



One Good Tool Buy, One Goodbye

by Donald A. DePalma

Last month we wrote that [Lionbridge](#) acquired Berlin-based [Logoport](#) for its translation memory technology and that Irish language service provider (LSP) [Transware PLC](#) bought globalization management (GMS) supplier [Global Sight](#). The Lionbridge deal makes sense, while the Transware purchase seems misguided.

Lionbridge Scores Innovative Technology for a Small Outlay

Lionbridge has yet to publicly announce its acquisition of Logoport, supplier of a TM it has been using internally for two years. Why did Lionbridge buy Logoport? The technical credentials were right: Starting with a clean slate, Logoport produced the first commercial web-based translation memory tool. It takes a fine-grained approach to TM, requires the installation of a single Windows DLL to operate with Word, and works through a browser interface – all key attributes for a successful globalization tool (see “Beyond Global Websites,” Mar05). Lionbridge is already pumping a million words per day through the TMs that it hosts for its translation customers. Logoport’s tiny revenue base meant the purchase price was right, but Lionbridge would only say that what it paid was not material.

Is Lionbridge getting back into the commercial tools business that it deserted in 2001? No. Unnerved by the buzz surrounding globalization management (GMS) suppliers like [Idiom](#) in late 1999, Lionbridge at first productized its translation management system but quickly exited the commercial market. Since then the company has purchased, built, and integrated translation management software to improve the productivity of its translators and project managers. It closely controls the environment on which its infrastructure runs, thus focusing a limited R&D budget more tightly than [SDL](#) or [Trados](#) which must support a broader range of customer needs over a wider variety of platforms.

Our rating: This purchase ranks as an excellent deal for Lionbridge and its customers. While it is bad news for the handful of Logoport users, this acquisition will make an innovative TM product accessible to a much bigger pool of clients. It also means that potential globalization software consolidators have fewer choices when it comes to fine-grained TM. That will be good news for translation memory tool suppliers like [KCSL](#), [Lingua & Machina](#), and [MultiCorpora](#) who might find their M&A dance cards filling up.

Transware Buys into a Market Cheap, But at What Cost?

In late March Global Sight notified several firms to which it had shopped itself that it was being acquired by Transware. The purchase cost the Irish agency a tiny fraction of the tens of millions of dollars that venture capitalists such as Draper Fisher Jurvetson invested in Global Sight over the last six years. We spoke with new Transware CEO Tom Kelly who told us that the LSP will use Global Sight's Ambassador GMS for its own production needs, but will still sell it into the general market. Improving Transware's internal production systems with Ambassador has clear benefits, but selling it as a standalone product raises several questions.

- **Marketability.** Nearly 90 percent of businesses and government agencies vend out their translation work, so an outsourcer is the natural buyer for a GMS. However, many agencies remain nervous about acquiring technology from a competing language services provider. On its own, Global Sight couldn't convince LSPs to use Ambassador. With Transware as its owner, we suspect that Ambassador will find few buyers among language service providers.
- **Complexity.** Integrating translation workflow and processes with databases and CMS is tough labor, resulting in a services invoice that is five to 10-times the cost of the software license. Much of this cost is due to the fact that few global applications lend themselves to an off-the-shelf solution, so ISVs like Global Sight and Idiom regularly fork their code bases. While tailored code is good for the customer, it is a sustainability nightmare for the provider. Either approach – a big professional services group or complex software development – spells a heavy investment for Transware without a sure payoff.
- **Bad precedent.** Selling GMS out of a language shop doesn't add up to good business (see "SDL Grows Its Tool Business," Mar05). Three years ago [Translations](#) bought GMS developer Convey (née [eTranslate](#)) for pennies on the dollar. Today its [GMS Suite](#) registers little market awareness. Why? Selling software requires a substantially different sales effort than pitching translation services. Rivals such as Trados already offer products of equal or better functionality, more service and support, and a bigger customer base.

Another strategy would yield better results. Transware yanks Ambassador from the market and bulletproofs it for its own use. In so doing it finds that it acquired a stable product platform much quicker than it could build one itself, spent less cash than purchasing it from Trados, and incurred less risk than relying on rival SDL. Transware increases its production efficiency and improves its cost structure, but avoids diverting resources to the quixotic pursuit of a software business.