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Accountants, Business & Financial Advisers

A track record of providing solutions to the legal profession

Legal Sector Breakfast Briefing

30 January 2020

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Accountants, Business & Financial Advisers

Legal Sector Breakfast Briefing

Welcome

Scott Foster, Relationship Director
RBS

Legal Sector Breakfast Briefing

Introduction

Andy Poole, Legal Sector Partner
Armstrong Watson

Legal Sector Breakfast Briefing

- 8.00am - Arrival and breakfast
- 8.30am - Welcome
- 8.35am - Briefing
- 9.30am - Q & A
- 10.00am - Close



innovation

Pricing for profit – and happier clients!

Nigel Haddon

30+ YEARS LEGAL PRACTICE

**CHAIR OF LAW MANAGEMENT
SECTION OF LAW SOCIETY
FOR 3 YEARS**

**NIGEL
HADDON**

**TEACHING FELLOW, PRICING,
MASTER OF LEGAL BUSINESS,
COLLEGE OF LAW, AUSTRALIA**

**9 YEARS AS
MANAGING PARTNER/CEO**

When the pressure comes on, we discount!

- Demanded by clients
- It's what everyone does
- But it's a failure of imagination
- Recipe for disaster – a race to the bottom
- There must be a better way – and there is





Dilbert.com DilbertCartoonist@gmail.com

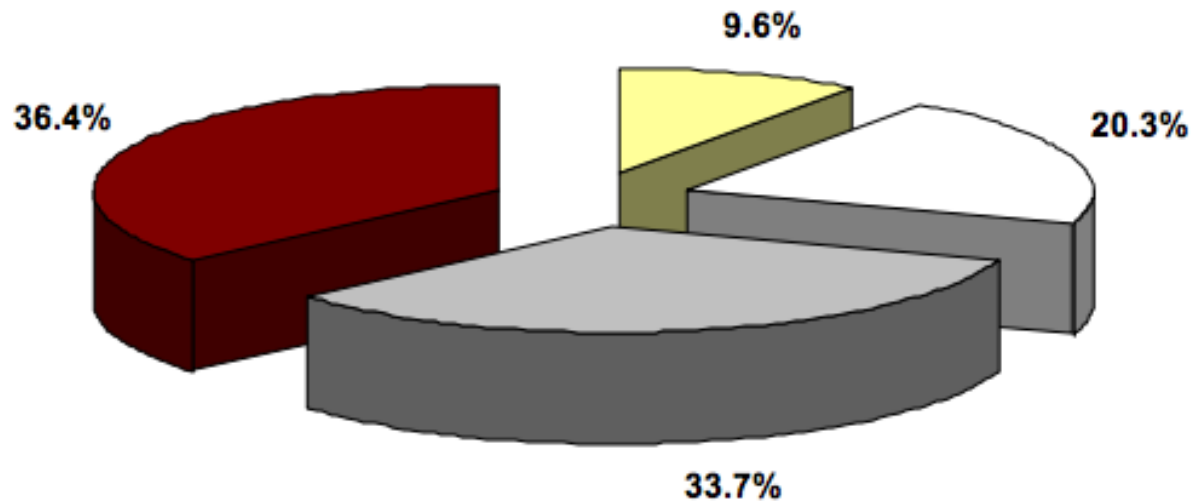


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Altman Weil 2014 Survey

If you as a client could select only one of the following pricing scenarios from your lawyers, which would you want most?





I'll tell you what I want...

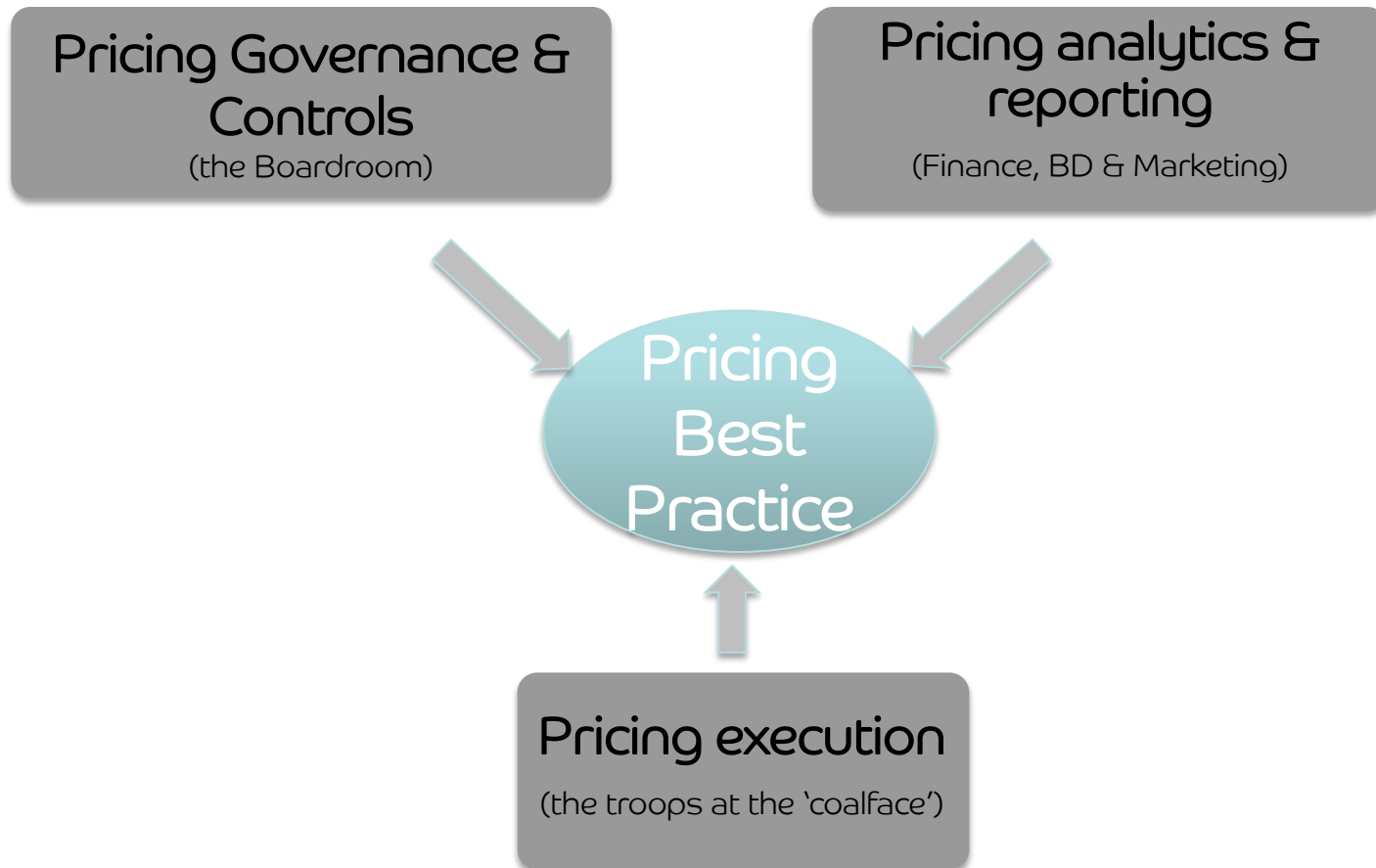
- ✓ Move away from a cost-plus mentality
- ✓ More pricing and payment options
- ✓ Greater involvement in pricing decisions
- ✓ Greater pricing transparency.



I'll tell you what I want...

- ✓ Greater pricing certainty and budgetary predictability
- ✓ Greater correlation between price and perceived value
- ✓ Greater risk sharing around fees

Contemporary pricing challenges





Governance #1

- Pricing and wider strategy misaligned
- Lack of pricing policies
- Preoccupation with turnover v profit
- Poor pricing induction
- Misaligned reporting dashboards



Governance #2...

- Too much pricing autonomy
- Intra-firm pricing – *necrotising fasciitis*
- Incomprehensible engagement documentation



Governance #3

Minimum Mandatory Policies

- Partners or just 'others'
- Pricing autonomy and discretion
- Pricing should be collaborative
- Write-off approval
- Pro-bono work



Analytics

- PM software has historically provided data, but largely useless unless it also provides actionable insights
- We should understand profit, measured by practice area, practice team, fee earner, client and file/matter
- Often can't identify 'sacred cow' clients



Execution #1

Price the client

- Understand context
- Purchasing sophistication
- Negotiation status
- Price sensitivity analysis



Execution #2

Price the job

- Communicate and manage expectations
- It starts at the start and ends at the end
- Scope, assumptions and exclusions
- Client care/engagement documents



Execution #3

Client Pricing Priorities

- Pricing choice
- Price certainty
- Price linked to result
- Fee risk sharing
- Payment choice



Execution #4

Pricing 'Menu'

- Hourly rates
- Fixed fees
- Flat/portfolio fee
- Fee range
- Conditional fees
- Contingent fees
- DBAs
- First mover pricing
- Fee cap
- Fee cap & collar
- Abort/success fees
- Service Level Guarantee
- Retainers
- Bundling & unbundling
- Volume pricing
- Peak load pricing
- Versioning
- Premium for urgency
- Inter-service pricing
- Combining pricing strategies



Execution #5

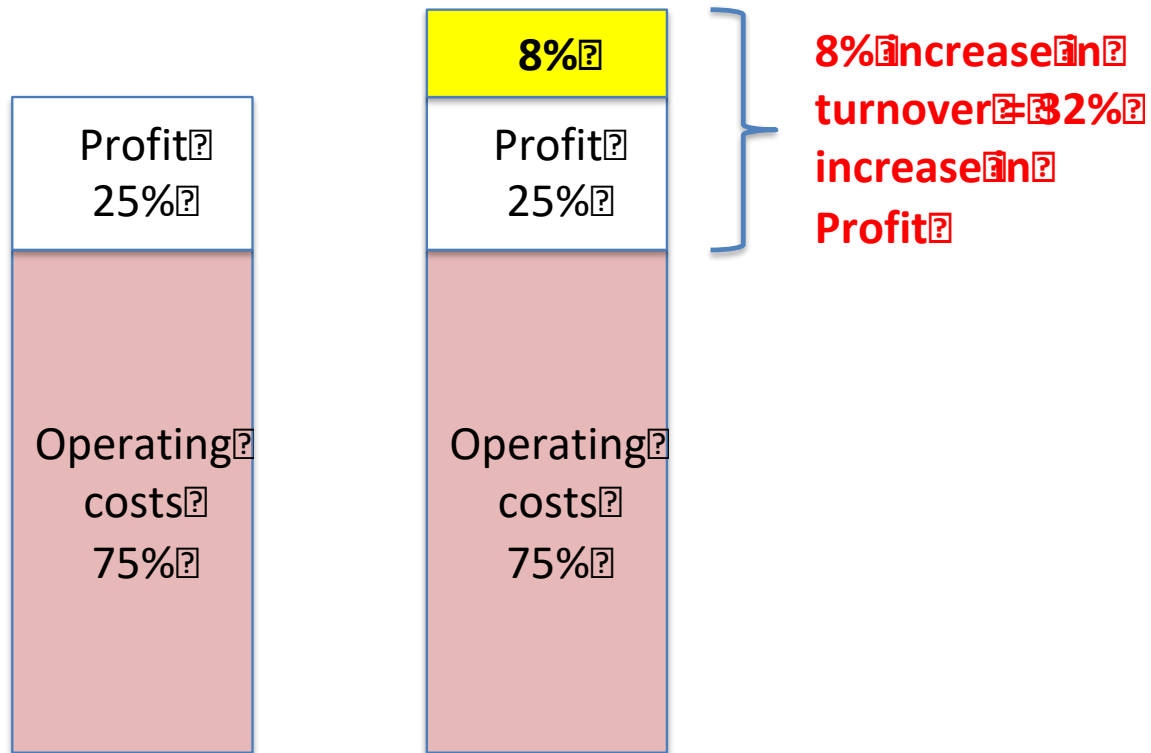
Document the Arrangements

- What are you doing for me?
- Who is doing it?
- When will it be done?
- How much will it cost?
- Need much better articulation & management of scope, assumptions & exclusions

Is it worth the effort...?

- 5% to 15% increase in turnover
 - MIT Sloan School of Management
 - Deloitte Consulting
 - Monitor Group
 - PwC
 - KPMG
- Assume average of 8%
- If the firms' net profit is 25%, then an 8% increase in turnover **Produces a 32% increase in profit**

Is it worth the effort...?



Legal Sector Breakfast Briefing

Questions and Conclusion

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