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Many factors have affected the language travel market in recent years, from BSE and foot-and-mouth disease in the UK to the September 11, 2001 terrorist attacks and subsequent – and ongoing – tightening of visa requirements. The Sars outbreak and the Iraqi war. While the effects of these factors recede with time, the rise and fall of the market has resulted in a constant widespread trend towards price sensitivity. GILLIAN



Costs

Cost-cutting and mouth disease in the
relaxation of visa regulations, the
and fall of the global economy
AN EVANS investigates.

In recent years, trends in the language travel market have mirrored those in the mainstream tourism market. According to the World Tourism Organisation, international tourism has been influenced by the combination of an overall weak economy and a high level of uncertainty among would-be travellers, due to the threat of worldwide terrorism and the Iraqi conflict.

For language travel, these changes of conditions have resulted in a switch in destination and course type, and a clear trend towards cost cutting. Karel Klusak, of Intact agency in the Czech Republic, confirms that price is one of the main determining factors for students in his market. Better value products are, he says, “always the most successful ones”.

“Malta is a good example,” he explains. “The market for Malta is growing steadily, [as] clients appreciate the easy access – no visas, short flights – sun, safety and relatively low prices. Courses in New Zealand or Canada, which are cheaper than the UK, are harder to sell because of the long flight, visas and fear of Sars, in the case of Canada. The US market remained low this year again due to high prices, difficult visas, long distances and fear [regarding] safety.”

While fears regarding security and the concern over Sars have, on the whole, receded for most nationalities now, price remains a constant theme. Language schools in English-speaking destinations such as Australia, New Zealand, Canada, South Africa, Malta and Ireland have benefited from their relatively weak currencies compared to, for example, the UK and the USA. Paul Stowell of French agency, Discours Direct, which represents six schools in the UK and Ireland, says, “We can sell Ireland easily despite the extra travel cost [compared to the UK], because their prices are in euros and because they are much cheaper anyway, even with the slipping pound [against the euro].”

But even in the “cheaper” destinations, cost-cutting trends by students are evident. “We have certainly noticed that students are now more price conscious than ever,” asserts Jane Mourao, Marketing Manager at Sydney English Language Centre (Selc) in Australia. “Economic conditions in-country and worldwide instability have led students to seek out cost-effective destinations like Australia and New Zealand.”

Hee Woo Kim, from Cici Ed Net agency in Korea, reports that the severe price consciousness of their market can be traced back to the Asian economic crisis in the late 1990s. Since then, there has been no improvement, because, says Kim, “Our economy has got worse again [since] the end of 2002”.

The Latin American market has also been bruised by a severe economic downturn, which has all but dried up student numbers from some countries. “In January 1999, Brazil had an 80 per cent monetary devaluation – before this the real was [worth] 1.3 to the US dollar,” explains Michael Joop of Brazilian agency, Intercambio Cultural e Cursos no Exterior (ICCE). “An exchange rate of 2.3 [reals to the US dollar] made it impossible for the middle class to afford the courses they used to buy.” Now, says Joop, “the situation is still difficult but people have [become] more used to it”.

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Exchange rate problems

According to Mourao, a negative aspect for most students and agents, particularly those from countries with unstable economies, is currency fluctuation. “Prices are usually quoted in US dollars and most people pay in future instalments. This means that in times of currency uncertainty, many are reluctant to commit to expenditure in case of further devaluation,” she comments.

Exchange rate fluctuations also determine who finds certain destinations expensive. “An awful lot depends on exchange rates,” confirms Kevin McNally of the Hampstead School of English in the UK. “For example, a middle-income Japanese student finds our courses quite cheap whereas a very wealthy Brazilian might still see us as expensive, once our fees have been converted into local currency. Language travel is still, on the whole, a luxury item and the more disposable income people have, the more they will travel.”

For comparatively “expensive” destinations such as the USA, this has meant students seeking courses elsewhere. “We know that many Asians and South Americans are looking toward Australia, Canada and New Zealand as lower cost options to English language study [in the USA],” comments Bill Gaskill at the American Lan



Economic climate

According to a report published in April 2003 by the International Monetary Fund, growth of worldwide Gross Domestic Product (GDP) is estimated to reach 3.2 per cent in 2003. Most of the advanced economies – including the major tourism source markets of North America, Western Europe and Japan – are still

suffering from a weak economy. However, a gradual but slow improvement is anticipated during the second half of the year. The IMF has projected that economic growth will reach 4.1 per cent in 2004.

For the Americas, growth is estimated at 2.1 per cent in 2003 with an improvement to 3.7 per cent in 2004, fuelled

by the USA and Canada, but also by the recovery of the Latin American economies.

Europe is forecast to grow by 2.0 per cent in 2003, with the euro area growth at a sluggish 1.1 per cent. In contrast, Central and Eastern Europe and the Russian Federation are forecast to grow by 3.4 per cent and 4.0 per cent respectively in 2003. For 2004, the European

economies are expected to improve moderately, raising the regional average to 2.8 per cent.

In spite of the still rather stagnant Japanese economy, economic growth for Asia and the Pacific as a whole is forecast to maintain its rate close to five per cent in 2003 and 2004, with China recording over seven per cent. Sars might cause a temporary slowdown of this

pace, but is not expected to dent growth seriously.

Africa sees its growth accelerate to 3.9 per cent in 2003 and to over five per cent in 2004. GDP growth in the Middle East is expected to almost double in 2003 and to maintain this level in 2004.

Compared to last year, the euro has increased its exchange rate by double-digit figures toward almost all major currencies. Against

guage Center at the University of California Los Angeles in the USA. Gerry Thiemann at Conversa in the USA adds that Japanese and Venezuelan students have “cut back tremendously”.

In the UK, says McNally, it has been the European market – especially Italy – that is most affected by price because of the high value of the UK pound in comparison to the euro. He also identifies the junior market as being the most cost sensitive. “I think the youth market has become even more price sensitive and I’ve noticed that groups in particular are cutting down on ‘extras’ such as excursions.”

Cost-conscious students

Mark Lucas, Managing Director of Aspect Education Sydney in Australia, reports that 19-to-24 year olds – mostly Korean, Japanese and Central European students – are most often looking for bargain prices. “[This] appears to be the result of lower employment opportunities in their home countries for graduates,” he says.

In the agent markets, the most price-conscious sectors of the population change according to country. Meral Onat at Monat in Turkey says that summer school students are most affected by price, while in Korea, Kim reports that it is students over the age of 20 who are looking for a bargain. Meanwhile, Klusak in the Czech Republic says that price is an issue across the board. “Price sensitivity affects all sectors – companies sending their executives want to get special prices on account of the volume of their business, [while] the junior and young adult markets are price sensitive by nature.” According to Klusak, the Czech market has always been price sensitive due to lower wages compared to most other Western European countries.

The global economic downturn has certainly affected demand for executive courses from many countries. “Corporations have reduced their training budgets in response to the global [economic] slowdown,” confirms Lucas. Renate Schmid from Cultura Wien in Austria also observes a change in demand from executives. “In the executive market, there is a visible trend towards fewer one-to-one lessons. Where a company easily booked 100 one-to-one lessons for their executives only some years ago, they tend to book 40-to-50 lessons today,” she reports.

Course trends

As well as changing destinations, another manifestation of the price conscious student is in course demand and the way in which courses are packaged and sold by the schools. Thiemann at Conversa says, “We have not made any significant changes [to our programmes] but charge the same price for general [English] classes as we do for specialised classes such as business English, Toefl [and] Ielts.”

To attract the price sensitive, the Hampstead School of English has developed an “off-peak” intensive English course, while Juan

Carlos Izquierdo of Alcalingua in Spain reports that they did not increase their prices in 2001 and 2002 to attract bookings.

Agents too have adapted to the market’s sensitivity. Klusak says that they no longer publicise many premium-priced products. “I have cut down the number of expensive niche products in the brochure and offer them only if I have a client who is not happy with our [product range] and is willing to pay more.”

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There has been a growing trend in many countries towards paid work placements, although

this is not always open to all student nationalities. One of the major exceptions is in Australia, where all student visa holders are permitted to work for up to 20 hours a week. Joop in Brazil says this is particularly attractive to some of their clients. “We include a work programme where people can work and earn money. This attracts people that we did not use to have,” he explains.

Accommodation is another area in which students may change their choices to get the most from their money. “We have seen an increased demand for self-catering accommodation both in hostels and shared flats, which is motivated by price,” reports Helen Cox of South Australian College of English in Australia. Similarly, Izquierdo in Spain says, “Some of our students stay for just one month in halls of residence or host families and [then] change to shared apartments.”

For the Hampstead School of English, however, host family accommodation remains the preferred choice. McNally says, “I think students recognise the exceptionally good value the accommodation represents. Maybe this is even more the case as we are in London, where a modest hotel charges UK£85 (US\$134) per night, bed and breakfast, and a homestay with us is UK£15 (US\$24) per night.”

Shorter stays

In some non-English speaking destinations in particular, price sensitivity has manifested itself in a trend towards a shorter average length of stay. “We noticed this summer that courses were much shorter – two weeks instead of an average of four weeks,” reports Virginie Manardot of Accent Francais in France.

Alcalingua in Spain, which is part of Alcala University, used to enjoy a relatively long average length of stay for students but, from 2001, this dropped considerably, according to Izquierdo. “Japanese [students] now apply for shorter courses,” he says. “They used to apply for nine months, now they normally apply for three.”

In Austria, Schmid reports a similar trend. Cultura Wien’s standard course is four weeks long, although they sometimes allow

the US dollar, the euro is back at its level of 1999, leaving the historically weak period of 2000 and 2002 behind. For the euro area, a stronger euro might cause a deceleration of inbound tourism. Especially relevant for European tourism is the 14 per cent appreciation of the euro versus the UK pound sterling.

Meanwhile, the US dollar not only slid against the euro

but also depreciated against most other currencies. It depreciated by 11 per cent compared to the Canadian dollar, 20 per cent to the Australian dollar, 15 per cent to the New Zealand dollar, seven per cent to the Japanese yen and four per cent to the Korean won.

Source: *World Tourism Barometer*, June 2003, World Tourism Organisation

students to enrol for three weeks. However, says Schmid, “We had many enquiries for two-week courses this summer, which we do not accept [because] new students leaving and arriving every Monday diminishes the learning quality of a group enormously.”

There is indeed a danger that cost cutting by students may result in a lower quality product – or at least one which does not match their expectations, as Philip Harttrup, Programme Director at the Language Exchange in Canada, observes. “Cost cutting by students has resulted in many seeking out schools that have programmes with as little as one hour of study per day. This isn’t really beneficial to the students, but schools use this as a tactic to attract numbers.”

Sacrificing standards?

The costs of producing bargain solutions to the market’s desire for low prices may be high. Mourao asserts, “In order to stay in business

in Central Europe, schools have been driven to offer substantially reduced tuition rates just to stay active in the market. These prices make most business in the region unprofitable for the higher-end schools and, we believe, unsustainable in the long term.”

In New Zealand, too, there has been a spate of launches from lower-priced language providers. But John Langdon of Dominion in New Zealand warns, “Once a school has a reputation for being cheap then it tends to have this reputation for life.” He continues that it is not always a foolproof way of prospering during currency fluctuations. “When the New Zealand dollar becomes more expensive – it has gone from US\$0.40 to US\$0.60 in the last year – some schools have falling rolls and some markets become more difficult. China and Korea, of New Zealand’s major markets, are very price sensitive. Schools with a reputation [for low costs] have suffered worse in these two markets than schools with a reputation for quality.”

Travel costs plummet

It has never been so cheap to travel, especially by air, thanks to the intense competition in the airline industry – largely because of the no-frills, low-cost airlines that have sprung up in many parts of the world.

In 2002, the number of no-frills flights to and from the UK alone increased by 73 per cent. In the USA, no-frills

operators have secured a 25 per cent share of the domestic travel market. And, as a result of the competition from no-frills airlines around the world, traditional carriers have slashed their economy class fares. According to the American Express European Corporate Travel Index for 2003, economy fares to Western and Eastern Europe

have dropped by 10.2 per cent and 15 per cent respectively. All this is good news to the cost-conscious language traveller – if they know what is on offer.

Karel Klusak, of Intact agency in the Czech Republic, says there is some confusion in the Czech market. “Clients are aware of low-cost airlines and require their prices for flights to Heathrow. They do not

understand that low prices can be obtained to minor airports, [and] only if they book months in advance and if the flight is paid [for] immediately. The customers expect to pay the lowest fares in the high season and are surprised when these prices are not available.”

As most no-frills airlines do not offer an agency commission on bookings, language travel agencies

that book such flights for their customers may be losing out. Per Garly Andersen of Exis, which deals with the Scandinavian travel market, says no-frills flights are very popular among clients. “We advise our clients about cheap flights even [if] this means losing a small commission from a travel agent booking regular flights for our customers,” he explains.

Lucas also claims that lowering costs means lowering standards at some schools. “Economic crises tend to push colleges to discount prices and increase commission – a dangerous combination that leads to a lowering of educational standards and the resulting loss of image of the country and institutions that follow this path.”

Quality worth paying for

Although some students are inevitably attracted by courses with a lower price tag, agents and schools agree that this is not always the case. Stowell says that although price is an issue in the French market, demand is “elastic”.

“From the outset in 1994 [when Discours Direct started its agency operations] we found that more expensive courses were very difficult to sell.” However, he continues, “Once a client has decided to go then price is immaterial. It’s those who have no real motive to

“We include a work programme where people can work and earn money. This attracts people that we did not use to have”

go, who are the ones who discuss price – [and] in the end they rarely go anyway.”

Students with clear-cut goals are also less likely to haggle over price. Joop says, “Price is important to people but because they have academic goals, price gets less important when other issues like quality, location, school recognition and so on are being discussed. Many people have only a limited budget, but the tendency is that if they see the advantage of spending a bit more for a better product, they try to get the money together.”

McNally agrees. “While I would say [the adult market] is less price sensitive [than the junior market] students are very focused on value for money; I have found that they do not mind paying as long as they feel that it’s money well spent.” □