

# Maturing business

Although language travel agents represent a relatively fledgling market, agency businesses are growing up. GILLIAN EVANS looks at the development of a selection of agencies around the world.

The language travel agency business is a relatively young one in most countries and is characterised by small- to medium-sized players. National expansion, or the use of sub-agents, does occur, generally in larger countries, but international expansion remains noticeably absent. However, things are changing as the industry matures.

Many agency businesses have been set up by students who have studied and worked overseas and then returned to their home countries. One such company is KAMC in Korea, which was established in 1983. 'I was a student in the USA and got a job at a US company. After 10 years of experience in the USA, I decided to provide precise information about the US education system in Busan, Korea, which is my home town,' explains Mansuk Bae, KAMC Director. Similarly, I Centri in Italy was launched in 1994, after 'many wonderful experiences as a language student in Spain', says Paolo Barilari at the agency. He adds that this 'seems to be one of the most common reasons to remain in such a lively and interesting field of business'.

As well as past language travellers wanting to impart their knowledge to others, mainstream travel agencies such as JTB in Japan have also been attracted to the field. JTB claims to be Japan's first travel agency, having opened its doors in 1912, and it now has 1,000 offices in Japan and 70 overseas, some of which specialise in educational tours. Educational Exchange Services (EES) is JTB's incoming branch in the UK. 'EES was established in 1999 as a dedicated educational tourist and cultural exchange section within JTB Europe,' says Junko Sakamoto, EES Manager. 'It employs four full-time staff and we handle about 2,000 students per year.'

As the industry grows up, the next phase of expansion has begun. Increasingly, former agency employees, who generally have a vision to build a better business, have set up their own operations. Ednet in Thailand is one such agency, established by five former employees of different language travel agencies. 'We saw discrepancies in our previous organisations that we felt we could improve,' explains Wipa Pinyochotiwong, Managing Director of Ednet. 'By having our own company, we had the freedom to go in any direction we wanted and the sole power to choose to represent or not to represent any [particular school].' As the founders

of Ednet were all graduates of Australian universities, they concentrated on this country alone to begin with. 'By the end of 1999, we moved to bigger offices in the same area, doubled our staff numbers and expanded our [range of] destinations,' says Pinyochotiwong.

Five-year-old World Study Educacao Intercultural in Brazil shares a similar history. The managers of four regional offices of Pool for International Education decided to break away to form World Study in 1998. 'We were eight friends with such a great amount of energy that we wanted to be fast and proactive,' says Simone Maia at the company. Today

## Profile raising on the Internet

Any agency, large or small, cannot be without a website in today's market, as it gives it a potentially limitless student audience. But how important are agency websites for encouraging growth in business?

'We set up online in 1994, when the Internet was just gaining popularity,' says Anne Wittig of NRCSA in the USA, who says the Internet has contributed to increased enrolments. 'However,' she adds, 'more importantly, it has changed the way



World Study has nine regional offices throughout Brazil and places a total of 1,380 students in language courses, work placements and high schools overseas.

While such ventures are the new 'second-generation' agency businesses, there are also some very well established operators that have been active in the field for decades. One such agency is the National Registration Center for Study Abroad (NRCSA) in the USA, which was founded in 1968 by Mike Wittig. He began NRCSA 'as a result of a cooperative project with the Mexican government to help quantify language and culture programmes in Mexico', explains Anne Wittig, the founder's daughter. The company started representing schools in Mexico and has expanded to offer schools in 43 different countries today.

In Korea, Uhak.com is also one of the fore-runners of the industry. Its President, Yongwoo

Kim, started in the business in 1980 when he established an Overseas Educational Consultants section at the Munhwa Linguistics Foundation (MLF), which mainly produced written materials and cassette tapes for foreign language studies. When they separated from MLF, they renamed the company Munhwa Corporation, which in 2000 changed its name again to Uhak.com. 'We started off with four or five staff members. Today we have a full-time staff of 63, including 31 student counsellors,' reports Kim.

Although Uhak.com itself has only four centres, it works closely with more than 110 agencies throughout Korea. 'These are not sub-agent relationships, precisely speaking, but are considered 'co-agencies', which merchandise our programmes,' explains Kim.

Expansion of a language travel agency business can be difficult, many agencies point

people find information and do business, and is simply a reality and necessity in today's marketplace. More students now register online than by mail.'

In Brazil, Simone Maia of World Study agrees that the Internet is important for profile. 'We believe that the Internet has increased the students' interest in our organisation,' she says, 'but the percentage of enrolments originated by the Internet is still low if compared to other

marketing strategies and word-of-mouth recommendations.'

Seeing the Internet as vital to the Korean market and to reflect the company's new direction, Munhwa Corporation in Korea changed its name to Uhak.com in 2000. 'Uhak is a general Korean term for 'study abroad', explains Yongwoo Kim at the company. 'The '.com' signals our commitment to extending business services into the new frontier represented by the world

wide web, for a computer literate clientele.' Uhak.com invested considerable time and money in the development of its website, eager to tap into the 25 million Internet users in Korea. And its efforts appear to have paid off.

'A recent survey regarding our clients' motivation to come to Uhak.com clearly indicated an enormous switch in marketing effectiveness,' relates Kim. 'While more clients came to our company

through [the recommendation of] friends in 1999 (56 per cent), in 2002, 40 per cent of our clients came to Uhak.com through the Internet and only 29 per cent through direct introductions.'

Although the Internet has helped Uhak.com attract more clients nationwide, Kim does not see its role as a marketing portal to attract international business too. He believes it is best to leave that to local agents.

out, as much in this industry depends upon reputation. This means that many agencies are not keen to open additional offices as they feel they would not be able to ensure quality standards. 'I do not think that sub-agents, without my direct control, [would be] responsible enough to maintain our reputation among students,' states Bae at KAMC. 'We do not have plans to expand outside [of Busan], because it would be difficult to control the office.'

One agency to have expanded its operations nationally is World Studies in Brazil and it assures the quality of its regional offices through regular meetings. 'To ensure a good quality service, World Studies holds directors and staff meetings [throughout the year], including a national workshop, which is attended by the directors and staff of all regional offices,' comments Maia. 'During the meetings, many issues are discussed in order to improve the quality of services at our offices.'

Ensuring quality at branch offices or sub-agencies is paramount. For this reason, Kim at Uhak.com says he is looking into developing a franchise network for his business. 'I am working on initiating a franchise-style system out of this co-agency cooperation as I believe it is the only and most desirable way to ensure the quality of the services we provide to our clients,' he explains.

Acquisitions have not been particularly high profile in the language agency industry, although it does depend on the market. In Thailand, where the market is relatively young, purchasing existing agencies is not 'in the business culture', says Pinyochotiwong. 'An agency [in Thailand] is usually set up and run by the owner and very often run by family

members. It just closes when it's not successful,' she says. However, she adds, 'Buying another agency or franchising could become a trend in this business [in the future].'

In Brazil, Maia reports that the language travel agency market is already congested so it is not conducive to new agencies opening their doors. Here, perhaps, acquisitions might be an attractive proposition for those wanting to enter the market. 'I don't believe there is much space for new players in the market,' she asserts. 'I believe that existing players can expand to new cities [if] they have the expertise already, but the market cannot welcome any more new players at the moment.'

International expansion remains conspicuously absent in the language travel market. '[The] agency business has a lot to do with understanding the needs of our clients and their culture,' comments Pinyochotiwong in Thailand. '[Students in] different countries have different needs. The system set up in one country may not work well in another country, so it is difficult to use one already established business model.'

Kim agrees. 'Extending the business market to other countries would mean that we would be competing with their local agents, who already know their clients' needs. [Our services and products] are designed for our domestic market,' he says.

But one agency with a truly international outlook is Lisa Reisen. It was set up in Leipzig, Germany, in 1996, specialising in Russian only. 'Student numbers grew rapidly,' says Jana Thiele at the agency. '[We had our] first clients from Austria and Switzerland in 1997, and by 1998 we were offering 60 courses throughout

the world.' Since then it has developed relationships with a network of traditional travel agencies through which it wholesales its products, has opened its own language schools overseas and is currently in the throes of buying agencies in the Czech Republic and Switzerland, as well as looking to buy one in Japan. 'To establish yourself overseas, you have to be at the peak of your market in your homeland. Lots of companies fail [because] the risk is just too great and the legal regulations, etc, are different from [their] own country,' says Thiele.

One way of opening up the international market is through working with agencies in other countries. 'We are open to any form of collaboration with other small agencies in Italy and abroad,' says Barilari. 'I do think that our business is going to be an international one, [and] our market will be at least the European Union. I see [the potential for] great opportunities to establish links with other companies in other countries.'

As the language travel industry continues to mature, there is certain to be a consolidation of operators, although there will always be a place for experienced smaller agencies, in an industry where personal contact counts. Kim, however, sees a trend towards big name businesses. 'We expect that there will be changes in [the] agent business, both in scale and structure,' he says. 'Small independent agents will seek affiliation with a big agent or the possibility of becoming a franchisee, because what counts most is decades of accumulated know-how, qualified and quality services and a strong web-based presence. Small agencies won't survive without [these criteria].' □