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Localization ROI

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The complete guide to measuring and maximizing your localization ROI

Measuring the ROI of localization can be a challenging task, mainly due to how many aspects are involved. You have translators, possibly a localization manager, localization software, international SEO, and more, depending on how you approach localization.

Here is how you can measure and improve your ROI!

Table of contents

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1.
Investing in Localization

First, consider any expenses as an investment. CSA research indicates you can expect $5 for every $1 spent.

This happens via numerous benefits that localization offers, such as:

1. **An increase in conversion rate**

2. **Increased app/website usage**

3. **More website visitors through to international SEO**

4. **A decrease in customer acquisition cost (CAC)**

Thus, if you want to measure the ROI of localization, start by measuring the benefits, and look at expenses as investments that will yield a return.

That aside, in this guide, we'll also be referring to how to maximize ROI by utilizing translation and localization management software that enables the localization team to work more efficiently.

SOURCES:
TRANSIFEX PRICING, TRANSLATOR RATES, TRANSLATION MEMORY FROM A TO Z, ROI BY THE NUMBERS

ROI can be straightforward when all costs and returns are easily quantifiable. But the impact of localization contains aspects that can not be objectively measured. So, you'll have to separate quantifiable from unquantifiable metrics, and focus what can be measured.

Metrics you can measure objectively and concisely. (Revenue, traffic, etc)
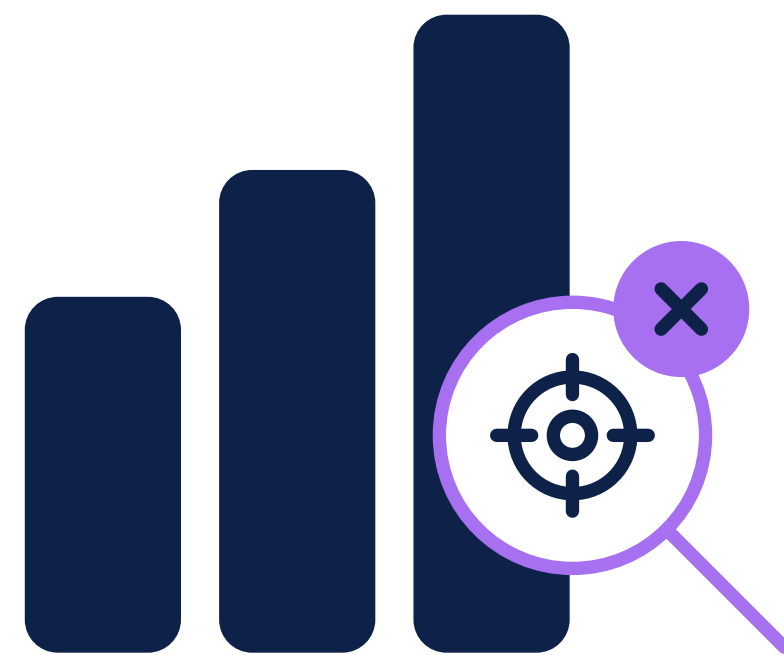
Metrics where the localization impact and benefits are harder or impossible to objectively measure (Customer and employee satisfaction, precise collaboration improvements, etc)

As a people-focused industry, localization has plenty of unquantifiable benefits.

But for the sake of calculating the ROI as precisely as possible, we are going to be focusing purely on quantifiable metrics.

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2.
**Measuring the Benefits
of Localization**

To measure the ROI of localization, we'll need the projected localization revenue and investments.

Let's start with benefits.

1. **Conversion & engagement rates**

2. **App/website usage**

3. **International SEO**

4. **Revenue per region before/after localization**

5. **Customer acquisition cost**

Research shows that 76% of people prefer buying from websites in their own language.
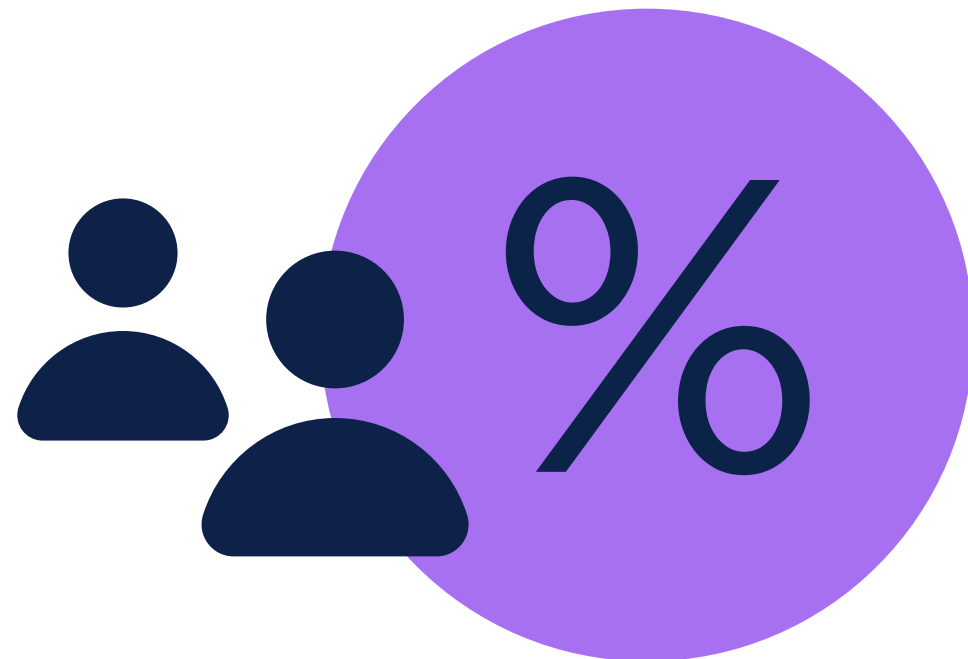
Conversion rate: The percentage of visitors that perform a desired action, such as buying a product or subscribing to a service.

To measure the impact of localization in conversion rate, you can look into how much your conversion rate has increased for targeted regions before and after localization.

Measuring the impact of localization in customer satisfaction is not an easy thing to do.

But one way to get such insights is by measuring your app/website usage before and after localization on targeted regions.

When people feel at home, they are more likely to spend more time browsing through a website or using a product.Though, some business models measure effectiveness by reducing time spent, rather than increasing it, based on how quickly users can find the information they are after.

In other words, while measuring the effectiveness of localization in customer satisfaction can be tricky, measuring how much time they spent is more straightforward, and one of the indicators that a localization strategy is working.

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More specifically, there are two main metrics to consider:
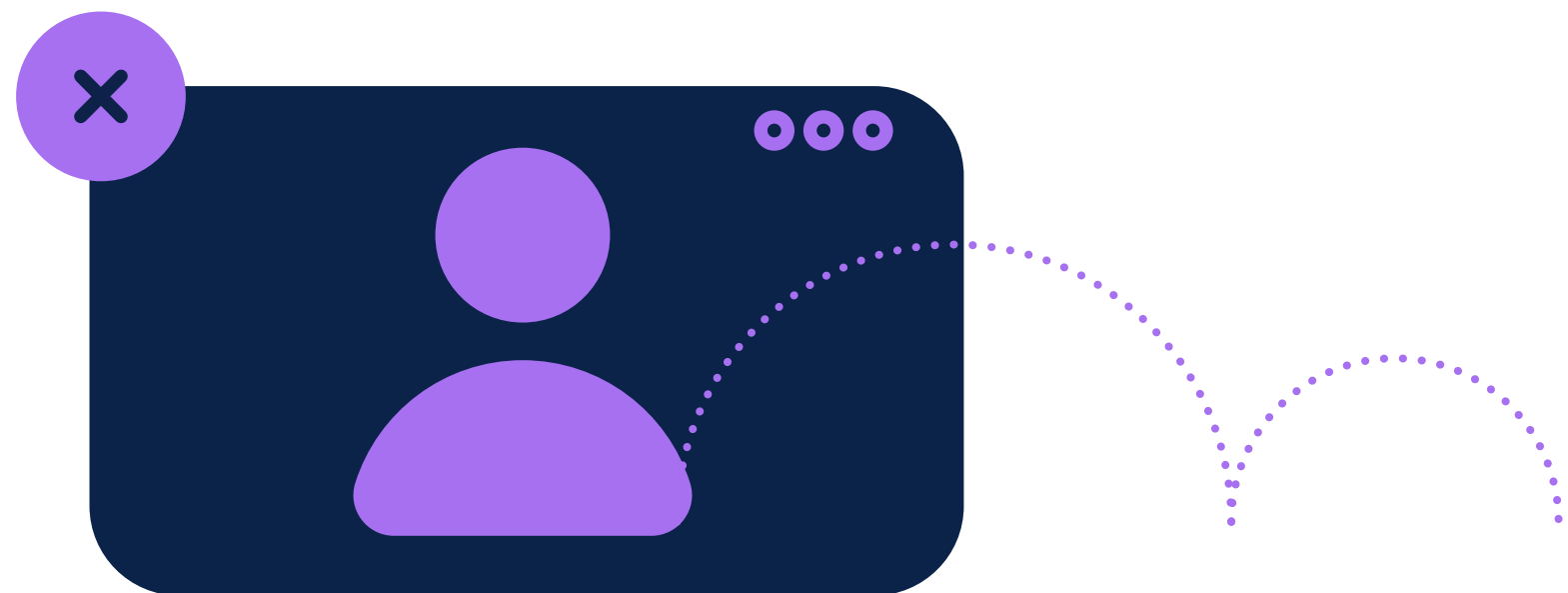
Bounce rate: The percentage of visitors who exit the page without taking an action
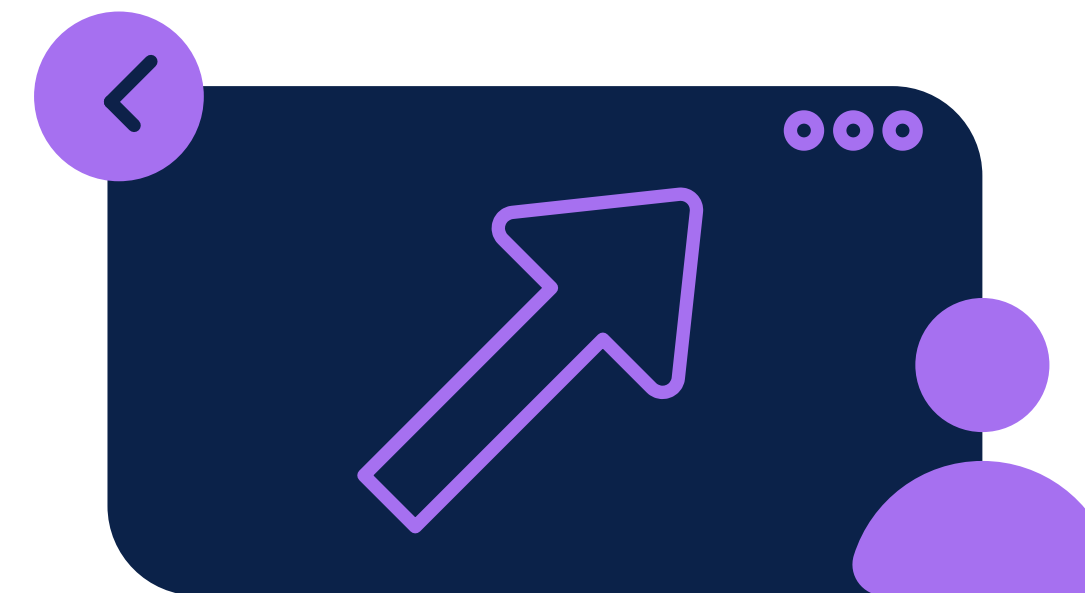
Time spent: Indicates the duration of time visitors spend on a page

The end goal is measuring the amount of time visitors/customers spend on the localized VS non-localized variants of a website or app.

One of the benefits of localization is organic traffic expansion.
Businesses that properly optimize their content in English can rank in multiple regions. But ranking with local keywords can only be done with international SEO by translating and optimizing the content for them.

For example, according to Ahrefs, one of the most popular SEO tools, 2,000 Argentinians search for "headphones", and 47,000 search for "auriculares". Without international SEO, these are 47,000 visitors that an e-commerce business may be missing out on.

Search engines can recognize when a page is targeting a specific region, which increases the odds of it ranking for keywords that are otherwise out of reach.

This can be measured in both share of voice as well as traffic.

Share of voice: Indicates the percentage of all possible clicks for the targeted keyword that land on your page

Traffic: The number of people who visit your website over a specified time period

Keep in mind that to measure the organic impact of localization, you'll have to separate it from organic traffic that is not related to international SEO. Consult your SEO specialist for more details

SOURCES:
AHREFS, SEMRUSH, INTERNATIONAL SEO

As your business taps into the power of international SEO and utilizing localization to increase conversion rates, a higher revenue per region is a given. Take care to measure such metrics for the sake measuring the localization ROI as well as the performance of your efforts.

Furthermore, you are also increasing the conversion and engagement rate.
With both higher traffic and higher conversion rates, a higher revenue per region is a given.

An additional benefit of localization is a lower customer acquisition cost.

To be more specific, it is a result of increasing the traffic and conversion rate, thus bringing in more customers and more revenue than the required investment.

Customer acquisition cost: The amount of funds a business needs to invest in order to acquire a customer

The formula for calculating this number is: Marketing + Sales + Localization investments / number of new customers.

For example, assuming there is an investment of marketing and sales of $100K to obtain 100 customers, that's a customer acquisition cost of: 100,000 / 100 = $1000 for every customer.

What happens if we invest $20K in localization to bring in 130 customers? 120,000 / 130 = $923.

Reducing the CAC from $1000 to $923 may not seem like a big number at first. But if you compare them, that small difference adds up over time.

$923 * 130 = $119,990   VS $1000 * 130 = $130,000
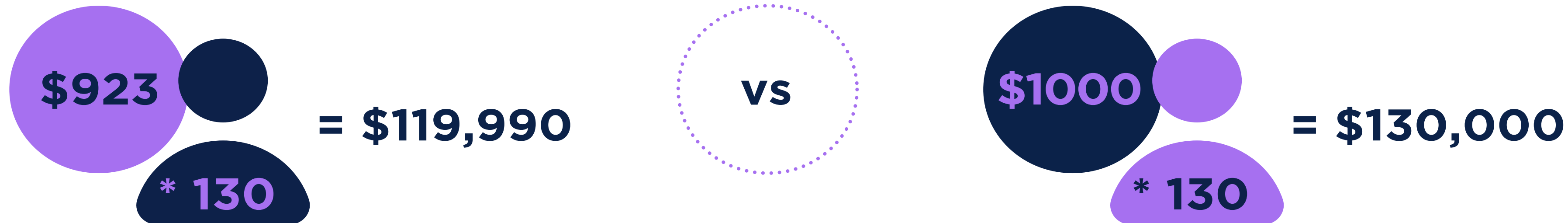
In short, we are obtaining more customers while simultaneously reducing how much we need to invest.

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3.
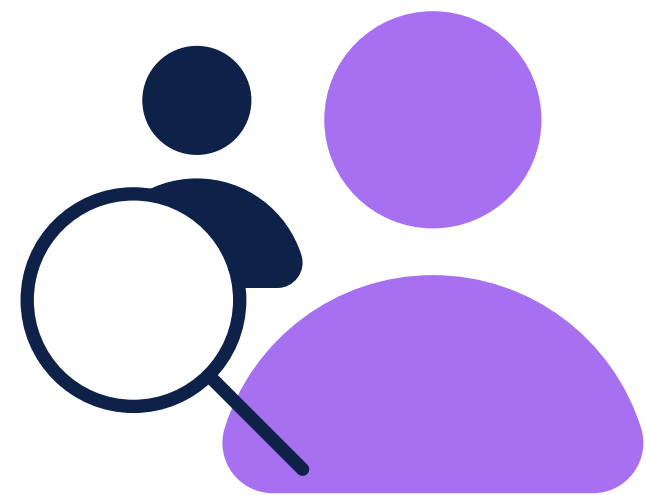
Measuring the Expenses of Localization

Measuring the ROI of localization requires the input of both localization benefits as well as of investments/expenses.

With the benefits out of the way, the most common localization investments to keep in mind are:
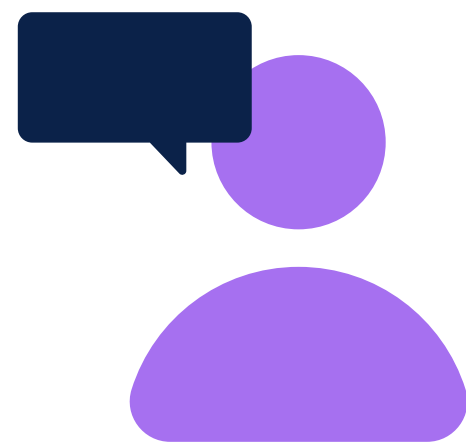
1.

Human resources

2.

Localization software
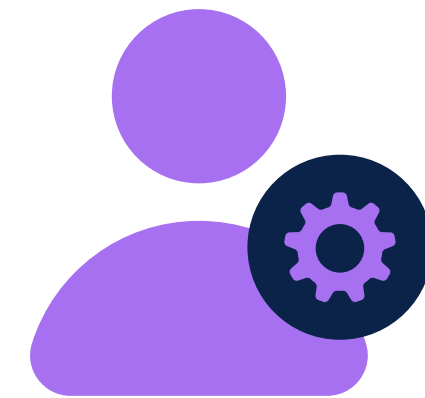
3.

Content translation

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Regardless of how each business approaches localization, human resources are a central part of the process.

Translators

Reviewers

Engineers

Localization managers

That list may expand or shrink, depending on a business' needs.

Smaller businesses, for example, tend to begin by assigning the role of the localization manager to a product manager or a marketer, rather than hiring a dedicated person for it.

it may be tempting to use machine translation instead of translators to cut down on costs, do keep in mind that a combination of both the human element and MT is generally advisable.

Machines can not achieve the translation quality that professional translators do. Not to mention the cultural element, which helps increase conversion and engagement rates.

In other words, avoiding the use of human resources will most likely result in a decrease of ROI, rather than an increase.

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Localization software is one of the pillars of localization software, and the core of it is Translation Management Systems (TMS) with TMS is used for:

The main translation editor/UI
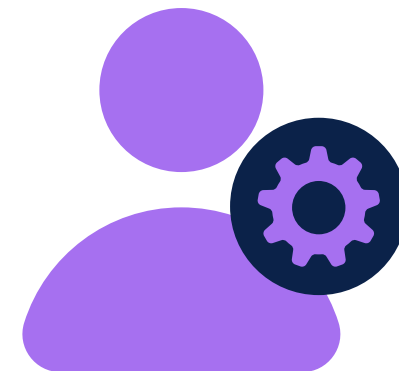
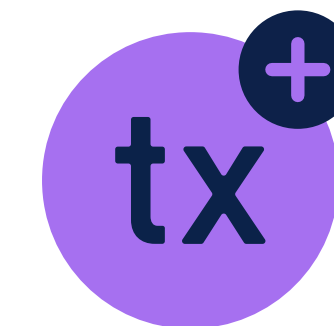Team management & collaboration tools
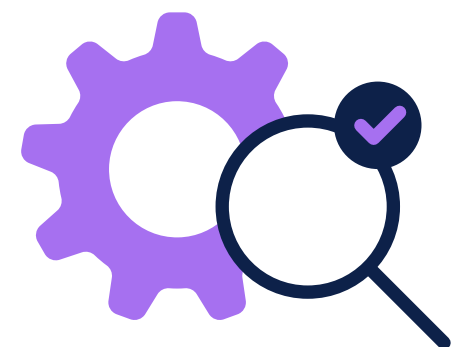
Quality assurance tools

Translation Memory

Glossary

Integrations with other systems (Figma, WordPress, Slack, etc)

SOURCES:
TRANSLATION MANAGEMENT SYSTEM, TRANSLATION MEMORY SOFTWARE, TEAM MANAGEMENT, TMS PRICING

Translation is a core part of localization.

Translators generally charge per word or hourly. Unless, your business is employing in-house translators on a salary.

Regardless of how your translators are getting compensated, the one variant that remains the same is that the more content you want to localize, the higher the investment.

For example, assuming we are working with a per-word rate, if the translators ask for $0.10 per word and you want to translate 100,000 words, the total is going to be $1000. If it's $0.20 per word, it'll be $2000, etc.

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4.
Measuring
the Localization ROI

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ROI:
Revenue/investment * 100

To make projections as accurate as possible, we can use the average benefits from other businesses' data in a realistic scenario.

Case studies with businesses **_such as WishTrip that lead conversion rate typically increases by 30%._** And we can also make reasonable projections on the traffic increase of international SEO, thanks to SEO tools that deliver such insights.

With that in mind, let's assume we are dealing with a business that:

Let's start with the benefits, first.

1. **Targets Spain with 1,200,000 traffic per year**

2. **A visitor to lead conversion rate of 1%**

3. **A lead to customer conversion rate of 5%**

4. **12000 leads per year**

5. **600 customers with an average revenue of $10,000 per customer**

6. **An annual projected revenue of $6,000,000**

Some measurable potential benefits that we can expect to get are:

A 5% increase in traffic via international SEO/organic traffic

30% increase in visitor to lead conversion rate

By taking these benefits into account, it is safe to assume that a good localization strategy will result in:

- **1,260,000 traffic (Due to international SEO)**
- **16380 leads (Due to the increased traffic & conversion rate)**
- **819 customers (Assuming only the visitor to lead conversion rate increases)**
- **Revenue= $8,190,000**

Which means this business grew in ARR by $2,190,000 with the benefits of localization.

Of course, this is not the ROI, as we haven't taken into account the amount of investment yet.

If we want to translate 500,000 words into Spanish, the projected investment is:

- **$130,000 for project management (Localization manager, engineering, etc)**

- **$7,800 for localization software**

- **500,000 * 0.11 = $55,000 for translators (Average rate for translators)**

Which equals to $192,000.

With all the numbers at our disposal, we can now proceed to make the ROI calculation.
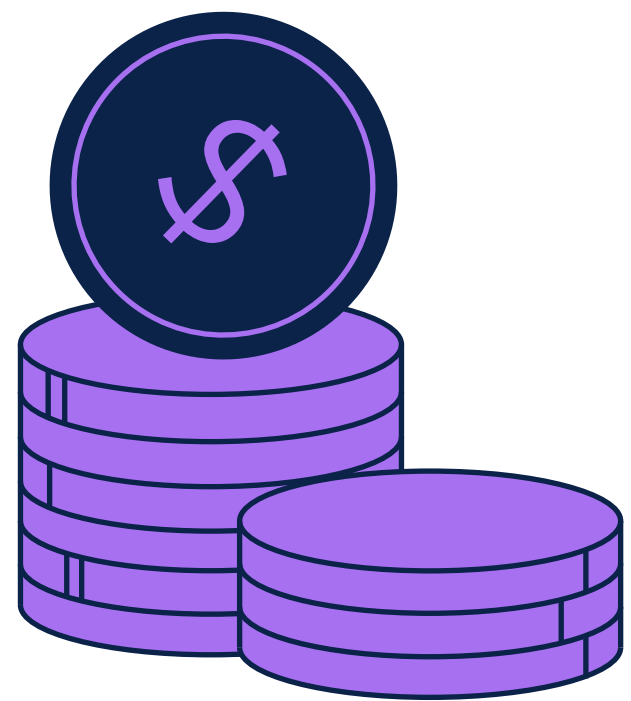
Projected localization ROI:

$2,190,000/192,000 * 100 = 1140% ROI.

*Over the course of a year.

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5.
Maximizing
Localization ROI

A 1140% ROI is no doubt incredible. But with the right investments, this number can be increased by more than four times. And this is mostly done with localization software features that come with a TMS, such as Translation Memory.

Since translators now have to translate fewer words, you are investing less without reducing the return.

Let's put the aforementioned localization ROI example in practice here. We have 500,000 words of content to translate. This results in a $55,000 investment, on average. But Translation Memory can automatically fill-up anywhere from 40 to 60% of content.

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Let's put the aforementioned localization ROI example in practice here.

$55,000

500

We have 500,000 words of content to translate. This results in a $55,000 investment, on average. But Translation Memory can automatically fill-up anywhere from 40 to 60% of content.

In other words, we are reducing our investment yet revenue remains the same.

As far as the ROI is concerned, going back to the previous example of $2,190,000 in earnings, we now have:

$170,000 investment
2,190,000/170,000 * 100 = 1288%

This may look like a 13% increase, but that's half the story. Since the workload is reduced, there is also a decrease in work hours.

More specifically, using a TMS has been associated with reduced turnaround times by 20%, according to case studies from businesses such as Space Ape Games.

This means we can remove 20% of our projected human resource costs, which is a further decrease of $26,000 from our investments.

With the investments down to $144,000, the ROI is now 1520%!

Projected ROI increase with localization software:

33%

And then there are also tools such as Machine Translation that can be used to automatically partly translate content.

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Technologies aside, following best localization practices is essential to getting the highest ROI possible. Practices such as:

Targeting markets with the highest demand for your product/service

Applying best international SEO practices

Efficiently solving technical challenges, such as internationalization

Making sure the localization team have everything they need to work efficiently

Prioritizing the content that needs to be translated the most

Need to calculate your TMS ROI? Stay tuned. We are building a calculator on our website!

Machine Translation: Artificial intelligence that automatically completes translations, albeit not with the same accuracy as translators.

Translation Memory: A database that stores completed translations, then uses that data to automatically complete other, identical content that needs to be translated. Much more accurate than Machine Translation.

SOURCES:
LOCALIZATION STRATEGY, HOW TO CUT LOCALIZATION COSTS, SPACEAPEGAMES

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Thank you!