



# Fixed and Value Pricing

Let's start implementing fixed fee billing into your practice and throw away those time sheets once and for all!

The 4 week online program workbook!



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## Introduction

### HI! I AM CLARISSA RAYWARD

I'm a collaborative divorce lawyer from sunny Brisbane, Australia. I'm the Director of Brisbane Family Law Centre, a multi-disciplinary legal practice where lawyers work alongside financial planners and psychologists to provide our clients with the holistic service they need during divorce.

Around 5 years ago now I made the decision that it was time to do away with time based billing systems in my law firm. Fast forward 5 years and we have made the shift, but not without many learnings along the way.

The professions of Law and Accounting are amongst the slowest of the professions to change. Despite much talk of innovation and disruption only a handful of firms have made the shift to billing structures that are anything other than the traditional 'time for money' model.

In order for legal and accounting practices to stay ahead of these changing times, I am firmly of the view that we need to move away from the outdated 'time based billing' models that our professions have survived on for many generations. Time based billing structures sadly reward inefficiencies- the slower a piece of work is done the higher a firm may be able to charge. If we step outside of Law and Accounting and consider the many industries of business, very few connect their 'price' to the time it takes to get something done.

# WHY I DECIDED TO THROW AWAY THE TIMESHEETS!

**There were two primary drivers in my decision to move away from time based billing...**

**The first, my clients.** I am a family lawyer working mostly with individuals during divorce and separation. At the heart of my practice style are close and meaningful relationships with the people I am assisting. To build these relationships takes time and in particular it takes up time that in a traditional billing model might be considered 'unbillable time'. Similarly, from a client perspective, time spent with a professional discussing their fears, worries and concerns outside of the legal realm of issues might also seem a 'waste of money'.

**The second, me.** Time based billing models reward inefficiencies. The focus is on the 'input' (the time taken) rather than the 'output' (the ultimate Result). Further, the mere act of recording your day in 6 minute increments is both time consuming and something that, simply put, made me unhappy. After connecting with many friends who run innovative online businesses in marketing, web development, e-products and courses I started to see that their pricing or billing structures had absolutely nothing to do with the time it took them to produce the outcome. I knew I needed to change how we worked for my own happiness and the future of my business so I started looking for different ways of doing things.

The decision to lose the time sheets and move my firm to fixed and value pricing models was a long thought about but quickly implemented decision. 5 years down the track, I can share with you my 4 biggest learnings, in the hope you might spare yourself some of the struggles I experienced.

## 1. IF YOU MAKE THE SHIFT, STOP TIME RECORDING NOW!

When I first announced at Brisbane Family Law Centre that we would from that day forward only be dealing in fixed price quotes on all matters, I made one fatal error- we kept entering our time. Part of this decision was habit and part of it was that at the time I was not certain what I could and couldn't get rid of while still complying with the various rules we solicitors are required to comply with. As such, I soon found us facing a significant challenge in my new process.

By recording time we were still focusing on the 'inputs' and whilst I was talking to my team about the need to be efficient and to focus on the outcome, I was still tying them to time sheets and those 'inputs'. We had one foot in each camp and as a result neither system worked well. A short while later (after checking the various rules!) we threw away the time sheets and suddenly fixed pricing took hold in our office with confidence. It no longer became about how long it took to achieve something but instead the focus became entirely about what our clients were trying to achieve. Our team worked quicker, collaboration increased and outcomes were being reached in a much more timely manner.

## 2. ONE PRICE DOESN'T FIT ALL

Early in our fixed pricing shift we undertook a 'stocktake' of financial data- looking at the cost to date of various different types of matters in our firm. Whether this was right or wrong, I will never know but it gave us a sense of how much things had cost in the past and a way of starting to price when this was foreign to us.

Initially we had a 'one price fits all thought process' which just didn't work. The type of work might be the same between matters but the variables such as urgency, level of understanding, client efficiency to name a few vary significantly between each file and so now we price each matter and each client differently- on their own merits taking into account their needs, their budget and what really matters to them.

## 3. IT'S ALL ABOUT THE SCOPE!

If you want to engage in fixed and value pricing, scoping will become your new favourite thing to do! A scope will be a detailed plan of all the tasks or steps you will (or won't) be doing to achieve the client's goals. Our early mistakes in value pricing led us to having basic scopes, that were not specific enough nor time limited. Now we find smaller stage scopes, that are highly detailed and time limited work best for us and our clients.

You will find yourself 're-scoping' with regularity if you move to this model and be warned, it will take up a lot of your time before a client has engaged your firm. However, once the client does engage, you have a detailed and thorough work plan that can then be implemented.

And be ready to scope, re-scope and re-scope all the time! We learned the hard way that the key is identifying the moment a matter is moving away from the original scope, to take the time to 're-scope' before moving on, which is easier said than done during a busy work day.

## 4. IT WILL MAKE YOUR BUSINESS MUCH BETTER!

What does 'so much better' mean? Well for me it has meant-

- **No debtors**
- **No fee arguments after work is complete**
- **Cash flow predictability**
- **A culture of innovation, collaboration and efficiency**
- **And a happier boss and team.**

Having no debtors in a legal practice is often a pipe dream but we have achieved it thanks to this model. That has significantly assisted when it comes to cash flow predictions and management in the firm. We can also manage and monitor work flow amongst team members with much more certainty as the 'scoping' system enables you to establish a project management plan for each file, predicting the time frames and steps of each stage.

And our team are happier. Not having to enter time, being able to focus on building strong client relationships and keeping our attention on the overall client goals has led to a 'happier' workplace where efficiencies, collaboration and outcomes are valued above anything else.

The shift from time based to value pricing has taken 5 solid years of hard work, mistakes and many learnings but I would not look back. As a boutique practice we might be more nimble than some and whilst we had never had a culture of strict time billing or high billable targets, the shift was still not easy for us all to make. Like any change in a team, changing the way a whole business records and values the work that it does will take mindful action. I am sure we still have many learnings to make but in the meantime and if you haven't already taken the leap, I would encourage you to lose the time sheets and make the shift as you won't look back once you have.

# **Fixed and Value Pricing**

# **LESSON 1**

**The basics of what you need before  
implementing Fixed & Value Pricing  
(aka the numbers!)**

# WELCOME TO WEEK 1!

**In this first week of the program, we're going to spend some time digging into your data to work out a couple of core financial metrics that will ultimately help you as you move into scoping and pricing your legal work.**

The first of these activities is working out your Magic Number. In my world, the magic number is a phrase I use to describe the cost of running my firm on a weekly basis. When calculating this cost, I build in all of the known fixed costs of my practice, a salary and superannuation payments for myself, and usually a figure for what I like to call a special projects each week, that can account for things like marketing activities, website building, or just those unexpected ideas that come along. Having clarity about the cost to you in running your practice will make all the difference in terms of your decision-making generally about your business.

This one number has been a game-changer in my firm, first in enabling me to have certainty and clarity about the revenue we need to make each week to meet all of our needs, secondly, to help me in decision-making when wanting to add new projects or people to my team and thirdly, when it comes to pricing our services, as you will see over the coming weeks of this course.

**Let's go!**



# MY MAGIC NUMBER SPREADSHEET!

In the image link below you will be able to access a copy of “My Magic Number” spreadsheet to assist you in working out your magic number— the number you need to make each week to keep things rolling.

This week set aside some time in your diary to work through the spreadsheet and work out your Magic Number.

	A	B	C	D	E	F	G
1	Date Proposed	01/01/2020	CASH FLOW - 6 MONTH PROJECTION				
2	Prepared By	xxxx	FOR BALANCE OF MARCH TO SEPTEMBER 2020				
3			26 WEEKS OF PAYMENTS IN THE ABOVE PERIOD				
4			AND MY MAGIC NUMBER!				
5							
6							
7							
8							
9	Outgoings (Mandatory)			Weekly Amount		6 Month Prediction	
10	Costs (e.g. home insurance, bank fees, etc)						
11		Payroll (Net)		\$ -	\$ -		
12		Rent		\$ -	\$ -		
13		Super		\$ -	\$ -		
14		RAS		\$ -	\$ -		
15		RAMP		\$ -	\$ -		
16		Receptor systems		\$ -	\$ -		
17				\$ -	\$ -		
18		<b>Total Mandatory Outgoings</b>		\$ -	\$ -		
19							
20							
21							
22	<b>Monthly Direct Debts</b>			Monthly Amount		6 Month Prediction	
23	Date to be paid by		Invoice Details				
24			Publicising Certificate	\$ -	\$ -		
25			Mobile	\$ -	\$ -		
26			Photocopiers	\$ -	\$ -		
27			Phone	\$ -	\$ -		
28			Insurance (car, fire, contents)	\$ -	\$ -		
29			Mobile / Home	\$ -	\$ -		
30			Landline / Home	\$ -	\$ -		
31			WMS / Jobcentreplus	\$ -	\$ -		
32			Spence	\$ -	\$ -		
33			Lease payments (any office room hire)	\$ -	\$ -		
34			Contractor fees	\$ -	\$ -		
35			Car finance	\$ -	\$ -		
36			Utilities	\$ -	\$ -		
37			Stationery	\$ -	\$ -		
38			Internet	\$ -	\$ -		
39			Insurance (office)	\$ -	\$ -		
40			Postage	\$ -	\$ -		
41			Telex	\$ -	\$ -		
42			Self Assessment	\$ -	\$ -		
43				\$ -	\$ -		
44				\$ -	\$ -		
45			Miscellaneous (bus passes, and other small voluntary debts (e.g. school subscriptions))	\$ -	\$ -		
46		What is your SAGE pay week		\$ -	\$ -		
47	<b>Total Proposed Outgoings</b>			\$ -	\$ -		
48							
49							
50							
51							
52							
53							
54							
55							
56							



[Download here](#)

# WORKING OUT YOUR OTHER NUMBERS!

**The second part of this week's homework is for you to dig into some historical file data in your firm, to look at the types of matters that you run, and the cost to your clients in each of those pieces of work or files.**

Having certainty about the historical cost to your clients of different types of work in your firm is another piece of data that will help you as you begin to scope and price without the safety net of a time sheet. I bet you have a broad understanding in your mind of the different costs of things, but I found it incredibly helpful to be very specific. So in my practice, when I did this activity, I broke the type of work down into the different types of family law processes or documents that clients were engaging us for. For example, a process might be mediation or collaborative practice or even litigation, whereas the document might, of course, be a consent order, a binding financial agreement, child support agreement. The more detailed you can be with this data activity around the types of work that you do and the types of clients that you have, the easier it will be for you to both scope and price your work moving forward.

In the image link below you can access a copy of my Matter Span spreadsheet. The purpose of this spreadsheet is to look at your past files to understand the total income per file and get a sense of the dollar value.

Once you have listed a few of your matters, the spreadsheet will work out the average dollar amount for all your files listed. This information will assist you to understand the current value of a standard matter and provide a guide for how you might like to scope your fixed fees.

	A	B	C	D	E
1	Client Name	Type of Work	Type of Matter	Total Fees Charged	Length of time file was active
2				\$ -	
3				\$ -	
4				\$ -	
5				\$ -	
6				\$ -	
7				\$ -	
8				\$ -	
9				\$ -	
10				\$ -	
11				\$ -	
12				\$ -	
13				\$ -	
14				\$ -	
15				\$ -	
16				\$ -	
17				\$ -	
18				\$ -	
19			Average Total of Fees Charged	\$ -	



**Download here**

# YOUR MAGIC PRICE

**Our final ‘super number’ that you will need in the coming weeks is working out your magic price. To do this, you will need to look at the average number of files you have opened per year over the past three years, as well as the magic number or cost to you in running your firm over a 12-month period.**

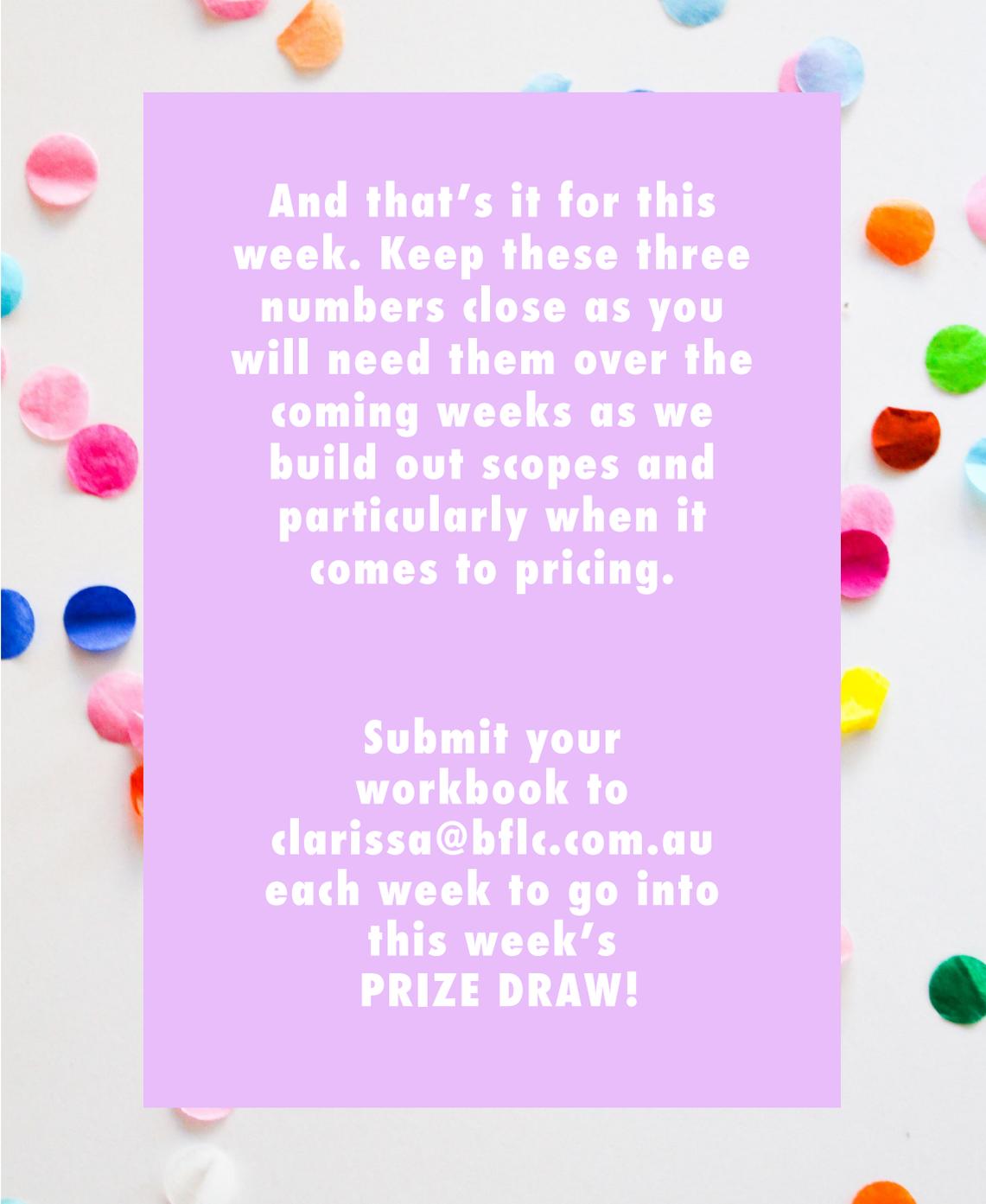
To work out the ‘magic price’, in other words, the amount that if each file was to be charged at this price, assuming the same number of new files are opened this year, you will meet your revenue targets, you will take your magic number divided by the number of files per year equals your magic price.

## So let's do it!

**a) The annual cost to run my firm (and pay myself a wage of at least \$150,000 and super) is...**

**b) The average number of new files (actual clients not initial meetings that don't turn into anything!) is...**

**Therefore, my magic price is a) divided by b) which is...**



**And that's it for this week. Keep these three numbers close as you will need them over the coming weeks as we build out scopes and particularly when it comes to pricing.**

**Submit your workbook to [clarissa@bflc.com.au](mailto:clarissa@bflc.com.au) each week to go into this week's PRIZE DRAW!**

**See you next week!**