

Law Firms

Does your pricing strategy deliver desired realization and margin expansion? Many law firms have significant room for profit-per-lawyer growth through more sophisticated profit-generating policies and processes.



Law firms often utilize a variety of fee structures, leverage models, contract terms, and specialty discounting to balance costs and deliver the service levels clients expect. Additionally, law firms uniquely face significant risk of leakage through the rate negotiation, billing, and collection processes. With so many factors to consider, it can be difficult to effectively manage rates and realization while maintaining strong relationships and efficient processes across practice areas. INSIGHT understands these challenges and can help businesses develop an approach that is best suited to capture more profit dollars and meet business objectives.

Common Challenges for Law Firms

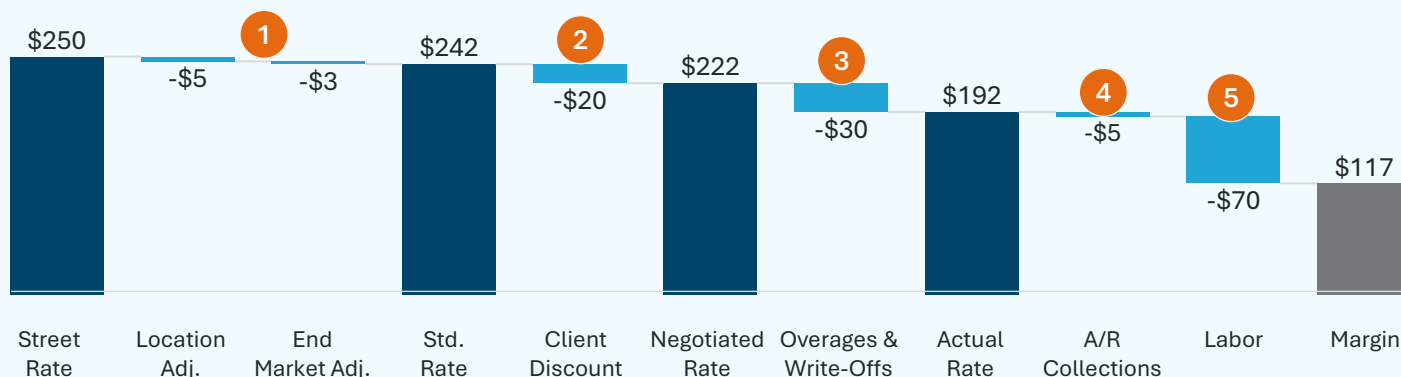
- > **‘One-size fits all’ rates** where practices, locations or other segments are not differentiated, so money is left on the table
- > **Rate adjustments misaligned with the market** due to manual processes and limited market position data
- > **Lower realization** than expected due to leakage from excessive discounts, write-offs, write-downs, and scope changes
- > **Inefficient collections process** that encourages additional discounts and lengthens DSO
- > **“Peanut butter spread” rate increases**, without considering, win / loss, value position, market rates, etc.
- > **Reactive retention strategies**, rather than proactive account planning and expansion to new service lines

Opportunities to Increase Realization & Profitability

Law firms are focused on delivering quality service to clients. Who, then, is focused on ensuring profitability and growth? There is significant opportunity to increase realization and grow profits that many law firms may be missing out on and may not even have visibility to.

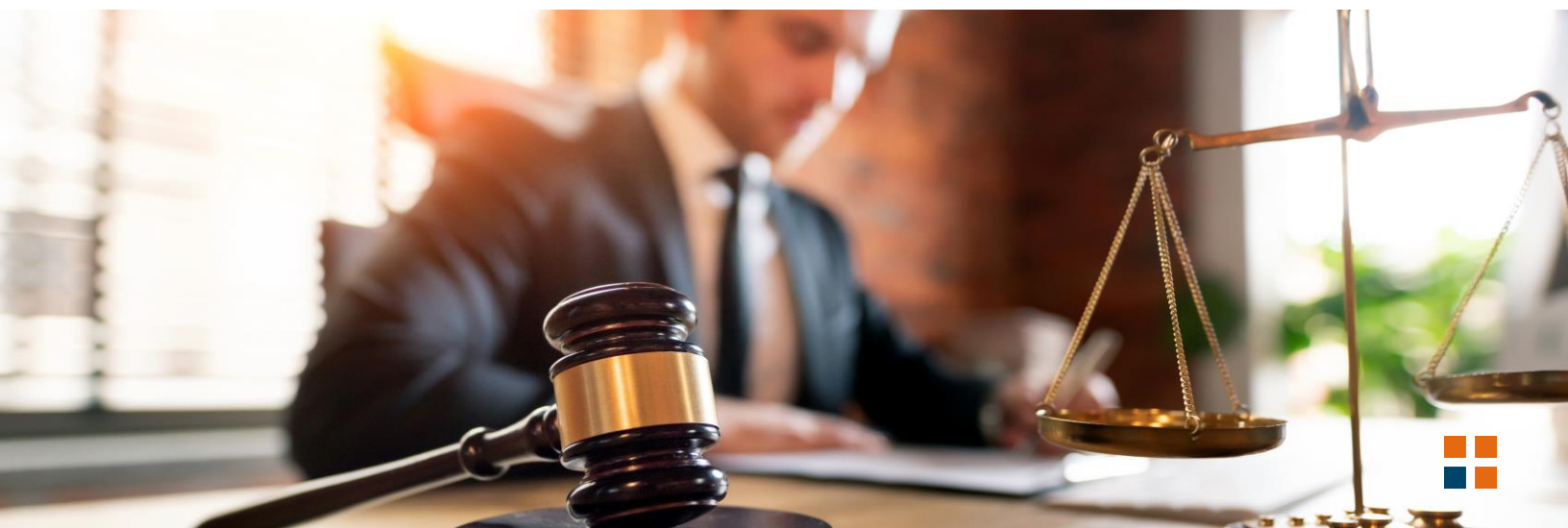
Example Gross-to-Net Waterfall: 77% Realization

Leakage causing ~77% realization from standard rate to collections



Select Potential Opportunities:

- 1 Rate Cards**
Leverage market intelligence and analytics to reset rates based on market rates and value delivered
- 2 Client Discounts**
Review current rates with each Seller-Doer to reset discounting
- 3 Overages & Write-Offs**
Evaluate what is driving the least profitable deals (negotiated rates, scope, resourcing, etc.)
- 4 Collections**
Identify where additional discounts during the collections process are hurting your business; Implement a client cash management tool to improve cycles through accelerated billing
- 5 Labor Mix Optimization**
Identify and address sub-optimal labor mix outliers; correctly assign high skill and high-rate individuals to the right tasks and projects to align client profitability



Critical Pricing & Profitability Decision Points

Law firms face several critical decision points within the client engagement lifecycle that affect realization and profitability. This lens highlights the strongest areas of opportunity through strategic pricing.

	Rate Setting	<ul style="list-style-type: none">• Value-based differentiated rates by practice, region, role, and other relevant factors, instead of flat rates that may not reflect market or delivered value• Annual rate adjustments based on market positioning, prior realization / results, and company goals
Engagement Lifecycle	Rate Negotiation	<ul style="list-style-type: none">• Optimal rate structure for a particular engagement – fixed fee, time & materials, mixed, etc.• Negotiation / discount guidelines that balance rate optimization, retention, and wallet-share expansion – discounting by \$/%, role/tenure, etc.
	Billing	<ul style="list-style-type: none">• Write-downs & write-offs – \$/%, hours by role/tenure, etc.• Runover & scope changes• Work in Progress (WIP) management & efficiency• Leverage / resource utilization / billable hours
	Collections	<ul style="list-style-type: none">• Collection process efficiency – equip partners with the skills and tools to maximize realization• Account management and planning tools• Minimize discounting as a tactic to receive collections
	Measurement & Analytics	<ul style="list-style-type: none">• Maximize profit per lawyer• Maximize revenue per lead• Maximize realization from quote to cash – Realization versus standard rate, peers, PY discounts, billed revenue, etc.

Understanding opportunity begins with visibility to business and market data.

Select analytics to surface opportunity:

- **Market Intelligence:** Conduct market studies or leverage existing market data to understand current market positioning and room for growth
- **Rate Variation:** Pinpoint where certain roles, practices, or locations have underpriced rates relative to their peers or market rates
- **Rate Increase Realization:** Identify where employees are billing clients at lower than intended rates; consider rate adders to harvest missed margin \$s
- **Low-Margin Contracts / Engagements:** Review contracts / engagements completed for similar clients receiving similar services yet are priced very differently
- **WIP Costs:** Analyze which roles, practices, locations, and clients are regularly sitting on unbilled time to pinpoint where more efficient practices can shorten the WIP-to-cash cycle



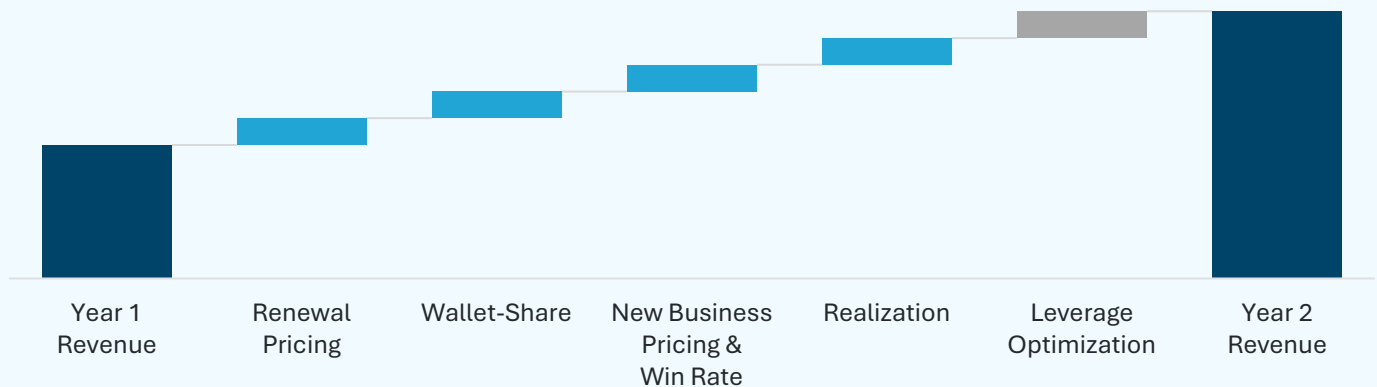
Strategic Pricing Activities for Growth

Law firms can accelerate revenue through segmentation and bundling efforts that balance optimal rates with wallet share expansion.

Revenue Management Playbook

- Leverage machine-learning to evaluate price positioning, opportunity, risk by peer group
- Establish targeted GTM strategies based on “right to win” by solution and end-market
- Implement discount strategies that balance rate optimization, retention, and wallet-share expansion
- Develop bundles and corresponding pricing strategies to expand customer wallet-share within and across service lines
- Mitigate leakage and maximize realization through reporting and processes regarding scope management and billing
- Invest in resources and enabling technology for sustainable, scalable impact
- Establish a Center of Excellence to deploy standards and manage best practices across the organization

Organic Growth Levers



How Does INSIGHT2PROFIT Deliver Results?

Through market intelligence and deep data mining, INSIGHT brings law firms deeper visibility to market positioning, gaps in existing infrastructure, and opportunities that align with your business's unique value and goals. We then co-author and implement practical pricing programs to ensure your business is armed with the right tools and processes to enable success and tangible outcomes.

Select Client Examples

Law Firm

11% Revenue Growth; 4-5% Annual Rate Increases

Situation

- Despite historical ~3% standard rate increases, lack of differentiation led to sub-optimal results
- High variability in rates across roles, locations, and practices
- Many unearned discounts being received by smaller clients
- Standard rates across similar roles did not align with market pricing

Approach

- Built a gross-to-net waterfall to enable deeper, precise understanding of how standard rates translated to cash collected
- Conducted market research to understand current price positioning versus the market
- Reset rates across practice areas to reflect market positioning and recommended resource mix, leveraging existing realization data and adjusting for rate variation
- Built a pricing model to set new client rates, leveraging market data to inform targets
- Implemented annual standard rate increase process

Financial Audit & Advisory Services Provider

6% Top-Line Growth

Situation

- High retention for repeat services
- Quoted at a fixed price per project vs per hourly rates, leading to profitability variation
- Repeat customers were historically renewed at the same rate because the business feared pushback on rate increases and upselling

Approach

- Built systematic process to review and set fees on an annual basis for renewals
- Developed value-based pricing model to set and adjust rates based on key drivers
- Scaled quoting process to quickly and profitably quote new business
- Enabled a centralized "One Company" culture – using the same language, processes, and objectives across the organization



Meet INSIGHT2PROFIT

INSIGHT2PROFIT, a DFW Capital Partners portfolio company, is a leader in driving pricing and profitability excellence, helping businesses accelerate growth and optimize financial outcomes. By integrating cutting edge intelligence, strategy, and technology, we transform big insights into real-world solutions that drive revenue, grow EBITDA, and maximize ROI.

We've spent nearly two decades helping business leaders achieve EBITDA growth. By leveraging data-backed insights, we quickly identify and validate growth opportunities that drive both immediate and sustainable profit increases. Our goal is to co-author a strategy, see it through implementation, and most importantly, realize results. Let us help you uncover hidden value and maximize your growth potential.

Headquartered in Cleveland, with regional offices in Chicago and Columbus, INSIGHT2PROFIT continues to be a trusted partner for companies looking to unlock their profit potential.

For more information, visit www.insight2profit.com.

Contact us for a new pricing perspective.

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