

3Kites Consulting

Recent Developments in the In-House Legal Tech Market

a. The “Buy Side”:

The impact of the pandemic caused legal teams to re-examine their technology tools as 2020 unfolded. The initial disruption refocused all of our working practices and relationships through an online prism. Thereafter, astute lawyers asked how they could benefit from previously under-used technologies. Some realised that prior neglect of their core systems hampered life in the working-from-home-world. Document management systems with poor structures or without clear/uniform taxonomies became a source of frustration and those without effective contract management systems suffered too.

Nevertheless, there was comment in the legal media that legal technology buying was focused more on technology for corporate clients than on tech acquired for legal teams’ own direct benefit. The implication was that legal teams were perhaps looking after their business colleagues’ needs better than their own. Was that fair? In reality the majority of legal tech has two-way benefits: while it may be targeted at usage by the business client (not lawyers), the adoption of most legal tech also has a clear benefit on the legal team’s efficiency, or their legal costs or both.

b. Suppliers & Infrastructure:

The current market continues to be characterised by a plethora of small players/start-ups. While consolidation is happening in some quarters (Thomson Reuters is one notably acquisitive player), it’s still hard to see who the big, long-term winners will be in the sector.

Some signs of market maturity are emerging around the pricing structures offered by legal tech suppliers, in particular with a push towards greater pricing flexibility in products like contract analysis and data extraction tools for due diligence and e-discovery which can increasingly be purchased on a pay as you go basis. This model offers greater accessibility to these products for in-house teams who usually have a more sporadic need for them than their law firm counterparts.

More generally on the supply side the ongoing effect of Covid-19 may be to strangle many small suppliers of access to the capital they need for product development in the short term at least, although in the medium/long term supplier failures should be a catalyst for market consolidation and maturity. It’s not all bad news though – the nature of the current market does throw up opportunities, especially for the bold purchaser who has a greater chance of driving a good price due to the competitive nature of the market and small scale of many suppliers. There is also more potential in this market to influence development of the technology you are buying to fit your own needs as an early adopter.

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Giles Pemberton, January 2021