

## Selling value: How to land clients when your set fee seems too high (Why price doesn't matter)

By [LawVision](#) on August 8, 2014

Lawyers don't like talking about price. Angst over pushback on fees is common among the lawyers I meet in my training seminars. While the perception that there's a cataclysmic, global legal fee correction in progress does have some basis in reality, many lawyers are too quick to offer alternative fee arrangements when they believe their firm-dictated fee is too high. Make no mistake, the creative fee structure, which allows flexibility and predictability for the client, is a good thing — when deployed properly as part of an overall plan for the client. But what I often see is much more fundamental: that cold, hard, old-fashioned fear that “maybe my billing rate is too high and if only it were lower I could bring in a new client.” I frequently hear from individual lawyers who, at some point in the fee discussion, must deal with the fact that their billing rates are set by their firms. They are perplexed about how to proceed when they are competing with other firms charging lower rates, or are faced with a client who has the option to have the work done in-house, at a lower cost. The question I often get is “What do I do when I can't change my fee and the client pushes back?”

The answer lies in comparing two fundamental structures for pricing products. One structure is called “[Value-Based Pricing](#)” and the other is called “[Cost-Plus Pricing](#).”

Cost-plus pricing in its simplest form is a calculation of the price as the sum of the cost of the service (or product) plus an added percentage of the cost for profit. This approach sets the price to cover costs of production and provides an additional amount for the seller to reap a profit.

Value-based pricing, on the other hand, is based on the perceived value of the product to the customer rather than on the cost of the product to the seller. Value-based pricing is all around us. We see it at lemonade stands on hot days, at high fashion boutiques or in any situation where the perceived value to the buyer exceeds any standard markup over and above costs.

Professional services are almost always sold based on value. Successful rainmakers and standout salespeople often argue that price doesn't matter, because they know that the key to navigating pricing pushback lies in understanding true client needs and matching the professional service to those specific needs, rather than just trying to adjust the price.

Successful value-based approaches are not just about “trumping up” value or great sales acumen. Success lies in understanding what buyers need and connecting that need to the way you deliver services.

When you get pushback from clients about a fee you can't change, use these elements of a value-based approach to help you and your prospect come to agreement and move forward.

### 1) Don't be afraid of price resistance

Resistance can be a “buying signal.” Buyers rarely voice resistance unless they are ready to buy. Some people view price resistance as the first step in a negotiation. Some buyers simply want to make sure that you know they are aware of price and won't be taken advantage of. Be aware of where you are in the process and what your prospect is actually telling you when you hear pricing objections.

## **2) Know your target market**

Understanding the type of client you are pursuing is a threshold point for many elements of business development (organizations to join, events to attend, audiences to pursue for speaking opportunities, etc.) It is extremely important when it comes to pricing. Target market analysis includes knowing what types of prospects will be able to afford your fee. It makes no sense to spend time building relationships with people who can't pay your fee. Spending time in the business development process with people who won't be able to understand your value makes no sense, so before you begin, nail down your target market and make a list of people to approach in that target.

## **3) Understand needs**

The thing your buyer needs most is often not directly associated with the pending legal matter itself. The real unstated need could be predictability, peace of mind, presenting a favorable impression to others in the organization, saving time, speed, reporting, billing and so forth. Uncover those unstated "less substantive" needs when learning about legal needs, and you'll be able to build true value that transcends price.

## **4) Know your strengths**

Ask yourself why someone would hire you rather than another lawyer in town with the same expertise. Think of your strengths as something more than just expertise and skill level. Examples include firm structure, how you deliver services, how you staff, your past results, number of similar deals, personal rules about calling people back, attentiveness, annual feedback interviews, the way you leverage technology to serve clients, etc. Feel comfortable asking about the competition. Know the alternatives to using your services and why you are better.

## **5) Be likeable**

Likeability carries a huge premium. If I may have to spend long hours working with you on large projects, I will be willing to pay a little more if I know the experience will be enjoyable. Likeability is rarely measured or even discussed, but it often is the key distinguishing point between different lawyers who all appear to be reasonably skilled and responsive. Find common ground, be personable, make friends ... it pays off.

## **6) Use "other currencies"**

We usually associate price with the number of dollars that change hands in a transaction. Identifying "currencies" other than dollars may be useful in helping prospects get over the hurdle of price. Other currencies are nothing more than items or services of great value to one party and of lesser value to another. Examples might include unused office space, referrals or regularly scheduled in-house meetings off the clock. Start using other currencies by making an assessment of things you and the prospect want and things you possess other than money. These alternatives to regular currency may allow you to come to agreement on your fee in a way that could be even more meaningful and compelling than agreements made by focusing only on bottom-line dollar amounts. At its core, assessing alternative currencies is no different than what seasoned negotiators have done for years – somewhat akin to an old horse trader pausing before completing a deal and saying, "What else you got?" Assessing and then offering to bring to the table something other than your regular legal services for a fee – other currencies – is the essence of "adding value."

## **7) Timing**

The best time to talk about your fee is right after you have established the value of your services. The general rule is to not talk about fees until you have sufficiently probed for specific needs and shown how your approach fulfills those needs. However, if you are asked for your rate, don't hesitate. State it immediately and with confidence and then go back to talking about your prospects needs and matching them to your capabilities..

#### **8) Position the fee as a joint problem**

If the fee becomes a stumbling block, position it as a problem to be solved together rather than something you need to change. For example, you might offer the following: "Let's find a way to create a plan that both fits your budget and allows me to make a profit."

Does price really matter? Of course, at some point it always does. But the gap between your fee and the cost for the competition narrows when you prove your value based on your prospect's specific needs.