



Research on Localization Practices

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The Strategic Role of Localization in Multinational Enterprises & Current Web Globalization Practices: An Industry Analysis

Conversis, a localization company based in the UK and US, in partnership with the Localization Program at California State University at Chico, has released the findings of a research project that examines the localization practices of multinational corporations and how well they adapt to other countries, cultures, and languages. The research was broken into two separate studies:

- “The Strategic Role of Localization in Multinational Enterprises”
- “Current Web Globalization Practices: An Industry Analysis”

Both studies provide a detailed look into how multinational corporations view localization and how those views affect their global expansion strategies. The research involved surveying international business managers, localization managers, e-business managers, Web-content managers, IT managers, and marketing managers within multinational Fortune 500 companies.

THE STRATEGIC ROLE OF LOCALIZATION IN MULTINATIONAL ENTERPRISES

The objective of this study was to understand multinational enterprise practices, in terms of their websites, products, and document localization. The study pinpoints how these aspects affect the growth of the enterprise.

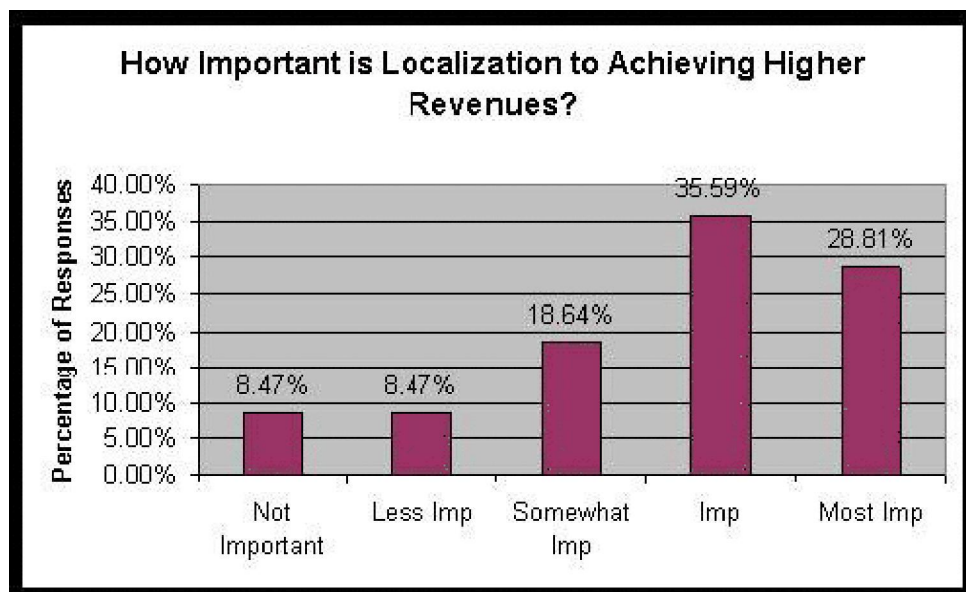
To better understand this study, we must address what localization actually is. Localization is often mistakenly assumed to be synonymous with translation. Although translation is an important aspect of localization, it is just part of the localization process. Localization involves customizing the language and cultural aspects of a product or website. Web localization involves ensuring all forms, dates, currencies, colors, logos, symbols, icons, graphics, and more are customized to the targeted locale.

This research specifically looked at the strategic importance of localization and the use of localization services in the online and offline content of multinational corporations.

The study also looked at the impact of localization on organizational effectiveness, as measured by revenues, market growth, and customer satisfaction.

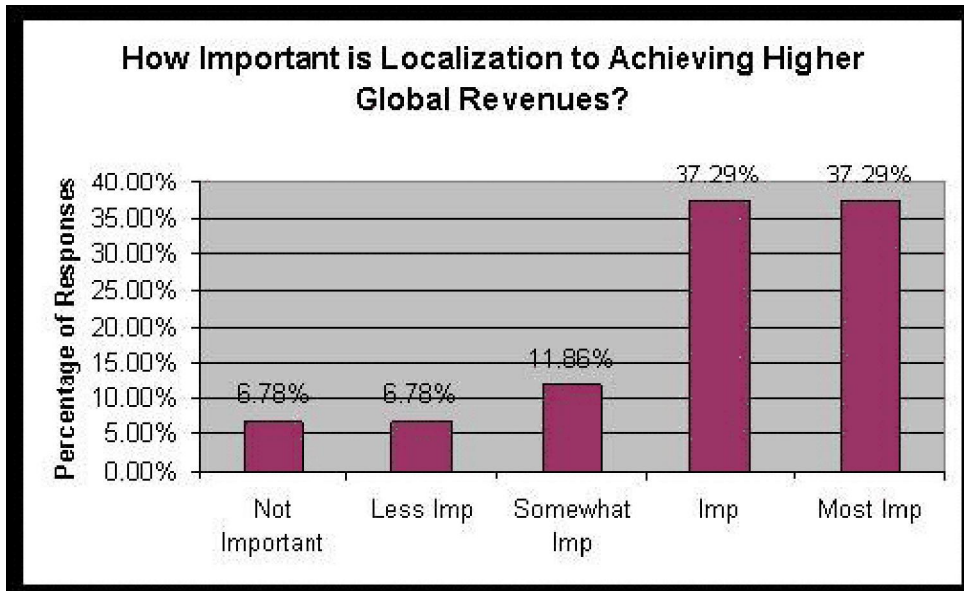
The localization industry has grown over the past few decades from mere translation services into a multi-billion dollar industry consisting of linguistic and cultural customization of products, websites, and information. Many companies have realized a boost in global sales, have achieved a global brand presence, and have generated product acceptance as a direct result of their localization efforts.

As companies grow and look to expand globally, localizing their websites will be crucial to ensure successful market entry. While the world's Internet usage has increased 200 percent since the year 2000, most of the world market, in terms of Internet usage, still has not been tapped. The world-total percentage of Internet population penetration is only 16.7 percent, leaving immense room for growth. Multinational companies must look at localization as not only a strategic advantage, but as a necessity to capitalize on these growth opportunities.



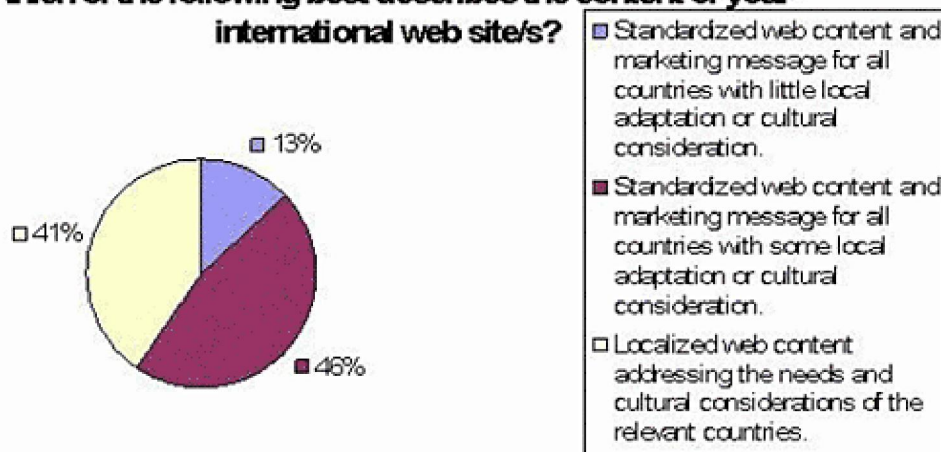
The research results show that 65 percent of respondents believe localization is either important or very important for achieving higher company revenues. This corresponds to the results for the importance of localization in achieving increased revenues from global operations, in which 74 percent of respondents believe it is either important or most important. These results show that localization is important, if not necessary, for increasing revenues from global operations.

But even with all the benefits that localization provides, and the acknowledgements from survey respondents that localization is a revenue-driving force, it is surprising to see the number of large companies that are not implementing localization into their business strategies.



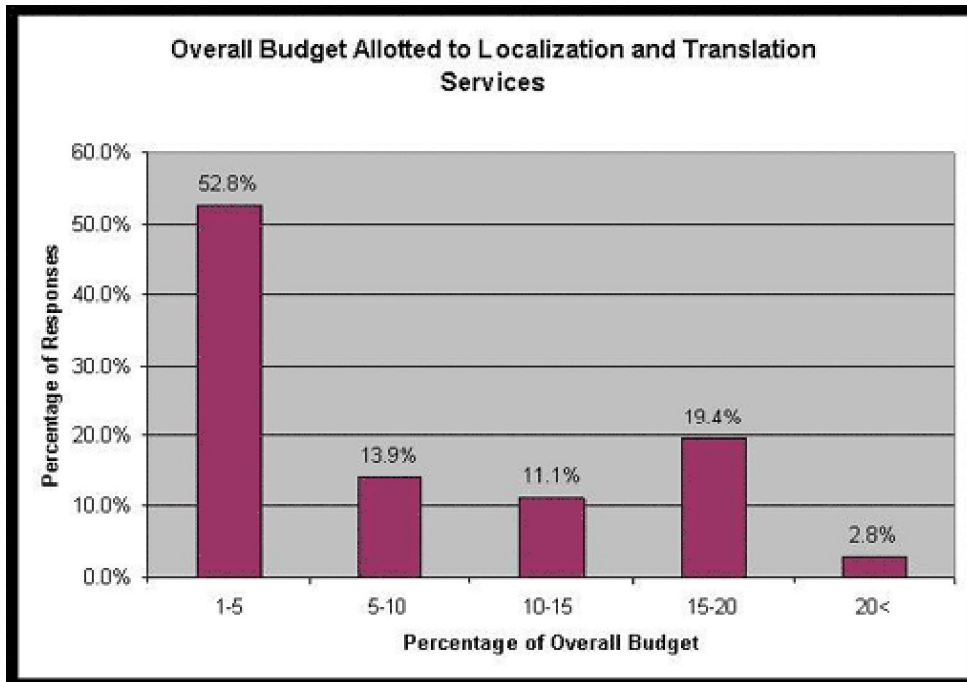
The research study examined numerous multinational enterprise websites and found that less than half the sites were fully localized. While 47 percent of the websites had some localized content, only 38 percent had a fully localized website, and 15 percent of the sites had no localization at all.

Which of the following best describes the content of your international web site/s?



Here are some of the changes that companies need to make to their websites: rewriting text and translating text, modifying graphics and creating new graphics, changing colors and layout, and modifying tables, forms, databases and database fields.

The findings of this study on the role of localization in multinational corporations reveal insight into the localization and decision making processes. Those surveyed responded that quality was the biggest criterion when choosing a localization vendor, followed by service, timely delivery, expertise, and price. According to the findings, localization is considered to be vital by managers, but budgets for localization are drastically under funded. Some companies want to see results before investing more in a new strategy, but it may take more investment to see a real result. From a realistic standpoint, companies cannot expect substantial gains without the equivalent investment.



CURRENT WEB GLOBALIZATION PRACTICES: AN INDUSTRY ANALYSIS

With more than 6,700 languages being spoken in 230 countries, it essential for businesses to use the power of the Internet to reach the global marketplace. The objective of this second study was to explore multinational enterprise websites, to find out how well businesses are adapting to countries, cultures, and languages, and to understand Web globalization strategies in terms of strategic online international market expansion. According to the results, the globalization and localization of websites provides a deeper insight into current and future developments of Web globalization.

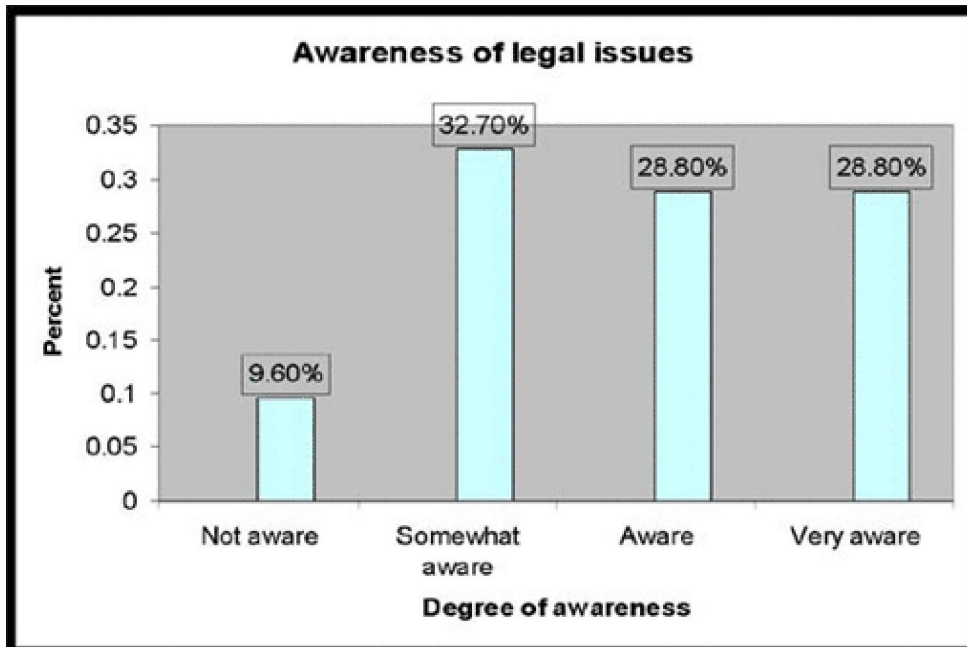
But just localizing a websites doesn't ensure global success. There also are many legal and regulatory issues companies must address. A very simple example is Germany, where just forgetting to put an "Impressum" or impress (a page where the site developer declares responsibility for the site content, and includes contact information) on the site leads to illegal Web content by German regulations.

Also, software marketed in France must be in French. In Brazil, imported software must be supported by hardware developed locally. Furthermore, software that connects with telephones might be more difficult to sell in Europe, as many governments regulate closely the use of phone lines. In Germany, if a company makes a claim that a product is better than the competition, it is considered illegal.

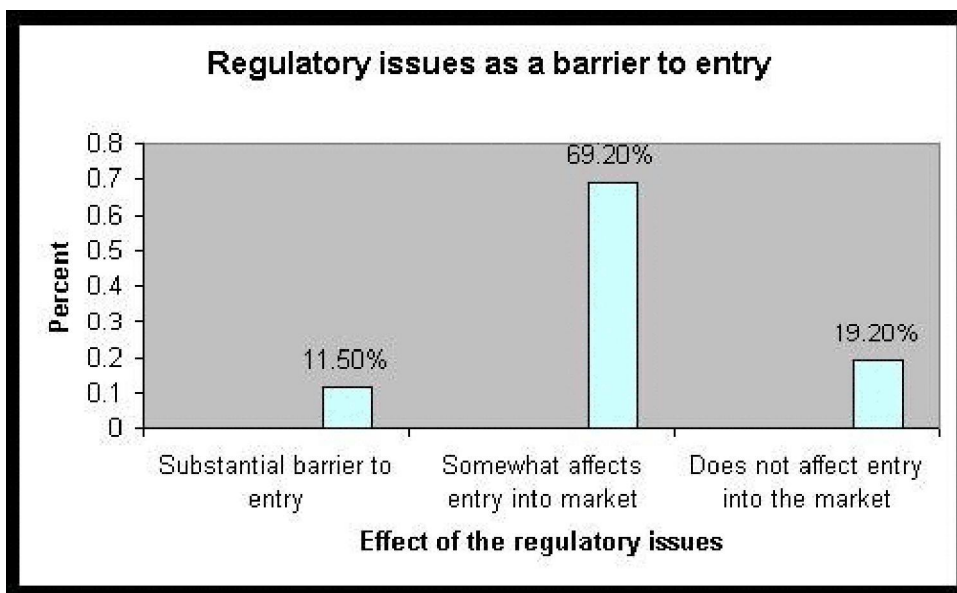
All these aspects are only examples of how companies must be aware of international laws to market their products efficiently and avoid trouble.

According to the research in this second study, while 90 percent of the companies are at least somewhat aware of the regulations in their target markets, 42 percent said that they didn't know as much as they should about the international legal issues. The research also shows that companies that were less aware of legal issues also place less value on localization efforts. And while legal issues restrain 80 percent of companies when entering a new market, only 11 percent see it as a substantial barrier.

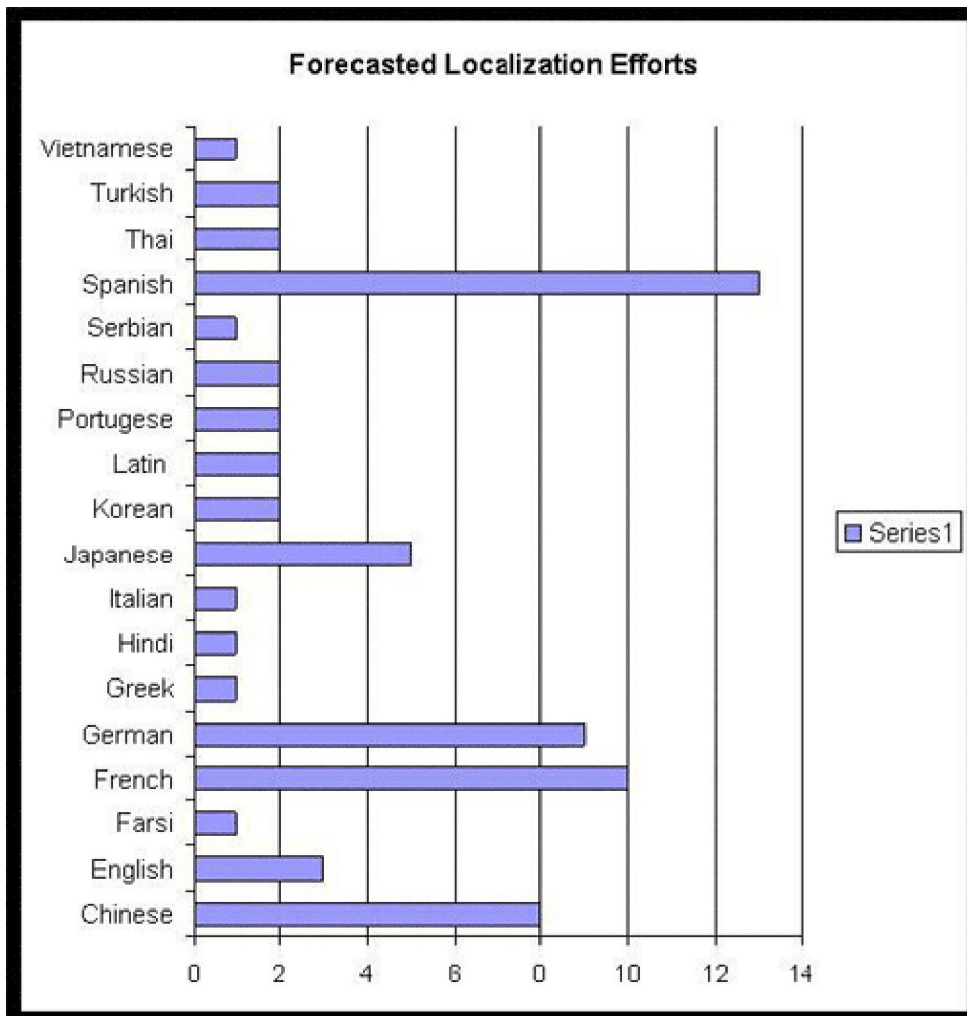
The data shows that companies understand that globalization is becoming a crucial part of their business operations. In fact, at least some form of localization or globalization has become a normal business standard for companies today. And while 87 percent of respondents have either localized or customized their websites with some local adaptation or cultural consideration, less than half had fully localized Web content.



Localizing Web content will become even more important as companies make decisions on their future global expansion plans. When asked what languages companies plan to translate their websites into over the next three years, and what markets they plan to enter over the next three years, we expected the answers to show similar results.

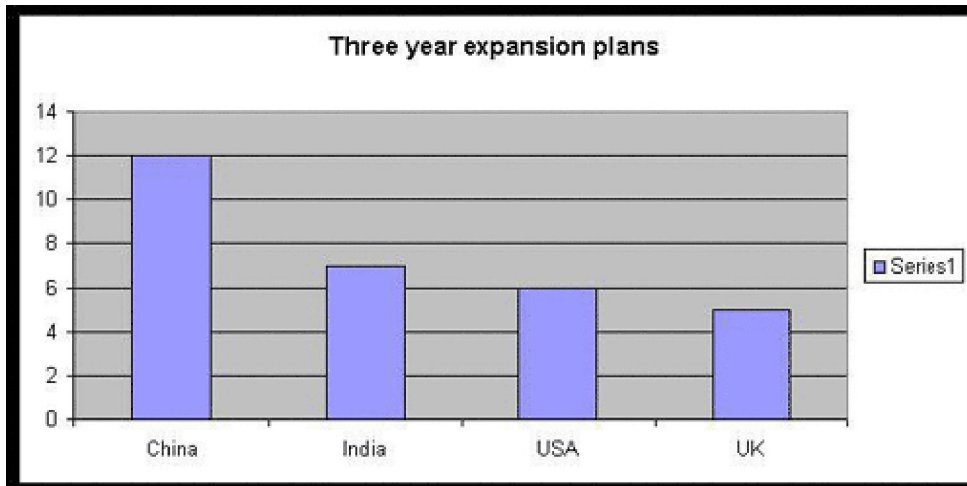


However, the results couldn't have differed more. While German, French, and Spanish are the top three languages companies expect to translate their websites into over the next three years, China and India are the two countries these companies are looking to expand in over that same time period.



This contradiction can be explained by the fact that Germany, France, and Spain already have strong online markets. Online sales between Spain, Germany, and France reached \$43.7 billion in 2006. And they are expected to grow at an average annual rate of 28 percent through 2010. With Internet penetration rates of 51.9 percent, a significant portion of the population has access to online products and services. And because Spanish, French, and German are some of the easiest languages to translate, localizing websites into those languages equates to quick and cost effective entrance strategies to those strong markets.

While the Internet penetration percentage rate in Spain, France, and Germany dwarfs that of China, the sheer size of China makes it the most desired market to expand to over the next three years. With a population of roughly 1.3 billion people, China's buying power is second only to the US, and its economy is expected to surpass the United States' economy by 2050.



And China's online sales are forecasted to grow as well. If only 25% of the population obtain Internet access, it will become the largest market in the world. It is simply a matter of time before the Chinese Internet penetration will reach such a modest penetration rate.

However, there are many challenges involved in expanding into the Chinese market, including the tricky translation into Chinese, which uses a double byte character set. (Most languages use single byte characters.) The Chinese continue to monitor their online environment closely. Still in its infancy, it is perfect for longer term expansion strategies. This approach will allow companies to define themselves and capitalize on the tremendous long term growth to come.

This study provided valuable insights into current and future Web globalization practices. It made clear how the importance of globalization as a competitive advantage is growing, and how most companies use at least some localized content in their websites.

Both studies provide a detailed look into how multinational corporations view localization and how those views affect their global expansion strategies. According to both, companies seem to think that they fully understand the importance of localizing their products and websites. But after further evaluation, the data reveals that the majority of corporations are ill prepared to expand globally. And until they put a premium on localization, their expansion efforts will be at risk of failure.

For more information on research on corporate localization practices, visit www.conversisglobal.com