

# PETER SCOTT CONSULTING

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### Do you sell your services on *price* or on *value for money*?

In April 2017 LexisNexis in conjunction with the Judge Business School at Cambridge University published research which revealed evidence of serious disconnects between what clients expect from law firms and what they get – see

<https://www.realwire.com/releases/LexisNexis-report-Amplifying-the-voice-of-the-client>

Key findings from the research were that clients wanted their law firms to **‘better understand their perceptions of value’** and that they were looking for **‘solutions to problems’**

These findings go to the heart of what clients are looking for from their lawyers and should guide how lawyers sell and price their services.

#### So what is value as seen through the eyes of clients?

It is clients’ perception of value which matters, not lawyers’ and so it needs to be value which clients regard as something which is valuable **to them**. Unfortunately some lawyers see adding value to a client merely in terms of service delivery whereas clients see value in terms of whether their lawyers have achieved the desired results for them. There is as a consequence often said to be a **‘value gap’** between what clients want and what lawyers deliver. Such a ‘disconnect’ needs to be actively managed by lawyers, by showing their clients the *value to them* of the legal services being provided.

However, I have found that many lawyers do not try to sell to their clients the idea of value to them of the services on offer. Take for example conveyancing which is one of the most common legal services in the UK. Many lawyers have singularly failed to show their clients that conveyancing services are not a commodity product, with the consequence that clients now wish to pay very little for the most expensive thing many will ever buy in their lives. What should *‘peace of mind’* be worth to a client when buying or selling a house, given that conveyancing is in the ‘top 3’ heads of claims against solicitors? How many solicitors use this approach to explain the value of their services or to build this risk factor into their conveyancing pricing?

How can conveyancing law firms convince their clients that they are value for money?

Among the effective techniques I have seen to create the idea in the minds of clients that they are receiving good value can be illustrated by how one partner in a firm in Surrey operates:

- She chose as her market clients owning the more expensive properties on the basis that they are likely to pay the highest fees and make fewer complaints. She 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?)
- She then explains to clients in detail all the costs involved:
  - On a purchase by comparing the stamp duty payable with her (in comparison) very modest fees; and
  - On a sale by comparing the estate agent's charges with her (in comparison) very modest fees.

This never fails to convince her clients that she will be good value.

- Having sold the clients the idea of her value to them, she then provides them with a great service to cement in their minds that ***they have received value for money.***

That solicitor knows her market and her *worth* to clients in that market.

### **Worth to clients**

Self-esteem, which is how we see and think about ourselves and in particular how valuable we see our worth to clients, also plays an important part in helping lawyers to have more confidence when discussing their value to clients and pricing their services.

This brings to mind an experience several years ago when I was running a financial management course for a group of private client lawyers in a regional city in the UK.

When I asked them how much they charged for 'husband and wife mutual wills' most of them said they could not get more than about £350 for the two wills together and justified this on the basis that one day they might be instructed on the probates! (Loss leaders can be useful at times but it is not sensible to base a whole business on them).

There was however one solicitor present who practiced in the same city and who told the other delegates that '*you are all mad*' and that he charged for each such will £975 and added '*I get it every time*'. I asked him how he was able to do that and he said '*It is very simple, I know my worth!*' He also made the point that in reality most of the wills he prepared were far more complex and for which he charged much more than £975.

That solicitor understands that value is personal and that to add value depends on knowing the client's needs. He understands his clients and their families' needs and as result is able to add value to his clients they *care* about and, as a result is able to price accordingly.

### **Value is personal**

To provide value in a way which clients *care* about, a lawyer needs to identify and recognise the *needs* of the client and then evaluate and agree the client's expectations as to performance - *What will success look like to the client?*

The needs of each client 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 complete satisfaction on the part of the client and manage the client's perception that those expectations have been met.

### **Value also takes different forms**

As more and more legal advice is systemised and reduced to processes, lawyers need to recognise this as an evolving trend and manage clients' perceptions of value accordingly. Lawyers should find out how clients perceive them in terms of adding value –

- As a problem solver?
- As a trusted adviser?
- As a commodity supplier managing processes?
  
- **High value – added services**

The lawyer who is regarded by a client as a trusted adviser and a problem solver is likely to be providing **high value – added** services to the client which will have a strategic impact on the client and will tend to be wisdom and experience driven. High value – added services cover advice at the highest level in many areas of legal work and are often provided by lawyers who are seen as market leaders in their fields. Such work may on the one hand be complex corporate or banking work but can also be private client work or other complex work for individuals. Many niche firms very successfully provide *high value-added services*.

Such work tends to attract higher prices and so it is essential that the lawyer ensures that results for clients are *always perceived by clients as highly valuable to them*. Even though in monetary terms prices charged for such work may be very high, if clients perceive that the prices charged equate to the value they have received, then in clients' minds they will understand they are getting **value for money**.

- **Low value – added services**

At the other end of the spectrum but no less important, is the provision of so - called **low value – added** services where the client's perception of added value is the lawyer's ability to drive down the price to the client. Typically, many consumers and consumer organisations

such as insurance companies seek high quality legal advice but at very low prices for some of their legal work which is process driven.

Lawyers providing these types of services need to recognise that they can only succeed in continuing to **add value** to these clients by investing in more and more technology to standardise processes to drive down costs and by scaling up their businesses to a size which will enable them to do so. Ever deeper pockets are therefore required by these firms if they wish to continue to compete. Such law firms need to be on an 'industrial scale' when compared to many of the law firms providing high value added services.

However, in whichever way you add value to your clients, this will necessitate understanding and meeting their needs and is an essential element to providing client satisfaction, which is often said to be the only sustainable competitive advantage. Law firms will only know whether their people are doing so if they first **listen** to their clients, and client feedback is then likely to require a firm to ask searching questions about how it manages clients' expectations and, if there are satisfaction gaps, how they can be closed?

If your clients come back to you time and again then it is likely that you are making them happy by adding value to them that they care about. However, are you pricing your work appropriately to reflect that client satisfaction or are you underpricing your work?

### **When did you last increase your pricing?**

You will only know that you are at the limit of what you can charge clients when they show resistance to you increasing prices further. If however your price increases reflect the added value you are providing to them and they keep coming back to you, then it is likely that it will take a long time (if ever) to reach that point of 'pushback' because they will regard you as ***their value for money lawyers***.