

# How to increase law firm revenue while decreasing billable work



The pandemic has disrupted the legal industry and many are looking for ways to increase law firm revenue. According to a recent [survey](#) by Martindale-Avvo, 81 percent of law firms have experienced a significant decrease in revenue, and 27 percent of firms have seen their revenues decrease by half.

Additional data shows firms are experiencing a 40 percent decrease in the number of new legal matters being opened each week. Approximately 20 percent of firms have been forced to lay off employees as firms struggle to survive.

## How law firms can survive a downturn

Your firm needs revenue. This is an obvious but difficult proposition for firms. Research from McKinsey [confirms](#) these trends and recommends planning for the current trend to increase law firm growth in the long term.

Plan for continued pressure on pricing and on shifts to alternative delivery models. In the last downturn, standard rates continued to rise by 3 percent per year, on average, but pressure on collections did too. From 2007 to 2012, the fraction of standard rates not collected more than doubled (to 16.4 percent, from 8 percent) because of increases in discounts, write-downs, and write-offs, which left net prices relatively flat. This time around, expect that procurement teams will play an even larger role and that there will be a greater focus on commercial arrangements that provide clients with greater cost certainty, either through a fixed or capped arrangement or through one that more closely aligns fees to the outcomes achieved. Client demands and competition from alternative legal-service providers will also likely pressure high-cost real estate, staffing pyramids, and other elements of the traditional service-delivery model.”

How can your firm generate more revenue at a time when clients, who are also feeling the pressure of an economic downturn, want to decrease the amount they spend on legal matters?

There are several opportunities to increase law firm growth during a downturn.

## **Step #1: Maintain financial discipline**

Law firms may be more motivated to use discounts, write-downs, and write-offs as a client retention tool. It helps to retain clients in the short term, but it’s destructive in the long term if it locks your firm into discounted arrangements. McKinsey agrees:

Leaders will be creative in providing pricing or volume relief. Rather than reflexively locking into long-term, highly discounted arrangements, explore ways to offer strategic investments, flexible payment terms, credits toward future services, and the broader panoply of alternative fee arrangements. Strategically show strength through extending the firm balance sheet for clients rather than gradually losing ground through a lack of pricing discipline.”

Use various tactics, like [alternative fee arrangements](#) to show your client that you are flexible and empathetic while remaining committed to the value of your work. Use [realization optimization](#) to keep realization rates high. Follow financial best

practices to ensure that your firm stays in the black.

- Maintain accurate [timekeeping](#) habits
- Verify attorneys are recording their time as-it-happens instead of reconstructing their timesheets
- Follow client billing guidelines to avoid [disputes](#)
- Send invoices to the right parties (e.g., decision-makers, points-of-contact, accounting, etc.)
- Follow up with clients to ensure prompt payment

Financial discipline means financial stability. The better you are at maintaining your firm's financial health, the greater your odds of surviving and thriving during the downturn.

## Step #2: Increase law firm revenue streams

Here are six ways your law firm can generate more revenue while decreasing the amount of billable work you take on.

1. **Earned revenue:** This encompasses the services your law firm provides to clients. If you're a shareholder or owner of a law firm, this is typically your primary source of income.
2. **Interest revenue:** These are interest payments you receive as a result of lending money to third parties, which could be from excess cash in your corporate savings account, investments, or money loaned to crowdfunding platforms like [Prosper](#).
3. **Dividend income:** Revenue received from your ownership interest in a business (whether it's an independent or client-owned business) or stock.
4. **Rental income:** If you own your office building, your firm could take advantage of rental income from real estate. If the space has gone unused during the pandemic, you could lease smaller units to individuals who are looking for office space.
5. **Capital gains:** This is income derived from the sale of investments like real estate, stocks, bonds, etc. It can also come from the sale of a business you own (e.g., your own business or equity received in lieu of payment for services).
6. **Royalties and licensing:** You could create an asset, service, product, process, or idea — like a paywalled guide with advice to help other lawyers run their business — then you rent it to third parties who are willing to pay you a fee whenever they use your assets.

## Alternatives to increase law firm revenue streams:

- **Trademark monitoring services:** Monitor and manage your client's intellectual property in exchange for a monthly or annual fee. This service can be automated or semi-automated, depending on your client's needs.
- **Legal search services:** You can use software to provide clients (or other law firms) with the legal search requirements they need. Add a set number of consulting hours to the plan; provide clients with summaries, warnings, changes, reports, and disclosures.
- **Subscription products and services:** Providing clients with ongoing legal support for odds and ends or minor legal work via a recurring subscription.
- **Annual or quarterly events:** You can create your own in-person or digital conferences or meetups. Create an event around a topic, problem, desire, or goal your clients have (that you can solve), then provide them with a valuable solution. Capture a percentage of the value you create via ticket sales, product sales, or bonus offers.
- **Workshops and seminars:** Paid workshops and seminars that provide clients with the information they need to solve a specific legal problem.
- **Affiliate marketing programs:** You can promote complementary products and services on your website and marketing to generate a substantial income (e.g., identity theft protection or credit monitoring services recommended by bankruptcy attorneys).
- **Employee monitoring:** Monitoring employees on behalf of their employers to minimize data loss and confirm company policies compliance.
- **Transactional data and analysis monitoring:** This varies depending on your practice area; it can be as simple as monitoring static data (i.e., home/land sales in the last six months) or dynamic data (i.e., changing market conditions).
- **[Optimized origination credit plans](#):** Motivating employees to pursue new clients and mine their professional connections to attract new business.
- **Outsourcing work to low-cost, freelance attorneys:** If you've already had to deal with layoffs, you can use freelance attorneys to maximize revenues and bounce back. This increases cash flow and minimizes the amount you'll need to spend (salary, health insurance, bonuses, 401K, etc.) to service clients.
- **Digital publishing:** This category is broad — ebooks, podcasts, audiobooks, videos, blog posts; these digital products can be monetized in various ways (e.g., advertising, sponsorships, paid subscriptions, paid products, add-on services, etc.).

- **Collecting capital gains:** Acquire ownership interest in corporations that are big on potential but short on cash flow and investment.

With a bit of upfront preparation, these ideas can provide you with reliable revenue you can use to grow your firm while your competitors continue to struggle.

## **Step #3: Iterate and expand to increase law firm revenue**

You'll want to identify a list of three to seven ideas that work best for you.

Choose one idea at a time. Develop an idea, so it's profitable and will increase law firm revenue at the levels you need. Then, move on to your next idea once your current revenue stream is stable and self-sufficient. Iterate and expand continuously.

Scrap the ideas that fail and focus on the ideas that are successful for your law firm.

## **Law firms have been hit hard by the downturn**

The vast majority of firms have experienced a sharp decrease in revenue, but there's good news.

Law firms all over the country are losing revenue. They're [struggling to survive](#) as the pandemic and downturn continue. Alternative services can provide you with the cash flow you need to survive a downturn. With upfront planning, your law firm can thrive and find ways to increase revenue.

With a little bit of ingenuity, your firm can increase revenue while decreasing billable work. This is achieved by providing clients with the services they need to grow during the downturn, boost your revenue in the process.

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