

Industry Ecology and Development Trend of K12 Extra-Curricular Training in China's Education Industry

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ABSTRACT In 2018, China's K12 extra-curricular training institutions ushered in the trend of "strict supervision", and the politics of off campus training institutions under the theme of "burden reduction" are gradually advancing. This paper focuses on (1) how the industry develops under the strict supervision of the education and training industry; (2) market status and industry ecological analysis of K12 extra-curricular training; (3) classification and future trend analysis of K12 discipline training institutions in the whole market. The author believes that due to the unique path of entering higher education of China, K12 extra-curricular training is still a strong demand.

1. INTRODUCTION

In 2017, the total number of Chinese born population did not meet the policy expectation, the birth rate in the first half of 2018 declined, and the new born population may continue to decline. The author believes that the birth release brought about by the "comprehensive two child" policy tends to end, and the pressure will be pushed forward to K12 stage in the process of standard education and enrollment. In addition, in 2018, the education policy came out frequently. Under the strict supervision, the draft of opinion, draft for review, and order of prohibition and supplement of the law on promoting the people were issued. The whole education pattern and capital ecology are being reshaped.

The education sector as a whole shows the characteristics of rigid demand, hot investment and strict policy supervision. At present, the shortage of quality education resources is still the main problem, which can not be alleviated in a short time. Parents' anxiety about entering school and other issues make consumption cognition and education upgrading continue to advance. High demand for education is a high probability, and the education sector is still anti cyclical. K12 is still the focus of the education market, and the pressure and anxiety of entering school are mainly concentrated in the primary school to high school stage. The demand for extra-curricular training will be increased or reduced, and the industry leaders of standardization and specialization are expected to benefit. Therefore, this paper makes a detailed analysis on the industry ecology and development trend of K12 extra-curricular training in China's education industry in order to provide suggestions for the development of education..

2. An analysis of the market situation of K12 in China

2.1. Population structure changes: the birth release of "two child policy" tends to end, and the new born population may continue to decline

The total number of births in 2017 did not meet the policy expectations, down 630000 from 2016. Since the CPC meeting decided to implement a comprehensive two child policy nationwide in 2015, the total number of births increased significantly in 2016, reaching 17.86 million. According to the prediction in the research on the population change calculation of implementing the comprehensive two child policy edited by leader of National Health Bureau Wang Peian, the annual birth population of 2023-21950000 can be achieved by implementing the "comprehensive two child" policy in 2017. However, in fact, the number of births in 2017 was only 17.23 million, accounting for 51.2% of the total number of second children and the first one child. The birth release brought

by the "comprehensive two child" policy tends to end, and the positive impact of the two child policy on the number of new born population will continue to decline in the future [1].

In the first half of 2018, the birth rate has declined in more than half of the year, and the new born population may continue to decline. On the basis of the deployment of China Education Statistics Yearbook, local statistical offices carried out a survey on the effect of the relevant policies on opening up one child birth launched four years ago.

In the first half of this year, the number of births dropped significantly, and the number of first and second children declined as a whole. The main reasons are the sharp shrinkage of women in the peak period of childbearing age and the end of the release of fertility accumulation caused by the two child policy, which is a long-term downturn in fertility intention. For example, from January to June this year, there were 383000 babies born in Jiangsu Province, a decrease of 56000 or 12.8% compared with the same period last year. In Xianyang of Shaanxi Province, Yantai of Shandong Province, Hebi of Henan Province and other places, the number of new born people decreased[2].

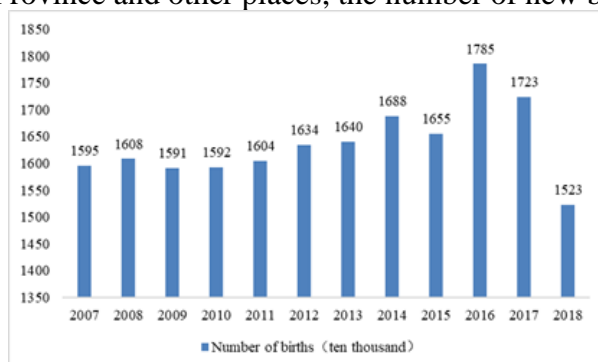


Figure 1 China's new born population in 2007-2018

2.2. Interpretation of policy trend: steady progress of reform process and possible change of education pattern

2.2.1. Strict supervision: pursuing education fairness and quality, and strengthening "burden reduction"

At the national level meetings such as the 19th National Congress and the NPC and CPPCC, detailed objectives were put forward for parent child education, home education, k12 education, higher education, quality education and vocational education, quality-oriented education and other major sub circuits, and the focus on education equity and quality was strengthened, "reducing burden" is the main theme of current education. In 2018, the focus of education is pre-school education and the "heavy burden" of K12 stage "And so on [3].

In addition, education "strict supervision" is the main theme at present and will continue in the future. Including the rectification of extracurricular training institutions and the promulgation of the "ban and supplement order", there are clear provisions for extracurricular training institutions, which are inconsistent with some regulations about China's basic law and relevant legal provisions. This measure also means that at present, the supervision of education and training institutions is becoming more and more strict, and the rectification is being strengthened. It is expected that the implementation regulations of the civil promotion law will be modified and supplemented according to the opinions of all parties, and the education and training industry of K12 will be affected in the short term

2.2.2. Citizen coordination: clear classified supervision

In 2018, the opinions draft and the draft for examination of the regulations of the people's promotion law were issued one after another to clearly regulate the educational institutions, including the institutions for Supplementary Tutoring related to school culture courses or entrance examination for children and adolescents in preschool and basic education stages into the scope of permission of the administrative Department of education, and for adults to carry out training or carry out training activities such as art, sports, science and technology, research and learning of the institutions excluded[4].

Among them, there are three main points. First, the classified management of training institutions helps to promote education equity, improve education quality, and further standardize education and training institutions. Second, vocational education and training related institutions and adult education are relatively simple, which are expected to expand in the future. Third, the field of adult vocational education is expected to benefit. Private regulations in various regions have been promulgated in succession, and supporting regulations may be issued accordingly in the future. Resource coordination between civil affairs offices is an important proposition.

2.3. Reform: pushing forward the reform in subdivisions and deepening the implementation of the essence of Education

Around the two goals of education equity and quality, the deepening reform of education will continue to be implemented. It not only reveals the future development direction of education segments, but also provides important investment signals for the market. Take the New Curriculum Standard and NMET as an example: the local pilot highlights the effect of "exploring the way" and opens the "two-way selection" valve. In the new reform, the core goal is to achieve the examination of compulsory subjects and selected subjects, and to include the comprehensive quality assessment of high school into the college entrance examination scores[5].

The key is to establish a two-way selection mechanism between colleges and students. Among them, the reform of Shanghai and Zhejiang was first launched. At present, they have taken the lead in completing a round of three in one admission system of national unified examination, academic level examination, comprehensive quality evaluation, leading other regions of the country to start the reform process.

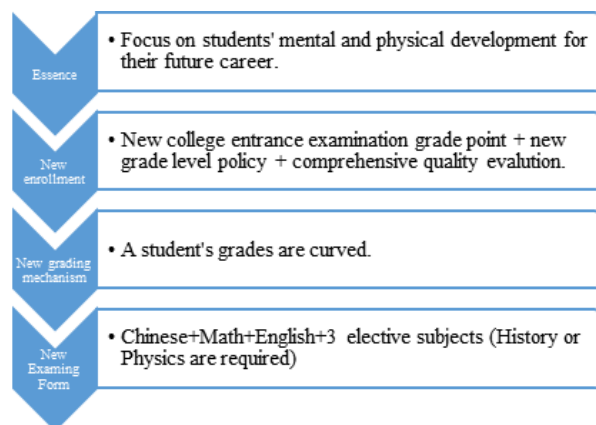


Figure 2 The core view of the reform of the new college entrance examination in China

3. Industry Ecology Analysis of K12 Extra-Curricular Training in China

3.1. Regulatory situation: strengthening rectification and governance and short-term pressure on the industry

The law on the promotion of private education clearly stipulates the classified management, and clarifies the examination and approval conditions and procedures of the education and training institutions.

In order to effectively reduce the extra-curricular heavy pressure on students and parents in K12 and promote the standardized and orderly the continuous development of extracurricular tutoring institutions, the relevant national departments issue red headed documents on August 22, in which the principles of approval, registration and territorial ownership were clearly defined[6].

At present, the supervision of educational and training institutions is becoming more and more strict, and the rectification is also being strengthened. It is expected that the implementation regulations of the law will be amended and supplemented according to the opinions of all parties. With the promulgation of the civil promotion law and the national regulation, for k12 education and

training industry, it may be under pressure in the near future, but taking a long view, the market share of leading institutions will be further improved due to the more standardized market.

3.2. Driving factors: the trend of entrance path, high demand for K12 extra-curricular training

The education system determines the "decisive" position of the new reform, and the Chinese parents' ideas about "Gaokao is supreme" is deeply rooted. NCEE, As the last and most significant "battle" in K12 stage, is not only the stage assessment of this learning process, but also an important means for students to realize their dreams. At present, students, parents and school all embrace the concept of "college entrance examination is supreme" for college entrance examination, which is a decisive battle. It is imperative to train and coach students in K12 stage.

In 2018, 9.75 million candidates participate in the NCEE, with a record number since 2010. According to the data of China education network, in 2018, the number of Gaokao reached a new high. The number of candidates nationwide achieved 9.75 million, a new high since 2010. After "2000", the college entrance examination officially entered the stage, and the competition pressure for college entrance examination is still severe.

K12 extra-curricular counseling can further supplement the school's formal education to cultivate students' development. Nearly 40% of junior high school students and nearly 60% of senior high school students participate in K12 after-school remedial courses. K12 after class counseling can provide children with competitive advantages to maximize the achievement of academic goals.

3.3. Market space: huge population base + long user cycle, huge and sustainable market volume

K12 rigid needs support to ensure good growth, the ceiling is still high and the market concentration is low. As a supplement to regular school education, extracurricular counseling will steadily improve the market in the future. In the light of the latest statistics, the number of people reading K12 in China is 200 million, of which 183 million were in 2016. Under the huge population base, there is a huge stock market space in the subdivision track of K12, especially the driving role of compulsory education. With the superimposed consumption upgrading, the industry market prospect is huge. On the basis of McKinsey's Research Report, the market scale of Chinese extra-curricular tutoring has increased to over 4550 billion yuan in 2018. Also, it is expected to reach 611.1 billion yuan in 2022. In the future, with the increasing wealth of Chinese families, the increasing emphasis of Chinese parents on children's academic performance, with spreading of educational anxiety, and the examination oriented admission mode in China, it is expected that the total income of the after-school will continue to grow by more than 30% per year [7].

The huge pressure of entering a higher school and the increase of parents' education expenditure have promoted the continuous growth of the extra-curricular education market. In 2016, the per capita consumption of education was \$112.3, and that of the United States was \$593.6, of which China's education expenditure accounted for 4.2% of the per capita annual expenditure, higher than that of the United States by 2.4%. With the increasing pressure of entering school, more and more parents choose after-school education and training services for their children.

4. An Analysis of the Development Trend of K12 in China

4.1. Competition pattern: the industry pattern is highly decentralized, and the increase of concentration is the general trend

The industry pattern shows that the top four giants in K12 extra-curricular guidance industry have all been listed, and excellent education is the fifth largest extra-curricular tutoring institutions in primary and secondary schools. Data from top international consultants that CR5 is 4.7% by revenue in 2018, showing that the education industry is very fragmented, among which the outstanding education ranked fifth, with a revenue of 1.11 billion yuan, accounting for 0.3% of the national market share. Among them, the two giants of New Oriental and tal have strong advantages

in terms of revenue, student scale, industry influence, etc., with the two leading positions accounting for 3.1%; the second is education at university and elite education, with 0.7% and 0.6% respectively. And the top four giants have been listed. If the fifth institution of excellence education is officially listed in Hong Kong stock market, it will become the most pure K12 target in the education sector of Hong Kong stock market [8] .

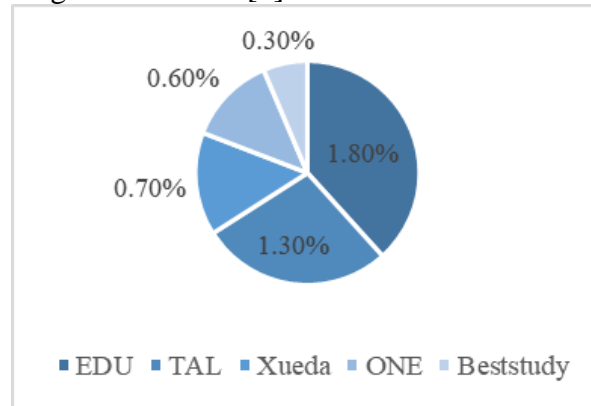


Figure 3 Market shares of the top five institutions

The three echelons are obviously differentiated. Subdivide k12 education and training market, can be divided into three echelons. Among them, the first tier is the national leader, which is distributed all over the country, including TAL and EDU, with a revenue level of more than 3 billion yuan and a market value of 100 billion yuan; the second tier is the regional leader, mainly with a better regional development, with a revenue level of 500-3 billion yuan, such as Xueda , Beststudy and ONE; the third tier is mainly regional institutions with a revenue level Lower, including Jiayi Education , Gaosi Education, Longmen Education, etc.

4.2. New high school entrance examination: Chinese has become an important direction of future development

In 2014, state organs issued important strategic documents, and launched the reform of "combination of all sectors" in that year. In 2014, the comprehensive reform pilot was carried out in Shanghai and Zhejiang provinces. By 2017, Shanghai and Zhejiang will complete one cycle of pilot projects, and Beijing, Tianjin, Shandong and Hainan will join in the pilot program. The new era of college entrance examination will come. The key contents of the reform include: (1) provincial examination papers: provinces that have increased the use of national unified test papers since 2015; (2) examination subjects: the total scores are composed of There are three compulsory subjects and three other optional subjects. The choice of the latter is closely related to the major and future career development of the University, no longer dividing the subjects of Arts and science. In some provinces, English can be tested twice, so the differentiation of examinees' scores will be reduced. (3) bonus items: cancellation of Physical Education Education, art and other specialty students plus points [9].

After the third round of reform in 2020, Chinese training is booming and the demand is growing rapidly. In the capital market, Lanxum disclosed in February 2018 that it would purchase 51% of the shares of Chinese in the future with 481 million yuan of cash, and arrange K12 language training. Now it has announced the completion of delivery [10]. On June 8, 2018, Lanxum announced that it plans to invest 99 million yuan to establish Lanxum education industry investment fund, which will be established around the upstream and downstream related products of the Chinese industry and offline training institutions And education industry related high-quality targets in line with the strategic development direction, direct or indirect equity investment or equity related investment.

5. Conclusion

After analysis and summary, China's education K12 industry is under short-term pressure, and its long-term development logic remains unchanged. As a result of the path to higher education and parents' anxiety, the burden of education will be reduced, or the demand for extra-curricular training will be released. The extra-curricular guidance industry in China is expected to reach 611.1 billion yuan in 2022, in the future it will continue to grow at a high speed from 2019 to 2024. At present, K12 industry has good growth, high ceiling and low market concentration. In the long run, the rectification and cleaning up of extracurricular institutions will bring about further market share improvement of leading institutions. At present, the two giants of EDU and TAL occupied the national market, formed three echelons composed of national leaders, regional leaders, and regional institutions.

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