



THE NEW ELLIS GROUP

Monday Monday

Connecting the Dots with Karen Kaplowitz



Helping you create and reinforce the habits of successful career building, gleaned from my work as a business development strategist, trainer and coach.

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Dealing with Rates in a Down Economy. Have you customarily raised rates annually to meet your revenue goals and increased expenses, like higher associate salaries? Are you feeling added pressure to increase rates this year to make up for revenue you have lost from clients who have gone under or been acquired? The business climate this year does not lend itself to business as usual with respect to rate increases. Every one of your solvent clients is facing their own shrinking law department budgets and figuring out how to make do with less. If your clients have not approached you yet to discuss next year's arrangements, it is time for you to initiate a conversation about your rates, in the context of your overall relationship. The agenda for that discussion should include all the ways in which you can help your clients reduce their legal budgets, including:

- Review of rates
- Systematic and earlier review of settlement possibilities in litigation
- Consideration of work being done inside the law department or in your firm which could be outsourced
- Different allocation of work between the law department and the law firm
- Alternative billing arrangements that share the risk of success and reward efficiency

If in past years you met your revenue targets in part by increasing rates, this year you may have to be more creative, and work harder, to meet your goals.

Example: A transactional lawyer is systematically checking in with clients and former clients to see how they are weathering the economic downturn. She hits pay dirt with one former client who reports that his company is embarking on an interesting acquisition and has not retained counsel yet. The deal hinges on the company's ability to obtain financing and not surprisingly in this environment they have only part of the financing lined up. The lawyer goes into high gear and promptly organizes a team to pitch the client and meets with firm management to get prior authorization for reduced rates. She also reaches out to identify potential financing sources among the firm's worldwide network of clients and contacts. When she meets with her former client and his group, she has a great team assembled, knows the firm's tolerance for reduced rates, and can offer some potential funding sources for the deal. They strike a deal on fees in which the firm charges slightly reduced rates but with two twists: if the transaction is not completed, the firm will discount the rates by an additional percentage but if the deal is completed, the firm will get a premium fee. The arrangement encourages the client to green light the transaction despite the inherent risks of getting the deal done in a difficult economic climate and rewards the firm's investment if they are successful.

Are you willing to address thorny fee issues with your clients, consider creative alternative fee arrangements and share some of the risks your clients are facing in this difficult economy?