

# Why a Desktop Print is a Billable Copy

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## Recovery of Client Reimbursable Costs is Declining

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It is well established in American Bar Association policy and traditional legal practice that law firms may charge clients for actual expenses incurred on behalf of clients in providing service on specific matters. With sufficient backup documentation, clients routinely pay for postage, long distance phone, legal research, trial exhibits, transcripts, couriers, faxes and copies.

As long as the intent is not to shift a firm's own cost of doing business to its clients, but for clients to bear those expenses that are genuinely theirs, the concept and practice of cost recovery has never been questioned. Litigation firms, and in particular those

handling matters on a contingency fee basis, are well-attuned to the absolute need to track and recover all client-related disbursements.

But according to recent ILTA 2008 surveys and Equitrac's own visits with C-level officers at 70 of the AmLaw 200 law firms, the practice of cost recovery has not kept pace with technological changes in the practice of law — or with the ability of technology to track and recover client reimbursable costs. As a result, cost recovery revenue in law firms is declining even though client reimbursable costs are increasing.

# Printing More, Copying Less, and the Hole in Your Billing Practices

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One of the leading causes of this downward trend in cost recovery is that digital technologies have changed some common law firm workflows from processes that have always been tracked and billed to those that are not. In particular, thanks to widespread use of networked multifunction products (MFPs) and document management systems, firms are producing fewer copies and faxes, which used to be the primary focus of their cost recovery efforts.

Instead, printing from the desktop to the MFP is replacing copying on the glass, and scanning documents to PDF and email is replacing faxing. But firms for the most part are not capturing and charging these activities as the reimbursable costs that they are.

According to the most recent ILTA 2008 survey on cost recovery practices, only 40 percent of very large firms charge their clients for prints and only 30 percent charge for scans. These numbers are slowly growing, but the current status remains that fully two-thirds of firms are not yet charging for the prints and scans that have replaced their previously billable copies and faxes. The ironic result is that the technologies designed to streamline workflow and make firms more efficient and productive are instead costing firms revenue. A study commissioned by Equitrac estimated the potential incremental cost recovery revenue in a typical AMLAW 200 firm as \$5,000 per attorney per year.<sup>1</sup>

## Why are firms not capturing and billing the cost of prints and scans just as they have always done for copies and faxes?

One answer might be that, historically, users were not printing enough to justify the cost of implementing a print capture solution. Another is that firms do not want their clients to feel they are being “nicked and dimed” for every possible expense. No client expects to pay for every page of every piece of printed correspondence, every draft memo or brief discarded after being printed and looked at once, or even the original copy of a document that will be reproduced in quantity on a copier. Some clients actually have policies that prohibit their firms from charging for prints.

As desktop copies replace photocopies, firms without effective print cost recovery are leaving significant recoverable costs on the table. Likewise, the majority of firms seem not to have realized there are recoverable costs in performing scanning on their own MFPs. That is, while firms commonly charge back the disbursements for third-party duplicating and scanning, why are they not also charging when scans are made on-the-fly in-house?

Whatever the reasons for not recovering additional disbursement types up to now, there is no reason for that situation to continue. As firms install more MFPs that can copy, fax, scan and print, the question they must now ask is:

## Does our existing cost recovery policy truly reflect how our staff uses these new technologies?

For many firms, asking that question requires them to confront the logical quandary that the cost of copying 25 sets of a 100-page filing from one master placed on the glass may be billed without question while the cost of printing those same 25 sets on the same machine, consuming the same 2,500 pages plus toner and energy must be absorbed as the firm’s overhead.

One CIO interviewed by Equitrac called this a “hole” in his firm’s billing practices.

More to the point: because today’s cost recovery technology can track this printing activity and automatically and accurately allocate it to the correct client matter, it is only practice, policy and perhaps nomenclature that is keeping law firms from recovering these expenses. Even the American Bar Association’s Legal Technology Resource Center says “printing costs are an excellent candidate for cost recovery.”<sup>2</sup>

<sup>1</sup> ALL Associates, 2005

<sup>2</sup> [www.abanet.org/tech/ltrc/publications/costrecovery1.html](http://www.abanet.org/tech/ltrc/publications/costrecovery1.html)

# Making the Decision to Charge for Prints

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Obviously, one way for firms to plug the print cost hole in their billing practices is to simply start charging for prints. With clients' agreement, firms could show "prints" on their invoices as a reimbursable cost item in the same way they do copies.

Or firms could apply a different name, such as "desktop copies" or "digital impressions" to convey that they aren't necessarily charging for routine prints. In fact, seeing as MFP prints are the same thing as MFP copies, and firms are printing what would otherwise be copied, a case could be made that billable prints could simply be categorized and charged as copies.

To assure firms are only charging for desktop copies, their print cost recovery policies could waive charges for single-use prints (those that are printed, viewed once, then discarded); provide "first set free" pricing for the printing of multiple copies of large documents, or even offer a monthly printing allowance or quota below which printing is not charged.

To help manage print costs that are not being charged, firms could establish policies requiring paper-saving duplex (double-sided) printing for internal review drafts and memoranda, and limiting the use of color.

# Cost Recovery Technologies Do It All

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**Just as important, Equitrac Professional provides the data that can help firms analyze and understand their printing activity so they can make better decisions regarding cost recovery.**

Such is the case at one large law firm that is considering the possibility of charging for prints. The firm is using Equitrac print management software to capture and quantify all of its printing, so that the partners

can learn how much paper they're generating and review what-if scenarios showing what the revenue would be if they billed various fractions of it.

Equitrac Professional also goes beyond the traditional focus on documents to deliver a much broader capability to automate the timely and accurate capture of all billable expenses: land line and wireless phone, research, couriers, trial exhibits — anything that can be appropriately charged to a specific client engagement.

# Increased Revenue and Rapid ROI

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To help firms understand their cost recovery potential, the Equitrac ROI calculator requires plugging in only a few numbers to provide a realistic return on investment from an Equitrac Professional solution.

As just one example, assume a typical medium size firm (50 attorneys, 150 staff, and 8 MFPs), on which it produces a total of 200,000 print and copies per month and that it expects a new Equitrac cost recovery solution with print tracking capability to cost about \$55,000.

If the firm bills clients for only 62% of its copies and prints at \$0.10 per page, it will realize 100% ROI in 4.48 months. From then on, every print recovered will contribute to the firm's bottom line by offsetting the operating and capital costs of the MFPs and related infrastructure.

To discover your firm's cost recovery potential, download the Equitrac ROI Calculator at <http://www.equitrac.com/roi-calculator.asp>.

## Conclusion

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The delivery of legal services requires firms to incur significant, identifiable and chargeable expenses that any reasonable practice, policy or observer would view as the client's responsibility rather than the firm's cost of doing business.

But, according to current industry surveys and Equitrac's recent meetings with C-Level executives at 70 AmLaw 200 firms, the vast majority of law firms are not realizing their full cost recovery potential. Most significantly, two-thirds of firms surveyed are not charging for desktop copies they are increasingly producing in place of photocopies. Because today's advanced cost recovery technologies make it easy for firms to capture and charge for prints, recovering this cost requires only a change in law firm practice and philosophy.

**Equitrac Professional cost recovery software can help firms to manage and quantify all printing activity so that they can understand their usage and establish practices and policies for recovering appropriate print expenses.**

Once that policy is in place, Equitrac Professional can help put it into action, automatically allocating all prints to the correct client matters.

In the end, a desktop print is a billable copy and should be a recoverable cost. Equitrac Professional can capture client billable costs from all sources and seamlessly transfer all cost items to the firm's time and billing system — for timely and complete invoicing, faster cash flow, and a healthier bottom line.