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The Thomson Corporation in the Legal Publishing Market: Expanding the Value Proposition (B)

Mr. Hall stroked a short putt, finishing in four. Mr. Wilens waited for Mr. Hall to retrieve his ball. The two stood for a moment on the green of the 17th hole of the Pebble Beach Golf Links, reveling in the warm afternoon sun in March 2006. The rest of their foursome, managing partners of law firms in New York and San Francisco, moved on to the 18th hole.

Like the golf game, the leadership summit the four men were attending was coming to a close. It was the first such summit sponsored by West. More than 100 senior partners from the United States' most prestigious law firms attended. The event represented the latest escalation in West's growth strategy of expanding its product offerings and providing more value to law firms.

West began pursuing this strategy in 2000, launching a series of new information products and software tools for lawyers. Such efforts continued. But to further catalyze growth, West saw the necessity of extending sales relationships within law firms beyond law librarians and IT specialists.

The company wanted law firm leaders to view the company less as an information vendor and more as a strategic partner. The leadership summit was to help effect this shift by positioning West as a thought leader, not just on issues of case law but on a wide range of topics of interest to the most senior leaders within large law firms.

The company hoped it could then expand a nascent class of products—those that helped law firm executives manage their business more efficiently and effectively, as opposed to those that helped lawyers practice law more efficiently and effectively. The company began using the terms *practice of law* and *business of law* to categorize its offerings.

The Pebble Beach summit was the inspiration of Tony Abena, who led West's large law firm segment. Mr. Abena had been concerned that the event posed a big personal risk. He had "cobbled together the funding from a variety of sources," and there was little guarantee that senior law firm leaders would show up. But Mr. Abena had two strong

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assets working in his favor: a strong brand and the personal relationships West enjoyed with the world's leading law firms. Those relationships had been enhanced in 2005 when West acquired Hildebrandt International, a consulting firm that served large professional services firms, primarily law firms.

Not only did senior law firm leaders attend the event in large numbers, they gave overwhelmingly positive feedback. In fact, they even suggested that future meetings feature more business and less golf. Law firm leaders valued the opportunity to share insights with peers. Such opportunities were rare, and the preceding decade had brought about many difficult changes in the legal industry. Corporate clients demanded closer control of legal costs, and law firms merged to better serve global customers. Many law firm leaders recalled the "good old days," when the business seemed to come easier, the market environment was less volatile, and the profession seemed more collegial.

Based on the positive feedback, Mr. Hall soon announced the leadership summit would be an annual event. The guests had also reacted favorably to the concept that West would be adding more business-of-law services to augment its traditional practice-of-law franchise.

Planning for Growth

A key leader driving the expansion into the business-of-law services was David Hanssens, in 2006 West's chief strategy officer. Mr. Hanssens previously had served as a partner in the consulting firm The Parthenon Group, and he had counseled West extensively. Once at West, Mr. Hanssens built a strategy group that ultimately grew to 30 people. He dedicated the group to market analysis, redefining the company's target market, evaluating potential acquisition targets, and supporting West business leaders at their request. The strategy group also became a vehicle for recruiting future West managers, hiring primarily MBAs, especially former consultants.

Mr. Hanssens's starting point for analysis was not the work flows of attorneys but overall law firm spending. Prior to this reframing, West appeared to be roughly a $2 billion company competing in a $4 billion market. Afterwards, West appeared to be competing in a potential market estimated at upwards of $10 billion. This market reframing had an impact on how Thomson viewed its legal unit—from one in a nearly saturated market to one with broad growth opportunities. The $6 billion difference was a fragmented market, with no major players close to West's size.

The expansion effort did not start from scratch. West previously had acquired "business-of-law" properties. In 2001, the company acquired Thomson FindLaw, which provided law firm marketing services, website development, and legal information for individuals and small businesses. In 2003, the company acquired Thomson Elite, which offered enterprise software for law firms.

Mr. Hanssens's efforts to broaden the target market for West shaped both acquisition plans and product development activities. When the company acquired Hildebrandt International, the new unit also became his responsibility. Through the acquisition, West gained immediate access to senior law firm leaders and much deeper insight into law firm issues that historically the company had not considered.

The Business of Law

Mr. Abena and Chip Cater, head of strategic marketing, also played key roles in planning and executing the business-of-law expansion. Mr. Cater had hired Mr. Abena to run the large law firm segment partly because of his entrepreneurial experiences, which included both successes and failures. The large law firm segment was West's largest, and it became the primary target market for business-of-law initiatives. Mr. Abena described how his interest in the business of law grew:

> West is very data-driven. We'd mined a range of data sources to understand our market, including data about individual decision makers within firms, such as law librarians, technologists, and attorneys. But we had no data about C-level executives in large law firms, in part because they typically delegate legal research. It was like a black hole in our data. So we started gathering additional data to support the idea that there were new opportunities.

Business of law as a growth theme did not immediately catch on with the senior management team. Mr. Abena recalled initial conversations:

> I was describing how we should offer advice, industry research, and so forth to enable law firm leaders to make better decisions. Initially, I even suggested that West build a consulting business, but the company has always emphasized high-leverage, subscription-based business models. When I said that there was a lot to be done just by mining databases and publishing, the comfort level went way up.

Growth was a motivation for the business-of-law expansion but so was defending the core business. With law firms under increasing cost pressures, Mr. Abena was concerned that some law firms might choose to operate with only one major law database. In such a circumstance, Mr. Abena wanted law firm leaders to be swayed in their choice by a broad offering from West, close relationships at senior levels, and a perception that West was an industry thought leader. He wanted clients to think, "West does more for me than LexisNexis."

As West evaluated additional acquisition targets, the primary consideration was the extent to which the acquired firm could bring knowledge and skills that could help the company serve law firms more broadly. Past acquisitions had primarily been purchases of intellectual property and products.

Acquisitions activity and product development activity became interrelated. The management team viewed them as complementary to one another, and the product development team had input on acquisitions, offering insights into how the acquisition target might contribute to product development. Some existing information assets were recategorized as business-of-law assets. For example, information about trends in litigation—who was suing whom—could be derived from the Westlaw database and was valuable in guiding law firms' business development efforts.

A Business-of-Law New Venture

Early in the business-of-law effort, West convened "client advisory boards," in which leaders from West met with small groups of senior law firm leaders to learn more about their needs. Although there were many, one that quickly rose to the surface was the need for better competitive intelligence. Law firms had little access to data that would help them benchmark their own performance against that of their rivals.

The company had asked Alan Rich, former CEO and the post-acquisition chief strategist of Elite, to spend much of his time finding ways to leverage the combined strengths of West and Elite to serve law firms in new ways. As such, he was closely involved with the client advisory boards, as was Mr. Abena and Allison Guidette, a marketing manager who worked for Mr. Abena in the large law firm segment. The trio recognized that the data managed by Elite's enterprise software for law firms could be aggregated across firms (and aggregated with data from other software providers) to present valuable data about market-wide law firm performance.

It was an idea that had been discussed within Elite before the firm had been acquired. Mr. Rich described why it seemed more promising as a West business than as an Elite business:

> It did not make sense for Elite to enter this business because it would have required us to work directly with our competitors and they would not want to cooperate. But West is viewed as one step removed from the fray. The West brand is associated with publishing, and Thomson owns benchmarking businesses in other industries.

To Mr. Rich, the business idea had "interesting" financial potential but not "explosive" potential. West saw greater potential in the business's marketing value, as a strong entrée into the offices of managing partners.

Ms. Guidette led the effort to validate the opportunity with extensive market research and to build a business plan. In mid-2004, she convened a second client advisory board meeting to gather additional feedback and refine the product vision. She saw the willingness of law firm executives to devote so much time to a single supplier as a sign of the strength of the West brand.

Selling the idea internally was difficult, not for lack of confidence in financial projections, but for technical concerns. Mr. Wilens, then CEO of West, and others were concerned that there would be no way to guarantee apples-to-apples comparisons between law firms. Accounting systems in law firms were idiosyncratic, and it was an industry not recognized for accounting hygiene.

To persuade Mr. Wilens to invest, the team hired an outside consulting firm to evaluate the idea and examine the extent to which data in law firm financial systems could be meaningfully aggregated. The trio also built mock screens to demonstrate how the product would look. Eventually, after about a year, the effort paid off. Mr. Rich had not anticipated how much effort and consensus building would be required to launch the business. It was much different from his experience within Elite.

Building Peer Monitor

The business-of-law team received just enough funding to build a beta version of the product, dubbed Peer Monitor. Mr. Rich remained heavily involved in making the first few critical technology choices and making a few key hires. For example, the team hired Mark Spencer, a technology expert from Elite who had also formerly headed Elite's primary competitor. Mr. Spencer's role was high-level design for Peer Monitor, including converting feature ideas into concrete technical requirements. The team felt lucky to be able to hire Mr. Spencer because the community of experts on law-firm accounting software was small indeed.

The team chose to outsource much of the technology development effort to three outside firms, one of which Mr. Rich had worked with extensively in the past. Mr. Rich explained the logic:

> I wanted the best and most experienced software developers working on the initial designs. It would be tough to hire that level of talent for a new project in a large publishing firm and next to impossible without going well above typical salary ranges. In addition, continuity of mission-critical systems is by necessity the most pressing priority for the IT organization, and our project was not mission critical.

Hiring outside firms also mitigated risk in the event the endeavor faltered. The team chose relatively small technology firms to work with so that West would be their biggest, most important customer. The "beta" version of the offering was completed several months later, sooner than expected, and it was under budget. The milestone triggered a review, and Peer Monitor received additional funding.

Mr. Abena acknowledged that Peer Monitor was not as "rock solid" as the typical West system. With the exception of security features, which had to be perfect, the business-of-law team was comfortable with going into a pilot test with a fair amount of development work still to be completed. Unlike Westlaw, Peer Monitor was not a mission-critical application for law firms.

Recognizing the danger of losing knowledge about the technology once the contracts expired, West signed longer-term maintenance arrangements with the firms that built the software, and the staff worked on transferring system knowledge to the internal technology team at West.

As the beta version of the software neared completion, the business-of-law team focused on persuading the executives who had participated on client advisory boards to also be part of the beta test. It was difficult at first, but soon 18 companies agreed, well past the company's goal of 8.

Following the confidence-building beta test, the product development team completed a commercial version of the software. There were some inevitable nerve-racking technical glitches to overcome, but West formally launched Peer Monitor in late 2005.

While hiring a commercialization team, the business-of-law leadership team focused on making the first few sales themselves. The desire not to overextend by building a sales and marketing staff too quickly conflicted with the reality that Peer Monitor was a "chicken-and-egg" product. Unless there was a substantial customer base, the system gathered insufficient data to produce meaningful benchmarks.

As a result, initial sales were challenging. West had to discount prices more than anticipated to make the first few sales. After the first few "beta" agreements with customers were signed, however, West began hiring, building a small sales staff composed of a few highly compensated individuals with both JD and MBA degrees. The sales team needed to understand law, technology, and business, and needed to be skilled in calling on senior executives. The team also looked for people who were driven to produce do what it took to produce results even in an environment of great uncertainty.

The Peer Monitor sales staff could not operate independently, however. They had high qualifications and high ambitions, but they were new to the industry. They relied on West's established relationships to initiate conversations with customers. To motivate the existing sales force to support the Peer Monitor sales effort, West initially paid commissions to both the Peer Monitor sales lead and the West sales force partner. West announced that it planned to back away from the double compensation plan in 2007 with a reduced "partnership bonus." The announcement stimulated additional end-of-2006 sales efforts.

Through the first half of 2006, the business-of-law team focused on the numbers in the plan and the trajectory required to meet it. They perceived that performance against plan more than any other factor would affect their ability to push forward new proposals to expand the business. In addition to routine business review discussions led by Mr. Cater, Peer Monitor was reviewed formally by Mr. Peter Warwick, CEO of West.

After the initial discounting to get the first few sales, West actually rolled out a

price increase midyear, by which point Peer Monitor had 55 customers, aiming for a target of 100. The company was optimistic. All focus was on sales, and the leadership team dedicated much of their time to making sales calls, even as they worried about other issues falling through the cracks. In fact, as sales accelerated, pressure to keep back-end processes and systems in order rose.

Mr. Abena commented on Peer Monitor's progress and prospects:

> We didn't know what was going to happen in advance. This is much different from Westlaw, and we have to remind people of that. In an organization like this, it is easy to rain on an entrepreneur's parade by demanding Swiss-watch reliability out of an early stage business. Part of my responsibility is to shelter Peer Monitor from unrealistic expectations. You can't ask for both growth and reliability right away. For a while, we just kept as low a profile as possible. Now, it looks like the product will succeed. It still may not, but so far we have been able to prove at each stage that there was a real need, and when we put the product in front of customers, they were excited."

Expanding the Business of Law

The progress with the Peer Monitor effort, plus the success of West's leadership summit at Pebble Beach, built momentum for additional business-of-law endeavors. West had learned a great deal, as Mr. Wilens reflected:

> We've seen that law firms see us as a credible strategic partner, in part because we have so much skin in the game. They recognize that we have a lot to lose—our Westlaw franchise—if we make mistakes, so they are more comfortable with us than they would be with a smaller company that only had one offering.

In fact, in an early effort to push use of the acquired FindLaw, West learned that problems in a new product can spill over into dissatisfaction with the core Westlaw offering. The experience made some salespeople edgy about pushing new products, despite the benefits of always having something new to offer customers.

Mr. Abena elaborated further on what West had learned about the business-of-law value proposition:

> Generally speaking, lawyers are far more interested in practicing law than they are in practicing management. These days, however, law firms are facing stiffer competition and more demanding customers. As a result, they have to be as outstanding at management as they are at law. Thus, they are happy to have us as business partners and happy to look to us as the business experts. They have always trusted West and West's legacy of serving the bench and the bar, and now, at Pebble Beach, they've seen that we have many more assets that they can draw upon.

Given this solid foundation, West stepped up the effort to expand its business-of-law activity. There was some thought that information from the various Monitor products could be turned into branded market research reports, with recognition of the need to be extraordinarily sensitive to clients' concerns about the confidentiality of their data.

While the business-of-law team's primary focus remained Peer Monitor, by late 2006, the team was leading the development and commercialization of two other Monitor products. Litigation Monitor would provide data on trends in litigation to help law firms plan business development efforts. Deal Monitor would provide much the same for major financial transactions; West hoped it would expand the company's mind share among securities lawyers. West had also begun initial designs on three additional Monitor projects, with hopes for aggressive growth. All of the Monitor projects were similar in that they applied analytics to data West already owned or could gather from clients.

The business-of-law team also explored the idea of building a small group of professionals who could advise clients on the best ways to analyze and respond to information contained in the Monitor products, partnering with Hildebrandt for joint consulting offerings.

Overall, West was pleased with the business-of-law effort, which was growing, perhaps doubling in four to five years, and healthy. Critically, it had a strategic impact that West's leaders believed went far beyond the satisfying, if not explosive, financial results.

Piecing It All Together

Several West leaders were interested in combining into a cohesive whole the various business-of-law offerings, including all of the Monitor products, plus FindLaw, Elite, and Hildebrandt, so that the business-of-law initiatives had the greatest possible impact on the market. Mr. Hall commented,

> We are now making multiple connections to customers, but we are not branding and leveraging all of those contacts as well as we could. I want all customers to see the value that all of our legal offerings collectively bring to their doorstep, rather than only having individuals within law firms see the individual value of each component. We have a lot of work to do before the whole is greater than the sum of the individual parts.

Mr. Hall acknowledged that one piece of the effort was simply ensuring that all of the acquired companies follow the same definition of customer segments. In Mr. Hanssens's view, strong integration of offerings could give West a crucial advantage over LexisNexis, a company that was following a similar expansion strategy, even marketing a "total litigation solution." Mr. Hanssens's strategy group immersed in a project to evaluate various options for bringing all of West's broad capabilities closer together. He elaborated:

> There is a real distinction between just assembling components and actually integrating them organizationally. That said, it is an extremely complicated question. Inevitably, you end up with some sort of matrix, with some parts of the organization product oriented and others market oriented. Before integrating, you have to consider the risk of integrating new activities too quickly, before they are up to their full potential. Also, we don't necessarily need to link everything just because of the common theme of serving law firms. In some cases, the only link may be having better insight into law firm needs because we serve them in so many ways. There are benefits just to having them under common management.

As Mr. Hanssens's analysis continued, West made an organizational move to strengthen the voice of legal specialties within the organization beyond just the product development group, creating a new general management position to oversee the litigation segment of the business; this position reported to Mr. Martens, the head of new product development. Until then, the responsibilities for the business line were split among new product development, strategic marketing, and segment heads. Only Mr. Warwick had general management oversight. Steve Priem, the first to hold the new position, described the new role:

> I'm to drive the growth of our litigation business by identifying specific opportunities to bring value to our litigation customers and working with various groups in West to roll them out.

West's leadership team also examined opportunities for integration at the operational level. In examining sales force activities, the team concluded that the initial decision to build from scratch a separate sales force for Peer Monitor still made sense because the product was unfamiliar to the established sales force and because the buyer was different. The senior law firm leaders who purchased business-of-law products, such as chief operating officers, chief information officers, executive directors, and chief financial officers, often were not attorneys. The conversations were much different from those surrounding Westlaw.

For similar reasons, it was not immediately obvious that the sales forces for the various business-of-law initiatives could be combined. For example, Elite software was a complex sale made to CIOs. It cost an order of magnitude more and took much longer to sell than Peer Monitor. So both sales groups made the effort to learn enough about the various business-of-law offerings to bring them meaningfully into conversations with clients.

Leaders at West, Elite, FindLaw, and Hildebrandt also looked for ways to bring the business-of-law sales forces and Westlaw's sales forces closer together. Because they called higher in client organizations, business-of-law salespeople stood to take on sales leadership roles early in their tenure with West, primarily with large law firms. Acknowledging the inevitable sensitivities of such a process, one executive observed at the time, "We're watching closely to see how it goes."

In 2007, Richard Harrington, CEO of Thomson, announced that the corporation planned to wind down its acquisition activities across all divisions. As a result, individual business units needed to reduce their reliance on acquisitions to meet growth expectations. Mr. Harrington believed that innovation drove organic growth and began investigating options for developing innovation programs throughout Thomson.

Meanwhile, Mr. Hall articulated the long-term vision for West:

> We've moved a long way from just being vendors of products to being a real force in the legal market. Eventually, I'd like to see us become the technology platform of choice that all legal transactions take place on. If you ever look at legal

transactions, it's often a painful process. A single platform that law firms, clients, the government, investment bankers, and other related business partners could all do business on would make life a lot easier for lawyers.