

Pricing in a pandemic

Pricing strategies play a vital role in helping firms with their cash flow, says *Nigel Haddon*



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Like many other kinds of businesses, law firms are facing huge challenges at this (yes, here comes that word again) unprecedented time.

Perhaps the biggest three challenges might be categorised as liquidity, people, and the one that's more existential – survival. Despite the lessons of the global financial crisis, not many firms built up cash reserves to see them through six to twelve months with little income.

So for the vast majority of firms what role should pricing now play?

Pricing strategies can help firms with their short to medium-term cash flow. The key message here is a simple one. Stay true to whatever pricing strategies and policies the firm had in place before the covid-19 crisis. There have been stories circulating of unprincipled law firms profiteering or price 'gouging' – in other words taking advantage of clients' needs and or inability to switch providers to hike up prices. Clients have long memories. Such behaviour will come back to haunt the firms that indulge in it.

The reverse is also true too. Dropping prices to stimulate demand may or may not have some short-term impact but starting down that route is joining the race to the bottom. And as all who have worked with me know: that's a race you can't win. The better route is to add value rather than drop prices – for example, by establishing (as many firms have) a cross-practice rapid response team to help clients access government funding.

PRICING TACTICS

Firms must understand that their clients are in the same boat as they are. They have their own priorities and concerns about cash – sometimes acute concerns. Paying law firms for work already undertaken, or instructing lawyers to begin new projects, isn't likely to be high on their agenda.

If firms aren't going to drop prices to try to boost demand, what can they do? Above all else, cash is king in this cycle and all firms' pricing initiatives should be focused on getting the cash in. So, debtor clients should be offered modest discounts for immediate payment; troublesome debtors should be offered more significant discounts.

For all new matters clients should be offered, as one of the pricing options, a discounted 'pay up front' fixed-fee wherever it's practicable to do so. Despite the crisis, we are living in a low inflation, low interest rate world, so the discounts don't have to be huge (certainly below 10 per cent) and usually well below that.

The other principal tactic law firms should be using at this time is premium pricing for urgency. I'm not suggesting anything that is, or could be interpreted as, price

gouging but simply applying the laws of supply and demand. Let me explain.

Demand for wills has never been higher. Sadly, there will also be an increase in estate administration work. In many firms, some lawyers in adjacent practice areas are being seconded in to help meet rising demand. Clients who are prepared to wait as long as it takes to have their wills prepared should pay the same prices they would have paid before the crisis. In doing so, firms demonstrate their pricing integrity.

But clients who want their wills prepared urgently should be given a simple choice: if they want their wills prioritised ahead of other clients' wills, they will have to pay more to jump to the front of the queue.

If they aren't prepared to pay that premium, that's fine. But their wills will be processed at the same pace as the wills of other clients. Not only is it acceptable to ask clients to pay a premium in such circumstances, it's the right thing to do. Otherwise those clients who haven't asked for their wills to be prepared urgently are disadvantaged through no fault of their own.

But what should that premium be? This depends on a variety of circumstances such as complexity, risk and timescale: from turning a will round in a day at perhaps 100 per cent above the firm's standard price, to as little as a 25 per cent uplift for wills turned round in ten days or so

And don't forget to offer a discount for payment in advance. **SJ**

