

— localization specialization —

Is specialization the key to success in any economy?

*Interview with Andres Heuberger,
President and founder
ForeignExchange Translations*

CSN-

Andrus, Foreign Exchange enjoyed successful growth last year and you seem to have good expectations for 2010. Considering the challenges we all faced, I'm sure our readers would be very interested in hearing more about your success, and how you overcame the seemingly insurmountable challenges.

ANDRES-

You know, we're coming off of a few good years. We've been growing at an average of around 40% annually. This year was a little slower, pushing single digits by the time it's all said and done so we're still doing pretty well. In fact, it seems like the translation business in general is doing relatively well in this current economic environment, however I'm sure you know there are plenty of translation and localization companies that are struggling for a variety of reasons.

I think we are escaping those struggles because of our medical focus. Our work is exclusively with Medical Devices and pharmaceutical companies. I'm always looking at the quarterly earnings reports that they're putting out and you know they're not always great but they're definitely not bad in comparison to what the business environment at large would indicate. So they're doing well, we're doing well, and based on the backlog that we have in business identified for next year we expect to have a great year as well. We're lucky and it's very exciting.

CSN-

That's fantastic. It seems the medical devices industry in particular is a strong market as well as government and that makes sense. One of the things I'm hearing quite often is that diversification was the solution to growth this year and specialization was potentially hazardous. You've proven however the opposite by focusing on the right business sector to specialize in at the right time.

ANDRES-

I think it depends on the area you're specializing in. If you happen to specialize in Financial Services or automotive that may be tough right now, but in our space I've always felt quite the contrary and that there should be more specialization in the translation space. It makes doing our jobs and running our business so much easier. You do one thing and you do it really well. We develop the kind of expertise that our clients look for. If you're a generalist you can try to approach that niche and if you're big enough that your individual vertical practices are capable of developing similar levels of expertise then sure you can offer that as well, but there are less than a handful of companies that I would consider big enough to do that. So for everybody, based on our experience, I would say specialization is the way to go.

CSN-

That definitely makes sense and clearly it's not merely an opinion considering your company achieved 40% growth in 2008, 36% growth in 2007, and still managed to achieve impressive growth last year.

Being in business for 11 years has foreign exchange always achieved high annual growth levels or did you change something dramatically in your business model or focus that significantly accelerated that growth rate?

ANDRES-

I think a couple of things helped to smooth and even out our growth while accelerating it at the same time. The first thing, as we discussed before, was focusing on diversification versus specialization. We used to do different kinds of work in the past. Then, around 2005 or so, we limited or eliminated all non-specialized work. Back in those dot-com days we used to do quite a bit of web localization work for automotive manufacturers, financial institutions and companies like that. We gradually elimi-

nated those industries to become now 100%, or at least 99.9 something percent, medical focused.

The second is we tried and were successful at winning some of the top 10 pharmaceutical and medical device companies as clients. We set our sights on that level and stature of company specifically and we were able to win some of them. We have a good story, we tell it well and we were able to win and, more importantly, we were able to keep those clients. That has opened up huge opportunities for us.

So I think really those are the two drivers that made our growth possible over the past few years and so we count ourselves lucky as I said. We look to the future and ask if there is an end in sight. So far, we can't see one. Our plan internally for the next 10 years is to grow at an average of 30% per year, including next year, and we believe that's eminently doable. Of course that's not super high speed software type of growth but for being all organic, self funded growth we feel comfortable that we can do that and we can build a good business around that.

CSN-

So you have a very positive outlook for 2010 and beyond.

ANDRES-

Oh yes, this year will be a great year for us.

CSN-

What is your outlook for 2010 based on?

ANDRES-

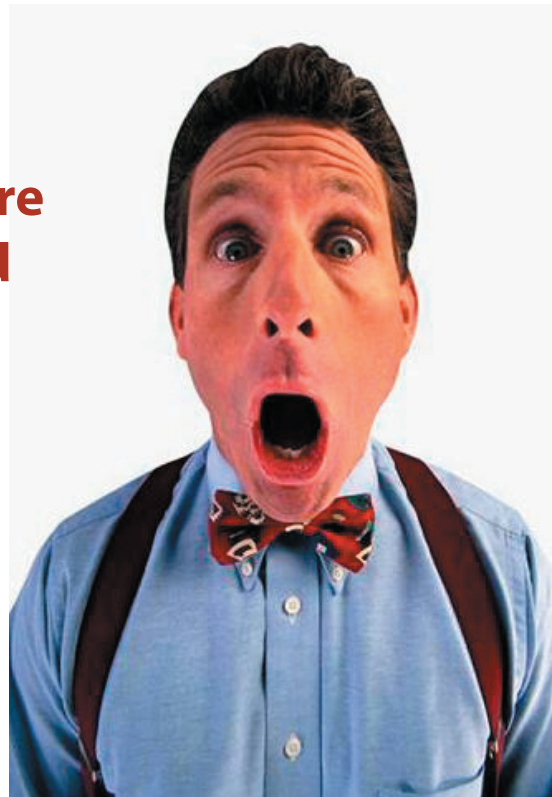
A lot of it is business that we've already won that's now beginning to bear fruit. The bulk or the majority of our growth is long-term, repeat business. It's sort of a steady stream of small projects. When we win a new client it takes awhile to ramp up and get started, so we've won a good half dozen or so substantial clients' in '09 that we will see the benefit from in 2010.

Both on the pharmaceutical and medical devices side their development cycles are so long that initiatives of whatever type have already been long underway and new decisions similarly aren't being made based on the economy in one quarter or one year.

Now, on margins, the economy will have a clear impact. If the economy is suffering, pharmaceutical companies for example are going to be suffering as well, so to deal with that they have to trim costs just like everybody else. That might impact R&D and it also might impact transla-

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tion at some point but even in that scenario that ship, or better tanker, doesn't turn on a dime. It takes two or three years until we feel where we get impacted. However, some more immediate short term effects can come from projects that are marketing related where our clients, just like anybody else, can quickly save some money. That may mean a campaign gets canned or attending an overseas events which will eliminate translation requirements.

CSN-

Are there any factors that could potentially put a hold on your projects for 2010? Are those contracts in expectation of certain economic factors or are you confident that they will go ahead as planned?

ANDRES-

Our clients include a lot of top 10 pharmaceutical and medical device companies. Those companies are global already. They're not likely to pull out of a given market based on a bad year. They will clearly make adjustments to be as efficient and effective as possible in those markets as they can but they're committed to those markets for the long-term.

I believe those contracts are really independent of the economy and that's why this niche that were in is so great. Our business really is driven not by the economy at large but by government regulations around the world. So if you want to import any medical device into Europe for example you have to translate reams of paper to be allowed to do that. You have to translate into potentially multiple languages depending on where you're selling your medical device and that's for even small things like a syringe. We're not even speaking about big, room sized CT scanners or things of that bulk. Regulatory requirements mandate that and it's same in the U.S.

If I'm a Japanese manufacturer and I want to sell my device in the U.S., I have to translate everything into English. With every release, with every new design and with every new product tons of materials have to get translated into every market language I'm selling into.

CSN-

What would you say sets you apart in terms of what you do and how you do it?

ANDRES-

We talk a lot about this, we're all about specialization so while anybody else out there says that they will do anything, in any language, at anytime in any format we say good, if that's what you need then that's who you should work with. If however you are a medical device company that needs instructions for use translated in the European market here's what we can do for you and we have a whole set of services that support that specific service. We have expertise in house that help clients save money, we have processes that demonstrate to clients how they can improve quality, which is very impor-

tant in this space, and we have success stories and case studies showcasing our experience working with these top 10 pharma & medical device companies. We've also been able to save companies time which is of paramount importance to those clients in particular.

All of the experiences and expertise we've developed have come from specialization. If other translation companies are active in a 1/2 dozen fields or more it's unlikely that they've had a chance to develop their expertise.

For our clients, translation is not a high level, glamorous area but it needs to get done. It's on the critical tasks side so if it's done wrong there are huge repercussions. We're able to go in and say "OK, I understand what you're talking about and what your challenges are, let me tell you about some of the things we've done in the past. At this company we did this, another company needed to accomplish this and we were able to configure it this way to achieve these results." That's the kind of thing many medical companies are looking for. So that's the distinguishing factor for us really.

CSN-

Can you give me an example of a case study in 2009 that might be a good success story for you?

ANDRES-

Yes. One of our top 10 pharmaceutical clients was doing regulatory submissions work for Latin America. They were doing this through their subsidiaries in each country and were looking to bring the work in-house to manage centrally, primarily for time savings. It was going to cost more to pay an external supplier for this work than to have it done internally through their subsidiaries, but time is also money and regulatory submissions took forever in some of these countries.

This was a large pharmaceutical company spending \$2m to \$3,000,000 dollars annually. They were interviewing translation companies in the U.S. for the project and somehow we got onto their radar screen. We went through several rounds of meetings where they threw all kinds of curve balls at us from their perspective and asked a variety of questions. For each scenario we were able to say; "Actually, we've had that situation with this other client and here are some of the solutions we've developed around that." Having had experience delivering for companies like theirs, we outlined a solution that perfectly fit the handling of last minute changes to their type of regulatory submissions documents and this multibillion dollar company selected us for the project.

Unless you have experience in this case with large-scale regulatory submissions in the pharmaceutical space you can talk about translation, you can talk about translation memory, you can talk about multiple people working in parallel, but you can't talk about the very specific challenges that people in those jobs face on a daily basis.