



Tool Shifts Signal Need for Buyer Caution

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Nearly nine out of ten companies outsource their translation and localization work to language service providers (see "How to Avoid Getting Lost in Translation," Dec03). Buyers can choose from a wide variety of LSPs around the world, all falling into one of three categories when it comes to the technology they use to translate, localize, and manage customer projects. Each option benefits the LSP and affects the buyer:

- **They buy most technology.** These LSPs purchase translation memory workbenches, perhaps preferring one supplier but realistically using whatever the client wants. Many layer project management and workflow applications on commercial off-the-shelf (COTS) products such as Microsoft [Access](#) or [Project](#). The latest convert to this approach is [Bowne Global](#) (BGS) which will standardize core elements of its production process on [Trados](#)-supplied software. Following November 2004 cuts to Bowne's research and development budget and the dismissal of its CTO, we expect the second shoe to drop with a transfer to Trados (or sale to a higher bidder) of the substantial software assets that BGS developed itself or accumulated in acquisitions.
- **They build some technology, but keep it to themselves.** Some LSPs build tools that meet their specific needs better than any COTS product would. [Lionbridge](#) is the most visible example, assembling its infrastructure from commercially available and proprietary components. Earlier this year it purchased [Logoport](#), a small software firm selling a web-based translation memory tool (see "Beyond Global Websites," Mar05). Lionbridge will integrate Logoport into its internal systems. A side-benefit: Lionbridge avoids having to buy licenses from [SDL](#) or Trados for clients who don't care which TM it uses.
- **They build technology and sell it.** A few LSPs sell software, tools they developed (or acquired) to meet their internal needs project management and technology needs. They hope to recoup their investment by selling them on the open market. SDL, [STAR](#), [Translations.com](#), and likely [Transware](#) with its acquisition of [Global Sight](#) exemplify this model (see "SDL Grows Its Tool Business," Mar05). This approach pleases shareholders by turning a cost of doing business into an asset, but it does limit the marketability of the tools because many LSPs feel uncomfortable buying core technology from a rival.

Buyers Should Contractually Protect Against M&A Risk

How these different provisioning models affect consumers of globalization software depends on where they sit.

- **Buyers of language services.** More than anyone else, you are in the driver's seat. If you ask your favorite translation agency to hire some monks using papyrus and quill to manage your translation memory and processes, you will find a taker. While most LSPs favor a particular TM tool or workflow system, they will use your favorite TM if you ask and will learn to work with whatever process management solution you throw their way. To protect yourselves against major changes in strategy or technology, add a middleware clause to your contracts. This codicil should specify that the LSP takes responsibility for keeping your content assets, translation memory, and processes in a portable format. Ask for Unicode, TMX, and XLIFF compliance in all tool choices.
- **Tool buyers inside large organizations face fewer choices.** If you buy globalization software, you already know that there is no large globalization software vendor on the scale of an Oracle or SAP. None turns over more than US\$30 million of product per year and most earn far less than that, so anyone could be bought. Witness Global Sight and Logoport. Don't be surprised if Trados is reviewing buy-out offers. Your next challenge is to make sure that your commitment to a particular tool doesn't leave you exposed to higher costs, diminished support, or the need to develop a quick exit strategy. When you sign the next support or upgrade contract, ask your supplier to escrow code and guarantee three to five years of support if it is acquired.
- **Buyers at LSPs that don't develop their own tools.** Translation agencies will find themselves faced with a Hobson's choice of buying from a tiny supplier that might become part of a competitor tomorrow or from a competitor today. Barring the appearance of a white-knight consolidator such as [Adobe](#) or [Macromedia](#), LSPs will have to come to grips with the fact that they must buy business-critical solutions from rival translation firms. LSP-ISVs such as SDL and STAR can soften the blow by erecting firewalls between their divisions.

Regardless of where they sit, buyers face a new landscape. Small companies will partner more aggressively to fill gaps in their offerings. Actual M&A will gather speed as smaller suppliers jockey to become the superstars that define the globalization software business. These companies will necessarily become more global in their outlook as cross-border acquisitions – U.S.-based Lionbridge buys German Logoport, while Irish Transware buys Global Sight in California – underscore the global nature of the industry in which they compete.