



EDDix
Knowledge Freeway

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Adam Smith, Esq.

... An inquiry into the economics of law firms ...

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Electronic Discovery in Litigation

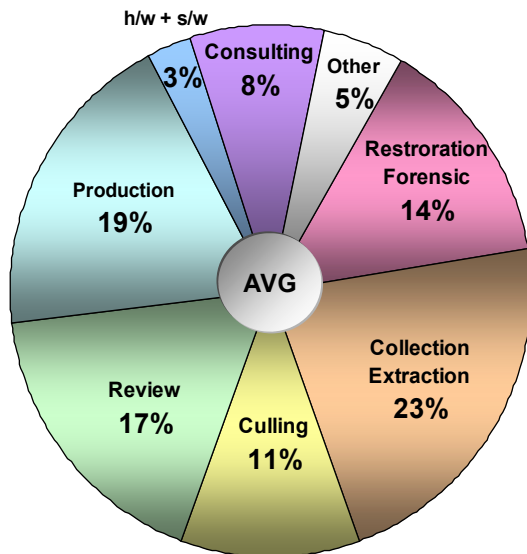
EDD Supplier Landscape

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E. Revenues & Margins

2 Revenues by EDD Function

▶ *What percentage of total revenues does your company derive from each of the following EDD services categories?*



Not all companies offer a comprehensive suite of EDD services ... so responses varied widely, reflecting the specialization of some respondents.

Therefore, responses have been weighted to reflect the relative size (revenue) of the respondent. Accordingly, a more accurate restatement of the question being answered by the chart at left is ... *“Of all EDD revenues generated by this group, how are those revenues allocated by service area?”*

When profiling individual companies, the original question enables us to “follow the money” -- and hone in on real-world (rather than stated), business drivers.

For many of our readers, however, we thought it more meaningful to provide metrics which approximate answering a different question ... *“In an average EDD engagement, how will my dollar be spent.”* While not a perfect analog, we believe this approach to the analysis comes close.

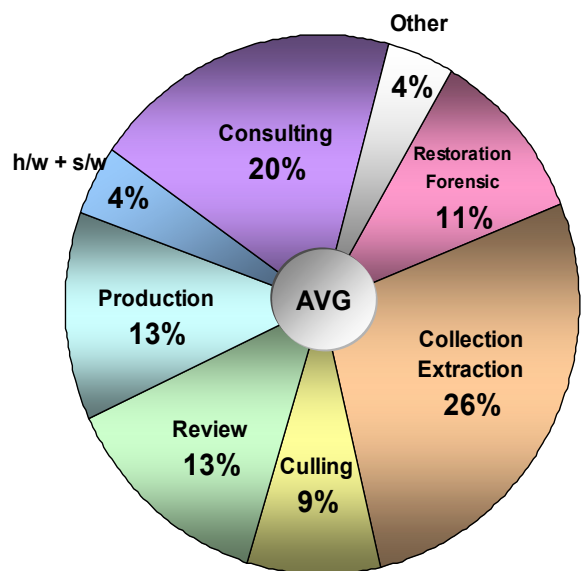
3. Margins by EDD Function

▶ *What percentage of total margins does your company derive from each of the following EDD services categories?*

Modern business wisdom holds that IP embedded in technology provides greater leverage than IP embedded in people. Interestingly, the two highest yielding margin areas in EDD – consulting and data collection/extraction – each depend on people delivering know-how.

Because they scale linearly and the assets walk out the door every evening, professional services businesses fetch modest multiples and were all but buried by investors during the recent tech boom. And yet a critical mass of skilled personnel, enabled by technology and intelligently deployed, present a more formidable barrier to replication than technology alone.

Today, EDD is far from a lights out, technology-driven business. It is an applied know-how business where, for the time being at least, both the know-how and the application still reside in the heads and hands of people.



G. Growth Strategies

▶ Rank the following as to their relative importance in your strategic growth plan over the next 12 months ...

NEW GEO MARKETS

NEW VERTICAL MARKETS

ALLIANCES & ACQUISITIONS

NEW PRODUCTS

EXPAND WITHIN THE CORE

As with our other questions regarding market positioning and strategy, the responses vary widely reflecting the current strengths and weaknesses of each respondent ... where you sit is where you stand.

Across the group, responses reflect appreciation of the relatively high cost of customer acquisition and the attractiveness of growth strategies based on relationship yield maximization – i.e., acquire customers, then sell them more services.

2004-2005 Research Program

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EDD Supplier Profiles

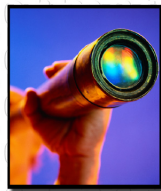
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Law Firm Perspectives on EDD

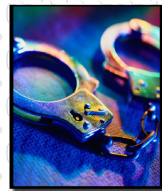
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Judiciary Perspectives on EDD

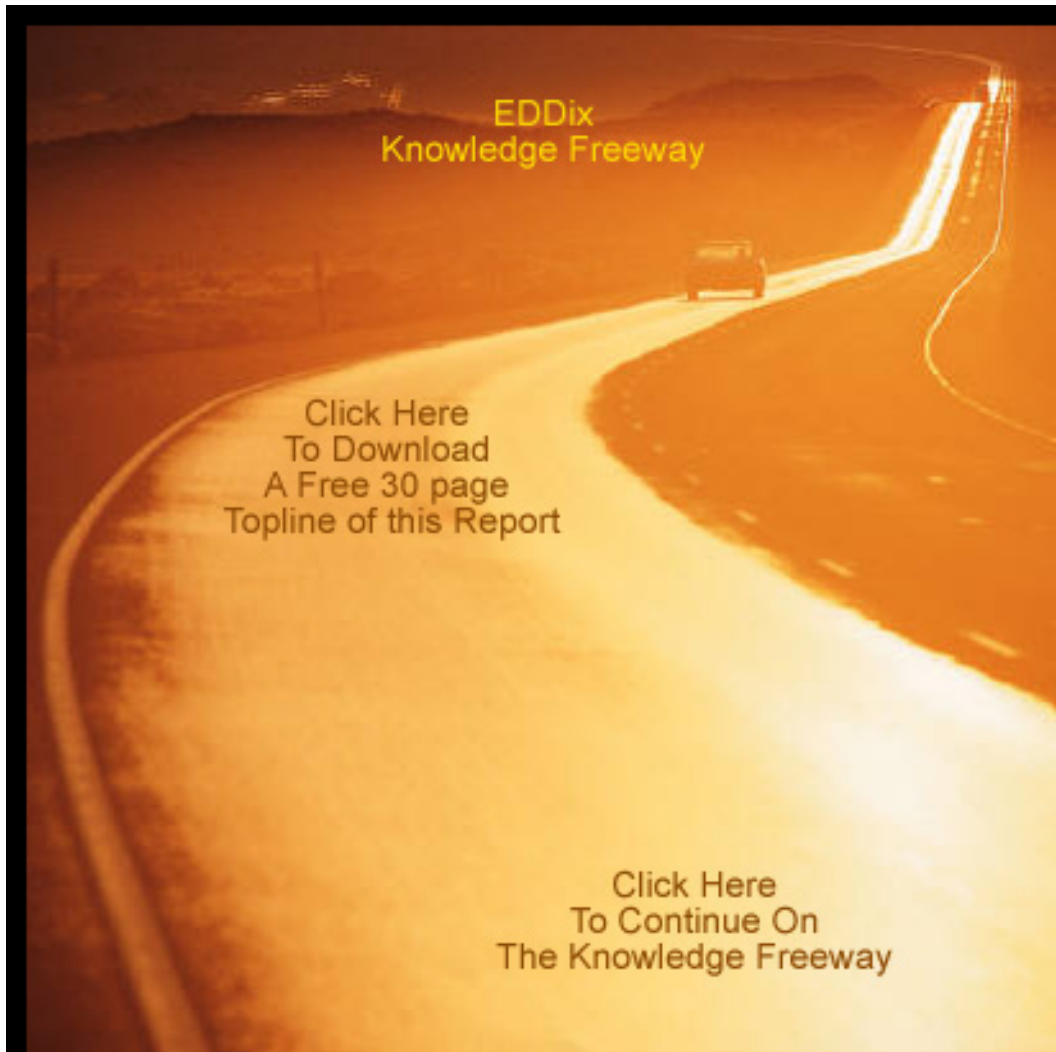
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Legislative & Regulatory Perspectives on EDD

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