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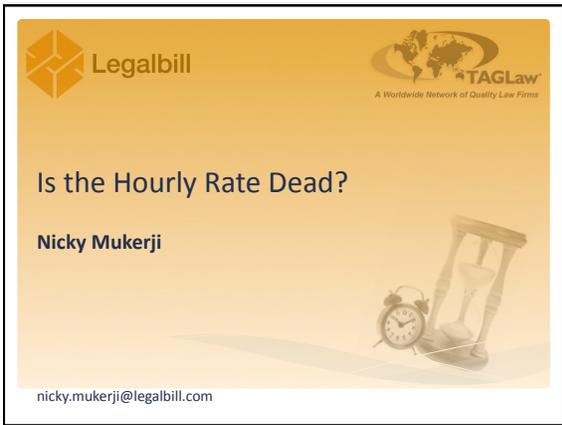
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Who will save us?

### Alternative Fee Arrangements

Alternative Fee Arrangements (AFAs), in the practice of law, occur when payments to a law firm are based on a method other than billable hours






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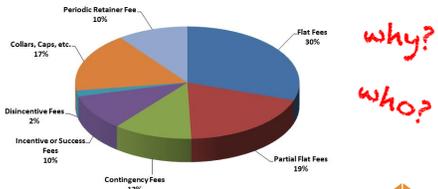
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... let's see some "real" data ...

In 2010, 78% of corporate counsel claim to have used some form of AFAs

Types of AFAs used by Corporate Counsel in this survey






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Facts are stubborn things ...

FACT: Alternative Fee Arrangements are here to stay

FACT: Less than 10% of all billing is done using AFAs

FACT: Usually the request to consider an AFA comes from the client





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so what should law firms do?

**BE PROACTIVE**

- \* Do not let AFAs force you to change your business management strategy
- \* Change your business management strategy so you are ready for AFAs



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Why are clients demanding AFAs?

- \* I don't really know what I'm paying for ...
- \* Did I just get overbilled?
- \* Matter budgets are seldom adhered to ...
- \* Pressure from the CFO's office ...



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Why are clients demanding AFAs?

- \* AFAs will provide a partner
- \* AFAs will ensure that law firms will have to look at financial implications as it plans client matter strategy



The Basic Premise behind AFAs is to improve attorney-client relationships.



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How can a law firm be AFA-ready?

**TECHNOLOGY**

- \* Ensure a technology framework to help collect and analyze billing data
- \* Verify that time is billed and recorded accurately
- \* Integrate matter management and time recording

 Accurate Recording of Billable Time is critically important for a law firm interested in AFAs

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How can a law firm be AFA-ready?

**TECHNOLOGY**

 Accurate Recording of Billable Time is critically important for a law firm interested in AFAs



Is the billable hour dead?

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How can a law firm be AFA-ready?

**MANAGEMENT**

- \* Develop a profitability model for the entire firm using billing data, collections, and actual costs
- \* Evaluate new matters continually on the basis of profitability, not revenue

 AFAs should always be internally evaluated on the basis of profitability, not revenue

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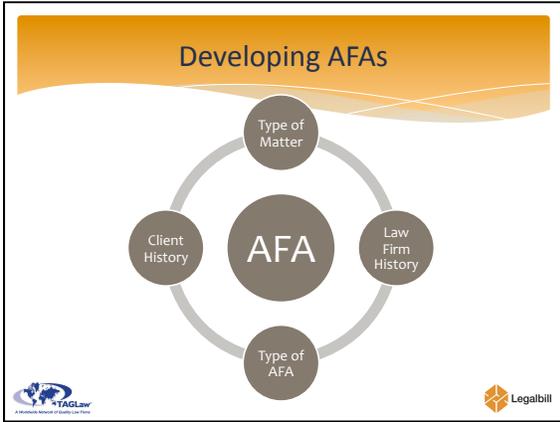
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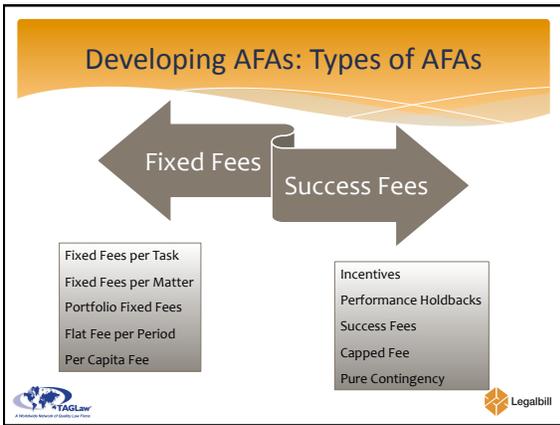
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### Developing AFAs: Type of Matter

- \* EASY: Standard, Repetitive Litigation previously handled by law firm for client
- \* NOT SO EASY: Standard, Repetitive Litigation previously handled by law firm but not for client or client industry
- \* HARD: Complex Litigation with unpredictable outcomes possible

**Not all types of matters can be EFFECTIVELY billed using Alternative Fee Arrangements**

TAGLaw Legalbill

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### Managing AFAs

- \* Develop Risk, Quality, Satisfaction, and Cost Parameters at the beginning of an AFA
- \* Continually evaluate the matter for these parameters to determine if management strategy is appropriate
- \* Share results with client on a regular basis

 **AFAs should continually be evaluated for Client Satisfaction, Work Quality, and Cost-Effectiveness**

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### Managing AFAs : Win-Win

- \* Managing an AFA would require constant attention to matter staffing and leverage
- \* Cost-Benefit Analysis is a powerful tool in evaluating the financial aspects of matter strategy
- \* Lessons Learnt from previous AFAs are important for developing future AFAs

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### Summary





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**Expert Panel**

Bob Lee  
MAQS; Stockholm, Sweden

Robert Levy  
Kuit, Steinart, Levy, LLP; Manchester, England

Rick Breen  
McLeod & Company; Calgary, Alberta, Canada

John Gisleson  
Schnader Harrison Segal & Lewis LLP; Pittsburgh, PA, U.S.A.



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**Expert Panel: Questions**

- \* Your Firm's experience with AFAs
- \* Effect of AFAs on time keeping practices
- \* AFA profitability
- \* Obstacles to AFAs
- \* Are AFAs the future of your firm?



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**Thank You**

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nicky.mukerji@legalbill.com



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