2008 LEGAL TECHNOLOGY PURCHASING SURVEY OF LAW FIRMS WITH 100+ ATTORNEYS

In June, ILTA, in cooperation with InsideLegal, developed and administered its annual Technology Purchasing Survey. The 2008 survey was enhanced to include percentage of revenue and per-attorney technology spending data, more details about current IT trends and challenges, and based on the surging demand for litigation technology, additional electronic discovery-specific information. A 32 question web-based survey was distributed to roughly 450 firms, ranging from 100 to 3,400 attorneys, yielding 92 completed firm surveys (20% response rate) by the early July cut-off. Response percentages are based on total responses per question, not overall survey participation.

Notables and quotables in 2008

- Budgets continue to increase for most firms, but at a slower pace than in past years
- Firms are closely measuring IT spending and using per-attorney technology expenditures as benchmark data
- Big winners in the technology implementation and purchasing categories are Virtualization and SharePoint
- ILTA whitepapers are on everybody's mind with 80% readership
- Third party consultants are actively involved in firm IT projects both from the selection and implementation angle
- Staffing shortages and e-mail management continue to challenge IT staffs

EXECUTIVE SUMMARY

The overwhelming majority of the firm responses originated from the US, while information from a few Canadian, UK and Australian firms was also received. The 2008 survey revealed notable findings relating to IT purchasing patterns, budgets, decision making and influences, as well as future technology trends. Based on member feedback, the survey was expanded to include both specifics on IT expenditures as a percentage of total firm revenue and IT spending breakdown per attorney. The analysis also included more details on who is signing-off on purchases, and the role the legal technology press plays in the technology selection process.

BUDGETS

Budgets are continuing to increase, but at a slower rate than in past years. Firms are more focused on where they spend their budgets and are earmarking specific technology projects (can you say SharePoint and Virtualization) for implementations. New to this year's survey is the inclusion of details on what firms are spending on IT as a percentage of overall revenue and what is being allocated per attorney (over 40% of the firms indicated an average IT spend of $8,000-$17,000 per attorney). 56% of the respondents spend 2-4% of the firm's revenue for technology, while 22% spend 4-6% of revenue on technology. Comparatively, the Legal Technology Insider's "The Insider UK 250" law firms average 4.5% of firm revenue spent on IT.

TECHNOLOGY PURCHASES

SharePoint and Virtualization, both added in 2008, made their presence known, both in terms of recent implementations and future purchases. While 28% of respondents indicated implementing SharePoint (24% plan to purchase in 2008/9), an impressive 51% rolled out virtualization technology last year. The high demand for virtualization technologies is indicative of an ever increasing focus on savings and efficiency as well as an eye on risk management. In terms of raw numbers, the most popular "2008/9 planned purchase technologies include desktop hardware, upgrades (networks and Microsoft Office), new laptops and PCs, VoIP, virtualization and disaster recovery technologies, and Microsoft SharePoint.

PUBLICATION INFLUENCE

In 2008, established mainstay law firm/lawyer magazines such as ABA Journal and The American Lawyer fared well, as did the rapidly emerging IT trades such as CIO Magazine, Information Week and Network Computing. The overall publication favorite based on total votes (80% response rate) was the ILTA whitepaper series, a new publication choice in 2008. On the flipside, Law Technology News and Peer to Peer readership decreased somewhat, perhaps attributable to an increase in Law.com and ILTA whitepaper readership, and another sign of an increasing balance within the publication landscape.

PURCHASE INFLUENCES

Survey respondents are more actively utilizing outside technology consultants for at least one quarter of their purchasing decisions, signified by a 14% increase in comparative data from 2007. Also, the influence of third party consultants in the technology areas of software and hardware selection reflect a 17% decrease from 2007. In contrast, third party consultants being utilized to assist with implementations (a new choice on the 2008 survey) received a significant 43% response.

IT CHALLENGES

The most pressing challenges facing the surveyed IT decision makers include managing firm growth from an IT perspective, data volume and data storage limitations, user education and training, and e-discovery readiness/preparedness.

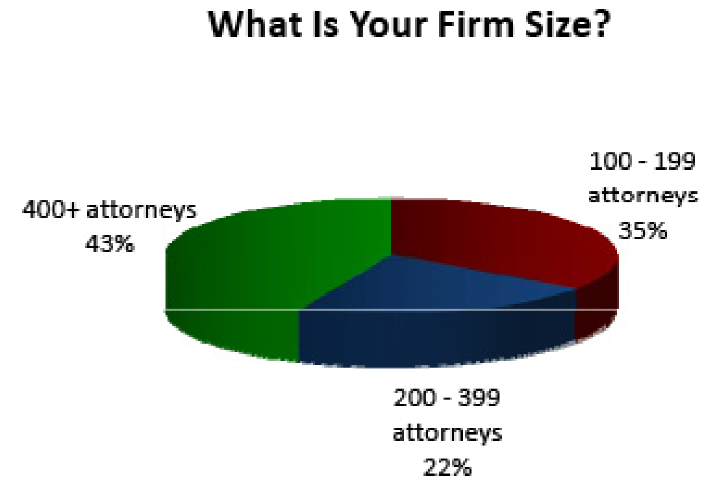
PART I - FIRM DEMOGRAPHICS

What is your firm size?

Of the 92 ILTA member firms that responded to the 2008 ILTA purchasing survey, 35% represent the 100-199 attorneys category; 65% come from "200+" attorney firms (of that 65%, 22% come from 200-399 attorney firms, and the remaining 43% have 400 attorneys or more). The biggest respondent increase in 2008 came from the 400+ category, with 11% more than 2007. *(See chart on next page)*

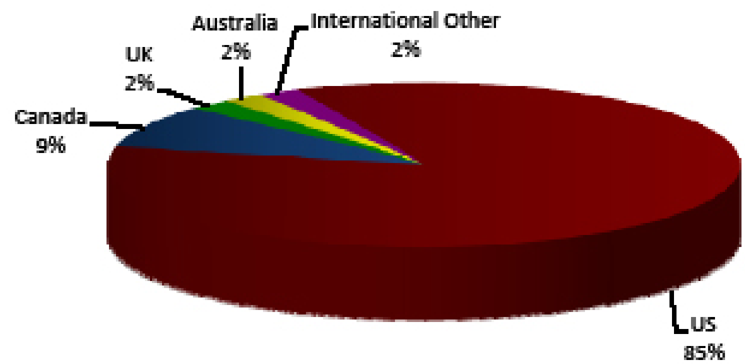
2008 ILTA Technology Purchasing Survey

This purchasing survey is based on a 20% response rate of all ILTA firms over 100 attorneys. Of those, 94% are from North America (US and Canada).



Where are you located?

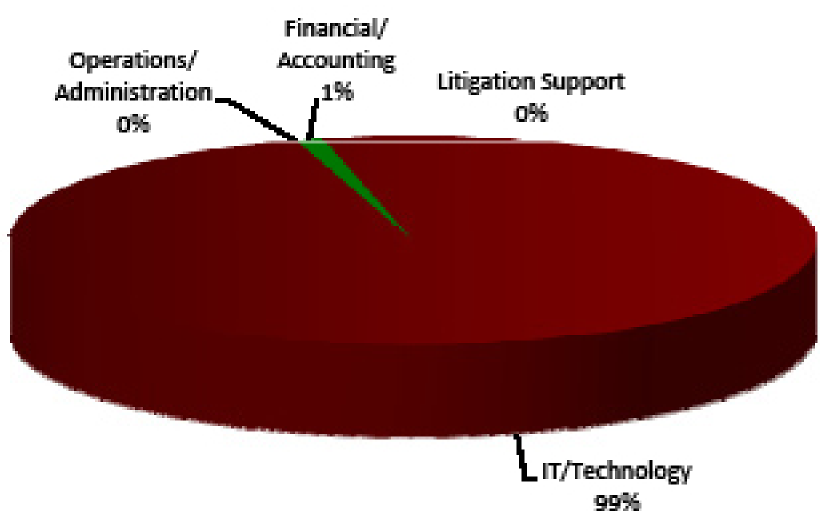
This question was added in 2008 to help show what regions are responding to the survey.



While the overwhelming majority represents US law firms, 15% of survey participants came from Canada, the UK, Australia or other international locals.

What department are you in?

99% of all respondents work within their firms' IT and Technology departments, a 1% increase compared to 2007 results.



93% of all respondents are either CIOs/CTOs (40%) or Directors of IT/IS (53%).

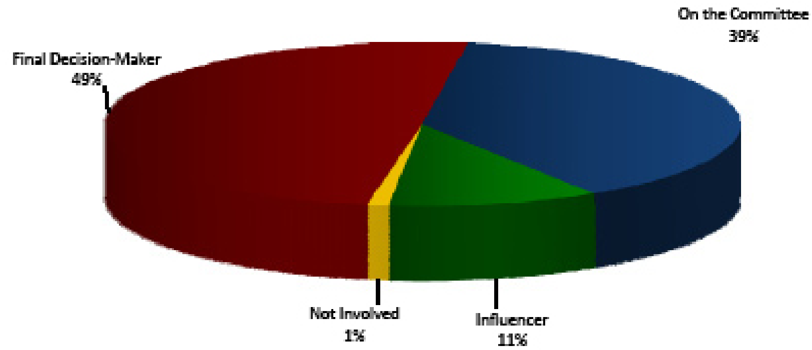
Every year, the survey attracts an increasing number of firm respondents directly involved in technology purchasing decisions.

IT Directors are extremely influential (53%) when it comes to approving technology purchases.

PART II: IT BUDGETING & PURCHASING

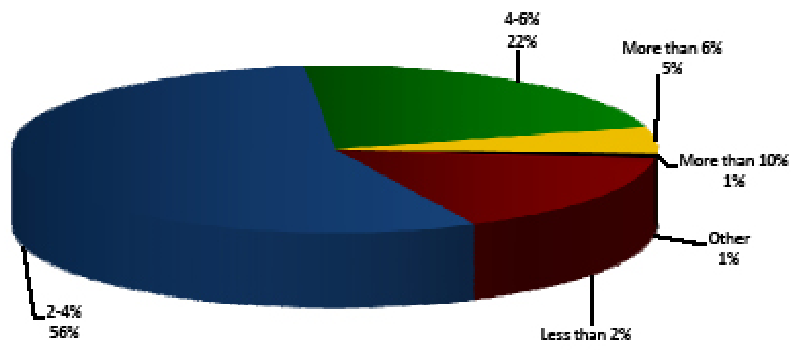
What role do you have in your firm's technology buying decisions?

88% of total survey respondents are directly involved in their firms' technology purchasing decisions - either by making final decisions or serving on the purchasing committee. This represents an 8% increase from 2007.



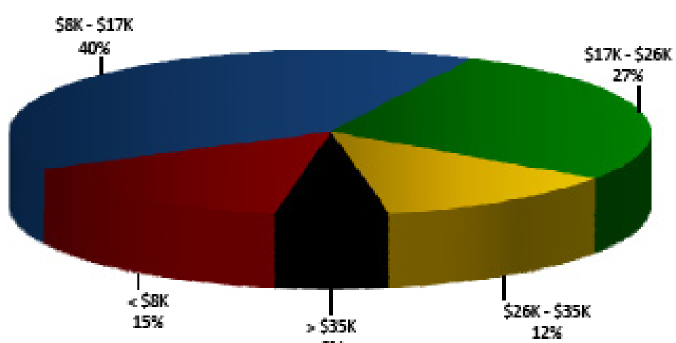
What percentage of total firm revenue are you spending on technology?

This question was added to the 2008 survey and revealed that 78% spend between 2-6% of revenue on technology, not including soft costs such as staffing, etc. 6% indicated their firm spends more than 6% of revenue on technology.



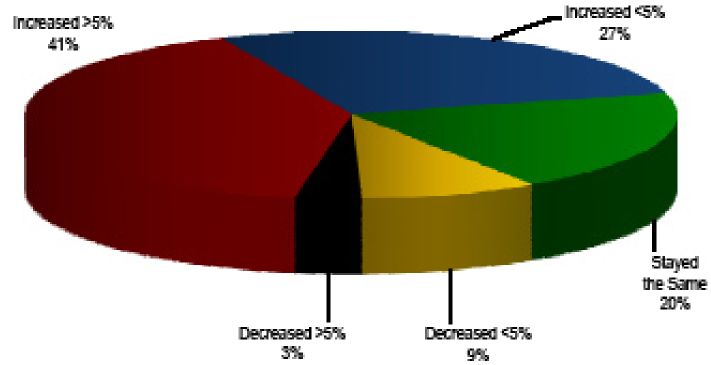
Annual technology spend per attorney

This question was also added for 2008 and indicates that 67% of respondents spend between $8,000 and $26,000 per attorney, but the largest single contingent of firm respondents (40%) spend between $8,000-$17,000 per attorney.



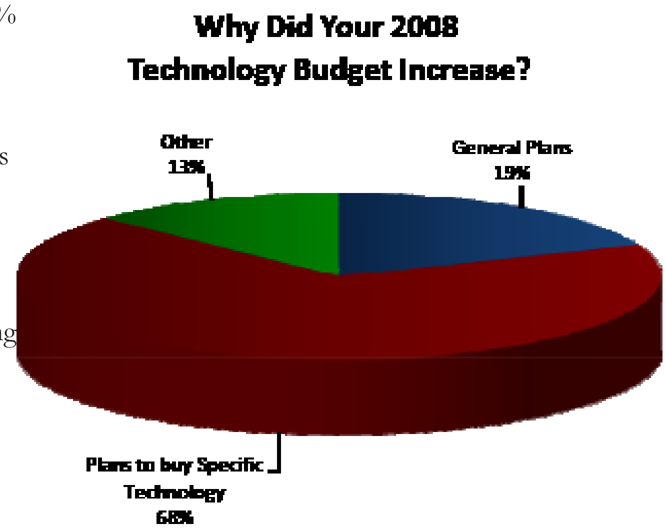
Compare your 2008 budget with your 2007 budget

68% of all respondents indicated budget increases in 2008 (vs. 65% in 2007), however there is a 10% decline in respondents indicating 5%+ budget increases. Another 20% of firms are maintaining the same budget as 2007 and 12% of firm respondents are decreasing their budgets. Overall, budgets are up, but the actual amounts of increases are down.

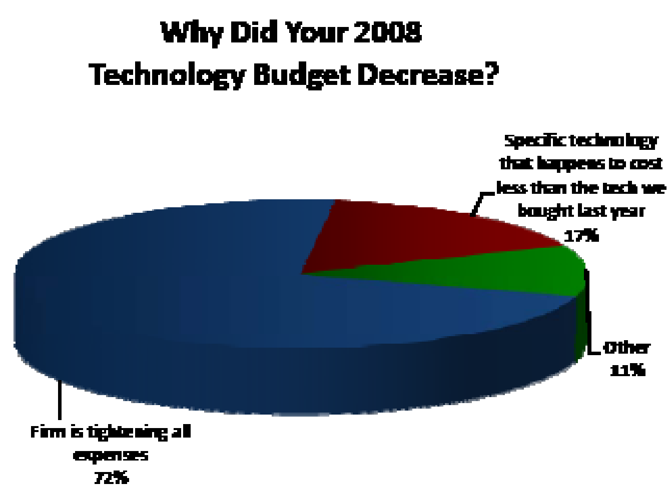


Reasons for increased and decreased budgets

In 2008, 68% of all respondents cited specific technology purchasing plans (vs. 37% in 2007), and 13% cited other reasons such as future firm growth, M&A related expenses, and business continuity planning. The trend toward more closely defining specific technology purchases and mapping budgets accordingly is evidenced by the 31% increase.

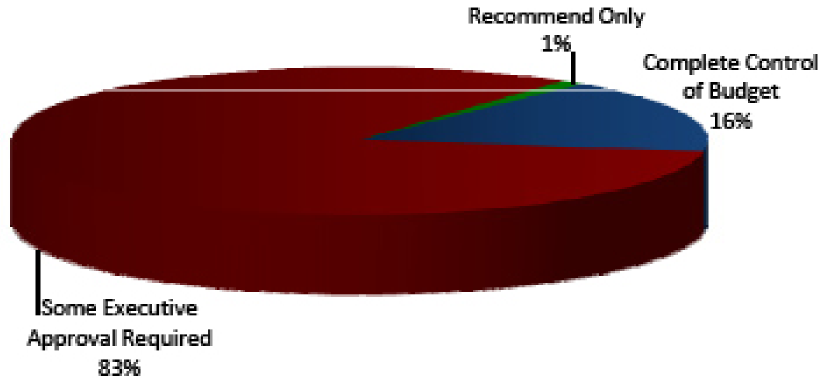


Budget decreases are primarily tied to firms' expense control and conservative budgeting policies and reinforces the general trend of industry wide belt tightening.



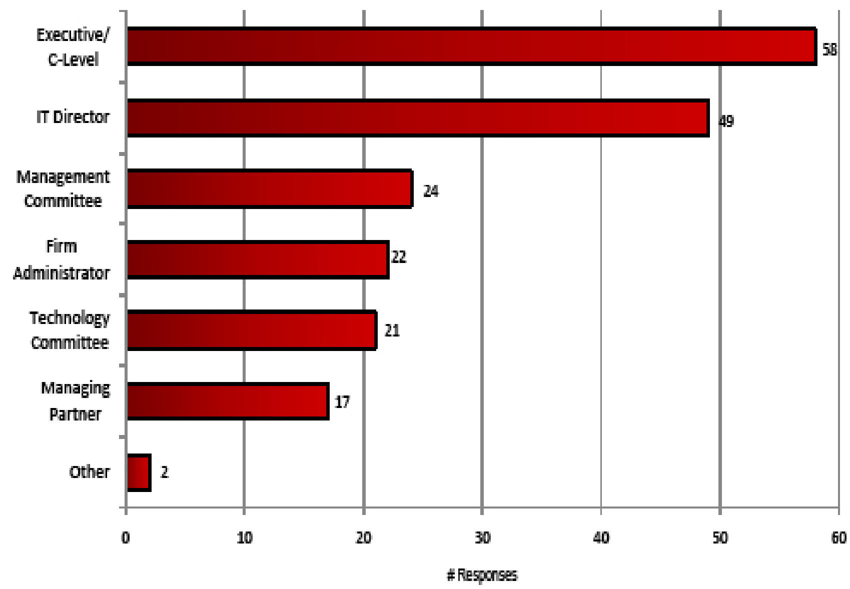
Purchasing autonomy

16% of this year's respondents have complete purchasing autonomy (vs. 18% in '07), but 83% manage the budget for most buys, with executive approval required on some IT purchases.



Who approves your technology purchases?

This question was modified in 2008 to reflect the purchasing influence of firm IT Directors, who commanded 53% of the vote in terms of technology purchase approvals. The C-suite approves 61% of purchases, while the management committee registered a 12% decrease in approvals compared to 2007.



PART III: TECHNOLOGY PURCHASES PAST & FUTURE

What was/were the major technology purchase(s) your firm implemented in the past year? What is/are the next major technology purchase(s) your firm plans to make in the next 12 months?

Notable additions to the 2008 technology implementation and future purchasing grid are SharePoint and Virtualization. 28% of respondents indicated implementing SharePoint, and a whopping 51% rolled out virtualization technology. While we have seen the increased momentum for law firm SharePoint projects, the high demand for virtualization technologies is telling - virtual servers and desktops provide energy savings and lower capital expenses and virtual infrastructures essentially provide better desktop

51% of respondents implemented Virtualization technology in 2007, by far the largest percentage for any technology.

management, increased security, and improved disaster recovery processes. Other noteworthy findings include hefty fluctuations in recent implementations vs. future purchases (purchases within the next 12 months). For example, budgeting software future purchases are up 9% from 2007's 5% implementation rate. On the flipside, cost recovery implementations which surged last year to 17% are down to 5% for future purchases. CRM implementations which were in the single digits in 2007 are up to 17% in terms of future purchases. Also registering some momentum in the future purchase category is MS Office upgrades, up 5% from 2007. Lastly, wireless/mobile hand held device roll-outs peaked at 32% last year and are estimated at half that, 16%, for future purchasing. In terms of raw numbers, the most popular "2008/9 planned purchase technologies" include desktop hardware, upgrades (networks and MS Office), new laptops and PCs, VoIP, virtualization and disaster recovery technologies, and MS SharePoint.

2008 Survey Results			2007 Results	
Implemented in 2007	*Planned Purchases for 2008/9*	*Past & Future Technology Purchases*	*Implemented in 2006*	*Planned Purchases for 2007/8*
10	10	Accounting system	15	21
4	12	Budgeting software	12	6
14	8	Business intelligence software	22	18
5	6	Case management software	14	15
4	2	Collections software	3	4
0	2	Contract management software	2	4
15	4	Cost recovery system	20	9
3	3	Courtroom technology	12	7
6	15	CRM/contact management software	10	15
13	6	Database system (SQL, Oracle, etc.)	16	8
45	31	Desktop hardware	61	58
14	10	Dictation hardware	19	14
16	10	Dictation software	20	16
32	24	Disaster recovery	44	38
6	6	Docketing software	17	13
12	4	Document assembly software	6	11
3	10	Document comparison software	5	13
11	12	Document management system	17	21
12	9	Electronic discovery software	22	20
13	5	E-mail add-ons (antivirus, antispam, spyware)	24	8
13	17	E-mail management software	26	26
6	3	Enterprise content management software	7	5
1	4	ERM/relationship management software	1	3
11	10	Helpdesk applications	13	10
5	13	Human resources management	16	18
16	8	Imaging/scanning/OCR	29	23
17	13	Internet/intranet/extranet	23	29
41	28	Laptops/notebooks	56	55
23	11	Litigation support software	40	33
4	5	Metadata scrubbing software	16	5
1	7	Microsoft Office add-ons (templates, metadata, etc.)	*Question added in 2008*	
13	29	Microsoft Office upgrade	22	35
15	8	Network security	29	18
49	31	Network upgrade/servers	73	46
5	13	Offsite backup system	22	12
15	7	Onsite backup system	25	7
9	7	OS upgrade	23	15
9	6	Patch management software	18	6
13	17	Portal/knowledge management	15	21
23	16	Printers/multifunctional devices	45	29
9	15	Records management software	17	13
22	6	Remote access technology	36	20
9	10	Security/encryption	11	15
24	21	SharePoint	*Question added in 2008*	
2	1	Shipping automation software	*Question added in 2008*	
38	17	Storage area network	50	31
18	16	Telephone system upgrade	26	28
4	1	Time entry software	4	7
7	6	Training/e-learning	8	16
9	12	Unified messaging	*Question added in 2008*	
19	15	Video conferencing	28	21
44	24	Virtualization	*Question added in 2008*	
9	11	Voice mail upgrade	24	18
1	1	Voice recognition	4	4
18	24	VoIP	31	30
28	14	Wireless devices (BlackBerry, Windows Mobile, etc.)	53	24
19	9	Wireless network	37	16
9	14	Workflow automation	19	13

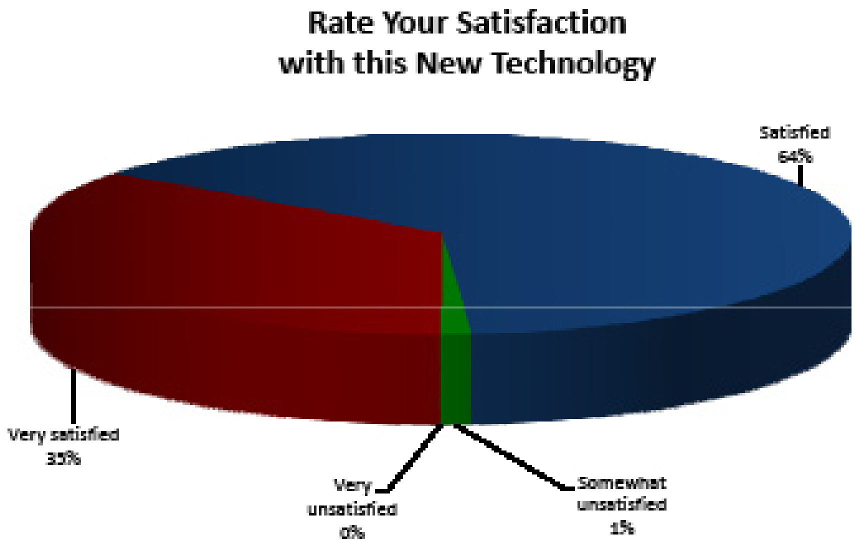
Number of responses out of 92 firms.

Number of responses out of 126 firms.

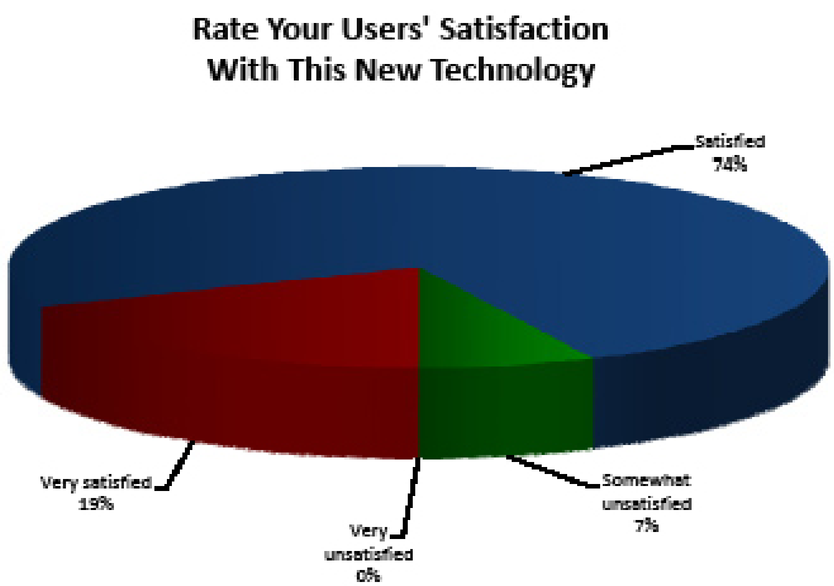
“Satisfaction with technology” percentages are up 4% from 2007.

Satisfaction with Technology

99% of all respondents were satisfied or very satisfied with new technologies they implemented in 2007, an uptick of 4% from the previous year.



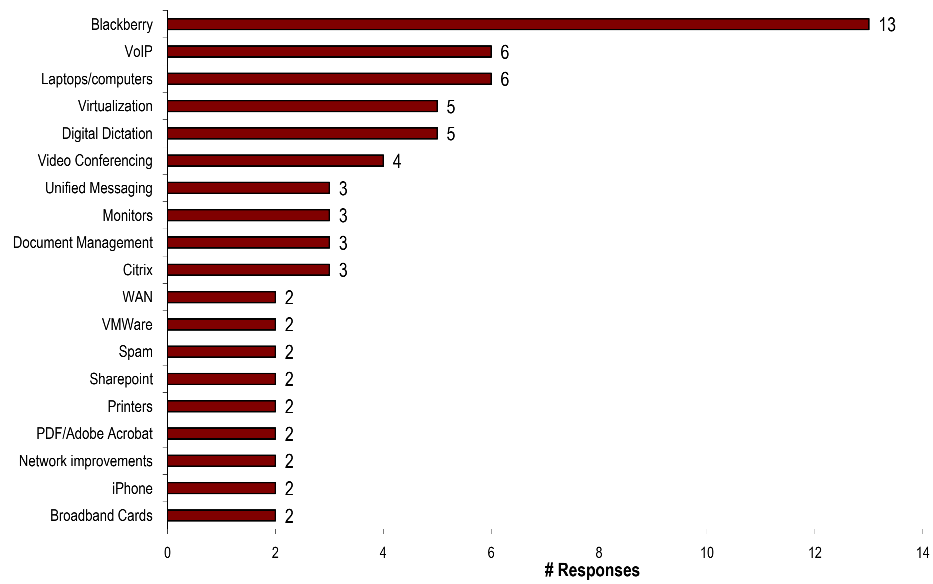
The overall user satisfaction response rates are slightly higher than in years past, although “very satisfied” statistics are 9% less than in 2007.



What is the most popular technology purchase you made for your firm in the last three years?

The top technology purchases in terms of number of mentions were mobile devices (primarily new BlackBerry purchases or upgrades), VoIP, laptops/PCs, virtualization, digital dictation, and video conferencing. *(See chart on next page)*

What is the most popular technology purchase you have made for your firm in the last 12 months?

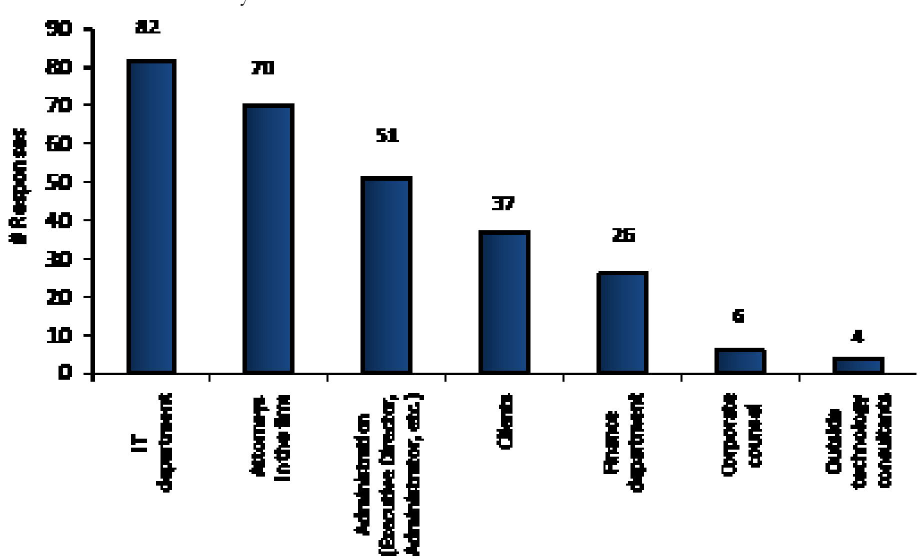


Note: Includes all answers that received 2 or more responses.

PART IV: IT PURCHASING INFLUENCERS

Where do technology purchase requests come from?

As expected, the IT department leads the way in making technology recommendations, but in 2008, Administration (up 9%) and Attorneys (up 15%) proved to be more vocal when it came to technology requests. Clients are increasing their involvement in firm technology purchases at a notable rate - 20% more than last year!



The year of the client! Client involvement in making technology requests is up 20%.

What legal/technology publications do you read?

Compared to 2007 survey responses, 2008 saw ABA Journal, The American Lawyer, CIO Magazine, and Information Week pick up double digit readership percentage increases. Among publications first included on the list this year, ILTA whitepapers, Litigation Support Today and Network Computing scored big readership scores. In fact, 80% of all respondents stated they read ILTA's whitepaper series, the largest readership number of any publication. Law

ILTA whitepapers are read by 80% of respondents; technology publication readership continues to gain steam.

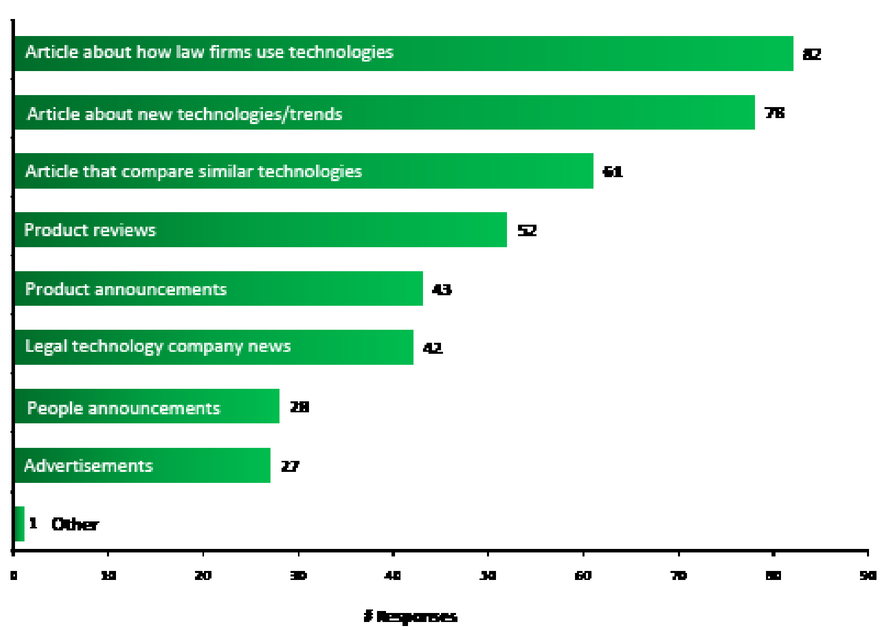
Technology News and Peer to Peer saw the biggest readership decreases compared to 2007, but overall ILTA publications (including newsletter and whitepapers) enjoy the highest readership.

In terms of publication content preferences, survey takers favor articles about technology "how tos", product reviews, technology trend pieces, and reference peer and consultant-authored articles when making purchasing decisions.

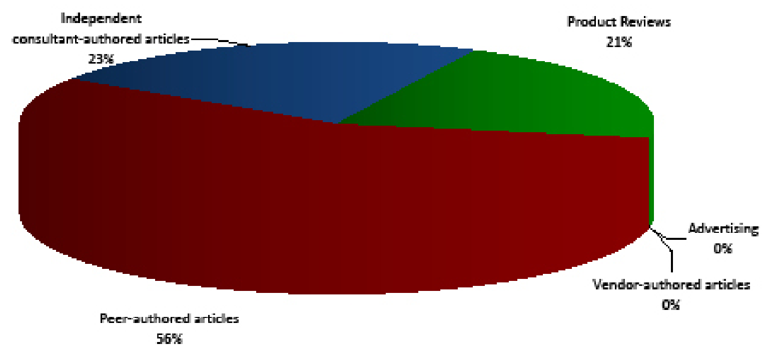
What Publications Do You Read?

Publication	# Responses
ABA Journal	13
The American Lawyer	34
California Lawyer	4
Canadian Lawyer	3
CIO	61
Citytech (UK)	0
Corporate Counsel Magazine	1
eWeek	34
FindLaw.com	3
ILTA Whitepapers	70
Inside Counsel	1
Information Week	38
KM World	7
Law Practice	8
Law Practice Today (webzine)	4
Law Technology Today (webzine)	11
Law Technology News	55
Law.com	24
Legal Week (UK)	3
Legal Management	15
Legal Technology Insider (UK)	2
Legal Times (UK)	1
Litigation Support Today	18
LJN's Legal Technology newsletter	12
Managing Partner (UK)	3
National Law Journal	4
Network Computing	22
Peer to Peer (ILTA's publication)	43
State Bar Journals	2
Technolawyer	15

If You Read any Legal/Technology Publications, What Parts Do You Read?



In Reading a Legal/Technology Publication, What is Most Influential in Aiding your Purchasing Decisions?



Blogs enjoyed a bit higher readership in 2008, but not by much ...

Blogs: What do you read?

This year, the response rates are up slightly from 2007, and Law.com, TechnoLawyer, Dennis Kennedy.com, and Adam Smith, Esq. have registered increases. The percentage of those who do not read technology blogs is still over 50%.

What do you base product buying decisions on?

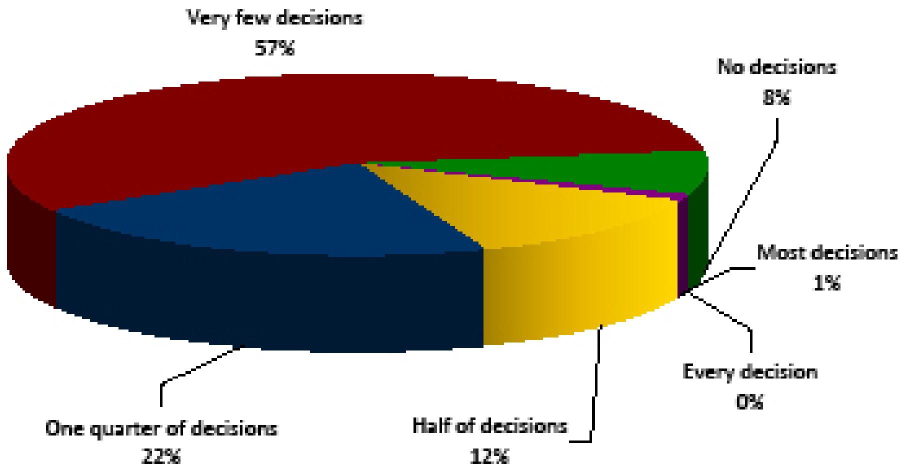
In 2008, the most popular sources for product buying decisions were colleague/IT recommendations (68% vs. 51% in 2007), peers/other firms (62% vs. 46% in 2007), ILTA annual conference (49% vs. 38% in 2007), and consultant recommendations (47% vs. 34% in 2007). In addition, ads and vendor websites were cited more frequently than in last year's survey, while direct mail, blogs and ILTA e-Groups proved more popular last year.

Medium	*# Responses*
Colleague/IT recommendation	59
Peers/other law firms	54
ILTA annual educational conference	43
Consultant recommendation	41
Sales rep demo	28
ILTA e-groups	27
Product seminars/webinars	24
Articles in legal technology publications	23
Internet	17
Attorney recommendation	15
LegalTech	13
Articles in other publications	13
Local ILTA meetings	12
Vendor-specific website	12
Advertisements	6
Other trade shows	5
Other listservs	4
Blogs	1
Direct mail	1
TechnoLawyer	1

Baker Robbins had more than twice the number of votes than the next ranked firm.

How much does your firm use outside technology consultants?

Compared to 2007, ILTA large firms are more readily utilizing outside technology consultants; 35% indicated that at least a quarter of firm technology purchasing decisions involved outside consultants, a 14% increase over last year.



What national/international technology consultants have you worked with?

The top five vote-getting legal industry technology consultants include:

- Baker Robbins & Company
- Kraft Kennedy & Lesser
- Project Leadership Associates
- MindShift
- eSentio

Why did you hire an outside technology consultant?

Beyond assisting with implementations and strategic planning (2 most popular answers), survey respondents hired third-party technology consultants for a multitude of other reasons including hardware and software selection, strategic planning, mergers/office relocations, recommending organizational changes, reviewing internal processes and recommending changes and assisting with budgeting.

Project	*# Responses*
Assist with implementations	36
Assist with strategic planning	15
Other	15
Review internal processes/ recommend changes	7
Advise with hardware selection	5
Assist with mergers/office relocations	3
Advise with software selection	2
Recommend organizational changes	1
Assist with budgeting	0

PART V: TECHNOLOGY TRENDS & IT CHALLENGES

What is the most exciting technology or trend?

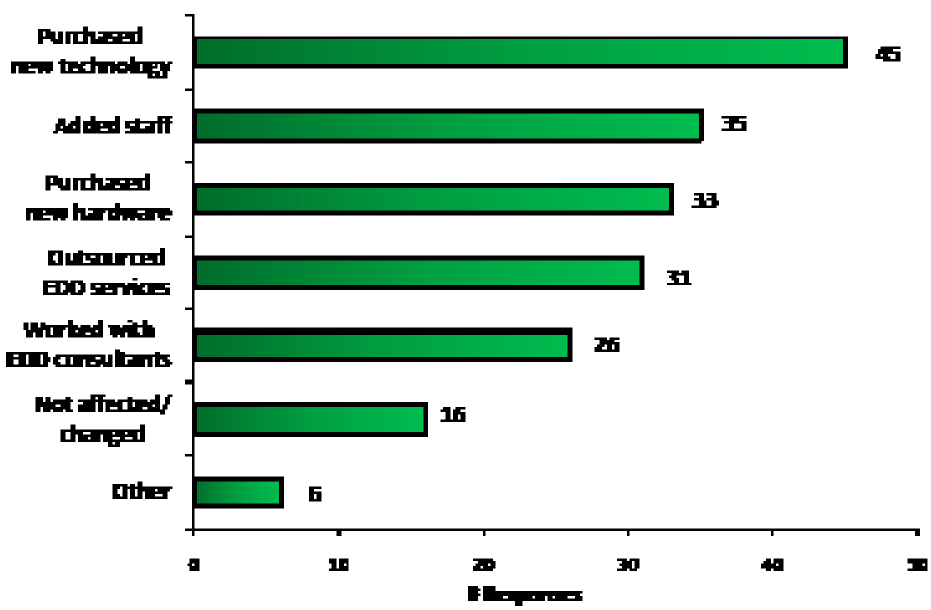
The leading technologies and trends based on number of votes (from most to least) include:

- Virtualization (including VMWare and Blade Servers)
- Enterprise Search
- Microsoft SharePoint
- iPhone
- VoIP

Business intelligence, matter centricity, social networking and wireless all received multiple mentions.

How has your IT department/plan been affected by electronic discovery?

While the demand for new EDD technology and related hardware purchases remains strong in 2008, the response rates for outsourced EDD services/third party EDD consulting assistance are 15% lower than in 2007.



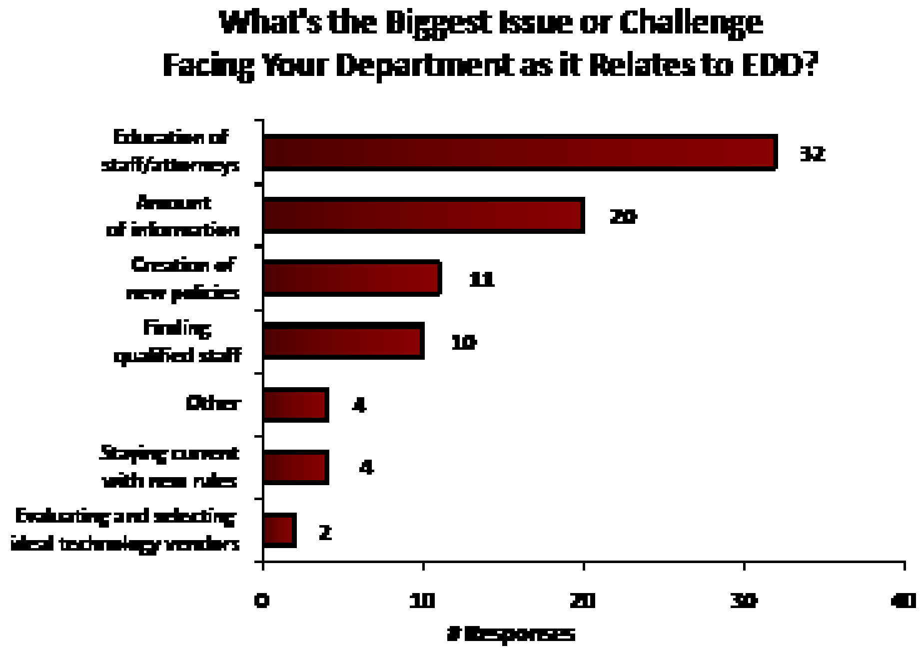
IT seem less affected by EDD trends compared to 2007, indicating more structure around related policies, procedures and collaborative efforts with litigation support.

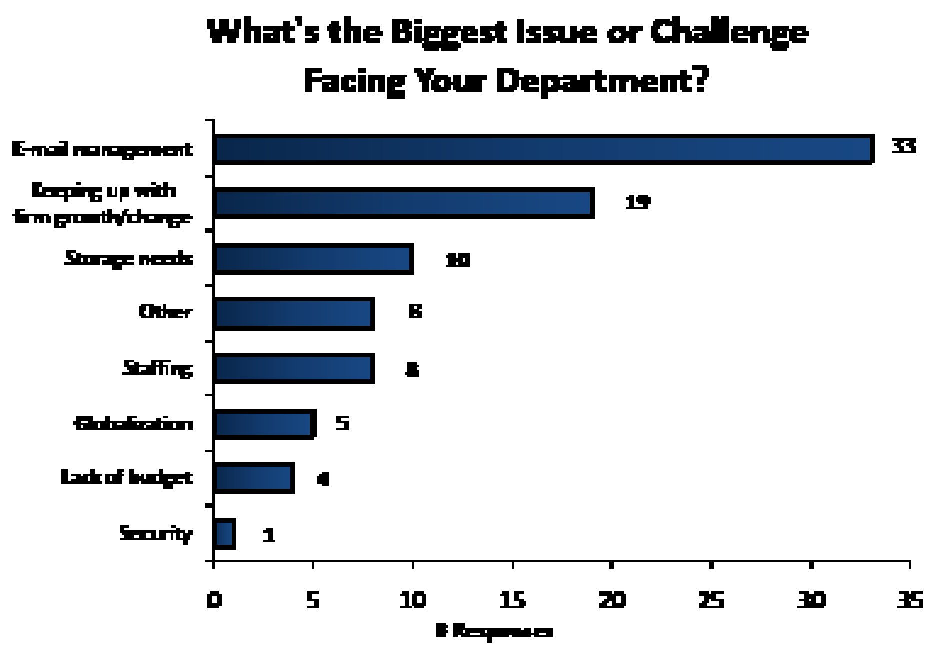
What is the biggest issue or challenge facing IT related to EDD?

Once again, attorney education tops IT's EDD challenges chart, followed by data overload and staffing. In contrast to 2007, the establishment of Policies and Procedures, especially those focused on litigation readiness, ranked very high with respondents. *(See chart on next page)*

What is the biggest issue or challenge facing IT overall?

Respondents cited a multitude of overall IT challenges, led by e-mail management and staying on top of firm growth and change. Other common challenges faced by respondents include staffing and budget constraints, storage limitations, and the inability to readily access and find information. *(See chart on next page)*


What's the Biggest Issue or Challenge Facing Your Department as it Relates to EDD?
Education of staff/attorneys
32
Amount of information
20
Creation of new policies
11
Finding qualified staff
10
Other
4
Staying current with new rules
4
Evaluating and selecting ideal technology vendors
2
0
10
20
30
40
Responses


What's the Biggest Issue or Challenge Facing Your Department?
E-mail management
33
Keeping up with firm growth/change
19
Storage needs
10
Other
8
Staffing
8
Globalization
5
Lack of budget
4
Security
1
0
5
10
15
20
25
30
35
Responses

What legal vendors have provided exceptional customer support?

The top vendors based on number of votes include:

- MindShift
- Microsoft
- LexisNexis
- Microsystems
- HP
- CDW

These vendors received multiple votes: Interwoven, eSentio, Dell, Baker Robbins and Cisco.

ILTA is the premier peer networking organization, providing information to members to maximize the value of technology in support of the legal profession. Reach the ILTA organization of legal technologists by contacting Peggy Wechsler at (512) 795-4662 or peggy@iltanet.org. Special thanks to Peggy for her work on this project.

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2008 Survey Methodology

This survey was commissioned by ILTA and administered among its membership. InsideLegal, a sister company of Envision Agency LLC, was responsible for data collection, data analysis, and the final presentation. The survey consisted of five sections, each with a subset of unique questions: Part I covered Firm Demographics including firm size, title, department and role. Part II focused on IT Budgeting and Purchasing spanning 2007 vs. 2008 budget variances, budget approvals and purchasing authority questions. Part III, Technology Purchases: Past and Future, included past technology purchases, planned 2008 purchases, and user satisfaction comparisons. Part IV, IT Purchasing Influencers, drilled down into the clients' role in influencing IT purchasing decisions as well as other factors (e.g., publications, trade shows, consultants, sales demonstrations) that might positively affect legal IT purchasing decisions. Part V, Technology Trends & IT Challenges, took a closer look at legal technology trends and common challenges faced by ILTA IT thought leaders. Response percentages are based on total responses per question, not overall survey participation.