

# Pricing Legal Services Master Class

## Module 1: Procurement Strategy and Scope of Work

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## **Catalyst Consulting:**

The firm consults worldwide on sourcing and management issues of interest to Chief Legal Officers and their Sourcing/ Procurement colleagues.

[www.catalystlegal.com](http://www.catalystlegal.com)

## **Richard Stock:**

- 35 years in legal services management and consulting
- 85 RFPs and ISPs for more than 100 companies since 1996
- Negotiated agreements with more than 350 law firms in 125 countries
- Member of Buying Legal Council for 5 years and presenter in NYC, Chicago, London, and Sydney

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## **Validatum:**

The pricing consulting firm has worked with over 300 law firms in 22 countries.

[www.validatum.com](http://www.validatum.com)

## **Richard Burcher:**

- Managing Director of Validatum since 2012
- 40 years practicing and managing law in New Zealand
- Post-graduate studies on pricing related disciplines
- One of the world's leading pricing consultants to law firms

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# Today's Program

- Collaboration between Procurement and Legal
- Forecasting Multi-Year Demand
- Competence, Coverage and Cost Objectives
- Effective Collaboration with Law Firms

# Collaboration Between Procurement and Legal

# Collaboration Between Procurement and Legal

- Sourcing legal services must be a joint effort if Legal is to own the professional and financial results
- Procurement manages the sourcing process including communications with firms
- Procurement leads the financial negotiations

# Collaboration Between Procurement and Legal

- Legal should decide the firms to be invited to participate
- Legal evaluates all proposals against qualitative criteria
- Procurement compares the cost, not just rates, of each proposal

# Collaboration Between Procurement and Legal

- Legal and Procurement decide which firms go to the interview stage
- Legal and Procurement interview all firms together
- Procurement compares the cost, not just rates, of each proposal



# Forecasting Multi-Year Demand

# Forecasting Multi-Year Demand

- Secure 3 years of data on company's patterns of use of external counsel regardless of where legal expenses charged in the business
- May need to ask the firms for the data even if Legal Tracker (or similar) in place

# Forecasting Multi-Year Demand

Data needed:

- Category of law
- Jurisdiction/region
- Hours for each firm
- Distribution of hours by experience band for each firm
- Historical terms of engagement

# Forecasting Multi-Year Demand

- Prepare 3-year demand forecast based on historical patterns
- Forecast hours by category of law and jurisdiction
- Prepare detailed descriptions of legal work by category
- Propose optimal staffing ratios by category of work

Distribution by Volume	Required Experience and Proposed Team Members	Year of Call	2020	2021	2022	2020		2021		2012	
			1 000	1 000	1 000	Rates	Fees	Rates	Fees	Rates	Fees
Preferred Staffing Model  <b>10%</b>	<b>15 and more years of experience</b>										
							\$ -		\$ -		\$ -
	<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>
Preferred Staffing Model  <b>25%</b>	<b>8 - 14 years of experience</b>										
							\$ -		\$ -		\$ -
	<b>Total</b>		<b>250.0</b>	<b>250.0</b>	<b>250.0</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>
Preferred Staffing Model  <b>30%</b>	<b>4 - 7 years of experience</b>										
							\$ -		\$ -		\$ -
	<b>Total</b>		<b>300.0</b>	<b>300.0</b>	<b>300.0</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>
Preferred Staffing Model  <b>20%</b>	<b>up to 3 years of experience</b>										
							\$ -		\$ -		\$ -
	<b>Total</b>		<b>200.0</b>	<b>200.0</b>	<b>200.0</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>
Preferred Staffing Model  <b>15%</b>	<b>Paralegals or equivalent</b>										
							\$ -		\$ -		\$ -
	<b>Total</b>		<b>150.0</b>	<b>150.0</b>	<b>150.0</b>		<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>
<b>TOTAL HOURS:</b>	<b>3000</b>	<b>3 000</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>						
<b>TOTAL FEES:</b>			\$ -				\$ -		\$ -		\$ -
<b>AVERAGE RATE: (Total fees divided by total hours )</b>			\$ -				\$ -		\$ -		\$ -

Distribution by Volume	Required Experience and Proposed Team Members	Year Qualified	2020	2021	2022	2023	2020		2021		2022		2023	
			800	2400	2400	2400	Rates	Fees	Rates	Fees	Rates	Fees	Rates	Fees
10%	15 and more years of experience													
								\$ -		\$ -		\$ -		\$ -
								\$ -		\$ -		\$ -		\$ -
	Total		80.0	240.0	240.0	240.0		\$ -		\$ -		\$ -		\$ -
25%	8 - 14 years of experience													
								\$ -		\$ -		\$ -		\$ -
	Total		200.0	600.0	600.0	600.0		\$ -		\$ -		\$ -		\$ -
35%	4 - 7 years of experience													
								\$ -		\$ -		\$ -		\$ -
	Total		280.0	840.0	840.0	840.0		\$ -		\$ -		\$ -		\$ -
10%	up to 3 years of experience													
								\$ -		\$ -		\$ -		\$ -
	Total		80.0	240.0	240.0	240.0		\$ -		\$ -		\$ -		\$ -
20%	Paralegals or equivalent													
								\$ -		\$ -		\$ -		\$ -
	Total		160.0	480.0	480.0	480.0		\$ -		\$ -		\$ -		\$ -
TOTAL HOURS:		8 000	800	2 400	2 400	2 400								
TOTAL FEES:		\$ -						\$ -		\$ -		\$ -		\$ -
AVERAGE RATE: (Total fees divided by total hours )			\$ -					\$ -		0		\$ -		\$ -

# Forecasting Multi-Year Demand

- Have Legal revise and sign off on the 3-year forecast
- Include the forecast, the category descriptions, and spreadsheets as the scope of work in the RFP/ISP
- Best results in sourcing if scope is specific and measurable
- Pre-requisite for non-hourly pricing

# Competence, Coverage, and Cost Objectives



# Competence, Coverage, and Cost Objectives

- Competence – The ISP/RFP should include significant detail about the types of matters and files for each category of work
- Legal should prepare this text

# Competence, Coverage, and Cost Objectives

- Competence – the ISP/RFP should ask the firm to provide examples of and references for the type of work in the ISP/RFP
- Competence should be worth at least 40% of the qualitative selection criteria

# Competence, Coverage, and Cost Objectives

- Coverage – the ISP/RFP should ask the firm to describe its bench strength (partners & associates) as well as regional coverage
- The firm should describe its willingness & ability to manage workflows and guarantee the quality of firms retained in secondary markets

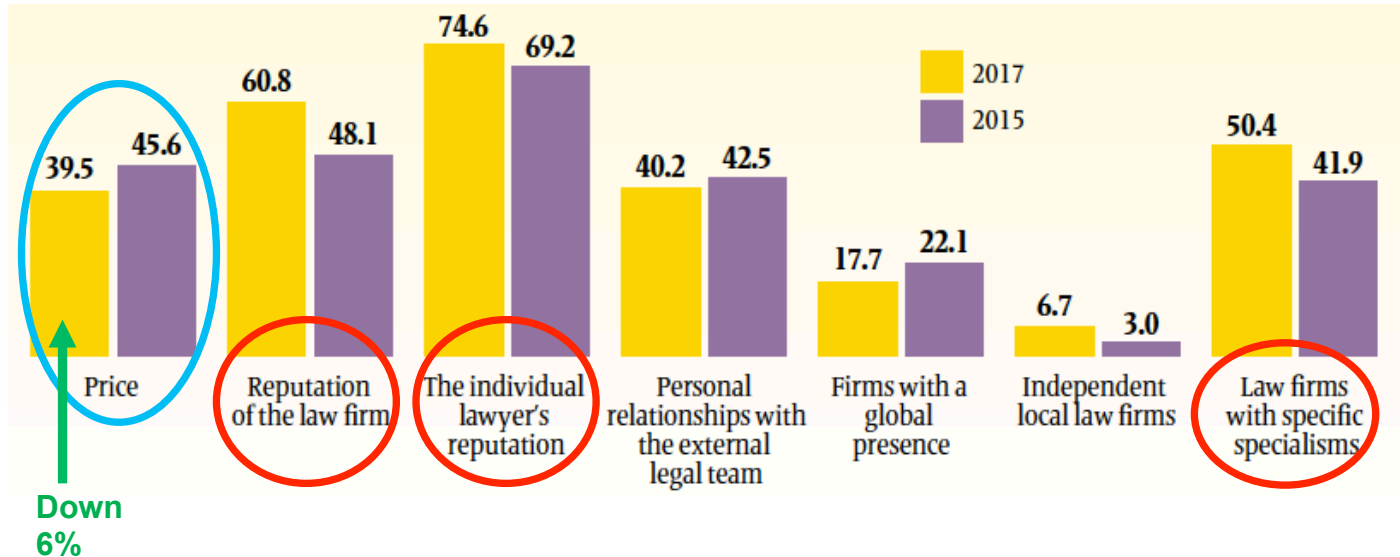
# Competence, Coverage, and Cost Objectives

- Cost – the ISP/RFP should stipulate the company's financial objectives for legal spend
- The ISP should commit to non-hourly fees as a clear preference
- Carve out at least 10% of fees for successful innovation in effectiveness and efficiency

# Effective Collaboration with Law Firms

# What do clients really want?

How important are the following when deciding which law firms to use? (%)



# Effective Collaboration with Law Firms

- Poor listening
- Poor communication of value
- Poor communication/transparency of price
- Poor re-engagement on scope change

# Effective Collaboration with Law Firms

- Do be transparent
- Do be clear about your priorities
- Do provide all relevant information
- Do provide context
- Do build trust & integrity
- Do try to understand law firm economics



# Effective Collaboration with Law Firms

- Don't impose unrealistic deadlines
- Don't ask for AFAs unless you mean it
- Don't expect firms to assume all price risk without compensation
- Don't take a boilerplate approach
- Don't use firms as a stalking horse

# Effective Collaboration with Law Firms

- CLO/GC to sign both the RFI and ISP/RFP cover letters
- Replace RFP with an Invitation for Strategic Partnering (ISP) to communicate a long term commitment and the need to drive innovation over time

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