



Serving Canada's Legal Community Since 1983

[Home](#)

[About Us](#)

[Archives](#)

[Advertising](#)

[Subscribe](#)

[Digital Edition](#)

[Careers](#)

[Contact Us](#)

RSS Feed [XML](#)

This Week's Issue:

Want to learn more about this week's issue?

[More](#) ➔

Legal Update Services

[SCC Cases](#)

[Décisions de la CSC](#)

[LAW/NET](#)

[Case Summaries](#)

Click on the links above to view recent decisions from the Supreme Court of Canada and summaries for noteworthy cases from across the country.



Flat-fee billing: replacing time with value

By Lonny Balbi

July 03 2009 issue

Clients often complain of legal bills because they are not sure of the amount, the timing, outcome or how a final price is achieved. Just knowing that lawyers charge based on time often results in a feeling of being "nickel and dimed to death."

We share a mentality that as lawyers, we sell our time. But clients are not buying time. They want their fears addressed, your experience and results.

Lawyers have traditionally had a monopoly on the business of divorce. Our law societies protect us by saying that only lawyers are allowed to give legal advice. Anyone trying to do our job is either embarking in the unauthorized practice of law or is not serving the client properly.

Competition is coming. There are already several organizations that guarantee clients a settlement within 120 days for a fixed fee known to the client in advance. The lawyers are involved only at the end of the process to complete the paperwork. These types of businesses will flourish in the future.

The client's view

The client comes in to see the lawyer and the lawyer explains the law, the options for settlement and gives advice to the client on how to resolve the matter. When it comes to setting the fee, the lawyer advises that it depends on many factors, including how long it will take, the reasonableness of the parties, the complexities of the issues and whether or not research may be required. The lawyer might tell the client that there is a "ball park" fee available, but it just depends on too many factors.

The client is then asked to retain the lawyer, trusting that the lawyer will be honest and not bill too much. In essence, the lawyer is asking that a blank cheque be written by the client, and the lawyer will fill in the amount later. This does not sound like a very positive experience for any client.

A new business model

Most other businesses do not equate time with value. For example, Merv Griffin wrote the theme song for Jeopardy in about one minute. To this day, he receives \$7 million per year for that theme song. The value of his idea was not based on time at all.

Another example can be found in the airline industry. The American airline industry was deregulated in 1978. The pricing became an extremely sophisticated process. It is always interesting to look at what each person pays on any particular flight. The cost to fly the plane from one point to another is the same. But most people pay a different price based on several factors.

The airlines have learned that a major factor in determining price is to look at when the flight was booked. The closer that a flight is needed to departure, the less price sensitive the customer is and the more the airline can charge. Similarly, airlines understand that if someone else is paying for the flight, such as the company on a business flight, then there is less price sensitivity and a higher price is warranted. The customer paying for his own flight may be much more price sensitive and look for the best deals.

Airlines have determined that why a person is travelling can affect pricing. For example, the mother of a family trying to book a vacation for five people may stay up all night looking on the Internet for the best possible flight deals for booking.

Principles



Comments?

Please contact us at comments@lawyersweekly.ca. Please include your name, your law firm or company name and address.

There are several principles that can be gleaned from looking at other businesses and how they have dealt with the pricing model:

1. *The customer has a fixed price up front.* Most solid business models are not based on time. The risk is shifted from the customer to the business. In many cases, the customer is willing to pay a premium for that shift.

2. *A service that is needed is worth more than a service that has been delivered.* Most lawyers understand this concept, but do not use it in practice. The more that a client needs the service you are willing to provide, the more it is worth prior to the delivery of the service. It is once the service has been delivered that problems in collection and complaints arise.

3. *Focus on the customer, not the cost to produce.* The value equation to the customer is the most important aspect in pricing. The cost to produce the good or service is not important to the customer. Focus on the customer's needs, wants and values in order to determine an appropriate price.

4. *Look at value to the customer.* Each customer has different value propositions. These may include costs, security, fear, social status, speed and delivery. Lawyers must dig down and discover what the customer really wants in order to deliver the best value to that customer. Determine the value the customer is looking for, and then exceed those expectations.

Family lawyers actually have a large advantage in determining the client's values. At the first interview, the lawyer tries to understand the client, focusing in on the fears, hopes, dreams and desires — before setting a price.

Lonny Balbi is a family law lawyer in Calgary. He has lectured extensively throughout North America on flat-fee billing.

Click [here](#) to see this article in our digital edition (available to subscribers).



Copyright 2016 LexisNexis Canada Inc. All rights reserved. | [Legal Disclaimer](#) | [Privacy Policy](#) | [Site Feedback](#)