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The Legal Needs of Small Business

A Research Study Conducted by Decision Analyst, Inc.
Commissioned by LegalShield



About the Study

This study of small businesses in the U.S. was conducted over the Internet. A sample of owners and top executives of small businesses with 1 to 250 employees was drawn from the Executive Advisory Board®, Decision Analyst's online panel of managers, executives, directors, and owners of smaller businesses. Panelists were invited by email to the screening survey, and those who qualified were invited to Decision Analyst's DAISurvey™ website to participate in the study. A total of 1,007 interviews were completed online from May 2 through May 14, 2014. Statistical variation is 3 percent.

About Decision Analyst

Decision Analyst is one of the largest marketing research and analytical consulting firms in North America, and serves an array of Fortune 500 companies around the world. The firm specializes in strategy research, product testing, advertising testing, and marketing optimization using advanced simulation techniques. The firm is headquartered in the Dallas-Fort Worth area.

10 LEGAL ISSUES FACED BY SMALL BUSINESSES

- Debt collection
- Contract review
- Document review
- Contractor/Supplier disputes
- Internet security breaches
- Product liability issues
- Employee theft
- Tax audits
- Employee confidentiality issues
- Threats of consumer lawsuits

The Legal Needs of Small Business Survey shows that America's smallest businesses—those with 250 employees or less—face a host of legal issues, mostly alone, as they try to protect and grow their business.



Legal Issues – When, Not If

The Small Business Survey reveals that an astounding number of small business owners face legal issues.

More than 13 million, or nearly 60%, of all small businesses have experienced significant legal events in the past two years.

Debt collection was the most frequently cited legal problem with 22 percent reporting having had trouble collecting money owed to them. Twenty percent of respondents said they needed contracts and documents reviewed to protect their company and nearly 10 percent said they had to deal with contractor or supplier disputes, Internet security breaches, product liability issues, employee theft, tax audits, employee confidentiality issues, and threats of customer lawsuits.



Going it Alone – Dangerous Attitudes

Despite the prevalence of legal issues facing small businesses, an alarming number of owners are facing these problems without the benefit of legal advice or counsel.



Nearly 60% of small business owners who said they experienced a legal event in the past two years reported not hiring an attorney to help them.

This reluctance to use an attorney comes despite the fact that nearly all respondents listed at least one legal issue as one of the "greatest threats to their business." Serious legal threats being handled alone by small business owners include collection of bad debt, contract preparation and execution, intellectual property protection, insurance disputes, employee and customer lawsuits, product liability issues, and tax problems.

When asked why they did not seek legal help for such serious issues, nearly 60 percent of small business owners who decided to forgo hiring an attorney did so because they believed they could handle the issue better on their own—even though only 1 percent of the respondents said they are a lawyer or "have a legal background."

Cost is a Barrier to Access

Cost also is a significant barrier to legal services for small businesses.



Owners reported spending an average of \$7,600 in legal expenses per year with 20% saying they spend \$10,000 or more per year for legal help.

Of the 13 million small businesses that said they had a significant legal event, 7 million (54 percent) did not seek the help of an attorney and 3 million of them (40 percent) cited the high cost as the reason. In fact, the cost of legal counsel was the number one contributor to a "negative" experience in working with a lawyer.

A Better Option – Legal Plans

A significant number of small business owners deal with legal issues on their own because they don't believe hiring an attorney is worth the high cost they have to pay.



The most sought-after reasons for seeking legal help by small businesses were debt collection and the review of contracts and other business documents—two prominent services covered under LegalShield's Small Business Plans.

For a fraction of what a small business would pay a lawyer to handle a single issue, they can have access to their own dedicated law firm to discuss an unlimited number of legal issues. Despite the numerous legal issues small businesses face,



Fewer than 20% of American small businesses subscribe to a legal plan, which could make getting the legal advice and counsel they need easy and affordable.

What is more troubling is that about half of small business owners say they've never even considered subscribing to one.

A significant number of owners see it differently, however. Of those who are considering a legal service plan, the overwhelming majority says they are considering subscribing to a legal plan to protect their business and save money, to have ready access to legal advice and counsel without having to pay the high cost usually associated with such access.



For small businesses that subscribe to a legal plan, 100% report they are satisfied with the services they receive.

This positive sentiment is similar to attitudes expressed by small businesses that seek out legal assistance in general. According to the survey, 90 percent of small business owners said they had a favorable experience when they sought out legal help.

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SOME SERVICES COVERED UNDER LEGALSHIELD SMALL BUSINESS PLANS INCLUDE*:

- Legal consultation on unlimited matters
- Business law experience
- Letters and phone calls made on the behalf of the business
- Contract and document review
- Debt collection assistance
- Trial defense assistance

Worry Less. Live More.

LegalShield's Legal Needs of Small Business Study shows that small business owners deal with legal issues on their own because they don't believe hiring an attorney is worth the significant cost they have to pay.

LegalShield's Small Business Plan removes the cost barrier and allows small businesses to access experienced attorneys so they can get the legal help they need.

Today LegalShield provides legal services to 47,000 small businesses across North America.

For over 45 years LegalShield has been offering legal services, and today LegalShield's 1.68 million memberships protect and empower 4.15 million lives and 47,000 small businesses across North America.

LegalShield has dedicated law firms in 50 states and 4 provinces in Canada.

For a low monthly fee, LegalShield members get access to qualified attorneys who are experienced in the areas of law that most impact small businesses.

LegalShield has dedicated law firms in 50 states and 4 provinces in Canada with an average of 19 years of experience. The attorneys at the firms assist small businesses with such things as incorporation, collecting debts, reviewing contracts and documents, employee issues and more.

*Due to regulatory requirements, benefits and rates vary in certain states and provinces. The information contained in this material is for illustrative purposes only and is not a contract. It is intended to provide a general overview of plan coverage; only a plan contract can give actual terms, coverage, amounts, conditions and exclusions.

3 MILLION small businesses cite high costs as the reason for not using an attorney.