Magnetic forces: Consolidation in the legal services market

12 March 2014

Market consolidation is the process whereby small firms grow, merge or exit the market while larger firms become increasingly prevalent. This leads to a change in the structure of the market and the way it interacts with consumers.

The purpose of this paper is to highlight a current risk in the legal services sector and support law firms in taking appropriate actions to protect against the risk to themselves, their clients and the wider public interest.

Download (PDF 18 pages, 516K) [/globalassets/documents/solicitors/freedom-in-practice/magnetic-forces.pdf?version=4993fd]

Executive summary

As a risk-based regulator, a vital activity that we undertake is the identification of risks to the regulatory objectives, as set out in the Legal Services Act 20071 [#n1] . As well as allocating our own resources proportionately, in-line with these risks, we require firms to ensure that they are also managing them.

The purpose of this paper is to highlight a current risk in the legal services sector and support law firms in taking appropriate actions to protect against the risk to themselves, their clients and the wider public interest.

Market consolidation is the process whereby small firms grow, merge or exit the market while larger firms become increasingly prevalent. This leads to a change in the structure of the market and the way it interacts with consumers.

This process is common in many business sectors and is regarded as a natural, and even inevitable, process. There is evidence that the legal services market is experiencing such a phase, including:

- The market share of the top ten conveyancing firms increased from 5.3 percent to 10.3 percent between 2010 and 2012, while the number of firms making applications to the Land Registry fell by 2,400.
- There were 60 percent more mergers between law firms in 2012 than in 2008.
- In 2006, 41 percent of all solicitors' firms were sole practitioners, by 2013 this had reduced to 29 percent.

The cause of consolidation is the collective strategic decisions of firms in the market in the face of competitive pressures, especially pressures on cost and the level of demand. There is a range of such pressures driving consolidation in the legal market, with examples including:

- the on-going effects of the post 2007 downturn, including the property market crash and subsequent upturn
- legal changes such as the ban on referral fees and the reforms to legal aid
- changes in lender and insurer behaviour towards law firms

- changes in consumer demand and expectations.

The market will consolidate further, but due to the uncertainties involved we do not propose to predict the timescale or eventual market structure. Different sectors of the market are likely to consolidate at different speeds and times.

A consolidated market, in itself, should not be seen as presenting more risk than a fragmented market. The risks involved will be different, but market changes will also bring about opportunities and benefits. For example, the new market structure, and businesses within it, may perform better at broadening access to legal services for those that require them.

However, the consolidation process represents a period of transition. Therefore, it is important for firms to understand that the market landscape is changing and be alert to this dynamic situation. This situation may act as a driver of a wide range of different risks. The specific risks it will affect will be different for each firm. However, particular risks where a widespread impact may occur include:

- financial difficulty in firms failing to compete, and also from firms incurring costs in consolidating
- group contagion as larger structures form in the legal services market
- conflicts of interest as firms merge
- inadequate systems and controls as firms grow rapidly.

We have a duty to ensure competition in the provision of legal services, but this must be done in a way that is compatible with our requirement to protect the public interest and the interests of consumers. We do not seek to encourage or inhibit market consolidation, but aim to ensure that firms are actively managing the risks associated with it.

Some firms will experience consolidation as a crisis, while others will experience it as an opportunity. Benefits are most likely to be achieved by those that find means to access untapped demand. Firms that can manage their risks well will have an advantage as the market changes.

Introduction

This paper examines an on-going change in the structure of the legal market: the process of market consolidation. This is a market reaction to external pressures and opportunities. It is a process whereby a fragmented market made up of mostly small generalist firms changes towards a market dominated by large firms and small, highly focused specialists2 [#n2] .

We have a duty to ensure competition in the provision of legal services, but also to protect the public interest and interests of consumers. We aim to set out the evidence that shows how consolidation is taking place, to examine the reasons why it occurs, and to assess the risks that the transition process poses to the regulatory objectives. Our aim is to help firms manage the risks posed by a consolidating market.

A fragmented market and a consolidated market may present different risks, but there is no reason to believe that either type of market is 'riskier' than the other. However, the process of transition does create an environment where new or different regulatory risks are created. Notably, firms that do not successfully adjust may experience financial difficulty. This can lead to detrimental impacts for consumers of legal services3 [#n3] .

We do not intend to try to predict the final shape of the legal services market once consolidation has run its course, nor will we attempt to forecast the timescale. The uncertainties involved are too large for such a forecast to be realistic. Our concern here is with the risks arising from the transition process.

Evidence of a consolidating market

The following diagram shows a range of evidence that the legal services market has entered a consolidation phase. In other words, the fragmented legal services market that we have known, with a great many predominantly small general practice firms, is moving towards a landscape of larger firms and niche specialists.

Consolidation is driven by price pressure, intensified competition and market 'shocks'. As such, it does not necessarily proceed at the same speed in every segment of the market. The conveyancing market experienced a major impact in 2007 with the downturn in the property market. Personal injury, by contrast, encountered its 'shock' as recently as 2013 with the reductions in recoverable costs and referral fee ban.

Consolidation in the legal services market

Sole practitioners

2006 Sole practitioners 41% Other firms 59%

2013 Sole practitioners 29% Other firms 71%

60% more law firm mergers in 2012 than in 2008

In 2013 at least 42% of the top 50 firms considered a merger to be very or fairly likely by 2016

Regional trends 2009 - 2012

The top 50 firms in Yorkshire and the Humber increased their share of the regional market by 4.8%.

The top 50 firms in Wales and the West Midlands followed at 4.4% and 3.8% respectively

Conveyancing

In 2012 2,400 fewer firms made applications to register transactions

Top 10 conveyancing firms' market share* 2012: 10.3% 2010: 5.3%

*In this instance, market share is reported by transactions. Elsewhere it is calculated as a percentage of turnover

Criminal legal aid

12% fewer criminal legal aid firms in 2013 than in 2008

Criminal legal aid reforms are expected to reduce providers by up to 67%

Legal aid

35% of firms with 50%+ legal aid clients lost more than 10% of their turnover over 2008-11

In 2012 31% of legal aid firms were planning to exit the market by 2015

Sources: Ministry of justice, Legal Services Board, Law Society, Solicitors Regulation Authority, Land Registry, PricewaterhouseCoopers, Wilkins Kennedy (Chartered accountants and business advisors).

Why markets consolidate - what can we learn from other sectors

The basic cause of consolidation is cost competition in a fragmented market. In these conditions, competition between firms is intense. External pressures, such as an economic downturn, reduce profitability and threaten the viability of firms. Those firms must then find strategies to gain an advantage. The collective effect of those independent strategic choices is that the market consolidates.

Case study 1: The UK optical market

In the UK optical market, the years following liberalisation in 1985 saw independent opticians fall from holding 65 percent of the market by turnover to holding 27.5 percent by 2005 . Most of the remaining market share was taken by franchises such as Specsavers and Vision Express. Small firms were, however, partly shielded from the effects of this shift by the strong increase in the size of the market, which grew by 80 percent over the same period. The new entrants had found new demand. As such, although they lost substantial market share and income, the number of independent opticians actually increased. If the market had shrunk rather than expanded, the consolidation would have seen many independent firms cease to trade.

Firms found ways to increase the overall size of the optical market, even though the number of people requiring sight tests and vision correction did not change. New entrants marketed heavily and were able to competitively charge due to economies of scale. This had not been impossible prior to liberalisation. Most significantly, the new entrants changed the terms of the market by advocating spectacles as a fashion accessory and by providing new varieties of contact lenses, including packages that required more frequent eye tests and consultations. The commercial pressure to convert such consultations into sales and to sell more products has been the subject of concern, but research has found little evidence of actual mis-prescribing or other detriments to consumers4 [#n4] .

The effect of the consolidation was that, after the merger of Boots and Dollond & Aitchison in May 2009, four large brands dominate the market.

It is worth remembering that, like the optical market, the size of the legal services sector is not fixed. Research has shown that 49 percent of consumers experiencing a justice problem do not take advice, with only 29 percent taking formal legal advice. In addition to concerns about costs, one reason identified has been that many consumers do not recognise their problems as legal issues with which a legal representative might help5 [#n5] . Even among small businesses, only 29 percent of those facing legal problems take formal legal advice6 [#n6] .

Although firms can adopt any number of strategies to gain a competitive advantage, these do tend to fall into a short list of generic possibilities7 [#n7] . Firms can aim to:

- increase their market presence and customer base, either by simple expansion, by making alliances and mergers or by heavy marketing
- diversify to reach broader areas of work
- follow a cost strategy, aiming to offer lower prices than competitors
- build a niche specialisation to differentiate themselves from the competition and charge premium prices for their expertise
- innovate, offering something new to serve previously untapped needs or by providing services via different means
- 'lock in' customers, ensuring a secure customer base
- raise barriers to entry, making it harder for others to compete

With the exception of niche specialisation, all of these strategies suggest growth as a means of implementing them. Large firms can gain cost efficiencies, and have the bargaining power to get better deals from suppliers. Diversification is easier in a big firm that can employ multiple specialist departments and that has the financial resources to attract the best talent.

Innovation is unpredictable, but enables firms to access untapped demand. Other strategies may be harder to employ. 'Locking' customers in involves such strategies as loyalty schemes, ongoing retainers and service contracts. Legal Services are, however, an occasional purchase for most consumers, meaning this strategy is less prevalent in law than it is in other sectors8 [#n8] .

The self-reinforcing nature of growth

Consolidation tends to accelerate9 [#n9] . Firms that have already grown and carried out activities such as mergers and takeovers will have gained valuable experience from these endeavours. Those that have benefitted are more likely to seek additional growth by this means in the future.

As larger firms gain competitive advantages such as cost efficiencies and brand recognition, it becomes harder for smaller firms to compete with them10 [#n10] . Large consolidated firms in other sectors have proved able to meet demand in ways that may not be available to smaller firms, due to their ability to offer a wide range of expertise11 [#n11] .

Smaller firms become insolvent more often than larger firms12 [#n12] . It is therefore possible for large consolidated businesses to outlast their smaller competition. Even larger firms can, of course, fail. Those that experience financial distress during a consolidation episode are likely to be purchased in part or outright by their more successful competitors.

Case study 2: The international accountancy market

Starting as large US accounting firms, the top eight accountancy and audit firms in the world had, by the 1980s, become international partnerships. In many cases , accountancy firms became larger than the firms that they audited. The speed of their growth can be seen from Arthur Andersen's tripling of its revenues between 1970 and 1979. The growth of audit as a function meant that profits in the businesses exceeded those from consultancy or business accounting activities.

A renewed spate of mergers began in 1989, and had by 2002 transformed the Big Eight into the Big Five. The failure of Arthur Andersen, after the Enron and WorldCom scandals, left an international audit market dominated by four firms who between t hem audit 98 percent of all large public companies.

Despite this scandal, US surveys in 2008 found little direct evidence of any adverse impact or serious client dissatisfaction13 [#n13] . This research also noted the advantages for large businesses from the scale economies and depth of expertise available in the largest accounting firms. However, concerns remain about conflicts of interest, excess influence and the limited choice available14 [#n14] .

Many analysts expect the mid-tier accounting firms to undergo a similar consolidation process15 [#n15] .

Drivers of consolidation in the legal market

At present, multiple factors are acting on the legal market to reduce fragmentation.

The continuing effects of the global recession

The downturn that began in 2007 had a significant impact on the market. Although recovery has now begun, there is much evidence that many firms fail in the early stages of an economic upturn16 [#n16] . This is caused by pressures on firm to recover 'lost ground', which can lead to poorly considered mergers and excessive exposure to debt.

The fall in conveyancing demand after the 2007 credit crunch, which saw property transactions fall by 40 percent17 [#n17] , was a major factor that drove the significant consolidation in this sector.

Insurer and lender behaviour

The legal market's structure is influenced by the attitude towards legal firms held by lenders and professional indemnity insurers.

The reduction in lending that was triggered by the credit crunch of 2007 remains an economic pressure on law firms18 [#n18] . A more risk averse attitude by lenders towards law firms has had a particular impact on smaller firms with more limited financial reserves and less ability to access finance from alternative routes.

The professional indemnity insurance market has also become more difficult since 2007, for reasons ranging from concerns about mortgage fraud to an increase in claims generally19 [#n19] . This has also led to increased pressure for some groups of law firms.

In addition to the general cost of insurance cover, insurers can be more direct drivers of consolidation. The 2013 decision by insurer XL, at the time holding 16 percent of the total PII market20 [#n20] , to withdraw cover from firms with one to three partners demonstrates the way in which insurer pressures can act to intensify the pressure on firms.

Customer behaviour and demand

Panel work for large organisations such as lenders has become more difficult to obtain as lenders have sought to reduce their panels and to ask more of the firms on them. This has had a strong impact on small firms, with sole practitioners in particular experiencing difficulty with accessing panel work21 [#n21] .

In the corporate field, commercial clients have begun to exert more pressure on firms and to use more focused buying practices. This has been a factor in the growth of alternatives to hourly billing. The effect of this is to make pricing more transparent and to encourage competition on price.

In the consumer legal field, there are signs that the wider use of price comparison methods, such as the use of websites, led to more demanding consumers who are used to seeking low costs22 [#n22] . Although recommendations remain popular when consumers are choosing a legal representative, there is a general preference for dealing with brands that consumers know and trust23 [#n23] .

In some areas of legal work, demand is falling. Road accidents have fallen by an average of two percent per year24 [#n24] , and recorded crime by an average of four percent per year since 200725 [#n25] . This adds to the competitive pressure on firms.

Regulatory change

Previous cases of consolidation, such as in the financial services industry, have revealed that the removal of regulatory barriers is a major driver26 [#n26] . In the legal services sector, the end of the barrier on non-lawyer ownership of law firms, by enabling access to external funding, has been such a removal of regulatory restrictions.

Government policies and legal change

Government policy strongly influences market consolidation:

Personal Injury

Personal injury work has been affected by multiple legal changes. The effect of these has been to increase cost pressure on firms.

A strong consolidation driver came from the pressure on costs of the Government's decision to reduce the fixed recoverable costs in road accident cases by 60 percent from April 2013[27] [#n27] .

The Government is also continuing to examine the prospect of medical referral panels for whiplash injury cases, which make up 56 percent of all personal injury claims[28] [#n28] . The object of these changes has been to reduce the number of minor road accident claims, which are reportedly ahead of European averages, and which have increased even as the accident rate has fallen[29] [#n29] . A reduced ability to recover costs, combined with a reducing demand, will add to consolidation pressure.

The referral fee ban, restricting the ability of firms to use third party referrers to obtain marketing leads, has led to the formation of new Alternative Business Structures (ABSs). This may increase the funding available to these firms for investment in branding and mergers. As such, it may accelerate consolidation.

Criminal legal aid

The criminal legal aid sector faces consolidation pressure from a whole set of societal and policy changes from the Ministry of Justice.

Falling crime rates, more accurate charging and greater use of cautions and fixed penalties have reduced the number of criminal cases and among those the number of ineffective trials and cases going to full trial.

A series of changes to legal aid payment over ten years has effectively reduced expenditure. The changes to the structure of legal aid fees have also changed the incentives to complete litigation and advocacy work. Drivers of consolidation are increased by changes to legal regulation that allow solicitors and barristers to work more closely in various entities.

Reform of criminal legal aid is likely to drive further consolidation of the criminal justice sector[30] [#n30] . The measures include a reduction of 8.75 percent in legal aid rates in 2014 and an identical reduction in 2015. At the same time, they propose to introduce a new system of tendering for duty solicitor 'slots'. There are to be 525 of these contracts available, down from 1,600 at present. This represents a two thirds reduction in the number of firms providing criminal legal aid work[31] [#n31] .

Civil legal aid

The changes to the civil legal aid system made by the Ministry of Justice represent a significant consolidation pressure. These are on top of a number of changes over the last decade that have, as with criminal legal aid, removed the right of every solicitors firm to undertake legal aid work and replaced it with a contracting regime. The increasing use of fixed fees has also rewarded firms that can absorb the risk from a mixture of cases that would have previously been remunerated individually.

The reduced scope of legal aid,10 percent fee cuts and amended merits criteria to remove legal aid from 'borderline' cases, reduces the ability of customers to fund these cases. This places an additional financial pressure on providers.

Risks in a consolidating market

This section highlights the regulatory risks associated with a transition to a more consolidated market. These are the risks that we see as most likely, but in a changing market it is vital that firms are aware of the specific risks facing their business, which may be different to those set out below.

Financial difficulty

As market consolidation is part of a competitive process, it is inevitable that there will be firm failures as this takes place. For firms to survive and prosper in a changing market they will need to be alert to this change and prepared for the challenges they will face.

Managing issues related to financial difficulty remains one of our top priorities. In the course of managing this risk we have seen a wide range of poor practices, from firms simply failing to react to a decline in revenue from their key markets, to poorly planned mergers and acquisitions which have served to make the firm's situation even worse.

We have also seen a correlation between firms in financial difficulty and risks that have a detrimental impact on clients and the public interest. These risks include disorderly closure and the dishonest misuse of client money and assets32 [#n32] .

Our compensation arrangements and interventions processes should protect consumers from many of these potential detrimental effects, but firms having good business continuity and exit plans in place will mean that these protections will be called upon less often.

Group contagion

In our Autumn Update of the Risk Outlook we published a short paper on Group Contagion33 [#n33] . As the market consolidates, larger and more complex structures are likely to emerge. When these structures exist, group contagion increases as a potential risk. As firms adopt new structures, they should be aware of the risk of group contagion and the suitable controls that can be used to mitigate this risk.

Conflict of interest

As firms seek to merge, conflicts of interest between both existing and past clients become an increasing risk. We are aware of some large firms experiencing difficulties in acting in cases involving major banks and corporations due to previous client relationships. Controls such as information barriers become highly important in these cases, but are not easy to implement even in the largest firms. It is up to firms to ensure they adopt appropriate policies to manage this risk.

Poor systems and controls

As growing firms become more complex, it is important that they ensure that their internal systems are suited to their new risk profile. Risks such as conflicts of interest and supply chain exposures may become more significant as firms consolidate, and will need appropriate consideration.

Risks controls

This paper highlights the changing landscape of risks in the legal services market. The combination and nature of risks facing each individual firm will be unique. Therefore it is important that each firm manages the risks associated with their business appropriately whilst adjusting to meet the challenges of a new market structure.

Although many may seem obvious, there are some general good practices that are widely relevant:

Risk Controls

- Risk Management should be treated as a central function of any business.
- Sound financial management is required to achieve business sustainability and profitability.
- When moving into new areas of legal work, or considering a merger with another firm, it is vital that due diligence is taken to ensure that this process is managed effectively.
- Business continuity plans should be in place and reflect likely scenarios that may be faced.
- Exit planning is necessary to ensure that clients are not put at risk if a firm can no longer remain trading.

Conclusion

Competition is the driving force behind market consolidation. Under the Legal Services Act 2007, we have a duty to promote competition in the provision of legal services. Our regulatory remit is to ensure that risks to the public interest are managed and to only restrict competition where it is leading to outcomes that are not consistent with the regulatory objectives34 [#n34] .

Market consolidation can deliver lower prices and better services due to more dynamic competition amongst firms35 [#n35] . Firms also tend to compete more on cost as markets consolidate, which has the potential to improve access to justice36 [#n36] .

Consolidation may bring about a major reconfiguration of the legal services sector. In any changing market, new risks will emerge and extra vigilance is required to ensure that these are identified and managed.

As well as being in the commercial interest of law firms, the effective management of these risks will protect consumers of legal services and advance the public interest.

Sound risk management can help firms find their way in a time of change.

Index of sources

Association of British Insurers, "Tackling the Compensation Culture: The Legal Aid, Sentencing and Punishment of Offenders Bill: Improving the System for All". ABI, 2011.

Bainbridge, J (2010), "Sector Insight: Optical Goods and Eyecare", Marketing Magazine, 28 April 2010. Online at: http://www.marketingmagazine.co.uk/article/999829/sector-insight-optical-goods-eyecare [http://www.marketingmagazine.co.uk/article/999829/sector-insight-optical-goods-eyecare]

Baksi, C (2012), "Should Doom Merchants have Gone to Specsavers?", Law Society Gazette, 2012. https://www.lawgazette.co.uk/analysis/should-doom-merchants-have-gone-to-specsavers-/63667.article [https://www.lawgazette.co.uk/analysis/should-doom-merchants-have-gone-to-specsavers-/63667.article]

BDRC (2012), "Legal Services Benchmarking Report", Legal Services Board, June 2012.

Boyd, C (2004), "The Structural Origins of Conflicts of Interest in the Accounting Profession", Business Ethics Quarterly 14 3 July 377-398, 2004. Online at: http://www.xitizap.com/account-conflicts.htm [http://www.xitizap.com/account-conflicts.htm]

Campos, C; Dent, A; Fry, R; Reid, A, "Impact of the Recession". Office of National Statistics, 2011. Online at: http://www.ons.gov.uk/ons/rel/regional-trends/regional-trends/regional-trends--july-2011-edition/impact-of-the-recession.pdf

Cardno, A (2014), "How to Guard Against A Risky Recovery", Raconteur, 21 January 2014.

Online at: http://raconteur.net/business/how-to-guard-against-a-risky-recovery [http://raconteur.net/business/how-to-guard-against-a-risky-recovery]

Deans, G, Kroeger, F, Zeisel, S (2002), "The Consolidation Curve", Harvard Business Review 2002. Online at: http://hbr.org/2002/12/the-consolidation-curve/ar/1 [http://hbr.org/2002/12/the-consolidation-curve/ar/1]

Deloitte, "The Government's Proposed Legal Aid Reforms: A Report For The Law Society", Deloitte, May 2013.

Department For Transport, "Reported Road Casualties in Great Britain: Main Results 2011". DFT Statistics, 2012 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/9066/reported-road-casualties-in-great-britain-main-results-2011.pdf [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/9066/reported-road-casualties-in-great-britain-main-results-2011.pdf]

Europe Economics (2013), "Optical Business Regulation: Final Report for the General Optical Council", Europe Economics 18 July 2013. Online at: http://www.optical.org/goc/download.cfm?docid=2A36AC90-0A28-46B2-9665FAC0D6E79742 [http://www.optical.org/goc/download.cfm?docid=2A36AC90-0A28-46B2-9665FAC0D6E79742]

Focarelli, D and Panetta, F (2003), "Are Mergers Beneficial to Consumers? Evidence from the Italian Market for Bank Deposits", Bank of Italy Working Papers; CEIS Tor Vergata - Research Paper Series No. 10. Online at: https://ideas.repec.org/p/rtv/ceisrp/10.html [https://ideas.repec.org/p/rtv/ceisrp/10.html]

Fournier, S (1998), "Consumers And Their Brands: Developing Relationship Theory in Consumer Research", Journal of Consumer Research, Vol. 24, No. 4, pp. 343-353, 1998.

G10 (2001), "Consolidation In The Financial Sector: Summary Report", Springer, January 2001. Online at: http://www.bis.org/publ/gten05summ.pdf [http://www.bis.org/publ/gten05summ.pdf]

GAO (2008), "Audits of Public Companies: Continued Concentration in Audit Market for Large Public Companies Does Not Call For Immediate Action", US Government Accountability Office, January 2008. Online at: http://cpat-jacksonwhelan.netdna-ssl.com/wp-content/uploads/2008/01/gao-on-audits-of-public-companies-january-2008.pdf [http://cpat-jacksonwhelan.netdna-ssl.com/wp-content/uploads/2008/01/gao-on-audits-of-public-companies-january-2008.pdf]

Grayling, C (2013), "Transforming Legal Aid", published letter, July 2013. Online at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210067/letter-transforming-legal-aid.pdf [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210067/letter-transforming-legal-aid.pdf]

Hedley, A (2012), "Why Merge? Forces Driving Consolidation in the UK Legal Services Market", Hedley Consulting, August 2012. Online at: http://www.hedleyconsulting.com/pages/know/13feb-why-merge.html

Law Society Gazette (2013), "PII Insurers Cut Back Cover for 2013 Renewal", Law Society Gazette, 12 August 2013. Online at: http://www.lawgazette.co.uk/practice/pii-insurers-cut-back-cover-for-2013-renewal/5036925.article

Legal Services Board (2007), "The Regulatory Objectives", LSB, 2007. Online at: http://www.legalservicesboard.org.uk/news_publications/publications/pdf/regulatory_objectives.pdf [http://www.legalservicesboard.org.uk/news_publications/publications/pdf/regulatory_objectives.pdf]

Lilleystone, T (2012), "Lenders Asked by Law Society to Reconsider Conveyancing Solicitor Panel Cuts", Fridaysmove, 13 February 2012. Online at: http://www.fridaysmove.com/property-law-blog/simon-seaton/28/08/2009/lenders-asked-law-society-rethink-conveyancing-solicitor-p [http://www.fridaysmove.com/property-law-blog/simon-seaton/28/08/2009/lenders-asked-law-society-rethink-conveyancing-solicitor-p]

Ministry of Justice (2014), Government Response, 27 February 2014. Online at: https://www.gov.uk/government/news/transforming-legal-aid-government-response [https://www.gov.uk/government/news/transforming-legal-aid-government-response]

Moody, N (2008), "Consolidation Continues In UK's Lower Mid Tier Market", Accounting Bulletin, 30 September 2008. Online at: http://www.internationalaccountingbulletin.com/news/consolidation-continues-in-uks-lower-mid-tier-market [http://www.internationalaccountingbulletin.com/news/consolidation-continues-in-uks-lower-mid-tier-market]

Nilsson, C H, Lindskog, C and Brink, J, "Industry Consolidation – A Case from the Consolidation Process within the European Industry". Online at: http://www.snee.org/filer/papers/473.pdf. p4.

Pleasance, P and Balmer, N (2013), "In Need of Advice? Findings of A Small Business Needs Benchmarking Survey in 2013", Legal Services Board 2013.

Porter, M (1979), "How Competitive Forces Shape Strategy", Harvard Business Review, March 1979. Online at: http://hbr.org/1979/03/how-competitive-forces-shape-strategy/ar/3 [http://hbr.org/1979/03/how-competitive-forces-shape-strategy/ar/3]

Rose, N (2013), "Law Society Sets Out Blueprint for 'Sustainable Consolidation' of Small Crime Firms", Legal Futures 2 July 2013. Online at: http://www.legalfutures.co.uk/latest-news/law-society-sets-blueprint-sustainable-consolidation-small-crime-firms [http://www.legalfutures.co.uk/latest-news/law-society-sets-blueprint-sustainable-consolidation-small-crime-firms]

Rose, N (2013), "Making Up For Lower Fixed Fees in PI: Don't Mess Around", Litigation Futures 19 April 2013. Online at: http://www.litigationfutures.com/news/making-lower-lower-fixed-fees-pi-dont-mess-around-just-issue [http://www.litigationfutures.com/news/making-lower-lower-fixed-fees-pi-dont-mess-around-just-issue]

Saridakis, G, Mole, K and Storey, D (2008), "New Small Firm Survival in England", Empirica, Volume 35, Number 1, March 2008. Online at: http://link.springer.com/article/10.1007%2Fs10663-007-9049-9# [http://link.springer.com/article/10.1007%2Fs10663-007-9049-9]

Solicitors Journal (2013), "Lenders Reviewing or Reducing Law Firm Borrowing", Solicitors Journal 14 March 2013. Online at: http://www.solicitorsjournal.com/news/management/business-development/lenders-%E2%80%98reviewing-or-reducing%E2%80%99-law-firm-borrowing

SRA (2013), "Catching a Chill: Law Firms and the Risks of Group Contagion", SRA, November 2013. Online at: http://www.sra.org.uk/riskresources/ [/risk/risk-resources/]

The Law Society (2010), "Professional Indemnity Insurance: Practice Note", Law Society 8 June 2010. Online at: http://www.lawsociety.org.uk/Support-services/Advice/Practice-notes/Archive/Professional-indemnity-insurance/8-June-2010/

Wooton, C, Wolk, C (1992), "The Development of "The Big Eight" Accounting Firms in the United States, 1900 to 1990", The Accounting Histories Journal Vol.19 No.1, June 1992. Online at: http://www.accountingin.com/accounting-historians-journal/volume-19-number-1/the-development-of-the-big-eight-accounting-firms-in-the-united-states-1900-to-1990/

[http://www.accountingin.com/accounting-historians-journal/volume-19-number-1/the-development-of-the-big-eight-accounting-firms-in-the-united-states-1900-to-1990/]

Wright, P, Ferris, S , Vaughan, M, Jackson, W, "Are Competitors Advantageous or Disadvantageous in Consolidated versus Fragmented Markets?", Academy of Strategic Management Journal 2004 Volume 3. Online at: http://www.alliedacademies.org/academy-of-strategic-management-journal/volume-issue.php?volume=Volume%203,%20Issue%201&&year=2004 [http://www.alliedacademies.org/academy-of-strategic-management-journal/volume-issue.php?volume=Volume%203,%20Issue%201&&year=2004]

Xu, J, Quaddus, M (2013), "Information Systems for Competitive Advantage", in Managing Information Systems: Ten Essential Topics, Springer, 2013. Online at: http://www.chris-kimble.com/Courses/World_Med_MBA/Competitive_Advantage.html [http://www.chris-kimble.com/Courses/World_Med_MBA/Competitive_Advantage.html]

Zawada, C (2012), "Razor-and-Blades Pricing Strategies In The Digital Age", Forbes, 19 December 2012.

Notes

1. Legal Services Act 2007 [http://www.legislation.gov.uk/ukpga/2007/29/part/1] HM Government
2. Hedley, A, Why Merge? Forces Driving Consolidation in the UK Legal Services Market, Hedley Consulting, August 2012.
3. Steering the course [/risk/risk-resources/risks-and-financial-difficulty/] SRA Risk Centre Resources
4. Europe Economics, Optical Business Regulation: Final Report for the General Optical Council, [http://www.optical.org/goc/download.cfm?docid=2A36AC90-0A28-46B2-9665FAC0D6E79742] Europe Economics 18 July 2013.
5. BDRC, Legal Services Benchmarking Report, Legal Services Board, June 2012.
6. Pleasance, P and Balmer, N, In Need of Advice? Findings of A Small Business Needs Benchmarking Survey in 2013 Legal Services Board 2013.
7. Xu, J, Quaddus, M,Information Systems for Competitive Advantage, [http://www.chris-kimble.com/Courses/World_Med_MBA/Competitive_Advantage.html] in Managing Information Systems: Ten Essential Topics, Springer, 2013.
8. Zawada, C, Razor-and-Blades Pricing Strategies In The Digital Age, Forbes, 19 December 2012.
9. Deans, G, Kroeger, F, Zeisel, S, The Consolidation Curve, Harvard Business Review 2002 [http://hbr.org/2002/12/the-consolidation-curve/ar/1] .
10. Porter, M, How Competitive Forces Shape Strategy, Harvard Business Review, March 1979. [http://hbr.org/1979/03/how-competitive-forces-shape-strategy/ar/3]
11. GAO, Audits of Public Companies: Continued Concentration in Audit Market for Large Public Companies Does Not Call For Immediate Action, US Government Accountability Office, January 2008 [http://cpat-jacksonwhelan.netdna-ssl.com/wp-content/uploads/2008/01/gao-on-audits-of-public-companies-january-2008.pdf] .
12. Saridakis, G, Mole, K and Storey, D, New Small Firm Survival in England [http://link.springer.com/article/10.1007%2Fs10663-007-9049-9#] , Empirica, Volume 35, Number 1, March 2008.

13. GAO, Audits of Public Companies: Continued Concentration in Audit Market for Large Public Companies Does Not Call For Immediate Action [http://cpat-jacksonwhelan.netdna-ssl.com/wp-content/uploads/2008/01/gao-on-audits-of-public-companies-january-2008.pdf] , US Government Accountability Office, January 2008.

14. Boyd, C, The Structural Origins of Conflicts of Interest in the Accounting Profession [http://www.xitizap.com/account-conflicts.htm] , Business Ethics Quarterly 14 3 July 377-398, 2004.

15. Moody , N Consolidation Continues In UK's Lower Mid Tier Market [http://www.internationalaccountingbulletin.com/news/consolidation-continues-in-uks-lower-mid-tier-market] , Accounting Bulletin, 30 September 2008.

16. Cardno, A, How to Guard Against A Risky Recovery [http://raconteur.net/business/how-to-guard-against-a-risky-recovery] , Raconteur, 21 January 2014.

17. Campos, C; Dent, A; Fry, R; Reid, A, Impact of the Recession. Office of National Statistics, 2011.

18. Solicitors Journal, Lenders Reviewing or Reducing Law Firm Borrowing, Solicitors Journal 14 March 2013.

19. The Law Society, Professional Indemnity Insurance: Practice Note, Law Society 8 June 2010.

20. PII Insurers Cut Back Cover for 2013 Renewal [http://www.lawgazette.co.uk/practice/pii-insurers-cut-back-cover-for-2013-renewal/5036925] Law Society Gazette, 12 August 2013.

21. Lilleystone, T, Lenders Asked by Law Society to Reconsider Conveyancing Solicitor Panel Cuts [http://www.fridaysmove.com/property-law-blog/simon-seaton/28/08/2009/lenders-asked-law-society-rethink-conveyancing-solicitor-p] , Fridaysmove, 13 February 2012.

22. Hedley, A, Why Merge? Forces Driving Consolidation in the UK Legal Services Market, Hedley Consulting, August 2012.

23. Fournier, S, Consumers And Their Brands: Developing Relationship Theory in Consumer Research, Journal of Consumer Research, Vol. 24, No. 4, pp. 343-353, 1998.

24. Department For Transport, Reported Road Casualties in Great Britain: Main Results 2011 [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/9066/reported-road-casualties-in-great-britain-main-results-2011.pdf] . DFStatistics, 2012.

25. Deloitte, The Government's Proposed Legal Aid Reforms: A Report For The Law Society [http://www.lawsociety.org.uk/policy-campaigns/consultation-responses/documents/annex-a---deloitte-report/] , Deloitte, May 2013.

26. G10, Consolidation In The Financial Sector: Summary Report [http://www.bis.org/publ/gten05summ.pdf] , Springer, January 2001.

27. Rose, N, Making Up For Lower Fixed Fees in PI: Don't Mess Around [http://www.litigationfutures.com/news/making-lower-lower-fixed-fees-pi-dont-mess-around-just-issue] , Litigation Futures 19 April 2013.

28. Association of British Insurers, Tackling the Compensation Culture: The Legal Aid, Sentencing and Punishment of Offenders Bill: Improving the

System for All. ABI, 2011.

29. Department For Transport, Reported Road Casualties in Great Britain: Main Results 2011 [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/9066/reported-road-casualties-in-great-britain-main-results-2011.pdf] . DFT Statistics, 2012
30. Grayling, C, Transforming Legal Aid [http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210067/letter-transforming-legal-aid.pdf] , published letter, July 2013.
31. Grayling, C, Transforming Legal Aid: Government Response, Ministry of Justice [https://www.gov.uk/government/news/transforming-legal-aid-government-response] , 27 February 2014
32. Steering the course [/risk/risk-resources/risks-and-financial-difficulty/] , SRA February 2014.
33. Catching a Chill: Law Firms and the Risks of Group Contagion, [/risk/risk-resources/law-firms-risks-group-contagion/] SRA, November 2013.
34. Legal Services Board, The Regulatory Objectives [http://www.legalservicesboard.org.uk/news_publications/publications/pdf/regulatory_objectives.pdf] , LSB, 2007.
35. Focarelli, D and Panetta, F (2003), Are Mergers Beneficial to Consumers? Evidence from the Italian Market for Bank Deposits [https://ideas.repec.org/p/rtv/ceisrp/10.html] , Bank of Italy Working Papers; CEIS Tor Vergata - Research Paper Series No. 10. Source: SSRN.
36. Nilsson, C H, Lindskog, C and Brink, J, Industry Consolidation – A Case from the Consolidation Process within the European Industry. p.4