

Pricing Strategies that Lock in Clients

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The market for legal services is flat at best, and declining at worst. I believe that increasing the profitability of the work you already do for the clients you already have is the best way to 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.

These were the key themes from a webinar I did recently on pricing strategies that lock in clients. In my experience, having observed some of the most successful firms in the marketplace, there are two essential elements necessary to improve your firm's approach to pricing.

Pricing Conversations

Better pricing will not occur until all lawyers begin to have better conversations about costs with their clients. Even those clients with whom you have solid, long-standing relationships (and perhaps take for granted) should be approached proactively about pricing. The benefit of such conversations is:

- You have the opportunity to point out areas where you are adding value beyond the legal work you've done.
- You can improve mutual understanding and transparency regarding costs.

Even the youngest of lawyers should begin to think about having these conversations with clients.

Broadening your Understanding of Client Needs

Lawyers who become true counselors and advisers know intuitively that understanding their clients' business (and sometimes personal) needs and helping to achieve those needs is critical. Clients most value those lawyers who make an effort to learn the client's business and continually demonstrate that their legal and business concerns are well understood and top of mind.

Learn to ask the question that Peter Drucker encouraged: "What does the client want?"

As part of the webinar, I also developed a "Pricing To Do List" for law firms (which follows). If you have any questions about pricing strategies for your law firm I hope you will feel free to call or email me.

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Pricing 'To Do' List

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External – Lock in Clients

- 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.
- Develop a range of pricing options in advance so you're prepared when clients ask.
- Set clear pricing expectations with clients. Involve them in project planning. Strive for transparency.
- Don't forget clients often have a 'make or buy' decision – understand their internal costs.
- Negotiate on value – not on price.
- Consider forming a Client Advisory Board to focus on issues of value and pricing

Internal/External – Develop New Business

- Include a pricing strategy in every sales pitch.
- Make pricing strategy part of your Key Client Program.
- 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.
- Talk about your pricing philosophy on your website. Make pricing strategy a branding differentiator and competitive advantage.

Pricing 'To Do' List (continued)

Internal – Protect Profit Margin

- 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.

This check list is excerpted from a 2014 Altman Weil Webinar:

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