PERSPECTIVE

Leveraging strength for sustainable growth

2024 Legal benchmarking report

MACQUARIE BANK

Foreword

Leveraging strength, maintaining success

Australia's legal firms have navigated rapid shifts in the economic, regulatory and social landscape, demonstrating value to clients in a dynamic environment. Now there is opportunity to leverage the strength fortified over the past few years, defining a clear strategy for future success and committing the resources required for ongoing growth.

Since our 2019 benchmarking study, the legal sector has performed with strength, buoyed by heightened demand from clients. Legal firms have been increasingly central to their clients' decision-making and risk management strategies, helping to maximise returns. Firms have reported strong financial results and reduced levels of competition, suggesting there is currently sufficient client work for most to thrive.

Our 2024 study highlights the importance for firms to develop a well-defined strategy in order to sustain their profitable growth trajectory, backed by sufficient resources. The steps taken now can help to ensure that your firm remains competitive as economic conditions soften, creating the key differentiators that will underpin success in the years ahead.

Many firms are investing in ways to boost productivity and drive growth. With technological innovation as a key area for amplifying potential, artificial intelligence (AI) is seen as an accelerant for research, due diligence, and business development. Others see opportunities in key practice areas – including technology and innovation, restructuring and insolvency, mergers and acquisitions, and environmental, social and corporate governance (ESG). Alongside stable client demand, the industry outlook is positive.

Through my time with Macquarie Business Banking, working with legal business owners to achieve their personal and professional goals has been hugely rewarding. I am genuinely excited by the conversations that I've been having with clients as we carve out a future for legal business. If you would like to discuss your plans, our team would be thrilled to work with you and your firm.

Matthew Bolle
National Head of Legal
Macquarie Business Banking

Contents

Key trends

A profitable growth trajectory

Australia's law firms have grown consistently over the past decade, leveraging new technologies, investing in staffing and productivity, and helping their clients confront the challenges of a shifting environment.

Strong fee income and disciplined cost control saw average net profit margins (before partner salaries and equity dividends) reach 25% in the financial year ending June 2023 (FY2023). While higher volumes of client work underpinned this profit result, astute technology adoption and scaled growth strategies have also helped propel strong financial performance. In particular, firms with annual revenues greater than $20 million reported significantly higher use of technology tools as part of their everyday operations, helping to deliver revenues almost 80% higher per full-time equivalent (FTE) team member than smaller firms (with revenues less than $5 million).

Four key trends

Focus on growth

Revenue and profitability have risen across the industry, driven by increased client demand, and value delivered over an extended period, amidst economic challenges and social uncertainty. The outlook remains positive, providing firms with further opportunities to capitalise upon their position as trusted advisors. Work is expected to expand in key practice areas, including cyber security, technology, innovation, corporate advisory, and environmental law.

Technology is an accelerator

Widespread technology adoption is changing the practice of law, driving higher efficiency and productivity.

Looking to the future, firms need to leverage their technology investment in alignment with strategy, client experience, efficiency drivers, and staffing pain points.

Although still in its early stages, artificial intelligence (AI) is becoming increasingly differentiating, with the number of firms using AI doubling between 2019 and 2023.

People at the forefront

Attracting, retaining, and rewarding talent remains central to firms' concerns. Whether as a result of growth or staff turnover, the cost and effort associated with hiring and training new people diverts partners from client-facing and value-generating work. This makes the ability to attract and retain talented people a key differentiator for higher performing firms, along with their ability to motivate staff without driving salary costs higher.

Leverage of the balance sheet elevates performance

An insight into larger firms (those with over $20 million in annual revenue) was their tendency to carry debt to fund growth, enable succession plans and increase scalability. 75% of these firms have a debt limit of greater than 0.5x their profit, and 38% greater than 1x profit. By leveraging the balance sheet, large firms are able to invest in technology, build capacity and commit to new practice areas, with effective resources to execute their strategy.

Note: one-partner firms are analysed separately on page 24 due to their distinctive characteristics.

Driving higher performance

What higher profit firms are doing differently

As in previous benchmarking studies, we've identified the characteristics that separate firms from their peers. In this year's report, higher performing firms are defined as those with **profit margins of 30% or more**. These firms constituted **32%** of our respondent base.

Four key differentiators

Significantly higher revenue per partner

Higher performing firms are adept at leveraging and amplifying the expertise of their partners to attract higher levels of fee income.

Annual revenue per partner

Lower salary spend

Higher performing firms generate more revenue, and see higher profit, while spending a third less on salaries than their peers. Additionally, these firms benefit from strategies beyond remuneration that increase employee retention, engagement and productivity.

Redeploying spend can include investment in technology to streamline workflows, improve efficiency, and reduce risk and error, with leaner or restructured headcounts.

Salaries as a proportion of revenue

Leaner headcounts

Higher performing firms generated higher revenues from lower headcounts – around two thirds the headcounts of other firms. They also were identified to have a higher ratio of fee-earning staff, suggesting that they had positioned support staff in roles that generate value for the firm, while equipping them with technology and resources to work with greater efficiency.

These firms may expect higher standards of performance, regardless of role. With engaged teams, efficient processes, technology enablement, and performance measures that are motivational, firms succeed despite leaner headcount.

Headcount

Balanced appetite for investment

Higher performers balanced debt with a risk mindset, funding their strategy and enabling commitment of resources towards accelerated growth. Caution to leverage their balance sheet may be a factor of size.

Debt limit greater than 0.5x profit

Before equity partner salaries, drawings and dividends

Key metrics

Key performance measure	Metric	High performers vs Others (>30% profit) vs (<30% profit)	
Revenue	Gross practice revenue (FY2023)	Higher performers	$39.5M
		Others	$31.2M
	Revenue per partner	Higher performers	$3.2M
		Others	$2.1M
Debt limit	% with >0.5x debt limit	Higher performers	41%
		Others	59%
Practice areas	Number of practice areas	Higher performers	6.1
		Others	5.7
Headcount	Total headcount	Higher performers	59
		Others	90
	Partner headcount (Salaried and equity)	Higher performers	12
		Others	15
Salaries	Total salary costs as % of revenue	Higher performers	21%
		Others	36%

Financial performance

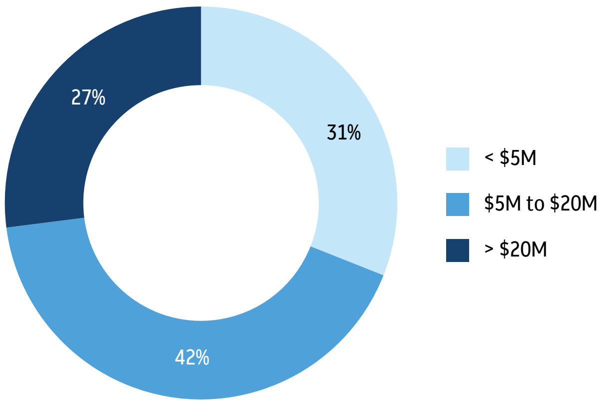
Strong demand drives rising profits

Firms have faced an increasingly complex and challenging operating environment, with rising regulatory, security, environmental, staffing, social and technological risks. This has driven demand for legal advice, as firms become central to their clients' decision-making and risk management strategies.

Underpinned by higher demand, firms of every size reported strong fee income in FY2023, lifting average profit margins to 25%. Almost all legal firms recorded a profit, with 80% of firms reporting profit margins above 10% (up from 56% in 2019), and one in three reporting profit margins greater than 30%.

Revenue

Revenue profile



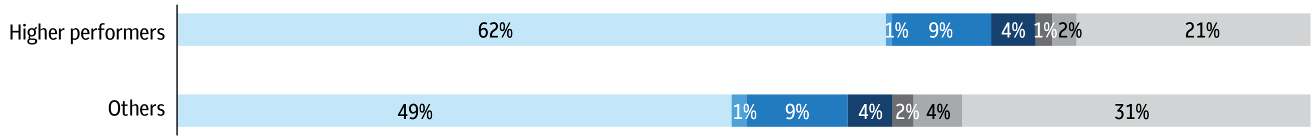
FY2023 gross revenue

Expenses

Spending discipline remains strong

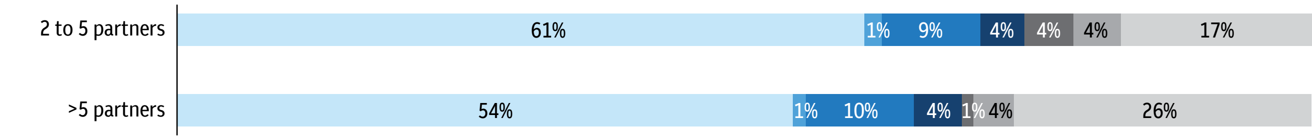
Robust cost controls are in effect, with firms monitoring expenditure in a high inflation environment. For many, compressed office footprints, due to the recent shift to hybrid working, have seen occupancy costs fall below 10% of revenue, down from 12%–15% in 2017. Salaries are the most significant cost, at 31% of gross revenue – which underlines the importance of ensuring that firms have strong retention and talent-nurturing policies.

Expense profile



Smaller firms spend a higher proportion of their expenses on salaries than larger firms. As firms scale they can spread their costs across a larger base.

Expense profile – by firm size

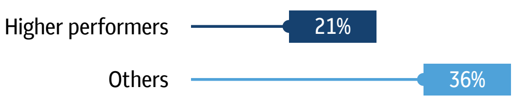


Salaries
Non-salary incentives
Occupancy
IT
Training and recruitment
Marketing and business development
Other

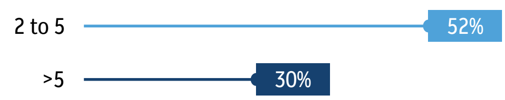
Salaries as portion of revenue

Salary costs for higher performers are 21% of gross revenue, compared against 36% for other firms. By firm size, two to five partner firms absorb the highest staffing costs, at 52% of gross revenue, compared against 30% for firms with over five partners. This ability to spread staffing costs across a higher revenue base for larger firms is a key differentiator.

Salaries as portion of revenue - higher performers versus others



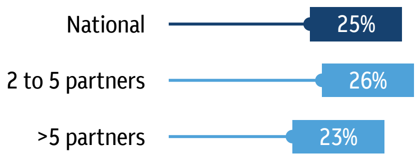
Salaries as a portion of revenue - by firm size



Profit

Note: net profit is before salaries and dividends to equity partners.

Net profit

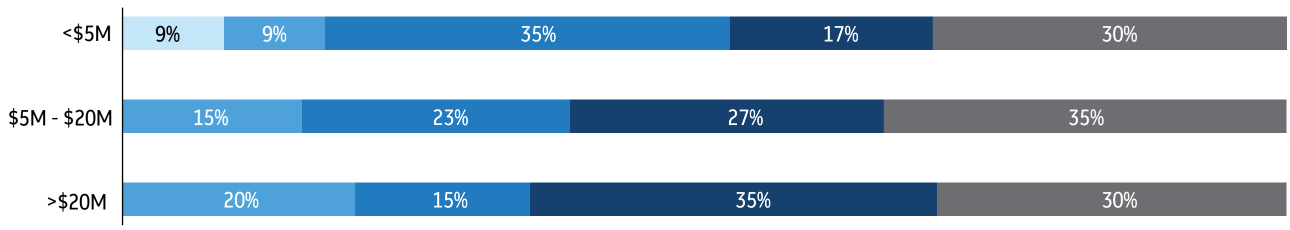


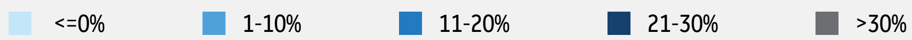
Profit profile

Net profit profile – national

Net profit profile – by firm size

Net profit profile – by firm revenue cohort





Achieving sustainable scale

The challenge of incremental growth

Our study reveals the benefits and challenges of growth in a market where skilled staff come at a premium. With the labour force in Australia at its tightest in almost 50 years, demand for talented people is strong. In this environment, mid-size firms can find themselves stuck in the middle, without the agility and lower cost structures of smaller firms, but lacking the scale, reach and recognition of larger firms.

For these firms, incremental growth is made harder by the industry's most commonly identified challenge of attracting and retaining people. Firms with two to five partners see over half of their revenue consumed by salaries and non-salary incentives, and they spend a six times higher proportion of their revenue on recruitment.

Yet staff recruitment and retention aren't just cost issues. The disruption that recruitment creates, searching for candidates and training new people, pulls partners away from strategically important and value-generating work, which can have significant impacts for smaller firms.

Salaries as a proportion of revenue – by firm size (excluding non-salary incentives)

Specialise or scale?

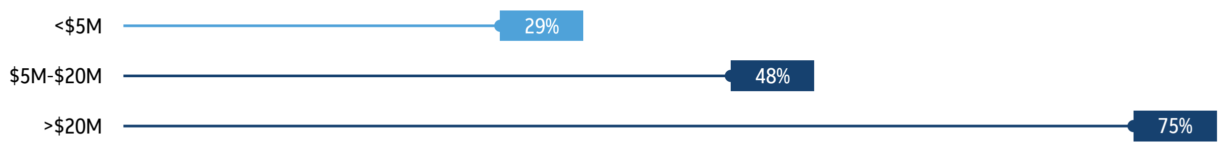
To differentiate, and be competitive, one option is to specialise and embrace the benefits of smaller size. Small, specialised firms have the ability to utilise a simple governance framework that facilitates nimble decision-making and keeps costs lower. They can innovate and carve out a niche by delivering highly valued, focused advice. And they can become known in the industry for domain expertise, attracting people who are interested in this type of work and client base.

In contrast, becoming bigger requires a typically corporatised business model that is optimised for efficiency and economies of scale. In addition to more easily sustained long-term profit growth, size can bring brand awareness and make it easier to attract and retain talent. A scalable business model also has benefits for business growth through merger and acquisition, simplifying the processes of acquiring and integrating other businesses, particularly the practices of bringing in new partners and lateral hires.

Balance sheet leverage

Both our survey results and data on file suggest that firms with growth ambition leverage their business assets, including debtors, and work-in-progress, to drive capital investment and add scale. This can allow them to sidestep the challenges of incremental growth, which include resourcing issues, technology implementation and inconsistent client experience. Firms with revenue of over $20 million had significantly higher appetite for taking on debt, with 75% identifying their external debt limit (as a multiple of profit) at over 0.5, and 38% at over 1x profit. In contrast, 7% of firms with under $5 million in revenue, and 19% of firms with between $5 million and $20 million in revenue, identified their debt limit as over 1x their profit.

Appetite to take on debt - debt limit greater than 0.5x profit



Four ways to accelerate your scale ambitions

Adopt a firm-wide strategy

The first step towards scalable growth is a clearly defined strategic intent for investment, with partner buy-in, measurable goals, and a firm-wide, well-resourced implementation plan.

Invest in targeted practice areas

Identifying specific practice areas with high potential for growth can enable firms to commit with adequate resourcing and a clear strategy, and a compelling offering differentiated from their peers.

Invest in technology

Investing in appropriate technologies can enable staff to manage higher volumes more efficiently, growing fee income and driving higher levels of productivity and profitability.

Invest in people

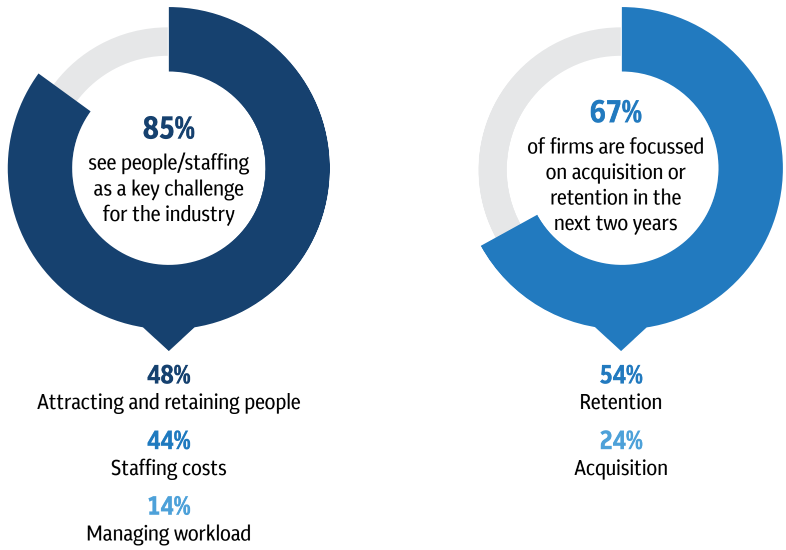
Successful firms prioritise the recruitment and retention of talented people into suitable roles, with a mix of fee earners, administrative staff and C-suite staff who are given support, direction and motivational performance targets. Doing so provides their people with runways to higher performance, including ongoing development, partnership and equity pathways.

People

A national challenge: attracting and retaining staff

Unsurprisingly, attracting, retaining and rewarding talented people remains at the forefront of firm's concerns. Our study saw a significant portion of respondents identify staffing issues as both a key industry challenge, and a key focus for their business over the next two years.

Staffing challenges



The people challenge has become more acute since our 2019 study, in which 77% of firms found attracting staff a significant difficulty - and this is not confined to the legal sector. Macquarie benchmarking studies of other professional services industries throughout 2023 revealed that finding and keeping skilled staff is an economy-wide problem. This aligns with official unemployment figures indicating one of the tightest labour markets in 50 years.

Despite these challenges, legal firms' salary spend is a favourable portion of revenue compared to other professional services industries. At a national average, firms spent 31% of revenue on salaries in 2023. However, smaller firms are spending considerably more - more than half (52%) of their annual revenue - and salary spend still remains the highest expense for legal firms of all sizes and revenue bands. This, coupled with the escalating additional costs and productivity losses that come with recruitment and training, explains firms' significant focus on staff retention as a cost management strategy.

52% of firm revenue is spent on salaries in two to five partner firms.

There is also a trend towards robust staff management strategy as a cost lever. Responses show that higher performing firms successfully earned higher revenues with fewer staff, spending only 21% of revenue on salaries.

This suggests that they have been successful in:

Attracting and keeping skilled staff through incentives and strategies beyond remuneration, such as compelling employer brands and attractive work cultures

Implementing technology and software that streamlines administrative activity, to enable efficiency of support teams with lower headcount

It also indicates that partners in high performing firms may be participating in more revenue-generating activity than their peers.

What should you focus on to attract and retain staff?

The expertise and service your people provide to your clients is fundamental to the value of your firm. In an extremely competitive labour market, effective recruitment and retention strategies must be in place to ensure your firm's immediate and enduring success. Better employee experiences lead to higher employee engagement, which can bring multiple benefits for legal firms, including:

Higher work performance and productivity

Greater discretionary (voluntary) effort

Higher employee retention (lower turnover)

Improved client experience, loyalty and likelihood of advocacy and referral.

8 ways to drive higher engagement among employees

Renumeration is not the sole, or even the most important, reason employees join and remain with a firm. Research[1] suggests that there are eight core drivers of engagement that are consistently more important to employees than remuneration, including:

1. **Belief in leadership:** Ensure leaders align their behaviour to the firm's values and show genuine interest in employee wellbeing. Leaders who earn trust and confidence from their employees will have an out-sized impact on the engagement of people who work for them, because employees will observe and echo their leaders' sentiments and behaviours. What leaders say, how they act and what they prioritise must create a supportive and safe workplace.
2. **Alignment to strategy**: Make clear to staff how their individual performance contributes to the firm's goals and business strategy.
3. **Balance between professional and personal objectives:** Consider ways your firm can offer staff flexibility and autonomy, as this is increasingly a competitive advantage for attracting and keeping talent. Provide sufficient resources, including people, systems, and tools to enable efficiency and productivity when staff are working flexibly.
4. **Image:** Cultivate a positive external brand that allows employees to have pride in the firm and believe that it is highly regarded by the community.
5. **Employment value proposition**: Understand your firm's points of difference as a workplace and use them as selling points to engage and retain talented people.
6. **Deliberate and genuine interactions:** Involve staff in the decisions that affect them. Empower staff to speak up, and seriously consider the issues they raise. Being heard and responded to makes people feel valued.
7. **Development pathways:** Nurture the talent you have – systematically assess skills, identify gaps, and invest in professional development to foster career growth.
8. **Health and wellbeing:** Offer resources to support the physical and mental wellbeing of your staff, and tools to maintain a healthy work-life balance.

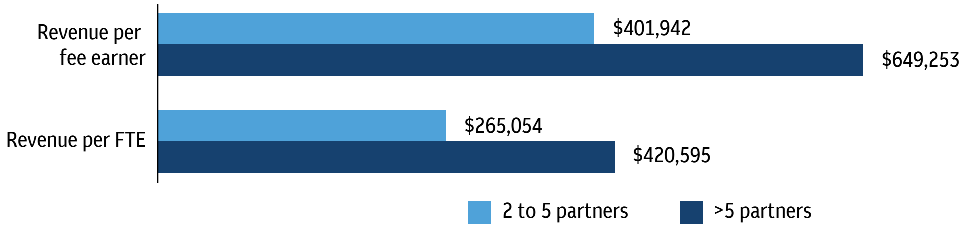
1. Willis Towers Watson, Global trends in employee attraction, retention, and engagement, 2014

Achieving higher productivity through scale

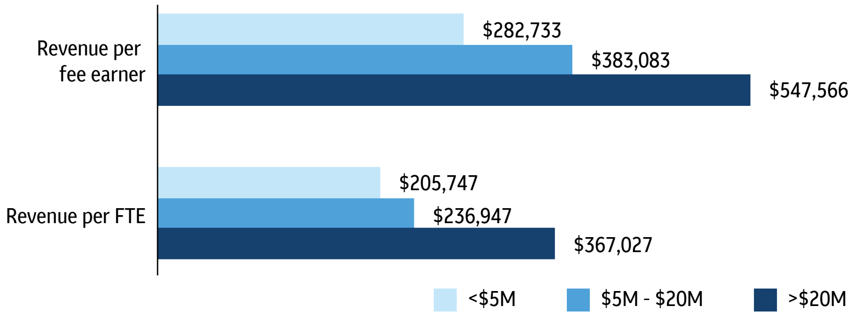
A standout insight from this study is the difference in employee productivity between firms of different sizes. Regardless of whether we measure firm size by revenue or number of partners, economies of scale appear to drive significantly higher revenue per staff member.

Firm size drives higher revenue per FTE and fee earner

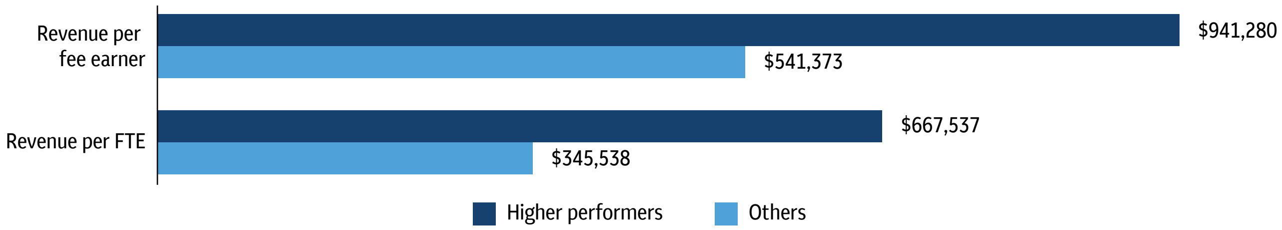
Revenue per fee earner and FTE – by firm size



Revenue per fee earner and FTE - by revenue cohort



Revenue per fee earner and FTE – higher performers versus others



These findings underline the benefits of scale, as well as the ability of larger firms to streamline workflows and enhance productivity with new technologies and improved processes.

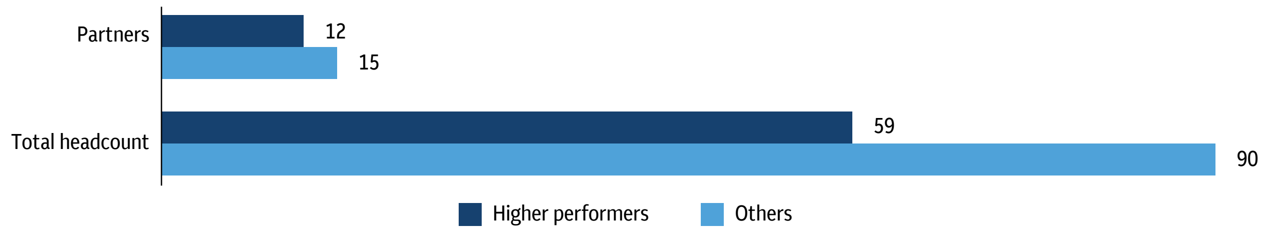
Getting the right mix: fee earners and non-fee earners

The average legal firm in our study has 65 employees, of which two thirds are fee earners. Since our 2019 study, the proportion of fee-earning staff has increased slightly, suggesting incremental efficiency and productivity gains. Among higher performing firms, the proportion of fee earners is higher again, at 71% of staff. However, that doesn't mean firms should simply focus on maximising the proportion of fee earners in their staffing mix.

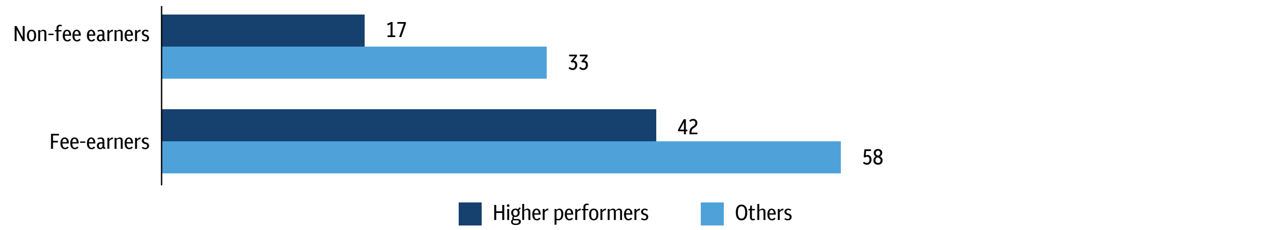
Our experience suggests that support staff can play a valuable role in freeing up fee-earning staff to focus on value-generating work, rather than on tasks that do not drive value for clients. To achieve this, they need to be supported with time-saving technologies and a work environment that measures and rewards productivity growth. When firms improve the efficiency of their support staff, they enable them to support more fee earners, growing the firm's profitability in turn.

Staffing mix

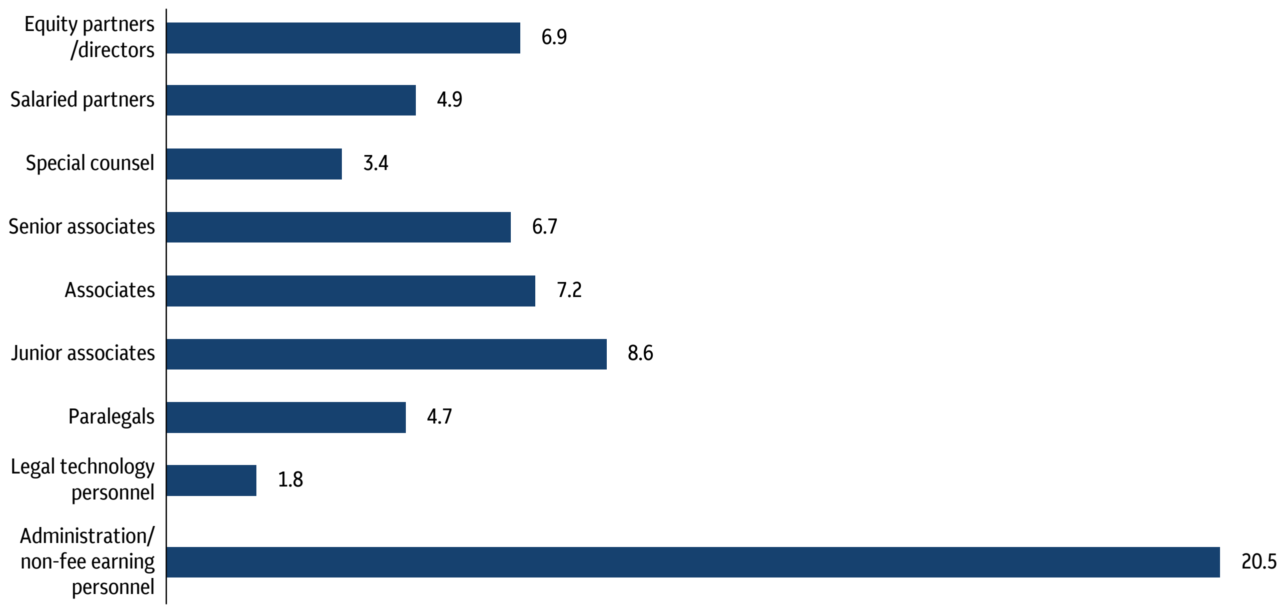
Headcount



Fee earners and non-fee earners

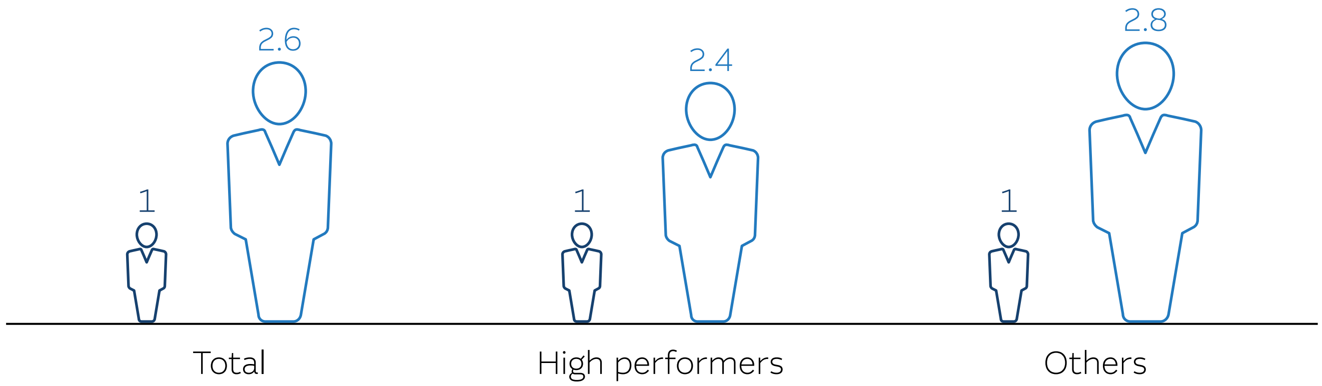


Staffing mix – national average

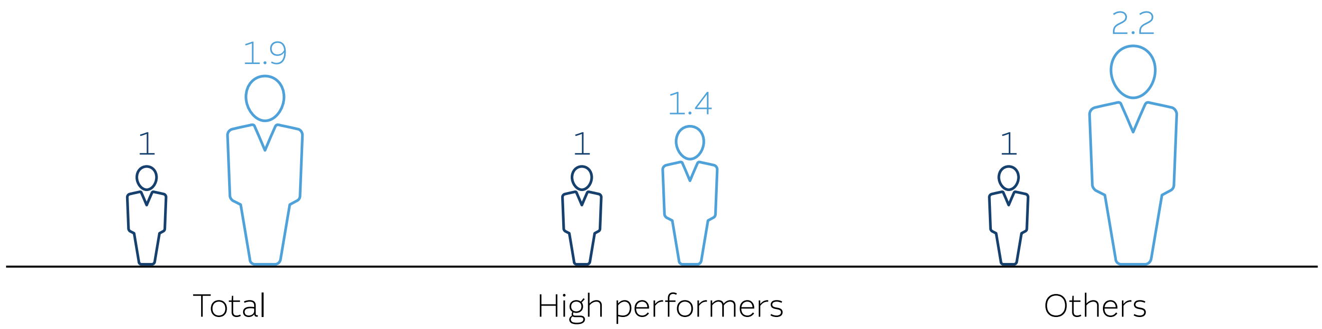


Key staffing ratios

Partners to fee earners



Fee earners to administrative staff

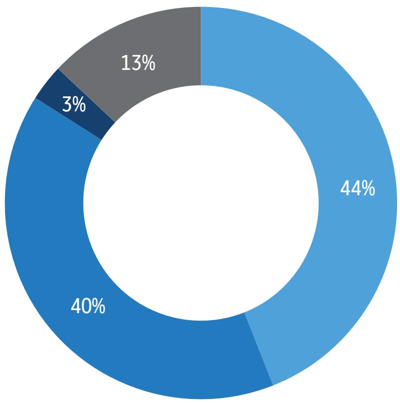


Partners　Fee earners　Administrative staff

Succession planning

Legal firms are adept at succession planning. The predominant business model in the industry places significant emphasis on pathways for talented senior associates to be brought into partnership and equity, which sustains the value of partnership, and provides senior partners with exit strategies. Succession planning provides a motivational platform for lawyers, as well as acting as a strong retention tool in firms. It's not surprising that 87% of firms have succession plans in place, either drawing internal candidates into discussions or expanding discussions externally. The 13% of firms without a succession plan tend to be smaller. As noted earlier, small to mid-sized firms report staff attraction and retention challenges, potentially making succession planning more difficult. Smaller firms can strengthen succession plans by giving talented staff reasons to stay, including strong cultures and non-salary rewards.

Succession planning – total respondent base



Succession planning – by FY2023 gross revenue

Succession planning – by firm size

Internal plan | Internal and external | External plan | No succession plan

Technology

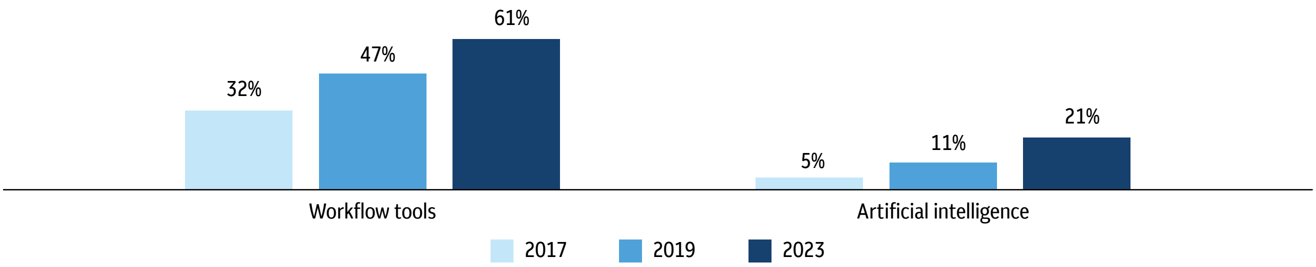
Technology wins and worries

For legal firms, technology brings challenge and opportunity. In previous benchmarking studies, many respondents cited selecting, implementing and integrating technology into their firms as a significant challenge and barrier. However, this has largely been overcome, as firms embrace technology as an enabler of better business, client experience and enhanced delivery of advice. There are clear signs that firms are seizing the opportunities and facing the challenges of technology adoption, driving higher productivity in the process. In 2017, 61% of respondents cited lack of knowledge as a barrier to technology use, reducing to 37% in 2019, and 18% in 2023.

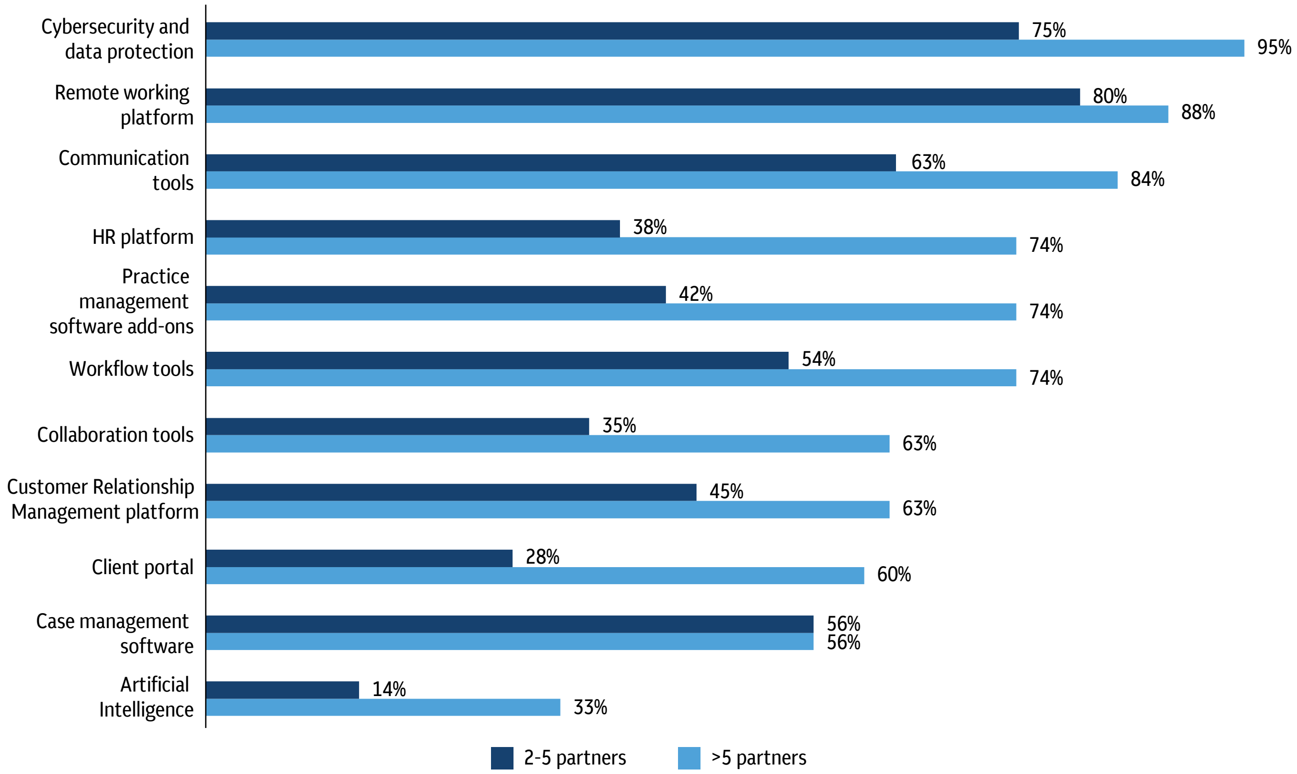
The response to COVID-19 has played a significant role in accelerating technology use, with remote work platforms now implemented by 83% of firms. Meanwhile, AI tools are starting to become more widespread, with 21% of firms now using AI, a four-fold increase since 2017.

As firms increasingly rely on integrated IT systems for operations, data privacy and cyber security have emerged as key concerns. Four in five (82%) firms use data privacy and cybersecurity tools, increasing to 92% for larger firms (those earning more than $20 million in revenue).

Legal industry use of technology tools over time



Technology tools in use



Technology propels larger firms to stronger performance

As noted above, our survey shows that larger firms generate significantly higher revenue per FTE and per partner than smaller firms. It also suggests that their greater investment in technology plays an important role in driving stronger performance.

Larger firms (with revenues greater than $20 million) use an average of 8.4 technology tools, compared to the 5.1 tools used by smaller firms (with revenues less than $5 million). Among other technologies, larger firms were significantly more likely to invest in online client portals, CRM systems, collaboration tools, and communication and workflow tools – all potential productivity catalysts. Overall, firms used an average of 6.2 technology tools.

Average number of tech tools used

For partners and firm owners, these findings suggest that well-considered technology investments have the potential to transform performance and significantly enhance overall value.

AI usage set to accelerate

The use of AI by legal firms (21%) has doubled since 2019, with 38% of larger firms (with revenues above $20 million) now using AI tools.

More than 90% of firms believe that, by 2028, AI will be doing some legal work, and 84% believe AI will perform up to a quarter of their work. While 37% see AI as a challenge for the industry, other firms see opportunities to charge for AI-enabled work – using it as a productivity aid rather than a replacement for legal advice.

Larger firms expect AI to play a greater role in the industry but practitioners in smaller firms have some doubts about its role. This may be more indicative of a lack of ability to adopt this type of technology, due to cost and scale limitations.

Some firms are using bespoke artificial intelligence capabilities tailored to the legal industry. AI is being put to work in research, marketing, due diligence, contract analysis, legal analytics, and in decision support due to its predictive power.

> Use of AI has risen by 400% since 2017[2], and use of workflow tools has doubled.

2. Macquarie 2017 Legal benchmarking study.

Challenges

Inflation pushes salary costs higher

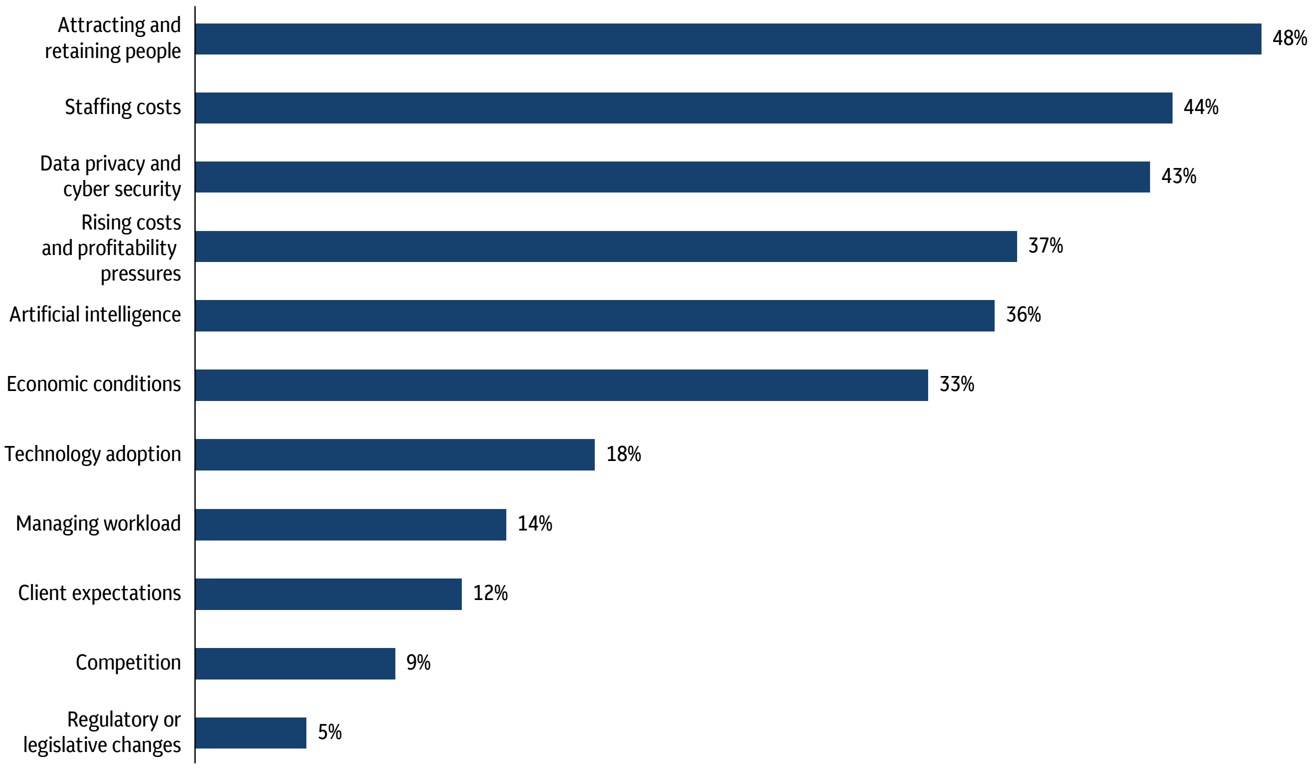
Asked to identify the greatest challenges they would face over the next two years, firms were most likely to name staffing issues and cybersecurity. Remarkably, only 9% of firms said they believed competition would be a challenge. This is in stark contrast to our 2019 survey, where 73% of respondents said that firms competing on price would be challenging, while 41% were concerned that in-house legal teams would take a larger share of work, and 27% were concerned about encroachment from the big four accounting firms. This shift demonstrates how the market position of the industry has strengthened, with sufficient work for most legal firms to thrive. Over the past few years, competition has shifted to within firms, to absorb the work on offer efficiently and cost-effectively.

Diminishing concern around competition (9% of respondents cited this as a challenge) has seen the challenge of rising costs become more important, particularly rising salaries. This is due to firms currently competing not for work, but for optimisation of their own business and profit.

Additionally, cyber security, data privacy and AI have emerged as important concerns, with firms acutely aware of the reputational damage associated with leaks and breaches.

Relatively low reporting of challenge in adoption of technology (18%), meeting client expectations (14%), managing workload (12%), competition (9%), and regulatory or legislative changes (5%) speaks to the current buoyancy of the industry, and that concerns around adoption of technology have, generally, been overcome.

Key challenges



Growth opportunities

New advice areas set to flourish

Following strong revenue and profit growth, firms are seeing opportunities to capitalise on a broad range of practice areas over the next two years. These growth opportunities centre on:

Technology and cybersecurity

82% of firms expect increased demand for legal work in the new, high-priority advice areas of cyber security, privacy and data protection (53%), and technology and innovation (39%). It's worth noting that 30% of firms expect AI to generate increased fee revenue for the industry.

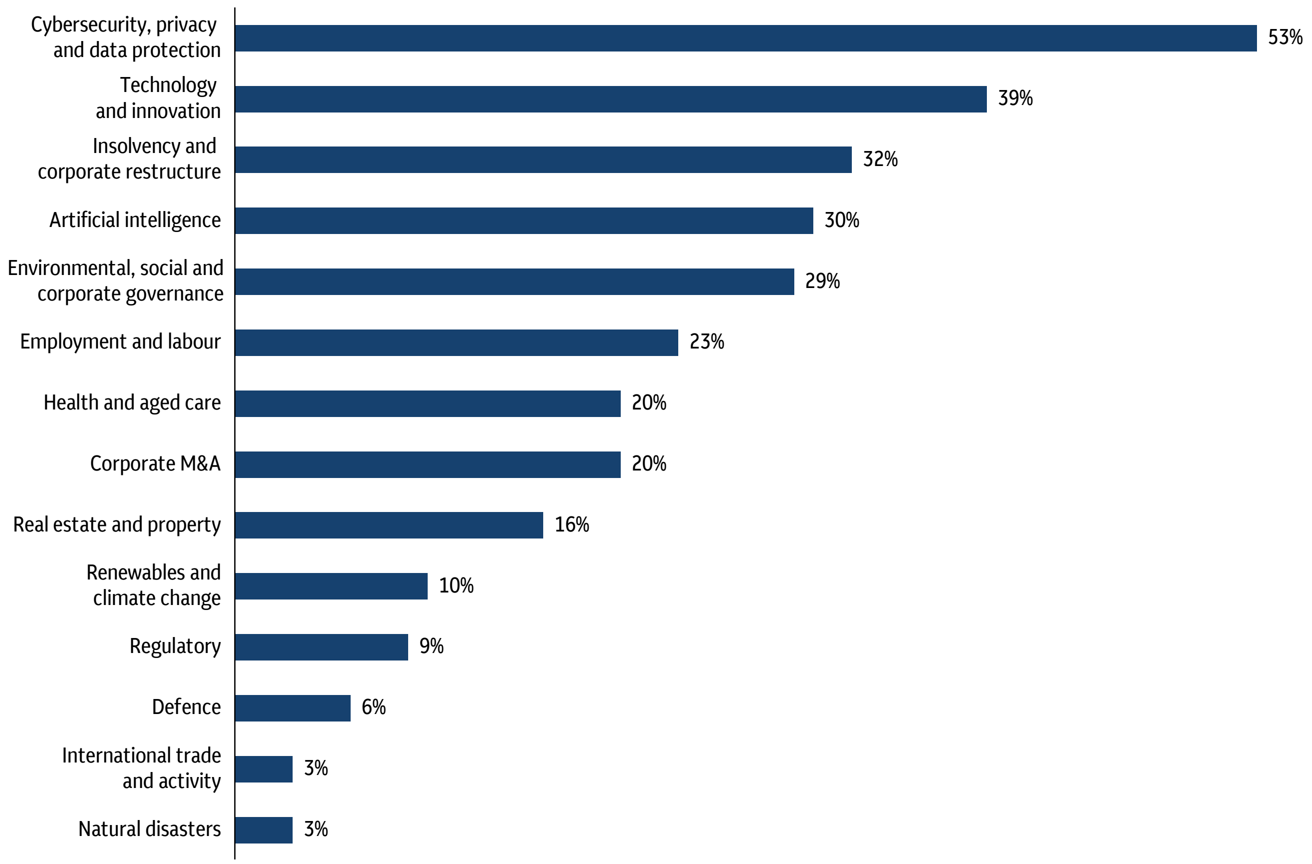
Corporate revenue

As corporate Australia navigates continued economic uncertainty, 52% of firms expect more client work in the areas of insolvency and corporate restructure (32%), and mergers & acquisitions (20%).

Environmental factors

With net zero target commitments drawing closer, firms forecast that Australian organisations will increase their demand for advice on environmental, social and governance issues (29%), renewables and climate change (10%), and natural disasters (3%). Larger firms are more likely to see opportunities in environmental and renewable energy work.

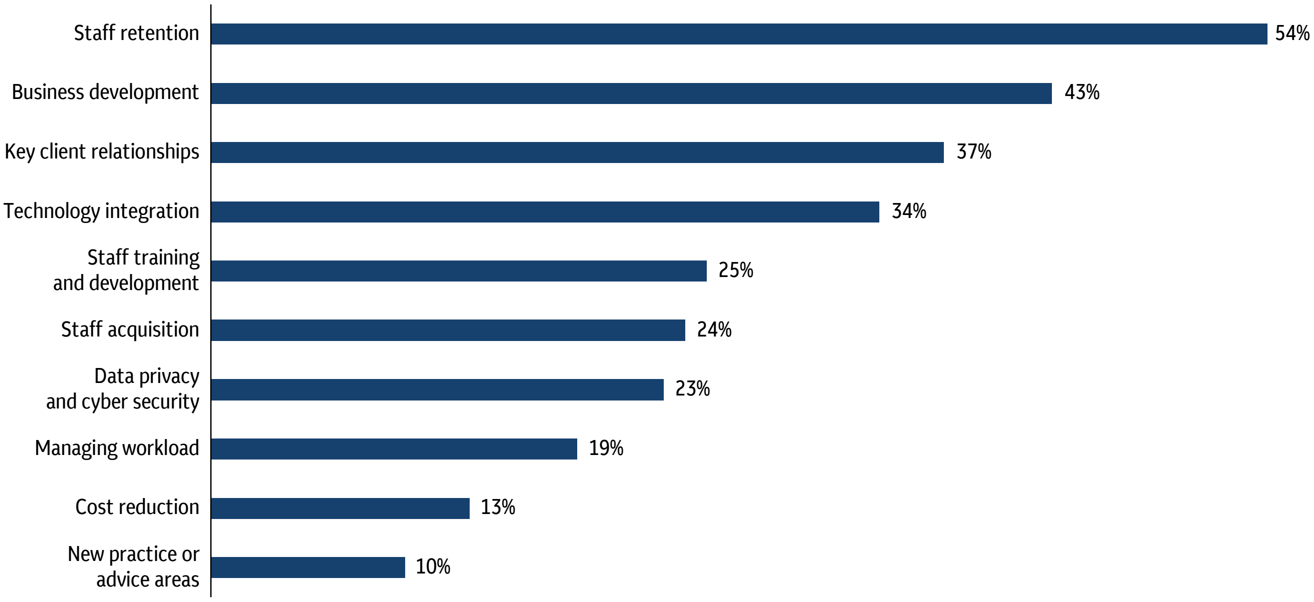
Industry growth areas over the next two years



Client relationships in focus

Managing client relationships and business development continue to be among the top three focus areas for legal firms in 2023. This continued focus will help firms retain key clients and expand into the growing opportunity areas listed above.

Firm focus areas over the next 1-2 years



One-partner firms

High profit margins and low lock-up days

In our 2024 study, 18% of respondents managed one-partner firms. We've analysed these firms separately, as their distinct features warrant a focused analysis.

In 2023, one-partner firms were characterised by hands-on leadership, agile decision making, high profit margins, a more flexible expense base, and best practice lock-up days management. Lock-up days are the number of days it takes for a firm's accounts receivable to be converted into cash, and they are a key metric for cashflow and working capital management.

Our findings suggest that while one-partner firms lack the benefits of scale enjoyed by their larger peers, many are highly successful and profitable businesses, with a strong base of quality clients and attractively lean cost structures.

FY 2023 gross revenue

$1,856,228

Net profit before partner salary

$379,978

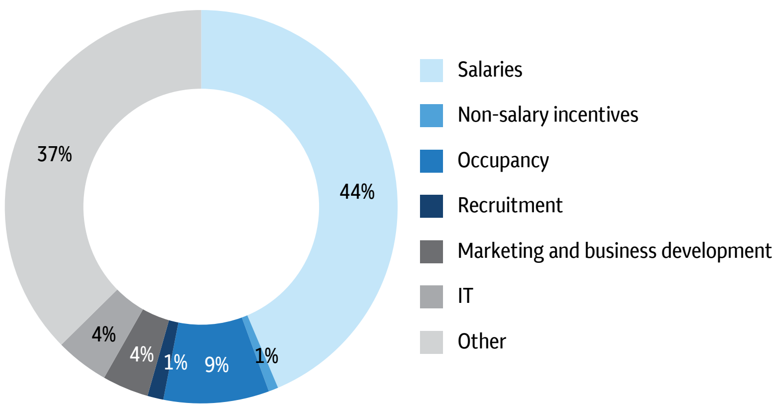
Net profit

26.1%

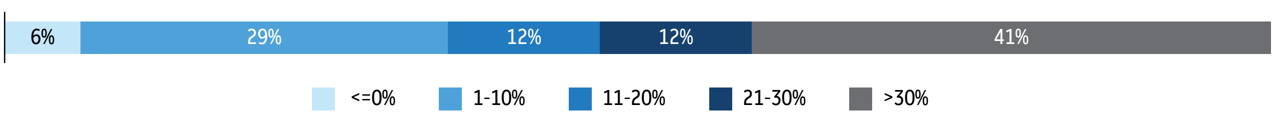
Salaries as portion of revenue

41.4%

Expense profile



Profit profile



Technology

Average number of technology tools used

4.5

Lock-up days

60%

of firms have fewer than 60 days lock-up

100%

of firms under 90 days lock-up

Succession planning

52%

Succession plan in place

48%

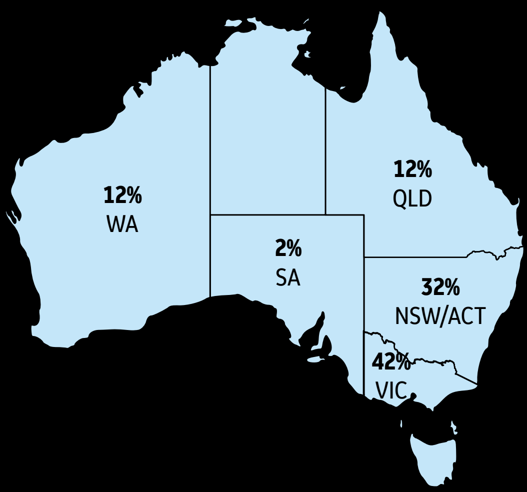
No formal succession plan

About the research

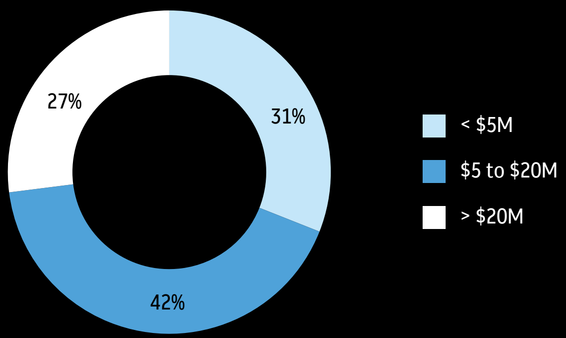
This 2024 benchmarking study builds on Macquarie Business Banking's deep knowledge base. Macquarie Business Banking has surveyed and benchmarked Australia's legal firms since 2011. Our 2024 study is based on an in-depth survey of 185 legal firms in September 2023, carried out on our behalf by research firm, Fiftyfive5.

For comparison purposes, profit information has been calculated before partner salaries and dividends, and single partner firms have been analysed separately due to their distinct characteristics.

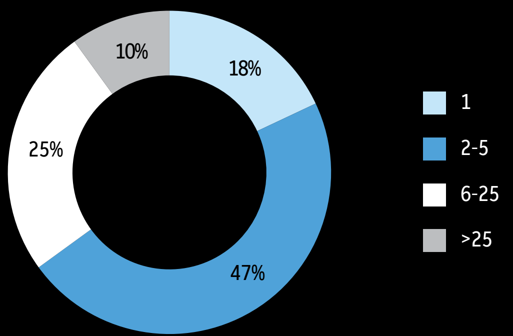
Head office location



Respondent profile by FY2023 revenue



Respondent profile by number of equity partners



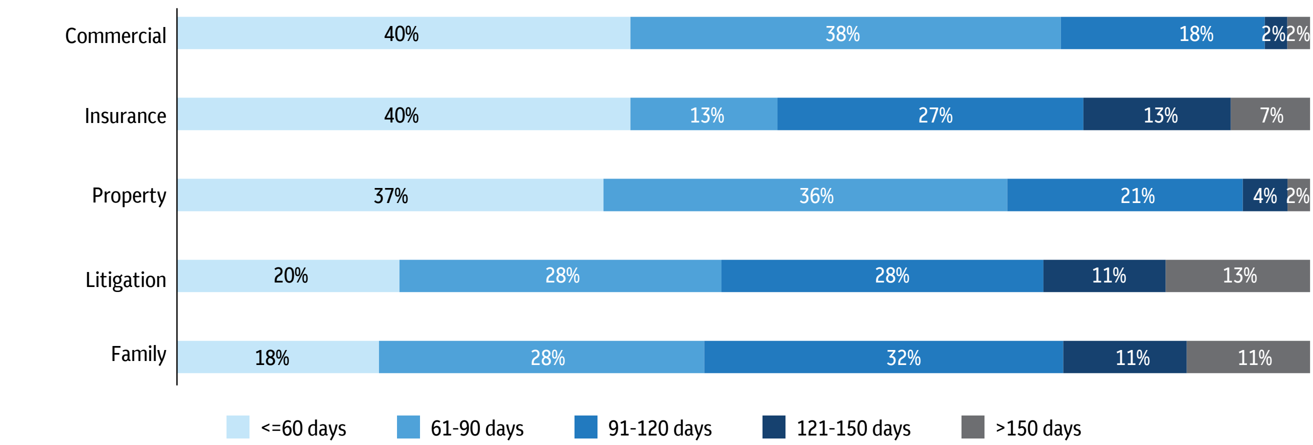
Note: One-partner firms analysed separately. See page 24.

Appendix

Lock-up days

In this study, lock-up days are defined as the number of days it takes for a firm's accounts receivable to be converted into cash. In 2023, many firms were struggling to bring their lock-up days under the best practice benchmark of 90 days. Firms practising corporate law and property law had shorter lock-up periods, while family law and litigation practitioners had a greater proportion of accounts receivable older than 120 days.

Firm lock-up days by practice area



The financial incentive to reduce lock-up days

The long lock-up periods highlighted by this study create a compelling case for firms to focus on bringing their lock-up days under tighter control.

For every $1.0 million of revenue a firm earns, 10 days of lock-up represents $27,000 of additional cash at bank. This means reducing lock-up days from 120 days to 90 days would put a sizeable $1,620,000 into the bank account of a $20 million revenue firm.

Reducing lock-up days not only drives firm profitability higher, it also improves firm efficiency.

How to reduce lock-up days

There are two ways firms can curtail lock-up days:

Give clients a broader choice of payment options

Remove friction from the payment experience by providing a choice of EFT, direct credit and direct debit.

Track and manage lock-up days with accounting software integration

Get visibility across your client payments by integrating your practice management software with your banking. The ability to spot and address unpaid accounts quickly helps firms to keep lock-up days under tighter control.

Discover how we can keep your firm in front

For a closer look at how your business is performing against key industry benchmarks, please contact your Macquarie Relationship Manager, or visit macquarie.com.au/legal