UK Language Services Market 2017

Research by the Association of Translation Companies

ASSOCIATION OF TRANSLATION COMPANIES
LANGUAGE SERVICE PROVIDERS

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Introduction

As a trade body with 40 years' experience, the Association of Translation Companies (ATC) is committed to keeping its members up to date on trends and important events in the industry.

As part of this commitment, and for the third year running, the ATC has commissioned independent researcher Konstantin Dranch to conduct a survey of UK Language Service Providers (LSPs) and summarise the findings in the present report. Thanks to the continuity of the surveys and data provided by participants, we are able to improve the analyses year on year and build upon more than 20,000 collected data points.

The reports serve to assist with benchmarking business efficiency for business owners and to motivate decisions by using current market data. Additionally it serves as a useful tool for industry advocacy and an introduction to the UK language services market for stakeholders: investors, government officials, analysts and academia.

What's new? This year's report covers growth points, salary dynamics, key performance indicators used for production roles, recent business acquisition deals in the UK, differences between general and specialist pricing and marketing tactics. We have taken special care this year to explore company annual reports to enable a greater understanding of the dynamics driving leading businesses.

Konstantin Dranch
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Sources

The present report relies on three principal information sources:

A survey of translation companies in the UK. This year we have collected responses from more than 80 companies, 30% of which would be classified as medium-large. The participation request is sent to all ATC members as well as a select number of non-member translation vendors in the region. Participation is optional.

Financial data from Companieshouse.gov.uk, including full accounts for larger translation companies and annual reports. We also track some translation companies through the Merlin Scott Associates report, which allows export of all legal entities recorded with the business code 74300 (translations) from the Business Register. This data allows us to track other language providers who do not participate in the ATC survey.

In-depth interviews with company CEOs to help understand the data and events leading to it. Ten interviews have been conducted in preparation of this report.

This report is based on 2016 revenues due to the necessary time lapse for data from the major players to become publicly available. For example, SDL's accounts are available at the end of June, VSI accounts in October, and Alpha CRC and Hogarth Worldwide accounts not before November of the following year.

Market overview

UK market transparency

The market in the UK occupies the middle rung on the financial transparency ladder. Large firms with revenues in excess of £6.5m are fully transparent. They are obliged to publish full accounts with revenue and profits. Group Company accounts are consolidated, meaning every legal entity in the group is included in the figures, including overseas branches. Furthermore, public companies supplement their financials with strategic information in their annual reports. This makes it easier to follow large players. Small companies do not have a similar obligation and crucial financials are only available if they agree to provide them, presenting difficulties gathering insight into the many long-tail* companies in this marketplace.

By comparison, every company in France and the Baltic states must disclose their revenue, and these figures can be obtained from the Business Register. Measuring these markets is more straightforward. The main challenge for these markets is identifying all elements in Group Companies because accounts are not consolidated.

In Russia and Ukraine, disclosure is sporadic and every organisation consists of multiple legal entities, typically including self-employed people and limited enterprises and using different accountancy schemes to mitigate tax and reduce legal risks. Unlike the UK, it is extremely difficult to obtain solid information on these markets.

*long-tail company: smaller company with no legal obligation to disclose information, and not appearing in the survey. So-called because of their number when plotted on an industry revenue graph.

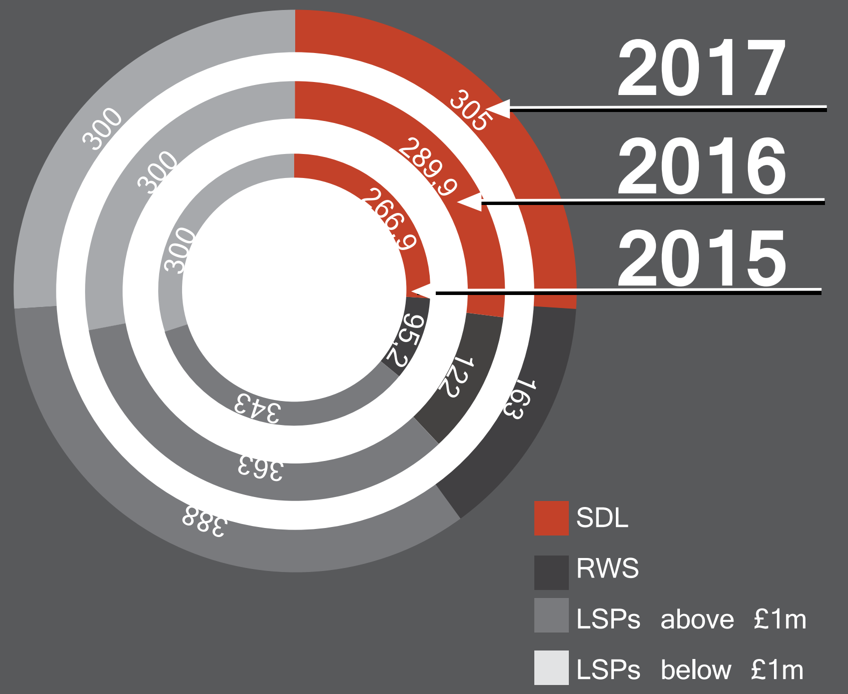
Top 20% of players generate 80% of revenue

There are over 1200 translation companies registered in the United Kingdom and collectively they sell services and technology grossing over £1bn per annum. 2017 revenues combined are expected to surpass £1.15bn. They employ over 12,000 staff, not only in the UK but also in the United States, Western and Eastern Europe and Asia.

The three largest providers, SDL, Hogarth and RWS, are responsible for more than 50% of this revenue generation. The Top60 firms constitute 25%, with each of them attaining revenues in excess of £1m. The rest of the players are smaller companies with in-house employees ranging from one to five people. From the data gathered for this report, the collective volume of business generated by smaller providers is estimated to be in the region of £300m. This figure is achieved by multiplying the average revenue per employee by the number of companies with an assumed average staff of three.

The UK market meets the Pareto principle: 20% of the largest companies are responsible for around 80% of the revenue. In many other countries, the language services business is less concentrated and large providers typically generate 30% or less of total revenue. This means that consolidation in the UK has reached a more advanced stage than other countries surveyed such as Russia, the Baltic states or France.

Figure 1: UK LSPs projected to sell services worth £1.15 billion in 2017



Source: ATC survey, Companies House, Annual reports.
NB: Revenue from Moravia (RWS) and extra revenue from Hogarth Worldwide are not included into the 2017 calculation.

The bulk of revenues come from overseas

Less than a half of the £1.15bn of the UK translation industry revenue is from clients with UK headquarters. Many translation companies derive the majority of their revenue elsewhere, typically the United States, Germany and the rest of Europe and China. Entrepreneurs typically start in the fertile UK market and progress to overseas sales, attaining significant international revenue. In short, compared with other countries, the UK market provides a great launchpad for global translation businesses.

thebigword Group and Capita TI, the two largest companies focusing on domestic UK clients, have large public sector portfolios. Both hold large-scale interpreting contracts for the National Health Service, and thebigword now serves police and courts under the Ministry of Justice contract. The public sector is not an easy market to enter because it presents complex and large-scale tasks for providers and offers lower profitability than private sector.

Figure 2: Export-oriented LSPs receive £80m out of £490m from UK clients

Company	Revenue 2016	Overseas revenue
SDL	£289.9m	86%
RWS	£122m	85%
VSI	£30.35m	60%
Alpha CRC	£17.3m	86%
translate plus	£8.5m	72%
Lingo24	£8.5m	70%
STP	£7.34m	86%
Global Voices	£6.4m	50%
Total	**£490.29m**	**£407.7m**

Source: annual reports, survey

Figure 3: Large companies with domestic revenue exceeding 50%

Company	Revenue 2016	Overseas revenue %
thebigword Group	£60m	less than 30%*
Capita TI	£32m	20%
TranslateMedia	£7.49m	30%
Language Connect	£7m	30%

*Estimate. Hard data will be available February 2018

Source: Companies House, ATC survey

Source: Companies House, survey

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Company news

There are more than 60 translation companies in the UK that have a revenue over £1m. In the table below we list those that have agreed to disclose their financials in our report or whose data is publicly available.

Figure 4: Top 10 UK LSPs

	Company		Revenue 2016	Growth	Source
1	SDL		£289.9m	8.6%	Annual report
2	Hogarth Worldwide, Ltd		£200m/102m*	N/A	CSA/Annual report
3	RWS		£122m	28.1%	Annual report
4	thebigword Group		£60m	42.8%	Website
5	Capita TI		£32m	-6.0%	ATC
6	Voice & Script International	↑	£30.4m	88.8%	Annual report
7	Alpha CRC		£23.5m	21.9%	Interview
8	Lingo24	↑	£8.6m	7.3%	Annual report
9	translate plus		£8.5m	26.0%	ATC
10	TranslateMedia		£7.5m	8.85%	Annual report

*The first figure for Hogarth is reported revenue in the CSA report, the second figure is turnover registered at Companies House for the legal entity Hogarth World-wide Limited

Figure 5: Top 11 to 20 UK LSPs

	Company		Revenue 2016	Growth	Source
11	Sandberg Translation Partners	↑	£7.34m	15.8%	ATC
12	Language Connect	↑	£7.0m	20.6%	ATC
13	Global Voices	↑	£6.4m	55.0%	ATC
14	Television Versioning and Translation Ltd		£6.0m	-24.5%	Annual report
15	Cintra Language Services	↑	£4.6m	-	Interview
16	The Translation People	↑	£4.5m	15.3%	ATC
17	Wordbank		£4.4m	-15.6%	CSA
18	Mother Tongue Ltd		£4.1m	-44.0%	Annual report
19	Wolfestone	↑	£3.4m	14.6%	ATC
20	K International	↑	£3.2m	0%	Interview

Figure 6: Top 21 to 30 UK LSPs

	Company	Revenue 2016	Growth	Source
21	Global Lingo	£3.0m	24%	ATC
22	Codex Global	£2.9m	24%	ATC
23	Wessex Translations	£2.4m	4%	ATC
24	ALM Translations	£2.0m	8%	ATC
25	Intonation & City Legal Translations*	£2.0m	9%	ATC
26	The Language Factory	£1.4m	6%	ATC
27	RP Translate	£1.2m	30%	ATC
28	Talking Heads	£1.1m	46%	ATC
29	Cymen	£1.1m	5%	ATC
30	Latin Link	£0.9m	20%	ATC

*Intonation is a part of the Ridgmont Holdings Group with £9.3m total revenue

Other significant companies that preferred to not disclose revenue: Global Language Services, Asian Absolute, Prestige Network, Language Insight, Kwintessential, Purefluent, Planet Languages.

Figure 7: Revenue for UK legal entities of large global LSPs

	Revenue 2016	Revenue 2015
Transperfect UK	Accounts overdue	£18.5m
Lionbridge UK	Accounts overdue	£11.7m
Language Line UK	£18.0m	£17.3m
SDI Media UK (3 entities)	£9.7m	£9.7m
Ubiqus UK Ltd	£6.5m	£6.0m
Welocalize UK	£6.2m	£4.4m

Source: Companies House

Figure 8: Expectations for 2017 performance

	Forecast	Change	Comment
SDL	£305.0m	5.5%	Our projection based on SDL 1H2017 interim results:
Moravia + RWS	£290.0m+	237%	Our estimate based on RWS 2017 FY and Moravia's FY 2016: £163m+ £121m+
thebigword	£80.0m +	20%	Our projection based on MoJ contact figures and pub-lished deal wins
Capita TI	£20.0m	-36.7%	Company's own projection, due to MoJ contract expiry
translate plus	£10.0m	18%	Company's own projection
Lingo24	£10.0m	18%	Company's own projection
Language Connect	£8.3m	20%	Company's own projection
Global Voices	£8.0m	25%	Company's own projection
Sandberg Translation Partners	£7.15m	-2.5%	Company's own projection
The Translation People	£5.25m	17%	Company's own projection
Global Lingo	£3.75m	23%	Company's own projection

*We expect VSI to show excellent results, fuelled by the continued increase in demand for TV series localisation

**Wolfestone should see an outstanding year as well, pending acquisition of another translation company

SDL finds pockets of growth in the US, Asia, and Medical and Marketing translations

Adolfo Hernandez
CEO
SDL

photo credit: sdl.com

The UK's largest translation company SDL finished 2016 with 9% growth in total revenue and an after-tax loss of £18m. Their interim results for the first half of 2017 send a mixed message. Total growth was down to 5.5%, in line with the global market, and EBIT at 3.5%. However, inside these modest figures SDL achieved pockets of great success.

SDL achieved 19.3% growth in language services and 72% growth in machine translation. The regions that drive SDL's growth are the US (up 28% to £113.9m), Asia-Pacific (up 40% to £13.1m), and Germany to a smaller extent. Account management helped: there was 64% growth in top-10 accounts. Life sciences and marketing translations at premium rates were up 46%.

SDL sold two of its non-core businesses: Campaigns at £2.4m and Fredhopper at £25m, both of which improved profitability. Currently SDL is streamlining its technology offering, and launched a new flagship product called Enterprise Translation Server.

Finally, SDL moved into a new head office in Maidenhead.

Profitability and maintaining growth remain significant challenges for CEO Adolfo Hernandez, who was hired to lead the company after founder Mark Lancaster stepped down in 2016.

RWS

Following an acquisition spree, RWS emerges as a top-5 global leader in language services

Andrew Brode
Chairman
RWS

photo credit: kes.org.uk

Patent translation company RWS went on a huge acquisition spree, buying four companies and increasing combined revenue from under £100m to almost £300m in 2 years. Everything RWS chairman Andrew Brode touches seems to turn to gold.

RWS acquired two US medical translation companies:- Corporate Translations, Inc. and LUZ. Both deals astonished industry pundits because RWS paid around 10 times the annual profits, while deals with less sought-after providers often happen at 3 times the profit. In October 2017, CTi and LUZ were consolidated in an RWS Life Sciences business unit, one of four divisions of the new RWS.
With a world-leading patent business unit and a newly-formed life sciences business unit, RWS went on to acquire IT translation leader Moravia from the private equity fund Clarion. RWS leveraged its high market capitalisation on the London Stock Exchange and placed new shares, worth £185m to buy Moravia for $320m. RWS topped up with a further bank loan for an additional $160m.

In 2018, RWS will emerge with a somewhat higher debt load than usual, but it will be a top-5 world player revenue-wise and potentially number one in profits. It has the highest market capitalisation of publicly-traded LSPs. Lionbridge, the largest firm in the industry, has recently been acquired by a fund for only $360m, whilst at the same time RWS is now worth more than £1bn according to its stock value.

The RWS portfolio is now diversified, with a presence in patents, life sciences, commerce and IT. Industry pundits speculate that the next step for the company might be to acquire a profitable specialist in game localisation or voice.

Figure 9: Recent acquisitions by RWS

Date	Company	Revenue, $ m	EBIT, $ m	Deal value, $ m
Nov 2015	CTi	33.0	7.0	70.0
Feb 2017	LUZ	29.2	7.7	82.5
Oct 2017	Article One Partners	3.7	Unavailable	8.0
Oct 2017	Moravia	159.2	27.1	320.0

Source: RWS website

CAPITA Translation and interpreting

Capita TI / thebigword: transfer of Ministry of Justice contract

Capita TI's public sector portfolio has shrunk after the company opted out of a challenging Ministry of Justice (MOJ) interpreting contact. They did not bid on the MoJ's lot in the 2016 tender process, and terminated the services provision for the MoJ in October 2016.

Following this move, Capita's management estimated the turnover would drop to £8m, a quarter of previous years. In turn, Capita quickly acquired UK translation companies ITR (technical specialist) and Amity Communications (financial and legal). Commercial portfolios from these two, together with organic sales, helped Capita TI maintain volumes and even boosted profits by 10%. The forecast for the company's 2017 turnover is now £20m, much higher than the £8m that was anticipated. Furthermore, Capita TI now derives 60% of its revenue from private sector clients which is in stark contrast to 2015 when the the bulk of revenue was from the public sector.

Meanwhile, thebigword Group picked up the Ministry of Justice's contract, with a promise of up to £120m revenue over 4 years. To operate the contract, thebigword bought a building in Leeds, launched an interpreting management platform, hired 300 project managers and tested thousands of interpreters. Following the contract's launch in November 2016, and ending the financial year in May 2017, turnover has increased from £42m to £60m.

Speaking at thebigwords' annual conference at its Leeds headquarters, CEO Larry Gould outlined a strategy to reach £120m turnover by the end of 2018. The strategy involves geographical expansion for defence and public sector translations, offering translations to smaller clients via phone app Wordsync, and acquiring other LSPs.

thebigword has already secured some defence contacts outside the UK in 2017, winning contracts for the US Naval Facilities Engineering Command in Italy (estimated volume $5m), and the Canadian Armed Forces in Ukraine.

Antonio Tejada
General Manager
Capita TI

photo credit: capitatranslation-interpreting.com

VSI’s business explodes by 88%, possibly due to Netflix

Full accounts for Voice & Script International show an enormous revenue leap over 2016. The company went from £16.1m to £30.4m on its title legal entity, bringing VSI one step higher in the UK ranking. Operating profits more than doubled from £1.35m to £3.54m.

Owned and run by Norman Dawood and family, VSI did not take part in the surveys or interviews for this research. We can only speculate the reasons for this remarkable surge in business.

It is most likely that streaming service Netflix is responsible for the majority of new revenue. In 2016 Netflix launched an ambitious globalisation program and expanded into 130 countries. According to some estimates, the volume of translations exploded 300%. Since 2014, VSI has been one of 19 preferred vendors Netflix uses for text localisation, and one of four for Netflix Originals localisation. In 2016 VSI was named European Vendor of the Year for Timed Text localisation and shortly after, it was accepted into a new Preferred Vendor Category for Netflix Originals localisation. These awards indicate a high level of engagement with Netflix. As the demand for TV series localisation grows, VSI’s volumes should increase proportionately.

Geographical distribution of VSI’s turnover indicates that highest growth has been achieved in Europe. This may infer that Netflix is buying via its European entity.

Figure 10: VSI’s turnover by geographical distribution

	2016, £ m	2015, £ m	Increase
UK	12	9.5	26%
Europe	11	2.4	358%
Rest of the world	7.3	4.2	73%

Source: Companies House

ALPHA

Alpha CRC pivots towards digital storytelling

Alpha CRC's accounts for 2016 came in on 2nd November 2017 and show a fall in business for the main legal entity from £19m to £17.3m and a loss of £0.64m. Losses have been offset by other businesses related to Alpha. Software development and testing companies in Estonia and the Language Technology Centre (LTC) in the UK brought total revenue to £23.5m and, according to CEO Paul Mangell, ended the year with a profit.

Alpha has endured losses over the past two years, caused by a downturn in major client business, costs of re-organisation following acquisitions in Estonia and a significant reduction in their Functional Quality Assurance (FQA) business. The number of employees with the Estonian company for Development and Software Testing and the Global DTP team shrank from 179 to 97, which now comprises FQA/PMs/DTP and Development. In-house staff in the flagship Alpha has been retained.

LTC has accomplished its first enterprise sale of its flagship product LTC Worx to a company that will use it for global asset management. The deal was worth an astonishing £0.5m. It instantly rendered profitable the acquisition of LTC 2 years previously. LTC is now projected to move on to develop a collaborative content creation suite that will track contribution by each participant and allow payment respective to collaboration effort.

Alpha CRC's core business switched strategic focus towards content development, transcreation and digital storytelling. According to Paul Mangell, the company acquired several fashion and luxury apparel clients in Europe, including two of the world's best-known fashion brands, as well as luxury car customers. Alpha is currently in the market for a digital advertising agency.

"Advertising agencies have huge margins, and often do not offer respective value," explains Mr. Mangell. "It's time for linguists to disrupt advertising."

Paul Mangell
Director
Alpha CRC

photo credit: LinkedIn

translate plus acquisition by Publicis: marrying localisation with advertising

Robert Timms
Managing Director
translate plus

photo credit: translateplus.com

The fusion of localisation and advertising is the idea behind the acquisition of the UK's ninth largest translation company translate plus by Prodigious, a content company inside the Publicis Group, the world's third largest advertising conglomerate.

The acquisition price has not been disclosed, but according to our estimates, it could be in the range of £5m-10m. Next ahead: a colossal integration challenge. According to Managing Director Robert Timms, translate plus will need to scale geographically in the US and Asia alongside Prodigious offices, connect software and upsell to the advertising agency's clients.

For others in the industry, this deal is a stimulus to consider adding global marketing services. In the UK, there are great examples of synergetic marketing and localisation businesses: Mother Tongue Writers is part of the American advertiser group Omnicom, and Hogarth Worldwide is part of the WPP advertising conglomerate. Among smaller players, Webcertain was born from a merger between an SEO company and a localisation team. In a similar model that includes localisation and source content creation, 3Di is a technical writing/translations company. Over the past two years 3Di has increased its content creation portfolio, which offers better margins, and even acquired a technical writing company doc-department.

Alpha CRC and translate plus/Publicis are optimistic about the fusion of content creation and localisation. However, some other businesses focused on transcreation have experienced a downturn. SDL entered the digital advertising space some years ago and developed a software suite for it but reverted to translation, selling off its advertising assets. Wordbank, an agency in London focused on marketing and localisation, has seen a decline in business for the last 2 years. And Mother Tongue Writers, the most profitable UK LSP in our previous study, has dropped in revenue in 2016, according to regulatory filings. The next few years will show whether language specialists can consistently turn to advertising to make money or not.

Lingo24 switches to corporate sales from servicing many small customers online

This year, Lingo24 CEO Christian Arno announced a shift in business strategy, transitioning from serving many smaller clients via an online interface to a more traditional LSP business model serving enterprises.

Lingo24 is a technologically-advanced LSP: they developed their own translation management system (Flow), their own computer-assisted tool (Coach), and their own client portal (Ease). Their own neural MT is under development. About £4m of investment went into software, and Lingo24 has reported losses in the past two years (£1.88m in 2016 and £1.27m in 2015, according to Companies House).

The shift towards enterprise sales sends a signal: in translation, ecommerce and transactional models are not as effective as the enterprise focus. Just like Lingo24, other online translation companies are struggling to scale into global leaders despite a clear technological advantage. Examples include Gengo (Japan/US), Textmaster (France), Travod (Romania/UK) and others. In translation, big buyers individually control more volume of business than thousands of smaller clients.

Perhaps with a new enterprise focus and a clear technological edge, Lingo24 can show faster growth and better profitability.

Christian Arno
CEO
Lingo24

photo credit: twitter profile

Bankruptcy of Pearl Linguistics: a sign of decimated public sector interpreting rates

In 2016, the UK's public sector organisations awarded contracts with volumes exceeding £400m for interpreting and other language services. They rolled up a number of smaller contracts into huge framework agreements, one of the biggest being the Crown Commercial Services Framework Agreement worth £140m. Increased contract size and centralisation gave more bargaining power to the buyers and they were able to squeeze suppliers and reduce budget spend.

As a result of competitive RFPs, rates quickly fell. Interviews with companies specialised in interpreting show that actual rates for public sector suppliers plunged to about £30 an hour. Two years ago the rates had been more than double. In 2015 the median rate on our survey was £250 for four hours for most languages, and around £300 for less common languages such as Japanese and Finnish.

The public sector has always offered great volume but somewhat lower profitability. For example, in 2016 thebigword achieved an operating profit of only £1.2m on £47m turnover, while Capita TI had £2m operating profit on a £34m portfolio. Others made similar profits with revenue several times lower. When framework agreements came into being, profitability became a more acute issue.

Pearl Linguistics, the 14th largest UK LSP, and in business for 13 years, went bankrupt in 2017. It left more than 2,000 suppliers without payment for services rendered. The report by appointed liquidators PwC stated that Pearl had, quote: "cash flow issues due to decreasing rates NHS and local authority customers paid," a problem which, according to PwC, had been exacerbated by miscommunication inside Pearl.

Other public sector providers responded by launching interpreting booking management systems (IMS). Essentially, the providers replaced human booking procedures with portals and do-it-yourself interfaces, reducing service internal cost. Recent IMS launches include thebigword, Cintra, and Prestige Network. In addition, Prestige Network and thebigword also shored up their running costs by buying offices, thus reducing propery rents.

The current public procurement situation is not unique to the UK. In other countries surveyed we found that competition around public sector tenders led to award rates dropping to a level where new entrants to this marketplace are unable to make a profit.

Global Voices enters the Top 20 following two acquisitions

Scottish company Global Voices, owned and run by Luigi and Jurgita Koechlin, made it to number 13 among the top UK LSPs after a very successful year.

The company grew 55% to £6.4m. According to Dr. Keochlin, this growth was fuelled by two acquisitions and new contracts in the automotive and public sectors.

In 2016 Global Voices acquired London Translations, a multidisciplinary translation and interpretation business. In 2017, the company followed up with the acquisition of Bristol-based Gemini Translation Services, a small firm with fewer than 10 employees.

Global Voices offers a traditional mix of translation and interpreting services, plus video interpreting, transcription and intellectual property services. The company has a balanced portfolio with legal, life sciences, IT and technical clients.

Luigi Koechlin
Managing Director
Global Voices

photo credit:
globalvoices.co.uk

Acquisitions involving UK translation companies

Based on our interviews, the UK remains one of the top markets where investors remain interested in acquiring profitable language services companies. It is considered to be a mature market with excellent rates and one of the best volumes in the world. Staff are English speakers and transport accessibility is excellent.

Strategic investors are after portfolios and synergies and local players sometimes buy for better presence around London. Medium-sized LSPs look to acquire profitable businesses from £1m in turnover and with at least 15% EBIT. Valuations for companies start at 3 times EBIT but can go higher with larger size and premium portfolios in, for example, life sciences and legal, as these types of customers are less price-sensitive. RWS buying up US-based pharma translation companies at 10x EBIT is an example of premium valuation.

The ATC has acted as matchmaker for a number of member acquisitions.

We found in our survey that one in seven business owners are interested in being approached by potential buyers.

Figure 11: Acquisitions roundup

2017

Buyer	Seller
Prodigious (advertising)	translate plus
RWS Holdings	LUZ, Moravia, Article One Partners
Global Voices	Gemini Translations
3Di	doc-department (technical writing)
SDI Media	PPC Creative Ltd (film marketing agency)

2016

Buyer	Seller
Hogarth Worldwide	Prodigi (India, 80 FTE-strong advertising agency)
Global Voices (Scotland)	London Translations (London and South of England presence)
TTC wetranslate	Bedford Translations (revenues estimated at £0.2m)
Capita TI	International Translation Resources (revenue est. £1.66m) Amity Communications (revenue est. £1.5m)
Cintra	First Edition Translations (Cambridge)

2015

Buyer	Seller
Welocalize	Adapt Worldwide (London SEO company with 60 employees)
Pole to Win (Japan)	Side UK (voice and motion capture for games)
RWS	CTi (life sciences, $70m deal)
Alpha CRC	LTC (tech + services), Microcom (devs), Ringtail Studios (image development) and Star Products (developers)

Source: ATC research, Slator

Benchmarks

Growth

The UK market grew 7% in 2016 which surpassed expectations (4.2%). This surge has been fuelled by acquisitions and favourable exchange rates. The top 20 largest companies combined increased turnover by 10% (around £70m).

Growth rates were varied for medium-sized companies because the translation market is not unified and consists of many small niches moving at different speeds. 50% of the companies surveyed increased their volume of business in 2016, 11% decreased, and the rest did not change or did not provide consistent data for comparison.

Leaders in growth, VSI, RWS and Global Voices, broke records. Many smaller providers achieved remarkable results as well: Talking Heads, Star UK, One Global, RP Translate, Codex Global and others. A special mention goes to The Translation People and Language Connect, companies that have maintained double-digit growth and healthy EBIT over every year of our survey.

Figure 12: Fastest growing LSPs 2015 to 2016

Company	Growth rate
VSI	88%
Global Voices	55%
Talking Heads	46%
Star UK	45%
thebigword	43%
One Global	37%
RP Translate	33%
Translate Plus	28%
RWS	28%
Global Lingo	24%
Codex Global	24%
Language Connect	22%
Sandberg Translation Partners	16%
The Translation People	15%
Asian Absolute	14%
Comms Multilingual	10%
Translate Media	10%

Source: survey, annual reports

Profitability: exporting LSPs beat records with post-Brexit exchange rates

The impact of Brexit is still to be determined but one major outcome that has impacted the translation industry is the weakening of the pound. It fell by 20%, from 0.65 to 0.78 against USD and from 0.72 to 0.87 against the Euro*.

A shift in economy helped businesses that predominantly sell overseas. Their domestic expenses reduced in comparison to foreign revenue. For some, this improved leeway has resulted in more sales because their services have become more affordable to European and US customers. Others maintained their rates and enjoyed better margins. However, those that sell to UK customers and source overseas in Euros and USD were hit by the respective shift in exchange rates.

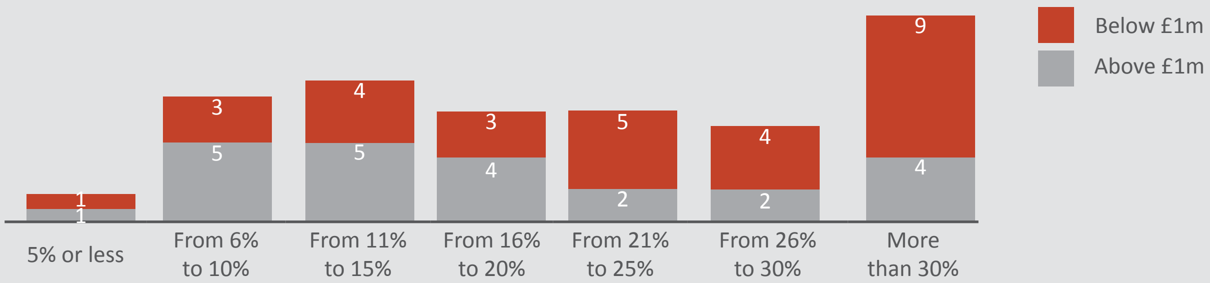
* Average annual exchange rates
Source: oanda.com.

From among the companies that support the ATC research with profitability information every year, most displayed improved profits, including STP, Language Connect, Wessex Translations, Surrey Translations, RP Translate, Comms Multilingual, TTC Wetranslate and Wolfestone. Some of the companies with publicly accessible accounts show improvement as well: RWS, VSI and translate plus had record profits in 2016 and TranslateMedia returned to good profitability after a year of losses.

It's unlikely these benefits will be long-term: overseas clients will eventually adapt to the new economy and push back profits in their language suppliers. At the same time, Brexit is forcing the European Medicines Authority (EMA) and the European Banking Authority (EBA)

Figure 13: Number of companies by profitability category

"What were your company's Earnings before Interest and Tax in 2016?"



Source: ATC survey

This table shows number of respondents in each profitability category. For larger companies with salaried directors, 6%-15% is a good level. Smaller companies can achieve very high profitability because they might consist of just 1-3 people, have no physical office, and might pay their owner dividends only instead of salary.

to migrate from the UK to the European Economic Zone before 2019. The EMA will take a large section of the private sector and move with it to Amsterdam. The authority has already demanded that all UK holders of European marketing authorisation for medical products transfer these permits and batch release operations to Europe.

Figure 14: Large company profitability

Company	Operating profit	Operating profit margin	Revenue 2016
RWS	£30.6m	25%	£122m
SDL	£5.2m	1.8%	£289.9m
Voice & Script International	£3.66m	12%	£30.4m
Capita TI	£2.27m	7.3%	£30.8m
translate plus	£1.26m	14.8%	£8.5m
TranslateMedia	£0.8m	10.6%	£7.5m
Television Versioning and Translation	£0.08m	1.25%	£6.4m
Lingo24	£-2.45m	-28.5%	£8.6m

Source: Companies House. Please note that financial year start months differ from company to company

Revenue per project manager

Revenue per project manager (RpPM) is an efficiency indicator that highlights spectrum in the amount of business a single PM handles within a given organisation. RpPM is highest in companies that handle a few large accounts rather than many small ones, offer language combinations that are costly per word and have a high level of automation, or otherwise offload some of the project management functions onto support staff, such as QA managers.

In our selection of UK companies, the median revenue per project manager was £200,000 in 2016, with one-third of the companies handling up to £300,000 per PM (which represent excellent results). Two companies handle in excess of £600,000 per PM, and in both these cases part of the revenue came from services other than written translations.

Figure 15: Revenue per PM

	PMs	Revenue, £	Revenue per PM, £
Company 1	10	6,400,000	640,000
Company 2	6	1,998,555	333,093
Company 3	5	1,500,000	300,000
Company 4	4	1,200,000	300,000
Company 5	5	1,400,000	280,000
Company 6	4	1,100,000	275,000
Company 7	6	1,550,000	258,333
Company 8	7	1,651,438	235,920
Company 9	34	7,344,404	216,012
Company 10	5	1,053,000	210,600
Company 11	36	7,491,254	208,090
Company 12	4	809,601	202,400
Company 13	3	600,000	200,000
Company 14	2	400,000	200,000
Company 15	2	400,000	200,000
Company 16	5	980,000	196,000
Company 17	40	7,000,000	175,000
Company 18	18	3,046,223	169,235
Company 19	2	320,000	160,000
Company 20	19	2,900,000	152,632
Company 21	5	690,000	138,000
Company 22	65	8,500,000	130,769
Company 23	3	373,000	124,333
Company 24	19	2,245,000	118,158
Company 25	3	350,000	116,667
Company 26	75	8,500,000	113,333
Median			**200,000**
Average			**234,083**

Salaries: manager and sales positions grow 15-25%

Average incomes across the UK have been growing steadily over the last few years, increasing almost 5% from 2014 to 2016 according to World Bank statistics for GNI. Our survey shows that translation company wages have gone up as well, but only by an average of 3.2%.

Our survey data has been divided according to office location: London and non-London, and by company size: above and below £3m in revenue. The results clearly show that sales/management positions in larger companies have experienced the greatest increase in remuneration, growing by up to 25%. Production roles have seen a more modest increase, with the biggest cost pressure on London project manager roles which now receive £26,700 on average (representing a 7.4% increase). Production salaries outside London have barely increased. These figures may be affected by a small sample size and having different samples in 2015 and 2017.

In addition to checking averages, individual company data for respondents who provided data both in 2015 and in 2017 have also been compared. Results vary: some companies have not increased salaries at all, while others have seen wages jump for specific positions, for example, a senior PM salary increasing from £27,000 to £32,000.

London rewards 6.8% better: London-based companies currently must offer above-average remuneration to compensate for higher living costs in the capital. The difference is not very striking: for example, £26,700 per year average for a senior project manager in London compared to £25,000 average in other locations. The disparity is only 6.8%, which is, perhaps, not enough. London company managers we interviewed say that new PM candidates already look for compensation in the £30,000-£35,000 range. At the same time, some regional companies managed to keep their costs down and in the Midlands, for example, still pay their PMs £15,000-£17,000 a year.

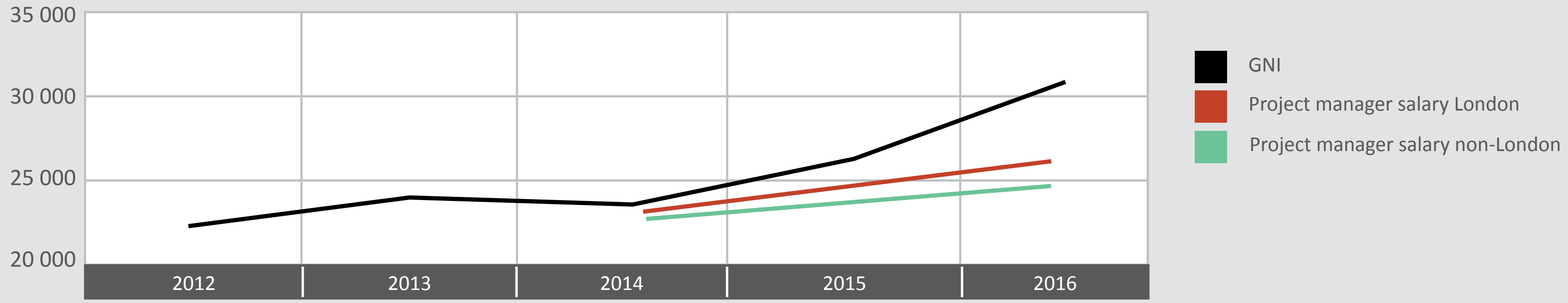
Big companies offer 50% more: As before, medium and large companies offer 15% better average compensation to production employees, 40-50% better to sales and marketing employees and close to 100% better to management employees compared to small competitors.

On par with France: UK salaries are high, but not higher than elsewhere in Western Europe. In France the average salary for a project manager in a non-Paris translation company was about £24,500 including incentives in 2016, according to CNET survey findings. The base cost is similar to UK but may be more expensive overall due to the French tax system.

Offices in low-cost zones save 50% of payroll: UK companies can halve their production costs when they move project management to low-cost countries. For example, in the Baltic countries, a PM gross salary averages £10,000 a year (AETC survey). Salaries are even lower in Eastern European countries such as Bulgaria, Ukraine, Slovakia, and the European part of Russia. To take advantage of this, in the past 3 years, TranslateMedia completely moved their PM activities to Krakow, Poland. 3Di did likewise. Sandberg Translation Partners has established an office in Varna, Bulgaria with 16 PMs, while translate plus launched a support office in Bulgaria's capital, Sofia.

Incentive schemes: Surveyed UK companies typically offer 85-90% in fixed salary, and add up to 15% as incentive. PM roles get up to £4,000 in incentives, sales roles receive up to £8,000 and operation management roles can expect a percentage of company's profits, for

Figure 16: Gross national income per capita, £ a year



Source: World Bank, ATC survey

example, 15%. Smaller companies readily offer percentage-based incentives, while larger businesses opt for a higher fixed rate.

Percentage-based rewards for PMs are based on profit margin. This encourages employees to push both clients and suppliers for better conditions. To illustrate, a company offered 0.75% of monthly profit from the clients serviced by the PM as commission.

In contrast with project managers, sales people benefit from commissions based on revenue, and may get between 3% and 7.5% of the volume for clients they bring in. Their typical incentive salary part does not exceed 20% of base salary.

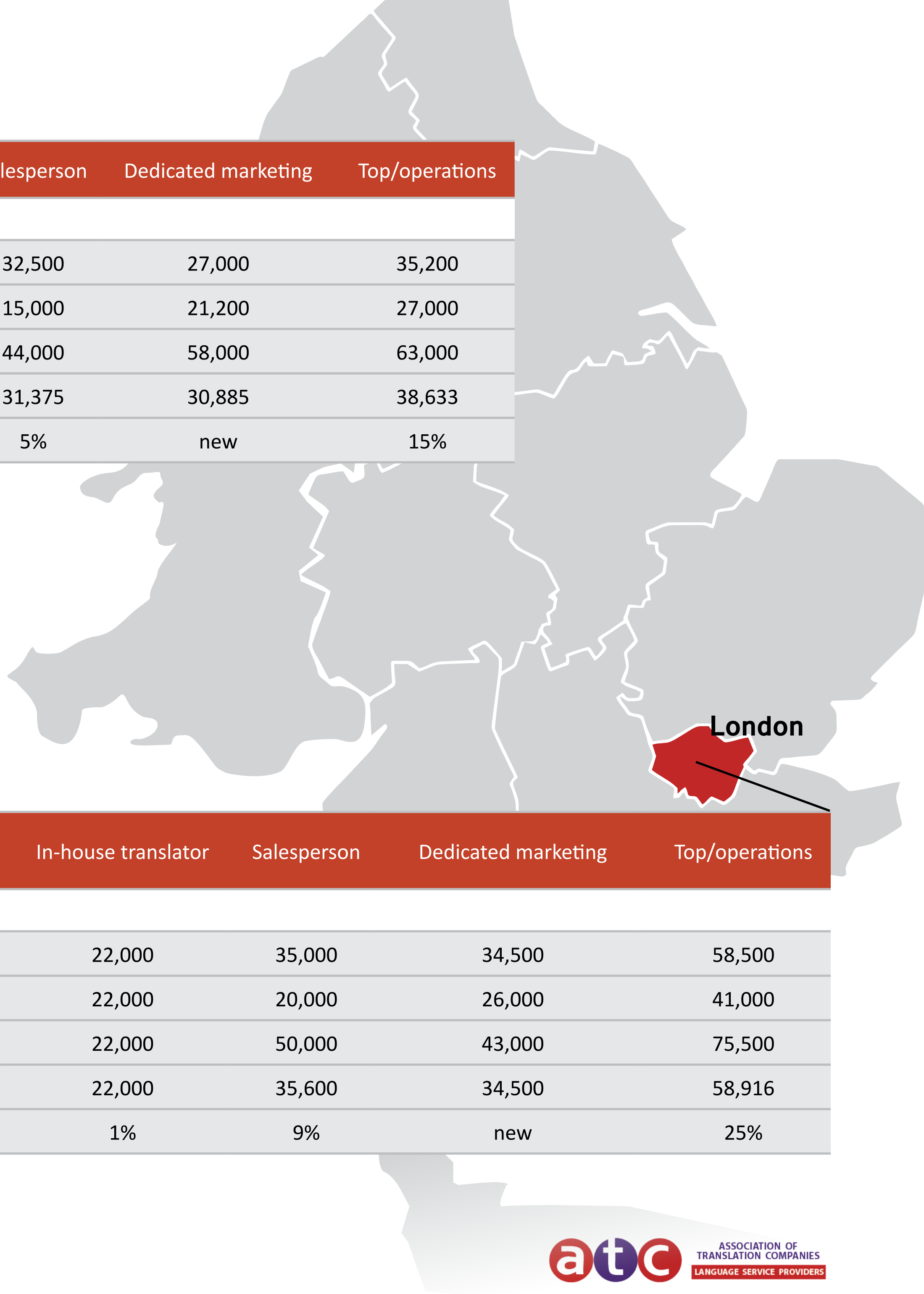
Figure 17: Gross salaries by company size, £ a year

	Junior PM	Senior PM	In-house translator	Salesperson	Dedicated marketing	Top/operations
Companies above £3m in revenue						
MEDIAN	21,500	28,000	22,000	40,000	31,500	64,000
MIN	20,000	26,000	22,000	32,000	26,000	55,000
MAX	24,000	30,000	26,000	50,000	58,000	75,500
AVERAGE	21,800	28,375	24,000	41,000	38,000	66,700
CHANGE, 2 YEARS	4%	6%	2.3%	14%	new	22%
Companies below £3m in revenue						
MEDIAN	19,000	24,200	21,250	26,500	22,000	35,200
MIN	15,000	16,500	20,000	15,000	21,200	27,000
MAX	25,000	32,000	27,000	34,000	27,000	52,000
AVERAGE	19,553	24,735	23,300	26,142	23,800	37,200
CHANGE, 2 YEARS	5%	0%	6%	0%	new	5%

Figure 18: Gross salaries by geography, £ a year

	Junior PM	Senior PM	In-house translator	Salesperson	Dedicated marketing	Top/operations
Non-London HQs						
MEDIAN	19,600	25,000	24,250	32,500	27,000	35,200
MIN	15,000	16,500	20,000	15,000	21,200	27,000
MAX	24,000	32,000	27,000	44,000	58,000	63,000
AVERAGE	19,740	24,984	23,750	31,375	30,885	38,633
CHANGE, 2 YEARS	6%	1%	4%	5%	new	15%

- Response count: 24 companies, values rounded up
- Salaries for employees in head offices



	Junior PM	Senior PM	In-house translator	Salesperson	Dedicated marketing	Top/operations
London						
MEDIAN	21,000	26,000	22,000	35,000	34,500	58,500
MIN	18,000	22,000	22,000	20,000	26,000	41,000
MAX	25,000	30,000	22,000	50,000	43,000	75,500
AVERAGE	21,200	26,700	22,000	35,600	34,500	58,916
CHANGE, 2 YEARS	1%	7%	1%	9%	new	25%

Source: survey

Key Performance Indicators

Key performance indicators are a practice to set targets, monitor performance and encourage staff to achieve more.

KPIs for sales people are easy to set: revenue from new clients and new revenue from old clients. In contrast, KPIs for marketing and production roles are much trickier. We have surveyed the companies regarding KPIs they use for these roles, and aggregated results into a list. Colour selection in the list indicates the most commonly used KPIs.

All indicators in our table come without a numerical value attached. In practice each company would set these values according to their operational need. The data is presented as a building block for managers looking to increase internal efficiency.

Some KPIs in the list are more specific and better designed than others. For example, “99% on time delivery” beats the more general “short turnaround times” and a PM has much more control over time to invoice than gross profit. Likewise, “number of providers removed from the system” shows a much more developed and competitive vendor management function than with “number of providers added”.

Figure 19: KPIs by role

Project manager

/ BUSINESS EFFICIENCY

- Gross profit per PM
- Gross margin %
- Profit per project
- Linguist usage
- Time to invoice
- Conversion of quotes
- Outstanding administrative tasks

/ CUSTOMER SATISFACTION

- Complaints
- Quality score
- Customer service
- Customer feedback score

SPEED

- On time delivery, for example, 99% on time
- Turnaround time

PRODUCTIVITY

- Number of jobs processed
- Turnover
- Words managed

Vendor manager

- Number of linguists added
- Total number of suppliers in the system
- Quality
- Savings
- Rebates
- Average quality scores
- Number of suppliers removed from the system
- Customer feedback
- PM feedback
- Ease of procurement

Quality manager

- None
- Average quality scores
- Client positive feedback
- Complaints
- 99% of jobs returned without fault
- Client retention rate

Marketing

- Value of new business from website enquiries
- Website traffic
- Social media numbers
- ROI on marketing streams

Salespeople remuneration schemes

- % based on gross margin
- % based on revenue if monthly targets are met
- 5% over break even
- Progressive % based on achievement of targets
- One-off incentives for obtaining a new client
- Hourly rate
- Fixed salary

Marketing channel efficiency

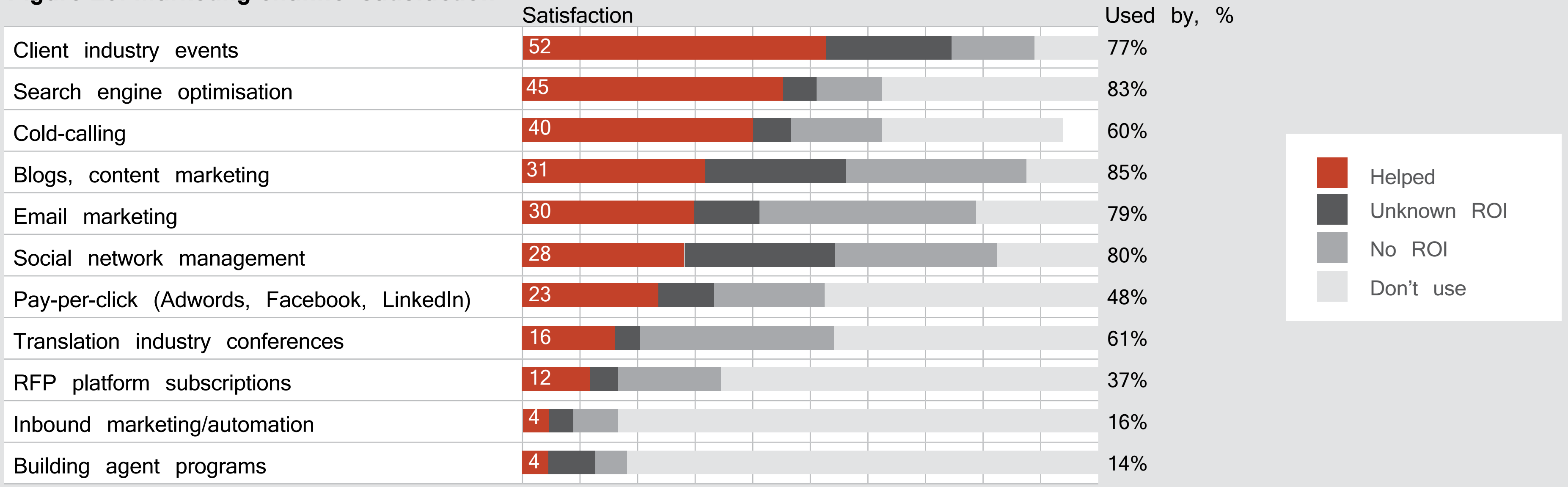
The table below indicates popularity of marketing channels with UK translation companies in percentages on the right, and their satisfaction with each particular channel in red.

Inexpensive and easily accessible web tools such as blogs, search engine optimisation, social networks and email are the most popular instruments and almost every company uses them. However, activities with the highest satisfaction are those that put salespeople into personal contact with customers, which primarily includes attending client industry conferences or trade shows and cold-calling. Search engine optimisation also scored very highly on the satisfaction survey.

Data is more or less consistent with our 2015 survey in which companies primarily attributed new business to cold-calling and search optimisation, followed by client trade shows.

The new channel that we scrutinised this year was marketing automation, also referred to as "inbound marketing". It combines appealing content such as guides and whitepapers with lead capture forms and automated email workflows. While there are examples

Figure 20: Marketing channel satisfaction



Source: ATC survey

of companies actively testing expensive marketing automation platforms in conjunction with content, the channel scored very low both on overall adoption and satisfaction. This is because inbound marketing is new, therefore requiring significant upfront investment in both software and content as well as having a steep learning curve.

While Lionbridge and Moravia have great examples of inbound programs that are flourishing on the global level, few companies have succeeded in the UK. Some of the notable 2017 inbound campaigns include Wolfestone downloadable white paper which helps digital agencies sell white labeled website translation services to their clients, and SDL's research and mood surveys of the translation industry.

Figure 21: Largest business development teams

		Salespeople	Dedicated marketing
1	Lingo24	22	3
2	translate plus	20	3
3	Global Voices	20	3
4	Language Connect	12	2
5	Translate Media	7	3
6	Global Lingo	8	0
7	Asian Absolute	3	4
8	Prestige Network	4	2
9	Sandberg Translation Partners	3	1

Source: ATC survey

Marketing technology stack

Few translation companies have dedicated marketing people to run an extensive technology stack, but that is slowly changing. Companies tend to utilise CRM systems to being in order to record potential client contacts and interaction details. CRM remains at the heart of LSP sales and marketing stack.

As companies begin to invest more in marketing, they add email and email automation applications, Google AdWord campaigns and social network managers. SEO is most often outsourced. Savvy mid-sized companies where owners set up marketing operations themselves often employ a multitude of free or inexpensive tools that work effectively, but often become difficult to manage and delegate. Companies with bigger marketing teams opt for more integrated commercial offerings. At the most advanced levels, tech-savvy firms integrate CRM with their business management systems and align sales with production.

Figure 22: Marketing Trends for 2018

1. Email automation
2. Deeper segmentation & better targeting (email, posts, AdWords)
3. Inbound blog content
4. Higher spend on digital
5. More networking events
6. Refocusing spend on better yield geographies

Source: CEO survey

Figure 23: Five examples of sales & marketing technology stacks in LSPs

	Company 1	Company 2	Company 3	Company 4	Company 5
CRM system	Salesforce	Proprietary	Proprietary	Salesforce	Hubspot
Marketing automation	Dot Mailer	Proprietary	Proprietary	-	Hubspot
Lead capture	WordPress plugin	WordPress plugin	Proprietary	-	Hubspot
Mass Email	Direct Mail	Amazon SES, Constant Contact	MailChimp	Campaign Monitor	Hubspot
Social media marketing	Hootsuite	Hootsuite	LinkedIn/Twitter/Facebook	-	Hubspot
Search engine optimisation (SEO)	-	Serpfox	SEOmoz, SEMrush, etc.	Moz	-
Pay-per-click advertising (PPC)	-	Google AdWords	Google Adwords	-	-
Description	Salesforce as CRM, additional apps are not integrated	Proprietary TMS has built-in strong CRM functionality, integrated with production, marketing uses inexpensive/free apps	Proprietary TMS has both CRM and marketing functionality	Salesforce as central system, company uses mass mail service integrated with SF	Hubspot power user

Figure 24: Most popular marketing tools by category

CRM	Users
Bespoke	6
Salesforce	4
ACT	3
Commence	2
Hubspot	2
Insightly	2
Plunet	2
Others	8
Total resp	29

Email marketing	Users
Outlook	8
Mailchimp	5
Bespoke	3
Campaign Monitor	2
Direct Mail	1
Hubspot	1
Goldmine	1
Total resp	21

Other CRM mentioned: Capsule CM, Goldmine, Pipedrive, Sugar, Workbooks, Zoho CRM and two companies using limited CRM functions inside mainstream TMS.

Lead capture	Users
Bespoke	3
Wordpress CF7	2
Hubspot	1
Leadfeeder	1
Total resp	7

Marketing automation	Users
Bespoke	5
Dot Mailer	2
MailChimp	2
Hubspot	1
Total resp	10

SEO	Users
Bespoke	3
SEO Moz	2
Majestic	1
Serpfox	1
Total resp	7

Social media	Users
Hootsuite	7
Hubspot	1
Total resp	8

Business management systems

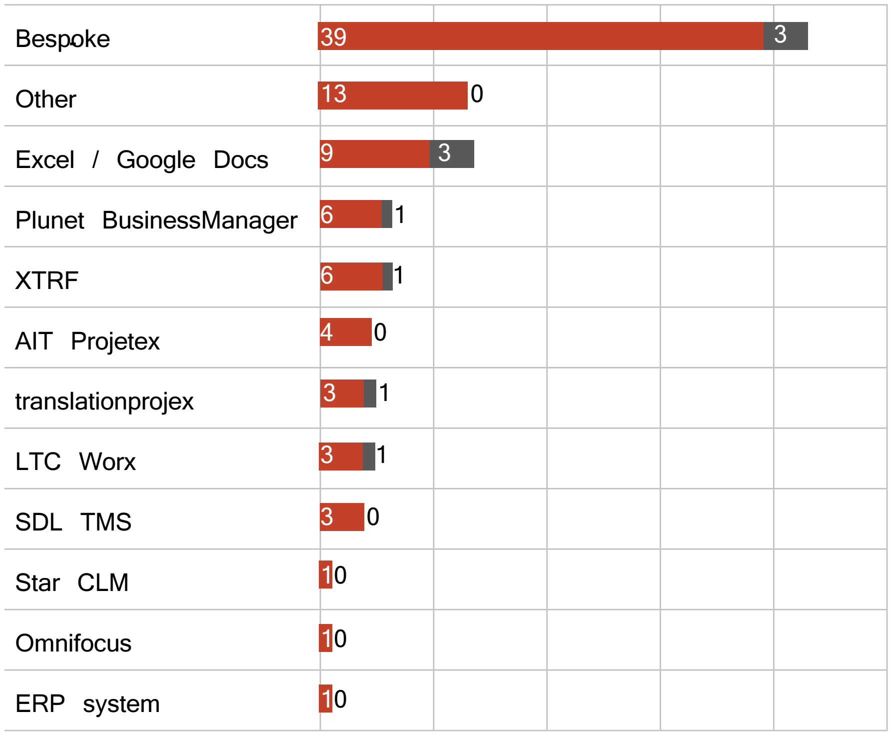
Business management systems help translation companies with invoicing, client relationship management, project management and accounting.

We are building the database of users of each specific system from year to year, which currently numbers 100 companies. Mainstay commercial systems Plunet Business Manager and XTRF continue to compete in popularity, with 7 users each out of the 100 companies. This year two companies switched over to Plunet from Projetex and two switched to XTRF from bespoke systems.

Proprietary (or bespoke) systems continue to be the preferred choice of larger companies. Some mature bespoke systems are ahead of commercially-available solutions in both automation and usability even though commercial systems are supported by larger teams of developers and receive heavy feedback from the industry. Fighting legacy code and conflicting customer requirements slows down large teams of commercial TMS, allowing LSP teams to win key areas. Examples of advanced systems include Stream (TranslateMedia), iPlus (translate plus), Purefluent's customer portal, Comtec Dovetail and others.

The success of such bespoke systems prompts new launches of TMS, and some of these new launches will utilize software grants from the EU and local governments to fund development.

Figure 25: Number of UK users of translation business management software



Source: ATC surveys 2015-2017

CAT tools

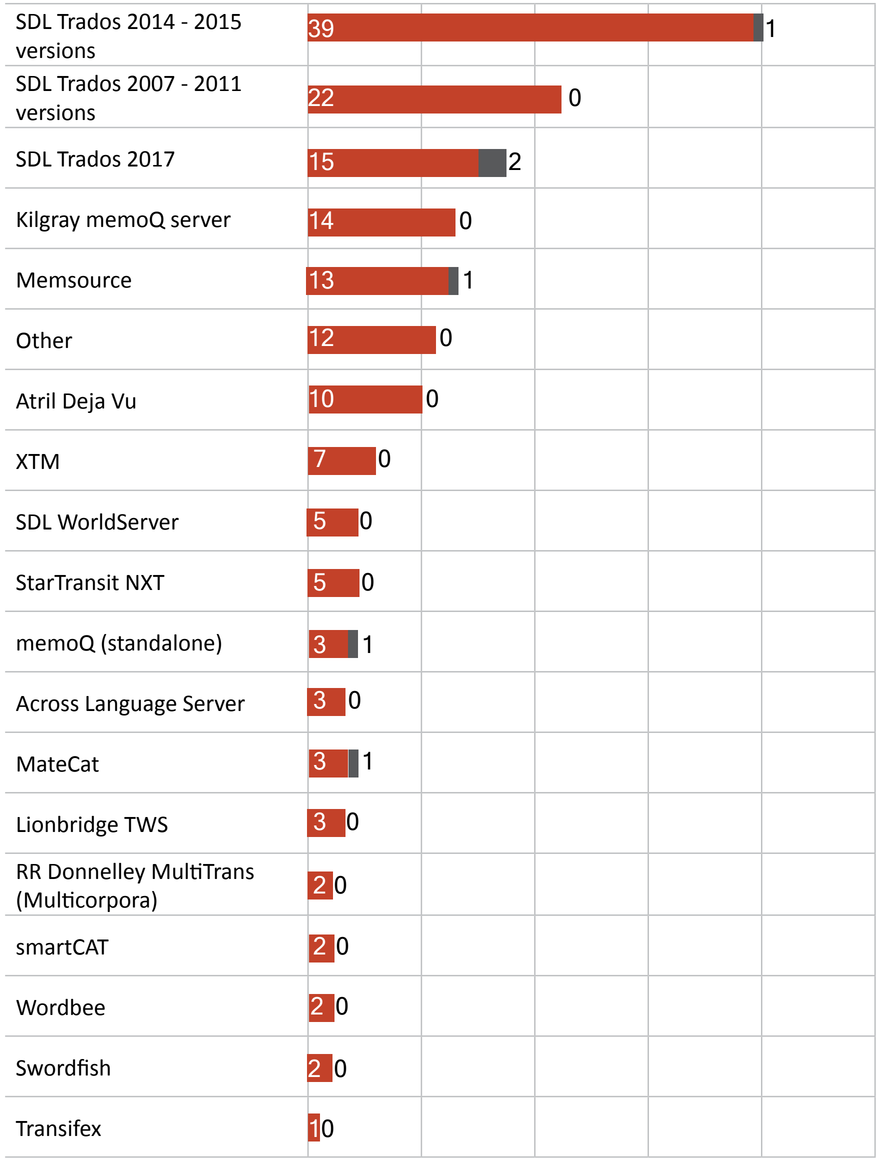
The CAT tool scene is virtually unchanged from the previous year. SDL software continues to lead in the UK LSP market, while later-generation cloud-based tools encroach on its territory.

Kilgray memoQ server and Memsource emerge as the two principal underdogs, with Smartcat and Matecat entering the fray with fewer users. UK-based XTM International has a smaller following but more expensive installations, with French Atril Deja Vu still holding ground despite being smaller than its competitors.

The only big change this year is the introduction of Trados Studio 2017 by SDL, with 17 companies out of 100 adopting it quickly. This is not an easy feat for SDL because its predecessor, Trados 2015, was already a strong product. As with Microsoft Office, old versions continue to linger and it remains a challenge for SDL to encourage all users to pay for the upgrade.

SDL's postion is further compounded with scores of competing legacy products but it continues to hold the lion's share of the market. Once it streamlines its product line and launches new cloud tools currently in preparation, it will attempt to present users with an alternative to SDL's desktop software and capture further market share.

Number of UK users of CAT software



Source: ATC surveys 2015-2017

Integrations

Integrating systems with clients is an important trend in the industry, helping major translation vendors build customer loyalty. A well-integrated vendor is costly and difficult to replace especially when handling frequently updated IT content such as large websites, eshops, knowledge bases, mobile apps and games. Integrations are the only way to handle hundreds of files efficiently on a daily basis.

A typical integration sends content to be translated and automatically receives completed translations. The exchange takes place between two systems, for example a customer's website and the vendor's TMS. Integrations replace the process of sending files via email.

Both mainstay commercial translation management systems such as XTM, Memsource, Smartcat, XTRF and Plunet, and mature proprietary counterparts have prêt-à-porter tools for integrations. Our aim this year was to investigate whether these tools see heavy use.

We found most customers still place orders via email, but larger buyers tend to automate the sourcing process.

Scenario descriptions:

Your customer portal – translation buyer logs into a client portal and places an order there, instead of sending files via email to their project manager. This allows the translation company to automate most of the project management tasks and lower costs, but clients don't always remember or agree to use the portals. As an online shop for translations, Lingo24 serves more than 50% of their customers this way.

Buyer's vendor portal – some buyers have built vendor management platforms with file management and, oftentimes, bidding functionality. Vendor project managers receive notifications and download files from these platforms. Serving other LSPs exclusively, Sandberg Translation Partners (STP) obtains most of their work this way.

Shared projects – jobs are sourced via the same commercial TMS both companies use, for example Across Server, Memsource or XTM. Again, this is a scenario for working with other LSPs, and STP excels here.

Connectors – these are plugins that link translation systems with content systems, primarily websites and ecommerce platforms. Connectors are pre-configured; they are easy to install and do not require development work at launch. An example is TranslateMedia's TMS Stream™ which has a connector to Demandware, a system for online shops. It can be set up in a few clicks to allow easy eshop translations. TranslateMedia currently obtains more than a quarter of their business via connectors.

API – Application Programming Interfaces are a set of commands that simplify integrating two systems for developers. Their advantage is flexibility and adaptability. Because there are thousands of CMSs and tens of thousands of versions with extensions, it is not possible to cover each of them with a connector. APIs come into play here. With a developed API, an experienced developer only needs a few hours to connect two systems on a basic level. APIs come in REST and SOAP varieties. Capita TI, Lingo24 and TranslateMedia all obtain more than 10% of their business via API integrations.

Unlisted types of integrations include hot folders (push and pull files to shared Dropbox, Google Drive or FTP), and middleware (third-party systems connecting TMS and CMS).

Figure 27: Volume of work processed via integrations

	Your customer portal	Buyer's vendor portal	Shared projects	Connectors	API
Capita TI	11-25%	1-10%	1-10%	11-25%	11-25%
translate plus	26-50%	1-10%	1-10%	1-10%	1-10%
Lingo24	More than 50%	1-10%	1-10%	11-25%	11-25%
Translate Media	1-10%	1-10%	1-10%	26-50%	11-25%
STP	N/A	More than 50%	More than 50%	1-10%	26-50%
Global Voices	11-25%	None	None	1-10%	1-10%
Ubiqus UK	1-10%	1-10%	1-10%	None	None
Global Lingo	1-10%	None	None	None	None
Prestige Network	None	11-25%	None	None	None
Codex Global	11-25%	None	1-10%	None	11-25%
Wessex Translation	None	11-25%	1-10%	None	11-25%
Asian Absolute	1-10%	1-10%	1-10%	None	None
ALM Translations	1-10%	11-25%	1-10%	1-10%	11-25%

Source: ATC survey

Machine translation (MT)

The 2016 launch of neural machine translation (NMT) by companies including Google, Microsoft, Facebook, Apple, Yandex and Amazon, generated enormous waves with the mainstream media. Dubbed AI in language, the technology did indeed somewhat improve the quality of MT and, most importantly, more customers became aware of the value of MT.

However LSP managers find that building a business with MT is not as straightforward as technology vendors would lead them to believe. We tried to identify and highlight UK language services companies that have succeeded in converting this MT hype into a working business model.

The big winner is, of course, SDL, as sales of BeGlobal MT software have increased by 72%. Except for SDL, none of the companies surveyed said they make a significant portion of their revenue and profit on MT.

- Only 17 out of 80+ companies surveyed said they offer MT to clients
- 12 companies surveyed plan to start using MT within the next 6 months

Tech-savvy companies offer MT engine training services. Companies include: translate plus, Lingo24, RWS, ALM Translations, Alpha, Star UK, Salford and others. Capita TI developed specialist MT engines and now sells access to clients as a subscription service. However, even they say that professional translations and transcreation bring much better business than MT.

The results of our survey clearly show that while many translation companies and translators use MT internally for cost/speed, they do not make money out of reselling or post-editing the technology. Instead, machine translation post-editing services, priced below the normal translation rates, cannibalise more straightforward professional translation services.

Therefore the push for more MT use comes from translation buyers and technologists. For LSPs, the rationale to learning MT is to stay in the game. Should a client want to switch from human translations to robot work, the LSP would be ready with their offering instead of needing to let the client contact external providers.

Data security measures

Data security is becoming more important to clients and LSPs alike in the light of three trends:

- More widespread usage of cloud-based systems and universal access to data
- Slipups by easy to use services such as translate.com
- Commonplace use of MT engines with feedback (MS, Google)
- European General Data Protection Regulation (GDPR) coming into force in 2018

Here we list some of the measures security-aware UK companies take to reduce the risk of leaks. Approximately one-third of respondents gave a description of their security system. Basic setup involves a centralised cloud-based TMS with password protection, and where local files are used, drive and transfer encryption and passwords. For more sensitive clients such as banks and law firms, LSPs enforce download restrictions on freelancers or, in extreme cases, provide them with workstations via remote desktop or a secure in-house facility.

Figure 28: Data security measures

Company security - basic
Workstation and system passwords
UK datacentre
All users work in a centralised TMS
Encrypted TMS/API/other data transfers
Employee policies
Secure FTP
SFTP server
Access restrictions (responsible PMs/linguists only)

Company security - sensitive information
Procedure for secure data disposal
File sharing via Egnyte
Dual-factor authentication
Password-protected ZIP files
Translations undertaken in-house in a secure environment, personal belongings left outside of the room.

Freelancer security
Remote desktop
Encrypted drives for freelance linguists who download files
TMS can restrict file downloading
Dual-factor authentication
Files cannot be emailed
IP validation
Encryption of email attachments

Source: ATC survey

Pricing

This is the third year running we have collected data on translation pricing. Every year, the set of companies disclosing their rates is slightly different, resulting in minor fluctuations in the table. However, on the whole, the price list rates stay very stable despite the intense price pressure faced by all companies in the industry.

Individual contract pricing may be renegotiated year to year, currency fluctuations may affect contracts and on the whole results indicate that companies are selling to new clients in 2017 at the same rates as in 2014. Unless there is an RFP with intense competition, buyers can expect to pay the market rate of £0.12 per word for common European languages and £0.15 or more for Asian languages.

Some companies offer significantly higher rates than the rest of the market. This generally occurs when volumes are low and the company specialises in a different language combination. They can still provide any language the buyer needs but they do so via subcontractors and at a higher total cost.

- Pricing depends on the client location, budget, and the vendor's added value and supply chain. For example, translation of English to Russian sells at £0.18 to Californian clients, £0.12 in the UK, £0.08 in the Baltics and Central Europe, £0.45 in Moscow and at £0.015 in depressed regions of Russia and in public procurement

- Companies usually include at least one or two checks in the basic price, such as proofreading, automatic QA and spot checks by PMs. Additional review is most often charged for and usually priced on an hourly basis

- Large companies have homogeneous pricing, small companies offer reduced rates for their main language combination and increased rates for combinations they can only provide if they upgrade their vendor pool

- Common language combinations have very level rates across multiple providers. Rare language combinations have vastly different costs (up to x2 difference) and it pays off for the buyer to spend more time identifying providers for rare languages

Figure 29: Pricing for major language combinations, £ per word

From English to	Median	Change, YtY %	Min	Average	Max
Arabic	0.150	15.4	0.10	0.154	0.235
Chinese Mandarin	0.150	5.4	0.10	0.147	0.20
French	0.130	8.3	0.08	0.129	0.19
German	0.130	4.0	0.09	0.139	0.19
Japanese	0.175	2.9	0.09	0.175	0.23
Malay	0.165	3.1	0.11	0.163	0.23
Polish	0.130	-10.3	0.10	0.136	0.18
Portuguese	0.130	0.0	0.09	0.132	0.18
Russian	0.130	-9.1	0.10	0.138	0.18
Spanish	0.125	0.0	0.08	0.126	0.16
Swedish	0.160	-1.8	0.12	0.165	0.22
Turkish	0.150	5.4	0.12	0.147	0.18
Across all languages		1.7%			

Into English from	Median	Change, YtY %	Min	Average	Max
Arabic	0.155	-1.8	0.11	0.156	0.21
Chinese Mandarin	0.150	3.4	0.10	0.153	0.20
French	0.125	5.9	0.08	0.125	0.19
German	0.125	8.6	0.10	0.13	0.19
Japanese	0.180	2.8	0.11	0.173	0.21
Malay	0.162	4.8	0.12	0.158	0.21
Polish	0.130	-13.3	0.06	0.135	0.18
Portuguese	0.130	8.3	0.09	0.134	0.2
Russian	0.140	0	0.10	0.143	0.21
Spanish	0.120	0	0.09	0.125	0.17
Swedish	0.152	5.1	0.14	0.163	0.22
Turkish	0.150	-1.6	0.12	0.15	0.20
Across all languages		1.6%			

Source: ATC survey

ASSOCIATION OF TRANSLATION COMPANIES
LANGUAGE SERVICE PROVIDERS

Specialist translations cost 16% more on average

Expert translators in legal and pharmaceuticals verticals are scarce and thus they have more bargaining power. This is reflected by large-scale contracts between translation buyers and LSPs. In short, the added cost of more expensive suppliers is pushed on to the buyer in most cases.

Out of 20 firms with quality data available, two-thirds offered domain-differentiated pricing and charged more for specific domains than for general business translations. On average the additional cost equalled 16% although in some cases the difference was as much as 25%.

It is surprising that translations for advertising and marketing have the same pricing as general business. At the same time, "transcreation" services are usually priced much higher than translation.

Figure 30: Price for English to German translations in selected domains, £ per word

	General business	Life sciences	Legal & financial	IT & videogames	Advertising & marketing
Company 1	0.13	0.165	0.165	0.13	0.13
Company 2	0.11	0.11	0.125	0.11	0.11
Company 3		0.15	0.15		
Company 4	0.16	0.17			0.17
Company 5	0.13	0.14	0.14	0.13	0.13
Company 6	0.13		0.14		
Company 7	0.12	0.14	0.135	0.13	0.13
Company 8	0.11	0.11	0.11	0.11	0.11
Company 9	0.12	0.14	0.16	0.12	0.12
Company 10	0.125	0.125	0.125	0.125	0.125
Company 11	0.11	0.13	0.12	0.13	0.13
Company 12	0.14	0.14	0.14	0.16	0.18
Company 13	0.145	0.155	0.155		0.155
Company 14	0.12	0.12	0.12	0.12	0.12
Company 15	0.12	0.14	0.14	0.12	0.12
Company 16	0.09	0.12			0.12
Company 17	0.105	0.115	0.115	0.105	0.105
Company 18	0.15	0.18	0.22		0.18
Company 19	0.12	0.14	0.14		0.13
Company 20	0.13	0.13	0.13	0.13	0.13

Source: ATC survey

Top business challenges

The list of core challenges for mid-sized translation company owners stays more or less the same year on year. In 2017 the survey shows that anxiety about Brexit has gone down in intensity and given way to the usual suspects: pricing, sales and recruiting quality people for adequate pay.

New challenges for 2017 relate to optimising performance and improving efficiency. Company owners want to achieve the same or more without throwing more warm bodies at problems, but rather by automating and improving processes. Another new challenge appearing on the list is clients being misinformed about machine translation. Apparently they believe that MT out of the box is an adequate replacement for professional services.

Figure 31: "What are three biggest challenges you face as a translation company this year?"

1	↑	Price pressure
2	↑	Sales & marketing, growth
3	↑	Recruitment: quality PMs & salespeople
4	↑	Currency fluctuations
5	↑	Technology and integrations
6	↓	Brexit
7	↓	Competition, margins, market saturation
8	↓	Linguist recruitment & quality
9	New	Doing more without hiring
10	New	Business optimisation, infrastructure
11	New	Clients miseducated about MT

Source: ATC survey

Round-up and predictions for 2018

Compared to 2016, which was marked by Brexit and over £400m in public sector framework agreements, 2017 has been a quieter year with excellent results. Examples set by RWS (patents and life sciences) and VSI (films and TV shows) demonstrate that a valuable niche and large clients mean everything in the language business. Transactional business models and public sector work are much riskier and difficult to make into a profitable business. Thus major opportunities in 2018 will revolve around large corporate sales.

LSPs will try to win clients in a variety of ways, for example, by offering superior integrations and easier processes, or by going after the marketing budget of global campaigns and content creation services.

The language services market globally continues to increase in size, and UK companies selling globally in strong niches will continue to see growth. However, we anticipate a sideways trend in domestic demand in the UK. Here are three reasons to expect a slowdown or stagnation:

1) **Fluctuating foreign trade:** According to World Bank and IMF data, UK imports and exports have not been growing in the last few years. Foreign trade volume typically correlates with demand for language services. GDP growth is projected at 1.7% by the IMF, below inflation rate.

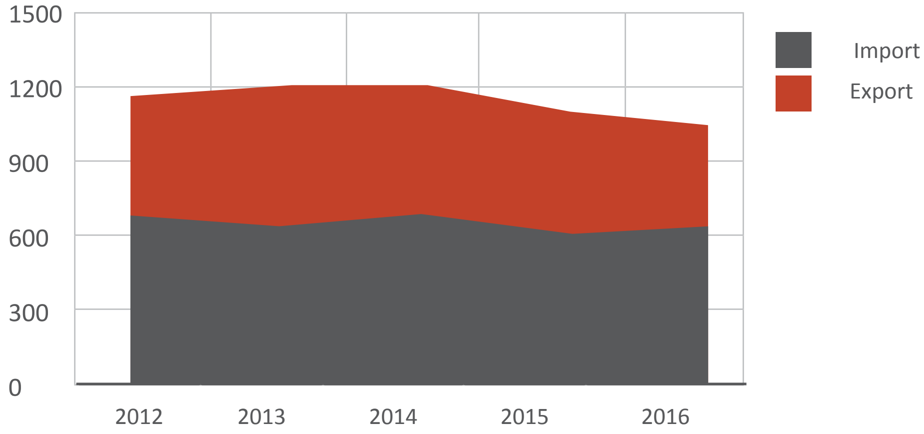
2) **Efficiencies in public spend:** Framework agreements procedures rolled out by the Crown Commercial Service and replicated by many public sector organisations have demonstrated their efficiency in pressuring providers for lower rates. Large contracts such as the Ministry of Justice and the National Health Service are multi-year and have been locked-in from 2016 for up to four years. Public sector spending, which is driving business for domestic-oriented translation and interpreting companies, is expected to stagnate.

3) **Brexit-triggered business departures:** Finally, due to Brexit, the relocation of European authorities EMA and EBA, as well as related businesses, will impact several notable sectors. For example, EMA permit holders for centrally approved medicines such as cancer treatments will need to transfer their permits to entities in the European Economic Zone, which will result in operations and revenue possibly moving there as well. After a short-term spike in translations to support the transfers, the UK volume of language services may decrease.

At the same time, salaries and sales costs will continue to increase as competition mounts.

To continue to grow at double-digit levels, translation companies will need to win more clients overseas and acquire other translation businesses, both in the UK and abroad.

Figure 32: The UK's foreign trade is in a downturn:



Source: Wits – World Bank, $bn

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