



A Billion Here, and Another Billion Here. It Adds Up

What lawyers value highly, their clients expect to be free

Because documents are the most expensive outputs produced by the \$300 billion legal industry, dissimilar perspectives of their value between lawyers and clients have enormous ramifications in an increasingly competitive environment. While lawyers accord the documents they produce every penny of the \$75 billion in costs embedded in them, and often think of them as a profit center, clients increasingly see things differently. The modern client expects that the “paperwork” is, or should be, free or very close to it.

How can this be?

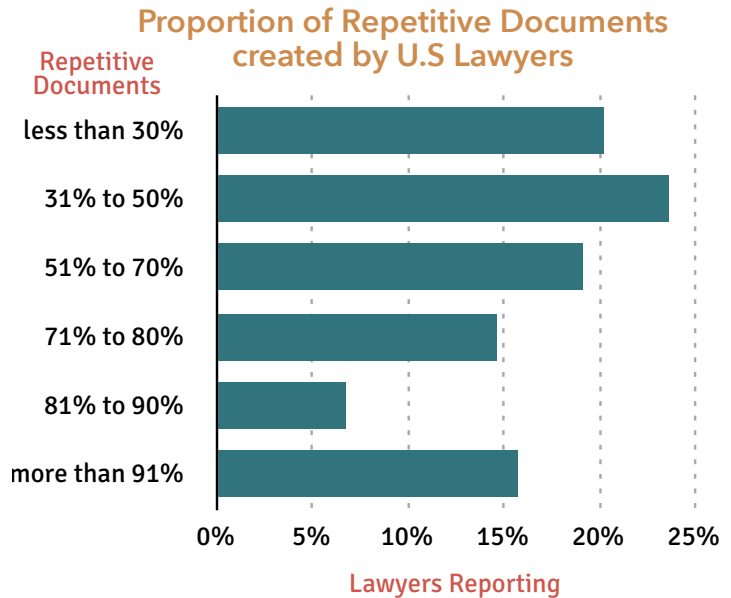
It’s the Internet, where forms, contracts, leases, filing papers, and nearly any document is available either as a form that can be used or as an example that can be copied.

While *LegalZoom* failed in its attempt to capitalize on its years invested in advertising, Robert Shapiro did convince everyone connected to a TV cable that the documents needed for a divorce, will, or corporate formation can be adequately built by machine and purchased for pocket change. It shouldn’t come as a surprise that consumers now believe lawyers charging hundreds or thousands of dollars for the same documents are... well, out of the market.

In a sense, they are. The legal industry lags nearly all others in the adoption of productivity tools for the delivery of its product to the final consumer. According to the International Legal Technology Association's 2013 Technology Survey, 62% of even the largest firms use no document automation tools for either internal or client-facing documents. That percentage only grows as the size of the firm shrinks.

Is there any other industry that hasn't adopted technology to speed delivery? Only individual companies come to mind, not industries, and even the companies are those that have already failed... or are unarguably failing.

I wrote two years ago that *LegalZoom's* business model contained a fatal flaw, that it would fail, but added that some of the 10,000 entrepreneurs who will follow will not fail. They will add enormous pressure on the legacy providers of legal service as they continue to sculpt consumer expectations for fast, high quality, customized legal services where the associated documents are inexpensive enough to be given away for free.



What are law firms to do?

First, they need to understand that in the marketplace consumers always win. Always, as in 100% of the time. Sometimes it takes a while, but in the end only consumers set market expectations and realities.

Second, it's too late for the legal industry to prepare for the tsunami of change; the wave is already rushing ashore. The time has passed for orderly and thoughtful study, consideration, colloquy, planning and preparation. It's past time for anything but action. It's time to run for the hills, or steer to deep water, or just hunker down and accept one's fate. The first choice might allow practitioners to continue to earn a declining living in a decaying economic environment until retirement. The third will result in a need for a sudden career shift at a time dictated by the market; it will be sudden and as big a shock when it occurs to each as it has already been to thousands of law school graduates suddenly unable to find any position that matches their educations.

The optimal choice is to steam at full speed into deeper waters, a broad metaphor to encompass all the changes necessary to be truly competitive in a vigorously competitive marketplace, including immediate adoption of major items as customer-centric pricing and branding, niche

specialization, convenience, relationships and value. And, grabbing the low-hanging fruit, such as reducing document creation costs to as close to market expectations as possible.

What error rate is acceptable?

We know that manually drafting repetitive documents is labor intensive and prone to errors. Studies have shown that without a systematic approach to creating and proofing processes error rates can reach devastating levels ranging up to 60% or more. I'm reminded of a friend who spent \$600,000 on an SEC filing drafted by a boutique firm, only to receive final documents naming a different company. This is the "cut, paste and sue me" product delivery process.

While broad studies on error rates in documents produced by lawyers are not yet available, other areas offer clues. A study supported by the National Institutes of Health and published in the *Journal of General Internal Medicine* in January 2009 reports that doctors' use of cut and paste represents a "high risk" to patients, leading to mistakes in patient care in 24% of the cases studied. Would *you* use a doctor with a 24% error rate? Would *you* use an attorney with that level of mistakes?

A more generalized study by Lifetime Reliability Solutions reports that in a semi-structured environment tasked with "complicated non-routine work," we can expect human error rates of about 10%. Add a little stress, say the foreclosure deadline is just hours away or the clients have just walked through the door, and the error rate jumps to 25%. In an unstructured environment – phones ringing, paralegal talking, lawyer multitasking between matters – the error rate can approach 60% or more!

How to eliminate errors?

The answer? Use technology to reduce errors to near-zero, to eliminate the need for manual "proofing," where the most expensive labor in the firm wastes bodacious amounts of time on "Easter egg" hunts through documents trying to find the individual variables that might be incorrect. A theory: the more intelligent the proofer, the worse the job. Think about it.

What are the costs of doing nothing?

Roberta Gelb described an extreme example to the Chief Information & Technology Officers Forum reported in *Law Technology News*. In her example, 20 secretaries in a mid-size firm ignored document automation proven to reduce creation of a specific frequently-used document from 65 minutes to five; the loss of that hour, multiplied across all the instances of use in a year, cost the firm \$800,000 in lost time.

Kevin Craine reported in *Output Links* that document creation eats up 60% of an office's time and 45% of its labor costs. Given that a law firm's labor is its largest expense by far, the investment in documents takes on huge new meaning.

We've just completed a survey of our customers in which two items stand out. According to respondents, 56% of the documents created by U. S. lawyers are repetitive forms rather than completely original material.

Potential Savings with Repetitive Documents

Our customers report that 56% of the documents they create each month are repetitive, where much of the text remains constant between uses but where each use needs to be customized based on specific circumstances. Putting these figures together, more than 25% of the average law firm's total labor expense is invested in the creation of repetitive documents.

In TheFormTool's survey, our customers described saving an average of 71% of the time that would have otherwise been devoted to the creation of their repetitive documents. An impressive 22% reported saving more than 80% of their time.

Why not?

Why haven't more firms moved more quickly to save themselves? I think Gelb has at least part of the answer, that many of those managing firms are hoping to retire before the need for change becomes fatal. She says, "If you look at the model of today's law firm, there is very little incentive for people that

are aging out of the law firm to be investing in new technology." Of course, that approach leaves a firm's next generation holding an empty bag for their years' invested.

What to do?

Look around. Is your delivery system and processes more or less efficient than the Post Office's?

If it's not up to what it needs to be to prosper, use document assembly and automation technology to help create and shape your share of this \$50 billion product to meet clients' expectations. In the process, you can eliminate errors, speed processes by 70% or more, reduce stress, and shave total expenses by 13% or more.

And in the process become more competitive against all comers.

But do it right now. Today.

Before the wave reaches *your* office.

