IS CANADA’S INTERNATIONAL COMPETITIVENESS DECLINING?

CBIE 2016

DISCLAIMER

- This presentation was delivered by ICG at the 2016 CBIE Annual Conference on 16 November 2016.
- The presentation shall be considered incomplete without oral clarification.
- The opinions expressed in this presentation are those of the authors alone.
- International student enrollment data was sourced from a variety of national-level sources. ICG cannot vouch for the accuracy of the underlying data collection and reporting methods.
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Panelists

- Randall Martin, Executive Director, British Columbia Council for International Education
- Tina Bax, President, CultureWorks
- Ian Humphries, Provost and Vice President Academic and Students, Langara College
- Gary Slater, Associate Vice-President Student and International Affairs, University of Ottawa

Chair and Presenter

- Dan Guhr, Managing Director, Illuminate Consulting

SESSION INTRODUCTION

- **From 2008-14, Canada was the posterchild for quality-based growth in IE: Total international enrollments effectively doubled.**
- **In 2015, cracks in this success story emerged: Growth slowed down, competitors such as Australia and the U.S. accelerated past Canada, and internal counter-measures remained muted.**
- **This session will share competitor analysis combined with previously not available analysis on international student enrollment trends in Canada.**
- **Together with the audience, the panelists and will address two key questions:**
  - **"Is Canada's competitive position declining?", and if this is shown to be the case,**
  - **"What does this portent for 2017 and beyond?"**

More Analysis

- **ICG's 2016 Canada International Education Intelligence Report includes analysis on:**
  - **International students in Canada (up to 2015)**
  - **Key competitor student mobility trends (up to 2015)**
  - **Key student sending country trends (up to 2015)**
  - **Observations on marketing, recruiting, and admissions performance and gaps relative to global best practices**
  - **Perspectives on Canada's competitive trajectory for 2016 and 2017**
- **The report provides up-to-date, global information that is critical to Canadian institutions to adjust policies and processes for a changed competitive landscape.**
- **The report is available as of the fall of 2016. The price is USD 750. Orders can be submitted to orders@illuminategroup.com.**

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Musings

- **Canada remains one of the most popular countries in the world. It is widely considered as a safe, clean, and welcoming country.**
- **Canadian education from K-12 to universities has a reputation for quality and (historically) affordability.**
- **Generous work rights and immigration opportunities have been a key attractor for many international students.**
- **Canada's relative international education competitiveness has started to decline in 2012, partially based on competitor actions and partially based on Canadian inaction.**

Canada does no longer offer a unified competition picture

CANADA: STILL POPULAR, WITH STRONG FOUNDATIONS, BUT ...
Key Trends

Back Up

- International student enrollment doubled from 179,000 in 2007 to 357,000 in 2015 (all sectors).
- The share of Chinese students grew from 23 to 34 percent during the same timeframe. Related, Canada's international student intake has become notably less diverse.
- Total revenues from international education accounted for CAD 15.5 to 16.0 billion in 2015 (ICG estimate).
- Over the last decade, Canada has morphed into a key international student destination country. This largely took place on the back of its national and to some degree educational brand.
- Canada's elevated growth between 2008 to 2014 masked a weakening of its competitive position that started in 2012. ICG publicly flagged this dynamic as far back as November 2014 at the CBIE Annual Conference.
- As of 2015, Canada has entered a new market positioning phase.

Back Up

- International students enrolling in Canadian institutions is the outcome of many complex factors (e.g., cost, brand, competition, immigration). Importantly, enrollment trends are a strictly trailing indictor – intake trends are more relevant to understand market dynamics.

- Yet even intake trends only reveal decisions that were made from one to three or more years earlier. The aforementioned assigns institutional marketing, recruiting, and admissions performances a critical role in shaping enrollment dynamics.

- The availability of global market intelligence and detailed as well as timely Canadian international student statistics is easily a decade behind best practices in Australia, New Zealand, and the UK – significantly impairing the competitiveness of Canadian institutions.

- This presentation lays out such competition and publicly available enrollment data to alert Canadian stakeholders to a marked change in Canada's competitive position that has gone largely unnoticed to date.

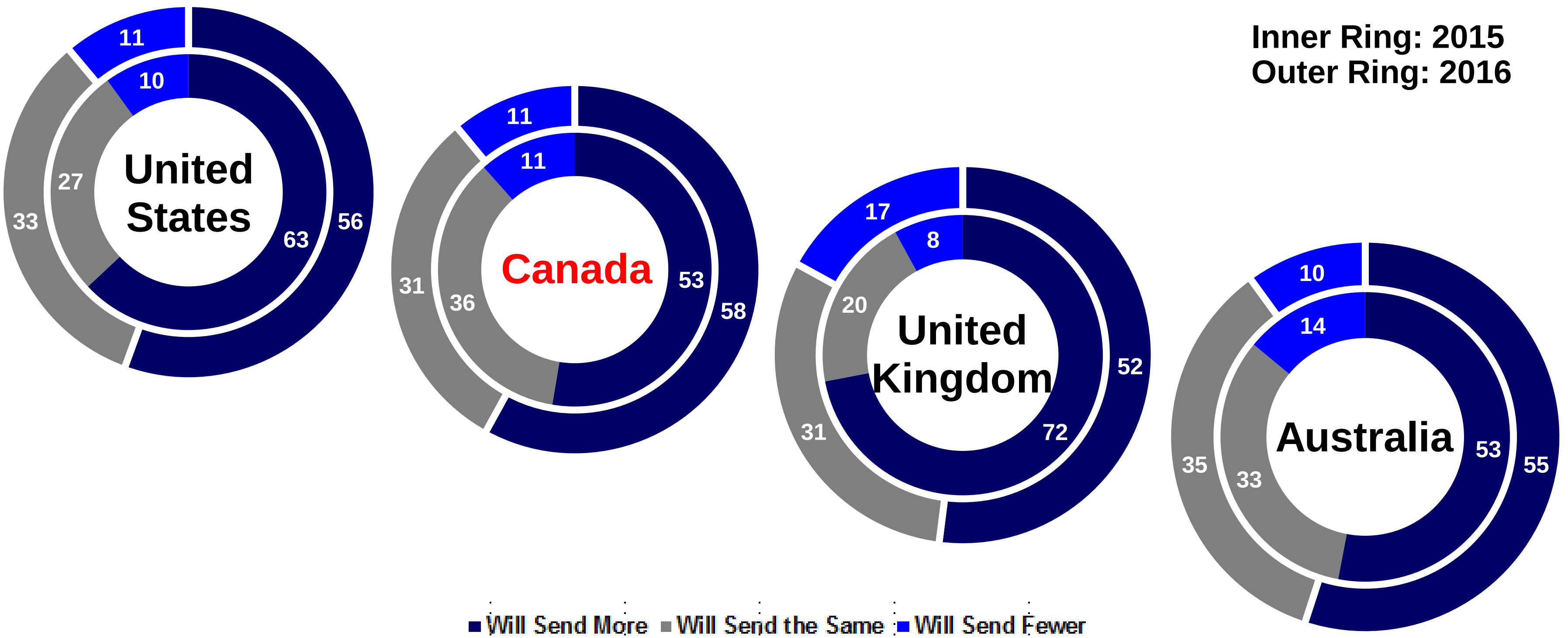
CANADA: STILL POPULAR, WITH STRONG FOUNDATIONS, BUT ...
Canada's National Brand

Future Brand 2014-15	US News 2016	Reputation Inst. 2016
1. Japan	1. Germany	1. Sweden
2. Switzerland	2. Canada	2. Canada
3. Germany	3. United Kingdom	3. Switzerland
4. Sweden	4. United States	4. Australia
5. Canada	5. Sweden	5. Norway
6. Norway	6. Australia	6. Finland
7. United States	7. Japan	7. New Zealand
8. Australia	8. France	8. Denmark
9. Denmark	9. Netherlands	9. Ireland
10. Austria	10. Denmark	10. Netherlands

Canada remains very popular – which has been a double-edged sword

Sources: FutureBrand *Country Brand Index*, USNews *Best Country Ranking*, Reputation Institute *Most Reputable Countries*.

Question: In the coming year, do you expect to send more, same or fewer students to the following destinations (percent)?



A trailing indicator, reflecting (past) strength

Source: INTO Agent Survey, 2016.

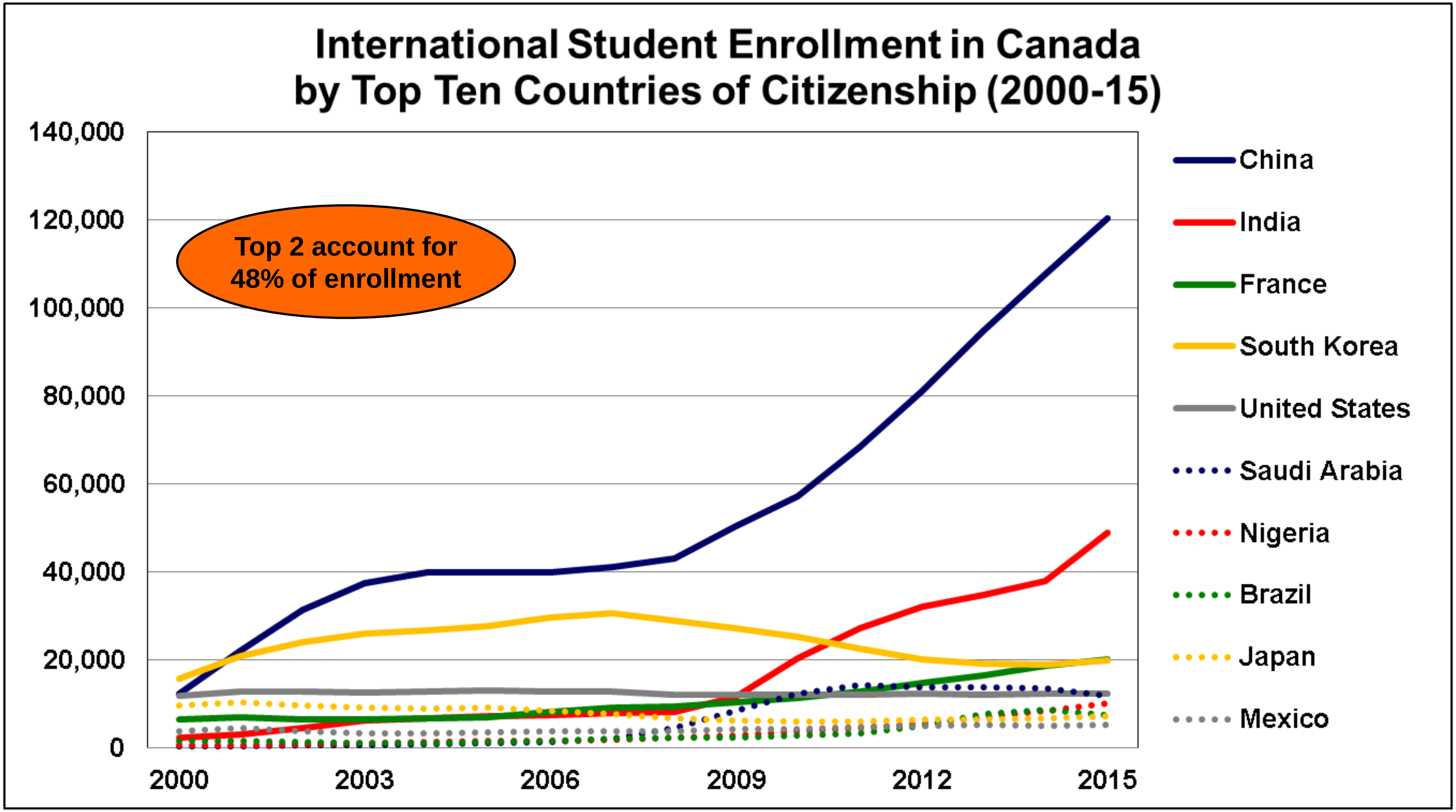
CANADA: STILL POPULAR, WITH STRONG FOUNDATIONS, BUT ...
ICG Destination Country Policy Benchmarking (2014, 2016)

	During Studies	Post Studies	Immigration
Canada	High	High	High
Germany	High/Moderate	High	High
New Zealand	High	High	Moderate/Low
Australia	High	Moderate	Moderate
Sweden	High	Low	Moderate/Low
United Kingdom	High	Moderate	Low
United States	Moderate	Low	Low

2014 results put Canada ahead, but Australia and NZ caught up in 2016

Source: ICG.

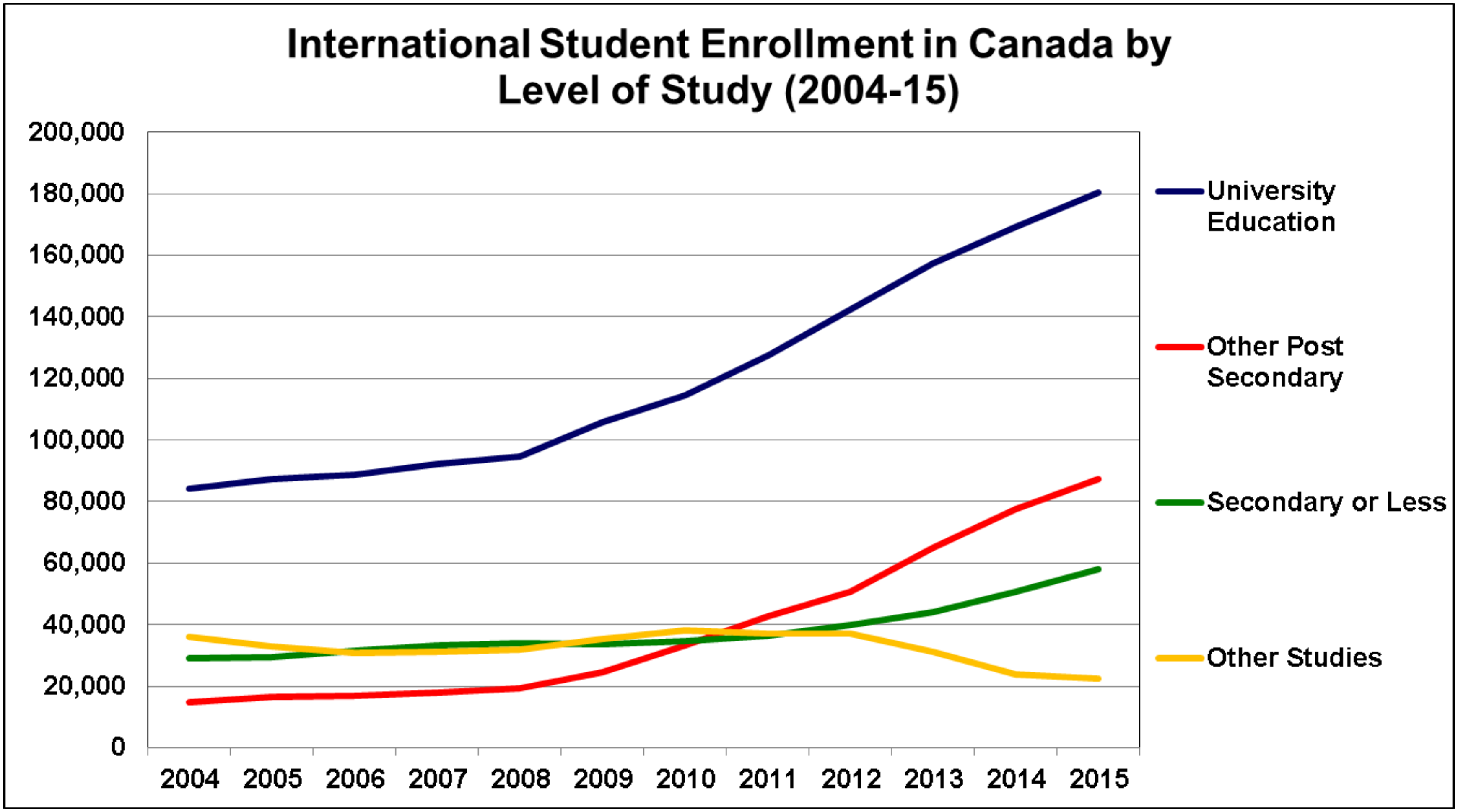
International Enrollment Data (I)



China and India dominate – can Canada properly develop other markets?

Source: IRCC.

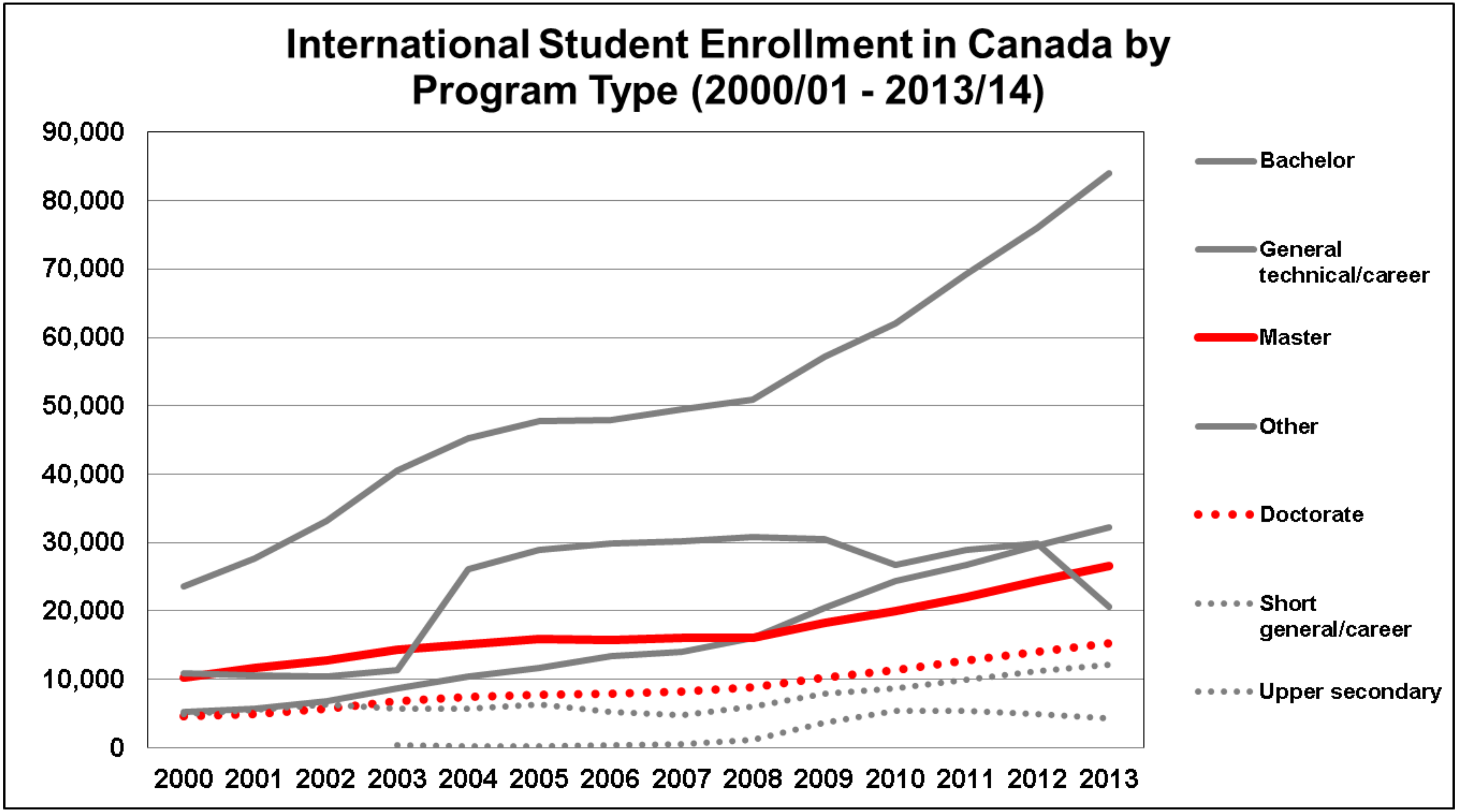
International Enrollment Data (II)



Universities continue to dominate, colleges grew most strongly

Source: IRCC.

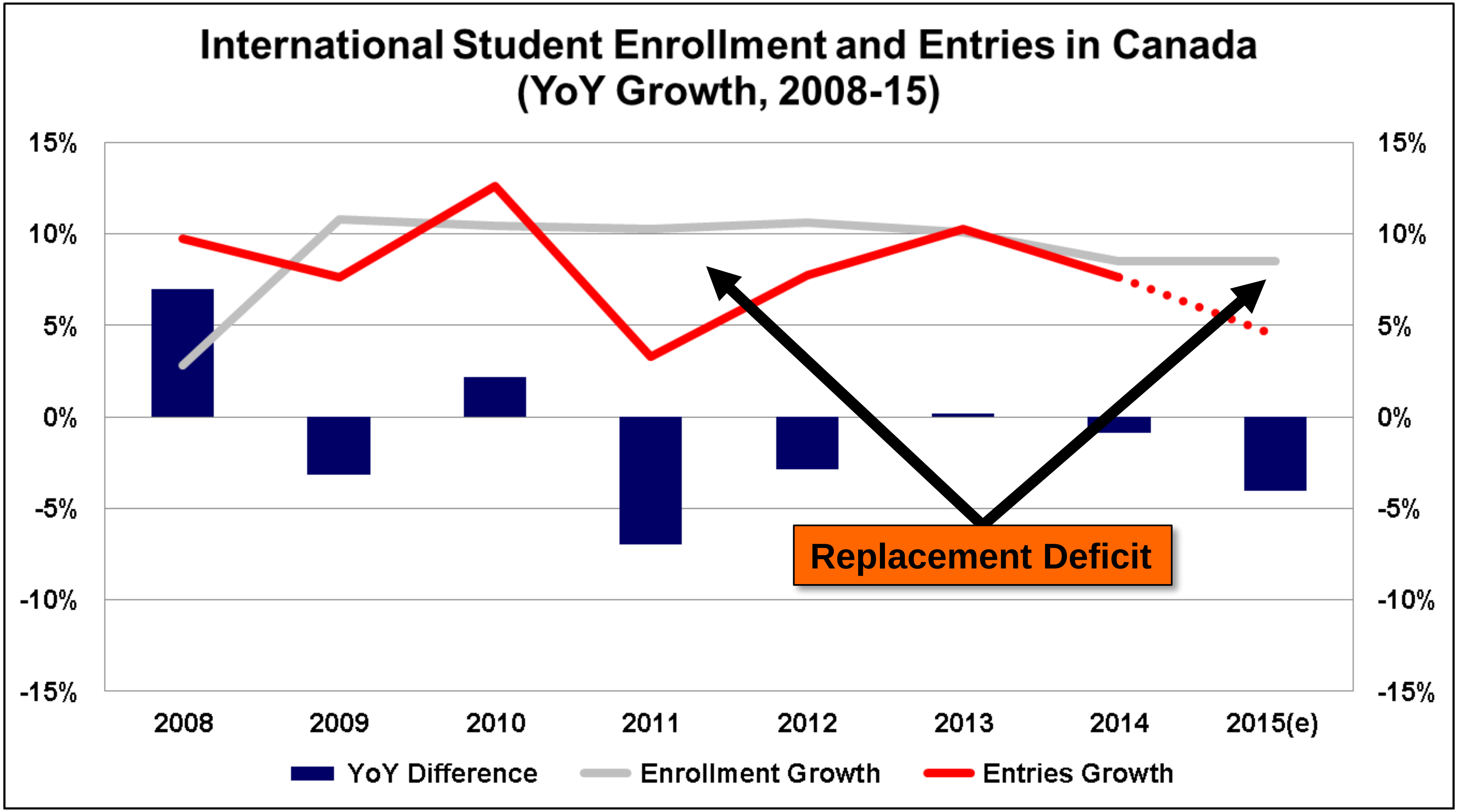
International Enrollment Data (III)



Comparatively slow growth in graduate enrollments (Master's, doctoral)

Source: CANSIM, Statistics Canada.

The Replacement Deficit



2011-15 replacement deficit will drive future enrollment growth drop

Notes: 2015 data is based on public IRCC data, partial national association data, and ICG modeling.
Source: IRCC, ICG.

Strong Foundations, but …

- **Canada's international education policy landscape remains one of the most favorable in the world. The room for further policy improvements is marginal.**
- **The recruiting intake is highly concentrated with limited or marginal presence in key growth markets.**
- **Universities dominate the enrollment landscape with a heavy emphasis on undergraduate programs to the detriment of graduate-level recruiting strength.**
- **Canada is overdue for a technical correction – some enrollment gains have been inflated by declining graduation rates.**

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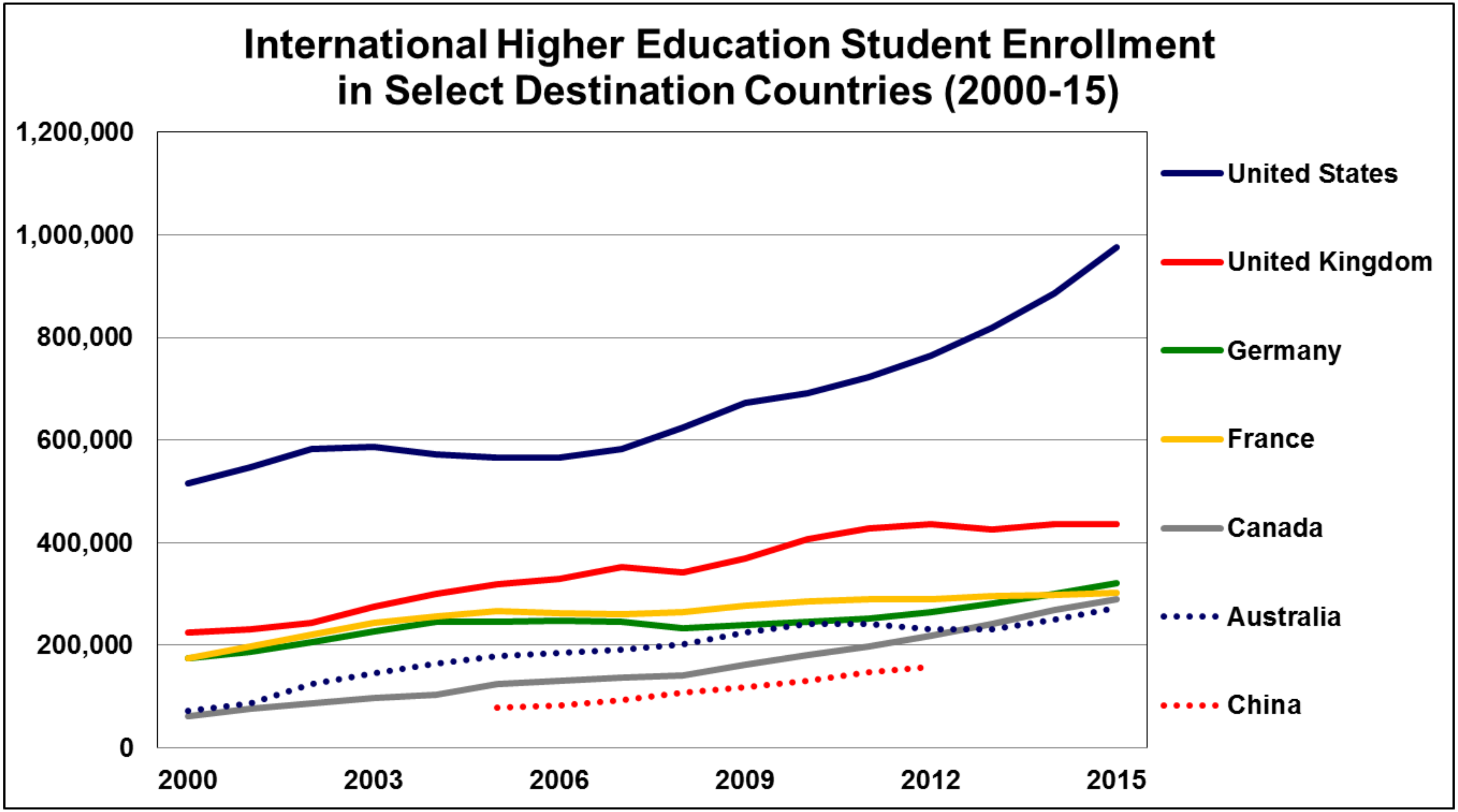
Meta Trends

- International tertiary education has grown to an estimated 5 million students in 2015 (ICG based on OECD).
- In-country delivery of international K-12 curricular or English-language instruction has grown to more than 4 million students.
- The global language sector experienced a mixed year in 2015.
- Significant disruptions started to take place in 2015, such as the collapse of KASP and SwB.
- As China goes, so go the fortunes of Australia, Canada, NZ, and the U.S. Risk can be spelled with five letters.
- Canada’s growth trajectory changed in 2015.

Global Enrollment Trends: Seven Destination Countries



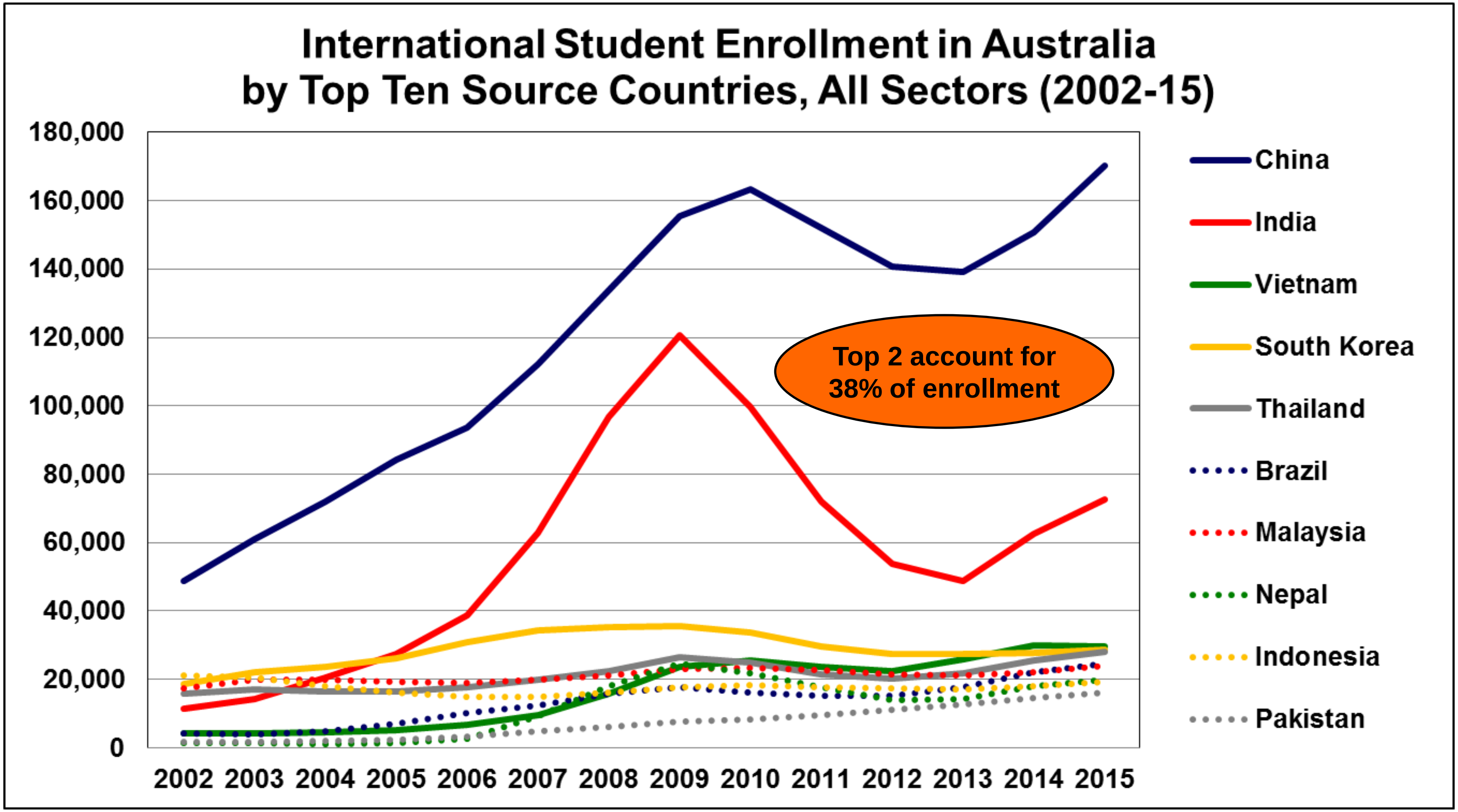
Overall numbers are up, but underlying trends diverge

Notes: For countries marked with an asterisk (*), data refer to students enrolled in higher education only..
Source: China MoE, DAAD-DZHW, DET, IIE, IRCC, HESA, NZ MoE.

Movers and Shakers

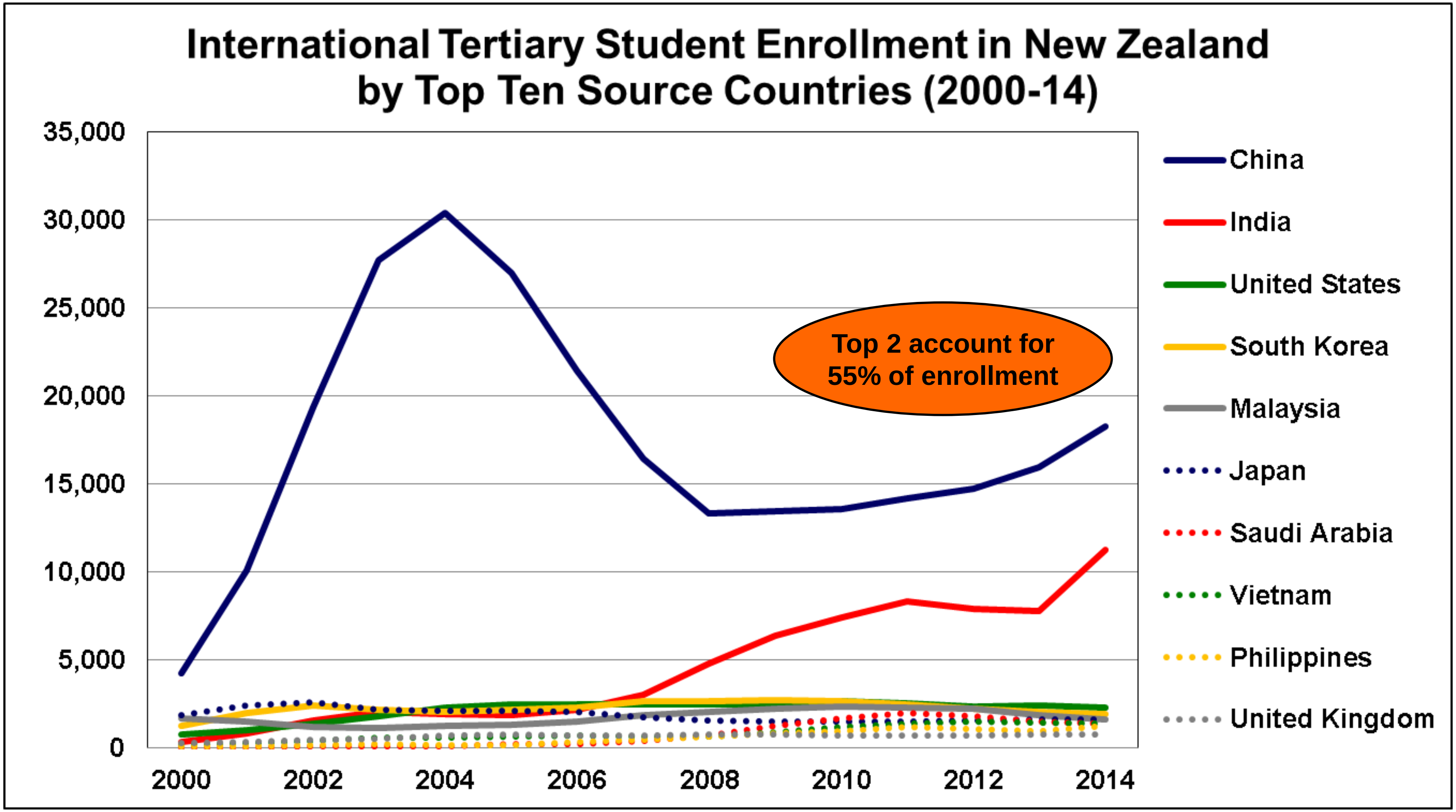
- **Australia: Having come back with a vengeance after its 2010-13 dip, Australia is poised for further growth based on strong pathways, best-in-class recruiting and admissions, and a strong national brand. The level of professionalism and market intelligence is second to none.**
- **New Zealand: Arguably the most innovative country in international education, NZ has experienced some of the strongest enrollment swings. Starting in 2014, ENZ's reorientation has borne fruit with sustained sectoral growth (ENZ's 2014 budget: CAD 35 million).**
- **The United States: The historically largest and now most strongly growing destination; U.S. institutions are now actively recruiting. The brand power and resources of U.S. institutions are second to none – which increasingly will put substantial pressure on many competitors.**

BY THE NUMBERS: INTERNATIONAL ENROLLMENT TRENDS
Australia



Australian recovery in full-swing; robust second-tier markets

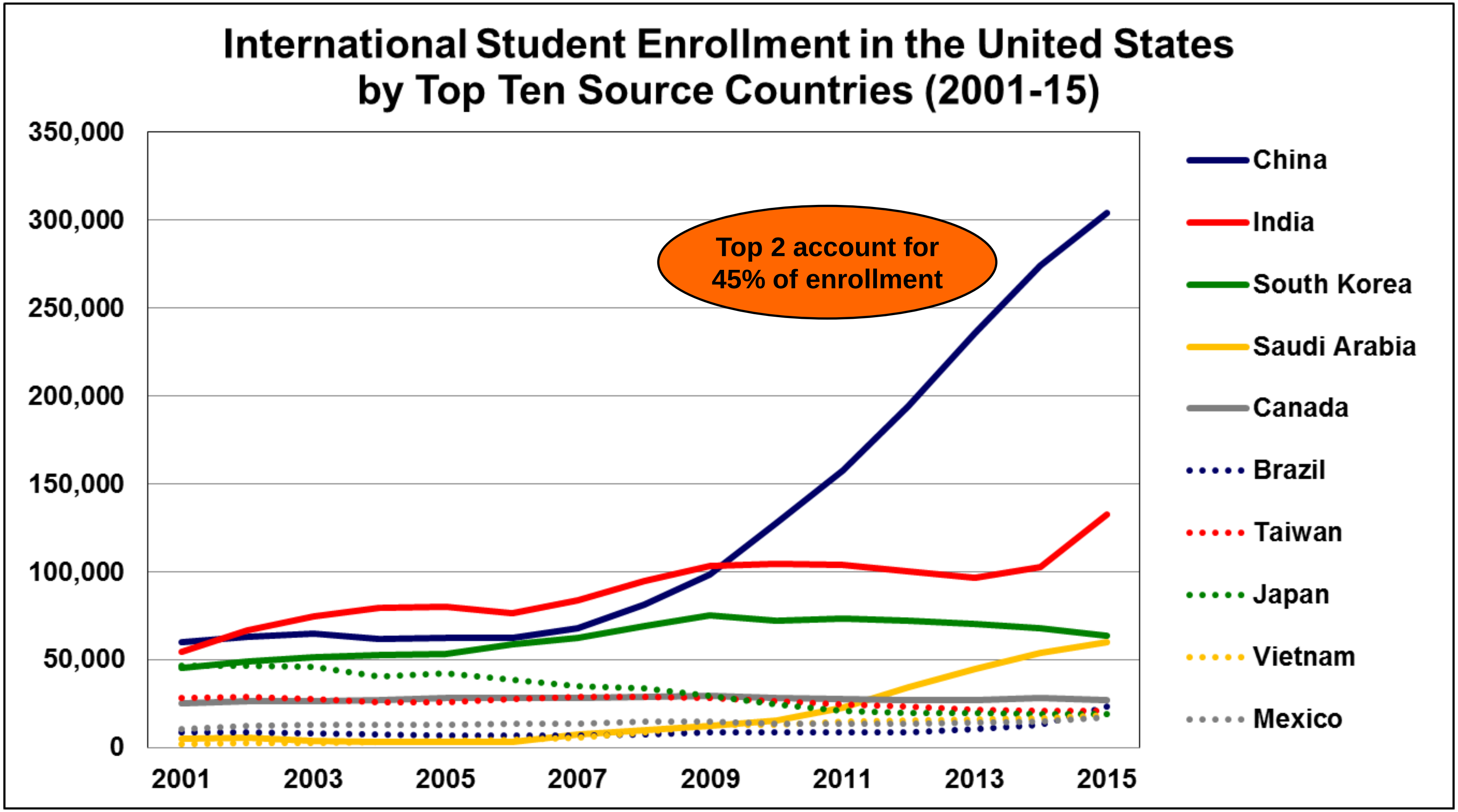
Note: All sectors.
Source: DET.



As China and India go, so does New Zealand

Source: MoE.

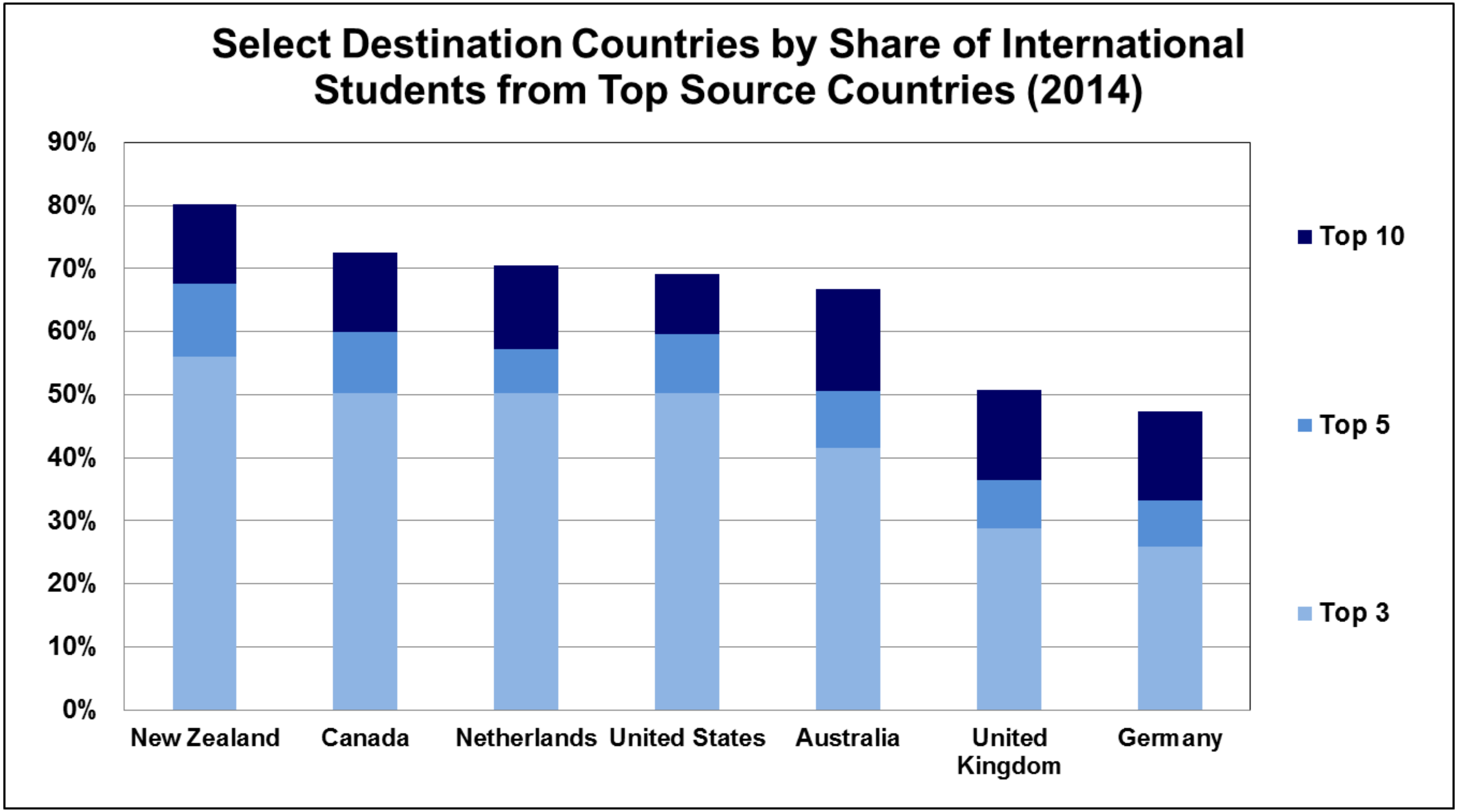
BY THE NUMBERS: INTERNATIONAL ENROLLMENT TRENDS
United States



Sustained growth from China and India. 2016: 1.04 million students

Source: IIE.

A Global View on Concentration Levels



Canada's recruiting has produced the second lowest diversity level

Source: National agencies.

Implications

- International student enrollments continue to grow at a global level, albeit with changing underlying dynamics.
- China has assumed a key role in international education, generating USD 20+ billion in international student revenues.
- Diversity levels in growing destination countries have dropped notably, not least because some traditional sending countries (e.g., Japan, South Korea, Taiwan) have been in decline.
- Canada's growth trajectory has resulted in the second-least diversified student pool amongst major receiving countries.
- Canada predominantly recruits from the same lead markets as key competitors – resulting in a strongly elevated risk exposure.

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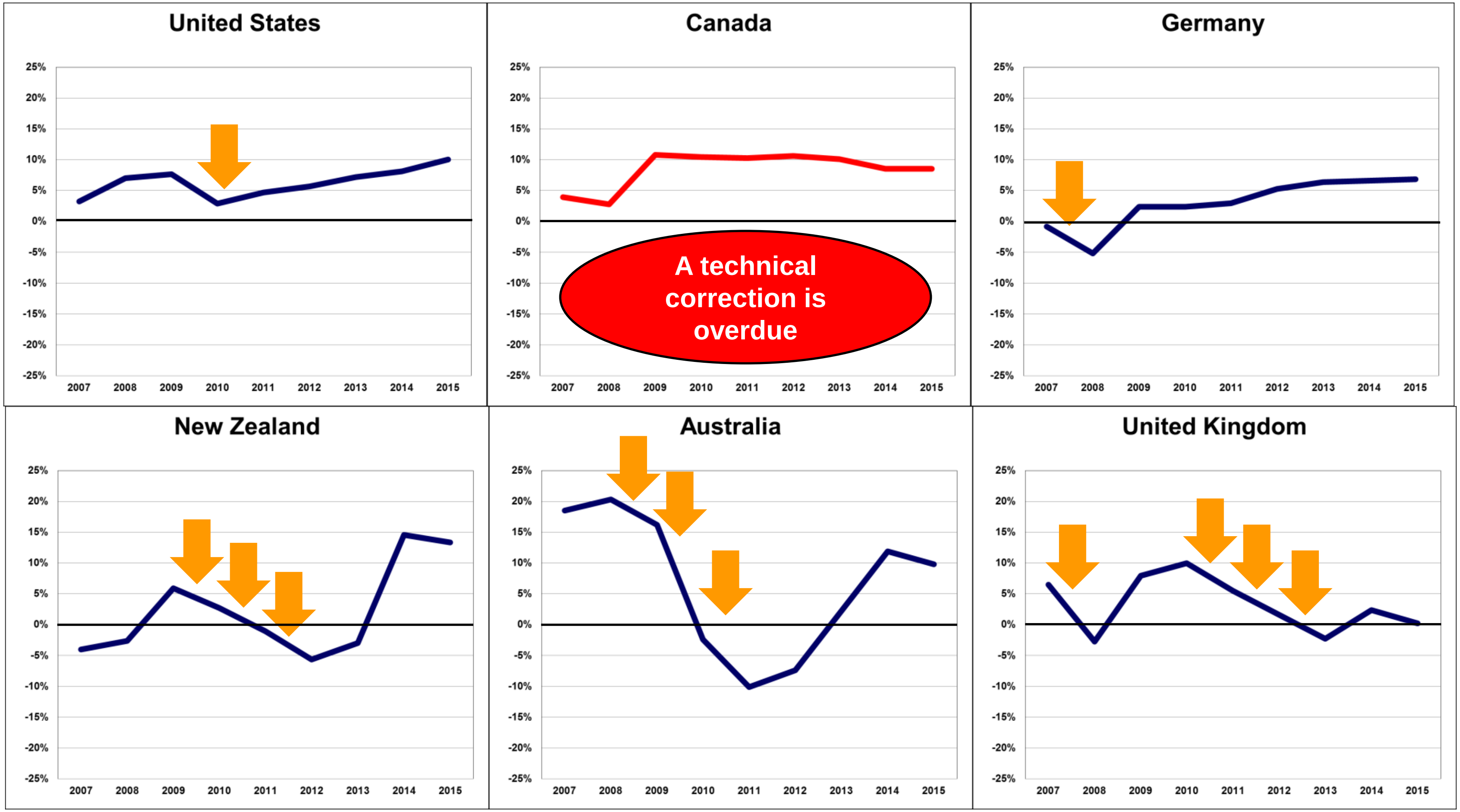
A Changed Playing Field

- **Canada enjoyed a structural leadership position in international education from 2008 to 2012.**
- **By 2012, Australia and New Zealand but also Germany started to reset policies and increased resourcing to reposition themselves. The U.S. started to show first signs of a "hyper-growth" streak.**
- **At the 2014 CBIE conference, ICG predicted a slow down in Canada's growth dynamics in two years out. This slow down materialized even faster, in 2015.**
- **By 2016, the lacking competitiveness of front-end capabilities of many Canadian education providers has begun to pose intake challenges for the language sector and select higher education institutions.**
- **Canada's class-leading competitive advantage is no more.**

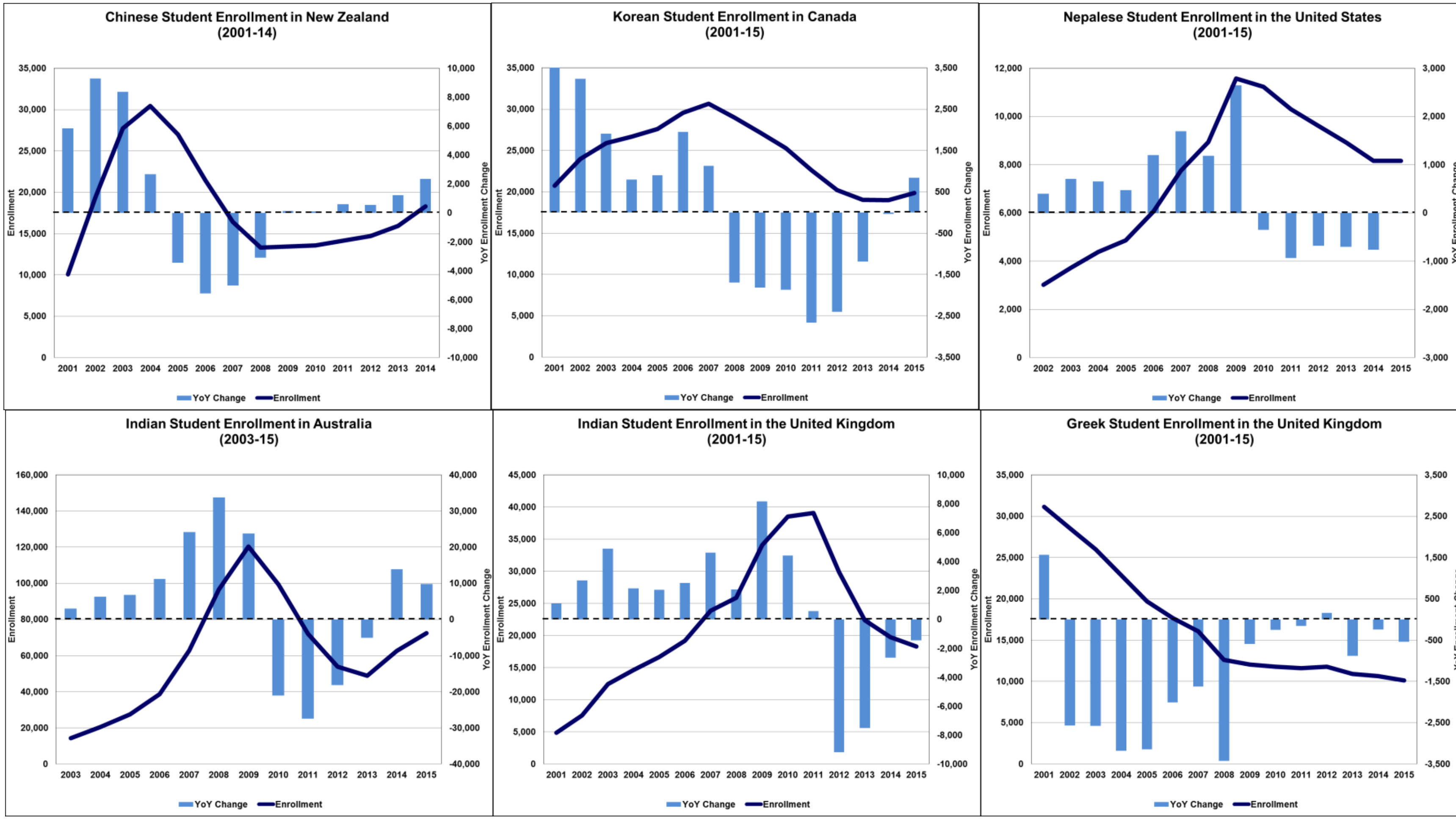
YOU ARE NOT ALONE: ON COMPETITION
Enrollment Trends: Canada's Exceptionalism



Trends reflect domestic, international, and transnational conditions

Notes: Visualizations depict year-over-year enrollment growth trends. Arrows denote YOY growth declines of three percent or more.
Source: CIC, DAAD-DZHW, DET, IIE, HESA, NZ MoE.

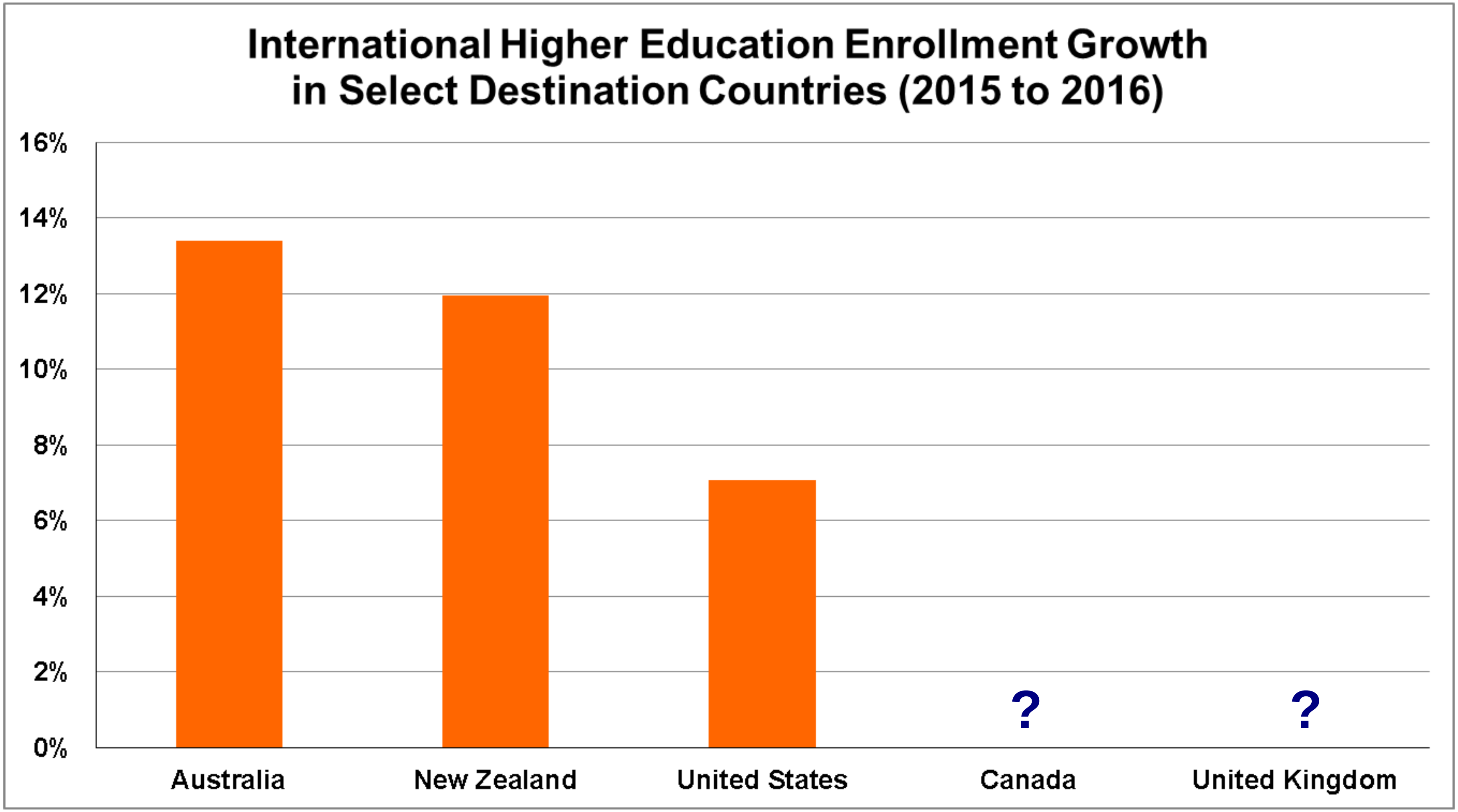
Trends are the Outcome of Multiple Drivers



Strong growth is often followed by long-in-the-making contractions

Source: CIC, DET, IIE, HESA, NZ MoE.

YOU ARE NOT ALONE: ON COMPETITION
2016 Preliminary Enrollment Trends



2016: Australia and NZ powering ahead, U.S. still strong – Canada and UK?

Notes: Growth rates for Australia and New Zealand based on partial year enrollment data for 2016 compared to partial year 2015 data.
Source: DET, IIE, IRCC, NZ MoE.

The Interlinkage of Sending and Receiving Trends

- **Canada's international education position is the product of both internal and external dynamics, many of which cannot be effectively controlled and some of which are not well understood.**

- **Many hitherto leading sending countries have experienced sharp reductions in out-going students based on demographic, policy, and economic trends.**

- **All key competitor countries have experienced growth declines – especially those with little diversity and unstainable or "un-earned" growth trends.**

- **Canada is poised to repeat the experience of its competitors after an unusually long growth period. This is "normal". What will matter is how Canada will respond to such a dynamic.**

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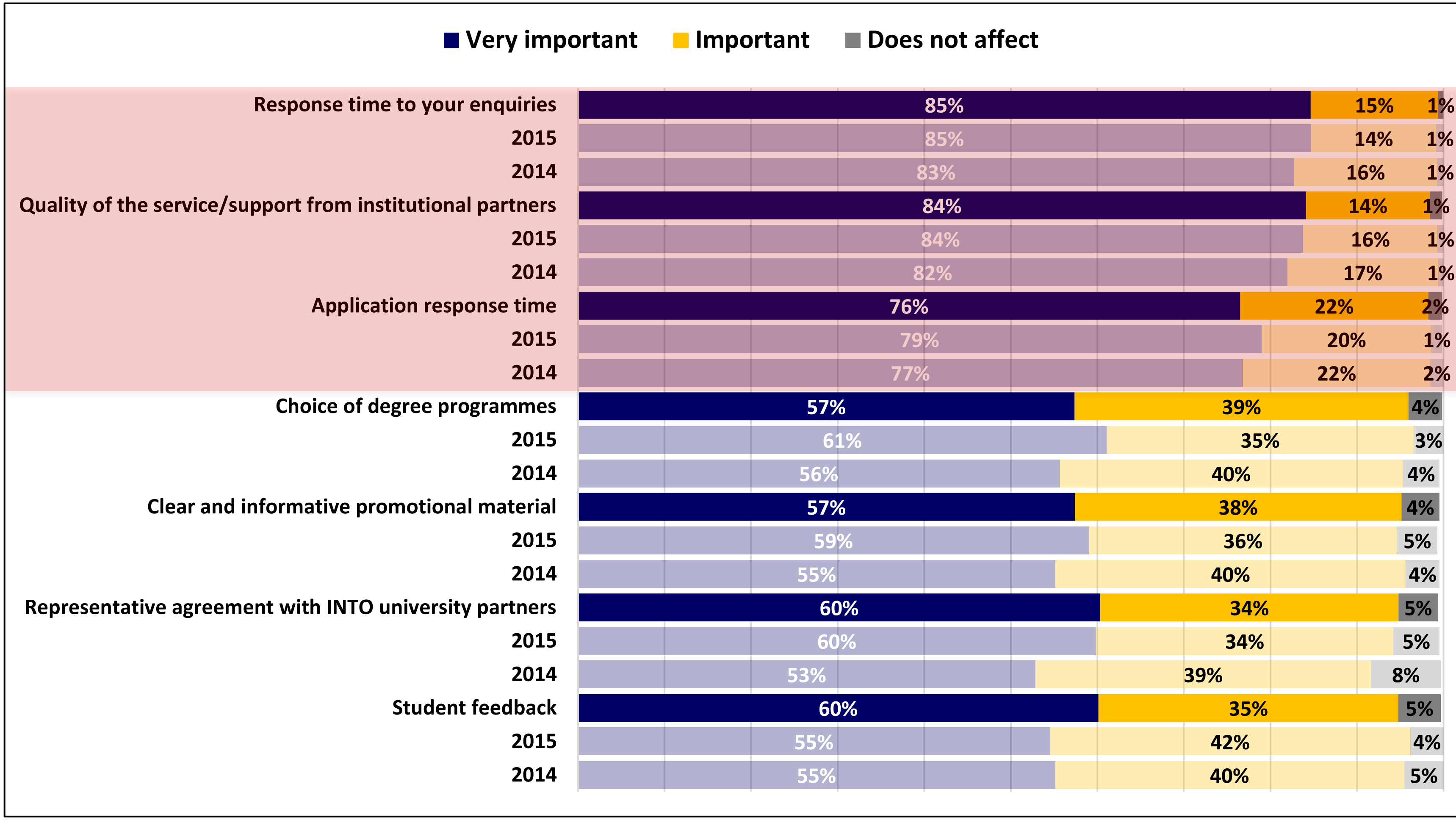
Why Competitiveness Matters

- **Many students consider multiple options (institutions and/or countries). A good number are "multi-destination" students. This is relatively new but a growing trend (thanks to agents, alumni, the Internet, etc.).**
- **Marketing, recruitment, and admissions has become a high cost, professionalized, and increasingly commercialized battle for global student purchasing power. Without a professional "sales engine", it is going to be more difficult to grow intakes, recruit talented students, convert admitted students, and avoid "summer melts".**
- **Canada is both cheap (fees) and expensive (total cost) at the same time. This is not a strategically viable position. Without a dedicated, 5+ years pricing strategies, this misalignment is difficult to alleviate.**
- **Market and performance intelligence. Where should I get started …**

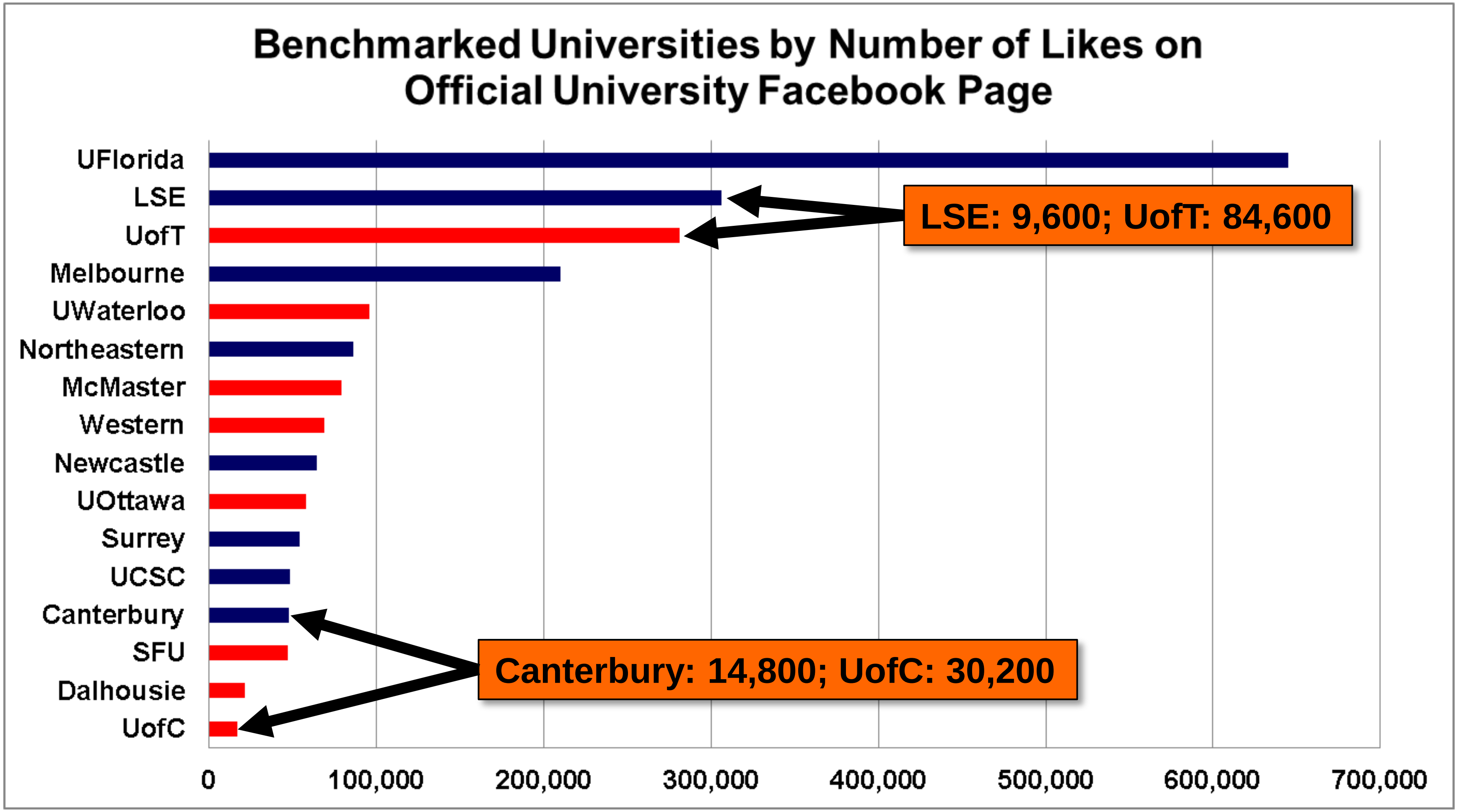
Service Related Criteria Top Agent Wish Lists



Many Canadian institutions do not address key agent service needs well

Source: INTO Agent Survey, 2016.

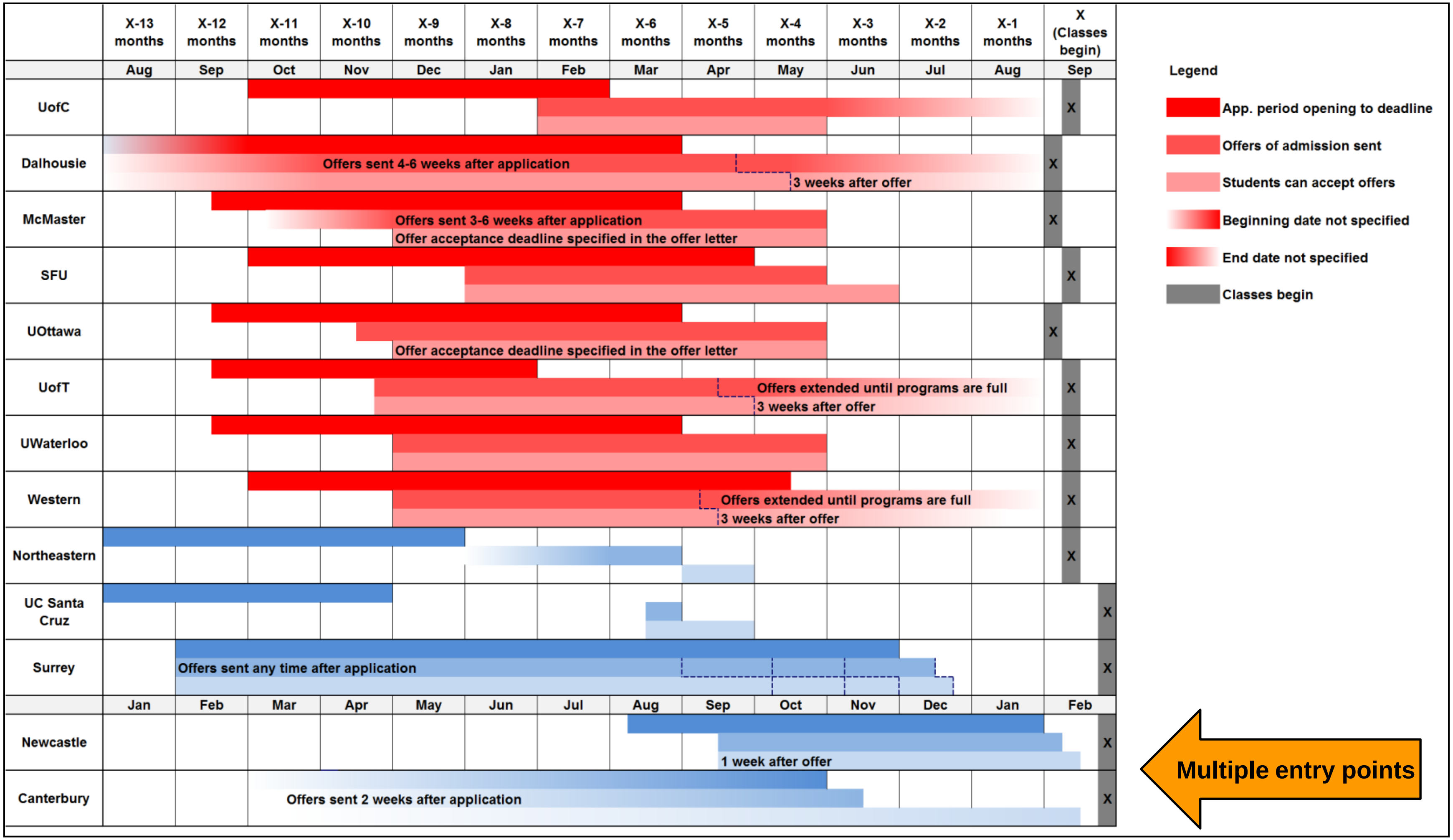
Social Media Presence



Social media: Canadian universities trail competitors by a wide margin

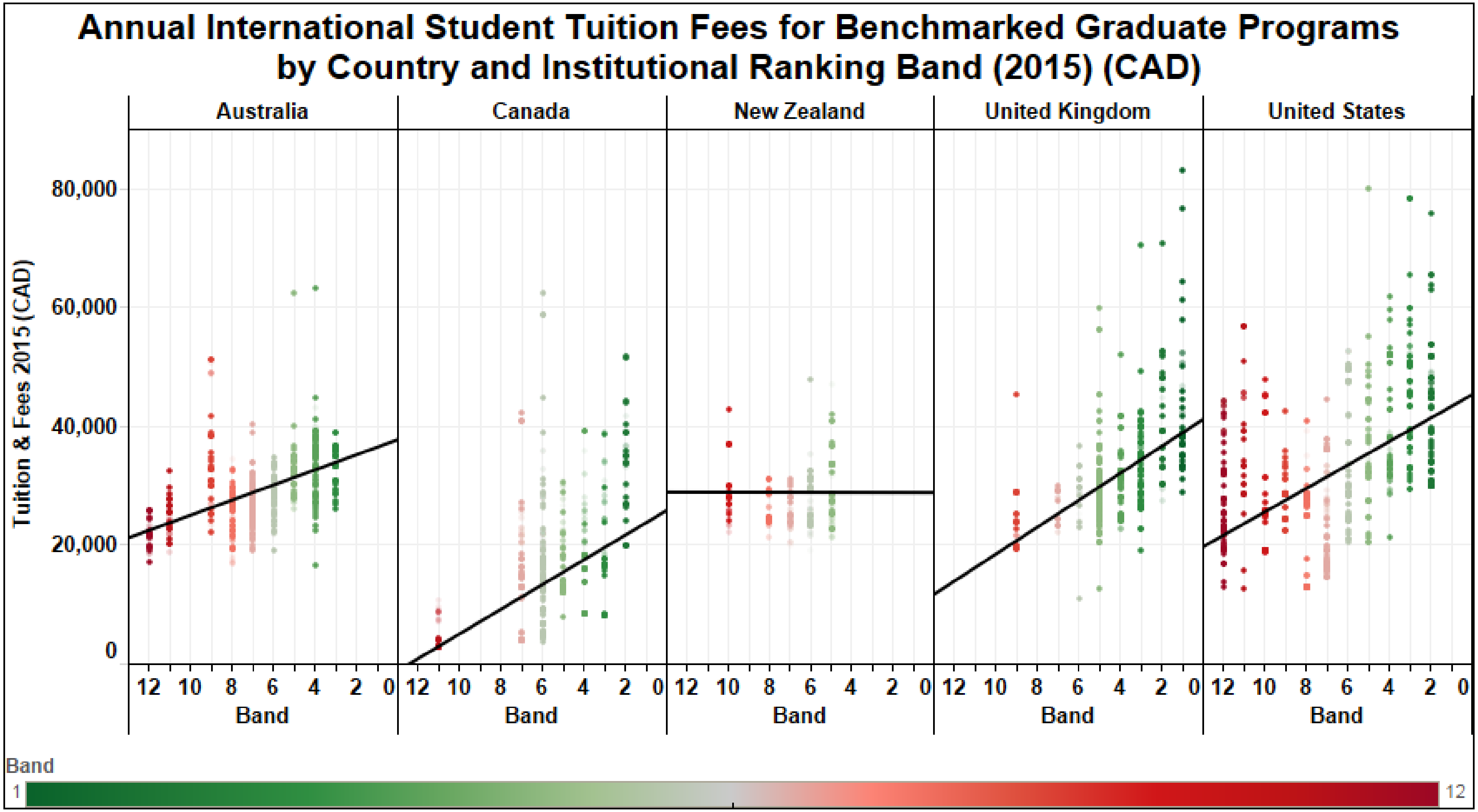
Source: Facebook (June 2016), figures in orange boxes are student enrollment numbers from universities (most recent available).

EXECUTION MATTERS: FROM M&R&A TO FEES TO INTELLIGENCE
A Focus on Admissions



Admissions constitutes Canada's Achilles heel

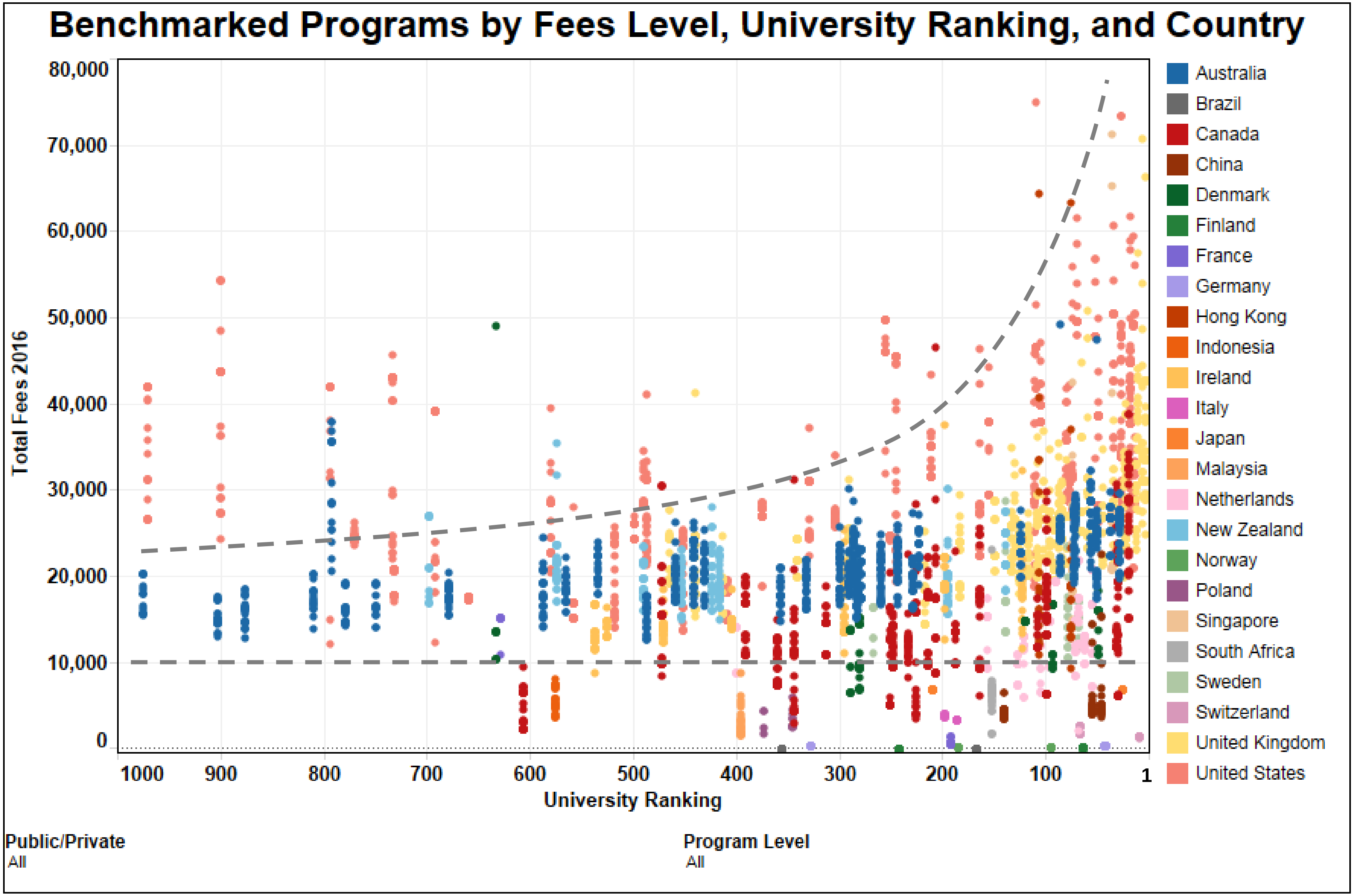
Source: Institutions.



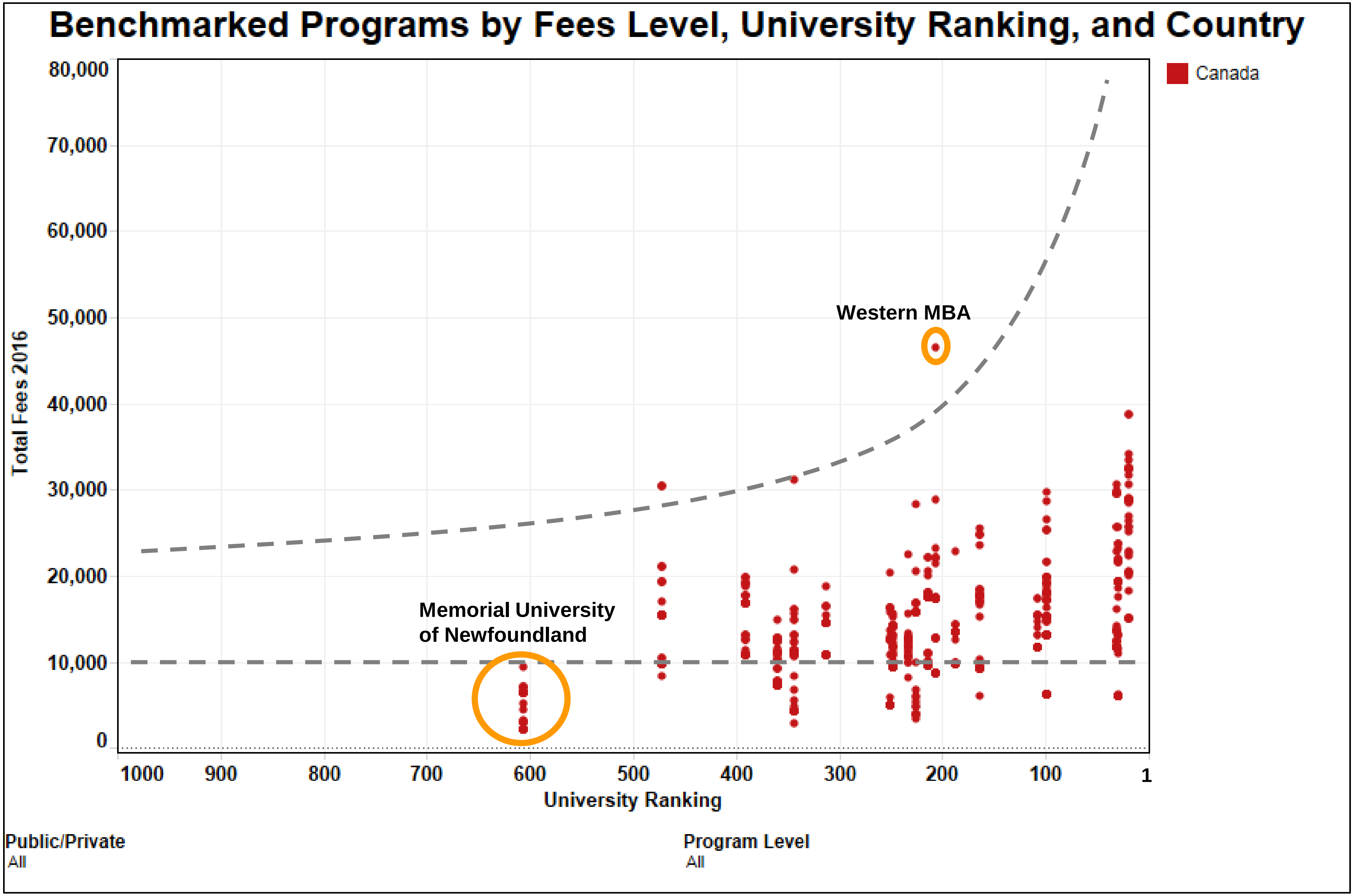
Canadian universities international fees are misaligned

Notes: 30 Australian universities, 20 Canadian universities, 8 NZ universities, 26 UK universities, 40 U.S. universities.
Source: ICG's ITBCD.

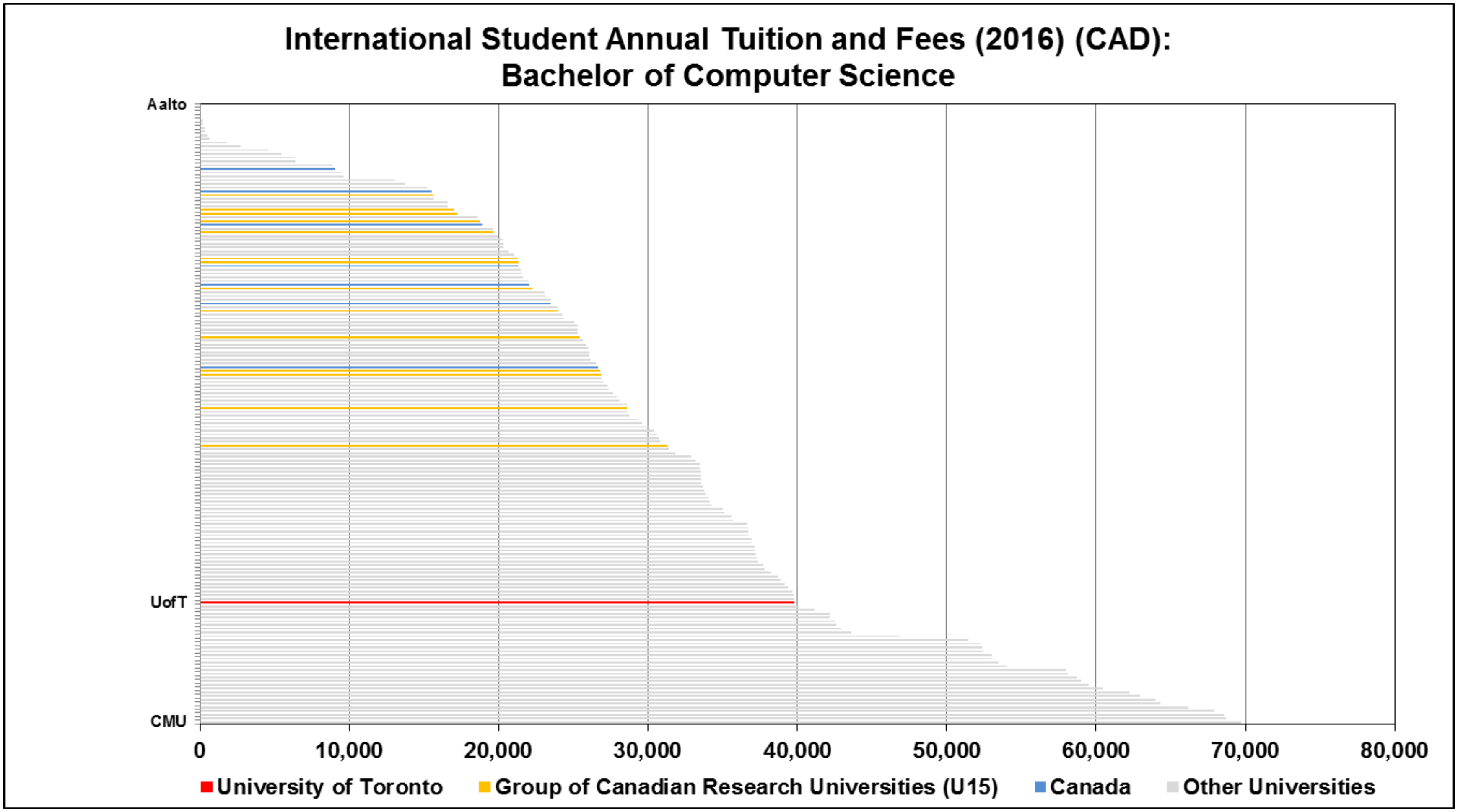
Rankings and Tuition Fees (USD)



Rankings and Tuition Fees (USD): Canadian Universities



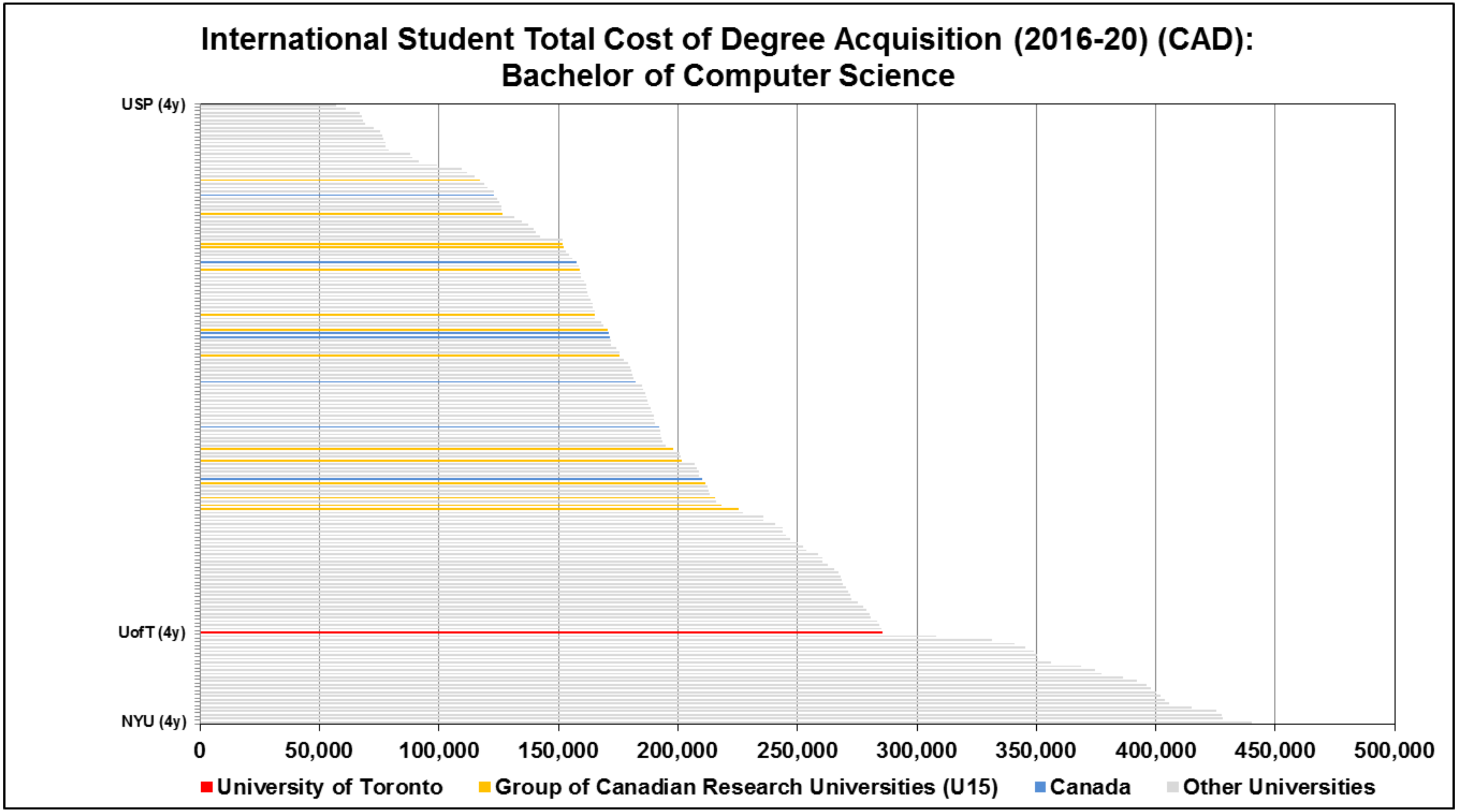
Program-based Tuition Fees Benchmarking



Canadian universities underprice themselves notably fees-wise

Source: ICG's ITBCD.

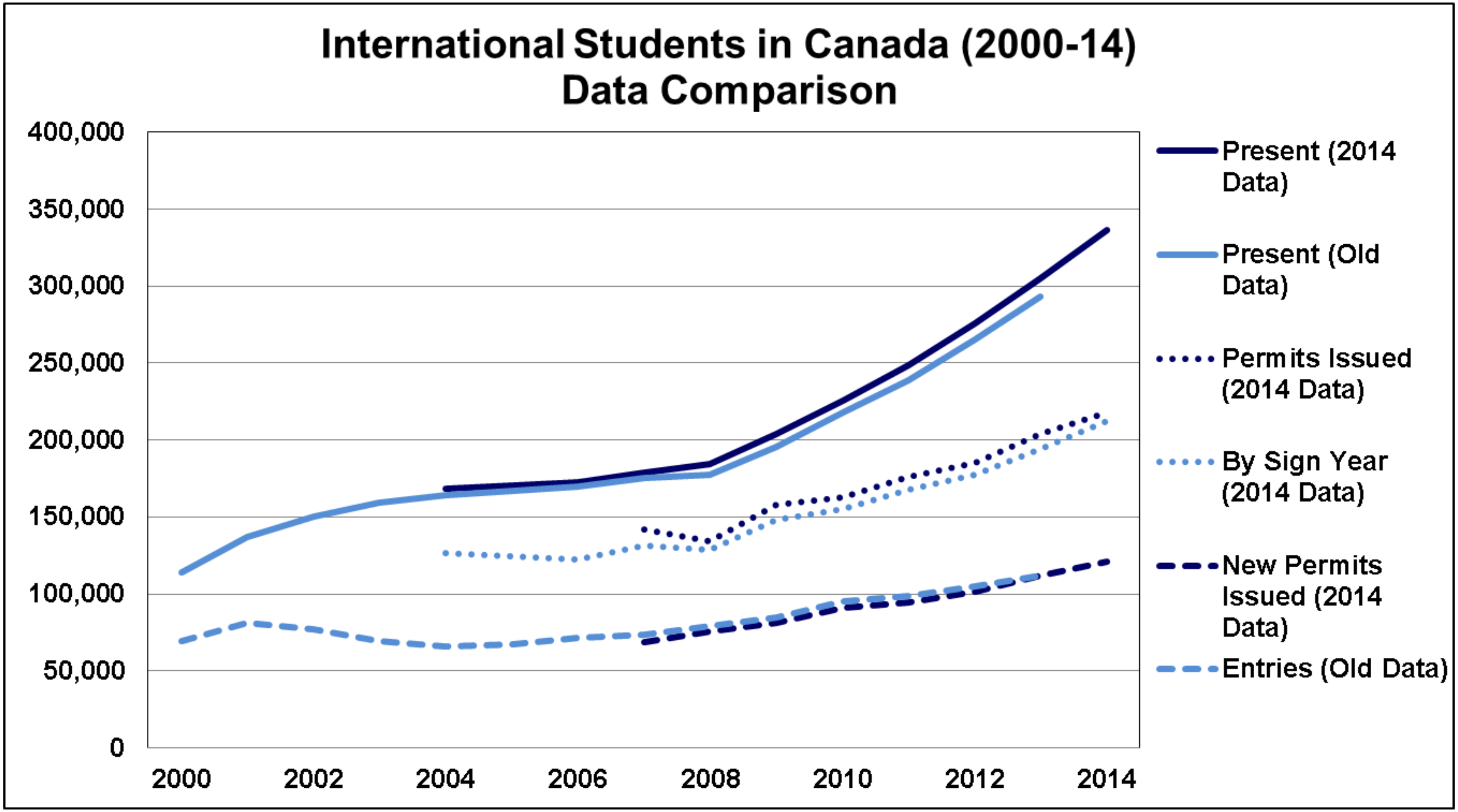
Program-based Total Cost of Degree Acquisition Benchmarking



Cost of living and four-year duration pushes total cost up

Source: ICG's ITBCD.

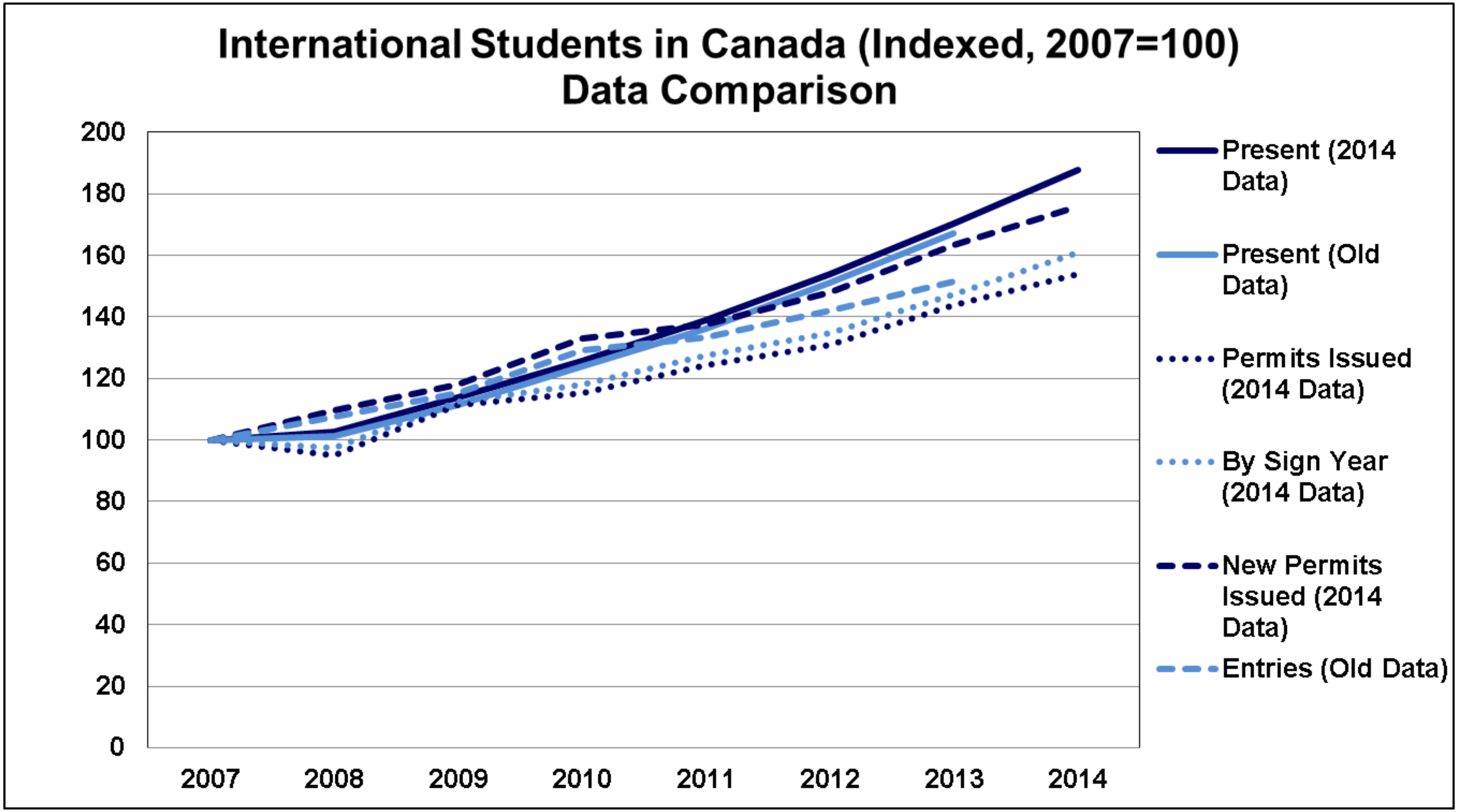
IRCC Data (I)



IRCC: Three distinct data categories available

Notes: 2015 data is based on public IRCC data, partial national association data, and ICG modeling.
Source: IRCC, ICG.

IRCC Data (II)



Depending on data definition, differences in trends are emerging

Notes: 2015 data is based on public IRCC data, partial national association data, and ICG modeling.
Source: IRCC, ICG.

How far can One Fall Behind before Trouble Ensues?

- **Canadian education providers moved smoothly along over the last decade – based on the strength of national policy and attraction factors.**
- **This near effortless success resulted in substantial institutional under-investments into front-end infrastructure and capabilities. Some student-facing areas such as admissions are utterly uncompetitive.**
- **Even more challenging, awareness and understanding of a given institutional performance concerning marketing, recruiting, and admissions in global context remains sparse.**
- **As a result, few stakeholders have even noticed the entry/enrollment replacement deficit that started to arise in 2011.**
- **The inevitable consequence of this deficit is a technical normalization which requires an enrollment growth depression (when and how much is subject to further analysis).**

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What will be the Impact of the Trump Presidency?

Most likely: Little

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Panel Questions

- **What are key trends in your sector with regard to internationalization: Students coming to Canada, institutions' addressing international change pressures on an organizational and resources level, study outcomes, etc.?**
- **How do you see Canada's strength and weaknesses evolving with regard to its attraction as a study destination?**
- **What do you see happening in key competitor markets?**
- **What are development initiatives needed to make Canada more competitive again?**

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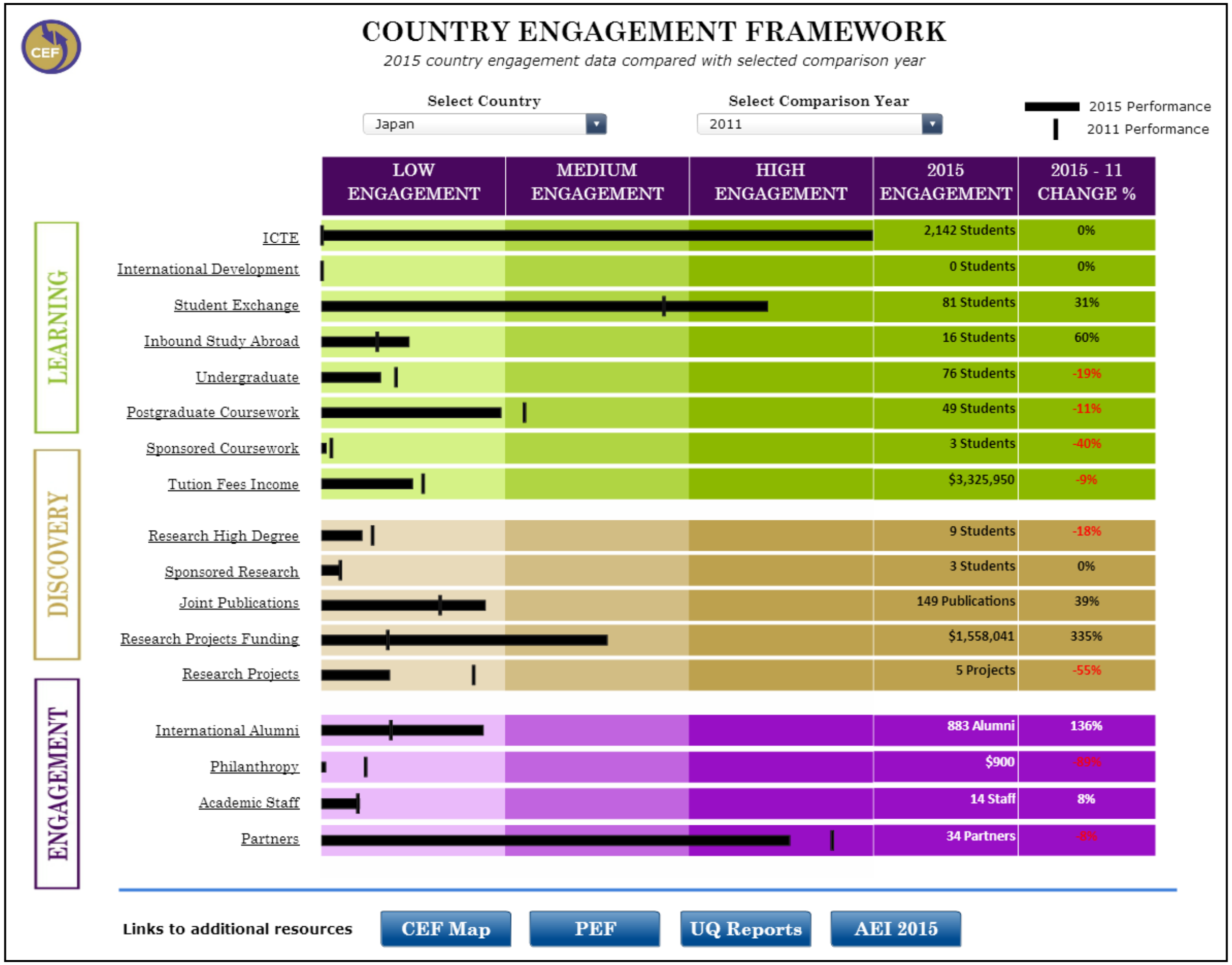
Example: UQ Country Engagement Dashboard



The internal dashboard is even more powerful

Source: University of Queensland.

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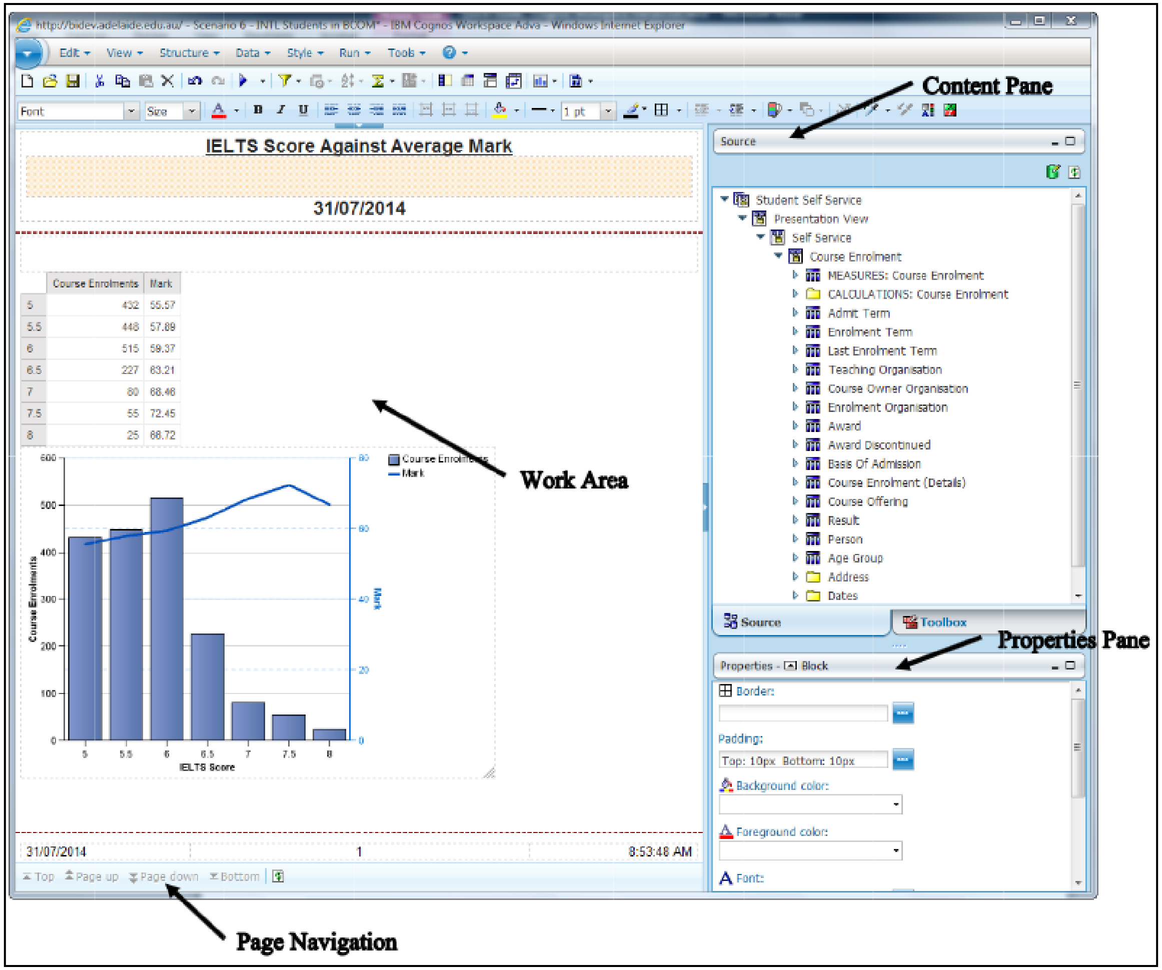
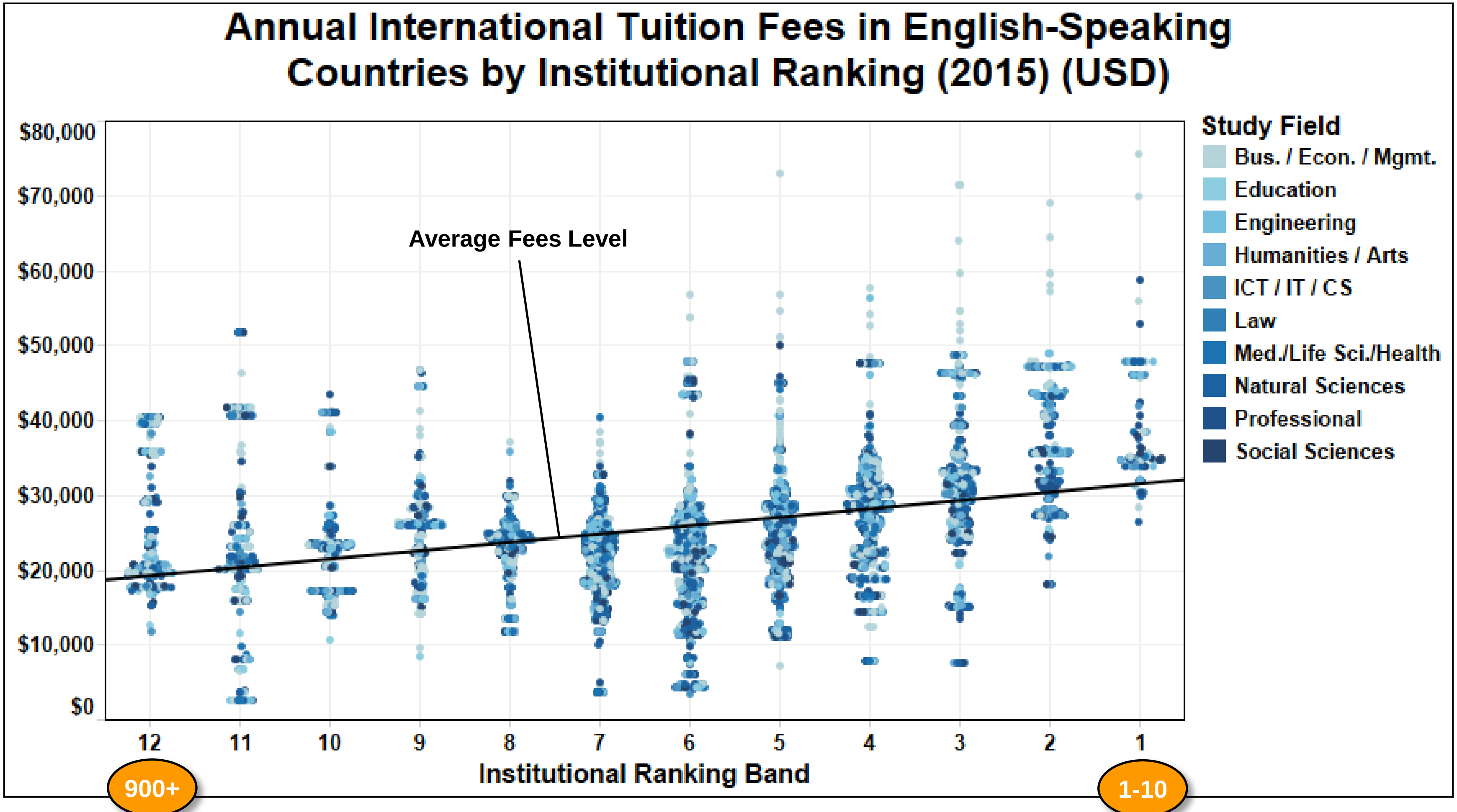
Example: University of Adelaide Self Service Business Intelligence



Coincidentally, a Canadian is in charge of analysis

Source: University of Adelaide.

Example: Fees-setting based on Rankings Analysis



Without deep intelligence, competitive positioning is becoming impossible

Notes: Includes universities from Australia, Canada, Ireland, New Zealand, the UK, and the U.S. Bands reflect aggregated rankings positions.
Source: ICG ITBCD AND SIRPA.

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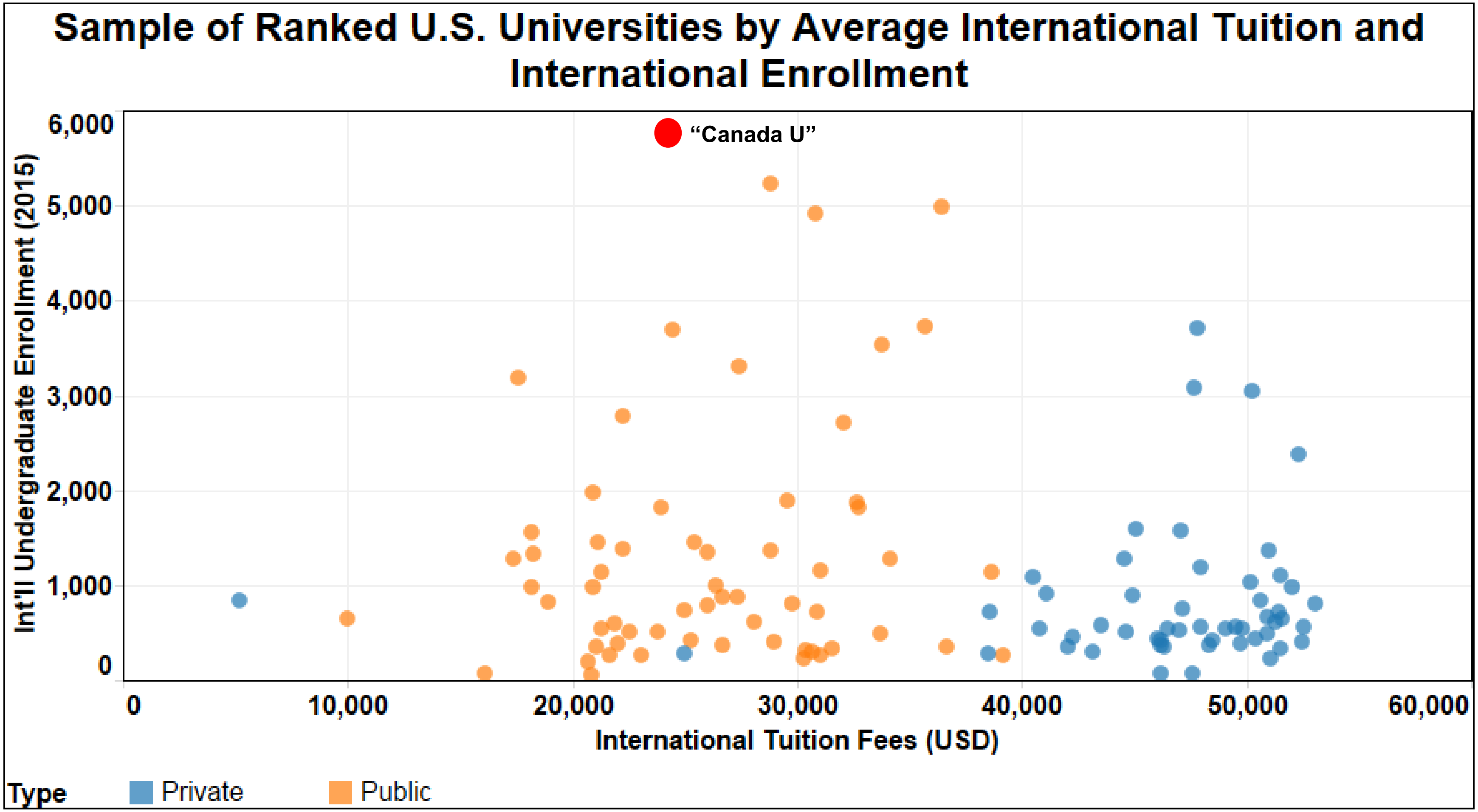
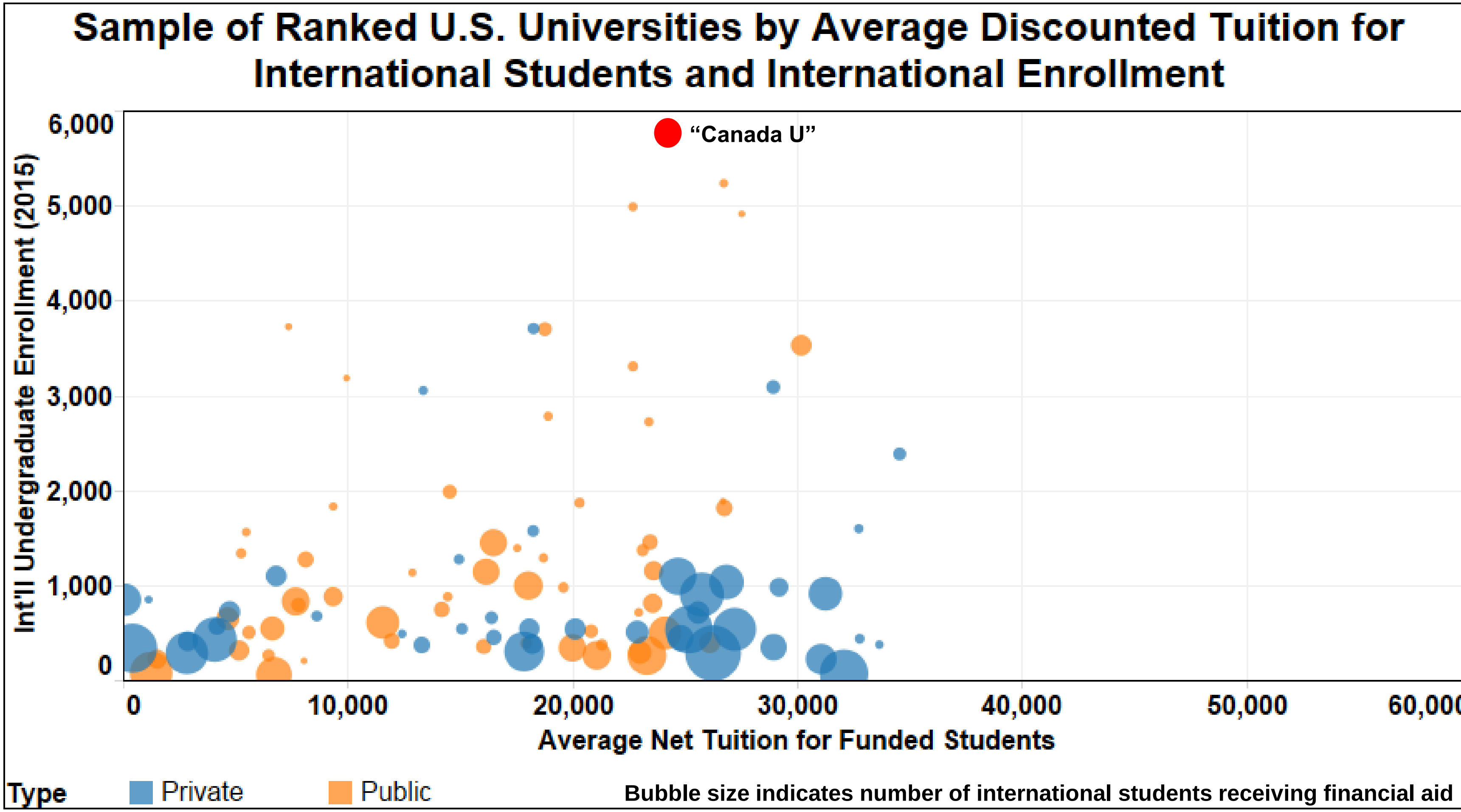
Example: Canada-U.S. Cost Competition



Canadian universities may look "cheap" at first sight, but…

Note: "Canada U" depicts a leading Canadian university's tuition fees level and relative enrollment level.
Source: ICG analysis based on College Board data.

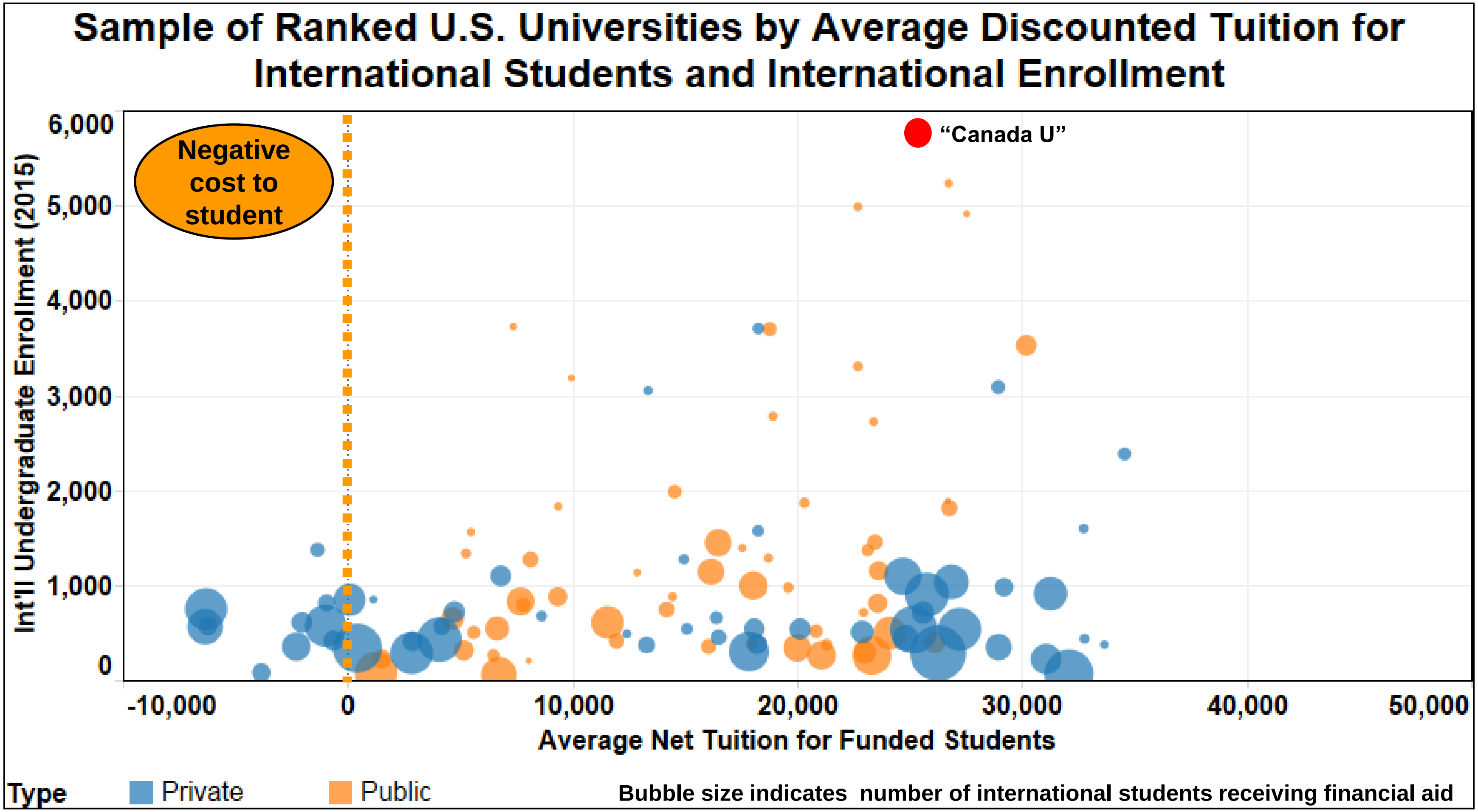
AND AS FOR DONALD J. TRUMP
Example: Canada-U.S. Cost Competition



… many international undergraduate students in the U.S. receive aid, …

Note: "Canada U" depicts a leading Canadian university's tuition fees level and relative enrollment level.
Source: ICG analysis based on College Board data.

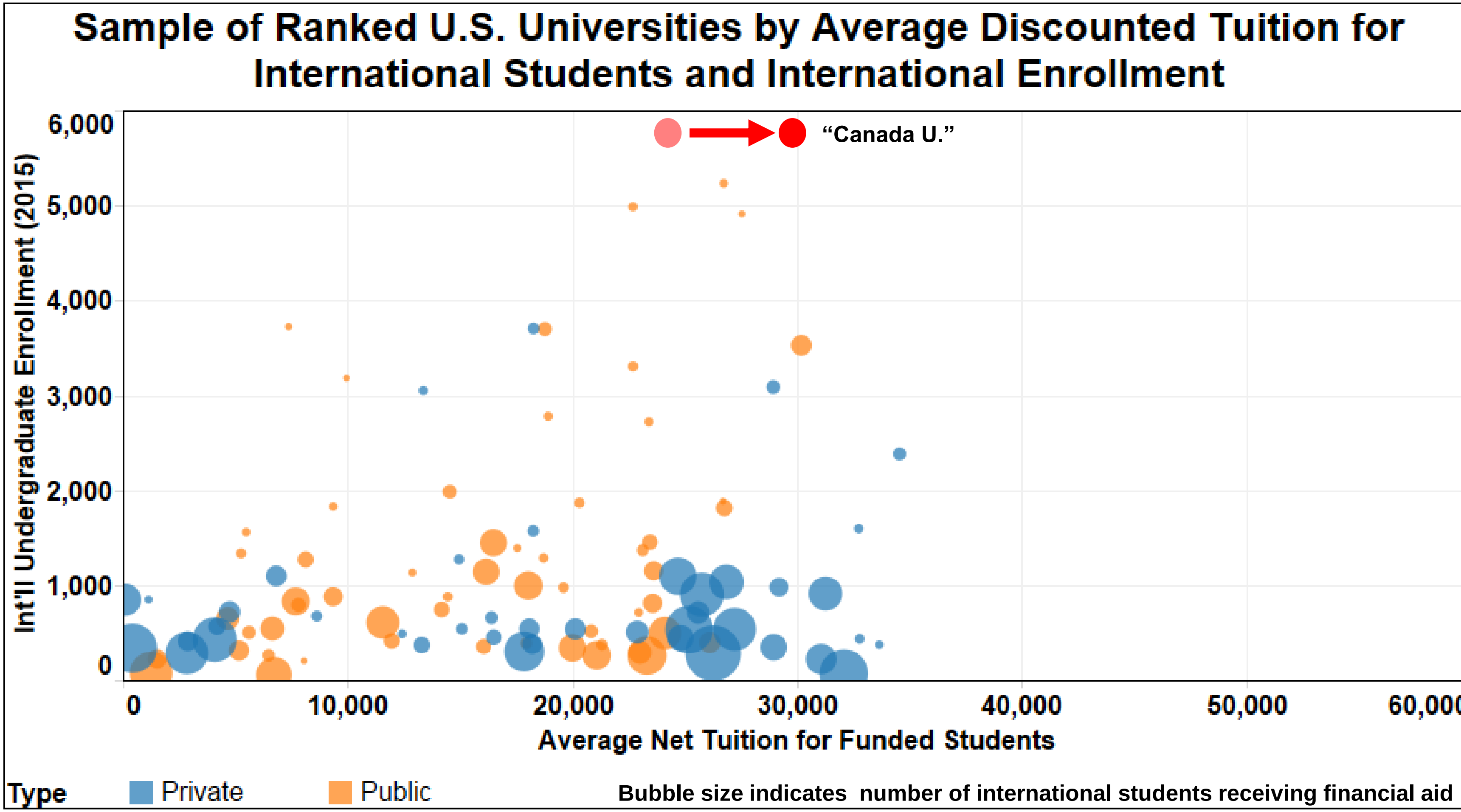
Example: Canada-U.S. Cost Competition



…resulting in Canada becoming a high cost option

Note: "Canada U" depicts a leading Canadian university's tuition fees level and relative enrollment level.
Source: ICG analysis based on College Board data.

AND AS FOR DONALD J. TRUMP
Example: Canada-U.S. Cost Competition



What happens when the Canadian dollar appreciates?

Note: "Canada U" depicts a leading Canadian university's tuition fees level and relative enrollment level.
Source: ICG analysis based on College Board data.

Summation

- Without deep intelligence, successfully competing for international students will become increasingly difficult. Competing efficiently for talented students will become nearly impossible.

- Consider this: Australia publishes detailed international student data with a mere two months delay. Stakeholders can access a monthly tracking data file of 100 + MB. By contrast, the last full international student data release from IRCC dates back to 2011.

- Only few Canadian international education stakeholders have made proper investments into intelligence operations and advice. Most are unwilling to resource said properly.

- Canada has fallen far behind key competitors. Strategic decision-making, tactical market operations, and cost/results are thus all impaired. It is high time to redress this situation.