



Ranking of Top 20 Translation Companies for 2005

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When we first published our list of the top language service companies (see "Ranking of Top 20 Translation Companies," Jul05), we received questions about whether some LSPs belonged on the list. Quibbles ranged from "There's no way they make that much money," to "My company should be on the list," to "Where are the interpretation companies?" to "What about the Asians?" Although our original list relied on at least three datapoints to confirm revenue, our follow-on analysis showed that some companies were indeed better at fabricating numbers and corroborating data than they were in actually selling language services.

So which are the biggest language service companies? This time around we decided to list the top 20 translation and localization firms doing business in North America and Europe. Next, we introduce the top interpretation firms in the United States as we begin our coverage of the speech-to-speech market. Finally, we discuss the emergence of the LSP business in other regions.

In 2006 North Atlantic Firms Dominate Language Services

This section lists basic information about the 20 largest translation and localization suppliers in North America and Europe ([see Table 1](#)). Seven are from the United States, four from the United Kingdom, two each from Switzerland and the Czech Republic, and one each from Italy, Luxembourg, Ireland, and France. The list also includes a consortium of companies with headquarters in Germany, Italy, Belgium, and Spain. Finally, this table includes some interpretation income for Lionbridge and software revenue for SDL, STAR, and TransPerfect, but the amounts do not affect the rankings.

Interpretation providers tell us that their work in judicial, over-the-phone (OPI), and other forms of oral interpretation differs enough from mainline translation firms that they need to be discussed on their own merits. LanguageLine leads the U.S. interpretation market, with 2005 revenue exceeding US\$140 million. Then there is a big drop to companies turning over less than US\$25 million, including Cyracom, Network Omni, LSA, and Teleinterpreters. We will publish a list of the top interpretation firms in the American and British OPI markets later this year.

Rank	Company	HQ Country	Revenue in US\$M	Employees	Offices	Status
1	Lionbridge Technologies	US	400.0	4000	50	Public
2	L-3	US	372.3	n/a	n/a	Public
3	SDL International	UK	142.9	1500	50	Public
4	TransPerfect/Translations	US	74.0	385	30	Private
5	RWS Group	UK	66.4	332	8	Public
6	SDI Media Group	US	65.0	200	23	Private
7	Xerox Global Services	UK	60.0	200	4	Public
8	Euroscript s.a.r.l.	LU	59.2	580	10	Private
9	STAR AG	CH	52.0	790	35	Private
10	CLS Communication	CH	38.6	280	14	Private
11	Logos Group	IT	36.5	120	17	Private
12	LCJ EEIG	DE/IT/BE/ES	26.5	159	8	Private
13	Moravia	CZ	25.2	381	9	Private
14	Merrill Brink International	US	24.5	140	4	Private
15	McNeil Multilingual	US	24.3	200	5	Private
16	Hewlett-Packard ACG	FR	21.7	65	6	Public
17	Thebigword	UK	21.0	108	7	Private
18	Welocalize	US	20.5	104	5	Private
19	Skrivanek	CZ	18.5	350	50	Private
20	VistaTEC	IE	15.6	123	5	Private

Table 1: Top 20 American and European Language Service Providers for 2005
Source: Common Sense Advisory, Inc.

LSPs in Other Regions Present Opportunity and Challenges

For nearly two decades Ireland was the Mecca of the localization industry, but both suppliers like Lionbridge and large buyers like Microsoft have been gradually transferring operations and staff out of Dublin to lower-wage production and project management centers around the world.

As the nexus of the language service industry shifts eastward and to the south, longtime players will find both new rivals and opportunities in other regions. Some North Atlantic firms will subcontract work to companies in those areas, others will compete head-to-head for business in local languages, and still others

will acquire or merge with these up-and-coming firms. Within five years, we expect to see greater representation from these regions in our top 20 list.

- **Japan.** While Japan is not a low-wage country, it is on the doorstep of rapid market development in China and Korea. Japan-centric LSPs such as Honyaku Center, Intergroup, and Sunflare book revenue of more than US\$20 million per year, but they do business only in Asia. Asia-focused TOIN appeared on our July 2005 list, and promises to reappear if it ever consummates its lengthy on-again, off-again flirtation with Amsterdam-based ISP.
- **China.** The PRC government supports its information technology industry with tax breaks, subsidized office parks, and other incentives. We expect the Chinese to get more involved in building an indigenous localization industry to support its export agenda and to create more information-age jobs. Last year the PRC's State Commission for Administration of Standardization approved China's first set of standards on the quality of translation, thus setting a precedent for state involvement in the language industry. Local players of note are E-C Translations, Beyondsoft, Boffin, and Transco.
- **Central Europe.** Non-Euro Zone nations such as the Czech Republic, Hungary, Poland, and Slovakia comprise what we call the "Carpathian Tigers." Firms such as Argos in Poland, and Moravia Worldwide and Skrivanek in the Czech Republic, pioneered the language service industry by taking advantage of cheap labor and real estate – and growing their business along with the economies of the region. More recently, Western European LSPs like SDL, Jonckers, and WHP set up shop in Central and Eastern Europe.
- **Argentina.** LSPs in Argentina have long concentrated their sales efforts in international markets, offering high quality at competitive prices. However, they compete with translators from 19 other countries – including Spanish speakers in the U.S. – who command the same prices for an often inferior product. If the Argentines continue to promote "translated in Argentina," they could become a more serious force in language services than they are in soccer. Nonetheless, we expect American and European firms to look south – Argentina, Brazil, and Chile – for new offshoring centers. These offshore partners will be closer to home, in roughly the same time zones, with familiar business practices, the rule of law, and compatible cultural attitudes.
- **India.** Infosys and Wipro could become the proverbial skunk at the garden party once they regularly include "localization into 10 languages" as ¶ 8.3.5.a in their development contracts. One of these companies could quickly gain a

North Atlantic language market presence by buying up several US\$5-10 million agencies. Meanwhile, some LSPs have told us that they have already encountered Indian firms bidding against them for language projects. Microsoft's US\$1.7 billion investment in the country will surely become a superconducting magnet for Indian entrepreneurs who will localize Windows into nine Indian languages today – and who knows what other South Asian languages tomorrow?

- Russia.** Sitting on the eastern border of the European Union and controlling a large quantity of the world's petroleum reserves, Russia still remains Churchill's "riddle wrapped in a mystery inside an enigma" for many Americans and Europeans. Russian LSPs such as Logrus and Star Spb compete regularly for business in Europe and North America, the former with a sales office in Philadelphia to assuage the concerns of Cold Warriors in the United States. We expect greater participation of Russian LSPs in the European Union, with special emphasis on the bordering markets of Germany and Russia's former Warsaw Pact allies.

The Size of the Language Services Market in 2006 and Beyond

Common Sense Advisory estimates that the market for outsourced language services was US\$ 8.8 billion worldwide in 2005, growing at 7.5 percent per year to over US\$9 billion this year ([see Table 2](#)). We based our calculations on the aggregate revenues of the several thousand companies active in the business, many freelancers, and an approximation of the revenue generated by international and ethnic marketing agencies, boutiques, system integrators, consultants, printers, and other service providers who facilitate translation and localization.

Region	% of Total Market	2005	2006	2007	2008	2009	2010
U.S.	42%	3,696	3,973	4,271	4,592	4,936	5,306
Europe	41%	3,608	3,879	4,169	4,482	4,818	5,180
Asia	12%	1,056	1,135	1,220	1,312	1,410	1,516
ROW	5%	440	473	508	547	588	632
Totals	N/A	8,800	9,460	10,168	10,933	11,752	12,634

Table 2: Projected Language Services Revenues, in U.S. Millions of Dollars
Source: Common Sense Advisory, Inc.

Others have calculated the size of this market, with their “guesstimates” for the outsourceable language services business ranging between US\$2 billion and \$29 billion. Our figures fall at the lower end of the scale, but not at the bottom. The low-end estimate of US\$2 billion would not cover major commercial and governmental expenditures, while the \$29 billion number suffers from a serious methodological flaw in double-, triple-, and even quadruple-counting revenue.

What's Next for Language Services

All told, 2005 language industry merger and acquisition (M&A) activity totaled just about US\$545 million, give or take a few shekels. The Lionbridge and SDL purchases dramatically changed the market landscape, causing LSPs and ISVs alike to think about their own growth plans, M&A activities, and, of course, exit strategies. These buy-outs involved mostly American firms and took place in the broader 2005 context of US\$1.1 trillion for American M&A, part of the US\$2.9 trillion in worldwide deal-making that took place last year.

While the language industry numbers look small against the backdrop of multi-billion dollar deals such as Procter & Gamble, SBC, and Verizon, language service providers and globalization software vendors struggle with the same growth and competition issues as P&G and SBC. In March 2005 we wrote that these business demands would translate into more M&A when: 1) smaller firms feel the need to get larger; 2) everyone wants to join the middle tier; 3) European LSPs look for a quick start in the U.S; and 4) larger LSPs get more acquisitive.

We expect this race to the middle market (that is, vendors booking less than US\$100 million per year) to characterize the services market moving forward as suppliers seek scale, global reach, and the credibility and market presence that comes with those characteristics. Smaller LSPs tell us that large buyers look at them differently because they are small. These buyers are concerned that their projects could constitute a quarter of the LSP's business and thus pose a significant risk if the provider were to fail.

Meanwhile, expect more deals among the sub-US\$20 million language service providers and independent software vendors as they seek scale, credibility, and a more global footprint. As part of this continuing trend toward populating the middle tier of the market, read press releases for words like “alliances,” “strategic partnerships,” “zero-cost mergers,” and “second-generation.” Given mixed success with the “consortium” model, few LSPs will use that word to describe their partnerships. Of course, the U.S. Department of Justice investigation of SDL's

acquisition of Trados could influence the market, but we expect nothing to come of this.

Finally, productivity and the technology to improve it will be a major issue for every LSP in the North Atlantic region as each wrestles with rivals in lower-cost countries and the looming competition of increased automation. LSPs will simultaneously open their own low-wage production centers and invest in translation workflow, automated translation, and project management.