

Demand for English Language Services in China

April 2009

Methodology

- Qualitative research:
 - In-depth interviews, conducted face-to-face
 - Each interview up to 30 minutes long
 - 5 interviews with English language teachers, mix of schools/universities
 - 5 interviews with leading employers, HR Director level or equivalent, mix of national companies serving the domestic market only and those who are ‘going global’, range of sectors
 - Beijing and Shanghai, 13 – 22 April 2009
 - NOTE: care must be taken in interpretation of these qualitative results due to the small number of interviews

Methodology

- Quantitative research:
 - Face-to-face interviews
 - Each interview up to 20 minutes long
 - 200 interviews, 50 each with adult learners, potential adult learners, parents of young learners and parents of potential young learners
 - Chengdu and Qingdao, 18-19 April 2009
- Comparisons also made with quantitative research conducted for the BC in 2007 by United Research China (URC) on English Language Teaching Market
 - 1,535 central location test interviews in six cities, 1-16 April 2007, adult learners and parents of young learners with ELT schools
 - 666 telephone interviews in six cities, 1 April – 9 May 2007, adults learners and parents of young learners

Desk research sources

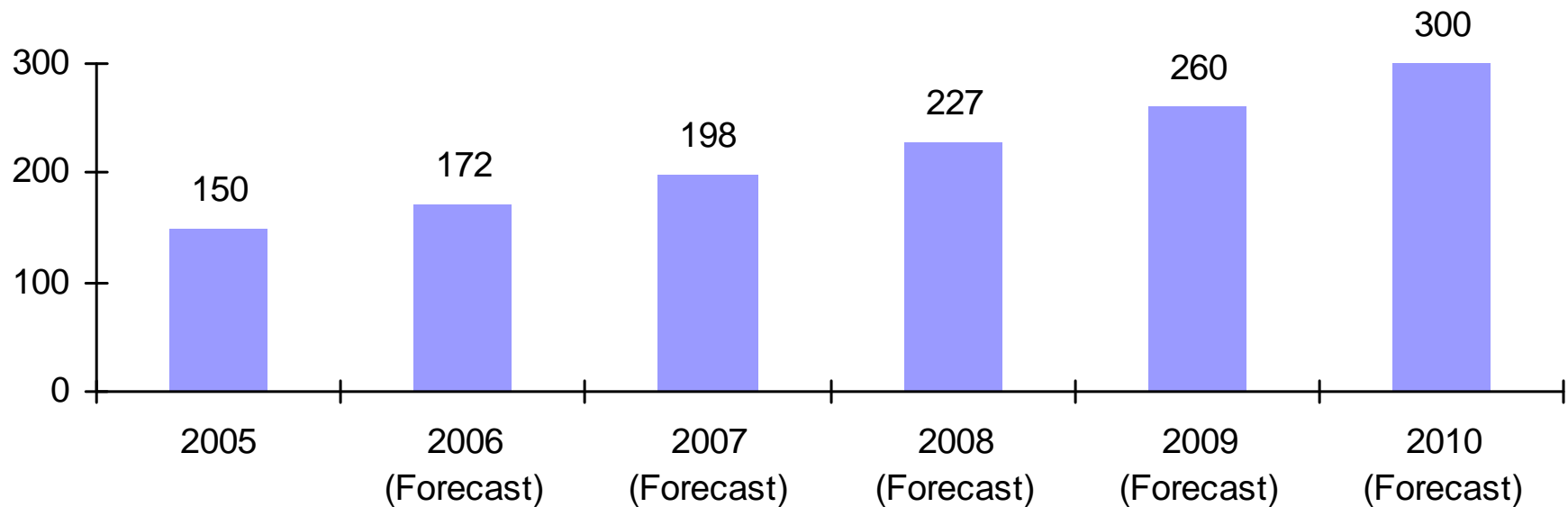
- Report on English Language Teaching Market in China by United Research China, for the British Council, 2007
- Social Survey Institute survey 2005
- Online-education, September 2008 (www.online-edu.org)
- People's Daily, May 2008 (www.people.com.cn)
- China Education Investment Institute, December 2008 (www.ceif.cn)

Overview of the market

A growing market

- Experts in 2005 predicted an annual growth rate of around 15% up to 2010
 - Based on China's accession to the WTO, the 2008 Olympic Games and 2010 Shanghai Expo
 - (note: this was before the global economic downturn)

Market Value of English Language Training Market (2005-2010)
Unit: RMB 100 million



ELT dominated by private institutes

- Social Survey Institute of China, 2005:
 - Approx 50,000 ELT institutes in China
- China Education Investment, 2008:
 - Over 90% are private institutes
 - Universities act as an effective supplementary provider
 - Solely foreign invested and joint venture institutes positioned at high end
 - mainly concentrate on economically developed areas and cities open to the outside world, like Beijing, Shanghai, Guangzhou and Shenzhen

Focus on large developed cities

- China Education Investment, 2008:
 - Major markets for ELT in East China, North China and South China, particularly in large developed cities like Beijing, Shanghai, Guangzhou
 - Demand increasing quickly, particularly in more developed coastal areas

Market dominated by adult learners

The projection of English learner population between 7-45 years old in six surveyed cities, 2007:

	total learners aged 7-45 (Unit: 1,000)
Beijing	3,814.2, of whom 224.6 = 7-15
Shanghai	2,047.8, of whom 86.4 = 7-15
Guangzhou	1,502.1, of whom 124.3 = 7-15
Shenyang	822.3, of whom 134.7 = 7-15
Chengdu	1,110.3, of whom 93.2 = 7-15
Wuhan	902.7, of whom 59.5 = 7-15
Total	10,199.4, of whom 722.7 =7-15

Source: China Statistical Yearbooks, 2007

But growth among younger and older learners

- People's Daily, 2008:
 - Approx 300 million ELT consumers
 - Mainly aged 20-40
 - Also growth at both ends of age spectrum – children and older people:
 - ELT for children began early 1990s, but still in its early stage
 - By end of 2007 there were 350 million children of school age – so huge market potential
 - Many pre-school training institutes established – eg EF Small Stars programme
 - Foreign invested institutes expanding in this area
 - Growth in older learners – particularly for some vocational English courses and high-end programmes which appeal to students in their 40s

Career advancement key driver of demand

- People's Daily, 2008 – key drivers of demand:
 - Improve English communications skills, particularly in work context, to expand social circle and improve career prospects
 - Focus on practical use of English through listening and speaking practice
 - Will become the main driving force of market demand in the future
 - Prepare for English tests for study abroad or enrolment in schools
 - Focus on test techniques rather than practical use of English (eg TOEFL, GRE, IELTS and CET 4/6 etc)
 - Get professional qualifications, eg oral interpretation certificates
 - Again, focus is on test techniques

Three main types programme in terms of cost

High

Small % of market
Developed cities
Mainly foreign
invested institutes
(eg Wall Street)
Entry level = at
least 6
programmes,
costing around
RMB20,000
Learners are high
income, mainly
white collar,
mid/senior
management

Medium

Mainstream market
Developed large
and medium cities
One programme
costs RMB 1,000 –
4,000
Each class hour
costs RMB 20-50

Low

Mainstream market
Mainly
supplementary to
school education
Learners are mainly
students
One programme
costs RMB 100 –
500

Mainly traditional methods but online growing

Large Class

Using self-compiled
or state-recognised
text books

Local teachers

30-50 students per
class

Traditional teaching
methods

Widely used in test
preparation training

Small Class

Mainly foreign
teachers/text books

Focus on listening
and speaking

10-20 students per
class

Computer-aided

Combines
computer-aided
programmes with
lectures delivered
by teachers

Online

Still at early stage,
but showing fast
growth

Low cost, cheap,
flexible timetable

Many online training
providers now use
Voice Interaction
Technology so can
provide a 'face-to-
face' learning
environment similar
to a real classroom

Some key players

- New Oriental School:

- Founded 1993
- 2006 New Oriental Education and Technology Group listed on NYSE
- Services include English and other foreign language training, overseas and domestic test preparation courses, primary and secondary school education, educational content and software and online education
- End of 2008 – 41 schools, 400 learning centres and 6 subsidiaries in 39 cities in China
- Given 7 million training programmes
- Test preparation courses are a particular strength – estimated that nearly 50% of Chinese students studying abroad took the NOS course
- 2008 – opened 8 elite learning centres in Beijing – use multi-media software (DynEd) and aimed at professionals and elite entrepreneurs

Some key players

- Wall Street Institute*:
 - Entered China in 2000
 - 15 training centres in Beijing, Shanghai, Guangzhou and Shenzhen
 - Focuses on ELT to adults
 - Mid/high end positioning
 - Programmes include Introduction to English, English Online and Premier English
 - Targets civil servants, managers, and university students
 - Has a Corporate English Training Department and over 300 corporate clients in China

* *Recently acquired by Pearson*

Some key players

- English First (EF) Education:
 - Entered China in 1996
 - 2000 – opened language schools in Guangzhou and Shanghai, now has schools in 54 cities
 - Adopts ‘Communicative’ method of English training – encourages students’ involvement through talking and listening
 - Major programmes include comprehensive English, teens/kids English, business English, practical English for overseas living/studying and IELTS

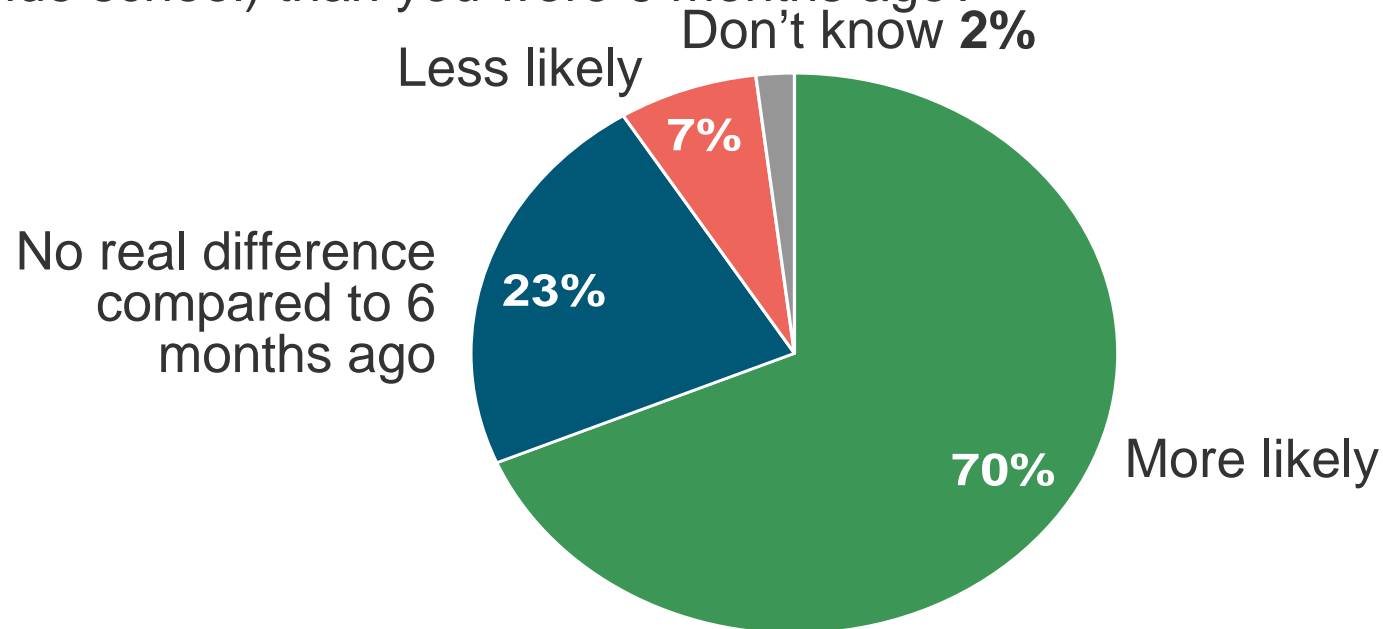
Will more study overseas in economic downturn?

- China Education Investment & People's Daily, 2008:
 - Depreciation of foreign currencies in global economic downturn reduces cost of study abroad
 - Speculation that this will result in more studying overseas
 - Especially as companies slim down work force and it becomes more important to strengthen personal skills

The market among learners/potential learners

Increased propensity to learn, esp. among young

Do you think you/your child are more likely or less likely to learn English (outside school) than you were 6 months ago?

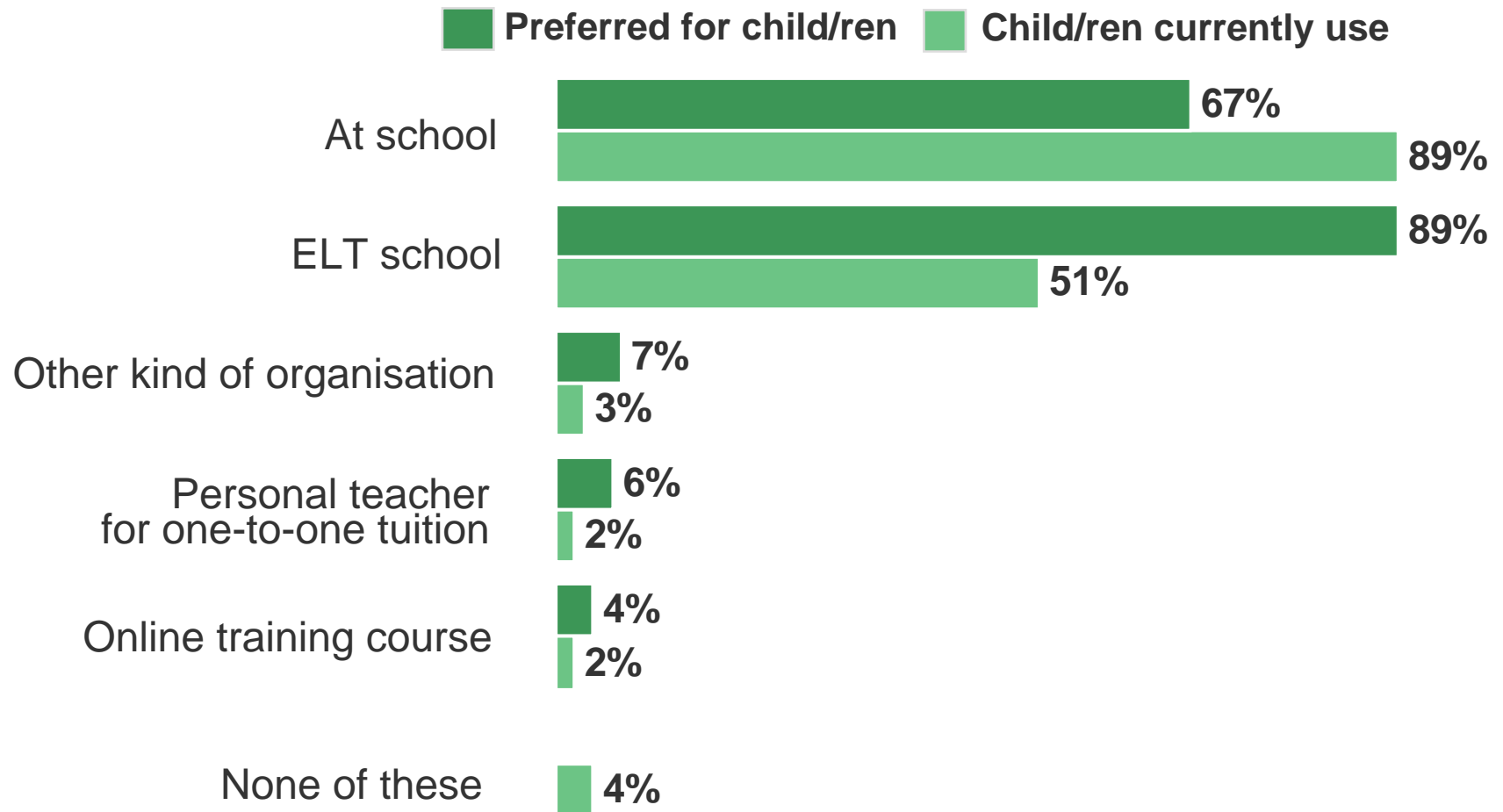


	Much more likely
Parent of potential learner	36%
Parent of current learner	28%
Adult potential learner	22%
Adult learner	14%

Base: All respondents, China (200), parent of potential learner (50), parent of current learner (50), adult potential learner (50), adult learner (50)

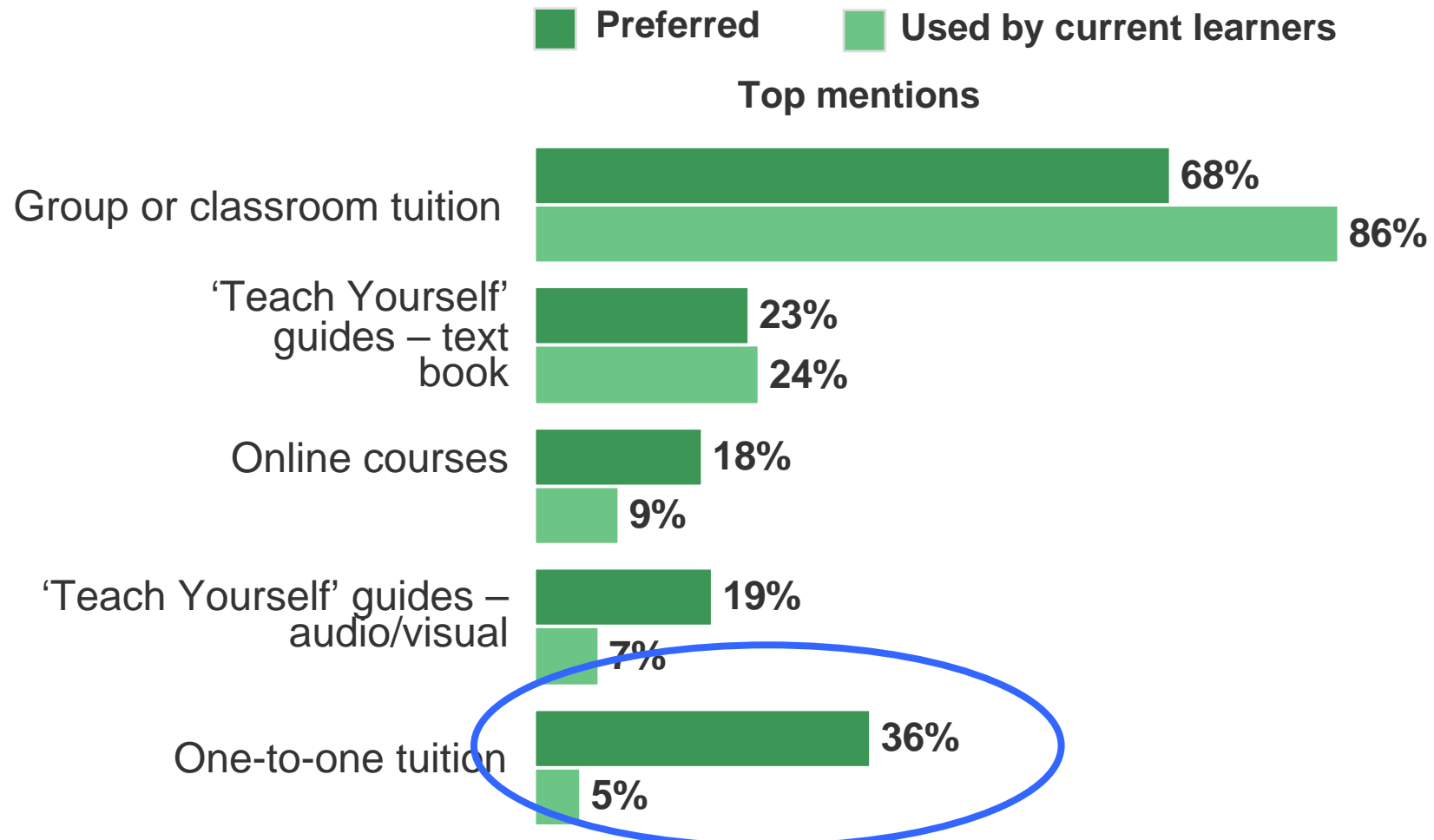
ELT schools are preferred method for parents

Is your child currently studying English in any of these ways?
Would you like your child to study English in any of these ways?



Group tuition preferred, but possible unmet demand for one-to-one tuition

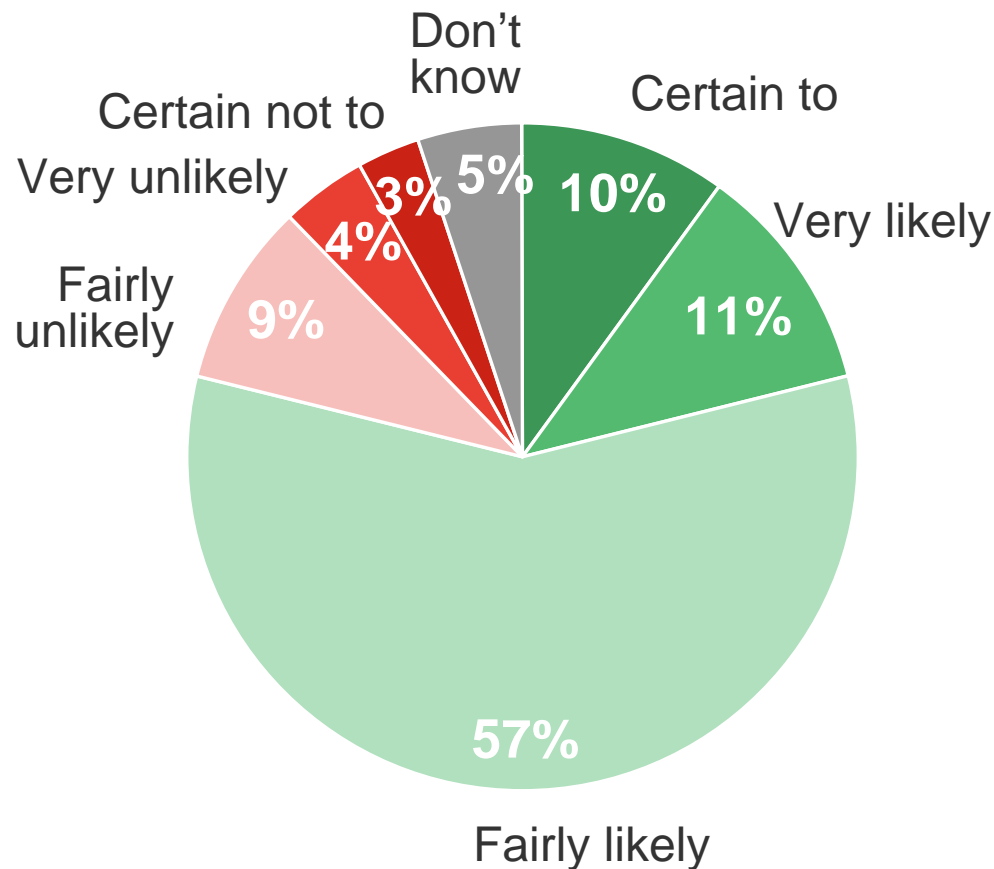
In which of these ways, if any, would you prefer (your child) to learn English / are you/your child currently using to learn English (outside school)?



Base: Preferred - All respondents, China (200), Current – All adult learners/parents of current learner, China (100)

UK ELT would be considered, esp. by parents

And, in the next 2-3 years, how likely is it that you/your child will study English at a UK English language learning institute, assuming one was based in your city?



	Certain to
Adult learner	20%
Potential adult learner	12%
Parent of current learner	54%
Parent of potential learner	50%

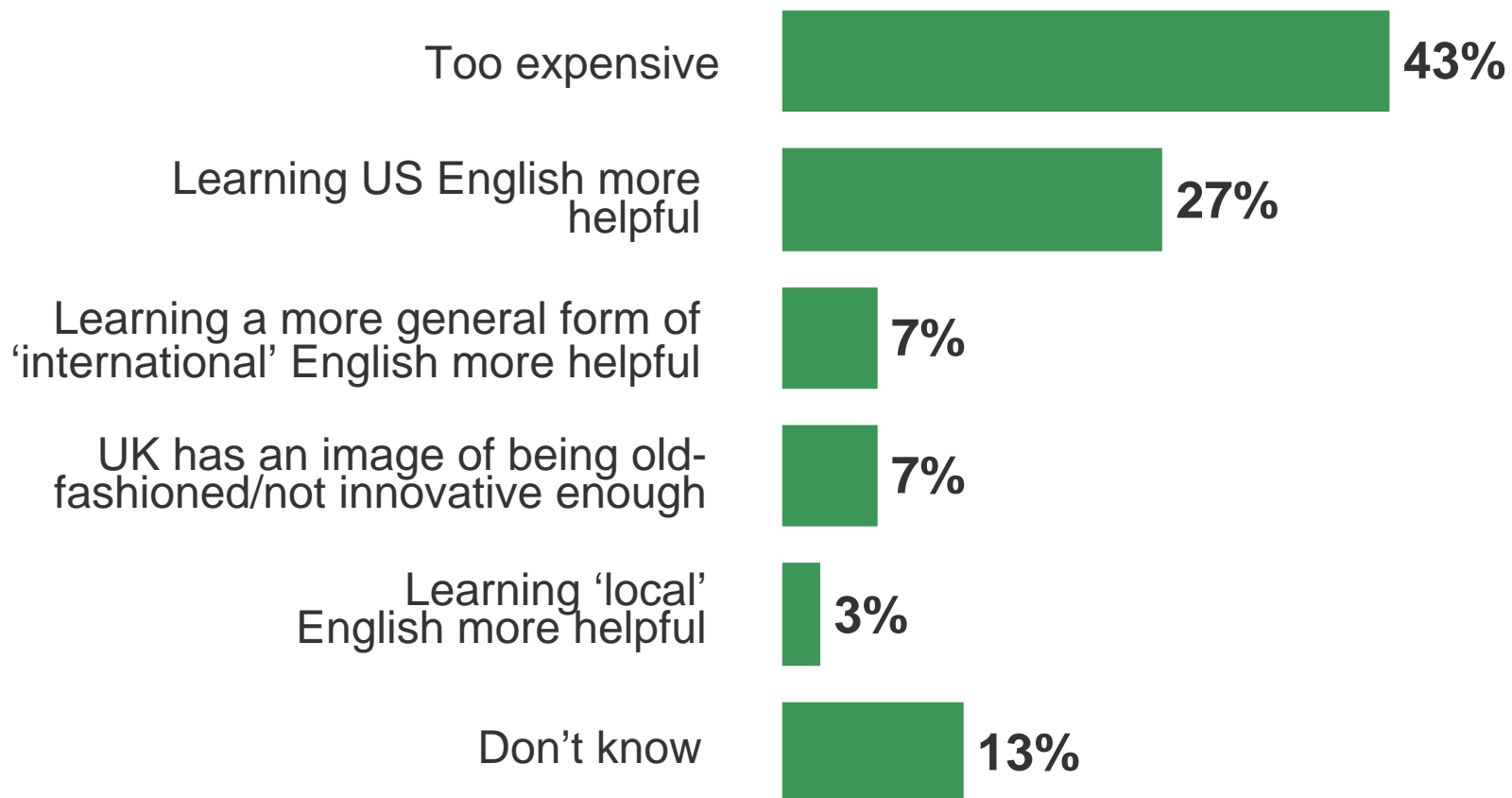
2007 URC survey:

Lower figures – 45% said they or their children likely to study in UK ELT institute

Price = key obstacle

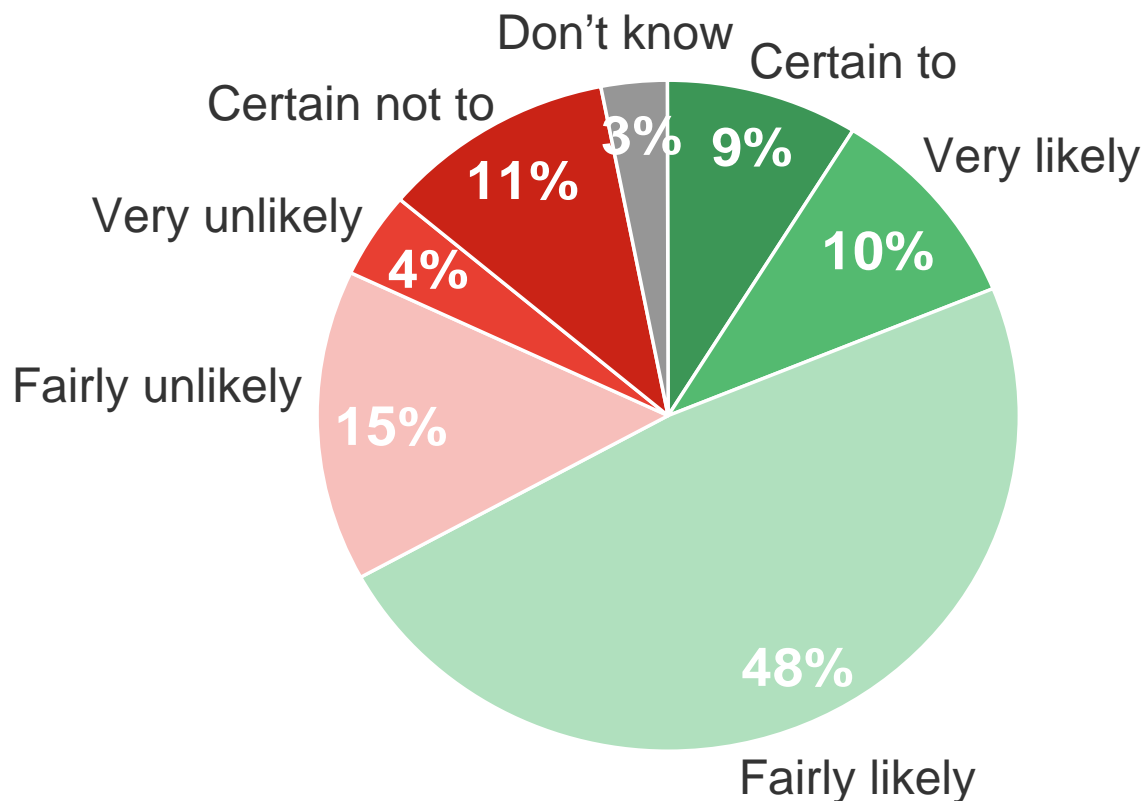
Why do you say you/your child would not study at a UK English language institute?

Top mentions



Majority would consider online learning; few certain to

How likely are you to consider learning English online in the next 2-3 years/choosing an online English learning course for your child?

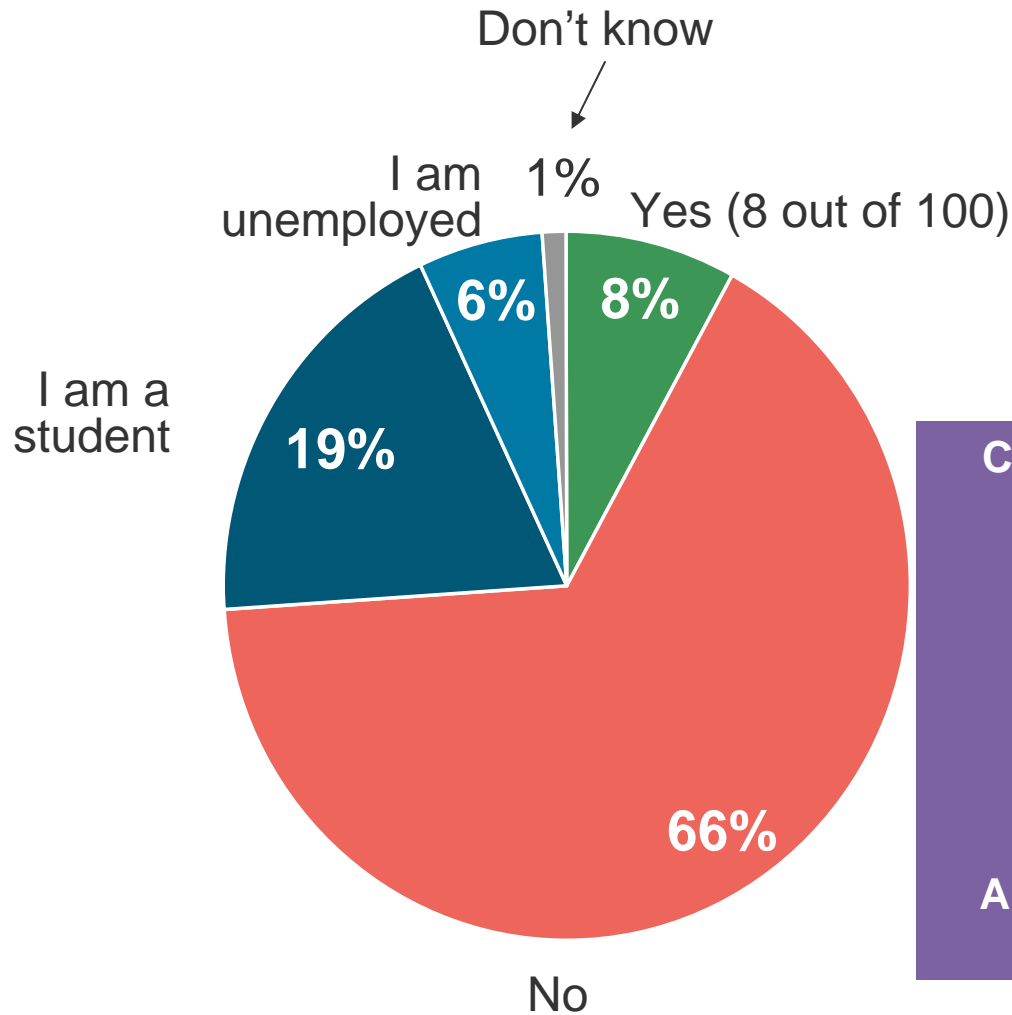


	Certain to/ Very Likely/Fairly likely
Adult learner	62%
Adult potential learner	78%
Parent of current learner	65%
Parent of potential learner	62%

2007 URC survey:
Also showed majority would consider online

Low access to ELT courses at work

Does your company offer English language training courses for employees?



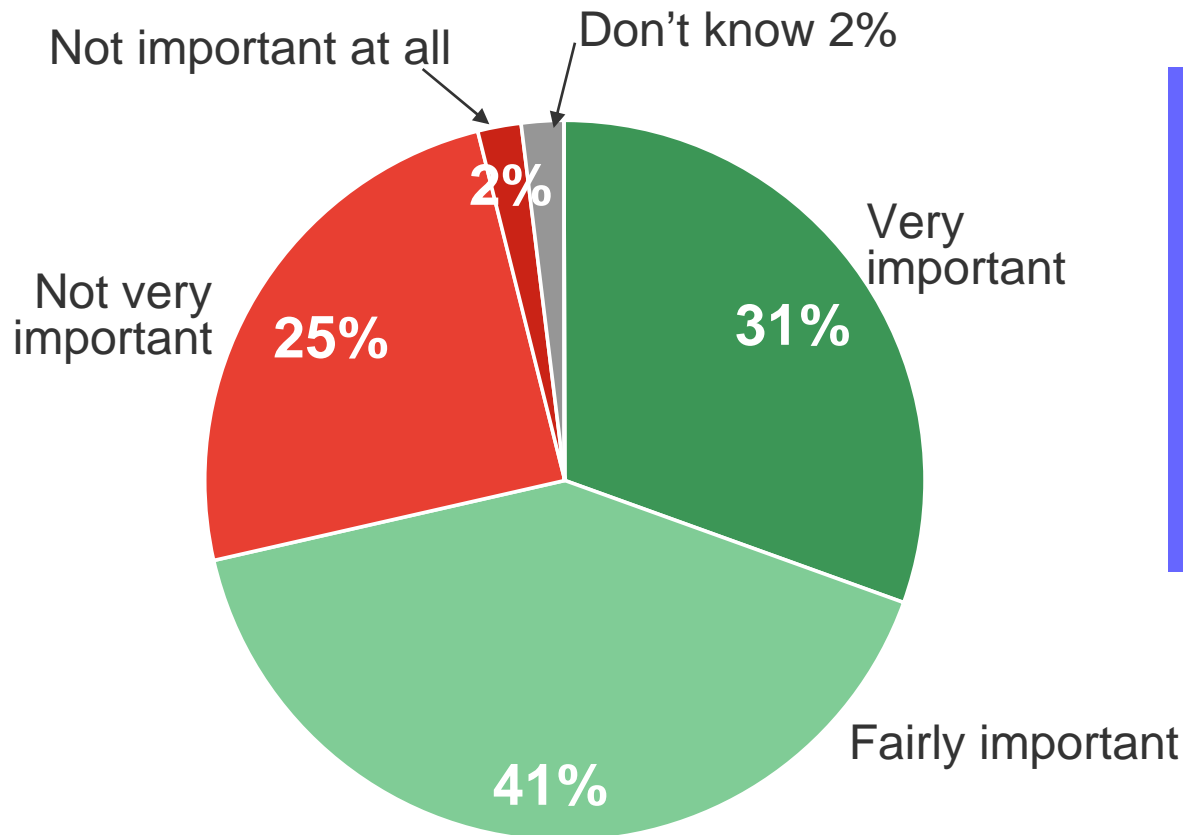
Courses offered:

Business	(4 out of 8)
Basic	(3 out of 8)
Vocational	(2 out of 8)
Professional	(1 out of 8)

All 8 likely to participate mainly because better geared to their needs

Type of English important, especially to parents of potential learners

How important or unimportant to you is the type of English learnt?



2007 URC survey:

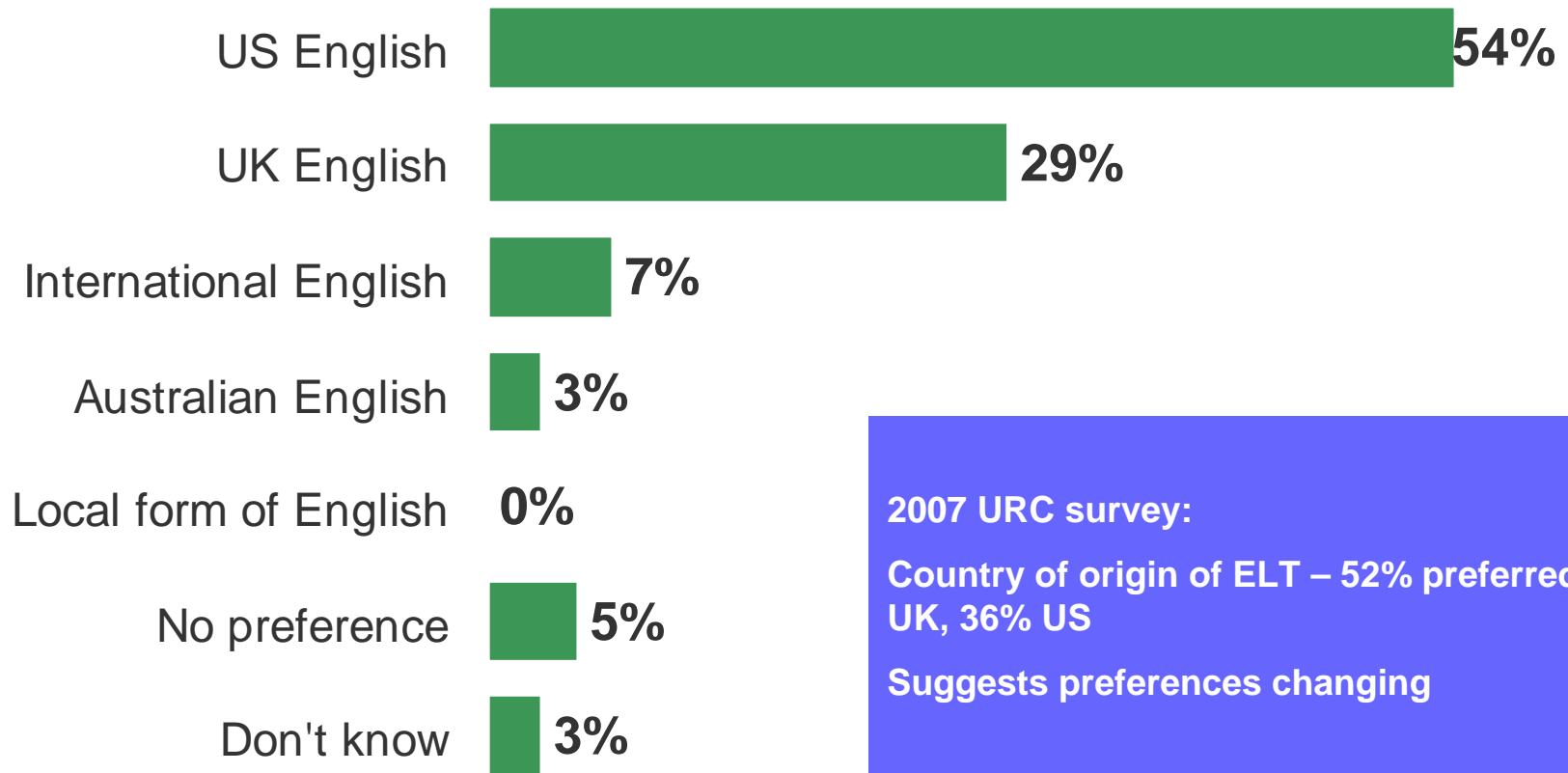
55% thought original country of origin of ELT important

Difference in question wording may account for some of the difference between this result and the current results

	Adult learner	Adult potential learner	Parent of current learner	Parent of potential learner
Very important	26%	26%	26%	44%

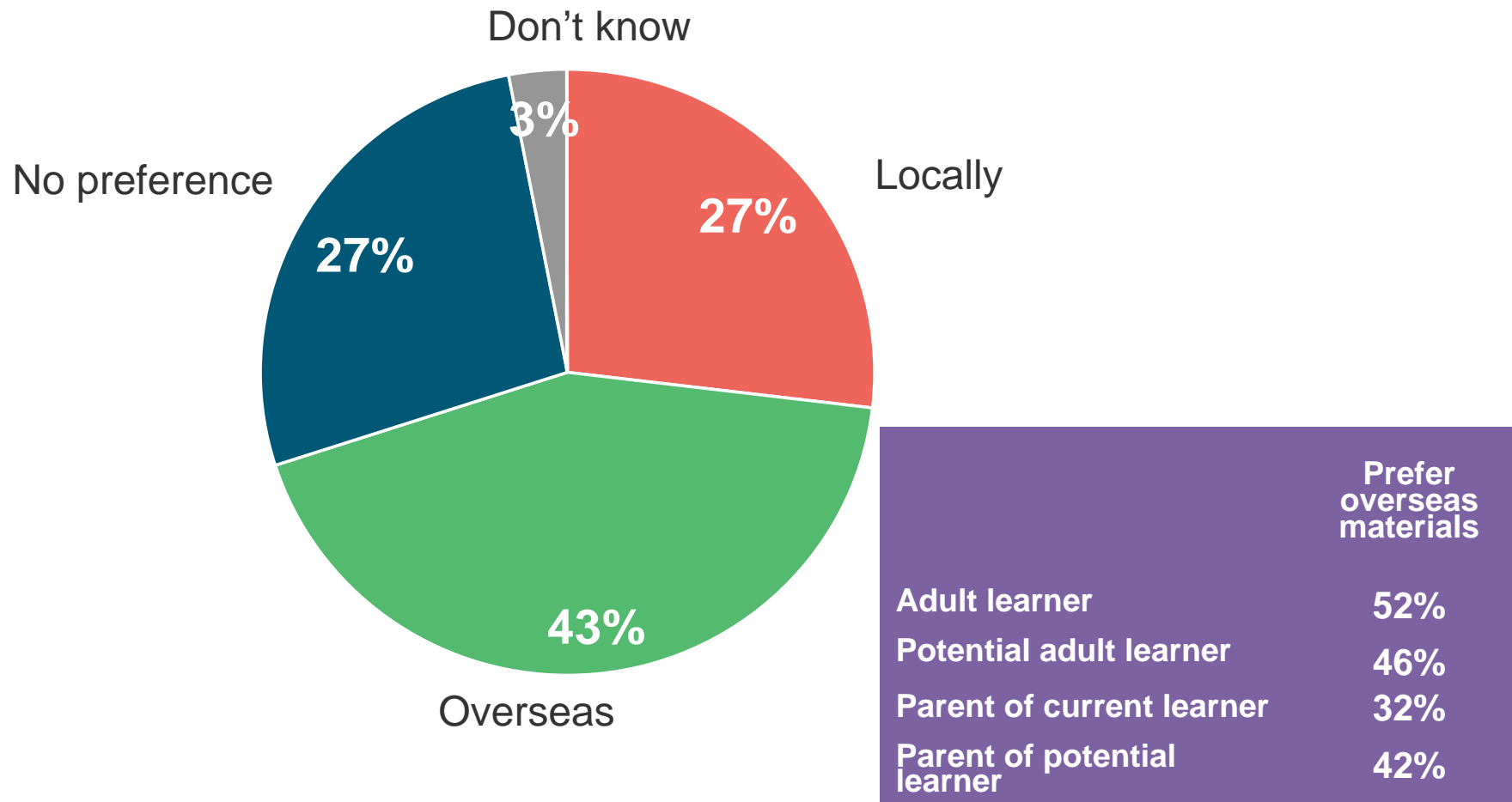
US English most popular

Which if any of these different types of English would you choose to learn/for your child to learn?



Overseas materials generally preferred

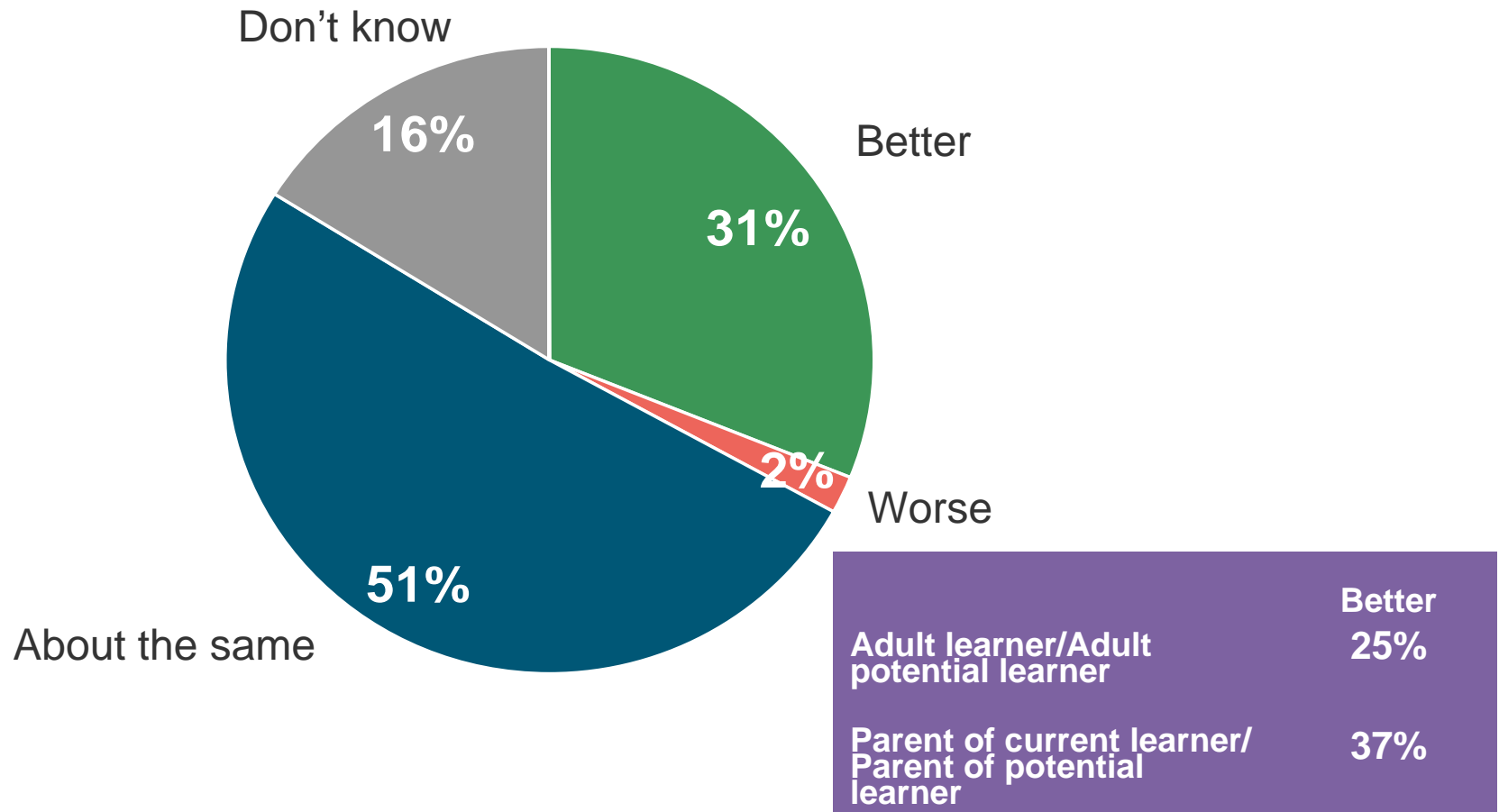
When it comes to materials for English language learning, do you generally prefer those produced locally or by overseas organisations or do you have no preference?



Base: All respondents, China (200), adult learner (50), adult potential learner (50), parent of current learner (50), parent potential learner (50)

UK materials the same or better than others

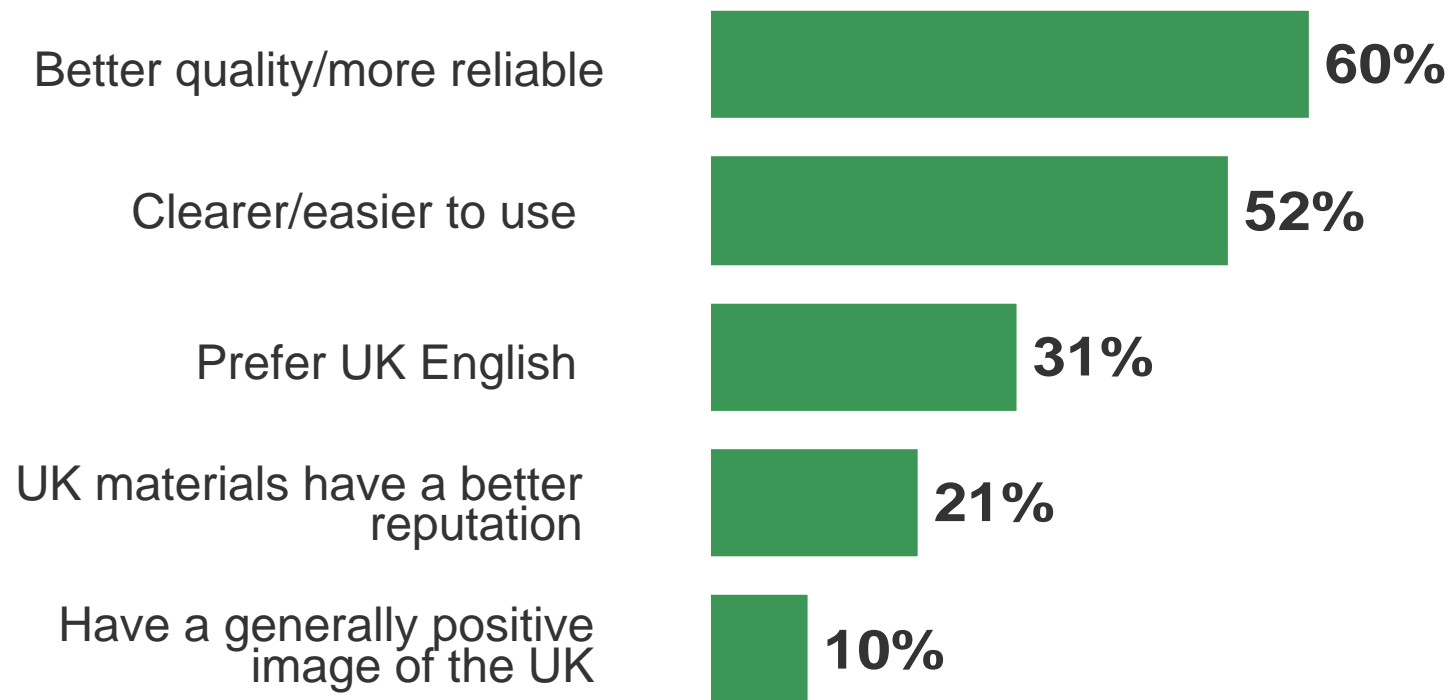
Do you think that materials produced by UK organisations for English language learning are generally better or worse than those from other overseas organisations or are they about the same?



Base: All respondents, China (200), adult learner/adult potential learner (100), parent of current learner/parent of potential learner (100)

Quality & ease of use are strengths

Why do you say that materials from UK organisations are better?



The market among English language teachers*

Public sector tied to approved materials

Public sector schools and universities

- Obligated to use the textbook compiled by the local Education Commission
- E-courseware is tied to the text book
 - Eg textbook for West District is 'New Starting Point' and the E-courseware is provided by Golden Sun Company
- Additional training exercises also used
 - Ideas coming from journals, newspaper, the Internet etc
 - Usually identified via word of mouth among teachers circles
 - Usage determined by English department of school

“I have no choice in the textbook, which is forced on us by the local Education Commission. Current textbooks are better than before, however, some key points still need to be highlighted and, as a result, I will prepare some additional materials...the E-courseware helps me prepare some games”

More choice of material in private sector

Private schools

- Flexible to choose any material which suits their students' needs
- Tend to use textbooks produced overseas:
 - More 'native' in terms of thinking and expression of language
 - Better for those preparing to study abroad
 - Sourced from Foreign Language Bookstore, Hong Kong or original country's publisher

“The materials from English speaking countries are more true to life than what we make”

Public sector textbooks of variable quality

“Fundamentally, the textbook we use is produced by Chinese...there are always cultural differences and we don't have an English environment in which students can learn like native speakers”

- Key challenge = quality of textbooks:
 - Accuracy - compiled and edited by local Chinese, resulting in ‘Chinglish’
 - Not geared towards practical application of English – not relevant to students or arouse their interests, cannot be applied in everyday life

“One frequent problem is that students understand the meaning of some words but find it hard to use in their life or other contexts besides in the textbook”

Need for interesting, practical, up-to-date material

- Interesting to students – relevant, able to stimulate interest
- Practically-oriented – can easily be applied in students' real life
- More video/audio materials
 - Particularly if can be downloaded from Internet
 - more up-to-date and flexible in terms of choice of topics

“How to stimulate students' interest is a big issue. If the resources can resonate with students, they will be compelled to learn it on their own”

Need to constantly improve their own skills

- Teachers need to constantly improve their own skills:
 - Maintain their own skills with daily practice
 - Keep up-to-date with changes in current English usage
 - Keep ahead of their own students, particularly in higher level classes

“Nowadays, students get knowledge from many different channels and they can compare with the school curriculum, so teachers feel easily challenged if we are not familiar with the latest language trends and update ourselves”

Development opportunities felt to be limited

- Current opportunities felt to be very limited, though a number of examples mentioned:
 - Internal seminars – for teachers to share experiences
 - Discussion Forum organised by local Education Commissions – to go through text book and hot topics likely to be covered in exams
 - Subscriptions to English journals – eg English newspapers, China Daily
 - Exchange programmes with overseas universities
 - Some schools encourage teachers to study abroad – schools typically pay 50% of costs
 - Some private schools use external organisations to train teachers

Limited awareness of UK-based organisations

“I never heard of any UK-based organisation providing teaching resources, maybe there are many, but I am not aware of them”

- British Council – high awareness of organisation, but no awareness of what it can offer teachers
- BBC – high awareness; some university teachers use audio clips from its web site for class materials
- Publishers – only aware of Longman. Dictionary well known
- IELTS – high awareness. Seen as passport to study abroad
- UK universities – Aware of Cambridge, Oxford, LSE, Warwick. Would search Times ranking of UK universities for others
- Examining and assessment bodies, UK language schools, websites – no awareness

The market among leading employers*

English is a 'must-have' for new recruits

- English seen as a 'must-have' qualification, regardless of sector
 - CET 4 and 6 are basic requirements. For some CET 6 is the minimum requirement for a new employee
 - IELTS, GRE, GMAT and other English certificates not required, but a high score will help potential employees stand out from the crowd
 - Potential employees also need to pass English written and oral tests, designed and administered internally
 - For jobs which require more regular contact with foreigners, only graduates with an English major will be considered

“My company attaches a high importance to English. We use a very strict process to screen their English ability. It is an important criterion which will show their ability”

But on-going ELT often not offered to staff

“English is not the only way to demonstrate one’s ability; if it was, we would recruit all employees with an English major...they all pass examinations so we believe that they do not have any problem to use English in their job. We review their performance, but not their English”

- Many do not provide on-going English training or assessment for their staff*
 - Because recruitment process screens for suitable skill level
 - Working language internally is Chinese
 - Training can conflict with workload commitments
 - Overall performance seen as more important

“In general, a day release course will last for 1-3 months, and it means the staff cannot work during that period.”

* Confirmed by quantitative research, just one in ten learners/potential learners in employment said their company offered such training

Limited awareness of UK-based organisations

- Only two mentioned as possible UK providers:
 - EF:
 - Felt to be well known in the English training market for general public
 - British Council:
 - Seen as providing opportunities for company employees to study for an MBA in the UK
 - Such MBAs felt to be useful way of improving English performance

“I know very little about the UK-based English training organisations...was it EF that is from the UK? I guess so; it is a large enterprise providing training services. Also, one of my colleagues attended a programme held by the British Council. It seems that the British Council cooperates with UK universities to offer opportunities to leading national organisations only”

Future demand for more business English training

- Economic crisis means training budgets dramatically cut in 2009
 - ELT not a priority
- Longer term, companies want ELT to be combined with business or management-related skills
 - Work-related English training is more practical
 - English learnt at school/university is not geared to business English
 - English training combined with management or other business-related topics is deemed more efficient
 - Employees can improve professional skills and English skills at the same time

“TIP is not simply English training; it covers a lot of information besides spoken English, like management and EQ topics. With the training, our employees also develop their minds”

Summary & Implications

Summary & Implications

- Strong and growing market, particularly in main cities and more developed coastal areas, so good potential for UK providers
 - Especially as English increasingly seen as a ‘must have’ in the larger, outwardly facing companies
- Currently, market dominated by adult learners, but strong growth in the young learners market, which offers huge market potential
 - Especially since teaching in the public sector still lags behind that available in private sector (in terms of practical application of skills and quality of learning materials)
- Market seemingly unaffected by economic downturn; indeed some speculation that it may increase the importance of learning English as competition for jobs becomes more intense

Summary & Implications

- ELT institutions remain main way of learning English outside school
 - Huge number of such institutions of varying size, cost and quality
- UK providers of ELT and learning materials have a good reputation
 - Associated with quality and high levels of credibility with potential employers
 - But, UK ELT also associated with high price (the flip side of quality?) – look for lower cost options to offer in addition higher cost/quality options?
 - Also interviews with teachers suggest UK organisations have a low profile in China, meaning there is a need to build this profile
 - Furthermore, US English preferred to UK English, which represents a potential obstacle

Summary & Implications

- Online learning still at an early stage, but growing force in the market, and therefore could represent an important opportunity for UK organisations
 - Particularly if Voice Interaction Technology can overcome some of downsides related to practising oral skills and interacting with others
- In-company training still quite low, except in larger companies
- In the short-term, limited opportunities for external organisations to help with in-company training, due to budget cuts
- But in the medium/longer term, opportunities lie in a focus on:
 - Business English, combined English & business training, exchange/visit study programmes to organisations in the UK

Summary & Implications

- Key opportunities for UK organisations in terms of:
 - Materials design – more accurate English, with better feel for UK/US culture
 - Expanded online offer, with downloadable exercises from the internet geared to different language skills and different age groups/abilities
 - Teacher development activities
 - Provision of more opportunities for teachers to practise their English skills with native speakers and learn more about the culture

Summary & Implications

- But:
 - Other than in private schools, Education Commissions are often the dominant decision maker on what is used (text books and E-courseware)
 - Teachers have limited information on external providers and do not have time to proactively search for this information
- Therefore UK providers need to:
 - Build closer relationships with local Education Commissions – eg in terms of help with compiling textbooks, E-courseware,
 - Provide downloadable resources for teachers
 - Raise the profile of UK providers and what they can do – regular E-newsletter to schools?