

Volume Discount?

I've just had a potentially very large client (who usually does not hire solos) ask me if I offer volume discounts. I don't usually do this, so I'm wondering if anyone has thoughts on considerations, pros/cons, etc.

If it helps, my practice is transactional.

My current inclination is to say "yes" but set a pretty high bar - i.e., they'd have to be sending me something like 40-50% of my overall hours in a given month, and then I'd offer only a 10-15% discount. But very happy to take any pointers on this.

Thanks in advance-

Make it conditional and structure it in tiers.

Ask if they'll commit to paying you a base retainer against minimum hours.

Roger Traversa, Pennsylvania

I offer volume discounts to regular clients; I tend to do it informally, though; once I start seeing repeat business from them

A lot of people will approach you and promise 'a lot of business' if you 'agree to discount' the fees; my general rule is, lets take it on a case by case basis and see how we get along; implied but unspoken in that is how much of a pain in the butt is the client; how responsive they are to my requests and inquiries; how much of demand they place on my time on relatively non time sensitive matters; how quickly they get me a check when I get them an invoice; how much they try to negotiate the bill, how much they complain about stuff.

I don't discount current work on the promise of future work.

Realize, the downside to having one "big" client is, what happens if client fires you; another is, will it conflict you out, i.e., will you be turning down other business because you represent Daddy Warbucks.

Ronald Jones, Florida

On a deal where you are offering a discount based on the percentage of your entire month that is devoted to the client's work, how are you going to track your overall monthly hours and report that to the client? And if you have a slow month from other clients, and this client takes up most of your time, you'll be obligated to give larger discounts. I think Roger's idea of structuring it in tiers makes more sense.

20 hours - 5% discount (or whatever number you think is good)
40 hours - 7.5% discount
60 hours - 12% discount
etc., etc.

The more hours, the greater the discount.

Scott I. Barer, California

I meant that only in a ballpark sense, not a formal sense; i.e., my usual target is to bill a certain # of hours, and base it on that. Actually, counting how many hours I billed would be too uncertain and complex, as you say.

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>

Yeah, I think that's very sane.

Luis Villa, California

When I am asked about discounts, I tell the client that my hourly rate is about half of what they would pay at BIG FIRM for the same experience level and expertise. Any discounts above that are after a relationship has been established . . .

Walter D. James III, Texas

Preferably do a trial period and phase in. Either one of you can get out if you want. See how it works.

Set out "normal" rates or fees and schedule discount on volume. Consider what additional staff or resources may be required. Keep in mind any disruption to your practice as you scale up and down with this client.

Some people are just volume fishing. I have run into good sized companies that figure that they can do what they want after the solo becomes dependent on them. If both parties understand that it only works if neither feels disadvantaged, and good value exists for both, the situation can be workable.

Darrell G. Stewart, Texas

I once had a client that asked me for volume discounts. That client thought that the more transactional work they sent me the greater discount they should get. When I figured it out, I responded that I couldn't afford to do a lot of work for them because then I would be paying them given the total negative discount it would reach.

I think it's on wise, because they will tie up your time and you will be billing at a very low rate. This reduces your ability to look for better transactional work at a good rate. It seems enticing when you are not very busy and when you're trying to build your practice but long-term, it does not work out well.

The end of my client's story was that it ended up owing me several thousand dollars. It gave me a "courtesy" called to let me know that it was planning to file for bankruptcy protection, so that I could take a write off or seek to be listed as a creditor. The fact that I'm a cash basis taxpayer doesn't give me any write off. So, I thanked the client and told it to go ahead and file if that was what it was going to do.

Miriam Jacobson, Pennsylvania

Oof. Would the tiered approach suggested elsewhere in the thread have avoided the "paying them to work for you" problem? Or is there a wrinkle the rest of us should be aware of?

Luis Villa

I have not seen the others replies when I responded. I definitely think you have to have an experience place with any particular client to know how much of a PITA they will be and whether they are good payers or delinquents before you start giving anything away. So, some combination of those suggestions is a good idea. However, I would bear in mind how much it will tie you up and whether you will want to be free to take on other, better paying work in the future.

I know that when I have taken on lower hourly work out of the goodness of my heart, and the client turned out to be a pain, I've become very resentful, and sent a memo to myself not to do that again.

Miriam Jacobson

One consideration is whether you can automate or reuse the same documents with that client and cut down time spent on their files. I have one client I offer a discount to but we use the same forms over and over and it's very easy to discount because my time is minimal and on a flat fee. Using the form tool, I can have an entire projects documents done in a few minutes.

Therefore, I'm happy to discount assuming I can charge a *flat fee* and reduce the amount of time required on their projects.

Joseph Damiens, Mississippi

One of many dangers of prospective work is a story I have not told in a while. 10 years or so ago one of my clients was generating 10+ document packages weekly in specialized lending. I had standardized the forms where I was able to give a straight fee and minimized time involvement in the process, but it still took a couple of hours work. My flat fee was less than it would have been under an hourly rate structure, but I was comfortable because of volume and other factors.

Company principals came in to talk about their expansion into new markets. With added offices, work was supposed to be a 800% increase initially and progressively bigger thereafter. The company asked that I staff up immediately with two or three

attorneys and several paralegals to meet their projected volume. They had an entire presentation on their projections.

Although I had a clear view of what I wanted to do, I asked for a few days to think about it. I basically told them that I was committed to serving their needs, but they needed to leave it to me to staff their work appropriately. I also reiterated that if my firm was not turning their work around quickly or they had any issues, please call.

The work was fast and furious for about a year before the market changed and the two principals separated. If I had staffed up as requested I would have been laying off people fairly quickly. I know of many similar instances, especially with those who have jumped hard into oil and gas activities, but this is just a simple example.

Many times, people have approached me and told me the work they would send would lead to major expansion in my firm. Generally, I look at scaling up and volume as a factor, but for one reason or another the client projections have not proven out. The only safe method I have ascertained is to commit to a carefully evaluated path with good feedback loops, ramping up the work and maintaining quality, in a way that neither the law firm nor the business feels disadvantaged.

Darrell G. Stewart

One thing to consider: I think large firms build room for a discount into their pricing as a customary practice. When I was in-house, I always asked for a discount, and I always received one, typically between 10 and 15%. It sounds like this client is accustomed to firms that are large enough to do so. If you do not have that wiggle room, you should act accordingly, and explain accordingly as well.

Kelcey Patrick-Ferree, Iowa

Yeah, that's exactly the situation here - it's not that the client is trying to squeeze me in particular, it is that they are so big that (1) they rarely ever deal with solos and (2) they expect to squeeze *all* their attorneys. But I've got niche skills they need, so... I guess we'll see :)

Thanks to everyone for all the terrific advice!

Luis Villa
