



Pricing must equal billing

By Stu Gooderham, Head of Client Relations at Lexis Nexis Enterprise Solutions

Historically, law firm revenues have been driven by ambitious billing targets, resulting in excruciatingly long work weeks becoming the norm. Today, the undue emphasis on 'clocking the hours' is no longer sustainable. A £60,000 matter cost estimate turning into a £100,000 bill simply isn't acceptable to clients. So pricing isn't being driven by law firms anymore, it's the result of long-drawn negotiations, in which lawyers are increasingly having a diminishing say. And once set, lawyers have to 'live' by that matter price. 'Profitable and realistic' pricing is therefore essential.

Billing and pricing are two sides of the same coin

Billing and pricing are two sides of the same coin. The drivers for both are revenue targets and profitability. Due to the relatively fixed cost base of law firms (salaries, premises, professional indemnity, etc.), profitable pricing can only be

achieved by minimising wasted effort and optimising resources. Assigning the right fee earner with the right skills to a matter at the right time significantly increases profitability. Further aligning pricing with billing ensures that the bill presented to the client actually equals the agreed price and helps meet client expectations.

But why is pricing so challenging for law firms? 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, often starting each matter with a 'blank sheet'.

Profitable 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 and so on. 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.

However, to price profitably, a firm needs 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 the skills are currently available, how much will new skills cost to acquire, what level of staffing is needed, at what stage of the matter lifecycle and such.

Disjointed business environment not conducive to profitable pricing

The problem is that such information isn't always readily available to firms. They use multiple systems, which despite best efforts to integrate and streamline, remain disparate due to the numerous proprietary technologies they are based on.

In a disjointed business environment, the various functions operate in siloes, making it difficult to obtain a single view of the business, projects and matters. Furthermore, inconsistencies and inaccuracies creep in across systems, making the available data unreliable.

To devise commercially-orientated pricing, firms require business insight based on 'real, live' data – what a profitable client looks like, how much time does a certain kind of matter typically take, what level of staffing does it require, what aspects of the execution can safely be outsourced and what is an acceptable cost/profitability ratio, among others.

Aligning billing and pricing

Timely, accurate billing challenges law firms too. 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 – col-

lating time sheets and matching work executed against deliverables – which despite all the scrutiny, still turns out to be inaccurate.

Especially in the current climate where alternative fee arrangements are becoming commonplace, 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 a firm must be inextricably and seamlessly connected.

Modern enterprise resource planning technology enables this. 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.



Vitality, such an approach helps both curtail and provide visibility of scope creep, eliminating revenue leakage.

An enterprise resource planning approach to business provides a single working platform that ties in all the facets of business, delivering intricate business insight to facilitate confident, informed decision making on pricing of course, but all other aspects of business too. Law firms looking to embrace enterprise resource planning are in a fortunate position – the business benefits the discipline offers are already proven across industries, including other professional services sectors. Their risk of adopting the discipline is negligible.



Cobden House Chambers announces the appointment of Mr Richard A Hartley QC as its new Head of Chambers.

Chambers wishes to thank its former head Mr Roger Farley QC for 14 years of dedicated service. Mr Farley remains in full time practice.

The past 14 years has seen chambers continue to thrive and grow in the face of challenges that have beset the profession as a whole. The past year has seen increasing strength in depth in all its departments and there are exciting plans for the future.

PI / CLINICAL NEGLIGENCE

The Personal Injury and Clinical Negligence Teams were delighted and strengthened by the recent appointment to silk of **Mr Marc Willems QC** and the addition of **Miss Chloe Murray** upon completion of her pupillage with **Mr Lee Nowland**.

CHANCERY/COMMERCIAL

The Chancery/Commercial Team have been bolstered

with the arrival of **Mr Robert Sterling** former Head of St James's Chambers and **Miss Lucy Wilson – Barnes** both established Chancery/Commercial practitioners.

HOUSING

The Housing Team welcomes **Miss Anna Short** formerly of St James's Chambers.

CRIME

The Criminal Team are delighted to welcome the arrival of **Miss Stella Massey**, **Miss Gwen Henshaw**, **Miss Kate Hammond**, **Mr Alistair Reid** and the recent return to chambers of **Mr Stuart Neale** from his recent sojourn as DPP in the Isle of Mann.

FAMILY

Miss Lisa Wilson joining us enhanced the Family team and **Mr David Maddison** is congratulated upon his appointment to as a Deputy District Judge.

Chambers continues to grow based upon its reputation for hard work, high quality personnel, clerks and staff and its ability to cater for our clients' needs in a professional and costs-conscious manner.

Visit our website or speak to our Senior Clerk/Practice Manager **Neil McHugh** for more details

Cobden House Chambers, Manchester a modern set with traditional values.



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