

LOW PRICE ISN'T SEXY

- a discussion of cost vs. quality in localization

By Scott Robinson

“Commoditization is a word to be feared. It means that your product no longer competes on any differentiated features but instead competes solely on price, and quality is simply defined as the minimum acceptable (quality) that you can still sell your product with.”

Chris Smith
Slow Food Portland

Many localization (L10N) firms believe the concept of commoditization is infiltrating the localization and translation industry. A number of reasons, which include reduced budgets, non-L10N professionals being assigned to decision-making roles, an increasing emphasis on cost across the enterprise, and a marketplace saturated with L10N service providers of varying pedigrees have been cited as contributing to the emergence of this trend.

In preparation for exploring this assertion, I expected to address the growing focus on cost as a primary decision-making factor among client companies in the localization and translation industry. I did not find that *at the project manager level*. Rather I found a conscious commitment to quality as a differentiator.

That being said, achieving quality has become more challenging for client and service provider alike as they are hamstrung by budget allocations that remain at depressed levels. So, at the tactical, implementation level, quality, at least theoretically, remains the password to doing business together. However, at the strategic level, bottom line project costs continue to govern the thought processes. This translates into cost receiving an unnaturally high priority in the selection process, indicating a trend towards commoditization and frustrating both the client side project manager (PM) and the service provider.

Is there a solution to this paradox? I think so.

More and more firms, from emerging companies to Fortune 1000 corporations are rapidly expanding their operations to include or enlarge an international presence. Accordingly, they are becoming more and more dependent on the revenue from international markets.

As they strive to support the growth of international commerce, providers of localization and translation services will concur that price is driving more and more deals, and that the service is in fact being commoditized - much like what has happened in the telecommunications industry. This move towards commoditization is an evolutionary step, though not necessarily a natural one.

It's true that bottom line costs remain an important factor, and if weighted properly can be effective in the wheat/chaff separation process. While it is easy to evaluate vendor worthiness using only a simple metric such as cost per word, it is also lazy. However, since it may be the only yardstick that can be applied consistently from vendor to vendor, it has gotten surprising traction and widespread use in the current climate. It will always be easier to quantify than qualify, and with more marketing managers and buyers playing key roles in proposal analysis, this appears to be the route that is being chosen.

Most vendors will maintain that they are cost competitive but the level of their quality and customer service will truly differentiate them. The traditional evaluation criteria to support this claim – references, experience, processes and project management, turnaround, as well as reliability and trust - are easy to represent but require some diligence to verify. In itself the inherent disparity from vendor to vendor in those critical areas ought to dissipate the momentum that commoditization has gained of late, but it has not.

The client is left to wade through this morass of costs, services, and assertions. The testimony of various users of localization and translation service providers that were consulted for this paper bears out the conflict they face. Quality remains, conceptually, at a premium. But the high priority assigned to it is in stark contrast to the amount of money allocated and the strategic importance assigned to the relationship with the L10N service provider. Localization and translation projects are a cornerstone of any successful international marketing initiative, yet they are often little more than an afterthought in the budgeting and planning processes. To wit, every service provider has a “Greatest Hits” when the topic turns to eleventh hour “Help Me!!” client stories.

That leaves the L10N project manager (PM), on the client side, and the L10N service provider left to meet this challenge: how to find the elusive intersection of cost and quality that will generate successful results for both parties.

On the client side the PM, who might be a purchasing agent, a marketing manager, or, occasionally, a dedicated localization professional, must accept the reality of having little control over the allocation of a routinely shrinking budget. Combine that with vendors who, according to Andrew Webster of Real Networks (which realizes a significant portion of its revenue from international clients), rarely demonstrate any advantage or business-impacting positive results effectively or clearly, and the result is foregone; lacking compelling or consistent data to do otherwise, the executive level will continue to squeeze localization budgets and drive cost-based decisions and vendor selections.

This has created a vicious circle that manifests itself through a brutally competitive, price-based L10N service provider landscape. The vendor then must either offer less in the way of services, which is the experience of one major manufacturer of desktop peripherals, reduce costs (which translates into using lower cost resources which invariably puts quality at risk), or streamline processes, which impacts the quality of their deliverable to the client. More specifically, this particular company has found itself bearing the burden of final quality assurance on most of its localization and translation

projects, as vendors are finding themselves unable to include that critical step under the existing cost parameters.

A further believed consequence of reduced funding for localization and translation will be the exodus of the most qualified, most experienced, and most valued linguists from the industry. As the erosion of talent occurs, quality will decline, and clients will determine that lower quality is worth less, which will make it more difficult for providers to offer higher quality, and the spiral will continue. On this point the majority of the localization PM's consulted on the issue are in agreement. Further, they suspect that if we have not yet reached the nadir of performance and quality, it is approaching.

So is the industry doomed to either implosion or asphyxiation?

While there will always be the AOLs, the Disney Groups, and the Yahoos who have fully internalized the localization and translation function, extinction does not occur in an entire industry when an important service is being rendered. Not if clients and vendors can act in concert, as Mentor Graphics and Real Networks strive to do, by agreeing to identify and meet at the intersection of cost and quality. Both firms have recognized the critical value of quality work and have stated their willingness to pay a fair price for it. Webster, by his own account, has failed far more service providers during his thorough screening process for not meeting his quality requirement than for proposing quality service at a cost that exceeds his budget.

For most clients getting to that point will require a change in perception at the executive level regarding localization and translation.

The first step is to acknowledge that localization and translation cannot and should not be commoditized. Why? It is a service and as such can be, and should be, customized to each prospective client. It is imperative that both the client and the service provider adopt this mindset.

The marketing and purchasing departments at Mentor Graphics, who work hand in glove to manage translation and are admittedly relatively new to the game, realized that the translation function could not be commoditized in spite of their wishes and best efforts. Acknowledging that each product line, each language, and each culture has unique needs, they are developing an evaluation process based on breadth and depth of vendor experience, accuracy, customer service, and quality assurance. Under their new standards, cost receives a less than 50% weighting. This keeps the vendors honest without forcing them to cut into muscle instead of fat when presenting final costs. Now Mentor Graphics is maximizing the probability for project success by screening and selecting a vendor based on factors which will impact all facets of the deliverable, not just the immediate financial element.

This is a conscious, intelligent choice each user must make.

The vendor's yong to that must be a passionate and unmistakable move away from completing tactical tasks and towards a more strategic offering. This may necessitate a complete review of an existing sales model and require some re-training. But once prospective clients feel you understand their vision, they will be much more inclined to make you a part of it.

Having the vendor present a more strategic offering should identify a more self-evident return on investment (ROI) and business-impacting positive results for the prospective client. They will be, obviously, different for each company. Presentation of a conclusive ROI, historically a moving target and maddeningly difficult to pinpoint for both client and vendor, will logically begin dissolving the resistance to allocating more appropriate budget amounts to localization and translation initiatives.

For the client's part a willingness to, at the very least, carry the ROI forward is required. Ideally a more strategic view of the situation combined with a tangible ROI will earn the service provider recognition as a valued partner. This is a dramatic shift away from the prevailing trend in the industry. It is exactly what is needed.

Ultimately the client must feel its needs are understood and have confidence in their selected vendor. The vendor needs to feel its value and expertise are recognized. The vendor must delivery quality with integrity, and the client must deliver fair payment for work well done. This is a protocol that has worked elsewhere in the enterprise. It will work here.