

Help for the Frustrated Managing Partner – A Simple Framework for Coaching Timid Partners on Pricing Negotiations

By [Michael D. Short](#) on February 19, 2019

There may not be another industry that self-commoditizes like legal, primarily because so many Partners choose to compete solely on price. While price is inevitably a component of all negotiations with clients, *value* from the client's perspective is determined by many more factors that are routinely ignored by a Partner who is often willing to give discounts that the prospective client is not even requesting. Too often the goal is just to get some quick, and potentially unprofitable dollars in a data column for compensation purposes.

This phenomenon of self-commoditization is not limited to the routinized services. When pitching work, even some of the most experienced Partners offering the most sophisticated and tailored services will rely on price as their primary crutch. While this tactic may result in a "win," it may also result in a diminished brand as a low-cost provider market position which, once earned, sticks for many years.

To give frustrated Managing Partners a framework for coaching Partners on pricing, we offer the True Economic Value (TEV) formula outlined in Harvard Business Review's Marketer's Toolkit and summarized in this [Forbes article](#):

TEV = cost of the best alternative + value of performance differential

Cost of Best Alternative – *If your firm doesn't get the work, what will the cost/price be at the next best law firm?*

Value of Performance Differential – *What are the features of the client experience at your firm that differentiate your firm's services from the competition, thus creating value in the eyes of the prospective client?*

Timid law firm Partners tend to only focus on the "cost of best alternative" and fail to see, or choose not to see, the second half of the equation. Performance differential includes many aspects of a client experience, such as –

- Industry knowledge – do you need to learn the nuances of the prospect's industry or do you already have a deep understanding of the intricacies of the applicable business context?
- Personal business knowledge – do you have a long-standing relationship with the client? Do you know the client's business culture and how aggressively they want to be represented?
- Matter expertise – have you handled similar matters often enough that you know the ins and outs of the law and how to navigate through any tricky issues that may arise?
- Track record – do you get better verdicts/settlements than your competition?
- Teamwork – do you offer depth in your team and/or breadth of services needed if the matter at hand multiplies into a portfolio of work or requires other areas of expertise?
- Technology – do you have a client portal, as an example, that the client can use to stay connected with your work without having to speak with someone on the team?
- Ability to get a deal done – can you get all the key parties into one room and break down barriers? Is the deal more

likely to get done due to your involvement?

Getting your Partners to understand this half of the equation is vital for capturing value and winning clients on anything other than price. Sometimes, it also requires your Partners to have a difficult discussion with a client or prospect about these contributing factors. To give your Partners more confidence going into these conversations, we can offer insights consistently heard in our interviews of law firm clients. When we ask a law firm's clients or prospects how *any* law firm demonstrates value to them, the response almost always starts with some variation of knowing the client's business or industry, followed by specific experience with the matter at hand. Price is usually in the middle of the pack –not first– as the timid Partners expect. Most clients want to be fair, but they are certainly not going to turn down an unnecessary and unrequested offer of a discount.

As a firm, is it part of your overall strategy to be a low-cost provider? To drive the price down for everyone in the marketplace? To continue to fuel the self-commoditization of the legal industry? If so – ignore the second half of the TEV formula. If not – focus squarely on the second part and learn (as best you can) how each client and prospect define "value." Then, price accordingly, based on what the fair-minded client wants and not on what the timid Partner offers.