



HOW TO SET

KPIs

FOR YOUR LAW FIRM

Key Performance Indicators (KPIs) are quantifiable metrics used to gauge the performance of a business. And while few lawyers choose their profession based on a love for business management, law firms are a business like any other. That means they can always benefit from a better understanding of what makes their business successful—workflow efficiency, revenue sources, profitability, cash flows, marketing ROI, and more.

Setting—and tracking—the right KPIs can help you run a more profitable firm, find new avenues for growth, and make more informed decisions for the future. Here's where you can get started.

Step 1:

Get ready to track your data

At the end of the day, KPIs are just data.

If your firm is tracking the right KPIs but the data you're using is incomplete or inaccurate, you won't be gaining genuine insight into the workings of your firm. What's more, the conclusions you draw from your KPIs could be seriously misleading.

Before you get started, the first step is to ensure you have the means to consistently and accurately capture all of the data your firm needs. And while it's possible to track many law firm KPIs by hand or using basic spreadsheets, manually recording all of that data is a massive time sink.

It will also almost guarantee incomplete data since (let's face it) your attorneys are too busy to track KPIs all day.





If you want to collect the kind of data your law firm can benefit from, you'll need to invest in the right legal software. For example, a robust law firm CRM (client relationship management) software can automatically record and process key data to help you consistently track your KPIs.

There are also a number of law firm practice management software on the market that feature KPI tracking and reporting tools—and these software can even be integrated to give you the fullest possible picture of your data.

Analytics dashboards and reporting

Specifically, you should look for legal software that gives you access to dashboard analytics and customizable reports.

Dashboards will automatically track and display key metrics for marketing, client intake, productivity, and more, so you can check important law firm KPIs at a glance. Reporting functionalities will also let you instantly gather and process your firm's data, giving you a more in-depth look at your KPIs.

Step 2:

Setting your KPIs

The next step is to identify which KPIs are most important to meet your firm's long-term goals. You'll need to articulate what your most important goals are. For example, depending on your firm's size and needs, your goals may be to:

- Bring in more new leads through your marketing efforts
- Lose fewer leads from your intake funnel
- Speed up the intake process to sign clients more quickly
- Streamline workflows to minimize matter cycle times
- Improve realization rates for billable work
- Set more profitable hourly and fixed fee rates

Setting the right KPIs—and making adjustments—can help you make progress towards those goals. Each of the following KPIs can help you build a better, more profitable firm in the long run.

Client intake KPIs

Growing your firm isn't just a matter of getting new leads through the door (or on the phone). It also depends on a streamlined, efficient intake process that converts qualified leads into clients.

To better assess your firm's efforts, consider keeping tabs on these client intake KPIs.

New client acquisition

This KPI is exactly what it sounds like: the number of new clients your firm brings in by month or by year. Ideally, firms looking to grow should see this number increase month over month and year over year.



Lead conversion rate

This is the percentage of new leads who choose to sign with your firm. If 50 new leads reach out to you in a month but only 15 of them become clients, your lead conversion rate for that month is 30% ($15 \div 50 \times 10 = 30$).

Response time

Many leads will sign with the first practice that responds to them, so quick follow-ups during the intake process are vitally important. Tracking the average time between the moment a lead first contacts you and the moment you send your first follow-up is a great way to identify and fix gaps in your intake communications processes.

Conversion time

This is the average amount of time it takes for a new lead to sign with your firm. The longer your average conversion time is, the more likely it is that your intake process or communication with leads is inefficient.

Marketing KPIs

If your law firm invests any time or money in marketing, you're probably concerned about targeting your efforts to bring in the best possible results. **Tracking your marketing KPIs** can help you understand the return on investment (ROI) of your marketing spend.

Leads generated

With the help of the marketing automation tools included in a CRM, your firm can more accurately track which leads are coming from which marketing campaigns. Tracking the number of leads generated by different campaigns can help you identify your most successful marketing efforts and the marketing channels that tend to bring your firm the most leads.

Client acquisition cost

This is the average amount your firm spends on marketing for each new client you bring in. For example, if your firm spends \$2,000 on marketing for the month and brings in four new clients, your client acquisition cost is \$500 per client ($\$2,000 \div 4$). Ideally, your client acquisition cost should be significantly lower than the average lifetime value of your firm's clients.

Marketing conversion rate

You can also track the conversion rate of potential leads who visit your website or interact with one of your marketing campaigns. For example, you can track the percentage of website visitors who actually reach out to your firm or the percentage of potential leads that give you a call after clicking on one of your ads.

If you notice that the conversion rates for your website or marketing content are low, it may mean your content needs to be tweaked to increase conversions.

Billing and revenue KPIs

Once you've signed new clients to your firm, you also need to ensure that you're collecting enough revenue to keep your firm profitable. Each of the following KPIs can help your firm become a more profitable business.

Billing and collections realization rates

Your firm's billing realization rate is the percentage of billable work that actually gets invoiced to clients.

Your collections realization rate is the percentage of billed work that your firm collects payments on.

Ideally, both of these figures should be as close to 100% as possible—if you find that either figure is falling below 90%, your firm should assess its processes for invoicing and collecting payments.



You can also break these KPIs down further by team member or by client to see which of your attorneys are consistently collecting payments for their work and which of your clients are paying their bills most consistently.

Monthly revenue

One of the most simple but important KPIs for your law firm to track. If you aren't regularly assessing how much revenue your firm is bringing in, it will be hard to make profitable decisions for the future.

Your firm can also break down monthly revenue by attorney, client, or even practice area. This gives you the opportunity to:

- Reward your firm's biggest earners
- Prioritize the clients who bring in the highest revenue
- Identify the practice areas your firm can most profit from

Monthly expenses

Monthly expenses is another simple but important KPI—your firm should have measures in place to ensure you're accurately tracking your monthly expenses. Keeping close tabs on your average overhead costs can help your law firm budget more effectively.

Law firm profitability

Carefully monitoring your law firm's monthly revenue and expenses also makes it possible to understand your firm's profit margins. This can also help your firm set more profitable rates, both for hourly billing and for fixed-fee arrangements.

Client satisfaction

Last but certainly not least, your law firm will want to be able to track your client satisfaction. Sending out regular surveys or polls to previous or existing clients can gauge how satisfied your clients are with your practice. If you find that your client satisfaction rate is low, you can use the feedback from these surveys to improve service for clients in the future.

Step 3:

Putting the data to work

Just knowing the figures for key KPIs will only take you so far—to actually see results, your law firm will need to:

- 1) Check and assess your KPIs regularly (you should be taking time to assess them at least once a month).
- 2) Apply these KPIs to your long-term goals. If your firm has set goals for growth, for example, you'll want to track your client acquisition rates every month to see if you're on track to reach your growth targets.
- 3) Make adjustments to meet those goals. If you're not seeing the return on investment you want from your marketing, it may be time to retarget your efforts to focus on your most successful marketing channels. If you're seeing that your lead conversion rate is lower than you'd like, you may need to reorganize your intake processes and communications.





Ultimately, a business's growth is always an iterative process, and you might need to make several adjustments—or experiment with different approaches—before you start to reach your long-term goals. But with the insight provided by KPIs on your side, your law firm can make informed, data-driven decisions for the future.

Build a stronger practice with Law Ruler

Law Ruler's industry-leading legal CRM is designed with one goal in mind: to help law firms grow. That's why our software includes robust data analytics dashboards and custom reporting features to help you track your practice's KPIs.

To see how Law Ruler can help your firm drive growth with data-backed decision-making, contact us today to [schedule a demo](#).