EXPECTATIONS AND CONCERNS OF EUROPEAN TRANSLATION COMPANIES

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MANAGEMENT SUMMARY

The contradiction, already apparent in 2014, between optimism regarding business development and concerns expressed in the free text section of the survey remains strong.

With the exception of Belgium, all countries - and all size categories - show a positive attitude towards expansion, both domestic and international.

Price pressure remains the main concern of European translation companies, but the fear for real price drops has eased off considerably. A majority expects prices to stabilize, with twice as many companies expecting higher than lower price levels.

As in 2014, a considerable number of companies intend to invest in social media and machine translation, and certification efforts continue to make progress.

As a cherry on top of the overall impression of economic optimism, a number of companies state that quality is again higher on the priority list of their customers, while that quality concern was invariably snowed under by price considerations in the past.

Translation companies expect their trade associations to further promote that 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 providing information.

OBJECTIVES OF THE SURVEY

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

Most of the questions are identical to those in the 2014 survey, in order to detect trends in expectations and opinions. Some additional detail was added around machine translation usage, a topic that continues to be high on the concern list of the companies.

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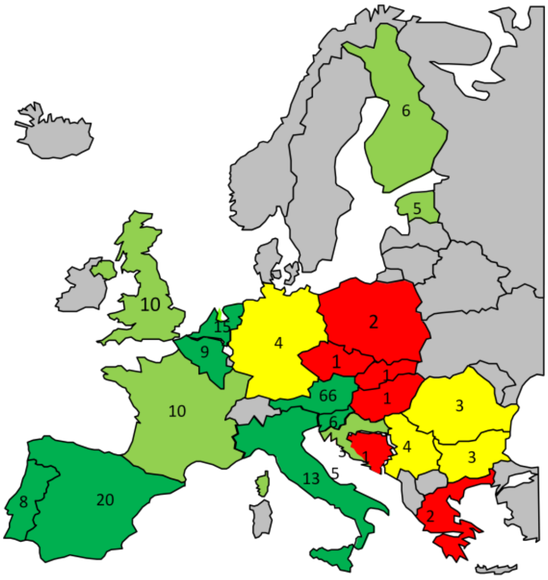
SURVEY RESULTS

STRUCTURE OF THE INDUSTRY



A total of 190 responses were received, representing 22 countries in total.

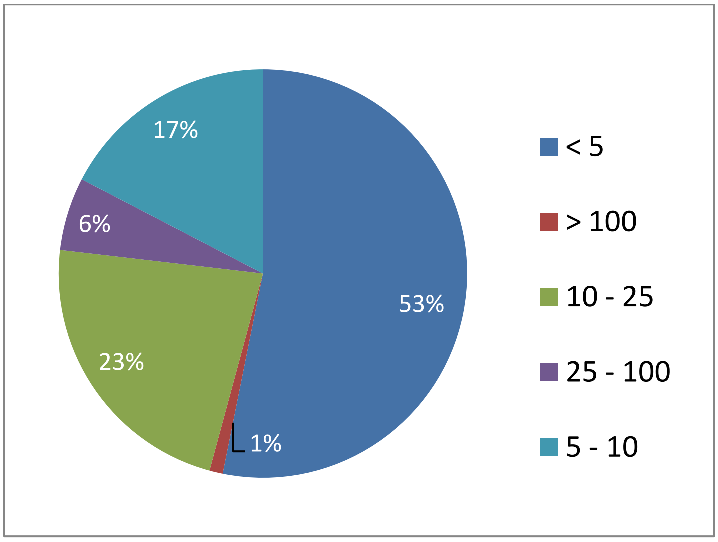
The geographical distribution of the answers has again changed dramatically compared to previous editions of the survey, with an overwhelming 66 answers from Austria and a sharp drop of participation in countries such as France, Spain, Hungary, and in particular Finland, a country that was particularly active in 2014.

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 in previous editions, the survey confirms that the average European translation company is Small to Very Small, with 53% belonging to the less than 5 staff members category. Closer analysis however shows that this average is strongly influenced by the high number of responses from Austria, where this category represents 86%, while the average in the other countries is only 38%.

The Large and Very Large categories continue to be weakly represented, with 11 and 2 responses respectively.



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DIVERSIFICATION

Diversification continues to be a generic trend, in particular regarding export markets and activity mix. Especially the former is an encouraging sign of renewed ambition.

In terms of language and domain mix, the respondents do not expect much change.

EXPANSION

The replies concerning expansion and development plans confirm the sense of optimism.

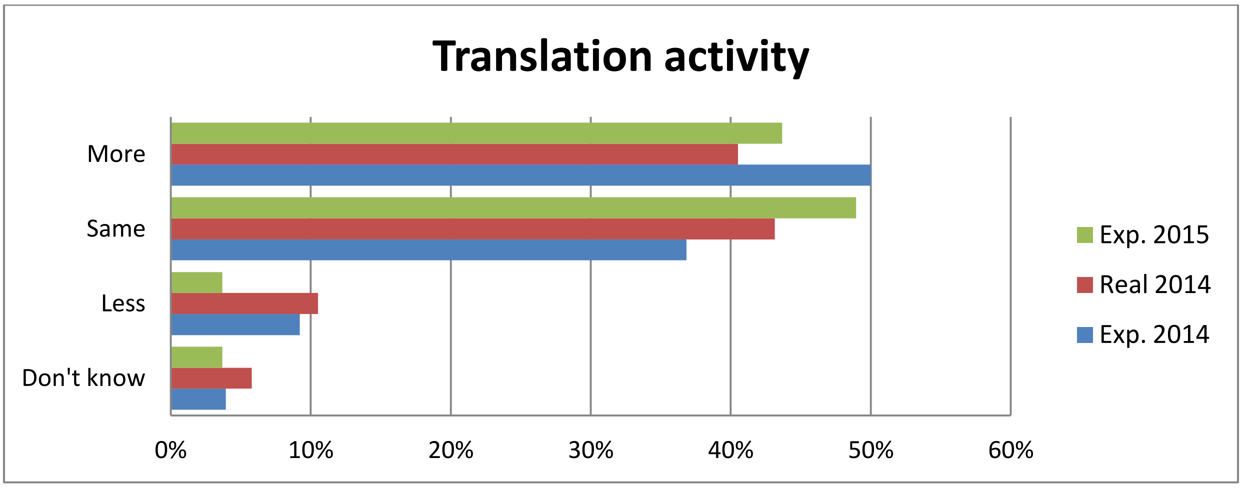
	Not planned	2015	Later	
Local expansion	143	38	7	25% of very small
International expansion	138	26	22	20% of very small, 25% of small, 66% of medium-sized
Join network	155	23	6	17% of very small and small, little enthusiasm from larger companies (in 2014 also mid-sized)
Merge	170	8	8	only small (250K-1M) somewhat interested (12,5%)
Close / sell	169	5	10	very small and small approx. 10% planned for later, larger ones not planned

The most striking observation in these answers is the even higher number of small and very small companies that report plans for local and international expansion.

The tendency to close or sell the business, which was still fairly strong in 3 countries in 2014, is only present in Belgium in 2015.

CURRENT AND EXPECTED BUSINESS LEVELS

This year's answers show that the 2014 increased business activity expectations were more accurate than the year before. In 2015 the companies expect to do even better.



Where 50% of the 2014 answers predicted a future increase in translation volume, 41% do report a real increase.

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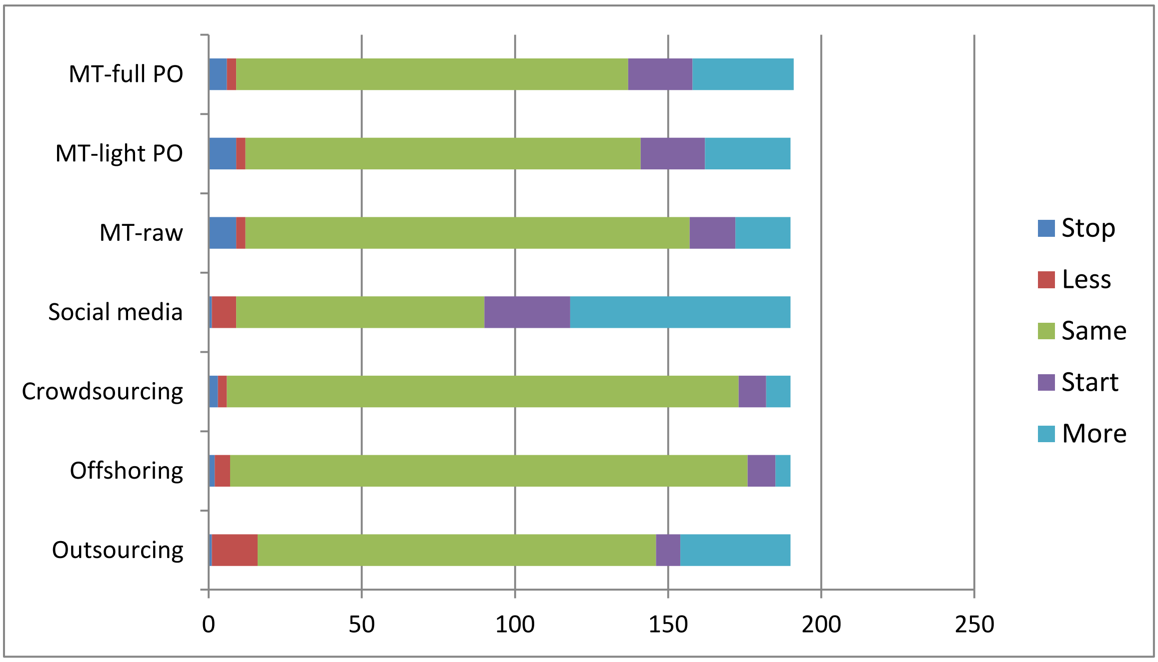
For 2015 the expectations are slightly more moderate, with 44% expecting a further increase while 49% espect the market activity to remain at its current level.

The expectations for 2015 are more optimistic however regarding the expected sales volume of the individual company, with 59% expecting to do better in 2015.

Compared to 2014 an even higher percentage (74%) of companies expects that the real prices will remain stable in 2015. More important however is the change in proportion between those who expect a price drop and those who expect a price increase. In 2014, both opinions were equally represented. This year, however, twice as many companies expect an average price increase.

BUZZ WORDS



There are no important changes in the respondents' intentions regarding the use of activities such as MT, social media, crowdsourcing, etc. As in 2014, social media and machine translation are considerably higher on the priority list than those other hyped trends crowdsourcing and offshoring.

MACHINE TRANSLATION

In this edition of the survey we have split the machine translation activity in three sub-activities: raw machine translation, machine translation with limited post-editing, and fully post-edited machine translation. As expected, the two variants with post-editing are more popular than the raw variant, but a sizeable 17% of the respondents state that they want to start even with raw machine translation or do more of it (25% for light post-editing and 28% for full post-editing).

An interesting observation is that the small and medium-sized segments seem to be starting to catch up with the larger ones on machine translation activity, with the vast majority in the Start or More answers belonging to those smaller segments.

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CROWDSOURCING

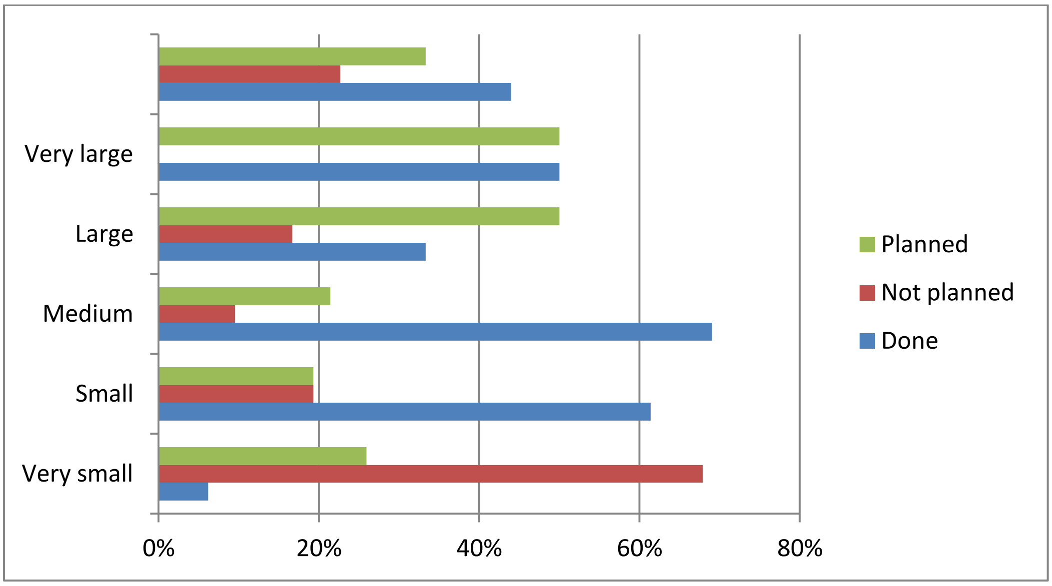
Very little change in the area of crowdsourcing. 89% follow a "no change" approach. 9% want to start with crowdsourcing or do more of it, and only 3% want to stop doing it or decrease the activity.

OFFSHORING

As in 2014, offshoring follows the same trend as crowdsourcing.

CERTIFICATION

The results show a steady increase in the certification status among the respondents.



The level of certification is particularly high in the small and mid-sized segment, with up to 69% certification done. In these segments, less than 20% do not plan to obtain a certification.

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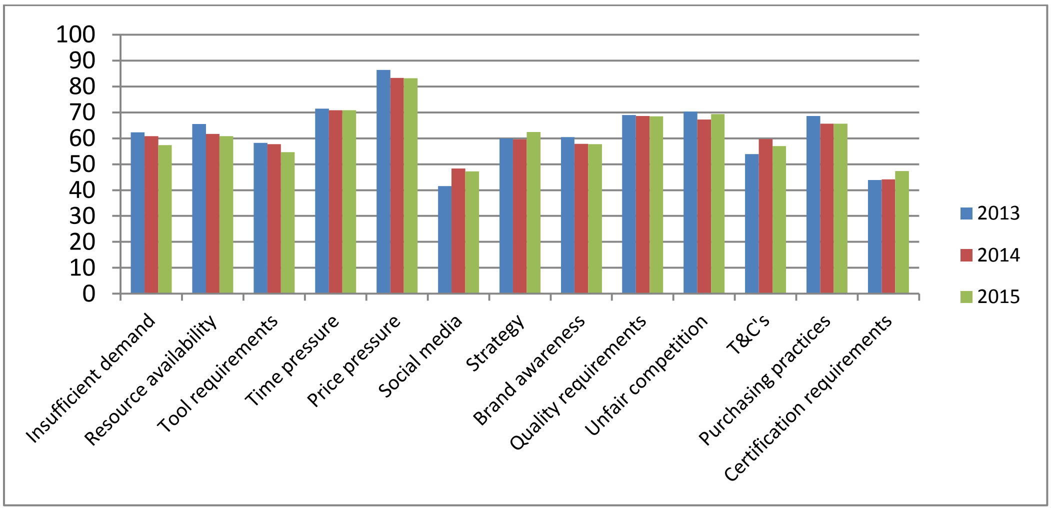
CHALLENGES

CHALLENGES AND TRENDS FOR THE COMPANY

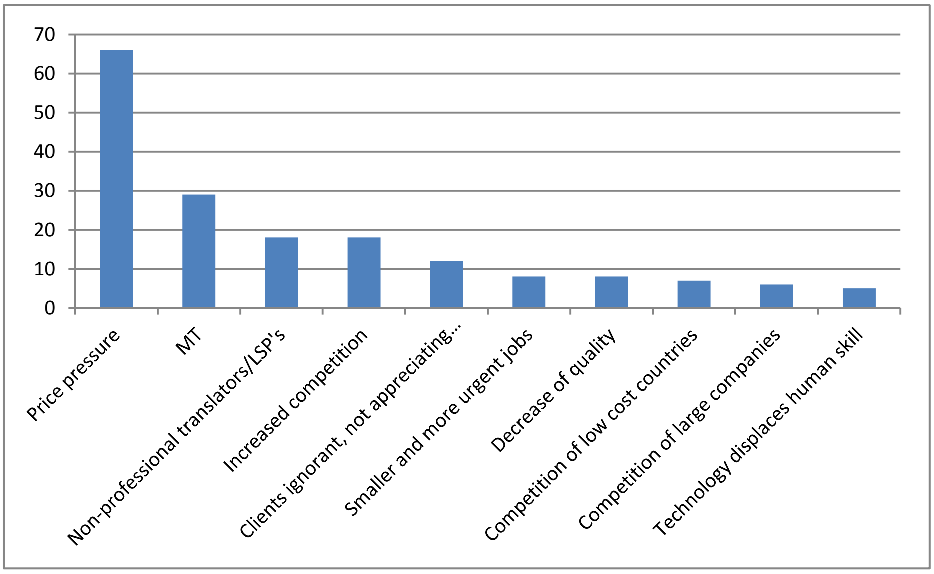
European translation companies experience approximately the same challenges as in previous years, with minimal fluctuations. As in both previous editions, price pressure comes on top and social media and certification requirements are considered least challenging.



CHALLENGES AND TRENDS FOR THE INDUSTRY

This year we asked the companies to make a distinction between positive and negative trends in the industry.

NEGATIVE TRENDS



Not surprisingly, price pressure remains in pole position of the negative trends. What is surprising, however, is the huge gap between this number one and the number two, Machine Translation, which in 2014 was still a

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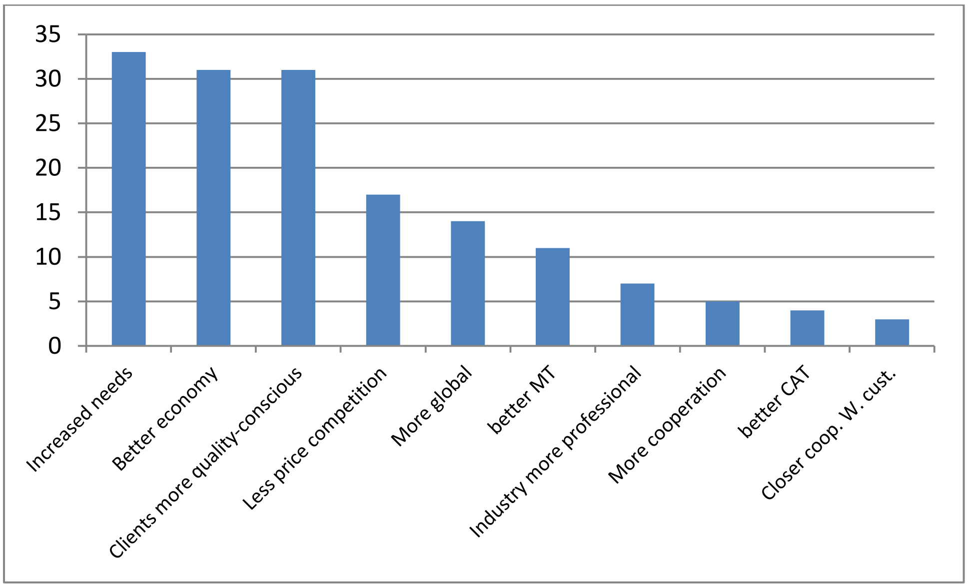
close second. This confirms the earlier responses regarding adoption of machine translation and post-editing, even among small and very small companies.

Interesting to note is also the lower number of companies that still report low appreciation of quality by the customer base.

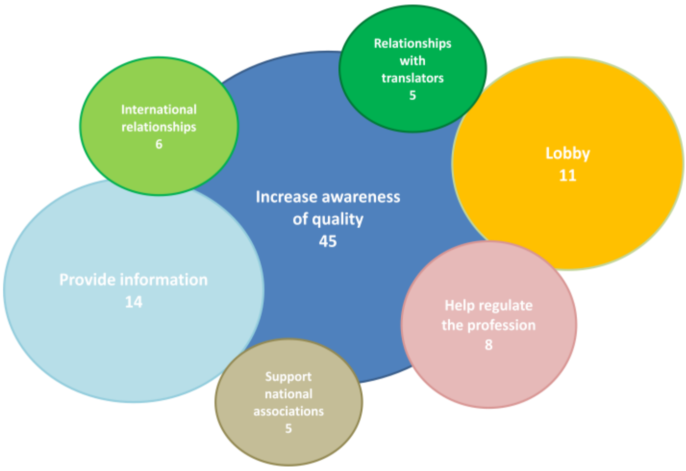
POSITIVE TRENDS

The above remark about appreciation of quality by the customer base is confirmed by the number of companies reporting that clients have become more quality-minded, a trend only topped by the strong feeling of economic upswing and increased needs for translation.



Earlier observations around stabilizing pricing and lower price competition are confirmed by the presence (unheard of in previous editions of the survey) of companies that see an improvement in this area.

CHALLENGES FOR TRANSLATION COMPANY ASSOCIATIONS



Translation companies expect EUATC first of all to further improve the awareness of the market regarding the importance of quality in translation, and to lobby for better recognition of the added value of professional translation services.

They also expect the association to be a source of information about the market, including tools, M&A opportunities, etc.

Furthermore, they expect EUATC to help regulate the profession, support the national associations, promote international relationships and also to improve the relationships with individual translators.

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CONCLUSION

The main conclusion of the 2015 survey is that optimism among European translation companies continues to grow. Companies report a clear increase in business volume and expect this trend to continue. They also expect prices to stabilize, although in the perceived challenges for the industry, price pressure remains the undisputed number one.

The optimistic view is confirmed by increased plans for expansion, both domestic and international, across virtually all geographies, and including even the smallest size segments.

Among the most surprising results is the fact that for the first time respondents report that clients are attaching more value to quality, leading to less price-sensitive relationships.

The momentum of machine translation implementation is maintained across all segments. The smaller size segments are catching up with the larger companies.

As in 2014, most respondents expect EUATC and the national associatioins to promote the value of professional translation services to the public and private client base and to provide relevant industry information, but also to lobby for more formal regulations that protect the values that they consider important.

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