

# Tot learning turns big business

Investors set sights on the nascent market in China as top-quality and affordable services see high demand

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Rising demand in China for top-quality early-stage education, and current inadequate supply, are prompting private and foreign investors to rush into the segment in the hopes of huge and rapid growth.

Shopping malls in big cities now house early-stage educational institutes that offer classes covering every conceivable subject, ranging from English language to arts.

Some of them even advertise imaginatively titled courses like “early-stage cognition cultivation” and “multiple potentials and personality development”.

In the past few months, however, alleged scandalous abuse of kids at kindergartens and early-stage educational institutes in Shanghai and Beijing led to a serious review of the situation, further stoking the demand for better, safer services in this segment.

At the annual Central Economic Work Conference in December, the Chinese leadership took stock of the situation and sought to make child care and early-stage learning safe, secure, orderly and affordable.

That is because courses currently on offer tend to be rather expensive.

For example, a 45-minute class at Romp N' Roll, an early-stage education center in Beijing, can cost up to 299 yuan (\$46). Between 50 and 150 such classes constitute a course. Stated differently, a course could set back parents by up to 45,000 yuan.

Even so, such courses are few and far between. Demand far outstrips supply.

According to a report from Qianzhan Industry Research, the early-stage education market is still nascent in China, with 2017 sales revenue expected to top 200 billion yuan.

“Since married couples can now have a second child, there will be about 3 to 5 million newborns annually, so the market potential will rise by 90 to 150 billion yuan every year,” said Wang Huainan, founder and CEO of Babytree, an Internet-based company in Beijing that founded the eponymous maternal website in 2007, the world’s largest of its kind.

“According to our research, 80 to 90 percent of families would like their kids to receive early-stage education. However, only 15 percent of families are able to do so,” said Wang.

Explaining the situation, he said: “Location is one big reason. Those institutes are usually located in shopping malls. Imagine you are a full-time working parent. Who has the time to send the kids constantly back and forth to a mall and wait there?”

Starting from a maternal website,



The booth of a drama school for kids, which hires foreign teachers for its courses, at a children's products and education exhibition in Beijing. PROVIDED TO CHINA DAILY

Babytree has grown into an online forum for a large number of new moms. Typically they discuss concerns, and the shortage of top-quality early-stage educational institutes figures on their list.

To remedy the situation and wrest market share through early-mover advantage, private investors, including some from Silicon Valley, are making a beeline for the segment.

Michael Moe, founder of Global Silicon Valley, a US-based education and technology investment bank, said: “China’s education business, especially the potential in the early-stage segment, is frequently talked about. In China, you don’t need to worry about the market size.”

Global Silicon Valley is the venture capital firm that backed Coursera, the world’s largest free online education portal.

Moe said investors in China’s early-stage education market need not worry about returns because domestic demand is strong. Global Silicon Valley, he said, is considering investing a “significant sum” of money in China soon.

“Asian parents spend seven times more money on their kids’ education than American parents do,” he said.

He may well have been talking about people such as Yu Wenjie. The 30-year-old Chinese medicine doctor is expecting her first child shortly and has already started to plan the child’s future.

“It’s OK that early-stage education is expensive,” said Yu, who works at a hospital in Ningbo, East China’s Zhejiang province. “But I think what they teach at such institutes is rather shallow, and I just won’t buy those so-called full-brain potential development courses.”

Wang of Babytree said: “We found among those 15 percent of families whose kids receive early-stage education, 80 percent are not very satisfied with the quality.”

That may be due to the fact that expensive bilingual courses are usually delivered by ordinary Chinese and foreign teachers.

A 35-year-old from Denmark who works with a bilingual early-stage education center in Ningbo said he would rather describe himself as a world traveler.

Identifying himself as just Chris, he said he is “in the middle of my journey exploring the world.”

“But one day, they just stopped me in the street and offered to pay me a fat check.

“So, I’m staying here to teach English for a year. My first language is not even English! This may sound like a little bit of an exaggeration, but basically all I do every day is sing *Old MacDonald Had a Farm*.”

As early-stage education is not part of the country’s compulsory education system, industry insiders expressed concerns over the lack of much-needed regulation, particu-

larly with regard to qualifications of teachers.

“Driven by the profit motive, many speculators, whether qualified or not, rushed into the industry to take a bite of the large cake,” Qianzhan’s report pointed out. “Meanwhile, the industry doesn’t have standards for the market entry permit, teacher qualifications and curriculum design.”

Yet, the market is expanding, and more problems are surfacing. A shakeout is inevitable, the report said.

It also said the Internet will play an important role in the segment’s evolution. Some online companies have already taken steps in this direction.

Babytree believes that a possible way to improve the quality of such education amid insufficient regulation is to adopt the New Retail business model.

“I’ve heard of the recent kindergarten abuse scandal and the problem is that those teachers are under-qualified,” Wang said. “According to my observation, those Chinese early-stage learning teachers are usually underpaid, which has to some extent affected teaching quality.

“It requires us to think outside of the box as we need to raise revenue in order to pay them more — for example, by making the education center more than a place just for kids.”

Wang said in the future, early-stage learning centers need to be places with retail functions for parents to socialize.

In fact, Babytree has already worked with Mattel, one of the world’s largest toymakers, to launch a child play center this year where parents can relax, socialize and shop.

The company has promised to pay its teachers more than the market average so that they can work with dignity.

Connecting users and teachers through the Internet is another way to solve the imbalance in the educational resource distribution, industry observers said.

Targeting children aged 4 to 12, VIPKID, a Chinese online startup engaged in English-language education, has managed to link its teaching resources in North America with kids in China and elsewhere across the world.

“As a teacher myself, I realized it’s impossible to provide tailor-made education if you have 50 to 60 students in a classroom at a time,” said Mi Wenjuan, founder of VIPKID. “But one-to-one online education can make it possible.”

By connecting teachers and students through the Internet, VIPKID provides a simple and convenient way for busy parents to connect with qualified native language-speaking teachers.