



verbit^v



Court Reporting
Virtual Summit

Market Research with Strategy& of PwC

Digital opportunities for smaller court reporting agencies



Court Reporting
Virtual Summit

Speakers



Noa Hen

Associate, Strategy &
of PwC



Nafeesah Pierkhan

Customer Success
Manager, Legal, Verbit

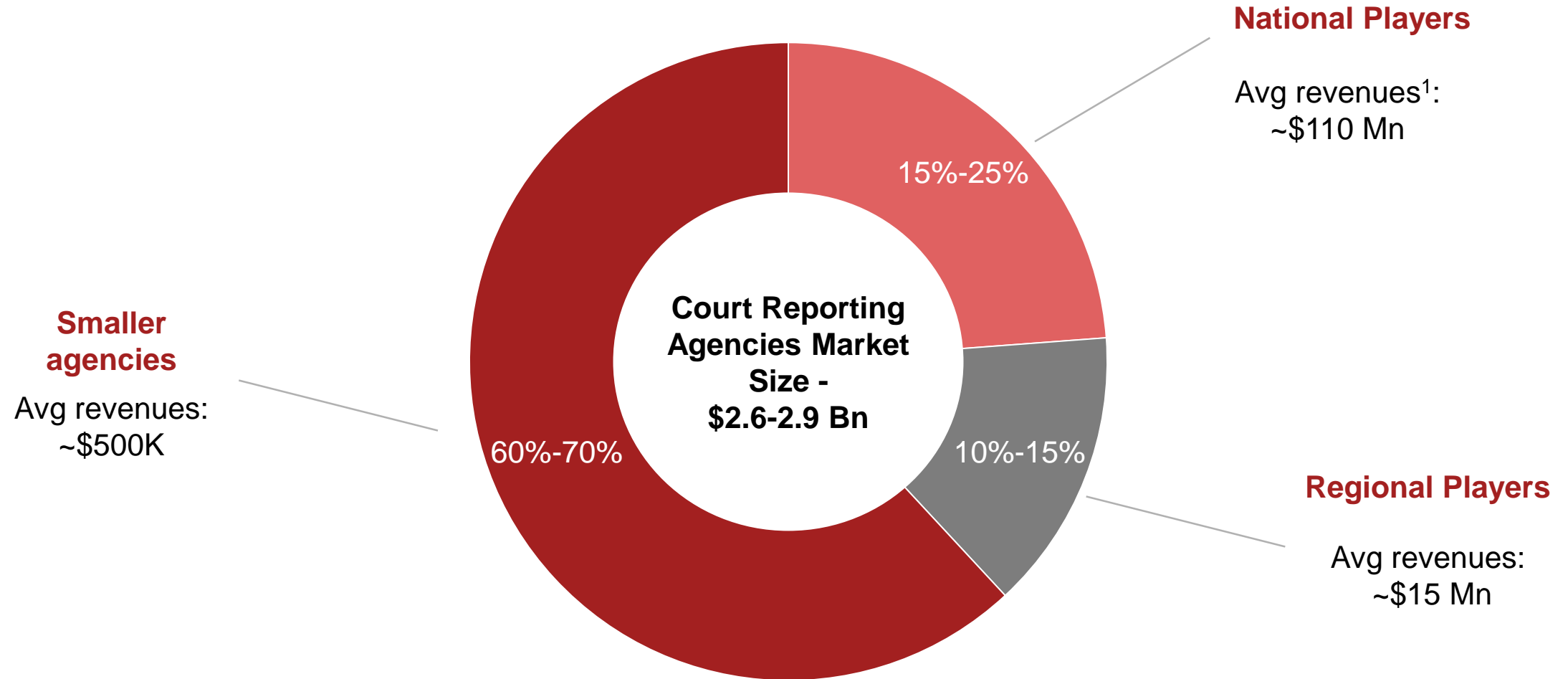
As a part of our market research, we conducted 70 interviews and leveraged in-depth industry reports

Research Resources

Interviewee type	Number of interviews
Smaller CRAs – in-depth interviews	59
Verbit Team	6
Industry experts	5
Total	70

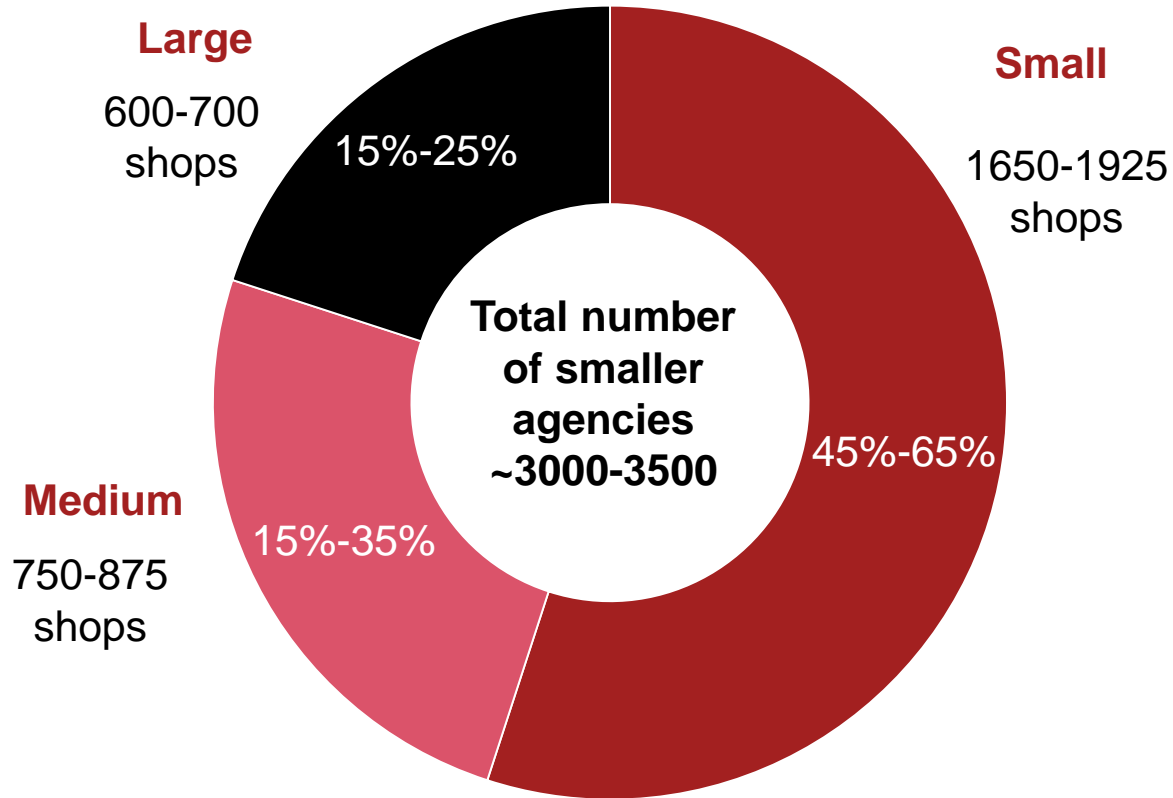
The are over 3,000 smaller court reporting agencies in the U.S, with a combined ~60% of the court reporting market

CRA Court Reporting market share by player type, 2020, USD Billions

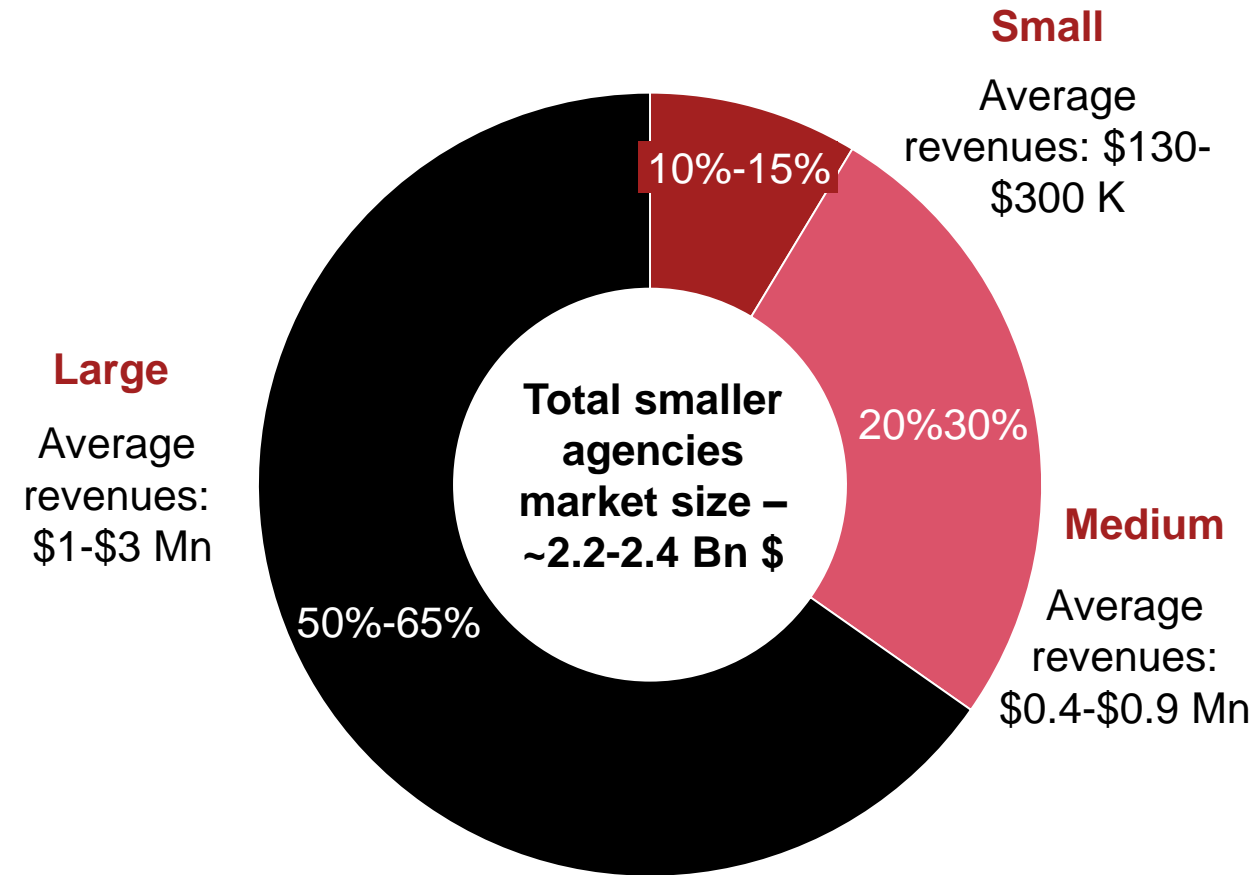


Smaller agencies come in 3 sizes; While large agencies are outnumbered, they make up over 50% of the smaller-agencies' market

Number of smaller agencies by size group, 2020

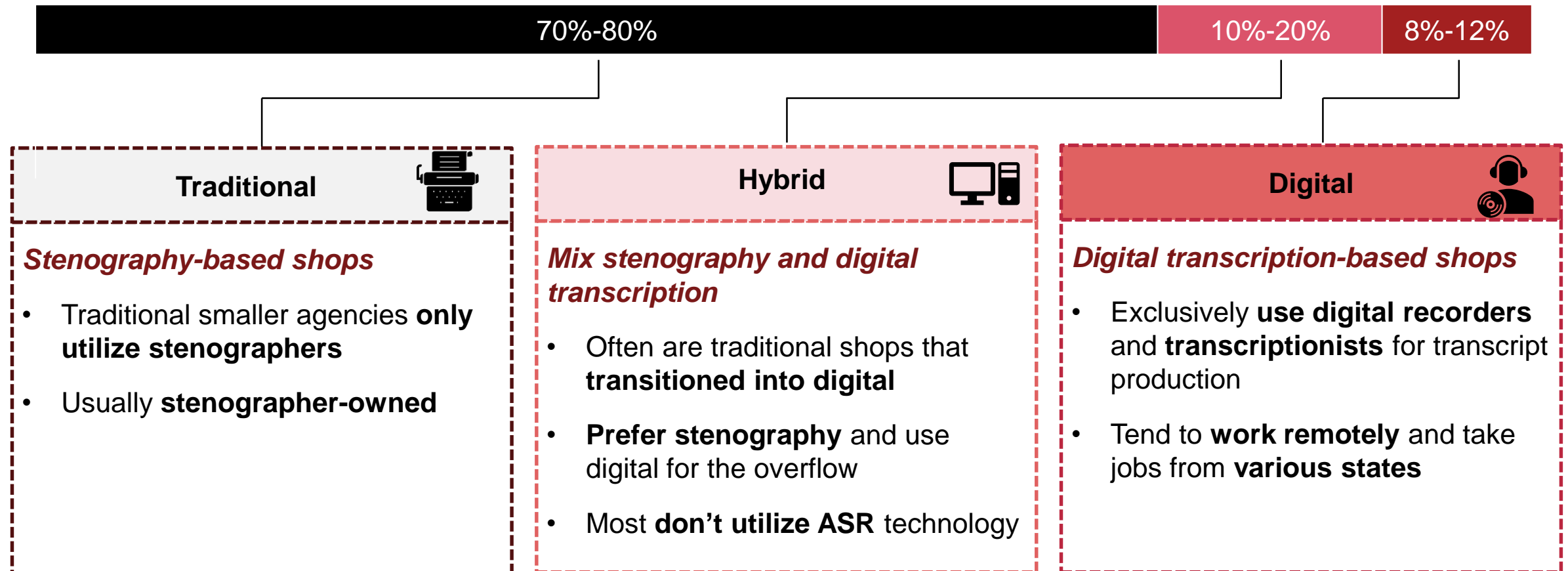


Smaller agencies' market share by size, 2021E



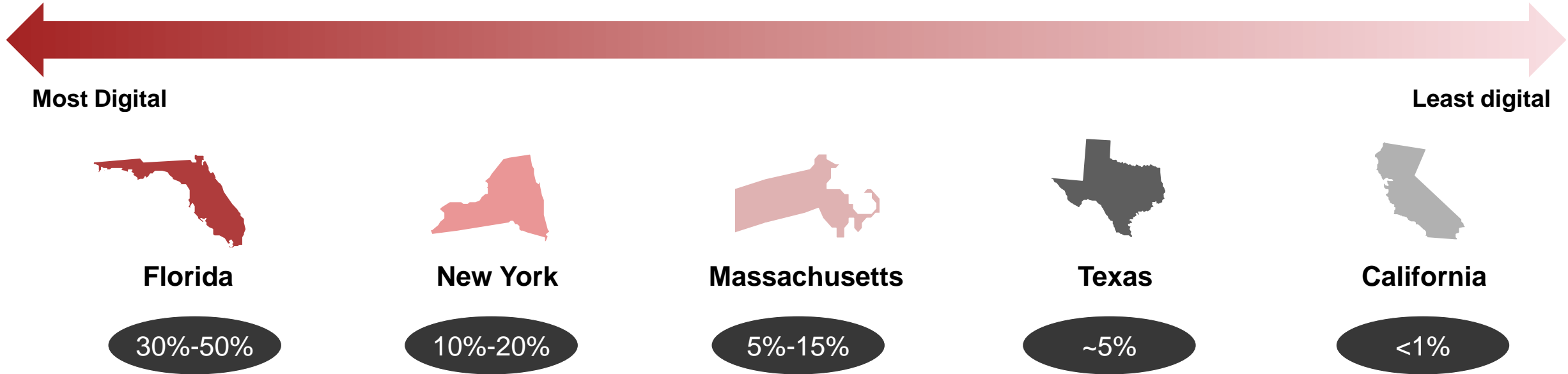
Smaller agencies can be divided into 3 types by their level of digital adoption; most agencies remain traditional

Volume of smaller agencies by type, 2021



Smaller agencies' digital adoption level varies between states, with Florida being most adoptive, while California and Texas lag behind

Smaller agencies' digital adoption level by state



Key drivers and inhibitors to digital adoption at the state level include:

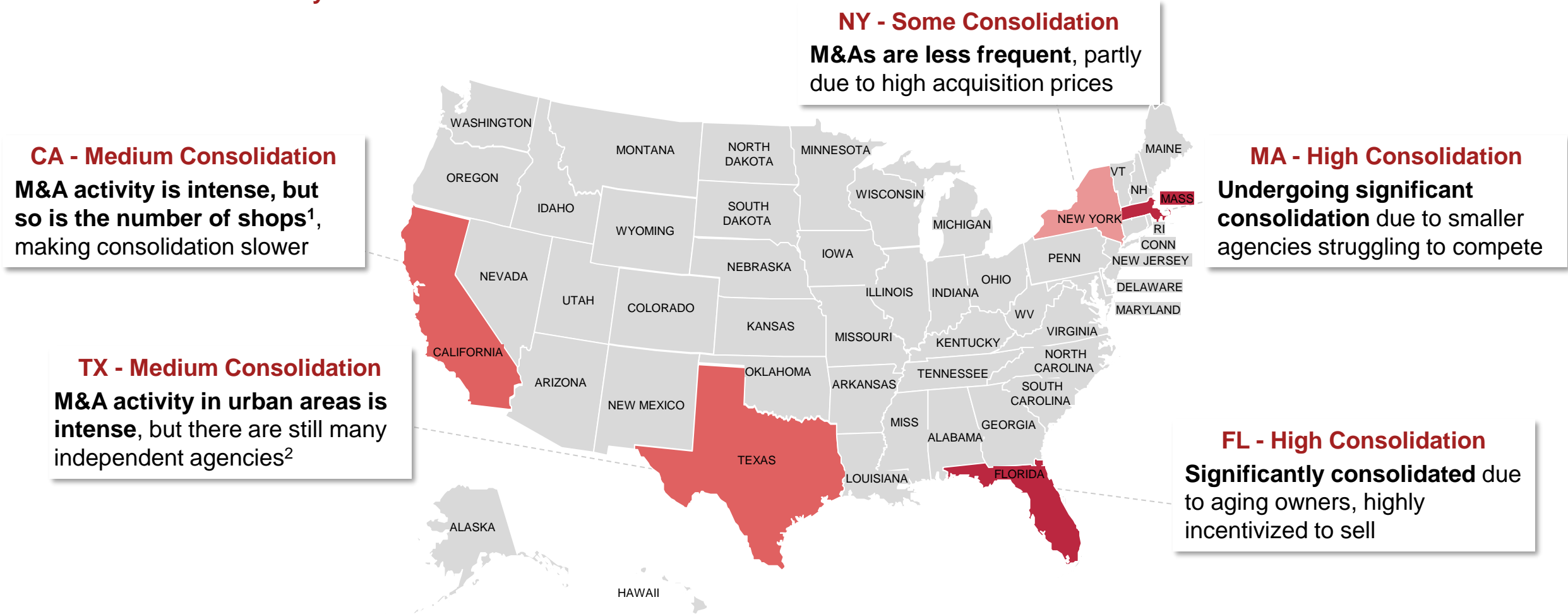
- ↑ Less stringent certification requirements
- ↑ Court-level adoption of digital transcription

- ↑ High concentration of larger “small” agencies
- ↓ Stenographer resistance and leverage



The court reporting market is undergoing consolidation based on a rollup strategy by larger firms; the prevalence varies from state to state

Consolidation Process by state



¹ California is estimated to have 350-450 total agencies
² Texas is estimated to have 250-300 total agencies
Source: Strategy& interviews, Strategy& analysis

Due to the mentioned market trends, smaller agencies are experiencing several key pain points

Smaller agencies pain points



Stenographer shortage

Shop owners admit that the stenographer shortage is **the biggest problem** affecting their business



Increasing competition from larger agencies

Smaller agency owners are struggling to keep up with low rates and high resources of national firms



Difficult integration between systems

Owners complain on having **multiple software systems** for scheduling, formatting, billing etc.

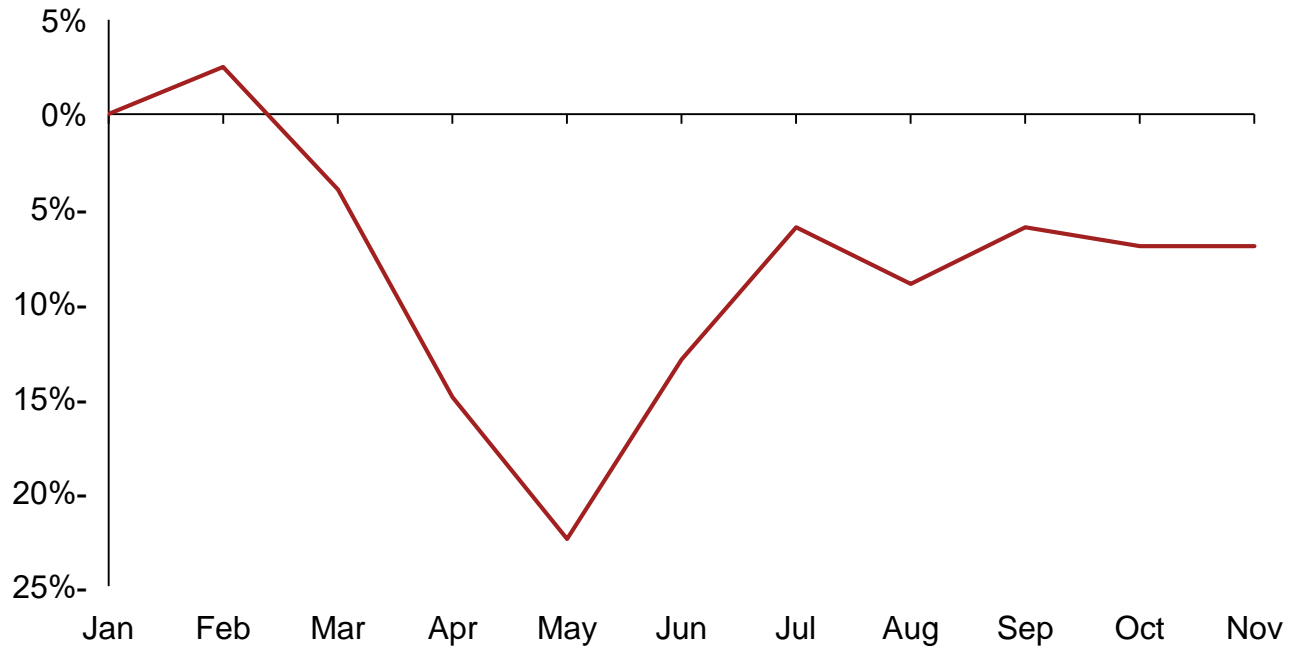


Shortage in high quality transcribers

Difficult to find **high quality transcribers** who will truly be able to replace stenographers

COVID-19 has led to a 20% decrease in smaller agencies' operations; demand is expected to increase by the end of 2021

YoY change in billing volume in the legal industry, January-November 2020



COVID demand drivers

- ↑ **Remote depositions** - ~90% depositions are currently done remotely, mostly via Zoom
- ↓ **Court Hearings** workload decreased due to backlogged trials in most states, esp. for smaller agencies relying on court work
- ↓ **Legal problems postponed** by potential customers – over 60% reported they would postpone a legal matter during the pandemic
- ↑ **Increase in insurance claims** related to COVID increases demand for EUOs and depositions

Due to postponed legal matters and increase in insurance claims, **substantial growth in demand is forecasted**

Post-COVID, depositions are forecasted to largely remain remote and may consequently increase the adoption of digital solutions

COVID future impact on depositions



Depositions will remain largely remote

- ↑ Resistant lawyers were forced to embrace remote
- ↑ Emergency remote notarization legislation has increased
- ↑ Remote Notarization is expected to stay intact Post-COVID due to attorney lobby
- ↑ CRAs have invested in remote infrastructure and are accustomed to delivering remote services



Remote promotes digital transcription adoption

- “Out of sight out of mind” – remote helps clients get used to digital
- Built in ASR or add-ins prompt adoption

Over 50% of depositions are expected to remain remote, which may increase adoption of digital transcription and ASR

Smaller agencies face increasing competition from national and regional players, mainly due to their lower prices

Threats from national players

Low Prices



- **Top national CRAs are up to ~20% cheaper than smaller agencies**
- **Economy of scale** and **increased digital adoption** allow national agencies to lower prices

National Contracts



- **National firms sign third party contracts** with customers in need of legal services (e.g., insurance companies) in exchange for discounted rates
- The contracts give them **priority for all client-related court reporting work**

Geographical Presence



- **National CRAs have a broad geographical presence**, including branches in multiple states
- This makes **them favorable to large clients**, who prefer for one company to take care of their needs in all locations

Customer development



- Larger firms have **dedicated teams for customer management and success**
- Dedicated personnel **increase chances of winning customers and bids**

Digital, ASR-based transcription holds multiple advantages for smaller agencies, including lower costs, scalability and

Opportunities for smaller agencies in digital transcription



Lower Costs

*With stenographer fees on the rise, digital based transcription is **cheaper for the agency***



Scalability

*Digital solutions allow for **quick and easy scalability**, which is necessary with **rising demand and the stenographer shortage***



Faster Turnaround

*Digital allows agencies to provide transcripts **quickly at a lower cost**, serving as a **competitive advantage***



Court Reporting
Virtual Summit

Questions



Submit your questions for our speakers now in the Q&A of the Zoom navigation bar.