



A Look at Japan's E-Learning Market

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Introduction: English Education in Japan

As stated in the previous report, *The English Language Education Market in Japan*, the Abe Administration proposed educational reform in preparation for hosting the 2020 Olympics, and in order to globalize the Japanese workforce.

Many may be surprised to realize that English proficiency in Japan is lower than imagined. However, this is the truth, and it affects business opportunities for service providers.

Just why is English proficiency so low? This is the result of an overemphasis on grammar and exam English, a lack of speaking opportunities, and a late start (middle school) in comparison to Asian peers. University and high school examinations may feature English portions, but such tests feature mostly grammar exercises, and no emphasis is placed on communication skills. Therefore, while students may be studying English for seven years, actual proficiency is not so high. Many say the wake-up call for the Japanese Government was when Japan ranked 40th out of 48 nations for TOEFL scores. The Japanese Government was shocked to realize how low Japan's scores were, and with the Olympics around the corner, realized the call for action.

Change will be slow in coming despite talk of reform. While many expected The University of Tokyo to be the leader in switching to a September academic year, this has not happened. As for introducing widespread TOEIC type English examinations into the university examination process, this is something that will easily take several years, and is sure to face opposition. The plan to lower English familiarization is still being contemplated as generations head to middle school and high school with little exposure to English.

So, why is it so difficult for Japanese to implement new programs given the importance of English as a global language? Shouldn't English be something that directly connects to one's career options? The shocking truth is that while many Asian peers can use English to propel them to success, that English does not necessarily open doors for success in Japanese society. Studying abroad a year puts one at a disadvantage for job hunting, a process in Japan that requires the student to have a job offer by diligently applying to 40 plus companies, and securing an offer before graduation.

While some companies have switched to having English score requirements for admission or promotion, a 2011 survey showed that Samsung required a 900 range TOEIC score for entry

while Toshiba required a 400 range score for promotion to an international management related position. Many companies still only expect scores around the 700-range even if they are transitioning to using English as their corporate language. This is not to imply that Japanese expect less, it is that English is not valued as highly as it might be in other countries.

Of course, should one want to work at a global company, some English is certainly required. Working for a prestigious American company does require a decent TOEIC score. But, one might be surprised to see that a name brand Japanese university degree and average TOEIC scores are far more valuable from the company's perspective than fluent English and a foreign university degree. Of course, if the degree were from an Ivy League University, all doors would be open, but this usually is not the case. There have been many situations where fluent English speakers have returned from studying overseas, fell off the traditional job hunt cycle, and struggled to secure permanent employment. Having English skills was simply not enough.

If the reward is not large, then many cannot afford to invest into English. The sharp decline in study abroad numbers does signal this to a certain degree. The stagnant economy makes any additional payments rather expensive. The average salary in Japan is \$40,000, and English lessons do not come cheap. This has led to the rise of online English lessons.

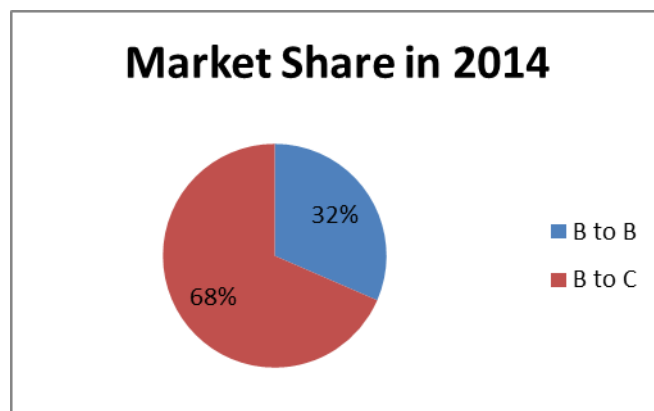
The Total Market for English Education

The English education market in Japan was \$2,772 million in 2013, according to Yano research. The market is separated into three categories: Professional English education, Youth English Education and Pre-School English Education systems. Out of three categories, the professional English education market size is the biggest at 62% of the total English education market share. Youth English education accounts for 29% and pre-school English education is 9% of entire market.

The Emerging E-Learning Market

Learning styles have changed since the introduction of computers and tablets. Students and/or Teachers no longer have to physically be in a classroom. However, in a culture that favored face-to-face interaction, e-learning did not immediately become popular. There are several reasons for this, and these reasons still exist today.

Japan's current internet usage rate is 82.8% according to a survey conducted by the Ministry of Communication in 2014. Out of this 82%, about 58.4% indicated that they had used the Internet via their smartphones. What is important to note here is that not every individual in a Japanese family has his/her own computer. In fact, many will receive their first laptop when heading out to college.



The reason is that Japanese schools require essays and homework to be handwritten. Therefore, since computers only need to be used for occasional research, having a laptop per family member is not a necessity. On the flip side, having a cellphone is a necessity given long commutes. One may be surprised to see that Japanese children are out and about on their own as young as 6 years old. This is enabled by cellphones equipped with train ticket and GPS functions that allow parents to keep track of their children.

The lack of individual computers is reinforced by Japan's writing system and educational process. The Japanese writing system has 3 sets of alphabets with one being Chinese characters known as kanji. There are about 2000-3000 kanji one must know as a functional adult, and a lot of these are learned during middle and high school. This makes writing homework assignments and essays even more important. College applications are still hand written and some job applications are hand written as well. Good penmanship is considered a sign of high education and some will even hire others to complete forms on their behalf.

Furthermore, Japan values "association." A person is not identified by his/her name, but as a person belonging to an organization or entity. One must always be associated with something such as a university, company, or family unit. Being associated to something or someone gives one a sense of security, and enables relationships, including business transactions, to flow smoothly. Such values have made a nation already sensitive to outsiders, wary of online businesses with no physical presence in Japan. Many companies have actually invested time and resources to have a physical presence as the presence and Japanese staff have gone long ways in reassuring clients and business partners. The major players who first started experimenting with e-learning all have physical networks in Japan, and started doing so after their brand names had been well established in the market.

Another reason is the "prestige" that comes with attending a physical location. Young office workers and mothers alike enjoy gathering at schools as it signals their affluence and prestige. Only those who have extra disposable English can take English lessons, and for mothers wishing to signal their societal status and forward thinking parenting—attending weekly lessons is a must. In fact, some can even go as far to say that whether the child learns or not may not be as important as being able to check the early English education box on a school application form. Gathering and meeting people at lessons in a communal space is something that has been preferred and e-learning had been an additional option to be packaged along with in person lessons.

This changed with the entrance of Rare Job (<http://www.rarejob.com/>), which began offering cheap Skype English lessons. This was one of the first times a company without a physical presence in Japan began offering English lessons via the Internet. Prior to the rise of Rare Jobs, major English schools had experimented with e-learning options, but this always had been in combination with face-to-face lessons through networks of schools in the country. Rare Jobs quickly became successful and students found it to be an easy and economical option.

The Current Market in numbers

According to Yano Research Institute, Japan's Language E-learning market in 2013 was \$61 million (\$1=119 yen). However, its market is divided into two categories by targeted consumers: corporate/educational foundations (B to B) and individual consumers (B to C).

The market targeting corporate or education foundations accounts for about 32% (\$19.33 million) of market. On the other hand, the market for individual consumers accounts for about 68 percent (\$42.02 million).

B to B

More companies are requiring their workers to speak English. Some companies, such as Fast Retailing and Rakuten have tied promotions into TOEIC scores and have mandated minimum scores for entry-level staff as well. Regardless or not of how often one uses English, the fact that a company can offer English lessons shows global positioning and a robust training program.

Given Japan's crazy hours, working professionals have a hard time making lessons. E-learning has provided a solution for such students by offering a range of levels and assessment, documenting exact class hours and attendance, and saving in cost on both ends.

Below is a list of major players. The four major players have over 100 companies using their e-learning education programs.

Name	Type	Industry specific English classes	Example
Alc https://eikaiwa.alc.co.jp/pages/company	Corporate only	No	N/A
Real English Broad Bank http://www.reallyenglish.co.jp/	Corporate and Education foundation	Available	Toyota Itochu Corp Kansai University
Rare Job https://www.rarejob.com/corporate/	Corporate and Education foundation	Apparel Only	Lotte Yahoo!Japan Nagasaki Junshin Catholic University
Best Teacher http://www.best-teacher-inc.com/	Corporate and Education foundation	Available	Will Group Corp Doshisya International School

The four major players all provide variety of Business English communication and TOEIC preparation classes. Additionally, Real English Broad Bank, Rare Job, and Best Teachers offer different English education based on industry types. For example, Real English Broad Bank offers special English training for hotel, automobile, and medical industries. These classes offer communication training with industry specific technical words. Pricing differs by company but is usually based on the size of the client company, the number of students, types of courses, and additional tools.

B to C

About 2/3 of the e-learning language education market is supported by personal use products. Similar to the previous report, *The English Language Market in Japan*, this report will re-introduce the seven major players. Out of the seven major players, the four provide e-learning options.

Major players

	Types	URL
AEON	Professional + Child	https://www.online-lesson.jp/internet/training/
ECC	Professional +Child	http://online.ecc.co.jp/ http://online.ecc.co.jp/kids/lp/index.html
NOVA	Professional	https://www.nova.co.jp/ochanoma/
Berlitz	Professional	http://www.berlitz-bvc.com/

Pricing varies by the number of classes customers take each month. Customers can choose between two classes a month to two to three classes per day. The cheapest is ECC, with \$7.5 a month for a minimum price. In this case, the customer can take two classes a month. The price range per month can be from \$7.5 to \$585.

Other Players

The four major players offer high quality English programs with native speakers. Therefore, pricing tends to be expensive. However, along with Rare Jobs, many Japanese companies are entering the e-learning market. In fact companies do joint ventures or have e-learning as one part of their business. They use the money-making parts of their business to finance cheap English lessons. DMM, a Forex trading company has such a model. These companies have a physical presence in Japan and Japanese customer service in country.

Key-eye	http://www.key-eye.net/gnavi_price/index.html
Hanaso	http://www.hanaso.jp/

Ecom	http://ja.myecom.net/english/
English Town	http://www.englishtown.co.jp/about-us/
QQ English	http://www.qqeng.com/
Gun-Gun	http://www.gge.co.jp/
DMM	http://eikaiwa.dmm.com/guide/
PIKT	http://www.pikt.jp/
Tenori-Eigo	http://tenorieigo.com/
Best Teacher	http://www.best-teacher-inc.com/

The fees for the players above are cheaper than the four major players.

DMM	Hanaso	Key-eye
\$34/month	\$48/month	\$50/month
25 min/1 session	25min/ 1 session	15min/session
Every day/ 1 session max	Every day/ 1 session max	Every day/ 2 session max

Recommendations

The market is saturated with inexpensive and expensive options and well-known names. For those wishing to have a customized learning experience, they can easily head to one of the legacy schools and opt for face-to-face and e-learning lessons. For those who want economical and flexible options, Skype lessons are the preferred choice. Mothers wishing to network and show societal status will flock to local schools with their children, and corporations will contract with providers that offer e-learning options.

How can newcomers enter the B-C market? The option would be to either establish a local presence and offer a combination of face-to-face and online options, or come into the e-learning market with a unique edge. This would be to either have competitive price, or a niche specialty. Focusing on un-served industries would be one approach. For both options, Japanese customer service and some type of local presence would be key.

For entering the B-B market, there is significant completion. Major companies have already partnered with players whose names are now recognized in the market. To come in and be successful, a company would have to offer a unique line-up or competitive price. Getting companies to switch e-learning providers would be much more difficult than securing a first time customer. Servicing such corporate customers would also mean having a sizable presence that could create customized course content and provide account servicing and support.

Furthermore, it is important to realize that the majority of the e-learning market is based in the professional learning arena. Companies have the need and resources to pay for such options as they feel the need based on ongoing projects. Such companies will find partners that can provide services that will benefit their business models and employees.

The market for youth and pre-school aged children does exist, but is not that large, and is certainly saturated. Many businesses and schools may not feel the need to take on new e-learning options due to market size, and because the market segment still values face-to-face lessons. Mothers are also more hands on, and may wish to have training classes on how to effectively use on-line content before being able to use the content at home. This would require some type of training program for a new e-learning system to be implemented.

Trade Events

EDIX

Education IT Solutions Expo

Date: 5/18-5/20, 2016

Organizer: Reed Exhibitions

URL: <http://www.edix-expo.jp/>

Tokyo International Book Fair

Date: 9/23/-25, 2016

Venue: Tokyo Big Sight

Organizer: TIBF Executive Committee, Reed Exhibitions Japan Ltd.

URL: <http://www.bookfair.jp/en/HOME/>

How CS Japan Can Help

CS Japan welcomes players interested in the market but wishes to set realistic expectations. The market is saturated and entering it requires patience and significant time and financial investment. Furthermore, there is no guarantee that Japanese partners or consumers would express interest despite having an attractive product.

CS Japan can offer market entry counseling and additional fee based services upon request. Some companies have opted to hold events supported by CS Japan to attract local partner and stakeholder candidates. Others have asked for partner introductions where CS Japan has conducted outreach and promotion on a company's behalf to select players to gauge interest. CS Japan cannot guarantee that local players will be interested despite outreach and asks clients to keep in mind market realities for proper expectations.

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