

# CHINA EDUCATION TECHNOLOGY REPORT



Teaser

2014

-

2016

Produced  
By JMDedu



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|--------------|----------------|
| New Oriental | ATA            |
| TAL          | NetEase        |
| Tarena       | Baidu          |
| 51talk       | Alibaba        |
| Qtone        | Tencent        |
| iFlyteck     | Country Garden |
| NetDragon    | Vanke          |

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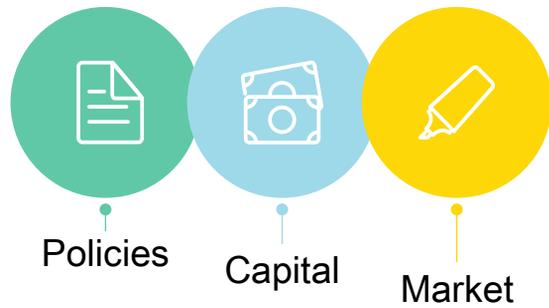
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# Summary: Driving Forces Behind the Rapid EdTech Growth

In the recent 5 years, China enjoys a rapid growth in EdTech and online learning both in the private and public sectors. The driving forces include favorable government policies, abundant venture capital, active entrepreneurial activities, consumption upgrade, fast-growing mobile internet penetration and the fact that Chinese attach great importance in education.



## Government Policy

### Modernizing Education

The goal for the government's `13th Five Year Plan` (2016 - 2020) for education is to modernize education, to provide greater opportunities for lifelong learning for all citizens, to increase the education quality in all aspects, to improve the abilities on talent delivering and higher education innovation, to have a more mature education system.

One of the important goals is to achieve the digital transition in education and learning. Budget in ICT and EdTech is increasing, reaching 275 billion RMB in 2015 (~40 billion USD). Other noteworthy policies addressed the expansion of pre-K education, reform in college entrance exam and employable skills in higher education.

## Venture Investment

### Accelerating Innovation

After the explosive growth seen in 2015, China's venture investment in EdTech (or in technology in general) became more rational in 2016. Though figures have dipped compared to 2015, China still raised 10.6 billion RMB (~1.54 billion USD) in 167 deals. The most funded companies in 2016 covers area such as Ed-SaaS providers, K12 tutoring, and 1-on-1 English learning.

However, in 2016, the number of M&A cases in EdTech China has been increased from 20 in 2015 to 65 in 2016, reaching 4.48 billion USD, presenting an 182% year-over-year increase indicating investor's higher interests in M&A activities and premium valuation of education assets in China.

## Learners Behavior

### Consumption Upgrade

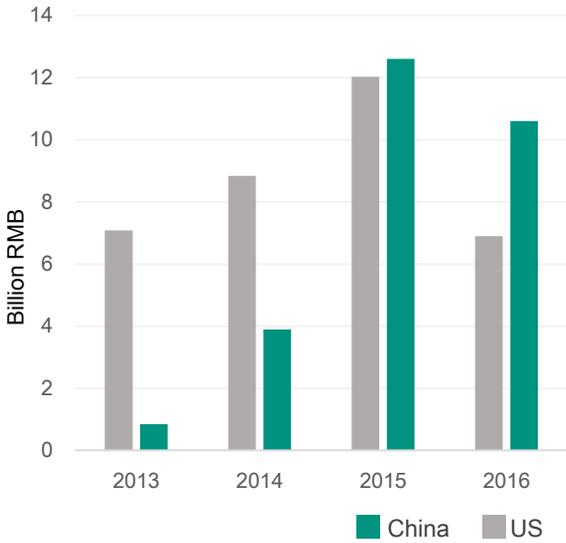
The large student population, high-stake exams, anxious parents, fast-moving society, all have contributed to a prosperous education industry—both children and adults expect education to bring them a better future. Moreover, recent years have seen the consumption upgrade, meaning paying a higher price for high-quality commodities, in all aspects of life in China, which also includes education.

In addition, online learning has become increasingly accepted by Chinese learners, reaching more than 100 million with an annual growth rate of 13%. At the same time, Chinese learners are increasingly willing to pay for carefully curated and high-quality learning content and services online.

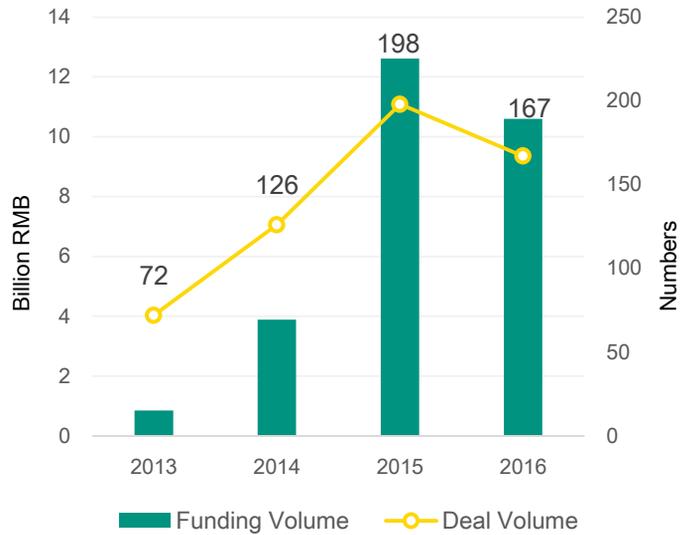
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# EdTech Fundraising Became More Rational in 2016

China vs. U.S. EdTech Funding Total (2013-2016)

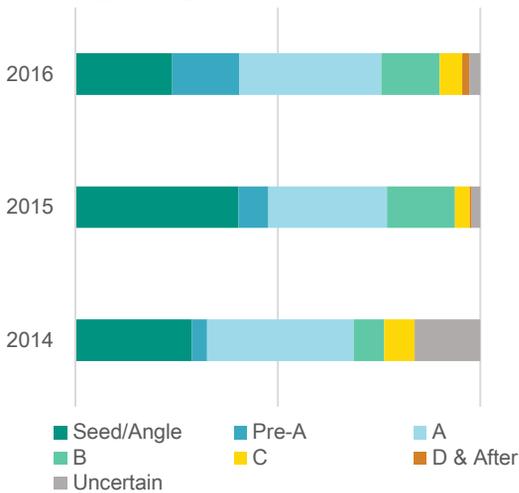


China EdTech Funding Volume and Deals (2013-2016)

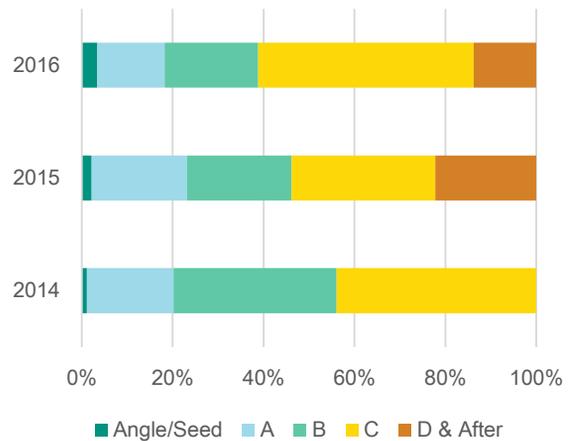


In 2016, both China and U.S. have seen a decreased funding trend for startups in funding volumes and deal numbers. Chinese EdTech startups have raised 10.6 billion RMB (~1.54 billion USD) in 2016, compared to the U.S.'s 1.03 billion USD. There are 167 venture deals in China whereas 138 in the US.

China EdTech Deals by Funding Stage in 2014 - 2016



China EdTech Funding Volumes Ratio by Funding Stage in 2014 - 2016



Early stage funding (Seed, Angle, Pre-A and A rounds) which represents investors' interests in promising but unproven ideas accounts for 75.6% of the total deal volume. Compared to 2015, more money went to late stage companies, especially for C round.

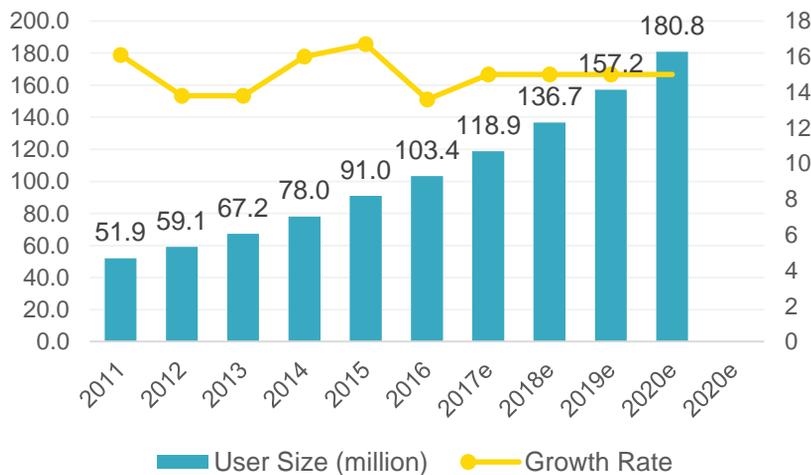
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# Growing Online Learning Users and Spending

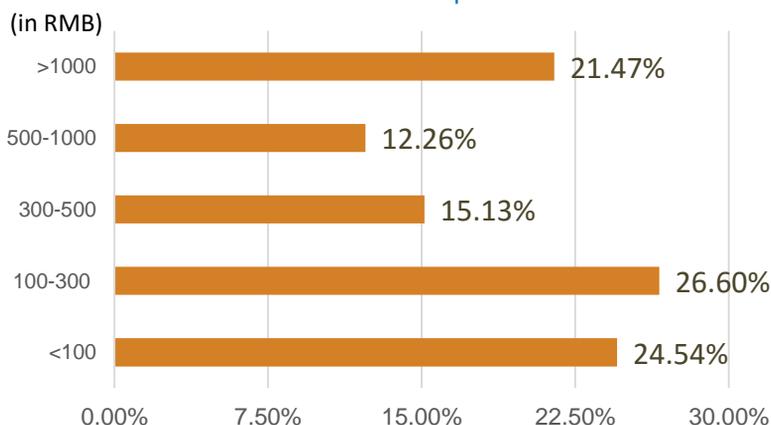
### China Online Education Market Size and Growth Rate



### China Online Education User Size and Growth Rate



### Individual Online Education Expenditure in 2016



## A Growing Online Education Market

An increasing number of people in China have now tried or enjoyed online learning due to its appealing advantages, especially the young generations and university students. Since 2010, the market size and user size have been growing at least 15% and 13% respectively every year.

In 2016, the market size of online education has reached to 22.7 billion USD, representing a 27.3% year-over-year increase. There are 103 million online learners in 2016 which is 13.6% higher than last year.

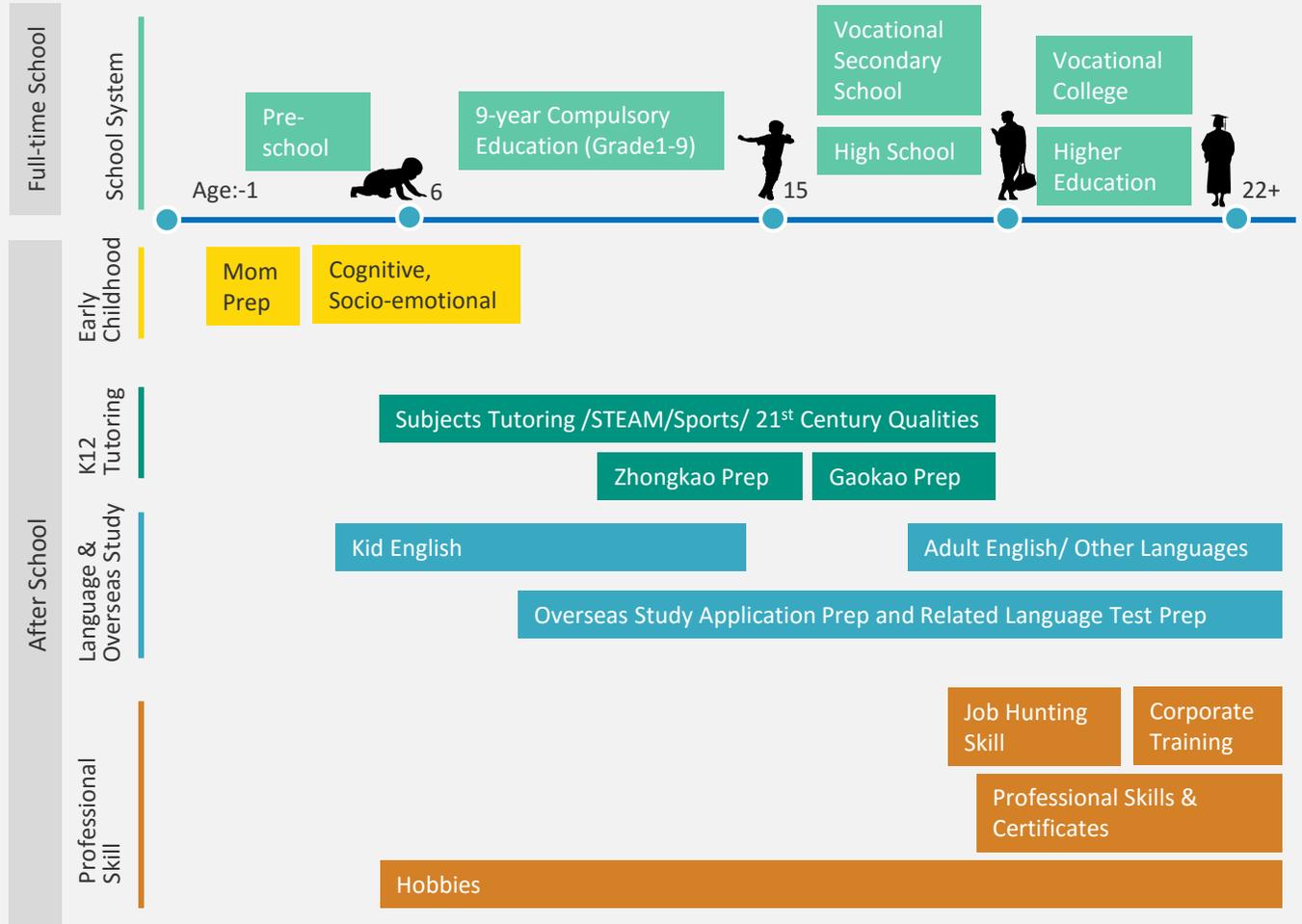
The largest online-learning sectors are certification education, professional-skill training, and language training.

## Higher Propensity to Pay For Online Learning

It's more prevalent for Chinese people to pay for knowledge now than ever. 70% of the online learners have paid for obtaining knowledge in 2016 compared to only 26% in 2015. Half of the online paying learners have spent more than 300 RMB (~43.6 USD).

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# China Education Industry by Market Segments



## School System

4.3% of China GDP

China's school system is mostly funded by the government who spends about 4.3 % of the GDP on education every year. Recent years have seen an increasing government funding on ICT and EdTech in schools, resulting in a rapid growth of equipment, Ed-SaaS, cloud LMS providers. This market is not centralized and relies heavily on channels and distributors.

## Early Childhood

~ 20 Billion USD Market

Private preschools and early-childhood learning center chains became more popular as the rise of middle-class parents. At the same time, content, software, and equipment providers for these preschools are in great demand. Moreover, Interactive digital content such as mobile kid apps and smart toys are very popular among parents.

## K12 Tutoring

~50 Billion USD Market

K12 tutoring on test prep, subjects and 21<sup>st</sup>-century skills is a huge market. We saw a high growth of after-school tutoring both offline and online, as well as blended models.

## Language & Overseas Study

~ 30 Billion USD Market

English learning has been in demand for decades. Recent years saw a rapid growth in kid English learning. And overseas study saw a similar trend, attracting younger age group.

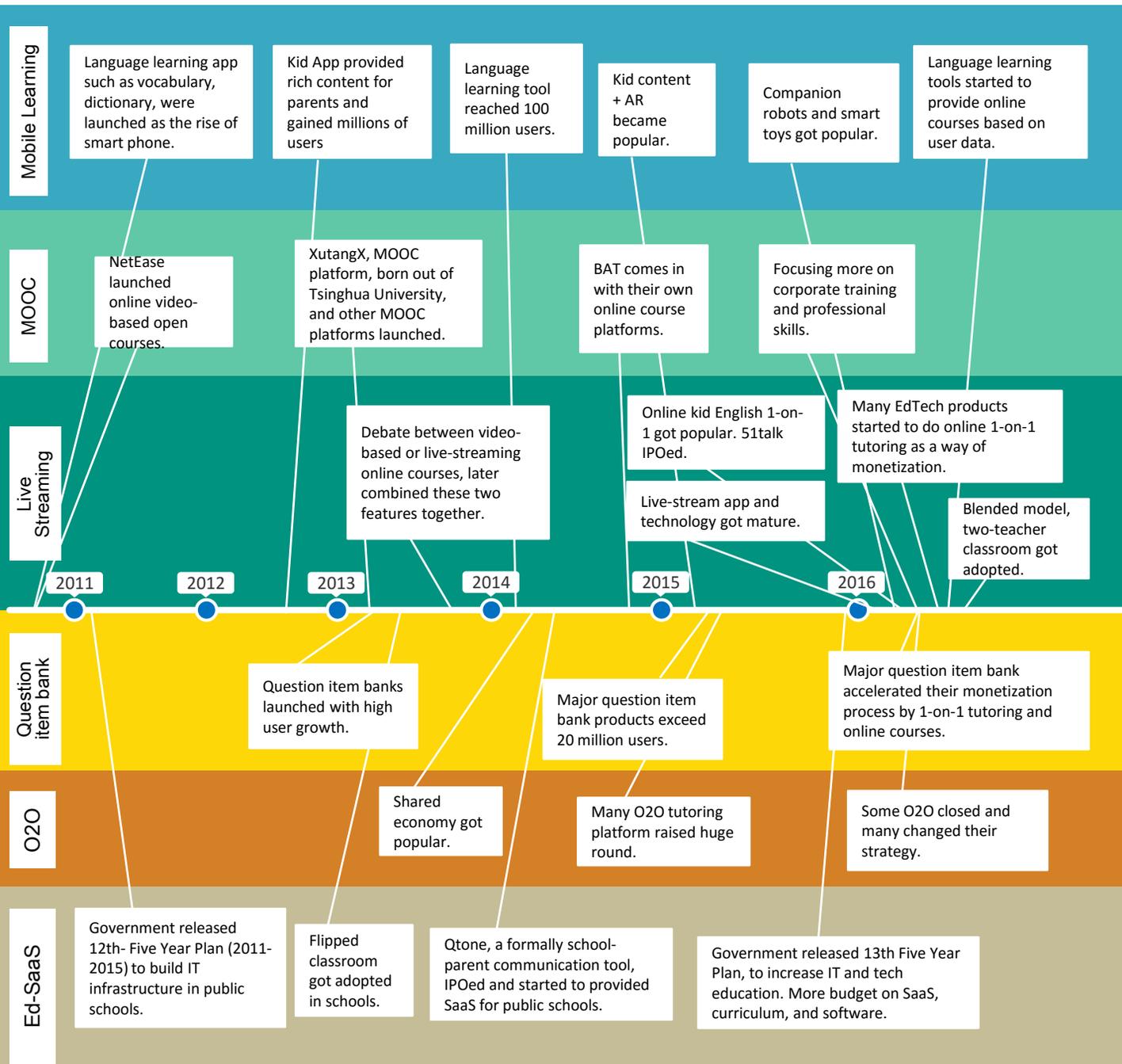
## Professional Skills

~ 30 Billion USD Market

Professional skill training that can improve employability saw the most growth. Among all disciplines, IT, accounting and medical related skills are the most popular ones.

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# A brief History of China EdTech Development



## Mobile Learning

Mobile learning tools were among the first EdTech products as the rise of Mobile Internet starting in 2010.

## Question Item Bank

Question item banks acquired the most K12 users and provided adaptive learning.

## MOOC

Chinese-based MOOC rose in 2013. Many combine video-based MOOC with live-streaming teaching.

## O2O

O2O tutoring rose with the trend of share economy in 2015.

## Live Streaming

Live streaming courses are more and more accepted, starting from 1-on-1 and large audience.

## Ed-SaaS

Government budget on IT and EdTech boosted the growth of Ed-SaaS in schools.

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# Summary: Industry Leaders & Their Strategies

| Category            | Introduction  | Strategies  | Companies   |
|---------------------|---|---|---|
| After-School (2C)   | <p>After-school tutoring institutions provide courses on test-prep, language learning, professional skills, etc. via mostly offline learning centers. They are strong in acquiring students and parents and constitute a large part of the private education sector in China.</p> | <p>Top tutoring institutions grew very fast in the recent years in their core business -- offline K12 and language training. At the same time, they embrace online learning and blended learning, focusing more on the quality of teaching content and methods.</p> |    |
| Tech Providers (2B) | <p>These technology providers serve schools and the government with their Ed-SaaS, cloud LMS and assessment technologies to streamline registration, classroom teaching, homework, exam taking and grading etc.</p>   | <p>Through acquisition activities, they consolidate their national leading position and expand their product line to provide comprehensive technology solutions to schools and to reach more channels.</p>  |   |
| Internet Giants     | <p>They command the leadership of China's Internet industry. Each of them have core products with hundreds of millions of registered users and over 200 million monthly active users. They are also actively involved in mergers and acquisitions, including EdTech.</p>          | <p>Their strategies are based on their original DNA. As they own an enormous amount of web traffic, they have a natural advantage in building 2C online course platform. At the same time, they are exploring AI, big data, and cloud computing in education.</p>   |  |
| Real Estate         | <p>Real estate companies usually started education business (e.g. having private schools) as a supporting facility to attract properties buyers. But now most of them start to focus more on education.</p>   | <p>Based on their advantage on rich capital and space design, the real estate companies build private schools, international schools, and now expand to other learning facilities across all user groups and camp education.</p>                                    |  |

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## #1 B2B EdTech Media in China

JMDedu is the No. 1 EdTech B2B Media platform in China. Our mission is to support the ecosystem of education technology in China as well as globally. Our network is across education industry—entrepreneurs, investors, startups, educators, business-decision makers, and policy-decision makers.

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### Your Best Entry into China Education Market

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#### Decoding China EdTech Industry

- In-depth China market analysis
- Go-to-market Know-hows
- Weekly China Ed-Tech Must-Reads
- Bespoke Report Services

#### Connecting with Global Industry Professionals

- Gathering 2500+ industry leaders at our annual GET summit
- Information and community services impacting 100,000+ professionals
- Well connected with industry thought leaders globally

#### One-Stop Service for Your Entry into China

- Initial China Market Feedback
- Landing on business deals with suitable partners recommended
- Exclusive access to industry leaders as mentors
- 12 session of China market insights and advices



# GET2017 Summit & Expo

13-16 Nov. 2017

## Beijing National Convention Center

### Largest and Most International EdTech Gathering in China

GET (Global Education Technology) Summit & Expo is a dedicated platform for excellent education practitioners to share their insights, experience and solutions. We set to discover inspiring education products and services from around the world and revitalize education through innovation and collaboration.

#### GET2016 at a Glance



87 Speakers



146 Journalists



2583 Attendees



66 Exhibitors



12 Countries



152 International attendees



58% of Attendees hold senior-level positions

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