China: Education & Training Industry

Overview of Emerging Tier II Markets

JLJ

The JLJ Group

Solutions for
China Entry & Growth

INTRODUCTION

The objective of this report is to provide an overview of the Chinese market for the 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.

EXECUTIVE SUMMARY

Market overview. China has one of the largest education systems in the world in terms of number of students, with more than 170 million students enrolled in primary and secondary schools at the end of 2005. In the training market, there are over 93,000 registered training companies; however there are thousands more training companies that are not legally registered. In general, the market is highly fragmented and quality of companies and programs varies considerably.

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, the IT training market is now mainly dominated by a few large foreign-invested players. 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 1 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), only 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 skills of employees as well as a retention tool; 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 school places offered 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 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 be already qualified educational institutes in their home country. "Non-core education" includes training companies offering training to professionals and corporate clients and it 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 – even 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: Shenzhen, Tianjin, Qingdao, Ningbo, and Nanjing. Shenzhen has a fairly well developed training market across all sectors. There is strong demand for language training in Tianjin and Qingdao, which is being partly driven by the Olympics, as both cities are 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 also just taking off in both cities.

Market access. Foreign companies looking to set up an education or training company in China can either: 1) partner with Chinese educational institutions, such as 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.