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TECHNOLOGY SimpleLegal Announces \$10M Series A: Live Conversation with CEO Nathan Wenzel

What does the company plan to do with the new cash infusion?

By ZACH ABRAMOWITZ Jun 29, 2017 at 3:31 PM

It's been something of an open secret in legal tech circles for a while now that SimpleLegal, a cloud based software solution aimed at streamlining the operations and workflow of corporate legal departments, has raised a \$10M series A round. Today, they're announcing that this new round of funding is led by Emergence Capital, early investors in Salesforce and a slew of other successful cloud-based software companies (earlier investor RinconVP and Susa Ventures also participated). It is also another feather in the cap of Y Combinator, whose partners seem to have a knack for picking great legal start-ups (see e.g. Casetext, Ironclad, Legalist, Willing, Ross, just to name a few).



But I knew SimpleLegal before they were this cool.

As many founders who talk to me will tell you, I don't do product demos, and here is why: I'm not your target customer. Something might look cool to me or have a sleek interface, but if I'm not purchasing your service it's hard for me to draw any meaningful conclusion about the product. That's why I look at one thing and one thing only: traction. Are lawyers (or consumers) buying your service or not.

So after Jack Dreifuss, the uncommonly extroverted sales director at SimpleLegal told me about his company, I introduced him to a friend of mine, a forward thinking in-house counsel at a rapid growth start-up in NYC. Part of this was me being nice, but part of it was my way of testing whether the product had legs. Well, a short time later I got a call from Jack thanking me for the intro, which had led quickly to a demo and a sale (unfortunately I don't take commissions). The quick turn around time between intro and sale signaled to me that SimpleLegal was really onto something. They have become the new kids on the block in a sea of mature ELM (enterprise legal management) competitors including Wolters-Kluwer, Mitrtech, Thomson Reuters and Onit, and the investment from Emergence is further validation of SimpleLegal's growth.

What does the company plan to do with the new cash infusion, how will they fare in the ELM industry and what are the broader implications of their raise? Nathan Wenzel, CEO of SimpleLegal, joins me today to discuss. Click below to follow along as our conversation unfolds.



Zach Abramowitz

Hey Nathan, thanks for joining, congrats on the new raise. SL has obviously raised some prior capital, but for the most part the company been growing organically.

Why did you decide to flip the switch and raise money now?



Nathan Wenzel

Hey Zach - Thanks! And thanks for having me on.

We did raise our A Round earlier than planned. We always knew we were building a venture-backed company focused on growth. But, we also believe that enterprise software companies needed to take a different path than the typical Silicon Valley consumer-focused startup.

Where their motto might be "move fast and break things," in enterprise software with SOX and other compliance issues, our motto has to be "get everything right, then move fast." With that in mind, we raised a Seed round at the end of 2015 after staying heads down building the company for the prior 2 years. We raised an A Round just recently after we saw our growth accelerate well ahead of plan.



Zach Abramowitz

You and I have never talked on ATL before so some background will help -- what originally inspired you to build SimpleLegal?



Nathan Wenzel

We started SimpleLegal after 10 years of running a consulting company where, mostly by random chance, multiple legal departments ended up being our largest customers.

My co-founder, Patrik, and I had built that consulting company to focus on providing data analytics and dashboard development resources to large companies who wanted to understand their data. We didn't have legal departments as specific targets. When we started that company, there really wasn't a "Legal Operations" movement like there is today. We ended up in the insurance world and in other large financial services companies. Those groups have a lot of legal expense!

We thought it was crazy that companies would pay 6- and 7-figures for their eBilling software, then turnaround and pay us a pretty healthy amount of money to make sense of the data. So, we decided to build something better.



Zach Abramowitz

You're in good company -- kCura, developers of Relativity (disclosure: a customer of our company ReplyAll), also started off as a consulting company, in their case building software for law firms, rather than legal departments.

But I'm glad you mentioned legal operations, because I imagine the growth of legal ops has probably fueled the growth of ELM in general and SimpleLegal in particular. How has the growth in legal ops impacted the market?



Nathan Wenzel

There are a lot of former consulting-turned-product companies in the space. Logikcull, also in the discovery space, is another one that we're fans of.



Nathan Wenzel

I might take another approach on the growth of Legal Ops fueling ELM. I think there has been a movement in legal toward a quantitative view of the business so that they can respond to financial pressures and so that they can fit in with the other people at the leadership table. Every other VP and C-level exec has moved to a *quantitative* view of the business. If you ask the VP of Marketing, Sales, or HR, "how's business?", they'll answer with Click Through Rates, Win/Conversion Rates, and Employee Turnover Rates. They think in Excel. Legal has historically been *qualitative*. If you asked a GC, "how's business?" they might talk about a few of their larger matters. They think in Word.

As financial pressures continue to mount and Legal needs to do more with less, GCs and legal department need to become more quantitative. The first step to thinking quantitatively is to capture data which leads to ELM which leads to Legal Ops.



Zach Abramowitz

The contrarian in me says that lawyers, who unlike other departments, don't have quotas or a bottom line, but that's because they're in charge of handling risk. So what's the easiest example of GC using SimpleLegal to be more quantitative.

(P.S. I hadn't thought of Logikcull that way, I saw them more as a discovery service provider turned software company, but point taken)



Nathan Wenzel

We have quite a few examples. One of our early customers was able to compare three of the firms on their panel providing roughly the same type of service. One of the firms was significantly more expensive than the other two. Rather than simply asking for lower prices, he was able to have an objective, data-driven conversation with that firm. By his estimates, he saved between \$100k and \$150k annually from that conversation.

One GC left the role at an existing customer. She called us to bring us into her new company because she simply couldn't get her arms around the legal spend and vendor relationships because they were spread all over SAP in marketing, HR, sales, and elsewhere. She wanted what she had at her prior company. One place to see the big picture.

Lastly, and this is new for us, we can track diversity data for our customers' firms. We can track that data by level and matter to ensure that a firm doesn't just check a "diverse" box, but that they actually staff a diverse group of partners, attorneys, and paralegals on their matters so that our customers get the full benefits of a diverse group of business partners.



Zach Abramowitz

What percentage of legal departments are currently using an ELM solution and at what point in a company's trajectory should they think about implementing ELM?



Nathan Wenzel

Adoption rates are lower than they should be. We still get surprised by new customers who are spending \$10M, \$20M, or more who don't have a system for tracking their spend data. A big part of the reason for creating SimpleLegal is to increase the ability of companies to adopt ELM software. It had historically been clunky and had far too much overhead for anything less than a giant department. We try to increase accessibility by giving users an intuitive interface. We even give technical teams an API so they can integrate ELM into their own systems.

As far as when to implement, that's another tough one. ELM has different benefits for different companies. So, the "when" question doesn't have one general answer.

If a company is in the financial services industry, it's probably never too soon to have a Spend Management system. Tracking expense by corporate entity is a requirement for SEC compliance. We have customers with hundreds and thousands of entities under their corporate umbrella. Management in Excel or by sticky note is not an option.

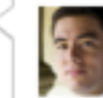
If a company is a pharma or bio-tech company managing hundreds or thousands of patents, Spend Management tools are big time savers. The validation that can be applied programmatically automates processes so that the lawyers can spend their time protecting and growing the company.

In our old business in the insurance world, solutions are helpful because they allow claims handlers to work at the strategic level rather than be bogged down by paper work and invoice processing.



Zach Abramowitz

Why do you suppose companies aren't adopting a solution? Do they assume that implementation will be a challenge or something else?



Nathan Wenzel

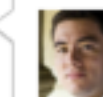
I think the slow rate of adoption comes from the belief that all ELM software is clunky and requires a ton of time and a full staff. I think that's where the opportunity is for startups to build modern software with better UIs.

I think software adoption in general is helped by Netflix, Facebook, Amazon, and other big consumer brands who have brought easy-to-use technology into our everyday lives. I have never read a manual on how to use Amazon, but I can still use my Kindle. That spread of technology in our personal lives has made it seem only natural to use technology the same way in our professional lives.



Zach Abramowitz

Nathan -- congrats again on the raise, look forward to following the company's growth.



Nathan Wenzel

Thanks Zach! I look forward to a lot more great ATL content!