Highlights From the 2025 Legal Trends for Solo and Small Law Firms Report

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Since 2016, Clio's annual *Legal Trends Report* has been a trusted resource for uncovering key developments in the legal industry.

Recognised as the most in-depth analysis available, the report brings together essential data on law firm performance and sheds light on the forces driving change in legal practice.

Now, we're putting the spotlight on sole practitioners and small firms with the release of the *2025 Legal Trends for Solo and Small Law Firms* report. Tailored specifically for the unique needs of these firms, the report dives into the latest trends impacting their operations—from technology adoption and payment flexibility to marketing strategies and spending habits.

Below, we've highlighted a few of the most compelling findings. Or, jump straight to the full *2025 Legal Trends for Solo and Small Law Firms* report for deeper insights into how solo and small firm lawyers are adapting to today's legal landscape.

Solo and small law firms are lagging in AI adoption—but that could soon change

In the *2024 Legal Trends for Solo and Small Law Firms* report, we found that 19% of mid-sized and smaller law firms were using AI in their practice.

While AI adoption has since surged across the legal industry, sole practitioners and small firms are apparently hesitant to integrate AI into their practices. Historically, smaller firms have been early adopters of legal technology, leading the way in cloud-based practice management software and online payments adoption. However, AI adoption has been much slower amongst them when compared to larger firms with many limiting their use or avoiding AI altogether.

This hesitation could be due to resource constraints. For example, larger firms have the financial and technical infrastructure to adopt AI at a more advanced level. But, despite these challenges, solo and small firms recognise AI's potential: more than four in five legal professionals believe AI use will increase over the next 12 months, suggesting that solo and small firms may simply be waiting to adopt AI.

Among solo and small firms that have embraced AI, solo and small firms tend to prioritise tools that address their unique needs. For example, sole practitioners are more likely to use virtual assistants, while small firms gravitate towards document drafting and automation tools. This targeted approach suggests that while solo and small firms aren't adopting AI at scale, they may be leveraging it strategically to maximize efficiency and fill operational gaps.

Must-know statistics on sole practitioners and small law firms' AI use

- 72% of sole legal professionals and 67% of small firm legal professionals are using AI in some capacity in their practice. However, only 8% of solos and 4% of small firms have adopted AI widely or universally.
  - Larger firms are significantly more likely to have adopted AI than smaller firms: 85% of larger firms are using AI in some capacity in their practice, while 35% have adopted AI widely or universally.
- Among solo and small firms that have used AI, the most popular tools include generic non-legal AI tools (for example, ChatGPT) (57%/54%), legal research platforms (54%/56%), virtual receptionists (27%/16%), document drafting or automation tools (25%/30%), and eDisclosure solutions (20%/19%).
- Over four in five legal professionals in firms of all sizes believe that the usage of AI will increase in the next 12 months.
- The top benefits of AI, according to solo and small firms, are saving time and increasing efficiency (61%/63%), saving money (37%/34%), and improving the quality of work (36%/34%).

Solo and small firms are embracing fixed fees, but the billable hour remains dominant

Solo and small law firms are increasingly incorporating fixed fees into their billing practices. While hourly rates remain the most common method of billing, fixed fees are gaining traction as clients demand more transparency and predictability in pricing. Solo firms are slightly more inclined to offer fixed fees for entire cases, while small firms are slightly more inclined to apply them to specific tasks within a case. This reflects a broader trend toward offering flexible pricing options that cater to client preferences.

Interestingly, despite the rising popularity of fixed fees, larger firms are more likely to experiment with alternative billing models, like subscriptions, underscoring the growing importance of offering predictable, transparent pricing. As automation tools like AI reduce the time spent on routine tasks, the need for firms to adjust their billing models becomes increasingly critical. In fact, generative AI could put $27,000 in annual revenue per lawyer at risk if they stick to the traditional billable hour.

For sole practitioners and small law firms, adopting fixed fees alongside traditional billing models requires strategic planning. These firms must assess which services or tasks are best suited for fixed fees and consider how AI could further streamline their operations and improve efficiency. As client expectations shift toward more predictable and transparent pricing, firms that effectively integrate fixed fees into their business models will have a competitive edge.

Key findings regarding firm billing models

- 75% of solos and 65% of small firms report using fixed fee billing models, while 84% of solos and small firms report using hourly rates.
- Among solo and small law firms offering fixed fees as a payment option, 80% of solos and 72% of small firms used fixed fees for the entire matter while 39% of solos and 43% of small firms used fixed fees for specific activities within a matter.

Referrals remain the strongest client acquisition tool for solo and small firms, but technology can enhance results

Both sole practitioners and small law firms agree: referrals are the top source of new client leads. And, while solo and small firms leverage various marketing channels—including websites, online reviews, social media, and SEO—referrals continue to deliver the highest return on investment. However, firms that strategically supplement referrals with a strong online presence and client intake technology are seeing even greater success.

Many solo and small firms operate with limited marketing budgets, making it challenging to invest in multiple channels. As a result, they tend to focus on cost-effective strategies like word of mouth marketing and leveraging existing networks. Despite this, firms that incorporate technology into their client intake processes see tangible benefits, including higher revenues, increased client leads, and improved conversion rates.

What to know about improved client intake performance

- 59% of solo and small firms report that referrals are their highest source of leads, while only 27% of larger firms report the same.
- Revenue: we saw 53% higher revenue among solos and 28% higher revenue among small firms using e-signatures, online schedulers, online intake forms, and online communication.
- Client leads: Solo firms enjoyed a 48% increase in client leads, while small firms experienced a 6% increase in client leads, using the same features.

- Conversion rates: we saw improved conversion rates among solo and small firms using e-signatures (10%/10%), online communication (7%/3%), and online intake forms (2%/5%).
- Time to hire: we saw shortened hiring time among firms using e-signatures (23%/24%), online schedulers (10%/7%), and online intake forms (9%/5%).

Solo and small firms lead the way in cloud-based practice management software adoption, but solo firms are investing less in software

For both sole practitioners and small law firms, salaries (for both partners and staff) make up over one-third of their total expenses. However, solos spend a significantly larger proportion of their total expenses on partner salaries, while small firms spend a significantly larger proportion of their total expenses on staff salaries.

Investments in software and professional fees are the highest law firm spending growth areas, suggesting that firms are focusing their attention on these areas. The average law firm spends just under 2% of its overall expenses on software, aligning with the spending habits of small firms. However, solos are spending half of that amount and have the lowest software spending of the cohorts we reviewed.

For both solo and small law firms, the most popular tools include cloud-based data storage, video conferencing, e-signatures, online and electronic payments, and cloud-based practice management software. Furthermore, solo and small law firms are significantly more likely to use cloud-based legal practice management software and online or electronic payments tools compared to larger firms.

Our findings on mid-sized firm spending and adoption habits

- The top expenses among solo and small firms are partner salaries (19%/6%), staff salaries (18%/30%), office expenses (11%/6%), marketing (9%/5%), and rent (7%/7%).
- The average small law firm spends 2% of its expenses on software.
- The most popular technology among solo and small firms include cloud-based data storage tools (81%/85%), video conferencing (80%/80%), cloud-based practice management software (79%/81%), online or electronic payment tools (76%/72%), and e-signature tools (72%/78%).
- 79% of solos and 81% of small firms use cloud-based legal practice management software, compared to only 47% of larger firms.

The final word on the 2025 Legal Trends for Solo and Small Law Firms report

Despite slower initial adoption, the future of AI in solo and small law firms looks promising. These firms are clearly aware of AI's transformative potential, especially when it comes to increasing efficiency, saving time, and improving the quality of their work. While they may not yet be adopting AI at the same scale as larger firms, the data suggests that many are taking a strategic, needs-based approach—investing in tools like virtual receptionists, legal research platforms, and document automation that deliver the greatest operational impact. As these tools become more accessible and user-friendly, we can expect to see a broader wave of AI adoption among solo and small law firms.

At the same time, sole practitioners and small firms are continuing to adapt in other important ways, from embracing fixed fees to streamlining client intake through technology. These changes not only improve the client experience but also help firms remain competitive in a rapidly evolving legal landscape. By investing in the right technologies—AI included—and aligning pricing and intake models with client expectations, solo and small firms can continue to punch above their weight, offering personalised service with the efficiency and agility of larger operations. The firms that succeed will be those that view technology not as a burden, but as a critical partner in delivering better legal services.

Ready to dive into these topics in more detail? Download the *2025 Legal Trends for Solo and Small Law Firms* report!

About Clio

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