

THE CASE FOR A LEGAL PLATFORM

Eddie Hartman

Co-Founder & Chief Product Officer, LegalZoom

AGENDA

1. Introduction
2. The Need For Change
3. Problems for Consumers
4. Problems for Lawyers
5. Platform Success Factors
6. Additional Considerations

An aerial photograph of a city skyline, likely New York City, with a blue color overlay. The word "INTRODUCTION" is written in white, bold, sans-serif capital letters across the center of the image. The background shows a dense cluster of skyscrapers, including the Chrysler Building and the Empire State Building, with a river visible in the distance.

INTRODUCTION



LLC

Incorporation

Trademark

Last Will & Testament

Get Help From an Attorney

Business Services

Personal Services

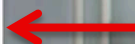
Trademarks & IP

Wills & Trusts

View all Products & Services

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The 23 Hot Los Angeles Startups You Need To Watch

■ ALYSON SHONTELL AND ANDREA HUSPENI

JUL. 13, 2012, 11:48 AM | 🔥 570,090 | 💬 19

BONUS: LegalZoom is one of the most successful private tech companies, generating ~ \$100 million in annual revenue

Startup: [LegalZoom](#)

Date Founded: 1999

Founder: Eddie Hartman, Brian Lee, Robert Shapiro and Brian Liu

Concept: The startup, founded by lawyers, makes it easy to file legal paperwork online. It's cheaper than hiring a lawyer, and it puts the legal jargon in plain English. Users can file everything from divorce paperwork to trademark applications on LegalZoom.



legalzoom

Location: Glendale, CA

Funding: \$66 million from Kleiner Perkins Caufield and Byers and Institutional Venture Partners











ANGELES

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BioBox BRIAN LEE- HONEST COMPAN

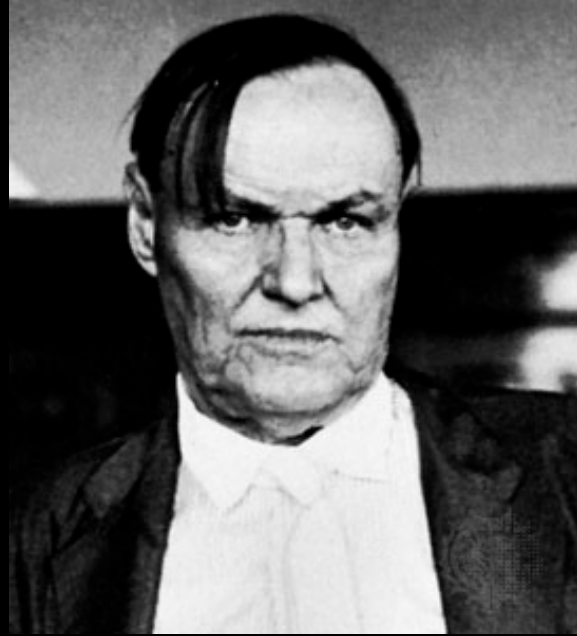
Co-Founded LegalZoom



takingSTOCK

Bloomberg

JESSICA ALBA IS A CO-FOUNDER OF THE HONEST CO.







An aerial photograph of a city skyline, likely New York City, with a blue color overlay. The image shows numerous skyscrapers and buildings, with the Hudson River visible on the right side. The text "THE CLEAR NEED FOR CHANGE" is centered in white, bold, sans-serif font.

THE CLEAR NEED FOR CHANGE

DISEQUILIBRIUM

US average hourly rate: \$285

Change, 2007-present: +28%

Change in employment, 2007-present: -8%

SURPLUS SUPPLY

Increase in US population, 1980-present: 40%

Increase in atty population, 1980-present: 277%

ABA REPORT ON THE PROFESSION

Only **15%** of Americans facing a “serious legal problem” seek the help of a lawyer – **down from 30%** in 1992

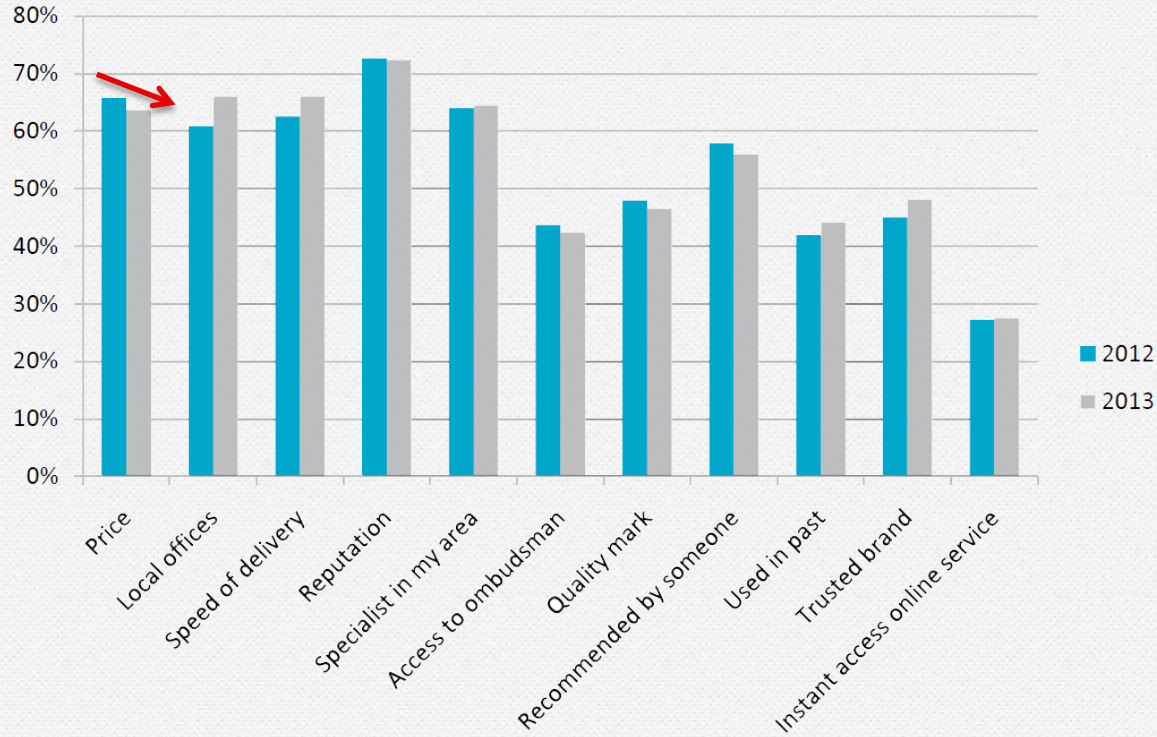
An aerial view of a city skyline, likely New York City, with a blue overlay. The image shows numerous skyscrapers and buildings, with the Hudson River visible on the right. The text "PROBLEMS FOR CONSUMERS" is overlaid in the center.

PROBLEMS FOR CONSUMERS

2013 TRACKER SURVEY (UK)

“Reputation, location, specialist knowledge and speed of delivery all **matter more than price** in factors influencing people’s choice of a lawyer.”

2013 TRACKER SURVEY (UK)



FACTORS BEHIND NON-CONSUMPTION

Absence of discernable criteria

- Quality of lawyer (particularly for a given matter)
- Process – What's involved, and how difficult will it be?
- Price – What's the real rate, and for how many hours?

FACTORS BEHIND NON-CONSUMPTION

Absence of consumption drivers

- Brand – no law firm has more than 2% awareness
- Advertising and marketing
- Convenience
- Guarantee / signalling

REGULATORY FRICTION

- Restriction on statements of quality / specialization
- Restrictions on advertising
- State-by-state licensing
- Criminalizing Unauthorized Practice of Law
- Prohibition on non-lawyer equity ownership

Maheshri, V., Winston, C. (2014)

“...the **states’ protection of lawyers** from various potential sources of competition has **significantly raised the price** of legal services offered by all lawyers regardless of their earnings and the size of the firm that employs them. ”



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Why Nevada

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**Want to set up a Nevada business
but don't know how?**



ALTMAN WEIL SURVEY (2014)

“...93.8% of survey respondents indicated that more price competition and focus on improved practice efficiency were permanent legal market trends while client respondents indicated that **viewed law firms as lacking seriousness about changing** their delivery model.”

An aerial view of a city skyline, likely New York City, with a blue overlay. The image shows numerous skyscrapers and buildings, with the Hudson River visible on the right. The text "PROBLEMS FOR LAWYERS" is centered over the image, with "LAWYERS" in yellow and "PROBLEMS FOR" in white.

PROBLEMS FOR LAWYERS

THE UTILIZATION PROBLEM

Small firms and solos

- Median gross: \$78,000
- Hours billed annually: 392
- Unbilled time: 75% or more

SECONDARY ISSUES

Myriad problems of running a business

- Collections, billing, and bad debt
- Appointment “no shows”
- Workflow and business process
- Analytics / optimization

An aerial photograph of a city skyline, likely New York City, with a blue color overlay. The image shows numerous skyscrapers and buildings, with the Hudson River visible on the right side. The text "PLATFORM SUCCESS FACTORS" is centered in white, bold, uppercase letters.

PLATFORM SUCCESS FACTORS

ABA REPORT (2011)

How do people find a lawyer today?

- Single greatest source is referral from friends and family
- If you've used a lawyer before, you're likely to return to that lawyer (34%)

BILL GURLEY, *All Markets Are Not Created Equal*

FACTORS “PRO”

- 1) New Experience vs Status Quo
- 2) Opportunity for technology to add value
- 3) High fragmentation
- 4) Little Friction in supplier signup
- 5) Sufficient size of the market
- 6) Expand the market

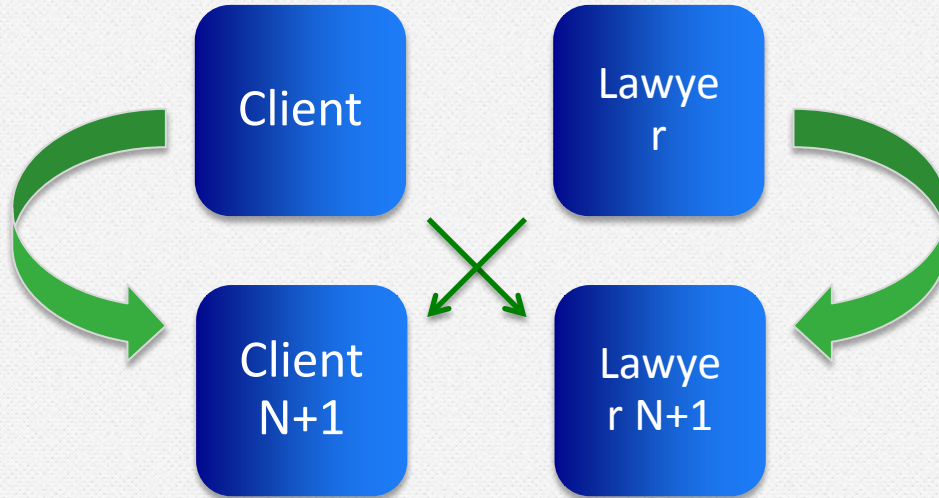
BILL GURLEY, *All Markets Are Not Created Equal*

OPEN QUESTIONS

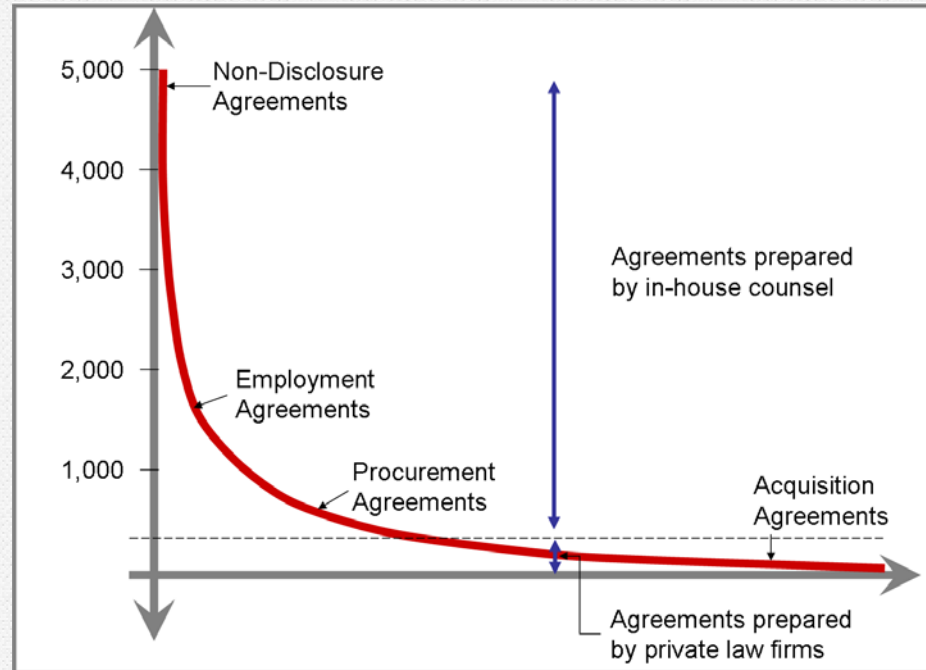
- 1) Frequency
- 2) Payment Flow
- 3) Economic Advantage

BILL GURLEY, *All Markets Are Not Created Equal*

Network Effects



PLATFORM DYNAMICS AND THE LONG TAIL



An aerial photograph of a city skyline, likely New York City, with a blue color overlay. The image shows numerous skyscrapers and buildings, with the Hudson River visible on the right side. The text "ADDITIONAL CONSIDERATIONS" is centered in white, bold, uppercase letters.

ADDITIONAL CONSIDERATIONS

SECOND-ORDER PLATFORM BENEFITS

Out-of-platform needs benefit the platform owner

- Tax and accounting for SMBs
- Child support for divorcing couples
- Insurance for estate planners

NARRATIVE VS INNOVATION

Schumpeterian Innovation? Or positioning?

- Facebook vs MySpace
- Ask & Answer? or Information Resource?
- Reseller or Multi-Sided Marketplace?

An aerial photograph of a city skyline, likely New York City, with a blue color overlay. The word "CONCLUSION" is written in white, bold, sans-serif capital letters in the center of the image. The skyline includes several prominent skyscrapers, such as the MetLife building on the left and the Chrysler Building in the center. The Hudson River is visible on the right side of the image.

CONCLUSION

CONCLUSION

- Current legal system is encumbered by friction
- Clients seek assurance on multiple points
- Disintermediation, frequency are open questions
- Platform dynamics are extremely attractive
- Network effects are multiple and compelling

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