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How to Price Legal Services to Build Client Relationships

Feeling a cool breeze while talking to clients these days? You're not alone. While the current client unrest has many contributing factors, most of the friction is around fee predictability.

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If you're concerned that too many of your client relationships might be at risk, fee predictability could be your best bet to keep them in the fold. Providing high-quality advice and delivering the legal work that's needed, though crucial, is insufficient on its own.

The big question for inside counsel and law firms is, can we achieve fee predictability and still ensure a profitable relationship? Thankfully, the answer is yes — but you'll probably need to make specific adjustments to your processes, particularly around pricing. Anyone can offer clients flat fees or blended rates or some sort of alternative fee structure. But without understanding what it costs to deliver the work, it's difficult to price legal services in a way that ensures sustainability.

DATA FIRST

Let's talk about a trend in the world of application development that may very well hold the key to the systemization of pricing and fee predictability: "data-first" platforms. It's currently the buzzword of the day, but still worth examining. Streamlining processes is no longer about workflow first and data analysis later.

Think of it this way. Data-first applications enable better business intelligence by focusing on what matters most for helping firms understand their business — the details behind the big picture. These apps not only capture your big data, but they also ensure you capture the *correct* data. Then the apps organize the data and present it in a way that helps you solve specific business problems. That's a big deal.

Data-first applications are beginning to capture the imagination of software developers.

Imagine how helpful it would be to price matters by understanding which specific resources were available to assign to a project that could lower the firm's cost *and* the client's fees. And to be able to do this while ensuring a sustainable (and oftentimes higher) margin to the firm. You may think this sounds like a big ask. However, you may not know it, but you do have the data you need — you're just not using it. It's in time entries, docketing systems, document management systems and elsewhere within the firm. More likely, it's in people's heads, waiting to be captured.

Data-first applications are beginning to capture the imagination of software developers. Law firms would be smart to pay attention to this trend and leverage it to maintain their margins.

Case in point — data-first *pricing* technology goes beyond basic financial analysis. Legacy finance and practice management systems provide perfect examples. Their products simply weren't built to meet the demands of the modern legal services economy, our current cost-conscious climate. Those old systems may deliver useful data, but none of it helps you understand the true efficiency and cost structure of your teams, the underlying determinant of cost. For this, you need data that will inform you at a more granular level the time spent on creating and delivering specific work product.

Rolling up this information is crucial in capacity planning and in staffing the most appropriate, lowest-cost resources. Without a deep understanding of capacity — individual, team and department — as well as productivity, firms can't truly comprehend their cost structure. In turn, they endanger their ability to deliver work profitably and predictably, which is key to delivering superior client service.

On the client side, every general counsel will tell you that pricing predictability isn't just a nicety anymore, but rather a necessity. Firms that can price predictably are more successful at nurturing client relationships and winning new business.

As a firm's partners begin to understand the cost and price of delivering services, it will become clear to them what data needs to be captured, which processes need to be improved, how costs can be reduced, and where their firm best fits in the legal supply chain. This knowledge manifests itself in a variety of ways, ranging from understanding which work should always be handled by the least expensive resource to eliminating repetitive, unnecessary or duplicate work.

In addition to fee predictability, clients want transparency. When firms truly understand the basis of their cost structures and resourcing decisions, they can provide clear information to their clients. Public companies hate surprises! Clients' general counsel and in-house counsel are under massive pressure from their chief executive officers and chief financial officers to provide predictability in their legal spend.

If firms are not able to provide clear pricing predictability, they make their client general counsel look bad internally — not the way to build good relationships. General counsels use outside counsel who make them look good; they will dump those who don't.

Data-first applications put critical information at partners' fingertips, enabling them to price appropriately and accurately while ensuring their ability to deliver services to their clients as promised. It's the future.

ABOUT THE AUTHOR

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