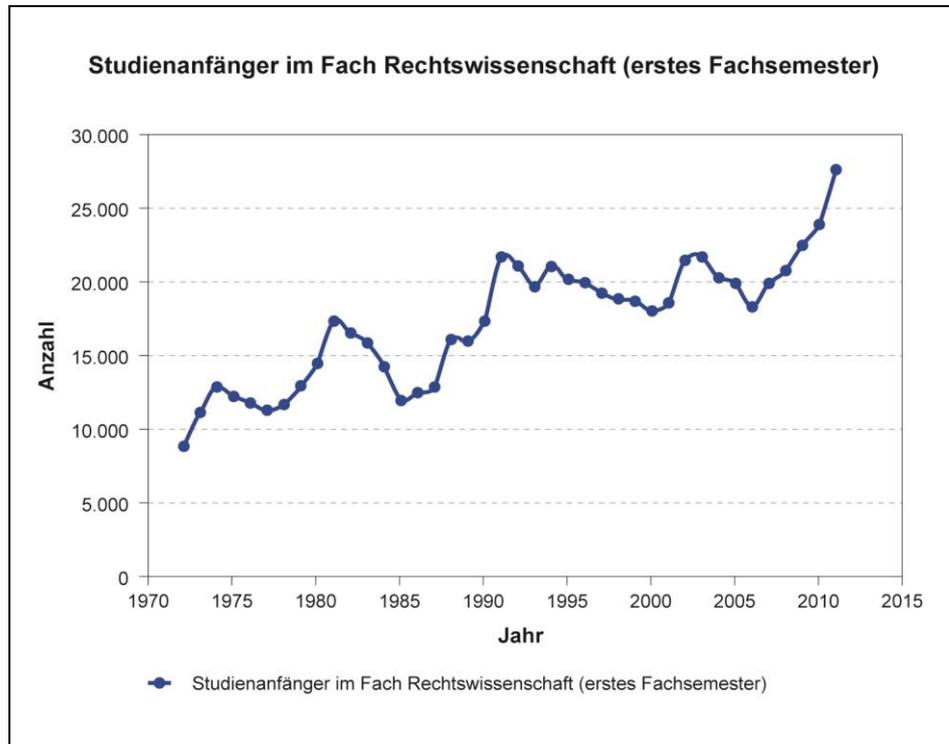
While Germany tries to cushion demographic change, for instance by recruiting skilled workers from abroad, the German legal profession will, in the long term, find it more difficult to become more international. Language barriers and the need for in-depth country-specific legal knowledge constitute severe obstacles for foreign lawyers hoping to enter the German market. The same applies to German lawyers who might, for instance, want to work abroad in non-English-speaking firms.

High barriers to internationalisation in the legal profession

For now, the number of first-semester students in German law faculties is increasing, and in the medium term this means the overall number of lawyers will also rise. Competition for clients is tightening. There are more lawyers in cities and prosperous regions, while their density is decreasing in rural areas.

Overall, and especially in cities, the number of lawyers is on the increase

Diagram 4: Development of the number of first-semester law students in university law faculties



Source: Federal Statistical Office, Prognos AG's own presentation, 2013; figures always refer to a full academic year consisting of summer and winter semesters

More and more women are entering the legal profession, and family-friendly working conditions are gaining importance for men too

At the same time, the percentage of women in the legal profession will continue to rise significantly. Both men and women will face the severe challenge of better reconciling their work and private lives. Among female lawyers, dependent employment or work as a freelance lawyer has until now been particularly attractive because of the better ways these forms offer to combine family and career. With more working women and growing numbers of single parents, the issue of childcare and family-friendly working conditions will gradually take on an even greater role in the economy, politics and society, especially as fathers' self-image has been changing and more and more men will take, or wish to take, career breaks for parenting tasks. This represents a significant change in values among both men and women. The demand for dependent employment will therefore remain high.

The upcoming (legal) generation has new needs in terms of work organisation and culture. New generations in the employment market will want more than just a better family life and a better job: they will seek an overall better equilibrium between work and other areas of life, the so-called work-life balance. The growing importance of intangible values compared to pure career goals for the next generation, the so-called millennials¹¹, will trigger profound changes in work organisation in the coming decades.

Millennials will want a better work-life balance

4. Consequences of trends and driving forces: an overview

From the developments outlined above, we can expect the following challenges to arise in the legal profession:

Competitive pressure will rise significantly. The moderate growth in turnovers expected between now and 2030 needs to be viewed against the backdrop of an increasing number of law firms. Therefore, areas of the law where excess capacities develop will witness declining remuneration levels, for instance in the consumer segment or in the field of minor legal matters that are easily standardised. Increasing cost consciousness and the expansion of legal departments within companies will further increase competition and cost pressure on law firms. As a result, more lawyers will find themselves in precarious income situations.

More law firms will also mean declining fees – and an increase in precarious income situations

The variety of law firms will increase. The diversity already in evidence among law firms will be enhanced by an increasing trend towards specialisation as well as by the evolution of new types of firms. Individual lawyers will join forces on a flexible and case-oriented basis to form larger units which, because of their more favourable cost structure, will constitute more serious competition for large or international law firms. Increasing virtualisation will facilitate the work of lawyers outside their own physical offices, in customers' premises and as (international) mobile service providers.

Firms will become more specialised and adopt more diverse forms

Lawyers' knowledge monopoly will continue to shrink. Virtual business models, legal expenses insurance companies and public players such as the EU are fuelling the trend towards the provision of free expertise on the Internet. The growing amount of online information available to clients will change the way they want to be

The importance of standardised knowledge will decrease

¹¹ Cf., inter alia, Fischer, H. et al. (2013): Die Zukunft der Arbeitswelt. Auf dem Weg ins Jahr 2030. Bericht der Kommission "Zukunft der Arbeitswelt" der Robert Bosch Stiftung.

Heuser, U. et al. (2013): Generation Y: Wollen die auch arbeiten? In: DIE ZEIT, 7 March 2013 No. 11, <http://www.zeit.de/2013/11/Generation-Y-Arbeitswelt>, last accessed on 14 May 2013.

approached, treated and advised. This increasing transparency of legal expertise will reduce the importance of standardised legal knowledge and force prices down. It will also increase the influence of insurance companies in the legal services market for private clients. Business models will require high-quality legal advice at reduced prices. The exigencies of legal protection insurance companies will also accelerate the trend towards out-of-court settlements, which will boost the importance of this type of dispute resolution.

Technological change will bring about significant changes in work processes and the lawyers' market situation

Technology will become a central driving force for change in the legal profession. Numerous market opportunities will be created in the area of virtual business models. Standardisable consulting services will be taken over by online providers, and the internet will facilitate the process of lawyer referrals. This will erode traditional market segments, and lawyers will gradually focus more on pure consulting activities. Many judicial issues will be settled via electronic transactions, and working processes in law firms will need to be adjusted accordingly. The expansion of IT processes and increasing data security will gradually reduce the need for non-lawyer staff in law firms and thus lead to changes in their personnel structure. Already, technological devices allow more and more mobility and facilitate file sharing, and gradually this will increase the demand for more accessibility and availability and change lawyers' communication behaviour. A shift from a seller's to a buyer's market is taking place. Firms will handle large segments of their work online, so that lawyers are no longer tied to a fixed physical place of work. At the same time, the costs of starting a law firm will decline, thus facilitating market entry for young lawyers.

Parts of the judicial infrastructure will be dismantled, and the importance of social institutions and alternative practitioners will grow

Access to the law is changing. Although rationalisation processes in the judicial infrastructure will significantly reduce access to the law from a geographical point of view, and although the demand for lawyers' services will decline because of a drop in real incomes, these developments will largely be offset by an increase in lawyers' pro bono activities and a rise in alternative forms of financing. In particular, the importance of social actors and institutions as intermediaries and financiers of legal services will increase.

Internationalisation will place high demands on lawyers and stand in the way of a better work-life balance

International competition is forcing German lawyers to become more efficient, more effective and more specialised. Law firms are increasingly expected to develop their own internationalisation strategies. Firms that want to advise international clients will need highly specialised international networks and structures to be able to respond to requests for advice at short notice. This will create new demands on the education profile of lawyers and non-lawyer personnel. Language skills will become even more important than they are today. International training is therefore highly popular among law students. However, international consulting activities

will conflict with the demands of young lawyers for a better work-life balance.

Lawyers and their staff are becoming more heterogeneous.

Increasingly, the legal profession will be dominated by female lawyers. More and more lawyers with migrant backgrounds, lawyers from abroad, graduates with a wide variety of degrees (business law, national and international Bachelor and Master degrees) will be working in law firms, replacing legal and notarial secretaries. Standardised processes will be handled by non-lawyer staff while the lawyers themselves will focus on specialised consulting and courtroom work. The increasing participation of women in the labour force, lack of options for childcare and other caregiver activities and a changing self-image of fathers will require new solutions in law firms' work organisation and culture. The upcoming lawyer generation will want a better balance between work and other areas of life.

New structures will require new solutions for work organisation and culture in the legal profession

5. Changes in the law of professional rules

We can estimate the severity of the challenges outlined so far by consistently assessing overarching trends. The following paragraphs will describe two further challenges to the legal profession that are likely to arise if we consider trends in neighbouring European countries or in similarly structured industries. We can expect the probable introduction of alternative business structures in the legal services market and the near-disappearance of the legal monopoly to have serious implications for the legal profession. The effects outlined below are based on the findings of several expert groups and workshops in collaboration with the DAV.

Planned legal changes will have far-reaching consequences for the legal profession

Greater competition from new players in the legal services market

It can be assumed that the approval of so-called “alternative business structures” (ABS) for the German legal services market and the abolition of the legal monopoly, at least partially, will attract numerous new and financially strong players in the legal services market. Non-lawyers will be allowed to own law firms. Traditional financial investors such as insurance companies and banks will be permitted to acquire shares in law firms. Insurers will also be able to found law firms in which they hold a 100-percent stake. Competition is set to increase. However, lawyers will also be able to establish multi-disciplinary partnerships with members of many other professional groups, allowing them to share business expenses and cooperate in various fields. All these changes will make the legal services market more diverse and more international.

ABSs will create new opportunities for legal consultancy, and prices will fall

However, legal consulting services involving standardisable legal problems are increasingly likely to pass into the hands of new providers. We can expect large chains of law firms to elbow their way into the market: consulting in the supermarket will become common in many places and ABS cooperatives will attract large numbers of new members. Technological innovations will enhance this development: intelligent algorithms will allow consumers to find the legal advice they need on the Internet. Other online systems will offer low-threshold, reasonably priced legal advice on topics of consumer interest, social law and similar issues.

These structural changes will initially push prices in the legal services market down. The high cost structures of many law firms will no longer be accepted in the face of this competition in the legal services market, causing a market shakeout. Some firms will be forced to close. Only after a period of consolidation are average prices likely to rise again.

Legal representation in court will remain the domain of lawyers, and demand for specialists will rise

These new big chains of law firms will handle general legal services and, in particular, pre-trial consultation with the help of a variety of legal professionals (non-lawyer jurists / commercial-law specialists). Legal representation and specialised consulting, however, will remain the domain of lawyers with full law degrees and certified specialist lawyers. The demand for certified specialist lawyers is likely to increase. These lawyers will then pool their resources by forming flexible networks and collaborations depending on their briefs and go their separate ways once a particular case has been handled. Boutique law firms will continue to be in high demand among middle-class clients, and they will cover the demand in this sector.

With the arrival of new (financially strong) players in the context of ABSs, the key challenges for law firm management will be:

- clear competitive strategies for a more secure market position, for instance focusing on core law business segments in the sense of high-priced, highly specialised legal advice, online business models, interprofessional collaboration, etc.;
- specialisation and marketing.

6. How to be a successful lawyers in 2030?

The present study offers no panaceas for lawyers – the legal profession is much too heterogeneous and the challenges to be faced are too manifold. In the context of the fields of action we have described, every firm needs to develop its own (future) strategy and align it to the firm’s situation and orientation. Factors such as location, client segment, specialisation area, firm size, geographical catchment area and personal goals are crucial.

The main success criteria applying to the legal profession as a whole in 2030 will be:

The lawyers of 2030 will have to be skilled entrepreneurs

Competitive pressure in the legal consultancy sector will continue to increase. Surviving in tomorrow’s market will be more difficult. The demand for entrepreneurial skills will increase. All law firms will need specialisation areas and individual unique value propositions (USPs). Basically, law firm owners will have to give their firms a sharply defined strategy and a clear-cut orientation and keep a sharp eye on existing and future market potential. In particular, individual lawyers who until now have enjoyed a high degree of self-determination, for example in terms of their own work-life balance, will need to consider the potential advantages of mergers or office-sharing options to increase efficiency and facilitate client acquisition. In view of the trends expected between now and 2030, the motto “size matters”, i.e. the size of a company can be a key factor for its economic success, will gradually gain importance in what is still a small-scaled legal services market. This will mean more cooperation – above all among individual lawyers and small law firms –, more flexible networks and more case-based temporary partnerships. In the field of legal consulting, loose forms of cooperation and project-based work will experience increased popularity.

Individual strategies and entrepreneurial skills are in demand

New corporate forms are gaining in importance: size matters!

The lawyers of 2030 will have to be specialised

What will count will be specialisation and technical expertise

Clients want specialised advice and technical expertise. Networks for the necessary personnel resources and technological support for “larger” cases can then be tapped on a flexible basis, even by small firms. Cooperation with other players in the legal services market, for instance insurance companies, can help increase a firm’s own visibility. Smaller law firms will need a particularly creative and interdisciplinary approach in order to open up new market opportunities, for instance by developing innovative business models in the expanding online world, by seeking certification to offer various law-related activities, or by specialising in niche legal areas. Initiating a strategy process for one’s own firm is a good way to start defining the scope of the firm in today’s legal services market, to explore the firm’s potential and determine the objectives to be achieved in the future.

Branding will be important

Corporate design is an important tool in a firm’s marketing concept

A good market position also requires a sophisticated and targeted communications and marketing plan. Creating and consolidating a firm’s own “corporate brand” is essential for visibility and market recognition. This can be promoted by developing a corporate design that will give the firm a uniform external appearance. Internet-based marketing activities can also help increase the visibility of a firm’s brand. One particularly effective tool for lawyers to boost public perception of themselves as experts in their field and to increase demand is maintaining an active online presence by publishing professional texts.

The lawyers of 2030 will have to be networked

Networking and client feedback are good optimisation tools

In the legal services market, (referral) networks and word-of-mouth publicity will continue to be a key success factor for client acquisition. Networking activities with colleagues are the most important factor in this area. Initiating personal contacts at lectures and events may seem like a resource-intensive strategy, but these contacts are crucial in an industry where not only cost issues but also intangible aspects such as trust are decisive for referrals. Experience has shown that a firm’s reputation is based primarily on how cases are processed and how clients are treated. This means adopting a client-oriented approach that takes into account the expectations and rationales of the various client segments and ensures customer satisfaction for the duration of the case. Systematic and regular client feedback offers opportunities to identify areas where further case processing can be optimised and work processes improved. Firms need to consider the diversity of clients’ needs, which vary by segment and area of expertise.

Not only specialisation, but a holistic approach to problem-solving

In future, law firms will need to focus more on functions such as consultancy, problem-solving and service provision, and not only on the application of the law. Clients expect short response times and quick familiarisation periods, friendliness, information and transparency (early cost and risk assessment, active communication about the course of a case, strategies and actual costs, timely invoicing, etc.) and advice (for instance about risks and opportunities in the context of the case). Now more than ever, clients take for granted that firms will show maximum flexibility.

Lawyers' conception of their profession needs to change

Firms will maintain a highly efficient back office

With clients' increasing sense of entitlement and growing cost sensitivity, a firm's internal processes and management approach are becoming increasingly central to its success. In many firms, the importance of traditional training profiles for non-legal staff in the area of legal consultancy and notarial work will decrease, because these tasks will increasingly be carried out by external service providers (thanks to improved technological facilities) or by university-qualified jurists who are not fully qualified lawyers (graduates with diploma degrees, BAs, LLBs), or they will be performed by the lawyers themselves. Standardised consulting services will be offered by large companies at prices that small firms cannot match. Solo practitioners and small law firms will have to focus on specialisation, on developing USPs, on creating fiduciary relationships with clients and on efficiently organising their internal work processes. By 2030, client communication and the use of information and communication technologies in case processing (e-files) will have become normal practice for all players.

Small firms need to focus on fiduciary relationships, efficient law firm organisation and unique characteristics.

The lawyers of 2030 will want an attractive work environment

Personnel management and work-life balance will gain importance and create a demand for new options

In addition to optimised internal work processes and cost structures, future law firms will need new HR management measures. Upcoming generations of lawyers will increasingly consist of women and so-called digital natives (i.e. those who have grown up with the Internet) as well as people who increasingly value their private lives (the so-called millennials). Overall, there will be more demand for flexible solutions to issues of family/career compatibility. These new requirements will be the result of increasing numbers of working people with elderly parents, fathers taking parental leave and women who want to combine a career and children. Only firms that can attract and retain qualified personnel will be able to compete for top-quality staff. This will mean that firms will need to offer features such as flexible working hours and employment models, employment options that are free of place and time constraints (for instance home office, part-time or freelance work) and various options for improving family/career compatibility – especially for (female) partners (for instance, part-time tandems for executives).

The lawyers of 2030 will have to be open to new technologies

ICT systems can support flexible employment models

The innovative character of modern information and communication technologies opens up numerous ways of meeting the needs for more flexibility in workplace and working hours while ensuring efficient office operations. Location-independent ICT systems with appropriate data security are therefore crucial for flexible employment models in the legal services sector, e.g. home office and freelance work. For this to happen, law firms will have to migrate their entire operations to IT systems (e.g., e-files) and expand their ICT infrastructure. Technological development has been identified as one of the key drivers in the legal services market. Keeping up with developments and assessing their potential for one's own law firm will be an important challenge for tomorrow's lawyers.

Make the most of today's opportunities

There are usually two reasons for developing long-term strategies: either we are acting from a current position of strength and want to maintain or even expand this strength for the future, or we are trying to react to a particularly negative starting situation by bringing about an improvement. For the legal profession, it is the former reason that applies: today's law firms can operate from a position of strength, which indicates that the time for the present study is well chosen.

The study has shown that the legal profession is definitely in a position to develop and implement strategies that will successfully address future challenges. However, it is also clear that some of its members are currently not sufficiently aware of the problem or do not have enough scope for action. At the same time, some may have the impression that 2030 is a relatively long time away, and that there is still plenty of time for action in the medium term. This impression is deceptive, because every year the scope for action thins and the pressure to act grows.

Increasing diversity means more opportunities for lawyers. But to take advantage of them, lawyers have to tread new paths, also in the law of professional rules. The decisive factor will be whether lawyers can learn to think and act along more entrepreneurial lines.

The legal profession needs to reinvent itself – again and again!

The legal profession is in a position of strength and lawyers should now be developing strategies for action

Take advantage of new opportunities now!

7. Acknowledgements

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In addition to a review of the literature, the empirical study has included interviews with experts, a Delphi-method expert consultation on the basis of workshops on the consequences of trends for the legal profession, and scenario workshops. Between June and August 2012, we also conducted one of the largest (online) surveys among lawyers. A total of 7,202 lawyers participated in the survey.

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