

BOOM OR BUST?

THE 2018 LEGAL TECH GO-TO-MARKET REPORT

VARETZ + BRUNELLE

IT'S 1889 IN THE LEGAL PROFESSION, and players in the legal tech industry have lined up their wagons at the Oklahoma border.

For enterprises in the emerging legal tech space, the conditions could hardly be more inviting. Stretching out before them is an impossibly bountiful landscape – one that is equally rich, unsettled and desperate for their presence. The market for legal services in the United States alone measured \$437 billion in 2016. That's a whole lot of land to rush, even if legal tech firms aren't going to occupy every acre of it. Better yet, the territory is largely open. Given how young the legal tech field is, entrenched players are few and far between. And given the diversity of their product offerings, a relatively small number of legal tech companies are competing directly against each other.

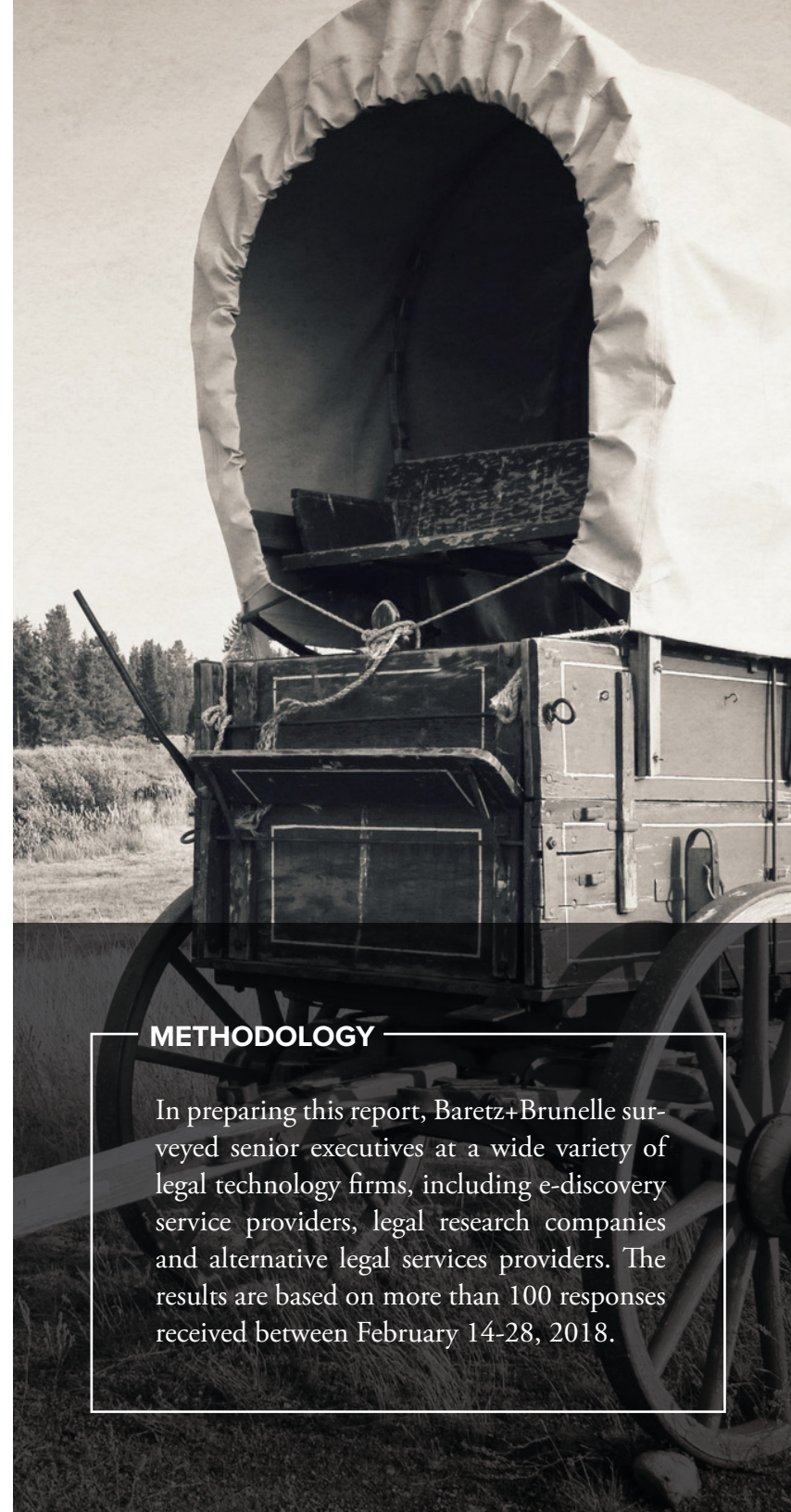
Together, they stand at the edge of a profession that once walled them out, but now needs their help. Since the Great Recession of 2008, sustained pricing pressure from corporate clients and rapid technological leaps have combined to create the present environment in which law firms and corporate legal departments are not just open to technology-based solutions to problems formerly overcome by brute lawyer-hours, but actively inviting them in.

For legal tech firms, it's all there for the taking.

THE QUESTION IS: WHAT'S STOPPING THEM?

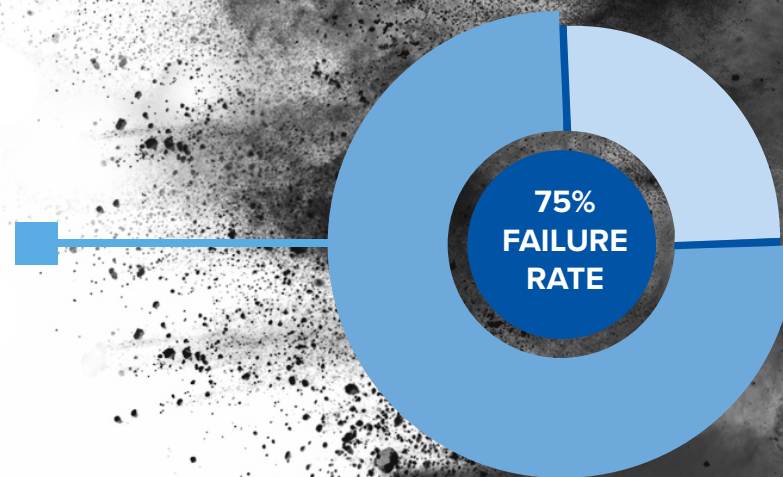
METHODOLOGY

In preparing this report, Baretz+Brunelle surveyed senior executives at a wide variety of legal technology firms, including e-discovery service providers, legal research companies and alternative legal services providers. The results are based on more than 100 responses received between February 14-28, 2018.



BARETZ+BRUNELLE undertook this first-ever Legal Tech Go-to-Market Report to find out. Of course, many legal tech companies are capitalizing on the above-described conditions and enjoying considerable success. But like others in the space, we also have heard persistent anecdotal reports of challenges legal tech companies face in executing “go-to-market” strategies.

This is no surprise. Across all industries, **the failure rate for venture-backed startups stands at 75 percent**. To contribute to the dialogue in legal tech, however – and to provide insights for industry participants – we set out to gain a clearer picture of how legal tech firms are defining, experiencing and struggling with the process of going to market. This report is the result.





97%

felt that the legal tech industry has no firm grasp of go-to-market strategy

A NOTE ON TERMINOLOGY

The term “go-to-market” or “go-to-market strategy” means different things to different people. Generally, it is understood to refer to an organization’s plan for using its resources (including its sales force) to deliver its goods or services to its client base.

The significant majority of our survey respondents – 81 percent – expressed a belief that the term encompasses a combination of sales strategy, marketing strategy, public relations, strategic communications and product development.

The anecdotal reports we had heard did not prepare us for the extent to which the go-to-market activities of legal tech firms lack coherent or strategic thought.

The study’s most powerful finding revealed that 97 percent of respondents felt that the legal tech industry has no firm grasp of go-to-market strategy, or, at best, has a scattered one.

The survey’s additional results underscore this point: They demonstrate great confusion within legal tech firms on three central components of any go-to-market strategy – what to sell, how to sell it and whom to sell it to.

WHAT TO SELL

Fewer than half of survey respondents had a clear understanding of how profitable their practice areas or products are.

Do you know how profitable your practice areas or product(s) really are?

No idea/small idea but no firm grasp

56%



Yes, we monitor and survey top clients

44%



INDUSTRY VOICES

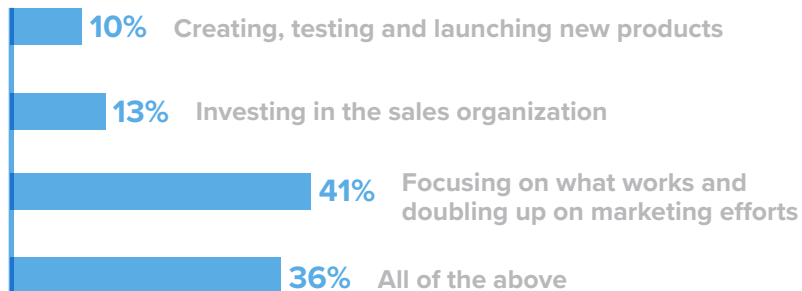
Careful go-to-market planning makes all the difference in getting legal tech companies to the next level, says [David Perla](#), the former president of Bloomberg BNA Legal Division/Bloomberg Law and the co-founder and former co-CEO of Pangea3.

“A thoughtful go-to-market plan and program is ultimately what separates great companies from great products,” he says. “Creating that requires understanding all of the various client types, and the buyers and influencers at those clients – and staying in constant communication with all of them. Ultimately, winning companies get there by learning how to focus on, and prioritize among, the clients that derive the most value from those companies’ products and services.”

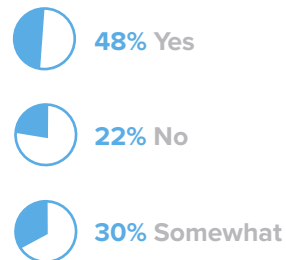
HOW TO SELL IT

The results also demonstrated a widespread lack of consensus within legal tech firms on two key aspects of their business: messaging to the market and allocating business development resources. On messaging, more than half of respondents felt some level of disconnect between sales and marketing in their organization. Meanwhile, other questions revealed that many respondents do not take strategic approaches to budgeting or time management.

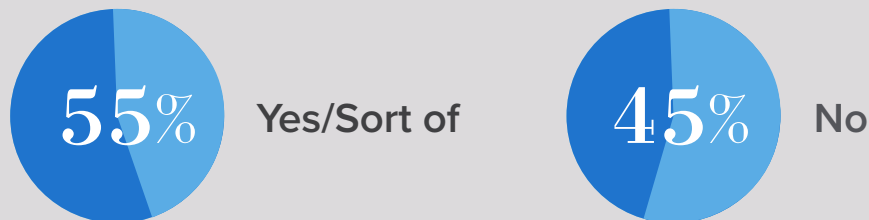
How do you spend the bulk of your time growing your business?



Do you have a fixed budget allocation?



Do you feel that there is a common disconnect between sales and marketing in your organization?



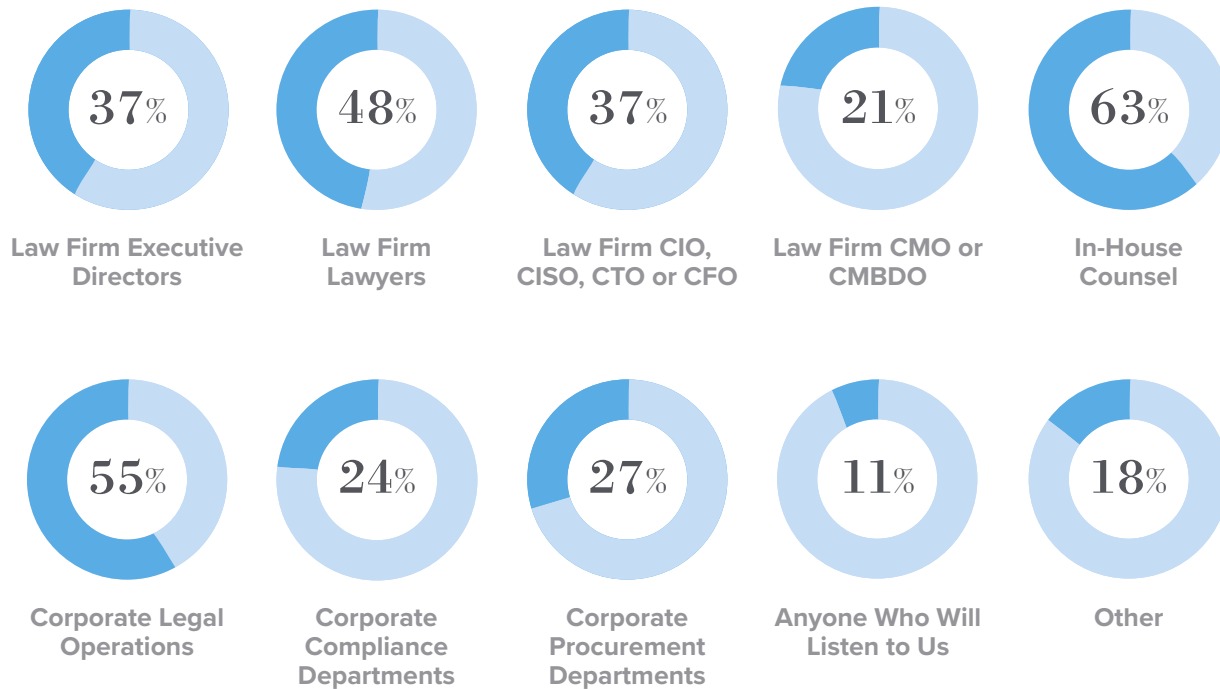
INDUSTRY VOICES

Henry Dicker, the group president of **Nexem Legal** (otherwise known as the “Godfather of ALM’s LegalTech conference”), indicates that developing harmony between sales and marketing is a major key to solving the go-to-market riddle. “Companies that truly commit to solving the disconnect between sales and marketing will stand out of the competition, better meet the needs of their customers and significantly grow their business,” he says.

Shawn Gaines, the head of marketing at **Relativity**, points to legal tech firms relying on the same marketing activities year after year, and not always focusing on what makes them unique. “There are a couple of key events a year, there are specific thought leadership groups and a handful of advertisers that companies typically work with without building out their own differentiated strategy to reach the persons they need to reach.” The mentality is: “This is what I’m supposed to be doing.”

WHOM TO SELL IT TO

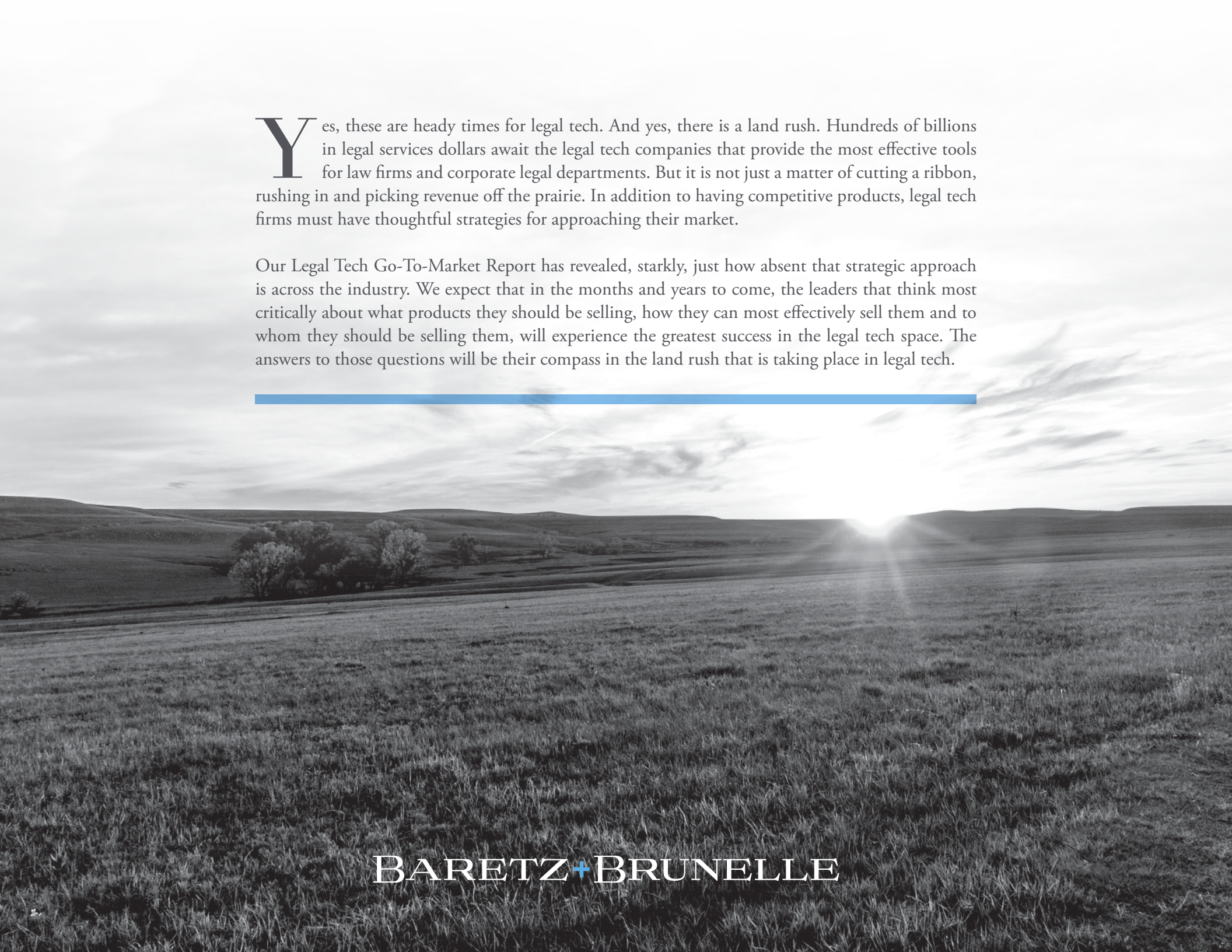
One of the survey's most startling findings was the lack of clarity expressed by legal tech firms with regard to the identity of their buyers. When asked whom they are selling to, respondents identified a very wide range of personnel and departments.



INDUSTRY VOICES

Legal tech firms' confusion over the identity of their buyers is exacerbated by the differences between large firms and small firms, elite firms and non-elite firms and those geographically concentrated in large cities as opposed to those spread across many locations.

"You may need to have very different conversations with a law firm partner, or an IT person – and even that is shifting really quickly," says **Kate Boyd**, vice president of marketing at **Kira Systems**. *"When it comes to personas, there is a lot that we are still figuring out and honing. We are trying to segment a market that is constantly changing. The conversations that you have with elite New York law firms versus smaller regional firms may be completely different."*



Yes, these are heady times for legal tech. And yes, there is a land rush. Hundreds of billions in legal services dollars await the legal tech companies that provide the most effective tools for law firms and corporate legal departments. But it is not just a matter of cutting a ribbon, rushing in and picking revenue off the prairie. In addition to having competitive products, legal tech firms must have thoughtful strategies for approaching their market.

Our Legal Tech Go-To-Market Report has revealed, starkly, just how absent that strategic approach is across the industry. We expect that in the months and years to come, the leaders that think most critically about what products they should be selling, how they can most effectively sell them and to whom they should be selling them, will experience the greatest success in the legal tech space. The answers to those questions will be their compass in the land rush that is taking place in legal tech.

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