The Association of
LANGUAGE COMPANIES

www.alcus.org

2016
Industry
Survey

Executive Summary

Special Acknowledgment

ALC offers its most sincere thank you to the members of the 2016 ALC Industry Survey Task Force. They have made an outstanding contribution to ALC and the industry, and we could not have done it without them!

Task Force

Chair: **Steve Chu—***Treehouse Strategy and Communications*
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Introduction and Methodology

Why We Conduct the Survey

The Association of Language Companies (ALC) is dedicated to providing valuable information and resources to members of the language services community. To further the goal of disseminating relevant and actionable information to members of the language services community by providing a comprehensive view of the language services industry today, all ALC members were asked to complete this year's ALC Industry Survey. As in previous years, members of the European Language Industry Association (Elia) were invited to participate in the survey.

By having a better understanding of the environment in which we all work, members are better able to evaluate their own performance and seek new ways of conducting their business. This will assist members in being more efficient suppliers of services and will increase the benefits that our work provides to our clients and to society as a whole.

Methodology

To conduct this year's industry survey, ALC partnered with McKinley Advisors, an independent nonprofit consulting and research firm that works exclusively with professional and trade associations. ALC staff and members of the task force worked to revise and enhance previous years' surveys by updating and adding a handful of questions to ensure the survey captured the most relevant and useful industry information. ALC representatives worked collaboratively with McKinley Advisors throughout the survey design, review, and testing phases to ensure the instrument produced useful and reliable data.

Initial outreach for the ALC 2016 Industry Survey began on January 20, 2016, with a Save the Date email to all current, former, and potential ALC members. The survey was launched on February 1st and remained open until February 29. Contacts received several reminders throughout this one-month period, which resulted in an increased total response count compared with the 2015 Industry Survey. The survey collected 220 total responses, including 112 complete responses, over the one-month fielding period, compared with 200 total responses in 2015. With 1,657 survey invitations delivered successfully, represented a 13% overall response rate.

Submitted survey results remained strictly confidential, and no personally identifiable information was attached to information shared with ALC representatives. The data underwent a thorough review process aimed at identifying and eliminating unreliable data points. This analysis involved several stages of review. The first consisted of an initial outlier identification phase followed by review and discussion with ALC representatives. Next, a more detailed analysis into each identified potential outlier data point was conducted to understand how other variables surrounding the data point, such as company size, years in business, or country of company headquarters, might influence the data. Based on more in-depth analysis, a handful of data points were considered to be true outliers, in that they were likely errors or inaccuracies, and were excluded from further analysis.

The following report presents several data tables and additional analyses in the preceding text calling out longitudinal and segmented trends. This year, several other variables were examined to increase the relevance of the data to each unique, participating company that generously donated its time and data to the survey.

This report is the companion publication to the ALC 2016 Survey Conference Presentation, which was published in May and is also available from ALC's headquarters.

Important Notes

- Respondents to the ALC 2016 Industry Survey represented several geographic regions. Mindful that the language industry looks and operates differently across regions, the majority of the data in this report is segmented by U.S., Europe, and Elsewhere to illustrate similarities and differences and to enhance the usefulness of the data to each individual respondent company.

- Throughout the report, longitudinal analysis was conducted to draw comparisons between the 2016 and 2015 Industry Surveys, highlighting any noticeable trends in the text preceding several data tables. These trends are simply observations based on changes in data and do not necessarily denote a concrete, universal shift, but are highlighted to help the field understand what changes might occur in the future and identify trends to monitor.

- The percentages reported in the following data tables were calculated based on the number of respondents who answered each question. The survey instrument was designed to route respondents to different questions based on previous responses; hence, the number of respondents varies by question. The number of respondents is reported in each data table as indicated by "N=" or "Responses."

- Respondents were asked to indicate the currency in which they would be reporting various data points. This question was used to cross-tab the data and demonstrate the results reported in U.S. dollars as compared to the data reported in Euros in several tables. No conversion rate was applied to this data set, as respondents indicated their reporting currency upfront. At the time of publication of this report, the currency rate was $1.00 USD to 0.89 EUR.

- Throughout the report, empty or missing cells indicate no responses for that item. Some questions had a small sample size from which conclusions are difficult to be drawn; those instances are represented by "ISD" (insufficient data) in the following data tables.

Executive Summary of Findings

1. Overall, revenue metrics of responding firms tracked similarly to previous years but some key differences surfaced between 2015 and 2016, and between U.S-based and European-based companies.

For U.S. responding companies, average gross revenue increased from 2015 to 2016. Aside from gross revenue, all other financial measures either remained the same or decreased for U.S. respondents. Conversely, European responding firms indicated increases in several financial metrics, including net profit, gross revenue growth, and gross margin growth. For European responding firms, average gross revenue and change in net profit over the prior year were the only two financial measures to see decreases as compared to 2015 Industry Survey results.

Note: Colors represent changes between 2015-2016:
🟪 *represents increase;* 🟧 *represents constant;* 🟦 *represents decrease*

		United States		Europe	
		2015	**2016**	**2015**	**2016**
Tracking Progress: Comparing 2015 and 2016 Results	Company's gross revenue	$ 2,307,508	$3,919,983	€2,446,335	€2,004,101
	Gross margin as a percent of gross revenue	48%	47%	38%	41%
	Net Profit as a percent of revenue	15%	15%	13%	17%
	Reported increase/decrease in gross revenue over prior year	12%	12%	8%	14%
	Reported increase/decrease in gross margin over prior year	10%	5%	1%	4%
	Reported increase/decreases in net profit over prior year	29%	28%	12%	3%

2. As compared with the 2015 Survey, nearly all rates charged and paid for translation remained the same or realized a slight decreased.

Many of the average per word rates charged for translating (per *source word*) either remained constant or slightly decreased as compared to the 2015 Industry Survey. Similarly, translation rates paid to subcontractors for translation (per source word) decreased or remained the same for all languages (except German) as compared to the 2015 Industry Survey.

3. While interpretation services drove revenue for U.S. companies, non-U.S. firms derived their revenue primarily from translation and localization services.

Non-U.S. respondents reported that, on average, over 80% of their company revenue was derived from translation and localization services, compared to 46% of U.S. respondents. Interpretation services were a more significant revenue driver among U.S-based respondent companies, contributing an average of 49% of total company revenue, compared to a mere 13% of European-based company revenue and 10% of revenue for companies based in other world regions.

		United States *(N=range: 24-74)*	Europe *(N=range: 8-23)*	Elsewhere *(N=range: 1-18)*
Please enter the approximate percentage of your company's 2015 revenue that was derived from the following services.	Interpretation	49%	13%	10%
	Translation & Localization	46%	86%	84%
	Language Training	11%	1%	5%
	Voice Overs/Multilingual Recording/Subtitling	7%	1%	9%
	Education Support Services	3%	1%	1%
	Transcription	3%	1%	3%
	Machine Translation (including human post-edited MT)	2%	3%	4%
	Curriculum Development	1%	0%	0%
	Other	20%	3%	23%

4. Though machine translation utilization decreased slightly between 2015 and 2016 Industry Survey levels, the use of machine QA among responding firms increased.

U.S. firms reported using machine translation on 16% of translation projects in 2016 Industry Survey data, while European firms reported using machine translation on just 6% of projects. Both U.S. and European firms indicated a decrease in the percentage of translation projects that utilized machine translation as compared to 2015 Industry Survey data (21% and 17% respectively in the 2015 Survey). Conversely, machine QA grew in popularity across all regions between 2015 and 2016 Industry Survey levels.

	United States *(N=19)*	Europe *(N=5)*	Elsewhere *(N=1)*
In what percentage of translation projects did your company utilize machine translation in 2015?	16%	6%	ISD

For more information on compensation, rates, revenue, services offered, and utilized tools, access the full 2016 ALC Industry Survey Report here. Members of ALC enjoy free access to this critical industry benchmarking report in addition to several other benefits. Find out more about ALC membership today.