

Tracker Survey 2014

Briefing note: A changing market

Key findings:

- Analysis of four years data on questions relating to purchasing behaviour suggests consumers are starting to respond to the changing market
- Compared to 2011 data, consumers are happier with the choice available to them (65% to 68%), shop around more (21% to 24%) and are more satisfied with value for money (57% to 63%). They find it less difficult to compare lawyers (28% to 14%) and are less likely to go to back to the lawyer they used for their previous transaction (25% to 22%)
- The family market has changed the most. This is particularly seen in fixed fees which have risen in use from 12% to 45% since 2012. Across legal services, 46% of transactions are fixed-fee deals compared to 38% in 2012
- Use of quality marks (5%) and price comparison websites remains low (2%)
- Small firms are the predominant business model, although large corporates, national brands and online firms make up 20% of all providers
- Almost 1 in 5 transactions involve some degree of unbundling, where the provider and consumer share tasks between them. It occurs most in probate, employment and immigration, and among ABC1s and younger groups

Note on methodology

For the last four years the Panel has commissioned YouGov to conduct an annual tracker survey in two parts: a nationally representative sample (1,896 adults); and a sample of people who have used legal services in the last two years (1,060 adults). Booster samples were obtained for Wales and BME groups. All the figures below have been weighted and are representative of all GB adults (aged 18+). The results have been tested to the 95% confidence level – we are 95% confident that these findings are not due to chance. Fieldwork took place during 14 February – 12 March 2014.

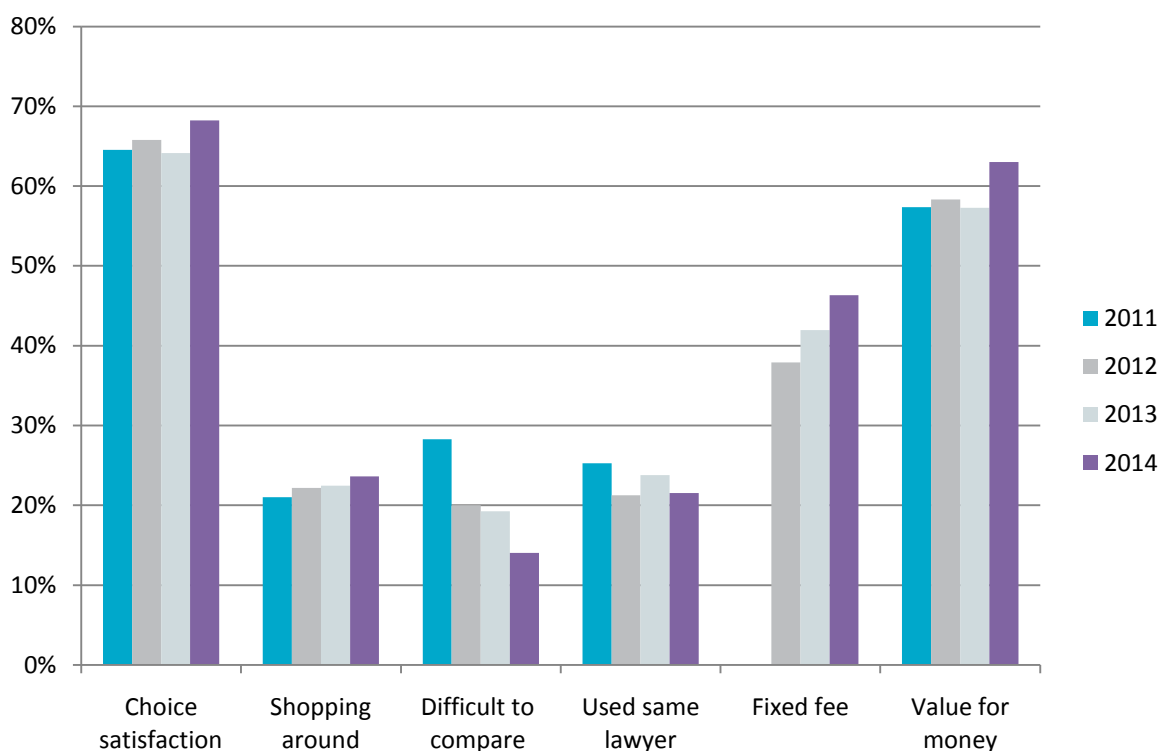
Changes in consumer behaviour

The success of the legal services reforms depend on lifting anti-competitive restrictions on the supply side being matched by active consumers making informed choices on the demand side. The Tracker Survey includes a group of questions relating to purchasing behaviour which suggests consumers are starting to respond to the changing market.

Consumers are more satisfied than in 2011 with the choice available to them. When searching for a provider they are more likely to shop around and less likely to use the lawyer they did previously. Younger age groups in particular are much more likely to shop around for legal services. The number of people finding it difficult to compare lawyers has halved in the last four years (28% to 14%). Another significant development is the rise in fixed-fee deals, which are up from 38% in 2012 to 46% in 2014 (this question wasn't asked in the 2011 edition). During the last twelve months there has also been an increase in satisfaction with value for money, from 57% to 63%.

While these are encouraging signs, it isn't all good news. The decline in people finding it difficult to compare lawyers has been replaced by a rise in those who feel ambivalent about this; those stating they found comparing lawyers to be easy is largely unchanged. Usage of choice tools such as quality marks and comparison websites has also stayed very low, at 5% and 1% respectively. Meanwhile, consumers still mainly rely on passive search methods to find a lawyer, such as personal recommendations and referrals by companies, than actively to search the market.

Chart 1 – Some signs of more active consumers

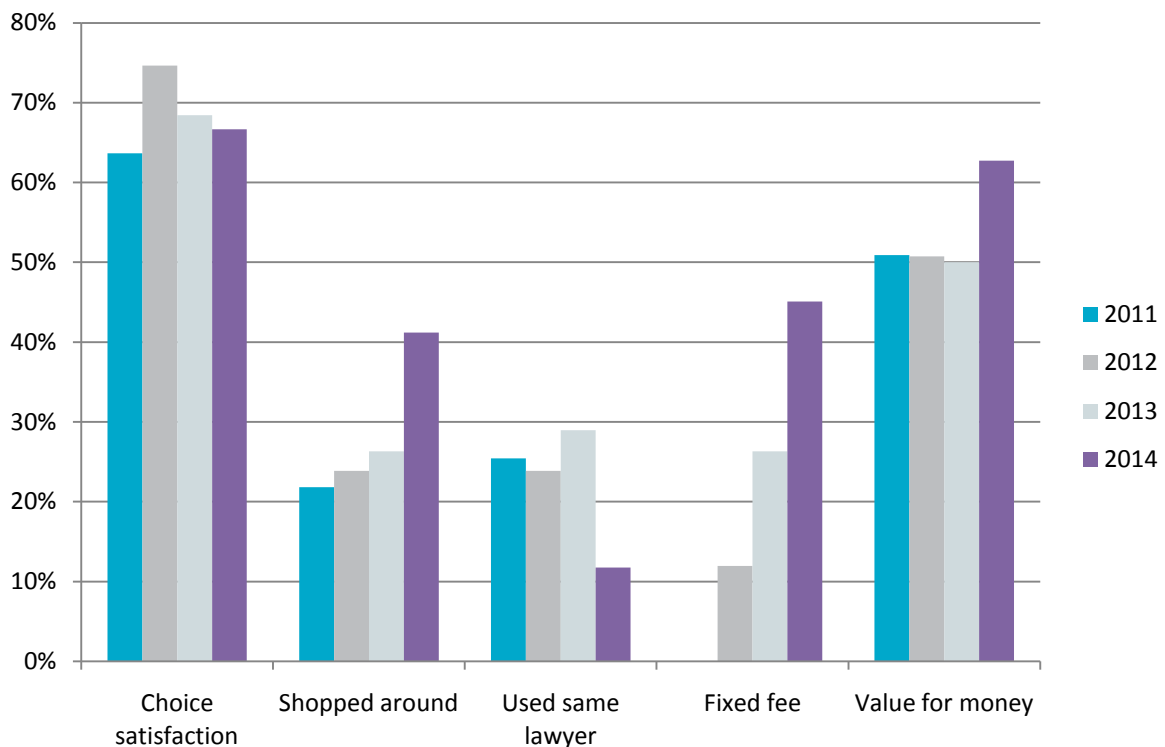


Family law – a market undergoing transformation

Looking at individual markets, the most changed is family law. It is interesting to consider the extent to which a high-profile new entrant, Co-Operative Legal Services, has led to these changes. With the exception of satisfaction with choice, there is an especially marked difference in the indicators featured in the previous chart. In particular, fixed-fee deals accounted for a little over 1 in 10 transactions in 2012, but nearly half in 2014.

The family markets is among those most likely to be strongly affected by external regulatory changes introduced through LASPO (Legal Aid Sentencing and Punishment of Offenders Act). However, since the Tracker Survey sample is people who used legal services within the last two years, changes due to this development are unlikely to be seen in our data until next year's edition of the survey.

Chart 2 – The impact of competition in family law?



Fixed fees – and the death of the hourly rate

The rise in fixed-fee deals has been a feature of previous editions of the survey. Fixed fees are a good indicator of competition: they may be more popular with consumers than lawyers since they offer certainty for the former, but less certainty for the profession as the work may take longer than they anticipate.

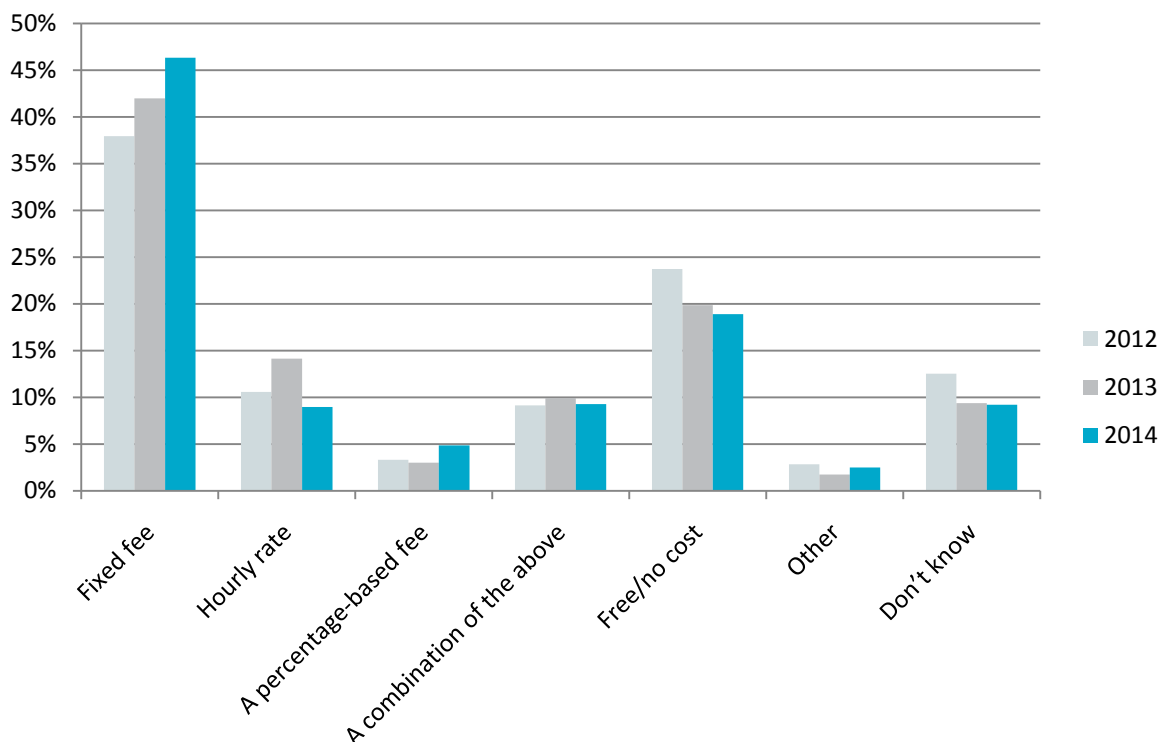
Fixed-fee deals are likely to be more common where the work is more predictable. While our data backs this up, we are seeing such arrangements in a wide range of areas. The five areas where fixed fees are most common are: will-writing (71%); power of attorney (65%); conveyancing (66%); immigration (55%); and family (45%).

The hourly rate now accounts for less than 10% of transactions. It is most common in probate and employment work – in both around one in every five transactions.

As might be expected, free/no cost work is most common in areas of law where legal aid remains and for personal injury and employment matters.

This question was asked for the first time in 2012, so there is no data for 2011.

Chart 3 – Billing methods



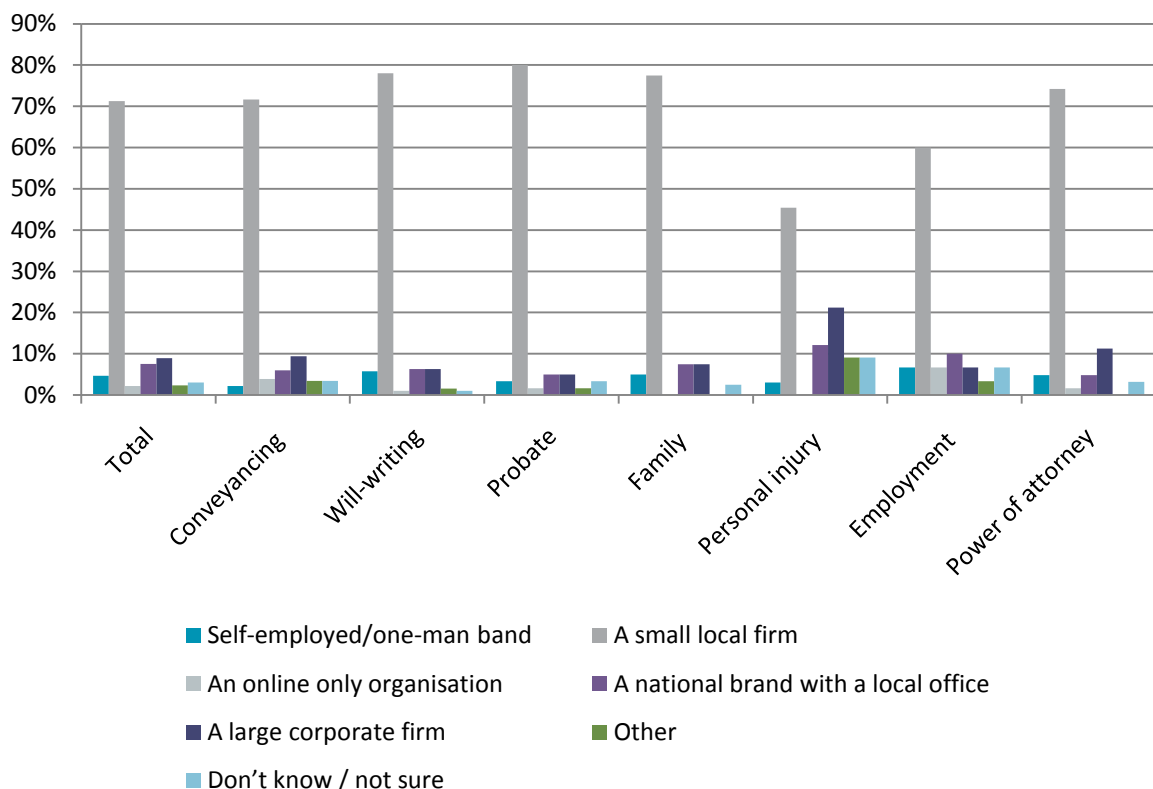
Nature of firm

Given interest in the changing structure of the market, we asked a new question this year to find out the size or type of law firm that consumers are using. Whether survey respondents consistently and accurately judge the nature of the firm is a limitation of this question, but the results offers indicative findings for further exploration.

The data suggests small local firms are still the predominant business model, although large corporates, national brands and online firms make up 20% of all providers. However, the situation is different depending on the area of law. For example, smaller providers are more likely to be used for probate, will-writing, family and power of attorney transactions, perhaps reflecting the continued desire for local, face-to-face service for these more personal matters. Unsurprisingly, personal injury presents a different picture with sole practitioners and small firms making up less than half of all providers used.

The data also contains some demographic differences, although this may relate to the legal services that different population groups tend to use. Generally speaking, use of online only providers is more prevalent among younger age groups while the tendency to use small local firms increases with age. Other Tracker Survey questions support the view that older groups are more likely to receive services face-to-face than younger people, while the reverse is true for online delivery methods.

Chart 4 – Nature of firm



Unbundling

Another new question for the 2014 survey explored unbundling. In simple terms an unbundled service involves lawyers selling small amounts of their time or taking on one or two defined pieces of work in the course of a case rather than the case as a whole. There is interest in unbundling as a solution to make legal services more affordable. During 2014/15 the Legal Services Board and the Panel plan to undertake consumer research to find out people’s experience of using unbundled services.

As with the previous chart, a limitation is the accuracy of respondent’s answers to the question, especially as business models vary and unbundling happens by degrees. Nevertheless, this exploratory data suggests almost 1 in 5 transactions involve some degree of unbundling – the precise wording was: ‘we agreed the legal service provider would carry out some specific tasks on my case and I would do the other parts’.

Chart 4 suggests that unbundling occurs most in probate, employment and immigration matters, whereas the provider is most likely to do all the work in conveyancing and wills. Demographic analysis suggests that unbundling is more common among social groups ABC1 and younger age groups.

Our data on service satisfaction suggests only small differences between a lawyer providing a full service (84%) and unbundled provision (81%).

Chart 5 – Unbundled legal services

