

Play to Win

[Addressing Pricing Questions](#)

By [Sally J. Schmidt](#) | Jan.27.15 | [Daily Dispatch](#), [Fees](#), [Money](#), [Play to Win](#)



Despite all the talk about alternative fees, many lawyers still bill on an hourly basis for some, if not most, of their work. Even those who use project pricing, flat fees or fixed fees still find the need to increase those rates from time to time. Many lawyers are uncomfortable discussing money with clients or prospects, [as I've discussed before](#). Yet without a discussion about fees, it is unlikely you will get the business. Even if you do, absent the discussion of costs, it will be very easy to disappoint a client.

Today many clients feel empowered and are asking for discounts, reductions or write-offs. How you handle these conversations will contribute a great deal to the client's perception of your value as well as your revenue. Here are some thoughts.

Talking with New Clients

When discussing fees with new clients, keep these guidelines in mind.

- State your fee with confidence. Don't apologize for your rate.
- Explain the factors that go into the fee you are proposing. Some lawyers like to say, "We're a business, too."
- Talk about efficiencies and how you achieve them. Be specific. Do you use certain technology or staffing resources that make your services more cost-effective?
- Whenever possible, reference total project fees or past pricing experiences. One particularly successful lawyer I work with provides a firm estimate for the project and will say, "I don't even know what my rate is."
- Pitch a team so the client sees more variations in individual rates. Explain how the firm's leverage or your delegation practices contribute to better service at a lower cost.

Addressing Requests for Reductions

So what happens when clients ask for a discount? Think about these strategies.

- Explore their goals or questions regarding the fees. Are they looking for a lower hourly rate or a lower total project cost? Believe it or not, it could be either. Are they concerned about delegation or worried about ramp-up time? Knowing the specific concern will help

you address the issue. For example, if they are concerned that you will need to invest unproductive time because of the learning curve, you can offer to provide a certain number of hours at no charge to get up to speed.

- Tell the client asking for a discount that you need to “run it up the flagpole” at the firm. This will give you more time to give the request proper thought and analysis.
- Don’t let yourself drive down the rate. Have a number in mind and don’t go below it.
- Once you give a discount, don’t reduce your fees again. Why would a client ever accept your rates again?
- If pressured for a discount, you can justify it as a “friends and family” rate, given to good, long-term clients or a client that has been a good referral source.
- Explain to the client how discounting (or reducing a bill) affects you personally.
- Offer a discount with the caveat that you get to pick the team to work on the project.
- Show the real (pre-discounted) value on your bill or explain it in a cover letter. Similarly, include nonbillable activities or write-offs on your statements to indicate the total value of your services.
- Don’t be afraid to say no. If the discount will render the work (or client) unprofitable, it’s usually not worth it. While many lawyers believe they can start a client relationship as a loss leader and later raise the rate, in reality they have diminished the value of their services in the eyes of the client.

Raising Your Rates

If the time comes when you need to increase your project fees or hourly rates, consider the following.

- Remind clients of your past performance and results. You can say something like, “We’ve done well by you over the last few years.”
- Explain the rationale for your increases. Most of these will relate to your firm as a business — for example, health-care costs, investments in technology, vendor price increases.
- Do this in a conversation with the client, not as a pro forma letter that goes out after the first of each year.

Keep These Two Rules in Mind

When it comes to pricing and fees, I believe these two rules will always serve you well: First, treat clients’ money like it’s your own — and explain to clients exactly how you do that. Second, avoid surprises. If the fee will be higher than quoted or expected, call or send an email before the client receives the bill.

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