

PETER SCOTT CONSULTING

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Are your lawyers able to discuss money with clients?

I am finding that many of the law firms I work with are now beginning to realise that discussing money with clients is a problem for some of their lawyers, and that this can impact on a firm's financial wellbeing.

Moreover, the problem often relates not just to discussing money with clients, but generally to communicating with clients **to manage their expectations**.

How good are your lawyers' communications skills in relation to the following?

- 1. Understanding and agreeing with clients what they really need (rather than what your lawyers think they need) in order to 'add value' which clients care about.**

What is 'added value' that clients care about?

Value is personal, and so to provide value in a way that clients **care** about, a lawyer must first identify the **needs** of the client and then evaluate and agree the client's expectations as to performance. How can lawyers find out what their clients need? Ask them!

"What will success look like for you?" is a good question to ask a client.

It is a **client's perception of value** which matters, not the lawyer's and this was reinforced by research published in April 2017 by **LexisNexis** in conjunction with the **Judge Business School, University of Cambridge** which revealed evidence of a serious disconnect between what clients expect from their law firms and what they get:

- clients were looking for **solutions** to business problems and saw the disconnect as a **'need to better understand the client's perceptions of value'**.
- whereas the law firms saw the disconnect as primarily a 'challenge of improving service delivery'

I recently saw the following statement on the website of a UK law firm which sets out very well what clients are seeking from their lawyers:

"We understand that our clients require both value for money and price certainty from their lawyers. We also understand that clients buy outcomes and solutions (not hours) and expect efficient and cost-effective delivery of those outcomes."

Each client's needs will be different and only after having identified those needs and expectations will it be possible to add value in a way which will drive **client satisfaction**.

Do your lawyers ascertain your clients' expectations of added value?

2. Managing clients' expectations as to performance, by educating them to understand from the outset the issues likely to arise, the scope of, and the processes involved in any given legal matter.

Lawyers should not assume that their clients understand what is involved in a legal job and the work that is required to be carried out to deliver the result a client wants. Lawyers need to educate their clients from the outset as to the scope of what will need to be done (as well as those matters which the lawyer will not be doing).

Scope is the most important element a **lawyer needs to ensure a client understands about any job**, because all planning and allocation of resources are anchored to this understanding. Good scope management and communication will enable you to

- Anticipate client expectations;
- Understand your risks;
- Budget for your profit;
- Be specific to avoid 'scope creep' requiring more work and cost; and
- Agree with the client that if there are any changes required to the scope, then change orders will be issued enabling the client to have whatever changes to scope the client wants, as long as the client pays for them!

3. Negotiating with clients to achieve your optimum price, by selling 'value'.

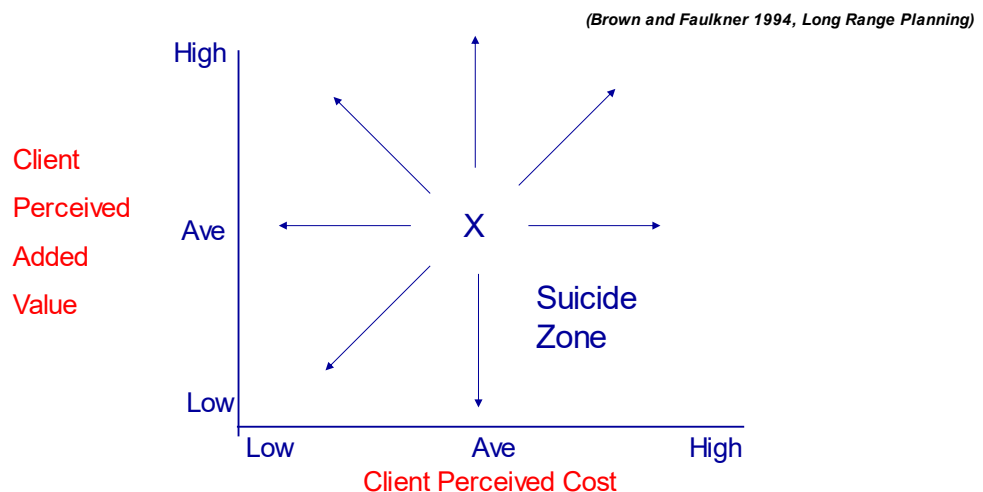
Lawyers need to understand not only what clients want from them, but they also need to ensure that clients **appreciate the value to them** of what their lawyers are doing for them. As David Maister has said:

"There is no secret to value billing. Just figure out ways to be more valuable. If you do, you will be paid more".

It is important to find the right balance between clients' perceptions of what is valuable to them, and their perceptions of the cost to them. The graph below illustrates this balance between **the client's perceptions** on the one hand that expectations have been met, relative to **perceived cost to the client** on the other, and this graph can be used to help your lawyers to competitively position your firm by adding value in a way which your clients care about, and at a cost which is, **in their minds, value for money**.

Where on the graph below are your lawyers positioning your firm when they price their work, compared to where they **should** be positioning your firm when pricing, given how they are adding value to their clients?

Adding value – to manage client expectations and to price competitively



How valuable do your lawyers think they are to your clients?

This is critical when your lawyers come to negotiate price with a client, because this is about their self-esteem and knowing their **'worth'** to your clients. The greater their self-esteem, and the better they understand their 'worth' to your clients, then the more robust they are likely to be with their pricing. For example, if your lawyers have clients who come back time and time again and who always agree and pay their bills, then that indicates that they have a 'worth' to their clients and they should aim to recognise that 'worth' in their pricing.

Negotiating price

- How do your lawyers prepare for price negotiations?
- How do they approach discussing money with clients?
- What do they emphasise?
- What do they do when a client says the price is too high?
- Do they know their 'worth' to their clients?
- Do they know when to 'walk away'?

This can be illustrated by how a conveyancing partner in a law firm in Surrey convinces her clients that she is **great value for money to them**.

- She chose as her market, clients owning the more expensive properties locally on the basis that they are likely to pay the highest fees and make fewer complaints.

- She deliberately prices her work higher than any of the other local firms and as a result she has attracted (mainly by word of mouth) a loyal following of clients who are happy to pay her fees. (How many clients would want their friends to think they instruct a 'cheap' solicitor?)
- At the outset of a matter, she explains to clients in detail all the costs involved in the following way:
 - On a purchase by comparing the stamp duty payable to the Government with her (in comparison) great **value for money** fees; and
 - On a sale by comparing the estate agent's charges with her (in comparison) great **value for money** fees.

Using this technique she says, never fails to convince her clients that she is good value for money.

4. Renegotiating quoted prices.

Your lawyers may have quoted the right price at the outset, but the job must also be **managed** in such a way that the work is delivered within the price quoted, otherwise there is likely to be a loss incurred on that job.

If there is going to be a **cost over-run** then a client will expect their lawyer to discuss this with them. Unfortunately, the experience of many firms is that their lawyers do not do so, as these quotes by lawyers illustrate.

I gave a quote to the client, but I have already reached that figure and I don't really want to have to go back and renegotiate (and so I will just not record any more time)

The other side have caused so many problems on this matter which have increased my work substantially, but I feel I can't charge the client for this.

I think I have spent too much time on this matter already but can't be seen to have big write – offs (so I will not record any more time)

Failing to discuss potential cost over-runs with clients is a reason why so many law firms 'leak profit'.

Communicating with clients throughout matters to ensure at every stage clients understand what is happening on their matters is vital to managing clients' expectations, particularly in relation to delays, estimates to closing and other problems, as well as in relation to potential cost over-runs.

If your firm has lawyers who do not like discussing money with clients, then it should be incumbent on your firm to do something to change matters, otherwise those lawyers will

continue not only to lose you money but will also drive client **dissatisfaction**, leading to loss of clients.

Find out **why** they do not like to speak to clients about money, because this is likely to point to a solution. Is it because of:

- Lack of self-esteem so that they do not believe in their 'worth' to the client?
- Fear on their part that they will lose the work if they put forward a higher price?
- Lack of knowledge or inexperience of how to go about negotiating with clients on price?

Lawyers should remember that when they robustly and skilfully negotiate with a client on price, that is likely to impress the client, and lead the client to think that they will be equally good at negotiating with the other side on the client's matter.

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