



The 7th Annual

LAW FIRM CFO/CIO/COO FORUM

Evolving Law Firm Strategy Around Alternative Legal Service Providers

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ALSPs: What Are They?

“Alternative Legal Services” include activities **performed by non-traditional legal service providers** (including independent affiliates set-up by law firms) that are directly related to the **provision of legal services** to clients

It **does not include** administrative activities that are indirectly related to the provision of legal services to clients

(e.g. general accounting, general IT support, human resource management, business development, information resource management)

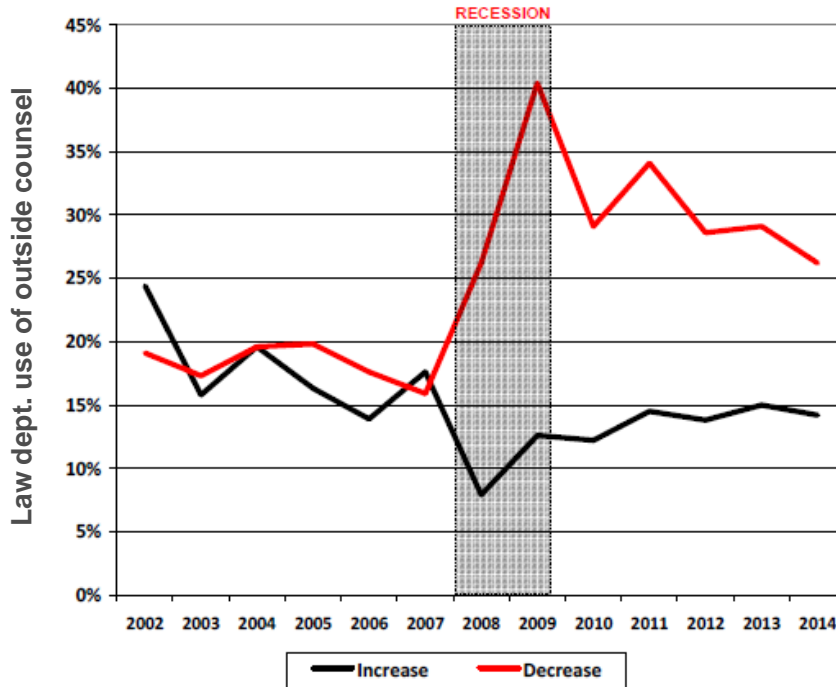
Also, it **does not include stand-alone software and self-help resources**

The Rise of ALSPs

“CHANGE IS THE LAW OF LIFE. AND THOSE WHO LOOK ONLY TO THE PAST OR PRESENT ARE CERTAIN TO MISS THE FUTURE.” JOHN F. KENNEDY

The 2008 Global Financial Crisis Led to a Revolution in the Legal Industry

Legal departments were charged with a new mandate: to operate with same fiscal discipline as other departments.



Source: 2014 Altman Weil CLO Survey

This new mandate has dramatically affected the business of law and the **relationship dynamics between law firms and corporate clients.**

Divergence between the number of departments **decreasing the amount of work sent to firms** and those increasing usage.

Law Firm Relationships with ALSPs Has Transitioned and is Currently at an Inflection Point

Competition → **Coopetition** OR **Partners**

“They are taking our business”

“We know how to work with them if our client insists”

“They are a useful tool in certain situations

“We proactively identify opportunities to partner”

“Together we can increase profits and market share”

New Study: Alternative Legal Service Providers: Understanding the Growth and Benefits of These New Legal Providers

Georgetown School of Law Center for the Study of the Legal Profession

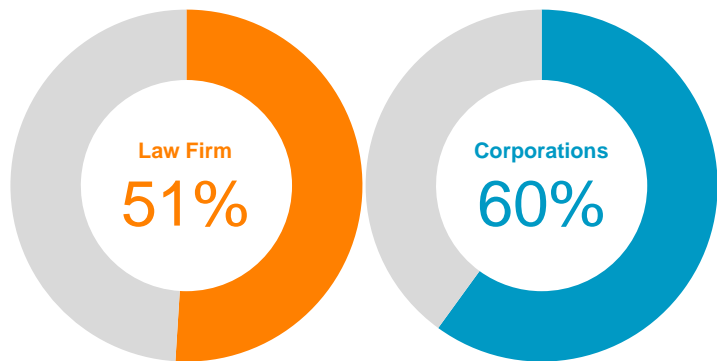
University of Oxford Saïd Business School

Thomson Reuters Legal Executive Institute

Today more than one-half of law firms and corporations are using at least one category of alternative legal service providers

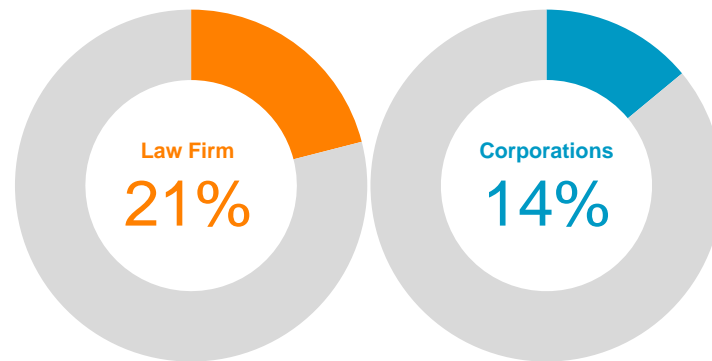
Current Use Cases

51% of law firms and **60%** of legal departments in corporations are **currently using an alternative legal service provider (ALSP)** in at least one service category



Areas of Potential Growth

A further **21%** of law firms and **14%** of corporations **plan to use an alternative legal service provider in the next year**



Motivations for use vary by service category, with access to specialized expertise, controlling costs, and meeting peak demand top reasons

Categories of Alternative Legal Service Providers

Accounting & Audit Firms

- Have a large amount of revenue in legal services.
- Tend to focus on high-volume, process-oriented work that's complementary to accounting-audit work.

Captive LPOs

- Wholly owned captive operations.
- Often located in lower-cost regions
- Focused on high-volume process work.

Independent LPOs, Ediscovery and Document Review Service Providers

- Outsourced legal work under the direction of legal departments and law firms.
- Typically engaged for matter- or project-based work often proactively managed and globally delivered.

Managed Legal Services

- Providers that contract for all or part of the function of an in-house legal team.
- Typically engaged for ongoing work within scope, proactively managed.

Contract Lawyers, In-sourcing, and Staffing Services

Providers of lawyers to companies on temporary basis. Can range from entry-level document review to highly skilled and experienced specialists.

Estimated revenue

\$900 million

\$150 million

\$6,200 million

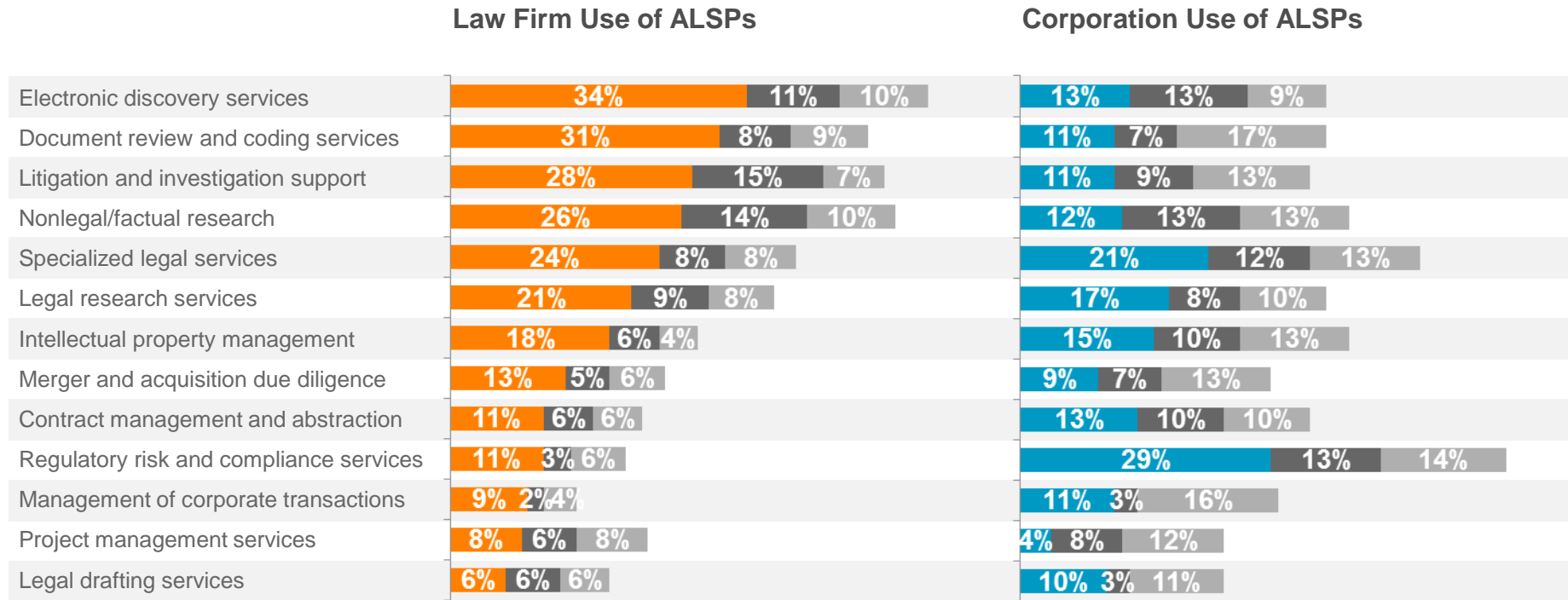
\$250 million

\$900 million

Current and Anticipated Use of ALSPs

■ Currently use ALSP
 ■ Plan to use ASP in the next year
■ Likely to use ASP in the next five years*

Law firms primarily use or anticipate using ALSPs for electronic discovery, document review and coding, litigation and investigation support, and nonlegal research. Corporations primarily use them for regulatory risk and compliance services, specialized legal services, legal research, and IP management.



What are ALSPs used for?

Law firms are more inclined to use litigation-related services

34%

e-Discovery services

31%

Document review & coding

28%

Litigation & investigative support

Large and mid-sized law firms are far more inclined to be using ALSPs compared to small firms

Corporations are more likely to use services in specialized areas

29%

Regulatory risk & compliance services

21%

Specialized legal advice

17%

Legal research

15%

IP management

Similarly, corporations in highly regulated industries (i.e., financial services, communications, energy, pharmaceuticals) are also more inclined to use ALSPs