

Business & Careers

Moving beyond the billable hour model

Clients are looking for a stronger level of certainty



Gary Mitchell
The Coach

Many of my clients are looking at creating alternative fee arrangements for their clients. They recognize that first off, fixed fees or a combination of various fee structures takes the uncertainty away from their clients. Your clients likely have enough stress to deal with, and not knowing the actual cost of your services adds to that stress.

Most lawyers fear moving away from the billable hour. They think they will lose money. The reality is that when you do it right, you're more likely to make more money while your clients are happier and feel they've received better value.

If you have created documents over and over again, or litigated similar cases over and over again, then you have the history to go back to look at the numbers. Figure out the median amount of time spent on each part of the file. Look at the numbers and figure out the above average time spent on each task.

Add it up and you can offer your clients a fixed rate. For many clients this will be a breath of fresh air and something you can use to stand out among competitors and market yourself with.

In the end, it's all about value. When a client gets a bill with costs in pennies for photocopying and such, it infuriates them. Build those costs into your fixed rate. It's like when the GST was first introduced. Most people wouldn't have noticed if it was built in and included in the price, but because it was shown separate it ticked a lot of people off.

Focus on the value you are providing to your client, not the amount of time it takes to get results.

If it takes you 30 minutes to create a document that ends up saving your client \$200,000, what is that worth? It should be about the outcome, not the time or the method. I have been on a call for less than 10 minutes which resulted in one of my clients landing a new file. I have taken about two minutes to respond to a client e-mail which resulted in three new files.

What is that worth?



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Going away from the billable hour to a flat fee will give your lawyers an incentive to work in the most efficient ways, passing that value on to your clients.

The billable hour model rewards inefficiency and allows for padding of the bill. Clients are not stupid. They can see when they are being "taken to the cleaners."

If you are to be truly successful, you must be seen as a partner in your clients' business, growth and success. You cannot do this unless you are willing to take on some risk. You are the expert. You've likely done this task countless times.

By continuing to use the billable hour model, you are shifting all risk to your clients, when in fact you as the expert should have a pretty good idea of how things will work out.

That is why the client is coming to you in the first place.

Working with one of my litigator clients lately, I advised him to create a hybrid of billable hour and contingency. So he lowered his billable hourly rate to make it easier for the client to buy in, but added a contingency factor for when he achieves great success.

He is covering his bottom line up front, but he is sharing the risk with the client. And the big payoff comes when he achieves great results. It's a win-win scenario.

Offer your clients "choices." There is more than one way to skin a cat. In the end, they may very well opt for the billable-hour model. But work with them. They are each individuals and their needs and circumstances will vary. Stay nimble and remain flexible to their

needs. Consider unbundling your services so clients can pick from an a la carte menu of your services.

Innovation in billing is here and it is trending. Can you afford to lay back and let your competitors get ahead of you attracting clients that should be yours? More and more of your clients will start demanding a move away from the billable hour model. Why not get out in front of it?

Gary Mitchell is the principal at On Trac Coach where he works with lawyers, law clerks and paralegals across Canada helping them to attract more clients and grow their businesses. He is the co-founder of Legal A Team, a marketing and management alliance focused on providing big-firm support to smaller law firms and solo practice lawyers and his second book, Raindance Two: A Blueprint for Growing your Practice, is now available. He can be reached at gary@ontraccoach.com or 604-669-5235

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Policy Counsel (2)

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