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## SFL White Paper:

### **The Myth of Total Cost vs. Unit Cost**

As a provider of end-to-end e-discovery solutions, we are regularly asked by attorneys, litigation support professionals and corporations to provide project estimates. Often, the requests provide very few details about the project and require us to submit our quote electronically using a standard fill-in-the-blanks proposal form. We are asked to provide per-gigabyte processing and data hosting fees, and sometimes per-custodian or per-hour data collection fees. If the request is part of ongoing, protracted negotiations, we may even be asked to consider reducing our pricing in certain areas.

The rationale behind requesting standardized project estimates calculating production and processing costs per unit is understandable. Volumes in electronic discovery – as measured by the amount of data collected, processed and reviewed in litigation – are growing at an astounding rate. As happened with cell phones, laptops, and countless other products and services that experienced exponential growth in the past couple of decades, rapid growth brought about price declines. Considering that e-discovery is a technology that enables scalable solutions, and that there has been a rapid influx of new entrants into the market over the last few years, it is logical that prices have come down over time.

In reality, low unit rates for e-discovery do not automatically equate to low total costs. In fact, if an analysis were done on a statistically relevant sample of cases, I believe that there would likely be an inverse relationship between unit cost and total cost. The reason for this anomaly is that all too frequently, in the rush to offer ‘competitive pricing’ or to get a bid out the door, litigation service providers do not take the time to make potential clients aware of the most significant cost drivers.

### **To Significantly Reduce Cost, Reduce Data Volume**

The biggest driver of total cost is the amount of data ultimately reviewed in a linear or near-linear fashion. The more data that can be culled out prior to the review stage, the lower the total cost will be. Overall, reducing volume is three to four times more effective at lowering cost than reducing unit rates because unit rate decreases are less than one for one.

For instance, if a litigation support firm were to reduce a client’s unit rate by five percent, the client’s total cost would only go down one to two percent because attorney review costs

would not be affected. On the other hand, if the support firm were to use culling to reduce the amount of data reviewed by five percent, the client's overall costs would also decrease five percent because there's an associated reduction in attorney-review spend.

Reducing data volume is a true, one-for-one cost reducer that can lead to significant savings. In a case with total costs of \$1 million, a five percent unit price decline would save the client \$15,000, while a five percent volume decline would save that same client \$50,000.

## **The Art of Culling Data**

There are an infinite number of ways to cull data. It's relatively standard to discuss traditional, 'blind' culling approaches such as key terms, de-duplication and so on. Beyond these approaches, there are additional options. A few that SF Legal employs include:

- Data culling occurring in the form of targeted data collections
- Pre-culling within forensic software tools
- Iterative, report-based filtering processes (i.e., running key terms, date ranges and file extension filters, reporting results and then running them again)
- Sampling (i.e., putting a statistically relevant sample into the review tool before processing the remainder)
- Prioritization (i.e., starting with key custodians or data sources)
- Using different tools for different data sets and sources
- Web-enabled early case assessment tools

At SF Legal, we're deeply committed to helping our clients make the right decisions to drive down total cost. While we absolutely respond to requests for price quotes, we also go one step further and ask for a brief interview, in most cases no more than 30 minutes, to learn more about the case. Armed with a thorough understanding of the requirements of each case, we typically can identify new ways to cull data.

For example, in a recent bidding situation, the total cost we submitted to our client was less than half that submitted by competing national services provider, even though our unit rates were higher. The cost advantage we provided was made possible by our more effective data culling strategy.

Before sending out requests for proposals or negotiating unit prices with a litigation services provider, it is important to determine if unit rates are the primary driver of the total cost of the project. In our experience, time spent finding effective ways to cull data will result in greater cost savings than will negotiating unit rates. In the current economic climate, where law firms, their clients, and corporations must control their litigation spend, reducing data volumes will reduce cost much more effectively than will a reduction in unit rates.