

## EXTERRO TAMES THE E-DISCOVERY PROCESS WITH A WORKFLOW OVERLAY

More and more companies are moving from relying on e-discovery service providers for a case-by-case fire drill toward adapting their litigation response into a repeatable internal business process. The need for project management is acute.

The e-discovery process, as it typically stands now, is a nine-step point-tool frenzy marked by a legacy of collaborative problems between IT and legal, as well as ballooning budgets and tight time frames. Exterro's software looks to remedy that with a combination of data mapping to predict the volume and location of data for review, process management for legal hold, and project management for guiding the process through multiple stakeholders and point tools, with attention to deadline and budget.

### The 451 Take

Exterro is best known for Legal Hold, its product with the most sales since release. But we think the timing for its project management tool is good, especially as the legal hold space gets more crowded, as it has done in 2009. A number of market factors favor a project management approach to e-discovery: costs can quickly get out of control; the market is increasingly moving in-house to general counsel departments and away from law firms; the largest companies are creating dedicated teams and business processes around litigation response, and investing in proactive tools for litigation readiness; and judges are imposing sanctions for poor e-discovery defensibility. We do question the lack of a SaaS option for dealing with multi-party cases, remote review teams and multinational clients, but Exterro has no plans for that direction. Its competition will mostly come from the large e-discovery vendors and information management giants with a stake in information governance.

### Context

Exterro was founded by chairman and CEO Bobby Balachandran in 2004. Balachandran had worked in IT leadership for large companies in financial services, healthcare and telecommunication industries, building applications to align IT with a business need, and he recognized the need for a workflow platform around legal governance risk and compliance. As the greatest immediate pain point in the market, e-discovery became the product focus.

Exterro announced a series A round from unnamed angel investors in January 2007. The amounts were undisclosed. The company claims to be profitable. It reinvests heavily in R&D, to adapt to customers' workflow needs, but is not currently seeking outside investment. It would, however, consider exploring that option to expand more into the governance, risk and compliance sectors. Now at 85-90 employees, Exterro is headquartered in Portland, Oregon.

## Products

Exterro has three separate process management tools for e-discovery, which can be used together or separately: a data-mapping tool, a legal hold manager (with a mobile legal hold option), and a workflow management product for integrating third-party point tools into an automated e-discovery process. All work off of its Fusion workflow platform, which provides the collaboration, auditing, and alerts and notifications. It claims it can connect to any tool that outputs XML or uses Web services interfaces.

Fusion can integrate with HR applications from PeopleSoft and SAP, email-archiving tools and Web archives. Among e-discovery tools for collection, processing, review and production, it works with Clearwell Systems' E-discovery Platform, Epiq Systems' Documatrix, Guidance Software's EnCase, kCura Relativity, Recommind's Axcelerate and Vivisimo's Velocity. For making native connections to third-party tools, the product includes a UI to set up the sending and receiving of tasks and project-status updates.

Fusion Discovery Workflow Management was Exterro's first product release. The project management software is designed for IT, legal and litigation support team collaboration. The software governs steps along the EDRM (Electronic Discovery Reference Model) from collection to production, integrating point tools and managing e-discovery as a repeatable, defensible, transparent business process.

Some of Discovery's features include a dashboard for cost and project-scope planning, management and tracking of all discovery processes, and auditing, reporting and chain-of-custody. Exterro advertises additional features for vendor service and pricing-comparison tools for service provider selection. The interface features numerous charts and visualizations for demonstrating the progress of collection, legal hold and (when integrated with Genome) crawling data sources for the data map, as well as an events calendar. Collaborative forums are included to go over ongoing issues.

Fusion Legal Hold is a process management tool for creating legal holds, identifying custodians and data, sending out notifications and creating reports on activity and chain-of-custody. To physically lock down documents, the tool must be integrated with Recommind's Insite Legal Hold to search, assess, preserve, collect and process the electronically stored information. FusionGo is also available as a mobile application for creating and monitoring legal holds via BlackBerry or iPhone.

The company's latest release, Fusion Genome, is an automated data-mapping tool. It can be used to understand data assets proactively and on an ongoing basis for governance, and risk and compliance, or as an initial step for finding and sizing up electronically stored information in response to litigation. Genome inventories a company's data sources and custodians by spidering corporate data sources and integrating with enterprise systems such as HR, matter and asset management. Visualizations produce a topology of data, custodians and information circulation in which users are able to size up potentially relevant ESI by case, business unit or record type.

It also features search, reporting and analysis capabilities, and can be integrated with Recommind's Classification Module to identify specific types of business records based on a training example if, say, a corporation has inherited several repositories through mergers and wants to locate financial records.

## Sales

Exterro doesn't release specific customer numbers, but claims 50 of the Fortune 500 as clients. Its focus is primarily on large enterprise accounts, but it counts a number of law firms among its customer ranks as well. Deals can be as low as \$250,000, but average around \$400,000. Legal Hold, Genome and Discovery are priced as different modules, with connectors to different systems sold as part of maintenance. The company does not break out sales ratios for its various products, but Legal Hold is currently its bestseller.

Smaller deals are priced as a base license plus user fee, while larger ones can be capped for users and charged a flat enterprise license. The company concentrates on the North American market, but has some engagements in Europe and Asia, and is looking to gain resellers abroad. Currently sales are 85% direct.

All software is implemented on-premises. Exterro has had some interest from ISVs in offering its products on a hosted basis or through SaaS, but is not pursuing development at this time. The company is focusing on larger deals, and sees the SaaS model as appealing predominantly to the midmarket or lower.

## Competition

In legal hold, Exterro competes with vendors like PSS Systems for process management. Guidance Software and Kazeon (recently picked up by EMC) both offer legal hold products, but these include preservation and collection capabilities rather than strictly mapping and issuing notifications.

In terms of e-discovery workflow tools, the most likely rivals will emerge from the large information management vendors pushing end-to-end e-discovery on a foundation of archiving or enterprise content management. Autonomy Corp and its information governance platform figures significantly here, as does EMC with SourceOne (now with the added Kazeon). IBM's e-discovery modules for its ECM platform integrate with third-party tools, as does Symantec's Enterprise Vault archiving product.

Another area of competition would come from law firms that offer matter management to their clients. There is also a handful of matter management software packages that are sometimes applied to the e-discovery process, such as LexisNexis' Time Matter or PCLaw. A Web-based project management tool for litigation support departments is offered by the iFramework tool from iDS Tech.

Exterro is also called on to replace homegrown workflow processes created by service providers and consultants. Service providers in e-discovery include Daticon, Fios, FTI Consulting, H5 Inc, Kroll Ontrack, LexisNexis Applied Discovery and RenewData.

## SWOT analysis

Strengths	Weaknesses
As e-discovery becomes a repeatable in-house business process, Exterro is ahead of the curve in integrating and managing the sea of point tools.	Some enterprises may not see the need for a dedicated e-discovery project management tool, since they sometimes don't even see the need for e-discovery point tools – until they get a discovery request, that is.
Opportunities	Threats
Although it is not now a focus, SaaS would seem a lucrative model for the large multinationals Exterro is targeting.	Service providers and consultants can provide integration platforms for clients, and end-to-end e-discovery and information governance providers preach their own integrated products for one-stop shopping.