



This week, **Jan Capper**, Executive Director of the **International Association of Language Centres (IALC)**, presents an overview of an industry panel discussion at the recent IALC Brisbane 2014 workshop, covering topics including commoditisation and price wars.

What's the future of online booking and how far is study travel from a global distribution system like those seen in the travel industry?

These were two of the questions posed to a panel of industry experts at the 2014 [IALC](#) Workshop in Brisbane.

The views of the audience, made up mainly of educators plus agencies and service providers, were polled as the discussion progressed.

The panel was moderated by Jean-Marc Alberola, President of [Bridge](#) and comprised four industry leaders with unique perspectives: Mauricio Pucci, CEO of the [Information Planet](#) agency network, who is separately developing a global distribution system for study travel, to be trialled later this year; Barbara Jaeschke, Managing Director of Berlin-based language school and agency [GLS](#); Mark Lucas, Managing Director of iae GLOBAL, the international wing of Korean agency iae edunet; and Rod Hearps, Vice President of [ICEF](#).

Is language travel commoditising?

The broad conclusion was that the short-term, the general language course is at an early stage of commoditisation and this will continue. But it was felt that products such as university pathways are too complex and expensive to commoditise.

Taking milk as an example of a commoditised product, Rod Hearps reassured niche operators that while the big brands compete purely on price, there's still room on the supermarket shelf for Byron Bay organic.

Mauricio Pucci suggested that standardizing the general language course would bring more agents to the market. Schools need more distributors and simple products can be sold by many agencies, he said. The current complex presentation of the short-term course, with small variations in lesson length and terms like "intensive" used for both 15- and 30-lesson programmes, makes it harder to sell to consumers and to train agency staff.

An audience poll showed 70 per cent believed the language travel industry is "somewhat commoditised". Asked if they were in favour of the standardization of programs and course formats, 54% of the audience said no. Summing up the majority view, Bob Burger of [Malaca Instituto](#) said, "By supporting this trend, we'd be gifting the majority of short-stay courses to the chains, who compete primarily on price and branding."

Is our industry in a price war?

The panel consensus was that price wars are happening in some but not all markets and place intense pressure on commissions. Schools are having to price in order to give higher commissions.

Barbara Jaeschke said it was unhealthy for the industry when agents take bigger commissions simply to pass them on to consumers. If commissions continue to rise, she added, quality will be compromised.

Lucas placed some responsibility with educators, arguing that contracts are issued too easily. South Korea has around 4,000 agents, resulting in price wars and discounting. He advised schools to build stronger partnerships with fewer, bigger agencies that establish the brand in the market and manage a network of sub-agents.

Some 85 per cent of the audience believed the industry is already very much or somewhat in a price war. Polled separately on what is the most viable, sustainable commission rate for their business, schools said 25 per cent while the small sample of agents said 25-to-30 per cent.

What impact would a global distribution system have on language travel?

The travel industry has four GDS: Amadeus, Galileo, Sabre and Worldspan. A GDS is a business-to-business platform which enables automated transactions between vendors (airlines, hotels, tour operators) and booking agents (office-based and online) in order to provide travel-related services to end consumers. It links services, rates and bookings. It holds no inventory but has a real-time link to each participating vendor's database. So a travel agent with a connection to a GDS can choose and book various flights, hotels and associated services

on all the vendors in the world who are part of that GDS.

Presenting his beta-stage GDS for study travel on screen, Pucci said the software aims to reduce the burden of high agent commissions on schools while allowing agents to sell more products. "If we can diminish the costs of the agents, empowering them with a simple communication system of information, they will ask for less commission, so it's a win-win situation for everybody," he explained.

But among the IALC school directors at the seminar, there was concern that a GDS for study travel would accelerate commoditization by encouraging agents to compare only on price, impacting hardest on high-quality and independent educators.

"It's not in the interests of the IALC kind of school, with its emphasis on quality and distinctive boutique-style values," said Burger.

Do we want fluid pricing in our industry?

Online booking and GDS have brought fluid, real-time pricing to the travel industry, with consumers now used to varying and fluctuating prices for hotels and flights. Jaeschke recalled the negative impact on the travel industry, where too many consumers waiting for last-minute deals affected cash-flow and capacity planning. But Pucci countered that like the travel industry, study travel would adjust to the new model.

Is the travel industry a good comparison? Alberola thinks so: "The language travel sector is a hybrid of education and travel, and basing strategy on comparisons with the travel industry is a valid exercise," he said.

Summing up, Jean-Marc Alberola said: "The realization that language travel is becoming commoditised is an unpleasant one for many, particularly independent schools, which may need to adjust their market positioning. But an awareness of these market forces and dynamics is important, as is an open discussion."