

## data-driven decisions = money saved

Having an up-to-date cost recovery system can quickly provide the information to make intelligent decisions and boost a law firm's bottom line.

BY JOHN GILBERT

It seems like only yesterday that firms couldn't merge fast enough or hire enough associates. However, when times are good, people often forget the basics that brought them success in the first place.

One of those basics is the return on investment (ROI) from cost recovery/expense management systems, both as a conduit for recovering costs from clients and as a tool for better management of all types of firm expenses. After all, today's law firms can't afford to waste money on superfluous copiers and legal research expenses. And because "you can't manage what you can't measure," it is especially important today to measure it all – whether or not your firm can recover it.



There is **great value** in client development, and writing off a few hundred dollars in copies can be **much better** for a firm than writing off a few hours. But these decisions must be made **strategically**, and if no one knows what is being written off or why, the firm may be flushing **revenue down the drain**. Again, the value is in the data: who is writing off these costs and why?

### WAITING UNTIL IT BREAKS – OR IT BREAKS YOU

In the early 1980s, law firms were hungry for data. They wanted more data, better data and faster access to the data. Those that thrived gathered data on their firm and used the information to make intelligent business decisions; this included the early advent of cost recovery. Seemingly simple questions were now answered by data and not guesswork, such as whether the firm should have more or fewer copiers and whether they were fast enough. All of this provided firms with improved bottom lines.

Over time, however, many firms forgot about this important data and how the information helped them to grow and to be successful. Firms allowed their cost recovery systems to age and stopped looking at the data. Many firms even bragged about their 15-year-old systems because they were “paid for.” I even had one law firm executive tell me, “Cost recovery is a fan belt; when it breaks, then we will replace it.” Sadly, this executive worked for one of the firms that recently collapsed. Was this the firm’s culture – to let things age and forget the value they provide? What about the data?

So, you ask, what about data today? How can legal administrators gather more information, improve their management decisions and provide better recommendations to the firm’s management?

### BEYOND THE BASICS: EMBEDDED TECHNOLOGY

Take a closer look at your cost recovery system and decide if it’s even capable of providing you with the data you need. Many firms have put a freeze on new projects, but what if this project

has an immediate ROI? Let’s drill down on how a current cost recovery system can quickly provide the data to make intelligent decisions and benefit the firm’s bottom line.

Yesterday’s “copiers” are today’s “multifunction devices” (MFDs). These are no longer “dumb” machines that only copy; they have processors and hard drives and are on law firms’ networks. New MFDs often support “embedded” technology, which provides some advantages because it resides inside the copier and reads information directly from the copier system board, rather than through a cable that only tracks pulses of electricity every time a copy is made. Moving to embedded technology is environment-friendly, as the firm is no longer powering an external device that will eventually end up in a landfill. Embedded technology is also easier to maintain, as there is no hardware to malfunction.

### VALUE ADDED: TRACKING PRINTS

Many firms say they are not ready to recover for prints related to client matters, and introducing new fees can be difficult. However, consider [these reasons that you may want to consider recovery for prints:

- Printing to a copier uses the same paper, toner and per-click charge as copying, so there is not much difference whether 30 documents are created from “copying” a piece of paper or “printing” from an electronic file on the same machine.
- Surveys show that firms are now printing twice what they are copying. If your firm is recovering \$1,000 per month in copy charges, you’re missing \$2,000 per month in print charges.
- If you don’t begin charging for prints now, you may not be able to do so in the future.

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As firms do less copying, clients are getting used to lower expenses on their invoices. As these continue to diminish, it will be difficult to triple the charges later.

- Many firms are already billing for prints. Thirty-one percent of firms responding to the International Legal Technology Association's *2008 Technology Survey* said they are billing for prints made when their photocopiers are used as printers, and 28 percent are billing for laser prints.

Even if the firm is not ready to charge clients for prints, there is still value in the data, as print-tracking software "running in the background" can show how much is not being recovered. The data also reveal who is printing, how much, what printers are most used and whether people are printing large documents to the high-speed copiers, which are less expensive per page. Many print tracking programs also allow for the automatic redirection of large print jobs to high speed MFDs.

### **A GLIMPSE INTO THE FUTURE: CHARGES FOR SCANNING**

Some firms are also reluctant to charge their clients for scanning, as most copier vendors don't currently have a "click" charge for scans, and no toner or paper is used.

And, of course, there is a real cost to scanning: it is the sum of the cost of the person making the scan, the storage space it takes on your network, expanding Exchange and DMS servers and backup. Multiply the result by the number of years you plan on keeping the electronic document. (In many cases, the answer will be expressed in decades.)

But the day is coming when copier companies will implement a click charge on scanning, as there is still wear and tear on the MFD to produce and save the scanned image, and as scanning grows, copiers companies will see this as lost revenue.

### **A BONUS FOR THE CLIENT: NO-COST SERVICE**

Firms need to look at making it easier, more secure and more efficient to create a scan. Simply scanning to e-mail should no longer be the only option provided to a user, as this circumvents security and clogs e-mail. Consider implementing third-party

programs such as Omtool's AccuRoute or eCopy to properly manage the new electronic documents.

Again, the value is in the data. If an administrator knows who is scanning and how much, an educated decision about who and when to charge can be made. Even if the firm chooses to write these charges off, clients can still be informed so they can see what the firm is doing for them and what value they are getting at no cost.

### **CAPTURING INFORMATION: HERE'S A BETTER, FASTER IDEA**

Companies such as UPS, FedEx and Westlaw provide their statements to law firms in electronic format, but only a few firms are willing to take the electronic files and import them into their systems.

The biggest reason for this is that firms don't have a simple way to validate the data and deal with invalid transactions. Instead, they re-key entire invoices into their time and billing systems and phone various users who made these transactions, but did not correctly record them. This is a long, arduous process that can be automated.

A better solution is to import the transactions directly into a cost recovery system, which can validate the transactions and send the valid ones directly to the time and billing system while pushing the invalid transactions back to the person who created them in the form of an exception.

All of this also produces valuable data for the firm, such as who is FedEx-ing what and whether the firm is recovering this expense. Firms also have better data points to consider, such as whether the firm would benefit from third-party companies who automatically shop for the least expensive shipping provider.

### **WHO'S BURNING THAT CD?**

Other important data to capture immediately includes use of binding equipment, the burning of CDs and special research projects. Many times this information is recorded on a piece of paper, and then moved to an Excel spreadsheet and sent to someone in accounting to enter into the time and billing system. This is not a highly accurate or quick process. Faster access to accurate data can

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help to answer questions such as, “What are the total expenses for this specific client or matter?” and “Who is burning CDs, how often, and for whom?”

### **WRITE-OFFS AND EXCEPTION REPORTING: WHAT NOT TO FORGET**

Firms often overlook write-offs. There is great value in client development, and writing off a few hundred dollars in copies can be much better for a firm than writing off a few hours. But these decisions must be made strategically, and if no one knows what is being written off or why, the firm may be flushing revenue down the drain. Again, the value is in the data: who is writing off these costs and why?

Another major problem for many firms is the handling of exceptions. With an antiquated system, users must print exception reports and send them to each other via interoffice mail. In reality, the odds of getting these cleaned up and back are often slim to none. Pushing a link to users so they can easily and quickly clean up their exceptions right on the system improves these

odds substantially. Ultimately, the value is still in the data: who is creating exceptions and why, and are they properly clearing them up?

### **THE BEST CHANCE FOR SUCCESS**

Law firms can no longer treat their expense management systems as “fan belts” and worry about them only when they “break.” For any firm taking that posture, the system is already broken; the firm just doesn’t know it.

Even more important is acknowledging the data you can gather from a new cost recovery system and the inherent value of that data. A firm that gathers and utilizes all available data and does so quickly has the best chance for success in any business climate. ✱

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