

Pricing Strategies to Add Value, Protect Profitability and Develop New Business

By Thomas S. Clay

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External Strategy – Adding Client Value

The price of legal services is important to all clients, but it is not the sole determinant of value in a client's eyes. Clients also want their lawyers to be transparent and responsive; they want to feel that their work is important and that they have a voice in its execution; and, they do not ever want surprises. When you can incorporate these elements into your pricing strategy it will have an enormous impact on your client's overall perception of the value you offer.

- Have a conversation with every client about pricing. Start with key clients.
- Identify each client's individual pricing needs and preferences.
- Identify a unique Client Value Proposition for each client.
- Don't forget clients often have a 'make or buy' decision – understand their internal costs.
- Set clear pricing expectations with clients. Involve them in project planning. Strive for transparency.
- Consider forming a Client Advisory Board to focus on issues of value and pricing.
- Create a 'Client Ombudsman' role to improve communication with clients.
- Do a better job of understanding client needs through surveys and interviews. Don't waste the opportunity with 'feel-good' surveys – ask specific questions about pricing preferences and perceived value.

Internal Strategy – Protecting Profit Margin

Increasing the profitability of the work you already do for the clients you already have is the best way to protect or improve your law firm's profit margins and overall profitability. Better pricing activities and methods – undertaken by all of the lawyers in your law firm – will result in significant increases in the bottom line

- Educate every lawyer in the firm on pricing strategy, beginning with second-year associates. Give them specific training on how to talk with clients about pricing.
- Incorporate pricing into all planning efforts.
- Ask Practice Group Leaders to guide pricing strategy at the group level. Incorporate a pricing focus into group planning and business development efforts.
- Set margin goals in your strategic plan and in practice group plans. Stick to them.
- Develop margin metrics and make them available at the end of each matter.
- Develop good data on cost of services sold. Put the cost of services in every billing memo.
- Maintain good pricing hygiene – enforce the pricing policies you already have.
- Collaborate on pricing strategy with internal specialists in Business Development, Legal Project Management, Business Intelligence, Data Analytics, and Pricing. Use all available resources.

Market Strategy – Developing New Business

Pricing can be an important differentiator for a law firm in developing new business. This might mean that you offer lower prices than your competitors, or that your lawyers are expert in designing non-hourly fee arrangements. But you can also stand out by being proactive, transparent and collaborative about pricing with prospective clients. Those firms that find ways to meet the market's changing value demands will be better positioned to compete.

- Develop a range of pricing options in advance so you're prepared when clients or prospects ask.
- Include a pricing strategy in every sales pitch.
- Negotiate on value – not on price.
- Talk about your pricing philosophy on your website. Make pricing strategy a branding differentiator and competitive advantage.
- Make pricing strategy part of your Key Client Program.

About the Author

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