The Digital Advantage®

A Semi-Monthly Electronic Discovery Primer

October, 2004

Electronic Discovery from a Different Perspective

Take a look at the business of ***Electronic Discovery*** through the eyes of e-discovery service providers. A new report provides in-depth views and metrics for vendor size and composition, products and services, features and functions, pricing, and much more. The report produced by EDDix runs 118 pages and represents a new level of analysis for the EDD marketplace (which, by the way, EDDix pegged at $1.3 billion for 2004, a figure that is substantially larger than previously published estimates).

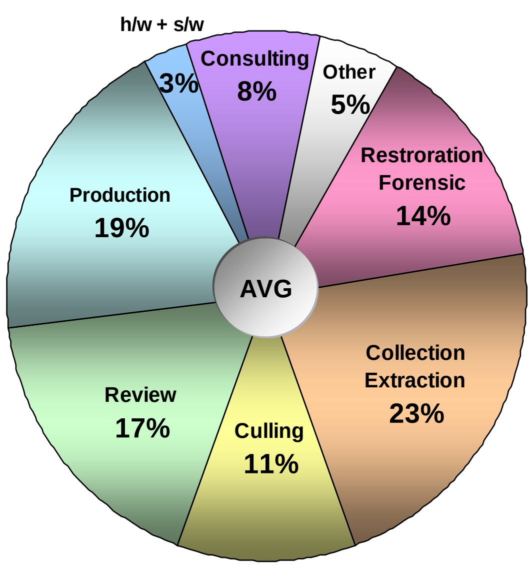
A Topline report is offered free at www.eddixllc.com. The following information is not included in the free report, and is reprinted with the permission of the great folks at EDDix LLC.

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.

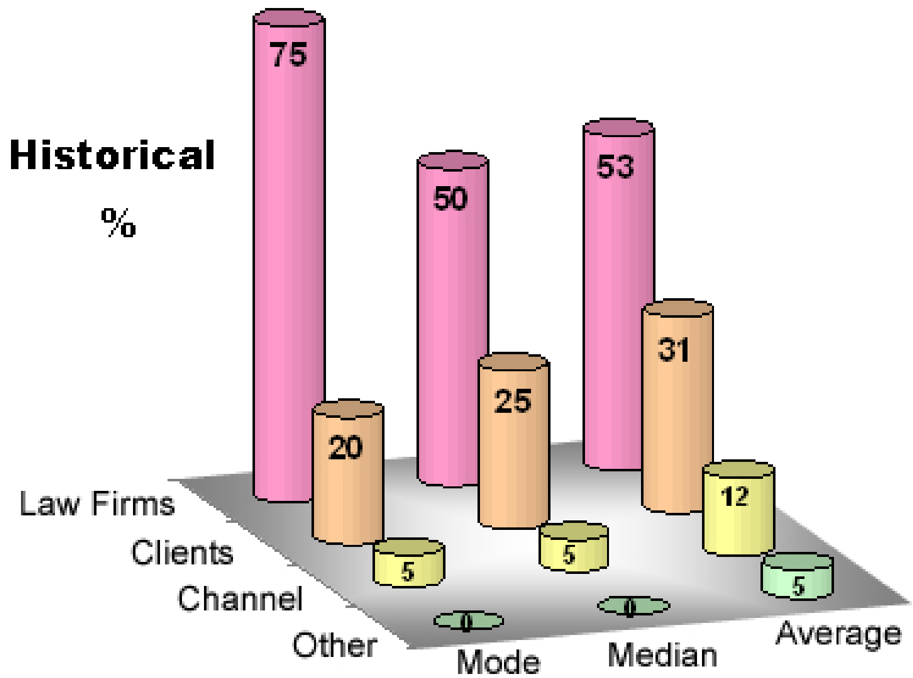
For many of our readers, however, we thought it more meaningful to provide metrics which approximate answering a different question … *"In an average EDD engagement, how will my dollar be spent."* While not a perfect analog, we believe this approach to the analysis comes close.

Sources of Business

What percentage of total new business engagements have you directly derived from each of the following sources – historically and in the future?

While some plaintiffs have used electronic discovery strategically, EDD activity on the defense side has historically been a tactical response.

Not surprisingly, EDD firms have received the bulk of their business from law firms who find, mid-matter; they need to respond to plaintiffs' disclosure requests.



Some EDD Suppliers have formed relationships directly with clients – especially in high-litigation verticals (e.g., tobacco, pharmaceutical) – but this has been the exception and not the rule.

Faced with the high start-up and operating costs associated with establishing a brand and sales presence in top law firms, some EDD Suppliers have established alliances or channel partner relationships with companies in related spaces (e.g., litigation support), either to supplement their own selling efforts or as an alternative to direct sales. In another form of channel partnership, firms with an EDD specialization sub-contract to full-service EDD providers.

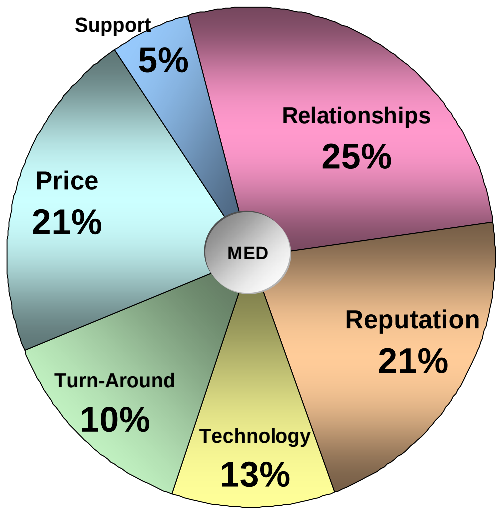
In all events, the primary purchaser of EDD services, and therefore the target of Supplier marketing and service efforts, have been law firms (litigators and lit support), rather than end-litigants. Because the bulk of electronic discovery activity has taken place in large, complex cases, large law firms have shaped the landscape as the major purchasers of EDD services. We see that dynamic changing.

Supplier Selection Criteria

Assign a percentage reflecting the relative influence of each of the following in determining supplier selection for a typical EDD engagement...

Reputation gets you in the door … **Price** is an early determinant … but **Relationships** keep you in the law firm's vendor stable. (See related responses re: continuity of business relationships and infrequency of competitive bidding.)

Technology is seldom a distinguishing factor that resonates with attorneys. **Turn-Around Time** appears to be a relatively minor factor in vendor selection, even though it is common for too little time to be allocated to EDD in the case timeline. **Support** is mere process and considered pass/fail in the legal world (i.e., results are more important than process).



Something about EDD is reminiscent of a patient on a gurney en route for an emergency appendectomy – this is probably not the best time to vet the qualifications of the surgeon nor to engage in a lengthy discussion about approach, methodology, price or other terms and conditions.

In our subsequent research projects, we will be very interested in comparing responses to this question from respondents on the *buy side* (Law Firms and Global 1000 CLOs), to those on the *supply side*.

While a clear mental hierarchy of value emerges from a glance at the pie chart, the granular response data is far more complex and interesting. In the full report is a map of responses by Suppliers indicating no discernable pattern exists. The hierarchy of value is truly in the eye of the Supplier.

That each Supplier perceives a different rank order value for these purchase criteria gives rise to some interesting chicken-and-egg-type questions …

As you can see from the information above, the EDDix report provides in-depth and essential analysis about the electronic discovery marketplace. Thanks again to EDDix for giving us a peak at the full report. Please take the time to download the free Topline report at www.eddixllc.com.

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