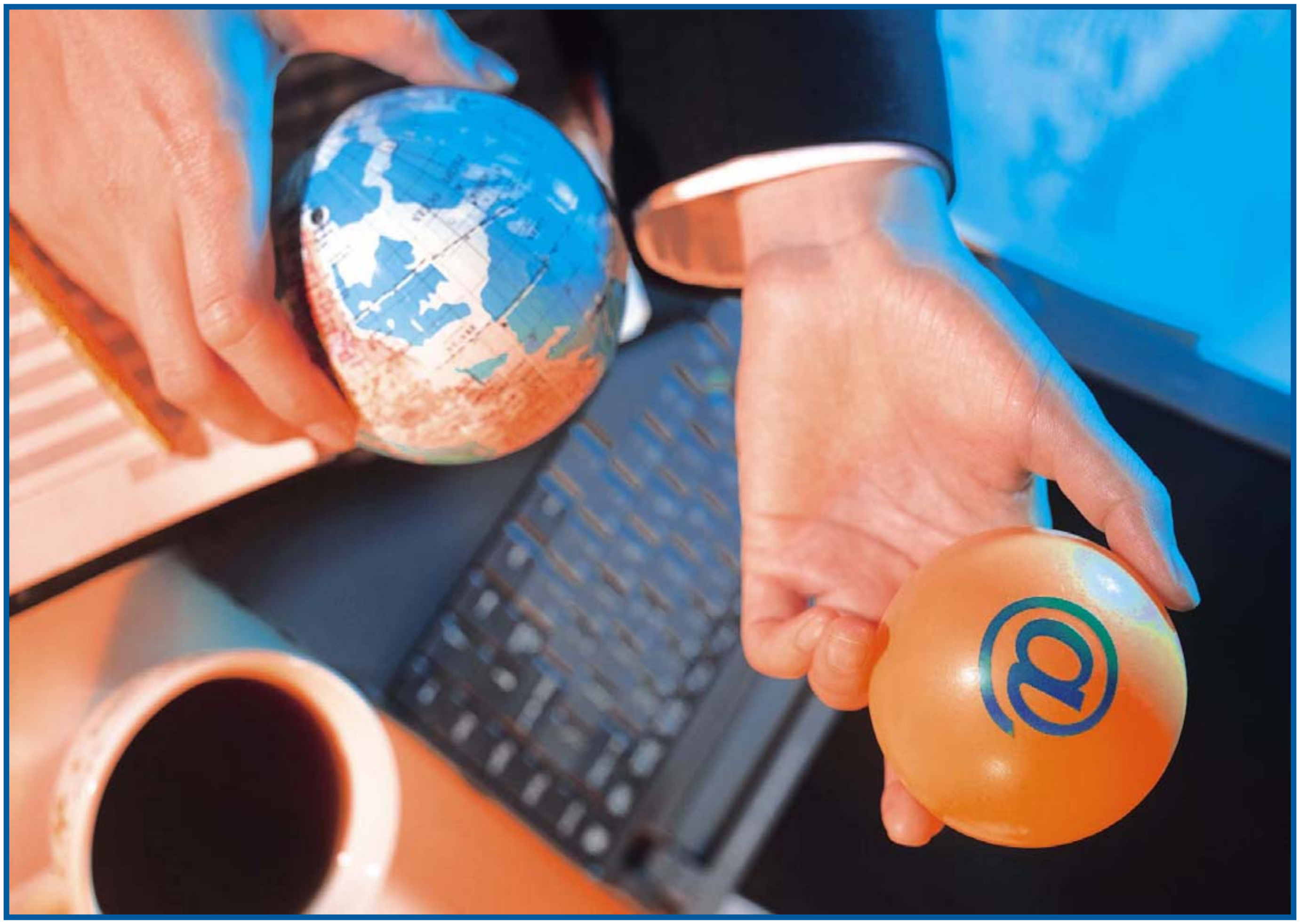
Global Directions in Language Travel



Association of Language Travel Organisations

Member Survey 2004

Compiled by ALTO Association Manager Bradley Allen

ALTO, the Association of Language Travel Organisations, is the only global forum for both buyers and sellers of language travel. ALTO was created in 1998 under the auspices of the Federation of International Youth Travel Organisations (FIYTO).

The mission of ALTO is to promote and expand the "in-country" learning of foreign languages worldwide.

Its aims are:

- **to protect the clients of ALTO members**
- **to establish guidelines for the ethical conduct of business**
- **to promote professionalism and high standards of service**
- **to enhance trading opportunities for its members**

ALTO members include some 185 organisations that span 43 countries on all 5 continents.

To learn more about ALTO and how your organisation can contribute to the global promotion of the language travel industry, visit www.altonet.org.

ALTO is an association of

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Preface

What are the necessary criteria for success in the language travel industry? How can we further develop this sector within youth travel?

These are some of the questions that made this report necessary. Since the inception of ALTO in 1998, members have indicated that access to reliable and accurate industry information is extremely important for succeeding in their respective business areas.

The ALTO Member Survey 2004 is an attempt to answer this demand, and this report is an analysis and compilation of the data gathered from the survey.

The advent of terrorism and other global events have forced the language travel industry to react. The findings indicate an industry that is dynamic, fluid and quick to respond to external pressure. The unpredictability of the market has radically impacted the way language travel specialists do business. ALTO members are diversifying into new product areas and expanding into new markets in order to minimize their risks.

Despite this change, ALTO members are optimistic. This is indicated by a strong belief in the growth of the market, estimated to be 45% over the next three years. ALTO members know that through effective marketing and promotion they will attain these ambitious goals.

More than just a source of industry intelligence, this report will serve to raise the consciousness of ALTO members and other key industry players of the need to share information. Accurate and reliable data can only help the industry to be better equipped to face the challenges that lie ahead.

ALTO would like to thank the ALTO members who took part in this survey, the ALTO Peer Group, the ALTO Association Manager Bradley Allen, the FIYTO Secretariat staff, and WebSurveyor for their support and contributions to this report.

Ms Santuza Bicalho
Acting ALTO Chairman

Introduction

This report, "Global Directions in Language Travel," is compiled based on the results of the ALTO Member Survey 2004. In many respects, it is the first comprehensive attempt by ALTO to survey its entire membership.

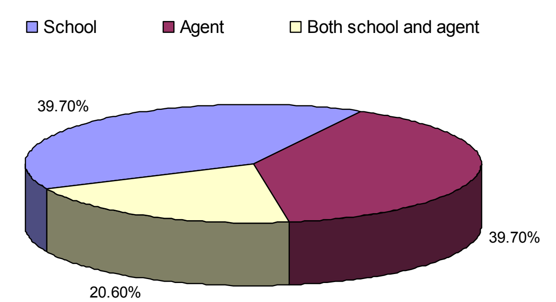
The primary aim of the report is to outline main trends and developments prevalent in the language travel industry over the past year and in the coming three years. Respondents were asked the following questions:

1. **What are the main organisational goals over the next three years?**
2. **How much annual growth is expected in language travel over the next three years?**
3. **What new products and services will be offered?**
4. **Which marketing channels are expected to generate student enrolments?**
5. **How will marketing funds be used?**

The findings show that ALTO members are optimistic about growth expectations. Their organisations will focus on issues such as increasing quality and offering new products and services in more markets. This shows that ALTO members have already responded to the new demands of the global language travel market.

This report is comprised of six sections. Section 1 describes who the respondents are, and why their input is important to determining the global direction of the language travel industry. Section 2 looks at the goals and success factors of ALTO members. Sections 3 and 4 examine sales and product trends over the next three years. Sections 5 and 6 look at marketing channels and the funds used to develop these channels, respectively.

Figure 1. Respondents - By type of organisation



Respondents

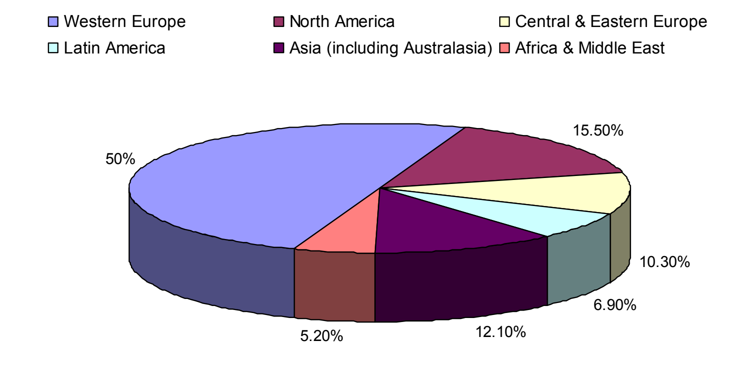
ALTO members are among the leaders in the language travel industry. In 2002, ALTO members accounted for an estimated €900 million in annual turnover, and placed over 580,000 students worldwide.

Today ALTO is comprised of 185 organisations in 43 countries. ALTO is the only global association for both language agents and language schools. For this reason ALTO provides a unique and important viewpoint from which to gauge the global direction of the language travel industry.

The ALTO Member Survey was sent to 171 organisations. ALTO received 58 responses from 22 countries, giving a response rate of one third. After the

results were tabulated, a supplemental in-depth survey of the ALTO Peer Group was undertaken to give more accurate insight into the major findings of the Member Survey. Ten organisations from all five continents responded to an in-depth questionnaire.

Figure 2. Respondents - By region



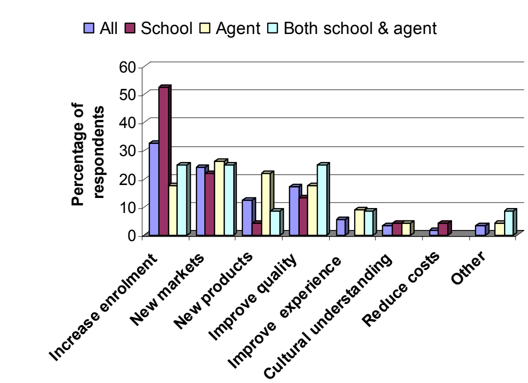
23 respondents categorised themselves as agents, 23 as schools, and 12 as offering the services of both agents and schools (see Figure 1).

This may reflect a trend among ALTO members. Figures from 2003 on ALTO membership show that 9% of its membership was comprised of organisations that offer both school and agent services. This number has more than doubled. When asked to explain this trend, the Peer Group answered that this was primarily in order to be able to offer an increased range of products to their clients. An agent from Brazil reported the following:

"There is a great deal of synergy between offering school and agent services. As a school tends to do a great deal of marketing outside its country, it is able to sell its products directly to the end consumer. On the other hand, agents may prefer to develop their own school premises in order to better tailor products to local demand."

Global Goals and Success Factors

Figure 3. Organisational goals - By type of organisation



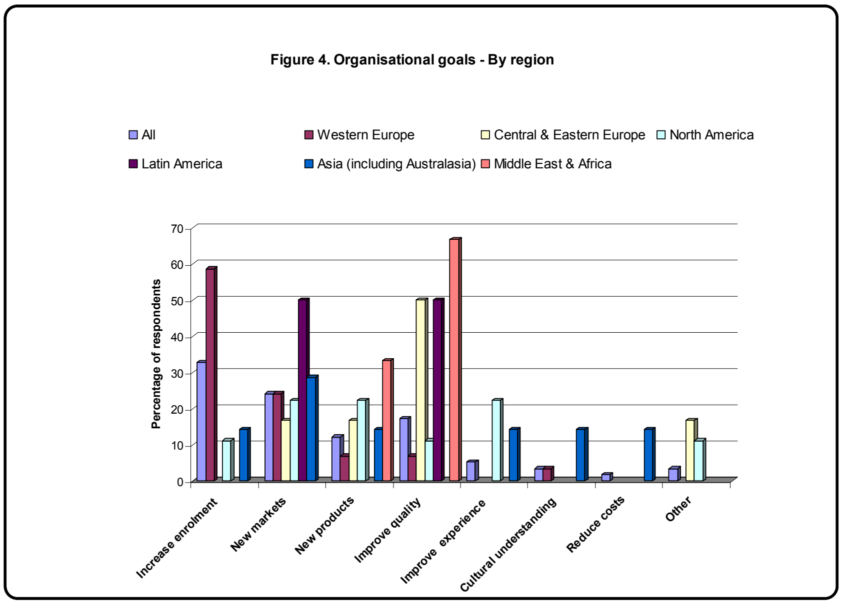
When asked "What is the primary goal of your organisation over the next three years," agent and school members had differing ideas as to which areas their organisations should focus on. While agents and those that offer both services tended to have differing goals among themselves, the most frequent response among schools was to increase enrolment (52% of respondents) (see Figure 3 for summary).

What emerges is a geographic trend in organizational goals. Members from Western Europe, in all types of organisations, tend to rank increased enrolment as the most important goal for their organisations (59% of

respondents; see Figure 4), while the rest of the world ranked improving quality as the highest priority (28% of respondents).

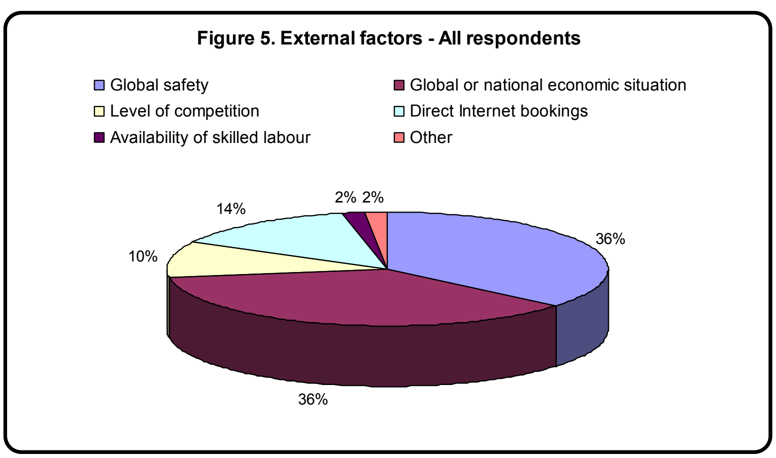
When asked why they believed this to be so, the Peer Group offered one reason: increased competition. A school member in Malta gave the following insight:

"It is evident that the client profile undergoes continuous change; expectations are increasing, while at the same time, consumer information is made aware to one and all. It is not only a matter of price nowadays, but also the level of quality."



External Factors

When asked to identify the primary external factor that will have the greatest impact on their organisation's ability to meet these goals, respondents were in agreement; 72% stated that it was either the global economic or safety conditions (see Figure 5). A Canadian school member explained, "[The current situation] has caused us to consider more diversification in terms of products and markets, and also caused us to be far more conservative in our budgeting."

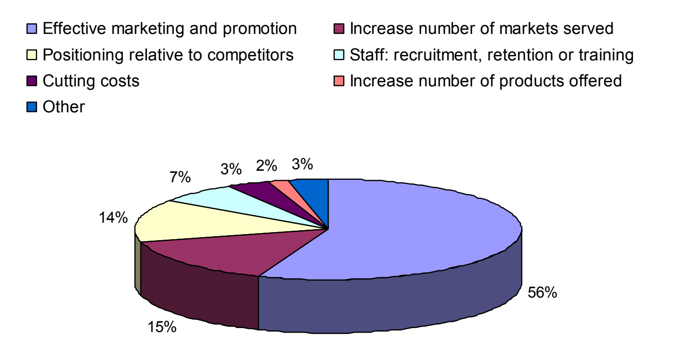


Internal Factors

When asked to identify the internal factor within their organisation, organisations again tended to agree: effective marketing and promotion are key to the achievement of their goals (see Figure 6).

The Peer Group was asked how their marketing and promotions functions have changed as a result of external pressures at the global level. They stressed the importance of developing and maintaining current relationships through such things as direct marketing and more aggressive promotions. An agent member in Hong Kong stated, "We are targeting schools more in terms of visiting [their premises] and presenting our firm and our products. We are also finding that, in general, schools are more receptive to working with agents."

Figure 6. Internal factors - All respondents

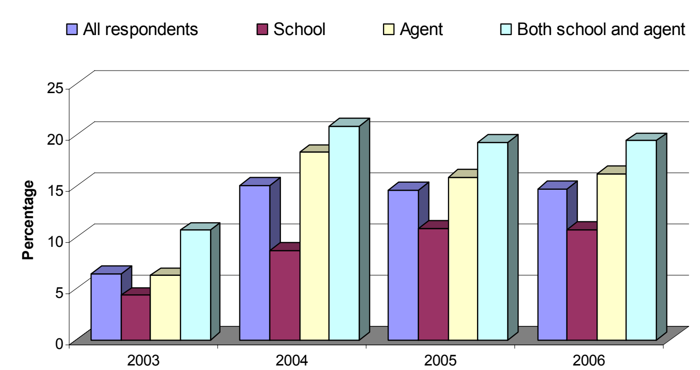


Sales Trends

Given these organisational goals, how are organisations predicting the market will react over the coming three years? What new products and services are considered to be most important to language travel in order to stimulate growth?

For many companies, the volatile situation in the global economy has meant that new methods and scenario building have become important to the everyday running of their businesses. There is a general consensus that organisations tend to be more conservative when estimating future revenues.

Figure 7. Predicted growth rates - By type of organisation

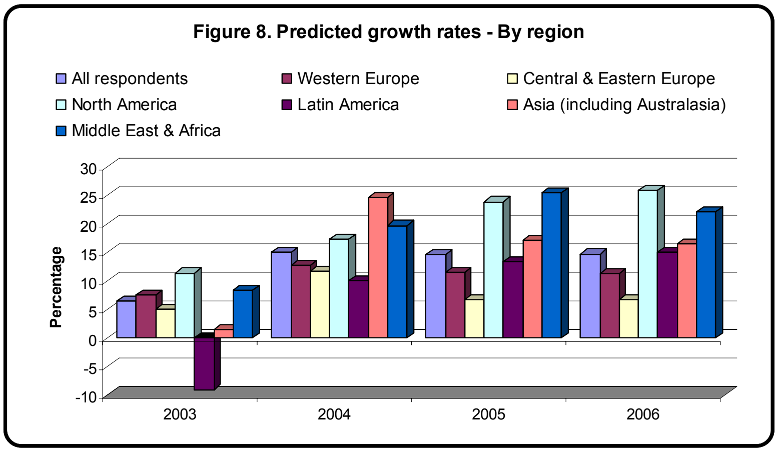


One school member of the Peer Group from France explained: "We have become more risk averse and will consequently only invest in activities with a proven record of providing a good return on investment."

However, ALTO members were optimistic, in spite of a relatively poor year in 2003 for many organisations (6.4% average growth in 2003; answers ranged from -50% to 40%). The average predicted growth rate from 2004-2006 was 15% per year (see Figure 7).

The most optimistic group over the years 2004-2006 tended to be those that offer both school and agent services (19.7% average growth), with the most

conservative estimates coming from school members (10% average growth over three years).



Product Trends

New product trends are also developing in language travel. Both schools and agents are beginning to diversify the number of products and services that they offer to their clients.

The most popular new product or service in 2003 was work experience programmes, be it either work and study, or work experience (internship or voluntary) programmes only (see Tables 1 and 2 for full results; top 3 responses in red-bold). 58% of respondents began offering this product type in 2003.

The most popular new product group for agents in 2003 was career development courses, while for schools it was language examination preparation courses. Those organisations offering both agent and schools services cited cultural activities (50%) as the most popular new product, along with work and study programmes (50%).

For the years 2004-2006, the picture changes slightly. For those organisations that offer both agent and school services, as well as for school members, the most popular new product was work experience programmes (33% and 30%, respectively). For agents, it was package tours (22%) and college and university preparatory courses (22%). Other new products and services not listed in the tables include junior programmes, business courses, summer camps and live-in programmes.

Table 1. Percentage of respondents who began offering following product types in 2003

Product / Service 2003	All respondents	Agent	School	Agent and school
Career development	**26%**	**39%**	22%	8%
College/university preparatory	22%	22%	**30%**	8%
Cultural activities	21%	13%	13%	**50%**
Language exam preparatory	24%	17%	**39%**	8%
High school programmes	12%	26%	-	8%
Insurance services	12%	9%	17%	8%
Package tours	10%	-	9%	**33%**
Airline tickets	5%	4%	4%	8%
Low-cost airline tickets	7%	17%	--	-
Car rentals	9%	9%	4%	17%

Product / Service 2003	All respondents	Agent	School	Agent and school
Work & study	**29%**	**30%**	17%	**50%**
Work experience only	**29%**	**35%**	**26%**	25%
Au pair programmes	3%	9%	-	-
No new products	14%	9%	22%	8%
Other	21%	22%	**26%**	8%

Table 2. Percentage of respondents who plan on offering following product types, 2004-2006

Product / Service 2004- 2006	All respondents	Agent	School	Agent and school
Career development	**21%**	17%	**26%**	17%
College/university preparatory	19%	**22%**	17%	17%
Cultural activities	3%	-	-	17%
Language exam preparatory	17%	17%	17%	17%
High school programmes	9%	17%	4%	-
Insurance services	9%	13%	9%	-
Package tours	**19%**	**22%**	17%	17%
Airline tickets	3%	-	4%	8%
Low-cost airline tickets	9%	9%	9%	8%
Car rentals	2%	-	4%	-
Work & study	19%	13%	**22%**	**25%**
Work experience only	**24%**	13%	**30%**	**33%**
Au pair programmes	3%	9%	-	-
No new products	16%	17%	13%	17%
Other	10%	9%	9%	17%

One important trend to note is an increasing number of new products that ALTO members offer, despite the view that organisations are more cautious entering new business ventures.

The average number of new products in 2003 was 2.3 per organisation. Over the coming three years, the average number is expected to fall to 1.7 new products per organisation. Why are ALTO members diversifying into so many new product and service areas?

A school member from South Africa made the following comment:

"Language travellers are becoming more sophisticated and are often looking for one product to cater to all of his or her travel requirements…[By offering more products] you ensure that almost everyone's need are catered to, and in theory, you can expand your share of the market."

An agent from Belgium also gave the following advice:

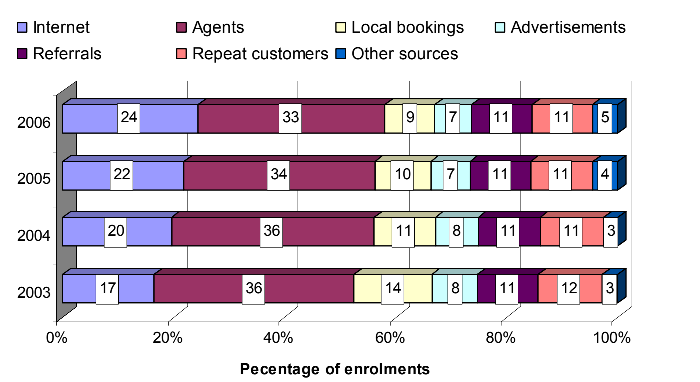
"By not putting all of your eggs into one basket, an organisation has other options [for generating income] if something else falls apart. It is also a good way to generate cash flow all year round if you have diversity in terms of seasonal and non-seasonal products."

When the same agent was asked why many organisations have chosen not to offer new products (14% in 2003; 16% from 2004-2006), he cited two possible reasons: "1) People feel that we are in an uncertain world with a great deal of risk in doing business. In such times, people tend to invest less, create less, and rely on traditional values... 2) Another reason may be consolidation...some organisations may feel that to remain efficient and credible in the market, they need to clean up their service offerings and not confuse the client with new products."

Marketing Channels

How are ALTO members marketing their products and services? Where do they obtain their enrolments from? According to the results of the survey, ALTO members are diverse in their use of marketing channels, but they often rely on more traditional methods of mouth-to-mouth and referrals, which account for 22% of all enrolments of ALTO members. This may represent a recognised need for ALTO members to provide high quality products and services in order to generate repeat customers and referrals (see Figure 9 for a summary of all respondents).

Figure 9. Expected sources of enrolment - All respondents



Other important figures worth noting are that enrolments from local bookings are expected to fall by 5% from 2003 to 2006, and bookings from the Internet are expected to rise by 7%.

When looking at school respondents only, ALTO members tended to rely very heavily on agents (average 60% of total enrolments over four years; see Figure 10). This is a much higher average than other studies have suggested. The average level of recruitment from agents based on the Language Travel Magazine Status Surveys is lower: 47%. Only Australia and New Zealand recruit more students via agents (70% and 73%, respectively). This stresses the importance of the agent-school relationship among ALTO members within their marketing functions.

Figure 10. Expected sources of enrolment - Schools

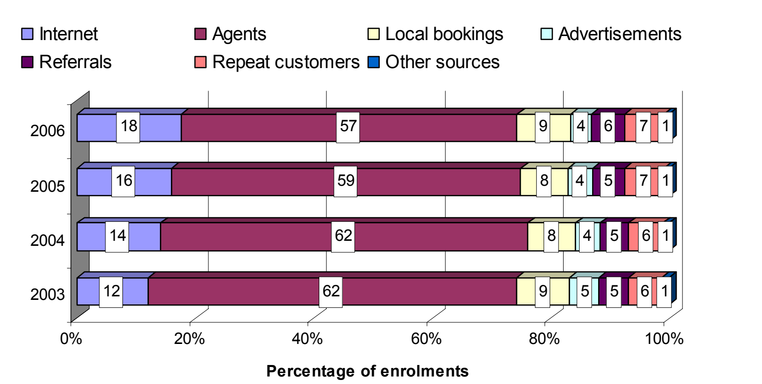
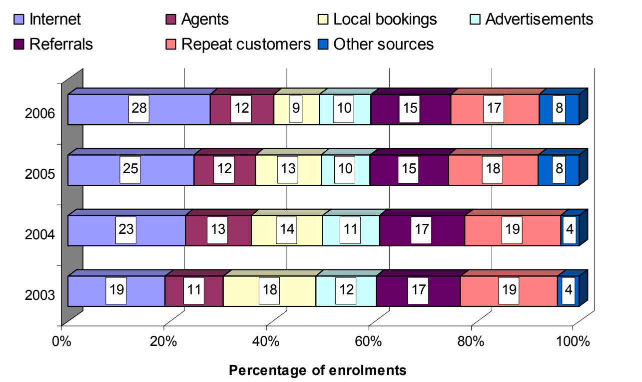


Figure 11. Expected sources of enrolment - Agents

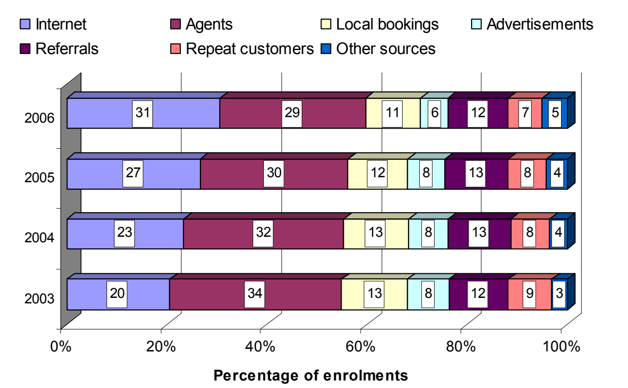


Agents are expecting to receive an increasing number of their enrolments online, rising from 19% in 2003 to 28% in 2006. Agents expect their enrolments from local bookings (18% decreased to 9%) to fall as a result of increased sales over the Internet. Those that offer both school and agent services are counting on a similar trend: an increase in online bookings (20% to 31%), and a decrease in both agent and local bookings (decreases of 5% and 4%, respectively) (see Figures 11 and 12).

Marketing Expenses

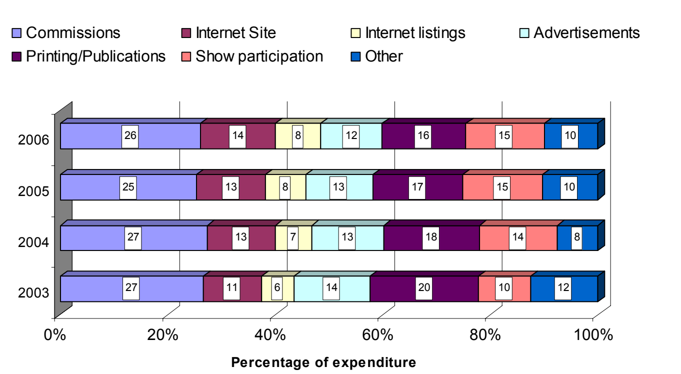
How are enrolments reflected in actual marketing expenditure? To answer this, ALTO members were asked to present a picture of how they have used their marketing funds over the past year and their plans for the coming three years. Although not all respondents chose to answer this section (57 respondents in 2003; 41 in 2004; 40 in 2005 and 2006), the findings show very few significant increases or decreases in spending in any areas of marketing.

Figure 12. Expected sources of enrolment - Both school & agent



Total expenses related to Internet development (own website and Internet listings) are expected to increase by 5% over the next four years, with expected increases of 7% in enrolments (see Figures 13 through 16). Other notable figures indicate an increase in participation in shows of 5%. This is true for all types of organisations. The figures do indicate that most organisations will increase spending slightly on their websites and Internet listings, while decreasing their

Figure 13. Expected marketing expenditures - All respondents



marketing expenses in the areas of advertisements and printing and publications. This illustrates an increased reliance on the Internet as the primary source of information for students and business partners, and supports the belief that the Internet will replace many of the local bookings.

Figure 14. Expected marketing expenditures - Schools

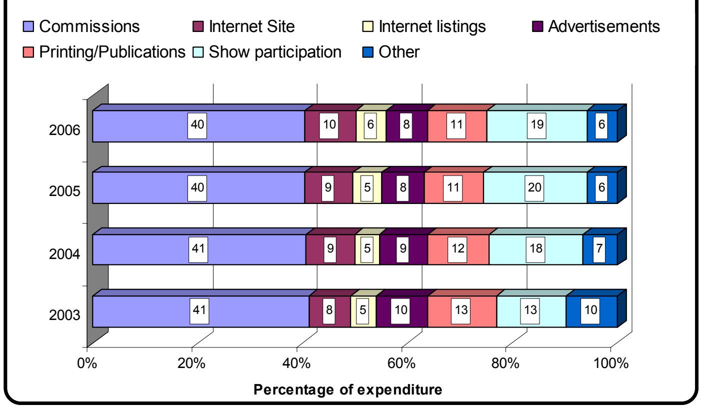


Figure 15. Expected marketing expenditures - Agents

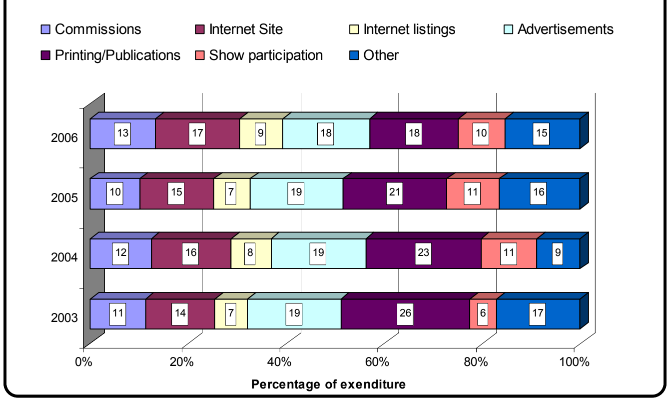
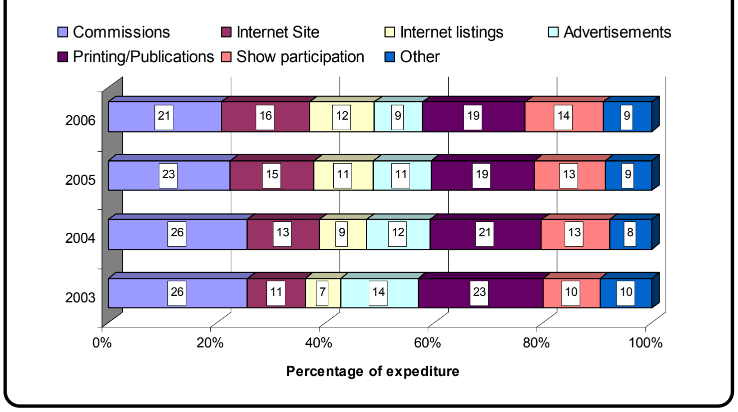


Figure 16. Expected marketing expenditures - Agent and school



Conclusions

The main conclusions that can be drawn from this report are as follows:

1. An increasing number of ALTO members are beginning to offer both agent and school services as a logical means of vertical integration.

2. ALTO member goals and success factors are diverse, but they point to the belief that an effective marketing function is the key factor driving their success as organisations.

3. ALTO members expect the language travel industry to recover strongly, indicated by their growth predictions of 15% per annum from 2004-2006.

4. In spite of the view that organisations need to be more conservative in their investments and budgeting, ALTO members are diversifying into new product and service areas and will continue to do so over the next three years, albeit at a slightly lesser rate.

5. ALTO members do not expect significant changes in the marketing channels used to promote their products and services. Where they predict an increase in Internet enrolments, they tend to predict a decrease in local bookings.

6. Marketing expenses will not change radically over the next three years. Again, Internet expenses tend to increase slightly, whereas expenses on advertisements and publications will decrease at a comparative level.

What do these conclusions indicate for the industry and ALTO members? First, the survey results highlight the competitive nature of the language travel industry. To improve their position relative to competitors, organisations offer new products and enter new markets. Diversification into new products and markets spreads risk and meets new customer demands. Second, the results point to the importance of maintaining a high level of quality when diversifying, as the other business areas can lose terrain as a result of spreading resources too thin. At the same time, too much diversification can cause an organisation to lose sight of its competitive advantage. Third, the Internet is expected to play a greater role in marketing, by both agents and schools. Those organisations that continue to perceive the Internet as a threat and not an opportunity do so at their peril. Fourth, in order to succeed, organisations are marketing their products more aggressively, and focusing on developing and maintaining their agent-school trade partner relationships.

The language travel industry has proven that it can weather the turbulence of the global marketplace. As the global situation stabilises, organisations can now focus on making their organisations more attractive relative to their competitors.

Acknowledgements

ALTO would like to acknowledge the following individuals, organisations and publications:

ALTO Board Members

Acting Chairman & Treasurer Ms Santuza Bicalho	STB - Brazil	Brazil
Member Mr Bernard Bianchi	Centre International d'Antibes	France
Member Ms Lucia Mellone	Cosmo Educación	Mexico
Member Ms Tamsin Plaxton	Tamwood International College Ltd	Canada
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ALTO Peer Group

ALTO Members (see www.altonet.org for full list)

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