

Q2, 2013

Quarterly Critical Trends Report

 **TCG** Advisory Services & Market Research



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Executive Summary



As the first half of 2013 comes to a close, so does our Q2 Critical Trends Survey. This quarter's survey concentrated on 13 different trends around predictive coding including who is using it, when, and why. The survey also asked about the rate of change and implications for management. With data increasing at a rate of 40% per year, the question is no longer whether to use predictive coding, but how and when.

Of the 37 firms that participated in our Q2 Critical Trends Survey, 62% have used predictive coding. However, client demand is outpacing law firm capacity. 81% reported increased client requests for predictive coding. Of those who have used it, 71% increased use in the last year and 82% expect to use it in the next six months.

Firms are using predictive coding at various stages of discovery. Not surprisingly, more than two thirds used it for review, after keyword filtering. Half used it before keyword filtering. Half also used it for reviewing third-party-produced documents. Interestingly, 35% used it after keyword filtering instead of review.

Likewise, the firms' reasons for using predictive coding varied largely, as expected, with some surprises. 81% used it to reduce expense of attorney review. Over 60% used it to reduce data volume, contract review expense, and response time. Interestingly, about half used it to accelerate attorney learning of the case.

Most firms are seeing a substantial impact on costs and management. Two thirds said it is decreasing costs, though a quarter aren't yet sure. Responsibility for managing predictive coding is currently distributed mainly among law firm litigators, law firm litigation support, and legal service providers. Respondents expect management of the predictive coding process by firm litigation support or project managers to increase.

Demand for predictive coding talent is increasing. Of the AmLaw 200, 29% increased hiring for predictive coding expertise and 33% expect future hiring to continue to grow. None expect hiring to decrease. 81% of respondents view predictive coding as an opportunity for their career.

Our report explores the new predictive coding questions for discovery executives around the "how" and "who" for eDiscovery success. These are important questions you should be considering as you build your team and continue your professional growth.



How has predictive coding usage changed?

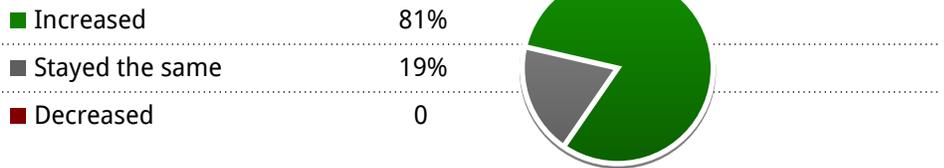
USE OF PREDICTIVE CODING

Of the 62% of AmLaw firms that have already tested predictive coding technology, 96% of them have then utilized predictive coding on at least one live case.



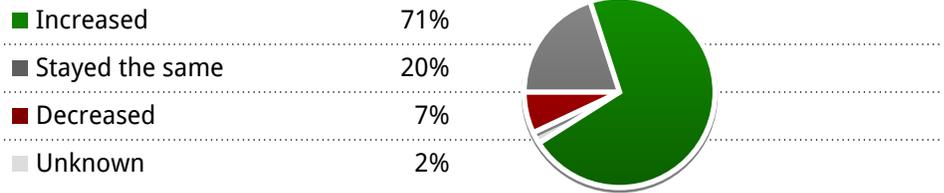
CLIENT REQUESTS FOR PREDICTIVE CODING

The volume of client requests for predictive coding has at 81% of firms since Q2 of 2012 and none of the remaining 19% of survey participants have seen a decrease in these requests.



USE OF PREDICTIVE CODING: 2012 VS. 2013

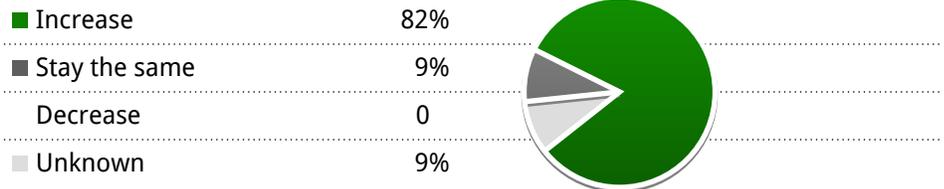
2013 has just reached its midpoint, and in that time 71% of firms have seen an increase in their predictive coding usage. We expect to see this trend with the remaining firms by the end of the year.



*See Methodology Section

FIRMS' PLANS TO UTILIZE PREDICTIVE CODING

In the next six months, 82% of firms are planning to increase their use of predictive coding. The remaining 18% are equal, either unsure of what will happen or predicting it will stay the same.



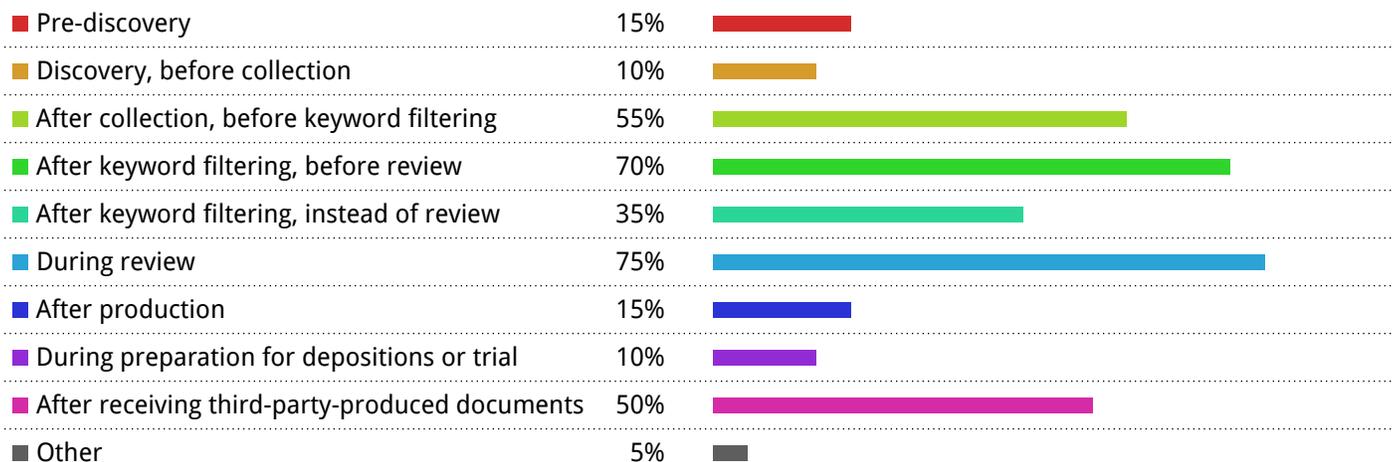
*See Methodology Section



When are firms using predictive coding?

STAGES OF DISCOVERY

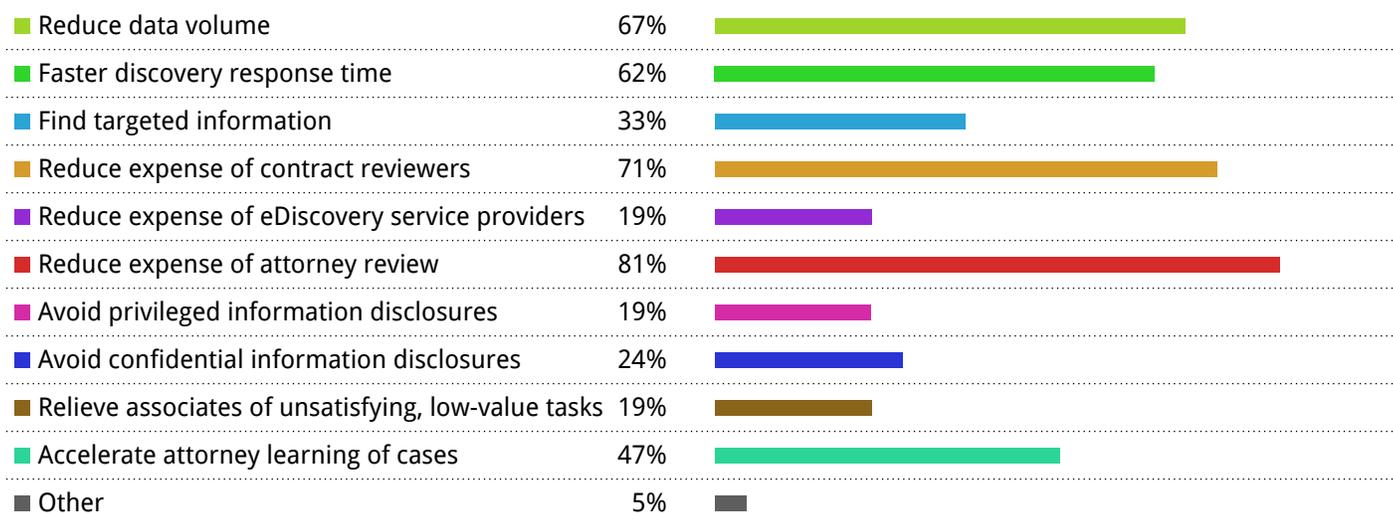
Predictive coding tools are being used during multiple stages of the review process. They are mainly used after collection before keyword filtering, after keyword filtering, and during review. 50% of participants also said that they use predictive coding after receiving third-party produced documents which does not occur with every case.



Why do firms use predictive coding?

PERCEIVED BENEFITS OF PREDICTIVE CODING

When building a business case for why your firm should be using predictive coding tools, there are many reasons to cite. Survey participants said that their main reasons for using predictive coding are to reduce the expense of attorney review and contract reviewers, reduce data volume, and have faster discovery response time.

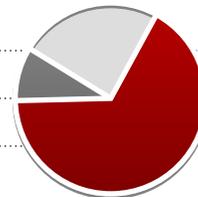




PREDICTIVE CODING'S IMPACT ON LITIGATION COSTS

67% of firms reported that the use of predictive coding reduces the cost of litigation, 9% believe that costs will stay the same, and 24% are not sure of the impact that predictive coding has on the cost of litigation.

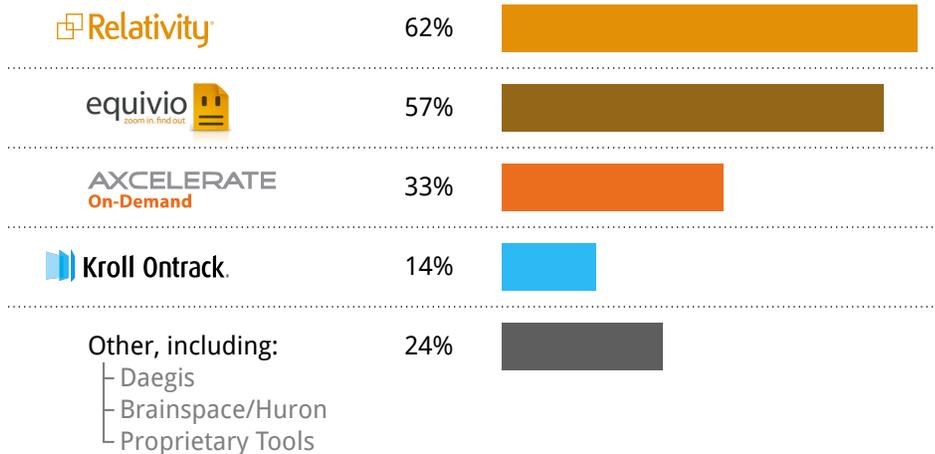
Increase	0
Stay the same	9%
Decrease	67%
Unknown	24%



Which predictive coding tools are firms using?

PREDICTIVE CODING SOLUTIONS

According to survey participants, firms have had exposure to more than one predictive coding tool. 62% have used Relativity and 57% have used Equivio. Others include Axcelerate, Kroll Ontrack, Daegis, Brainspace, Huron and additional proprietary tools.

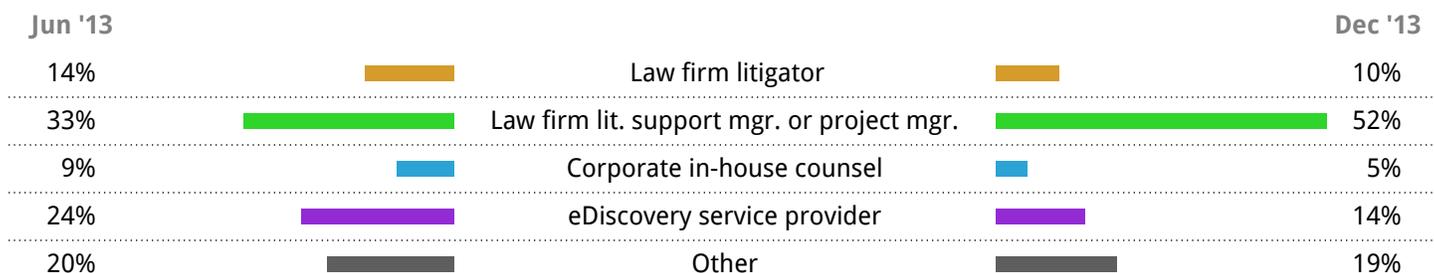




Who is responsible?

EXECUTIVE RESPONSIBILITY

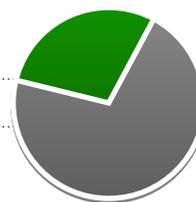
33% of participants said that law firm litigation support managers or project managers are responsible for setting up and managing their predictive coding technologies. When asked who will inherit these responsibilities around the end of 2013, 52% of respondents said they foresee law firm litigation support managers or project managers taking over this duty.



HIRING FOR EXPERTISE (PRIOR STATE)

29% of firms have hired predictive coding experts in the past 12 months and team sizes at 71% of firms have stayed the same. No firms reported decreasing their team expertise in predictive coding

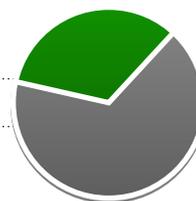
■ Increased	29%
■ Stayed the same	71%
■ Decreased	0



HIRING FOR EXPERTISE (FUTURE STATE)

33% of participants say that their firm will increase headcount by hiring in-house predictive coding expertise within the next six months. The remaining 67% do not foresee any new in-house predictive experts joining their team before 2014.

■ Increase	33%
■ Stay the same	67%
■ Decrease	0

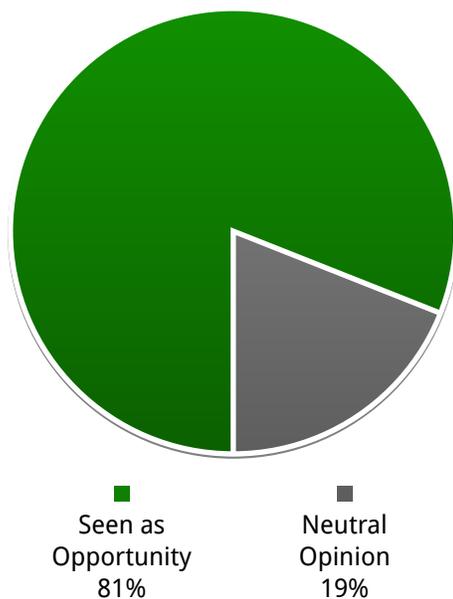




What does this mean for your career?

PERCEIVED IMPACT ON CAREER

It is apparent that with all these new technologies available, predictive coding will have a direct impact on the careers of members of this community. It is reassuring to see that 81% of participants see predictive coding as an opportunity for their career. The next question seems to be, "how can you seize that opportunity?"



WHAT OUR COMMUNITY IS SAYING

- “ There is a gap between innovators and early adopters; those early adopters are going to have the head start. ”
- “ It is important for the community to understand how fast the game is being played. ”
- “ What you manage, who you manage, and how you manage is changing and will really impact where your career can go. ”
- “ Consultancies and vendors will have the most capable talent sooner than anyone else. They have the capability and capacity. ”
- “ Experiential knowledge is key. No one can tell you what the Matrix is, you have to see it for yourself. ”
- “ This is not your grandmother's document review. ”
- “ Predictive coding is a better search and we're watching the industry go to a revolution. We are going to come out at the end looking at a higher-level skill set. There is college ball, semi pro where you play at a different speed, and major league where everything is 10 times faster. There is major league ball being played in our community. ”

What's Next?

The increased use of predictive coding will continue to have an important impact on our industry. As more firms begin to use these tools and bring them in-house, eDiscovery attorney and litigation support roles will evolve, the talent landscape will continue to reward disciplined project management and technical creativity, and the cost of litigation will continue to decrease. As predictive coding technologies mature, the ability to support smaller cases will expand. In the meantime, supply and demand tells us that those professionals with experiential knowledge in selecting, starting, and delivering predictive coding projects will continue to benefit from the relative scarcity of this skill-set. In order to elevate and accelerate your career, it seems the next steps are to learn about these technologies through training and certification programs and to obtain that coveted hands-on experience.

Methodology



The Cowen Group gathered its primary research for this report through our 2013 Q2 Critical Trends Survey which had participants from 37 AmLaw 200 firms. Support data, such as quotes, were gathered through the 2013 Critical Trends Group webinar, "Predictive Coding: Disruptive Impacts and Opportunities" held by The Cowen Group on June 18, 2013. This webinar brought together 90 executives and other professionals to discuss the current usage of predictive coding technologies. Participants consisted of 26 of the AmLaw 200, 10 major corporations, and 5 top service providers. In addition, we conducted 40 individual interviews with managers, attorneys, and non-attorneys of AmLaw 200 firms and top service providers in the industry. In total, 63 of the AmLaw 200 firms were surveyed through our information-gathering efforts.

* Additional responses provided by one-on-one interviews with law firms and service providers were included in the survey results that have been noted.

About The Cowen Group

The Cowen Group is the premier provider of staffing and recruiting for eDiscovery, legal technology, litigation support, and information governance professionals. Our clients nation-wide and throughout Europe include 85 of the AmLaw 200 as well as 125 Fortune 500 companies and some of the most prominent vendors and providers in the legal services industry.

To support our clients in their personal and professional growth, The Cowen Group's Events Division hosts over 100 executive peer events nationally. These thought leadership workshops are designed to bring together legalists, technologists, consultants, and executives in a round table environment to accelerate their advancement in this rapidly-evolving space. Networking and collaboration with the right peers and professionals elevates the careers of the talent we represent and offers The Cowen Group unparalleled insight into the trends and market forces that are shaping our industry.

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