

FROM YOUR PRESIDENT....

Hello Legal Industry Council Members,

Can you believe it is spring? Well, the calendar says so even though the weather is not cooperating. It seems like it was just the beginning of the new year and now summer is around the corner. Many of us are gearing up and preparing for the arrival of the summer associates. It is a vicious circle where the Facility Manager thrives.

This past year, members of the Legal Industry Council gathered at Facility Fusion in Atlanta (April 2019) and World Workplace in Charlotte (October 2018). There is an abundance of talent among our peers. We are filled with leaders who are extremely focused and forward thinking. Being able to pick their brains while sharing dinner is invaluable. I find myself extremely grateful for all of their contributions.

Earlier this year, Stephen Cole from Mattern & Associates presented to our members on the Cost Recovery 2018 survey. Stephen was very well spoken and his presentation was well received. We anticipate our next presentation will be late May or early June.

The Legal Industry Council 's Google Group email continues to be a great source of communication for sharing data, tips and tricks and resources among our peers in order to help us improve our office environments.

In June, you will receive an email calling for nominations for the LIC Board. These positions are open to all members and can be a very rewarding experience. The general commitment is a 30 minute call every other week. Sometime longer or shorter depending on agenda. If you are not interested in a board position, but would like to take a more active role in the LIC, we also have committee chair & support positions available from membership to programs to website assistance.

Please feel free to reach out to me with your interest.

We welcome your suggestions and participation.

*Ernie Casas
Irell & Manella LLP*



For more information regarding World Workplace 2019 visit
<https://worldworkplace.ifma.org/>

SAVE \$100—Register by June 17, 2019

WELCOME NEW MEMBERS

- * **William Ballester**
King & Spalding, NY
- * **Aubrey Bolling**
Jones Day, IL
- * **Nicole Cooksey**
Nutter, McClennen & Fish, MA
- * **Victor Emma**
Chiesa Shahinian & Giantomasi, NJ
- * **Zachary Gogel**
Henderson Franklin, FL
- * **Mary Hester**
Dechert, DC
- * **Teresa Hillstrom**
Morgan Lewis, CA
- * **Catherine McCauley**
Arnold & Porter, NY
- * **Carl Oliver**
Latham & Watkins, CA

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Cost Recovery in 2018 and Beyond: Has Pushback Levelled Off?

By: **Stephen Cole, Mattern and Associates**

The 2018 Mattern Cost Recovery Survey results show year over year flat or increasing net realization across back office service areas. This means cost recovery has stabilized. This is good news for law firms - and could mean the end of the era of pushback.

For example, after declining for the past four years, net realization for Black & White Copy costs has remained level in the 2018 survey. Other key indicators include:

- B&W print net realization increased 30%
- Legal Research net realization increased by 48%
- Overall, Billable percentages and the "Billable actually Billed" have stabilized or increased across the board
- Firms are more aggressive on charging for and recovering electronic data storage

Along with a multitude of other data points in the 2018 Survey, we are interpreting this as the bottoming out of cost recovery. As a matter of fact, firms that have established their cost recovery strategies, whether for traditional recovery, print and scan, or have established an acceptable model for recouping lit support and data storage costs, these firms have now clearly emerged as having created a viable, long term model to recover justifiable costs.

What will the future hold?

Print and scan will be the new vehicles on which to base law firm cost recovery models; however, with approximately 50% of the firms recovering these items, it will soon become a population of haves/have nots. For firms that recover prints, scans and lit support costs, etc., the future holds a stream of recovery to offset increasing costs.

The Status of the Traditional Model

Despite the continued pressure on the recovery of costs, the traditional soft cost recovery model continues to be the dominant model in the marketplace. However, non-traditional models are gaining traction with close to 25% of respondents having explored and implemented an alternative such as 1/ have foregone charging cost recovery all together– 33% 2/ Adjusted fees to include cost recovery revenue – 20% 3/ Implemented a combination of strategies that include foregoing charging, building cost recovery revenue into fees – 40% 4/ Modified strategy – 7%.

Client Pushback and Refusal to Pay

Client pushback is still prevalent in the areas that historically have encountered it – Legal Research, Black & White and Color copies, Telephone and Word Processing. The positive takeaways is the leveling of pushback on prints and scan recovery as these items become accepted in the recovery marketplace.

World FM Day is May 15th, but activities are encouraged throughout the month, especially the week of May 13th-17th. You don't need to register to participate — simply commit to engaging individuals, companies, associations and partners in celebrating the important contributions of FM to the built environment.



If your firm participated in FM day, we hope that you will share your activities and communications with us.

Email: Kim Daugherty
kim.daugherty@keanmiller.com



Prints and Scans – The New vanguard of Cost Recovery

As firms continue to expand their workflow into the modern era of print and scan, the burden of recovery rests on firms' willingness to effectively recover prints and scans. For firms that do not elect to go this route, then it is a matter of time before cost recovery becomes impractical for them due to the declining volumes associated with the non-print and scan areas. As we see from the data from 2018, the percentage of firms recovering print has leveled off to 50% -60% with net realization hovering in the 30% - 40% range.

It is still surprising, that over 90% of firms recover copy, but only half of that recover prints when the output is the same.

In the area of scans, the percentage of firms recovering has leveled off in the 40% range with net realization in the mid 30%. It seems safe to say, that at this point in the life cycle of cost recovery that the firms recovering print and scan have made the leap, and the ones who haven't, won't be. Compounding this issue for firms that are not recovering prints is the fact that 76% of firms indicate that their copy volume is decreasing/remaining the same while 76% of firms indicate that their print volume is staying the same or increasing.

Hard Costs vs. Soft Costs – Hard is Winning

When firms were asked, "What is your net realization after internal and external write-offs on hard cost (3rd party invoice) disbursements (percent of hard cost invoices reimbursed by clients)?", the average of the responses was 90.42%. On the other hand, the average net realization for copies, prints and scans equaled 36% or less than half the net realization of hard costs.

Why the difference between hard and soft cost net realization? The answer is obvious: the hard copy invoice from a third party. When examining the numbers closer, clients pay hard costs at an extremely high percentage. It is important to note that the average for soft costs is still a robust 85%; however, the complete answer is in the billable percentage and the "Billable Actually Billed."

No matter how you examine it, hard costs are still the most effective way to recover costs.

If you would like access to this presentation by Mattern & Associates, please email Ernie Casas at Ecasas@irell.com

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Highlighting your professional achievements with an internationally recognized IFMA credential communicates your knowledge, enhanced skills, and credibility to employers, clients and peers.

If you are interested in seeking one or more of the credentials below, please let us know. You can email our credentials committee chair, Craig Oakman at Craig.Oakman@phelps.com.



SHOWCASE YOUR ACCOMPLISHMENTS

Digital Credential Badges

As part of the world-class suite of IFMA credentials, IFMA offers digital badges, which are web-enabled, shareable and verifiable versions of professional development accomplishments. Digital badges are currently available to professionals who have earned the [Certified Facility Manager® \(CFM®\)](#) and [Retired CFM® \(RCFM®\)](#).

Ever been asked the question, "What are other firms doing?" Send your question to ifmalic@googlegroup.com for suggestions and helpful tips.

The LIC members have covered a wide range of topics such as: desk chairs, cafeteria charges as firm expense, procedures for receiving freight packages, MFD comparisons, cost recovery efforts, nursing mothers and glass front offices, ergonomics training, visitor sign in practices and system, AED/CPR Training, travel policies & procedures.

The invaluable feedback provided in these responses are the hot topics and challenges we face each day. Stay tuned to see a recap of the questions & answers.

IFMA’s Facility Fusion is geared toward the unique needs and challenges in managing specific types of facilities, projects and teams. It’s an opportunity to focus on personal leadership skills and career development. One-on-one networking with colleagues and exhibitors is a top benefit. Programming fuses global, local, industry-specific and individual FM focus areas into a concentrated learning and networking experience. Facility Fusion is all about focus — on your needs as an FM, on your specific facility concerns, on your career advancement and on building your professional network.

At this year’s Facility Fusion 2019, LIC Past President, Joseph Geierman, from Troutman Sanders, participated in a “Workplace Evolutionaries” panel to share best practices and lessons learned from his recent build-out of the firm’s 330,000 square foot Atlanta office.



At this year’s Facility Fusion, attendees were given an opportunity to tour Troutman Sanders’ new Atlanta location, featuring single-size offices, adjustable height furniture for all, and break areas on the window wall.

