

# LEARNING CHANGES

Much like retail, banking and other sectors, after-school education is the latest aspect of life in China to undergo digital transformation

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For *China Daily Asia Weekly*

Primary and high school students in China are part of an education revolution. This is driving a spectacular rise of the country's online education sector, especially for after-school learning.

By 2023 it is estimated that the market in China for personalized online one-on-one tutoring will exceed 400 billion yuan (\$63 billion), with a projected annual growth rate of 20 percent, according to Warburg Pincus, a venture capital firm invested in the sector.

This is backed up by just-released figures from iResearch. According to the Beijing-based consultancy, overall turnover in China's online education sector is tipped to be worth 251 billion yuan in 2018 — a rise of 25.7 percent year-on-year.

This is expected to more than double by 2022 to 543 billion yuan and represents a spectacular jump from 2012's relatively modest turnover of 70.5 billion yuan.

In proportional terms, primary and high school (K-12) students in China are the online education sector's fastest growing segment.

"For the students under academic pressure, (parents in China believe that) K-12 extracurricular classes are indispensable and (they) are willing to pay for such products," Du Miaomiao, a senior analyst with iResearch, told *China Daily Asia Weekly*.

"In such a huge market, the leading companies still have a market share of less than 10 percent, indicating that there is still great potential for development. Though many companies in the market are providing K-12 extracurricular classes to attract users, there is still room for improvement in terms of user experience and market differentiation."

Du added that as the online education market matures, there will be a more specialized approach in both the primary and high school sectors.

Such learning platforms are proving an irresistible lure for Chinese mainland parents hoping to give their children an edge in the country's highly competitive school system.

"The rise of the middle class, together with the possibilities of individualized teaching brought by the integration of advanced technol-

ogies with education, promotes the upgrading of education consumption," Du said.

"In an era of knowledge flattening, users have higher requirements on time and effectiveness (for learning), and they start to pay for knowledge consciously."

The Chinese government is also playing a part to boost online education. According to Global Growth Markets, a research and advisory firm, the government is trying to increase the participation rate of about 92 percent for primary school age children — and online provision by the private sector is seen as a route to help achieve that goal.

Kaikai Shi, a consultant with tech finance website AllTechAsia, said China's two-child policy is another factor driving the boom in online education.

"As long as the economy keeps building, the number of newborns will also follow. So this education sector will continue to be a hot field for parents and investors," Shi said.

## Customized services

According to AllTechAsia, China's online education companies target students 8 to 18 years of age with one-on-one customized tutorial services. Students can participate in the lessons via PCs, laptops, smartphones, tablets, or a television hooked up to one of these devices by HDMI cable. The better credentialed online learning platforms can attract tutors from China's top universities such as Tsinghua University, Peking University and Fudan University.

"Private K-12 education and tutoring have long been widespread and popular in China. And there are a lot of English programs and weekend programs," said Jeffrey Towson, professor of investment at Peking University's Guanghua School of Management in Beijing.

"You can see this starting very early for kids and continuing through high school. The desire for these programs is roughly the same that drives college applications and overseas studies — a belief in education and a desire to get ahead," he said.

Towson observed that learning is an area that has been notoriously slow to change.

"The education sector has been remarkably resistant to scaling, innovation and disruption, both in China and in the rest of the world. Education still has basically the



A student does his homework in Yuexi county, Anqing city, in East China's Anhui province. For students under academic pressure, Chinese mainland parents are paying for online learning services to give their children an edge in the country's highly competitive school system. IMAGINECHINA

same business model it did in 1850. It tends to be institutionalized, regulated, labor intensive and difficult to scale."

That said, if current growth projections for digital learning platforms are accurate, a new paradigm is set to challenge the status quo.

Some of these online education service providers have become established in a dizzyingly short time frame. One of the more successful outfits, Zhangmen.com, has become a significant player since its inception in 2014.

In just a few short years, Zhangmen.com has amassed more than 2 million registered users in China across 600 cities and has a tutorial team of more than 30,000.

Online education platforms are also using innovative technologies to match students with tutors. For example, SenseTime, a Chinese artificial intelligence (AI) startup, has developed sophisticated recognition software. The AI technology employs face, text, and image recognition.

According to Shi, languages are among the most in-demand subjects, with providers finding innovative ways to deliver content.

Beijing-headquartered VIPKID, for example, is another major player in the online learning space. Founded in 2013, the company provides live-streamed English-language courses to Chinese mainland K-12 students, taught by tutors based in the United States and Canada.

"On the whole, K-12 online education is not limited by time or place, helps optimize allocation of resources, and ensures maximum use of quality resources. It also has advantages, such as a large audience base, concentrated and rigid market

demand, (and) users who are willing to pay," said Du from iResearch.

"Vertically, the renewal cost is low because the parents are likely to renew if they are satisfied with the learning effect. Horizontally, K-12 users who have many subjects are likely to sign up for more subjects."

Online learning platforms also have the potential to strip away some of the disadvantages traditionally faced by people living in small towns and remote parts of China.

"For the comparison between traditional education and online education, (the latter) is well designed to overcome two problems with traditional education: Geographical limitation and the uneven distribution of educational resources. For example, Beijing, Shanghai and some other large cities in China have the best schools, the best teachers," said Shi.

He added that online education provides an opportunity for K-12 students living outside the big cities to access the best resources.

## Top-class talent

Peking University's Towson said that "in theory, online education can improve and defragment education."

"There used to be local singers in every town. Then radio and television brought the best singers to everyone. Online education can, in theory, bring the best teachers and teaching methods to everyone. That would be a big change from how local traditional education (operates)," Towson said.

But as with any new learning method, obstacles must be overcome for it to become a fully viable companion — or even a complete alternative — to traditional chalk

and blackboard learning.

"Currently, K-12 online education products — both tool products and courses — need to improve their teaching and the immersion experience, and to do this, they need to rely on technological development for integration with established education (channels)," said Du.

"For K-12 online education users, the demanders are not the payers. As a result, in a market full of homogeneous products or content, though users are willing to pay, they should be cautious about their choices," she added.

Given the enormous scope for growth in China's online education sector, it is hardly surprising that global players are also entering the market.

According to Pete Read, CEO of Global Growth Markets: "International players such as iTutorGroup and Age of Learning are already in the Chinese market, and more will follow, wanting to tap into the huge student numbers."

He told *China Daily Asia Weekly* that this is well matched on the consumer side by "a high level of respect for education among parents, a desire for English acquisition, and available disposable income to pay for it."

Clearly, online education and the companies providing it have a role to play in the learning of K-12 students. They also have the potential to make the current education system cheaper, more productive and more innovative.

"The hope is that digital China can bring its productivity and innovation to education, just like it has for retail, banking and other sectors," said Towson.