On January 13th, Alpnet boss Jaap van der Meer announced that his company was shifting its basic operating model to that of an application-service provider, replacing the localization-project approach with a user-based subscription service. This decision caps a far-reaching management revolution in Alpnet as it aims for 21st-century leadership in its sector.

Language International asked Jaap to meditate on the background of his strategic decisions at the head of a company that claims to be one of the world’s largest publicly owned localization and multilingual information-services supplier.

Language International: You’ve been with Alpnet for four-and-a-half years. How do you evaluate your achievements?

Jaap van der Meer: At the time I joined Alpnet, I received invitations from most of the leading players in our industry to join them after I had left my previous company. If I had to choose again, I would still go down the same route.

What attracted me then about Alpnet are its strong features in the company—its global spread, its roots in diversified industries, and its technology leadership. What I perceived as weaknesses seemed easy to address and repair. Alpnet was an inverted company, weak in marketing and lacking unified operations and sales.

I started focusing on the sales and marketing side, and we were quite happy to see a rapid pick-up in sales. From 1995 through 1997 we booked consistent organic sales growth of 20 percent every year. But the company’s legacy and history prevented me from integrating and automating internal processes quickly.

I don’t believe this is only an Alpnet problem. Most companies in our industry do not have integrated and standardized systems. But I had set my goals high. Rodrigo Vergara, the director of Logos Italia, and I had developed ideas (even before I joined Alpnet) of how the ideal service company would operate in our industry, and I was hoping to implement this quickly. Resistance in Alpnet came not so much from disagreement over the strategy and direction to follow, but mostly from a fear of “betting” the company, as they say.

The dip in sales due to the global slowdown—after three years of consecutive growth—in the third quarter of 1998 came to the rescue, as it were, and resulted in the final major change in corporate management. The management reorganization gave us ways to integrate our worldwide operations on an unconditional basis. Starting in the second half of 1998, things started to accelerate.

Now, in hindsight, this has been a longer, more tiring, and more tedious process than I had anticipated. But in all honesty, what we are achieving here, we could not have done anywhere else. Five years ago, I came to the company with some simple ideas about online access to translation services, but the far-reaching consequences of SGML and XML and the concept of “Info-Cycle” were not so common at that time. These are things that I learned at Alpnet and that we could only realize within Alpnet.

Ll: The market has been through its own revolution in recent years, consolidating at the top, and tooling up through technology acquisitions. Is the localization industry a club you are happy to be a member of?

JVM: I think it is surprising that—despite consolidation in our industry—there is still a huge gap between the size of the market and the size of the big providers. The large service providers seem unable to grow faster than the market. Consolidation so far has been a “game” of buying competitors and capacity—a strategy I am very skeptical about. Localization companies may get bigger, but do they get any better?

The key issue from a customer perspective is: “How do I manage the growing volume of information, and the increasing number of languages in a much shorter time frame and within tighter budgets?” But most of the major players in the localization industry are not addressing that key issue. They are trying to protect their margins by...
maximizing the word volumes. Customers want to drive the cost per word down to a fraction of what they pay today and they will get there, with or without today's large localization-service providers.

From a supplier point of view—in a commoditizing market—the trick has always been to add value through vertical integration. In the early nineties—around the time the localization industry started to blossom—vertical downstream integration was a common trend. Printing, media replication, fulfillment services, and localization were offered as one package to the software publishers.

Now, with the complete digitization of the world as we know it, traditional print and warehousing are disappearing. Integration efforts have shifted toward call center, support, and testing services. Localization companies that originated in the IT sector are fated to limit their view of the world to the needs of this sector. In my view, this kind of downstream integration only leads to yet more low-margin, price-competitive, and volatile business for the supplier, but it doesn't necessarily add value for the customer.

The localization industry has become somewhat turned in on itself. It's still proud of revolutionizing the old cottage-like translation market of less than 10 years ago, but it is now quickly losing ground again. The threat may come from large system integrators—the likes of Andersen, IBM, Deloitte, Cap Gemini—or from small e-commerce start-ups, e.g., eTranslate, WorldPoint, and Uniscaple. Any fresh "new technology" approach that entails a complete reengineering and integration of the multilingual information process in the enterprise function will undermine the role that traditional localization suppliers play.

**LI:** What are the criteria for success in market leadership today?

**JYDM:** I don't believe that mergers and acquisitions among the existing suppliers really serve the interest of customers. There is no innovation, no breakthrough.

To keep pace with the mind-boggling growth of multilingual B2B transactions in the next few years, we have to find a fresh approach.

What has bothered me ever since I have begun working in this industry is that translators seem to work in total isolation from other functions in the process—product development, marketing, and information creation, for example. So the key success factor is to put information—multilingual information—at the heart of the enterprise. With the right focus, the right kind of technology integration, and the right business model, we can increase the efficiency of multilingual information management dramatically to enable businesses for the global economy.

Our industry is characterized by the stacking of processes, tools, and suppliers. All these are quite different and incompatible with each other, mainly because the localization industry is still immature. Some time ago, I was visiting a software publisher who told me that he used 600 different proprietary tools in his localization department. No one individual can master all these tools. Just think of the staff they need just to make sure that they can work with all their tools. As long as we accept these inefficiencies in our industry, we will never be able to meet the demands of the Internet economy.

So the key criteria for success are upstream integration—or the Info-Cycle as it is being called—and enterprise-centric information management. Upstream integration is not easy because we need to position ourselves on a much higher level of operational business vision. And enterprise-centric information management requires a breakthrough on the technology side, where our industry is used to working with distributed tools that automate isolated stand-alone processes.

**LI:** And have Alpnet's key moves been successful in this respect?

**JYDM:** First of all, we decided not to enter deep discussions with companies within our sector about mergers and acquisitions. We have had our exploratory meetings with each of the big players, like everyone else. But we stopped right there, because we know from experience how much this distracts management. It takes you at least a year to culturally and operationally integrate newly acquired businesses.

Second, we have designed a standard worldwide process for our business and started developing an ERM system that would automate this process as much as possible. This project started early last year and we have now implemented the first release of AlpnetXchange. AlpnetXchange integrates resources, production, finance, customer-relationship management, and multilingual information management in a workflow system. All of our employees and suppliers worldwide are connected to the same server. Jobs now travel automatically through our network without the intensive traffic control of our account managers and project managers.

Third, we have acquired information-engineering consulting skills and started to recruit and train key personnel in all the aspects of the Info-Cycle. We have built up knowledge in the areas of relevant technology: controlled authoring, SGML, XML, content management, machine translation. And we have started our first Info-Cycle Solution Design projects for customers.

Fourth, we have acquired sophisticated multilingual information-management technology with last year's purchase of EP Publishing GmbH in Nuremberg. This company had developed a system for the European Commission over the last five years, which—in our view—is clearly

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ahead of all other tools on the market, including the system that Alpnet itself had developed previously. This new system allows for network-centric management of linguistic resource data, i.e., terms and segments in multiple languages. It runs under Unix on a network—the Internet, a virtual private network, or an intranet. And it can be used simultaneously by hundreds of users.

Fifth, we have started joint development with Sun Microsystems to further improve and enrich the technology. To maintain technological leadership we have founded the Alpnet Community. We are convinced that the industry can only break through the barriers that have kept it immature for a long time through industrywide cooperation, communities, and open-source initiatives. We will see the Alpnet Community growing, with more companies joining.

L1: In which ways will the new business model drive Alpnet’s bid for industry leadership?

JVDM: We have developed a business plan that provides for a fundamental shift in our business model, from project-oriented word-based services to a user-based subscription service. We are currently testing the market for this new service model with select customers and responses are very positive.

In the middle of this year we will roll out the AlpnetXchange Extranet portal which will give customers direct online access to our services. For large customers we will set up dedicated data servers with repositories of their multilingual information. The more the database is used, the more leverage we get.

This creates a unique value proposition. We are converting the cost of translation into a reusable asset. We can offer a company-wide subscription to this service, which will ensure consistency in the use of multilingual company-specific terminology and information, plus maximized leverage. This should lead to vastly increased efficiencies, an improvement in quality and performance, and the optimized convenience of direct access to company information in a foreign language directly from every desktop.

We believe that this service and technology model will make our business much more scalable and profitable. While we will be reducing percentage-wise the dependence on human translators, thanks to the increased recycling of translations, we will still need a much larger pool of resources because of the expected rapid growth in volumes of new information. In the spring of this year we shall bring out a Java-based Translation Editor that can be downloaded from our Web site and will allow translators to share memories over the Internet in real time. This will allow us to integrate the supply chain completely into our workflow system.

L1: Does this move crown your career in this industry?

JVDM: Well, it certainly gets very close to what I have been thinking of for a long time. And I am extremely proud to be part of the first company to achieve it. I say this because as far as I can see, none of the other big players has come close to such a model. Logos Italia—under Rodrigo Vergara’s constant focus—has realized a lot of it as well. But, other than that, I have the impression that most of the big suppliers are busy doing other things. But then, we are living in a world that is changing so fast. Competitive attacks can come from anywhere, and they’ll probably come from outside our industry.

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