

Pricing and Profitability During Uncertain Times

By [Mark Medice](#) on April 7, 2020

Industry events related to the Covid-19 pandemic continue to unfold before our eyes. But law firms and other businesses soldier on (mostly from our remote offices) to support and serve our valued clients. Maintaining a disciplined approach can be challenging, however. We are operating in conditions that disassociate us from familiar territory, somewhat like a fog of war.

Consider the following ideas to support your firms' pricing and profitability principles to ensure your performance for the current year, and importantly, in the years ahead:

Clients Come First. Knowing and anticipating your clients' needs are always the first step to profitability. During a crisis, priorities change. Engage your clients, listen, and be creative with solutions to their challenges. Despite what they may ask, the first thing they don't need is a discount. Discounts only make it more difficult for your firm to serve them. And in today's environment, you want to provide them with more attention, not less.

Don't Make Assumptions. During crises, facts are less clear. Conduct research, benchmark, and ensure you are achieving market value. Maintain discipline and provide organizational support for helping lawyers and clients discover value together.

Special Handling. Create financial swat teams to provide operational guidance and oversight on special issues that become more critical during these times. For example, create a leakage tracking team that monitors, at least weekly, the build-up of inventory, unbilled-time, aged receivables, and other financial risks that arise. Track new client rates more carefully. Empower that team to mitigate risks and coach lawyers on the criticality of liquidity, and the importance of ensuring that matters are serviced but also financially managed.

Don't Surrender Value. Just like the stock market, values rise and fall. Volatility may be higher during these times, but service value must be discovered and realized. Practices that become slow (especially when they have been busy) may feel a necessity to discount. Avoid that. Don't dig yourself into a hole. Industry data continually reinforce the fact that lower rates do not translate into higher demand.

Protect for the Long Run. There are times when you have to make concessions with clients. Do this thoughtfully and carefully, ensuring a plan exists to return pricing to value within a reasonable time. One of the great mistakes from the 2008 recession was getting stuck below value with permanent discounts or flat rates. Value is what the market dictates. But discounting alone is an ineffective strategy, and a critical mistake to avoid, the effect of which only compounds negatively in succeeding years.

Educational Moments. Take advantage of critical moments to educate your lawyers and create new work streams that support value, teaching pricing and profitability principles. The stress of the situation will make a stronger imprint on the lawyers, given its credible connection to real-life results.

Innovation Opportunities. Crises spur on much more creative thinking than during calmer moments — so it is a unique time not to be squandered. Use thought and care to pursue projects that will provide impact and desired outcomes. Is this

a time to introduce select AFAs much more strategically? Can we introduce new metrics to teach lawyers more modern profit principles? What can we do process-wise to encourage a more proactive and forward view to client service and its connection to performance?

Make it a Win-Win. Continually explore how to succeed for your clients, your lawyers, allied professionals, and the firm overall. When all these stakeholder needs are satisfied, client outcomes are higher, your lawyers are happier, and ultimately your firm's profitability is rewarded. You may have to make short term compromises, that if managed well, will return a long-term ROI.

In short, financial crisis management is not about discounting or just mitigating red-ink or profit pressures. It is about preserving the present while building and changing for the future. Our best opportunities expand during these times.