

China: Education & Training Industry Overview of Emerging Tier II Markets 2010 Update



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INTRODUCTION

The objective of this report is to provide an overview of the Chinese market for education and training, specifically language, IT, soft skills training, and children's education. The focus is on key emerging markets beyond already established cities such as Shanghai, Beijing, and Guangzhou.

All data and figures in this report are current through the end of 2008. Currency values are in US dollars.

EXECUTIVE SUMMARY

Market overview. China has one of the largest education systems in the world in terms of number of students, with more than 159 million students enrolled in primary and secondary schools at the end of 2008. There are over 109,000 registered private educational and training institutions; however, there are thousands more training companies that are not legally registered. In general, the market is highly fragmented and the quality of companies and programs varies considerably.

Impact of the economic crisis. Although it has been less affected than other countries, China has still experienced a rise in unemployment levels due to the world economic crisis. In order to become more competitive in the labor market, more people, including recent university graduates, are pursuing further study, creating significant opportunities in some educational fields. However, consumers are becoming more particular in choosing where they receive their education, limiting the opportunities for very small or lesser-known institutions.

Children's education, language, IT, and soft skills training are the largest segments of the training industry.

Key segments. Children's education, language, IT, and soft skills training are the largest segments of the training industry. While the English language market is characterized by fierce competition, a few large foreign-invested players mainly dominate the IT training market. In the children's education segment, the number of training institutes has increased rapidly over the last few years and competition is strong in Tier I and key Tier 2 cities. The soft skills training market on the other hand, is characterized by thousands of very small companies (often with only 1 or 2 people), very few of which are well-known throughout China.

Drivers of growth. The lack of skilled professionals and management talents in China is a key driver of growth as companies often use training to improve employee skills and to retain talented employees; individuals also sign up for training programs to improve their own career advancement opportunities. These factors all drive demand for language, IT, and soft skills training. The children's education sector is driven by an increasing number of wealthy parents eager to spend on extra education and training courses for their children. In the education sector, the number of openings in the public education system cannot meet demand, resulting in rapid growth of the private education sector.

Regulatory environment. The regulatory environment for the education sector is complex, with a marked distinction between “core” and “non-core” education. “Core education” includes basic and higher education; it is heavily regulated by the government and must be non-profit. Foreign companies wanting to offer “core education” must already be qualified educational institutes in their home country. “Non-core education” includes training companies offering training to professionals and corporate clients and is more open to foreign players and less subject to extensive screening procedures. Enforcement of rules for “core education” providers at the local level also vary, with many institutes – including well-known ones – operating or having operated in the past without proper licenses.

Key emerging markets and best prospects. Five key emerging markets are analyzed in this report: Tianjin, Qingdao, Shenzhen, Nanjing, Ningbo. Shenzhen has a fairly well-developed training market across all sectors. There is strong demand for language training in Tianjin and Qingdao, which until recently has been partly driven by the 2008 Olympics, as both cities were co-hosts of the games. Besides English, Japanese and Korean languages are also popular in Qingdao due to the presence of many Japanese and Korean-invested companies. There is good potential for Oral English and English testing in Ningbo and Nanjing; the IT training markets are just taking off in both cities.

Market access. Foreign companies looking to establish an education or training company in China can either: 1) partner with Chinese educational institutions, such as a university, or 2) establish a commercial enterprise (Joint Venture or Wholly Foreign-Owned). The first option is generally used by education providers (e.g. higher education institutes) and is regulated by the rules on “core-education” services. The latter is generally used by training providers, e.g. IT or soft skills training.

