Legal Trends Report
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# Table of Contents

## INTRODUCTION

4 UNLOCKING THE POTENTIAL TO SUCCEED

6 Legal productivity is higher than ever before

7 The power of leverage

8 #’1)#(+")-/#1-/#$”$/”$)

9 New this year

10 Data sources

## PART 1

11 THE THRIVING BUSINESS OF LEGAL

13 24 .#1 (/# /-$/#$/)#)$0/0])+124.

17 A new era of legal productivity

18 (‘‘ $’’4$’’.+(0$)/*

26 A need to measure performance over time...

## PART 2

27 LOCKUP—A NEW INDICATOR OF CASH FLOW

28 Introducing “lockup”—a crucial measure for healthy businesses

30 Prolonged lockup periods ruin businesses

32 Reducing lockup puts more cash in hand

38 Clio users enjoy shorter total lockup periods

38 Levers for reducing lockup

## PART 3

44 GETTING PAID FASTER

46 **’-’$’/0.1/#&4k/’$’"’$’+$

48 A known problem between lawyers and their clients
The challenge to get paid

Many law firms are still committed to "snail mail"

Online payments get firms paid faster

Encouraging clients to pay electronically pays off

Clients actually want to pay by credit card

**PART 4**

**BUSINESS LEVERS TO IMPROVE FIRM PERFORMANCE**

Business levers for improving realization rates

Top business levers for improving collection rates

More levers for improving business performance

**PART 5**

**THE PROMISE OF AI**

Legal professionals are interested yet cautious of AI

AI poses both risks and rewards

The unseen potential of AI in the justice system

How AI can be used by legal professionals

Legal professionals see much promise in the future of AI

**APPENDIX A**

**HOURLY RATES AND KPIS**

Hourly rates by state

Adjusted rates by state

Hourly rates by practice area

Utilization rates by state

Realization and collection rates by state

Realization and collection rates by practice area

**APPENDIX B**

**DETAILED METHODOLOGY**

App data collection

Survey design
Introduction
Unlocking the potential to succeed
In our fast-paced world, efficiency and effectiveness are of the utmost importance. In the practice of law, this has been never more true since Clio first started publishing the Legal Trends Report in 2016. With rapid advancements in new systems and technologies, today’s legal professionals have more tools and opportunities for innovation than ever before, and they are driving never-seen-before productivity as a result.

What defined innovation in the last decade has since become foundational. With radical advancements in artificial intelligence, law firms are once again finding themselves at the cusp of transformative change.

The lawyers and practices that continue to adapt and evolve in the interests of their clients are the ones that will ultimately succeed in the long run.
LEGAL PRODUCTIVITY IS HIGHER THAN EVER BEFORE

unprecedented achievement in the legal industry. It means that lawyers
themselves in the process. This growth in productivity also means that the

Technology is a powerful lever that businesses use to get more done while also improving client experiences.
THE POWER OF LEVERAGE

The power of leverage refers to the mechanism that amplifies the impact and outcomes of our work efforts. When using a lever, a small amount of effort can be multiplied several times over to apply a substantially larger force. When used strategically in the practice of law, certain business levers can transform a firm's operations to make them incredibly more efficient, productive, and capable of delivering the best client experiences possible.

When applying the principles of leverage to business, knowing where to apply them is just as important as knowing what tools to use. We have seen the massive impact that technology can have in improving the success of law firms. Throughout this report, we look at key leverage points that include utilization, realization, and collection rates—and discuss cash flow with the introduction of our new lockup metric. We also look at key technologies as business levers that have had the

Electronic billing and payments are powerful business levers that

Throughout this report, we look at key leverage points that include utilization, realization, and collection rates—and discuss cash flow with the introduction of our new lockup metric.
THE ADVENT OF GENERATIVE ARTIFICIAL INTELLIGENCE

AI has the potential to transform so many facets of everyday business. It will be capable of in the years and decades to come. As more legal professionals adopt AI in their practices, the benefits are becoming increasingly apparent. Already, AI has given firms the ability to summarize key information, assist in drafting documents, identify high-risk clauses in a contract, and automatically generate demand letters for personal injury cases.

The early days of generative AI have also highlighted the risks inherent in this technology. A New York lawyer learned this the hard way when he used AI to cite court decisions relevant to an airline lawsuit. Unfortunately, ChatGPT invented—or "hallucinated," the term used when AI software creates incorrect information presented as fact—precedent cases, which was only revealed during court proceedings. Such episodes highlight that, like any new technology, lawyers must ensure they understand both the benefits and the risks of the technologies used in their law practices.

Remarkably, the evolution of legal through AI has already begun, and it's more important than ever that legal professionals stay abreast of these developments as they occur. In this report, we look at how legal professionals—and their clients—are equipped to embrace these changes, both in their firms and in the wider justice system.

AI has the potential to transform so many facets of everyday business operations.
NEW THIS YEAR

EXPANDED ANALYSIS OF THE STATE OF LEGAL PRACTICE

as far back as 2016. This expanded historical view allows us to identify industry has come—and puts in perspective more recent changes relative to past performance.

A NEW METRIC FOR FIRM PERFORMANCE: LOCKUP

key to better business management.

COMPARATIVE IMPACT OF KPI LEVERS

PERCEPTIONS ON AI IN LEGAL PRACTICE

Reducing total lockup increases cash flow and is key to better business management.
DATA SOURCES

The Legal Trends Report uses a range of methodological approaches and data sources to deliver the best insights about the state of legal practice and strategies for future growth.

CLIO DATA

We've analyzed aggregated and anonymized data from tens of thousands of legal professionals in the US. This data provides important insights into how technology is currently being used by legal professionals, as well as its impact on firm performance.

SURVEY OF LEGAL PROFESSIONALS

We surveyed 1,446 US legal professionals from May 31 to July 20, 2023. The legal professionals we surveyed included lawyers as well as support staff—such as paralegals and administrators—who are engaged in the management side of their practice.

SURVEY OF THE GENERAL POPULATION

We surveyed 1,012 adults in the US general population from June 13 to June 22, 2023. This survey was designed to gauge attitudes, opinions, preferences, and behaviors regarding the legal profession among individuals who have hired lawyers in the past or who may become potential legal clients in the future. This sample is representative of the US population by age, gender, region, income, and race/ethnicity based on the most recent US census statistics.

We’ve analyzed aggregated and anonymized data from tens of thousands of legal professionals in the US.
Part 1

The thriving business of legal
Since 2016, Clio’s *Legal Trends Report* has provided data and analyses fundamental to the success of law firms—and deep insights into trends across the wider legal profession.

No other system of record provides the scale or reliability of analysis that we feature in this report.
LAWYERS HAVE MATCHED RATES WITH INFLATION, BUT NON-LAWYERS ARE WAY BEHIND

Lawyer hourly rates have risen steadily since 2016, increasing by 28% from $256 to $327 in August 2023. For comparison, rates for non-lawyers (e.g., non-licensed legal professionals, such as paralegals, who bill for their work) have only increased by 19%, rising from $150 to $178 since January 2016.

Hourly rates in legal

*“Non-lawyers” are non-licensed legal professionals (such as paralegals) who contribute billable time to their firms; “Law firms” is a blended rate of lawyers and non-lawyers; and “CPI” is the Consumer Price Index.

1 See Appendix A for detailed breakdowns of hourly rates by state and practice area.
an approximation of what an hour of legal service costs the average
\$1. The blended law firm rate, giving an approximation of what an hour of legal service costs the average client in the US. Overall, the blended law firm rate has increased by 22%, from $239 to $292, over the same period.

Inflation used to be a nominal factor in running a business, but in recent years it’s become something that business owners need to pay more attention to. When comparing to the Consumer Price Index (CPI)—which is used to measure annual inflation rates—we can see how well hourly rates have (or have not) kept pace with inflation. Overall, the CPI has increased by 29%, from 238 to 306, since the start of 2016.

In our analysis last year, we found that consumer prices increased at a rate that exceeded hourly rates for lawyers (illustrated in the charts below). Lawyer rates fell behind consumer prices by as much as 2%. This decrease followed a period when lawyer rates were increasing at a much faster pace than the CPI, likely in response to the COVID-19 pandemic. During this time, lawyer rates actually increased by as much as 8% more than the CPI. This year, lawyer rates have recovered relative to inflation and remained steady throughout 2023. As of Q3 (July to September), when compared to the rate of change since 2016, lawyer rates are on par with increases in consumer prices.
Part 1: The thriving business of legal

Billable Hour Index
% change relative to 2016

*Non-lawyers* are non-licensed legal professionals (such as paralegals) who contribute billable time to their firms; *law firms* is a blended rate of lawyers and non-lawyers; and *CPI* is the Consumer Price Index.

How hourly rates are tracking relative to the CPI
% change in hourly rates relative to CPI (CPI = 0%)

*Non-lawyers* are non-licensed legal professionals (such as paralegals) who contribute billable time to their firms; *law firms* is a blended rate of lawyers and non-lawyers; and *CPI* is the Consumer Price Index.
When comparing to the Consumer Price Index, we can see how well hourly rates have (or have not) kept pace with inflation.
Part 1: The thriving business of legal

A NEW ERA OF LEGAL PRODUCTIVITY

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productivity within the legal industry.

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working a heavier caseload and putting in more billable hours.
Firms are also collecting an outsized return on that work through
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billing and collecting over two and a half times more than in 2016.

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While these gains may seem unbelievable at first glance, they are explained by the substantial improvements across a set of key performance indicators—each compounding to drive colossal business growth.

The average legal professional earns nearly three-quarters more revenue for their firm than they did in 2016.

**SMALL EFFICIENCY GAINS COMPOUND INTO MASSIVE REVENUE GROWTH**

Clio’s key performance indicators (KPIs) provide benchmark insights into how law practices are performing over time, giving firms insight into how to measure and improve their performance.

**LAW FIRM KPIS**

- **Utilization rate** = percent of an eight-hour day put towards billable work
- **Realization rate** = percent of billable work that gets invoiced to clients
- **Collection rate** = percent of invoiced work that gets paid

The average legal professional earns nearly three-quarters more revenue for their firm than they did in 2016.
Part 1: The thriving business of legal

**UTILIZATION**

A law firm’s utilization rate measures how much of a lawyer’s eight-hour day gets put towards billable work. Since 2016, lawyer utilization rates have significantly increased from 28% to 37%—an improvement of 32%. This increase represents nearly three-quarters of an hour of billable time added for every day worked.

Yet, despite the massive boost in lawyer productivity, nearly two-thirds of the workday still goes underutilized with respect to billable client work, meaning there is still much room for improvement.

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**Lawyer utilization rate**

% of an 8-hour day put toward billable work

Figures based on a 1-year period for data collection. Progressive data analyses have been used to forecast 2023.
Two issues in law firms often contribute to lower utilization rates: (1) lawyers may be overwhelmed with administrative and business development tasks, reducing their ability to spend time on billable work, and (2) law firms may struggle to find enough clients to keep their lawyers busy. Past research shows that 48% of a lawyer’s non-billable time gets put toward administrative tasks like office administration, generating and sending bills, and collections. Another 33% of non-billable time gets put into business development.

This is where adopting the right systems for organizing and improving access to firm information—and using efficient tools for timekeeping, task management, and collaboration—can keep lawyers focused on their most important, and most billable, work.

Firms that struggle to bring enough clients into the firm can also look at increasing word-of-mouth referrals, marketing their services, building reputation with past clients, and putting proficient systems in place to intake clients in an effective, timely, and convenient way.

Since 2016, lawyer utilization rates have significantly increased from 28% to 37%—an improvement of 32%.

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REALIZATION

For every hour of billable time worked, law firms are invoicing 12% more of their billable hours, adding a significant amount of revenue potential. Realization rates measure how much of a law firm's billable work actually gets included in client bills. Since 2016, realization rates have increased from 77% to 86%, meaning law firms are invoice 12% more of their billable hours.

There are a number of reasons why the remaining 14% of billable hours might not get billed to clients. Some firms offer discounts. Others worry that clients may perceive their lawyers to be spending more time than necessary on their case, resulting in write-downs when sending out bills. Unresolved or dropped cases can also account for work that doesn't get billed. Additionally, firms may feel pressured by clients to invoice fewer hours than actually worked when their terms are unclear or aren't communicated well in their engagement letters. Issues can also arise when attorneys don't establish reasonable billing expectations with clients or when cases haven't been appropriately vetted during the intake phase.

More efficient billing systems can help law practices accurately communicate to clients how much time they actually spend on casework while accelerating the process for invoicing and getting paid. Conversely, firms that don't use efficient billing and payment collection systems put themselves at significant risk of losing revenue that has been earned but ends up lost.

Law firm realization rate
% of billable work that gets billed to clients

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</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>77%</td>
<td>78%</td>
<td>79%</td>
<td>80%</td>
<td>81%</td>
<td>83%</td>
<td>85%</td>
<td>86%</td>
</tr>
</tbody>
</table>

Figures based on a 1-year period for data collection. Progressive data analyses have been used to forecast 2023.
Law firms are invoicing 12% more of their billable hours—adding a significant amount of revenue potential for every hour of billable time worked.

COLLECTION

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payment collection remains a critical point of friction between law ŭ(./#$* $))/

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and realization rates over the past several years shows that getting +$/-$- $)2#$#/*/(ũ(./$)+*1/

Not collecting on bills in a timely fashion has an impact beyond simply
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provide interim operating capital.

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While firms have been able to make modest gains, payment collection remains a critical point of friction between law firms and their clients.
THE LAWYER’S FUNNEL SHOWS NARROWING EARNING POTENTIAL

Utilization, realization, and collection rates are powerful measures of a firm’s performance. Alone, they each tell us a lot about the state of the industry. Examined as a group, they tell us even more about the health and dynamics at play.

When looking at utilization, realization, and collection rates together, we get a broader view of how much of an average lawyer’s day actually goes to earning revenue.

The lawyer’s funnel in 2023

Average hours worked, billed, and collected

<table>
<thead>
<tr>
<th></th>
<th>Hours toward firm revenue</th>
<th>Hours missing</th>
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<tbody>
<tr>
<td>Hours worked (37% utilization)</td>
<td>2.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Hours billed (86% realization)</td>
<td>2.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Hours collected (89% collection)</td>
<td>2.2</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Hours worked (37% utilization): 2.9 hours
Hours billed (86% realization): 2.5 hours
Hours collected (89% collection): 2.2 hours

The health and dynamics at play...
In 2023, when applying realization and collection rates to overall utilization, 28% of the average lawyer’s workday contributed to firm revenues—which amounts to just over two hours per day. In other words, while firms have made significant gains in utilization (with still more opportunity to improve), any continuing inefficiencies in realization or collection only dampens the benefit of those productivity gains.

Compare this to 2016: lawyers had a utilization rate of 29%, but they were only able to realize 77% of that work to bills, and of the bills they sent out, only 86% got paid. As a result, only 18% of the average lawyer’s workday ended up getting invoiced and paid. In terms of hours, this amounts to just under 1.5 hours of paid—utilized, realized and collected—work per day.

If firms suffer from low realization and collection rates, it limits how well law firms capitalize on the work performed by their staff.
A NEED TO MEASURE PERFORMANCE OVER TIME...

Lawyers need to pay close attention to how quickly and consistently they are getting paid. While realization and collection rates give insight into how much revenue firms earn overall, they don’t give any insight into the period—or latency—in which they collect that revenue.
Part 2

Lockup—a new indicator of cash flow
A healthy business brings in more money than it spends. This is what creates positive cash flow, which ensures that money is on hand when it’s needed.

Cash flow is about more than just doing the work for clients.

**INTRODUCING “LOCKUP”—A CRUCIAL MEASURE FOR HEALTHY BUSINESSES**

*Lockup* is a term used in accounting to assess cash flow in businesses. For law firms, it shows how much revenue—measured in days of work—is unbilled and uncollected at any given time.

Knowing how many days worth of work are held in lockup gives us an understanding of what cash flow looks like in a law firm. Firms with a high amount of their revenue stuck in lockup—relative to their expected annual earnings—have slower cash flow. Whereas, firms that can bill out and collect on their work more efficiently will have less of their revenue in lockup, which will see them achieve higher cash flow.

Lockup consists of three measures within the billing process and is measured in days:

- **Realization lockup.** This is the amount of revenue that is unbilled at any given time (also known as “work-in-progress lockup”).

\[
\text{Realization lockup} = \left( 4.2 - \frac{\text{Work in Progress}}{\text{Expected Revenue}} \right) \times 365
\]

\[
\text{Realization lockup} = \left( 4.2 - \frac{2\,000\,000}{5\,000\,000} \right) \times 365 = 100 \text{ days}
\]

\[
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\[
\text{Realization lockup} = \left( 4.2 - \frac{2\,000\,000}{5\,000\,000} \right) \times 365 = 100 \text{ days}
\]
Part 2: Lockup—a new indicator of cash flow

- **Collection lockup.** This is the amount of revenue that is uncollected at any given time (also known as “debtor lockup”).

- **Total lockup.** This is a combination of revenue held in both realization and collection lockup.

### HOW TO MEASURE LOCKUP IN TERMS OF DAYS OF WORK

- **Realization lockup** = \( \frac{\text{work in progress}}{\text{previous fiscal year’s collections}} \times 365 \) days.

- **Collection lockup** = \( \frac{\text{accounts receivable}}{\text{previous fiscal year’s collections}} \times 365 \) days.

- **Total lockup** = realization lockup + collection lockup

Lockup is a term used in accounting to assess cash flow in businesses.
PROLONGED LOCKUP PERIODS RUIN BUSINESSES

Having cash on hand means that a business has the working capital to cover all of its short and long-term costs and can pay them on time. These costs include staff salaries, office leases, utility fees, and any other administrative costs that firms may incur.

Not having cash on hand has the opposite effect on a business. In fact, poor cash flow is a primary reason that businesses fail. The phrase “cash is king” couldn’t be more accurate in managing a business—making cash flow is an existential issue for law firms.

Businesses that don’t have a steady or predictable cash flow need to make up for it with a sizable operating account to pay expenses when collections are slow. And even if a firm has plenty of earned revenue in its accounts receivable, if it can’t collect on that revenue, it can become insolvent—and eventually bankrupt—if it can’t afford to pay its bills at any given time.

Businesses with poor cash flow may have the option to borrow money to make up for shortfalls in the near term, but this only leaves them on the hook to pay that money back—while also incurring additional costs in the form of interest. Finally, there are also opportunity costs to consider; unpaid bills require staff hours to monitor and follow up with clients when they could be taking on other work instead.
Part 2: Lockup—a new indicator of cash flow

The impact of lockup can be seen at the macro level as well. According to a report by Citi Law Firm Group and Hildebrandt Consulting, large law firms in the US saw significant increases in their unbilled time and accounts receivable, which amounted to a 3.7% increase in lockup in 2022. Researchers of the study attributed the increased collection cycle to a slowdown in revenue earnings for the industry, which saw growth fall from a high of 14.7% in 2021 to 4.1% in 2022.

The benefit of minimizing lockup is that it supports a healthy cash flow, giving law firms more cash on hand, ensuring peace of mind in paying expenses, and having more revenue available to invest in future growth.

Even if a firm has plenty of earned revenue in its accounts receivable, it can become insolvent—and eventually bankrupt—if it can’t afford to pay its bills at any given time.

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3 Citi Law Firm Group and Hildebrandt Consulting, 2023 Citi Hildebrandt Client Advisory, 2023.
4 Citi Law Firm Group and Hildebrandt Consulting, 2022 Citi Hildebrandt Client Advisory, 2022.
Part 2: Lockup—a new indicator of cash flow

REDUCING LOCKUP PUTS MORE CASH IN HAND

Lockup provides an indication of cash flow. Decreases in lockup mean firms have more annual revenue on hand to better cover expenses or fund expansion. However, increases in lockup trap revenue in unbilled or uncollected states, leaving firms vulnerable to liquidity problems and stalled growth.

If a firm that expects to collect $500,000 in annual revenue has 100 days of total lockup, then there is, on average, $137,000 in potential revenue sitting unbilled or uncollected at any point in time. This would amount to just over one-quarter of the firm’s annual earnings.

Compare this to a firm that expects the same revenue but has a total lockup of 50 days. This firm would have, on average $68,500—14% of its annual earnings—in unbilled and uncollected revenue. Compared to the firm with 100 days of lockup, this firm would have $68,500 more cash on hand at any given time.

How lockup affects cash flow
Uncollected earnings based on $500,000 of annual revenue

<table>
<thead>
<tr>
<th>Lockup Duration</th>
<th>Uncollected Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 days</td>
<td>$137,000</td>
</tr>
<tr>
<td>50 days</td>
<td>$68,500</td>
</tr>
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</table>

$0 | $50,000 | $100,000 | $150,000
Compared to the firm with 100 days of revenue in lockup, this firm would have $68,500 more cash on hand at any given time.

**REALIZATION LOCKUP**

\[
\text{Realization lockup} = \left( \frac{\text{Value of unbilled work}}{\text{Value of total collections}\times365} \right) \times 365
\]

Our analysis indicates that the median amount of realization lockup currently sits in an unbilled state.
Part 2: Lockup—a new indicator of cash flow

Realization lockup
Days-worth of revenue that hasn’t been billed to clients

Greater realization lockup indicates that firms have a large portion of their work that has yet to be billed to clients. The longer a law firm waits to bill a client, the greater the risk of clients being unable to pay, since any number of misfortunes could befall them before they get their bill. For example, they could lose their job, lose money in a bad investment, or be negatively impacted by a struggling economy or natural disaster. Waiting too long to issue bills leaves law firms vulnerable to these types of situations beyond their control.
The longer a law firm waits to bill a client, the greater the risk of clients not being able to pay.

**COLLECTION LOCKUP**

\[ \text{Collection lockup} = \frac{\text{Total outstanding accounts receivable}}{\text{Total collections from previous year}} \times 365 \]

Our data indicates that the median collection lockup among law firms is 45 days—about 1.5 months worth of annual revenue. For comparison, the top 25% of law firms have collection lockup of 19 or fewer days (just under three weeks), and the bottom 25% have more than 90 days worth (three months) of their annual revenue in their accounts receivable.
Collection lockup is vulnerable to the same risks as realization lockup but

While firms need to pay bills on a monthly basis, they may have to deal with clients who pay on a different schedule.
TOTAL LOCKUP

Total lockup is calculated by adding a firm’s realization and collection lockup days. This data tells us how many days worth of a law firm’s expected annual revenue sits in an unbilled or unpaid state, and it gives us an indication of a law firm’s overall cash flow.

The median total lockup among law firms is 97 days—or 3.2 months worth of its annual revenue. For comparison, the top 25% of law firms have total lockup of 51 days (over seven weeks), and the bottom 25% have 173 days (almost six months) worth of annual revenue in either an unbilled or unpaid state at any given time.
CLIO USERS ENJOY SHORTER TOTAL LOCKUP PERIODS

much less revenue tied up in unbilled or uncollected states and likely

by The Law Society.

Law firms using Clio have much less of their revenue tied up in unbilled or uncollected states.

LEVERS FOR REDUCING LOCKUP

to bill clients in a timely manner is critical. Timely billing requires accurately capturing client work in a bill that can be shared quickly

with lower lockup.

ELECTRONIC BILLING SOLUTIONS

have realization lockup that is smaller by two days worth of revenue

on hand at any given time.

Legal billing software is designed to help law firms get their bills out faster. Law firms can instantly generate bills for individual clients and matters, and once the bills have been approved, they can be sent directly to client inboxes, allowing clients to pay them that much faster as well.

Billing software also provides several options for sending bills to clients. Law firms can email bills directly to their clients' inboxes, or they can use a client portal or app. Clio for Clients is a mobile app that clients can download onto their mobile devices, giving them a place to manage all of their firm communications, documents, billing and payments, and more.
When looking at specific methods for sending bills, we can see that certain types of workflows correlate with reductions in lockup:

- **Email.** When law firms email clients directly from their billing software, they carry realization lockup that is smaller by five days worth of revenue. Their collection lockup is also smaller by one day worth of revenue, and total lockup is smaller by seven days worth of revenue.

- **Client app.** When law firms use a client app to send bills, their realization lockup is smaller by five days worth of realization lockup. Their collection lockup is smaller by two days worth of revenue, and total lockup is smaller by 12 days worth of revenue.

Additionally, there is a chart showing the advantages of electronic billing by medium:

- **Doesn’t send electronic bills:** 42 days of revenue
- **Sends bills via email:** 46 days of revenue
- **Sends bills via client app:** 44 days of revenue

These results highlight the benefits of using electronic billing methods to reduce lockup and improve cash flow.
Lockup reductions with electronic billing
Lockup amounts relative to firms not using any electronic billing

-2 -5 -6 -1 -7 -2 -5 -12
Days of revenue

Sends electronic bills Sends bills via email Sends bills via client app

ONLINE PAYMENTS

41 | Legal Trends Report 2023
Part 2: Lockup—a new indicator of cash flow

Firms using online payments see reduced lockup

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<thead>
<tr>
<th>Days of revenue</th>
<th>Doesn’t use online payments</th>
<th>Uses online payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Realization lockup</td>
<td>Collection lockup</td>
</tr>
<tr>
<td>Doesn’t use online payments</td>
<td>39</td>
<td>46</td>
</tr>
<tr>
<td>Uses online payments</td>
<td>38</td>
<td>45</td>
</tr>
</tbody>
</table>

Lockup reductions with online payments

<table>
<thead>
<tr>
<th>Days of revenue</th>
<th>Uses online payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Realization lockup</td>
</tr>
<tr>
<td></td>
<td>-1</td>
</tr>
</tbody>
</table>
Part 2: Lockup—a new indicator of cash flow

When law firms use online payments to collect money from clients, their realization lockup is smaller by two days worth of revenue, collection lockup by five days, and total lockup by six days.

How law firms can reduce lockup

Shortening lockup periods reduces the time it takes to get paid for client work, leading to healthier cash flows, less time spent chasing unpaid bills, and less risk in not getting paid.

- Bill clients smaller amounts regularly instead of one large lump sum
- Improve processes for getting bills out on time
- Collect advanced fees that can be put toward bills as they are issued (e.g., retainers)
- Explore alternative billing arrangements that provide steadier income
Part 3

Getting paid faster
Billing and getting paid represent some of the most challenging touchpoints law firms have with their clients. In Part 1, industry-wide realization rates showed that 14% of billable hours never get invoiced, and collection rates showed that 11% of bills never get paid by clients. In Part 2, we also saw how poor cash flow can put significant strain on a firm, even when it is billing and getting paid eventually.

This section sheds more light on the nature of the problems inherent to billing and collecting payment from clients and how to implement solutions that improve overall collections while increasing cash flow.

At a certain point, the client’s perception of value reaches its highest point, which is also when they are likely most willing to pay their legal bills.
FOONBERG’S GRATITUDE CURVE AND THE KEY TO GETTING PAID

There is an art to sending bills in a timely manner. Jay G. Foonberg, author of *How to Start & Build a Law Practice*, provides an insightful model that illustrates a hypothetical client perspective on how the perception of a lawyer's value can change over time. These mindsets can, in turn, influence a client's willingness to pay their legal bills.

Foonberg’s Gratitude Curve

- My lawyer is a legend and I’m going to tell everyone
- My lawyer did well but I had the advantage anyway
- This is going well; I’m really impressed with you
- My lawyer was helpful but really just a form filler
- I’m glad I’ve got you on board
- I really could have done the whole thing myself
- I’m desperate; I need your help
- That SOB is suing me for the fees; I’ll lodge a complaint


Time
However, one of the biggest takeaways from Foonberg’s model is that eventually the client’s perception of value begins to diminish. With the urgency of their legal matter in the past, clients may question why they needed a lawyer in the first place. Eventually, when they forget how critical or dire their situation once was, the desire and willingness to pay their legal bills slowly diminishes, putting firms in a place where they need to follow up and remind clients of their duty to pay.

Eventually the client’s perception of value begins to diminish.
A KNOWN PROBLEM BETWEEN LAWYERS AND THEIR CLIENTS

It's no secret that many law firms struggle to invoice their work and collect payments in a timely manner. Almost one in three legal professionals agree that their firm takes too long to get bills out to clients, and less than half would say they bill in a timely fashion.

But from the client's point of view, the problem is even worse. Of those who have hired a lawyer at some point in the past, 15% of clients said they didn't receive a bill at all.

While it may be hard to believe that firms could fall short on billing 15% of their cases, a couple of factors are likely at play here. On the one hand, clients may either have missed or forgotten about the bills their lawyer sent them; on the other, when firms share bills, there is always the chance that they can get lost in the mail or flagged by spam filters. In either situation, however, the onus is ultimately on lawyers and their firms to stay on top of their bills.

Many law firms know they have billing problems

% of legal professionals who agree that their firm takes too long to bill clients

![Pie chart showing 31% Agree, 46% Neither agree nor disagree, 23% Disagree]
And of the clients that did receive a bill, 28% said that it was at least a noticeably long time—if not a very long time—after their lawyer did the work. Even if firms are getting their bills out to clients, many aren’t doing so in a timely manner.

15% of clients never received a bill from their lawyer
Of those who have hired a lawyer, did they receive a bill from their lawyer?

- Yes: 80%
- Don’t recall: 15%
- No: 5%

28% of bills take a long time to get to clients
Of those who received a bill from their lawyer, how timely was it with respect to the legal work?

- Timely: 8%
- Noticeably long time: 20%
- Very long time after: 72%

Of those who have hired a lawyer at some point in the past, 15% of clients said they didn’t receive a bill at all.
THE CHALLENGE TO GET PAID

Forty-one percent of legal professionals say that clients don’t pay on time, and almost one in four said that too many of their clients don’t pay them at all. But on the client side, most say that they pay their legal bills on time—and would prefer to pay their lawyer on time if they were to hire one.

Law firms struggle to get clients to pay on time

% of legal professionals who agree

<table>
<thead>
<tr>
<th>%</th>
<th>Too many clients don’t pay on time</th>
<th>Too many clients don’t pay at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td></td>
<td></td>
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<tr>
<td>24%</td>
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</tbody>
</table>

Clients prefer to pay their bills on time

% of the general population who agree

<table>
<thead>
<tr>
<th>%</th>
<th>I generally pay my bills in a timely manner</th>
<th>If I received a bill from my lawyer, I’d prefer to pay right away</th>
</tr>
</thead>
<tbody>
<tr>
<td>84%</td>
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<td>67%</td>
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</tbody>
</table>
A bill should provide a clear and timely communication of what should be paid, when it should be paid, and how it should be paid.

A bill should also be easy for clients to pay.

Of those who have hired a lawyer, how promptly did they pay their legal bills?

- Right away: 53%
- Not right away, but timely: 25%
- Slightly delayed: 11%
- Significantly delayed: 2%
- Did not pay: 6%
- Don’t recall: 4%

Most clients say they paid their legal bills in a timely manner.
MANY LAW FIRMS ARE STILL COMMITTED TO “SNAIL MAIL”

Many clients still get their legal bills by mail
% of those who have hired a lawyer, how they received their legal bills

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>In person</td>
<td>54%</td>
</tr>
<tr>
<td>By email</td>
<td>39%</td>
</tr>
<tr>
<td>By mail</td>
<td>37%</td>
</tr>
<tr>
<td>By text message</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
<tr>
<td>Don’t recall</td>
<td>1%</td>
</tr>
</tbody>
</table>

Throughout the duration of their legal matter.
37% of clients said that they received their bills by mail and 39% said they received them by email.

WHO’S TO BLAME?

CLIENTS SAY...

15% of clients said that they didn’t receive a bill.

28% of those who hired a lawyer said they waited a noticeably long time to receive their bill.

LAW FIRMS SAY...

41% of legal professionals said that clients don’t pay on time.

24% said that too many of their clients don’t pay at all.
ONLINE PAYMENTS GET FIRMS PAID FASTER

Offering online payments significantly reduces the friction involved for clients in paying their legal bills. In fact, law firms using online payments get paid more than twice as fast. When looking at the number of days waiting period of seven days compared to 15 days for those not using online payments.

Without the ability to pay a law firm electronically, clients typically have to rely on other means, such as paying by check, which slows the entire payment process. It requires that clients have a checkbook on hand and the time to mail or drop off the check in person, both of which only add to a law firm’s collection and total lockup.

When comparing how many bills get paid, the largest difference is in the first 50 days from issuing a bill. Firms using online payments see the greatest benefits within the first several weeks, as this is when bills are likely to get paid the quickest, helping give law firms more cash on hand at any given time.
To put this into greater perspective, law firms using online payments collect, on average, 50% of their bills within seven days of issuing them and 80% of their bills within 49 days (see chart below). Law firms not using online payments take more than twice as long—15 days—to collect 50% of their bills and it takes 70 days—over two months—to collect 80% of bills.
Law firms using online payments on average collect 50% of their bills within 7 days of issuing them, and 80% of their bills within 49 days.

ENCOURAGING CLIENTS TO PAY ELECTRONICALLY PAYS OFF

When more bills get paid electronically, firms get paid even faster

<table>
<thead>
<tr>
<th>Days to get 50%, 60%, 70%, and 80% of bills paid</th>
<th>% of bills paid electronically</th>
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</thead>
<tbody>
<tr>
<td>&lt;75%</td>
<td>0%</td>
</tr>
<tr>
<td>50–70%</td>
<td>25–50%</td>
</tr>
<tr>
<td>&gt;25%</td>
<td>50–70%</td>
</tr>
</tbody>
</table>

When more bills get paid electronically, firms get paid even faster

Days since issuing bill

% of bills paid

<table>
<thead>
<tr>
<th>Days since issuing bill</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days</td>
<td>3</td>
<td>6</td>
<td>14</td>
<td>31</td>
</tr>
<tr>
<td>Bills paid</td>
<td>15</td>
<td>19</td>
<td>30</td>
<td>51</td>
</tr>
<tr>
<td>Bills paid electronically</td>
<td>31</td>
<td>37</td>
<td>58</td>
<td>70</td>
</tr>
</tbody>
</table>
Firms that collect 75% or more of their payments electronically collect half of their bills within three days of issuing them.

CLIENTS ACTUALLY WANT TO PAY BY CREDIT CARD

Clients are looking for when it comes to payment options. In our survey, paying by credit card was the most preferred option for paying a lawyer, accounting for almost half of all respondents across all age groups. Only one in five consumers wanted to pay by check, and even fewer by cash.

Firms that collect 75% or more of their payments electronically collect half of their bills within three days of issuing them.
More 55 year-olds and older (24%) prefer to pay by check compared to 18-to-34 year-olds (18%) and 35-to-54 year-olds (17%). Interestingly, more 18-to-34 year-olds prefer to pay in cash (22%) compared to 35-to-54 year-olds (15%) and those 55 years and older (7%).

Since many clients are not just willing, but actually prefer to pay their legal bills with credit cards, law firms should implement strategies to ensure that clients know they have the option to pay electronically and educate clients on the ease and convenience of electronic payments. Doing so could result in getting bills paid exponentially faster, which in turn will result in a drastic increase in cash flow.

Only 1 in 5 consumers wanted to pay by check, and even fewer by cash.
How to make electronic payments more convenient for clients

Law firms can implement several methods to make it easier and more convenient for clients to pay quickly. These include:

- **Electronic payment links.** Including payment links in bills make it easy for clients to pay as soon as they receive their bill.

- **QR codes.** QR codes can be added to bills or displayed in the office so clients can make quick payments to the firm from their mobile device.

- **Saved payment methods.** Storing a client’s payment information means they don’t need to look up and enter their payment information every time they make a payment.

- **Automated payment plans.** Setting up automated transactions as a monthly subscription-type fee ensures that money gets paid every month for continuous work or consultation.

- **Evergreen trust requests.** Collecting automated trust deposits can be used to collect advanced fees, helping to ensure that funds are available to pay bills as they’re issued.
Part 4

Business levers to improve firm performance
One of the biggest points of improvement that law firms have seen over the years is in their ability to bill and collect payment for more of their work. As we see below, many of these gains correlate with the use of better billing and collection technology. But while many law firms have increased their capability to bill and collect more, other firms are being left behind.

This section looks at important business levers—technological capabilities that improve billing and payment collections—used by law firms and how these tools can have an outsized impact on revenue.

But while many law firms have increased their capability to bill and collect more, other firms are being left behind.
BUSINESS LEVERS FOR IMPROVING REALIZATION RATES

When comparing firms that use these capabilities to those that don't, we see a vast difference in how much of a firm's work actually gets billed to clients.
TOP 3 DIFFERENCES IN REALIZATION

When looking at the business levers that have the most profound impact on realization rates among law firms, the top three are:

1. **Email billing.**
   - When law firms create a bill using the billable hours tracked in Clio, they have the option to email the bill directly to the client. This feature saves having to download the bill to send the client. Law firms that emailed bills directly from Clio had realization rates 25% higher than firms that did not (91% compared to 73%).

2. **Outstanding balances summary.**
   - When working with a client that has multiple outstanding bills, law firms can summarize a total of what the client owes in an email sent from Clio. The summary itemizes the bills, the amounts unpaid for each, and a total amount owed, which can be paid from an embedded payment link. Firms using this feature to follow up with unpaid bills had realization rates that were 26% higher than firms that did not (88% compared to 70%).

3. **Bulk billing.**
   - Bulk billing is a workflow that allows law firms to instantly draft all of its bills—or a selection of bills—for clients with unbilled activities. The ability to automate an otherwise tedious process saves significant time and can lead to more billable work being invoiced to the client. Law firms using bulk billing have realization rates that are 21% higher than firms not using the feature (94% compared to 78%).

FEE-FORWARD BILLING ENSURES CLIENT FUNDS ARE AVAILABLE TO PAY LEGAL BILLS

Trust requests and evergreen trust requests are features in Clio that make it easy for law firms to request advance fee deposits and stay on top of requests to keep trust accounts topped up each month. Since firms know that funds are on hand to pay their clients' bills, lawyers may be less likely to apply write-downs or discounts. As a result, their realization rates remain high.
LAWYERS VALUE THEIR WORK MORE WITH BETTER SYSTEMS IN PLACE

A surprising outcome of our analysis was that Clio’s bill approval workflow correlated with increased realization rates. The bill approval workflow allows someone, usually a non-legal professional like an office manager or bookkeeper, to draft an invoice which is then sent to a lawyer for review and approval. Our initial expectation was that putting more time toward reviewing bills would result in added write-downs or discounts, but instead it had the opposite effect, resulting in realization rates that were 9% higher than firms not using this feature.

AUTOMATED BILLING AND PAYMENT COLLECTIONS CREATE SMOOTHER EXPERIENCES FOR CLIENTS

Many of the business levers looked at in this analysis automate important tasks for billing and payment collections that take up a lot of time when done manually. Having better systems in place allows lawyers to include more of their billable work on client invoices and gives them confidence in knowing that follow-ups will be handled automatically for the lawyer. And, if lawyers are concerned that billing more of their work will make clients less likely to pay, these higher realization rates generally don’t appear to affect collection rates, as we see below.
TOP BUSINESS LEVERS FOR IMPROVING COLLECTION RATES

We also examined collection rates when analyzing business levers associated with increased realization rates. In most cases, firms using these features also saw modest increases in their collection rates.

TOP 3 DIFFERENCES IN COLLECTION RATES

1. Outstanding balances summary.

Collection lever gains

Collection comparisons between law firms using and not using each feature

Firms using

Firms not using

TOP 3 DIFFERENCES IN COLLECTION RATES

#')**&$///.#0.$ 1 -./#/#1/#'"/.$ - )

+4% +3% +3% +2% +1% +1% +1% +1% +1% +1% +1% +1%
86% 87% 88% 88% 88% 88% 88% 88% 88% 88% 88% 89%

-2%
2. Email billing. Email billing can free up a significant amount of time for lawyers and staff when sending out bills while making it easier for clients to pay, since bills include a link for instant electronic payment. Not only does email billing put invoices directly into a client's inbox; it also makes it convenient for clients to then click the link to pay immediately, reducing the risk that the bill will get lost or forgotten. Firms using email bill sharing had 3% higher collection rates than firms not using it (90% compared to 87%).

3. Trust requests. Similar to how firms saw higher realization rates when they used this feature, the ability to easily collect advanced fee deposits ensures that money is on hand to pay legal bills as they are issued. Firms using this feature had collection rates that were 3% higher than firms not using them (90% compared to 87%).

COMPARING THE IMPACT OF REALIZATION AND COLLECTION

Consider a lawyer that completes $100,000 worth of billable work over a period of time. When we compare realization rates between firms using email bill sharing versus those not, those using this capability will bill out 91% of the work on average, compared to 73% for those not using the feature.

Then, when we factor in the difference in collection rates, that same firm using the feature will, on average, collect 90% of the work they bill out compared to only 87% for those not using the feature. Based on the difference in realization and collection rates, the firm using email bill sharing will collect $18,390 more based on the same amount of work.
PAYMENT PLANS

Firm A earns $18,390 more than Firm B based on the same amount of work.
is the average installment amount that clients pay when on a payment plan

**$300**
Automated bill reminders are also associated with a substantial difference in revenue collection. Firms that automate bill follow-ups not only free up time among firm staff, but also ensure that clients get timely reminders when their invoices are past due.

Among firms of all sizes, those using automated bill reminders collected, on average, 49% more monthly revenue per lawyer than firms that did not. Solo law firms saw the greatest difference: those using this feature collected 29% more monthly revenue compared to solos not using it. Small and mid-sized firms saw substantially more revenue collection as well—15% and 20% respectively.
GUIDE TO BUSINESS LEVERS THAT IMPROVE BILLING AND PAYMENT COLLECTION WORKFLOWS

- **Bill approval workflow.** Review bills for accuracy and completeness prior to sending them to clients.

- **Automated bill reminders.** Send outstanding balance reminders to clients and bill recipients on a cadence that you select.

- **Bulk billing.** Send all approved, unsent bills to bill recipients in a single action.

- **Clio for Clients.** Clients can view and pay bills from their mobile app, in addition to uploading documents, keeping track of case details, and more.

- **Email billing.** Send bills directly to a bill recipient's email address with a link to pay immediately online.

- **Evergreen trust requests.** Get notified when it's time to replenish a client's trust fund to pay for the work done on their case.

- **Outstanding balance summary.** Manually send clients reminders for outstanding bills and balances with a link to pay online.

- **Payment plans.** Receive payments toward a client's outstanding balance in specified intervals until the bill is paid.

- **Secure payments link.** Send clients secure payment links that route payments directly to your specified bank accounts.

- **Stored payment methods.** Clients can store payment methods for future bill payments.

- **Trust requests.** Send trust requests to clients that will deposit funds directly into your trust account.
LEVERAGE POINTS THAT FIRMS STRUGGLE WITH MOST

When comparing firms that were satisfied with their revenue to those that were not, we looked at the differences in where they experience frustrations in their day-to-day operations. In all cases, firms that were not satisfied with their revenue were more likely to experience frustration across every type of work.

The most frustration experienced by firms that were unsatisfied with their revenue was in general accounting, which saw a 50% difference (72% compared to 48%). Collecting payments from clients, managing client communications, and tracking billable hours were also frustrating to many firms that were unsatisfied with their revenue.

Each of these points of frustration represents areas of business that 's & '4. $又被' /#/*.0' $(*+1 2$/#/ -4./ (. and processes.

Firms unsatisfied with their revenue are more frustrated at work

% who express frustration with each type of work at their firm

<table>
<thead>
<tr>
<th>Firms satisfied with revenue</th>
<th>Firms unsatisfied with revenue</th>
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<tbody>
<tr>
<td>General accounting</td>
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<tr>
<td>Collecting payments from clients</td>
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<td>Handling client communications</td>
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<td>Filing and storing documents</td>
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<td>Teaching and training</td>
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<td>Handling and storing documents</td>
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<tr>
<td>Managing and storing documents</td>
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<td>Getting documents signed</td>
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<td>Digitizing documents</td>
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<tr>
<td>Building and delivering</td>
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<td>Research</td>
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<td>Legal research</td>
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<td>Collecting</td>
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<tr>
<td>Handling client</td>
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<td>Legal research</td>
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<td>Collecting</td>
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MORE LEVERS FOR IMPROVING BUSINESS PERFORMANCE

We also asked survey respondents to tell us which of their practice management-related tasks involve technology. By then comparing firms that were satisfied and unsatisfied with their revenue, we identified what types of features successful firms were more likely to use.

- Billing and accounting, 3+ )-(& $)"€1 )0 (-$)$"€
  and trust accounting capabilities

- Client-facing communications. ' $ )"((0)$/$*$ ).€
  ' $ )$/& P')"$" (-& /$"

- Document management. * 0( )-($)"€)$"€
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Firms with strong revenue are more likely to use technology for office tasks

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<thead>
<tr>
<th>Firms with good revenue</th>
<th>Firms with neutral or bad revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of firms that use technology for each type of work task</td>
<td></td>
</tr>
</tbody>
</table>

Calculating | Time tracking | Document management | Emailing | 
Document drafting | Legal research | Task accounting | Editing | 
Contract management | Dispute resolution | Client communications | Billing and accounting |

0% | 25% | 50% | 75% |
Part 5
The promise of AI
The advent of generative artificial intelligence (AI) marks the most significant technological development in recent years—if not a generation. Unlike any technology before it, generative AI can perform many of the complex tasks that only the human mind has been capable of.

What makes LLMs more advanced is that they can not only understand vast amounts of text but also generate new content based on their derived interpretations of human language, which is what many of us have seen firsthand with ChatGPT.

A FUTURE OF RAPID ADVANCEMENT IN LEGAL

What does the rise of AI mean for lawyers? There is no question that we are at the precipice of another massive technological advancement that promises to radically transform the legal profession. We've only just seen the first iterations of AI's capabilities—how technology can take on advanced cognitive processes at a level of quality and speed far beyond anything we've seen before.

The situation today parallels the first breakthroughs in cloud-based technologies more than 20 years ago or in modern mobile devices 15 years ago. When these technologies first emerged, it wasn't clear how they would manifest within our society—yet their future ubiquity was palpable even then. We are at a similar stage with AI. While the advancement in both the capabilities and use of AI is certain, it is not necessarily clear what an AI-assisted world will look like in the future. With these latest developments, AI has the opportunity to radically transform our society. Many also see extreme risk—the potential for millions of job eliminations, further widening of wealth inequality, and increasing polarization within the global political climate.

AI's potential implications on the world are so profound that some scientists and politicians are calling for temporary—and in some cases, indefinite—moratoriums on AI development. How we deploy AI ethically, safely, and responsibly will be a critical issue for the legal profession to navigate over the coming years.

Both cloud computing and mobile technologies enabled us to create, share, and find information with exponentially greater speed and accessibility. AI will give us even greater capability to not just access but create knowledge and perspective with almost zero effort. For knowledge-based professions like legal—and others that will surely include finance, technology innovation, and creative arts—these capabilities will be revolutionary, giving legal professionals the freedom and opportunity to reimagine how they spend their workdays.

We've seen technology disrupt industries in the past. But through these disruptions, we typically see a net positive benefit. For example, prior to 1979, whole floors of accountants used to do the work that can now be done by a single person in a modern spreadsheet. When Don Bricklin invented the first computer spreadsheet with VisiCalc, many feared it would replace the need for accountants—whom, until then, individually performed the work that could now be done within a single cell in Excel.
AI will give us even greater capability to not just access but create knowledge and perspective with almost zero effort.

A BIGGER, SMARTER LEVER

There is no question as to whether AI will categorically transform their practices and what they are doing to prepare. The answer

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There is no question as to whether AI will categorically transform legal work.
At the same time, while both legal professionals and clients are interested in AI, the majority are also cautious. Fifty-eight percent of legal professionals don’t believe AI is advanced enough to be considered reliable, and 39% say they don’t trust it. Clients and potential clients have a similar view regarding AI’s reliability but are even less likely to trust it.

As with any new technology, lawyers especially need to be aware of the risks. To leverage AI to their advantage, lawyers need to know what types of tasks are suitable for an AI to take on, what oversight is required, and what solutions are available in the first place.

At the time of surveying, ChatGPT was the most widely-used form of generative AI, but it was also the first of its kind and designed for general use by the wider public. It was also trained on open datasets that may be unsuitable for certain types of law firm tasks due to the inherent biases and lack of context-specific parameters. As more solutions become available, lawyers should ensure that they use technologies based on secure, reliable data sources managed by reputable businesses. This will help ensure the security of their practices while building trust with clients.

In the meantime, the perceived barriers to adoption are low, as most see AI as easy to use. Only 8% of legal professionals and 28% of clients believe that AI software is too difficult to learn.
of legal professionals said that they were interested in learning more about AI.

**AI POSES BOTH RISKS AND REWARDS**

*63% of legal professionals said that they were interested in learning more about AI.*

Clients see more benefits to using AI in legal

| % of legal professionals and general population who see potential benefits |
|---------------------------------|---------------------|
| Greater efficiency             | 38%                 |
| Better affordability           | 31%                 |
| Higher quality services        | 32%                 |

Legal professionals | Clients
When it comes to the potential risks that AI could pose, many legal professionals express concern. Forty-one percent believe AI would open them up to professional liability, 57% are concerned about client privacy and confidentiality issues, and 37% worry about the risks of copyright issues.

Larger firms are more likely to be concerned about copyright risks: almost half (47%) of firms with 20 or more full-time employees have copyright-related worries regarding AI, compared to 33% of solo firms and 36% of firms with two to 19 employees. Administrative staff are more concerned about copyright than lawyers: of our survey respondents, 46% of law firm administrators, 41% of paralegals, and 34% of lawyers were concerned about this issue.

For some, perceived trust may be at the heart of the issue. Thirty-nine percent of legal professionals think clients won't trust a lawyer who uses AI in their practice. Just over one in three (37%) clients or potential clients say they'd be less likely to trust a lawyer who uses AI.
It will be up to vendors developing AI technologies to stay abreast of these concerns and develop solutions that protect lawyers from all perceived risks.

Lawyers can play a role in highlighting advantages in conversations and clients need time to adapt their perceptions.

Transparency surrounding the use of AI is top of mind for both lawyers and clients. Seventy percent of clients say they would want lawyers to disclose whether or not they use AI in their practice, and nearly half (47%) of legal professionals say they would want their clients to know if they used it.

And if lawyers weren’t forthcoming about their use of AI, only 12% of legal professionals and 33% of clients believe it would be easy to know whether a lawyer was using AI.
Lawyers are more likely than others in the firm to see the efficiency benefits of AI.

39% of legal professionals think clients won’t trust a lawyer who uses AI in their practice.

Lawyers can play a role in highlighting advantages in conversations with clients and, more importantly, prove the benefits through the quality and responsiveness of their work.
THE UNSEEN POTENTIAL OF AI IN THE JUSTICE SYSTEM

How AI will support the wider justice system is not yet clear to most legal professionals. As a new technology, members of the legal system will need to work with trusted providers to develop solutions that will innovations and capabilities become widely available.

Overall, only 19% of legal professionals believe that the benefits of using AI in a law firm outweigh the costs; 32% of clients and potential clients agree, suggesting that more consumers see the potential advantages of AI to improve efficiencies and reduce the overall cost of legal services.

Among legal professionals, lawyers (22%) are more likely than paralegals (12%) and administrative staff (15%) to see the benefits of AI. Yet, over half of legal professionals (54%) have serious concerns about AI being used in the legal profession, with more lawyers (57%) than administrative staff (43%) feeling this way. Over half of clients and potential clients (55%) have serious concerns about AI being used within the legal profession.

Legal professionals are more cautious about AI in the justice system

<table>
<thead>
<tr>
<th>% of legal professionals</th>
<th>Clients</th>
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<tr>
<td>I am concerned about AI being used in legal</td>
<td>55%</td>
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<tr>
<td>I would lose trust in courts if they used AI</td>
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<tr>
<td>The benefits of AI outweigh the costs</td>
<td>32%</td>
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<tr>
<td>The justice system could be improved with AI</td>
<td>32%</td>
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<tr>
<td>Courts should use AI</td>
<td>27%</td>
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Legal professional and general population who agree
Regarding AI’s use within the justice system, few legal professionals (only 19%) think that AI will help improve it, and 35% say they would lose trust in the legal system if courts started using AI. Only 17% of legal professionals think that courts should use AI.

Clients and potential clients are more polarized on the issue. More think that AI should be used in courts and that AI will help improve the justice system. At the same time, more clients than legal professionals say they would lose their trust in the legal system if it were to use AI.

A common fear in any profession is that AI will replace the need for humans in their jobs. In the legal industry, paralegals are considered most at risk. Although one in four (27%) legal professionals believe AI could make paralegals less necessary, most either disagree or are neutral on the issue. And, surprisingly, paralegals are no more likely than lawyers to feel this way.
Part 5: The promise of AI

But firm size seems inversely related to the belief that AI will be a substitute for paralegals: 53% of firms with 20 or more full-time employees do not believe AI would make paralegals less necessary, compared to 31% of solo firms, 35% of firms with two to four employees, and 37% of firms with five to 19 employees.

As of publishing this report, no US bar association has issued an opinion about the use of AI among legal professionals. However, the ABA has announced the creation of a task force to study the emerging impact and ethical implications for legal practice.\(^{10}\) Still, 20% of legal professionals believe that bar associations will never approve of practices using AI. And larger firms—those with 20 or more full-time employees—are more likely to believe that bar associations wouldn’t approve of using AI. Specifically, 31% of these firms, compared to 17% of solo firms, 21% of firms with two to four employees, and 19% of firms with five to 19 employees say that bar associations wouldn’t support the use of AI. Moreover, paralegals are more likely than lawyers to agree: 25% of paralegals, compared to 18% of lawyers, believe their bar would disapprove of AI in the legal profession.\(^{10}\)


Few see bar associations approving the use of AI

% of legal professionals who agree that bar associations won’t approve of legal practices
With so many lawyers and clients potentially concerned with the implications of AI being used in legal practice, it will be an issue that professional licensing and regulation bodies will need to stay abreast of—to guide their members through the potential risks and benefits.

- 19% of legal professionals believe that the benefits of using AI in a law firm outweigh the costs.
- 20% of legal professionals believe that bar associations will never approve of practices using AI.
HOW AI CAN BE USED BY LEGAL PROFESSIONALS

Lawyers can use most of these applications with a general, out-of-the-box solution like ChatGPT. Still, more solutions are being rapidly developed for specific tasks, providing results tailored to specific use cases.

When it comes to applying AI to certain tasks, again, many lawyers and their clients see both advantages and risks.

AI offers many applications for legal professionals.
Since the most widely-available AI-powered tools today are conversation-based, they have significant potential to improve communications-based tasks. Using AI to draft email responses to clients, for example, can save lawyers a significant amount of time.

In fact, 32% of lawyers agree that AI can help reduce workloads. But 38% think that generating email responses with AI will lead to too much error and 38% also believe that letting an AI respond entirely on a lawyer’s behalf would be unethical.

Of course, review and oversight of AI-powered communications may be necessary for some time. Given the tendency for AI to “hallucinate,” or provide inaccurate information, any work produced by an AI should be carefully reviewed—similar to how a senior firm member would review the work of an intern. While AI offers the benefit of an overall increase in work capacity, lawyers must still remain accountable for their work product.

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**Some see risks in using AI to communicate to clients**

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Part 5: The promise of AI

Since AI uses advanced natural language processing, AI-powered tools can review, analyze, and summarize large amounts of text in a very short time.

It's no wonder, then, that 40% of lawyers see potential value in using AI for legal research, saying it would dramatically improve efficiency. But only 28% believe that AI would be reliable in performing legal research for a client and 38% said that using AI would lead to too much error in legal research. In other words, while lawyers see a lot of time-saving value in using AI for legal research, many remain cautious with respect to quality and the risks this could pose to client work.

Lawyers should be aware that not all AI solutions—especially the more general, consumer-oriented products—have a nuanced understanding of what is required for legal application. Depending on the nature and context of the task they are being used for in their research, lawyers should seek AI solutions that have been trained specifically for legal document review and summation, with strict provisions in maintaining privacy and data security that are in line with their ethical obligations.
AI-powered tools can review, analyze, and summarize large amounts of text in a very short time.
It's again worth noting the difference between leveraging AI to synthesize and analyze massive amounts of information, which can be used to make decisions, versus using AI to perform legal work without oversight by a legal professional. When it comes to using AI for decision-making and client recommendations, legal professionals are more skeptical. Only 27% of legal professionals would consider relying on AI to help provide legal advice to clients, and just 10% felt comfortable relying on AI to make decisions on their behalf. Interestingly, lawyers (32%), more so than paralegals (14%) and administrative staff (16%), say they'd consider relying on AI-powered software to help advise their clients.
Only 27% of legal professionals would consider relying on AI to help provide legal advice to clients, and just 10% felt comfortable relying on AI to make decisions on their behalf.

**MANY CLIENTS SEE THE BENEFIT OF HIRING A LAWYER WHO USES AI**

But the client perspective is also relevant. How clients and potential clients feel about the use of AI in the legal profession should be just as important in determining how and where to consider using AI in legal practice.

Even if AI solutions were to become unquestionably reliable for legal work, if clients aren’t prepared to accept the use of these technologies, law firms may have to carefully weigh the benefits of using AI against the potential loss of client trust—or find ways to win stronger trust with clients through better reputation building.

As it turns out, despite being a relatively new technology, many clients express a fair amount of comfort with the idea of using AI, as long as its benefits are clear. Close to half of clients or potential clients surveyed said they would be comfortable hiring a lawyer who uses AI for client communications if it made legal services more affordable, gave lawyers more time to work on their case, and they knew that the technology was reliable.
Part 5: The promise of AI

Many older individuals would agree, though to a somewhat lesser extent. Forty percent of those 55 and older would be comfortable hiring a lawyer who uses AI if it made that lawyer more affordable; 48% of 18-to-34 year-olds and 51% of 35-to-54 year-olds would agree. And 42% of those in the 55-plus age group would hire a lawyer if their use of AI gave them more time to work on cases, compared to 51% of 18-to-34 year-olds and 49% of 35-to-54 year-olds.

The use of AI by lawyers is also more welcomed if done transparently: almost half of consumers say they'd hire a lawyer who uses AI if that lawyer told them they did so. Also, many clients and potential clients seem permissive of lawyers using AI-powered tools for important tasks like legal research and client communications.

Clients would be comfortable hiring lawyers using AI to respond to clients if...

<table>
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<th>% of general population who agree</th>
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<tr>
<td>...my lawyer could put more time into my case</td>
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<tr>
<td>...AI were more reliable</td>
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<tr>
<td>...it made legal services more affordable</td>
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<td>...most lawyers did this</td>
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like legal research and client communications.
Aside from whether AI affects hireability from a potential client’s perspective, its use can shape how the general public perceives a lawyer’s reputation. Our data indicates that many in the general population perceive lawyers who use AI for client communications as efficient, organized, and effective.

However, clients also see lawyers who choose to use AI as too busy and prone to error, which may be a perception that lawyers need to manage if and when they implement AI solutions in their practice.

Clients still have trust in lawyers using AI

% of general population who agree

- I would hire a lawyer using AI if they told me they use it
  - 46%

- I would trust a lawyer who uses AI to perform legal research
  - 43%

- I would trust a lawyer who uses AI for client communications
  - 39%

population perceive lawyers who use AI for client communications to manage if and when they implement AI solutions in their practice.
Part 5: The promise of AI

Client perception of lawyers using AI for client communications

- Efficient: 30%
- Organized: 25%
- Effective: 24%
- Successful: 18%
- Affordable: 18%
- Trustworthy: 14%
- Experienced: 13%
- Driven: 12%
- Home of these: 10%
- Caring: 8%
- Easy to bury: 33%
- Pervasive to error: 25%
- Unfair: 15%

Client perception of lawyers using AI for legal research

- Efficient: 32%
- Effective: 25%
- Organized: 23%
- Affordable: 17%
- Successful: 15%
- Experienced: 14%
- Trustworthy: 13%
- Driven: 13%
- Home of these: 11%
- Caring: 8%
- Easy to bury: 27%
- Pervasive to error: 26%
- Unfair: 15%
Almost half of customers say they’d hire a lawyer who uses AI if that lawyer told them they did so.

**USE OF AI IN LEGAL, TODAY**

> Many legal practices already use AI

<table>
<thead>
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<th>% of legal professionals who use AI in their practice</th>
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<tr>
<td><strong>69%</strong></td>
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<td><strong>19%</strong></td>
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<td><strong>12%</strong></td>
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- Use
- Don’t use
- Not sure

11 Vogels, Emily A., “A majority of Americans have heard of ChatGPT, but few have tried it themselves,” Pew Research Center.
And while most legal professionals don’t use AI now, there is a strong appetite for future use. About half (51%) of legal professionals say they’d like to see more AI used in their practice; among them, 34% say they’d like to use it in their firms within the next six months, and 37% say within the next year. Smaller firms seem to have a greater appetite for more immediate future AI use: while 64% of firms with five to 19 employees and 61% of firms with 20 or more employees say they’d like to use AI more within the next year and 76% of solos and 74% of firms with two to four employees feel the same.

**More legal professionals want more use of AI in their practices**

% of legal professionals who want to use AI in their practice in the future

- **32%** Want to use AI
- **17%** Don’t want to use AI
- **51%** Not sure

*Chart showing the distribution of legal professionals' preferences for AI use in their practices.*
Part 5: The promise of AI

Most legal professionals want to see AI in their practices very soon

Among legal professionals who want to use AI in the future

- Within 6 months: 34%
- Within 1 year: 37%
- Within 5 years: 22%
- More than 5 years from now: 1%
- Not sure: 7%

What would legal professionals like AI to assist with?

- Finding, storing documents: 51%
- Calendaring: 49%
- Getting documents signed: 49%
- Tracking billable hours: 47%
- Drafting documents: 45%
- Collecting payments: 45%
- Tracking expenses: 45%
- Online marketing (SEO, Google ads, social media advertising): 44%
- Legal research: 44%
- Tracking revenue: 43%
- Client intake: 42%
- Discovery for litigation: 33%
- Managing client communications: 32%
- General accounting: 32%
- Court filings: 28%
- Responding to client emails, calls, texts: 28%
- Paying employees: 23%
- Trust accounting: 22%

% of legal professionals who agree
Lawyers also see billing and payments tasks as a great use of AI: specifically, tracking billable hours (47%), collecting payments from clients (45%), and tracking expenses (45%). Calendaring (49%) on its own was also one of the most desired use cases for AI.

Lower on the list of tasks that legal professionals see AI suited for are accounting-related tasks like general accounting (32%), paying employees (23%), and trust accounting (22%). And fewer legal professionals (28%) want AI to help them respond to client emails, calls, and texts. Smaller firms are more interested in using AI for payments-related tasks, like collecting payments from clients, tracking expenses and revenue, paying employees, and general accounting.

Overall, many clients and potential clients had similar perspectives on how law firms should use AI. Tracking expenses (36%), tracking billable hours (33%), and calendaring (33%) were most common.

In terms of what legal professionals are already using AI for in their practice, legal research is the most common among respondents (9%). Drafting documents was the second-most common at 7% of respondents.
About half of legal professionals say they’d like to see more AI used in their practice.

LEGAL PROFESSIONALS SEE MUCH PROMISE IN THE FUTURE OF AI

Many legal professionals have shown interest in its future adoption in increasing both the speed and quality of their legal work products. Widely available for legal practice.
As more tailored solutions become available, legal professionals will have substantial opportunities to significantly enhance their productivity, increasing both the speed and quality of their legal work products.
Appendix A

Hourly rates and KPIs
Each *Legal Trends Report* includes data on average hourly rates and key performance indicators (KPIs) to help analyze lawyer and law firm productivity, efficiency, and revenue generation.
### Appendix A: Hourly rates and KPIs

#### HOURLY RATES BY STATE

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<td>Elder Law</td>
<td>64%</td>
<td>83%</td>
<td>Trusts</td>
<td>74%</td>
<td>95%</td>
</tr>
<tr>
<td>Employment/Labor</td>
<td>76%</td>
<td>87%</td>
<td>Wills &amp; Estates</td>
<td>57%</td>
<td>94%</td>
</tr>
<tr>
<td>Family</td>
<td>85%</td>
<td>90%</td>
<td>Workers’ Compensation</td>
<td>85%</td>
<td>90%</td>
</tr>
</tbody>
</table>
Appendix B

Detailed methodology
APP DATA COLLECTION

The *Legal Trends Report* uses aggregated and anonymized data collected from the Clio platform. By synthesizing actual usage data, we're able to identify trends that would be otherwise invisible to most firms.

The *Legal Trends Report* has been prepared using data aggregated and anonymized from tens of thousands of 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.

- Any data from customers who opted out of aggregate reporting was 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 from their customers. 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 DESIGN

Survey of US legal professionals

We surveyed 1,446 US legal professionals from May 31 to July 20, 2023. The legal professionals we surveyed included lawyers as well as support staff—such as paralegals and administrators—who are engaged in the management side of their practice.

Survey of US consumers (general population)

We surveyed 1,012 adults in the US general population from June 13 to June 22, 2023. This survey was designed to gauge attitudes, opinions, preferences, and behaviors regarding the legal profession among individuals who have hired lawyers in the past or who may become potential legal clients in the future. This sample is representative of individuals who have hired lawyers in the past or who may become potential legal clients in the future. This sample is representative of the US population by age, gender, region, income, and race/ethnicity based on the most recent US census statistics.
Clio is powering the future of legal services for lawyers and their clients through a suite of cloud-based solutions, including legal practice management, client intake and CRM, online payments, and client-attorney communication and collaboration software.

Clio has been transforming the industry for over a decade with 150,000 customers spanning 100 countries, and the approval of 90+ bar associations and law societies globally, including recognition by all 50 state bar associations in the US.

Clio continues to lead the industry with initiatives like the Legal Trends Report, Clio Cloud Conference, and Clio Academic Access Program. Clio has been recognized as a Deloitte Fast 50 and Fast 500 company and a market leader by G2 Crowd.

Learn more at clio.com.