

FP LEGAL POST



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Data focusing on small law firms is long overdue as a key component of a modern practice, writes Mitch Kowalski.

COMMENT

How data analytics can aid small firms

MITCH KOWALSKI

The business world has been debating whether “data” is the new oil. That debate has not found its way into the world of small law firms — at least not until now.

A Canadian company, Clio, one of the world’s leading cloud-based legal practice management platforms, has released its inaugural Legal Trends Report, which is aimed at

solo, small and medium-sized law firms. And a Toronto-based tax firm, Counter Tax Lawyers, has mined its own case data to pin down how much the average client’s finances benefit from hiring the firm.

Data sets that focus on small law firms are long overdue. Data has tended to focus on large law firms, with sets available for some time through the

LAWYERS SPEND 28% OF EACH DAY ON BILLABLE ACTIVITIES.

Thomson Reuters Peer Monitor or Wolters Kluwer's ELM Solutions.

Clio's Legal Trends Report uses US\$60 billion worth of anonymized billing data from 40,000 active users across the United States to provide insights into a range of law firm activities, such as billing rates by region and practice area, fee structures, and key performance indicators. I'm told that a Canadian version is in the works.

"For the first time in the 4,000-year history of this profession, small to medium-sized law firms have access to information that can help them make decisions like some of the world's best businesses," said Jack Newton, founder and chief executive of Clio.

Even a cursory review of the Legal Trends Report reveals some interesting insights. On average, lawyers spend only 28 per cent of each work day on billable activities. And as the number of lawyers in a firm increases, so too does

the amount of time each lawyer spends on billable activities.

Oddly the data shows a definite efficiency plateau when firms grow in the range of five to nine lawyers. In other words, there is no difference in the time spent on billable activities when, for example, a firm increases to seven lawyers from five, or to nine lawyers from five.

Clio intends to issue the free report annually. The study will become increasingly valuable, not only because the data sets that feed into the report grow, but also because the report will be able to identify year-over-year trends and industry benchmarks.

I've seen another unique and fascinating example of the benefits of harnessing small law firm data. Earlier this month, boutique Toronto tax firm Counter Tax Lawyers launched "The numbers say it all," a marketing initiative based on its data. "We believe that the most important numbers relate to client

return on investment," said Peter Aprile, founder of Counter. "We want to prove it through our systems, software and data."

Counter compiled all data relating to files it closed in 2015 and distilled it into five key analytics: (1) client average return on fees charged; (2) client's real return on fees charged taking into account deductibility of legal fees; (3) clients that obtained favourable results; (4) client's average savings on successful litigation matters; and (5) total amounts that the firm saved its clients. And, in what appears to be a first for Canadian law firms, Counter then retained an independent accounting firm to review, verify and produce a fully objective report on this data.

The data enables Counter to make several claims. It says average client return on investment was 21:1, taking into account tax deductibility of fees. It says seven out of 10 cases

resulted in favourable outcomes to its clients. And the firm says it saved its clients \$11.8 million in 2015.

Counter is clearly one of the very few law firms that really "gets it" when it comes to data, but also with technology. To ensure that Counter continues to match or improve upon these benchmarks, the firm has created proprietary software called CounterMeasure that evaluates the risks and the probabilities of success of each file.

These developments are further proof to solo, small and medium-sized firms that the data needed to operate a successful practice is well within reach. Those who ignore data as a critical component of a modern law practice, do so at their peril.

*Toronto lawyer Mitch Kowalski is author of *Avoiding Extinction: Reimagining Legal Services for the 21st Century*.*

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