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Accountants, Business & Financial Advisers

A track record of providing solutions to the legal profession

Legal Sector Breakfast Briefing

31 January 2020

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Accountants, Business & Financial Advisers

Legal Sector Breakfast Briefing

Welcome

Alastair McLean, Director Commercial Banking
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

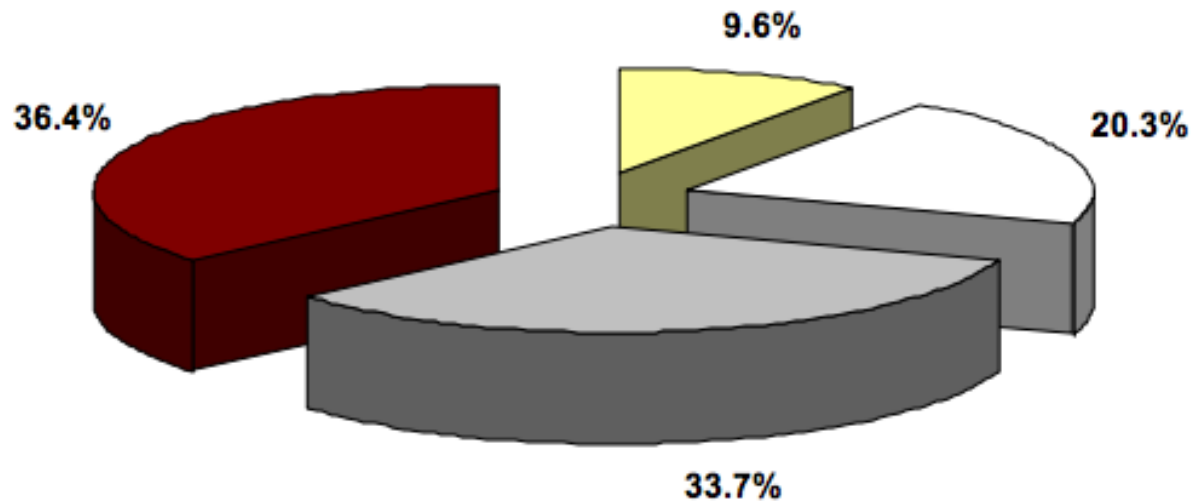


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Altman Weil 2014 Survey

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...

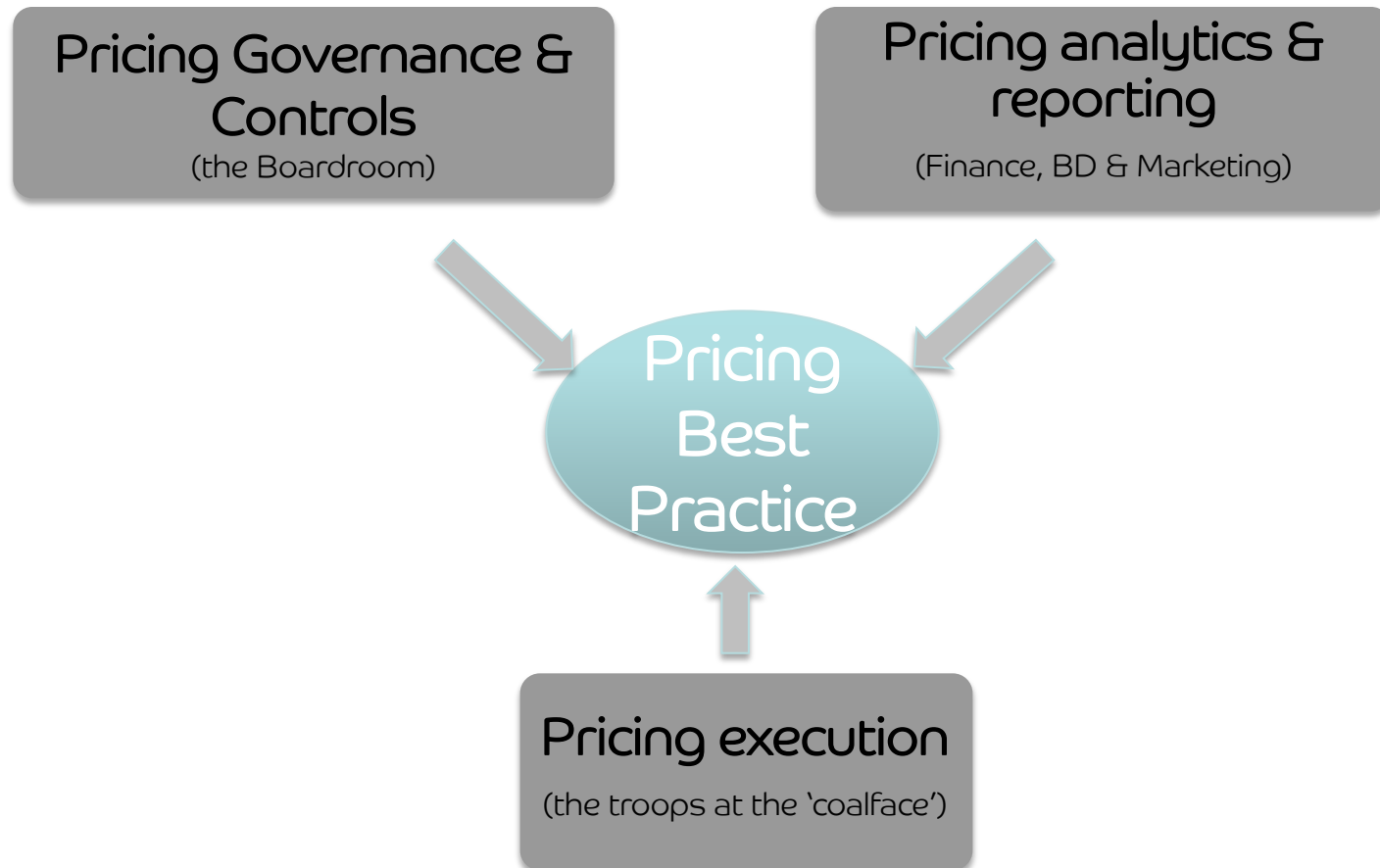
- ✓ Move away from a cost-plus mentality
- ✓ More pricing and payment options
- ✓ Greater involvement in pricing decisions
- ✓ Greater pricing transparency.



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

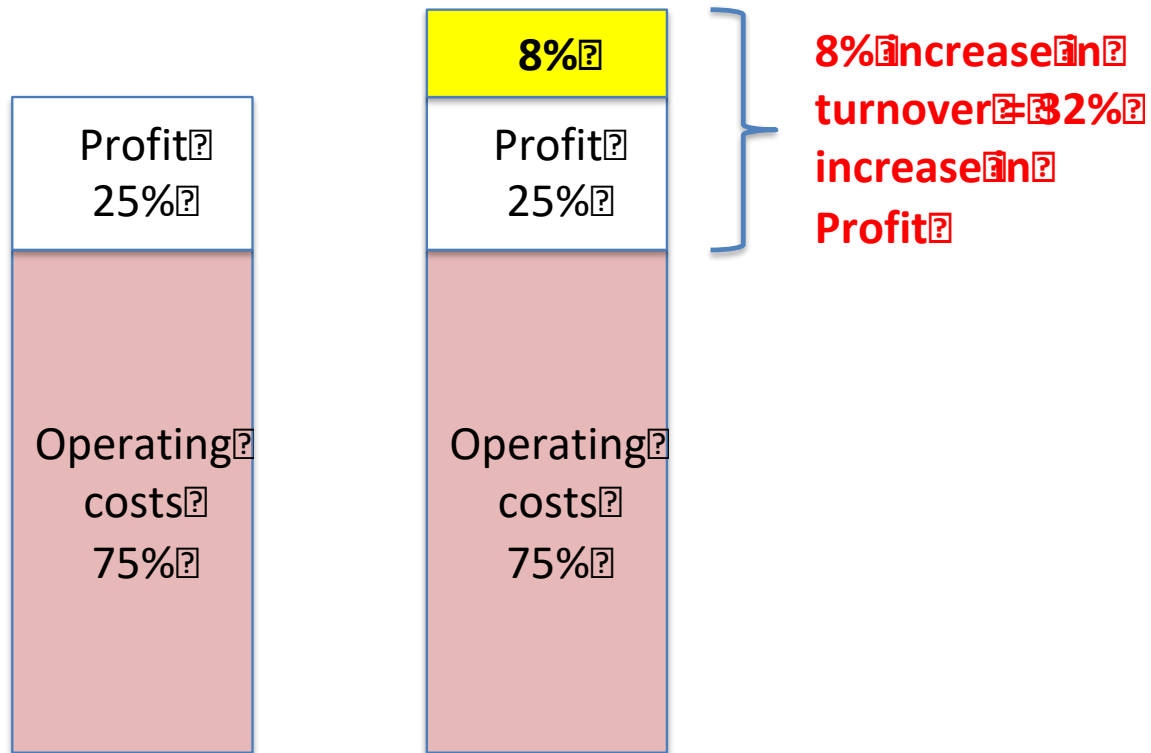
Document the Arrangements

- 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

Andy Poole, Legal Sector Partner
Armstrong Watson

Andy Poole, Legal Sector Partner Armstrong Watson

1st Floor, 24 Blythswood Square, Glasgow, G2 4BG

T: 0141 233 0700

M: 07828 857830

Twitter: @AW_AndyPoole

E: andy.poole@armstrongwatson.co.uk

www.armstrongwatson.co.uk/legalsector

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0808 144 5575

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