From KPIs to ROI: Proving the Business Impact of Smart Localization

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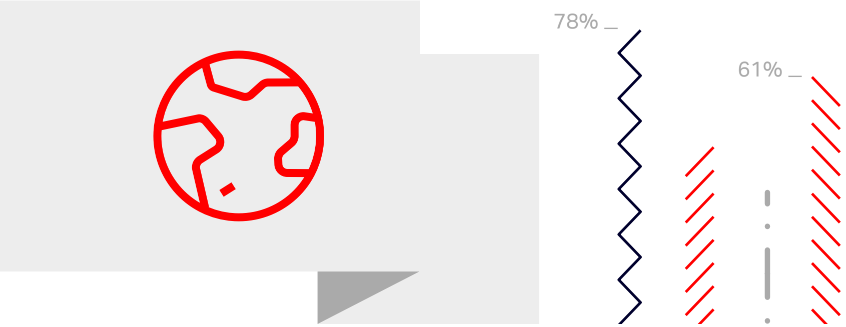
Localization needs (better) KPIs

The online, digital landscape has given every business the potential to go global. The trick is to get digital content right in every market, every time.



In this fast-paced world, high-impact, highly local content has never been more important. But building a data-driven business case for localization has remained a struggle.

It's not because of a lack of data (localization pros are drowning in the stuff) or metrics (dozens of factors are measured in great detail). It's because the KPIs used to assess localization performance aren't always relevant or useful to the business.

Measuring business value

Measuring localization success has been too much about operational performance and too little about how that performance impacts business outcomes and creates value. The industry lacks a structured approach to KPIs that should align localization programs with business strategy and tie performance to business outcomes.

That's why we've created this ebook to show:

- Why localization needs new, strategic KPIs
- How to develop KPIs that really mean something to your business
- And how you can demonstrate ROI in your localization programs

To avoid confusion, let's define our terms:

- Data: Information gathered for reference or analysis.
- Metrics: Collections of the same type of (normalized and controlled) data.
- Indicators: Evidence that specific conditions exist or that specific results have or have not occurred.
- Key Performance Indicators (KPIs): Critical business outcomes that are necessary to meet strategic goals. You should only have a few of these and they should reflect your organization's core mission objectives.

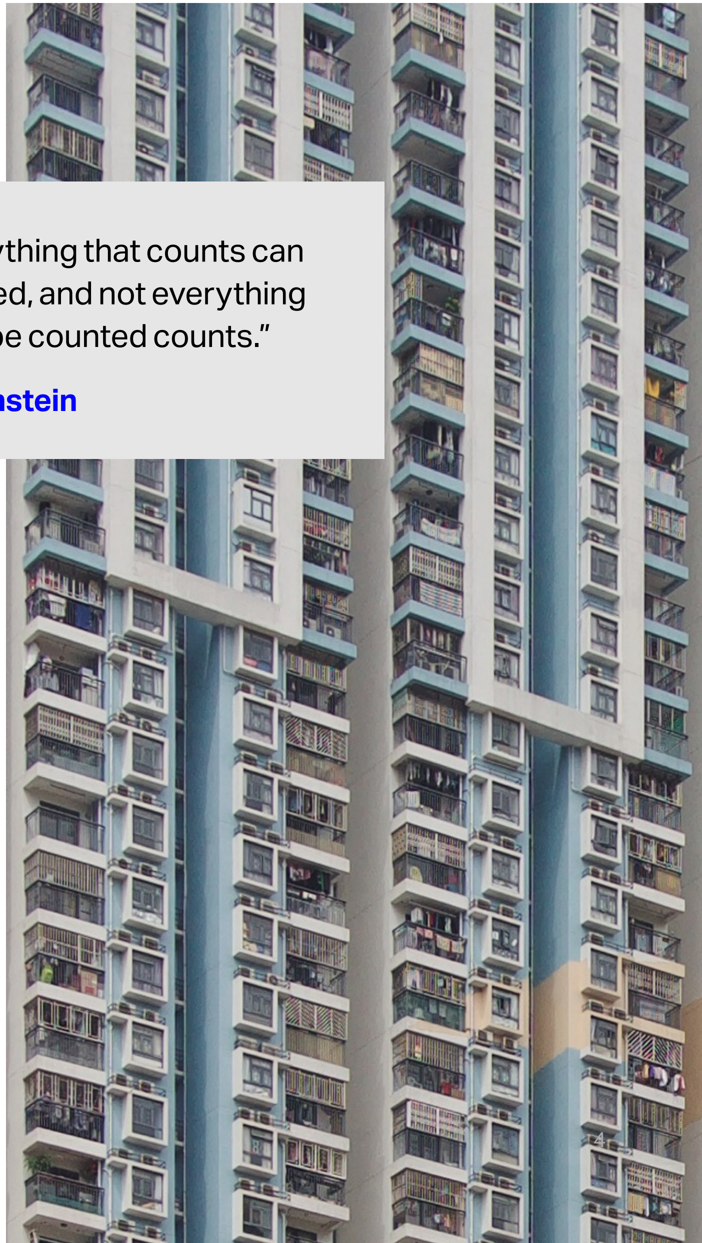
Out with the bad…

Using tactical, operational metrics such as turnaround times and cost per word as localization indicators can paint a misleading picture. It's all too easy to fall into the trap of measuring effort rather than value creation.

Having too many KPIs can be as bad as not having any, as they can lead to conflicting objectives. Focusing on non-strategic KPIs can also be a problem because they create the illusion of progress, but don't show the true impact of localization–or, more importantly, don't drive positive change.

For example, "brand awareness" indicators are often based on vanity metrics such as likes, when what really matters are market share and revenue growth (both of which demonstrate a growing awareness of the brand). From a strategic point of view, brand awareness is a means to an end, not the end-goal itself.

> "Not everything that counts can be counted, and not everything that can be counted counts."
>
> **Albert Einstein**



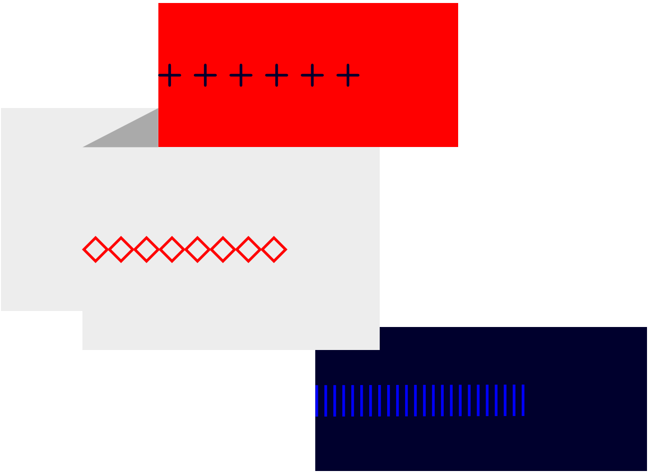
…in with the good

With strategic KPIs, on the other hand, you can begin to:

- Shift from reactive firefighting–fixing issues after they occur–to proactive optimization
- Build more productive and cost-effective partner relationships
- Implement pay-for-performance more easily
- Improve scalability, consistency, and predictability
- Understand how decisions affect results
- Focus localization teams on strategic goals
- Demonstrate the business value of localization programs

Developing strategic KPIs

As your localization program continues to evolve, cost, quality, and efficiency indicators will always be important. So, you do still need to gather all the core operational data that you're familiar with:



- Reliability metrics, such as percentage of on-time deliveries
- Quality metrics, such as number of linguistic or technical errors per volume
- Scalability metrics, such as average throughput rate
- And business metrics, such as time to market or fully-loaded cost per word

But defining strategic KPIs will help make sure you are aligned with overall business goals and can measure how localization creates business value and delivers ROI.

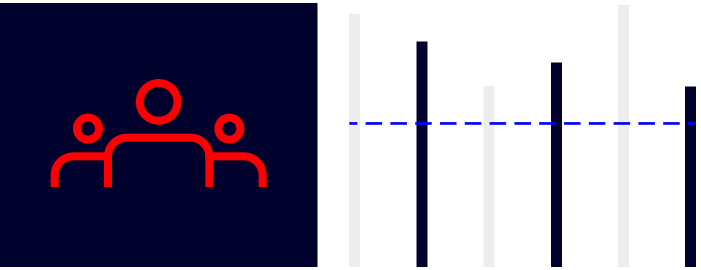
Strategic KPIs can examine the business outcomes of your localization programs from two angles: the gains you create and the costs you incur.

KPIs should reflect the "why" of your program– the overall goals you are setting out to reach. While many other metrics can monitor how well you are doing at what you set out to do, and help control the steps needed to get to your destination, your Key Performance Indicators should clearly align to your overall functional objective. (They are called "Key" indicators, after all.)

Let's look at some examples.

Business outcomes: The gains
Winning (and keeping) more customers

There are many ways to measure value creation, and ultimately your corporate KPIs should guide your choice–close alignment with overall business goals is essential to prove the worth of your programs. You can also use KPI data to make better-informed decisions about where and when to invest your future global marketing spend.



Conversion rates

Put simply, this is the percentage of visitors to (for example) your localized website who buy one of your products. By comparing conversion rates on localized and non-localized versions of the same site, it's much easier to attribute revenue gains to localization.

Subscriptions and downloads

If increasing customer engagement is important to your business, subscription and download rates can be very useful to track and analyze. When customers make an effort to consume your content, it demonstrates a more concrete level of engagement than page views or Facebook likes.

Qualified leads

This is one of the key measurements of outstanding marketing performance. Generating more high-quality leads is a great way to get the Sales and Marketing departments' buy-in for localization.

Customer satisfaction

There are many ways to measure customer satisfaction. Most involve classifying customers in one of four categories: brand ambassadors, repeat customers, lost customers, or detractors.

One common methodology for looking at all four as a whole is the Net Promoter Score (NPS), which gives a good indication of how happy your satisfied customers are relative to detractors. NPS, or any other normalized CSat metric, can help show the difference localization makes, by taking snapshots before and after localizing your products and content, or by comparing satisfaction between locales.

Customer lifetime value

By establishing how much revenue each customer segment brings to your business over their entire lifecycle, you can track the incremental increase in revenue generation and customer loyalty. You can also look at total and incremental costs to acquire new customers per locale in the context of the customer lifetime value.

Customer churn rate

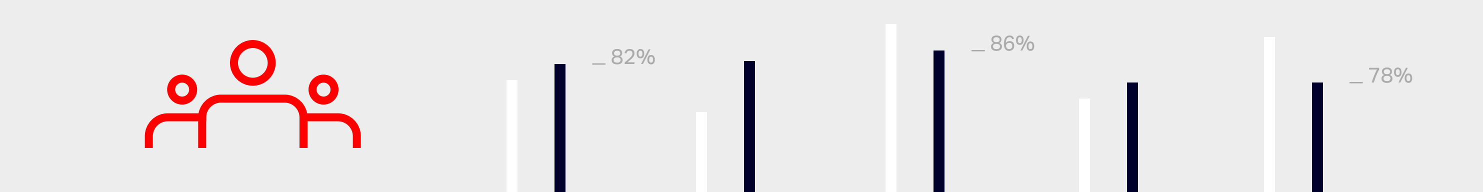
A potentially vital KPI in hyper-competitive markets with subscription-based business models, tracking how many customers leave each month gives you an important indicator of overall satisfaction. If the customer churn rate is too high, then the quality of your localized product might be dragging you down.

It also gives business analysts a starting point to dive into supply chain, sales, marketing, and service data to establish root causes and take positive action.

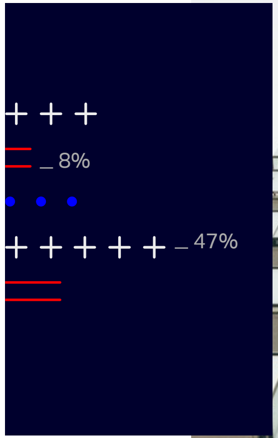
International revenue growth and market share

At heart, the fundamental purpose of localization is to increase sales outside your home market, so tracking one or both of these as KPIs will give a good indication of progress.

Of course, these numbers will be influenced by many factors beyond localization, but they can help alert you to potential issues that need to be addressed.



Business outcomes: The costs
Making localization cost-effective



On the flipside of revenue growth, measuring aspects of the costs of localization can also make for useful KPIs, showing the impact of your programs on the bottom line.

Total localization costs

To make this performance indicator truly useful, you need to include everything. That means in-house translation, outsourcing, project management, and technology costs, rework costs, volume and repetition discounts, the opportunity costs of delayed releases, and any other cost factors of your program.

Total localization costs relative to revenue

Almost a miniature ROI calculation, this KPI clearly presents your cost of sales. It can be an excellent way to show the value of localization, as you'd expect to see the ratio of costs to sales shrink as your program matures (with more established sales channels, greater automation, and an expanding translation memory).

Localization cost per qualified lead

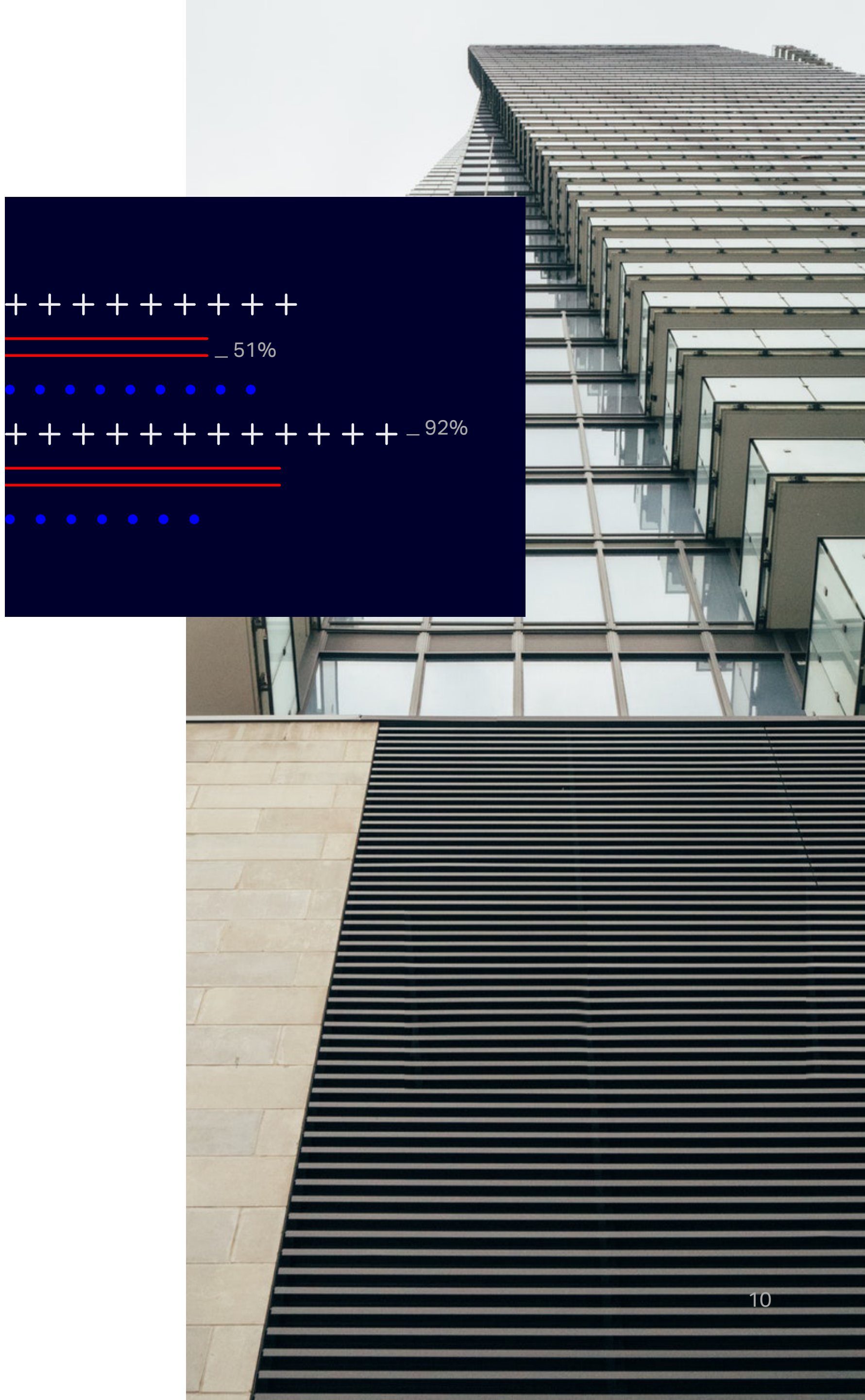
This is another simple measure of comparing direct localization costs to the business value generated, shedding light on the expense and reward of increasing your foothold in international markets.

Customer acquisition cost

A key part of the modern marketer's toolbox, the cost of acquiring new customers is a clear demonstration of the business value of sales and marketing efforts. By comparing conversion rates to localization costs, it's also easier to prove the worth of your program to the business.

Customer support costs

Many service organizations routinely measure factors such as support call deflection (through robust use of an online FAQ, for example) and first call resolution to help control costs and bring service issues to light. Tying your localization program into these after-sales KPIs can be another way to show the value of localizing your content, products, and services.



Business outcomes: The return on investment

Measuring the ROI of localization

If you know your gains and costs, it's fairly simple (in theory) to calculate your return on investment: ROI = (revenue – cost) / cost.

But with so many factors at play in international markets, it can be difficult to quantify the ROI of localized content. That's why it's so important to start with baseline data from non-localized content and then measure the results achieved by localized versions.

Calculate your ROI

Here's one way for you to do the math, but you may want to change the input categories given here depending on your business model.

Gain from investment

Estimated increased number of units sold if localized

– English units not purchased

= incremental increase in unit sales

Incremental increase in unit sales

x estimated sale value per unit

= estimated incremental revenue (Gain)

Cost of investment

Cost of internationalization

+ localization

+ legal

+ cost of sales

+ support and maintenance

= estimated incremental costs (Cost)

Return on investment

Gain Cost Cost

(minus) /

= ROI

%

Create your strategic localization KPIs

Use this space to define and outline your smart localization KPIs–always starting with the business outcomes you're looking for and some baseline numbers for direct comparison.

KPI 1

Desired business outcome:

Metrics and data sources

Measure:

Frequency:

Source:

Baseline data

Last month:

Last three months:

Last year:

Target results

Q1:

Q2:

Q3:

Q4:

Create your strategic localization KPIs

KPI 2

Desired business outcome:

Metrics and data sources

Measure:

Frequency:

Source:

Baseline data

Last month:

Last three months:

Last year:

Target results

Q1:

Q2:

Q3:

Q4:

Create your strategic localization KPIs

KPI 3

Desired business outcome:

Metrics and data sources

Measure:

Frequency:

Source:

Baseline data

Last month:

Last three months:

Last year:

Target results

Q1:

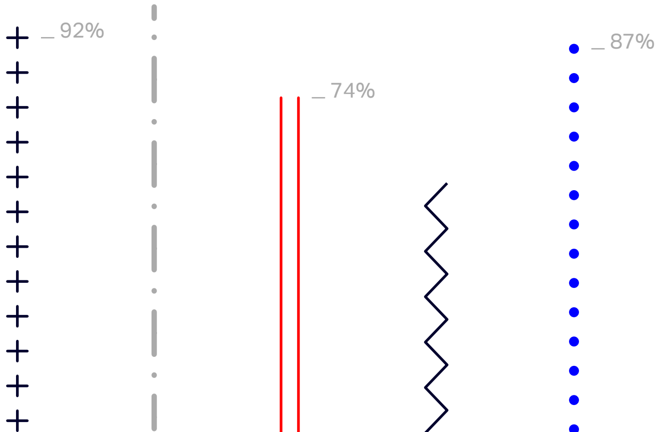
Q2:

Q3:

Q4:

Time to get strategic: Five tips for success

If you're ready to make the move to strategic localization KPIs and start demonstrating the ROI of your programs, here are five tips to keep in mind.



- **Stay focused:** Ideally, define just two or three KPIs, and certainly no more than five. Limiting the number of KPIs helps keep everyone focused on the same goal. Make sure you are clear on which KPI takes priority.
- **Measure what matters:** To prove business value, localization KPIs must be directly tied to your company's corporate vision and strategic goals. There's no better way to get leadership backing for expanding your localization program than by proving you can add to the bottom line.
- **Compare localized versus non-localized:** Proving the business value of localization isn't easy with so many factors involved in international markets. So, compare non-localized baseline data to localized versions to show how your efforts make a direct impact on business outcomes.
- **Keep it simple:** If the data's too difficult to collect, your KPI is probably too complex. To prove the impact of localization, you need the ability to quickly see and act on clear information so you can make the decisions that matter with confidence. That means having fast access to relevant data, rather than wasting effort on collating and integrating complex data sets.
- **Don't forget the other metrics:** Production metrics are still useful tools, especially as you expand localization into new markets. If you're not hitting your targets on your strategic KPIs, look into your cost, time, and quality metrics.

Before you go…

One last piece of advice (and perhaps the most important one–don't be afraid to be wrong. A KPI is an informed determination of the one number you think will make the most difference to your business. If it doesn't work for you, reassess and try something new.

What's important is that your organization thinks strategically about localization, seeing it not as a cost of doing international business, but as a key driver of international success.

We’re Moravia.

We’re international digital marketing and localization experts.

At Moravia, we help the world’s most ambitious businesses create strategic, outcome-based localization programs that have a real, lasting impact on their bottom line.

We’d love to do the same for you.

Get in touch.

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