

# How to Work with Agents to Maximise your Recruitment in Japan

- ◆ Lessons from the liquidation of Gateway 21
- ◆ Knowing travel agency law in Japan
- ◆ The activities of CIEL in JATA
- ◆ Data from JATA Japan Association of Travel Agents (Visit World Campaign)
- ◆ What Japanese agents are?
- ◆ Historical background of Japanese agency
- ◆ Conclusion
- ◆ Future of Japanese agents

Kenichi Ikeno,  
Founder and Company Managing Director  
UTS Centre for International Education

ICEF Tokyo 3 March 2009  
Copyright UTS Centre for International Education

# How Language Travel Magazine covered Gateway 21 liquidation

LT December 2008 issue

## Gateway 21 in Japan folds with massive debts

The study abroad agency Gateway 21 in Japan collapsed in September, leaving many thousands of clients stranded as it filed for bankruptcy and revealed debts of US\$12 million. Of that considerable sum, US\$9 million was attributed to its debts owed to individual customers. Lawyers acting for the company said that some 1,100 people who had paid tuition and accommodation fees up front were unlikely to get their money back, despite bankruptcy proceedings going ahead. The company belonged to the Japan Association of Travel Agents, but only a small portion of fees could be recovered under the Jata system.

One news source suggested that the company ran into problems when its partner schools were not paid, and therefore refused to accept any more of the company's clients. A Japanese agent told *Language Travel Magazine* that Gateway 21 had placed a lot of advertisements before running into this crisis, and a general slowdown in the Japanese outbound study market.

The company closed suddenly, and a number of clients were reported to be queuing up at the head office in Tokyo and waiting

funds already paid. These included a student who told a newspaper she had paid US\$7,500 to study at a language school in Canada. Students who were already abroad in September may also have been affected. Many clients in Canada managed to coordinate their studies when 13 members of school association, Language Canada, offered free courses to affected students, but others in Australia, New Zealand and the USA may have had to leave.

In Japan, there was surprise at the scale of the debt and questions were being asked about why the agency had continued to accept bookings if its finances were shaky. Various agencies said they had been contacted by affected clients. One said, "Some Gateway clients are saying they will pursue their plans through us. At the same time, there must be quite a few who will need to cancel their plans for financial reasons." The source echoed other concerns that Gateway 21 was unique in the marketplace for its "aggressive" tactics without a commitment to quality service.

Gateway 21 opened in 1997 and reportedly dealt with up to 8,000 clients per year, with an annual turnover of US\$20 million. \*

### MEI-Relsa holds agent fam trip after StudyWorld

IRELAND'S ENGLISH language school association, MEI-Relsa, held an agent fam trip and workshop, immediately after StudyWorld this year in order to introduce Ireland to interested agents and enable them to visit some Irish language schools.

Overall, 45 agents attended the trip and they got the chance to meet with representatives from 23 schools from Ireland.

Teresa de Alencar from Cultural Adventures in Brazil said that it was very important to meet with agents and talk to the schools personally. "We learned so much and came back with

more energy and knowledge," she commented.

During the fam trip, which took place between 10 and 14 September, agents visited Cork, County Kerry, Dublin and Athlone and took part in a workshop in Athlone. Aoife Mulvihill from Atlantic Language Gateway said that for her, a boat cruise along the River Shannon was a highlight of the trip.

"I think it's very important to organize agent visits to schools," she said. "As there are many schools all over the country and despite Ireland being so small it does take time to travel from A to B."

### In memoriam: Frederic Gonzalez

FREDERIC Gonzalez, CEO and Director for EC, Boston, in the USA, passed away suddenly and tragically earlier this year.

Well known for his rare ability to get the best out of people and for his great leadership skills, Fred was a key player in the EC chain and will be sadly missed. He will be warmly remembered for his joyful and positive attitude.

Frederic-born Fred joined EC as General Manager of EC Cambridge in 2003 before moving to Boston last year. He leaves a wife and two young sons. \*

### Agency of the month

**AE**  
Answer English

This month **Professionals UK** in the UK, nominates **Answer English** in the UK. Karen Bowring, Managing Director of the company explains her decision.

"I would like to nominate Answer English UK, James Robertson at AE and his team are a fast growing and flexible agency and they turn their resources to where the demand is very quick. They provide excellent accommodation services outside of the host family sector and are a great partner to work with to produce packages such as English and music experiences with accommodation in a student home/bedroom - which is very popular in the European market. They feel like a student one-stop shop, providing students in the right direction for work experience, getting a foothold in London etc, saving their accommodation and of course getting them the best English courses around. They also do their great conversation exchange evenings, where they meet students from other agencies up Spanish Express learning Spanish, with Spanish students learning English. I have used other agencies like this one! But I don't think it will be small for long!"

December 2008

# Incident of Gateway 21

- ◆ On 30 September 2008 they propose liquidation to Tokyo local court. Gateway 21 debt is \$13 million. \$9 million is the debt owed to individual customers.
- ◆ 1,300 individuals who paid tuition and accommodation will not get their money back.
- ◆ Gateway 21 belonged to Japan Association of Travel Agents. JATA will pay back a small portion of the fee.
- ◆ Gateway 21 opened in 1997 and dealt with over 8,000 clients a year with an annual turnover of \$28 million.

# Background of liquidation of Gateway 21

- ◆ Gateway 21 was a third class travel agency although they were a member of JATA.

They thought that travel agency law does not apply to the language travel business. Thus they only had a third class travel agency licence. In this capacity they can only arrange accommodation and the flight tickets separately and charge them separately. If you offer a study abroad programme, accommodation and flight tickets come as a package, and you are requested to apply for a first class travel agency licence.

# CIEL members have first class travel agency licence

Within JATA there is the Council of International Education and Language Travel, Japan, CIEL. Gateway 21 was not a member of CIEL. CIEL members all hold first class licences.

There is a big difference between a first class licence and a third class licence. Regarding the minimum bond required to rescue consumers in case of insolvency of JATA members, \$30,000 is required for a third class licence and \$700,000 for a first class licence. The bond amount is decided by the ministry every year depending on the member's annual B/S report.

Furthermore every licensed travel agency must have sound financial capacity. Therefore all licensed travel agents are requested to have real assets, which means total capital minus liability. Third class licence holders require real assets of at least \$30,000 and first class licence holders require real assets of at least \$300,000.

# What JATA Japan Association of Travel Agents does

- ◆ **VWC Visit World Campaign**

increased outbound tourist number by more than 20 million.

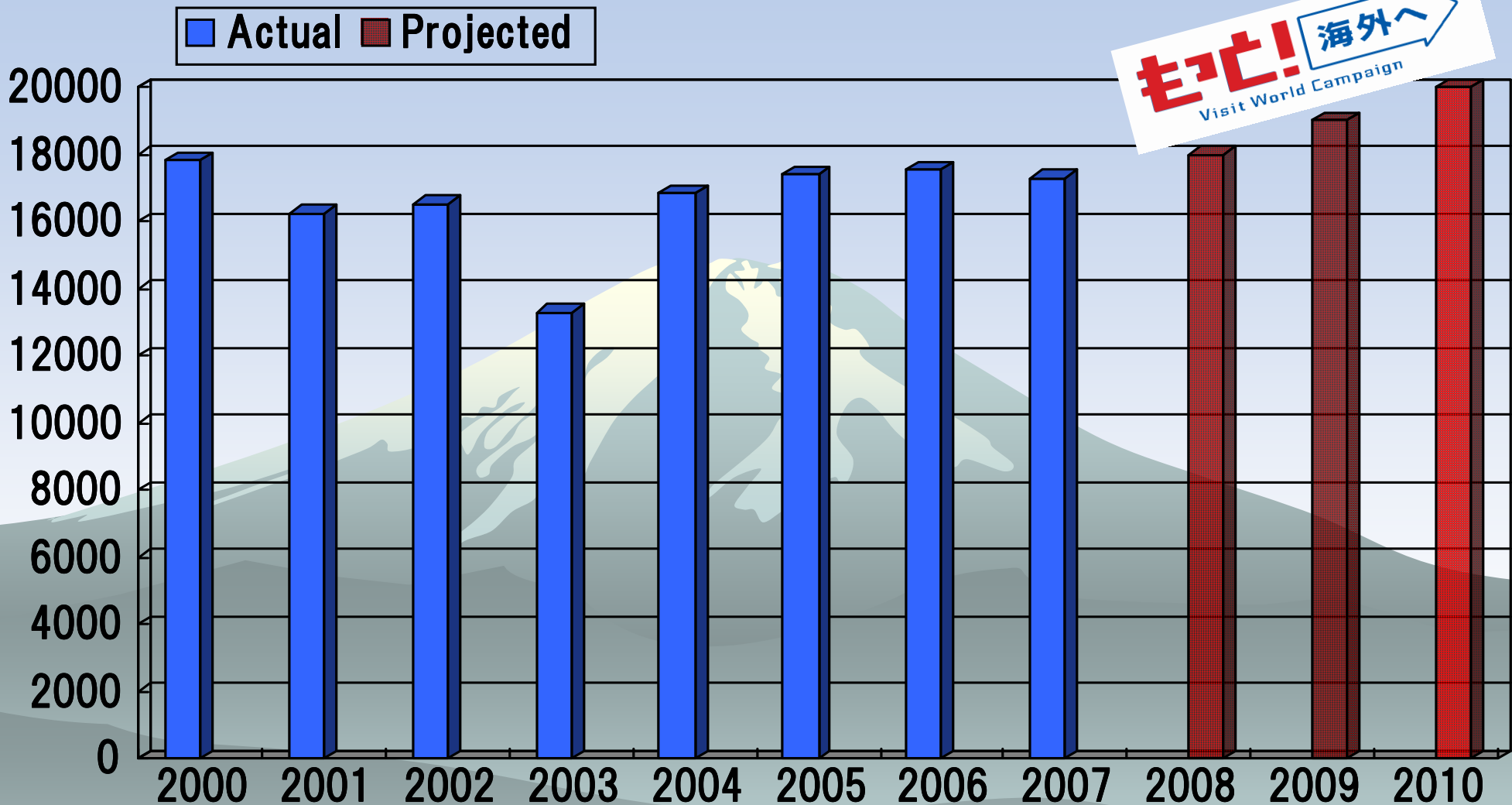
## Why Japanese do not go abroad?

JTB outbound education travel of December 2008 shows a 6.7% increase. Outbound Educational Travel Association announced that in 2007 member agents handled 208,052 students and expect more students in 2008.

- Most Japanese have sufficient reserves to spend

GDP per capita of 2008 will rank Japan in world top 10 again due to strong yen. Total cash possessed by all the Japanese is estimated to be around \$6 trillion, the highest in the world.

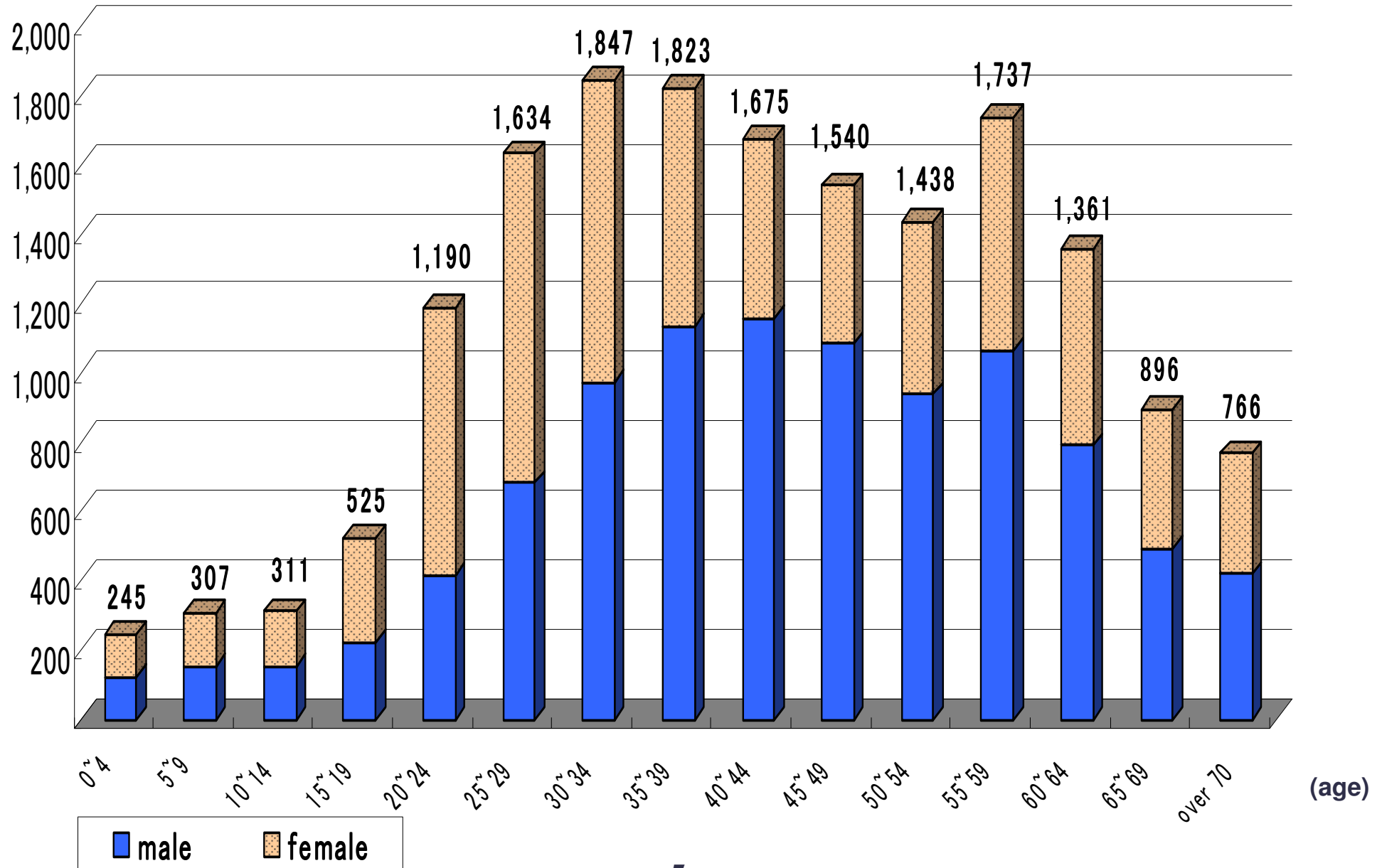
# Annual Number of Japanese Overseas Travellers (2000-2010)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Travellers	17,819	16,216	16,523	13,296	16,831	17,403	17,534	17,298	18,000	19,000	20,000
Annual Growth	8.9	-9.0	1.9	-19.5	26.6	3.4	0.8	-1.3	4.1	5.6	5.3

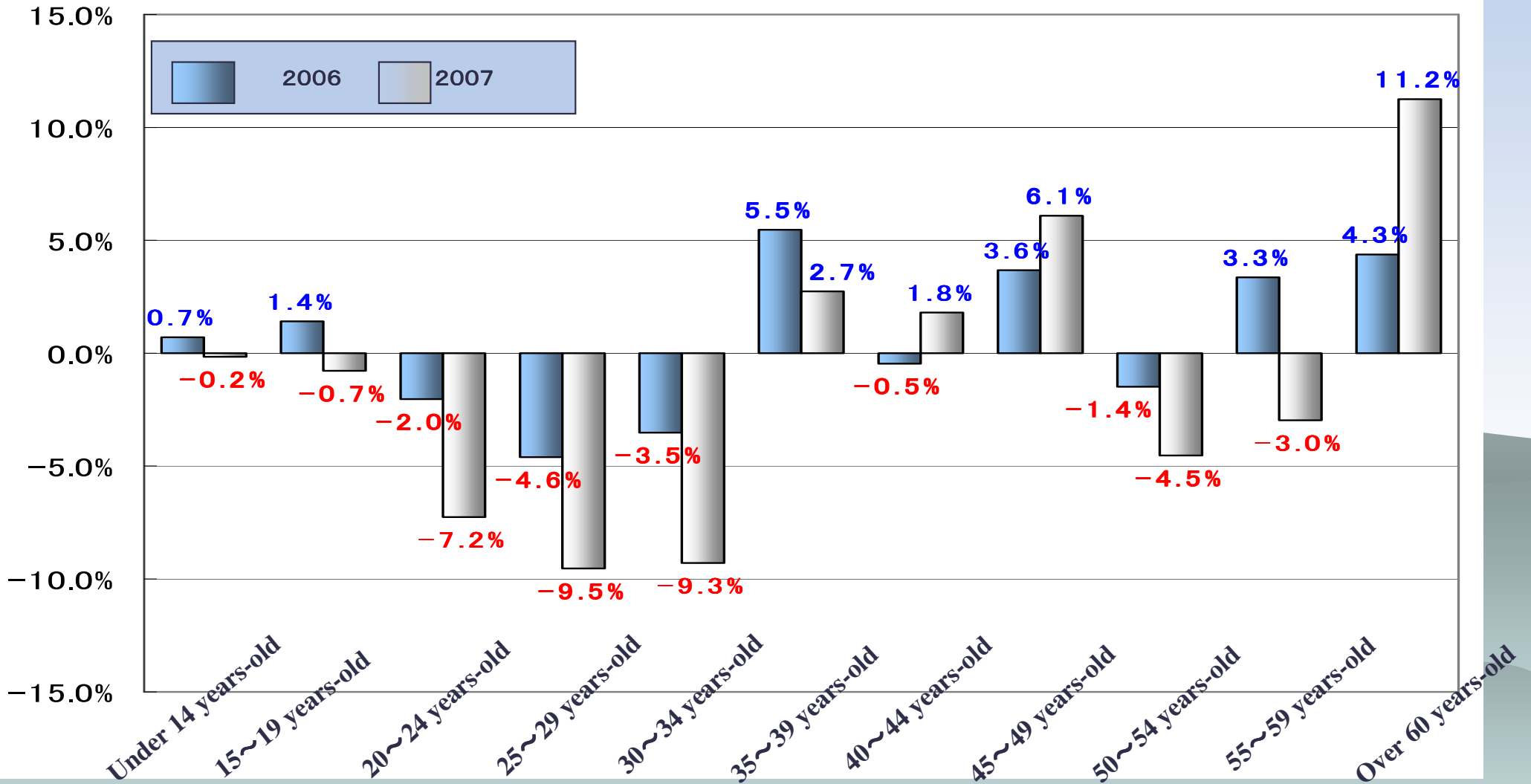
# Number of Japanese Overseas Travelers by Age and Sex in 2007

(Thousands)



# Change by Age in the number of Japanese Travellers (Growth % Compared to 2005 Travelers)

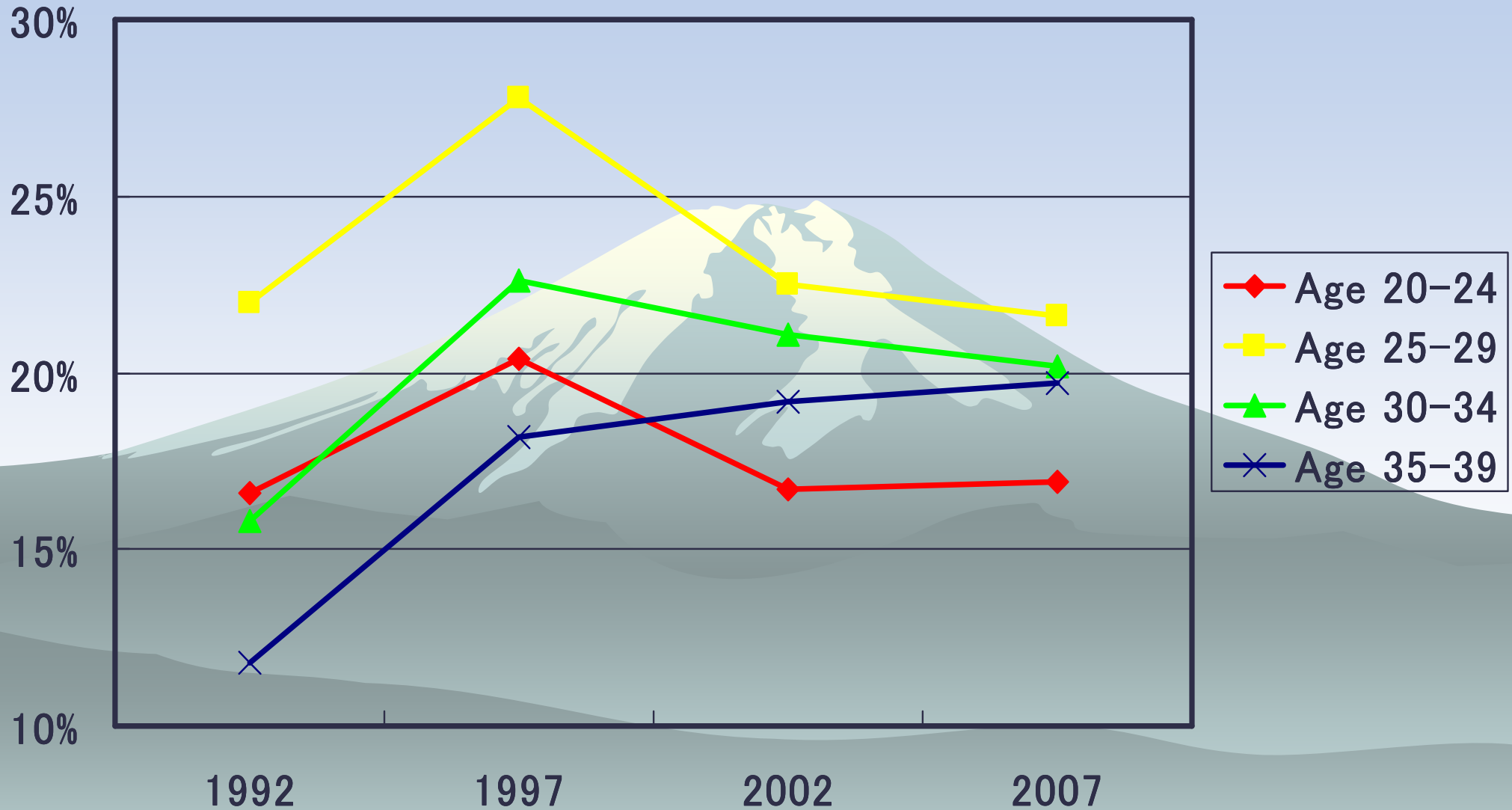
Year	2005	2006	2007
Total	17,403,565	17,534,565	17,294,935



※Numerical value indexed as 0 in 2005.

# Rate of Overseas Travellers in their 20's and 30's

Demographic Year: 1992, 1997, 2002 and 2007



Source: Ministry of Justice "Statistics on Immigration Control"

# How to promote Language Travel

- ◆ Approach to high schools with the support of the ministry of education and the ministry of transport.
- ◆ Approach school teachers and promote the importance of experiencing life abroad and language study during the holiday season.
- ◆ Provide safety network for schools which plan to offer study abroad programmes. The schools are requested by law to take protective measures for study abroad participants. Schools could be sued by students and parents if they have not taken safety measures.

# What Japanese agents are?

1. Language travel agent without travel agency licence
2. Travel agent with a knowledge of language travel
3. Youth organisation
4. Land operator for travel agent
5. Consultant of study abroad placement for individuals
6. Consultant of international educational exchange for schools

# Historical background

1960s to 1970s

- ◆ Youth organisations specializing in homestay due to the restriction in the amount of foreign currencies

Since 1978

- ◆ No restriction of foreign exchange
- ◆ Emergence as a new business, of the study abroad consultant for individuals
- ◆ Educational consultant with mass recruitment tools such as publishing magazine, glossy brochure, collaboration with mass media
- ◆ Big travel operators who already have access to secondary schools like JTB, KNT etc.

# Conclusion

There is no royal way of marketing

- ◆ Find reliable agency taking into account financial capacity, reputation and licence
- ◆ Meet the top person and judge the agent for yourself
- ◆ Find out up-to-date information on Japanese agents
- ◆ More collaboration with public bodies and associations in Japan

# Future of educational agency

Smaller agencies and big operators

From language school agency to academic  
placement service

part or subsidiary of big business group