

Most businesses around the world acknowledged right from the start that 2002 would not be an easy year. Economic problems and political uncertainty in key South American countries, the effects of the September 11 attacks on the USA and subsequent global unrest, and the tightening of visa regulations all put a squeeze on the market. Looking back, however, many sources feel that 2002 was not as bad as they initially feared, although schools and agents had to carefully balance costs with the range of services offered.

GILLIAN EVANS assesses 2002.

2002 – a balancing act

For many in the language travel industry, 2002 has been a difficult year. The events of September 11, 2001, have brought to light 'an overall insecurity about the future with an increasing perception of how vulnerable our industry is', says Michael Gerber, Chairperson of the international association, Alto.

This year has largely involved adjusting to a newly cautious climate. 'The year 2002 has been all about the market's reaction to the events of September 11,' confirms Andrew Thick, Managing Director of Study Group. Adding to a cautious approach from consumers was the economic uncertainty in Argentina and Brazil, and continued economic stagnation in Japan and Germany. The combined effect of these factors on the market was a growth in demand for destinations perceived to be safe and cheap, and a renewed emphasis on vocational and academic language training.

A slow start to 2002

In the last quarter of 2001, the language travel market was almost at a standstill, with few new bookings registered by schools or agents. 'From September to December [2001], we had a loss of between 75 and 80 per cent in student applications,' recounts Ana Beatriz Senra Faulhaber, Executive Director of CP-4 Cultural Projects in Brazil, although she says that bookings started to filter through again by the end of the year.

For North America, the picture for 2002 has been particularly gloomy. 'The schools in the USA were hit hard after September 11 with an overall decrease of 30 per cent at least, with smaller schools going out of business,' says Gerber. Gerald Brett at Language Pacifica in the USA reports that 2002 has been 'exceptionally difficult, by far the most [difficult] since our founding in 1979'. Student numbers remained worryingly low until February/March this year, because, Brett says, 'fear of further violence convinced many students that America was the last place to study'. However, the year-end picture was not as bad for Language Pacifica as first feared. Brett estimates that 2002 enrolments were down by just 15 per cent.

It was not only the USA that found itself out of favour with students. The uncertainty also spread to Canada. Kristina Stewart of Stewart College of Languages in Canada reported last issue of a 'cautiousness from all overseas

students in respect to studying in North America' (see *Language Travel Magazine*, November 2002, page 19).

Looking at the bigger picture, it is clear that many students were still going on language travel trips but to different countries. '[Our] clients changed their destination, they did not cancel their study abroad [trips],' confirms Masakazu Sakata, Director of Network Communications in Japan. 'They [went] to Australia, New Zealand, Canada and the UK [instead of the USA].'

Emilio Bordona, Sales Manager at Interway in Spain, recounts a similar experience. 'We have performed very well in Europe - mainly Ireland and the UK - a 20 per cent increase - and we have decreased almost the same percentage in the USA.' In Russia, Lyudmila Bulanova, Director of the Ural-Siberian Centre for International Programmes, reports a trend for destinations closer to home, such as the UK, Ireland and Malta, rather than the USA, Canada and Australia. She puts this down to a number of factors including the 'events of September 11, 2001, in America; the remoteness of the USA and Australia from Russia; and problems with visa registration in the US and Australian Embassies'.

Other destinations make gains

With North America's student numbers down for many providers in 2002, other English-speaking destinations, such as the UK, Ireland, South Africa, Malta, New Zealand and Australia, found themselves experiencing significantly higher demand.

Fiona Wilkinson, Marketing and Communications Manager at Bell International in the UK, reports, 'There has been an increase in overall volume [at Bell], exceeding our forecast and expectations which were cautiously based on allowances for the depressed Argentinean and Brazilian economies. Enrolments from the Korean and Chinese markets have increased substantially and have in large measure compensated for the decrease in students weeks from Latin America.'

Frances Woolcott, Director of Languages International in New Zealand, calls 2002 an 'extraordinary year' for the New Zealand English language teaching industry. 'The perceived safety of [New Zealand], combined with an

A hard year in the air

2002 has been a year of cautious restructuring for many in the aviation industry after a bitter struggle for survival. Many airlines were forced to make widespread redundancies and slash routes and seat capacity. Among those who were unable to keep their heads above water were Belgian

carrier Sabena, Canada's second-largest airline, Canada 3000 (see *Language Travel Magazine*, February 2002, page 8) and Ansett in Australia (see *Language Travel Magazine*, May 2002, page 6).

By the beginning of 2002, some airlines had started to expand their services again,

but financial hardship continued to dog US operators throughout the year. Five of the USA's largest airlines were downgraded by US credit ratings company Standard & Poor in mid-2002 (see *Language Travel Magazine*, September 2002, page 6). Then, in the latter half of the

year, US Airways, the USA's sixth largest airline, filed for bankruptcy protection from its creditors after reporting liabilities of US\$10.65 billion. In stark contrast, many airlines in Europe and Asia posted profits for the first half of 2002 (see *Language Travel Magazine*, November 2002, page 6).

This is largely owing to the change in traveller demand that has resulted from September 11. According to the World Tourism Organisation, 'there has been a contraction in international tourism caused by a decline in long-haul flows, although this is easing'. It also notes that

undervalued currency and a liberal approach from the New Zealand Immigration Service, have together resulted in significant increases in student numbers, particularly from China,' she says. 'Some schools have reported growth of up to 40 per cent. A large number of new schools have [also] opened.'

New languages

For many agents, the language travel portfolio of 2002 has become broader, with sources in countries as diverse as Germany, China and

Colombia reporting that they have expanded their range of destinations to include more English-speaking countries such as Malta, South Africa and

New Zealand.

But it is not only the English-speaking destinations that have benefited this year, according to many agents. 'We have had more demand for France this year,' says Ana Careno at Globus in Spain.

In Venezuela, Lucy Quaggiotto of Globorama agency, says, 'We have seen a slight increase in other languages, such as Italian, French and German.' She puts this down to the fact that 'there are large communities of first-generation Venezuelans of European stock, who have obtained their EU passports' and would like to relocate to Europe given the weak economy at home.

In Russia, it has been the strengthening of the domestic economy that has spurred demand for other languages. 'In our region [Ekaterinburg] many students went to study in Germany, Spain and Italy,' says Bulanova. 'The reason [for this] is the developing economic relations with these countries in our region, [for example] joint-venture companies, shops and restaurants.'

Visa squeeze

It is no surprise that after September 2001, visas were high on the agenda for most governments looking for quick ways to increase national security. The USA was one of the first to react, ushering in

more stringent visa entry requirements for students from Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria (see *Language Travel Magazine*, March 2002, pages 4-5), and finalising the Student Exchange and Visitor Information Service (Sevis), the electronic student monitoring system, which is scheduled to be introduced by the end of January 2003.

The uncertainty over visa regulations in 2002 made it difficult for both US schools and overseas agents, says Peter Thomas, Chairperson of the US English language providers' association, AAIEP. 'The introduction of major changes in US immigration regulations at short notice, and the threat of further changes, have led both to substantively less flexibility and to uncertainty for both agents and schools in advising clients.' The USA also increased its visa issuing fees, which some sources thought could depress the short-term market further (see *Language Travel Magazine*, August 2002, page 10).

As well as changes in visa regulations, many visa issuing offices around the world tightened up their procedures, resulting in a higher rate of visa refusals. Amanda Bautista of Mundo Destinos agency in Colombia says that she has experienced more demand for courses in the UK - 'first because student can get a job legally and second, because our students are tired of [being refused a visa] by the US embassy'.

Mehmet Catalagac of Yes agency in Turkey says their student numbers fell by 10 per cent in 2002 due to a combination of September 11 and the adverse economic situation in Turkey. He adds that 'getting a visa is more difficult than before', and as a consequence, 'some student demand has changed to countries which do not require visas'.

As a result of the clampdown by the USA, Gerber identifies 'an increasing tendency for short-term bookings in countries where no visa is required or with a fast application process'. This is confirmed by Andrew Tam of STA Tavel in Hong Kong, who reports that visas are one of the determining factors for their cli-

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'prices are playing a key role in purchase decisions'.

This emphasis on price has made 2002 the year of the low-cost carrier. Even when many operators were posting losses and looking at ways to survive, low-cost carriers were reporting profits above expectations. Lured by the prospect of

success, many newcomers entered the no-frills arena. At the end of 2001, Air Canada - which had itself suffered severe losses in 2001 - launched low-cost Tango (see *Language Travel Magazine*, January 2002, pages 10) and Air Zip. They joined two other Canadian newcomers, Canjet and

Jetsgo (see *Language Travel Magazine*, August 2002, page 6). Meanwhile, in the UK, bmibaby was launched, while Air New Zealand Express entered the New Zealand market and Goodjet was launched in Sweden.

Among the established low-cost players, competition intensified with

attention turning towards Germany. EasyJet - which bought its arch rival Go, making it Europe's largest no-frills airline - agreed to buy Deutsche BA from British Airways in March 2003, which will give it a low-cost operation in Germany. Ryanair is already operating in the German market, from

Frankfurt Hahn Airport, and competition looks set to intensify, with Lufthansa and travel operator TUI joining the fray (see page 6).

Among other operators in Europe, price became a top priority to win back market share. British Airways, Dutch carrier KLM and Lufthansa all slashed their prices.

ents choosing one destination over another. 'For 'hot' destinations [such as] the UK, Canada and New Zealand, no visa is required for Hong Kong students. Australia needs an electronic visa. It is confirmed immediately on the computer - easy and quick, not a problem. Only for the USA do we need a visa.' For this reason, says Tam, demand for the USA 'seems to have cooled down a bit' during 2002.

While visa issuance delays for some countries have been a long-standing problem, the increased emphasis on national security this year has often exacerbated the situation. 'Most of our students are going to Ireland to study and the visa process is very slow,' reports Sophia Kelty of Maverick agency in China. According to Kelty, the visa process for Ireland

can take up to 13 months, 'so [a student's] life is on hold', she says.

In Russia, Elena Linkova of Efes agency, says, 'The difficulties with visas have increased, especially for the US. But for

Italy, it is even worse. It is almost impossible to obtain a visa for academic programmes.'

Although Australia was one of the destinations to experience an increase in enrolments in 2002, new visa regulations introduced in July 2001 and a hike in the visa fee in July 2002 (see *Language Travel Magazine*, September 2002, page 8), stymied growth in the first half of the year, particularly from Korea, Colom

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A broad marketing perspective

The impact of the 2001 events on agency markets made it vital for agents to ensure they had a wide range of products in 2002 and innovative but cost-effective marketing campaigns to attract a reluctant clientele.

As Michael Gerber of the association, Alto, warns,

'Agencies with a major focus on travel did suffer more [from the September 11 effect] than the ones with a variety of services.'

One agency to increase and add value to its services was Network Communications in Japan. It received permission from the Japanese Ministry of Health,

Labour and Welfare to advise and place people in employment. 'We are now able to offer total support to the customer from counselling to finding employment upon their return home,' explains Masakazu Sakata, Director of the agency. 'We can now help our customers make

use of the various qualifications acquired [when] studying abroad, to obtain employment in their desired field of interest in Japan and abroad.'

The switch in consumer demand away from some of the traditional destinations has also meant that agencies have had to

increase their range of countries offered. Stefan Scherer of Scherer Bildungsreisen in Germany says that they have offered more destinations in 2002 and intensified their marketing, while agents in China and Colombia report that they started promoting Malta this year.

bia and Vietnam, according to Sue Blundell of the schools' association, English Australia. Thick confirms this. 'Student enrolments to Australia, particularly [for] vocational programmes from a number of countries, have been affected by the changes to the visa criteria, in particular, Russia, Colombia, Vietnam and South Korea.'

But, overall, both Blundell and Thick report that numbers have rallied. 'We've been fortunate that China, Hong Kong and Japan have had very good results for Australia and more than made up the losses,' says Thick.

Economic setbacks

In addition to September 11 and tighter visa controls, economic factors have also exerted an influence on the market this year. One of the hardest hit areas was Latin America, particularly Argentina. Patricia Cabral of Together agency in Argentina says the combination of September 11, and the banking collapse and devaluation of the peso in Argentina, created 'an explosive cocktail'. She continues, 'We had nine months of absolute standstill but [have started] to recover slowly towards the end of this year.' Cabral says that their main aim is to 'hold on until the market recovers - this is in itself the greatest challenge we have ahead'.

In Venezuela, too, the language travel sector has been suffering from economic and political instability. 'Our student numbers have dropped between 30 and 38 per cent

this year,' reports Christina Vareschi, General Manager of IVI Idiomas Vivos in Venezuela. 'Markets like summer camps and other youth holiday programmes in the USA have dropped by around 85 per cent.'

In Brazil, the market performed better than expected in the first half of 2002, but Faulhaber reported a slowdown in the latter half of the year because of the uncertainty over the country's economy, hinged on political elections at the end of the year, and concern over possible war in Iraq.

Change in demand

With economic pressure comes increased price sensitivity. 'In Germany, many people are scared of becoming unemployed,' says Wolfgang Schmeink at Calypso Reisen in Germany. 'Most of the people also think that things became much more expensive [in Germany] because of the introduction of the euro. We have some parts of our economy which suffer a lot because of this.' As a result, Schmeink says student numbers stagnated in 2002. There was also a higher rate of last-minute bookings.

Brett in the USA reports a trend towards shorter courses, which depressed revenue at their school. 'Though our numbers were reasonably good this summer, the average stay was shorter, hence our income was lower,' he says.

Economic circumstances in the students' home countries have also heightened the trend towards vocational programmes. 'There is no doubt that students are focusing more and more on actual course outcomes,' says Thick. 'They want programmes that will guarantee progression on to university, which will improve their career prospects. Similarly, demand for work placement programmes is exploding. These trends may be due to the increasingly competitive nature of the job market within many of the students' home countries.'

Argentinean agent, Adriana Cantu, from Cursos de Ingles en Exterior, agrees with this prognosis. 'There is a potential interest [among our client group] in updating and acquiring work experience to enrich personal knowledge and CVs,' she says.

In China, Kelty confirms the trend towards academic programmes with clear goals. 'More students apply for undergraduate and postgraduate study rather than just English programmes,' she says. 'I guess the reasons [are] competition [in the job market] and people realising the importance of education; the better education/knowledge they have, the better chance of high paid jobs [in the future].'

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When times are hard, it is important to get the right balance between the desire for more exposure in a competitive market with the need to cut costs. One agency to invest heavily in its marketing during a rather difficult 2002 is CP-4 in Brazil. They reacted to market demand by offering

new programmes, and realised that by publicising these new programmes they were also creating demand. 'Clients have more information about new possibilities,' says Bea Faulhaber at the agency, 'consequently [they were] asking for more different programmes.' CP-4 then

decided to produce a publication, called *Get Ready*, containing information about all the different types of courses available. 'For our first edition, we had 20,000 magazines distributed in fairs and specific channels for our target audience. This was our main marketing

campaign this year and we have had a great feedback.'

For Interway in Spain, however, the issue was to keep marketing spend low. 'We reduced our marketing campaign [in 2002],' says Emilio Bordona at the agency. 'By October [2001], when we do our brochures, we didn't have any idea of

what would happen and we were very conservative in our marketing plan.'

Despite the cautious approach, the agency has managed to grow its business. 'We are convinced that the measures we took were the right ones: we have increased our total numbers [by] spending less,' he says.

Mixed feelings about 2003

The outlook for 2003 remains uncertain, with much hinging on world politics and the threat of war. 'So much [for 2003] seems to depend on those who hold political office,' says Peter Maximilian, Director of Language Programmes and Teacher Training at the Language Academy in the USA. Thomas at AAIEP forecasts a 'rocky start' to 2003 for the USA because of the introduction of Sevis, but he sees 'the emphasis shifting from an exclusive focus on security to some increased attention to US public diplomacy'.

Bulanova already reports that demand for the US is picking up. 'American programmes are going to be popular again,' she proclaims. Indeed, many agents around the world report good forward bookings for

the year ahead. Schmeink in Germany says, '[In] August and September, we had many requests for the next year. It seems that our clients want to travel next year, after they had cancelled their holiday plans this year.'

In the longer term, there is no doubt that language travel is a growth market. The World Tourism Organisation recently reported that, in the mainstream tourism market, there was a 'shift from active holidays to holidays as an experience... to achieve a complete participation experience, which provides new knowledge as well as authentic emotions'. Language travel fits the bill perfectly. □



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