The 2006 ILTA Technology Purchasing Survey Bottom Line: Budgets are up; C-Levels and the management committee are in the majority when it comes to approving technology purchases; firm clients are increasingly influencing IT purchasing decisions; and Peer to Peer, CIO, and Law Technology News are the most widely read legal trade publications.

International Legal Technology Association

envision

2006 LEGAL TECHNOLOGY PURCHASING SURVEY OF LAW FIRMS WITH 100+ ATTORNEYS

In May and June of 2006, **ILTA** in cooperation with **Envision Agency**, developed and administered its annual IT purchasing survey. The 2006 survey (ILTA did not conduct one in 2005) was enhanced to include updated budget and IT spending-specific questions as well as a larger sample size to include firms with 100-199 attorneys in addition to the traditional 200+ attorney firm category. A 28 question web-based survey was distributed to 423 firms, 191 (100-199 attorneys) and 232 (200+ attorneys), resulting in 100 completed surveys (24% response rate) by the mid June cut-off.

EXECUTIVE SUMMARY

This sampling of the ILTA mid to large firm membership revealed several notable findings relating to IT purchasing patterns, budgets, decision making, past technology purchases, and future purchases and trends. The most significant results include:

BUDGETS

All respondents indicated they have increased 2006 vs. 2005 budgets. In fact, 66% of all respondents noted budget increases in 2006 versus 40% cited in the 2004 survey. This is the highest percentage (by 8%) since the first spending survey in 2002. The percentage of unchanged budgets also decreased by 21% from 2004 results.

TECHNOLOGY APPROVALS

Over the last few years, there has been a significant shift in who approves firm-wide technology purchases. According to the 2004 survey, 53% of all purchases were approved by firm administrators versus only 18% this year. In contrast, 38% of the firm's C-Level approved technology purchases in 2006 versus 7% two years ago.

CLIENT INFLUENCE

Firm clients play an important role in influencing IT purchasing decisions, with 54% of respondents stating clients are influential in the purchasing process. A slight edge in this area goes to large firm ("200+") clients.

PUBLICATION FAVORITES

<u>Peer to Peer</u> topped the favorite legal periodicals list, but <u>CIO</u> Magazine's 2nd place with 58% overall was a big surprise, especially compared to the 34% it received in 2004. Also, <u>Law Firm Inc.</u> made a strong showing considering it was only launched in 2003.

PURCHASE INFLUENCES

Peer-authored articles are the overwhelming favorite in terms of influence followed by product reviews and independent consultant contributions.

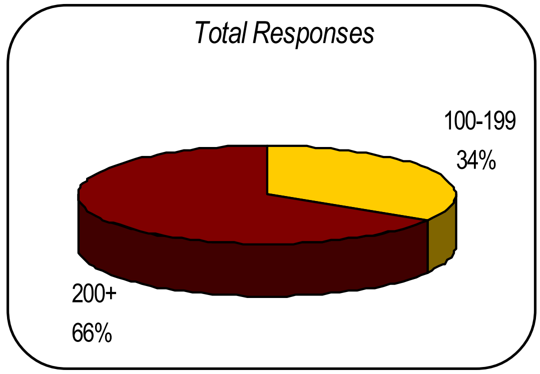
This purchasing survey is based on a 24% response rate of all ILTA firms over 100 attorneys; 18% of "under 200" and 28% of "200+" firms.

Over 80% of all purchasing survey respondents have director or executive management roles within their firms, and the C-Level percentage is up 9% from the last purchasing survey in 2004.

PART I - FIRM DEMOGRAPHICS

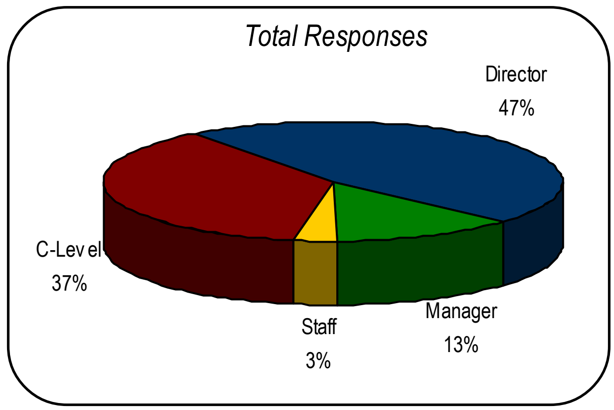
What is your firm size?

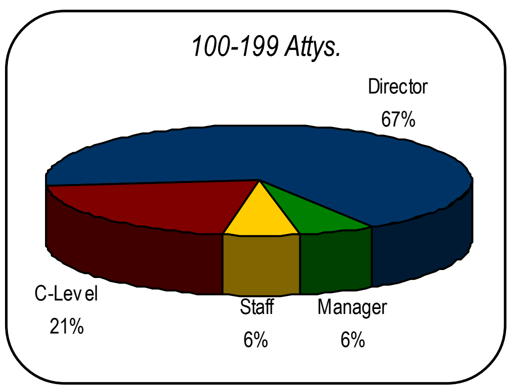
Of the 100 ILTA members that responded to the 2006 ILTA purchasing survey, 34% represent firms with 100-199 attorneys (under 200), 27% stem from firms with 200-399(200+) attorneys, and the largest contingent, 39% (200+), represent firms with 400 attorneys or more.

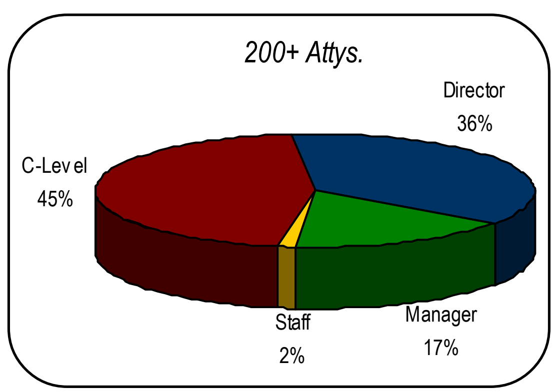


What is your role in the firm?

In "under 200" firms, 67% of the respondents have Director roles, while 21% come from executive management (called C-Level). Roles are flipped in the "200+" category with the C-Level representing 45% and Directors accounting for 36% of large firm respondents.

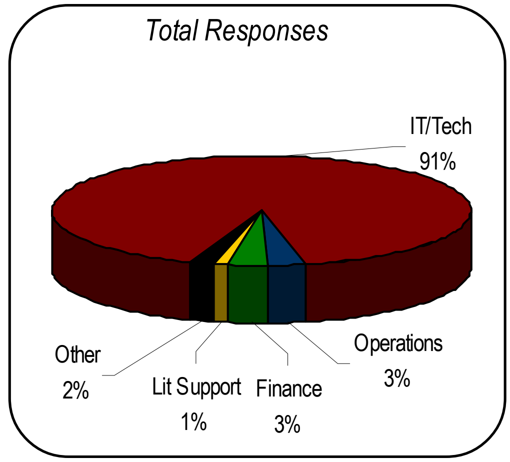






What department are you in?

91% of all respondents work within their firms' IT and Technology departments. This percentage is consistent and representative of ILTA membership splits.

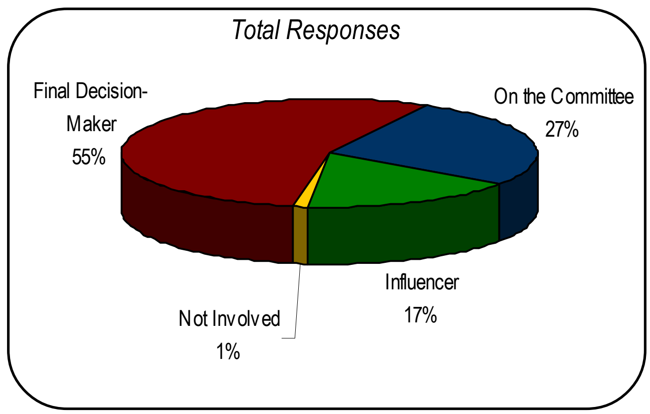


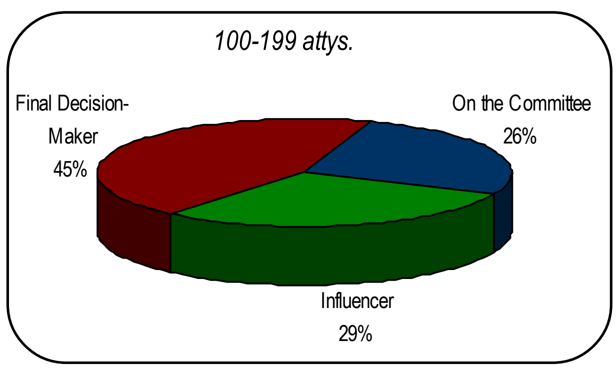
99% of all purchasing survey respondents are either directly responsible for IT purchasing or influence their firm's technology purchasing decisions.

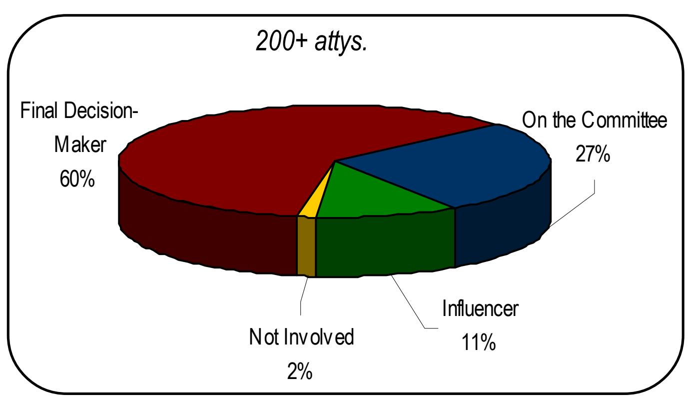
PART II: IT BUDGETING & PURCHASING

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

Respondents from "200+" firms are more influential in terms of their firms' technology buying decisions - 87% of all large firm respondents either made final decisions or are on the committee vs. 71% in "under 200" firms.



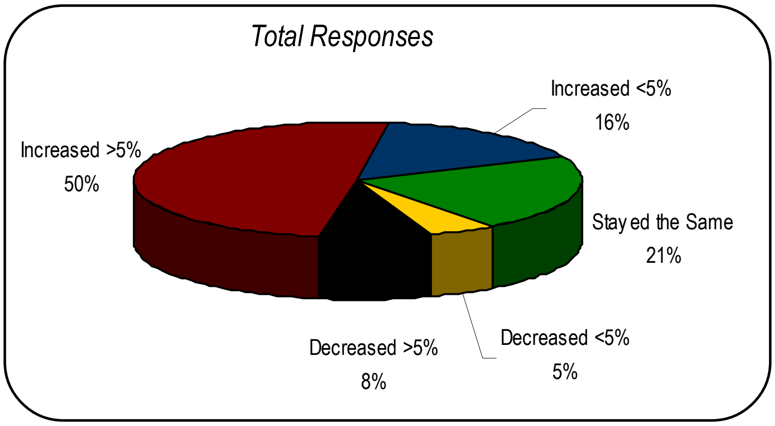


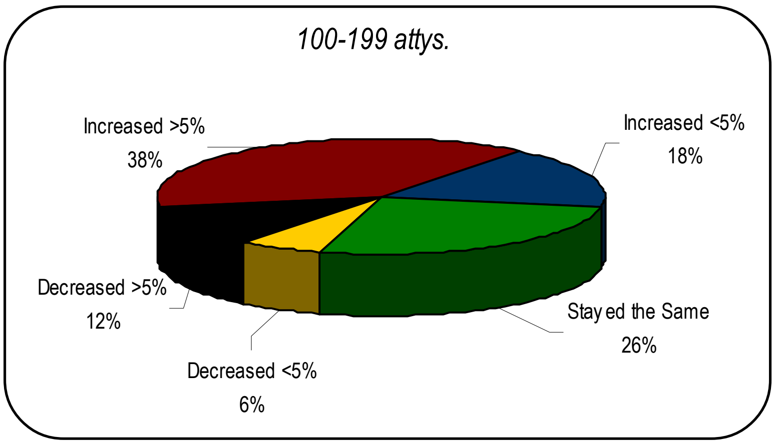


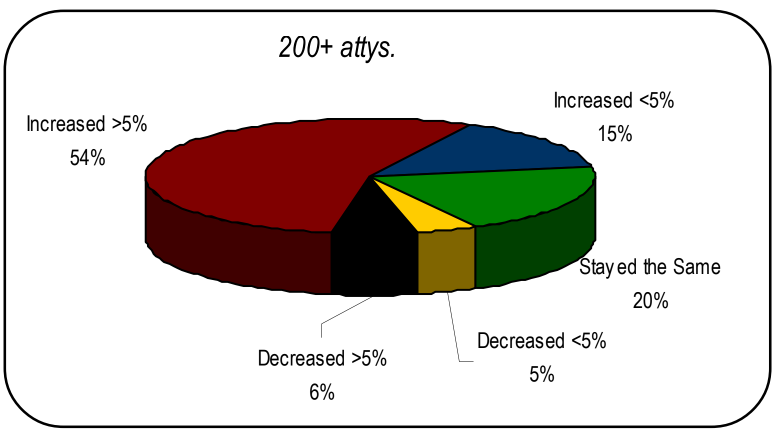
Compared to 2004 survey results, firms are indicating more consistent budget increases for current IT purchases. This year, 66% of all respondents noted budget increases versus 40% in the 2004 survey. This is the highest percentage (by 8%) since the first spending survey in 2002. The percentage of unchanged budgets also decreased by 21% from 2004 results.

Compare your 2006 budget with your 2005 budget

69% of all "200+" firms saw an increase in their 2006 IT/Technology budgets and only 11% reported a budget decrease from 2005. The smaller firms are also spending more on IT in 2006, although at a slower pace (56% of all respondents reported increases in 2006).





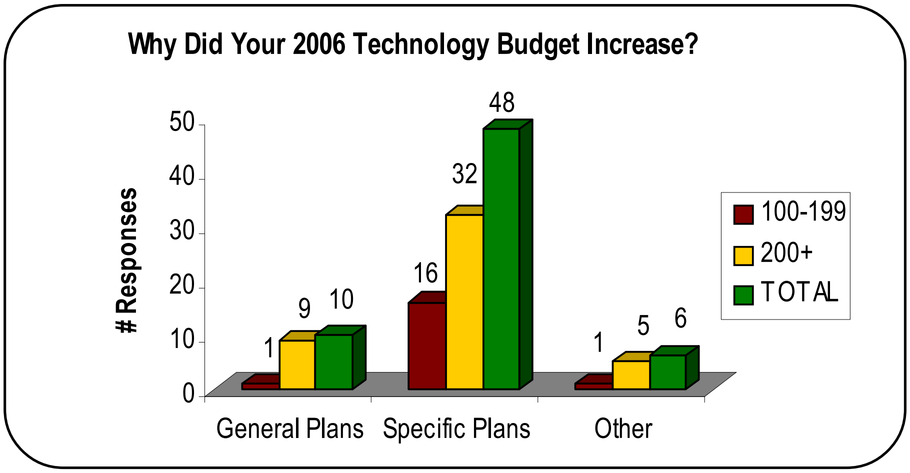


Reasons for increased and decreased budgets

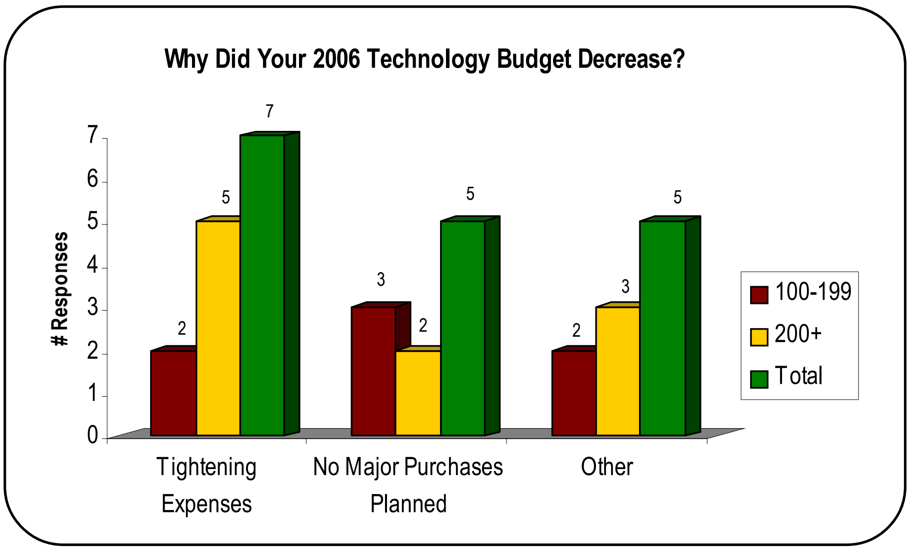
IT budget increases in "under 200" firms are very closely tied to specific technology purchasing plans with 89% of respondents indicating specific plans to buy specific technology compared to only 70% of "200+ firms". Firm office moves as well as user base growth are other reasons for increased IT spending. In 2006, 75% of all respondents cited specific technology purchasing plans versus 62% in the 2004 survey.

IT budget increases in "under 200 firms" are increasingly tied to specific technology purchasing plans, more so than in "200+" firms.

Over the last few years, there has been a significant shift in who approves firm-wide technology purchases. According to 2004 survey findings, 53% of all purchases were approved by firm administrators versus only 18% this year. In contrast, 38% of the firm's C-Level approved technology purchases in 2006 versus 7% two years ago.



Budget decreases are primarily tied to firms' expense control and conservative budgeting policies.

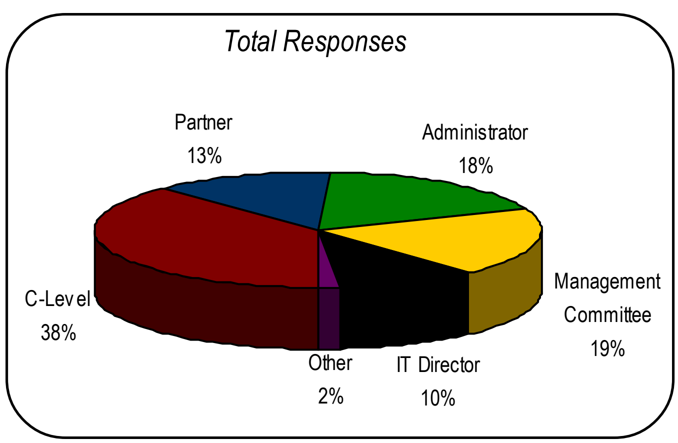


Purchasing autonomy:

19% of this year's respondents have complete purchasing autonomy, but an overwhelming majority (80%) manages the budget, with executive approval required on some IT purchases.

Who approves your technology purchases?

"Under 200" respondents listed the C-Level, the management committee and firm administrators as the top 3 technology purchase approvals. "200+" firms look first to the C-Level for IT purchase approvals, second to firm administrators and then the firm's management committee.

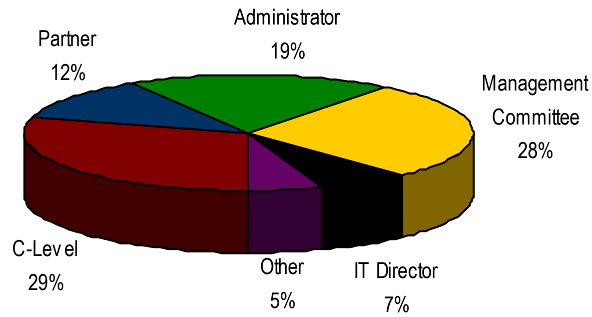


Business intelligence (BI), case management, cost recovery, CRM, document management systems, records management, and portals/KM were all implemented by at least 10% of the survey respondents. BI, case management, and cost recovery were more frequently implemented by 200+ firms in 2005. BI and cost recovery were considerably more popular over 2004 survey results.

Hail the BlackBerry! Wireless devices topped the implementation list with 50% of all respondents rolling out wireless devices.

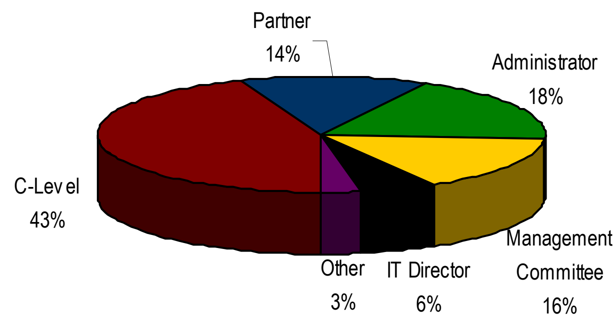
Who Approves Your Technology Purchases?

100-199 attys.



Who Approves Your Technology Purchases?

200 attys.



PART III: TECHNOLOGY PURCHASES-PAST & FUTURE

What was/were the major technology purchase(s) your firm implemented in 2005? What is/are the next major technology purchase(s) your firm plans to make in the next 12 months?

When taking a closer look at 2005 software implementations, there were categories that stood out in terms of total number of respondents and substantial differences between what "under 200" vs. "200+" firms implemented. Case in point, business intelligence (BI), case management, and cost recovery software were more frequently implemented by "200+" firms in 2005. Of those, BI and cost recovery were considerably more popular (+8%) over 2004 survey results. In terms of hardware, desktop equipment, laptops, network/server upgrades, printers/MFDs, and storage area networks were the top choices. Wireless devices, at over 50%, were the most frequently implemented hardware technology, up 22% from 2004 totals.

Firms' future technology purchase plans are consistent with what was implemented in 2005, but to a lesser degree. While business intelligence, budgeting, and CRM technology plans are on the decline, disaster recovery, document management, and workflow automation are on the top of many respondents 2006 wish list. The biggest decrease in demand is with wireless devices (17% plan future purchases vs. 50% implemented in 2005) – indicating a saturation trend in this category.

Disaster recovery, DMS, and workflow automation top many respondents' wish list.

Workflow automation was very popular - 24 respondents indicated a workflow automation purchase within the next year.

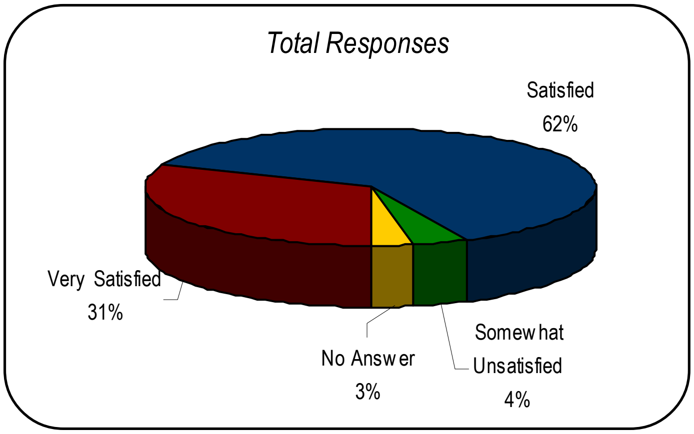
Implemented in 2005			Past & Future Technology Purchases	Planned Purchases for 2006/7		
TOTAL	100-199	200+		TOTAL	100-199	200+
10	2	8	Accounting system	13	4	9
2	0	2	Bill auditing	2	0	2
11	5	6	Budgeting software	7	1	6
18	2	16	Business intelligence software	16	2	14
7	1	6	Calendaring	6	2	4
11	1	10	Case management	14	4	10
2	1	1	Collections software	3	0	3
0	0	0	Contract management	2	0	2
14	3	11	Cost recovery system	18	5	13
10	2	8	Courtroom technology	4	0	4
17	6	11	CRM/contact management	14	3	11
15	4	11	Database system	5	1	4
54	19	35	Desktop hardware	36	11	25
16	4	12	Dictation hardware/software	15	11	4
34	6	28	Disaster recovery	47	12	35
8	2	6	Docketing	9	2	7
5	0	5	Document assembly	6	0	6
9	4	5	Document comparison software	6	1	5
13	5	8	Document management systems	21	5	16
35	9	26	E-mail add-ons	10	0	10
26	8	18	E-mail management software	20	7	13
4	0	4	Groupware	0	0	0
11	2	9	Helpdesk applications	9	1	8
14	6	8	Human resources management	14	4	10
25	8	17	Imaging/scanning/OCR	20	5	15
24	6	18	Internet/intranet/extranet	22	7	15
49	14	35	Laptops/notebooks	34	11	23
32	11	21	Litigation support	26	9	17
14	7	7	Metadata scrubbing software	5	2	3
31	11	20	Microsoft Office upgrade	23	8	15
19	5	14	Network security	15	3	12
61	22	39	Network upgrade/servers	34	16	18
18	7	11	Offsite backup system	23	5	18
18	7	11	Onsite backup system	9	3	6
8	6	2	OS upgrade	10	4	6
18	3	15	Patch management software	10	3	7
14	3	11	Portal/knowledge management	16	7	9
38	10	28	Printers/multifunctional devices	21	6	15
19	3	16	Records management	23	11	12
1	0	1	Relationship discovery software	2	0	2
25	7	18	Remote access technology	16	4	12
9	2	7	Research tools	2	0	2
7	2	5	Security/encryption	9	0	9
37	9	28	Storage area network	25	13	12
4	3	1	Tablet PCs	3	1	2
23	5	18	Telephone system upgrade	23	8	15
5	1	4	Time entry	3	0	3
5	1	4	Time keeping system	3	1	2
14	4	10	Training/e-learning	9	1	8
4	1	3	User monitoring technology	1	0	1
20	7	13	Voice mail upgrade	19	7	12
1	0	1	Voice recognition	5	3	2
25	3	22	VoIP	33	8	25
50	16	34	Wireless devices	17	2	15
28	7	21	Wireless network	17	3	14
7	4	3	Word processing add-on	4	1	3
14	2	12	Workflow automation	24	10	14

Numbers represent number of responses.

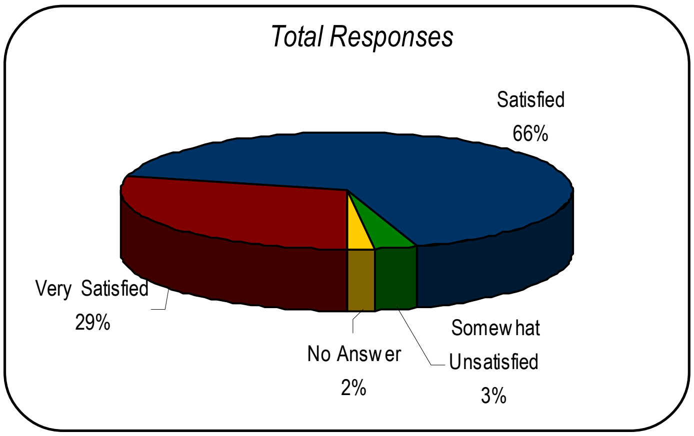
The user satisfaction response rate coincides with past surveys, although it is interesting to note that "under 200" firms recorded a 15% higher satisfaction rating than their larger firm counterparts.

Among users, 95 % were either satisfied or very satisfied with their firm's newly implemented technology, 5% more than compared to 2004 survey results.

Rate your satisfaction with this technology



Rate your users' satisfaction with this new technology implemented

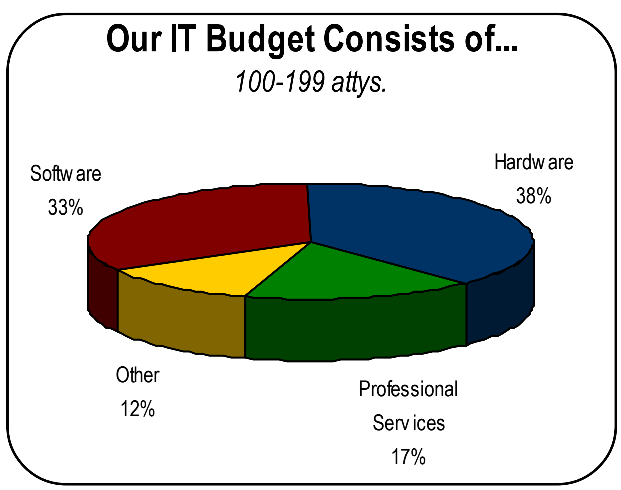


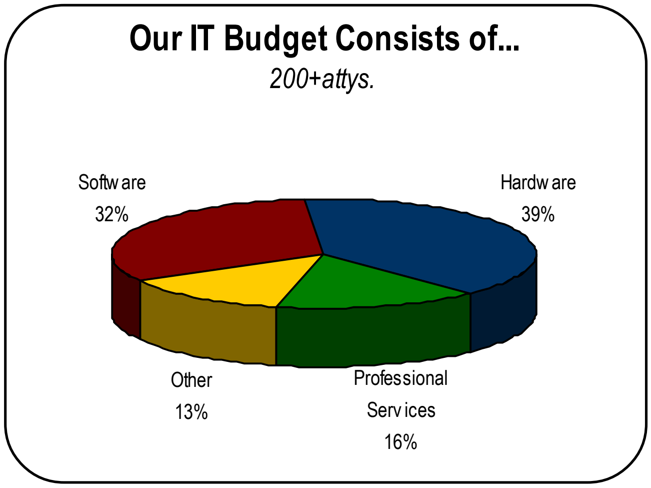
What is the most popular technology purchase you made for your firm in the last three years?

The top three technology purchases in terms of number of mentions were mobile devices (25 mentions alone for BlackBerry), VoIP (8 mentions) and email filtering and management technology (7 mentions).

Our IT budget consists of …

Of all the responses revealed in this year's purchasing survey, this budget allocation question revealed the most even responses between both set of respondents. In terms of the "other" category, firms allocated budget toward licensing fees, maintenance agreements, office supplies, and communication services.

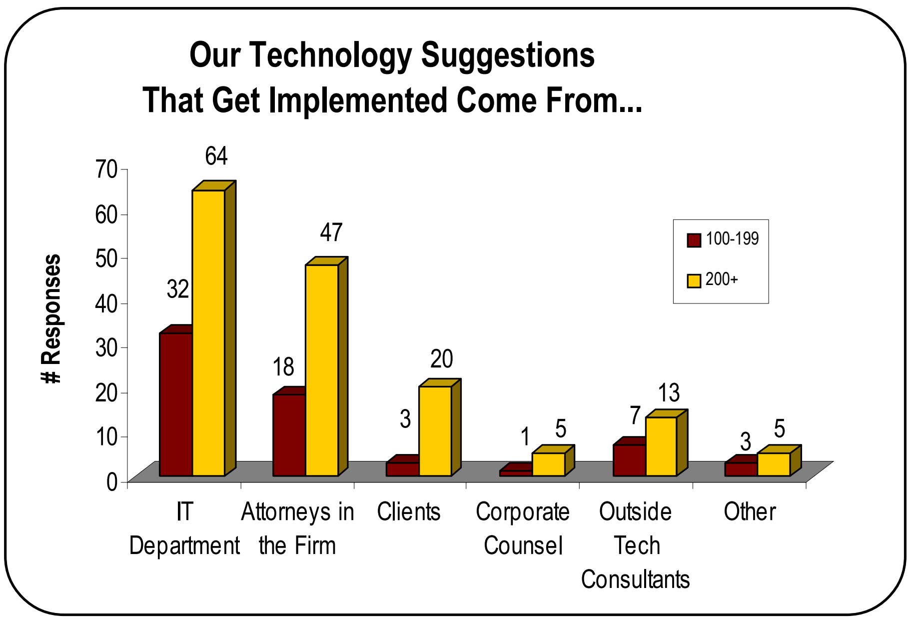




PART IV: IT PURCHASING INFLUENCERS

Where do technology suggestions come from?

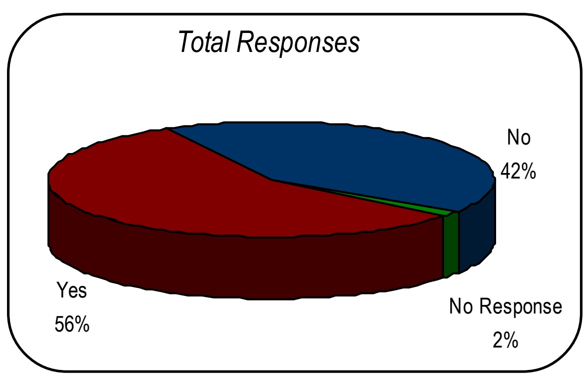
As expected, the IT department leads the way in making technology recommendations. Attorneys are very influential as well, especially in large firm environments. Outside technology consultants have more say in the "under 200" segment.



As expected, the IT department takes a leadership role in making technology recommendations - 96 % of all respondents agree.

Do Your Clients Play a Role in Your Firm's IT Purchasing Decision?

Firm clients play an important role in influencing IT purchasing decisions, with a slight edge to large firm ("200+") clients.



Peer to Peer, CIO, Law Technology News, Law Office Computing and Information Week are the top 5 most widely read legal trades.

Hype or too early?! 78% of all surveyed currently do not read blogs. Will this change in the future?

Survey respondents from "200+" firms value peer-authored articles (60%) more than their "under 200" counterparts, while product reviews carry more weight with the smaller firm sample.

What legal/technology publications do you read?

Peer to Peer topped the favorite legal periodicals list, but CIO Magazine's 2nd place with 58% overall was a big surprise, especially when compared to the 34% it received in the 2004 survey. Also, Law Firm Inc. made a strong showing considering it was only launched in 2003. In comparing readership among those surveyed, The American Lawyer, CIO, and Information Week are heavily favored by the "200+" crowd. On the other hand, Law Office Computing is more widely read among "under 200" respondents.

	Percentages of Responses		
PUBLICATION	TOTAL	100-199	200+
ABA Journal	8	8	8
The American Lawyer	25	15	30
California Lawyer	4	4	4
Canadian Lawyer	3	3	3
CIO	58	48	62
Corporate Counsel	2	2	2
eWeek	29	24	32
Information Week	37	24	44
Law Firm Inc.	36	39	35
Law Office Computing	42	52	38
Law Practice	3	3	3
Law Technology News	54	52	55
Law.com	7	7	5
Legal IT (UK)	8	8	8
Legal Management	10	10	10
Legal Technology Insider (UK)	8	8	8
NLJ Legal Technology Newsletter	5	5	5
National Law Journal	4	4	4
Peer to Peer	63	67	61
Small Firm Business	1	2	0
TechnoLawyer	8	8	6

Blogs: What Do You Read?

The biggest notable here is how rarely this predominantly tech audience currently reads blogs. It will be interesting to compare these statistics over the next several years.

Blog	Responses
Adam Smith, Esq.	4
Between Lawyers	1
Blawg Review	0
The Common Scold	2
Dennis Kennedy.com	7
Ernie the Attorney	0
Law.com	9
Morepartnerincome	1
TechnoLawyer	5
None	78

What is most influential in aiding your purchasing decisions?

With a 57% response rate, peer-authored articles are the overwhelming favorite in terms of influence followed by product reviews, independent consultant contributions, and trailing with advertising, and vendor-authored articles.

While colleagues/IT staff are the number one source for finding out about new technologies, software, and services among all respondents, "under 200" firms favor ILTA Listservs, the annual ILTA conference and then legal trade articles as their top four choices. Large firms rely heavily on articles (only 7 % less than colleagues), then the annual ILTA conference, and fourth ILTA Listservs.

Consultants, ILTA's annual conference, and ILTA Listservs, rank only behind Colleagues/IT staff as most influential in making a buying decision.

How Do You Usually Find out about New Technology Products, Software or Services?

	Percentages of Responses		
MEDIUM	TOTAL	100-199	200+
Advertisements	34	36	33
Articles in legal tech pubs	75	58	82
Articles in non-legal tech pubs	29	18	35
Attorneys	41	36	44
Blogs	6	3	8
Colleagues/IT Staff	86	82	89
Consultants	49	31	52
Direct Mail	19	21	18
Internet	43	36	47
ILTA National Conference	65	67	63
ILTA Listservs	61	76	55
LegalTech	32	27	35
Local ILTA Meetings	34	33	35
Other trade shows	20	21	20
Product seminars/webinars	37	33	41
Sales rep demos	35	24	41
TechnoLawyer	4	0	4
Other Listservs	7	12	5
Vendor-specific websites	18	21	16

Which Have You Used to Make a Buying Decision Within the Last Year?

Survey participants rely on their peers to make purchasing decisions, followed by third party consultants, information gathered at ILTA's national conference, various ILTA Listservs, and sales demonstrations. While "under 200" firms look to consultants second, "200+" firms mentioned ILTA second when making buying decision, and rely on their attorneys and vendor websites more heavily than their smaller counterparts.

	Percentages of Responses		
MEDIUM	TOTAL	100-199	200+
Advertisements	7	6	8
Articles in legal tech pubs	16	15	17
Articles in non-legal tech pubs	10	9	15
Attorneys	19	12	23
Blogs	1	0	2
Colleagues/IT Staff	66	64	68
Consultants	46	55	42
Direct Mail	3	0	5
Internet	11	15	9
ILTA National Conference	45	42	47
ILTA Listservs	37	45	33
LegalTech	10	12	9
Local ILTA Meetings	5	6	5
Other trade shows	6	9	5
Product seminars/webinars	17	21	15
Sales rep demos	28	21	32
TechnoLawyer	1	0	2
Other Listservs	3	6	2
Vendor-specific websites	19	6	20
None	8	9	8

Vendors with top customer support provide popular applications such as DMS, litigation support, email management, accounting software, and consulting and technology services.

SharePoint, VoIP, and matter centricity are the big buzz words in 2006, wireless is hanging on, and KM and portals are back in the exciting tech category.

How Much Does Your Firm Use Outside Technology Consultants?

57% of all respondents indicated that very few of the firm's technology purchasing decisions involve a consultant recommendation. 24% indicated about 25% of all decisions involve a third party consultant. 10% do not use a consultant.

What Legal Vendors Have Provided Exceptional Customer Support?

The top 10 vendors based on number of votes include:

- Baker Robbins & Company
- Interwoven
- Thomson Elite
- Kraft Kennedy & Lesser
- Payne Consulting
- Postini
- LexisNexis
- Traveling Coaches
- mindSHIFT
- viDesktop

What is the Most Exciting Technology or Trend?

The top 7 technologies include:

- Microsoft SharePoint
- VoIP
- VM ware
- KM
- Portals
- Wireless
- Matter Centricity

Survey Methodology

This survey was commissioned by ILTA and administered among its membership. Envision Agency 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 2005 vs. 2006 budget variances, budget approvals and purchasing authority questions. Part III, *Technology Purchases: Past and Future,* included past technology purchases, planned 2006 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.

About ILTA

Reach the ILTA organization of legal technologists by contacting Peggy Wechsler at (210) 481-5451 or peggy@iltanet.org. Special thanks to Peggy and Jeanne Martinez for their work on this project. www.iltanet.org

About Envision Agency

Envision Agency is a full-service marketing firm that concentrates exclusively on helping legal technology vendors market to law firms. For more information, please contact JoAnna Forshee at (770) 438-1908 or jf@envisionagency.com. www.envisionagency.com