

## **PRICING STRATEGIES FOR LEGAL PRACTICES**

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# TOPICS

- Shift in Law Firm Pricing
- Overview: Guide to Law Firm Pricing
- Why is Pricing for Law Firms Important?
- Pricing and Marketing Strategy
- Most Common Law Firm Pricing Models
- Common Pricing Approaches Adopted by Law Firms
- Factors to Consider when Charging Clients
- Recommended Pricing Model
- Winning More Clients with Effective Law Firm Pricing
- Impact of Covid-19 on Law Firm Pricing

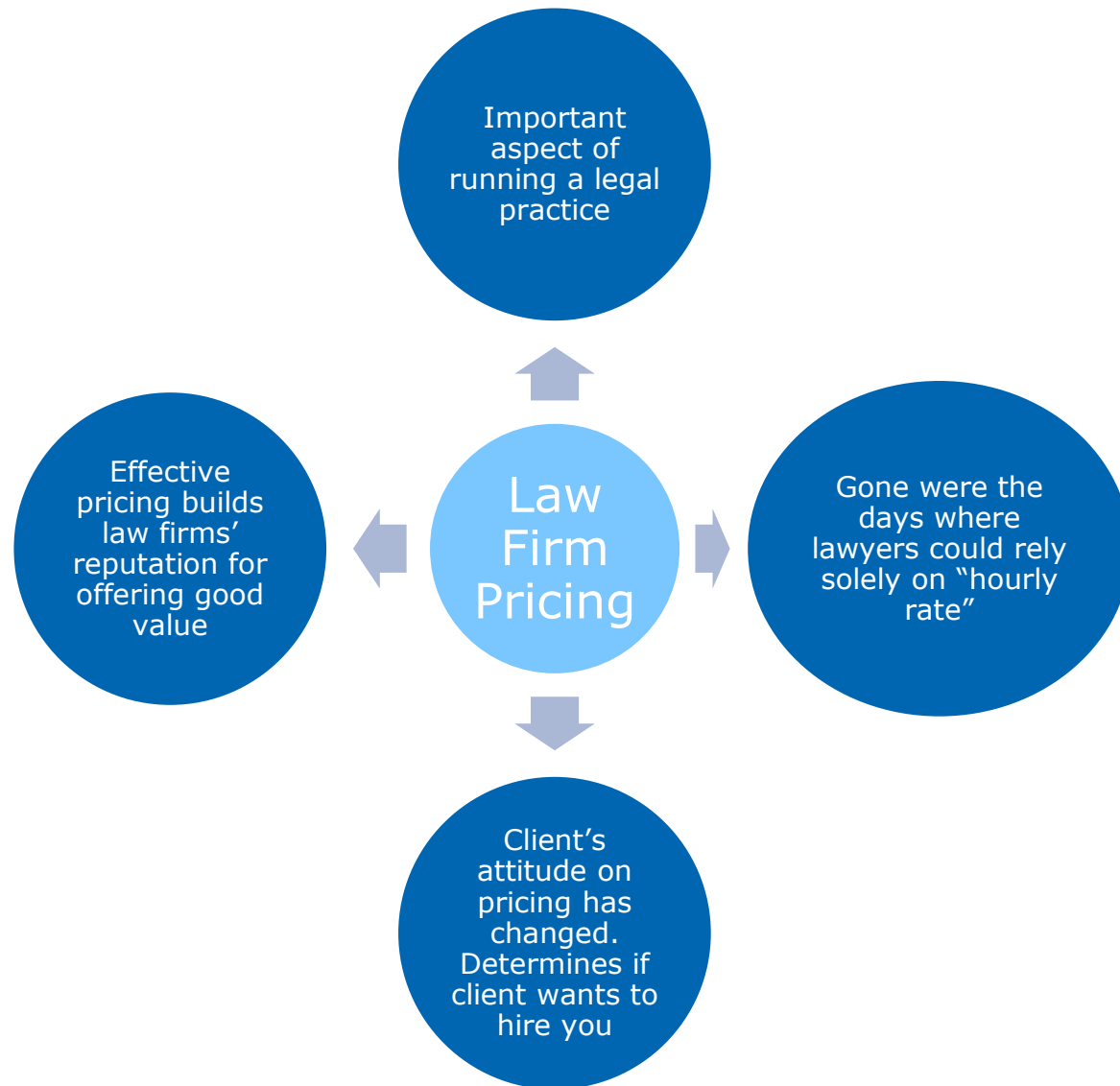
# SHIFT IN LAW FIRM PRICING

*(Peter Scott, legal consultant and former managing partner of Eversheds London)*

*"Clients are not interested in how long a matter takes a lawyer to complete—they are only interested in results. This is the primary reason why lawyers must add value to their clients, and how they do so. Achieving the result a client wants will be seen as added value and is ultimately what the client will be prepared to pay for."*

*The method of using the amount of time worked on client files—on an open-ended basis—for billing clients has been under pressure for many years. This pressure has also increased significantly since the beginning of the recession of 2008/9 and is unlikely to go away, as clients have the taste for other pricing models which provide them—in their minds—with more added value."*

# OVERVIEW: GUIDE TO LAW FIRM PRICING



# WHY IS PRICING FOR LAW FIRMS IMPORTANT?

- (a) Overestimation of legal fees – you may lose some of your most valued and long-standing clients.
- (b) Underestimation of legal fees – you will be forced to overwork very few (junior) associates to cut costs.



Important to strike a balance when it comes to pricing.

# But is it all about the price?

## *Validatum's article on the Vital Role of Pricing in Law Firm*



A fundamental mistake made by many law firms is to assume that pricing is **the primary consideration** in clients' decision-making process.

Today, this may not be the case.

Client now wants it all. Price transparency, price certainty and value for money.

Firms continue to fail to meet client's expectations around pricing transparency, pricing certainty and price/value correlation, and then pull the "discount card" thinking it will fix everything.

# PRICING & MARKETING STRATEGY



# **MOST COMMON LAW FIRM PRICING MODELS**

## **1. Cost-First**

Focuses on the costs required by the firm in providing the legal service plus a percentage to reach a margin of profitability

## **2. Competition-First**

Focuses on what other law firms are charging and providing better prices than the competitor (ie. Lower rates, better value)

## **3. Value-First**

Focuses on the value being provided to the client



# COMMON PRICING APPROACHES ADOPTED BY LAW FIRMS

## Hourly rate

- Traditional way of charging for legal services.
- More commonly used in lengthy cases.

## Fixed Fee

- Calculated based on the value the firm is providing a client.
- Focuses on outcomes and results rather than inputs and time.

## Contingency Pricing

- Fees are dependent on the amount of damages awarded to the client.
- It is a risk that law firm takes since client does not pay-up front.

# COMMON PRICING APPROACHES ADOPTED BY LAW FIRMS

## Retainer

Two types of legal retainer fees:

- General retainer fee: the client pays for the lawyer to be available for his services.
- Special retainer fee: more like a security or an advanced fee for any future litigation work to be rendered by the lawyer.

# FACTORS TO CONSIDER WHEN CHARGING CLIENTS



**Time and Effort**



**Specialisation**



**Cost to serve**



**Pricing Model**



**Revenue Model**

# **RECOMMENDED PRICING MODEL**

## **VALUE-FIRST/ VALUE-BASED PRICING**

**Clients pay for your competence and expertise.**

**Helps to build better relationships with clients**

**Minimise inefficiency and slack time and efforts are put on solving client problems.**

# WINNING MORE CLIENTS WITH EFFECTIVE LAW FIRM PRICING

How to win more clients with effective law firm pricing:

- Not a hard and fast rule.
- The key is to set legal services fees that make sense to the firm and that clients are willing to pay.
- Create client experience – communication with clients and developing deep empathy for their needs



# POST-COVID LANDSCAPE

## ***2020 Law Firms in Transaction (An Altman Weil Flash Survey)***

- During the pandemic, many law firms depend on higher billing rates, increased billable hours, improved leverage and cost control measures to contribute to higher margins and improved firm performance.
- Law firms had to change its annual projections based on best guesses of how public policy decisions and economic regeneration might play out.

# POST-COVID LANDSCAPE

## ***2020 Law Firms in Transaction (An Altman Weil Flash Survey)***

- Law firms had to strategize during the pandemic by having:
- Pay cuts
- Furloughs
- Layoffs
- Reduce expenses
- Rescinding of associates hire / recruitment freeze

# POST-COVID LANDSCAPE

## ***McKinsey & Company (COVID-19: Implications for law firms)***

### **Priorities for law firm leaders to consider in terms of pricing:**

- Be vigilant on pricing
- Easy to let pricing discipline slip during a downturn
- Explore ways to offer strategic investments, flexible payment terms, credits toward future services and other alternative fee arrangements.



# Thank you

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