

The Future of Law Firm Pricing: AI, Time, and the Quest for Genuine Value

By [Mark Medice](#) on September 26, 2023

In [my last two pieces](#), we navigated the intricate landscape of the 2024 law firm rate setting and broached the powerful bond between law firms and clients when discussing rates and value.

Today, let's venture into the future and imagine a world where AI offers a 3x productivity boost to legal tasks. What does that mean for an industry where value has traditionally been tied to time?

Time May Not be the True Final Frontier

Let's start with a light note. Unless we are secretly time travelers, we can all agree on the definition of an hour. It's a uniform, predictable sixty minutes. Often, time is not an accurate measure of value for law firms and clients. But when we switch gears to measure legal outcomes? Well, that's where things get a little... tricky.

Examples Where Value Might Not Be Connected with Time

Consider some high-profile business legal cases:

- A merger that led to a company's stock price doubling overnight.
- A patent dispute where the stakes were billions in potential royalties.
- An employment lawsuit that, if lost, could have tarnished a company's reputation for decades.
- Enforcement of a merger agreement by a billionaire to purchase a social media company, where the purchase price far exceeds market value, resulting in a sizable success fee.

In these scenarios, can we truly measure the worth of the legal service by the hour? Or should we be looking at the value of the outcome and the potential risks and rewards at stake? And by the way, even though the cases above seem dramatic, these ideas also apply to non-headliner issues.

Legal Service ROI and Our Transition Forward

This brings us back to the concept introduced in my last blog: Legal Service Return on Investment (LROI). How do we price these services in a world where AI reduces the time spent on moderate legal tasks by two-thirds? Do we stick with the billable hour, which may soon become a relic of a period before machine intelligence bolstered our capabilities? Or do we pivot to a value-driven model that reflects the tangible and intangible benefits clients receive?

While it might be tempting to envision a world where the billable hour is entirely obsolete, I'd argue for a more nuanced view. Transitioning from time-based to value-based pricing will take time, and there are still many legal tasks where the billable hour makes sense.

It is not all or nothing.

AI-Driven Pricing Design

In today's rapidly evolving legal landscape, we stand at the crossroads of tradition and innovation. The question is, how do

we rethink our pricing strategies? What if we developed greater sophistication in value discovery instead of billing for hours as a reflex? This suggests a dual-prong approach that still recognizes the importance of time but also gives weight to the tangible and intangible results achieved.

Collaboration emerges as the linchpin in this new pricing paradigm. Working closely with clients to understand their goals, risks, and desired outcomes can guide law firms in crafting pricing strategies that reflect genuine value. By being transparent and involving clients in these discussions, firms can build stronger relationships and ensure that their pricing aligns with the changing dynamics of the legal industry.

In this envisioned new world, imagine the following examples of pricing approaches:

- **Real-Time Fair Market Value Pricing:** Use AI to determine the ongoing fair value of legal outcomes, charging a fee based on its current significance.
- **Success-Based Pricing:** Fees are tiered by case complexity and potential result.
- **Subscription Services:** Monthly fee for regular legal support; extra charges for successful results.
- **AI-Driven Contingency Fees:** Use AI to assess case success likelihood, adjusting fees accordingly.
- **Tiered Services:** Offering different service tiers, for example, where AI handles basic tasks at a lower or fixed/subscription fee and more complex tasks involving human leadership are priced by outcome and value.
- **AI-Optimized Dynamic Pricing:** Analyze past cases with AI to set fees based on similar outcomes.
- **Real-Time Fee Update:** Automatically adjust fixed fees using AI's case monitoring, rewarding transparency and reasonability.
- **Outcome Insurance:** Partner with insurers to offer outcome coverage. Clients pay a premium; if unsuccessful, the firm covers some legal fees.

Value May be the Final Frontier

The future of law is about more than just embracing AI and new technologies. It's about reimagining how we define and deliver value to our clients. So, whether you're billing by the hour or the outcome, always remember: the genuine value counts.

Stay tuned as we continue to explore the evolving landscape of law firm pricing and delve deeper into the transformative power of AI in the legal realm. The journey has only begun, and I invite you all to join me on this exciting expedition.

Complimentary Review & Instant Thoughts on Rate Strategy

In recognizing the complexities surrounding rate setting for 2024, we invite you to a complimentary review of industry rate trends. Gain insights from our thoughts and considerations around rate strategies, offering instant thoughts on crafting a rate strategy that resonates with your firm's vision and market positioning.

To find out more, contact **Mark Medice**: mmedice@lawvision.com.