PRACTICEPANTHER®

2021 Law Firm Revenue Report: How ePayments Drive Firm Profits Post-Pandemic

Invoice, collection and payments processes highly influence the legal industry's bottom line.

INTRODUCTION

In 2020, running any business was a challenge, let alone running a law firm. From navigating social distancing restrictions to making cost-cutting decisions, one common thread that ran through every business owner's mind was, "How am I going to continue to acquire money to keep operating my business?"

Suddenly the legal industry norm of waiting to be paid for 30-60 days, which was once shrugged off as "coming with the territory," quickly became a make or break issue for accounting departments.[1] Relying on old ways of doing business such as processing payments via paper checks, was impacting cash flow. That's nothing to shrug off.

While there is no technological silver bullet to combat such issues, the legal industry indeed turned to technology in droves to help keep their firms operational, and they've continued to use that technology through Q1 of 2021.

Lawyers aren't alone in this adoption of payments technology, when looking at the broader payments landscape, electronic forms of payment are on the rise everywhere. NACHA, the governing body of the modern ACH network, "saw a quarterly volume of 7.1 billion payments, which was an increase of 11.2% from the same period in 2020. The value of those payments was $17.3 trillion, reflecting a nearly 19% increase from a year earlier." [2]

Across the board, consumers are overwhelmingly interested in using ePayments to settle their debts. Whether it's a retail purchase or a personal bill, one study from Deloitte found that "more than 75% of U.S. consumers who are currently struggling to pay bills would use real-time payments to do so if they were available." [3] The end-user adoption of online payments is clearly prevalent, and those law firms who have swiftly adapted to the times are seeing the benefits.

Throughout this short report, we will narrow in our focus specifically on the legal industry, to talk about some strategies law firms can use to speed up their collections, as well as look at the role that ePayments can have on a firm's financials.

Our report shows that ePayments have helped not only to **decrease the time it takes to collect invoices by 20.4%**, but ePayments **increased collections to law firms by 6.7%** over the course of the first quarter of 2021.

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Time Really Is Money — How Invoicing Practices Can Detract From Firm Revenue

Invoicing has always been a challenge for law firms. The good news is that technology has made it possible for firms to have greater control over the invoicing process, thus speeding it up. One such factor is the way in which time is tracked. Studies show that lawyers that enter their time monthly lose up to 55% to 70% of their time, while those that enter their time weekly lose only 25% to 30% of their billable hours.[4]

Instead, lawyers should begin to track their time contemporaneously, or as work happens. This ensures accuracy in billing habits and will help to avoid backlogs in the AR process.

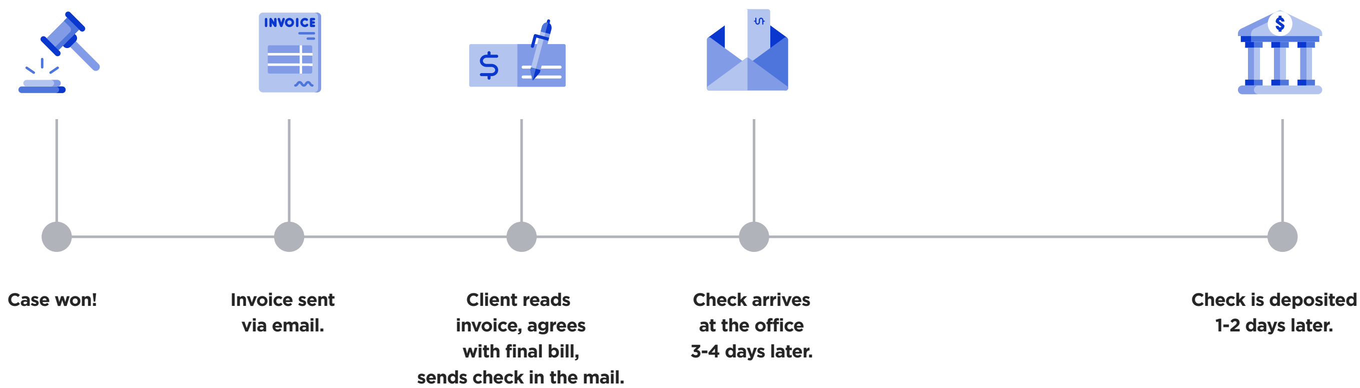
A recent survey of law firms found that 84.4% firms who responded noted the number one cause of delay in prebill generation was the **"lack of contemporaneous timekeeping habits."**[5]

Implementing a new timekeeping policy is just one way to speed up the invoice process before it even gets sent to a client, but what about after an invoice is sent? Law firms may think that this process is out of their control, but they have more say in how fast the invoice can get processed than they think.

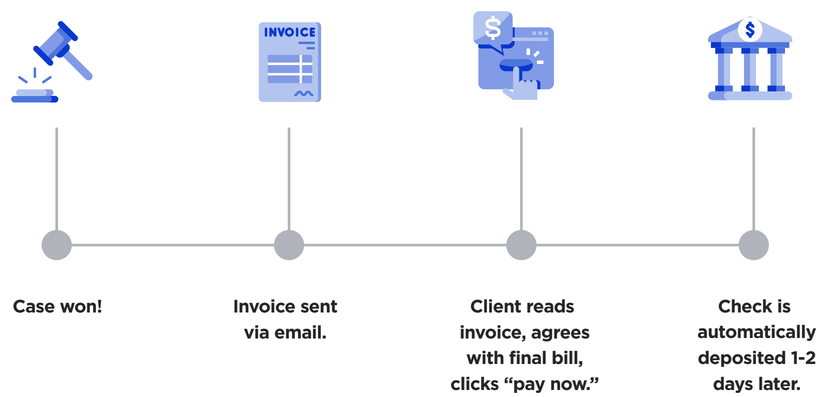
A major contributing factor to how long it takes for a law firm to get paid is the type of payments they require their clients to use. A firm could have the best time tracking habits of any other organization, but if they are still relying on paper checks to get paid, they will be tethered to factors outside their control such as banking hours, mail delivery times, and human error.

One strategy towards reducing these outside factors that add time to the invoice process is to use ePayments. Using online payments help to close the many gaps that traditional payments come with, making collections a stress-free process. Let's look at a side-by-side comparison of a more traditional invoice process, and an invoice sent via ePayments.

Traditional Payment Methods Timeline



ePayments Timeline



While overly simplified, this graphic aims to show that using technology to streamline the time it takes from case closed, to check cashed can be reduced significantly. Using an ePayments approach to client invoices reduces steps for each party involved, and speeds up the overall process.

How ePayments Raise The Bar For Law Firm Operations & Profits

There is indeed a true cost to not implementing an ePayments solution in the modern law firm. The first example is simply missing out on clients. It's no secret, legal services are expensive and often cost-prohibitive. Instead of requiring clients to pay by check, therefore limiting the amount clients can pay up front to what's physically in their bank account — offering a credit card option increases the client's payment flexibility and minimizes the chances of the law firm missing out on that invoice.

Secondly, think about the time value of money, the concept that states the money that you have now is worth more than the identical sum in the future due to its potential earning capacity.[6] The law firm which collects money quicker will be able to invest it in a multitude of ways. Firms could invest the funds through their preferred financial institution, which would in theory, have more time to accrue value.

Or firms could invest it in a more literal sense — using those quickly collected funds to go after a big case, cut payroll more easily, or pay off the firm's own debts.

While anxiety remains at law firms about opening up the accounts receivable process towards an ePayment solution, or even simply offering credit card payments, there are a few more factors to consider in making the argument for ePayments. First is addressing the fear. Why are so many firms apprehensive about switching to online payments? Could it be the fear of new technology?

> While ePayments are becoming more pervasive, by no means is it a new idea to allow multiple forms of payment at law firms. The ABA has allowed credit card use since 1974. Even with all that time to work towards progress, **only 62% of large and midsize firms utilized such tools in 2018.**[7]

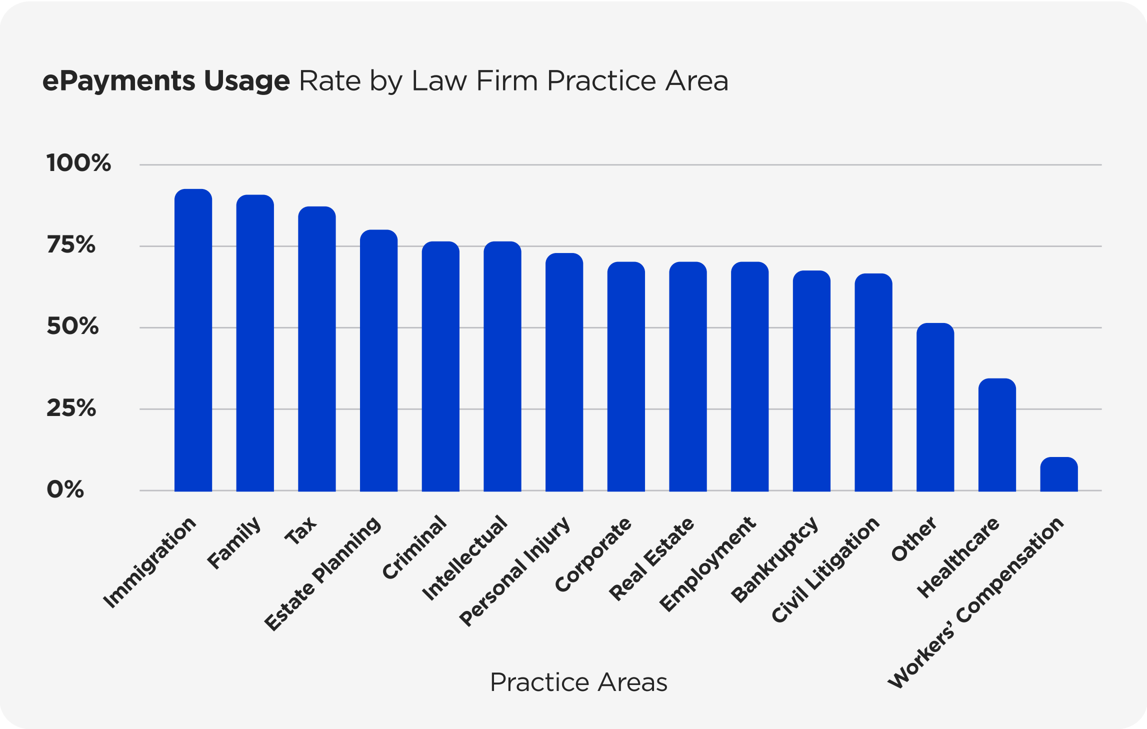
Could it be the fear of changing the experience for customers? We'd certainly hope not. The experience clients have while interacting with a law firm is paramount. Payments play a role here. A recent study by Visa showed that "78% of consumers rank a digital payment method, such as paying with a card or mobile device, as their most preferred payment option."[8] In that same survey by Visa, small businesses saw an 8% increase in revenue after accepting digital payments at their companies.

You only need to glance at the numbers in order to see that the ROI of enabling ePayments at law firms is not only beneficial for the bottom line, but in fact plays a role in customer satisfaction.

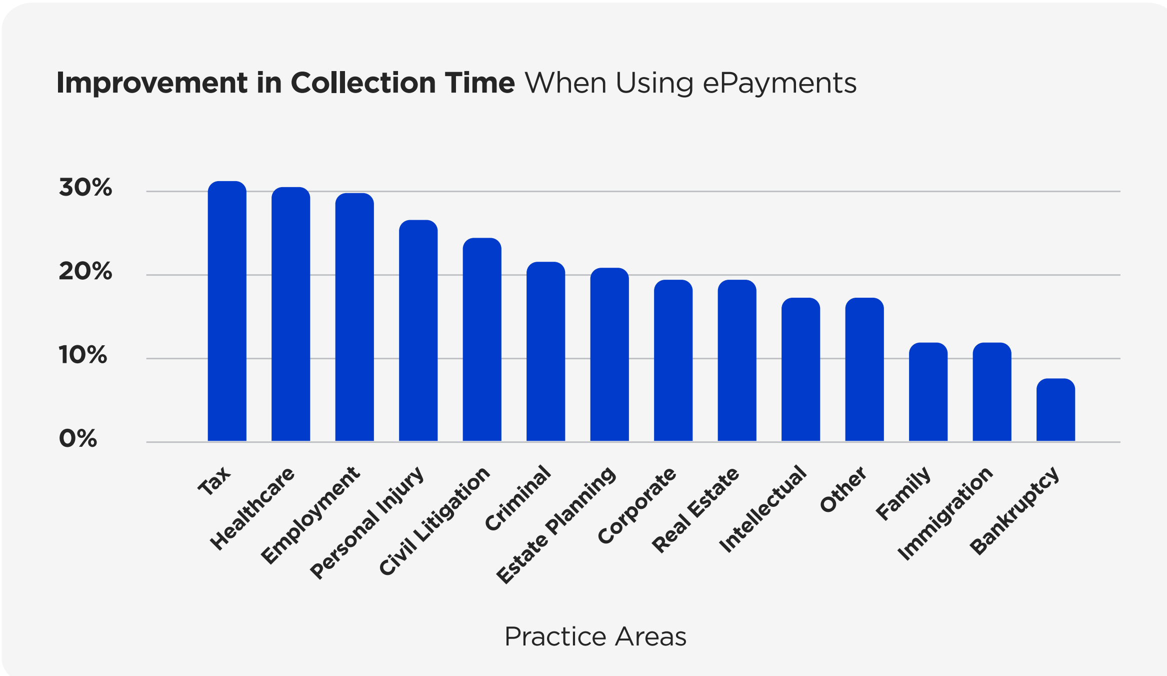
Let's dig into some of these numbers and look at how factors such as available payment options, time, and practice area played a role in collection rates in the legal industry during Q1 of 2021.

On average, firms using ePayments collected their invoices **20.4% faster** than firms who did not use ePayments. Those same firms also increased their **collection rates by 6.7%.**

Of those that used ePayments, there was some disparity in the usage rate compared to the practice area. The highest usage of ePayments occurred with firms practicing Immigration Law, Family Law, and Tax Law. The lowest ePayments usage was observed by firms practicing other practice areas, Healthcare Law, and Workers' Compensation.



When using ePayments, collection sped up by more than 20% for firms that practice Tax Law, Healthcare Law, Employment Law, Personal Injury Law, Civil Litigation, and Criminal Law.



When using ePayments, the collection rate (defined by dollars collected) increased the most in Healthcare **(19%)**, Civil Litigation **(14%)**, and Bankruptcy **(9%)**.

The Future Is Now: Accounts Receivable Automation

We can't talk about the role of time in the invoicing process without discussing the power of automation. Distractions arise, or there are upcoming deadlines that may take precedent when an invoice hits an inbox. When it comes to paying an invoice, lawyers want to ensure that their invoice doesn't get lost in the proverbial shuffle. You may not think of a reminder email as a social science tactic, but "nudging" in this way works. Nudging is the method of using choice architecture to push people to choose desired results.[9]

Using automatic invoice reminders as a nudge is a great tool in any law firm's collections arsenal. As part of our data collection, we found that on average, those that utilized an ePayments reminder feature to nudge their client to pay saw an additional 5% decrease in the time to collect their invoice and a 0.5% increase in a collection rate than those who did not send a reminder.

ePayments tools are equipped with a suite of automation features that work to speed up the total AR process. Automating simple tasks such as sending out payment receipts, updating financial records, and setting up payment plans save attorneys and billing departments countless hours every month.

It's clear to see, PracticePanther customers who've activated and regularly use ePayments built into our law practice management software enjoyed a boost of cash in Q1 of 2021. If their work cadence remains the same, they are going to see **80% more collected on their invoices over the course of the year.** That cash flow can make a huge difference for you and your firm, and it's easily attainable.

Closing The AR Gap With Compliant Payment Tech

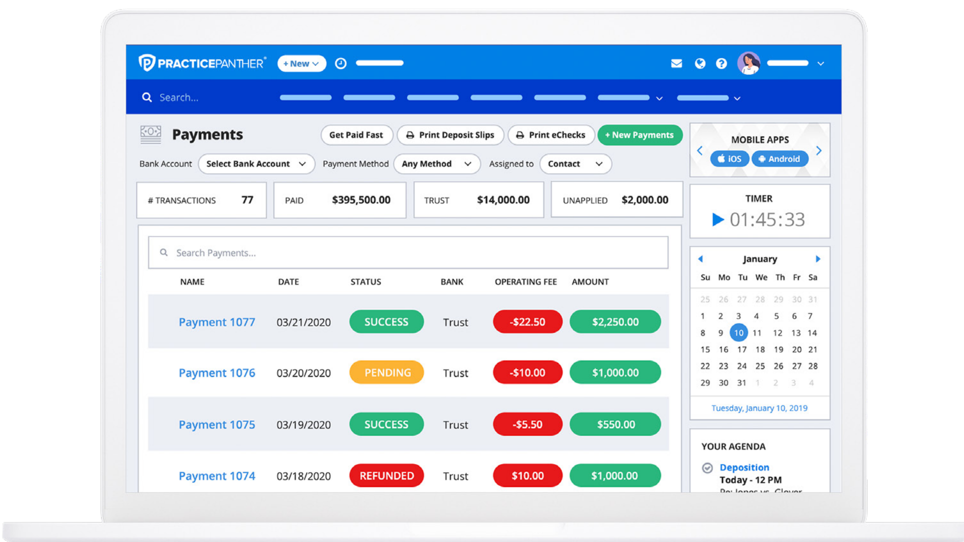
The PracticePanther team strives to help usher in a new era of digitally-savvy law firms by designing software that is simple to use, effective in any work environment, and provides a massive benefit to the law firms that use it. We view ePayments as the final hurdle that many law firms need to embrace to become truly efficient, which is why we've poured so much into building this particular ePayments tool — and we're happy to announce PantherPayments' success for our customers.

Activating PantherPayments within PracticePanther is incredibly simple, and comes at no extra charge. We've built PantherPayments with the highest standards of security, and it's both ABA and IOLTA compliant. Additionally, PantherPayments customers receive some of the lowest credit card and eCheck processing fees in the industry, with no hidden or additional fees to worry about.

If you want to take control of your invoicing and collect more on the dollar — all at a faster rate, **it's time to see what PantherPayments can do for you.**

If you enjoyed these insights, we're only just getting started. Launching at the end of Q2, PantherPayments customers will begin to receive exclusive benchmark reports. These custom reports will provide a high-level overview of your firm's ePayments history throughout the quarter, and will also come with unique insights comparing your firm's collection rates to similar firms in both size and practice area. Request a demo of PracticePanther today in order to be eligible for this insight.

Get a Demo of PracticePanther



Visit **practicepanther.com** to learn more.

Already a PracticePanther member?

Start your application here to get started with **PantherPayments.**

APPENDIX

Methodology

Data was pulled anonymously from a representative sample of PracticePanther customers who indicate what industry they are in. Our research team looked at the invoices and tracked the input date, the collections times, and the total invoiced from January 1, 2021 to March 31 2021.

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