

**2021 Australian State
of Small Law Study:**

Billing Hygiene



Introduction

Smokeball conducted their biannual legal business sentiment study to explore the billing practices of Australian small law firms and obtain valuable insights into the most important issues facing the legal profession in the post-pandemic market.

In doing so, we revealed some interesting statistics regarding small law firms' billing hygiene. The unique results highlighted both the challenges and the changing legal landscape.

The COVID impact on a client's cashflow is affecting **1 in 5** small law firms who are left chasing 20% of unpaid bills. With the most affected in SA (67%), followed by NSW (51%), VIC (44%) and QLD (29%).

Unpaid ratios per state



What areas of law did respondents practice in?



Top 5

69%

Conveyancing

65%

Wills & Estates

42%

Family Law

41%

Leasing

37%

Litigation

Other areas include Sales and Purchase of Business / Franchises (37%), Commercial Agreements (32%), Criminal Law (23%), Mortgages (22%) and Employment (16%).





Processes

More than half of Australian small law firms surveyed do not have a regular billing cycle (57%), and 53% do not have a bookkeeper, but manage their accounts themselves or with an admin person in their firm.

On average almost half of the firms (47%) spend less than 4 hours per month on billing, while 29% between 4 to 8 hours, 13% between 8 to 12 hours, 5% between 12 to 16 hours and 2% spend more than 16 hours per month. This is in spite of the fact that 76% of respondents use technology to manage invoices.



82%

Send invoices and banking details out via email



88%

Agree technology helps with increasing billing administrative efficiency



52%

Use software to automatically track time and generate fee entries



The survey indicates users manually review invoices and often spend significant time adding detailed billing descriptions.

Just over half (52%) of respondents use software to automatically track time and generate fee entries, with 57% of those reporting saved time, followed by decreased errors (32%), increasing billed amounts (27%), decreased disputes (22%), and improving the fixed fee margin (14%).

“Our survey shows that 64% of respondents currently spend between 15 minutes and 1 hour daily typing time entries and detailed billing descriptions, with 10% spending more than one hour on this task every day. This is a problem that Smokeball is working on solving for small firms: we are committed to allowing small law firms to spend their time helping clients rather than justifying every minute of their day.”

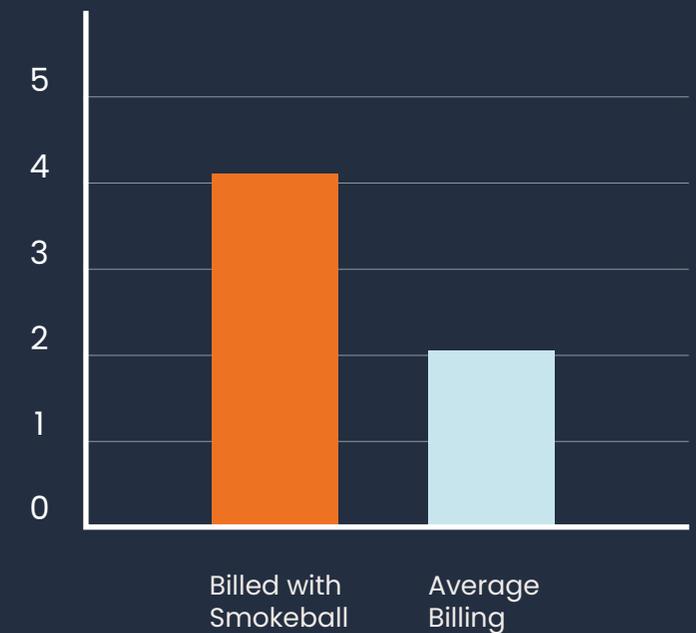


Jane Oxley, CRO, Smokeball

Legal industry studies show that firms using Smokeball’s automatic time tracking (AutoTime) bill over 4 hours per day on average vs. the 2.02 hours billed on average.

This can mean an extra \$135,000 of revenue per fee earner.

Typical hours billed



Top reasons client has not paid their bill



53%

General financial struggles



24%

Miscommunication about the due date



19%

Covid impact



17%

A lack of business processes to retrieve payments



11%

Billing of services executed too far in the past

Discounting

When asked about the main reason for billing disputes, almost half of the reasons were individual, but for the other half, disputed value was a common sticking point at 17%.



Other billing disputes

14%

Unclear scope

11%

Difference from initial scope

8%

Unachieved outcomes

6%

Miscellaneous disbursements



The main reason for discounting was client relationship building (47%), followed by excess time spent on a matter than was required (22%), concern that the client would object to the amount (13%) and an additional 2% of firms reporting they have clients that always question billing fees. 36% of respondents feel uncomfortable discussing money with clients.



78%

Of small law firms surveyed said they have provided discounts, or written off legal work, even before invoicing clients at some point this year.

7% of those respondents discounting 100%. Only 1% of firms said they never discount.

All South Australia respondents agreed or strongly agreed they had provided discounts along with 86% of Queensland firms, 80% of Victorians and 74% of NSW firms.





Hunter Steele, CEO of Smokeball explained it can be very hard for small lawyers to disconnect emotionally from the business of law.

“When you are billing people in your community that you see every day on your street, and are connected to through schools, community clubs or sports it may feel awkward to chase unpaid bills or even bill the whole amount due. In addition, when lawyers are so busy working on their matters, invoicing can be the last thing they have time for and a fall-down in this process can have a big impact on their bottom line, especially when debtors are left for too long”.



Hunter Steele, CEO, Smokeball

Concerningly, when a fixed-fee matter has exceeded the time and effort stated on a quote, only 7% of firms feel comfortable to rescope the matter with 43% initiating discussions to renegotiate fees but 33%, or one-third, absorbing the cost.



While outsourcing debt collection can assist in spending more time working on parts of the business. A good debt collection company can help set terms of trade that are clear and beneficial.

82% of respondents have responded 'No' to the service and only a handful have considered using it, whilst 17% have used the service to assist with their bookkeeping.

With 59% of respondents advising only less than 10% on average are past their due date.

% of client fees past due date



45% of small law firms indicate 14 days as their most common payment terms, others noted weekly payment terms of 29%, 30 days at 13% and 12% of respondents advise they do not have a set outline.



Discover the Smokeball difference

Smokeball is the first and only cloud based legal practice management software that automatically records time and activity, giving the small law sector powerful insights to understand the profitability of their work and optimise their practice.

In addition, Smokeball offers industry-leading automated document and email management, Law Society approved billing and trust accounting, shared tasks and workflows, secure messaging and file sharing, and automated practice-area-specific legal forms.

To discover why over 2500 firms trust Smokeball for all their practice management needs book a free customised software demonstration.

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