Association of Translation Companies

UK Language Services Industry Survey and Report 2023

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Foreword

Every other year, the ATC's UK Language Services Industry Survey and Report charts the trends and drivers of the second-largest national market of language services, the United Kingdom.

Every other year, the report gives us invaluable insights into how the UK's language services market is developing, enables ATC member companies to benchmark their business and services against the wider industry landscape, and informs our friends, partners and stakeholders across the UK, EU and the world.

This 2023 Report is no exception. This much we know today: the UK's language services industry is diverse and resilient. It has not just weathered several crises over the past two years, but bounced back even stronger. Within the UK landscape, the majority of language service companies (LSCs) have turned the past years' challenges into successful growth strategies and have diversified service and technology portfolios. They continue to support a largely domestic market, and to facilitate international business and export growth.

However, what we also know is that this landscape is not the same for everyone, and that we are starting to see gaps emerge between micro, small and medium-sized companies. Micro companies – those turning over up to GBP 2 million – are not growing at the same rate as small and medium-sized companies.

What we don't know is where the journey will take us next. This report marks a pivotal moment in the language services industry, one where the initial buzz around AI-enabled services is dying down and the hard hands-on work of figuring out how to leverage new technologies in language services processes begins.

As the UK's leading association for language service companies, the ATC is committed to supporting member companies of all shapes, sizes and operational models. In the coming years, outstanding service, client-focused solutions and sustainable growth will be at the heart of all of our members' businesses.

We will support their journey by opening doors and building bridges to commercial collaborations with business organisations and client-side trade associations, and signposting tangible, concrete ways in which to integrate new technical solutions into their service offering.

It is our pleasure to present to you this report. We hope that in it you will find valuable insights that inspire you to prepare your business for what is around the corner.

Raisa McNab
Chief Executive Officer
Association of Translation Companies

Methodology

The 2023 ATC Language Industry Survey collected information from respondents on their companies' performance for 2022. Revenue, growth figures, rates and employee numbers are for 2022. Business challenges and strategies were analysed for the current year 2023. Where relevant, data from the previous 2021 ATC Industry Report is referenced. In addition to obtaining data via the survey, Nimdzi conducted a series of follow-up interviews during the months of July and August 2023 with LSC leaders to go beyond the numbers and look for qualitative insights into the day-to-day challenges their companies are facing.

Data collected in the 2023 ATC survey and during the interviews are anonymous, and no identifying details are disclosed throughout the report. The only exception is when referencing revenue data collected during the Nimdzi 100 research in early 2023, where language service companies participating in the research explicitly agreed to the publication of their revenue figures. These appear in the 20 Largest Language Service Companies in the UK section further in the report.

In addition to the data collected in the 2023 ATC survey, the follow-up interviews, and Nimdzi's own data on trends in the language services industry, the ATC and Nimdzi Insights partnered with specialists from across the industry to bring you expert insights on select topics and related trends. A thank you goes out to the following people:

- Cristina Marín Garcés, Senior Localisation Manager at Deliveroo
- John Goldsbrough, UK International Trade Adviser
- Steve Higgins, CEO at Mondia Technologies
- Andrew Jones, Global Language Services Director at Adaptive Globalization

Executive Summary

01

The UK holds an important place in the global language services ecosystem.

The UK has cemented its spot as the largest market for language services outside the United States and China. The estimated market size for language services in the UK is between GBP 1.94 to 2.20 billion in 2022.

02

In the last two years, UK companies have recorded above-average growth.

UK LSCs have been enjoying strong growth over the past two years (15.5% in 2021 and 12.5% in 2022), outpacing that of the global language services industry. 2021 was a bumper year for the language services industry as a whole, followed by a more normalised (but still good) 2022. Caution is advised, however: 2023 likely holds the promise of a slowdown.

03

The domestic market is the largest revenue generator.

UK LSCs see the most demand – and untapped opportunity – in its domestic market, with almost 50% of revenue generated from UK clients. After that, continental Europe (23%) and North America (23%) are the two strongest trade partners for the UK.

04

LSCs' financial markers are sound.

There is good news on the margin front: LSCs are able to maintain healthy margins for both translation (49.5%, on average) and interpreting services (35.6%), well in line with industry averages. Moreover, on balance, companies have adopted the right reflexes to mitigate the constraints imposed by both the economy and outside forces. 41.5% of LSCs have reported increased profitability, and profitability has remained level for close to 30% of companies.

05

More good news: prices are on the rise.

Everyone has been talking about it for a while, and in 2022, LSC leaders finally stopped tiptoeing around it and decided to review prices with their clients. This is more noticeable for companies offering translation (40.6% of translation companies raised their prices as opposed to 30% of interpreting-focused ones). Naturally, mileage will vary – 25% of translation businesses lowered their prices – but the precedent is set, and there is no time like the present to try and renegotiate SLAs.

06

AI: Positive sentiment prevails.

The hype is over. The future is now. Clients are the driving force behind the adoption of AI, and LSCs globally are rolling up their sleeves and testing where AI-powered technology can be leveraged to open new service lines, augment existing ones or drive cost efficiencies. A healthy debate around AI needs to continue, especially as questions around the ethical use of AI solutions persist but, by and large, optimism carries the day.

07

MT is the big winner of 2022.

Lost among the hype surrounding ChatGPT and the like, machine translation (MT) has been quietly making ground, with 70% of UK LSCs actively offering MT-related services in 2022 (up from 46% in 2020). What's even more striking is the fact that one out of three LSCs has been using MT for over 50% of their projects. Questions about the viability of MT need to be put to bed once and for all: MT is a central piece of technology for growth-minded companies.

08

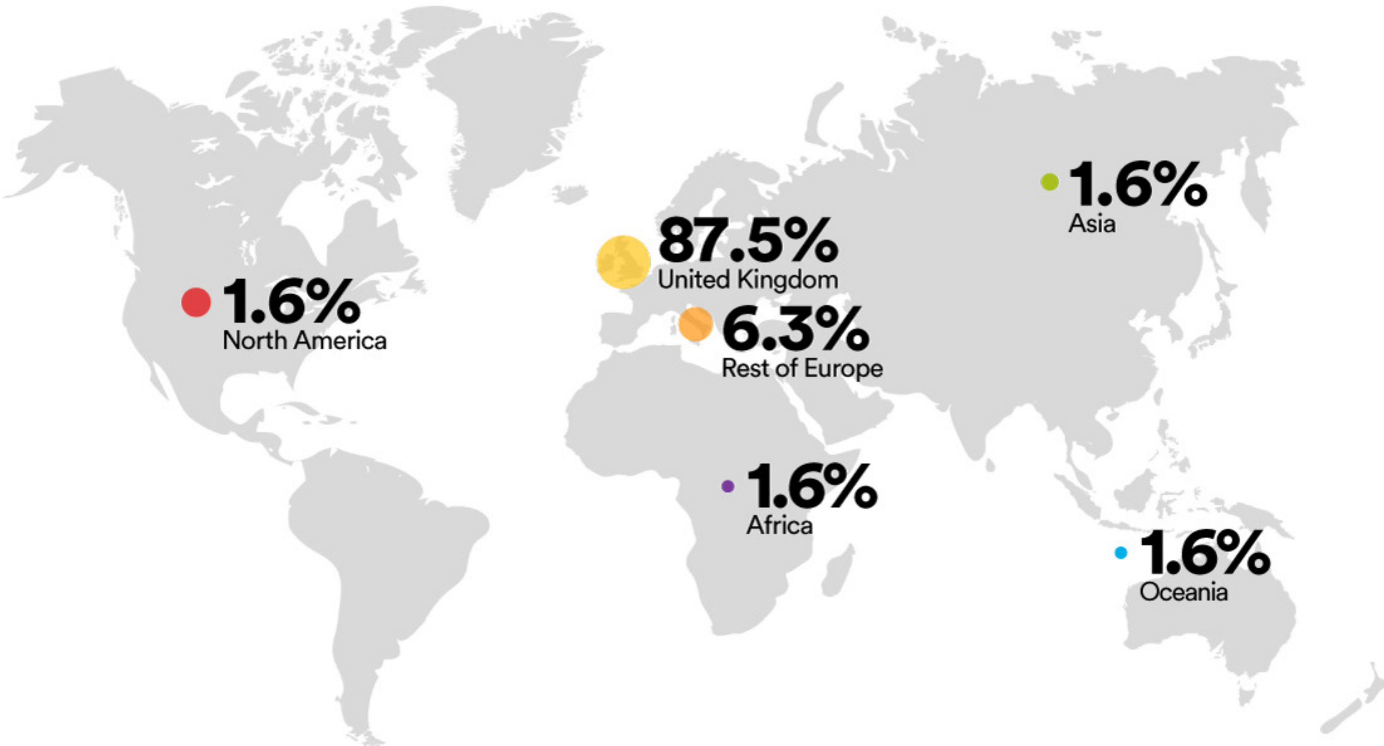
The UK is not insulated from the effects of global events.

LSC leaders agree: Macroeconomic trends such as inflation, the rising cost of living and other factors do influence their business, whether affecting the underlying cost structure or burdening their people. Coupled with pricing pressures and a significant portion of new business being put on hold by clients grappling with their own budgetary restrictions, the industry has been in wait-and-see mode for much of the first half of 2023.

Respondent Company Profile

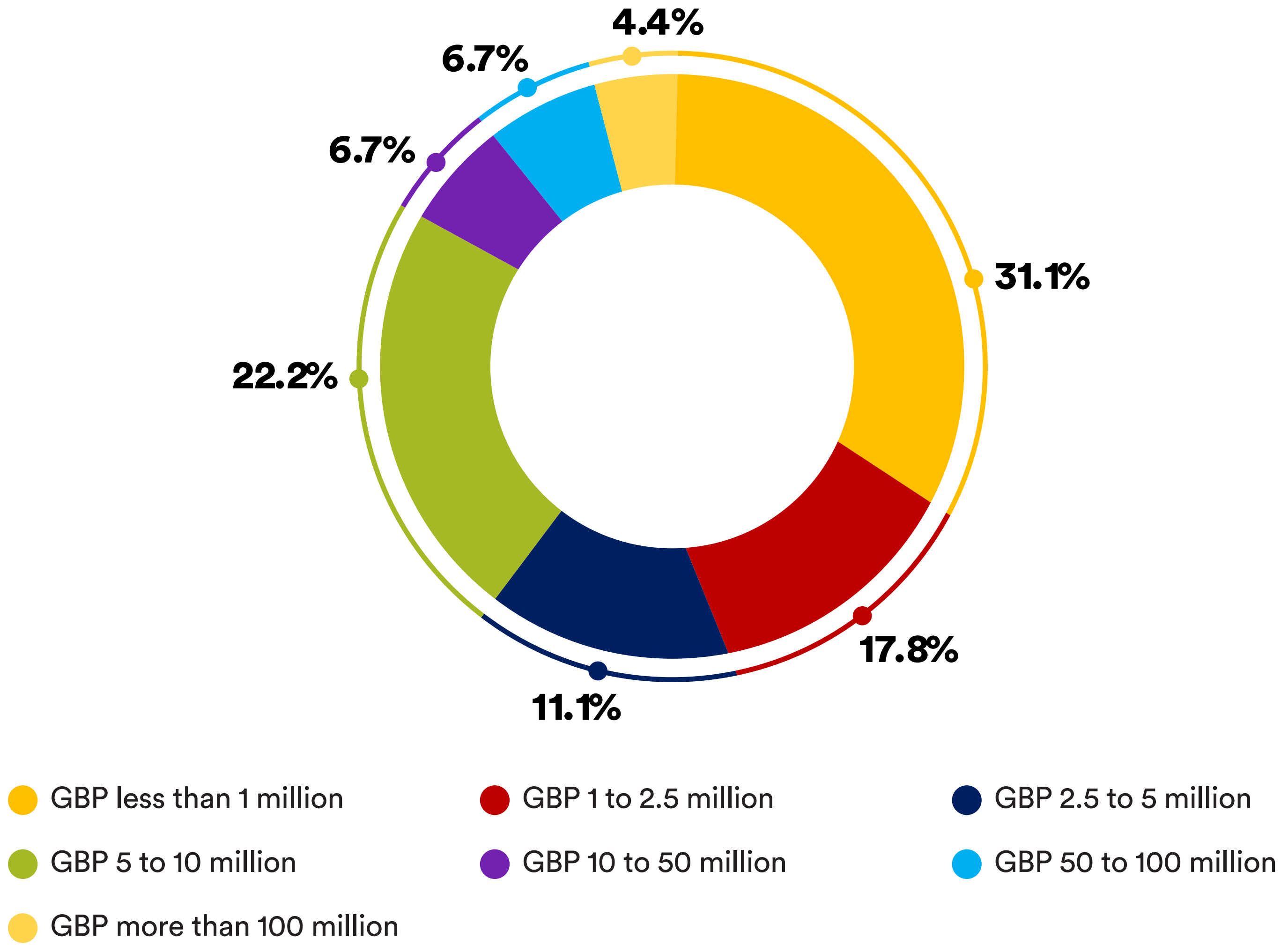
This report is designed to represent the core audience of the Association of Translation Companies: Established mid-market providers active in the United Kingdom. In 2023, the ATC survey received 64 valid responses from individual language companies active in the UK market, with mid-market companies (those with annual revenues between GBP 2.5 and 10 million) making up a third of all survey participants.

Participants by geographic location



The vast majority of all participating companies this year are headquartered in the UK (87.5%). Just 6.3% are based elsewhere in Europe, while North America, Asia, Oceania and Africa each host 1.6% of respondents (although all of them indicated deriving a portion of their revenue from UK-based clientele).

Respondents by size category



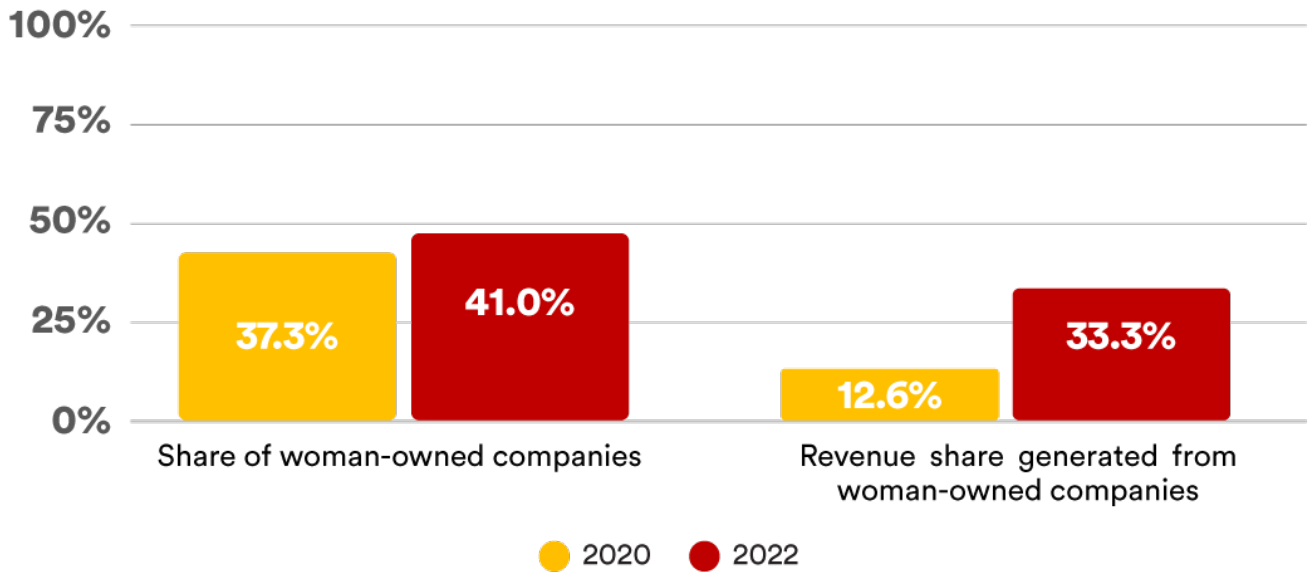
Survey respondents range from sole traders and small companies with revenues under GBP 1 million to some of the largest providers in the industry that report revenues greater than GBP 100 million per year.

One-third of respondents are medium-sized, with revenues between GBP 2.5 and 10 million in 2022. Almost half of participating companies reported revenues between GBP 1 and 2.5 million (17.8%) or under GBP 1 million (31.3%), while a smaller number of survey respondents reported revenues above GBP 10 million (17.8%).

Women-run language service companies

In 2021, we reported that, although the share of companies owned by women was high compared to the industry average (37.3%), the total revenue generated by these companies was disproportionately low, accounting for just 12.6% of the total reported revenues.

This year, we are pleased to report that the figures have balanced somewhat. While women run an even more impressive 41% of surveyed companies, these now generate a third of total reported revenues between them.



The UK language services market: key figures

Market size

We estimate the current size of the language services market in the UK at between GBP 1.94 and 2.20 billion.

This is up from the GBP 1.7 billion we estimated in 2021, and the figure cements the UK's place as the largest single-country market for language services in Europe. On balance, the last two years coming out of the global pandemic have been very good for language service companies worldwide, especially in the UK, where LSCs have (once again) proven their resilience and remain on the path of growth despite the adverse circumstances.

Looking at the top 20 largest LSCs in the UK, they represent GBP 1.6 billion on their own.

The 20 largest language service companies in the UK

While most of this report draws on data collected via the 2023 ATC industry survey, the following table uses data from the 2023 Nimdzi 100. It ranks the 20 largest providers of language services headquartered in the UK, according to revenues from the latest financial year. 13 out of 20 companies on the list below are ATC member and partner companies.

The 2023 Nimdzi 100 lists 11 companies based in the UK, making it the second most represented country at the top of the language services industry after the United States (28).

Rank	Company	2022 Revenue (GBP million)	Note	Main business
01	RWS	749.2	FY	translation, patents, life sciences, IT
02	translate plus	144.1	v	translation, dubbing, manufacturing, marketing
03	Hogarth Worldwide	227.9	v	communications company, localisation
04	VSI	92.0	v	media localisation
05	ZOO Digital Group	75.0	v	subtitling, dubbing, media & entertainment
06	thebigword	68.4	e	interpreting, translation, government
07	Alpha CRC	28.7	v	technology & IT, video games, translation & localisation
08	Toppan Digital Language	25.5	v	translation & localisation, healthcare, marketing, finance
09	Spark	25.5	e	localisation, technology, media
10	DA Languages	20.5	v	interpreting, translation, education, financial
11	THG Fluently	13.2	v	translation & localisation, copywriting & content creation, consumer goods, beauty & wellness

12	Global Lingo	9.7	v	translation, interpreting, transcription, technology & IT, e-learning
13	Mondia Technologies Ltd	9.2	v	manufacturing & engineering, professional services, multimedia & e-learning
14	Transcom Global	8.8	v	translation, life sciences
15	The Translation People	7.5	v	translation & localisation, life sciences, consumer goods, NGOs
16	Sandberg Translation Partners Ltd	7.2	v	translation & localisation, content creation, work for other LSCs
17	Wolfestone Group	6.2	v	translation & localisation, interpreting, technology & IT, life sciences, marketing, education & e-learning
18	Locaria	6.0	v	translation & localisation, transcreation, content creation, retail, advertising, software, travel
19	Conversis	5.8	v	translation & localisation, DTP, life sciences
20	Codex Global Limited	5.4	v	translation & localisation, retail & ecommerce, beauty & wellness

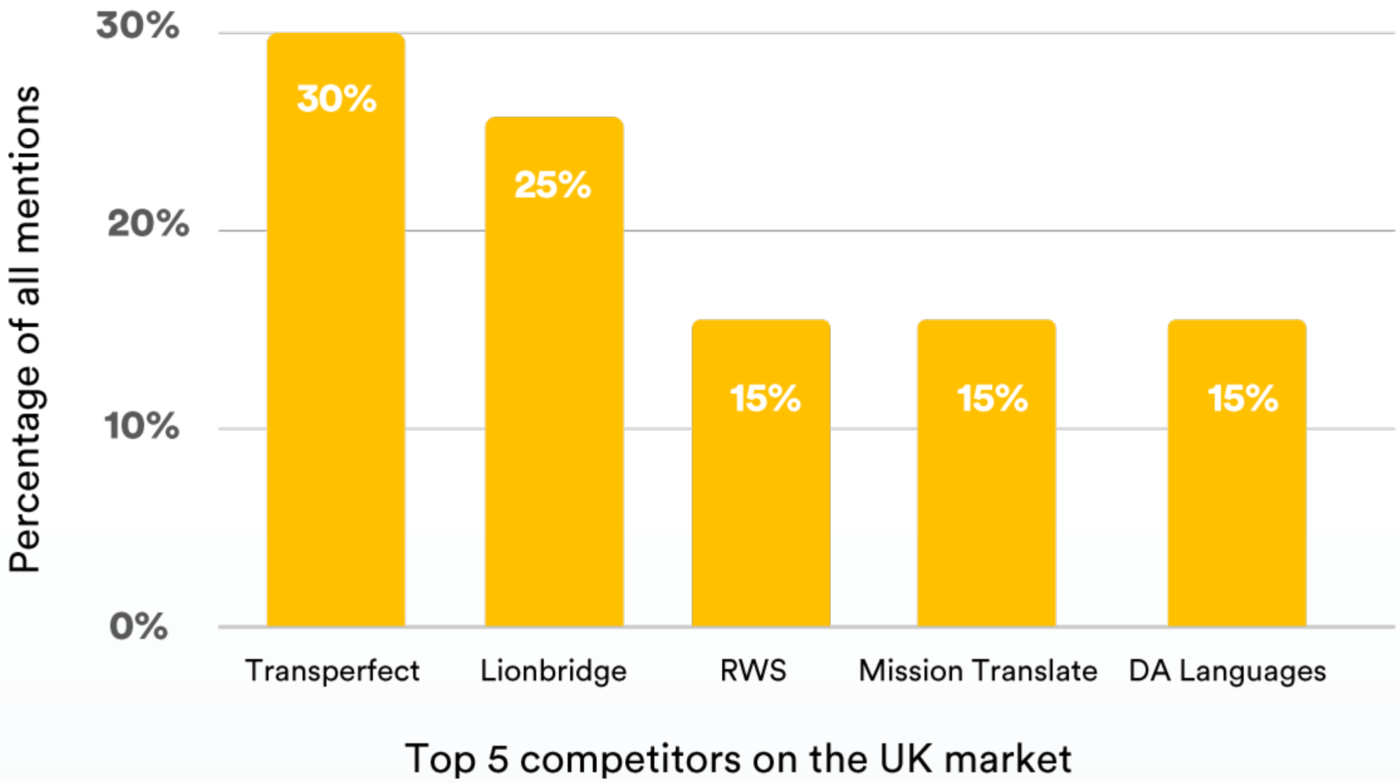
Source: Nimdzi Insights, based on the figures reported in 2023 Nimdzi 100 (converted to GBP), including updates from annual reports and the latest market research

Notes:

- (FY) fiscal year, figures for the latest financial year (verified with financial reports)
- (v) verified, data provided by companies
- (e) estimated revenue, based on extensive industry research
- Some companies have the same revenue due to currency rounding. However, the ranking order is accurate considering the second decimal.

UK is a competitive market

While most of the UK language services landscape comprises small and medium-sized LSCs, the biggest players concentrate a lot of the attention. When asked who they see as their biggest competitors in the UK market, survey respondents most frequently cited TransPerfect and Lionbridge despite these being US-based LSCs. This further underscores the fact that the language services industry is a global, deeply interconnected industry. Survey respondents mentioned 61 different companies in total as biggest competitors. Often, LSCs look at companies of the same size (and larger) as their direct competition, as well as those that are in the same vertical and/or those that have geographical proximity to them. Other notable competitors include RWS, Mission Translate, DA Languages, THG Fluently, and Global Lingo. **The bottom line is that, not unlike other countries, the UK market is very competitive – and attracting the attention of overseas LSCs.**



Revenue and growth between 2020 and 2022

Looking back on 2020 is surreal for many people. It was a year unlike anything we had experienced before, and life ground to a halt as much of the world was effectively shut down by a global pandemic. Many companies faced new business challenges, and in the 2021 edition of the ATC Industry Report, we noted that just 56% of companies experienced net positive growth in 2020.

While we wouldn't wish for 2020 to repeat itself, it did make way for a stellar year in 2021. Many companies reported above-average growth as the industry returned to full swing, explaining the impressive growth rates in 2021 in the table below. As the industry recovered and rebalanced, growth rates also settled in 2022.

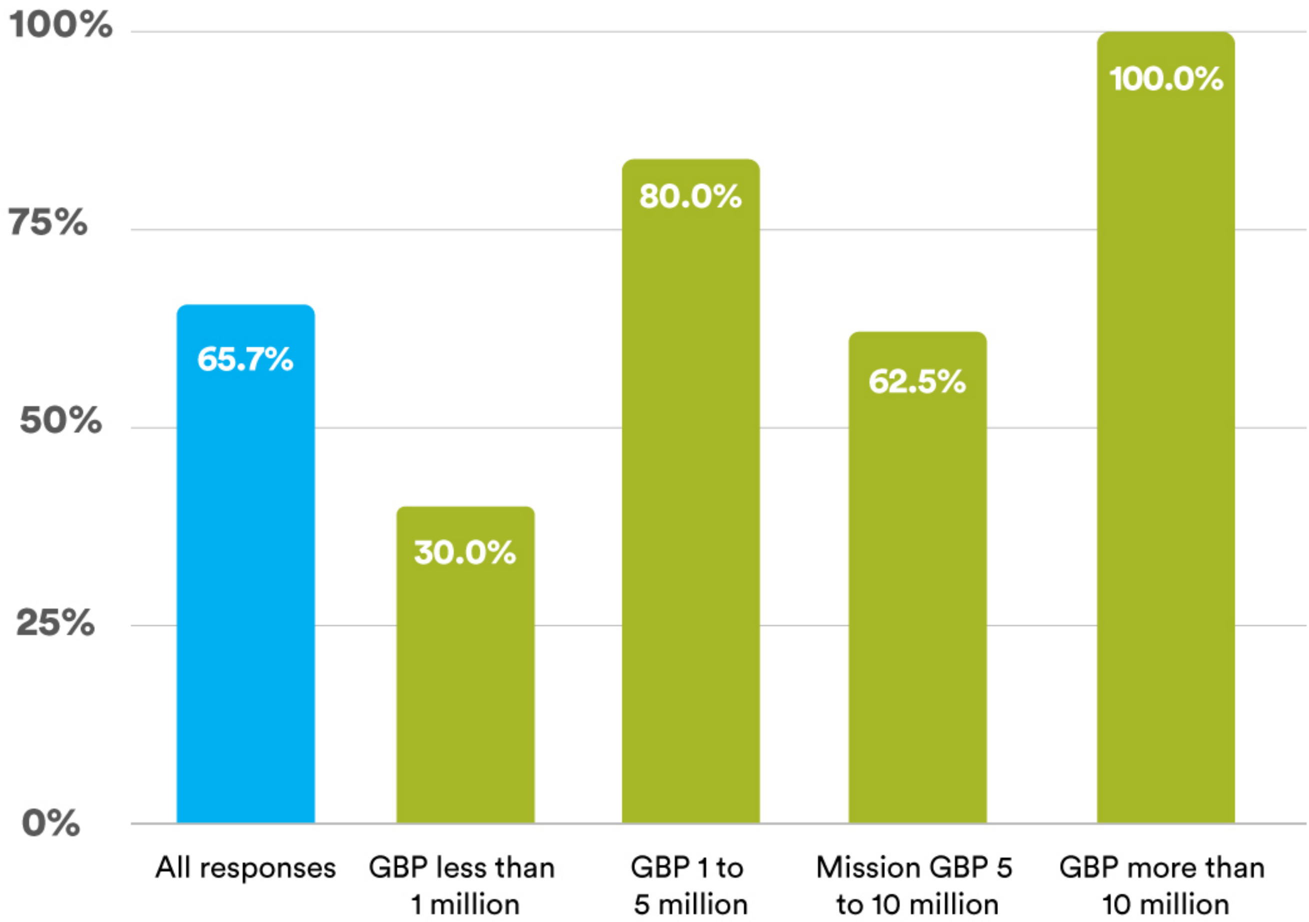
The growth figures of 2022 may pale compared to 2021, but they are certainly nothing to baulk at. **Average growth of 12.5% across all participating companies is still impressive and notably higher than the median industry growth rate of 5.0%**, as reported in the 2023 Nimdzi 100.

The data suggest that smaller companies were hit hardest by the unpredictable economy over the past two years. Companies with revenues under GBP 1 million experienced the highest growth rates in 2021 (24.6%) and the lowest in 2022 (indeed, the only negative average growth rate, at -6.0%). Larger companies seemed to fare best between 2021 and 2022, with the smallest decline in growth rates over the past year.

Growth by revenue segment, 2021 vs 2022

	2021	2022	YoY percentage change
GBP less than 1 million	24.6%	-6.0%	-30.6%
GBP 1 to 5 million	16.0%	9.8%	-6.2%
GBP 5 to 10 million	19.0%	6.5%	-12.5%
GBP more than 10 million	15.2%	13.1%	-2.1%
All responses	**15.5%**	**12.5%**	**-3.0%**

Percentage of companies with net positive growth, 2022



While the growth rate is a great metric to consider, it also pays to look at the share of companies experiencing net positive growth. Across the board, 65.7% of companies experienced net positive growth from 2021 to 2022.

Here, too, we can see how small companies were hit harder than large companies in the past financial year. Where 80% of companies with revenue above GBP 1 million experienced net positive growth in 2022, just 30% of companies with revenue less than GBP 1 million had the same fortune.

Productivity

The productivity of a company can be measured by calculating the average revenue generated per employee. The average productivity reported in the 2023 ATC survey was GBP 157,830 per employee. The highest revenue generated per employee was GBP 773,372, while the lowest was GBP 10,220.

Results of this survey suggest that larger companies tend to be more productive – not only do the average revenues generated per employee increase for each higher revenue bracket, but indeed the companies with the highest and lowest productivity statistics are equally among the largest and smallest companies overall.

Gross margins by line of business

Average gross margins have increased slightly for both translation and interpreting, having increased by just over 2% for each service line. These align with global averages (40-50% for translation and 30-40% for interpreting).

Margins for translation services ranged from 26% to 77%, and the average margin was 49.5%. For interpreting, margins ranged from 10% to 60%, with an average margin of 35.6%. In a positive sign, companies across the different size classes have reported consistent margins for both translation and interpreting services.

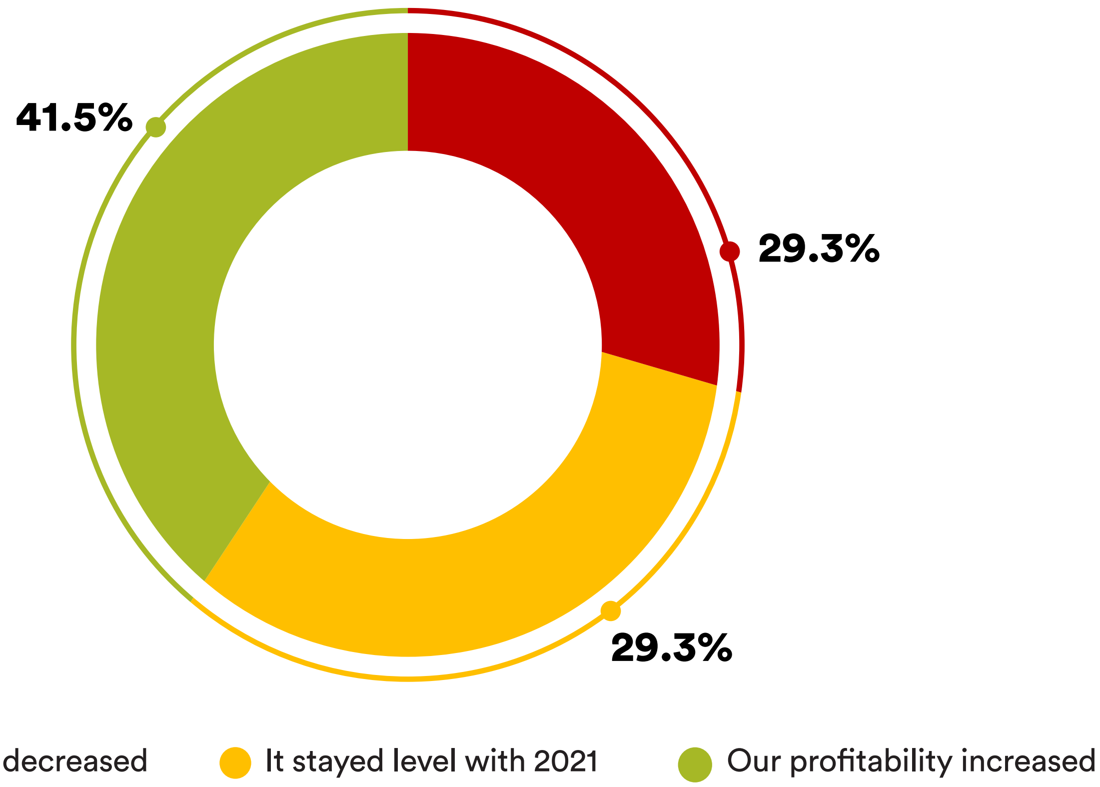
Gross margins detailed

	Translation (%)	Interpreting (%)
All	49.5	35.6
GBP less than 1 million	49.2	33.8
GBP 1 to 5 million	49.9	32.8
GBP more than 5 million	49.4	40.1
Min.	26.0	10.0
Max.	77.0	60.0

Profit lines

Almost exactly one-third of respondents report that their profitability decreased in 2022, according to how they measure profitability, and another third report that their profitability stayed level with 2021. Two out of five respondents (41.5%) report that their profitability increased last year.

The average decrease in profitability was 14.8%, and the average increase in profitability was 20.0%.



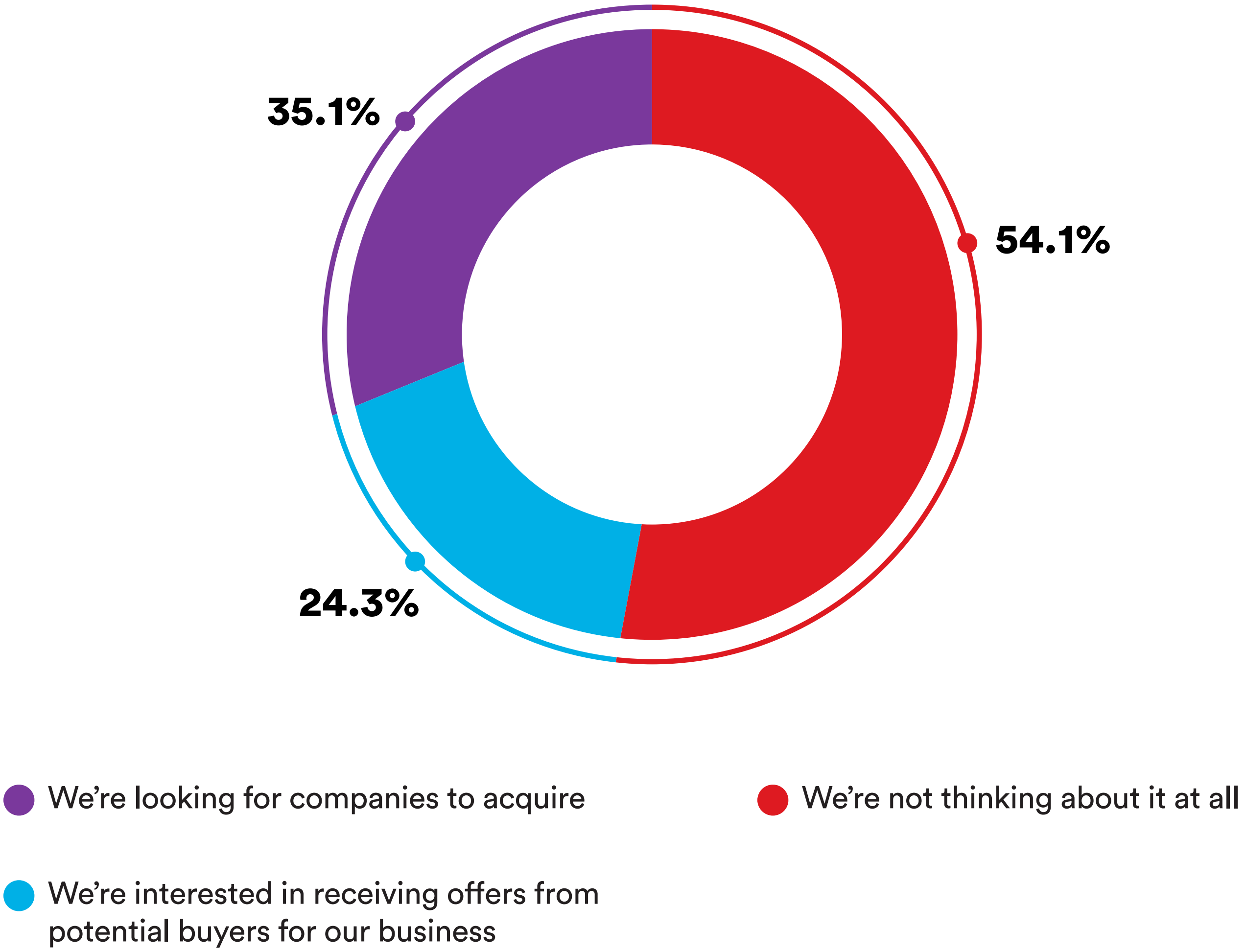
Another measure of profitability is a company's EBITDA (earnings before interest, taxes, depreciation, and amortisation). This year, the highest EBITDA reported was 55%, but the average was a more predictable 19.7%.

Mergers and acquisitions have their ebb and flow

The two main streams of activity in the M&A realm – those who are interested in selling or acquiring and those who are not – have seen quite some changes over the past two years. 2021 was a record year for M&A activity across the industry, with 62 transactions completed globally. In 2022, this number was down as macroeconomic factors and geopolitical challenges put a damper on everyone's excitement.

Overall, looking closely at the former group, the language services industry is witnessing a significant demand-supply disparity. While in the 2021 ATC survey, 31.3% of respondents were interested in receiving offers, in 2023 it is down to 24.3% (compared to 34.3% globally). On the demand side, however, we are seeing a rise of more than 10% (35.1% of UK companies in 2022, still behind 52.4% of global companies looking to acquire). This widening gap between the demand for LSCs and what the industry currently offers characterises a seller's market, meaning sellers hold an upper hand over buyers.

As to the latter group, there's a clear trend towards stabilisation in the UK. While in 2021, only 31.1% of participants were disinterested in M&A activities, that number has surged to 54.1% in 2023. This suggests that UK companies are now shifting their attention towards opportunities that can spur organic growth. This claim is supported by additional responses, which reveal that in 2023, merely 21% of respondents acquired a company, while a vast majority of 78.9% did not make any such acquisition.



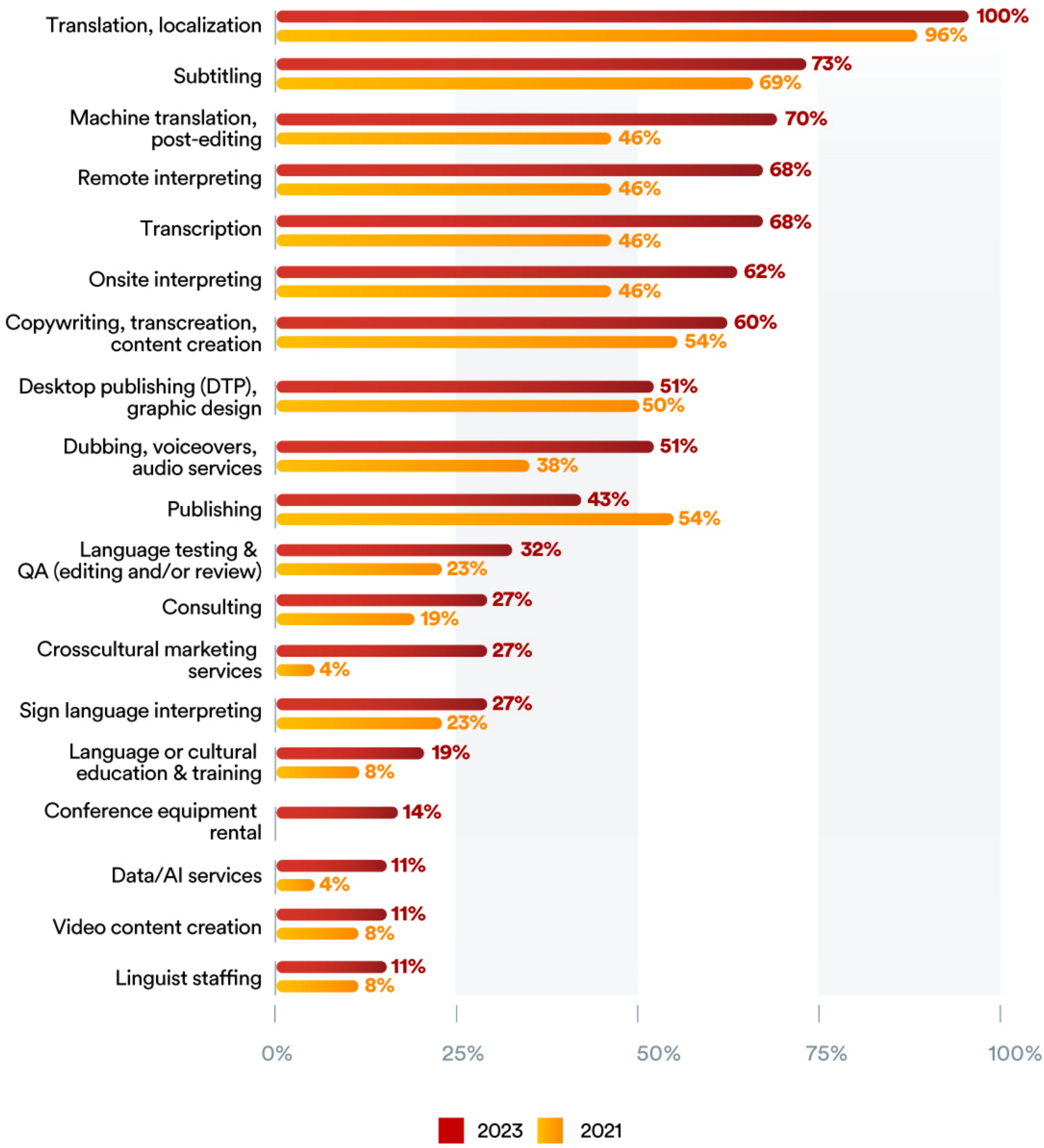
Characteristics of the UK language services market

Top services in the UK market

The results from this year's survey differ from the 2021 ATC Industry Report. Translation and localisation remain the bread-and-butter service for LSCs globally. Subtitling holds fast as the number two service on offer by UK-based LSCs (73%). However, this year, we see machine translation and post-editing services usurp third place (70%), which is a significant 24% surge compared to 2021.

When analysing what services stand out, there are a few things to note:

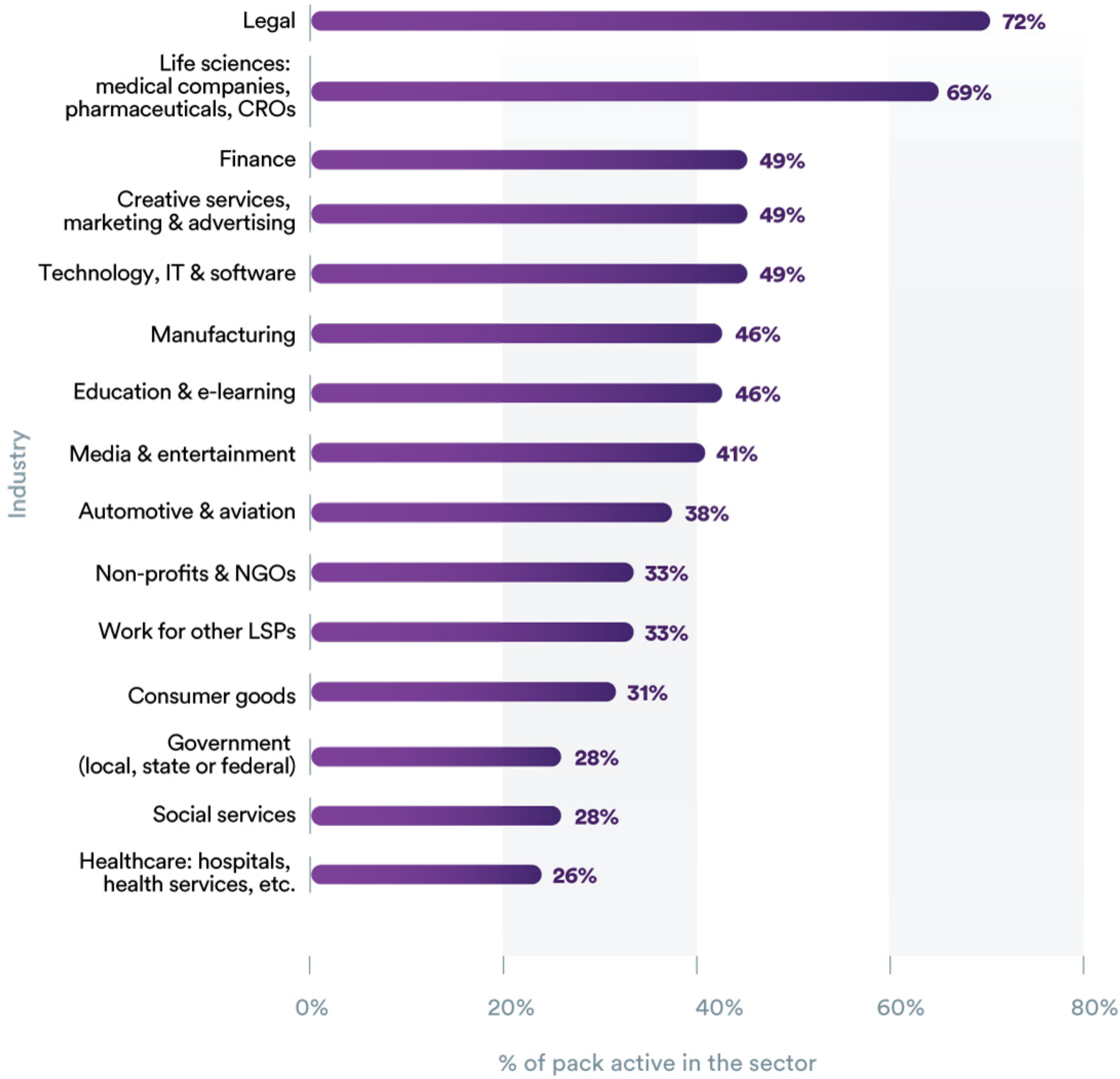
- The sample of respondents between the 2021 and 2023 ATC Industry Reports differ, so the variance in results is to be expected.
- That said, what certainly holds true is that most of the services LSCs offer in 2023 are by now tried and tested – on the surface, it seems there isn't much in terms of innovation that LSCs are doing... just yet.
- On that note, the jump in MT is the one trend to keep an eye out for. In 2023, developing MT-related services has become a key area for LSCs considering scaling up their operations, and the new number for the UK comes close to the global benchmark for 2023 (74%, as per the Nimdzi 100). Beyond MT uptake being driven by clients who are looking for fast and cost-efficient solutions for large volumes of localisable content, there is a sub-theme in the MT area: LSCs of all sizes leveraging MT as a tried-and-tested alternative to AI solutions, which are comparatively farther behind when it comes to their applicability for most translation and localisation scenarios.
- The services around developing, implementing and leveraging generative AI (arguably the biggest storyline of the first half of 2023 in the language services industry) are low on this list (here covered by "data/AI services"). Despite all the buzz surrounding ChatGPT and the like, the reality is that AI-related services are, for now, mostly within the reach of only the largest LSCs that have the scale, necessary backing and access to tech talent that most SMEs simply don't. That said, LSCs of all sizes that are unafraid to think outside of the box have started offering their clients AI solutions in parallel to more classic human-centric options. Here, LSCs are reframing the discussion as expert validators of the AI output. Early returns from those doing so: It has been working just fine and it is a viable avenue to monetise their expertise.



Main services on offer by UK LSCs

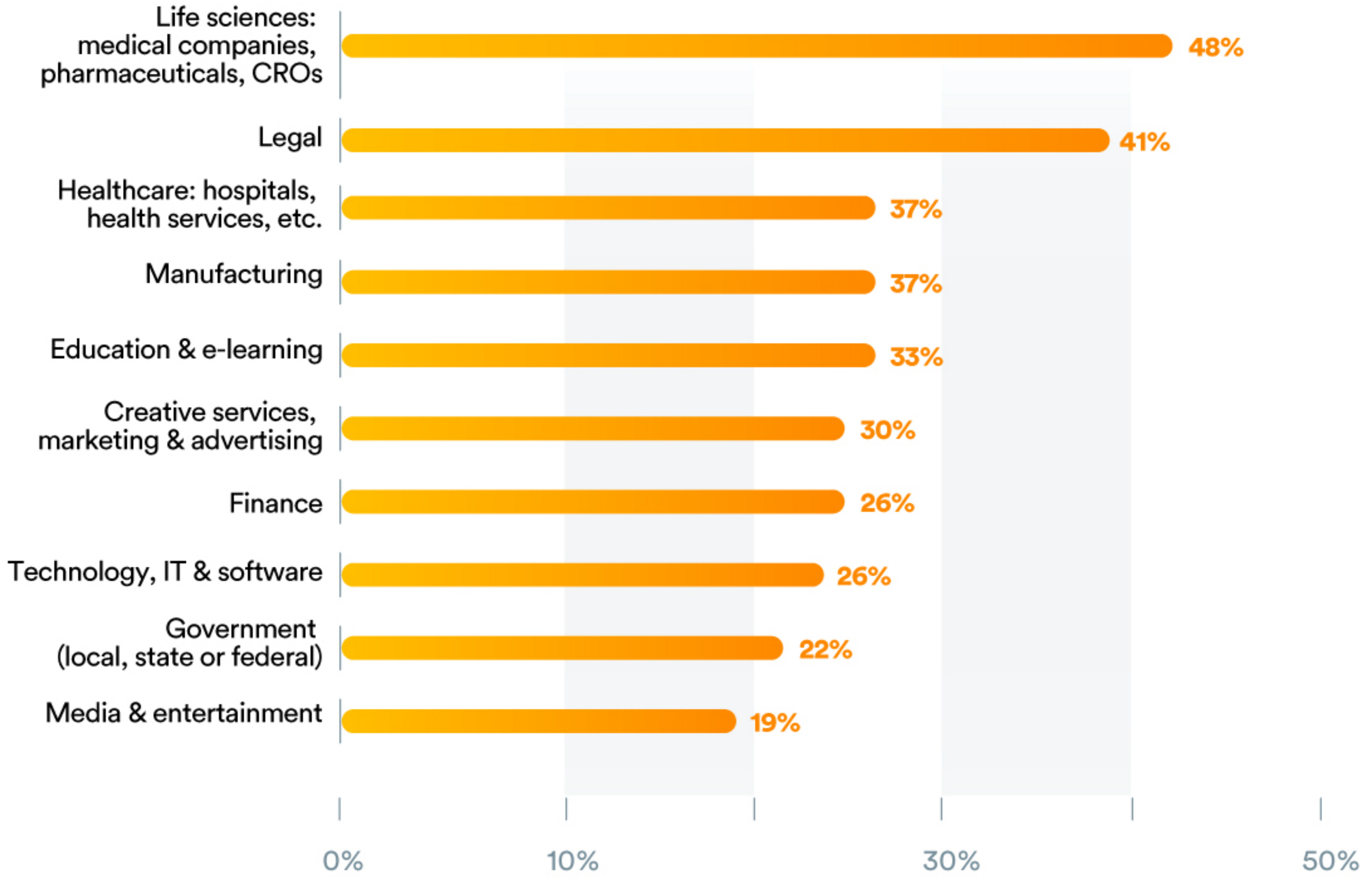
Top verticals serviced by UK LSCs

Among the plethora of industry segments that have a need for language services, the regulated industries retake the crown as the most-serviced sectors by ATC survey respondents in 2022: Legal (72%), life sciences (69%) and finance (49%) complete the top three. Unsurprisingly, highly regulated industries – where the provision of language services is fundamental – offer LSCs a steady source of work if not the closest thing there is to a guarantee. Creative industries (49%) and the technology, IT & software sector (49%) round out the top five, reflecting their global reach and companies' need to cater to audiences across every corner of the globe. Interestingly, only six out of 40 companies answering the question about which sectors they service indicated they work only in one sector: **UK LSCs are active across many industries, striving to diversify their client portfolio.**



Industries companies service

In this year's survey, we also inquired about respondent's plans for expanding their presence in certain verticals. The proof is in the pudding: LSC decision-makers opt for the safe bet (or the closest thing to it) that the regulated industries represent. Leading this trend is life sciences (48%), closely pursued by legal (41%), healthcare (37%) and manufacturing (37%). It is important to note, however, that this includes companies already present in these sectors and looking to expand their reach, as well as companies that want to continue diversifying their activity even further.

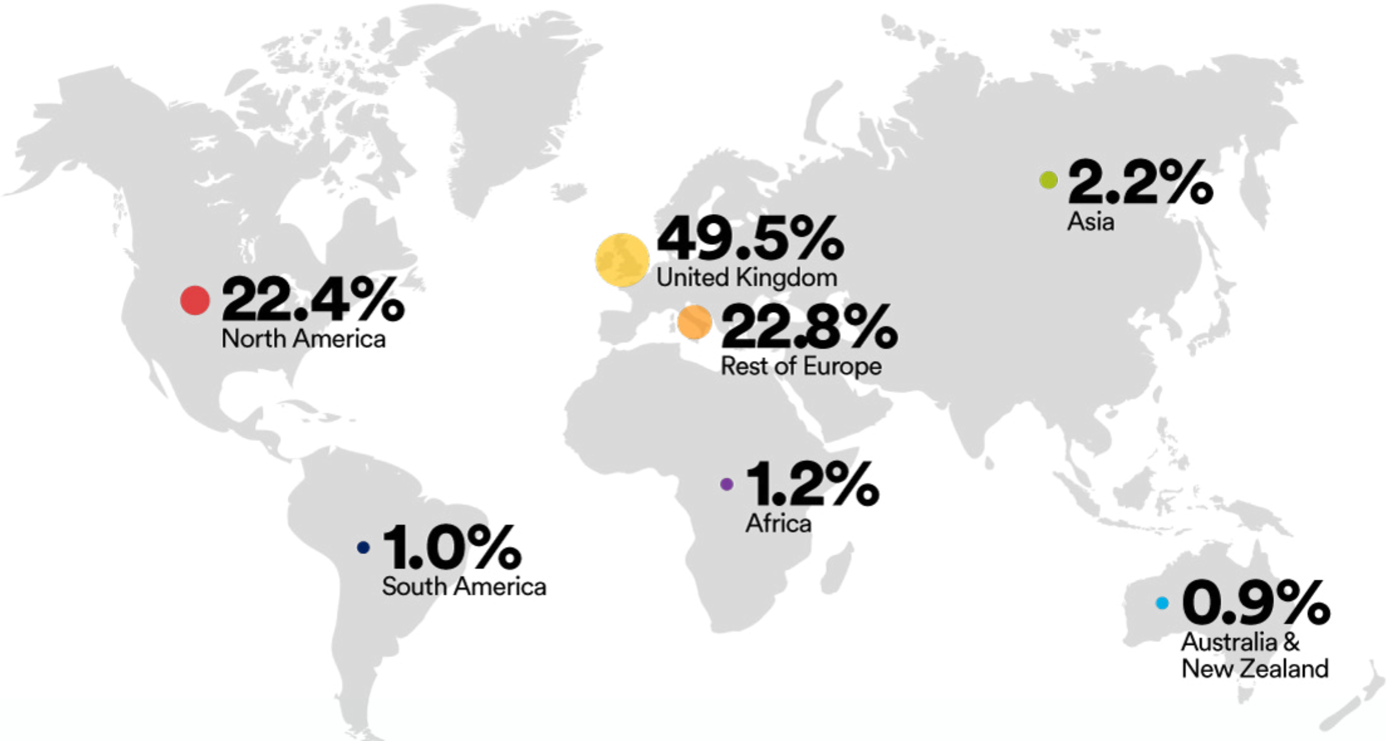


Industries companies strategically plan to expand their presence in the upcoming period

Where the clients are

As an industry study focused on the UK market, it should be no surprise that almost all companies surveyed are active in the United Kingdom and other European markets (96.6%). Most survey respondents also generate some revenue in North America (86.2%). Just under a quarter of companies operate in Asia, and even fewer are active in South America and Oceania (13.8% each) or Africa (6.9%).

When it comes to the share of revenue generated in each region, the picture is slightly different.



Almost half of all revenue generated by survey respondents is derived from domestic clients (49.5%). Another 45% is generated elsewhere in Europe and North America. The remaining 5.3% originates in Asia (2.2%), Africa (1.2%), South America (1%) and Oceania (0.9%).

These figures have remained almost unchanged over the past two years, especially in regions where revenue share was already low. The share of revenue generated in Asia fell by 4% but was offset in part by small increases in revenue share across Africa (0.9%), South America (0.7%), and North America (0.5%).

Closer to home, more interesting changes can be observed. **Domestic revenue share increased by 5.2% from 2020, and, at the same time, revenue generated in the rest of Europe fell by 3.6%.** This follows a decrease in revenue share in the rest of Europe between 2018 and 2020 (-4.4%). While the changes are only slight for now, they may well indicate a longer-term trend as the after-effects of Brexit take hold and trade with other European countries diminishes.

Interview:

UK companies' outlook on international trade in a challenging climate

On the back of what have been two strong years for UK LSCs, it is opportune to contextualise their fortunes within the broader performance of the UK's export industry. To that end, Nimdzi Insights teamed up with **John Goldsbrough, a UK-based international trade adviser**, to discuss his perspectives on the UK's export performance, the varied ways UK companies can benefit from resources shared by the government to help them along the journey towards international success and the role and opportunities available to UK LSCs when supporting the client industries.

Question: How has international trade evolved for the UK over the past two years? What global events have had the greatest impact?

John: Export bounced back strongly after the pandemic. 2021-2022 were growth years for everyone. Total exports in value for the UK have been up by 24%, out of which goods have been up 28%, and services by 21%. This growth has continued into the first half of 2023. A large part of this value growth has come from inflation and the export of oil and gas from the UK at international prices. 80% of exports are done remotely – the exchange by digital transfer is a key part of the exported service.

Non-EU exports have grown more than EU exports for obvious reasons. To compensate for the downturn in EU markets, the focus of UK companies has been turning towards the US and Canada, both markets presenting clear opportunities. What is less evident at this stage are exports into the high-growth markets of Asia: previously China, but now Indonesia, Malaysia and Australia, just to name a few. In the longer term and beyond the withdrawal from the EU, the government sees the fast-growing markets of Asia as a strategic driver of growth. In this respect, exports to South America are farther behind, despite the region offering interesting demographic dynamics.

Question: UK LSCs have demonstrated resilience in the face of adversity and showed strong growth in 2021 and 2022. Does this surprise you? How do UK language service companies compare to other UK industries in this regard?

John: The sustained level of growth is surprising, but is a very positive thing. It does fit a pattern across exported goods and services. Now, when looking at companies of different sizes, we see the largest companies having the most success, with the UK SMEs farther behind. Post-pandemic, the largest companies have been able to pivot, develop new products, and expand into new verticals more easily than smaller companies. These strategic decisions require money and effort, and SMEs don't necessarily have the means to invest as much as the bigger companies. For them, cash flow considerations, or hiring and retaining the right staff are more pressing matters. For this type of company, the focus tends to be more on retaining existing customers before they can expand their ambitions.

Question: What measures are being taken to promote the competitiveness of UK exports on the global stage?

John: There are quite a few resources available for UK-based companies to develop their exports.

1. First off, there is the work of international trade advisors: Many of them come from the private sector, having worked in specific industries and geographies, and they are there to provide expert advice and support for UK companies, helping to develop an export plan – which will ideally account for things such as language and culture of the destination markets. Furthermore, there are also dedicated staff working in UK embassies and consulates worldwide. This is government staff who are typically locally engaged and who know the market, and they act as the supporting bridge for the company expanding into the market. Ideally, they will help a company to get into the market quicker. Working with embassies is a great calling card that not many companies are aware of – for a local company that UK businesses will want to work with, receiving a phone call from the embassy is not a small thing.

2. Then there is the recently launched export support service, which can help accelerate the process of getting into the market. This service is available online but also by telephone, whereby a UK company will be funnelled to the most relevant and suitable resource in-country, with a variety of advisors but also third-party counsel (e.g., legal, accounting, marketing) available and ready to provide more information.

3. Another useful resource is the government-backed UK Export Academy, a free online training program that relates to specific issues to exporting goods and services such as how to get into the market, how to get in touch with agents and distributors, the management of IP rights – all of the varied issues a company should be aware of.

4. There is the UK Export Finance, the UK's export credit agency, whose aim is to support UK exporters whenever a sale or a contract is at risk because there's a lack of financing or insurance from the open market. They provide UK government guarantees to the private sector suppliers where banks and insurance companies would not accept the risk. What's worthy of note is that the UK Export Finance is reserved not only for big companies but also works for SMEs around the GBP 2 million turnover mark, where banks cannot provide support without additional backing from the government.

5. Generally speaking, the great.gov.uk website is another source of information on different markets and sectors, as well as on the latest developments surrounding trade agreements.

Question: With all this information being available, what are some of the challenges companies may encounter in developing their exporting activity?

John: There are two types of challenges.

For one, knowing what is available and what is most relevant for the company at its particular stage are the biggest challenges. For companies that are at an early stage of their exporting journey, a lot of exporting activity starts out being passive: Instead of formulating an export plan from the start, they respond reactively to the business opportunity, and before too long, they have gone down the road without understanding the risks associated with exporting.

On the other hand, for larger, well-established companies it can be different. They may not necessarily need the advice as they already have the in-house knowledge or have been doing business overseas for a while. So they often come with more specific challenges – they know what the rules and regulations are, but they want to bring their issue to the attention of the government so this becomes a government-to-government point of discussion. They may look at the government to take a more active role in economic diplomacy on their topic.

Question: In the face of geopolitical uncertainties and disruptions, what key sectors or industries in the UK are best positioned for international growth – and stand to benefit the most from the global savvy of UK language service companies?

John: Generally, the knowledge and tech-based companies that have an added-value product or service are the ones that are more likely to sustain growth. There are many examples of industries that have been doing well: the creative industries, but also industries such as business consultancy, training and recruitment, travel, and communications. On the tech side, anything to do with fintech, educational technology, medtech, cybersecurity and all areas of software. Then, in the manufacturing sphere, it's the medical devices, and biotechnology. Then there is the food and drink sector, whose fortunes have been hot and cold over the years, but still remains a growing industry, with many SMEs especially having found success in this area. The fact remains that there are a multitude of sectors that are export-driven.

When it comes to the role of LSCs, they have a place in the process. The continuous education element especially cannot be overstated: explaining the importance of localisation to clients, and especially highlighting the benefits from the perspective of the end-consumers having access to localised products and services is crucial. Another angle that LSCs should leverage is that they offer deep knowledge of the cultural specificities of the targeted markets. Often, export managers face the hurdles of how to communicate and how to do business in particular markets. Where there has previously been positive momentum in discussions, the opportunity suddenly grinds to a halt. This requires preparation from the export managers, and LSCs can certainly help with this. Most of the competitors of UK export businesses – say, the French, Germans or Italians – are quite possibly more used to the fact they need to tailor their approach to the specificities of the varied markets they are active in.

Question: Given the evolving regulatory frameworks and trade policies worldwide, how does the UK Department for International Trade work to balance ensuring the country's economic interests and upholding high standards of environmental protection, labour rights, and other socio-economic factors in its trade agreements?

John: This is always going to be a delicate balance to strike. One way to go about this in a two-sided negotiation is by the UK setting an example and enlarging the discussion to these matters. In more specific terms, what we're seeing during trade negotiations, both the new ones and also the ones being renegotiated, is that the government is focusing on modernising and updating them, reflecting the new realities of the market today. For example, the agreement with Singapore is just about digital trade. The government is always trying to include issues such as recognition of qualifications, women's equality or human rights, just to name a few, as part of the negotiations. However, these considerations are often secondary or nice to have when the modernisation of trade agreements in itself is the primary objective.

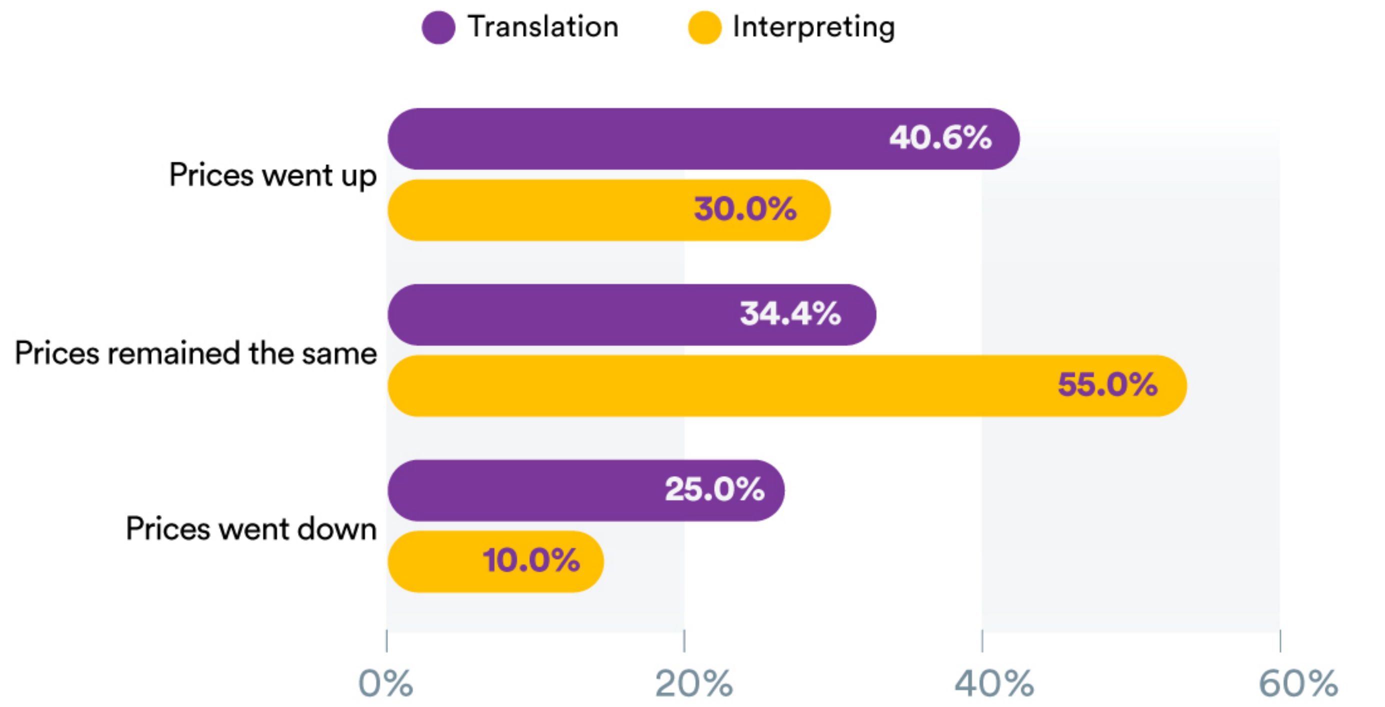
Question: Given the emergence of AI as a key variable, how do you think it will influence the landscape and capabilities of UK businesses looking to export?

John: There needs to be leadership and initiative across governments to develop a structure that doesn't just reflect the use of AI but also the implications of AI for the society of the future. We saw how business transformed when the internet came along, and then what happened with the emergence of social media – by now, we've seen enough to know AI requires proactive action instead of the industries being just reactionary. It hasn't manifested yet, but there is a great opportunity at both the government level and the sectoral level for LSCs to come together and discuss how to structure and organise the use of AI. There are immediate areas where if we're using AI, companies need to make it clear and transparent to whoever is using the material that this is from AI.

Pricing trends in the UK

Since the start of 2023 – and arguably even earlier – there have been whispers of changing winds whenever the conversation turns to pricing trends. The 'race to the bottom' may not be dead, but leaders of companies, at the very least, seem to be making up their minds about using this lever to affect their fortunes.

By and large, prices in the UK are on the rise. This is especially true of translation services, where 40.6% of companies reported increasing their prices in 2022 (compared to just 14.3% in 2020). Interpreting prices are more stable for now, but there's a clear lean toward increasing rather than decreasing prices in this industry, too (30% of companies increased their prices for interpreting, as opposed to 20.7% in 2020).



Unfortunately, in the current economic climate, these responses alone may be misleading. While the data shows that companies are tending to increase prices, many companies report that these increases just barely keep up with recent inflation rates in the UK. It brings up the question of whether a price increase can be called that if it's not a real increase in economic terms?

Interpreting in the UK:
Halfway between growth and price pressures

For the interpreting market globally, many of the same observations apply as for the larger translation and localisation market: Post-pandemic, companies offering interpreting services have been recording stellar growth rates (in the 2023 Nimdzi Interpreting Index, we reported growth of +52.6% between 2020 and 2022 for the top 34 companies in the global interpreting services market).

By and large, this was spurred by the backlog of work accumulated during the pandemic being released back into the market, as well as the emergence of remote interpreting services as a viable alternative to onsite interpreting work. In 2023, LSCs report a certain normalisation, with volumes for remote assignments decreasing as onsite assignments return. That said, with clients and service companies having experienced the "new normal", the expectation is for the demand for remote interpreting to continue to grow nonetheless (albeit more moderately than during the height of the pandemic).

So what is the place of the UK in the global interpreting market?

UK interpreting market characteristics

Nimdzi estimates the UK to be the second largest interpreting market in the world after the United States, at close to GBP 700 million in 2022.

The demand for interpreting services in the UK continues to be primarily driven by the public sector (with an estimated 80% of the work coming from public sector buyers). Compared to other interpreting markets around the world, the UK has a mature market.

Let's touch on some of the specificities of the public sector buying mechanisms.

- We estimate that, currently, about 80% of the UK's public sector interpreting spend is going through framework contracts. Framework agreements act as a catalogue of services that make it easier for procurement organisations within entities in the public sector to select a provider for their language services needs. For that purpose, the frameworks set out a number of conditions that potential suppliers need to meet to qualify to be part of the framework. Once accepted, LSCs are allowed to bid on contracts that are being tendered within the framework.
- Both on the side of public sector clients as well as on the side of the LSC it is not always desirable to be using the frameworks. To be part of a framework LSCs have to meet many specific criteria and are also required to provide a whole range of services and languages (or face steep fines otherwise). This is not for everyone. Some LSCs may have specialised in only a certain number of languages or a specific interpreting mode. Others want to avoid the risk of facing steep fines if they cannot fulfil assignments. And again others want to be able to negotiate better margins with their direct clients and face less competition than they would in a framework. From a client perspective, it may also seem easier to just have one trusted LSC with whom they can negotiate their own terms rather than going through an official big tendering process.

Challenges in the public sector

While the demand for interpreting services is increasing due to globalisation, immigration, the ongoing refugee crisis and also an ageing population – which, in general, affects health services and therefore also medical interpreting – government budgets are continuously being cut.

This means that price pressure is particularly high in the public sector. As in most countries, LSCs in the UK are responding to this pressure with a price battle – because, more often than not, the cheapest wins. This is slowly but surely becoming a race to the bottom, although as evidenced above, rates for interpreting have largely remained stable over the last two years.

While the status quo might still work out for a while, this is not a sustainable situation and in some countries the knock-on effects can already be felt. For instance, both in the US and in the UK LSCs are struggling to find interpreters and keep the talent because of low rates and challenging working conditions. There is a consensus that interpreters need to have an incentive to stay in the industry. The struggle is similar in Sweden where many interpreters have other day or night jobs to make ends meet.

How to win contracts in the UK public sector

Depending on who you ask, answers will be on opposite sides of the scale. The majority of LSCs in the UK market interviewed by Nimdzi Insights report that they feel pressure to reduce the rates for their services if they want to stand a chance at winning a public sector contract. That being said, the same companies also stated that this price pressure has remained relatively consistent over the past few years.

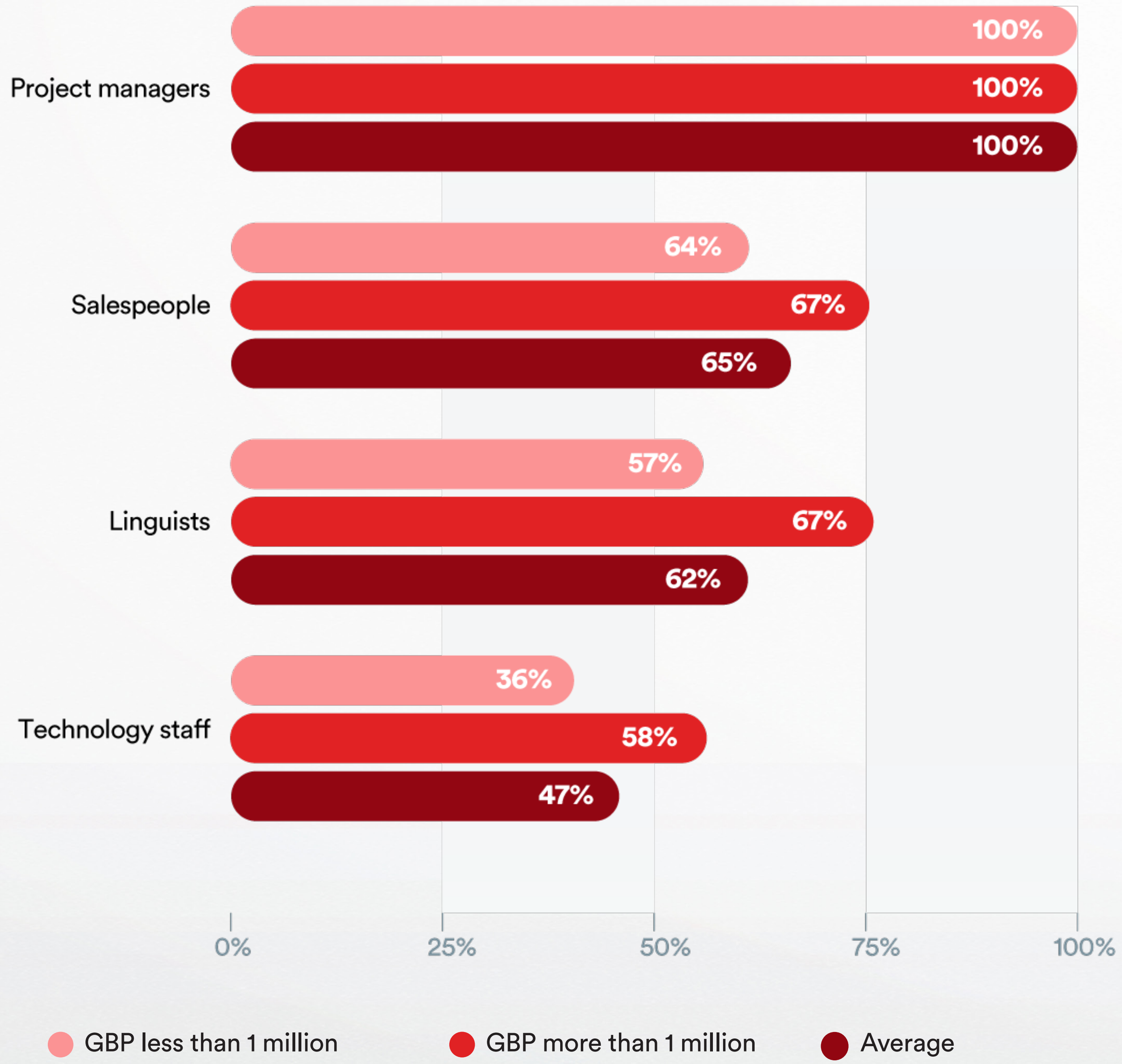
On the other end of the spectrum, organisations that put out framework agreements argue that while price is certainly a factor, quality is more important. For instance, the award criteria for the framework agreement from the HealthTrust Europe (HTE) gave a weighting of 65 percent quality and 35 percent price. In an interview with another framework organisation, it was stressed that there is a perception in the market that the lowest price wins, and that the price battle is rather driven by the LSCs themselves, who inadvertently set market rates lower and lower.

In Nimdzi's assessment, the two perceptions most likely influence one another and jointly contribute to the price drops. That being said, the UK has a well-established interpreting market, and buyers in the public sector are educated enough to realise that awarding large contracts to the cheapest bidder cannot yield the desired results.

What Nimdzi's analysis has shown is that, even more so than quality and price, scalability is the most essential factor for winning public sector contracts. Contracts in the public sector are large, and require interpreting providers to fill thousands of assignments per year. More often than not, on an ad hoc basis and for a variety of languages and specialisations. Especially when contracts are only awarded to one provider, the risk for the buyer is high — and so is the pressure for the provider, because if assignments cannot be filled, there is no backup. In the public sector, this can potentially mean that court cases, medical appointments, or police interviews are left unfilled.

Staffing and hiring trends in the UK

The below graph illustrates the distribution of roles covered by full-time, in-house employees across companies of varying sizes in the UK.



Project managers remain on top of the hiring list for LSCs of all sizes. 100% of all surveyed companies reported having in-house project managers on staff. The percentages are up compared to the 2021 report (an average of 88% in 2021). They reaffirm what we've already known: project managers are a key cog in the organisation of the LSC and its ability to deliver on its client commitments.

In-house salespeople are another crucial component of an LSC that wants to safeguard its growth. Numerous studies by Nimdzi Insights have shown that employing salespeople can translate into higher growth for the company. Interestingly, however, the averages across the different company sizes are down compared to 2021 (from 78%). While the survey has not directly verified this, it is easy to surmise that under-performing staff may have been reduced during times of economic downturn. Overall, two out of three surveyed LSCs have salespeople on staff.

When it comes to having **in-house linguists and reviewers**, the numbers are up compared to 2021 (62% of surveyed companies employ linguists against 50% in 2021). These remain comparatively high numbers against the industry average.

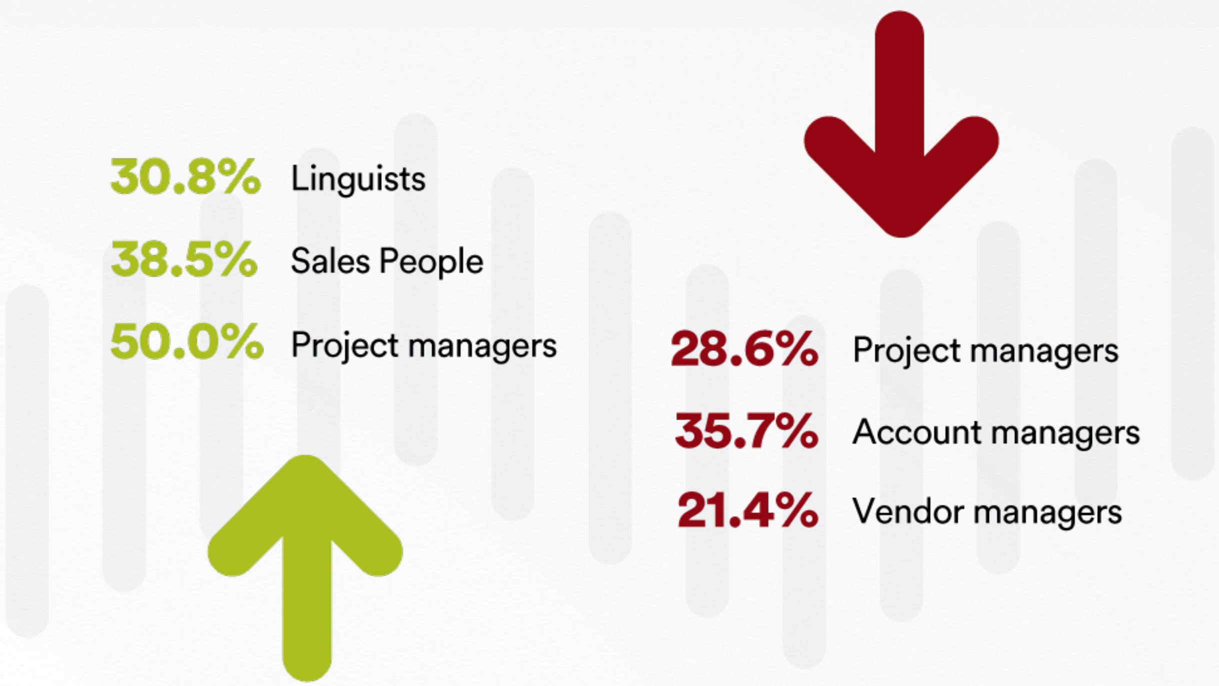
The last category of jobs, **technology experts, software engineers and solution architects** (under "technology staff"), is a new entry in the 2023 survey, and the underlying data will not come as surprising. Larger companies tend to employ technology specialists more frequently than small ones. With the growing importance of technology in localisation processes, there is a key decision looming for LSC leaders – stand pat or invest in tech-savvy talent that can help broaden the company's horizons and further its appeal to a new set of clients.

Comparing this year's trends to the results of the previous survey, there have been subtle changes in the hiring and staffing strategies of LSCs over the past two years. Revenue thresholds continue to influence proceedings – sometimes LSCs can simply do more with more budget. In parallel, the after-effects of Brexit and the uncertainty surrounding the economic climate have no doubt contributed to what is a fairly conservative hiring environment – although, as we will see, UK LSCs seem to be bucking this trend.

The top and the bottom of the hiring chain

Close to **two-thirds of the respondents (63%) have voiced their will to hire for new positions.** Overall, this counts as a very positive development (albeit one to keep an eye out on in the coming months), especially for the UK job market, as Nimdzi Insights' ongoing business confidence study that includes a global panel of respondents has shown that only 23% of companies plan to hire, with 66% of companies anticipating the staffing levels to remain the same throughout the rest of 2023. UK companies indicated project managers (75%), salespeople (60%), linguists (30%) and marketing specialists (25%) are the top roles that they will be seeking to fill in the coming year.

When comparing roles that have increased in numbers against those that have decreased in recent months, the survey respondents have highlighted project managers (50%), sales roles (38.5%) and linguists (30.8%) as the top three positions they have been hiring for. On the flipside, when asked about the top three roles that decreased in numbers and/or importance over the last year, account managers (35.7%), interns/students (28.6%) and project managers (28.6%) are the ones on the slide. It is interesting to note project managers feature among the most hired positions but also those that are on the slide. This is indicative of the varying fortunes of the respondent LSCs: with business fluctuating and the LSCs' need to continue to optimise the cost structure and/or insert more automation into the processes, some may get by with fewer project managers on staff as before.



Interview:

An overview of salary-related trends in the UK

Andrew Jones
Global Language
Service Director

For this year's report, the ATC and Nimdzi Insights teamed up once again with Adaptive Globalization, a leader in specialised recruitment for the language services industry. The Nimdzi Insights team talked to **Andrew Jones, Adaptive's Global Language Service Director**, about the recent evolution of salaries in the UK and the future outlook for the job market in the UK.

Question: How have the salaries in the language services space evolved over the last two years?

Andrew: The last two years have been a bit of a roller coaster for wages. In 2021 in particular we saw massive increases in salaries, across all locations. This continued in the first half of 2022. However, since the second half of 2022 we have started to see a plateau and even a slight reduction in the salaries being offered. Whilst our tracking still has wages up slightly year on year, there is no longer the demand and high wages from the SaaS market that drag up salaries in our industry. We are currently seeing wages up between 1-5% since 2022 but with some roles such as business development director or account executive actually standing still in salaries being offered.

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

Andrew: Salaries in the UK have generally stabilised the same as in other countries. What we are seeing in the UK is that we continue to see a big regional difference that isn't as pronounced elsewhere. For example, project managers especially in London, or those that work for the largest LSCs or language tech businesses still earn around 20-25% more than those working for LSCs outside of London.

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

Andrew: UK companies are generally in line with competitor companies in Europe when it comes to salaries. However, they are losing out on talent (both sales and production) to the digital and SaaS industries. 2021-2022, in particular, saw a large swathe of talented sales professionals move across to the higher-paying tech companies, although a strong downturn in tech has arrested this move over the last six months. With regards to operations staff, the main 'brain drain' comes from the digital market where talented multilingual project managers are being attracted by higher salaries and better progression opportunities.

Question: In the autumn of 2021, you had not seen Brexit affecting salaries much. Has this substantially changed, and have salaries finally met the demand?

Andrew: There is no indication that Brexit is affecting salaries as the plateauing of salaries seems to be happening across Europe. Generally, we believe that there is now greater parity between supply and demand.

Question: Economic pressures are impacting the cost of living worldwide, especially in the UK. From your perspective, has this had any impact on salaries yet, and how do you anticipate it affecting salaries in the coming months/years?

Andrew: A tough question to answer. Whilst, undeniably, salaries have increased dramatically since January 2021, most of this rise happened pre-cost of living crisis so the impact on salaries has not been that great because they were already rising. One area we would say that there has been a strong impact on though is with entry-level roles – in general, the expectations of junior candidates have increased due to the increased cost of living.

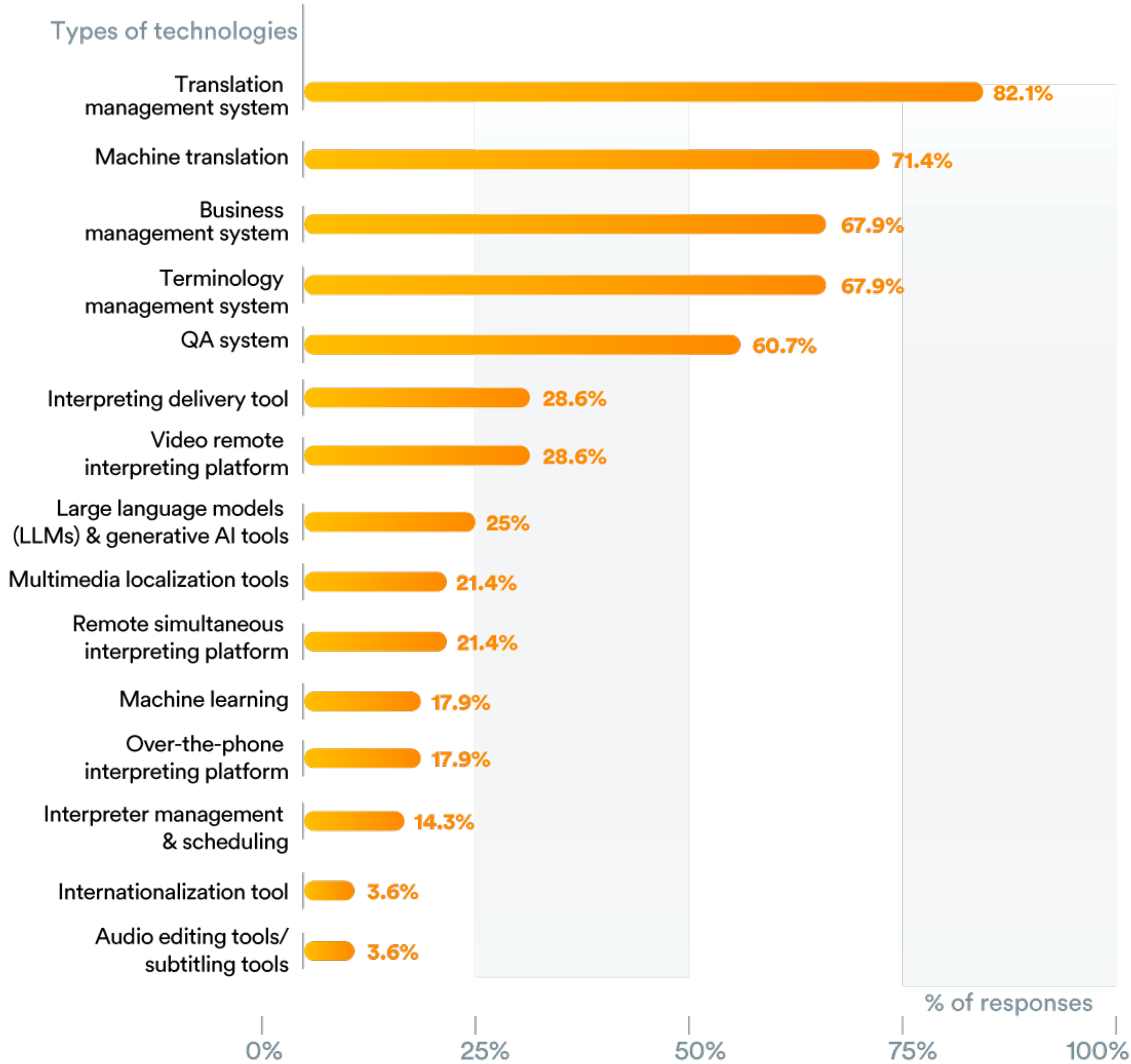
Question: We've previously observed that salaries can vary across different parts of the UK. Has this trend changed as the industry has embraced remote work, and if so, how?

Andrew: In short, no. We still see a big disparity in the UK around London, despite the increase in remote working. While part of this may be down to expectations – people who previously worked in London being unwilling to take a pay cut – it might also be down to an increasing number of LSCs looking at hybrid working, so even if you don't have to be in the office five days a week, you still have to live close enough to commute for one or two days.

Technology

In 2023, technology is a fundamental part of delivering language services. LSCs are no strangers to developing their technological skills and service offering. In fact, companies need to continue developing pointed language technology expertise if they harbour any ambition of scaling up their operations.

Technologies used by LSCs



Most respondents (82.1%) have incorporated a translation management system (TMS) into their workflows. **One of the key findings of this year's survey compared to 2021 is the surge in popularity of machine translation (MT) among UK LSCs** (71.4% of companies using it compared to 58.0% in 2020). **Today, MT is the second most commonly used piece of language technology in the language services industry** (and you could make the case that its popularity outside industry circles outweighs that of conventional TMS solutions).

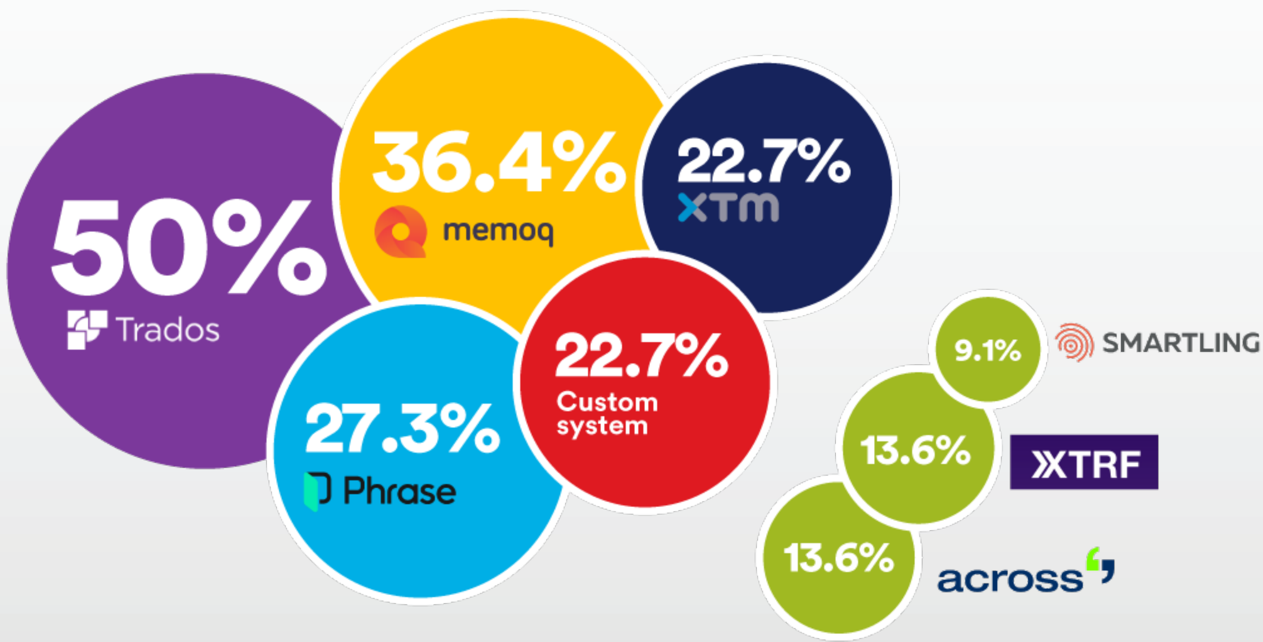
One global pandemic later, there is a notable shift that can also be observed in the interpreting sphere. Video remote interpreting platforms jumped from 9% in 2021 to 28.6% in 2023, while over-the-phone interpreting technology also recorded growth from 12% to 17.9% over the last two years.

The survey for this report was conducted during the summer of 2023, at which point most of the early buzz around large language models (LLMs) and generative AI tools has been dying down. Moving from hype to hands-on, **25% of surveyed companies indicated they are already either testing or using LLM-based tools as part of their workflows.** That said, most of the language services industry is still figuring out how AI solutions can benefit conventional translation and localisation scenarios. However, there is seemingly no middle ground in this debate: spurred by continued demand from the client side, LSCs will be called to choose between pursuing this technology or foregoing it. The collective experience of the MT/NMT love/hate-to-adoption cycle of the not-so-distant past is repeating itself.

In 2023, developing technological expertise is no longer optional. LSCs will be ceding ground to their competition if they don't remain on top of the technology curve.

Preferences in translation management systems

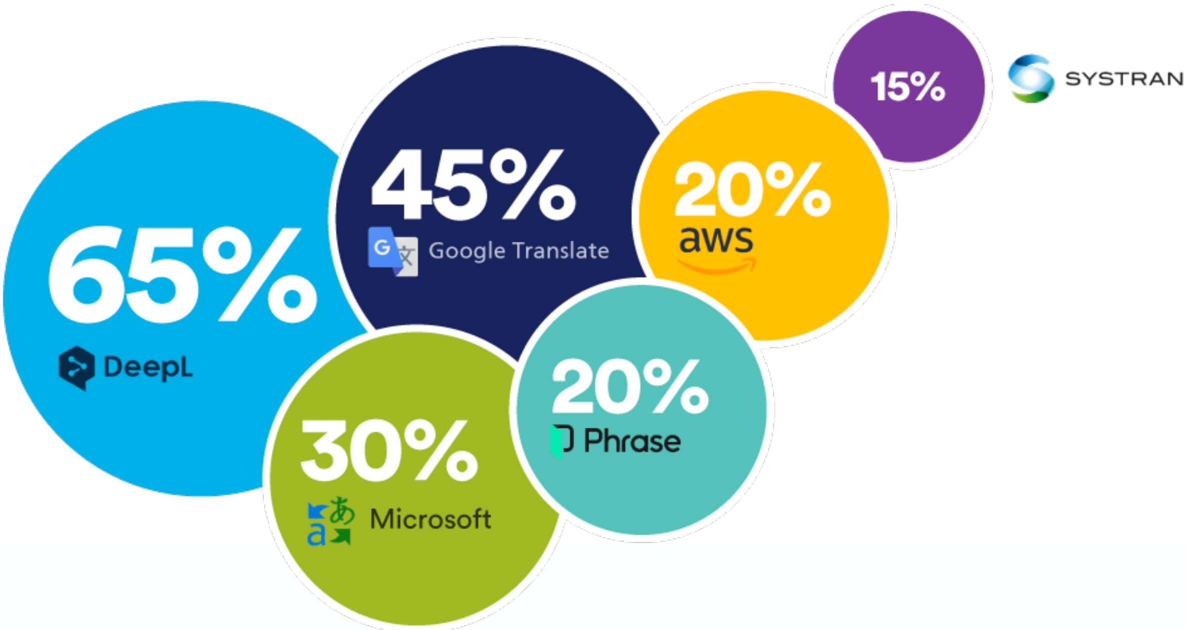
The three leading translation management systems (TMS) are well-established market players. Trados is the preferred choice for half of the respondents (50.0%), followed by cloud platforms such as memoQ (36.4%) and Phrase TMS (formerly Memsource) (27.3%). Despite the abundance of TMS options available to LSCs, custom TMS are favoured by almost a quarter of respondents. Custom TMS and XTM share fourth place with 22.7% of companies using them.



Preferences in machine translation solutions

We already touched on the growing importance of MT in localisation scenarios. Based on the survey responses, LSCs tend to gravitate towards well-established MT providers such as DeepL, Google, Microsoft and Amazon. However, preferences are anything but static – which is a testament to this segment of the language technology market being extremely dynamic and still developing at a fast pace. For example, in the 2021 ATC Industry Report, DeepL shared third place with AWS at 21%, but in 2023, it has surged ahead of the competition and is now leading the pack with 65% of respondents using it.

Although the numbers on a per-solution basis might not seem significant, it is clear LSCs are increasingly turning towards MT. A larger market share naturally translates into substantially greater revenue for the tech solution providers than in previous years. The fact that Phrase managed to capture a 12% increase in its market share is remarkable, especially for a company originating in the language services industry and competing with big tech players.



Percentage of projects that leverage machine translation

Survey results indicate that almost 30% of respondents incorporate MT in over 50% of their projects, while 63% leverage MT for less than a quarter of their projects. The mid-range segment that uses MT for between 25% and 50% of projects accounts for only 7% of respondents. **For one-third of respondents, MT has become an indispensable part of the service they provide to their clients.**

An analysis of MT use across companies in various revenue brackets reveals that over half of the respondents from companies with revenue above GBP 5 million leverage MT on 25% of projects. In contrast, the remaining 41.7% of respondents of this group use MT on more than 50% of projects – simultaneously representing the largest group using MT on most projects. **The data points to evidence: as companies grow their revenue, MT becomes a central lever of business growth**. This is further supported by the data from the small and medium LSC groups – the smallest companies arguably still remain nimble enough to adopt MT, whereas for companies in the GBP 1 to 5 million range, MT is but one in a series of operational challenges they aim to solve.
language services industry and competing with big tech players.

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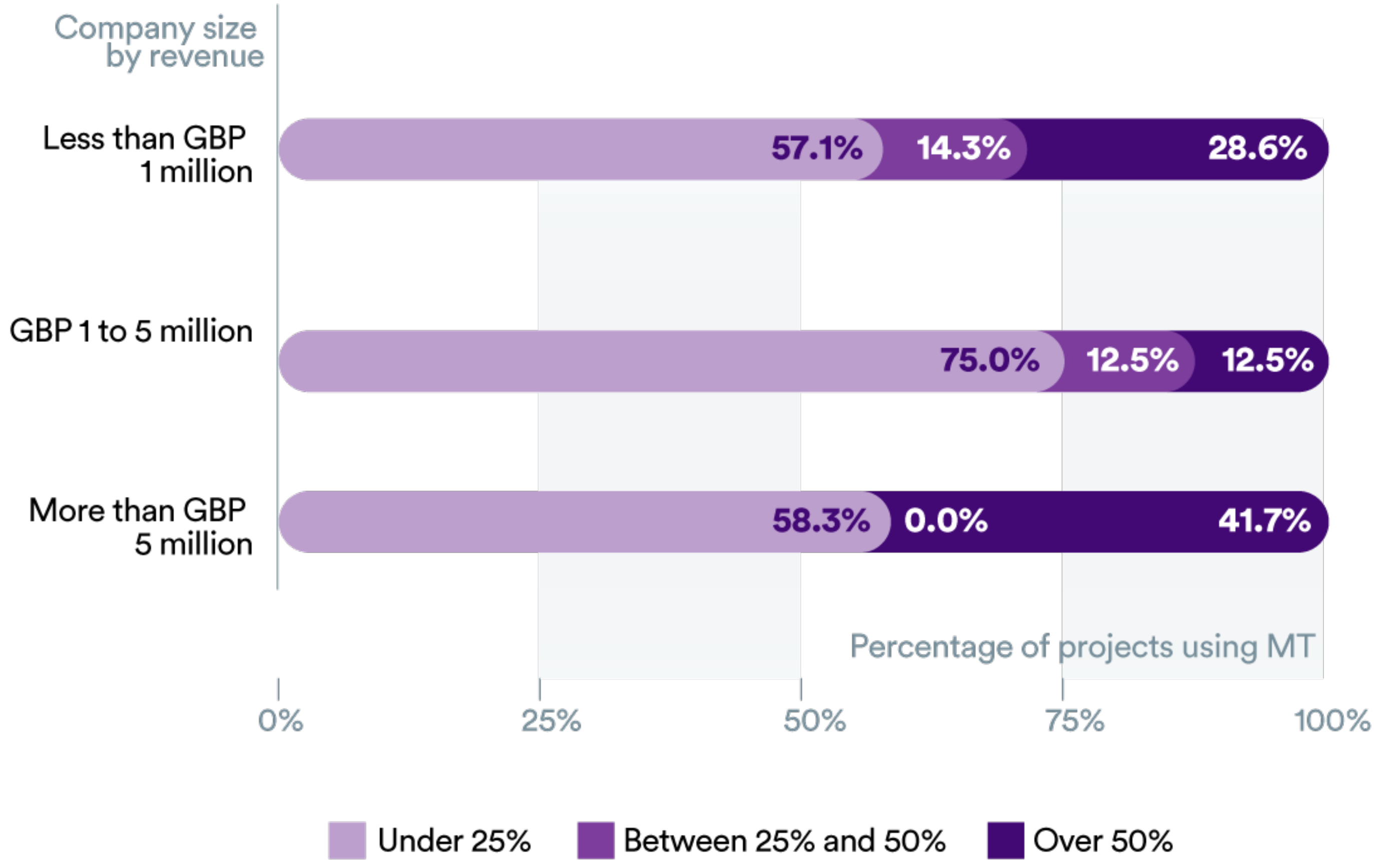
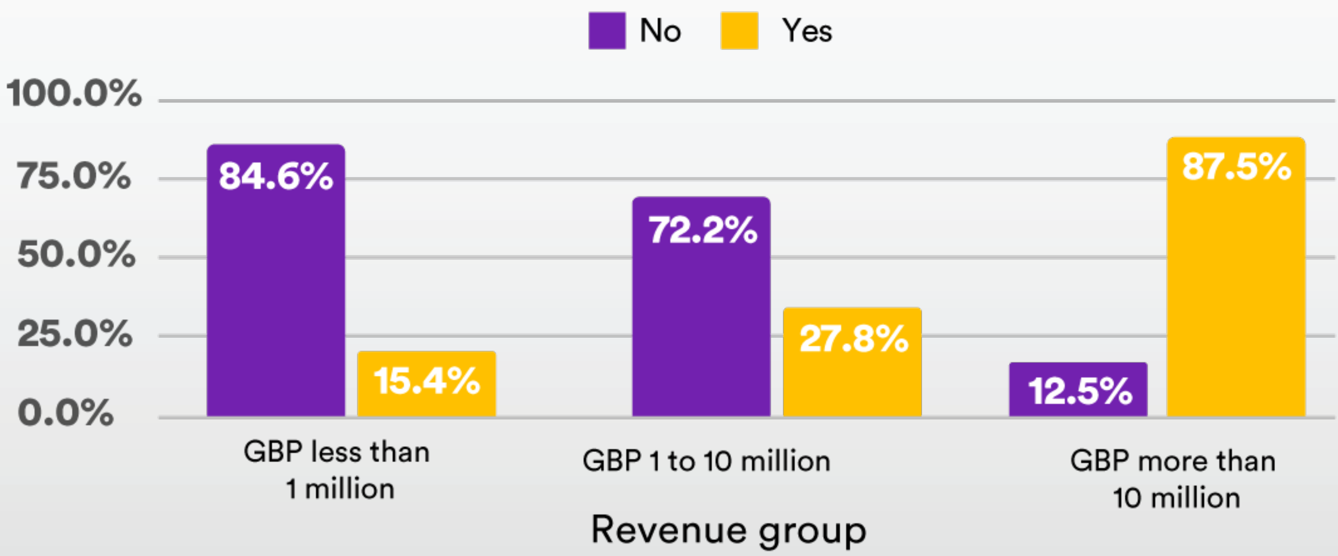


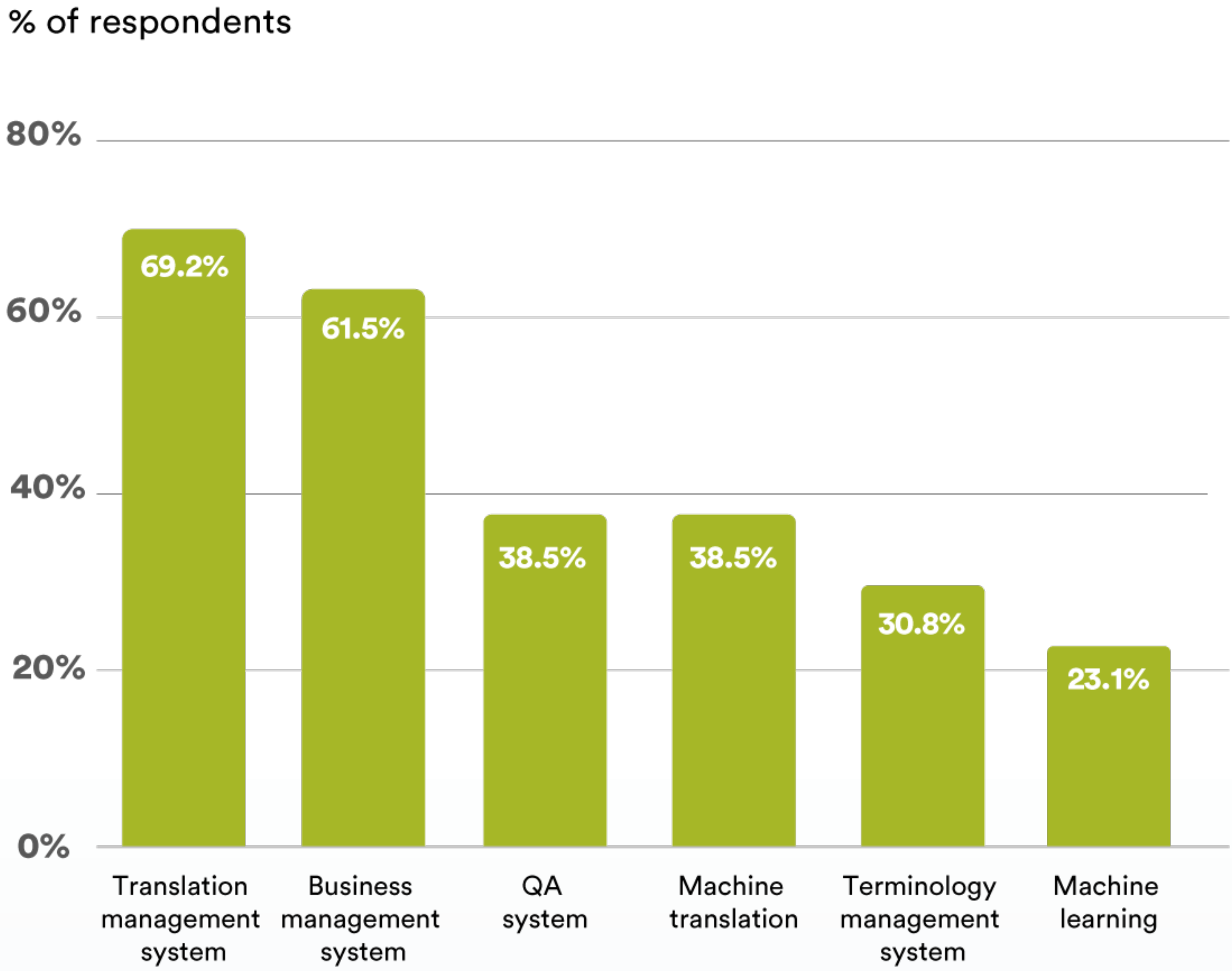
Proprietary technology

Instead of choosing from off-the-shelf software or customising an already available solution, some LSCs prefer building their own software. In general, 64.1% of respondents do not develop proprietary solutions. Among the 35.9% who do, most (87.5%) belong to a revenue bracket exceeding 10 million GBP. On the other side of the spectrum lie the companies that leverage off-the-shelf solutions and, unsurprisingly, fall within the revenue bracket of less than 1 million GBP. However, there is no right or wrong scenario here – the build or buy debate has been going on for years, and both sides of the camp have seen plenty of LSCs (and their clients) reap the benefits of their decisions.



Preferences for in-house software development

Despite a booming TMS market, the most common in-house language technology being built are translation management systems (69.2%), followed by business management systems (61.5%).



The story of those who've gone and built it:

Traduno by Mondia Technologies

The sponsor of the 2023 ATC Industry Report, Traduno, is part of a well-established player in the UK language services market, Mondia Technologies, a company which has been making great strides in their growth trajectory. What makes Mondia's such an intriguing success story is that they are an example of a company that's gone and done exactly what many are wondering about – should you build your own solution, and could you even sell yours if you did? Mondia has recently commercialised its own TMS solution, Traduno. For this report, we sat down with Steve Higgins, CEO of Mondia Technologies, to shed some more light on a fascinating journey.

About Traduno

Traduno is part of the Mondia Technologies group, which also includes Travod International and Wordminds Translations, and is all about language technology. The translation business management system is the product of a close collaboration between Traduno's dev team and professionals from the language industry whose insights have played a big role in shaping the solution.

Traduno is a platform designed to enhance translation workflows and related processes. It consists of four main parts: client management (with a client portal), project management (connected to CAT tools), vendor management (featuring a vendor portal), and finance. This configuration highlights Traduno' commitment to streamlining language-related tasks for both LSCs and buyers, making their work more efficient.

Question: Over the years and numerous published reports, data have shown that LSCs are particularly apt at developing their own proprietary technology. Why do you think companies should give developing their own tech serious consideration?

Steve: I believe the simple answer is that they shouldn't unless they have access to the right, affordable resources. Otherwise, it's quite an expensive challenge. We pursued it for two main reasons. Firstly, we had a super-talented and cost-effective team of developers. Still, it was a lengthy journey, and we invested heavily. Secondly, back then, our options were limited – the available solutions were either expensive, overly complex, or not suitable for us (sometimes, it was a mix of all three).

Our endeavour was a response to challenges the LSCs in the Mondia Technologies group had faced over the years. As an LSC, we understand business, production and operations on all levels. This seamless collaboration led to mutual understanding between the teams regarding how everything functions on both sides. As a result, we now have a mature solution, custom-tailored to manage translation processes and encompass virtually every aspect of the business. While everything started as an in-house development project, it evolved into a separate entity, ensuring equal conditions and treatment for all clients.

In scenarios where development resources come at a high cost, we suggest exploring third-party applications. These solutions come with significantly lower investment and are refined by the insights of thousands of users. If it comes from an LSC, rest assured – they most likely have already faced and resolved the very challenges you aim to address.

Question: What have you learned during this journey of developing and now launching Traduno as a standalone, commercialised product?

Steve: It's been a journey through varied terrain. In the beginning, it was a challenge for all our teams (and I'm not trying to discourage anyone, but a dose of healthy realism is owed to those embarking on this path). Every team had its own unique and correct vision of development. Features were added in a somewhat chaotic manner, sometimes even rolled back and reimagined. We had our share of both errors and successes, but in the end, it was all worth it.

At a certain point, something clicked, and we reached a harmonised collaboration. All involved departments understood and embraced an agile model, while the developers gained a deep understanding of our company's processes. This mutual understanding led developers to not only grasp requirements but also correct the course, taking into account the impact on other departments or stages of the process, while making it scalable and easy to use.

Question: It's all about the buyer – what do clients stand to gain by leveraging the tech developed by their partners?

Steve: Our solution was crafted to optimise our time and costs. These benefits extend to our end clients – they enjoy improved prices and quicker turnaround times. And there's more to it: one key aspect of Traduno that our clients appreciate is the customer portal. Having recognised the downsides of complex solutions – the steep learning curve and sophisticated workflows – we designed the tool to be sleek and focused solely on its intended purpose. The portal's simplicity has struck a chord with our clients, and feedback confirms that we're on the right track. In fact, some clients with a multi-vendor approach have shifted all their translation work to us due to the centralised simplicity they experience through the portal. This move streamlines their operations and improves their internal KPIs. They simply love it.

Question: Pushing this line of thinking further, what about the community of linguists you work with? What is the word from those using Traduno?

Steve: Traduno integrates a vendor portal, enabling linguists to apply and, upon approval, become part of the team. This portal streamlines cooperation between our operations and the linguists. Similar to the client portal, numerous freelancers have chosen to work exclusively with us, abandoning other LSC clients. The reason is simple: They receive a steady stream of jobs, and everything happens within a unified platform. They no longer need to monitor various channels for job opportunities. From jobs and notifications to invoices and payments – everything is handled on Traduno. They can now direct their focus to their work, free from administrative hassle.

Question: Who are your clients, and how will they benefit from your solution?

Steve: We target two segments: Fellow LSCs and end-buyers willing to take control of the translation processes.

When it comes to LSCs, we've all been navigating the same waters, understanding the winds and currents. The difference is we had access to the resources that enabled us to build a faster boat. Now, we're ready to share this boat with anyone willing to come aboard. And it's going to be much more affordable than what we invested. Given our deep familiarity with LSC processes and bottlenecks, we've designed Traduno with cost and time optimisation as core principles. It's not some generic tool for the world; it's a tailored solution for LSCs made in close collaboration with its users. With Traduno, we hope to empower them, enabling growth and expansion within the industry.

For end-buyers grappling with intricate translation workflows, Traduno emerges as a tool for process organisation and optimisation. By centralising vendors and steps onto a single platform, it offers a unified control centre for managing translations effectively.

Question: We talked about remaining on top of the technology curve. In what is a very dynamic landscape, how do you ensure you keep pushing out a state-of-the-art technology product?

Steve: Your question touches on AI. While AI is currently a buzzword for many, it's still a work in progress. Although it excels at generating content, it sometimes lacks accuracy and is prone to inventing things and inconsistencies. We don't want to merely use it for show or offer clients a tool that requires constant human verification. Our goal is to make your life easier, not give you a headache. However, we see enormous potential in further optimising workflows through AI. This represents our next major step in development, and we are currently working on it to keep ahead of the game.

Business challenges and opportunities

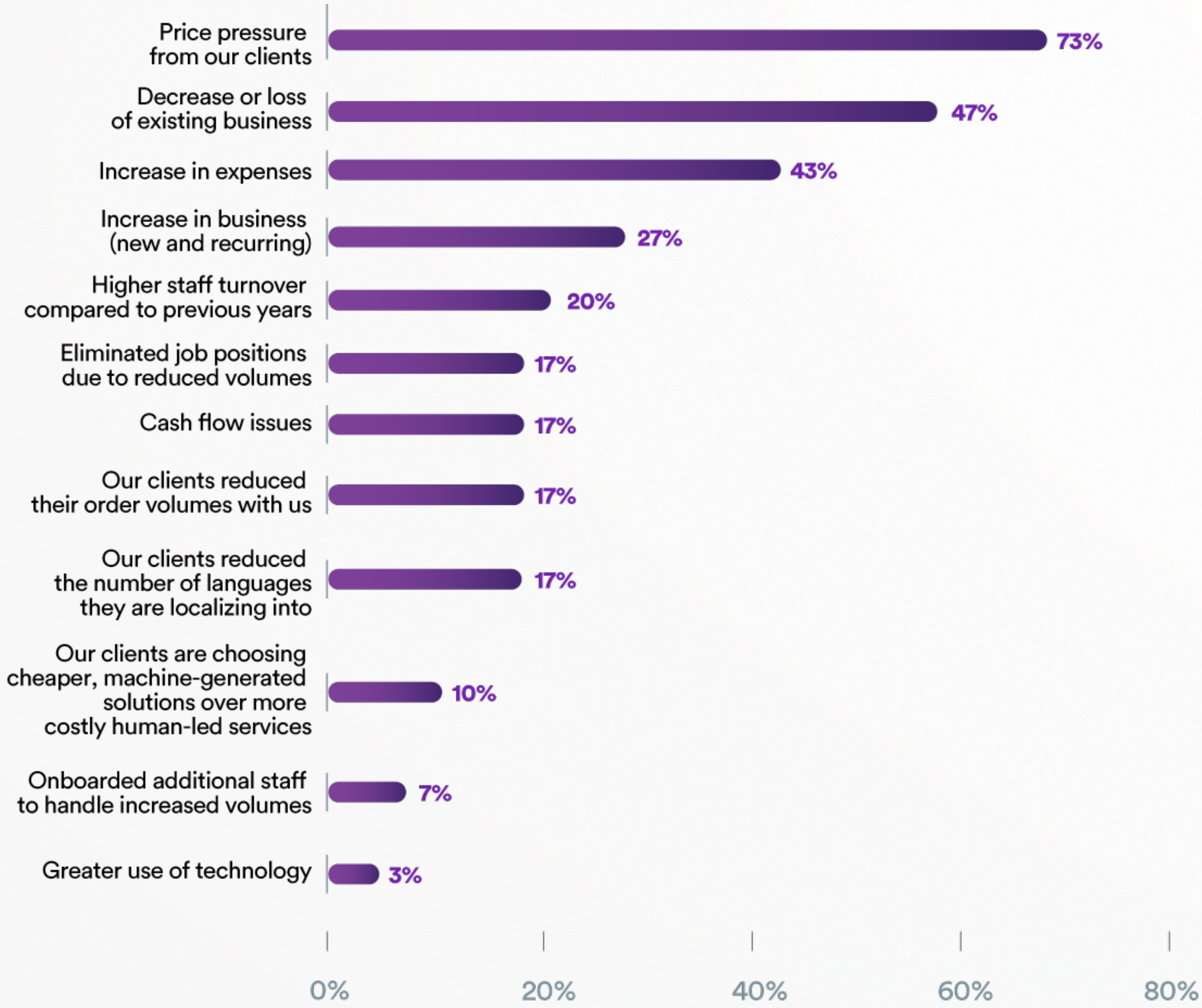
While business indicators point to two strong years of growth, there are clouds on the horizon, and savvy leaders will want to prepare their businesses for what lies ahead. Indeed, the economic downturn highlighted by rising inflation and cost of living, geopolitical uncertainty, and talent shortage in some pockets of the market present their own challenges. One thing is certain: the various shifts within the business landscape are met with diverse responses. While most are playing with the same deck of cards, the strategies and tactics will differ from one LSC to another.

The business impact of global events

Language services may be one of the shadow industries and more resilient than most in times of crisis, but global events still impact the LSC landscape. The survey revealed how these challenges have been influencing the reality of UK LSCs.

How have the recent global challenges impacted your business over the past two years?

A majority (73%) of the participants are feeling pricing pressures from their client base. In some of our follow-up interviews to the survey, LSC leaders highlighted that they essentially find themselves in the middle of a highway with two opposing fast-speed lanes: while clients try to negotiate prices downward, encouraged by the cost-efficiencies of AI-driven technology (and also having to compose with their own flat budgets), LSCs need to hike their prices up to offset rising inflation and cost of living.



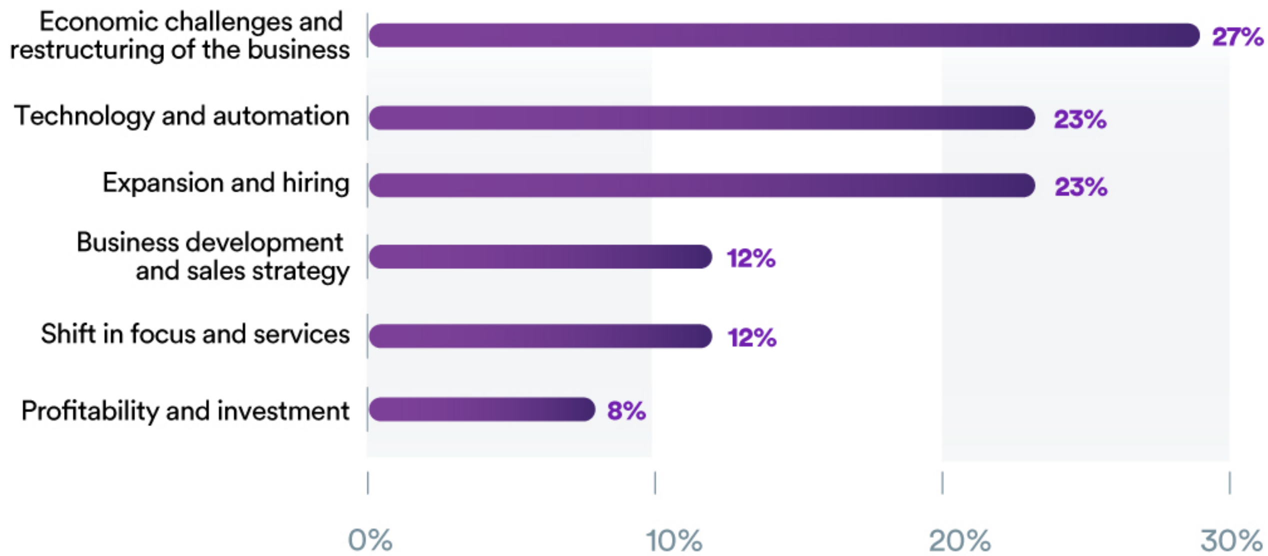
There's more than just price pressure, however. Survey respondents have reported a reduction or loss of existing business for nearly half of the companies (47%), accompanied by an escalation in expenditure (43%). Additional research Nimdzi has been doing over the first six to eight months of 2023 shows that the industry – especially the clients who buy language services – is in wait-and-see mode. Decision-makers on the client side report that numerous projects have been put on hold if not downright cancelled.

Naturally, the workforce remains the most vulnerable to external market forces, and some LSCs have indicated higher staff turnover compared to preceding years (20%) – although, as reported earlier, most surveyed LSCs have been hiring instead of losing talent in the last few months.

An eventful 2022/2023 season

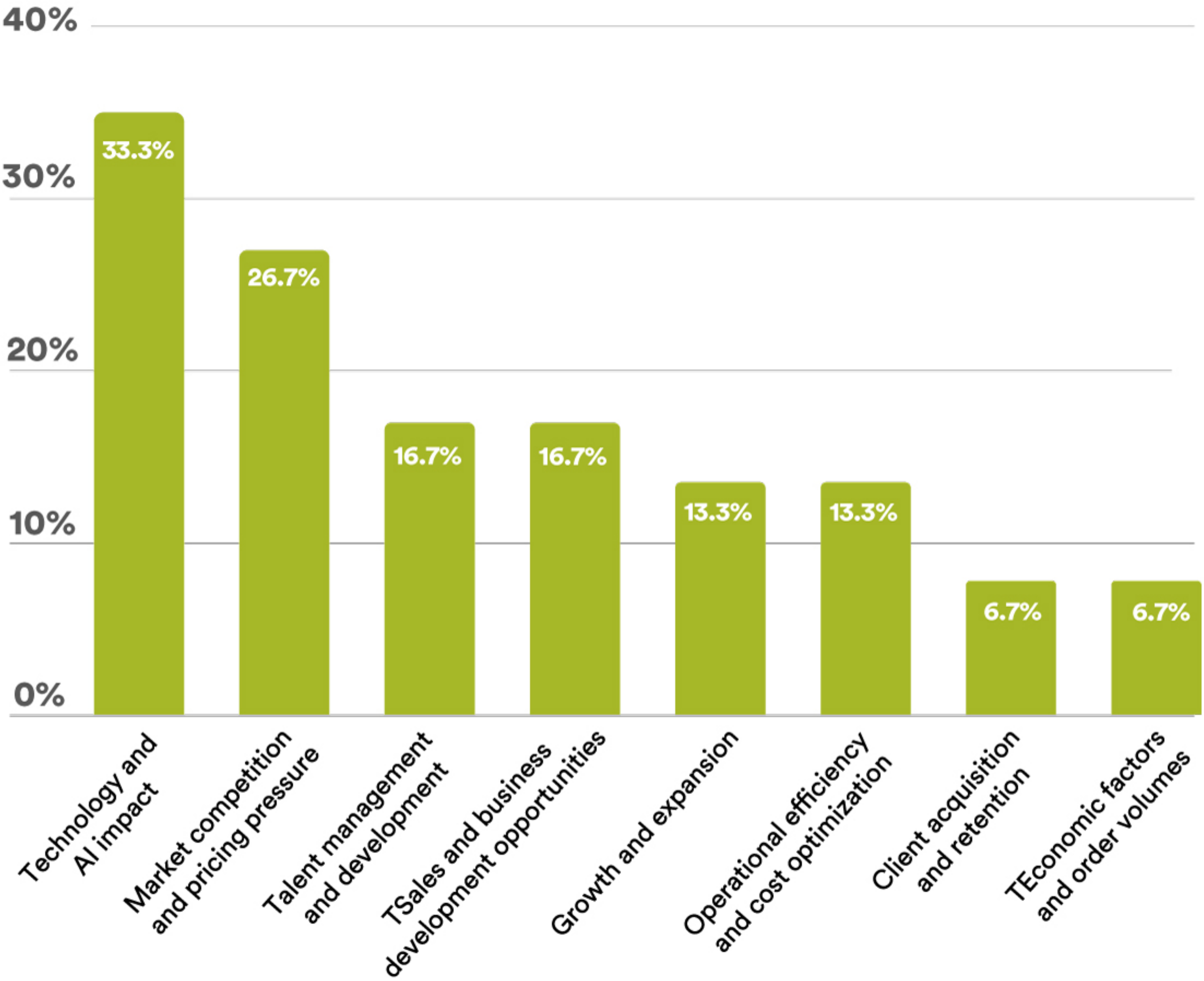
What was the most important change in your company in 2022?

2022 was another busy year, and some of the challenges (and the initiatives and programs they resulted in) have continued into 2023. Dealing with economic challenges (e.g., growth rates, changes in profitability, etc.) and restructuring the business was the most notable change in 2022 for 27% of companies. Technology was mentioned as a point of focus by 23% of surveyed LSCs. The challenges here are varied, from embracing automation, further streamlining processes, or updating their tech stack. Expansion of the business, supported by judicious hiring, was a crucial change for 23% of respondents.



Besides its centrality to modern-day localisation operations, technology and automation represent the biggest challenge for 33% of LSCs. The fierce competition in the market and pricing pressures remain a challenge for 27% of respondents. Alongside external forces at play, companies are also facing internal challenges: talent management and development (17%), the sales teams' ability to create new business opportunities (17%) or the pursuit of operational efficiencies (13%) are some of the most often mentioned challenges companies are facing.

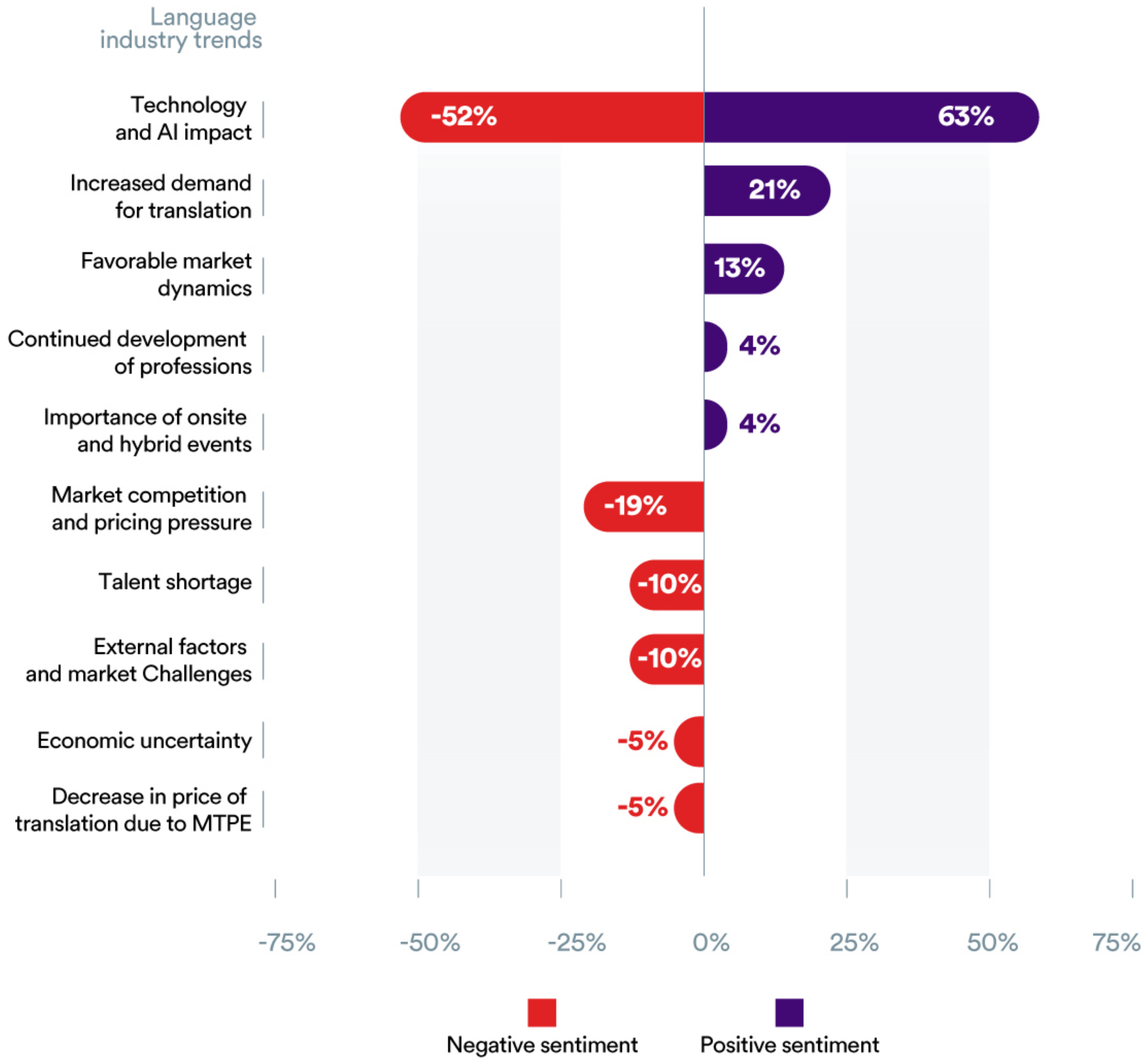
What is the biggest challenge your company is facing in 2023 and beyond?



AI is the big headline topic of the 2022/2023 season, concentrating a lot of debate and opinions. The survey results show positive sentiment on technology, and the impact of AI (63%) does edge the negative views (52%). Only time will tell how AI-powered tools will insert themselves into conventional localisation workflows. Still, in the fall of 2023, most of the industry has made their minds up about how impactful AI can be. The buyers of language services are busy testing and implementing LLM-powered tools in multilingual scenarios, the technology providers are busy adding it to their flagship tools and service providers are figuring out whether there is potential to monetize AI-enabled services. One of the potential outcomes of AI powering translation and localisation work is an increased demand for translation – all that content will at least require validation by experts – 19% of respondents seem to be leaning this way.

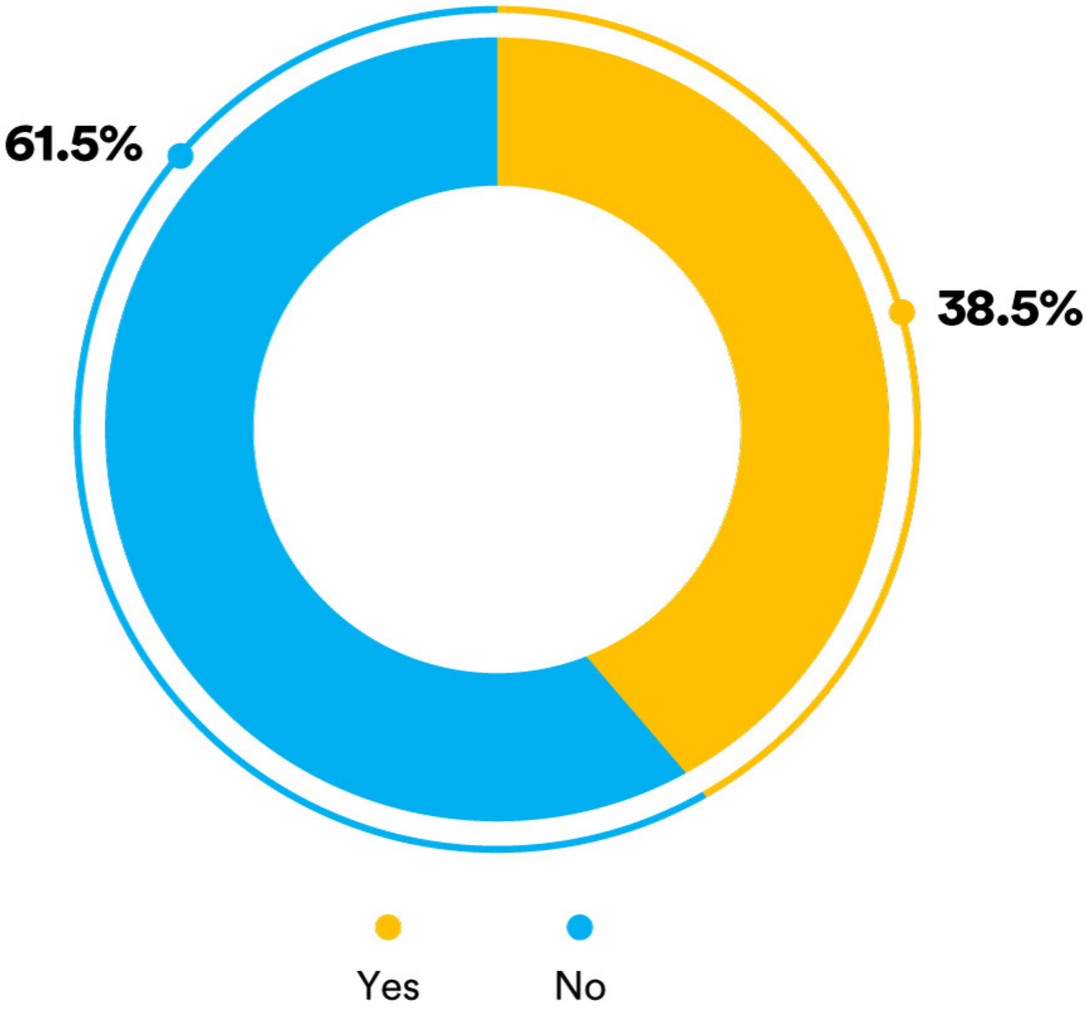
On the other side of the spectrum, the anticipation of increased market competition and pricing pressures (19%), coupled with the challenge of talent scarcity (10%), continue to influence businesses negatively.

Which language industry trends do you expect to have a positive and negative impact on your business in 2023?



Have legislative developments affected your business?

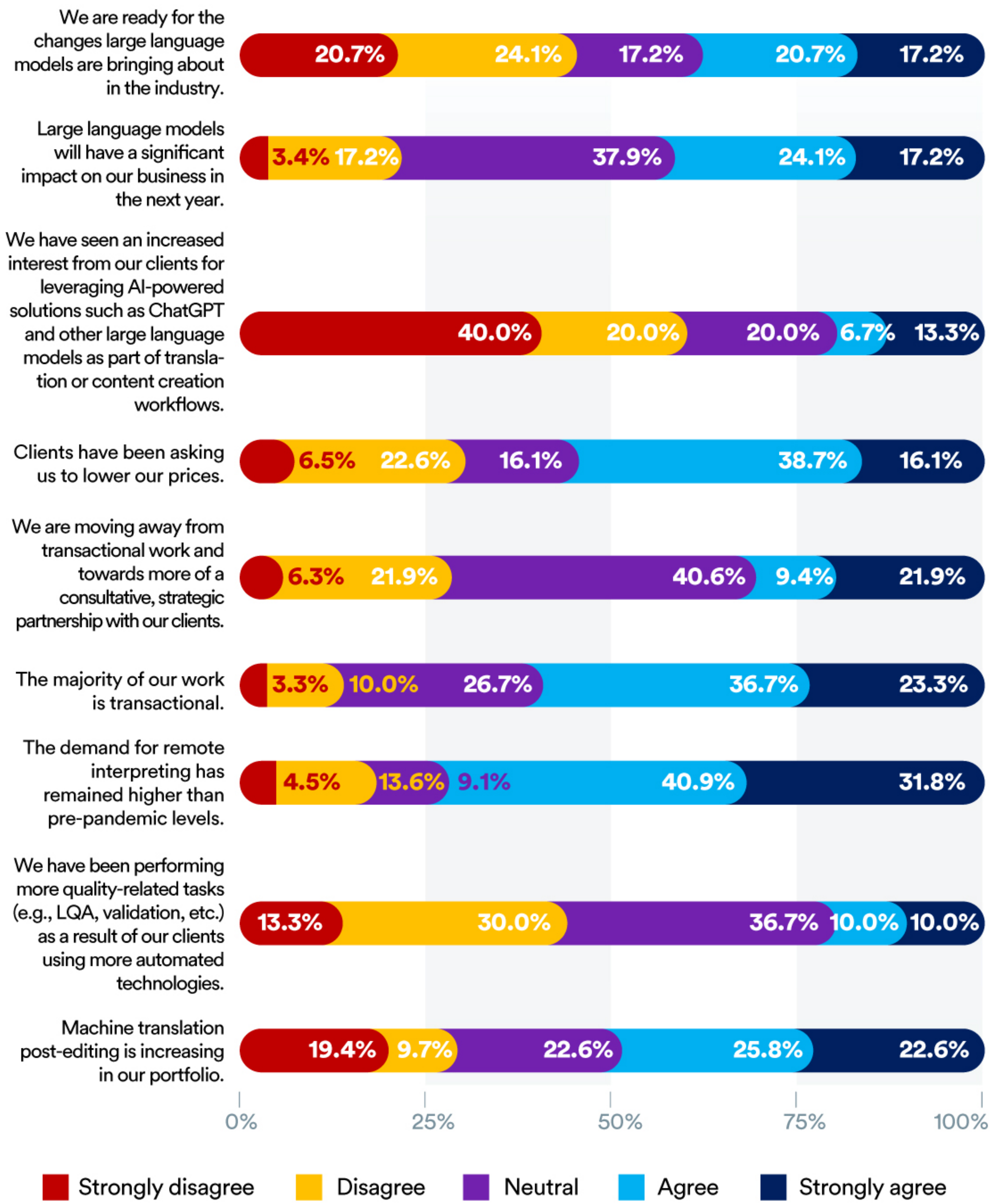
Among survey respondents, just over one-third reported being affected by changes in legislation in 2022. They mentioned possible changes in corporate taxation, national insurance payments, uncertainties over AI legislation, language access compliance, and persistent administrative costs stemming from Brexit as potential hurdles to work around.



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

Despite the aforementioned positive sentiment expressed about the place of AI in the language services industry (in another question, 41.3% of respondents see AI continuing to impact the industry into the future), there is still a sizable portion of LSCs (37.9%) that lean towards a more reserved, wait-and-see approach when it comes to LLMs and generative AI technology. This is evidenced by the fact that most respondents (60.0%) have not yet seen an increased interest in AI-powered solutions from their clients, although most of the respondents here fall into the revenue group below GBP 1 million.

This suggests that, for the time being, AI projects are still mainly pertinent for medium-sized and larger companies. What's more, registering demand for AI and then being ready to absorb it are two different things, with most of the survey respondents (44.8% of responses) sharing they are not yet ready for the change brought about by LLMs.



In parallel to the AI discussion, the reported uptake of MT is further evidenced by the fact that 48.4% of respondents share that the part of post-editing services in their portfolio is increasing. We've also been looking for a subtrend in the area of machine vs. human – that of LSCs pivoting to the role of a validator of the quality of content produced by automated solutions (i.e., MT or generative AI). While some LSCs have seen this develop into a parallel service, thus far, this hasn't been something that can be generalised across the board. In the interpreting pocket of the market, the post-pandemic demand for remote interpreting services continues strongly, with upwards of 70% of respondents claiming they are seeing more demand for such solutions.

As reported previously, LSCs have to contend with the reality of price pressures – this is the case for 54.8% of respondents. Nimdzi Insights has been reporting on the trend for LSCs to continue moving away from transactional work and towards a consultative, strategic partnership model, but that has not quite been manifesting in the UK market. 60% of surveyed companies still report that their work is mostly transactional. A sizable 40.6% of companies reported being tepid about the notion of acquiring that strategic partner dimension their clients are craving so this begs the question – **with their work cut out for them and a multitude of challenges to try and solve daily, are LSCs spending nearly enough time on the "service" portion of their mission?** While both the clients and the service providers seem to be facing the same adversity in the global markets, one has to wonder whether more can be done to strengthen communication and find common solutions to the same challenges.

Interview:
Stepping into the buyers' shoes

Cristina Marín Garcés
Senior Localisation Manager

LSCs are but a part of a larger ecosystem. Too often, one of the challenges they encounter is a lack of insight into why and how buyers of language services make their decisions. This lack of understanding of buyer objectives and challenges is often a hindrance to developing a symbiotic relationship. After all, both sides want the same thing – to grow. That's why, for this edition of the UK Industry Report we interviewed Cristina Marín Garcés, Senior Localisation Manager at Deliveroo, to gather perspectives on how LSCs can partner with their clients to ensure sustainability and growth – and to make both sides happy.

Cristina, from Nimdzi's research we observe that 61% of companies tend to work with an LSC only. For clients, working with a mix of freelancers and LSCs is less frequent (21.9%), but it does happen. Deliveroo is one such example. Can you walk us briefly how you got here and how you achieve symbiosis so all the parties are happy with the setup?

Christina: It is interesting to note the percentage of companies working with LSCs only as opposed to having a hybrid model - it's a setup that works well. For us, it was an organic decision to go this route. As localisation sits in the Tech organisation at Deliveroo, during our startup days the freelancers were working mostly just on product content and on a few other priority areas. But over the past two years, our business has experienced massive growth - many teams were created, others were restructured, and more content is being created than ever before. So with the content now coming from all the different parts of the business, we knew the freelancer-only setup was not sufficient. Also because one of the legacy quirks of our system was having specialised linguists. For example, our in-house French localisation specialist specialises in product and marketing localisation, so we understood we needed to onboard the right people to work on different parts of the business. So that's how we started to look at LSCs as a parallel option. We always had the option to expand the freelancer pool, but this would have likely been unsustainable to manage at the pace we are working.

There was a bit of a transition when setting up this dual system, when freelancers noticed they suddenly weren't doing everything. But even if the work has been reduced slightly, by focusing on their subject matter areas they've been able to transform into specialists, and true product experts. The two sides - the freelancers and LSCs - never compete with each other. For the freelance linguists, they actually started to receive more work, with a wider set of tasks for their specialist area, such as QA.

Ensuring everyone is happy is a job unto itself, but so far it's been going well. What we do as localisation managers, even though our stakeholders can technically go directly to the LSC, is that we are still the owners of the relationship with our partners - there is a constant sharing of resources and communication with all the groups. This has been a great way to ensure consistency as all sides are being proactive about asking questions and communicating. It's not just me, but also the PMs on the LSC side who remain actively engaged. Having this level of dedication and trust is key.

What areas do you think LSCs should work on to set themselves apart?

Christina: A few things come to mind - having worked at an LSC before, I know it can sometimes get hard to devote attention to them. First off, **specialisation**. From my perspective as the client, I want to know that the team dedicated to my account knows the projects that they are working on, they know how to handle the different situations, and that they outsource it to the right linguists. For instance, this was a very important criterion for us when selecting a partner LSC, knowing that they have a dedicated team of linguists for the varied areas we needed. We wanted that level of consistency of working with the same people. Then there's **technology**: having a good technical setup, with a solid TMS that centralises the work, that can be plugged into our systems and offers opportunities to automate the process is a godsend. Nowadays, I can see more and more LSCs investing into having more automated cooperation with clients. Lastly, it's the comfort of a **dedicated team**, with both sides cultivating a mutually beneficial relationship. Engaging with the same people, who are there not only to answer questions, but also provide advice when needed is vital. Having the consultancy hat is something more LSCs should look at.

What keeps you awake at night?

Christina: There's no shortage of things to occupy the mind. As Deliveroo continues to grow, this happens all the time - and likely happens in other companies, too. One such example is our stakeholders going and taking care of localisation themselves, not working through our formalised processes and us not knowing what was going on, or needing to drop our priorities and needing to accommodate. This continues to be one of the drivers of why we want to handle the relationships with our partners. It isn't a question of not trusting the LSC or that whoever our colleagues go to wouldn't provide good quality work, but it's about centralising demand. This continues to be a worry, especially as we have over 3,000 employees with new units being created who may not know where to go for their localisation needs. So it's **very important for us to continue talking about localisation, and ensuring they know that our team exists.**

Sometimes it's difficult to control, but we're trying to make sure localisation has enough visibility internally, so different teams understand what it takes to get a product to market. Making sure that localisation is valued and considered as a proper discipline alongside, say, engineering, is vital. And this has a direct impact on the freelancers and LSCs too - the more we work on internal alignment initiatives, the better support/heads-up we can offer to our partners, so they have better visibility and can plan for what's coming. At the end of the day, this impacts the quality for everyone.

While overall, the industry has been growing, interviews we conducted point towards 2023 being a slower year as clients and service providers are in wait-and-see mode due to the emergence of AI and external factors such as the economic downturn. Have you seen outside forces affect the work you've been doing at Deliveroo?

Christina: Unfortunately, yes. At the end of 2022 and the beginning of 2023 we've seen things slow down. There was still work, but budgets were reduced so we needed to prioritise what we sent to localisation. Speaking with peers, you have the feeling localisation is one of the first things which go in times of crisis. But we're actually trying to make a case for the opposite - **if things are not going well, then that is precisely the reason why you need to double down servicing on our global markets**. Naturally, we felt bad for our partners - often they're asking us questions about projects we simply don't have answers to. But things have been picking up of late, with the company reinvesting in new features. The limitations we faced at the beginning of the year have been slowly lifting. **Many businesses, not just Deliveroo, have probably used this time of uncertainty to reassess where to invest next and that brings more opportunities for localisation.**

Where do you think the language services industry is headed?

Christina: The AI and MT trends are the headliners, naturally. I've seen many companies taking advantage of these new technologies to revamp their processes and create new services. 10 years ago not many were enthused about MT, but it has been proven to work. Now it's also on the LSCs and the linguists to continue to evolve and become more proficient with these new technologies. We don't really have a choice in this regard as AI is affecting the whole business world. As a counterpoint to the AI push - and for those who do not wish to go down that road - what I see continuing adding value is more specialisation in areas such as digital marketing, SEO, or social media. This is especially valid for the linguists who do this type of work - there is opportunity to reinvent oneself.

The industry at the gates of the AI era

A lot can happen in two years. In 2021, we reported how the UK LSC landscape, powered by scrappy small to mid-sized businesses, was able to weather the global pandemic and any negative effects of Brexit. Fast-forward to today, and one thing is certain: UK LSCs have many fundamentals right.

Indeed, we observe strong growth rates in the UK market. The financial benchmarks are trending in the right direction, the rates are up, UK LSCs are bucking the worldwide trend of hiring less and expanding their activity and they have been adding more technology into the mix… And yet, this isn't a time to relax and rest on our laurels because more change is afoot.

The entire language services industry is in wait-and-see mode. 2023 half-year results of some of the largest companies in the industry indicate flat growth. LSCs of all sizes are reporting numerous projects being put on hold as localisation departments on the client side see their budgets stagnate or increase only modestly. What exactly is going on?

As seen throughout the report, the outside world continues to influence proceedings in the language services industry. An economic recession has replaced the global pandemic. Coupled with geopolitical uncertainty and the rising cost of living, and the global workforce being in a state of flux, UK LSCs are certainly not unaffected. By now, all of this is mostly business as normal, however. Yet there is one big elephant that has made its entry into the room: generative AI.

Let's be clear: The ChatGPT buzz is over now. Based on our qualitative research, Nimdzi Insights doesn't anticipate the promised explosion of content by LLMs and generative AI to occur until later, in 2024. This is because everyone is busy testing the varied solutions while figuring out latent questions of security, confidentiality and ethics. It's still unclear how the AI revolution will shake out in the long term. The immediate consequence is clients pausing their big projects until the viability of AI in their operations is confirmed.

On an industry level, we anticipate the polarisation between those who embrace the opportunity of AI and those who don't will continue. While optimism is du jour, it is important to continue asking the right questions. The same ones the industry has asked – and found answers to – about MT not too long ago.

Rendez-vous in two years to see how the UK's language services industry has mastered AI.