

Legal Trends Report

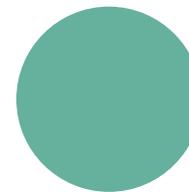
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2018



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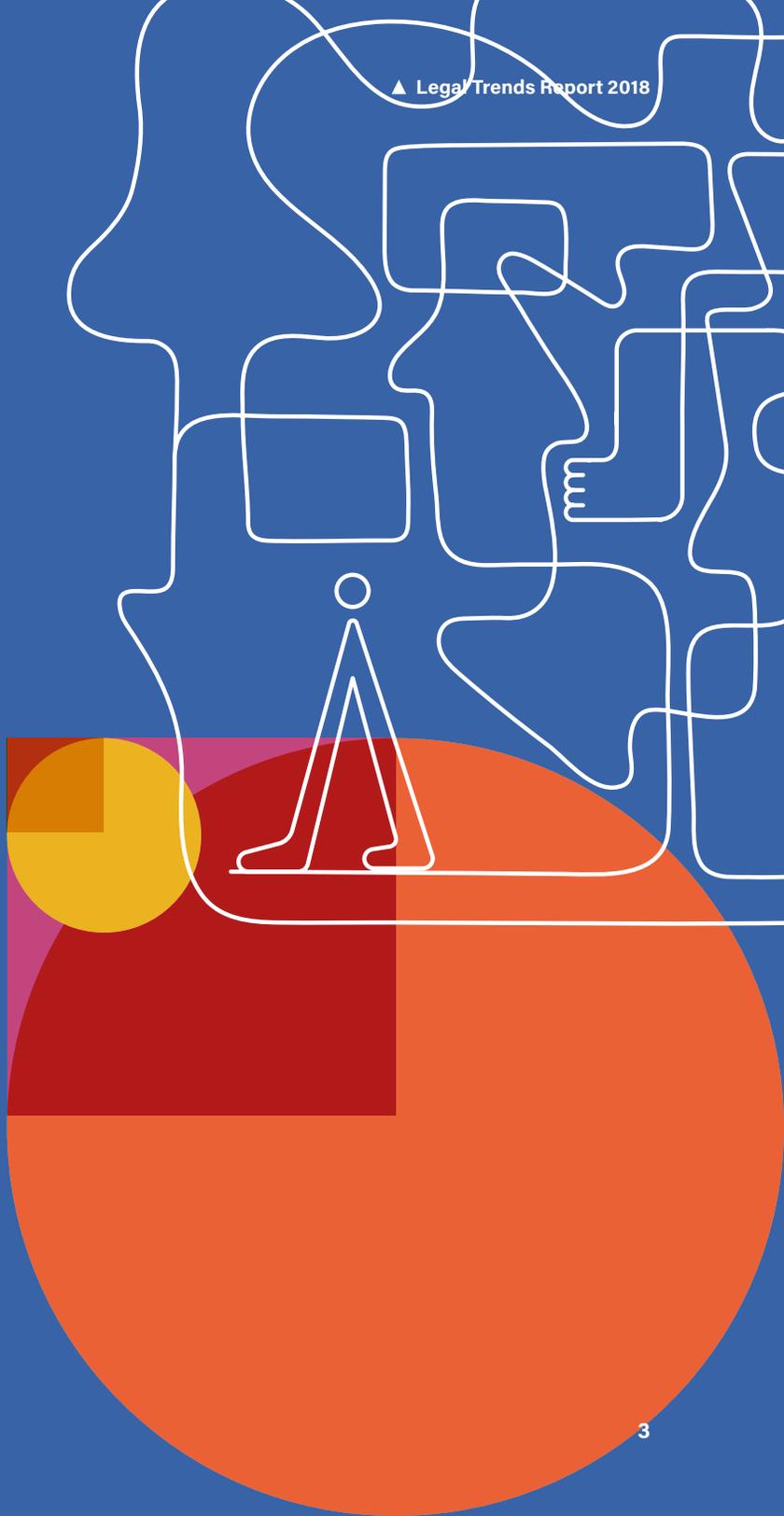
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Introduction

A focus on the legal experience

Consumer expectations are increasingly shaped by their experiences across other industries. In the interest of future success, lawyers must carefully consider how their firms will meet the needs of future clients.



The importance of data

We first shocked the legal profession in 2016 with our groundbreaking examination of aggregated and anonymized benchmark data from tens of thousands of legal professionals in the US. This analysis was critical at the time—and it still is now.

The *Legal Trends Report* represents the first truly data-driven study of the legal profession. In writing this report, we've used aggregated and anonymized data from nearly 70,000 legal professionals to offer the most in-depth and comprehensive analysis of business insights for the legal profession to date.

Previous research into business management in the US legal industry was limited to studies based on self-reported information for isolated regions or practice areas. These studies also focused on large law firms rather than the solo, small, and mid-sized practices that represent 85% of lawyers working in private practice.¹

Additionally, the data inputs from these studies—such as the number of hours worked and hourly billable rates—are easy to misrepresent and often suffer from self-reporting biases. Without the benefit of a sustained and reliable system of record, these data points are near impossible to monitor and report over time.

This is the third year that we've published the *Legal Trends Report*, which provides in-depth analysis into the legal profession—with the explicit goal of helping lawyers achieve greater success in their practice. This data-driven approach allows us to measure and analyze key business trends year to year while preserving anonymity and maintaining our rigorous standards for user privacy.

¹American Bar Association, "Lawyer Demographics," 2013. In 2005, 85% of private practitioners worked in firms of 100 lawyers or fewer.

New this year

Past *Legal Trends Reports* have focused primarily on understanding what goes on within a law firm, looking at efficiency and how much lawyers bill per hour.

This year, we've looked into what consumers think about before and after hiring a lawyer. In learning more about how consumers approach their legal problems, we can better understand what shapes their decision to hire a lawyer.

As we learn more about what influences both positive and negative client experiences, lawyers will be in a better position to improve client satisfaction, generate repeat business, and earn new referrals.



Data sources included in the *2018 Legal Trends Report*

Clio data

The *Legal Trends Report* uses aggregated and anonymized data collected from nearly 70,000 legal professionals. By synthesizing actual usage data, we identify large-scale industry trends that would otherwise be invisible to law firms.

Law firm survey

We surveyed 1,968 legal professionals, representing both Clio users and non-Clio users. By investigating the existing needs and strategies of law firms, we're able to better align our data analyses with the goals of lawyers themselves.

Consumer survey

We surveyed 1,336 consumers—respondents from the general population—with sub-cohorts who have hired a lawyer or dealt with a legal problem without a lawyer in the past 2 years.



Part 1

Indicators of law firm success

The most useful data insights are often those that surprise you. When the data challenges how you think, it signals an opportunity to reflect on your practice and your goals as a business. It's also an opportunity to identify key leverage points to help you achieve your goals.



How do law firms define success?

It's clear that the majority of law firms see their bottom line as the most important metric for success. When asked what goals define the success of their law firm, 84% of legal professionals say increasing revenue is important.

Yet when it comes to two of the most important revenue inputs, only 34% say growing a client base is important, and only 23% say billing more hours is important. Not only are these metrics critical to revenue, they are two of the most important for measuring and tracking over time.

The fact that these critical inputs are consistently overlooked suggests that many law firms aren't focused on two of the most impactful drivers for achieving their core business goals.

Percentage who agree each of the following is important to their firm's success



Lawyers struggle to set and measure goals

Strong goals are crucial to any business. Without them, law firms risk falling stagnant. Yet only 25% of lawyers say they are highly satisfied with their goals, only 26% are highly satisfied with their plans to achieve their business goals, and only 23% are confident they can measure their success in working toward their goals.

Despite a lack of confidence in measuring their goals, only 43% of law firms agree that improving data insights and reporting is an important priority. Not only do the right data insights help in setting better goals, but they also help focus efforts in reaching those goals. On the other hand, goals that get ignored are also more likely to fail.

25%

express high satisfaction with their firm goals.

26%

express high satisfaction with their plans to achieve their business goals.

23%

express high satisfaction with their ability to measure success in working toward their goals.

Critical metrics for law firm efficiency

Whether billing by the hour, based on flat rates, or on a contingency basis, client work is what drives revenue. The more time you can dedicate to your billable work, the more earnings you'll see for your firm.

Each year, we look at three critical metrics to better understand how billable work contributes to law firm revenues. In reviewing aggregated and anonymized hourly billing data from nearly 70,000 legal professionals, we can determine average utilization, realization, and collection rates for a typical 8-hour day.

From what we see in this year's analysis, with an average utilization rate of 30% (which works out to just 2.4 hours of an 8-hour day), it's clear that law firms struggle to dedicate time to billable work.

Law firm key performance indicators (KPIs)

Utilization rate	Realization rate	Collection rate
Number of billable hours worked ÷ Number of hours in a day =	Number of billable hours invoiced ÷ Number of billable hours worked =	Number of hours collected upon ÷ Number of billable hours invoiced =
30%	81%	85%

The lawyer's funnel and the missing 5.6 hours

To illustrate how each metric impacts profitability, we can look at them within the context of an efficiency funnel. At the top of the funnel, we see the maximum number of hours lawyers can dedicate to a typical workday.

As we factor in each metric, we see how daily earnings are reduced drastically by the end of the funnel.

The most significant deficiency by far is in the 5.6 hours that are missed at the utilization level. This indicates that lawyers are only able to put a small fraction of their day toward billable tasks. When factoring in the number of billable hours that never make it to an invoice and the amounts forfeited by unpaid bills, the average lawyer earns just 1.6 hours in billable work for their firm each day.

The fact that lawyers miss out on nearly 5.6 hours of billable work each day should be a wake-up call for why efficiency is so important to law firms—it's a critical leverage point for increasing revenues. If ignored, inefficiency can have a devastating effect on profitability, which is a problem that will only compound day to day, year to year.

The lawyer's funnel



Effective hourly rates

To see how realization and collection rates affect potential earnings, we applied them to average hourly rates across different practice areas. Effective hourly rates estimate the amount lawyers can expect to collect based on how realization and collection percentages affect hourly rates for a given practice area.

For example, hourly rates for Bankruptcy Law are typically high (average \$335), but low realization (74%) and collection (71%) result in an average collected amount of \$176—the effective hourly rate.

To compare, Government Law sees an average billable rate of \$166—less than half that of Bankruptcy Law—but sees significantly better realization (96%) and collection (98%), which result in an effective hourly rate of \$156—which is only \$20 less than the effective hourly rate for Bankruptcy Law.

Bankruptcy Law		Government Law	Difference
One billable hour of work = \$335	-	One billable hour of work = \$166	= \$169
74% realized = \$248	-	96% realized = \$159	= \$89
71% collected = \$176	-	98% collected = \$156	= \$20

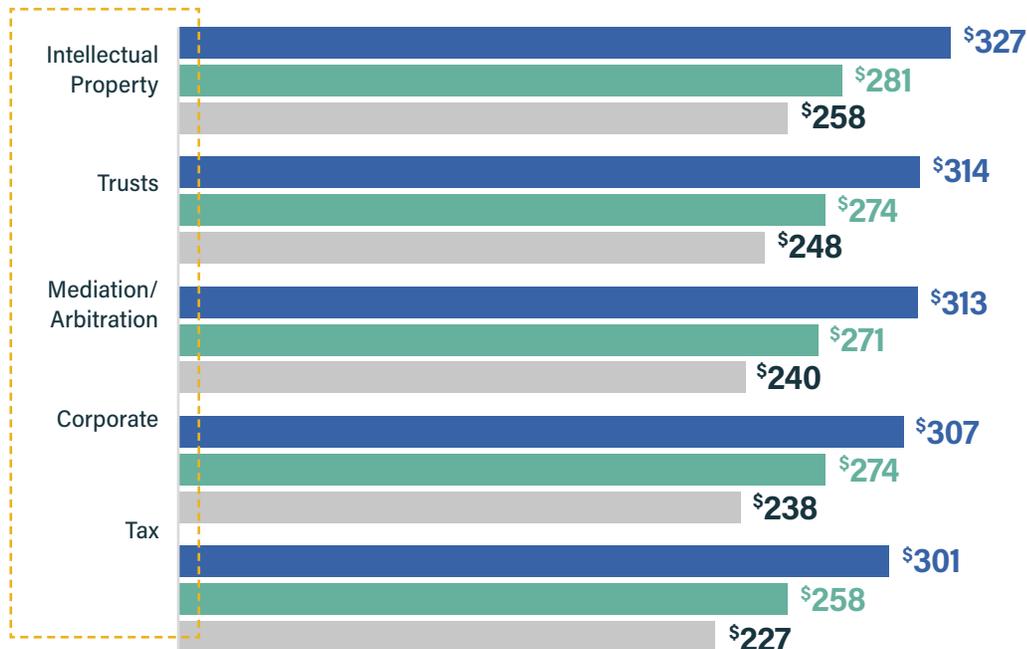
Effective hourly rates by practice area

When we compare effective hourly rates across practice areas, it's clear that some struggle more than others. Personal Injury Law has a high hourly rate (\$220), but is left with one of the lowest effective rates (\$91) for cases charged by the hour.

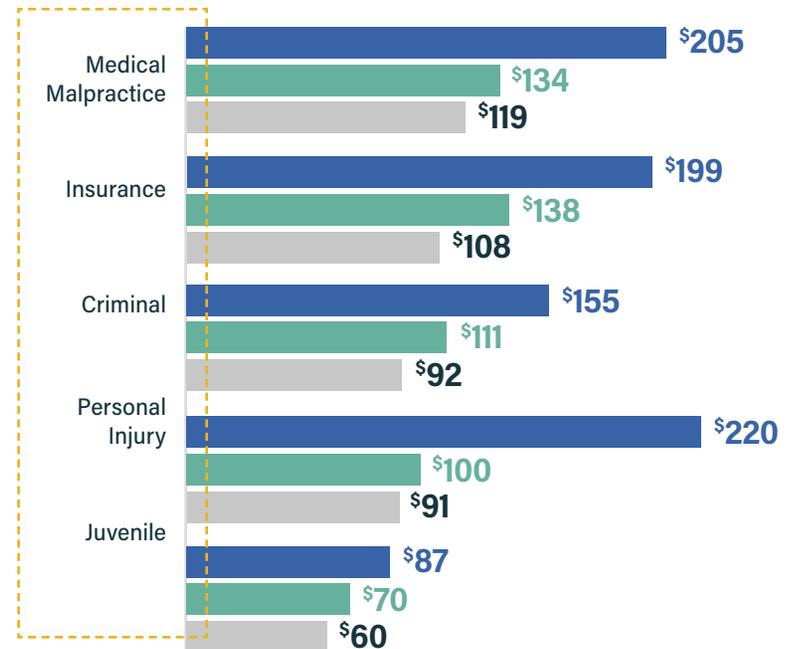
When we look at the legal profession as a whole, the average hourly rate (\$267) falls to \$216 when factoring in average realization—and \$184 when also adjusting for collection rates.

Average hourly rate: **\$267**
 Average realized rate: **\$216**
 Average effective rate: **\$184**

Highest effective rates



Lowest effective rates



■ Actual rate
 ■ Realized rate
 ■ Effective rate

See Appendix (page 61) for a list of effective rates for all practice areas.

Where does the time go?

Daily administrative tasks and work related to marketing and earning new clients can take up significant time in a day, which eats away at time that could be spent on billable work. Non-lawyer staff often take on this work, but many lawyers still report spending several hours on administrative tasks and business development.

Building a client base in particular takes up time for both lawyers and non-lawyers. But lawyers are the ones who spend more time networking and building referral networks.

Average hours legal professionals can spend on a given task in a day



Lawyers are already playing catch-up

The majority of firms want to increase revenues, yet the typical lawyer already works more than they plan to each week.

The average full-time lawyer plans to work 46.8 hours per week but ends up working 49.6 hours. Over the course of a 50-week work year, the added 2.8 hours each week adds up to 140 additional hours—roughly 3.5 weeks—of unplanned work each year.

Most lawyers (75%) also report working outside of regular business hours often or always, and 39% say this negatively affects their personal life.

For non-lawyer staff, most plan to work 41.1 hours per week, but they also end up working more, averaging 43 hours each week—with 37% working outside of regular business hours and 16% saying it negatively affects their personal life.



Working outside of office hours

The most common reason for both lawyers and non-lawyers to be working outside of regular business hours is to catch up on work that didn't get done during the day (77% of lawyers, 66% of non-lawyers).

Lawyers also struggle to balance their professional goals with their personal lives. Many report working additional hours for the sake of their business's success (58%) and to get ahead in their practice (45%). Meanwhile, 51% of lawyers work outside office hours to be available to clients, and 51% of lawyers do it to allow them to meet personal obligations during the day.

77%

of lawyers working outside of business hours do so to catch up on work.

Reasons for working outside of business hours

Percentage of legal professionals who report each of the following

	Lawyers	Non-lawyers
To catch up on work that didn't get done during business hours	77%	66%
That's what it takes for my business to succeed	58%	43%
To be available to clients	51%	39%
To meet other personal obligations during regular business hours	51%	33%
To get ahead in my firm or practice	45%	33%
I really enjoy my work	26%	29%
It's what is expected in legal	21%	9%
To take calls with parties in other time zones	16%	10%
Other	6%	9%

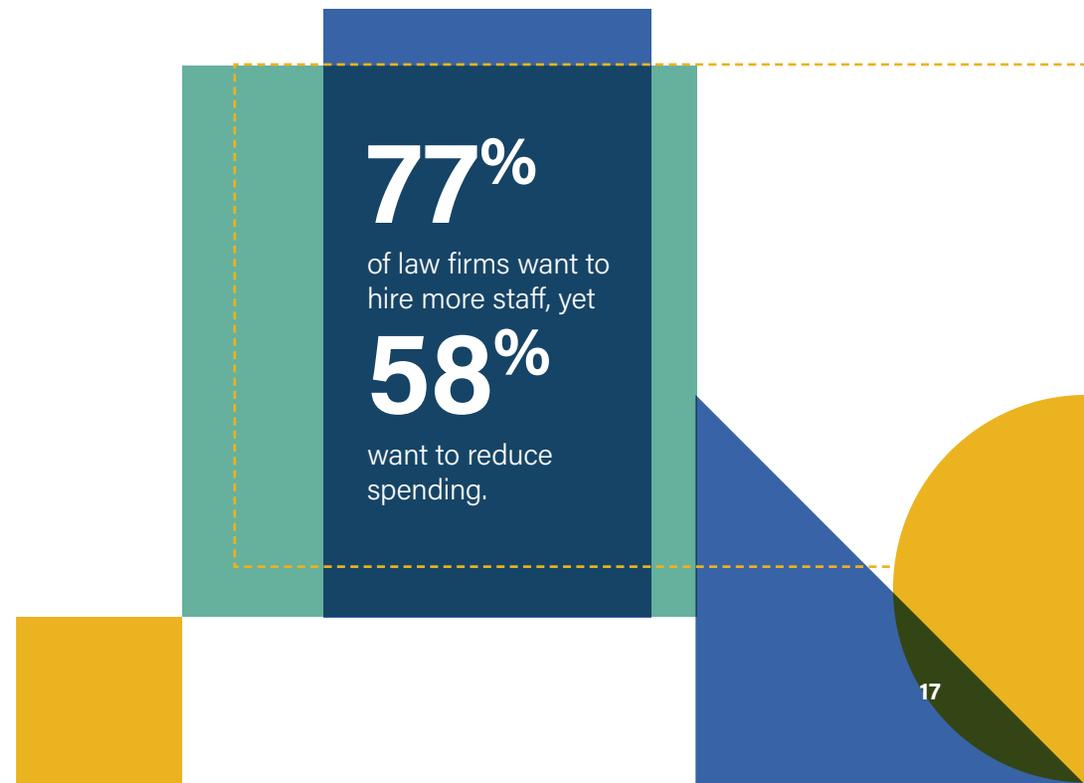
The bottom line

If 84% of law firms want to increase revenues, why do only 23% see the importance in billing more hours? It may be because they don't have any more hours in a day. This may explain why 77% of firms want to hire more staff—even though 58% want to reduce spending.

For the majority of firms, however, finding ways to streamline and automate non-billable administrative tasks will help make every member of a firm more productive.

Since attracting new clients also takes up a significant amount of time for many law firms, being more efficient in finding and retaining clients will open up more time for billable work.

Knowing more about what clients are looking for will help lawyers attract more clients while also helping them show how to get the most value from their services.



Part 2

Understanding the legal consumer

Not everyone hires a lawyer to deal with their legal problems—and many avoid dealing with the law altogether, whether it be going to court or filing a legal form. The question is, why?

When surveying those who have and have not hired a lawyer in the past, a couple of points are clear:

- ▶ Lawyers are often overlooked as a legal solution.
- ▶ Lawyers may spend significant time speaking to clients that never hire them.

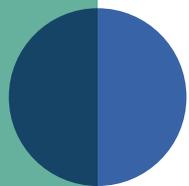
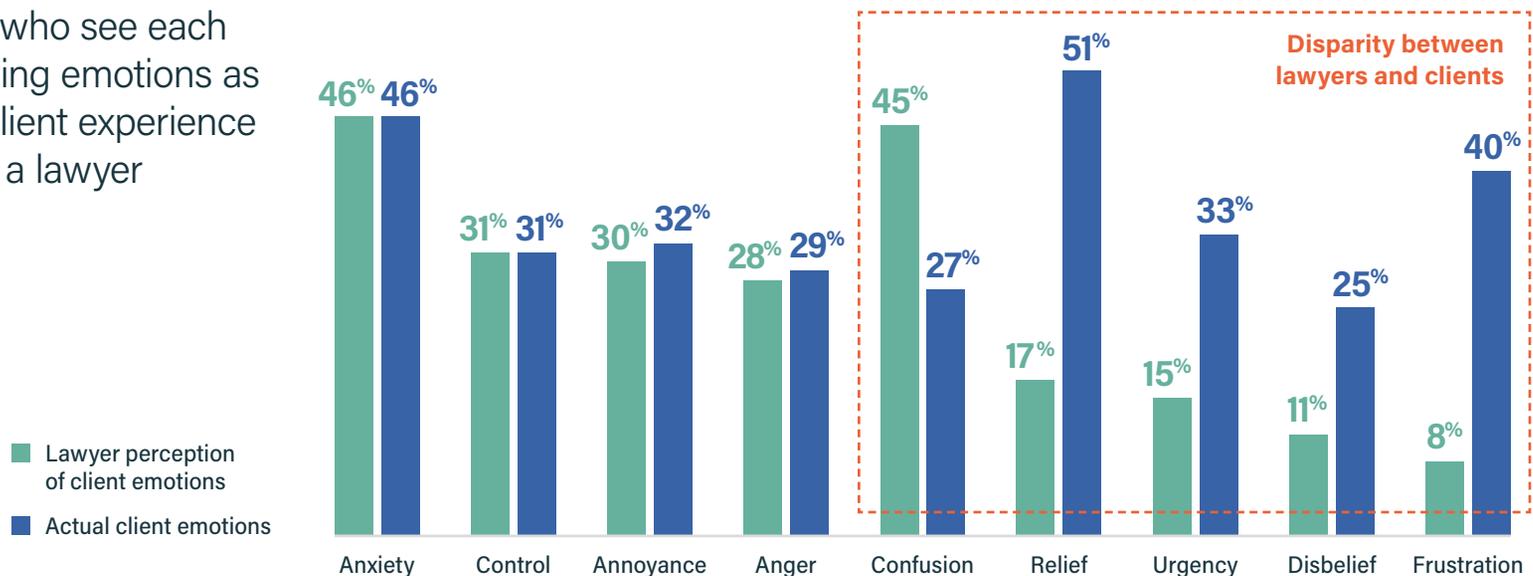
Lawyers get results, yet often frustrate

Legal problems can significantly alter the course of a person’s life—and lawyers are in a unique position to help their clients achieve the best possible outcome for those problems.

When we look at the range of emotions that clients face when dealing with a legal problem, negative emotions are felt strongly. But only 17% of lawyers recognize that the most common emotion felt is *relief*.

That’s not to say lawyers shouldn’t be concerned about the negative emotions—such as the urgency and frustration that many lawyers seem to miss. Knowing more about what contributes to these feelings—positive or negative—is key to addressing client needs with as little friction as possible. The following pages give us more insight into how to address these needs.

Percentage who see each of the following emotions as part of the client experience when hiring a lawyer



The market for legal services— who needs the law?

Of the general population, only 59% say they would consider using the law—whether it be going to court or filing a legal form—when faced with a legal problem. Only 22% say they prefer using the law whenever possible.

Additionally, 57% of the general population have dealt with a life issue that could have been handled legally but wasn't.

So what holds them back from using the law?

59%

say they would consider using the law when faced with a legal problem.

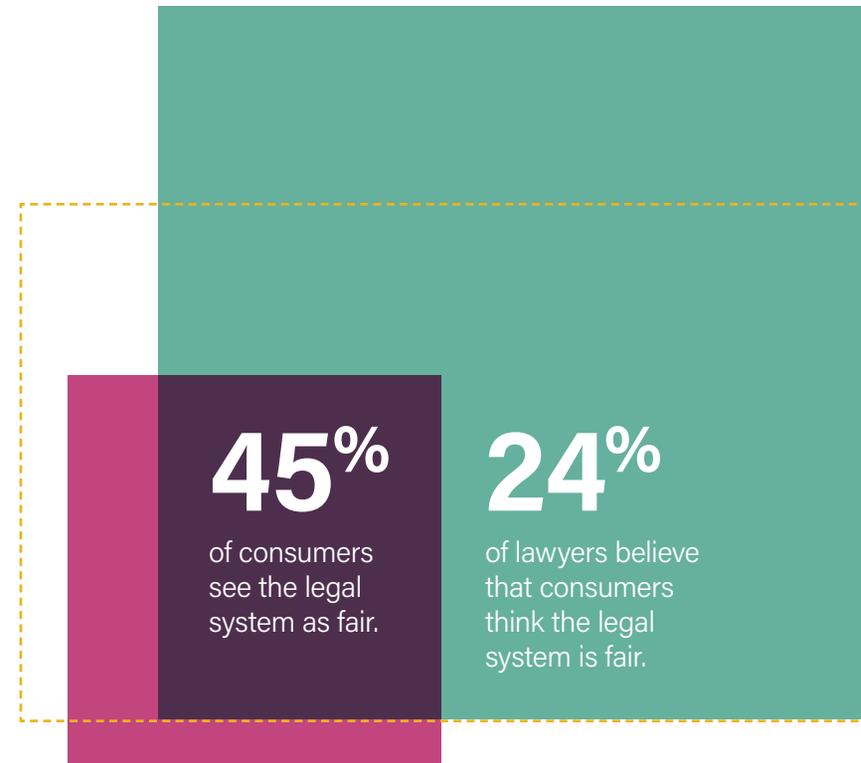
57%

have dealt with a life issue that could have been handled legally but wasn't.

Consumers aren't jaded by the law

Lawyers believe that consumers have a low opinion of the law. Only 24% of lawyers believe that consumers think the legal system is fair, and 94% of lawyers believe most people think the law has played a small role in handling problems in their lives.

In fact, 45% of the general population see the legal system as fair, and those who prefer to avoid legal solutions are actually more likely (55%) to see the law as fair. Only 53% of the population agree that the law has played a small role in handling problems in their lives.



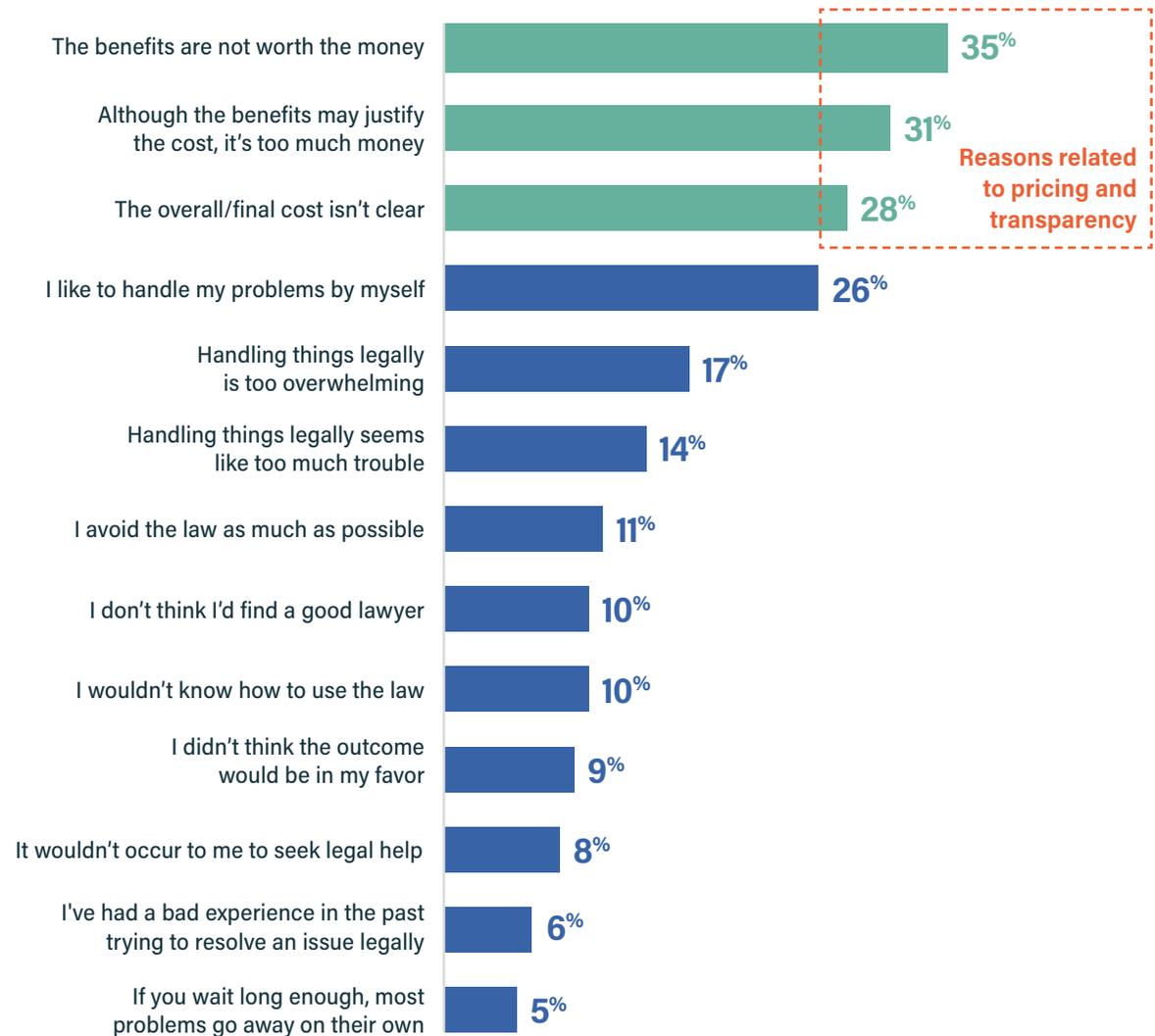
Consumers are concerned about cost and value

When we ask consumers what would influence them to *not* seek legal solutions to help with their problems, we see a few common trends.

- ▶ **Consumers are worried about overall cost, value, and price transparency.** While 31% agree that using the legal system costs too much money (even when the benefits justify the cost), 35% believe the end benefits don't justify the cost. For 28%, not knowing the final cost is a barrier.
- ▶ **Consumers are much less worried about the difficulties in dealing with legal solutions.** Only 17% say that handling things legally is too overwhelming, 14% that it's too much trouble, and 10% that they would not know how to use the law. A mere 10% are concerned about being able to find a good lawyer if needed.
- ▶ **Some prefer to take matters into their own hands.** Twenty-six percent say they prefer to handle their problems on their own.

Reasons to avoid legal solutions

Percentage of consumers who agree with each of the following



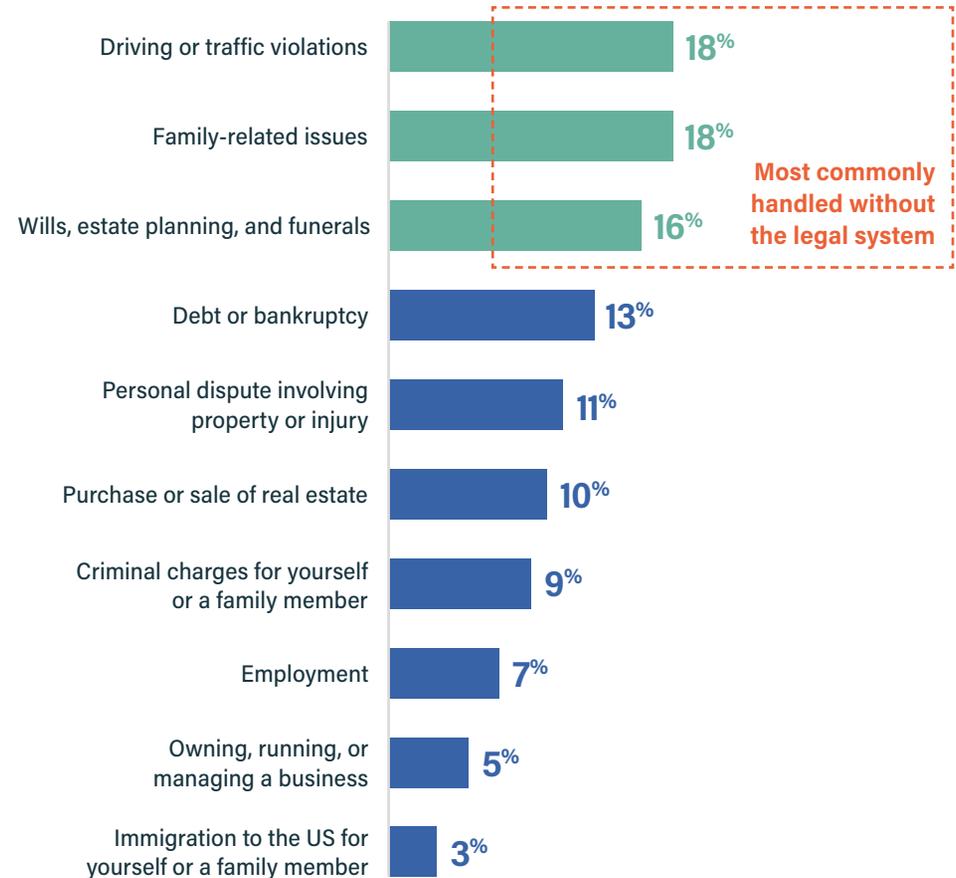
Legal problems commonly handled outside of the legal system

According to our survey, 57% of respondents indicated having a legal problem that they decided to ignore or handle outside of the legal system—i.e., without going to court or filing a legal form, with or without a professional’s help.

Consumers most commonly reported traffic violations (18%), family issues (18%), and estate planning (16%) as having been resolved without the law. Issues related to employment (7%), business (5%), and immigration (3%) were the least likely to have been handled without a legal solution.

How common is it to avoid legal solutions for certain issues?

Percentage of consumers who reported ignoring or resolving their problem without the law



Consumers who don't hire

How much time do lawyers spend speaking with consumers who never hire them?

In surveying consumers, we were surprised by how many people choose not to hire a lawyer when solving a legal problem. Most people in the general population (54%) have never hired a lawyer, and of those who have faced a legal problem in the past 2 years, only 65% hired a lawyer.

What's most significant is that of those who faced a legal problem in the past 2 years, 58% sought a consult with a lawyer they didn't hire, and 68% communicated with a lawyer they did not hire.

65%

of those who faced a legal problem in the past 2 years hired a lawyer.

58%

sought a consult with a lawyer they didn't hire.

68%

communicated with a lawyer they did not hire.

Even those who don't hire lawyers still speak with them

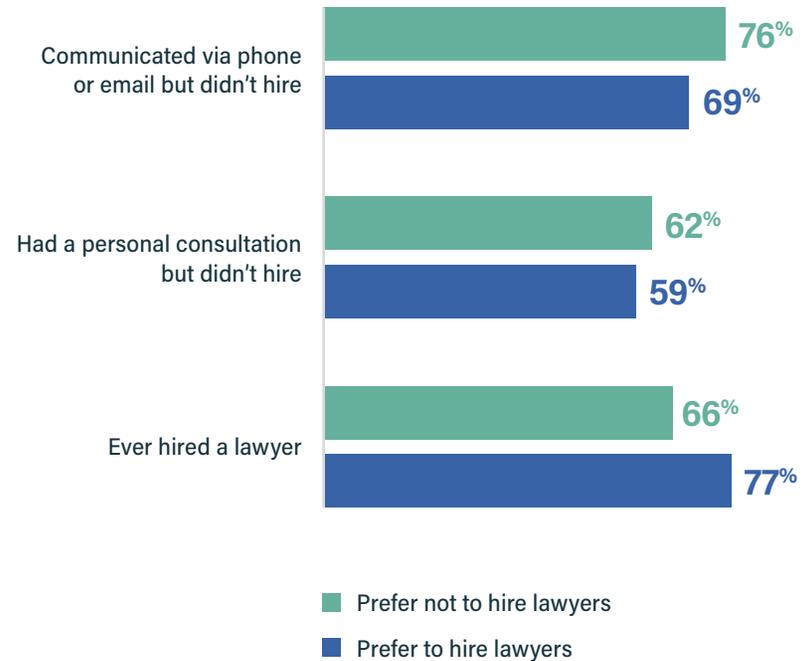
While many consumers (40%) prefer to hire a lawyer to help them with their legal issues, 22% say they prefer not to hire lawyers in general. Not surprisingly, those who prefer not to hire lawyers are less likely (66%) to have actually hired a lawyer compared to those who prefer to hire them (77%).

What is surprising is that those who prefer not to hire lawyers are still very likely to speak with (76%) and have a personal consultation (62%) with a lawyer. Those who prefer to hire a lawyer are also likely to speak with (69%) and have a consultation (59%) with a lawyer they don't hire.

These insights suggest that lawyers spend ample time speaking with consumers who both have strong feelings about wanting to and not wanting to work with them—and that both cohorts are likely to not hire the lawyers they speak with.

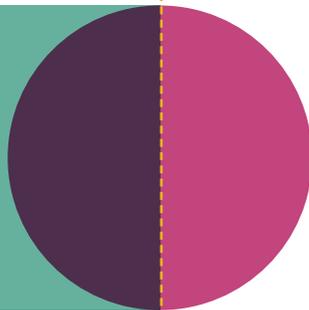
Interactions with lawyers

Percentage of consumers who reported each of the following



66%

prefer to not work with lawyers but hired them anyway.



Why consumers prefer to avoid lawyers

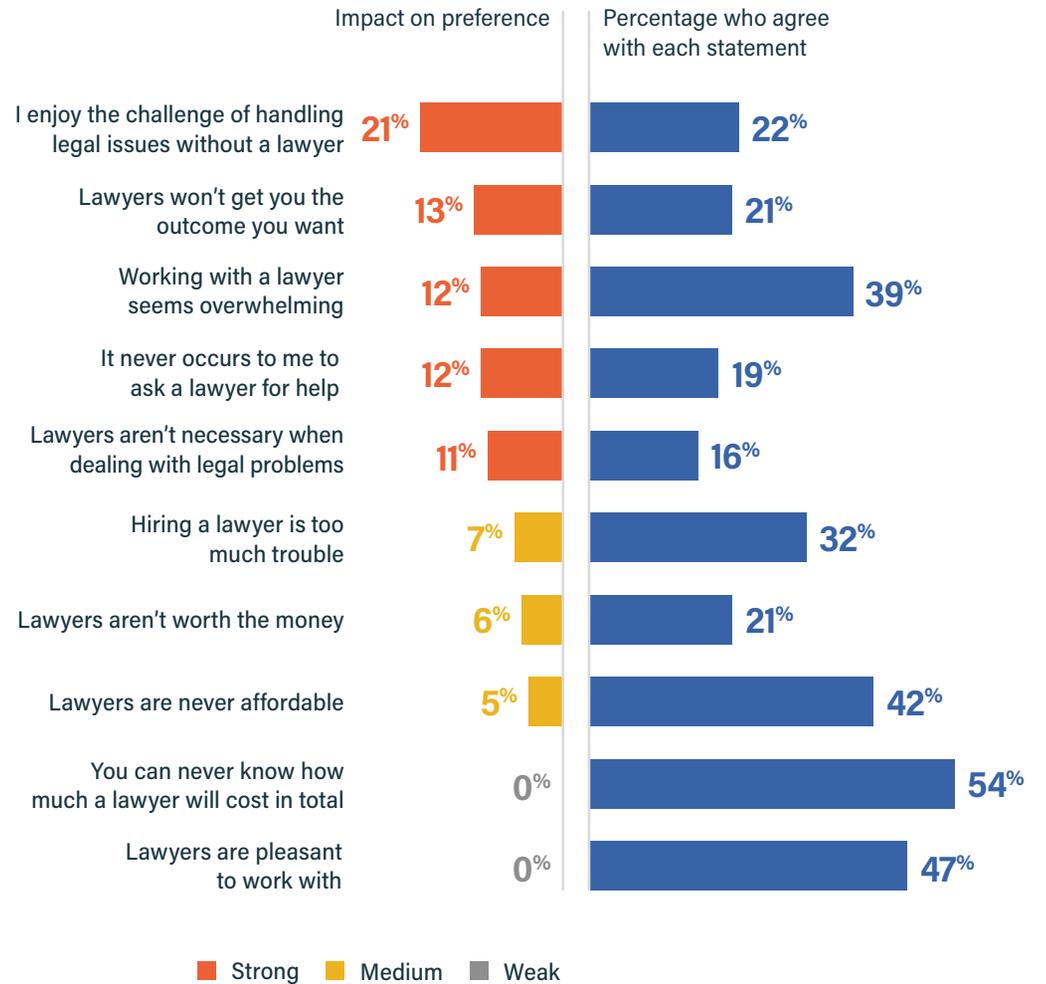
For the 22% of consumers who said they prefer to avoid hiring a lawyer to deal with their legal problems, we can compare how this preference correlates to other opinions on working with a lawyer.

Just because consumers agree with a certain value doesn't mean those opinions actually influence overall preference. What we look for are opinions that correlate specifically with the preference to hire a lawyer. Opinions that influence this preference have a higher impact score than those that don't.

A few key themes are apparent:

- ▶ **Cost has low impact on preference.** While many are worried about getting their money's worth (21%), affordability (42%), and knowing final costs (54%), these have a small impact on preference.
- ▶ **Ease can significantly impact preference.** Many consumers are concerned that hiring a lawyer is overwhelming (39%) or too much trouble (32%), which has a strong impact on overall preference.
- ▶ **Some like to do it on their own.** A small number of consumers think lawyers aren't necessary (16%), they won't get desired outcomes (21%), and using lawyers is less enjoyable than handling problems themselves (22%), which are all strong indicators of preference.

What opinions impact client preference?



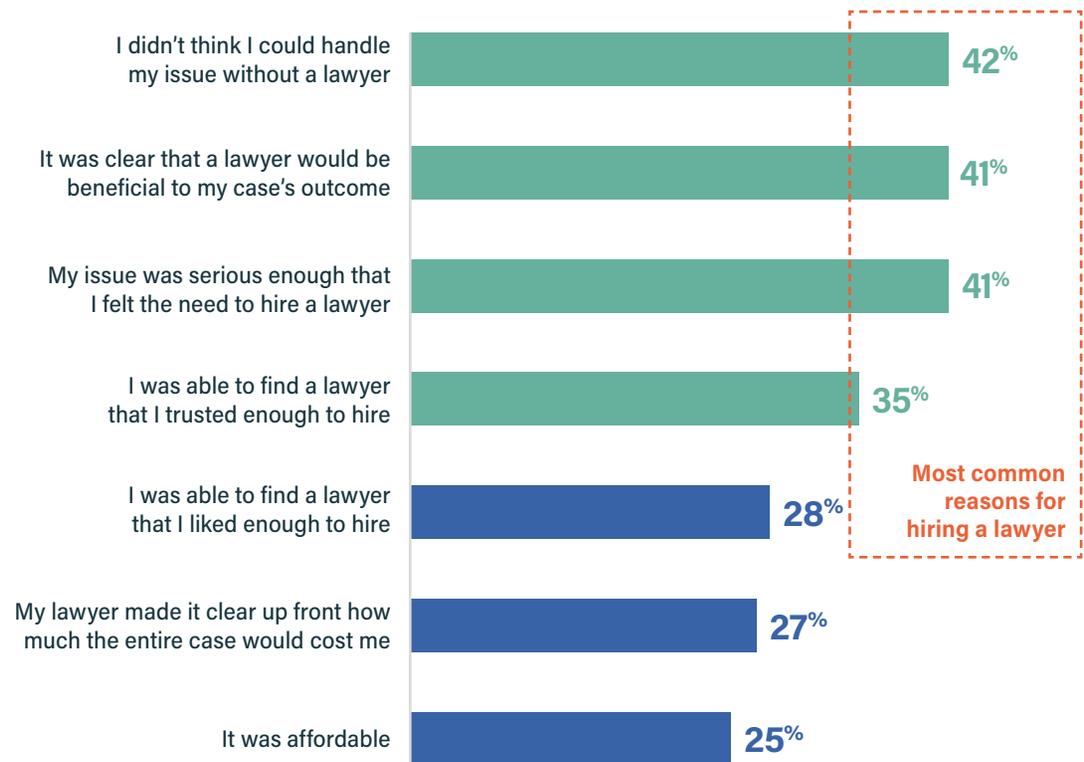
Why do people hire lawyers?

When we look at those who have actually hired a lawyer in the past 2 years, affordability and upfront cost are less significant reasons for hiring than the overall need and benefit.

In total, 42% of respondents who hired a lawyer said they couldn't handle their issue without one, 41% expressed seeing a clear benefit to hiring a lawyer, and 41% felt their issue was serious enough to hire a lawyer. Conversely, clarity of cost upfront (27%) and affordability (25%) were less likely to be reasons for hiring a lawyer.

Reasons for hiring a lawyer

Percentage of consumers who reported each of the following



Part 3

How client satisfaction impacts business

Referrals go a long way in the legal profession. In fact, we know from the *2017 Legal Trends Report* that 62% of consumers ask friends and family for recommendations when they're looking to hire a lawyer.

Hiring a lawyer makes a difference

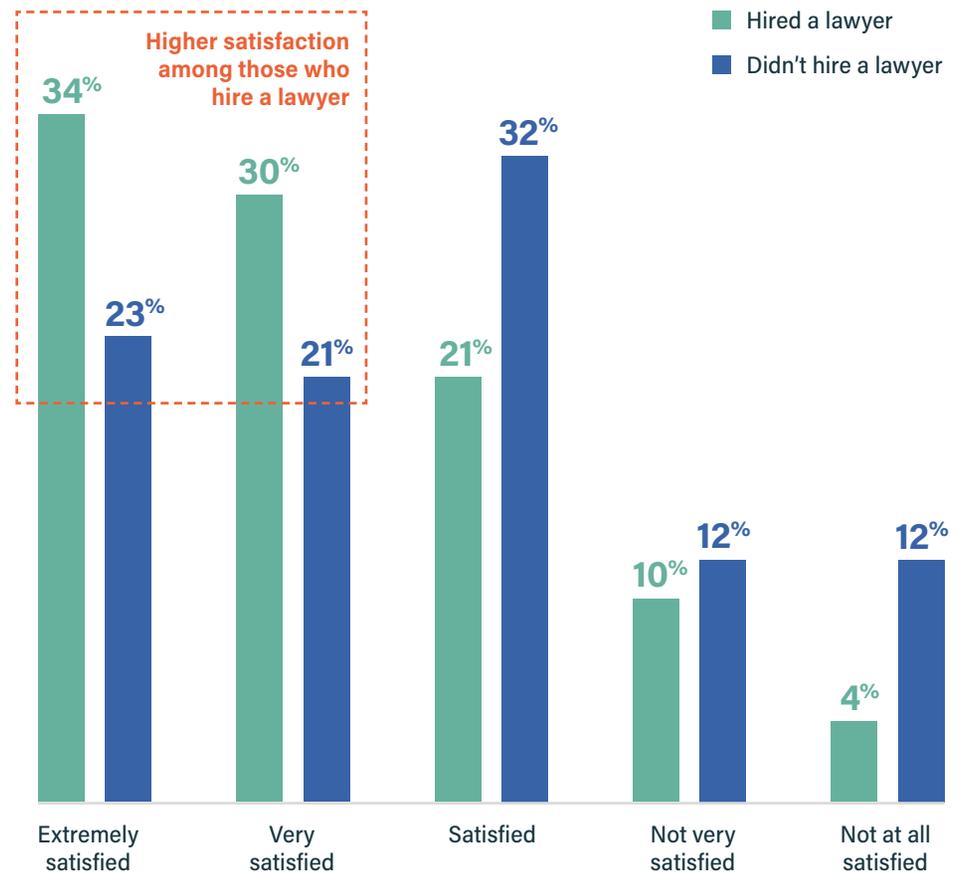
When we say that consumers want to see a clear benefit to working with lawyers, lawyers should feel confident that they can and do provide that clear benefit—since satisfaction is generally better when working with a lawyer.

Those who hired a lawyer to deal with their legal issues were more likely to be satisfied (85%) with the overall outcome than those who didn't (76%). Those who didn't hire a lawyer were more likely to be dissatisfied (24%) than those who did (14%).

But does satisfaction lead to new business?

Satisfaction with matter outcomes

Percentage of consumers who reported each of the following



The importance of a Net Promoter Score

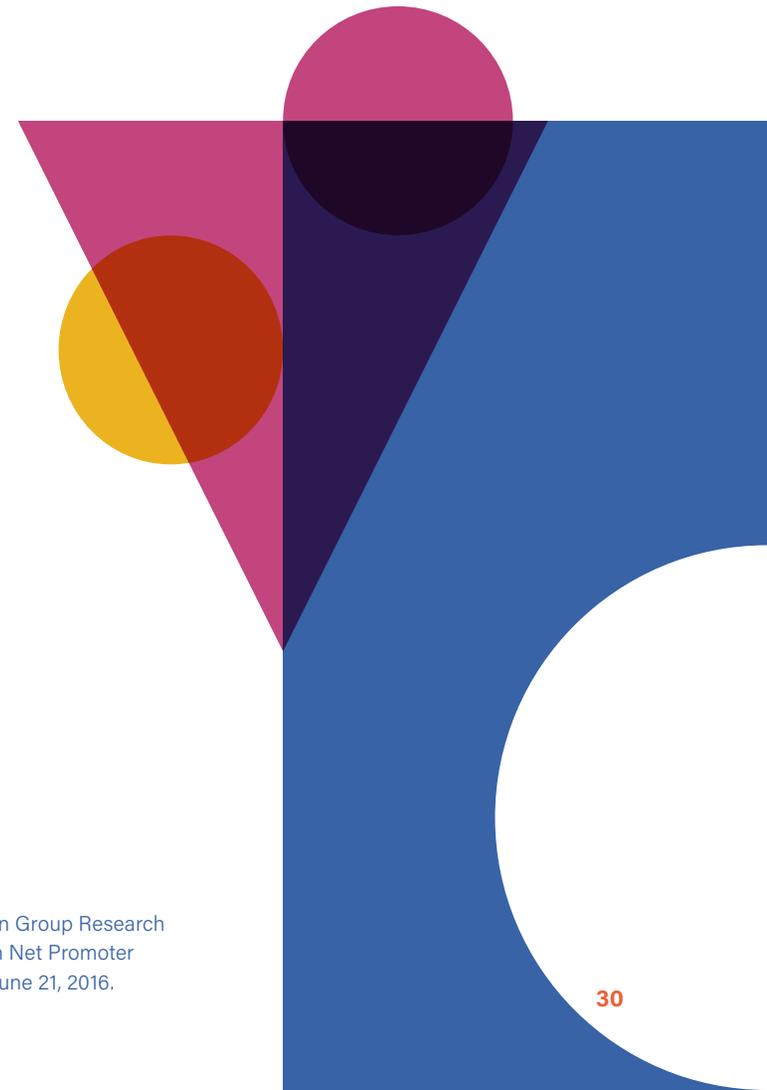
Given that referrals are so important to law firms, lawyers should consider the likelihood to recommend as a crucial business metric, which is something that can be measured by determining a Net Promoter Score (NPS).

An NPS is based on how likely clients are to recommend a lawyer's services—which is a score that can be benchmarked and tracked over time. Considered a stronger indicator than general satisfaction, NPS helps assess customer loyalty and the overall perception of a company brand.

According to the Temkin Research Group:

*When compared with detractors (customers who are unlikely to recommend the company)... promoters (customers who are highly likely to recommend the company) are more than **five times as likely to repurchase from companies [and] more than seven times as likely to forgive** companies if they make a mistake... Our research also shows that **promoters recommend a company to an average of 3.5 people.**²*

²Temkin Group, "New Temkin Group Research Shows Connection Between Net Promoter Score Metric And Loyalty," June 21, 2016.

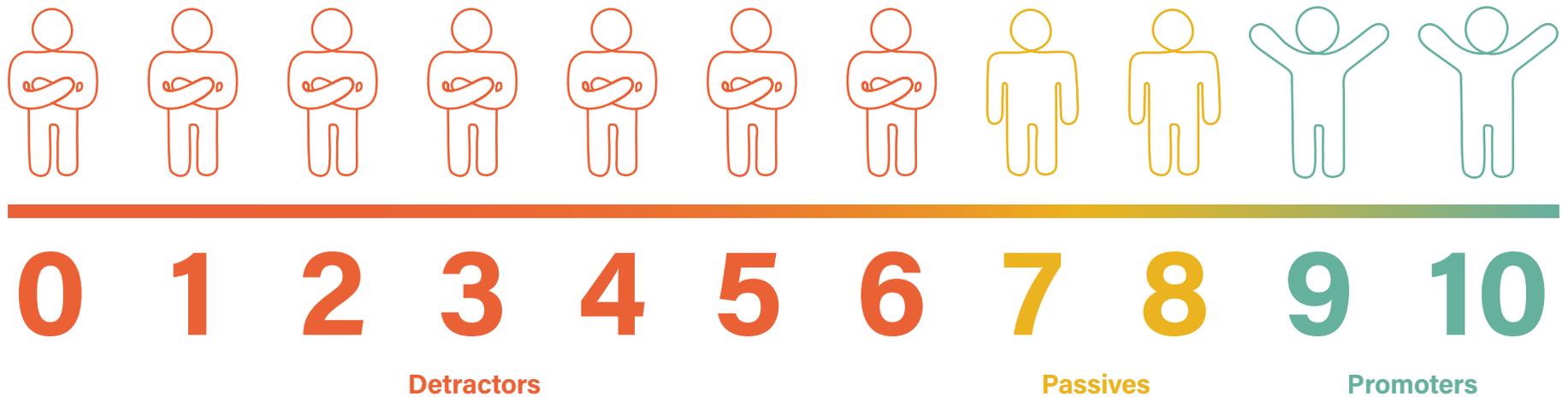


How does NPS work?

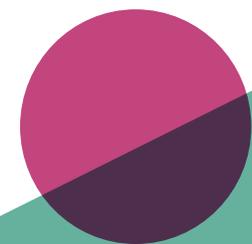
Calculating your NPS involves surveying clients and asking them on a scale of 1 to 10 how likely they are to recommend your services to a friend or colleague. Each response is then grouped as follows:

- ▶ **9 to 10 = Promoters.** These are clients who are enthusiastic about your firm and are likely to recommend your services to others.
- ▶ **7 to 8 = Passives.** These are indifferent clients who are just as likely to hire or recommend your firm as they are other firms.
- ▶ **1 to 6 = Detractors.** These are unhappy clients who may not hire you again—and who may also influence others to not hire you.

To determine your NPS, subtract the percentage of detractors from the percentage of promoters.



NPS = Promoters (%) - Detractors (%)



The legal industry scores low

We asked consumers who hired a lawyer in the past 2 years on a scale of 1 to 10 how likely they were to recommend their lawyer’s services to a friend or colleague. We used these responses to calculate an NPS for the US legal profession as a whole.

When we subtract the percentage of detractors (23%) from promoters (48%), we get a disappointing NPS of 25.

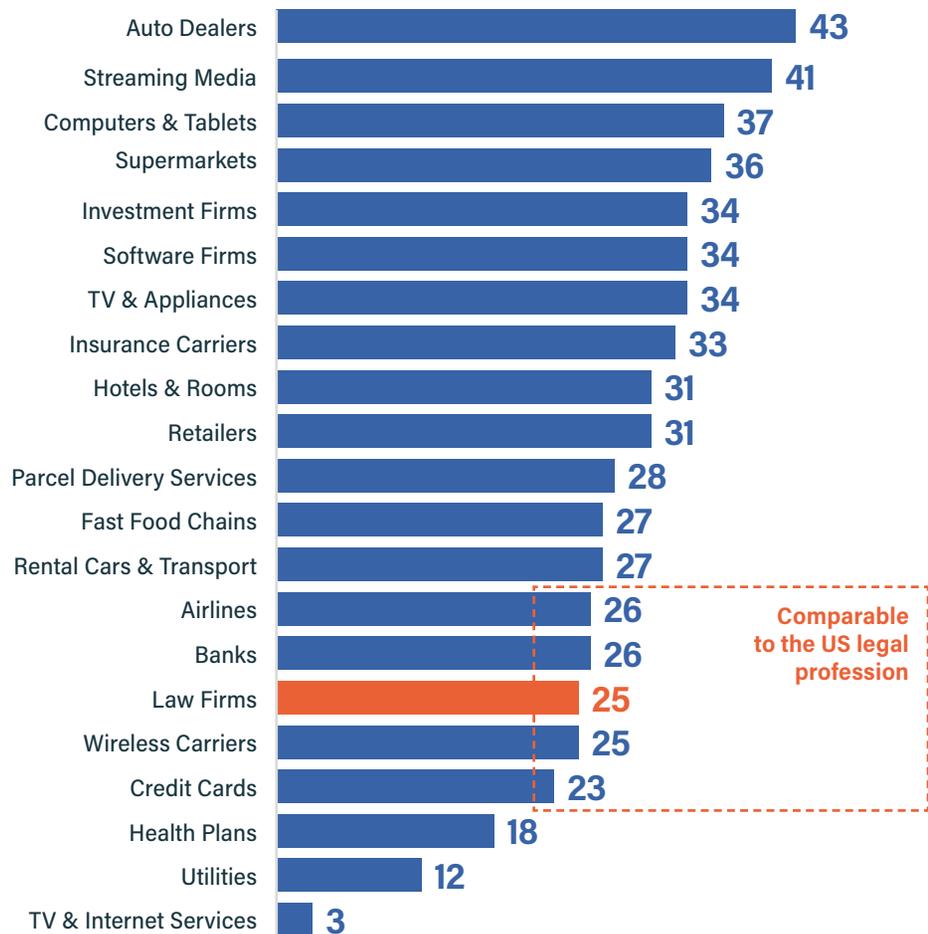
What’s alarming about this score is that the number of detractors—unhappy clients who could potentially sway others away from hiring the lawyer they worked with—may pose a threat to law firms. Unhappy clients also represent a squandered opportunity for repeat business and referrals.

When we look at how this NPS compares to other industries, we see that it aligns with those of airlines, banks, wireless carriers, and credit card companies—which in many cases hardly align with type of client-centered service that lawyers should strive for.

NPS for the US legal profession



NPS = 48 - 23 = 25



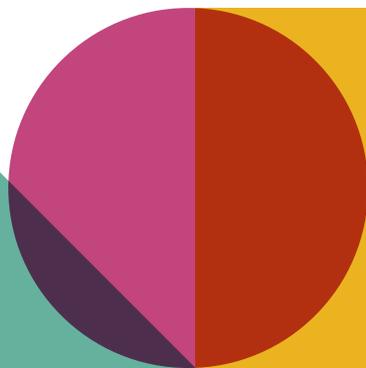
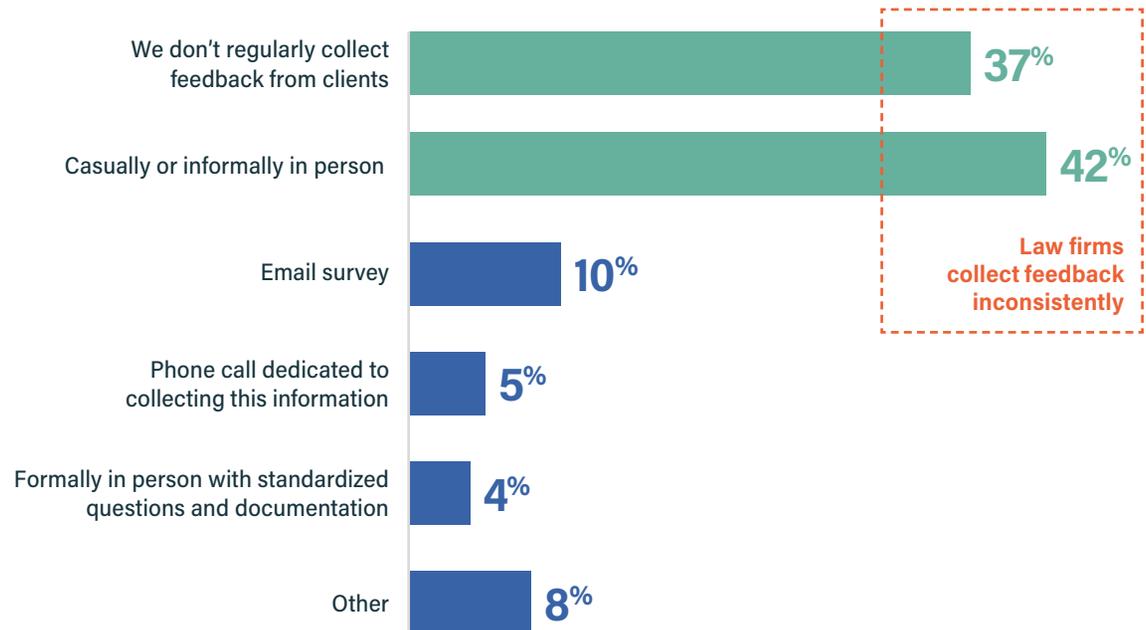
A shortage of feedback

When we ask legal professionals how they collect feedback from their clients, only 10% say they collect feedback through an online survey and only 4% formally in person.

A stark 37% said they don't collect feedback at all, and of the firms that do, collecting feedback casually or informally in person was the most common (42% of firms).

While casual feedback may seem better than not collecting feedback at all, it's actually where self-desirability biases come into play the most—where people aim to please more than they offer honest criticism. Casual feedback is also near impossible to measure and track over time.

How do lawyers collect feedback from clients?



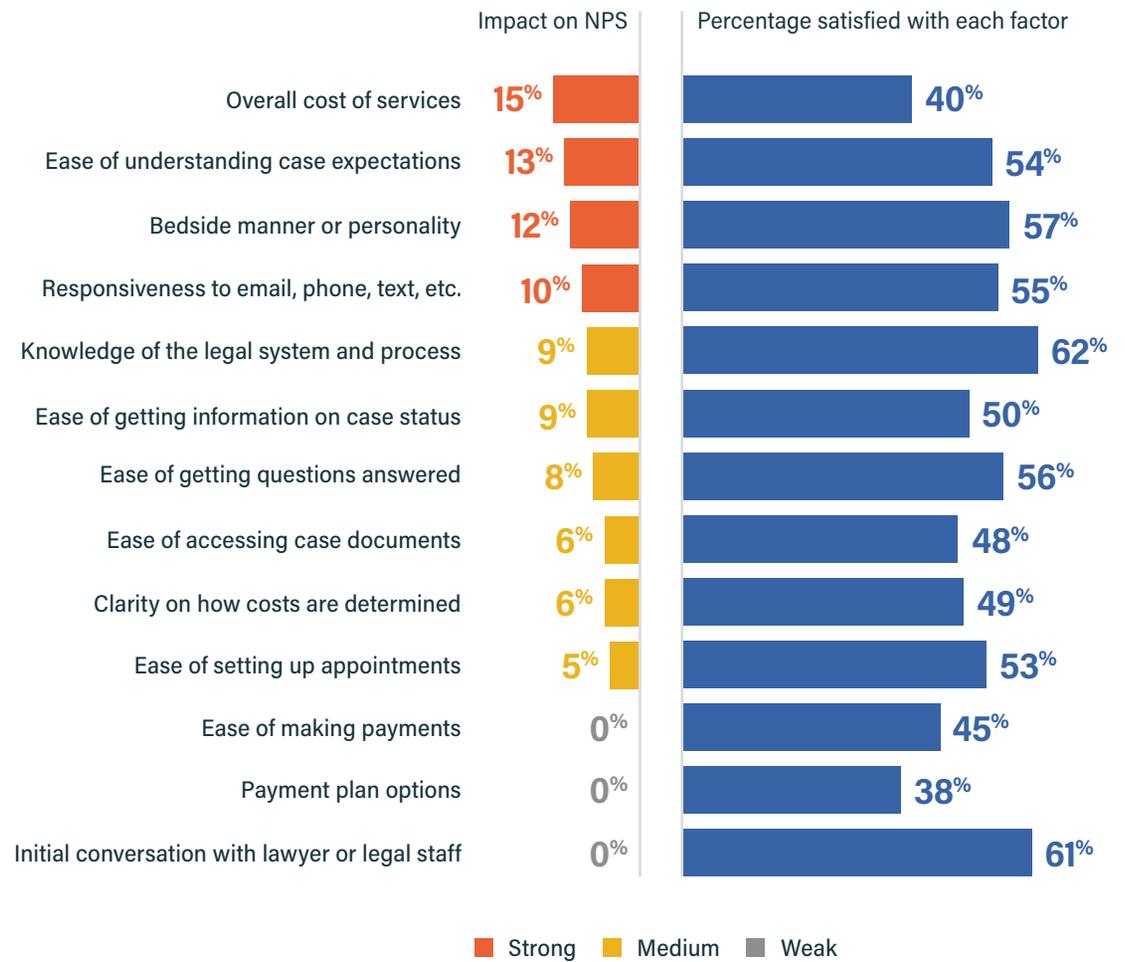
What impacts the likelihood to recommend?

We can look at what influences overall NPS scores by correlating other areas of satisfaction. Areas of satisfaction that influence NPS have a higher impact score than those that don't.

Key insights from this analysis include:

- ▶ **Cost significantly impacts the likelihood to recommend.** The overall cost of services has the most significant impact on the likelihood to recommend a lawyer. This means that as satisfaction with overall cost increases, the likelihood to recommend also increases.
- ▶ **Almost every factor related to ease and responsiveness impacts NPS.** Since nearly every area related to ease and responsiveness shows satisfaction either just over or under 50%, put together, they offer several ways for lawyers to think about improving NPS.

What impacts NPS?



How do you improve NPS?

Measuring NPS gives lawyers the ability to assess client satisfaction, but it also offers a critical leverage point to focus on improving.

Based on how NPS is calculated, there are two ways to improve a firm's score: (1) improve the experience of detractors, moving them to passives or promoters, and (2) improve the experience of passives, moving them to promoters.

If we look at the previous analysis of what drives NPS for law firms, the overall cost of services may be a factor to consider. However, being more transparent about cost and helping clients understand the value of their service may also be a way to set better expectations and improve overall satisfaction.

Factors related to the overall ease and responsiveness in working with a law firm are also crucial areas to focus on in delivering positive client experiences.

Part 4

Delivering excellent client experiences

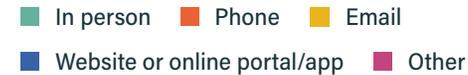
There's a significant disparity between how lawyers believe clients want to work with law firms and how clients actually prefer to work with law firms. These client expectations should be the baseline for how lawyers structure the delivery of legal services at their firms.



Perception versus reality

We asked lawyers about how they *thought* their clients wanted to communicate with their law firm regarding different aspects of their case. We then compared these observations to what consumers *actually* expect. Each chart shows the difference in perception.

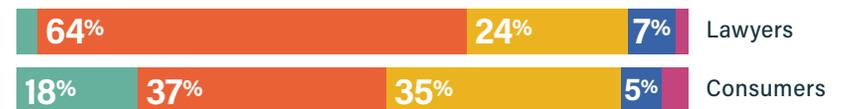
Communication by type:



Making appointments



Getting status updates on a case



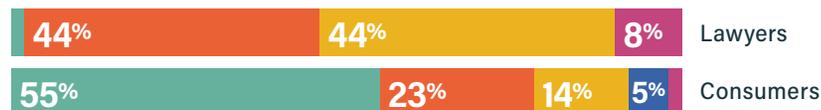
Telling a lawyer all the facts or details of a situation



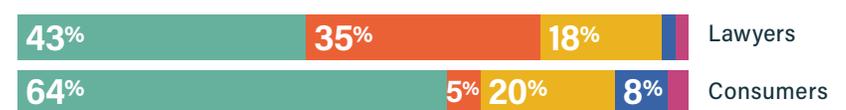
Checking hours a lawyer is spending on a case



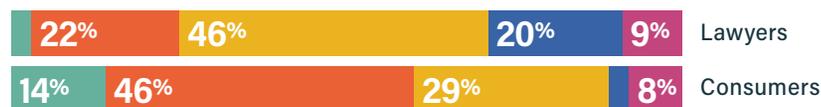
Learning about the legal aspects of a case



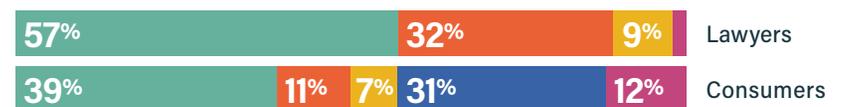
Signing, viewing, sharing, or delivering documents



Getting quick questions answered



Making payments



When do clients want to meet face-to-face?

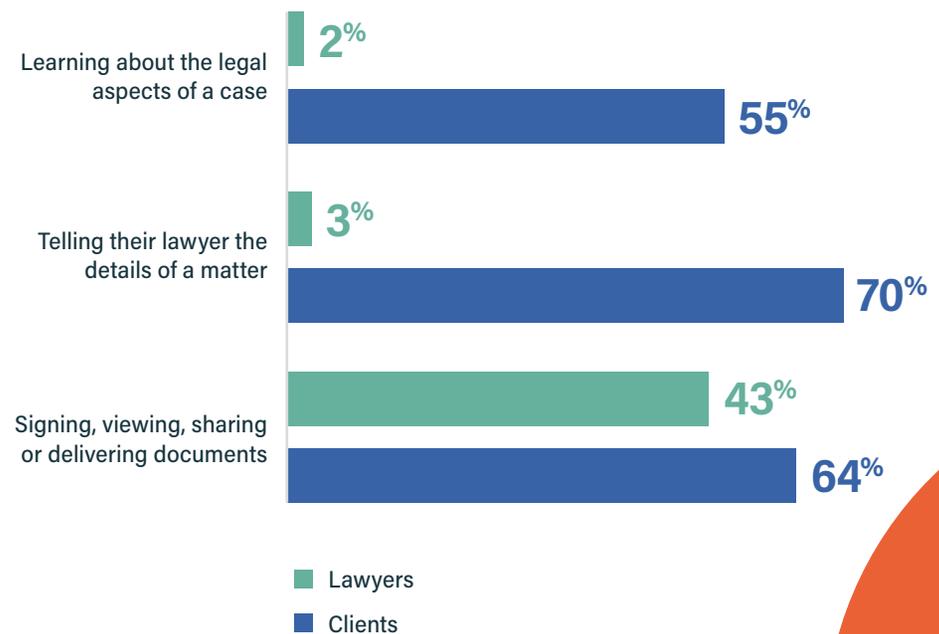
We can see that lawyers often miss the mark on understanding how their clients want to communicate.

Clients want to speak with lawyers in person when learning about the legal aspects of a case (55%), telling their lawyer the details of a matter (70%), and signing, viewing, sharing, or delivering documents (64%).

While 43% of lawyers recognize that clients want to handle documents in person, only 3% expect clients to tell them the facts of their matter in person and 2% expect to discuss the legal aspects of the case in person.

Expectations for in-person communications

Percentage who agree on client preference for each of the following

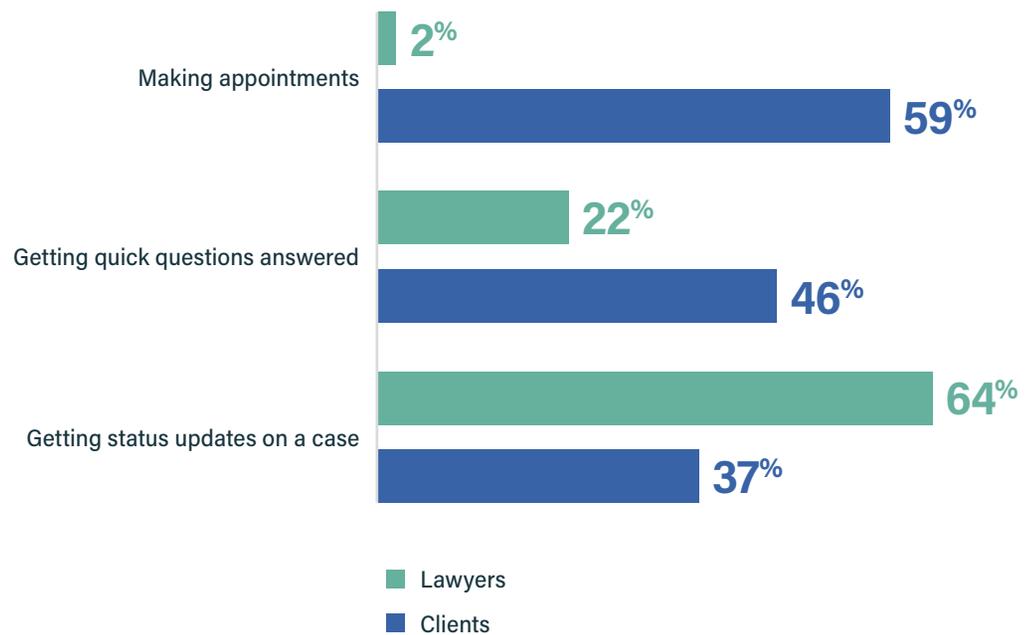


When do clients want to pick up the phone?

Clients have high expectations for communicating by phone when making appointments (59%), getting quick questions answered (46%), and getting status updates on a case (37%). These are also areas where email is a strong preference (15%, 29%, and 35% respectively).

Expectations for phone conversations

Percentage who agree on client preference for each of the following



Balancing service with cost

When it comes to reviewing work, explaining personal details, or providing information related to their case, it's clear that clients expect service either in person or over the phone. These methods are also the most time-intensive for both parties, and for clients who may be cost-sensitive to begin with, these formats can be expensive when working with a lawyer who bills by the hour.

In addition to wanting personal attention, many clients want lawyers to be available outside of their office (68%) and outside of business hours (59%). This can be demanding on a lawyer's time, and may also incur additional costs for the client.

To meet growing expectations from clients, lawyers need to find creative solutions to meet demand. In many cases, technology—through the benefits of remote access and task automation—can help lawyers be more available without sacrificing attention that could be focused elsewhere.



Quick wins for improving client service

Online payments and client portals are two areas in which clients show significant preference, and both of these services can help improve administrative efficiencies for law firms.

Online payments and automated payment plans

According to our comparison, 57% of lawyers expect that their clients prefer to pay them in person, yet only 39% of them actually do. In fact 38% of consumers would prefer to make payments electronically through email or an online portal or website, which is a strong indicator that clients want electronic payment options when working with a law firm.

Additionally, for clients who have dealt with a legal issue in the past 2 years:

- ▶ 50% are more likely to hire a lawyer who takes electronic payments.
- ▶ 47% are more likely to hire a lawyer who accepts automated payments or fund transfers.
- ▶ 40% would never hire a lawyer who didn't take credit or debit cards.

Client portal updates

We see that 52% of consumers prefer to check the number of hours spent on a case electronically via email or an online portal or website. This is where a client portal can help—and may open the doors to communicating quick status updates or sharing documents when clients become accustomed to the format.

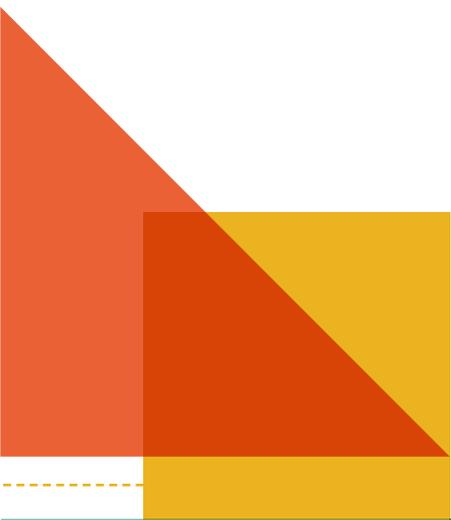


40%

would never hire a lawyer who didn't take credit or debit cards.

Opportunities to educate clients

Clients may be the ones to set expectations for law firms, but lawyers are ultimately responsible for delivering on those expectations by finding solutions that are in the best interest of both the client and the firm. This may include educating clients on the benefits of new technologies—especially if they ensure better value and reduce wasted time for everyone.



59%

prefer to schedule appointments over the phone.

- ▶ **Scheduling appointments: Current preference is over the phone (59%).** Self-service scheduling makes for faster bookings that work for both the firm and the client, avoiding time spent on back-and-forth communications.
- ▶ **Signing/viewing documents: Current preference is in person (64%).** Clients may have questions about a document, and it's often easier to discuss these in person. However, when signing or viewing documents, electronic solutions avoid travel time and the time it takes to organize and set up a meeting.
- ▶ **Video calls: Currently low preference for all law firm interactions.** Few clients want to interact with law firms through a video call, but as the technology becomes more common, this may become an efficient means of getting face-to-face time with a lawyer while avoiding travel time for both parties.

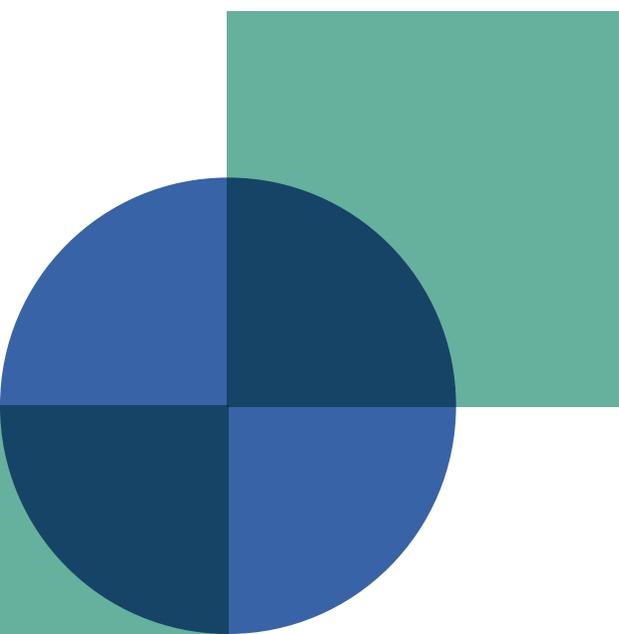
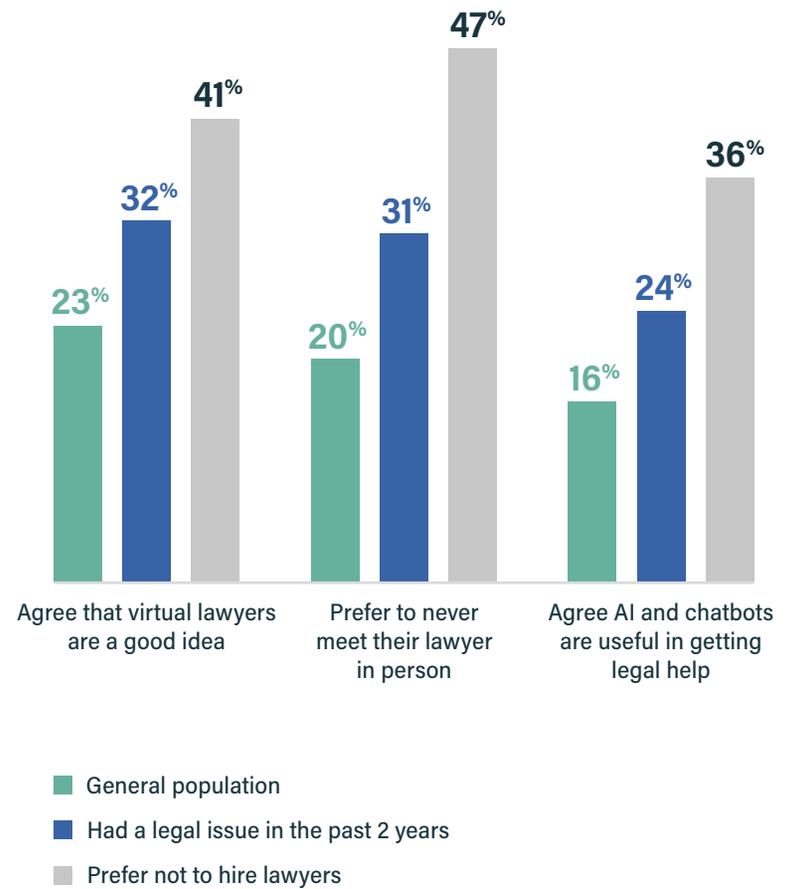
Emerging technologies

Client perceptions of technology are changing. Those who have experienced a legal issue in the past 2 years—who are more familiar with modern practices and newer technologies—show more openness to working with virtual lawyers, working with lawyers remotely, and using tools such as artificial intelligence and chatbots to handle their legal issues.

Those who prefer *not* to hire lawyers are even more open to these alternative formats, suggesting that there are those who may be looking for a different type of legal experience entirely.

Openness to new formats for legal service

Percentage who reported each of the following



Working with millennials

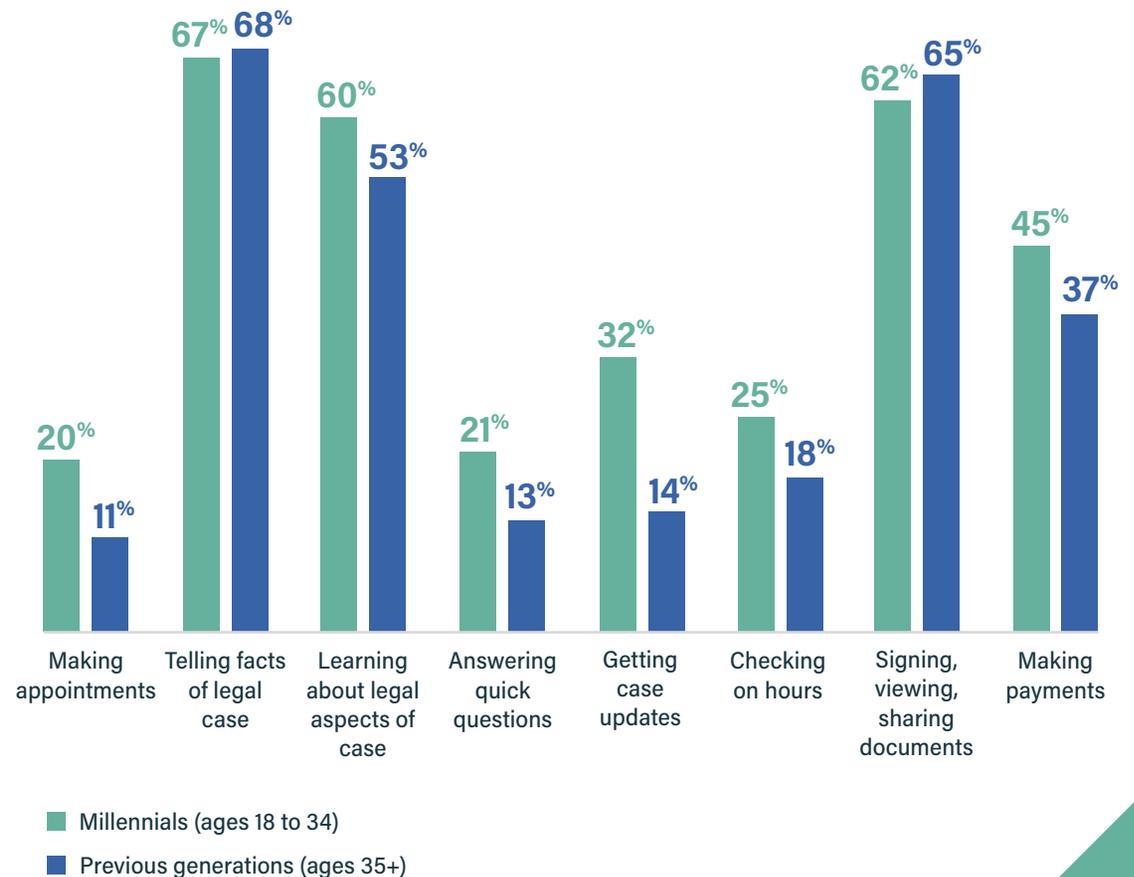
What's most important to delivering excellent client service is knowing what your clients are looking for. And different clients may have different needs.

Millennials are known as the digital generation because the assumption is that they prefer doing everything online. However, when it comes to working with lawyers, millennials are just as—if not more—likely to want to deal with their lawyer in person.

While it may seem counterintuitive that the digital generation wants to work face-to-face, consider that most millennials have never worked with a lawyer before and may need additional support and reassurance.

- ▶ Only 39% of those aged 18 to 34 have ever sought help for a legal issue (compared to the 71% average for all other age groups).
- ▶ Only 24% of those aged 18 to 34 have ever hired a lawyer (compared to the 57% average for all other age groups).

Percentage who prefer in-person interactions



Communications that work for lawyers, too

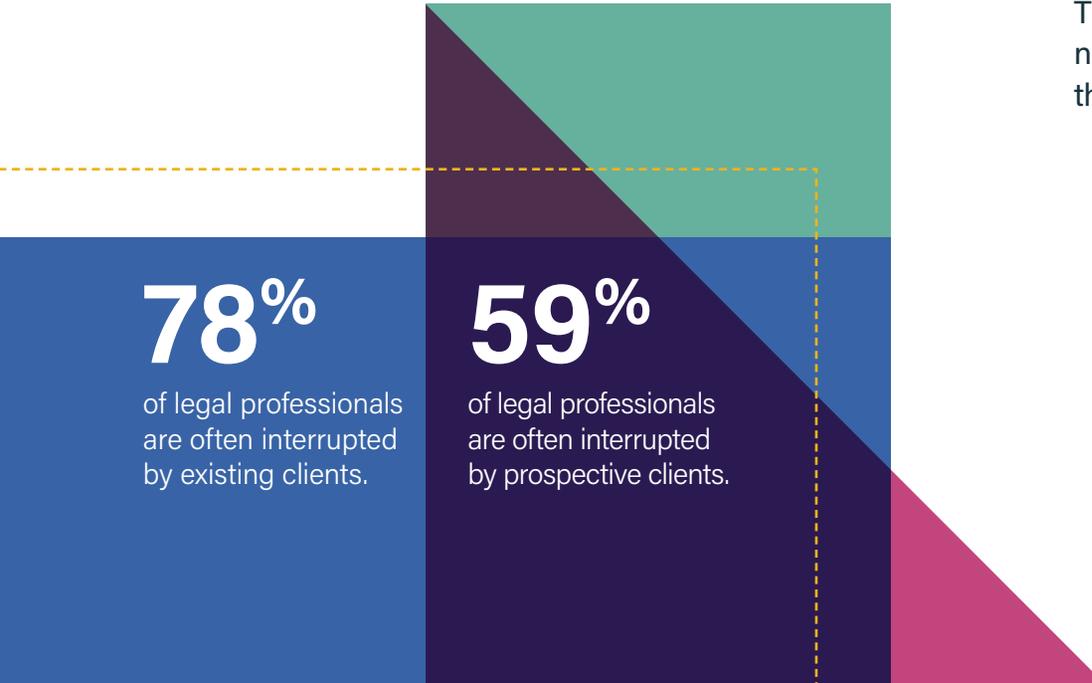
Client service isn't just about attending to clients. It's also about managing efficiency within a law firm.

We know from the *2017 Legal Trends Report* that 25% of legal professionals are interrupted more than 10 times per day, and 30% are interrupted between 6 and 10 times per day. With every interruption, it takes an average of 23 minutes to refocus attention. This year, we determined that 78% of legal professionals report being interrupted "often" by existing clients—and 59% by prospective clients.

Even with these interruptions, lawyers may not be communicating with clients often *enough*. This is apparent when we compare how frequently clients want to be updated on their legal matter (42% every week, 24% less frequently than every week) to how often lawyers expect their clients to want to be updated (only 24% every week, 41% less frequently than every week).

The problem with interruptions is that they are unscheduled events that take lawyers away from the work they planned to do. But attending to clients shouldn't be considered a problem as much as part of delivering an excellent client experience (bottom line: clients should feel their needs are attended to).

The fact that lawyers are interrupted so much suggests they need a more structured environment for communications or that they need to find ways to update their clients more frequently.



78%

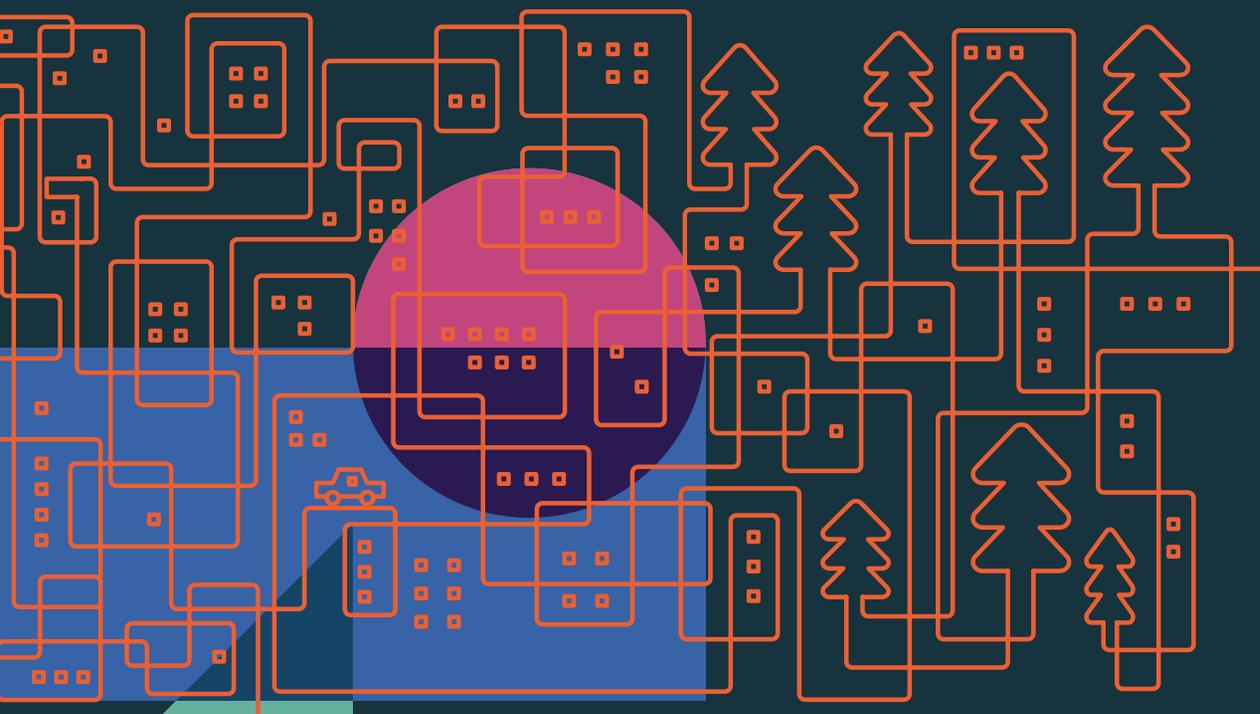
of legal professionals are often interrupted by existing clients.

59%

of legal professionals are often interrupted by prospective clients.

Part 5

Benchmark data for the legal industry



Regardless of how efficient they are, lawyers should know how much their time is worth. Based on aggregated and anonymized data from nearly 70,000 legal professionals, we can determine average hourly rates for the US as a whole, as well as by state, metropolitan area, and practice area.

Billable Hour Index

We created the Billable Hour Index to monitor the average cost of an hour of legal service in the United States, while also comparing hourly billing rates for both lawyers and non-lawyers.

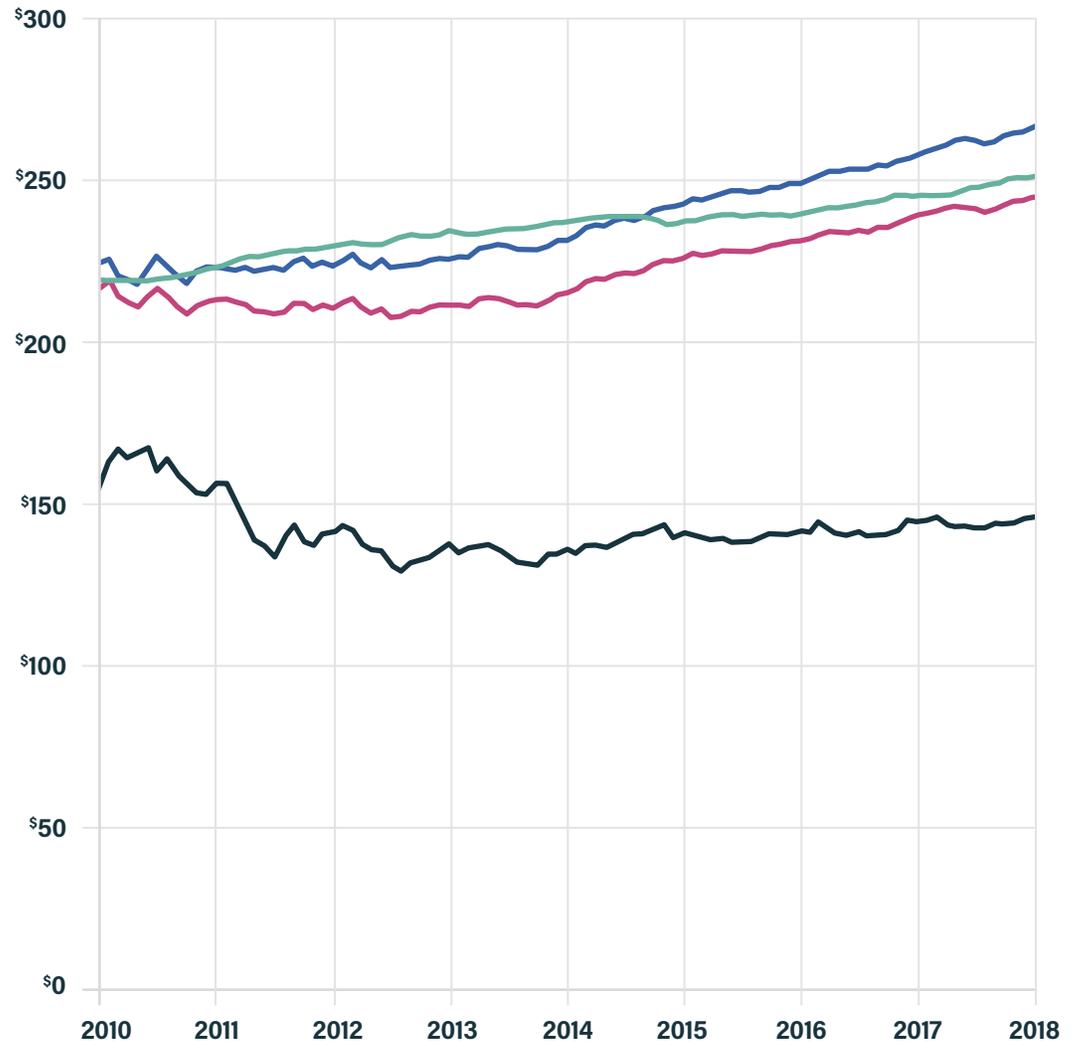
To better understand how these rates correspond to actual purchasing power and the ability to earn a living wage, we can compare them to them to the Consumer Price Index (CPI).

While we've seen lawyer rates exceed or keep pace with the CPI over the past few years, non-lawyer rates have remained relatively stagnant, which is a trend that has continued through 2017.

Billable Hour Index rate:
February 2018

Law firms:	\$245	Lawyers:	\$267
CPI:	\$250	Non-lawyers:	\$143

- Law firm rate
- US CPI
- Lawyer rate
- Non-lawyer rate



What influences hourly rates?

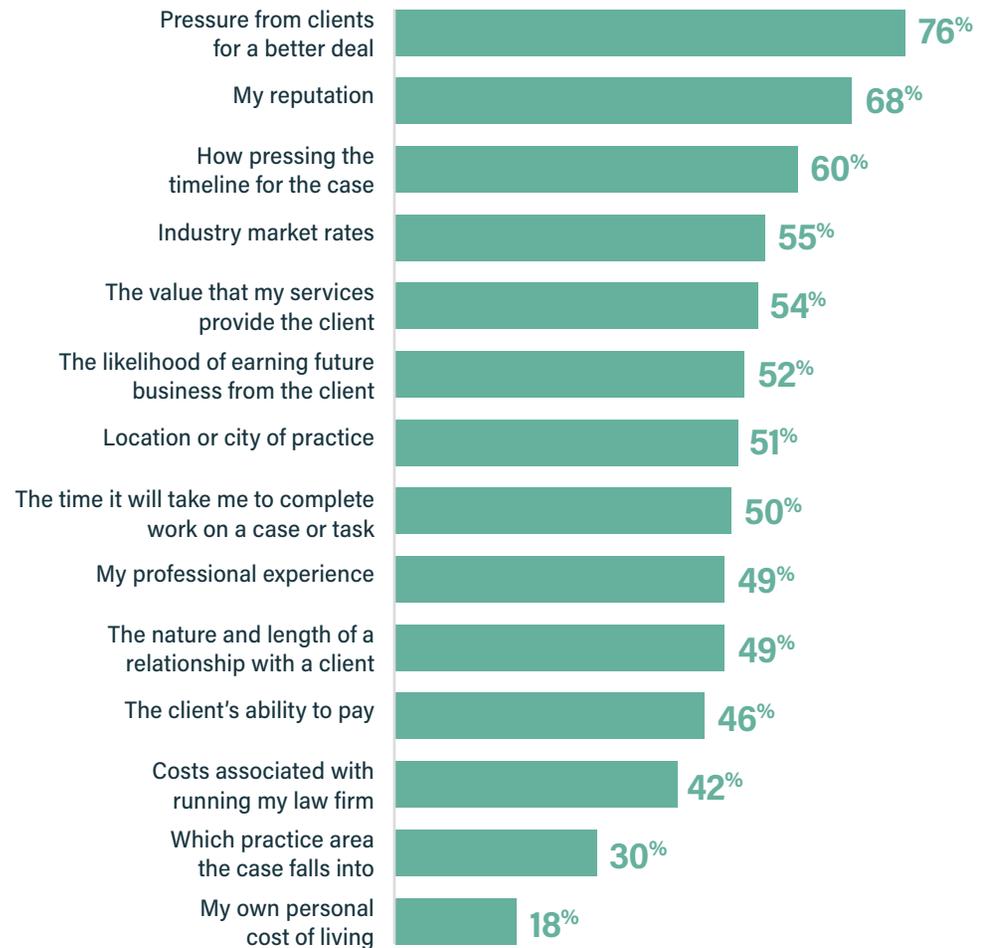
In this year’s survey, we asked lawyers about what factors into how much they bill their clients.

It’s clear that pressure from clients is the most common factor when it comes to setting and adjusting hourly rates. Meanwhile, firm costs (42%) and personal expenses (18%) are much less likely to be factors for lawyers.

Just over half of lawyers also look at market factors (55%) and location (51%) to determine their rates, yet few look at practice area (30%). Since hourly rates differ significantly across practice areas, this may be an area that lawyers should consider looking at more closely when determining rates at their firm.

Common factors influencing hourly rates

Percentage who indicated each of the following are significant



Frequency of discounting

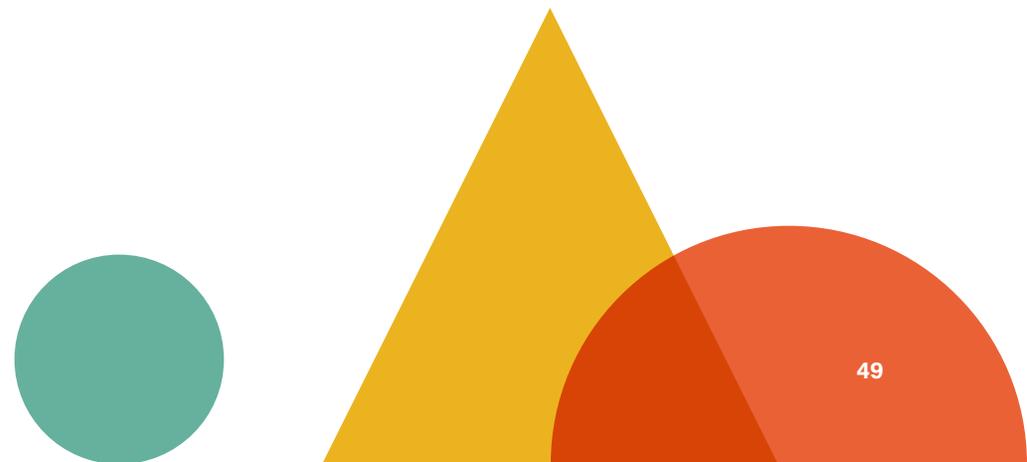
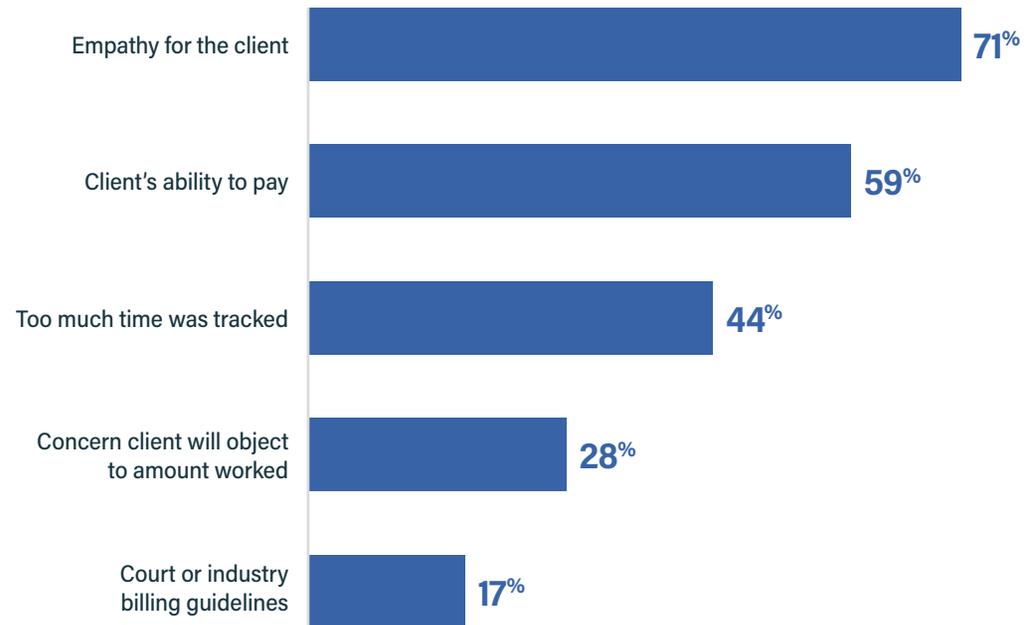
Discounting is a common practice among many law firms. Thirty-six percent of firms report always or often discounting rates for clients, while 38% do so sometimes.

Empathy for the client is the most significant reason (71%) to offer discounts, with capacity or willingness to pay also high (59%). Forty-four percent were also concerned too much time was tracked, which suggests that firms aren't confident in how they track their billable work.

Discounting may also explain some of the low realization rates (billable work that doesn't make it to an invoice) for certain practice areas (see Appendix, page 61, for a detailed breakdown).

Reasons for discounting

Of firms that discount, percentage that do for the following reasons



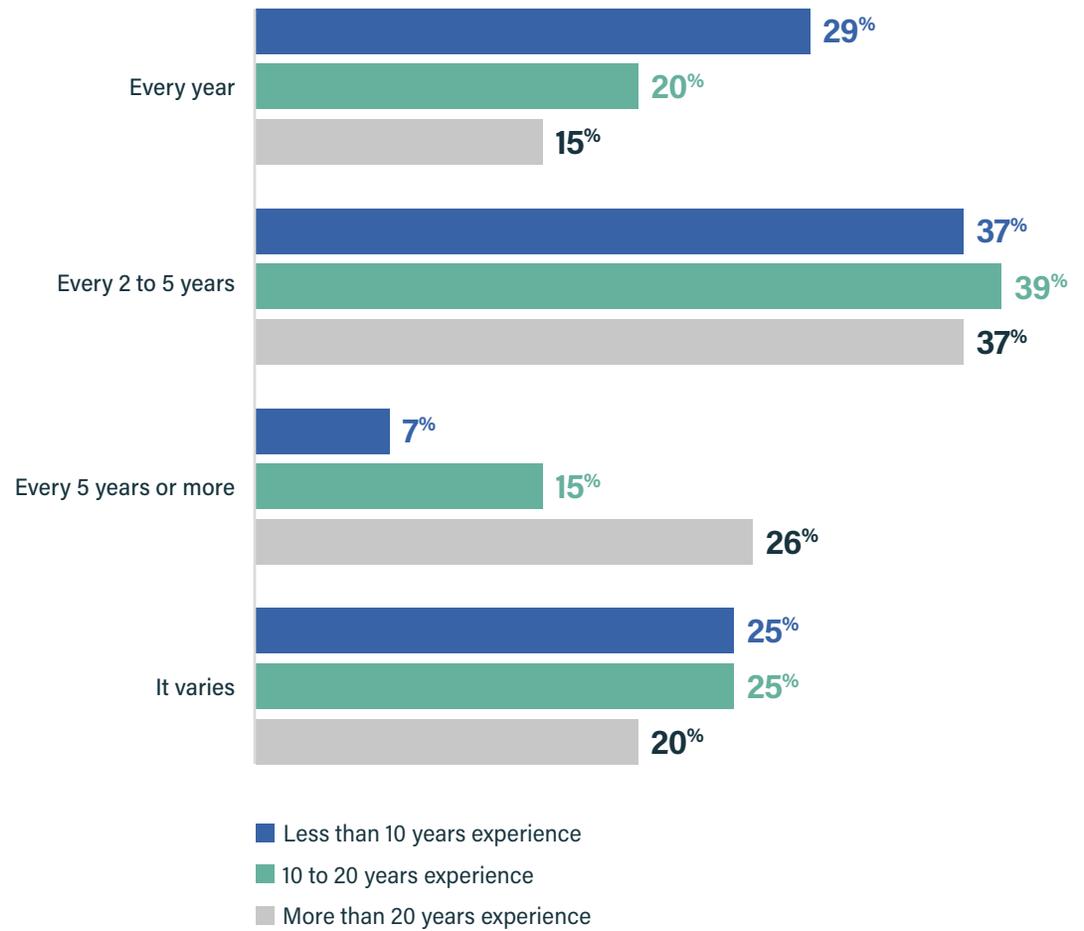
How often do lawyers raise their rates?

The most common time frame for lawyers to raise their rates is between 2 and 5 years, but nearly one-third of less experienced lawyers raise rates every year.

One in four lawyers with more than 20 years experience are also willing to wait 5 years or more to raise their rates, which is too long for lawyers with less experience.

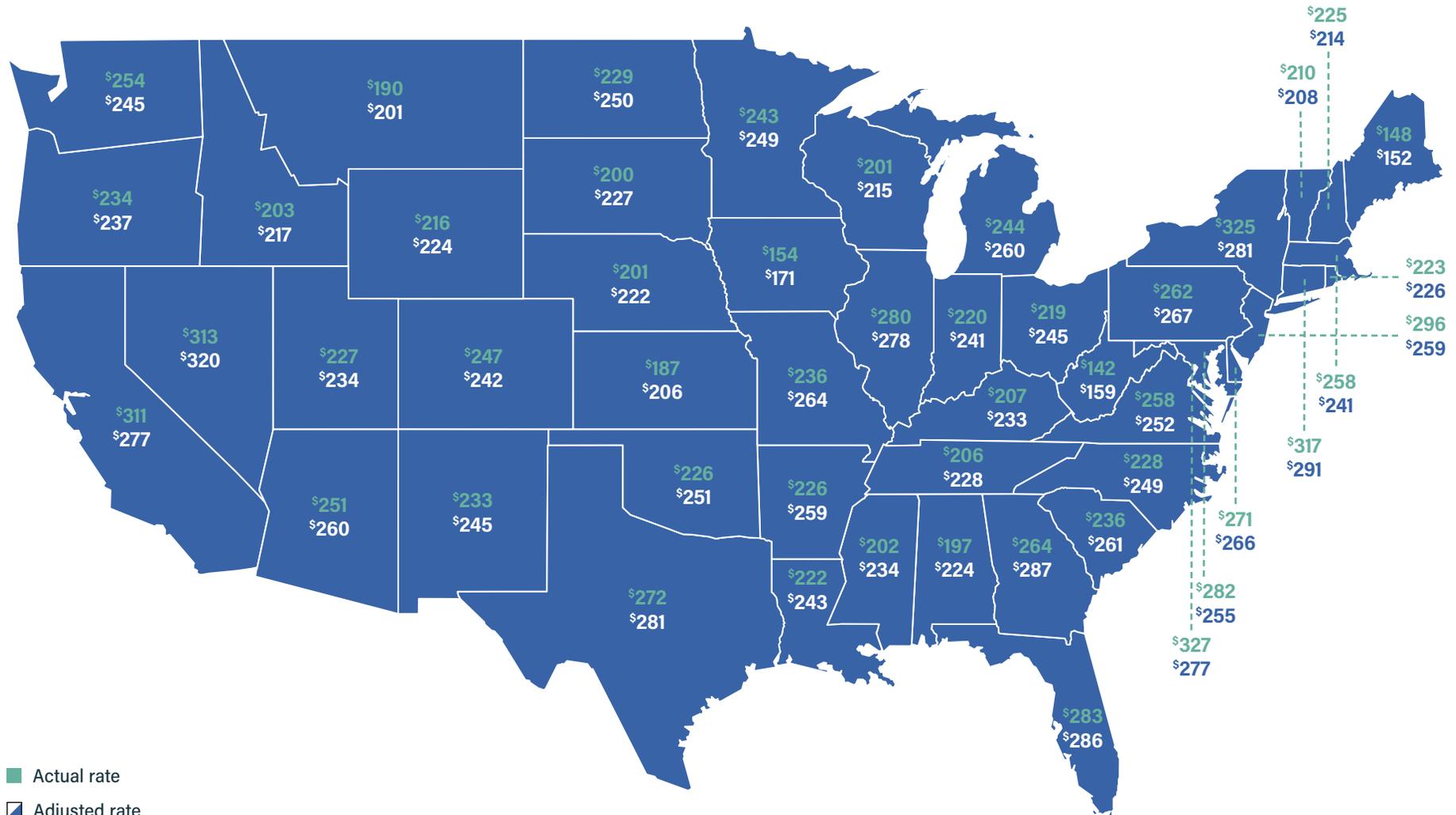
Frequency of rate increases based on experience

Percentage of lawyers who indicated each time frame



Actual and adjusted lawyer rates by state

Comparing hourly rates by state shows us how regionality affects what lawyers charge. We can also adjust hourly rates based on the average cost of living within each state. While “actual” hourly rates show earning potential, “adjusted” rates demonstrate actual purchasing power, which can be a better measure of overall satisfaction and livability.



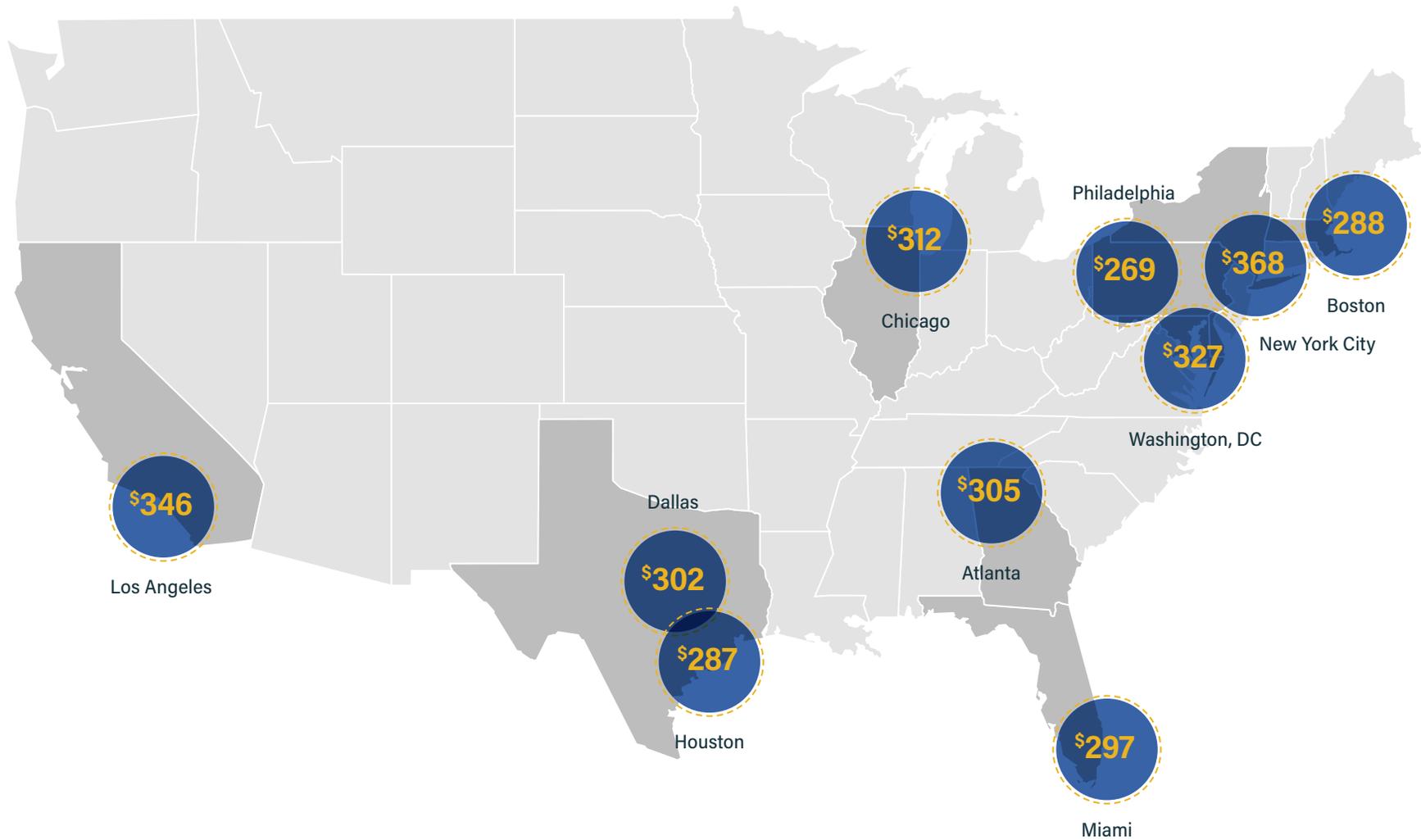
■ Actual rate
 ■ Adjusted rate

Actual and adjusted law firm rates over three years

Hourly rates for law firms across the five largest states show rates increasing year to year. Differences between actual and adjusted rates tend to follow the same trend.



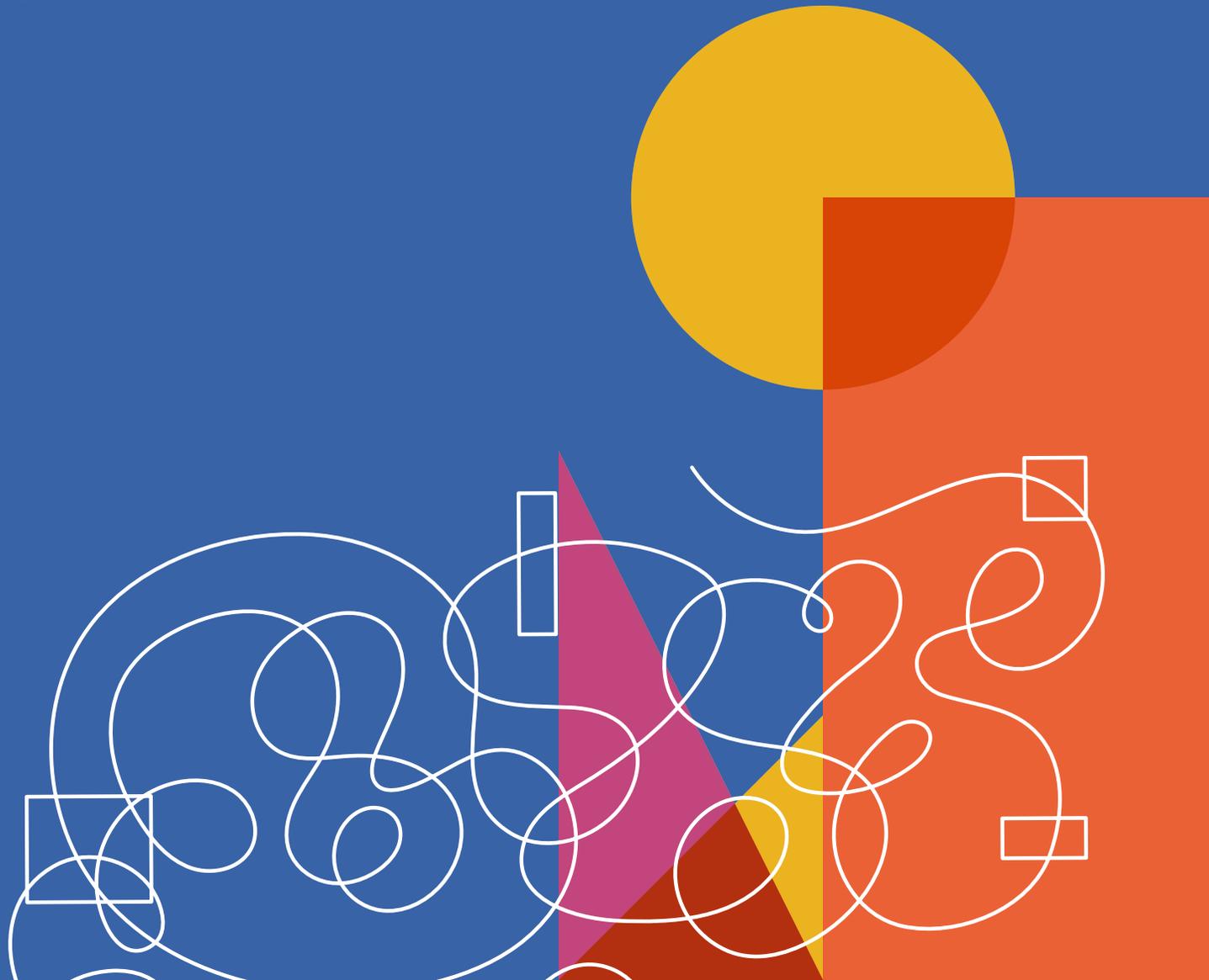
Hourly rates for large metropolitan areas



Highest and lowest hourly rates by common practice areas

	Law firms	Lawyers	Non-lawyers			
Highest	Intellectual Property	\$317	Bankruptcy	\$335	Immigration	\$221
	Bankruptcy	\$305	Intellectual Property	\$327	Intellectual Property	\$207
	Corporate	\$295	Trusts	\$314	Tax	\$173
	Mediation/Arbitration	\$289	Mediation/Arbitration	\$313	Real Estate	\$170
	Employment/Labor	\$285	Civil Rights/Constitutional Law	\$310	Small Claims	\$161
Lowest	Medical Malpractice	\$174	Insurance	\$199	Insurance	\$105
	Government	\$163	Government	\$166	Government	\$94
	Criminal	\$155	Worker's Compensation	\$156	Mediation/Arbitration	\$91
	Worker's Compensation	\$148	Criminal	\$155	Worker's Compensation	\$85
	Juvenile	\$86	Juvenile	\$87	Juvenile	\$73

Appendix



Hourly and adjusted hourly rates by state (1)

State	Actual lawyer rate	Adjusted lawyer rate	Actual non-lawyer rate	Adjusted non-lawyer rate	Actual law firm rate	Adjusted law firm rate
AL	\$197	\$224	\$111	\$126	\$185	\$211
AR	\$226	\$259	\$131	\$150	\$213	\$243
AZ	\$251	\$260	\$131	\$136	\$225	\$233
CA	\$311	\$277	\$161	\$143	\$284	\$253
CO	\$247	\$242	\$136	\$134	\$225	\$221
CT	\$317	\$291	\$227	\$209	\$306	\$281
DC	\$327	\$277	\$159	\$134	\$306	\$259
DE	\$271	\$266	\$161	\$158	\$242	\$238
FL	\$283	\$286	\$151	\$153	\$257	\$259
GA	\$264	\$287	\$147	\$160	\$245	\$266
IA	\$154	\$171	\$113	\$125	\$150	\$167
ID	\$203	\$217	\$119	\$127	\$192	\$206
IL	\$280	\$278	\$161	\$159	\$262	\$261
IN	\$220	\$241	\$122	\$133	\$206	\$225
KS	\$187	\$206	\$111	\$122	\$177	\$195
KY	\$207	\$233	\$112	\$126	\$197	\$222
LA	\$222	\$243	\$101	\$111	\$207	\$227
MA	\$258	\$241	\$158	\$148	\$249	\$232
MD	\$282	\$255	\$163	\$147	\$257	\$233
ME	\$148	\$152	\$92	\$95	\$137	\$141
MI	\$244	\$260	\$131	\$139	\$229	\$243
MN	\$243	\$249	\$138	\$141	\$227	\$233
MO	\$236	\$264	\$128	\$143	\$215	\$241
MS	\$202	\$234	\$102	\$117	\$182	\$210
MT	\$190	\$201	\$110	\$116	\$180	\$191

Continued next page...

Hourly and adjusted hourly rates by state (2)

State	Actual lawyer rate	Adjusted lawyer rate	Actual non-lawyer rate	Adjusted non-lawyer rate	Actual law firm rate	Adjusted law firm rate
NC	\$228	\$249	\$115	\$125	\$206	\$225
ND	\$229	\$250	\$142	\$155	\$207	\$227
NE	\$201	\$222	\$185	\$204	\$195	\$215
NH	\$225	\$214	\$132	\$125	\$216	\$206
NJ	\$296	\$259	\$204	\$178	\$281	\$245
NM	\$233	\$245	\$121	\$127	\$214	\$225
NV	\$313	\$320	\$178	\$182	\$282	\$289
NY	\$325	\$281	\$182	\$157	\$308	\$266
OH	\$219	\$245	\$121	\$135	\$206	\$231
OK	\$226	\$251	\$104	\$115	\$207	\$230
OR	\$234	\$237	\$124	\$125	\$215	\$217
PA	\$262	\$267	\$180	\$183	\$251	\$255
RI	\$223	\$226	\$106	\$108	\$201	\$203
SC	\$236	\$261	\$115	\$127	\$208	\$230
SD	\$200	\$227	\$71	\$81	\$196	\$222
TN	\$206	\$228	\$115	\$128	\$195	\$216
TX	\$272	\$281	\$134	\$139	\$241	\$250
UT	\$227	\$234	\$113	\$117	\$208	\$215
VA	\$258	\$252	\$162	\$158	\$241	\$235
VT	\$210	\$208	\$88	\$87	\$203	\$200
WA	\$254	\$245	\$132	\$127	\$230	\$221
WI	\$201	\$215	\$143	\$153	\$192	\$206
WV	\$142	\$159	\$101	\$113	\$137	\$154
WY	\$216	\$224	\$138	\$144	\$208	\$216

KPIs by state

State	Lawyer utilization rate	Non-lawyer utilization rate	Realization rate	Collection rate
AL	31%	20%	76%	85%
AR	24%	16%	82%	87%
AZ	29%	22%	81%	81%
CA	32%	25%	81%	86%
CO	32%	23%	89%	88%
CT	25%	14%	85%	83%
DC	30%	24%	71%	82%
DE	37%	28%	72%	90%
FL	31%	22%	72%	85%
GA	26%	17%	80%	87%
IA	37%	17%	82%	84%
ID	31%	15%	87%	85%
IL	32%	22%	82%	81%
IN	30%	16%	69%	84%
KS	30%	16%	76%	90%
KY	27%	12%	87%	86%
LA	24%	17%	75%	88%
MA	29%	20%	83%	88%
MD	28%	24%	77%	87%
ME	39%	22%	84%	88%
MI	29%	17%	82%	85%
MN	30%	16%	85%	88%
MO	28%	19%	80%	83%
MS	27%	17%	75%	80%
MT	33%	15%	88%	87%

State	Lawyer utilization rate	Non-lawyer utilization rate	Realization rate	Collection rate
NC	28%	19%	77%	84%
ND	32%	23%	86%	90%
NE	36%	33%	71%	85%
NH	24%	12%	78%	85%
NJ	32%	24%	80%	81%
NM	34%	16%	73%	90%
NV	32%	23%	76%	83%
NY	28%	21%	77%	77%
OH	33%	22%	83%	85%
OK	30%	16%	84%	82%
OR	30%	18%	85%	88%
PA	29%	22%	80%	86%
RI	22%	29%	73%	88%
SC	29%	20%	89%	88%
SD	33%	13%	87%	91%
TN	27%	15%	76%	86%
TX	29%	24%	82%	85%
UT	37%	24%	91%	84%
VA	29%	22%	87%	84%
VT	31%	18%	86%	89%
WA	32%	24%	88%	88%
WI	36%	24%	82%	88%
WV	36%	16%	58%	79%
WY	28%	13%	91%	88%

Hourly rate by practice area

Common practice area	Lawyer	Non-lawyer	Law firm
Appellate	\$272	\$120	\$262
Bankruptcy	\$335	\$160	\$305
Business	\$284	\$146	\$271
Civil Litigation	\$269	\$141	\$252
Civil Rights/ Constitutional Law	\$310	\$138	\$284
Collections	\$227	\$123	\$203
Commercial/Sale of Goods	\$292	\$146	\$283
Construction	\$259	\$118	\$237
Contracts	\$266	\$121	\$255
Corporate	\$307	\$156	\$295
Criminal	\$155	\$148	\$155
Elder Law	\$243	\$132	\$222
Employment/Labor	\$299	\$154	\$285
Family	\$251	\$135	\$226
Government	\$166	\$94	\$163
Immigration	\$298	\$221	\$281
Insurance	\$199	\$105	\$187
Intellectual Property	\$327	\$207	\$317
Juvenile	\$87	\$73	\$86
Mediation/Arbitration	\$313	\$91	\$289
Medical Malpractice	\$205	\$107	\$174
Personal Injury	\$220	\$110	\$189
Pro Bono	\$281	\$136	\$252
Real Estate	\$273	\$170	\$260
Small Claims	\$201	\$161	\$196
Tax	\$301	\$173	\$275
Traffic Offenses	\$256	\$158	\$241
Trusts	\$314	\$160	\$277
Wills & Estates	\$280	\$146	\$250
Worker's Compensation	\$156	\$85	\$148

KPIs by practice area

Common practice area	Realization rate	Collection rate
Appellate	85%	84%
Bankruptcy	74%	71%
Business	89%	89%
Civil Litigation	82%	83%
Civil Rights/ Constitutional Law	14%	80%
Collections	89%	87%
Commercial/Sale of Goods	84%	88%
Construction	97%	87%
Contracts	82%	87%
Corporate	89%	87%
Criminal	72%	83%
Elder Law	77%	74%
Employment/Labor	70%	90%
Family	91%	81%
Government	96%	98%

Common practice area	Realization rate	Collection rate
Immigration	58%	76%
Insurance	70%	78%
Intellectual Property	86%	92%
Juvenile	80%	86%
Mediation/Arbitration	87%	88%
Medical Malpractice	65%	89%
Personal Injury	45%	91%
Pro Bono	20%	9%
Real Estate	87%	88%
Small Claims	87%	77%
Tax	86%	88%
Traffic Offenses	76%	78%
Trusts	87%	91%
Wills & Estates	80%	89%
Worker's Compensation	87%	95%

Effective rate by practice area

Practice area	Lawyer rate	Realized rate	Effective rate
Appellate	\$272	\$230	\$193
Bankruptcy	\$335	\$247	\$176
Business	\$284	\$254	\$226
Civil Litigation	\$269	\$221	\$183
Collections	\$227	\$202	\$174
Commercial/Sale of Goods	\$292	\$246	\$217
Construction	\$259	\$251	\$219
Contracts	\$266	\$218	\$190
Corporate	\$307	\$274	\$238
Criminal	\$155	\$111	\$92
Elder Law	\$243	\$187	\$138
Employment/Labor	\$299	\$209	\$188
Family	\$251	\$228	\$185
Government	\$166	\$160	\$157

Practice area	Lawyer rate	Realized rate	Effective rate
Immigration	\$298	\$173	\$132
Insurance	\$199	\$138	\$108
Intellectual Property	\$327	\$281	\$258
Juvenile	\$87	\$70	\$60
Mediation/ Arbitration	\$313	\$271	\$240
Medical Malpractice	\$205	\$134	\$119
Personal Injury	\$220	\$100	\$91
Real Estate	\$273	\$239	\$210
Small Claims	\$201	\$174	\$133
Tax	\$301	\$258	\$227
Traffic Offenses	\$256	\$194	\$152
Trusts	\$314	\$274	\$248
Wills & Estates	\$280	\$224	\$200
Worker's Compensation	\$156	\$136	\$129

Average case value by practice area

P-values (P10, P50, and P90) show us that a certain percentage of cases were worth less than the indicated value. For example,

Bankruptcy cases worth \$350 are in the 10th percentile (P10), which indicates that 10% of Bankruptcy cases are worth less than or equal to \$350.

Practice area	P10	P50	P90	Mean
Bankruptcy	\$350	\$1,200	\$3,550	\$2,288
Business	\$180	\$683	\$3,855	\$1,980
Civil Litigation	\$217	\$1,265	\$9,976	\$4,769
Collections	\$150	\$465	\$2,500	\$1,257
Commercial/ Sale of Goods	\$200	\$945	\$5,975	\$3,035
Construction	\$293	\$1,395	\$10,000	\$4,241
Contracts	\$175	\$600	\$2,994	\$1,502
Corporate	\$189	\$850	\$5,073	\$2,712
Criminal	\$156	\$750	\$3,500	\$1,520
Elder Law	\$175	\$838	\$7,000	\$2,446
Employment/Labor	\$210	\$1,200	\$8,925	\$4,034
Family	\$279	\$1,613	\$7,633	\$3,391
Government	\$144	\$500	\$3,150	\$1,844

Practice area	P10	P50	P90	Mean
Immigration	\$150	\$850	\$3,500	\$1,455
Insurance	\$315	\$2,000	\$9,900	\$4,418
Intellectual Property	\$200	\$750	\$3,000	\$2,069
Juvenile	\$165	\$558	\$2,456	\$1,131
Mediation/Arbitration	\$165	\$650	\$2,720	\$1,419
Personal Injury	\$271	\$1,743	\$8,100	\$3,545
Real Estate	\$165	\$595	\$3,253	\$1,516
Small Claims	\$150	\$500	\$1,646	\$766
Tax	\$130	\$500	\$4,063	\$1,689
Traffic Offenses	\$120	\$300	\$2,000	\$709
Trusts	\$249	\$1,304	\$5,706	\$2,809
Wills & Estates	\$200	\$770	\$3,200	\$1,529
Worker's Compensation	\$423	\$2,138	\$8,893	\$3,867

Methodology

The *Legal Trends Report* uses aggregated and anonymized data collected from the Clio platform, which gives us the foundation to identify informative and interesting patterns to observe and investigate. By synthesizing actual usage data, we're able to identify trends that would be otherwise invisible to most firms.

Defining our data set

The *Legal Trends Report* has been prepared using data aggregated and anonymized from the usage activity from nearly 70,000 legal professionals. These customers were included in our data set using the following criteria:

- ▶ They were paid subscribers to Clio. Customers who were evaluating the product via a free trial or were using Clio as part of our Academic Access Program were not included.
- ▶ They were located in the contiguous United States. This includes the District of Columbia but excludes Hawaii and Alaska. No customers in other countries were included.
- ▶ For 2017 key performance indicators, only customers who created matter and billing data in 2017 were included.
- ▶ Any data from customers who opted out of aggregate reporting were excluded.
- ▶ Outlier detection measures were implemented to systematically remove statistical anomalies.

Data usage and privacy

The security and privacy of customer data is our top priority at Clio. In preparing the *Legal Trends Report*, Clio's data operations team observed the highest standard of data collection and reporting.

Data collection

- ▶ All data insights were obtained in strict accordance with Clio's Terms of Service (section 2.12).
- ▶ All extracted data was aggregated and anonymized.
- ▶ No personally identifiable information was used.
- ▶ No data belonging to any law firm's clients was used.

Reporting

Aggregate data has been generalized where necessary to avoid instances where individual firm data could be identified. For example, to avoid reporting data on a small town with only one law firm (which would implicate all of this town's data to this firm), we only report at country, state, and metropolitan levels.

Additionally, raw data sets will never be shared externally. Clio is effectively a tally counter for user interactions—much like stadiums use turnstiles to count visitors without collecting any personally identifiable information. Similarly, as users interact with the Clio platform they trigger usage signals we can count and aggregate into data sets. We can identify trends without collecting information that reveals anything specific about individual customers.

Survey data

To explore the underlying causalities that influence trends presented in this report, we conducted our own surveys to supplement our data analysis:

- ▶ **Law firm survey.** We surveyed 1,968 legal professionals, representing both Clio users and non-Clio users. By investigating the existing needs and strategies of law firms, we're able to better align our data analyses with the goals of lawyers themselves.
- ▶ **Consumer survey.** We surveyed 1,336 consumers—respondents from the general population—with sub-cohorts who have hired a lawyer or dealt with a legal problem without a lawyer in the past 2 years.

We've used key findings from these surveys to supplement our data analyses throughout the report. With input from legal professionals and consumers across the industry, we've been able to generate better insight into how lawyers are meeting the needs of their clients and supporting the future of their business.



Clio is the leader in cloud-based legal practice management software, with 150,000 customers spanning 90 countries, and the approval of over 65 bar associations and law societies globally.

As the first-to-market provider, Clio has helped legal professionals manage their practice from one centralized, customizable, and compliant platform for a decade. Clio continues to transform and lead the industry with initiatives like the *Legal Trends Report*, the Clio Cloud Conference, and the Clio Academic Access Program. Clio has been recognized as one of Canada's Best Managed Companies, a Deloitte Fast 50 and Fast 500 company.



Learn more at clio.com