Online education and edtech opportunities in China

A FOCUS ON THE ADULT LEARNING SECTOR

October 2018
Based on Chinese education megatrends to meet demand for flexible and innovative learning, and in line with the Australian International Education 2025 (AIE2025) Roadmap goal to embrace borderless learning opportunities, this report provides an in-depth understanding of the adult learning online education landscape in China, including insights and advice to Australian practitioners intending to enter this market.

The report is a companion to the first well-received *Online Education and Edtech Opportunities in China Report: A Focus on the K-12 Sector*, launched by then Minister of Trade, Tourism and Investment The Hon. Steven Ciobo MP in September 2017. Austrade again commissioned Grok Global Services to prepare this second market report.
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Executive summary

China has 772 million internet users, which represents an internet penetration rate of only just over fifty percent. This means that not only is the Chinese internet industry huge but it still has enormous capacity for expansion. Education in China is of enormous import as families continue to invest heavily in the educational development of their children. Therefore, it is not surprising that online education has become an enormous industry and that it promises to grow even further. Indeed, iResearch in 2017 estimated online education revenues in China at $40.75 billion and predicted that the market would reach $110 billion by 2022.

K-12 and adult learning are two complementary sectors in the online education industry. Both sectors share high market demand in test preparation and foreign language learning services, and both have seen recent developments in technological innovation.

Chinese adult learners are early adopters of online learning. There is a prevalent attitude that lifelong learning is important for career development and self-improvement, and ultimately is necessary to stay competitive in the job market. With university students and working professionals as the major consumer groups, adult online education has diverse offerings that span from free online courses to degree and training programs that may cost thousands of dollars. Compared with the K-12 sector, the regulatory environment for adult online learning is also less restrictive.

Based on mainly primary and secondary sources of information and research, this report focuses on four key segments in the online adult learning sector — degree education, Massive Open Online Courses (MOOCs), continuing professional education and training (CPET), and foreign language learning. For each segment, the report provides an overview of the current market status including major players and their services, followed by a case study of a notable foreign player in the segment. The report also summarises the main opportunities and challenges in tapping into each market segment for foreign online education providers.

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*All monetary figures are in Australian dollars unless otherwise stated. For exchange rates, we used OANDA exchange rates as of 2 March 2018. A$1 = CNY4.91440 = USD$0.77390.*
Overview of the online education market for adult learners in China

Development of the online education market

In April 1994, the network of the National Computing Facility Center (NCFC) in Beijing, successfully, for the first time in history, connected fully to the internet. In January 1995, the government rolled out internet services to the public. Twenty-three years later, China is now the world’s largest internet-using population, reaching 772 million users according to the China Internet Network Information Center (CNNIC)¹. Yet with only 55.8% penetration, the market still has plenty of room to grow.

The internet has profoundly influenced the everyday lives of Chinese people, including their experience with and access to education. China’s online education market has grown substantially in scale and diversity. iResearch² estimates that China’s online education industry in 2017 reached CNY200.3 billion ($40.75 billion) in revenue, a 27.9% increase on 2016. Although growth in the market is decelerating, it is predicted to reach CNY543.4 billion ($110 billion) by 2022.

The market is diverse and includes segments from pre-school, school education, higher education, language training, professional education and training etc. It has attracted billions in capital investment — for example, in the first nine months of 2017, over $15 billion were invested through 140 deals³. This has accelerated the development of local education providers significantly, as well attracting big international online education providers to enter China, such as Coursera and edX. Indeed, providers from the US and UK are among the most active participants in China’s burgeoning online education scene. Seeking to diversify and internationalise their course offerings, Chinese online education providers are enthusiastically reaching out to online education enterprises from Europe and other developed Asian countries. This bilateral interaction has further strengthened the online learning industry in China and helped it to achieve global influence, for example, XuetangX (学堂在线) — a Chinese MOOC provider powered by the US-based edX platform — joined the top five list of the world’s largest MOOCs in 2016, and is the only non-English MOOC in the top five⁴.
Online education for adult learners in China

Adult learners make up the largest group of Chinese online education consumers. In a survey by iMedia Research, based on data from its own statistical analysis system that claims to reach 700 million Chinese internet users, 67% of surveyed netizens are aware of online education, and over two-thirds of respondents whom had used or are using online education services are 26 years of age or above. Indeed, historically, Chinese online education started with online award or non-award education for adult students, when access to higher education was limited and only for the elite and talented few. With capped and scarce quota for higher education enrolment, the internet — particularly during China’s first internet boom in the early 2000s — emerged as a window for Chinese people to access continued education. However, internet technology was far from sophisticated at that time, and online education was seen as merely a virtual replica of the brick-and-mortar college classrooms. Therefore, the online learning environment was rudimentary, limited to using the internet to share digitised course materials without any peer interactions online.

However, driven by cultural and social factors, the online industry’s rapid evolution in the last two decades has fostered drastic changes in people’s understanding and learning style. To pursue long-term socio-economic reform, China’s government has promoted ‘massification’ of higher education with the aim to develop skills and capacities for the Chinese workforce. With widened education access, China today has a much larger college-educated population, which has stimulated fierce competition in the local job market. Chinese people’s constant fear of being left behind and losing competitiveness in the job market has fueled an urgent desire for continued education and self-development. Moreover, with growing private wealth and international exposure, Chinese adult learners have extended their higher and lifelong education options across geographical and digital borders. Adult learners in China now embrace online education in different forms and for various purposes, and it offers them not only a space for education but also a community in which they interact with peer learners.

In the corporate sector, companies in today’s China are increasingly faced with pressure from growing labor costs and the imperative to upgrade their operations and human resources, sparking a new wave of interest in corporate training and professional education for employees to management level staff. In this context, online learning for Chinese adults has evolved to greater variety, segmentations, and innovation.

Regulatory environment

Education informatisation is a key strategic goal for long-term national development. In the last ten years, the government has endeavored to develop ICT infrastructure in schools, institutions, and homes nationwide. With the 13th national five-year plan for education in 2016, the Chinese Government emphasises not only ICT but particularly ICT for education beyond the everyday learning experience to enabling lifelong learning for all citizens.

The governing bodies vary for each online education segment. China’s Ministry of Education (MOE), in particular, oversees award (学历教育) and non-award education (非学历教育) in the higher education sector (this is one of the most strictly regulated areas in online education). Since 2000, the MOE has approved 68 domestic higher education institutions to establish pilot distance/online education colleges and continuing education colleges, including Peking University, Tsinghua University, Renmin University of China, Shanghai Jiaotong University, Fudan University and the Open University of China (OUC). The certificates of completion awarded by these institutions are recognised nationwide, though the students do not automatically receive a degree and in most cases, they need to sit additional face-to-face exams to obtain the degree.

Except for these approved pilot higher education institutions, no other Chinese providers are allowed to deliver online award and degree education in China. Even for Chinese-foreign joint
programs established under the Regulation of the PRC on Chinese-Foreign Cooperation in Running School, 2003 (中华人民共和国中外合作办学条例), online delivery of the foreign core courses is not an encouraged model, although this regulation does not clarify whether online education by foreign education providers is within the regulatory scope.

For the majority of online education offerings that are not related to degree or award education in China, the online education market is currently regulated largely by laws about general business operations, information publishing and broadcasting on line, and internet censorship. (For further information on this, readers can refer to the report on Online education and edtech opportunities in China – A focus on the K–12 sector by Austrade).

In general, despite encouragement from the government for online education and the market’s fast evolution, China still lacks specific laws or regulations regarding online education. Moreover, China has yet to develop a comprehensive regulatory framework for the quality assurance of online education. Neither does it have the accreditation authorities for the whole sector yet.

Key features of online adult learners

Today, college students and young professionals make up the majority of adult online learners in China. However, the characteristics, motivations, and demand for online education of these two key groups of learners are very different. The chart below outlines and compares these two key groups observed in various aspects through the research:

### Key groups of Chinese adult learners in comparison

<table>
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<tr>
<th>Major consumer groups</th>
<th>College Students</th>
<th>Young Professionals</th>
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<tbody>
<tr>
<td><strong>Age</strong></td>
<td>18–30</td>
<td>24–45</td>
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<tr>
<td><strong>Career status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>Employed/self-employed professionals</td>
<td></td>
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<tr>
<td>Future vocation/profession often in consideration.</td>
<td>Career stage varies by individual, ranging from early- and mid-career staffs to senior to higher level management staff</td>
<td></td>
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<tr>
<td>Alphabetical</td>
<td>At least one to two years’ experience working in an industry/a professional position.</td>
<td></td>
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<tr>
<td><strong>Personal disposable time</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approximately eight or more hours a day</td>
<td>Less than eight hours a day (highly fragmented)</td>
<td></td>
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<tr>
<td><strong>Key motivating factors</strong></td>
<td></td>
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<tr>
<td>Preparation for postgraduate study at home or abroad</td>
<td>Career growth and development — to improve workforce skills and upgrade professional qualifications to meet changing human resource demand at work, to increase competitiveness for promotion or to expand career options</td>
<td></td>
</tr>
<tr>
<td>Learn skills and/or obtain professional qualifications for future employment</td>
<td>Peer and social networking through online learning activities</td>
<td></td>
</tr>
<tr>
<td>Personal development — eg. broaden knowledge, cultivate hobbies and interests, learn interview etiquette, explore future career options</td>
<td>Personal development — eg. learn and cultivate new hobbies and interests, broaden knowledge, business etiquette and lifestyle coaching, and personal growth.</td>
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| Peer and social networking through online learning activities.
Online adult versus online K-12 education

The adult-facing online education market in China emerged much earlier than the K-12 sector. As a result, it is more sophisticated with clearer segmentation than the more recent K-12 market. From a regulatory perspective, both sectors have red-taped areas that are under strict administration by the Chinese MOE, such as nine years of compulsory education in the K-12 sector, and award education for adult learners, but overall, the online adult education market is more flexible and has a lower entry environment for global online educators as well as industry investors.

Yet unlike K-12 learners, Chinese adult learners have greater financial and intellectual independence, and more power in decision making. They are more aware of their actual needs and are more astute in assessing the ability or suitability of a product to meet that demand. They are also more cost-conscious and concerned about return on investment, especially for paid services.

The online education market in China has formed some unique features that apply to both sectors, such as the consumers’ learning habits: Chinese online learners are more likely to be driven by practical goals eg. to sit for an exam, study abroad or job promotion. This has resulted in the dominance of online test preparation and English learning products for both adult and K-12 online learners.

Moreover, recent development of education technology into online education has impacted both sectors to put great emphasis on enabling the social dimension of online learning through...
technology — for instance to incorporate a ‘learner community’ function in product design, or to apply live-streaming broadcast technology to enhance interaction between students and tutors.

**Major market sectors**

**Award/degree education**

**Current status**

As mentioned above, award and degree education is one of the most strictly guarded areas in the market and only 68 Chinese universities and colleges are approved by the MOE to deliver degree education through online education. Most of these universities are elite national universities, and the online programs available are mostly at the undergraduate level with only a few online MBA programs at the postgraduate level. In 2016, there were 6.4 million students registered in online diploma or undergraduate programs in China according to MOE data.

However, despite exclusive market access, several of the pilot institutions, including Tsinghua University, Sun Yat-Sen University, Peking University, are reducing or ceasing their distance/online diploma or degree programs. While online programs were once an important way for Chinese learners to access tertiary education, these days — with wider access to Chinese universities and study abroad options — fewer and fewer Chinese learners are pursuing a Chinese degree online. Indeed, online degrees are considered less prestigious and not as rigorous as their on-campus counterparts, impacting the social and employment utility of online degrees.

In contrast to the shrinking market of online Chinese degree programs, there are emerging online foreign degree programs that are testing the China market, most notably University of Liverpool from the UK, despite the stricter regulatory environment for delivering an online foreign degree. However, online learning is not an approved model for obtaining a foreign degree in China. As aforementioned, even for those MOE-approved Chinese-foreign joint programs, online delivery by the foreign partner institution is not encouraged by the government. Thus online foreign degrees cannot be verified by the MOE, and graduates of an online foreign degree program may face employment limitations in China.

Given the unique regulatory environment in China and the bias against online degrees, Chinese people’s appetite for a foreign online degree is low compared to the strong demand of studying abroad. When it comes to recruiting Chinese students, there is competition between on-campus and online programs, with online degree programs the least popular in the China market. For this reason, it is quite interesting to see the entry of University of Liverpool’s online program into China, which targets young or mid-career professionals seeking to upgrade their qualifications or management skills through undisruptive learning.

**Case study — University of Liverpool Online**

The University of Liverpool is a leading UK research university. In partnership with Laureate Education, it offers fully-online degree programs backed by global accreditation bodies such as AACSB (Association to Advance Collegiate Schools of Business) and APHEA (Agency for Public Health Education Accreditation). The University of Liverpool Online (Liverpool Online) offers masters and doctoral degree programs in six academic fields — management, health, law, computer science, psychology, and education. Postgraduate certificate programs take approximately one year. Masters programs normally take between two-and-a-half to three years, while doctoral programs normally take five to six years. The estimated tuition fee ranges from $4,800 for a postgraduate certificate program to $71,120 for a Doctor of Business Administration program.

Targeting working professionals, Liverpool Online boasts more than 10,000 current students from over 160 countries. Key selling points include the opportunity for students to earn a
prestigious British degree without the hassle of visas or having to leave their jobs, and the opportunity to network with global elites on its online learning platform. When they graduate, students can also attend the graduation ceremony in Liverpool.

Liverpool Online entered China in 2015, just when China unveiled its ‘Internet Plus’ strategy, which seeks to transform a broad spectrum of industries through digitisation and the internet. By this time, online education, also referred to as ‘Internet Plus Education’ by the public, was maturing into an industry of national influence. People began to accept it as a valid form of education in its own right. Meanwhile, China’s economic transition was progressing from export-led, labor-intensive growth to a model driven by technologies, services, and consumption. In consequence, the skill gap was widening, putting strong pressure on the labor market and individual workers.

Mature working professionals — or Chinese ‘corporate elites’ as they are sometimes addressed in Liverpool Online’s Chinese advertorials — are targeted as the primary market. To these consumers, the cost of studying abroad is more than financial, but also involves risks of career disruptions and separation from their family. While many of them are anxious about their personal capabilities for long-term career success, Chinese working professionals do fear missing out on the country’s lucrative but fleeting opportunities. Liverpool Online has successfully captured this sentiment and emphasised the ‘no career interruption’ feature of the programs, while also leading to a world-class education and a prestigious degree.

Most Liverpool Online’s Chinese enrolments, moreover, are mid- to senior career professionals (age ranges between 31 to 45), whom have already enjoyed career success to some extent. This demographic is inherently less concerned with government accreditation of their degrees. Rather, when choosing a provider of continued education, they focus on factors ranging from the quality of education, the type of skills on offer, the reputation of the provider, the resources and networks available through attendance, to the recognition of their degrees across a wide spectrum of social and career settings. Understanding this psychology, Liverpool Online is tactful to highlight the various global accreditation bodies that endorse the authority of its online degrees (eg. AACSB for the management programs, and the Chartered Institute for IT).

Transferrable, global recognition beyond borders, in this case, is the essential key for Liverpool Online’s success in China despite strict state regulation.

Since entering China, Liverpool Online has been proactive in marketing activities. University officials and recruitment representatives from Liverpool Online annually visit China to meet their students, host offline student events and invite alumni from this program to share their success stories in major Chinese metropolitans like Beijing, Shanghai, Shenzhen and Hong Kong. The University also invites Chinese and other international students from their online programs for a campus visit in the UK, to create the opportunity for students to meet and connect. Digitally, press coverage and advertorials of Liverpool Online were released on major national online web portals such as Sina (新浪), Sohu (搜狐), the China Daily Online (中国日报), and PR Newswire Asia. These websites are frequently visited by Chinese business leaders and mature professionals. A series of official promotional videos have also been translated with bilingual subtitles and uploaded to influential Chinese video-hosting websites including Tencent’s qq.com. Liverpool Online also has established an official WeChat account and publishes program offerings, upcoming offline info-sessions, tips for online learnings as well as a HTML 5 animated digital brochure about Liverpool Online.

Opportunities and challenges

With 37 million domestic higher education enrolments, and 544,500 Chinese students studying abroad, China is undoubtedly a huge higher education market. Regulatory constraints imposed on online degree education and accreditation of online degrees by Chinese authorities constitute the single biggest challenge for both international and local higher education providers. However, with the rapid development of the market and the appreciation of overseas education, these constraints seem to be neglected by a unique market niche: degree-holding working professionals. As mentioned above, government accreditation of degrees is no longer...
the pre-requisite towards successful employment for these working professionals. This group of adult learners are more accepting of online degrees, less concerned with degree accreditation and instead value the experience and professional development that will help them in their career path. This target audience is more likely to be self-employed or working in foreign-invested enterprises, multinational corporations, or international organisations, where degree accreditation is not a requirement.

Competition from other foreign online degree providers is not high for this niche market. In addition to Liverpool Online, other foreign institutions currently in this market include Durham University and Heriot-Watt University from the UK, as well as many online MBA programs offered by US universities, but these two universities’ online program offerings primarily concentrate on business and management education, particularly MBA programs, which are much less diversified than Liverpool Online. This offers a wide range of popular academic subjects across masters and research degree levels. Besides, most of these institutions do not actively or independently market their online programs to Chinese students.

In the shorter term, mature working professionals seem to be a promising target for foreign online degree providers. Challenges may mainly exist in areas such as the access of digital courses, internet speed requirements, or even virtual private networks (VPNs). Internet censorship is a potential risk for online delivery in China too. Competition also exists with on-the-job masters degree programs, and MBA/eMBA programs offered by domestic and foreign education institutions targeting working professionals or executives, which provide flexible learning models during weekends and intensive on-campus learning modules. Globally speaking, there is a trend of online degree programs offered through MOOCs, such as Coursera launching six new degree programs through 2018 and 2019. This may further activate the market in China, with several local Chinese MOOC platforms adding further noise to the market.

Massive Open Online Courses (MOOCs)

Current status

Massive Open Online Courses (MOOCs) are one of the most embraced forms of online learning globally, with about 81 million learners in 2017, according to the MOOC discovery platform Class Central. The number of Chinese MOOC enrolments was estimated to exceed 10 million in 2016 (up from just 1.5 million in 2014). The majority of Chinese MOOC users are college students and young professionals — a new and growing generation of internet natives, whom have come of age along with China’s earliest internet boom. MOOCs first came to China as a foreign concept exemplified by US pioneers such as edX and the MIT Open Courseware in the early 2010s. It was soon popularised through voluntary translation by enthusiastic grassroots Chinese netizens in local online geek forums such as Guokr (果壳网) and Zhihu (知乎). Their curiosity and collective efforts have helped the MOOC movement in China. The enthusiasm of Chinese learners towards MOOCs has attracted some of these early MOOC providers like Coursera to enter the market. However, as proven later, direct entry of foreign MOOCs operators turned out a journey much tougher than assumed, with major challenges in the disruptive internet environment due to the Chinese Great Fire Wall, significant language barriers for Chinese learners, and a low tolerance for paying for knowledge through the internet.

Meanwhile, domestic Chinese MOOCs have developed at an unprecedented pace, taking advantage of the market’s growing awareness of MOOCs and their ability to localise this foreign concept. Chinese-language MOOC courses and learning platforms were developed by local internet companies, online education enterprises and higher education institutions, for example

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8 The six new degree programs that Coursera launched include the first Bachelors program — Bachelor of Science in Computer Science (University of London), Master of Computer Science (Arizona State University), Global Master of Public Health (Imperial College London), Master of Computer Science (University of Illinois at Urbana-Champaign), Master of Public Health (University of Michigan), and Master of Applied Data Science (University of Michigan).
For domestic and foreign MOOC providers, competition for both users and quality course content co-exists with partnership opportunities. To tackle the difficulty of access to overseas sites which often load slowly, there has been international video hosting partnerships established between domestic and foreign MOOCs, eg. China’s Opencourse 163 is authorised to host and distribute MOOC courses from Coursera, TED Talks, and Khan Academy from the US.

Chinese MOOCs have seen tremendous growth in recent years. According to the MOE, there are more than 10 MOOC platforms in China, and over 460 universities and colleges have introduced more than 3,200 online courses through those platforms, with more than 55 million viewers. Local MOOC providers have become more ambitious and active globally. As previously mentioned, XuetangX has become the third largest MOOC in the world with 10 million enrolled students as of March 2018. The platform now has partnered with top global universities such as Massachusetts Institute of Technology, Stanford University, and University of California Berkeley, in addition to other MOOC providers from developed countries like edX and the Spanish Universitas Telefonia. Moreover, in 2017, XuetangX announced its partnership with the Nigerian Lagos University for the launch of the Lagos University Online Education Platform. This move indicates a notable turn of Chinese MOOCs in the world, as XuetangX will serve as a MOOC exporter to the African market.

The burgeoning MOOC segment in recent years has caught the government’s attention. In recognition of the potential of MOOCs to achieve equal distribution of quality education resources, the Chinese Government has become actively involved in developing Chinese MOOCs into a major form of public education service. The national platform icourse163 (中国大学 MOOC) — built in collaboration between the MOE-affiliated Higher Education Press and the company NetEase — was launched in 2014 to provide not-for-profit MOOCs to the public. In 2018, the MOE launched the first batch of 490 accredited ‘online course of national excellence (国家精品在线课程) on the platform, with the aim to develop 3,000 such courses by 2020.

As the Chinese market for MOOCs evolves, an increasing number of local providers compete to define and gain their own niche audiences. For example, some Chinese universities are collaborating to build MOOCs with credit-bearing online degree pathways to attract Chinese high school students (eg. the CNMOOC (好大学在线) by a voluntary association of Chinese universities led by Shanghai Jiaotong University). There are also vocation-specific programs targeting the need for upskilling by working professionals, such as iMOOC which focuses on IT training courses including programming, cloud computing, big data. Some local MOOCs even offer online continued education courses for learners with military backgrounds.

Traditionally, MOOCs were offered as free of charge but now the global MOOC providers have developed products and services that range in price from free (or partially free) to costing millions of dollars. More and more MOOCs are developing degree programs eg. Coursera, which has a plan to launch 15 to 20 new degree programs by 2019. The target audiences for these fee-based programs are not the traditional student but rather the ‘lifelong career learner’ — mid-career working professionals who want to take online courses to achieve professional and career growth, or to shift career paths in a given sector. This resonates with the trend in the emerging online degree programs for working professionals introduced in the previous section of this report.

The development of China’s general online industry has paved the way for the further expansion of MOOCs to fee-paying students. The tightened administrations against abuse of intellectual property, such as certified online music streaming, has helped to improve the awareness of ownership of knowledge and its commercial implications, and helped to cultivate the habit of paying for knowledge in China. The development of digital payment technologies, and the integration of internet finance into people’s everyday life through Alipay and WeChat Pay — China’s two most dominant mobile payment platforms by Alibaba and Tencent — has further enabled consumers to pay for digital products.
With IP and payment infrastructure development, MOOCs have begun to innovate beyond the traditional model of students paying to earn a credential. XuetangX has developed a series of mini-degree programs in fields including business, cloud security, artificial intelligence, virtual reality, and big data, in collaboration with enterprises such as Amazon, Microsoft, and Alibaba. The programs are offered in a blended learning model of online courses and online and offline seminars. Program prices range from a few hundred CNY to over CNY15,000 for a mini-degree in business. Graduates with these mini-degrees have advantages in finding work with partnered enterprises. Through this university-industry collaboration, XuetangX hopes in the next three years to train over 100,000 professionals in the specific, applied skills most needed by major enterprises.

Most foreign providers seeking to enter the China market choose to partner with a local MOOC. For example, Coursera works with Guokr’s MOOC Institute. However, one provider chose to enter the market directly — one of the world’s largest MOOC providers, Udacity.

Case study — Udacity

Udacity is one of the world’s top 5 MOOC platforms, along with Coursera, edX, XuetangX, and FutureLearn. In 2015, the Silicon Valley-based giant received $136 million investment at a valuation of $1.29 billion. In April 2016, Udacity announced its expansion into China, and launched a new official China site ‘优达学城’, providing access to almost all its free online courses and several of its online project-based ‘nanodegree’ programs (quick, highly-focused courses that users could take to obtain an education certificate over a short time).

Prior to its official launch in China, Udacity had difficulties in fully engaging the China market despite its strong reputation and global dominance. For a long time, users from China complained about their learning experience due to unstable web traffic when accessing its official site in the US, which often required they use a VPN. The predominance of English-language courses with only English subtitles also prevented many Chinese learners from active participation. In the meantime, China has grown into a market highly saturated with competition, with local learners growing accustomed to using major local platforms such as Opencourse 163, MOOC Institute, and IMOOC for affordable courses. The quality of local MOOCs has improved as well, as the larger platforms actively partner with reputable foreign providers, top Chinese universities, and invite local business or technology legends to be their guest lecturers. So the challenge for Udacity in China is two-fold: to re-shape its Chinese learner experience; and, to truly penetrate the Chinese market against fierce competition from local providers.

To address these challenges, Udacity has taken a comprehensive localisation strategy in the past two years. For example, to optimise user experience, Udacity set up its China site on a local domain, and formed a strategic partnership with Youku (优酷) — China’s biggest online video streaming service provider — which allows its course videos to be hosted domestically. On the course content side, Udacity began to produce bilingual subtitles starting with three of its most popular nanodegrees (Beginning IOS, Machine Learning, and Android Developer), but expanding to other programs over time.

In particular, Udacity seemed to have a smart grasp of China’s thriving youth culture of ‘Fansub Group’ or ‘zimuzu 字幕组’, literally a group of subtitle translation volunteers. On the Udacity China site, there used to be a discussion board for recruiting Udacity Volunteer Translators. This move not only helped Udacity improve the availability of more bilingual nanodegree programs, but also the quality of translation was extremely high. Volunteer user-translators were very loyal and promoted Udacity to reach a wider audience through word-of-mouth recommendations.

Udacity also adapted to local payment habits and systems. Globally, Udacity programs are priced in both course-based and subscription-based options, with payment by credit card. But in China, the price is quoted solely in the course-based option, which tells users the total sum they need to prepay. Users could choose either to pay via Alipay or WeChat Pay by scanning the on-screen QR code using their phones, or to pay by instalment via Huabei — Alipay’s micro-lending service platform. This accommodated the Chinese preference to pay for a product once,
rather than pay through subscription, and it enabled Chinese users to avoid paying by credit card and providing personal details, which further caters to local spending preferences.

Following its partnership with Google, Amazon, and Facebook, Udacity has partnered with major Chinese tech giants such as JD.com (京东), Sina, Didi (滴滴), and Baidu (百度) to design nanodegree course projects relevant to the China market, and to offer career pathways for Chinese nanodegree students to these popular local tech employers. The partnership with Didi — the Chinese company that outcompetes Uber in the Chinese ride-sharing market — has even resulted in the high profile Udacity-DiTech Self-Driving Car Challenge, which will help Didi source global talent and innovations in autonomous vehicles. More recently, China’s Baidu also joined this collaborative talent ecosystem to develop courses in self-driving cars with Udacity.

Likewise, Udacity has introduced its coaching and career service to China. Instead of directing Chinese students to its existing, primarily English-speaking coaching team overseas, Udacity China has built a team of Chinese coaches, who regularly coach nanodegree students via instant messaging tools such as WeChat (微信) and Skype. Through WeChat, Udacity engages its students successfully by forming small groups for individual coaching and learner support. On this basis, Udacity has further launched its official WeChat account notifying followers of new course openings and latest developments. Consistent with Udacity’s global mantra of ‘Job Guaranteed’, Chinese nanodegree students are granted access to a free resume review service. As Udacity continues to enhance the value of career services in its offering, eg. its recent launch of UConnect in San Francisco, Los Angeles, and New York, it will be interesting to see what its next move for China will be on the career-coaching path.

Overall, the past two years have not been a smooth journey for Udacity in China but the company has managed to adapt to the massive but challenging Chinese market. Although there are still complaints about the higher cost of studying with Udacity and concerns about the limited subject areas available, the company has shown steady progress and potential for future development.

Opportunities and challenges

MOOCs are one of the most sophisticated segments in the online education market in China, with the number of users in millions. The China MOOC sector has been changing quickly together with the global pulse. Due to China’s rapid economic transition, there is increasing demand for job training and skill upgrading, which drives Chinese professionals to become life-long learners. The higher acceptance of paying for knowledge has opened more space for the development of MOOC offerings in China, and Chinese professionals have shown a stronger appetite for non-traditional alternative credentials that either benefit college students for future employment or help working professionals with their career growth.

Meanwhile, the online spending habits of Chinese adult learners have changed profoundly, enabling new business models, as exemplified by Udacity. These recent phenomena could have the potential to reshape the current order in the Chinese MOOC segment.

The key challenge, however, is that internet censorship and China’s unique internet economy (eg. unique social media platforms and online payment tools) have made it almost imperative for international players to operate in China if they want to truly penetrate and grow from this market. As demonstrated above, contractual partnerships with local providers has been the more popular route of entry for foreign MOOC providers, and it is indeed a more asset-light model to consider. However, the competition is increasingly intense for foreign MOOCs. For example, Guokr’s MOOC Institute now partners with ten national and international MOOCs of varying local market influence — including edX and Coursera from the US, FutureLearn from the UK, OpenLearning from Australia, iversity from Germany, other Chinese-language platforms such as Opencourse 163, XuetangX, and EWant (Taiwan). This means that the platforms are likely competing with each other not only for the users’ attention, but also for that of Guokr, their shared local partner.
In contrast, Udacity exemplifies an independent full-entry model, which requires significant investment around localisation of program delivery. It brings great risk and uncertainty but promises strong returns on investment if Udacity can achieve sustained success.

Continuing professional education and training

Current status

In June 2018, a record-breaking 8.2 million university students will graduate in China, all entering an already ultra-competitive job market. In the midst of China’s economic reform, the country has started to reflect on the relevance of university education and there is growing concern over the oversupply of graduates and whether their skills properly match a new economy.

Continuing professional education and training (CPET) in China is an even larger sector than the degree sector. Traditionally, training for skills upgrade and qualification exams preparation become the most popular areas in this sector in China, both online and offline.

IT is by far the most sought-after area for skills upgrade, with popular programs ranging from computer and mobile programming, data science, cloud computing, digital design and image processing, to simply IT tips for improved office efficiency. For exam preparation, high demand is in the public civil service exam tutorials, and for professional certificates required to become registered accountants, constructors, registered cost engineers, clinical practitioners etc. Two of China’s largest national online CPET providers today — Tedu (达内教育) and China Distance Education Holdings Ltd (CDEL)— offer web-based tutorials in these areas.

Established in the early 2000s, both companies have expanded into Nasdaq-listed enterprises. Tedu is known for providing practical IT skills training online for businesses and individuals. CDEL is famous for efficient online test preparation services through its 18 sub-brands each specialising in a particular adult-facing qualification exam, including Chinaacc.com (中华会计网校) for training specialised in accounting. It now boasts 3.4 million paid enrolments in 2017.

In recent years, the sector has become more diverse with an increasing number of innovative products entering the market. Companies that provide app-based mobile professional test preparation have proliferated. For example, Apple’s App Store in China has respectively more than 100 different iPad and iPhone apps available for the preparation of the national civil service exam, plus a growing number of their Apple Watch versions and related Podcasts.

Beyond migrating traditional content to new digital platforms, non-traditional content is being created to cover every aspect of Chinese people’s working life. For example, online career/pre-career coaching products such as CareerFrog (职业蛙), FutureTour (职派), UniCareer (职优你), and Mr.Offer (offer先生) have attracted paid users and multi-million-dollar investments from venture capitalists by connecting corporates to qualified employee candidates, and providing the anxious mass of Chinese college students guidance and mentorship in job interviews, employment, and inside knowledge of specific industries.

Likewise, a growing body of products target both corporations and individuals to improve workplace skills — in language, business etiquette and communication, teamwork, problem-solving, business networking, and even make-up tips for business. All of these new products are re-inventing the concept of online CPET in China, with innovative modes of delivery. For example, an increasing number of recent providers have launched their products on social media platforms such as WeChat, Weibo, and third-party live-streaming sites.

\[d\] Continuing professional education and training (CPET) focuses on the education and training of adults (university students/professionals) for the purpose of employability and professional or personal development alongside the attainment of an academic qualification at an institution.
Case Study — UniCareer

The online CPET market in China has long been dominated by tutorial products, especially those for the preparation of local professional qualification exams. Innovation in this segment is comparatively recent. The segment has been dominated by local providers, and has yet to see international players making significant inroads. However, some Chinese start-ups from overseas have attempted to return from their overseas bases to expand business in China — among them UniCareer, a New York-based rising star in the emerging niche for online career coaching.

Founded in 2014 by Chinese students Barbara Yu and Denise Wang in the US, UniCareer is an online career coaching service platform. Targeting China’s lucrative outbound study abroad market especially to the US, the start-up was founded to provide employment and career solutions for international Chinese students and postgraduate working professionals abroad. In 2016, UniCareer received $6.1 million investment from a Chinese fund. Seeing the growing number of overseas returnees to China, and encouraged by the tens of millions of graduates from domestic universities every year, UniCareer followed the homecoming of Chinese ‘Sea Turtles’ — the country’s nickname for its overseas student returnees — to export its service to the China market. Operating in the US and China, UniCareer has an English and a Chinese official site, each site customised to the job market differences in the two countries. It is also available at both web- and app-based platforms.

Student customers constitute UniCareer’s primary revenue stream. The company provides online courses in both video recording and live-streaming formats, covering workplace and industry insights in the eight most popular industries among Chinese graduates — finance, consultancy, accountancy, fast moving consumer goods (FMCG), internet, advertising, real estate, and big data. It also has a Toolkit program focusing on employment and handy workplace skills. According to the UniCareer China site, the number of students per course ranges from around 1,000 to 3,000, but the number may reach 30,000 for some more popular courses, such as Insights in the Accountancy Industry, How to Become a Management Trainee in the FMCG Industry, Inside the Data Analytic Department of the Financial Industry, and Financial Reporting Skills.

For each course, UniCareer offers one to two initial sessions for free trial. Afterwards, users need to pay for membership by month, quarter, half-year, or full-year, with prices ranging from $40 to $264. The registered member student will have free access to an evaluation of their individual competitiveness, all UniCareer online courses, monthly updates of the latest vacancies at UniCareer’s partner Fortune 500 companies, weekly career toolkit, and intensive pre-interview small-class coaching. On this basis, UniCareer offers add-on customised services for members to purchase, such as one-on-one live career coaching by UniCareer mentors, one-on-five live mock group interviews, packaged coaching programs leading to a direct recommendation to UniCareer’s 823 partner companies worldwide, professional resume editing, and mock interviews with human resource experts from Fortune 500 companies. These customised services are charged at varying price points, from a few hundred to around $10,000.

Targeting students’ demand for successful employment, UniCareer has further established partnerships with over 150 universities worldwide — including New York University Wasserman Center for Career Development, Singapore Management University, and Xi’an International Studies University — to provide career consulting solutions for universities and their students. Partnership with universities has helped UniCareer to further raise brand awareness among college students, which then makes UniCareer a valuable source of talent for businesses. This in turn helps UniCareer to expand its industry networks with global companies — a key resource that UniCareer has used to acquire and retain paid student users.

UniCareer recently received $10.2 million of Series B financing in 2017, and the number of its paid members is growing 30% every month. Over 48% of the paid members have continued to purchase courses and services within a year of registration.

Entering China in 2016, UniCareer was fortunate as online education had already become a national hobby, while online CPET was viewed confidently by investors as a segment poised for...
growth. The challenge is also high — there are many new start-ups competing and innovating in the CPET sector in this new era of online education.

Opportunities and challenges

Whether at the degree, nano-degree or CPET level, Chinese adults seek online learning services that will help them with their career development. In the online CPET segment, existing giants in professional skills training and tutorials for certificate and qualification exams continue to dominate the mainstream market, while various niches have emerged with innovative products attempting to meet the diverse needs of both fresh graduates and working professionals. Undoubtedly, products that help the workforce to adapt to the changing social and economic environment and to address labor market demands will continue to be in high demand.

Opportunities for international online CPET providers could be around career coaching and employment services, or to offer programs that help learners obtain an internationally-recognised certificate or qualification. After all, the reason behind test preparation’s long-standing dominance is the recognition of the importance of occupational credentials. As China’s economy becomes increasingly global, it is in urgent need of internationalising its existing talent pool\(^\text{15}\) and the demand for globally transferrable occupational credentials is growing — eg. the IBCCES Certification for autism specialists. Even in cases where those qualifications do not yet have an equivalency in China, there is a demand for that niche market, such as the Certified Mother and Child Sleep Consultant certification by the International Maternity and Parenting Institute. Foreign online CPET providers should ensure that their course content keeps abreast with the fact that there are a number of international accreditation bodies who have partnered with relevant Chinese Government agencies, such as the Project Management Profession (PMP) by the PMI (Project Management Institute) and SAFEA (State Administration of Foreign Experts Affairs), so the form and content of their exams may need to be adapted with respect to the local industry and government regulations.

Foreign language learning

Current status

Within the broader foreign language learning environment, greater freedom exists for language programs at the adult level. Chinese adults have demonstrated a more diverse taste for foreign language learnings than in the K-12 sector. While English accounts for about 80% of the language learning market, adult online language learners are pursuing a diversity of languages: Japanese, Korean, French, German, and Spanish are popular language options for online adult learners. Encouraged by China’s Belt and Road initiatives, university enrolments in studying languages from Africa, the Middle East, and South and Central Asia have also risen\(^\text{16}\). Major companies in this non-English language online learning include Olacio 欧那教育(offers multiple foreign language trainings in Portuguese, French, German, Russian, Japanese, Italian, Korean etc.), izaodao.com 早道网校(Japanese, Korean, German), ribencun 日本村(Japanese) and a few others.

In the English language learning sub-segment, test preparation for TOEFL, IELTS, GMAT, GRE, and TOEIC predominates the market in China, regardless of online or offline learning. This is closely tied to the expanding studying abroad market in China, and online English test preparation has gained popularity as a more economical way to improve language ability, as offered by companies such as New Oriental (新东方在线) (brand name known as ‘Koolearn’ for its business of online English training), Huijiang (沪江网校), zhan.com (小站教育). In recent years, online English language learning has developed more diverse sub-segments around each applied language competency (speaking, communication, writing, and cultural understanding). Chinese start-ups focused on one or more of these sub-segments have already risen to market dominance with successful IPO or investor relations, and tens or hundreds of millions of registered users, such as 51talk or Wuyou English (无忧英语), and TutorABC (originally
VIPABC until rebranded in 2017) by iTutorGroup. As China fervently embraces learning English online, traditional brick-and-mortar giants in English language learning, such as New Oriental and EF (英孚), have also stepped up efforts to enter the online and mobile learning sector, and become influential players with established brands and enormous shares of students.

English language learning in China is a hugely profitable market with a long history, but there is quite significant issue around the traditional language learning pedagogy. In traditional exam-focused language training, classes are conducted in moderate to large sizes, and teaching is around tips and knowledge in four to six categories (listening, reading, writing, speaking, vocabulary, and grammar), in order to pass the language test. Given that both students and teachers are focused on successful exam results, classroom interaction is often not sufficient to engage students in effective communication in English.

Having an offline private language tutor is both time-consuming and costly, but Chinese providers have developed a new online model that promotes a new online learning style — one-on-one (or one-on-few) live language learning with a native foreign tutor. In this setting, online learners interact with the native foreign teacher and practice English in real-world scenarios — business or personal life. Personalised classes, plus this opportunity to learn from talking virtually face-to-face to a native professional coach, have fascinated Chinese consumers.

The popularity of online spoken language learning has stimulated the market's demand for qualified and quality native coaches, as well as for technologies such as optimised algorithms. TutorABC claims to have the market’s largest team of qualified native professional tutors from America (currently over 15,000 according to its official site), and its DCGS system (Dynamic Course Generation System) matches teachers and content for a specific online learner. Further technical innovations in the segment include the adoption of artificial intelligence technology. Liulishuo (literally ‘speak fluent English’流利说) is branded as the pioneer in applying artificial intelligence into English language learning. The company also has a mobile app designed to prepare learners for the IELTS oral test by having users take oral tests by speaking to the app.

Apart from online spoken English learning, there are various online English learning products focusing on vocabulary (eg. BaiCiZhan 百词斩, CiChang 开心词场 by Hujiang), reading (eg. MintReading 薄荷阅读 — a product by BaiCiZhan; Shanbay Reading 扇贝阅读), business email writing, strategic communication, and other fun ways such as learning English from original movies and drama shows etc. These products reflect that adult learners have highly fragmented time for online learning, and mobile apps or social media tools such as WeChat serve as the major dominant platforms for using these products.

Some international online English language learning products — particularly online English writing assistance tools such as Grammarly and Ludwig that check grammar — are circulating on a word-of-mouth basis within smaller circles, such as overseas Chinese students who use them a lot for thesis paper writing. These alternative online English learning products from abroad are developing a small following in China.

Case study — Cambly

Founded in 2013 by former Google engineers Sameer Shariff and Kevin Law, Cambly is a US-based start-up that provides global English language learners instant one-on-one access to native English speakers, using its live video chat platform accessible on desktop, mobile, and tablet. Its focus is to connect users with native speakers for real-time conversations to practice English at any time.

Cambly users can view all the coaches’ profiles and choose their favorite one to start, and they can also make appointment for the next learning session with the coaches. Cambly’s learning management system technology also helps match users to suitable personal coaches based on their background and preferences. The live tutorial sessions are recorded for students to review and reinforce the learning process afterwards. Cambly has a very flexible price package for users, where they can choose the length of the learning session per day (15 minutes, 30
minutes, 60 minutes, or 120 minutes), frequency of taking the session each week (1 day, 3 days, 5 days, or 7 days), and subscription period (by month, by quarter, bi-annual, or annual).

In contrast to some of its competitors providing tutorials that require intensive course design, Cambly simply fosters the opportunity for students to talk to a native speaker in areas they are interested in, or if they need to prepare for an interview or a speech, they could ask the coach to tailor the course. Users could choose a structured way of learning and follow a series of courses, eg. courses specifically for IELTS oral test preparation; or have flexible conversations around hot topics in the real world. Cambly also offers a course certificate if they have completed over ten hours of private English language sessions, which might be useful for their resumes.

In April 2016, Cambly entered China after a trial period in the previous year. The market was tough for foreign players at that time, as local competitors such as TutorABC and 51Talk had already won significant market share. At that time, Cambly was an early stage company (having not yet received its seed round of financing), and at first glance, their offering did not stand out as providing one-on-one live tutorials with native English speakers. However, despite those challenges, Cambly was well received with 50% monthly growth of paid users for the first six months after its official entry.17

In an interview with TechNode (the Chinese partner of the American online publisher TechCrunch), Cambly founder Sameer Shariff shared his view on why the company was able to achieve such an impressive landing in China.18 According to Shariff, Cambly’s key competitive edge is the diverse professional backgrounds of its coaches. The majority of Cambly’s Chinese competitors are focusing singularly on recruiting coaches with a language teaching background. In contrast, Cambly recruits coaches from a wide range of professions in Law, IT, Health Sciences, Business and Commerce, in addition to its group of language teaching professionals. For users, the conversation with coaches becomes more engaging and meaningful if they have something in common, work in the same profession, or even share the same hobby. This helps Cambly to exceed even the larger local providers in attracting mature and elite Chinese learners.

Compared with other major players in the market, Cambly’s price point is lower. Early in 2017, Cambly added an option of one-on-three group talking with the coach and other two learners which reduced the price to around $12 a month. The most expensive package of an annual subscription for a daily two-hour one-on-one session is $420, but users can get a 35% discount. In comparison, a one-on-one session at TutorABC was priced at around $60, or annually $5,740 in 2017 for the one-on-six class option.

What’s more, Cambly founders’ background in the technology industry helped it develop a competitive learning management system and optimise its students’ experience. Yet beyond this, it is worth mentioning that, as is the case with many other successful international players in China, Cambly was very responsive to the uniqueness of the Chinese market. Among its first steps in China, Cambly relocated some of its servers to local domains, and created a video platform for Chinese users. Within a year, Cambly had also created a website in Simplified Chinese and a user support system using WeChat rather than email. This too has surely been helpful for Cambly to improve student satisfaction and reach a wider Chinese audience.

Apart from targeting individual learners in China, Cambly also tried to develop the business-to-business channel, to provide personalised spoken English coaching for staff at Chinese companies in the study abroad and study travel industry.

Opportunities and challenges

The foreign language learning market is consolidating in China, with major domestic players, such as New Oriental and Hujiang, dominating the market, and some specialising in oral language learning, such as 51Talk and TutorABC. In the four key categories of language learning (listening, speaking, reading, and writing), listening and speaking are by far the most popular sub-segments, dominated almost singularly by one-on-one live tutorials with native coaches by domestic companies. The trend is spreading from English to other foreign languages, including Japanese. Given Chinese adults’ diverse interest in learning foreign
languages beyond English, and the maturing of the English language training segment, there is potential for more non-English language learning products in the China market, though the market size is still small, when compared to the English language learning sector.

The market of one-on-one online live tutorials still brings promising opportunities, as online learners are still in favor of learning through interaction with a native English speaker. The challenges in entering this segment for a foreign player is obviously the fierce competition from existing domestic leading language learning providers, and the challenge to be innovative in product offering so as to have a competitive edge. The example of Cambly is inspiring, as it differentiates itself from other learning platforms by delivering meaningful, relevant learning experiences beyond pure language training to the users. Cambly’s success through a competitive local pricing strategy also demonstrates that Chinese adult learners are still very cost-conscious in their online education spending.

Another possibility for international players to explore in the foreign language training sector is the business-to-business model. With more Chinese providers competing to acquire quality foreign language coaches and improve their education technologies, international players could consider taking this opportunity to supply online language training providers with qualified language teachers, course development expertise, and related language learning technologies. Education and technology are closely combined in the foreign language learning sector. Cutting-edge technologies such as adaptive learning, artificial intelligence, or virtual reality as supplementary learning functions for online learnings are becoming increasingly popular.

Besides the booming but competitive online oral English learning segment, the popularity of online English writing assistance tools among overseas Chinese student communities also addresses a genuine gap in the Chinese market that international players could consider tapping into.

Conclusion

Online adult education in China is an established market with a history of more than two decades. The multi-faceted nature in the work and life of Chinese adults has made the adult learner market a lot more diverse than the online education market for K-12 students. In the last few years, the Chinese economy has evolved and Chinese people now more readily recognise the need to participate in lifelong and online education. As a result, the last two to three years have seen growing innovations in China’s online adult education market, with rising new developments such as foreign degree programs, programs targeting niche audiences, and innovative business models.

During this period, online education continues to penetrate all aspects in the lives and careers of Chinese adults, and has become a powerful support in the transformation of China’s labor market structure and skill composition. In the meantime, as China’s internet economy expands and becomes more sophisticated, both traditional online education giants and new startups have become more professional and globalised in their content, education technologies, brand management, and market operation and development.

This has made competition in China’s online adult education market much fiercer than ever before. Although China has been a sometimes difficult market for international online companies with its stringent internet regulations, as well as unique digital market landscape and consumer behaviors, in the last few years, the Chinese market has begun to witness successful entries by a number of foreign online education enterprises in the adult learning sector.

Compared to the K-12 online learning sector, the adult learning sector has lower entry thresholds and a more flexible operating environment. The market’s current status is also encouraging for foreign entrepreneurs and investors. Yet no matter what direction the market will be heading toward in future, demand for quality content, professional teachers, excellent learning experiences and student service, and innovative technologies will always persist, and they should remain the core benchmarks for international players in their consideration of, and future entry to China.
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