



Localization Return on Investment

*Quantifying the Value of
Localization in High-Tech*

By Donald A. DePalma and Mimi Hills

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Topic

In both good economic times and bad, we find that people responsible for translation and localization struggle to prove the value of what they do. In this report, we discuss the efforts of localization managers in high-tech market sectors to demonstrate the value of localization. However, our findings on how companies do or don't track return on investment (ROI) should apply to any organization looking to establish objective value for its localization outlays.

What Is ROI, and Why Does It Matter?

Simply stated, "return on investment" is a calculation of the benefits that result from spending money or allocating resources. For some companies, ROI means that for every dollar or euro they invest in a given program or product, they expect to get five dollars or euros back in sales. Other organizations measure their return in terms of pumping up brand awareness, gaining market share, saving money, or redirecting support calls. What should you track? It depends on what is important to your company.

Financially, corporate planners view ROI as the leading indicator of global value for their firm. They use it as a tool when they make decisions about investments in products and services, balance portfolios, and track the revenue that results. They frequently apply it at all levels and to all functions of a company, so managers responsible for product or website localization frequently find the need to justify their department's budget in terms of the returns they generate.

Many companies use key performance indicators (KPIs) to track progress toward meeting their goals of growth in revenue, numbers of customers, or market share. Some view the positive results of their localization investment as one of those KPIs, gauging increases in "foreign" visitor traffic and sales outside their home market of localized products.

Localization managers employ a wide range of measures to show ROI. However, in many cases, they must improvise as they respond to corporate requests for more detailed rationales in the absence of data that would help them prove their worth. They often argue that localization is a cost of doing business that is difficult to measure accurately, not only because of the difficulty of attributing sales to the need for a localized product but also because of the difficulty of getting information from financial systems and tools.

In fact, many of the discussions of localization ROI that we've been privy to focus on how an organization could save money. This has been a recurring theme at conference presentations, company webinars, and consulting engagements. Over the last ten years, this "ROI means saving money" was a common theme in conversations with both buyers and vendors as companies invoked the recession to marshal their resources (see "[Business Confidence Wanes in Language Sector](#)," Mar09).

While saving money is important to show that budgets are being spent wisely, a cost-only ROI model demonstrates efficiency and productivity. To really show the business value of localization, companies need to dig deeper and analyze more to highlight the benefits of adapting products and services to local markets.

What You Will Find in this Report

This report contains the following sections:

- **Vox Populi.** Here we report on our findings of interviews with 15 companies providing high-tech products or services in the software, hardware, internet, and medical device sectors. In this section, we define return on investment, outline why it's important, review common ROI metrics, and discuss who makes the ROI case and who needs to hear it.
- **Analysis.** In this section, we discuss the best practices and methodologies for determining return on investment. We also provide a checklist for establishing the corporate value of your localization expenditure.
- **Implications.** This section outlines marching orders for organizations and individuals who must deal with the return on investment.

Previous Research on the Subject of Return on Investment

Much of our research implicitly deals with the themes of ROI, and several reports explicitly focus on the topic:

- **Data.** The ideal return-on-investment strategy involves your own data plus benchmarking and market information. Research on consumer buying preferences underscores the importance of tailoring websites to language and country requirements (see "[Can't Read, Won't Buy: Why Language Matters on Global Websites](#)," Sep06; "[Localization Matters](#)," Nov08); and "[Website Globalization: Availability Quotient](#)," Jan08).

- **Methodology.** How companies localize products and websites involves a wide range of operations and organizational concerns, including ROI (see "[Localization Maturity Model](#)," Aug06). The issues continue through the product development cycle (see "[Developing Products for Global Markets](#)," Jun06) and include outsourcing strategies (see "[Localization Vendor Management](#)," Feb08) and expectations around process and output (see "[Buyer-Defined Translation Quality](#)," Aug08).
- **Business issues.** For a broad look at the practice of localization and what practitioners feel to be their most pressing issues, read "[Beggars at the Globalization Banquet](#)," Nov02, and "[Real World Enterprise](#)," Jan04. To understand how localization fits into a broader business context, see "[Telltale Signs of Globalization Immaturity](#)," Mar10. Our quarterly business confidence surveys also provide current opinion about the impact of many of these issues on localization teams and investments.