Alternative Law Firms Report

By Codex Edge / Using ATLAS Data

The legal services market is currently undergoing significant structural change as disruptive, challenger business models emerge that are leveraging new technology to challenge the traditional law firm model. This is highlighted by the fact that alternative law firms (ALFs) which operate consultancy models are growing (organically by headcount) at a significantly faster rate than their traditional competitors. The data suggests that at current rates of growth, up to a quarter of lawyers could work at ALFs within the next 3 years.

The likes of Setfords, Keystone, Gunnercooke, Excello, and Nexa are pure platform law firms. The model is simple: consultants bill clients for work and the firm provides administrative support. There is no hierarchy and no billing targets. Taylor Rose MW is one of the leading challenger firms but operates a hybrid model, whereby a proportion of the firm functions via a platform model and some as employees as per a traditional law firm. Therefore, only the consultants operating under the platform model, at Taylor Rose MW are considered for the purposes of this particular report.

Some platform firms use the job title Partner for their consultants. Fee-earning lawyers operating under the platform model have all been designated as 'consultants' for the sake of consistency. Therefore all such lawyers are referred to as 'consultants' in this report, and are coded as such on ATLAS.

So how does the business model work? Generally, it works on a split fee basis, where fees paid by the client are shared between the regulated firm, the lawyers that service the client and the lawyer that introduced the client. Typically, around 70- 80% goes to the lawyer and the originator (if different) and the rest to the firm. There is approximately 10 or 15% in referral fees to a colleague, with the recipient of the new work taking 60 or 65%.

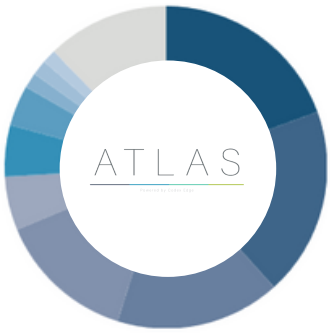
Firms such as Lawyers on Demand (LOD), Axiom and Elevate refer to themselves as Alternative Legal Service Providers (ALSPs) and are therefore not considered to be platform law firms. They supply lawyers on a contract basis to third parties for in-house roles and project work, among other things. Legal work is typically not undertaken at these organisations. Large law firms have set up similar operations such as Allen & Overy with Peerpoint. ALSPs are not covered in this report.

Lockdowns led to a shift in attitudes towards working arrangements, with lawyers now more likely to have experienced an improved work-life balance. This could be a boost for ALFs as lawyers in traditional law firms may find themselves having to return to pre-pandemic work patterns. That said, many firms have adopted hybrid work patterns and more flexible working in general. It remains to be seen whether this has a negative effect on the growth of ALFs. Recruitment and retention rates suggest the effect is negligible so far, but a full analysis will need to be conducted a bit further down the track.

Below we detail the overall macro picture showing the total number of consultants working in the new model firms and the most popular specialisms. For reasons of space we have only listed the 10 largest firms and the 10 most popular specialisms. If you would like to see the entire market with all the firms and specialisms listed, please get in touch and we will be happy to provide them. Contact gwood@codexedge.com for more information.

The Big Picture

Firm

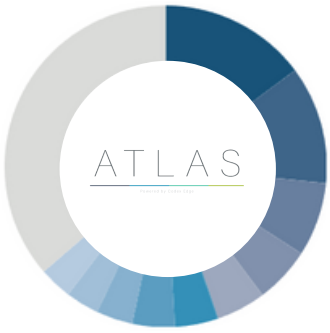


Setfords	419
Keystone Law	405
Taylor Rose MW	353
Gunnercooke	296
Spencer West	115
Excello Law	110
Nexa Law	87
Scott-Moncrieff & Associates	33
Bexley Beaumont	33
Saracens Solicitors	30
Others	269

City

London	1281
Manchester	121
Peterborough	99
Leeds	78
Guildford	37
Birmingham	34
Liverpool	25
Bristol	22
Leicester	20
Nottingham	17
Others	508

Specialisms



Residential Property	556
Commercial Property	447
Commercial Litigation	279
Corporate M&A	213
Employment	190
Personal Tax, Trust & Probate	164
Family	162
Commercial Contracts	138
Corporate Finance	126
Intellectual Property	124
Others	1370

Gender

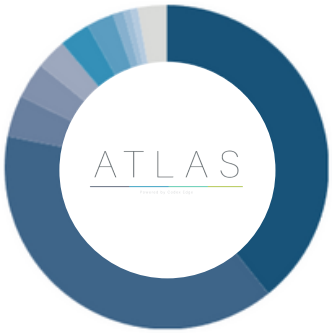
Female	1091
Male	1055

Top 5 ALFs in top 10 Specialisms

Below we show the top 10 specialisms broken down so that you can see the top 5 firms by headcount in each of these specialisms. Again, if you would like to see the entire dataset with every firm and every specialism please get in touch.

Residential Property - Top 5

Firm



Taylor Rose MW	218
Setfords	216
Keystone Law	23
Gunnercooke	20
Spencer West	17
Saracens Solicitors	17

Gender

Female	342
Male	214

Commercial Property - Top 5

Firm

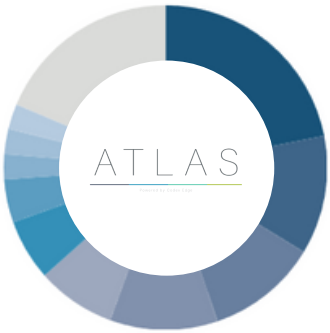
Setfords	118
Taylor Rose MW	89
Gunnercooke	71
Keystone Law	52
Excello Law	28

Gender

Female	200
Male	247

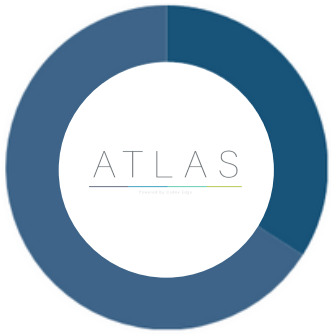
Commercial Litigation - Top 5

Firm



Keystone Law	61
Taylor Rose MW	33
Setfords	31
Gunnercooke	30
Spencer West	22

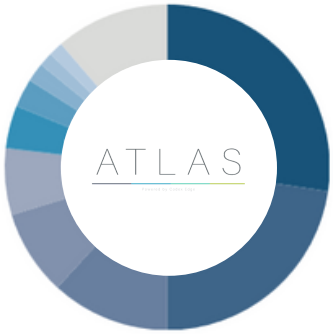
Gender



Female	95
Male	184

Corporate M&A - Top 5

Firm



Keystone Law	58
Gunnercooke	48
Excello Law	25
Spencer West	18
Nexa Law	14

Gender

Female	71
Male	141

Employment - Top 5

Firm

Keystone Law	47
Gunnercooke	28
Setfords	24
Excello Law	16
Taylor Rose MW	15

Gender

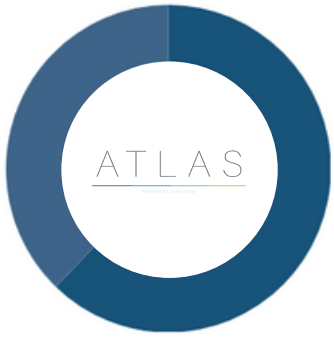
Female	118
Male	72

Personal Tax, Trust & Probate - Top 5

Firm

Setfords	58
Taylor Rose MW	26
Keystone Law	18
Nexa Law	15
Gunnercooke	12

Gender



Female	102
Male	62

Family - Top 5

Firm

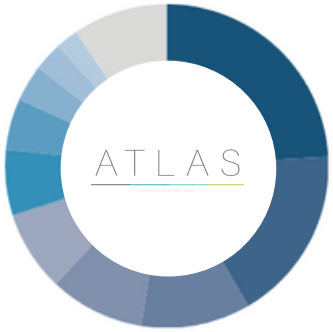
Setfords	51
Taylor Rose MW	30
Keystone Law	19
Spencer West	10
Gunnercooke	8

Gender

Female	125
Male	37

Commercial Contracts - Top 5

Firm



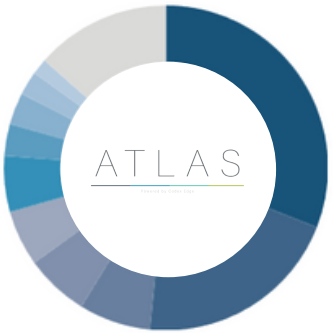
Keystone Law	33
Gunnercooke	24
Spencer West	15
Excello Law	13
Setfords	11

Gender

Female	63
Male	75

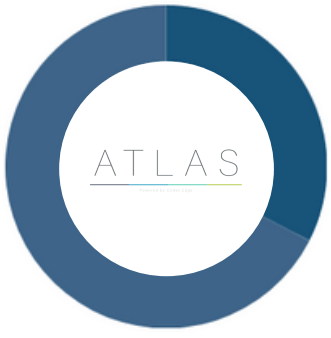
Corporate Finance - Top 5

Firm



Keystone Law	39
Gunnercooke	26
Excello Law	9
Spencer West	8
Setfords	7
Nexa Law	7

Gender



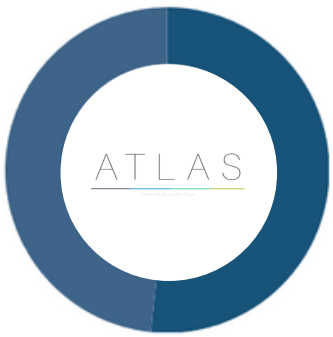
Female	41
Male	85

Intellectual property - Top 5

Firm

Keystone Law	35
Brandsmiths	18
Gunnercooke	16
Law 365	9
Spencer West	7

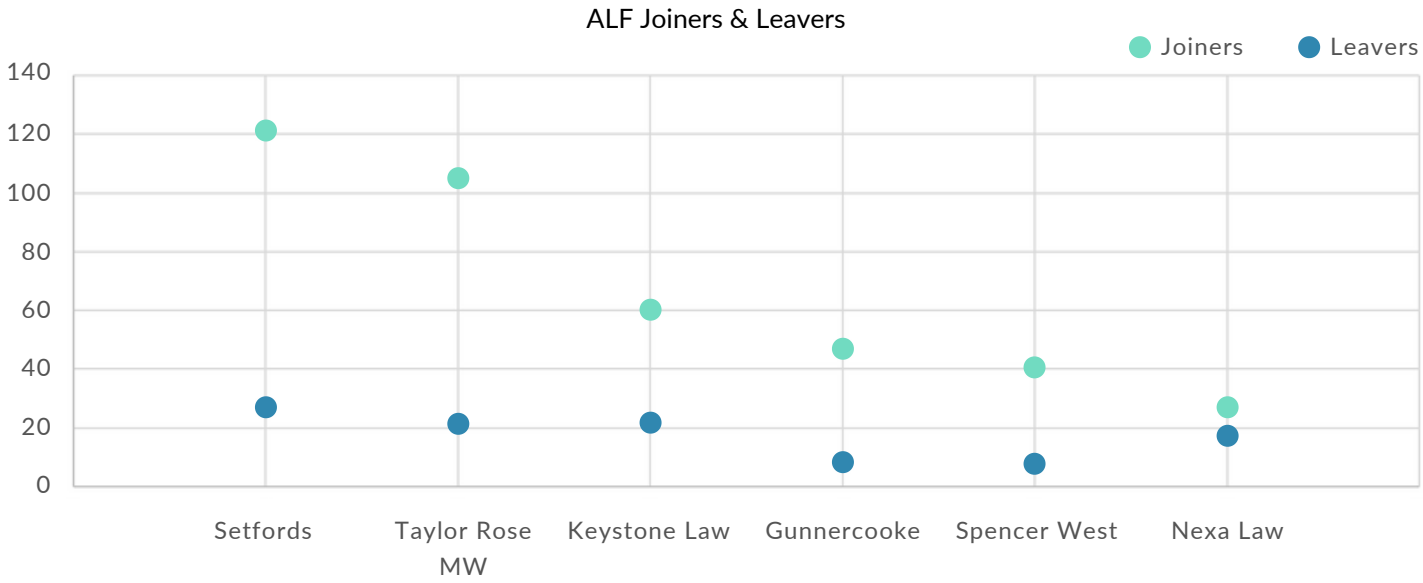
Gender



Female	64
Male	60

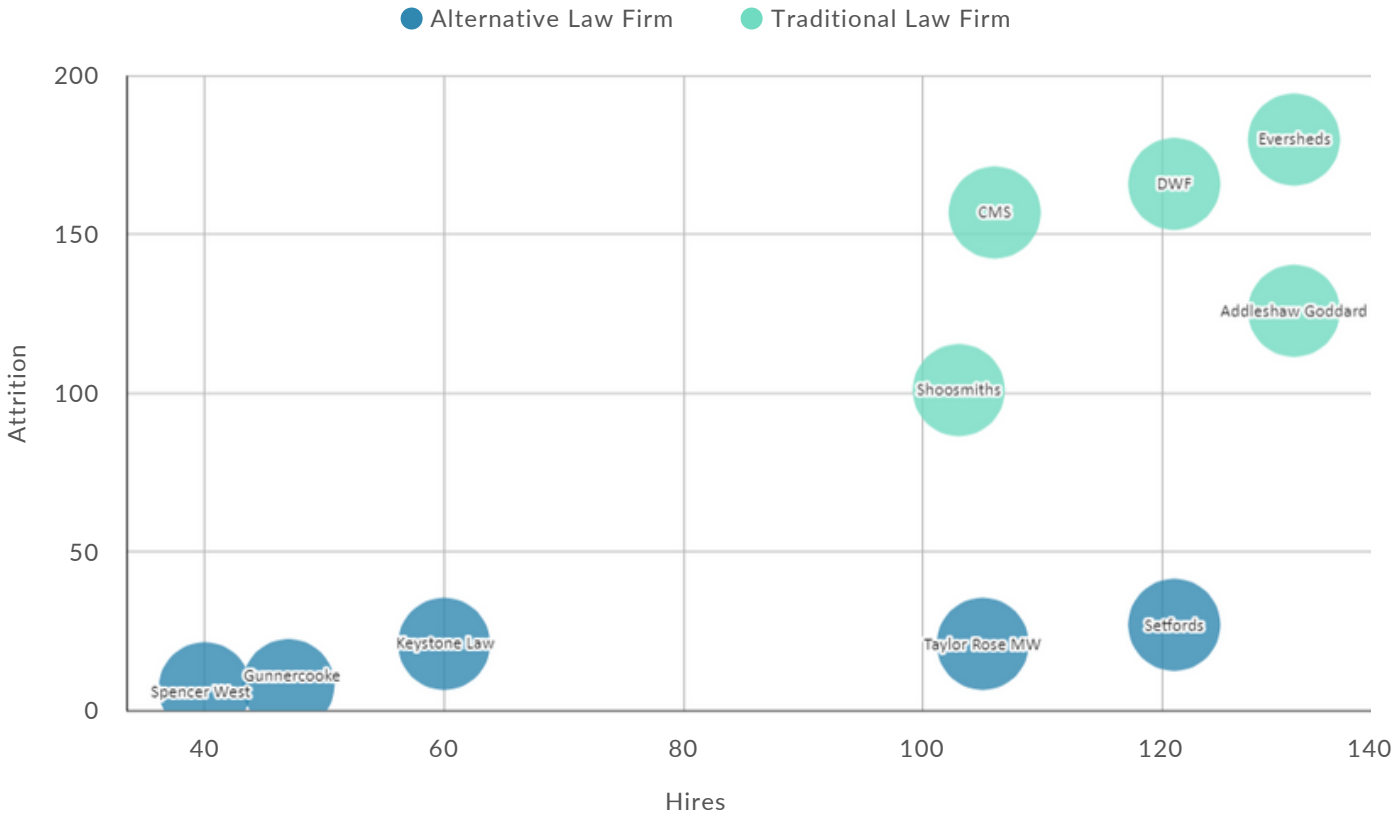
Retention Rates

Below we show the recruitment and retention rates comparing the most active (for hiring) 5 Traditional law firms on 'The Lawyer' firm rankings, with the top 5 Challenger firms.

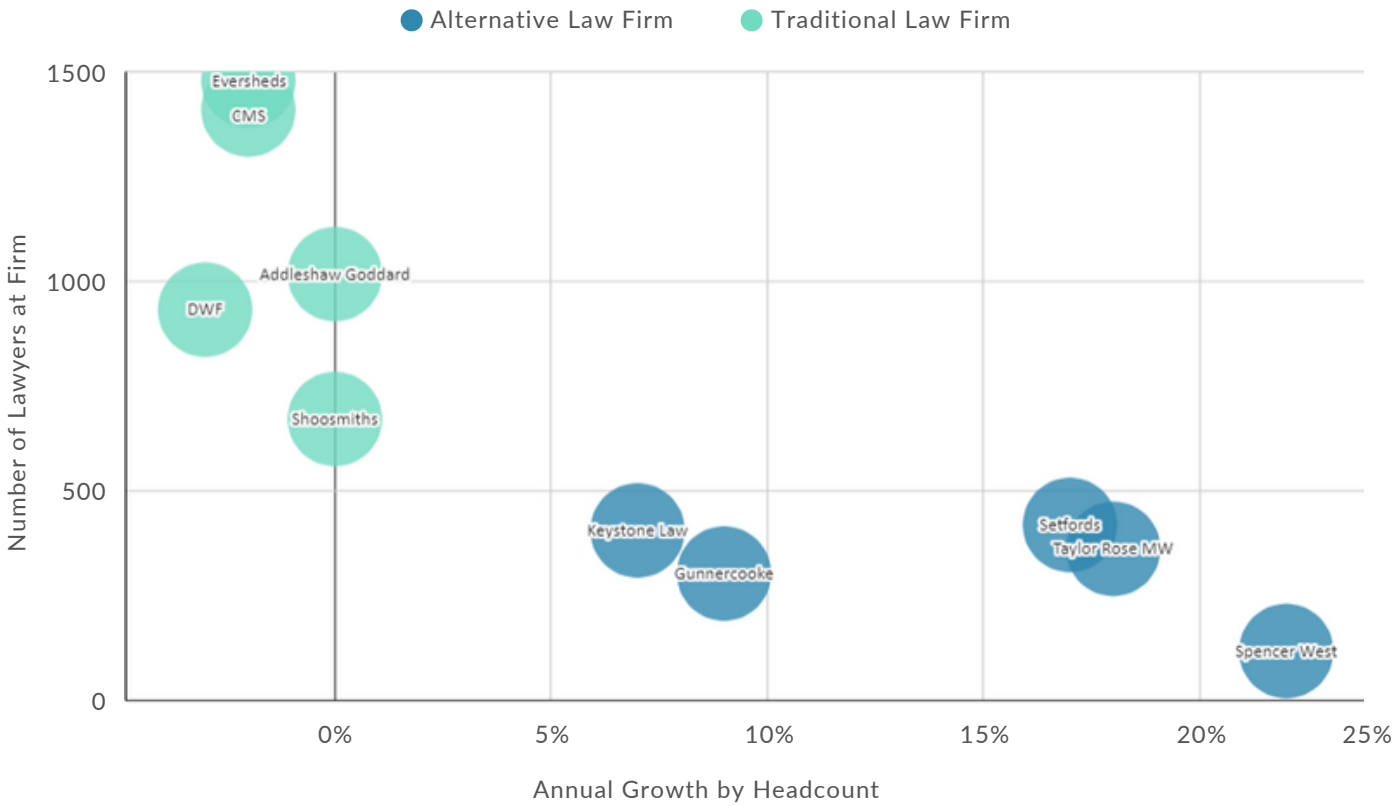


The number of joiners is higher than the number of leavers for all the above ALFs. This shows the level of growth at the ALFs both for platform law firms, including Setfords, Keystone, Gunnercooke, and Excello and Nexa as well as hybrid Taylor Rose MW. The graph below paints a very different picture for traditional law firms. There are more leavers than joiners for 3 out of 5 of the most active traditional firms and the difference is minimal for the other two active traditional firms. The highs may be higher in terms of more joiners, but the lows may be 'higher' too in relation to leavers. Also, the percentage growth in terms of headcount is much higher for ALFs. Please note that the time period covered and analysed in this report is from January - July 2022.

Top 5 ALF Hires & Attritions vs Top 5 Traditional Law Firm Hires & Attritions



Annual Growth Rate by Headcount vs Number of Lawyers at Firm

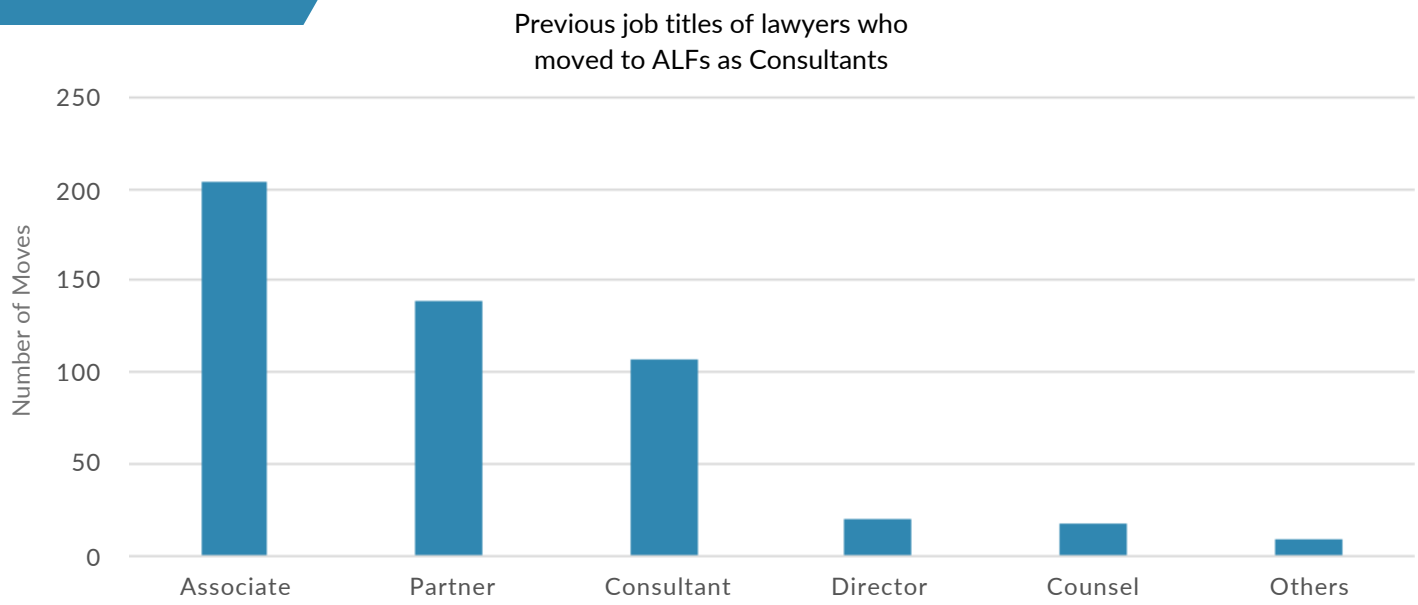


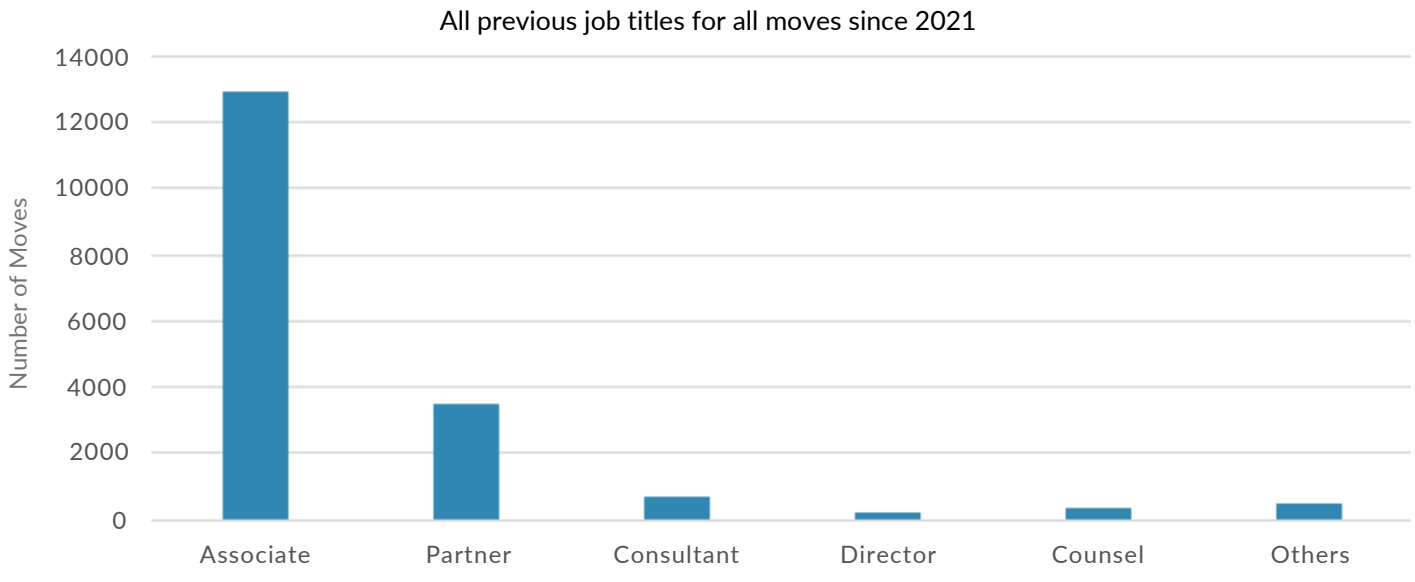
Alternative law firms which operate consultancy models are growing organically at a significantly faster rate by headcount than that of their competitors. The numbers for consultants at ALFs at the top 5 hiring consultancies have a compound annual growth rate (headcount) of 15%. The figure for the top 5 hiring traditional law firms is actually negative at -1%.

The evidence shows ALFs are outperforming traditional law firms in terms of both hires as well as retention. The speed of growth is astonishing but will come as no surprise to many as there is now mainstream acceptance towards ALFs, indeed it is in many ways no longer seen as an "Alternative." Challenger, modern and virtual law firms are frequently being used instead. The data suggests up to a quarter of lawyers could work at ALFs within the next 3 years.

We are seeing some lawyers operating via multiple ALFs, since consultants are not employees and they are not always exclusive to a single firm. Non-exclusivity and collaborative working is taking place both internally and externally.

Job Title



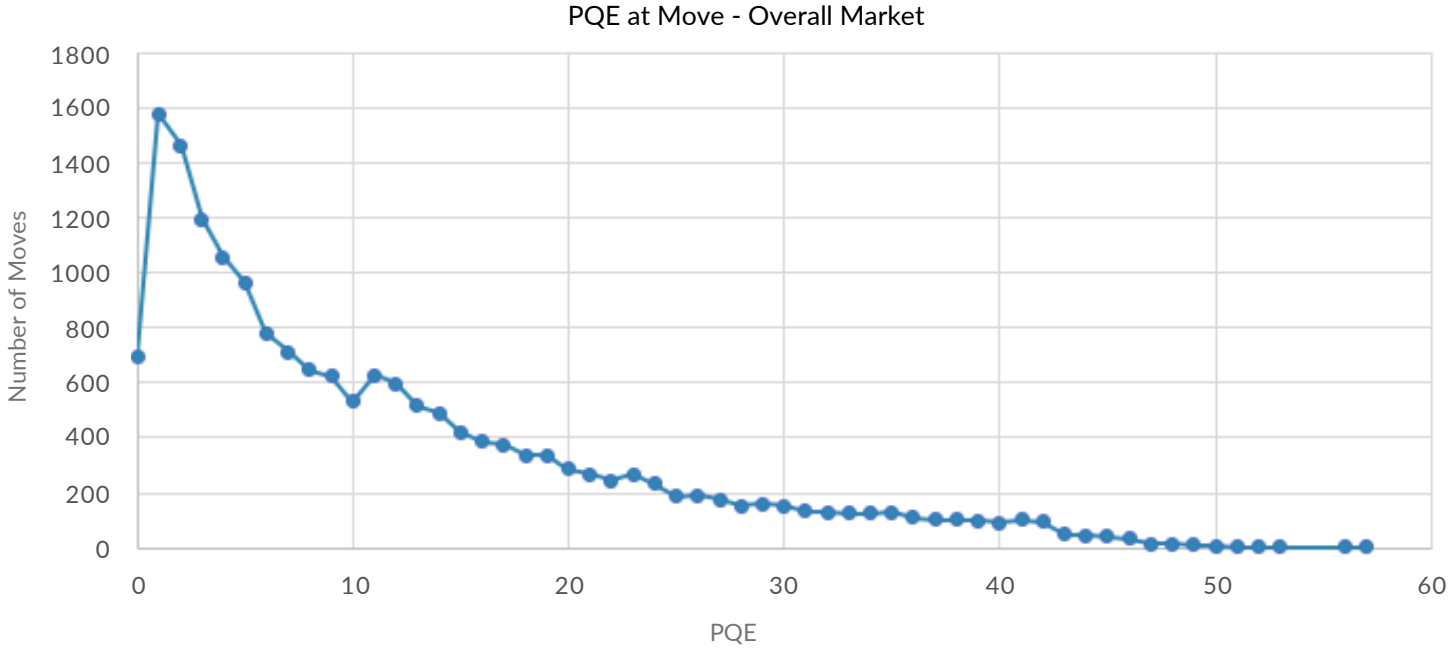


60% of hires to ALFs since 2021 have been Associates or an equivalent job title. 40% of targets are Partners or Consultants. That said, over 82% of new joiners take on a Consultant or Partner job title.

As can be seen, there appear to be clear peaks around PQE 4-6 and 12-22.

The model usually requires lawyers to have built up a personal following and have the ability to attract their own clients and work. This favours those in the 10+ bracket, but it is clear that ALF's do engage lawyers across the entire PQE spectrum.

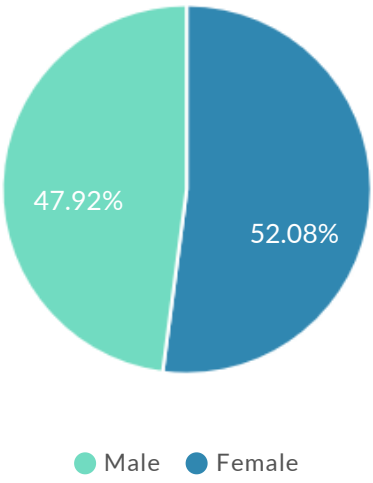
Since January 2021, the peak PQE range for moves to ALFs was 12-18 PQE. The mean average PQE level at which lawyers moved to ALFs was 16, while the average PQE level for moves across the entire legal sector was 12. If we were to compare these numbers by gender, we can see that the average PQE level at which women in the overall market moved was 10, while the average PQE level men in the overall market moved was 14. In contrast, the average PQE levels at which women and men moved to ALFs were 14 and 18 PQE respectively.



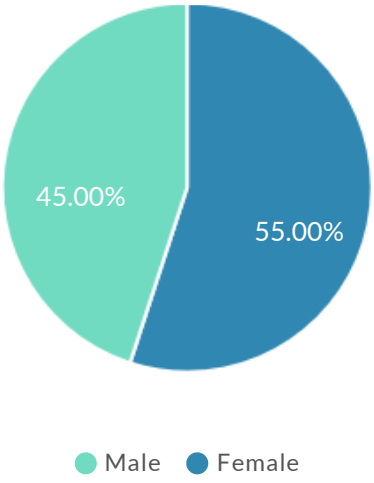
In stark contrast to the ALFs, peak PQE range at move in the overall market were 1-4 PQE. There is a steep decline thereafter as per the line graph above.

Gender

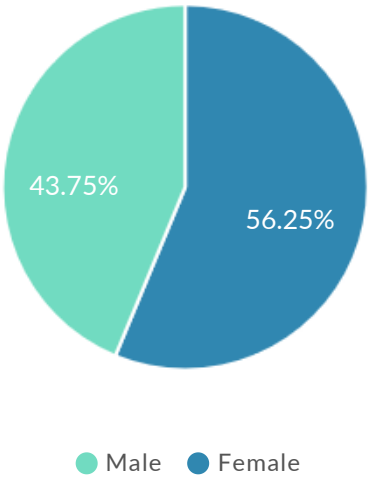
All Lawyers by Gender - Overall Market



All Moves by Gender - Overall Market



Moves to ALF by Gender



There are now more women working at ALFs than there are men. This is just about replicated in the moves to ALFs since January 2021. This was not the case in 2020 as per the ATLAS by Codex Edge annual report. Percentage-wise more women moved to ALFs than to traditional firms since January 2021.

As of 5th July, 2022, 64% of Setfords' consultant lawyers are women – a figure highlighted by the fact Setfords has one of the highest female-to-male ratios in a UK top 100 Law Firm. Irwin Mitchell have the most women according to ATLAS with 73%.

We hope you enjoyed reading this report and found it interesting and useful. If you have any questions regarding the content or would like further information about the ALF sector please contact our Head of Research:

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