



The English Language Education Market in Japan

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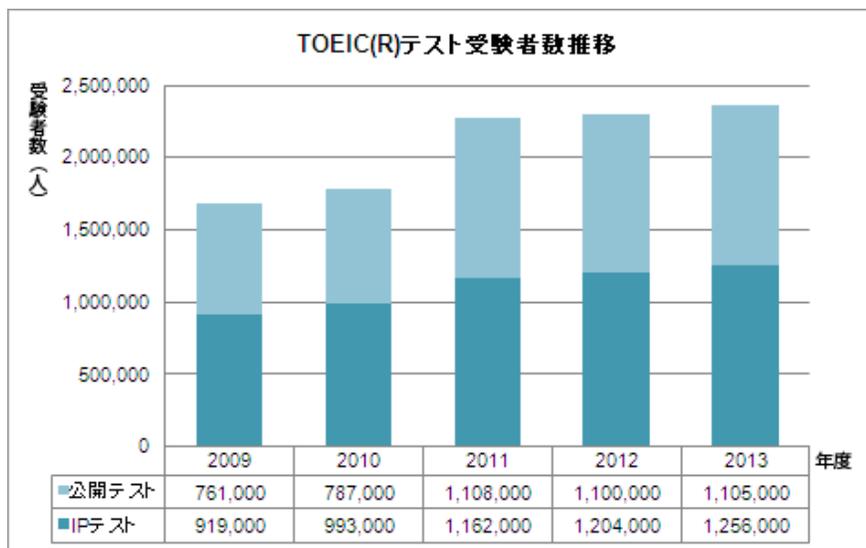
April 2015

A renewed interest in English Education

The Abe Administration has proposed a series of education reforms to prepare Japan for the 2020 Olympics and to nurture its future workforce to become global citizens. Suggested reforms include moving compulsory English classes from 5th and 6th grade to start as early as 3rd grade.

In the past, English tests for high school and university examinations focused more on grammar and reading rather than listening comprehension or conversational skills. The lack of focus on communicative skills has been cited as a reason for Japan's low English scores as a nation. Though most students receive about seven years of English language education, Japan ranked 40th out of 48 nations for TOEFL scores in 2013. These scores have led an educational reform panel to integrate TOEFL (and similar English exams) into the university admissions process.

As job hunting has become more competitive, many companies have introduced TOEIC requirements for potential applicants. In 2013, 2,361,000 took the TOEIC examination, an increase of 170 percent from 2009. Interest in English education is expected to continue with the 2020 Olympics fast approaching and the job market remaining extremely competitive.



The Market for English Education

The Yano Research Institute calculates Japan's English Education market at \$2,772 million in 2013. This market is divided into three categories including: Professional English education, Child English

Education, and Pre-School English Education. The Professional market is estimated to be about \$1,731 million, the Child Education market at \$973 million, and the Pre-school market at \$248 million.

The professional market accounts for roughly 2/3 of total market size. This figure includes middle/high school/university students taking English courses outside of standard school curriculum. A breakdown of the professional market shows that most identified their reasons for studying English to achieve professional/business goals.

Students in this segment usually wanted lessons that helped with TOEIC scores, business presentations, and discussions in English. In this market segment, most opted for group lessons (market value: \$1,447 million) as opposed to private lessons (market value: \$283 million).

The Child English Education market includes all who opt to take classes outside of standard school curriculum until middle school. Since some schools do not officially mandate a consistent English curriculum until middle school, many choose to supplement their knowledge or get a head start by taking outside classes.

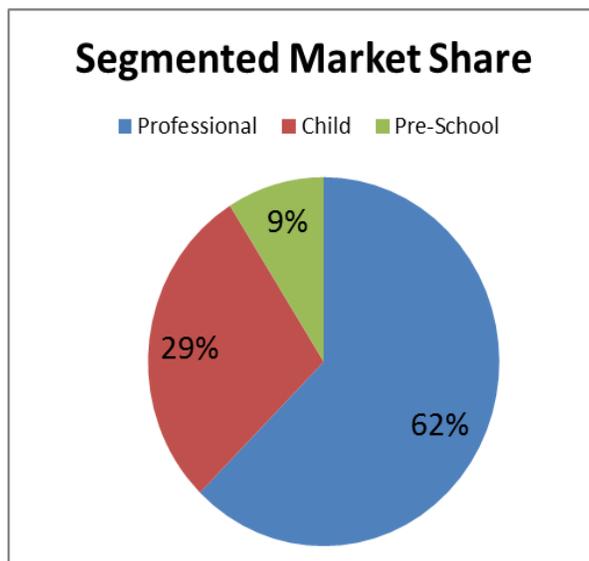
The Pre-School Education market includes all institutions that operate in English. This includes international pre-schools and daycare centers.

The Major Players

There are seven major players in Japan and the market is quite saturated. The seven players below are household names with advertisements and school locations in not only major urban centers, but also in regional localities. The major players compete for different celebrities to feature in their television commercials, and hire recent college graduate native speakers as teachers.

Coco Juku	http://www.cocojuku.jp/course/japanese.html?cid=ls_coe_ggl_kw_0000130726364_381
ECC	http://www.ecc.co.jp/index.html
Gaba	http://teaching-in-japan.gaba.co.jp/aboutgaba/
NOVA	http://www.nova.co.jp/
Berlitz	http://www.berlitz.co.jp/
AEON	http://www.aeonet.co.jp/
Shane	http://www.shane.co.jp/

The seven major players all have native teachers, visible marketing campaigns, round the clock Japanese style customer service, and convenient school locations. A look at their websites shows the time and financial resources invested into creating marketing content, and ensuring customer service.



In a demanding market such as Japan, attractive marketing materials and seamless customer service in Japanese are absolutely essential.

A unique element offered by the seven players is the ability for students to “customize” their English language education experience. The Japanese consumer does not want to be restricted to choosing between group and individual lessons. Schools now offer both as part of a package consumers can select, and one is able to change his/her mind regarding how he/she wants to learn by week, or even by day. Some schools even offer online options, giving students multiple options and formats in which to learn English.

The chart below shows what is currently being offered by the seven major players. Some have not yet begun offering online lessons, but about half do.

	Private Lessons	Group Lessons (Max students)	Web Lessons
COCO Juku	○	○ (3)	×
ECC	○	○ (8)	○
Gaba	○	×	×
NOVA	○	○ (4)	○
Berlitz	○	○ (3)	×
AEON	○	○ (8)	○
Shane	○	○ (4)	×

Pricing tends to be around the same for most players. Sample pricing from Coco Juku is shown below as a reference point.

Basic English Course: 42 lessons - 50 minute group lessons for 12 months at 203,700 yen (\$1,697)
 Business English Course: 42 lessons - 50 minute group lessons for 12 months at 203,700 yen (\$1,697)
 Private Lessons: 42 lessons - 50 minute lessons for 12 months at 375,984 yen (\$3,133).

This puts each group lesson at about 4850 yen (approx. \$40) and each private lesson at about 8,952 yen (approx. \$75).

Emerging Online Players

In 2007, a new player entered and drastically changed the market. Rarejob (<https://www.rarejob.com/>), an SEC registered company, began offering English Lessons via Skype. Using 3000 instructors based in the Philippines, the company quickly captured the Japanese market with affordable prices and flexible lesson options. Currently, the company boasts 230,000 registered students, and 250 corporate members including Yahoo Japan and Crocs. The company offers unlimited lessons for a set monthly price of 5600 yen (approx. \$47).

Competitor DMM (<http://eikaiwa.dmm.com/>) offers 99 yen lessons and a 3950 yen (approx. \$33) package for unlimited lessons per month. The company has 2500 instructors that come from not only the Philippines, but from 61 other nations. This company has seen a surge of students after using a famous Japanese comedian for marketing purposes.

The success of such online entities can be attributed to the growing use of smartphones, the desire for students to schedule lessons outside of traditional times, and the affordable cost. Both entities have

flawless Japanese websites with ongoing promotions, Japanese customer service, and visible marketing campaigns. Without a local presence in Japan, a strong team of Japanese programmers managing the website, and bilingual customer service and marketing specialists, success would not have been possible. The initial financial investment required to be noticed, and the continuous marketing, operational, and human resources costs are significant, and should be something all new entrants consider.

Recommendations for New Entrants

Interest in English education is high, and Japanese are willing to pay between 100 yen to 8000 yen per lesson. That being said, the market is saturated with visible high end players and lower end online option providers. Any new entrant would need to commit significant financial resources to be able to enter the market and offer a different line-up than what is currently available. A company without local representation or a Japanese website with Japanese customer service will simply not be successful. A company that is unable to offer something different will also face stiff competition. DMM was able to gain market share from Rarejobs by offering instructors from 61 different nationalities in addition to native English speaking instructors. ECC, NOVA, and AEON have quickly made the transition to offer online options in addition to their other services. A new entrant would need to have something unique to offer and be prepared to commit to the market. That being said, with the 2020 Olympics, it is expected that there will be multiple opportunities for service providers that cater to Japan's unique needs in an innovative and cost effective manner.

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