

English World's International Expansion

Brandon Walcutt

Department of International Studies, Hankuk University of Foreign Studies, 270 Imun-dong,
Dongdaemun-gu, Seoul, South Korea

Email: travelingman2@gmail.com

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Abstract

This case concerns an entrepreneurial start-up firm that is dealing with strategic management and marketing issues. The overall objective is to provide students with the opportunity to apply their research skills and knowledge regarding a highly competitive industry to develop strategic marketing strategies. The case is oriented towards upper-level undergraduate or MBA marketing students and can be taught within a one to two-hour class with several hours of outside student preparation. Although the case is most applicable to students in non-English speaking countries, the general concept can be used in any marketing class setting.

Keywords: ESL Industry, Entrepreneurship, International Expansion, Strategic Management, Strategic Marketing

JEL Code: M30

Case Synopsis

The English World case is about an entrepreneurial start-up based in New Zealand that was established to provide business English language instruction to foreign students using inexpensive video-conferencing technology delivered via the Internet. The company was originally set up to provide group instruction to a small number of businessmen on the island of New Caledonia. However, the founder decided to expand the scope of the firm and begin offering his services to the international market. Although he was relatively unfamiliar with the English as a Second Language (ESL) industry, he felt he could offer a competitive, quality product based on what he saw might be gaps in the offerings of the other firms in the market. He focused on providing high quality, "native speaking" English instructors from New Zealand with real world business or business English teaching experience instead of cheaper instructors who most likely lacked western business acumen from India or the Philippines and who were not perceived by many consumers as offering as much commensurate value as those from New Zealand, the US, UK, Canada, or Australia. He also considered the possibility of expanding the service offering scope to allow for the instruction of children, but has avoided making that decision until the market has been researched.

English World, from a service delivery standpoint, has very few structural growth limitations due to favorable conditions surrounding its technology platform and ability to source quality instructors. As English World's services are provided through proven, scalable VOIP (Voice over Internet Protocol) software, they have no prohibitive issues in conducting their lessons to any location worldwide provided there is a moderately fast internet service. Sourcing quality instructors is a growth limitation that many firms in this industry face. English World is able to sidestep this issue, though, due to their sizeable database of qualified and experienced local instructors and their agreement for an ESL training program with a NZ university. Another major factor decreasing the personnel related limitations is their ability, through the technology platform, to utilize the services of an extremely large pool of qualified instructors anywhere in the world. Instructors simply must log on from any PC linked to the internet that possesses a webcam and microphone. Although English World still faces the organizational, management and training issues faced by every firm, they are not constrained by the primary limitations facing many related companies, both brick-and-mortar and e-based firms, in the ESL market.

The businessperson, for better or worse, has decided to proceed with the expansion of English World into the international market without creating a comprehensive business or marketing plan that identifies specific target market segmentations, competition, product differentiation, or marketing strategies. Due to the lack of formal marketing preparation by the entrepreneur, students will start from scratch in discussing and developing recommendations that fit their local business environment to the case's marketing questions. The following questions should be addressed within student discussions:

1. What specific local target market segments are applicable to English World? Provide appropriate and supported recommendations on approaches to reach those markets.
2. Who are English World's local industry competitors? How can English World effectively compete with them?
3. Identify various ways in which the relevant industry services are differentiated and provide appropriate product line and differentiation recommendations to English World.
4. What are some possible marketing strategies relevant to the English World context?

Instructors' Notes

As the business owner embarked on expanding his company into the international market without a comprehensive business or marketing plan, this case requires the students to start from scratch to discuss and develop recommendations concerning the four provided strategic marketing questions. Students should tailor their answers to meet the specific needs and contexts of their own home markets for English World's services.

Discussion Topics

Every market will have its own unique needs, tastes, characteristics and competitors. In addition, depending upon the country this case is applied to, every market will produce a different set of student recommendations. As an example, the research questions below have all been roughly answered in the context of the ESL market of South Korea.

1. TARGET MARKETS

As mentioned, English World was originally established to teach English to business people in New Caledonia. Maintaining this initial market focus in the Korean market could be considered a logical extension of their original business plan and the area of their strongest

expertise. The total English language instruction market in Korea, although extremely competitive, is a \$15 billion industry and certainly might be a solid general target market to approach.

One practical consideration would require English World to set its focus on either selling directly to business people themselves versus marketing business English programs to the companies that employ the workers taking the classes. Many companies require their employees to achieve proficiency in English to be eligible for promotions or international assignments.

2. Competition

English World will face two types of competitors upon entering the South Korean market. The primary group will be near substitutes to English World’s services. Table 1 below illustrates the primary, internet-based English teaching competitors that will be faced by the company.

Table 1: Internet-based English Teaching Companies in South Korea

	Large Companies			SMEs		
Company Name	YBM Sisa	Hello - ET	Spicus	English Pass	Ringlish	Engbell
Overall Market Share (%)	17.4%	10.3%	16%	16.4%	15.8%	7.06%
Technology	45M (ISP)	45M (ISP)	VOIP (Voice Over Internet Protocol)			
Teachers’ Nationality	Filipino	Filipino	Filipino American	Filipino	Filipino American	Filipino
Tuition (about 15 contacts per month)	About \$64	About \$64	\$48 (Filip.) \$72 (US)	\$48 (Filip.) \$70 (US)	About \$40	About \$40
Service Focus	Need based English classes (ie. Business, TOIC tests, etc.)	General English for all needs (Business possible but not specialty)	General English and seminars	Business and Children	General English for all needs	Children

* Data was sourced directly from the firms in 2010.

The second group of competitors that English World will face is the in-person instructors who teach either directly at the Korean businessperson’s office or in established brick-and-mortar institutions. This group is a substitute, but is not a close one due to the different market and delivery focus and the considerably higher price point (lessons range from \$10~\$60 per student hour depending on number of students, instructor nationality, race, quality and focus).

As English World would be a new entrant into the internet-based English instructional market and does not have an established brand presence, it may need to compete on the basis of instructor nationality and perceived quality, service focus and overall service.

3. PRODUCT DIFFERENTIATION

To begin selling to any specific target market, firms must differentiate their products from their competitors to encourage consumers to switch from their existing brands. In the case of English World, they have several ways to differentiate themselves. The first path to differentiation would be by adhering to their business English focus. As shown in Table 1, only two other companies (YBM and English Pass) have distinctly business English focuses. All other direct competitors focus on providing a more general English language experience to widely different groups. Maintaining the focus could provide a solid competitive advantage.

Another path to differentiation could be on the basis of only providing native English speaking instructors (ie. non-Filipinos or Indians). As mentioned, many Korean consumers often perceive that Caucasian instructors have a greater value due to their perceived ability to teach better and sound more authentic. By providing this more select group of instructors would allow English World to maintain a reputation (warranted or not) of providing the most qualified teachers in the industry and thus providing the most value to the student. One disadvantage of this particular strategy is the considerably higher cost associated with Western instructors as compared to hiring Filipinos or Indians.

A third path to differentiate the firm might be to hire only instructors with direct business experience or who possess specialized business English training and thus provide the most specialized knowledge of business English to the students. This is a true differentiating strategy as Korean ESL service providing companies primarily hire “business English” instructors based on their schedules and pay scales, rather than their experience or ability to actually teach the subject.

4. Sales And Marketing Strategies

English World has a number of different sales and marketing strategies to choose from depending upon their choice of market focus and method(s) of differentiation. Students working on this case may come up with a variety of different strategies to accomplish EW's penetration and growth within their respective markets.

Approaches to achieve adequate market penetration into the Korean market will require decisions to be made in regards to specific market targets, pricing policies, broad versus narrow marketing focus and more. One successful approach taken by other foreign firms entering the Korean market with similar services entails a very low rate penetration pricing coupled with hiring experienced and well-connected salesmen to employ a personal sales strategy directed at the top leadership of large, trend-setting Korean firms.

As noted, there are a host of different market approaches that could be employed to achieve adequate market penetration into the Korean market. Other markets could result in an even greater configuration of strategies.

Summary

The case of English World requires students to begin developing the new startup firm's strategic business and marketing directions from scratch due to the founder's lack of formal planning. Although the firm was essentially operational under its initial small scope, nothing had been decided regarding target markets or service offerings beyond the current

business English group lessons, differentiation versus competitors and general marketing approach, so a comprehensive strategy will be required.

As a whole, this case requires students to research and logically analyze a competitive industry in the context of their own domestic markets to determine a pragmatic, recommended marketing strategy for English World to use.

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