

Using (Real) Performance Data to Improve Your Practice

May 18, 2018



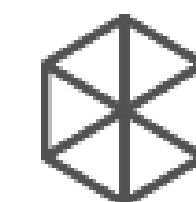


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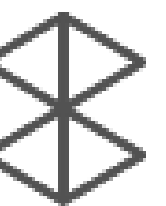
@GeorgePsiharis



Legal Trends Report



2017



Session Agenda

1. Introduction + Methodology
2. 2017 LTR review
3. Using LTR data to drive decisions





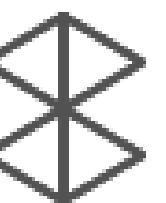
Part I:

Introduction & Methodology



*To maintain the requisite knowledge and skill, a lawyer should keep **abreast of changes in the law and its practice, including the benefits and risks associated with relevant technology**, engage in continuing study and education and comply with all continuing legal education requirements to which the lawyer is subject.*

— ABA Model Rule 1.1, Comment 8



What gets measured gets managed

— Peter Drucker





Culture eats strategy for breakfast.

— Peter Drucker (same guy)



At Clio, our mission is to transform the practice of law, for good.

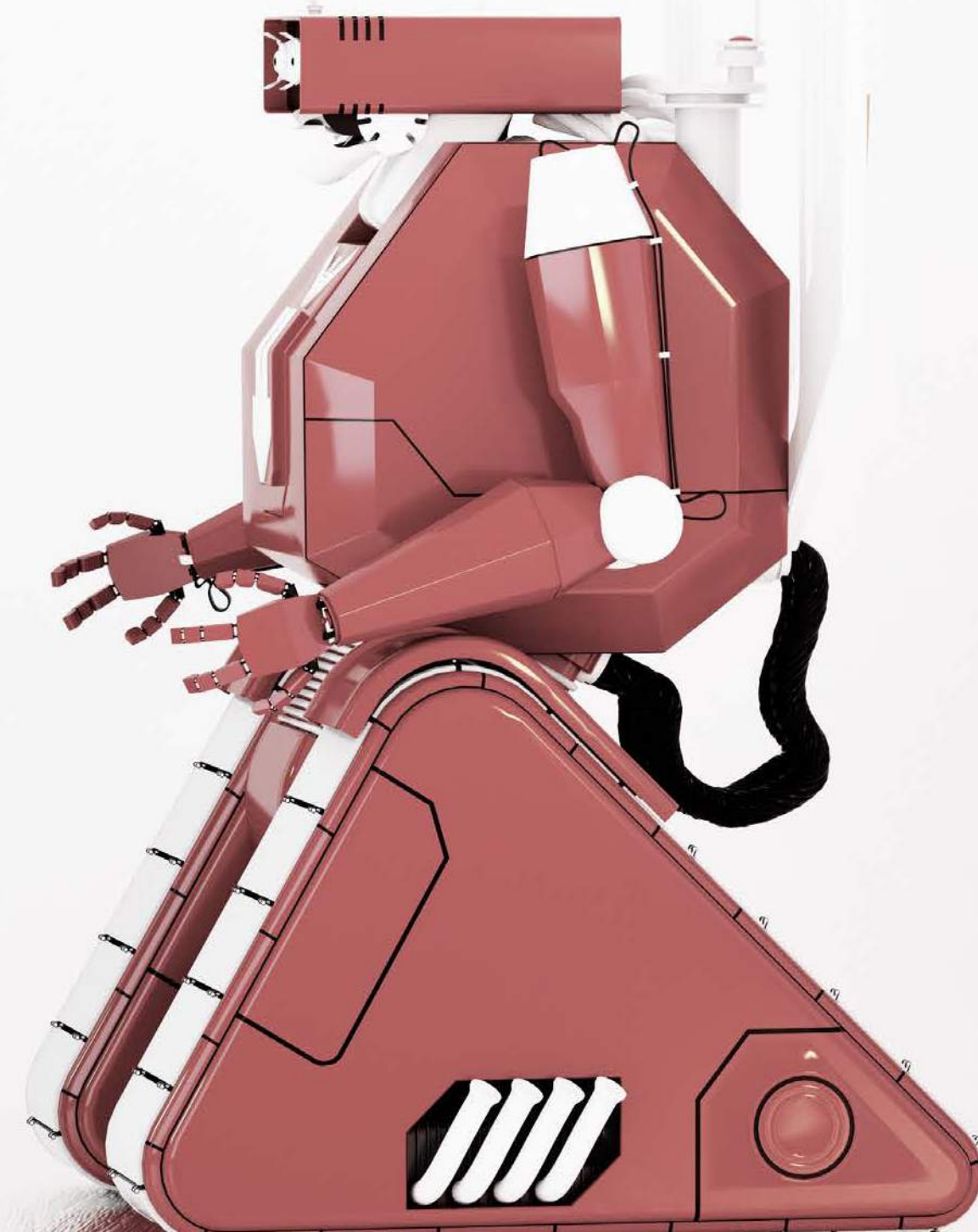
— Jack Newton (different guy)

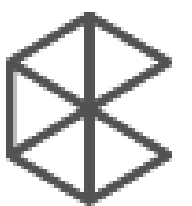
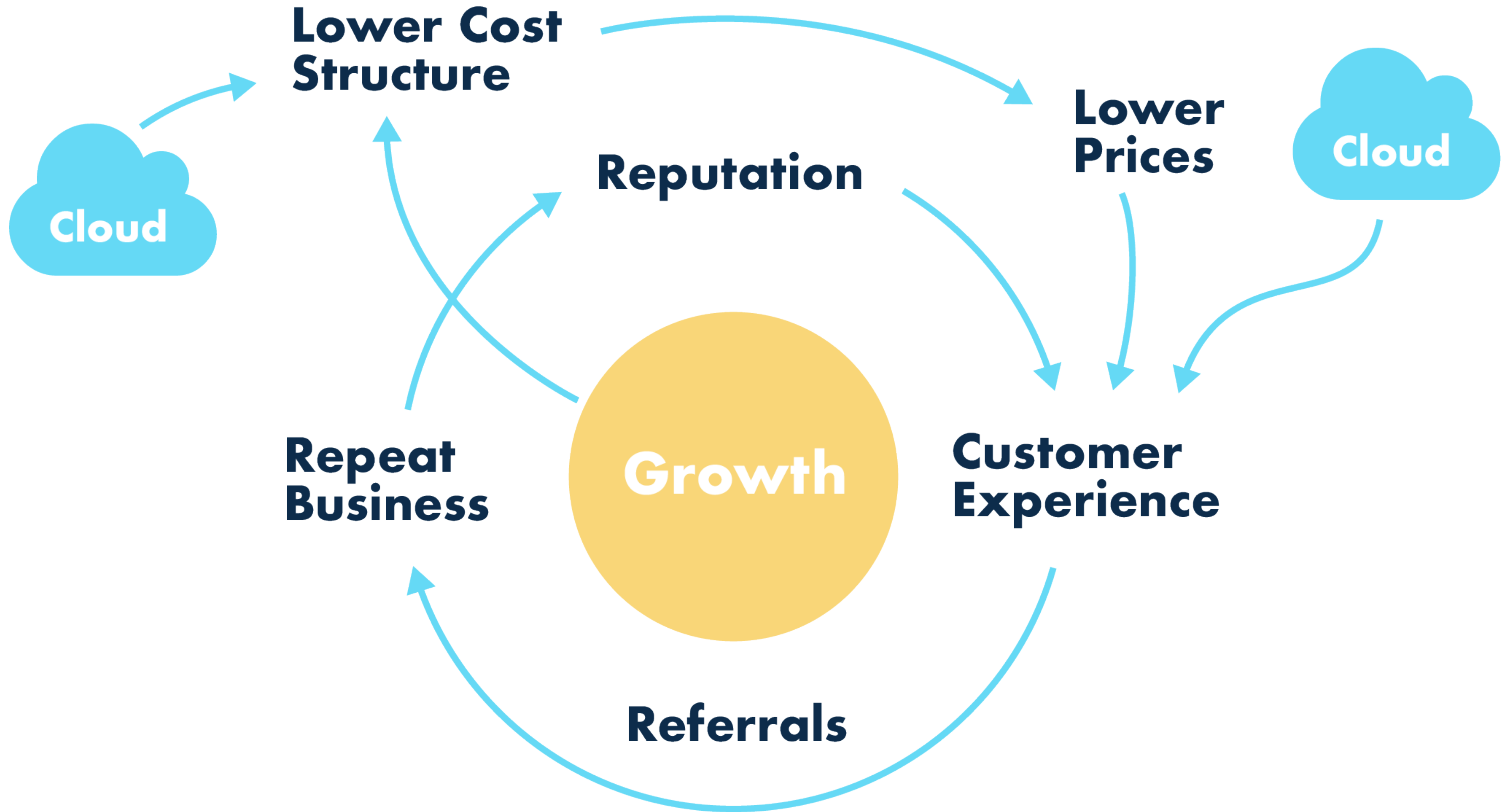


Transforming the culture in legal



← JOB INTERVIEW THIS WAY

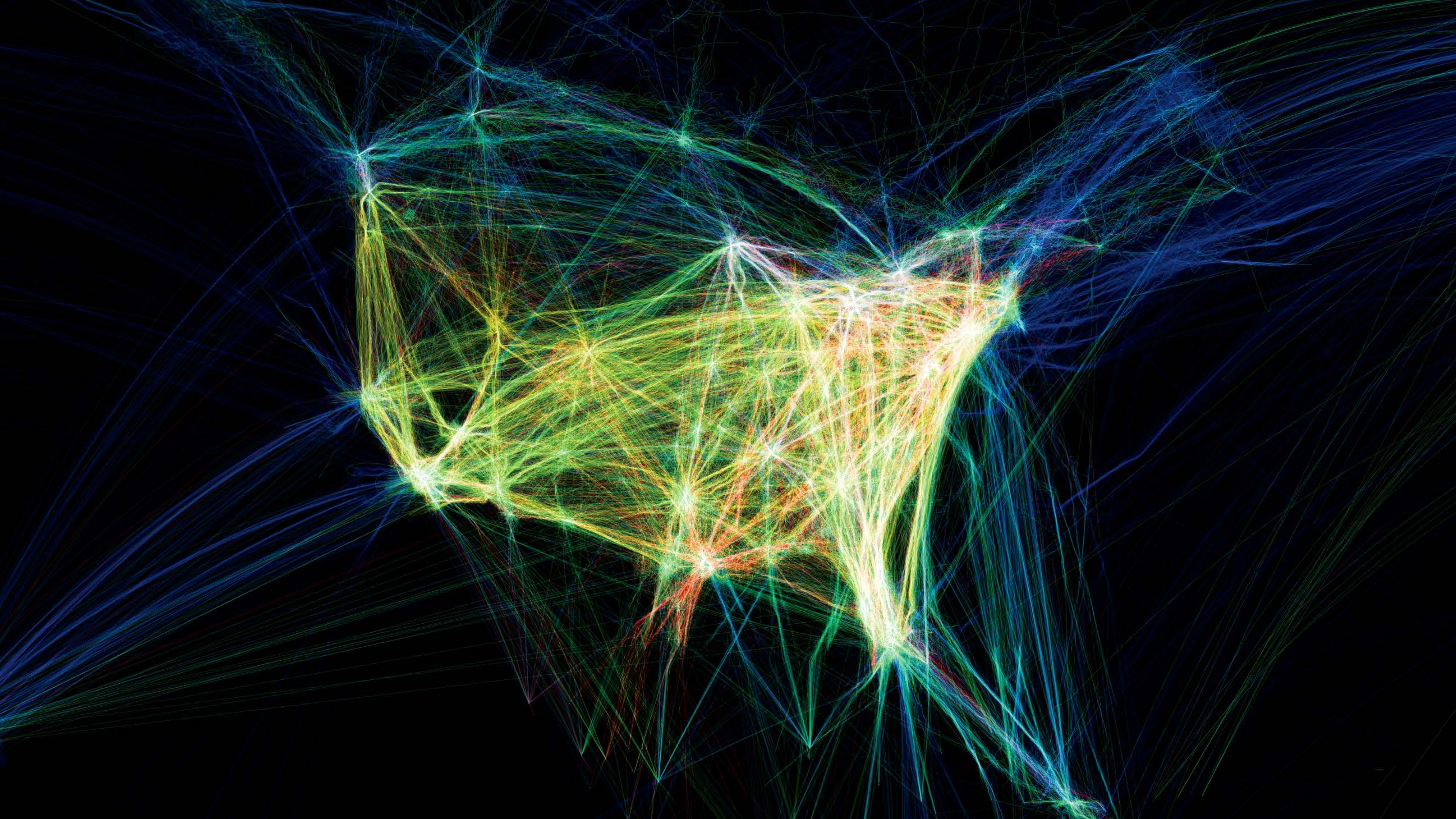




Where do we start?







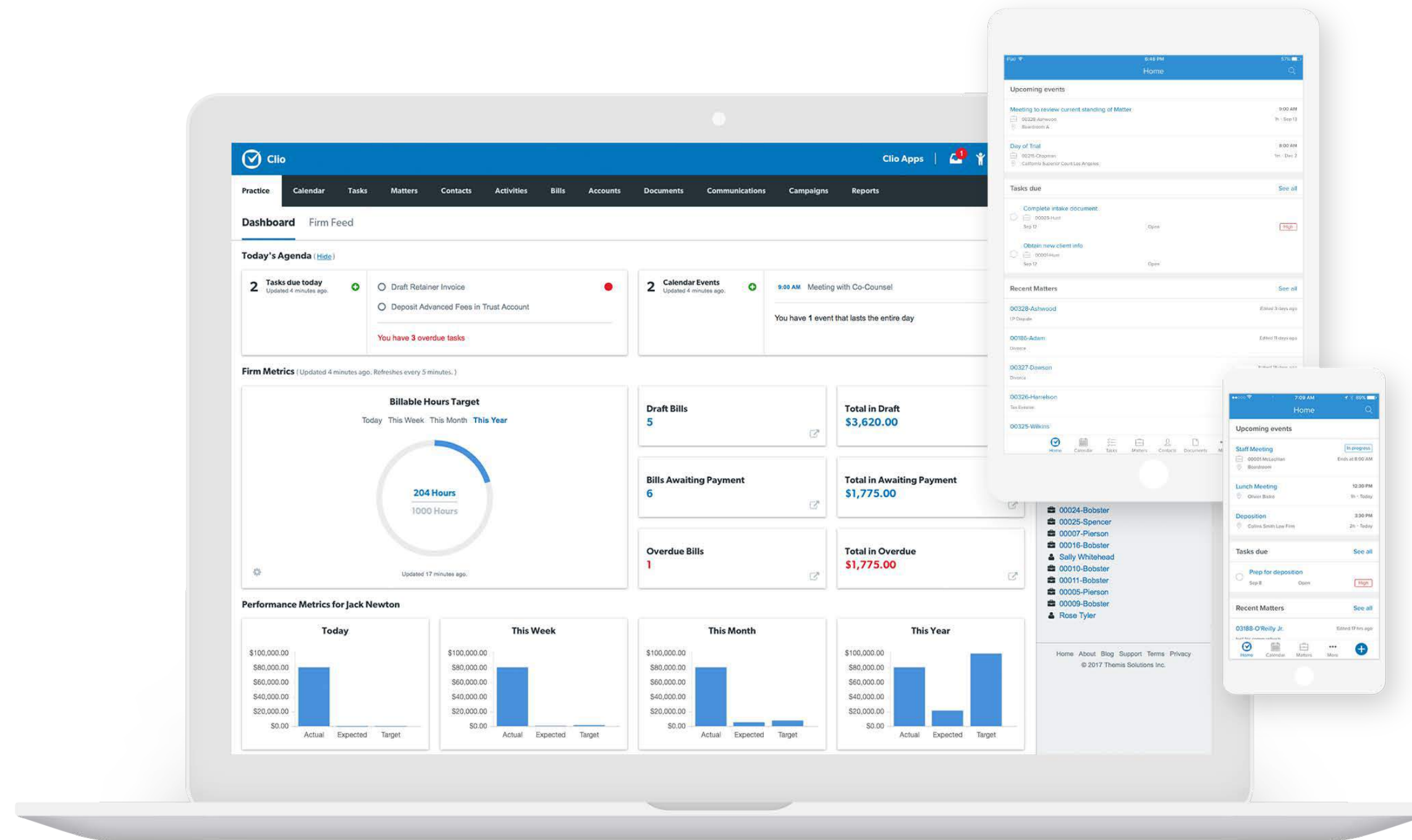


With the utmost care
for privacy

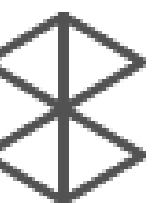


Methodology

Data Usage + Privacy



- All extracted data is aggregated and anonymized;
- No personally identifiable information (PII) was used.
- No data belonging to any law firm clients was used.
- Customers can opt-out from the settings menu in Clio.



Part II:

Show me the data / 2017 LTR review



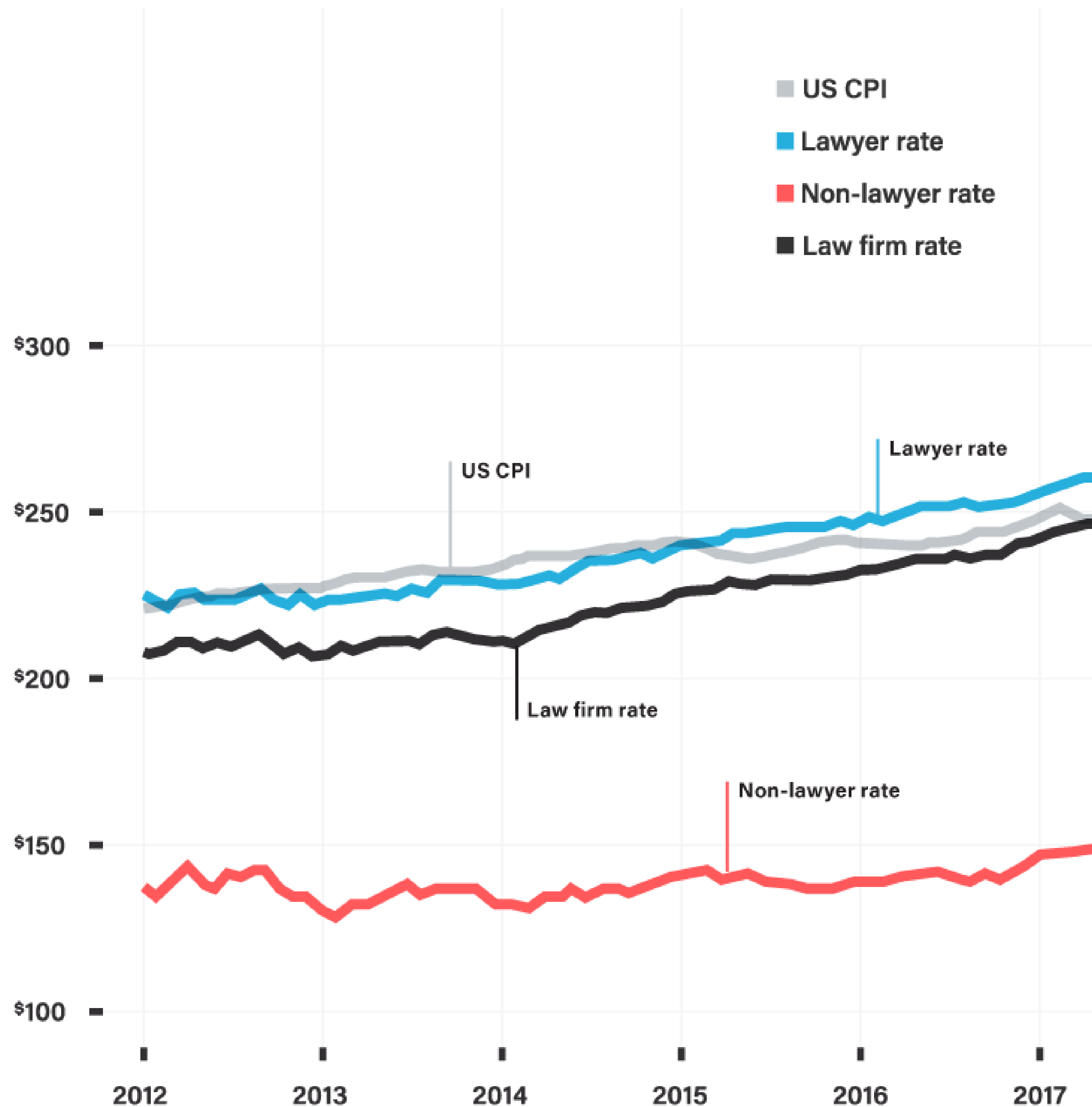
The Billable Hour Index



Billable Hour Index

Across the USA (as of May 2017)

- Average law firm rate: \$240/hour;
- Average lawyer rate: \$260/hour;
- Average non-lawyer rate: \$149/hour.

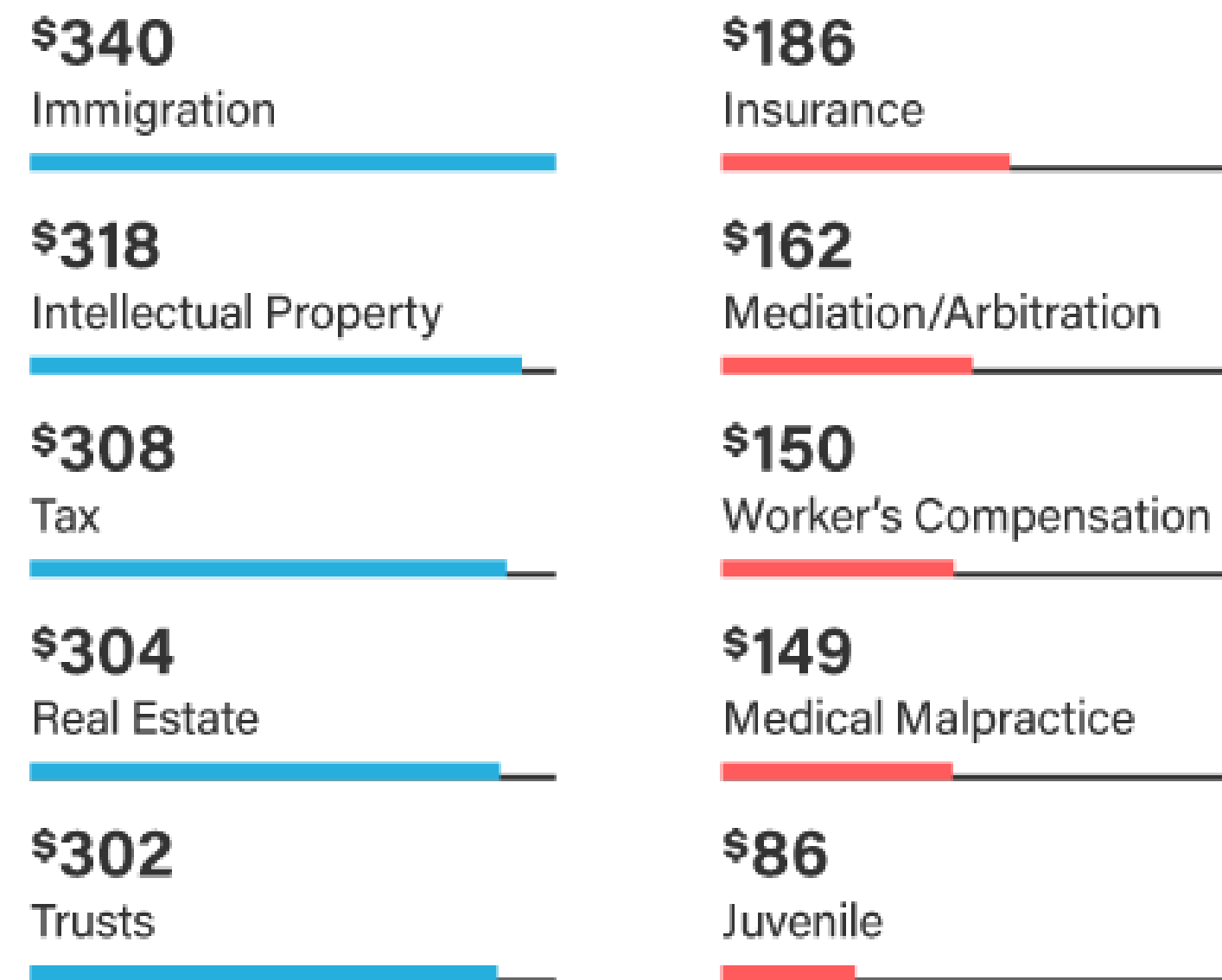


Billable Rates by Practice Area

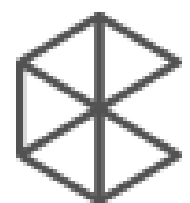
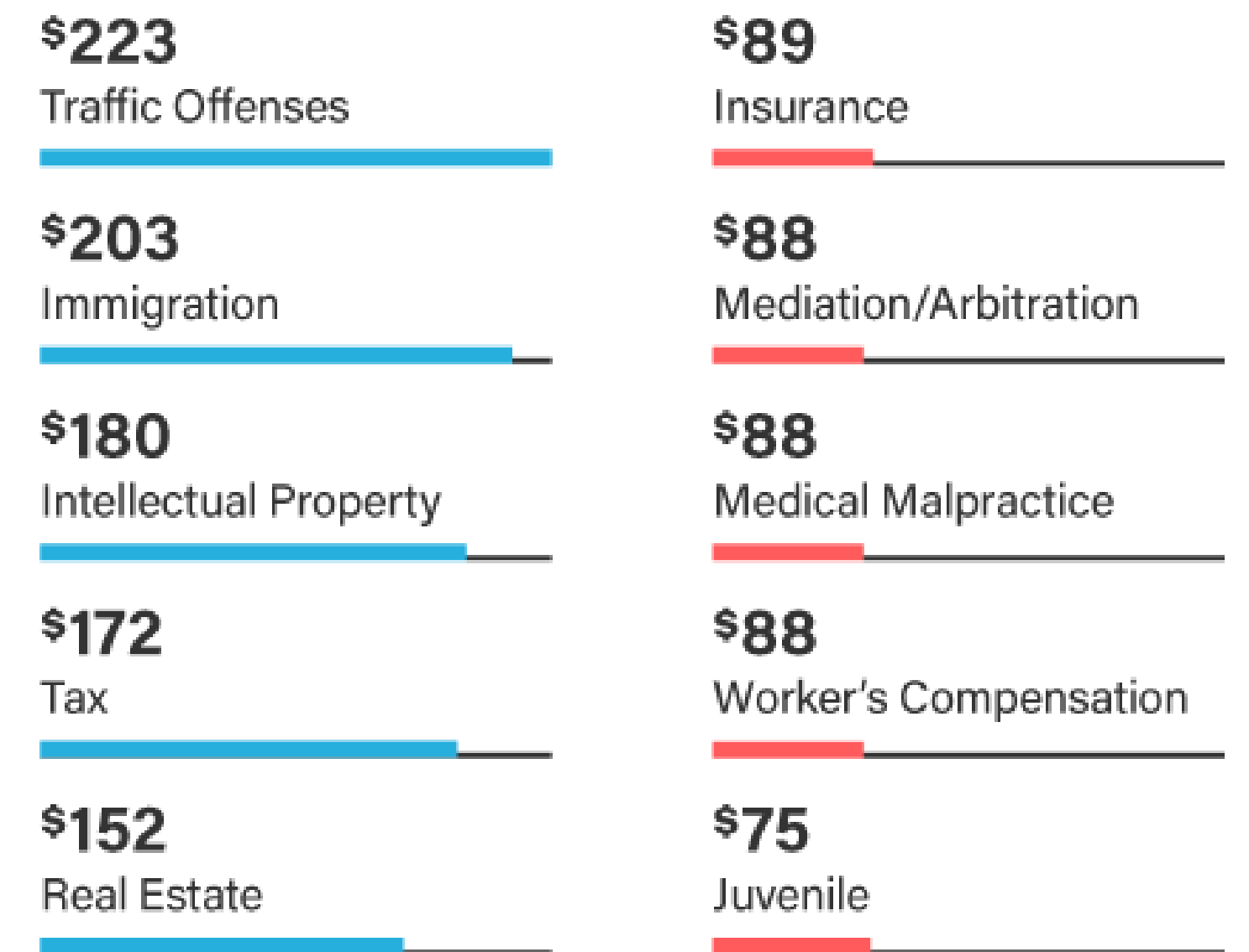
Law firm rates by practice area

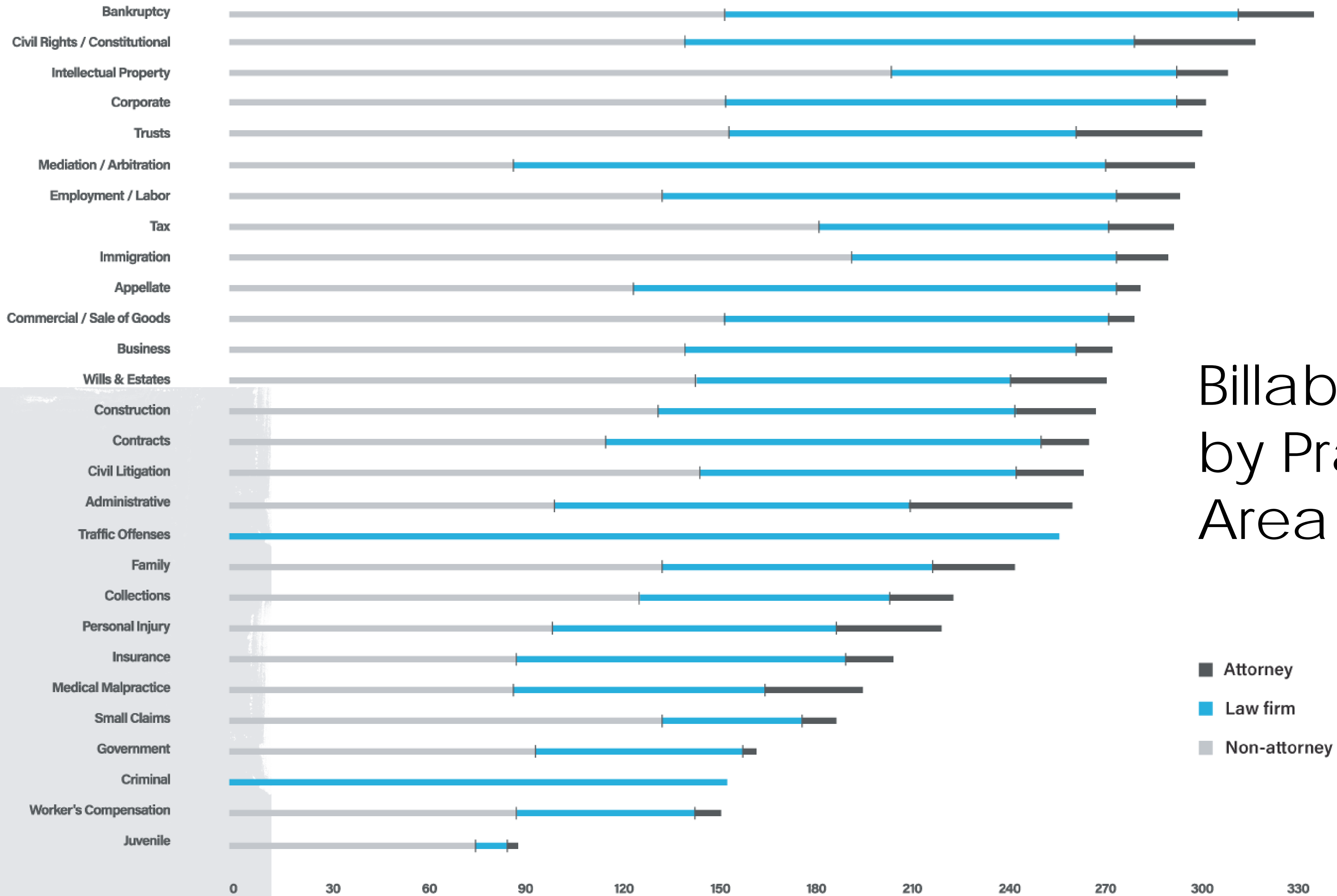


Lawyer rates by practice area



Non-lawyer rates by practice area



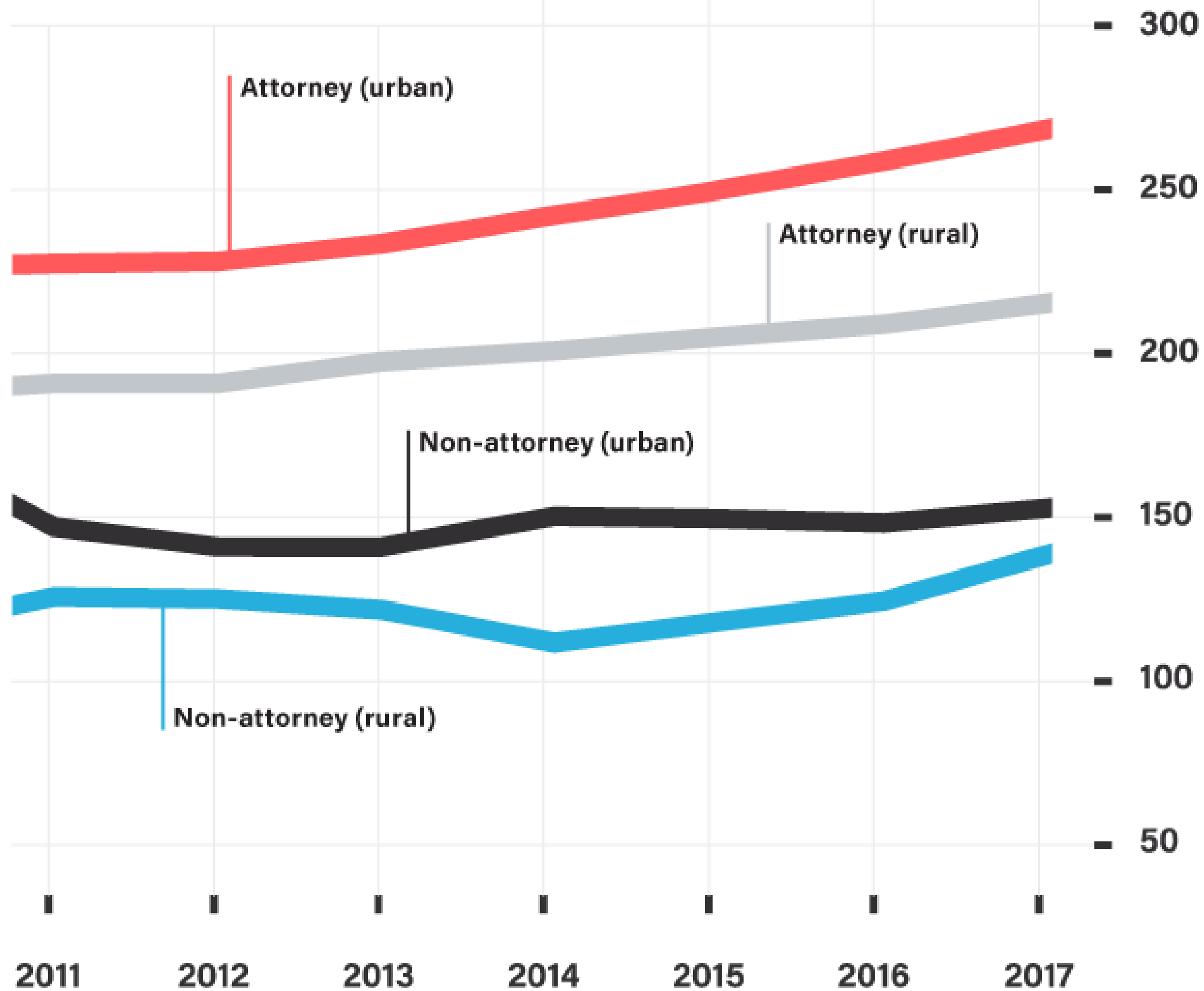


Billable Rates by Practice Area

Attorney
 Law firm
 Non-attorney



- Attorney (rural)
- Non-Attorney (rural)
- Attorney (urban)
- Non-Attorney (urban)



Billable Hour Index

Urban versus Rural

- Delivered using US Census Bureau classifications.
- Average urban lawyer rate: \$267/hour
- Average rural lawyer rate: \$213/hour;



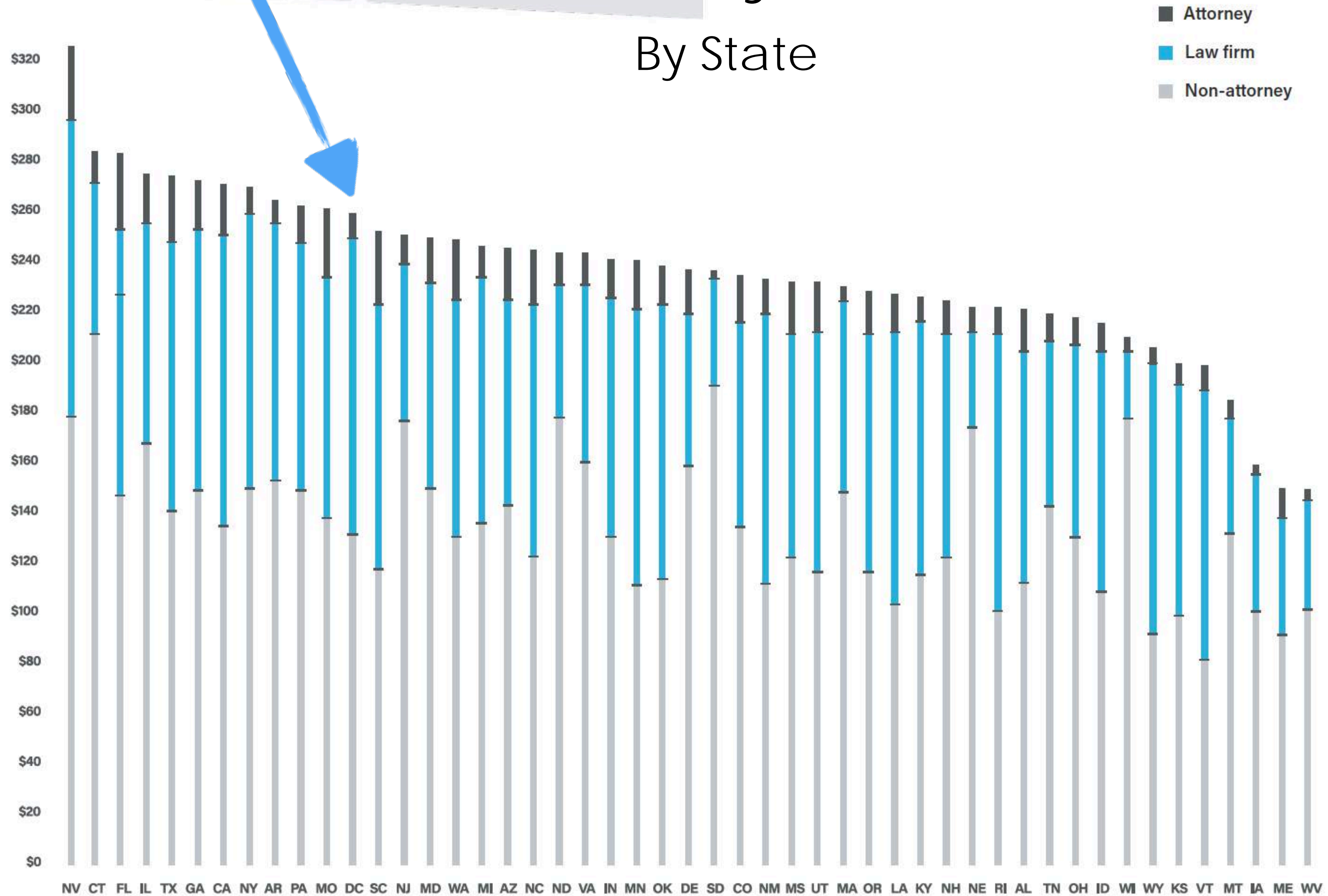
Billable Hour Index

Top 10 MSAs



"Real" Hourly Rates

By State



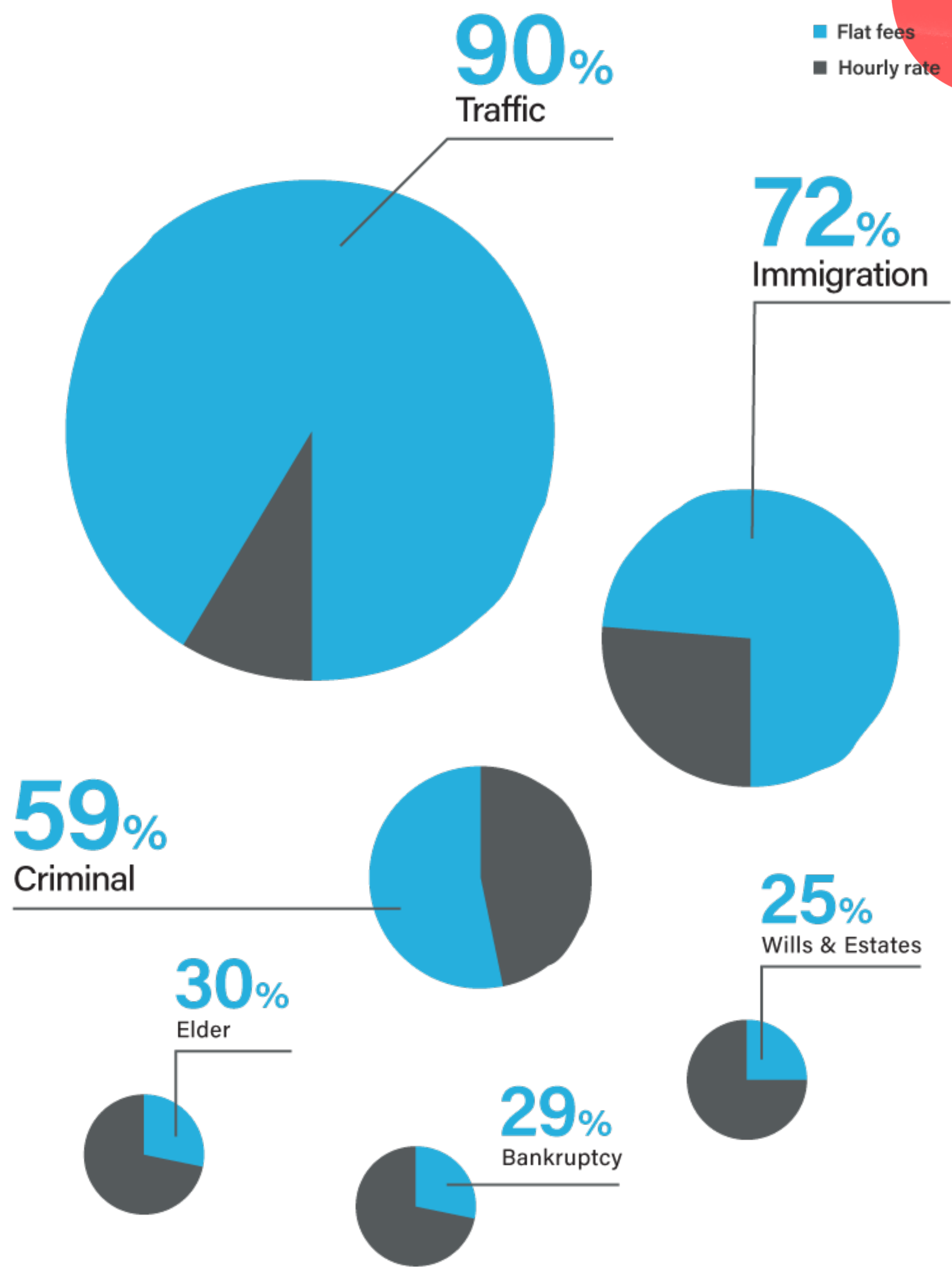
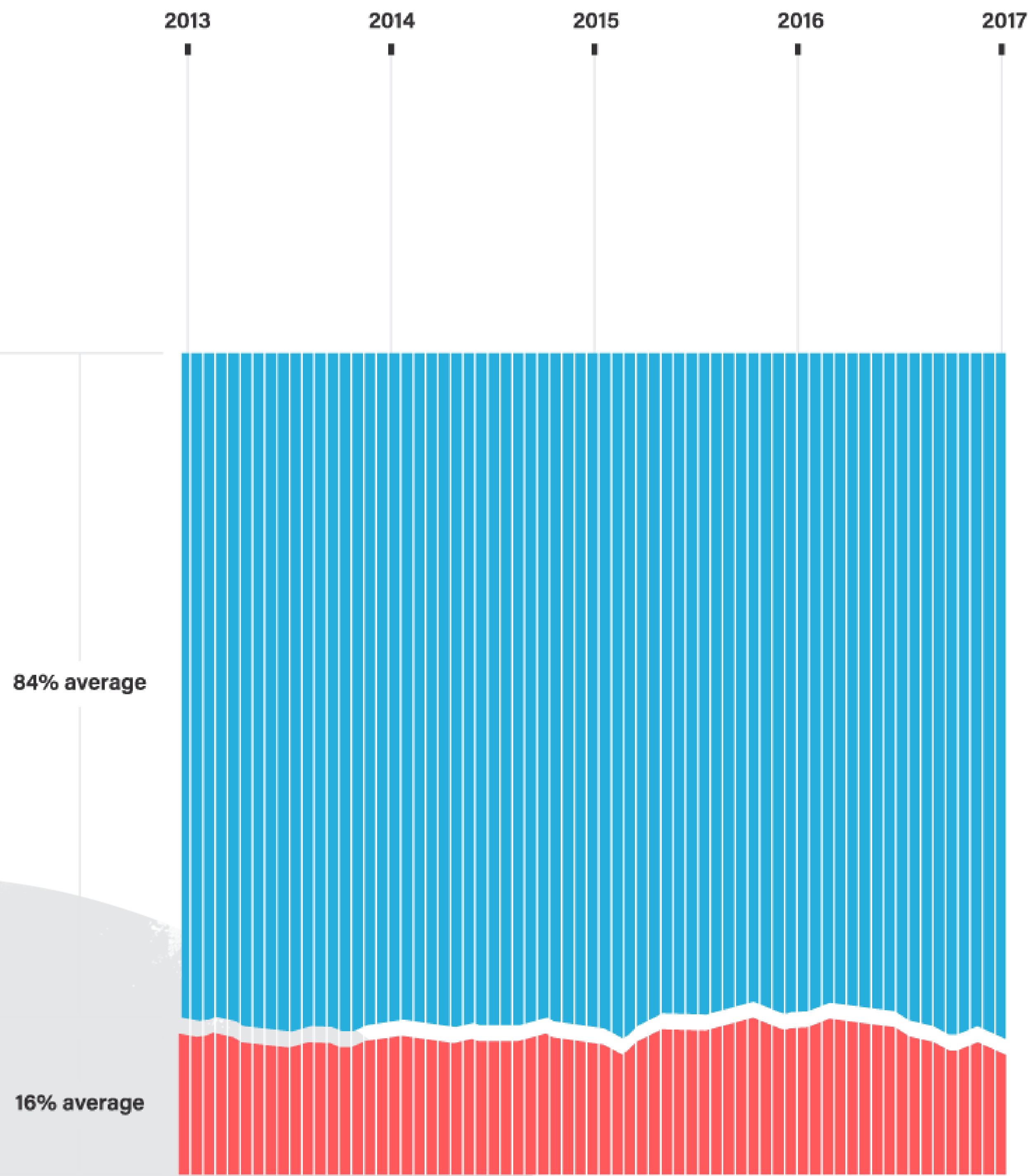
Real Hourly Rates

Largest differences



Fee Structures



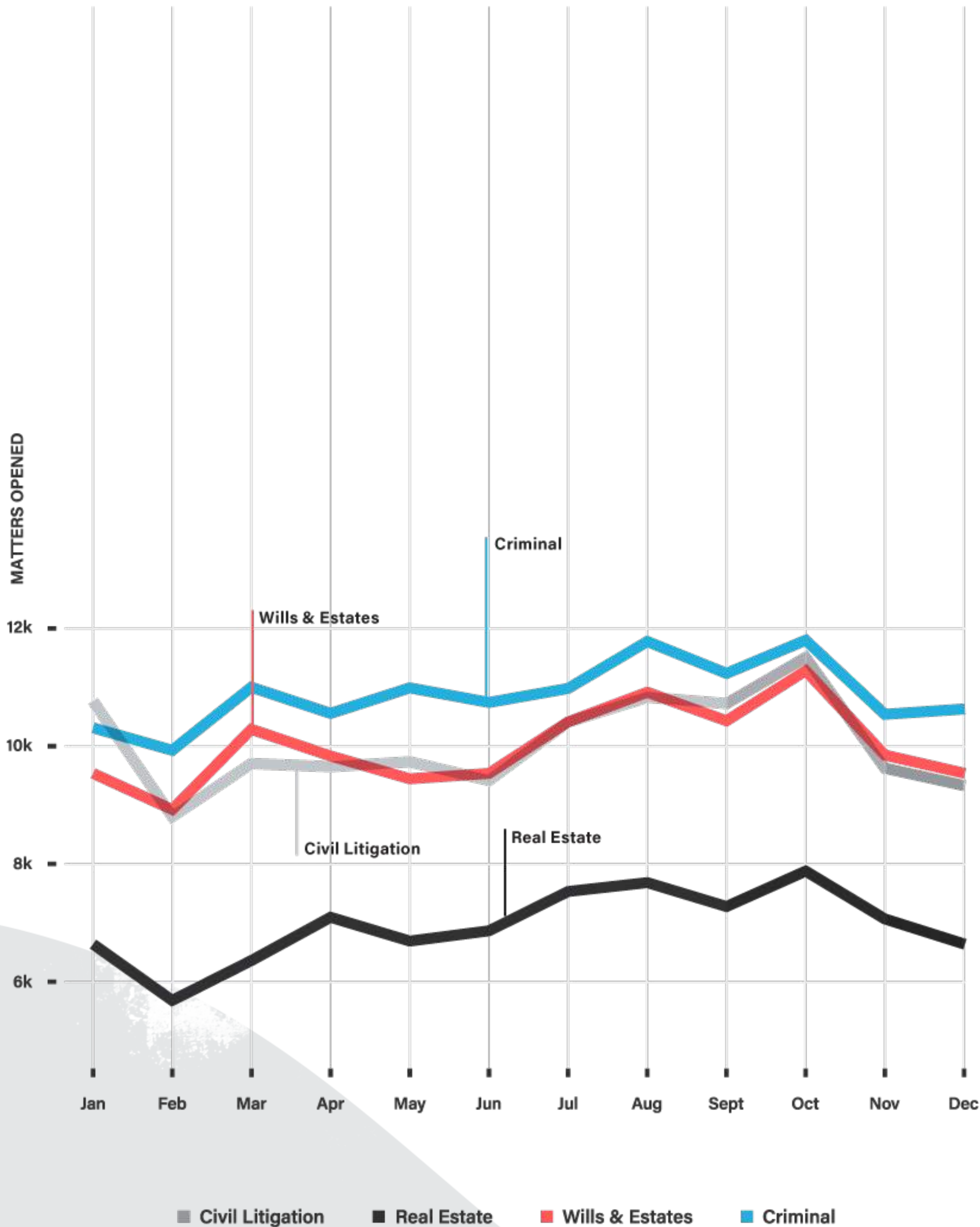


Seasonality



Seasonality in Caseload

By Practice Area



Insurance

Increase in cases at the end of the year



Tax

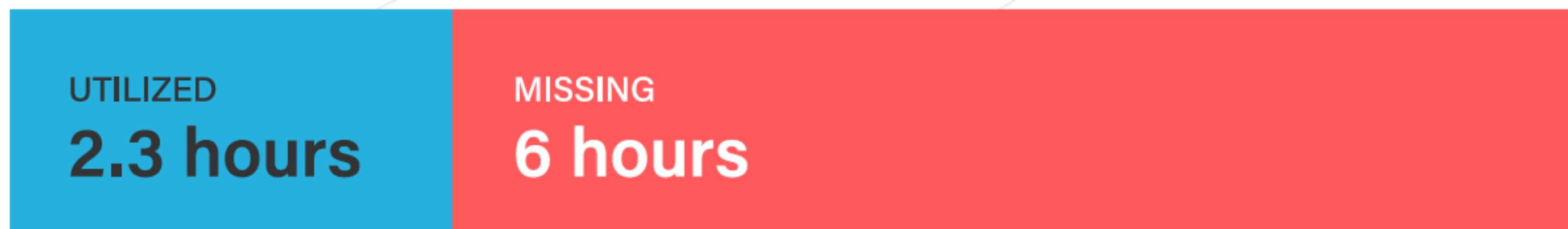
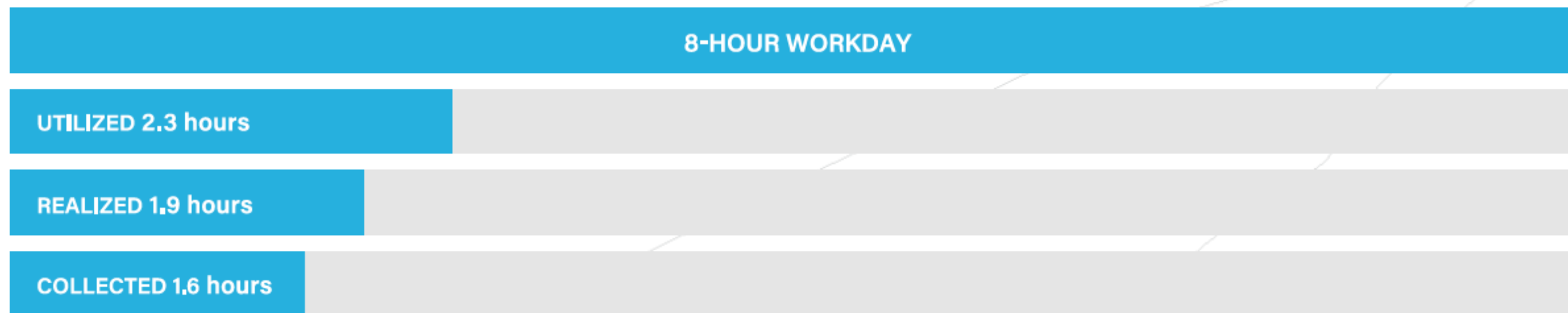
Increase in cases at the beginning of the year

Law Firm KPIs



The Law Firm 'Funnel'

Key Performance Indicators



Utilization rate

The amount of billable time worked.

$$\frac{\text{Billable hours worked}}{\text{Available workday hours}} = 29\%$$

Realization rate

The amount of time worked that gets invoiced.

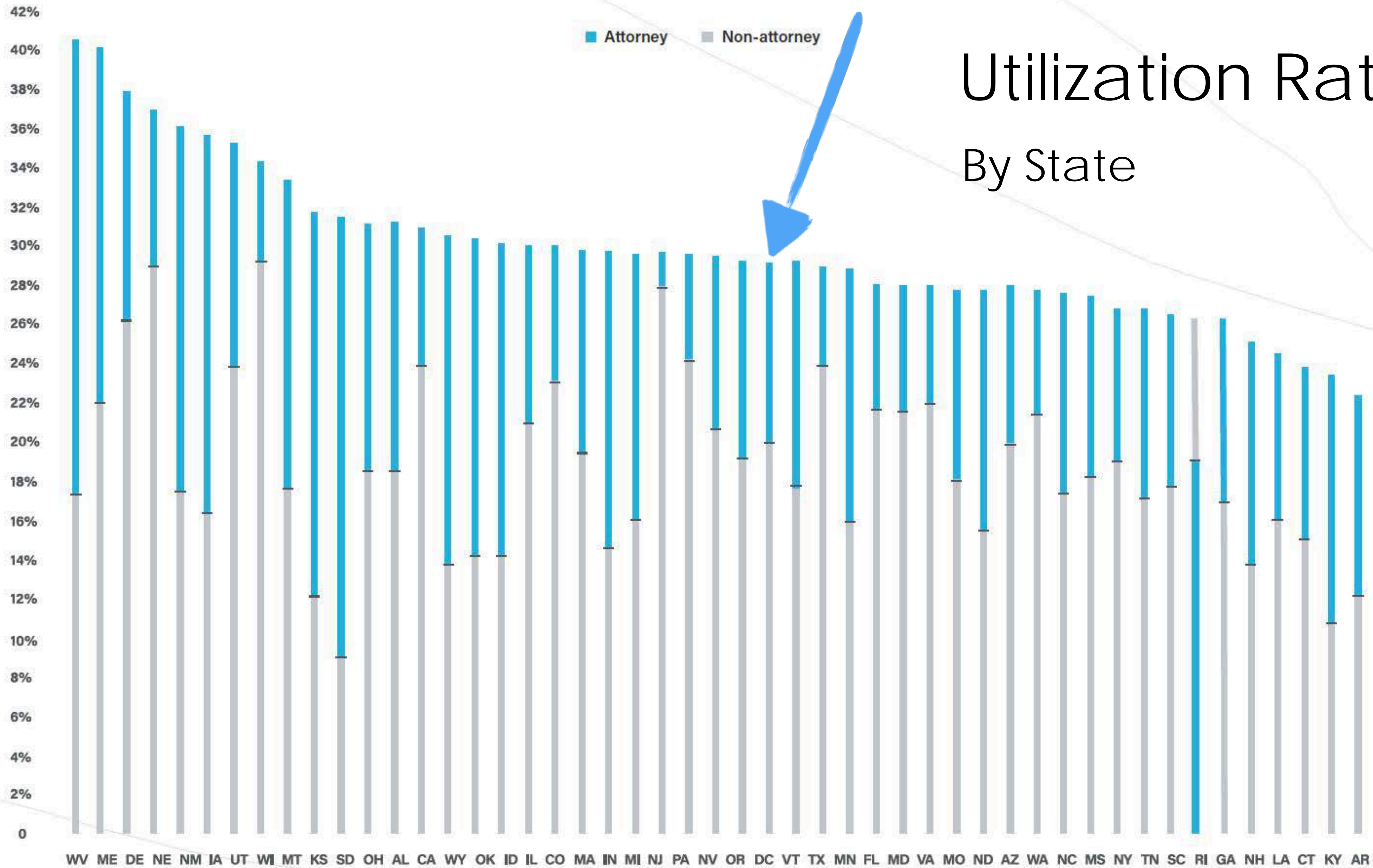
$$\frac{\text{Actual billed hours}}{\text{Billable hours worked}} = 82\%$$

Collection rate

The amount of billed work that gets paid.

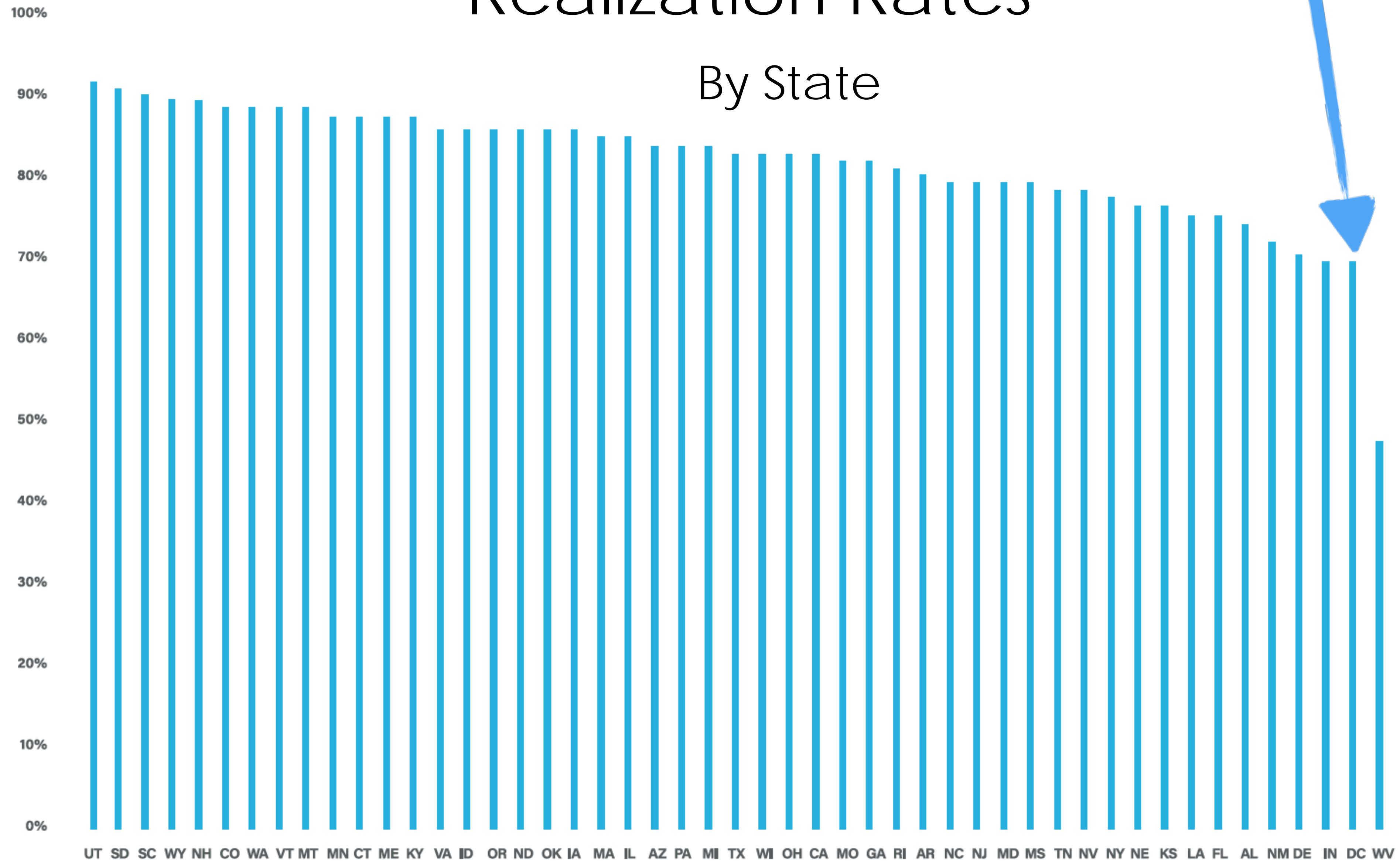
$$\frac{\text{Actual collected revenue}}{\text{Actual billed hours}} = 86\%$$

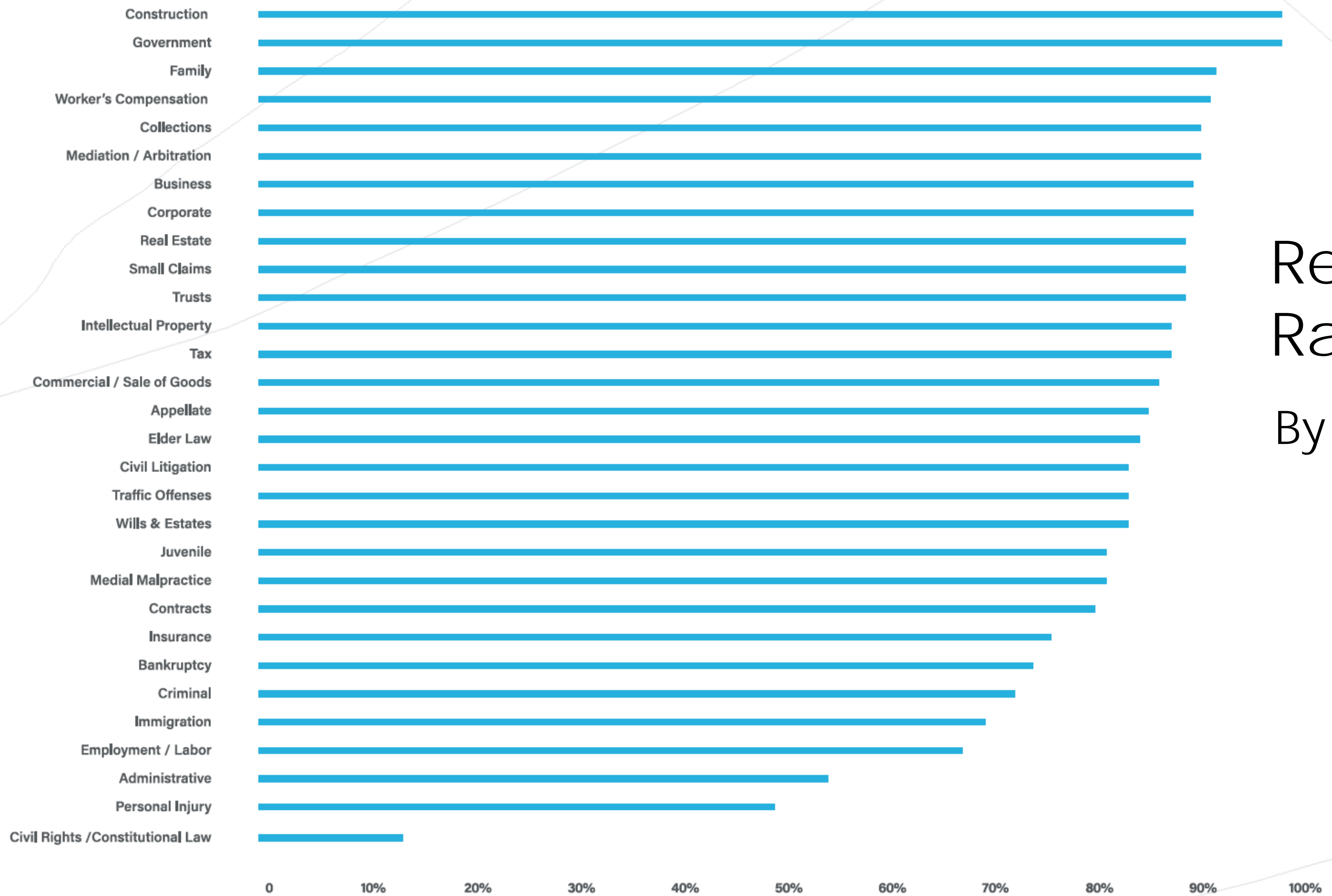
Utilization Rate By State



Realization Rates

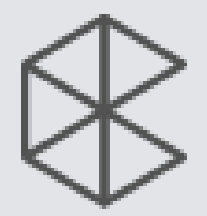
By State



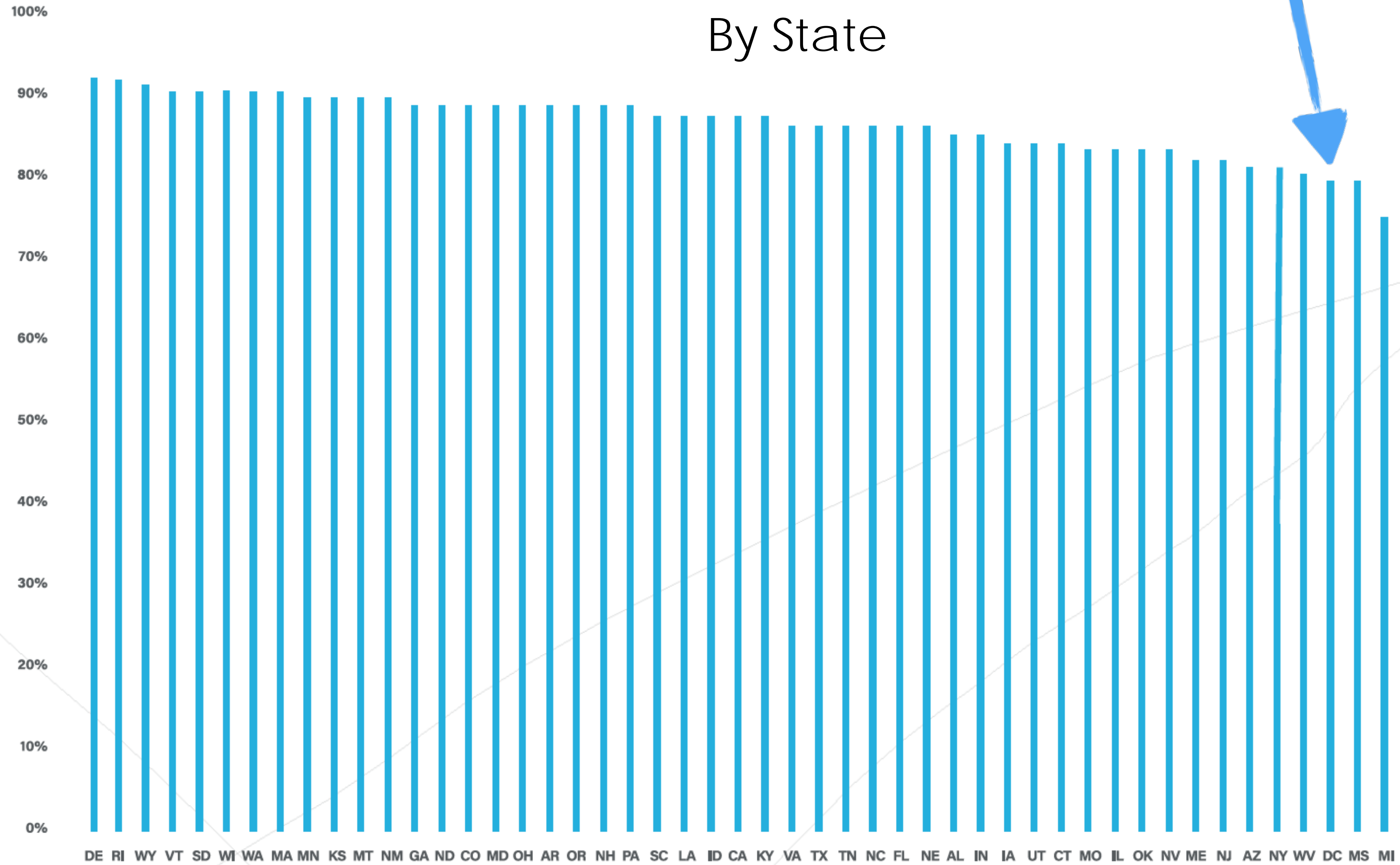


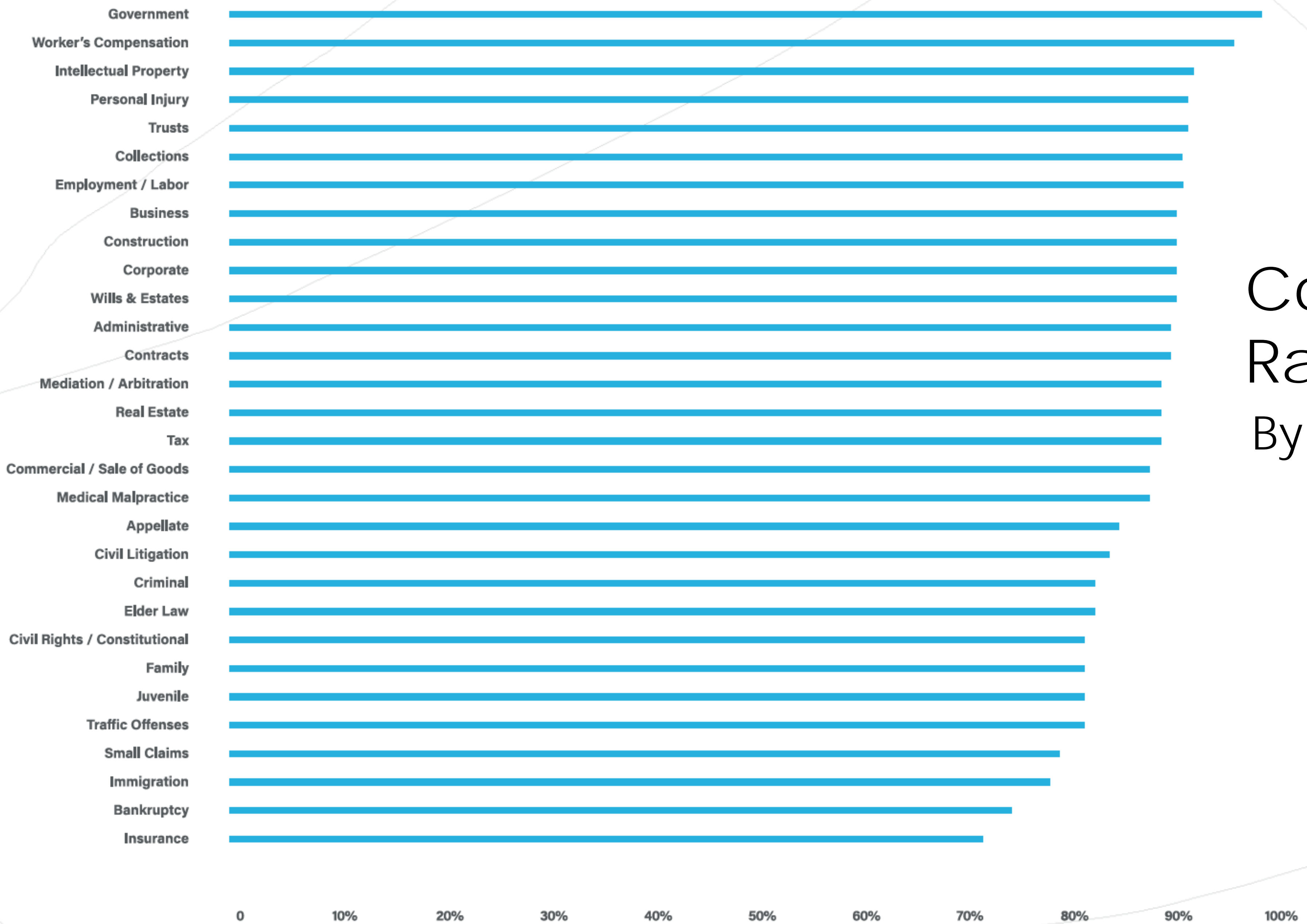
Realization Rates

By Practice Area

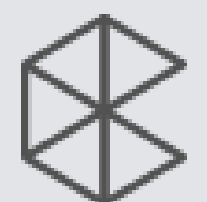


Collection Rates By State





Collection Rates By Practice Area



Average collection rates

86% Collected

Lost **14%**

Bankruptcy

74% Collected

Lost **26%**

Family

82% Collected

Lost **18%**

Criminal

83% Collected

Lost **17%**

Immigration

78% Collected

Lost **22%**

Insurance

72% Collected

Lost **28%**

Small Claims

79% Collected

Lost **21%**

Collection Rates

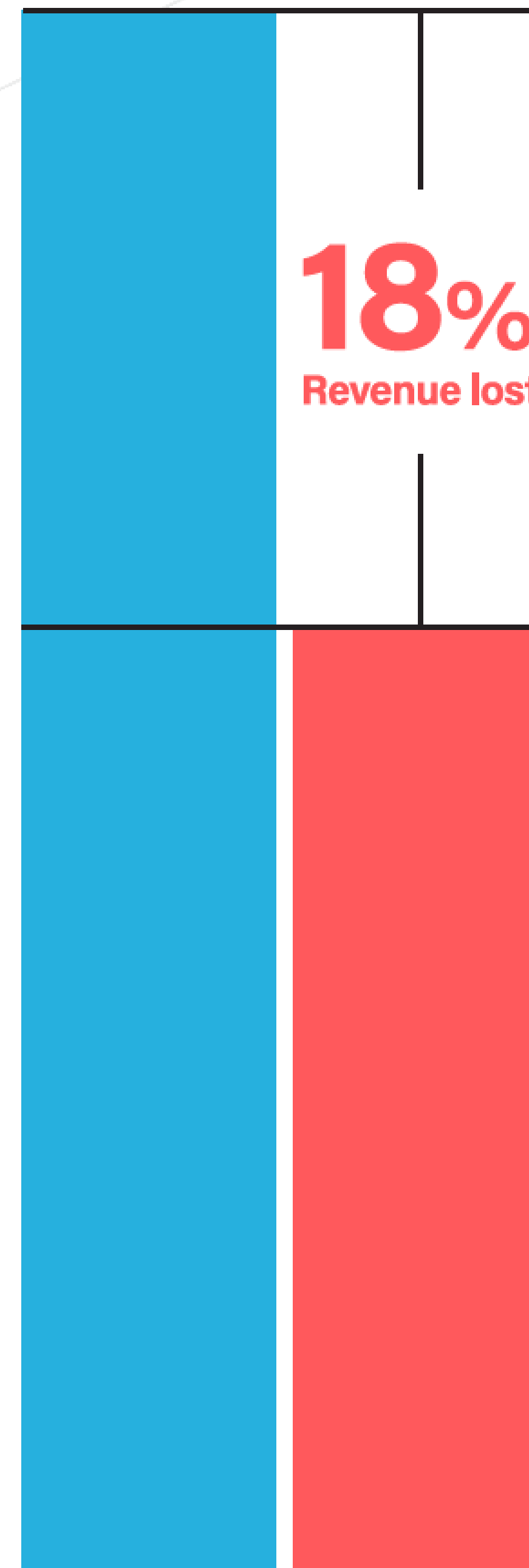
Law Firm Survey Insights

- Client lacks the funds to pay (44%);
- Client has adequate funds but payment is still late (31%);
- 25% of firms mail bills / 29% rely on checks;
- Firms accepting credit card payments are paid 40% faster.

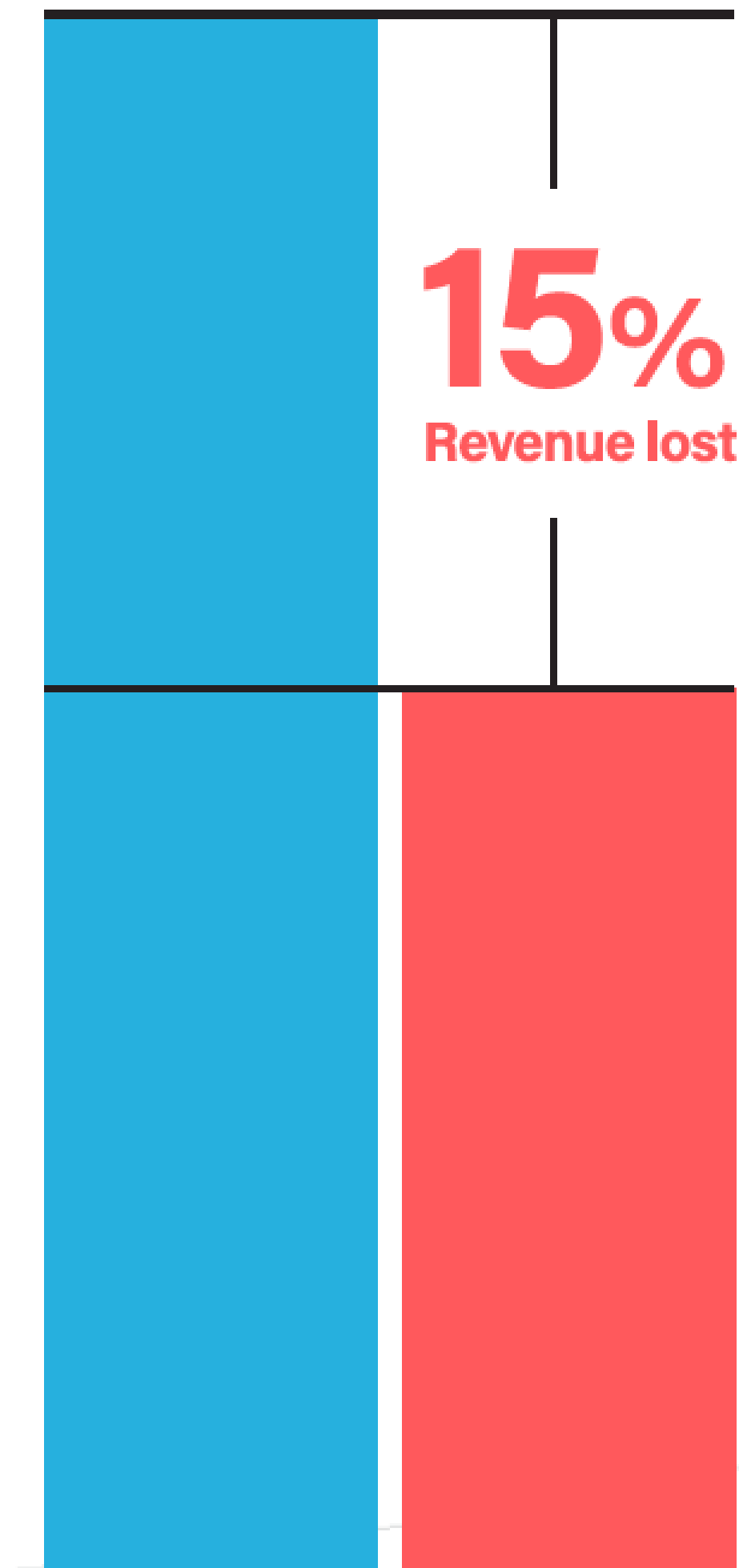
Impact of Trust Accounts

On Realization and Collection Rates

Realization rate



Collection rate



100%

90%

80%

70%

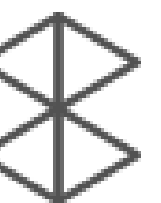
60%

The biggest surprise:
the case of the missing 6 hours



Total hours in the workday

8 hours



Utilization rate

(how many hours were billable?)

2.3 Hours

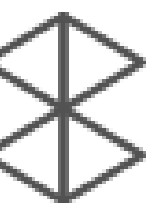
Missing 6 hours

Hours utilized

Get more clients

Be more efficient

Both?



Where do the hours go?



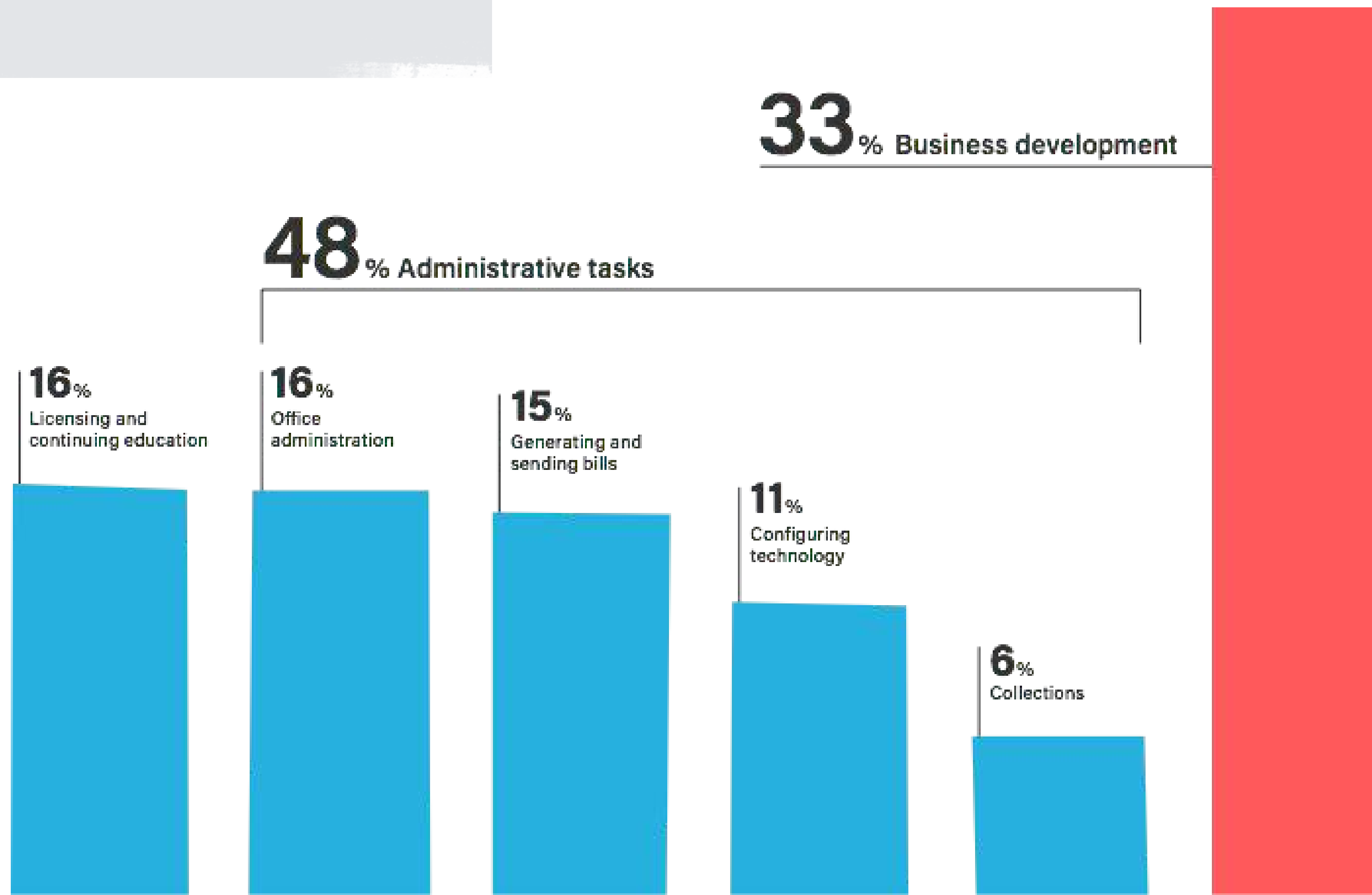


2,915

Legal Professionals Surveyed



Where does the time go?



Additional Insight

- 69% agreed: not enough time in the day;
- 59% report that they struggle to keep track of tasks and deadlines;
- Interruptions:
 - 25% are interrupted more than 10 times per day;
 - 30% are interrupted 6 - 10 times per day.



*It takes a knowledge worker an average of 23 minutes and 15 seconds
to get back to a task following an interruption*

—Gloria Mark, Professor in the Department of Informatics at the University of California, Irvine



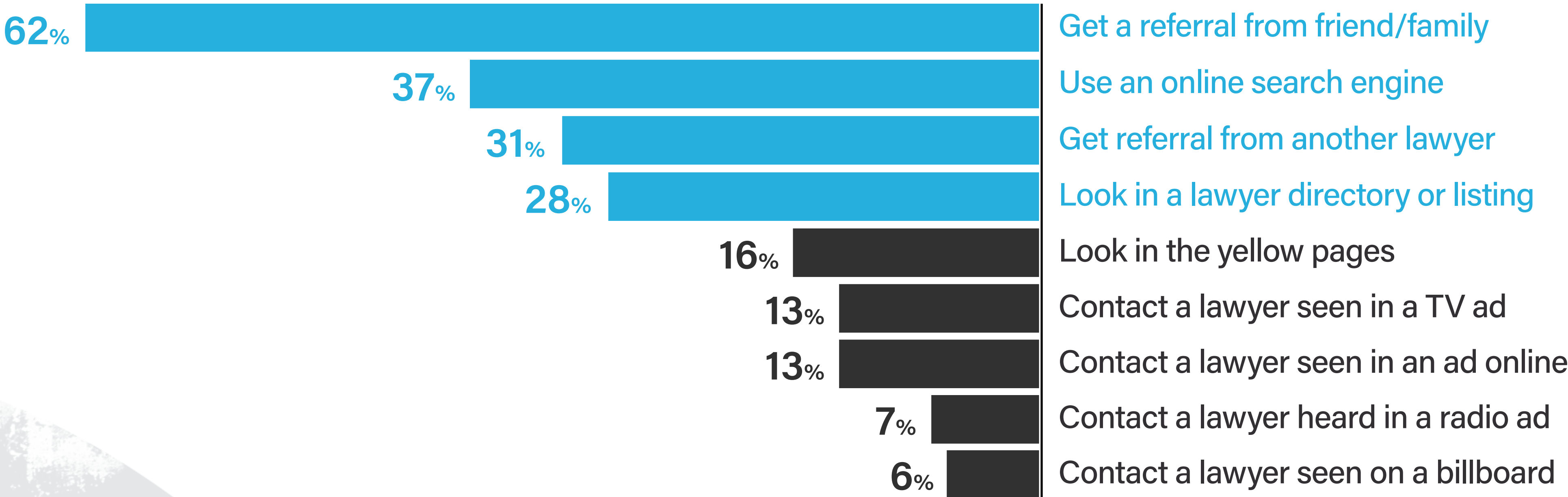


2,002
Consumers Surveyed



Consumer Research

How do you find on a lawyer?



Consumer Research

How do you choose a lawyer?

Responds to first
call/email right away

Offers free initial consults

Offers fixed fees

Lets clients pay
by credit card

Exchanges
texts with you

Great-looking
web site

67%

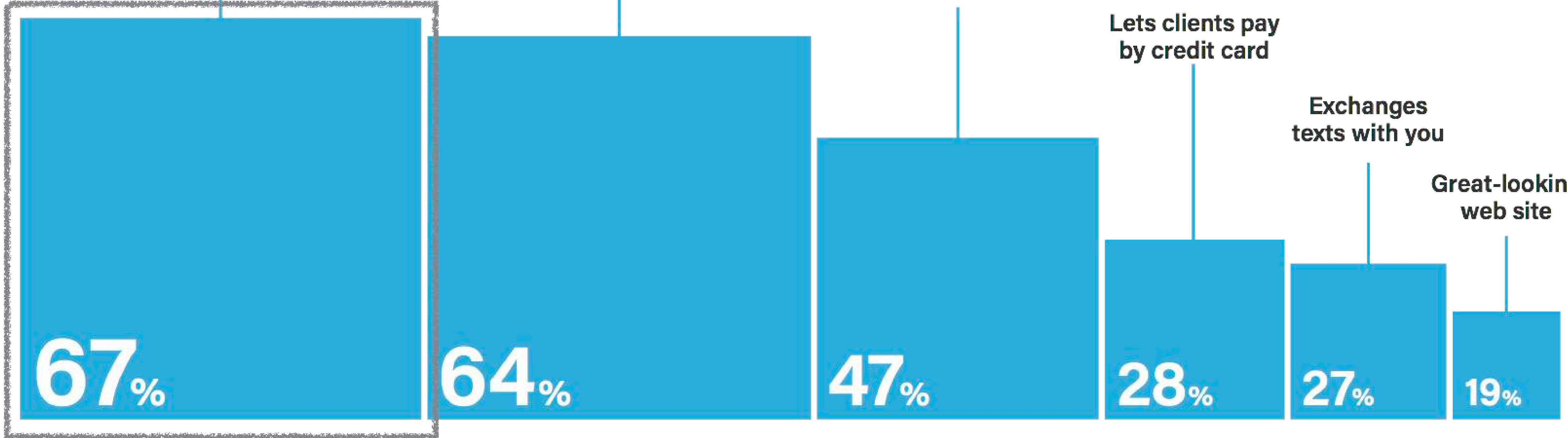
64%

47%

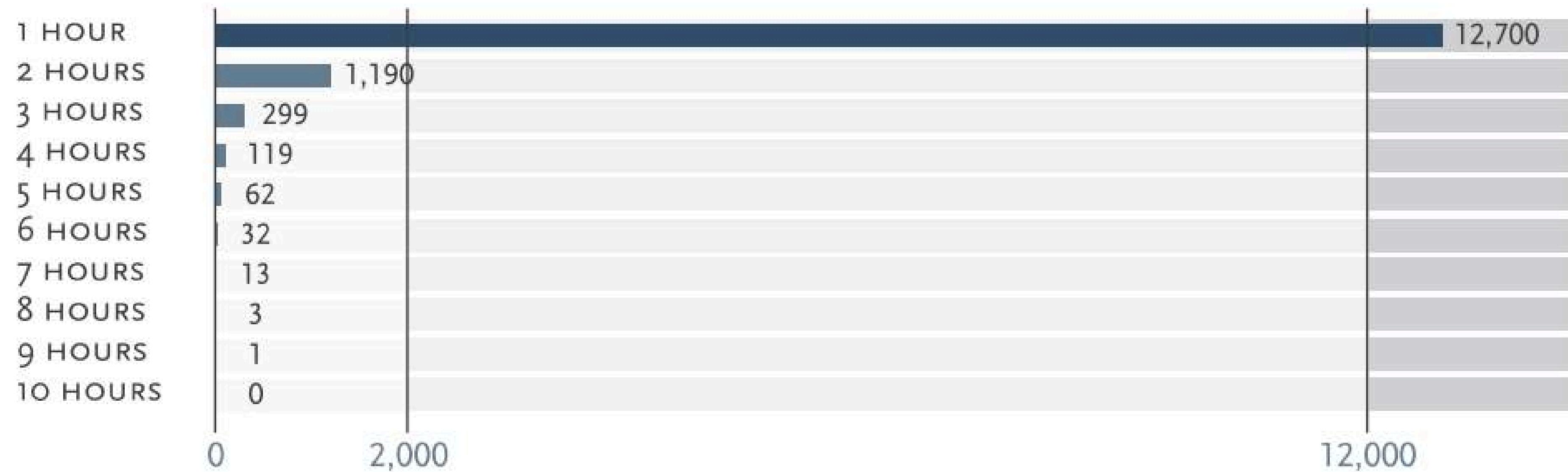
28%

27%

19%



DAY OF THE WEEK: INITIAL DIALS TO LEADS THAT BECOME QUALIFIED



Source: 2007 MIT / insidesales.com LRT Study



How do I get my 6 hours back?

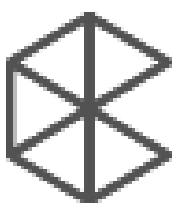
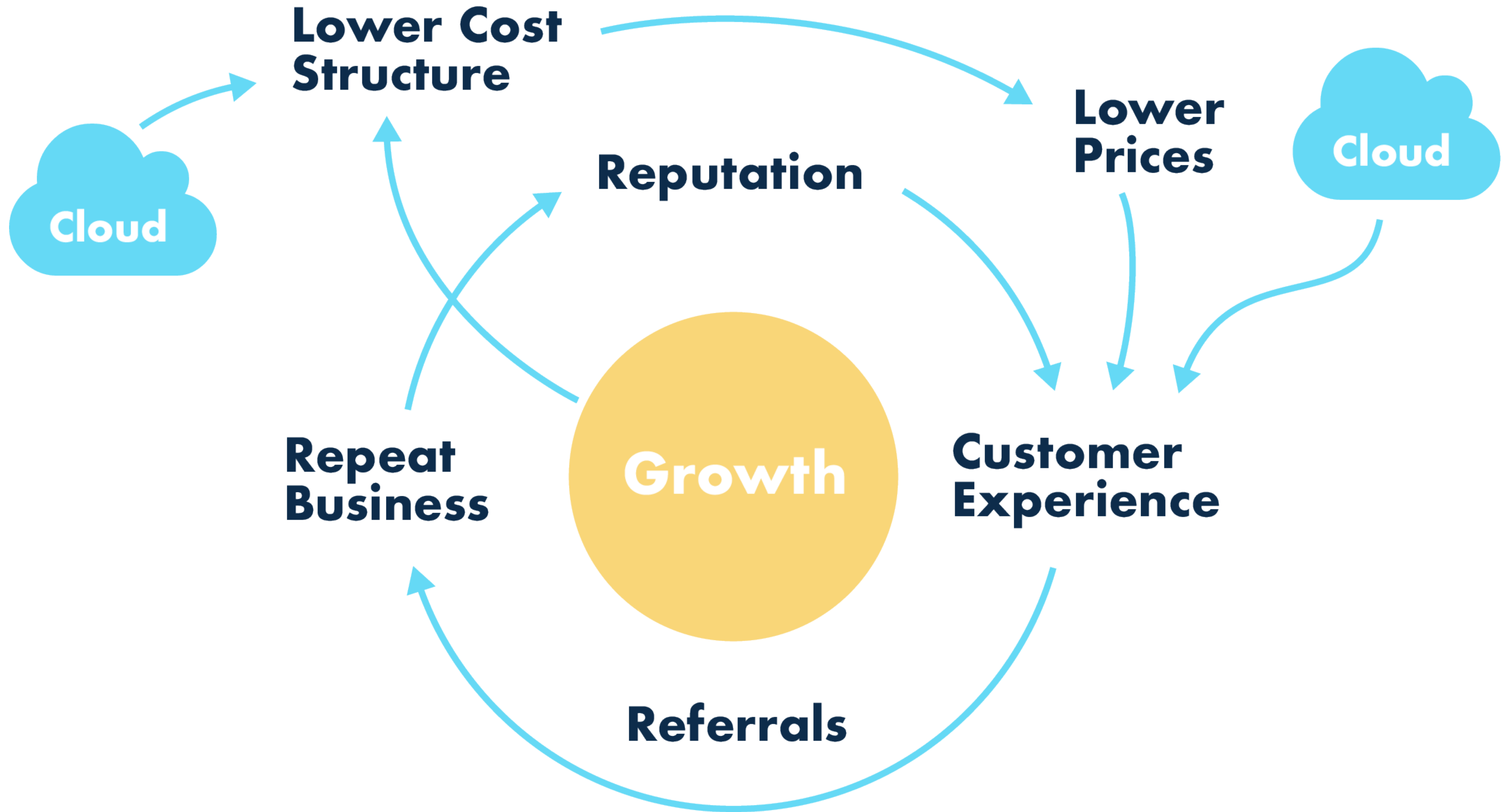
Respond to your client inquiries, fast

Minimize interruptions from existing customers

Streamline and automate administrative tasks where you can

Invest in managing your reputation and client satisfaction levels





A person is sitting on a blue couch, holding a tablet computer. They are wearing a grey sweater and brown boots. There are two pillows: one yellow and one white with a black line-art pattern. The background is dark and moody.

Part III:

Using LTR Data to Drive Decisions





Example #1 - value of a matter



The estimated average value of a family law matter is \$3165

How much can I afford to spend to acquire this case and still be profitable?

Are the matters I am working below, at or above this benchmark?

If I decided to offer an alternative fee arrangement, how would I price it?

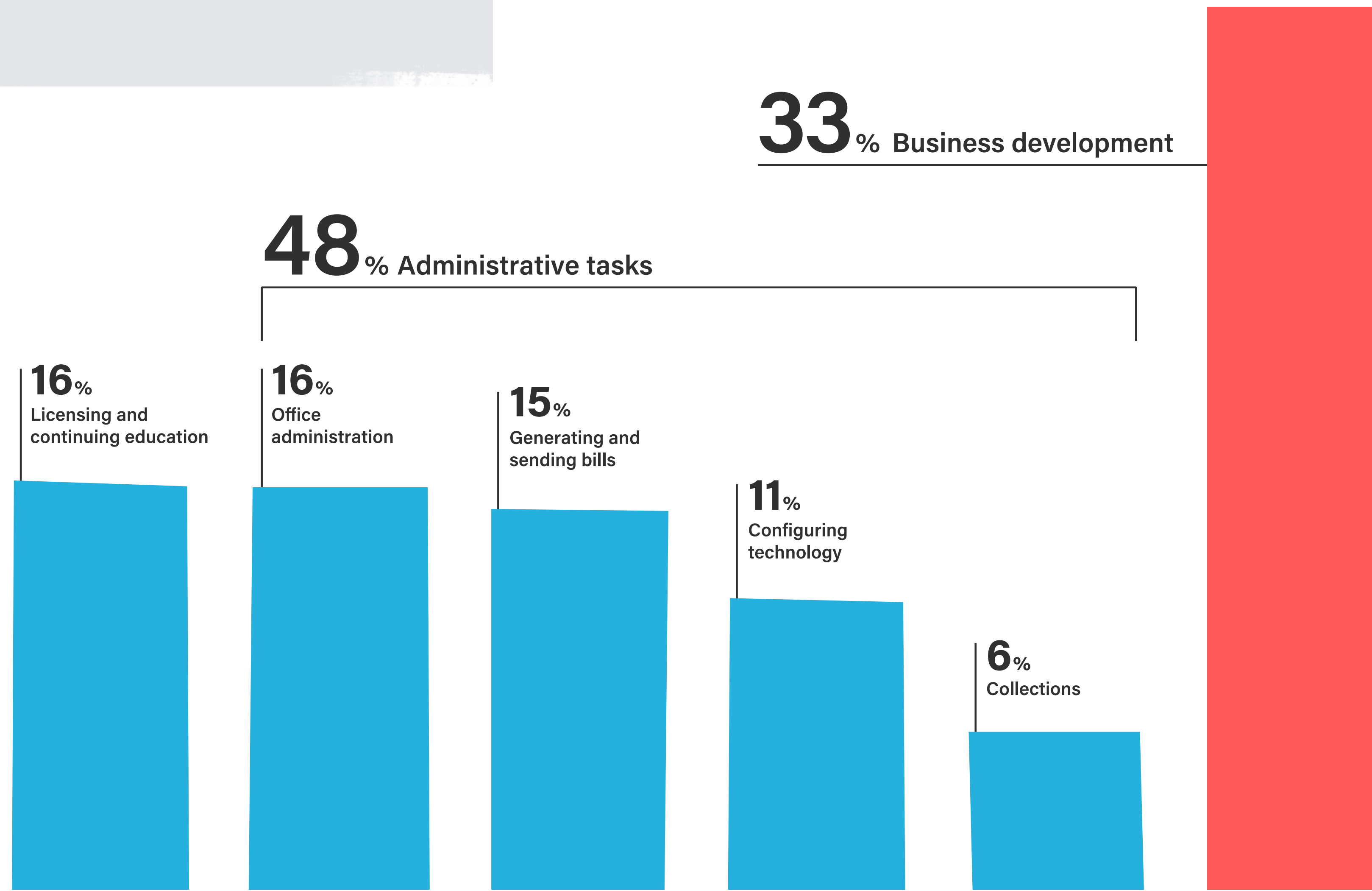
How many new matters do I need in order to reach my revenue targets?



Example #2 - efficiency



How does your time allocation compare?



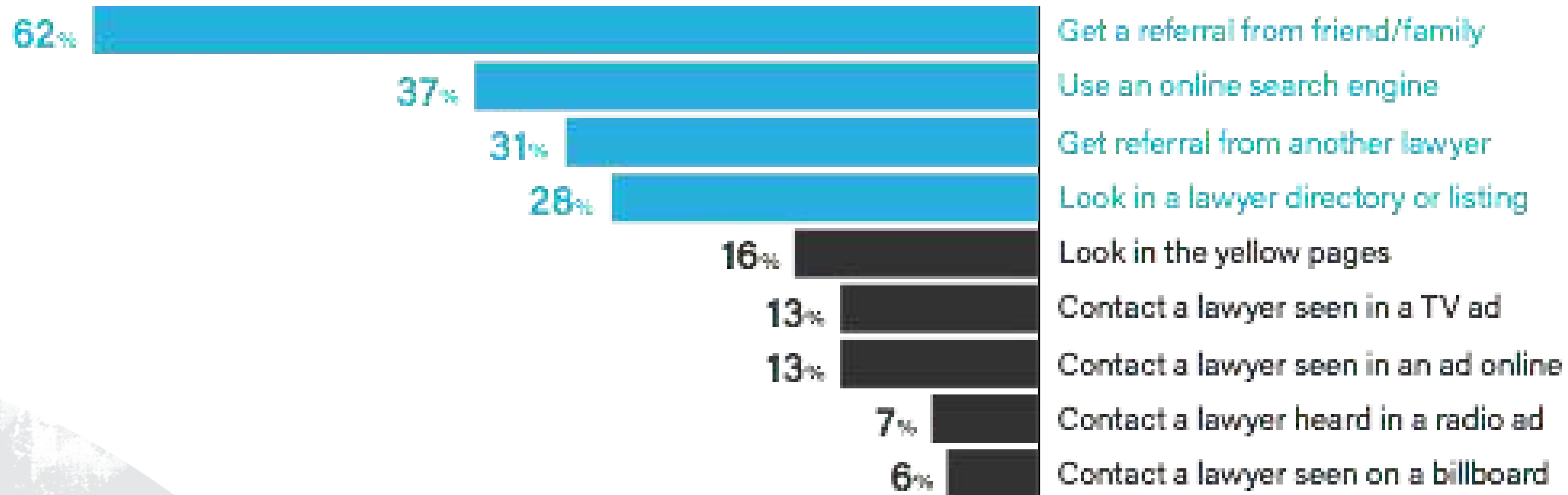


Example #3 - acquiring clients

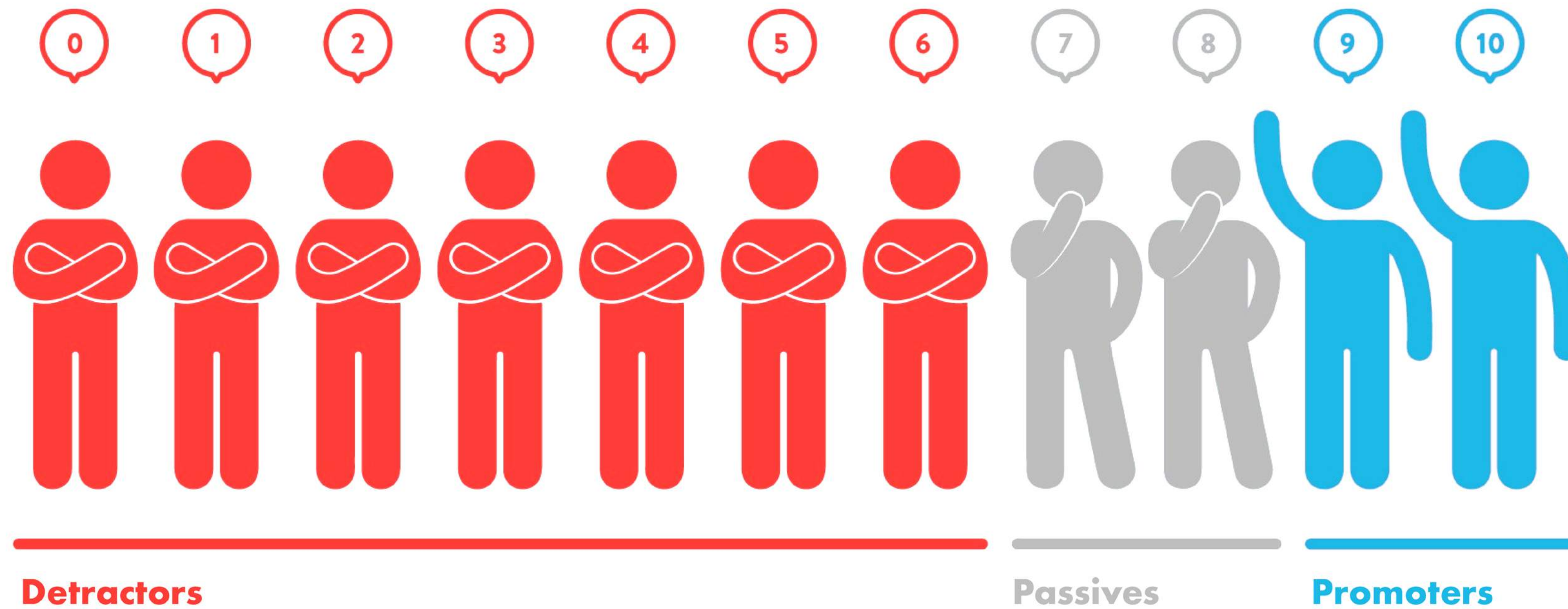


Consumer Research

How do you find on a lawyer?



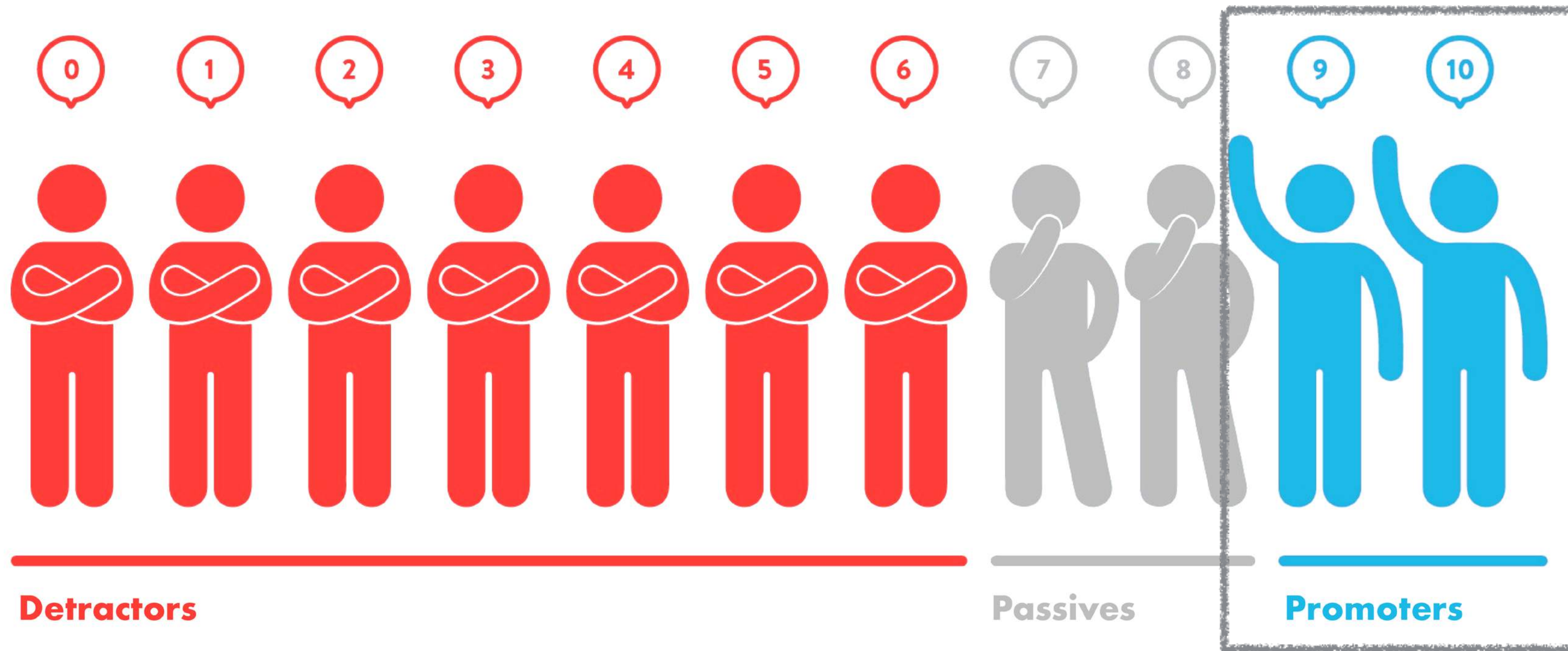
NPS Score



$$\text{Net Promoter Score} = \% \text{ Promoters} - \% \text{ Detractors}$$



NPS Score



$$\text{Net Promoter Score} = \% \text{ Promoters} - \% \text{ Detractors}$$



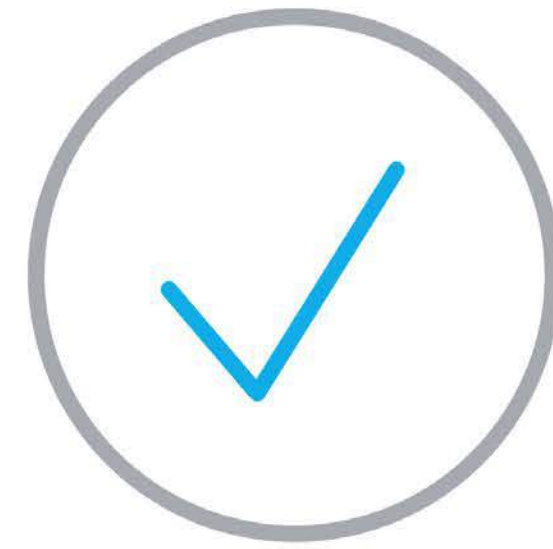
Consumer Research

How do you choose a lawyer?





receptionists



Lexicata®



In conclusion



Data-driven lawyers eat robots for breakfast

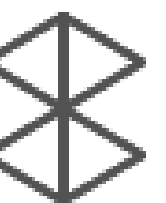
— George Psiharis (me)



Online Resources

Download the full report at: clio.com/2017-legal-trends-report/

Compare your billable rates at: clio.com/compare-lawyer-rates/



Thank you!

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