



Language school evolution

Gillian Evans reviews the evolution of language schools and considers whether there is a place for all in the market place of the future. This article first appeared in *Language Travel Magazine* (May 2003, Issue 103).

From the one-teacher home tuition centre to the multinational chain schools, the language teaching industry encompasses providers of all types. Following a frenzy of acquisitions in the 1990s, the pace of growth has slowed among the language school chains as they undergo a period of consolidation. But what of the smaller players? Is there room for all in the marketplace?

The language teaching industry is made up of companies of all shapes and sizes. At one end of the scale are the big players, which have expanded and evolved by setting up new schools and buying existing ones in key countries around the world, and closing less profitable centres. Some are backed by well-known names: the Washington Post owns Kaplan; the Daily Mail has a stake in Study Group (SG); the Benesse Corporation is the parent company of Berlitz; and Swiss retail giant, Migros, owns Eurocentres. At the other end of the scale, small schools continuously appear, especially when the market is buoyant, to fill niche areas in terms of courses and locations. When times get tough, some schools disappear. When the market picks up, new schools are launched. And so the cycle continues.

Growing up

In terms of maturity and development,

the English teaching market is the forerunner of the global industry. While Berlitz is one of the oldest language school names, having been set up in the USA at the end of the 1890s, a spate of language schools were launched in the 1950s and 1960s, including some of the big players such as International House (IH) and Bell. But it was not until the 1990s that many of the bigger school groups embarked upon their expansion plans.

Study Group now has 19 language centres in five English-speaking countries. "Our policy is usually to acquire existing schools with strong reputations that can then further benefit from our own reputation for globally consistent quality and the injection of resources that we enjoy as a global organisation," says Andrew Green at Study Group. The company is currently looking to further expand its reach. "In terms of geographical presence, we are looking at both South Africa and Ireland as part of an expansion strategy in the language and academic markets respectively," says Green.

In contrast to Study Group, EF has expanded its network by opening up new schools. "All the schools we have, we started from scratch – we have never purchased an existing school," reports Jessica Rowland at EF. "This strategy has worked quite well for us as we are able to create the schools exactly how we want them and can

consistently offer the highest quality."

Another strategy, franchising, has been included by Berlitz and Eurocentres as part of their expansion plans. "Eurocentres believes in the franchise system – privately-owned personal schools with important knowledge of the local [market] combined with the assurance of the same high level of standards and services of a global company," asserts Gaby Billing at Eurocentres.

Berlitz, which has 475 language centres in over 65 countries, combines all expansion methods – opening wholly owned centres, franchising centres in new locations and acquiring established schools. "We view franchising as one part of our overall growth strategy in that it allows us to expand into geographic areas we may not have been so quick to open with company-owned centres," explains Michael Palm, Director of Worldwide Marketing, Berlitz Language Services. "Today, we have more than 50 franchise locations around the world."

While many major players are now entering a period of consolidation, Kaplan in the USA is switching its focus from test preparation to English language teaching. Its acquisition of LCP in 1997, a campus-based language provider, marked the start of its interest in this area and gave it a presence among agents. "We now have a team of five people whose primary role is to

be on the road, networking and talking to agents," says Leigh-Ellen Louie at Kaplan. With 160 test centres in the USA and franchise operations in 13 countries, Kaplan is now interested in expanding into Canada and Australia and building up franchise operations in Asia.

As well as language schools that have expanded, there are companies that began life as agencies and then opened their own language schools overseas. One such operator is LAL Sprachreisen, which initially opened schools in the UK and USA. Its expansion history largely mirrors developments in its mainstream tourism sister company, FTI Touristik. "When our [sister] company increased its charter [air] services to Spain, LAL felt that it could extend its range of schools in the Spanish market. [We would] use our 'own' transportation to and from Germany and be able to offer attractive packages to students," explains Juergen Gemmeke at LAL. However, once the charter operator, FlyFTI, was disbanded after FTI Touristik's takeover by My Travel, LAL withdrew from the Spanish market.

Stiff competition

With the ongoing increase of the number of providers in the language teaching market, some of the small- to medium-sized schools have found it hard to fight for survival. St John's Wood School of English in the UK, which was set up in 1952, used to have three schools in London until more players entered the market in the late 1980s/early 1990s. "To be honest," confides Peter Bulmer, Principal at the school, which now has one centre, "we found it hard to compete with the bigger multicentre organisations such as ILA (Nordanglia) and LAL." Now Bulmer feels the school has carved out its own successful niche. "We now find ourselves as rather small fry when compared to most of our competitors—we have one school [with] 10 classrooms, and concentrate on the niche area of teaching in very small groups—maximum eight students," he says. Bulmer adds that they have no

plans to expand or to sell up to a larger group.

Not all language schools have expanded internationally. Language Studies Canada (LSC), which was founded in 1962, now has four language centres in Canada and, according to Gayle Forler at the school, is "proud to be 100 per cent Canadian". The Canadian language teaching market is largely characterised by small- to medium-sized players, but Forler says this is changing. "Until recently, large chains had a very low profile in Canada. Some previously independent Canadian schools are now part of chains [and] this is changing the face of our industry," she says.

Expansion blueprint

Although, to a certain extent, the evolution of the UK and the US industries may be seen as a model for other countries, as they are the more mature English language teaching markets, there are national differences that also affect development. For example, Warren Milner, Director of Milner International College of English in Australia, who also owns a school in the UK, claims that it is much easier to set up a school in the UK. "Compliance [to regulations] in Australia is now so costly that a new player [has] to have access to very deep pockets just to get established. Australia's system is skewed in favour of existing players, much more so than in Britain, [and] I can't see this changing," he says.

In France, too, Damien Renaux of French school, BLS, says it is difficult to set up in the country. "The chains are commonly developed in [English-speaking] countries, because it is much easier to develop profitable schools in these countries. [In contrast] in France, running a school is far more complicated in terms of laws, taxes, fiscal policies, etc," he asserts.

Expansion among the main chains has focused on English language

Case Studies

Linguaviva

Linguaviva in Florence opened its doors for the first time in 1976, teaching Italian to non-native speakers. Then in 1986 it opened an Italian language school in Japan, and in 1989, a branch in Israel, together with Campus Studies, for students who wanted to continue their studies at Italian universities.

In 1990, Linguaviva opened a centre in Milan called Linguadue, followed in 1994 by a branch in Luxembourg to provide language training in all EU languages to European Parliament representatives. Also, in 1994, Linguaviva established a centre in Switzerland to teach all the country's main languages, and finally launched a summer school for juniors in Ligano in 1997. In total, Linguaviva teaches around 8,000 students per year.

The Language Company

The Language Company began life in 1983 when Donald Meeks opened a franchise ELS Language Center in Norman, Oklahoma. After buying an additional school, which became the Tulsa English Institute, the ELS franchise was terminated in 1994 and ELS Norman became Norman English Institute (now Shawnee English Institute).

Overseas branches were opened in Mexico, Thailand and Macedonia. Two more US centres opened in 1994, a further three in 1996/97, and one in 2002, most of which were on-campus. Overseas operations ended in 1997. The company is owned by Brenda and Ali Robati.

SGV English Centres

Global Village English Centres was launched in 1994 and quickly established a network of four language centres in Canada and one in the USA. In 2001, it merged with Shane English Schools, which had operations in the UK, New Zealand and South Africa, to form SGV English Centres. UEC in Sydney joined the group not long after.

This year, SGV has opened a new centre in Brisbane, Australia and is launching a new UK centre in Hastings in June. SVG teaches a total of 10,000 students each year.

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destinations where the rewards are high in comparison to other language countries with more limited opportunities. Take Germany, for example. With the exception of a handful of players such as the Goethe Institut, Carl Duisberg Centren (CDC) and DiD, Germany is largely characterised by smaller language schools. Florian Meierhofer of BWS Germanlingua in Germany – which has a school in Munich and has recently opened a new centre in Berlin – argues that there are few well-known cities in Germany that can sustain a language school, so domestic expansion is limited.

The French market too – with the exception of Alliance Française, which has 12 French language teaching schools in France – remains largely characterised by smaller players. Renaux believes this trend will continue: “I am not convinced that the larger chains will overwhelm the French market, however, there is a constant development of smaller schools and expansion of smaller schools.”

External factors, such as economic problems or global unrest, hit the smaller players harder

The Spanish market follows a similar course, says Juan Manuel Sampere of Estudio Internacional Sampere in Spain. “I see more and more schools [in Spain], mainly small schools, and more and more [programmes] from public and private universities,” he says.

Italy is also a market of smaller players. Alessandro Vidoni, General Manager of Linguaviva, believes that any new ventures will be away from the saturated cities of Florence and Rome. Katherine Muraglia of Omnilingua in San Remo agrees. “I believe that in Italy there will be more small new schools, perhaps in less known areas, with existing schools

opting for multi-site locations but keeping small.” She adds, “Big chains are not really a part of the Italian retail or hospitality culture. You won’t find a McDonalds or Marks and Spencer’s in every town. Each community prides itself on its individuality and sees the chain store as a threat to this.”

Continuous growth

The language teaching market continues to evolve, with established small- to medium-sized players growing organically and existing alongside bigger chains, while new schools come and go with the rise and fall of the market.

“If the market growth continues, there are opportunities for many players and you will see increasing competition in popular destinations,” comments Gary Smith at Pacific Gateway International College, which has two centres in Canada and one in Australia. “New Zealand is currently a great example of this,” he says, “as eased visa regulations have generated an influx of Chinese and southeast Asian students and a corresponding rapid growth in the number of schools opening up”.

But, as Smith also points out, external factors, such as economic problems or global unrest, hit the smaller players harder. “If the market turns down, we will see many of the smaller, undistinguished schools go out of business. Medium-sized players will either make it or break it and this will depend on the quality and reputation of the product and the quality of relationships developed with the market.”

Rob Jensky, Managing Director of Language Link in Russia, asserts that smaller players will always have a role to play in the small market segments. But he adds that inevitably, chains will get bigger, “though probably leaner and more cost effective”, at the expense of the smaller players. Billing concurs. She believes more small schools will be looking to join groups as they find it hard to compete against

Study Group

Study Group began life as British Study Group, a privately-owned company, in 1996, joining Embassy Language Centres and Bellerby’s Colleges under common ownership. This was followed in 1997 and 1998 by an aggressive acquisition strategy in Australia and the USA, resulting in the formation of Study Group International. In 1998, the company was acquired by the Daily Mail & General Trust. In 2001, the company was rebranded as Study Group. Acquisition continued in 2001 and 2002 with new centres opening in Canada and New Zealand respectively.

Berlitz

Maximilian Berlitz opened the Berlitz School of Languages in Providence, Rhode Island in the USA in 1878. He opened a second school in Boston, MA in 1881 and then, in 1888, launched a school in Berlin, Germany. Between 1900 and 1914, Berlitz schools appeared in Latin America, Asia and Africa. In 1966, Berlitz was bought by Macmillan Inc, and in 1988 the group acquired Language Institute for English (Life), a campus-based English language programme for college-bound students. Also in 1988, Maxwell Communication Corporation took over Macmillan and, in 1989, Berlitz International, Inc went public. In 1993, Fukutake Publishing, now known as Benesse Corporation, acquired a majority share in Berlitz. In 1996, Berlitz launched its franchise programme, and in 1997, it acquired ELS Language Services. In 2001, Berlitz once again became privately owned with Benesse taking 100 per cent ownership of the company.

EF

EF was set up 40 years ago by Bertil Hult, who still owns the group. He started by accompanying young students from Sweden to the UK during the summer to study English and live with a host family. Soon the programme became so popular that he opened offices in other Scandinavian countries. EF now has 75 offices in over 40 countries, and 28 language centres that teach the native language. It is also opening three more centres this year. In addition to the native language centres and student placement offices, EF also has franchise operations that teach English in non-English language destinations around the world. In total, 150,000 people are taught a language through EF each year.

the marketing might of the big chains. "We think there is room for both [big and small players], but there will be more and more independent schools looking for cooperation or integration by themselves. In an ever more competitive market, they do not have enough resources to cover all areas," she says.

Both Smith and Paxton forecast more agent/school crossover or "vertical integration" as Paxton puts it. Smith explains, "More and more schools will be financed by overseas agents, providing a captive market from the parent company."

But it is not all bad news for smaller schools. In a world that has undergone globalisation in most industries, many people are keen to seek out a more exclusive experience. As a result, Paxton suggests, more small schools may be established by previous chain school employees. "I suspect we will see former owners of the now mega-schools open or develop smaller 'boutique' schools that will offer specialised programmes with unique features," he says. "The larger mega-schools will continue to exist and serve the bulk of the general language learning market but there will be a growing demand for a more specialised and personalised school."

Whether multinational chain or small independent school, it is clear that quality is the determining factor. "I believe a shake-out of the market is inevitable," says Smith. "Competition is fierce enough that schools have to differentiate themselves in some fashion. Price has typically been the strategy of choice and it works in many cases. But schools must build a good reputation, making themselves the provider of choice for agents who are committed to their clients."

Big or small?

There are pros and cons of being big or small for language schools and their clients. For agents, the pluses of working with chains often include better financial incentives, a centralised or local booking system

and more security that the language course will run as advertised.

Tatyana Khromchenko of Takt & Partners in Russia comments, "It's easier for students to study in one place and then move to another school without different formalities. Also, for agents, it's easier to apply for a student to Study Group, for example, which has an office in Moscow."

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Chain schools can also provide agents with the assurance of uniform standards across all their centres. Tatiana Blinova, Head of the Study Abroad Section at Intereducation in Russia, says, "Once [one centre] has proved the quality of services provided to us, we [often] use other schools in the chain, including those in another countries, without fear."

In addition, Jessica Rowland of EF argues that chains are able to attract students from a wider range of countries, ensuring a good nationality mix at their schools. David Wilkins at Shane Global Village adds, "We believe we can achieve a better product at a lower price by generating economies of scale."

Competing against the big players can be hard for the smaller centres. As Michael Wilson of Echo School in the UK says, "It would be nice to have the advertising muscle of the larger chains. Our biggest problem as an industry is that our client market is global and our targeting power is narrow."

To redress the balance, smaller language schools have grouped together to form associations to represent their interests. The

International House

John Haycraft and his wife Brita set up the first International House school in Cordoba in Spain in 1953. A few years later they returned to Britain and established a second school in London. As well as teaching English they set up teacher training courses for would-be English language teachers. These teachers were encouraged to go on to establish International House schools in other countries around the world. Today, the International House World Organisation comprises 130 affiliated schools in 40 countries, which, in total, teach around 100,000 students.

Estudio Sampere

Estudio Sampere was established in 1956 by the current owners' parents when the US Air Force set up a base near Madrid. The school taught English to Spaniards who wanted to work at the air base and Spanish to Americans who wanted to learn the language. The school expanded opening a branch in El Puerto in 1988, Salamanca in 1990, Ecuador in 1992 and Alicante in 1999. Altogether, the schools taught a total of 4,300 students in 2002.

Eurocentres

Erhard Waespi set up the first Eurocentres school in Bournemouth in 1948, and then established a string of other language schools. In 1960, Eurocentres became a foundation, with the backing of Migros, the Swiss retail giant. Eurocentres continued to expand, and now has 23 schools teaching six languages in 11 different countries in Europe, North America, Australia and Japan. Collectively 16,000 students study at its schools per year.

St Giles

The first St Giles College was founded in 1955 in London by Paul and Diana Lindsay. Schools were opened in Brighton in 1969, London Highgate in 1973, Eastbourne in 1979, San Francisco in 1982 and London Central in 1987. In 2001, St Giles Sao Paulo was opened - a joint venture between St Giles and Central de Intercambio, and in January 2003 St Giles Nanning (China) was launched - a joint venture between St Giles and Yifang Overseas Serving Company Limited. The company is still family-run.

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International Association of Language Centres (Ialc) was set up in 1983, specifically for independent private language schools, and at the end of last year, the Worldwide Alliance of Small English Language Schools (Wasels) was established.

The trump card for smaller schools, however, is that they are widely believed to provide a more personal service to language students. Tasha Lewis of International Connections Consulting in the USA asserts, "The main reason why students select independent smaller schools [is] to avoid getting lost in the process."

Highlighting the benefits of smaller schools, Thomas Gesang of DESR Europaeische Sprachen und Reisen in Germany, comments, "Independent local schools tend to be much smaller [than chain schools]. [They] tend to be more original and – mostly – more flexible, [and] more enduring personal contacts can be maintained, whereas in chain schools, staff change more frequently and everything is less personal."

Warren Milner of Milner International College of English reinforces this point. "I give my two schools [in

Australia and the UK] just about complete autonomy," he says. "I've found that there are significant advantages, mainly flexibility, relationship with agents, teacher management relationships morale and pastoral care of students. I think a chain's need for uniformity would minimise these advantages."

Chains are aware that, despite all the advantages of being in a group, it is imperative that they keep their individual centres personal, both for agents and students. Leigh-Ellen Louie at Kaplan says, "The challenge of larger centres is to keep the personal approach – that's why we've added our overseas marketing network and our next phase is to develop in-country agents."

Study Group already has a network of regional offices in around 20 countries which are the "primary face-to-face contact between the company and our partner agents", says Andrew Green.

Franchise operations sit somewhere in between the independent and the chain. They have to adhere to certain quality standards and may be inspected by the group, but are left to run their schools individually. "I prefer to work straight with a school where I send students,"

comments Khromchenko. "It's easier to get the details of the school and deal with a certain person, who does not send you to another one."


IH centres, which are a network of franchise operations, enjoy the benefits of the IH name but each school owner is individually responsible for their centre. "With at least 100 different school owners committed to the success of their own schools, IH is not a centrally controlled conglomerate but a dynamic group of self-motivated centres," claims Martin Lemon of West of England Language Services, which owns four IH centres in the UK, USA and Australia.

Gillian Evans is the Editor-in-Chief of Language Travel Magazine, which is written specifically for language travel agents, student recruiters and educational consultants in over 100 countries throughout the world.

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