

# How a Data-Driven Law Firm Can Improve Revenue

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## What is a Data-Driven Law Firm?

Data-driven law firms capitalize on analyzing data in order to successfully manage their legal practice. They use the findings from these analyses to improve performance, identify problems, and forecast opportunities for growth.

For years, businesses have thrived from the practice of data analysis. As businesses operating within the service sector, law firms should be no exception. Data collection and examination are already prevalent within the practice of law. With the analysis of key data points, firms hold the keys to long-term guidance towards overall sustainability and profitability. It takes data, planning, strategy to maximize law firm revenue. Lawyers who understand this fact can have greater success in their legal practices.

## Becoming a Data-Driven Firm

The data-driven process starts with law firms assessing and reviewing their current data to identify strategies for moving forward and attaining future growth. This information is essentially gathered in two ways, internal and external data.

### Internal Data

Internal data reveals certain inefficiencies within the firm that leaders need to be aware of in order to implement necessary changes. For example, if collections rates are consistently low during a particular time of the year, firm leaders can assess the situation and put processes in place to proactively handle the issue.

The analysis of internal data also assists with realizing cost-saving strategies, forecasting future growth opportunities, identifying areas of waste, and improving the efficiency of firm procedures. These are all important factors for greater firm revenues.

Legal billing software provides law firms with the tools they need to access vital data. With multiple reporting options, attorneys can gain a higher degree of understanding about the financial health of the firm and ways to improve revenues.

### **External Data**

Law firm revenues are also impacted by firm clients and other stakeholders. External data helps to analyze client behaviors so firm leaders can create better client relationships and improve marketing strategies.

For instance, website analytics gives information on the number of visitors to a law firm website per day, along with the duration and frequency of these visits, and which pages they view the most. This information holds value for firm leaders to better customize the site and further satisfy marketing goals.

The value that data brings greatly contributes to the success of law firms. Without these informative details, firms stand to lose the high level of competitive edge that advanced technology can offer.

### **Why Data-Driven Equals Greater Revenue**

Data-driven law firms have mastered the art of assessing data in order to reap financial rewards for the firm. Like any business endeavor, this takes proactive and strategic decision-making regarding each aspect of the practice, including:

#### **Setting Service Fees**

Data analysis enables firms to comfortably transition to implementing alternative fee arrangements. Though fixed fee options are currently most favorable among clients, many lawyers don't find them preferable because

they're uncertain about receiving adequate compensation. However, the right data can help attorneys set reasonable fees that accurately reflect the amount of work being done in a matter while also ensuring adequate revenue.

For instance, when setting the fee for a new matter, historical data will detail prior patterns of hours taken with similar cases, the tasks completed, and the percentage of revenue incurred from the matter. With this data, fees can be set that will sufficiently cover all required aspects of the case.

### **Firm Growth Opportunities**

Any opportunity for growth is found through analyzing and planning, which are skills that every firm leader should harness. Data-driven firms utilize these skills to assess internal performance, gauge the current position of the firm, and plan for future growth.

Data analysis helps to forecast and predict future patterns and opportunities. This process enables firm leaders to make estimations on the likelihood of incoming matters and practice areas showing either promise or decline. This information provides invaluable feedback to the strategic decision-making process, as firm leaders strive to decide the direction the firm should for improved future revenue.

### **Allocation of Firm Resources**

Data analysis assists with the proper allocation and usage of a law firm's valuable resources. With informative data sets, attorneys can assess how staff members utilize their time and determine whether it's inefficient or requires improvement. Firm leaders can use collected data to determine whether the firm's resources are being efficiently utilized to promote revenue growth.

### **What Information does a Data-Driven Law Firm Collect?**

To be data-driven means to be driven by technology. For a law firm to become data-driven, its leaders need to embrace an effective technology for data collection and analysis.

For internal data, law firms need technology that collects information such as:

- Utilization rates that measure the number of daily hours spent completing billable tasks
- Realization rates that divide the number of hours billed by the number of billable hours worked
- Collection rates that compare the amount of actual revenue collected to the number of hours actually billed
- Accounts receivable that measures the number of overdue invoices at any given time

For external data, the collection will require the use of certain external resources that are usually accessible including:

- Business databases detailing customer trends.
- Websites forecasting data by industry.
- Collaboration with legal tech companies for access to specific legal data.

### **TimeSolv is the Right Tool for Data-Driven Law Firms**

With the right technology, law firms have tools to conduct analyses that can significantly improve practice functions for greater revenue. TimeSolv legal billing software offers more than 30 reporting options. With a few clicks of the mouse, firm leaders can create and evaluate a variety of valuable data sets. To learn more about TimeSolv, click [this link](#) for a no-obligation free trial.