

An open market

Establishing a contract between a language school and agency that enforces loyalty and exclusivity is unusual, and although there are sometimes business reasons for this, most agencies and schools say they prefer to operate in an open market. JANE VERNON SMITH reports.

In many areas of retailing, exclusivity deals are proudly promoted as a mark of status for the seller; at the same time, they also tend to reflect the up-market positioning of the brand. In language travel, however, the “product” is a service rather than a brand, and the most reputable agents offer counselling rather than a hard sell. So, can the language travel industry benefit from exclusive representation deals between language teaching institutions and their agency partners, and, if so, in what circumstances are they most likely to flourish?

In the world of language travel, there are two facets to exclusive representation. On the one hand, there are arrangements whereby a school agrees to use only one agency from a particular area to recruit students and, on the other, there are those whereby an agency agrees to represent only one particular language school in a given location. Both of these two types of agreement currently exist. However, language school representatives and their

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agency counterparts are united in viewing exclusive representation deals as the exception, rather than the norm.

Language schools are generally very reluctant to commit themselves to using only one agent in any given region. “We would only enter into such an arrangement under special circumstances – if, for example, we were breaking into a market where we had previously had little or no presence,” asserts Emma Pretlove, Marketing Manager at Dorset International College in Bournemouth, UK. She adds, “I would be keen to establish exclusive relationships with agents who have consistently proven themselves, [but] I would not establish an exclusive relationship with an unknown agent. However, if an existing agent who I had worked with over the past year and who had sent a decent amount of students asked me, I would seriously consider it.”

Robin Adams, Marketing Director at Canadian language school, KTC Language Institute in Vancouver, points out that his school currently has no exclusive agreements in place. However, he says that it would be an advantage to use just one agency to recruit students in certain markets where the school had little representation. “It would save us time and

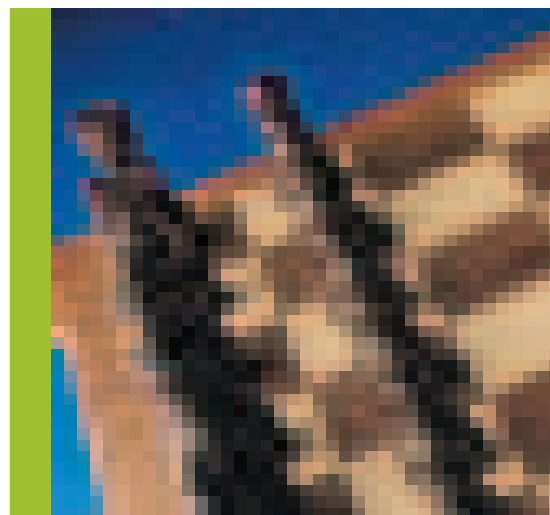
money, we wouldn’t have to continue to go to education shows chasing smaller agencies,” he explains. “We could make do with one visit per year, just to keep the relationship fresh, and leave the market in the hands of the agent.”

Other conditions would also have to be right. “I would consider going into an exclusive agreement in a market such as Germany,” Adams continues, “provided the education consultant were able to guarantee a high level of students. But I would not enter into an exclusive agreement in an Asian or Latin American market, as these markets are too large to be that restrictive.”

In New Zealand, Sarah Freear, Marketing Manager at Languages International in Auckland, agrees. “I believe there can only be an advantage for schools in minor markets where there is no expectation of a regular turnover or future growth,” she says. “Usually, the marketing budget will be small for markets that don’t produce students, so this is the most effective use of resources.”

However, when the circumstances are right, there are definite benefits to be gained – with one proviso, which is highlighted by Pretlove, that boundaries need to be set by both parties, and agreements should clearly state the expectations of each party. “The advantage would be a high degree of commitment both ways,” says Richard Smith of Auckland Institute of Studies in Auckland, New Zealand. This comment is borne out by agent responses. “If a school gives us exclusivity – ie, if they agree to use only Cosmolingua to recruit students from Belgium, we are prepared to set up a promotion campaign for this school, to link the school to our website,” says Nensi de Heer of Cosmolingua in Belgium. “We would then be prepared to sell no other school in the location of [that] school.”

Agents are keener than schools on this type of agreement – and for good reasons. For de Heer, the main advantage is that the agency is then able to spend more time and money in promoting a particular school, without fear that competitors will profit from those efforts. “Also, even if potential clients, after having learnt about the school, then book directly via the Internet, our work will not have been for nothing,” she points out. As Australian agent, Jeri Levinsky, of Interface Education puts it,



“Being an exclusive agent is an advantage because, if you raise the profile of the institution, then many students will want to go to that institution, and they will have to come to you to be able to go there.”

For many schools, however, the downside is that many agencies seem more keen on a school agreeing to use only one agency to recruit students from a particular region than they are on themselves agreeing to represent only one school within a certain location. This is despite a number of advantages to be gained by agents who commit to such an agreement. “Slightly higher commission and status in appointment” are the main benefits, according to Smith. “Generally, commissions are higher because the agent is agreeing to a higher volume,” adds Adams, “and there might also be a scholarship incentive program attached to the agreement as well.”

“You get more support from the institutions [when] you want to do advertising or any special promotion,” adds Veronica Bustamante of Grasshopper International, an agency with offices in Australia and Colombia. And Pretlove acknowledges that an increase in commission is always going to provide an added incentive for agents to commit to an exclusivity agreement. “However,” she adds, “I believe schools are also judged by the quality of their service. If agents don’t feel that schools are investing as much commitment into the relationship as they are, I don’t think many agents would be keen on developing any kind of exclusive arrangement.”



Agents, for their part, also have valid reasons for being wary about becoming tied to regional exclusivity. As Bustamente points out, students today have access to a great deal of information and often approach the agent already having formed a good idea of the school they want to attend, so that agreeing to represent only one school in a particular area may mean having to turn business away.

Furthermore, the counselling role of an agent, where required, can be severely compromised. "Not every school has the full range of courses," Levinsky points out. This means that agents sometimes find themselves unable to offer the type of course a client is requesting, plus there is always pressure from the school to fulfil student quotas. Because of this, many agents are against this type of arrangement. "We do not seek exclusive

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representation," says Peter Jupp, Managing Director of Swiss agency Biku Languages. "This interferes with our independence when counselling clients." De Heer makes the same point: "As a consultant, I prefer to keep my options open and to direct each client to the school that is best for her or him."

Some agents commend the benefits of exclusive deals for agencies, for the sake of reputation. Santiago Flores, of Fundación Cultural Apex in Ecuador observes, "Some

schools want everybody selling their courses, no matter how it's done, and that could be dangerous for our image created through years of service. A recently-opened agency doesn't have the same experience and service quality as we do, so a misapplication or bad service from them will affect us [too]."

In general, schools seem less than enthusiastic about such deals. "We have had special agreements in the past which never worked out," reports Andrew John Geddes, Director of the Eurasia Institute in Berlin, Germany. "This included, for example, a target number of students with premium commission rates." And Brian Brownlee of Anglo European School of English in Bournemouth, UK, points out, "If the agent does not meet an agreed target, the school has no greater sanction than a disappointed groan! I have never heard of an agent

agreeing... to pay a financial penalty if targets are not met."

Many schools and agents prefer to offer "most favoured" status to particularly important partners, rather than embarking on restrictive, exclusive relationships that offer no guarantee of success. Exclusive relationships have their place in language travel, but it is not the glamorous one seen in the retail sector. Brownlee speaks for the majority, when he says, "Having been involved in language travel sales for many years, I believe exclusivity is a bit like sin - best avoided, but sometimes necessary in very special circumstances." □

Competitive selection

While the general viewpoint across the industry seems to be that exclusive deals are not the best option in terms of business practice, a notion of regional exclusivity will enter into most business strategies nonetheless, because of convenience and simplicity for the customer. Many agency catalogues and portfolios will only feature one or two choices of school in a given location, although agents may offer to organise a study trip at another school in the same region if the schools they represent do not fit in with the client's demands.

Jeri Levinsky at Interface Education in Australia testifies, "We do agree to represent only one school in certain locations. Usually these institutions are located in smaller cities." Even in larger cities, such as Sydney in Australia, for example, there are many language schools to choose from and agencies won't represent even a quarter of these. Agencies are, however, free to shop around for better or new providers on a regular basis, and an exclusivity agreement might hamper this potential.

But while complete exclusivity might not be expected from agents, at the same time, schools understandably want agents to represent only a limited number of schools from their area. Likewise, agents cannot offer too many options to their clients, and they might be happy to offer only one provider in a less well known area.

As Brian Brownlee, at Anglo-European School of English in the UK, underlines, one main obstacle that deters some agents and schools from entering into exclusivity agreements is the ability to re-evaluate relationships on a regular basis. Schools will cease relationships with agents if the outcome is not satisfactory, and agents like to be able to regularly update their portfolio, which means only the best and most competitive schools and agents retain their long-term partners.

Brownlee comments, "The agent [can] end up 'owning' the name of a school in a particular area and is then in a position to dictate terms to the school. Additionally, agents can be successful one year and [not] the next. Exclusivity arrangements mean that the school is not then free to take corrective action to protect its market share in the area where the exclusivity operates."

Andrew John Geddes, Director of Eurasia Institute language school in Berlin, Germany, adds, "The school should rely on the quality of its education, the agency on the quality of its service. If both are premium then neither will lose business as a result of non-exclusivity."