ALC Industry Survey 2023

ASSOCIATION OF LANGUAGE COMPANIES

The Association of Language Companies
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Forest Hill, MD 21050

Slator AG conducted the survey and created the report on behalf of the ALC

slator
Language Industry Intelligence

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Introduction

The Association of Language Companies (ALC) Industry Report aims to provide key statistics and insights to the language service industry. In this year's edition, ALC partnered with Slator to conduct a survey of language service companies in the US and globally.

This report gathers vital data on financial performance, examines how service models vary, and builds up a broad picture of current market dynamics. The goal of the report is to provide companies with a valuable resource to assess performance and formulate effective strategies.

The language service industry has proven resilient in the face of a complex economic context, with most companies experiencing growth, and an observable trend of revenue stabilization. Some indicators suggest, however, that the current environment is a more challenging one in which to operate efficiently and profitably, compared to the prior year.

Language service companies are notably focused on growth in 2023. This has materialized in a push to expand sales teams and increase supply chains of interpreters and translators. M&A levels remain steady, primarily driven by the desire to access new buyer verticals and regional markets.

While company headcounts are growing, the labor market poses some distinct challenges; a heightened demand for qualified sales representatives and project managers appears to be exceeding supply. Meanwhile, pressure to control labor costs has made it more challenging to recruit skilled independent contractors at the required rates.

A wave of technological change continues to reshape the services landscape. Companies are navigating a growing array of technology options and strategic decisions; how to usefully combine innovative AI capabilities with human expertise; where and when to diversify service offerings; how to integrate new tools into workflows and service delivery methods; and how to upskill the workforce.

Some respondents struck a note of concern over the ability of smaller companies to keep up with technological changes. However, the overall message from survey participants was of curiosity, interest, and a belief in the ability of the industry to adapt.

Customer focus emerged as a recurring theme through the survey responses. Companies, supporting a wide range of buyer sectors, are evolving dynamically and adapting language solutions and strategies to align with customer demands. "Service orientation" is seen as the most important skill for employees in the language service industry.

ALC and Slator would like to thank all the companies that took part in the 2023 ALC industry survey. We hope that the insights and data contained in this report prove valuable in supporting the ongoing growth and evolution of language service companies and the language service industry.

Association of Language Companies (ALC) and Slator AG
September 2023

Summary of Findings

Business Models

- Two-thirds of surveyed companies are ALC members; more than 70% are headquartered in the US.
- The main service line for 60% of companies is translation. Interpreting is the core service for one in three companies.
- Most companies derive the majority of revenue from domestic customers; two-thirds derive 95% of their revenue from buyers in the same headquarter country.
- One in three companies has an international footprint, with offices in two or more countries.
- Healthcare is the dominant buyer sector. Three-quarters of companies service Healthcare providers and the sector is a core revenue stream for more than 50% of companies.

Growth & Profitability

- Revenue grew for more than 60% of companies in 2022; one-quarter reported year-on-year growth above 25%.
- Fewer companies reported a decline in revenue in 2022 than in 2021.
- EBITDA margins contracted notably in 2022; twice as many companies reported a margin between 0% and 10% for 2022 compared to the prior year.
- Average gross profit margin for language services was between 29% and 43%, with translation and language training the most profitable.
- Pricing increased for translation and interpreting services in 2022 compared to the prior year. Despite this, profit margins for services were slightly down compared to 2021.

Business Strategy & Priorities

- Almost nine in ten companies nominated “grow revenue” as a top business priority for 2023.
- One in three companies have made cutting operational costs a top priority in 2023.
- More than 50% of companies added services in the last three years, but fewer plan to add services in the next three years.
- Service expansion is primarily driven by client needs.
- Most companies see large, global, multi-service language service companies as their main rivals.

Mergers & Acquisitions

- M&A activity remains steady. However, outreach to potential acquisition targets has increased.
- Just under 5% of companies are actively intending to make one or more acquisitions in the next 12 months. However, one in five companies are open to making an opportunistic acquisition.

- One in six companies — primarily translation-focused businesses — are open to an opportunistic sale, but less than 3% are actively exiting the market.
- M&A activity in the last 18 months was mainly driven by the desire to expand into new buyer verticals and countries / regions.

Supply Chain & Personnel

- Close to 80% of companies report facing a talent shortage.
- Sales, interpreters, and project managers top the list of roles that are in strong demand and short supply.
- Salaries remained relatively steady. Sales roles are an exception, increasing 20% from the prior year.
- “Service orientation and customer service” and “AI and big data” are seen as the most important skills for employees in the next three years.

External & Macroeconomic Factors

- More than half of companies reported operational cost increases, with labor costs most affected.
- Nearly half of companies have passed cost increases on to clients.
- Disruption from technology is seen as the factor with the most potential to impact on financial performance and strategic success in 2023.
- The proposed changes to independent contractor classifications are seen as the legislative shift with the most potential to impact the industry.
- Most companies now fall under the new US SBA small business threshold (<USD 22.5m); the impact of this change is not yet clear.

Interpreting Drivers & Trends

- 60% of providers have seen a lasting shift from onsite demand to remote interpreting (OPI / VRI).
- Outsourcing from healthcare and government buyers is increasing, according to most providers.
- Most service companies see RSI platforms as direct competitors.

Adoption of MT

- Two-thirds of translation providers offer post-edited machine translation but TEP is the most frequently-provided service.
- Pricing for PEMT is 20% to 35% lower than human-only services for most companies.
- Client needs are the factor that most influences when companies decide to apply MT, outranking content type and language pair.

AI & Large Language Models

- More than 50% of companies are finding out more about LLMs. One-third are testing use cases.
- MT, automated transcription, and AI subtitling are the most frequently offered AI-enabled services.
- One in three companies see LLMs’ ability to generate multilingual content as its most impactful use case for the language industry.

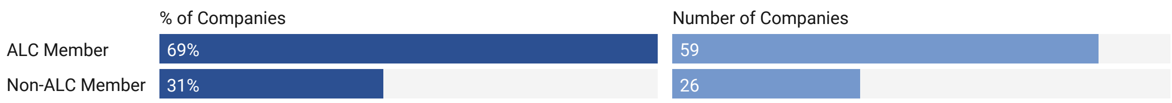
Profile of Survey Respondents

The Association of Language Companies (ALC) partnered with Slator to survey language service companies through an online survey between July 12, 2023 and August 9, 2023. The invitation to participate was extended to both ALC members and non-ALC members in the US and globally.

The analysis in this report is based on a sample set of 85 valid language service companies (LSCs), out of 111 completed surveys.[1]

Nearly 70% of Responses are from ALC Members

Responses to the question: Are you currently a member of the Association of Language Companies (ALC)?



89 respondents answered this question.

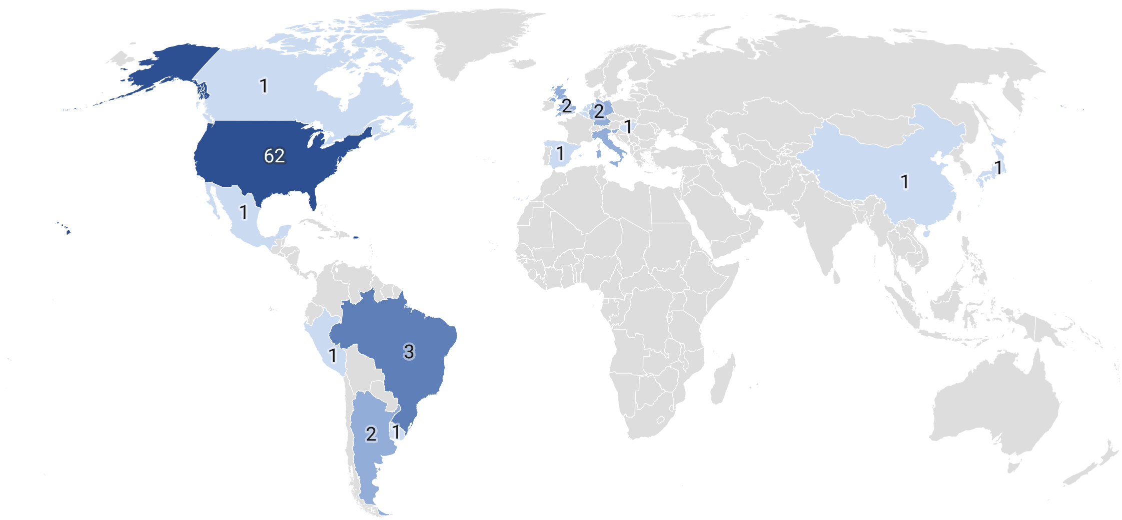
Chart: Slator • Source: ALC

Over two-thirds of companies in the sample set are ALC members. Nearly half of submissions originated from CEOs, Managing Directors, and Owners. Additionally, over 40% were from functional leadership roles such as CFOs, CMOs, and Sales Directors. Specialized roles accounted for under 10% of the submissions.

[1] LSCs are defined as companies that provide one or more of the following services: translation, interpreting, media localization, software localization, sign language interpreting, transcription, captioning, language training, and language testing.

US Companies Make Up More than Two-Thirds of Responses

Number of respondents per country. Calculated from responses to the question: In which country is your company headquartered?



United States (73%) Brazil (4%) Argentina, Germany, Italy, Slovenia, UK (2% each) Belgium, Canada, China, Hungary, Japan, Mexico, Netherlands, Peru, Spain, and Uruguay (1% each)

85 respondents answered this question

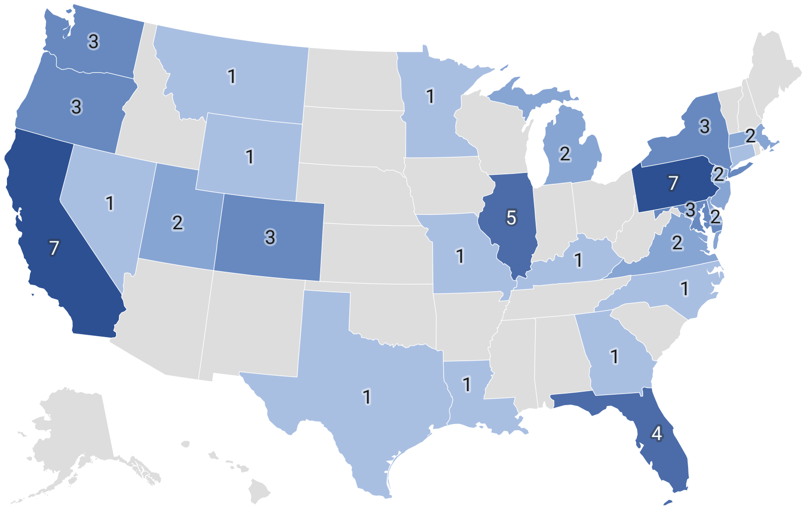
Map: Slator • Source: ALC

The sample set encompasses companies from 17 countries.

The majority of companies are based in the United States, which accounts for over two-thirds of respondents. Brazil follows with 4%, while Argentina, Germany, Italy, Slovenia, and the UK contribute 2% each to the sample set.

California and Pennsylvania Lead in Survey Engagement among US States

Number of respondents per US state. Calculated from responses to the question: Which US state is your company headquartered in?



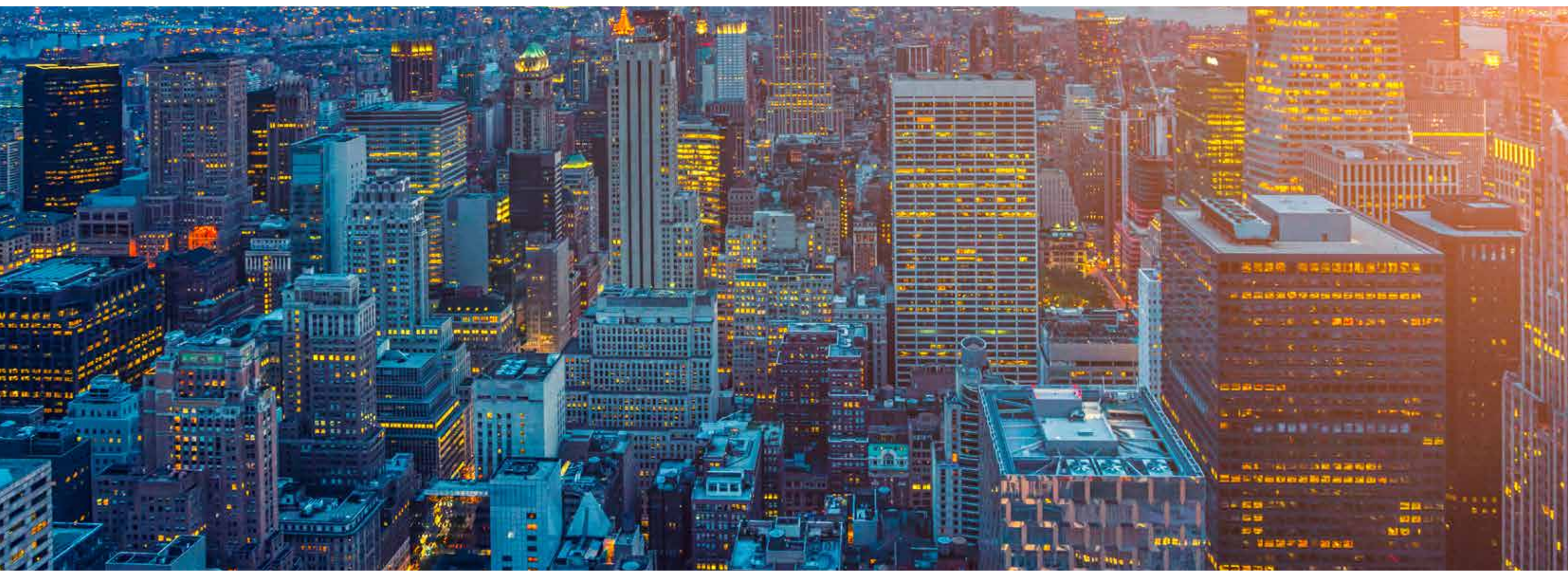
Califonia, Pennsylvania (11% each) Illinois (8%) Florida (6%) Colorado, New York Oregon, and Washington (each 5%) Delaware, Michigan, New Jersey, Utah, Virginia, and Massachusetts (each 3%) Connecticut, Georgia, Kentucky, Louisiana, Minnesota, Missouri, Montana, Nevada, North Carolina, Puerto Rico, Texas, and Wyoming (each 1%)

62 respondents are companies based in the US; all answered this question.

Map: Slator • Source: ALC

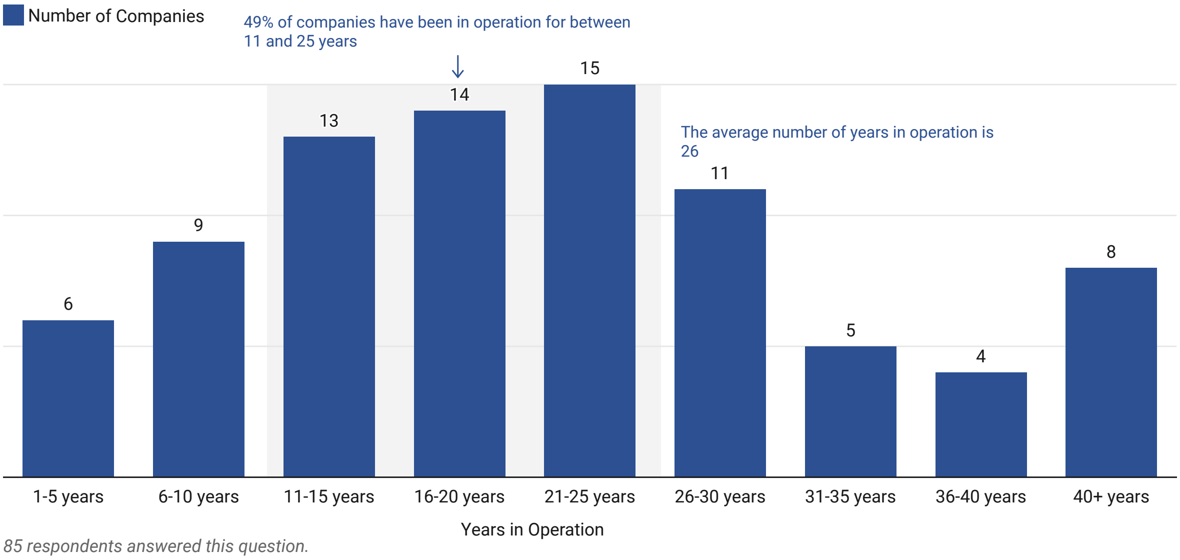
A total of 26 US states and one territory (Puerto Rico) are represented across the 62 US-based companies in the sample set.

California and Pennsylvania lead survey engagement with seven responses received per state. Illinois has the next-highest representation with five responses, followed by Florida with four. Colorado, New York, Oregon, and Washington each contributed three responses.



Roughly Half of Respondents Have Been in Business for Between 11 and 25 Years

Calculated from responses to the question: What year was your company founded?



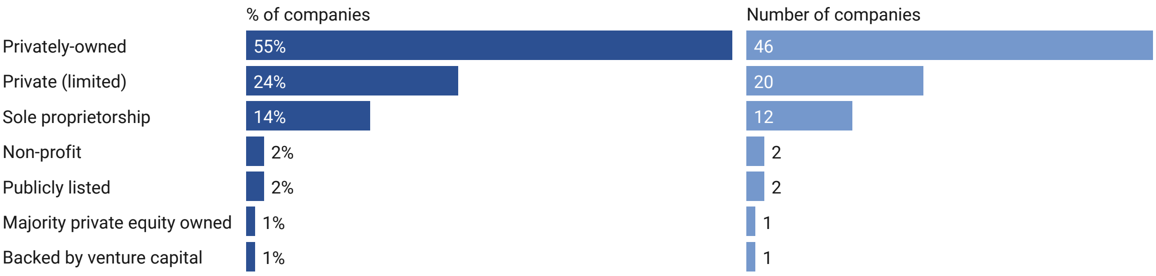
85 respondents answered this question.

Chart: Slator • Source: ALC

Around half of the companies in the sample set have been in business for between 11 and 25 years. The average number of years in operation is 26. The oldest commercial company was founded in 1903, while the most recently founded company began operating in 2022.

More than 90% of Companies have Private Ownership

Calculated from responses to the question: What is your company ownership structure?



84 respondents answered this question. Respondents selected one response from a list of options. The option "Minority private equity owned" was not selected by any respondents.

Chart: Slator • Source: ALC

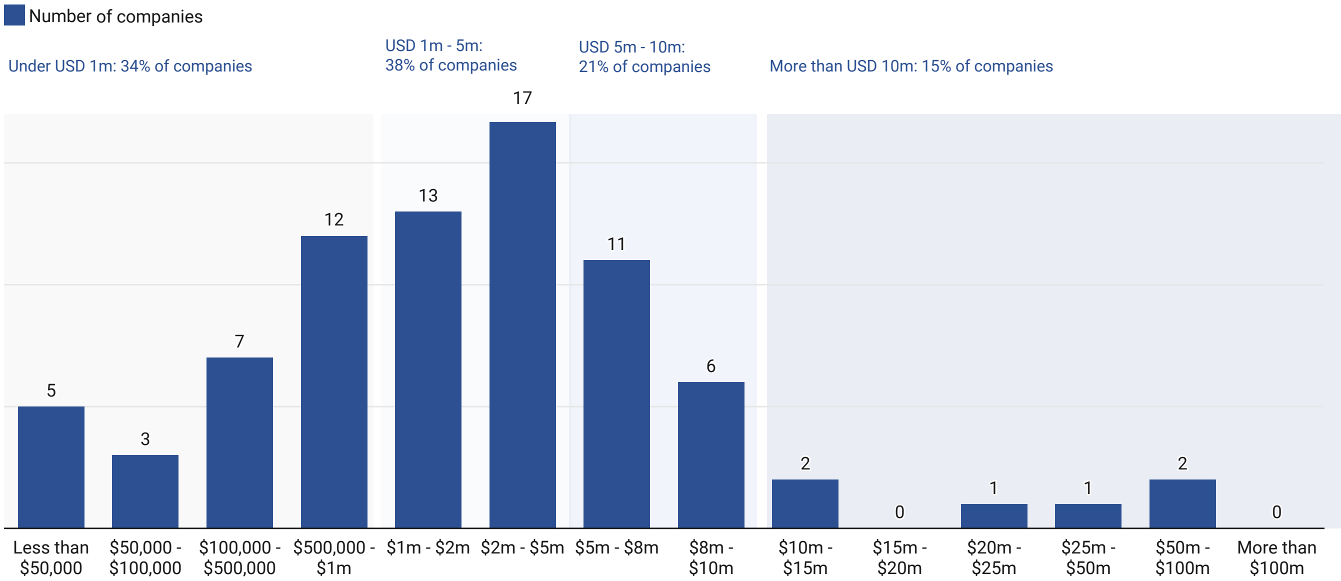
More than nine out of ten companies in the survey sample have private ownership; these companies fall into the categories: privately-owned, private (limited) company, and sole proprietorship.

Note: the category "private (limited) company" encompasses Limited Liability Companies and C Corporations in the US.

Two companies are publicly listed, and two are non-profit organizations. One company is majority private equity owned and one is backed by venture capital.

Company Revenues in 2022

Responses to the question: In 2022, what was your company's revenue range? Results displayed in USD.



80 respondents answered this question. Respondents reported revenue range in the currency of their company's headquarter country. Non-USD currencies have been converted to USD.

Chart: Slator • Source: ALC

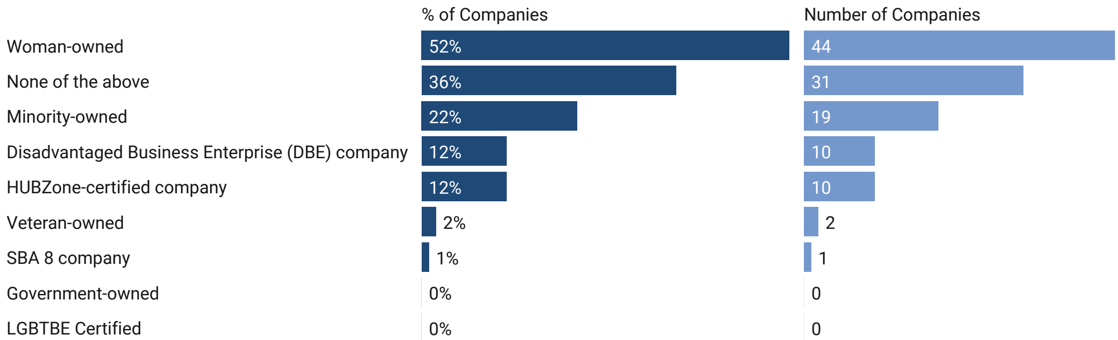
Of the 85 companies in the sample set, 80 answered the question on company revenue.

One third of companies reported revenue of under USD 1m in 2022, and a further third reported revenues of between USD 1m and USD 5m.

Around one in five companies reported revenues of between USD 5m and USD 10m. A minority of companies — around one in seven — reported revenues above USD 10m. Just two companies (less than 3% of respondents) reported revenues above USD 50m.

Half of Companies are Woman-Owned; One in Five are Minority-Owned

Responses to the question: Which of the following descriptions apply to your company?



85 respondents answered this question. Response options (as many as apply): Woman-owned, Minority-owned, Veteran-owned, Government-owned, SBA 8 company, Disadvantaged, Business Enterprise (DBE) company, HUBZone-certified company, LGBTBE Certified, None of the above.

Chart: Slator • Source: ALC

Just over half of companies reported being woman-owned, and one in five reported being minority-owned. Slightly over 12% of companies reported being categorized as DBEs (Disadvantaged Business Enterprises), while an equivalent proportion (12%) hold HUBZone certification.

Business Model

The language service industry is highly fragmented and encompasses a diverse range of companies with varying business models and strategies. Some companies specialize in a specific service, industry niche, or geographic market; others build a broad portfolio to create a "one-stop shop" of language services.

In this section, we examine the business models and strategies of companies in the sample set, covering services, buyer sectors, local vs international customers, and geographic expansion.

Services

All companies within the sample set offer a range of language services. Nine out of ten companies offer translation services, making translation the most frequently provided service. Interpreting is also provided by a majority of companies; 82% report offering interpreting.

Language Services Provided by Surveyed Companies

Calculated from responses to the question: Does your company provide [listed] language service?

	% of Companies	Number of Companies
Translation	89%	76
Interpreting	82%	70
Media Localization	59%	50
Speech-to-Text Services	56%	48
Sign Language Services	48%	41
Language Testing	20%	17
Language Training	15%	13

85 respondents answered this question for each service. Media Localization includes dubbing, subtitling, and voiceovers. Speech-to-text services include Transcription and Captioning. Language Testing refers to "evaluating or measuring an individual's ability to use a particular language effectively, sometimes for specific purposes." Language Training refers to "Helping others acquire skills in a second or foreign language using a coordinated curriculum and process."

Media localization, which includes dubbing, subtitling, and voiceover services, is provided by more than half of companies. Speech-to-text services (referring to transcription and captioning services) are offered by just over half of companies.

Sign language services are provided by nearly half of companies. Language testing — involving the evaluation of linguistic competence in a language — is offered by one in five companies. Language training, which involves helping speakers acquire skills in a second language, is offered by 15% of companies.

Core Service: 60% of Companies Focus on Translation, 30% Focus on Interpreting

Responses to the question: Which language service does your company derive the largest portion of its revenue from?

	% of Companies	Number of Companies
Translation	62%	53
Interpreting	31%	26
Sign Language Interpreting	4%	3
Language Training	1%	1
Media Localization (subtitles, dubbing, voiceovers)	1%	1
Software / Website Localization	1%	1
Language Testing	0%	0
Transcription or Captioning	0%	0

85 respondents answered this question.

Chart: Slator • Source: ALC

Translation is the core service for most companies; 62% of respondents report that their company derives the largest portion of its revenue from translation services.

Interpreting is the main service line for around one-third of companies; 31% of respondents report that interpreting services is their primary revenue stream.

Three companies (4% of the total) indicated that sign language interpreting is their company's main service line. Each of the following services was reported as the main service line by one company in the survey set: media localization, software / website localization, and language training.

While language testing and transcription / captioning are provided by a number of companies, these services did not constitute the main service line for any respondents.

Buyer Sectors

The survey results show that the healthcare sector dominates the sample set as a major source of buyer spending.

Healthcare providers — comprising hospitals, insurers, and health clinics — are a core revenue stream for more than 50% of companies. Furthermore, more than three-quarters of companies provide language services to the healthcare sector.

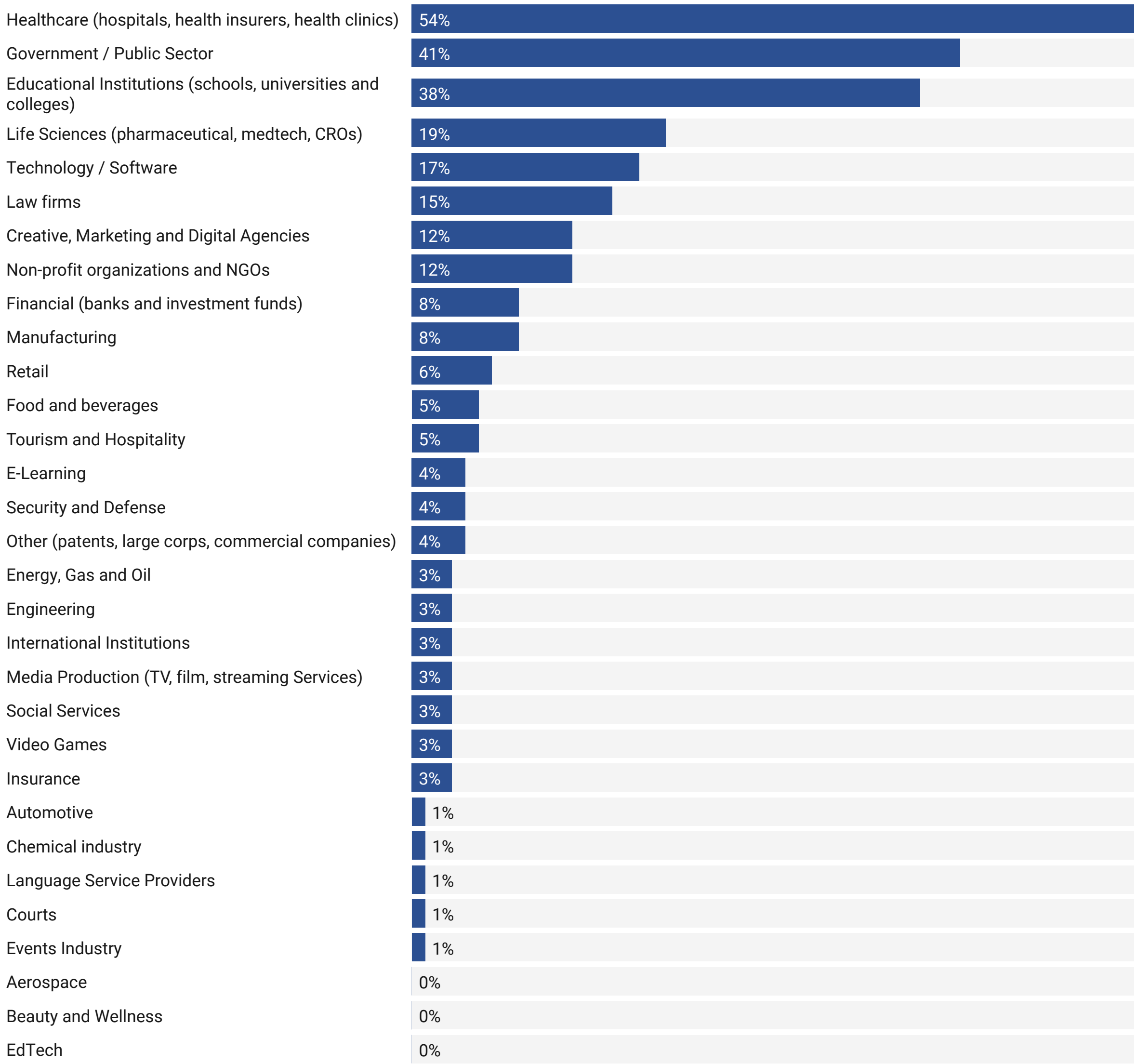
As two-thirds of the survey sample are US-based companies, the demand for language services from the healthcare sector can best be understood in the context of the US healthcare system.

Globally, the United States ranks the highest in healthcare spend. Due to the US's hybrid system of private and public funding, spending on language services for healthcare stems from private hospitals, health insurance companies and clinics, as well as from government programs.

Language service companies play a central role in helping providers to design and execute language access programs, which are compulsory under legislation to ensure that limited English proficiency (LEP) patients receive equal access to quality care.

Healthcare is a Core Revenue Stream for More than Half of Companies

Responses to the question: What are your top three customer segments in terms of revenue? Displayed as percentage of companies that selected sector as a top three segment.



78 respondents answered this question.

Chart: Slator • Source: ALC

The above chart shows the buyer sectors that were nominated as a “top three customer segment in terms of revenue” by companies in the sample set.

As mentioned, **Healthcare** is the most frequently nominated “top customer segment;” this sector is a core revenue stream for 54% of companies.

Government / Public Sector is a core customer segment for 40% of companies. A key driver of demand for language services from government buyers is national and international legislation that defines rights to language access in legal, healthcare, and other settings.

Education is a top-three revenue stream for slightly more than one in three companies.

Segmenting these results by main service line reveals some key differences between companies that focus on translation and those with an interpreting focus.

Interpreting Companies Have a More Concentrated Customer Base than Translation Companies

Responses to the question: What are your top three customer segments in terms of revenue? Displayed as percentage of companies that selected sector as a top three source of revenue, segmented by company's main service line.

	% of Translation Focused Companies	% of Interpreting Focused Companies	% of Sign Language Interpreting Focused Companies	% of Language Training Focused Companies
Accounting / Professional Services	6%	4%		
Aerospace	0%	0%		
Automotive	2%	0%		
Beauty and Wellness	0%	0%		
Chemical industry	2%	0%		
Creative, Marketing and Digital Agencies	13%	4%		
E-Learning	6%	0%		
EdTech	0%	0%		
Educational Institutions (schools, universities and colleges)	23%	62%	67%	
Energy, Gas and Oil	2%	4%		
Engineering	2%	0%		
Financial (banks and investment funds)	4%	12%	33%	
Food and beverages	4%	8%		
Government / Public Sector	33%	42%	100%	100%
Healthcare (hospitals, health insurers, health clinics)	40%	69%	100%	
International Institutions	2%	4%		
Law firms	13%	19%		
Life Sciences (pharmaceutical, medtech, CROs)	25%	8%		
Manufacturing	12%	0%		
Media Production (TV, film, streaming Services)	4%	0%		
Non-profit organizations and NGOs	10%	12%		100%
Other	8%	15%		100%
Retail	8%	4%		
Security and Defense	6%	0%		
Social Services	0%	8%		
Technology / Software	23%	0%		
Tourism and Hospitality	8%	0%		
Video Games	4%	0%		

Service focus is based on responses to the question: From which service do you derive the largest portion of revenue? Results are calculated from responses from companies with a focus on translation (52), interpreting (26), sign language interpreting (3), and language training (1). No companies with a focus on media localization, software localization, or language teaching answered the question on top 3 customer segments.

Chart: Slator • Source: ALC

Interpreting focused companies:

- Derive revenue primarily from customers in **Healthcare**, **Education**, and **Government** sectors.
- Cater to a more concentrated customer base.

Translation focused companies:

- Derive revenue primarily from customers in **Healthcare**, **Government**, **Life Sciences**, **Education**, and **Technology** sectors.
- Cater to a more diverse customer base.

BUYER INTENTIONS

To understand more about the implications of these contrasts in core buyer sectors on companies, we can view buyers through the lens of their motivations for purchasing language services.

- Healthcare, Government, and Education buyers are primarily driven to procure language services in order to comply with laws and regulations and enable access to services.
- Life Sciences buyers (pharmaceutical companies, CROs, and medtech) buy language services to meet regulatory requirements and also use language services as a tool to access new markets and acquire customers.
- Technology buyers mainly use language services as a revenue driver; these companies localize products and associated materials to access new markets and acquire and retain customers.

Interpreting-centric companies — whose core sectors are Healthcare, Government, and Education — thus have a central concern of helping buyers to ensure access to services and achieve regulatory compliance.

Translation-centric companies — whose core sectors are Healthcare, Government, Education, plus Life Sciences and Technology — share this goal, and are also strongly focused on showing buyers the connection between language services investment and tangible returns.

Three Out of Four Companies Service the Healthcare Sector

Responses to the question: Thinking of the full range of industries you work with, please select the buyer verticals you service. Displayed as the percentage of companies that service each sector.

Buyer Sector	% of Companies	Buyer Sector	% of Companies
Healthcare (hospitals, health insurers, health clinics)	74%	International Institutions	30%
Law firms	66%	Engineering	27%
Government	61%	Energy, Gas and Oil	26%
Educational Institutions (schools, universities, colleges)	60%	Retail	26%
Creative, Marketing, and Digital Agencies	52%	Automotive	24%
Non-Profit Organizations and NGOs	51%	Beauty and Wellness	22%
Social Services	45%	Media Production (TV, film, streaming)	21%
Life Sciences (Pharmaceutical, Medtech, CROs)	40%	Chemical Industry	20%
Accounting / Professional Services	39%	EdTech	13%
Financial (banks and investment funds)	37%	Video Games	13%
Manufacturing	37%	Aerospace	11%
Technology / Software	37%	Security and Defense	10%
E-Learning	35%	Telecom	1%
Food and Beverages	32%	Other	1%
Tourism and Hospitality	32%	Insurance	1%

82 respondents answered this question. Respondents were asked to select all options that apply.

Table: Slator • Source: ALC

Healthcare also dominates the buyer landscape when examining the *full range* of sectors that companies service. Nearly three-quarters of companies provide language services to the **Healthcare** sector. Furthermore, two-thirds of respondents provide services to **Law Firms**, and around 60% provide services to each of **Government** and **Education**.

Notably, while Law Firms are catered to by over two-thirds of language companies, this buyer sector is a primary source of revenue for only 15% of companies. This indicates that language services spend by law firms is highly fragmented, in keeping with the largely ad-hoc nature of demand for legal translation and consistent with the below-average maturity of translation procurement in this sector.

Also notable is that more than half of companies provide language services for **Creative, Marketing, and Digital Agencies**. These agencies serve as intermediaries between language service companies and end-buyers from a range of industries. In recent years, roles have blurred: some creative agencies offer language services, while some language services have expanded into content creation. (See Services Strategy).

Just one in five companies in the sample set provide services to the **Media Production** sector, where demand for dubbing and subtitling has increased rapidly in recent years.

95% of Companies Provide Services to Other Language Industry Providers

Responses to the question: Does your company provide services to other companies in the language service industry?

82 respondents answered this question. Respondents were asked to select all that apply.

Chart: Slator • Source: ALC

Survey results showed that 95% of companies provide services to other companies in the language service industry.

This intra-industry procurement is driven by synergistic relationships designed to enhance service offerings and meet client needs. Companies may work in partnerships or provider-supplier relationships to:

- Increase capacity / gain access to more resources
- Build more flexible supply chains
- Access expertise in specific verticals or languages
- Combine services and technology to strengthen market offering / meet client needs
- Access technology that would otherwise need to be acquired or built in-house (see Technology)

Domestic vs. International Spending

The survey results showed that most companies derive the majority of revenue from domestic customers i.e., buyers headquartered in the same country. More specifically, around two-thirds of companies derive 95% of their revenue from domestic buyers.

This pattern aligns with the top customer industries of Healthcare, Government, and Education: supply and demand for each of these sectors has a strong tendency to remain domestic.

At the other end of the scale, approximately one in four companies derive the majority of their revenue from international customers.

60% of Companies Derive More than 95% of Revenue from Domestic Buyers

Calculated from responses to the question: What percentage of your company revenue comes from international customers? Displayed as number of companies per % revenue.

% Revenue Derived from Domestic Customers	Number of Companies
95% to 100%	45
90% to 94%	3
85% to 89%	0
80% to 84%	5
75% to 79%	1
70% to 74%	3
50% to 69%	0
45% to 49%	1
40% to 44%	1
35% to 39%	0
30% to 34%	2
25% to 29%	0
20% to 24%	6
15% to 19%	0
10% to 14%	4
5% to 9%	2
0% to 4%	3

76 respondents answered this question.

Table: Slator • Source: ALC

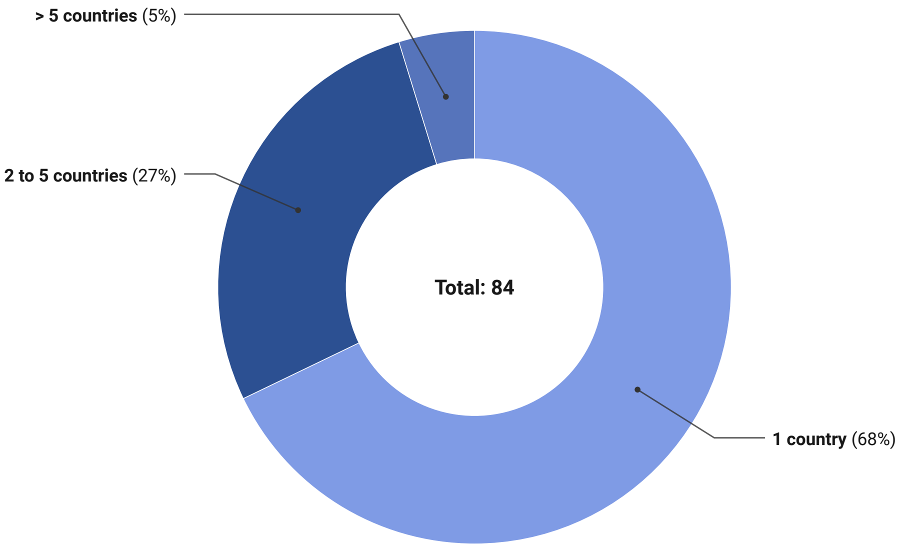
International Expansion

Survey data shows that the majority — two-thirds — of companies have offices in a single country only (i.e., in the company's headquarter country).

The remaining one-third of companies have a presence internationally. 27% of respondents (23 companies) have offices in between two and five countries. A further 5% (four companies) have a presence across more than five countries.

One in Three Companies has an International Footprint

Responses to the question: How many countries does your company have offices in?



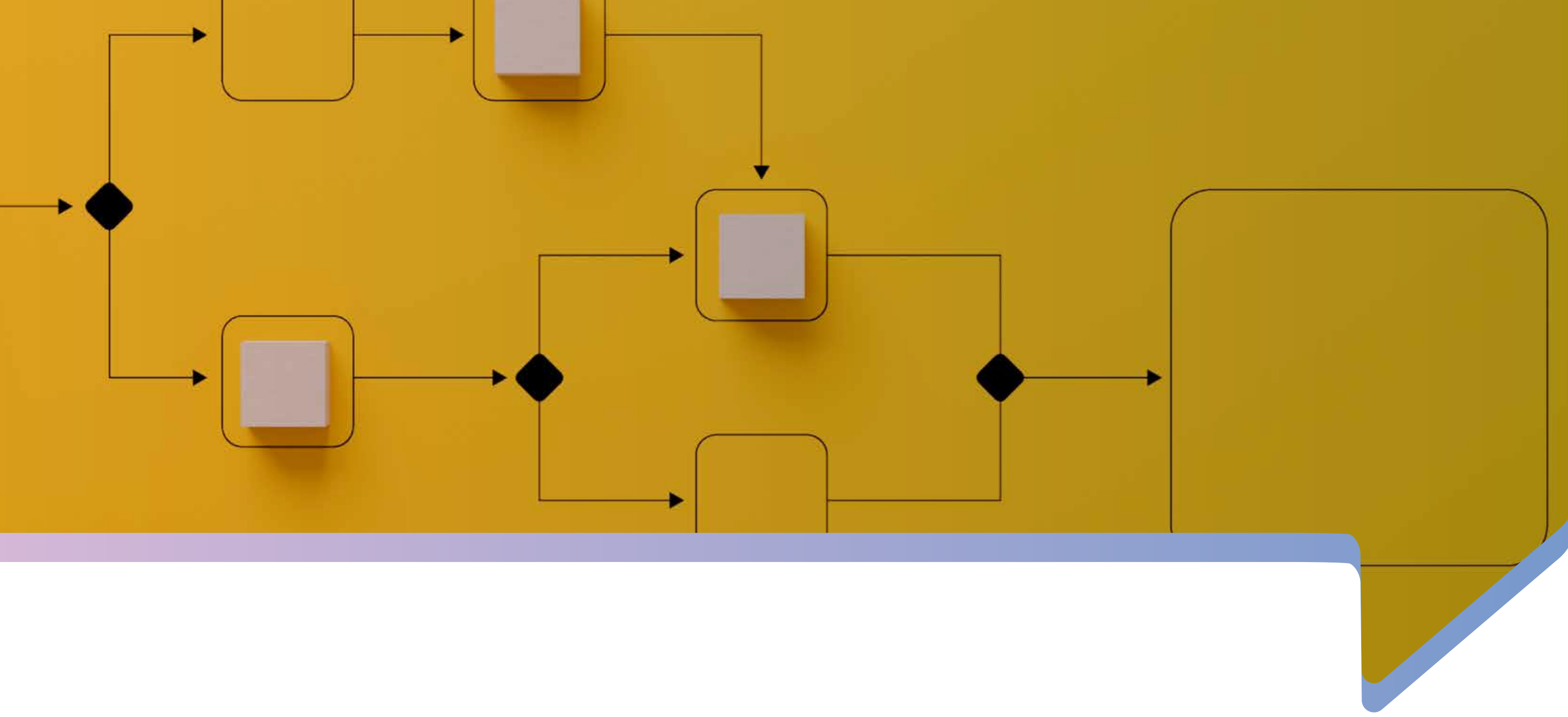
84 respondents answered this question. Response options: 1) 1 country only 2) Between 2 and 5 countries 3) More than 5 countries

Chart: Slator • Source: ALC

It might be expected that higher revenues correlate with a higher number of locations, but the data does not bear this out.

- Companies with a presence in 2-5 countries had annual revenues ranging from USD 50,000 to USD 100m.
- Companies with a presence in 5+ countries had annual revenues ranging from USD 500,000 to USD 5m.

The survey did not probe respondents' motivations for international expansion. However, language companies typically expand internationally in order to access new markets, gain access to skilled resources, or establish low-cost production hubs.



Business Strategy

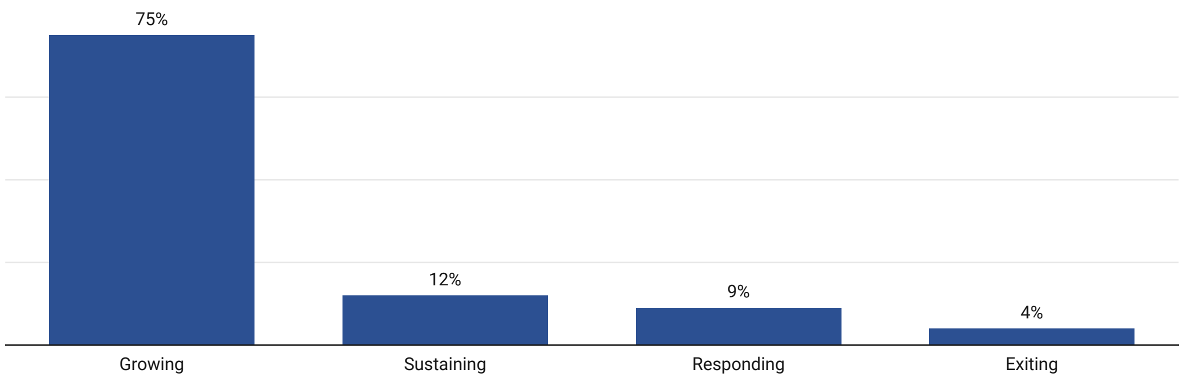
Business Priorities

Has economic uncertainty shifted companies away from "business as usual" towards risk mitigation, or even towards planning an exit from the market?

We probed this question in the survey and found that most companies are focused on growth; however, a notable minority — approximately one in ten companies — are currently concentrating on addressing immediate challenges such as macroeconomic pressures or changes in demand.

Three-Quarters of Companies are Focused on Growth

Responses to the question: Which of the following best describes the mode your business is currently in?



85 respondents answered this question. Response options: 1) Growing. We're focused on scaling up, growing revenue, or expanding the company to achieve greater success. 2) Sustaining. We want to maintain the same level of success while staying competitive. 3) Responding. We're focused on dealing with immediate challenges, such as macro-economic pressures or changes in demand. 4) Exiting. We are ready for something else. We want to sell, leave, or wind down the business.

Chart: Slator • Source: ALC

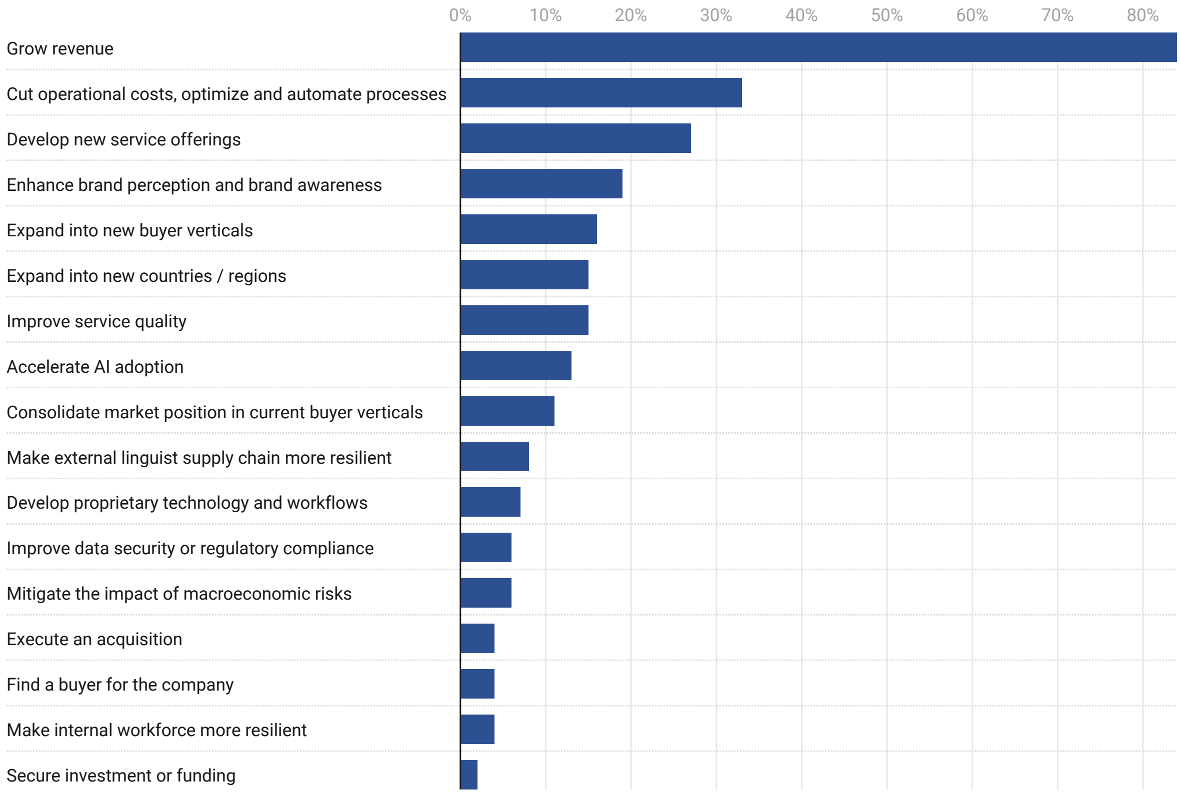
Additionally, 12% of companies reported that their business was aiming to sustain existing levels of success, while 4% plan to sell or wind down their business.

One in ten companies are focused on risk mitigation to address immediate challenges such as macroeconomic pressures.

The survey also asked respondents to nominate their top business priorities for 2023 and found a similar emphasis on growth.

Top Business Priorities for Language Service Companies in 2023

Responses to the question: What are your company's top business priorities in 2023?



85 respondents answered this question. Respondents were given the option of nominating up to three priorities from a list of options.

Chart: Slator • Source: ALC

Almost nine in ten companies nominated "grow revenue" as a top business priority for 2023. Additionally, one in three companies are prioritizing cutting operational costs in 2023, while one in four have service expansion as a top priority for the year.

One in three companies have made cutting operational costs a top priority in 2023.

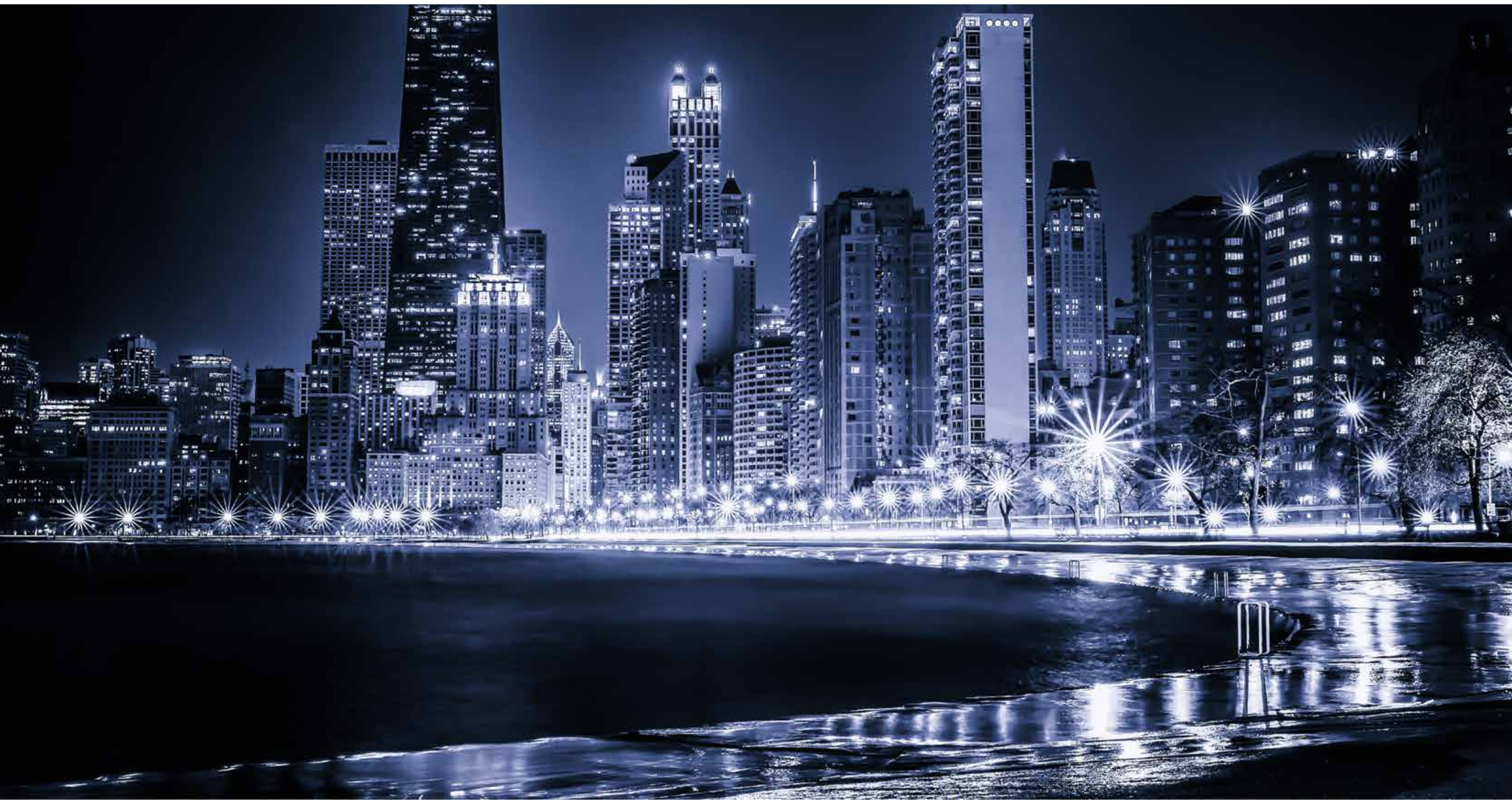
Furthermore, one in five companies reported that enhancing brand perception and awareness is a top priority in 2023.

More than 80% of companies named “grow revenue” as a top priority for this year.

Services Strategy

Language service companies may develop and maintain a range of language service offerings as a strategy for deepening customer relationships, leveraging existing resources, and maintaining business resilience.

To understand how companies build their service portfolios, we analyzed the services offered by companies segmented by core service (i.e., the service from which the company derives the largest portion of its revenue).



How Do Companies Diversify Their Service Portfolios?

Calculated from responses to the questions: Does your company offer [service]? and Which other services does your company provide? Displayed as number of companies offering the adjacent service, segmented by main service line of respondent company.

Adjacent Service	Translation Focused Companies	Interpreting Focused Companies	Sign Language Interpreting Focused Companies	Language Training Focused Companies	Media Localization Focused Companies	Software - Website Localization-Focused Companies
AI / Machine Learning services	5	0	0	0	0	0
Content creation	14	3	0	0	0	1
Copywriting	13	2	0	0	1	1
Data-for-AI services	1	0	0	0	1	1
DTP / graphic design	31	9	0	0	0	0
Inhouse staffing	4	3	1	0	0	0
Interpreting	40	n/a	3	0	1	0
Interpreting Conference Equipment	11	8	0	0	0	0
IP services	0	0	0	0	0	0
Language Testing	9	7	0	1	0	0
Language Training	7	5	0	n/a	0	0
Media Localization	42	7	0	0	n/a	0
Medical Writing	2	0	0	0	0	0
Sign Language Interpreting	20	18	n/a	0	0	0
Transcreation	29	5	0	0	1	0
Transcription and Captioning	38	9	1	0	0	0
Translation	n/a	21	0	0	1	1
Video / audio production	14	2	1	0	0	0

Number of respondents per main service line: translation (53), interpreting (26), sign language interpreting (3), remaining services (1 each). respondents answered this question on other services provided. The main service line of respondents is identified from the previous question: From which service does your company derive the largest portion of its revenue?

Table: Slator • Source: ALC

The analysis revealed the following similarities and contrasts between companies with translation as a main service and companies with interpreting as a core service.

Translation focused companies are more likely to expand into AI-related services.

Translation Focused Companies

- Expand most frequently into **media localization, interpreting**, **transcription and captioning**, **DTP / graphic design**, and **transcreation**.
- Have a slightly more diverse service portfolio
- In some cases, expand into content production services such as **content creation copywriting** and **medical writing**, as well as **audio and video production**.
- In some cases, expand into AI-related services such as **data-for-AI, AI / machine learning services**

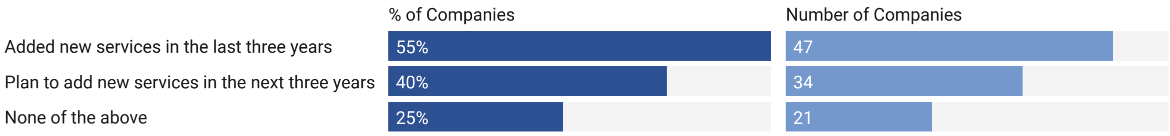
Interpreting Focused companies

- Expand most frequently into **translation**, **sign language interpreting, transcription and captioning**, **DTP / graphic design**, and **interpreting conference equipment.**
- Have a slightly more concentrated service portfolio
- In some cases, expand into content production services, such as **content creation, copywriting**, and **audio / video production.**
- Are more likely than translation companies to expand into **language training** and **language testing**
- Are less likely to expand into AI-related services

Companies with interpreting as a core service are more likely to expand into language training and language testing.

55% of Companies Added Services in the Last Three Years

Responses to the question: How is your service portfolio changing? (Select all that apply)



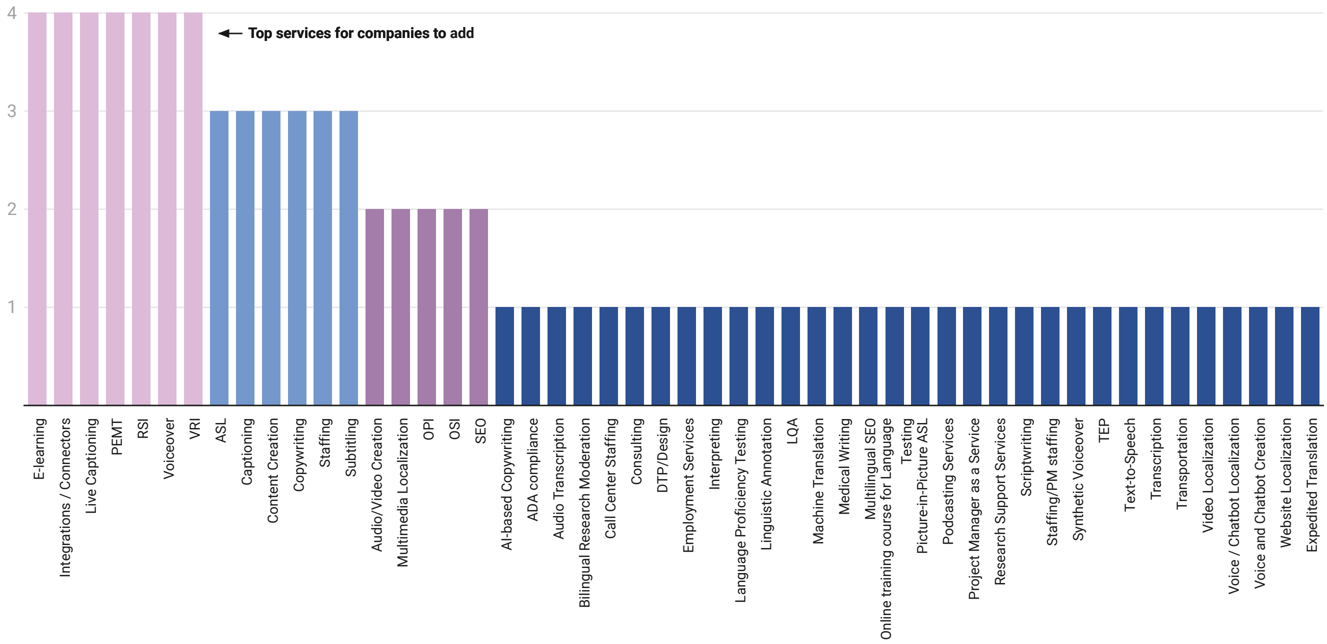
85 respondents answered this question.

Chart: Slator • Source: ALC

More than half of companies in the sample set added new services in the last three years. The most frequently added services were reported as E-learning, Integrations, Live Captioning Services, PEMT, Remote Simultaneous Interpreting (RSI), Voiceovers, and Video Remote Interpreting (VRI).

E-Learning, Integrations, Live Captions, PEMT, RSI, VO, and VRI Are the Most Added Services

Services added by respondents that said they "Added new services in the last three years" in response to the question: How is your service portfolio changing?



All 47 respondents who said they had added new services answered this question, listing 50 unique services.

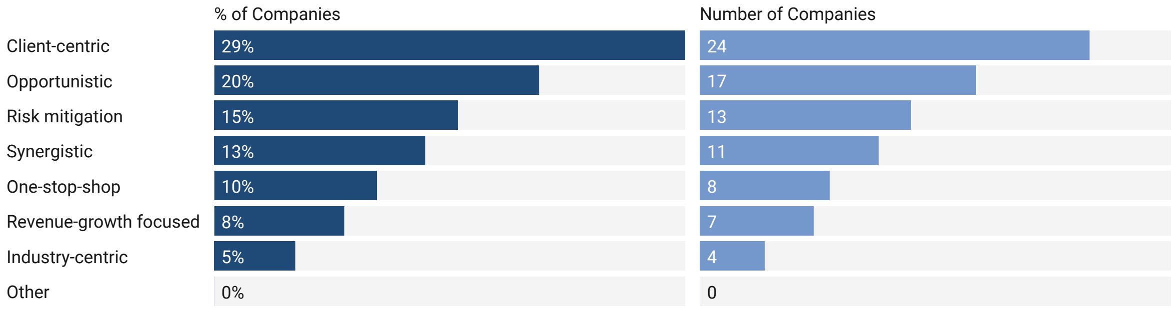
Chart: Slator • Source: ALC

However, the survey data suggests a slowdown in service diversification. While 55% of companies added services in the last three years, only 40% of companies plan to add new services in the next three years.

The survey found that most companies expand into new services as a response to client needs. Around one-third of companies selected “the specific needs and requests of our existing customer base” as the main driver for adding services.

Service Expansion is Primarily Driven by Client Needs

Responses to the question: Which of the below statements best describes your strategy for service expansion? (Select 3 maximum)



34 respondents answered this question. The strategies were defined as follows: Risk mitigation: We add new services to make our business model more resilient Synergistic: We expand into new services where we can leverage our existing expertise, resources and technology. Opportunistic: We add new services when there is an attractive opportunity to do so (for example, via an acquisition or lowered barriers to entry). Client-centric: We update our portfolio of services in response to the specific needs and requests of our existing customer base Revenue / growth-focused: We aim to identify and expand into fast-growing / profitable services. Industry-centric: We want to consolidate our position as an essential service provider to a specific industry by providing broad range of industry-specific services / end-to-end services. "One-stop shop" for language services: We aim to meet a wide range of language services needs for buyers across multiple industries

Chart: Slator • Source: ALC

The results also show an appetite for opportunistic service expansion. One in five companies reported that their main driver for adding services is opportunity e.g., in the form of an acquisition or lowered barriers to entry.

For around one in six companies, risk mitigation is the main driver for their expanding service portfolio. Just over one in ten companies cited synergistic motivation i.e., these companies add new services in order to leverage existing expertise, resources, or technology.

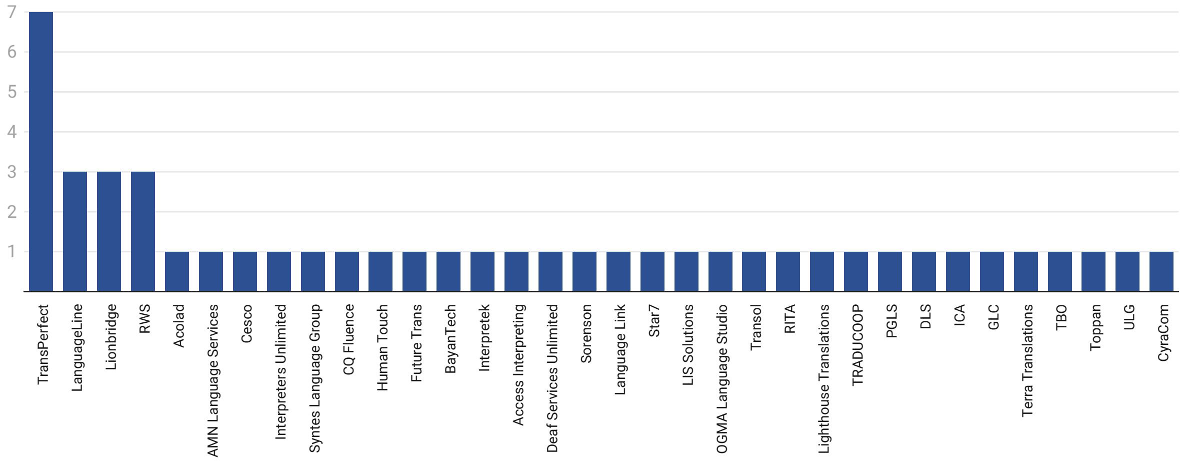
Competitive Landscape

In the current landscape, companies see large, global, multi-service companies as the main source of competition.

TransPerfect was named as the main direct competitor by the highest number of respondents (seven). LanguageLine, Lionbridge, and RWS were also identified as key competitors, each named by three respondents. All four companies generate more than USD 250 in revenue annually and operate globally, offering an extensive range of services.

Respondents See Large, Global, Multi-Service Companies as their Main Competitors

Responses to the question: Who do you see as your main direct competitors in 2023?



21 respondents mentioned one or more specific LSC(s) in response to this question. 34 LSCs were identified in total. Respondents mentioned 1.6 LSCs on average.

Chart: Slator • Source: ALC

TransPerfect was the company named most frequently as a main direct competitor in 2023.

Further to naming specific competitors, 14 respondents stated that companies with a similar vertical, language, or service specialization are their main source of competition, or stated that the source of competition were companies operating in the same country or region.

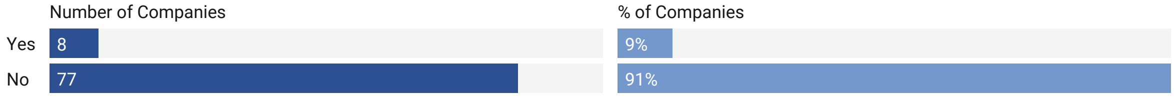
Two companies cited AI as a direct main competitor in 2023. (See AI and Large Language Models for more analysis of AI's impact).

M&A and Funding

Across the survey set, more companies are currently interested in making an acquisition than in selling their business. Furthermore, levels of interest in acquisitions and in exiting the market remain steady compared to the previous year.

Eight Companies Made Acquisitions in 2022 or 2023

Responses to the question: Have you acquired any companies in 2022 or 2023?



85 companies responded to this question

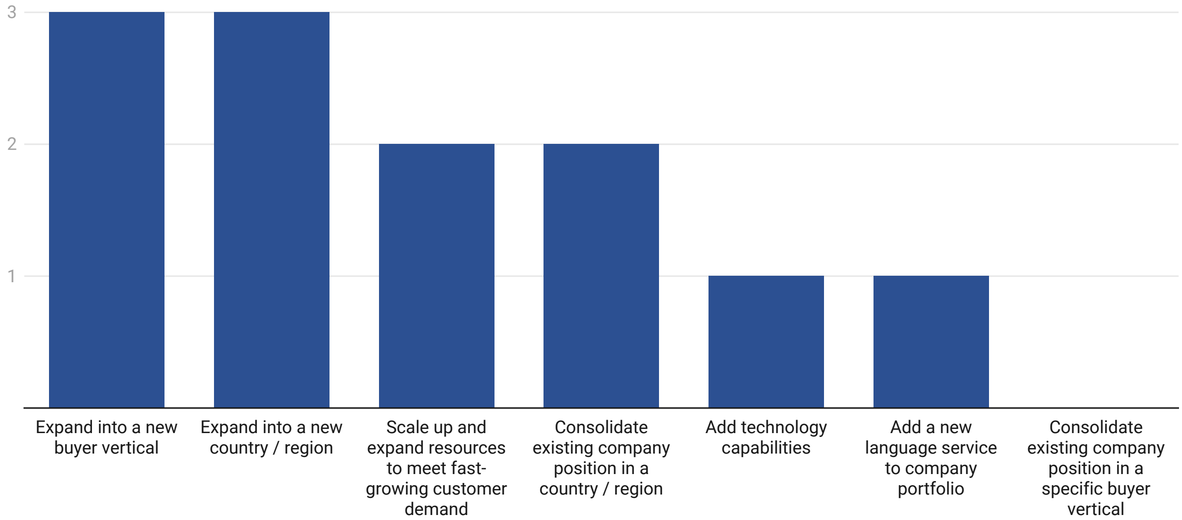
Chart: Slator • Source: ALC

Eight companies made an acquisition during the period from 2022 to August 2023.

The survey found that acquisition activity was primarily driven by the desire to expand into new buyer verticals and expand into new countries or regions.

Vertical and Geographical Expansion Were the Main Rationales for Acquisitions

Responses to the question: What was the main rationale for the acquisition?



Eight companies made an acquisition in 2022-3. All eight companies answered this question. Respondents were able to identify three top rationales from a list of seven options.

Chart: Slator • Source: ALC

The need to scale up to meet growing customer demand was cited by two companies as a main rationale. (The main service lines of these two companies were translation and media localization).

A further two companies reported that consolidating an existing company position in a country / region was a main rationale behind their acquisition.

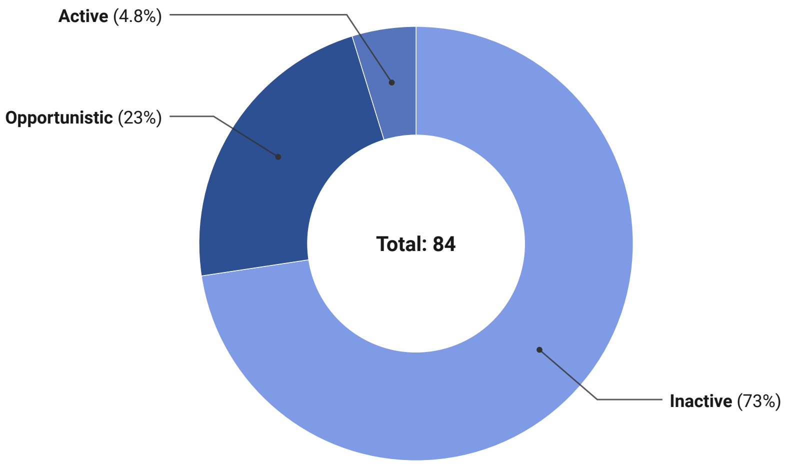
In the past few years, acquiring new technology has been a major driver for language acquisitions. However this rationale played only a minor part in acquisition activity among the survey set.

In terms of current M&A strategy, three quarters of companies do not intend to make any acquisitions in the next 12 months.

> **“We expect to see medium to large sized LSPs start acquiring their LATAM vendor partners as this will allow them to keep the talent and best nearshore practices close to their chest.”**
> — 2023 ALC Industry Survey Participant

Current Acquisition Strategy

Responses to the question: What is your current acquisition strategy?



84 respondents answered this question. Response options: 1) Inactive. We do not intend to make any acquisitions in the next 12 months. 2) Opportunistic. We are open to making acquisitions in the next 12 months if an attractive opportunity arises. 3) Active. We intend to make one or more acquisitions in the next 12 months.

Chart: Slator • Source: ALC

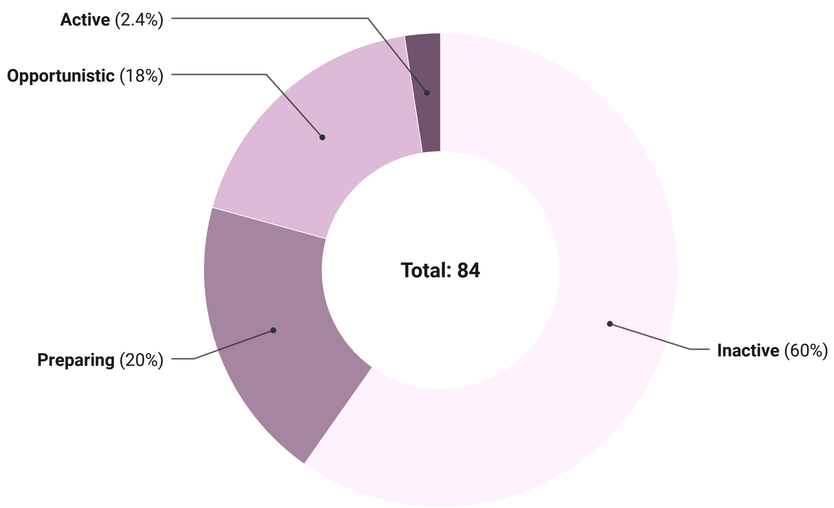
Just under 5% of companies are actively intending to make one or more acquisitions in the next 12 months. However, 23% of companies reported that they are open to considering an acquisition if an attractive opportunity arises.

This overall level of interest remains in line with the previous year’s survey in which 27% of respondents reported some degree of interest in making an acquisition.

More than 20% of companies are open to making an opportunistic acquisition if the right target becomes available.

One in Six Companies are Open to an Opportunistic Sale

Responses to the question: What is your current approach to selling your business?



84 respondents answered this question. Response options: 1) Inactive. We do not intend to sell the business. 2) Preparing: We are planning and preparing the company for a sale in the next few years but not yet actively pursuing an exit. 3) Opportunistic. We are open to selling the company if an attractive opportunity arises. 4) Active. We intend to sell the company and are interested in receiving offers.

Chart: Slator • Source: ALC

With respect to selling the business, fewer than 3% of companies are actively pursuing an exit. However, one in six companies reported being open to selling the company if an attractive opportunity arose.

Over half of companies reported that they do not have any intention to sell the business.

Looking further ahead, one in five respondents reported that, while not yet actively pursuing an exit, they are planning and preparing the company for a sale in the next few years.

20% of companies are preparing to sell the business in the next few years.

The level of interest in selling the company remains roughly in line with last year's results.

Market Exit Strategy by Main Service

Calculated from responses to the question: What is your current approach to selling your business? Segmented by main service line.

Main Service Line	Inactive	Preparing	Opportunistic	Active
Translation	62%	38%	73%	50%
Media Localization	0%	0%	0%	50%
Intepreting	31%	63%	20%	0%
Sign Language Interpreting	6%	0%	0%	0%
Software / Website Localization	2%	0%	0%	0%
Language Training	0%	0%	7%	0%

84 respondents answered this question.

Table: Slator • Source: ALC

The main service lines of companies that intend to sell the business are translation and media localization.

73% of opportunistic sellers have translation as a main service line, while 63% of companies preparing to sell in the next few years are focused on interpreting.

Most opportunistic sellers are translation-focused companies.

Market Exit Strategy by Revenue

Calculated from responses to the question: What is your current approach to selling your business? Displayed as distribution of companies per revenue range for each of "Inactive", "Preparing", "Opportunistic", and "Active".

Annual Revenue (USD)	Inactive	Preparing	Opportunistic	Active
Less than $50,000	11%	0%	0%	0%
$50,000 - $100,000	4%	0%	7%	0%
$100,000 - $500,000	15%	0%	0%	0%
$500,000 - $1m	11%	20%	20%	0%
$1m - $2m	0%	7%	40%	0%
$2m - $5m	20%	33%	13%	0%
$5m - $8m	17%	7%	7%	100%
$8m - $10m	7%	20%	0%	0%
$10m - $15m	2%	0%	7%	0%
$15m- $20m	0%	0%	0%	0%
$20m - $25m	11%	0%	7%	0%
$25m - $50m	0%	7%	0%	0%
$50m - $100m	2%	7%	0%	0%

77 respondents answered both questions on revenue range and current approach to selling the business.

Table: Slator • Source: ALC

Companies that are actively pursuing an exit fall into a revenue range of USD 5m to USD 8m.

Companies with an interest in opportunistic sales are concentrated in the revenue range USD 500,000 to USD 5m, while the majority of companies preparing to sell in the next few years have revenues between USD 2m and USD 10m.

Levels of M&A Outreach have Increased in 2023

Percentage of companies that have reached out to investors for funding or reached out to companies about a potential acquisition or merger in the last 12 months. Comparison of 2022 and 2023 ALC survey results.

Outreach Activity	Investment	M&A
2022	7%	15%
2023	7%	27%

2023 results calculated from responses to questions: Have you reached out to investors to seek investment in the last 12 months?; Have you approached other language services and language technology companies about a potential merger / acquisition in the last 12 months? 85 respondents answered each question. 2022 results from 2022 ALC Industry Report.

Table: Slator • Source: ALC

The proportion of companies approaching investors for funding has remained steady in 2023 compared with 2022.

The proportion of companies reaching out to other companies about a potential acquisition or merger has increased, however. In 2022, this figure was 15%, while in the current survey sample 27% reported initiating contact with another company for M&A purposes.

Approaches by Investors, Brokers, and other Language Services Companies

Responses to the question: How often are you contacted by investors, brokers, and other language services companies about M&A or funding?

	Investors	M&A Brokers	Language services / technology companies
Once a week	14%	14%	7%
A few times per month	26%	12%	10%
A few times per year	23%	39%	28%
Once a year	38%	35%	55%

74 respondents answered this question.

Table: Slator • Source: ALC

Close to 40% of companies are contacted by investors once a year, while the remaining 60% are contacted more often. Nearly two-thirds of companies are contacted by M&A brokers a few times per year, or more frequently.

More than 60% of companies are contacted by M&A brokers multiple times per year.

Around 45% of companies receive inbound contact from other language service or language technology companies a few times a year or more frequently.

Language Services

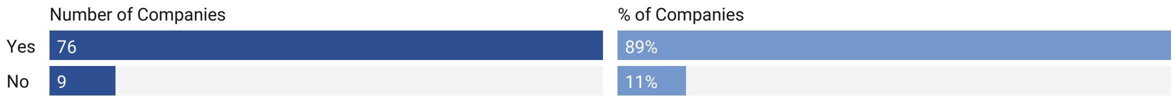
As outlined in Business Strategy, companies in the survey set provide a diverse range of services. In this section, we look more closely at some of the sub-services, workflows, and trends that characterize the survey sample's core language services.

Translation Services

As mentioned above, translation is the language service offered by the highest number of companies in the sample set; 89% of companies offer this service.

Nearly 90% of Companies Provide Translation Services

Responses to the question: Does your company provide translation services?



85 respondents answered this question. Response options: 1) Yes 2) No.

Chart: Slator • Source: ALC

Trends in MT Adoption

Broadly speaking, machine translation (MT) is now firmly embedded across translation service providers. However, the use of MT varies considerably between companies. Furthermore, the application of MT within a company is typically selective and strategic — with various factors impacting its potential risks and benefits.

The survey probed the extent to which MT has been integrated into workflows by surveyed companies, and how this has shaped the levels of service offered to clients.

Nearly Two Thirds of Translation Providers Offer Post-Edited Machine Translation

Calculated from responses to the question: What translation service levels do you offer your customers?

	Number of Companies	% of Companies
Human-Only TEP (Translation, Editing and Proofreading)	71	93%
Human-Only Translation + Proofreading	52	68%
Post-Edited Machine Translation	48	63%
Human-only 1-step Translation	36	47%
Raw Machine Translation	12	16%

76 companies offer translation services. All 76 answered this question.

Chart: Slator • Source: ALC

The survey found:

- Close to two-thirds of companies offer post-edited machine translation (PEMT) as a service level to customers
- One in six companies offer raw machine translation as a service to customers.
- 93% of companies offer human-only Translation, Editing, and Proofreading (TEP) as a service to customers.

The survey also asked respondents to identify the service level they provide most frequently to customers.

For 70% of Translation Providers, TEP is the Most Frequent Translation Service

Responses to the question: Which translation service level do you provide most frequently?

Translation Service Level	%
Human-Only TEP (Translation, Editing, and Proofreading)	70%
Human-Only Translation + Proofreading	17%
Post-Edited Machine Translation	8%
Human-Only 1-step Translation	5%
Raw Machine Translation	0%

76 out of 85 surveyed companies offer translation services. All 76 companies answered this question.

Table: Slator • Source: ALC

- For 70% of companies, human-only TEP is the most frequently provided service level.
- For around one in six companies, human-only Translation and Proofreading is the most frequently provided service.
- For just under 10% of companies, post-edited machine translation (PEMT) is the most frequently provided service level.
- No companies in the sample set named raw machine translation as their most frequently provided service.

For 10% of companies, post-edited machine translation represents the most frequently provided translation service.

Looking further into how MT is applied internally at companies, almost 60% of respondents in the survey set reported applying machine translation in their workflows.

Nearly 60% of Translation Providers Use Machine Translation

Responses to the question: Does your company use machine translation (MT) in your workflows?

	Number of Companies	% of Companies
Applies MT in company workflows	44	58%
Does not apply MT in company workflows	32	42%

76 respondents answered this question.

Chart: Slator • Source: ALC

The survey explored the factors that these companies take into account when deciding whether to use raw MT, apply a PEMT workflow, or follow a human-only workflow for any particular project.

95% of Translation Providers Say Client Needs Determine When to Apply MT

Responses to the question: Which factors do you take into account when deciding whether to use raw MT, post-edited MT or human translation for a particular project?

Factor	%
Client needs and preferences	95%
Content type	66%
Language pair	51%
Internal company needs	37%
Results of automated quality evaluation	32%
Post-edited MT used by default	10%

41 respondents answered this question out of 44 that use machine translation in their workflows. Respondents were able to select up to three options from a list of options. Results show the percentage or respondents that selected each option.

Table: Slator • Source: ALC

Client needs and preferences emerged as the most decisive factor for translation providers, when deciding between human, AI, and expert-in-the-loop workflows.

- 95% of companies named client needs as a top factor in deciding between raw MT, post-edited MT, and human-only translation.
- Two-thirds of companies reported that content type was a key determining factor when deciding between raw machine translation, PEMT and human translation
- For half of companies, language pair was a decisive factor in workflow selection.

Furthermore, one in three companies refer to the results of automated quality evaluation when deciding whether to apply a human, AI, or expert-in-the-loop workflow.

One in three companies named internal company needs as a key factor in workflow selection. For one in ten companies, post-edited machine translation is the default company workflow.

Content type is a determining factor for two-thirds of companies when deciding whether to apply machine translation.

Most Translation Providers that Use PEMT Apply it to Less than 50% of Content

Responses to the question: What percentage of your company's translated content is produced with each of the following workflows? Displayed as number of companies that selected each content percentage.

% Content Translated with Each Workflow	0%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Human Translation	0	0	2	1	2	4	4	4	6	8	8	0
Post-edited Machine Translation	0	2	8	7	7	3	5	4	0	2	1	0
Raw Machine Translation	30	5	2	0	0	1	1	0	0	0	0	0

39 companies answered this question from the 44 that reported applying machine translation in company workflows.
Table: Slator • Source: ALC

PEMT is a workflow that is used by the majority of translation providers. However, it is applied in selected scenarios only; most such companies apply PEMT to less than 50% of the translated content they produce.

The majority of translation providers reported applying raw MT for 0% of workflows. For those providers that do apply raw MT in some scenarios, the percentage of content processed via this method is usually between 5% and 10%.

Interpreting Services

The interpreting market is changing, more rapidly now than at any time in the past. New trends and drivers — from the rise of remote interpreting platforms and the global shift to online business events to the increase in virtual healthcare — are converging to create a dynamic market with myriad opportunities for interpreting providers of all sizes.

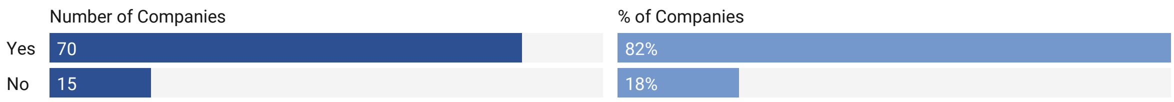
The shift to remote platforms, as a means of delivering interpreting and as a global business trend, has given rise to new interpreting use cases, altered the supply-demand dynamic, and created new service delivery options, issues, and priorities.

The need for high-quality, in-person and on-site interpreting also remains a constant driver.

In this section of the report, we examine the range of modes and settings in which companies deliver interpreting services. We also explore the extent to which demand has shifted to remote methods of delivery, and gauge company perspectives on some key factors reshaping the interpreting landscape.

Companies that Provide Interpreting Services

Responses to the question: Does your company provide interpreting services?



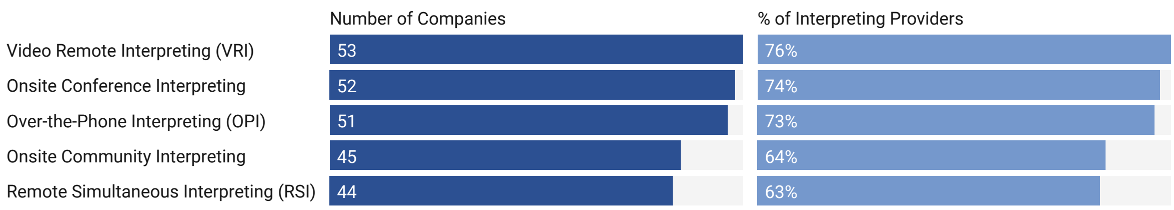
85 respondents answered this question. Response options: 1) Yes 2) No.

Chart: Slator • Source: ALC

As mentioned in Business Model, interpreting is offered by 82% of companies in the survey set.

76% of Interpreting Providers Offer VRI

Responses to the question: Does your company provide [this sub-type of] interpreting?



70 companies provide interpreting services. All 70 companies answered this question.

Chart: Slator • Source: ALC

With respect to remote methods, around three quarters of providers offer video remote interpreting (VRI) and Over-the-Phone Interpreting (OPI), and around two-thirds offer remote simultaneous interpreting (RSI).

In terms of onsite services, 74% of companies offer onsite conference interpreting and 64% offer onsite community interpreting.

The top three settings for interpreting providers are Healthcare Interpreting, Business Interpreting, and Legal Interpreting.

Top Interpreting Settings

Responses to the question "what are your top interpreting settings by assignment volume?" Displayed as percentage of total respondents, segmented by main service line.

Setting	All companies	Interpreting Focused Companies	Translation Focused Companies
Healthcare Interpreting	69%	92%	21%
Business Interpreting	65%	50%	25%
Legal / Court Interpreting	49%	62%	34%
Immigration / Social Services Interpreting	28%	27%	25%
Education	15%	12%	11%
Diplomatic Interpreting	7%	15%	2%
Media Interpreting	6%	12%	0%
Conference	4%	12%	0%
Church Interpreting	3%	8%	0%
Liasion Interpreting	3%	4%	2%
Other	3%	8%	0%
Travel / Tourism Interpreting	3%	8%	0%
Military Interpreting	1%	4%	0%
International Court Interpreting	0%	0%	0%

From the 70 respondents that provide interpreting services, 66 answered this question. Main service line is determined by answer to previous question: From which service does your company derive the largest portion of its revenue?

Table: Slator • Source: ALC

The above chart breaks out interpreting settings by main service line, revealing some key contrasts between interpreting-focused and translation-focused companies.

Companies with interpreting as a core service:

- Dominate the healthcare interpreting market. 92% of these companies named healthcare interpreting as a top setting.
- Are most active in healthcare, business, and legal settings.
- Have a significant presence across a much broader range of settings.

Companies with translation as a core service (but who also provide interpreting services):

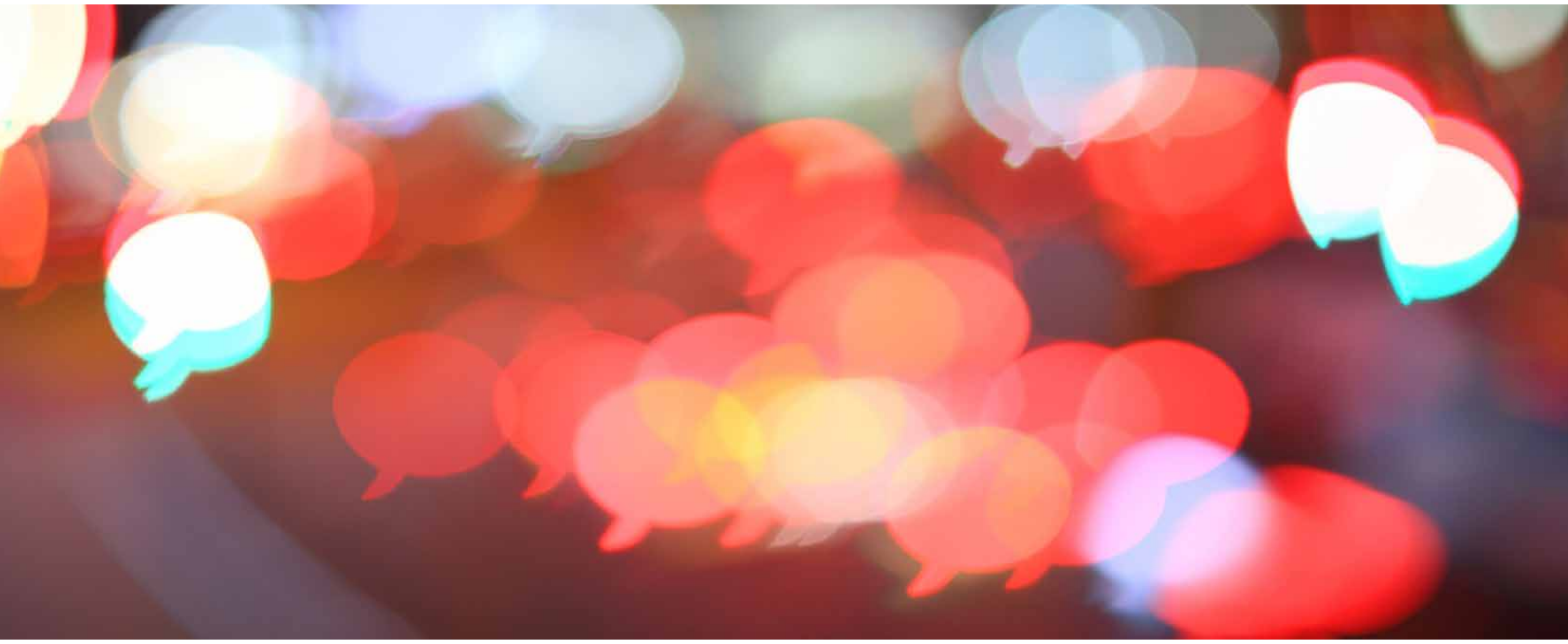
- Show a lesser presence in the healthcare interpreting market. Just 21% cite healthcare interpreting as a top setting.
- Are most active in legal, immigration / social services, and business settings.
- Have a significant presence across a less diverse range of settings.

Trends in OPI and VRI

The survey examined the shift in demand for interpreting delivery methods from onsite to remote methods, post-pandemic.

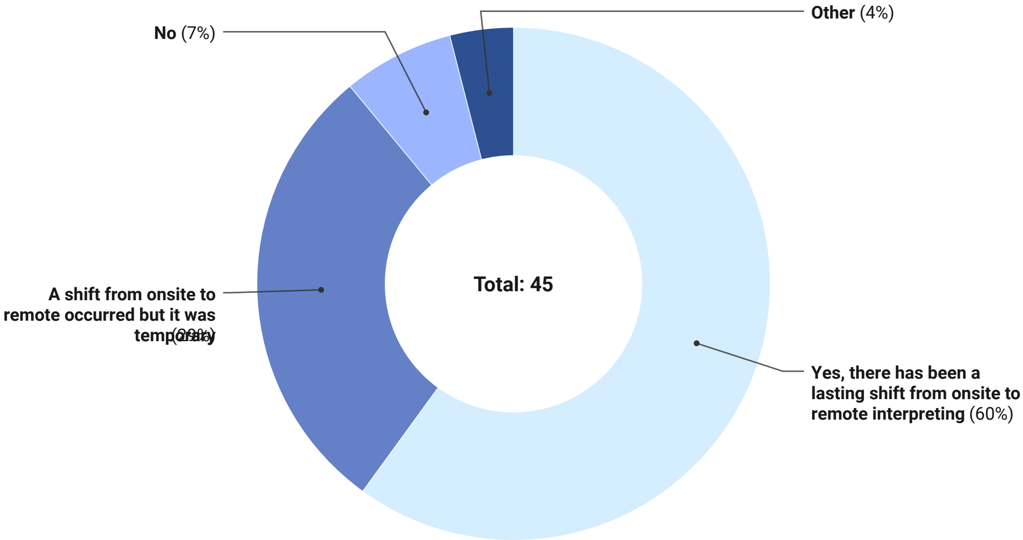
Firstly, the survey asked community interpreting providers if their company had experienced a shift from onsite to remote solutions.

Secondly, the survey probed whether this shift was temporary — diminishing as the impact of the pandemic dissipated — or whether the change was a lasting one that had permanently altered the interpreting landscape.



60% of Respondents Report a Lasting Shift from Onsite to Remote

Responses to the question: Has your company experienced a shift in demand away from onsite interpreting to remote interpreting (OPI/VRI) due to the pandemic?



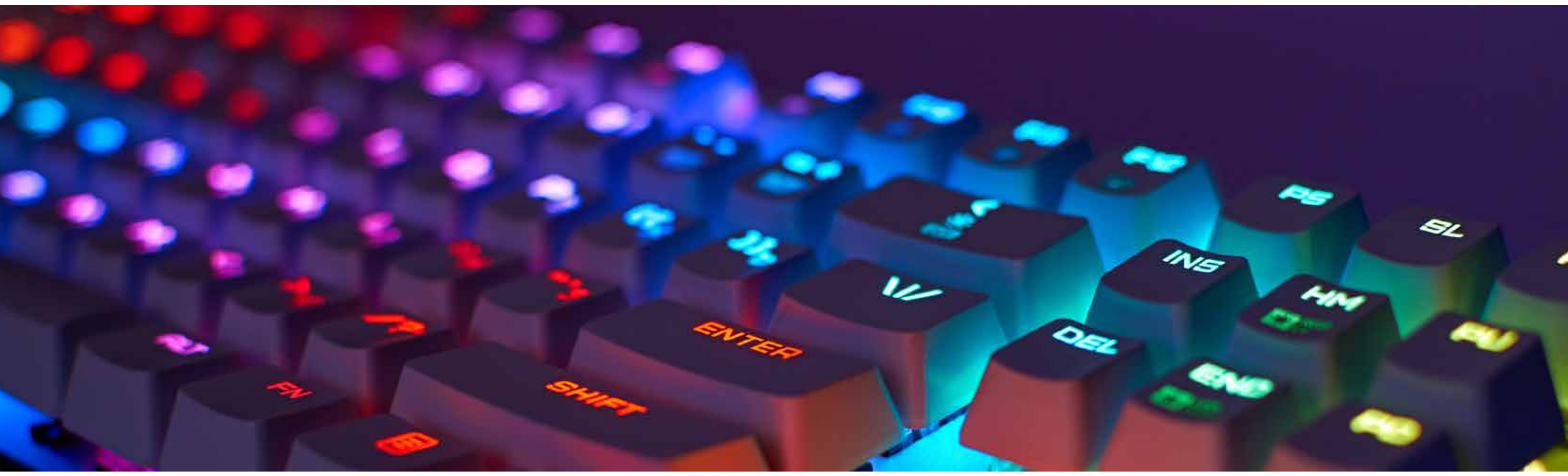
Question asked of 45 companies that reported offering community interpreting. All 45 companies answered this question.

Chart: Slator • Source: ALC

60% of respondents reported that the shift from onsite to remote interpreting (OPI / VRI) had taken place and that its impacts were lasting. One third of respondents reported that a shift toward remote interpreting had occurred but that it was temporary.

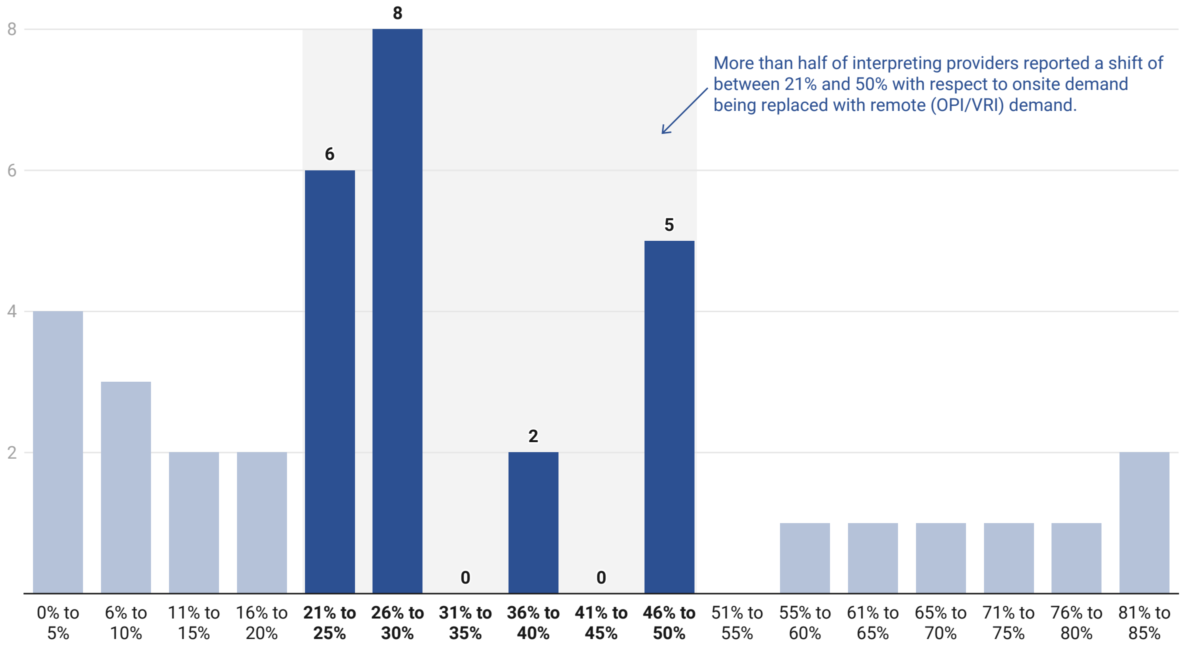
7% of respondents reported that their company did not experience a shift in demand from onsite to remote methods.

Looking further into the extent of the onsite-to-remote shift, respondents were asked to report the percentage of onsite interpreting demand that had shifted to remote (OPI / VRI) post-pandemic.



Most Providers Reported an Onsite-to-Remote Shift of between 21% and 50%

Responses to the question: How much of your company's onsite interpreting demand has shifted to remote interpreting (OPI/VRI) post-pandemic? Displayed as number of companies for each % range.

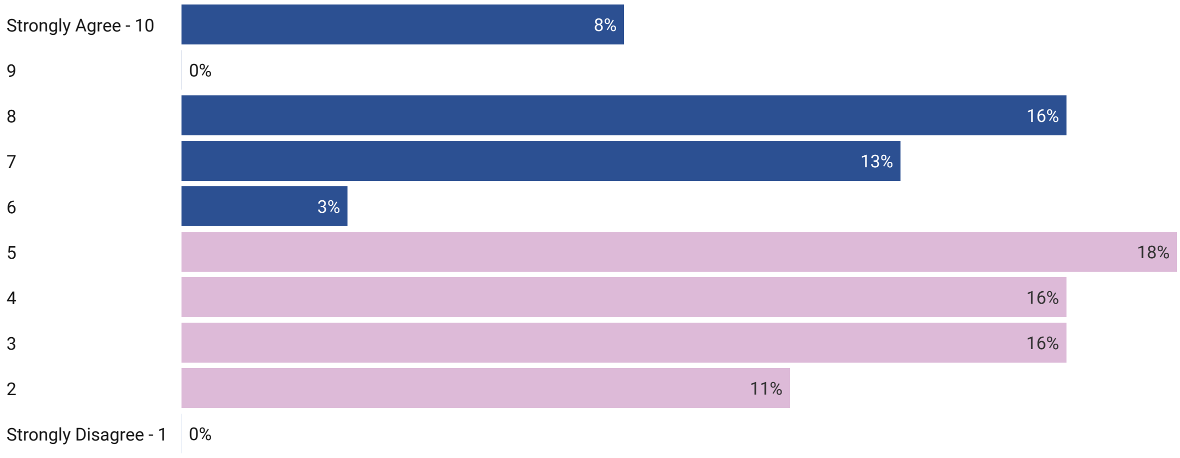


37 respondents answered this question from the 45 companies that provide onsite community interpreting.

Looking ahead, the survey probed whether interpreting providers expect the current levels of demand for onsite interpreting to remain stable.

Will Current Demand for Onsite Community Interpreting Remain Stable?

Respondent ratings of the statement: "Demand for onsite community interpreting will remain stable; it will not be further displaced by remote options like OPI and VRI." Displayed as percentage of respondents per rating.



40 companies out of the 45 that provide community interpreting answered this question. Respondents were asked to indicate the extent to which they agreed with the given statement on a scale of one to ten where 10= Strongly Agree and 1 = Strongly Disagree.

Chart: Slator • Source: ALC

The survey found:

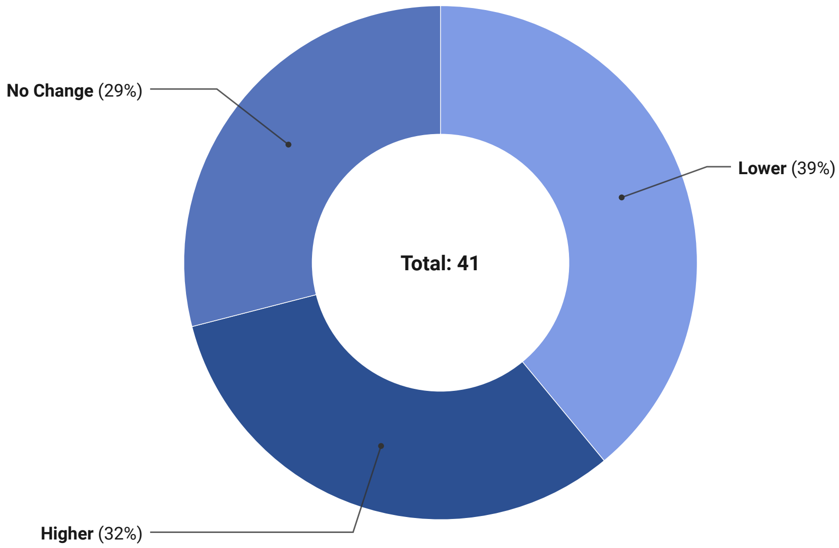
- Nearly two-thirds (61%) of respondents broadly disagree that onsite demand will remain stable; instead expecting that demand will be further displaced by OPI and VRI.

- Just under 10% of providers strongly agree that demand for onsite interpreting will remain stable moving forward. A further 29% mildly agree that demand will stay stable.

The survey also examined differences in fill rates pre- and post-pandemic.

40% of Providers Report a Lower Fill Rate Compared to Pre-Pandemic

Responses to the question: How does your current onsite interpreting fill rate compare to pre-pandemic?



41 respondents answered this question out of the 45 that provide onsite community interpreting.

Chart: Slator • Source: ALC

Results showed that:

- A third of respondents reported a higher fill rate compared to pre-pandemic
- Close to 40% of respondents reported a lower fill rate compared to pre-pandemic
- Around a third of respondents reported no change in fill rate.

Trends in Interpreting Demand

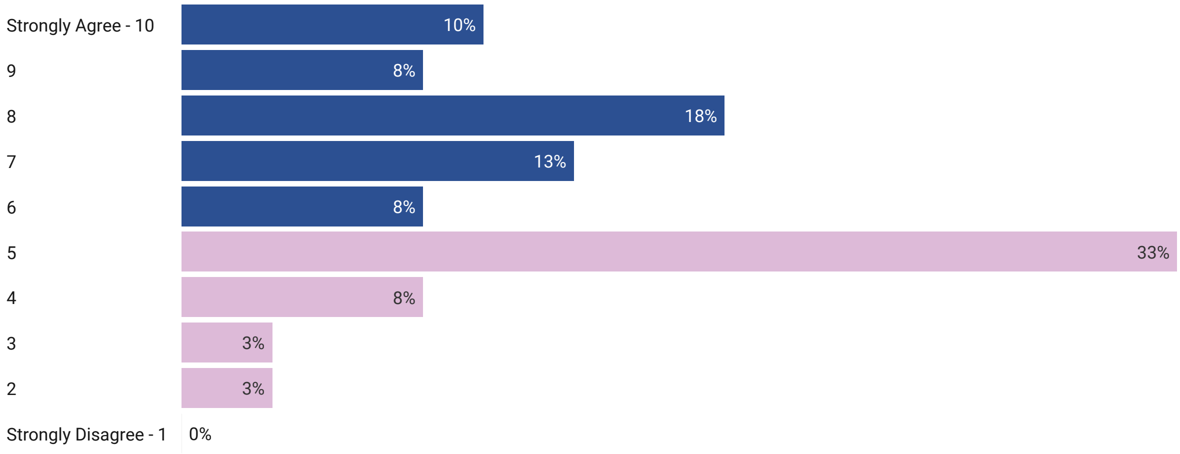
In the US, healthcare providers are broadly moving from fee-based models toward value-based care, driven by recent legislation. This shift has the potential to generate increased demand for interpreting services.

The link between interpreting provision and quality of care is well-established. Interpreting is thus a tool that can be used to achieve better patient outcomes, as part of a broader value-based care model.

The survey probed whether interpreting providers have seen an increase in demand linked to this increased focus on patient experience.

Is More Focus on Patient Experience Driving Demand for Healthcare Interpreting?

Respondent ratings of the statement: "An increased focus on high-quality patient experience is driving more demand for healthcare interpreting." Displayed as percentage of respondents per rating.



38 companies out of the 45 that provide community interpreting answered this question. Respondents were asked to indicate the extent to which they agreed with the given statement on a scale of one to ten where 10= Strongly Agree and 1 = Strongly Disagree.

Chart: Slator • Source: ALC

The survey found that:

- Slightly more than half of providers agree that an increased focus on high-quality patient experience is increasing demand for healthcare interpreting, with one in ten strongly agreeing.
- 47% of respondents do not agree that more healthcare interpreting demand is being driven by increased focus on experience. However, responses were concentrated in the mild disagreement range.

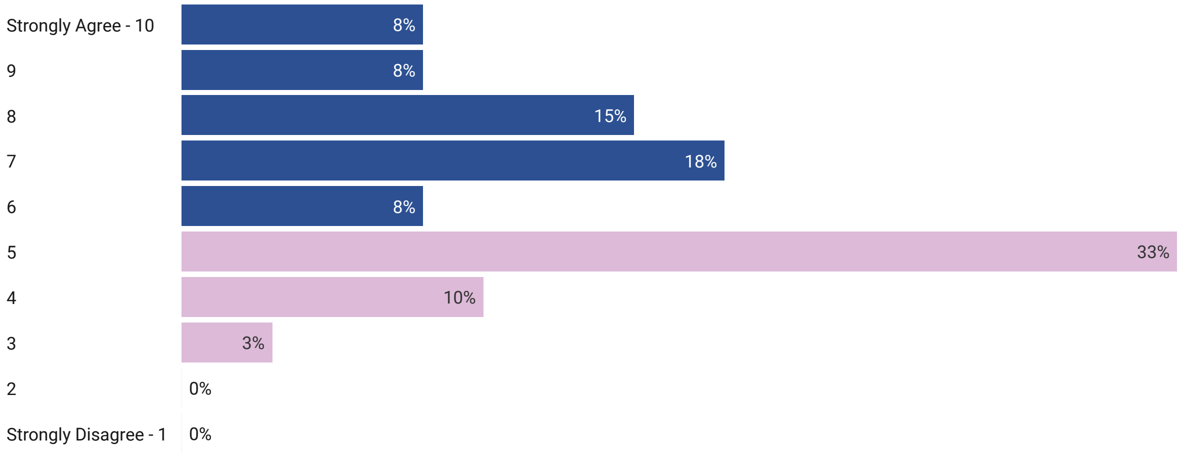
Healthcare providers, and government buyers, implement a variety of approaches to meet the interpreting needs of patients and end-users.

Some buyers outsource entire solutions to language service companies, while others implement a mix of full-time staff interpreters and dual-role interpreters, alongside outsourced services. (Figures from one provider suggest that internal staff cover 30% of services, while 70% are externally outsourced.)

The survey explored whether there is a noticeable trend among healthcare and government buyers to increase the proportion of outsourced interpreting.

Are Healthcare and Government Buyers Outsourcing More?

Respondent ratings of the statement: "Interpreting buyers - such as healthcare providers and government - are increasingly outsourcing a larger proportion of their interpreting needs." Displayed as percentage of respondents per rating.



40 companies out of the 45 that provide community interpreting answered this question. Respondents were asked to indicate the extent to which they agreed with the given statement on a scale of one to ten where 10= Strongly Agree and 1 = Strongly Disagree.

Chart: Slator • Source: ALC

The results showed:

- Half of respondents (57%) agree that healthcare and government are outsourcing a larger proportion of their interpreting needs.
- The remaining respondents (43%) generally disagree with the proposition. However, most responses fell into the mild disagreement range.

Half of interpreting providers agree that healthcare and government buyers are outsourcing a higher proportion of their interpreting needs.

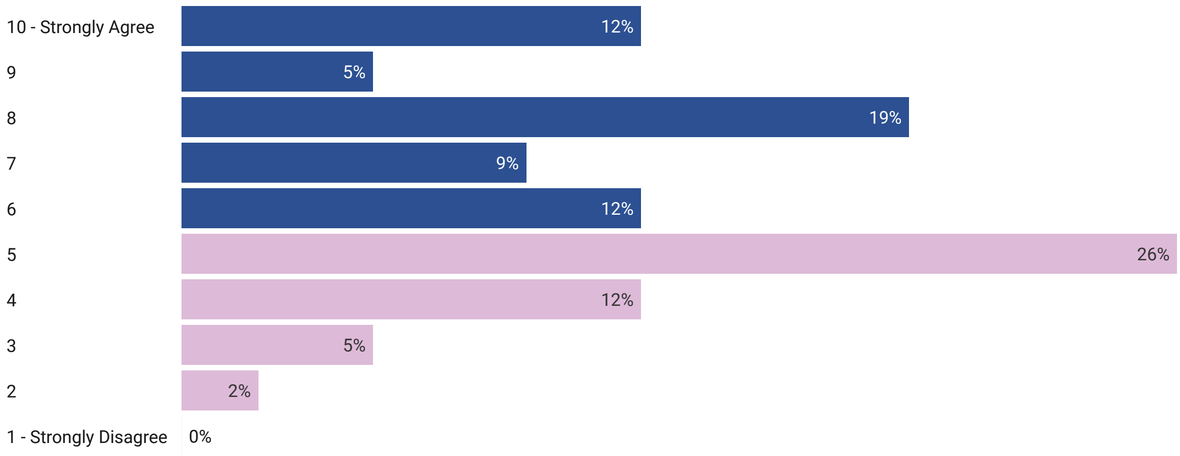
Trends in RSI

The simultaneous interpreting market has undergone significant transformation in the last few years with the rapid adoption of remote simultaneous interpreting (RSI) technology, triggered by the pandemic and corresponding shift to remote and hybrid events.

The survey examined to what extent this transformation is continuing as at 2023.

Is Demand for Remote Simultaneous Interpreting (RSI) Steadily Increasing?

Respondent ratings of the statement: "Demand for RSI has increased steadily in the last 12 months in my company." Displayed as percentage of respondents per rating.



43 companies out of the 44 that provide remote simultaneous interpreting (RSI) answered this question. Respondents were asked to indicate the extent to which they agreed with the given statement on a scale of one to ten where 10= Strongly Agree and 1 = Strongly Disagree.

Chart: Slator • Source: ALC

The survey found:

- The majority — 57% — of respondents agree that demand for RSI is steadily increasing, while one in ten strongly agree.
- The remaining 43% of respondents do not agree that demand for RSI is increasing. However, these responses were mostly in the moderate disagreement range (4 and 5).

The shift to RSI has significant implications for the industry in terms of sector growth, business models, and interpreting as a profession. These results suggest that RSI remains a high-growth niche in the industry.

RSI appears to remain a high-growth niche, with 57% respondents agreeing that demand is steadily increasing.

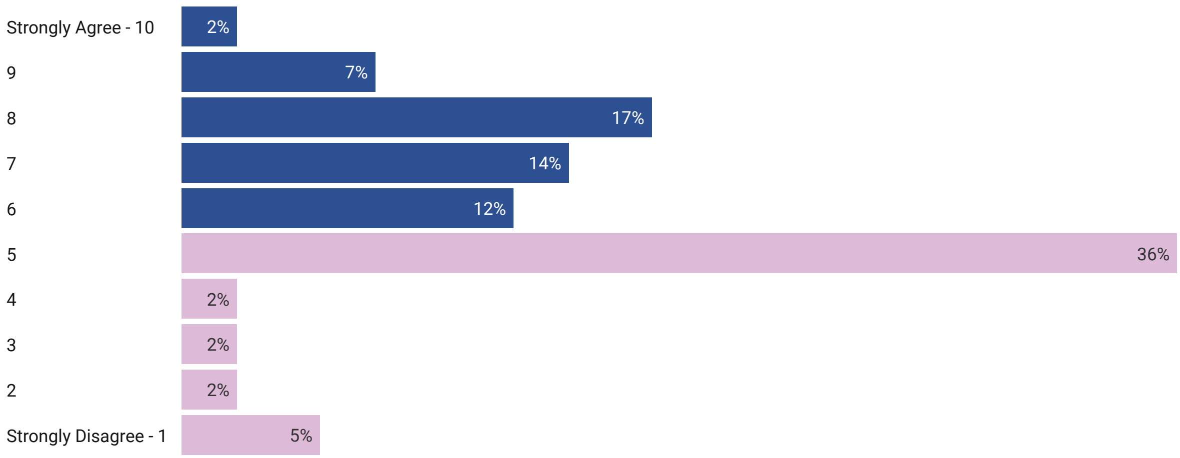
While RSI offers many benefits with respect to flexibility and cost, RSI adoption has also brought implementation challenges. Early challenges included latency, audio quality, data security challenges, and impacts on interpreter training and health.

RSI platforms innovated quickly to address many technical issues, while buyers, providers, and interpreters moved rapidly on points of training and support.

The survey investigated to what extent these initial implementation problems are now seen as resolved.

Are Issues with RSI Audio Quality and Interpreter Health Now Resolved?

Respondent ratings of the statement: "RSI's initial issues with audio quality and interpreter auditory health have now mostly been resolved with technical improvements and better working practices." Displayed as percentage of respondents per rating.



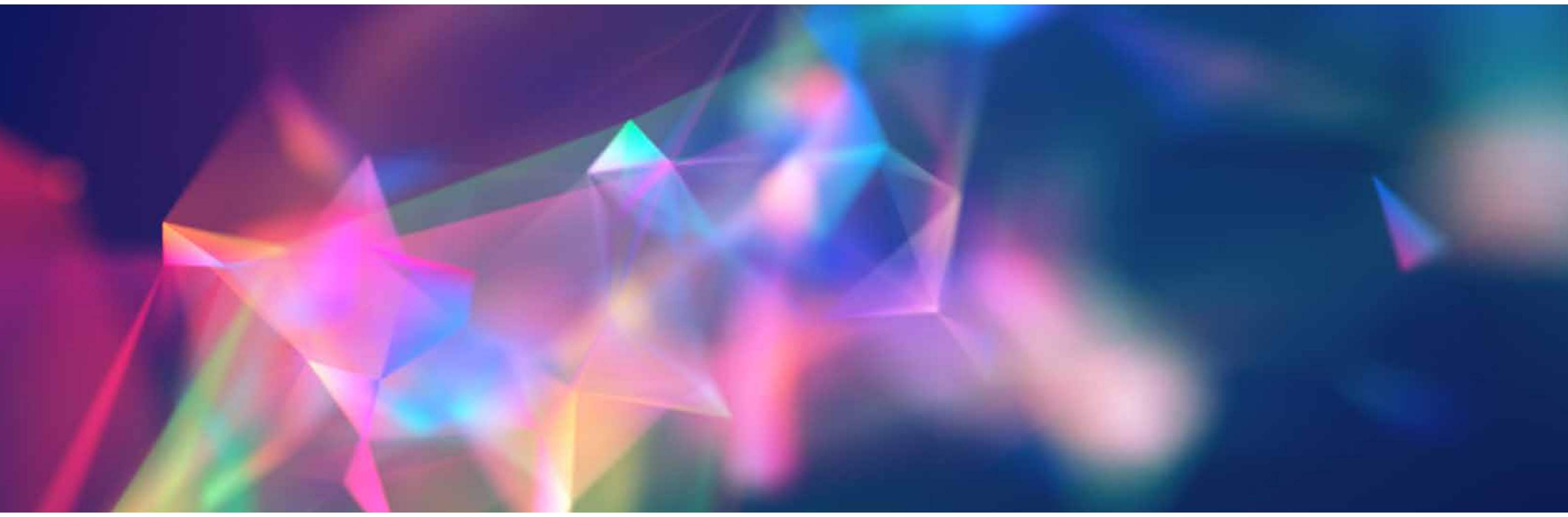
42 companies out of the 44 that provide remote simultaneous interpreting (RSI) answered this question. Respondents were asked to indicate the extent to which they agreed with the given statement on a scale of one to ten where 10= Strongly Agree and 1 = Strongly Disagree.

Chart: Slator • Source: ALC

Respondents are split on the question of whether RSI audio quality and interpreter health issues are mostly resolved:

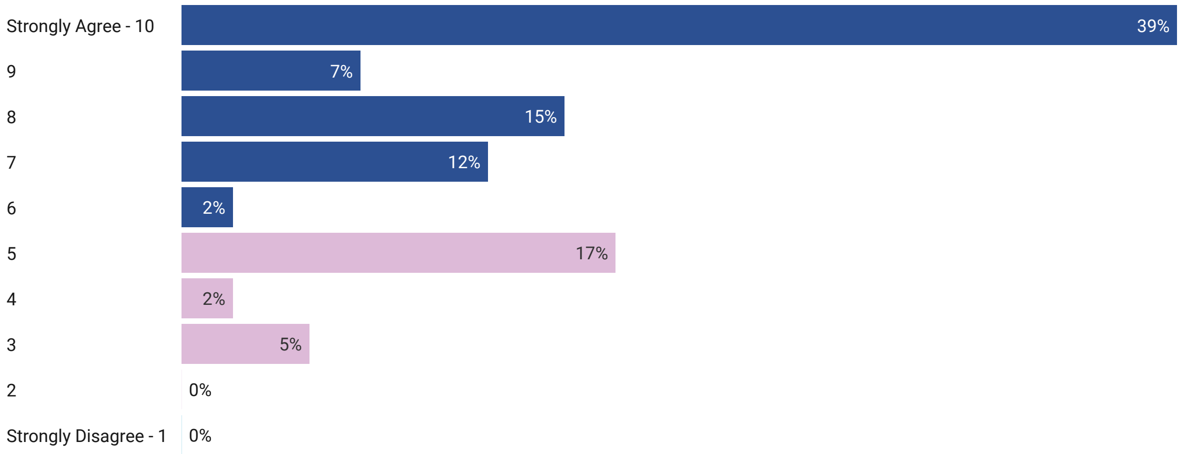
- Slightly more than half of respondents agree that RSI audio quality and interpreter health issues as mostly resolved.
- 5% strongly disagree that RSI audio and interpreting health issues are resolved, and a further 42% moderately disagree.

RSI platforms have transformed the way simultaneous interpreting services are delivered. The survey probed the question of whether the rise of RSI platforms has intensified competition in the interpreting services market.



Are RSI Platforms Direct Competitors to Interpreting Services Providers?

Respondent ratings of the statement: "RSI platforms such as Interactio, Interprefy, and KUDO should be considered direct competitors to interpreting service providers." Displayed as percentage of respondents per rating.



41 companies out of the 44 that provide remote simultaneous interpreting (RSI) answered this question. Respondents were asked to indicate the extent to which they agreed with the given statement on a scale of one to ten where 10= Strongly Agree and 1 = Strongly Disagree.

Chart: Slator • Source: ALC

- 76% of respondents agree that RSI platforms such as Interactio, Interprefy, and KUDO are direct competitors to interpreting providers, with 39% strongly agreeing.
- Only 24% of respondents disagreed that RSI platforms can be considered direct competitors.

While RSI platforms are primarily technology companies, most now also facilitate access to interpreting services via crowdsourcing models and / or through partnerships with language service companies.

The direct integration of RSI platforms with online meeting tools (e.g., Zoom) and other client platforms has also put such companies in a strong strategic position to manage enterprise interpreting needs.

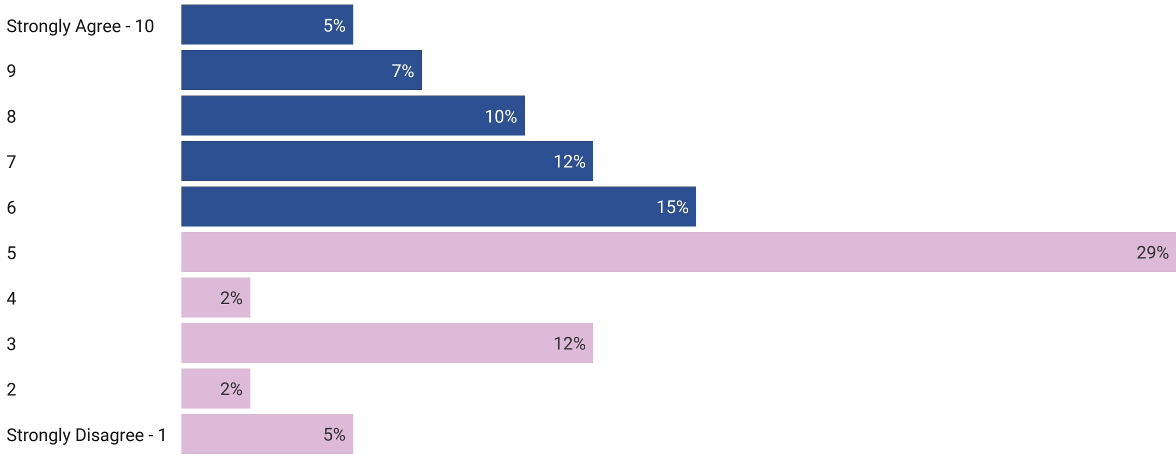
76% of simultaneous interpreting service providers see RSI platforms as direct competitors.

Recent advances in speech-to-speech technology have led to the release of automated speech translation solutions from RSI platforms such as Interprefy and KUDO.

The survey investigated how interpreting providers see these innovations impacting the conference interpreting market.

Will Speech-to-Speech Technology Disrupt Demand for Conference Interpreting?

Respondent ratings of the statement: "Speech-to-speech technology will disrupt demand for conference interpreters in the next few years." Displayed as percentage of respondents per rating.



41 companies out of the 44 that provide remote simultaneous interpreting (RSI) answered this question. Respondents were asked to indicate the extent to which they agreed with the given statement on a scale of one to ten where 10= Strongly Agree and 1 = Strongly Disagree.

Chart: Slator • Source: ALC

Interpreter providers are split with respect to the impact of speech-to-speech technology on conference interpreting.

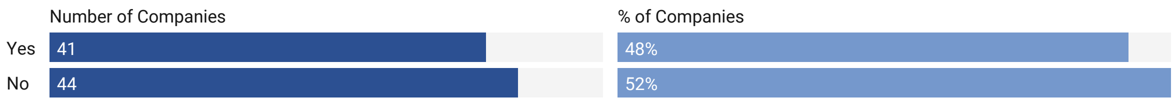
- 50% respondents expect speech-to-speech technology to disrupt demand for conference interpreters in the next few years; responses are concentrated in the moderate agreement range, however.
- The remaining 50% of respondents disagree that speech-to-speech technology will disrupt demand for conference interpreters, with the majority of responses falling into the moderate disagreement range.

Sign Language Interpreting

Around half of companies in the survey set provide sign language interpreting services.

Nearly Half of Companies Provide Sign Language Interpreting

Responses to the question: Does your company provide sign language interpreting services?



85 respondents answered this question.

Chart: Slator • Source: ALC

The survey found that

- All sign language interpreting providers in the survey sample offer services in American Sign Language.
- One in ten providers offer Spanish Sign Language interpreting services.

100% of Sign Language Interpreting Providers Offer ASL

Responses to the question: Which sign language interpreting services does your company provide?

41 companies provide sign language interpreting services. All answered this question.

Chart: Slator • Source: ALC

The results also showed that nine out of ten sign language interpreting companies offer remote services, while just under 80% offer onsite services.

More Sign Language Interpreting Providers Offer Remote than Onsite Services

Responses to the question: Does your company provide these sign language services?

41 companies provide sign language services. All 41 answered this question.

Chart: Slator • Source: ALC

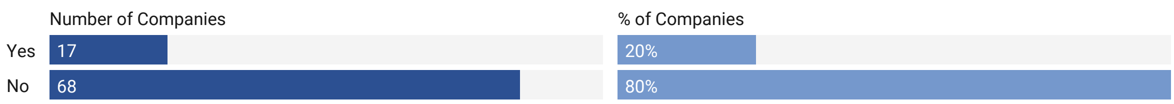
Read more analysis of sign language services in the Pricing, Technology, and Supply Chain and Personnel sections.

Language Testing

The survey found that one in five companies in the sample set provide language testing services.

One in Five Companies Provide Language Testing Services

Responses to the question: Does your company provide language testing services?



85 respondents answered this question.

Chart: Slator • Source: ALC

Types of language testing services — according to respondent answers — include:

- Language proficiency testing
- Interpreter aptitude testing
- Language testing for bilingual employees such as healthcare staff, legal, banking, and customer service

The vast majority — 94% — of language testing companies provide services online, with a minority — around one in three — offering in-person services.

More than 90% of Language Testing Providers Offers Online Services

Responses to the question: How does your company deliver language testing services?

17 respondents offer language testing services. All answered this question.

Chart: Slator • Source: ALC

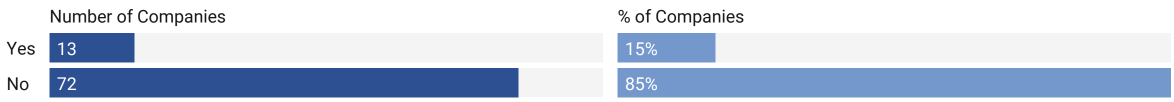
Read more analysis of language testing services in the Pricing, Technology, and Supply Chain and Personnel sections.

Language Training

Language training services are provided by 15% of companies in the survey set.

One in Seven Companies Offers Language Training Services

Responses to the question: Does your company provide language training services?



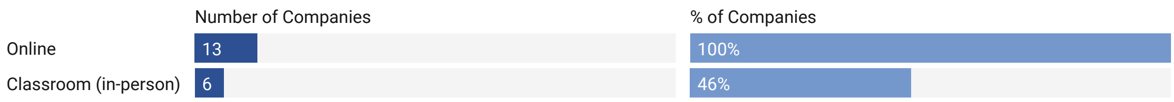
85 respondents answered this question. Response options: 1) Yes 2) No. Language training refers to "Helping others acquire skills in a second or foreign language using a coordinated curriculum and process."

Chart: Slator • Source: ALC

The survey found that, of the companies that provide language training, all offer online services while just under half offer classroom-based language training.

Classroom Teaching is Offered by Less than Half of Language Training Companies

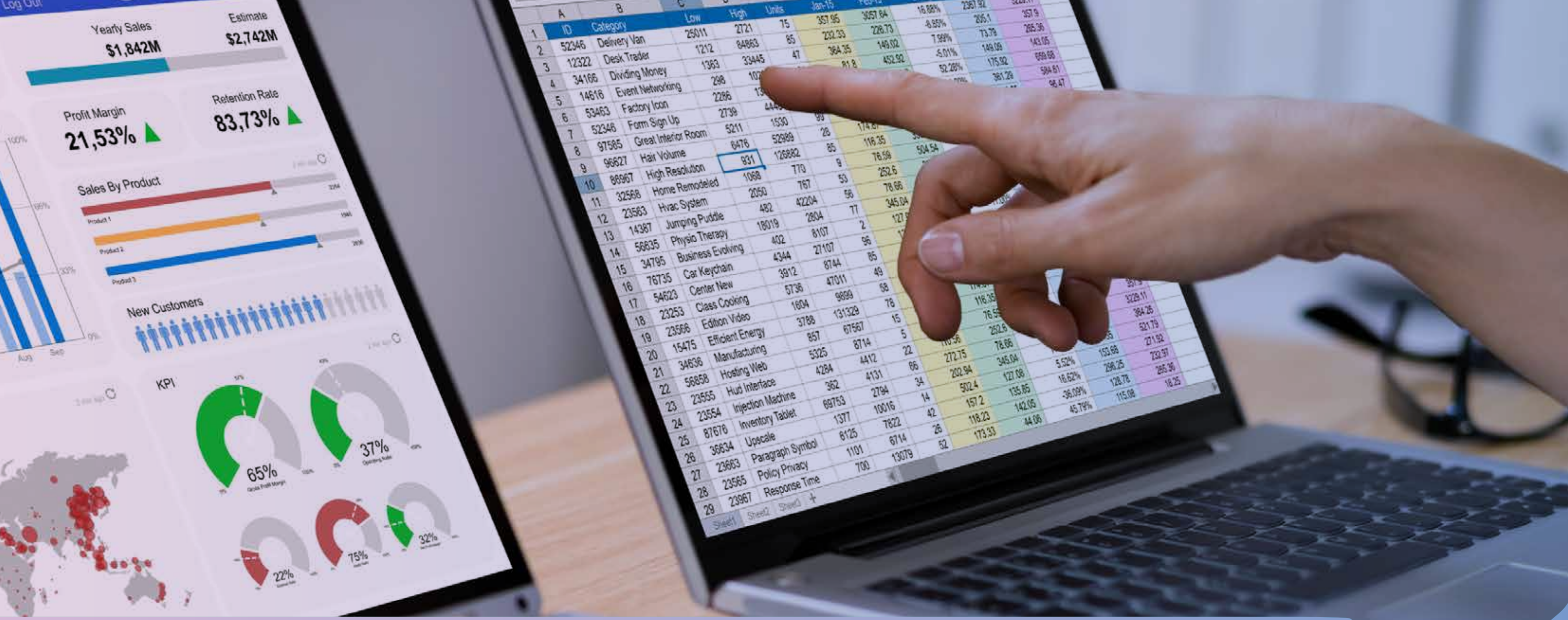
Responses to the question: How does your company deliver language training services?



13 respondents offer language training services. All answered this question.

Chart: Slator • Source: ALC

Find more analysis of language training services in the Pricing, Technology, and Supply Chain and Personnel sections.



Growth and Profitability

Growth across companies in the sample set remained resilient in 2022, despite macroeconomic and global uncertainties. The majority of respondents — 63% — reported that company revenue grew in 2022. Moreover, an overall trend of revenue stabilization can be observed in the data reported by this year's ALC survey sample.

This resilience can be linked to several key factors.

- Language service companies derive their revenue from a diverse range of sectors, making companies less exposed to fluctuations in demand.
- Use cases for language services continue to expand as technology (such as speech-to-text, machine translation, and remote interpreting platforms) make it easier for businesses to afford and implement language solutions across a broader range of settings.
- The US Healthcare sector — the predominant customer segment in the survey set — continues to increase spending, while another key segment, the US Government, also continues to issue major language services contracts.
- Demand for language access services continues to grow, boosted by factors such as:
  - An expanding limited English proficiency (LEP) population in the US;
  - Increased awareness and enforcement of language access legislation.

More than 60% of Companies Grew Revenue in 2022

Responses to the question: How did your company's annual revenue change in 2022 compared to 2021?

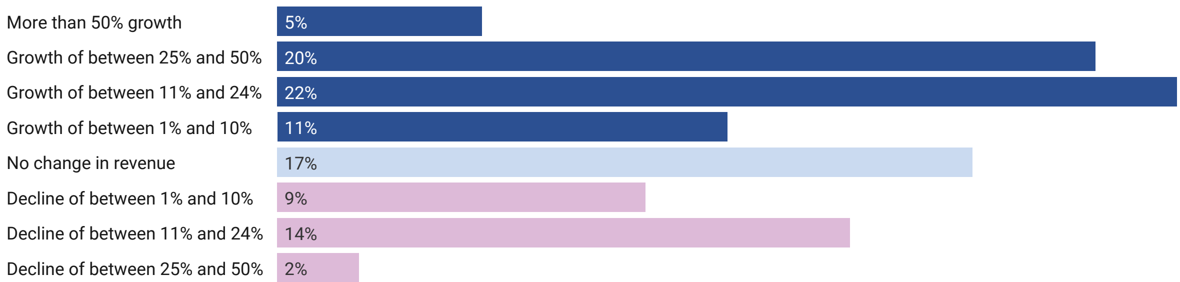
82 respondents answered this question. Response options: 1) Grew 2) Declined 3) Remained stable.

Chart: Slator • Source: ALC

- 63% of companies reported that annual revenue grew in 2022 from the prior year.
- 17% of companies reported that annual revenue remained stable in 2022 from the prior year.
- One in five companies reported that revenue declined in 2022 from 2021.

One in Four Companies Saw Growth Above 25% in 2022

Responses to the question: What was the % increase / decrease in your company's annual revenue? Displayed as proportion of companies reporting each growth or decline bracket.



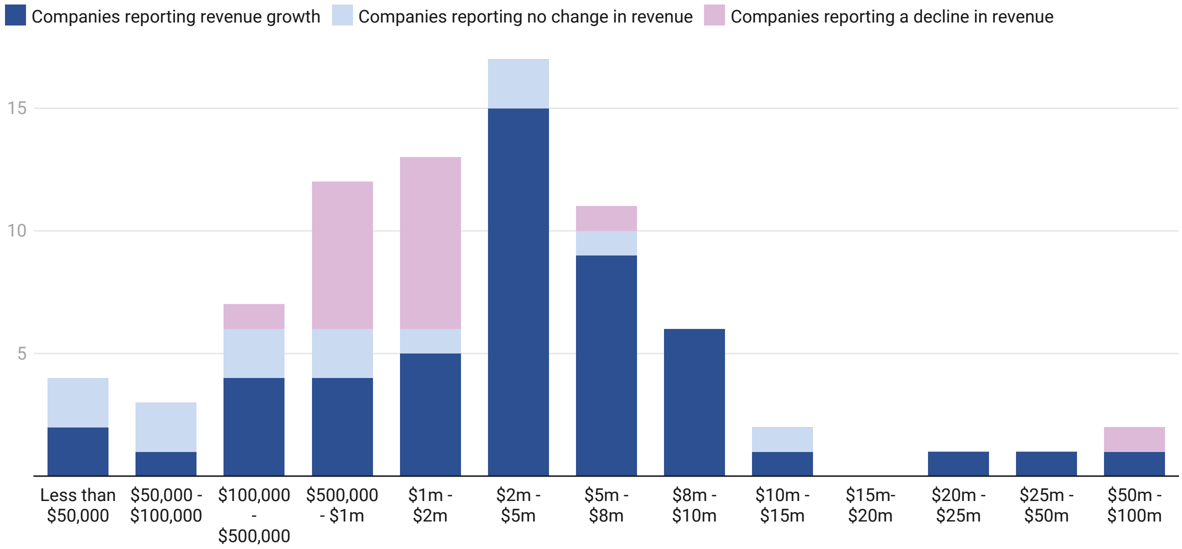
81 respondents answered this question. Note: one fewer company answered this question on specific growth / decline figures than answered the previous question on general revenue growth / decline (above). A small discrepancy is therefore present between the results for these two questions.

With respect to rates of growth:

- 5% of companies reported growth of more than 50% in 2022.
- One in four companies reported growth above 25% for 2022.
- Around one in four companies reported a decline of between 1% and 24%.
- Just 2% of companies reported a decline of more than 25%.

2021-2022 Growth Trend by Revenue

Calculated from responses to the question: How did your company's annual revenue change in 2022 compared to 2021? Displayed as number of companies per revenue bracket that selected "Grew", "Remained Stable", and "Declined."



79 respondents answered this question.

Chart: Slator • Source: ALC

Breaking out the data by revenue bracket shows:

- The majority of companies that reported a decline in revenue are within the USD 500,000 to USD 2m revenue bracket.
- No companies in the USD 2m to USD 5m, USD 8m to USD 50m, and under USD 100,000 revenue brackets reported a decline in revenue.

Most companies that reported a revenue decline are within the USD 500,000 to USD 2m revenue bracket.

Fewer Companies Reported a Revenue Decline in 2022 Than in 2021

Proportion of language service companies that reported revenue growth, a decline in revenue, and flat revenues in 2022 compared to 2021 (as reported in last year's ALC survey).

82 respondents answered this question: How did your company's annual revenue change in 2022 compared to 2021? Response options: 1) Grew 2) Declined 3) Remained stable.

Chart: Slator • Source: ALC

We can observe an overall trend of revenue increase and stabilization when comparing this year's sample set (which reported on 2022 results) with last year's ALC survey sample set (which reported on 2021 results).

- A smaller proportion of companies reported a decline in revenue: one in five companies in this year's sample set reported revenue decline, compared to one in three companies in last year's sample set.
- A larger proportion of companies reported stable revenues: in this year's sample set, 17% of companies reported stable revenue compared to 7% in last year's results.
- The proportion of companies reporting revenue growth remained roughly the same in this year's sample set, compared to last year's survey (63% and 64% respectively).

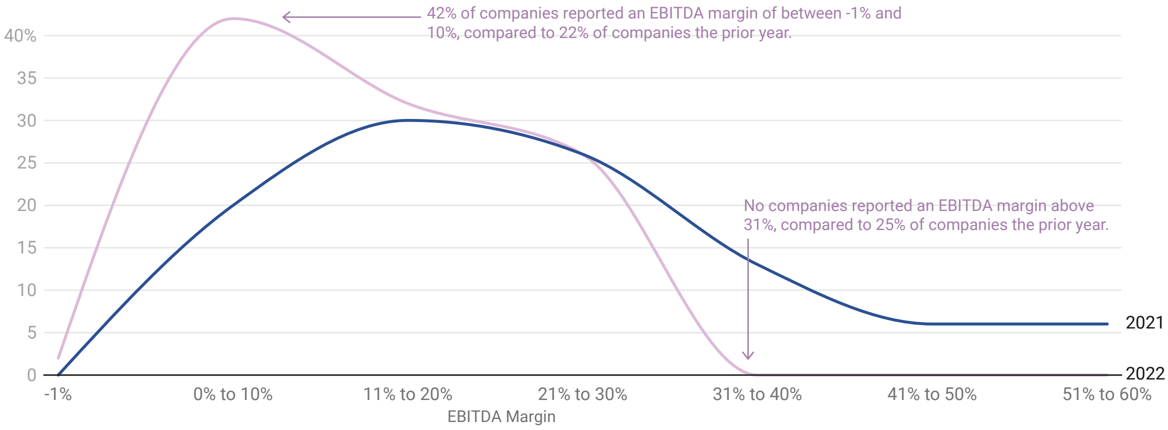
One in five companies reported a revenue decline in this year's ALC survey, compared to one in three in last year's survey.

EBITDA

Despite an overall growth trend, EBITDA margins contracted notably in 2022 within the context of a complicated economic environment. Despite putting various measures in place, operational costs linked to inflation have created a more challenging environment for companies to operate efficiently and generate profits.

EBITDA Margin Contracted in 2022

Responses to the question: What was your company's EBITA margin in 2022? Displayed as percentage of companies that selected each EBITDA range.



53 respondents answered this question for 2022 in this year's survey. 2021 results from prior year ALC Industry Survey.

Chart: Slator • Source: ALC

The results show that:

- Twice as many companies reported an EBITDA margin of between 0% and 10% for 2022 compared to the prior year.
- The proportion of companies reporting an EBITDA margin of between 11% and 20% remained roughly the same in 2022 compared to the prior year.
- No companies reported an EBITDA margin of more than 31% in 2022, compared to the prior year when one in four reported an EBITDA margin of between 31% and 60%.

Note, however, that this question on EBITDA margin received significantly less engagement than most other questions in the survey. It is possible that a number of companies with higher or lower EBITDA margins did not submit a response.

Profit Margins

Results from the survey showed that all language services are generally profitable; average gross profit margin for language services was between 29% and 43%, with translation and language training the most profitable. However, comparison with last year's results revealed a slight decline in profitability for translation and interpreting services.

Language Training and Translation are the Most Profitable Services

Average profit margin per service, calculated from responses to the question: What was your company's gross profit margin for these language services in 2022?

Question engagement is as follows. From the 76 surveyed companies that provide translation services, 60 answered this question. Interpreting: 53 of 70 companies. Media Localization: 27 of 50 companies. Sign Language Services: 29 of 41 companies. Transcription / Captioning: 37 of 48 companies. Language Training 14 of 17 answered. Language Testing: 14 of 17 companies.

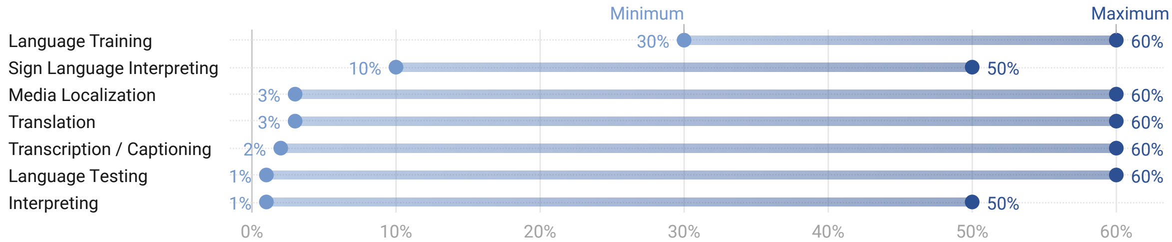
Chart: Slator • Source: ALC

- **Translation**, which has benefited from the broad adoption of AI-based production workflows, had an average profit margin of 41%.
- **Interpreting** had an average profit margin of 30%.
- **Language Training** had the highest profit margin of any service, at 43%.

Profit margins cited by survey respondents were distributed across a broad range from 1% to 60%. Interpreting margins ranged between 1% and 50%, while Translation margins ranged from 3% to 60%.

Minimum and Maximum Profit per Language Service

Calculated from responses to the question: What was your company's gross profit margin for the specific language services in 2022? Responses displayed as minimum and maximum reported margins per service.



Question engagement was as follows. From the 76 surveyed companies that provide translation services, 60 answered this question. Interpreting: 53 of 70 companies. Media Localization: 27 of 50 companies. Sign Language Services: 29 of 41 companies. Transcription / Captioning: 37 of 48 companies. Language Training 14 of 17 answered. Language Testing: 14 of 17 companies.

Chart: Slator • Source: ALC

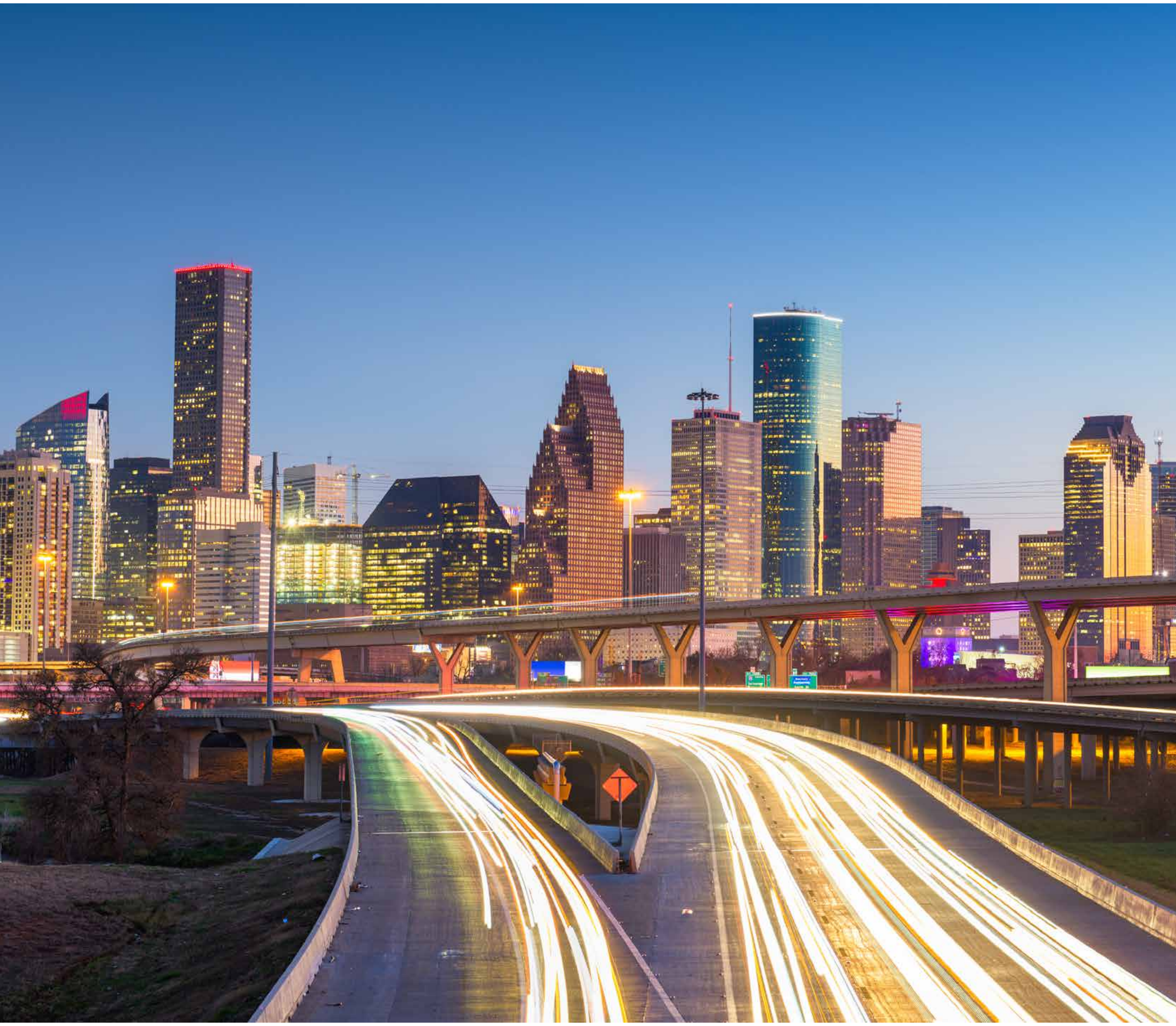
Compared to the previous year's ALC survey, profit margins for translation and interpreting both showed a decline of a few percentage points. While companies increased prices to customers in 2022, a rise in operational costs — and specifically labor costs — remained a key factor affecting the profitability of both services.

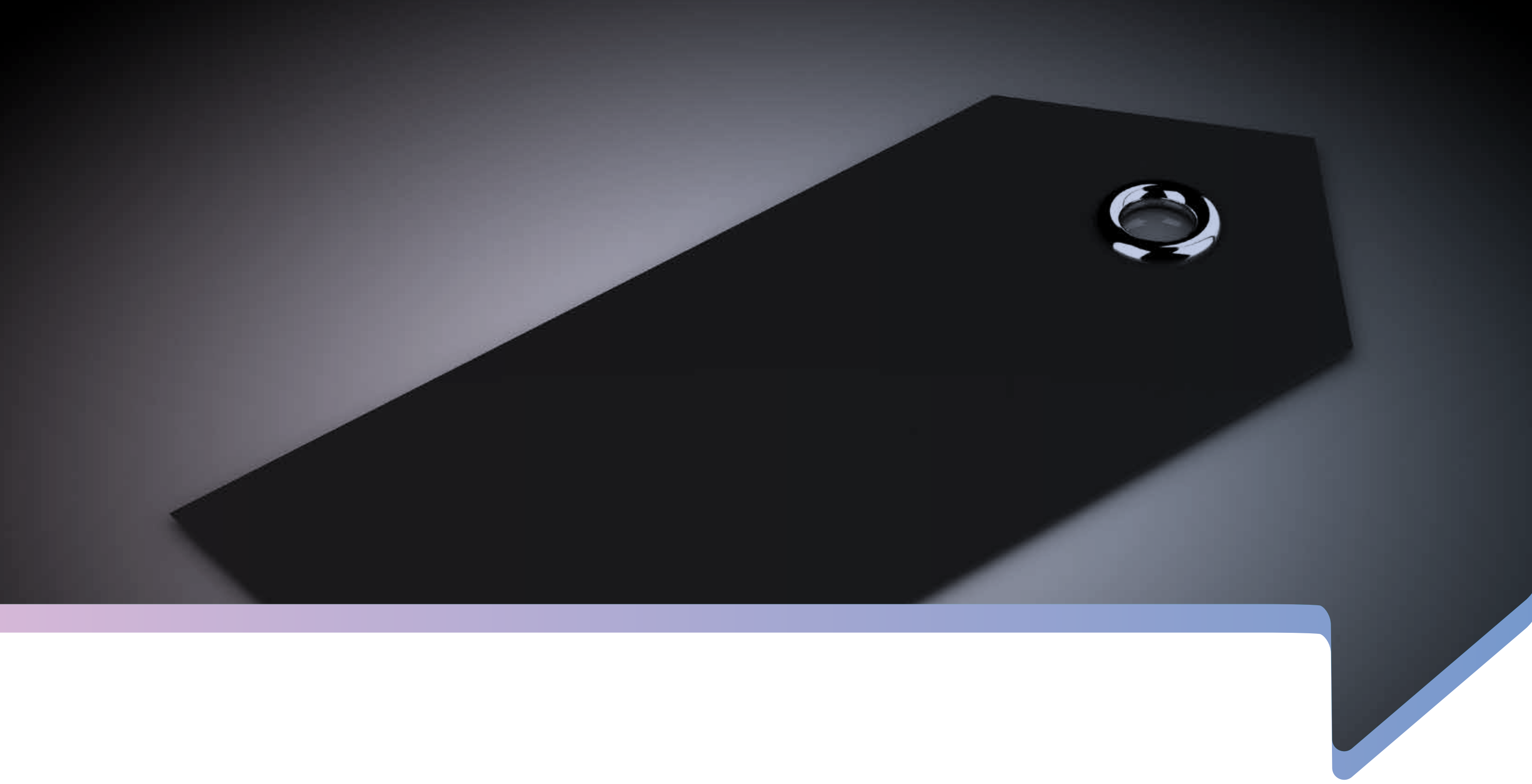
Profit Margins for Translation and Interpreting Show a Slight Decline

Calculated from responses to the question: What was your company's gross profit margin for these language services in 2022?

From the 76 surveyed companies that provide translation services, 60 answered this question. From the 70 that provide interpreting services, 53 answered this question.

Chart: Slator • Source: ALC





Pricing

Rates for Translation Services

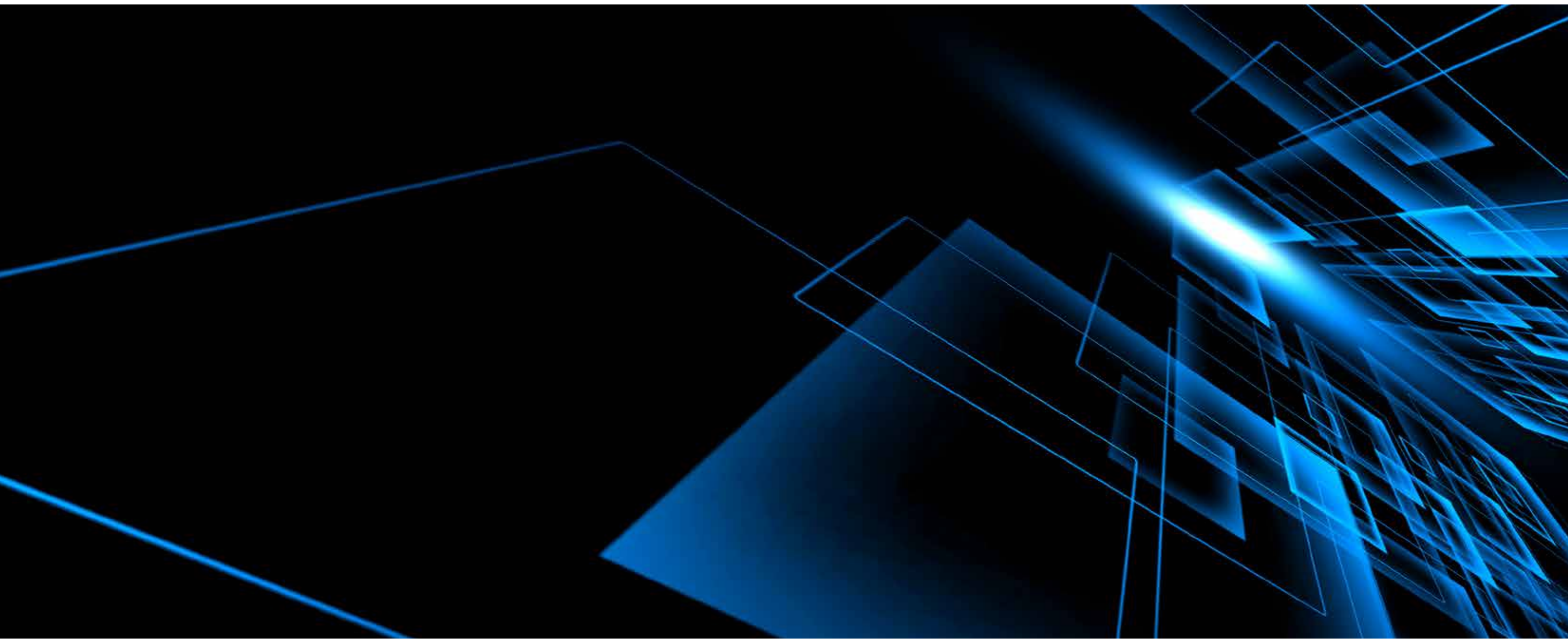
The survey found an overall increase in per-word TEP rates in 2022 for translation into target languages from English. Increases ranged from 2% to 9% depending on language pair and service level.

Rates for TEP services into English remained largely steady, with the exception of French into English (which increased) and Spanish into English (which decreased).

As discussed in Global Events and Macroeconomic Factors, raising prices for clients is one of the key actions that companies have taken to mitigate the impact of inflation and other challenging economic factors.

Per-word rates for Translation, Editing, and Proofreading (TEP) increased by between 2% and 9% in 2022.

Detailed results for rates by service and language pair are presented below.



Survey respondents were asked to provide average per-word rates for 2022 for the translation service level their company provides most frequently i.e., human-only Translation, Editing, and Proofreading (TEP), human-only Translation and Proofreading, Translation Only, or Post-Edited Machine Translation (PEMT).[1]

Note that pricing varies not only between language service companies, but also within single companies, depending on factors such as language pair, content type, service level, and client. Surveyed rates can thus be considered general indications of pricing only.

The survey covered rates for 11 languages from and into English: Arabic, Brazilian Portuguese, Chinese (Simplified), French, German, Japanese, Korean, Russian, Spanish, Tagalog, and Vietnamese.

Comparisons are provided with the prior year rates when relevant data is available.

Translation, Editing, and Proofreading (TEP) from English

Median translation rates for TEP from English showed an increase on the prior year of between 2% and 9% for all language pairs, apart from English into Arabic, which remained steady.[2]

[1] Note: Raw Machine Translation is provided by some companies in the survey set but is not the most frequently provided service for any company, see Services Strategy.
[2] This year's ALC survey is the first to collect rate data on Brazilian Portuguese, Korean, Tagalog, and Vietnamese; the percentage change is therefore not calculated for these languages.

Rates for Translation, Editing, and Proofreading (TEP) from English

Rates for Translation, Editing, and Proofreading (TEP) service in 2022 for English into target language. Results displayed in USD per word for US-based companies.

TEP Rates in USD per word (2022)	Median	Average	Minimum	Maximum	% change from 2021	# Responses
English into Arabic	$0.24	$0.23	$0.10	$0.31	0%	26
English into Chinese (Simplified)	$0.23	$0.23	$0.10	$0.31	2%	26
English into French	$0.24	$0.23	$0.14	$0.31	9%	27
English into German	$0.24	$0.24	$0.14	$0.31	4%	27
English into Japanese	$0.29	$0.26	$0.13	$0.31	2%	26
English into Korean	$0.26	$0.25	$0.11	$0.31	n/a	25
English into Russian	$0.23	$0.22	$0.10	$0.31	5%	26
English into Spanish	$0.19	$0.19	$0.07	$0.31	6%	33
English into Tagalog (Filipino)	$0.25	$0.26	$0.16	$0.60	n/a	26
English Portuguese (Brazilian)	$0.21	$0.21	$0.09	$0.31	n/a	31
Vietnamese into English	$0.24	$0.24	$0.14	$0.31	n/a	26

Responses to the question: What was your company's per-word rate for Human-Only Translation + Editing + Proofreading for these language pairs in 2022? The question was posed to 53 companies whose most frequently provided translation service level is Translation + Editing + Proofreading. Results are presented for US-based companies. Rates are compared to prior year results where available.

Table: Slator • Source: ALC

Translation, Editing, and Proofreading (TEP) into English

Median translation rates for Spanish into English (TEP) decreased by 5% compared to the prior year, while French into English (TEP) increased by 4%. Rates for other language pairs remained steady.

Rates for Translation, Editing, and Proofreading (TEP) into English

Rates for Translation, Editing, and Proofreading (TEP) service in 2022 for source language into English. Results displayed in USD per word for US-based companies.

2022 Prices for Translation, Editing and Proofreading (TEP) ▲	Median	Average	Minimum	Maximum	% change from 2021	# Responses
Arabic into English	$0.26	$0.24	$0.10	$0.31	0%	27
Chinese (Simplified) into English	$0.24	$0.23	$0.12	$0.31	0%	27
French into English	$0.24	$0.23	$0.14	$0.31	4%	29
German into English	$0.25	$0.24	$0.14	$0.31	0%	29
Japanese into English	$0.28	$0.26	$0.13	$0.31	0%	27
Korean into English	$0.27	$0.25	$0.11	$0.31	n/a	26
Portuguese (Brazilian) into English	$0.20	$0.21	$0.09	$0.31	n/a	30
Russian into English	$0.24	$0.23	$0.10	$0.31	0%	27
Spanish into English	$0.18	$0.19	$0.07	$0.31	-5%	32
Tagalog (Filipino) into English	$0.26	$0.27	$0.18	$0.60	n/a	26
Vietnamese into English	$0.26	$0.25	$0.14	$0.31	n/a	26

Responses to the question: What was your company's per-word rate for Human-Only Translation + Editing + Proofreading for these language pairs in 2022? The question was posed to 53 companies whose most frequently provided translation service level is Translation + Editing + Proofreading. Results are presented for US-based companies. Rates are compared to prior year results where available.

Table: Slator • Source: ALC

Rates for Translation and Proofreading from English

Median rates for Translation and Proofreading translation service from English ranged from USD 0.18 to USD 0.26 per word, depending on language pair.

Rates for Translation + Proofreading from English

Rates for Translation + Proofreading service in 2022 for English into target language. Results displayed in USD per word for US-based companies.

Translation + Proofreading Rates in USD per word (2022)	Median	Average	Minimum	Maximum	# Responses
English into Arabic	$0.24	$0.22	$0.09	$0.27	8
English into Brazilian Portuguese	$0.18	$0.19	$0.05	$0.30	9
English into Chinese (Simplified)	$0.24	$0.22	$0.10	$0.30	8
English into French	$0.24	$0.23	$0.09	$0.30	8
English into German	$0.25	$0.23	$0.10	$0.30	8
English into Japanese	$0.25	$0.21	$0.09	$0.26	8
English into Korean	$0.25	$0.22	$0.09	$0.28	8
English into Russian	$0.22	$0.21	$0.08	$0.28	8
English into Spanish	$0.18	$0.19	$0.05	$0.30	9
English into Tagalog (Filipino)	$0.26	$0.25	$0.22	$0.26	7
English into Vietnamese	$0.25	$0.24	$0.22	$0.26	7

Responses to the question: What was your company's per word rate for Human-Only Translation + Proofreading for these language pairs in 2022? The question was posed to 13 companies whose main translation service level is Translation + Proofreading. Results are presented for US-based companies.

Table: Slator • Source: ALC

Rates for Translation and Proofreading into English

Median rates for Translation and Proofreading translation service into English ranged from USD 0.15 to USD 0.26 per word, depending on language pair.

Rates for Translation + Proofreading into English

Rates for Translation + Proofreading service in 2022 for source languages into English. Results displayed in USD per word for US-based companies.

Translation + Proofreading Rates in USD per word (2022)	Median	Average	Minimum	Maximum	# Responses
Arabic into English	$0.24	$0.22	$0.08	$0.28	8
Chinese (Simplified) into English	$0.24	$0.22	$0.08	$0.30	8
French into English	$0.24	$0.23	$0.09	$0.30	8
German into English	$0.25	$0.23	$0.09	$0.30	8
Japanese into English	$0.25	$0.23	$0.09	$0.30	8
Korean into English	$0.25	$0.23	$0.09	$0.30	8
Portuguese (Brazilian) into English	$0.15	$0.17	$0.06	$0.30	8
Russian into English	$0.20	$0.21	$0.08	$0.28	8
Spanish into English	$0.15	$0.16	$0.06	$0.30	8
Tagalog (Filipino) into English	$0.26	$0.26	$0.22	$0.30	7
Vietnamese into English	$0.26	$0.26	$0.22	$0.30	7

Responses to the question: What was your company's per-word rate for Human-Only Translation + Proofreading for these language pairs in 2022? The question was posed to 53 companies whose most frequently provided translation service level is Translation + Proofreading. Results are presented for US-based companies only.

Table: Slator • Source: ALC

Rate Comparison: PEMT and Human-Only Translation

The below chart shows the median rate per word in USD for each translation service level for all language pairs.

Rate Comparison: PEMT, 1-step Translation, Translation and Proofreading, and TEP

Median rates per word in USD for Post-Edited Machine Translation (PEMT); 1-step Translation; Translation and Proofreading; Translation, Editing and Proofreading (TEP).

	PEMT	1-Step Translation	Translation + Proofreading	TEP
English into Arabic	$0.13	$0.18	$0.24	$0.24
English into Chinese (Simplified)	$0.12	$0.18	$0.15	$0.23
English into French	$0.14	$0.17	$0.24	$0.24
English into German	$0.14	$0.19	$0.24	$0.24
English into Japanese	$0.14	$0.20	$0.25	$0.29
English into Korean	$0.14	$0.21	$0.25	$0.26
English into Portuguese (Brazilian)	$0.14	$0.20	$0.25	$0.21
English into Russian	$0.13	$0.18	$0.20	$0.23
English into Spanish	$0.12	$0.17	$0.15	$0.19
English into Tagalog (Filipino)	$0.14	$0.22	$0.26	$0.25
English into Vietnamese	$0.14	$0.21	$0.26	$0.24
Arabic into English	$0.12	$0.19	$0.24	$0.26
Chinese (Simplified) into English	$0.12	$0.18	$0.18	$0.24
French into English	$0.13	$0.17	$0.24	$0.24
German into English	$0.12	$0.19	$0.24	$0.25
Japanese into English	$0.12	$0.20	$0.25	$0.28
Korean into English	$0.13	$0.21	$0.25	$0.27
Portuguese (Brazilian) into English	$0.13	$0.21	$0.25	$0.20
Russian into English	$0.12	$0.19	$0.22	$0.24
Spanish into English	$0.12	$0.17	$0.18	$0.18
Tagalog (Filipino) into English	$0.14	$0.23	$0.26	$0.26
Vietnamese into English	$0.14	$0.21	$0.25	$0.26

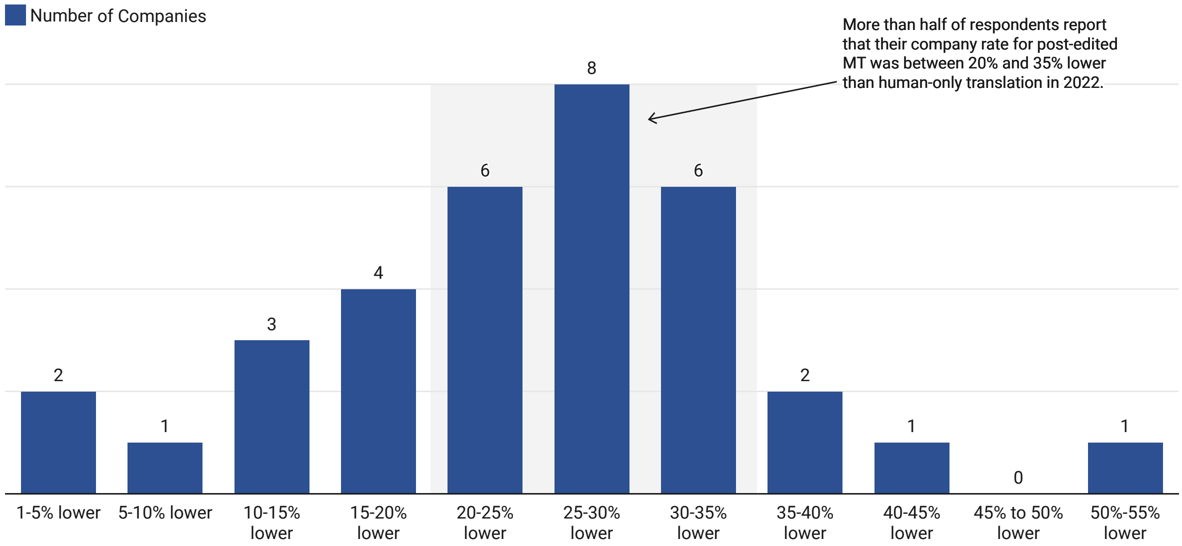
Responses from US-headquartered companies only. Respondents were asked to provide price per word for each language pair for the translation service level they provided most frequently. Median figure for MTPE based on 3 responses; 1-step Translation (human-only) based on 2 responses; Translation + Proofreading (human-only) based on 9 responses; TEP (human-only) based on 40 responses.

Chart: Slator • Source: ALC

The survey also asked companies that provide both PEMT and human-only translation services to report the percentage difference in pricing between these two types of services.

How Much Lower are Prices for PEMT Compared to Human-Only Translation?

Responses to the question: Roughly, how much lower was the price for post-edited MT compared with human-only translation in 2022?



34 respondents answered this question out of the 44 companies that utilize machine translation in their business.

Chart: Slator • Source: ALC

> **"Customer expectations remain inconsistent. Clients want the price reductions of AI and MT tools but can't let go of quality standards from 100% human performance."**
>
> — 2023 ALC Survey Respondent

The survey found:

- More than half of translation providers report that their company rate for PEMT is between 20% and 35% lower than human-only translation services.

While the per-word pricing model remains dominant across the language industry, the widespread use of PEMT has been the impetus for some companies to introduce alternative pricing models.

Per Word is the Dominant Pricing Model for PEMT

Responses to the question: What pricing model do you use for post-edited machine translation (MT)?

36 respondents answered this question.

Chart: Slator • Source: ALC

The results showed that:

- Per word is the dominant pricing model for PEMT, with more than 80% of companies applying this model

- Just over 10% of companies use actual post-editor hours to calculate the pricing for PEMT services.

Rates for Interpreting Services

The survey found an increase in rates for interpreting services in 2022 compared to the prior year. The most substantial rise was noted in onsite conference interpreting rates, which increased around 30% across surveyed languages.

Additionally, increases of between 7% and 9% were found in rates for OPI, VRI, and RSI services across several languages. Rates for Spanish OPI, which decreased by 8%, stand out as an exception.

As discussed in Global Events and Macroeconomic Factors, raising prices for clients is one of the key actions that companies have taken to mitigate the impact of inflation and other challenging economic factors.

Rates for OPI, VRI, and RSI generally increased by between 7% and 9% in 2022.

Detailed results for rates by service and language pair are presented below.

Note that interpreting rates differ not just between language service companies but also within single companies, depending on factors such as language, mode, delivery method, industry, assignment specifications, and client. Surveyed rates can thus be considered general indications of pricing only.

The survey prompted respondents to provide average rates for Spanish, European languages, and Asian languages for 2022.

Rates are covered for: onsite community interpreting, onsite legal interpreting, onsite conference interpreting, over-the-phone interpreting (OPI), video remote interpreting (VRI), and remote simultaneous interpreting (RSI).

Comparisons are provided with the prior year rates when relevant data is available.

Onsite Community Interpreting

Rates for Onsite Community Interpreting

Responses to the question: What was your company's rate for onsite community interpreting for [language] in 2022? Rates shown in USD per hour.

Onsite Community Interpreting - Hourly Rate in USD per day	Median	Min.	Max.	# Responses
Spanish	$70 - $80 / hour	$40 - $50 / hour	$140 - $150 / hour	30
European Languages	$80 - $90 / hour	$50 - $60 / hour	$150 / hour or more	26
Asian Languages	$80 - $90 / hour	$40 - $50 / hour	$150 / hour or more	26

All respondents were based in the US and provided rates in USD.

Table: Slator • Source: ALC

Onsite Legal Interpreting

Rates for Onsite Legal Interpreting

Responses to the question: What was your company's rate for onsite legal interpreting for [language] in 2022? Rates shown in USD per hour.

Onsite Legal Interpreting - Hourly Rate in USD per day	Median	Min.	Max.	# Responses
Spanish	$90 - $100 / hour	$50 - $60 / hour	$150 / hour or more	34
European Languages Day Rate	$100 - $110 / hour	$80 - $90 / hour	$150 / hour or more	29
Asian Languages Day Rate	$110 - $120 / hour	$80 - $90 / hour	$150 / hour or more	28

All respondents were based in the US and provided rates in USD.

Table: Slator • Source: ALC

Onsite Conference Interpreting

Median rates for onsite conference interpreting increased by 26% for European languages compared to the prior year, while rates for Asian languages increased by 30% and Spanish increased by 31%.

Rates for Onsite Conference Interpreting

Responses to the question: What was your company's day rate for onsite conference interpreting for [language] in 2022? Rates in USD.

Onsite Conference Interpreting 2022 - USD per Day	Median	Average	Min	Max	% Change from 2021	# Responses
Spanish	$1,050	$1,082	$300	$2,400	31%	22
European Languages	$1,200	$1,239	$400	$2,400	26%	21
Asian Languages	$1,400	$1,395	$400	$3,000	30%	20

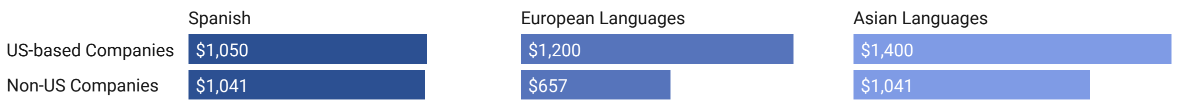
All respondents to this question were based in the US and provided rates in USD.

Table: Slator • Source: ALC

The below chart compares the day rate for onsite conference interpreting between US and non-US based companies.

Rates for Onsite Conference Interpreting: US vs non-US

Calculated from responses to the question: What was your company's day rate for onsite conference interpreting for [language] in



Based on 22 responses from US-headquartered companies and 8 responses from non-US headquartered companies. Responses provided in non-USD currencies were converted to USD.

Chart: Slator • Source: ALC

The survey found:

- For European language onsite conference interpreting, the median rate from US-based companies is more than twice as high as rates from non-US based companies.
- Rates for Spanish onsite conference interpreting do not differ significantly between US and non-US based companies.
- For Asian language onsite conference interpreting, the median rate from US-based companies is around 35% higher than from non-US based companies.

Over-the-Phone Interpreting (OPI)

Median rates for OPI increased by 7% for European and Asian languages compared to the prior year, while rates for Spanish decreased by 8%.

Rates for Over-the-Phone Interpreting (OPI)

Responses to the question: What was your company's average rate for over-the-phone interpreting for [language] in 2022?

Over-the-Phone Interpreting 2022 - USD per Minute	Median	Average	Min	Max	% Change from 2021	Responses
Asian Languages	$1.50	$1.54	$1.20	$2.50	7%	37
European Languages	$1.50	$1.52	$1.20	$2.40	7%	37
Spanish	$1.20	$1.39	$1.20	$2.40	-8%	39

Data is shown in USD per minute for US-headquartered companies only.

Table: Slator • Source: ALC

Video Remote Interpreting (VRI)

Median rates for video remote interpreting (VRI) increased by 8% for Spanish languages compared to the prior year, while rates for Asian and European languages remained steady.

Rates for Video Remote Interpreting (VRI)

Responses to the question: What was your company's average rate for video remote interpreting for [language] in 2022?

Video Remote Interpreting - USD per Minute	Median	Average	Min	Max	% Change from 2021	Responses
Asian Languages	$1.50	$1.71	$1.20	$2.70	0%	29
European Languages	$1.50	$1.67	$1.20	$2.70	0%	30
Spanish	$1.40	$1.54	$1.20	$2.70	8%	31

Data is shown in USD per minute for US-headquartered companies only.

Table: Slator • Source: ALC

Remote Simultaneous Interpreting (RSI)

Median rates for remote simultaneous interpreting (RSI) in Asian languages increased by 9% in 2022 compared to the prior year, while rates for European languages and Spanish increased by 7%.

Rates for Remote Simultaneous Interpreting (RSI)

Responses to the question: What was your company's average rate for remote simultaneous interpreting for [language] in 2022? Data is shown in USD per hour for US-headquartered companies only.

RSI Rates 2022 - USD per Hour	Median	Average	Minimum	Maximum	% Change from 2021	Responses
Asian Languages	$120	$128	80	180	9%	25
European Languages	$120	$120	60	170	7%	23
Spanish	$120	$108	50	160	7%	22

All respondents were based in the US and provided rates in USD.

Table: Slator • Source: ALC

Rates for Sign Language Interpreting

The survey found that rates for sign language interpreting ranged from USD 50 to USD 250 per hour, with a median of USD 100.

Rates for Onsite Sign Language Interpreting

Responses to the question: What was your company's average hourly rate for customers for onsite sign language interpreting services in 2022?

2022 Rates in USD per Hour	Median	Average	Minimum	Maximum	Responses
Sign Language Interpreting	$100	$117	$50	$250	27

Out of the 41 survey respondents that provide sign language interpreting, 27 answered this question. All responses from companies based in the US in USD.

Table: Slator • Source: ALC

Rates for Language Training

The survey found that median rates for language training services were higher for Spanish than for European and Asian languages.

Rates for Language Training Services

Responses to the question: What was your company's hourly rate for language testing services for [language] in 2022? Displayed in USD.

Rates for Language Training in USD per hour	Median	Average	Minimum	Maximum	# Responses
Spanish	$68	72	55	100	6
European Languages	$58	59	50	70	4
Asian Languages	$60	66	57	80	3

For Spanish, the 6 respondents included 4 companies in the US, 1 in Peru, and 1 in the UK. For European Languages, the 4 respondents included 3 companies in the US and 1 based in the UK. For Asian Languages, all 3 respondents were based in the US. Any non-USD responses were converted to USD. Additionally, one respondent (not displayed in results) commented that language training for their company delivered in LATAM, with rates ranging between USD $4-6 per hour.

Table: Slator • Source: ALC

Rates for Language Testing

The survey found that per-hour language testing rates are around two and a half times higher from companies based in the US compared to companies based in South America.

Rates for Language Testing

Responses to question: What was your company's day rate for onsite conference interpreting for [language] in 2022? Rates in USD.

Rate per Hour in USD	Median	Average	Min	Max	Responses
All Companies	$95	92	$25	$200	10
US-based Companies Only	$100	$119	$75	$200	7
South America Only	$29	$28	$25	$30	3

All respondents to this question were based in the US and provided rates in USD.

Table: Slator • Source: ALC

Technology

The survey explored the leading tools and platforms that language service companies use to enable, automate, and execute language service delivery.

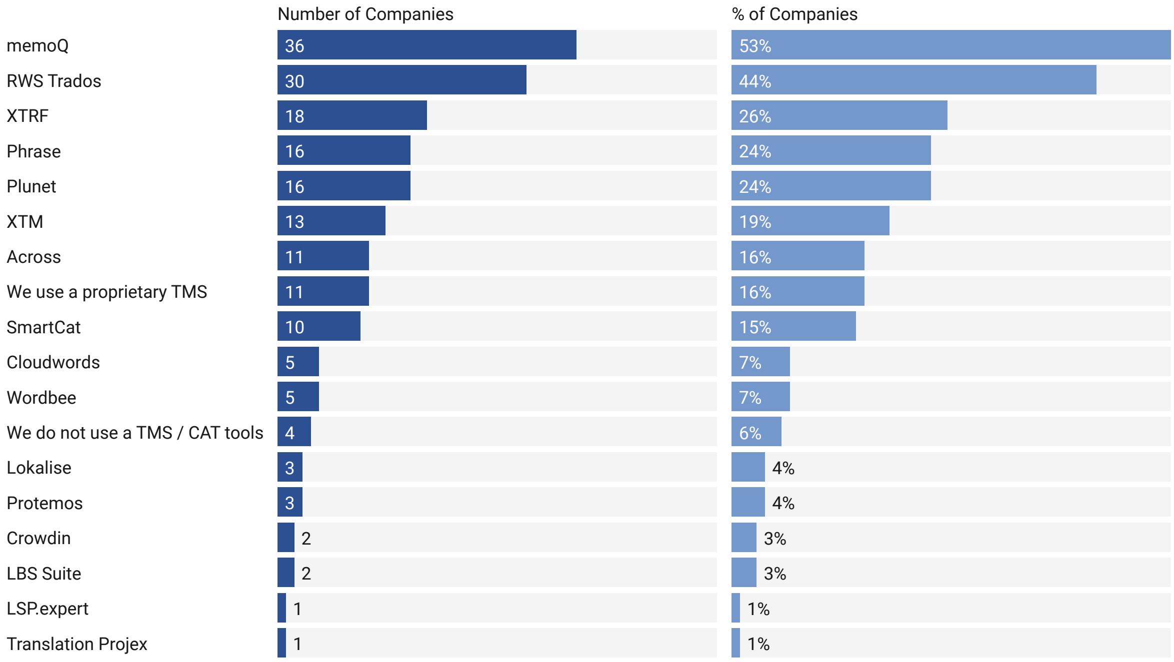
TMS and CAT Tools

MemoQ emerged as the leading TMS / CAT tool amongst the survey set, with more than 50% of language service companies using this platform. RWS Trados is also used by a significant proportion of companies — 43% of companies use this product.

Around one in six companies report using a proprietary TMS.

More than Half of Translation Providers Use memoQ

Responses to the question: Which translation management system (TMS) and CAT tools do you use?



68 respondents answered this question from the 76 companies that provide translation services. Respondents were able to select multiple options from a list of technology tools and platforms. The following tools were not selected by any respondents: Cloudwords, Consultec, Lingotek (Straker), ONTRAN, Tarjama, Text United, Transifex.

Chart: Slator • Source: ALC

RWS Trados is used by more than 40% of language service companies.

Interpreting Platforms

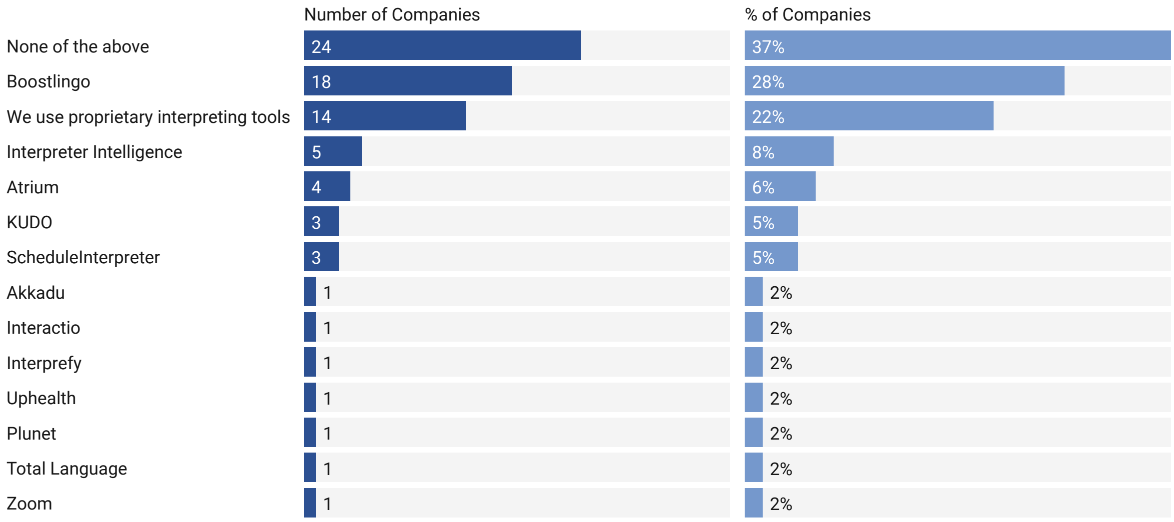
The survey found that Boostlingo is the most frequently used interpreting platform among the survey set; close to 30% of companies reported using this platform to schedule, manage, or deliver interpreting services.

One in five companies reported using proprietary interpreting tools.

No other interpreting platform was used by more than 10% of the survey sample.

Almost One Third of Interpreting Providers Use Boostlingo

Responses to the question: Which tools / software do you use to schedule, manage and deliver interpreting services?



63 respondents answered this question. Respondents were able to select multiple options from a list of technology tools and platforms. The following tools were not selected by any respondents: Ablioconference, Akorbi, Cymo, Fluency, Interprenet, Interpreter IO, Interpro, Jeenie, Olyusei, QuaQua,, SpeakUS, Stepes, Translit, VoiceBoxer, ZipDX.

Chart: Slator • Source: ALC

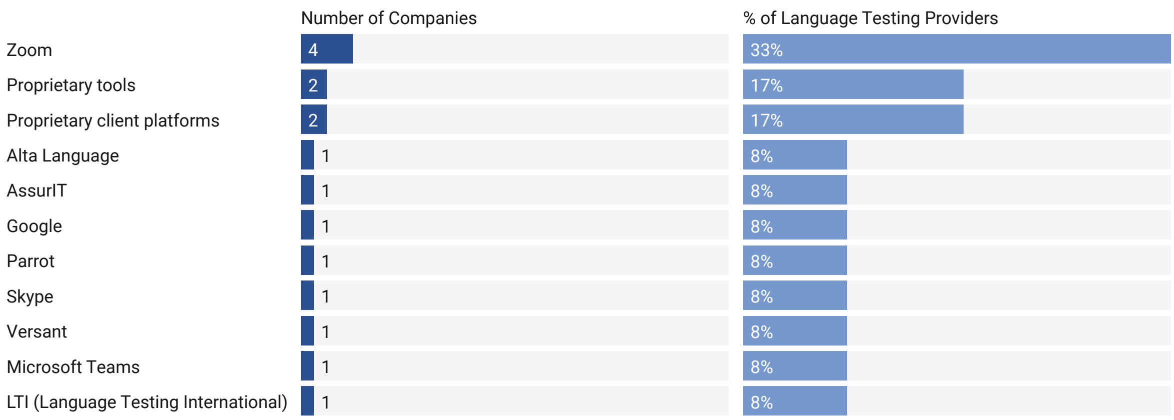
Language Testing Platforms

Around one in three language testing companies use Zoom to deliver testing services.

One in six companies use proprietary tools to deliver language testing services, and the same number use proprietary client platforms.

One in Three Language Testing Providers Uses Zoom

Responses to the question: What tools or platforms does your company use to deliver language testing?



17 survey respondents provide language testing; 12 of these respondents answered this question.

Chart: Slator • Source: ALC

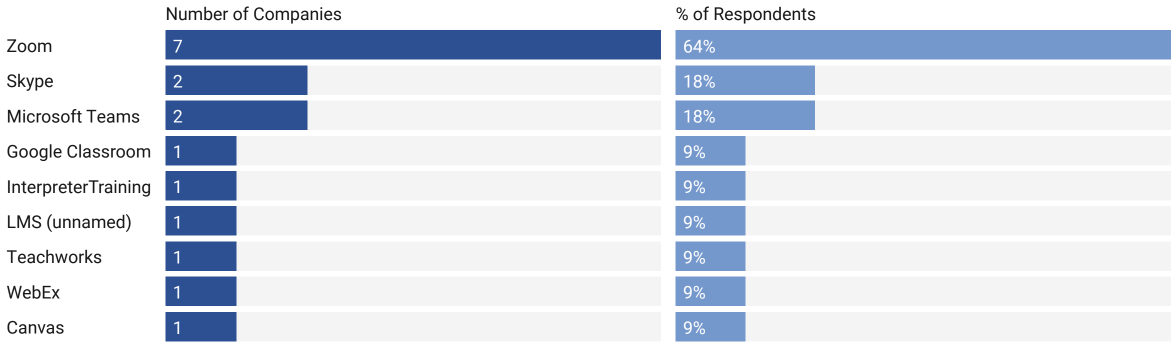
Language Training Platforms

Two out of three language training providers use Zoom to deliver online language classes.

Both Skype and Microsoft Teams are also used by a sizable proportion of language training providers: one in five providers uses each of these platforms.

Two-Thirds of Language Teaching Providers Use Zoom

Responses to the question: For online language classes, what platforms or tools do you use?



13 survey respondents provide language training; 11 of these respondents answered this question. 1 respondent specified "Zoom for Instructor Led Online Training"; this response is shown under "Zoom". 1 respondent specified that a learning management system (LMS) was used to deliver online classes; this is displayed as "LMS (unnamed)".

Chart: Slator • Source: ALC

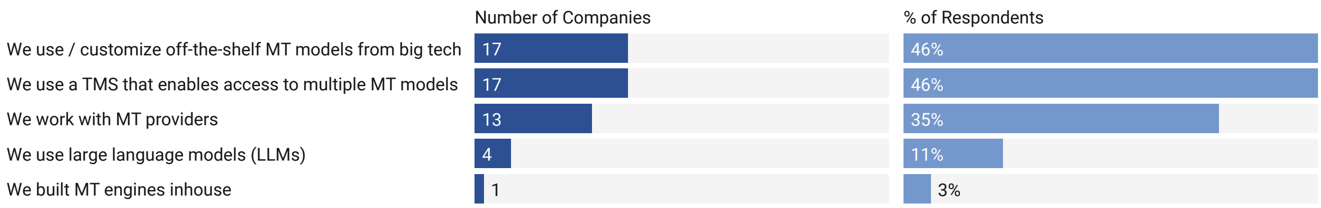
Machine Translation

As reported in Language Services, nearly 60% of language service companies use machine translation, and two in three companies offer post-edited machine translation (PEMT) as a service.

The survey probed the means by which language service companies access machine translation engines.

How do Translation Providers Access Machine Translation Engines?

Responses to the question: How do you access machine translation (MT) engines?



37 respondents answered this question out of the 44 that utilize machine translation in their business. Respondents were able to select multiple options from a list.

Chart: Slator • Source: ALC

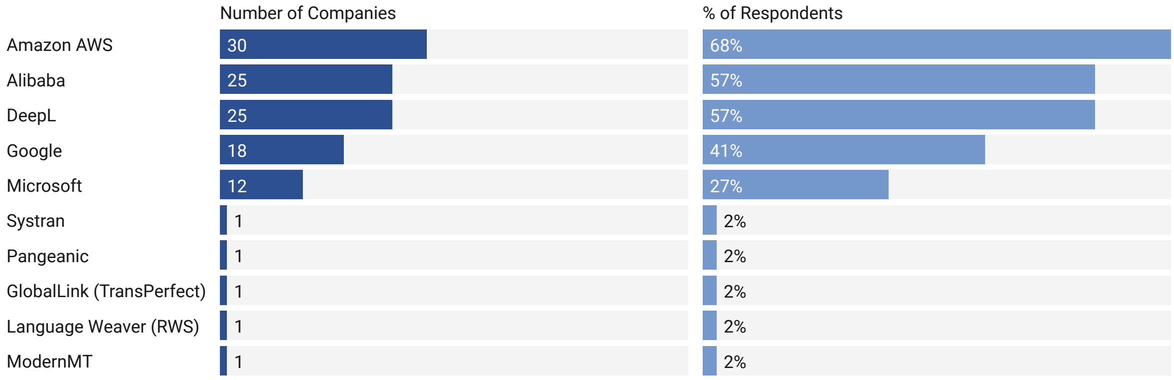
The results show that of the companies that use machine translation:

- Close to half of companies customize off-the-shelf MT models from big tech.
- The same number (nearly half) of companies use a TMS that enables access to multiple MT models.
- Just 3% of companies build machine translation engines inhouse.

The survey also looked more closely at the specific big tech companies and MT providers that companies use most often.

Amazon AWS is the Leading Provider of Machine Translation Engines

Responses to the question: Which Machine Translation (MT) Providers do you use?



44 surveyed companies use machine translation; all 44 answered this question. Respondents were able to select multiple options from a list. The following options were not selected by any respondents: Apptek, Baidu, CrossLang, IBM, Kantan, LanguageWire Translate, LingvaNex, Mirai, Omniscien Technologies, PROMT, Rozetta, Tencent, Textshuttle, Tilde MT, Yandex.

Chart: Slator • Source: ALC

The survey found that:

- Amazon AWS is used by 68% of language service companies that use machine translation.
- Alibaba and DeepL are each used by more than 50% of the language service companies that apply machine translation.
- Google is used by more than 40% of respondents as an MT provider.

Large Language Models (LLMs) also offer notable machine translation capabilities, which come with both benefits and drawbacks. Compared to small, fine-tuned MT engines, LLMs:

- Are more expensive to build and deploy and have higher latency.
- Generally produce output that is less accurate but more fluent.
- Use a broader context window, resulting in more domain-suitable translations.
- Can be dynamically adapted on-the-go via prompting, making it easier to customize output to specific tasks.

Just over 10% of the language service companies that use machine translation — i.e., four respondents — reported using LLMs for MT purposes.

Two Companies Use LLMs from OpenAI for Machine Translation

Responses to the question: Which LLM providers do you use for machine translation purposes?

4 respondents use large language models for MT purposes; 3 answered this question. Respondents were able to select up to three responses from a list of options. Options that were not selected by any respondent: A121, Anthropic, BigScience, Cohere, Eluether AI, LAION, Microsoft, MosaicML.

Chart: Slator • Source: ALC

Of these:

- Two language service companies reported using OpenAI (best known for GPT-4 and ChatGPT) for MT purposes.
- One language service company reported using Google LLMs for MT purposes.

See AI and Large Language Models for more analysis of the impact of LLMs on the language service industry.

Integrations and Connectors

A key consideration for buyers of language services is: does the way language services are delivered fit into the way we work?

Integrations and API connectors — which link TMS and interpreting platforms with client platforms — serve to integrate and automate the delivery of language services to customers.

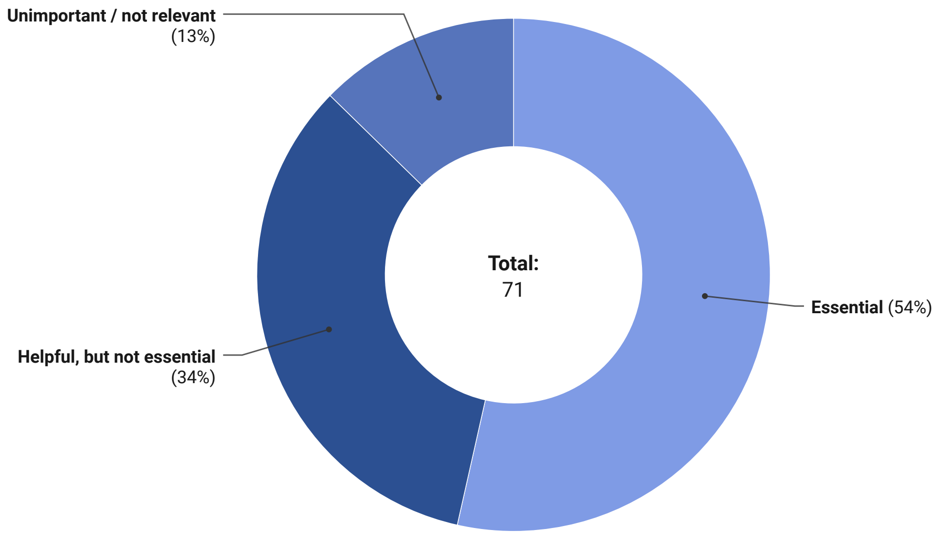
With respect to translation services, a TMS may be integrated with client CMS (content management system) and cloud-based file repositories, among other types of platforms. For interpreting services, remote interpreting tools may be integrated with client telehealth delivery platforms and online meeting platforms.

The cost of building and implementing integrations can be significant. However, integrations can have strategic importance as they serve to embed a language service company's solution directly within a client's technology ecosystem.

The survey probed to what extent integrations and connectors are currently seen as a differentiator in the language service competitive landscape.

More than 50% of Translation Providers See Integrations as Essential to Remaining Competitive

Responses to the question: Thinking about staying competitive and meeting your clients' needs, how important is it for your company to develop integrations / API connectors that work with your client's platforms?



Question was asked of companies that provide translation in the context of automating translation workflows via connectors / integrations. 71 respondents answered this question.

Chart: Slator • Source: ALC

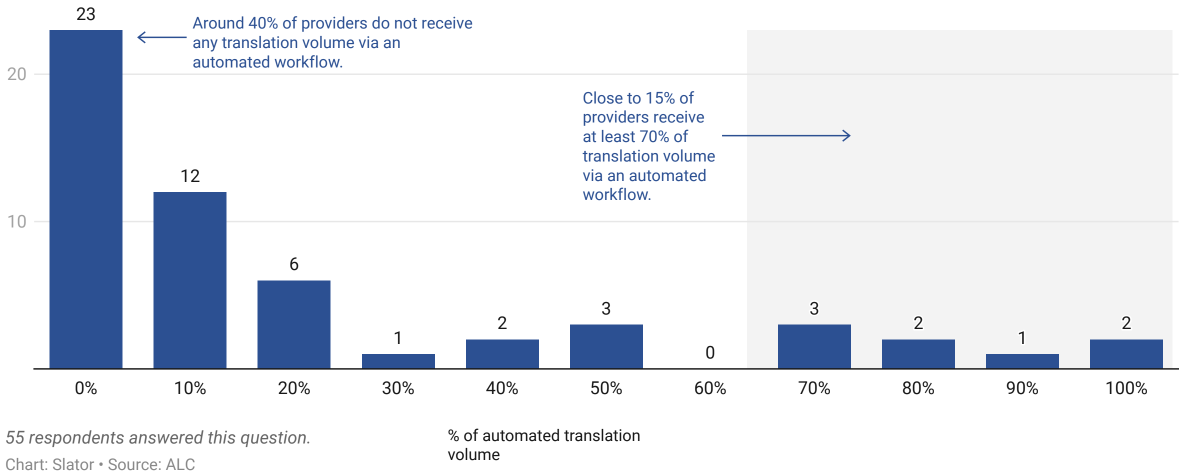
The survey found:

- More than half of translation providers see integrations as essential to remaining competitive and meeting client needs.
- One in three translation providers see integrations as helpful, but not essential, to remaining competitive.
- Around 10% of translation providers do not see integrations as relevant to remaining competitive.

The survey also explored the extent to which automated translation workflows, enabled by integrations / connectors, have been adopted.

Adoption of Automated Translation Workflows

Responses to the question: What proportion of your translation volume do you receive in an automated workflow via integrations / connectors? Displayed as number of companies for each specified % of volume.



55 respondents answered this question.

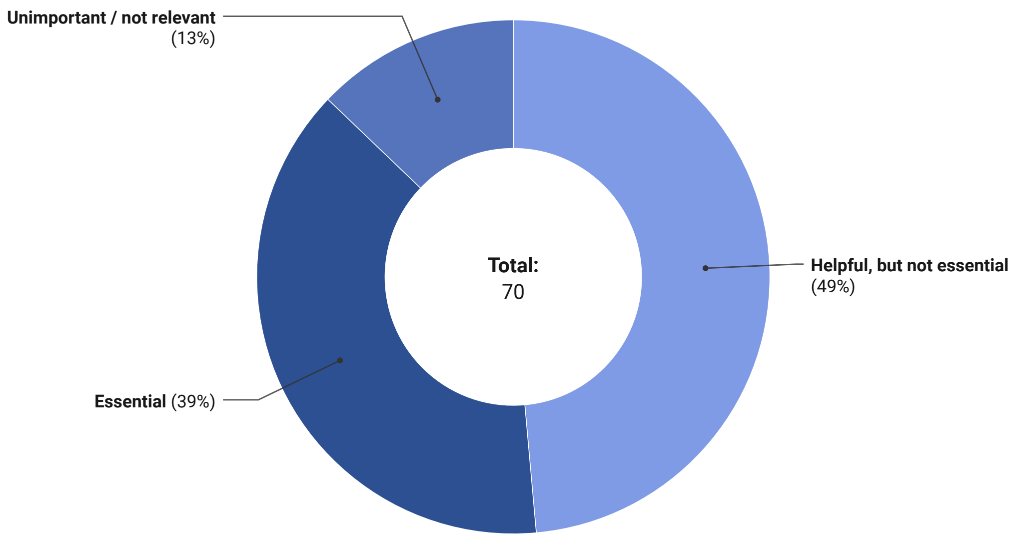
Chart: Slator • Source: ALC

The results showed:

- Around 60% of companies receive some translation volume via automated workflows; in other words, 40% of companies do not receive any translation volume via an automated process.
- Nearly 15% of companies receive at least 70% of translation volume via an automated workflow.

Half of Interpreting Providers See Integrations as Helpful but Not Essential To Staying Competitive

Responses to the question: Thinking about staying competitive, how important is it for your company to develop integrations that connect your interpreting technology to customer tools?



Question was asked of companies that provide interpreting. 70 respondents answered this question. Respondents were provided with the following examples of customer platforms: telehealth and videoconferencing platforms.

Chart: Slator • Source: ALC

With respect to connecting interpreting platforms with client platforms, the survey found:

- Nearly 50% of interpreting providers see integrations as helpful, but not essential, to remaining competitive.
- Just under 40% of interpreting providers see integrations as essential to remaining competitive.
- Slightly more than one in ten interpreting providers see integrations as irrelevant to remaining competitive.

Buy vs. Build

With respect to technology strategy, the survey found that the majority of companies buy, rather than build, the technology they need to deliver language services.

- Close to 60% of companies reported buying the technology they need.
- 35% of companies reported a mixed "buy and build" approach.
- A small proportion of companies — 7% — reported building the majority of the technology they use.

More than Half of Companies Do Not Build Any Technology In-house

Responses to the question: How would you describe your technology strategy?

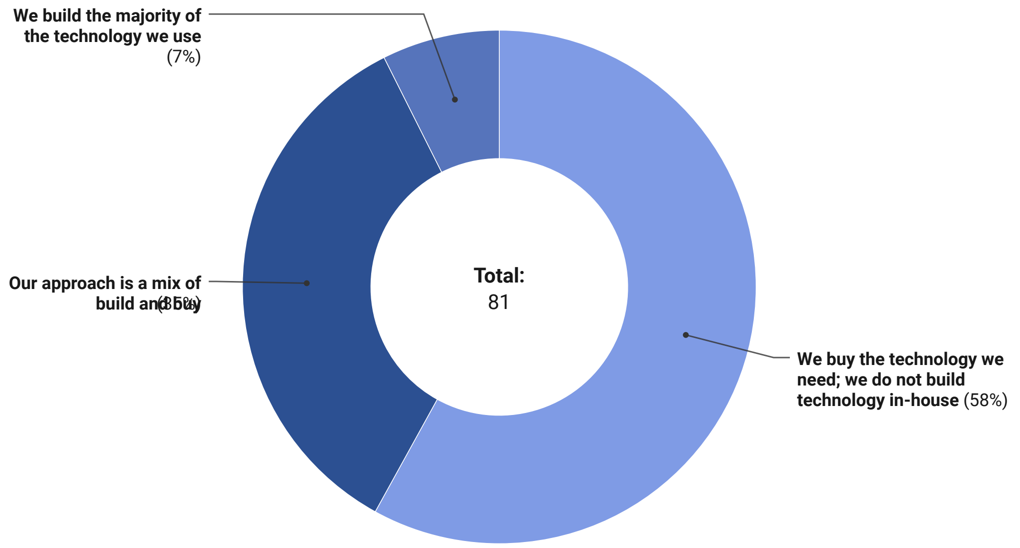
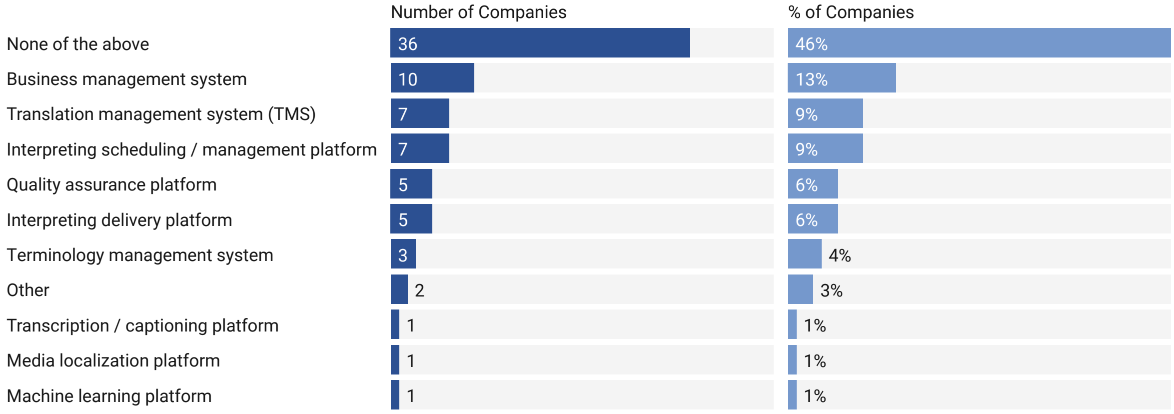


Chart: Slator • Source: ALC

The most frequently-developed proprietary tools are business management systems, TMS, and interpreting platforms.

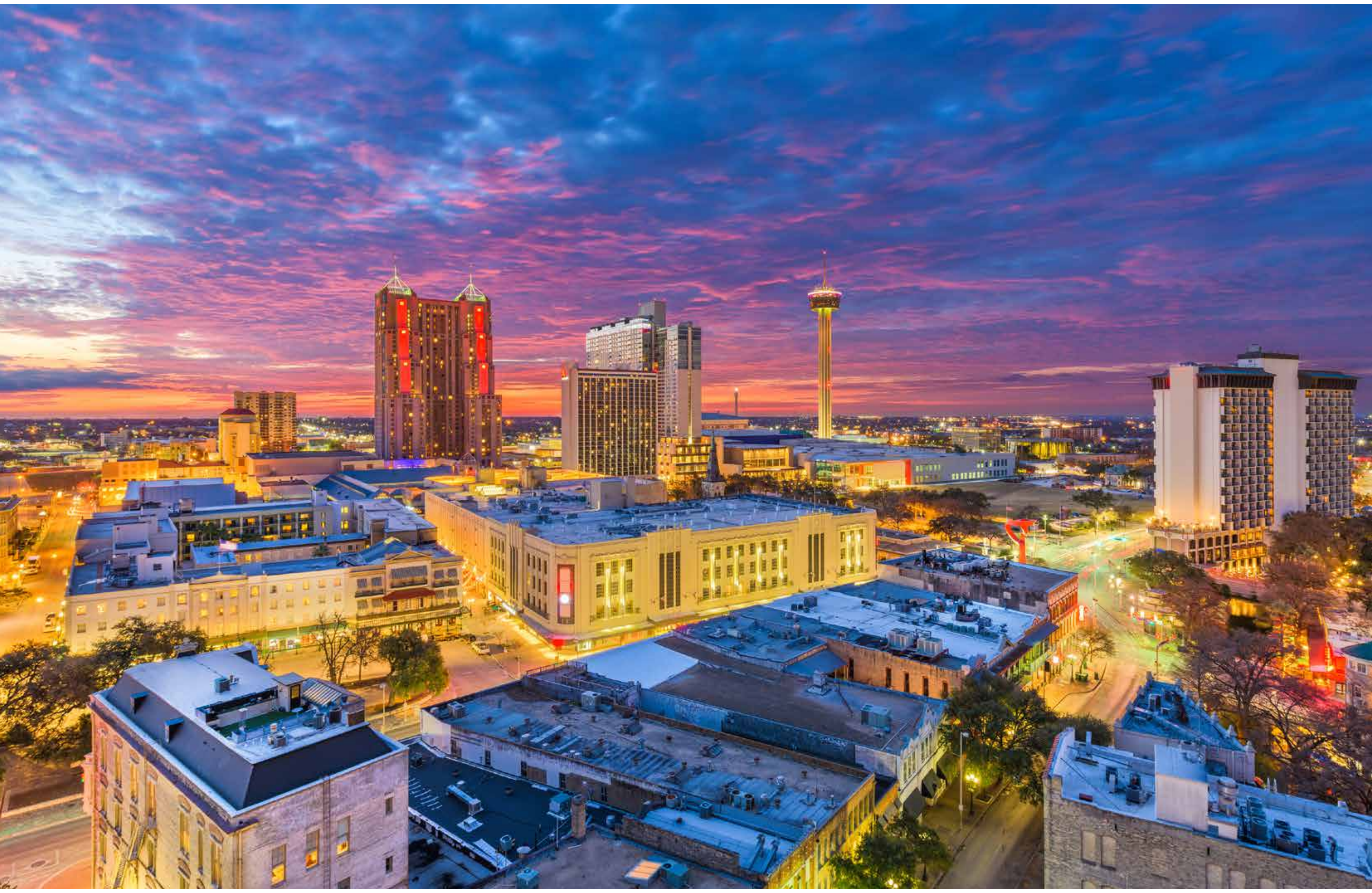
Business Management Platforms, TMS, and Interpreting Platforms are the Most Frequently Developed Proprietary Tools

Responses to the question: Which of the following types of proprietary language tools do you develop in-house at your company?



78 respondents answered this question. Respondents that answered "Other" said the language tools they develop in-house include (1) Invoicing and (2) Workflow automations

Chart: Slator • Source: ALC

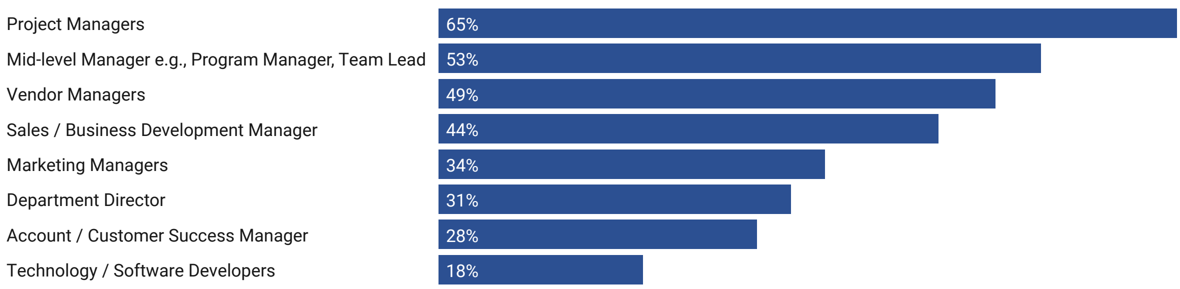


Supply Chain and Personnel

The survey probed the types of roles (W-2 or equivalent) for which language service companies employ staff. The chart below shows the percentage of companies that reported having employees in each role.

Employees by Role

Responses to the question: Do you have employees (W-2 or equivalent) in these roles? Displayed as percentage of total survey set that answered "Yes".



Between 68 and 85 respondents answered each of these questions.

Chart: Slator • Source: ALC

The survey found:

- Project managers are the most frequently employed role, employed by the majority — 65% — of respondents.[1]
- Close to half of companies reported employing vendor managers.
- More than 40% of companies reported employing sales representatives or business development managers.[1]
- Fewer than one in five companies reported employing technology / software developers.

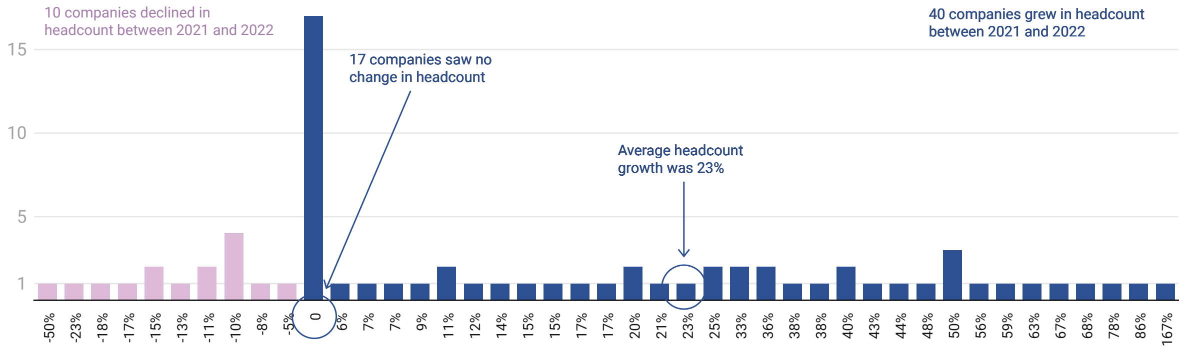
[1] Note: The questions on project managers and sales representatives had only moderate engagement from high revenue companies. Therefore, the actual proportion of companies that employ staff in these roles is likely higher than represented in the results.

Companies in the survey set reported headcounts of between 1 and 800 as at the end of 2022; the average headcount across the sample was 47.

The below chart displays year-on-year headcount growth between 2021 and 2022.

Year-on-Year Change in Employee Count

Calculation from the responses to the questions: What was your company's employee headcount (W-2 or equivalent) at the end of 2021 and 2022? Results displayed as year-on-year change as percentage.



72 companies answered both questions, allowing a calculation of headcount growth (not retention rate) between 2021 and 2022.

Chart: Slator • Source: ALC

The results show:

- 40 companies — i.e., 47% of the total survey set — grew in headcount between the end of 2021 and the end of 2022.
- The average headcount growth between 2021 and 2022 was 23%.
- 17 companies — i.e., 20% of the total survey set — saw no change in headcount between 2021 and 2022.
- 10 companies — i.e., 11% of the total survey set — declined in headcount between 2021 and 2022.

47% of companies grew in headcount between 2021 and 2022.

Workforce Demand and Supply

Looking ahead to the next 12 months, the chart below shows the roles for which companies expect their recruitment needs to increase or decrease.

Workforce Demand: What Roles do Companies Need to Fill in the Next 12 Months?

Responses to the question: Do you expect that your need for employees in each of these roles will increase or decrease in the next 12 months?

Role	Increase ▼	Decrease	No Change / Not Applicable	Responses
Translators (Independent Contractors)	72%	7%	21%	75
Interpreters (Independent Contractors)	68%	9%	23%	69
Sales / Business Development Manager	65%	0%	35%	71
Project Manager	55%	4%	41%	73
Account / Customer Success Manager	51%	0%	49%	63
Mid-level Manager e.g., Program Manager, Team Lead	35%	3%	62%	66
Sign Language Interpreters (Independent Contractors)	33%	6%	61%	18
Vendor Manager	32%	2%	66%	65
Language Teachers (Employee: W-2 or equivalent)	30%	20%	50%	10
Marketing Manager	28%	0%	72%	68
Localization / Software Engineers	27%	2%	72%	64
Translators (Employees: W-2 or equivalent)	27%	8%	66%	64
Language Teachers (Independent Contactors)	25%	8%	67%	12
Interpreters (Employee: W-2 or equivalent)	19%	3%	78%	59
Department Director	18%	0%	82%	62
Sign Language Interpreters (Employees: W-2 or equivalent)	18%	3%	79%	33

Response options: 1) Increase 2) Decrease 3) No Change / Not Applicable

Table: Slator • Source: ALC

The survey found:

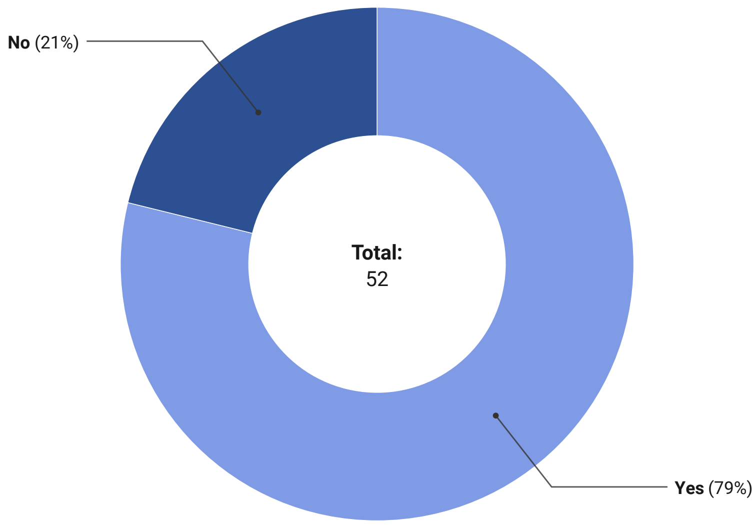
- Nearly 75% companies expect their need for independent contractor translators to increase in the next 12 months.
- More than two-thirds of companies expect that their need for independent contractor interpreters will increase in the next 12 month period.
- Close to two-thirds of companies expect their need for sales representatives to increase in the next 12 months.
- One in five language teaching companies expects that their need for language teachers will decrease in the next 12 months.

More than two-thirds of companies say they need to recruit more independent contractor translators and interpreters in the next 12 months.

Turning to the labor market, nearly 80% of companies reported facing a current talent shortage for one or more roles or skill sets.

Nearly 80% of Companies Are Facing a Talent Shortage

Responses to the question: Is there currently a shortage of talent for any particular role or skill set required by your company?



52 respondents answered this question.

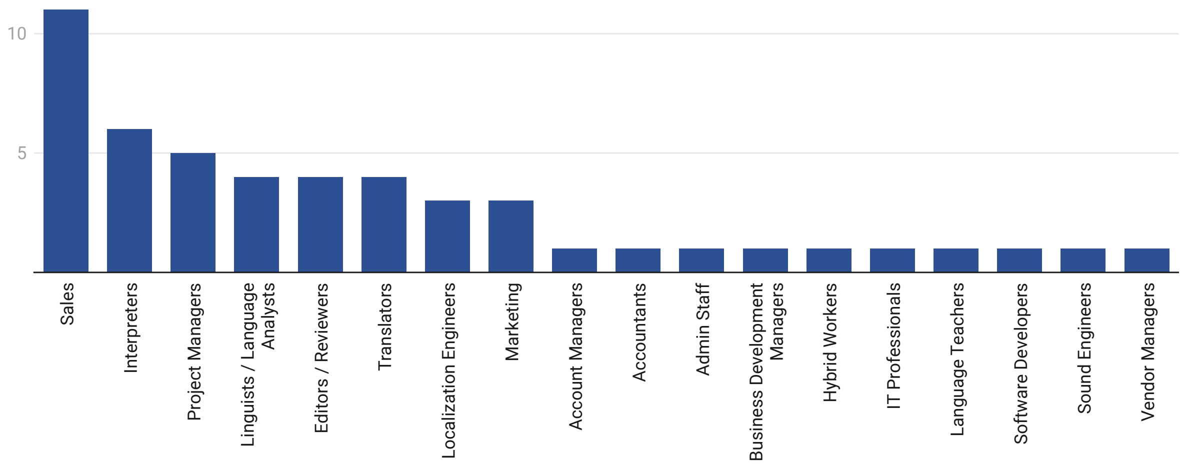
Chart: Slator • Source: ALC

The survey found:

- Talent shortage is most pronounced for sales roles; close to one in three respondents reported a shortage of supply for sales representatives.
- Six companies reported a talent shortage for interpreters.
- Five companies reported that they were experiencing a talent shortage for project managers.
- Linguists / Language Analysts, Editors / Reviewers, and Translators were each mentioned by three companies as being in short supply.

Talent Shortage is Most Pronounced for Sales Roles

Responses to the question: Please specify for which role or skill set you identify a current talent shortage. Displayed as number of companies that nominated each category.

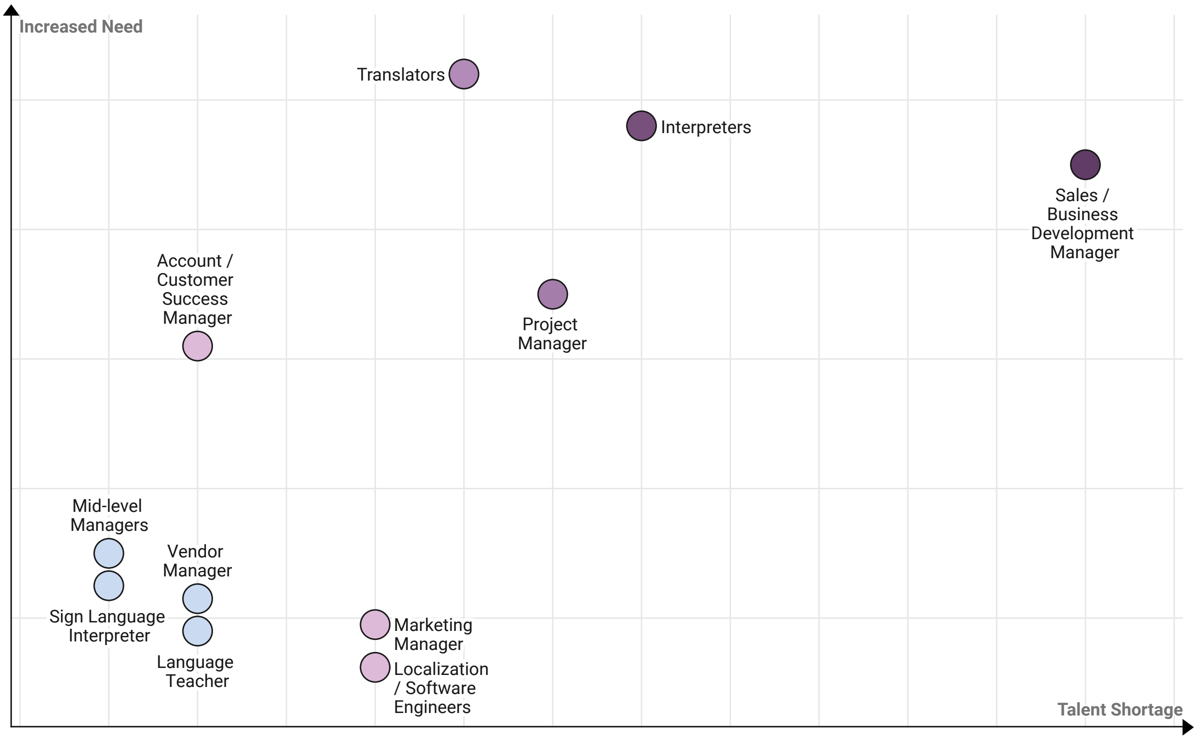


The 41 companies that responded "Yes" to the previous question were invited to specify the role or skill set for which there is a shortage. Some responses

Chart: Slator • Source: ALC

Workforce Supply-Demand Dynamic

Calculated from responses to the questions: Do you expect your company's need for these roles will increase or decrease in the next 12 months; For which roles or skill sets do you identify a talent shortage. Results displayed for 11 roles reported as being in the most demand.



41 respondents answered this question. Position on Increased Need axis is based on % of companies that indicated that their need for the specified role will increase in the next 12 months; position on Talent Shortage axis is based on the number of companies indicating that a talent shortage exists for the specified role. See previous charts in this section for exact numerical values. Note: "Translator" and "Interpreter" refer to independent contractors. "Language Teacher" refers to W-2 roles. Linguist roles"Editor" and "Language Analyst" are grouped under "Translators".

Chart: Slator • Source: ALC

The chart above displays results for workforce demand for each role, alongside the extent to which companies perceive a talent shortage for the role.

The results show:

- **A substantial gap exists in the market with respect to filling sales representative roles at companies; sales representatives are in high demand and limited supply.**

  This dynamic is a persistent characteristic of the market. Expanding a sales team can potentially be a powerful revenue generator. However, as base salaries for sales roles are relatively high, the cost of failure to bring in new business can be high. The challenge for language service companies is therefore to find the right salespeople who can deliver tangible results within a reasonable timeframe.

- **The demand for interpreters is also significantly higher than the available supply**.

  This year's survey findings on the impact of economic conditions found that more than 40% companies are seeking to recruit independent contractors with lower rates to offset the impact of increased operational costs. This factor contributes to the challenge of recruiting the required talent.

Some respondents also identified talent shortages in specific skill sets; namely, interpreters in "specific languages," medical interpreters, and onsite interpreters.

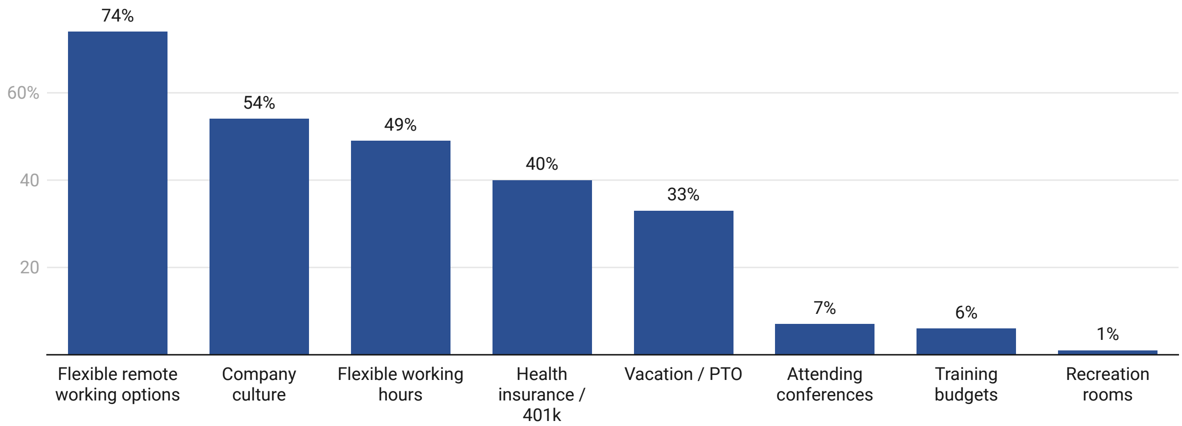
- **Translators are in high demand but the market is more able to meet current supply requirements, compared to interpreters.**

  As mentioned above, many companies are looking for independent contractors with lower rates to moderate the impact of rising operational costs. Respondents also named specific areas of talent shortage, including medical translators for Asian languages, and security-cleared Russian and Chinese translators.

With respect to attracting the required talent, 74% of respondents cited flexible remote working options as a top benefit for employees at their company. The next most cited benefits were company culture and flexible working hours.

Flexible Remote Working Options Tops the List of Employee Benefits

Responses to the question: What do you consider the main benefits for employees in your company?



84 respondents answered this question. Respondents were able to select between one and three options.

Chart: Slator • Source: ALC

> **"It's been an adventure to work in this industry, a good adventure. The technology is improving our work but commoditization is making our industry less attractive to good professionals."**
>
> — 2023 ALC Survey Participant

Salaries

The below tables present the salaries and bonus amounts for full-time roles at language service companies, based on answers from survey respondents.

Salaries for Language Service Company Roles

Responses to the question: What was the average annual salary for the following full-time roles at your head office (in US dollars) in 2022? Results displayed in US dollars for US-based companies.

Role	Median	Minimum	Maximum	# Responses
Project Manager	$40,000 - $50,000	$30,000 or less	$90,000	33
Vendor Manager	$50,000 - $60,000	$30,000 or less	$90,000	31
Mid-Level Manager	$60,000 - $70,000	$30,000 or less	More than $120,000	29
Marketing Manager	$60,000 - $70,000	$30,000 or less	$140,000	20
Account Manager / Customer Success Manager	$65,000 - $75,000	$30,000 or less	$110,000	16
Department Director	$80,000 - $90,000	$30,000	$140,000	24
Sales Manager / Business Development Manager	$85,000	$35,000	$200,000	35
Localization / Software Engineer	$95,000 - $110,000	$30,000 - $40,000	$140,000	10
Executive*	$105,000	$30,000	$225,000	31

*Respondents were able to select a range amount from a list of options or enter an exact figure. *Note: Figures for Executive include fixed salary plus any bonus. Other roles in the table relate to fixed salary only.*

Table: Slator • Source: ALC

Salaries remained relatively steady for most roles compared to results reported the prior year. The exception is Sales Manager / Business Development Manager roles, for which salaries increased by around 21%, and Executive roles, for which salaries were 8% lower than the prior year.

Bonuses for Language Service Company Roles

Responses to the question: Did your company provide bonuses to the following roles in 2022? If so, please indicate the value of the bonus as a percentage of fixed salary for each role. Results shown in US dollars for US-based companies only.

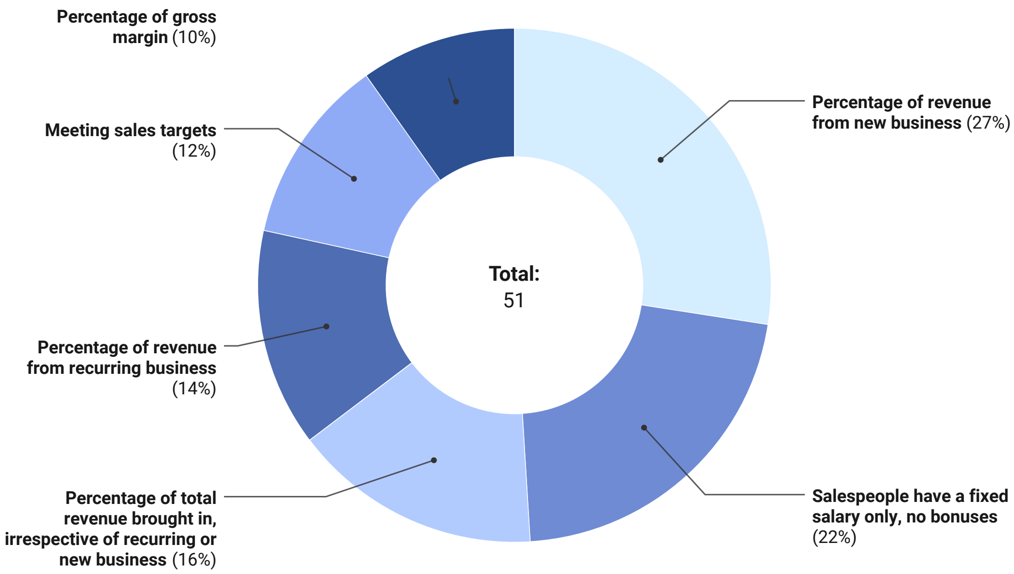
Role	% of Companies that Gave a Bonus to this Role in 2022	Average Bonus	Minimum Bonus	Maximum Bonus	# Responses
Mid-level Manager	73%	8%	5%	25%	40
Project Manager	72%	7%	5%	20%	46
Marketing Manager	56%	8%	5%	25%	36
Vendor Manager	56%	7%	5%	10%	41
Department Director	52%	10%	5%	15%	50
Account / Customer Success Manager	51%	8%	5%	10%	37
Localization / Software Engineer	43%	10%	5%	25%	28

Number of respondents provided in table.

Table: Slator • Source: ALC

Sales Incentive Schemes are Most Often Based on New Business

Responses to the question: How do you structure your sales representatives' compensation scheme?



54 respondents answered this question.

Chart: Slator • Source: ALC

- Nearly one-third of sales compensation schemes are based on a percentage of revenue from new business.
- Around one in five companies pay sales representatives a fixed salary, without any bonuses.

Salaries for Translator Roles (W-2 or Equivalent)

Responses to the question: What was the average annual salary for a translator (employee: W-2 or equivalent) in your company in 2022? Results displayed in US dollars.

Role	Median	Minimum	Maximum	# of Responses
Translator (W-2 or equivalent)	$45,000	Less than $30,000	$70,000	11

Results displayed in USD for US-based companies only. Respondents were able to select a response from a range or enter an exact figure.
Table: Slator • Source: ALC

The survey found that the median salary for W-2 translators in US-based companies was USD 45,000.

The sample set for non-US companies was small. Nevertheless, the responses can be seen as broadly illustrative of the differences in translator salaries between regions.

Salaries for Translator Roles (W-2 or Equivalent) by Region

Calculated from the question: What was the average annual salary for a translator (permanent) in your company in 2022? Answers displayed as percentage of respondents.

Region	Less than $30,000	$30,000 - $40,000	$40,000 - $50,000	$50,000 - $60,000	$60,000 - $70,000
Asia-Pacific	100%	0%	0%	0%	0%
Europe	0%	75%	25%	0%	0%
US	0%	33%	11%	33%	22%
South America	75%	25%	0%	0%	0%

22 respondents answered this question; 11 from North America, 5 from Europe, 4 from South America, 2 from Asia-Pacific. Answers in non-USD have been converted to USD.
Table: Slator • Source: ALC

The results showed:

- Annual salaries for translators in Asia-Pacific and South America are primarily concentrated in the under USD 30,000 bracket.
- Salaries for W-2 translators in the US are distributed across a wider range and are generally higher than in other regions, with a maximum cited salary of USD 70,000.

The chart below shows the average hourly rate for language teachers in 2022, comparing the results for all companies based in all geographic locations. Additionally, the chart breaks out the data by US and non-US based companies.

Hourly Rates for Language Teachers

Responses to the question: What was the average hourly rate in USD paid to a language teacher in your company based in your headquarter country in 2022? Results displayed in USD.

Language Teachers - Rate per Hour in USD	Median	Average	Minimum	Maximum	# Responses
All Companies	$40	$44	$15	$80	6
US Companies	$40	$50	$38	$80	4
Non-US Companies	$33	$33	$15	$51	2

Of the 13 survey respondents that provide language training services, 6 answered this question. 4 respondents are from US-headquartered companies, 1 from Peru, and 1 from the UK. Non-USD rates have been converted to USD. Furthermore, one language training provider (not shown in results) indicated that all the company's language teachers are based in Latin America (LATAM) rather than in the company's headquarter country.

Table: Slator • Source: ALC

The results, though based on a small sample set, show that:

- The median hourly rate for language teachers was USD 40.
- Hourly rates for language teachers in US-based were around 20% higher than for companies outside the US.

Hourly Rates for Language Testing Supervisors

Responses to the question: What was the average hourly rate in USD paid to a language testing supervisor in your company based in your headquarter country in 2022? Displayed in USD.

Language Testing Supervisors - Rate per Hour in USD	Median	Average	Minimum	Maximum	Responses
All Companies	$30	$37	$9	$90	8
US Companies	$33	$46	$9	$90	6
South America Companies	$13	$13	$10	$15	2

8 respondents answered this question: 6 from US-headquartered companies, 1 from Peru and 1 from Argentina. Non-USD rates have been converted to USD.

Table: Slator • Source: ALC

The survey also found:

- The median hourly rate for language testing supervisors was USD 33 for US-based companies.
- The median hourly rate for language testing supervisors in South America based companies was USD 13 — less than half the rate for US-based companies.

Hourly Rates for Sign Language Interpreters

Responses to the question: What was your company's hourly rate paid to sign language interpreters in 2022?

Rates in USD per hour	Median	Average	Minimum	Maximum	Responses
Sign Language Interpreters	$62	$72	$30	$150	27

Of the 41 survey respondents that provide sign language interpreting, 27 answered this question. All responses from US-based companies in USD.

Table: Slator • Source: ALC

With respect to sign language interpreting, the results found:

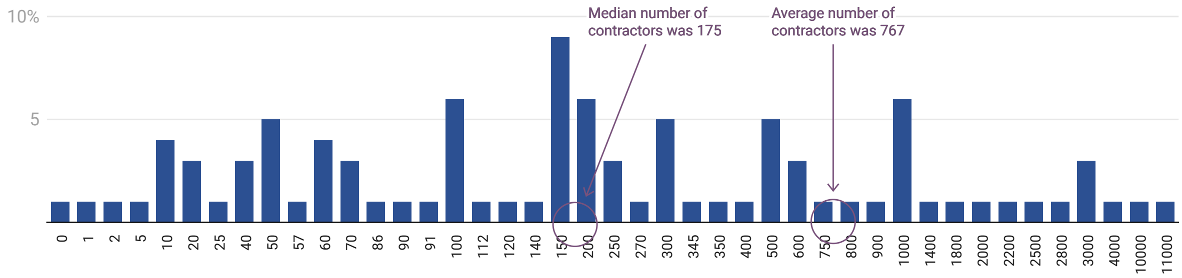
- The median hourly rate paid to sign language interpreters by US-based companies was USD 62.

Managing Independent Contractors

The survey explored the challenges associated with managing independent contractors (ICs) with respect to recruitment, onboarding, payment, and ongoing support.

Number of Independent Contractors

Responses to the question: How many independent contractors is your company currently working with? Displayed as percentage of companies per contractor pool size.



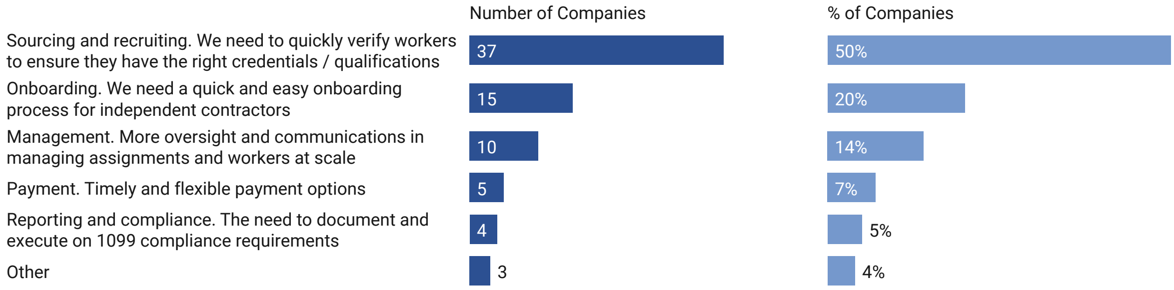
80 respondents answered this question.

Chart: Slator • Source: ALC

The survey found that the median number of independent contractors that companies work with is 175, while the average number is 767.

Independent Contractor Management: Where Do Companies Need Support?

Responses to the question: Generally speaking, what is the area where your business needs the most support when it comes to managing your independent contractors?



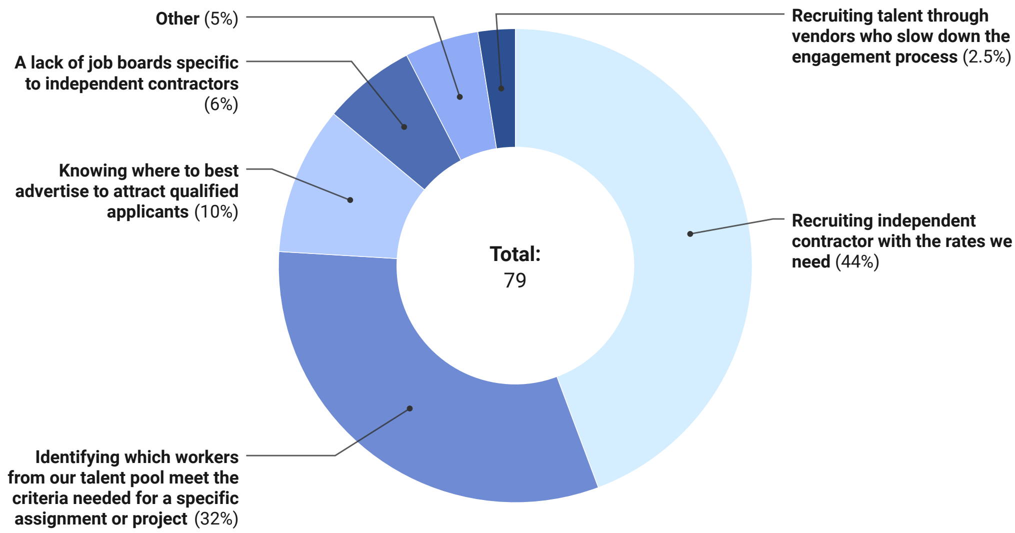
74 respondents answered this question. Respondents that answered "Other" said they need support for (1) Training and quality management, (2) Marketing and Sales, (3) Finding qualified talent.

Chart: Slator • Source: ALC

Half of companies said that their biggest challenge when managing independent contractors is **sourcing and recruiting** contractors, while one in five said that the biggest challenge is the **onboarding** process.

What are the Biggest Challenges When Recruiting Independent Contractors?

Responses to the question: what is your biggest challenge when recruiting and sourcing independent contractors?



Respondents that answered "Other" said their biggest challenges were (1) finding qualified - based on our state law's definition - interpreters, (2) Finding those with required subject domain knowledge or experience, (3) German legislation which reduces the amount of time I can work with independent contractors, (4) The best translators are in high demand

Chart: Slator • Source: ALC

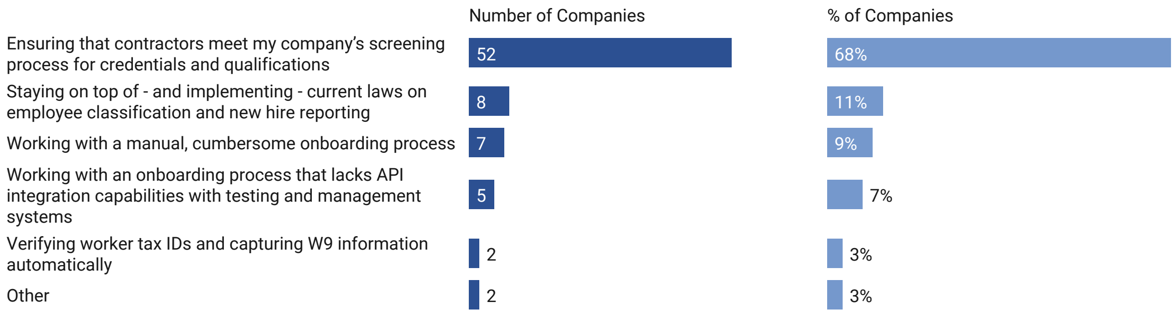
Looking further into the challenges presented by contractor recruitment, the survey found that:

- 44% of companies reported that the biggest challenge is recruiting contractors with the required rates.
- One third of companies said their biggest sourcing challenge was identifying workers that meet the criteria for specific assignments or projects.

Finding independent contractors with the required rates is the biggest recruitment challenge for more than 40% of companies.

Onboarding Independent Contractors: What are the Main Challenges?

Responses to the question: What is your biggest challenge onboarding independent contractors?



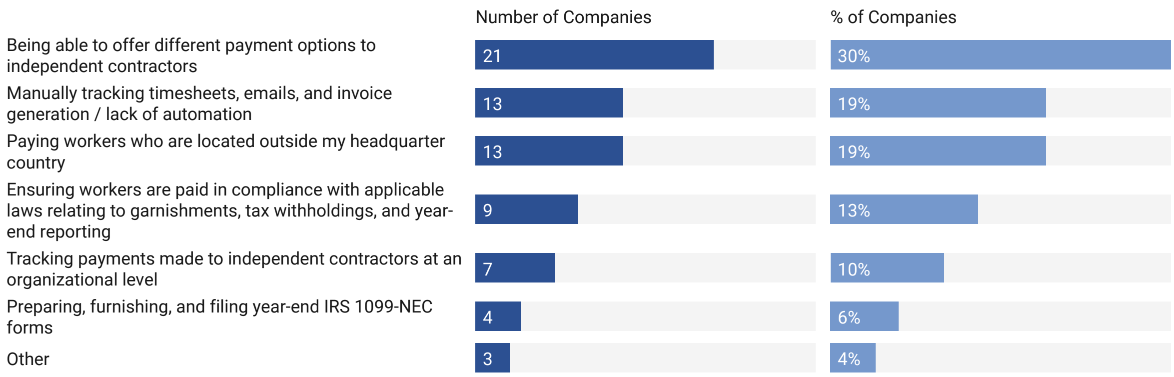
76 respondents answered this question. Respondents that answered "Other"said their biggest challenges were: (1) enforcing them to buy worker's comp and, (2) finding them

Chart: Slator • Source: ALC

With respect to onboarding, two-thirds of companies reported that the biggest challenge is **ensuring that contractors meet the company's screening process** for credentials and qualifications.

Paying Independent Contractors: What Are the Top Challenges for Companies?

Responses to the question: What is your biggest challenge with respect to paying independent contractors?



70 respondents answered this question. Respondents that answered "Other" said their biggest challenges were: (1) affording them, (2) Getting ICs to submit correct invoices, (3) Getting them to understand the world is changing

Chart: Slator • Source: ALC

On the payment of independent contractors:

- One-third of companies reported that the biggest challenge was being able to offer different **payment options** to independent contractors.

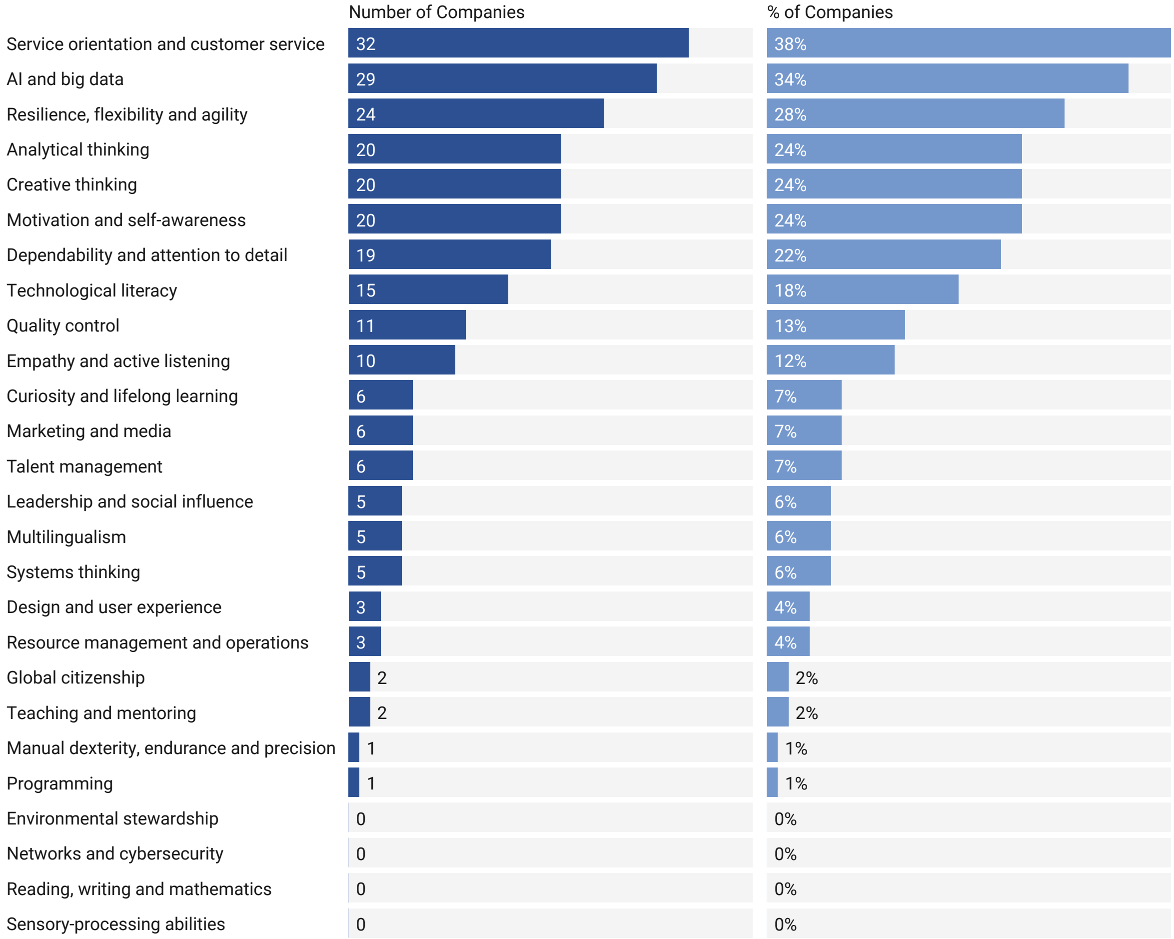
- One in five companies reported that **manual timesheets** are the biggest challenge, while a further one in five said that the biggest challenge is **paying workers located outside the company's headquarter country.**

The Future of Jobs

The survey asked respondents to identify the most important skills for employees at their company in the next three years, using WEF skills categories.

Most Important Skills for Employees

Responses to the question: Which skills do you think will be most important for employees at your company in the next 3 years?



85 respondents answered this question. Respondents were able to select between one and three skills.

Chart: Slator • Source: ALC

The survey found that:

- **Service orientation and customer service** is seen as the most important skill for employees in the next three years; 40% of respondents selected this skill.
- **AI and big data** is the second-most important employee skill; one in three respondents selected this option.
- **Resilience, flexibility, and agility** are the third-ranked employee skill, with 28% of respondents selecting this option.

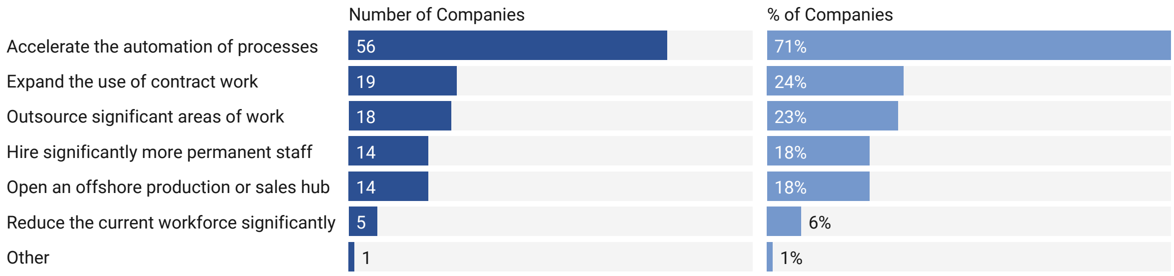
Despite the importance placed on successful adaptation and transformation in a context of technological and workplace change, these results suggest that service excellence and strong customer relationships remain at the core of the language service industry.

Service orientation and customer service is the most important skill for employees in the next three years.

Looking ahead, the survey asked respondents to indicate the workforce strategies they are planning to adopt between now and 2025.

70% of Companies Plan to Accelerate Process Automation

Responses to the question: Which workforce strategies are you planning to adopt between now and 2025?



79 respondents answered this question. Respondents were able to select all options that applied.

Chart: Slator • Source: ALC

The results showed:

- More than 70% of companies plan to accelerate the automation of processes.
- Almost a quarter of companies plan to expand the use of contract work.
- Just under one in five companies plan to hire significantly more permanent staff.
- Close to one in five companies plan to open an offshore production or sales hub.

Almost a quarter of companies plan to expand the use of contract work.

Sales and Marketing

The survey explored the marketing tools and channels that have had the most impact on company sales and marketing in the last 18 months.

Hubspot and **LinkedIn** emerged as leading sales and marketing tools for companies in the survey set.

- LinkedIn was nominated by 16% of companies as the tool that helped the most to enable sales and marketing efforts in the last 18 months.
- HubSpot was named by 15% of respondents as a primary tool in company sales and marketing efforts over the last year and a half.

More generally, **CRMs** and **social media platforms** were the most frequently named type of marketing / sales tool — each category was mentioned by one in five respondents.

Other types of resources named by respondents included email marketing tools, search ads, content creation, and project management tools. Other channels mentioned include conferences, direct outreach, and word of mouth.

LinkedIn and HubSpot are the Leading Sales and Marketing Tools

Responses to the question: Which tools or platforms have helped the most to enable your marketing and sales efforts in the last 18 months?

Tool / Platform	% of Companies
Social Media	
LinkedIn	16%
Facebook	4%
Instagram	1%
Social media platforms*	3%
CRM	
HubSpot	15%
CRM*	4%
Salesforce	3%
Zoho	3%
Keap	1%
SuiteCRM	1%
Nimble	1%
Nutshell CRM	1%
Proprietary CRM	1%
Email Marketing	
Constant Contact	1%
Mail	1%
MailChimp	3%
Mass email*	1%
Web Presence and Search Ads	
Google	4%
Google Ads	1%
Digital Ads	1%
Sales Intelligence	
Sales Intel	1%
Zoominfo	4%

continues

Content Creation and Design	
Canva	3%
Adobe	1%
Project Management	
Monday	1%
Trello	1%

*75 respondents answered this question. *Note: In cases marked with an asterisk, respondents mentioned a generic category rather than a specific product. Other products with one mention (not shown in table) include: ChatGPT, TrustPilot, Proz, and Zapier. The following generic categories also received one mention: client websites, conferences, direct outreach, SEO, video communication, word of mouth.*

Marketing budgets remained relatively steady compared to the prior year.

- Companies allocated an average of 7% of annual revenue toward marketing in 2022.
- The minimum budget cited was 0%, while the maximum was 30%.

Marketing Budget Range and Averages

Calculated from the responses to the question: What was your company's marketing budget in 2022, as a percentage (%) of your overall revenue for the latest financial year?

Minimum	0%
Maximum	30%
Mean Average	7%
Median	5%

52 respondents answered this question.

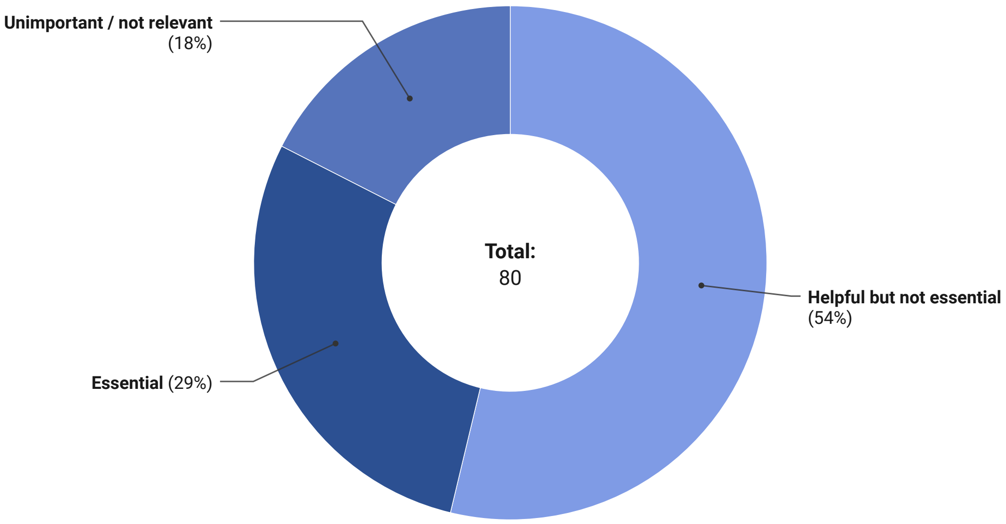
Table: Slator • Source: ALC

Standards and Accreditations

The survey probed the extent to which companies perceive certification against standards and formal accreditation as an important factor when competing in the language service industry.

ISO Certifications Are Mostly Seen As Helpful But Not Essential

Responses to the question: Thinking about staying competitive, how important are ISO certifications?



80 respondents answered this question.

Chart: Slator • Source: ALC

The results showed:

- More than half of companies see ISO certifications as helpful, but not essential, to remaining competitive.
- Around one third of companies see ISO certifications as essential to staying competitive.
- Just under one in five companies see ISO certifications as not relevant to competing in the language service landscape.

The most popular ISO standard among the survey set is ISO 17100: 2015 Translation Services.

One in Three Companies are Certified Against ISO 17100

Responses to the question: Which of the following ISO standards is your company certified against?

	Number of Companies	% of Companies
None of the options listed	41	55%
ISO 17100 Translation Services	24	32%
ISO 9001 Quality Management Systems	23	31%
ISO 18841 Interpreting Services	5	7%
ISO 18587 Post-edited MT	3	4%
ISO 21998 Healthcare Interpreting	3	4%
ISO 13611 Community Interpreting	1	1%
ISO 13485 Medical Devices	1	1%
ISO 27001 Information Security Management Systems	1	1%
ISO 23155 for Conference Interpreting	0	0%

74 respondents answered this question. (One was invalid).

Chart: Slator • Source: ALC

- More than half of companies are not certified against any ISO standards.

- Roughly one-third of companies in the sample set are certified against ISO 17100:2015 Translation Services.

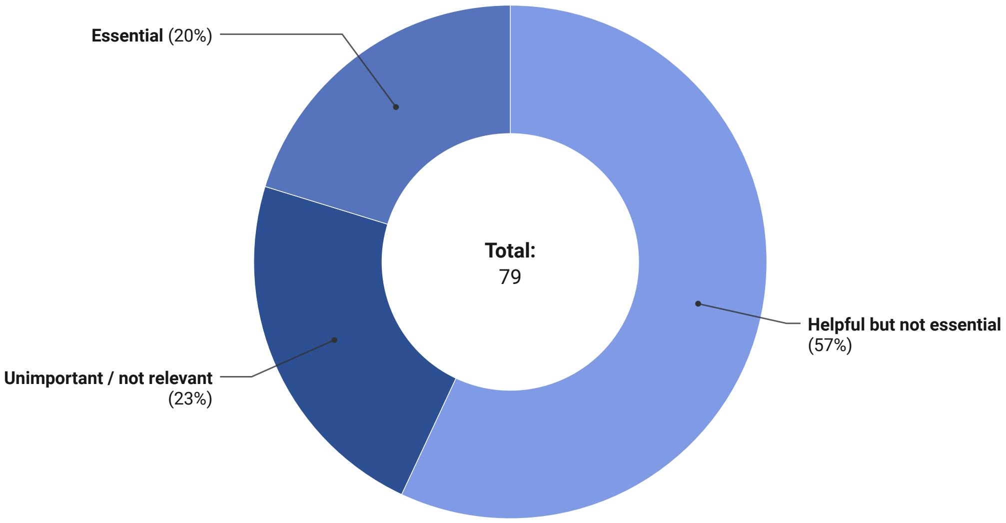
- Just over 30% of companies are certified against ISO 9001: 2015 for Quality Management Systems.

- Just 1% of companies reported being certified against ISO 27001 for Information Security Management Systems.

  Note, however, that 14% of companies earlier reported being certified against one or more information security standards (see Data Privacy and Cybersecurity). This suggests that companies are choosing to certify against, and / or comply with, information security standards other than ISO 27001 (such as HIPAA, NIST Cybersecurity Framework, and SOC 2).

ASTM Guidelines Are Mostly Seen As Helpful But Not Essential

Responses to the question: Thinking about staying competitive, how important is it for your company to follow ASTM guidelines? (Examples: ASTM F3130 Standard Practice for Language Service Companies)



79 respondents answered this question.

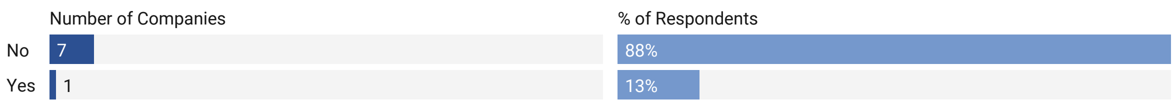
Chart: Slator • Source: ALC

With respect to ASTM guidelines:

- More than half of companies see following ASTM guidelines as helpful, but not essential, to remaining competitive
- One in five companies report that ASTM guidelines are essential for their company to remain competitive.
- Close to a quarter of companies see ASTM guidelines as unimportant for their company, with respect to remaining competitive.

Language School Accreditation

Responses to the question: Is your language school accredited?



13 respondents offer language training services; 8 answered this question. 1 respondent answered "Yes" and specified the applicable accrediting body: Commission on English Language Program Accreditation (CEA).

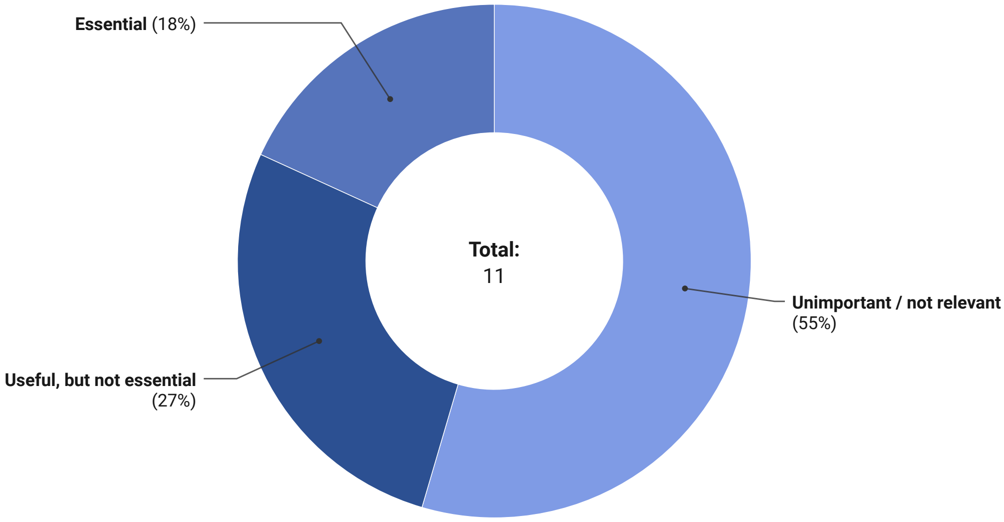
Chart: Slator • Source: ALC

With respect to language schools, eight companies that offer language training answered the survey question on accreditation:

- Seven out of eight companies reported that their school was not accredited.
- One in eight companies reported holding an accreditation; in this case from the Commission on English Language Program Accreditation (CEA).

Is Accreditation Essential for Language Schools?

Responses to the question: Thinking about staying competitive, how important is it that your language school is accredited?

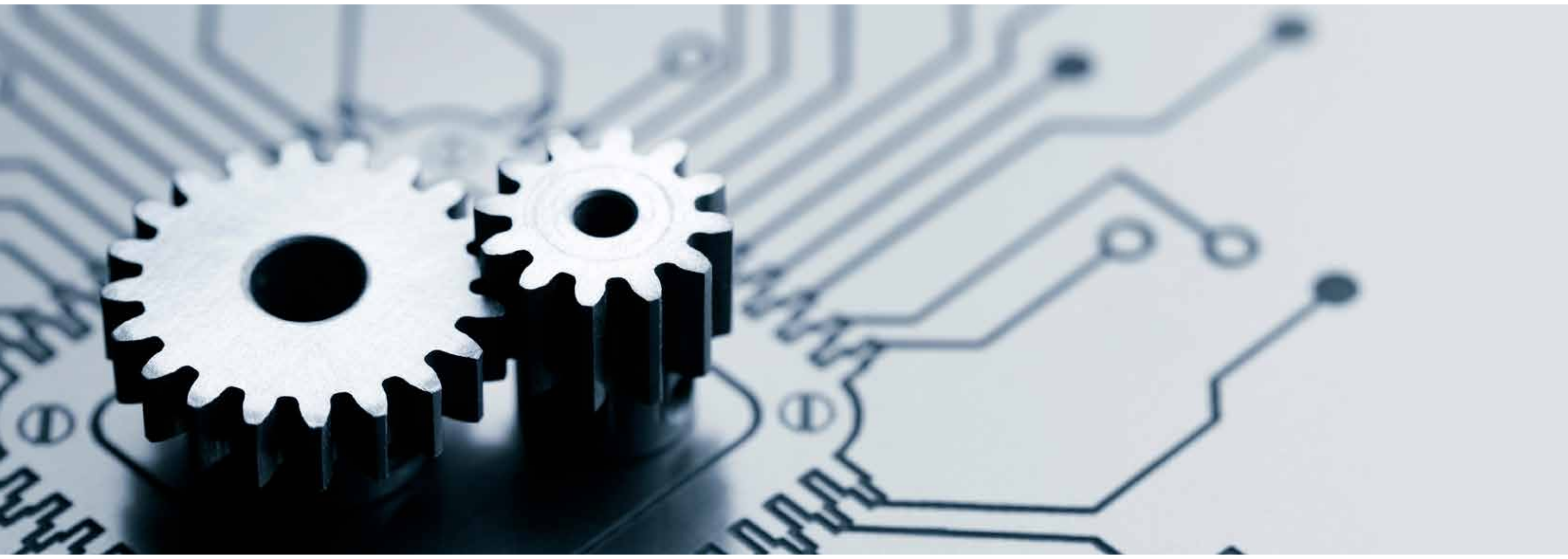


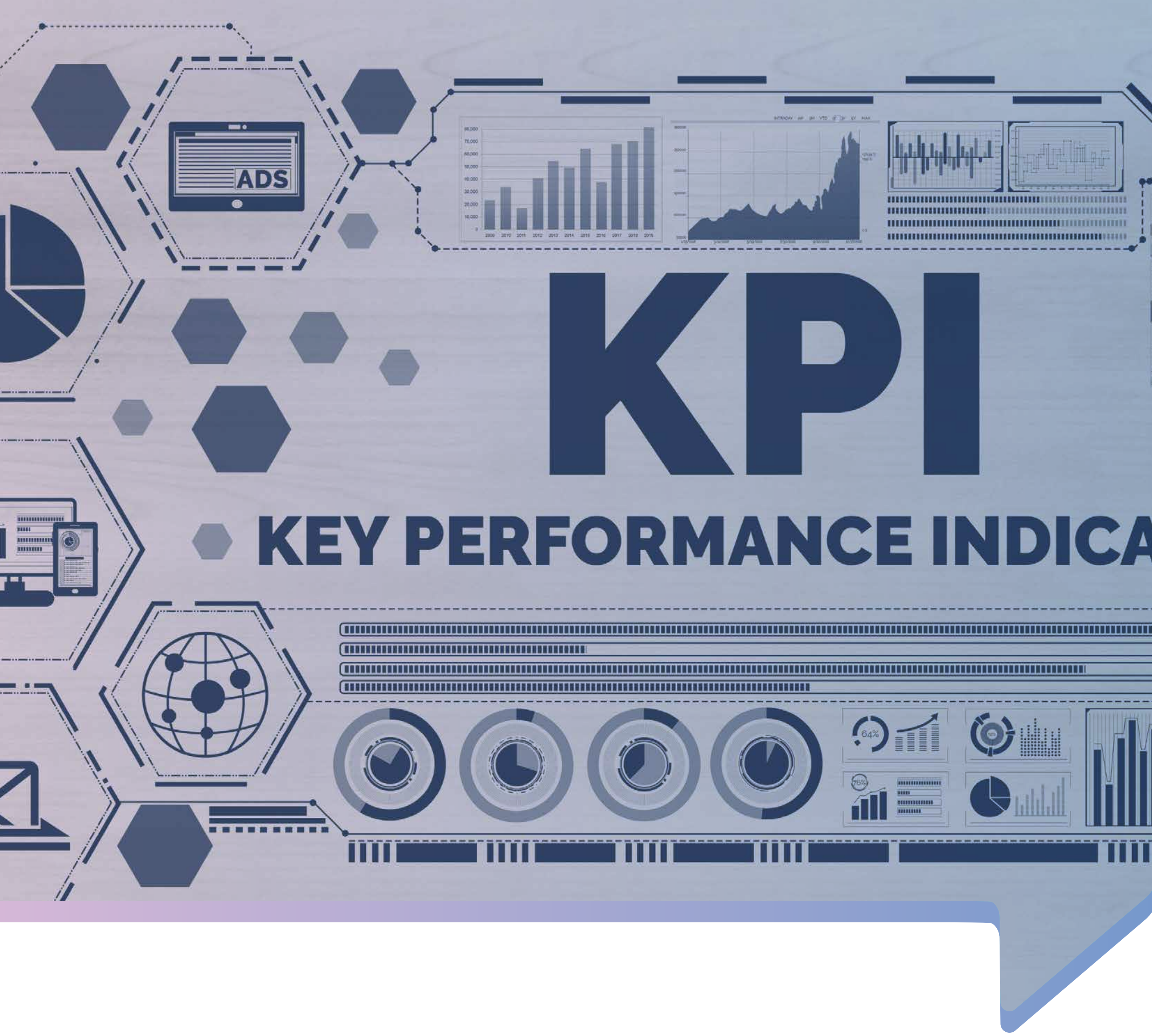
13 survey respondents provide language training; 11 answered this question.

Chart: Slator • Source: ALC

The results also showed that:

- The majority — 55% — of language training providers reported that accreditation is not an important factor with respect to their company remaining competitive.
- Just under a third of providers see accreditation as useful, but not essential, to staying competitive.
- 18% of language training providers see accreditation as essential to remaining competitive.





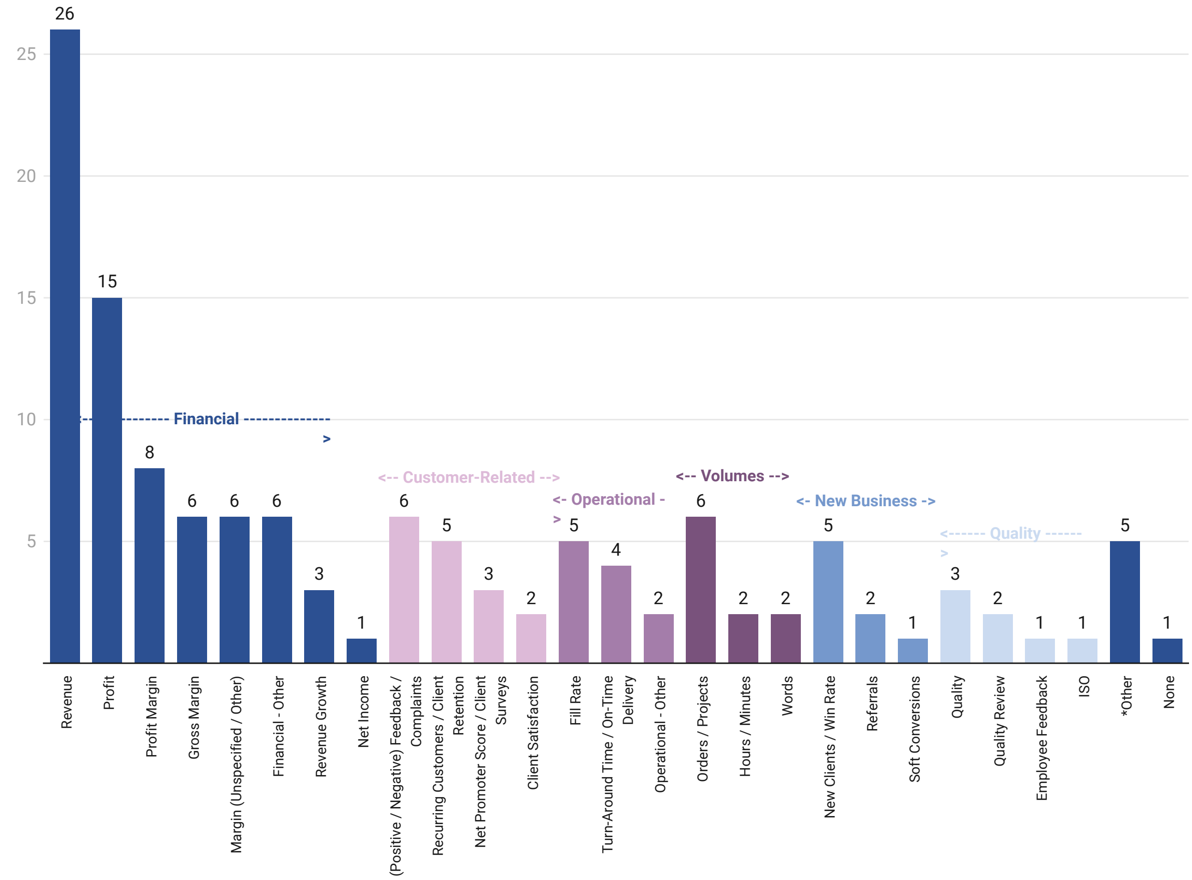
KPIs and Metrics

The survey revealed that financial metrics are the most common type of metric employed by companies to monitor and evaluate business performance.

However, other categories of metrics — from customer-related, to operational, volume-related, new business, and quality — are also widely used.

Key Business Performance Metrics by Category and Sub-Category

Responses to the question: What are your key business metrics for tracking company performance?



53 respondents answered this question. One further response was invalid. Many companies listed multiple metrics, including within the same category. Companies mentioned an average of 2.4 metrics each. Responses have been grouped into categories and sub-categories. Responses grouped into the "Other" category are: (1) Employee Turnover, (2) Return on Marketing Investment, (3) SEO - Bounce Rates, (4) Google rating, (5) Turnover of linguists

Chart: Slator • Source: ALC

The survey found:

- 50% of companies use revenue as a business metric; revenue is the most frequently used metric for measuring business performance.
- Profit is used by 28% of companies as a business metric, while 15% of companies use profit margin.
- The most frequently used non-financial metrics are customer feedback, recurring customers, fill rate, number of orders / projects, and new clients.

With respect to measuring output quality, customer feedback is the most frequently used evaluation metric.

Customer Feedback Is the Preferred Quality Evaluation Metric

Responses to the question: What metrics does your company use to evaluate the quality of your language services? Displayed as number of companies that cited each metric.

Main Service Line	Translation	Interpreting	Language Training	Media Localization	Sign Language Interpreting	Software / Website Localization
Customer / User Feedback	13	7	1	1	2	0
LQA / Linguist Review	9	1	0	0	0	0
Specific Tool, Process, or Standard	5	0	0	1	0	0
On-time Delivery / turn-around time	4	0	0	0	0	0
Accuracy	2	0	0	0	0	0
Revenue / Growth / Repeat Orders	2	2	0	0	0	1
Customer Satisfaction	1	2	0	0	1	0
Net Promoter Score	1	1	0	0	0	0
Other	10	6	0	0	0	0

*54 respondents answered this question. Some listed multiple metrics. * "Other" metrics mentioned included: Call recordings, Fail Tasks vs Total Tasks, Fill Rate, LSO on multi-media, Observation, KPIs, Live Monitoring, Fail rate, Quality, Client Success Team, Deliverability, Professionalism, Rates, Follows instructions, Reliability and Responsiveness, Tool adaptability and flexibility. ** Specific Tools, Processes, or Standards mentioned included: LISA (modified), ISO Process, Quality Triangle Metrics: Holistic Adequacy, Holistic Readability, Atomistic Quality, Trustpilot, Xbench, XTRF*

Table: Slator • Source: ALC

The results showed:

- Customer feedback is the most common quality metric across companies with main service lines of translation, interpreting, sign language interpreting, and language training.
- LQA / linguist review is the second-most frequently used metric by companies with translation as a core service.

> **"I am a fan of continuous improvement. Embracing feedback, measuring key performance metrics, and continuously improving processes are essential for staying competitive and meeting the ever-changing needs of clients."**
>
> — 2023 ALC Survey Participant

Global Events and Macroeconomic Factors

While the language industry has broadly recovered from pandemic-related disruption in 2020-2021, the wider economic picture remains complicated. Inflation in the US reached a 20-year high in mid 2022 but, as at September 2023, has now declined sharply.

Revenue growth among language service companies has proven resilient with the majority of companies achieving growth in 2022. However the picture is mixed: one in five companies reported revenue declines, with the majority of these businesses falling into the annual revenue bracket of between USD 500,000 to USD 2m.

A number of financial performance indicators suggest that the current environment is one in which it is generally more difficult to operate efficiently and remain profitable. EBITDA margins notably contracted in 2022 compared to the prior year, alongside a mild decline in profit margins for translation and interpreting services specifically.

Despite this, the conditions are not sufficiently challenging to push companies to leave the market; fewer than 3% of companies are actively pursuing an exit. Conversely, high inflation can create a more challenging environment in which to sell.

Further, companies are prioritizing revenue growth, which is materializing in a push to expand sales teams and increase interpreter and translator vendor pools, while M&A interest remains high as companies aim to enter new regional markets and buyer verticals.

The pandemic period has reshaped the industry in lasting ways: interpreting companies have seen a persisting shift in demand from onsite to remote work, while remote working options are now seen as the key major benefit that companies can use to attract industry professionals.

Companies in the survey set provide services to a diverse range of industries. Further, the primary buyers of language services are mainly motivated by the need to provide access to services, comply with laws and regulation, and to increase revenue by accessing new markets and customers.

These buyer-related factors suggest that language companies may be less impacted by fluctuations in demand (linked to inflation) than other industries that are more heavily reliant on discretionary spending from their key buyer sectors.

A further aspect of the economic landscape to take into account is the US banking crisis in early 2023, in which regulators shut down and sold three mid-size US banks (Silicon Valley Bank, Signature Bank, and First Republic) and the subsequent disruption in Europe where Credit Suisse was taken over by rival UBS in a rescue deal.

The survey explored the question of how, and to what extent, inflation has impacted businesses and further probed whether events in the banking sector have had a noticeable impact on companies — for example, with respect to constrained or conditional access to lending, or decisions to change banks.

60% of Companies Report Operational Cost Increased Linked to Inflation

Responses to the question: How has your business been impacted by inflation in the last 12 months? Displayed as percentage of companies that reported being impacted by the factor.

85 respondents answered this question. Responses were collected in mid-late July 2023 and early August 2023. Respondents were able to select multiple items from a list of options.

Chart: Slator • Source: ALC

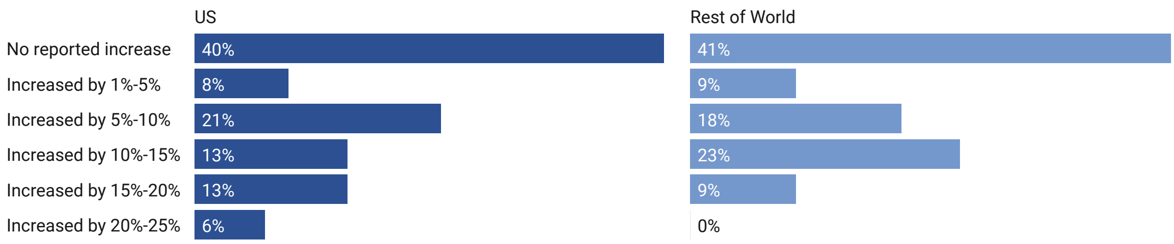
The survey found that:

- 60% of companies reported operational cost increases linked to inflation in the 12 months (to August 2023).
- More than half of companies reported exposure to wage inflation in the last 12 months.
- More than 50% of companies reported price pressure from clients linked to inflation during the last 12 months.
- Almost half of companies reported a net profit decrease related to inflation for the 12 months.

- One in three companies reported a reduction in the volume of client requests in the last 12 months. As discussed above, this (comparatively) mild impact of inflation on client demand can be linked to companies' diverse range of buyer sectors and buyers' non-discretionary motivations for purchasing language services.

Operational Costs Increased More for US Companies than Non-US Companies

Responses to the question: Roughly, how much have your operational costs increased by (as a percentage) in 2023 compared to 2022? Analyzed by the company's headquarter country.



85 respondents answered this question. The responses were analyzed by headquarter country: US (63) and Rest of World (22).

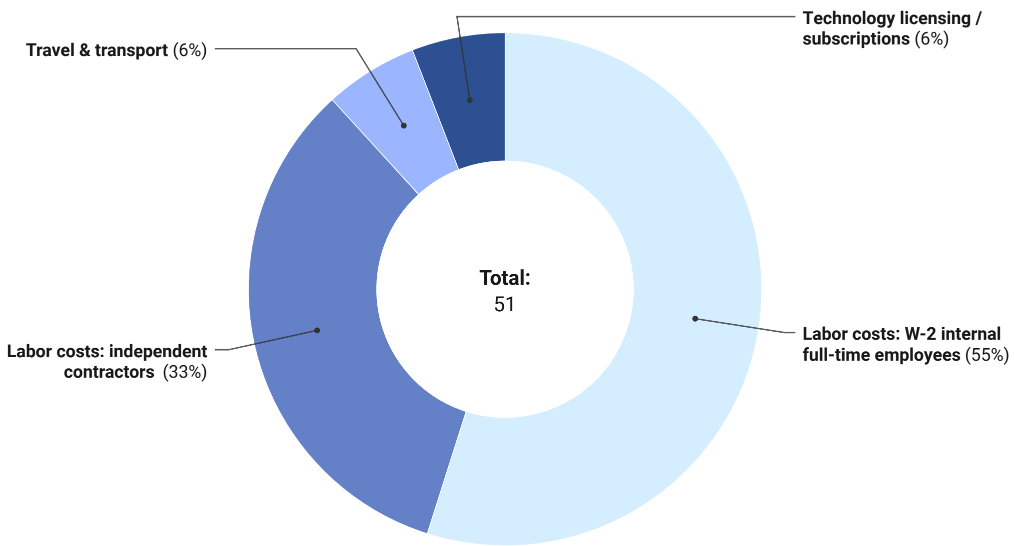
Chart: Slator • Source: ALC

Operational costs increased more for US companies that non-US companies. Almost one in five US companies experienced an increase in operational costs of 15% or more, compared to one out of eleven non-US companies.

The survey probed the areas of the business most impacted by cost increases, finding that 88% of companies cited labor costs as the primary area where operational costs increased.

Labor Costs Have Increased for Most Companies

Responses to the question: Which costs have increased the most?



51 respondents answered this question (i.e., the 51 that confirmed that op costs had increased).

Chart: Slator • Source: ALC

- More than half of companies reported that labor costs for internal (W-2) employees were the operational cost that had increased the most.
- One in three companies reported that labor costs for independent contractors constituted the operational cost that had increased the most.

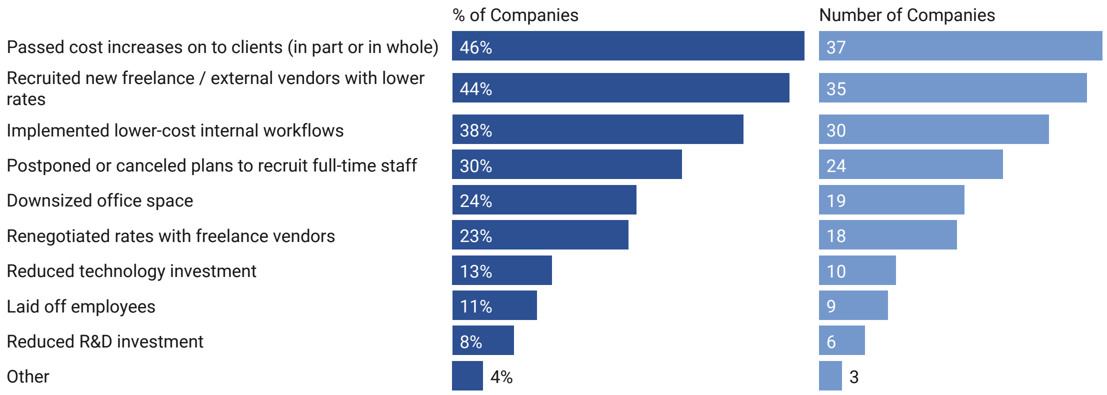
This year's salary analysis revealed a noticeable rise in the compensation for 2022 W-2 sales representatives, while the salaries for other positions remained comparatively steady compared to the prior year. It is anticipated that the effects of wage inflation in 2023 on other roles will become apparent in next year's survey.

88% of companies said that labor costs were the main area where operational costs have increased.

The survey looked into the types of measures that companies took to respond to current economic conditions.

Nearly Half of Respondents Passed Cost Increases on to Their Clients

Responses to the question: How have you responded to economic conditions in the last 12 months? (Select all that apply)



80 companies answered this question. Companies that answered "Other" said: (1) Investing in automation and HR, (2) Did not replace vacancies, (3) More remote employees

Chart: Slator • Source: ALC

The results showed:

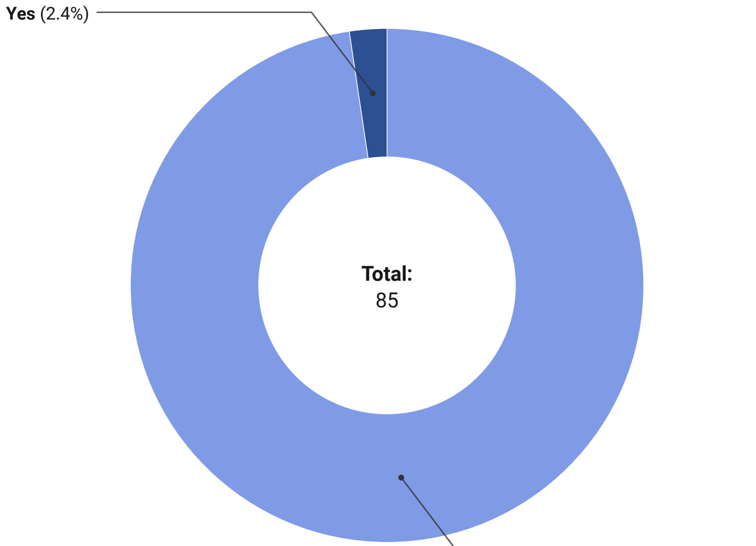
- Close to half of companies have passed cost increases on to clients (in part or in whole). These increases are reflected in the pricing for language services, which broadly increased in 2022 compared to the prior year.
- More than 40% of companies have recruited freelance vendors with lower rates in response to current economic conditions.
- Over a third of companies have implemented lower-cost internal workflows.

The US banking crisis in early 2023 has had negligible impact on companies in the survey set, with 98% reporting that business had not been affected.

> **"I am curious to see the change of the industry within the next 2-3 years. I hope we stay as resilient as we have so far."**
> — 2023 ALC Survey Participant.

Negligible Impact from 2023 Banking Crisis

Responses to the question: How has your business been impacted by the 2023 banking crisis?



85 respondents answered this question. The question defined the 2023 banking crisis as: The 2023 banking crisis refers to the failure of Silicon Valley Bank, Signature Bank and First Republic in the US, the takeover of Credit Suisse in Europe, and subsequent banking uncertainty. 98% of companies reported no impact. The two companies that reported an impact cited the type of impact as: (1) Capital acquisition and (2) credit lines.

Chart: Slator • Source: ALC

Of the companies that reported being affected by the banking crisis, the type of impacts cited were 1) capital acquisition and 2) credit lines.

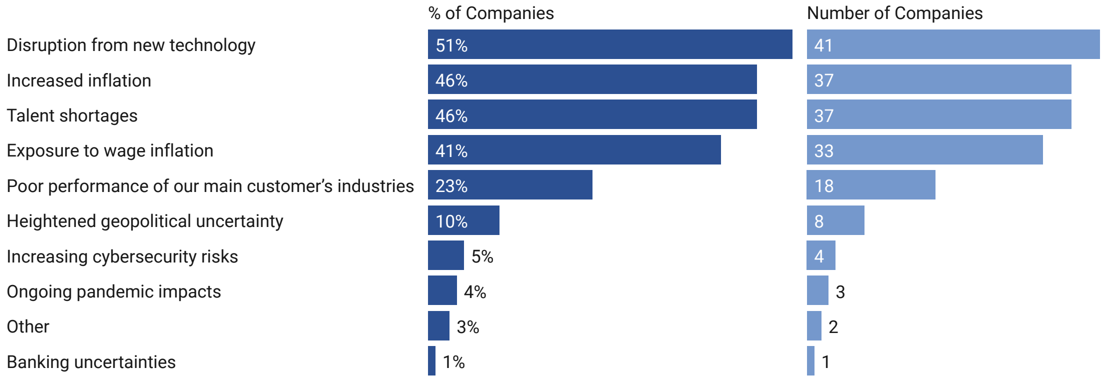
Looking more broadly at the macroeconomic and global picture, companies see **disruption from new technology, inflation,** and **talent shortages** as the key external factors that will have the most impact on company financial performance and the ability to achieve strategic goals in 2023.

> **"We are in a time of uncertainty that goes beyond economic or geopolitical problems. AI will change the industry but we do not yet know where it will lead."**
> — 2023 ALC Survey Participant

(See AI and Large Language Models for more detail on the impact of technological change).

New Technology, Inflation, and Talent Shortages are the Key External Factors Impacting Company Performance

Responses to the question: Which of the following factors do you think will have the most potential impact on your company's financials and ability to achieve its strategic goals in 2023? (Select 3)



80 respondents answered this question. Respondents selected three from range of options. Companies that answered "Other" said: (1) Clients unwilling to increase budgets and (2) Government budget restraints

Chart: Slator • Source: ALC

- More than half of companies see disruption from technology as a key factor impacting business financial performance and strategic success in 2023.
- Close to half of companies see inflation as a major factor impacting company performance in 2023.
- Nearly 50% of companies said that talent shortages are a major factor that will impact business financial performance and strategic success in 2023.

> **"My greatest concern is will we collectively be able to evolve fast enough to keep up with technological advances."**
>
> — 2023 ALC Survey Participant

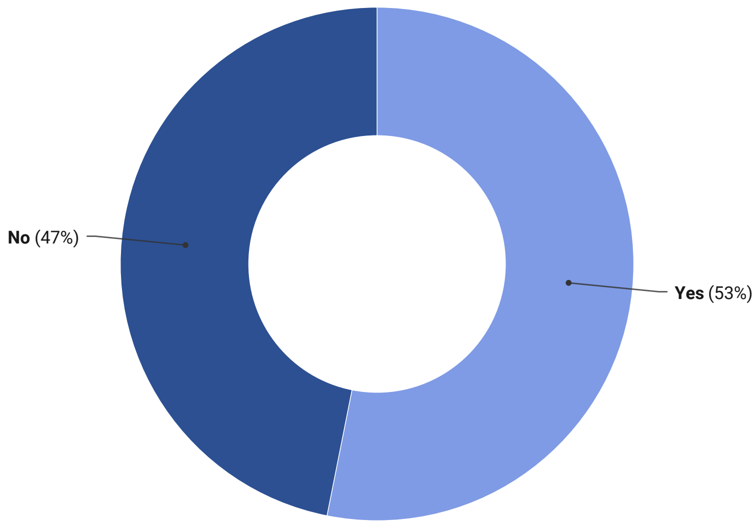
Regulations and Legislation

Laws and regulations can have a significant impact on business operations and strategy. Moreover, legislation and regulations are a key underlying driver of buyer demand for language services.

The survey asked respondents about the impact of new legislative developments on their business in 2022 and 2023.

53% of Respondents Report Being Impacted by New Legislation

Responses to the question: Are there any new legislative developments that have impacted your business in 2022- 2023?



32 respondents answered this question. Respondents that answered "Yes" were invited to specify (See next chart)

Chart: Slator • Source: ALC

The survey found that just over half of respondents reported being affected by new legislative developments in 2022 and 2023.

> **“Pennsylvania’s state law Act 57 has amendments which are stalled and would greatly improve access to qualified talent. We need these to be pushed through.”**
>
> — 2023 ALC Survey Participant

Legislative Developments Impacting Business

Responses to the question: Are there any new legislative developments that have impacted your business in 2022- 2023? If yes, please specify.

Item	Number of Companies
Independent Contractor Classifications	6
Oregon Senate Bill 584	3
SBA Thresholds	2
Brexit	1
IC State Audit	1
Increased Family Leave Requirements	1
Non-Compete Exclusion	1
New Minimum Wage Laws	1
Pennsylvania State Law Act 57	1
ProAct	1
State Compliance Issues (generally)	1

17 respondents answered "Yes" to the question. These respondents were invited to specify which legislative developments have impacted their business in 2022- 2023. Some mentioned multiple factors. Identical and / or similar factors have been grouped.

Table: Slator • Source: ALC

Of the companies that confirmed that new legislation was impacting their business:

- Six companies named **independent contractor classification proposals** / laws as the legislation with the most impact on their business in 2022 and 2023.

> **“The industry needs more help and cooperation in imparting understanding to federal and state Workforce Development regarding independent contractor status, to avoid crushing small businesses with audits and inflexibility in understanding the industry.”**
>
> — 2023 ALC Survey Participant

- Three companies cited **Oregon State Bill 584**, which relates to the role of the Oregon Health Authority in implementing an online scheduling portal for health care providers. (The bill is currently in committee upon adjournment.)
- Two companies mentioned the **increased SBA small business thresholds.**

Updated size standards from the US Small Business Association (SBA) came into effect in January 2022. The threshold for translation and interpreting companies was increased from USD 8m to USD 22.5m.

The SBA's size standards can make a big difference to businesses and the competitive landscape. SBA small businesses are eligible for federal government set-aside procurement opportunities. Moreover, SBA small businesses have access to various business development initiatives, mentorship programs, and access to experts.

The survey probed the proportion of companies in the survey set that fall under the updated SBA definition. It also looked into how companies perceive the impact of the change.

94% of Companies Fall Under the SBA Small Business Threshold

Responses to the question: Is your company a small business? In the US, the SBA small business threshold is USD 22.5m for translation and interpreting companies, and USD 20.5m for language schools (average annual receipts). Results displayed for all companies and segmented by main service line.

Main Service Line	% of Companies	# of Responses
All Companies	94%	63
Translation	94%	35
Interpreting	96%	24
Language Training	0%	1
Sign Language Interpreting	100%	3

Number of responses shown in table. Results displayed for US companies only. Main service line determined by previous survey question: From which service does your company derive the largest portion of its revenue?

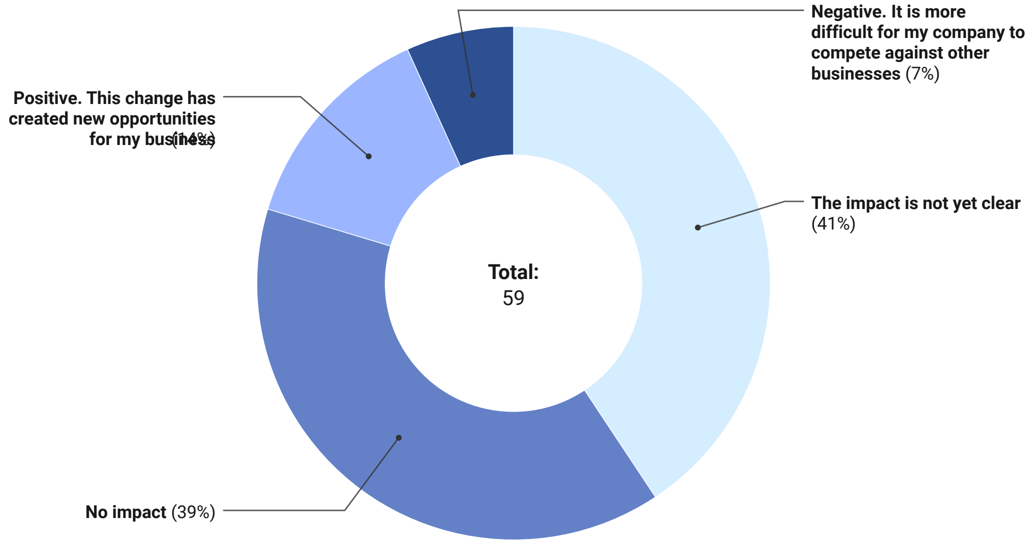
Table: Slator • Source: ALC

The survey found:

- 94% of US companies in the survey sample reported falling into the SBA small business category.
- 94% of US translation-focused companies and 96% of US interpreting-focused companies reported falling under the SBA small business threshold.

The Impact of the Increased SBA Small Business Threshold is Not Yet Clear

Responses to the question: The US Small Business Administration (SBA) raised the small business threshold for translation and interpreting companies from USD 8m to USD 22.5m in 2022. What impact has this had on your company?



Responses shown for US companies only. 59 respondents answered this question.

Chart: Slator • Source: ALC

The results showed:

- Just over 41% of companies said that the impact of the increased SBA small business threshold is not yet clear.
- 39% of respondents said that the updated SBA small business categories had no impact on their company.
- Around one in seven companies indicated that the new SBA small business threshold has been positive, creating new opportunities for their business.
- Slightly over 5% of companies reported that the updated SBA small business size has had a negative impact on their business, making it more difficult to compete.

One in seven companies say that the updated SBA small business threshold had a positive impact on their business.

Data Privacy and Cybersecurity

The survey looked into the data privacy and security regulations that companies see as most important for the industry.

53% of Companies Say HIPAA Compliance is Essential

Responses to the question: Thinking about staying competitive, how important is it that your company is compliant with the following data privacy and security regulations?

Regulations	Essential	Important	Unimportant / Not relevant
HIPAA (US Health Insurance Portability and Accountability Act)	53%	19%	28%
EU GDPR (European General Data Protection Regulation)	23%	34%	43%
Gramm-Leach-Bliley Act (GLBA)	3%	21%	76%
California Consumer Privacy Act of 2018 (CCPA)	10%	27%	63%
Other new state privacy laws (e.g., Colorado Privacy Act, CTDPA)	11%	30%	59%

78 respondents answered this question.

Table: Slator • Source: ALC

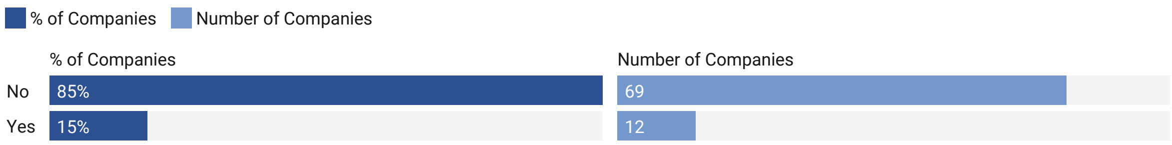
The survey found:

- More than half of companies report that HIPAA compliance is essential to remain competitive in the language industry. This finding correlates with the key buyer sectors for the survey set, which are concentrated in Healthcare and Government.
- Close to one in five companies say that compliance with the European General Data Protection Regulation (EU GDPR) is essential for staying competitive. EU GDPR relates to the collection, processing, transfer, and storage of personal data relating to EU residents.

Turning to cybersecurity, the rate of cybersecurity incidents has been increasing over the last few years, in the US and globally.

15% of Companies Have Experienced a Cybersecurity Incident in the Last 12 Months

Responses to the question: Have you experienced any cybersecurity incidents in the last 12 months? (E.g., data breaches due to malware, phishing attacks, or accidental exposures.)



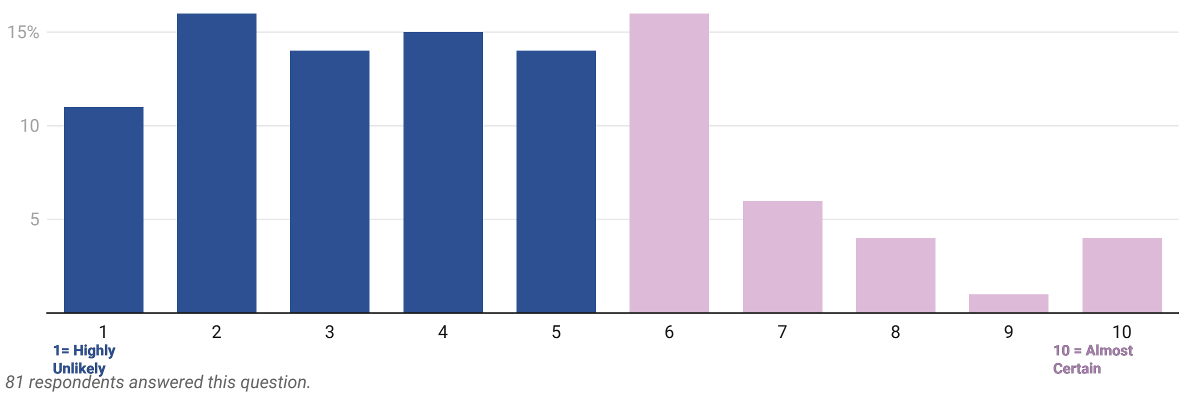
81 respondents answered this question.

Chart: Slator • Source: ALC

The survey found that almost one in seven companies had experienced a cybersecurity incident in the last 12 months.

What is the Likelihood of Experiencing a Cyber Incident in the Next 12 Months?

Responses to the question: How would you assess the risk of your company experiencing a cyber incident in the next 12 months? and 10 = Almost Certain.



81 respondents answered this question.

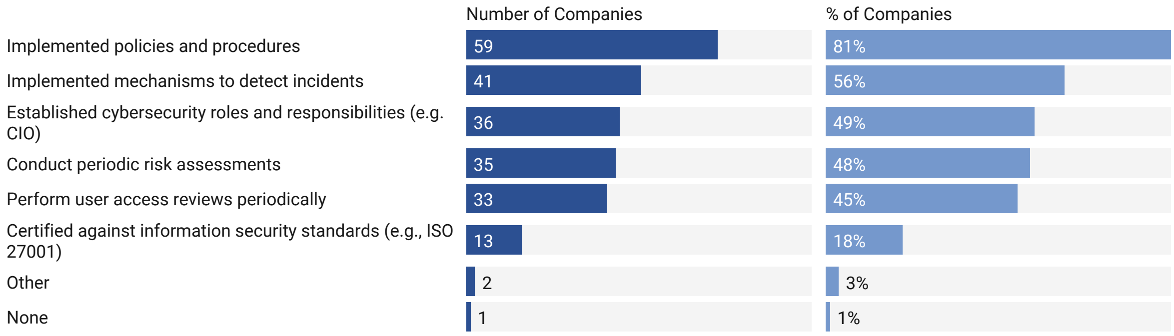
Chart: Slator • Source: ALC

However, companies do not have a general perception that risks of cyber incidents are high.

- The majority of respondents assessed the risk of their company experiencing a cyber incident in the next 12 months as unlikely or highly unlikely.

More than Half of Companies have Implemented Cyber Incident Detection Mechanisms

Responses to the question: Which risk mitigation measures has your company put in place with respect to cybersecurity? (Select all that apply)



73 respondents answered this question. The respondents that answered "Other" said: (1) Firewalls and (2) We also have a security firm running cybersecurity and a cybersecurity insurance policy.

Chart: Slator • Source: ALC

With respect to risk mitigation measures:

- More than 80% of companies have implemented policies and procedures as a measure to prevent cyber incidents.
- More than half of companies have implemented mechanisms to detect incidents.
- Close to half of companies conduct periodic risk assessments and have established roles and responsibilities in the company relating to cybersecurity.

AI and Large Language Models

Recent advances in AI — and in particular the release of large language models (LLMs) with generative text capabilities — promise to have far-reaching implications for the language service industry's workflows, resources, and market dynamics.

Language service companies that have implemented machine translation and PEMT workflows already have a deep understanding of how AI can be applied into real-world scenarios. This experience includes:

- Designing workflows that combine AI with human expertise.
- Upskilling human experts to perform new roles created by AI workflows (e.g., post-editors)
- Implementing widespread operational changes stemming from AI-driven transformation.
- Developing nuanced approaches to applying AI to specific contexts based on quality evaluations and benefit-risk analysis.

AI capabilities are now easily accessible by enterprises and end-users via a raft of new, user-friendly cloud-based SaaS startups and platforms; from automated transcription tools, to text-to-speech platforms, machine translation tools, and AI-enabled audio and video generation platforms.

Nevertheless, language service companies still play the central role in delivering language services to enterprises at scale. Their role involves meeting complex buyer needs with a range of technology-enabled language services, and bridging the gap between what AI can produce and what companies need to achieve with language.

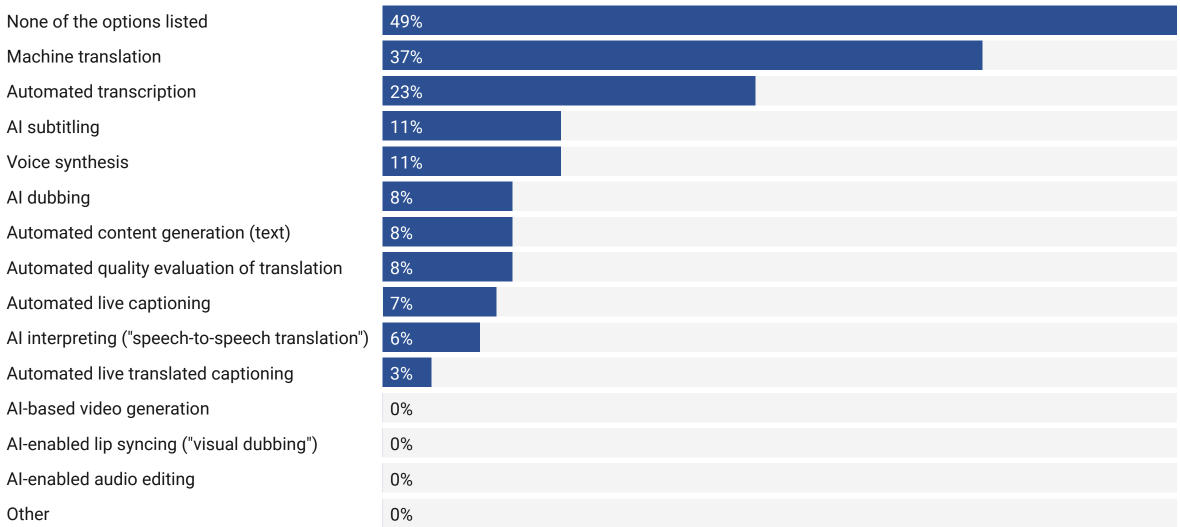
> **“The language industry is undergoing major changes, as it has in the past. But it will keep being a great industry to be in for companies that will embrace change.”**
> — 2023 ALC Survey Participant

Advances in speech-to-text technology and speech synthesis have already had a significant impact on workflows for services such as transcription, captioning, dubbing and subtitling and speech-to-speech technology.

The survey probed the extent to which AI has been embedded into companies’ language service offerings.

Machine Translation and Automated Transcription are the Most Frequently Offered AI-based Services

Responses to the question: Which AI-based services do you currently offer?



71 respondents answered this question.
Chart: Slator • Source: ALC

The survey found:

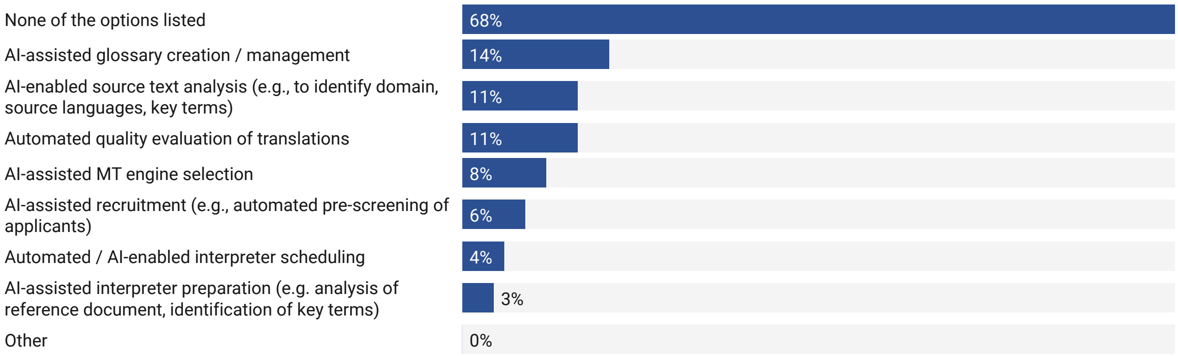
- Around half of companies offer one or more AI-based language services.
- Machine translation is the most frequently-offered AI-based language service (around a third of companies).
- Automated transcription is offered by around one in five companies.
- Just over 10% of companies offer AI subtitling and voice synthesis services.

Just over 10% of companies offer AI subtitling and voice synthesis services.

The survey also explored how AI is being used across companies as a workflow enabler.

Two-Thirds of Companies Do Not Use AI for Any Internal Workflows

Responses to the question: Which of the following AI and automation capabilities do you currently use in your internal workflows and processes?



72 respondents answered this question.

Chart: Slator • Source: ALC

The results showed:

- The use of AI to enable internal workflows is, as yet, far from widespread. Around two-thirds of companies do not use AI to enable or automate any workflows.
- The most frequent use of AI as a workflow enabler is in AI-assisted glossary creation.
- Just over 10% of companies use AI for source text text analysis
- Around 10% of companies use AI for automated quality evaluation of translation.
- Fewer than 5% of companies currently use AI to enable interpreter scheduling or assist in interpreter preparation tasks.

Around one in six companies use AI to assist in glossary creation.

Large Language Models

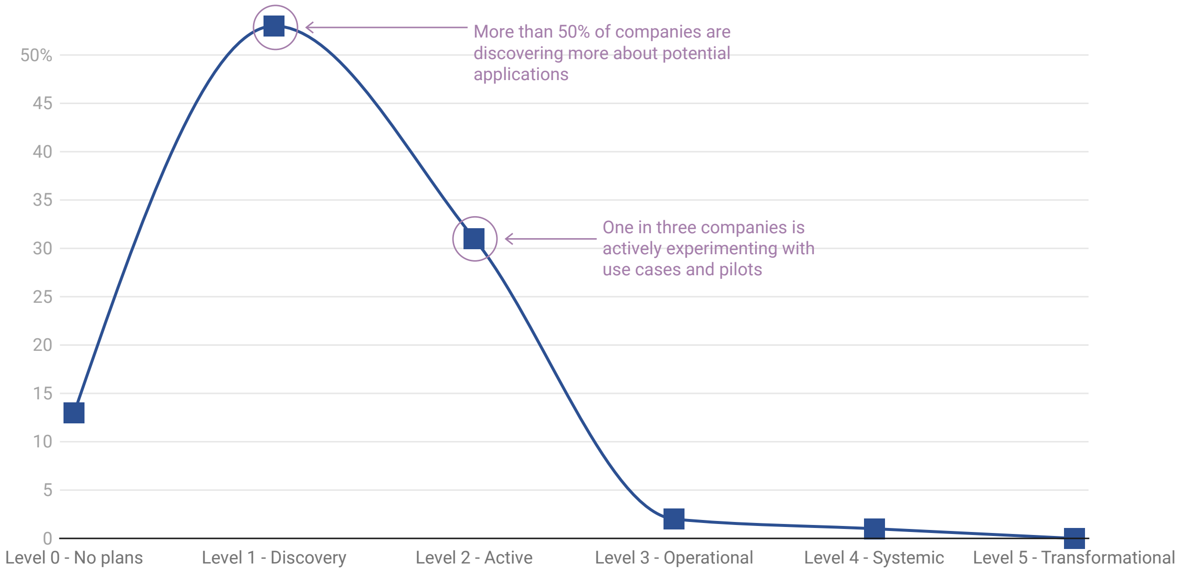
In 2022 and 2023, the release of large language models (LLMs) and AI chatbots such as ChatGPT brough AI to mainstream attention.

LLMs are capable of a myriad of language tasks — from text generation, machine translation, and sentiment analysis, to information extraction and summarization. LLMs also have potential applications across a wide range of business processes.

The results showed that most companies are actively finding out about LLM applications or experimenting with use cases.

LLM Adoption Maturity: One in Three Companies is Actively Piloting Use Cases

Responses to the question: Has your business begun to explore use cases for ChatGPT and other large language models (LLMs)?



85 respondents answered this question. Response options: We do not have plans to look into this. (Level 0 - No plans); We are finding out more about potential applications (Level 1 - Discovery); We are actively experimenting with use cases and pilots (Level 2 - Active); We have integrated LLMs into some live workflows (Level 3 - Operational); LLMs are used systematically across key workflows (Level 4 - Systemic); LLMs are at the core of our operations and/or business model (Level 5 - Transformational). Model adapted from Gartner's AI Maturity Model.

Chart: Slator • Source: ALC

- More than 50% of companies reported they are finding out more about the potential applications of LLMs.
- Just over one-third of companies are actively experimenting with LLM use cases and pilots.
- 2% of companies have integrated LLMs into operational workflows and a further 1% (one company) is using LLMs systematically across key workflows.
- Just over one in ten companies reported having no plans to look further into LLM applications.

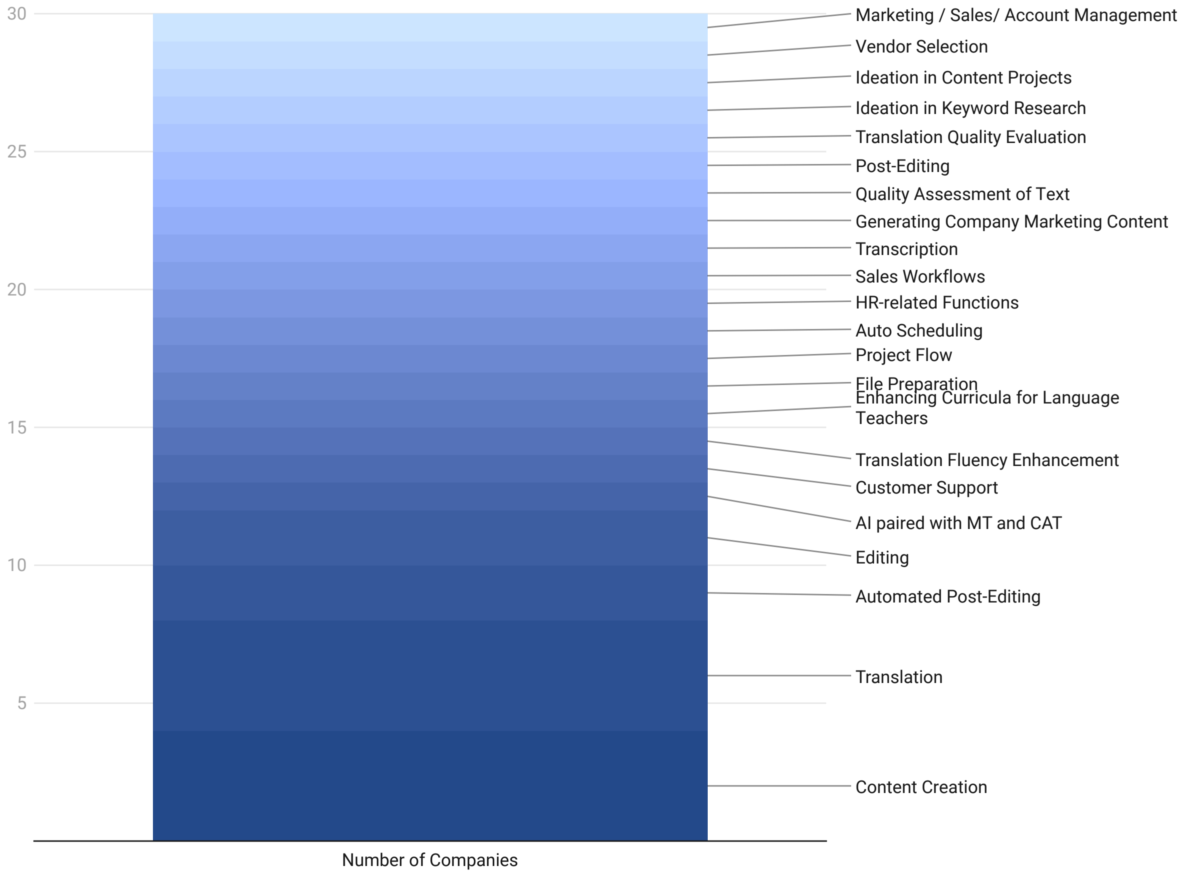
Companies that are using or piloting LLMs are applying them across a diverse and far-ranging scope of applications; from vendor selection, post-editing, and generating content for company websites, to transcription, customer support, and ideation in keyword research.

One in three companies is experimenting with LLM use cases and pilots.

However, the most frequent applications were **content generation** and **translation** (each named by four companies), and **automated post-editing** and **editing** (each cited by two companies).

How are Companies Using LLMs?

Responses to the question: How are you using LLMs in your business?



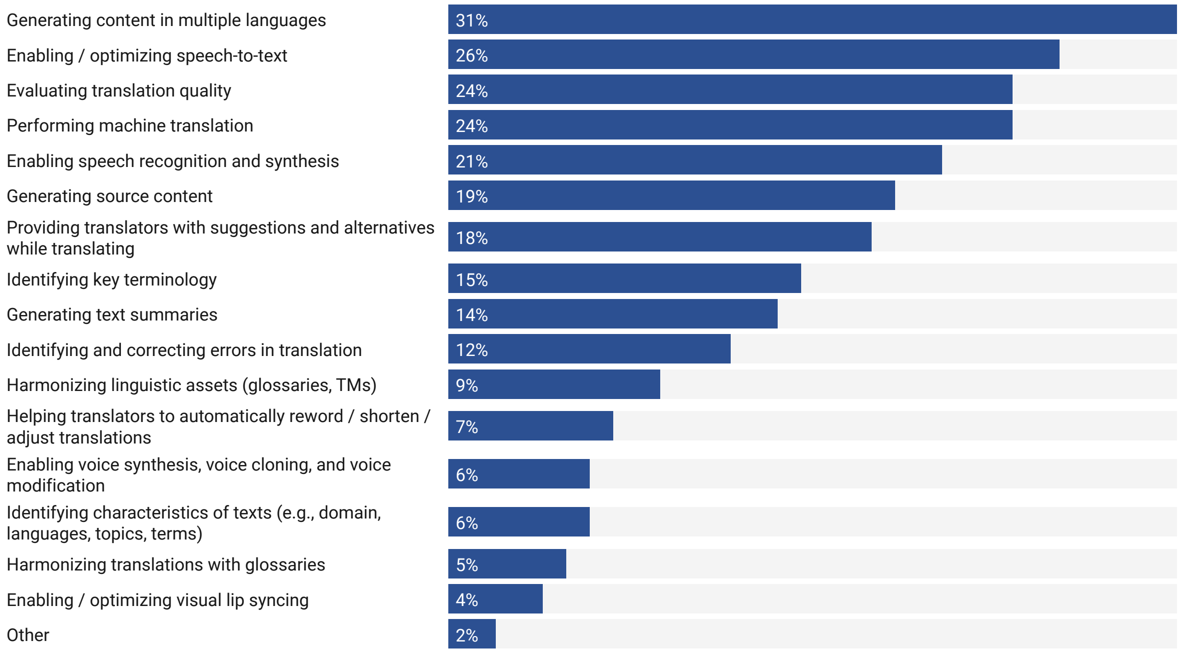
This question was posed to the respondents that said (1) They have integrated LLMs into some live workflows or (2) LLMs are used systematically across key workflows.19 respondents answered. Some provided multiple use cases.

> **"With the fast-paced changes in the translation industry and the impact of AI and Machine translation, we need to learn what kind of adjustments we need to make to survive and thrive."**
> — 2023 ALC Survey Participant

Looking ahead, the ability to generate content in multiple languages is seen by companies as the LLM capability that will potentially have the most impact.

Most Impactful Applications of LLMs

Responses to the question: What do you think will be the most impactful applications of LLMs in the language industry? (Select 3 maximum)



85 respondents answered this question. Multiple responses each up to 3. Respondents that answered "Other" said: (1) I do not know because we do ASL and given the nuances of the language there is no LLM which will ever be able to replace humans and (2) Not sure.

Chart: Slator • Source: ALC

The survey found:

- **Generating content in multiple languages is seen by one in three companies as one of the most impactful applications for LLMs in the language industry.**

  Automated text generation is now a viable workflow to generate multilingual content for global markets; an option now exists to bypass the traditional approach of creating a source text and performing translation. Instead, original content can be generated in multiple languages using LLMs.

  The role of language service companies may thus evolve to include executing and / or editing automatically-generated multilingual content, creating a new opportunity for the industry. Alternatively, there is the potential for enterprises to generate multilingual content independently, bypassing service companies.

LLMs will be most impactful in the area of multilingual content generation, according to one in three companies.

- **Optimizing speech-to-text is seen by one in four companies as potentially having a major impact on the language industry.**

  Transcription, captioning, and subtitling services have already been significantly transformed by improvements in speech-to-text technology. The use of automated and expert-in-the-loop workflows has made these services cheaper and easier than ever before. Consequently, use cases and applications have broadened. Further quality improvements, driven by LLMs, are likely to enhance these impacts.

  The interpreting space may also be impacted by advances in speech-to-text technology, as buyers may look to displace or augment human interpreting solutions for events with lower cost live captioning solutions. Quality improvements in speech-to-text are also a driver for speech-to-speech technology, examples of which have come onto the market in 2023.

- **Evaluating translation quality was cited by one in five companies as some of the most impactful LLM applications.**

  LLMs have significant language assessment capabilities not only with respect to assigning quality scores, but also for identifying and annotating translation errors. It is thus feasible that new translation workflows — involving triaging content according to quality evaluation and / or basing the scope of post-editing tasks on an automated quality assessment — will become widespread, or even replace the TEP and PEMT as the leading translation workflows.

- **Performing machine translation was also named by one in five companies as a leading impact of LLMs.**

  LLMs' machine translation capabilities — alongside the option for users to adapt LLM output using on-the-go prompting — allow linguists to generate multiple target text options and adapt target output dynamically to match the specific linguistic task at hand. Such capabilities are being aggressively integrated into leading translation management systems (TMS) as at 2023, equipping linguists and service companies with a broad palette of AI-enabled production tools.

  These changes will have potentially significant impacts on productivity and quality, as well as having the capacity to reshape the scope and responsibilities of the linguist's role.

The survey previously found (see Language Services) that client needs and preferences are the main factor that determine whether machine translation is applied in any particular context.

> **"I am seeing significant push-back against LLM and AI where risk of errors must be near zero in critical safety content."**
> — 2023 ALC Survey Participant

It is likely that the application of AI and LLMs will also be strongly influenced by customer perceptions and requirements. As with machine translation, language service companies are likely to:

- Develop nuanced strategies toward injecting LLMs into specific contexts — with the goal of maximizing benefits and limiting risks
- Carefully manage how this risk-benefit relationship is communicated to clients.

> **"The language services industry has been in constant change for the past 40 years, and will continue to do so for the next 40 and beyond. AI will have a significant role to play in this but the foundations will remain the same, so it's still a question of working out how to make the tools work for us as efficiently as possible."**
>
> — 2023 ALC Survey Participant

About ALC

The Association of Language Companies (ALC) is a United States-based organization that promotes the professional stature and economic position of the language service industry through industry advocacy and professional development of language company owners and senior management.

About Slator

Slator partnered with the Association of Language Companies (ALC) to produce the 2023 ALC Industry Report. The initiative covered research objective definition, question design, online survey design, data collection, data analysis and visualization, written analysis, and report creation. Slator is the leading source of news and research for the global translation, localization, and language technology industry. Our Advisory practice is a trusted partner to clients looking for independent analysis. Headquartered in Zurich, Slator has a presence in Asia, Europe, and the US.

The 2023 ALC Industry Report initiative was led and produced by the following team.

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