

blog post | 09 October 2018

# The price is right: The growth of the legal pricing function

Taken from Totum's recently published report on 'Pricing Roles in the Legal Profession', and published by Legal Abacus magazine, Totum Consultant Martyn Draper explains how the pricing function is rapidly developing in law firms both large and small.

## Feature

### The price is right: the growth of the legal pricing function



Taken from Totum's recently published report on 'Pricing Roles in the Legal Profession', Totum Consultant Martyn Draper explains how the pricing function is rapidly developing in law firms both large and small.

The growing size, influence and demand on business service professionals in corporate law firms over the past decade has resulted in a significant evolution in the breadth and types of business roles in law today. But it is perhaps the growth of pricing as a standalone business services discipline that has been the particularly notable shift of recent times.

Pricing remains a significant challenge for the legal profession due to the fast shift towards alternative fee structures. According to PwC's Law Firms' Survey 2017, rates are under sustained pressure; alternative fee structures account for more than a quarter of work in top-25 firms, and significant gaps remain in 'pricing behaviours versus desired practice'. Not surprisingly then, pricing specialists have fast become a common feature of the top-20 UK law firms.

In 2017, six UK law firms with turnover of £200m+ created new 'Head of' or 'Director' level roles which included pricing in the job's title. Thirteen of Legal Business's UK top-20 law firms now have members of staff with titles including Pricing Director, Head of Pricing, Pricing Manager and Pricing Analyst. In most cases, the other seven firms which don't have specific pricing titles, have an individual or individuals that undertake pricing as a predominant part of their responsibilities. So even if they haven't been labelled as Pricing Manager they are de facto the firm's pricing specialist.

Outside of UK headquartered law firms, of the six international firms with 200+ lawyers based in the UK, five have a pricing specialist or specialists. As is often the case, the development that begins in the larger firms is eventually emulated by smaller firms. We

are now seeing a growing number of firms outside the top 20 beginning to explore how to set up a pricing function.

#### Pricing specialists: backgrounds and qualifications

In the beginning, as demand for pricing specialists grew, individuals in larger law firms (particularly the Magic Circle) emerged as pricing specialists through necessity as well as a personal interest in the subject. Today's firms, however, are proactively developing pricing teams and managers and head of pricing functions at the top-20 UK law firms come from a mixture of backgrounds.

Accountants remain predominant with nine qualified accountants in pricing leadership roles in the top-20. However, other prominent members of the UK's emerging senior legal pricing community are not accountants but come from backgrounds including revenue management, and strategic research and procurement; others bring extensive pricing experience from other sectors.

As teams have begun to establish themselves, some firms have begun to hire graduates with suitable communication traits and strong analytical skills to populate the most junior roles in the function. Degrees including economics, law, physics and business & accounting have all produced candidates who have typically entered as pricing assistants, coordinators or junior pricing

analysts, sometimes straight from university, or bringing with them some experience from corporate environments. A number of these now have 12-24 months' experience and are well placed to advance.

Internally, there remains a steady flow of employees from billing, revenue control or financial analyst teams who are making the move into pricing functions. Because they already have exposure to working in a partnership environment and interacting with partners, the transition is often a quite straightforward one.

In the US where pricing functions have developed more rapidly, firms have actively looked to complement existing pricing specialists with individuals from different backgrounds including all the above, as well as IT, project management and ex-lawyers. As the size and demands on pricing functions continue to evolve it is anticipated that the strengths and skill sets of the individuals in the teams will diversify.

At the moment, pricing functions have grown so rapidly that teams can often be under-resourced and over-worked – finding the supply of good candidates can be difficult. With time, however, and as firms become more creative as to how they resource their pricing teams – taking on more talent from other sectors, for example – this pressure will ease. More pricing managers will take

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If you would be interested in reading Totum?s complete report on Pricing Roles in the Legal Profession, including finding out more about the day-to-day remit of pricing roles and how teams are structured and remunerated, contact [Martyn.Draper@TotumPartners.com](mailto:Martyn.Draper@TotumPartners.com) [2]

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