

# UK Language Services Market 2015

Research by the Association of Translation Companies ©



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# General overview

The Association of Language Companies engaged an independent researcher team to conduct a survey of UK Language Service Providers (LSP).

The purpose of the survey was to provide ATC members, and those interested in the market, information for data-driven decision-making. The resulting report:

- identifies large Language Service Providers in the UK;
- provides benchmarks for rates, salaries, technology choice and productivity;
- analyzes the growth rates and the factors that drive performance in the leading companies.

## Survey sample size

The survey was launched at the beginning of July 2015 and ended in mid-September. The Association's 156 members, as well as several hundred non-member companies registered in the UK, received an invitation to participate.

The survey included 40 questions and up to 324 fields to complete. Some companies provided

as much data as possible, while others skipped sensitive questions.

Of about 500 companies contacted, 70 LSPs completed the questionnaire. The participants represent a mix of large, medium and small companies with a combined revenue of more than £132 million in 2014. In total, over 7,000 individual data points were recorded; on average of more than 100 per company.

This report represents one of the largest data collection exercises on UK language service providers.

## How to use this report

Findings in this report are most relevant to owners and top-managers of medium-sized translation companies: those with annual sales between £0.5 and £10 million.

We encourage the readers to undertake an analysis session to compare their company indicators with their competitors'. This will enable you to identify strengths and weaknesses of your company, and brainstorm for

opportunities to increase business efficiency in 2016.

Data on pricing, freelancer rates, margins and salaries will help to devise a pricing strategy, and to optimize costs. Benchmarks such as number of projects per project manager, revenue per sales manager and customers per account manager help set key performance indicators for various positions.

Polls on technology use, marketing channels and attitudes to standards will help select sales and production tools to invest in during 2016.

## Number of survey responses by company size

Size (Revenue)	Number of respondents
Over £5 million	6
From £1 to 5 million	22
Under £1 million	42
Total responses:	70
Total revenue:	Over £132 million

# Largest language service providers in the UK

	Company		Revenue 2014	Info Source
1	SDL		£260.40 m	Annual Report
2	Hogarth Worldwide	≈	£96.70 m	website
3	RWS		£93.60 m	Annual Report
4	thebigword Group		£47.50 m	ATC
5	Capita Translation and Interpreting		£31.32 m	ATC
6	Alpha CRC		£21.58 m	ATC
7	Transperfect (UK entity)	≈	£15.00 m	MSAL-2013
8	Lionbridge UK	≈	£15.00 m	MSAL-2013
9	Language Line (UK entity)	≈	£13.00 m	MSAL-2013
10	Voice & Script International		£12.45 m	MSAL
11	Television Versioning & Translations		£8.68 m	MSAL
12	Lingo24		£8.10 m	CSA
13	TranslateMedia		£7.40 m	ATC
14	translate plus		£7.20 m	ATC
15	Ubiquis Uk Limited		£6.50 m	ATC
16	Sandberg Translation Partners		£5.97 m	ATC
17	Pearl Linguistics		£5.82 m	MSAL
18	Language Connect		£5.30 m	ATC
19	Mother Tongue		£5.26 m	MSAL
20	Pole To Win Europe	≈	£5.00 m	MSAL-2013
21	Wordbank		£4.80 m	ATC
22	Sdi Media Uk	≈	£4.60 m	MSAL-2013
23	Romo translations		£3.60 m	ATC

## UK-based LSPs earned over £1 billion in 2014

In 2014, the 40 largest companies sold services worth **£720 million**. We estimate that smaller providers generated an extra £300-400 million in revenue. The total volume of business in the sector was therefore in excess of **£1 billion**.

This makes the UK market one of the largest in the world, possibly the second largest after the US.

The Merlin Scott Associates report notes that, based on the official registry data, there are **1,235 registered legal entities** in the UK translation sector. According to our benchmark, UK translation companies generate an average of £86,500 per year per employee. Extrapolating this figure, and assuming smaller LSPs employ between 3 and 4 employees, this means that this segment of the market generates between £300-400 million per year.

This calculation only includes incorporated providers, and it does not take into account self-employed freelancers or in-house staff of buyer companies.

24	3Di		£3.30 m	ATC
25	Cintra Translation	≈	£3.00 m	MSAL-2013
26	The Translation People	≈	£3.00 m	Blog
27	Global Language Services		£2.85 m	CSA
28	Wolfestone Translations		£2.80 m	ATC
29	K International	≈	£2.75 m	MSAL-2013
30	Come On London		£2.46 m	MSAL
31	Wessex Translations		£2.31 m	ATC
32	Global Lingo		£2.08 m	ATC
33	The Translation Empire		£1.80 m	ATC
34	Asset Language Management		£1.60 m	ATC
35	Eurosis Group Plc	≈	£1.50 m	MSAL-2013
36	Comtec		£1.34 m	ATC
37	Intonation		£1.30 m	ATC
38	Webcertain		£1.16 m	ATC
39	Star UK		£1.00 m	ATC
40	Talking Heads		£0.75 m	ATC

The following survey participants also qualified for this list but decided to keep their revenue data private: Amity Communications, Asian Absolute, Codex Global, Comms Multilingual, Etymax, RP Translate and The Language Factory.

## Sources

**ATC** — the company has participated in the present survey.

**CSA** — we identified the provider from the report Summary (Northern Europe) – The Language Services Market 2015 by Common Sense Advisory

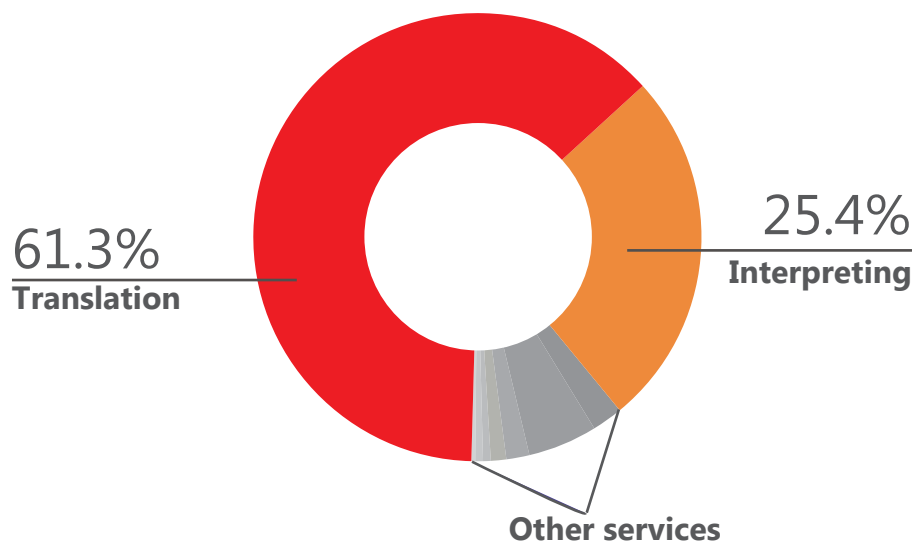
**MSAL** — we identified the provider from Merlin Scott Associates Ltd report, based on official registry data (Companies House)

**MSAL 2013** — as above, but revenue was available only for 2013, and the figure should be considered as an estimate.

≈ — the following figure is an estimate or an approximation.

Data for the publicly traded SDL and RWS has been drawn from their official annual and interim reports.

# Revenue by services provided



Desktop publishing	2.42%
Remote interpreting (telephone and online)	2.03%
Machine Translation and MT post-editing	1.57%
Dubbing / narration / voice-over / subtitling	1.06%
Linguistic testing and QA (when billed as a separate service)	0.72%
Selling language technology	0.37%
Project management (when billed as a separate service)	0.14%
Consulting	0.10%
Technical writing	0.09%
Other	4.86%

## Traditional services make-up 87% of sales

Survey data clearly shows that the majority of revenue is generated through translation and interpreting services. This is a significant finding because it suggests that the **LSP business model is not changing as fast** as some industry futurologists might lead us to believe.

While Lionbridge, SDL and some other larger providers indicated that they are moving away from translation to new services, such as multi-lingual marketing, there is no evidence mid-sized companies are following suit.

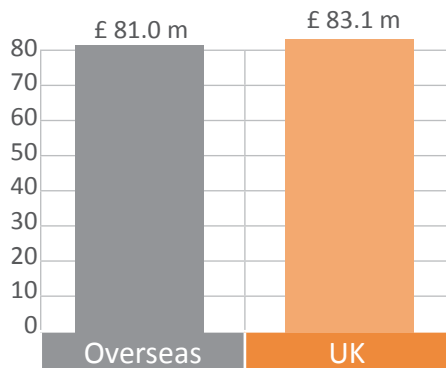
Many UK LSPs don't yet:

- successfully re-sell third-party language technology to end customers;
- provide crowd-sourcing management services.

Machine Translation and consulting represent only a tiny percentage of total revenue of survey respondents. Even if companies offer these services, they use them as a sales vessel, but make money in translation volume.

# Home/export revenue

## Home revenue exceeds exports for survey participants



87% of respondents revealed the ratio for their UK and overseas revenue. In addition, we received this data from thebigword Group. From a total of **£163.5 million**, **51% originated from customers based in the UK**. These figures are heavily influenced by large public sector contracts operated by Capita T&I, the largest of the LSPs that completed our survey.

At the same time, many large and medium-sized businesses derive more than a half of their revenue from operations abroad. Some of the most successful exporters on our list are Alpha

## Number of branches correlates with high overseas revenue

Company	Number of physical offices
1 Alpha CRC	20 *
2 thebigword	13 *
3 Language Connect	6 *
4 Asian Absolute	6
5 Translate Plus	4 *
6 Capita T & I	4
7 Global Lingo	4
8 Global Lexicon	4
9 STP	3 *
10 Codex Global	3 *

\* over 50% revenue from abroad

CRC, Translate Plus, STP, Language Connect, Wessex Translations and Codex Global. Large export volume correlates slightly with the number of offices as companies look to develop relationships with their overseas clients.

# Top 10 verticals

## Top survey takers specialize in public contracts and working for other LSPs

Public sector	24.9
Translation companies	9.9
Advertising agencies	7.3
Legal	6.2
Medical & Pharma	5.9
E-commerce	4.3
Manufacturing	3.9
Construction and engineering	3.8
Financial	3.4
Other	9.6

The data in the above table indicates the specializations of the companies that participated in the survey. This is heavily influenced by some of the top performers: Capita Translation and Interpreting generates a significant portion of their £31.3 million revenue from public sector contracts and Sandberg Translation Partners, a £6 million company, offers Nordic languages to other LSPs.

# Growth

## 46 companies reported growth

Reason	%
1 Improvements in marketing	16.2
2 Improvements to account management	13.9
3 New verticals	13.2
4 Improvements to project management	10.6
5 Deployed a new sales methodology	10.2
6 Hired sales people	8.8
7 New products or services	8.5
8 New languages	4.8
9 New geographies	3.9
10 Out-of-the-ordinary reasons	3.7
11 Hired a sales manager/executive to run the sales organisation	3.2
12 New technology	3.0

## 14 companies reported zero growth or decline in revenue

Reason	%
1 Important client(s) reduced purchase or stopped operations.	53.3
2 Business lost to competitors with lower rates.	20.0
3 Economy slump, currency exchange rate fluctuations.	20.0
4 Business restructure	6.7

## Growth rate 11% in 2014, down to 6% in the first half of 2015

The UK's language providers enjoyed quite a profitable year in 2014. **Total volume of business** of companies taking our survey increased from £119.8 to £132.6 million; **almost an 11% increase**.

More than a half of the growth came from existing contracts as clients handed fresh volumes of translations to their LSPs. Translations to German, French, Arabic and Chinese have seen the largest increase.

LSPs named software, **e-commerce** and e-learning as the customer group with the fastest growing demand for translations, followed by legal, advertising and financial sectors. Curiously, demand from other translation companies also rapidly increased.

In 2014, the UK economy was in a good shape as GDP growth accelerated from 1.7% to 2.8%, according to the World Bank. Agencies felt that growth came as a result of their own effort: improvements to marketing and account management. Focus on account management means that the market is very mature, and the competition is fierce. Opportunities for new business revolve around customers that already have a language services provider.



## Fastest growing customer verticals

Buyer vertical		Score*
1	Software, E-commerce, Online technology	47.5
2	Legal and patent	38.5
3	Advertising and marketing	35.0
4	Financial companies, banks	35.0
5	Other translation companies (LSPs)	29.0
6	Manufacturing	26.0
7	Public sector (government)	25.5
8	Automotive	23.5
9	Life Sciences (Medical and Pharmaceutical)	19.0
10	Not for profit	14.0

\* Score is based on the number of responses, the size of the respondents' companies and the priority (1, 2 or 3) in which the vertical/service has been named in the response.

## Fastest growing language pairs

Combination	Number of responses
1 English > German	20
2 English > French	19
3 English > Arabic	12
4 English > Chinese	11
5 French > English	10
6 English > Spanish	9
7 English > Portuguese	8
8 English > Polish	7

## Fastest growing services

Service	Score*
1 Translation, Editing, Proof-reading, Transcreation	163
2 Desktop publishing	30
3 Web application internationalization and localization	22
4 Dubbing / Narration / Voice-over / Subtitling	19
5 On-site Interpreting	18

Combined growth rates for LSPs on our list slowed down to 6% in the first half of 2015. The total volume increased to about £136.5 million.

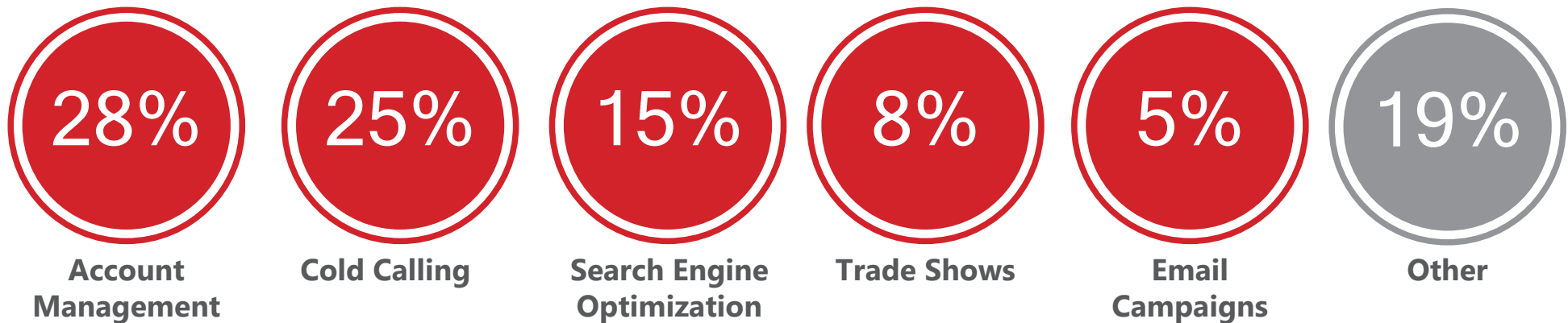
Not only did survey participants experience slower growth in the first half of 2015. Interim reports from the largest UK-based translation companies SDL and RWS Group confirm the finding. SDL's performance over the first 6 months of 2015 was only 4% better than in the first 6 months of 2014. And RWS volume of business stayed the same.

Foreign currency fluctuations is one of the reasons for slower growth. Pound sterling rose unusually high versus the euro, and thus contracts denominated in euros earned less.

The resulting 6% growth for UK providers is in line with dynamics on the global market, which was 6.46% according to Common Sense Advisory. By the end of the year the outcome may yet change. For instance, on October 13, RWS Group already issued a year end trading statement predicting 5% annual growth which, considering their 0% gain in the first half of the year means an extremely successful third quarter, even without their \$70 million acquisition of US-based LSP CTi in November.

# Growth by channel

## Account management and cold calling drive sales



% of total new revenue by sales channel

For 54% of respondents the biggest part of new business came **from existing accounts**. Companies that have account managers on board attributed growth to their efforts. Those that don't have account managers stated that they won new business via recommendations. Excellent service and word of mouth are, naturally, the most powerful means of promotion.

To reach more potential customers, surveyed companies utilized cold calling and invested in search engine optimization to appear on the first page for relevant Google searches.

On the other side of the spectrum is old school advertising: print, TV and outdoor. Although some companies buy billboard advertising, none of them reported that they received any business from this type of advertising. Another underused channel is Pay per click campaigns in search engines and social networks; these were responsible for only 0.18% of growth.

In comparison with their competitors, the fastest-growing companies on our list make fewer cold calls and focus more on **in-person events, trade shows and content marketing**.

## How much of your growth came from existing accounts

The majority 70-100%	36%
Most 51-69%	18%
Some 20-50%	23%
Minimal 0-19%	23%

# Fastest growing companies

Company	
1	3di
2	Amity Communications
3	Asian Absolute
4	Comtec Translations
5	Global Lingo
6	Intonation
7	Language Connect
8	translate plus
9	Translation Empire
10	Webcertain
11	Wolfestone Translations

The strongest performers have been selected based on the following three criteria:

- Reported growth of 20% or more over 18 months from January 2014 - June 2015
- Revenue over £1 million
- Sustained growth

Translate plus and Language Connect are the largest providers on the list with £7.4 m and £5.3 m in revenue respectively.

## What makes them different?

### They win new customers

Nine out of 11 strong performers said that over half of their growth came from new customers, not existing ones. Nevertheless, almost every company on the list **employs account managers** and believes that account management is one of their top channels for growth.

### They invest more in technology

Six out of 11 develop proprietary language technology. Products include two translation management systems, three customer portal solutions, a review system for e-learning courses, and a CMS/TMS connector for automated website translation. Moreover, they use multiple CAT-tools from external vendors: 7 companies out of 11 have more than one software brand in their arsenal. It is only natural therefore that they hire more technology officers to support this: one per £1.2 m revenue compared to one per £1.7 m for other companies in the survey.

### They hire more salespeople

Top performers have one salesperson on staff per £0.7 m revenue, while other respondents have one salesperson per £0.9 m revenue. In addition, the top performers indicated building up their sales force as their number one priority.

### They find new customers at trade shows

Compared to their competitors, top performers gained more new business from **attending trade shows: 19% vs 8% industry average**. They also did not use cold calling as much: 16% growth came from cold calls vs 25% industry average.

### They promote with great content

**Content marketing accounts for 9% of growth** with the top performing companies. This is against the 3% average.

# Gross average salaries by region

## London offers 25% better salaries than lower-cost regions

We asked companies to provide gross salaries, including bonuses and incentives.

Survey responses showed that employees responsible for production earn between £15,000 and £25,000 per year. Sales personnel receive between £30,000 and £38,000. Top managers may earn up to £50,000 per year.

Greater London, Eastern and South East England offer up to 25% better packages than other regions.

Employer size seems to be a powerful differentiator. Compared to small providers, companies with over £1 million in revenue tend to offer **50-60% higher salaries for sales staff and top managers**.

Companies aiming to cut production costs without leaving the UK could consider the Channel Islands and South West England. Of course, for larger scale cost saving providers might be tempted to move production abroad. For instance to Eastern Europe where wages are **3-5 times lower**.

Another way to reduce cost could be to hire more students and fresh graduates. Only **38.5% of respondents hired interns** in 2014.

PM	Project manager
SM	Sales manager
AM	Account manager
VM	Vendor manager
Editor	In-house translator or editor
IT	Technology officer or Developer
Top	Top manager

	Junior	Senior
PM	17500	23200
SM	20000	26500
AM	24000	26000
VM	—	19000
Edtr	17000	25000
IT	—	29000
Top	—	44500

	Junior	Senior
PM	15000	19000
SM	15000	25000
AM	15000	22000
VM	15000	17000
Edtr	14000	17000
IT	16000	22000
Top	22000	35000

	Junior	Senior
PM	17000	20500
SM	16000	20000
AM	21000	26000
VM	19000	22000
Edtr	17000	19000
Top	26000	32000

	Senior
PM	18000
SM	24000
Top	35000

	Junior	Senior
PM	17500	24500
SM	17250	29250
AM	16000	21500
VM	17500	23250
Edtr	19500	25800
IT	18000	26000
Top	37500	49400

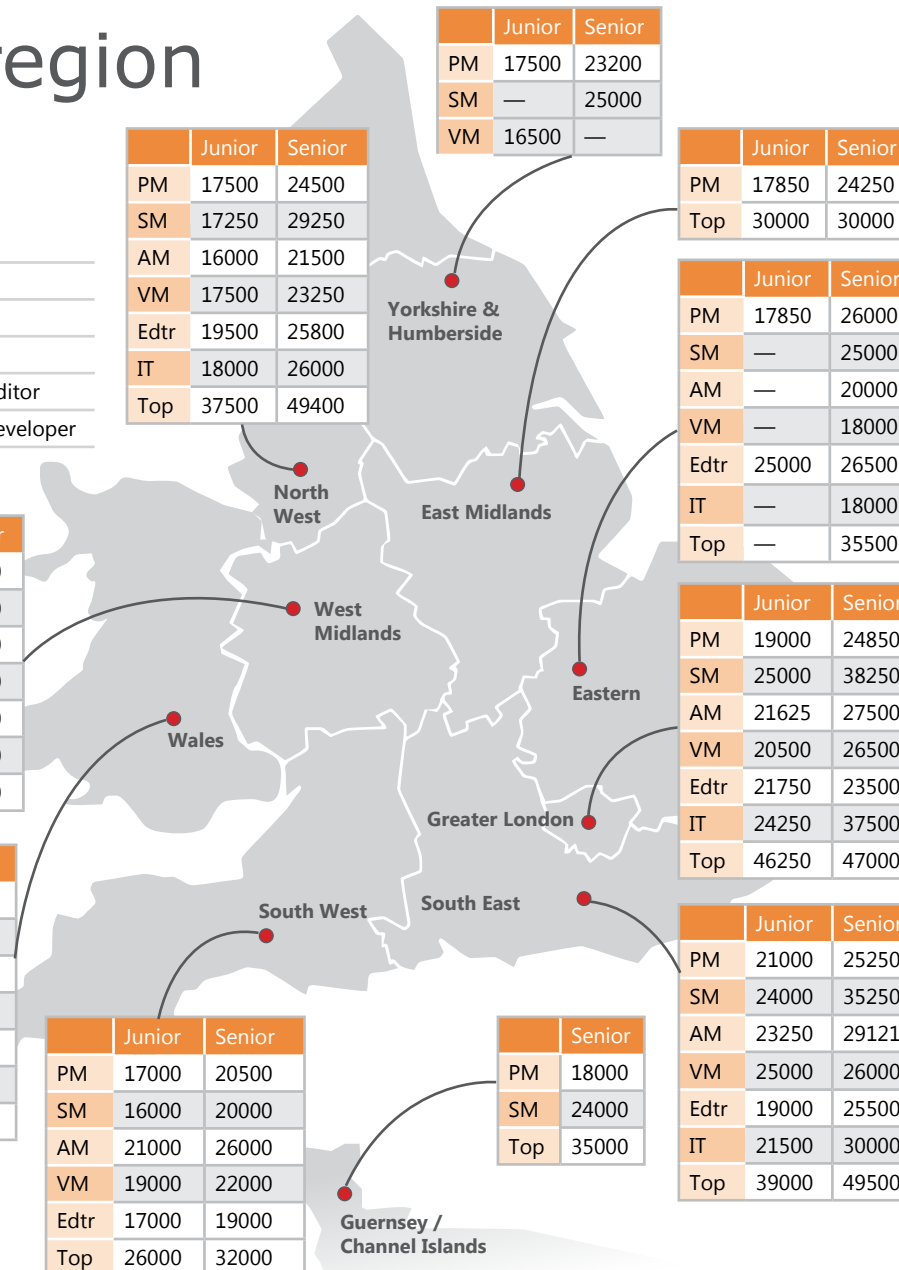
	Junior	Senior
PM	17500	23200
SM	—	25000
VM	16500	—

	Junior	Senior
PM	17850	24250
Top	30000	30000

	Junior	Senior
PM	17850	26000
SM	—	25000
AM	—	20000
VM	—	18000
Edtr	25000	26500
IT	—	18000
Top	—	35500

	Junior	Senior
PM	19000	24850
SM	25000	38250
AM	21625	27500
VM	20500	26500
Edtr	21750	23500
IT	24250	37500
Top	46250	47000

	Junior	Senior
PM	21000	25250
SM	24000	35250
AM	23250	29121
VM	25000	26000
Edtr	19000	25500
IT	21500	30000
Top	39000	49500



# Countrywide salary comparison by job function

## Job ranking by median salary

	Median	Low	Average	High	# resp
Senior Top	43,500	25,000	43,654	100,000	22
Junior Top	35,000	22,000	34,429	50,000	7
Senior Sales	30,000	18,000	42,909	300,000	22
Senior AM	30,000	17,000	26,832	31,484	12
Senior Dev	27,000	18,000	27,205	39,500	11
Senior Linguist	25,500	17,000	24,978	33,000	14
Senior PM	25,000	17,000	24,533	35,000	36
Senior QA	24,250	17,000	23,811	33,000	12
Junior Dev	21,500	16,000	21,500	28,000	6
Junior Sales	21,000	12,000	20,455	25,000	11
Junior AM	21,000	12,000	20,071	25,000	7
Junior QA	20,500	15,000	20,438	27,000	8
Junior Linguist	20,000	14,000	19,418	25,000	11
Junior PM	18,750	15,000	19,281	25,000	26

## Positions with the highest salary growth in the last 2 years

	Score	Resp
Project manager	63	25
Top manager	37	16
Salesperson	37	11
Account manager	15	5
Translator	10	5
Developer	7	3
Quality	2	1

Positions are lined up according to a score, based on the number of responses, respondent size and the priority in which they were specified.

## How LSPs calculate bonuses for salespeople

### On turnover

- from 5% to 10% on the first year
- 2.5% to 3% on the second year

### On gross margin / gross profit

- most pay 10%

Commissions on sales volume and gross margins are the two most popular schemes.

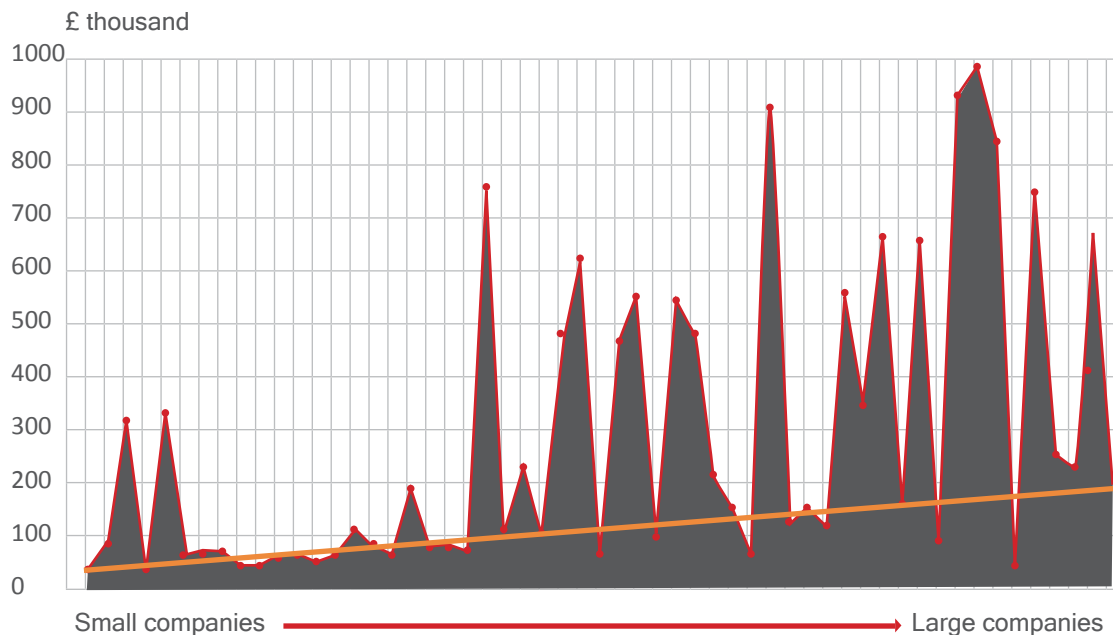
However, in each company CEOs fine-tune compensation plans with **additional rules that make all the difference**. For instance, some pay bonuses monthly and some on a quarterly basis,

and in many cases the salesperson must meet a target before getting their commission.

One company pays 3% on new business, and one company rewards their business development person with a fixed salary.

# Annual revenue per full-time employee

## Business should bring in at least £64,000 per full-time employee



	per employee, £	per project manager, £	per account manager, £	per sales manager, £
average	86,500	308,000	1,171,000	976,000
median	64,000	180,000	900,000	586,000

Companies with high revenue per employee often have high labour efficiency, or they outsource more tasks, such as marketing, accounting and finance. On the other hand, companies with very low revenue per employee have a lot to worry about since their payroll burns all of their profits!

- Most companies in the UK generate £64,000 - £86,000 per year per employee.
- The top 20% companies have a significantly higher performance, typically £150,000 - 200,000 per employee/year. A few companies peak at a questionable £0.8 - 1 million.

Revenue per project and per sales manager are more precise indicators of productivity, even though they favour companies that serve large enterprise customers.

Project managers can process orders worth at least £100,000 per year while being paid about £24,000 in salary. This figure gravitates towards £400,000 in large LSPs, with occasional peaks at £1-1.5 million.

Companies usually hire **one sales manager per £0.6 - £1 million of revenue**, but this doesn't mean that every salesperson has to cope with a quota of such size.

# Milestones to hire extra sales staff

**Companies employ the first salesperson as soon as they can, and only hire account managers after the £1-2 million revenue mark**

Revenue, £	Avg salespeople / company	Avg account mgrs. / company
5 m +	7	7.3
2-5 m	6	1.4
1.5-2 m	2.8	1.5*
0-1 m	0.7	0.2

\*Figure inflated by one participant with AMs doing PM work.

For this benchmark companies were divided into four groups according to their revenue, and we calculated the average number of account and sales managers in each group.

Companies hire their first sales manager as soon as they become established as a busi-

ness. As the operation grows, CEOs employ more sales staff, typically one person per £0.6 - £1 million.

First account managers typically arrive at the £1 million mark, and then companies carry on with one or two AMs on board until the £5

Larger companies better recognize the value of account managers.

One account manager per £1 million seems to be the average.

million mark, at which point they hire several more.

70% of companies don't hire account managers at all, and they don't split account management functions from project management. However, those that do hire account managers sometimes hire many.

## Account managers handle about 75 active customers

The number of active corporate customers per account manager varies depending on the responsibilities and functions assigned to this role. Some LSPs promote senior project managers to account managers and task them with developing customer relationships with large enterprises only. In this case the number of customers per AM is usually 60 to 90. Other LSPs have account managers performing some project management duties, and they have 120 or more clients per AM.

Statistic	Number of active b2b customers
Min	13
Median	75
Average	105
Max	316

# Number of projects per manager

## A project manager handles 300 projects per year

	Number of projects in 2014	Per PM	Per AM + PM	Management system	
Top performers	STP	47,000	2,136	1,880	Bespoke
	Company 2	4,346	1,448	1,448	Bespoke
	Company 3	15,500	-	1,291	Bespoke
	Company 4	4,592	1,148	1,148	AIT Projetex
	Company 5	1,950	975	975	Bespoke
	Company 6	888	-	888	SDL TMS
	Company 7	4,011	802	802	Bespoke
	Company 8	700	700	700	Bespoke
	Company 9	27,373	536	506	Bespoke
	Company 10	500	500	500	LSP.net OTM
	<b>Average</b>	<b>468</b>	<b>402</b>		
	<b>Median</b>	<b>298</b>	<b>257</b>		

Top performer manages 6x the median number of requests

2/3 of top performers use bespoke IT systems.

Two top companies run projects with account managers.

The number of projects per project manager per year reflects the level of automation, and the organisational capability of a company.

While PMs can typically juggle as many as 7-12 projects per day, it is the function of the CEO and sales team to keep them under a regular workload throughout the year.

Lean companies keep the number of PMs as low as possible, streamline workflows and automate manual tasks as much as possible.

In a typical UK translation company each PM completes 300 projects a year. In the top performing company, Sandberg Translation Partners, each PM delivers a phenomenal figure

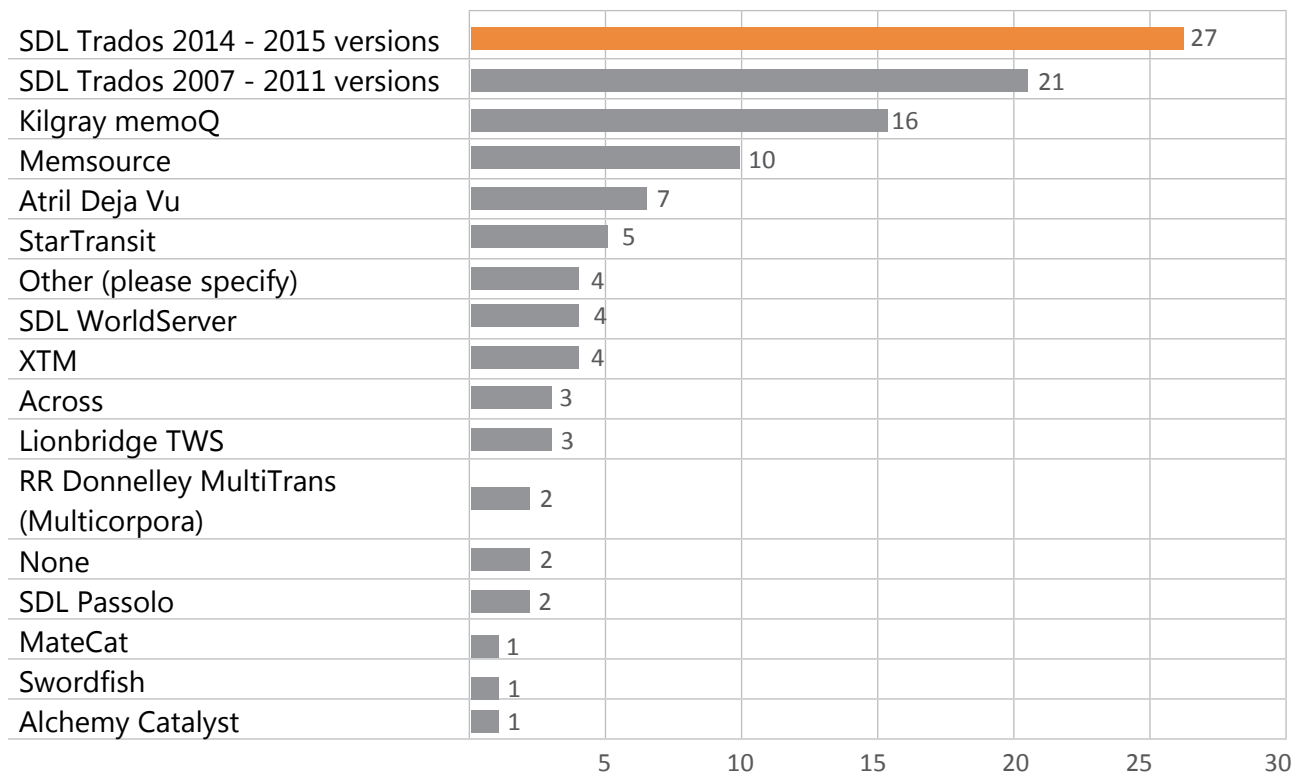
of **1,880 projects per year each**. This indicates a huge gap in productivity between companies.

This benchmark can be distorted by differences in project size; some companies count every individual request from their customer as a project, while others only record the number of invoices.



# Technology preferences

## Translation memory tool brands



Almost every LSP surveyed uses translation memory tools, and most companies go even further and own licenses for multiple tools to be able to cater to requests from different customers.

Just like everywhere else, SDL Trados is the mainstay tool, and it is used by 2/3 of the companies surveyed. The next most used tools are Kilgray memoQ and Memsource.

## Translation management systems

System	Users
Bespoke	26
Plunet BusinessManager	4
AIT Projectex	3
XTRF	3
SDL TMS	2
translationprojex	2
Other	12

Half of the respondents that have a TMS in place use either proprietary systems developed in-house, or bespoke systems developed externally and tailored for their needs.

Top most utilized out-of-the-box solutions are Plunet Business Manager, AIT Projectex, XTRF, SDL TMS and translationprojex. In total 14 companies use these systems.

Responses under "Other" included companies that manage projects with CAT-tools only, and do financial planning in Excel or CRM systems.

## Technology provided to customers

Translation memory management and sharing	51%
Buyer dashboard (order tracking, analytics, feedback, etc)	27%
Integration with the customer's CMS for automated project setup	27%
Workflow system for in-house translations	23%
A choice of professional / machine translation / crowdsourcing for different types of content	19%
Enterprise terminology portal	8%

LSPs contributing to the survey derive an insignificant part of their revenue from reselling technology. Rather, they use the offering to promote translation services, and to turn technology into a competitive advantage.

**Buyer dashboards**, also called customer portals, allow the customers to place the order themselves, track progress, review job history and obtain various reports. They make an outsourced translation processes more transparent. Out-of-the-box systems such as XTRF, Multitrans and Plunet have this feature, but companies often develop their own software.

**Integration with the customer's content management system** allows the client to order translations from inside their website, without exporting files. For example, it is possible to have a web page translated and imported

back to the website without actually downloading the html. This saves time and effort and is technically easier. Integrations are typically done via middleware, or CMS connectors, such as Clay Tablet, iLangl, Beebox and others.

Buyers with internal translation teams need **workflow systems**. LSPs on the survey provide their own proprietary software, and they do not resell third party solutions. For example Translate Plus offers TMS iPlus.

Some of the strongest examples of **content profiling** include machine translating inventory items for e-commerce and using paid crowdsourcing (f.ex. Gengo) for support documentation. Of the LSPs surveyed 19% said they offer machine translation in addition to professional translations.

## Proprietary technology development

Ten companies out of 70 that took the survey indicated that they develop proprietary technology.

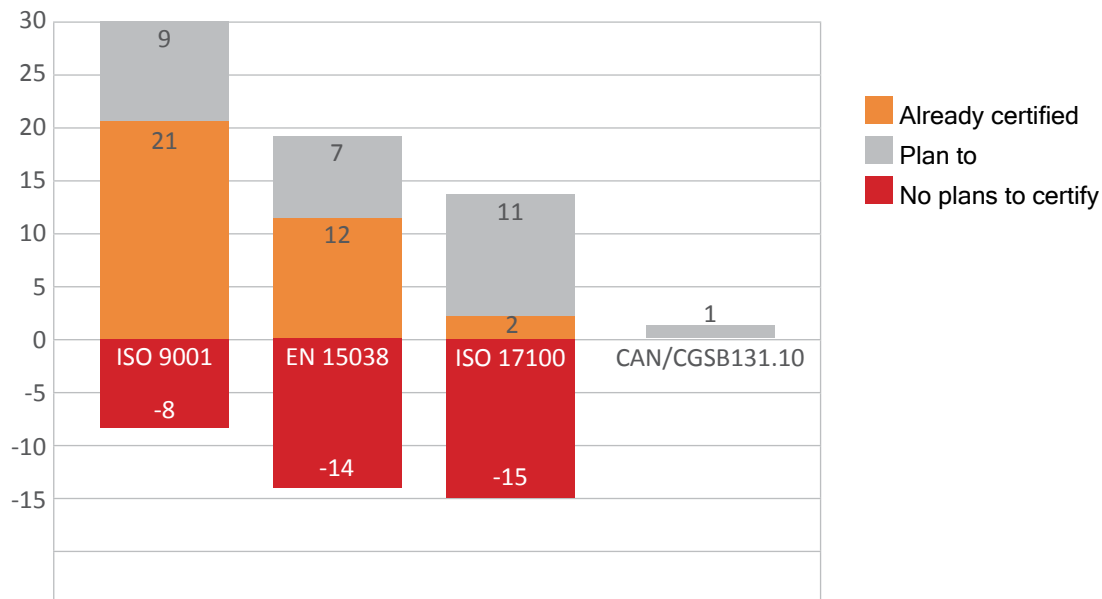
Four develop branded translation management systems / customer portals: **i plus** by translate plus, **Stream** by TranslateMedia, **Synergy X** by Wolfestone Translations and **Dovetail** by Comtec. Companies develop and maintain their own management systems to provide full cycle services to their clients. Customers often get basic versions of software free if they buy translations. The benefit for a translation company is that afterwards clients are less likely to switch to a cheaper provider: doing this might require moving all their data and processes on a new platform.

Other pieces of technology include Capita's machine translation **Smartmate.co**, a CMS connector by Webcertain, and an online e-learning course review solution by 3Di. STAR Group and Ubiquis developed technology from their head offices.

Technology plays a major role in the success of the fastest-growing companies and is an ongoing part of their development strategy. Incidentally, 60% of innovators in the survey are also on our list of the fastest growing LSPs.

# Standards

## ISO 17100 received a chilly welcome



**ISO 17100: Requirements for translation services** standard was launched in 2015 as the successor to EN 15038. However, most translation companies did not jump into certification audits. The attitude in the industry is cautious. While the standard is still fresh, 15 survey respondents said they **have no plans to certify**, and only 11 are planning to certify. Smaller firms are more interested in obtaining this certification.

Companies on the survey consider **ISO 9001: Requirements of a quality management system** the most practical standard. It is not limited to translation services, and companies in other industries use it too. As a result, many customers are aware of it. Twenty one LSPs on our list are already certified, and a healthy number of respondents are planning to certify in the near future. Larger translation firms are especially willing to certify according to ISO 9001. Some of them take part in tenders where buyers require participants to certify.

**EN 15038 industry-specific standard** has been made practically obsolete by its ISO successor. It has a modest following. Twelve companies said they are certified, and 7 more plan to.

# Pricing

Translation companies in the UK are discreet about their pricing. They do not publish pricelists, and instead quote on request. However, for benchmarking purposes 42 LSPs provided their average prices for languages with high volumes.

The majority of respondents price translations per word, or per thousand words. **More than a half of respondents offer translation with review as one service** as they strive to provide quality. When a review is offered as a separate service, it is either priced per word or on an hourly basis.

Providers in the UK are used to working with multiple languages, and offer a staggering amount of language combinations. For the survey we have selected 20 languages (and therefore 40 combinations) from three lists: the highest number of users on the Internet, based on Miniwatts Marketing group data; commonly spoken languages in the UK based on 2011 census data; and the UK top trading partners based on HM Revenue & Customs information. We had to limit the number of languages in order to keep the survey manageable, and excluded Norwegian, Thai and Vietnamese as well as some others.

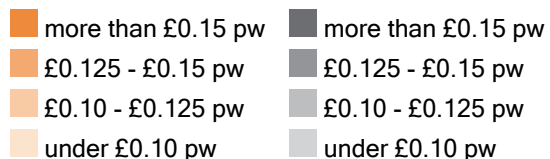
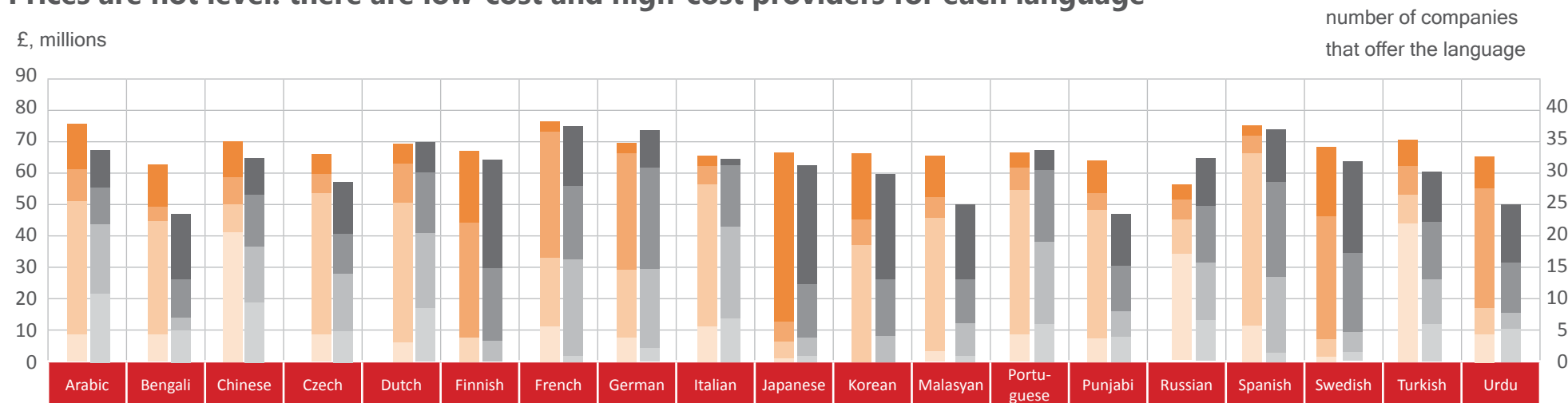
Across the languages in the poll, **the average price per word for translation is £0.12**. The average price for translation with review/proof-reading is £0.15. The most expensive language combinations are Nordic: Swedish, Danish and Finnish, as well as Asian: Korean, Japanese and Malaysian. Chinese is priced lower than the former three.

## On-site interpreting pricing for 4 hours, £.

Source language	Min	Average	Median	Max
Arabic	148	280	250	550
Bengali	160	236	240	350
Chinese Mandarin	160	284	240	566
Czech	160	273	220	550
Dutch	160	283	250	550
Finnish	160	296	250	566
French	140	274	250	550
German	160	281	250	550
Italian	160	273	250	550
Japanese	160	305	250	566
Korean	160	305	250	566
Malaysian	200	280	250	550
Polish	160	273	220	550
Portuguese	160	271	250	550
Punjabi	160	227	200	350
Russian	160	277	250	550
Spanish	160	291	250	550
Swedish	160	297	250	566
Turkish	160	276	220	550
Urdu	160	227	200	350
Across languages	148	275	250	566

Travel/substinance costs not included.

## Prices are not level: there are low-cost and high-cost providers for each language



### How to use this table

This diagram shows the distribution of LSPs by price brackets. The orange columns represent grouping of companies by size in millions of pounds, gray - by the number of companies in each price bracket. LSPs then need to ask themselves the following questions:

- Estimate competition: are you facing many small competitors or a few large ones?
- What is a customer likely to get if they approach several companies for quotes?
- Is there space to increase prices?

Prices that individual companies offer vary greatly depending on the type of customer, and the cost for the LSP. Specialist agencies with low-cost production often charge £0.08-0.10 per word for their main language, especially when subcontracting for other LSPs. Multi-language providers that rely on subcontractors have to find end-customers that are

ready to pay much more, up to 0.25 per word for languages such as Japanese, Korean and Malasyan.

For every language combination there are low-cost, mid-market and high-cost providers. **A customer can potentially face competing offers at £0.08 and £0.21 per word.** For the buyer,

such differences make it hard to choose a provider. Fortunately for translation companies, it also means that there are many pricing strategies available: among them to cut costs and win customers with less expensive services for one language, or to focus on the number of languages and win on added value managing them all.

## Translation from English into the target language, £ per word

Target language	Min	Median	Average	Max
Arabic	0.080	0.127	0.122	0.160
Bengali	0.090	0.127	0.124	0.170
Chinese Mandarin	0.080	0.120	0.126	0.250
Czech	0.080	0.120	0.115	0.160
Dutch	0.090	0.125	0.126	0.160
Finnish	0.100	0.144	0.149	0.200
French	0.090	0.117	0.115	0.150
German	0.090	0.120	0.117	0.150
Italian	0.090	0.111	0.111	0.150
Japanese	0.090	0.150	0.150	0.250
Korean	0.100	0.140	0.150	0.250
Malaysian	0.090	0.138	0.134	0.170
Polish	0.085	0.113	0.114	0.145
Portuguese	0.090	0.120	0.115	0.150
Punjabi	0.080	0.127	0.124	0.170
Russian	0.080	0.113	0.113	0.150
Spanish	0.090	0.113	0.114	0.150
Swedish	0.090	0.140	0.143	0.200
Turkish	0.090	0.123	0.117	0.150
Urdu	0.080	0.130	0.124	0.170
All languages	0.08	0.124	0.125	0.250

## Translation and review from English into the target language, £ per word

Target language	Min	Median	Average	Max
Arabic	0.100	0.165	0.161	0.240
Bengali	0.100	0.160	0.156	0.230
Chinese Mandarin	0.100	0.157	0.154	0.240
Czech	0.100	0.150	0.143	0.230
Dutch	0.120	0.155	0.147	0.230
Finnish	0.130	0.180	0.169	0.230
French	0.100	0.130	0.131	0.230
German	0.100	0.140	0.133	0.230
Italian	0.100	0.129	0.129	0.230
Japanese	0.100	0.180	0.178	0.250
Korean	0.150	0.180	0.179	0.260
Malaysian	0.130	0.180	0.177	0.260
Polish	0.100	0.150	0.142	0.230
Portuguese	0.100	0.140	0.134	0.230
Punjabi	0.100	0.160	0.157	0.230
Russian	0.100	0.143	0.142	0.230
Spanish	0.100	0.130	0.130	0.230
Swedish	0.100	0.170	0.162	0.230
Turkish	0.100	0.160	0.150	0.230
Urdu	0.100	0.160	0.156	0.230
All languages	0.10	0.159	0.152	0.260

Rates averaged across 30-40 companies depending on language.

### Translation from source into English, £ per word

Source language	Min	Median	Average	Max
Arabic	0.090	0.130	0.127	0.160
Bengali	0.090	0.120	0.125	0.180
Chinese Mandarin	0.090	0.120	0.132	0.250
Czech	0.080	0.120	0.120	0.160
Dutch	0.090	0.125	0.129	0.210
Finnish	0.100	0.150	0.153	0.200
French	0.085	0.118	0.114	0.150
German	0.085	0.115	0.115	0.150
Italian	0.090	0.114	0.113	0.150
Japanese	0.110	0.135	0.149	0.250
Korean	0.120	0.160	0.154	0.250
Malaysian	0.090	0.135	0.134	0.190
Polish	0.090	0.120	0.120	0.150
Portuguese	0.090	0.120	0.120	0.150
Punjabi	0.080	0.127	0.127	0.170
Russian	0.080	0.120	0.120	0.160
Spanish	0.090	0.115	0.114	0.150
Swedish	0.100	0.142	0.146	0.200
Turkish	0.090	0.122	0.124	0.160
Urdu	0.090	0.124	0.126	0.170
Across languages	0.085	0.121	0.128	0.250

### Translation and review from source into English, £ per word

Source language	Min	Median	Average	Max
Arabic	0.120	0.168	0.164	0.240
Bengali	0.120	0.155	0.153	0.220
Chinese Mandarin	0.120	0.160	0.158	0.220
Czech	0.110	0.150	0.143	0.182
Dutch	0.120	0.138	0.139	0.210
Finnish	0.130	0.160	0.166	0.234
French	0.100	0.120	0.122	0.180
German	0.100	0.121	0.123	0.180
Italian	0.100	0.120	0.124	0.180
Japanese	0.130	0.180	0.174	0.235
Korean	0.150	0.180	0.179	0.240
Malaysian	0.130	0.180	0.173	0.230
Polish	0.120	0.145	0.142	0.182
Portuguese	0.120	0.124	0.131	0.200
Punjabi	0.110	0.160	0.158	0.220
Russian	0.110	0.149	0.144	0.210
Spanish	0.110	0.120	0.125	0.180
Swedish	0.130	0.160	0.158	0.234
Turkish	0.120	0.150	0.153	0.208
Urdu	0.120	0.158	0.158	0.220
Across languages	0.100	0.152	0.149	0.240

Rates averaged across 30-40 companies depending on language.

# Costs

The average cost at which UK translation companies buy translation is £0.06-0.07 per word. However, in practice rates vary as they depend on the language and on the type of provider: whether it is a freelancer or a subcontracting agency. Only a few LSPs pay the same rate for all languages as they will forfeit their ability to bargain and optimize costs in this way.

Nordic and Asian (except Chinese) languages are the most expensive with an average cost of £0.075–0.09 per word, while South European, Slavic and African are the least expensive, with an average cost of under 0.065 per word.

UK providers have successfully explored the market for European languages. 80% of providers buy French, German and Italian at more or less the same rates. With Asian languages all LSPs have different costs. There is a huge gap in the sourcing rates: where some companies pay £0.08-0.09 or even £0.11 per word to subcontracting agencies, others **spend only £0.035 per word on handpicked freelancers**.

Established LSPs with £1 million in revenue pay their providers on average 15% less than smaller competitors. They probably have more bargaining power, and are maintaining larger databases of freelancers.

To constantly negotiate better rates and look for more freelancers **27 companies on our list employ vendor managers**. The smallest company with a staff vendor manager had 18 employees in total. Larger providers with £5 million in revenue have up to 3-4 vendor managers on the team.

**Freelancer/subcontractor rates, from English, £ per word**

Target language	Min	Average	Median	Max	# Resp
Arabic	0.030	0.068	0.070	0.120	32
Bengali	0.030	0.065	0.060	0.110	22
Chinese	0.035	0.071	0.068	0.120	32
Czech	0.035	0.064	0.063	0.100	28
Dutch	0.040	0.073	0.075	0.120	35
Finnish	0.050	0.091	0.090	0.160	31
French	0.040	0.065	0.063	0.100	38
German	0.050	0.069	0.070	0.100	38
Italian	0.040	0.062	0.060	0.100	34
Japanese	0.060	0.093	0.090	0.140	32
Korean	0.060	0.094	0.088	0.150	29
Malaysian	0.050	0.080	0.080	0.140	21
Polish	0.040	0.064	0.060	0.090	31
Portuguese	0.040	0.062	0.060	0.100	30
Punjabi	0.030	0.065	0.060	0.120	22
Russian	0.040	0.063	0.060	0.090	31
Spanish	0.040	0.061	0.060	0.100	34
Swedish	0.050	0.085	0.080	0.120	31
Turkish	0.040	0.065	0.070	0.090	29
Urdu	0.040	0.065	0.060	0.120	23
Across languages	0.030	0.071	0.065	0.160	



## Gross margins - translation from English, %

Language	# Resp	Min	Average	Median	Max
Arabic	20	33.3	52.6	50.8	75.0
Bengali	14	31.3	51.7	53.1	75.0
Chinese Mandarin	20	18.5	46.9	48.3	66.7
Czech	17	30.0	44.7	46.2	59.2
Dutch	21	25.0	41.0	40.7	55.6
Finnish	19	20.0	38.5	40.6	50.0
French	24	28.6	42.4	42.2	55.6
German	23	27.8	40.0	40.9	54.5
Italian	20	28.6	44.1	43.8	64.8
Japanese	18	16.7	41.4	46.1	56.3
Korean	18	25.0	43.1	45.0	61.2
Malaysian	13	25.0	46.1	43.8	64.1
Polish	19	20.0	44.7	47.2	59.2
Portuguese	18	27.3	44.7	45.8	60.0
Punjabi	14	25.0	49.9	50.6	75.0
Russian	18	30.0	47.2	47.8	63.6
Spanish	22	28.6	45.8	46.9	58.3
Swedish	19	11.1	38.8	40.0	51.7
Turkish	18	25.0	46.6	44.4	66.0
Urdu	14	25.0	50.0	52.8	64.7
Across languages		16.7	45.0	45.9	75.0

Gross Margin = (Sales Price - Cost) / Sales Price

Before producing average values we individually calculated margins for each company/language.

On average, companies spend 55% of the price they charge the customer on translators and subcontractors, and they **retain 45% as their margin**.

This correlation is a result of cost-driven pricing strategy. When an LSP can outsource to a freelancer at £0.06 per word, they charge the customer £0.12. And if they outsource to a subcontractor at £0.08-0.11, the price rises to £0.16.

Companies with lower costs take advantage of the going market rates, and they can attain **60-75% gross margins**. Others, especially the ones that work with very informed customers, for instance other translation companies, have lower margins, and they rely on translation memory leverage to stay profitable.

Translation memory impacts profit margins in a big way. LSPs can easily double profits for a customer if they keep the savings from repetitions and matches. Even if the buyer demands discounts for repetitions, some LSPs play on differences in net rate schemes for the buyer and the translators to increase profits.

# Top business challenges

## Competition, price pressure and recruiting the right people

1: Price pressure	113	Score
Pressure from customers		
Low or falling prices		
Maintaining margins		
Pressure from freelancers		
Quality vs selling price		
Incosts increasing but prices aren't		

3: Competition	79	Score
Increased competition driving down prices		
Global competition		
Being undercut by low-cost, low-quality competitors		
Under-cutting by big agencies		
Push towards lower rates due to mass deployment of MT		
Competition from freelancers		

5: Communicating value	43	Score
Lack of understanding of the industry on the client's side		
Differentiation in a commodity marketplace		
Persuading clients to pay for quality		
Educating clients		

2: Recruiting, training and retaining the right people	87	Score
Translators		
Project managers		
Interpreters		
Sales personnel		
Low-cost suppliers		
Account managers		

4: Technology	57	Score
Fast rate of change		
Lack of IT skills or of technology		
Developing bespoke software and integrating with off-the-shelf software		
Complexity of TMS systems		
Lack of differentiation in the tool market		
Introduction of new technology/teaching of skills		
Selling technology		
CAT tools - cost, inflexibility		

6: Acquiring new clients	39	Score
Sales function		
Marketing function		

7: Market dynamics	32	Score
Weakness of the euro against the pound		
Government cuts on public sector		
Reduced product content		
Economic slump		
Public sector procurement policies hindering or handicapping service provision by smaller companies		

8: Managing growth	26	Score
Maintaining competitive advantage		
Maintaining service levels while scaling		
Managing growth with staffing levels		
Coping with the demand		
Obtaining finance for expansion		

9: Turnaround times	18	Score
Big projects, unrealistic deadlines		
Deadlines more valued than quality by clients		

10: Linguistic	18	Score
The stress between translator and proof-reader in agreeing what constitutes the best rendering of a translation		
Accuracy of translation to the high standard		
Clients' internal multi lingual staff giving unfairly negative criticism		
Quality control		
Ensuring quality of translators		
Increased marketing and media content		

\* We asked respondents: «What are the three biggest challenges you face as a translation company?»

Then we assigned a score based on the number of responses, the respondents' company sizes and the priority (1, 2 or 3) in which the challenge has been named in the response.

Response examples were slightly edited to fit the format. Similar responses were grouped together.

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