



The Business of Law

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These are tough times. Lawyers have changed careers, left town and set up home offices just to survive. It's a harsh reminder that the practice of law is a business.

The business of law is like most businesses – those who do it well are successful, those who don't fail. It pays, literally, to do it well.

It doesn't happen by accident. It takes careful thought and action. Below are some of my thoughts on this subject, not because I have all of the answers, but simply to provide an impetus for thoughts of your own.

As they taught me in my accounting classes at FSC, revenues must exceed expenses to make a profit. In economics I learned that lowering price often increases sales.

When business is slow it's tempting for lawyers to charge lower fees. However, there can be consequences to lower fees.

Sell too low and you may not cover expenses. Determine the cost of doing business before you set your fee, including, realistically the time it will take all involved to deliver the services. Remember things don't always go as planned. Also, if the fee is contingent on being relatively quick you may not be able to meet client expectations. Whatever the fee clients still demand a certain level of service. If you lose your reputation and clientele while doing quick low priced work you may not end up with many clients, regardless of price. Similarly, raising fees after clients have been conditioned to unreasonably low fees may be difficult.

In good times and bad clients seek value. If you offer value you'll have clients. So, rather than wage a bidding war in an over saturated practice area find an area, or sub-area, where you can be unique and charge a fair price.

Don't accept a client who is a long shot to pay you thinking you're going to generate revenue. Get your money up front and/or create a relationship you can end quickly if you're not being paid. You're better off not working than working for free. Unfortunately, there are plenty who won't pay you if you let them.

Not all expenses are bad. The right marketing expenses make sense no matter the budget or the economy. Regrettably lawyers don't always make logical decisions when it comes to marketing. They've been known to make marketing decisions based on fear of what the competition may do rather than logic. Sellers of marketing to lawyers know this and exploit it.

Identify your client prospects and how best to reach them. In your niche there may be a targeted marketing option that is much more affordable than a broad based, more widely used option.

As stated above, marketing expenses can make sense but they're not the only expenses which make sense. Keep your expenses in line but don't cut expenses which would adversely affect your ability to be competitive. Some software/technology may enable you to deliver services more quickly with better quality. Terminating a paralegal might seem like a smart move but if doing so means the work will then be done by an attorney, other than yourself, with a higher hourly rate, you may simply price the services out of the competitive range. Remember – value.

Times are tough, but sound business practices should be employed all the time. We're in the business of law and we need to do it well.

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