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Aligning Pricing and Value to Win More Business

SUSAN SALTONSTALL DUNCAN | Not all legal services are equally important to clients. Understanding what clients value and providing solutions at the right price point are key to getting and keeping their business.

With all the fervor about fee reductions, competitive bidding, outsourcing, process management, knowledge management, your value proposition and everything else that may feel threatening, a lawyer could easily get confused about how to respond. No matter what your practice or market area is, though, your wisest course is to ensure that what you do and how you do it provides the best results for the best value to your clients.

There are several components involved in assessing the value and pricing of your legal services that will help you win and keep more business. Here is advice on how to approach them.

Determining What Clients Need and Value

You must first get a clear idea of what specific value your clients attach to your services. Even within your practice area, some services will be worth much more to the client than others, and certain outcomes will be more important, or deserve risk taking, than others. No two clients will evaluate this in the same way. Therefore, at the outset of every new client engagement or new matter, you need to ask clients how they perceive the value of the various services you may provide to them.

- What are the outcomes they hope to achieve and the expectations for what that should cost?
- What do they perceive to be more routine work that should be charged at a lower price, delegated to a nonlawyer or perhaps outsourced to a legal research or contract law service provider?
- What factors pose the greatest risk to your clients' clients (e.g., the chief executive or the shareholders)?
- How will they measure your success and the quality of your work?
- How will they evaluate whether or not a matter is worth the dollars required to litigate or settle?
- What are they willing to pay top dollar for?

Remember, too, that value most often is measured over time in a relationship context. That's why it is important to have candid and ongoing conversations with clients about expectations, service satisfaction and, whenever possible, metrics that can demonstrate a return on investment for the client.

Assessing How to Produce Optimal Efficiency

Clients are cutting their legal budgets and demanding discounts, but it is not merely because they want to reduce their lawyers' profits. Many believe that lawyers and firms don't operate efficiently and clients don't want to bear the brunt of this. They also want their own costs to be predictable and are very interested in how cost-effective their lawyers are being on their behalf, especially in relation to the value they perceive they receive. At the very least, clients expect you and others who work on their matters to do the following.

- **Take advantage of existing knowledge resources.** Don't begin research or draft routine documents from scratch. Check with other lawyers, the firm's librarian and in the firm's intranet and other central sources to determine where you can find precedents, forms and memos that you can build from—and be sure the firm is building its own knowledge repository. What you provide to clients must add value, even in seemingly routine tasks.
- **Manage clients' budget expectations.** At the outset of every engagement, discuss the project scope, staffing and budget expectations and develop a communication plan for each phase or milestone. Discuss how the budget

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might affect the approaches you take, the options clients will have and the possible outcomes. Doing so may prevent you from spending time going down a road the client doesn't believe is important relative to the cost or risk.

■ **Use early case assessment and project management tools.** Litigation matters in particular will be managed much more cost-effectively if you evaluate the merits, outcomes and risks at the outset. Doing this can help you produce a preliminary assessment of damages, devise better strategies, manage costs and enhance the chances of more favorable results. Key dates, decisions, case facts, prior disputes, key witnesses and experts and all other information about the dispute should be kept in a database and regularly reviewed and updated. This will also help you track time and budgets.

■ **Use technology to the client's advantage.** Look for current technology tools and uses that can streamline project management, litigation management, case assessment and task estimating. Use extranets and collaboration tools for larger clients to facilitate document and information sharing. Try to use the same software as your clients for exchanging reports with them.

■ **Explore outsourcing options.** Many clients and firms now outsource legal research and other routine work to contract providers in the United States or overseas. Talk to clients about whether they do this and how it is working for them. Look inside your own firm to see if there are more cost-effective ways to get administrative and even legal research work done, and how you can pass those savings on to clients.

Price According to Value

Even if your clients are not asking for alternative fee arrangements (AFAs), you will not remain competitive in the wider market if you ignore the trend toward more creative billing methods. So take these steps to explore alternative pricing for your practice.

■ Find out what AFAs your firm has used in recent years that have been effective and well received by clients.

■ Review the Association of Corporate Counsel's Web site and its ACC Value Challenge resources to investigate what alternatives other firms are using.

■ Look at DuPont's Legal Model, especially its use of technology, strategic case assessment, strategic budgeting and alternative fees.

■ Prepare a history of work you've performed for particular clients over the past three years, grouped by types of matter. Identify areas where you could have reduced or better controlled costs and determine some appropriate fee ranges for certain types of matters or transactions.

■ Talk to your clients about what types of budgeting and pricing are working best for them, what isn't working and how you can develop better approaches to align with their concerns.

Finally, put some good measuring tools in place to evaluate progress and client satisfaction. This will include end-of-matter surveys or "after action" reviews, a system for gathering ongoing feedback about service, and more formal, detailed annual audits on areas for partnering with the client on improvements. Evaluating progress and success should also involve metrics for measuring money saved for the client, efficiencies in technology, dollars made or saved based on other new assessment procedures, or leveraging professionals so you can communicate with clients about the steps you've taken to align your goals with theirs. LP