



EXPECTATIONS AND CONCERNS OF EUROPEAN TRANSLATION COMPANIES

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MANAGEMENT SUMMARY

The results of this first EUATC survey on Expectations and Concerns of European Translation Companies reflect the geographical and organizational complexity of the European translation industry, and in particular the translation company segment.

Despite the typical global nature of the translation activity as such, the export tendency of European translation companies is not higher than average. Export remains mainly focused on neighbouring countries and the rest of Europe. Growth economies are only seldom mentioned as export targets. In times of European economic downturn or stagnation this may put the European translation companies in a vulnerable position.

While specialization is always put forward as an important means to gain competitive advantages and to counter price pressure, the survey results show little evidence of it. Diversification is the rule and the respondents' expectations are that this tendency will even intensify in the future.

Machine translation is considered as the main challenge and a threat to quality, and only seldom seen as an opportunity. Price pressure and increased competition are identified as the next biggest concerns, combined with non-traditional sources of added competition such as offshoring and crowdsourcing.

It is surprising to see that only a very small minority intends to take part in that competition by using machine translation, offshoring and/or crowdsourcing as part of their structural offering.

Overall, despite the strong concerns that were voiced, most respondents share a cautiously optimistic business outlook for the coming years, with increased activity both for their own company and the industry as a whole, and a stabilization of price levels.

The results of the survey need to be handled with care, in particular when considering individual countries. While the number of replies allow for meaningful conclusions regarding the largest Western European economies, this is certainly not the case for a number of other countries.

OBJECTIVES OF THE SURVEY

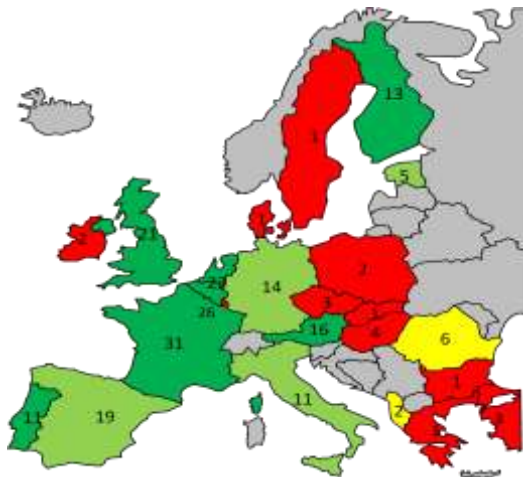
The survey was set up to establish the mood of the industry, not to gather exact quantitative data.

In order to map expectations and concerns to individual geographical areas and company types, a number of questions were added to determine the profile of each respondent. Those questions however were formulated in such a way that a very high level of anonymity could be attained.

The survey also intended to identify real or apparent contradictions between individual concerns, expectations and current practices. Answers were also compared with real online data in order to confirm or contradict any perceptions identified by the survey.

SURVEY RESULTS

STRUCTURE OF THE INDUSTRY



A total of 218 responses were received, representing a total of 24 countries.

Countries for which sufficient data were gathered (more than 20, or more than 10 and more than 5% of active translation companies on the Proz.com Blueboard) included France, Belgium, Netherlands, United Kingdom, Austria, Finland and Portugal.

For Spain, Germany and Italy, more than 10 responses were received, but those represent less than 5% of the active translation companies.

For all other countries, the results of the survey must be handled with care, either because of the small number of responses or because of the unfavorable ratio between responses and active national translation companies.

The distribution in size segments confirms that the average European translation company is small. 82 (38%) are companies with a turnover of less than 250K€ and/or less than 5 employees. 60 (28%) are slightly larger, with less than 1 M€ and/or less than 10 employees, and 58 (26%) can call themselves mid-range companies with a turnover of less than 5 M€ and/or less than 25 employees. Only 14 (6%) were considered as large (less than 20 M€ and/or less than 100 employees) and a mere 6 (3%) can be considered very large in this area.

In 83% of the companies, the owner has actual translation experience. Less than 6% of the companies report that neither the owner nor the other members of the management team have translation experience.

BUSINESS FOCUS

The survey examined specific tendencies in business focus such as export focus, level of specialization and diversification, and target market segments.

The results show tendencies that give rise to concern.

Export

50% of the companies replied that their export focus is low to very low, a surprisingly high percentage for an industry that is almost synonymous with the word globalization. Only 30% report to export to countries outside Europe (with USA as the predominant target country and growth countries such as China lagging far behind). In a world where Europe has long lost its status as the dominant business region, the persisting position of Europe as main export target is clearly an area of concern.

Specialization and diversification

Despite the fact that specialization is invariably quoted as one of the main mechanisms to gain competitive advantage, only 21% of the respondents declare to limit their activities to one or only a few domains. 79% will accept any subject area.

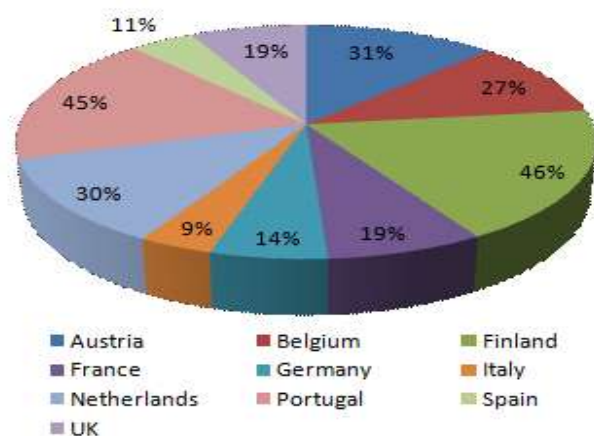
A high level of diversification is to be expected from large and very large companies, but according to the results, the tendency is equally strong in small and tiny companies.

This high level of diversification does not only apply to subject areas but also to languages. The categories Local and Regional languages only made up for 11% of the answers, against 15% All Languages and 72% European languages in general.

When questioned how this diversification will evolve in the future, only a negligible 2% predict more specialization (less diversification), while 50% tend towards a status quo and 42% expect to diversify even more.

Market segments

The public sector is clearly not the preferred market segment in Europe. Only 30% of the respondents work for government agencies, while industry and service companies seem to be equally attractive as customer base.



This ratio is independent of company sizes (except for the Very Large category, which has a significantly higher percentage of government work), but does vary from one country to another. Countries with a Tier 2 language or a smaller economy tend to show a higher percentage of government work.

As with languages and subject areas, the survey results show little evidence of specialization in one or the other market segment. Only 15% specializes in industry, 11% in service companies and a mere 3% in government work.

CURRENT AND EXPECTED BUSINESS LEVELS

Business activity is mainly reported to have remained stable or increased in recent years. 44% report that their sales volume has increased. 24% also report an increase in employed staff. Only a minority of 21% report a decline in their own sales volume.

This positive image is somewhat offset by the large minority (37%) which states that the real price level has dropped, undoubtedly the result of the increased competition which an overwhelming majority of 79% is reporting.

For the coming three years, the results show an even stronger optimism, with a majority (58%) expecting a growth of their sales volume and a solid 29% also an increase in staffing levels. This optimism is clearly driven by an anticipated increase of the global translation demand, because increased competition remains a strong (76%) concern.

The expectations regarding real rate levels do not always confirm the optimistic sales outlook. A number of countries for which the results are fairly reliable - Belgium, France, Germany, Italy, Netherlands, Portugal and UK - expect prices at best to remain stable.

RETURN ON INVESTMENT

Respondents report a fairly high return on investment for traditional, well mastered technologies such as translation memories and translation management systems.

ROI on machine translation technology is rated much lower, as is ROI on certification efforts. These figures should however be taken with caution. They may simply be the result of a lack of experience of the majority of the respondents. After all, only a minority reports to have actually used machine translation (20%) or to have gone through a certification programme (47%).

BUZZ WORDS

Based on the results of this survey, hotly debated items such as social media, offshoring, crowdsourcing and machine translation are sources of concern, but for the majority of the respondents they are neither part of their daily reality nor of their plans for the future.

61% of the respondents declare not to have plans to use machine translation. This percentage goes even up to 78% for offshoring and 81% for crowdsourcing.

Social media are still far from being warmly embraced by the industry. 50% report to regularly use social media to improve brand awareness, but other typical purposes such as community building score far lower.

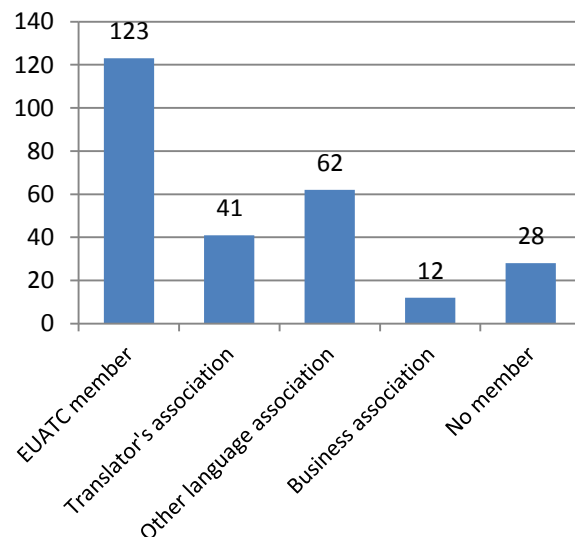
Based on the results, translation portals are used in the same restricted way. They are mainly used to search resource directories and even that purpose is only reported by barely more than half of the respondents.

EXTERNAL RELATIONS

The survey results regarding external relations are sobering. Although quite a lot of the respondents are members of one or more language industry associations (a percentage which is undoubtedly inflated by the origin of the survey), the number of translation companies that are members of other than language-specific associations is extremely low.

This is reason for concern, as membership of generic business associations such as chambers of commerce or other trade associations are often used to foster commercial relationships and penetrate new markets.

Although the relationship with the academic world, and in particular with translation education programmes, has long been very weak, the survey shows a considerable improvement. There are still 37% of companies who state that they have no relations whatsoever with the academic world, but 45% report to receive interns and 28% go as far as participating in the course programmes.



CHALLENGES

The survey tried to gather perceived challenges at three different levels: the individual translation company, the translation industry as a whole, and the translation company associations. Not surprisingly, there are overlaps between the answers to the three questions, but there are also meaningful distinctions.

CHALLENGES FOR THE INDIVIDUAL COMPANIES

Top challenges for the individual companies were price pressure, time pressure, unfair competition, client purchasing practices and quality requirements. The high scores of these concerns are in line with the business expectations gathered elsewhere in the survey.

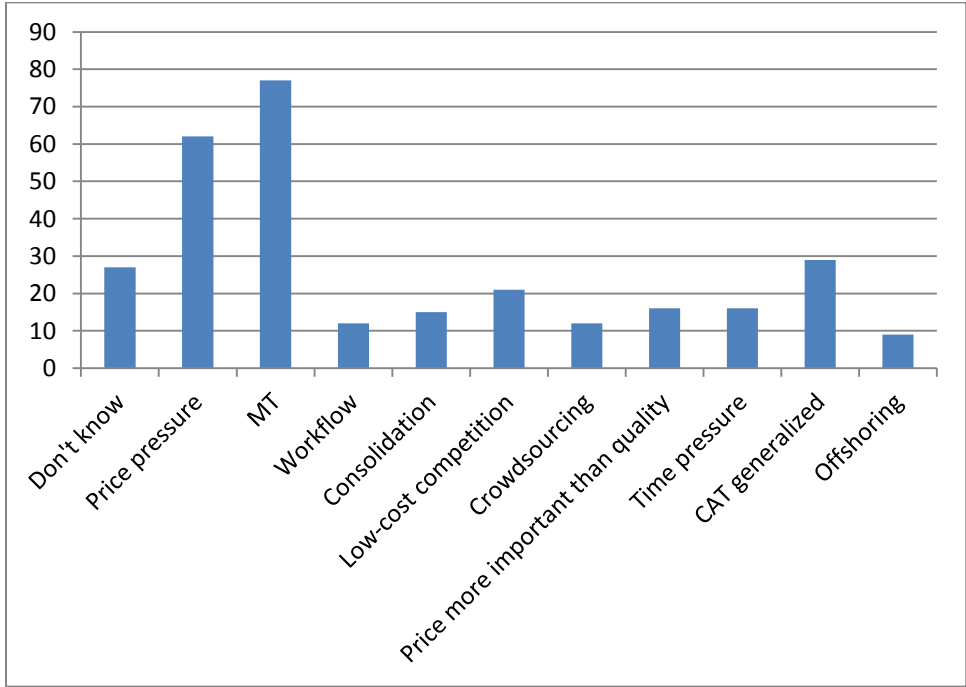
Finding adequate resources and insufficient demand score only marginally lower. This is surprising, because other questions revealed a relatively high level of satisfaction regarding external resources, and the concern about insufficient demand contradicts the generally optimistic business expectations that are reported elsewhere.

Strategy, brand awareness and tool requirements score reasonably high as well, while social media and certification requirements clearly are not top priority.

CHALLENGES FOR THE TRANSLATION INDUSTRY

At an industry level, machine translation is perceived as the greatest single challenge, with 36%. Most respondents regard MT as a negative factor, with a considerable number explicitly calling it a threat to quality. Only few companies see MT as an opportunity.

With 28%, price pressure is a strong runner up, invariably considered as a negative factor.



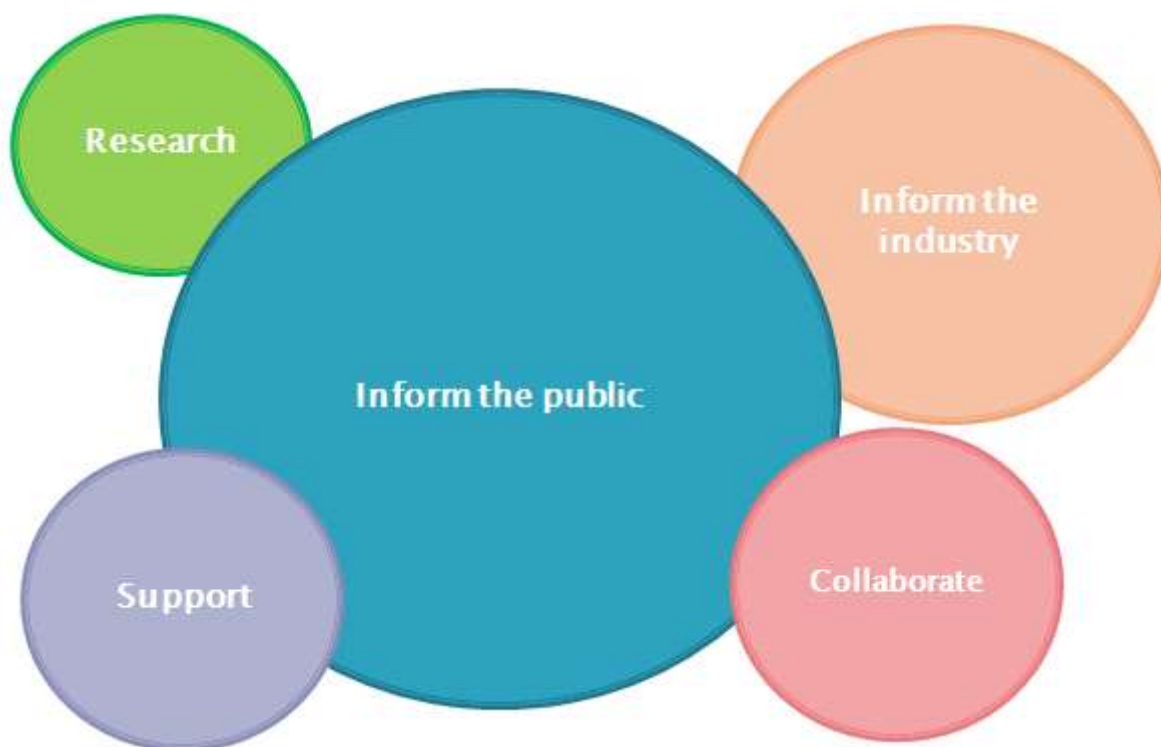
Generalized use of known technology - translation memories, translation management systems and workflow applications - is identified as a strong challenge as well, but one that is expected to bring positive effects to the industry, while offshoring and crowdsourcing are mentioned as additional negative trends although, as mentioned earlier, only a very small minority intends to make sure of these practices.

The answers indicate that any development that moves away from the traditional human translation model is perceived as negative and detrimental to quality and client satisfaction (although several companies identify a downward shift in client quality expectation as an additional challenge).

Automation and new practices are only embraced where they do not impact the core of the activity - unless they have already achieved acceptance such as is the case with translation memory technology.

CHALLENGES FOR TRANSLATION COMPANY ASSOCIATIONS

The challenges for translation company associations, as identified by the respondents, can be grouped in 5 large categories: inform the public, inform the industry, provide support, conduct research and collaborate.



According to the respondents, informing the public should be the first and most important task of the associations. Many participants give at least one answer that fits in this category: increase brand awareness, lobbying, promote the industry's added value, 'educate' the market, etc.

Providing information to the translation companies is identified as another important task, linked to conducting research to gather information that is not readily available.

Closely linked to that second goal is providing support to translation companies, and in particular to small companies or startups.

Finally, the survey results indicate that the companies see a need for collaboration, between companies, between companies and freelancers, between companies and universities as well as between different associations. They look upon the associations to make this happen.

CONCLUSIONS

This first EUATC survey on challenges and concerns of European Translation Companies paints a picture of an industry that primarily consists of small businesses that to a large extent share the same opinions and concerns as the individual professional translators and interpreters that are active in the industry, with a strong focus on the traditional core product and a limited interaction with the economic environment in which their business takes place.

The results reveal a contradiction between the optimistic business expectations - life of a translation company really does not seem to be that bad after all - and the strong concerns about future developments that often trigger negative emotions.

The survey reveals several disturbing paradoxes: respondents readily identify negative challenges for their market, but do not seem to take action to counter them; practices that are commonly praised as a means to achieve competitive advantages are widely disregarded.

Perceived challenges and concerns may be partly the result of a lack of information or knowhow, and the general uncertainty that is permeating the European economies certainly contributes to magnify anxiety concerning specific potential issues. But the answers to this survey also reveal another cause for uncertainty: a lack of identity which seems to make translation companies hesitate whether to think and behave as an individual professional or as a company.

Just like any other trade associations, the language industry associations can play an important role to help companies weather the storm, be it as a source of information, as mediators or as lobbying bodies. Unlike their colleagues in mature industries however, EUATC and its national member associations have the additional challenge to define a clearer identity for this particular segment of the industry. One that will help it claim a position of its own and to put its members in control of their own future.