



## EXPECTATIONS AND CONCERNS OF EUROPEAN TRANSLATION COMPANIES

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### MANAGEMENT SUMMARY

This second edition of the EUATC survey on Expectations and Concerns of European Translation Companies was simplified by removing questions that did not show added value in the 2013 edition and by focusing more on actual business trends, expectations and concerns.

The difference in geographical mix and the even stronger representation of the Very Small segment resulted in a change in focus regarding challenges and concerns in general and items such as certification in particular.

Despite these changes, business expectations confirm the positive outlook which was already visible in the 2013 results. This optimism is confirmed by a relatively strong tendency towards expansion throughout Europe, except in three individual markets.

While social media and machine translation continue to gather momentum, other hyped trends such as crowdsourcing and offshoring have had difficulty taking off.

Price pressure, machine translation and increased competition are identified as the strongest trends for the industry and price and time pressure are perceived as the biggest challenges for individual companies.

Translation companies expect their trade associations to defend the added value of quality by informing the public in general and the buying community in particular. More specific expectations on association activity include lobbying for stronger regulation of the industry and training.

### OBJECTIVES OF THE SURVEY

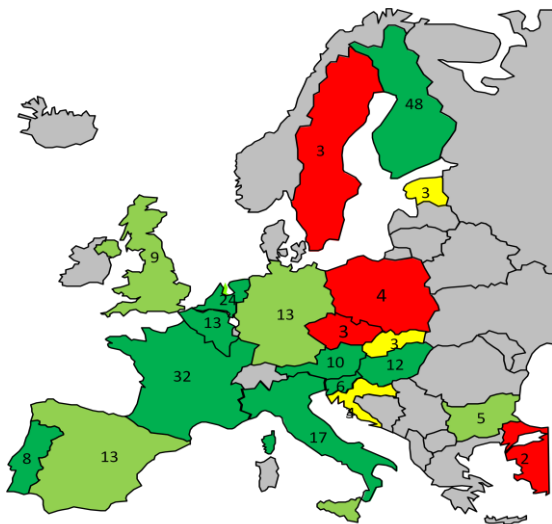
The survey was set up to establish the mood of the industry, not to gather exact quantitative data.

Compared to the 2013 survey, the number of questions was reduced from 50 to 14. Questions regarding slow evolving items such as feedback on external resources were removed. Of the questions describing the respondent companies themselves, the survey maintained only company size and country of residence, which the 2013 edition of the survey identified as the two most meaningful company characteristics.

Through these changes, the focus of the survey on the trends in expectations and concerns became even stronger than in the 2013 edition.

## SURVEY RESULTS

## STRUCTURE OF THE INDUSTRY



A total of 228 responses were received, representing 19 countries in total.

There is no visible European trend regarding survey participation. Compared to 2013, we notice a considerable increase in participation from Finland, Italy, Slovenia and Hungary, but a marked loss of interest from the United Kingdom, Austria and the Czech Republic.

Data for countries marked as light-green or dark-green on the map can be considered as reasonably representative, either because of the absolute number of responses, the percentage of the market they represent, or both.

For all other countries, the results of the survey must be handled with care.

As expected, the 2014 edition of the survey confirms that the average European translation company is Small to Very Small, but the distribution changed compared to 2013. More Very Small companies with less than 5 employees replied, 110 or 48% compared to 38% in 2013. Closer analysis however shows that this relative increase is entirely linked to the strong increase of the number of replies from Finland, where 43 out of 48 replies ranked in the Very Small category.

25% of the respondents rank themselves in the Small category and 21% in the Mid-sized - between 1 and 5 M€ turnover. Despite the call for increased participation by larger companies, the Large and Very Large segments are less well represented than in the 2013 edition (12 and 3 replies respectively).

## SPECIALISATION & DIVERSIFICATION

The 2014 survey continued to evaluate the tendencies to specialise or diversify, be it in geographical markets, language mix or domains and activities covered.

In 2013 the survey already identified a lack of specialisation in the industry. This lack of specialisation, or trend towards diversification, is even more strongly present in the 2014 data.

Increased diversification in geographical markets can be considered as positive (it hints to increased export levels).

Increased diversification in the activity, language and domain mix can theoretically strengthen the market position of a company. In combination with the higher representation of Very Small companies that we see in the 2014 data, however, it is a source of concern, in particular considering the apparent lack of enthusiasm of the Very Small segment to join forces with other players in the market (cf question concerning Expansion).

## EXPANSION

Expansion and development plans were insufficiently covered in the 2013 edition of the survey. Therefore specific questions about companies' expansion, M&A or closure intentions have been added to the 2014 edition.

Given their sensitive nature, these questions were optional, but only a very small number of respondents chose not to answer them. This allowed us to draw some meaningful, and sometimes surprising, conclusions.

	Not planned	2014	Later	
Local expansion	184	29	8	large (66%), small (17%) mid (15%), very small (12%)
International expansion	177	31	14	large (66%), mid (33%) small (17%), very small (12%)
Join group	191	20	10	mid(20%) small (12%)
Close / sell	203	5	12	small (13%)

Not less than 17% of the respondents indicate that they are considering expanding, and sooner rather than later (12% state plans for 2014). Although these expectations may not be realised, they do indicate a sense of optimism in the industry.

On the other hand 8% indicate that they expect to sell or close their business, although this seems to be a more long-term option. Only 2% are considering selling/closing in 2014.

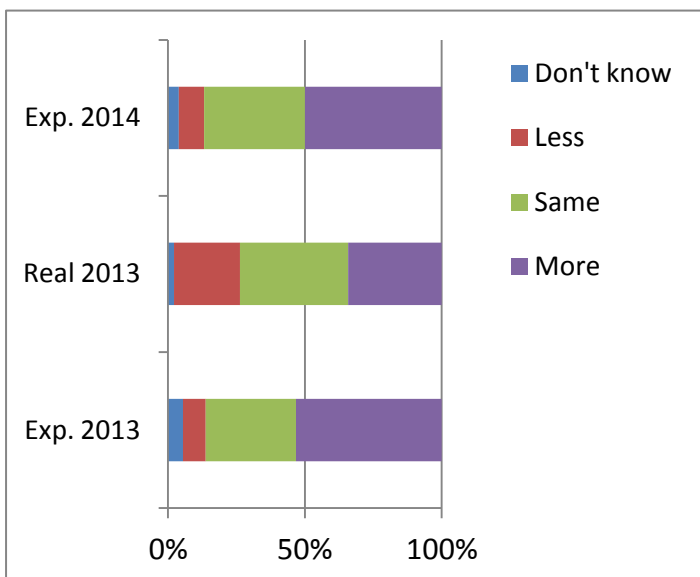
It is interesting to observe that both local and international expansion plans are not limited to Large or Mid-sized companies (although most of the large companies do express their intention). 12% of the Very Small companies also state that they have expansion plans.

Even more surprising is the absence of a stated interest from Very Small companies in joining forces with other companies or joining a company group. This particular type of expansion plan seems to attract mainly Mid-sized companies (20%) and respondents from the Small segment (12%).

Comparing plans for expansion and intentions to sell or close gives us a first indication of the level of optimism or pessimism within individual countries. The overall trend is one of optimism. In only three countries - Belgium, Finland and Portugal – does the tendency to sell or close outweigh the tendency to expand. Portugal especially shows a very pessimistic outlook, with no plans for expansion whatsoever.

#### CURRENT AND EXPECTED BUSINESS LEVELS

The strong growth expectations that respondents expressed in the 2013 edition of the survey could only be partially realised.



More than 50% of 2013 respondents expected an increase of the translation activity in their country.

However, only 34% of the 2014 respondents actually saw this increase happen.

This does not prevent them, however, from having equally optimistic expectations for the future.

50% of the 2014 answers predict a future increase in translation volume.

A similar pattern of expectations is visible in the actual sales volume of the companies and their expectations for the future. 52% expect to grow their own business.

Expectations regarding price show a growing consensus around a status quo situation, with 70% expecting little change compared to 59% in 2013. As in 2013, there is an almost exact balance between respondents expecting higher and lower real rates.

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## BUZZ WORDS

In this year's edition, we reformulated the questions regarding buzz words such as social media, machine translation and crowdsourcing in order to focus on expected activity in these areas. We also compared these results with the information gathered in the 2013 edition.

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## SOCIAL MEDIA

Whereas 100% of the 2013 respondents indicated that they used social media for professional purposes, 12% of the 2014 crowd are saying that they intend to start using it.

The 38% stating that they want to do more of it was expected in today's marketing landscape rich in social media, but it was a small surprise that 5% (spread over various countries and size categories) indicate that they want to decrease or completely stop social media activity.

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## MACHINE TRANSLATION

According to the 2014 results, machine translation, though still a controversial topic according to the comments regarding trends and challenges for the industry, is clearly on a growth path, with 19% stating that they want to do more of it, and 17% indicating that they want to start using it.

As for social media, here we also have a small 3.5% who indicate that they will use it less in the future, or will stop using it. Taking into consideration the known difficulty in making effective use of machine translation, this percentage is surprisingly low.

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## CROWDSOURCING

Very little change in the area of crowdsourcing. 89% follow a "no change" approach, which actually means that they will not be choosing this route (in 2013 only 6% reported to be actively using crowdsourcing).

The remaining 11%, however, are those who indicate that they want to start or further develop the activity rather than those who want to reduce it or totally stop using it.

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## OFFSHORING

The offshoring trend is very much in line with that for crowdsourcing, with 91% replies expecting a status quo.

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## OUTSOURCING

In 2013, 90% of the respondents stated that outsourcing was part of their business model. This year, 20% indicate that they want to do more of it, while 5% want to reduce this activity.

## CERTIFICATION

Surprisingly, the percentage of companies that claim to be certified has dropped considerably compared to 2013, and the percentage of companies that indicate that they are not interested in certification has increased.

An immediate conclusion might be that the language industry is less interested in certification today than a year ago.

Closer analysis however shows that this significant drop results from a change in the respondent mix.

The Mid-sized, Large and Very Large segments are less represented in 2014, and the certification status of these segments has dropped as well. While the status drop is particularly steep in the Large and Very Large segments, this does not have such a big influence on the overall certification status of the industry since these segments are less well represented in the 2014 survey.

The 8% drop in the Mid-sized segment however does have an impact due to the relatively high number of companies (21%) belonging to this category.

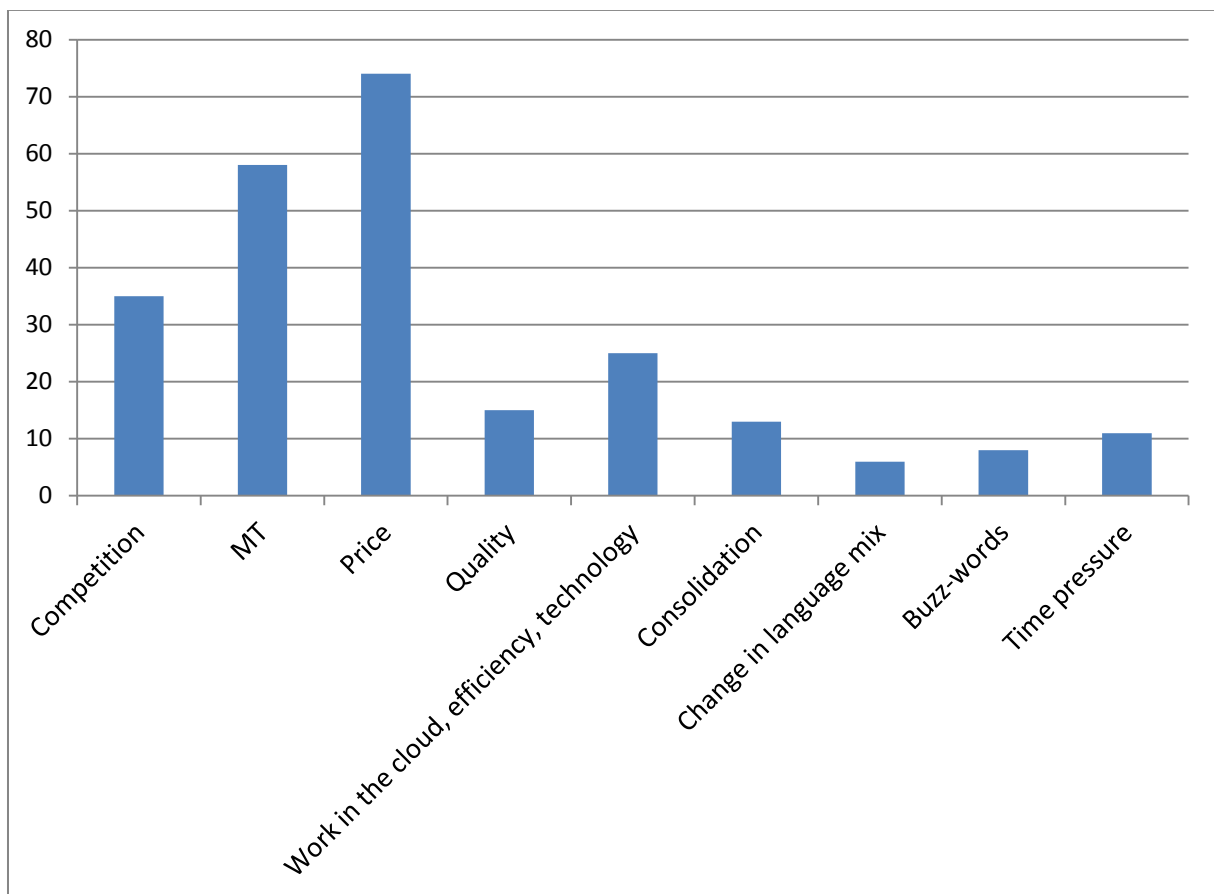
By far the biggest impact however has been the high number of replies from Finland (48 replies in 2014, compared to 13 in 2013, virtually all in the Very Small segment). Only one Finnish respondent is certified and only 3 indicate that they plan certification.

## CHALLENGES

As in the 2013 edition, 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 AND TRENDS FOR THE INDUSTRY

Compared to 2013, number 1 and 2 have switched places. Price pressure is your biggest concern for 2014, followed by MT.



Most respondents link this price pressure with trends such as the wider application of machine translation, competition from low-cost countries – in particular Asia – and from less qualified resources, as well as with an even stronger belief that customers give priority to cost savings rather than quality.

Work in the cloud appears as a clear trend in the industry. Some consider it dangerous because it makes interactions more anonymous. However, most see this as a positive development.

Regarding quality, the reactions are mixed. Many see quality challenges linked to the use of MT, but even more so to less-skilled resources and some see a risk that good, experienced translators will

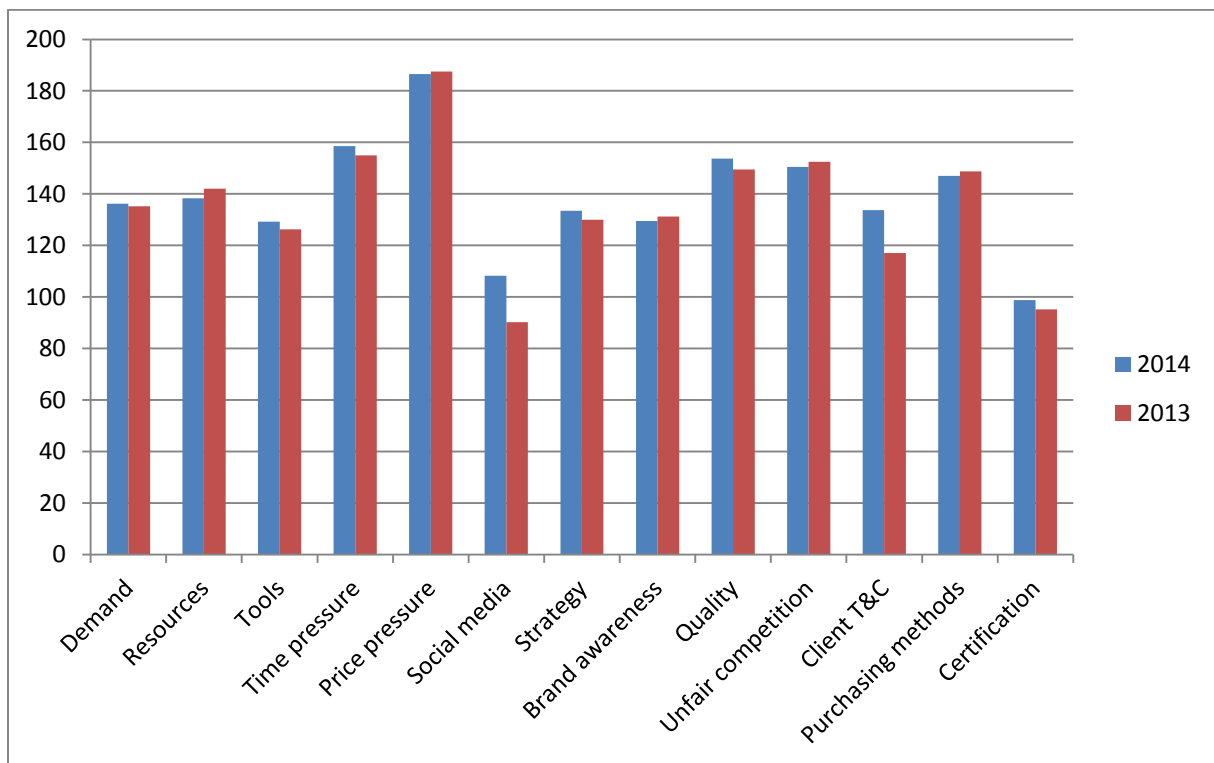
abandon the industry. Others take a more neutral stance and expect a more varied quality landscape to develop.

As in 2013, the buzzwords are not at the top of the translation companies' concern list. While crowdsourcing and offshoring are sometimes mentioned as possible causes of increased competition, price pressure and quality decline, such mentions are rare.

Consolidation remains visible as a concern (13 replies against 10 in 2013). This may seem logical due to the vast number of Small and Very Small companies that replied.

A newcomer in the list is a change in the language mix, where respondents mention explicitly an increase in work from source languages other than English.

#### CHALLENGES FOR THE INDIVIDUAL COMPANIES



Overall, European translation companies are slightly more concerned than in 2013, but the difference cannot be considered significant, and may be only caused by the change in audience.

As in 2013, price and time pressure fill the top positions, with time pressure becoming even more of a cause of concern.

Significant changes compared to 2013 can only be noted for Social Media and Client Terms & Conditions. Considerably more respondents indicate them as a cause of concern, but neither of them rank in the top 5 list.

Sales and marketing remain by far the areas that translation companies want to strengthen, followed by resource management. This is the same top 3 as in the 2013 edition.



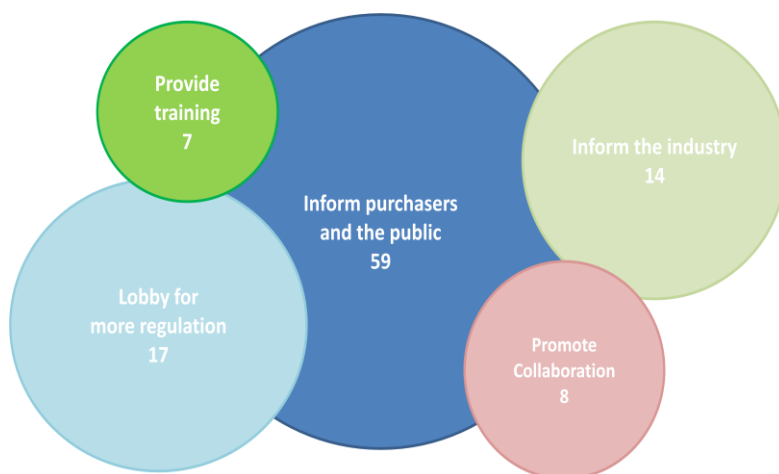
Finer analysis however, gives us some better insight.

The strong segment of Very Small companies flags financial management as as big a challenge as resource management.

In the Very Large companies, resource management seems to be considered more of a challenge than in the other segments. Due to the extremely small number of respondents in this category, this result cannot however be considered conclusive.

	Sales	Marketing	Production mgt	Finance mgt	Resource mgt	ICT mgt	HR mgt	General mgt
Very small	57	56	15	23	22	15	10	6
Small	45	33	10	10	21	7	9	4
Mid-sized	36	25	14	4	25	8	12	6
Large	7	7			1	2	2	2
Very large	1	1	1	1	3	1	1	1
<b>Grand Total</b>	<b>146</b>	<b>122</b>	<b>40</b>	<b>38</b>	<b>72</b>	<b>33</b>	<b>34</b>	<b>19</b>

## CHALLENGES FOR TRANSLATION COMPANY ASSOCIATIONS



Translation companies consider informing the public and translation buyers clearly as the #1 responsibility of their associations. This is in line with the 2013 findings.

Beyond that, however, the expectations are different from those that were gathered in the previous edition of the survey.

Informing the industry is still perceived as important, but it lost its second place in 2013 to lobbying for more regulation in one form or another.

Specific expectations around training and promoting cooperation complete the top 5.

## CONCLUSIONS

This second EUATC survey on challenges and concerns of European Translation Companies confirms the 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.

Like individual translators, translation companies are concerned that today's market developments put the traditional values of their product under pressure, in particular quality, primarily as a result of price and time pressure and the potential loss of qualified resources.

Expectations, though not as optimistic as in 2013, remain positive, both for the development of the industry and for the future of individual companies. Although price pressure remains the main concern of European translation companies, a considerable majority of the respondents do not expect a further price decline in the near future.

This positive outlook is further confirmed by the high number of respondents who are considering domestic or international expansion.

According to this year's results, machine translation is striking a cord in an increasing number of translation companies, but other hyped developments such as offshoring and crowdsourcing remain very low on the priority list.

European translation companies expect their associations to primarily defend their values in front of those who can influence translation purchase behaviours, not only by providing adequate information but also by lobbying for more formal regulations that protect the values that they consider important.