

## Who will outsource more in 2010 - law firms or corporates?

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The US\$146 m (in 2006) legal process outsourcing (LPO) industry in India is on a rapid growth path, and is expected to grow to \$640 million by the end of 2010 according to ValueNotes' estimates. Corporates and law firms are offshoring large volumes and more complex work and have started to take advantage of the labor arbitrage that has been exploited by other industries for well over a decade. Increasing workload and rising costs are forcing legal counsel and law firms to offshore to cost effective service providers.

The difference between legal and other industries is that corporate legal departments, and not law firms, were the early promoters of legal outsourcing. Outsourcing in the legal market has been client driven rather than industry driven. This fact is further validated by a recent survey conducted by ValueNotes to find the willingness of law firms and corporate legal departments to offshore legal services. The survey reveals that corporates will offshore more aggressively by 2010.

It was found that corporates find offshoring more suitable as they have substantive legal work and are more comfortable with the concept of offshoring compared to law firms. Moreover, successful precedents in offshoring of IT, BPO, F&A and other processes have made them more confident. Given the benefits of offshoring and its cost-economics, corporate in-house counsel will be able to provide a wider range of in-house legal services, while sending the manpower intensive work offshore.

Some industry estimates show that document review generally accounts for 58% - 90% of the total litigation cost. This type of legal work is routine for corporate clients who are increasing pressure on law firms to outsource to low cost destinations like India and the Philippines where qualified lawyers and other professionals are available at a much lower rates per hour. Outsourcing will help corporates save on inflated fees of \$300- \$400 plus per hour charged by law firms in UK and US.

Neeraja Kandala, analyst at ValueNotes says, 'Early adopters among US and UK law firms are gaining comfort with the idea of offshoring. There are several law firms that are inhibited by various concerns. Those who have held back are now seeing the success stories of some of their competitors, leading to more optimism now.'

ValueNotes is a leading provider of research and information on the LPO industry. The results of the survey mentioned above have been published in the April 2008 update to the ValueNotes report 'Offshoring Legal Services to India'.

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