



Keith Maziarek writes about the cost of legal services for *Law360*

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In a recent article for *Law360*, Keith Maziarek, Katten's director of pricing and legal project management, writes about why the “cheapest is always best” approach when it comes to charging for legal services, which he often hears on the client side, is not always feasible.

One of the main arguments clients make for cheaper legal services, according to Keith, is that law firm costs should not increase on a yearly basis any more than the national inflation rate. Thus, law firm billing rates and prices should not increase any more than inflation. However, Keith argues, because inflation is based on the average price of basic consumer goods and services, and legal services are a more sophisticated service, it is justified that they "exceed the year-over-year production cost fluctuations of the most basic human needs." In other words, unlike commoditized services that are produced on a massive scale, industries such as law involve more complex processes that lead to higher inflation and overall costs.

Citing data from Thomson Reuters Peer Monitor on the growth rate trends of law firm costs from 2007-2019, Keith explains that, after the law industry's volatility during the 2008 recession, the market stabilized in 2012 and has since maintained a flat, consistent expense growth up to today. The data showed that overhead expenses (such as law firm office rent, utilities, and internet services) grew 2.9 percent annually, while direct expenses (law firm salaries and benefits) grew 3.4 percent on average, which exceeded the 2 percent inflation rate of basic goods and services.

Keith imagines a world in which some law firms' costs equaled that of inflation, explaining that those firms would have to pay lower salaries, which would cause their attorneys to leave for higher paying firms that offer market-rate salaries. Additionally, the loss of those attorneys would create problems for clients, who would have to find new representation that is not as familiar with their cases.

"The subtext here is that the new lawyer may not be the same caliber as the one who departed. This is 'you get what you pay for' in its most pure sense," Keith writes.

In response to clients who argue that costly overhead expenses (such as expensive offices) for law firms are not necessary and could help reduce the cost of legal services, Keith says that these offices are usually located in financial centers where a large proportion of firm clients reside. While firms could move to smaller offices as a way to minimize real estate expenses, moving to a less expensive space could make business more difficult. The same can be said for a firm that cuts back on technology and software expenses, since that could slow down its ability to respond to emails and calls, as well as negatively impact data privacy and security.

Furthermore, Keith adds, as clients demand greater innovation from law firms, firms will have to invest in better technology and training for attorneys and staff, which will require additional costs but will ultimately lower the cost of service delivery to clients.

To truly contain the cost of legal services, Keith argues, law firms need to become more sophisticated in how they define their goals, identify and manage risk, monitor performance, and regularly communicate with their clients.

"In these dynamic times, the conversation should revolve around evolving how legal work is structured, executed and optimized," Keith writes.

(Read Keith's article in *Law360*, "[Clients Benefit From Law Firm Expense Growth](#)," in its entirety).