

New strategic direction for ■ TRADOS

THE LANGUAGE ARCHITECTS

Geoffrey Kingscott interviews CEO Jochen Hummel

In the month of October TRADOS, one of the world's leading developers of translation tools, announced a new strategic direction. As their range of products extends, they will no longer be selling themselves as a translation memory company but as "language architects", offering a "translation solution". TRADOS are also celebrating their 15th anniversary, and so IJLD editor Geoffrey Kingscott went to Brussels to interview TRADOS CEO Jochen Hummel.

TRADOS have come a long way in 15 years (I remember Bob Clark and I visiting them in their early days when they had a small office in the middle of Stuttgart), and so I began by asking Jochen Hummel to recall just how he and his colleague Iko zu Knyphausen started in this business.

Back in the beginning of the 1980s they were at school together, at the Merzschule private school in Stuttgart. The school was unusual for that time in having an information technology class, and it was in this class, in 1981, that the two had their first introduction to computing. By our present-day standards the equipment was very rudimentary, a Tandy with a tape drive, and a 16k memory, but even so it was equipment on which it was possible to do some programming in Basic. There was an instruction manual, one that left a clear impression; it was set out like a comic strip, and explained graphically how it all worked.

The two were soon so enthusiastic that they were allowed to take equipment home to work on, and before long were outperforming their teacher. Their computing ability, which they put to good use in designing programs which were used at the school and by acquaintances, brought them in what they thought was good money. It helped to finance the big adventure of what would now be called the Year Out, but which was more novel at the time. They decided to bicycle across America, from coast to coast. The trip took nine months, and then, somewhat tired of winter conditions, they bought a motor cycle and rode south, down to Panama.

If this were a romantic story, they would have laid their plans for TRADOS as they cycled across the great American plains or crossed the Rockies, but in fact during all this time they were not then visualising a career in computers. The adventure over, they came back to start this serious business of a career, Iko choosing to study business administration, and Jochen liking the idea of becoming a medical practitioner. But the admission tests for medical school proved difficult for Jochen, while Iko found business studies not sufficiently absorbing. So the two returned to the one thing

where they knew they could earn some money, writing computer programs.

One day in 1984 they were in the information technology department at Stuttgart University when they saw, on a noticeboard, an advertisement inviting applications from information technology students with very good English to work on a translation project for IBM. They considered they had the requisite command of English from their year in America, and they applied. And so began their introduction to the world of translation.

But, as IBM came to use more and more freelance translators, they were finding that organisation was becoming too complex. IBM, so went the thinking, had better things to do than work placing, progress chasing and all the nitty-gritty of getting work done by a host of individuals. IBM therefore decided to place their business with companies, and organised a call for tenders. Forewarned of this move Iko zu Knyphausen and Jochen Hummel were involved in setting up a company specifically to bid for the IBM work. "TRADOS, we were it", Jochen Hummel remembers. TRADOS was chosen as an acronym for **TR**ANSLATION **DO**CUmentation **S**oftware.

Their strengths lay very much on the programming side, which was fortunate, for the translations they were asked to do were "very tricky" from an information technology point of view. Often they represented more programming jobs than translation jobs. Jochen and Iko became very interested in the computing aspects of translation, and as this became known, they began to get projects which had a lot of programming content.

That same year IBM was thinking hard about the management of its translation projects. These were highly complex, with some 40 to 50 laboratories and about 30 translation centres scattered round the world. The infant TRADOS company became heavily involved in project planning, and the programming (on mainframe computers) for this. Communication was a big problem, but fortunately IBM had an advantage which only the largest companies could afford at that

time - a form of internal electronic mail. This gave to IBM the possibility of transmitting files backwards and forwards across an international network, with individuals each with a terminal having access to those files. This taught Jochen Hummel and Iko Knyphausen a great deal about translation and about translation management. The same IBM department was evaluating translation tools, and was looking in particular at the ALPS Translation Support System.

Jochen and Iko became very interested in this ALPS system, and TRADOS became one of the earliest ALPS users in Germany. The ALPS TSS, says Jochen, was the "grandfather of all translation memory systems".

But at that time there was a problem of machine capacity. To run the TSS it was necessary to have a PC/AT system with 2Mb of RAM and a second 20 Mb disk, and in those days the cost for such a system was in the region of 25,000 DM (\$12,500), which made it difficult to run economically, especially as the system could not handle large amounts of text. The system was taken up by INK Netherlands and re-engineered with a terminology component called

TermTracer. Relunched as INK Text Tools, this was the first really usable package, and TRADOS obtained the rights to market the tool in Germany. They also used it themselves for their translation work.

It may be difficult to remember now, but personal computers were still novel then, let alone software tools. Many translators were still using typewriters, or only just beginning to make the switch to computers.

So the market for Text Tools never took off, and INK eventually stopped developing the product. But TRADOS felt a need to take the idea further and in 1989 started development on its own account, producing the first TRADOS Multiterm, a concept-based, multilingual terminology database.

Around this point a strategic decision had to be

made: should TRADOS be primarily a translation company, or a software developer. It was decided to split the company, and the translation service vendor part of the company became part of INK Deutschland. This left TRADOS with three people, Jochen, Iko and a secretary, and essentially they started again, this time focusing on product development.

There then followed some difficult years. There was no external funding, and no European Union support such as some developers had been able to attract. There were very few people developing translation tools, and no-one had yet succeeded in making any money in doing so.

"It was a painful experience, but it was good experience", says Jochen, "because it really sharpens your approach. You had to sell to pay the bills. It forced us to develop a usable product which we could sell on the market".

A big breakthrough came when the European Parliament bought Multiterm. This push gave TRADOS the chance to develop

translation memory technology, and they started to work on the Translator's Workbench project. The first version of the TRADOS Translator's Workbench became available in 1992, and at the same time TRADOS migrated Multiterm to the then new Windows environment. This proved a good move, because competing terminology products failed to recognise in time the importance of Windows. "We stayed there quite alone for many, many years", says Jochen.

The European Parliament went on to buy Translator's Workbench, and this helped TRADOS to become, within a comparatively short space of time, the dominant producer of translation memory systems. It was still a tiny market, but in the early 1990s, if anyone had been asked to predict which system would eventually be the front-runner, many



would have selected EuroLang Optimizer, then being launched with great fanfare.

It was about this time that the third major figure in TRADOS, Matthias Heyn, arrived on the scene. He had contacted TRADOS because he was writing an article about Multiterm and about the TRADOS company. He was enthused by what he saw and before long he was part of the company.

Also around this time the partners sat down and reconsidered their strategy. They developed the TRADOS logo, the red square, and incorporated it into the semaphore flags illustration (a symbol of the transfer of information) which they used in all their publicity from 1994 until 1999 and the current new strategy rethink. In this they have complemented the red square with different simple square logos for each component in their Translation Solution (see advertisement on back cover).

The main strand of their strategy then was a simple one, but was nothing if not ambitious. "We wanted every translator in the world to have a piece of our software". They started to build up the company, hiring developers, but also realised that if they wanted to sell worldwide they had to become an international company.

The first step was to look for partners in other countries who would exclusively market TRADOS tools, and provide the necessary training and support. They soon had an initial network covering France, Switzerland, Scandinavia and the United Kingdom. At the same time TRADOS realised that

in certain key markets they needed a direct presence. An obvious example was the Benelux countries, with particular reference to the biggest potential customer of all, the European Commission. It was known that the EC was already preparing a call for tenders for translation tools, and the ability to provide local support could obviously play a big role. TRADOS Benelux SA opened up for business in Brussels (at the office where our interview was conducted) in 1995. Matthias Heyn moved to Brussels to build up the organisation there. The rewards soon followed. In 1996 TRADOS got a contract for Multiterm, and in 1997 a contract for 2,000 licences for the Translator's Workbench. These were not all installed at once, but on a call-off basis. TRADOS are still supplying licences under this contract.

TRADOS have always provided training in the use of their tools, and this keeps the staff in all their offices busily stretched. Normally training for a single product takes one day, and is given on site. Five years ago, when translation memory was more of a novelty and operators less used to moving between different pieces of software, training would often take longer.

The next step was to open in the United States. An office was established in Alexandria (Virginia) at the end of 1996, and Iko worked on building it up.

Around this time, it became obvious that EuroLang was not able to deliver on all its promises and a potentially important competitor began to

New TRADOS president



Dev Ganesan has over 18 years of financial and management experience. Before joining TRADOS Corporation, he was the Executive Vice President, CFO & Treasurer of Advanced Communication Systems, Inc. (Nasdaq: ACSC), a \$220 million communication and IT services company. At ACS, Dev grew the company from \$36m in 1996 to \$220m in 1999, was instrumental in the Company's IPO and follow-on offering, and responsible for completing five strategic acquisitions in 24 months.

Dev has extensive experience in building successful companies, strategic planning, managing international operations and working with the banking and investment communities. Previous to ACS, his professional experience includes an IPO of a software systems company with international operations, International Computer Limited, a Fortune 100 Company, KPMG Peat Marwick and Deloitte & Touche.

fade into the background.

TRADOS followed up the new opportunities which its now dominant market position offered. They themselves had earlier approached Microsoft. "But in 1994-95 we were very small, and not very impressive to a company like Microsoft. However, in the meantime, we had grown. We had ported our system to Microsoft Windows; our products were being used by the European Commission. By 1997 we had grown big enough to be a serious partner, and so we started negotiations."

Eventually, after protracted discussions, a deal was struck whereby Microsoft took a 20% holding in TRADOS, which ensured that TRADOS could not be bought by Microsoft's competitors; it also gave Microsoft access to the TRADOS technology. But TRADOS would continue to run its business by and large as an independent company, and no-one could take away their technology or their ability to continue to develop their tools. In the negotiations TRADOS had been determined not to be taken over.

Now TRADOS looks forward to a bigger future, backed by new shareholders. TRADOS may not have fulfilled its ambition, proclaimed somewhat with tongue in cheek, to have every translator in the world using the system, but it is coming reasonably close.

The company continues to expand its international operations, having opened in Beijing and Tokyo, both in 1998. Matthias Heyn, who oversaw the start-up of the Japanese operation, is now relocating to Seattle.

The translation tools episode in the company's history has been completed. The translation industry is now changing, as is the way translations are done. There is now greater stress on the importance of having fully localised products.

In the past the translation industry had suffered from not being taken seriously enough by the bigger players among its customers. But this also is changing, partly under the influence of the Internet, but also because of the need of all major companies in all industries to be global in their outlook. Companies, especially US companies, are realising that if they have lost control of translation processes, then they have lost control of a crucial part of their company's activity. Big companies have realised the need to link translation into their documentation workflow.

If TRADOS were merely a tools provider, it would not fit too well into this scenario, because the large-scale user finds it difficult to understand how to make the tools work for him. But TRADOS now sees itself more as a solutions provider. As in 1994 TRADOS is re-inventing itself, with a strategy which will set the company's direction for the next

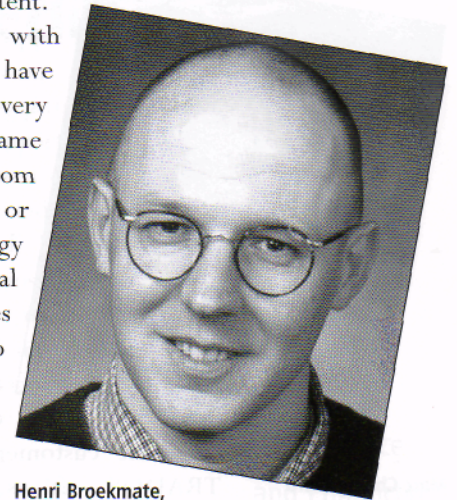
few years. TRADOS now calls itself the language architects. It has changed all its icons and made them more practical and more consistent.

One of the problems with TRADOS which its leaders have analysed is that its clients were very diverse, yet it was selling the same products to everyone ranging from international institutions or information technology specialists to individual translators. For many freelancers the tools were getting too powerful, too technical. Yet at the high end there were large clients wanting more and more advanced products. So in October 1999 came the change in strategy, with "horses for courses", or different solutions for different types of users. So there is already a freelance solution and a team solution. Next year there will be corporate and professional solutions. The freelance pack now being released will be priced very competitively, at a price lower than that of TRADOS's low-price competitor Déjà Vu.

The launch of the Freelance edition in October proved to be a sensational success. The first 1,500 copies of the software, which were offered at a price of \$495 in honour of TRADOS's 15th anniversary, sold out in only two days. Responding to popular demand, Trados decided to offer an additional 1,500 copies at the same price. After this special offer, the price of the Freelance Edition will increase to its official list price of \$995.

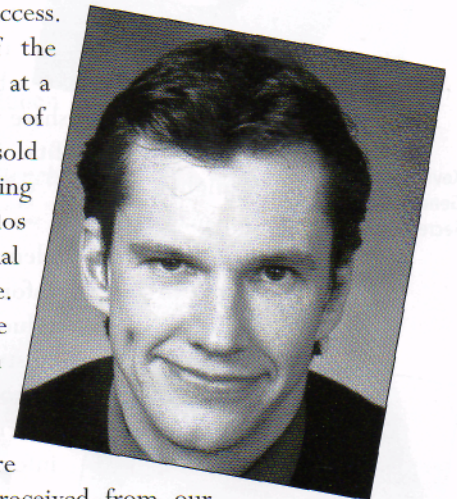
"We built this software based on the feedback we received from our customers and the professional translator community at large", Jochen Hummel commented. "We have designed the most flexible database system that is able to store and manage customer-specific terminology and afford unsurpassed search mechanisms that place the correct words at the user's fingertips just when needed".

The TRADOS products will also be designed with the possibility in mind of interfacing with other systems and tools. Every company has a different way of doing translations and it was important to link into the internal project management systems of



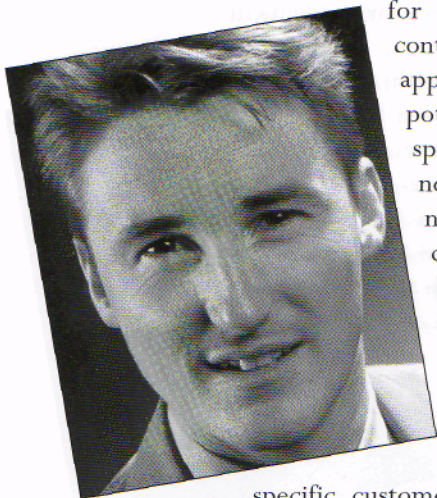
Henri Broekmate,
Chief Operating Officer

"I am excited with the growth of TRADOS has seen in the past few years. We are continually investing in our infrastructure to enable us to bring out new products to serve our customers' needs."



Iko Knyphausen,
President Internet
Business Unit

different companies, so as to enrich functionality, for example in text editing or content handling. With a solutions approach there was greater potential for upscaling of the more specific use of tools. TRADOS now finds itself working with a new sort of client, global companies such as Volkswagen, looking for large-scale solutions. It was no longer enough just to repackage features of the product. And the drive to provide customised solutions to



Marc Christen, CIO

specific customers is changing the nature of TRADOS offices, with in-house computer engineering expertise becoming more and more crucial.

Jochen Hummel foresees in the near future, as the Internet continues to develop and as connection costs get lower and lower, a number of changes in the translation industries. "We have to figure out how to get translation memories to translators, and how to update and merge them. Translation companies might find themselves more trading translations rather than doing them ("the virtual translation bureau"). Organising how to share the work is the only way to maximise benefits. And the translation business might at last catch the attention of top management".



Kevin Passarello,
General Counsel and
Secretary

He is confident about the future. "What we believe is that information is a very important production factor in many many industries. Corporate management cannot continue to ignore the information factor, whether the information is the original or the translation. Everyone is going to need access to information in his own language".

As management realises it does not "own" the translations it has commissioned, in the sense it does not have them in a corporate retrieval system, it will be looking for the technology to change this situation. With TRADOS technology the companies will be able to "own" the translations. The actual translation work can be outsourced but the whole information



Matthias Heyn,
Executive Vice
President, Internet
Business Unit

flow will be controlled by the company. This type of solution will grab the attention of IT directors. Even if we are not there yet this will come about in the next five years. Much has changed already. TRADOS has already done a very good job on people running agencies, on the big localisation companies, and on consultants both external and internal.

The Internet is certainly increasing the pressure for globalisation. A localised site, it has been found, is twice as likely to hold the attention of the local reader, and three times as likely to result in a sale.

Jochen Hummel foresees a big future for e-commerce and e-teamwork. He has been fascinated by the potential ever since (as recounted above) he came across IBM's internal email system in the 1980s and realised what an advantage it gave them. Now everyone is linked up by email. Working with colleagues across continents is now possible 24 hours a day.

But everyone faces the language problem. He gave an example of Volkswagen, transmitting big construction plans to its plants in Mexico. These plans have German labels. But now it is possible to link computer-assisted translation (CAT) software with a terminology database and get the labels translated on the spot.

TRADOS are looking three to five years ahead; it would be unreasonable to try to foresee the future further than that. In the global market place everyone will require a global solution to documentation problems. Technology will be the key to providing such a solution. They foresee that the market for translation services will continue to increase, but that it is not possible or economic to increase the provision of human resources to keep pace. Machine translation has still a long way to go before it will be an effective tool, so there was a growing place for other technological solutions. Solutions which TRADOS feels itself uniquely placed to provide.

TRADOS is a pioneer and leader in translation software solutions. The TRADOS translation solution comprises a suite of complementary applications engineered to boost the efficiency and quality of multilingual communication. TRADOS' products are utilized extensively by the software industry to create foreign-language software products and by Internet-enabled e-commerce companies. Headquartered in Stuttgart, Germany, with offices worldwide, customers for TRADOS software include Siemens, SAP, NATO, Intelsat, PeopleSoft, Oracle Corp. and leading translation companies such as Berlitz and ITP. In 1997, Microsoft Corp. acquired a 20% stake in TRADOS.