

Global Legal

An exploration of legal services globalization

<http://globallegal.wordpress.com/>



Originally posted on **July 21, 2010**

Cobra Legal Solutions Competes with Least Cost Pricing Plan

Cobra Legal Solutions LLC is a Legal Process Outsourcing (“LPO”) vendor with offices in New York and a delivery center in Chennai, India. Cobra offers what it calls “Least Cost Pricing” for its document review projects. For each document review project, clients are quoted an hourly rate, a per document rate, and a per gigabyte (GB) rate. The price that Cobra ultimately invoices the client is determined by whichever rate produces the lowest total cost. Global Legal recently spoke to two Cobra clients – a Fortune 100 technology provider and a 10 lawyer boutique litigation firm in Chicago, IL – to evaluate the merits of Least Cost Pricing.

Before talking to Cobra’s clients Global Legal was skeptical. While there can be significant variation, for most large document sets, experienced professionals can readily estimate the number of documents from the number of gigabytes, and vice versa. Similarly, once Cobra knows the number of documents or gigabytes, it can easily calculate a cost per document based on the length of time it typically takes to review a document. Given these relationships, we sought to determine whether or not charging clients the minimum price resulting from three highly correlated pricing mechanisms provides real value to clients or just marketing value for Cobra.

Based on our discussions with Cobra clients, there is real value for clients. Cobra’s solution addresses two of the major complaints general counsels have traditionally had with legal services – the pricing level itself, and pricing predictability. The offshore LPO market, including Cobra, has addressed the pricing level by significantly reducing the cost of document review services. Least Cost Pricing addresses predictability by providing a fixed (i.e. maximum) price for a set of documents based on the number of gigabytes to review. In addition, Least Cost Pricing provides the opportunity for a client to be charged less than the maximum represented by the cost per gigabyte if the actual number of documents or cost of the time required to review the documents turns out to be lower. Significantly, one of the criticisms of fixed prices

This article was written by [Matthew Sullivan](#), a principal at [Red Bridge Strategy, Inc.](#) and originally posted to his blog *Global Legal* (<http://globallegal.wordpress.com>). Red Bridge Strategy is an independent firm offering consulting and advisory services to corporations and law firms. The company does not provide outsourcing services, nor is it affiliated with any outsourcing providers.

<http://globallegal.wordpress.com/>

– that legal service providers have superior knowledge of the effort required to provide services and therefore have a natural incentive to use that knowledge to quote fixed prices far in excess of the hourly costs – is attenuated by Least Cost Pricing.

Both of the Cobra clients to whom we spoke reported lower than expected prices. Interestingly, while both organizations sought to reduce cost, both also considered other equally important factors. The technology provider, expecting modest cost savings, was familiar with outsourcing other aspects of its business and sought to improve project management and the measurable quality of results. The boutique firm determined (after consultation with and approval from its clients) that it would be more cost-effective, timely, and thorough to outsource the review of large document productions.

Both clients were initially very concerned about the risks of offshore document review and took measures to satisfy themselves that the quality provided by an offshore outsourcing firm was measurably adequate. Both clients evaluated multiple firms and conducted test reviews before making a commitment to Cobra. Though neither client visited Cobra facilities in Chennai, India, they were both able to satisfy themselves that the quality of the offshored work was adequate. Some of the indicators of quality were the initial questions requesting client instructions for particular situations and weekly status reports that included the number of documents reviewed, the time incurred to do so, the consequent spending to date, and projections for completion. Credibility was also bolstered significantly by the presence in India of an attorney with significant training and experience in U.S. litigation. The technology firm also cited professional experience with Cobra executives, and the boutique cited industry introductions and a meticulous reference checking process.

Once the review projects had begun, Cobra provided weekly reporting including the number of hours consumed and the number of gigabytes and documents reviewed. While other vendors provide this level of efficiency statistics, the transparent effect on pricing serves to highlight anomalies more quickly than projects focused on a single pricing driver. During its initial engagement with Cobra, the technology company spent one third of its projected cost, and ultimately paid lower than the “maximum” because hourly cost pricing resulted in the best price. At one point during the boutique firm’s project, Cobra needed to add additional reviewers to stay on schedule. The attorney managing Cobra for them noted that if had she been supervising contract attorneys or a firm offering only hourly pricing, she would have had to choose between completing the project behind schedule with existing attorneys or increasing the overall cost by adding uninitiated attorneys who would have had lower productivity. She consented to additional attorneys and ultimately completed the project on time, with the cost per document resulting in the lowest price.

Overall both clients were pleased with the quality, and found value in the Least Cost Pricing Solution. Both were attracted to the fixed prices (i.e. gigabyte prices) quoted at the beginning of their projects with the potential for lower prices if things went well. In both cases, the clients happily paid less than the initial fixed price.

<http://globallegal.wordpress.com/2010/07/21/cobra-legal-solutions-competes-with-least-cost-pricing-plan>

This article was written by [Matthew Sullivan](#), a principal at [Red Bridge Strategy, Inc.](#) and originally posted to his blog *Global Legal* (<http://globallegal.wordpress.com>). Red Bridge Strategy is an independent firm offering consulting and advisory services to corporations and law firms. The company does not provide outsourcing services, nor is it affiliated with any outsourcing providers.