

## **This month:**

- **You can't avoid the business challenge and change**
- **Life in the new world**
- **Cash, Price and Enquiries**
- **What does it mean to the bottom line**

## **The Time has come.....**

For all law firm business owners and commercially responsible managers to more than take stock

Whether we like it or not from either a defensive or proactive perspective all law firms are having to seriously consider ways to

- Reduce costs and save time and increase profit
- Avoid delays through all stages of a file
- Bill punctually and manage working capital
- Ensure consistent and high quality
- Work flexibly and agility
- Working outside of standard hours
- Be compliant, secure and that GDPR thing
- Never miss a new enquiry
- At the same time as enhancing client service and satisfaction

To do so, firms for just about every support function, need to reconsider their traditional in house overheads. Those challenges include

- Loyalty to own staff, familiarity, miscellaneous extra tasks
- Staff vacancies and holiday cover are hard to manage
- Temporary staff are costly and of not necessarily great quality and needing induction
- Inertia and the fear of change are predominant

It is not a coincidence that many high profile and effective law firms such as Keystone outsource to true professional companies with the right expertise and experience. It is also not just a coincidence that they use three MLS Advantage suppliers for their outsourced services

[www.nasstar.com](http://www.nasstar.com) for their hosted IT, security and compliance

[www.moneypenny.com/uk](http://www.moneypenny.com/uk) for their call answering, live chat or digital switchboard

[www.documentdirect.co.uk](http://www.documentdirect.co.uk) for their transcription and document production

Not only do their business models meet the needs of the business with very transparent pay for what you get or monthly charges but there is even an added benefit of less office space being needed or indeed space being freed up for the deployment of more fee earners and hence more revenue (£200 - £300k per annum per person?)

That Outsourcing business also helps greatly too to ensure client and prospect contact is available during those out of hours period. Christmas has gone for 11 months and Easter is a

month away and week-ends and evenings happen all the time. If for no other reason the service to the needy can be quickly enhanced.

### **Associated with this..... Another significant initiative**

Quill [www.quill.co.uk](http://www.quill.co.uk) is a Manchester headquartered business with some 600+ smaller law firms using it's legal accounts software with document management and time recording and interfaces to some third party case management systems. So many small firms, virtual firms and break-aways from larger firms – quite a trend at the moment.

However they also go much further and for c300 of their clients also offer an outsourced book-keeping service. That additional step – also offered by SOS with Virtual Practice.

When recently considering further added value for their clients they have launched Quill Type providing an outsourced typing service from a mobile app full supported by [www.documentdirect.co.uk](http://www.documentdirect.co.uk)

Saving time, reducing costs, avoiding delays, enhanced quality, 24 x 7, flexible working, compliant and confidential.

### **Major Concern Again – working capital**

I am sorry but this major issue will not go away. There are still too many firms being blasé about their working capital – again do look at my website <http://professionalchoiceconsultancy.com/articles.php> and in particular the articles from August 2015 and July 2016 and December 2017.

Unless you can turn WIP or billing into cash within a planned timeframe your business is in trouble and I am afraid it starts with office discipline – poor and low pricing rather than quality of service, failure to get fee earners to time record properly so either not enough time captured or WIP overstated against fixed fees that are too low, failure to close files properly and write off WIP that is not recoverable, failure to hold fee earners accountable for their WIP balances rather than confess to real realisation.

It is a bit embarrassing when the overdraft limit gets a bit tight and a necessary conversation is needed with the bank and when due diligence is needed if the lock up is a fraud.

### **Major Lost Opportunity – Those inbound enquiries**

I see it all over and have commented frequently. All firms seek new business. Sorry I should say most as some teams are overworked. Some firms have grasped the nettle and are achieving something like 60%+ conversion on enquiries. Most are struggling at 20 – 25% and the difference with 100 enquiries a month could be £1.5million in revenue. I am afraid the management, discipline and process needs to be emphasised. It goes right through the firm, even when some have a system in place it is ignored by staff on occasions and nobody is following it through.

### **Pricing**

Some of you are working too cheaply and damaging your businesses because of a fear of lower prices being offered by local competition. It has to stop. Much of it is a matter of confidence. For example handling a Will or a Conveyance properly, even with the best automation in the world requires a minimum skill level and a minimum time interfacing correctly with the client to do a proper job. Believe it or not that is what your client wants – speed, efficiency, personal interface and regulation. You doing that work well and making losses is not good for the business and it hopefully being a lost leader just doesn't hold water. Do a brilliant job, interface well with your client, protect him/her for now and the future and if her/her believes you will get paid.

## Some of my Sums Again

Recording that time again

### Example

Imagine a law firm with this profile

- 50 Fee earners
- Average billing rate per hour of £200

If it can insist or encourage each fee earner to record and bill just 1 more six minute unit a day the revenue and bottom line impact is

- 50 x £20 (unit value) x 230 (working days) = £230,000 Billing, Gross Profit, Net Profit
- 2 more units a day = £460,000
- 3 more units a day = £690,000

The Gross Profit Effect

### Example

- Scenario 1 (starting point) £k
 

– Revenue	4,000
– Direct Cost	(2,000)
– Gross Profit	2,000 (50%)
– Overheads	(1,700)
– Net Profit	300 (7.5%)
- Scenario 2 (+ 10% more revenue with same direct staff – productivity, systems use, price)
 

– Revenue	4,400
– Direct Cost	(2,000)
– Gross Profit	2,400 (55%)
– Overheads	(1,700)
– Net Profit	700 (16%)
- Scenario 3 (Upping GP % by reducing cost – Outsourcing and efficiency maybe)
 

– Revenue	4,000
– Direct Cost	(1,600)
– Gross Profit	2,400 (60%)
– Overheads	(1,700)
– Net Profit	700 (18%)

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