

Digititalization of contracts

DNJV – Frühjahrstagung in Rovaniemi

May 21, 2016

Anders Perméus

Who?

Anders Perméus

- Studies in Stockholm, Kiel and Heidelberg
- Law firms - IT & Corporate law, arbitration & litigation for 20 years
- Avtal24/Agreement24 (2004) – Founder/Head of Legal
- Author of *"IT-Avtal – en kommentar till IT-branschens standardavtal"*, several articles on IT and Contract law
- Lecturer at Stockholm University since 1996

Status



Authority



Heroism



Pragmatism



IRL (= In Real Life)

First job - 1995

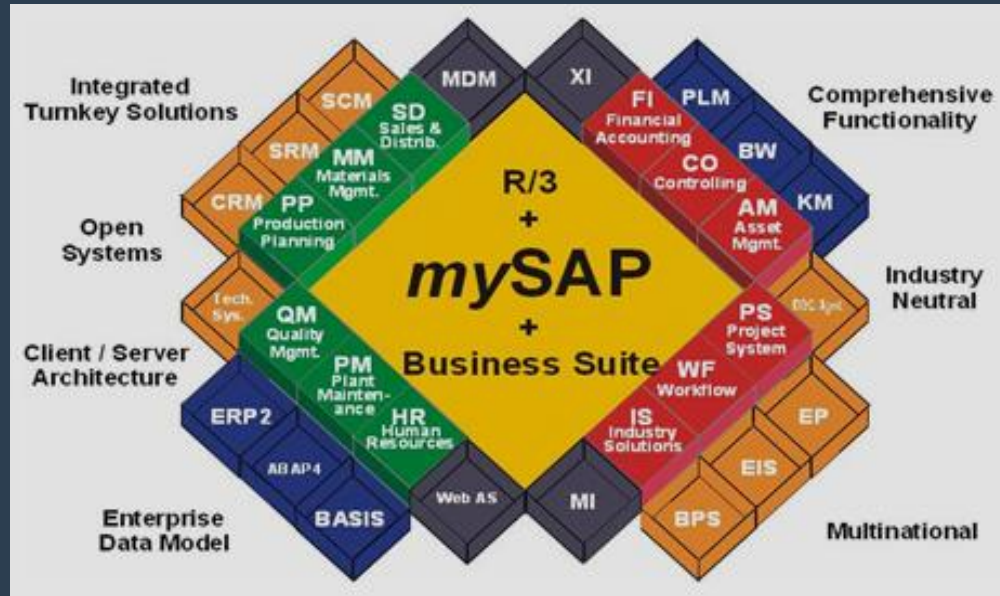


Second job - 1997



Larry realizes he has surpassed the optimal number of monitors

Third job - 2004



The idea

The Lawyer



Automation



Outside the box



Will robots replace lawyers?

- Structured and repetitive tasks will be automated
- Predictions of the outcome of legal proceedings
- Artificial intelligence
- Digital marketplaces
- Block Chain and digital signing
- Bulk jobs outsourced
- Legal online services
- Online Dispute Resolution
- Digital work tools (cloud based)

Digital litigation tool

- Research (60 lawyers participating) regarding use of *litigation tool* shows:
 - 28-85 % time savings for 12 different operations
 - average for each case: 50 %

Contracts can be automated & digitized

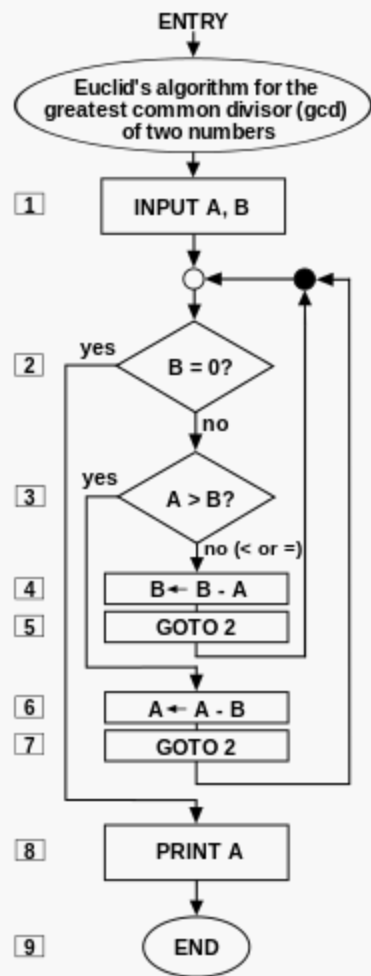


Will also affect business lawyers



Dragons Den





Avtal24 - Sweden



JURIDIK BEHÖVER INTE VARA SVÅRT!

Vi hjälper dig att skriva juridiskt korrekta avtal anpassade efter dina behov.

Osaker på vilka avtal du behöver? Gör vår kostnadsfria behovsanalys.
På endast 5 minuter får du veta vilka avtal du behöver.

Starta behovsanalysen



I samarbete med



För sambor som vill ära varandra

Om ni vill skydda varandra måste ni ha ett testamente. Skriv ert testamente här.

> Skriv testamente



Dokument vid separation

Ni behöver ta fram ett bodelningsavtal om en av er ska ta över bostad och lån.

> Skriv bodelningsavtal



Vår hemsida har fått ny design!

Nu är det ännu enklare att skriva dina avtal hos oss. Du kan ...

> Visa fler nyheter

Business model

- B2B-partnerships
 - Banks
 - Insurance companies
 - Trade unions

End users: customers (consumers/small business) and members

- Sales through web (e-com) and lawyers by phone/Skype/video/chat
- Digital signing
- Revenue model
 - Prepaid
 - Discount

KPI - avtal24

- *Yearly revenue growth* over 100 % last five years
- *Best customer ratings* in legal sector in Sweden
- 95 000 registered users
- Disruptive business model for B2B – new smart business deals possible

E-com

- 27 000 sold B2C agreements
- Total conversion rate B2C Nov 2015 = 2,7 %
- E-com conversion rate B2C Nov 2015 = 1,5 %
- Average revenue/B2C agreement = 100 EUR

Lawyers – on phone/Skype/video meeting

- Average revenue/lawyer = 16 000 EUR/month
- Top lawyers revenue = 22 000 EUR/month

B2B Partnerships/Prepaid

- Prepaid community of approx. 120 000 private and 10 000 corporate customers
- Banks, insurance companies, trade unions
- Average revenue of 5 EUR per customer/member and year

Agreement24 GmbH - Germany

agreement24.de

The screenshot shows a web browser window with the URL <https://agreement24.de>. The browser's address bar and tabs are visible at the top. The website's header includes the logo "agreement24" with the tagline "IHR VERTRAG FÜR JEDE LEBENS-LAGE", a toggle switch for "Business" and "Privat", and a phone number "0800 - 80 00 24 24 (Kostenlos)". There are also buttons for "Konto anlegen" and "Anmelden". A green navigation bar contains links for "ARBEITSVERTRÄGE", "BEENDIGUNG", "VOLLMACHTEN", "FIRMENGRÜNDUNG", "ARBEITSZEUGNIS", "DIVERSE", "HILFE & TOOLS", and "BEWERTUNGEN". The main content area features a large banner with the heading "Individuell zugeschnittene Verträge online" and the text "Keine Muster oder Vorlagen - Direkt auf Ihre Bedürfnisse zugeschnitten und druckfertig! Schnell, einfach, modern und immer auf dem neuesten Stand der Rechtsprechung". Below this are six orange buttons with arrows: "Arbeitsverträge", "Kündigung", "Arbeitszeugnis", "Widerrufsbelehrung", "GmbH Gründung", and "Alle Dokumente". The banner also includes an image of a man in a suit with his finger to his lips. At the bottom, a Windows taskbar shows various application icons and the system clock indicating 09:27 on 2016-05-04.

Massive shift in legal industry

Shift

- Massive shift in legal industry
 - Client pressure
 - Economic pressure
- Changes in legal profession
 - Fee arrangements
 - Billable hours
 - Staffing
 - Legal process

Predictions

- **Fixed price** - for specified tasks
- **Price competition** - has increased - **easier to compare**
- **High standardization**
- **Digital working methods**
- **Legal documents drawn up largely by the customer** - standardized templates and instructions

Internal Legal Work

- 70 percent of the legal work in companies is handled internally - the trend is increasing
- CEOs: internal legal counsel should **identify and prevent commercial risks and reduce the cost of external legal advice**
- The **regulatory requirements** on companies has increased dramatically
- Companies' demand for legal services has increased over the past five years

Legal costs savings

- CEOs: **volume of law** makes the **greatest cost savings** of having internal lawyers instead of hiring external lawyers
- CEOs want internal lawyers to focus operationally on **creating standard templates and procedures**, negotiate contracts and to be the Company Secretary

Legal costs savings

- expenditure of the companies' purchase of **external legal services** vary greatly depending on size and industry, but **averages one percent of annual sales**
 - **External legal services: $0,01 \times$ annual sales = $0,3 \times$ all legal work**
 - **Internal legal work: $0,02 \times$ annual sales = $0,7 \times$ all legal work**
 - **All legal work: $0,033 \times$ annual sales**
 - **Transactions, disputes, complex commercial contracts/negotiations, annual meetings, labor law negotiations, complex legal research (competition law, environment law, tax law)**
 - **Standard documents (NDA, employment contracts, purchase and sales, corporate documents etc.) – appr. 25% of all legal work**
 - **$25\% \times 0,033 \times$ annual sales**

Meet Thomas

Corporate Counsel

Stress Level

90%

Happiness

20%

Burn Out

80%



- Top of his law school class
- Strong interpersonal skills
- Highly recommended from his prior law firm
- An employer favorite

Thomas' Responsibilities



Life Support

Serve as the backstop for his team.



Power

Supercharge the process and keep everyone on track.



Listen

Understand everyone's timelines and execute.



Communicate

Manage all the outsourced vendors he is using.



Emergency

Put out fires and always be responsive.



Law

Know the law and the work that is being done.

Legal tech – starting to get investor's
attention

Legal tech

- *Digitalization*
- *Scalable technique*
- *Disruptive business/innovation*
- *Great market*
- *Attractive business models*

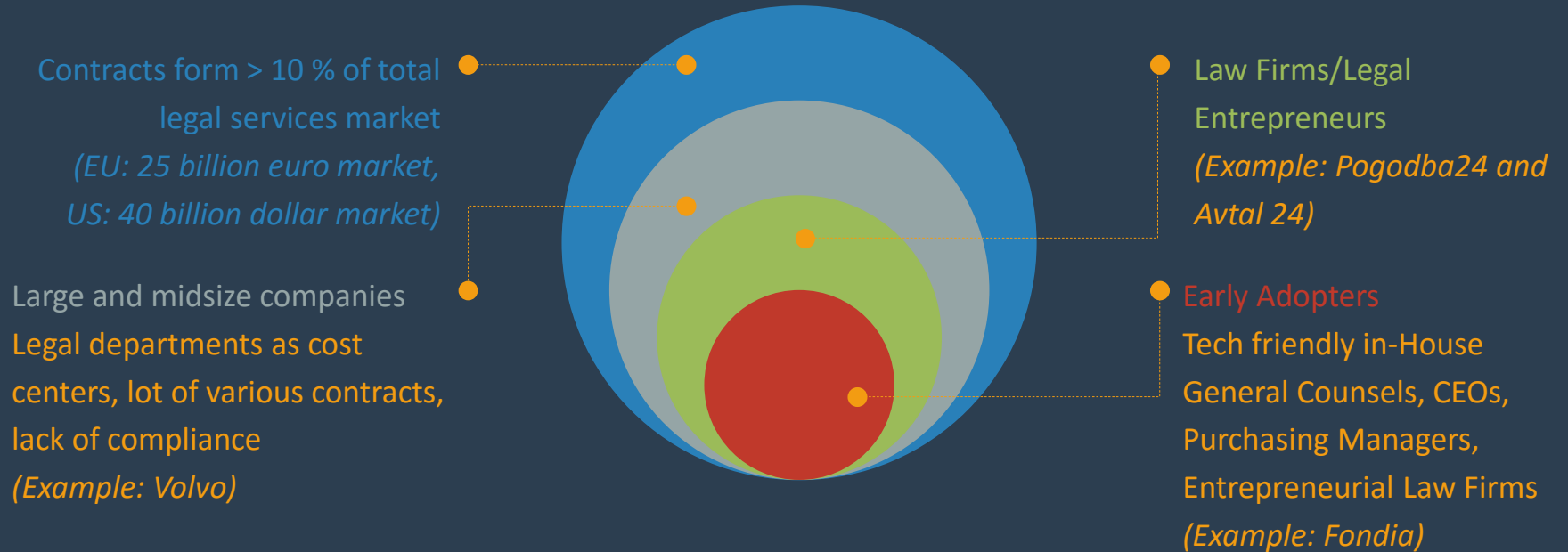
Legal Market

- Global and huge market
 - EU total market for legal services: € 230 billion
 - US total market for legal services: \$ 400 billion
 - Contracts constitutes at least 10-20 %
- Digitalization makes law available
- Window of opportunity – limited competition

Top Four Forces Driving Market Change

- **Technology**
 - Continuing technology advances that change business needs and legal delivery
- **Costs**
 - Internal: Continued cost pressures - Doing more with less
 - External: Rise in law firm pricing is unsustainable
- **Regulatory burden**
 - Heightened regulatory and legislative restrictions/mandates placed on businesses will increase need for thoughtful legal analysis and guidance.
- **Alternative fee structures**
 - Unsustainability of hours-based legal fee business model

Market Segments



Solution

Agreement Builder

- A unique and proven contract automation platform - for non-lawyers and lawyers
- Recommended by Swedish banks, insurance companies and trade unions
- Enterprise segment as well as e-Law platform for consumers and small business

Pains – large enterprise

Pains – large enterprise

- High legal costs
- Insufficient compliance
- Barriers to business

The Enterprise Solution

Create

Business user creates a contract in the service based on the company's approved legal framework



Standard terms pre-approved



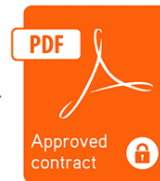
Sign

Contract signed



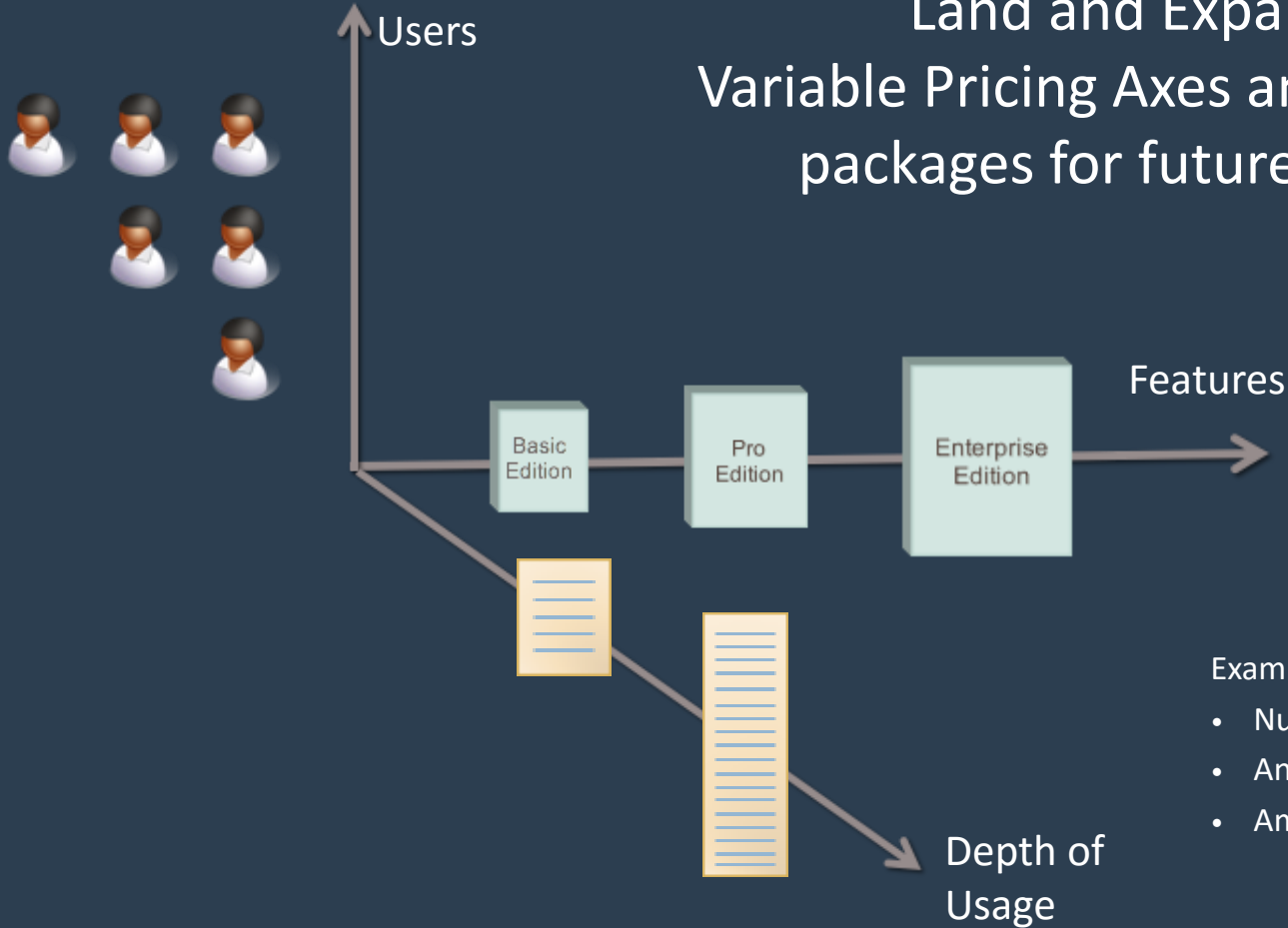
Manage

Signed contract data, analytics



Land and Expand!

Variable Pricing Axes and different packages for future upsell.



Examples:

- Number of contracts
- Analytics and reports available
- Amount of storage used

Pains – consumers and small business

Legal services - inaccessible

- High cost for legal services
- Complex issues – difficult to verify the result of the services
- Contacts and meetings - during office hours
- Geographical bound

e-Law - Solution

e-Law Solution

- Segment
 - Customers: Law firms/legal entrepreneurs/Network of legal services
 - End users: private persons/consumers, small business
- Low cost set up, support and maintenance
- Revenue model
 - SaaS license
 - Share of volume/agreements

Create

End user creates contracts



Contract send to E-sign



Sign

Contract signed



Manage

Search, track and get alerts.
Different add on



Store

Long time archives



Support by inhouse lawyers if end-customer needs



Customer on-boarding & retention

- Customer on-boarding
 - Training
 - Set-up
 - Configuration
 - Support
- Customer success
 - Retention
 - Upsell

Competition

Different products?

Standard contracts / templates for lawyers

A few players in market with various solutions for automatic contract generation out of questionnaires from a contract template market MS Word for lawyers .

Not user friendly and only a template that the user makes certain adjustments in without knowing what the legal implications of these findings. This assumes that a lawyer gets involved in the end.

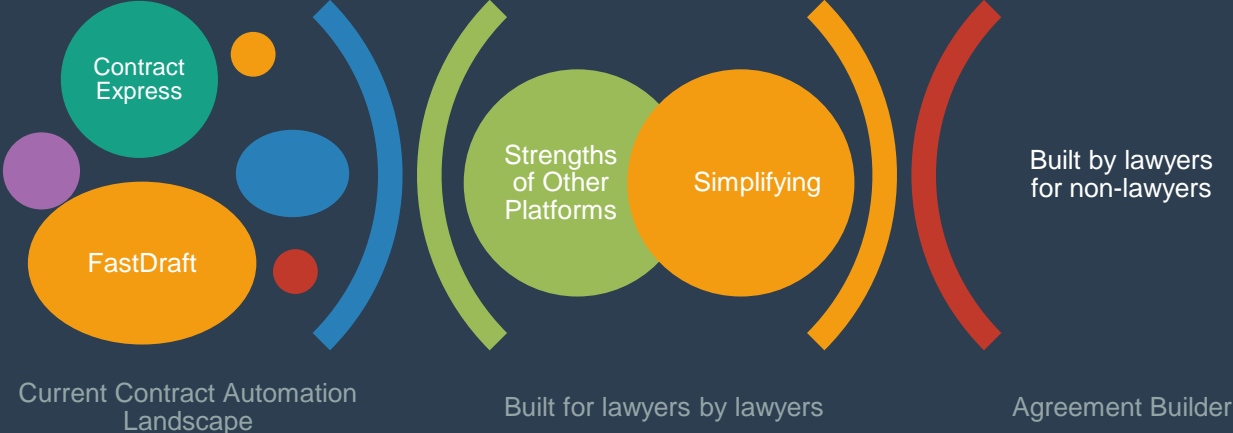
Dynamic contractual tools - for non-lawyers
Agreement Builder - a dynamic platform with the ability to share documents – legally correct and in full compliance!

A user-friendly workflow completely adapted for non-lawyers who create tailor-made agreements

Templates

There is a plethora of them online. What's in them? Who can really use them? And above all - how does the content of the templates comply with mandatory regulations and law

For non-lawyers



Current Contract Automation Landscape

Built for lawyers by lawyers

Agreement Builder

Business models

Two different models for the two different segments

- Enterprise solution
 - Price per user/month
 - A fee for the platform/month
- e-Law platform
 - Price per user/month
 - A fee for created contracts/month
 - A fee for the platform/month

*Examples of initial average deal sizes used in the MRR calculations.
Low initial deal sizes are used to leverage a “Land and Expand” strategy.*

Customer Cases

Customer case 1 – Leading German Media Group (Enterprise customer)



Pogodba24 - Slovenia

Customer case 2 – Pogodba24 (e-Law platform customer)

pogodba 24⁺
MODERNA PRAVNA PISARNA

POMOČ UPORABNIKOM
080 12 55
ponedeljek - petek med 9. in 16. uro



[DOMOV](#) [DOKUMENTI](#) [KRATKI NASVETI](#) [POGOSTA VPRAŠANJA](#)

Pripravite si pravni dokument preko spleta!

Hitro, dostopno in zanesljivo. Brez vzorcev - brez tveganj.

Dokument popolnoma prilagojen vašim potrebam in pripravljen za podpis.

[Sporazumna razveza >](#)

[Redna odpoved >](#)

[Pravice delavca >](#)

[Izredna odpoved >](#)

[Opomin delodajalcu >](#)

[Darilo-nepremičnina >](#)

powered by
agreement 24



Fondia - Finland

Customer case 3 – Fondia (Entrepreneurial Law Firm)

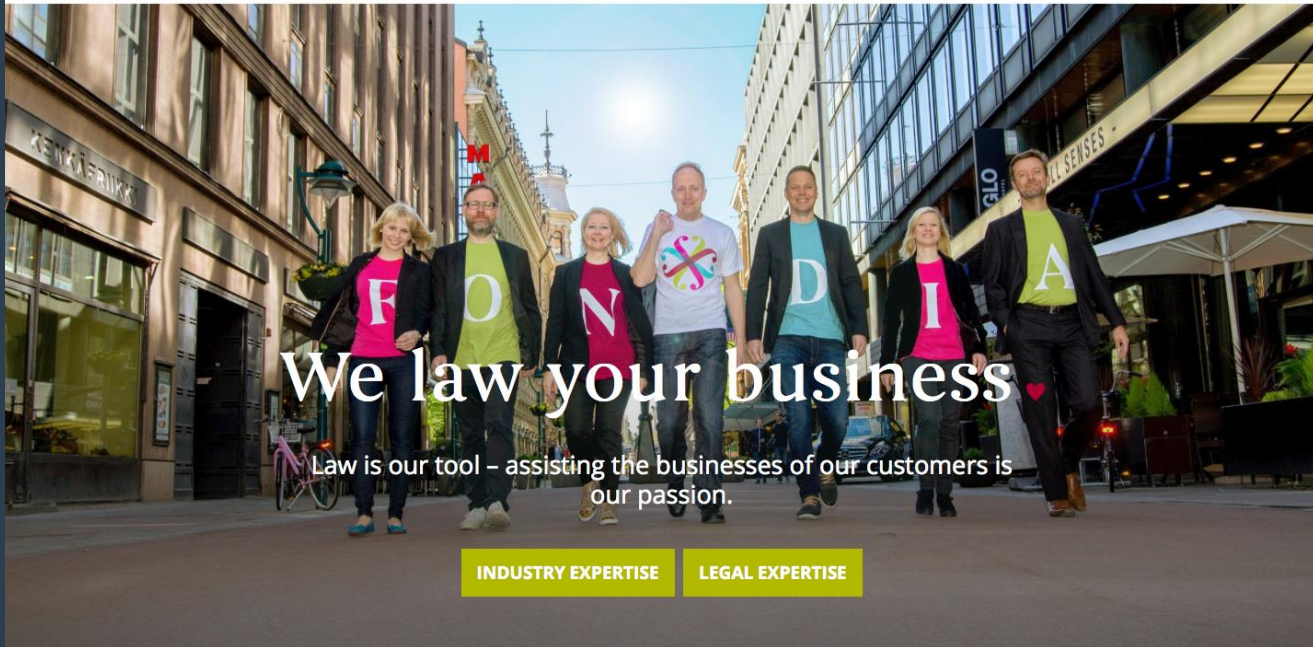


EN ▼

CONTACT US

ASK FOR ADVICE

MENU ☰



We law your business

Law is our tool – assisting the businesses of our customers is our passion.

INDUSTRY EXPERTISE

LEGAL EXPERTISE

Thank you

