

Perspectives

Advent of e-business concepts in legal services and its impact on the quality of service

*Lindsey Muir and
Alex Douglas*

The authors

Lindsey Muir is Senior Lecturer in Business Strategy and **Alex Douglas** is Senior Lecturer in Operations Management, both at Liverpool Business School, John Moores University, Liverpool, UK.

Keywords

E-commerce, Internet, Communications, Service

Abstract

This paper examines the rise of electronic-commerce and its implications for quality and service delivery with particular reference to its impact on legal services. E-commerce is growing at a phenomenal rate with more organisations offering their goods and services on-line every day. Importantly, this growth is being matched by the number of people gaining access to the Internet in a variety of ways. E-commerce offers both opportunities and threats to law firms. The main threat is identified as coming from on-line competitors offering reduced prices and higher customer services. This competition is forcing law firms to change their attitude to new technology generally and the Internet in particular. A Web presence allows legal practices to be more transparent and to offer greater access to information to customers by way of improving their services. This improved communication may lead to a reduction in complaints against solicitors. The paper concludes that the Internet will have a profound effect on the way private law firms conduct business.

Electronic access

The research register for this journal is available at http://www.mcbup.com/research_registers

The current issue and full text archive of this journal is available at <http://www.emerald-library.com/ft>

Introduction

Electronic commerce (e-commerce) transactions look certain to become the primary basis for commerce in the first decade of this new millennium (De Kare-Silver, 2000). Today over three million traders world-wide are on the Internet, with this figure set to rise to over 14 million by 2002 (Furnell and Karweni, 1999). Virtually every major business is on the Internet. An Internet terminal can give small and medium-size enterprises (SMEs) access to international markets. Private law firms are operating in a very different environment to that of the last century. A once elite and learned profession is now operating in a competitive, cut-throat business environment much like any other profession. The natural response of the old-style legal profession would be to view e-commerce as just another trend or fad that would run its course and disappear – an attitude all too familiar to quality management professionals in the past. However, e-commerce has the potential to fundamentally change the way in which the legal profession operates and competes and, in particular, the way it delivers its services. Indeed, it is a contention of this paper that law firms, despite their hopes to the contrary, will not be immune to this new way of conducting business. As Tsang (1999) rightly points out, the competition is only a click away so e-commerce or e-lawyering cannot be avoided or ignored. This is the first of a series of papers that will research in-depth the legal profession and how it is meeting the joint challenges of e-commerce and quality. The impact of e-commerce on business generally is examined, as are some of the issues that have to be addressed if an organisation is to trade successfully on the Internet. It then examines the impact of e-commerce on private law firms and the quality of their services and seeks to determine whether the Internet offers the potential for them to improve the quality of the services they offer.

The impact of the Internet and the rise of e-commerce

E-commerce had been defined variously as, “on-line commercial activity enabled by the Internet and World Wide Web” (Strader and Shaw, 1999), and “the use of the Internet for the exchange of information of value” (Fraser

et al., 2000). For the purposes of this paper, e-commerce is defined as the trading of goods, services or information on the Internet or World Wide Web (WWW). Two forms of e-commerce are identified: business-to-business (B2B) and self-selection purchasing or business-to-consumer (B2C) as it is more commonly known.

In the UK, the Chancellor's first budget of the millennium offered a number of initiatives to small businesses to help them get on-line and become e-companies (McIntosh, 2000). Indeed the Labour Party is to include in its election manifesto a commitment to give every person in the UK access to the Internet and WWW within five years. If growth continues at its present rate, then this target will be achieved (Susskind, 2000). Technological advances mean that access to the Internet is no longer reliant on the personal computer. Mobile Web phones and digital Web televisions are making access available to more people than ever. In Europe, only 8.3 percent of households currently have access to the Internet (Gerth *et al.*, 1999). So there is a potential market of hundreds of millions of people just waiting to get on-line.

Previous studies have shown the typical Internet user to be a young, well-educated, professional and affluent male. However, this situation is rapidly changing. In the USA, over 9 million women have gone on-line for the first time in the past six months. Whereas five years ago only 9 per cent of US Internet users were women, today they make up 50 percent of the Internet's population (*USA Today*, 2000). There are 55 million Americans on-line every day. Of the many reasons cited for going on-line in a recent survey (Pew Internet and American Life Project, 2000), interestingly 14 percent were researching a product or service prior to purchasing it.

The main vehicle for promoting the WWW in the UK is the Department of Trade and Industry led initiative – Information Society Initiative. Its main objective is to have one-third of the UK's three million SMEs on-line by 2002 (Partridge, 2000). In 1996, Internet purchases totalled £750 million with this forecast to increase dramatically in the coming years (Furnell and Karweni, 1999). Organisations must aim to compete in this ever-increasing marketplace.

Given this expected exponential increase in the value of Internet based purchases, failure to adopt e-commerce may result in loss of

competitiveness for many organisations (Fraser *et al.*, 2000). However, the adoption of e-commerce is unlikely to give an organisation a sustainable competitive advantage. Such methods will very quickly move from being "winning" criteria to "qualifying" criteria because they will be rapidly adopted by other organisations within a particular sector. When this occurs, failure to adopt may lead to a loss of competitiveness. Fraser *et al.* (2000) offer a number of such examples, including the Co-operative Bank, which was the first clearing bank to offer its customers on-line Internet banking services. It has been quickly followed by the Royal Bank of Scotland and Barclays Bank, with other banks and building societies likely to follow suit.

To date, goods ranging from books and CDs to train and airline tickets have been sold successfully on the Internet. There are many well-documented advantages to shopping on-line, including convenience, the ability to compare prices and 24 hour access. However, there are also a number of obstacles to on-line shopping.

Barriers to on-line shopping

The number of households shopping on-line will nearly double to 38 million in the next two years (Zellner, 2000) However, a recent NOP poll for Lloyds TSB revealed that a quarter of Internet users did not know how to find Web sites and a third were baffled by jargon. There are millions of sites on the Internet each competing for cyber loyalty and many companies are working hard to produce "sticky" sites. Stickiness is measured by the number of minutes visitors stay at a site and the frequency with which they return (Crockett, 2000). To do this they must add value to the consumer's experience.

E-commerce already has its own jargon, including CRM – Customer Relationship Management, which, according to Tsang (1999) is at the heart of any business relationship and in particular, any service industry such as legal services. Internet services have to be tailored to meet customers' needs. Satisfying the customer is no longer sufficient. Firms have to meet customers' expectations of having an enjoyable experience when they deal with a particular organisation (*Independent on Sunday*, 2000). If they do not they will go

elsewhere, to a competitor who is only a click of the mouse away.

The other barrier to on-line shopping surrounds the issue of paying for purchases by credit card. While only 2 percent of credit card operator, VISA's transactions are presently carried out on the Internet, this accounts for almost half of disputes and discovered frauds (Hancock, 1999). Such fraud statistics make good newspaper copy but do little to improve public confidence in e-commerce. Indeed, in a recent survey conducted by Unisys (Lewis, 2000) over 70 per cent of UK financial service companies realised that they are possible targets for hackers and other on-line fraudsters. Worryingly, only two-thirds of such companies stated that they had some kind of anti-fraud policy.

E-commerce quality issues

E-commerce represents another dimension to conducting business, but what are the quality issues surrounding e-commerce? Previously, quality was about getting the right product, to the right customer at the right price at the right time and in the right condition. E-commerce offers a number of advantages with regard to quality management, in particular it allows transparency of pricing globally and cuts the costs of making transactions through reduced paperwork (McRae, 2000). It also gives organisations the opportunity to source goods and services from around the world. This offers potential benefits in quality and costs. However, e-commerce will also bring additional problems. A survey of WWW users in 1998 found that the Internet and access to it were too technical and the Internet's performance was too unreliable. Problems cited by over 44 percent of respondents included visualisation, broken links, bad Hypertext Markup Language (HTML), script errors, poor graphics and browser problems. Clearly, quality management of Web sites is an issue. An e-commerce site will typically have an electronic catalogue where products and services are promoted, an encryption system to permit secure purchasing and a credit authorisation facility and perhaps a customer support service. These hardware and software issues will impact on customer satisfaction levels, but are out-with the scope of this paper. Such issues will be addressed in a future paper. This paper will concentrate on whether e-

commerce is likely to affect the quality of the legal services offered.

Law firms and technology

The Law Society (the professional body supporting the legal profession in the UK) supports the Government aim of promoting e-commerce and of establishing equivalence between electronic and paper transactions (Law Society, 1999). However, it is clear that private practice law firms are lagging behind other professions in their use of information technology generally. Many solicitors still prefer printed reference works to electronic versions (Bindman, 1999). This was confirmed in a study by the University of Northumbria that examined firms with between 20 and 300 fee earners. The study found that only 75 percent had access to on-line databases compared to more than 90 percent of other players in the legal industry, such as academic institutions, court and tribunal organisations and professional societies (Bindman, 1999). Many preferred printed sources because they were familiar to them. Given that a law firm's business is essentially concerned with the retrieval and dissemination of information, electronic technology would seem to offer an opportunity to improve service provision. Any form of technological advancement that enhances these key components is surely an essential part of a lawyer's toolkit. Desk-top research carried out for this paper suggests that there is still a long way to go before the greater use of IT generally, the use of the Internet and more specifically, e-commerce penetrates the whole of the legal market and before it is seen as a viable business tool. Malpas (2000) suggests that most lawyers will admit their knowledge of IT is weak but believes that most law firms are now taking new technology very seriously. Larger firms appear to be far more advanced in the integration of new technologies and working methods than smaller firms are.

Classifying legal services

This paper addresses quality issues in legal services. But what kind of service is being offered? There is a wide range of different types of services. Sasser *et al.* (1978) used the concept of the service package or service-product bundle to distinguish different kinds of

goods and services. Services and goods were viewed as a continuum ranging from pure goods or products at one extreme to pure services at the other. Thus a self-service grocery store would have a large goods element and a small service element, whereas a consulting service would have a large service element and a small goods element. Legal services can therefore be viewed as predominantly service with a small element of goods or products. The service covers such areas as wills and probate, divorces, house purchase, mergers and acquisitions, consulting, employment law, disability law and family law.

Services are distinguished from goods and products by four characteristics (Regan, 1963). These are intangibility, inseparability, heterogeneity and perishability.

Services are physically intangible. Intangibility implies that a service is performed rather than owned. The service cannot be measured or tested prior to delivery or consumption (Zeithaml, 1981). This makes it difficult for the customer to evaluate quality before purchase. Because of this, customers and potential customers judge quality by such things as reputation, past experience or by some tangible aspect of the service. For e-legal services this may well include their Website. Legal services must therefore manage these tangible aspects because first impressions count. The key to the control of intangible aspects of the service is the control of the service encounter, which happens where the interaction between customer and supplier takes place – called the customer interface. In e-commerce, the face-to-face encounter is replaced by a face-to-computer screen encounter. This has to be managed.

Inseparability means that production and consumption of the service are carried out at the same time. For a service to be created, the source, whether human or technological, has to be present. Also, the customer may be involved in the production process of a highly customised service such as legal services. The key to good service is seen as the people or the Website where the interaction takes place. This interaction has a major impact on the customers' perception of quality (Drummond, 1992) by providing customers with impressions both of the company and the quality of service provided.

Services are heterogeneous. Various elements of the service rely on individual preferences and perceptions. This makes

them difficult to standardise. The standard can vary from producer to producer and customer to customer. In people based services some organisations are attempting to standardise services with the use of service scripts. The aim is to reduce the variability of output. A Web site offers the ideal opportunity to standardise the service encounter and may help improve service quality.

Services are perishable. They cannot be stored for use later as they are consumed as they are produced. Service operations are affected by fluctuations in demand. Thus, matching supply and demand is a key issue for many services including legal practices. The appointments system was designed to try and manage this problem. A Web site can help initially by allowing customers and potential customers to make use of the service without an appointment. It has the potential to increase the capacity of legal practices.

Quality in legal services

Henning (1992) suggests that many private law firms view quality as related to technical excellence:

But producing technically superb legal products is not the same thing as delivering quality legal services ... A client perceives that he or she has received quality legal services from you when the package of services provided by your lawyers or paralegal ... matches or exceeds that particular client's expectations.

Abraham *et al.* (1997) believe that applying total quality management to the legal industry should be seen as a vehicle to meet or exceed the needs and expectations of clients. This they suggest includes not only technical excellence of the product but also reliability, courtesy and value. They support this view by drawing upon the work of Henning (1992) that states that:

When considering service quality, it is vital to remember that the only criteria that are relevant to evaluating service quality are those defined by clients. All other judgments regarding the quality of a law firm's service, including those made by the law firm itself, are essentially irrelevant.

In other words, quality is what the customer says or believes it to be.

Thus, an appropriate definition of quality for legal services is "meeting or exceeding customers' expectations." The problem for

most customers is that without legal knowledge it is almost impossible for clients to pass comment on the quality of the legal advice they receive. However, they can expect fast, efficient and effective service. Not surprisingly, then, most complaints against solicitors are concerned with the manner in which clients are dealt with rather than the quality of advice received (Croft, 2000).

Lexcel and other certification schemes

A major vehicle for law firms aiming to provide a quality service to their clients is through the Lexcel Certification Scheme. Lexcel is a quality mark awarded to firms (and other legal bodies) that have been independently assessed as achieving certain standards laid down by the Law Society. The award uses core Practice Management Standards as the basis of assessment. These include: management structure; services and forward planning; financial management; managing people; office administration and case management.

The Lexcel scheme operates closely with other quality awards such as ISO 9000 (BSI, 1994) and Investors in People (Employment Department, 1992). Applicants can therefore apply for certification to Lexcel on its own, or jointly with one of the other standards.

When considering how e-commerce activity can help improve the quality of a practice, it is interesting to note that out of approximately 9,000 private practices in England and Wales only 59 have been awarded the Lexcel Certification as at 14 June 2000 (Law Society Statistics). A further 13 have recently applied and are currently under review. If one takes these figures with other related quality standards such as Investors in People and ISO 9000, it is staggering to view the lack of interest in such an important element of service delivery. A spokesperson from the Law Society (22/06/00) suggests that less than 300 practices have achieved Investors in People status and less than 300 have achieved certification to ISO 9000. When one considers the length of time that such standards have been in operation and the high levels of Government funding available in the form of grants, one wonders why private law firms have not shown greater enthusiasm. A key driver for change in this area might come from the Solicitors Indemnity Fund. Prior to April 1998, all solicitors had to have £1 million

worth of cover. This was provided through the Law Society. Since April 1998 it has been put out to the open market, whereby a list of approved insurers provide such cover. A key element of their assessment is risk management, which entails looking at many of the key standards covered in the Lexcel scheme. The Law Society is therefore expecting an increase in applications for Lexcel, as, in the longer term, certification will help to drive down premiums for professional indemnity. As Abraham *et al.* (1997) state:

In the world of private law practice, economics is an impetus for change.

This coupled with the fact that e-commerce may allow services to be delivered at lower costs than at present may lead many legal services to consider ways in which e-commerce might help to achieve improvements in service quality. Just what impact e-commerce might have on the service quality of legal practices will be discussed in the next section.

The impact of e-commerce on the quality of legal services

At present, there are only a handful of legal services available over the Internet (Barnard, 1999) but this is likely to change in the future. Although the use of e-commerce will not suddenly make solicitors behave differently, it could open the gateway for lawyers to behave in a way which is more conducive to what the market wants. Barnard refers to one of the first sites to offer legal services on-line, namely Desktop Lawyer. A company called Epoch software produces this. It is an interactive site that allows a client to go through the process of drafting a document, as would a solicitor when drawing up straightforward legal documents. Much of their business is done at 10.00 p.m. at night. Thus access 24 hours a day, seven days a week means that they are taking advantage of traditional working patterns of potential customers by attracting them when traditional high street practices are closed. If clients suffer any difficulties there is a help line manned by 30 solicitors. Richard Cohen, director of Epoch, is quoted as saying:

Consumers and small businesses resent paying lawyers on a time costed basis. What they want is to buy a product. We decided that the key application for the legal market was document assembly – if you could outsource the creation of

that document to the client you could make the service very cheap.

A fixed price can therefore be charged and because one system can deal with lots of people, the cost is greatly reduced. The cost of the service is much cheaper than previously, with reductions of up to one-tenth compared to an average law firm (Barnard, 1999). An example of this is the world's first on-line divorce, which took place recently at the knockdown price of £185. The necessary forms were downloaded in minutes, completed and returned on-line with credit card payment details and a decree absolute was granted in court six months later. The customer estimated his savings at £500 and the time taken was half of what it would normally have been (Rees, 2000). It should come as no surprise that this site (www.divorce-online.co.uk) gets one million "hits" per month.

This commoditisation of legal services poses a further threat to the traditional law practice in that you do not have to be a lawyer to establish such systems. Barnard (1999) suggests that those firms most at risk are the middle ranking ones whose portfolio of work includes a wide range of general work. Yet, it is these firms that are least investing in new technology – "... if the profession is not careful, the vacuum will be filled by banks, insurance companies and even supermarkets offering low cost, high volume legal advice over the internet". Indeed, Freeserve and Barclays Bank have come to an agreement to provide all types of advice to small businesses, including legal advice, over the Internet (Arrends, 2000).

The second threat is to the traditional pricing structure of legal services. On the one hand, if there is to be an increase in competition through non-traditional players then this could have the effect of firms cutting prices as they struggle to stay afloat. On the other hand, if non-traditional firms enter the industry by offering on-line legal services at a fixed price this threatens the traditional pricing structure of billing by the hour, which has been the mainstay of pricing in private law firms. Few firms in the past have ever offered this type of pricing structure, often offering an indication of price but stressing that this could vary depending upon, for example, the billable time of a solicitor. A fixed price per product would make the legal process much more transparent for the client (but also for competitors), improving the delivery of service merely by allowing the client to plan for exact costs.

Given that the Law Society (1999) reports that the greatest number of complaints and claims upon the Solicitors Indemnity Fund stem from casework and communication with clients, the above approach to delivering legal services must surely be worthy of consideration for private law firms looking to improve quality. Indeed, the Lexcel Certification Scheme makes specific reference to the consideration of electronic communication in one of the key standards, services and forward planning. This standard also refers to the marketing of the practice. Referring to figures earlier in this paper, as more households get access to the Internet, the provision of a Web site for potential or existing clients will provide access to more information than would, for example, a listing in a telephone directory, thus improving the quality of the overall service delivered by the practice.

Along similar lines to the service offered by Epoch is that offered by Legal Marketing Services Ltd. This organisation brings together what they claim is the largest network of solicitors in the UK. The basic premise is to provide a truly localised service to meet the specialised needs of the client by having 350 solicitors registered and 500 offices throughout the UK, including Scotland and Northern Ireland. What improves the quality of this service to clients is, once again, the technology applied. Clients are able to use the latest Solicitors Tracking And Reporting System (known as STARS) to track and control their cases. Costs are driven down through the handling of a case completely by electronic means. Clients have access to their case details via the Internet 24 hours a day, 365 days of the year (www.lmsuk.com).

Conclusions

The Internet and e-commerce are expanding rapidly. Despite some barriers, customers, whether businesses or individual consumers are making more and more use of the Internet when purchasing services and products. The legal profession will have to address the e-commerce issues or see the scope of their services reduced as other non-legal organisations offer customers similar services at lower costs and higher quality. A key question raised by this issue is whether law firms have the appropriate skills in place to deal with such transformations in the

marketplace. A related issue is, therefore, the training that lawyers experience on, for example, the legal practice course (the necessary qualification to practice law). Future research requires to be undertaken to evaluate the appropriateness of curriculum design on such courses given the changing environment that law firms now find themselves in. This competition will force legal firms to also offer more transparent services, which will enable customers to judge whether they are receiving value for money. Whatever the future it is clear that the Internet will have a profound effect on the way in which private practice law firms operate their businesses. Indeed, a number of firms have already set up Web sites to help improve services and address the problem of competition. However, IT skills alone may not be sufficient to cope in such a dynamic environment. Management and general business skills may also be required. This raises a further issue of how law firms are managed and structured. Is, for example, the partnership structure still appropriate for law firms under such competition? This is just one element of the culture of law firms that might need to be reviewed. Conducting business via a Web site and maintaining the quality of service offer different problems that require to be addressed. Further empirical research is already being undertaken within private legal practices to examine how they are managing and controlling the quality of those services that are being offered through their Web sites. The results of these investigations will be made public in the near future.

References

- Abraham, S.E., Spencer, M.S. and Monk, E.L. (1997), "Total quality management: applicability to law firms", *International Journal of Quality and Reliability Management*, Vol. 15 No. 5, pp. 541-54.
- Arrends, B. (2000), "Now Freeserve have to reward for surfing", *Daily Mail*, 28 May.
- Barnard, M. (1999), "Law society Gazette-Focus", www.lawgazette.co.uk/archives/1999-10-8/00000012.html
- Bindman, D. (1999), "Law society Gazette-News-Infotech", www.lawgazette.co.uk/archives/1999-12-20/00000059.html
- BSI (1994), *BS EN ISO 9001: Quality Systems: Model For Quality Assurance in Design, Development, Production, Installation and Servicing*, BSI, London.
- Crockett, R.O. (2000), "Keep 'em coming back", *Business Week: e-biz*, 15 May, p. 20.
- Croft, T. (2000), "Lexcel helps solicitors to excel", *The Times*, 6 June.
- De Kare-Silver, M. (2000), *E-shock 2000*, Macmillan, London.
- Drummond, H. (1992), *The Quality Movement: What Total Quality Management Is Really All About*, Kogan Page Ltd, London.
- Employment Department (1992), *Investors In People*, Employment Department, London.
- Fraser, J., Fraser, N. and McDonald, F. (2000), "The strategic challenge of electronic commerce", *Supply Chain Management*, Vol. 5 No. 1, pp. 7-14.
- Furnell, S.M. and Karweni, T. (1999), "Security implications of electronic commerce: a survey of consumers and businesses", *Internet Research: Electronic Networking Applications and Policy*, Vol. 9 No. 5, pp. 372-82.
- Gerth, G., Barth, A. and Machill, E. (1999), *Electronic Commerce in Europe*, Stiftung Warentest, Berlin.
- Hancock, B. (1999), "Security views", *Computers and Security*, Vol. 18 No. 3, pp. 184-98.
- Henning, J.F. (1992), *Total Quality Management for Law Firms*, Practising Law Institute, Chicago, IL.
- Independent on Sunday* (2000), Supplement: "The informed executive experience", Woolfall Plc.
- (The) Law Society (1999), *Lexcel: Practice Management Standard*.
- Legal Marketing Services UK – www.lmsuk.com/html/site/legal-marketing-services.html
- Lewis, L. (2000), "Business blasé about web fraud", *Independent on Sunday*, 22 October.
- Malpas, J. (2000), "Net Rivals", *The Times*, 26 September.
- McIntosh, B. (2000), "New allowances and tax breaks for IT investment by firms", *Independent*, 22 March.
- McRae, H. (2000), "Online auctions and trading hubs are cutting net costs", *The Independent*, 21 June.
- Partridge, C. (2000), "Take on the big boys with PC power", *The Times*, 24 May.
- Pew Internet and American Life Project (2000), *Survey of 3533 Adults Including 1690 Internet users*.
- Rees, A. (2000), "Couple save £500 with a quick divorce on the net", *The Times*, 16 September.
- Regan, W. (1963), "The service revolution", *Journal of Marketing*, Vol. 27 No. 3, pp. 57-62, cited in Edgett, S. and Parkinson, S. (1993), "Marketing for service industries – A review", *The Services Industries Journal*, Vol. 13 No. 3, pp. 19-39.
- Sasser, W.E., Olsen, R.P. and Wyckoff, D.D. (1978), "Management of service operations", Allyn and Bacon, Boston, MA.
- Strader, T.S. and Shaw, M.J. (1999), "Consumer cost differences for traditional and Internet markets", *Internet Research: Electronic Networking Applications and Policy*, Vol. 9 No. 2, pp. 82-92.
- Susskind, R. (2000), "The number's up for the Internet", *The Times*, 1 August.
- Tsang, L. "Law society Gazette-Focus", www.lawgazette.co.uk/archives/1999-10-08/00000012.html
- USA Today* (2000), "Women no longer a blip on computer screen", Thursday, 11 May, pp. 11D.
- Zellner, W. (2000), "Wooing the newbies", *Business Week: e-biz*, 15 May, pp. 116-20.
- Zeithaml, V. (1981), "How consumer evaluation processes differ between goods and services", in Donnelly, J. and George, W. (Eds), *Marketing Services*, American Marketing Association, Chicago, IL.