FTI goes granular for information governance, takes Ringtail e-discovery to IBM

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26 Mar, 2015

FTI Technology had seen its revenue go stagnant and even decline during 2012 after some big e-discovery projects wrapped. However, things turned around in 2014, and now the division has had six consecutive quarters of revenue growth. What happened? Although the old projects concluded, new ones – including US Foreign Corrupt Practices Act (FCPA) investigations and US Department of Justice 'Second Requests' in M&A matters – came to FTI, bringing impressive revenue increases during 2014.

In an effort to keep this growth going, FTI has revamped Ringtail – adding improved analytics, visual email threading, integrated processing and improved workflow – and launched a new Information Governance and Compliance offering. The company is also continuing its strategy of combining software and services with a focus on international expertise. IBM partnering with FTI to be a Ringtail reseller increases Ringtail's international reach through IBM's global footprint. The idea is that, just about anywhere in the world business takes place, a company can pick up the phone, and FTI will have the consultants, software and services to handle tricky e-discovery situations.

The 451 Take

Despite our well-documented skepticism about corporate enthusiasm for implementing holistic information governance, we think FTI is on to something with a granular approach, focusing on providing specific IG services instead of trying to sell comprehensive IG itself as an offering. As we've said before, businesses want to buy software and services for specific, tangible tasks, such as file-share cleanup and migration to the cloud, rather than purchasing a nebulous offering called information governance. At the same time, things are looking up for FTI in e-discovery. Overcoming the perception that FTI was an expensive option, the

company has been nimble and quick to adjust to market demands, adding SaaS, predictive coding and information governance when the market demanded them. FTI is among the better players in e-discovery in its investment in thought leadership and user-survey data, and this investment has paid off in FTI knowing the e-discovery market better than just about anyone in the industry.

Context

FTI Consulting is an international consulting company with $1.76bn in revenue (2014), locations in 87 cities in 26 different nations and a workforce of approximately 4,400 around the world. FTI 's e-discovery practice is based in its FTI Technology business unit, which the company launched in 2006. In addition to FTI Consulting, the company has four other business units, including Forensic and Litigation Consulting, Corporate Finance/Restructuring, Economic Consulting, and Strategic Communications.

FTI Technology acquired its e-discovery software through acquisition, including Australia's Ringtail Solutions Group in 2005 and its $88m acquisition of Attenex in 2008. Of course, FTI has invested in the Ringtail technology over the past decade, and, not unlike its legacy competitors – AccessData's Summation and LexisNexis' Concordance – the Ringtail of today bears little resemblance to its clunkier predecessor.

As FTI has updated Ringtail, its business has improved after a period of stagnant revenue growth for the Technology unit following the conclusion of some major matters. As we noted above, FTI has landed new business to replace the old, and the revenue turnaround has been impressive. Over the last year, the company has achieved revenue increases in consecutive quarters, including 12.6% (Q4 2014), 21.8% (Q3 2014), 18.6% (Q2 2014), 28.6% (Q1 2014) and 12.6% (Q4 2013).

Like the company as a whole, FTI Technology has a large global footprint, including offices in 17 cities in seven nations across North America, Europe and Asia. The division has about 500 employees and avails itself of the expertise of the thousands of additional FTI Consulting employees. In addition to the other FTI Consulting datacenters around the world, FTI Technology has several dedicated datacenters, including three in North America, four in Asia and two in Europe.

FTI's multiple datacenters are an important part of the company's global strategy. With the EU attempting to approve a new General Data Protection Regulation (GDPR), the US-EU Safe Harbor

Framework in danger, and new data privacy and protection legislation being passed around the world, having datacenters in different jurisdictions is an invaluable advantage over competitors that must move client data to different jurisdictions, potentially triggering the wrath of local lawmakers and regulators.

Of course, FTI's approach involves both man and machine, and having consultants with local experience and connections is another important advantage. They have good hands-on experience with local laws, traditions and business practices. In addition, they have worked with local regulatory authorities on a variety of matters. Not unlike most people, data protection authorities (DPAs) often work better with people they know.

In January 2015, FTI added an additional component to its strategy with the launch of its Information Governance and Compliance services. The company brought in an IG specialist from IBM to head the offering, which provides services such as quarantining personally identifiable information (PII), file share cleanup and e-discovery process improvement. We think it's a good move by FTI – especially the company's granular approach to IG, with services offerings for specific tasks rather than limiting itself to marketing only IG itself.

Of course, we're still less enthusiastic about the realities of information governance than many who have seen IG as a panacea, solving just about every data problem imaginable. Although we believe IG is very necessary, we don't see corporate organizations embracing IG to the extent necessary to trigger real change.

Nevertheless, we think FTI is smart to start its IG and compliance practice. As was the case with predictive coding, many potential clients want to see information governance as a capability in a response to a request for proposals – even if there's little realistic chance the company will actually use the service, it helps FTI to be able to check the RFP box that it has the capability.

Software and services

As noted above, FTI Technology's primary technology offering, Ringtail, bears little resemblance to the attorney review application launched in 1997 and used by this attorney-analyst and thousands of other lawyers over the years. The Ringtail of today is based not only on the original Ringtail, but also Attenex, which was founded in 2001 and acquired by FTI in 2008.

Ringtail was always considered one of the more robust attorney review applications, but – not unlike other software applications of the era – it was difficult to use. However, in the decade it's

owned Ringtail, FTI has enhanced it substantially, adding analytics in 2007; technology from Attenex, including its Document Mapper, in 2009; predictive coding in 2012; and a SaaS version in 2013. In an effort to ensure Ringtail remains easy to use, FTI created a dedicated user-experience team to work on Ringtail in 2013, and the most recent version of the software, Ringtail 8.5, includes UX improvements, with more substantial improvements on the roadmap for future releases. In addition to its technical work, the UX team conducts end-user research through telephone interviews, on-site visits and user surveys.

Of course, the technology is only part of the story. In 2010 the company launched both its Acuity managed services offering and its FTI Investigate mobile software and services offering. The company's team of consultants around the globe has always been a key part of its strategy, and we believe these consultants and this services capability will be critical assets for the company in the future.

The company's e-discovery services offerings include technology assisted review, litigation review management and project attorney staffing through the Acuity offering; mobile collection, processing, analysis and production with FTI Investigate; and data collection and computer forensics. In addition, FTI consultants provide specialized expertise.

Competition

In legal e-discovery, FTI's competitors include the largest e-discovery providers with both software and services. The Big Four accounting/consulting firms – most notably EY and Deloitte – are primary competitors. Kroll Ontrack has been a traditional competitor, but FTI has fared better in e-discovery in recent years. Of course, Kroll is still in the ballgame. On the software side, although former competitor EMC has made moves in IG, it has more or less abandoned e-discovery, with its formerly successful Kazeon offering becoming one of those casualties on the scrapheap of e-discovery history. FTI's real competitors in e-discovery software are kCura, AccessData and LexisNexis on the attorney review side, although many vendors, including the Information Governance Initiative supporters noted below, as well as Catalyst Repository Systems, Epiq Systems, Guidance Software, LDiscovery, Planet Data, Servient, Thomson Reuters, TransPerfect Legal Solutions, UBIC, X1 and Zapproved, have a presence, as well.

In adding information governance to the mix, Nuix was an early champion, while HP and IBM have made major moves in acquiring Autonomy and StoredIQ, respectively. Time will tell what happens with Microsoft's recent purchase of predictive coding vendor Equivio. Exterro has also made moves in IG, including adding new features for human resources. Information governance needs

evangelism, and in addition to HP, Equivio, Nuix, kCura and Kroll, several e-discovery vendors have joined to form the Information Governance Initiative. These additional vendors include DTI, Exterro, Huron Consulting, Iron Mountain, Mindseye, OpenText, Recommind, RSD, Xerox, ZL Technologies and ZyLAB. Although many of these companies don't match up with FTI the same way the Big Four do, they, too, have made IG a priority, meaning they present potential competition to FTI's new IG venture.

SWOT Analysis

Strengths

FTI offers well-respected software and services, and with its international presence and the addition of information governance and compliance services, it can provide one-stop shopping for most matters.

Opportunities

Having IBM as a reseller of Ringtail could give FTI an even greater global presence. Europe's pending General Data Protection Regulation and legal moves by nations around the world present an excellent opportunity for FTI to capitalize on its international expertise and datacenters, where some e-discovery vendors simply cannot compete.

Weaknesses

Although Ringtail is excellent software benefitting from FTI's R&D investment in it, like many software applications focusing on attorney review, it does not include forensic collection capabilities.

Threats

Emerging technologies with disruptive features pose a potential threat to FTI and other legacy e-discovery providers with extensive service offerings. Vendors focusing on scale and ease of use could upend the traditional need for extensive e-discovery services.