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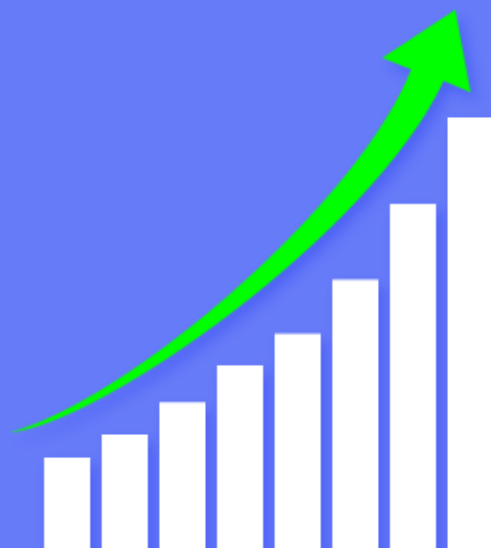
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Law Firm KPIs – How to Measure Your Success

□ August 12, 2015 □ Guest Post □ Practice Tips

**This is a guest post by Mary Juetten. She is the founder & CEO of TrakLight.*

How do you know which attorney or which client is contributing to your profits? How do you know which

marketing expenses or client development activities are contributing to the most valuable clients? Are you leveraging your professional staff? Are your clients happy? These types of questions are considered *key performance indicators*, or KPIs. Measuring KPIs is not just a trend; they are critical to your law firm's success. Knowledge is power, and these law firm KPIs provide the data or knowledge you need to answer these questions and ensure your firm will continue to thrive in today's turbulent legal environment.

The Traditional KPIs

Ten years ago, I spent time as the VP of Finance at one of Canada's largest law firms. We spent most of our time reporting on billable hours, utilization, and collection. I do not recall asking clients for feedback or calculating the cost of acquiring a new client.

The focus to date in the world of KPIs has been from a supply viewpoint and utilization of the legal human capital or all things billable hour. Unfortunately for legal technology, there seems to be little emphasis on the efficiency of legal service delivery. Even more absent is measuring the quality of the work.

These things are becoming increasingly important for law firms to understand. Here's some guidance on how to implement and evaluate these modern law firm KPIs.

Get Your Systems In Order First

Data comes from the firms' various practice management systems, and the first step is to make an inventory of your systems. Let's hope your firm is using systems that are integrated with each other (e.g. [Clio and Lexicata](#)), so that pulling figures and reporting is streamlined.

The Most Important KPIs to Implement

As part of our [Evolve Law](#) movement, we are recommending measuring the following seven areas of KPIs:

1. **Client satisfaction**
2. **Client development**
3. **Company or firm culture**
4. **Cost of client acquisition (CAC)**
5. **Throughput and productivity (traditional KPIs)**
6. **Profitability and margins**
7. **Individual performance**

How to Measure KPIs

Let's explore a few of these new KPI categories further with examples of how you might calculate them.

Client Satisfaction

Borrowing on a concept from the software-as-a-service (SaaS) world, you can measure a client's satisfaction via Net Promoter Score (NPS). Your clients are given the opportunity to answer how likely they are to recommend you to another client on a scale from one to ten:

- 1-4 highly unlikely
- 5-6 unlikely
- 7-8 likely
- 9-10 extremely likely

By posing this one question, you can determine your client satisfaction level, and you can dig deeper with additional questions should you receive less than your target.

Conversion Rate

Another KPI transplant from SaaS is the concept of measuring client conversion rate and the cost of acquiring each new client.

The first requires gathering data on the number of prospective client phone calls and in-person meetings in a given period, and comparing that to the number of new clients. For example, if you and your staff talked to 100 potential clients on the phone, 50 of those then scheduled free consultation meetings, and five of those became new clients, then you achieved a 5% conversion rate from calls and 10% conversion rate from meetings.

By using [Lexicata](#) to log each new potential client, and updating those clients when you're hired, your conversion rate will automatically be calculated and displayed on your dashboard.

Client Acquisition Costs

To take the next step and determine how much it costs to acquire those five new clients, you have to total up all the sales and marketing costs associated with those 100 calls and 50 meetings.

If you have an attorney, paralegal, or anyone billable working on the calls or meetings, you need to count their time at billable rates. If it totals \$10,000 of costs, then each client cost you \$2K to acquire.

Setting Targets

Now that you know how to calculate a few of these KPIs, the question is whether the NPS, conversion rate, or CAC is good or bad. Well, there's really no way of knowing without some context (i.e. the answer is the standard one we all learned in law school...it depends). In this case, it depends on your *targets*.

Each and every firm has to set their own targets because they are unique to your practice. Take NPS for example: if you are happy with a 7 or 8, then make that your target. Most companies will shoot for the 9, because we all know that [referrals are easier to convert to actual clients](#).

If your average billing per client is \$1K, then the \$2K client acquisition cost will put your firm out of business quickly. Your target for cost of client acquisition will likely depend on the type of law. For example, are you doing criminal defense work where you hope that the client is only with you once? Or are you doing intellectual property work that can repeat over the years?

The point is, you need to take into account the specific nature of your practice in order to properly set targets. Then you should track each KPI against your targets over time, and adjust your processes accordingly.

Analyzing Data

In order to take corrective action, understanding what each KPI tells us is important. Similar to target setting, we need to understand what the difference in the measured KPI vs. the target means for our firm. Also, unless you are way off target, a couple months of data will be required to spot trends.

The critical step with the analysis is to calculate *all* of the KPIs each month so that you understand their complete impact on the profitability of your firm, plus the contribution from each individual attorney. Each month, the KPI reports should be run and the analysis should be done as soon as possible to make appropriate changes.

Taking Action

Finally, you need to know how to react to your data and what actions to take in order to continually improve and hopefully [grow your firm](#) over time.

We recommend following the old management model of “Plan, Do, Check, Act.” Plan to gather the data for your KPIs. Once you’ve completed and analyzed these KPIs, take corrective actions, and then repeat this every month to observe how your KPIs evolve.

Let’s say your cost of customer acquisition is really high compared to your average billing for those clients. You should look into ways of changing your process to generate more interest using automated marketing systems, as well as using legal technology (e.g. collecting info with [automated questionnaires](#) prior to setting up consultations with attorneys). Consider having administrative or non-billable staff handle screening phone calls and charging for initial consultations to screen out all but the best clients.

Summary

- Knowledge is power
- The more data you have access to, the more knowledge you will have about the health of your law firm
- Having a system in place to capture this data within your regular workflow is imperative
- Measuring KPIs is the best way to inform positive changes and ultimately to improve your law practice

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Author Bio

Mary Juetten is the founder and CEO of Traklight and the co-conspirator behind Evolve Law. She specializes in helping companies in transition or startup create sustainable, operational, and financial growth. Her financial credentials and legal degrees provide a foundation for consulting on business or practice improvement. Mary created the only self-guided software platform that creates a custom intellectual property (IP) strategy and automates the client question and intake process for business, IP, and startup or venture attorneys ([click here for a free trial](#)). Mary is an international writer, who contributes to Forbes and the ABA Legal Technology Today; speaker; and mentor. She's currently on the Emerging Enterprise Committee of the Licensing Executives Society. Mary and her husband live in Phoenix, escape to Vancouver, BC, regularly, and try to spend as much time as possible not working now that they're empty nesters.

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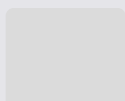
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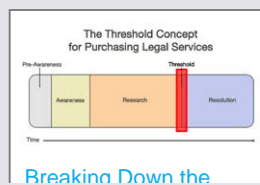
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