SPEAK UP

Pricing in the next normal

Stuart Dodds
Co-founder and principal
Positive Pricing

@smarterpricing

Segment your client base by likely pricing behaviours and proactively identify ways both to help the client and to mitigate any potential impact on the firm. Good pricing always needs to remain fair to both parties

The pricing lessons from the 2008 global financial crisis are still extremely pertinent. However, as any good pricing practitioner will tell you, the approach should not fundamentally change in an economic downturn – the same key principles still apply. So, what should we be doing as we head into the 'next normal'?

These steps will help you to navigate the potentially tricky pricing conversations you are – or should be – having with your clients now, while ensuring a more sustainable and profitable future in the longer term.

1. Highlight your value. You need to be proactive and cleave close to your existing clients. Emphasising the value and outputs delivered is key, so they clearly see what they're getting and feel they're receiving a tangible return on their current legal spend. Proactively engaging with them about current ongoing matters and helping to re-evaluate their legal priorities will also stand you in good stead. But this is not a one-time event. We should be doing this all the time. Make sure you clearly articulate how you add value and support your clients.

2. Take a firm-wide view to managing investments. It is important to take a firm-wide view of any client investment. This puts a much greater emphasis on good pricing governance and oversight, avoiding 'random' discounting by individual partners (even if it's with the best of intentions). Discounting and broader client-specific investment (for example, provision of 'free time') should always be approached with caution, coordinated, and managed.

3. Review and refine practice group pricing approaches. Grasp the opportunity while you have your firm's collective focus on pricing and profitability to define and agree your practice group-specific pricing strategies for the next six to 12 months. This encourages greater consistency of approach (for example, which fee structures to adopt, and for whom), messaging and management of firm investment. And it's relevant both for practice areas that will flourish during this time and those that will feel more pressure. Remember, the strategy should evolve over time, rather than be static. Encouraging more frequent discussion of pricing themes as part of practice group meetings can be a simple and great start.

4. Segment and understand your clients. Larger clients, those in sectors heavily impacted, or other extremely price-sensitive clients, may be seeking some form of fee relief. Others – perhaps not as economically distressed – may also request some as they seek to take advantage of ongoing uncertainty. Conducting a pricing segmentation exercise will enable you to be prepared and have agreed approaches in place prior to the inevitable client request. Segment your client base by likely pricing behaviours (and by client importance and/or sector) and proactively identify ways both to help the client and to mitigate any potential impact on the firm. Good pricing always needs to remain fair for both parties.

So, a differentiated pricing approach (recognising not all clients and practice offerings are under pressure), focus on the value of your offering, adapting pricing approach to clients' needs, and pricing governance processes, still remain the ones to watch – albeit with a few subtle tweaks to the old normal. But it's always better to respond than to react, and that means not losing sight of pricing fundamentals.