



Shaping the Industry

17th November 2003

In the light of the pressures facing the localization industry in terms of cost cuts and quality squeezes, what are the options open to us to make the unpredictable profitable? How have the larger translation providers been hit by the changing purchasing patterns, and how has that affected the smaller players in turn?

Since collaboration is the key for GALA, what are the practical ways in which we can all grow and improve?

These are some of the questions and issues that were uncovered during the course of a roundtable seminar run as part of the LRC Localization Conference.

Speaker Profiles

Don DePalma (Common Sense Advisory, Inc)

Don is an industry analyst, author, and corporate strategist with expertise in business- and marketing-focused application of technology. He lectures and writes frequently on the topics of online marketing technologies, content management, high-end application development, knowledge management, and globalization. His book, "Business Without Borders:™ A Strategic Guide to Global Marketing" was published in 2002 by John Wiley & Sons and is available at online booksellers and at select fine book stores.

Michael Gavin

Michael Gavin has worked in the localization and translation industry for 18 years, most recently as head of Sales in Europe for Berlitz GlobalNet and, after the acquisition of Berlitz by Bowne, as Vice President of European Sales. In this role he was responsible for the development of both strategic and tactical initiatives to build the BGS business in Europe and the day to day management of a team of 48 salespeople in 12 countries. Michael recently decided to leave BGS to set up a new consultancy company focused on helping companies in the localization business achieve their sales and marketing goals.

Niall Whelan (Ariba)

Niall is EMEA Globalization Manager for Ariba – an online procurement company headquartered in California. Over the past 14 years, Niall has dabbled in localization within the software arena. He manages a small but mighty team of 8 engineers and project managers in the Dublin office and uses a localization outsourcing model to produce the EMEA and APAC language versions of Ariba products.

Lori Thicke (Eurotexte)

Lori Thicke was born in Canada, and moved to Paris after completing an MFA in Journalism and Creative Writing at the University of British Columbia. In 1986 she cofounded Eurotexte, one of the leading independent companies on the French translation and localization market.

Eurotexte was the first translation company in France to receive ISO 9001:2000 quality certification. This year was the 17th anniversary of Eurotexte and the 10th anniversary of Translators Without Borders, founded by Lori and Eurotexte manager Ros Smith-Thomas, to provide free translations to humanitarian organisations.

Daniel Carter (TOIN Corporation)

Daniel is currently Director International Business for TOIN Corporation, the oldest and largest independent Asian-language localization supplier. Prior to joining TOIN, Mr. Carter founded International Software Products (ISP), an information-technology localization firm that provides translation and localization services to technology companies, and served as CEO and President until April 2002. In April 2002, Mr. Carter was one of the founders of the Globalization and Localization Association



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(GALA) and has served as a member of the board of directors since GALA's inception.

Greag Purcell (Seminar Facilitator)

A Commerce graduate from University College Dublin, Gréag has held various senior positions in Ireland. As CEO of Dunlaoghaire Rathdown Chamber of Commerce he brought a strong sense of commercialism making the Chamber the second largest in the country. A strong lobbyist he was instrumental in advancing many major proposals through Government Departments.

Gréag also held the position of Managing Director of InvestNet an investment introductory company specialising in Technology Companies involved in ICT and Life science sectors. He remains a Director.

As Director of Sales and Marketing at Hibernia College, Gréag is responsible for brand and bottom line. Hibernia College is Europe's first dedicated online College offering a range of graduate and postgraduate courses.

Key Discussion Areas

The View From Here (Don DePalma)

There are several developments in particular which have changed the way in which localization will be purchased and sold in the future. Client companies are outsourcing product development to India and then bringing it back home for more processing such as localization. In the future Indian companies, if they have not already started, will include localization as part of their process, thus client companies will move towards outsourcing even localization. At the moment there are not enough reliable localization suppliers, however the situation is not dissimilar to that experienced in Dublin 15 years ago.

Procurement managers for outsourcing don't understand the localization process and as a result, many will fail to do it right.

It is expected that project management, pre-processing, QA, and other well-defined processes will be outsourced first. However, brain-intensive services such as product development, call centers and back-office systems are following manufacturing to lower cost markets.

Extent of Demand

When supply so obviously seems to outweigh demand and with the slowdown in purchasing by the IT sector, is there any work for the taking?

According to Michael Gavin, there are huge opportunities available outside the IT and telecommunications sectors. Don DePalma agreed, stating that the life sciences, legal, governmental and advertising sectors are in recovery. Furthermore, the US has experienced 7.3% economic growth in Q3 of 2003 with a further 4% predicted for coming quarters.

“We are only limited by our own imaginations”
(Michael Gavin)

Once we learn to think outside the sectors which are known to us, we will discover that demand is huge. However, the purchasers outside of the IT industry have not yet understood the importance of localization, first as an export tool, and secondly as part of the development process.

Purchasing and Pricing Patterns

It seems that there is no predictable purchasing pattern within the localization industry, with the industry as a whole suffering from extreme phases of boom and bust. Profitability has always been a problem in the localization industry and, unless we improve the level of our professionalism to customers, and subsequently to stakeholders, it will continue to be a problem. In the meantime, consumers have begun to rethink their purchasing behaviour in the knowledge that, with supply outstripping demand, localization vendors will concede huge discounts in return for a sale.

Purchasing managers hired for the task of localization procurement are generally uninformed with regard to the product and are driven by the mandate to cut costs. Online auctions are becoming more and more common as a means of reducing the cost of purchasing. However, the effect for localization vendors is that they are now bidding for the attention of their own existing and supposedly loyal clients. In Niall Whelan’s experience, localization vendors tend not to be fully cognisant or confident of the decision-making in operation in online auctions. Presuming, wrongly, that the deciding factor will be price, localization vendors underestimate the emphasis that placed on relationship and capability and thus sell themselves short. While conceding that online auctions are not necessarily the most cost-effective way of purchasing localization, he stated that it is the purchasing scenario currently in operation. In fact, Daniel Carter suggested that the increase in online purchasing through auctions could be a result of localization vendors clamouring over zealously for the same projects, rather than differentiating their service offering.

In the table below, devised by Don DePalma, the current purchasing trend towards commoditization of localization is set to continue.

New faces: Professional outsourcers apply commodity methods

Today	2004	2006
1-to-1 transactions between localization buyers and suppliers	Many-to-many marketplaces enabled by Web services and content standards such as XML and XLIFF	Systematic “agency reviews” and auctions enabled by investment in procurement systems, collaborative networks, and content standards
Cozy, long-term relationship	The ability to engage in Priceline-like bidding appeals to both the economic buyer and localization cost-cutters	Professional sourcers dictate terms to suppliers, applying raw material procurement techniques to buying from localization service providers

“We’re not ready for professional buying, but the buyers are.”
(Hans Fenstermacher,, Architext)

Don DePalma stated that purchasing decisions are being made at lower levels than might have been originally thought. Given that localization does not appear to be on the CEO agenda, purchasing is carried out at directorial or managerial level. In a recent survey of 50 potential clients, Don highlighted that localization discussions only reached CEO level on one occasion.

Sales Techniques

Daniel Carter briefly summarised the cyclical nature of localization, describing the both the shrinking of the industry through mergers and acquisitions and the influx of internet-based suppliers. He forecast further consolidation among the smaller players as they move to fulfil the needs of larger clients who are unwilling to rely on the largest vendors.

With the surge in small or freelance vendors into the market due to the increasingly low barriers to entry, Daniel forecast that the number of real consortia will increase on a more effective basis than purely for outsourcing reasons.

“We must change with the industry and find solutions.”

(Daniel Carter)

As we saw in the purchasing table above, the manner in which localization vendors sell their services is likely to change dramatically over the coming months and years. Given the limited success of offering localization as an independent service, vendors must explore new distribution channels and partnership selling opportunities. Our introverted attitude as a cottage industry does not persuade clients of the need to invest in localization.

While it could be assumed that uninformed purchasing is epitomised in online auctions, Niall Whelan argued that the decision-making criteria of relationship and capability allow vendors to educate the purchasers. Lori Thicke was less positive on this point, claiming that translation sold through this form of purchasing has reduced localization to a commodity rather than a professional service.

“What are the significant differences among Lionbridge, Idiom, Trados, & Global Sight? Do they all do globalization equally well or is one better than another?””

((Industry Analyst))

Given that there are very few real differentiating features between localization vendors, each company must align itself to a specific business need or niche in order to become profitable. Lori Thicke from Eurotexte stated that price has become the only differentiator between localization vendors with price squeezes being passed down from vendors to suppliers, endangering supplier loyalty and translation quality. The key, according to Daniel Carter, is to “do what you’re good at.” Niche players operating in an environment in which they can provide specialist skillsets will be very successful, regardless of the surrounding economic upset. Rather than striving to provide everything without differentiation, Daniel called on small vendors to set parameters on their offering.

“Who do you want to be?”

(Daniel Carter)

Don DePalma agreed with Daniel and outlined the options facing localization vendors in today’s economy. The choice is either to acknowledge the price pressures and become a low-cost, fully automated service provider or to realise the

communicational aspect of localization and concentrate the service offering accordingly. Either way, it is vital that companies clearly articulate the value proposition which best resonates with their target markets. According to Michael Gavin, sales personnel within the translation industry are generally undertrained in sales techniques, and as a result risk overselling in desperation for a sale. While it is largely true that those acting in a localization sales role are well-versed in translation techniques, style guides and TMs, the sales function itself must be restructured with staff who can explore business issues with potential clients and match their needs to the service on offer. For example, the trend of “pricing per word” is growing increasingly irrelevant to a market used to paying for professional services on a consultancy basis and serves only to confirm the fact that the localization industry does not promote itself as a professional service.

Educating Clients

As an industry, we are guilty of creating an introspective environment which only serves to reduce client confidence and negatively impact on localization as an essential service. Where the risks involved in purchasing this largely intangible product are already very high, our limited profile, quoting mechanisms and exclusive terminology prove confusing and off-putting to potential clients.

As a client, Niall Whelan from Ariba, is only too aware that those members of staff within client companies who most require detailed information on the localization process, are generally those who are left uninformed. From his own experience, Niall felt that programmers in software client companies were vitally left out of the loop, despite the fact that they were the end-users of the localised content.

“Are we relevant?” (Don DePalma)

Hans Fenstermacher, chairperson of GALA, explained recent attempts to raise the profile of the localization industry as a whole. The initiative which was based on the “Got milk” campaign to raise the profile of dairy products in the US, reaped very little benefit for the localization industry. While it may not have been hugely successful, it is clear that there still exists a huge need for localization professionals to drive awareness of the industry and its benefits. Tackling the question of exclusive terminology, Hans echoed Michael Gavin in stating that we must first standardise industry terminology and then make it understandable to those on the peripheries.

“You need to write the hymnbook and then all sing from it!” (Gréag Purcell)

What do we sell?

Perhaps the crux of the questions raised in the course of the seminar can be condensed into this simple question. While economic difficulties may be partially to blame for the unpredictable nature of the industry, some of the blame must be accepted by localization vendors for their failure to differentiate, educate and sell in an informed manner.

In answer to the issues surrounding quality versus price, Niall Whelan felt that in general, quality was “going south”. While this might be linked to the price squeeze, Niall spoke for other clients when he said “We just want what we pay for.”

The response from the floor was that although we can highlight the essentiality of quality, because quality will not come to light until much later in the localization process, it is not a consideration of immediate importance. Hans Fenstermacher posed the question that if we sell quality, what is quality? We might further ask why clients are so loathe to buy quality. The client will naturally be eventually accountable for the quality decisions made at the point of purchase. But given, as Niall Whelan pointed out, companies forget themselves every ten years, the person accountable for the quality and responsible for subsequent quality decisions will not necessarily be one and the same. Niall Whelan asked why, if we sell file integrity it is so difficult to get? Michael Gavin, throughout the seminar asked us to think about why if we sell a professional service do we sell it in a largely unprofessional manner.

““Are they buying what we are selling?””
(Fabio Binazzi – Binari Sonari)



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About GALA

GALA have undertaken two initiatives in order to promote collaboration between member companies.

The first is the establishment of an EU Affairs committee entitled EUACt. EUACt aims to inform members about EU calls for tenders, procedures, in the field of translation and networking; to create a dialogue between EU institutions and the industry (GALA) in the field of translation, CAT-tools, etc. From preliminary talks, we know they are interested; and to review tender procedures (streamlining) taking legal aspects into consideration. The second initiative is a portal which will provide GALA members access to a world-class translation management solution. This portal will eliminate need for everyone to build the same solution for their clients and standardize input and output mechanisms.

Any companies interested in promoting and developing either of these initiatives should contact GALA.

The Globalization and Localization Association (GALA) is a fully representative, non-profit, international industry association for the translation, internationalization, localization, and globalization industry. The association gives members a common forum to discuss issues, create innovative solutions, promote the industry, and offer its clients unique, collaborative value.

For more information, visit www.gala-global.org or contact info@gala-global.org.

About Eurotext Translations

Established in 1989, Eurotext Translations, provides a turn-key translation and localization solution for progressive and dynamic multinational companies. Eurotext Translations' unique combination of customer focus, project management excellence and their professional team of translators, DTP and software engineering resources ensures delivery of top class localised content to an ever-changing global market. For more information, visit www.eurotexttranslations.com or contact leanne@eurotexttranslations.com