



Week of **January 12, 2010**

Unbundling Legal Services: The Small Firm's Secret Weapon

Much has been written lately about whether the Great Recession will bring the death of the billable hour. Certainly billable hours have more than their share of negatives, but it's unlikely to disappear. The most important reason is the ethical requirement, under the ABA and State Bar Rules of Professional Conduct and regulations, that fees charged must be "reasonable." If a client wants to dispute whether a value charged for a service was reasonable, a time record is usually the focus of review. This is specific documentation and understandable, not hocus pocus or subjective - the reason why corporate clients and their insurance carriers first demanded billable hour statements in the 1960s. Hourly rates may not be the best or fairest, but they certainly are the easiest to understand.

The real question about the recession's impact on billing is whether it will lead small firms to create a laundry list of unbundled services and fixed prices/fees to charge their clients. It makes perfect sense for such firms to do so in order to differentiate their law practice from others. They can tell clients, in advance, what their cost exposure will be and so they can budget for their legal engagement.

We've all become familiar with the itemized fees that airlines now uniformly charge for everything from additional luggage to an in-flight meal and drinks. Providing these services was once included in the base passenger fare, but the pressures of recession and rising fuel costs led the air carriers to feel that ancillary fees were more palatable to more customers than charging higher rates. And, surprisingly, most flyers have accepted the reasoning behind the charges. Rather than raise the fees for all, airlines are being selective. Just because it's an extra charge doesn't make it unreasonable, so long as customers see the reasoning and the value behind it.

Similarly, a lawyer or law that unbundles services can

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Clients include attorneys, managing partners, executive directors and financial directors at small, mid-size, and large law firms. We have seen many of our clients increase their revenue by five or six figures-that's \$50,000 to \$400,000 based on reports thus far.

Many of my clients have experienced:

- Increased revenue with long-term strategies for sustainability
- Attainment of partnership level
- Enhanced performance resulting from focused energy and reduced stress
- Feelings of increased control over

combat price pressures by taking specific services off the table in order to keep the billing rate steady or to deliver a lower price to the client. In effect, when the client wants a reduced price, the lawyer unbundles the services to accomplish that objective. In other words, for X dollars, you will do this and for "Y" dollars you will do that less "abc." The price fits the appropriate level based on the service to be delivered.

And easy to understand example is response time. For example, if returned phone calls within 2 hours are part of your regular hourly rate, take that response time off the table if you lower your hourly rate in response to your client's request. Tell the client that your response time will be 24, or even 48, hours. The point will be clear: you're not lowering your price, you're changing the value composition of what the client is buying. So long as the firm understands its cost structure, and can cover it by properly constructed, unbundled fees, it can be a win-win situation for all concerned.

Personal Commentary

LawBiz® Management's goal is to provide information and practice management tools that will enable you to be more effective, efficient, and profitable. Therefore, we ask you to answer a few survey questions that should not take more than 2 minutes of your time. For those of you who respond, thank you! By responding, you will be entitled to one of the following:

- *Special Report: Business Competency for Lawyers* (electronic edition)
- *Special Report: The Lawyer/Banker Relationship* (electronic edition)
- 1/2 hour private telephone coaching session with Ed

To take the survey, please [visit this link](#), which will be active until noon, Pacific Standard Time, on Tuesday, January 19, 2010. Thank you for your continued support of LawBiz® Management!

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-AL, Northern California

Best wishes,

Ed Poll

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