

FORRESTER®

The Total Economic Impact™ Of Thomson Reuters Legal Tracker

Cost Savings And Business Benefits
Enabled By Legal Tracker

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ABOUT FORRESTER CONSULTING

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Executive Summary

Legal departments across industries use Thomson Reuters Legal Tracker to more effectively manage their matters and outside legal spend. The automation, consistency, and benchmarking data with Legal Tracker allow organizations to significantly reduce outside legal spend while simultaneously improving employee efficiency.

[Legal Tracker](#) is a SaaS platform that enables legal departments to manage their legal matters and legal spend efficiently. With Legal Tracker, organizations can see multiple sources of cost savings. Benchmarking and analytics facilitate lower timekeeper rates, auditing tools correct errors related to rates and line-item costs and expenses, and improved visibility allows for better insight into law firm spending and additional cost savings.

Thomson Reuters commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Legal Tracker.¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Legal Tracker on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using Legal Tracker. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#) that is an organization with \$1 billion in annual revenue and \$50 million in annual outside legal spend.

Prior to using Legal Tracker, these interviewees noted how their organizations lacked specialized software for matter and spend management, leaving their legal departments dependent on homegrown solutions and manual methods. However, this

KEY STATISTICS



Return on investment (ROI)
372%



Net present value (NPV)
\$2.99M

approach was inefficient and failed to adequately control outside legal spend. Interviewees were not proactive in response to growing legal costs and tended to place too much trust in the accuracy of their firms' invoices.

After investing in Legal Tracker, the interviewees reported improved employee efficiency and reduced outside legal spend. Key results from the investment include lower timekeeper rates, better enforcement of billing guidelines, improved visibility into legal spend, and more efficient review and management of invoices. Across interviewees' organizations, annual cost savings due to Legal Tracker ranged from approximately 2.5% to 15% of total outside legal spend, with an average savings of more than 7% of total outside legal spend.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Lower timekeeper rates, with average annual increases in timekeeper rates dropping from 12% to 5%, resulting in savings of \$2.5 million.** Legal Tracker provides detailed benchmarking and analytics that allow the composite organization to better navigate and negotiate rate increase requests, ultimately leading to reduced timekeeper rate increases. Additionally, auditing features in Legal Tracker catch when firms mistakenly bill at higher than agreed-upon rates. This cost savings results in a 2.5% reduction in total annual outside legal spend for the composite organization.
- **Enforcement of billing guidelines, equaling savings of \$746,000.** Automatic auditing capabilities in Legal Tracker flag and correct invoices that violate the composite organization's billing guidelines. This more consistent and automated process prevents payment for costs and expenses that violate the billing guidelines. This cost savings results in a 0.75% reduction in total annual outside legal spend for the composite organization.
- **Improved visibility, translating into savings of \$398,000.** With Legal Tracker, the composite organization can require firms to adhere to matter budgets, while reporting and dashboards give better visibility and tracking of its legal spend with firms. This allows it to identify moments when firms overcharge throughout the course of a matter due to the firm's inefficiency or internal mismanagement. Moreover, Legal Tracker is configurable to follow a consistent framework for all firms, allowing the legal team to peer-to-peer benchmark and share best practices. This cost savings results in a 0.4% reduction in total annual

outside legal spend for the composite organization.

- **More efficient review and management of invoices, resulting in a 60% productivity improvement and savings of \$161,000.** Legal Tracker makes reviewing and managing invoices faster given the automation and consistency provided by the software. The streamlined process makes employees more efficient and allows them to spend more time on higher-value legal work.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified in this study include:

- **Better reports and understanding of spending.** Using Legal Tracker, the composite organization does extensive reporting related to different matters and how much they cost, which it could not previously do. Moreover, its forecasting and budgets are more accurate with Legal Tracker.
- **Cost savings with strategic in-house hires.** The reporting in Legal Tracker allows the composite organization to identify instances where billable hours are so numerous for a certain type of legal work that it makes more sense to hire an in-house attorney. In these circumstances, an internal attorney is significantly more cost-effective for the composite organization.
- **Positive relationships with firms.** Most of the composite organization's law firms are already familiar with Legal Tracker; among those firms, it is one of the preferred systems to work with.
- **Configurability.** In addition to offering robust out-of-the-box functionality, Legal Tracker is configurable to more precisely meet the needs of the composite organization. In particular, custom fields allow employees to run relevant and customized reports.

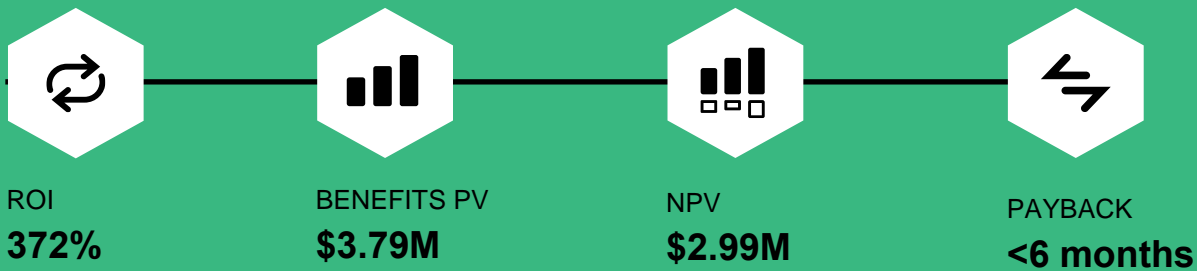
Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Licensing costs.** Licensing costs are determined in consultation with Thomson Reuters representatives and tailored for each organization based on factors such as outside legal spend and whether Legal Tracker or Legal Tracker Advanced is used. The composite organization uses Legal Tracker Advanced and pays an annual licensing fee of \$260,000. Risk-adjusted PV for licensing costs total \$766,000 over three years for the composite organization.
- **Internal labor for implementation and ongoing management.** A small group of employees at the composite organization dedicates some of their time to the implementation and management of Legal Tracker. This amounts to \$38,000 for the composite organization over three years.

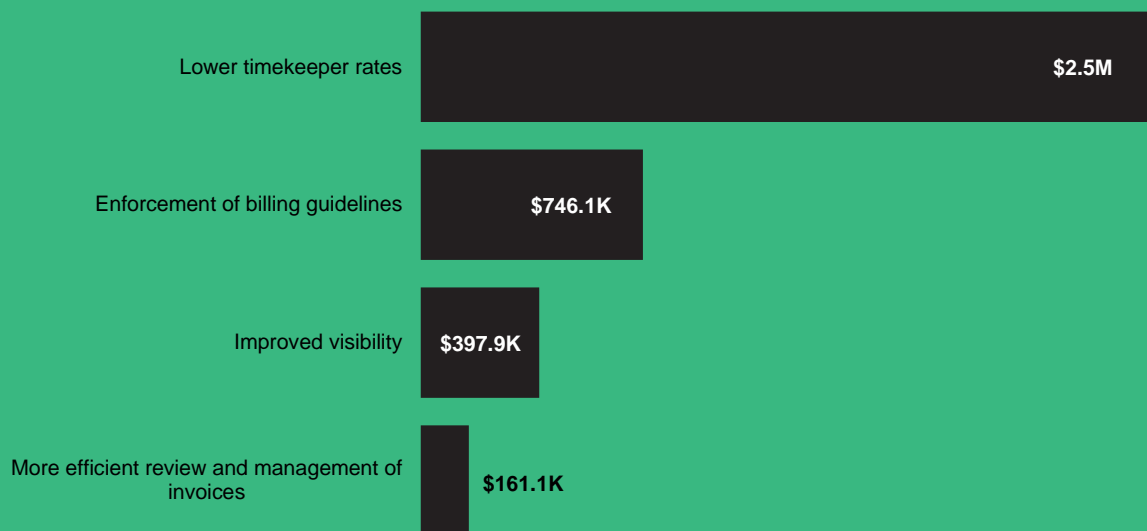
The representative interviews and financial analysis found that a composite organization experiences benefits of \$3.79 million over three years versus costs of \$803,000, adding up to a net present value (NPV) of \$2.99 million and an ROI of 372%.

“Having worked in other systems, I can say that Legal Tracker is by far the most straightforward from the end-user perspective of managing matters and managing invoicing. And then from an administrative standpoint, it is one of the most intuitive systems I’ve worked in.”

*Director of legal operations,
technology*



Benefits (Three-Year)



“With Legal Tracker, we have visibility into our legal spending, and its features help us control that spend as much as we can. We save several million dollars per year.”

— Legal operations specialist, consumer goods

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Legal Tracker.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Legal Tracker can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Thomson Reuters and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Legal Tracker.

Thomson Reuters reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Thomson Reuters provided the customer names for the interviews but did not participate in the interviews.



DUE DILIGENCE

Interviewed Thomson Reuters stakeholders and Forrester analysts to gather data relative to Legal Tracker.



INTERVIEWS

Interviewed four representatives at organizations using Legal Tracker to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Thomson Reuters Legal Tracker Customer Journey

■ Drivers leading to the Legal Tracker investment

Interviews				
Role	Industry	Revenue	Legal Spend	Region
Legal operations manager	Financial services	\$6 billion	\$10 million	North America
Legal operations specialist	Consumer goods	\$20 billion	\$100 million	North America
Director of legal operations	Technology	\$400 million	\$85 million	North America and EMEA
Director of general counsel operations	Financial services	—	\$15 million	USA

KEY CHALLENGES

Before implementing Legal Tracker, interviewees' organizations lacked specialized software for matter and spend management. Instead, they relied on homegrown solutions that entailed time-intensive manual review and the use of spreadsheets, as well as ad hoc approaches. In general, interviewees felt that they were not proactive enough in the face of growing legal costs and, moreover, that they trusted too much in the accuracy of their firms' invoicing.

The interviewees noted how their organizations struggled with common challenges prior to Legal Tracker, including:

- **Need to reduce legal costs.** Interviewees shared that the need to control outside legal spend was a priority for their organizations. Consequently, they sought a comprehensive and versatile tool that would allow them to better understand legal spend and develop strategies and processes to help reduce it.
- **Insufficient review of invoices.** The process for reviewing invoices at interviewees' organizations was manual and lacked thoroughness. As such, it did not consistently catch mistakes related to incorrectly posted timekeeper rates or improper expenses that did not abide by the billing

guidelines. The legal operations manager in financial services said: "Our law department was not appropriately reviewing invoices. We were basically trusting our firms. While we love our firms, they weren't doing everything correctly, and they made mistakes on our bills."

- **Inconsistent process for approving timekeeper rate increases.** Frequent and significant timekeeper rate increases were common; in some instances, the same timekeepers sent rate increase requests multiple times a year. The process for handling these requests varied, and many times attorneys and other employees were too quick to approve increases, naïve to their impact on growing costs and lacking data to benchmark the increase. Interviewees said they needed a consistent and data-backed approval process for timekeeper rate increases.
- **Time-consuming manual procedures.** At interviewees' organizations, invoice review processes were time-consuming and required the involvement of many employees. The director of legal operations in technology said of their legacy invoice review and management practices: "A lot of employees were involved. It was a very manual process. Invoices were being emailed to

us, and then we circulated them for approval, and then there was manual coding done on the invoices.”

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization has \$1 billion in annual revenue with outside legal spend that totals \$50 million a year. Its legal department has 55 employees.

Deployment characteristics. Legal Tracker is the composite organization’s solution for matter and spend management. The organization uses Legal Tracker to review and manage all outside legal spend invoices. Specifically, the composite organization uses Legal Tracker Advanced, a premium version of Legal Tracker with advanced predictive spend analytics and features.

An internal team of three employees dedicates 15% of their time to implementing the solution over six months. One additional employee commits 5% of their time to the ongoing management of Legal Tracker. Before implementing Legal Tracker, the composite organization did not have specialized software to manage its matters and outside legal spend and instead relied on homegrown solutions with largely manual review processes.

Key Assumptions

- \$50M legal spend
- \$1B annual revenue
- 55 employees in the legal department

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Lower timekeeper rates	\$1,000,000	\$1,000,000	\$1,000,000	\$3,000,000	\$2,486,852
Btr	Enforcement of billing guidelines	\$300,000	\$300,000	\$300,000	\$900,000	\$746,056
Ctr	Improved visibility	\$160,000	\$160,000	\$160,000	\$480,000	\$397,896
Dtr	More efficient review and management of invoices	\$64,800	\$64,800	\$64,800	\$194,400	\$161,148
	Total benefits (risk-adjusted)	\$1,524,800	\$1,524,800	\$1,524,800	\$4,574,400	\$3,791,952

LOWER TIMEKEEPER RATES

Evidence and data. By using Legal Tracker, interviewees’ organizations saved costs with lower timekeeper rates. These savings resulted from benchmarking data that allowed organizations to better navigate and negotiate rate increase requests, as well as audit features that caught when firms mistakenly billed at higher rates than what had been agreed upon. Across interviewees, the total cost savings from lower timekeeper rates ranged from around a 1% to a more than 10% reduction in total outside legal spend.

- Interviewees explained that with Legal Tracker, they had access to robust historical and regional data that allowed them to benchmark their timekeeper rates. This data enabled them to have better discussions and negotiations to lower rate increases. Some interviewees estimated that before Legal Tracker, typical rate increases ranged from around 10% to 30%, but with Legal Tracker they were around 5%.
- The legal operations specialist in consumer goods said: “We’re able to compare a firm with their peer firms and what other clients are paying. So we can use that as the benchmark when we

set our rates with our firms or grant their increases. We can say, ‘You guys are in the 95th percentile.’ Otherwise, you’re just kind of throwing darts out and don’t have anything to compare them to.”

- The legal operations manager in financial services similarly explained: “With the data that Legal Tracker provides us, we’re able to keep our timekeeper rates consistent and leverage rate data from around the region. So we’re able to use Legal Tracker to get better rates and make sure they are within our budget.”

“This year, our average timekeeper rate increase request was about 15%. Using Legal Tracker, we knocked that down to much closer to 5%.”

Legal operations specialist, consumer goods

- The benchmarking and analytics in Legal Tracker helped centralize and make consistent the process for arriving at agreed-upon rates and made for easier conversations with firms. The director of general counsel operations in financial services said, “Rates were not being negotiated as much before we had Legal Tracker to actually negotiate through because people don’t like having uncomfortable conversations.”
- Interviewees used additional tools in Legal Tracker that helped when dealing with rate increase requests, such as the ability to model the long-term impact of a rate increase. In some cases, increase requests that seemed moderate would have a significant cost over time.
- In addition to helping negotiate better rates, audit features in Legal Tracker also saved costs by automatically correcting outright mistakes related to timekeeper rates. The legal operations manager in financial services explained: “There’s savings just purely from catching errors. Legal Tracker is making sure that the rates for timekeepers are consistent. This has been extremely valuable.”

“If firms are billing higher than the agreed-upon rate, the tool in Legal Tracker automatically audits the invoice and reduces it down to the rate that was agreed on. ... We’ve saved hundreds of thousands of dollars in a year because of that audit feature.”

Director of general counsel operations, financial services

“With Legal Tracker, the negotiated rate savings is really high. We have the historical data. We try to be fair with firms, but we’re really on top of rates and we’re able to negotiate them hard.”

Director of legal operations, technology

- Interviewees shared that these mistakes on the part of the firm had several causes, including billing at the rate for a different client, failing to take into account discounts, double billing, and applying a rate increase without approval. With Legal Tracker, such mistakes on the invoice were automatically rejected and sent back to the firm.
- Savings related to timekeeper rates, whether from better negotiations or error correction, was the biggest financial benefit of Legal Tracker for most interviewees’ organizations. The legal operations specialist in consumer goods concluded, “Reduced timekeeper rates are the biggest source of cost savings because Legal Tracker cuts those in the front end and then also catches any of those errors.”
- Some interviewees upgraded to Legal Tracker Advanced and said they experienced enhanced benefits, especially related to timekeeper rates. They explained that as they were reviewing any timekeeper rate increase requests, they could look at even more extensive data that was easily analyzed and displayed in a way that fit their needs.

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Total annual outside legal spend is \$50 million, of which \$10 million is subject to annual timekeeper rate increases.
- Before Legal Tracker, the average increase in timekeeper rates was 12%; after Legal Tracker, the average increase is 5%.
- Due to Legal Tracker, the cost saved because of lower timekeeper rate increases is \$700,000 a year. This represents a savings of 1.4% of annual outside legal spend.
- Due to Legal Tracker, an additional \$550,000 is saved each year because erroneous timekeeper rates are corrected, which were not corrected prior to Legal Tracker. This represents a savings of 1.1% of annual outside legal spend.

Risks. The benefit of lower timekeeper rates will vary based on:

- Total outside legal spend, and particularly the amount of spend that constitutes timekeeper rates and how many of those timekeeper rates are subject to potential increases.
- The average percentage increase in timekeeper rates prior to Legal Tracker.

- Annual costs due to invoicing with erroneous timekeeper rates.
- The processes and tools used before Legal Tracker to negotiate timekeeper rate increases and catch and correct erroneous timekeeper rates.
- How aggressively the organization's firms seek timekeeper rate increases and how often the firms use erroneous timekeeper rates.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of nearly \$2.5 million.

“The biggest reason we got Legal Tracker Advanced was because they implemented an even better timekeeper rate review process. ... You can slice and dice data so many different ways.”

Director of general counsel operations, financial services

Lower Timekeeper Rates					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Total outside legal spend	Composite	\$50,000,000	\$50,000,000	\$50,000,000
A2	Amount of legal spend subject to annual timekeeper rate increases	Composite	\$10,000,000	\$10,000,000	\$10,000,000
A3	Average increase in timekeeper rates before Legal Tracker	Interviews	12%	12%	12%
A4	Cost due to timekeeper increases before Legal Tracker	A2*A3	\$1,200,000	\$1,200,000	\$1,200,000
A5	Average increase in timekeeper rates with Legal Tracker	Interviews	5%	5%	5%
A6	Cost due to timekeeper increases after Legal Tracker	A2*A5	\$500,000	\$500,000	\$500,000
A7	Savings due to lower timekeeper increases with Legal Tracker	A4-A6	\$700,000	\$700,000	\$700,000
A8	Percentage of total legal spend saved due to lower timekeeper increases with Legal Tracker	A7/A1	1.40%	1.40%	1.40%
A9	Additional cost saved due to Legal Tracker correcting erroneous timekeeper rates	Interviews	\$550,000	\$550,000	\$550,000
A10	Percentage of total legal spend saved due to Legal Tracker correcting erroneous timekeeper rates	A9/A1	1.10%	1.10%	1.10%
At	Lower timekeeper rates	A7+A9	\$1,250,000	\$1,250,000	\$1,250,000
	Risk adjustment	↓20%			
Atr	Lower timekeeper rates (risk-adjusted)		\$1,000,000	\$1,000,000	\$1,000,000
Three-year total: \$3,000,000			Three-year present value: \$2,486,852		

ENFORCEMENT OF BILLING GUIDELINES

Evidence and data. Legal Tracker's automated auditing tools made the enforcement of billing guidelines more consistent, reducing costs for interviewees' organizations. Among the interviewees who could quantify this benefit, the cost savings due to Legal Tracker ranged from around 0.5% to 2.5% of total outside legal spend.

- Prior to Legal Tracker, interviewees' organizations paid certain costs and expenses — often when they should not have, given the terms of the billing guidelines. Interviewees offered several examples of expenses that their companies frequently paid even though they should not have, including copies, scans, overnight messaging, word processing, document submissions, and other administrative tasks. The inconsistent, manual invoice review process, coupled with employees who did not have billing guidelines memorized, led to these improper payments.
- However, after implementing Legal Tracker, these expenses were consistently rejected in accordance with the billing guidelines. The director of general counsel operations in financial services explained, "With Legal Tracker, we're actually following through with what our retention terms say and not paying for that."
- Interviewees explained that Legal Tracker could be set up with their billing guidelines in mind and automatically catch and reduce costs. The legal operations specialist in consumer goods explained: "We're able to take our billing guidelines and have Legal Tracker automatically audit certain items. For example, we don't pay for copies, so Legal Tracker will automatically flag that and mark that down."
- The legal operations manager in financial services similarly said, "We've been saving a lot of money on these things that firms think they

can charge us — copying or scans or other administrative tasks."

- Interviewees explained that throughout the year, this added up to a meaningful cost savings as their organizations used Legal Tracker to review hundreds of invoices.
- Legal Tracker offered flexibility on how interviewees' organizations set it up. For example, if an expense violated billing guidelines, it could be automatically reduced and sent back to the firm or flagged for an employee to consider it further. In another example, one interviewee explained they chose to have Legal Tracker flag all line items categorized as miscellaneous because they sometimes represented expenses that violated the billing guidelines.
- Due to Legal Tracker, firms learned over time and became more careful concerning what they billed. The legal operations specialist in consumer goods said, "We've basically trained our firms through the system to be more careful about what they're entering."

"Invoices were coming through and not being flagged because our people don't have our retention terms or guidelines memorized. Now, we're not paying them. Legal Tracker is set up to audit against our terms and automatically reduces to zero any line items that we don't pay given our terms."

Director of general counsel operations, financial services

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Legal Tracker corrects 3,000 billing guideline errors a year that were not corrected prior to Legal Tracker.
- The average cost associated with a billing guideline error is \$125.
- Due to Legal Tracker, the cost saved because of billing guidelines enforcement is \$375,000 per year. This represents a savings of 0.75% of annual outside legal spend.

- The number of billing guideline errors invoiced prior to Legal Tracker and the total cost associated with them.
- The processes and tools used before Legal Tracker to enforce billing guidelines.
- How well the organization’s firms abide by billing guidelines.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$746,000.

Risks. The benefit of the enforcement of billing guidelines will vary based on:

Enforcement Of Billing Guidelines					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Billing guideline errors corrected by Legal Tracker	Interviews	3,000	3,000	3,000
B2	Average cost associated with a billing guideline error	Interviews	\$125	\$125	\$125
B3	Cost saved due to enforcement of billing guidelines	B1*B2	\$375,000	\$375,000	\$375,000
B4	Percentage of total legal spend saved due to enforcement of billing guidelines	B3/A1	0.75%	0.75%	0.75%
Bt	Enforcement of billing guidelines	B3	\$375,000	\$375,000	\$375,000
	Risk adjustment	↓20%			
Btr	Enforcement of billing guidelines (risk-adjusted)		\$300,000	\$300,000	\$300,000
Three-year total: \$900,000			Three-year present value: \$746,056		

IMPROVED VISIBILITY

Evidence and data. With Legal Tracker's reporting and dashboards, interviewees' organizations had better visibility and tracking of their legal spend with firms. This more thorough understanding allowed them to identify moments when firms overcharged them due to inefficiency or internal mismanagement at firms. The cost savings across interviewees' organizations varied and could be difficult to quantify. Still, most interviewees' organizations experienced this benefit, and it exceeded 1% of the total outside legal spend at one of the organizations.

- Examples at interviewees' organizations where improved visibility ultimately led to identifying areas where outside counsel overcharged include attorneys billing more hours than reasonably expected, multiple attorneys working on the same task, excessive legal research, and block billing with inadequate descriptions.
- The legal operations specialist in consumer goods described the process of using Legal Tracker to review instances where timekeepers billed more hours than expected: "If a timekeeper spent 12 hours doing something that we think should have taken 3, we can just mark that down within the invoice in Legal Tracker. It becomes a live document. There are additional audits that we have set. For example, if a timekeeper bills over 8 hours in a day, we will flag it [to take a closer look]."
- Legal Tracker occasionally led to the realization that a firm was inefficiently handling a matter over time; in some cases, organizations got credits from the firm and avoided using them for future legal work.
- The director of legal operations in technology elaborated: "In some instances, firms did not know how to manage their people and had multiple timekeepers on an assignment. We pulled all their invoices out of Tracker, and it was like, what in the world is going on? With the

reporting, we really understand who is doing what and can do the front-end cost control of how many timekeepers we're allowing to work on a matter."

- Interviewees became more strategic and cost-effective in their selection of firms. For example, some said that with the insight they gained from Legal Tracker, they can prioritize certain firms for big litigation matters given the way those firms strategically staff matters.
- With Legal Tracker, interviewees' organizations could require firms to adhere to matter budgets. Additionally, the platform could be configured so that it followed a consistent framework for all firms. This allowed organizations to engage in peer-to-peer benchmarking and best practice sharing.

"We can run task codes in Legal Tracker, drill down on what the firms were doing, and see how we were overcharged. ... This has led us to be more strategic [in relation to which firm we choose]."

Legal operations manager, financial services

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Prior to Legal Tracker, 500 billed hours were paid, which, after Legal Tracker, are no longer paid due to the improved visibility with Legal Tracker.
- The average hourly timekeeper rate for these 500 hours is \$400.

- Due to Legal Tracker, the cost saved because of this improved visibility is \$200,000 a year. This represents a savings of 0.4% of annual outside legal spend.

Risks. The benefit of improved visibility will vary based on:

- Total billed hours and the amount that would no longer be paid with improved visibility.
- Average hourly timekeeper rates.

- The processes and tools used before Legal Tracker to have visibility into inefficiency and mismanagement with which firms use their time dedicated to the organization’s matters.
- How well the organization’s firms conduct and manage the matters they work on.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$398,000.

Improved Visibility					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Billed hours not paid because of improved visibility into matters	Interviews	500	500	500
C2	Average timekeeper rate	Interviews	\$400	\$400	\$400
C3	Cost saved due to billed hours not paid because of better visibility	C1*C2	\$200,000	\$200,000	\$200,000
C4	Percentage of total legal spend saved due to billed hours not paid because of improved visibility	C3/A1	0.40%	0.40%	0.40%
Ct	Improved visibility	C3	\$200,000	\$200,000	\$200,000
	Risk adjustment	↓20%			
Ctr	Improved visibility (risk-adjusted)		\$160,000	\$160,000	\$160,000
Three-year total: \$480,000			Three-year present value: \$397,896		

MORE EFFICIENT REVIEW AND MANAGEMENT OF INVOICES

Evidence and data. In addition to reducing legal spend, Legal Tracker’s automation and consistency features decreased the amount of time spent reviewing and managing invoices. Interviewees described the time savings as significant, and among interviewees who could quantify the impact of Legal Tracker, the reduction in time it took to review and manage invoices ranged between 40% and 80%; the FTEs saved because of this spanned from one to four.

- Interviewees explained that before Legal Tracker, significant employee time was required for the more manual review of invoices. The automation that came with using Legal Tracker was a considerable time-saver. The director of general counsel operations in financial services said: “There’s a huge time savings by not having to go through every line on an invoice. That took a lot of time.” The legal operations manager in financial services said, “We freed up a ton of time for our attorneys who review invoices.”
- In addition to largely automating the review of the invoices themselves, interviewees’ organizations also saved time managing invoices, which Legal Tracker streamlined. Prior to implementing the software, organizations spent significant time collecting invoice PDFs, sending them to the right people, and obtaining signatures. Legal Tracker eliminated these steps. From a workflow perspective, interviewees explained that the system could automatically assign certain firms’ invoices to particular employees.
- The director of legal operations in technology concluded: “Legal Tracker has streamlined the legal invoice review process for our company. Not only from a review standpoint but also the processing standpoint, so things are getting paid faster on a cycle time than they used to be.”

- This time savings was particularly valuable because employees applied the time saved to higher-value legal work.
- The legal operations manager in financial services elaborated: “Before Legal Tracker, our attorneys were doing way too much administrative work. Now they can focus more on legal work.” The legal operations specialist in consumer goods added: “Legal Tracker makes it a highly automated process and saves time, which is a win because we are paying our attorneys to do legal work, not administrative tasks.”
- In addition to time savings, some interviewees explained that Legal Tracker empowered paralegals to be the main point of contact in reviewing invoices, freeing additional attorney time.

“Legal Tracker has been a huge time-saver because everything used to be so manual for us, but now it’s automated. That automation of invoice review for my attorneys has been great.”

*Legal operations specialist,
consumer goods*

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Before Legal Tracker, three FTEs are dedicated to reviewing and managing legal invoices.
- Due to Legal Tracker, 60% less time is spent reviewing and managing legal invoices.

- The productivity recapture is 50%; i.e., employees convert 50% of time saved into productive time.
- The average fully burdened annual salary for these employees is \$90,000.

Risks. The benefit of the more efficient review and management of invoices will vary based on:

- The number of FTEs reviewing and managing legal invoices.

- The annual fully burdened salary of employees doing so.
- The skill set of employees.
- The processes and tools used before Legal Tracker to review and manage legal invoices.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$161,000.

More Efficient Review And Management Of Invoices					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	FTEs reviewing and managing invoices	Composite	3	3	3
D2	Time savings due to Legal Tracker	Interviews	60%	60%	60%
D3	FTEs saved due to Legal Tracker	D1*D2	1.80	1.80	1.80
D4	Productivity recapture	TEI standard	50%	50%	50%
D5	Fully burdened annual salary for FTE managing legal invoices	TEI standard	\$90,000	\$90,000	\$90,000
Dt	More efficient review and management of invoices	D3*D4*D5	\$81,000	\$81,000	\$81,000
	Risk adjustment	↓20%			
Dtr	More efficient review and management of invoices (risk-adjusted)		\$64,800	\$64,800	\$64,800
Three-year total: \$194,400			Three-year present value: \$161,148		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Better reports and understanding of spending.** Interviewees said that Legal Tracker improved their legal departments' reporting. The legal operations specialist in consumer goods stated, "We do extensive reporting that we weren't able to do before — reports on different matters and what they are costing, how our teams are spending money."

Interviewees also indicated that Legal Tracker made their forecasting and budgets more accurate. The same interviewee concluded, "We have much greater confidence in our year-end budgets."

- **Cost savings with strategic in-house hires.** With reporting in Legal Tracker, some interviewees realized that the number of billable hours they were paying for certain legal expertise was so high that bringing an attorney in-house to specialize in that area would be significantly more cost-effective.

The legal operations manager in financial services provided an example: "We also use Legal Tracker to understand our spend and trends. Our cybersecurity spend went up exponentially in contrast to past spend. And so we took that as a heads-up and brought some more specialized skill in-house. We have used Legal Tracker for strategic recruitment."

- **Positive relationships with firms.** Interviewees said that their law firms' feedback on Legal Tracker was positive and that most of them already had some familiarity with the system. The director of legal operations in technology said, "By far, the feedback I get from law firms and vendors is that this is one of the preferred systems out there."

The legal operations manager in financial services said Legal Tracker facilitated their organization using fewer firms and having better relationships with them. They noted: "We asked ourselves, 'Why do we have 120 firms?' We started leveraging more often our larger-spend firms that are nationwide. We are using the budget tool in Legal Tracker to lessen our firm count and to make better relationships with our firms."

- **Configurability.** Interviewees expressed satisfaction with the out-of-the-box functionality of Legal Tracker but also described it as configurable to more precisely meet their needs. For example, interviewees highlighted the ease of use of custom fields in Legal Tracker, which allowed them to run customized and relevant reports that entailed the data they needed. The legal operations specialist in consumer goods said: "I feel, for the most part, Legal Tracker is very customizable. We have a high usage of the custom fields."

"We do a lot of our litigation reporting on Legal Tracker, and that is seen by our board of directors. So obviously, the reporting is good."

Legal operations manager, financial services

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Legal Tracker and later realize additional uses and business opportunities, including:

- **Further cost savings with alternative fee arrangements.** Some interviewees were able to pursue more alternative fee arrangements (AFAs) due to the insight Legal Tracker provided into how much matters cost with hourly rate payments. Other interviewees said they planned to pursue AFAs in the near future, given all the data they were able to collect with Legal Tracker. The software enabled them to understand the cost savings, which interviewees felt would sometimes be significant.
- **Greater ability to develop long-term strategy.** More broadly, interviewees explained that Legal Tracker set them up to better develop long-term strategy for their legal departments given the software's robust data and analytics. The legal operations specialist in consumer goods explained: "Over the years, we've definitely been able to develop more of a strategy with Legal Tracker. Before, we had no insight into how much we were spending on anything. Now, we're both forward-looking and backward-looking with our spending and just trying to be more analytical and get a better handle on our spending."

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)).

Analysis Of Costs

■ Quantified cost data as applied to the composite

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Etr	Licensing costs	\$22,000	\$299,000	\$299,000	\$299,000	\$919,000	\$765,569
Ftr	Internal labor for implementation and ongoing management	\$24,300	\$5,400	\$5,400	\$5,400	\$40,500	\$37,729
	Total costs (risk-adjusted)	\$46,300	\$304,400	\$304,400	\$304,400	\$959,500	\$803,298

LICENSING COSTS

Evidence and data. Interviewees’ organizations paid licensing costs to Thomson Reuters for the use of Legal Tracker. Costs varied widely across the organizations and were determined in consultation with Thomson Reuters representatives. Costs were tailored for each organization and based on factors such as the organization’s outside legal spend and whether they would use Legal Tracker or Legal Tracker Advanced.

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Initial licensing costs total \$22,000.
- Ongoing annual licensing costs total \$260,000.
- These costs include the use of Legal Tracker Advanced.

Risks. Licensing costs will vary based on:

- Customer-specific pricing.
- Total outside legal spend.
- Whether the subscription includes Legal Tracker or Legal Tracker Advanced.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$766,000.

“I got my wish, and we got Legal Tracker Advanced, and I will say it really is very good. It’s extremely insightful.”

Director of legal operations, technology

Licensing Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Licensing costs	Interviews	\$22,000	\$260,000	\$260,000	\$260,000
Et	Licensing costs	E1	\$22,000	\$260,000	\$260,000	\$260,000
	Risk adjustment	↑15%				
Etr	Licensing costs (risk-adjusted)		\$22,000	\$299,000	\$299,000	\$299,000
Three-year total: \$919,000			Three-year present value: \$765,569			

INTERNAL LABOR FOR IMPLEMENTATION AND ONGOING MANAGEMENT

Evidence and data. Employees at interviewees' organizations dedicated some of their time to implementing Legal Tracker. The length of time and number of internal employees involved varied, but implementations typically took around six months and involved approximately three internal employees dedicating 15% of their time. After implementation, interviewees said the ongoing management of Legal Tracker was minimal; one employee dedicating 5% of their time was the average internal time spent on ongoing management.

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Three employees for six months dedicate 15% of their time to the implementation.

- One employee dedicates 5% of their time to ongoing management.
- The fully burdened annual salary of these employees is \$90,000.

Risks. The internal labor for implementation and ongoing management will vary based on:

- The scope of the implementation and the amount of outside legal spend.
- The skill set of employees.
- The annual fully burdened salary of employees.

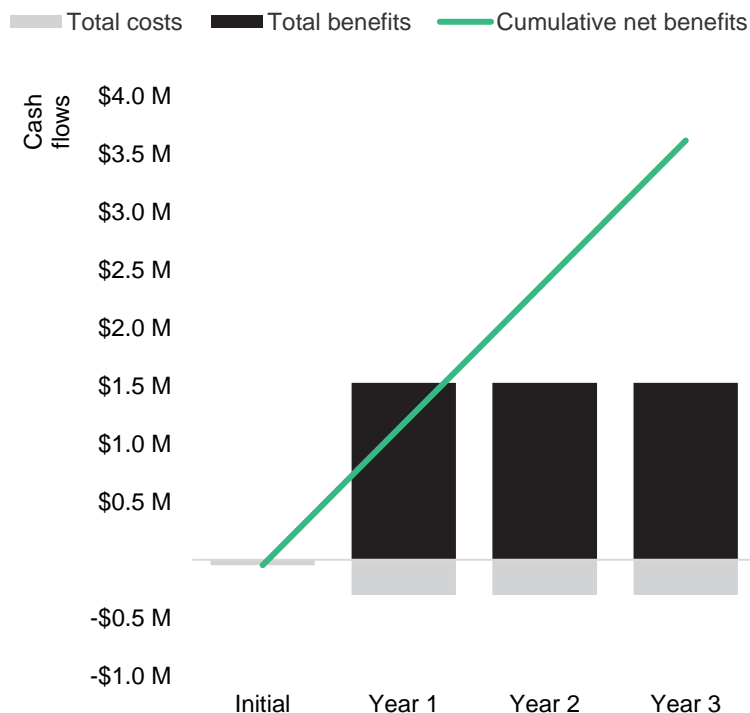
Results. To account for these risks, Forrester adjusted this cost upward by 20%, yielding a three-year, risk-adjusted total PV of \$38,000.

Internal Labor For Implementation And Ongoing Management						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Employees involved in implementation and ongoing management of Legal Tracker	Interviews	3	1	1	1
F2	Proportion of the year dedicated to Legal Tracker	Interviews	0.5	1.0	1.0	1.0
F3	Percentage of time spent on Legal Tracker	Interviews	15%	5%	5%	5%
F4	Fully burdened annual salary for FTE implementing and managing Legal Tracker	Composite	\$90,000	\$90,000	\$90,000	\$90,000
Ft	Internal labor for implementation and ongoing management	F1*F2*F3*F4	\$20,250	\$4,500	\$4,500	\$4,500
	Risk adjustment	↑20%				
Ftr	Internal labor for implementation and ongoing management (risk-adjusted)		\$24,300	\$5,400	\$5,400	\$5,400
Three-year total: \$40,500			Three-year present value: \$37,729			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$46,300)	(\$304,400)	(\$304,400)	(\$304,400)	(\$959,500)	(\$803,298)
Total benefits	\$0	\$1,524,800	\$1,524,800	\$1,524,800	\$4,574,400	\$3,791,952
Net benefits	(\$46,300)	\$1,220,400	\$1,220,400	\$1,220,400	\$3,614,900	\$2,988,654
ROI						372%
Payback period (months)						<6

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Endnotes

¹ Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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