

Comparing the Costs

Analyzing the total cost of ownership of Clio vs. traditional desktop practice management solutions.



clio

Practice Management Simplified

Introduction

Increasingly, attorneys are considering cloud-based legal practice management systems as an alternative to traditional on-premise software. In comparing the two alternatives, they must analyze two different cost models: the monthly subscription-based fees of cloud computing offerings versus the up-front purchase and ongoing operating costs of on-premise software.

At first glance, many attorneys assume that the ongoing fees associated with cloud-based software will surpass those of an on-premise solution over time. When examining all of the direct and indirect costs involved in an on-premise solution, however, it becomes clear that cloud-based practice management software offers a compelling, long-term cost savings over traditional desktop-based software.

Often, attorneys focus solely on the acquisition costs involved in making their purchase decision; in reality, each of the programs they buy require significant investments in terms of time and money for customization, installation, and ongoing operation, and these costs are just as much a part of the total cost of ownership for a new software product as the up-front purchase price.

Our goal in this whitepaper is to provide additional insight into the total cost of ownership of using Clio versus many of the existing practice management solutions on the market. Unlike most of its predecessors, Clio is not a desktop-based software program that requires installation, maintenance, and upgrades. It is 100% web-based and runs on the cloud. This means that both its software model and subscription pricing are paradigmatically different from the traditional software norms.

Consequently, the cost comparison between a PC desktop-based solution and a cloud-based or Software-as-a-Service (SaaS) solution like Clio is not “apples-to-apples”. Traditionally, legal practices that purchased a desktop-based software program faced a familiar acquisition model: an up-front purchase that varied based on the number of users, set-up and installation, and ongoing support and maintenance contracts for their particular version of the software package. On a regular basis, typically one to three years, they would then have to upgrade their program to the latest version by purchasing new licenses, contracts, and essentially start the product life cycle and amortization period anew.

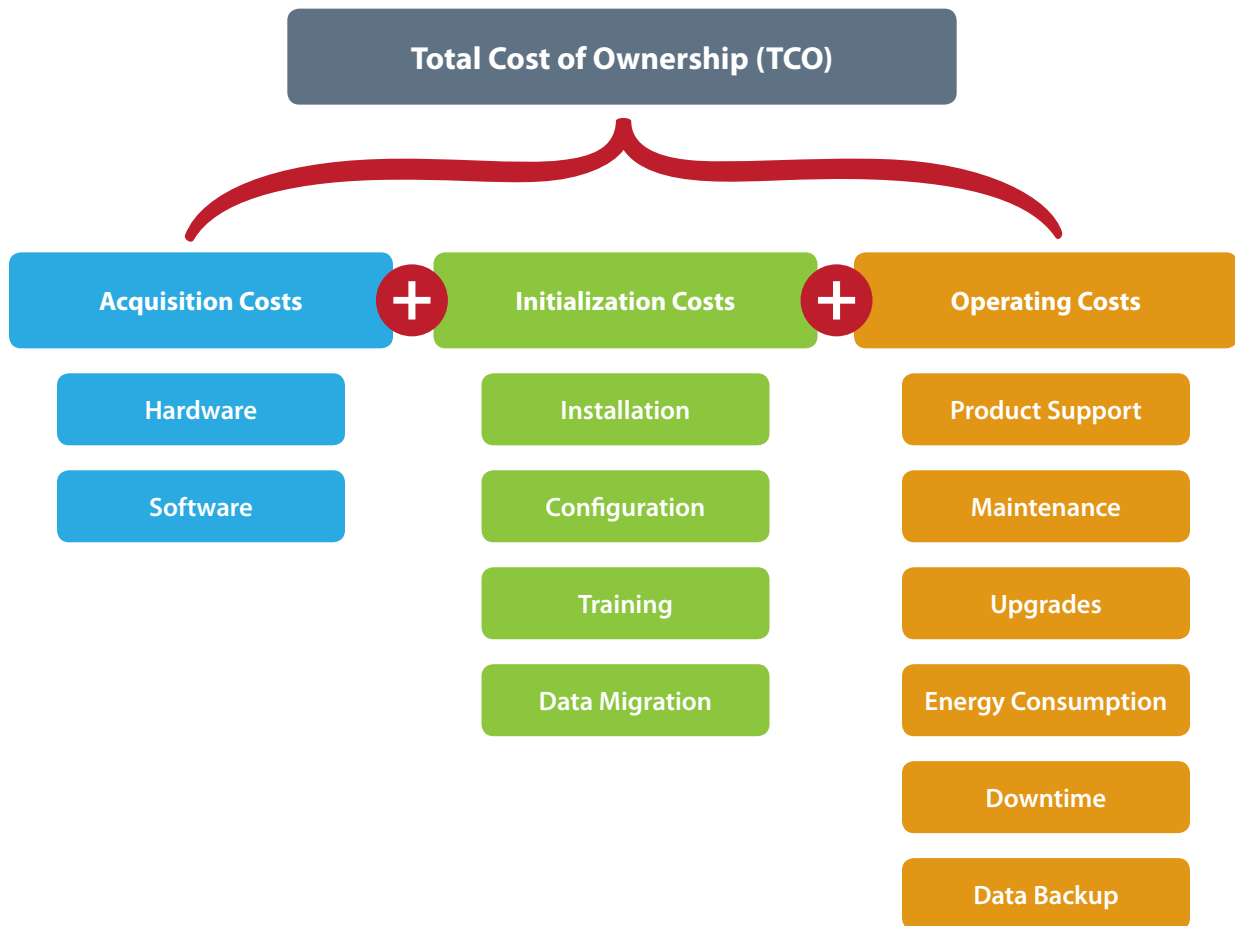
With Clio’s SaaS model, attorneys are only required to pay a monthly subscription fee that is all-inclusive of the abovementioned services; there are no updates or software to install, no servers to run, and unlimited access to support and maintenance as part of their subscription. This allows them to save time and run a more effective practice, while also saving thousands of dollars in the process.

Deciphering Total Cost of Ownership

Total Cost of Ownership, or TCO, is commonly defined as the estimate of all direct and indirect costs associated with an asset or acquisition over its entire life cycle. In the context of IT Investments, TCO is traditionally broken down into three categories:

1. Direct costs of purchasing software and hardware;
2. Indirect costs of installing, operating and supporting the IT investment.
3. Direct costs of purchasing upgrades for new versions (average life cycle of three years).

For legal practice management software purchases, TCO can be further refined into three primary costs: acquisition costs, initialization costs, and operating costs. Often, most attorneys weigh the variety of practice management software options available based solely on the acquisition cost of each. While this is a natural and very necessary first step, it is vital to consider the TCO as a whole when assessing just how much each practice management system will cost over its life cycle.



Acquisition Costs

Acquisition costs for traditional technology investments can be divided into two categories: hardware purchases, such as servers and individual computer terminals, and software purchases, such as the CDs and license IDs for each user. Each time a user upgrades their software version (approximately every one to three years) they essentially re-purchase the product and are subject to a new round of acquisition costs.

With Clio's SaaS subscription model, new users get the first 30 days free and pay only a monthly operating cost – in other words, there is absolutely no acquisition cost for the software. Also, updates in Clio are implemented continually in the background, usually once per week, meaning that there are no time-consuming upgrades for end-users.

Initialization Costs

In most cases, desktop software programs such as Time Matters, Amicus Attorney, and PC Law (among others) are not immediately usable out of the box. They need to be installed, customized, and configured, thus requiring significant input from a consultant or in-house IT specialist as part of the initialization process.

Once setup and installation are complete, attorneys must then arrange to have their data migrated from their existing system to their new software program. Most desktop providers charge a minimum of \$500 to transfer existing practice data, and those using less common programs are often required to pay over \$1,000 to have their data migrated.

With Clio, installation and setup are as easy as creating an account and logging in. Data migrations are free, and all users receive a 30-day free trial prior to making their purchase decision. In conjunction, these factors make switching to Clio a “turn-key” operation – users sign up, we take care of the data migration, and users can focus on quickly learning and using Clio without delay.

Operating Costs

While acquisition and initialization costs are largely fixed expenses that require a one-time capital outlay for each new product purchase or upgrade, operating expenses are recurring fees that users must pay in order to run their practice management software. These can include fees such as support and maintenance contracts for each license, required interim software upgrades, the operation of a data backup, regular outsourced IT support, and the energy bill for running the assortment of hardware their system requires.

These expenses are often overlooked when comparing the TCO of desktop software to a SaaS alternative like Clio, but they are very much a part of the TCO equation and account for a significant portion of the expenses entailed in buying and running a desktop-based legal practice management system.

By using a SaaS model, Clio can offer an all-inclusive monthly subscription that is much more cost-effective than the operating costs associated with desktop-based alternatives. Users have unlimited access to Clio Support for support and maintenance questions, while Clio's cloud-based storage system is a perfect geo-redundant data backup that lets users free themselves from having to run their own server.



By the Numbers

When users account for the total cost of ownership of desktop software, including costs of acquisition, initialization, and operation it becomes increasingly clear that Clio's web-based SaaS model provides significant savings. We have prepared a cost comparison of Clio versus three major desktop-based software products: *Time Matters*, *PC Law*, and *Amicus Attorney's Solo and Small Firm Edition*. The cost comparison provides a reasonable and accurate comparison of just how much each program will cost to acquire, initialize, and operate over a three-year period. Our estimate is based on the total cost of ownership for four users: two attorneys and two non-attorney support staff (paralegals and/or administrators).

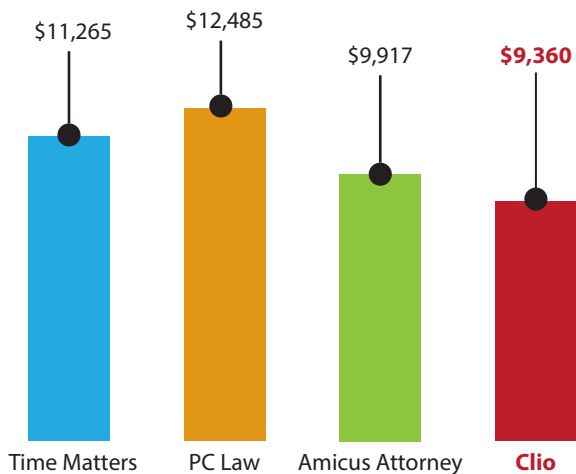
TOTAL COST OF OWNERSHIP FOR 2 ATTORNEYS + 2 SUPPORT STAFF

	Time Matters	PC Law	Amicus Attorney	Clio
ACQUISITION COSTS				
Hardware				
Dedicated Server	\$1,029.00	\$1,029.00	\$1,029.00	-
Mobile Server	Not Available	\$150.00	\$499.00	-
Software				
First User	\$985.00	\$1,250.00	\$499.00	\$65.00/Month
Additional Users	\$570.00	\$845.00	\$399.00	\$65.00/Month
CD	\$25.00	\$25.00	\$25.00	-
Windows Server 2008 License	\$199.00	\$199.00	\$199.00	-
Mobile Server License	-	\$250.00	\$149.00	-
INITIALIZATION COSTS				
Installation	\$250.00	\$250.00	\$250.00	-
Configuration	\$250.00	\$250.00	\$250.00	-
Training	\$250.00	\$250.00	\$250.00	Free
Data Migration	\$750.00	\$750.00	\$650.00	Free
ANNUALIZED OPERATING COSTS				
Product Support				
First User	\$342.00	\$484.00	\$295.00	Free
Additional Users	\$147.00	\$145.00	\$95.00	Free
Outsourced IT Support	\$500.00	\$500.00	\$500.00	-
Maintenance Contract with Vendor				
First User	\$560.00	\$437.00	\$350.00	-
Additional Users	\$240.00	\$133.00	\$250.00	-
Server Energy Consumption	\$150.00	\$150.00	\$150.00	-
TOTAL COST OF OWNERSHIP				
Over 1 Year	\$7,387.00	\$8,787.00	\$6,637.00	\$3,120.00
Over 2 Years	\$9,326.00	\$10,636.00	\$8,277.00	\$6,240.00
Over 3 Years	\$11,265.00	\$12,485.00	\$9,917.00	\$9,360.00

Over a three-year period, it is clear that the Total Cost of Ownership for Clio is significantly lower than that of other desktop-based alternatives, such as Time Matters, PC Law, and Amicus Attorney. Despite differing acquisition costs, it is interesting to note that the three desktop products average out to very similar TCO numbers over time. In an economic sense, this represents a mature market where the existing vendors have benchmarked a willingness to pay among consumers – more or less \$10,000 over three years for attorneys in small firms. With Clio, we can see that the shift to a SaaS model allows a significantly lower TCO over the same timeframe.

The Cloud Provides Savings Up-Front

By choosing Clio, new users are avoiding an array of up-front costs, including a variety of required hardware and software purchases, consulting and IT support fees for initialization and training, as well as the costs associated with data migrations, which Clio provides free-of-charge. Ultimately, this translates into a total cost of ownership scenario that is exhibited in the graph below.



A Note on Consulting Fees

Consultant fees for installation, configuration, training, setup, and ongoing IT support were estimated based on a series of interviews with existing consultants for LexisNexis (providers of Time Matters and PC Law) and Gavel & Gown (providers of Amicus Attorney). Overall, a modest estimate of \$100 per hour and the generally accepted minimum number of consulting hours were used to estimate these fees.

With Clio, there is no initialization required – training, support, and data migrations are all included as part of the base subscription or provided free of charge. This allows Clio Certified Consultants to avoid treading water and dealing with complex customizations, and to focus instead on projects and improvements that provide a positive ROI for their clients.

Product Life Cycle & Upgrades

The amortization period we have used for the cost comparison is three years, which is generally accepted as the average hardware and software lifecycle in the IT industry. The TCO estimates for each desktop-based product have not accounted for the hardware and software upgrade costs would be incurred after the three year period; using Clio, users are not forced to purchase hardware or software upgrades, meaning that the savings demonstrated above will be maintained over the long term.

Thinking of SaaS Differently

The most significant takeaway of a TCO comparison between Clio's SaaS model and existing desktop-based model is simple: Clio provides a practice management software alternative that is more affordable and more convenient for most users. By capitalizing on the cloud-computing model, Clio offers a service that is both affordable and part of a paradigm shift in the way attorneys optimize their practices¹. In addition to the cost savings Clio users enjoy in cold hard cash, they also enjoy a system that is intuitive, easy to use, and risk-free to try.

Clio is, in all aspects, optimized for the needs of solo practitioners and small firms. Before purchasing a traditional, PC-based practice management system, or if you are being forced to upgrade an older version of the desktop products listed herein (or others like them), make sure to give Clio a try first.

1. "Why Go Cloud? Five Reasons Why Lawyers Should Adopt Cloud-Based Technology": http://www.goclio.com/resources/white_papers/Why%20Go%20Cloud%20-%20Five%20Reasons%20Why%20Lawyers%20Should%20Adopt%20Cloud-based%20Technology.pdf