Following a difficult year in 2003, this year was about building business, although discounting and visa issues influenced the market during the year. Amy Baker looks back at some of the key events and issues of 2004.

Staying competitive: 2004 in review

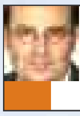
Complacency is not something that many study abroad professionals are familiar with. If 2004 was a better year for business compared with 2003, as has been suggested by many in the industry, it nonetheless offered its own challenges. Those businesses that prospered have put hard work and effort into keeping their companies competitive.

Issues of national security hampered industry growth for some schools in 2004, while ever-changing student requirements and a competitive pace of development meant that the industry continually innovated and evolved, and schools and agencies could not afford to be left standing still. Relations between business partners were strengthened and, often, new programmes introduced to meet changing demand.

This year, work experience was a hot product, with many schools and agencies moving into this sector for the first time. Investments were made by agencies into Internet capabilities and their portfolio of products was examined, while language teaching centres invested in accommodation and other facilities for students. Geoff Hardy-Gould, Managing Director of Regent Language Training in the UK, mentions the introduction of Internet cafés and bookshops for students at their schools to illustrate the importance Regent has placed on client facilities. He also adds that the school chain has invested in “training, IT and market-focused product development”.

Another area of attention for some schools was improving options for pathways from language study to tertiary study. Andrew Hutchinson at Study Group announced this year that Study Group had “introduced clearer, simpler, more explicit routes through our language programmes and onto further learning, either with our own, or with other academic providers”.

“2004 in Italy was slightly better than 2003. Even if the economic trend in the country is not so positive, the majority of agencies reported a good year.”
Paolo Barilari, Ialca, Italy



“There is quite a bit of optimism among German agents. The market is slightly up, I estimate between three and eight per cent. However, there are also agents who have reported a 15 to 20 per cent decrease.”
Joachim Pitsch, FDSV, Germany

Market variations

2004 presented challenges that were, in some cases, particular to certain countries. There were a number of school closures in New Zealand and the USA, and other language schools in these markets struggled to

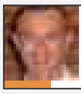
match previous years' performances. In New Zealand, it was a continued stagnation of the Chinese market that was widely attributed as the cause of any slump in bookings. Stuart Boag at Education New Zealand says, "It's been a tough old year for English language teaching in New Zealand. After five years of considerable growth from 1998 to 2002, the overall numbers have come down during 2003/2004." He notes that numbers from most Asian countries were down this year, and China and Korea dropped by around 30 per cent. The decline in business has caused concern in the industry, he says, "because of course, capacity had [previously] risen with demand".

In the USA, Dave Anderson, Director of Agent Services for ELS Language Centers, testifies that in his experience, there was "a bit of an upturn" in the US market, although he points out that this was mostly due to "a very weak market" in 2003 because of the Iraq war and Sars. "This year, those two factors were not significant", he says, but adds, "Since 9/11 there have been dozens of ESL programmes close, especially those owned by universities."

Problematic visa interview requirements for all US-bound student visa candidates and reports about difficulties obtaining a visa were only exacerbated by the onset of the Sevis fee charge – a US$100 fee payable prior to visa issuance – to fund Sevis, the student tracking system. Introduced in September, some language schools felt it would add to their problems (see LTM, October 2004, page 6), although it was too early to see any clear effects on booking patterns at the time of going to press.

The UK market generally reported a good year all round, as did Canada, although some schools in Canada pointed out that while business in 2004 had improved in comparison to 2003, they were still some way off reaching pre-2001 levels of bookings (see LTM, September, page 17). Many other markets reported nominal or patchy growth, on the whole. In Australia, Sue Blundell at English Australia said that "generally, student visa numbers [in 2004] were stable compared with 2003."

Personal security remained a potential stumbling block to market growth. In March this year, terrorists hit again, this time in Madrid, Spain. The Spanish language teaching market was luckily not badly affected by this incident, and booking patterns did not waver significantly after the incident, according to subsequent reports (see LTM, May, page 6).



"We are pleased with the upcoming results for 2004, almost all markets and most destinations will show a better result than 2003."
Ivo Haefliger, Eurocentres

"The number of students who applied for both short and long-term overseas study has consistently grown, even under the economic crisis in Korea. But many students are applying online which basically gives them tuition discounts."
Sung-Il Cho, Kosa, Korea

Zeta Efthymiou of Skylines Study Travel in Greece attests that outbound travel to Spain dropped in demand among her clientele this year, but she is uncertain that terrorism concerns were the reason for this. She says that language and activity programmes were most popular among a mainly junior clientele, especially those courses combining language study with football – "influenced by the Euro 2004 event".

Global travel market

Portugal hosted the Euro 2004 football tournament while Greece hosted the Olympics this year, providing extra impetus for overseas travel and a focus on international exchange. Although the mainstream travel industry benefited from these international events, it was a difficult year for airlines. Rising fuel prices in the second half of the year saw many airlines imposing surcharges on flight tickets (see LTM, August and November, page 8). Nevertheless, after problems with Sars and the war in Iraq in 2003, many airlines posted rising profits for the first six months of the year, but there was less certainty about year-end results.

Again, in 2004, it was the low-cost airline industry that seemed more buoyant, with new routes opening up throughout the year along with the launch of new carriers. SmartWings in the Czech Republic and Wizz Air in Poland and Hungary are two new low-cost airlines operating in Eastern Europe for the first time this year. AirAsia was launched in Thailand, while Ireland's EUJet also took to the air for the first time this year. Other newcomers include Jetstar in Australia and NokAir in Thailand from Thai Airways International.

The enlargement of the European Union (EU) was another big international event of the year. Ten new members joined the trading bloc, boosting business between new member nations and established EU members. Airlines from new EU nations also gained access to more liberal air rights.

A significant effect of EU expansion on the language travel industry is also expected. Not only has it already broadened the nationality mix in many language schools in the EU but it is also expected to fuel further demand for work experience programmes.

Popular products

Work experience became an important product in many agency markets this year, although, as usual, visa issues were a concern in some countries. The

Association consolidation and regulation

National associations of language schools have been keeping up with international competition by revamping themselves and redefining their goals to ensure they stay as relevant as possible for agents and the consumer.

In Canada and in the UK this year, there was an amalgamation of groups to represent one clearly defined industry association. In the UK, private sector association, Arels, and state sector group, Baselt. merged to form English UK, representing the majority of British Council-accredited institutions in the country.

As the UK's Department for Education and Skills also announced plans to introduce a register of approved schools by the end of the year, and to consider introducing a compulsory accreditation scheme in due course, English UK is also hoping to have a central role in any form of compulsory accreditation that is eventually ushered in.

In Canada, the Private Association of English Language Schools (Pelsa) disbanded, joining the Coun

sector-specific association, the Global Work Experience Association (Gwea), held its first Work Experience Travel Market in Cannes and welcomed over 100 delegates keen to either buy or sell products in the sector. Agencies note that accessing a real-life working environment is the next step in language travel.

In Brazil, Marly McFarlane at Centre for English Language Assistance (Cela) says, "Work experience will continue [to be] in demand, for professionals need to have some professional experience abroad in order to compete in the hard job market in Brazil." However, fellow Brazilian agent, Valquiria MacDowell of Improvement, suggests the current trend means students putting less effort into their studies. "Instead of looking for their own improvement to become well qualified and face the work market, [students] prefer to spend their time doing informal work and making some money," she suggests.

Other agents relate that different products have increased in popularity among their clients. Challenging the idea that demand for courses in the USA has stagnated, Annop Kanthatham of York Institute in Thailand says language courses in the USA were most in demand this year. Kanthatham points to undergraduate courses in Australia and language courses in the USA as increasing in appeal next year, while another Thai agent, Sulaksana Kanchana of Professional InterEducation Co., reports a different trend. She agrees with Kanthatham that the US will grow again in terms of demand, and points out, interestingly, that "there are more universities [now] that try to start a working relationship with agents".

However, Kanchana suggests that "Australia will drop [in popularity]…. Students start to talk negatively about Australia having too many Thais". She adds, "As for agents, I think many start to feel they should cil for Second Language Programs in Canada, which has now rebranded as Canada Language Council (CLC) and is developing itself further into a cross-sector national association (see LTM, April, page 6).

In New Zealand, the Federation of International English Language Schools of New Zealand (FielsNZ) changed its name to English New Zealand and is actively promoting its quality school members and the fact that the group is a "champion of overseas agents".

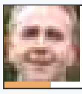
Agency associations also sprung up too this year, as agencies were keen to club together to differentiate themselves as quality organisations within their domestic marketplace.

Baelc in Belgium, IKPII in Indonesia, HKOEC in Hong Kong and ACEIV in Venezuela are all new agency associations that have been formed in 2004 (see LTM, April, July and August, page 10).

promote other countries, where we will not lose our students to local agents in Sydney or Melbourne."

Prices under scrutiny

This raises the contentious issues of the year: discounting and student poaching. In some inbound markets, as well as in Korea's outbound market, local agencies have been offering courses for less than the usual gross price that has been standard in the industry. In some cases, students have been persuaded to switch providers once in a country and re-book with a local agent, who will charge them less. There are two issues here: price cutting and student poaching; the latter of which is more aggressive than the first, although both are threatening to agencies.



"Of all our successes this year, perhaps the most surprising has been the 40 per cent increase in bookings to our Edinburgh college."
Neil Harvey, Aspect UK and Ireland

"The United States will not see the kind of market share that we enjoyed before 2001 unless the requirement of a personal interview for every visa applicant is changed in some key markets."
David Anderson, ELS Language Centers, USA

The Korea Overseas Study Association (Kosa) attempted to tackle the problem of price cutting in Korea earlier in the year by stating that it would blacklist schools working with discounting agencies in the country (see LTM, April, page 10). While language school associations are working on resolving the issue with Kosa, they point out that they cannot control how agencies operate. And in today's difficult business climate, some language schools insist that they have to work with those agencies that deliver students, regardless of the financial incentives they might use.

Sung-Il Cho, President of Kosa, says that, at the moment in Korea, only large agencies and those that offer big discounts are profiting. He says agencies should stop offering discounts to protect the national industry, and that they should "enhance their consulting capabilities with better marketing strategies".

In terms of student "poaching", whereby students cancel their course and re-book with a different school through another agency, this problem is not limited to Australia, nor by any means most significant in Australia. Blundell commments, "Australia has a number of areas of legislation that mitigate the impact of student 'poaching' once a student has arrived in the country. That's not to say it doesn't happen, but it happens to a lesser degree than in other countries that don't have such legislation."

She explains that language students can only change providers if they have the permission of their original institution and they can demonstrate good reasons to do so. Student visas cannot be extended once onshore, while tourist visas cannot be converted to student visas onshore either.

"I believe these rules help reduce the level of poaching that takes place," says Blundell. "The next stage that [the government] is considering is to require local education agents to [be registered]."

Student poaching happens in a range of countries, and hinders the reputation of the industry, especially if students are encouraged to sacrifice quality over price. In both situations, any success made by agents in gaining short-term profit can only be short-lived, if these efforts are not driven by a concern for quality.

Contemporary competition

Many language teaching destinations are also under threat from new competitors. Jimmy Kamajaya of Global One International in Indonesia says, "Many students who were willing to study abroad are having second thoughts [about travelling overseas to study], as right now, there are a lot of international schools offering twinning programmes in Indonesia." He adds, "Malaysia, Singapore, Australia and New Zealand are preferred countries, as study there is considered much cheaper than the UK, USA and Switzerland."

Kamal Sabuni of International Programs and Business Development in Uganda offers up a similar forecast of future trends from his agency. Because of visa problems to the UK, he says India has benefited as a study destination for Ugandans. "The number of students entering universities in India will grow to a new high," he says, "as well as students seeking alternative options in South African universities."

In 2005, serious schools and professional agencies will realise more than ever the value of working with partners who believe in quality service and keep up with market trends. Cho says, "Agents and language institutions must work closely together to create programmes that meet student and market demand in 2005." And he warns, "Students will not only be satisfied with language skills, but will also seek package programmes that allow them to acquire both language fluency and help them find a good job in the future." □