China Shows the Way into the Post-Pandemic Future

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Primary Market Research

Buyers

- Freelancers
- Global Consumers
- Technology Vendors
- Language Service Providers

 CSA Research
## Agenda

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Background

Why a survey of Chinese LSPs?
Surveys of Chinese LSPs

• Dates: April (137 responses) and August (115 responses) 2020

• Purpose: Learn from the experiences of first movers in the post-COVID environment

• Survey translated into Chinese by Institute of Language Services, Hebei Normal University for Nationalities

• Of the responding LSPs:
  – 17% interpreting-centric
  – Two responses from Hubei Province to Survey #1
Are Chinese companies representative?

- They are very similar in characteristics to the international average
- Representative of general LSPs
- Their experience shows how LSPs are emerging on the other side of COVID-19
Domestic focus

• Compared to the global average, Chinese LSPs are somewhat more focused on domestic clients

• This means they are actually better situated to understand how post-COVID-19 conditions affect their clients

Source: “2019 Global Market Survey”
Points of comparison

• Surveys of CEOs of the 193 globally ranked LSPs
  – First survey (March 2020) – 124 CEOs
  – Second survey (May 2020) – 115 CEOs
  – Third survey (August 2020) – 118 CEOs
  – Fourth survey (February 2021) – 108 CEOs

• Freelance linguists
  – 1,228 responses, world-wide (May 2020)
  – 2,274 responses, world-wide (August 2020)
China led the way
COVID-19 hit LSPs hard, but a rebound began early in May

- More than two-thirds of Chinese LSPs experienced a decline in revenue when COVID-19 started.

- Most were still experiencing declines in May, but almost half were at or above their projections, just as foreign LSPs really began to feel the effects.
The largest LSPs had not yet seen a rebound in May

• International LSPs have had more disruption

• In March 2020, the largest global LSPs were in a similar situation to Chinese LSPs during government restriction

• By May, they were more likely to experience declines than Chinese companies were at the height of restrictions
Global mid-year revenue decreases were substantial

- Average drop in revenue was 21%
- Median was 11–20%
- Some experienced catastrophic decreases

**Change in Revenue Compared to Prior Year (Top LSPs) (May)**

<table>
<thead>
<tr>
<th>Change in Revenue</th>
<th>Percentage of Respondents</th>
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<tbody>
<tr>
<td>Increase</td>
<td>7%</td>
</tr>
<tr>
<td>No change</td>
<td>18%</td>
</tr>
<tr>
<td>1–10%</td>
<td>9%</td>
</tr>
<tr>
<td>11–20%</td>
<td>20%</td>
</tr>
<tr>
<td>21–30%</td>
<td>14%</td>
</tr>
<tr>
<td>31–40%</td>
<td>16%</td>
</tr>
<tr>
<td>41–50%</td>
<td>6%</td>
</tr>
<tr>
<td>51–60%</td>
<td>5%</td>
</tr>
<tr>
<td>61–70%</td>
<td>2%</td>
</tr>
<tr>
<td>71–80%</td>
<td>1%</td>
</tr>
<tr>
<td>81–90%</td>
<td>0%</td>
</tr>
<tr>
<td>91–100%</td>
<td>0%</td>
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</tbody>
</table>

N=100
But they had largely reversed by the end of the year

- Average revenue for the year was up 4% compared to 2020
- Some experienced catastrophic decreases
Global profitability was up

• 70% of top global LSPs had stable or increased profitability in 2020 compared to 2019

• Major reasons include:
  – Technology investment
  – Increased demand from specific verticals
  – Decreases in office costs
Chinese LSPs were optimistic… and right

- Most Chinese LSPs (75%) expected more normal conditions by the end of 2020
- Only 11% expected effects to continue to 2021
- However, 14% were uncertain
- This optimism proved prescient
Top LSPs were less optimistic than those in China

• Most LSPs entered COVID-19 conditions after those in China and many have yet to leave restrictions

• One in five (20%) of respondents felt it was too early to tell

• Lack of clarity on this point was an important issue
Chinese LSPs already moved to increase staffing by August 2020

- Immediate response: freeze hiring
- After: One quarter hired staff
- Some of this may be rehiring staff they previously laid off
- Was a good sign that showed where the rest of the world would head
Improving business processes and production

- 57% of Chinese LSPs wish they had done a better job in team training

- The second biggest concern was an aggregate of financial issues
Coming back to the office isn’t always easy

• Chinese LSPs have tried to bring workers back to the office
• However, one-third faced some challenges in bringing them back
• By contrast, international LSPs have largely embraced remote work
Work is changing

- Overwhelming majorities of top LSPs are increasing use of remote technologies, for both meetings and work
- Over half will decrease office space
- Offices are a risk right now
- Travel is being dropped everywhere (LSP opportunity)
Bringing workers back may not be the right move

• LSPs trying to bring workers back are struggling financially

• LSPs that have not brought any workers back to the offices have done the best on the rebound

• Multiple factors may allow accrual of pipeline revenue and successful sales
Be open with employees and clients

- Most Chinese LSPs felt they could have communicated more and been more open with employees and clients

- Avoid oversharing: Some felt their communication should have been more focused instead
Helping employees cope remains important

- Employees need logistical and health support even when they are not in the office
- Council of enterprise buyers: biggest concerns are around helping employees deal with stress and uncertainty
- As the global pandemic moves into its second year, fatigue and stress are major concerns

<table>
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<tr>
<th>Survey Results</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Provided personal protective equipment</td>
<td>48%</td>
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<tr>
<td>Provided linguistic resources related to COVID-19, such as terminology</td>
<td>45%</td>
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<tr>
<td>Provided training in working with remote interpreting platforms</td>
<td>33%</td>
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<tr>
<td>Surveyed employees and/or freelance linguists regularly</td>
<td>31%</td>
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<tr>
<td>Provided mental health counseling for employees or linguists</td>
<td>25%</td>
</tr>
<tr>
<td>Set aside emergency assistance funds before the pandemic</td>
<td>15%</td>
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*Note: The chart shows the percentage of respondents who believe the mentioned resources were helpful during the COVID-19 pandemic.*
Conclusions

Light at the end of the COVID tunnel
Recommendations (1)

• Plan for changes in work culture (e.g., 9-9-6)
  – Don’t rush to get back to the old ways
  – Some adjustments may be permanent

• Be optimistic

• Look to China as a model for where the language industry will go as the pandemic conditions change

• Learn from the past

• Get ready for the new remote world
Recommendations (2)

- Take advantage of the crisis to re-engineer your processes
- Build efficiencies and gather data for machine learning (“small AI”)
- Take advantage of the opportunity to reevaluate your processes, segmentation, and offering

Source: “The Future of Language Services”
Free COVID resources page

Data updates for the Last year from
  • LSPs in China
  • CEOs of 193 leading LSPs
  • Freelancers
  • Technology vendors
  • Buyers

https://csa-research.com/More/Featured-Content/Leadership-Resources
Thank you!

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