

PRICING AND BILLING ARE TWO SIDES OF THE SAME COIN

By **Stu Gooderham**, Head of Client Relations at LexisNexis Enterprise Solutions

The difference between pricing and billing is hotly debated in the legal industry, but they are similar concepts and so must mirror each other. By aligning pricing with billing, firms ensure that the bill presented to the client actually equals the agreed price. However, logical as it seems, establishing profitable pricing is challenging many law firms, which in turn is impacting presentation of agreed billing to clients.



Elementary to pricing anything is an understanding of the cost base of an offering. And herein lies the problem. Many law firms don't know what their cost of production and delivery of matters is and so struggle with realistically pricing their services.

Pricing requires business insight

Costing requires breaking down and clearly scoping matters; and associating costs towards each task across the phases of production - planning, discovery, pre and post-trial, etc. Based on this granular understanding of matter costs, firms can ascertain the price - i.e. the rate that the client will be willing to pay.

Nevertheless, to price profitably, firms need insight into what individual types of matter typically cost. This requires access to data (historical and current) to ascertain what level of resources were applied in the past, how best to leverage those resources, whether skills are currently available, how much new skills will cost to acquire, what level of staffing is needed, and at

what stage of the matter lifecycle.

Disjointed business environment

Such information isn't always readily available to firms. They use multiple systems, which despite best efforts to integrate, remain disparate due to the numerous proprietary technologies they're based on. The various business functions operate in siloes, making it difficult to obtain a single view of the business, projects and matters.

Aligning billing and pricing

Then there is the issue of timely, accurate billing for law firms. When is the best time to bill a client, how can debtor days be reduced, and how to increase realisation. Anecdotal evidence suggests that often firms spend days trying to raise invoices - collating time sheets and matching work executed against deliverables - which despite all the scrutiny, still turns out to be inaccurate.

The ability to monitor actuals versus the matter plan (based on which the pricing was determined) is crucial. Then again, firms require legal project management capability, which in turn means that the front and back office of firms must be inextricably and seamlessly connected.

Enterprise resource planning technology streamlines pricing and billing related processes. It provides a template upon which to execute matters supported by a connected environment - from pitching a piece of work across delivery through to generating profit - encompassing everything from time recording, resource allocation, skills management and communication through to accurate and timely invoicing. Vitrally, such an approach helps both curtail scope creep, eliminating revenue leakage. Law firms should consider the discipline of enterprise resource planning. It's tried and tested in other professional services sectors.