ALM | LAW.COM
Legaltech news

November 16, 2023

The Cost of Lexis and Westlaw's AI

Many times, negotiating with your research provider can feel like a one-way conversation, but firms do have more ability to affect their rates than may meet the eye.

By Tom O'Brien, Research Contract Consultants

Credit: bakhtiarzein/Adobe Stock

It’s been 12 months since the public release of ChatGPT and now it seems every legal tech vendor has “game-changing” generative AI features—and this, of course, includes the two primary legal research providers, LexisNexis and Westlaw.
While potentially true, we simply don’t yet know whether the impact of AI functionality now available through Westlaw and Lexis will be the game-changer both companies believe it will be. We do know, however, that the costs to upgrade your current subscription to their AI functionality is very steep.

What options do firms have to combat these steep increases?

Investigate switching vendors. Here’s why this is important right now.

Why are Westlaw and Lexis Seeking Such High Increases?

Both Lexis and Westlaw have invested substantially to develop their AI products. Given this, it should not be a surprise that they are looking to recoup these investments, not only by acquiring new customers, but also (unfortunately) by monetizing their existing customer base.

While firms are used to annual cost increases for these services, the rates sought by Lexis and Westlaw greatly exceed anything seen before in the legal research market.

In fact, many other legal providers outside of Lexis and Westlaw are also significantly increasing their costs and significantly impacting increasing overhead expenses for firms—and technology is playing a big part in that continuous overhead increase, year over year.
In fact, in a market where it’s more expensive to operate a law firm than ever before, firms can consider switching legal research service providers to help offset these cost increases.

The “Good Customer Penalty”

As most know, the longer a firm stays with a research vendor, the more significant the annual increases become over time. While counterintuitive, many times a vendor’s longest held customers pay more than one that they recently acquired. While counterintuitive, many times a vendor’s longest held customers pay more than one that they recently acquired. I refer to this as the “Good Customer Penalty”: the longer you stay with a vendor, the more likely it is that your rate exceeds the average rate for your market.

The cost to upgrade to AI functionality typically will be a specific percentage of your current rate. If your current rate is already over market, the impact of the significant cost increases for AI impacts you more than firms at, or below, market levels.

How Can Firms Control the Cost to Upgrade to AI?

First, know where your costs are relative to average market rates. This is the only way to know if your current contract, and by extension the rate charged for an AI upgrade, is fair.

To do this, firms must fully vet the competitor provider to the current research provider. Renewing the firm’s current research vendor without vetting the competitor is one of the biggest mistakes firms make. The days of one vendor having content or functionality superiority are long gone and, therefore, the notion that paying multiples more for one vendor over the other no longer has merit. Since the cost to add AI functionality is typically a percentage increase over your current rate, the benefits of fully considering a switch in vendor are even more important than ever.

Bottomline

Many times, negotiating with your research provider can feel like a one-way conversation. Firms do have more ability to affect their rates than may meet the eye. This is even more important now that AI functionality, if it lives up to even half the hype, will have a significant positive impact on firms’ work product and competitive position in the marketplace. AI is obviously here to stay; but you must position your firm to capitalize on the technology in the most informed and cost-efficient way.

About the Author

Tom O’Brien is a Partner at Research Contract Consultants which focuses exclusively on negotiating the most comprehensive legal research contracts for law firms at the most competitive rates. Tom can be reached at tom@researchcontract.com.