

The Big Four and how they will shake up the legal market in the Netherlands

In his column of January of this year, my colleague Martijn Lesterhuis wrote about new players entering the legal market in the Netherlands as a result of less stringent regulatory rules governing law firms (<https://venturisconsulting.com/blog/dutch-column-ma-de-wendbaarheid-van-advocatenkantoren-moet-omhoog/>). He argued that deregulation not only offers market potential for Alternative Legal Service Providers, it will also lead to opportunities for traditional law firms if they can find external investments to carry, for example, developments in technology and a more modern, or hybrid, service offering.

This means there is a window of opportunity for the traditional firms – at least in the long term. The legal market is slow to develop, however, and in the near future Dutch law firms will continue to enjoy the comfortable protection of the regulatory framework – we are after all still in the pilot phases. In other words, a lack of urgency leading to inaction.

However, traditional firms better brace themselves, says ABN Amro economist Han Mesters in *Het Financieele Dagblad* (FD, 6/1/'21).

It is believed that particularly the big consultancy firms will benefit from the opening up of the legal market in the Netherlands, notably the Big Four (Deloitte, EY, KPMG and PwC). As a result of their multidisciplinary service offering they are able to act as a one-stop-shop for their clients, combining legal services with tax advice, ICT advice or general business consulting services. This also means that the Big Four have broader access to business. Client-relations of traditional law firms typically remain limited to the legal counsel (or the Chief Legal Officer). Big Four firms often have deep relations across the corporate C-suite, including CEOs, COOs, CFOs and CLOs. The consultants' role of trusted business advisor across all corporate levels is an important differentiator in this respect.

Much has been said about the stronger financial powers of the Big Four. Combined with years of experience in the areas of cost-cutting and business management, they are well positioned to invest in a targeted and smart manner in areas such as technology (LegalTech) and knowledge management.

In addition, once the regulatory restrictions will be abolished, the legal market in the Netherlands could indeed look different in a few years from now. However, not all the traditional law firms will immediately feel the consequences. As said, change in the legal market usually happens slowly and the high end firms will (at least for the time being) continue to benefit from their brand and reputation. Also the specialised (niche) firms will be less exposed to market changes – demand for specialised legal services will remain steady.

The impact will be mostly felt in the mid-market – by firms stuck in the middle, without strong brand reputation and often with a broad service offering without distinctive qualities. Firms that in addition typically have relatively high cost-structures.

The shape these firms will find themselves in, in let's say ten years from now, largely depends on the willingness and ability to change and invest – not only in technology and cost-efficiency, but also in talent. This “war for talent” will without a doubt also be impacted by the entry of the Big Four on the legal market. An important topic in itself which deserves a separate column however.