



THE VALUE **VISIBILITY** GAP

Why Clients Are Questioning Legal Fees, and How Small Firms
Can Show the Value Behind the Price

**The problem is not
your legal work. It is
that clients cannot see
it.**

Your clients assume you know the law. What they cannot see, and what AI tools and online services now make them question, is why your work is worth what it costs. The value is real. The task is making it visible before price becomes the only thing they measure.

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Your Client Has Already Done Some Homework

Something has shifted in the past two years that many small law firms have not fully reckoned with. The client who walks through your door, the small business owner facing a contract dispute, the family working through an estate plan, the first-time homebuyer navigating a closing, no longer arrives assuming they need you.

They arrive already knowing things. They have searched online. They have asked an AI tool to explain their situation. They have watched a short video and, in some cases, received an online quote for the same work they are about to ask you to do. When they sit across from you, part of their attention is quietly measuring the distance between what a free tool told them and what you are about to charge.

44%

of the tasks in legal work could be automated by generative AI. For an attorney who bills by the hour, that figure describes the part of the practice most exposed to price pressure.

Source: Goldman Sachs Research, 2023. See reference ^[1]

Thomson Reuters research found that 26 percent of legal organizations were actively using generative AI in 2025, up from 14 percent the year before. The report also found that a substantial majority of respondents expect generative AI to become part of their organizations' daily workflows within five years. ^[2]



The market for legal help a client can buy without an attorney has grown alongside it. LegalZoom reported \$681.9 million dollars in revenue for 2024, with 64 percent of it coming from subscriptions.^[3] Harvey AI reported passing \$100 million dollars in annual recurring revenue.^[4] The online legal services market in the United States is projected to keep growing.^[5] Tools like these do not do what you do, but they all shape what your client expects to pay.

AI and online tools are not competing with your best legal judgment. They are competing with the parts of your practice you have never had to justify: the routine research and drafting your clients quietly resented paying an hourly rate for anyway.

Work Is Already Moving to Firms That Explain Their Value

There is good news inside this shift. Thomson Reuters, in its annual State of the US Legal Market report produced with the Georgetown Law Center on Ethics and the Legal Profession, has documented a steady movement of legal work toward smaller and midsize firms as clients look to control cost.^[6]

The 2025 edition found that demand at midsize firms outpaced the largest firms, driven by clients reassigning matters.^[6] The 2026 report confirmed the pattern: clients moved routine work, and increasingly work of real complexity, to firms charging in many cases 40 percent less than the largest firms.^[7]

“The firms that come through this period in the strongest position will be the ones that move now, while demand is healthy and resources are available, rather than waiting for a crisis to force the decision.”

Thomson Reuters and Georgetown Law, State of the US Legal Market 2026 ^[7]

For a small firm, the opening is real. Capturing it depends on answering the one question a growing number of clients are asking, sometimes out loud and sometimes only in their heads: why you, at this price, when I appear to have other options?

The Billable Hour Is Not Dead. The Explanation Behind It Is Failing.

The billable hour is not going away this year. According to Thomson Reuters Legal Tracker data cited in the 2026 State of the US Legal Market report, roughly 90 percent of all legal dollars in the United States still flow through standard hourly arrangements, the same structure that has shaped the profession since the 1950s. ^[7] The hour itself is not failing. What is changing rapidly is the idea that time-spend might not remain the best indicator of value delivered.

Thomson Reuters and Georgetown Law state the problem directly: firms are adopting tools that do in minutes what once took hours, then trying to bill for the result by the hour. The math does not add up. ^[7]



of all legal dollars still move through hourly billing. At the same time, billing rates rose 6.5 percent in 2024, the fastest increase since the global financial crisis. Both trends are heading straight into AI driven efficiency.

Source: Thomson Reuters and Georgetown Law, State of the US Legal Market 2025 and 2026. See references ^[6] and ^[7]

When technology shortens the time a task requires, the client, not the firm, receives the benefit. The American Bar Association made this explicit in Formal Opinion 512 in 2024: an attorney who bills by the hour must bill for actual time worked, and efficiency gained through AI cannot be charged to the client as if the hours were still spent. ^[8]

As the momentum builds, firms are hearing a new type of demand from their clients. Questions like, “Why is this hourly rate so high? Is what you’ve done worth the hourly rate, when a tool can produce a version of it for free?” Whether you see the question as fair or unfair, it is still being asked. There are reasonable responses, of course, but firms that can answer it in plain terms will tend to keep their clients. Firms that cannot will increasingly watch their clients drift toward whatever costs less.

Both Sides Are Waiting for the Other to Move

“Client interviews show that corporate legal departments want their firms to propose billing approaches that reflect the efficiency AI provides, while firms report that clients still convert every proposal back into hourly rates to judge it. Each side waits for the other to move first, and in the meantime, both keep working under a billing model that makes less sense with each passing quarter.”

Thomson Reuters and Georgetown Law, State of the US Legal Market 2026 ^[7]

That standoff is not limited to large firms. It plays out in solo and small practices every time a client says, “I do not understand why this costs so much”. That client is usually not questioning your competence. They are asking a fair question about value, one the billing model, on its own, does not answer.

Small firms are already living inside the change. The American Bar Association's 2024 Legal Technology Survey found that 17.7 percent of solo practitioners reported using AI-based technology. ^[9] Smokeball's 2025 State of Law report found that 53 percent of small firms and solo practitioners had integrated AI into their workflows, up from 27 percent in 2023. ^[10] Thomson Reuters' 2025 Future of Professionals survey estimated that AI could free nearly 240 hours annually for legal professionals, representing approximately \$19,000 dollars in annual value per professional. ^[11] In a separate survey, Wolters Kluwer found that 60 percent of legal professionals expected AI-driven efficiencies to reduce the prevalence of the billable hour. ^[12]

“As the use of these tools continues to spread, it is becoming clear that the profession must rethink how it defines value when it prices legal services. Continued reliance on a model built on measuring inputs is not viable in the long term.”

Thomson Reuters and Georgetown Law, State of the US Legal Market 2025 ^[6]

If time is no longer the measure, the natural next question becomes: From a client’s perspective, what exactly is a client paying an attorney for?

The Work a Tool Cannot Do

Strip away the research a machine can now draft and the forms a website can now fill, and what remains is the actual reason a client hires a lawyer. The problem is not that AI is doing what you do. The problem is that your clients cannot easily see the difference between what AI produces and what you offer. If you don't have clear messaging to address – The Value Visibility Gap – then you need to update your communications and show them.



Closing the gap is now one of the most critical business skills a small-firm attorney can develop. And here's why: It isn't about easy access to information; It's what you do with that information that counts. That is where you shine. You offer more than just knowing the law. You offer what is truly valuable: trustworthy judgement, strategy, experience, real-world risk assessment, years of experience strategizing, negotiating, and delivering outcomes that bring closure or a path forward.

AI cannot always understand how to advocate for a client's best interests. AI cannot be accountable, like you can.

AI cannot layer in the value of empathy that only comes from understanding the client's unique situation. But you can.

What a client is actually paying for comes down to four things:

Judgment

Deciding which option fits this client's facts, risk tolerance, and goals.

Risk Spotting

Seeing the clause, deadline, or exposure a chatbot passes right over.

Advocacy and Negotiation

Strategy in a live situation, and the willingness to argue and negotiate a better outcome.

Accountability and Experience

A name on the file that answers for the result. A tool carries neither history nor responsibility.

This is not a soft claim. BTI Consulting Group’s client-service research identifies understanding the client’s business—including its risks, objectives, and the business impact of legal decisions—as one of the behaviors that drives superior client service and as the strongest differentiator among law firms. ^[14] That understanding helps an attorney show why the work is tailored to the client rather than interchangeable.



*What a client cannot get anywhere else is **YOU**: your judgment about their facts, your eye for the risk they cannot see, your voice in the room, and your name answering for the result.*

That combination is genuinely irreplaceable. But only if you make it visible.

Which raises the practical question the rest of this paper answers: how do you make that value visible before price becomes the only thing the client is weighing?

Five Practices That Put Value in Front of Price

Value does not become visible on its own. It becomes visible through a handful of deliberate habits, most of which cost nothing and can be started this week. The five practices below all point at the same goal: making sure the client sees what they are paying for, why it matters, and how the price reflects it, rather than leaving them to guess.

1 Explain What the Client Is Really Paying For

In Section Three, we identified the value you provide. The next step is making sure clients hear that message every time they interact with your firm, whether they're reading your website, calling your office, or meeting with you for the first time. Instead of starting with your credentials or how long you've been practicing, start with the client's situation. Talk about the challenges they're facing and how you help them navigate those challenges. When people feel understood, they are less likely to compare you to a free online tool and more likely to see you as someone they can trust for guidance.

Keep the message clear and consistent. Over time, it should become second nature for everyone on your team to explain your value in the same way.

2 Set Value Expectations at Intake

Communication failures and neglect are among the most common and preventable sources of disciplinary complaints. At the start of every engagement, take a few minutes to set expectations. Explain the likely timeline, discuss the expected cost, and talk about what a successful outcome looks like from the client's perspective. This does not have to be a lengthy conversation, but it can prevent misunderstandings that lead to frustration later.

When clients know what to expect, they're more likely to see the value of your guidance instead of focusing solely on the bill. Clear expectations also reduce the risk of fee disputes and complaints down the road.

3 Make Billing Reflect the Value Delivered

Clients rarely understand legal work by looking at the hours alone. They understand it when they can see what was accomplished on their behalf. An invoice should do more than record time. It should remind the client of the decisions made, the risks addressed, and the progress achieved.

This becomes even more important as AI reduces the time required for many tasks. Clients know work is being completed faster. What they want to understand is what expertise, judgment, and advocacy they received in return. Firms that clearly connect their work to client outcomes will have an easier time demonstrating value, whether they bill by the hour, use flat fees, or adopt alternative pricing models in the future.

4 Communicate Progress Before the Client Has to Ask

Clients rarely see the work that happens between major milestones in a matter. When weeks pass without an update, many assume little or nothing is happening, even when significant progress is being made behind the scenes. Regular updates do not need to be lengthy. A short note explaining what was completed, where the matter stands, and what comes next is often enough. These updates make progress visible and help clients understand that their matter is moving forward.

Firms that communicate proactively spend less time responding to status inquiries and more time advancing client matters. Matter management systems can help by prompting attorneys to send updates before long periods of silence occur.

5 Review Which Work Still Belongs on the Hourly Clock

This is where many firms still struggle. Technology is making certain legal tasks faster and more efficient, but most billing models were built around the amount of time required to complete the work. As that time decreases, firms need to think carefully about whether their pricing still reflects the value clients receive. Clients are not hiring an attorney because a task takes three hours instead of thirty minutes. They are hiring an attorney for the judgment, guidance, and outcome that the work produces. For routine matters with predictable scope, alternative fee arrangements may align more naturally with those expectations.

Hourly billing will continue to have an important place in legal practice, particularly for matters where the level of effort cannot be known in advance. The goal is not to abandon hourly billing. The goal is to make sure pricing reflects the value being delivered, even as technology changes how the work gets done.

None of these five practices requires a marketing budget or a change to how you practice law. They help clients understand what is being done, why it matters, and what they are receiving in return for the fees they pay.

The Value Visibility Self-Assessment

At its core, this paper asks a simple question: can your clients clearly see the value they receive from your firm? The questions that follow are designed to help you evaluate that honestly.

The more objective you are, the more useful the results will be.

FOCUS	QUESTION	YOUR ANSWER
Value Explained	Can you explain, in one plain sentence, what a client is paying for beyond the time you spend?	Yes / No / Partially
Value at Intake	Do you set the client's understanding of your value at intake, before price becomes the main focus?	Yes / No / Sometimes
Clear Roadmap	Do you give every new client a clear roadmap for the matter: timeline, milestones, and what a good outcome looks like?	Yes / No / Sometimes
Written Fee Expectation	Do you put a realistic fee range or flat fee in writing before the work begins?	Yes / No / Usually
Billing Shows Value	Do your invoices describe the work in plain language that shows what was accomplished, not just hours logged?	Yes / No / Sometimes
Pricing Fits the Work	Have you reviewed which routine work still belongs on the hourly clock versus a flat or value-based fee?	Yes / No / Not yet
Proactive Updates	Do you update clients on progress before they have to ask, so they see the value as it happens?	Yes / No / Informally
Value Confirmed	Do you check, at matter close, whether the client understood the value they received?	Yes / No / Occasionally

Count your “Yes” answers. Here is what the number means:

7–8 Yes

Your firm makes its value visible and prices it with confidence. The next step is consistency: making these habits standard across every attorney and every matter.

4–6 Yes

A solid base with clear gaps. Two or three focused changes, most likely in how you frame value at intake and how your bills read, could make the value of your work easier for clients to understand.

Under 4

Your value visibility gap is wide, and entirely closable. Start with the five practices in Section Four. Pick one and put it in place this week.

Whatever the number, the takeaway is the same. Most lawyers create far more value than their clients can see. The firms that succeed in an AI-driven market will be the ones that make that value visible through clear communication, transparent pricing, and consistent client engagement.

Three Things You Can Do This Week

Most attorneys entered the profession to help people solve important problems. The legal knowledge and judgment you have developed over the years still matter. What has changed is the environment around you. Clients have more options, more information, and more tools than ever before, which means they are asking harder questions about value and cost.

The challenge is not proving your legal ability. It is helping clients understand the work you do, the guidance you provide, and the results you help them achieve. The three steps that follow are designed to help you put those ideas into practice.

1

Define Your Value in Plain Language

Write one sentence that explains who you help, the problems you solve, and why clients choose to work with you. Avoid legal jargon and industry terminology.

Test the sentence on a few people outside the legal profession. If they quickly understand what you do and why it matters, you're on the right track. Use that language consistently on your website, in client conversations, and throughout your firm's marketing materials.

2

Review Your Recent Client Invoices

Pull several recent invoices and read them from the client's perspective. Would someone unfamiliar with the matter understand what work was performed and how it moved their case forward?

Look for opportunities to replace vague descriptions with clear explanations of the work completed. Small changes to billing language can help clients better understand the services they are receiving and reduce unnecessary billing questions.

3

Evaluate How You Price Routine Work

Identify a task that has become faster or more predictable because of technology, experience, or standardized processes. Consider whether an hourly fee remains the best pricing approach for that work.

For some matters, a flat fee or other alternative fee arrangement may provide greater clarity for both the firm and the client. Hourly billing will continue to make sense in many situations. The objective is to choose a pricing model that aligns with the nature of the work and the expectations of the client.

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- [1] Goldman Sachs Research. The Potentially Large Effects of Artificial Intelligence on Economic Growth (Briggs and Kodnani). March 2023.
- [2] Thomson Reuters Institute. 2025 Generative AI in Professional Services Report (n=2,275).
- [3] LegalZoom. Fourth Quarter and Full Year 2024 Financial Results. February 26, 2025. Full year revenue 681.9 million dollars; subscription revenue 436.2 million dollars (64 percent of total).
- [4] Harvey AI. Harvey's Three-Year Anniversary. August 4, 2025. Confirmed via CNBC coverage of Harvey revenue, August 4, 2025.
- [5] IBISWorld. Online Legal Services in the US Industry Analysis, 2025.
- [6] Thomson Reuters Institute and Georgetown Law Center on Ethics and the Legal Profession. State of the US Legal Market 2025 (covering 2024 data). January 2025. Billing rates increased 6.5 percent in 2024, the fastest pace since the global financial crisis.
- [7] Thomson Reuters Institute and Georgetown Law. State of the US Legal Market 2026 (covering 2025 data). January 7, 2026. 90 percent hourly billing figure from Thomson Reuters Legal Tracker data.
- [8] American Bar Association Standing Committee on Ethics and Professional Responsibility. Formal Opinion 512: Generative Artificial Intelligence Tools. July 29, 2024. Confirms that attorneys billing hourly must bill for actual time spent.
- [9] American Bar Association. 2024 Legal Technology Survey Report (ABA TechReport 2024). In 2024, 17.7 percent of solo practitioners reported using AI-based technology.
- [10] Smokeball. State of Law Report 2025. March 17, 2025. 53 percent of small firms and solos now use AI, up from 27 percent in 2023; 85 percent cite referrals as their primary growth channel.
- [11] Thomson Reuters Institute. Future of Professionals Report 2025 (n=2,275, surveyed February to March 2025). AI estimated to save about 5 hours per week, roughly 240 hours per year, or about 19,000 dollars in annual value per professional.
- [12] Wolters Kluwer. Future Ready Lawyer Survey 2024. Survey of more than 700 legal professionals. Sixty percent expected AI-driven efficiencies to reduce the prevalence of the billable hour.
- [13] American Bar Association. Protect Yourself From Common Disciplinary Complaints. YourABA Newsletter, March 2022. Identifies communication failures and neglect as two of the most common and preventable sources of client grievances.
- [14] BTI Consulting Group. Client service research on understanding the client's business. Identifies understanding a client's business—including its risks, objectives, and the business impact of legal decisions—as a behavior associated with superior client service and as a leading differentiator among law firms.

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