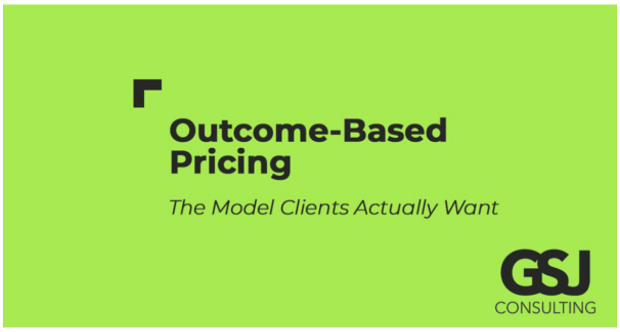

OutcomeBased Pricing: The Model Clients Actually Want

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For decades, the legal industry has relied on a single dominant pricing method: hours multiplied by an hourly rate. It’s familiar, predictable and deeply ingrained in how lawyers think about value:

More time, means more work; and more work, means a higher fee.

But clients don’t experience legal services that way. They never have. That’s because clients aren’t buying hours, they’re buying outcomes.

When a client instructs a lawyer, they’re not seeking ten hours of research or eight hours of drafting. They’re seeking something far more meaningful: a dispute resolved, a deal completed, a risk mitigated, a contract negotiated, or a regulatory issue removed from their agenda. The value lies in the result, not the input effort.

Hourly billing, however, prices effort. It rewards time spent, not outcomes and results. And for clients, especially in-house teams under pressure to control spend, that disconnect has become increasingly difficult to justify.

This is why more clients are reframing the conversation. Instead of asking: “What’s your hourly rate?” they’re asking:

“What outcome will you deliver, and what will it cost to achieve it?”

A subtle shift, but what results is the foundation of outcome-based pricing.

What outcome-based pricing actually means

Outcome-based pricing links the fee to the successful delivery of a defined result, rather than the number of hours required to achieve it. This isn’t a radical idea. Elements of outcome-based pricing already exist across the profession:

- Litigation success fees
- Contingency arrangements
- Debt recovery priced as a percentage of funds recovered
- Transactional fees tied to completion

Outcome-based pricing simply extends this logic more broadly. The lawyer is not selling time, they’re pricing the achievement of a result.

Why clients prefer outcome-based pricing

From the client’s perspective, the advantages are compelling:

1. Aligned incentives

When pricing is tied to outcomes, both parties want the same thing: an efficient, effective outcome. The focus shifts from hours spent to problems solved.

2. Cost certainty

Outcome-based pricing provides clarity upfront. Clients know the cost of achieving a particular result before the work begins, rather than watching fees accumulate unpredictably.

3. Demonstrated confidence

A firm willing to price around outcomes signals that it understands the matter, the risks and the path to the requested outcome. It shows commercial maturity and confidence in its own expertise in getting the right result for the client.

For clients managing large external legal budgets, these benefits are not just attractive; they’re the in-house General Counsel’s own KPI.

Why do firms hesitate on outcome-based pricing?

Despite clear client demand, many firms remain cautious in adopting outcome-based pricing. The billable hour is deeply embedded in the profession's DNA. Internal systems, partner remuneration and utilisation targets all revolve around time recording. Shifting to outcome-based pricing requires firms to rethink:

- how they define value
- how they measure productivity
- how they assess profitability
- how they structure internal incentives

There's also a perception that outcome-based pricing introduces risk. Legal matters can be unpredictable and outcomes may depend on factors outside the lawyer's control.

But in most cases, the "outcome" being priced isn't a court judgment or regulatory decision. It's a milestone: a contract finalised; a deal completed; a dispute settled; a risk removed.

These are outcomes lawyers deliver every day!

How hybrid pricing models bridge the gap

Most firms don't jump straight into pure outcome-based pricing. They start with hybrid structures that balance certainty with flexibility. Common approaches include:

- **A fixed base fee** for core work, plus
- **A success-based component** triggered when the agreed outcome is achieved

Or:

- **A reduced base fee** in exchange for a performance-related upside

These models allow both parties to share risk while aligning incentives. They also encourage lawyers to think more deeply about what the client actually values and how their expertise contributes to achieving this outcome.

A different way of thinking about legal pricing

Outcome-based pricing is more than an alternative fee arrangement. It represents a shift in mindset. Instead of selling hours, firms position themselves as partners in achieving a defined result. Instead of measuring value by time spent, they measure it by impact delivered.

The billable hour won't disappear entirely. It remains embedded in many areas of practice. But client expectations are changing rapidly:

- Procurement teams want predictability
- In-house counsel want alignment with outcomes
- Organisations want advisors who solve problems, not just record time

Outcome-based pricing responds directly to these expectations.

Read more on pricing here: https://www.gsjconsulting.com.au/blog/category/pricing/

If your firm is weighing up how to move toward outcome-based or hybrid pricing without unsettling your existing fee base, GSJ Consulting can help you build a model that works for your practice.
