

# AGING CLIENT COMMUNICATIONS: HOW TO EXPLAIN AN INCREASE IN RATES

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by

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# Acing Client Communications: How to Explain an Increase in Your Rates

## Rethinking your rate increase letter.

By Susan Kostal

After doing your research on trends in billing rates, you've decided to raise your own rates. It can feel uncomfortable. Some of us are reluctant to really charge what we are worth or feel bad about increasing rates for longtime clients. We may struggle with being in a high-rent market, such as New York or San Francisco, while serving clients in other locales used to paying lower regional rates.

But, while clients may not be overjoyed to receive the announcement that their rates are increasing, they are used to receiving such news.

So why not make this an opportunity to communicate clearly, accurately and confidently with clients about where their money is going?

Rather than let the disgruntled few peg themselves as your ticket to a new vacation cabin, share the changes you've made in your firm, and how you are deploying their resources to provide better services. Use your rate increase letter to show how you are making smart investments in your firm to deliver a better product. It may even mean that while your rate goes up, their bill goes down because of efficiencies and better use of resources.

## Clients Value Transparency

Whether consumers or corporate clients, survey after survey tells us clients want transparent pricing and more price certainty. They want to understand how rates are set and to be part of the discussion. Here are suggestions for making the process of communicating your new rates easier, and opening what could become important conversations with clients about how their matters are handled.

## **Focus on the Strengths of New Hires**

If you are a small firm, you may have new hires, and there is certainly a cost involved there, especially in the early days. If these individuals are billing time, share how you've been able to take some work that would normally be billed by a more senior-level person and have the new team member handle it. There are times when a new name on an invoice is a good thing.

If they are purely administrative hires and not billed out to clients, explain this. You can talk about the value they add, the little headaches they solve daily, and the ease that brings to the client-lawyer relationship. The message you want to send is, "We hired this person to make your life easier." If that person has direct client contact, consider including a very short handwritten note conveying, "I've enjoyed working with you this year." It sets a lovely tone of appreciation.

## **Focus on Legal Technology Investments That Benefit Clients**

What elements of your legal tech upgrade benefited clients? With better search functions, are you able to bill less time on trademark applications? Has investing in new matter management or billing software made the client's life easier, allowing them easier access to their spend rates, for example?

Of course, there are lots of things lawyers need to spend money on that don't directly benefit the client. Focus on those that actually make their daily lives easier.

## **Share the Math on the Benefits of AFAs**

Some legal buyers have complained that when they use alternative fee arrangements with law firms, the data about cost and profitability is behind an iron curtain. This breeds distrust, of course. If you have had a successful AFA with a client, and you have their permission to share the outcomes, do so with your larger client base. Show that you are open to discussing what both parties see as value in a particular engagement. Explain how changes you've made in billing models can benefit clients.

## **Focus on Structural Changes and Increases in Efficiency and Sophistication**

Let's say you are an employment lawyer who drafts various contracts for clients. You looked over your data from the past 12 months and found you've been able to trim 12% off the time it takes to review an NDA. Do the math. If you raise your rates by 3%, the client still wins. Use those stats to your advantage.

Likewise, if a lawyer has recently obtained a specialist certification, say, as an appellate specialist, or other certification, such as their privacy certification from IAPP, that means the market has acknowledged that they are worth more than the "average" practitioner. It could also mean that as an associate progresses in their

career, while their rate rises as they gain seniority, partners also spend less time reviewing their work. If the math works in your favor, point out that a strong senior associate team, even at an increased rate, leads to more affordable outcomes for the client, rather than passing that work up the chain to a partner.

## **BLUF: Bottom Line Upfront**

You don't need to beat the client over the head with these examples. One or two will suffice. What you want is to convey that you are constantly thinking about what value means to the client, that you share their concern in managing their legal budget, and that you want to be their partner in doing it. So invite conversation. Emphasize that you are mindful of larger budget constraints. Let folks know your phone line and inbox are open (and off the clock) for discussion.

Consider that in the latest Altman Weil Chief Legal Officer Survey, when clients were asked what improvements or innovations they would most like to see from outside counsel, 57.9% said "greater cost reduction" while 40.1% said "improved budget forecasting" and another 32.7% said "non-hourly pricing." Perhaps you will find out that hourly rates mean less to a firm than the overall spend.

Of course, underlying all this is the need to understand your own profitability. You should be able to answer meaningfully when clients ask what could be some tough, pointed questions. You need to be comfortable enough with your metrics and the strength of your practice to discuss these with confidence. Also, with a clear understanding of your firm's numbers, you gain the knowledge to rethink your current business model and experiment with new ones, such as subscription fees, that can spur growth.

Finally, ask trusted colleagues for copies of previous rate increase letters they have sent clients. Look carefully at the format and tone, and see what rings true for your firm.

For a deep dive into uncovering more profit in your practice, see this excellent post by Chris and Peggy Gruenke of CPN Legal, a law firm management consulting firm: "Looking for More Profit in All the Right Places."

### **About the Author**



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**Content Under Pressure** columnist Susan Kostal is a legal affairs PR, marketing and business development consultant based in San Francisco. She is a contributing editor for *Attorney at Work*. Susan has covered legal affairs as a journalist for nearly three decades. You can follow her on Twitter @skostal and view more of her content at [www.susankostal.com](http://www.susankostal.com).