

Thomson Reuters Institute

Compensation for law firm pricing professionals at the start of 2023

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The Great Recession of 2007-2008 and its fallout saw the introduction of two relatively new concepts into the legal marketplace: the alternative fee arrangement (AFA) and the rise of in-house legal operations/procurement. Prior to the recession, the typical pricing agreement between a client and a law firm involved the firm setting a rate, billing the client, and the client paying the bill. The advent of the AFA made that arrangement more complicated. Clients also increasingly turned to their legal operations procurement teams to drive down their legal costs.

In a few short years, the use of AFAs grew to nearly 20% of the average law firm's revenues, and with the rise in revenue, so grew the need for experienced professionals to help

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shepherd these arrangements into being and ensure their success. A key part of that role quickly became involvement in direct negotiations on rates with highly trained procurement professionals as well as strategic navigation of tools like reverse auctions, which clients sought to use aggressively to contain legal spend. While some firms have at least some members of their professional staff focused on pricing since long before the Great Recession, for many more, the idea of a dedicated pricing team has grown in importance in recent years.

For many firms, this has resulted in fierce competition for experienced legal pricing talent to lead pricing functions. Compensation has followed demand across the industry, from lead roles down to junior analysts.

The True Value Partnering Institute, in collaboration with its partners, Rees Morrison at Savvy Surveys for Lawyers, and the Thomson Reuters Institute, are pleased to offer this executive summary to their third survey of legal pricing professionals' compensation. Launched originally in 2017, this survey has charted the growth of legal pricing professionals, not only in terms of compensation but also team composition, and looked at where the team fits into firm structure, and how they spend their time.

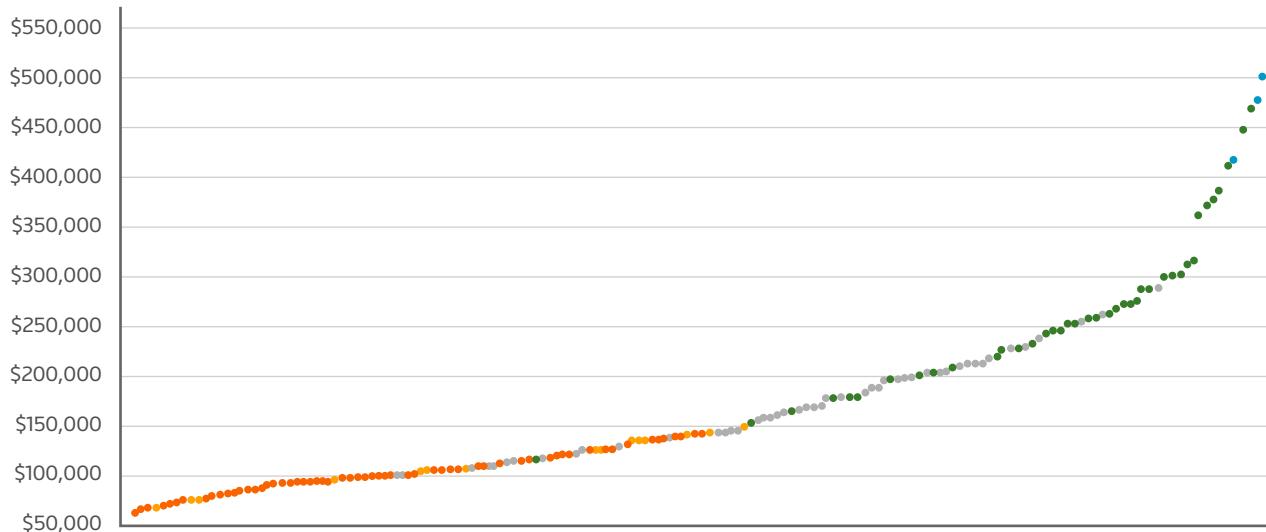
Please note, this document is only a summary of high-level findings from the in-depth research conducted for this project. For a more complete look at the results, please contact the team at the True Value Partnering Institute.

Total compensation for pricing professionals

Total compensation figures for pricing professionals within law firms span an understandably wide gamut, with a sharp uptick in the curve representing those chiefs and directors tasked with leading these functions.

Total compensation of pricing professionals

Title ● Analyst ● Specialist ● Manager ● Director ● Chief



Source: True Value Partnering Institute 2022

Even among similar roles, evidence can be found of some wide disparities, particularly among senior leadership. But in general, average compensation figures by roles are as follows:

Title	Average compensation
Chief	\$571,300
Director	\$270,400
Manager	\$177,700
Specialist	\$114,800
Analyst	\$114,800

Source: True Value Partnering Institute 2022

Averages only tell part of the story, however. For example, the difference between the lowest reported total compensation for a chief and the highest was a difference of almost \$480,000. It should be noted, that two years ago when we last conducted the survey, chief-level pricing officers were nearing \$500,000 at the very top-end of the

range; now nearly every chief-level officer surveyed exceeded the \$500,000 salary threshold. Similarly, the top-end and low-end compensation for directors varied by roughly \$300,000 with many of the more highly compensated directors earning as much as some chiefs.

The last version of this survey, released in 2019, made the point that how much money a pricing professional makes does not necessarily depend on title, owing to the fact that there

was little standardization among titles between firms. The same appears to be true today. Additionally, many of the higher compensated professionals in the prior survey have since moved into other roles such as the law firm's chief operating officer position, or into roles relating to client value, which would put them beyond the scope of this survey, even though their path to these high-powered roles started in the pricing function. Such a trend bodes well for successful legal pricing professionals.

Larger firms tend to pay more

The fact that larger firms tend to pay their lead pricing professionals more would not come as a surprise to most observers, as that tends to be true of these firms across job roles.

Rank	Average compensation
Top 50	\$365,000
51-100	\$318,800
101-200	\$219,800

Source: True Value Partnering Institute 2022

The full results further indicate that the largest firms also tend to have the largest variation in compensation to arrive at the median figure. Likely contributing to the difference is the fact that these top-tier firms are also more likely to not only have a robust

and experienced pricing function, but also one that's comprised of highly experienced professionals who can command top-level compensation. It has not been uncommon in the industry to see pricing leaders move from lower Am Law firms into higher-ranked firms as their careers progress, and salaries would increase commensurately.

It must be noted, however, while salary can be reflective of experience, it should not be assumed that lower compensation is indicative of lower levels of skill or experience. It is undoubtedly true that lawyers at Am Law Second Hundred firms can still boast of high levels of experience and skill, even though these firms might pay attorneys of all levels less than competitor Am Law 50 firms. The same is true for pricing professionals at these firms whose skill can rival peers with larger total compensation. Just as one should not assume that a higher priced lawyer would translate into a better matter outcome, one should not assume that a larger firm with a higher priced pricing team will guarantee better matter pricing; in both cases outcomes are much more closely tied to the skill of the individual performing the work than to what they are paid.

More years at a firm does not necessarily mean more money

As a corollary to the idea that compensation is not necessarily tied to a higher level of experience, the findings of the survey show that more experience with a given law firm is not necessarily a guarantee of higher compensation.

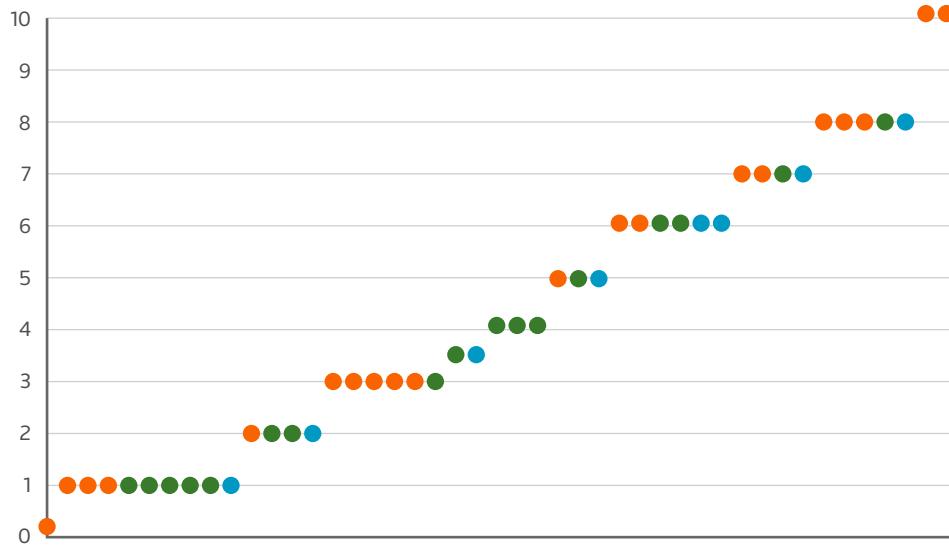
Years at current firm	Average compensation	Response count
0-2	\$571,300	20
3-5	\$270,400	20
6-8	\$177,700	2
9-11	\$114,800	2
11+	\$114,800	1

Source: True Value Partnering Institute 2022

It's noteworthy that average compensation drops off significantly among those with 9 or more years at their current firm. But it must be noted that the number of responses drop significantly among those with 6 or more years. This may be due to problems with sampling, but it's also possible that it is, frankly, hard to find a large number of professionals who have been with their current firm for more than 5 years.

Years as lead pricing professional with current firm

● Business ● Four-year college ● Law



Source: True Value Partnering Institute 2022

For those who lead their firm's pricing function, 5 years or fewer in the role tends to be the rule rather than the exception.

Greater than 50% of respondents report that they've been with their current firm for fewer than 5 years. In fact, almost 25% report being with their current firm for more than a year-and-a-half.

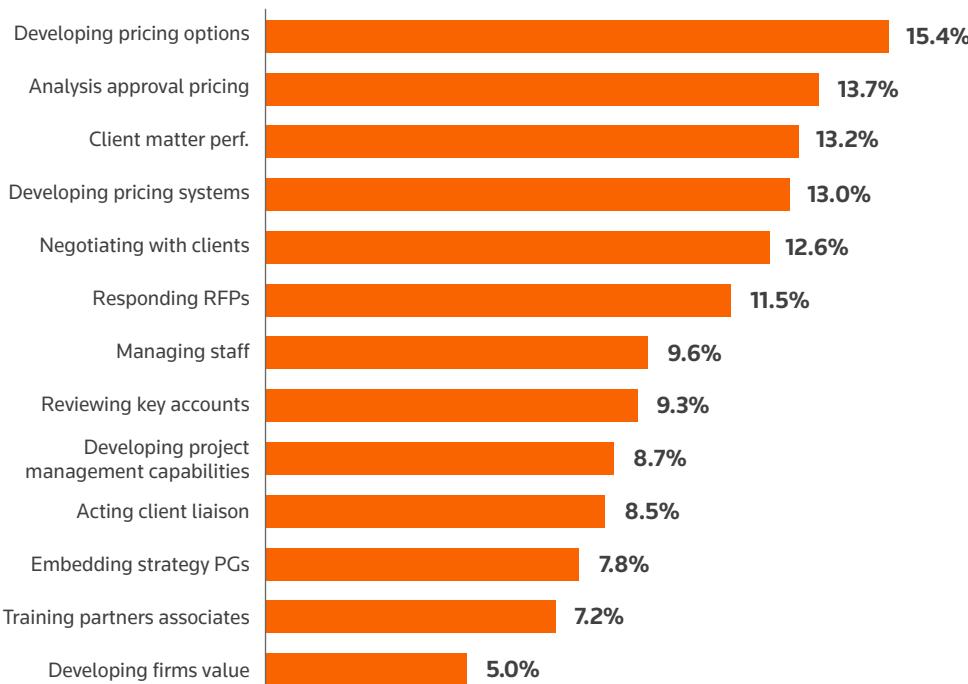
This high level of mobility provides a very likely explanation for why average compensation is higher among less tenured pricing leaders: presumably a move to a new firm comes with a boost in compensation, particularly in the competitive market for legal pricing professionals.

How legal pricing professionals spend their time

Those who are unfamiliar with the role of a legal pricing team might be surprised to learn just how much of their day is spent in a client-facing capacity. Contrary to the thoughts of many, the role is less about setting and enforcing firm billing rates and more about developing pricing structures and systems that create revenue and profit potential for the firm, reflect the scope of work involved in the matter, and serve the interests of the client in terms of cost predictability and overall budget.

Average estimates of time by activities

Lead pricing professionals



Source: True Value Partnering Institute 2022

Among the top 5 activities where lead pricing professionals spend their time, developing pricing options is, unsurprisingly, the top activity, with analysis and approval of pricing requests, evaluating historical client and matter performance, developing and embedding pricing systems, and negotiating directly with clients rounding out the top 5.

Who they report to and who reports to them

As another reflection of the different approaches law firms take to structuring their pricing teams, to whom the lead pricing professional reports can be quite different from firm to firm.

Person reporting to	Number	Percent
CFO/Finance Chief/Director	18	40.0%
COO/ED/Firm Administrator	14	31.1%
CMO/Chief Marketing Officer	4	8.9%
Chair or Head Pricing Team	1	2.2%
Chairperson or Managing Partner	1	2.2%
Chief of Client Value and Innovation	1	2.2%
Chief Practice Management Officer	1	2.2%
Chief Revenue/LPM Officer	1	2.2%
COO/ED/Firm Administrator, CFO/Finance Chief/Director	1	2.2%
ED/Firm Administrator	1	2.2%
Innovation	1	2.2%
Innovation & Practice Solutions Officer	1	2.2%

Source: True Value Partnering Institute 2022

Most commonly, the lead pricing professional reports to either the firm's chief financial officer or chief operating officer. However, examples can also be seen where the pricing team reports through a head of practice management, innovation officer, or client value head, or in some cases through the marketing function or even directly to the managing partner.

In terms of who reports to the lead pricing officer, team size and structure is another huge variable.



As the survey covered only law firms based in North America, it is unsurprising that relatively few report any members of the pricing team based outside the United States.

But the chart shows that even among those teams exclusively located within the US, the size of the team can vary widely, from as few as a team of one to as many as 15 professionals. The average pricing team consisted of 4.95 members.

In terms of geographic responsibility, respondents were close to evenly split between those who said their team carried responsibility for pricing for both the US and international offices (22 respondents) and those who said they carried responsibility for only US office locations (18 respondents).

A function whose need will grow

As discussed, legal pricing had its advent coming out of the Great Recession.

In the economic downturn brought on by the pandemic, pricing professionals played a key role in protecting law firms' paths to profitability and pricing integrity through strategies such as proactive offers for AFAs, strategic billing credit practices, and pricing training for lawyers.

In the current market where clients are being pressured from all sides by forces ranging from inflation to their own boards, law firm pricing professionals seem poised to jump to the forefront once again. The importance of budgets for legal matters, effective scoping of work, and a potentially renewed interest in AFAs on the part of clients will all require experienced professionals to lead law firm efforts to protect and grow profitability in a challenging market.

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Savvy Surveys for Lawyers

Savvy Surveys for Lawyers was founded by former practicing attorney Rees Morrison. Mr. Morrison has been a partner-level consultant at several firms for over 30 years. He has been an open-source R programmer for a decade, an expert on data analytics and data visualization, a NLP fan, and lead on more than 35 online survey projects for law firms and law departments.

