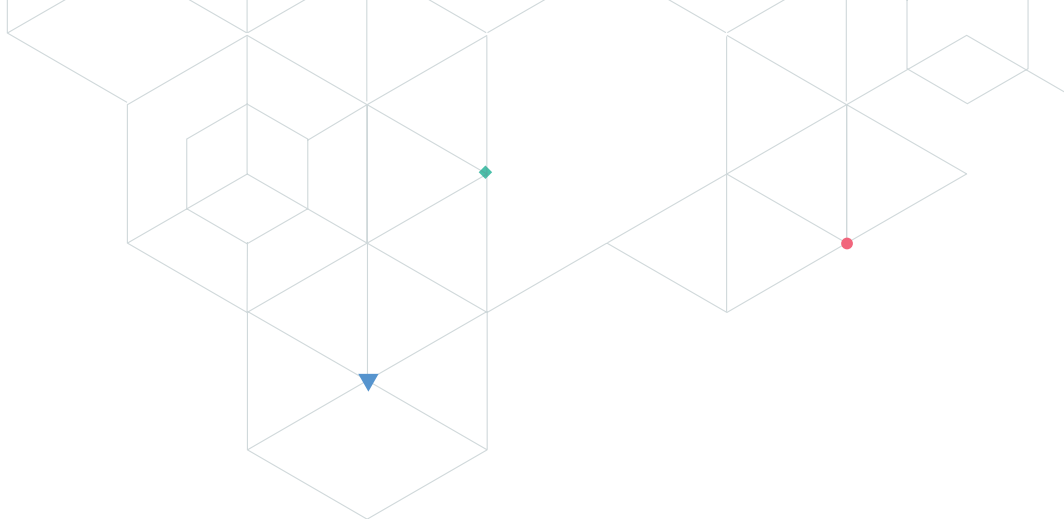




Pricing for Client Advantage





Over the past ten years, there have been numerous calls for law firm changes to client service, in the way they manage and succeed. And while there can be no doubt that technological and competitive forces are active in the market and starting to reshape aspects of the legal environment, fundamental change in legal work processes like pricing remains nascent.

On average, firms continue to stay-the-course and by many measures prosper using traditional approaches to client service. (In experienced design circles this phenomenon is sometimes described as an “inside-out” posture).¹ So when will change happen?

The debate might boil down to timing and scope of impact. Most industries are on the brink of technological revolution, but realizing the opportunities this brings requires business transformation. In the case of professional services firms, this will occur only by changing services practices and differentiation via a more client-centric orientation.

Let’s start with client orientation. As a law firm, do we know our clients’ business better than our competitors? Are we innovative in a way that offers higher value and distinction? Do we operate as teams with a unified view of the client? Can technology help us do things differently that will make a more dramatic impact on our services? Are we proactive and thoughtful towards value in our pricing models?

To get a better understanding of the current market perspective and practices of pricing within legal, Intapp recently conducted research on today’s legal industry pricing landscape.²

¹An *inside out* approach to innovation describes a process that is dominantly focused on the benefits to the business in contrast to its client. For example, a change in pricing method that focuses first on firm profitability without regard to client benefit might be described as an inside out approach. This contrasts to the *outside in* ideas inspired by Manning/Bodine in their book entitled, not coincidentally *Outside in*.

²2017 Intapp P3 Survey. Reflecting a cross sample of firms from national, regional and global firms of varying sizes (500+ lawyers (64%), 151-500 lawyers (28%) and < 150 lawyers (8%)). The primary respondent was the pricing professional at the firm.

Key findings

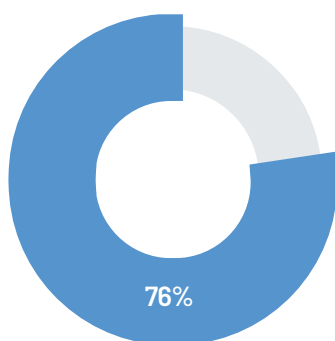
Summary.

Overall pricing processes and roles are coming into focus. Nearly 80% of the survey respondents have a dedicated pricing function with about the same percentage maintaining a centralized process (Figure 1). The role of the pricing professional is now well established, and centralized pricing models represent a majority position by large firms. Given this, the next question may center more on process effectiveness. Are these pricing functions working well? **How would one know, and what are the measures of success?**

Who handles pricing

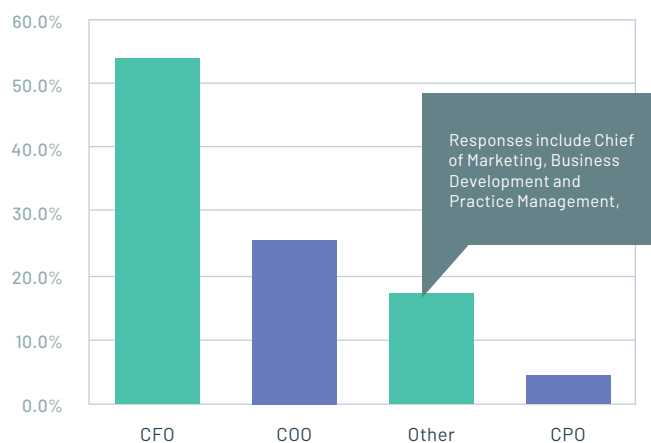
- Business development
- Pricing analyst
- Finance analyst
- Pricing team
- COO
- Strategic pricing officer

Figure 1 - Dedicated Pricing Function.



of respondents have a dedicated pricing function

Who does Pricing Report into?



Characteristics of Pricing Methods.

More than 80% of respondents indicated that pricing functions are focused on setting budgets, managing profits, and tracking costs through engagements (Figure 2). This suggests that firms have invested considerable effort establishing budgeting and tracking procedures, notwithstanding the variable range of sophistication in capabilities across these practices. Profitability management is a comprehensive competency on its own.

There is an emergence of a client-centric approach in the responses with 75% of those indicating the use of pricing data for client-centric analysis, 40% using client portals and up to 30% using predictive opportunity generation models (e.g., data-driven cross-selling). This may be a natural progression from internal to external focus areas, driven in large part by the market pressures over the past ten years. When a financial crisis hits, the priority is getting costs and budgeting in line. So if the initial focus has been to get costs under control, the opportunity now exists to deploy pricing strategies to connect and differentiate the firm with their clients.

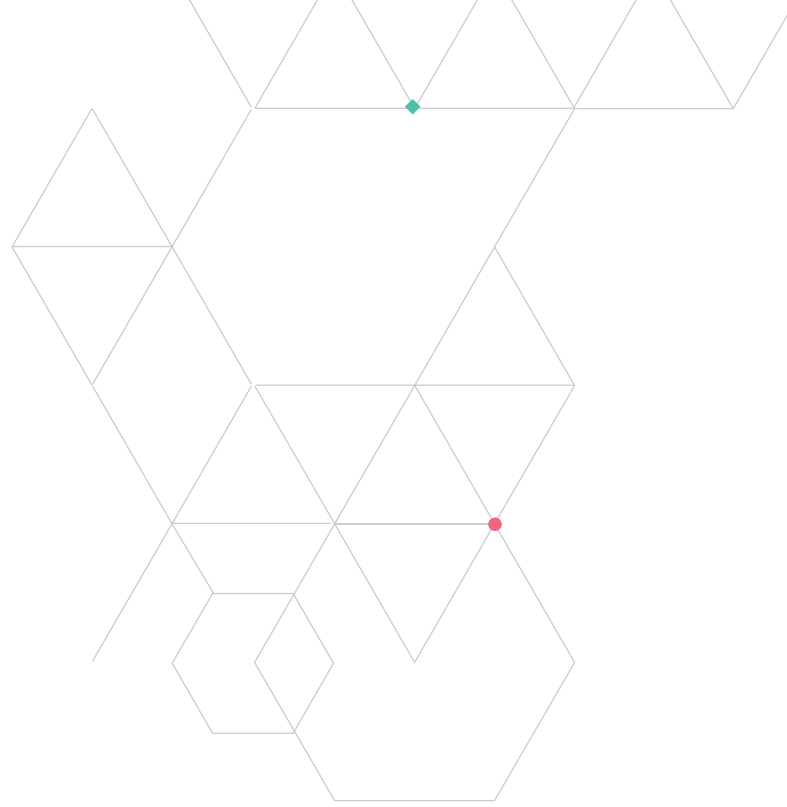
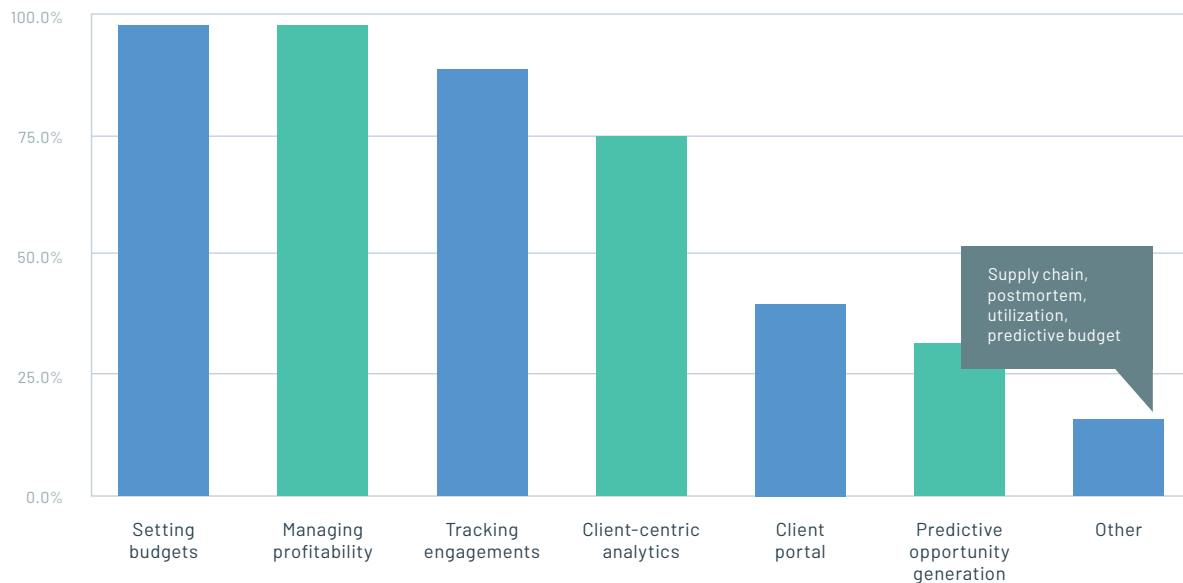


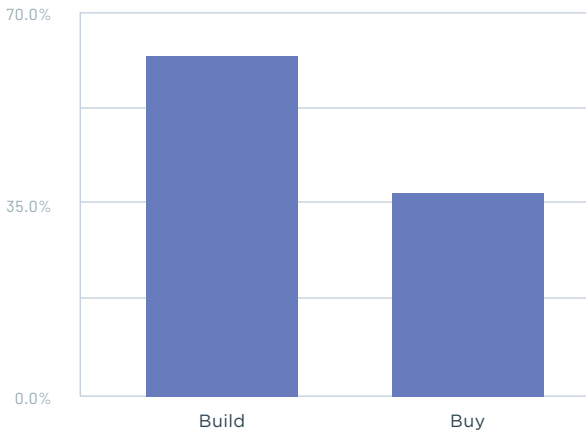
Figure 2.



Tools.

Software utilization and adoption has progressed, with 65% of the respondents indicating they use tools for pricing. Regarding tool sophistication, most remain simplistic, which may make sense since many stakeholders within firms (e.g., pricing chiefs, business development, and managing lawyers) and their clients (e.g., legal operations, GC) are still getting settled on schemes enabling transparent pricing processes. Specifically, there is high variability for toolsets in use, with some firms deploying homegrown spreadsheet templates on top of SharePoint sites, while others utilize robust enterprise applications. In most instances, we continue to see departmental and practice-specific deployments.

Figure 3 – For those using a pricing tool, did you build or buy?



For those firms not yet having invested in a pricing tool, 77% indicated a plan to purchase one over the next 12 months. It is clear the push for pricing automation is becoming a necessity to operate at a competitive level for today's large law firms.

Data Classification, Integrity and Coding.

Incomplete, inconsistent and incorrect data within law firms remains a roadblock slowing the maturation of integrated pricing processes. A large part of that is the challenge of classifying and then coding the work. While abandoning the billable hour would be enjoyed by many, it is a well-understood idea. The same cannot be said for service, industry and even practice taxonomies.

Most large law firms have some classification system or taxonomy defined, and in fact, it is common that they have multiple standards tied independently to different functions like billing/finance, knowledge management, and business development. Couple this with the unique coding scheme that most clients are beginning to implement to manage costs, and you quickly get to an alphabet soup, requiring the skills of cryptographic experts to decode it.

That said, it is also fair to say there are many very well thought out coding sets which may reveal the more fundamental problem – that of incomplete, inconsistent or inaccurate matter coding, sometimes called the “dirty data” problem. Dirty data is an industry-wide issue that will remain a barrier to pricing evolution, but help may be on the way.

Computing technologies like learning systems, clustering, auto discernment, auto cleansing, and other advanced machine learning models may address much of the problem. While still early, testing is actively underway to develop models that would help accelerate industry standardization and coding (e.g., via classifying, gap-filling, auto-correcting). Given the political, technological, and intellectual challenges associated with data standardization and coding, this may be an area that may be ripe for the application of machine learning technologies.

Data Sources for Pricing.

Regarding data sources associated with pricing, it is no surprise that financial data was mentioned by nearly all respondents as the cornerstone. The remaining data sources are far less significant (**Figure 4**). This speaks to the hindrances in maturity and tools in use. However, it also highlights a missed opportunity. Data from business intake/conflicts, human resources, document management, as well as client data from business development systems can provide a much more robust and complete picture, especially when coupled with pricing data like production/resourcing costs. Imagine an intelligence system that can not only tell the firm the odds a matter will be profitable, but one where the chance for client satisfaction is high as well.

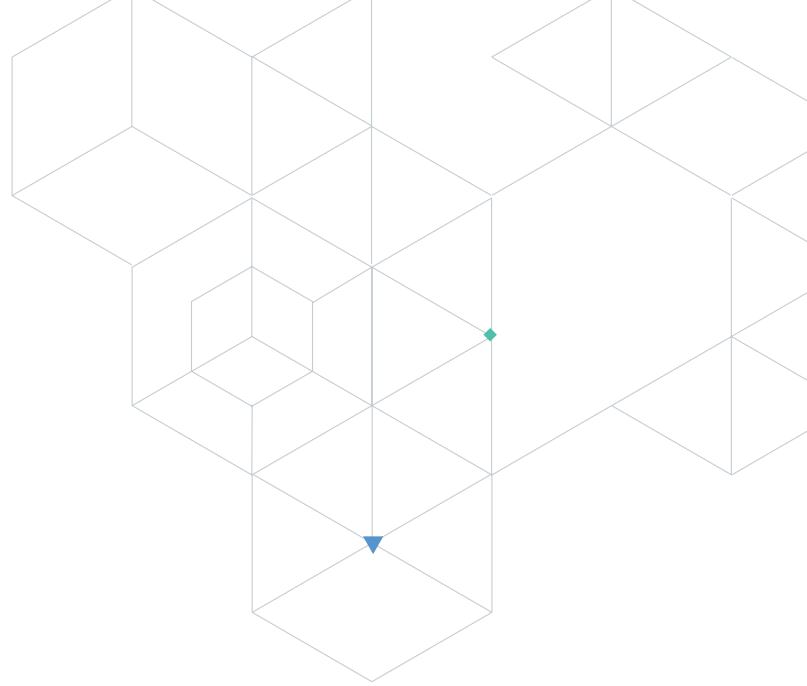
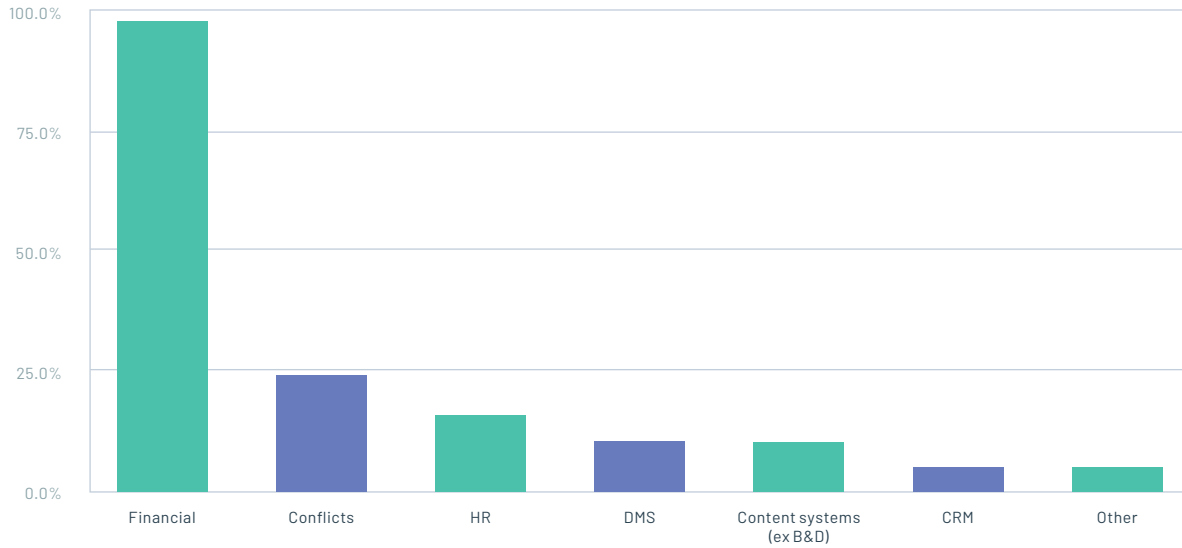


Figure 4 - Systems Central to Pricing



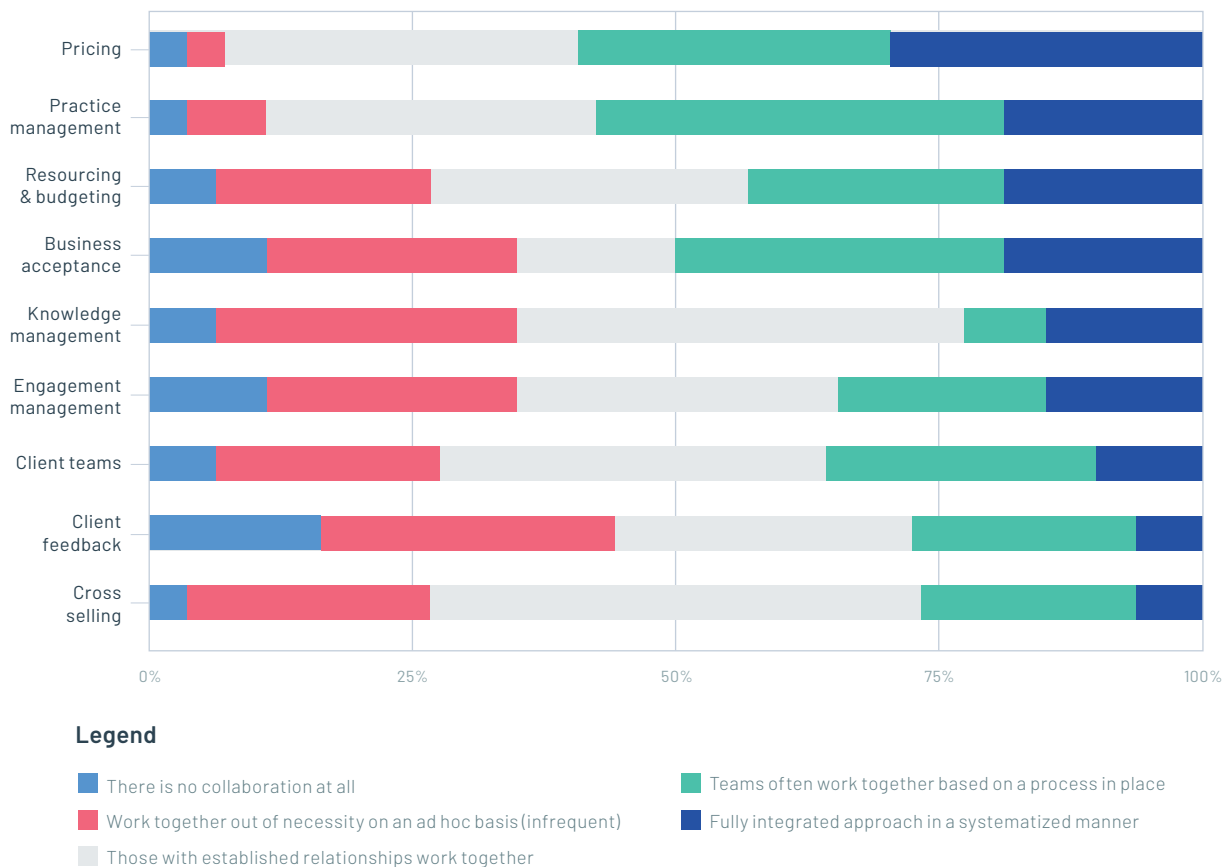
Collaboration.

There remains significant work to be done in the area of functional teaming within the firm when it comes to pricing. This may be a result of lack of advancement in process integration - meaning that some processes such as intake, conflicts, engagement management, pricing and client feedback are more often than not configured independently without regard to an all-inclusive client view. But as firms evolve their approaches, it will drive them towards a more harmonized integrated approach which naturally encourages collaboration. For example, who owns pricing during a client pitch? Of course, the answer isn't always clear-cut. It often involves multiple firm managers such as relationship partners, billing partners, practice leads, finance and business development professionals. However, most commonly, finance takes the lead with over 50% of pricing professionals reporting into the finance function.

A question that remains is how do these other functions blend in and collaborate? Are these teams factoring in issues like firm strategy, key clients, and win rates, as well as a host of other questions. This invokes questions like: should we price differently based on premium work, client segments like key accounts, special growth services, unique client relationships, as well as competitive strengths the firm may possess? Of course, firms should deploy these practices, but how should those processes be designed? How should they create policies that make clients happy and drive financial performance?

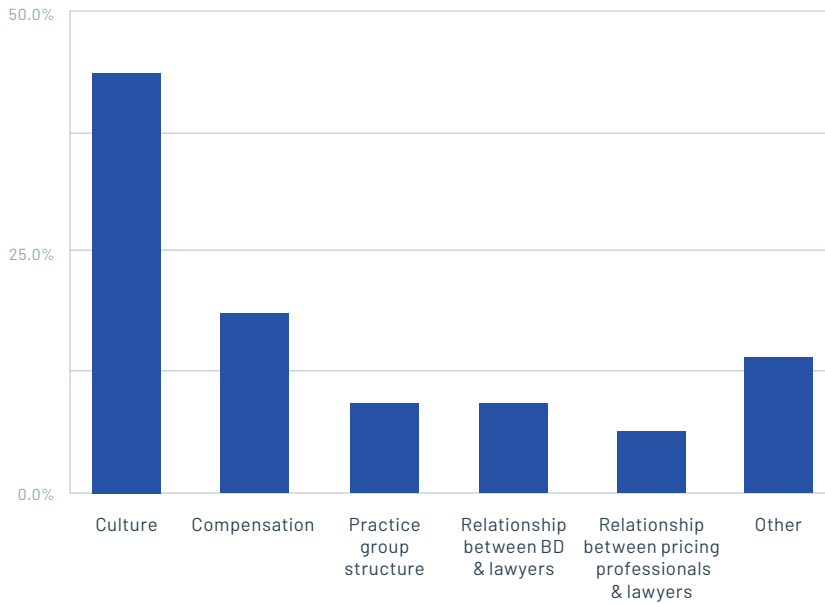
To partly answer the questions posed above, about 20% of the respondents indicated that they possessed a fully integrated approach towards pricing, whereas only 10% reported the same degree of sophistication related to topics like client teams, feedback processes and cross-selling (Figure 5). These findings are consistent with other parts of the survey that continue to tell the story of firms focusing on their financial core initially (i.e., inside-out) while evolving towards market centricity.

Figure 5 - Firm Professionals Working Together



When asked about the barriers to collaboration, not surprisingly culture (45%) and lawyer compensation (about 20%) were the most frequently cited factors hindering teams working together (Figure 6). Too often, it is these factors that are cited when one questions the slow pace of change. So while these issues are well worn, it is now time to begin the process towards resolution.

Figure 6 - Barriers to Collaboration



Client Orientation towards Pricing and “Outside-In” Approach.

One of the most dramatic changes that have occurred over recent years is that clients are becoming increasingly better organized when it comes to buying legal services and correspondingly being better price negotiators. The drumbeat of clients calling for change has been heard for many years now. But now clients have banded together calling for meaningful change at an accelerated pace.

Greater transparency is transforming the way legal services are purchased, creating demands on law firms to be market price competitive, delivering services on budget, providing predictable costs while also being held accountable for the outcome through tracking and monitoring the services rendered. On top of that, clients are convincing firms to find ways to innovate and seek out entirely new ways of providing many types of legal services. Some might call this a disruption but it might better be described as a persistent rising performance standard, which calls for a serious investment in a client-centric strategy.



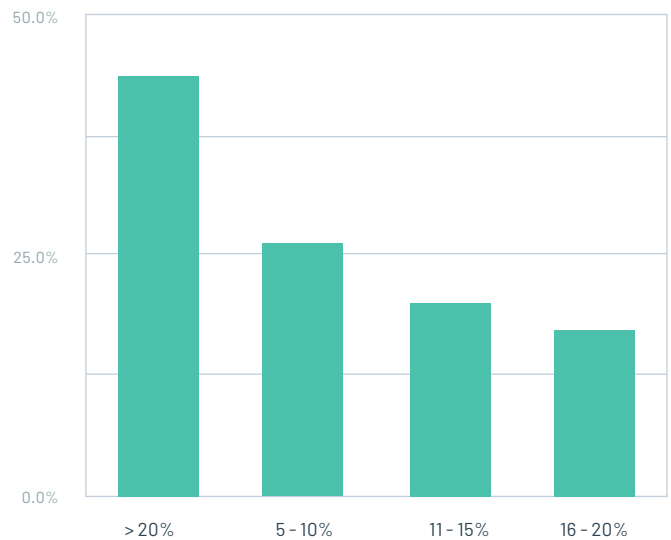
Client Orientation around the Survey

The survey suggests progression towards a client-oriented pricing process, specifically:

- **Reporting Structure** - Over 50% of the respondents say the pricing function reports up to the CFO, and nearly 30% more report to the chief operating officer. The remaining are divided among reporting into pricing officers, practice officers and marketing chiefs. While a majority continue to report into the traditional financial function, the presence of those reporting into a less traditional role such as pricing and business development suggest that firms are recognizing the need to bring in a well-rounded approach to pricing.
- **Accountability and Involvement for the Pricing Plan** - Nearly 85% of the respondents indicated there were dedicated members of the pricing team involved in pricing processes, followed by a much smaller proportion of practice leaders and a project managers. Business development represented a small share of the responses, reinforcing the need for better functional teaming around the client.
- **Data Integration** - As described earlier, when asked about sources of data integrated into the pricing process, the overwhelming response mentioned was the financial system with a 96% response rate, followed by conflicts with 21%, DMS and HR systems 12% and client systems coming in at 4%. The opportunity that these other data sources present in providing a holistic view into pricing for value around a client's needs could invite its own discussion.

- **Percent of Clients Requiring a Budget** - Over 40% of the respondents indicated that 20% of their clients require a budget for matters, with another 20% of respondents falling between 16 - 20%. The remainder fall below 16% (**Figure 7**) which seems shockingly low considering where the focus of industry firm to client conversations are occurring. The results may be misleading, however, in that these numbers show a point-in-time measurement, rather than highlighting the pace of change, which has grown precipitously over the past five years. Clients continue to get more sophisticated, and the demands will only continue.

Figure 7 - Clients Requiring a Budget



Summary

Pricing remains a financially dominant function in contrast to marketing or business development. However, with the groundswell of heavy client demands, the movement towards change is in the air. The voice of the client will be getting much louder in the coming years, demanding more integration and client centricity. The 2017 Intapp Pricing Survey results suggest that a slice of firms are beginning to recognize the need for a client-oriented approach to pricing with varied roles, involvement, data and client demands. Moreover, the opportunity for law firm functions to work more jointly is ever present, with the benefits and opportunity for client distinction high.

As seen in the survey, too many critical functional areas like pricing, experience management, resourcing and client services are siloed and often too specialized, causing those functional chiefs to disassociate ownership over the collective group of issues. In some conversations with pricing officers, the demands on their core functions regarding budgets are making it too difficult to incorporate a client service ideal into an integrated framework.

Client Service Design in Brief

Much progress continues to be made on pricing processes and their relationship to legal services, but much can yet be learned from other industries which have introduced more client-centric service design strategies.

And while it may be early days for integrated client strategies legal firms are quickly adopting many innovative projects including client journey mapping, client portals, as well as framing other service constructs. The data from the Intapp Pricing Survey not only supports these ideas but also illuminates the opportunity for firms to gain client advantage if they can accelerate their use of client-oriented processes. It is up to them to seize the opportunity and take advantage of this thinking when embracing projects like pricing.



US +1 650 852 0400 UK +44 845 834 0120 AUS +61 2 9290 8563

[@ intapp.com](mailto:info@intapp.com) [w intapp.com](http://www.intapp.com)