

# Legal Sector Breakfast Briefing

Tuesday 5 July 2016

Newcastle

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Accountants, Business & Financial Advisers

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## Welcome

Brian Lake

Head of Centre, Business and Private  
Bank North East



Yorkshire Bank

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# Legal Sector Breakfast Briefing

## Introduction

Andy Poole  
Legal Sector Partner  
Armstrong Watson

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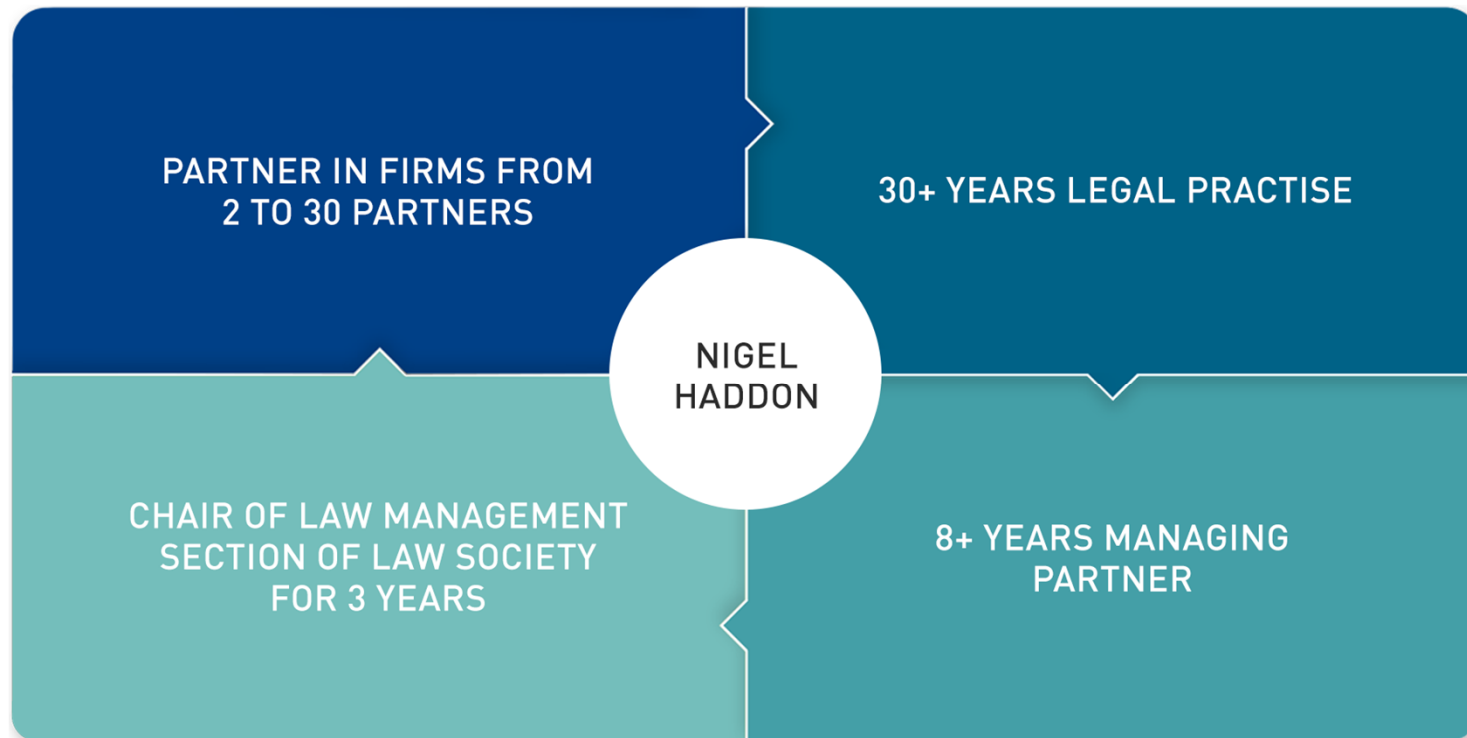




innovation

Pricing for profit – and happier clients!

Nigel Haddon



## When the pressure comes on, we discount!

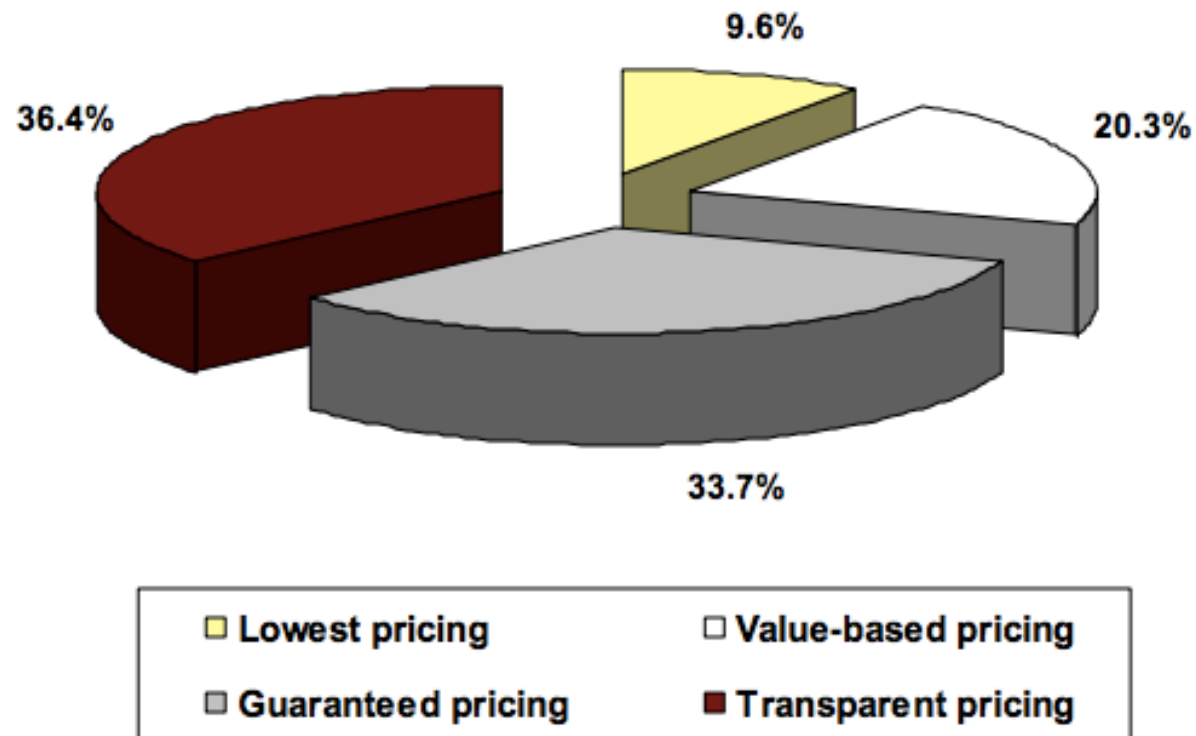
- Demanded by clients
- It's what everyone does
- But it's a failure of imagination
- Recipe for disaster – a race to the bottom
- There must be a better way – and there is



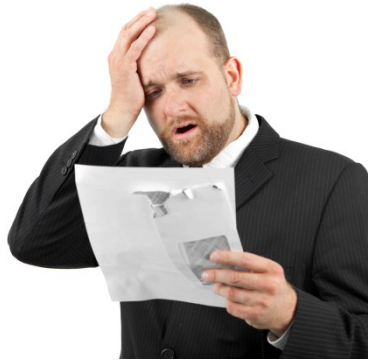


## Altman Weil 2014 Survey

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

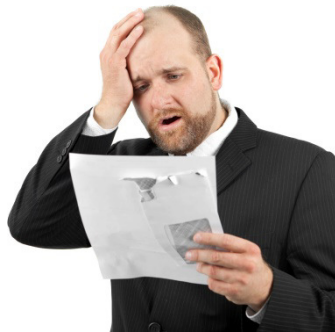






## I'll tell you what I want...

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

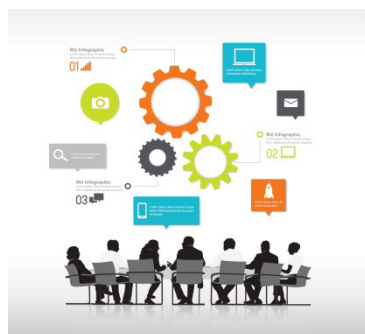


## I'll tell you what I want...

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

## Contemporary pricing challenges





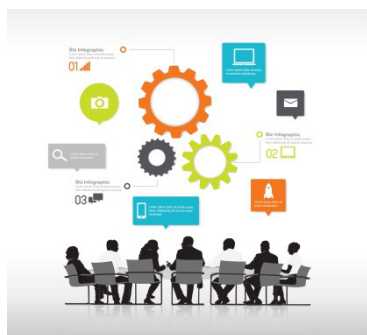
## Governance #1

- 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

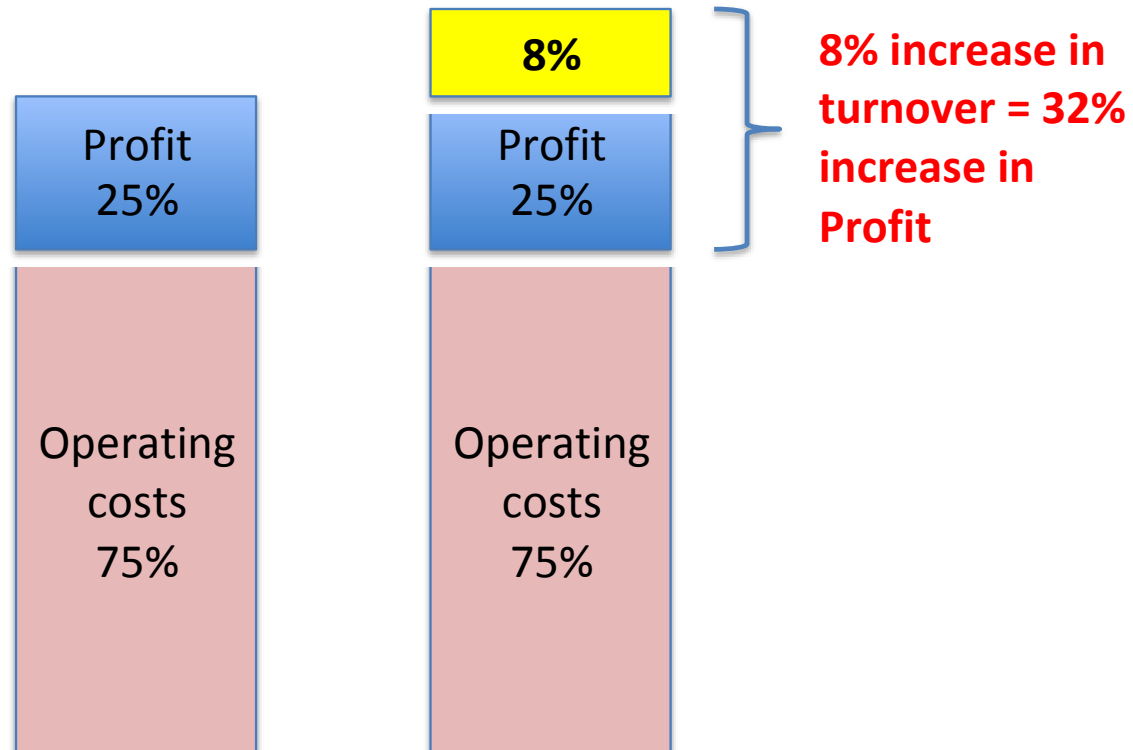
### Document the Arrangements

- 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...?



# Questions...



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## Questions and Conclusion

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*we're with you...*