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LAW FIRM MANAGEMENT

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Signing up for law firm subscription plans

WHY IT MAY BE TIME TO RECONSIDER YOUR PRICING MODEL

Hourly billing has long been the industry standard for law firms of all sizes. The COVID-19 pandemic, however, has prompted many firms to innovate in ways they probably wouldn't have otherwise. Some resourceful firms are adopting a pricing model that has proven popular in a range of industries — subscription services.

WHAT IS SUBSCRIPTION BILLING?

Subscription plans generally work as you'd expect: Clients agree to pay a monthly or annual fee in exchange for a menu of services. The menu can be as generous or narrow as you prefer, from unlimited legal services to business planning assistance to simple document review.

Subscription billing isn't new. For years, the largest clients of the largest firms have had similar arrangements, though not labeled as such. What's more recent is offering these arrangements to smaller clients. These clients may have ongoing legal needs or just one-off questions, but they fear the hassle and expected high expense of hiring a law firm.

And they're likely already using subscription plans in other parts of their lives, from gym memberships to Netflix, so a model that would have seemed odd to them a decade ago may seem much less so today. Many firms have been using subscription services such as Westlaw and FindLaw for years. Done right, subscription plans offer numerous benefits to both you and your clients.

WHAT ARE THE BENEFITS?

Predictability is probably the biggest selling point. Clients wary of quickly mounting legal bills have assurance that they won't incur unexpected costs that blow up their budgets. This comfort level tends to lead to greater satisfaction and less client churn.

Attorneys also benefit from the predictability, especially small firms and solo practitioners who are particularly vulnerable to unpaid invoices and fluctuating revenue. Subscription plans provide some financial peace of mind because you can count on revenue even during slow periods — and can avoid unpleasant collections work. They also reward efficiency in a way hourly billing can't. After all, there are only so many hours in a day.

Subscription plans are ideal for relationship building, too. You get to know individual clients and their needs, becoming a partner or teammate, rather than simply a vendor. Closer relationships also facilitate early intervention that can preempt — or at least mitigate — damages when problems arise.

Another potential perk is that you don't have to track your time for billing purposes. Nonetheless, it still may be advisable to track time to some extent to ensure you're achieving the necessary profit margins and adjust as needed.

A NICHE APPROACH CAN PAY OFF

Some law firms and solo attorneys have found that a subscription model can prove especially fruitful when targeted at specific niche markets with ongoing needs. You might, for example, direct your subscription plans at new businesses, shepherding them through entity choice, business launch and brand development.

When you concentrate on a niche, your marketing efforts can be more cost-efficient. A niche approach saves much of the time and money associated with the more scattershot approach that's typical when attorneys appeal to a broad range of clients. And your marketing materials can incorporate industry-specific lingo and reference problems common to the niche. This helps clients feel confident that the subscription plan is tailored to their needs.

A niche approach also makes it easier to build long-lasting relationships — which can translate to lower attrition and, in turn, marketing costs. After all, it's usually less expensive to expand business with existing clients than to land new clients.

ARE THERE RISKS?

It's not all upside, however. Subscription plan work tends to be "front-loaded," with most of the work commencing shortly after sign-up. If you don't time your onboarding of new subscribers well, you could be buried by an avalanche of competing demands.

> *Subscription plans provide some financial peace of mind because you can count on revenue even during slow periods.*

And, of course, you also have the risk of overutilization by the subscribers. You'd prefer clients who approach the arrangement more like a gym membership — where members continue to pay despite seldom working out — than Netflix subscribers who regularly binge. It's easy to become overwhelmed if a high percentage of your subscribers are "binge users."

On the other hand, subscribers who rarely end up using the service are unlikely to continue their subscriptions. You'll need to experiment to find the right balance.

WHAT ARE THE NEXT STEPS?

If you decide to test the waters, scalability is critical. You'll need to determine, for example, how many subscriber clients you can handle and which services are included in a subscription. Don't hesitate to make tweaks as you go along. You also must have the technological capabilities to handle potentially hundreds of subscribers or more.

Craft some rules for the program in advance. For example, some firms require clients to sign up for a minimum period, say six months, to reduce the risks associated with the frontloading of work.

PREPARE CLIENTS

Many clients grouse about hourly billing, but they also resist change. If you're going to propose a subscription pricing model, be ready to counter their reluctance with clear information on how they'll benefit. •

Is your firm ready for part-time partnerships?

With the upheaval over the past year and a half, many law firms have needed to be more flexible than ever before. Flexibility means options, and one option may be part-time partnerships. For example, some part-time employees may have earned a partner-level position at your firm, but they're unable or unwilling to commit to a traditional, full-time ownership position. In other cases, a full-time partner nearing retirement may want to dial back his or her involvement in the firm's operations. A part-time partnership option provides partners with the flexibility they need to stick with your firm, while achieving their desired work-life balance and producing their best client work.

SET THE TONE

If your firm is considering — or has already implemented — a part-time partnership track, don't just "set it and forget it." You need to make a concerted effort to ensure its success. This starts at the top, with management's full program buy-in.

Reducing a partner's workload for a specific temporary reason (such as for medical or family leave) differs greatly from the type of permanent cultural and policy change needed for part-time partners. The key lies in your firm's culture. Don't just pay lip service to a flexible work environment. You must treat part-time partners the same as everyone else.

Your firm should, for example, assign part-time partners to key accounts and encourage them to assume active roles in firm committees and professional associations. And be sure to schedule routine partner meetings as well as firm and client events to facilitate their attendance.

To help ease the process, you might create a position to oversee alternative partnership tracks and act as a liaison between part-time partners and managers. Doing so can give part-timers a forum to discuss workload balancing and other concerns.

To make your part-time partnership program a success, management must fully embrace the concept and formalize the terms and responsibilities.

CREATE WORKABLE GUIDELINES

It's important to understand that client demands will put pressure on both your firm and its part-time partners. After all, clients will need assistance during a part-time lawyer's off time. One of the first orders of business when designing a part-time partnership track is to create guidelines for such situations and provide part-time partners with back-up lawyers for emergencies.

To make your part-time partnership program a success, management must fully embrace the concept and formalize the terms and responsibilities. Your firm's policy, for example, should spell out a partner's minimum work hours and his or her schedule. If you're unsure about how the arrangement will work out, include a probationary period that allows either the partner or your firm to terminate the arrangement. Setting goals is important, too. Address the number of hours part-time partners need to bill each year, as well as the amount of time they're expected to spend on marketing, firm administration and legal education.

Compensating part-time partners should be no more difficult than compensating full-timers. For example, you should evaluate their performance and link their continued employment, compensation and rewards to how well they achieve their stated goals.

EMBRACE FLEXIBILITY

Part-time partnerships aren't the only arrangement that can benefit law firms. To ensure you're providing lawyers with the support and motivation they need to produce their best client work, your firm needs to consider embracing broader schedule flexibility.

Other options include:

- Flextime (altering starting and ending times of the workday),
- Compressed workweeks (working the traditional number of hours in less than five days),
- Telecommuting,
- Seasonal employment, and
- Sabbaticals.

Your human resources (HR) department will be an invaluable resource to make these options a reality. If your firm doesn't have an inhouse HR department, consider hiring a freelance HR specialist or law firm consultant to create a program that benefits both your partners and the firm.

REAP THE REWARDS

Now may be the right time to create a part-time partnership track at your firm. The part-time option will boost your attorneys' morale, leading to higher productivity. The end result: Even greater client satisfaction. •

Don't go phish: How to reduce your risk of cyberattacks

Phishing schemes have been a threat for years. But the pandemic seems to have intensified the risk, with criminals putting new twists on their approaches. Among other developments, law firms increasingly are targeted, due to their wealth of confidential information and the high value firms place on their reputations.

Of course, reputational damage isn't the only cost. According to the IBM Security "2020 Cost of a Data Breach Report," breaches initiated through phishing schemes had an average total cost of more than $4.25 million per incident.

PHISHING 101

Phishing generally refers to fraudulent schemes by which cybercriminals dupe victims into providing personal information (including login credentials) or clicking on links that infect computers with malware and viruses to swipe such information. Numerous variations exist, and more are emerging on a regular basis.

For example, someone on your staff might receive an email with a link to a spoof of a legitimate document-sharing site, such as Dropbox or

include references to upcoming meeting agendas, job applications, payroll and password verifications. Still others may reference important messages from HR regarding vacation or COVID-19 policies.

In addition, phishing messages frequently are peppered with bad grammar and misspelled words. They may use numbers and special characters that look like letters to dodge anti-phishing software. They include URLs that are close to the real address but not quite correct.

Office 365. Once the culprits obtain that person's login information, they'll have access to all of the information stored there.

Or cybercriminals may plant ransomware in an email attachment so they can steal data after the recipient clicks on the attachment. They then hold the data hostage until the firm pays a ransom. The criminals might leak some confidential client information just to show they're serious.

The methods are evolving constantly. For example, hackers are now using social media to execute their schemes, posting links to bogus websites that capture information they can wield against you or your clients.

HOW TO COMBAT PHISHING

The most important step to contain the risk of phishing is to provide training to *all* staff, including every attorney. Training should include testing to demonstrate to employees how easy it is to fall prey to the schemes. Numerous free simulations that use examples of actual phishing schemes are available online.

Training also should cover the red flags of phishing schemes. For example, the messages usually have a sense of urgency, such as a subject line that says, "Are you available right now?" Other examples of subject lines used to lure in victims

ADDITIONAL SECURITY MEASURES

You also should look into password managers. A stunning number of people still use passwords like 1234 and PASSWORD. Password managers generate much more complex passwords and store them for users.

The most important step to contain the risk of phishing is to provide training to all staff, including every attorney.

Two-factor authentication, while a bit of a hassle, also is advisable. And be sure to implement hardware and software updates on a timely basis. In addition, stop using programs that are no longer supported by their makers, such as Windows 7, MS Office 2010 and various versions of Adobe Acrobat.

STAY ALERT

Hackers are only growing more sophisticated as time goes by. You owe it to your clients and yourself to stay up to date on the latest schemes and take the necessary measures to secure your systems. •

State of the midsize market: Resilience is key

Midsize law firms — from specialized boutiques to large regional firms and firms with multinational footprints — proved themselves "surprisingly resilient" during the COVID-19 pandemic. That's the topline news from the "2021 Report on the State of the Midsize Legal Market" from the Thomson Reuters Institute (TRI). The report includes some additional promising findings, as well as advice for the near future.

LOOKING BACK

An earlier TRI report on the state of the overall legal market concluded that changes to the industry, such as the move to more remote working and greater emphasis on productivity-enhancing tools, are likely to permanently alter the delivery of legal services. The latest report suggests that midsize firms are uniquely suited to take advantage of these shifts due to their value, flexibility and agility.

Although demand for midsize firms' services in 2020 was down compared to the prior year, demand was on the upswing at year end. That trend continued into early 2021. Demand was helped by a surge in personal and corporate bankruptcy filings.

Moreover, weak demand was offset to some degree by discretionary cost cuts (for example, in office and marketing expenses). As a result, midsize firms saw average profits per equity partner climb 5.8% in 2020, almost twice the pace of 2019.

One dark cloud hanging over the industry relates to productivity: Many firms are struggling to match their headcount against available work. As demand picks up, they'll need to better manage their capacity.

LOOKING AHEAD

Data from market research firm Acritas indicates that, while the largest firms boast more top-of-mind awareness with clients, that has more to do with headcount than anything else. Indeed, midsize firms are more frequently recognized for their value and pricing than large firms. So, to capture a bigger slice of the market, the recent TRI report advises midsize firms to build their brands, improve their technology platforms and market their competitive advantages.

For example, they should position themselves to benefit from a resurgence in litigation, after so many cases were put on hold during the pandemic. A wave of additional bankruptcy work provides another avenue for midsize firms to grow. Despite government assistance programs, numerous businesses are likely to fold over the coming year.

ACT NOW

The 2021 report warns that the window of opportunity may be brief, as it might prove difficult to repeat some of the factors that drove profitability last year. For example, further cost cutting may not be feasible. To build on the current momentum and achieve long-term success, midsize firms must seize their inherent advantages as soon as possible. •

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