ATC UK

Language Services Industry Survey and Report 2021

ATC Nimdzi

INFORMATION CONTAINED IN THIS REPORT

Introduction

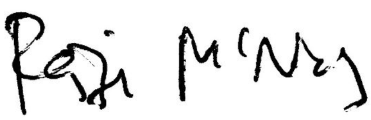
It has been an eventful year, a year firmly focused on recovering from the global pandemic. It has also been a year filled with new opportunities, with many language service companies (LSCs) opting to make bold decisions to correct course, innovate, and invest in what has been the foundation of their success prior to the pandemic — their human capital and technology.

The goal set by the ATC Board for this year's industry report was to present an accurate snapshot of the state of the language services industry in the United Kingdom at a time when we collectively want to turn the page after the turbulent events of the past 18 months and look for inspiration and guidance from our peers and fellow industry professionals. The data gathered for this report show that, although the ATC members were not unaffected by the impact of the pandemic, language service companies have weathered the storm and have largely done things right, both by their clients and their employees.

Recovery will surely remain the keyword for the months to come. Business owners and decision makers are focusing on stabilizing growth and rethinking how to improve the positioning of their companies. Our industry will continue to be at the forefront of enabling access to content to millions of people across the globe and, as such, there will be no shortage of clients looking for the professional services of a language service company.

For this year's survey, we redesigned the questions to match the topical issues in the industry. Improvements were made with an aim to balance out user experience while offering participants engaging and relevant questions. In all, more than 5,000 data points from 115 questions were collected with this year's survey.

It is our pleasure to present to you this report, and we hope you will glean valuable insights from it and that it inspires you to prepare your business for what is yet to come. The resourceful and the bold are the ones who will lead the pack in our new reality.



Raisa McNab
CEO, Association of Translation Companies with the Nimdzi Insights Research Team

Methodology

The 2021 ATC survey collected information from respondents on their companies' performance for the year 2020. Revenue, growth figures, rates, and employee numbers are for 2020. Business challenges and strategies were analyzed for the current year 2021. Data collected in the 2021 ATC survey is anonymous and no identifying details are disclosed throughout the report. The only exception to this is when referencing revenue data collected during the Nimdzi 100 research in early 2021 where language service companies participating in the research explicitly agreed to the publication of their revenue figures.

In addition to the data collected in the 2021 ATC survey and Nimdzi's own data on trends in the language services industry, the ATC and Nimdzi Insights partnered with Adaptive Globalization in order to bring to you insights into UK salaries for key localisation roles, factors that have been influencing them, and related trends.

Executive Summary

01. More than half of companies recorded positive growth

The negative effects of the pandemic notwithstanding, 56% of companies reported various degrees of growth in 2020. Two years ago, 67% of companies reported growth figures, so this represents a slight decrease. However, considering the circumstances, this is a very encouraging figure.

02. The market for language services in the UK is growing

We estimate the current size of the language services market in the UK at between GBP 1.5 and 1.7 billion. This is up from the GBP 1.35 billion we estimated two years ago. The UK is the largest single-country market for language services in Europe.

03. Almost half of language service companies expressed concerns over Brexit

In this year's survey, 47% of respondents reported worries over future effects of Brexit while 20% stated that they are already experiencing negative effects from it.

04. Continental Europe is the strongest revenue generator for language service companies in the UK

The data show that by the size of the revenue stream, the EU is the strongest revenue generator for language service companies in the UK. This is in line with findings from other Nimdzi studies, which indicate that the EU is the largest driver of localisation demand in the world.

05. Language service companies in the UK felt the impact of COVID-19

The data show that UK businesses were not unaffected by the COVID-19 pandemic. Almost 60% of respondents highlighted a decrease or loss of existing business and more than 40% reported that they saw a suspension or termination of work from clients or government contracts.

However, these data points only tell half the story. 40% of survey respondents also reported that their profitability increased in 2020, while an additional 31% said that their profitability stayed level with the previous year. These figures are a byproduct of the pandemic, as lockdowns and meeting restrictions significantly decreased expenses for travel, in-person events, and office space.

06. Gross margins and prices remained stable

The average gross margins came out at 47% for translation services and at 34% for interpreting services, which is well in line with the global average. Prices for language services remained stable as well, as more than half of respondents reported. This is a great indicator, especially if we consider economic forces such as the COVID-19 pandemic and Brexit that could have impacted this part of the business.

07. Work-from-home is here to stay

Almost 80% of businesses have a positive view on remote work. In fact, more than one-quarter of respondents are considering offering a work-from-home option to their employees beyond the pandemic, while only 7% plan to resume full onsite operations.

08. Is the UK a language technology hotbed?

Almost two-thirds of businesses in the mid-market segment of the UK develop their own proprietary technology. This is higher than the figure for the largest language service companies in the world (56%). On the other hand, only 46% of respondents are offering machine translation (MT) related services, whereas the global figure is much higher (72%).

09. Creative industries are the #1 source of work for UK SMEs

67% of survey respondents are active in creative industries, including marketing and advertising, making this segment of the market their number one source of work. This trend is further confirmed if we look at the main services offered by survey respondents: 69% list subtitling and 54% list copywriting and transcreation as part of their service portfolio.

10. Global trends trickle down to the SME market in the UK

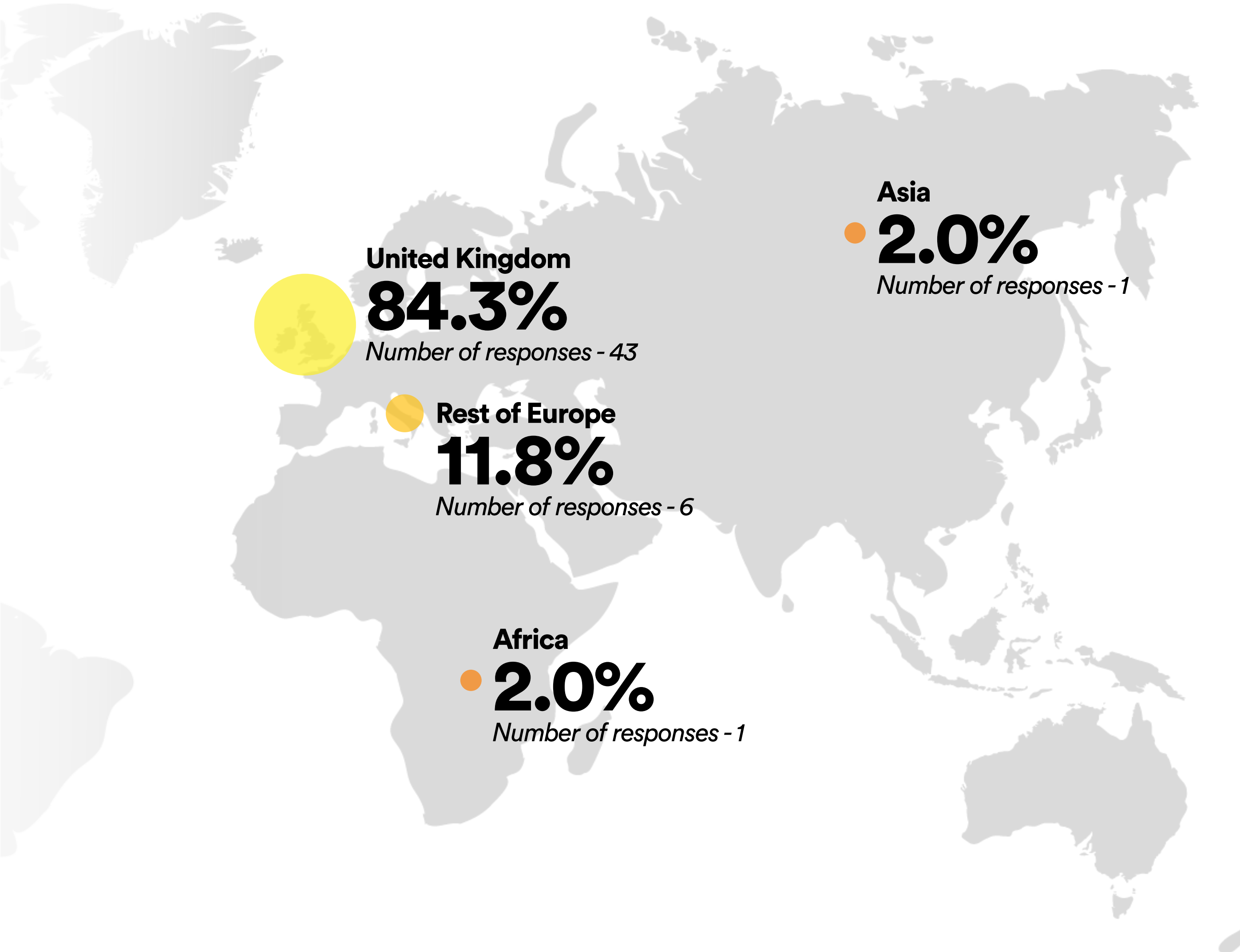
In a direct comparison with global trends identified for the largest language service companies in the world, the results show that some of these have trickled down to the small and medium-sized businesses in the UK. For instance, like their colleagues around the globe, more than half of respondents have seen an increase in requests for remote interpreting. 40% of survey respondents stated that MT is not a revenue driver for them — which is in line with global findings. And one-third of companies confirmed that they are increasingly receiving requests for services from the field of media localisation, such as subtitling for corporate training videos.

Respondent Company Profile

This report reflects the established mid-market companies in the United Kingdom: the core audience of the Association of Translation Companies. Today, the ATC has over 210 member companies, about 85% of which are UK-based and 15% are overseas companies with a connection to the UK market.

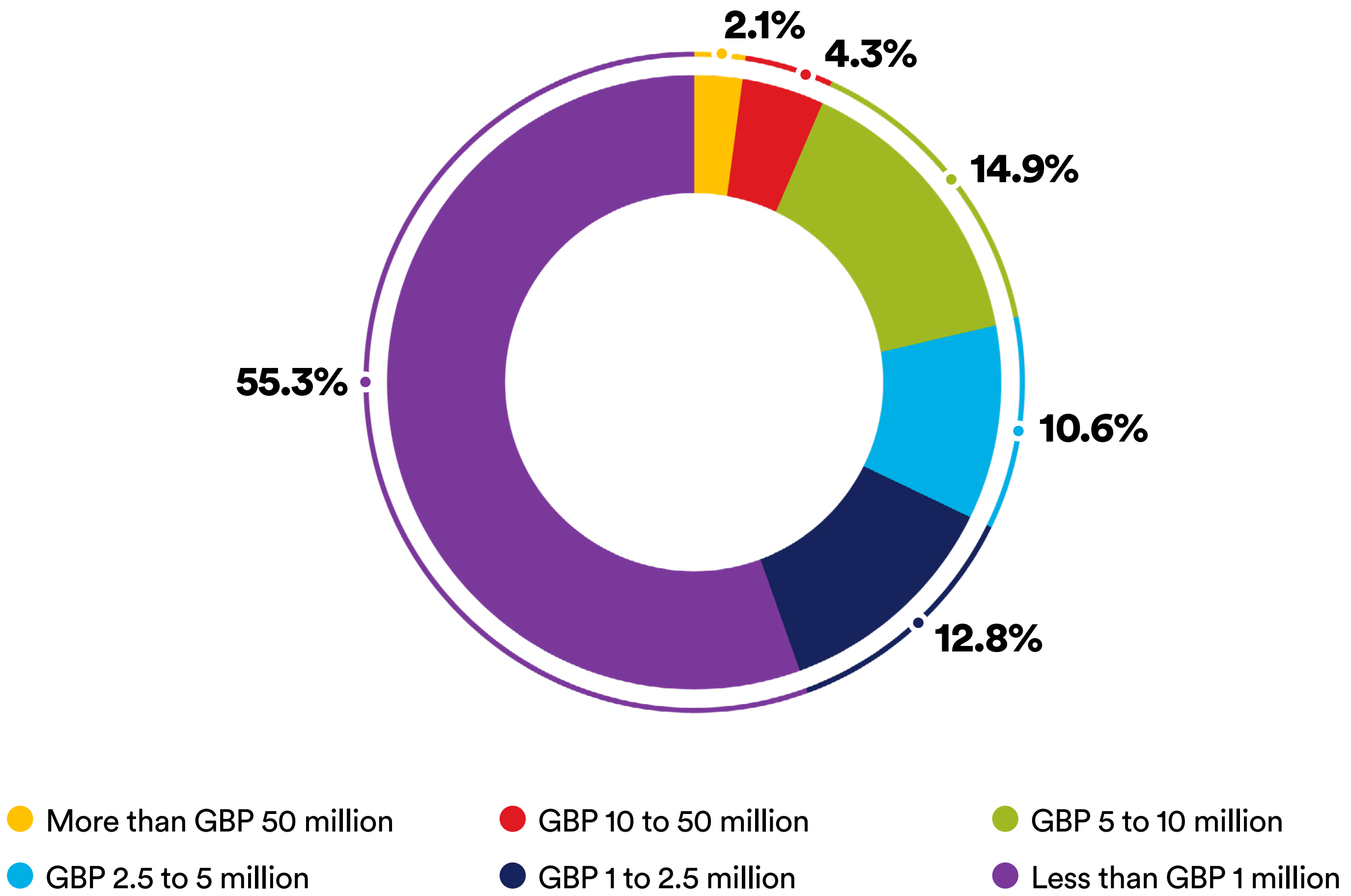
In 2021, the ATC survey received 51 valid responses from individual language companies active on the UK market.

Participants by geographic location



84% of survey respondents are headquartered in the UK. Just under 12% are based elsewhere in Europe (all in EU member states, or countries currently involved in accession negotiations), and just shy of 4% are located outside of Europe.

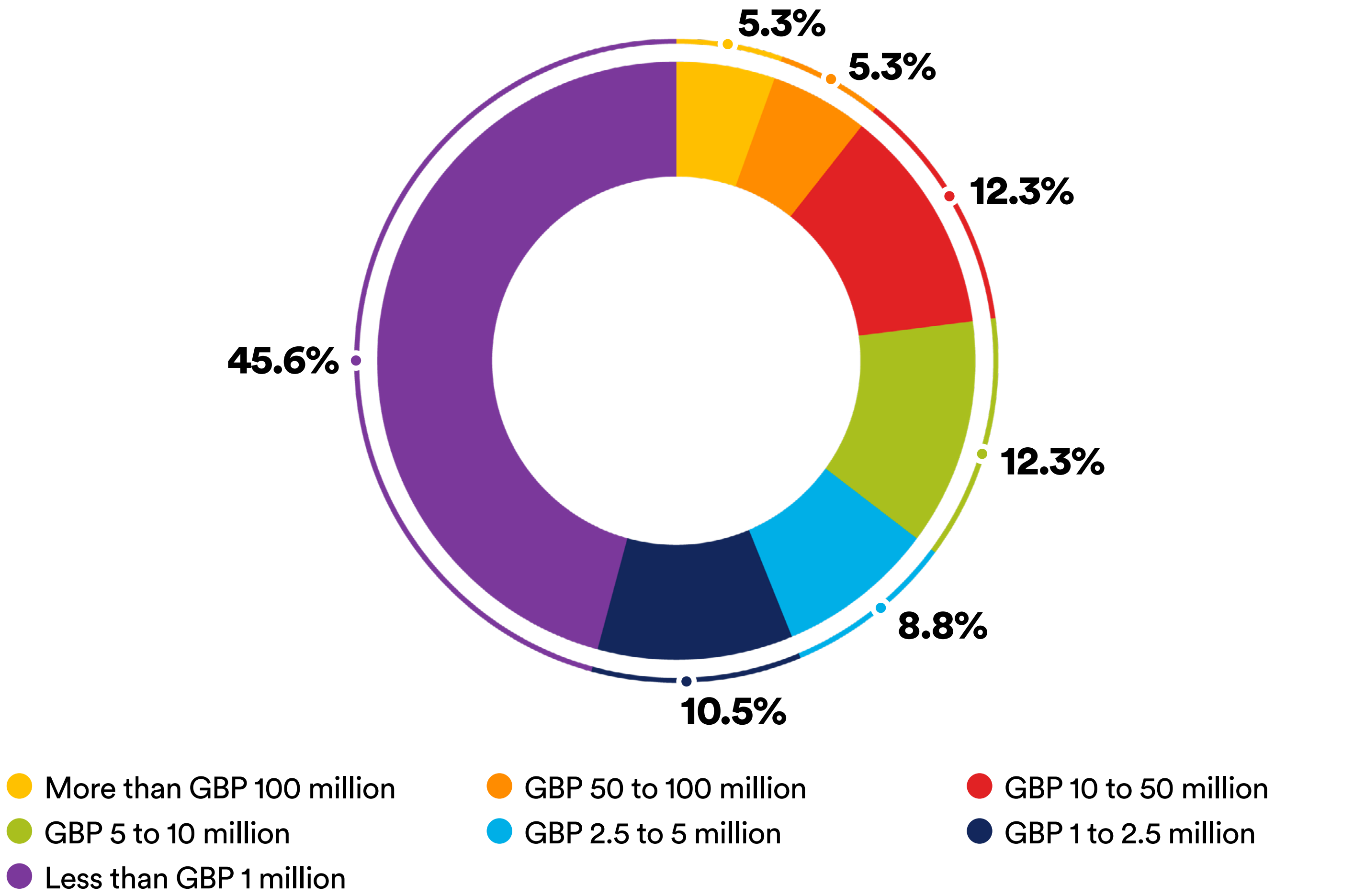
Respondents by size category



Of our survey respondents, only 2% reported revenues exceeding 50 million pounds in 2020, while 4% reported revenues between GBP 10 million and 50 million. More than 90% of all survey respondents reported revenues under GBP 10 million, and 55.3% reported revenues less than GBP 1 million. These small to medium-sized providers make up the majority of the ATC's members as well as the UK market.

That said, there are a number of large companies based in the UK that did not take part in this year's survey. Most notable is RWS, whose acquisition of SDL earlier this year made it the biggest company in the world at the time of writing. Other companies, such as Iyuno Media Group, Voice and Script International (VSI), ZOO Digital Group, Spark, Capita Translation and Interpreting, and THG Fluently, all reported revenues in excess of GBP 10 million in 2020. However, their figures haven't been considered in the graph above, which only shows the size of companies that participated in the survey.

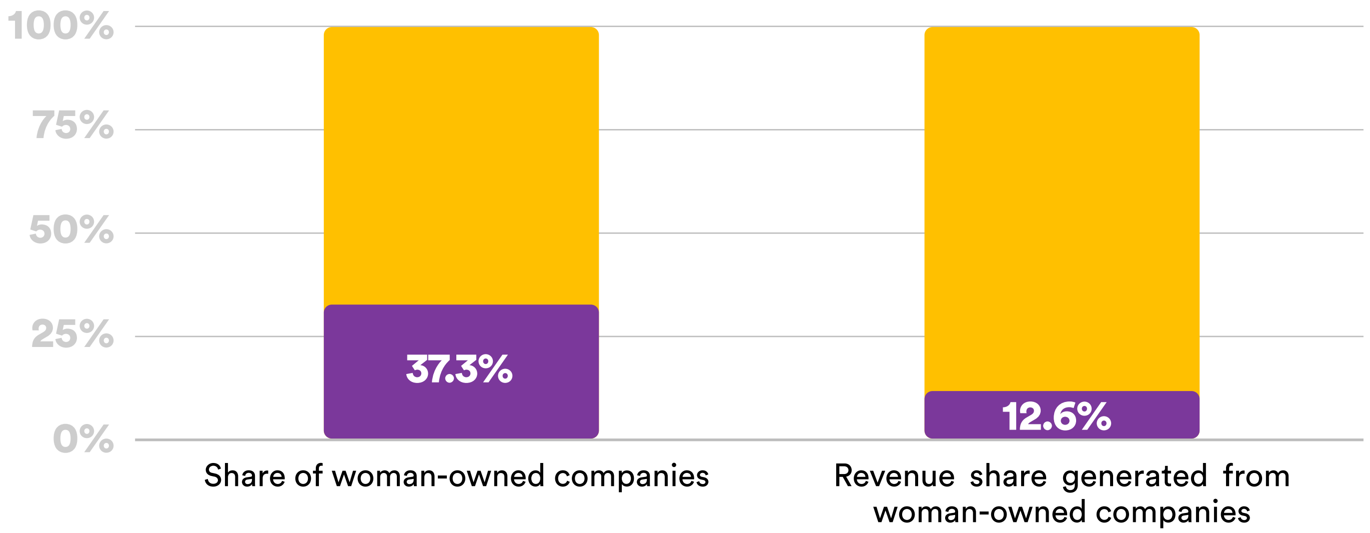
The following graph shows how the shares of each revenue bracket is affected if these additional, large UK companies are considered:



Women-run language service companies

An interesting figure in this year's survey is that 37% of language service companies that participated are run by women. This is well above average compared to other industries. For instance, on a global level, only 20% of the largest language service companies are women-run (source: The Nimdzi 100). Looking outside the language services industry figures are even lower. For example, only 2.6% of the Fortune 500 have female CEOs.

However, although the share of companies with female CEOs is high, these companies are not generally the giants in the industry. The woman-run companies in our survey make up just 12.6% of the total revenue of all surveyed companies.



The 10 largest
language service companies in the UK

While the majority of this report is based on data gathered via the ATC industry survey, the following table is based on revenues reported in the 2021 edition of the Nimdzi 100. The table ranks the top 10 largest language service companies in the UK, based on revenues from the latest financial year.

After buying SDL for GBP 809 million in 2020, RWS is the new number one on the market — not only in the UK but also worldwide. Since the completion of the deal, RWS shareholders now own about 70.5% of the combined company and SDL shareholders the remaining 29.5%. The deal closed on November 3, 2020, after the end of RWS' financial year 2020 (September 30, 2020), which is why, technically, both companies still need to be considered separately for their 2020 financial years. However, to better reflect the reality of the market, we consolidated the 2020 revenues of both companies in the ranking below.

Rank	Company	2020 Revenue (GBP million)	Note	Main business
01	RWS	730.3	FY	translation, patents, life sciences, IT
02	Iyuno Media Group	144.1	v	media localization
03	Voice and Script International (VSI)	74.9	v	media localization
04	thebigword	64.0	e	interpreting, translation, government
05	ZOO Digital Group	30.8	FY	video content creation, subtitling, media & entertainment
06	Spark	22.2	v	localization, technology, media
07	Alpha CRC	19.0	v	technology & IT, video games
08	Capita Translation and Interpreting	15.4	FY	translation, interpreting, government
09	THG Fluently	12.7	v	translation & localization, copywriting & content creation, consumer goods, beauty & wellness
10	Lingo 24	8.0	v	translation, platform, technology

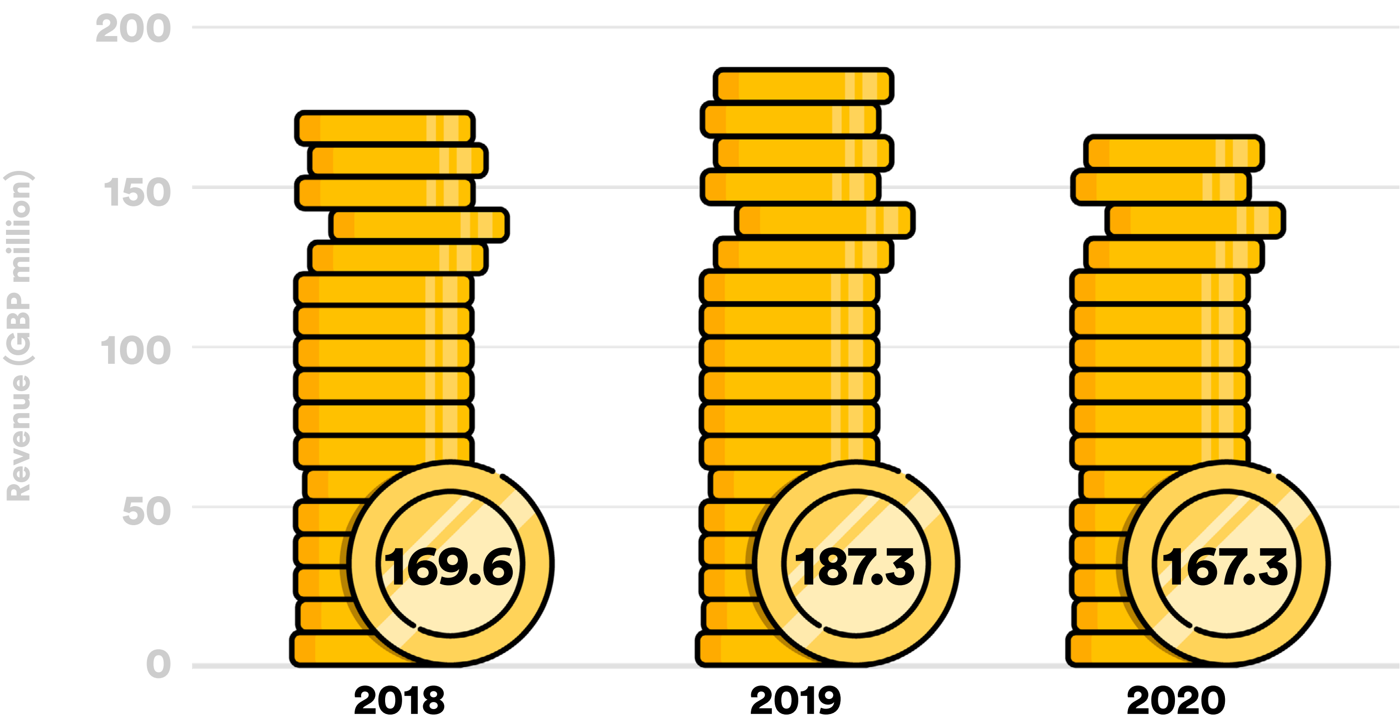
Source: Nimdzi Insights, based on the figures reported in 2021 Nimdzi 100 (converted to GBP), including updates from annual reports and the latest market research

Revenue and Growth

Of the total revenue from surveyed companies, 90.8% was generated by companies based in the UK. About 9.2% was generated by companies with headquarters in other European countries, and a tiny share was generated by companies based in Asia (0.00044%) and Africa (0.00018%). No companies from the Americas or Oceania participated in this study.

Growth between 2018 and 2020

If we tally up the revenues of all companies that participated in our survey and compare the consolidated figures across the years, then there was a notable decrease over the latest financial period. The following graph is based on the total revenues for the years 2018, 2019, and 2020 that participants reported in this year's survey. While the data show that between the years 2018 and 2019, the combined revenue of all language service companies in this year's survey increased by 10.4%, revenues dropped by almost the same figure for these companies (-10.7%) between the financial years 2019 and 2020.



A likely reason for the dip in combined revenue is the impact of the COVID-19 pandemic. The data show that in 2020, UK language service companies were affected much the same way by the pandemic as their colleagues around the globe. On an individual company level, some businesses had a notable decrease in business and revenue, whereas others thrived. Overall, the UK market actually fared better than the global industry.

The average growth rate of UK companies on an individual level (versus the growth of the revenue of all companies combined as displayed above) was 14% for the latest financial year. This is higher than both the global 2020 average (7.9%), and the UK 2019 average (9.9%).

However, these figures only tell part of the story. The percentage of companies that experienced a net positive growth in 2020 was lower than for previous years: just 56% of companies experienced net positive growth in 2020 (in 2019 this was 67% of companies). So, despite seeing overall growth in the industry, almost half of our survey respondents left 2020 in a worse position than they entered it.

Overall, larger companies that took the survey appear to have been hit harder by the 2020 pandemic year. The decrease in growth rates is largest for companies with revenues in excess of GBP 4 million.

Growth by revenue segment, 2019 vs 2020

	2019	2020	Percentage change
Revenue above GBP 4 million	18.50%	4.20%	-14.30%
Revenue GBP 200,000 to 4 million	10.40%	11.10%	0.60%
Revenue 200,000 or less	-0.20%	-0.10%	0.20%

Market size

Taking the above into consideration, we estimate the current size of the language services market in the UK at between GBP 1.5 and 1.7 billion.

This is up from the GBP 1.35 billion we estimated two years ago. While the total revenues of all respondents decreased by about 10% in the latest financial year (2019-2020), revenues had increased by the same figure in the previous period (2018-2019). Adding to this, data from the Nimdzi 100 show that the largest language service companies in the UK market definitely grew in 2020. Looking at the ranking of the top 10 in the UK market, these companies alone reached more than GBP 1.1 billion in 2020.

On its own, we estimate the UK to be the largest single-country market for language services in Europe, pulling ahead of Germany and France.

Productivity

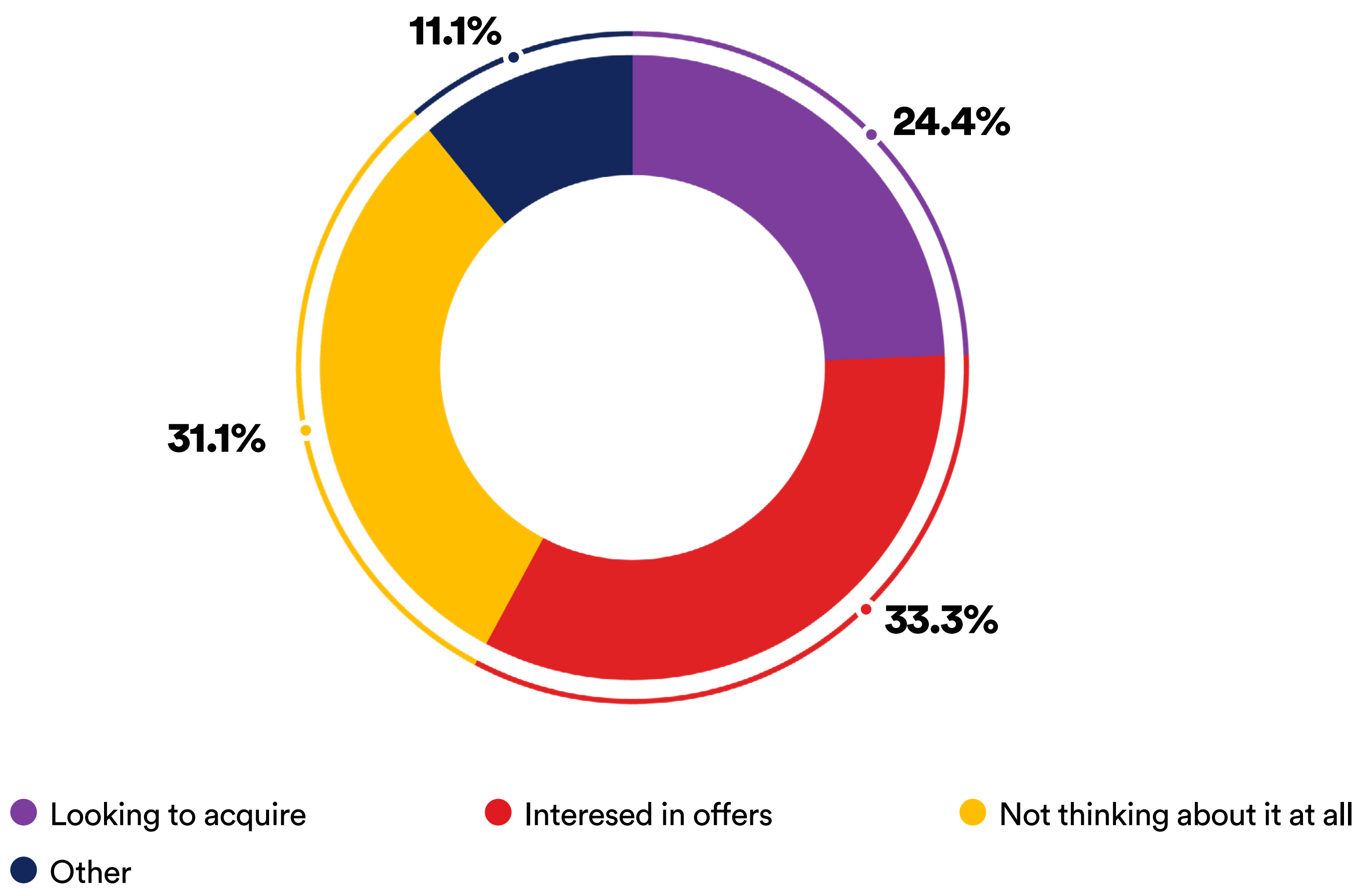
How productive a company is can be calculated by dividing its revenue by its total number of full-time employees. Looking at the productivity of the respondents to our survey, the average revenue per employee in 2020 was GBP 79,941. The highest productivity reported was GBP 175,106 per employee, whereas the lowest was at GBP 5,193.

In general, companies with higher revenues reported higher levels of productivity. This is different from the global average, where companies in the mid-revenue segment had the highest productivity levels. That being said, as highlighted above, the majority of the ATC members fall into the mid-market revenue bracket.

Interest in mergers and acquisitions is on the rise

Mergers and acquisitions (M&A) have been on the rise over the last year and a half. It is likely the pandemic has spurred business owners to be more receptive to opportunities to invest or sell. What's more, our industry is attracting outside interest from private equity firms and venture capital firms who are looking for deals. Especially since the mega deal that saw former rivals RWS and SDL join forces at the end of November 2020, news of new M&A deals as well as investment have been flooding the market almost weekly. As the deals of the recent months illustrate, we are fundamentally in a seller's market.

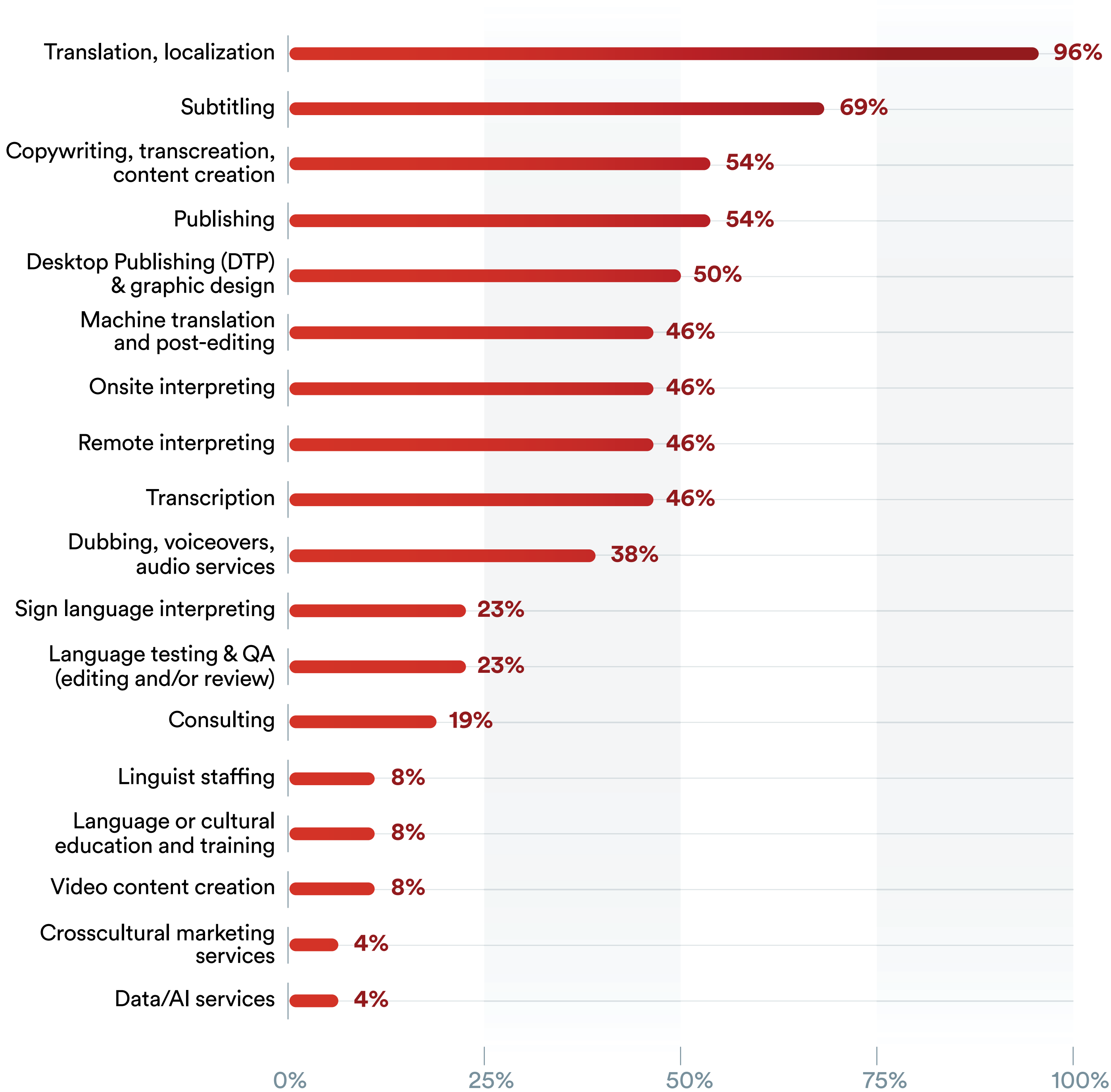
Looking at the companies in this year's ATC UK survey, more than half (57.7%) are interested in either buying other companies or receiving offers from potential buyers. Only one-third report that they are not thinking about M&A at all.



Top services
and verticals in the market

In this year's survey, we asked companies to select the services and verticals they operate in.

The results show that the services most commonly provided by language service companies in the UK are *translation and localisation* (96%) and *subtitling* (69%). *Copywriting*, *transcreation & content creation*, *publishing*, and *desktop publishing (DTP) & graphic design* share third place (54% each). Fourth place went to *machine translation and post-editing*, *onsite interpreting*, *remote interpreting*, and *transcription*, with 46% of survey respondents providing these services.



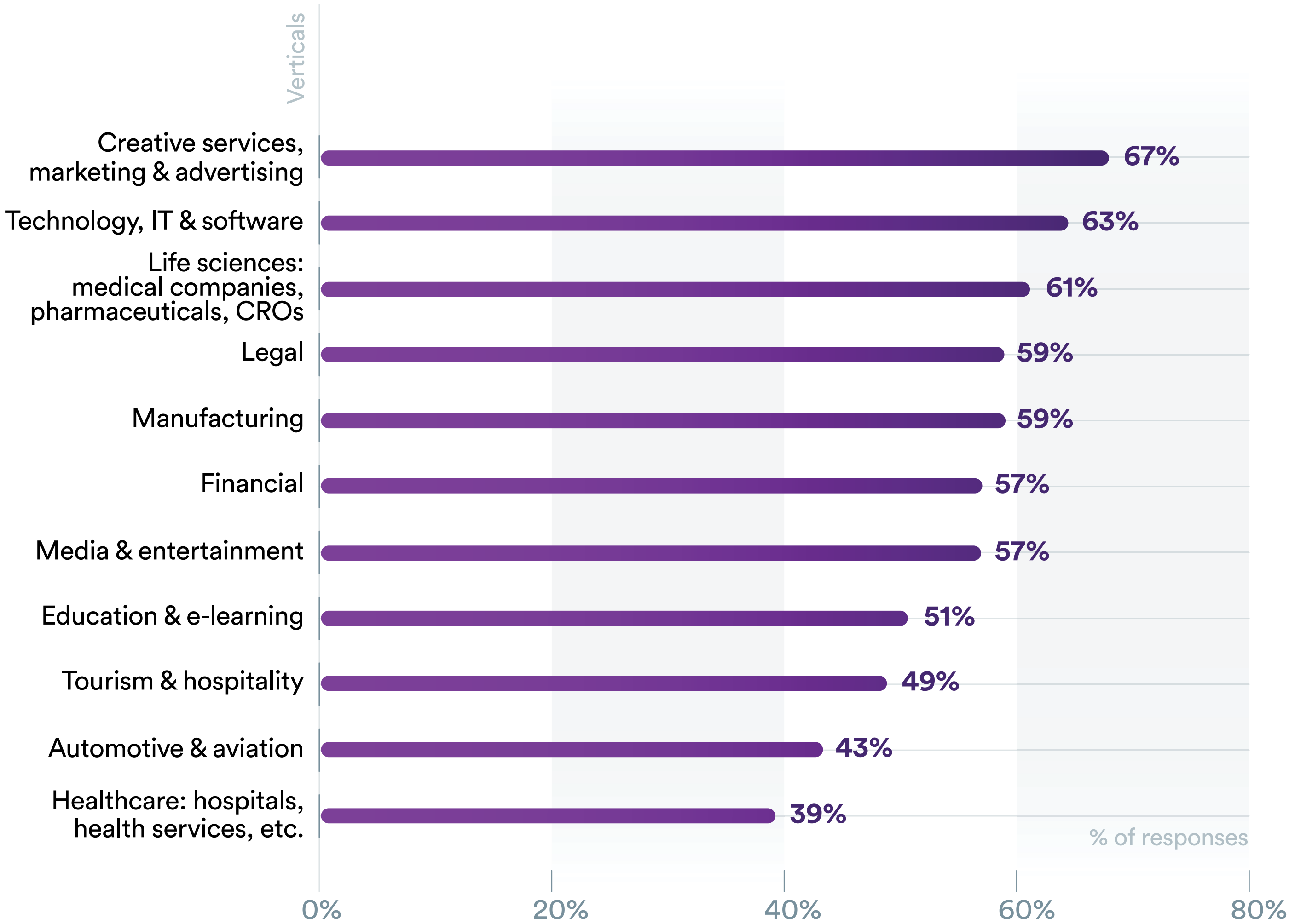
While the results for translation and localisation as well as subtitling are similar to those reported by the largest language service companies in the world for the Nimdzi 100, the figures for MT-related services differ significantly. What the data show is that although there is some appetite for MT among the small and medium-sized enterprises (SMEs) in the UK, this segment of the market is not heavily focused on it. To illustrate, while only 46% of respondents to the ATC survey offer MT-related services, 72% of the largest language service companies in the world do so.

A possible explanation for this can be found when we look at the main verticals that SMEs in the UK market operate in.

According to this year's survey, the most prevalent segments for the ATC members in terms of industry participation (not revenue) are *creative services* (67%) and *technology* (63%). Within the creative services market, *translation and localisation services* (65%), *publishing* (45%), and *desktop publishing* (DTP) (45%) are the most provided services.

How is this related to MT? Simply put, MT is mostly geared towards handling large volumes in regulated industries, which is where most of the large players focus their efforts. Creative industries, on the other hand, require more...well...creativity, something that MT is not well-suited for. It makes sense that creative services are a segment where the small to medium-sized players in the industry can shine by offering boutique services with more customer service and attention to detail – something the largest language service companies in the world often lack.

That being said, within the field of technology, the data show that the most requested services are *machine translation and post-editing* (78%). This is closely followed by *publishing* (75%), *subtitling* (71%), *desktop publishing* (71%) and *remote interpreting* (71%).



Highly regulated industries such as *life sciences* (61%), *legal* (59%), *financial services* (57%), *education* (51%), and *healthcare* (39%) are the other key revenue sources for language service companies in the UK according to our survey. As for healthcare and life sciences, 96% of respondents report providing translation and localisation services, with multiple respondents emphasizing virtual remote interpreting (VRI). Machine translation and post-editing were the second-largest revenue sources in life sciences (61%) with subtitling (59%) being the third.

The remaining key verticals were manufacturing (59%), media (57%), hospitality (49%), automotive (43%).

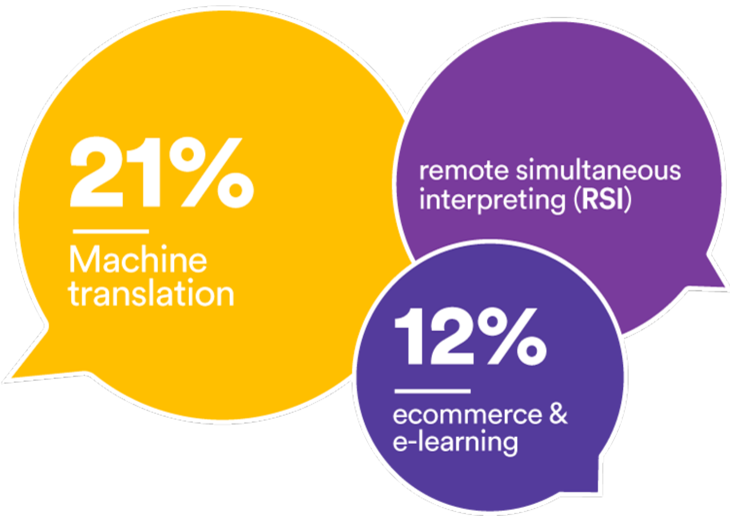
When looking at these data it is important to bear in mind that these results represent a numerical count, showing how many players offer a certain service or operate in a certain vertical. They do not reflect the market share by revenue.

Business challenges and opportunities

2020 was a year like no other before. The global COVID-19 pandemic impacted language service companies of all sizes in one way or another, whether it was a decrease or increase of business, a shift to remote work, or a stronger focus on technology. While this is the result of the last 18 months, we wanted to know what lies ahead and asked survey respondents what the biggest challenge they are facing in 2021 and beyond is.

Interestingly, 28% of companies reported that their biggest challenge in the next year will be to keep up with the growth they achieved over the last financial period. In addition, an equal number of language service companies (16% each) listed recruitment, consistent sales and marketing, and keeping up with technology trends as the next biggest challenges they are facing.

Wider market research by Nimdzi has found that, for many language service companies the pandemic exposed blindspots, but also fuelled innovation, accelerated the use of technology, and created new opportunities. For many market players, all of this translated into a need to restructure their business — whether it was streamlining internal operations, offering different services, entering new client verticals, or using new technologies. Particularly the shift to remote operations required many businesses to step up their technology game, which is both costly and (initially) time intensive.



Current market trends and opportunities

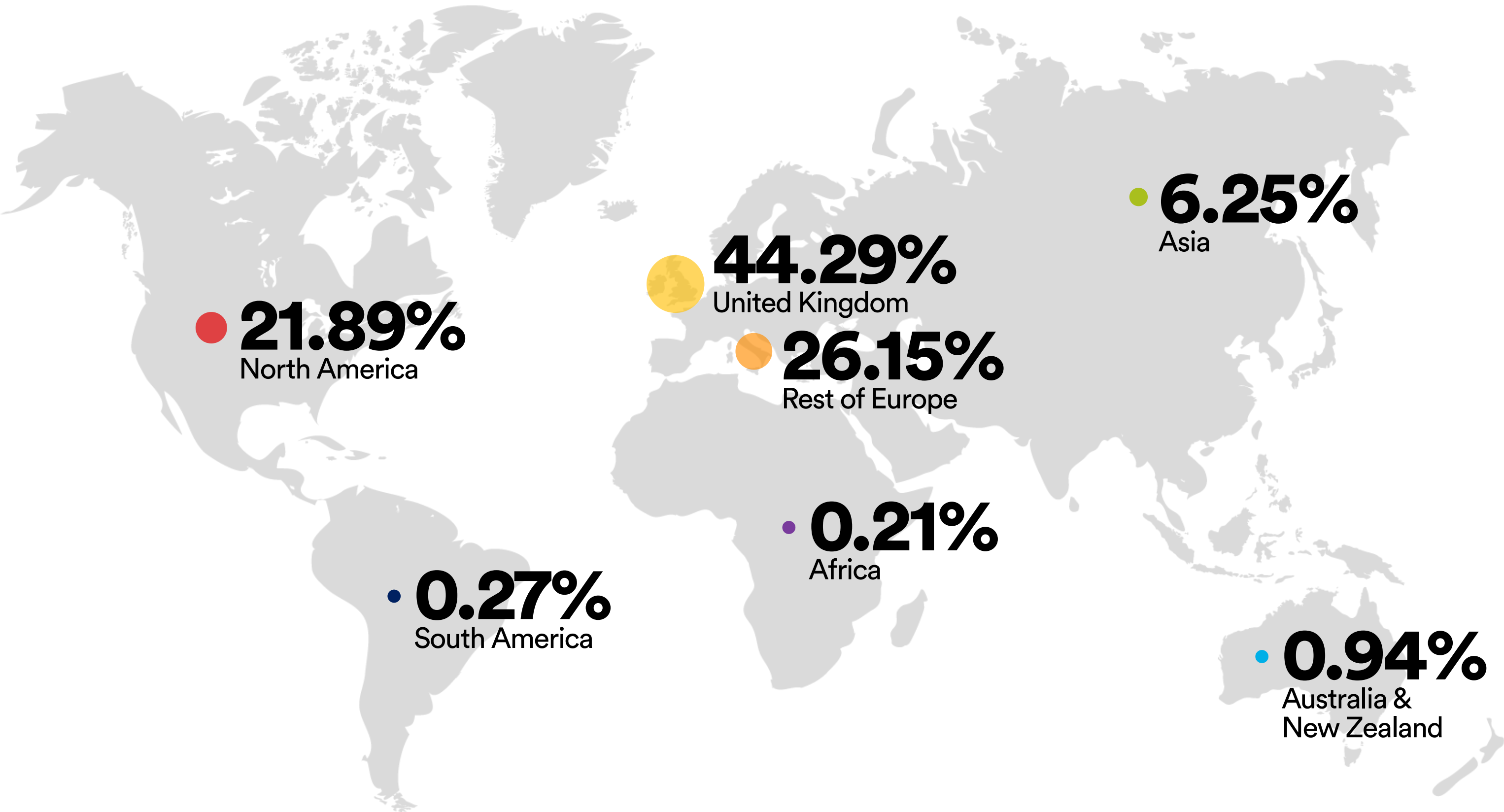
Keeping this overarching trend in mind, it is not surprising that challenges like recruitment, sales and marketing, and keeping up with technology trends are among the top-of-mind challenges of language service companies in this year's ATC UK survey. In fact, 12% of respondents also reported restructuring their business as the most important change of 2020.

When asked about current market trends and opportunities, 21% of respondents named machine translation (and post-editing) as both a trend and an opportunity they are seeing in the UK market. This is followed by remote services, such as remote simultaneous interpreting (RSI), but also ecommerce and e-learning (12%). All of these trends are aligned with global market trends reported by the largest language service companies around the world, as detailed by Nimdzi in the 2021 edition of the Nimdzi 100.

Where the clients are

We asked survey respondents to indicate the percentage of their revenue derived from customers based in different parts of the world. The results show that, on average, almost half of a UK language service company's revenue comes from domestic clients (44.3%). The rest of their revenue originates in continental Europe (26.1%) and North America (21.9%), followed by Asia (6.3%), and Australia and New Zealand (0.9%).

It is worth noting that not much has changed in this regard over the last two years. Compared to 2019 figures, there is only a slight decrease in revenue coming from the domestic market (-3.4%), the rest of Europe (-4.4%), and the rest of the world (-1.6%). The loss of revenue from these three regions seems to have shifted to revenue being generated from clients based in North America (+6.3%) and Asia (+3.4%).



Brexit

Brexit came into effect on January 31, 2021. Yet, there is still a lot of uncertainty around it. In this year's survey, **47% of respondents reported worries over future effects of Brexit while 20% stated that they are already experiencing negative effects from it**. The two main challenges, which close to one-third of respondents listed in direct relation to Brexit, are acquiring new talent and a decrease in work as a result of clients moving away from the UK. The third challenge companies reported was a lack of visibility into how the shifting regulations will affect them in the future.

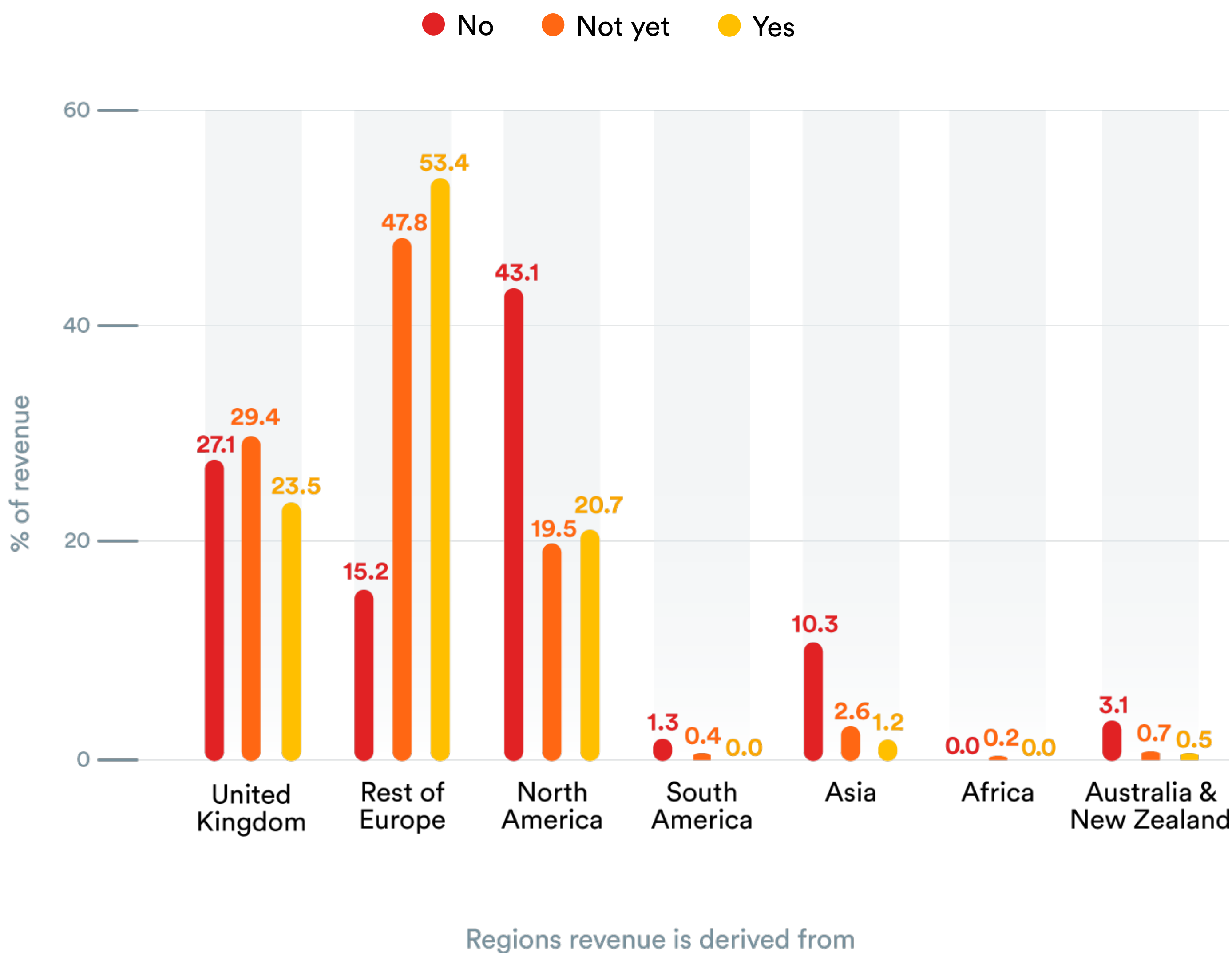
> **Dissecting the data in more detail, it stands out that both the language service companies that reported that Brexit is already having a negative impact on their business and the ones that still expect Brexit to negatively impact them in the future are also the ones which derive more than one-third of their revenue from clients located in the EU. LSCs for whom North America is the second strongest client market after the UK predominantly stated that Brexit has not affected their business.**

These takeaways are based on the answers of all respondents, regardless of company size. Using this approach, unsurprisingly, the UK appears to be the biggest client market for the ATC members. However, if we do consider company size and look at the total revenue of all respondents and then calculate the percentage of revenue derived from different parts of the world, the data tell a different story. **Namely, that the EU is the strongest revenue generator for language service companies in the UK**.

This is in line with findings from other Nimdzi studies, which found that the EU is the largest driver of localisation demand in the world.

Bringing this back to concerns over Brexit, it stands to reason that language service companies that depend on clients in the EU for a large portion of their revenue stream are also the ones that are either already experiencing challenges due to Brexit or fear that Brexit will negatively impact them in the future. For companies in this group, the UK still remains the second strongest revenue generator, followed by North America.

On the other end of the scale, language service companies that were not affected by Brexit generate most of their revenue in North America, with the UK being in second place and clients from the EU only representing the third strongest revenue stream.

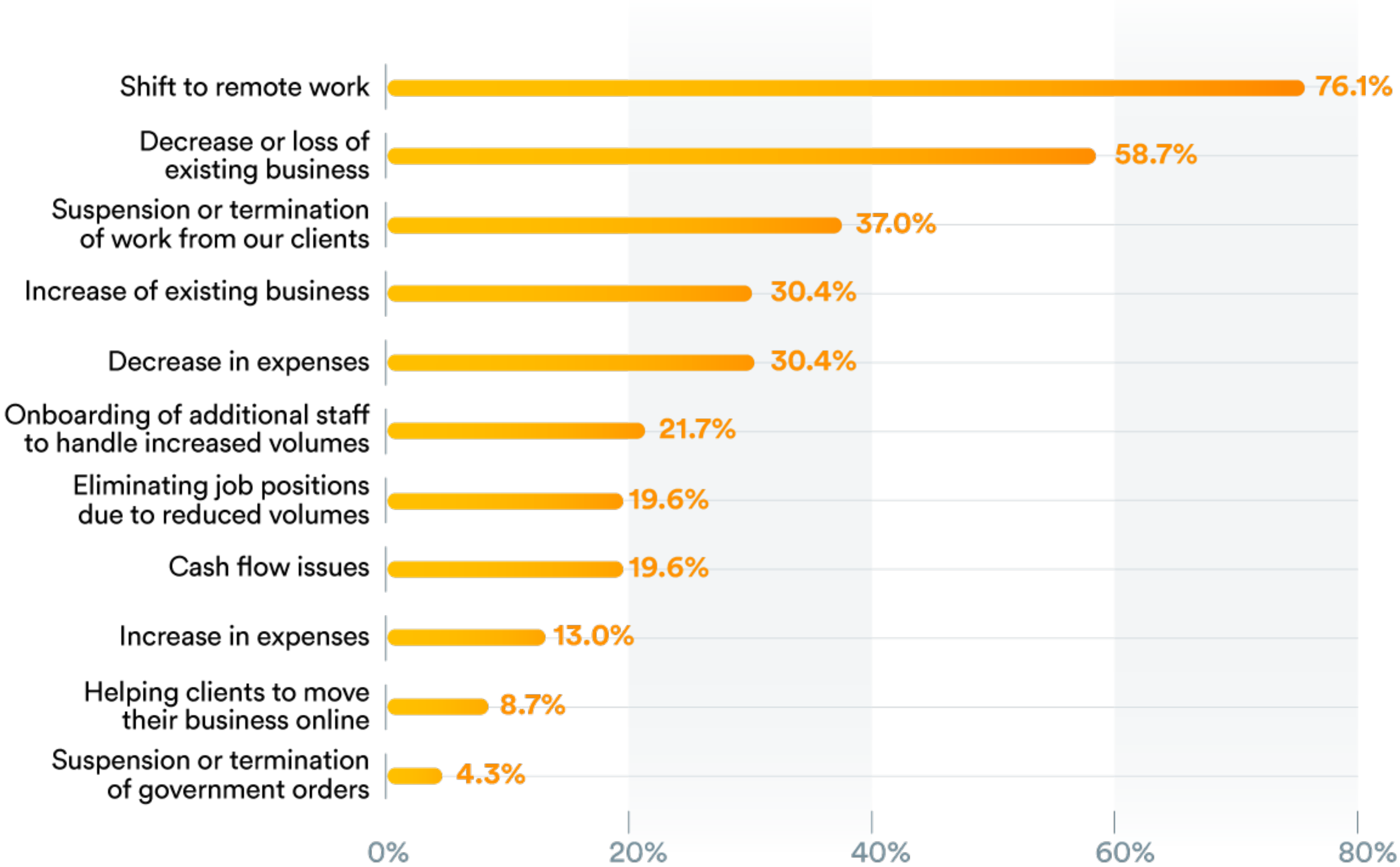


Impact of COVID-19

The data show that UK businesses were not unaffected by the COVID-19 pandemic. Almost 60% of respondents highlighted a decrease or loss of existing business and 41.3% reported that they saw a suspension or termination of work from clients or government contracts (37% and 4.3% respectively).

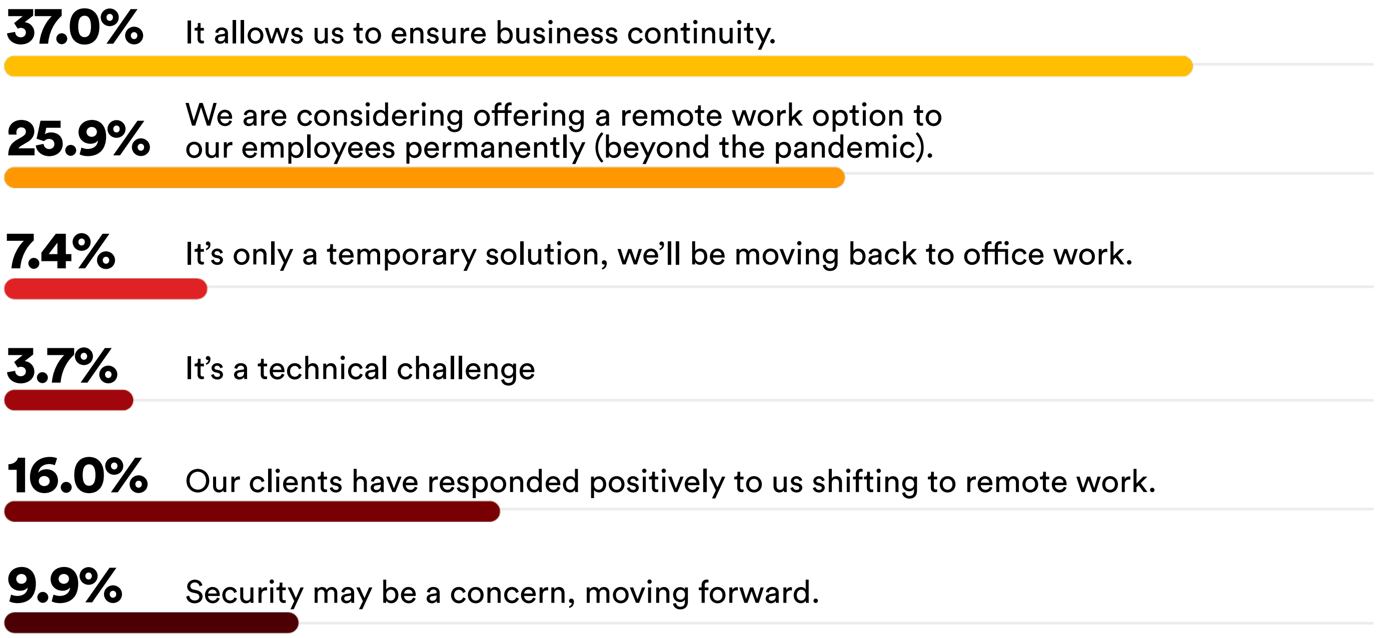
These figures were relatively consistent across all company sizes. Interestingly, although fewer large companies reported a decrease in work, the same revenue group also stated that they eliminated jobs due to decreased workloads.

What stands out from the data is that 100% of companies that reported cash flow issues or an increase in expenses as a result of COVID-19 were small companies with revenues of less than GBP 1 million. (In fact, all reported revenues below GBP 500,000).



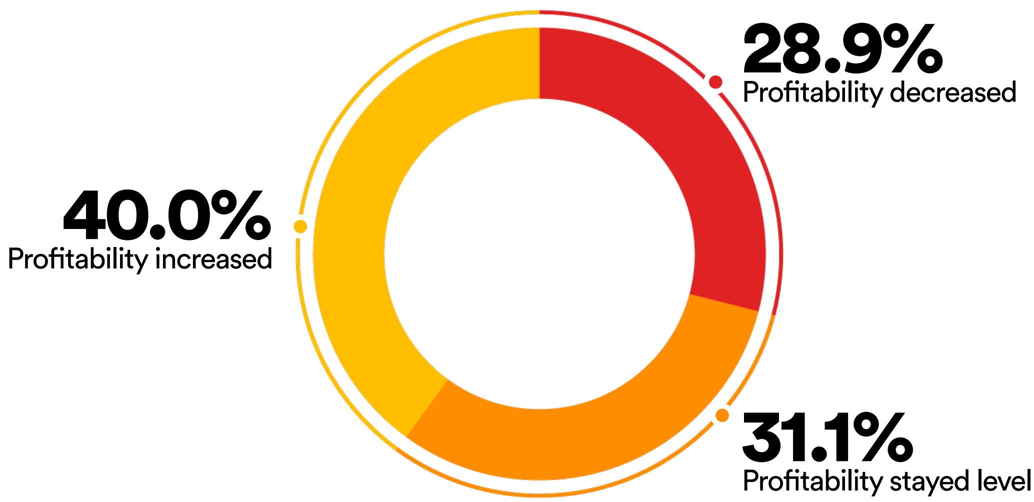
A shift to remote work

In addition to the effect on volumes of work, and subsequently revenue, three-quarters of respondents reported a shift to remote work as a result of the pandemic. Digging deeper into this topic, the results show that the vast majority (79%) of language service companies have a positive view on remote work, while almost 14% of respondents reported security concerns (9.9%) or technical challenges (3.7%) related to the work-from-home (WFH) model. 25.9% of respondents are considering offering a WFH option to their employees beyond the pandemic, whereas 7.4% want to return to onsite operations.



Increased profitability

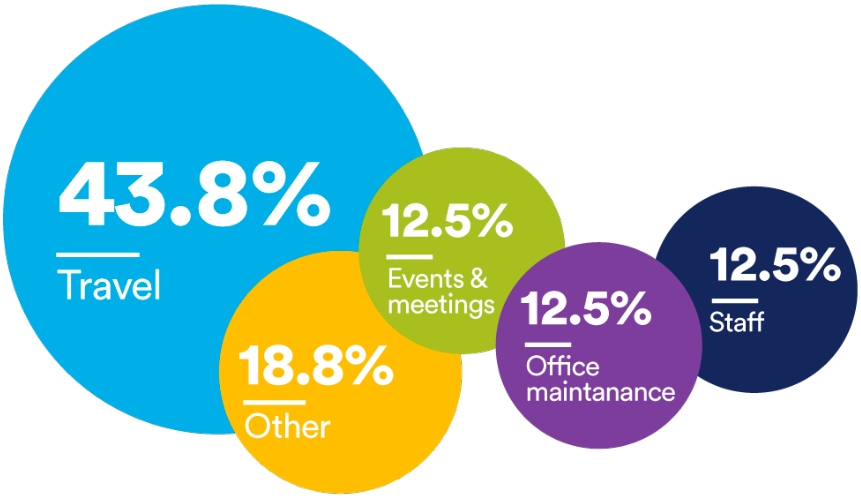
Revenue is vanity, profit is sanity. 40% of survey respondents reported that their profitability increased in 2020, while an additional 31% said that their profitability stayed level with the previous year. These findings are similar to the global trend reported in the Nimdzi 100, where 45.5% of the largest language service companies in the world recorded an increase in profitability over the latest financial period and 35.6% retained their profitability levels.



This increase in profitability comes as no surprise when the side effects of the lockdowns are considered, i.e. no or very little travel, reduced need for office space, and no in-person events. All of these byproducts of the pandemic translated into a decrease in expenses which in turn increased profitability. This theory is further confirmed when we take a closer look at the decrease in expenses companies reported.

Decrease in expenses

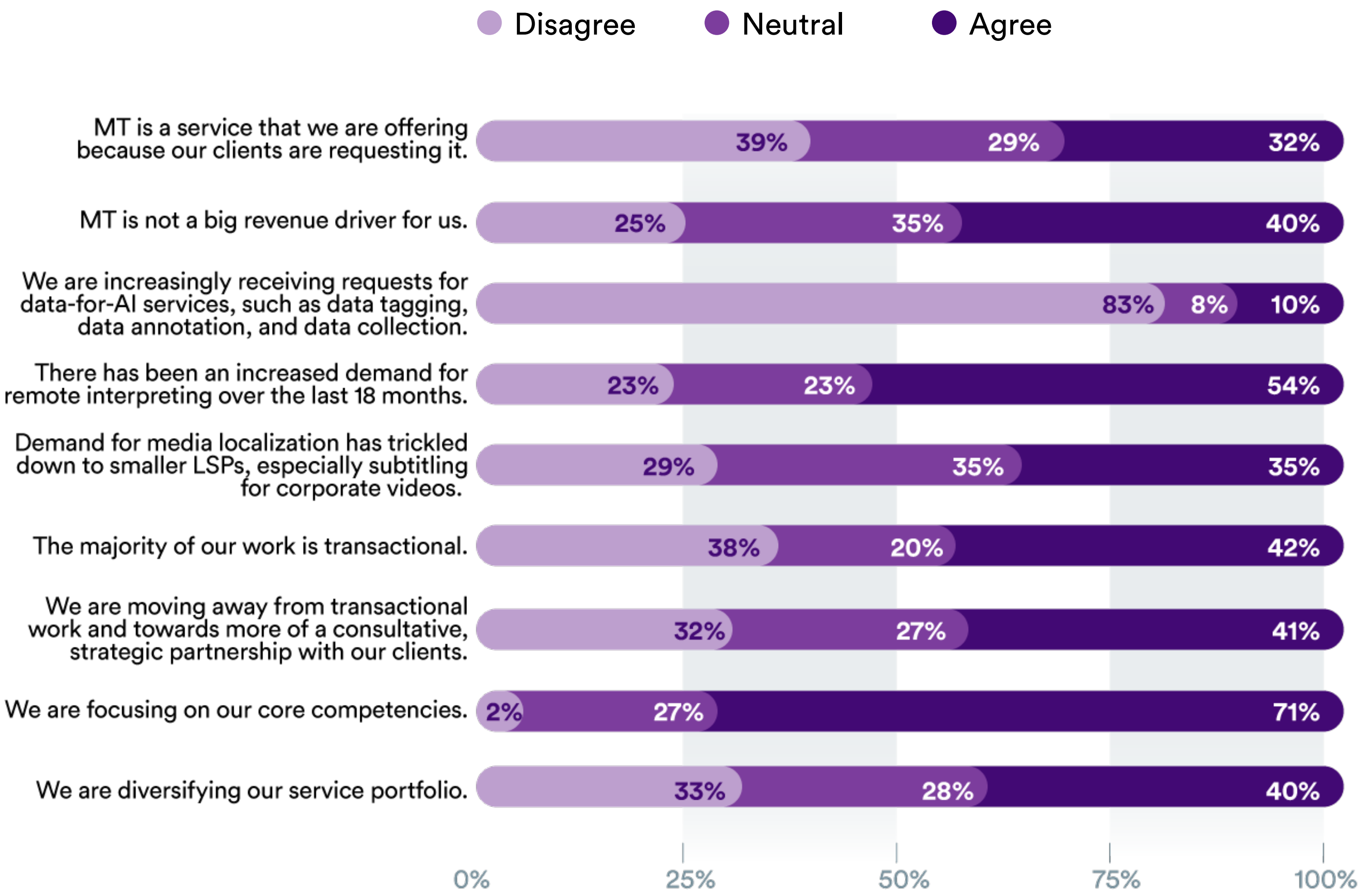
Close to three-quarters of respondents confirm that they had a decrease in travel expenses. An additional 12.5% each stated that they had fewer expenses from events and meetings, as well as office maintenance.



How do SMEs in the UK relate to global market trends?

The focus of the ATC and of this report are the SMEs in the language services industry in the UK. So while the focus remains on the trends that are shaping the business of these language service companies, we were curious to see how SMEs in the UK relate to global trends Nimdzi identified in our wider market research.

The below graph shows the consolidated level of agreement with each trend we inquired about.



Let's hone in on the takeaways we can gather from this graph.

40% of survey respondents stated that MT is not a revenue driver for them. This is in line with the global trend for large language service companies. Nimdzi's research shows that, on average, LSCs only derive between 7-10% of their total revenue from MT-related work. Furthermore, as identified through surveys and interviews with market players, the majority of language service companies in the global market predominantly offer MT because it is a service their clients are requesting. While about a third of UK language service companies agree with this statement, close to 40% disagree. One possible explanation may be that LSCs do not want to be left behind by their competitors — and so they round out their offering with MT-related services.

Like their colleagues around the globe, more than half of respondents (54%) have seen an increase in requests for remote interpreting. This is not surprising given that lockdowns and safety measures significantly restricted people from meeting in person.

A trend among the largest language service companies in the world is that they are increasingly moving away from transactional work, to focus on master service agreement (MSA) based business instead. However, our research has found that this trend is not necessarily true for companies in the small to mid-market segment. The results of our survey here show that, indeed, for 42% of SME players in the UK the majority of their work is transactional. That being said, 41% of survey respondents also report that they are moving away from transactional work. What this shows is that we might be at the beginning of a larger trend, as the move away from transactional work has started to trickle down to some language service companies in the mid-market segment.

As the needs of buyers are becoming more complex, large language service companies across the globe are pivoting and adapting to meet those requirements, for example, by diversifying their language service portfolio, as well as adding adjacent services to their offerings. Consequently, they are becoming "corporate service providers" or rather business partners to help clients expand their international business. In the ATC UK survey, 40% of respondents state that they have started diversifying their service portfolio. This is a high percentage considering that the majority of respondents are in the small to medium-sized range, and on a global scale the trend of service diversification is mostly true for the largest language service companies in the market. A possible explanation could be that the pandemic created a need for language service companies of all sizes to add new services to meet the changing needs of their clients, as a number of language service companies reported during interviews.

That being said, 71% of survey respondents also stated that they are focusing on their core competencies, which is in line with the global trend. Nimdzi's research has found that the smaller players in the market (which make up close to 80% of the industry) tend to focus on specific verticals and services covering niche needs within the market. There will always be a need for these boutique language services. However, boutique language service companies will need to highlight their value proposition and show how they contribute to the supply chain. Quality and price are no longer sufficient positioning strategies.

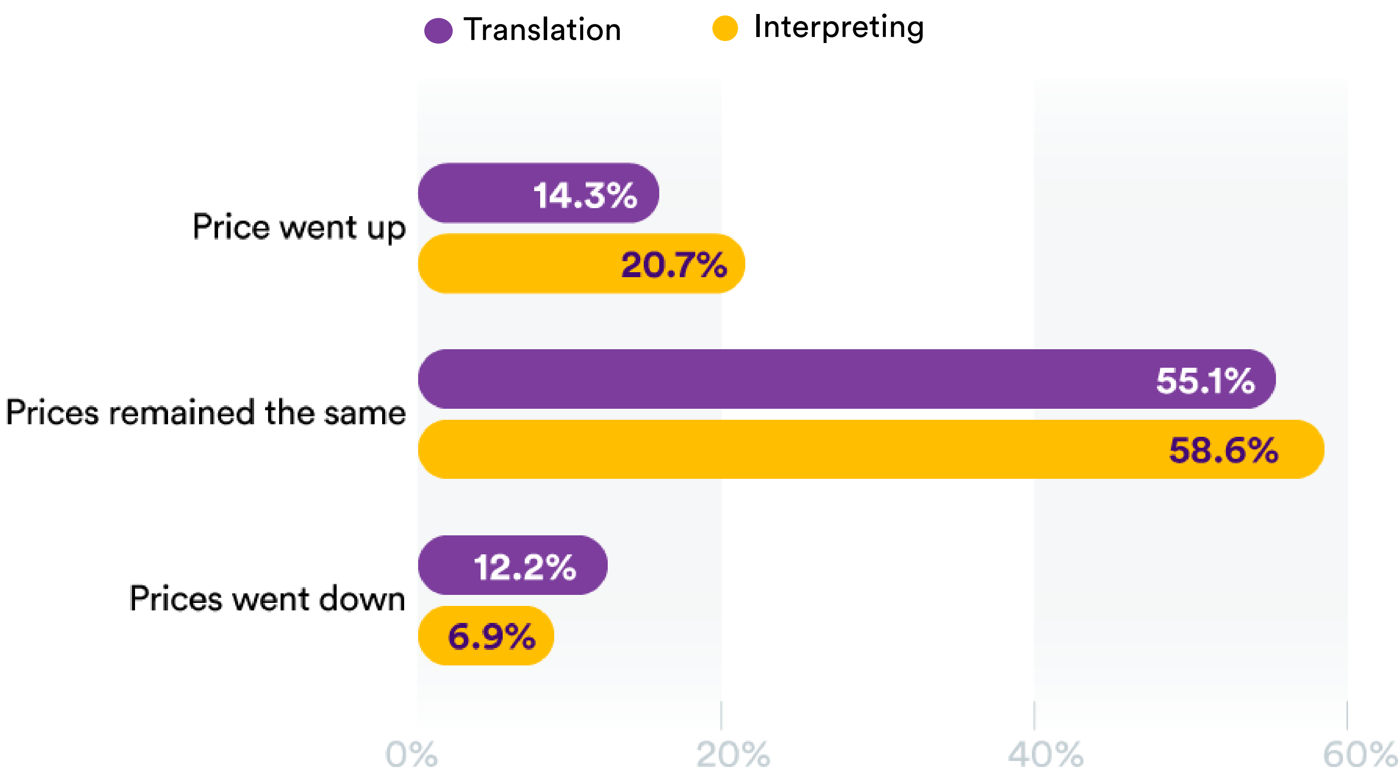
Another trend that is not new but certainly accelerating is that demand for media localisation has started to trickle down to smaller, traditional language service companies. This is mostly due to the rise of video content, which is booming in almost every segment of the industry. The trend was accelerated further by the pandemic, when businesses around the world pivoted to remote operations and moved their onboarding and other corporate training to pre-recorded videos with captions and/or subtitles. About one-third of the ATC members who responded to the survey confirm that they are experiencing this trend, while an equal amount disagree with the statement and another third neither agree nor disagree.

One of the most hyped services for the language service industry in recent years has been language data for AI, which is the last trend we inquired about. More than 80% of respondents to the ATC survey said that they are not receiving requests for data-for-AI services, such as data tagging, data annotation, and data collection. This indicates that, at least for now, this is not a trend that has trickled down to the SME segment of the UK market.

Pricing trends in the UK

Data gathered in this year's survey show that for both translation and interpreting prices remained stable. This is a good indicator, especially considering economic forces such as the COVID-19 pandemic and Brexit that could have impacted this part of the business.

There is slightly more evidence that prices increased marginally in the interpreting sector, as a larger proportion of companies reported prices increasing and fewer companies reported prices decreasing. However, the overwhelming response is that prices have stayed the same.



That being said, a few participants reported that they reduced their prices over the latest financial period in an attempt to keep up with the competition. In the translation market, close to one-quarter of respondents (24.5%) tried this approach, whereas only 13.8% of businesses offering interpreting services did the same.

Gross margins by line of business

Gross margin is the difference between revenue and cost of goods sold (COGS) divided by revenue. In language services, this typically means the percentage that the language service company keeps after being paid by the client and paying the linguists.

Most companies reported higher margins for translation services than interpreting services — about 10-15% higher, on average.

Margins for translation services ranged from 20% to 77%. The average margin was 47.1%. There was little differentiation in profitability of large and small language service companies when it came to translation services. In fact, the two companies that reported the highest and lowest gross margins happened to report almost the same revenue for 2020.

Margins for interpreting services ranged from 10% to 67%. The average margin was 33.5%. As with translation services, there was little differentiation in profitability of large and small language service companies when it came to interpreting services. Companies with revenues below GBP 1 million reported virtually the same margins, on average, as companies with revenues greater than GBP 1 million.

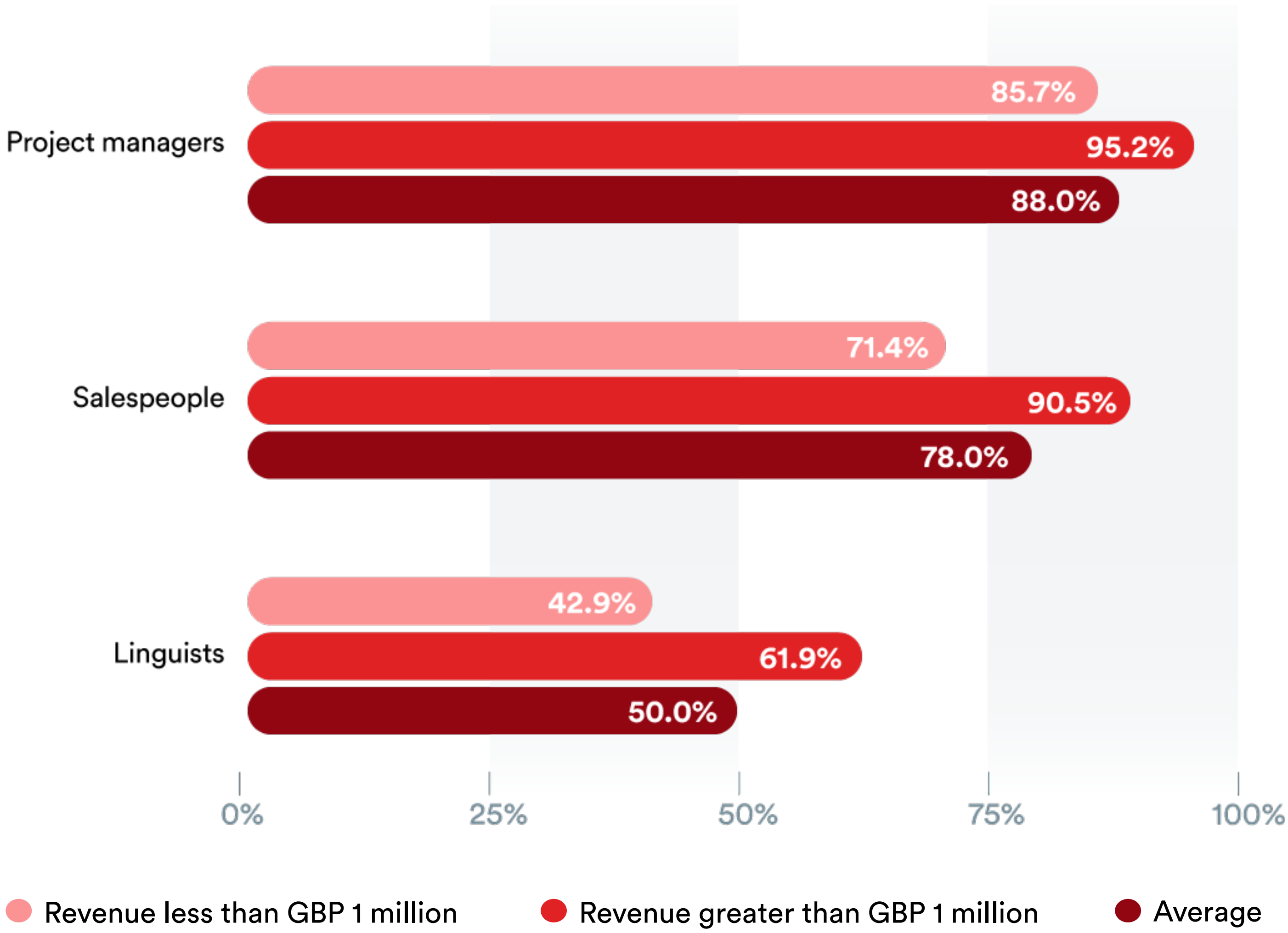
Gross margins detailed

	Translation services (%)	Interpreting services (%)
All	47.1	33.5
More than GBP 1 million	47.3	33.6
Less than GBP 1 million	46.9	33.5
Min.	20.0	10.0
Max.	77.0	67.0

The averages for gross margins are very much in line with global averages, which are 40-50% for translation and 30-40% for interpreting services.

Staffing and hiring trends in the UK

The below graph shows which roles are covered by full-time, in-house employees within companies of different sizes in the UK.



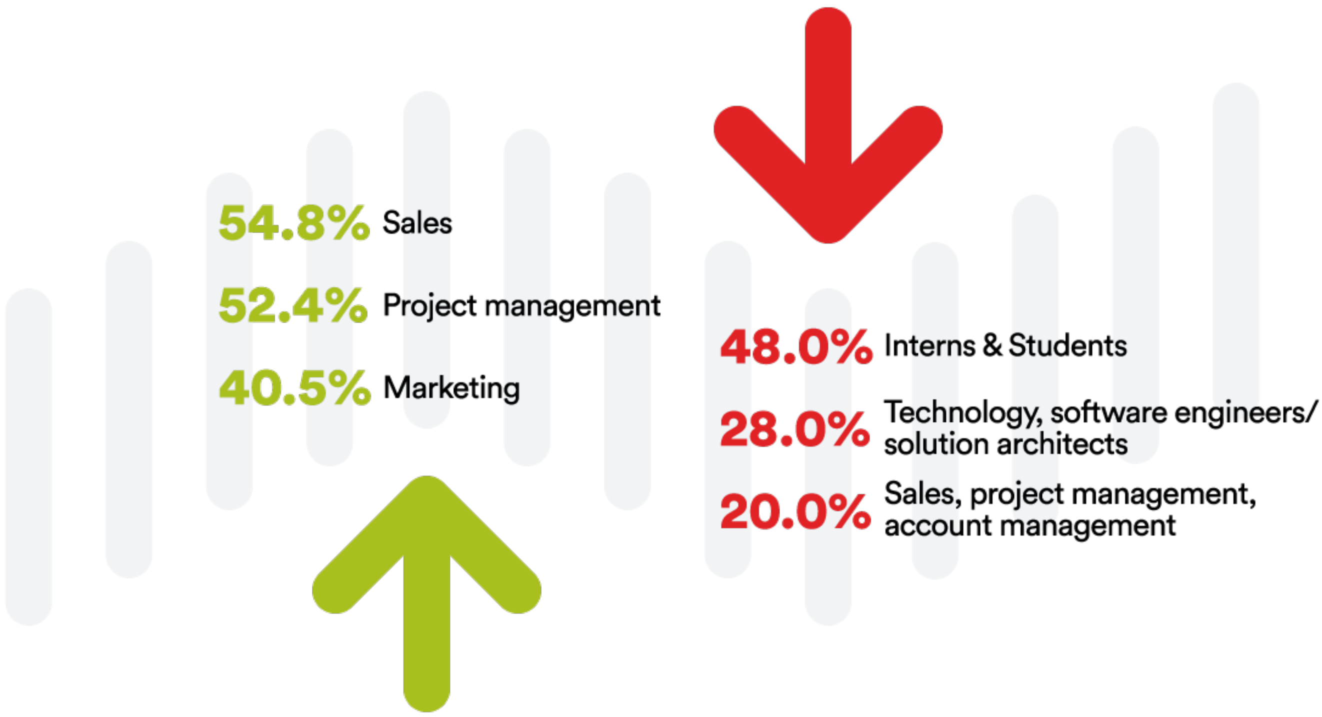
The data show that there is only a minor difference between companies with revenues below and above GBP 1 million when it comes to employing in-house project managers. Seeing as project management can be described as *the* core service that language service companies provide, it is no surprise that project managers are on top of the hiring list for language service companies of all sizes.

There is a wider gap between the smaller and the larger players in the UK market when it comes to the amount of sales people and linguists on staff. The data show that close to 20% more large language service companies (90.5%) employ sales people than the smaller players (71.4%) in the market. On the surface, the explanation for this difference could simply be that companies with larger revenues can afford to hire more in-house staff. **However, other studies by Nimdzi Insights have found that companies with designated sales teams typically grow faster and achieve higher revenues**. While there does not need to be a direct correlation, it is interesting to note that where the data points overlap is that companies with larger revenues tend to have sales teams.

When it comes to in-house linguists, the figures look similar — close to 20% more companies with revenues above GBP 1 million (61.9%) directly employ linguists as opposed to businesses below GBP 1 million (42.9%). The figures reported in the survey are unusually high when compared to the global industry standard. Especially the largest players in the global language services market, for instance those in the Nimdzi 100, work almost exclusively with freelancers. That the figures for in-house linguists are so unusually high among respondents to the ATC survey might simply be reflective of the survey's target audience: the medium sized language service companies. When it comes to having linguists on staff, it is exactly the mid-segment that typically stands out.

The top and the bottom of the hiring chain

When asked which roles increased in importance and/or number over the last two years, the survey respondents listed roles in the areas of sales (54.8%), project management (52.4%), and marketing (40.5%) as the top three.



On the flipside, when asked about the roles that decreased in importance and/or number over the same period of time, respondents named interns & students (48.0%), and technology, software engineers/solution architects (28.0%) as the top two. Sales, project management, and account management shared the third position in this category (20.0%).

Salaries in the UK:
an overview of trends

Andrew Jones
Global Language
Service Director

For this year's report, the ATC and Nimdzi Insights teamed up with Adaptive Globalization, a leader in the field of specialised recruitment for the language services industry. The Nimdzi Insights team talked to Andrew Jones, Adaptive's European Team Lead, about the recent evolution of salaries in the UK and what the future outlook for the job market in the UK is.

Question: What stands out to you when you look at how salaries have been evolving in the language services space over the past few years?

Andrew: Salaries in our industry have improved faster than the national averages in all countries with large economies, very much across the board. With the rise in demand and the rise in competition from tech companies we have seen improvements of over 18% in basic salaries for like-for-like roles since the start of 2018, with the rate of improvement being highest in big cities like London, Warsaw, Dublin, New York, and Munich. This goes for roles both in operations and sales, but it applies in particular to entry and mid-level roles such as project managers and business development managers.

Question: How do salaries in the UK compare to other countries?

Andrew: UK salaries are largely in line with comparable roles in other European countries such as France, Germany, and the Netherlands. However, they are still significantly smaller than those offered in the US. For example, a project manager in London with three years of experience will earn circa £30,000 - £32,000, in Berlin it will be €32,000 - €38,000, but in New York they will earn between $65,000 - $80,000. That is as much as a 35-45% difference between project managers in the UK and those in the US. That being said we are seeing the fastest wage growth in what were formerly low-cost centres such as Poland and Spain due to the rise in competition over labour.

Question: Are companies in the UK competitive enough when wanting to attract talent for key roles in sales or production?

Andrew: In short, when looking on the vendor side in our industry, there are no major outliers in terms of competitive salaries. Most companies pay roughly in line with each other (obviously some higher and some lower), with really no stand-out great payer or awful payer. However, there are a few "danger areas" where the industry is struggling to attract or retain talent and those are:

01 On the client side, companies tend to pay £5k - £15k more for the same kind of roles as the language service companies.

02 SaaS companies present a risk for sales roles as SaaS companies tend to offer far better packages with base salaries being £10k+ higher and commission schemes paying between 9% and 15% — so offering double OTE rather than the 3% -7% we see as standard in our industry.

03 Graduates: There is an increasing danger of losing graduates as starting salaries for multilingual roles outside the industry have gone up faster than those of translation vendors. We foresee this danger becoming ever greater as well post Brexit due to fewer companies wanting to hire Europeans on visa and instead trying to bridge the gap with UK-based multilingual graduates.

Question: The COVID-19 pandemic and Brexit are two events that have had an effect on the UK language services industry. Have they had an effect on salary levels, however? Has there been any adjustment to salaries or do you anticipate one?

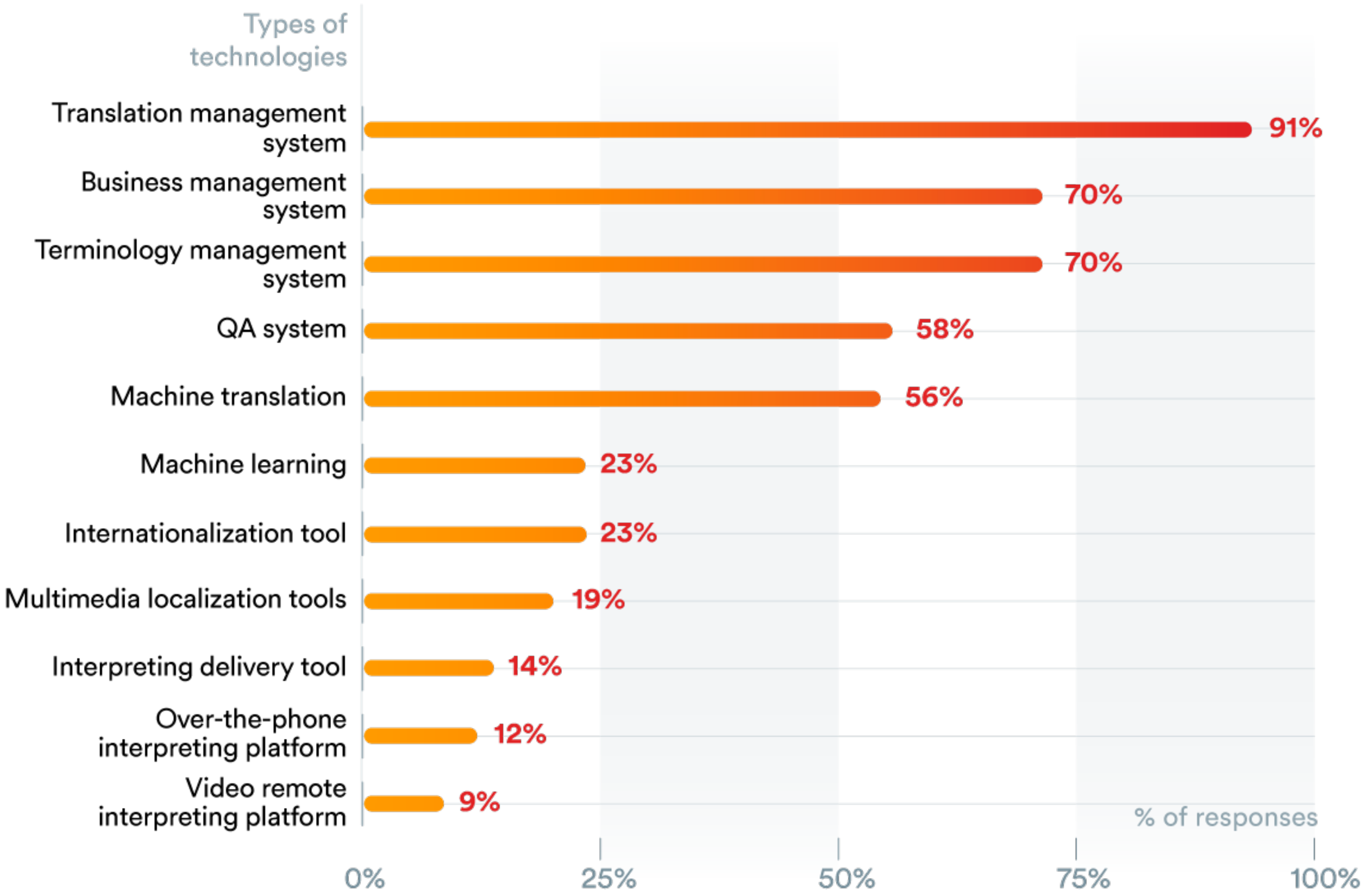
Andrew: Not yet. We haven't seen an unexpected rise in salaries (beyond the upward trend already mentioned) just yet. However, we do expect difficulties to increase, especially over the coming weeks and months as we experience the first wave of freshly graduated students not based in the UK who cannot relocate to the UK without a visa. Demand is increasing and we are seeing more requests for UK nationals or those with rights to work in the UK without a visa. As this demand continues to increase — due to an increasingly limited talent pool — we do expect salaries to rise, particularly for operational staff.

Question: When looking at salaries in the UK, what regional differences stand out? From your perspective, do companies have a harder time attracting talent due to the disbalance in salary levels in different regions?

Andrew: London stands out as the most expensive place. Salaries in London and the surrounding areas are 15%-25% higher than most other places in the UK. The further north or west you go, the more salaries drop, with lowest salaries being found in parts of Scotland, Wales, and around Leeds. Companies generally do not struggle to recruit at the lower levels despite the regional salary differences because most companies will try to go for graduate-level talent to fill their roles. However, it does become an ever-increasing challenge the more senior the talent search becomes.

Technology

Technology creates an opportunity for all language service companies regardless of their size, and these days the use of technology has become commonplace. This is confirmed by the data from this year's survey.

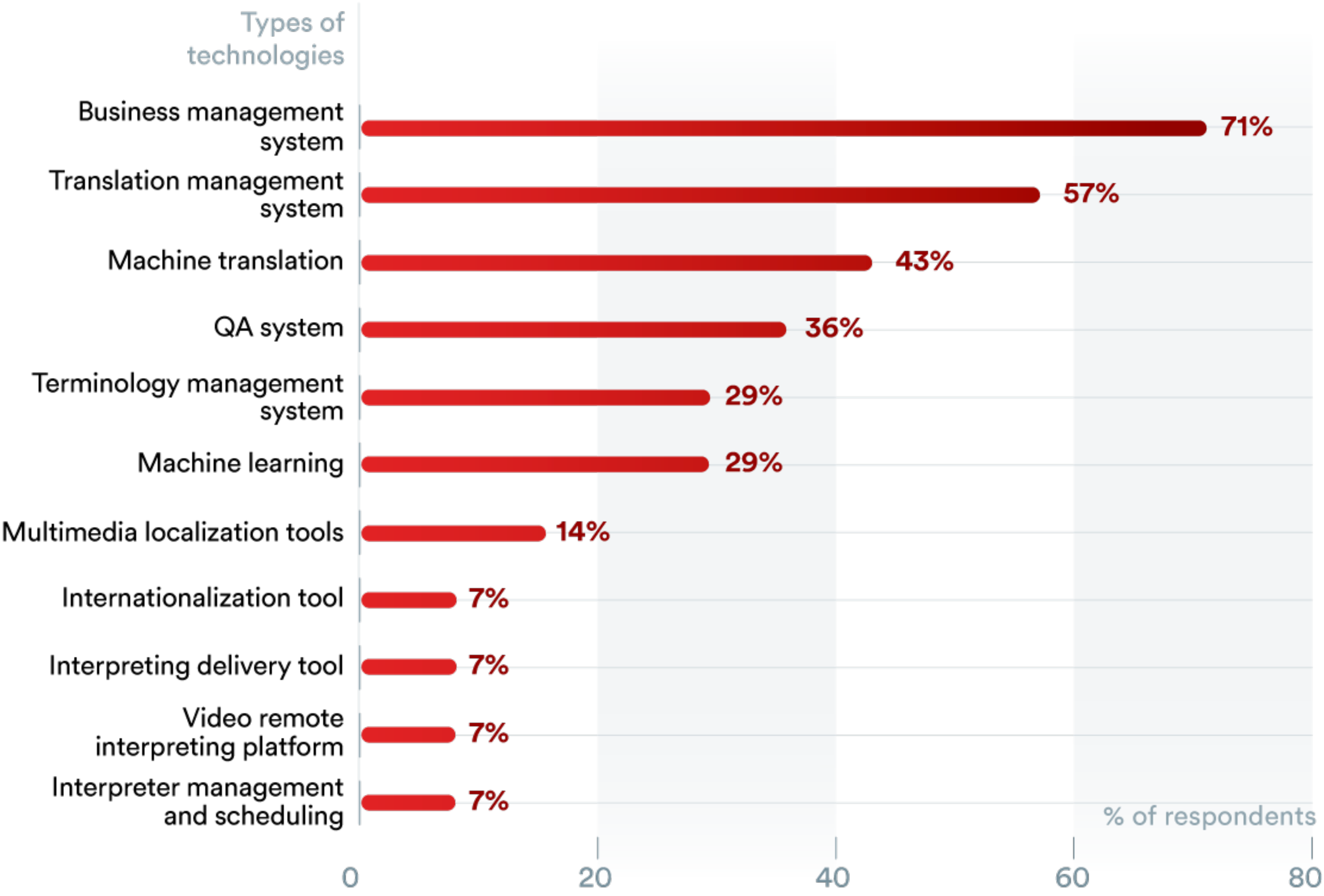


Of the respondents to the ATC UK survey, 91% use a translation management system (TMS) and 70% a business management system (BMS). This is no surprise, as both types of technologies have become a staple in language service companies' translation and localisation management workflows. Next in line is terminology management, with 70% of respondents reporting use of specific tools to manage term bases and glossaries. QA tools and machine translation (MT) solutions are used by more than half of the companies that participated in this study.

As digitalisation continues, volumes increase, and client needs become more complex, the use of technology will become ever more important.

Proprietary technology

There is a wide range of solutions to choose from, but many language service companies still opt to develop their own technology, especially custom solutions to manage translation workflows. What's more, there is an ongoing battle between cloud and desktop platforms that makes it more difficult for language service companies to decide which solution to use.



What stands out is that the majority of UK mid-market segment respondents (64%) develop proprietary technologies. This figure is higher than for the largest language service companies in the global market. For instance, in the Nimdzi 100 survey only 56% of respondents reported that they develop their own proprietary technology. The responses are indicative of a market that continues to mature in its relation to technology.

> **As language service companies grow in size and their operations become more structured, they realize the need to automate and optimise the management of repetitive tasks in order to focus the time of their personnel in other value-add areas such as customer service. UK language service companies seem to be especially well-equipped to tackle this new reality of technology becoming central to the localisers' jobs.**

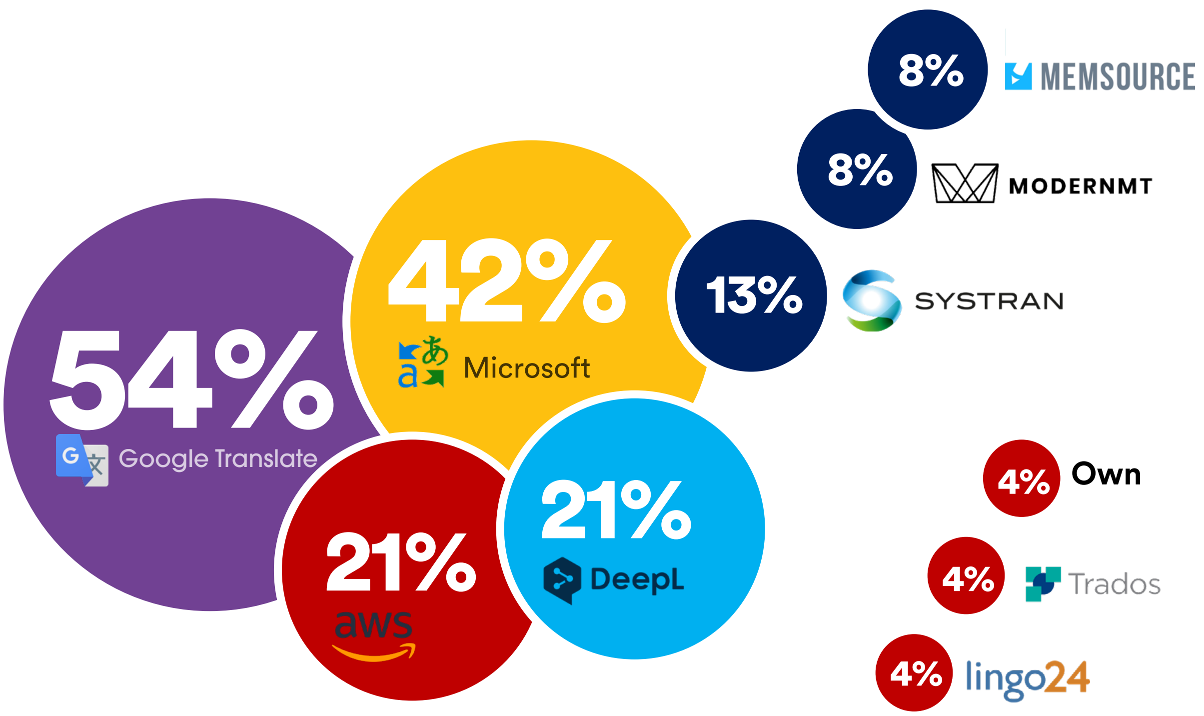
Almost three-quarters of respondents have their own business management systems (71%), and 57% use their own proprietary translation management system. That the number of language technologies has been on the rise is nothing new. For instance, Nimdzi's Language Technology Atlas listed 660 individual tools in 2020 and more than 770 tools in 2021.

Preferences in machine translation brands

Machine Translation (MT) remains a subject of high interest among localisation providers and buyers from all over the world, and the UK localisation market is no exception. When asked about the types of technology trends that have the greatest impact on their business, the majority of respondents named machine translation — for various reasons, such as clients demanding it, fears over the effect on rates, and integrating MT into internal workflows.

Respondents to the ATC UK survey state that, on average, 21% of their projects utilise MT. 58% of respondents utilise MT on less than 20% of their projects, while one-quarter of respondents use MT for between 20-50% of all their projects. The use of MT in 50% or more of projects was reported by 17% of respondents.

Judging by the responses, language service companies tend to use well-established MT providers such as Google and Microsoft. Similar results can be observed in the US where the adoption of MT seems to have taken off more rapidly. The solutions by Amazon and DeepL are gaining their share of the market. In a segment of the language technology market that is flush with a variety of well-established solutions, developing their own in-house solutions for MT is something that is becoming somewhat of a tall order for language service companies. The areas where language service companies can add value when it comes to MT-related services is in helping to educate their clients, helping them select the best engine for their needs, and being flexible and savvy enough to efficiently implement them in their existing workflows when their client asks for it.



What lies ahead?

In the grand scheme of things where business is becoming increasingly global and digitized, events such as the global pandemic or Brexit are arguably but relatively minor blips on the radar. Yes, they are affecting the immediate fortunes of both clients and language service companies, but it's more important than ever before to look ahead.

While short-term the focus remains on course-correcting and ensuring that their businesses endure, it is crucial language service companies remember that, in the long-run, what will make the difference is investing into the level of customer service. **Nimdzi's research shows that while on-time delivery and quality is what clients *expect*, what they *want* is their language service companies to become strategic partners to their global growth.**

Focusing on the "service" part of "language service" may very well require a conscious shift of the mindset for some. As localisation is becoming an increasingly key cog in the global strategies of their organizations, client-side localisation directors are looking for allies, both internally and among their LSCs. With the market incredibly balanced, with language service companies offering practically the same services at comparable rates, what will make them stand out is cultivating the human touch. What language service companies' clients want is to sleep well at night. They want to look good in the eyes of their bosses.

The data point towards the UK continuing to play an important role in the global language services market. Despite the adverse effects of the pandemic and Brexit on some, UK companies have by and large been able to turn the corner and get back to pre-pandemic growth levels faster than others. While the big UK language service companies may be the ones stealing most of the headlines, what truly stands out in this year's survey is the robust and scrappy mid-market segment which makes up the bulk of the UK language services industry. Companies have largely been pushing the right buttons, focusing on their areas of expertise and making smart use of language technology to service their clients.

Technology such as MT is indeed no longer disruptive. It has become accepted. With seemingly little else on the horizon that can shake up traditional localisation workflows, the way forward for language service companies lies in continuous investment into technology, and supplementing it with a healthy dose of premium customer service. UK language service companies could very well have a small head start.