

Value Practice**Value-Based Fee Arrangements- The Body Shop's Approach to Structuring Relationships****Susan Flook****Interviewed while Group General Counsel for The Body Shop International Plc****Background**

All legal matters for The Body Shop International Plc are handled using value-based/alternative fee arrangements.

The legal department has a budget that is approved by management annually. In addition, each of the company's business areas has an 'internal order code' for legal services. The General Counsel works with the various business areas to set annual budgets for legal services for their area—based on value and perception of legal services. In-house lawyers responsible for supporting the various business areas are also responsible for managing the relevant legal budget for that area.

This ACC Value Practice piece highlights the law department's practices for creating and managing alternative fee/value-based arrangements and related invoice and billing practices to help efficiently track and manage legal budgets.

Set the Budget and Stick to It

As noted above, the legal department has an annual budget for all legal services, including outside counsel spend. The General Counsel describes the budget as a 'pot of money' for the year, and it is up to the legal department—working with the business clients—to assign value or perception of value to matters for each of the business areas, and to ensure that services are provided within the allocated budgets.

This approach also extends to external counsel performing legal services for the company: they provide—in advance—a proposed budget for each matter. Proposals that vary significantly from the legal department and business client's value assessments are rejected. The General Counsel notes that such a disconnect might occur rarely, if at all, because of good working relationships with external counsel and a mutual understanding of the overall value assessment and budget management process.

Alternative Fee Arrangements include:

- Litigation matters- deconstruct matters into phases and set budgets for the services tied to the various phases
- Transactional matters- might be based on percentage of transaction, with a cap.

Billing Practices- Managing and Tracking Costs and Budgets

The legal department implements practices designed to align with setting and tracking budgets. Practices include:

- ***One matter per bill; purchase order number included for tracking-*** if the firm handles multiple matters for The Body Shop, charges for each assigned matter must be submitted on separate invoices so that the reviewing attorney can easily discern the total charges for each matter and the firm's compliance with billing practices.

- ***Monthly bills -*** Invoices are sent monthly and must include the purchase order number plus the quoted budget amount. This helps ensure that the legal department stays on top of fees and budgets in a timely fashion.

Contact Information

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