



## EXPECTATIONS AND CONCERNS OF THE EUROPEAN LANGUAGE INDUSTRY

2016

### SUMMARY

The cooperation of the international industry associations Elia (European Language Industry Association), EUATC (European Union of Associations of Translation Companies) and GALA (Globalization & Localization Association), with the support of the European Commission's Directorate-General of Translation through the LIND project and the EMT (European Master's in Translation) university network, has given the 2016 edition of this survey a broader and more diverse scope and audience.

445 responses were received from 35 countries. For 15 countries, the results can be considered sufficiently reliable to also provide meaningful analysis results at a national level.

Contrary to expectations, the predominant verticals served by LSPs are legal services, life sciences and financial services, with high-tech industries ranking lower. However the ranking of verticals is strongly dependent on the size of the LSP.

The market's expectations are still positive though lack the optimism shown in the 2015 results. Respondents still generally expect to see growth in the year ahead, though expectations are lower compared to last year's responses.

The prevailing trends are similar to previous years, with machine translation, price pressure and competition on top, and technology continuing to play a dominant role. Companies show a more pragmatic approach, identifying both positive and negative aspects of trends such as machine translation that were previously considered exclusively negative.

In terms of recruitment practices, the language industry applies the same general principles as other industries. Companies attach a lot of importance to university degrees, in particular when recruiting translation resources, but do not rely exclusively on them. The European Master's in Translation (EMT) label is widely, but not consistently, recognised across Europe.

Expectations towards industry associations have not evolved dramatically. Awareness building, information and market regulation are at the top of the LSPs' list, but once again ranking is strongly dependent on the size of the company.

## OBJECTIVES

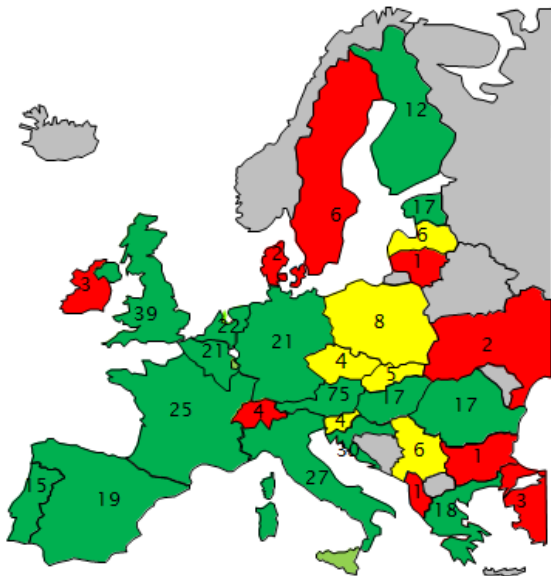
The survey, which largely follows the structure of the survey that has been run by EUATC since 2013, was not set up to gather exact quantitative data but to establish the mood of the industry. As such it does not replace other local, regional or global surveys of the language industry but adds the important dimensions of perception and trust, which determine to a great extent the actions of industry stakeholders.

The questions relating to the market as well as the open questions regarding trends and concerns are identical to those in the previous surveys in order to detect changes in prevailing opinions.

Technology and training/recruitment have been introduced as additional subjects of focus that can be further developed in future editions of the survey.

SURVEY RESULTS

STRUCTURE OF THE INDUSTRY

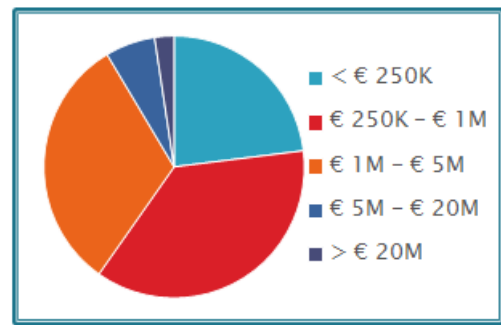
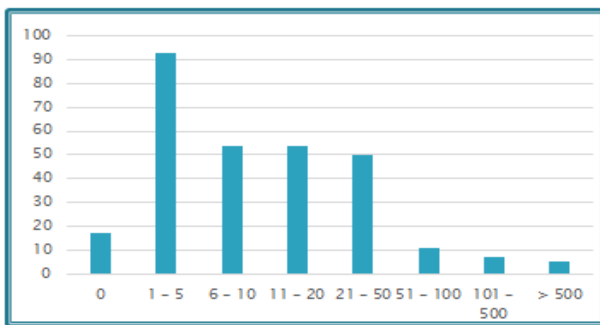


A total of 445 responses were received, representing 35 countries in total including a few outside Europe.

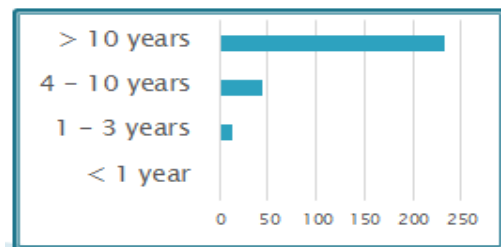
15 countries delivered enough respondents, either in absolute number, in percentage of the local market or in both, to allow for meaningful analysis at a national level. This report will, however, limit itself to a European-wide perspective.

Of the 445 respondents, 293 described themselves as translation companies (LSPs), while 107 position themselves as individual professionals (independent translators or interpreters). 30 translation departments in companies or public institutions, 11 training institutes, 3 translation tool providers and 1 association complete the count.

As in previous editions, based on the responses received the average European translation company is Small to Very Small, with 60% below the €1m sales level. 75% have less than 20 employees with 56% fewer than 10. Only 8% represent the Large and Very large segments with a sales volume exceeding €5m or more than 50 employees.



Based on the survey results, the participating translation companies tend to be long-established. Only two respondents were created less than a year ago. The result may, however, also indicate that newly-created companies are not yet active with the industry community and surveys such as this.

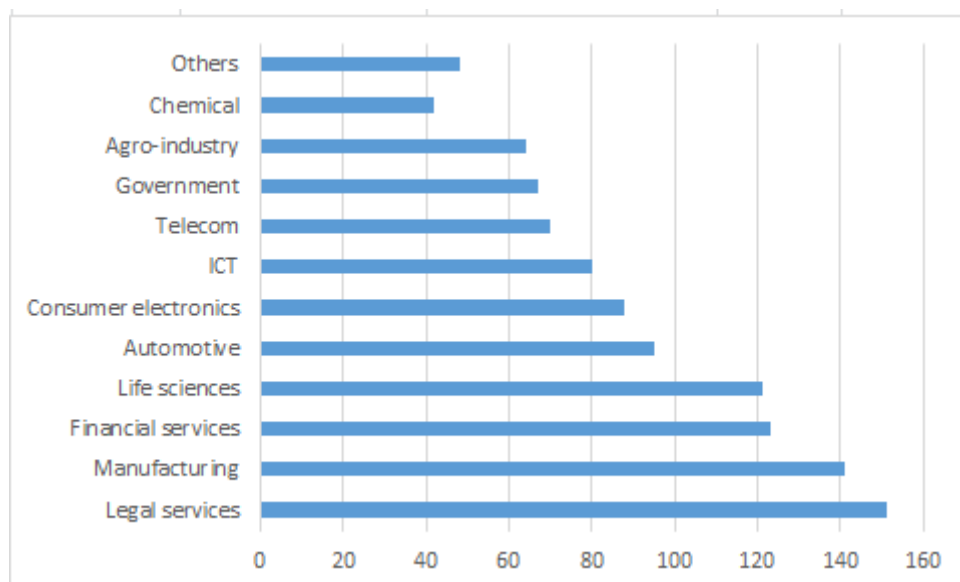


## VERTICALS

Based on the results of the survey, legal services are clearly the most widely served type of customer, though this does not necessarily mean that it is the most important vertical in terms of work volume. With financial services in second position, however, it is an indication that the business mix of the average European translation company is more traditional than what regular visitors of language industry forums and conferences might expect.

Software, telecommunications and other high-tech segments, which are strongly represented in such events or platforms, obtain only average scores.

The focus on specific verticals is significantly dependent on the size of the LSP. Legal and financial services as well as government work are more strongly represented within the small and mid-size segments, while the larger LSPs seem to focus more on manufacturing, life sciences and Information and Communications Technologies (ICT).



## EXPANSION

The replies concerning expansion and development plans express mild optimism.

	Not planned	2016	Later
Local expansion	213	27	18
International expansion	193	34	26
Merge	210	9	14
Sell and stay	209	12	14
Sell and leave	216	5	11

Overall, the sentiment is slightly less optimistic than in 2015, with an Expand vs. Sell ratio of 2.5 compared to 3.19 last year. This ratio is calculated by dividing the sum of “Local expansion” and “International expansion” by the sum of “Sell and stay” and “Sell and leave” (all expressed in

percentages of the number of companies in the size segment, with “International expansion” and “Sell and leave” receiving twice the weight of “Local expansion” and “Sell and stay”).

In the results, we see significant differences between the various-sized segments, with lower Expand vs. Sell ratios in the smaller segments and in particular in the €250k - €1m segment:

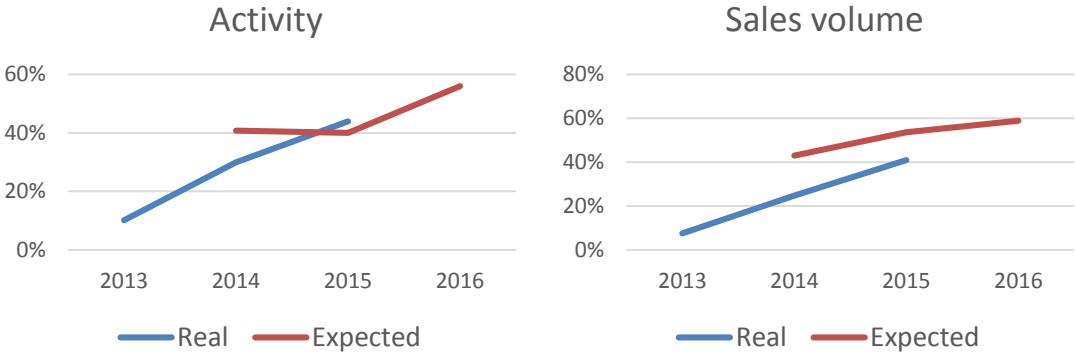
< €250k:	2.17
€250k - €1m:	1.65
€1m - €5m:	3.17
€5m - €20m:	10.33
> €20m:	No information about sales plans, but 14% plan local and 57% plan international expansion

Looking at the geographical trend, we notice that the decrease in sentiment is stronger in some countries than in others:

	Local	Abroad	Merge	Stay	Leave	Sentiment	2015	2016
Austria	18%	18%	27%	18%	9%	18%	😊	😐
Belgium	25%	19%	6%	13%	19%	13%	😞	😊
Estonia	38%	19%	6%	6%	6%	56%	😊	😊
France	10%	19%	5%	10%	10%	19%	😊	😐
Germany	18%	36%	27%	0%	9%	73%	😐	😊
Greece	18%	18%	0%	9%	0%	45%	😊	😊
Hungary	7%	7%	7%	7%	0%	13%	😐	😐
Italy	4%	4%	12%	19%	4%	-15%	😊	😞
Netherlands	14%	9%	5%	9%	5%	14%	😊	😐
Portugal	21%	21%	0%	0%	0%	64%	😊	😊
Spain	6%	18%	6%	6%	12%	12%	😊	😐
United Kingdom	18%	29%	4%	7%	11%	46%	😊	😊

CURRENT AND EXPECTED ACTIVITY LEVELS

Levels of optimism this year seem to provide a correction to what were possibly overly-optimistic expectations in the 2015 survey. With 2015 actual results that score below expectations, respondents are adjusting their expectations for 2016 downward, while keeping a sound level of optimism in terms of overall market and individual business development.

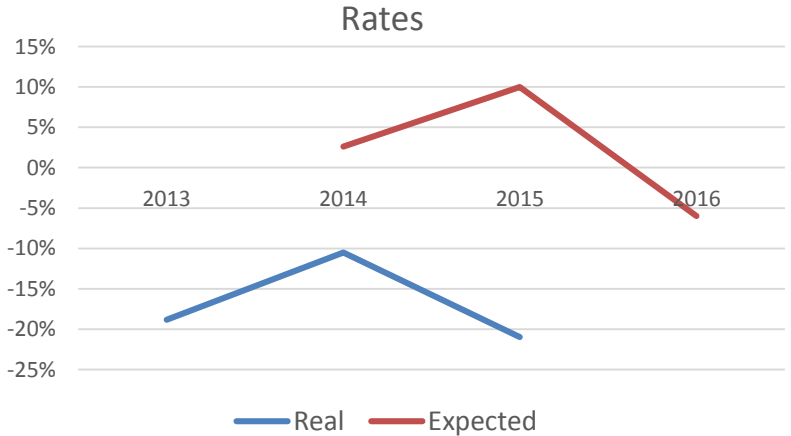


Expectations regarding the overall market are even higher than in 2015, with 53% of the respondents expecting an increase compared to 44% in 2015.

As to their own growth perspectives, LSPs are equally confident, with 55% expecting to demonstrate growth. Compared to 59% in 2015, however, this shows a slightly more cautious attitude overall.

Whereas the 2016 responses relating to company sales volume can be considered as logical corrections, those concerning rate development indicate the return of pessimism.

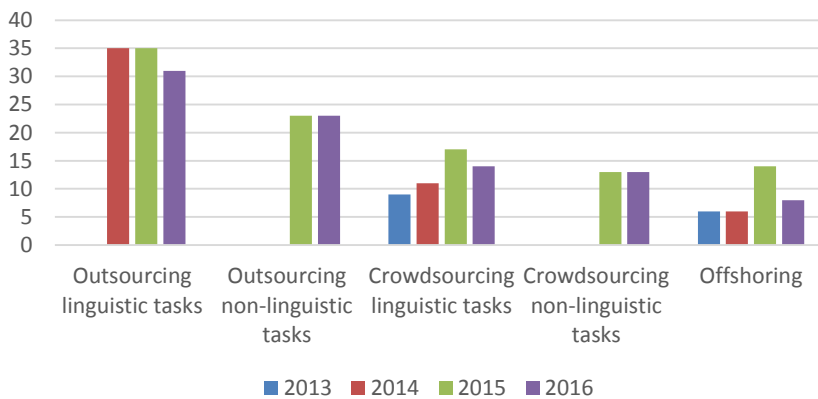
In 2015, twice as many companies expected prices to increase rather than decrease. In the 2016 survey that ratio has reversed, with 19% expecting a decrease against 13% expecting an increase. This drastic change can be linked to the fact that 2015 has clearly not delivered on initial expectations, with 30% of respondents reporting a price deterioration against only 8% who experienced an increase.



**OPERATIONAL PRACTICES**

Although much hyped across the industry, crowdsourcing and offshoring simply don't seem to be taking off. Only 11% of the LSPs are considering trying or further developing crowdsourcing of linguistic tasks. A slightly higher percentage (15%) is willing to try it on non-linguistic tasks. Offshoring – the practice of moving specific activities to other, usually lower-cost, regions and countries – is even lower on the agenda, with only 10% planning to use offshore resources. The developing sentiment towards these practices is even lower than last year. This decrease may be linked to the effect of the unknown, especially in a year where general sentiment is less optimistic.

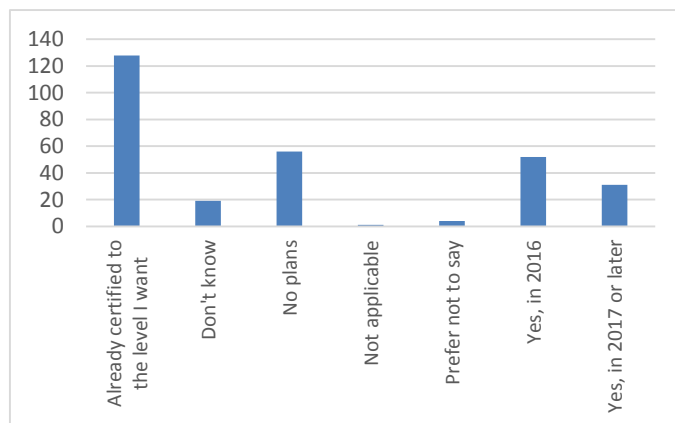
The well-established practice of outsourcing linguistic or non-linguistic tasks is the only one that continues to rise in popularity, although marginally less in 2016 than in 2014 and 2015 as illustrated in the sentiment chart below.



**CERTIFICATION**

Certification has made strong advances over the last few years.

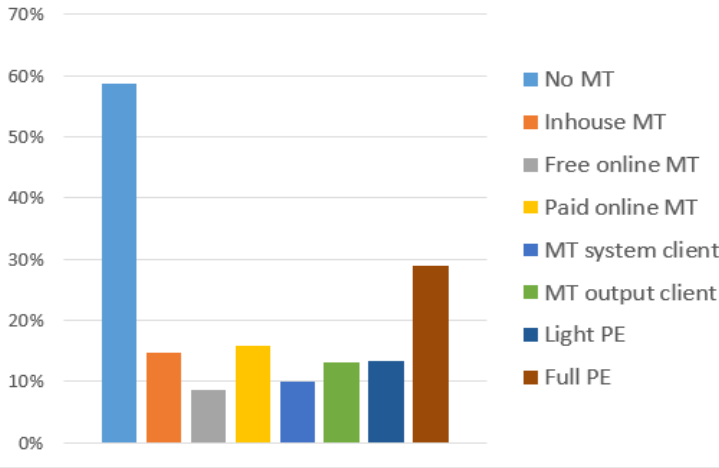
44% of the LSPs estimate that they have reached the level of certification they deem necessary and an additional 29% has certification on their agenda.



< €250k	12% (8)	The correlation between certification and company size is very strong. Given the level of investment required, this is not surprising. Note that the figures for the largest segments need to be considered with caution due to the smaller number of respondents in those segments.
€250k - €1m	42% (45)	
€1m - €5m	62% (57)	
€5m - €20m	67% (12)	
> €20m	86% (6)	

TECHNOLOGY

MACHINE TRANSLATION



59% of respondents do not use any form of MT

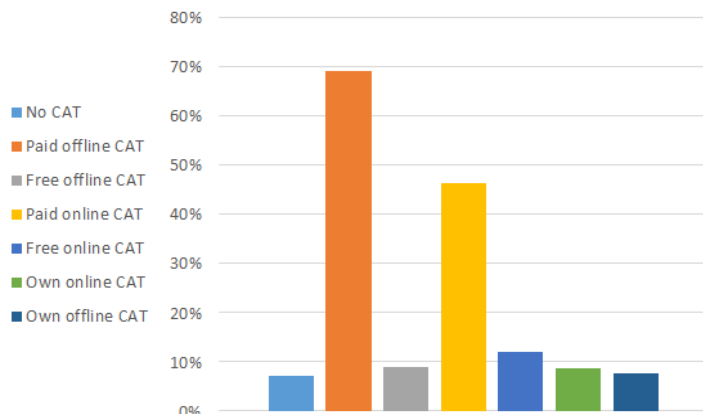
LSPs that are using MT usually provide their clients with fully post-edited output.

While some free online MT is used, the majority of the MT users are using either their own in-house MT system (15%) or a paid online system (13%). 10% of the LSPs also use the MT system of the client or MT output that has been prepared by the client. *Note: “the client” may refer either to the end customer or a larger, usually international LSP.*

Company Size	No MT
< €250k	70%
€250k - €1m	64%
€1m - €5m	52%
€5m - €20m	28%
> €20m	29%

The use of machine translation is strongly dependent on the size of the company, ranging from only 30% in the smallest segment up to 70% and more in the segments above €5m sales volume.

CAT TOOLS



7% of all LSPs do not use any form of CAT tools

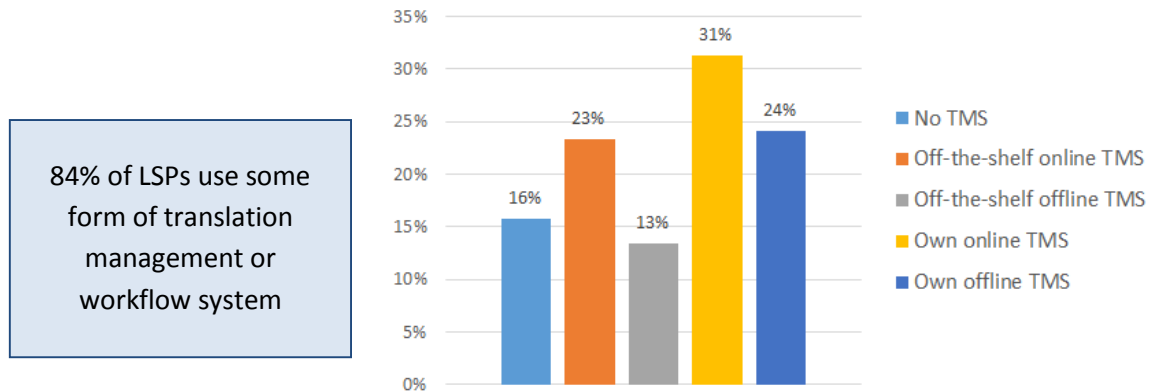


LSPs that do not use any form of CAT tools are mainly found in the smallest size segment below €250k, with not less than 22% of the respondents in that segment.

At approximately 10%, free CAT tools play only a modest role.

At 69%, offline CAT tools continue to dominate, though online tools are already used by 46% of the LSPs. The sum indicates that quite a few LSPs are using more than one type of CAT system.

## TRANSLATION MANAGEMENT SYSTEMS

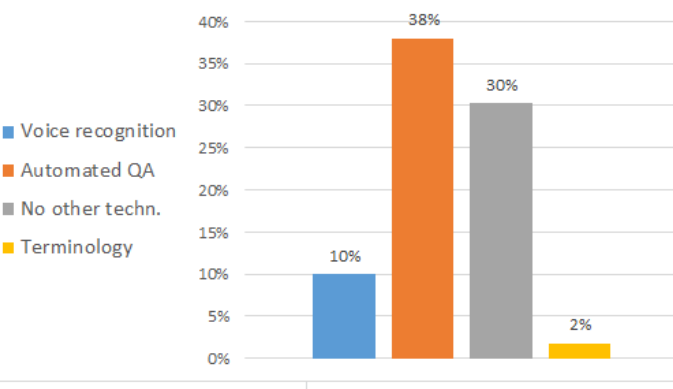


Not surprisingly, the 16% of LSPs not using any form of TMS are mainly found in the smallest size segment.

The industry has clearly embraced the advantages of online TMS systems, with 54% compared to 37% for the more traditional offline systems.

LSPs continue to develop and implement their own proprietary systems, despite the availability of a wide range of off-the-shelf applications. This tendency is strong to very strong in all but the smallest size segment.

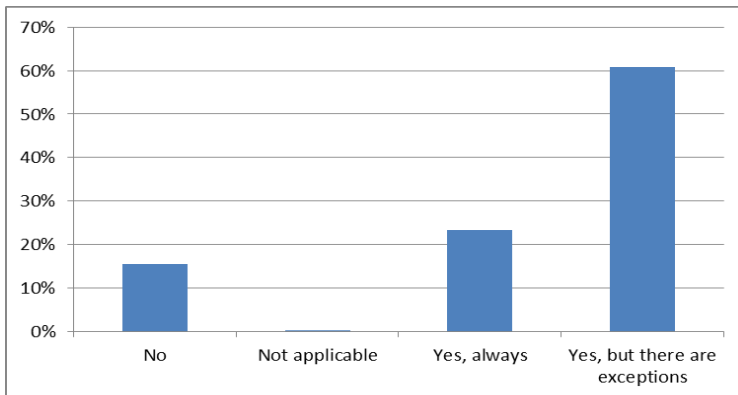
## OTHER TECHNOLOGIES



Apart from quality control automation and to a much lesser extent voice recognition, no other technology seems to have made any meaningful inroads in the European translation industry.

RECRUITMENT

VALUE OF UNIVERSITY DEGREE

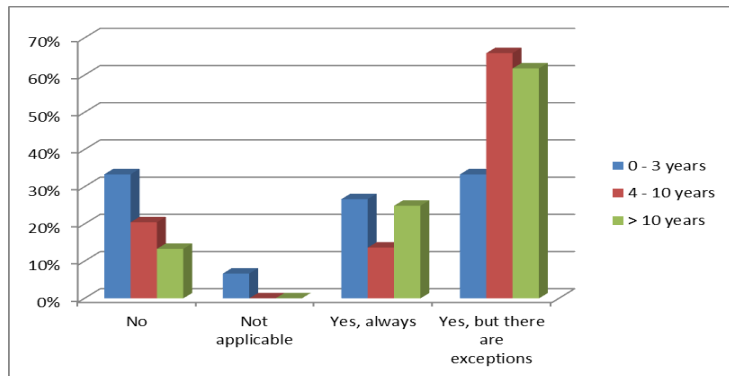


A large majority of the LSPs (84%), indicate that they require a degree when employing external translators. Less than a third of them always require a degree; the remainder states that there are exceptions.

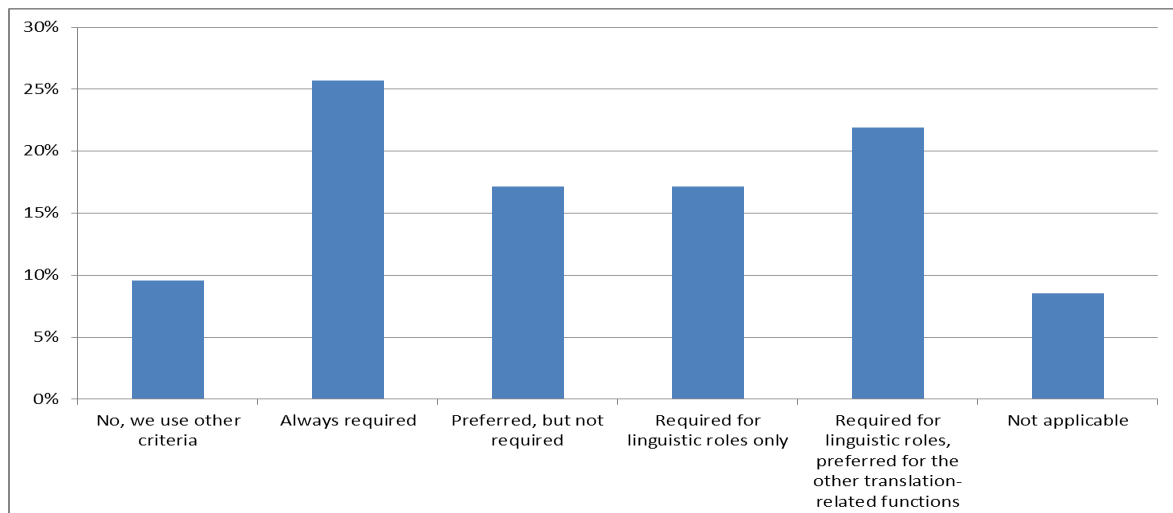
On the one hand it appears that older LSPs more often require a degree, though on the other

hand flexibility is increasing in this respect particularly with newer companies.

More than 30% of the businesses that started less than three years ago do not require a degree. For businesses older than 10 years this share is 13%. At the same time, the younger companies state that they do require a degree but that there are exceptions, while for the older companies this share is around 60%.

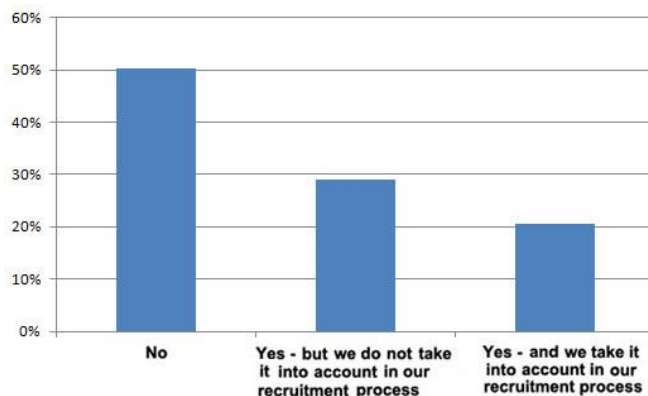


For in-house positions, 18% of the respondents use criteria other than BA or MA degrees, or they state that a degree is not applicable. 17% indicate that a degree is preferred but not required. The remaining 85 do require a degree, with more than 30% always requiring it, while others only require a degree for specific linguistic roles.



The breakdown by age of the company does not show a clear picture.

## EUROPEAN MASTER'S IN TRANSLATION (EMT)



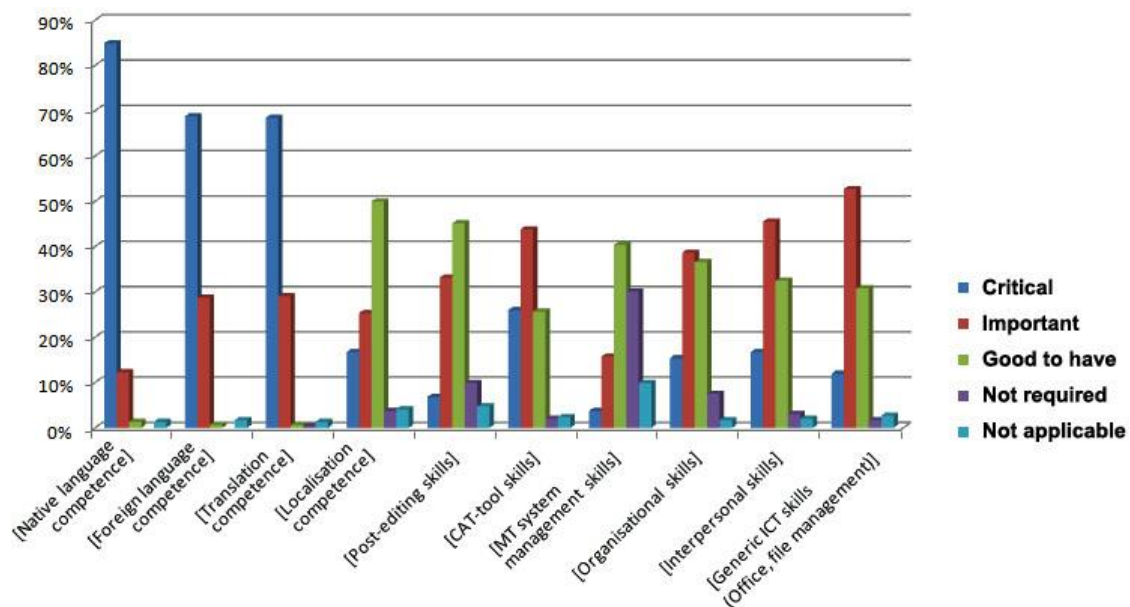
About half of the responding LSPs are aware of the EMT university network label; just over 40% do take it into account in their recruitment process.

Within the countries with a sufficient level of responses, the EMT awareness varies from 36% in the Netherlands to 80% in Portugal. Belgium is the country with the second highest awareness level at 63%.

It seems that an increased level of awareness of EMT shows a correlation with the age of the business. Roughly 35% of the respondents that indicated that their business started less than 10 years ago are aware of the EMT. In businesses that are older than 10 years this share is 53%.

## RECRUITMENT CRITERIA

### LANGUAGE POSITIONS



LSPs have high demands regarding recruitment for language positions. The most important criteria is native language competence with 85% of the respondents stating that it is *critical*; for another 12% this is labelled as *important*. Foreign language competence and translation competence are equally important: almost 70% of the respondents consider these *critical*, and for nearly 30% they are *important*. CAT tool skills form another important recruitment criterion: although to a lesser extent *critical* (26%), it is *important* for 44% of the LSPs and *good to have* for another 26%.

Localisation competence seems at least *good to have* with 50% of the LSPs ranking this as such; for 25% it is *important* and for 17% this is *critical*.

Other criteria that have high scores for important are Organisational skills, Interpersonal skills and Generic ICT skills. These 3 criteria are marked *important* by 40% to over 50% of the LSPs; about 15% even mark them as *critical* with around one third indicating that they are *good to have*.

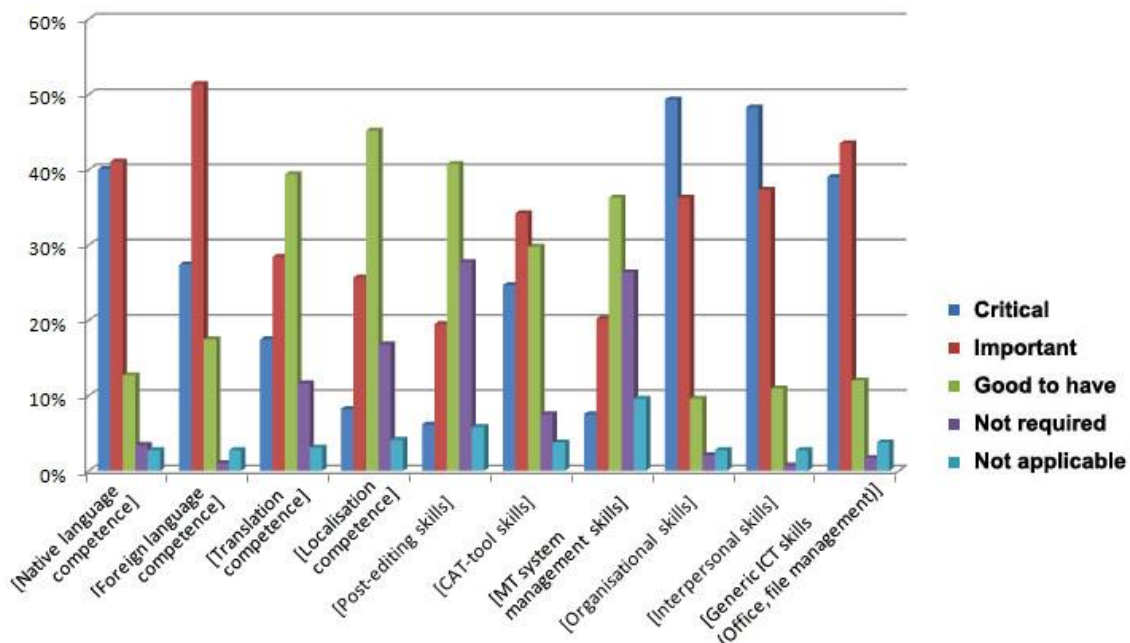
MT system management skills is the only competence that a significant number of respondents have marked as *not required* (30%) with 40% responding that it is *good to have*.

Putting the categories *critical* and *important* together, 6 out of the 10 investigated competences score over 60%. When the category *good to have* is added as well, 8 out of 10 score even more than 90%. Only Post-editing skills and MT system management skills score below 90% (85 resp. 60%).

## OTHER TRANSLATION-RELATED POSITIONS

Recruitment criteria for translation-related positions such as translation project management focus a bit less on language competences and instead on more generic skills.

Native language, however, is still important: for 40% of the LSPs it is *critical* and for 41% *important* (compared to 85% *critical* for language positions such as translator or editor).



A similar shift in requirements can be seen regarding foreign language competence. It is considered less critical and instead important. 27% of the respondents believe it is *critical* and 51% consider it *important*.

Not surprisingly, translation competence is considerably less important for non-language translation-related positions. For only 17% it is *critical* and for 28% *important*. But another 39% state that it is *good to have*.

A similar pattern can be seen for localisation competence and post-editing skills. Relatively few respondents consider these skills *critical*, 20-25% believe them to be *important* but more than 40% mark them as *good to have*.

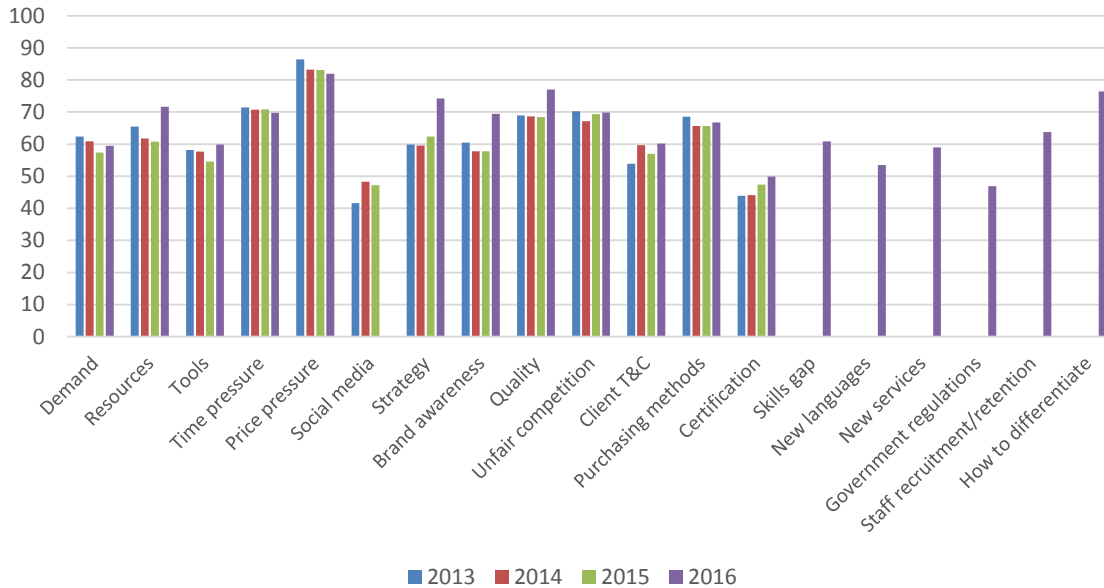
Regarding CAT-tool skills and MT system management skills, the requirements for translation-related positions are comparable to those for language positions. About a quarter of the LSPs consider CAT-tool skills *critical*, 70% believe them either *important* or *good to have*.

For translation-related positions, the requirements Organisational skills, Interpersonal skills and Generic ICT skills score significantly more often as critical than for language positions. Between 40% and 50% of the respondents consider these skills *critical*. Taking into account that 30% to 40% of the LSPs think these skills are *important*, altogether almost 90% have marked them either critical or important. For language positions this share was only around 60%.

Whereas for translation positions, MT system management skills was the only competence with a significant score for *not required*. For translation-related positions, Translation competence, Localisation competence and Post-editing skills have a noteworthy number of respondents marking them as *not required*.

CHALLENGES

CHALLENGES AND TRENDS FOR THE COMPANY

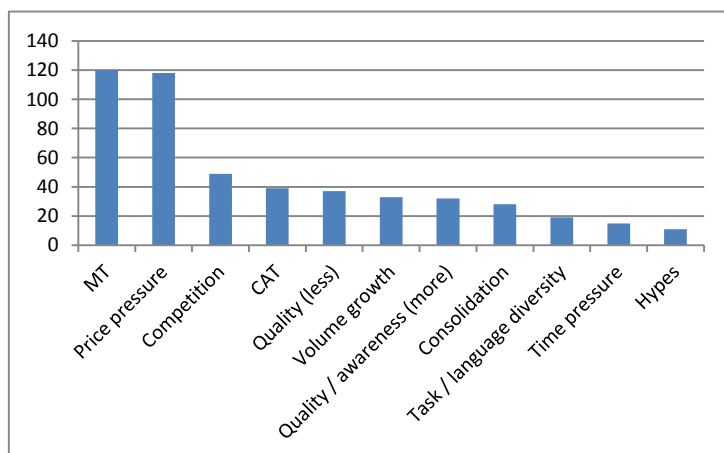


Price pressure remains without a doubt the biggest perceived challenge for European translation companies. We do however see some significant changes in other areas.

Quality requirements, resource availability and all areas related to the future of the company (strategy, how to differentiate yourself and brand awareness) all score higher than in previous years, which confirms a higher level of concern about the future.

Government regulations, new languages, social media and certification are lesser causes of concern.

CHALLENGES AND TRENDS FOR THE INDUSTRY



Price pressure, MT and competition continue to be perceived as the main trends for 2016, as was the case in 2015 and before. We do, however, see an evolution. Whereas price pressure was clearly the most important trend in 2015, MT is now mentioned marginally more often, and the distance between second and third, Competition, is much wider than last year.

Other trends that are mentioned include a continued growth in the use of Computer Aided Translation tools (translation memories) and other technologies which are usually considered positive, and an equally continued growth in volume of work.

Quite a few respondents expect quality (both quality expectations and delivered quality level) to decrease due to the use of machine translation and/or less qualified resources, but almost as many report increased quality expectations – a trend that was first noticed in the 2015 survey and that is now becoming more apparent.

Industry consolidation remains quite visible, especially to mid-sized companies.

A number of companies mention task diversification as a new requirement. This is considered a positive evolution, adding more value to the services offered by the companies, but a small number of respondents also warn about an increase of tasks that companies are expected to perform without additional charge.

In the overall 2016 results, the difference in answers with a clear negative or positive connotation is almost negligible (93 negative against 90 positive).

In the smallest size segment negative answers prevail, while the mid-sized companies more often give positive answers. Responses from large and very large companies tend to be neutral to positive.

There is no observable distinction based on the age of the company.

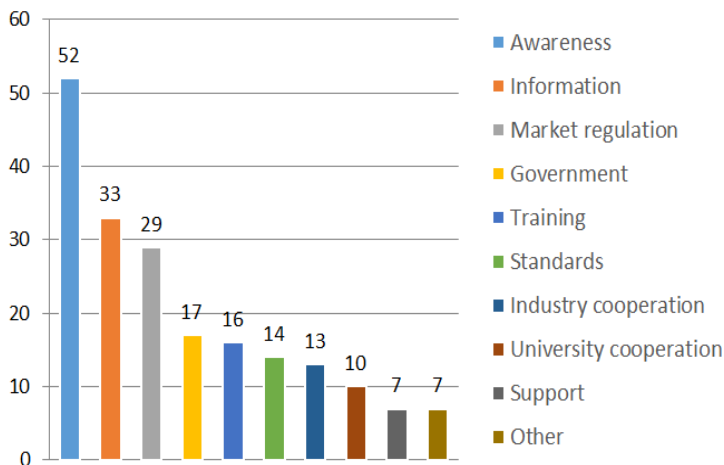
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## CHALLENGES FOR INDUSTRY ASSOCIATIONS

Our respondents' main expectations for industry associations continue to be that they build and improve general awareness about the value of what their members are offering.

Obtaining the right information about members' market targets and new developments continue to be a strong requirement, ranking second this year.

Members also continue to expect their associations to act as a regulating body in an effort to ban unfair competition and create a dam against further rate erosion.



We see a new – very specific – concern about changing government regulations regarding certified translation and interpreting, where respondents want the associations to take a more active role.

Training and cooperation – not only within the industry but also within academia – remain important requirements.

And finally, members expect associations to actively support certification schemes and standards for the industry.

Not all companies attach the same importance to the different actions though and there is a significant difference between the various size segments.

The need for awareness-building increases significantly with the size of the company, while the need for information is mainly a request from small to medium-sized companies.

Cooperation support is mainly important for the larger segments of the industry, while the call for lobbying and market regulation is coming predominantly from the small and medium-sized segments.

Note that conclusions regarding the larger size segments need to be taken with caution due to the small number of answers from these segments.

## CONCLUSION

As in previous years, the survey shows an evolution and not a drastic revolution in the trends that govern the European language industry.

The sudden rise in optimism reflected in the 2015 results has been dampened by lower than hoped for growth in 2015. While still positive overall, the expectations for 2016 are more cautious than what was registered in 2015.

The prevailing trends of previous years, in particular the growing importance of machine translation and the continued price pressure and competition, continue to rank at the top of the European LSP expectations and concerns, but the focus is shifting to technology and client expectations. Positive and negative trend perceptions are equally strongly represented.

Technology is strongly embedded in the language industry, with only 7% of translation companies not using computer aided translation, and 40% already reporting that they are using machine translation in one form or another. The open questions confirm that the once exclusively negative image of technology such as machine translation is being gradually replaced by a more realistic and pragmatic attitude. Translation management and workflow systems are surprisingly well utilised in the industry, with 84% of the companies using some form of this technology.

In terms of recruitment, language service providers follow predictable paths. Both for external and in-house resources, they attach strong importance to formal educational degrees without relying exclusively on them. In terms of recruitment criteria, the European language industry applies the same general principles as other industries: job-related criteria such as language and translation skills prevail for language-specific positions, while generic skills such as communication and teamworking are considered more important for other translation-related positions.



The expectations of LSPs towards the industry associations has not changed much, with awareness-building as the most important requirement especially voiced by the mid-sized and larger companies, followed by providing information and regulating the market (both strongly advocated by the smaller LSPs) and promoting cooperation, again a requirement for the somewhat larger companies.

Company size can therefore be considered as a strong differentiator for a number of attitudes and expectations, from verticals served and growth expectations to technology usage and expectations towards the industry's associations. The influence of company age and geographical location is much less clear, which is consistent with the image of an industry that is growing more global every year.