A review of the global market for English language courses

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Prepared for the British Council by JWT Education.

JWT Education is a division of JWT, that provides market research, strategic planning and communications services to clients in the education sector.

November 2006

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Executive summary

This report provides an overview of the Global market for English language (EL) courses. It examines the performance of the leading EL destinations – the UK, US, Australia, New Zealand, Ireland, Malta and Canada – thereby also profiling the UK's main competitors in the EL arena. Further, it identifies top source countries. In addition, the report summarises qualitative research undertaken with eleven thought leaders from the Global EL industry - to provide an additional perspective on the marketplace - and presents the market opportunities open to EL providers.

The report reinforces the popular view that the global English Language market is a growing, changing, volatile and challenging creature.

Growing; this is projected to continue and is driven by the escalating use of English worldwide for business, education and leisure purposes; *"more people than ever want to learn English."* [1] So English language learning is increasingly a global norm, a basic skill, with the young learner segment of the market rising as English is more widely taught at primary and secondary schools in non-English speaking countries.

Changing; the industry's traditional powerbrokers are changing, for example:

- the position of the UK as a dominant provider in the EL market has reportedly lessened somewhat, although it is still the leading destination for English Language students (data recording and collection is an issue in many major markets);
- China has emerged as a force in the demand for and, increasingly, the supply of, EL products with greater in-country provision;
- the number of non-native speakers and teachers of English is now thought to outnumber native speakers and teachers;
- private players are growing in number and in size in many regions, but the state sector is also becoming ever more active – and indeed, partnerships between private and public organisations for the provision of English are now becoming more common;
- agents are continuing to strengthen their position as a primary channel through which students come to EL institutions.

Volatile; the English Language sector is volatile, impacted by external factors such as currency fluctuations, the threat of terrorism, pandemics such as avian flu or government legislation. For example, government policies can influence the sector positively, as they seek to improve the English capacity of their workforce in order to enhance their international economic and social standing (as is the case in India and China[2]). But government activity can also impact the sector negatively – for instance altering demand as they seek to protect their homeland through tough visa restrictions on international students, including prospective EL students.

[1] Graddol, D "English Next", published for the British Council 2006
[2] Ibid

Challenging; evolving supply and demand factors such as greater competition, price cutting, new technologies are challenging providers and changing expectations from students – for example for shorter, more outcome-focused courses.

Destination countries

The report shows that the performance of key destination countries within the EL sector - the UK and its main competitors - have fluctuated in recent years.

The UK continues to attract the highest number of international English Language students. Following a four-year-long period of decline, the UK did register growth in the EL sector every year from 2001 to 2004. But preliminary data for 2005 shows mixed results and a potential overall modest decline in the market, based on student week enrolment statistics. However future prospects for the EL sector in the UK should be enhanced by phase two of the Prime Minister's Initiative.

In 2004, the leading source countries for the UK were Japan (though demand from that source is slowing), South Korea (has experienced huge growth in recent years) Italy and China (including Hong Kong). Chinese enrolments in the UK market increased dramatically between 1999-2004, but declined substantially in 2004.

The US is still believed to be the second leading destination for English language training, although available data shows the number of EL students in the US declined every year from 2000 to 2003, before slightly improving in 2004. The period of decline has been attributed to both the increased difficulty in obtaining a visa to enter the country – a stringency which is currently being relaxed in an endeavour to positively impact demand; and to a perception that the US became less welcoming as a study destination with heightened awareness of domestic security following 9/11. Initiatives by the Bush administration are supposedly being implemented to shore up the slight upturn in numbers.

The diversity of the US EL student population is demonstrated in its major source markets. Japan, Korea and Taiwan accounted for the top three sources of EL students for the US in 2004, but three of the top 11 source countries were European (Italy, France and Turkey) and four of the top 15 were South/Central American countries – Brazil, Mexico, Colombia and Venezuela.

Australia meanwhile, despite its comparatively small size, has become one of the leading destinations for English Language education, recording strong growth in the sector from 1997 to 2005, with a peak in 2005. The Asian region provides most ELICOS students to Australia – delivering 80% of such students in 2005. Australia's leading source country is currently China (25% of total ELICOS students), although Chinese enrolments are now growing at a slower rate than in recent years. Other leading sources of students for this EL market include South Korea, Japan, Thailand and Brazil. .

New Zealand experienced huge growth in its EL sector from 2000 to 2002 (with a huge rise in particular of Chinese student numbers), but a decline from 2003 to 2004 (with a large drop in Chinese student numbers) and a steadied market in 2005.

Ireland, which derives most of its students from Europe, has increased consistently since 2001.

Malta, which also derives most of its students from Europe, enjoyed significant growth from 2000 to 2001 but has experienced quite a flat market subsequently.

Top source countries

The top source countries for the global EL Market are:
- from the Asian region – clearly Japan, China and South Korea, with more than 50,000 students from each of those three countries undertaking EL programmes in 2004;
- from Europe - Italy, Germany and France, all of which experienced growth from 2000 to 2004;
- Brazil - with enrolments in the US, Australia and New Zealand increasing by more than 50% from 2000 to 2004, with Brazilian enrolments in the UK nearly doubling in 2004.

Thought leaders identified growing source markets as the South East/East Asia, then the Middle East including the Gulf States and also Latin America (specifically Brazil) and Central and Eastern Europe.

Other relevant trends in the international education arena which clearly have an impact on the EL sector include changes in student buying behaviour and more discerning students, who increasingly use agents and the Internet in their education purchases and the general growth in the private sector which is changing the nature of the EL Market.

Market opportunities

Thought leaders identified opportunities for providers in contract work and consultancy - for example providing English training and exams for international corporations, governments or in specialised industries; establishing or increasing partnerships or links to overseas and local universities and colleges; English teacher training; in-country provision of English Language learning; accreditation of EL providers and teachers and high level business English.

Research and market analysis highlights potential opportunities for EL providers through the growth of the international higher education sector, transnational education (TNE), global and UK-bound tourism, the shortage in skilled labour in the developed world, the Bologna Process and through the massive Chinese interest in English Language learning.

However, any growth projections or identification of opportunities need to be considered in the context of the possible impact of external factors and events on the EL marketplace. These potential risks notwithstanding, the future for international English Language education appears to be bright although likely to be characterised by a high level of competition for demand, which may mean further change in the future global English Language landscape.

1. Introduction

This report aims to provide a summary of the key features of the global English language market. It presents an overview of the major destination and source countries' recent performances in the sector with profiles of the UK's main competitors in that arena; perspectives from industry thought leaders about the status of the international EL industry; other trends relevant to the industry and market opportunities for EL providers.

Objectives

1. To describe the global market for EL courses, including:
- size and value of the market
- size and value of the UK and competitor countries' market share
- total student numbers
- main source countries

2. To identify short-term recruitment trends in the top 10 source countries

3. To profile the UK's main competitors

4. To identify market opportunities to enable the UK EL industry to develop a strategy to effectively capitalise on them

Approach

To address the stated objectives a comprehensive review of multiple secondary research sources was undertaken, drawing upon information from:

- government bodies e.g. Australian Education International (AEI) and the Department of Education Science and Training (DEST), the British Tourist Authority (BTA), Education New Zealand, Bord Failte (Ireland) and Statistics Canada;
- industry associations e.g. English UK, English Australia, Institute of International Exchange (IIE), Canadian Association of Private Language Schools (CAPLS), the Association of Language Travel Organisations (ALTO) and CLC;
- trade publications, industry briefings and papers;
- forecasts such as Vision 2020.

Additionally, qualitative research has been undertaken to help better address the objective of '*identifying the market opportunities to enable the UK EL industry to develop a strategy to capitalise on them.'* Eleven interviews have been conducted with thought leaders from major industry bodies and organisations across the global EL sector, to add an interesting dimension to the research and to provide additional insights that might not otherwise be gleaned solely from reviewing the secondary data available.

Eleven thought leaders from the following organisations were interviewed:

- English UK;
- European Association for Quality Language Services (EAQUALS);
- Cambridge ESOL;
- International House;
- English Australia;
- IELTS International;
- the American Association of Intensive English Language Programs (AAIEP), the participant representing this body was also involved with The Olin Centre - a private provider of EL programmes in the US;
- Study Group;
- Canada Language Council (CLC);
- the British Council - two senior personnel were interviewed from the Council's Hong Kong and Madrid offices.

Participant profiles

The interviewees had wide-ranging, senior roles within the EL sector which they had held from six months to 12 years – all at Chief Executive, Executive Director or Director Level. Two interviewees also ran private EL providers.

They had lengthy and varied backgrounds in the EL industry - with experience in the EL sector ranging from seven to 29 years. In addition to their current roles some had also worked in large private EL providers - as EL teachers and assessors, in co-ordination and strategic management of EL services and in EL sales and admissions.

They had worked in assorted markets – the UK, US, Japan, Hong Kong, Singapore, Spain, Mexico, Algeria, Syria, Bulgaria, Cameroon, Slovakia, Thailand, and generally *"across Europe and Asia"*.

Some participants had also worked outside the EL industry in research, Higher Education and in general business management, manufacturing and market research.

2. Overview of the global market for English language courses

2.1. Introduction

This section provides an overview of the global English Language market. The analysis will detail the value of EL markets where such information is available and then examine the EL market in some of the leading destinations for EL students. This will include a profile of the UK and its main competitors in this sector; the US, Australia, New Zealand, Malta, Canada and Ireland. These profiles will then be followed by the identification of current trends amongst some of the leading source markets of EL students.

By way of an introductory comment, it should be highlighted that gathering information and data on English Language enrolments is challenging and not nearly as straight-forward as for other education sectors e.g. Higher Education. Countries such as South Africa and Cyprus simply do not collect information on this sector while the best data for other countries only covers a proportion of the overall market. For instance the most reliable market data for the UK is collected by English UK but only includes international students at member institutions. IIE reports data for the US in a similar fashion. Other country's data sources may only include those undertaking EL courses on student visas. Australia may have the most comprehensive data; the Department of Education, Science and Training (DEST) reports enrolments and EL data for individuals undertaking study on a student visa, while English Australia provides detailed estimates of all international EL students (those on student visas as well as other types of visas) and members of English Australia reportedly deliver 87% of EL tuition in Australia. Note some qualitative information is included on Spain within Appendix 1.

EL market value

There is no dispute that the provision of EL has become a valuable constituent of the economy in the leading destinations for this type of study. For instance, it is estimated the economic impact of the EL industry in Australia was as much as AUD $932 million in 2004. Although not as sizeable as the Australian market, the New Zealand EL sector was valued at over NZD $400 million in 2003/4 – a significant contributor to the country's economy although down from the previous year's figure of NZD $544 million. Values of the EL market in other countries are not known but in countries like the UK and US, traditionally industry leaders, one would expect the value to be significantly higher than that estimated for either Australia or New Zealand.

2.2. Destination markets

In analysing major EL destinations the most reliable available data sources have been used. However, because of the way in which data is reported and collected by the different destination countries it is difficult to make comparisons across destinations; instead the data is better used to gain an understanding of the market within a particular country. Therefore the summary chart provided in Table 1 should be seen as an estimated representation of the global EL market in the leading English speaking destinations, not as a definitive assessment and comparison of the destinations. It should also be noted that the actual size of many of the markets are underestimated given the methodologies many of the data sources use (some sources only report on a portion of the market – for example, only those students on a student visa, students at private institutions and students at member institutions etc.)

Traditionally the key destination markets for English language training have been the UK, Ireland, the US, Canada, Australia, Malta and New Zealand.

Over the past few years international student enrolments for EL programmes have, for the most part, been increasing. Enrolments peaked in four of the six countries - UK, Australia, Ireland and Malta - in the latest year in which data is available for each of those countries (2004, 2005, 2005 and 2004 respectively) and US enrolments increased in 2004 - the first rise in EL student numbers in the US since the year 2000.

There have also been concerns for the EL market in recent years in many of the leading destinations. For instance, the number of students undertaking EL training in the US halved between 2000 and 2003. The UK experienced consistent declines in its student numbers between 1998 and 2001, although more recently enrolments have improved. Enrolments in Australia declined from 2001 to 2003 before rebounding and reaching a high in 2005. New Zealand, which experienced incredible growth from 2000 to 2003, had a major setback in 2004 when student numbers decreased by 29% in that year alone. These trends reinforce the fact that, although the global market for EL continues to be very large, the demand for courses in a particular country can be quite fickle and is likely to be impacted by a number of factors, many of them external.

Table **1** Global trends in the English Language market – international student enrolments

	1998	1999	2000	2001	2002	2003	2004	2005	Average Ann Growth	% Growth 04 - 05
United Kingdom	184,838	172,091	169,265	156,300	195,167	231,102	256,010		6.4%	10.8%
Australia	49,442	62,805	66,287	81,053	79,418	78,338	91,129	101,087	14.9%	16.3%
New Zealand	16,963	15,718	18,054	26,203	41,725	71,503	50,689	51,456	29.0%	-29.1%
United States	44,021	73,357	85,238	78,521	51,179	43,003	44,565		0.2%	3.6%
Ireland				71,000	76,000	91,000	94,000	108,000	13.0%	3.3%
Malta			41,515	52,680	53,975	53,241	55,578		8.5%	4.4%

Sources:
UK – English UK.
Australia – English Australia
New Zealand – New Zealand Ministry of Education
US – *Opendoors.* The Institute of International Exchange (IIE)
Ireland – *The Survey of Overseas Travellers, Perspectives on Irish Tourism*. Bord Failte
Malta – *Education Statistics*, National Statistics Office Malta

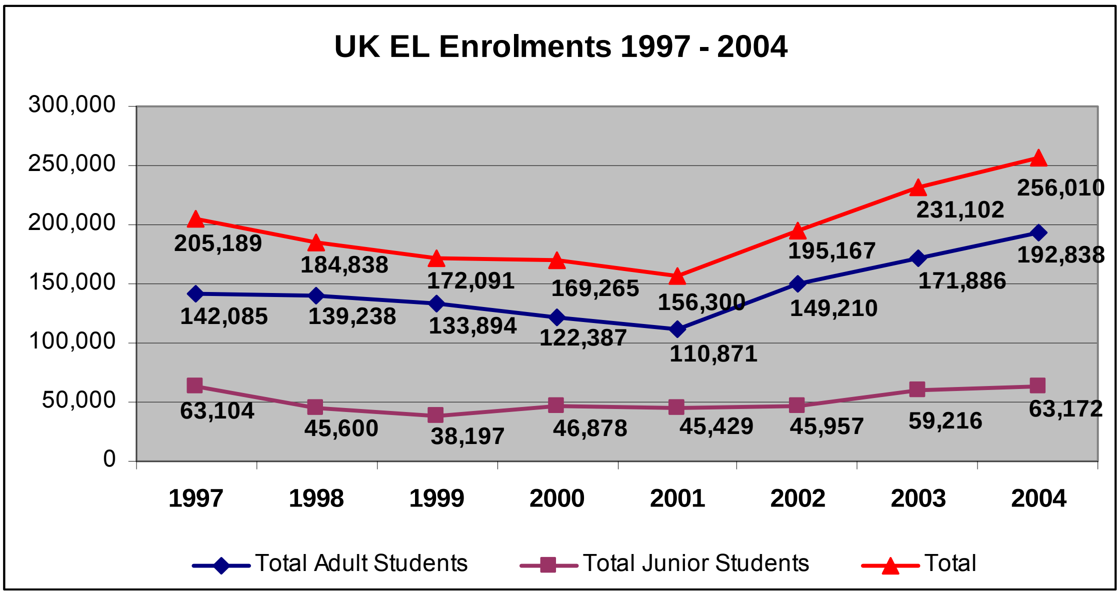
2.2.1. Destination UK

The UK is regarded as the leading destination for EL students. The most reliable EL data for the UK is supplied by English UK but this organisation only collects information on member institutions, which are all private, so students at public institutions and non-member schools are not included in this data. As a result, English UK data significantly underestimates the real size of the EL market in the UK – a fact supported by information taken from the Overseas Passenger Survey, which is conducted every three years by the British Tourist Authority (BTA). That survey estimated the size of the UK EL sector to be 669,000 in 1996 before declining to 449,000 in 2002. These figures are significantly higher than those reported by English UK but the BTA has not released data since the 2002 survey and JWT Education believes that the data collected and reported by English UK is the most reliable available and provides a good indication of EL market trends within the UK. Therefore, the following analysis of the UK market is based on information provided by English UK.

UK enrolments have apparently gone through two periods. From 1997 to 2001 student numbers declined every year (from 205,189 in 1997 to 156,300 in 2001). However, since 2001 enrolments have continually increased and in 2004 enrolments peaked at over 256,010. Overall, student weeks have increased by nearly a quarter (24.8%) since 1997.

Preliminary data for 2005 shows mixed results. Student week statistics for Q1 2005 indicate that student weeks increased by 18% over Q1 2004 (137,478 in 2004 to 162,217 in 2005). However, there was a 23% increase in the number of centres who reported figures in 2005. This would actually suggest a modest decline for 2005. However, Q4 data for 2005 shows a decline in enrolments by 3%, with about a 26% decline in the number of returns, which would indicate that the market should actually be stronger in 2005. The number of student weeks in Q4 decreased from 159,276 in 2004 to 154,093 in 2005.

Table 2 Approximation of UK EL enrolments 1997-2004 (adult students vs. junior students)



Adult students – one who participates in a course normally designated for students aged 18 and over
Junior students – one who participates in a course normally designated for students under the age of 18
Source: English UK

It is important to realise that these enrolment statistics are estimates. English UK approximates the number of students each year based on the total number of student weeks reported by its member schools. Member schools are asked to report back to English UK at the end of each quarter and it is mandatory that they submit annual data. From these surveys English UK is able to calculate the average number of weeks an EL student undertakes study for in the UK for a particular year. Estimates of annual student numbers are therefore based on total students weeks and average weeks of study for a particular year.

Because enrolment figures are based on total student weeks it may be more appropriate to examine trends in student weeks rather than actual student numbers. Similar to the outcomes seen above for enrolments, student weeks declined from 1997 to 2001 and then increased from 2001 to 2004. Overall student weeks increased by 18.9% over this time and peaked at almost 1.25 million in 2004 (see Table 3). Encouragingly, student weeks increased by 11.8% from 2003 to 2004.

The leading source countries/regions for the UK are presented in Table 3. Most students undertaking EL in the UK are from Europe (51%) and Asia (33%). Student weeks varied significantly from year-to-year amongst almost all source countries – although they did tend to decrease from 1997 up to the year 2001 and increase after that. The top sources of students in 2004 were Japan and South Korea – together they accounted for about 20% of all student weeks. Although Japan is the leading source market, student weeks completed by Japanese students have actually declined by 20% since 1997. South Korean student weeks, on the other hand, have grown considerably, especially since 1999 (356%). The other leading Asian source country is China (including Hong Kong) and nearly 100,000 student weeks were completed by Chinese students in 2004, making China the fourth largest source for the year. Chinese student weeks increased by 74% between 1999 and 2004, although enrolments declined by almost 21% in 2004.

Table 3 Student weeks by region/country (1997-2004)

	1997	1998	1999	2000	2001	2002	2003	2004	Annual % Change	% Change 03 - 04
Japan	170,100	147,185	137,985	128,674	123,626	135,204	130,155	135,347	-2.9%	4.0%
South Korea	75,600	31,610	26,331	56,296	66,928	96,130	101,116	120,262	8.4%	18.9%
Italy	129,150	87,916	113,177	91,367	87,489	77,108	74,940	105,177	-2.7%	40.3%
China/Hong Kong	-	-	26,201	44,102	58,134	115,767	125,481	99,506	56.0%	-20.7%
Brazil	54,600	76,062	45,986	33,131	35,634	34,354	42,477	80,837	6.9%	90.3%
Spain	70,350	53,342	58,379	53,330	45,930	53,863	56,446	70,334	0.0%	24.6%
Switzerland	60,900	38,525	55,034	51,021	52,599	62,444	56,341	60,635	-0.1%	7.6%
France	44,100	66,184	44,064	43,336	33,041	45,727	43,819	51,983	2.6%	18.6%
Russia	43,050	34,574	23,064	22,105	28,483	36,796	35,963	44,699	0.5%	24.3%
Germany	48,300	66,184	37,302	40,285	37,288	39,344	41,582	44,604	-1.1%	7.3%
Rest of Europe	185,850	180,771	150,873	169,836	130,696	153,731	179,432	181,958	-0.3%	1.4%
Rest of Lat. America	54,600	85,940	63,606	65,579	74,169	86,484	83,587	86,104	8.2%	3.0%
Middle East	-	-	37,979	40,077	44,724	55,770	68,760	83,853	24.2%	22.0%
Rest of Far East	53,550	75,074	34,511	41,958	39,985	50,882	49,782	60,569	1.9%	21.7%
Rest of the World	59,850	44,452	23,272	15,264	16,893	20,492	26,314	22,031	-9.0%	-16.3%
Total	1,050,000	987,817	877,764	896,361	875,619	1,064,096	1,116,194	1,247,899	2.7%	11.8%

Source: English UK

The leading European source countries in 2004 included Italy, Spain, Switzerland, France, Russia and Germany. Together students from these countries accounted for completing 30% of all student weeks completed in 2004.

Italy; student weeks have declined by 19% since 1997, however enrolments increased by 40% in 2004 after reaching a low of 74,940 in 2003. Italy was the third leading source country in 2004.

Spain; student weeks in 2004 were about the same as in 1997. Declines witnessed in most years from 1997 to 2001 were made up for by growth from 2001 to 2004. Student weeks increased by 90% in 2004. Spain represented the highest growth market in 2004.

Switzerland; the 7th leading source country in 2004 - Swiss student weeks behaved similarly to the overall market in that there were declines from 1997 to 2001 before growth was recorded between 2001 and 2004. Overall the number of student hours completed by Swiss students in 2004 was about the same as in 1997.

France; student weeks peaked in 1998 at 66,184, before declining by 44% in 1999. Student weeks hit a low in 2001 but significantly increased in 2002 and again in 2004.

Russia; overall student weeks increased by approx. 4% from 1997 to 2004 following the general trend of declines from 1997 to 2001 and growth from 2001 to 2004.

Germany; student weeks peaked in 1998 and then declined significantly in 1999. Student weeks have increased every year since 2001, although student weeks in 2004 are still down by about 8% from 1997.

Average stay

The average length of stay for EL students in the UK is outlined in Table 4. Although the total number of student weeks has been increasing since 2001, the average stay amongst adult students has declined. In 2001 the average adult student was in the UK for 6.8 weeks. By 2004 this was down to 5.6 weeks, the lowest average recorded since 1997.

Table 4 Average stay for EL students in the UK

	1997	1998	1999	2000	2001	2002	2003	2004
Average Adult Stay	6.1	6	5.7	6.4	6.8	6.2	5.8	5.6
Average Junior Stay	2.8	3.2	2.9	2.4	2.8	2.9	2.1	2.7

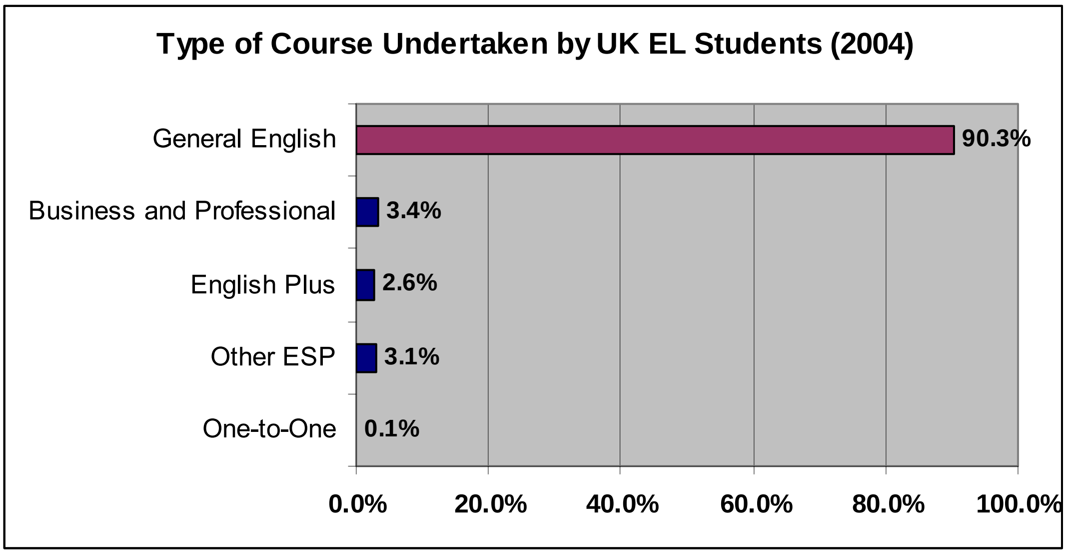
Source: English UK
Adult Course – a course normally designated for students aged 18 and over
Junior Course – a course normally designated for students under the age of 18

The average stay for juniors hit a low of 2.1 weeks in 2003 before increasing to 2.7 weeks in 2004. For the majority of years between 1997 and 2004 the average junior stay has ranged from 2.7 years to 2.9 years.

Type of study

As shown in Table 5, English UK reports that the vast majority of EL students in the UK undertake courses in General English. In 2004, more than 90% of the student weeks reported by member institutions were devoted to teaching General English courses. In comparison, courses in Business and Professional English (3.4%), English Plus (2.6%) and other ESP and one-to-one courses were much less popular amongst UK EL students.

Table 5 Type of course undertaken by UK EL students (2004 – from aggregated quarterly returns)



Source: English UK

Thought leader comments

Within the qualitative interviews undertaken for this report, participants made some comments specifically about the UK EL market:

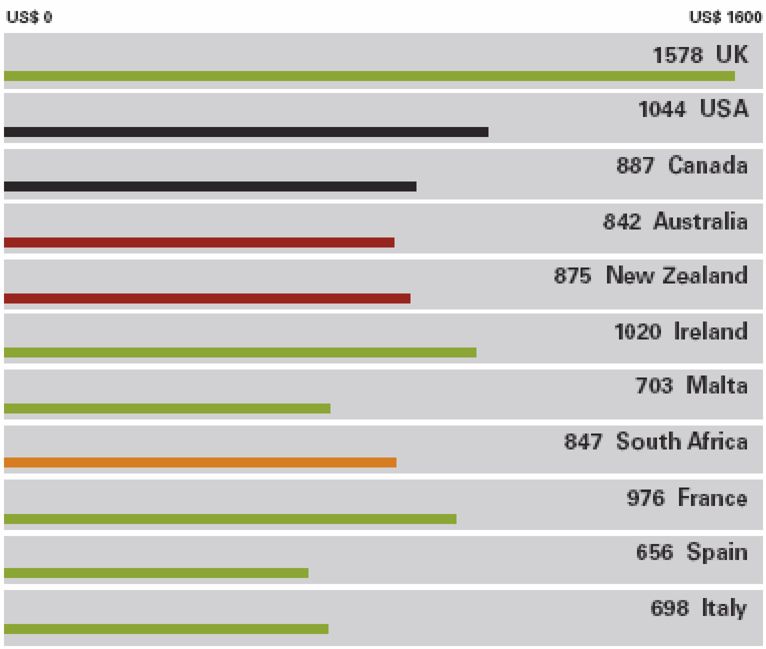
"The UK's competitors have been able to provide EL for a lesser cost than the UK - the UK is a high cost destination and as a result UK EL prices have started to look uncompetitive so [they are] keen on quality development and quality assurance… if not able to compete on price, need to compete on quality."

In support of this comment the Language Travel Magazine's annual Status Survey, (which uses market data gathered from member institutions, comprising education facilities worldwide, who participate in the Survey each year, to present information on the main international language teaching markets) reveals that the UK is the highest cost destination for EL training globally.

According to this data (see Table 6), a one-month language course in the UK (tuition only) was nearly 50% more expansive than a similar course in any other destination. In 2004 the average cost of a month long course in the UK was US$1,578, compared to $1,044 for the same course in the US and $842 in

Australia. The cheapest destinations appear to Spain ($656), Italy ($698) and Malta ($703).

Table 6 Average cost of a one-month language course by country in US$ (2004)



One of the thought leaders commented that a strength of the UK market is that its international student base is *"more diverse than any other competitor – Australia is heavily dependent on the Far East, as is New Zealand and Canada; Ireland is dependent on Southern Europe and Malta is dependent on Europe overall. But the UK draws students from just about everywhere."*

"For language travel there are several issues; the peak of the industry in the UK was the mid-90s and since then there's been a decline in the number of people coming to the private sector in the UK." Reportedly due to:

- competition from Ireland, Australia, South Africa and Canada;
- competition from UK higher education, which has *"added English on"* because of the demand for EL courses and the desire to attract more high fee-paying international students, who need English to progress;
- factors outside the sector's control; people staying closer to home, *"difficulty with visas, agricultural disasters such as mad cow disease and SARS/medical issues, 9/11…. all have had an impact on the industry";*
- a decline in the huge growth of Chinese students coming into the private sector at the beginning of this century which has *"had a big impact, particularly in Ireland but also in the UK up to a point".*

"Certain countries - [such as] Germany - are now providing HE courses in English and the language courses to back those up, so there will be competition not just for British providers of EL training but also British providers of HE."

The UK's competitors in the EL sector – Profiles:

2.2.2. Destination Australia

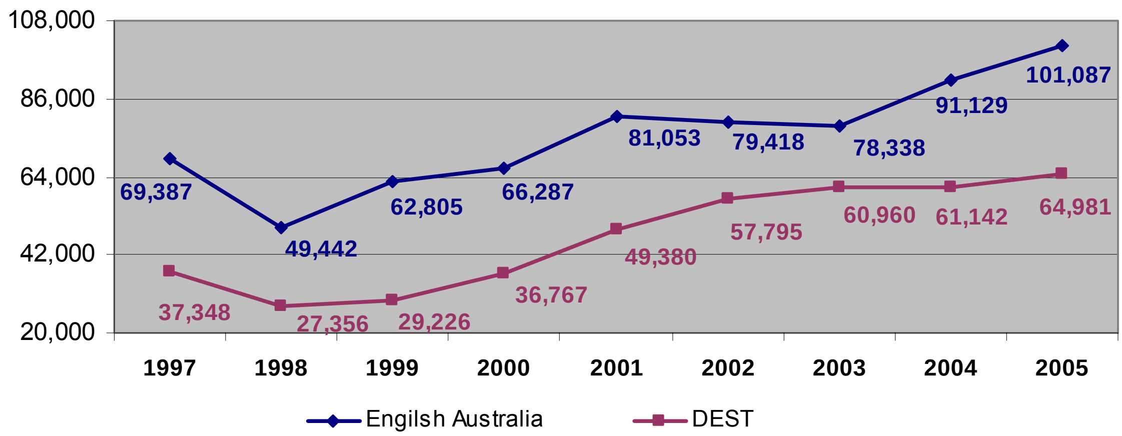
Data presented in this section was taken from either English Australia's 2004 survey of major ELICOS (English Language Intensive Courses for Overseas Students) regional markets, or from DEST.

Members of English Australia deliver 87% of EL tuition in Australia and their figures also estimate student visa enrolments on EL programmes as well as other types of visa. English Australia will be the primary source for ELICOS data in this report as it attempts to estimate the total size of the EL market.

DEST data only accounts for those students in Australia on a student visa and therefore under-represents the total number of students enrolled in EL courses in the country.

As seen in the following chart which reports both DEST and English Australia data, the demand for Australia EL courses rose steadily from 1998 with the majority of students undertaking EL courses in Australia having consistently been from Asia. As Table 7 illustrates, according to English Australia ELICOS student enrolments have increased from 69,387 in 1997 to 101,087 in 2005. Enrolments increased from 1998 to 2001, declined slightly between 2001 and 2003, and have increased significantly since 2003. It is thought enrolments increased significantly after 1998 as Asian nations started to recover from the economic crisis that impacted the region in the mid to late 1990's

Table 7 Trends in ELICOS enrolments 1998 to 2005



Source: English Australia and DEST

Data from DEST also highlights the growth in the EL market in Australia since 1998 (although it should be noted that there was a change in data collection after 2001). Keeping in mind that DEST only reports students in Australia studying on a student visa, DEST data shows an increase in enrolments from 37,348 in 1997 to 64,981 in 2005. Interestingly, English Australia reports a 29% increase in the market from 2003 to 2005. DEST reports growth of 7% during this same period. This could signal an increase in the demand for EL study in Australia from students who are undertaking courses that do not require a student visa – such as language travel and general English students, rather than students undertaking English for academic purposes (EAP). This is supported by information supplied by English Australia that will be shown later in the report where the percentage of students who are undertaking EL programmes in Australia who are on a student visa is decreasing (58% in 2003 compared to 49% in 2005).

Data recently released from DEST shows continued growth in the ELICOS sector year to date (2006) for Australia. With total enrolments increasing by 16.1% as of April 2006 compared to the same period last year and commencements increasing by 14.7%.

According to English Australia, not only did student enrolments peak in 2005, but total student weeks also reached an all time high at 1,142,016 (see Table 8). In 2005, the average ELICOS student in Australia spent 11.3 weeks studying English, below the maximum average of 12.1 weeks in 2003. The economic impact of ELICOS within Australia was estimated to be as much as $1,082 million in 2005, up from $932 million in 2004.

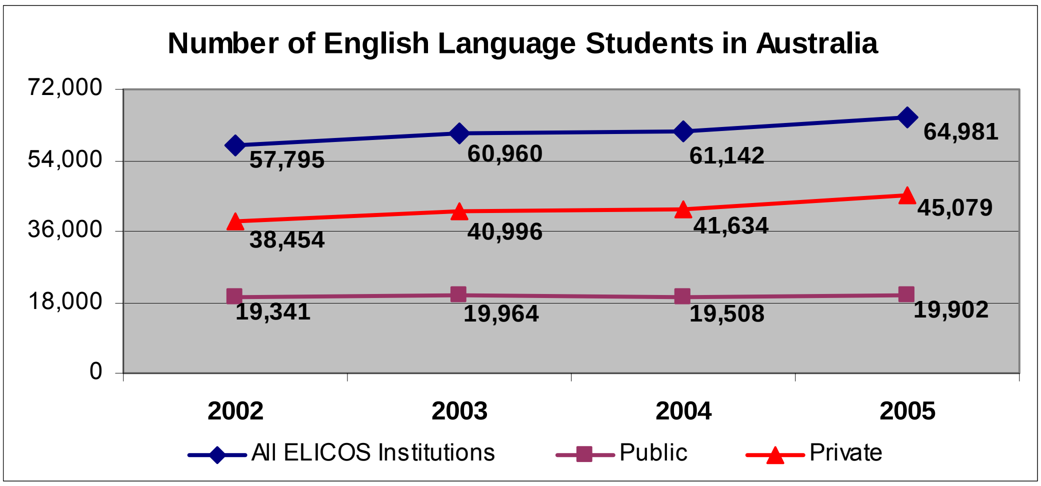
Table 8 Enrolments, student weeks and economic impact ($m) 1997-2003

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total enrolments	69,387	49,442	62,805	66,287	81,053	79,418	78,338	91,129	101,087
Total student weeks	921,477	498,706	608,715	699,315	872,921	915,867	946,241	995,918	1,142,016
Average student weeks	12.6	10.1	9.7	10.6	10.8	11.5	12.1	10.9	11.3
Total economic impact	$688.6	$377.8	$599.0	$546.8	$710.2	$802.1	$849.2	$932.0	$1,082.0

Source: English Australia

Table 9 outlines ELICOS students by provider type. As seen in the chart, the majority of ELICOS students are enrolled at private institutions. In 2005, 45,079 international students were undertaking study at private institutions (or 68% of students with visas). Enrolments at private institutions increased by 11% from 2002 to 2005 while enrolments at public institutions remained relatively flat, increasing by less than three percent.

Table 9 Total number of English Language students in Australia by provider type (2002-2005)



Source: DEST

Asia continues to be the leading source of ELICOS students in Australia. According to English Australia, since 2000 the percentage of ELICOS students from Asia has ranged from 76% in 2000 to 84% in 2004. Therefore, it is no surprise that most of the leading source countries, nine of the top 11, are Asian nations.

The leading source countries for ELICOS students are presented in Table 10. In 2005 Chinese enrolments accounted for a quarter (25%) of all ELICOS enrolments. Chinese enrolments peaked in 2005 at 16,175; however those enrolments increased more slowly from 2002 to 2005 – by 12.7%, basically the same rate as total national enrolments in that time (12.4%).

Table 10 Number of English Language students in Australia by leading source countries (2002-2005)

	2002	2003	2004	2005	% Growth 02-05	% Growth 04-05
China	14,350	14,416	14,876	16,175	12.7%	8.7%
South Korea	6,964	9,559	10,143	11,194	60.7%	10.4%
Japan	8,308	8,838	8,888	8,063	-2.9%	-9.3%
Thailand	5,945	5,806	5,081	5,279	-11.2%	3.9%
Brazil	2,236	1,784	2,358	3,952	76.7%	67.6%
Taiwan	3,603	3,802	3,463	3,288	-8.7%	-5.1%
Hong Kong	4,047	3,587	2,730	2,213	-45.3%	-18.9%
Indonesia	1,997	2,009	1,608	1,418	-29.0%	-11.8%
India	82	452	1,079	1,308	1495.1%	21.2%
Czech Republic	1,264	1,198	963	1,165	-7.8%	21.0%
Vietnam	693	756	1,035	1,129	62.9%	9.1%
Total Australia	***57,795***	***60,960***	***61,142***	***64,981***	***12.4%***	***6.3%***

Source: DEST

Other leading sources of English Language students include South Korea (with enrolments of 11,194 in 2005), Japan (8,063), Thailand (5,279) and Brazil (3,952). Of these four countries, Brazilian and South Korean enrolments have increased significantly since 2002; early data for 2006 (as of end April) from DEST shows continued growth from South Korea and Brazil. These two markets show the highest growth rate for the ELICOS sector this year with 25.1% in enrolments and 21.4% in commencements for South Korea and 73.7% and 61.5% for Brazil. In contrast enrolments of Japanese and Thai students over this time have declined.

Brazil and the Czech Republic are the only leading source countries that are non-Asian. Brazil (whose enrolments grew by 77% from 2002 to 2005), India, (1495%), Vietnam (63%) and South Korea (61%), have been the leading growth markets since 2002.

Declining enrolments have been recorded from students from the following countries in the four year period 2002 to 2005:

- Hong Kong (-45%);
- Indonesia (-29%);
- Thailand (-11%);
- Taiwan (-9%);
- Czech Republic (-8%);
- Japan (-3%).

It should also be noted that Thai and Czech enrolments were greater in 2005 than in 2004.

English Australia reports that the majority of ELICOS students (51% in 2004) arrive in Australia on a student visa, although 31% possess a tourist visa and 11% are on a working holiday visa (see Table 11). The percentage of ELICOS students on a student visa decreased from 58% in 2003 to 51% in 2004, whereas the percentage of students on a tourist visa increased during this time from 31% to 38%.

Table 11 Visa status of ELICOS students 2003

	2003	2004	2005
Student Visa	**58%**	**51%**	**49%**
Tourist Visa	**31%**	**38%**	**37%**
Working Holiday Visa	11%	11%	14%

Source: English Australia

Australian Education International (AEI) reports that ELICOS is a key area in Australian education, as international students often undertake EL courses as a precursor to studies in other sectors.[3] An AEI Survey of the study pathways of international students in Australia over the period 2002-2004[4] showed that, of a total of 429,022 students, roughly three-quarters (327,478) enrolled in single sectors with roughly one-quarter (101,544) enrolling in multiple sectors. Of the single sector students, more than one-third (38.6% - 165,791) enrolled in Higher Education. This was followed by the ELICOS sector (13.5% - 57,285).

Of the multiple sector enrolments, most (26%) followed the pathway of ELICOS to Higher Education; while 16% followed the pathway of ELICOS to VET. Almost one-third of all multiple sector students were from China. The most common sectoral pathway for Chinese students was ELICOS to Higher Education (34%) and ELICOS to school (19%).

[3] AEI: International Students in Australia and the ELICOS Sector, 2005
[4] Study Pathways of International Students in Australia, AEI, June 2005

Other information on the Australian EL sector

AEI and the Study in Australia government website report that students from more than 50 countries come to Australia each year to learn English for study, work, travel or personal reasons. EL training in Australia is delivered by accredited ELICOS providers and by more than 200 accredited and registered colleges located in capital cities and other areas across Australia.[5] ELICOS is a key component of Australia's education system with international students often undertaking EL courses as a precursor to studies in the other sectors. Some 20–30% of all international students in Australia enrol in EL training. All Australian universities have their own EL centres. Many VET colleges also have their own EL centres and where this is not the case, they have links with EL colleges.

The majority of ELICOS colleges and their courses are accredited by the National ELT Accreditation Scheme (NEAS Australia). NEAS sets standards for class sizes, the professional qualifications of teachers, curriculum, teaching methods and materials. All teachers must have specialist qualifications for teaching English as a foreign language. NEAS also requires colleges to assist students with finding accommodation (including home stays) and to provide advice on further studies.

English Australia (EA) is the representative body for public and private EL colleges in capital and regional cities throughout Australia. Members of English Australia deliver 87% of EL tuition in Australia.

EA undertakes a number of activities to promote Australia as a destination for EL training and to promote the services and quality of EA member colleges. Ongoing EA promotional activities include:

- publication and distribution of a poster/directory of English Australia colleges providing information regarding Australia and the ELICOS industry, member college profiles and contact details;
- EA web site, which includes the EA directory of member colleges, links to their web sites to other relevant organisations' web sites;
- The provision of articles and editorials to relevant publications throughout the world, including Language Travel Magazine and the EL Gazette;
- publication and distribution of EA Information flyers for agents, agent associations and students
- publication and distribution of a Study Tourism brochure in co-operation with the Australian Tourist Commission and other partners.

[5] AEI Website

In recent years EA member colleges could participate in the following promotional activities on a user-pays basis:

- the English Australia Agents Workshop; bringing agents to Australia to meet with Australian institutions, develop new business relationships and learn more about Australia as a study destination;
- EA member colleges could distribute brochures from EA stands at various exhibitions and trade fairs throughout the world.

English Australia colleges are able to use the English Australia logo, which is constantly reinforced in the marketplace to students, agents and other decision makers as a quality brand.

EA lobbies federal and state government departments on a range of issues of importance to the ELICOS industry.

University English Language Centres Australia (UECA) is a network of 30 Australian universities offering ELICOS programmes. UECA Centres prepare students for further study and the IELTS test. UECA provides comprehensive information about learning English as a second language (ESL, TESOL or EFL courses in Australia).[6]

Growth prospects

The data reviewed so far shows the growing demand for EL training in Australia. Applying the average growth rate achieved from 1997 to 2004 in the Australian market (4.5% - according to English Australia), EL enrolments in Australia could reach 140,000 in the next ten years.

Further support for the growth prospects of this sector can be found in the Global Directions in Language Travel 2005 survey undertaken by JWT Education for the Association of Language Travel Organisations (ALTO) (See Appendix 2). Survey participants nominated Australia as the country they believed would receive the largest increase in the number of language students it hosts over the next several years.

Asian countries, especially China, should continue to represent the key source countries of ELICOS students studying in Australia.

However, despite the strong growth prospects, it is clear that enrolments could decrease if any external factors, such as political, safety, virus or terrorism were to greatly impact the inflow of students from one of Australia's three leading markets – Japan, China and Korea – the overall market would seemingly have trouble making up for these shortfalls. Historical data and JWT Education's research indicates that the EL market is potentially very sensitive to any of these events.

[6] UECA website

Thought leaders comments

"Originally the Australian EL industry comprised boutique providers and the Universities. In recent years a number of the big international players have entered the market, (..and..) people thought that they would drive out the private providers, but the opposite has happened. There has been a real change in the EL sector generally and in the way in which it operates with the other sectors. Ten years ago there were 100 EL centres in Australia, now there are probably 250. For maybe 100 it's their core business, for the balance it's not. The real growth has been in providers of other education products seeing advantages in offering English. For example the universities, Registered Training Organisations… This is still a [relatively] small number because the barriers to entry in Australia are high."

"So there has been relatively slow growth in recent years in the number of EL providers in Australia. For example, only 10% growth in the number of NEAS accredited schools, but an 11% increase in the number of students in 2005. Theoretically, the total demand is growing faster than the number of providers. Those that are entering the market typically already deliver other education products and are diversifying into English Language – it's an easy way for these providers to get their students for longer – teach English as a pre-cursor to their main programme, even if it's not profitable for them."

"There is plenty of room for different types of providers in this market, for example boutique providers. Providers will increasingly try to further differentiate themselves, defining their niche."

"In the future there will be growth in the number of private providers in Australia, particularly major private providers, with the caveat that there are still challenges for foreign companies entering the market here, it is a different market to the other major English speaking destinations and you require a different model."

2.2.3. Destination New Zealand

Since 2000, New Zealand has experienced significant growth in EL student numbers. Once only a marginal player in the industry, New Zealand is now a leading provider of EL training. Enrolments have increased from 18,054 in 2000 to 51,456 in 2005 – although enrolments were as high as 71,503 in 2003 (see Table 12). Overall student numbers increased by 185% from 2000 to 2005 but the market has not performed as well in recent years. From 2003 to 2004 the number of language students declined by 29%, although the market steadied itself in 2005.

Table 12 Number of English Language students in New Zealand 2000-2005 by leading source countries

	2000	2001	2002	2003	2004	2005	% Change		% of All Students	
							00 - 05	04 - 05	2000	2005
Japan	8,815	9,014	10,122	13,736	11,840	13,417	52.2%	13.3%	48.8%	26.1%
China	2,105	5,057	11,717	27,598	18,617	11,673	454.5%	-37.3%	11.7%	22.7%
South Korea	1,884	3,826	8,193	12,283	7,845	8,663	359.8%	10.4%	10.4%	16.8%
Switzerland	771	1,363	1,124	1,615	1,561	2,332	202.5%	49.4%	4.3%	4.5%
Thailand	907	1,310	2,050	2,944	1,511	2,115	133.2%	40.0%	5.0%	4.1%
Taiwan	831	1,494	2,178	3,056	1,416	1,744	109.9%	23.2%	4.6%	3.4%
Germany	533	1,127	1,056	1,215	1,130	1,506	182.6%	33.3%	3.0%	2.9%
Brazil	226	498	882	1,046	743	1,240	448.7%	66.9%	1.3%	2.4%
Russia	90	157		383	367	970	977.8%	164.3%	0.5%	1.9%
Saudi Arabia				229	317	922	na	190.9%	na	1.8%
France	-	79		171	236	489	na	107.2%	na	1.0%
Hong Kong	319	341	514	655	325	375	17.6%	15.4%	1.8%	0.7%
World Total	***18,054***	***26,203***	***41,725***	***71,503***	***50,689***	***51,456***	***185.0%***	***1.5%***		

Source: New Zealand Ministry of Education

There have been significant increases in the number of students from most of New Zealand's leading source countries. This seems to be the product of a number of factors including, increased national marketing activity by the New Zealand Government to position New Zealand as an international education destination; the appeal of New Zealand from a migration perspective; and the weak New Zealand dollar which, in a market where the audience can be price sensitive, appears to have been a significant attraction.

In what is no doubt a reflection of its location, Asia is the key source region for New Zealand EL students. Almost five of New Zealand's top six source countries are Asian nations. In 2005, 50% of EL students in New Zealand were from either Japan (26%) or China (23%). An additional 17% of students were from South Korea. Together these three sources provided two-thirds of all EL students in 2005.

The declining number of Chinese students since 2003 is notable. Chinese EL enrolments have declined by more than half (58%) in the two year period 2003 to 2005. Although New Zealand experienced declining enrolments from its top eight source countries from 2003 to 2004, China was the only country where enrolments continued to fall in 2005. Enrolments increased from each of the other leading source countries.

Switzerland, Germany and Brazil are the leading non-Asian source countries. In 2005 more than a thousand students from each of these countries were undertaking EL programmes in New Zealand.

Other information on the New Zealand EL sector

The Association of Private Providers of English Language (APPEL) is the industry body and voice for the private EL teaching industry in New Zealand. All APPEL schools are registered by the New Zealand Qualifications Authority (NZQA) and are signatories to the New Zealand Ministry of Education's Code of Practice for the pastoral care of international students. They teach English as a year round business and have no state ownership.

APPEL members enrol 80% of international students studying English in New Zealand. APPEL engages with the international education industry through its various representative bodies and with Education New Zealand.

Among APPEL's goals are:

- to be the unified voice of the private EL teaching industry in New Zealand;
- to celebrate and promote the contribution that the industry makes to New Zealand;
- to promote members' views on education, pastoral care, generic promotion, trade, immigration and related policy matters to government and other industry groups;
- to work with government and other groups to ensure the quality assurance of English Language schools.

English New Zealand is a group of established English Language schools located across New Zealand.[7] All schools are also members of APPEL. English New Zealand supports overseas agents who recruit students to its member schools - via regular agent seminars in Japan, Korea, French Polynesia, Brazil, Thailand and other countries as well as through inbound agent groups and conferences in New Zealand.

Within the qualitative interviews, one of the thought leaders praised the general marketing/branding of education in New Zealand.

[7] English New Zealand website

2.2.4. Destination US

The US is believed to be the second leading destination for EL training. In the summary table presented in Table 1 at the beginning of this section the US had the lowest enrolments of any of the countries represented, but this is mostly the result of overall recent declines in international education in the US and the fact that US enrolment figures capture only a portion of the actual market. The most reliable data available for the US EL industry is provided by the Institute of International Exchange (IIE). The data reported by IIE is a reflection of annual surveys conducted with US schools but is mostly limited to members of AAIEP and UCIEP. Annual statistics on the US market underestimate the actual size of EL market as they mostly include only students at member institutions and only at member institutions who choose to participate in any given year.

Those caveats notwithstanding, enrolments of EL students in the US declined every year between 2000 and 2003 before levelling out in 2004. AEI offers several explanations for this including *"the events of September 11 2001, related security concerns, the subsequent changes in visa procedures and economic conditions"* as factors that continue to impact EL enrolments *"more sharply than enrolments of international students coming to the US for degree study"*. Research conducted by JWT Education[8] into the EL market indicates that many EL students are more safety conscious than their university counterparts and therefore the events of September 11 are more than likely to have impacted this market.

EL enrolments in the US peaked in 2000 at 85,238 but nearly halved by 2003 when enrolments totalled 43,003 (see Table 13). Enrolments increased by 3.6% in 2004 to reach 44,565. Between 1999 and 2004 enrolments from 14 of the top 15 source countries for the US decreased. Korea represented the only growth market over this time. Even Chinese enrolments, which increased dramatically during that timeframe in destinations such as Australia and New Zealand, decreased from 1,509 in 1999 to 1,026 in 2004.

The US is, in common with the UK a highly diverse EL destination in that the leading source countries of students are not likely to be located in just one region. Although Asian countries (Japan, Korea and Taiwan) accounted for the top three sources of EL students for the US in 2004, three of the top 11 source countries were European (Italy, France and Turkey) and four of the top 15 were South/Central American countries – Brazil, Mexico, Colombia and Venezuela. Physical location seems to be a huge draw as historically the US attracts more students from South America than any other destination, although Australia is starting to attract an increasing number of EL students from this region.

[8] The Asian Student of 2000. JWT Education, 2000. The English Language Market: A Global Review. JWT Education, 2001.

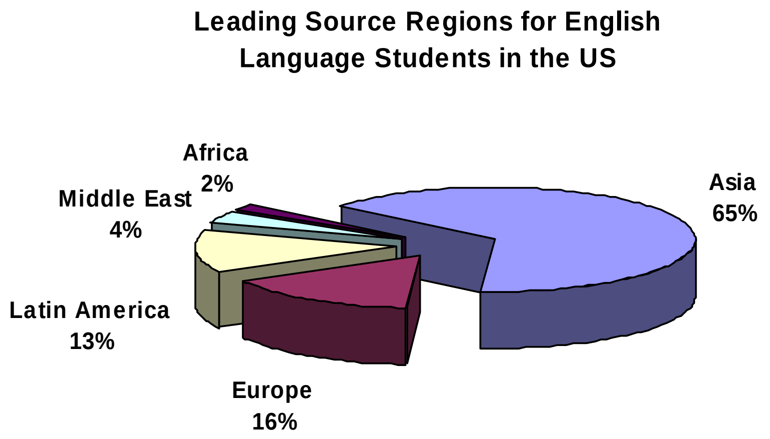
Table 13 Number of English Language students in the US from 1999 to 2004 by leading source countries

	1999	2000	2001	2002	2003	2004	% Change 99 - 04	% of All Students 1999	% of All Students 2004
Japan	17,123	19,585	16,470	13,047	10,519	10,804	-36.9%	23.3%	25.1%
South Korea	7,714	12,772	13,110	10,000	10,412	10,386	34.6%	10.5%	24.2%
Taiwan	7,591	9,325	7,605	5,919	4,235	5,126	-32.5%	10.3%	11.9%
Brazil	5,699	6,020	5,253	2,363	1,359	1,402	-75.4%	7.8%	3.3%
Turkey	1,241	2,118	2,254	1,102	1,034	1,133	-8.7%	1.7%	2.6%
France	1,704	1,683	1,587	1,231	1,156	1,093	-35.9%	2.3%	2.5%
Thailand	1,381	2,009	1,929	1,245	943	1,088	-21.2%	1.9%	2.5%
China	1,509	1,839	1,760	1,048	796	1,026	-32.0%	2.1%	2.4%
Germany	1,739	1,332	1,396	1,199	849	950	-45.4%	2.4%	2.2%
Mexico	1,513	2,797	4,369	936	883	949	-37.3%	2.1%	2.2%
Italy	2,297	2,471	1,924	1,171	1,408	917	-60.1%	3.1%	2.1%
Switzerland	2,839	1,494	1,584	1,564	732	729	-74.3%	3.9%	1.7%
Spain	1,004	1,265	742	539	728	721	-28.2%	1.4%	1.7%
Colombia	2,416	2,549	2,255	1,089	858	700	-71.0%	3.3%	1.6%
Venezuela	1,830	2,614	2,487	1,216	742	648	-64.6%	2.5%	1.5%
World Total	**73,357**	**85,238**	**78,521**	**51,179**	**43,003**	**44,565**	**-39.2%**		

Source: Institute of International Exchange (IIE)

As suggested above, Asia is the leading source of EL students for the US. Table 14 shows that in 2003, Asian students comprised 65% of EL enrolments in the US. A significant number of students also came from Europe (16%) and Latin America (13%).

Table 14 Leading source regions for English language students in the US (2003)



Source: Institute of International Exchange (IIE)

The most popular states for EL programmes in 2004 are outlined in Table 15. California (10,045) received more than twice as many EL students than any other state or 23% of all US EL students. Other leading states included New York (10%), Washington (10%), Florida (5%) and Texas (5%).

Table 15 Leading US states for English Language students in 2004

	Number of Students	% of All Students
California	10,045	22.5%
New York	4,295	9.6%
Washington	4,250	9.5%
Florida	2,428	5.4%
Texas	2,213	5.0%
Massachussetts	2,107	4.7%
Hawaii	2,068	4.6%
Total All States	**44,565**	

Source: Institute of International Exchange (IIE)

Other information on the United States EL market

The American Association of Intensive English Language Programs (AAIEP) is an organisation of nearly 300 intensive EL programmes and associated service providers in the United States: [9]

- AAIEP supports ethical and professional standards for intensive English programmes;
- undertakes advocacy with both governmental and non-governmental entities, communicating the value of English study in the US and seeking to lower barriers to such study;
- works to increase the visibility abroad of member programmes, and to facilitate recruiting opportunities for members.

Thought leaders' comments

Within the thought leader interviews, participants supported the quantitative data analysis above which showed a decline in US EL student numbers in 2003 and a slight recovery in 2004. Interviewees attributed the decline to:

- the impact of 9/11, which caused numbers particularly from China and India to fall;
- economic issues in South America which caused the number of Brazilian students to drop.
- on-site/in-country programmes in, for example, China and Korea;
- competition from the UK, Canada, Australia

However, they also agreed that the US EL market was experiencing growth again, a turnaround which the thought leaders partly attributed to the strong Australian and Canadian dollar and the weakened US dollar, which has made the US a more attractive destination; and to the easing of visa restrictions to assist foreign students to gain entry to the US.

[9] AAEIP Website

They declared there is "*a gradual rebuilding of confidence in the US*" and increasing interest again in the US particularly from:

- Korea (due apparently to US marketing in that country); *"Post 9/11 there were increasing numbers of Koreans studying in Canada – recently seeing this trend change with more Koreans studying in the US – in part a product of the strengthening Canadian dollar."*
- China; an emerging market for the US – especially due to the above-mentioned lessening of visa restrictions; *"changes in US visa policies this year mean China could be a place to develop", "everyone is looking to China… we're seeing light where we didn't see any two or three years ago. It has been harder to get visas for Chinese short-term EL students, but that's changing now. We're seeing more coming from China."*

Additionally, it was reported in the interviews that *"there is a push now in the US towards accreditation of language providers – accreditation is now a requirement for membership in AAEIP; there is a push for government legislation to make accreditation [attending institutions] a prerequisite to issuing visas for students."*

One thought leader described the US market:

"The US looks at language teaching in a slightly different way. They don't really have the same tradition of the last 20/30 years of communicative language teaching and intensive programmes, there are relatively few language schools in the US - most people studying there will go to a university campus and there are very few private sector people there apart from two or three very test-oriented organisations, that might change but it doesn't seem to be changing. The number of language schools in the US seems to be diminishing not increasing because the universities sign up people to do English with a view to tertiary education entry, rather than English for business purposes."

2.2.5. Destination Ireland

Irish data has been sourced from the Survey of Overseas Travellers conducted by Bord Failte. It should be noted that this data only includes students aged 16+ and represents a three-year rolling average. Unfortunately, the data is not available segmented by source country.

Ireland receives the majority of its total EL student intake from Europe. As seen in Table 16, in 2005, 98,000 Europeans (or 91% of all Ireland's EL students) were undertaking EL programmes in Ireland.

The Irish EL market has been expanding consistently since 2001. Overall, enrolments increased by 52% from 2001 to 2005, with student numbers increasing by nearly 15% in 2005 alone.

Table 16 Number of EL students in Ireland 2001 – 2005

	2001	2002	2003	2004	2005	% Change 01 - 05	% Change 04 - 05
Mainland Europe	69,000	71,000	85,000	87,000	98,000	42.0%	12.6%
UK	1,000	1,000			1,000	0.0%	na
North America		1,000	1,000		1,000	na	na
Other Areas	2,000	4,000	5,000	7,000	8,000	300.0%	14.3%
Total	71,000	76,000	91,000	94,000	108,000	52.1%	14.9%

Language Travel Magazine identifies the leading nationalities of students undertaking EL study in Ireland. This data is based on student hours reported amongst Irish member institutions who participated in the organisation's annual surveys. In 2005, the leading sources of students for Ireland were Italy and Spain – together they accounted for more than a third of all students (37%). In 2004, these countries were behind France, South Korea, China and Germany and only supplied about 17% of EL students. The percentage of students undertaking EL in Ireland that were from Asia decreased significantly in 2005.

Table 17 Top student nationalities in Ireland by students weeks – 2004 and 2005

	2004	2005
Italy	7.8%	21.5%
Spain	8.8%	15.8%
Germany	10.4%	7.6%
France	14.0%	7.0%
Austria		4.8%
China	10.7%	4.1%
Japan	3.4%	4.0%
South Korea	11.4%	3.8%
Switzerland	4.0%	3.6%
Poland		3.2%
Mexico	3.5%	
Czech Republic	3.5%	

Other information about the Irish EL market

The Education Ireland website reports that Ireland has, over the past two decades, become an increasingly popular location for EL training, attracting students of all ages and nationalities and that there are over 150 English language institutions in Ireland today, with over 150,000 people visiting Ireland annually to undertake language programmes.

The quality assurance body for English Language teaching in Ireland is the Advisory Council for English Language Schools (ACELS). ACELS, operating under the auspices of the Irish Department of Education and Science, administers an inspection/recognition scheme leading to recognition by the Department.

There are two representative associations for EL providers which are recognised and regulated by the Irish Department of Education and Science through ACELS:

- MEI-RELSA (the Recognised English Language Schools Association) which promotes the interests of the industry and its 56 members in Ireland and markets its members' programmes overseas;
- the International Education Association of Ireland (IEAI), which represents over 20 English Language schools. IEAI works in marketing and promotion in partnership with Bord Failte and with all state organisations involved in promoting Ireland as a quality destination.

2.2.6. Destination Malta

Statistics pertaining to the Malta EL market have been sourced from annual publications entitled Education Statistics produced by the National Statistics Office, Malta.

For its size, Malta attracts a significantly large number of EL students. In 2005, more than 55,000 students undertook EL training in Malta. After a substantial increase from 2000 to 2001, the market was relatively flat from 2001 to 2004 (average annual growth of less than 2% during this time).

Table 18 Number of EL students in Malta 2000 to 2004

	2000	2001	2002	2003	2004	% Change 00 - 04	% Change 03 - 04
Germany	14,340	15,067	15,125	13,302	14,596	1.8%	9.7%
Italy	6,847	8,035	9,691	9,325	8,080	18.0%	-13.4%
France	4,819	6,100	6,081	7,196	7,138	48.1%	-0.8%
Austria	4,069	5,321	3,385	4,822	4,781	17.5%	-0.9%
Russia	2,332	4,420	4,944	3,964	4,500	93.0%	13.5%
Switzerland	1,970	2,953	2,872	2,841	2,928	48.6%	3.1%
Spain	418	817	1,090	1,450	2,008	380.4%	38.5%
Poland	794	1,442	1,339	1,192	1,456	83.4%	22.1%
China	na	176	654	935	1,390	na	48.7%
Czech Republic	642	869	1,040	1,202	1,178	83.5%	-2.0%
Sweden	1,543	1,620	1,426	1,074	1,111	-28.0%	3.4%
Japan	580	875	957	887	900	55.2%	1.5%
Slovakia	228	448	658	752	776	240.4%	3.2%
Total	***41,515***	***52,680***	***53,975***	***53,241***	***55,578***	***33.9%***	***4.4%***

Similar to Ireland, most students undertaking EL courses in Malta are from Europe. In 2004, 11 of the top 13 source countries were European nations. The only exceptions were China (9^{th}) and Japan (12^{th}).

There is little doubt that location is a major factor in attracting EL students for Malta. One thought leader described Malta as a holiday and language opportunity with low prices, but not necessarily a serious “academic” destination*“.*

The leading sources of students in 2004 were Germany (14,596 students), Italy (8,080) and France (7,138), accounting for more than half (54%) of the total market. Other leading sources included Russia, Switzerland, Spain and Poland.

The number of students from Spain and Slovakia more than tripled from 2000 to 2004, while enrolments of students from Russia, Poland, China, and the Czech Republic have also increased significantly over this time. Chinese enrolments increased by nearly 50% in 2005.

2.2.7. Destination Canada

There is no official collection of English Language student data in Canada. Total international student numbers of international students studying in Canada are collected but they are not broken down by the students' level of study. However, some data has been obtained for this Report from Language Travel Magazine's annual Status Survey, which uses market data gathered from member institutions (comprising education facilities worldwide) who participate in the Survey each year, to present information on the main international language teaching markets. In presenting this data it must be highlighted that this survey represents only a very small number of schools in Canada compared to the total number of EL providers in this country. That said, the data provides, at least, some information on the market.

Language Travel's Status Survey reports on the Canadian market for 2004 (drawing on survey results from 44 participating member institutions in Canada) and for 2005 (results from 43 institutions) showed that its top 6 source markets – based on student weeks – were the same in 2004 and 2005 (although not in same order:

- in 2004, they were, in order from 1st to 10th: Korea, Japan, China, Mexico, Taiwan, Brazil, Switzerland, Vietnam, France and Germany
- in 2005: Korea, Japan, Mexico, Brazil, Taiwan, China, Canada, Saudi Arabia, Switzerland, and Spain

The most dramatic change was recorded in the Chinese market, which declined from 14.7% of total student weeks in 2004 to 4% in 2005. Other notable changes in the percentage of student weeks contributed by source markets were:

- a 4.6% growth in student weeks from Korea, which remained the leading source market;
- a 3.1% growth in the Japanese contribution, which was again the second largest market for Canada;
- a 2.2% growth in student weeks from Brazil;
- the disappearance of Vietnam, France and Germany from the 'Top Ten' source markets, these were replaced by Canadian, Saudi Arabian and Spanish students.

Table 19 Top student nationalities in Canada by students weeks – 2004 and 2005

	2004	2005
South Korea	18.8%	23.4%
Japan	15.5%	18.6%
Mexico	11.8%	12.8%
Brazil	4.8%	7.0%
Taiwan	5.2%	5.3%
China	14.7%	4.7%
Canada		3.5%
Saudi Arabia		3.0%
Switzerland	3.4%	2.4%
Spain		1.5%
Vietnam	2.8%	
France	2.2%	
Germany	2.2%	

In 2005 the Canadian EL industry seemed to expand. Comparing data from the 2004 and 2005 Status Surveys, it can be seen that the total number of student weeks reported by participating organisations increased by 38.3% (from 367,024 in 2004 to 507,807 in 2005). It should be noted, however, that the number of Canadian organization who completed the survey in 2005, compared to 2004, increased by 26% (43 and 34, respectively); although this increase was less than the 38% growth in student weeks.

Among the qualitative interviews, one thought leader believed that the Canadian market was strong, saying that *"Canada has enjoyed a good period….Canada benefited from the post 9/11 downturn in the US - people saw Canada as a safe haven. It is easier for Middle Easterners and South Americans to get visas to go to Canada than the US. ..It's still an important and popular destination."*

But others painted a less than positive picture of Canada's EL sector – saying that:

- it is very fragmented – *"partly because of the nature of the education sector in Canada which is provincially funded rather than nationally funded. There is no national accreditation of providers by government - only by independent/industry bodies, and there are a lot of different accreditation schemes;"*
- it is characterised by little sharing of information and a very competitive environment between schools. There are now more than 250 EL providers in Vancouver alone and there has been a spate of schools going broke in Vancouver. *"There are virtually no barriers to entry e.g. in Manitoba and Ontario you can literally just get a business licence and open an EL school;"*
- *"Canada is a very tough market because there is no consumer protection (such as the Education Services for Overseas Students – ESOS - Act in Australia) nor any protection for providers. For example in Australia a student can't transfer providers within 12 months unless they obtain written permission from their provider – this protects both the student and the provider. In Canada, they can literally cancel their initial choice of provider,*

obtain a full refund, and walk down the street to a cheaper provider. This leads to a lot of poaching of students, particularly by the cheaper providers."

- *"the issue of teacher accreditation is a source of significant debate;"*
- Canada is perceived as a major competitor and key player in the EL market but one questioned "*the longevity of that position… given price-cutting – "they opened schools everywhere. Can they sustain themselves?"*
- in Canada *"private providers generally appeared to be ahead of their public sector counterparts;"*
- *"the different industry associations e.g. CLC, CAPLS, AILIA, CEC are pursuing different agendas – cannibalising each other's membership and revenue – it was reported that they can't agree on how to market etc, have a lot of friction;"*

A 2004 CAPL Survey which profiles students of Canadian Private Language[10] providers found that

- Many EL students go to Canada because they perceive it as a safe place to study, and also represents value for money and a great place to live
- Most EL students study in Canada for a period of three months up to one year
- Most students are on study permits, though 40% are on visitor/tourist or temporary resident visas
- Most are work-experienced postgraduates who want to enhance their education or career. They are highly motivated and ambitious; 58% are studying EL for work

While it would seem from both the data presented here and anecdotal feedback that numbers of EL students studying in Canada has increased in recent years, it is difficult to ascertain by what percentage and whether this trend looks likely to continue. In the absence of any generic branding activity to position Canada as an international education destination, Canada would appear to be at risk from growing competition from both the MESDCs as well as some of the other destinations. However, we believe that there is currently an effort underway by Industry Canada to look at developing a brand for the Canadian Language Industry but whether this goes ahead is difficult to say as we understand that there are some significant challenges in implementing such an initiative.

[10] CAPLS Student Profile Survey, November 2004

2.3. Source markets

Within this analysis of EL source markets for the major English speaking destinations, enrolment data is provided in such a way that trends can be discerned in each destination.

Source country data is provided for each of the leading EL destinations where data is available (unfortunately Irish data does not allow for an analysis by source country) – where data is not available it could be because the source country was not a leading provider of students in a particular destination, or there was a small number of students.

It should be noted that source country enrolments grossly underestimate the actual number of language students from these countries - as discussed earlier, due to the methodologies used to collect and report data. Data is only provided for the major English speaking destinations and it is likely that other students are undertaking EL programmes in other locations throughout the world.

Trends are reported for the Asian and European regions. A brief analysis for Brazil is also provided as it was the only source country outside of Asia and Europe that was consistently a leading source of EL students in the destinations covered in this report.

2.3.1. Leading Asian source countries

The leading Asian sources of EL students are Japan, China (including Hong Kong) and South Korea. More than 50,000 students from each of these countries undertook EL programmes in 2004 (see Table 20). Other leading Asian sources included Taiwan (10,005 students in 2004), Thailand (7,680) and Hong Kong (3,421).

One clear trend emerged. A greater number of students from the leading source countries are undertaking EL courses overseas. From 2000 to 2004 the number of students from each of the leading source countries, except Taiwan (all source countries not just Asian nations) increased. In fact, enrolments from each of these source countries increased in every destination except for the US. Enrolments in the US actually declined over this period for every leading source country with the exception of Hong Kong.

Chinese enrolments increased from 10,353 in 2000 to 56,390 in 2004. This represented growth of 445%. There was a significant increase in the number of Chinese students undertaking EL courses in the UK, Australia and New Zealand.

South Korean enrolments also grew considerably over this period to 71%. The number of Japanese students undertaking EL programmes remained fairly constant increasing by only 3.6% from 2000 to 2004.

Taiwanese enrolments declined by 19% between 2000 and 2004. This was a result of the declining number of students who undertook EL programmes in the US, as enrolments in Australia and New Zealand increased during this time.

Interestingly though, enrolments of Taiwanese students in the US increased in 2004 while Taiwanese student numbers in Australia and New Zealand fell.

Thailand and Hong Kong enrolments, similar to Taiwan, increased in the US from 2003 to 2004 but declined in Australia. This is in contrast to the 2000 to 2004 trends where overall enrolments increased (Thai enrolments increased by 22% and Hong Kong enrolments grew by 43%), although the number of students in the US declined.

Table 20 Trends in leading Asian source countries (2000-2004)

	2000	2001	2002	2003	2004	% Change 00 - 04
Japanese Students						
UK	24,374	22,038	24,786	27,039	27,905	14.5%
US	19,585	16,470	13,047	10,519	10,804	-44.8%
Australia	4,872	6,276	8,308	8,838	8,888	82.4%
New Zealand	8,815	9,014	10,122	13,736	11,840	34.3%
Malta	580	875	957	887	900	55.2%
Total Japan	**58,226**	**54,673**	**57,220**	**61,019**	**60,337**	**3.6%**
Chinese Students						
UK	8,294	10,472	21,273	25,883	20,481	146.9%
US	1,839	1,760	1,048	796	1,026	-44.2%
Australia	6,409	10,902	14,350	14,416	14,876	132.1%
New Zealand	2,105	5,057	11,717	27,598	18,617	784.4%
Malta		176	654	935	1,390	
Total China	**10,353**	**28,367**	**49,042**	**69,628**	**56,390**	**444.7%**
South Korean Students						
UK	10,664	11,879	17,565	21,030	24,577	130.5%
US	12,772	13,110	10,000	10,412	10,386	-18.7%
Australia	5,762	9,336	6,964	9,559	10,143	76.0%
New Zealand	1,884	3,826	8,193	12,283	7,845	316.4%
Malta					40	
Total South Korea	**31,082**	**38,151**	**42,722**	**53,284**	**52,991**	**70.5%**
Taiwanese Students						
US	9,325	7,605	5,919	4,235	5,126	-45.0%
Australia	2,160	2,599	3,603	3,802	3,463	60.3%
New Zealand	831	1,494	2,178	3,056	1,416	70.4%
Total Taiwan	**12,316**	**11,698**	**11,700**	**11,093**	**10,005**	**-18.8%**
Thai Students						
US	2,009	1,929	1,245	943	1,088	-45.8%
Australia	3,386	4,742	5,945	5,806	5,081	50.1%
New Zealand	907	1,310	2,050	2,944	1,511	66.6%
Total Thailand	**6,302**	**7,981**	**9,240**	**9,693**	**7,680**	**21.9%**
Hong Kong Students						
US	294	356	157	130	366	24.5%
Australia	1,782	1,795	4,047	3,587	2,730	53.2%
New Zealand	319	341	514	655	325	1.9%
Total Hong Kong	**2,395**	**2,492**	**4,718**	**4,372**	**3,421**	**42.8%**

Sources: English UK, IIE, DEST, New Zealand Ministry of Education, *Education Statistics*, National Statistics Office Malta

2.3.2. Leading European source countries

The leading European sources of EL students in 2004 included Italy, Germany, France, Switzerland, Spain and Russia. From 2000 to 2004 the numbers of students from each of these countries have grown (see Table 21).

Table 21 Trends in leading European source countries (2000-2004)

	2000	2001	2002	2003	2004	% Change 00 - 04
Italian Students						
UK	17,265	15,786	14,247	15,484	21,505	24.6%
US	2,471	1,924	1,171	1,408	917	-62.9%
Australia			244	305	227	
Malta	6,847	8,035	9,691	9,325	8,080	18.0%
Total Italy	**26,583**	**25,745**	**25,353**	**26,522**	**30,729**	**15.6%**
German Students						
UK	7,617	6,565	7,221	8,551	9,216	21.0%
US	1,332	1,396	1,199	849	950	-28.7%
Australia			219	234	244	
New Zealand	533	1,127	1,056	1,215	1,130	112.0%
Malta	14,340	15,067	15,125	13,302	14,596	1.8%
Total Germany	**23,822**	**24,155**	**24,820**	**24,151**	**26,136**	**9.7%**
French Students						
UK	8,125	5,939	8,392	9,013	10,752	32.3%
US	1,683	1,587	1,231	1,156	1,093	-35.1%
Australia	571	641	713	774	747	30.8%
New Zealand		79		171	236	
Malta	4,819	6,100	6,081	7,196	7,138	48.1%
Total France	**15,198**	**14,346**	**16,417**	**18,310**	**19,966**	**31.4%**
Swiss Students						
UK	9,648	9,378	11,515	11,786	12,544	30.0%
US	1,494	1,584	1,564	732	729	-51.2%
Australia	746	756	1,108	962	840	12.6%
New Zealand	771	1,363	1,124	1,615	1,561	102.5%
Malta	1,970	2,953	2,872	2,841	2,928	48.6%
Total Switzerland	**14,629**	**16,034**	**18,183**	**17,936**	**18,602**	**27.2%**
Spanish Students						
UK	9,987	8,284	9,954	11,786	14,337	43.6%
US	1,265	742	539	728	721	-43.0%
Australia			262	306	347	
Malta	418	817	1,090	1,450	2,008	380.4%
Total Spain	**11,670**	**9,843**	**11,845**	**14,270**	**17,413**	**49.2%**
Russian Students						
UK	4,232	5,158	6,831	7,395	9,216	117.8%
US	555	400	292	273	296	-46.7%
Australia			221	129	87	
New Zealand	90	157		383	367	307.8%
Malta	2,332	4,420	4,944	3,964	4,500	93.0%
Total Russia	**7,209**	**10,135**	**12,288**	**12,144**	**14,466**	**100.7%**

Sources: English UK, IIE, DEST, New Zealand Ministry of Education, *Education Statistics*, National Statistics Office Malta

Italy; has consistently been the leading European provider of EL students since 2000. Enrolments were relatively flat from 2000 to 2003 before increasing by 16% in 2004. Interestingly, in this year of growth, Italian enrolments actually declined in the US, Australia and Malta. Growth was only experienced in the UK market.

Germany; enrolments have been relatively flat since 2000, although student numbers did increase by 8% in 2004. The UK and Malta received the greatest numbers of German EL students.

France; enrolments have grown steadily since 2001.

Switzerland; with the exception of 2003 the number of Swiss students increased every year from 2000 to 2004.

Spain; after decreasing by about 16% in 2001, Spanish enrolments increased by 74% from 2001 to 2004.

Russia; recorded the highest growth rate of all the leading European sources with student numbers doubling between 2000 and 2004. Enrolments increased considerably every year during this period with the exception of 2003.

2.3.3. Other leading source countries

Brazil was the only non-Asian, non-European country that was a leading source in many of the leading English speaking destinations. Brazilian enrolments in the UK, US, Australia and New Zealand increased by more than 50% from 2000 to 2004 (see Table 22). Traditionally Brazilian students, as well as other South American students, choose to study in the US and to a lesser extent the UK. However, this appears to be changing with Australia and New Zealand attracting a greater number of Brazilian EL students and the UK nearly doubling its Brazilian intake in 2004.

Table 22 Trends in the number of Brazilians undertaking EL overseas (2000-2004)

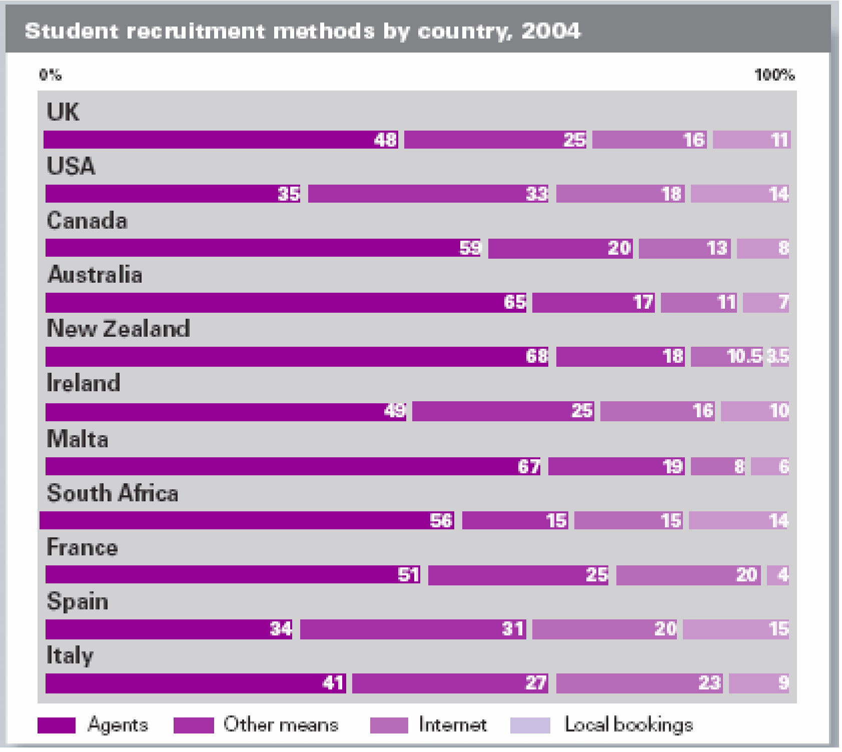
	2000	2001	2002	2003	2004	2005	% Change
Brazilian Students							
UK	6,263	6,252	6,245	8,782	16,641		165.7%
US	6,020	5,253	2,363	1,359	1,402		-76.7%
Australia	1,064	1,842	2,236	1,784	2,358	3,949	271.1%
New Zealand	226	498	882	1,046	743		228.8%
Total Brazil	**13,573**	**13,845**	**11,726**	**12,971**	**21,144**		**55.8%**

Sources: English UK, IIE, DEST, New Zealand Ministry of Education

2.3.4. Source country recruitment

The Language Travel Magazine's Status Surveys also report information pertaining to student recruitment. According to these surveys it appears that the emphasis organisations place on different recruitment methods varies by country. Student recruitment methods by country for 2004 are presented in Table 23.

Table 23 Student recruitment methods by country (2004)



As seen in the table above organisations in each country relied on agents more than any other recruitment method. Even in the US and Spain, where agents were used the least, agents were responsible for supplying more than a third of the students. Agents were responsible for a much greater percentage of students in New Zealand (68%), Malta (67%) and Australia (65%). Interestingly, organisations in Italy, France and Spain recruited a greater share of their students than organisation in English speaking destinations. Organisation in Spain, South Africa and the USA reported the highest incidence of local bookings.

3. Thought leaders' perspectives on the global market for English language courses

This section summarises some of the key findings from the eleven qualitative interviews conducted with thought leaders in the Global EL Market. Other key findings from those interviews, related to market opportunities, are summarised within Section 5 of this Report.

3.1. Appraising the market

3.1.1. General observations

Throughout their interviews, participants provided some general observations on the current state of the Global EL sector.

Overall, they felt that the sector is strong and growing (and will continue to grow) albeit somewhat volatile, sensitive to and impacted by recent external challenges and fluctuations in demand. Such fluctuation has been evident in the varying fortunes of some of the key destination markets in recent years. For example, one participant whose organisation has operations in Australia, the US and UK has *"rarely seen a year when all three are performing well"*.

The EL industry is *"in excellent condition – with a need for more English learning and testing"* it's *"in a good place… It's got a definite long-term future."*

It has changed from the EL industry *"which developed through the 1960's, 70's and 80's, where English provision in the state sector was relatively limited worldwide, and 'wealthier people' used to send their children to learn English at private language schools both in the UK and overseas.* In recent years, English has: *"become more important for more people; penetrated the state sector much more effectively and in much more depth; and (delved into) primary education. So the traditional market is in decline, but the much bigger state sector market is booming."*

"The main body of students and teaching lies within the state sector world-wide, and it's a huge business too in most countries."

It is enhanced by the present position of English as the dominant global language which is now widely taught in schools – both at the primary and secondary levels.

With the increasing inclusion of English within school curricula worldwide, English has apparently now become a fundamental competence, just like, for example, the ability to use computers; *"English now tends to be a requirement, so in state tertiary education the role of English has changed from being a main foreign language to being a basic skill, something like IT."*

Other general changes were observed in EL delivery, providing students with more options and in some quarters, higher standards, in accessing English language courses – for example:

- as well as the traditional method of travelling to an English speaking country for an intensive EL course, technology now allows Internet-based and electronic-based learning; *"Language courses can be found online, in a book on a disc, which means there is a lot more choice, modes and models;"*
- in the UK new regulations re accreditation of English language providers aim to ensure quality EL provision and value for money.

And while the mantle of English as the pre-eminent international language was not questioned, there was a perception that the channels through which it was spoken had changed. The position of two traditional powerbrokers within the English education and English speaking arenas was thought to be diminishing:

- it was suggested that the UK, while certainly still an important player and still attracting the most number of English language students to its shores, was experiencing a lessening in its position as a prevailing EL force – partly due to increased local/in-country provision in many major former source markets. While this may be the sentiment among some providers, based upon our own experience, other people's comments and research we have undertaken it would seem unlikely that this is actually this case. It seems as though only a small percentage of students consider both overseas study and remaining in their home country to undertake study. Most students seem predisposed to one option or the other and therefore it would seem unlikely that local in-country provision is cannibalising the traditional market of delivery in Anglophone countries. However, another thought leader said to us *"We will have to work out a way in which offshore operations, branch campuses, become feeders rather than cannibalisers so that we sell out of them… and be a little more sophisticated in joining up different types of provision."* Indicating that there maybe there is an increasing amount of market erosion occurring.
- and native speakers no longer dominated the ranks of those proficient in English – with non-native speakers and teachers now outnumbering native speakers and teachers. (It was said that the vast majority of private EL providers for local markets in, for example, Latin America and Eastern Europe do not employ teachers who are native speakers).

These factors combined meant that *"with people outside the English speaking world realising that you don't have to be a native speaker to provide EL training and other general education courses in English, the position of the UK is now shrinking although still important. If you go to any European university you can study some or all of the courses in English, and that is increasingly the case abroad as well. So lots of people who want to do medicine will (go to) Prague, do it in English.. increasingly (the UK's) role (in the EL sector) is going to diminish and people will be far more flexible as to where they learn English and how they learn it."*

Additional ways in which participants thought the EL sector had recently changed were varied in nature and included:

- an increase in global players; *"There were a lot of family run language schools, very few chains. In the last five or six years there has been an emergence of larger players who have bought smaller schools.*
- an increase in the role of agents; *"On the recruitment side, many organisations have relied on agents and they have gotten quite savvy, dominant in their markets."*
- greater demand for shorter courses; *"The world is getting faster and demands faster results and more intense short courses. People can no longer spend 20 weeks out of their country/job to learn English. Those 20-week courses would now be 12 weeks; those who wanted 6 or 8 weeks previously now want 4 weeks."*

These thoughts were supported in the Global Directions in Language Travel 2005 Survey conducted by JWT for the Association of Language Travel Organisations (ALTO), comprising 47 member organisations as survey participants - both schools (mostly EL providers) and agents, from North America, Eastern Europe, Asia, Central America and Caribbean, South America and Africa. Of those surveyed, 62% said intensive courses would be more popular in the future than any other course type; nearly 40% thought long-term courses would become less popular, for the following reasons:

- greater competition throughout the world – especially in Canada, where *"anyone can set up an EL school";*
- increasing discounts by providers, particularly in markets like South America;
- children attaining a higher level of English at school, and so entering post-secondary English classes at a higher level – *"A child of 14 can have general level of intermediate English where in the past they were at a beginner, lower or intermediate level";*
- an increase in the importance of EL organisations lobbying governments, according to one US participant; *"because we have to work with our government to promote the industry. Advocacy is something we have to do every day. It was not like that in the 90s."*

3.1.2. Supply

In addition to the previous comments about increasing supply within schools, participants noted that a major recent change/trend taking place in the supply of English language has been the growth in local/in-country provision. Participants identified some factors behind that trend:

- foreign institutions establishing programmes in-country in traditional source markets - in places like China and the Far East; operators from the UK, US and Australia are establishing branch office or franchise operations in-country; *"so you're seeing forms of provision which are both cheaper, more accessible and represent a kind of half-way house to the authentic experience of (going) all the way to the UK";*
- the growth of graduates proficient in English language and in applying/teaching English language programmes at different levels in their home country. *…"It's a very popular idea for international students to come (to the US), take courses in EL and then return home to rewrite curriculum, work for the ministry of education, help set things up."*
- more competition and better provision by the state sector (depending on the country), *"particularly in countries where they've made a really serious effort to train teachers and get good teaching into primary and secondary schools. Therefore, the number of youngsters and teenagers coming to private schools for additional tuition has dropped off."*

This latter factor – increasingly activity by the state sector in source countries – brought considerable challenges for private EL suppliers. In mature markets, ELT was reported to be changing very rapidly because the public education system is preparing people to a much higher level of competence in English, and therefore the role of the private sector is in many countries diminishing slightly or being forced to look for new areas of specialisation.

"If you look at, for example Germany or Scandinavia, secondary school graduates are likely to have a good intermediate level of English and are therefore not likely to go and spend extra money to develop their English further until they (realise they need it to further their career). But then there are the [less developed] markets - China, India & Brazil - where there are still enormous numbers of people and enormous areas where the public school provision of language training is not highly developed and there are still, for the private sector, enormous opportunities so one can't generalise."

The UK government's introduction of public funded ESOL Skills for Life programmes *"has taken a lot of exams business and teaching away from the private language school sector – the extent of the impact on private language schools is as yet unknown but would be quite significant. Abroad it's the same, as the state sector tools up and English becomes part of effectively the core curriculum, the place for (*private schools*) of English is much more difficult. (Some) private language schools are suffering quite badly both in this country and abroad, they are having to reposition themselves."*

"The British universities have become much more active in adding language training and not purely for tertiary level entry programmes. So they may take away, as they've started to, some of the market share of the private sector… that's worrying the private sector and a university with large resources behind it has probably got more chance of setting up a branch in Southern China than the private sector."

Other changes on the supply side were identified as:

- increasing competition in traditional MESDCs;
- growing professionalism in Australia and Canada;
- greater incidence of outsourcing by universities of EL centres on their campuses - having decided that *"running an English Language Centre is not core business for them – they're outsourcing it to a private sector partner;"*
- the growth of a number of *"more active and experiential learning operators where you have a short intensive lesson in the classroom then you're sent off to practise and apply it."*
- a continuing tendency towards more "niche" provision – for which providers can charge higher prices and achieve higher margins – for example, providing Business and professional English to corporate clients – *"partly brought about by international companies deciding that English will be their internal operating language and needing to train up their middle-senior managers in English."*

3.1.3. Demand

As suggested in their introductory observations, participants supported the data findings in Section Two of this report, feeling that the global demand for EL tuition is high – with one declaring *"it's mainly driven by the BRICs - China and then India and Brazil and Russia, those four account for the lion's share of demand".* But they discussed the fact that the nature of demand for EL is being changed by several factors:

- as mentioned above, more people are learning English at school, impacting demand for non-school based and ELT providers (the private schools).
- demand for English is now greatest at the young learner level where parents put their children on English courses because they see English as a key to future career opportunities for their children. *"The market for adults, particularly in Europe, has matured and there has been a decline in adult student numbers - adults if they're older think 'well if I haven't got it I'm not going to get it…"*
- technology has changed the way people want to learn – in modern society, people are increasingly time poor, and have to be more flexible in terms of their work – and "*technology has duped people into thinking that IT will allow them to learn faster rather than just facilitate flexible learning, so people's expectations have changed and they want to be able to learn quicker."*
- self image and socio-cultural issues – *"somebody might have a particular view of a school so they want to be part of that brand, like Mercedes or Benetton or Microsoft - they might go to a particular provider for that reason. And they may perceive themselves as being particularly IT capable so they might want to learn online, but that doesn't necessarily mean the learning experience is better."*
- higher expectations – *"people want to be much more assured that they are going to get the outcome that they want - they know more definitely what it is and where it fits into their plan professionally or individually."* This was described as *"a more purposeful approach to EL learning".*
- the loosening of visa requirements in some key destinations to stimulate demand from international students.

3.1.4. The Drivers of demand

Participants identified numerous reasons why people learn English and how they use it, which can differ across markets and impacts their expectations from their EL learning experience. There was some disagreement as to whether people now mainly learned English for 'hard' reasons relating to economic, career or educational purposes, or for 'softer' reasons such as holiday travel, when participants listed those drivers of demand in English language markets:

- the need for English for business and professional reasons – for example, in the US non-native speaking nurses need English to obtain a visa;
- a desire to participate in the international marketplace/commercial arena, where English is the dominant language;

- economic necessity, for businesses..… *"It's all about globalisation, attracting investment – for example Microsoft moved their [R&D] arm from Europe to China because they can get the graduates they need there, with adequate English language skills. So it's about economy, it's not about people having more leisure time or necessarily wanting to go to travel; it's about education, it's about economic means and business developing national infrastructures and businesses, so it's all about money…education and money…"*
- the above-mentioned desire of parents to give their children the best opportunities, key skills from an early age so that, as was seen earlier, *"English has now become one of these basic skills … people are no longer interested in English as a hobby but more are interested in it for concrete purposes;"*
- the perception of English as being *"<u>the</u> important world language. Countries realise they need a certain percentage of the population who are good at English. (They) have to offer it to everyone, that's what education is generally about, and so the provision has to be a massive provision."*
- a cultural interest in other markets, where people are learning English for tourism, travel, self-improvement;
- the official policy of the Council of Europe that European citizens should learn their mother tongue plus two foreign languages - one of which is likely to be English… a choice which was said to be partly driven by people finding that English, because it is so widely used, is a good way of communicating with people from other countries whether for business (a significant driver), for going on holidays, or for meeting people from other countries. *"So the motivation to learn English is partly instrumental, but also integrative as people see that it has value over and above just job-related things."*

3.1.5. The Impact of technology

In discussing the impact of technology on the EL course market, most participants believed that while online learning options could be an effective supplement or complementary partner to classroom based instruction, at least some component of face-to-face teaching would continue to be demanded as an essential ingredient of the English language learning process. They agreed that, while some people would try online programmes, most were cautious about totally online methods and preferred – and needed - some personal interaction with an English language teacher. One participant felt online testing was growing in acceptability.

"People don't learn languages through technology; they use technology to complement face-face classroom-based learning. The idea that people will learn English 100% online hasn't worked - the dropout rates for people doing language learning 100% online are enormous - there's little sense within the profession that 100% online learning for language skills is a goer…

"Cultural immersion is very important. Online will coexist and supplement face-to-face training. There are many ways to deliver speaking – such as via broadband width and video conferencing. There will always be a segment without access to the web. And many who prefer face-to-face instruction."

"Students are not sufficiently motivated to learn (totally online); they need a teacher to direct them and so prefer face–to-face education. There's a bit of a social element, too".

"Online delivery has been talked about for years but there is still high demand for in-person education. For some segments, online education is a relevant alternative delivery mechanism. It's not something we're worrying about. It's very important to have English training face to face, to be immersed in the culture versus hearing a computer. Even if people don't think they need it, eventually they will see it's necessary. That demand will always be there."

Another participant felt improvements in broadband capacity would see an increase in video conferencing as a medium for language teaching. But it would not widely replace classroom English, rather join with it as a 'blended solution' …so that *"the two of them co-exist and give people different options. So currently at one of our schools in Europe, people will call and say 'I can't make my class on Wednesday, can we have a video conference class on Thurs because I can't get to the school and the teacher can't get to me.' "*

This desire for a blended solution was borne out in private research conducted by JWT Education in 2004 into the Transnational Education Market – which showed little interest currently among students undertaking TNE courses for an exclusively online delivered product.   This may well change as both the technology improves and the target audiences' familiarity and comfort with the medium continues to increase.

3.1.6. Source markets

Participants identified the growing source markets for the EL sector as the following:

The Far East/ East Asia:

- *"China is a difficult one, but there is a massive market there. There are major UK players setting up more local (in-country) provision, and are doing teacher training for the state sector in China";*
- *"Korea is a large market for language travel, Japan until recently was a top market for several UK providers, Taiwan, Thailand - there's a lot there";*
- *"The Far East, China and Vietnam, the emerging countries in the Far East have grown a lot and (the UK) has benefited massively from that. China is now numerically our largest market whereas 10 years ago it was tiny".*

The Middle East including the Gulf States.

- This region was said to have the resources (particularly for language travel) and to have the requirement to upgrade English language skills; *"the Middle East continues to show strong demand – again this is partly driven by external factors e.g. 9/11 and the move away from the US and UK as appealing international education destinations for students from these countries."*
- English UK reports that the number of students weeks completed by Middle Eastern students increased from 37,979 in 1999 to 83,853 in 2004. This represents growth of 121% over this time.

- In 2003 and 2004 students from Saudi Arabia accounted for more than a third (37% and 35%, respectively) of the student weeks undertaken by Middle Easterners (based on annual return statistics for the 215 private sector centres in membership in both years: Education UK)
- Middle Eastern enrolments of Australian ELICOS students have grown by 128% from 2002 to 2005, increasing from 692 in 2002 to 1,577 in 2005. Overall the Australian ELICOS enrolments increased by only 12.4% during this same period. (Source: DEST) . For 2006 AEI is reporting a 33.9% increase on 2005 in total international student enrolments from the Middle East . This data is not broken down by sector yet, but it is assumed that the ELICOS sector has also enjoyed growth from the Middle East this year.

Although UK and Australian statistics suggest increased demand for EL in the Middle East, this is not evident in the US. US EL enrolments from the Middle East decreased by 69.9% between 2000 and 2004 (from 7,001 to 2,105). The decline in Middle East enrolments was greater than that apparent in the overall US market - 43.5%. It is likely that the increases in Middle Eastern enrolments in the UK and Australia are partially caused by a result of stronger demand coming from this region but also that students from this area appear to be choosing the UK and Australia over the US as a study destination.

Latin America was said to have:

- *"lots of potential and is developing/going through a new phase of development… it's in a state of re-emergence"*;
- *"demand from South America is growing - for the first quarter of 2006 Brazil moved into the third position for EL student visa issuing (in Australia)".* This is further supported by the latest DEST data which shows ELICOS enrolments for 2006 from Brazil are looking very strong with commencements up 61.5% and total enrolments increasing by 73.7% compared to the same period (end of April) last year.

UK market trend data for Latin America is presented in Table 24. It is important to consider that this data is derived from annual surveys conducted with member institutions of English UK. Data for 2003 and 2004 only includes institutions who were members for each year to ensure consistency. Similarly, data for 2002 was also taken from annual surveys with member institutions; however there are 8 fewer reporting institutions for this year and the particular institutions who responded may have varied.

Overall there does not appear to be a general trend within all of Latin America. The number of student weeks completed by Brazilians increased dramatically (by 125% from 2002 to 2004) and there was also moderate growth from Columbia (19%). However, the number of student weeks completed by Argentines (-17%), Mexicans (-18%) and Venezuelans (-36%) decreased over this period, although Argentina recorded growth of 24% from 2003 to 2004.

Table 24 Number of student weeks completed by Latin Americans in the UK (at member institutions)

	Student Weeks			% Change
	2002	2003	2004	
Agrentina	5,295	3,541	4,407	-16.8%
Brazil	34,354	42,245	77,190	124.7%
Colombia	30,337	35,430	36,031	18.8%
Mexico	21,740	20,014	17,884	-17.7%
Venezuela	17,199	11,614	11,092	-35.5%
Rest of Latin America	11,914	12,626	12,744	7.0%
No. of reporting schools	*207*	*215*	*215*	*3.9%*

But in relation to the markets mentioned above, it was commented that *"the discounting war will continue… in markets like South America and Eastern Europe. This had its origins in the Asian economic crisis of 97 when providers looked to new markets to replace declining demand from Asia – which led to them discounting in these markets to buy market share from those schools that had already established themselves in these countries. It hasn't changed back again."*

One participant thought that though the growth in people learning English would be in China, India and Brazil, this growth may be served increasingly by in-country providers, and less by UK-based providers, as alluded to earlier - on the basis that *"it's going to become less and less likely that people from those large markets will want to physically come to the UK, most people see a long-term diminishing of the role of the UK in this area … it's already happened - Chinese students are less likely to come to the UK in 2006 than they were 3/4 years ago. (This is partly due to) the British and US universities setting up campuses within China and therefore paradoxically cutting the UK's own connection…. It's already happening in smaller scales elsewhere, if not at the university level, where language schools are setting up branches not just to teach English in the evenings but doing a full intensive all-day course in English, in China or Brazil. There are summer camps in Brazil where people go for four weeks and learn English all day and it's just like a holiday course, but in the past it's been done at Oxford. This will increasingly be the case because people want to travel for fun and people will obviously still want to combine fun and learning a language. But whether it will be the standard model is up for question, and whether people will come back over and over is another question."*

3.2 The future: how will the global market for EL courses change?

Participants were asked how they anticipated that the EL sector would change in the future. They predicted the following changes would take place:

In demand

Interviewees provided mixed feedback here, with some participants believing that there would continue to be steady, if not strong, growth in the markets and others presenting more conservative opinions, as the following comments illustrate:

- *"The demand for EL will be different and probably lower, and Latin America, the Middle East and up to a point East Asia and Southern Asia will provide the source for students for English at lower levels."* Whereas *"in the 'whole of Europe' and other key countries people will be looking for English assistance at a much higher level."*
- the number of adult students will decline. *"The focus will be more on teaching children English socially and in schools, starting at early ages."*
- Increasing numbers of students particularly wishing to pursue English for Academic purposes looking towards universities as preferred providers versus the independent, private school. *"I think the UK market is pretty stagnant at the moment with the competition of unis and colleges, it's very very hard to compete on price and against the product for students invited to study English at a university campus compared to a private language school which has relatively small resources - by and large they are going to choose the uni, even if the provision turns out to be less satisfactory for various reasons."*
- *"Levels of competency will change over time so that by the age of 16 (when they leave school) in many countries people will have an advanced level or at least an upper intermediate level of competence in English, and that will have an impact on requirements for adult students later on."*
- *"The drive from customers to get clear value from a course, to get some form of certification or award out of it and to make sure they achieve a level to go onto their next stage of their education career plan whether that's professional or vocational or a degree course or whatever, there's a more utilitarian but purposeful approach to EL learning."*

In supply

- provision will be increasingly available in-country delivered by foreign or local providers
- there will be an increasing commoditisation of the market and as the sector becomes increasingly competitive and increasingly like a typical consumer market, so too will it exhibit similar traits and become more segmented in two general directions: the low-cost, no frills, price-driven and heavily-commoditised providers; and the customer-focused, highly tailored and

differentiated providers who will be able to charge a premium for their product(s). As the following comment further illustrates:

> *"Learning English now for most people in the world is like learning to drive and for most people learning to drive they couldn't give a monkey's what car they're learning in."*

- there may be more providers entering the market – both major international players and also local organisations that will offer EL as an add-on. One participant felt that *"In some ways (the sector and the peak bodies) have been short sighted in considering those providers for whom EL is not their core business as not worth focusing on - they are. We need to consider how to engage with these newer providers;"*
- the industry will be increasingly challenging for all providers – they will need to find their niche – know what it is that they offer, what makes them different and promote it – in effect, identify, build and manage their brands.

In the use of technology

- *"Blended learning will be a much more significant factor - people will be doing some of their learning online, and some face-to-face."*
- Providers will *"have to find ways of evolving the industry to allow that. Broadband will be worldwide in the next 15 to 20 years, it will be possible to do real time interactive distance teaching supported by DVD's etc."*

In the role of the UK

- *"(The EL market) will continue to be very different in different parts of the world - the globalisation of business and business processes is going to lead to an even wider spread of English in the workplace and there will be more international multinational companies where English will become the lingua franca inside the company*." This participant gave an example of an Italian company which has board meetings where 100% of the Board members are Italian, but the language of the meeting is English, and said *"That will happen much more around the world, it is already happening… English as the language of business, of professions will grow and English as the lingua franca where it's used as a language between people who have no contact with British or American native speakers and no particular interest in Britain or America will become a much stronger factor. Therefore the way people teach it and learn it and the way the course books and services are provided will shift, as it already has done, to a more internationalised context. In other words, there's much less interest in the red telephone boxes and black London taxis and pictures of Big Ben (in text/learning books) or English learning that has a close relationship with the UK, not many people are interested in the UK. The people in Europe who are learning English in their 20's and 30's to improve their business skills ... are not particularly interested in British culture… "*

In partnerships between EL providers and other education institutions

- the trend toward having a campus-based language school partnering with existing universities, run independently but with the buildings leased from the university - so the language provider is not a part of the university but is quite linked to it - will continue. *"In a lot of the Asian markets that is an attractive proposition – agents like to sell campus-based programmes. People see it as a safer, more academic environment even if not intending to go on to university. It is also commercially a better proposition for [the provider*]";
- such partnerships were described as *"very much on people's agenda"* because, while it was thought that "*some providers will stay, some of them will shrink in terms of what they provide in the UK, some of them will maybe grow…. the UK market is pretty stagnant with the competition of universities and colleges, it's very hard to compete on price and against the EL products offered on-campus by universities compared to those offered by a private language school which has relatively small resources. By and large students are going to choose the university, even if the provision turns out to be less satisfactory, for various reasons…"*

In financial challenges

- providers will face a *"compilation of factors"* testing their financial viability, including rising agent commission costs – *"Language travel agents, particularly in the Korean market which has a very vibrant agent market, tend to gouge as much commission as they can for sending students - this is a big issue for providers in the UK;"*
- the ever increasing fees paid by schools to agents looks set to continue as recent research conducted among international students by JWT indicates a growing use of agents; and
- price competition among local providers.

A couple of interviewees highlighted the fact that they felt that the future of the EL Sector would be largely driven by external factors – for example currency fluctuations, world events and:

- the visa status of some countries (e.g. recent growth out of Latin America was reported to be at least partly driven by the difficulty in getting a visa to the US and Canada.)
- any change in the Australian Government's IELTS requirements from China to a 3 or 4 rather than a 5 – could cause the market to *"triple almost overnight."*

4. Other Relevant trends

This section discusses some other relevant trends in the international higher education (HE) arena, which have an impact on the Global English Language Market. It highlights changes in students' buying patterns, brought about by the increasingly discerning nature of this audience; their increasing use of agents and of the Internet; and their growing concerns about security. It also discusses the growth of the private sector, which is changing the shape of HE – and indeed EL – globally.

4.1. Changes in student buying patterns

A recent trend in international education, which has an inevitable impact on the English Language Sector, has been changes in student buying patterns, which influence the marketing providers need to use to most effectively reach them. Within the increasingly competitive international education arena, students are becoming:

- ever more discerning and informed, with access via the Internet to more information than they had previously. For example, a new Teaching Quality Information website, www.tqi.ac.uk, was launched in the UK last year and offers prospective students detailed information about university performances, including those offering English courses, enabling them to instantaneously compare institutions.
- increasingly focussed on the rankings. While not specific to the EL sector, we are increasingly hearing about the growing role that an institution's ranking (using various university rankings) plays on an international student's decision about which institution to study at. This has an inevitable flow on effect to those EL providers who are delivering EAP programmes as to whether they are or are not attached to a ranked institution and whether their students can easily articulate to a ranked or non ranked university.
- increasingly cynical - reaching them is more difficult. This could be a product of the fact that many higher education students are now Generation Y (born between 1977 and 1994) with characteristics as outlined in an article in the US publication American Demographics,[11] which found Generation Ys to:
  - be more careful and watchful about their own personal safety;
  - need information presented to them in lively, visual formats – don't respond to traditional training manuals or lecture methods;
  - admire and be influenced by 'regular' people – parents, grandparents etc – with extensive media coverage of celebrity scandals demystifying celebrities as heroes;
  - be more conscious of their own privacy, especially online;
  - be more accepting and expecting of diversity;
  - be less likely to believe 'there's only one answer' and expect they can voice their own opinions – a perception which could have an impact in the classroom, where it could be thought acceptable to challenge everything – there's a new 'prove it to me' mentality.

[11] Pamela Paul, "Getting Inside Gen Y, American Demographics, September 2001

These traits are also likely to impact the purchasing patterns of international English Language students – for example, their destination criteria, influencers, absorption of information, expectations of diversity in student populations, and use of online methods to search for information.

Additional factors leading to changes in student buying behaviour, with potential consequences for the EL sector, are outlined below.

The Increasing use of agents

Students are increasingly turning to agents for assistance with their study purchases, as has been shown in a number of studies. For example, in the JWT Asian Student of 2005 Research, which followed similar studies undertaken in 2000 and 1997, and examined the attitudes and perceptions of Asian undergraduate students studying in Australia, the UK and the US, from the 10 major source markets – China, India, Hong Kong, Singapore, Taiwan, South Korea, Thailand, Indonesia, Japan and Malaysia. The study explored issues including when decisions are made, how information is sourced, key selection criteria, standards of education and influencing factors.

Results from the Australian component of the survey (over 300 Asian students studying in Australia at 10 universities, across a range of disciplines) highlighted the increasing use of agents by students - both as a source of information when selecting an overseas institution (from 37% of students surveyed in 2000 to 53% in 2005) - and as the main link in the purchase decision, with increasing numbers of students using an agent to submit their application - 86% of the 2005 sample used an agent to submit their application – up from 51% in 2000. This is despite the efforts of many universities during that time to encourage more direct applications and a reduction in the dependence on agents. The outcome has been that agents have increased their sphere of influence from being simply a provider of information to also being a source of influence.

Further, the previously-mentioned Global Directions in Language Travel 2005 survey conducted by JWT Education for ALTO, which followed-up a similar survey by ALTO in 2004 and was part of an on-going initiative to give ALTO members a better insight into the main trends and developments within the language travel industry, found that Language Schools rely primarily on international agents to source students – survey participants reported receiving an average of 58% of their students from international agents. Although this is slightly down from the 62% reported in 2004.

Additionally, a 2004 study by the Canadian Association of Private Language Schools (CAPLS) into private language school students in Canada showed that 60% of the 1,500 students surveyed found their language program via an agent.

According to the Language Travel Magazine annual status for some countries - e.g. Australia, New Zealand and Malta - providers sourced over 60% of their students through agents. Agents were responsible for sourcing the greatest number of EL students for providers in each of the destinations surveyed (including each of the MESDCs and countries such as South Africa, Malta, France, Spain, and Italy). Agent usage was the lowest in the US and Spain, but even organisations in these countries reported that they received more than a third of their students from agents.

And indeed, one of the thought leaders interviewed for this Report declared that 90% of their sales come through agents of varying profiles - educational agents, travel agents that sell EL programmes. They believed that in some markets agents have become more mature and more sophisticated in how they work. *"Some of them have grown quite big and have more buying power.. Five or six years ago there weren't as many agents sending a million dollars of bookings a year and now there are quite a few."*

The increasing use of the Internet

The JWT Education Asian Student of 2005 Research also highlighted the significantly increasing use of the web as a source of information when selecting an overseas institution – from 10% in 2000 to 60% in 2005.

The above-mentioned Global Directions in Language Travel 2005 Survey conducted by JWT for ALTO also found that Language Schools rely increasingly on the Internet to source students – survey participants reported sourcing a significant percentage of students, 19%, through the Internet, an increase from the 12% figure recorded in the 2004 Member Survey. The Language Travel Magazine survey reports that between 11% and 18% of students who undertook EL courses in 2004 were recruited via the Internet.

Data recently released by the New South Wales Government Department of State and Regional Development shows just how widespread internet use is in many of the UK and Australia's main source countries for English Language students, as the following table illustrates:

Country	% of population	Number of (millions)
Hong Kong (SAR)	69.9	4.9
Korea (1)	63.3	31.6
Singapore (2)	60.2	2.1
Taiwan (1)	53.5	12.2
Japan (1)	52.8	67.7
Malaysia (2)	35.9	9.5
Thailand	10.6	9.5
China (1)	7.3	94.0
Indonesia	7.0	15.3
Vietnam (3)	6.4	5.3
India	3.6	39.2

Footnote: Most data for February or March 2005
1 – As at December 2004
2 - As at September 2004
3 – As at July 2004

A thought leader discussed the emergence of the Internet as a sales tool which makes it easier for companies to sale their services than pay agents, saying *"We've invested quite a bit in developing our own online sales channel."* Irrespective of whether a school recruits its students directly through its website or other online sites it is increasingly evident that a growing majority of international students will use the Internet to source information about a particular school. For some it maybe the first source of information that they turn to in looking for a study destination and school, for others it maybe where they go to obtain more information to support that that they have been given by an agent, friend etc. In light of this, having a website that is easy for a non-native English speaker to navigate and which easily and effectively communicates the school's brand, course offerings etc. is critical.

The consideration of safety in destination countries

Other studies have also highlighted another influence on, in particular EL, student purchasing behaviour: the consideration of safety in destination countries. For example:

- The above-mentioned 2004 study by CAPLS into private language school students found that safety and security in Canada was the first or second most important reason for choosing that destination for a quarter of the 1500 students surveyed.
- A 2001 JWT Global Review of the English Language Market which surveyed more than 700 English Language students from the major source countries, studying in the UK, US, Australia, New Zealand and Canada, found that a perception of the destination being 'a safe country' was a common reason why students chose to study in their destination country.
- There seems little doubt that the typical international EL student is more safety conscious than their higher education counterparts and therefore more likely not to choose to study in a destination where they feel safety is an issue. The safety-conscious nature of this market has been highlighted by the significant reduction in the number of EL students studying in the US post 9/11.

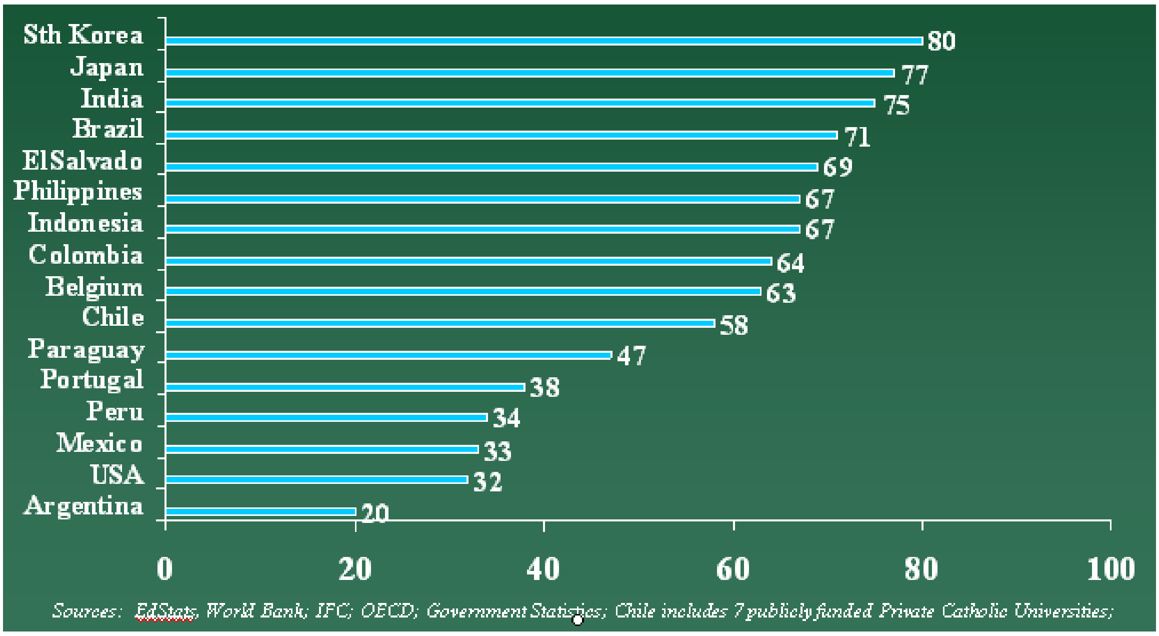
4.2 The growth of the private sector

Another general trend in the international education marketplace, which is relevant to the English Language Sector, is the increase in the number of private higher education providers.

Private sector provision of higher education generally is growing significantly throughout the world and providing new, potentially more tailored and desirable products to the market which are typically more aggressively and better marketed. According to Merrill Lynch and the World Bank in 2005 the private higher education market was estimated to be worth more than $300 billion worldwide and growing.[12] Private supply constitutes a large percentage of total provision in many countries, as seen below.

[12] Perkinson, R. "Trends in Global Higher Education…and the changing landscape across South East Asia." Presentation to APPLE Conference, Singapore, August 2005

Table 25 Enrolment in Private Higher Education (as a % of total) [13]



The rise in the number of private, for-profit organisations competing successfully – and increasingly aggressively - in the international education market is, in fact, changing the nature of that marketplace. *"In Australia, private colleges have been said to have "exploded into a sea of degrees, diplomas, English language and vocational studies."*[14] And some sizeable players in the EL sector now have the necessary funds to make appropriate investments in order to develop this segment. This is a relatively recent development.

A factor contributing to the increased number of private providers is that, particularly in the Asian marketplace, some traditional publicly-funded suppliers of higher education are finding it difficult to meet the increasing demand for their product. It has been predicted that demand for higher education in that region will continue to outstrip those countries' capacity to provide it. Therefore private higher education is increasingly valued by governments in Asia, as it alleviates pressure on publicly funded higher education and delivers subjects not yet taught widely or to a high standard in local universities.[15] For example, the number of private higher education institutions in China that deliver qualifications recognised by the Ministry of Education had grown to 249 as of May 2005. In early 2003, there were only 131 such institutions.[16]

Where demand is exceeding supply for various significant players in Asia, that demand will have to be met either via Transnational Education (foreign qualifications delivered locally or via the web/distance) and/or domestically via private providers which are either locally or foreign owned – thus potentially supporting the growth of private EL organisations.

[13] As above
[14] Bill Pheasant, "No Let-up in the Private Revolution", The Financial Review, 22 May 2006
[15] Dept of Foreign Affairs & Trade's publication - Education without Borders: International Trade in Education, September 2005
[16] "Growth in Private Higher Education Institutions in China", 16 August 2005

So it can be expected that growth in the private HE sector will continue to change the nature of the global English Language market, and will drive it forward, in forthcoming years. The earlier-mentioned Global Directions in Language Travel 2005 Survey conducted by JWT for ALTO (which predominantly comprises private providers) found that overall, agents and schools were optimistic about their expectations for both growth in delivering language travel products at their organisation and about growth rates for the language travel industry in general.

- ALTO Survey participants were especially optimistic about growth at their own organisations. Agents estimated growth for language travel products at their organisation to be 21% in 2005, 15% in 2006 and 16% in 2007. Schools were not quite as optimistic as agents but they still predicted a growth of 11% in 2005, 9% in 2006 and 10% in 2007.

1. ALTO Survey participants also predicted growth for the market in general – 10% in 2005, 9% in 2006 and 8% in 2007 (once again agents gave higher ratings than schools). However those growth estimates for 2005 and 2006 were not as high as the average growth estimated by members in the 2004 Survey – which was predicted to be 15% for each of those years.

5. Market opportunities for EL course providers

As seen in Section 2, while there has been some flattening in demand for ELT in recent years in the UK and US markets, in other major markets (Australia and New Zealand) demand has continued to grow. Section 3 of this report would appear to lend support for the proposition that the Global English Language sector will continue to grow for at least the next decade.

This section highlights where opportunities might lie for EL providers within that arena of growth, both for providers based in the UK as well as those UK providers currently or intending to operate internationally. This summary is based on the input from thought leaders (generally, and for the public and private sectors individually); secondary research and market analysis, as well as JWT Education's opinion.

5.1 General opportunities – as identified by thought leaders

Within their interviews, thought leaders identified some general opportunities in the EL market for providers:

- contract work and consultancy - for example providing English and exams, to international corporations on a consultancy basis, particularly as many multinational corporations look increasingly to developing countries for growth, particularly markets like China, Russia, Brazil where English proficiency is still relatively poor;

- establishing or increasing partnerships or links to overseas and local universities and colleges to meet the growing demand for EL learning from governments and students – for example, providing quality Academic English programmes as a pathway to the tertiary institution
"….That's becoming more important to meet Asian objectives/demands. If you can offer pathways to universities you have an advantage over standalone language schools. Developing the ties with existing education institutions."

- Increasing numbers of children learning English as part of the school curriculum/ countries putting English into their international curricula;

- teacher training for non-native speakers of English - *"there is a thriving tertiary sector for would-be teachers of English"*; *"The number of government contracts (worldwide e.g. for Chinese provincial education authorities, for the Saudi Arabian Government etc. for the EL teacher training side seem to be higher;"*

- newer programmes *"such as internships and Business English"*;

- packaging products to meet the different needs of different market segments– such as call centres training in India and the Philippines;

- teaching English in-country, at lower levels. *"There are still some 100 million people at least who still want to learn English at a fairly low level so there are lots of opportunities at lower levels if the providers are able to get closer to the client. The UK has typically taken the stance of here we are, we have nice buildings, we have classrooms, would you come and learn with us. I think it's going to have to turn the other way round so it moves from pull to push so people are going to have to go and provide courses in China & India rather than expecting everybody to come to Cambridge."*
  "The lower level pecking order is starting to see they need English language."
  "In China the range of English language skills are not there yet so there are hundreds of millions of Chinese that will potentially be consumers of an English language course at some time."

Participants felt those operators best able to take advantage of these opportunities would be:

- Those offering a 'one stop shop' - *"who can provide all the things that people need in relation to their language learning. The big multinationals… are all positioning themselves and they all have different offerings but with roughly the same sort of flavour of the one stop shop;"*

- Those who can focus on the customer – *"the one size fits all learning approach will not sell as well, people are becoming more consumerist in the way that they look at any form of learning. So they will spend more time on the phone saying 'I want a course in England but I don't want it this day I want it that day and I don't want an afternoon class because I want to go do water-skiing, can you fix that for me?'* Or they'll say, *'I want a corporate class, I want you to send a teacher to my office every Tues at 7am and every Thurs at 9pm.' People will become more demanding and require flexibility and every type of technology option thrown in, because they're getting used to that flexibility and personalisation of service in other parts of their lives… We're already seeing that some people prefer to go to smaller boutique schools, to get a friendly atmosphere and a one-to-one service approach and that will be a major factor for a lot of people."*

- the private sector – it is up to date, can change more quickly, is more flexible, can react to changes and trends

- not Canada – *"they seem very un co-ordinated as a destination."*

Public sector opportunities

Opportunities specifically for public sector providers were identified as:

- international accreditation of English language providers or teachers;

- high-level Business English;

- government contracts for teacher training;

- attracting secondary school students – currently it was thought that the private schools *“still have a huge edge here, because they can attract students or parents from overseas to send students to them and many have also set up language units to ease overseas students into their general programmes. There’s more of that potential there and maybe it’s something that the state sector in the UK could be looking at;”*

Private sector opportunities

There was agreement that the number of private providers keeps rising with more entering the market, and that many of the large multinational providers continue to grow - *“a lot of the bigger companies and chains are getting bigger.”*

> *“The small provider is going to find it more and more difficult to exist, and the big chains will dominate… The small entities will be like the corner shop – they may serve a niche market which may be adequate for them….. The only area of exception may be in assessment, which is such a specialised thing, that it’s very hard for the (multinationals/publishers) to get into unless they can do it through (acquiring language testing organisations) - but the type of acquisition that’s available to them…would be limited - the serious language testing enterprises are few and far between and are probably not for sale.”*

Opportunities were believed to exist for private providers in:

- EL training for international companies - for example:
  - oil & gas companies in Libya & the Middle East were reported to have, for many years contracted their EL training out to private sector providers both in the UK and elsewhere;
  - international/multinational companies expanding into Eastern/Central Europe, who then require staff who speak English… *“large companies moving into a city like Prague may need a large number of their workforce to be trained in English.”*

    But those types of opportunities were not necessarily long-term – *“they may only last a couple of years and then go, so you get the temporary big bubble/large contract which lasts a couple of years and then it goes…”*

- in-country provision – *“getting closer to the client [the student] and to make sure they can provide that’s pertinent to what they need… going and providing courses in the home country of the student rather than wait for the people to arrive (in the UK)…. it’s likely that fewer and fewer people will come here to do a year’s English before they do their 3 year bachelor degree if they can do that year’s English back home.”;*

- EL Training for highly specialised professions e.g. air traffic control; and

- Provision of services to the public sector – tenders/contracts.

Comments

- *"There are always opportunities in the sector as markets grow – the challenge is to be able to take advantage of them. Australia is well positioned to take advantage of them."*
- private sector opportunities *"exist but are not tremendous – there'll always be a segment of the population that will go with a private entity because of financial reasons, or can't get access any other way."*
- *"There are opportunities in the language travel area but providers can't be all things to all people; you need to develop strong brands."*

Some participants were asked whether they thought private or public sector entities are better geared up to take advantage of changes & opportunities in the market place. A number thought the private sector was more flexible, and

- better placed to take up opportunities such as government contracts for teacher training, which some in the public sector could not fulfil because they do everyday English - conversation, writing, skills work, public courses. *"And the skill set that one needs for [contract pursuit] is completely different – getting market intelligence - being able to spot the opportunities, to write good proposals, to source the staff to teach the contracts on a short-term basis, to get them in there, do the work and pull out. That's very different from what we do, so there are opportunities like that which would be better for smaller orgs or businesses to go for.*

- better at personalising service and at conveying the impression that they meet students' needs more effectively…*"so there is always going to be a market for that sector but it won't be as big as it has been. There will always be people who will want to fast track, to invest more, who want a bit of extra quality…"*

But it was also believed that *"The public sector sometimes has the benefit of being more trusted by government officials."*

One commented that "*The private sector leads, then the public, then the government."*

The following sub-sections describe other market opportunities identified through research and market analysis

5.2 Capitalise on the growing demand for Higher Education

EL Providers have an opportunity to capitalise on the projected growing global demand for higher education - such increasing demand should flow through to greater demand for English Language instruction – fuelled by the position of English as the major language of global education (and thus by the greater number of higher education students who require English language tuition as a prerequisite to their studies); and as the dominant international language for business.

Background

The international student market is now a significant global industry, worth more than $35 billion a year in export income for the major English speaking destination countries alone. There were approximately 100 million students enrolled in higher education globally in 2003,[17] and it is estimated that more than two million of those 100 million students are international students who are studying outside their home country.

The Higher Education market has seen continued growth in all major EL destination countries in recent years, with the exception of the United States – (a result most likely of US immigration and visa policy post 9/11 rather than a decrease in demand – and that country still remains the leading destination for international higher education students). As shown in the following table, international enrolments in Australia, New Zealand and Canada have more than doubled since 1998/99. China and India provided most of the growth in student numbers in Australia and the UK. Germany has also been attracting an increasing number of international students.

Table 26 Global trends in Higher Education – International student enrolments

	98/99	99/00	00/01	01/02	02/03	03/04	04/05	% Change	
								Since 98/99	Latest year
US	490,933	514,723	547,867	582,996	586,323	572,509	565,039	15.1%	-1.3%
UK	114,499	119,741	127,560	142,350	174,600	186,840		63.2%	7.0%
Australia	60,914	72,717	86,271	116,232	135,676	151,285	163,911	169.1%	8.3%
Canada	34,529	40,018	46,368	55,949	63,974	71,652	79,802	131.1%	11.4%
New Zealand	6,585	7,928	10,799	15,775	22,035	28,090		326.6%	27.5%
Germany	103,716	108,785	112,883	125,714	142,786	163,213	180,306	73.8%	10.5%

Sources: HESA; DEST; *Opendoors; The* Institute of International Exchange (IIE) *New* Zealand Ministry of Education; Canada – Citizenship and Immigration Canada (CIC); Germany – DAAD (German Academic Exchange Service)

Furthermore the growth in demand for international education is predicted to continue to increase. IDP's Global Student Mobility 2025 Study forecast that global demand for international higher education is forecast to increase from about 2.1 million in 2003 to about 5.8 million by 2025.[18] Even if this forecast

[17] International Finance Corporation
[18] Global Student Mobility 2025: IDP 2002

significantly overestimates the growth in demand, the data still points to an overall continued growth in the demand for international higher education.

The UK Experience

The UK continues to be the second most popular destination for higher education amongst international students behind the US. As seen in Table 22, the number of international students from non-EU countries (international students from EU countries are not included as they are not full-fee paying international students) studying higher education in the UK increased every school year from 96/97 (109,940) to 03/04 (186,840) – an increase in enrolments of 72.3% in the following four-year span (source: HESA).

Table 27 Leading sources of international HE students in the UK (non-EU) 1996/97-2003/04

	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	% Change 96/97 - 03/04
China	2,660	2,860	3,850	6,095	10,390	17,785	31,930	43,815	1547.2%
United States	9,450	9,700	10,490	11,140	11,770	12,560	14,365	15,260	61.5%
India	2,300	2,935	3,315	3,630	4,300	5,980	10,900	13,210	474.3%
Hong Kong	7,765	7,210	7,510	8,140	8,315	8,640	9,735	10,175	31.0%
Malaysia	18,015	16,790	12,030	10,280	9,195	9,355	10,205	10,025	-44.4%
Japan	4,665	5,325	5,560	6,085	6,205	6,085	6,165	6,340	35.9%
Nigeria	1,835	1,900	2,020	2,130	2,380	2,935	4,135	5,270	187.2%
Taiwan	2,905	3,150	3,480	3,640	4,055	4,305	4,920	5,160	77.6%
Canada	2,760	2,885	2,975	3,115	3,045	3,310	3,685	4,010	45.3%
Singapore	5,645	5,970	5,615	5,270	4,630	3,995	4,160	3,820	-32.3%
Pakistan	1,790	1,910	1,905	2,055	1,965	2,285	2,805	3,790	111.7%
South Korea	1,870	2,280	2,070	2,140	2,325	2,570	2,900	3,335	78.3%
Thailand	2,085	2,645	2,365	2,525	2,720	2,750	2,975	3,330	59.7%
Kenya	1,960	2,100	2,225	2,265	2,450	2,560	2,820	2,870	46.4%
Zimbabwe	810	945	1,285	1,795	2,315	2,605	2,920	2,715	235.2%
Ghana	770	875	910	1,010	1,070	1,315	1,840	2,450	218.2%
Sri Lanka	940	945	1,035	1,110	1,345	1,550	1,875	2,100	123.4%
Non-EU Total	**109,940**	**114,155**	**114,499**	**119,741**	**127,560**	**142,350**	**174,600**	**186,840**	**69.9%**

Source: HESA

This growth appears to be the product of a number of factors; most importantly the impact of the Prime Minister's Initiative (PMI) – initially launched in 1999 and designed to build a brand for British Education. This initiative has seen increased marketing activity globally by the British Council and the development and promotion of a strong brand for Britain. This has particularly been the case in key source markets for the UK.

Following the success of the first Prime Minister's Initiative (PMI), the second phase of the PMI aims to attract **100,000 more** overseas students to study in the UK by 2011 and to encourage partnerships between universities and colleges in the UK and overseas.

Language Travel Magazine reported that *"While the PMI, part two, is focused on building enrolments in the further and higher education sectors, Tony Millns, CEO of English UK, revealed that the English language teaching industry, for its part, intends to increase the number of English language students in the country by 20 per cent. English UK members will provide over 200 annual scholarships to assist with international promotion within the PMI."*[19]

[19] Language Travel Magazine, June 2006

The opportunity

As seen above, the demand for higher education continues to grow globally - albeit with less than the anticipated rate in some major markets and with some areas having recently experienced decline (for example, the US, now actively working at addressing its competitive position). There arises the opportunity for EL providers to capitalise on this increasing demand. It has been noted that this opportunity is created by the expected flow-through of such growth to increased demand for English language instruction, with many international students undertaking English language study within their pathway to higher education institutions. For example, in Australia just under 30% of all international students studying in Australia in the period 2002-2004 were at some time enrolled in English language courses.[20] Further, English is the major language of global education as well as the dominant international language for business. In the UK, the impetus of the second phase of the PMI should boost the EL sector considerably.

Opportunities for EL education providers may exist for example, in growing Academic English and English preparatory programmes, to compete with what is currently offered by other providers in the UK, where activity indicates a marketplace view that this is an area which will produce strong returns.

5.3 The growth in Transnational Education

In recent years there has been rapid growth within the international higher education industry of transnational education (TNE) programmes – that is, education provision from one country offered in another, via a wide variety of delivery modes including distance and e-learning, validation and franchising arrangements, twinning and other collaborative provision. This presents an opportunity for EL providers in that as demand increases, there exists the potential for UK providers of English to deliver programmes in source countries or through third country provision, i.e. regional centres that act as regional educational hubs, e.g. Singapore.

Over the last several years, the number and types of TNE programmes, and the number of students enrolled in them, has grown dramatically. TNE is often used for capacity building where countries do not have the means, or in some instances the desire, to meet the demand for higher education.

TNE has some advantages over traditional overseas study that many students find attractive. These include potentially lower cost, the ability to study from home, more flexible study environments and the ability to work and not lose out on experiences and opportunities in the local job market.

[20] AEI Paper "International students in Australia and the ELICOS Sector, 2005"

The TNE market

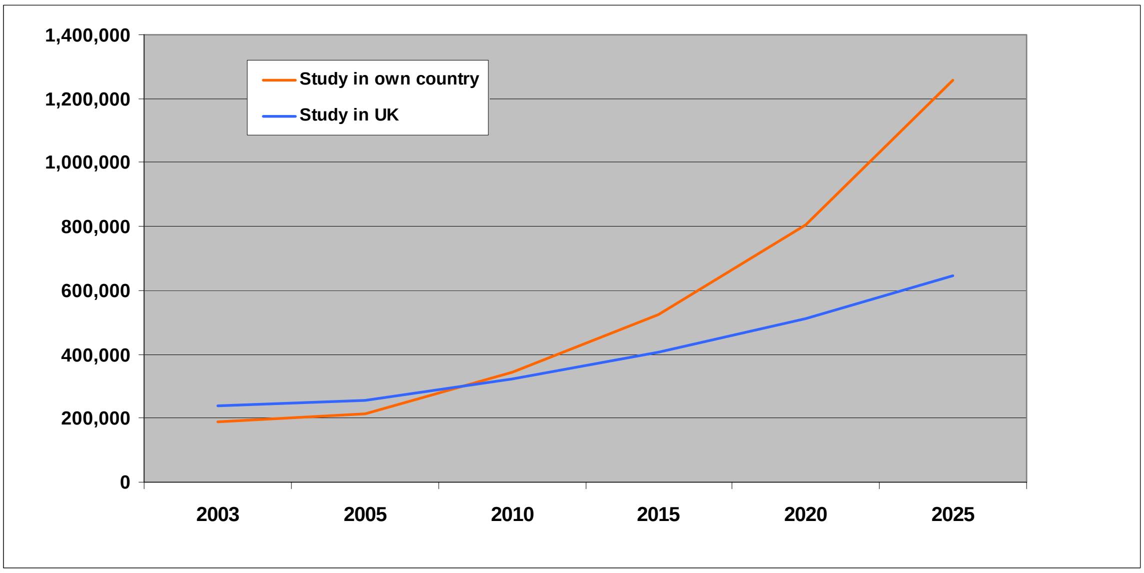
The main TNE providers are currently the UK, USA and Australia.

The UK TNE market

The UK is thought to be the leading supplier of TNE programmes currently. The British Council estimated that there were 208,900 international students enrolled in UK degrees delivered overseas in 2003/4, a growth of 2% on 2002/3 figures. In addition it is estimated that 2004/5 figures will show a growth of some 10% over those recorded in 2003/4.

Growth is projected to continue in the number of students undertaking UK programmes in their own home country. In fact by 2010 it is anticipated that the demand for UK programmes delivered overseas will exceed demand for international students seeking to study in the UK.

Table 28 Projections of UK international students (TNE vs. Onshore students)



Source: Global Student Mobility 2025. IDP.

The British Council recently commissioned JWT Education to undertake a major market research study into this rapidly expanding market. This research surveyed key target audiences for TNE - undergraduate and postgraduate TNE students at UK institutions, Local Partners and Agents and other influencers in what are currently the UK's key markets for TNE – China, Hong Kong, India, Malaysia and Singapore. One finding of particular note here was that, in terms of the appeal of different countries' TNE programmes, the UK was the most frequently nominated as offering the best TNE programmes, followed by Australia, then the US. Maybe, in part, a product of the audiences' familiarity with the UK system and the longstanding relationship each country has with the UK.

The qualitative research with students currently undertaking TNE as well as some of their influencers revealed that the UK was seen as offering the best

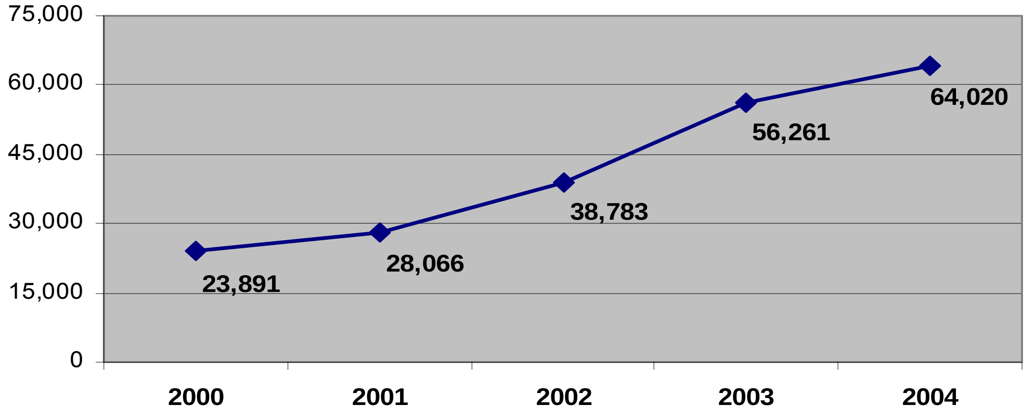
TNE programs, followed by Australia, then the US. The audiences said it was preferred for its:

- – high-ranking universities
- – historical links with the country
- – strong and comprehensive academic environment
- – credibility
- – quality and reputation
- – perceived employment preference
- – recognition – for example in other Commonwealth countries, a benefit for those who may want to work in those countries (e.g. Singapore)
- – familiarity with the UK education system generally

The Australian TNE market

Australian TNE enrolments have also been tracking upwards - enrolments have increased by about two-thirds from 2002 to 2004 and are up 168% since 2000. In 2004, there were an estimated 64,000 international students enrolled in Australian higher education programmes delivered overseas. At the time of writing this report data for 2005 has not yet been released, but anecdotal evidence would indicate that the demand for Australia TNE programmes in 2005 has again increased.

Table 29 Trends in Australian TNE enrolments



Source: DEST

This number is expected to continue to grow as offshore initiatives by Australian institutions are developed, such as:

- RMIT University operating facilities in Saigon South, Ho Chi Minh City and Hanoi which offer English, university preparation and degree programmes that are recognised by the Vietnamese Ministry of Education and Training, with the university degrees awarded by RMIT University in Australia;
- other Australian universities operating overseas campuses - including Monash, Swinburne and Wollongong;
- the University of New South Wales opening a standalone campus in Singapore in 2007.

These are just examples of where Australian universities have opened overseas campuses, but this is only one way in which Australian providers deliver TNE programmes. Indeed, the number of transnational education students undertaking Australian education is projected to increase to nearly 440,000 in 2025. By 2010 it is predicted that the demand for Australian TNE programmes will exceed the demand for onshore delivery. Much of this growth is expected to come from China, India, Malaysia, Singapore and Hong Kong.

The opportunity

There seems little doubt that the global demand for TNE programmes will continue to grow significantly. According to IDP:[21]

- by 2010, it is likely that demand for TNE will be greater than for international students seeking an overseas campus-based experience.
- by 2025 the percentage of total international students undertaking TNE is forecast to increase from 32% to 43%.

EL providers have the opportunity to tap into that growth.

Nonetheless, despite these growth projections, it should be stated that it seems unlikely that transnational education will ever replace traditional international education because of the intrinsic values associated with actually studying in an overseas destination.

There has been much discussion recently that TNE provision is eroding the traditional international student market (of students leaving their home country and coming to study overseas) for countries like the UK and Australia. JWT's research both for the British Council as well as for the Asian Student of 2005 indicates that the vast majority of students undertaking TNE are not students who would consider/or are able/or would choose to travel overseas study. They are, in fact, two different audiences and while there may be some overlap (students who would consider TNE or overseas education) this is very limited. This may, of course, change as the opportunities for TNE continue to grow and improve, but it would seem that TNE will never provide the same holistic experience of travelling overseas to study even if the quality and campus is almost identical.

Therefore the demand for traditional overseas based study is likely to remain strong while EL providers will also have opportunities to reach a new market of students who are undertaking TNE. This can be achieved through the establishment of in-country provision, partnership arrangements and online/blended delivery.

5.4 Opportunities from increased tourism

EL providers potentially have the opportunity to benefit from the positive prospects for the global tourism industry, given that many people elect to undertake English language studies while travelling overseas. For example, as seen in Section 2, in 2003, 31% of ELICOS enrolments in Australia were from students who arrived in Australia on a Tourist Visa while an additional 11% of students possessed a Working Holiday visa. The percentage of ELICOS students on a student visa decreased from 58% in 2003 to 51% in 2004, whereas the percentage of students on a Tourist visa increased during this time

[21] IDP Global Student Mobility, 2025

from 31%-38%. Students studying ESL on these visas are likely to differ significantly from other ESL students in that they are probably more interested in undertaking shorter programmes that are not as academically structured and include a broader experience that combines travel and EL training.

- The general trend for global tourism continues to improve after a few down years following the terrorist attacks on the United States in September 2001, an increased threat of terrorism and the outbreak of the SARS virus. Both Australia and the United Kingdom have recently received record numbers of tourists.
- Global Insight forecast that global outbound travel will grow by 20% between 2005-2009.

And the general strong prospects for the UK tourism industry, outlined below, present opportunities for EL (Language Travel) providers in that market to grow their business:

- There were an estimated 800 million international tourist arrivals in 2005, of which the UK accounted for 3.6%.

- "Britain Inbound – Strategic Insights," a report by Visit Britain (the BTA) reported that.[22]
  - In 2004 the number of visitors to the UK was 27.8 million (up 12.3% on 2003). Visit Britain expects to see an increase in the number of inbound visitors to the UK in 2006 - forecast to be 30.6 million for 2006 (up 4.4% on 2005).

  - The value of inbound visits is expected to grow by 4.3% to 14.5 billion pounds in 2006.

  - Ten inbound markets make up 70% of all overseas visits and 60% of all spend in the UK. In 2004, the UK's top source markets for inbound overseas travellers were the USA, France, Germany, Irish Republic, Netherlands, Spain, Italy, Belgium, Australia and Canada. Six of these countries are non-English speaking countries – France, Germany, Netherlands, Spain, Italy and Belgium. Four of these countries are also among the leading source markets of ELICOS students in the UK

  - The strongest growth in 2006 is expected to come from Asia and emerging markets in Eastern Europe – the slowest growth is expected to come from the Americas.

With this growing international tourist arena opportunities exist to develop and market specialised English Language Travel programmes targeted at distinct niche tourist market segments. For example, developing specialised programmes targeted at the Language Traveller including work experience as part of the language course – such an offering was identified within the earlier-mentioned Global Directions in Language Travel 2005 Survey conducted by

[22] "Britain Inbound – Strategic Insights," a report by Visit Britain (the BTA), 2006

JWT for ALTO, as the Language Travel product most likely to increase in popularity in the short-term. Of those surveyed, 80% thought work experience programmes would increase in popularity more than any other language travel programme. This is already evident in markets like Canada where there has been a significant increase in the number of students undertaking EL courses in conjunction with work experience.

5.5 The Bologna process

The Bologna Process involves 45 European countries undertaking a series of reforms intended to create an integrated European Higher Education Area (EHEA) by 2010.[23] With its goal of building the EHEA through a system based on three cycles of easily readable and comparable degrees, a shared system of credits and cooperation in quality assurance[24], the Bologna Process has the potential to significantly impact the English Language sector across the globe. Not only in the 45 signatory countries, but in "distant" corners, such as Australia, whose government, like those of many others with a significant interest in higher education, has started to consider the impact of such reforms.[25]

Perhaps of most direct relevance to the EL sector will be the Bologna Process's goals of:

- many courses, especially at the Masters level, being taught in English;
- student mobility, with one in five of all Bachelors students and one in three of all Masters students spending at least one semester abroad; with it becoming *"commonplace for European students to look beyond national borders and choose their universities according to content and quality of courses and on institutional reputation"*[26]

"Given the increasing use of English as a language of instruction in many European universities at the postgraduate level, a combination of potential access to the European labour market and competitive tuition fees, post-Bologna European higher education may offer a very attractive package for many foreign students…"

This increased use and spread of English has the potential to translate into opportunities to grow the EL training market.

Some evidence of the central role of English in the Bologna Process will be the issuance of a Diploma Supplement to all graduating students providing detailed information about the qualification in English.

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23 DEST "The Bologna Process and Australia: Next Steps"
24 Hunter, Fiona "European Higher Education 2020 – A Worldwide Reference" International Education Forum, April 2006
25 DEST "The Bologna Process and Australia: Next Steps"
26 Fiona Hunter

5.6 The impending skilled labour shortage

As a result of rising skill shortages across the ‘Western’ world, governments increasingly have to rely on recruiting qualified personnel from overseas to help fill labour shortages to ensure economic growth – for instance, the US Bureau of Labor statistics predicts that by 2010 the US will be 10 million workers short of its needs.

- According to IDP (Global Student Mobility 2025) *“there are serious labour shortages in areas currently providing good private rates of return (e.g. IT), as well as in areas that provide strong social returns such as education and health related occupations”.* In response to these labour shortages, it is predicted that the less developed world will supply increasing amounts of labour to meet these shortfalls.

Support by western governments for boosting skilled migration to meet labour shortages can be seen in the following examples:

- Ireland’s “Expert Group on Future Skills Needs” has highlighted the need for effective and efficient migration procedures to enable Ireland compete successfully on a global scale for scarce highly skilled and mobile talent.[27]

- A report recently released by the Australian government's Productivity Commission, “Economic Impacts of Migration and Population Growth,” says boosting skilled immigration will create a more powerful economy and make people richer on an average. The report finds that the Australian economy could absorb a higher number of skilled migrants, and this will have a bearing on the Australian government's decision to fix the annual skilled immigrant intake. [28]

English Language providers have an opportunity to capitalise on the impending labour shortage by delivering training to meet the associated needs of immigrants imported to meet skills shortages in developed countries – that is, in English language training.

Statistics from the Office of National Statistics indicate that the leading sectors of employment in the UK (for the second quarter of 2006) are Services; Public Administration and Health; Distribution, Hotels and Restaurants; and Banking, Finance and Insurance. All of these industries have greater employment levels than Manufacturing, which consisted of the highest employing sector for many years. Only recently has Manufacturing been surpassed by this other industries; likely a reflection of the UK’s transition towards a knowledge economy.

[27] John Forde, “Reforms needed to woo skilled migrant workers Ireland not alone in the search for professional talent and needs to improve immigration procedures to make it attractive.” Sunday Tribune, 28 May 2006
[28] The Economic Times 24 January 2006

As highlighted in Global Student Mobility 2025: Analysis of Future Labour Market Trends…
"Considerable investment in the education and salaries of nurses is one of various strategies by the British Government, which aims to increase the supply of nurses from initial training and other sources such as migration in order to provide an additional 35,000 nurses by 2008."

"The strongest future growth areas in the UK are expected to be in the following industries: wholesale and retail trade; financial, renting and business activities; and health and social work."

5.7 The incredible growth of China

No review of new business opportunities for the EL sector would be complete without some comments about the incredible growth of China. The booming Chinese higher education market presents opportunities both for EL providers outside of China and those able to establish in-country operations.

<u>Chinese studying outside China</u>

English language education providers could capitalise on the remarkable growth of Chinese participation in international education in the past several years – growth which has continued until recently, albeit at a slower rate. The opportunity here arises again from the flow-on effect of Chinese higher education students requiring English language capability as a prerequisite to their foreign tertiary study.

Table 30 Growth of Chinese enrolments in international education

	2000	2001	2002	2003	2004	% Change 00 - 04
English Language						
UK	8,294	10,472	21,273	25,883	20,481	146.9%
US	1,839	1,760	1,048	796	1,026	-44.2%
Australia	6,409	10,902	14,350	14,416	14,876	132.1%
New Zealand	2,105	5,057	11,717	27,598	18,617	784.4%
Malta		176	654	935	1,390	
Total China	**10,353**	**28,367**	**49,042**	**69,628**	**56,390**	**444.7%**
Vocational Education						
UK	2,840	4,660	6,455	7,440	6,875	142.1%
Australia	1,470	2,542	5,672	7,703	9,962	577.7%
Total China	**4,310**	**7,202**	**12,127**	**15,143**	**16,837**	**290.6%**
Higher Education						
UK	6,095	10,390	17,785	31,930	43,815	618.9%
US	54,466	59,939	63,211	64,757	61,765	13.4%
Australia	3,712	6,535	16,269	22,549	30,203	713.7%
New Zealand	3,807	9,507	19,134	27,215	29,898	685.3%
Germany		8,745	13,523	19,374	24,095	
Total China	**68,080**	**95,116**	**129,922**	**165,825**	**189,776**	**178.8%**

Sources:
English Language: English UK, IIE, DEST, New Zealand Ministry of Education, *Education Statistics*, National Statistics Office Malta. Vocation Education: HESA, DEST. Higher Education: HESA, IIE, DEST, New Zealand Ministry of Education, DAAD (German Academic Exchange Service)

From 1999-2004 Chinese enrolments grew significantly across education sectors and in several of the leading destination countries, as seen in Table 27, which highlights that in:

- Higher Education – Chinese enrolments increased significantly in each of the leading English speaking destinations since 1999 with the exception of the US in 2004
- ELICOS – Australia and New Zealand experienced large influxes of Chinese students from 2000-2003, with a tapering off in Australia since that year and a big decline in NZ in 2004. The number of Chinese ESL students studying in the US decreased from 2000-2004 – potentially a product of 9/11 and the changes to US visa requirements/restrictions post this event – however numbers steadied in 2004. The UK saw a significant decline in 2004.

Chinese students now constitute the largest, most rapidly growing national group of overseas students in OECD countries – due to[29]:

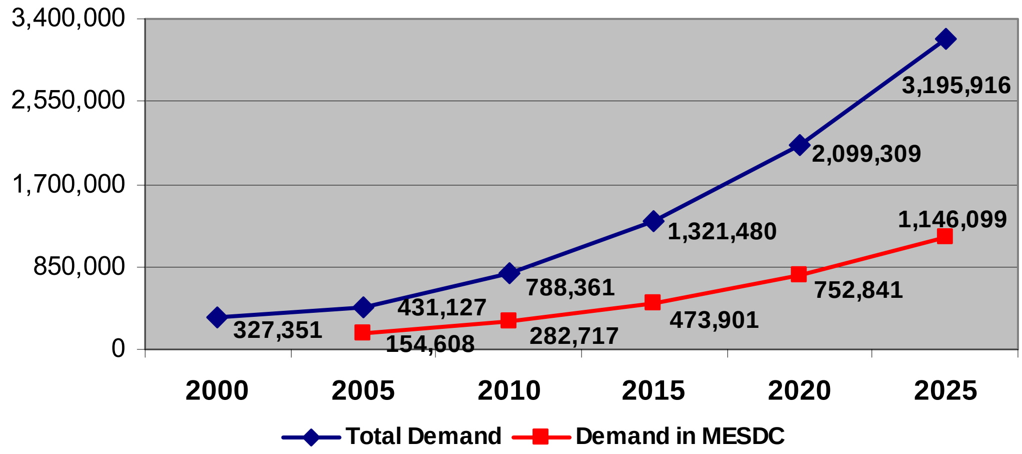
- the globally unparalleled economic growth in China
- the opening up of China to the outside world
- the post-1995 encouragement by the Chinese government of joint-venture programmes between Chinese and foreign universities
- the rapid social change taking place within Chinese society

[29] Lowe J., Xiang X., Xu J., and Wang, Qi "Decision-Making by Chinese Students Choosing UK and Chinese Universities" Oxford Conference, September 2005

- the relatively recent introduction of university tuition fees in China

Despite some recent slowing in the growth rate of the juggernaut of Chinese demand for international higher education, such demand is expected to continue – indeed some forecast it will rise to nearly 3.2 million students by 2025 (predicted numbers of Chinese students studying overseas – not including Chinese students enrolled in TNE programmes.)[30] The number of Chinese students seeking international higher education in one of the MESDCs is forecasted to grow from 327,351 in 2000 to over 1.1 million in 2025. The following chart forecasts the total demand for international higher education amongst Chinese students and the demand amongst this population for international higher education within the major Anglophone countries (MESDCs).

Table 31 Forecasted Chinese demand for international higher education



Source: Global Student Mobility 2025. IDP

Whilst it seems that there may have been a slight slowing in the rate of growth of Chinese students undertaking international education in one of the MESDCs, it does seem that the demand from China is still going to continue, though probably not at the rate it has done over recent years.

So China is still a prime source of international students, despite dramatic changes within the country. The government has recently undertaken a remarkable expansion of its post-secondary system, and foreign institutions have rushed into China and even established schools in the country, usually with a local partner. [31]

Within China

Despite significant growth in the number of Chinese students electing to study overseas, it has been reported[32] that increasing numbers of students are electing to remain in China for their studies. Students have increasingly been

[30] IDP. Global Student Mobility 2025.
[31] Holroyd, Carol "Canada Missing Opportunity in the Booming China Education Market" in Canada Asia, Vol 40 January 2006 Asia Pacific Foundation of Canada

[32] Ibid

discovering that going overseas is no longer a guarantee of a good job and may actually cost them the opportunity to develop local connections. The government has made major investments in the development of the post-secondary education system within China, wanting to make Chinese universities among the best in the world within the next ten years. Chinese universities are partnering with foreign universities, particularly English-speaking institutions, to increase their capacity. The opportunity for foreign institutions is changing from one based on attracting students to study abroad to the delivery of programmes in China. It is also said that the Chinese government is actively trying to encourage students to remain in China rather than go overseas to study.

While the growth rate of Chinese students traveling overseas to study may have flattened, their interest in learning English continues, encouraged by government policy - under China's national education system, English is taught in primary schools from the third grade. *"More people now learn English in China than in any other country. Within the formal education sector an estimated 176.7 million Chinese were studying English in 2005."*[33]

Many are learning English in-country, especially in the lead up to the 2008 Beijing Olympics. For example, The Beijing English Testing System (BETS), an exam especially designed for English proficiency of Beijing residents, will be conducted for the first time in 2007. The exam is one of the measures the Beijing municipal government has undertaken for its residents to learn and speak English in preparation for the Olympics.

The extent of English learning was also highlighted in a recent article which reported that on December 24 2005 some 5.3 million Chinese students sat for the College English Test (CET), Bands 4 and 6, a strong measure of the popularity of learning English in China. These tests are the most influential of the various English proficiency tests administered by the Ministry of Education. Millions sit these tests every year. Sixteen of Beijing's universities insist a university undergraduate has to pass the CET-4 in order to obtain a bachelor's degree; or the CET-6 for a double or master's degree as a condition of graduation. [34]

The above-described scenario points to the opportunity for British, as well other countries, EL providers to establish in-country programmes in China.

Further opportunities for EL providers may arise from a recent McKinsey & Company report which recommended that China needed to improve its English instruction by recruiting teachers from abroad, to improve its stocks of labour talent, suitable to work in the sectors of services and exports. [35]

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[33] Graddol, D "English Next", published for the British Council 2006
[34] Zhang Rui, "The Business of English", China Internet Information Centre (www.china.org.cn) January 10 2006
[35] Du Jong, "Report Reveals Nation's Lack of Quality Graduates" – article on Gov.cn, Chinese Government's Official Web Portal, 10 Nov 2005

Appendix One

Global Directions in Language Travel 2005

Survey of ALTO Members

Prepared by

JWT Education

August 2005

Introduction

The first *Global Directions in Language Travel* report was published in September 2004 based on the findings of the ALTO Member Survey 2004. The project was launched to answer the demand for accurate and reliable market intelligence in the language travel industry and was very well received. Since the publication of the report in 2004, ALTO has had many requests for trend data from language travel organisations, research institutes, universities and consultancy companies. During the first six months of 2005 the report was downloaded more than one thousand times and hundreds of printed copies have been distributed. ALTO is the only global forum for agents, schools and associations. This makes the ALTO Member Survey unique and a highly sought after source of industry information.

Following last year's success ALTO has now joined forces with JWT Education to conduct the ALTO Member Survey 2005 and produce the second *Global Directions in Language Travel* report. The continuation of the project has enabled historic comparison of the results and facilitates more accurate forecasting.

The report is divided into six sections that focus on:

I. the demographics and size of the organisations that took part in the survey;
II. student profile;
III. student mobility;
IV. language travel products and growth rates;
V. marketing and business issues; and
VI. the role of ALTO.

Contents

List of Tables

Executive Summary

The *Global Directions in Language Travel 2005* is based on the ALTO Member Survey 2005 conducted with 26% of the members of the Association of Language Travel Organisations (ALTO). A total of 47 member organisations are represented in the research. The survey is an on-going initiative designed to give members a better insight into the main trends and developments within the language travel industry.

The 2005 survey consists of members, both schools and agents, from North America, Eastern Europe, Asia, Central America and Caribbean, South America and Africa – although the majority of the sample was from Western Europe (62%) and North America (17%).

Student Profile

- The majority of students at member organisations are aged 24 or younger. Although ages did vary with agents and schools reporting that just over a quarter of their students were 17 or younger, while members indicated that a similar percentage of their students were 25 or older.
- Students seem to prefer shorter programmes with 65% of both agents and schools reporting their students have an average study duration of between two and four weeks. The preference for shorter programmes is likely to continue considering 62% of members expect intensive language courses to become increasingly popular in the next couple of years.

Student Mobility

The survey highlights that the traditional destinations for language training continue to be the most popular countries for language travel.

- The UK (mentioned by 66% of agents), Spain (52%), France (43%), the US (33%), Canada (29%) and Australia (24%) were mentioned by the greatest percentage of agents as being a leading destination (top three) where they place language students. Although these countries do represent some of the leading destinations for language travel the percentages also reflect a sample dominated by Western European and North American members.
- These same countries were expected to record the largest increases in the number of language students over the next several years.
- China was the only emerging market identified by a significant percentage of agents as being the destination that would receive the largest increase in the number of language students over the next several years.

A range of countries were nominated by schools as leading sources of language students.

- Japan, Germany and the US were the leading source countries for the greatest percentage of participating member schools. Nearly half of the schools (46%) indicated that Japan was one of the top three source countries for students at their schools (followed by Germany, 42%, and the US, 38%).
- Other key countries that contributed a significant percentage of students to member schools included:
  - Spain (25%)
  - Brazil (21%)
  - France (21%)
  - Italy (21%)
  - South Korea (21%)

Products and Services

Language travel products most likely seen to increase in popularity included intensive language courses and programmes incorporating work experience.

- When asked what type of language course would become increasingly popular in the coming years a greater percentage of members (62%) indicated intensive courses more than any other course type.
  - Nearly 40% of members thought long-term courses would become less popular (this was also the leading response given).
- Similarly, a greater percentage of members (80%) thought work experience programmes would increase in popularity more than any other language travel programme.
  - The 2004 Survey of ALTO Members also highlighted the recent popularity in work experience programmes. The findings showed that the most popular new product or service being offered by members were work experience programmes. Fifty-eight percent of respondents started offering such products in 2003.
- At least one-third of the members thought that programmes including cultural activities (51%), adventure activities (44%), career development courses (36%) and academic preparation courses (36%) would also become increasingly popular.

Growth Rates

Overall agents and schools were optimistic about their expectations for both growth in delivering language travel products at their organisation and about growth rates for the language travel industry in general.

- Members were especially optimistic about growth at their own organisations. Agents estimated growth for language travel products at their organisation to be 21% in 2005, 15% in 2006 and 16% in 2007. Schools were not quite as optimistic as agents but they still predicted a growth of 11% in 2005, 9% in 2006 and 10% in 2007.

- Members also predicted growth for the market in general – 10% in 2005, 9% in 2006 and 8% in 2007 (once again agents gave higher ratings than schools). However estimated growth for 2005 and 2006 was not as high as the average growth estimated by members as part of the 2004 Member Survey – 15% in 2005 and 2006.

Sources of Students

Schools rely primarily on international agents and the Internet to source students.

- The importance of the agent-school relationship is highlighted by the fact that in 2005, member schools reported receiving an average of 58% of their students from international agents. Although this is slightly down from the 62% reported in 2004.
- The Internet is becoming a key tool in helping schools recruit language students. In 2005 member schools reported sourcing a significant percentage of students, 19%, through the Internet. This is up from 12% as reported in the 2004 Member Survey.

Agents seemed less dependent on a single source to recruit students, instead relying on multiple sources.

- Agents reported sourcing most of their students through Internet advertising however repeat customers, referrals, advertising in printed media and direct recruitment events were also responsible in attracting a significant percentage of students.

Marketing Issues

Product diversification, defining/building brand image and improving their communications strategy were among the marketing issues that participants considered required the most attention. At least one-third of schools, and half of the agents, thought they needed to address these issues in the next 12 to 18 months.

The majority of schools also thought it was important to expand their agent network.

Methodology

The research was conducted online with ALTO members – mainly agents and schools. ALTO contacted their members directly via email and asked for their participation in the research. Included in the invitation for participation was a link to the survey that took approximately 10-20 minutes to complete. Forty-seven members ultimately completed the survey.

As stated earlier, this research surveyed member institutions including agents, schools and 'other' organisations – two associations and a business offering homestay programmes. As outlined in the table below, an equal number of agents and schools participated in the survey (18, or 38% of participants), while 17% of the members who participated represented both an agent and a school and 6% were from other types of businesses in the language study industry.

	Overall		Agents		Schools	
	Number	Percentage	Number	Percentage	Number	Percentage
Agent	18	38%	18	69%	0	0%
School	18	38%	0	0%	18	69%
Both an agent and a school	8	17%	8	31%	8	31%
Other	3	6%	0	0%	0	0%
Sample size	*47*		*26*		*26*	

As the sample consisted primarily of agents and schools (94% of the sample), 'overall' data presented throughout this report more accurately reflects these types of organisations. It should also be noted that the actual membership of ALTO is:

- 48% schools
- 31% agents
- 10% agents and schools
- 8% associations
- 3% suppliers

Accordingly, agents were over-represented, and associations under-represented, in the 'overall' data sets detailed throughout this report.

However, given the inherent differences between agents and schools most data is presented under these particular banners. When relevant, an 'overall' banner is also included in order to portray general trends within the industry. Also, those participants who represented both an agent and a school are included in each of these data sets throughout the report.

It should also be noted that it was not mandatory to answer all questions and therefore sample sizes vary throughout the report. The sample sizes listed in each table refers to the total number of participants who answered the corresponding question in the survey.

I. Sample Demographics

1.1 Geographic Profile of Participants

The majority of the sample (62%) consisted of members from Western Europe, while there were also a significant percentage of members from North America (17%); these percentages vary depending on type of member (see Table 1).

Table 1 Location of business represented in the research

	Overall		Agents		Schools	
	Number	Percentage	Number	Percentage	Number	Percentage
Western Europe	29	62%	14	54%	17	65%
North America	8	17%	3	12%	5	19%
Eastern Europe	3	6%	3	12%	2	8%
South America	3	6%	3	12%	1	4%
Asia	2	4%	2	8%	0	0%
Central America & Caribbean	1	2%	1	4%	0	0%
Africa	1	2%	0	0%	1	4%
Australasia	0	0%	0	0%	0	0%
Middle East	0	0%	0	0%	0	0%
Sample size	*47*		*26*		*26*	

The sample was fairly representative of actual membership in ALTO which has the following geographic breakdown:

- Western Europe 54%
- North America 18%
- South America 7%
- Eastern Europe 5%
- Australasia 5%
- Asia 4%
- Central America and Caribbean 4%
- Africa 2%
- Middle East 1%

Unfortunately, the limited sample sizes do not allow for further analysis of research findings by geographic region.

1.2 Size of Businesses Represented in the Survey

Overall there was a variety in the sizes of businesses represented in the survey. A little more than a third of the agents (35%) and schools (36%) represented in the research had more than 51 full-time employees (see Table 2). Smaller businesses were also represented in the survey with more than a quarter of agents (27%) having 10 or fewer employees and 40% of schools having 50 employees or less.

Table 2 Number of full-time employees at the business

	Agents	Schools
0 - 5	15%	4%
6 - 10	12%	8%
11 - 25	31%	28%
26 - 50	8%	24%
51 - 100	8%	16%
More than 100	27%	20%
Sample size	*26*	*25*

1.3 2004 Turnover

The variation in turnover reported for 2004 by both agents and schools clearly shows the range, in size, of organisations belonging to ALTO. Agents reported turnover varying from just under €60,000 to €420 million, while turnovers at schools ranged from €546,000 to €50 million (see Table 3). The median 2004 turnover was €5 million for agents and just over €2 million for schools. Average, or mean, turnover figures were much higher inflated by the relatively large turnovers expressed by a couple members.

Table 3 2004 Turnover at member organisations

	Agents	Schools
Average	€ 29,267,597	€ 7,300,744
Range	€ 58,800 - € 420 million	€ 546,142 - € 50 milion
Median	€ 5,000,000	€ 2,080,000
Sample size	*23*	*19*

Language travel is critical to the success of most members. In 2004, on average 58% of turnover at agents, and 76% at schools, came from language travel products and services. Schools were especially dependent on language travel products with such services accounting for 90% of turnover at most schools.

Table 4 Percentage of 2004 turnover that came from language travel products

	Agents	Schools
Average	58%	76%
Range	0.05% - 100%	17% - 100%
Median	57%	90%
Sample size	*22*	*22*

1.4 Student Numbers

Agents

Agents reported having an average of 2,032 students in 2004. As shown in Table 5, this varied anywhere from 15 to 10,006 students with a median of 1,200. On average agents placed 14,501 student weeks in 2004 or a median of 7,750 student weeks (see Table 6).

Table 5 Number of students in 2004

	Agents	**Schools**
Average	2,032	3,916
Range	15 - 10,000	350 - 21,500
Median	1,200	1,619
Sample size	*22*	*24*

Schools

On average, schools reported larger student populations than agents. Member schools had an average of 3,916 students in 2004, ranging from 350 to 21,500 with a median of 1,619 students. The average number of student weeks reported by member schools in 2004 was 21,178 (median 10,230 weeks).

Table 6 Number of student weeks in 2004

	Agents	**Schools**
Average	14,501	21,178
Range	100 - 67,312	750 - 150,000
Median	7,750	10,230
Sample size	*18*	*20*

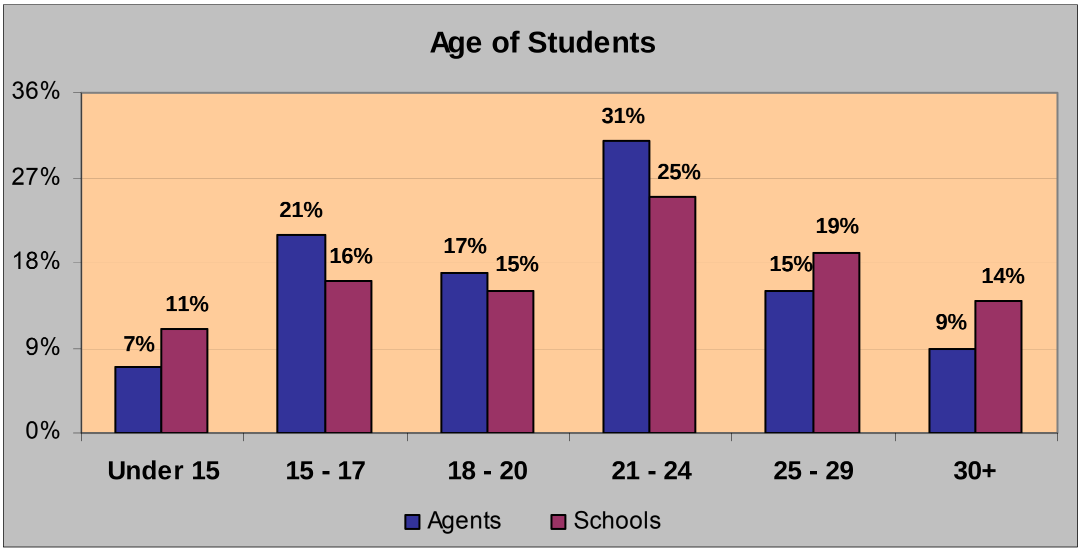
II. Student Profile

2.1 Ages of Language Students

The ages of students at participant organisations is outlined in Table 7. Both agents and schools are attracting considerable percentages of students in each of the age ranges presented in the table. Although most participants reported that students were in their twenties or younger, agents reported that 9% of their students, and 14% of students at member schools, were 30 or above.

Agents (28%) and schools (27%) also reported having about the same percentage of students who were younger than 18. Agents had a greater percentage of students under 25 than did schools. Overall, agents said more than three-quarters (76%) of their students were 25 or younger compared to just over two-thirds (67%) of the students at schools.

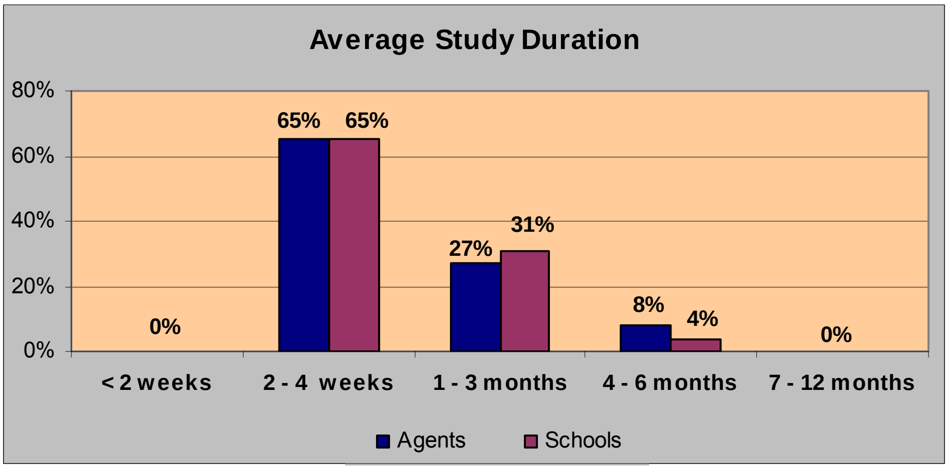
Table 7 Ages of students at member agents/schools (agents n=18, schools n=20)



2.2 Duration of Study

Members, both agents and schools, reported very similar study periods for their students. Almost two-thirds of agents (65%) and schools (65%) said the average study duration for their students was between two and four weeks (see Table 8). A considerable percentage of members (27% of agents and 31% of schools) reported an average duration between one and three months. This is a clear indication that students have a preference for short-term language instruction.

Table 8 Average study duration (n=26 for both agents and schools)



III. Student Mobility - Leading Source/Destination Countries

3.1 Leading Source Countries

Participants representing schools were asked to identify the three leading source countries for language students at their school. Their responses are outlined in Table 9. Almost half of the member schools, 46%, said that Japan was one of the top three sources for students at their school. More than one-third of schools said that Germany (42%) and the US (38%) were leading sources of students. Spain (25%), Brazil (21%), France (21%), Italy (21%) and South Korea (21%) were also leading source countries of language students for a significant percentage of member schools.

Table 9 Top three source countries for students at member schools

	Schools
Japan	46%
Germany	42%
United States	38%
Spain	25%
Brazil	21%
France	21%
Italy	21%
South Korea	21%
Mexico	13%
Russian Federation	13%
Switzerland	13%
United Kingdom	13%
Canada	8%
China	8%
Netherlands	8%
Poland	8%
Sweden	8%
Israel	4%
Saudi Arabia	4%
Taiwan	4%
Turkey	4%
Others	13%
Sample size	*24*

Leading source countries are likely to vary significantly based on the location of the school and therefore the figures in the chart above are at least partially a reflection of the sample which largely consists of members from Western Europe. However, since most ALTO members are from Western Europe this should be fairly representative of member schools in general.

3.2 Leading Destination Countries

Agents were asked to identify the top three locations where they place language students. The UK was by far the leading destination with two-thirds of the agents identifying this country as one of its top three destinations in which their organisation places language students. More than half of the agents indicated the UK (66%) and Spain (52%), while 43% said France was a leading destination country for their students.

These countries were followed by leading English speaking destinations such as the US (33%), Canada (29%), Australia (24%) and Ireland (19%), each of which were among the leading destinations in which a significant percentage of member agents placed students.

Table 10 Top three destinations where agents place language students

	Agents
UK	66%
Spain	52%
France	43%
US	33%
Canada	29%
Australia	24%
Ireland	19%
Malta	14%
Italy	10%
Costa Rica	5%
Cuba	5%
Germany	5%
Mexico	5%
Switzerland	5%
Sample size	*21*

Once again it should be noted that these findings are most likely to be dependent on where agents are located and that most participants were from Western Europe. Limited sample sizes did not allow further analysis by geographic location.

Agents were asked to nominate the country they believed would receive the largest increase in the number of language students it hosts over the next several years. It was explained to agents that this includes either traditional destinations for language students or an emerging market. As seen in Table 11, Australia was nominated by the largest percentage of agents (20%) as being the destination that would attract the largest increase in language students in the coming years.

As a whole, agents thought the leading growth destination would consist of one of the leading host countries seen in Table 10 – the UK, Spain, France, the US, Canada and Australia. The exception was China, with 15% of agents believing China would attract the largest increase in the number of language students over the next several years.

Table 11 Destination expected to record the largest increase in language students over the next several years

	Agents
Australia	20%
Canada	15%
China	15%
France	10%
Spain	10%
United Kingdom	10%
United States	10%
Brazil	5%
Comoros	5%
Sample size	*20*

IV. Language Courses/ Products

4.1 Popularity of Language Courses/ Products

This section examines those courses and products offered in the language industry that are likely to become more popular in the coming years.

Participants were first asked to indicate the course they believed would become more popular to students in the next couple of years. Nearly two-thirds of all participants (62%) believed intensive language courses would become increasingly attractive. This was as high as 71% among member schools.

Other courses that a significant percentage of participants thought would increase in popularity included academic preparation courses (31%), business language courses (22%), long-term courses (20%) and online courses (18%). At least 13% of both agents and schools thought these types of courses would increase in popularity in the coming years.

Table 12 Types of language courses that will become more popular in the next couple of years

	Overall	Agents	Schools
Intensive language courses	62%	58%	71%
Academic preparation courses	31%	23%	38%
Business language courses	22%	15%	17%
Long-term courses	20%	23%	13%
Online courses	18%	19%	17%
Courses combining work experience	9%	8%	8%
Courses combining activity/culture/travel	9%	8%	4%
Junior programs	2%	4%	0%
Paid work programs	2%	4%	0%
Sample size	*45*	*26*	*24*

Although it appears that agents and schools broadly agree on the types of courses that are likely to become increasingly popular, it is interesting that in some instances there is a discrepancy between the percentage of agents and schools that believe a certain course will become more popular. This could be significant if there is a disconnect between agents and schools where there is an inconsistency between the courses provided by schools and the programmes being sold by agents.

Participants were also asked to specify products and services that they thought would become increasingly popular in the language industry. The results are shown in Table 13. The vast majority of members (80%) thought work experience programmes would become increasingly popular. This is supported by data from the 2004 survey which showed that the most popular new product or service was work experience programmes (be it either programmes allowing for both work and study, or work experience only – internship or voluntary). Fifty-eight percent of respondents began offering these types of products in 2003.

The majority of members also thought programmes including cultural activities (51%) and adventure activities would become more attractive in the near future.

Other products including career development courses (36%), academic preparation courses (36%), high school programmes (20%) and computer aided language learning (CALL) (16%) were also expected to become increasingly popular in the next several years. Interestingly, a much greater percentage of schools (50%), than agents (19%), thought academic preparation courses would become more popular.

Interestingly, the most frequently cited answers to this question indicate how diversified the industry has become. Members believed the demand for products that help students professionally – work experience programmes, career development courses and academic preparation courses – will increase, as will the demand for more general courses that include cultural activities and adventure activities. Clearly, members are optimistic about the growth of many different types of products currently available in the language industry.

Table 13 Products and services that will become increasingly popular in the language industry over the next couple of years

	Overall	Agents	Schools
Work experience programs	80%	69%	83%
Cultural activities	51%	46%	46%
Adventure activities	44%	42%	29%
Career development courses	36%	35%	29%
Academic preparation courses	36%	19%	50%
High school programs	20%	19%	13%
CALL (computer aided language learning)	16%	19%	17%
Homestay programs	13%	12%	4%
Au pair programs	11%	19%	4%
Airline tickets	11%	19%	0%
Insurance services	4%	8%	0%
Paid work programs	2%	4%	0%
Summer camp	2%	4%	0%
Sample size	*45*	*23*	*24*

Some products that are mostly only relevant to agents – that is they are mostly only provided by agents and not schools – were also highlighted by a significant percentage of agents as being products that would become more popular in the coming years. These products included au pair programmes (19%), airline tickets (19%) and homestay programmes (12%).

Members were also asked to express their beliefs with regard to what courses they believed would become less popular in the coming years. This information is presented in Table 14, however it should be noted that there were less participants who answered this question than the question pertaining to courses that would gain in popularity. This means that even though a similar percentage of respondents may have indicated that a particular course would become less popular, as opposed to more popular, it does not necessarily mean that as many participants thought accordingly. Furthermore, it is perhaps encouraging that not all participants answered this question, as it would appear to suggest that some respondents believed that none of these courses would become less attractive in the coming years.

A greater percentage of respondents (and more participants overall) thought long-term courses (39%) would become less popular, rather than more popular, in the coming years. The popularity of online courses is also in doubt with similar percentages of participants indicating that these types of course would decrease (19%) as increase (18%).

Table 14 Types of language courses that will become less popular in the next couple of years

	Overall	Agents	Schools
Long-term courses	39%	32%	37%
Online courses	19%	27%	11%
Intensive language courses	17%	14%	32%
Business language courses	14%	18%	11%
Academic preparation courses	11%	14%	0%
Confirmation courses	3%	5%	5%
Junior holiday courses	3%	5%	0%
ESP courses	3%	0%	5%
Cambridge courses	3%	0%	5%
Sample size	*36*	*22*	*19*

4.2 Estimated Growth Rates for Language Products at Members' Organisations

Table 15 outlines the expected growth rates for language products in the coming years. Participants were asked to indicate the projected growth in language products at their institutions for years 2005, 2006 and 2007. Overall, growth in language travel products is expected at agents and schools over the next three years. Both audiences thought growth would be strongest in 2005, but still expected high growth rates in 2006 and 2007 as well. Agents were more optimistic, than were schools, with average growth rates of 21%, 15% and 16% expected over the three year period of 2005, 2006 and 2007, respectively. Schools predicted average growth figures of 11%, 9% and 10% over the same period.

However, it should be noted that not all respondents had such positive perceptions. Schools especially had more guarded expectations, with one school in particular expecting a 14% reduction in 2005, and half the schools expecting growth of 5% or less for this year (as reflected by the median).

Table 15 Estimated growth rates for language travel products and services at participants' organisations

	2005	2006	2007
Agents			
Average	21%	15%	16%
Range	- 5% - 100%	- 3% - 35%	5% - 45%
Median	16%	13%	13%
Sample size	*20*	*19*	*19*
Schools			
Average	11%	9%	10%
Range	- 14% - 100%	0% - 30%	0% - 20%
Median	5%	9%	9%
Sample size	*21*	*20*	*19*

4.3 Estimate Growth Rates for the Language Travel Market in General

Overall, agents and schools also thought the language market, in general, would experience growth over the next several years, although both audiences predicted higher growth rates for their own organisation than they did for the overall industry. Perhaps this is a reflection of the confidence members have in their own organisations.

Once again agents appeared more optimistic than schools. Agents believed the language travel market would grow 12% in 2005 followed by 9% in 2006 and 8% in 2007. Schools gave average growth rates of 6%, 8% and 8%, respectively.

Table 16 Estimated growth rates for the language travel market in general

	2005	2006	2007
Overall			
Average	10%	9%	8%
Range	- 10% - 50%	- 5% - 35%	- 5% - 35%
Median	5%	7%	10%
Sample size	*29*	*26*	*26*
Estimates from '04*	15%	15%	na
Agents			
Average	12%	9%	8%
Range	- 5% - 50%	0% - 20%	- 1% - 20%
Median	10%	5%	10%
Sample size	*17*	*15*	*15*
Estimates from '04*	16%	16%	na
Schools			
Average	6%	8%	8%
Range	- 10% - 20%	- 5% - 20%	- 5% - 20%
Median	5%	9%	10%
Sample size	*16*	*14*	*14*
Estimates from '04*	11%	11%	na

* Estimates from '04 - a reference to the 2004 survey in which members were asked to predict growth rates from 2004 to 2006.

Comparison to Findings from the 2004 Survey

Members did not seem to be as optimistic about growth in 2005 and 2006 as they were a year ago.

- In 2004 agents predicted growth in the language travel market of 16% in both 2005 and 2006. In 2005 agents forecasted growth of 12% in 2005 and 9% in 2006.
- This trend was also apparent amongst schools. In 2004, schools reported 11% growth in 2005 and 2006, however in 2005 schools were less optimistic in reporting growth expecting only 6% and 8% growth, respectively, during these years.

V. Marketing and Business Issues

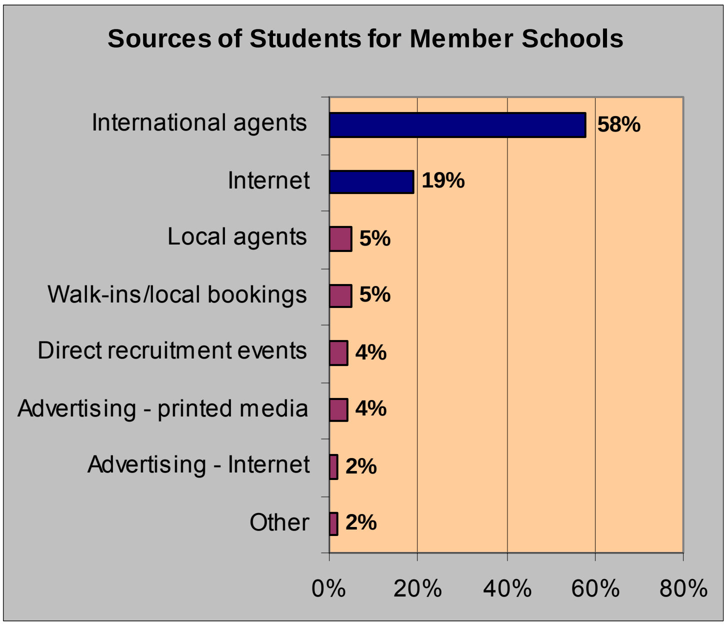
5.1 Sources of Students

Schools

Member schools indicated that the majority of their students (58%) were sourced through international agents. This highlights the importance of the agent-school relationship among ALTO members as a key supply channel.

The Internet was also cited as a significant source of language students for member schools with an average of 19% of students sourced via this method. Schools used other methods to recruit students, however, in general these sources were less successful in producing student enrolments compared to agents and the Internet.

Table 17 Sources of students for member schools (n=21)



Comparison to Findings from the 2004 Survey

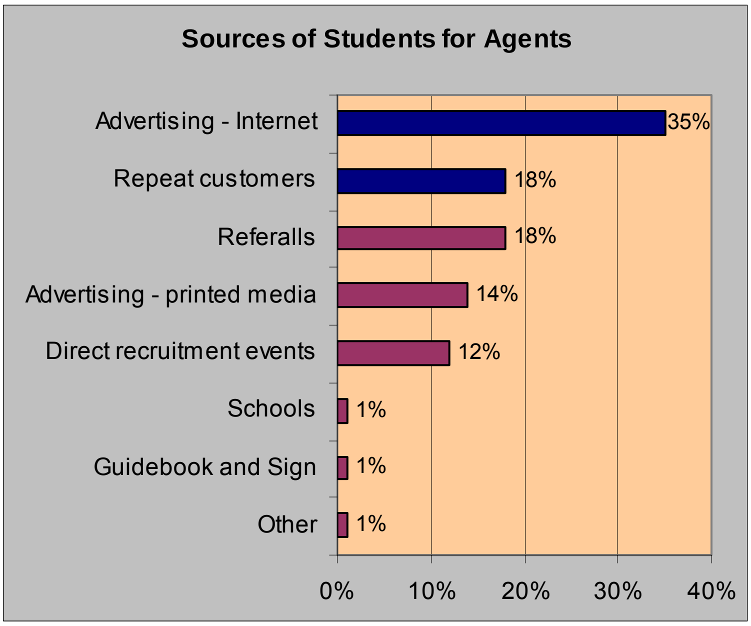
- In 2003, 62% of enrolments at member schools came through agents.
- Schools predicted that 62% of enrolments would be sourced through agents in 2004, decreasing to 59% in 2005 and 57% in 2006. This pattern is indicative of the 58% reported in the 2005 survey.
- The Internet is becoming increasingly important for sourcing students, and perhaps sooner than many in the industry expected. Data from the 2004 survey shows that schools sourced 12% of their students from the Internet in 2003, while similar findings from 2005 indicate this has increased to 19%. The 2004 survey also reports that schools thought the percentage of their students sourced via the Internet would

increase to 14% in 2004, 16% in 2005 and 18% in 2006. Apparently this growth has occurred sooner than predicted.

Agents

Agents also sourced a significant percentage of students from the Internet. In fact, Internet advertising was mentioned as the leading source of students for agents. On average, agents reported that 35% of their students were sourced from Internet advertising.

Table 18 Sources of students for agents (n=21)



Agents also reported sourcing a significant percentage of its recruits through repeat customers (18%), referrals (18%), advertising in printed media (14%) and direct recruitment (12%)

Comparison to Findings from the 2004 Survey

- Agents in the 2004 survey also reported receiving the greatest percentage of students from the Internet (19%) and repeat customers (19%).
- As part of the 2004 survey, agents predicted that they would receive an increasing percentage of their enrolments through the Internet – 23% in 2004, 25% in 2005 and 28% in 2006.

5.2 Other Business Activities

Apparently only about half the members appeared to be involved in other business activities (as shown by the sample sizes of 14 for agents and 13 for schools out of a possible 26 participants for each audience). Although, some members may have chosen not to answer this question even though they did participate in other business activities.

Noting the relatively small sample sizes, the majority of agents (64%) and schools (69%), who did indicate an involvement in other business activities, said they provided professional development seminars for staff. To a lesser extent many members were also involved in such activities as lobbying governments (36% of agents and 46% of schools), collecting market data/statistics (36% and 15%, respectively) and conducting surveys (29% and 15%, respectively).

Table 19 Other business activities members are involved in

	Agents	Schools
Professional development seminars for staff	64%	69%
Lobbying local or national governments	36%	46%
Collecting market data/statistics	36%	15%
Conducting surveys	29%	15%
Sample size	*14*	*13*

5.3 Review of Business Activities

Members were asked to indicate the most important issues from a marketing perspective that their organisation needed to address in the next 12 to 18 months.

At least half of the agents thought that one of the most important issues they needed to examine included product diversification (54%), defining or building brand image (50%) and improving communication strategy (50%) – see Table 20.

In addition to expanding agent networks (indicated by 52% of schools), these were the same areas that the greatest percentage of schools believed they needed to address (43%, 43% and 35%, respectively). Given the popularity of international agents amongst member schools for recruiting students (58%, as shown in Table 17) it is not surprising that so many schools are concerned with expanding their agent networks.

Table 20 Most important marketing issues members need to address in the next 12 to 18 months

	Agents	Schools
Product diversification	54%	43%
Defining/building brand image	50%	43%
Improving communication strategy	50%	35%
Product consolidation	23%	26%
Quality assurance	4%	0%
Visa issues	4%	0%
Expanding agent network (schools only)	na	52%
Consolidating agent network (schools only)	na	30%
Sample size	*26*	*23*

VI. The Role of ALTO

The survey concluded by asking participants what they believed should be the main focus of ALTO for 2005-06. Participants were given a choice of four initiatives and asked to indicate how important they thought each were by giving a rating between one and four - one meant they believed it should be ALTO's most important focus and four suggested it should be the least important focus.

Despite agents and schools rating trading opportunities as the most important focus, there did not seem to be a clear consensus amongst all respondents as to what they believed should be ALTO's primary goal for the coming year. Agents gave similar ratings to trading opportunities, research and market intelligence and advocacy (all scoring a mean rating of 2.4), while quality assurance rated just below these in priority (2.4). The majority of agents did not rate any of these initiatives as most important. This seems to suggest that agents either did not agree on what ALTO's main focus should be, or that they thought it was important for ALTO to concentrate on a number of initiatives.

Schools were more decisive about what they believed should be ALTO's primary focus. Trading opportunities received a mean rating of 1.8 which was significantly better than the rating given to the other initiatives – 2.6 for research and market intelligence, 2.6 for advocacy and 3.0 for quality assurance.

Table 21 What should ALTO's main focus be for 2005-06? (1 indicates it should be the most important focus and 4 means it should be the least important)

	1 (Most Important)	2	3	4 (Least Important)	Mean Rating
Overall (n = 40)					
Trading opportunities	40%	15%	25%	20%	2.3
Research and market intelligence	24%	32%	26%	18%	2.4
Advocacy	19%	35%	24%	22%	2.5
Quality assurance	23%	17%	29%	31%	2.7
Agents (n = 23)					
Trading opportunities	39%	9%	26%	26%	2.4
Research and market intelligence	23%	32%	27%	18%	2.4
Advocacy	14%	50%	23%	14%	2.4
Quality assurance	29%	10%	29%	33%	2.7
Schools (n = 21)					
Trading opportunities	57%	19%	14%	10%	1.8
Research and market intelligence	10%	45%	25%	20%	2.6
Advocacy	26%	16%	26%	32%	2.6
Quality assurance	11%	16%	37%	37%	3.0

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