The Association of
**LANGUAGE COMPANIES**

www.alcus.org

# 2017
# Industry Survey

## Executive Summary

# Special Acknowledgment

ALC offers its most sincere thank you to the members of the 2017 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

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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, this year's ALC industry survey was distributed to contacts around the world, including both current members and nonmembers of the Association.

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 streamlining the survey to ensure the survey captured only the most relevant and useful industry information. ALC representatives worked collaboratively with McKinley Advisors throughout the survey design, review, and testing phases to ensure that the instrument produced useful and reliable data.

Initial outreach for the ALC 2017 industry survey began on January 31, 2017, with a preview email to all current, former, and potential ALC members. The survey was launched the following day on February 1 and remained open until February 28. Contacts received several reminders throughout this one-month fielding period. The survey collected 152 total responses, including 84 complete responses, over the one-month period. McKinley successfully delivered 1,363 survey invitations to ALC contacts, resulting in 105 responses and a 7.7% response rate. To reach as broad an audience as possible, ALC promoted the survey through various social media channels, whereby respondents were able to access the survey through a generic link included in the social media postings. In total, 47 responses were garnered through social media outreach. As McKinley is unable to determine the exact reach of the social media messages, the 47 responses from social media links were not included in the calculation of the survey 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, several 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.

## Important Notes

- Respondents to the ALC 2017 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 "United States" and "International" to illustrate similarities and differences and enhance the usefulness of the data to each individual respondent company. Please note that the geographic segmentation this year differs from the 2015 and 2016 industry reports, in which the data was segmented by "United States," "Europe," and "Elsewhere."

- Throughout the report, longitudinal analysis was conducted to draw comparisons between the 2017 and the 2016 and 2015 industry reports, 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. Please note that this 2017 industry report summarizes data for the year 2016. Throughout this report, the terms "2017 industry report," "2016 industry report," and "2015 industry report" represent 2016 data, 2015 data, and 2014 data, respectively.

- 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 dataset, as respondents indicated their reporting currency upfront. At the time of publication of this report, the currency rate was $1.00 USD to 0.94 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 draw; those instances are represented by "ISD" (insufficient data) in the data tables.

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Overall, financial metrics of U.S. responding firms tracked similarly to previous years. In particular, net profit margin has changed by only 1% when comparing 2017 survey results (16%) to 2016 (15%) and 2015 (15%) survey results. The greatest difference when comparing 2017 survey results with previous years' results was seen in the average percentage change in net profit margin. The average percentage change in net profit margin among 2017 survey respondents was 21%, down from 29% in the 2015 industry report and 28% in the 2016 industry report.

| | | 2015 Report | 2016 Report | 2017 Report |
|---|---|---|---|---|
| **Tracking Progress: Comparing 2015, 2016, and 2017 Industry Survey Results (United States)** | Gross Margin | 48% | 47% | 46% |
| | Net Profit Margin | 15% | 15% | 16% |
| | % increase/decrease in gross revenue over prior year | 12% | 12% | 16% |
| | % increase/decrease in gross margin over prior year | 10% | 5% | 6% |
| | % increase/decrease in net profit margin over prior year | 29% | 28% | 21% |

*Note: Colors represent changes between 2016 and 2017: ■ represents increase; ■ represents decrease*

As compared with the 2016 industry report, nearly all rates charged for translation remained the same or increased. Russian was the only language included in both the 2016 and 2017 industry surveys for which the average translation rate per target word decreased, falling from $0.26 in the 2016 industry report to $0.24 among 2017 survey respondents. All other languages saw slight increases of between $0.01 and $0.02. Similarly, all languages had average translation rates charged per source word that were the same or higher when comparing the 2017 survey results to the 2016 survey results, with an average increase of $0.02.

- All rates paid to freelancers or subcontractors for translation remained the same or increased from the 2016 industry report to the 2017 industry report. The average increase for both rates paid per target word and per source word was $0.01. Increases ranged from $0.01 to $0.03 when comparing the 2016 industry report to the 2017 industry report.

- Increasing sales is the top business challenge of the majority of language companies, regardless of geographic location, as was also the case in both the 2015 industry report and 2016 industry report. Competition (46%) was noted as the second biggest challenge for U.S. firms, while finding qualified translators/interpreters (50%) was the second biggest challenge among international respondents.

| | | United States (N=57) | International (N=26) |
|---|---|---|---|
| **Please select your top three business challenges.** | Increasing sales | 68% | 54% |
| | Competition | 46% | 42% |
| | Commoditization of translation services | 35% | 31% |
| | Finding qualified translators/interpreters | 28% | 50% |
| | Hiring additional staff | 25% | 15% |
| | IT issues/changing technology | 21% | 15% |
| | Staff retention | 16% | 8% |
| | Improving quality control | 11% | 23% |
| | Managing cash flow/AR-AP | 11% | 8% |
| | Reducing staff/lowering operating costs | 9% | 4% |
| | Customer service | 7% | 12% |
| | Managing government project/contract requirements | 7% | 0% |
| | Access to credit/capital | 0% | 12% |
| | Other, please specify | 7% | 12% |

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# 2017 Industry Survey Order Form

## Company Information

☐ ALC Member   ☐ Elia Member   ☐ Non-Member

_____
First Name

_____
Last Name

_____
Company

_____

_____
Address

_____
City

_____
State/Province                    ZIP/Postal Code

_____
Country

_____
Phone

_____
E-mail

## Industry Survey Rates

| Purchaser | Survey | |
|---|---|---|
| ALC Member* survey completed | ☐ | - |
| Elia Member survey completed | ☐ | $95 |
| Non-member survey completed | ☐ | $125 |
| ALC Member* survey **NOT** completed | ☐ | $95 |
| Elia Member survey **NOT** completed | ☐ | $350 |
| Non-member survey **NOT** completed | ☐ | $350 |

\* ALC members who completed the Industry Survey receive a complimentary copy.

## Payment Information

| Total Amount Due | $ |
|---|---|

☐ MasterCard   ☐ VISA   ☐ AMEX

_____
Card Number

_____
Exp. Date                    Security Code

_____
Name on Card

_____
Signature

No refunds available.

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