**Pricing strategy and costing advice from legal sector experts to help SME law firms increase profitability.**

A recent [LexisNexis survey](https://www.lexisnexis.co.uk/insights/disloyal-lawyers-and-the-partnership-model/index.html)  found 76% of small law firms are still wedded to the billable hour pricing model – something echoed in LPM’s Frontiers Report, which found that SME law firms primarily use the [billable hour](https://ospreyapproach.com/blog/the-benefits-of-value-based-pricing-vs-the-billable-hour-for-sme-law-firms/?utm_source=Inside%2BConveyancing&utm_medium=PR&utm_campaign=Pricing+strategy+and+cost+advice+to+increase+profitability) model to price a case.

With alternative models also widely used, most notably fixed fee by matter (57%), fixed fee by phase (37%) and flat fees (36%), which pricing model will deliver increased profitability per case?

**Getting your pricing strategy right: Four best practices as recommended by experts across the legal sector**

Taken from our [Empowering Law Firm Leaders podcast](https://ospreyapproach.com/empowering-law-firm-leaders/?utm_source=Inside%2BConveyancing&utm_medium=PR&utm_campaign=Pricing+strategy+and+cost+advice+to+increase+profitability) discussions, we’ve collated four best practices on the subject of pricing, as recommended by Shaun Jardine, author of *Ditch the Billable Hour!* and former CEO of a top 200 law firm; Scott Simmons, founder of Legal Balance; Lynsie Whyke, founder of Chantry Costs Consultants; and Simon McCrum, former managing partner of the UK’s fastest growing law firm.

1. **Know your worth: why firms should embrace the value-based pricing model**

As a vocal supporter of value-based pricing (VBP), Shaun Jardine believes that firms should ditch the billable to improve their client service, retain talent, and improve profitability.

Shaun observes that running a successful modern law firm requires happy clients, employees, and a healthy profit. He believes that for lawyers to charge for the true value they provide, they need to embrace a value-based model. With VBP “you get a three-way triangle of happiness”: clients are happier when they’re presented with options, employees aren’t living their life by six-minute units, and the business can earn more per case without needing to increase new client intake.

Shaun says: - “The focus is about thinking what people actually buy. When I ask lawyers what clients buy from them, they’ll often say, ‘my expertise’ and it’s not. They’re buying the outcome.

“Everyone assumes that most people want the cheapest price, but that’s not the case. We don’t all buy the cheapest bottle of wine, car, or clothes.”

1. **Top three things firms should know about managing pricing and costing effectively**

For Lynsie Whyke, there are three ways to achieve effective pricing and costing: -

1. Don’t price through fear
2. Spend more time on scoping
3. Avoid complaints

To ensure value for both the client and the firm, Lynsie believes the right approach is to ensure a case is correctly scoped out, with fees broken down and fixed fees assigned. She also recommends that firms set clear expectations and to consider the client synergies – potential difficulties or issues may need to be factored into the cost.

Lynsie advises: “There’s no rule that says you have to give a fee for the entire process. So, if you don’t know what’s going to happen at a certain point, don’t give your client a quote beyond that stage.”

Instead, Lynsie recommends that firms “spend a few minutes before you have that conversation with your client. Work out what you actually need, and what information you need from the client, in order to give an accurate price. If they want to know from you the price before they’re giving you any information, that’s a little bit of a red flag, and potentially not the sort of client you really want to work with.”

1. **How to price and scope out legal services to win more work**

Like Shaun, Scott Simmons champions alternative pricing models and believes “the billable hour is detrimental to the legal profession. It was first implemented as a productivity tool, but now it’s become an entire business model.”

The problem with the billable hour, Scott explains, is that on average, firms discount and write off between 15 and 20% of their time. And often, that’s because the initial scope wasn’t thorough enough: “The scoping conversation shouldn’t just be about scoping the work but understanding the client and their expectations to achieve the best outcome. However complicated or however long the scoping conversation takes, I guarantee you’ll have written off more time at the end if you didn’t scope it thoroughly.”

1. **Why price management needs to be a top priority**

Simon McCrum believes that the billable hour is here to stay, but it’s down to lawyers to deliver a service that warrants the prices they want to charge. For Simon, the issue isn’t necessarily about the [pricing model](https://ospreyapproach.com/blog/pricing-models-their-role-in-helping-modern-law-firms-build-a-client-focused-brand/?utm_source=Inside%2BConveyancing&utm_medium=PR&utm_campaign=Pricing+strategy+and+cost+advice+to+increase+profitability) but rather, the behaviours and structures of the firm.

He recommends that firms “reframe the conversation with your prospects to ensure you communicate the value you deliver – and how the price you offer is wrapped up in the service pledge you promise to deliver on.

“Clients who are obsessed with how cheap they can get the service aren’t good for the future of your business. People who want cheap will use you for matter one and then ring around for the next cheap price. People will buy quality; value buyers will appreciate the service you offer to make their life better and will use you again.”

**Improve profitability in your firm by asking more questions, communicating your value, and delivering on your promises**

Ultimately, the pricing model you choose isn’t what will determine your profitability. What is important, for charging more per case, is ensuring you have happy clients.

Focusing on the client experience will help you build stronger relationships and avoid billing complaints. This starts at the enquiry phase and requires curiosity for effective scoping. Once you know what your clients value and expect, you can build a proposal that meets their needs and communicates how your firm will add value. The final stage is to deliver on your promises and keep an open conversation.

For more valuable insights and industry knowledge on running a successful modern law firm, hear from over 20 experts across the legal sector in our Empowering Law Firm Leaders podcast, now available on Spotify, Amazon Music, and YouTube. [Watch the full series for free now.](https://ospreyapproach.com/empowering-law-firm-leaders/?utm_source=Inside%2BConveyancing&utm_medium=PR&utm_campaign=Pricing+strategy+and+cost+advice+to+increase+profitability)