THOMSON REUTERS
ELITE™

GLOBAL STRATEGIC ALLIANCES
FOREFRONT

Q1 2018 EDITION

Cash Management and Upgrading to 3E

By Scott McFetters, President, CoreTech Leasing

It's now been 10 years since the economic crisis of 2008 and just under 10 years since the legal market saw the greatest dip in demand for services. The market has stabilized since then, but growth has remained flat. The recently released Thomson Reuters 2018 Report on the State of the Legal Market shows flat growth is expected to continue as well as longer billing/collection cycles and continued downward pressure on realization. And, to top things off, a small uptick in expenses is likely due to an increase in associates' pay as well as more technology investments due to cyber security and competitive needs.

To say these are challenging conditions is an understatement, especially when it comes to managing cash flow while meeting all of the demands of the new market. Preserving cash flow is increasingly a reason we are seeing firms leverage financing to procure software, hardware, and equipment needs.

By converting large cash expenses into a predictable monthly expense, firms can extend the expenditure over a period of time that best suits the firm strategically.

Specifically, financing is a strategy that many firms are leveraging to successfully manage the upgrade to 3E® from Thomson Reuters Elite. This upgrade is a substantial endeavor for firms of any size and not only encompasses software needs, but the associated training and implementation of 3E as well as new hardware and equipment needs. Many firms are bundling all of the requirements into a leased package to streamline this big undertaking. Here's why and how.

Cash Management and 3E Procurement

Firms can manage the cost of a 3E upgrade in several ways, but the fundamental decision is purchase versus financing. In that process, there are several important factors to consider:

- Monthly expense vs. total cost—monthly payments may secure a more cost-effective solution over the life of a lease
- Spreading costs over a 36-to-60-month lease is less taxing on cash reserves, allowing partner distributions to proceed regularly
- Software costs also carry associated soft costs that may not be factored into an outright purchase price
- Financing terms may offer more flexibility and incorporate upgrades that would otherwise pose additional after-purchase costs

While compatibility with existing systems is central to the 3E transition, large firms support complex information technology infrastructures and may discover that additional hardware and software upgrades are required. These related expenses can arise from professional services, conversion, and training as well as new hardware and software that are requirements for the new system.

Aligning Objectives Firm-wide

Adjusting to new technology often requires some cultural change within a firm. Financing 3E can make that easier. The IT professionals, procurement department, and partners can have all their needs met with a financing strategy that incorporates all the expense of the project into a series of monthly payments, sparing the partnership the concern that would result from significant depletion of cash reserves. Without the distracting impact of changes to partner distributions, operational efficiency and client satisfaction can be achieved, aided by the benefits of the 3E platform.

Is Financing 3E a Viable Option?

While some firms might choose to purchase this software, financing 3E and the associated software costs over time means predictability, highly desirable in a heated market. Financing cuts out-of-pocket costs for technology upgrades and conserves cash. It also covers the software's licensing expenses as well as those related expenses mentioned above.

Additionally, financing creates flexibility beyond the 3E upgrade. Firms may also finance hardware and software equipment to complement the transition to 3E and adjust as their needs change. This includes technology such as computers, laptops, tablets, mobile devices, AV equipment, and multi-function devices. Furthermore, networking component needs such as servers, infrastructure, data encryption, and data backup systems may also change as the firm maximizes the new platform's capabilities. If this helps spur growth, there may be a need for facility upgrades such as furniture, boilers, chillers, generators, and elevators.

Financing gives the firm greater flexibility to upgrade the hardware and stay on the leading edge of technology. It puts the firm in control in terms of having the availability to refresh equipment prior to or at the end of the lease, helping firms gain a competitive advantage.
