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# Legal Sector Breakfast Briefing

**Yorkshire**

18 October 2023



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# Legal Sector Breakfast Briefing

Welcome

Andy Gray, Senior Civil Clerk  
Dere Street Barristers



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# Legal Sector Breakfast Briefing

## Introduction

Sally Jones, Accounting Senior Manager  
Armstrong Watson



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# Legal Sector Breakfast Briefing

- 10:00 - Welcome
- 10:05 - Briefing
- 11:00 - Q & A
- 11:30 - Close



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# Tackling today's industry challenges

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# Who we are



- 1 We can increase your profits by 5-15% of turnover in 12-24 months
- 2 We guarantee to improve your customer service, costs, cash and risk
- 3 You gain a competitive advantage and an investment in your team

# The next 60 minutes

- 1 The importance of marginal gains
- 2 Cost of acquisition
- 3 Direct costs
- 4 Reducing indirect costs and losses
- 5 Exploding some market myths with data



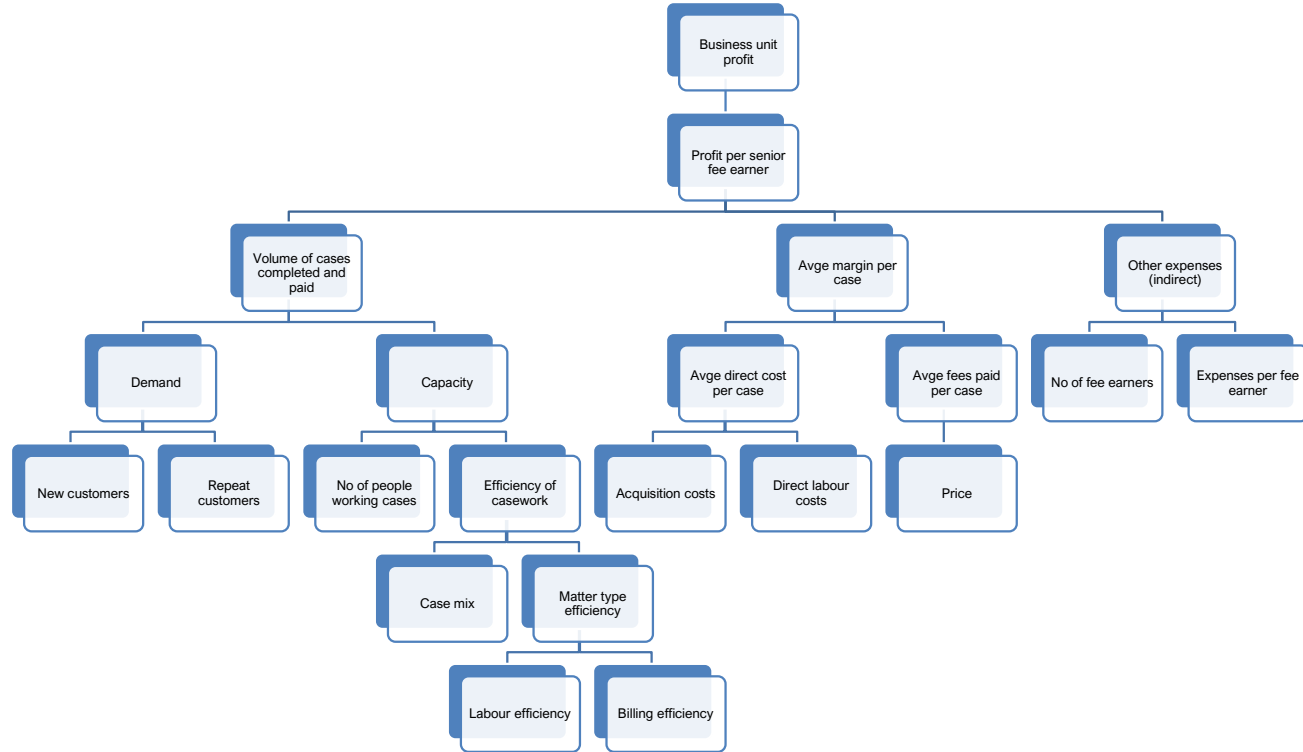
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# Margin or Cost Improvement

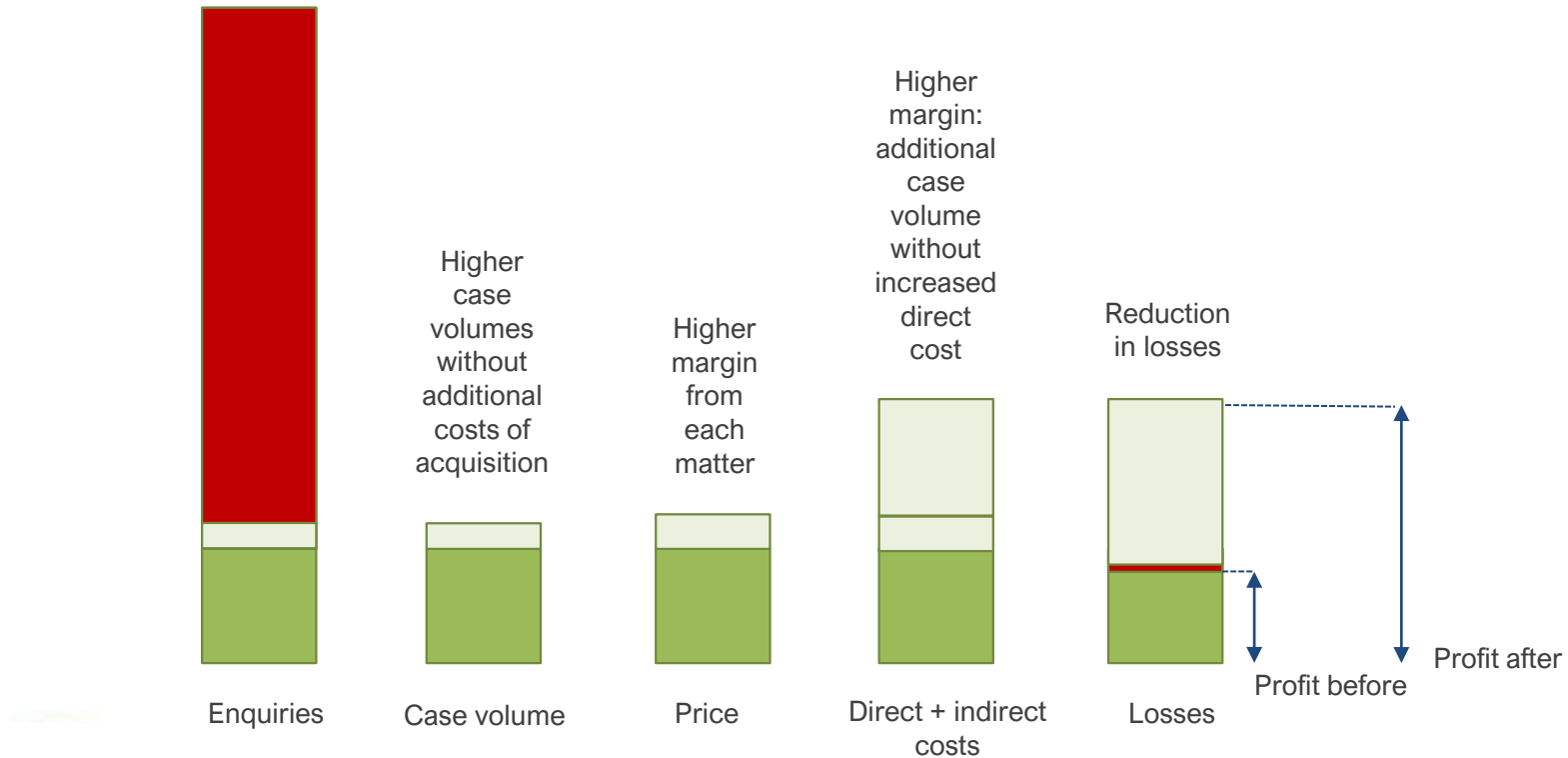




# The firm needs to understand the causes of performance



# Marginal gains can lead to big improvements in cost and profit



# ACQUISITION COSTS

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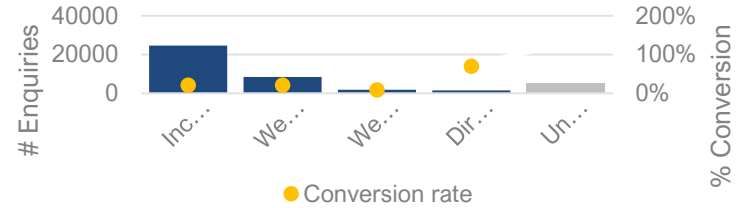
# You have more control over client intake than you think



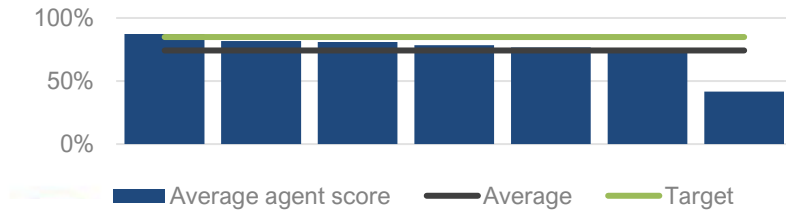
### Average intake losses



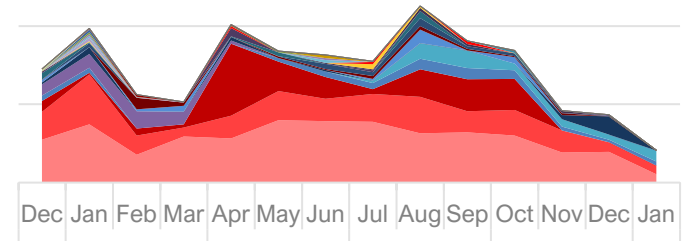
### Conversion by channel



### Conversion by call handler



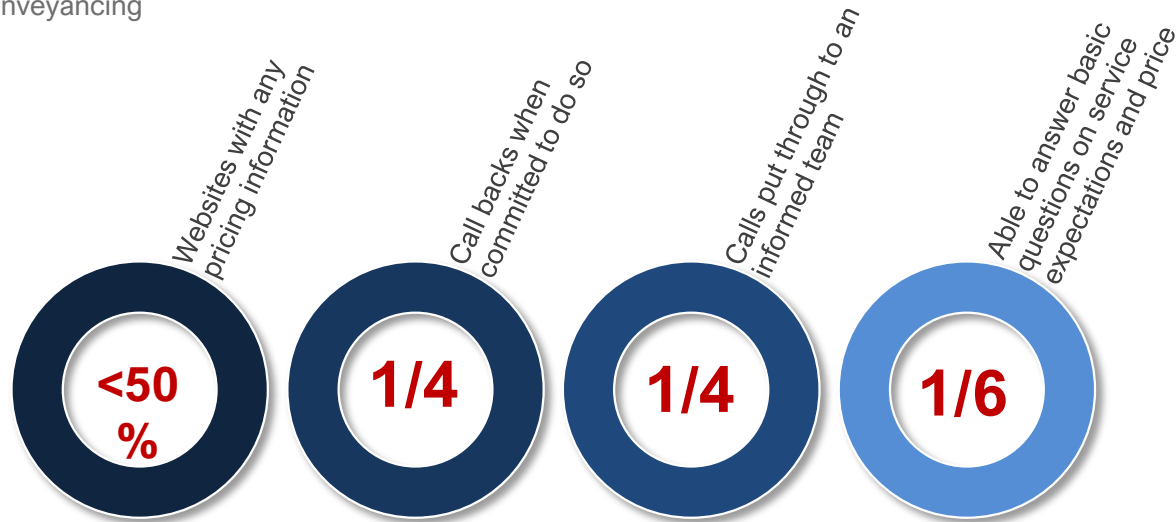
### Revenue by source of business



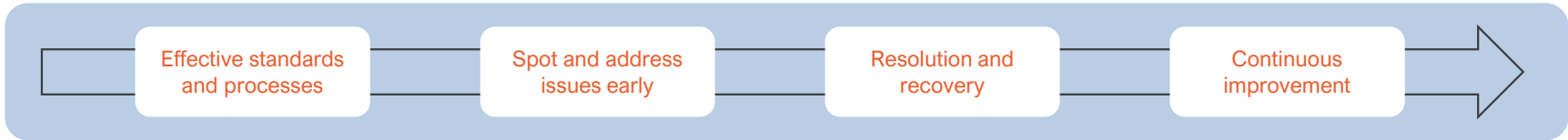
# Get customers at zero cost by responding to enquiries



- 23% of customers shop around for legal services
- Secret shopping data gathered from top five and bottom five consumer law firms by Trustpilot score
- Personal injury
- Residential conveyancing
- Wills



# Deliver consistent customer service at scale



## 1 Effective customer service standards and processes

- Understand your customers' expectations in detail
- Build your SLAs and processes around these
- Make your people aware, and incentivise them to deliver
- Check expectations are being met with data and monitoring

## 3 Resolution and recovery of any complaints

- Follow best practice for complaint resolution (quick, bespoke, empathetic)
- Go above and beyond
- Resolve public complaints openly

## 2 Spot and address any deviation from excellent early on

- Flag predictable lapses in service early,
- Train and empower staff to recover minor slips
- Be available to customers and provide timely, accurate information

## 4 Embed continuous performance improvement

- Understand and measure the drivers of performance
- Diagnose issues to root cause
- Review with action in mind
- Ensure time and skills for taking action
- Check expected changes in performance are delivered

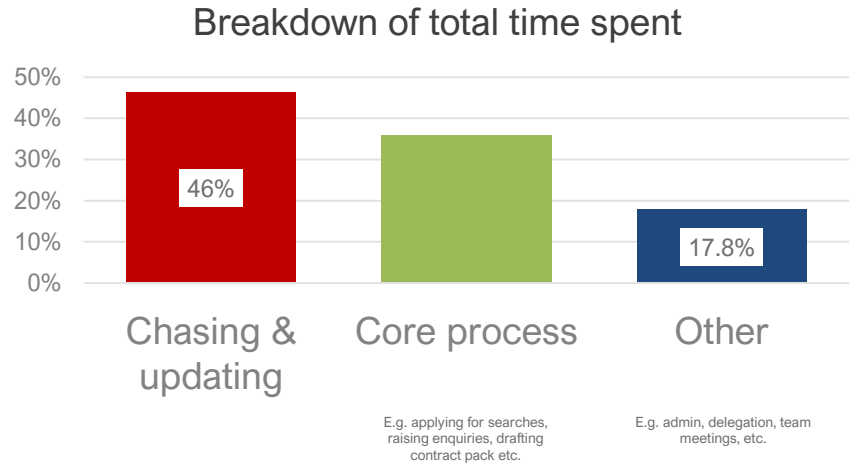
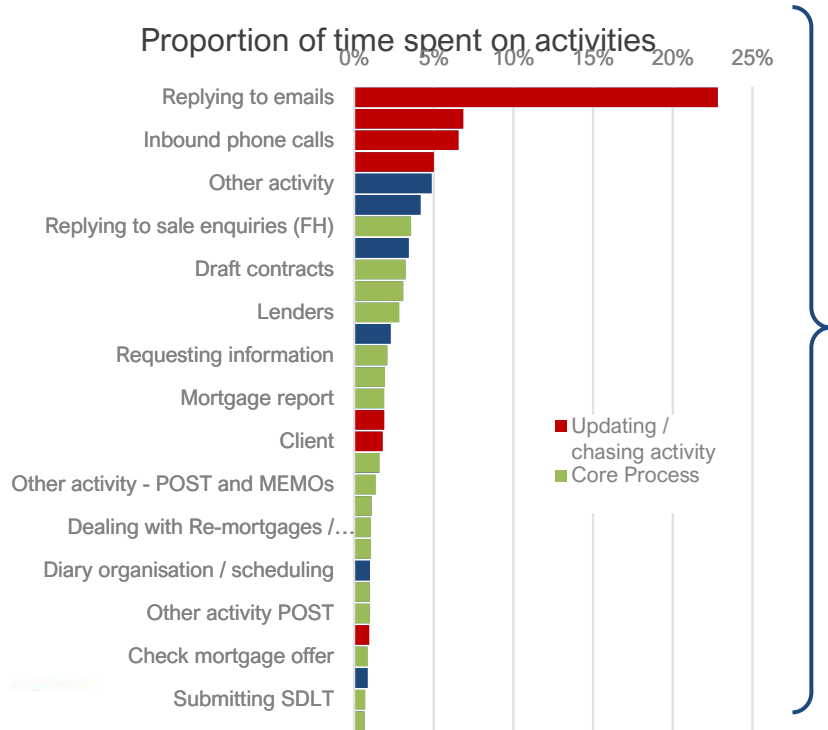
# DIRECT COSTS

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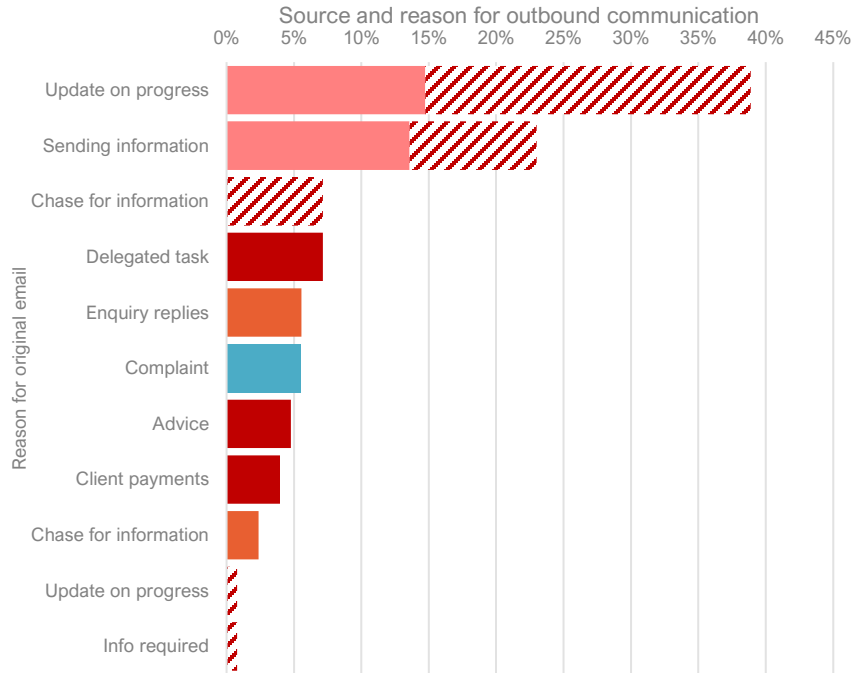
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# Understand where the time goes



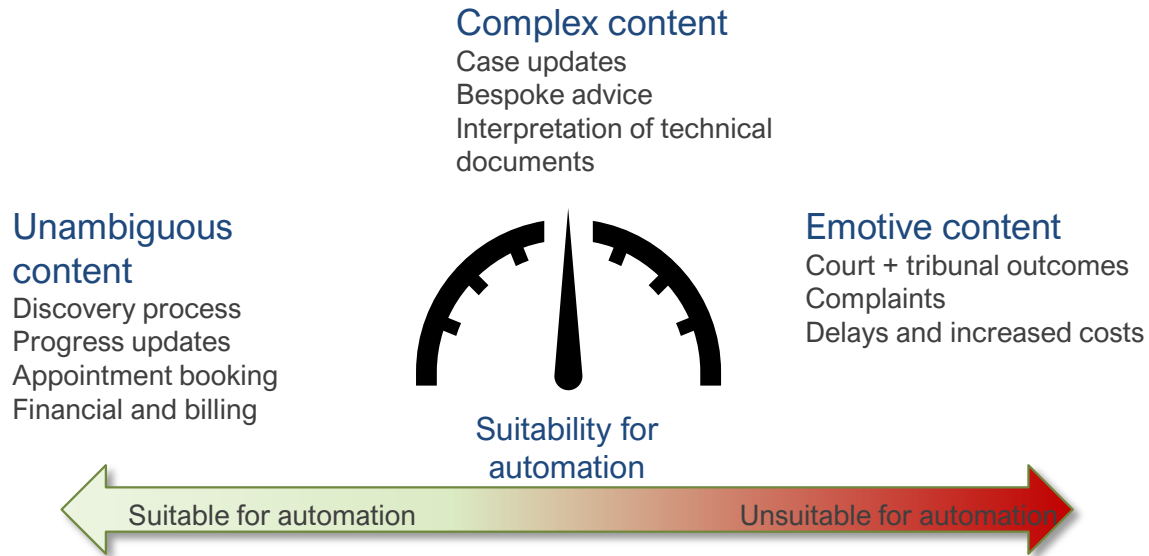


# Fix the biggest issues in sequence



- Client-update templates
- Automated requests for information and chasers
- Portal updates and automated emails
- Recovers 42% of time spent on outbound communication
- This saved 20% of staff time
- This allows 20% more cases to be processed without any increase in fee earner costs

# ...but understand and manage the complexity



# Delegate wherever possible



# 63%

The amount of fee earner time that could be delegated

Task	Can it be delegated?	Who to?	time (FTE)
Delegating tasks / management / supervision	Y	Team Leader	0.15
Other activity - approving payments	Y	Team Leader	0.1
Team meetings	N	Solicitor	0.79
Other activity	N	Solicitor	0.54
Review complex / miscellaneous documents	N	Solicitor	0.42
Other activity (finance)	N		
General admin	N		
Leasehold title report	N		
Training (meetings or workshops)*	N		
Review Leasehold title check	N		
Waiting for step to run	N		
Diary organisation / scheduling	N		
Check replies to enquiries	Y		
Review Freehold title check	Y		
Draft completion statement	Y		
Freehold title report	Y		
Replying to sale enquiries (LH)	Y		
Review Source & proof of funds	Y		
Search report	Y		
Check Searches	Y		
Replying to sale enquiries (FH)	Y		

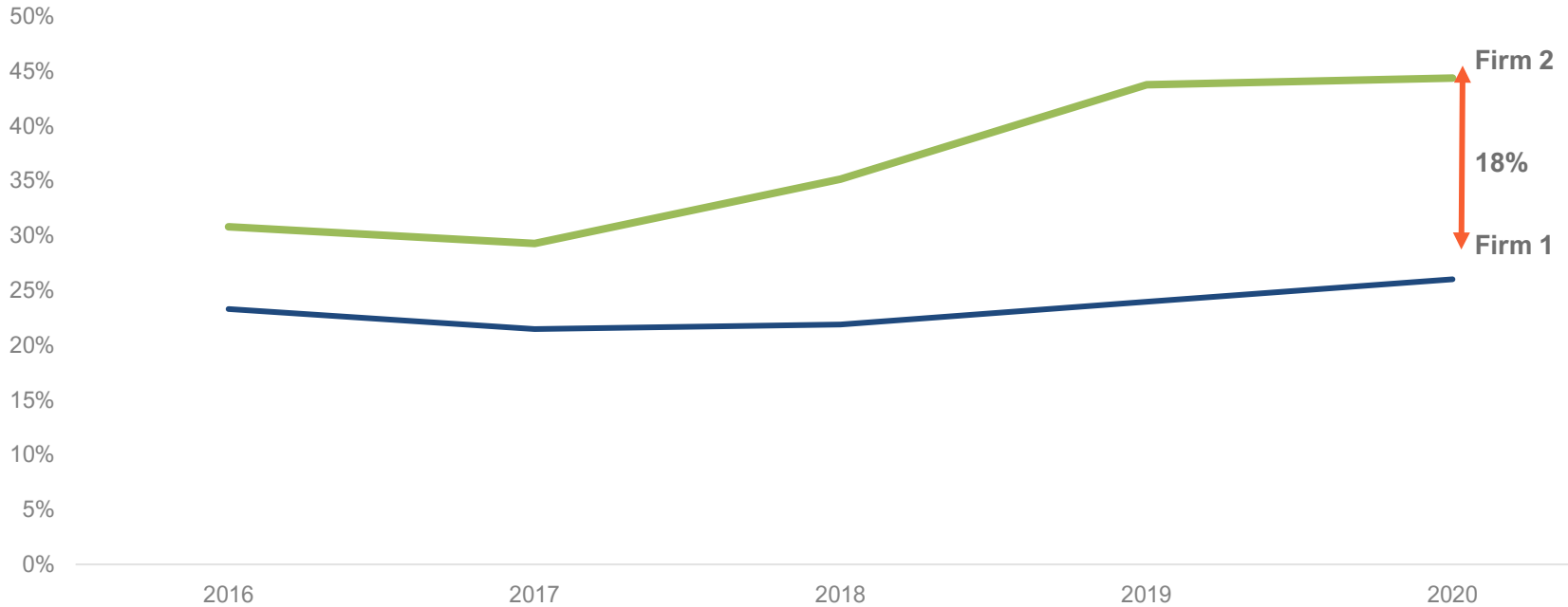
  

Task	Can it be delegated?	Who to?	Time (FTE)
Mortgage report	Y	L1 or L2	0.25
Check mortgage offer	Y	L1 or L2	0.15
Draft contracts	Y	L1	0.11
Gather and review ID	Y	L1	0.06
Submitting SDLT	Y	L1	0.06
Review Proof of ID & Address	Y	L1	0.06
Running milestones	Y	L1	0.06
Chasing Other side's solicitors	Y	L1	0.04
Completion letters	Y	L1	0.02
Requesting information	Y	L1	0.02
Replying to emails	Y	Paralegal - all levels	3.01
Outbound phone calls	Y	Paralegal - all levels	0.69
Outbound email updates	Y	Paralegal - all levels	0.65
Inbound phone calls	Y	Paralegal - all levels	0.29
Dealing with other client issues / queries	Y	Paralegal - all levels	0.06
Other activity - dealing with completions	Y	Paralegal - all levels	0.04
Rework due to system crashes	Y	Paralegal - all levels	0.02

# Staff capacity and effectiveness matters



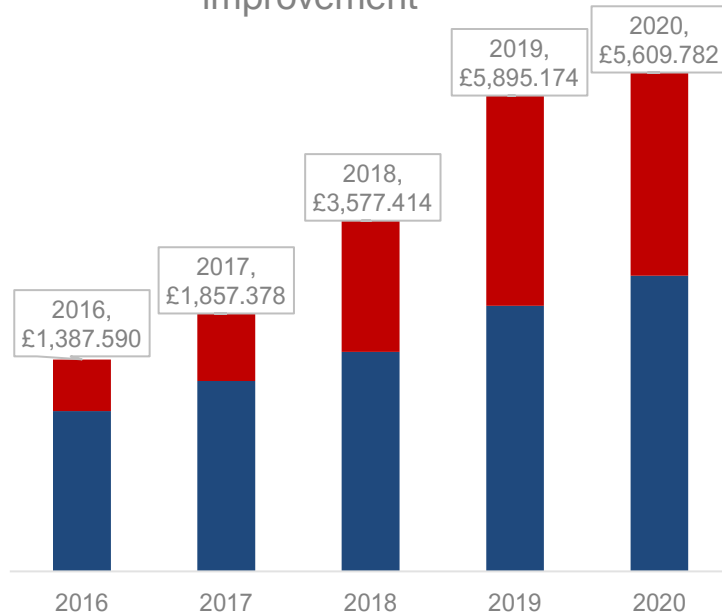
Operating Profit Margin



# The impact on the bottom line is significant for firm 1



Lost profit opportunity from margin improvement



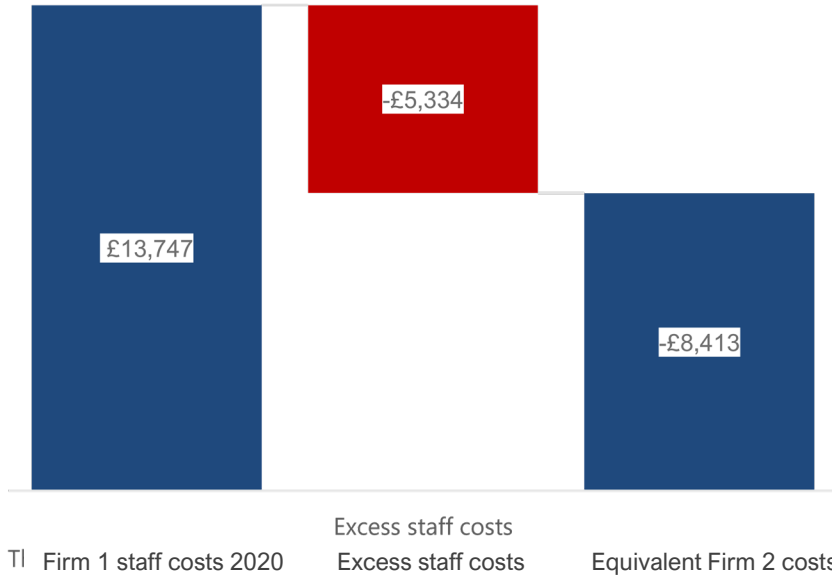
# £18.3M

The profits sacrificed through lower margins over 5 years

# Staff costs are the cause of the difference



Staff Expenditure Compared to firm 2



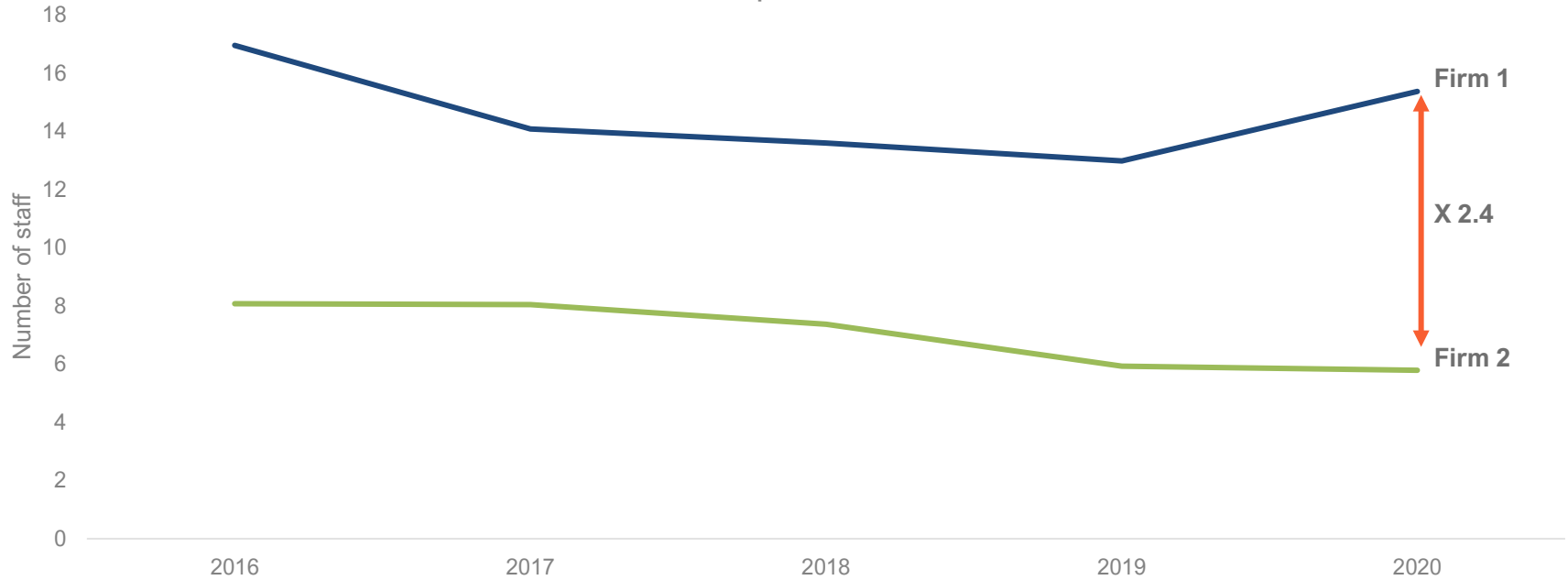
95%

The proportion of the difference in profitability explained by staff costs

# Firm 1 has 2.4 times as many staff per unit revenue



No of staff per £M revenue



# INDIRECT COSTS AND LOSSES

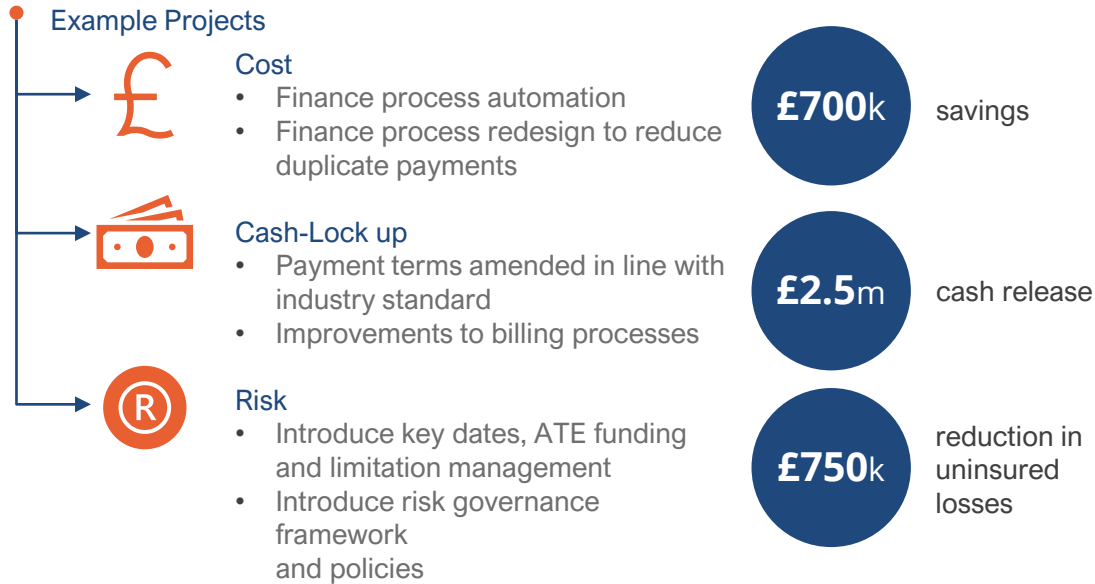
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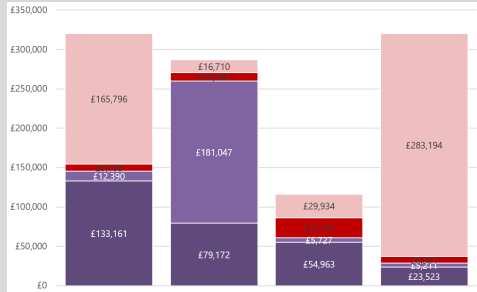
# Indirect costs



# Losses



All fee, complaint, and disbursement write-offs and remediation costs were quantified



Example Opportunity: Design out customer complaints



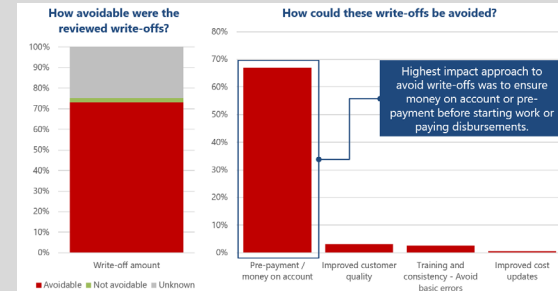
- 80% of all negative feedback coming from one practice area

Example Opportunity: Addressing remediation costs



- Payment terms
- Standardised client comms
- Improved tracking of case progress

Example Opportunity: Resolving write-offs



Highest impact approach to avoid write-offs was to ensure money on account or pre-payment before starting work or paying disbursements.

# One minute CEO change checklist



## AIMS

Can everyone express clearly what will be different when this change is complete and their role in the change?



## LEVERS

Can the delivery team describe the activities, their sequence and the impacts that will make the performance dial move?



## MEANS

Do you understand the time, skills and executive support needed to make the change work and have you provided them?



## TEAM

Is the team engaged and onboard with the change?



## EVIDENCE

Do you have regular evidence that the change is on track to deliver the results?

# EXPLODING SOME MYTHS

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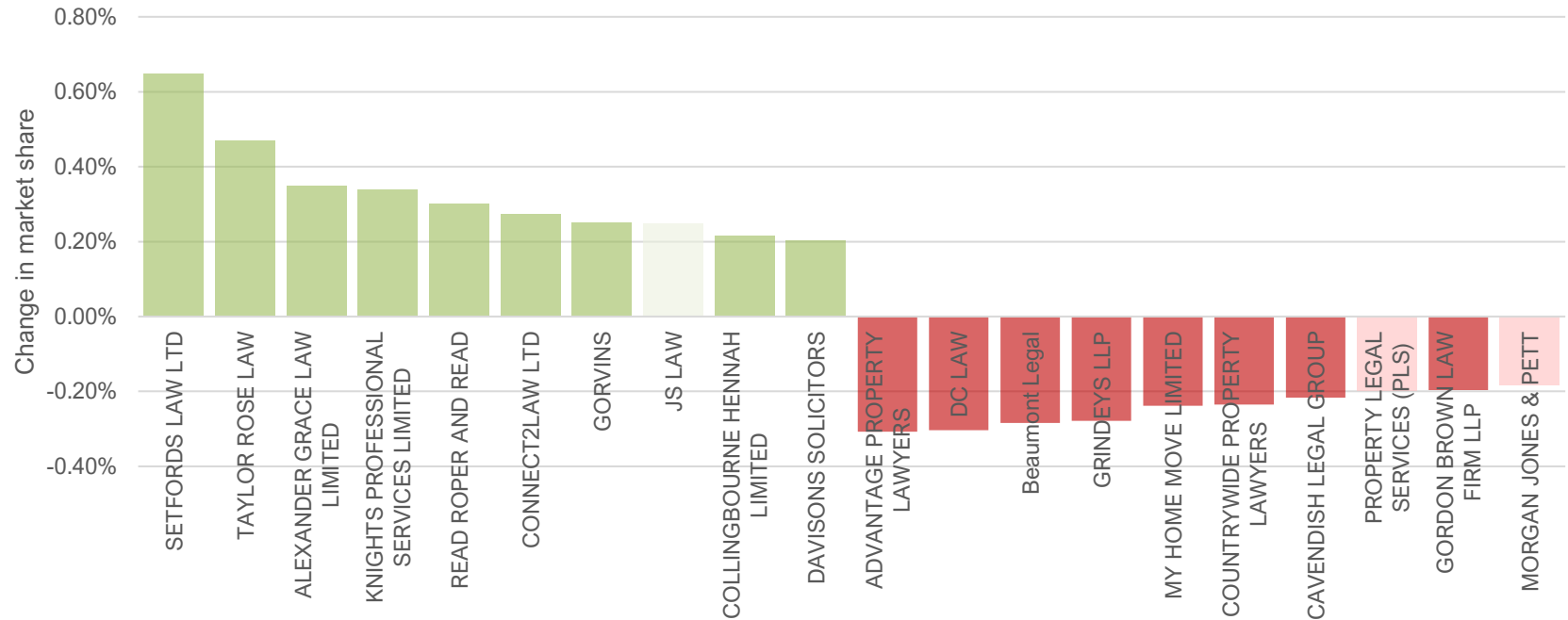


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# Organic growth drives gains, corporate ownership drives losses



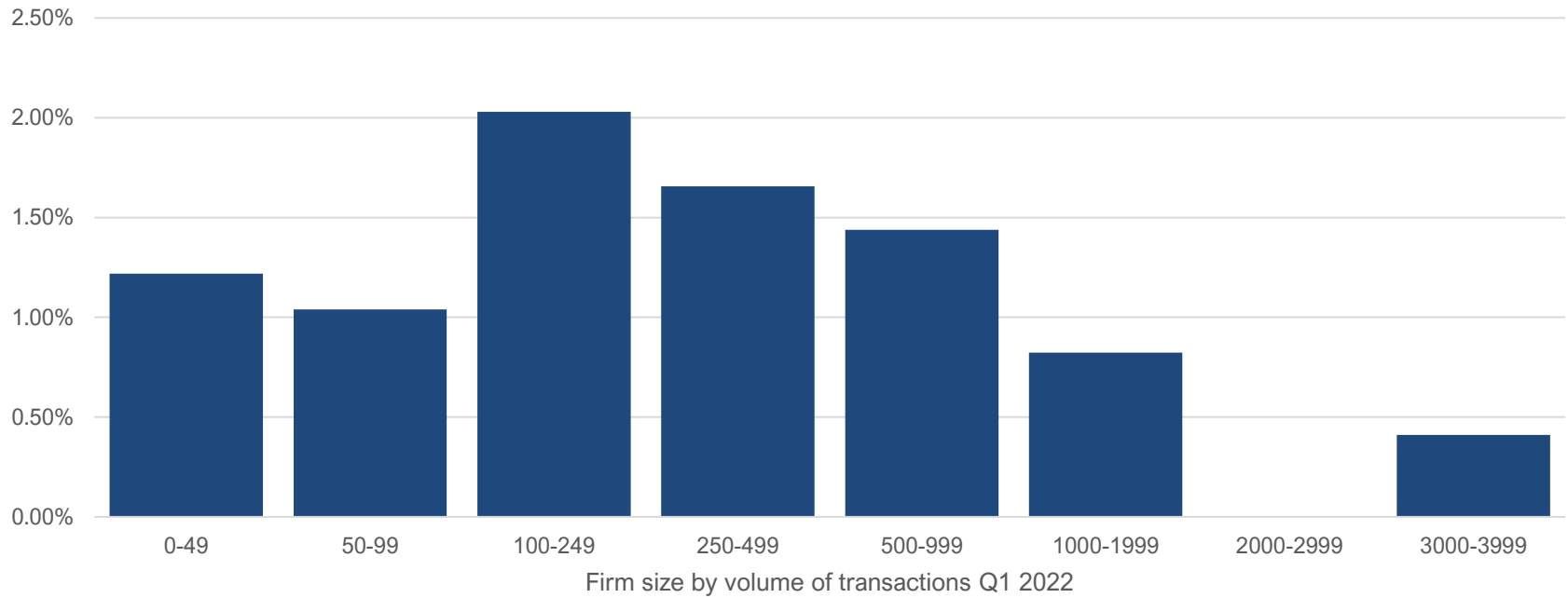
Whole market: biggest gains and losses in market share by brand: 2019-Q1 2022



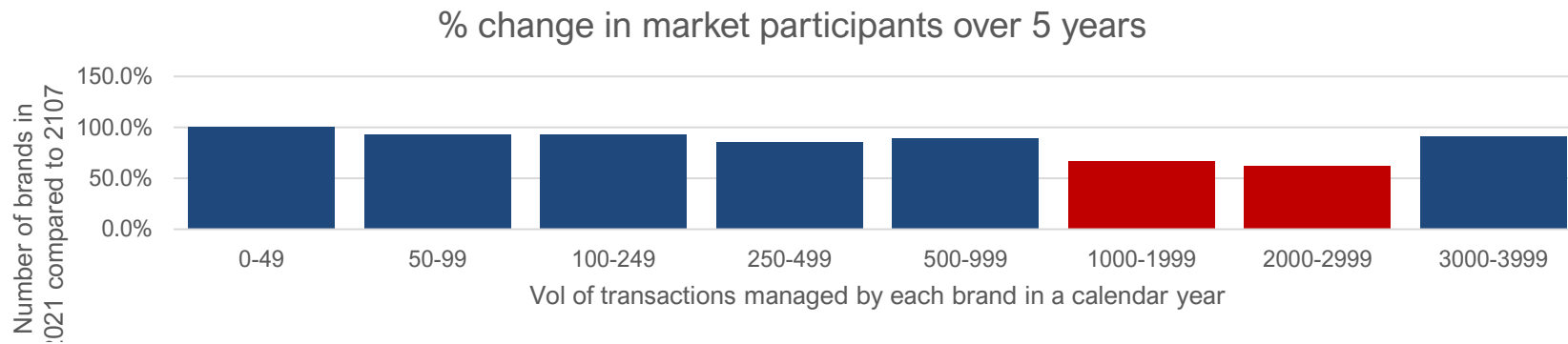
# Size is no barrier to superior performance



Where is growth in mkt share coming from



# Consolidation hits the mid-market hardest but remains insignificant



# 3.1%

Market share of Palamon Capital Partners brands:  
(biggest market participant by volume)

# External capital and consolidation is not an immediate threat

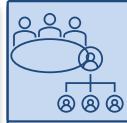


## PE CONSOLIDATOR/CONGLOMORATE

DESCRIPTION: Private Equity Partnerships seeking to buy firms operating in the same market to achieve scale and efficiency and link them with other firms that provide complimentary services.

Representative firms included:

- Palamon Capital Partners
- Inflexion Private Equity



## OWNER MANAGED

DESCRIPTION: Regardless of corporate structure a firm in which the owners of the business are principally engaged in the day-to-day activities of the firm:

Representative firms included:

- Read Roper and Read
- Gorvins
- Ison Harrison
- Talbots Law Limited
- JMW Solicitors LLP
- Birchall Blackburn
- Shoosmiths
- Property Legal Services



## CORPORATE CONGLOMORATE

DESCRIPTION: A firm operating within a group structure in which other firms serve complimentary services

Representative firms included:

- Skipton Holdings Ltd (Countrywide)
- Keenans Estate Agents (Alexander Grace Law Limited)
- Metamorph Group Ltd (Beaumont legal)
- Knights Professional Services Ltd



## DISTRIBUTED CONSULTANT

Description: A firm whose delivery is managed in whole or in part by fee earners who are engaged as consultants rather than employees and whose growth is principally driven organically than through acquisition:

Representative firms included:

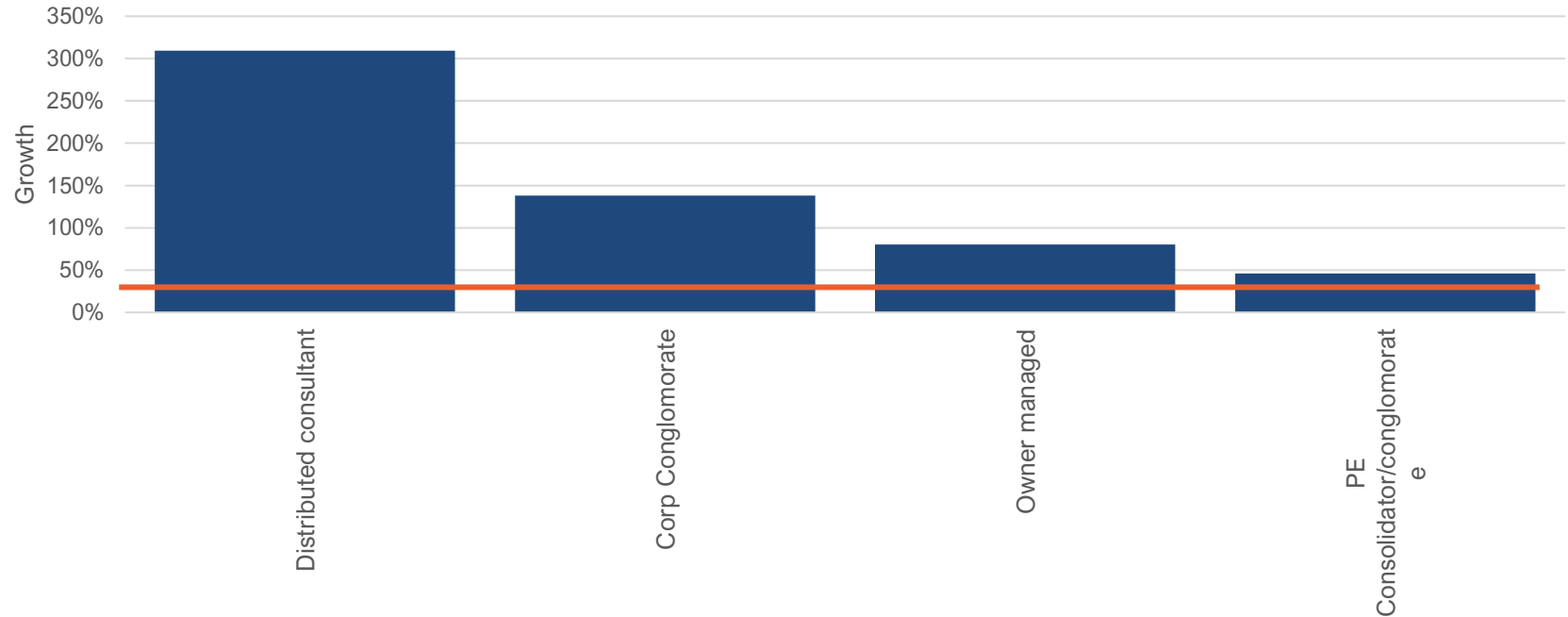
- Setfords (Owned by Phoenix Equity Partners)
- Taylor Rose



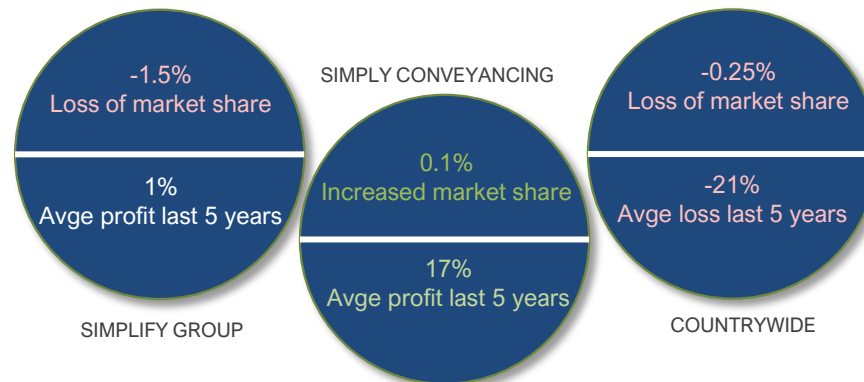
# Distributed consultants are growing most rapidly



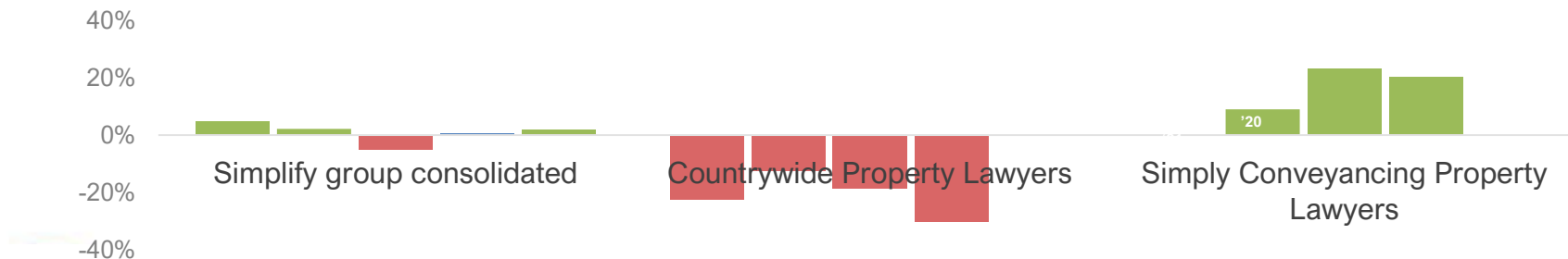
Top 20 firms growth by business type



# PE consolidators and conglomerates are not yet adding value



Operating profit margin 2017-2021



# Summary



1

## The importance of marginal gains

- Marginal gains across the matter lifecycle can have a big impact on costs and profits
- This is especially true when improved conversion of enquiries can be combined with improved fee earner productivity to service additional work at no/low cost
- There are usually significant time and customer service losses in how we communicate with clients



2

## Market consolidation and growth

- Consumer law remains viable for firms of all sizes
- Organic growth remains the most reliable way to scale
- PE firms and consolidators have yet to show they add value
- Market consolidation is limited and is driven by external capital and legislative change, not economies of scale and tech investment

3

## Top tips

1. A modern law firm is built and managed on data, use it to understand where your improvement focus should be
2. Understand where the time in your firm goes and how to improve the effectiveness of your internal and external communications
3. Organic growth is the least risky approach, pursue other options with care and expert guidance



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# Legal Sector Breakfast Briefing

Q&A and Conclusion

Paul Varley, Area Director  
Lloyds Bank



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