

FTI Consulting leaps into 'legal in the cloud' and do-it-yourself e-discovery

Analyst: David Horrigan

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The FTI Technology practice unit of FTI Consulting has long been known for full-service e-discovery. It has augmented its traditional e-discovery consulting services with internally developed software based on its acquisitions of Ringtail in 2005 and Attenex in 2008. As FTI enters 2013, it is making two significant strategy shifts in e-discovery. It's making a move to the cloud with a SaaS option, and it's making a move on the do-it-yourself e-discovery market with pricing starting as low as \$2,500 per month. The new strategy, being launched at LegalTech New York with Ringtail 8.3, will give clients three options for e-discovery: traditional Ringtail behind the firewall, Ringtail SaaS - still self-service, but with hosted software, and Ringtail On-Demand, where clients can let FTI and its consultants run the e-discovery operation with full-service processing and hosting.

The 451 Take

E-discovery vendors add new offerings and augment their capabilities fairly frequently, and some software updates have limited significance. That's not the case with FTI's move to the cloud and into lower-cost, do-it-yourself e-discovery with Ringtail 8.3. As the proliferation of electronically stored information makes e-discovery an issue for enterprises of virtually all sizes, we think adding more options is a good move for FTI, and the company's three-pronged strategy makes sense. As FTI takes e-discovery to the cloud, the company has attempted to address one of the biggest cloud concerns of lawyers - data security - by taking a private cloud approach. FTI will also need to convince clients that the off-site data can be accessed as quickly and easily as if it were residing just down the hall. The company's move into lower-cost, do-it-yourself e-discovery brings both opportunities and risks. The challenge for FTI is to capitalize on the potential for new business with its entry-level offering so that the

lower price doesn't hurt the bottom line. However, large enterprises with their AmLaw 200 law firms and solo practitioners or small firms are distinct markets. With social media and mobile data bringing e-discovery to small firms that never really had a need for e-discovery software and services, the opportunity seems to outweigh the risk.

Context

Founded in 1982, FTI Consulting has grown into an international business advisory firm with roughly 3,800 employees in 24 countries. The company's e-discovery business is run out of its FTI Technology business unit, which has 455 employees and offices in Hong Kong, London, Melbourne and throughout the US, including locations in Chicago, New York, San Francisco, Seattle and Washington, DC.

Overall annual revenue for the company was \$1.6bn in 2011, and 2011 annual revenue for FTI Technology was \$218.7m. For the first three quarters of 2012, FTI Consulting had a slight increase in revenue to just under \$1.2bn. FTI Technology's 2012 revenue through Q3 was \$147.6m. In its latest reported quarter, Q3 2012, FTI Technology revenue was \$50.3m, down from \$57.0m in Q3 2011, a decline attributed to the conclusion of major matters, which boosted 2011 revenue, competitive pricing pressures and a decline in regulatory second-request work in M&A matters.

As FTI developed its legal technology services and consulting practice, it augmented it with software developed internally and through acquisition, including its \$35m purchase of Australia's Ringtail Solutions Group in 2005 and its \$88m acquisition of Attenex in 2008. With Ringtail Legal, FTI obtained case management, review and production capabilities, and Attenex added modern visual analytics to speed the process. The combined platform gives FTI processing, analysis, review and production capabilities, and Ringtail has one of the largest groups of end users in e-discovery.

The company's 2010 launch of Acuity, its managed services offering, capitalized on one of FTI's most formidable strengths, its worldwide network of consultants. Acuity also added bundled pricing, allowing clients to obtain software and services together with volume-based pricing by GB or number of documents instead of by the billable hour. Although this bundled pricing was a first step in pricing flexibility to compete with new lower-cost entrants into the e-discovery market, FTI was still perceived as a full-service - and thus, full-cost - e-discovery option designed for the large enterprises and their big law-firm clients.

Products

The new release, Ringtail 8.3, represents one of FTI's more significant strategy shifts. The \$2,500-per-month base price for the SaaS option gives the company a foothold in the market for lower-cost e-discovery, and the three-pronged e-discovery approach opens new options for potential customers, as social media and mobile data expand e-discovery into small-enterprise, small-firm and solo-practitioner markets where e-discovery has traditionally not been an issue. The three Ringtail options range from do-it-yourself e-discovery to complete e-discovery software and services provided by FTI. First, there is traditional Ringtail on-premises software behind the firewall. Next is Ringtail SaaS, a self-service option, but still using FTI hosting. Finally, Ringtail On-Demand provides full-service FTI processing and hosting. The On-Demand and SaaS versions are available as of the last week of January, and the on-premises version will be available by the end of Q1 2013. The Ringtail SaaS offering has four service plans based on the number of user licenses and the volume of storage.

FTI's move into lower-cost, do-it-yourself e-discovery brings both opportunities and risks. As 'big data' brings e-discovery to smaller enterprises that wouldn't have been traditional FTI customers, the lower entry-level price could expand the company's customer base significantly. However, pricing pressures had a negative effect on FTI Technology's revenue in 2012. This potential for new business is significant as social media and mobile data bring new customers to e-discovery, but the margins probably won't be as great as they are for full-service e-discovery and consulting.

Although cloud-based e-discovery has many advantages – such as relatively easy and quick deployment and not having to invest in a hardware infrastructure – many legal clients are still hesitant to move to the cloud, not wanting to give up control of critical legal documents. Not only has FTI covered its bases with both SaaS and on-premises versions, it has also mitigated some of the security concerns by using a private cloud for Ringtail SaaS – what it calls Private On-Demand or POD. Although FTI's data is hosted in facilities owned by a third-party vendor at a US East Coast datacenter, FTI takes complete control over the process, which is run by FTI employees on FTI equipment.

Having said that, FTI and its clients should not fall into the trap of believing that cloud computing is a panacea for e-discovery. There's the concern many lawyers have about security when relinquishing control of legal documents. In addition, employees are notorious for storing data in locations other than where they should, making data migration a potential challenge. Also, FTI – and other cloud e-discovery vendors – will need to convince clients that the off-site data can be accessed as quickly and easily as if it were residing just down the hall.

Competition

Ringtail's traditional competitors in the attorney review market have included AccessData's Summation and LexisNexis' Concordance. As we've reported previously, both AccessData with Summation Pro and LexisNexis with Concordance Classic have made moves for the entry-level e-discovery market. In addition, other vendors such as GGO Digital WarRoom and Orange Legal Technologies have focused on small to midmarket e-discovery.

Additional review competitors include AlphaLit's E-Direct, Applied Discovery's Leverage, Daegis' eDiscovery Platform, Epiq Systems' IQ Review, DTI-Fios, Exterro's Fusion, Huron Consulting's V3locity, Guidance Software's CaseCentral, Hewlett-Packard's Autonomy, iCONNECT's XERA, Integreon, kCura's Relativity, Kroll Ontrack's Verve, LexisNexis' Concordance, Merrill Corp's Lextranet, Nuix's Fast Review, OrcaTec's OrcaReview, Planet Data's upcoming Exego Review, Recommind's Axcelerate, Symantec's Clearwell eDiscovery Platform, Xerox Litigation Services' OmniX, and ZyLAB's eDiscovery and Production System.

Of course, it's not all about the software, and FTI's consulting business is still a focus of its strategy, with competition from Kroll Ontrack and the Big Four accounting firms: Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers.

SWOT Analysis

Strengths

FTI's global network of consultants and large e-discovery client base have been traditional strengths for the company, and its new three-pronged offerings from do-it-yourself e-discovery to a hybrid approach to complete full-service e-discovery give FTI a flexibility to increase its customer base.

Opportunities

FTI's entry-level pricing at \$2,500 per month gives the company an opportunity to capitalize on the growing market for low-cost e-discovery, and adding a SaaS option to Ringtail opens up the growing opportunities for cloud-based e-discovery.

Weaknesses

FTI's e-discovery software offerings are focused on the middle to the right of e-discovery's Electronic Discovery Reference Model. With big data increasing demand for left-side information management functions, some clients may want a vendor with strength on the left side.

Threats

Opportunities can also be threats, and the lower introductory price could be a double-edged sword if it drains revenue from FTI's lucrative full-service e-discovery consulting business. The challenge for FTI is to have the low price bring in new customers rather than reduce the average deal size for existing customers.

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