This report highlights the insights obtained by TradeMalta in a profiling study of private companies engaged in training and education in Malta, with an emphasis on companies which target international markets.

This study is one of a series of sector-specific studies which aim to uncover the international orientation of companies operating within sectors that TradeMalta considers to be key for Malta. The objective of these studies is to find out what countries and regions the companies operating within these key sectors target and identify the main obstacles they face when they come to access international markets.

This information will enable TradeMalta to tailor its support services to the needs of each sector with greater impact and effectiveness.

The insights presented in this report are based on the responses given by 32 training and education service providers out of a total of 89 companies contacted in an online survey which was conducted in the first quarter of 2016. Although the response rate may seem low, it can be deemed acceptable when one considers that the majority of the companies operating in this sector are purely locally based and therefore less likely to participate in a survey on internationalisation.
CHARACTERISTICS OF THE SECTOR

Ownership
The training and education sector is dominated by companies which are Maltese owned. Of the companies surveyed, 85% had Maltese ownership, 6% had foreign ownership and 9% had mixed Maltese and foreign ownership.

Years in business
According to the survey results this is a relatively young sector, with 12% of the companies surveyed reporting that they were set up less than 5 years ago. Approximately 80% are between 5 and 35 years old and only 9% have been in operation since the 1950s and 1960s.

Size
This sector is characterised by small to medium sized companies with nearly half of the companies surveyed (46.5%) reporting that they have less than 10 employees. Of the remainder, 37.5% employ the equivalent of 10-20 full timers, 10% have 30-50 employees and only 6.3% employ more than 50 people. None of the companies employ more than a 100 people.

Turnover
More than half the companies surveyed (52%) reported a turnover of less than 500,000 euro. 16% of those surveyed had a turnover between the 500,000 and 1 million euro and a further 16% registered a turnover between 1 and 2 million euro. The remaining 16% are distributed in turnover brackets in excess of 2 million euro.
Outlook
Exactly half the companies surveyed expect their staff contingent to remain unchanged, while the other half expect the number of employees to increase in the coming year.

Of the companies who chose to answer questions about their turnover, 82.4% expect to maintain the same level of turnover while 17.6% expect to move to a higher turnover bracket in the coming year.

INTERNATIONALISATION

Exports
It is difficult to identify exports in this sector, as courses and services booked and paid for by foreign clients through a local company may not register as export sales. In this regard, this sector is similar to the tourism sector in that it generates important foreign currency earnings and multiplier benefits for the entire economy, which can be difficult to quantify. Based on the companies’ own calculation of their export revenue expressed as a percentage of total revenue, 44.4% of the companies surveyed have an export share of less than 5% and 22.2% have an export share of 5 - 10%; that is, two thirds of the companies surveyed have an export share of less than 10%.

The remainder of the companies reported an export share of 30 - 100%.

The companies’ outlook for exports is quite positive: nearly half the companies surveyed are expecting an increase in their export revenue in the coming year, 38% do not foresee any change and less than 15% expect a decrease.
Target regions and markets
The training and education service providers surveyed for this study base their internationalisation strategy on either on a specific sector (26%) or a particular geographical region (39%) or countries (35%). Here it must be pointed out that while a large number of the companies surveyed operate within the English language sector, these companies did not make up the majority of the companies who filled out the questionnaire.

Of those who choose to focus on a sector, rather than a region or a country, the focus is typically on Travelling to Learn English as a Foreign Language. There are a few training and education service providers who target more specific sectors, such as the insurance and aviation sectors. The majority of the companies surveyed, however, base their internationalisation strategy on a geographical area.

The main regions targeted by the companies are Western and Eastern Europe; the MENA region, Asia and the Federation of Russian States. Opinions were split on South America and sub-Saharan Africa, with some companies being very interested in these regions and others being totally disinterested.

When asked to rank the countries in which they currently do business, the
companies identified Italy followed by Russia as the most important markets for Malta. Asked to name the new target markets they would like to break into in the next two years, the companies’ responses varied from the South American region to France and Turkey.

In the diagram below, one finds the top five markets, weighted according to how they were ranked by the respondents. The “Current Market” are the most important markets in which the respondents currently do business and the “New Market” are the most important markets in which respondents plan to do business in the coming 2 years.

**Success factors**
When asked to identify the three parameters which most contribute to their success in overseas markets, all but one of the companies named Quality of Courses or Training Programmes as being the most important parameter, followed by Competitive Price, which was selected by just over half of the companies, and Quality of Service, which was selected by 42.9%.

Supporting Services (location, lodging etc.) and Internationally Recognised Accreditation were also listed as being important by a number of companies.

**Challenges to internationalisation**
In terms of barriers to internationalisation, 70% of the companies surveyed reported that Cost of Market Visits and Participation in Trade Fairs was often or always a problem. The second biggest barrier mentioned is one which is particular to this industry, namely Problems in Obtaining Visas for potential students. Some companies are unaffected by the issue, but for 65% of the companies it is often or always a

### MOST POPULAR MARKETS

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<tr>
<th>CURRENT MARKETS</th>
<th>NEW MARKETS</th>
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<td>1 ITALY</td>
<td>1 FRANCE</td>
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<td>2 RUSSIA</td>
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<td>4 COLOMBIA</td>
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<td>5 LIBYA</td>
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![Quality of Courses or Training Programmes is a key success factor](image)
problem and a further 25% reported that this issue sometimes presents a problem. It is perhaps also this issue which is partly reflected in the third biggest problem mentioned, namely Local Bureaucracy and Regulations.

Lack of Knowledge about Malta is also perceived as a barrier by 50% of the companies. This is an issue faced by all sectors, but is perhaps felt more keenly within the training and educational sector where companies have to sell Malta over and over again to individuals.

Another barrier perceived by quite a significant number of operators in this sector is the Exchange Rates. This is presumably a reflection of the fact that this sector has a quite global outlook.

**SUPPORT SOUGHT**

In terms of practical help with their process of internationalisation, the majority of the companies agreed that the services listed, including Assistance to Conduct R&D, to Exhibit at Trade Fairs, to Attend Trade Fairs and Business Missions and Assistance in Marketing, Planning and Training, were moderately important, important or very important. Assistance to Attend Trade Fairs or Conferences was rated highly by 80% of companies, scoring higher than the service of Assistance to Exhibit in Trade Fairs. This is likely because TradeMalta already assists with the latter, whereas the former is only assisted in connection with participation in other schemes. The highest scoring option is another service which also involves direct financial assistance to expenses otherwise undertaken by the company, namely Assistance to Travel to Meet Customers/Agents.

Other services, which do not involve direct financial contribution, also scored high, especially services such as Introduction to Overseas Customers / Agents, which was deemed important or very important by 70% of the companies, and also Market/Country Research, a service which 73.6% consider to be important or very important.
FIELDWORK

The fieldwork was conducted by TradeMalta who, in the first half of 2016, contacted 89 private companies engaged in training and education in Malta. A total of 38 companies took part in the study, representing various company sizes and horizontal specialisations.

FURTHER INFORMATION

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