Perception of Independent and Boutique Chain Schools in Language Travel

IALC

International Association of Language Centres

IALC Study Travel Research Report 2015 – Administered by studentmarketing YOUTH TRAVEL CONSULTANCY

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PERCEPTION OF INDEPENDENT AND BOUTIQUE CHAIN SCHOOLS IN LANGUAGE TRAVEL

Prepared on behalf of:

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INTRODUCTION

The International Association of Language Centres (IALC) commissioned StudentMarketing to compile a research paper that would allow the Association and its members to gain a comprehensive insight into the current state of the global language travel market, with a specific focus on the perception of independent schools and boutique chains on the one hand and chain schools on the other.

For the first time in history, perceptions about independent schools/boutique chains and chain schools were examined. Agencies had an opportunity to voice their preferences and experience of working with both school types and comment on a range of aspects that relate to the agent-provider business relationship.

The power of this report lies in the research sample achieved. In total, 472 agencies from 72 countries participated in this initiative, representing a pool of more than 230,000 language travel students.

Moreover, the study also provides the most recent analysis of the programme preferences of language travel students and sheds more light on the demand for foreign languages and industry trends, as well as revealing the future outlook for independent schools and boutique chains, and chain schools.

IALC and StudentMarketing would like to take this opportunity to express their gratitude towards all participating agencies for their contribution.

METHODOLOGY

This study is the outcome of a combination of primary and secondary research conducted from December 2014 to April 2015.

As part of extensive desk research, the StudentMarketing research team collated available secondary sources that assisted in establishing a bird's eye view of the global market.

In order to source up-to-date information about agent perceptions and preferences, a global survey was launched. Over a period of six weeks, responses from 472 education agents from 72 countries were gathered. Agencies of all sizes and types were featured in the sample and a representative reflection of the industry's composition was achieved.

For the purposes of this research, the following definitions were applied:

Independent schools/boutique chains - language schools independent of a large chain or corporate group. Independent schools consist of a maximum of 5 language centres.

Chain schools - language schools that are a part of a bigger group of schools or brand. Chain schools are schools composed of more than 5 language centres.

Due attention was paid to ensure that the research sample remained unbiased. With regard to the proportion of IALC affiliated agents among the respondents, the ratio in the sample shifted towards non-affiliated agencies.

In addition to the quantitative data collected via an online questionnaire, a selection of agents was invited to participate in in-depth phone interviews to discuss specific areas of agent market development and their business operations. The report draws from the insights provided from the 20 interviews that took place.

StudentMarketing handled the data acquired from research participants with strict confidentiality. No response was individually attributed or identified at any stage of the process.

EXECUTIVE SUMMARY

This report analyses the perception of independent schools and boutique chains in the industry, as seen by education agencies as well as their customers.

Newly-acquired data were brought to life with the help of global primary research to gain a better understanding of the contemporary agent and customer preferences. The study draws from the information provided by 472 responding agencies representing 72 different countries, as well as 20 in-depth interviews with key agency stakeholders. The agents surveyed as part of this initiative catered to a total pool of more than 230,000 language travel students.

The value of this research also consists of providing a quantified analysis of anecdotal topics that have, up to this point, been only discussed in general terms.

Among the key findings are:

Language travel is being confronted with rather new phenomena:

- As a result of entering a stage of maturity, more regulation will be introduced;
- Consolidation and product standardisation are the two omnipresent supertrends in the market;
- The uptake in the share of direct booking to schools is not predicted to be steep.

English learning abroad continues to maintain its leading position within the industry:

- There are some 2 million language travel students worldwide, with English accounting for two-thirds of the market;
- English dominates agents' portfolios, with 95% of agents currently promoting an English language course of some kind;
- Last but not least, English has experienced the highest increase in demand over the last three years (67%), followed by German (47%) and Spanish (38%).

However, languages other than English are gaining ground:

- Apart from English, the strongest demand for junior courses is exhibited for German, French and Spanish language courses;
- German is also popular for pathway programmes;
- Growing interest in Chinese programmes has been reported in the Eastern European region and countries neighbouring with China.

Independent and boutique chain schools outperform chain schools in the majority of examined criteria:

- 56% of agents believe independent and boutique chain schools are of higher quality than chain schools;
- The most valued factor favouring independent schools is the ease of access to senior management they provide (78% of agents);
- Furthermore, independent schools scored better for the majority of course types, taking the lead for one-to-one, professional and General/Intensive courses.

As a result, agents prefer sending students predominantly to independent providers:

- 64% of agency customers opt for independents, the remaining 36% prefer to enrol at chain schools;
- Agents report better future outlook for independents than they do for chains – 37% believe that the demand for these will increase over the next three years;
- Growth in demand for chain schools is expected by 28% of agents.

Independence from big chains is perceived as a benefit, yet the end-customer is often unaware of the dualism between independent and chain schools:

- 59% of agents said it would help independents recruit more students if they stressed they are independent;
- 12% believe it would cause more harm than benefit;
- Only 13% of students distinguish between independents and chains before approaching an agency.

Commission is important for agents, but customer satisfaction, i.e. school quality, comes first:

- The proportion of agents who believe that the pressure on commission is higher than it has ever been stands at 59%;
- 20% of agents who ask for more commission do so in order to keep their business afloat;
- On the contrary, 30% of agents seek to fund further expansion through increased commission from schools.

CHAPTER 1
LANGUAGE TRAVEL LANDSCAPE

Language travel is a vivid sector of the youth and student travel industry, yet it lags behind its own development in terms of strategic self-measurement.

Although there have been efforts to map and systematise the segment, most notably the GAELA Global Data initiative, there is currently no overarching industry body that provides statistics such as demand and size for the most important foreign languages, market value or year-on-year performance. As a result, systematic and regular documentation about the market is still absent.

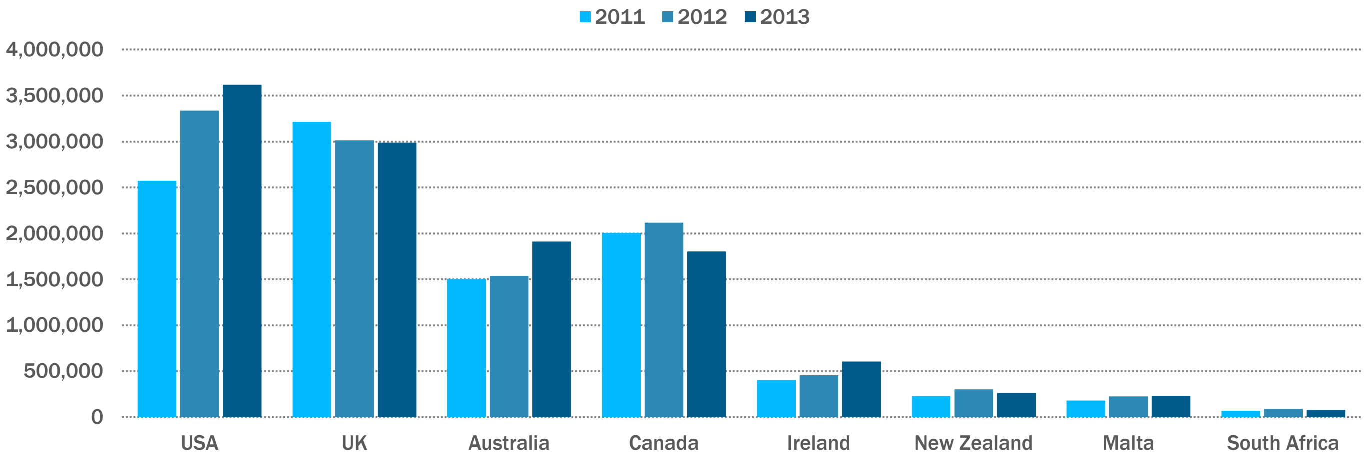
While there is no precise data as to what is the overall number of language travel students worldwide, StudentMarketing, based on some 200 individual sources it monitors and its own observations, estimates that this figure comes close to 2 million people per annum (people travelling abroad with the primary motivation to learn a foreign language); furthermore, English learners account for two-thirds of this number.

ENGLISH LANGUAGE TRAVEL (ELT)

A considerable gap between the documentation of English language travel and the rest of the sector exists. This discrepancy stems from the different levels of maturity of English language and other language segments and subsequently a lesser need to measure these.

Because of this, very few indications regarding the number of learners of languages other than English are available. English is still the dominant language of the market, but as other languages (e.g. German, Chinese) gain ground and increase in demand, there will be a growing need to quantify them.

TOP DESTINATIONS IN ELT BY NUMBER OF STUDENT WEEKS



Source: StudentMarketing, 2015

The US has recently overtaken the UK as the top receiving destination in terms of student weeks, primarily due to the growing expansion of international post-secondary students in the country who, in general, need English language preparation as well as an increasing length of stay.

Australia has been experiencing a robust rebound in ELT since 2013 (after a decline in numbers from a peak of 2008) and the latest international education strategy endorsing a new visa regulation policy facilitation signals a solid foundation for further growth.

Canada declined after a period of steady growth in 2013. The 2014 embassy officials' strike will make a rebound unlikely, even though the language travel sector was not hit as hard as the country's Higher Education sector.

Ireland's popularity dropped between 2013 and 2012 when measured in student numbers; however, the total number of student weeks spent in Ireland rose, marking another positive year for the country.

New Zealand, Malta and South Africa may predominantly be considered regional education hubs and their market share remains relatively stable.

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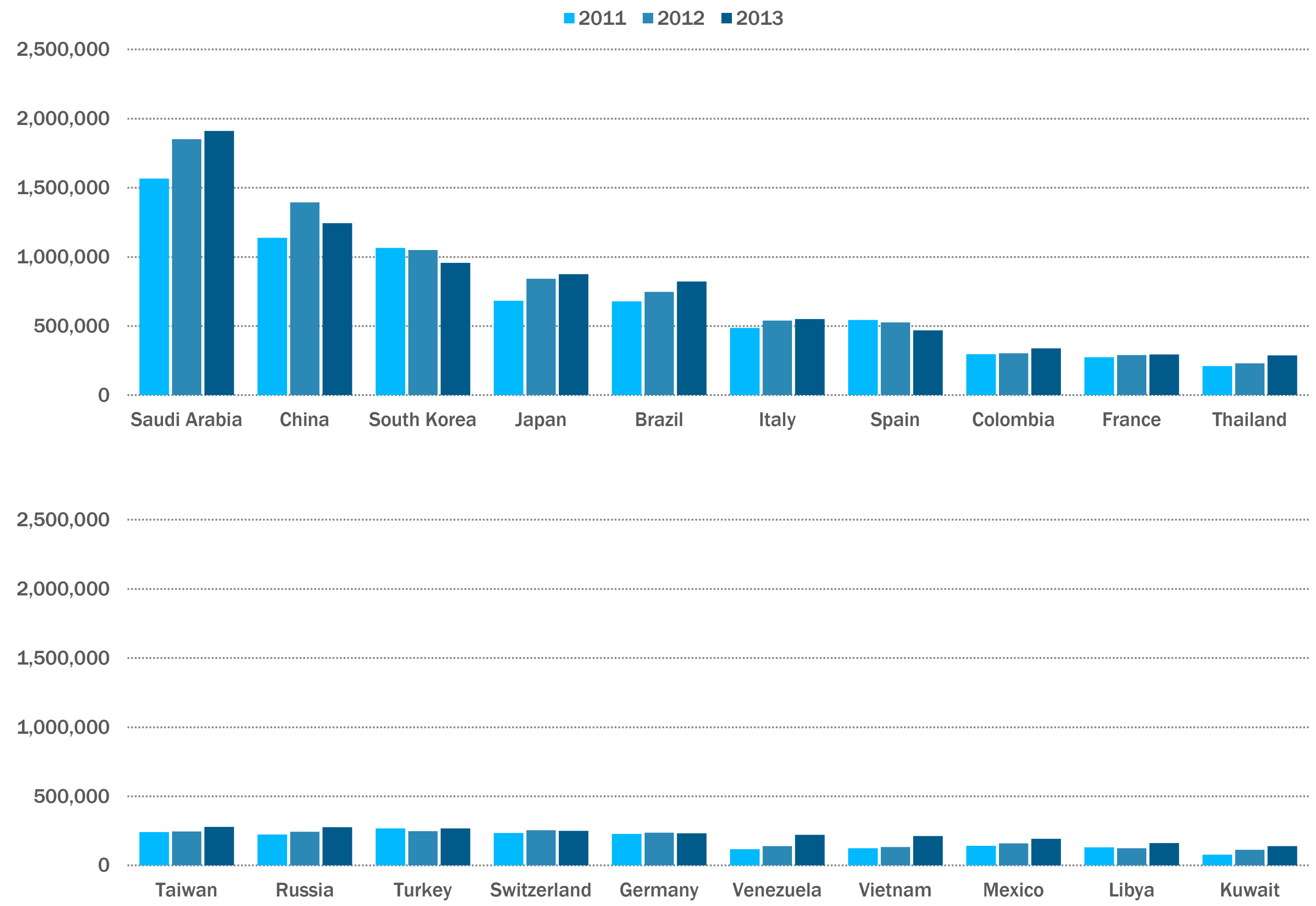
NUMBER OF STUDENT WEEKS SPENT IN ELT BY SOURCE COUNTRY



Source: StudentMarketing, 2015

Saudi Arabia and China are the top source countries for English language travel (measured in student weeks). A solid performance has been recorded for Japan (year-on-year increase of 28%) and Brazil (21%) and both countries demonstrate positive future outlook.

86% of all student weeks in ELT are generated by the top 20 source markets.

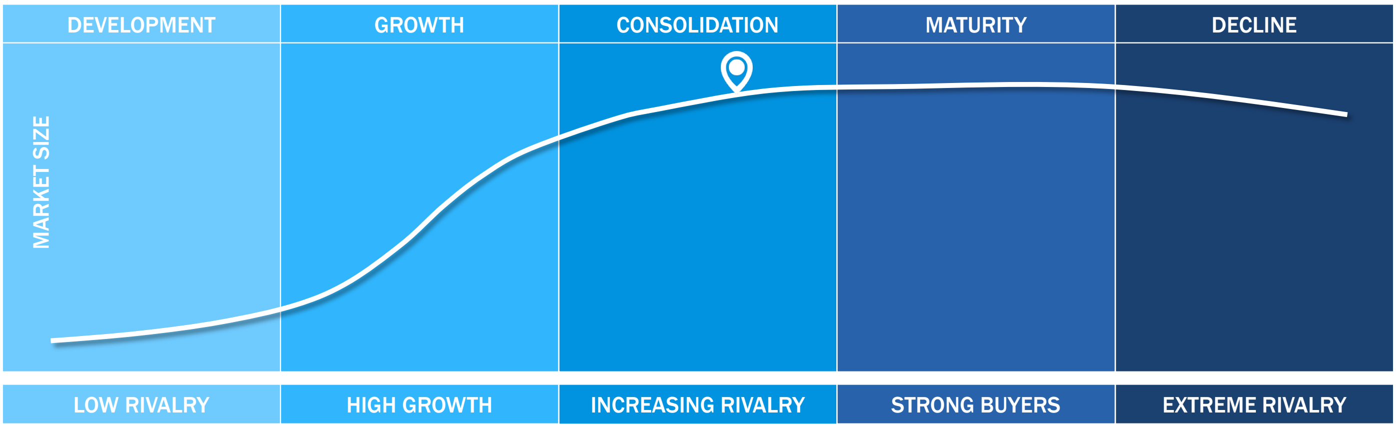
LANGUAGE TRAVEL LANDSCAPE

Industry supertrends

MARKET CONSOLIDATION

As the industry matures and the growth rates slow down, the market is headed towards consolidation and more regulation is expected to take place. This regulation will appear in the form of government supervision (e.g. visa policy adjustments or the International Code of Ethics for education agents that was a joint initiative of the British Council, Australian Education International and representatives of Ireland and New Zealand) and self-regulation coming from industry bodies (e.g. agency associations providing accreditation and implementing standards).

INDUSTRY DEVELOPMENT STAGES



Source: StudentMarketing, 2014

PRODUCT STANDARDISATION

Product standardisation is another consequence of the industry becoming more sophisticated. Without any exceptions, all agents interviewed concur that the programme portfolio has become increasingly standardised when compared to a decade ago.

The positive side to this is that, given the competitive market, schools make extra efforts to provide higher quality within the same standard. The negative aspect of this is that as there is more conformity among programme attributes, competition between schools increases and places downward pressure on prices.

Moreover, such standardisation creates favourable conditions for developing language travel-specific global distribution systems (GDS).

Based on the interviews conducted with selected agency representatives, it can be noted that the launch of such a tool splits agents into two opposing opinion groups (even within the same source country).

Those not interested in using a GDS either do not see a practical need for the system (many agents have their own software in place and would need to switch) or do not believe that it will be possible to commoditise language courses given the still large amount of nuances present in the market, stressing the necessity of individual counselling.

One-third of interviewed agents confirmed they would be interested in utilising such a platform.

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LANGUAGE TRAVEL LANDSCAPE

Booking channels

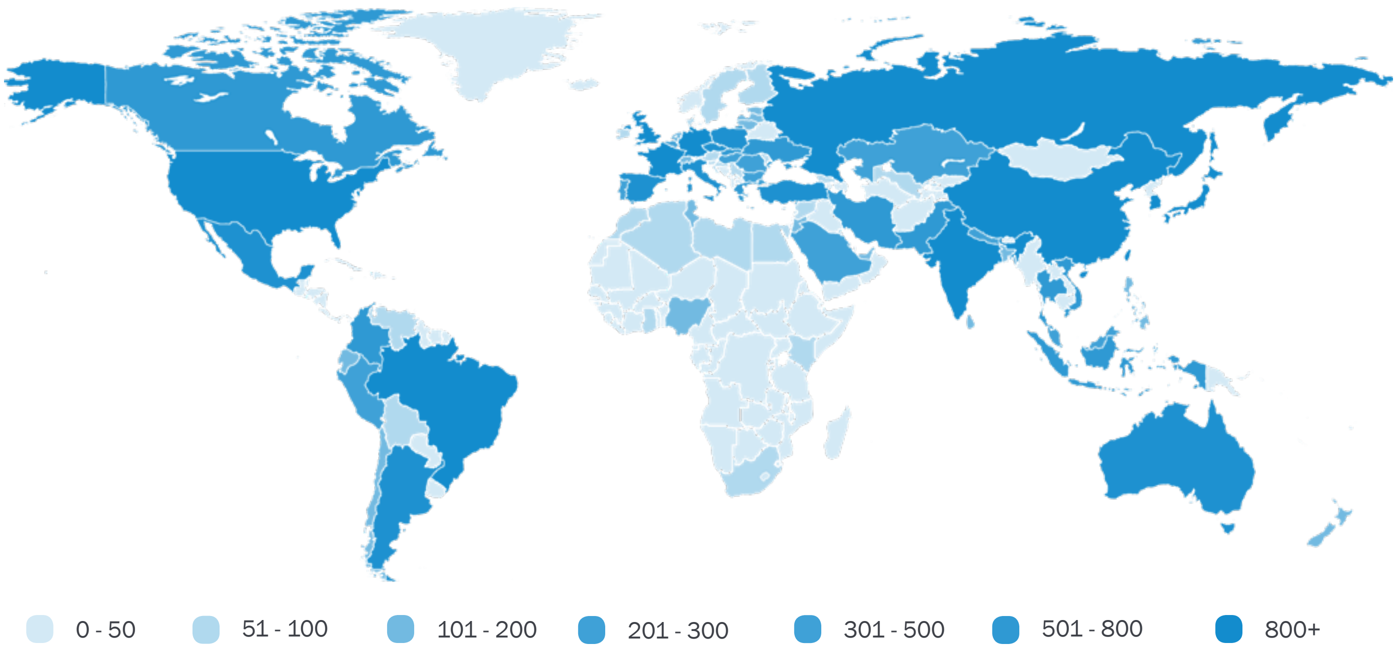
EDUCATION AGENTS

The 2 million language travel students are served by a pool of as many as 3,000 language centres providing language training. On the other end of the B2B market, some 16,000 youth and student travel agencies worldwide act as intermediaries.

Agent usage across the world fluctuates between 40% and 80%, depending on a wide array of factors. The most important of these are language course type, proximity to the particular destination, maturity of the source market and the extent a language barrier presents to prospective students and/or their parents. Examples of agent-dependent markets (markets where success is largely tied to a productive agent network) are China, Turkey, Russia, Brazil, Japan and South Korea.

Besides the traditional in-source market agency model, on-shore agents have also been growing in importance in the recent past. Case in point examples of study destinations where bookings from on-shore agents represent a significant share include Australia and Canada.

REGIONAL DISTRIBUTION OF YOUTH AND STUDENT TRAVEL AGENCIES



Source: StudentMarketing, 2014

The role of education agents has not been observed to be diminishing, nevertheless it is already being challenged by flourishing Internet usage and the emergence of some rather new platforms to language travel, such as specific customer review sites and social media being used as a referral and information resource.

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DIRECT BOOKINGS

Direct bookings, the polar opposite of bookings through agents, are set to increase. However, the pace will not be as steep as similar industries (e.g. travel in general).

The growth in direct bookings is limited by the following factors (which in turn lead to customers approaching agencies):

- A visa application process is in place for most of the source markets and makes it difficult for a prospective student to apply directly;
- As language courses often represent a one-time purchase, students and parents need to be comfortable that they are making the right investment;
- There is a fear of making electronic payments in some source markets;
- The availability of packages provided by some agencies who usually also provide flight tickets, insurance etc., thus making the entire booking process more convenient;
- The increase in the share of students going to schools directly is, to a certain extent, also limited by schools themselves – some schools prefer to refer a student to a partner agency to foster good business spirit.

As part of the in-depth interviews conducted with agency representatives, the majority of agencies (60%) agree that the market will see an increased proportion of direct bookings to schools.

While a significant proportion of these respondents acknowledge that they will advise fewer students due to the inevitable impact of increasing direct bookings, some of the agencies have already adjusted their focus towards non-conventional customer types (government contractors and corporate clientele) who tend to use agencies in the process of booking a language course.

The balance of interviewed agencies (40%) do not feel that there will be an increase in direct bookings and stated that there has been a small growth or at least a stable number of people going through their agency.

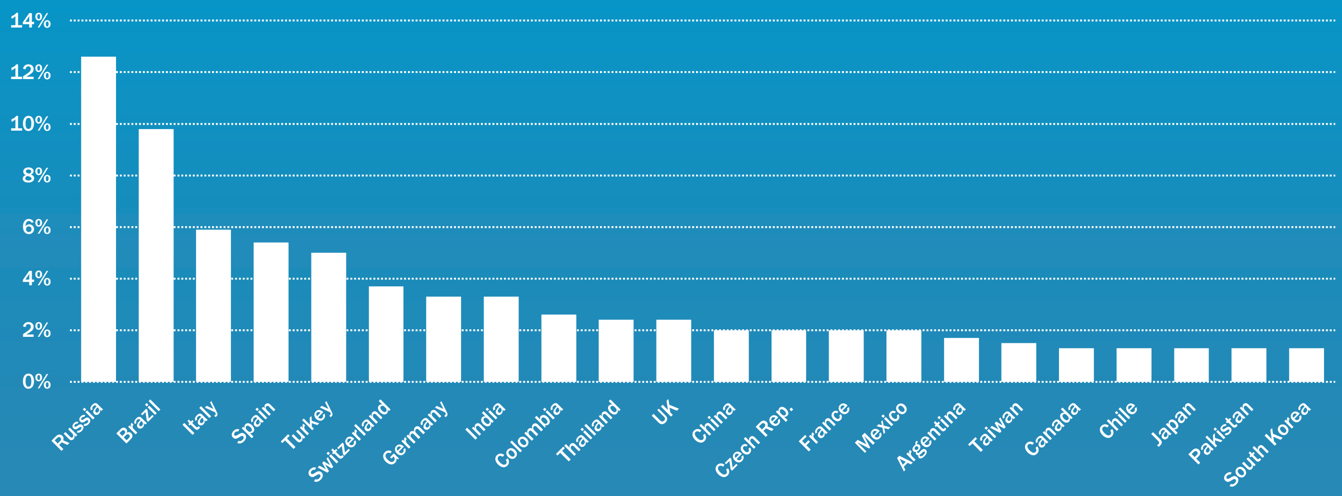
To sum up, a growing tendency to book directly is becoming more prevalent, however, this is not a global phenomenon and certainly not a fast one.

CHAPTER 2
RESEARCH SAMPLE

This report primarily draws on the data provided by 472 agents who contributed their insights via the online survey.

The profile of responding agents offers a unique overview of the present composition of the agent market.

RESPONDING AGENTS BY HEADQUARTERS LOCATION

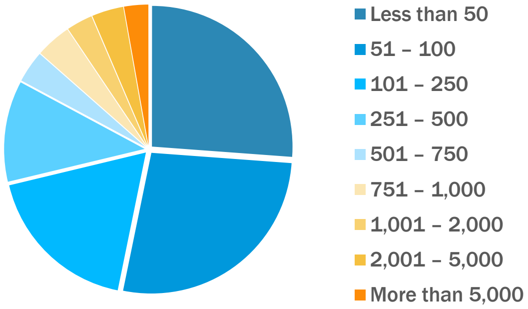


n=461

With regard to regional distribution, the research sample was very varied. The headquarters of responding agencies were located in 72 different countries.

The chart above depicts the most represented countries in the sample. It is worth noting that the list of top countries represented in the research is very much in line with the top source markets in the industry (in terms of their sending power).

RESPONDING AGENTS BY NUMBER OF LANGUAGE STUDENTS SERVED IN 2014



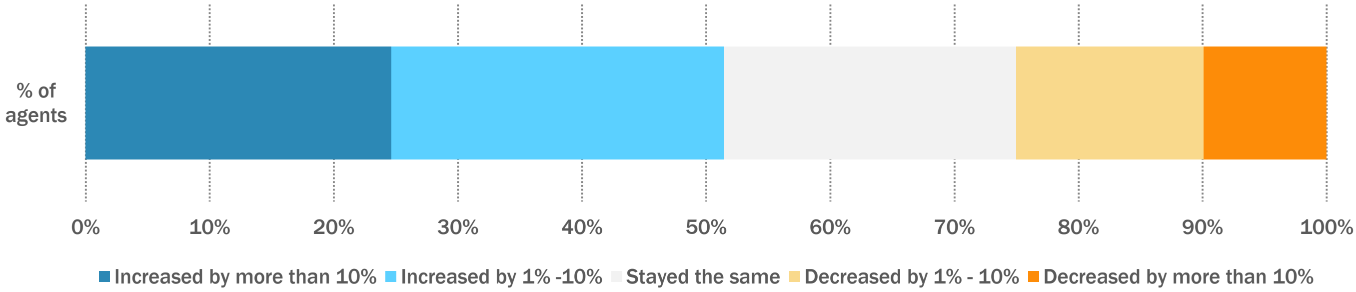
n=466

Segmenting the responding agents according to their "production" revealed that the Pareto principle (the 80-20 rule) applies to the agent market i.e.17% of responding agents control 80% of total production generated by the research sample.

Furthermore, the research confirmed that the agent market is fragmented – there are plenty of agents sending a relatively small number of students (53% of agents send up to 100 students per annum).

The current composition of the market puts pressure on providers who have to work with a considerable agent network. The number of students sent by education agents in the sample averaged out to 491.

RESPONDING AGENTS BY 2014/13 TREND IN STUDENT NUMBERS



n=472

Agents reported a healthy 2014/2013 with more than 51% experiencing growth in student numbers. While the market remained stable for 23.5% of agents, the remaining 25% dealt with fewer students in 2014 than in the previous year. Agents experiencing a growth in student numbers sent more students to chains than the industry average.

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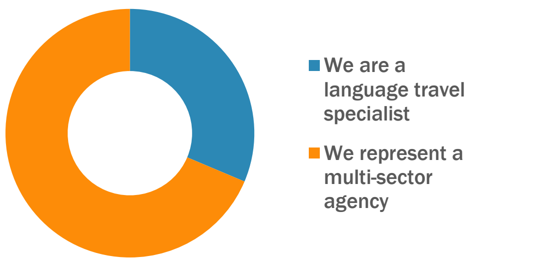
RESPONDING AGENTS BY BUSINESS FOCUS

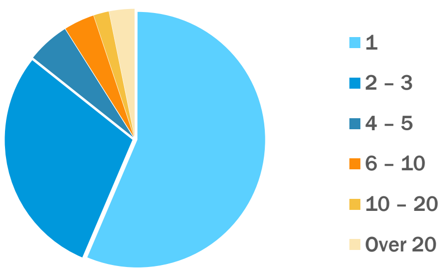


n=472

More than 30% of responding agencies are language travel specialists i.e. they focus solely on promoting language courses. Such a high share indicates good profitability of the sector. The portfolio of the majority of education agents is, however, more diversified, as 68% of agents are also active in higher education, volunteering abroad and other youth travel programmes.

The majority of agents interviewed as part of the research (70%) employ a "volume model", i.e. sending a large number of students to programmes that feature a lower price (student numbers being the most important determinant of their total revenue). Some 30% of agencies run on the opposite model and target a lower number of students for specific programmes of a higher price range.

RESPONDING AGENTS BY NUMBER OF OFFICES



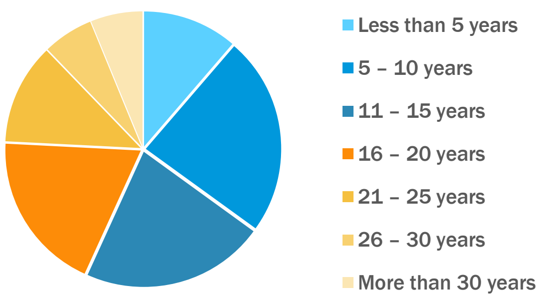
n=468

56% of agents operate from a single office. The proportion of big agency chains tends to be growing and agents running more than 20 offices now account for 3% of the agent market and their share of total student numbers is 26%.

Given the fragmentation in the agent market, joint activities and sharing marketing costs are a rare phenomenon. Due to high competition in some source markets, especially echoed in Latin America, agents mainly rely on themselves.

If cooperation between agents takes place at all, it happens on an ad hoc and informal basis. More specifically, agents tend to either exchange knowledge or refer students to each other, which usually results in shared commission between the two agents.

RESPONDING AGENTS BY NUMBER OF YEARS IN OPERATION



n=468

Education agents are of mixed longevity. As the research sample demonstrates, agents with 20+ years of experience constitute a considerable 24% of the agent market while one in ten agents has been in operation for less than 5 years.

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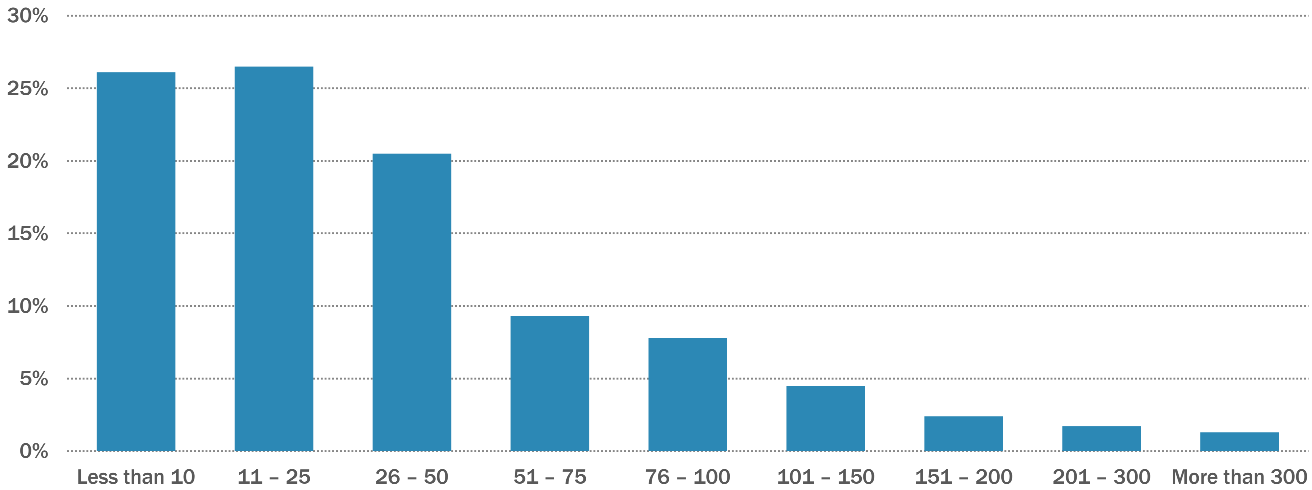
**RESPONDING AGENTS
BY NUMBER OF PROVIDERS PROMOTED**



n=464

There is still room for establishing new partnerships with education agents. Whilst the largest agencies who already promote an extensive network of partner institutions might not be seeking new partner schools (and thus jeopardising existing relationships and commitments), 73% of agencies represent up to 50 language schools.

The average number of providers represented by an agency is 45. If one was to simplify, taking into consideration the average number of partners and average agency production, one agent sends 11 students to a school.

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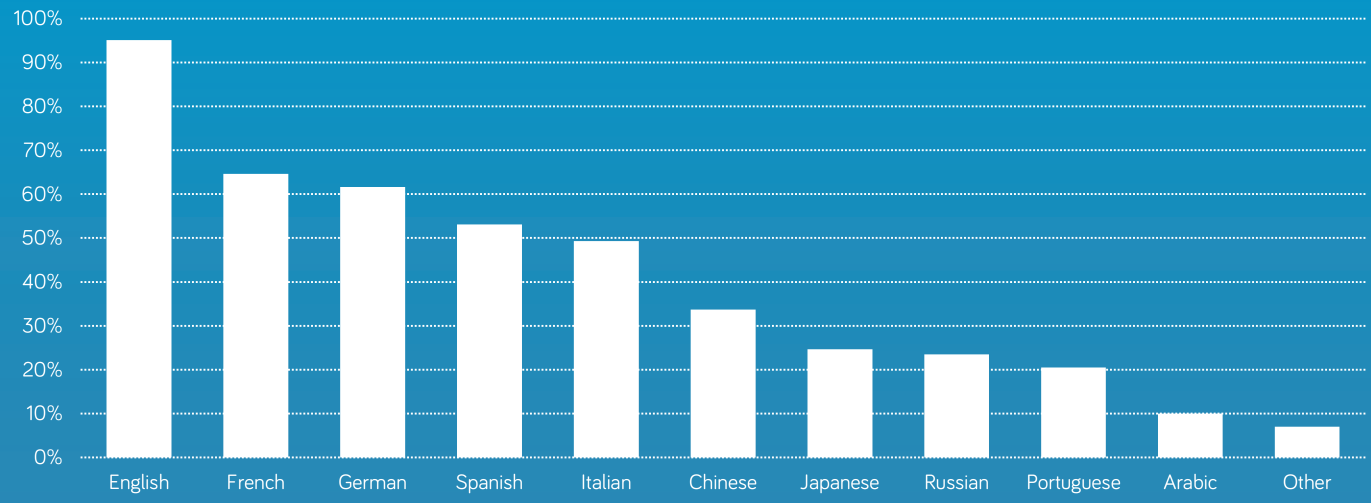
CHAPTER 3
DEMAND FOR FOREIGN LANGUAGES

An essential part of the initiative was to measure the demand for foreign languages and identify any shifts in their popularity among agents' customers. The results allow for a global benchmark and are based on the occurrence of particular languages in agents' portfolios.

PERCENTAGE OF AGENTS PROMOTING THE FOLLOWING LANGUAGES

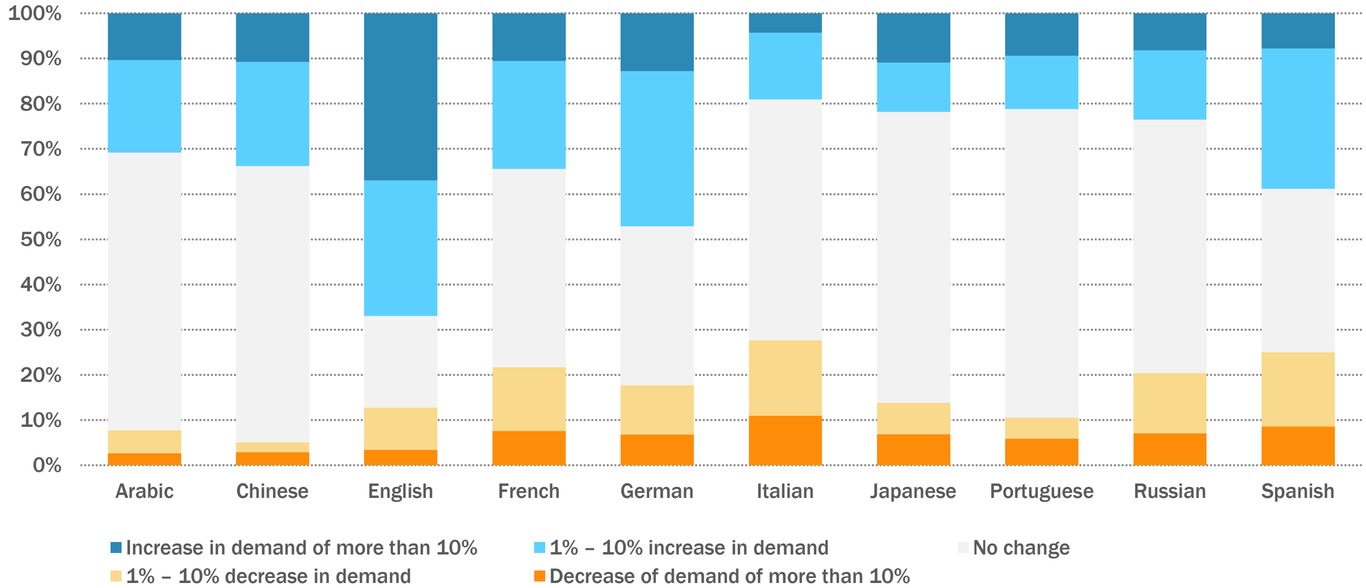


n=469

English, as the lingua franca, enjoys the leading position globally. This dominance is obvious from the promotion rates: with almost every agency promoting English programmes, there is a wide gap between English and other foreign languages.

French and German courses are neck and neck at 65% and 62% respectively while Spanish and Italian close the list of top 5 languages promoted by agents.

DEVELOPMENT IN DEMAND
FOR PARTICULAR LANGUAGES AS REPORTED BY AGENTS (2014 VS 2011)



n=466

According to agents, English was the foreign language gaining the most popularity over the past three years and agencies reported a 67% increase in the demand for English; 48% of agencies registered an increase for German courses and 39% noticed a growing demand for Spanish courses. At the same time, Spanish was also claimed to be the second language with demand declining (25%) after Italian (28%) by agents.

Regional trends in the demand for the top five languages can be characterised as follows:

Demand for English language programmes has grown worldwide.

The popularity of German has not only been increasing predominantly throughout Eastern Europe and Latin America, but also in India, Nepal and Pakistan.

Uptake for Spanish courses has been most noticeable for the majority of agencies in Western Europe, Brazil and Russia, however, have declined in the rest of Eastern Europe.
French has been enjoying a rise in popularity in most parts of Europe (except of Italy) and Latin America, with new demand coming predominantly from Mexico and Brazil.

Growing interest in Chinese programmes has been reported in Eastern Europe, countries neighbouring with China and partly in Western Europe. Moreover, given the growing economic importance of the country, the demand is predicted to spread similarly to other regions.

It is anticipated that in countries where there is a growing English proficiency, demand for other languages will be on increase. As knowledge of English is becoming more widespread than it was a decade ago and thus a critical mass will be speaking English, being proficient in another foreign language will be a competitive advantage.

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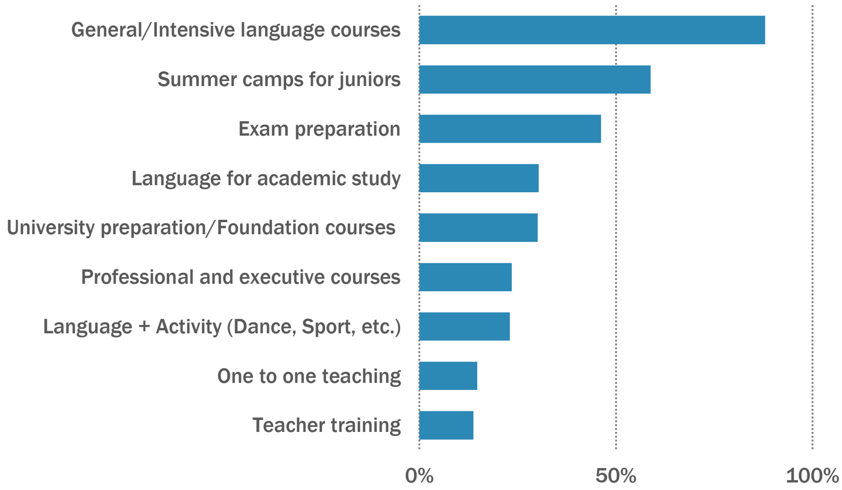
DEMAND FOR FOREIGN LANGUAGES

Preferred programmes

MOST PREFERRED ENGLISH PROGRAMMES ACCORDING TO AGENTS' CUSTOMERS



n=422; multiple options possible

Although General and Intensive language courses remain the most preferred by agents' customers, there is a shift in the rationale behind choosing to learn English abroad.

As domestic provision of English language training is more and more widespread and a general knowledge of the language is on the rise, people will be learning English for a specific purpose increasingly often – be it for the purpose of further education needs or better employment prospects.

Insights gained from the in-depth interviews with agents outlined that the incipient process of programme standardisation mostly applies to General and Intensive English courses as well as exam preparation programmes.

Furthermore, agents believe that it will not be possible to fully standardise some programmes, referring to professional courses in particular.

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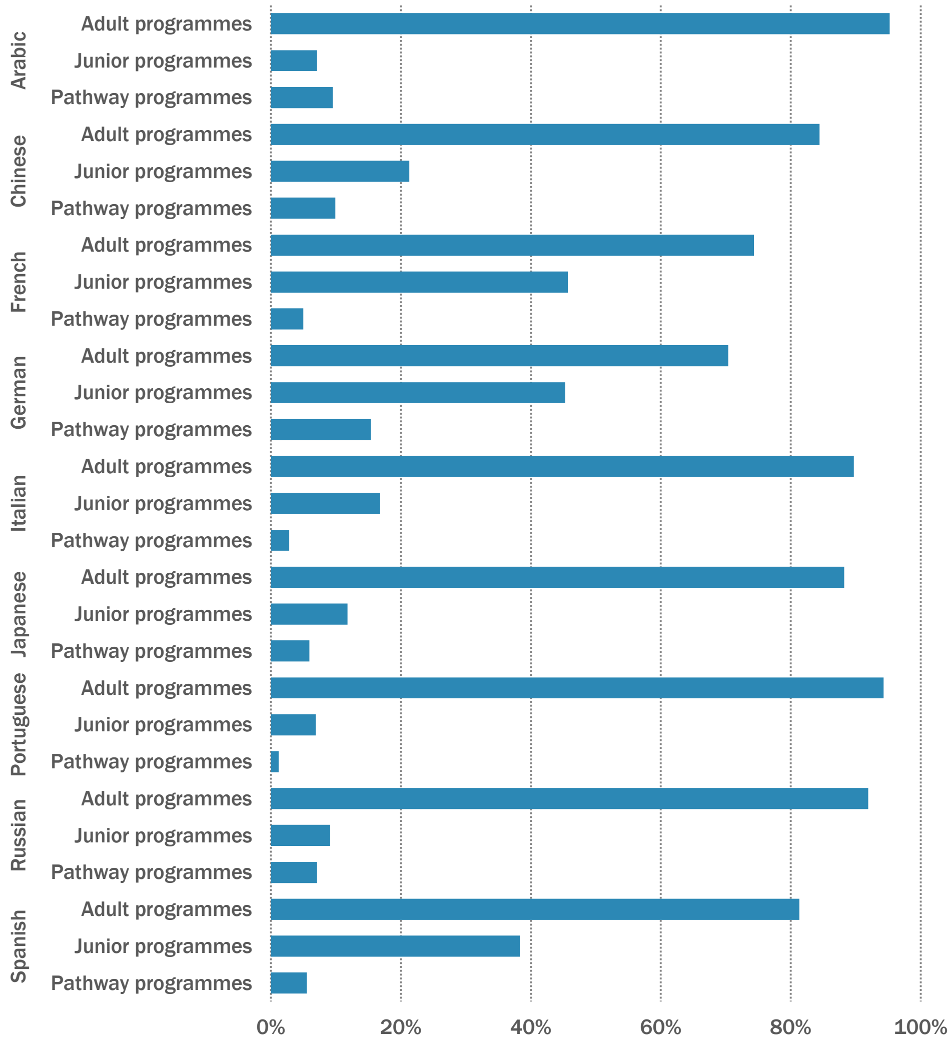
MOST PREFERRED PROGRAMMES
BY LANGUAGE ACCORDING TO AGENTS' CUSTOMERS



n=340; multiple options possible

When it comes to other languages included in the screening, adult programmes are the most preferred.

Agencies reported strong demand for junior courses in German, French and Spanish. It can be observed that the more in demand and established a particular language is, the higher its proportion of junior students.

The highest potential for pathway programmes was identified for German. There is a synergy between language learning and further studies in Germany, as Germany is also one of the most popular higher education destinations (5th worldwide). Interestingly enough, although France attracts an even higher number of international post-secondary students, demand for pathway programmes is three times lower than in the case of Germany.

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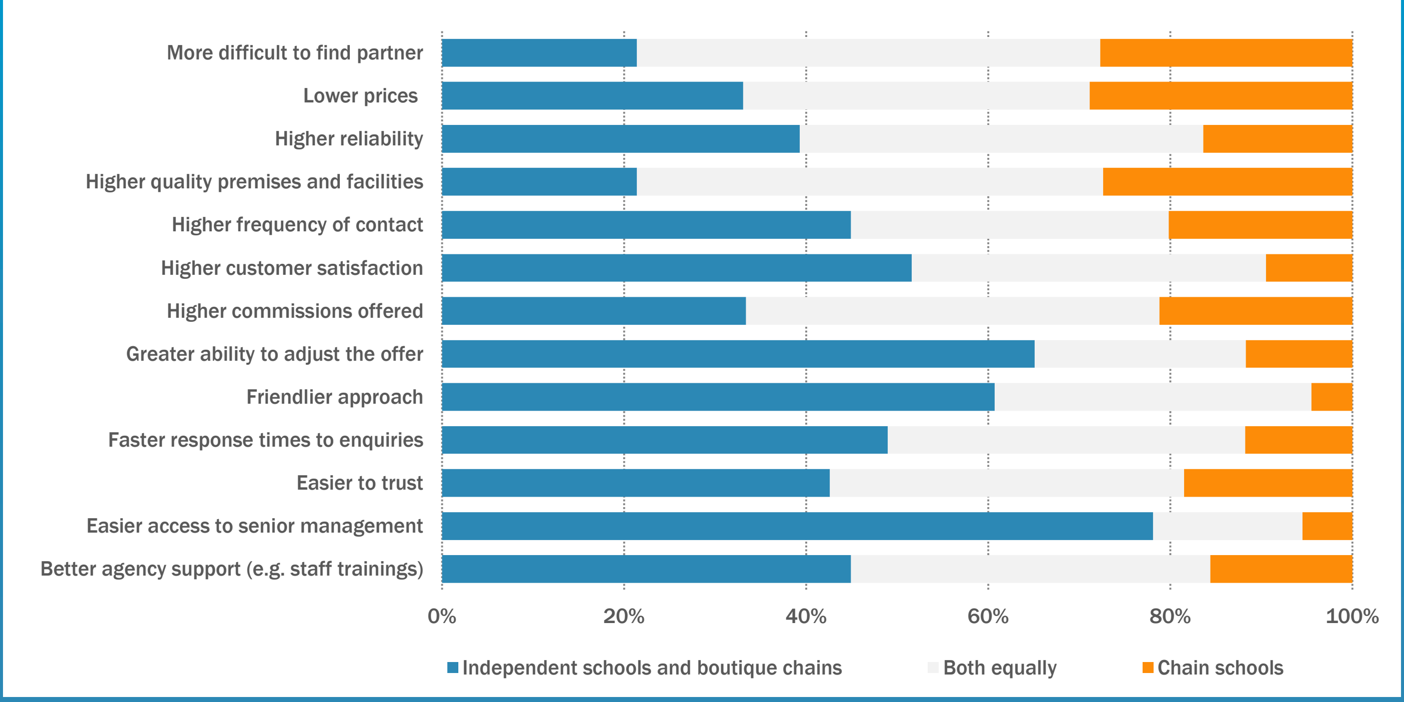
CHAPTER 4
PERCEPTION OF INDEPENDENT AND BOUTIQUE CHAIN SCHOOLS

For the first time in history, perceptions of independent schools/boutique chains and chain schools were targeted by specific research. Agents had an opportunity to provide feedback on what they valued independent and chains schools for and what their experience with both school types was. This chapter summarises agents', but also end-customers' preferences (as reported by agents) towards both school types.

AGENT PREFERENCES TOWARDS WORKING WITH INDEPENDENT/BOUTIQUE CHAINS AND CHAIN SCHOOLS



n=405

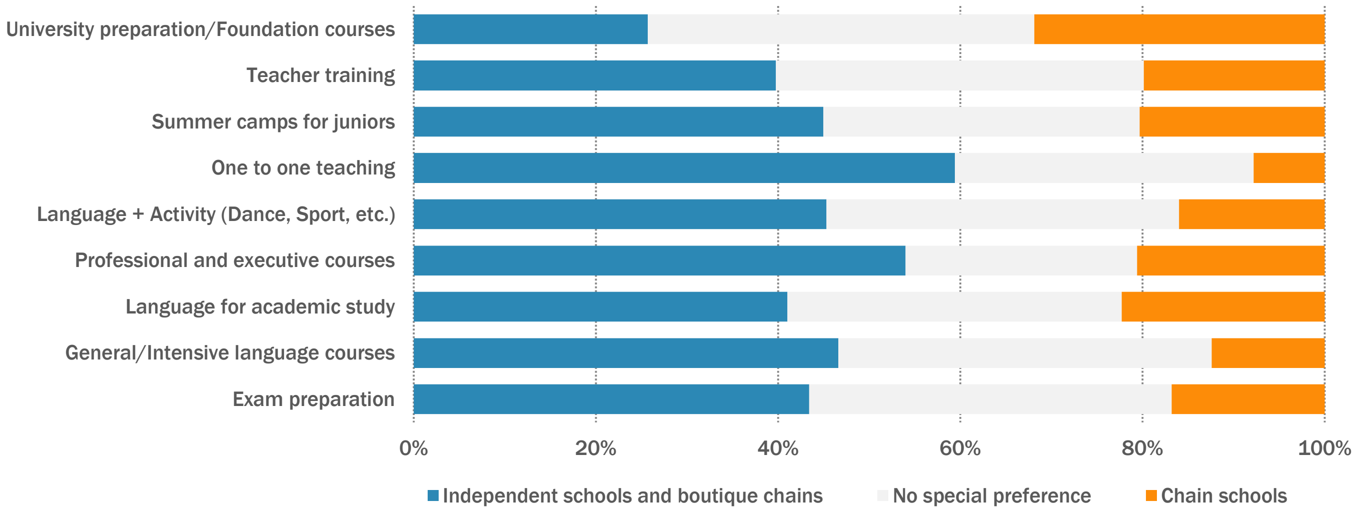
For the abovementioned set of answers, independent schools largely outperformed chain schools. In a direct face-off, chains scored higher only in two indicators: that it is more difficult to find a partner among them and in terms of offering higher quality premises and facilities.

By a wide margin, the most positively associated factor with independent schools was ease of access to senior management. Agents also greatly appreciated independents being more able to adjust the offer, which is more difficult for chains that operate a more uniform portfolio in a number of schools, and a friendlier approach.

Another notable difference emerged when agents evaluated the satisfaction of their customers – the percentage of agents inclined to favour independents was five time higher than those answering in favour of chain schools.

Factors where a prevailing majority of agents considered both types to be on an equal level were: higher quality premises and facilities (51%), difficulty to find a partner school (51%), higher commissions offered (45%), higher reliability (44%), and offerings of lower prices (38%).

AGENT PREFERENCES BY PROGRAMME TYPE



n=357

According to responding agencies, independents and boutique chains are preferred for most of the programme types. Courses with the highest preference in favour of independent schools were revealed to be one-to-one teaching and professional and executive courses, with more than half of agents preferring to recommend independents to their customers for these programmes.

Chain schools generally overtake independents for pathway programmes, even though the majority of agents (42%) have no special preference here.

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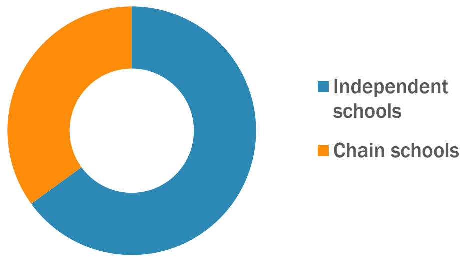
PERCEPTION OF INDEPENDENT AND BOUTIQUE CHAIN SCHOOLS

School ratio comparison

THE RATIO OF INDEPENDENT AND CHAIN SCHOOLS IN AGENTS' PORTFOLIO

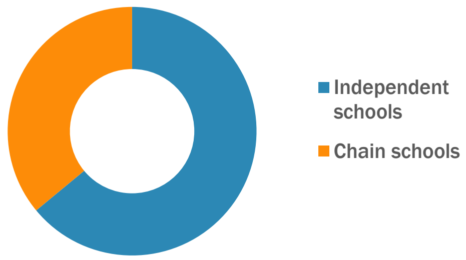


n=405

Although there are far fewer chain schools in the industry than independents, their penetration of agents' portfolios is quite high. As was demonstrated in the survey, 65% of schools promoted by agents fall under the category of independents, while the remaining 35% is represented by chains.

Looking at the number of students sent to each school type, the overall ratio is also very similar. On average, 36% of all students going through agencies choose chain schools. This was in line with indications available from secondary sources.

THE RATIO OF STUDENT NUMBERS SENT TO BOTH SCHOOL TYPES BY AGENTS



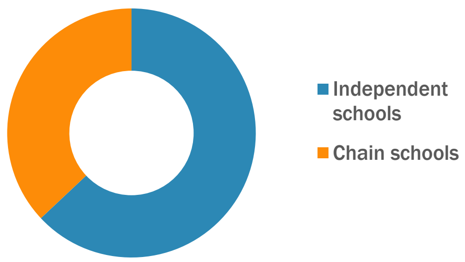
n=405

Countries showing the highest number of agents who prefer independent schools over chains were Italy, Brazil, Spain, Russia and Switzerland.

The profile of agencies exhibiting the highest ratio of students sent to independent schools (90% and more) was as follows:

Average annual production: 228 students
Average number of offices: 2
Average number of partner schools: 30

THE RATIO OF STUDENT WEEKS SENT TO BOTH SCHOOL TYPES BY AGENTS



n=405

In terms of student weeks, there was a slight increase of one percentage point in the ratio in favour of chain schools (63% v 37%).

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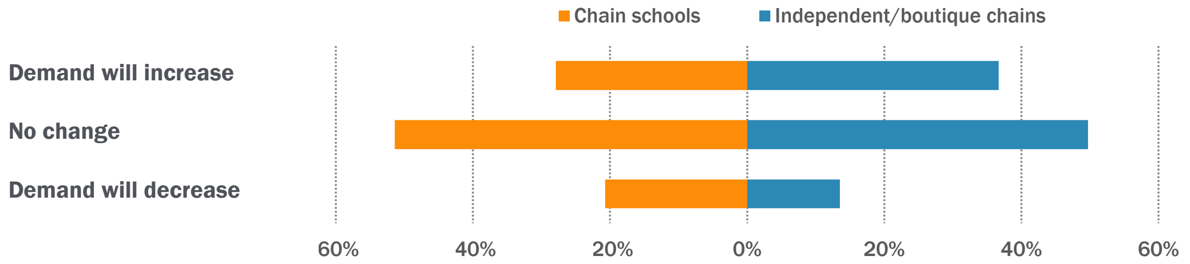
PERCEPTION OF INDEPENDENT AND BOUTIQUE CHAIN SCHOOLS

Future demand

FUTURE DEMAND FOR BOTH SCHOOL TYPES ACCORDING TO AGENTS



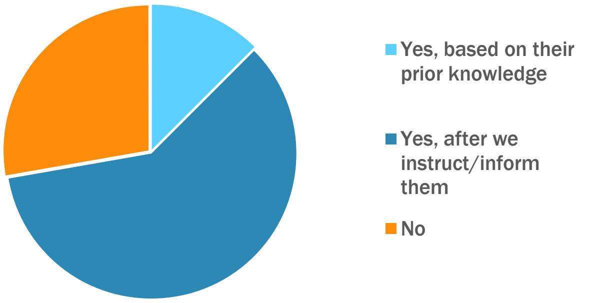
n=362

When asked to indicate the evolution of demand over the next three years, half of the responding agents noted that it will remain the same for both school types. According to the rest of the surveyed agents, a slightly better prospect awaits independents and boutique chains as 37% of agents believe that demand will grow further. In contrast, the share of agents predicting increased demand for chain schools was 28%.

PERCEPTION OF INDEPENDENT AND BOUTIQUE CHAIN SCHOOLS

Factor of independence

DO YOUR CUSTOMERS DISTINGUISH BETWEEN INDEPENDENT AND CHAIN SCHOOLS?

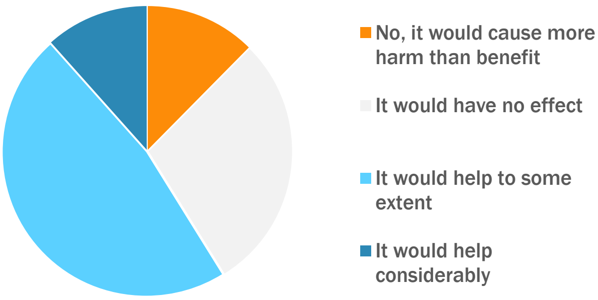


n=400

A vast majority of agents confirmed that their customers were unaware of the existence of the two school types. This indicates that school type, and the resulting differences, is not a determinant that students or their parents would often factor in when choosing a language school. 13% of agencies confirmed that their customers are able to distinguish between these two types.

With many students doing their own research before contacting an agency, it is also important to look at how agents themselves are promoting both school types and whether they educate potential customers about the differences between these two school types, e.g. through their websites.

WOULD IT HELP IF INDEPENDENT SCHOOLS STRESSED THAT THEY ARE INDEPENDENT?



n=362

Further investigations on the aspect of not belonging to any chain showed that participating agents supported the added value proposition of independence for recruitment goals. 59% of them were optimistic in saying that stressing independence would help independent schools recruit more students. Whereas 12% were of the opposite opinion, 29% assumed that independence as a sales point would have no effect.

Independent and boutique chain schools should therefore make the most of this insight and further explore the opportunity, especially concentrating on how to strengthen their own concept of individuality and clearly formulate unique selling points or benefits. One way this can be achieved is through organising small focus groups with agent partners as inviting agents to the table will also help to deepen existing business relationships.

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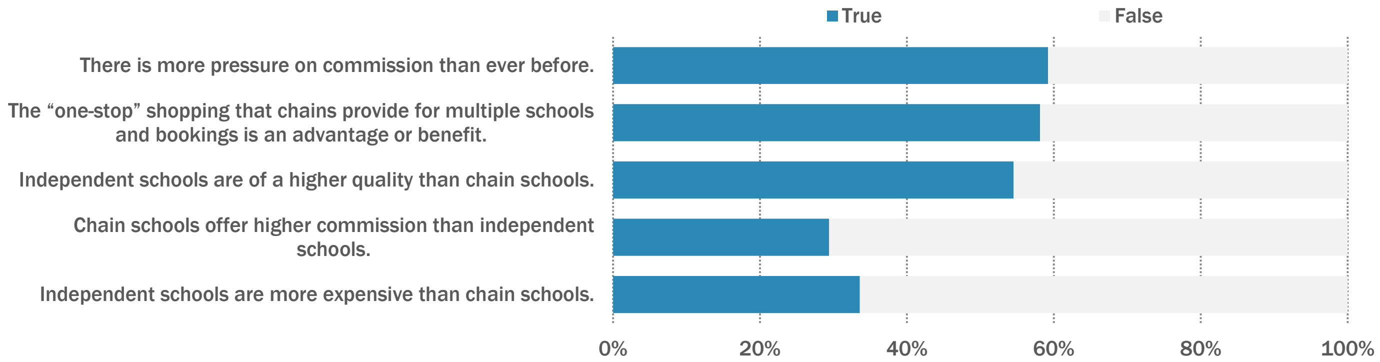
AGENT VIEWPOINT: TRUE OR FALSE?



n=345

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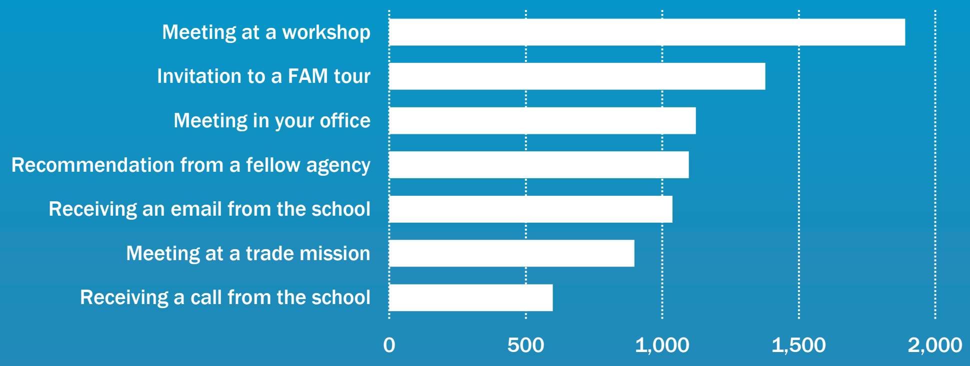
CHAPTER 5
AGENT-PROVIDER RELATIONSHIP

An essential part of the initiative was to measure the demand for foreign languages and identify any shifts in their popularity among agents' customers. The results allow for a global benchmark and are based on the occurrence of particular languages in agents' portfolios.

PREFERRED WAY OF FIRST CONTACT



n=331; the resulting score is the outcome of agents selecting and ordering the options available

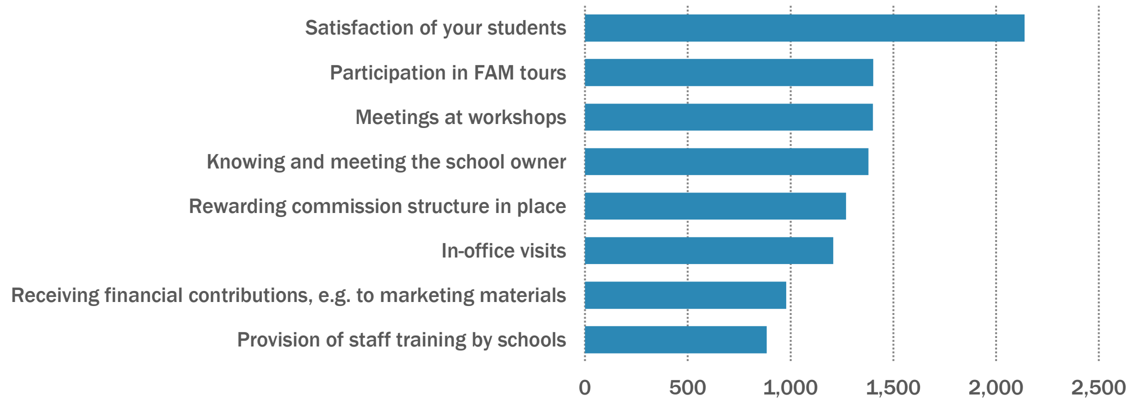
For establishing B2B partnerships, the in-person element continues to be essential. The single most preferred way for agents to get in touch with prospective partners is to meet at a workshop

The research showed that fellow agents appear to be considered a trustworthy source, hence the relatively high position of recommendation from a fellow agency in the ranking.

Trade missions as a concept (also called roadshows) are still relatively new to agents and usually very specific in their focus, as they often bring in providers from the same destination, thus they are ranked low.

Traditionally, phone calls are the least effective way of the first point of contact with schools.

AGENT PREFERENCES TOWARDS MAINTAINING RELATIONSHIPS WITH PROVIDERS



n=325; the resulting score is the outcome of agents selecting and ordering the options available

Given the strong word of mouth/personal recommendations in the market, the best way of maintaining a fruitful relationship with agents is to deliver on the quality promise. Both agents and providers might benefit from the strong referral business prevalent in the industry.

While FAM tours came second as the most preferred means of first point of contact, their importance in the latter phase of nurturing agent relationships is evidently higher. Agents prefer FAM tours over workshops, although both scored close.

All in all, responding agencies sent out a message that personal interaction is more valued than commission or financial contributions.

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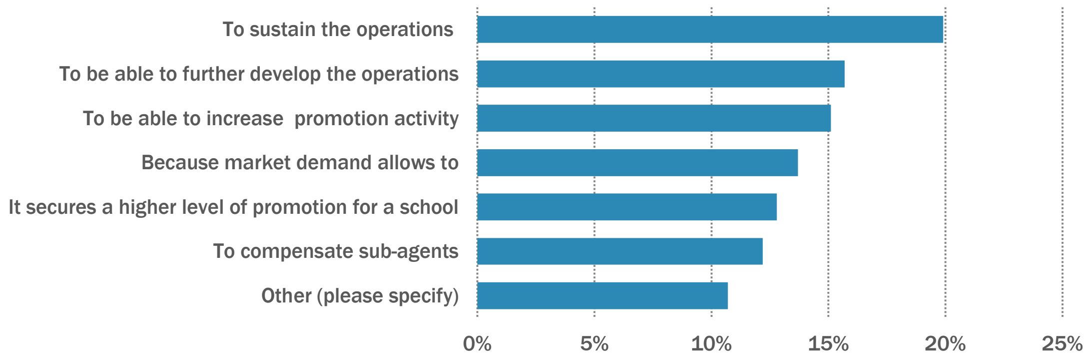
AGENT-PROVIDER RELATIONSHIP

Agency operations

REASONS WHY AGENCIES ASK FOR MORE COMMISSION



n=405

Commenting on one of the most sensitive aspects of the agent-provider relationship, respondents claimed a diverse range of reasons behind asking for more commission.

Agents, who negotiate higher commission for the purpose of self-development, either target expanding their business (16%) or increasing promotional activities to students (15%).

14% of agents admitted that they negotiate higher commission rates because they are allowed to by market demand and another 13% stated that a rise in commission results in a higher level of promotion for a particular school.

What is telling is the share of agents reporting the need for more commission in order to keep their operations afloat. For almost 20% of agents, business survival is tied to higher commission. The most common response under the 'Other' category was that agencies do not ask for a higher commission (4%).

Agents who took part in in-depth interviews were also queried about the commission situation. In comparison to the past 5 years, 80% said that the average commission has remained unchanged. The remaining interviewees have seen an increase in the commission received by 5% – 15% over the same period.

OBSTACLES TO AGENCY GROWTH

During the interviews, agents enumerated a range of factors that limit their development. With regard to less mature agent markets, the most frequently cited reason was a lack of market regulation, which makes it easy for new entrants to establish themselves and subsequently it becomes more difficult to maintain a good reputation. This was followed by a lack of well-trained counsellors and visas.

More mature source countries reported high levels of competition and some agency representatives mentioned the increase in direct bookings as an obstacle to growth – in this regard, agents now compete more with schools than fellow agents.

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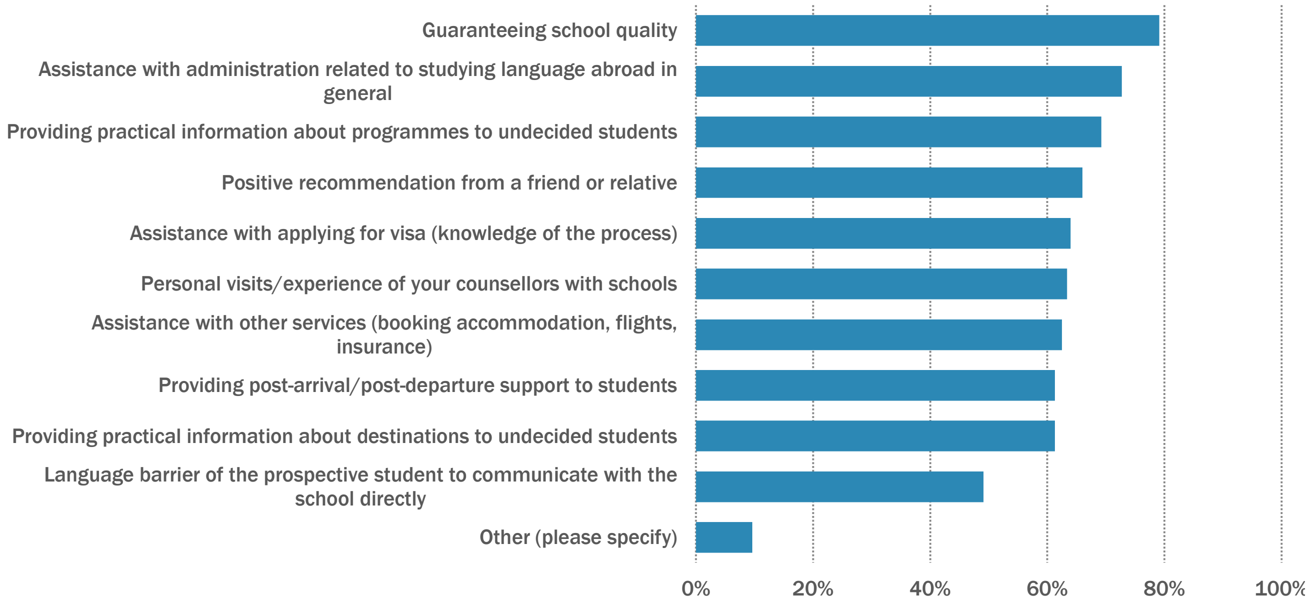
AGENT-PROVIDER RELATIONSHIP

Value of agents to customers

WHY CUSTOMERS USE THE SERVICE OF AGENCIES



n=344; multiple options possible

Agents were asked to self-assess their importance to their customers. It turns out that customers approach agents because of the following benefits:

1) **Quality safeguarding** – people choose the school not only because of agent's recommendation, but also under the general assumption that agents maintain high quality institutions in their offerings. Furthermore, one in-depth interview confirmed cases when students looked up the schools on agents' websites, but in the end applied directly.
2) **Administrators** – agents are sought because of their ability to manage all study abroad-related administration and guide prospective students through the visa application procedure.
3) **Information resource** – agents are a source of additional practical information about language courses rather than destinations. Language travel students seem to be destination-conscious.

Another important factor was revealed during the research – a personal touch to the interaction between agents and customers remains essential, although some agents report share of up to 70% of customers served online.

Confirming the importance of word of mouth, a high number of agencies reported new customers stemming from a positive recommendation or referral. Repeat business for the agents interviewed stands anywhere between 5% and 50%.

Agents also believe that providing a full package is an advantage that allows them to serve more customers. The most common items included in the package are (in descending order): insurance, flight tickets and assistance with accommodation. However, there seem to be regional exceptions to this trend (e.g. none of the participating agents from the USA currently provide any additional services).

CONCLUSIONS

The study revealed that independent and boutique chain schools enjoy high popularity among education agents. Furthermore, agents see the topic of chains versus independents as an engaging one. The research was met with genuine interest in the current situation and development in this field (response rate and individual contribution to the discussion were significant).

Based on the research results, the following conclusions can be drawn:

- The market is extremely fragmented - 16,000 agencies, on average, represent 45 schools and send 11 students per school. Such an environment makes it difficult to succeed.
- The effects of market consolidation have already begun to manifest themselves, and are evident in the case of the school market, but less present at the agents' end of the market. Consolidation speeded up the process of school acquisition, creating chains and consortia, to establish an economy of scale. It is estimated that a minimum of 200 mergers and acquisitions will take place in the course of the next 5 years.
- In ELT, product offer is already on the path of increased standardisation and has become more commoditised than it was a decade ago, as agents confirmed that schools nowadays offer 'more of the same'.
- Due to the increasing number of students going abroad at a younger age, an uptake in junior programmes is expected and consequently, the share of juniors will increase.
- When it comes to agents, they strongly prefer independents, as it comes almost as a natural choice. They are mostly valued because of easier access to senior management, greater ability to adjust the offer, friendlier approach and higher customer satisfaction. It is therefore advised to formulate unique selling points related to these factors. In contrast, chains are valued for the provision of the 'one-stop shop' option and quality of premises and facilities.
- Only 13% of agents acknowledged that students were capable of differentiating independents from chain schools, which suggests that independent schools need to dedicate more effort to self-presentation and formulation of benefits they offer.
- Both independent and chain schools have penetrated mature and advanced markets. However, chain schools appear to be one step ahead in markets that are yet to be fully established on the map of international education.
- The highest inclination towards independents was identified in Italy, Brazil, Spain, Russia and Switzerland.
- Looking for patterns in students' preferences, independent schools are preferred in cases of one-to-one courses, professional courses and General/Intensive language programmes, whereas chain schools are sought predominantly for pathway programmes (University preparation/Foundation courses).

- For agents, commission does not play as important a role as customer satisfaction, sustainability, and response time - features where independents excel and are valued much more than chains.

- On the other hand, chains are much more creative and energetic in their marketing activities, giving agents more and more reasons to promote them. Moreover, chains target the end student customer directly, making prospective students aware of them even before visiting an agency (brand awareness campaigns).

- Satisfied customers of independent schools are the greatest possible ambassadors and should be utilised at a higher rate in an industry where referral business comprises up to 50% of customer numbers. Additionally, schools have yet to take advantage of the potential of referral programmes and social networks that have risen in popularity in this recent Internet era.

- Students use agents mostly to get advice on what school to choose and seek quality assurance more than anything - schools should provide more evidence of this.

- Independents also have good advocates in their agent partners, but need to find a way to educate the end customers about their benefits, or at least have them be featured on their website - the biggest long-term opportunity to keep or grow market share for independents.

- Chain schools usually have more resources available to promote themselves to agencies and in most cases, independents cannot match their level on an individual basis. Joint marketing activities could balance this disadvantage out.

- After student satisfaction with the programme, FAM tours are the most preferred platform for providers to maintain trust and fruitful relationships with agents. FAM tours represent an opportunity for independents to support agencies by showcasing the strongest selling point in the industry - providing first-hand experience of their quality.

- Also, third-party reference websites such as standardised customer rankings and reviews are not used widely by schools. Instead, providers still focus solely on testimonials which often take on the appearance of a difficult-to-trust self-reporting tool.

- Commenting on future outlook, half of agencies surveyed do not foresee any significant shift in demand for independents - out of those who do, 37% envisage more demand and 14% predict a decrease in the number of students opting for independent and boutique chain schools.

- An increased share of direct/online bookings to schools is anticipated. However, due to the specifics connected to purchasing a language course abroad, this will be a much slower process than in general tourism.

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