

U.S. Alternative Legal Service Providers Market - Industry Outlook & Forecast 2023-2028

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Report description:

The U.S. alternative legal service providers (ALSPs) market size is expected to grow at a CAGR of approximately 20.91% from 2022 to 2028.

Alternative legal service providers are organizations that offer legal services outside of the traditional law firm model. ALSPs play a crucial role in the legal industry. They offer to counsel to corporations and law firms with low cost and less time than traditional law firms. People prefer alternative legal service providers (ALSPs) for low-risk and high-volume tasks. The term "Alternative" basically represents a substitute to the traditional service providers, i.e., recruiting an attorney at a law firm. U.S. alternative legal service providers market is challenging the dominant traditional law firms market and is eating up the chunk of work that went directly to law firms. ALSPs are not only treated as an alternative these days and are portrayed as a class of highly skilled professionals chosen for high-volume tasks and to get the legal work done smoothly in less time.

Alternative legal service providers leverage low overheads and technology to offer their services with added advantages, i.e., efficiency at a low cost, simplicity, speed, flexibility, and a strong client focus. These businesses typically pick up and enhance elements of legal processes to improve performance which has led to the emergence of new service categories over the years. Alternative legal service providers do not operate as law firms but as legal services firms. Apart from performing high-volume tasks, the U.S. alternative legal service providers market provides key functions like financial management, client engagement, strategic planning, knowledge management, leveraging technology and data, and many other things.

STATE OF THE U.S. ECONOMY

The state of the U.S. economy can help determine the growth of the alternative legal service providers market. The economy in the near future appears to be a mixed bag. On one side, looming recession & geopolitical issues, and on the other side COVID-19 is expected to impact how in-house lawyers manage their teams and accommodate their budgets in a cost-constrained environment. However, past performances are a window into how the U.S. alternative legal service providers market could pan out.

IMPACT OF COVID-19

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The impact of the COVID-19 pandemic is propelling the desire among clients for ALSPs to deliver solutions within less time and at a low cost. The pandemic has the companies plunged into alternative legal service providers. Automation, cloud technology, and the adoption of AI emerge as drivers in the U.S. alternative legal service providers market during COVID-19.

IMPACT OF RECESSION

The recession is expected to be an agitator of growth for alternative legal service providers. As the next recession is on the prediction charts, its effect on the legal industry largely depends on the vendors' offerings and attributes. Their performance may be forecasted considering the industry's buying and selling trends. Digitally forward legal providers are more likely to be able to perform better during the period.

SUCCESS FACTORS

Value

Creating value and value propositions are central to the new age legal service delivery model. It typically depends on how the resources, pricing, finances, and investment are combined in the model. Models crafted to offer a portfolio variety at flexible and fixed prices with services delivered disintegrated and automated are likely to see success in the market.

Creating Agility

Agile workflow processes can be the key between the success and failure of alternative legal service providers, backed by diverse human resources. Ideally, they include junior lawyers, partners, professionals, paralegals, technologists, and technicians is essential to optimize cost and accelerate service delivery.

MARKET TRENDS & OPPORTUNITIES

Injection of Investments

There has been a wave of funding just as alternative legal service provider operators become more innovative and technologically savvy, drawing recognition for their value-added editions of the traditional legal model from legal buyers and clients alike. Further, investors are increasingly becoming aware of the impediments put in place by lawyers, resulting in division and shunned growth. As a result, the market has come far from being a young industry that witnessed transaction restrictions and has become the next 'new thing' powering the legal industry forward. Moreover, the growth in the U.S. alternative legal service providers market has unraveled a slew of private equity investments.

Adoption of Artificial Intelligence & Cloud Technology

Adopting AI and cloud technology will enable ALSPs to work remotely and make the legal processes easy and smooth. Law firms benefit from adopting AI to produce highly standardized documents like robotic process automation and confidential agreements. The advent of cloud technology allows applications to run smoothly on third-party servers without extensive in-house storage. ALSPs are investing in cloud technology, AI solutions, and cybersecurity, as these will make their work easy.

INDUSTRY RESTRAINTS

Raised Data Security & Privacy Concerns

The very nature of the law industry means it is under significant threat from security and privacy issues. Given that law, companies have access to huge volumes of IP and other confidential corporate/client information that could constitute trade secrets, insider information on M&As, personally identifiable data, approaches to litigation, and other privileged information, and handling significant funds. Such factors make Law firms highly prone to breaches. Negligence of employees and external threats from foreign governments or competitors are some of the key risks that can lead to stolen information or disrupted legal functions.

SEGMENTATION INSIGHTS

INSIGHTS BY SERVICE

-□

The U.S. alternative legal service providers (ALSPs) market by service segment is dominated by investigation and litigation

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support and was valued at USD 1.54 billion in 2022. The trade wars are threatening businesses that have ventures in international trade, others are fearing the possibilities of another economic downturn, and as a result, the environment is likely to be increasingly litigious. Effective preventative and support measures are being put in place progressively more, such as early case evaluation/ resolution and expectations to increase in-house legal team sizes. Furthermore, the nature of litigation has changed owing to the globalization of the world economy, the advancement of technology, involvement of foreign companies in US litigation has grown, leading to a scenario marked by more complex litigations.

-□eDiscovery is projected to eat some share of the investigation & litigation support services, dominate the U.S. alternative legal service providers (ALSPs) market during the forecast period, and witness a CAGR of around 23%. As the U.S. is continually refining eDiscovery laws via case rulings and the global privacy trend is bearing on American litigators, it has put legal teams under more pressure to keep atop protection or privacy obligations. Also, data review software engrained in predictive coding has become a key to eDiscovery legal teams to speedily and accurately review large data sets.

Segmentation by Service

- Investigation and Litigation Support
- eDiscovery
- Contract Management
- Document Review and Coding
- Legal Research
- Regulatory Risk and Compliance
- Others

INSIGHTS BY PROVIDER

-□

New law companies are likely to drive the growth of the U.S. alternative legal service providers market as they are the highest revenue generator. The New Law companies segment captured around 77% of the market share in 2022 and is expected to grow a CAGR of around 21% from 2022-2028. New Law firms or the new age independent LPOs have been the most disruptive players in the market, accounting for most of the work done in document review and litigation. They found relevance from the clients that could research themselves but required assistance in terms of execution, paving the way for law companies that were tightly scoped in terms of services and largely supported by technology and tailored talent.

-□Staffing & Contract Lawyer Companies were the second largest revenue generator in the U.S. alternative legal service providers market, holding a share of over 10% in 2022. Alternative legal service providers are redefining the legal industry beyond tech, processes, and staffing. With these providers welcoming the gig economy, which has paved the way for flexible hours, companies like LawFlex are increasingly becoming the source for new-age lawyers and legal professionals as the overall industry looks to bring in widely skilled lawyers.

Segmentation by Provider

- New Law Companies
- Staffing/Recruiting and Contract Lawyer Companies
- Captive LPOs
- Other Providers

INSIGHTS BY END-USER

-□

The U.S. alternative legal service providers market by end-users segment into law firms and corporations. Law firms dominate the end-user market segment by holding around 60% share in 2022. Law firms use ALSPs to reduce costs, improve productivity for high-volume tasks, and use these in areas where clients are pressured to cost-cutting and deliver services effectively. These services are used mostly for document review and eDiscovery services. The Law Firms segment is further segmented into three types, under which the large law firms dominate the market with a share of over 43% in 2022. However, mid-size law firms will

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likely witness a higher growth rate in the US alternative legal service providers market during the forecast period.

-□ The U.S. alternative legal service providers market by corporations is projected to grow at a CAGR of 19.61% during the forecast period. Corporations are focusing on reducing costs as their motive is to outsource services to ALSPs. Over the last several years, corporate legal departments have started looking at legal operations from a new perspective, thanks to consistent overbilling, unremitting violation of panel contracts, and lack of comprehension technology. Further, corporate law departments are increasingly becoming aware that simply adopting technology isn't helpful and requires a legal operations team that can properly use the technology and drive efficiency. As a result, corporations require more help than ever in everything from contract issues to IP rights and view Alternative legal service providers as less expensive and better streamlined to handle them.

Segmentation by End-User

- Law Firms
 - o□ Large Firms
 - o□ Mid-Sized Firms
 - o□ Small Firms
- Corporations

COMPETITIVE LANDSCAPE

The U.S. alternative legal service providers market is witnessing a growing number of international law firms crediting the concept of legal service delivery. With innovations in legal service offerings, ALSPs are getting opted for as these services are procured where traditional operational models are outdated or fall short. Vendors need to update their services to suit modern-day needs. Legal organizations such as Clifford Chance and Allen & Overy are reimagining and reinvigorating legal service delivery; hence they are likely to save themselves from acquisitions from large and dominating legal bodies. The disintermediation of legal work influences alternative legal service providers' success. There will always be some measure of legal work that entails trained sophisticated lawyers with the right skill sets to carry out some of the jobs and can't be siphoned off. With clients increasingly moving further afield in the Rogers Diffusion Curve, lawyers and law firms will account for a less dominant share.

Key Company Profiles

- Allen & Overy
- Axiom Law
- Elevate Services
- UnitedLex

Other Prominent Vendors

- Clifford Chance
- Consilio
- Epiq Systems
- Everlaw
- Exigent
- Greenberg Traurig
- Integreon
- KLDisccovery
- LegalZoom
- Lawyers On Demand
- Mindcrest
- Reed Smith
- Lumen Technologies
- Morae
- Orrick Herrington & Sutcliffe

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-[]QuisLex

-[]Thomson Reuters

KEY QUESTIONS ANSWERED:

How big is the U.S. alternative legal service providers market?

What is the growth rate of the U.S. alternative legal service providers market?

Who are the key players in the U.S. alternative legal service providers market?

What are the growing trends in the U.S. alternative legal service providers market?

Which service segment dominates the U.S. alternative legal service providers market?

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